

First Quarter Consolidated Financial Report

for the Three Months Ended June 30, 2016 (Japan GAAP)

July 25, 2016

Takara Leben CO., LTD.

Shares listed on: First Section of the Tokyo Stock Exchange
 Security code: 8897
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Scheduled date for release of Quarterly Report: August 5, 2016
 Scheduled date for commencement of dividend payments: --
 Has the Company prepared supplementary briefing materials for the Quarter: No
 Has the Company held briefings concerning its quarterly financial results: No

1. Consolidated Operating Results for the Three Months Ended June 30, 2016 (April 1-June 30, 2016)

(Amounts are rounded down to the nearest million)

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

(Percentage figures represent year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2016	21,196	130.4	3,033	—	2,731	—	1,788	—
Three months ended June 30, 2015	9,199	78.1	(316)	—	(532)	—	(410)	—

(Note) Comprehensive income: Three months ended June 30, 2016: ¥ 1,931 million (—%) / Three months ended June 30, 2015: ¥(390) million (—%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2016	16.30	16.21
Three months ended June 30, 2015	(3.69)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	127,893	34,088	26.5
As of March 31, 2016	129,744	33,677	25.8

<Reference> Shareholders' equity at end of period: June 30, 2016: ¥33,886 million / March 31, 2016: ¥33,536 million

2. Cash Dividends

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

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

3. Consolidated Operating Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016-March 31, 2017)

(Percentage figures represent year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	105,000	37.7	15,000	98.3	13,900	107.2	9,000	108.9	81.77

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

4. Other Matters

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

a.	Three months ended June 30, 2016:	126,000,000 shares	As of March 31, 2016:	126,000,000 shares
b.	Three months ended June 30, 2016:	16,733,007 shares	As of March 31, 2016:	15,938,307 shares
c.	Three months ended June 30, 2016:	109,696,333 shares	Three months ended June 30, 2015:	111,307,274 shares

(Note) Explanation concerning implementation status of quarterly review procedure

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

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

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

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

(1) Qualitative Information Pertaining to Consolidated Operating Performance

a. Performance by business segment

From the first-quarter year-to-date period for the fiscal year ending in March 2017, the Takara Leben Group has changed its reportable segments, and the following year-on-year comparison is made using the values after reclassifying the reportable segments into the segment classification after the change.

In the first-quarter year-to-date period of the Takara Leben Group's fiscal year ending in March 2017, sales from the real estate sales business amounted to ¥9,872 million, up 54.4% on a year-on-year basis. This reflected sales in the new built-for-sale condominium business, as well as sales in the newly-built detached housing business.

In the real estate rental business, sales totaled ¥1,229 million, up 16.5% on a year-on-year basis. This reflected sales from the rental of apartments, condominium units, and offices.

In the real estate management business, sales from the management of 41,890 units of residential condominiums were ¥909 million, up 10.0% on a year-on-year basis.

In the electric power generation business, sales totaled ¥8,565 million, up 3,997.4% on a year-on-year basis, mainly due to revenues from the sale of ten facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.

Sales from other businesses amounted to ¥619 million, down 13.1% on a year-on-year basis, mainly revenues from construction work, large-scale repair work.

As a result, Net sales for the first-quarter year-to-date period of the current consolidated fiscal year amounted to ¥21,196 million, up 130.4% on a year-on-year basis; Operating income amounted to ¥3,033 million, Operating loss for the same period of the previous year was ¥316 million; Ordinary income amounted to ¥2,731 million, Ordinary loss for the same period of the previous year was ¥532 million; and Net income amounted to ¥1,788 million, Net loss for the same period of the previous year was ¥410 million.

b. Overview

The built-for-sale condominium business delivered 223 units. In the fiscal year ending March 2017, although there has been a steady rate of contract signings, because delivery is concentrated in the second half, the majority of sales and income from those contracts is expected to be recorded in the second half..

c. Contracted ratio status

With regard to sales performance in the first-quarter year-to-date period of the current consolidated fiscal year, contracts were concluded for 1,046 units, compared with a full-year target of 1,600 units scheduled for delivery. The contract ratio was at 65.4% showing a steady growth in the business.

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

	Units scheduled for delivery (units)	Number of contracts signed (units)	Contracted ratio (%)	Number of contracts signed from April 1-June 30, 2016 (units)
Three months ended June 30, 2015	1,452	1,076	74.1	300
Three months ended June 30, 2016	1,600	1,046	65.4	357

(2) Qualitative Information Pertaining to Consolidated Financial Position

Assets, Liabilities and Net Assets

With regard to the assets, liabilities, and net assets of the Group at the end of the first-quarter consolidated accounting period under review, total assets were ¥127,893 million, an decrease of ¥1,850 million compared with the end of the previous consolidated fiscal year. The decrease mainly reflected a decrease in cash and deposits as a result of Settlement of notes payable.

