

# Consolidated Financial Results for the First Quarter Ended June 30, 2013 (J-GAAP) (Unaudited)

August 7, 2013

Listed company: DAIKYO INCORPORATED  
 Securities code: 8840  
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 Planned date of the filing of quarterly report: August 9, 2013  
 Planned dividends payment commencement date: —  
 1Q earnings presentation materials: Available  
 Holding of 1Q earnings announcement: None

Listed stock exchange: Tokyo  
 URL: <http://www.daikyo.co.jp>

(Amounts of less than one million yen are truncated)

## 1. Consolidated Performance for the Three Months Ended June 30, 2013 (April 1, 2013 to June 30, 2013)

(1) Consolidated operating results (Cumulative) (% figures show year-on-year change)  
(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
Three months ended June 30, 2013	68,812	4.8%	2,047	(57.7)%	1,843	(57.8)%	9,891	214.6%
Three months ended June 30, 2012	65,684	39.6%	4,841	66.4%	4,368	95.3%	3,143	(15.9)%

(Note) Comprehensive income: Three months ended June 30, 2013: ¥9,933 million (218.7 %)  
 Three months ended June 30, 2012: ¥3,117 million ((15.7) %)

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2013	¥22.38	¥11.62
Three months ended June 30, 2012	¥7.11	¥3.69

(2) Consolidated financial position (Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2013	297,327	139,080	46.8%
As of March 31, 2013	275,442	131,314	47.7%

(Reference) Shareholders' equity:  
 As of June 30, 2013: ¥139,055 million      As of March 31, 2013: ¥131,290 million

## 2. State of Dividends

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		0.00	—	3.00	3.00

(Note) Revisions to the latest dividend forecast: None

The above "State of Dividends" represents the state of dividends from common stock only. Please refer to "State of Dividends from Class Stock" for the state of dividends from class stock (unlisted) issued by DAIKYO INCORPORATED ("the Company") with different rights from common stock.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)  
(% figures show year-on-year change) (Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Six months ending September 30, 2013	155,000	(1.1)%	6,500	(43.5)%	5,500	46.5%	11,000	50.4%	¥24.89
Full year	330,000	9.1%	16,000	(27.6)%	14,500	28.5%	21,000	35.2%	¥45.76

(Note) Revisions to the latest performance forecast: None

### Disclaimer

This document was prepared in English for convenience purposes only. The original Japanese document shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this document.

\* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in change in scope of consolidation): None

New: — (Company name: ) Excluded: — (Company name: )

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and estimates, or retrospective restatements

(i) Change in accounting policies in accordance with revision of accounting standards: None

(ii) Change in accounting policies other than item (i) above: None

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

				(Unit: share)
1) Number of issued shares at end of period (including treasury stock):	Jun. 30, 2013	445,337,738	Mar. 31, 2013	445,337,738
2) Number of shares of treasury stock at end of period:	Jun. 30, 2013	3,405,766	Mar. 31, 2013	3,399,737
3) Average number of shares during period	Apr.–Jun. 2013	441,934,134	Apr.–Jun. 2012	441,956,425

\* Presentation of implementation state for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this Consolidated Financial Results, and the quarterly review procedure based on the Financial Instruments and Exchange Act had not been completed as of the release of this Consolidated Financial Results.

\* Explanation of the Appropriate Use of Performance Forecasts, Other Points to Note

Forward-looking statements in this document, including the performance outlook, etc., were written based on the information the Company had at this time and certain assumptions the Company considered to be reasonable. Actual performance may differ from the forecast figures due to various factors.

Earnings presentation materials for the first quarter will be posted on TDnet on the day of the earnings announcement, and also posted on the Company's website.

State of Dividends from Class Stock

The breakdown of the dividends per share from class stock with different rights from common stock is as follows.

