

# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

May 9, 2016

**Company name:** Takara Leben CO., LTD.

**Stock listed on:** Tokyo Stock Exchange, First Section

**Securities code:** 8897 (URL <http://www.leben.co.jp>)

**Representative:** Kazuichi Shimada, President, Representative Director

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**Scheduled date of annual general meeting of shareholders:** June 27, 2016

**Scheduled date for commencement of dividend payment:** June 28, 2016

**Scheduled date for release of annual securities report:** June 27, 2016

**Supplementary materials on financial results:** Yes

**Briefing for financial results:** Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million)

## 1. Consolidated Financial Results for the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

### (1) Consolidated operating results

(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	%
Year ended March 31, 2016	76,268	(0.9)	7,563	(18.3)	6,708	(21.4)	4,308	(24.7)
Year ended March 31, 2015	76,956	6.9	9,257	(5.5)	8,540	(7.0)	5,718	(2.6)

(Note) Comprehensive income: Fiscal year ended March 31, 2016: ¥4,266 million ((25.7)%)

Fiscal year ended March 31, 2015: ¥5,744 million ((2.1)%)

	Earnings per share	Diluted earnings per share	Ratio of earnings to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	38.99	38.82	13.3	5.8	9.9
Year ended March 31, 2015	50.61	50.44	19.7	8.6	12.0

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2016: ¥65 million

Fiscal year ended March 31, 2015: ¥5 million

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2016	129,744	33,677	25.8	304.71
March 31, 2015	101,738	31,189	30.6	279.11

(Reference) Shareholders' equity: March 31, 2016: ¥33,536 million

March 31, 2015: ¥31,111 million

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2016	2,428	(19,816)	19,663	28,390
Year ended March 31, 2015	(8,155)	(7,998)	6,314	26,114

## 2. Dividends

(Record date)	Annual dividends per share					Total dividends (annual)	Dividends payout ratio (consolidate)	Ratio of dividends to net assets (consolidated)
	Q1	Q2	Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2015	—	2.00	—	4.00	6.00	671	11.9	2.3
Year ended March 31, 2016	—	4.00	—	9.00	13.00	1,430	33.3	4.4
Year ending March 31, 2017 (forecast)	—	5.00	—	10.00	15.00		18.3	

### 3. Forecast of Consolidated Financial Results for the Year ending March 31, 2017 (From April 1, 2016 to 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

#### \*Notes

(1) Changes in significant subsidiaries during the current fiscal year

(Changes in specified subsidiaries resulting in changes in scope of consolidation): None

New: None Excluded: None (Name) -

(2) Changes in accounting policies and accounting estimates, and restatements

(i) Changes in accounting policies due to revision of accounting standards: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at end of year (including treasury stock)

(a) As of March 31, 2016 : 126,000,000 shares

(b) As of March 31, 2015 : 128,000,000 shares

(ii) Number of treasury stock at end of year

(a) As of March 31, 2016 : 15,938,307 shares

(b) As of March 31, 2015 : 16,531,307 shares

(iii) Average number of shares during the year

(a) Fiscal year ended March 31, 2016 : 110,491,726 shares

(b) Fiscal year ended March 31, 2015 : 112,990,042 shares

(Reference) Summary of Non-Consolidated Financial Results

**1. Non-Consolidated Financial Results for the Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)**

(1) Non-consolidated operating results (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	%
Year ended March 31, 2016	65,496	(4.8)	7,145	(18.7)	6,369	(21.7)	4,336	(19.7)
Year ended March 31, 2015	68,819	2.5	8,783	(6.3)	8,137	(6.2)	5,401	(2.1)

	Earnings per share	Diluted earnings per share
	yen	yen
Year ended March 31, 2016	39.24	39.07
Year ended March 31, 2015	47.81	47.65

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2016	120,003	31,158	25.8	281.83
March 31, 2015	93,130	28,560	30.6	255.53

(Reference) Shareholders' equity: March 31, 2016: ¥31,018 million

March 31, 2015: ¥28,483 million

**2. Forecast of Non-Consolidated Financial Results for the Year ending March 31, 2017 (From April 1, 2016 to 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	84,000	28.3	14,200	98.7	13,300	108.8	8,700	100.6	79.05

\* Status of Audit Procedures

This summary of consolidated financial results for the year ended March 31, 2016 is not subject to audit procedures under the Financial Instruments and Exchange Act, and the audit procedures for the consolidated financial statements are not complete at the time of the disclosure.

\* Explanation about the proper use of the financial results forecasts, and other matters

The forward-looking statements presented above are based on the information available at the time of the release of this report and are not intended to guarantee that the Company would achieve such figures. Actual results may differ from these forecasts due to various factors in the future.

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

#### Overview

During the consolidated fiscal year ended March 31, 2016, the Japanese economy has been on a moderate recovery trend showing improvement of corporate earnings and employment conditions backed by the government's and the BOJ's various economic policies and the monetary policy. However, with the recent appreciation of yen and increasing uncertainty over the overseas market of emerging countries mainly China, it is still necessary to watch closely the business environment. .

In the real estate industry, in which the Company operates, rising sales price mainly in the Tokyo Metropolitan area resulted in a decrease in the number of units sold. Meanwhile, new demands are being created in local cities by the effect of regional revitalization measures such as City Center Revitalization Act promoted by the government. Also due to low interest rates and the government's continuing measures to support housing acquisition, the business environment has generally shown a steady growth.

Under such circumstance, the Company has set a goal of "diversifying flow businesses and expanding stock and fee-based businesses" under the mid-term management plan and focused on promoting them. In our core real estate sales business, we focused on sales of solar-powered condominiums and received a high evaluation from first-time buyers, ranking first in the ranking of the number of 'solar-powered condominiums' units supplied for the fifth consecutive year. The Company has achieved solid results in purchases of housing lots through promotion of its unique marketing method. In downtown areas in local cities, we purchased new housing lots in 11 cities and steadily expanded supply area using our group companies, Takara Leben Tohoku Co., Ltd. and Jyutakujiyouhoukan Co., Ltd. as our base in eastern Japan and western Japan, respectively.

In stock and fee-based business, we have acquired rental properties and also acquired and expanded operation of mega solar power generation plant steadily. With the aim of further expanding business utilizing natural energy, we established "Takara Leben Infrastructure Fund Inc." and are preparing for listing in infrastructure fund market of Tokyo Stock Exchange, Inc. As for real estate rental business and management business, we are working on building stable revenue portfolios by taking advantage of group synergies.

With its 'Leben Heim' series of in-house planned new condominiums as its main brand, 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.

#### (i) Operating Results for the Year Ended March 31, 2016

##### a) Performance review

At the parent level, Takara Leben Co., Ltd. delivered 1,448 units (including units sold under the joint venture) in the built-for-sale condominium business, including those in "The Leben OtsukaYamanote Hill Top Season" which is the first property of our new brand "the Leben" series. Also, the Company ranked first in the ranking of the number of 'solar-powered condominiums (available in each individual home unit)' units supplied in Japan in 2015 for the fifth consecutive year.

The detached housing business delivered 194 units.

Sales in the real estate rental business exceeded the initial plan as we purchased 8 units during the current fiscal year.

As a result, Takara Leben Co., Ltd. recorded net sales of ¥65,496 million (down 4.8% year-on-year), operating income of ¥7,145 million (down 18.7% year-on-year), ordinary income of ¥6,369 million (down 21.7% year-on-year), and net income of ¥4,336 million (down 19.7% year-on-year).

At Leben Community Co., Ltd., the number of units managed under consignment expanded steadily to 41,131 units. Especially, units entrusted from other companies accounted for approximately 45% of the increase during the fiscal year as a result of the efforts to secure other companies' properties. Peripheral operations, including renovation, merchandise sales, and repair work, also showed a steady growth.

Takara Property Co., Ltd., engaging in rental management business, recorded sales essentially in line with the plan.

Takara Asset Management Co., Ltd. has been preparing for listing on the infrastructure fund market and established "Takara Leben Infrastructure Fund Inc." whose assets are managed by the company.

At Tafuko Co., Ltd., business expanded essentially as planned, supported by steady commission income.

Takara Leben Realnet Co., Ltd. is engaged in real estate sales agency and real estate distribution businesses.

Nikko kensetsu Co., Ltd. is engaged in general construction business mainly in Yokohama.

Nikko Property Co., Ltd. is engaged in rental management business mainly in Yokohama. Nikko Property Co., Ltd. was established by incorporation-type split from Nikko kensetsu Co., Ltd. on January 4, 2016.

Takara Leben Tohoku Co., Ltd. is engaged in real estate sales business and commissioned real estate marketing agency business mainly in Tohoku area.

Jyutakujyohoukan Co., Ltd. is engaged in rental management business and real estate distribution business mainly in Matsuyama, Ehime.

Takara Investments Co., Ltd. is preparing for entering into REIT market.

In As Partners Co., Ltd., total of fourteen nursing care facilities are operating and capacity utilization remained high at approximately 91%. As Partners Co., Ltd. is excluded from the scope of affiliates accounted for by the equity method due to partial sale of interests in September 2015.

The Sunwood Corporation is engaged in sales and delivery of joint venture property.

As a result of the above, the Group recorded net sales of ¥76,268 million (down 0.9% year-on-year), operating income of ¥7,563 million (down 18.3% year-on-year), ordinary income of ¥6,708 million (down 21.4% year-on-year), and net income attributable to owners of parent of ¥4,308 million (down 24.7% year-on-year).

#### b) Performance by Business Segment

##### < Real Estate Sales Business >

Sales from the real estate sales business amounted to ¥63,383 million, down 5.3% year-on-year, including sales of ¥53,558 million from new build-for-sale condominium business and sales of ¥9,824 million from new detached housing business, etc.

##### < Real Estate Rental Business >

Revenues from the real estate rental business amounted to ¥4,307 million, up 48.6% year-on-year, including rent revenues from rental of apartments, condominium units, and offices.

##### < Real Estate Management Business >

Revenues from real estate management business representing management fees from 41,131 units under management amounted to ¥3,362 million, up 12.9% year-on-year.

##### < Other Business >

Revenues from other businesses amounted to ¥5,215 million, up 25.0% year-on-year, including revenues from construction work, large-scale repair work and revenues from electric power selling in mega-solar business.

#### c) Performance Review by Item

##### < Net Sales >

Net sales of the real estate sales business amounted to ¥63,383 million, including sales of 1,448 new built-for-sale condominium units and sales from new detached housing.

Revenues from the real estate rental business amounted to ¥4,307 million, including rent revenues from rental of apartments, condominium units, and offices.

Revenues from the real estate management business representing management fees from 41,131 units under management amounted to ¥3,362 million.

Revenues from other businesses include revenues from construction work, large-scale repair work and revenues from electric power selling in mega-solar business and amounted to ¥5,215 million.

As a result, net sales for the consolidated fiscal year ended March 31, 2016 amounted to ¥76,268 million, down 0.9% year-on-year.

##### < Cost of Sales >

Cost of sales decreased by 0.4% to ¥58,433 million as the number of units delivered in the new built-for-sale condominium business decreased by 172 units from the previous fiscal year to 1,448 units.

