

# **Earnings Results Briefing for the Six Months Ended September 30, 2017**

**October 31,2017**

**Takara Leben Co.,Ltd.**



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Summary of Business Results for  
The Six months Ended September 30, 2017



LEBEN Aoto LICELT

- ▶ **The number of new condominium units delivered declined from a year ago.**
  - The completion of new condominiums was concentrated in the fourth quarter.
  
- ▶ **The annual plan for mega solar power generation facilities was achieved.**
  - The first PO by Takara Leben Infrastructure Fund in June
  
- ▶ **Net sales and each level of income were on a par with the plan.**
  
- ▶ **Properties were purchased in new areas covered by new business bases.**
  - Sapporo Office, Osaka Branch, Fukuoka Head Office(Takara Leben West Japan)
  
- ▶ **Progress of contracts (66.5% of the annual plan, 1,600 units)**
  - The timing of commencement of sales at many condominiums is later than for a typical year.
  - The gross profit margin rate forecast rose slightly.

## Real estate sales business

- ▶ **Progress made as planned**  
**175 new condominium units recovered**  
**41 detached houses recovered**

- Change in lifestyle → Increase in needs for compact properties
- Good progress in the supply of properties in regional cities
- Expansion of share and establishment of a position in the Tohoku area

## Real estate rental business

- ▶ **Purchases of hotels and properties in operation**
- ▶ **Increase in rent revenues**

- 3.0 billion yen's worth of revenue-generating real estate purchased in the first half (total project cost: ¥11.0 billion)
- Proactive purchases of land for hotels

## Real estate management business

- ▶ **Steady increase in number of units under management**

- Units under management expanded steadily.
- Over 90% of the units under management were units owned by other companies.
- Replaced other companies in large-scale projects (1,100 units).
- The number of new contracts (units under management) in the first half was 2,300.

## Power generation business

- ▶ **Power generation facilities sold**

- First PO by the infrastructure fund
- The full-year sales plan achieved
- Acquisition of larger facilities
- Purchases in the secondary market
- The recognition of the infrastructure fund market increased.

# Consolidated Income Statements

(Unit : Million yen )	Six months ended September 30, 2016	Six months ended September 30, 2017	YOY change ( % )
<b>Net sales</b>	37,120	32,225	▲13.2%
<b>Operating profit</b>	2,994	2,855	▲4.7%
<b>Ordinary profit</b>	2,457	2,523	2.7%
<b>Net income</b>	1,549	1,624	4.9%

➤ Net sales

• Net sales declined 13.2% year on year due to a fall in the number of units of new condominiums delivered, despite a significant increase in sales of mega solar power generation facilities.

➤ Operating profits

• Operating profits were almost the same as in the previous fiscal year, reflecting an increase in profit from mega solar power generation facilities.

➤ Ordinary profits, net income

• Operating profits rose due to an increase in profit from equity method investment.

# Consolidated Segment Information (Net Sales)

( Unit: Million yen )		Six months ended September 30, 2016	Six months ended September 30, 2017	YOY change ( % )
Real estate sales business	22,296	11,714	▲47.5%	
Real estate rental business	2,470	2,713	9.8%	
Real estate management business	1,814	2,001	10.3%	
Power generation business	9,194	14,557	58.3%	
Other businesses	1,344	1,238	▲7.9%	
<b>Total</b>	37,120	32,225	▲13.2%	

➤ Real estate sales business

- The number of units of new condominiums delivered declined.

➤ Real estate rentals business, real estate management business

- Net sales rose steadily in each business due to an increase in revenue-generating real estate and a rise in the number of units under management.

➤ Power generation business

- Sales of power generation facilities increased.

# Consolidated Balance Sheet

	Year ended March 31, 2017	Six months ended September 30, 2017	YOY change
(Unit : Million yen )			
<b>Current assets</b>	86,585	91,997	6.3%
Cash and deposits/cash equivalents	29,780	23,833	▲20.0%
Inventory assets	49,933	60,944	22.0%
Real estate held for sale	9,658	6,989	▲27.6%
Power generation facilities for sale	7,885	1,596	▲79.8%
Real estate for sale under construction	32,390	52,357	61.6%
<b>Fixed assets</b>	53,237	63,749	19.7%
<b>Total assets</b>	139,874	155,791	11.4%

- Real estate for sale under construction
  - Increase due to steady acquisitions of land
- Fixed assets
  - Proactive purchases of revenue-generating real estate

