

Second Quarter Consolidated Financial Report

for the Six Months Ended September 30, 2018 (Japan GAAP)

October 29, 2018

Takara Leben CO., LTD.

Shares listed on: Tokyo Stock Exchange, First Section
 Security code: 8897
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Scheduled date for release of Quarterly Report: November 9, 2018
 Scheduled date for commencement of dividend payments: December 4, 2018
 Has the Company prepared supplementary briefing materials for the Quarter: Yes
 Has the Company held briefings concerning its quarterly financial results: Yes(for institutional investors and analysts)

1. Consolidated Operating Results for the Six Months Ended September 30, 2018 (April 1-September 30, 2018)

(Amounts are rounded down to the nearest million)

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

(Percentage figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	49,662	54.1	2,486	(12.9)	1,925	(23.7)	1,209	(25.6)
Six months ended September 30, 2017	32,225	(13.2)	2,855	(4.7)	2,523	2.7	1,624	4.9

(Note) Comprehensive income: Six months ended September 30, 2018: ¥1,277million (21.6%) / Six months ended September 30, 2017: ¥1,630million (3.3%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended September 30, 2018	11.17	11.11
Six months ended September 30, 2017	15.03	14.96

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	187,057	43,148	22.8
As of March 31, 2018	177,588	42,907	24.1

<Reference> Shareholders' equity at end of period: September 30, 2018: ¥42,668 million / March 31, 2018: ¥42,747 million

2. Cash Dividends

	Annual Cash Dividends per Share				
	1Q	2Q	3Q	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ending March 31, 2018	-	5.00	-	11.00	16.00
Year Ending March 31, 2019	-	5.00			
Year Ending March 31, 2019(Forecast)			-	11.00	16.00

(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, 2019 (April 1, 2018-March 31, 2019)

(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	130,000	17.3	10,700	(15.1)	9,600	(18.6)	6,300	(14.5)	58.20

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

*Notes

- (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: No
 - B. Changes in accounting policies other than those in A: 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.	Six months ended September 30, 2018:	124,000,000 shares	As of March 31, 2018:	124,000,000 shares
b.	Six months ended September 30, 2018:	15,660,507 shares	As of March 31, 2018:	15,750,907 shares
c.	Six months ended September 30, 2018:	108,262,453 shares	Six months ended September 30, 2017:	108,090,273 shares

*This quarterly earnings report is exempt from the quarterly review based on the Financial Instruments and Exchange Act.

*Explanation concerning appropriate use of the projected operating results and other items to note

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

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

(1) Qualitative Information Pertaining to Consolidated Operating Performance

a. Performance by business segment

In the second-quarter year-to-date period of the Takara Leben Group's fiscal year ending in March 2019, sales from the real estate sales business amounted to ¥34,025 million, up 190.5% on a year-on-year basis. This reflected sales in the new built-for-sale condominium business, as well as sales in the newly-built detached housing business.

In the real estate rental business, sales totaled ¥2,858 million, up 5.3% 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 52,638 units of residential condominiums were ¥2,179 million, up 8.9% on a year-on-year basis.

In the electric power generation business, sales totaled ¥8,004 million, down 45.0% on a year-on-year basis, mainly due to revenues from the sale of five 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 ¥2,593 million, up 109.4% on a year-on-year basis, mainly attributable to revenues from orders for large-scale repair work and revenue from selling electric power in the mega-solar business.

As a result, Net sales for the second-quarter year-to-date period of the current consolidated fiscal year amounted to ¥49,662 million, up 54.1% on a year-on-year basis; Operating income amounted to ¥2,486 million, down 12.9% on a year-on-year basis; Ordinary income amounted to ¥1,925 million, down 23.7% on a year-on-year basis; and Net income amounted to ¥1,209 million, down 25.6% on a year-on-year basis.

b. Contracted ratio status

With regard to sales performance in the second-quarter year-to-date period of the current consolidated fiscal year, contracts were concluded for 1,173 units, compared with a full-year target of 1,700 units scheduled for delivery. The contract ratio was at 69.0% showing a steady growth in the business.

(Contracts signed versus number of units forecast for New built-for-sale condominium delivery)

	Units scheduled for delivery (units)	Number of contracts signed (units)	Contracted ratio (%)	Number of contracts signed from April 1-September 30, 2018 (units)
Six months ended September 30, 2017	1,600	1,064	66.5	625
Six months ended September 30, 2018	1,700	1,173	69.0	921

(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 second-quarter consolidated accounting period under review, total assets were ¥187,057 million, an increase of ¥9,469 million compared with the end of the previous consolidated fiscal year. The increase mainly reflected an increase in inventory in conjunction with new purchases and purchases of business assets.