< Selling, General and Administrative Expenses >

Despite the continued cost-cutting efforts, selling, general and administrative expenses increased from the previous fiscal year by 13.5% to ¥10,272 million due mostly to recording the expenses of the subsidiaries acquired during the previous fiscal year for the full year.

< Non-Operating Income and Expenses >

Non-operating income increased by 12.4% from the previous fiscal year to ¥262 million due to an increase in income from equity method investment.

Non-operating expenses increased by 17.4% from the previous fiscal year to ¥1,117 million due to an increase in interest expense as a result of new borrowings for projects.

< Extraordinary Gains and Losses >

Extraordinary losses increased by 306.5% from the previous fiscal year to ¥252 million due mostly to recording loss for compensation for complete work.

As a result, net sales for the consolidated fiscal year ended March 31, 2016 amounted to ¥76,268 million, down 0.9% year-on-year, operating income amounted to ¥7,563 million, down 18.3% year-on-year, ordinary income amounted to ¥6,708 million, down 21.4% year-on-year, and net income attributable to owners of parent amounted to ¥4,308 million, down 24.7% year-on-year.

(ii) Outlook for the Year Ending March 31, 2017

Based on the new medium-term management plan announced on May 11, 2015, the business plan for the fiscal year ending March 31, 2017 was drafted as follows.

In the real estate sales business, the new built-for-sale condominium operation will aggressively promote the supply of condominiums in downtown areas in local cities and expects to deliver 1,600 units.

The detached housing business expects to deliver 288 houses.

The renovation business will continue to promote purchases at appropriate prices, based on the proper judgment of the market trend, in order to supplement the new built-for-sale condominium operations.

The real estate rental business intends to improve its stable stock business through well-selected purchases.

The real estate management business has set a target for management contract to be 43,300 units and aims at further expansion of peripheral operations such as large-scale repair work.

Based on the above, the Company's performance projections for the year ending March 31, 2017 are as follows:

Net sales:	¥105,000 million	(up 37.7% year-on-year)
Operating income:	¥15,000 million	(up 98.3% year-on-year)
Ordinary income:	¥13,900 million	(up 107.2% year-on-year)
Net income:	¥9,000 million	(up 108.9% year-on-year)

(New built-for-sale condominiums: Contracts signed versus number of units scheduled for delivery)

	Units scheduled for delivery during the fiscal year ending March 31, 2017 (units)	Of which, number of contracts signed (units)	Number of contracts signed for units scheduled for delivery after March 31, 2017 (units)	Total number of contracts signed (units)
As of March 31, 2016	1,600	714	88	802

(iii) Progress of the Mid-Term Management Plan, etc.

The Company developed the new mid-term management plan “Takara Leben Next Stage 2019” in May 2015 and set two main measures: “Diversifying flow businesses” and “Expanding stock and fee-based businesses.” In the fiscal year ending March 31, 2019, the final year of the plan, the Company aims at profit ratio of 65% for the flow business and 35% for the stock and fee business.

(iv) Achievement of Targeted Operating Index

The Company manages business with a focus on equity and cash and deposit balance. The new mid-term management plan developed in May 2015 sets the target of ROE at 20% or more.

(2) Analysis of Financial Position

With regard to assets, liabilities, and net assets of the Group as of March 31, 2016, total assets amounted to ¥129,744 million, an increase of ¥28,005 million from March 31, 2015, mainly due to an increase in inventories associated with new purchases and purchase of business assets.

(i) Analysis of Assets, Liabilities and Net Assets

a) Current assets

Current assets increased by ¥8,434 million from March 31, 2015 to ¥75,753 million mainly due to an increase in cash and deposits and an increase in inventories associated with new purchases.

b) Non-current assets

Non-current assets increased by ¥19,544 million from March 31, 2015 to ¥53,945 million mainly due to purchase of business assets.

c) Current liabilities

Current liabilities increased by ¥8,058 million from March 31, 2015 to ¥42,859 million mainly due to an increase in short-term borrowings and reclassification from long-term borrowings to short-term borrowings.

d) Non-current liabilities

Non-current liabilities increased by ¥17,458 million from March 31, 2015 to ¥53,207 million mainly due to an increase in borrowings associated with new purchases.

e) Net assets

Net assets increased by ¥2,487 million from March 31, 2015 to ¥33,677 million as net income attributable to owners of parent for the year exceeded distribution of surplus and acquisition of treasury stock.

(ii) Analysis of Cash Flows

Cash and cash equivalents (“funds”) as of March 31, 2016 amounted to ¥28,390 million, an increase of ¥2,275 million from March 31, 2015.

a) Cash flows from operating activities

Net cash provided by operating activities was ¥2,428 million (Year ended March 31, 2015: ¥(8,155) million), mainly attributable to an increase in income before income taxes and accounts payable, trade.

b) Cash flows from investing activities

Net cash used in investing activities was ¥19,816 million (Year ended March 31, 2015: ¥(7,998) million), mainly attributable to purchase of fixed assets.

c) Cash flows from financing activities

Net cash provided by financing activities was ¥19,663 million (Year ended March 31, 2015: ¥6,314 million), mainly attributable to an increase in borrowings.



(iii) Changes in Cash Flow Indicators

	FY2014/3	FY2015/3	FY2016/3
Equity ratio (%)	28.2	30.6	25.8
Equity ratio at market value (%)	37.9	70.6	56.5
Debt repayment period (years)	1.6	-	29.0
Interest coverage ratio (times)	28.0	-	2.4

Equity ratio: Shareholders' equity / Total assets

Equity ratio at market value: Equity market capitalization / Total assets

Debt repayment period: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows / Interest expense

\* These indicators are all calculated using consolidated financial data.

\* Interest-bearing debt includes all debts recorded on the Consolidated balance sheet on which interest is paid.

\* For FY2015/3, Debt repayment period (years) and Interest coverage ratio (times) are omitted due to negative operating cash flows.

(3) Basic Policy for Profit Sharing and Dividends for the Current and Next Fiscal Years

Returning profits to shareholders is one of the most important tasks for the Company, and the Company has the fundamental policy of striving to sustain stable levels of dividends at levels deemed appropriate based on due consideration of corporate performance trends and of the amount of internally retained funds required to expand and strengthen business operations. The new mid-term management plan aims to return profit at 35% or more by dividends and treasury stock acquisition.

Specifically, the plans for dividends are set as follows:

		1 <sup>st</sup> half dividend	Year-end dividend	Total
Year ended March 31, 2016 (forecast)	Ordinary dividends	¥4.0	¥9.0	¥13.0
		1 <sup>st</sup> half dividend	Year-end dividend	Total
Year ending March 31, 2017 (forecast)	Ordinary dividends	¥5.0	¥10.0	¥15.0

The Company does not decide dividends based solely on specific benchmarks but on a comprehensive assessment, with an aim to make the Company attractive for long-term investment by numerous shareholders.

#### (4) Business Risks

The following items present potential risk for the operating results, share price, financial position, etc. of the Group.

Forward-looking statements hereby are based on the assessment by the Group as of the end of the current consolidated fiscal year.

##### a) Earthquakes and other natural disasters

Earthquakes and other natural disasters may directly damage the Company or the construction companies used for execution, or may make it difficult for these construction companies to procure building materials. Any of these events may delay construction work, as well as hamper sales and collection activity of the Company, and thus impact the performance and financial position of the Group.

##### b) Legal regulations

The business of the Group is subject to the National Land Use Planning Act, Building Lots and Buildings Transaction Business Act, Building Standards Act, City Planning Act, Money Lending Control Act, Act on Advancement of Proper Condominium Management, Long-Term Care Insurance Act and other applicable national laws as well as applicable ordinances, etc., of the various local governments. Should these laws, ordinances, etc., be revised or new ones created, this may create new burdens for the Group and potentially impact its performance and business development.

##### c) Degree of dependency on borrowing

Purchase of land is funded primarily by loans from financial institutions, and the ratio of interest-bearing debt to total assets is 54.3% at the end of the current consolidated fiscal year. Thus, in case the funding is restricted or interest rates increase rapidly due to worsened financial conditions, the performance and financial position of the Group may be affected.

##### d) Home buyer sentiment

The Company's core business, new built-for-sale condominiums, tends to be swayed by changes in home buyer sentiment, which is affected by factors such as the overall economy, residential tax regulations, consumption taxes, land prices, and interest rates. A pronounced deterioration in home buyer sentiment may impact the performance and financial position of the Group.

##### e) Impact of home loans

In purchase of condominiums, etc., our customers often make use of home loans from home financing support organizations and financial institutions, and therefore credit crunch caused by unfavorable changes in financial conditions may potentially impact the performance and financial position of the Group.

##### f) Impact of supply trends

Sales of new build-for-sale condominiums, a core business of the Group, are greatly affected by supply trends, such as fluctuations in land procurement cost and subcontracting cost and financial conditions. For these reasons, conditions which has a significant impact on supply trends may potentially impact the performance and financial position of the Group.

##### g) Impact of competition

The Group sells real estate in and around the Tokyo Metropolitan Area, and an excessive price competition in this area may prolong marketing activities or cause sales at the estimated price to be difficult. Such situations may potentially impact the performance and financial position of the Group.

##### h) Subcontractors

The Group entrusts the construction of its condominiums to building contractors. However, increases in building material costs and labor costs may raise building contract costs, thus depressing profitability. Also, construction companies entrusted with the construction work may become insolvent, which may delay construction work or force the construction company to default on its contract. Any of these events, as well as failure by the construction company to provide the due compensation in the future, may impact the performance and financial position of the Group.

i) Opposition to condominium construction from surrounding residents

When constructing condominiums, the Group carefully considers the environment surrounding the construction location, reviews relevant national laws and local ordinances when creating a development plan, and holds information sessions for local residents prior to the start of construction in order to facilitate understanding. However, issues such as construction noise, sunlight block or environmental disruption may sometimes lead to an opposition campaign against the construction by surrounding residents and cause the change of plans, construction delays, and additional costs, etc., which may potentially impact the performance and financial position of the Group.

j) Possibility of lawsuits

When constructing condominiums, the Group takes careful considerations from a variety of perspectives; however, lawsuits may be brought against the Group as a result of building defects, soil contamination, etc., and as a result, the building plans may have to be changed. Such cases may potentially impact the performance and financial position of the Group.

k) Personal information

The Group handles a large amount of personal information in the course of selling and managing condominiums, etc. Extreme care is taken in handling and administering such information through measures such as implementation of software designed to prevent personal information leak, creation and maintenance of relevant rules, creation of employees manuals, and provision of employee training seminars; however, if a leak of personal information occurs, it may potentially impact the performance and financial position of the Group.

## 2. The Takara Leben Group

The Takara Leben Group, consisting of the Company, eleven consolidated subsidiaries and one affiliates, operates real estate business primarily in the Tokyo metropolitan area, including Tokyo, Saitama, Chiba, and Kanagawa prefectures.