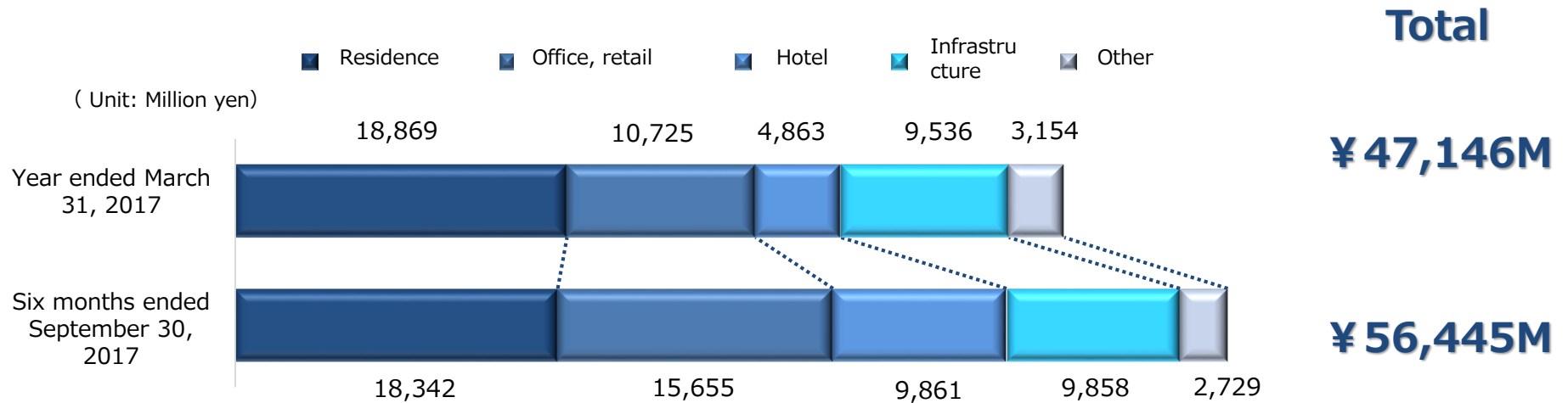
	Year ended March 31, 2017	Six months ended September 30, 2017	YOY change
(Unit : Million yen )			
<b>Current liabilities</b>	50,482	58,966	16.8%
Notes and accounts payable-trade	12,173	4,467	▲63.3%
Loans payable (short-term borrowings and current portion of long-term borrowings)	29,588	45,665	54.3%
<b>Fixed liabilities</b>	52,599	59,372	12.9%
Long-term borrowings	48,439	54,328	12.2%
<b>Total liabilities</b>	103,081	118,338	14.8%
<b>Net assets</b>	36,792	37,453	1.8%
Capital	4,819	4,819	—
<b>Total liabilities and net assets</b>	139,874	155,791	11.4%

- Borrowings (short-term, long-term)
  - Increases in purchases and the borrowing of fixed assets

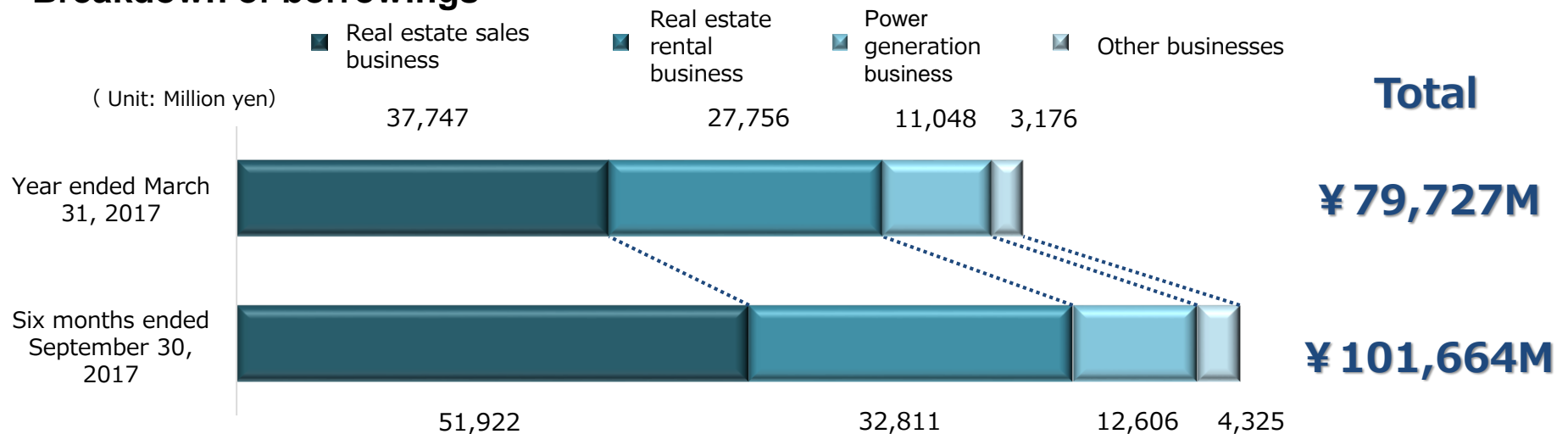


# Consolidated Balance Sheet (Details)

## Breakdown of property, plant and equipment



## Breakdown of borrowings



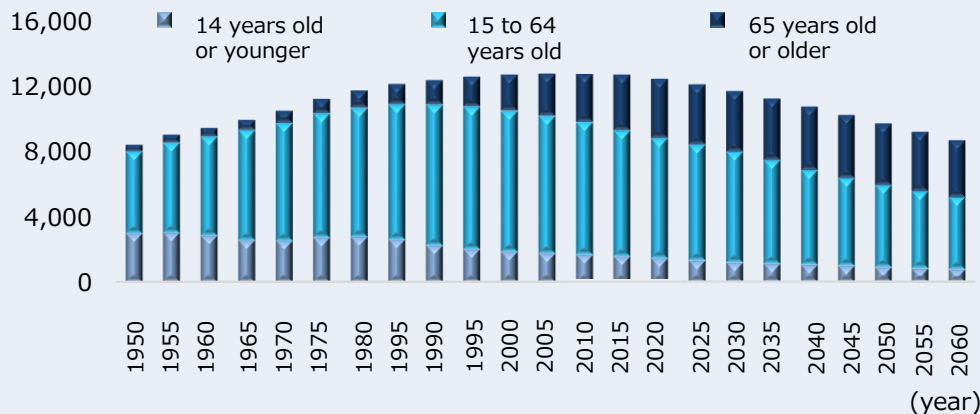
Key Topics for The Six months  
Ended September 30, 2017



