

Third Quarter Consolidated Financial Report

for the Nine Months Ended December 31, 2017 (Japan GAAP)

January 29, 2018

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 9, 2018
 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, 2017 (April 1- December 31, 2017)

(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, 2017	45,507	(15.3)	2,305	(35.1)	1,665	(39.7)	930	(49.4)
Nine months ended December 31, 2016	53,705	55.9	3,552	236.0	2,764	581.4	1,840	864.3

(Note) Comprehensive income: Nine months ended December 31, 2017: ¥1,061 million ((44.0)%) / Nine months ended December 31, 2016: ¥1,895 million (854.7%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended December 31, 2017	8.61	8.57
Nine months ended December 31, 2016	16.88	16.79

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	165,388	36,343	21.9
As of March 31, 2017	139,874	36,792	26.2

<Reference> Shareholders' equity at end of period: December 31, 2017: ¥36,169 million / March 31, 2017: ¥36,635 million

2. Cash Dividends

	Annual Cash Dividends per Share				
	1Q	2Q	3Q	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ending March 31, 2017	-	5.00	-	10.00	15.00
Year Ending March 31, 2018	-	5.00	-		
Year Ending March 31, 2018(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, 2018 (April 1, 2017-March 31, 2018)

(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	110,000	6.2	10,550	1.9	9,500	0.0	6,300	3.1	58.35

(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: 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.	Nine months ended December 31, 2017:	124,000,000 shares	As of March 31, 2017:	124,000,000 shares
b.	Nine months ended December 31, 2017:	15,781,307 shares	As of March 31, 2017:	16,022,507 shares
c.	Nine months ended December 31, 2017:	108,129,292 shares	Nine months ended December 31, 2016:	109,000,138 shares

(Note) This quarterly earnings report is exempt from the quarterly review 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

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 ¥19,722 million, down 44.6% 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 ¥4,053 million, up 9.1% 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 47,761 units (3,105 units increased from the end of the previous fiscal year.) of residential condominiums were ¥2,971 million, up 8.9% on a year-on-year basis.

In the electric power generation business, sales totaled ¥16,847 million, up 72.4% on a year-on-year basis, mainly due to revenues from the sale of nine 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 ¥1,913 million, down 0.3% 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 third-quarter year-to-date period of the current consolidated fiscal year amounted to ¥45,507 million, down 15.3% on a year-on-year basis; Operating income amounted to ¥2,305 million, down 35.1% on a year-on-year basis; Ordinary income amounted to ¥1,665 million, down 39.7% on a year-on-year basis; and Net income amounted to ¥930 million, down 49.4% 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 1,414 units, compared with a full-year target of 1,600 units scheduled for delivery. The contract ratio was at 88.4%, 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 (%)
Nine months ended December 31, 2016	1,600	1,423	88.9
Nine months ended December 31, 2017	1,600	1,414	88.4

(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 ¥165,388 million, an increase of ¥25,514 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 ¥6,285 million compared with the end of the previous consolidated fiscal year to ¥92,870 million. This mainly reflected an increase in inventory in conjunction with new purchase.

(Fixed Assets)

Fixed assets increased ¥19,238 million compared with the end of the previous consolidated fiscal year to ¥72,476 million, mainly reflected the purchase business assets.

(Current Liabilities)

Current liabilities increased ¥8,280 million compared with the end of the previous consolidated fiscal year to ¥58,762 million, mainly due to increase in short-term borrowings and the reclassification from long-term borrowings to short-term borrowings.

(Fixed Liabilities)

Fixed liabilities increased ¥17,683 million compared with the end of the previous consolidated fiscal year, to ¥70,282 million, mainly due to the increase borrowings with new purchase.

(Net Assets)

Total net assets decreased ¥449 million compared with the end of the previous consolidated fiscal year to ¥36,343 million. The decrease was attributed to the net income for the third-quarter was less than distribution of surplus.

(3) Qualitative Information Pertaining to Forecasted Consolidated Operating Results

There is no change from the projected consolidated operating results released on May 15, 2017.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
ASSETS		
Current assets:		
Cash and deposits	29,780	16,142
Notes and accounts receivable, trade	1,331	1,090
Real estate held for sale	9,658	7,963
Power generation facilities for sale	7,885	465
Real estate held for sale in progress	32,390	59,913
Costs incurred on uncompleted contracts	15	536
Other	5,648	6,889
Allowance for doubtful accounts	(124)	(130)
Total current assets	86,585	92,870
Fixed assets:		
Tangible fixed assets		
Buildings and structures (net)	14,235	21,277
Land	23,821	32,623
Other (net)	9,089	10,670
Total tangible fixed assets	47,146	64,570
Intangible fixed assets	1,391	1,854
Investments and other assets		
Other	4,708	6,060
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	4,699	6,050
Total fixed assets	53,237	72,476
Deferred assets	51	41
Total assets	139,874	165,388
LIABILITIES		
Current liabilities:		
Notes and accounts payable, trade	12,173	2,582
Short-term borrowings	16,490	24,814
Current portion of bonds	60	60
Current portion of long-term borrowings	13,098	22,206
Income taxes payable	2,976	141
Reserve	729	632
Other	4,954	8,324
Total current liabilities	50,482	58,762
Noncurrent liabilities		
Long-term borrowings	48,439	64,809
Bonds payable	1,640	1,610
Reserve	56	59
Liabilities related to retirement benefits	331	381
Other	2,131	3,421

	As of March 31, 2017	As of December 31, 2017
Total noncurrent liabilities	52,599	70,282
Total liabilities	103,081	129,045

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
NET ASSETS		
Shareholders' equity		
Capital stock	4,819	4,819
Capital surplus	4,817	4,820
Retained earnings	32,970	32,280
Treasury stock	(5,976)	(5,886)
Total shareholders' equity	36,630	36,033
Accumulated other comprehensive income		
Net unrealized losses on available-for-sale		
Securities	4	135
Total accumulated other comprehensive income	4	135
Subscription rights to shares	157	174
Total net assets	36,792	36,343
Total liabilities and net assets	139,874	165,388

(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, 2016	Nine Months Ended December 31, 2017
Net sales	53,705	45,507
Cost of sales	41,954	34,329
Gross profit	11,751	11,177
Selling, general and administrative expenses	8,198	8,871
Operating income	3,552	2,305
Non-Operating income:		
Interest income	2	1
Dividend income	5	37
Commissions received	54	23
Profit from equity method investment	—	61
Miscellaneous income	50	103
Total Non-Operating income	112	227
Non-Operating expenses:		
Interest expense	772	787
Losses from equity method investment	99	—
Miscellaneous losses	29	79
Total Non-Operating expenses	901	866
Ordinary income	2,764	1,665
Extraordinary losses		
Loss on disposal of fixed assets	—	20
Loss from compensation for complete work	—	72
Office transfer expenses	—	93
Total extraordinary losses	—	186
Net income before income taxes	2,764	1,478
Income taxes, inhabitant taxes and business taxes	1,594	919
Income tax adjustments	(670)	(371)
Total income and other taxes	924	547
Net income	1,840	930
Profit attributable to owners of parent	1,840	930

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

(Millions of yen)

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017
Net income	1,840	930
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	54	130
Total other comprehensive income	54	130
Comprehensive income	1,895	1,061
(Comprising)		
Comprehensive income attributable to parent	1,895	1,061

(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.