The Company mainly engages in planning, development, and marketing of 'Leben-series' new built-for-sale condominiums. Leben Community Co., Ltd., a consolidated subsidiary, primarily engages in comprehensive management services for condominium buildings.

Takara Asset Management Co., Ltd., a consolidated subsidiary, will primarily engage in investment management business.

Takara Leben Tohoku Co., Ltd., a consolidated subsidiary, is engaged in real estate sales business mainly in eastern Japan.

Takara Leben Realnet Co., Ltd., a consolidated subsidiary, is engaged in real estate distribution businesses.

Takara Property Co., Ltd., a consolidated subsidiary, primarily engages in rental management business.

Takara Investments Co., Ltd., a consolidated subsidiary, will primarily engage in real estate asset management business.

TAFUKO Co., Ltd., a consolidated subsidiary, primarily engages in loan collection agency business and other commission-based businesses.

Nikko kensetsu Co., Ltd., a consolidated subsidiary, is engaged in general construction business mainly in Yokohama, Kanagawa.

Nikko Property Co., Ltd., a consolidated subsidiary, primarily engages in rental management business.

Jyutakujoyouhoukan Co., Ltd., a consolidated subsidiary, is engaged in real estate sales business and real estate management business mainly in western Japan.

Marunouchi Servicer Co., Ltd., a consolidated subsidiary, is primarily engaged in claims servicing business pursuant to the Act on Special Measures concerning the Claims Servicing Business.

Sunwood Corporation, an affiliate accounted for by the equity method, is primarily engaged in planning, development, and marketing of new built-for-sale condominiums, etc. mainly in central Tokyo.

As Partners Co., Ltd., formerly accounted for by the equity method, is excluded from the scope of affiliates accounted for by the equity method due to partial sale of interests in September 2015.

### (1) Real estate sales business

The Company is primarily engaged in planning, development and marketing of 'Leben-series' new built-for-sale condominiums in the suburbs of the Tokyo metropolitan area. Also, Sunwood Corporation, an affiliate accounted for by the equity method, is primarily engaged in planning, development, and marketing of new built-for-sale condominiums, etc. mainly in central Tokyo.

### (2) Real estate rental business

The Company is engaged in rental business for apartments, condominiums, and offices in the Tokyo metropolitan area. Also Takara Property Co., Ltd. and Nikko Property Co., Ltd., consolidated subsidiaries, are engaged in rental management business.

### (3) Real estate management business

Leben Community Co., Ltd., a consolidated subsidiary, provides comprehensive management service for built-for-sale condominiums.

### (4) Other businesses

- Loan collection agency business

TAFUKO Co., Ltd., a consolidated subsidiary, provides loan collection service.

- Claims servicing business

Marunouchi Servicer Co., Ltd., a consolidated subsidiary, is engaged in claims servicing business pursuant to the Act on Special Measures concerning the Claims Servicing Business.

- Nursing care business

Also, Leben Community Co., Ltd., a consolidated subsidiary, provides rehabilitation-focused day-care nursing service.

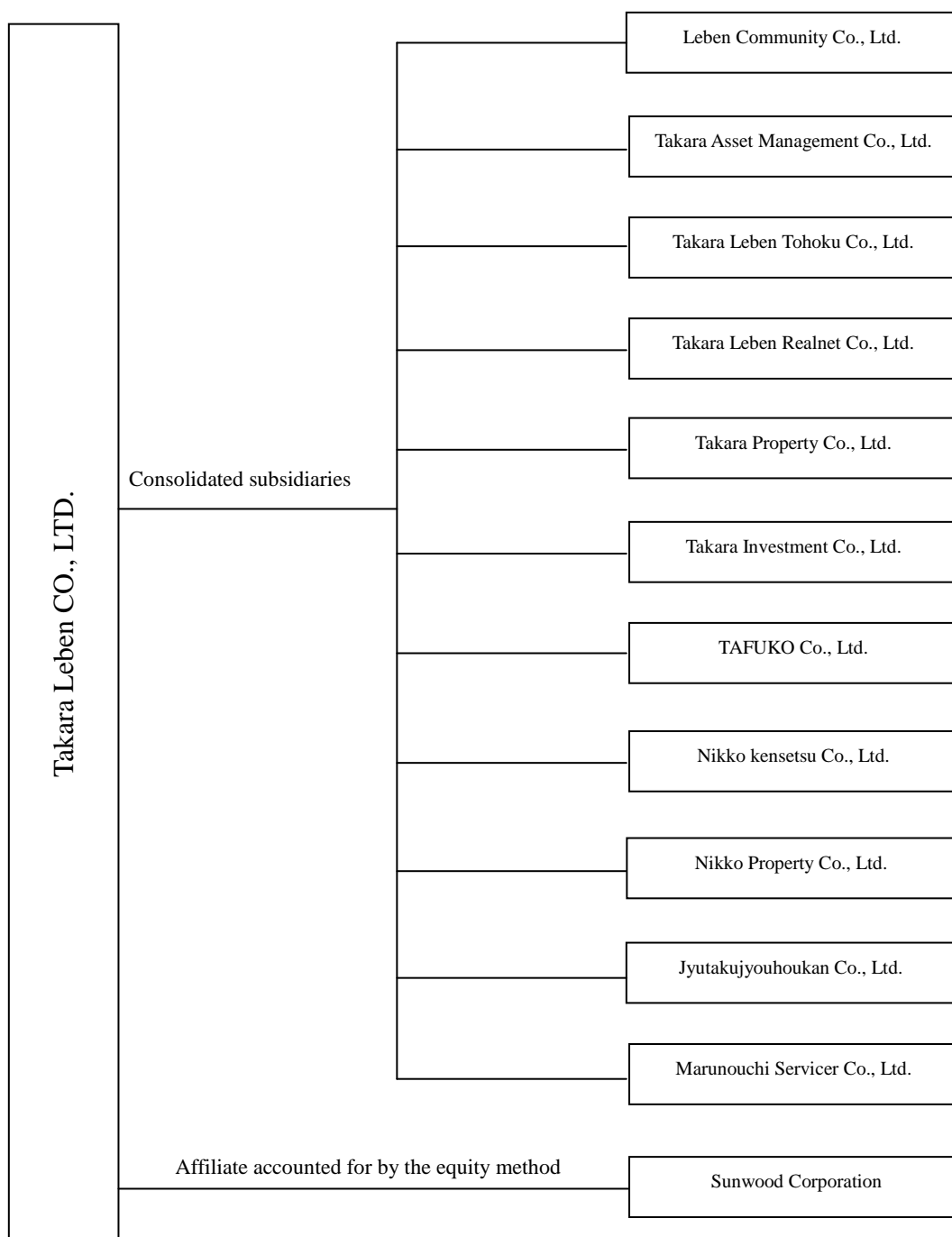
- Construction businesses

Nikko kensetsu Co., Ltd., a consolidated subsidiary, is engaged in construction business.

- Other businesses

The Group is also engaged in other businesses such as commissioned real estate marketing agency business. In the future, the Group plans to engage in investment management and real estate asset management businesses.

The Group's businesses are organized as follows.



### 3. Management Policy

#### (1) Basic Management Policy

The followings are the Company's corporate vision and corporate mission.

#### Takara Leben's Corporate Vision: The Way We Should Be

### Thinking of Happiness. Making Happiness

As a builder, we take your happiness more seriously than anyone else; when we build for you, we build to make your living dreams come true.

When we develop, we consider the well-being of the community more deeply than anyone else; the world gets new towns where all people live in comfort.

To build a happy future, we plan and work more fruitfully than anyone else; we propose earth-friendly, sustainable development for the environment.

Thinking of Happiness. Making Happiness.  
That's Takara Leben's corporate vision.

#### Takara Leben's Corporate Mission: The Beliefs We Value

### Creating Together

#### with Eager Minds

Putting our heads together with customers, eagerly,  
to think up and create new market values

#### with Sincere Efforts

Prizing the sincere efforts of our partners,  
for the comfort and security of living together

#### with Ample Talent

Prizing the talents of every corporate member,  
for the rich and seamless development of a shared tomorrow.

#### (2) Medium and Long-Term Business Strategy

##### < Overview of Strategies >

The Company developed a new mid-term management plan "Takara Leben Next Stage 2019" in May 2015 for the period ending March 31, 2019, with a theme of 'Beginning of a new era for Takara Leben' and two main measures listed below.

- (1) Diversifying flow businesses
- (2) Expanding stock and fee-based businesses

##### < Specific Strategies >

#### A. Basic Policy

By maximizing the Group's strengths, the Company aims to diversify flow businesses and expand stock and fee-based businesses, and achieve profit ratio of 65% for flow businesses and 35% for stock and fee-based businesses.

## B. Individual Strategies

### (i) Diversifying flow businesses

#### a) New built-for-sale condominium business in the Tokyo Metropolitan area

Due to a surge of condominium price in the metropolitan area, first-time buyers have shifted to suburban areas, which resulted in increasing demands for condominiums with good locations and upscale specifications in these areas. As the exodus of first-time buyers from the metropolitan area to the suburbs is still expected to increase, the Company plans to supply high value-added condominiums with solar-power, etc. in good locations at appropriate prices, and aims at stable annual supply of 1,200 units.

#### b) New built-for-sale condominium business in downtown areas in local cities

In downtown areas in local cities, we will expand our business with active seniors as the main target. As demand for condominiums located in central areas is expected to increase in the future once the second-generation baby boomers begin to retire, the Company aims at annual supply of 1,000 units.

#### c) Rebuilding & Redevelopment Business

Through rebuilding, redevelopment, and scrap & build businesses, the Company aims at stable annual supply of about 300 units.

#### d) Detached house business

The Company will establish short-, mid-, and long-term business cycles, ensure creating value for town through development of complex facilities including condominiums and supplying condominiums in good locations, and aim at annual supply of 500 units, in a complementary role in the condominium business.

#### e) Business charged with effective use of land

The Company plans to provide one-stop solution for the entire process from proposal/planning of effective land utilization to design/construction and operational management/maintenance, with the aim of expanding both flow and stock businesses.

### (ii) Expanding stock and fee-based businesses

#### a) Mega-solar business

We set the operation goal of 130 MW by fiscal year ending March 31, 2019.

#### b) Real estate rental business

We will proactively acquire used properties located near railway stations. Through scrap & build operations, such acquired properties will be sold to active seniors or to REIT as new rental properties in the Tokyo Metropolitan area.

#### c) Real estate management business

The Company will proactively acquire management of build-for-sale housing sold by other companies, and aim for 50,000 managed housing units.

#### d) Real estate rental and management business

Group companies will enhance rental management business in each area, aiming for 6,200 managed housing units.

#### e) Real estate distribution business

With effective use of resources available in the Group, we will strengthen the business structure to respond to replacement needs of active seniors that are expected to increase going forward and aim to achieve annual sales of ¥1.0 billion.

### (3) Issues to be Addressed

The Company considers its immediate priority to be cultivation of human resources. Especially, in order to establish sustainable organization, it is absolutely imperative to cultivate middle-level personnel. Through providing trainings according to employee level and reinforcing corporate culture, we aim to build stronger organization while maintaining the speedy decision making.

