Consolidated Financial Results
for the First Quarter Ended June 30, 2014 (J-GAAP)
(Unaudited)

August 6, 2014

Listed company: DAIKYO INCORPORATED — Listed stock exchange: Tokyo
Securities code: 8840 — URL: http://www.daikyo.co.jp
Representative: Akira Yamaguchi, Representative Executive Officer, President
Contact: Koichi Hinako, General Manager, Group Corporate Planning Dept.
Planned date of the filing of quarterly report: August 8, 2014
Planned dividends payment commencement date: —
1Q earnings presentation materials: Available
Holding of 1Q earnings announcement: None

(Amounts of less than one million yen are truncated)

1. Consolidated Performance for the Three Months Ended June 30, 2014 (April 1, 2014 to June 30, 2014)

(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, 2014	48,252	(29.9)%	(2,926)	- %	(3,164)	- %	(2,167)	- %
Three months ended June 30, 2013	68,812	4.8%	1,283	- %	1,079	- %	8,899	- %

(Note) Comprehensive income: Three months ended June 30, 2014: ¥(1,988) million (- %)
Three months ended June 30, 2013: ¥8,941 million (- %)

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2014	¥(2.58)	-
Three months ended June 30, 2013	¥20.14	¥10.45

(Note) Changes in accounting policy have been applied retrospectively to the figures presented for the three months ended June 30, 2013. Therefore, year-on-year changes on a percentage basis for the three months ended June 30, 2013 have been provided only for net sales that were not impacted by changes in accounting policy.

(2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2014	274,785	141,062	51.3%
As of March 31, 2014	297,812	144,986	48.7%

(Reference) Shareholders' equity:
As of June 30, 2014: ¥141,034 million As of March 31, 2014: ¥144,959 million

(Note) Changes in accounting policy have been applied retrospectively to the figures shown under "Consolidated financial position" as of March 31, 2014.

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2014	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2015	—				
Fiscal year ending March 31, 2015 (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, 2015 (April 1, 2014 to March 31, 2015)

(% figures show year-on-year change) (Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full-year	330,000	(1.1)%	19,000	12.4%	17,800	13.8%	13,500	(35.1)%	¥15.97

(Note) Revisions to the latest performance forecast: None
Changes in accounting policy have been applied retrospectively resulting in changes to some of the figures showing year-on-year changes on a percentage basis listed in the "Consolidated Performance Forecast" above.

* 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: Yes
- (ii) Change in accounting policies other than item (i) above: Yes
- (iii) Change in accounting estimates: None
- (iv) Retrospective restatements: None

(Note) For details on those changes, refer to "2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements" on page 9.

(4) Number of shares issued (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Jun. 30, 2014	843,542,737	Mar. 31, 2014	843,542,737
2) Number of shares of treasury stock at end of period:	Jun. 30, 2014	3,449,744	Mar. 31, 2014	3,442,847
3) Average number of shares during period	Apr.–Jun. 2014	840,096,802	Apr.–Jun. 2013	441,934,134

* 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, 2014	—	—	—	8.44	8.44
Fiscal year ending March 31, 2015	—				
Fiscal year ending March 31, 2015 (Forecast)		—	—	8.28	8.28

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, 2014, net sales declined ¥20,560 million, or 29.9% year on year, to ¥48,252 million owing in part to plans for fewer scheduled unit completions in condominium sales compared to the same period of the previous fiscal year. Meanwhile, the Company posted an operating loss of ¥2,926 million compared with operating income of ¥1,283 million in the first three months of the previous fiscal year, an ordinary loss of ¥3,164 million compared with ordinary income of ¥1,079 million in the same period of the previous fiscal year, and a net loss of ¥2,167 million compared with net income of ¥8,899 million in the same period of the previous fiscal year, due to factors including the posting of negative goodwill in that period.

Additionally, the Company has initiated changes to accounting policies effective beginning with the first quarter of the current fiscal year, as has been detailed under section "2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements, 2. Accounting treatment pertaining to the real estate development and sales segment." As such, those changes have been retrospectively applied to figures in this report for the first quarter of the previous fiscal year.

(Millions of yen)

Category	Three months ended June 30, 2013	Three months ended June 30, 2014	Change
Net sales	68,812	48,252	(20,560)
Operating income (loss)	1,283	(2,926)	(4,210)
Ordinary income (loss)	1,079	(3,164)	(4,243)
Net income (loss)	8,899	(2,167)	(11,066)

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, 2013		Three months ended June 30, 2014		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	28,513	(38)	7,633	(3,076)	(20,880)	(3,037)
Real Estate Management	33,521	1,599	32,948	870	(572)	(728)
Real Estate Brokerage	7,882	550	8,353	127	471	(423)
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,104)	(827)	(682)	(848)	421	(20)
Total	68,812	1,283	48,252	(2,926)	(20,560)	(4,210)

1) Real Estate Development and Sales

Condominium sales declined ¥19,720 million year on year to ¥5,545 million, reflecting a decrease to 200 units sold, or 501 fewer units than in the same period of the previous fiscal year, due to plans for fewer properties completed and handed over than in the same period of the previous fiscal year. As a result, net sales in the real estate development and sales segment declined by ¥20,880 million year on year to ¥7,633 million, accompanied by an operating loss of ¥3,076 million, compared with an operating loss of ¥38 million in the same period of the previous fiscal year.