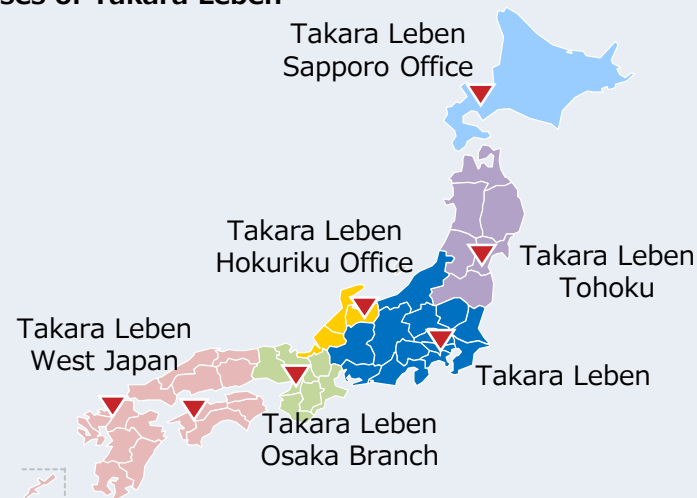
LEBEN Kitaayase REVANCE

## Demographics of Japan

(10 thousand people)



## Bases of Takara Leben



### ■ Aging population, increase in single-person households and double-income households

→ Increase in people choosing not to live in detached houses due to the aging society



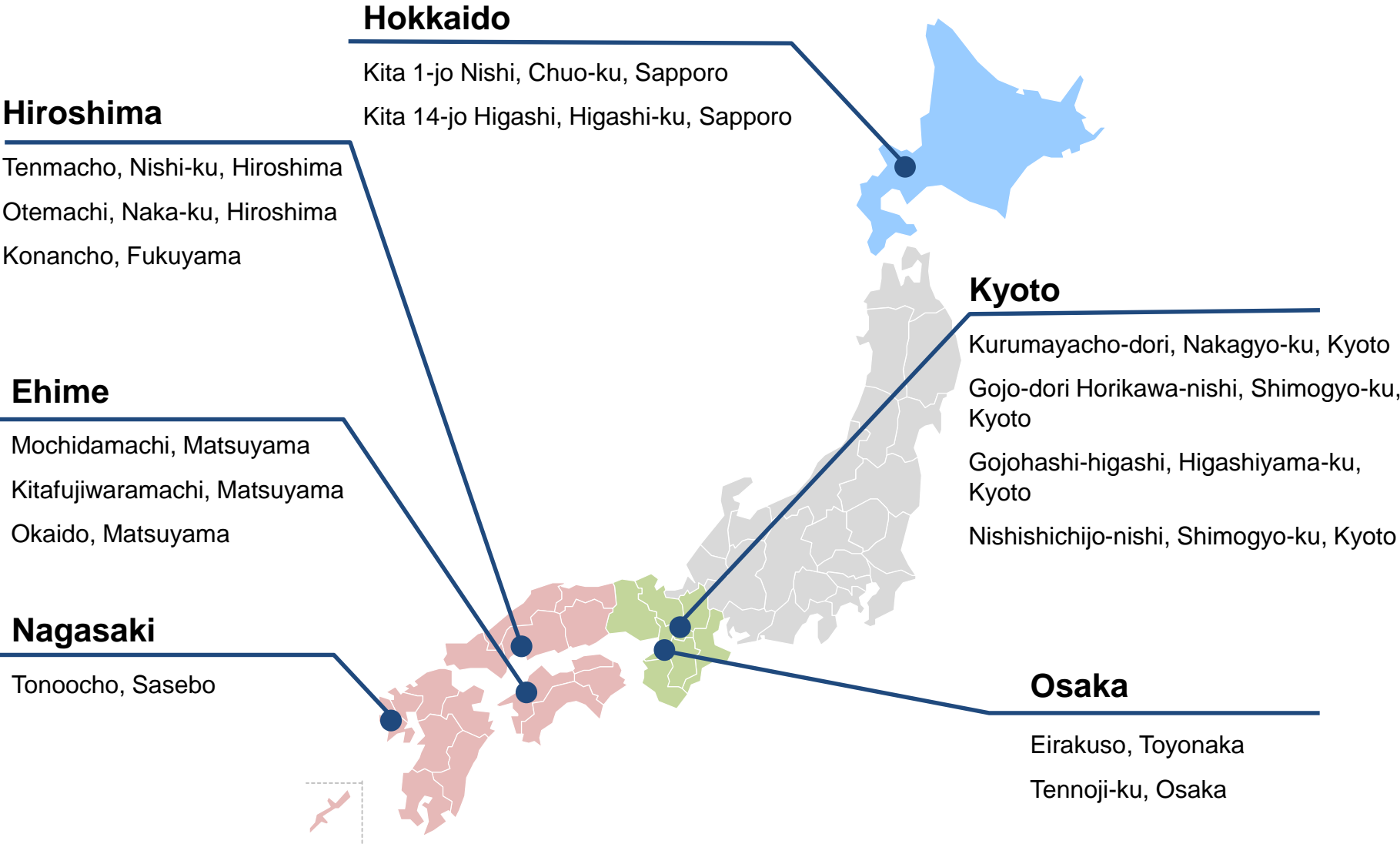
**Re-tap into demand in the market in accordance with changes in lifestyles**