## 4. Basic Idea on Selection of Accounting Standards

The Group has adopted the Japanese accounting standards to ensure comparability with our domestic competitors

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	※2 26,281	※2 28,515
Notes and accounts receivable, trade	※2 933	※2 963
Real estate held for sale	※2, ※3 4,901	※2, ※3 4,073
Real estate held for sale in progress	※2 30,444	※2, ※3 36,134
Costs incurred on uncompleted contracts	244	116
Deferred tax assets	189	62
Other	※2 4,362	5,924
Allowance for doubtful accounts	(37)	(38)
<b>Total current assets</b>	<b>67,319</b>	<b>75,753</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	10,490	14,725
Accumulated depreciation	(3,619)	(3,516)
Buildings and structures, net	※2, ※3 6,870	※2, ※3 11,209
Machinery, equipment and vehicles	4,248	13,399
Accumulated depreciation	(377)	(996)
Machinery, equipment and vehicles, net	※2 3,870	※2 12,402
Tools, furniture and fixtures	220	152
Accumulated depreciation	(188)	(117)
Tools, furniture and fixtures, net	※2 31	※2, ※3 35
Land	※2, ※3 18,758	※2, ※3 24,750
Lease assets	230	243
Accumulated depreciation	(75)	(114)
Lease assets, net	154	129
Construction in progress	※2 725	※2 710
<b>Total tangible fixed assets</b>	<b>30,412</b>	<b>49,237</b>
<b>Intangible fixed assets</b>		
Goodwill	1,123	1,006
Lease assets	82	76
Other	※2 421	※2 428
<b>Total intangible fixed assets</b>	<b>1,627</b>	<b>1,512</b>
<b>Investments and other assets</b>		
Investment securities	223	379
Long-term loans	55	49
Deferred tax assets	46	60
Other	※1 2,042	※1 2,728
Allowance for doubtful accounts	(6)	(22)
<b>Total investments and other assets</b>	<b>2,361</b>	<b>3,195</b>
<b>Total fixed assets</b>	<b>34,400</b>	<b>53,945</b>
Deferred assets	18	45
<b>Total assets</b>	<b>101,738</b>	<b>129,744</b>



(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	10,023	12,037
Short-term borrowings	※2 4,742	※2 7,412
Current portion of bonds	200	—
Current portion of long-term borrowings	※2 10,378	※2 12,410
Lease obligations	108	93
Income taxes payable	1,928	1,113
Advance received	4,146	3,110
Allowance for bonuses	265	297
Allowance for compensation for complete work	150	330
Deferred tax liabilities	—	786
Other	2,857	5,267
<b>Total current liabilities</b>	<b>34,800</b>	<b>42,859</b>
<b>Noncurrent liabilities</b>		
Long-term borrowings	※2 33,235	※2 50,147
Bonds	—	200
Lease obligations	148	131
Allowance for directors' retirement benefits	29	32
Liabilities related to retirement benefits	255	307
Asset retirement obligations	20	21
Deferred tax liabilities	813	555
Other	1,245	1,811
<b>Total noncurrent liabilities</b>	<b>35,748</b>	<b>53,207</b>
<b>Total liabilities</b>	<b>70,549</b>	<b>96,066</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,819	4,819
Capital surplus	4,817	4,817
Retained earnings	26,251	29,011
Treasury stock	(4,806)	(5,100)
<b>Total shareholders' equity</b>	<b>31,081</b>	<b>33,548</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gains (losses) on available-for-sale securities	30	(11)
<b>Total accumulated other comprehensive income</b>	<b>30</b>	<b>(11)</b>
New share subscription rights	77	140
<b>Total net assets</b>	<b>31,189</b>	<b>33,677</b>
<b>Total liabilities and net assets</b>	<b>101,738</b>	<b>129,744</b>

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statement of Income)

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Net sales	76,956	76,268
Cost of sales	※1 58,645	※1 58,433
Gross profit	18,311	17,835
Selling, general and administrative expenses	※2 9,053	※2 10,272
Operating income	9,257	7,563
Non-operating income		
Interest income	3	3
Dividend income	4	4
Commissions received	112	93
Income from equity method investment	5	65
Deposit settlement gain	48	—
Miscellaneous income	58	96
Total non-operating income	233	262
Non-operating expenses		
Interest expense	892	996
Miscellaneous losses	59	121
Total non-operating expense	951	1,117
Ordinary income	8,540	6,708
Extraordinary gains		
Gain on sale of fixed assets	※3 0	—
Gain on sale of investment securities	16	—
Gain on negative goodwill	82	—
Total extraordinary gains	99	—
Extraordinary losses		
Loss on disposal of fixed assets	※4 30	—
Impairment loss	※5 0	—
Loss on valuation of investment securities	9	—
Loss from compensation for complete work	—	252
Loss from legal proceedings	※6 20	—
Total extraordinary losses	61	252
Income before income taxes	8,577	6,456
Income taxes – current	1,973	1,508
Income taxes – deferred	886	639
Total income taxes	2,859	2,148
Net income	5,718	4,308
Net income attributable to owners of parent	5,718	4,308

## (Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Net income	5,718	4,308
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	26	(42)
Total other comprehensive income	※1 26	※1 (42)
Comprehensive income	5,744	4,266
(Comprising)		
Comprehensive income attributable to parent	5,744	4,266

## (3) Consolidated Statement of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	4,819	4,817	21,623	(4,179)	27,080
Changes during the year					
Dividends from surplus			(624)		(624)
Net income attributable to owners of parent			5,718		5,718
Change in scope of consolidation			92		92
Acquisition of treasury stock				(1,217)	(1,217)
Disposition of treasury stock		2		29	32
Cancellation of treasury stock		(560)		560	—
Transfer from retained earnings to capital surplus		557	(557)		—
Change of scope of equity method					
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	4,628	(627)	4,001
Balance at end of year	4,819	4,817	26,251	(4,806)	31,081

	Accumulated other comprehensive income		New share subscription rights	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of year	4	4	53	27,138
Changes during the year				
Dividends from surplus				(624)
Net income attributable to owners of parent				5,718
Change in scope of consolidation				92
Acquisition of treasury stock				(1,217)
Disposition of treasury stock				32
Cancellation of treasury stock				—
Transfer from retained earnings to capital surplus				—
Change of scope of equity method				—
Net changes of items other than shareholders' equity	26	26	24	50
Total changes during the year	26	26	24	4,051
Balance at end of year	30	30	77	31,189

## Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	4,819	4,817	26,251	(4,806)	31,081
Changes during the year					
Dividends from surplus			(886)		(886)
Net income attributable to owners of parent			4,308		4,308
Change in scope of consolidation					—
Acquisition of treasury stock				(970)	(970)
Disposition of treasury stock		55		36	92
Cancellation of treasury stock		(640)		640	—
Transfer from retained earnings to capital surplus		584	(584)		—
Change of scope of equity method			(78)		(78)
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	2,760	(293)	2,466
Balance at end of year	4,819	4,817	29,011	(5,100)	33,548

	Accumulated other comprehensive income		New share subscription rights	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of year	30	30	77	31,189
Changes during the year				
Dividends from surplus				(886)
Net income attributable to owners of parent				4,308
Change in scope of consolidation				—
Acquisition of treasury stock				(970)
Disposition of treasury stock				92
Cancellation of treasury stock				—
Transfer from retained earnings to capital surplus				—
Change of scope of equity method				(78)
Net changes of items other than shareholders' equity	(42)	(42)	63	20
Total changes during the year	(42)	(42)	63	2,487
Balance at end of year	(11)	(11)	140	33,677

## (4) Consolidated Statement of Cash Flows

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income before income taxes	8,577	6,456
Depreciation and amortization	717	1,192
Impairment loss	0	—
Amortization of goodwill	46	117
Gains on negative goodwill	(82)	—
(Decrease) increase in allowances	(19)	232
Increase in liabilities related to retirement benefits	25	51
Interest and dividend income	(8)	(7)
Equity-based compensation cost	55	155
Interest expense	892	996
Loss on disposal of fixed assets	30	—
Gain on sale of tangible fixed assets	(0)	—
Loss on valuation of investment securities	9	—
Gain on sale of investment securities	(16)	—
Increase in accounts receivable, trade	(484)	(30)
Decrease in operating loans	73	33
Increase in inventories	(911)	(2,600)
(Decrease) increase in accounts payable, trade	(10,717)	2,013
Increase (decrease) in advance received	73	(1,036)
Other	(1,979)	(1,756)
Subtotal	(3,716)	5,817
Interest and dividend received	8	7
Interest paid	(1,014)	(1,032)
Income taxes paid	(3,433)	(2,364)
Net cash (used in) provided by operating activities	(8,155)	2,428
Cash flows from investing activities		
Payments into time deposits	(32)	(135)
Withdrawals from time deposits	27	176
Decrease in short-term loans	16	4
Acquisition of tangible fixed assets	(7,681)	(19,739)
Proceeds from sale of tangible fixed assets	1	16
Acquisition of intangible fixed assets	(19)	(23)
Acquisition of investment securities	(1)	(200)
Proceeds from sale of investment securities	56	—
Proceeds from sale of subsidiaries and affiliates' stocks	—	84
Outflow from acquisition of subsidiaries' stock resulting in change of the scope of consolidation	※3 (732)	—
Inflow from acquisition of subsidiaries' stock resulting in change of the scope of consolidation	※3 375	—
Other	(8)	0
Net cash used in investing activities	(7,998)	(19,816)

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Net increase in short-term borrowings	1,687	2,670
Proceeds from long-term borrowings	22,349	41,201
Repayment of long-term borrowings	(15,778)	(22,256)
Proceeds from issuance of bonds	—	200
Redemption of bonds	(30)	(200)
Repayment of lease obligations	(73)	(96)
Acquisition of treasury stock	(1,217)	(970)
Dividends paid	(624)	(884)
Net cash provided by financing activities	6,314	19,663
(Decrease) increase in cash and cash equivalent	(9,840)	2,275
Cash and cash equivalent at beginning of year	35,954	26,114
Cash and cash equivalent at end of year	※1 26,114	※1 28,390

(5) Notes to the Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

Not applicable.

(Significant Basis for Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of Consolidated subsidiaries: 11

Names of consolidated subsidiaries

Leben Community Co., Ltd.

Takara Asset Management Co., Ltd.

Takara Leben Tohoku Co., Ltd.

Takara Leben Realnet Co., Ltd.

Takara Property Co., Ltd.

Takara Investments Co., Ltd.

TAFUKO Co., Ltd.

Nikko kensetsu Co., Ltd.

Nikko Property Co., Ltd.

Jyutakujoyouhoukan Co., Ltd.

Marunouchi Servicer Co., Ltd.

Nikko kensetsu Co., Ltd., a consolidated subsidiary, established Nikko Property Co., Ltd. by incorporation-type split on January 4, 2016 with Nikko kensetsu Co., Ltd. as a splitting company. As Nikko Property Co. Ltd.'s shares acquired by Nikko kensetsu Co., Ltd. as consideration for the split were acquired by the Company on February 1, 2016, Nikko Property Co., Ltd. was included in the scope of consolidation.