(Class 1 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		—	—	8.44	8.44

(Class 2 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		—	—	8.44	8.44

(Class 4 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		—	—	8.44	8.44

(Class 7 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	10.00	10.00
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		—	—	9.00	9.00

(Class 8 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	10.00	10.00
Fiscal year ending March 31, 2014	—				
Fiscal year ending March 31, 2014 (Forecast)		—	—	9.00	9.00

## 1. Qualitative Information on Consolidated Performance in the First Quarter

### (1) Qualitative information on the consolidated operating results

During the three months ended June 30, 2013, net sales rose ¥3,127 million, or 4.8% year on year, to ¥68,812 million, owing to factors including the inclusion of the subsidiaries of Anabuki Construction Inc. and its affiliates in the scope of consolidation. However, operating income decreased ¥2,794 million, or 57.7%, to ¥2,047 million, and ordinary income fell by ¥2,525 million, or 57.8%, to ¥1,843 million. This was because, in consolidated accounting, the transaction made a limited contribution to operating income for the current fiscal year, since the acquired assets including inventory were marked to market. Additionally, in condominium sales, the scheduled number of properties completed was low compared with the same period of the previous fiscal year. Meanwhile, net income grew ¥6,747 million, or 214.6%, to ¥9,891 million, due to influences such as recording of negative goodwill-incurred profits from the acquisition of Anabuki Construction Inc. as a consolidated subsidiary.

(Millions of yen)

Category	Three months ended June 30, 2012	Three months ended June 30, 2013	Change
Net sales	65,684	68,812	3,127
Operating income	4,841	2,047	(2,794)
Ordinary income	4,368	1,843	(2,525)
Net income	3,143	9,891	6,747

Performance by segment is described below. Please note that amounts for each segment include intersegment transactions.

### Performance by Segment

(Millions of yen)

Category	Three months ended June 30, 2012		Three months ended June 30, 2013		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	33,520	3,829	28,513	746	(5,007)	(3,082)
Real Estate Management	27,594	1,563	33,521	1,586	5,926	22
Real Estate Brokerage	4,817	(31)	7,882	550	3,065	582
Adjustments (Eliminations or Corporate Assets/Expenses)	(248)	(519)	(1,104)	(836)	(856)	(317)
Total	65,684	4,841	68,812	2,047	3,127	(2,794)

1) Real Estate Development and Sales

Despite the contribution of the acquisition of Anabuki Construction Inc. as a consolidated subsidiary, in condominium sales, the scheduled number of properties completed was low compared with the same period of the previous fiscal year. As a result of this, in the Real estate development and sales segment, net sales declined by ¥5,007 million year on year to ¥28,513 million, operating income fell by ¥3,082 million year on year to ¥746 million, and condominium units sold decreased 97 units year on year to 701 units.

The number and amount of contracted sales at the end of the first quarter were 3,159 units and ¥107,177 million, respectively, marking respective increases of 893 units and ¥16,705 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2012	Three months ended June 30, 2013	Change
Real Estate Sales	32,859	27,216	(5,643)
Other	661	1,297	636
Total	33,520	28,513	(5,007)

Real Estate Sales by Category (Millions of yen)

Category		Three months ended June 30, 2012		Three months ended June 30, 2013		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	786 units	31,374	982 units	32,962	196 units	1,587
	Houses	—	—	7 units	126	7 units	126
	Other	—	13	—	66	—	53
	Total	786 units	31,387	989 units	33,154	203 units	1,766
Sales Results	Condominiums	798 units	32,846	701 units	25,265	(97 units)	(7,581)
	Houses	—	—	14 units	458	14 units	458
	Other	—	13	—	1,492	—	1,479
	Total	798 units	32,859	715 units	27,216	(83 units)	(5,643)
Contracted Sales Results**	Condominiums	2,266 units	90,472	3,159 units	107,177	893 units	16,705
	Houses	—	—	1 unit	37	1 unit	37
	Other	—	—	—	66	—	66
	Total	2,266 units	90,472	3,160 units	107,280	894 units	16,808

\* Represents the number and amount of condominium units for which sales agreements are entered into each period.

\*\* Represents the number and amount of condominium units for which sales agreements have been entered into but have yet to be delivered.

Note: Contracted sales are the balance as of the end of the quarter.

2) Real Estate Management

In the Real estate management segment, management income increased ¥2,558 million year on year to ¥19,761 million and contract work income rose ¥2,742 million year on year to ¥11,814 million, due to the contribution of Anabuki Community Inc. and Anabuki Construction Inc. that became consolidated subsidiaries. As a result, net sales were ¥33,521 million, up ¥5,926 million year on year, and operating income was ¥1,586 million, up ¥22 million year on year.

