Consolidated Financial Report for the Fiscal Year Ended March 31, 2018 (Japan GAAP)

May 14, 2018

Company name: Takara Leben Co., Ltd.
Stock listed on: Tokyo Stock Exchange, First Section
Securities code: 8897 (URL http://www.leben.co.jp)
Representative: Kazuichi Shimada, President, Representative Director
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Tel. +81-3-6551-2130
Scheduled date of annual general meeting of shareholders: June 27, 2018
Scheduled date for commencement of dividend payment: June 28, 2018
Scheduled date for release of annual securities report: June 27, 2018
Supplementary materials on financial results: Yes
Briefing for financial results: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million)

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	110,851	7.0	12,597	21.7	11,792	24.2	7,367	20.6
Year ended March 31, 2017	103,599	35.8	10,349	36.8	9,496	41.6	6,107	41.8

(Note) Comprehensive income: Year ended March 31, 2018: ¥7,624 million (24.5%)
Year ended March 31, 2017: ¥6,124 million (43.5%)

	Profit per share	Diluted profit per share	Ratio of earnings to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2018	68.12	67.80	18.6	7.4	11.4
Year ended March 31, 2017	56.14	55.85	17.4	7.0	10.0

(Reference) Equity in net income of affiliates: Year ended March 31, 2018: ¥46 million
Year ended March 31, 2017: ¥36 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of March 31, 2018	177,975	42,907	24.0	394.90
As of March 31, 2017	139,874	36,792	26.2	339.29

(Reference) Shareholders' equity: As of March 31, 2018: ¥42,747 million
As of March 31, 2017: ¥36,635 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	9,869	(34,463)	24,012	29,042
Year ended March 31, 2017	22,644	(27,540)	6,129	29,623

2. Dividends

	Annual dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Q1	Q2	Q3	Year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Year ended March 31, 2017	–	5.00	–	10.00	15.00	1,622	26.7	4.6
Year ended March 31, 2018	–	5.00	–	11.00	16.00	1,731	23.5	4.3
Year ending March 31, 2019 (forecast)	–	5.00	–	11.00	16.00		27.5	

3. Forecast for Consolidated Financial Results for the Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to owners of parent		Profit 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

* Notes

(1) Changes in significant subsidiaries during the current fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation): None

New: None (Name) - Excluded: None (Name) -

(2) Changes in accounting policies and accounting estimates, and restatements

(i) Changes in accounting policies due to revision of accounting standards:	None
(ii) Changes in accounting policies other than (i):	None
(iii) Changes in accounting estimates:	Yes
(iv) Restatements:	None

(Note) For details, please see "3. Consolidated Financial Statements and Major Notes, (5) Notes to the Consolidated Financial Statements, (Changes in accounting estimates)" on page 17.

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at end of year (including treasury stock)

(a) As of March 31, 2018:	124,000,000 shares
(b) As of March 31, 2017:	124,000,000 shares

(ii) Number of treasury stock at end of year

(a) As of March 31, 2018:	15,750,907 shares
(b) As of March 31, 2017:	16,022,507 shares

(iii) Average number of shares during the year

(a) Year ended March 31, 2018:	108,155,138 shares
(b) Year ended March 31, 2017:	108,790,777 shares

* This Consolidated Financial Report does not need to be audited by a certified public accountant or audit corporation.

* Explanation of the proper use of the financial results forecasts and other matters

The forward-looking statements presented above are based on the information available at the time of the release of this report and are not intended to guarantee that the Company will achieve such figures. Actual results may differ from these forecasts due to various factors in the future.

○ Contents of Attachment

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2018

During the fiscal year under review, the Japanese economy continued to recover moderately amid improved corporate earnings and a stronger employment and income situation, backed by a range of fiscal measures implemented by the government. Meanwhile, the global economy still required attention, given factors such as uncertainty due to geopolitical risks in neighboring countries, the trends of US economic policies and growing tension in international situations, among others.

In the real estate sales market in which the Company operates, sales are increasingly divided between weak and strong results in response to a rise in selling prices caused by soaring construction costs in the Tokyo metropolitan area. Upward trends are seen in demand for convenient locations and daily life and compact condominiums, reflecting changes in lifestyles caused by an increase in single-person households and dual-income households and changes in consumer values. Meanwhile, demand in regional urban centers remains strong, thanks in part to the demand of active seniors, which continues to be high, and the trend of compact city development.

The number of nationwide condominium units sold increased in 2017 for the first time in four years, however it remains at the 70,000 level for the third consecutive year. Under these conditions, the Company ranked among the top 10 for the fifth consecutive year and plays the role of a stable supplier in the real estate sales market as an independent general real estate developer.

In this environment, the Company announced a new medium-term management plan on May 14, 2018 and will ensure stable earnings in addition to responding promptly and appropriately to changes in its external and internal environments.

With its “Leben” series of self-designed new built-for-sale condominiums as its main brand, the Company will continue to promote business activities with an emphasis on its customers by working on product plans that accurately capture the time background, always adhering to its basic concept of “ideal, affordable housing that anyone can buy with confidence” as well as its corporate mission of “thinking of happiness; making happiness.”

In the fiscal year under review, the Company recorded consolidated net sales of ¥110,851 million (up 7.0% year on year), consolidated operating income of ¥12,597 million (up 21.7% year on year), consolidated ordinary income of ¥11,792 million (up 24.2% year on year) and profit attributable to owners of parent of ¥7,367 million (up 20.6% year on year).

(i) Performance by Business Segment

<Real Estate Sales Business>

Revenues from the real estate sales business amounted to ¥79,341 million, down 0.4% year on year, as a result of revenues of ¥60,368 million from the sales of new built-for-sale condominiums and revenues of ¥18,973 million from the sales of new detached houses and used condominiums, etc.

<Real Estate Rental Business>

Revenues from the real estate rental business amounted to ¥5,472 million, up 8.2% year on year, including rent revenues from the rental of apartments, condominium units and offices.

<Real Estate Management Business>

Revenues from the real estate management business representing management fees from 49,650 units under management amounted to ¥4,000 million, up 9.1% year on year.

<Electric power generation business>

Revenues from the electric power generation business amounted to ¥18,239 million, up 64.2% year on year, including revenue from sales of power generation facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.

<Other Business>

Revenues from other business totaled ¥3,797 million, down 8.1% year on year, including revenues from contracts for construction works and orders for large-scale repair works, etc.

(ii) Performance Review by Item

<Net Sales>

In the real estate sales business, net sales amounted to ¥79,341 million, reflecting sales of 1,619 units of new built-for-sale condominiums as well as new detached houses and used condominiums.