→ Increase in demand for compact properties due to an increase in single-person households and double-income households



**Expanding supply areas by establishing new bases**

# Key Topics Purchases in New Locations



- Rising prices of new condominiums
- A significant decline in the supply of units in suburban areas
- Increasing double-income households



Expansion of the market for used condominiums whose locations have value  
The number of used condominium contracts exceeding the number of new condominium contracts  
Change in consumer attitudes  
(Change in attitude of shying away from used housing)

## Business model

### Takara Leben

Purchasing rental properties for families  
\*They can be bought at a lower price than vacant units.  
\*For actual users, not for investment



Owning as rental properties until tenants move out



Renovated after tenants move out



Sold



Alliance planned

Planning to form an alliance with a company having strong expertise in renewal and resale business

**Short-term target: sales of ¥3.5bn**

**Long-term target: sales of ¥8.0bn**



Changes in lifestyles and values

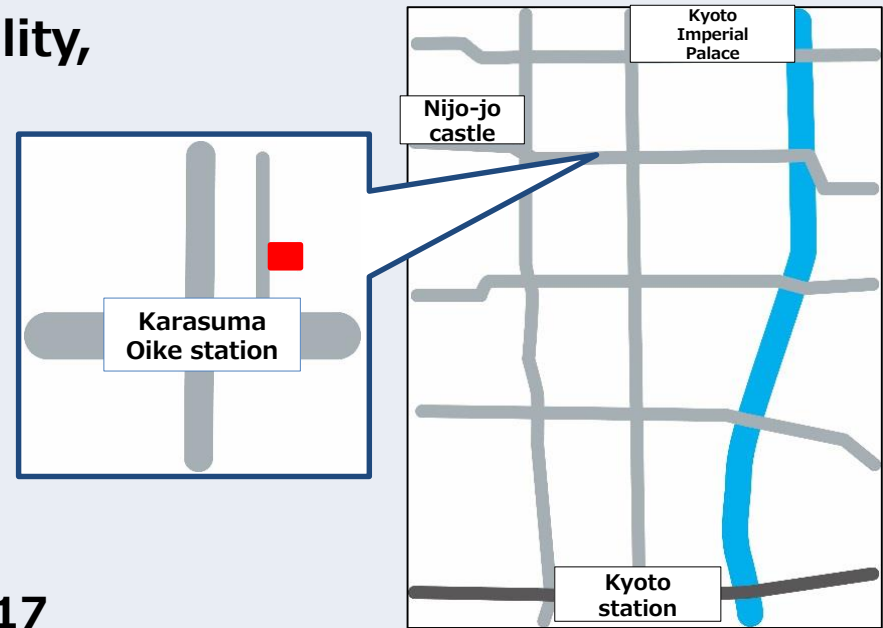


Increasing demand in the used condominium market

## Developing an accommodation facility, through conversion, in Kyoto

- Location  
Nushiyacho, Kurumayamachi-dori Oshikoji-sagaru, Nakagyo-ku, Kyoto, Kyoto Prefecture
- Transportation  
A minute walk from Karasuma Oike station on the subway Karasuma Line and Tozai Line
- Facility  
11 floors and 72 guest rooms

▶ **Planned to be opened in December 2017**

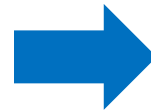


### ■ Act on National Strategic Special Zones coming into force

Deregulation and tax breaks in special zones

### ■ Demand from inbound tourists and the number of tourists will increase.

Chronic shortage of accommodation facilities



## Business opportunities to be expanded



## Promote investments proactively

## Expansion of the hotel business

- Acquisition of Dormy Inn Matsuyama

The first hotel in the hotel business is planned to be opened in Matsuyama, Ehime in the second half of this year.



Dormy Inn Matsuyama

## Locations of planned hotels



**Continue to develop hotels nationwide**



## First PO of Takara Leben Infrastructure Fund

Number of facilities sold	Seven
Electricity sold	30.94 MW
Value of deal	¥12,607 million
Sales per MW	¥407 million
Gross margin	¥4,670 million
Gross margin per MW	¥150 million
Gross margin ratio	37.1%



LS Hokota Power Plant

Number of facilities: 18    Power generating capacity: 50MW  
Acquisition value: ¥21.6 billion

 **Stable earnings and scale expansion through continued sales**



### Overview

Counterparties	17 financial institutions
Commitment period	One year
Borrowing period	36 months maximum
Secured or unsecured	Unsecured, unguaranteed
Interest rate	TIBOR + 0.5% (annual rate)



LS Nasu Nakagawa Power Plant

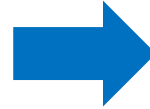
Set a **¥10.0 billion** commitment line for proactive infrastructure investment.