(Current Assets)

Current assets decreased ¥1,561 million compared with the end of the previous consolidated fiscal year to ¥74,191 million. This mainly reflected a decrease in cash and deposits as a result of Settlement of notes payable.

(Fixed Assets)

Fixed assets decreased ¥305 million compared with the end of the previous consolidated fiscal year to ¥53,639 million, mainly reflecting the sale of electric power generation facilities.

(Current Liabilities)

Current liabilities decreased ¥1,909 million compared with the end of the previous consolidated fiscal year to ¥40,950 million, mainly due to decreased notes payable.

(Fixed Liabilities)

Fixed liabilities decreased ¥351 million compared with the end of the previous consolidated fiscal year, to ¥52,855 million, mainly due to the repayment of borrowings and the reclassification from long-term borrowings to short-term borrowings.

(Net Assets)

Total net assets increased ¥410 million compared with the end of the previous consolidated fiscal year, to ¥34,088 million, mainly reflecting the fact that net income for the first quarter exceeded the distribution of surplus and the acquisition of treasury stock.

(3) Qualitative Information Pertaining to Forecasted Consolidated Operating Results

There is no change from the projected consolidated operating results released on May 9, 2016.

2. Summary Information (Notes)

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

The Company had no pertinent matters to report.

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

The Company had no pertinent matters to report.

(3) Changes in Accounting Policies, Changes in Accounting Estimates or Restatement

Changes in Accounting Policies

(Application of practical solution regarding change in depreciation method due to 2016 Tax Reform)

In association with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32

dated June 17, 2016) from the first quarter of the consolidated fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

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

(4) Additional information

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

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

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
ASSETS		
Current assets:		
Cash and deposits	28,515	22,745
Notes and accounts receivable, trade	963	1,020
Real estate held for sale	4,073	9,852
Real estate held for sale in progress	36,134	35,656
Costs incurred on uncompleted contracts	116	188
Other	5,987	4,776
Allowance for doubtful accounts	(38)	(48)
Total current assets	75,753	74,191
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	11,209	12,702
Land	24,750	24,635
Other (net)	13,277	10,986
Total tangible fixed assets	49,237	48,325
Intangible fixed assets	1,512	1,470
Investments and other assets		
Other	3,218	3,861
Allowance for doubtful accounts	(22)	(17)
Total investments and other assets	3,195	3,843
Total fixed assets	53,945	53,639
Deferred assets	45	62
Total assets	129,744	127,893
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	12,307	7,592
Short-term borrowings	7,412	13,469
Current portion of long-term borrowings	12,410	10,457
Income taxes payable	1,113	1,972
Reserve	628	522
Other	9,256	6,936
Total current liabilities	42,859	40,950
Noncurrent liabilities		
Long-term borrowings	50,147	49,768
Bonds payable	200	200
Reserve	32	34
Liabilities related to retirement benefits	307	318
Other	2,519	2,534
Total noncurrent liabilities	53,207	52,855
Total liabilities	96,066	93,805

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,865
Retained earnings	29,011	29,809
Treasury stock	(5,100)	(5,740)
Total shareholders' equity	33,548	33,755
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	(11)	131
Total accumulated other comprehensive income	(11)	131
Subscription rights to shares	140	201
Total net assets	33,677	34,088
Total liabilities and net assets	129,744	127,893

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

(Millions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Net sales	9,199	21,196
Cost of sales	7,238	15,197
Gross profit	1,961	5,999
Selling, general and administrative expenses	2,277	2,965
Operating income (loss)	(316)	3,033
Non-Operating income:		
Interest income	0	0
Dividend income	2	3
Commissions received	9	16
Miscellaneous income	18	6
Total Non-Operating income	31	27
Non-Operating expenses:		
Interest expense	216	265
Losses from equity method investment	18	57
Miscellaneous losses	12	6
Total Non-Operating expenses	247	330
Ordinary income (loss)	(532)	2,731
Net income (loss) before income taxes	(532)	2,731
Income taxes, inhabitant taxes and business taxes	44	1,887
Income tax adjustments	(166)	(944)
Total income and other taxes	(121)	942
Net income (loss)	(410)	1,788
Profit attributable to owners of parent (loss)	(410)	1,788

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

(Millions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Net income (loss)	(410)	1,788
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	20	143
Total other comprehensive income	20	143
Comprehensive income	(390)	1,931
(Comprising)		
Comprehensive income attributable to parent	(390)	1,931

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

The Company had no pertinent matters to report.

(Notes on a Significant Change in Shareholders' Equity)

In the first quarters of the consolidated fiscal year under review, the Company purchased shares of treasury stock at ¥687 million, by resolution of the meeting of the Board of Directors held on May 9, 2016.

Additionally, with the disposal of treasury stock for ¥48 million due to the exercise of stock options, the Company held treasury stock for ¥5,740 million as of June 30, 2016.