In the real estate rental business, net sales stood at ¥5,472 million due to rental revenues of apartments, condominiums and offices, etc.
In the real estate management business, net sales came to ¥4,000 million due to management fees, etc. from 49,650 units managed.
In the power generation business, net sales were ¥18,239 million, including revenues from sales of power generation facilities that were already operating and revenues from the sale of electricity generated by other electric power generation facilities.
In other business, net sales were ¥3,797 million, reflecting contracts for construction works and orders for large-scale repair works, etc.
As a result, consolidated net sales in the fiscal year under review increased to ¥110,851 million, up 7.0% year on year.

<Cost of Sales>
Cost of sales increased 4.1% year on year, to ¥85,072 million, mainly due to sales of power generation facilities that were already operating.

<Selling, General and Administrative Expenses>
Selling, general and administrative expenses increased 14.4% year on year, to ¥13,182 million, chiefly owing to an increase in personnel associated with business expansion despite the continued implementation of comprehensive measures to reduce expenses, as in the previous fiscal year.

<Non-Operating Income and Expenses>
Non-operating income grew 55.6% year on year, to ¥393 million, due largely to profit distribution of equity method affiliates.
Non-operating expenses rose 8.4% from the previous fiscal year, to ¥1,198 million, which is attributable to an increase in interest expenses associated with new borrowings for project funds.

<Extraordinary Gains and Losses>
Extraordinary losses increased 1.1% year on year, to ¥974 million, mainly as a result of posting impairment losses.

As a result, consolidated net sales amounted to ¥110,851 million, up 7.0% year on year, consolidated operating income came to ¥12,597 million, up 21.7% year on year, consolidated ordinary income was ¥11,792 million, up 24.2% year on year, and profit attributable to owners of parent was ¥7,367 million, up 20.6% year on year, in the fiscal year under review.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2018

With regard to the status of consolidated assets, liabilities and net assets of the Group for the fiscal year under review, total assets increased ¥38,100 million from the end of the previous fiscal year, to ¥177,975 million, due mainly to the growth of inventory assets associated with new purchases and purchases of business assets.

<Current assets>
Current assets rose ¥16,913 million from the end of the previous fiscal year, to ¥103,498 million, primarily reflecting an increase in inventories associated with new purchases and the transfer of business assets to inventories.

<Non-current assets>
Non-current assets grew ¥21,199 million from the end of the previous fiscal year, to ¥74,437 million, mainly due to the purchase of business assets.

<Current liabilities>

Current liabilities increased ¥6,393 million from the end of the previous fiscal year, to ¥56,876 million, which is chiefly attributable to the drawing of drafts and a rise in short-term loans payable.

<Non-current liabilities>

Non-current liabilities grew ¥25,592 million from the end of the previous fiscal year, to ¥78,191 million, mainly as a result of an increase in long-term loans payable.

<Net assets>

Net assets increased ¥6,114 million from the end of the previous fiscal year, to ¥42,907 million, chiefly because the recorded amount of profit attributable to owners of parent exceeded amounts such as dividends of surplus.

(3) Overview of Cash Flow for the Fiscal Year Ended March 31, 2018

Cash and cash equivalents (“funds”) as of March 31, 2018 amounted to ¥29,042 million, a decrease of ¥581 million from March 31, 2017.

<Cash flows from operating activities>

Net cash provided by operating activities was ¥9,869 million (cash provided of ¥22,644 million in the previous fiscal year). The major component was an increase in notes and accounts payable – trade.

<Cash flows from investing activities>

Net cash used in investing activities was ¥34,463 million (cash used of ¥27,540 million in the previous fiscal year), mainly due to the purchase of property, plant and equipment.

<Cash flows from financing activities>

Net cash provided by financing activities was ¥24,012 million (cash provided of ¥6,129 million in the previous fiscal year), which was primarily attributable to an increase in loans payable.

(Reference) Changes in Cash Flow Indicators

	FY2016/3	FY2017/3	FY2018/3
Equity ratio (%)	25.8	26.2	24.0
Equity ratio at market value (%)	56.5	38.3	28.0
Debt repayment period (years)	29.0	3.5	10.8
Interest coverage ratio (times)	2.4	24.0	9.8

Equity ratio: Shareholders’ equity/Total assets

Equity ratio at market value: Equity market capitalization/Total assets

Debt repayment period: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest expense

* These indicators are all calculated using consolidated financial data.

* Interest-bearing debt includes all debts recorded on the consolidated balance sheet on which interest is paid.

(4) Future Outlook

Based on the new medium-term management plan announced on May 14, 2018, the Company has estimated the following business targets for the next fiscal year.

In the sales operation of new built-for-sale condominiums in the real estate sales business, the Company expects the delivery of 1,700 units (the Company’s equity after proportional distribution for the joint venture is 1,500 units) by promoting active supply in the downtown areas in local cities.

In the newly built detached housing segment of the real estate sales business, the Company expects the delivery of 190 units.

In the renovation and resale segment of the real estate sales business, the Company plans to accumulate the number of units held for the time being with the aim of building stable business cycles.

In the real estate securitization segment of the real estate sales business, the Company will replace assets held while actively acquiring and developing income property.

In the real estate rental business, the Company will seek to establish a more stable stock business through carefully selected purchases.
In the real estate management business, the Company has set the target number of units managed under consignment at 53,375 units and aims to further expand peripheral operations such as large-scale repair works.

As a result of the above, the Company forecasts the financial results for the next fiscal year as follows:

Net sales:	¥130,000 million	(up 17.3% year on year)
Operating profit:	¥10,700 million	(down 15.1% year on year)
Ordinary profit:	¥9,600 million	(down 18.6% year on year)
Profit attributable to owners of parent:	¥6,300 million	(down 14.5% year on year)

(New built-for-sale condominium business: Number of units to be delivered and contracts signed)

	Number of units to be delivered in FY2019/3 (units)	Of which, number of contracts signed (unit)	Number of contracts signed of the number of units to be delivered in or after FY2020/3 (units)	Total number of contracts signed (units)
As of March 31, 2018	1,700	528	23	551

Progress of the Medium-Term Management Plan, etc.
The Company reformed its medium-term management plan in May 2018, whose core policies include “establishment of foundation for stable and sustainable growth,” “diversification of business portfolio” and “compliance with the ESG criteria.” The Company’s business portfolio has been changing in recent years as a result of expanding its investment areas. The Company aims to establish a foundation for further growth by diversifying its business portfolio while stably growing the core businesses, the sale of new built-for-sale condominiums.