The number and amount of contracted sales at the end of the first quarter of the current fiscal year were 2,780 units and ¥101,590 million, respectively, marking respective decreases of 379 units and ¥5,587 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, 2013	Three months ended June 30, 2014	Change
Real Estate Sales	27,216	6,088	(21,127)
Other	1,297	1,544	247
Total	28,513	7,633	(20,880)

Real Estate Sales by Category (Millions of yen)

Category		Three months ended June 30, 2013		Three months ended June 30, 2014		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	982 units	32,962	663 units	25,055	(319) units	(7,906)
	Houses	7 units	126	1 unit	60	(6) units	(65)
	Other	—	66	—	450	—	384
	Total	989 units	33,154	664 units	25,566	(325) units	(7,588)
Sales Results	Condominiums	701 units	25,265	200 units	5,545	(501) units	(19,720)
	Houses	14 units	458	2 units	93	(12) units	(365)
	Other	—	1,492	—	450	—	(1,042)
	Total	715 units	27,216	202 units	6,088	(513) units	(21,127)
Contracted Sales Results**	Condominiums	3,159 units	107,177	2,780 units	101,590	(379) units	(5,587)
	Houses	1 unit	37	1 unit	60	—	23
	Other	—	66	—	—	—	(66)
	Total	3,160	107,280	2,781 units	101,651	(379) units	(5,629)

* 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, despite strong results with respect to management income, which increased ¥309 million year on year to ¥20,070 million, contract work income decreased by ¥872 million to ¥10,942 million, partly reflecting a drop in demand after the last-minute surge ahead of the consumption tax hike. As a result, net sales were ¥32,948 million, down ¥572 million year on year, and operating income was ¥870 million, down ¥728 million year on year.

The number of condominium units managed increased 6,160 units to 518,737 units and the volume of contract work orders received at the end of the first quarter was ¥26,417 million, an increase of ¥1,146 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, 2013	Three months ended June 30, 2014	Change
Condominium Management, Building Management	19,761	20,070	309
Contract Work	11,814	10,942	(872)
Other	1,945	1,935	(9)
Total	33,521	32,948	(572)

Number of Condominium Units Managed

Category	As of June 30, 2013	As of June 30, 2014	Change
Number of Condominium Units Managed	512,577 units	518,737 units	6,160 units

Contract Work (Millions of yen)

Category	As of June 30, 2013	As of June 30, 2014	Change
Volume of Contract Work Orders Received	25,271	26,417	1,146

3) Real Estate Brokerage

Despite a year-on-year decline in real estate brokerage income of ¥293 million to ¥1,615 million, total net sales in the real estate brokerage segment increased ¥471 million year on year to ¥8,353 million owing to a year-on-year increase in existing real estate sales of ¥832 million to ¥4,098 million. However, operating income decreased ¥423 million to ¥127 million partly as a result of building up the workforce in anticipation of an increase in numbers of retail locations.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2013	Three months ended June 30, 2014	Change
Real Estate Brokerage	1,909	1,615	(293)
Existing Real Estate Sales	3,265	4,098	832
Lease Management	2,368	2,360	(8)
Other	338	279	(59)
Total	7,882	8,353	471

Amount of Brokerage Transactions

Category	Three months ended June 30, 2013	Three months ended June 30, 2014	Change
Number of Brokerage Transactions	1,703	1,665	(38)
Total Amount of Transactions (Millions of yen)	41,003	38,290	(2,712)

Existing Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2013		Three months ended June 30, 2014		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	165 units	3,229	192 units	4,088	27 units	859
	Other	—	36	—	9	—	(27)
	Total	165 units	3,265	192 units	4,098	27 units	832

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014	Change
Total assets	297,812	274,785	(23,027)
Inventories	101,421	112,433	11,012
Total liabilities	152,826	133,600	(19,103)
Interest-bearing debt	63,646	61,135	(2,510)
Total net assets	144,986	141,062	(3,924)
Shareholders' equity	144,959	141,034	(3,924)
Shareholders' equity ratio	48.7%	51.3%	2.6pp

Total assets as of June 30, 2014 were ¥274,785 million, down ¥23,027 million compared with the end of the previous fiscal year. This reflected factors including an increase of ¥11,012 million in inventories, and declines of ¥16,836 million in cash and deposits and ¥15,930 million in securities.

Total liabilities were ¥133,723 million, down ¥19,2103 million compared with the end of the previous fiscal year. This resulted from decreases of ¥8,579 million in notes and accounts payable, ¥4,931 million in income taxes payable and ¥2,510 million in interest-bearing debt.