(Current Assets)

Current assets increased ¥7,354 million compared with the end of the previous consolidated fiscal year to ¥110,286 million. This mainly reflected an increase in inventory in conjunction with new purchase.

(Non-current Assets)

Non-current assets increased ¥2,044 million compared with the end of the previous consolidated fiscal year to ¥76,663 million, mainly reflected an increase of investment securities.

(Current Liabilities)

Current liabilities increased ¥8,555 million compared with the end of the previous consolidated fiscal year to ¥65,432 million, mainly due to increase in short-term borrowings and the reclassification from long-term borrowings to short-term borrowings.

(Non-current Liabilities)

Non-current liabilities increased ¥671 million compared with the end of the previous consolidated fiscal year, to ¥78,476 million, mainly due to the increase borrowings with new purchase.

(Net Assets)

Total net assets increased ¥241 million compared with the end of the previous consolidated fiscal year, to ¥43,148 million, mainly due to the increase non-controlling interests.

(3) Qualitative Information Pertaining to Forecasted Consolidated Operating Results

There is no change from the projected consolidated operating results released on May 14, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
ASSETS		
Current assets:		
Cash and deposits	29,223	20,385
Notes and accounts receivable, trade	1,539	1,356
Real estate held for sale	20,279	25,885
Power generation facilities for sale	4,090	—
Real estate held for sale in progress	44,068	55,773
Costs incurred on uncompleted contracts	129	774
Other	3,709	6,218
Allowance for doubtful accounts	(110)	(107)
Total current assets	102,931	110,286
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	18,281	14,620
Land	35,899	35,118
Other (net)	12,159	16,234
Total tangible fixed assets	66,340	65,973
Intangible fixed assets		
Goodwill	1,265	1,490
Other	543	537
Total intangible fixed assets	1,808	2,027
Investments and other assets		
Other	6,474	8,673
Allowance for doubtful accounts	(6)	(11)
Total investments and other assets	6,468	8,661
Total fixed assets	74,618	76,663
Deferred assets	38	108
Total assets	177,588	187,057
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	15,786	5,438
Short-term borrowings	18,389	30,258
Current portion of long-term borrowings	12,838	20,784
Income taxes payable	3,547	549
Reserve	888	870
Other	5,425	7,530
Total current liabilities	56,876	65,432
Noncurrent liabilities		
Long-term borrowings	75,015	75,324
Bonds payable	200	200
Reserve	73	83

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities related to retirement benefits	436	483
Other	2,078	2,385
Total noncurrent liabilities	77,804	78,476
Total liabilities	134,681	143,908

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,823	4,823
Retained earnings	38,717	38,735
Treasury stock	(5,875)	(5,841)
Total shareholders' equity	42,485	42,538
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	262	130
Total accumulated other comprehensive income	262	130
Subscription rights to shares	159	226
Non-controlling interest	-	253
Total net assets	42,907	43,148
Total liabilities and net assets	177,588	187,057

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

(Millions of yen)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018
Net sales	32,225	49,662
Cost of sales	23,652	39,768
Gross profit	8,573	9,893
Selling, general and administrative expenses	5,717	7,407
Operating income	2,855	2,486
Non-Operating income:		
Interest income	1	0
Dividend income	29	73
Commissions received	15	26
Share of profit of entities accounted for using equity method	94	—
Miscellaneous income	78	41
Total Non-Operating income	218	142
Non-Operating expenses:		
Interest expense	527	542
Losses from equity method investment	—	60
Miscellaneous losses	23	99
Total Non-Operating expenses	550	702
Ordinary income	2,523	1,925
Extraordinary income		
Profit on sale of investment securities	—	191
Total Extraordinary income	—	191
Extraordinary losses		
Loss on disposal of fixed assets	11	—
Office transfer expenses	93	—
Total extraordinary losses	104	—
Net income before income taxes	2,418	2,117
Income taxes, inhabitant taxes and business taxes	1,167	537
Income tax adjustments	(372)	170
Total income and other taxes	794	707
Net income	1,624	1,409
Net income attributable to non-controlling shareholders	—	200
Net income attributable to owners of parent	1,624	1,209

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

(Millions of yen)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018
Net income	1,624	1,409
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	5	(131)
Total other comprehensive income	5	(131)
Comprehensive income	1,630	1,277
(Comprising)		
Comprehensive income attributable to parent	1,630	1,077
Comprehensive income attributable to non-controlling shareholders	—	200

(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)

The Company had no pertinent matters to report.