2. Basic Concept of Selection of Accounting Standards

The Group has adopted the Japanese accounting standards to ensure comparability with our domestic competitors.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Millions of yen)

		Previous Consolidated Fiscal Year (March 31, 2017)		Current Consolidated Fiscal Year (March 31, 2018)
Assets				
Current assets				
Cash and deposits	*2	29,780	*2	29,223
Notes and accounts receivable - trade	*2	1,331	*2	1,539
Real estate for sale	*2. *3	9,658	*2, *3	20,279
Power generation facilities for sale	*2. *3	7,885	*2, *3	4,090
Real estate for sale in process	*2. *3	32,390	*2, *3	44,068
Power generation facilities in process		–		29
Costs incurred on uncompleted contracts		15		129
Deferred tax assets		99		567
Other		5,549		3,680
Allowance for doubtful accounts		(124)		(110)
Total current assets		86,585		103,498
Non-current assets				
Property, plant and equipment				
Buildings and structures		17,742		20,866
Accumulated depreciation		(3,506)		(2,584)
Buildings and structures, net	*2. *3	14,235	*2. *3	18,281
Machinery, equipment and vehicles		5,125		5,550
Accumulated depreciation		(525)		(881)
Machinery, equipment and vehicles, net	*2. *3	4,600	*2. *3	4,669
Tools, furniture and fixtures		148		291
Accumulated depreciation		(93)		(115)
Tools, furniture and fixtures, net	*2. *3	55	*2. *3	176
Land	*2. *3	23,821	*2. *3	35,899
Lease assets		231		273
Accumulated depreciation		(144)		(92)
Lease assets, net	*2	87	*2	180
Construction in progress	*2	4,346	*2	7,132
Total property, plant and equipment		47,146		66,340
Intangible assets				
Goodwill		889		1,265
Lease assets		42		27
Other	*2	459	*2	516
Total intangible assets		1,391		1,808
Investments and other assets				
Investment securities		1,228		2,501
Long-term loans receivable		31		1
Deferred tax assets		72		84
Other	*1	3,375	*1	3,707
Allowance for doubtful accounts		(9)		(6)
Total investments and other assets		4,699		6,287
Total non-current assets		53,237		74,437
Deferred assets		51		38
Total assets		139,874		177,975

(Millions of yen)

		Previous Consolidated Fiscal Year (March 31, 2017)		Current Consolidated Fiscal Year (March 31, 2018)
Liabilities				
Current liabilities				
Notes and accounts payable - trade		12,173		15,786
Short-term loans payable	*2	16,490	*2	18,389
Current portion of bonds	*2	60		–
Current portion of long-term loans payable	*2	13,098	*2	12,838
Lease obligations		51		55
Income taxes payable		2,976		3,547
Advances received		2,234		2,177
Provision for bonuses		323		363
Provision for warranties for completed construction		405		525
Deferred tax liabilities		269		–
Other		2,399		3,193
Total current liabilities		50,482		56,876
Noncurrent liabilities				
Long-term loans payable	*2	48,439	*2	75,015
Bonds payable	*2	1,640		200
Lease obligations		85		164
Provision for directors' retirement benefits		56		73
Net defined benefit liability		331		436
Asset retirement obligations		22		22
Deferred tax liabilities		39		404
Other	*2	1,984		1,873
Total noncurrent liabilities		52,599		78,191
Total liabilities		103,081		135,067
Net assets				
Shareholders' equity				
Capital stock		4,819		4,819
Capital surplus		4,817		4,823
Retained earnings		32,970		38,717
Treasury shares		(5,976)		(5,875)
Total shareholders' equity		36,630		42,485
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		4		262
Total accumulated other comprehensive income		4		262
Share acquisition rights		157		159
Total net assets		36,792		42,907
Total liabilities and net assets		139,874		177,975

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

		Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)		Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Net sales		103,599		110,851
Cost of sales	*1	81,729	*1	85,072
Gross profit		21,869		25,779
Selling, general and administrative expenses	*2	11,520	*2	13,182
Operating profit		10,349		12,597
Non-operating income				
Interest income		15		1
Dividend income		27		95
Commission fee		106		109
Share of profit of entities accounted for using equity method		36		46
Miscellaneous income		65		139
Total non-operating income		252		393
Non-operating expenses				
Interest expense		1,036		1,067
Miscellaneous loss		69		131
Total non-operating expense		1,105		1,198
Ordinary profit		9,496		11,792
Extraordinary income				
Gain on reversal of share acquisition rights		13		–
Total extraordinary income		13		–
Extraordinary losses				
Loss on retirement of non-current assets		–	*4	42
Loss on sales of non-current assets		–	*5	4
Impairment loss	*3	651	*3	593
Loss from compensation for complete work		170		174
Office transfer expenses	*6	95	*6	93
Loss on liquidation of subsidiaries and associates	*7	45		–
Loss on transfer of receivables		–	*8	66
Total extraordinary losses		963		974
Profit before income taxes		8,547		10,817
Income taxes - current		3,519		4,501
Income taxes - deferred		(1,080)		(1,051)
Total income taxes		2,439		3,449
Profit		6,107		7,367
Profit attributable to owners of parent		6,107		7,367

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Net income	6,107	7,367
Other comprehensive income		
Valuation difference on available-for-sale securities	16	257
Total other comprehensive income	*1 16	*1 257
Comprehensive income	6,124	7,624
Profit attributable to		
Comprehensive income attributable to owners of parent	6,124	7,624

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,819	4,817	29,011	(5,100)	33,548
Changes of items during period					
Dividends of surplus			(1,532)		(1,532)
Profit attributable to owners of parent			6,107		6,107
Purchase of treasury shares				(1,754)	(1,754)
Disposal of treasury shares		129		132	261
Retirement of treasury shares		(746)		746	–
Transfer to capital surplus from retained earnings		616	(616)		–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,958	(875)	3,082
Balance at end of current period	4,819	4,817	32,970	(5,976)	36,630

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	(11)	(11)	140	33,677
Changes of items during period				
Dividends of surplus				(1,532)
Profit attributable to owners of parent				6,107
Purchase of treasury shares				(1,754)
Disposal of treasury shares				261
Retirement of treasury shares				–
Transfer to capital surplus from retained earnings				–
Net changes of items other than shareholders' equity	16	16	16	33
Total changes of items during period	16	16	16	3,115
Balance at end of current period	4	4	157	36,792

Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,819	4,817	32,970	(5,976)	36,630
Changes of items during period					
Dividends of surplus			(1,620)		(1,620)
Profit attributable to owners of parent			7,367		7,367
Purchase of treasury shares					–
Disposal of treasury shares		6		101	108
Retirement of treasury shares					–
Transfer to capital surplus from retained earnings					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	6	5,747	101	5,855
Balance at end of current period	4,819	4,823	38,717	(5,875)	42,485

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	4	4	157	36,792
Changes of items during period				
Dividends of surplus				(1,620)
Profit attributable to owners of parent				7,367
Purchase of treasury shares				–
Disposal of treasury shares				108
Retirement of treasury shares				–
Transfer to capital surplus from retained earnings				–
Net changes of items other than shareholders' equity	257	257	2	259
Total changes of items during period	257	257	2	6,114
Balance at end of current period	262	262	159	42,907