(2) Names of major nonconsolidated subsidiaries

(i) Name of nonconsolidated subsidiaries

Takara Leben Infrastructure Fund Inc.

(ii) Main reason for exclusion from the scope of consolidation

Takara Leben Infrastructure Fund Inc. is excluded from the scope of consolidation as the control over it is temporary.

2. Application of the equity method

(1) Number of affiliates accounted for by the equity method:1

Name of the affiliates

Sunwood Corporation

As Partners Co., Ltd. is excluded from the scope of affiliates accounted for by the equity method due to partial sale of shares held.

(2) Non-consolidated subsidiaries not accounted for by the equity method

Not applicable.

3. Fiscal year of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year-end as the consolidated fiscal year-end.

4. Accounting policies

(1) Valuation basis and method for major assets

(i) Securities

a. Debt securities held to maturity

Debt securities held to maturity are stated at amortized cost using the straight-line method.

b. Available-for-sale securities

With fair value

Securities with fair value are marked to market based on the market value at the consolidated fiscal year-end.

(Unrealized gains and losses are directly recorded in Net assets and cost of securities sold is calculated using the moving-average method)

Without fair value

Securities without fair value are stated at cost based on the moving-average method.



(ii) Inventories

Inventory is stated at cost based on the specific identification method.

(Book value is written down due to decline in profitability)

(2) Depreciation method for major depreciable assets

(i) Tangible fixed assets (excluding lease assets)

Tangible fixed assets (excluding lease assets) are depreciated using the declining balance method, except for buildings (excluding leasehold improvement) acquired after April 1, 2008, which are depreciated using the straight-line method.

Individual useful lives are as follows:

	Individual useful lives (years)
Buildings and structures	3 - 50
Machinery, equipment and vehicles	4 - 17

(ii) Intangible fixed assets (excluding lease assets)

Software for internal use is amortized using the straight-line method over the estimated useful life of five years.

(iii) Lease assets

Lease assets under the finance lease arrangements where the ownership is transferred to lessees

Lease assets with ownership transfer are depreciated using the same depreciation method as fixed assets owned.

Lease assets under the finance lease arrangements where the ownership is not transferred to lessees

Lease assets without ownership transfer are depreciated using the straight-line method over the lease term with no residual value.

(iv) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method.

(3) Accounting for major allowances

(i) Allowance for doubtful accounts

For the estimated uncollectible amount, allowance for performing receivables is recorded based on the actual loss ratio, and allowance for certain receivables with doubtful collectibility is recorded based on the individual assessment of collectibility.

(ii) Allowance for bonuses

In order to provide for bonuses to be paid to employees, estimated bonus amount attributable to the current consolidated fiscal year is recorded.

(iii) Allowance for compensation for complete work

Allowance for compensation for complete work is recorded in order to provide for losses arising from defects after the delivery of self-executed constructions or compensation service costs based on the historical costs related to repair work of self-executed constructions.

(iv) Allowance for directors' retirement benefits

Allowance for directors' retirement benefits is provided in the amount payable at the current consolidated fiscal year-end in accordance with the regulations on directors' retirement benefits (internal regulations).

(4) Accounting for retirement benefits

The Company and its consolidated subsidiaries calculate liabilities related to retirement benefits and pension costs using the simplified method in which the amount of retirement benefits payable for voluntary termination at end of year is treated as retirement benefit obligations.

(5) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over ten years.

However, goodwill of minor amounts is charged to income in the period of acquisition.

(6) Scope of cash and cash equivalent on the consolidated statement of cash flows

Cash and cash equivalent consist of cash at hand, demand deposit, and short-term investments with an original maturity of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value.

(7) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax exclusive method. Non-deductible consumption taxes relating to assets are charged to income in the year of acquisition.

(Changes in accounting policies)

(Application of accounting standard for business combinations)

Effective April 1, 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the accounting treatments were changed to record the differences from changes in the Company’s interest in subsidiaries that the Company continues to control as capital surplus and to record acquisition-related expenses as expenses for the consolidated fiscal year in which they are incurred. With regard to any business combinations executed on and after April 1, 2015, the accounting treatment is changed to reflect the adjustments to the provisionally allocated acquisition costs based on the finalized accounting treatment to the consolidated financial statements in the consolidated fiscal year to which the date of the business combination belongs. In addition, the presentation of net income, etc. was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” In order to reflect these changes in presentation, certain reclassifications have been made to the consolidated financial statements for the consolidated fiscal year ended March 31, 2015.

The Company has applied the Accounting Standard for Business Combinations, etc. in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, prospectively from April 1, 2015.

This change had no impact on the consolidated financial statements.

(Consolidated Balance Sheet)

※1 Assets relating to affiliates are as follows:

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Investments and other assets, Other (Affiliates’ stock)	¥881 million	¥748 million

※2 Assets pledged as collateral and corresponding liabilities are as follows.

(1) Assets pledged as collateral

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Cash and deposits	21	28
Notes and accounts receivable, trade	409	150
Real estate held for sale	592	1,151
Real estate held for sale in progress	23,876	33,490
Other (current assets)	267	—
Buildings and structures	5,805	9,981
Machinery and equipment	3,070	10,704
Tools, furniture and fixtures	0	0
Land	14,489	20,310
Construction in progress	549	23
Other (intangible fixed assets)	224	224
Total	49,307	76,065

(2) Corresponding liabilities

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Short-term borrowings	3,032	3,820
Current portion of long-term borrowings	5,296	11,749
Long-term borrowings	31,667	46,310
Total	39,996	61,880

※3 Change in purpose of asset holding

Previous consolidated fiscal year (as of March 31, 2015)

In line with the decision to reclassify part of real estate held for development and rent to real estate held for resale, Buildings and structures of ¥252 million and Land of ¥445 million were reclassified to Real estate held for sale.

Current consolidated fiscal year (as of March 31, 2016)

In line with the decision to reclassify part of real estate held for development and rent to real estate held for resale, Buildings and structures of ¥638 million, Tools, furniture and fixtures of ¥0 million and Land of ¥1,495 million were reclassified to Real estate held for sale and Real estate held for sale in progress.

4 Contingent liabilities (Guarantee liability)

Guarantee liability for borrowings from financial institutions by customers of the Company

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Joint and several guarantees in favor of financial institutions until the customers' residential mortgage loans are registered	12,073	8,168
Total	12,073	8,168

- 5 The Group maintains overdraft and credit lines agreement with 23 financial institutions (March 31, 2015: 14) in order to ensure efficient funding of operating capital. The unused balance of borrowings under these agreements at consolidated fiscal year-end is as follows:

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2015)	Current Consolidated Fiscal Year (March 31, 2016)
Total maximum amount of overdraft and credit lines	8,213	17,716
Outstanding borrowing balance	4,683	8,444
Difference	3,529	9,271

(Consolidated Statement of Income)

- ※1 Inventories are stated at the amount after the write-down reflecting the decline in profitability. Loss on valuation of inventories included in Cost of sales is as follows.

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
	(151)	(138)

- ※2 Selling expenses account for approximately 46% and General and administrative expenses account for approximately 54% for the year ended March 31, 2015, and 41% and 59%, respectively, for the year ended March 31, 2016.

Major components of Selling, general and administrative expenses and their amounts are as follows.

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Advertising expenses	2,781	2,641
Sales promotion expenses	1,394	1,391
Salaries	1,560	1,849
Provision for allowance for bonuses	320	353
Retirement benefit costs	57	78
Provision for allowance for directors' retirement benefits	3	5
Provision for allowance for doubtful accounts	17	16

※3 The breakdown of Gain on sale of fixed assets is as follows. (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Machinery, equipment and vehicles	0	—
Total	0	—

※4 The breakdown of Loss on disposal of fixed assets is as follows. (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Buildings and structures	30	—
Tools, furniture and fixtures	0	—
Total	30	—

※5 Impairment loss

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

During the year ended March 31, 2015, the Group recorded impairment loss of ¥0 million on the following assets or asset groups due to a decline in market value of idle assets.

Use	Type	Location	Amount (Millions of yen)
Idle assets	Land	Hakone-machi, Ashigara-shimogun, Kanagawa	0
Total			0

The amount consists of Land of ¥0 million.

Idle assets are grouped based on an individual property.

The recoverable amount is measured using net sale value, which is assessed based on the appraisal value by a real estate appraiser.

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable.

※6 Loss from legal proceedings

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

Loss from legal proceedings represents ¥20 million of legal settlement related to legal proceedings filed against the Company.

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable.

## (Consolidated Statement of Comprehensive Income)

※1 Reclassification adjustments of other comprehensive income and their tax effects.

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Unrealized gains (losses) on available-for-sale securities :		
Recognized during the current year	42	(42)
Reclassification adjustments	(16)	—
Before tax effects	26	(42)
Tax effects	—	—
Unrealized gains (losses) on available-for-sale securities	26	(42)
Total other comprehensive income	26	(42)

## (Consolidated Statement of Changes in Shareholders' Equity)

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

## 1. Class and number of shares issued and outstanding and class and number of treasury stock

	Number of shares at April 1, 2014 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2015 (Shares)
Shares issued and outstanding				
Common stock (Note 1)	130,000,000	—	2,000,000	128,000,000
Total	130,000,000	—	2,000,000	128,000,000
Treasury stock				
Common stock (Notes 2, 3)	15,974,807	2,668,500	2,112,000	16,531,307
Total	15,974,807	2,668,500	2,112,000	16,531,307

(Notes) 1. The decrease in number of common stock outstanding of 2,000,000 shares is due to cancellation of treasury stock based on the resolution by the Board of Directors meeting.

2. The increase in number of common stock in treasury stock of 2,668,500 shares is due to acquisition of treasury stock based on the resolution by the Board of Directors meeting.

3. The decrease in number of common stock in treasury stock of 2,112,000 shares is due to exercise of stock option of 112,000 shares and cancellation of treasury stock of 2,000,000 shares based on the resolution by the Board of Directors meeting.

## 2. New share subscription rights and treasury new share subscription rights

Classification	Description of new share subscription rights	Class of shares to be issued upon exercise of new share subscription rights	Number of shares to be issued upon exercise of new share subscription rights				Balance at March 31, 2015 (million yen)
			Number of shares at April 1, 2014 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2015 (Shares)	
Submitting company (Parent company)	New share subscription rights as stock options	—	—	—	—	—	77
Total		—	—	—	—	—	77

### 3. Dividends

#### (1) Dividends paid

(Resolution)	Class of shares	Total dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 23, 2014	Common stock	399	3.5	March 31, 2014	June 24, 2014
Board of Directors meeting on October 27, 2014	Common stock	225	2	September 30, 2014	December 9, 2014

#### (2) Dividends with a record date belonging to the current consolidated fiscal year but to be effective in the following fiscal year

(Resolution)	Class of shares	Total dividends to be paid (Millions of yen)	Source	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on June 24, 2015	Common stock	445	Retained earnings	4	March 31, 2015	June 25, 2015

#### Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

##### 1. Class and number of shares issued and outstanding and class and number of treasury stock

	Number of shares at April 1, 2015 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2016 (Shares)
Shares issued and outstanding				
Common stock (Note 1)	128,000,000	—	2,000,000	126,000,000
Total	128,000,000	—	2,000,000	126,000,000
Treasury stock				
Common stock (Notes 2, 3)	16,531,307	1,531,000	2,124,000	15,938,307
Total	16,531,307	1,531,000	2,124,000	15,938,307

- (Notes) 1. The decrease in number of common stock outstanding of 2,000,000 shares is due to cancellation of treasury stock based on the resolution by the Board of Directors meeting.
2. The increase in number of common stock in treasury stock of 1,531,000 shares is due to acquisition of treasury stock based on the resolution by the Board of Directors meeting.
3. The decrease in number of common stock in treasury stock of 2,124,000 shares is due to exercise of stock option of 124,000 shares and cancellation of treasury stock of 2,000,000 shares based on the resolution by the Board of Directors meeting.