▶ Secure funds → Accelerate acquisitions of facilities and development

## Change in organization

Overseas Business Preparation Office  
(direct control of the President)

Upgraded



**Overseas Business Promotion Office**



Target: Vietnam

- Comprehensive business operations, not limited to real estate sales business
- Plan to open an office in Hanoi, the capital, in January 2018
- Start specific operations



**Reorganization for full-scale entry**

Plan for The Year Ended March  
2018



LEBEN Hachioji GRANDSAGE

## Real estate sales business

- ▶ **Plan to recover 1,425 units of new condominiums**
- ▶ **Pursue a higher gross margin ratio**

- Promote purchases at new bases
- Increase the gross margin ratio
- Promote purchases in the renewal resale business
- Establish a short detached houses recovery cycle

## Real estate rental business

- ▶ **Acquire and develop land proactively**
- ▶ **The first hotel in the hotel business will open in the second half.**

- Promote purchases at new bases
- Accelerate the replacement of assets
- Diversify exits

## Real estate management business

- ▶ **Increase the number of units under management steadily, aiming for 50,000**
- ▶ **Expand the number of rental units under management**

- Acquire new properties of other companies and replace other companies in management of properties
- Expand fees deriving from property management

## Power generation business

- ▶ **Accelerate the acquisition and development of power generation facilities**

- Promote purchases using the commitment line
- Look for other types of renewable energy
- Promote acquisitions from the secondary market
- Increase the recognition of the infrastructure fund market



Business outlook for The Year  
Ended March 2018



LEBEN Kawasaki Oda 1Cyome

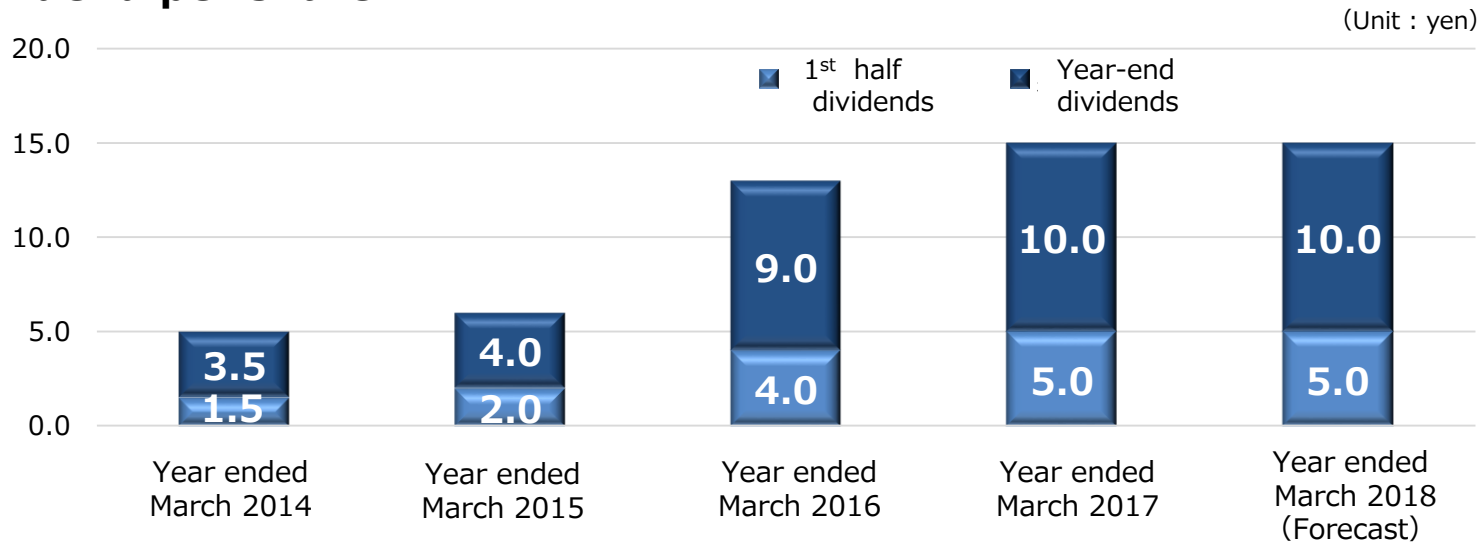
# Full-year Consolidated Results Forecast

	Six months ended September 30, 2016 (Actual)	Six months ended September 30, 2017 (Forecast)	YOY change ( % )
(Unit : Million yen )			
<b>Net sales</b>	103,599	110,000	6.2%
<b>Operating profit</b>	10,349	10,550	1.9%
<b>Ordinary profit</b>	9,496	9,500	0.0%
<b>Net income</b>	6,107	6,300	3.1%