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	8,547	10,817
Depreciation	2,397	1,943
Impairment loss	651	593
Amortization of goodwill	117	176
Increase (decrease) in provision	197	160
Increase (decrease) in net defined benefit liability	24	105
Interest and dividend income	(43)	(97)
Gain on reversal of share acquisition rights	(13)	–
Share-based compensation expenses	291	110
Interest expense	1,036	1,067
Loss on retirement of non-current assets	–	42
Decrease (increase) in notes and accounts receivable - trade	(367)	(180)
Decrease (increase) in operating loans receivable	85	274
Decrease (increase) in inventories	12,529	(3,379)
Increase (decrease) in notes and accounts payable - trade	136	3,613
Increase (decrease) in advances received	(875)	(57)
Other	568	(483)
Subtotal	25,283	14,703
Interest and dividend income received	43	97
Interest expenses paid	(942)	(1,010)
Income taxes paid	(1,739)	(3,922)
Cash flows from operating activities	22,644	9,869
Cash flows from investing activities		
Payments into time deposits	(202)	(167)
Proceeds from withdrawal of time deposits	171	142
Decrease (increase) in short-term loans receivable	8	4
Purchase of property, plant and equipment	(23,860)	(30,144)
Proceeds from sales of property, plant and equipment	–	9
Purchase of intangible assets	(62)	(132)
Purchase of shares of subsidiaries and associates	–	(541)
Purchase of investment securities	(832)	(929)
Proceeds from sales of shares of subsidiaries	–	70
Purchase of shares of subsidiaries	–	(491)
Outflow from acquisition of subsidiaries' stock resulting in change in the scope of consolidation	*3 (2,755)	*3 (2,321)
Other	(6)	37
Net cash used in investing activities	(27,540)	(34,463)

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase in short-term borrowings	9,077	1,839
Proceeds from long-term borrowings	42,456	62,190
Repayment of long-term borrowings	(43,477)	(36,829)
Proceeds from issuance of bonds	1,477	–
Redemption of bonds	–	(1,500)
Repayment of lease obligations	(118)	(67)
Purchase of treasury shares	(1,754)	–
Cash dividends paid	(1,531)	(1,619)
Cash flows from financing activities	6,129	24,012
Net increase (decrease) in cash and cash equivalents	1,233	(581)
Cash and cash equivalents at beginning of period	28,390	29,623
Cash and cash equivalent at end of year	*1 29,623	*1 29,042

(5) Notes to the Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

Not applicable.

(Significant Basis for Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries

Leben Community Co., Ltd.
Takara Asset Management Co., Ltd.
Takara Leben Tohoku Co., Ltd.
Takara Leben Realnet Co., Ltd.
Takara Property Co., Ltd.
Leben Zestock Co., Ltd.
Nikko Takara Corporation Co., Ltd.
Nikko Property Co., Ltd.
Takara Leben West Japan Co., Ltd.
JPS No.16 Co., Ltd.
Leben Solar Chiba Sanmu LLC.

Tafuko Co., Ltd. was renamed Leben Zestock Co., Ltd. on January 19, 2018.

Jyutakujyouhoukan Co., Ltd. was renamed Takara Leben West Japan Co., Ltd. on April 1, 2017.

In the fiscal year under review, Takara Investments Co., Ltd., which had been a consolidated subsidiary, was liquidated and excluded from the scope of consolidation.

JPS No.16 Co., Ltd. has been included in the scope of consolidation in the fiscal year under review after the acquisition of its shares by the Company on February 28, 2018. JPS No.16 Co., Ltd. was renamed Leben Solar Hiroshima Mihara, Co., Ltd. on April 24, 2018.

Prospect Sanmu Higashi LLC. has been included in the scope of consolidation beginning in the fiscal year under review after the acquisition of the equity interests of members and the equity interests of silent partners in Prospect Sanmu Higashi LLC. by the Company on March 26, 2018. Prospect Sanmu Higashi LLC. was renamed Leben Solar Chiba Sanmu LLC. on the same day.

In the fiscal year under review, ACMP2 LLC. and ACMP3 LLC., which had been consolidated subsidiaries, were excluded from the scope of consolidation on June 20, 2017 as a result of merger and acquisition in which the Company was the surviving company and ACMP2 LLC. and ACMP3 LLC. were the dissolving companies.

(2) Names of major nonconsolidated subsidiaries

Takara PAG Real Estate Advisory Ltd.

(Reason for exclusion from the scope of consolidation)

While the Company acquired the shares of PAG Real Estate Advisory Ltd. on January 31, 2018, the values of its net assets, net sales, net income, retained earnings, etc. are small and do not have a significant effect on the consolidated financial statements. The company was renamed Takara PAG Real Estate Advisory Ltd. on February 15, 2018.

2. Application of the equity method

(1) Number of affiliates accounted for by the equity method: 2

Name of affiliate

Sunwood Corporation
Minato LLC.

Minato LLC. was included in the scope of application of equity method beginning in the fiscal year under review as a result of the acquisition of its equity interests of members by the Company on December 26, 2017.

(2) Non-consolidated subsidiaries not accounted for by the equity method

Takara PAG Real Estate Advisory Ltd. was excluded from the scope of application of the equity method because the impact of such exclusion on the consolidated financial statements would be negligible in view of net income (amount corresponding to its equity), retained earnings (amount corresponding to tis equity), etc., and its overall significance is low.

3. Fiscal year of consolidated subsidiaries

(1) The fiscal year-end of consolidated subsidiaries is as follows:
March 31: 10 companies
November 30: one company

(2) While the fiscal year-end of JPS No.16 Co., Ltd. is November 30, its results are based on financial statements that use provisional settlement corresponding to the actual settlement as of the closing date of the consolidated fiscal year.

4. Accounting policies

(1) Valuation basis and method for major assets

(i) Securities

a. Debt securities held to maturity

Debt securities held to maturity are stated at amortized cost using the straight-line method.

b. Available-for-sale securities

With fair value

Securities with fair value are marked to market based on the market value at the consolidated fiscal year-end. (Unrealized gains and losses are directly recorded in Net assets and cost of securities sold is calculated using the moving-average method.)

Without fair value

Securities without fair value are stated at cost based on the moving-average method.

(ii) Inventories

Inventory is stated at cost based on the specific identification method.
(Book value is written down due to decline in profitability.)

(2) Depreciation method for major depreciable assets

(i) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are depreciated using the declining-balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

Individual useful lives are as follows:

Buildings and structures	3 – 50 years
Machinery, equipment and vehicles	4 – 17 years

(ii) Intangible fixed assets (excluding lease assets)

Software for internal use is amortized using the straight-line method over the estimated useful life of five years.

(iii) Lease assets

Lease assets under the finance lease arrangements where the ownership is transferred to lessees

Lease assets with ownership transfer are depreciated using the same depreciation method as fixed assets owned.

Lease assets under the finance lease arrangements where the ownership is not transferred to lessees

Lease assets without ownership transfer are depreciated using the straight-line method over the lease term with no residual value.

(iv) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method.

