

Third Quarter Consolidated Financial Report

for the Nine Months Ended December 31, 2016 (Japan GAAP)

January 23, 2017

Takara Leben CO., LTD.

Shares listed on: First Section of the Tokyo Stock Exchange
 Security code: 8897
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Scheduled date for release of Quarterly Report: February 13, 2017
 Scheduled date for commencement of dividend payments: --
 Has the Company prepared supplementary briefing materials for the Quarter: No
 Has the Company held briefings concerning its quarterly financial results: No

1. Consolidated Operating Results for the Nine Months Ended December 31, 2016 (April 1-December 31, 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	%
Nine months ended December 31, 2016	53,705	55.9	3,552	236.0	2,764	581.4	1,840	864.3
Nine months ended December 31, 2015	34,452	(13.6)	1,057	(70.3)	405	(86.1)	190	(89.8)

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥1,895 million (854.7%) / Nine months ended December 31, 2015: ¥198 million ((89.5)%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2016	16.88	16.79
Nine months ended December 31, 2015	1.72	1.72

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	134,404	32,863	24.3
As of March 31, 2016	129,744	33,677	25.8

<Reference> Shareholders' equity at end of period: December 31, 2016: ¥32,692 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	-	5.00	-		
Year Ending March 31, 2017 (Forecast)				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 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.	Nine months ended December 31, 2016:	126,000,000 shares	As of March 31, 2016:	126,000,000 shares
b.	Nine months ended December 31, 2016:	17,548,007 shares	As of March 31, 2016:	15,938,307 shares
c.	Nine months ended December 31, 2016:	109,000,138 shares	Nine months ended December 31, 2015:	110,634,028 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 third-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 ¥35,568 million, up 39.7% on a year-on-year basis. This reflected sales in the new built-for-sale condominium business, as well as sales in the newly-built detached housing business.

In the real estate rental business, sales totaled ¥3,714 million, up 16.1% 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 43,109 units of residential condominiums were ¥2,729 million, up 9.1% on a year-on-year basis.

In the electric power generation business, sales totaled ¥9,774 million, up 1,499.6% 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 ¥1,918 million, down 28.1% on a year-on-year basis, mainly attributable to revenues from construction work and large-scale repair work.

As a result, Net sales for the third-quarter year-to-date period of the current consolidated fiscal year amounted to ¥53,705 million, up 55.9% on a year-on-year basis; Operating income amounted to ¥3,552 million, up 236.0% on a year-on-year basis; Ordinary income amounted to ¥2,764 million, up 581.4% on a year-on-year basis; and Net income amounted to ¥1,840 million, up 864.3% on a year-on-year basis.

b. Contracted ratio status

With regard to sales performance in the third-quarter year-to-date period of the current consolidated fiscal year, contracts were concluded for 1,423 units, compared with a full-year target of 1,600 units scheduled for delivery. The contract ratio was at 88.9%, 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-December 31, 2016 (units)
Nine months ended December 31, 2015	1,452	1,395	96.1	1,130
Nine months ended December 31, 2016	1,600	1,423	88.9	1,212

(2) Qualitative Information Pertaining to Consolidated Financial Position

Assets, Liabilities and Net Assets

With regard to the assets, liabilities, and net assets of the Group at the end of the third-quarter consolidated accounting period under review, total assets were ¥134,404 million, an increase of ¥4,660 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 ¥38 million compared with the end of the previous consolidated fiscal year to ¥75,791 million. This mainly reflected an increase in inventory in conjunction with new purchases, and a decrease in cash and deposits as a result of Settlement of notes payable.

(Fixed Assets)

Fixed assets increased ¥4,599 million compared with the end of the previous consolidated fiscal year to ¥58,544 million, mainly as a result of purchases of business assets.

(Current Liabilities)

Current liabilities increased ¥340 million compared with the end of the previous consolidated fiscal year to ¥43,199 million, mainly as a result of an increase of short-term borrowings and the shift in debt maturities from long-term debt to short-term borrowings.