The number of condominium units managed increased 75,110 units to 512,577 units and the volume of contract work orders received at the end of the first quarter was ¥25,271 million, an increase of ¥7,136 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2012	Three months ended June 30, 2013	Change
Condominium Management, Building Management	17,202	19,761	2,558
Contract Work	9,072	11,814	2,742
Other	1,319	1,945	625
Total	27,594	33,521	5,926

Number of Condominium Units Managed

Category	As of June 30, 2012	As of June 30, 2013	Change
Number of Condominium Units Managed	437,467 units	512,577 units	75,110 units

Contract Work

(Millions of yen)

Category	As of June 30, 2012	As of June 30, 2013	Change
Volume of Contract Work Orders Received	18,134	25,271	7,136

3) Real Estate Brokerage

In the Real estate brokerage segment, net sales were ¥7,882 million, up ¥3,065 million year on year, with an operating income of ¥550 million, up ¥582 million year on year. This was due to strong performance in real estate brokerage and existing real estate sales, as well as to the contribution of Anabuki Real Estate Center Inc. that became a consolidated subsidiary.

Breakdown of Net Sales

(Millions of yen)

Category	Three months ended June 30, 2012	Three months ended June 30, 2013	Change
Real Estate Brokerage	1,567	1,909	342
Existing Real Estate Sales	2,053	3,265	1,212
Lease Management	1,081	2,368	1,287
Other	115	338	222
Total	4,817	7,882	3,065

Amount of Brokerage Transactions

Category	Three months ended June 30, 2012	Three months ended June 30, 2013	Change
Number of Brokerage Transactions	1,264	1,703	439
Total Amount of Transactions (Millions of yen)	29,309	41,003	11,694

Existing Real Estate Sales

(Millions of yen)

Category		Three months ended June 30, 2012		Three months ended June 30, 2013		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Sales Results	Condominiums	117 units	2,053	165 units	3,229	48 units	1,176
	Other	—	—	—	36	—	36
	Total	117 units	2,053	165 units	3,265	48 units	1,212

## (2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013	Change
Total assets	275,442	297,327	21,884
Inventories	94,559	125,626	31,066
Total liabilities	144,127	158,246	14,118
Interest-bearing debt	69,164	72,486	3,322
Total net assets	131,314	139,080	7,765
Shareholders' equity	131,290	139,055	7,765
Shareholders' equity ratio	47.7%	46.8%	(0.9pp)

Total assets as of June 30, 2013 were ¥297,327 million, up ¥21,884 million year on year. This reflected factors including a decline of ¥27,072 million in cash and deposits, and increases of ¥31,066 million in inventories, ¥2,129 million in goodwill and ¥7,028 million in other intangible fixed assets.

Total liabilities were ¥158,246 million, up ¥14,118 million year on year. This resulted from a decrease of ¥8,085 million in notes and accounts payable, and increases of ¥6,015 million in advances receipts, ¥5,533 million in deferred tax liabilities, ¥3,322 million in interest-bearing debt and ¥3,918 million in provision for retirement benefits.

Total net assets rose ¥7,765 million year on year to ¥139,080 million. This was attributable to an increase of ¥7,726 million in retained earnings, which resulted from recording of net income for the first quarter and offset the impact of a payment of ¥2,165 million in common stock and preferred stock dividends. Furthermore, the shareholders' equity ratio was 46.8%, 0.9 percentage point lower year on year.

Please note that most of these changes are a consequence of the acquisition of Anabuki Construction Inc. and its affiliates as consolidated subsidiaries.

## (3) Qualitative information on the consolidated performance forecast

There are no changes from the consolidated performance forecast announced on May 14, 2013.



## **2. Summary Information (Notes)**

### **(1) Changes in significant subsidiaries during the three months under review**

Not applicable

### **(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements**

Not applicable

### **(3) Changes in accounting policies and estimates, or retrospective restatements**

Not applicable

### **(4) Additional information**

(Changes in the presentation method)

Penalty income that had been posted under non-operating income for the first quarter of the previous fiscal year (cumulative) has been posted under net sales from the previous fiscal year. This change was conducted for presentation in an income segment that more properly presents this income as resulting from the Company's business activities. The financial statements for the first quarter of the previous fiscal year (cumulative) have been reclassified to reflect this change in presentation.

As a result, ¥32 million of penalty income that had been presented under non-operating income in the statement of income for the first quarter of the previous fiscal year (cumulative) has been reclassified under net sales.