(3) Accounting for major allowances

(i) Allowance for doubtful accounts

For the estimated uncollectible amount, allowance for performing receivables is recorded based on the actual loss ratio, and allowance for certain receivables with doubtful collectibility is recorded based on the individual assessment of collectibility.

(ii) Allowance for bonuses

In order to provide for bonuses to be paid to employees, the estimated bonus amount attributable to the current consolidated fiscal year is recorded.

(iii) Allowance for compensation for complete work

Allowance for compensation for complete work is recorded in order to provide for losses arising from defects after the delivery of self-executed constructions or compensation service costs based on the historical costs related to repair work of self-executed constructions.

(iv) Allowance for directors' retirement benefits

Allowance for directors' retirement benefits is provided in the amount payable at the current consolidated fiscal year-end in accordance with the regulations on directors' retirement benefits (internal regulations).

(4) Accounting for retirement benefits

(i) Method of period attribution of estimated retirement benefits

For the calculation of retirement benefit obligations, the attribution of estimated retirement benefits to the period until the end of the fiscal year under review is performed using a benefit formula.

(ii) Use of simplified method for small companies, etc.

Some of the Company's consolidated subsidiaries calculate liabilities related to retirement benefits and retirement benefit expenses using the simplified method in which the amount of retirement benefits payable for voluntary termination at the end of the year is treated as retirement benefit obligations.

(5) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over a period of up to ten years.

However, goodwill of minor amounts is charged to income in the period of acquisition.

(6) Scope of cash and cash equivalent on the consolidated statement of cash flows

Cash and cash equivalent consist of cash at hand, demand deposits, and short-term investments with an original maturity of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

(7) Other significant matters for the preparation of the consolidated financial statements

Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax exclusive method. Non-deductible consumption taxes relating to assets are charged to income in the year of acquisition.

(Changes in accounting estimates)

(Provision for retirement benefits)

In the fiscal year under review, the Company has changed the method of calculating retirement benefit obligations from a simplified method to the standard method. This change was implemented because settings for performing the mathematically rational estimation of retirement benefit obligations have been established as a result of an increase in the number of employees and a rise in the average number of years of continuous service.

As a consequence of this change, net defined benefit liability increased ¥76 million in the fiscal year under review and the same amount was posted as selling, general and administrative expenses, which resulted in a decline in profit before income taxes of the same amount.

(Consolidated Balance Sheet)

*1. Items related to non-consolidated subsidiaries and affiliates are as follows.

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
Investments and other assets, Other (Subsidiaries' stock)	–	423
Investments and other assets, Other (Affiliates' stock)	755	1,322

*2. Assets pledged as collateral and corresponding liabilities are as follows.

(1) Assets pledged as collateral

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
Cash and deposits	10	3
Notes and accounts receivable - trade	252	377

Real estate held for sale	7,442	13,792
Power generation facilities for sale	1,624	730
Real estate held for sale in progress	29,082	40,373
Buildings and structures	12,710	14,875
Machinery and equipment	3,424	1,953
Tools, furniture and fixtures	0	90
Land	18,065	25,586
Leased assets (tangible)	2	2
Construction in progress	273	965
Other (intangible fixed assets)	224	227
Total	73,112	98,978

(2) Corresponding liabilities

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
Short-term borrowings	11,831	15,181
Current portion of long-term borrowings	10,528	11,962
Current portion of bonds	60	–
Long-term borrowings	42,169	66,735
Bonds	1,440	–
Other (non-current liabilities)	449	–
Total	66,479	93,879

*3. Change in purpose of asset holding

Previous consolidated fiscal year (as of March 31, 2017)

Because of the change in the purpose of asset holding from resale to lease for some of the real estate held, real estate held for sale in progress of ¥616 million has been transferred to buildings and structures of ¥141 million and land of ¥475 million in this consolidated fiscal year.

In addition, following the change in the purpose of asset holding from development and lease to resale for some of the real estate held, buildings and structures of ¥2,699 million, tools, furniture and fixtures of ¥0 million and land of ¥6,997 million have been transferred to real estate held for sale and real estate held for sale in progress in this consolidated fiscal year.

In addition, due to the change in the purpose of asset holding to resale for some of the mega solar power generation plants, buildings and structures of ¥578 million, machinery, equipment and vehicles of ¥10,706 million and land of ¥1,626 million have been transferred to power generation facilities for sale in this consolidated fiscal year. Because some of these assets were sold in this consolidated fiscal year, ¥5,025 million of ¥12,911 million of the assets that have been transferred to power generation facilities for sale are recorded in cost of sales.

Current consolidated fiscal year (as of March 31, 2018)

Because of the change in the purpose of asset holding from resale to lease for some of the real estate held, real estate held for sale of ¥70 million and real estate held for sale in progress of ¥148 million has been transferred to buildings and structures of ¥44 million and land of ¥173 million in the fiscal year under review.

In addition, following the change in the purpose of asset holding from development and lease to resale for some of the real estate held, buildings and structures of ¥4,682 million, tools, furniture and fixtures of ¥4 million and land of ¥6,330 million have been transferred to real estate held for sale and real estate held for sale in progress in this consolidated fiscal year.

In addition, due to the change in the purpose of asset holding to resale for some of the mega solar power generation plants, buildings and structures of ¥481 million, machinery, equipment and vehicles of ¥4,526 million and land of ¥69 million have been transferred to power generation facilities for sale in this consolidated fiscal year. Because some of these assets were sold in this consolidated fiscal year, ¥1,414 million of ¥5,077 million of the assets that have been transferred to power generation facilities for sale are recorded in cost of sales.

4. Contingent liabilities (Guarantee liability)

Guarantee liability for borrowings from financial institutions by customers of the Company

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
Joint and several guarantees in favor of financial institutions until the customers' residential mortgage loans are registered	9,405	12,881
Total	9,405	12,881

5. The Group maintains overdraft and credit line agreements with 44 financial institutions (March 31, 2017: 27) in order to ensure the efficient funding of operating capital. The unused balance of borrowings under these agreements at the consolidated fiscal year-end is as follows.

(Millions of yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated Fiscal Year (March 31, 2018)
Total maximum amount of overdraft and credit lines	20,280	41,320
Outstanding borrowing balance	12,997	22,227
Difference	7,282	19,093

(Consolidated Statement of Income)

*1. Inventories are stated at the amount after the write-down reflecting the decline in profitability. Loss on valuation of inventories included in Cost of sales is as follows.

(Millions of yen)

Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
212	118

*2. Selling expenses account for approximately 38% and General and administrative expenses account for approximately 62% for the year ended March 31, 2017, and 41% and 59%, respectively, for the year ended March 31, 2018.

Major components of Selling, general and administrative expenses and their amounts are as follows.