##### 2. New share subscription rights and treasury new share subscription rights

Classification	Description of new share subscription rights	Class of shares to be issued upon exercise of new share subscription rights	Number of shares to be issued upon exercise of new share subscription rights				Balance at March 31, 2016 (million yen)
			Number of shares at April 1, 2015 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2016 (Shares)	
Submitting company (Parent company)	New share subscription rights as stock options	—	—	—	—	—	140
Total		—	—	—	—	—	140

### 3. Dividends

#### (1) Dividends paid

(Resolution)	Class of shares	Total dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 24, 2015	Common stock	445	4	March 31, 2015	June 25, 2015
Board of Directors meeting on October 26, 2015	Common stock	440	4	September 30, 2015	December 8, 2015

(2) Dividends with a record date belonging to the current consolidated fiscal year but to be effective in the following fiscal year

The following dividend is expected to be approved.

(Resolution)	Class of shares	Total dividends to be paid (Millions of yen)	Source	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on June 27, 2016	Common stock	990	Retained earnings	9	March 31, 2016	June 28, 2016

#### (Consolidated Statement of Cash Flows)

※1 A reconciliation of Cash and cash equivalent and the account balance on the Consolidated Balance Sheet

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Cash and deposits	26,281	28,515
Time deposits with maturity in excess of three months	(166)	(125)
Cash and cash equivalent	26,114	28,390

#### 2 Significant non-cash transactions

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
The amounts transferred from fixed assets to Real estate held for sale and Real estate held for sale in progress due to change in the purpose of real estate holding	697	2,134

※3 Major components of assets and liabilities of the company newly included in the scope of consolidation as a result of acquisition of shares

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

Details of assets and liabilities at the time of consolidation of the company newly included in the scope of consolidation as a result of acquisition of shares, purchase price of the stock, and outflow (net increase) from acquisition of shares are as follows:

(1) Takara Leben Tohoku Co., Ltd.

	(Millions of yen)
Current assets	278
Fixed assets	5
Goodwill	82
Current liabilities	(325)
Noncurrent liabilities	(40)
Purchase price of newly consolidated subsidiary's stock	0
Cash and cash equivalent of newly consolidated subsidiary's stock	(18)
Difference : Cash inflow due to acquisition of newly consolidated subsidiary's shares	18

(2) Takara Leben Realnet Co., Ltd.

	(Millions of yen)
Current assets	50
Fixed assets	298
Current liabilities	(133)
Noncurrent liabilities	(122)
Negative goodwill	(82)
Purchase price of newly consolidated subsidiary's stock	10
Cash and cash equivalent of newly consolidated subsidiary's stock	(37)
Difference : Cash inflow due to acquisition of newly consolidated subsidiary's shares	27

(3) Nikko kensetsu Co., Ltd.

	(Millions of yen)
Current assets	653
Fixed assets	570
Goodwill	707
Current liabilities	(1,355)
Noncurrent liabilities	(559)
Purchase price of newly consolidated subsidiary's stock	16
Cash and cash equivalent of newly consolidated subsidiary's stock	(346)
Difference : Cash inflow due to acquisition of newly consolidated subsidiary's shares	329

(4) Jyutakujoyouhoukan Co., Ltd.

	(Millions of yen)
Current assets	643
Fixed assets	2,291
Goodwill	380
Current liabilities	(317)
Noncurrent liabilities	(1,951)
Purchase price of newly consolidated subsidiary's stock	1,047
Cash and cash equivalent of newly consolidated subsidiary's stock	(314)
Difference : Cash inflow due to acquisition of newly consolidated subsidiary's shares	732

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable.



(Rental Properties, etc.)

The Company and its certain consolidated subsidiaries own office buildings (including land) and condominiums for rent in Tokyo and other areas. During the consolidated fiscal year ended March 31, 2015, net rent income from these rental properties amounted to ¥721 million (rent income is recorded in Net sales and major rent expenses are recorded in Cost of sales), and impairment loss amounted to ¥0 million (recorded in Extraordinary losses). During the consolidated fiscal year ended March 31, 2016, net rent income from these rental properties amounted to ¥952 million (rent income is recorded in Net sales and major rent expenses are recorded in Cost of sales),.

The carrying amount of these rental properties on the Consolidated Balance Sheet, changes during the year and market value are as follows: (Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Consolidated Balance Sheet		
Beginning balance	18,088	23,774
Changes during the year	5,686	9,672
Ending balance	23,774	33,447
Market value at end of year	25,336	34,366

- (Notes)
1. The carrying amount on the Consolidated Balance Sheet represents acquisition cost, net of accumulated depreciation and amortization and accumulated impairment loss.
  2. Of the changes during the year, the major increases during the year ended March 31, 2015 include acquisition of real estate (¥4,082 million) and an increase in scope of consolidation (¥2,536million), and major decreases include reclassification to Real estate held for sale (¥697 million), Depreciation (¥297 million). The major increases during the year ended March 31, 2016 include acquisition of real estate (¥12,225 million) and major decreases include reclassification to Real estate held for sale and Real estate held for sale in progress (¥2,134 million) and Depreciation (¥363 million).
  3. Market value at end of year is based on the appraisal value by a third party real estate appraiser.
  4. Assets under construction are not included in the above table as it is not practicable to obtain their market value.

(Segment Information)

a. Segment Information

1. Overview of reportable segments

The reportable segments of the Group are components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group's core business is construction and sales of build-for-sale condominiums. The Group's reportable segments consist of three business segments: "Real estate sales business," "Real estate rental business" and "Real estate management business."

"Real estate sales business" primarily engages in construction and sales of new build-for-sale condominiums and detached houses and condominium renovation.

"Real estate rental business" provides office and residential condominiums rental service, and "Real estate management business" provides condominium management service.

2. Calculation methods of net sales, income or loss, assets, liabilities and other items by reportable segment

Accounting policies for the reportable business segments are consistent with those described in "Significant Basis for Preparation of the Consolidated Financial Statements," except for valuation of inventories.

Inventories are stated at the value after the write-down reflecting the decline in profitability.

Reportable segment income represents operating income.

Inter-segment sales and transfers are valued at market prices.

3. Net sales, income or loss, assets, liabilities and other items by reportable segment

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Total		
Net sales						
Net sales to external customers	66,907	2,898	2,978	72,784	4,172	76,956
Inter-segment sales and transfers	—	89	13	103	701	805
Total	66,907	2,988	2,991	72,887	4,874	77,762
Segment income	7,983	668	142	8,794	593	9,387
Segment assets	39,538	24,985	371	64,895	8,598	73,494
Segment liabilities	45,631	14,345	365	60,343	8,596	68,939
Other items						
Depreciation and amortization	96	273	3	373	304	678
Interest expense	572	211	—	784	78	862
Increase in tangible and intangible fixed assets	73	6,526	28	6,628	3,929	10,557

(Note) “Other” represents business segments which are not included in any reportable segments and includes construction contracted business, repair work business and mega solar business.

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Total		
Net sales						
Net sales to external customers	63,383	4,307	3,362	71,052	5,215	76,268
Inter-segment sales and transfers	129	12	159	301	413	715
Total	63,512	4,319	3,521	71,354	5,629	76,983
Segment income	6,450	652	97	7,200	664	7,865
Segment assets	45,292	34,714	373	80,381	17,873	98,255
Segment liabilities	47,336	24,478	571	72,386	18,288	90,674
Other items						
Depreciation and amortization	109	383	6	499	682	1,182
Interest expense	526	267	—	794	164	958
Increase in tangible and intangible fixed assets	41	12,560	2	12,604	10,100	22,705

(Note) “Other” represents business segments which are not included in any reportable segments and includes construction contracted business, repair work business and mega solar business.

4. Reconciliation of the total reportable segments and the amount on the consolidated financial statements (difference adjustments)

(Millions of yen)

Net sales	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	72,887	71,354
Net sales of "Other" category	4,874	5,629
Elimination of inter-segment transactions	(805)	(715)
Net sales on the consolidated financial statements	76,956	76,268

(Millions of yen)

Income	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	8,794	7,200
Income of "Other" category	593	664
Elimination of inter-segment transactions	(83)	(184)
Amortization of goodwill	(46)	(117)
Operating income on the consolidated financial statements	9,257	7,563

(Millions of yen)

Assets	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	64,895	80,381
Assets of "Other" category	8,598	17,873
Elimination of due from parent administrative division	(1,017)	(2,492)
Corporate assets (Note)	29,261	33,981
Total assets on the consolidated financial statements	101,738	129,744

(Note) Corporate assets represent assets not attributable to any reportable segments and primarily consist of cash and deposits, assets attributable to administrative division, and deferred tax assets.

(Millions of yen)

Liabilities	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	60,343	72,386
Liabilities of "Other" category	8,596	18,288
Elimination of due to parent administrative division	(909)	(1,699)
Corporate liabilities (Note)	2,519	7,092
Total liabilities on the consolidated financial statements	70,549	96,066

(Note) Corporate liabilities represent liabilities not attributable to any reportable segments and primarily consist of borrowings.

(Millions of yen)

Other items	Total reportable segments		Other		Adjustments		Consolidated financial statements	
	Previous FY	Current FY	Previous FY	Current FY	Previous FY	Current FY	Previous FY	Current FY
Depreciation and amortization	373	499	304	682	39	9	717	1,192
Amortization of goodwill	—	—	—	—	46	117	46	117
Interest expense	784	794	78	164	33	39	896	998
Increase in tangible and intangible fixed assets	6,628	12,604	3,929	10,100	1,321	50	11,879	22,756

(Note) Adjustments for increase in tangible and intangible fixed assets represent goodwill incurred but not allocated to reportable segments, capital expenditure for the headquarter building and elimination of inter-segment transactions.

b. Impairment loss on fixed assets by reportable segment

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Real estate sales business	Real estate rental business	Real estate management business	Other	Corporate / Elimination	Total
Impairment loss	—	0	—	—	—	0

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable.

(Per Share Information)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Net assets per share	¥279.11	¥304.71
Earnings per share	¥50.61	¥38.99
Diluted earnings per share	¥50.44	¥38.82

(Notes) Basis for calculation of earnings per share and diluted earnings per share is as follows.