Total net assets declined ¥3,924 million compared with the end of the previous fiscal year to ¥141,062 million. This was attributable to a decrease of ¥4,101 million in retained earnings, which resulted mainly from ¥2,604 million of dividend of surplus and recording of ¥2,167 million in net loss for the first quarter. Furthermore, the shareholders' equity ratio was 51.3%, 2.6 percentage points higher compared with the end of the previous fiscal year.

Additionally, the Company has initiated changes to accounting policies effective beginning with the first quarter of the current fiscal year, as has been detailed under section "2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements, 2. Accounting treatment pertaining to the real estate development and sales segment." As such, those changes have been retrospectively applied to figures in this report for the previous fiscal year.

(3) Explanation of information regarding consolidated performance forecast and other projections

There are no changes from the consolidated performance forecast announced on May 13, 2014.

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

(Changes in accounting policies)

1. Application of accounting standards for retirement benefits

From the first quarter of the current fiscal year, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued May 17, 2012; hereinafter "Guidance"), with respect to the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standards and in the main clause of Article 67 of the Guidance. Accordingly, upon review of its methods for calculating retirement benefit obligations and service costs, the Company has changed its method of attributing expected benefits to accounting periods, and now uses the benefit formula basis rather than the straight line basis used previously. The Company has also adopted a new method of determining the discount rate, and has accordingly changed to one involving the use of a single weighted average discount rate reflecting the estimated timing and amounts of benefit payments, in place of its previous method where the discount rate was determined based on a number of years approximate to the expected average remaining service period of the Company's employees.

In adopting accounting polices including those in the Retirement Benefits Accounting Standards, beginning with the first quarter of the current fiscal year, the Company adjusts retained earnings by amounts derived by the change in the method used for calculating retirement benefit obligations and service costs in accordance with the transitional treatment set forth in Article 37 of the Retirement Benefits Accounting Standards.

As a result, the net defined benefit liability at the beginning of the first quarter of the current fiscal year decreased by ¥795 million, and retained earnings increased by ¥670 million.

Note that this change has not caused a material impact on operating loss, ordinary loss, or loss before income taxes and minority interest for the first quarter of the current fiscal year.

2. Accounting treatment pertaining to the real estate development and sales segment

1) Previously, indirect costs, such as personnel expenses and other expenses pertaining mainly to land acquisition and construction work in the real estate development and sales segment had been allocated to costs of respective properties on the basis of proportions of direct costs, such as land acquisition expenses and construction expenses. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such indirect costs are accounted for as period expenses.

This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given that declining purchasing volumes in recent years have brought about a diminishing relationship with respect to matching expenses and revenues and inadequate rationale for using conventional expense allocation methods. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

At the same time, the Company has changed to a method of accounting for some indirect costs incurred in the real estate management segment as period expenses, upon review of allocations of such indirect costs where there is a diminishing relationship in matching expenses with revenues.

2) Previously, advertising expenses related to sales of condominiums and detached housing in the real estate development and sales segment were accounted for by collectively charging such expenses to income when the Company began handing over properties, in accordance with the principle of matching expenses to revenues. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such expenses are charged to income as they are incurred.

   This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given a diminishing direct relationship between advertising expenses and net sales due to a shift in recent years from the use primarily of leaflets for advertising to use of the Internet and multiple other formats, and also due to greater diversity in sales methods such as those where units of a single property are sold over multiple phases. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

3) Previously, condominium sales showroom construction expenses and other such costs in the real estate development and sales segment were accounted for as costs for properties and recognized when sales were recorded, in accordance with the principle of matching expenses to revenues. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such expenses are charged to income as they are incurred.

   This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given that the new method more accurately reflects the realities of our business by distinguishing between direct costs attributable to net sales and expenses related to sales activities. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

   These changes in accounting policy have been retrospectively applied to the Company's consolidated financial statements for the prior first quarter and prior fiscal year.

   As a result, the Company's real estate for sale, real estate for sale in progress, real estate for development projects and other inventories, as well as others under current assets presented in the Consolidated Balance Sheet as of the end of the previous fiscal year decreased by ¥270 million, ¥3,526 million, ¥64 million, ¥50 million and ¥2,826 million, respectively, and deferred tax assets listed under current assets increased by ¥1,722 million, compared with the corresponding figures before the retrospective application. The retrospective application also decreased gross profit by ¥84 million, and decreased operating income, ordinary income and income before income taxes and minority interest each by ¥763 million, as presented in the Consolidated Statement of Income for the first quarter of the previous fiscal year. Meanwhile, the retained earnings balance at the beginning of the previous fiscal year decreased by ¥3,967 million, reflecting the cumulative impact on net assets at the beginning of the previous fiscal year. The monetary effect of these changes resulting from retrospective application of accounting policies has been presented in aggregate, and not attributed to specific changes in accounting policy given complexities involved in doing so.

   Also, net income per share and fully diluted net income per share for the first quarter of the previous fiscal year decreased by ¥2.24 and ¥1.17, respectively.

   Amounts that impact segment information are stated in the corresponding sections of this document.