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Advertising expenses	2,693	2,982
Sales promotion expenses	1,532	2,098
Salaries	1,997	2,210
Provision for allowance for bonuses	425	450
Retirement benefit costs	78	191
Provision for allowance for directors' retirement benefits	24	17
Provision for allowance for doubtful accounts	114	0

*3. Impairment loss

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

Mainly due to the declining profitability of rental properties, the Group recorded impairment losses (¥651 million) for the following assets or asset groups in the consolidated fiscal year under review.

Use	Type	Location	Amount (Millions of yen)
Warehouses	Land and buildings	Saitama, Saitama	7
Idle assets	Land	Koriyama, Fukushima	27
	Land	Saitama, Saitama	2
	Land and buildings	Itabashi-ku, Tokyo	71

Rental properties	Buildings	Tsurugashima, Saitama	44
	Land and buildings	Kasukabe, Saitama	143
	Buildings	Tsukuba, Ibaraki	3
	Buildings	Nagano, Nagano	65
	Land and buildings	Koto-ku, Tokyo	142
	Buildings	Toshima-ku, Tokyo	3
	Land	Shinagawa-ku, Tokyo	36
	Land and buildings	Kawagoe, Saitama	104
Total			651

The breakdown by item is land of ¥247 million and buildings of ¥404 million.

The Group classifies warehouses, idle assets and rental properties by individual property.

The recoverable amount is measured using net sale value, which is assessed based on the appraisal value by a real estate appraiser.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Mainly due to the declining profitability of rental properties, the Group recorded impairment losses (¥593 million) for the following assets or asset groups in the consolidated fiscal year under review.

Use	Type	Location	Amount (Millions of yen)
Rental properties	Land	Suginami-ku, Tokyo	56
	Land	Adachi-ku, Tokyo	51
	Land	Adachi-ku, Tokyo	34
	Land	Adachi-ku, Tokyo	8
	Land	Itabashi-ku, Tokyo	38
	Land	Komae, Tokyo	7
	Land	Komae, Tokyo	6
	Land	Shiki, Saitama	238
	Land	Saitama, Saitama	92
	Land	Saitama, Saitama	6
	Land	Kawagoe, Saitama	51
Total			593

The Group classifies rental properties by individual property.

The recoverable amount is measured using net sale value, which is assessed based on the appraisal value by a real estate appraiser.

*4. Loss on retirement of non-current assets

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Buildings and structures	–	39
Machinery, equipment and vehicles	–	0
Tools, furniture and fixtures	–	0
Software	–	2
Total	–	42

*5. Loss on sales of non-current assets

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Buildings and structures	–	3
Tools, furniture and fixtures	–	1
Total	–	4

*6. Office transfer expenses

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

Office transfer expenses represent the amortization of guarantee deposits of the Company and office transfer expenses of some of the consolidated subsidiaries.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Office transfer expenses include the office transfer expenses of the Company and some of its consolidated subsidiaries.

*7. Loss on liquidation of subsidiaries and associates

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

Loss on liquidation of subsidiaries and associates was due to the liquidation of Marunouchi Servicer Co., Ltd. and Takara Investments Co., Ltd.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable.

*8. Loss on transfer of receivables

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

Not applicable.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Loss on transfer of receivables was incurred primarily due to the transfer of receivables associated with the start of new business by Leben Zestock Co., Ltd.

(Consolidated Statement of Comprehensive Income)

*1. Reclassification adjustments of other comprehensive income and their tax effects

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Unrealized gains (losses) on available-for-sale securities:		
Recognized during the current year	16	371
Reclassification adjustments	–	–
Before tax effects	16	371
Tax effects	–	(114)

Unrealized gains (losses) on available-for-sale securities	16	257
Total other comprehensive income	16	257

(Consolidated Statement of Changes in Shareholders' Equity)

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

1. Class and number of shares issued and outstanding and class and number of treasury stock

	Number of shares at April 1, 2016 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2017 (Shares)
Shares issued and outstanding				
Common stock (Note 1)	126,000,000	–	2,000,000	124,000,000
Total	126,000,000	–	2,000,000	124,000,000
Treasury stock				
Common stock (Notes 2, 3)	15,938,307	2,471,000	2,386,800	16,022,507
Total	15,938,307	2,471,000	2,386,800	16,022,507

(Notes) 1. The decrease in the number of common stock outstanding of 2,000,000 shares is due to the cancellation of treasury stock based on the resolution made at the Board of Directors meeting.

2. The increase in the number of common stock in treasury stock of 2,471,000 shares is due to the acquisition of treasury stock based on the resolution made at the Board of Directors meeting.

3. The decrease in the number of common stock in treasury stock of 2,386,800 shares is due to the exercise of stock options of 386,800 shares and the cancellation of treasury stock of 2,000,000 shares based on the resolution made at the Board of Directors meeting.

2. New share subscription rights and treasury new share subscription rights

Classifi-cation	Description of new share subscription rights	Class of shares to be issued upon the exercise of new share subscription rights	Number of shares to be issued upon the exercise of new share subscription rights				Balance at March 31, 2017 (Millions of yen)
			Number of shares at April 1, 2016 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2017 (Shares)	
Submitting company (Parent company)	New share subscription rights as stock options	–	–	–	–	–	157
Total		–	–	–	–	–	157

3. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 27, 2016	Common stock	990	9	March 31, 2016	June 28, 2016
Board of Directors meeting on October 24, 2016	Common stock	542	5	September 30, 2016	December 6, 2016

(2) Dividends with a record date belonging to the current consolidated fiscal year but to be effective in the following fiscal year

(Resolution)	Class of shares	Total dividends to be paid (Millions of yen)	Source	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on June 27, 2017	Common stock	1,079	Retained earnings	10	March 31, 2017	June 28, 2017

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

1. Class and number of shares issued and outstanding and class and number of treasury stock

	Number of shares at April 1, 2017 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2018 (Shares)
Shares issued and outstanding				
Common stock	124,000,000	–	–	124,000,000
Total	124,000,000	–	–	124,000,000
Treasury stock				
Common stock (Note)	16,022,507	–	271,600	15,750,907
Total	16,022,507	–	271,600	15,750,907

(Note) The decrease in the number of common stock in treasury stock of 271,600 shares is due to the exercise of stock options.