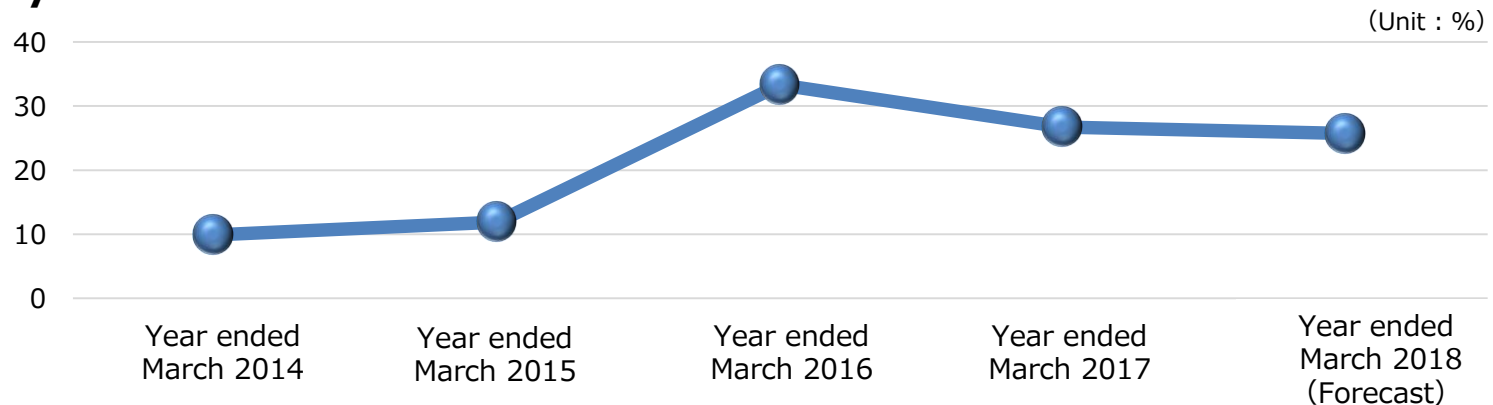
 Results are on a par with the plan, and the forecast remains unchanged.

# Shareholder Returns

## Dividend per share



## Payout ratio



Continue to return profits to shareholders actively

# Appendix



L P Tsuruse I



## Operations of major Group companies

### Takara Leben Tohoku

- Ranked No. 1 in the supply of units in Tohoku for two consecutive years

2015: 178 units

2016: 241 units

- Development in new regional cities (including Koriyama, Yonezawa, Aizu, and Aomori)

All properties in Koriyama were sold in a month.



Leben Hayama THE MASTER(Koriyama)

- Increasing the value of revenue-generating properties



Yamagata Tokamachi Building

### Takara Leben West Japan

- Promoting purchases by opening a base in Fukuoka



Takara Leben West Japan  
Fukuoka Head Office



Takara Leben West Japan  
Matsuyama Office

- First property supplied in the area covered by West Japan (Matsuyama, Ehime)



Leben Matsuyama Ichibancho  
THE TOWER

- Developing the hotel business



Dormy Inn Matsuyama

## Operations of major Group companies

### Nikko Takara Corporation

■ Focusing on purchases of land in the Tokyo area, especially in central Tokyo

Selling

- Nerima
- Suginami
- Setagaya
- Yoga

Plan to sell

- Setagaya
- Kichijoji
- Chofu, etc.

■ Establishing a short-term recovery cycle to supplement the condominium business



LP Yoga The Terrace



LP Suginami Shimoigusa

■ Promoting effective use of land

Making proposals to land owners, such as building apartment buildings for rent in idle land