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Earnings per share		
Net income attributable to owners of parent (millions of yen)	5,718	4,308
Amount not attributable to common stockholders (millions of yen)	—	—
Net income attributable to owners of parent with respect to common stock (millions of yen)	5,718	4,308
Average number of shares during the year (thousand shares)	112,990	110,491
Diluted earnings per share		
Adjustments to net income attributable to owners of parent (millions of yen)	—	—
Increase in number of common stock (thousand shares)	381	482
(Of those, new share subscription rights (thousand shares))	(381)	(482)
Overview of dilutive shares not included in calculation of diluted earnings per share due to its anti-dilutive effect	—	—

(Significant Subsequent Events)

(Transfer of Assets)

The Company entered into a sales and purchase agreement with Takara Leben Infrastructure Fund Inc. on April 4, 2016, regarding transfer of mega solar power generation plants owned by the Company.

1. Reason for transfer

One of the key measures under the mid-term management plan announced on May 11, 2015 is to list on the infrastructure market at the earliest opportunity. The purpose of this transfer is to support the growth of the investment corporation scheduled to be listed in the market.

2. Description of the transferred assets and the use before the transfer

10 mega solar power generation plants

3. Name of the transferee

Takara Leben Infrastructure Fund Inc.

4. Date of transfer

Scheduled transfer date: June 2, 2016

5. Transfer price

¥7,870 million (Total of 10 plants)

(Issuance of stock options for equity-based compensation)

The Board of Directors resolved at the meeting held on April 11, 2016 to issue new share subscription rights as stock options for equity-based compensation to directors and executive officers of the Company, pursuant to Articles 236, 238 and 240 of the Companies Act.

Please refer to news release dated April 11, 2016, “Announcement concerning issuance of stock options for equity-based compensation (Class A new share subscription rights)” and “Announcement concerning issuance of stock options for equity-based compensation (Class B new share subscription rights)” for more detail.

(Acquisition of treasury stock)

The Board of Directors resolved at the meeting held on May 9, 2016 to acquire treasury stock and on specific procedures of acquisition, pursuant to provisions of Articles 156 of the Companies Act which shall be applied by replacing phrases in accordance with provision of Article 165, Paragraph 3 of the Companies Act.

1. Purpose of acquisition of treasury stock

As a measure to improve capital efficiency towards an increase in shareholders' value

2. Details of the resolution by the Board of Directors meeting regarding acquisition of treasury stock

(1) Class of shares to be acquired

Common stock of the Company

(2) Total number of shares that may be acquired

2,000,000 shares (maximum)

(Ratio to the total number of shares issued and outstanding (excluding treasury stock): 1.81%)

(3) Acquisition period

From May 10, 2016 to March 31, 2017

(4) Total amount of acquisition cost of shares

¥1,500 million (maximum)

(5) Acquisition method

Market purchase at Tokyo Stock Exchange

## 6. Non-Consolidated Financial Statements

### (1) Balance Sheet

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	※1 23,768	※1 25,364
Accounts receivable, trade	※1 110	※1 303
Other receivables	140	1,113
Real estate held for sale	※1,※2 4,892	※1,※2 4,007
Real estate held for sale in progress	※1 30,108	※1,※2 35,062
Advance payments	1,721	2,323
Prepaid expenses	1,003	1,307
Short-term loans	3	3
Short-term loans to affiliates	270	334
Deferred tax assets	139	—
Other	※1 944	871
Allowance for doubtful accounts	(17)	(11)
<b>Total current assets</b>	<b>63,085</b>	<b>70,681</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings	※1,※2 5,009	※1,※2 8,317
Structures	※1 193	※1,※2 657
Machinery, equipment and vehicles	※1 3,864	※1 12,398
Tools, furniture and fixtures	※1 14	※1,※2 12
Land	※1,※2 16,506	※1,※2 21,846
Lease assets	108	82
Construction in progress	※1 725	※1 697
<b>Total tangible fixed assets</b>	<b>26,423</b>	<b>44,013</b>
<b>Intangible fixed assets</b>		
Land lease rights	※1 224	※1 224
Software	49	42
Lease assets	62	61
Other	0	0
<b>Total intangible fixed assets</b>	<b>336</b>	<b>329</b>
<b>Investments and other assets</b>		
Investment securities	184	353
Affiliates' stock	2,292	2,521
Investments in capital	2	2
Membership	15	15
Security deposits and guarantee deposits	343	385
Long-term loans	55	49
Long-term loans to affiliates	331	797
Long-term other receivables	157	135
Other	137	929
Allowance for doubtful accounts	(234)	(209)
<b>Total investments and other assets</b>	<b>3,285</b>	<b>4,979</b>
<b>Total fixed assets</b>	<b>30,044</b>	<b>49,322</b>
<b>Total assets</b>	<b>93,130</b>	<b>120,003</b>

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable	8,088	8,378
Accounts payable, trade	1,371	3,180
Short-term borrowings	※1 4,443	※1 6,603
Current portion of long-term borrowings	※1 10,112	※1 12,138
Lease obligations	71	74
Other payables	1,118	4,098
Accrued expenses	101	120
Income taxes payable	1,808	880
Advance received	4,065	2,941
Deposits received	333	325
Unearned revenues	17	18
Allowance for bonuses	180	191
Allowance for compensation for complete work	150	330
Deferred tax liabilities	—	786
Other	63	0
<b>Total current liabilities</b>	<b>31,926</b>	<b>40,068</b>
<b>Noncurrent liabilities</b>		
Long-term borrowings	※1 30,800	※1 46,639
Security deposits and guarantee deposits received	739	1,292
Lease obligations	115	84
Allowance for employees' retirement benefits	165	196
Asset retirement obligations	20	21
Deferred tax liabilities	796	537
Other	4	3
<b>Total noncurrent liabilities</b>	<b>32,643</b>	<b>48,776</b>
<b>Total liabilities</b>	<b>64,569</b>	<b>88,844</b>

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus		
Capital reserve	4,817	4,817
Total capital surplus	4,817	4,817
Retained earnings		
Legal reserve	92	92
Other retained earnings		
Reserve for special depreciation	2,592	4,163
General reserve	14,681	14,681
Retained earnings carried forward	6,258	7,552
Total retained earnings	23,624	26,490
Treasury stock	(4,806)	(5,100)
Total shareholders' equity	28,454	31,027
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities	28	(8)
Total valuation and translation adjustments	28	(8)
New share subscription rights	77	140
Total net assets	28,560	31,158
Total liabilities and net assets	93,130	120,003



## (2) Statement of Income

(Millions of yen)

	Previous Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Net sales		
Net sales - real estate	66,818	62,790
Income from real estate rental	1,353	1,505
Other income	647	1,200
Total net sales	68,819	65,496
Cost of sales		
Cost of sales - real estate	51,097	48,276
Cost of sales - real estate rental	713	833
Cost of sales - other	334	874
Total cost of sales	52,145	49,983
Gross profit	16,673	15,512
Selling, general and administrative expenses	※2 7,889	※2 8,366
Operating income	8,783	7,145
Non-operating income		
Interest income	13	27
Dividend income	※1 70	※1 70
Commissions received	111	88
Miscellaneous income	58	71
Total non-operating income	253	258
Non-operating expenses		
Interest expense	869	945
Miscellaneous losses	30	88
Total non-operating expense	899	1,034
Ordinary income	8,137	6,369
Extraordinary gains		
Gain on sale of investment securities	16	—
Gain on sale of stocks of subsidiaries and affiliates	—	78
Total extraordinary gains	16	78
Extraordinary losses		
Loss on disposal of fixed assets	30	—
Impairment loss	0	—
Loss on valuation of investment securities	9	—
Loss from legal proceedings	20	—
Loss from compensation for complete work	—	252
Total extraordinary losses	61	252
Income before income taxes	8,092	6,195
Income taxes - current	1,776	1,192
Income taxes - deferred	914	666
Total income taxes	2,690	1,859
Net income	5,401	4,336

Cost of Sales Statement

1. Cost of sales - real estate

Category	Notes	Previous Fiscal Year (From April 1, 2014 to March 31, 2015)		Current Fiscal Year (From April 1, 2015 to March 31, 2016)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Land purchase cost	2, 3	14,860	29.1	14,839	30.7
Outsourced construction cost		35,413	69.3	32,716	67.8
Other		823	1.6	721	1.5
Cost of sales - real estate		51,097	100.0	48,276	100.0

(Note) 1. Cost of sales is calculated using the job order costing system.

2. Land purchase cost of the previous fiscal year includes loss on valuation of inventories of ¥ (151) million.

3. Land purchase cost of the current fiscal year includes loss on valuation of inventories of ¥ (138) million.

2. Cost of sales - real estate rental

Category	Notes	Previous Fiscal Year (From April 1, 2014 to March 31, 2015)		Current Fiscal Year (From April 1, 2015 to March 31, 2016)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Taxes and public charges		135	18.9	143	17.3
Depreciation and amortization		247	34.7	304	36.6
Maintenance and administrative expenses		330	46.4	384	46.1
Cost of sales - real estate rental		713	100.0	833	100.0

## (3) Statement of Changes in Shareholders' Equity

Previous Fiscal Year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal reserve	Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Reserve for special depreciation	General reserve	Retained earnings carried forward	
Balance at beginning of year	4,819	4,817	—	4,817	92	691	12,681	5,940	19,405
Changes during the year									
Funding for reserve for special depreciation						2,199		(2,199)	—
Reversal of reserve for special depreciation						(298)		298	—
Funding for general reserve							2,000	(2,000)	—
Dividends from surplus								(624)	(624)
Net income								5,401	5,401
Acquisition of treasury stock									
Disposition of treasury stock			2	2					
Cancellation of treasury stock			(560)	(560)					
Transfer from retained earnings to capital surplus			557	557				(557)	(557)
Net changes of items other than shareholders' equity									
Total changes during the year	—	—	—	—	—	1,900	2,000	318	4,218
Balance at end of year	4,819	4,817	—	4,817	92	2,592	14,681	6,258	23,624

	Shareholders' equity		Valuation and translation adjustments		New share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(4,179)	24,863	4	4	53	24,920
Changes during the year						
Funding for reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Funding for general reserve		—				—
Dividends from surplus		(624)				(624)
Net income		5,401				5,401
Acquisition of treasury stock	(1,217)	(1,217)				(1,217)
Disposition of treasury stock	29	32				32
Cancellation of treasury stock	560	—				—
Transfer from retained earnings to capital surplus		—				—
Net changes of items other than shareholders' equity			24	24	24	48
Total changes during the year	(627)	3,591	24	24	24	3,640
Balance at end of year	(4,806)	28,454	28	28	77	28,560

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings			Total retained earnings
						Reserve for special depreciation	General reserve	Retained earnings carried forward	
Balance at beginning of year	4,819	4,817	—	4,817	92	2,592	14,681	6,258	23,624
Changes during the year									
Funding for reserve for special depreciation						1,965		(1,965)	—
Reversal of reserve for special depreciation						(394)		394	—
Funding for general reserve									—
Dividends from surplus								(886)	(886)
Net income								4,336	4,336
Acquisition of treasury stock									
Disposition of treasury stock			55	55					
Cancellation of treasury stock			(640)	(640)					
Transfer from retained earnings to capital surplus			584	584				(584)	(584)
Net changes of items other than shareholders' equity									
Total changes during the year	—	—	—	—	—	1,571	—	1,294	2,865
Balance at end of year	4,819	4,817	—	4,817	92	4,163	14,681	7,552	26,490

	Shareholders' equity		Valuation and translation adjustments		New share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(4,806)	28,454	28	28	77	28,560
Changes during the year						
Funding for reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Funding for general reserve		—				—
Dividends from surplus		(886)				(886)
Net income		4,336				4,336
Acquisition of treasury stock	(970)	(970)				(970)
Disposition of treasury stock	36	92				92
Cancellation of treasury stock	640	—				—
Transfer from retained earnings to capital surplus		—				—
Net changes of items other than shareholders' equity			(37)	(37)	63	25
Total changes during the year	(293)	2,572	(37)	(37)	63	2,598
Balance at end of year	(5,100)	31,027	(8)	(8)	140	31,158

(4) Notes to the non-consolidated financial statements

(Notes Regarding the Going Concern Assumption)

Not applicable.