2. New share subscription rights and treasury new share subscription rights

Classification	Description of new share subscription rights	Class of shares to be issued upon the exercise of new share subscription rights	Number of shares to be issued upon the exercise of new share subscription rights				Balance at March 31, 2018 (Millions of yen)
			Number of shares at April 1, 2017 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at March 31, 2018 (Shares)	
Submitting company (Parent company)	New share subscription rights as stock options	–	–	–	–	–	159
Total		–	–	–	–	–	159

3. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on June 27, 2017	Common stock	1,079	10	March 31, 2017	June 28, 2017
Board of Directors meeting on October 23, 2017	Common stock	540	5	September 30, 2017	December 5, 2017

(2) Dividends with a record date belonging to the current consolidated fiscal year but to be effective in the following fiscal year

(Resolution)	Class of shares	Total dividends to be paid (Millions of yen)	Source	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on June 27, 2018	Common stock	1,190	Retained earnings	11	March 31, 2018	June 28, 2018

(Consolidated Statement of Cash Flows)

*1. A reconciliation of Cash and cash equivalent and the account balance on the Consolidated Balance Sheet

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Cash and deposits	29,780	29,223
Time deposits with maturity in excess of three months	(156)	(181)
Cash and cash equivalent	29,623	29,042

2. Significant non-cash transactions

(Millions of yen)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
The amounts transferred from Real estate held for sale and Real estate held for sale in progress to fixed assets due to change in the purpose of real estate holding	616	218
The amounts transferred from fixed assets to Real estate held for sale and Real estate held for sale in progress due to change in the purpose of real estate holding	9,697	11,018
The amounts transferred from fixed assets to power generation facilities for sale due to change in the purpose of real estate holding	12,911	5,077

*3. Major components of assets and liabilities of the company newly included in the scope of consolidation as a result of the acquisition of shares

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

Details of assets and liabilities at the time of the consolidation of the companies that have recently become consolidated subsidiaries as a result of the acquisition of the equity interests of members and the equity interests of silent partners, and their relationship with expenditure (net amount) for investment are as follows:

ACMP2 LLC. and ACMP3 LLC.

	(Millions of yen)
Current assets	66
Fixed assets	2,714
Current liabilities	(3)
Noncurrent liabilities	(0)
Acquisition price of equity interests of members and equity interests of silent partners	2,777
Cash and cash equivalent of newly consolidated subsidiary's stock	(21)
Difference: Cash inflow due to acquisition of newly consolidated subsidiary's shares	(2,755)

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

Details of assets and liabilities at the time of the consolidation of the companies that have recently become consolidated subsidiaries as a result of the acquisition of shares, the equity interests of members and the equity interests of silent partners, and their relationship with expenditure (net amount) for investment are as follows:

(1) Stone Wing Investment Co., Ltd. and SWJ Co., Ltd.

	(Millions of yen)
Current assets	87
Fixed assets	2,845
Goodwill	551
Current liabilities	(65)
Noncurrent liabilities	(1,611)
Acquisition price of subsidiaries' stock	1,807
Cash and cash equivalent of newly consolidated subsidiary's stock	(86)
Difference: Cash inflow due to acquisition of newly consolidated subsidiary's shares	(1,721)

(2) Leben Solar Chiba Sanmu LLC

	(Millions of yen)
Current assets	194
Fixed assets	577
Current liabilities	(20)
Acquisition price of equity interests of members and equity interests of silent partners	751
Cash and cash equivalent of newly consolidated subsidiary's stock	(152)
Difference: Cash inflow due to acquisition of newly consolidated subsidiary's shares	(598)

(3) JPS No.16 Co., Ltd.

	(Millions of yen)
Current assets	0
Fixed assets	4
Goodwill	0
Current liabilities	(1)
Acquisition price of subsidiaries' stock	2
Cash and cash equivalent of newly consolidated subsidiary's stock	(0)
Difference: Cash inflow due to acquisition of newly consolidated subsidiary's shares	(2)

(Rental Properties, etc.)

The Company and its certain consolidated subsidiaries own office buildings for lease (including land) and condominiums for lease in Tokyo and other areas. During the consolidated fiscal year ended March 31, 2017, net rent income from these rental properties amounted to ¥1,041 million (rent income is recorded in net sales and major rent expenses are recorded in cost of sales), and impairment losses came to ¥643 million (recorded in extraordinary losses). During the fiscal year ended March 31, 2018, net rent income from these rental properties amounted to ¥1,335 million (rent income is recorded in net sales and major rent expenses are recorded in cost of sales), and impairment losses came to ¥593 million (recorded in extraordinary losses).

The carrying amount of these rental properties on the Consolidated Balance Sheet, changes during the year and market value are as follows.

(Millions of yen)

		Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Consolidated Balance Sheet			
	Beginning balance	33,447	36,766
	Changes during the year	3,319	15,883
	Ending balance	36,766	52,650
Market value at end of year		38,197	51,912

(Notes) 1. The carrying amount on the Consolidated Balance Sheet represents the acquisition cost net of accumulated depreciation and amortization and accumulated impairment loss.

2. Of the changes during the year, the major increases during the year ended March 31, 2017 include the acquisition of real estate (¥14,446 million), and major decreases include transfer to real estate held for sale and real estate held for sale in progress (¥9,697million), depreciation (¥731 million) and impairment losses (¥643 million). The major increases during the year ended March 31, 2018 include the acquisition of real estate (¥21,239 million), and major decreases include transfer to real estate held for sale and real estate held for sale in progress (¥11,018 million), depreciation (¥740 million) and impairment losses (¥593 million).

3. Market value at the end of the year is based on the appraisal value by a third party real estate appraiser.

4. Assets under construction are not included in the above table as it is not practicable to obtain their market value.

(Segment Information)

a. Segment Information

1. Overview of reportable segments

The reportable segments of the Group are components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group's core business is construction and sales of built-for-sale condominiums. The Group's reportable segments consist of three business segments: the real estate sales business, the real estate rental business and the real estate management business.

The real estate sales business primarily engages in construction and sales of new built-for-sale condominiums and detached houses and condominium renovation.

The real estate rental business provides the office and residential condominiums rental service, and the real estate management business provides the condominium management service.

The electric power generation business engages in electric power generation using renewable energy.

2. Calculation methods of net sales, income or loss, assets, liabilities and other items by reportable segment

Accounting policies for the reportable business segments are consistent with those described in “Significant Basis for Preparation of the Consolidated Financial Statements,” except for the valuation of inventories.

Inventories are stated at the value after the write-down, reflecting the decline in profitability.

Reportable segment income represents operating income.

Inter-segment sales and transfers are valued at market prices.

3. Net sales, income or loss, assets, liabilities and other items by reportable segment

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Electric power generation business	Total		
Net sales							
Net sales to external customers	79,638	5,056	3,665	11,108	99,469	4,130	103,599
Inter-segment sales and transfers	284	57	211	–	552	1,059	1,611
Total	79,923	5,113	3,876	11,108	100,022	5,189	105,211
Segment income	5,665	987	158	2,971	9,783	708	10,491
Segment assets	48,520	38,079	170	20,542	107,313	1,565	108,878
Segment liabilities	53,276	26,795	620	15,527	96,219	897	97,117
Other items							
Depreciation and amortization	96	732	6	1,506	2,341	20	2,362
Interest expense	439	353	–	202	995	4	1,000
Increase in tangible and intangible fixed assets	75	13,837	1	6,727	20,642	51	20,693

(Note) “Other” represents business segments that are not included in any reportable segments and includes the construction contract business and the repair work business.