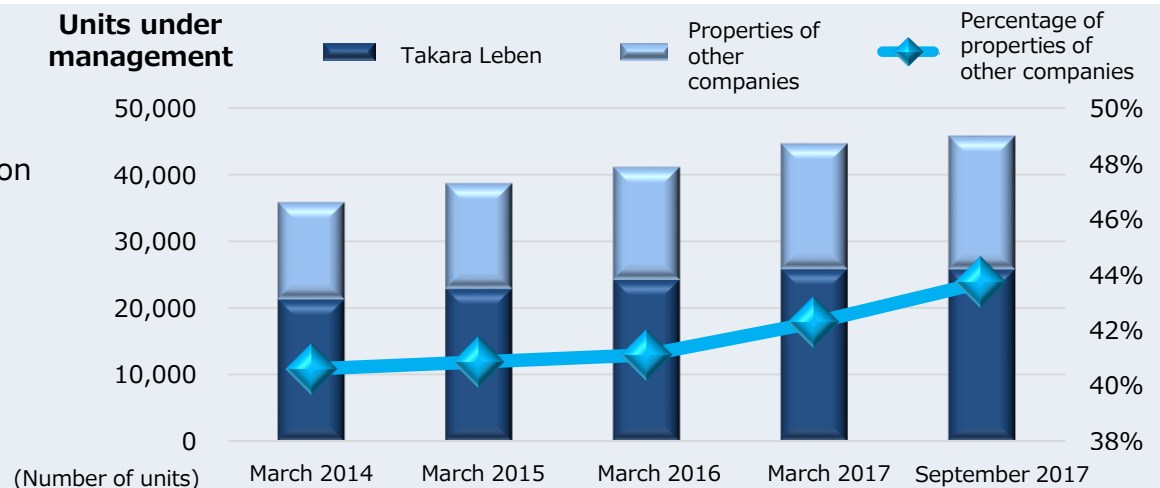
### Leben Community

■ Building strong relationships with management associations

Property management contract retention rate: 99.7%

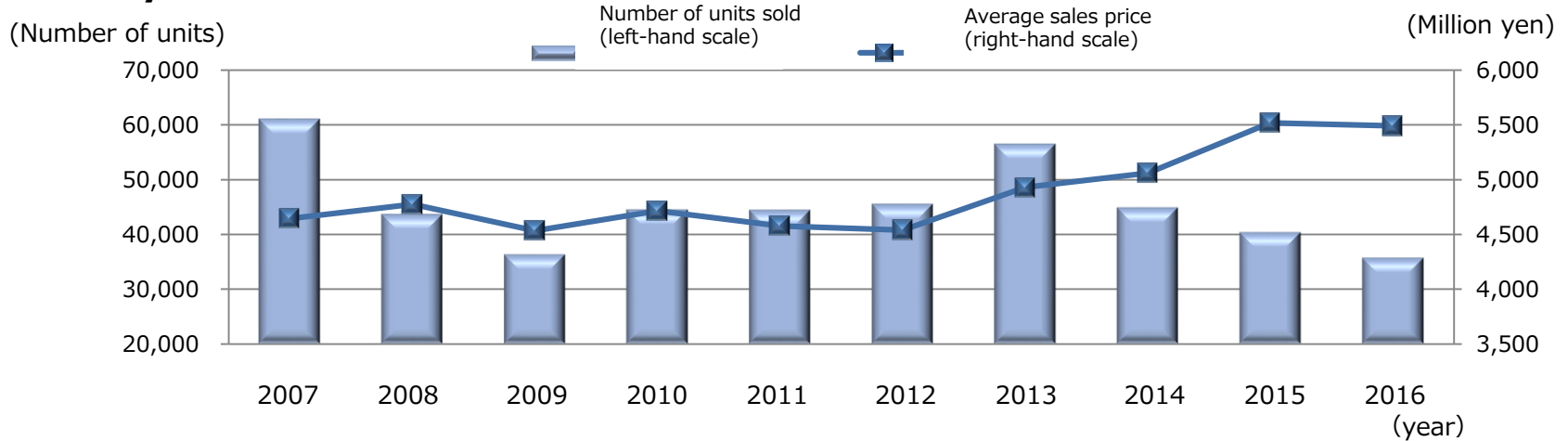
■ Consulting with other management companies

The percentage of properties of other companies has risen. 43.7% (September 30, 2017)