(Significant Accounting Policies)

1. Valuation basis and method for securities

(1) Debt securities held to maturity

Debt securities held to maturity are stated at amortized cost using the straight-line method.

(2) Subsidiaries' and affiliates' stock

Subsidiaries' and affiliates' stock is stated at cost based on the moving-average method.

(3) Available-for-sale securities

With fair value

Securities with fair value are marked to market based on the market value at the fiscal year-end (Unrealized gains and losses are directly recorded in Net assets and cost of securities sold is calculated using the moving-average method).

Without fair value

Securities without fair value are stated at cost based on the moving-average method.

2. Valuation basis and method for inventories

Inventory is stated at cost based on the specific identification method (Book value is written down due to decline in profitability).

3. Depreciation method for fixed assets

(1) Tangible fixed assets (excluding lease assets)

Tangible fixed assets (excluding lease assets) are depreciated using the declining balance method, except for buildings (excluding leasehold improvement) acquired after April 1, 2008, which are depreciated using the straight-line method.

Individual useful lives are as follows:

	Individual useful lives (years)
Buildings	3-50
Machinery and equipment	17

(2) Intangible fixed assets (excluding lease assets)

Software for internal use is amortized using the straight-line method over the estimated useful life of five years.

(3) Lease assets

Lease assets under the finance lease arrangements where the ownership is transferred to lessees

Lease assets with ownership transfer are depreciated using the same depreciation method as fixed assets owned.

Lease assets under the finance lease arrangements where the ownership is not transferred to lessees

Lease assets without ownership transfer are depreciated using the straight-line method over the lease term with no residual value.

4. Accounting for allowances

(1) Allowance for doubtful accounts

For the estimated uncollectible amount, allowance for performing receivables is recorded based on the actual loss ratio, and allowance for certain receivables with doubtful collectibility is recorded based on the individual assessment of collectibility.

(2) Allowance for bonuses

In order to provide for bonuses to be paid to employees, estimated bonus amount attributable to the current fiscal year is recorded.

(3) Allowance for compensation for complete work

Allowance for compensation for complete work is recorded in order to provide for losses arising from defects after the delivery of self-executed constructions or compensation service costs based on the historical costs related to repair work of self-executed constructions.

(4) Allowance for employees' retirement benefits

Allowance for employees' retirement benefits is provided based on the retirement benefit obligations as at the current fiscal year-end.

## 5. Other significant basis for preparation of the financial statements

### Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax exclusive method. Non-deductible consumption taxes relating to assets are charged to income in the year of acquisition.

### (Changes in accounting policies)

#### (Application of accounting standards for business combinations)

Effective April 1, 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the accounting treatments were changed to record acquisition-related expenses as expenses for the fiscal year in which they are incurred. With regard to any business combinations executed on and after April 1, 2015, the accounting treatment is changed to reflect the adjustments to the provisionally allocated acquisition costs based on the finalized accounting treatment to the financial statements in the fiscal year to which the date of the business combination belongs.

The Company has applied the Accounting Standard for Business Combinations in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, prospectively from April 1, 2015.

This change had no impact on the financial statements.

### (Balance Sheet)

※1 Assets pledged as collateral and corresponding liabilities are as follows.

#### (1) Assets pledged as collateral

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
Cash and deposits	21	28
Accounts receivable, trade	46	150
Real estate held for sale	598	1,134
Real estate held for sale in progress	23,876	32,601
Other (current assets)	297	—
Buildings	4,481	7,816
Structures	149	418
Machinery and equipment	3,068	10,702
Tools, furniture and fixtures	0	0
Land	12,741	18,153
Construction in progress	549	15
Land lease rights	224	224
<b>Total</b>	<b>46,056</b>	<b>71,245</b>

#### (2) Corresponding liabilities

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
Short-term borrowings	2,733	3,014
Current portion of long-term borrowings	5,175	11,596
Long-term borrowings	29,440	42,934
<b>Total</b>	<b>37,349</b>	<b>57,544</b>

※2 Change in purpose of asset holding

Previous fiscal year (as of March 31, 2015)

In line with the decision to reclassify part of the real estate held for development and rent to real estate held for resale, Buildings of ¥252 million and Land of ¥445 million were reclassified to Real estate held for sale during the year ended March 31, 2015.

Current fiscal year (as of March 31, 2016)

In line with the decision to reclassify part of the real estate held for development and rent to real estate held for resale, Buildings of ¥599 million, Structures of ¥6 million, Tools, furniture and fixtures of ¥0 million and Land of ¥1,426 million were reclassified to Real estate held for sale and Real estate held for sale in progress during the year ended March 31, 2016.

### 3 Contingent liabilities

The Company provides guarantees for borrowings from financial institutions by the Company's customers and affiliates.

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
Joint and several guarantees in favor of financial institutions until the customers' residential mortgage loans are registered	12,073	8,168
TAFUKO Co., Ltd.	165	93
Takara Leben Tohoku Co., Ltd.	—	731
Nikko Kensetsu Co., Ltd.	—	176
Total	12,239	9,169

4 The Company maintains overdraft and credit lines agreement with 22 financial institutions (March 31, 2015: 14) in order to ensure efficient funding of operating capital. The unused balance of borrowings under these agreements at fiscal year-end is as follows.

(Millions of yen)

	Previous Fiscal Year (March 31, 2015)	Current Fiscal Year (March 31, 2016)
Total maximum amount of overdraft and credit lines	8,213	16,190
Outstanding borrowing balance	4,683	7,956
Difference	3,529	8,233

(Statement of Income)

※1 The following items related to transactions with affiliates are included.

	Previous Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Dividend income from affiliates	¥66 million	¥67 million

※2 Selling expenses account for approximately 53% and 50% for the years ended March 31, 2015 and 2016, respectively, and General and administrative expenses account for approximately 47% and 50% for the years ended March 31, 2015 and 2016, respectively.

Major components of Selling, general and administrative expenses and their amounts are as follows.

(Millions of yen)

	Previous Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Advertising expenses	2,736	2,537
Sales commissions	56	194
Sales promotion expenses	1,390	1,412
Salaries	1,145	1,204
Provision for allowance for bonuses	267	259
Retirement benefit costs	35	40
Depreciation and amortization	96	109

(Significant Subsequent Events)

(Transfer of Assets)

The Company entered into a sales and purchase agreement with Takara Leben Infrastructure Fund Inc. on April 4, 2016, regarding transfer of mega solar power generation plants owned by the Company.

1. Reason for transfer

One of the key measures under the mid-term management plan announced on May 11, 2015 is to list on the infrastructure market at the earliest opportunity. The purpose of this transfer is to support the growth of the investment corporation scheduled to be listed in the market.

2. Description of the transferred assets and the use before the transfer

10 mega solar power generation plants

3. Name of the transferee

Takara Leben Infrastructure Fund Inc.

4. Date of transfer

Scheduled transfer date: June 2, 2016

5. Transfer price

¥7,870 million (Total of 10 plants)

(Issuance of stock options for equity-based compensation)

The Board of Directors resolved at the meeting held on April 11, 2016 to issue new share subscription rights as stock options for equity-based compensation to directors and executive officers of the Company, pursuant to Articles 236, 238 and 240 of the Companies Act.

Please refer to news release dated April 11, 2016, “Announcement concerning issuance of stock options for equity-based compensation (Class A new share subscription rights)” and “Announcement concerning issuance of stock options for equity-based compensation (Class B new share subscription rights)” for more detail.

(Acquisition of treasury stock)

The Board of Directors resolved at the meeting held on May 9, 2016 to acquire treasury stock and on specific procedures of acquisition, pursuant to provisions of Articles 156 of the Companies Act which shall be applied by replacing phrases in accordance with provision of Article 165, Paragraph 3 of the Companies Act.

1. Purpose of acquisition of treasury stock

As a measure to improve capital efficiency towards an increase in shareholders' value

2. Details of the resolution by the Board of Directors meeting regarding acquisition of treasury stock

(1) Class of shares to be acquired

Common stock of the Company

(2) Total number of shares that may be acquired

2,000,000 shares (maximum)

(Ratio to the total number of shares issued and outstanding (excluding treasury stock): 1.81%)

(3) Acquisition period

From May 10, 2016 to March 31, 2017

(4) Total amount of acquisition cost of shares

¥1,500 million (maximum)

(5) Acquisition method

Market purchase at Tokyo Stock Exchange



## 7. Other

### (1) Changes of Officers

To be disclosed when the information to be disclosed is determined.

### (2) Production, Orders Received and Sales

#### (i) Number of units contracted during the year

Segment name	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)		Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)		Year-on-Year (%)
	Number of units	Amounts (Millions of yen)	Number of units	Amounts (Millions of yen)	
Real estate sales business	1,910	68,564	1,575	55,523	81.0
Total	1,910	68,564	1,575	55,523	81.0

(Note) The above amounts do not include consumption taxes.

#### (ii) Balance of contract

Segment name	Previous Consolidated Fiscal Year-End (March 31, 2015)		Current Consolidated Fiscal Year-End (March 31, 2016)		Year-on-Year (%)
	Number of units	Amounts (Millions of yen)	Number of units	Amounts (Millions of yen)	
Real estate sales business	984	36,824	842	27,307	74.2
Total	984	36,824	842	27,307	74.2

(Note) The above amounts do not include consumption taxes.

#### (iii) Net sales

Segment name	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)	Year-on-Year (%)
Real estate sales business (Millions of yen)	63,383	94.7
Real estate rental business (Millions of yen)	4,307	148.6
Real estate management business (Millions of yen)	3,362	112.9
Total reportable segments (Millions of yen)	71,052	97.6
Other (Millions of yen)	5,215	125.0
Total (Millions of yen)	76,268	99.1

(Notes) 1. Inter-segment transactions are eliminated.

2. The above amounts do not include consumption taxes.