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Real estate sales business	Real estate rental business	Real estate management business	Electric power generation business	Total		
Net sales							
Net sales to external customers	79,341	5,472	4,000	18,239	107,054	3,797	110,851
Inter-segment sales and transfers	213	49	298	–	561	564	1,126
Total	79,555	5,522	4,299	18,239	107,616	4,361	111,978
Segment income	6,107	834	116	5,128	12,187	484	12,672
Segment assets	68,722	52,615	485	20,775	142,599	4,097	146,697
Segment liabilities	72,025	39,297	682	14,173	126,178	3,523	129,702
Other items							
Depreciation and amortization	101	741	5	1,021	1,870	15	1,886
Interest expense	535	348	–	170	1,054	8	1,062
Increase in tangible and intangible fixed assets	496	23,481	4	3,499	27,482	2,820	30,303

(Note) “Other” represents business segments that are not included in any reportable segments and includes the construction contract business and the repair work business.

4. Reconciliation of the total reportable segments and the amount on the consolidated financial statements (difference adjustments)

(Millions of yen)

Net sales	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	100,022	107,616
Net sales of “Other” category	5,189	4,361
Elimination of inter-segment transactions	(1,611)	(1,126)
Net sales on the consolidated financial statements	103,599	110,851

(Millions of yen)

Income	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	9,783	12,187
Income of “Other” category	708	484
Elimination of inter-segment transactions	(24)	41
Amortization of goodwill	(117)	(117)
Operating income on the consolidated financial statements	10,349	12,597

(Millions of yen)

Assets	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	107,313	142,599
Assets of “Other” category	1,565	4,097
Elimination of amounts due from the parent administrative division	(3,916)	(6,692)
Corporate assets (Note)	34,911	37,970
Total assets in the consolidated financial statements	139,874	177,975

(Note) Corporate assets represent assets not attributable to any reportable segments and primarily consist of cash and deposits, assets attributable to the administrative division, and deferred tax assets.

(Millions of yen)

Liabilities	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Total reportable segments	96,219	126,178
Liabilities of “Other” category	897	3,523
Elimination of amounts due to the parent administrative division	(2,630)	(5,377)
Corporate liabilities (Note)	8,594	10,743
Total liabilities in the consolidated financial statements	103,081	135,067

(Note) Corporate liabilities represent liabilities not attributable to any reportable segments and primarily consist of borrowings.

(Millions of yen)

Other items	Total reportable segments		Other		Adjustments		Consolidated financial statements	
	Previous FY	Current FY	Previous FY	Current FY	Previous FY	Current FY	Previous FY	Current FY
Depreciation and amortization	2,341	1,870	20	15	35	57	2,397	1,943
Amortization of goodwill	–	59	–	–	117	117	117	176
Interest expense	995	1,054	4	8	37	4	1,037	1,067
Increase in tangible and intangible fixed assets	20,642	27,482	51	2,820	120	(0)	20,814	30,302

(Note) Adjustments for increase in tangible and intangible fixed assets represent goodwill incurred but not allocated to reportable segments, capital expenditure for the headquarters building and the elimination of inter-segment transactions.

b. Impairment loss on fixed assets by reportable segment

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

	Real estate sales business	Real estate rental business	Real estate management business	Electric power generation business	Other	Corporate / Elimination	Total
Impairment loss	–	643	–	–	–	7	651

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

	Real estate sales business	Real estate rental business	Real estate management business	Electric power generation business	Other	Corporate / Elimination	Total
Impairment loss	–	593	–	–	–	–	593

(Per Share Information)

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Net assets per share	¥339.29	¥394.90
Earnings per share	¥56.14	¥68.12
Diluted earnings per share	¥55.85	¥67.80

(Notes) The basis for the calculation of earnings per share and diluted earnings per share is as follows.

	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)
Earnings per share		
Net income attributable to owners of parent (millions of yen)	6,107	7,367
Amount not attributable to common stockholders (millions of yen)	–	–
Net income attributable to owners of parent with respect to common stock (millions of yen)	6,107	7,367
Average number of shares during the year (thousand shares)	108,790	108,155
Diluted earnings per share		
Adjustments to net income attributable to owners of parent (millions of yen)	–	–
Increase in number of common stock (thousand shares)	562	522
(Of those, new share subscription rights (thousand shares)	(562)	(522)
Overview of dilutive shares not included in the calculation of diluted earnings per share due to its anti-dilutive effect	–	–

(Significant Subsequent Events)

(Transfer of Assets)

The Company entered into a sale and purchase agreement with Takara Leben Infrastructure Fund Inc. on May 10, 2018 regarding the transfer of mega solar power generation plants owned by the Company.

1. Reason for transfer

   Takara Asset Management Co., Ltd., a wholly owned subsidiary of the Company, will transfer the power generation plants to Takara Leben Infrastructure Fund, Inc., which is entrusted with asset management, based on a sponsor support agreement. The Company will continue to support Takara Leben Infrastructure Fund, Inc. on a full scale as the sponsor and contribute to the development of the infrastructure fund market.

2. Description of transferred assets and use before transfer

   4 mega solar power generation plants

3. Name of transferee

   Takara Leben Infrastructure Fund Inc.

4. Date of transfer

   Scheduled transfer date: June 1, 2018

5. Transfer price

   ¥4,930 million (Total of 4 plants)

5. Other

(1) Changes of Officers

To be disclosed when the information to be disclosed is determined.

(2) Production, Orders Received and Sales

(i) Number of units contracted during the year

Segment name	Previous Consolidated Fiscal Year (From April 1, 2016 to March 31, 2017)		Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)		Year-on-Year (%)
	Number of units	Amounts (Millions of yen)	Number of units	Amounts (Millions of yen)	
Real estate sales business	1,576	72,068	1,818	78,620	109.1
Total	1,576	72,068	1,818	78,620	109.1

(Note) The above amounts do not include consumption tax.

(ii) Balance of contract

Segment name	Previous Consolidated Fiscal Year-End (March 31, 2017)		Current Consolidated Fiscal Year-End (March 31, 2018)		Year-on-Year (%)
	Number of units	Amounts (Millions of yen)	Number of units	Amounts (Millions of yen)	
Real estate sales business	575	19,737	559	20,673	104.7
Total	575	19,737	559	20,673	104.7

(Note) The above amounts do not include consumption tax.

(iii) Net sales

Segment name		Current Consolidated Fiscal Year (From April 1, 2017 to March 31, 2018)	Year-on-Year (%)
Real estate sales business	(millions of yen)	79,341	99.6
Real estate rental business	(millions of yen)	5,472	108.2
Real estate management business	(millions of yen)	4,000	109.1
Electric power generation business	(millions of yen)	18,239	164.2
Total reportable segments	(millions of yen)	107,054	107.6
Other	(millions of yen)	3,797	91.9
Total	(millions of yen)	110,851	107.0

(Notes) 1. Inter-segment transactions are eliminated.

2. The above amounts do not include consumption tax.