(Fixed Liabilities)

Fixed liabilities increased ¥5,134 million compared with the end of the previous consolidated fiscal year to ¥58,341 million, mainly due to an increase of borrowings associated with new purchases.

(Net Assets)

Total net assets decreased ¥813 million compared with the end of the previous consolidated fiscal year to ¥32,863 million. The decrease was attributed to the net income for the third-quarter was less than distribution of surplus and purchase of treasury stock.

(3) Qualitative Information Pertaining to Forecasted Consolidated Operating Results

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

2. Summary Information (Notes)

(1) Changes to Material Subsidiaries during the Third-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 third-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 December 31, 2016
ASSETS		
Current assets:		
Cash and deposits	28,515	20,639
Notes and accounts receivable, trade	963	889
Real estate held for sale	4,073	5,987
Real estate held for sale in progress	36,134	42,612
Costs incurred on uncompleted contracts	116	739
Other	5,987	4,941
Allowance for doubtful accounts	(38)	(17)
Total current assets	75,753	75,791
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	11,209	13,707
Land	24,750	25,426
Other (net)	13,277	14,090
Total tangible fixed assets	49,237	53,223
Intangible fixed assets	1,512	1,414
Investments and other assets		
Other	3,218	3,914
Allowance for doubtful accounts	(22)	(8)
Total investments and other assets	3,195	3,906
Total fixed assets	53,945	58,544
Deferred assets	45	68
Total assets	129,744	134,404
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	12,037	4,261
Short-term borrowings	7,412	14,655
Current portion of long-term borrowings	12,410	15,155
Income taxes payable	1,113	967
Reserve	628	398
Other	9,256	7,762
Total current liabilities	42,859	43,199
Noncurrent liabilities:		
Long-term borrowings	50,147	54,858
Bonds payable	200	200
Reserve	32	56
Liabilities related to retirement benefits	307	350
Other	2,519	2,875
Total noncurrent liabilities	53,207	58,341
Total liabilities	96,066	101,541

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,946
Retained earnings	29,011	29,319
Treasury stock	(5,100)	(6,436)
Total shareholders' equity	33,548	32,649
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	(11)	43
Total accumulated other comprehensive income	(11)	43
Subscription rights to shares	140	170
Total net assets	33,677	32,863
Total liabilities and net assets	129,744	134,404

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

(Millions of yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net sales	34,452	53,705
Cost of sales	26,236	41,954
Gross profit	8,216	11,751
Selling, general and administrative expenses	7,158	8,198
Operating income	1,057	3,552
Non-Operating income:		
Interest income	2	2
Dividend income	4	5
Commissions received	36	54
Income from equity method investment	34	—
Miscellaneous income	56	50
Total Non-Operating income	133	112
Non-Operating expenses:		
Interest expense	725	772
Losses from equity method investment	—	99
Miscellaneous losses	59	29
Total Non-Operating expenses	785	901
Ordinary income	405	2,764
Extraordinary losses:		
Losses on construction warranties	102	—
Total extraordinary losses	102	—
Net income before income taxes	303	2,764
Income taxes, inhabitant taxes and business taxes	184	1,594
Income tax adjustments	(71)	(670)
Total income and other taxes	112	924
Net income	190	1,840
Net income attributable to owners of parent	190	1,840

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

(Millions of yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net income	190	1,840
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	7	54
Total other comprehensive income	7	54
Comprehensive income	198	1,895
(Comprising)		
Comprehensive income attributable to parent	198	1,895

(3) Notes on Quarterly Consolidated Financial Statements
(Notes on Assumption of Going Concern)

The Company had no pertinent matters to report.

(Notes on A Significant Change in Shareholders' Equity)

In the third-quarter of the consolidated fiscal year under review, the Company purchased shares of treasury stock at ¥1,467 million, by resolution of the meeting of the Board of Directors held on May 9, 2016.

Additionally, with the disposal of treasury stock for ¥132 million due to the exercise of stock options, the Company held treasury stock for ¥6,436 million at the end of the third-quarter consolidated accounting period.