## Condominiums in Tokyo area

Based on data of Real Estate Economic Institute



## Current situation of the market and outlook

Fall in units supplied

Rise in building cost

Rise in sales price

More emphasis on customer perspective

### Outlook

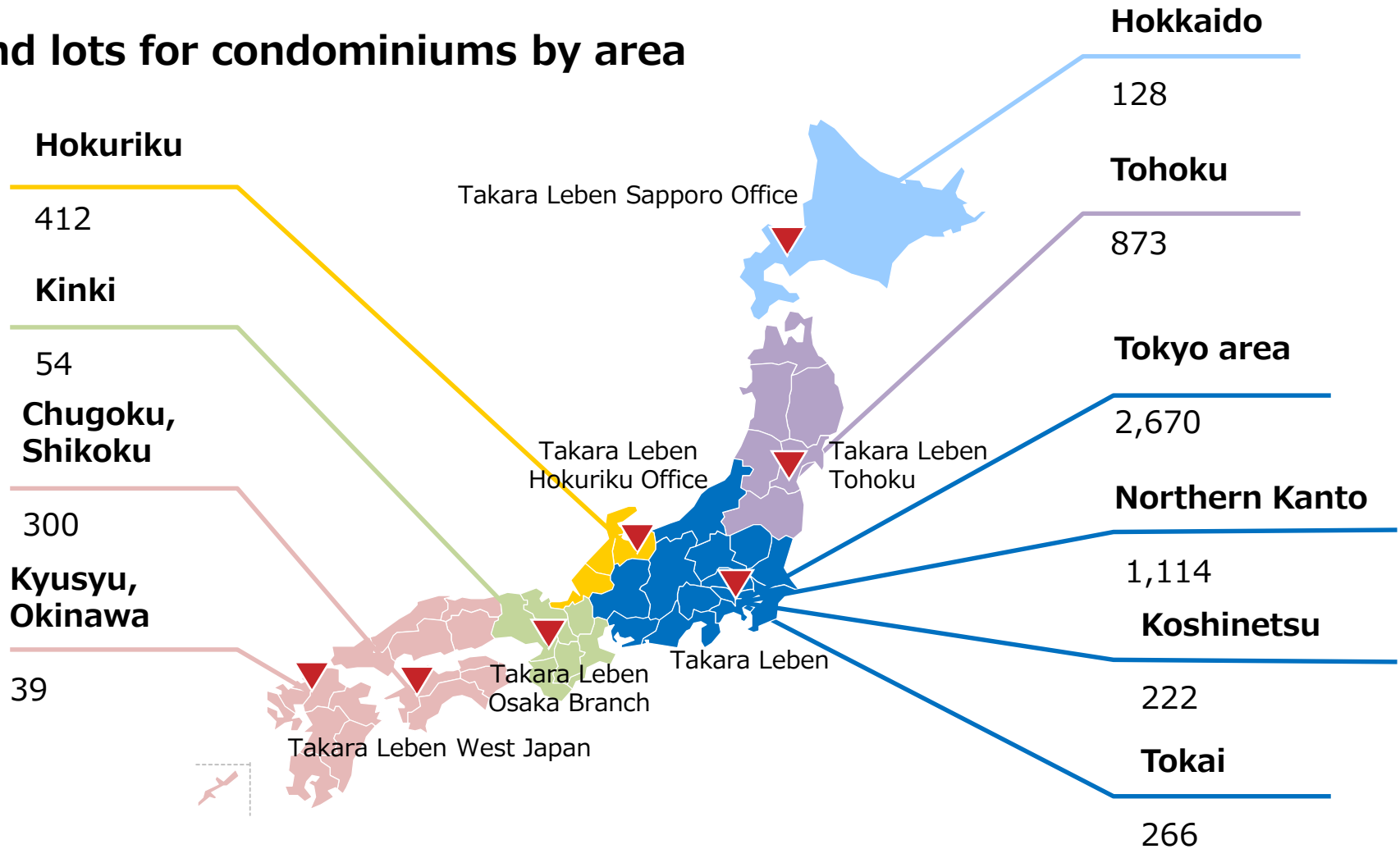
**Will not increase significantly**

**Will remain high**

**Good location: Will rise**  
**No particular features: Will fall**

**Diversification of options**

## Land lots for condominiums by area

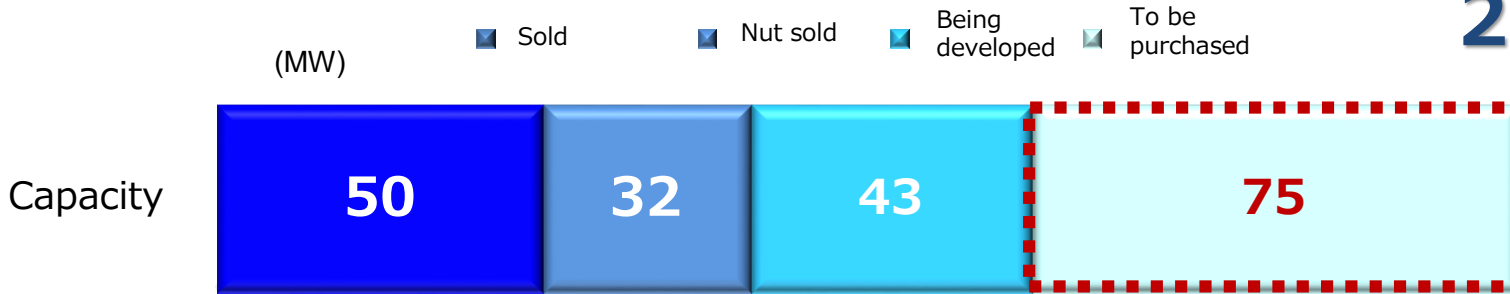


**Having land for approx. 6,000 units of condominiums in each area**

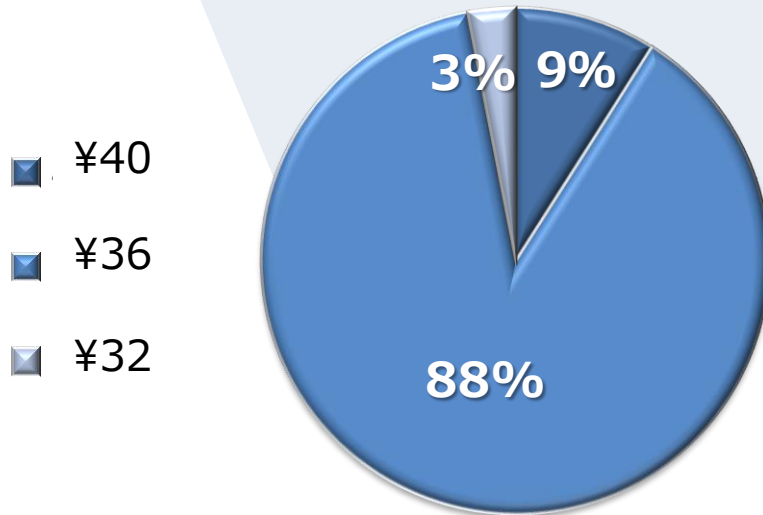
Power generating capacity of  
mega solar power generation facilities

Target for year  
ending March 2020

**200MW**



## Break down by FIT rate per MW



- Obtain a high FIT license early
- Obtain a commitment line of ¥10 billion
- Look for other types of renewable energy

## Points for Attention and Enquiries Relating to These Materials

For inquiries:  
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