

Summary of Consolidated Financial Results For the Six Months Ended September 30, 2014

DAIKYO INCORPORATED (“the Company”) announces its financial results for the second quarter of the year ending March 30, 2015. For more details, please refer to the Consolidated Financial Results for the Second Quarter Ended September 30, 2014, and the Fact Sheets.

■ Consolidated Statements of Operations

	2013	2014	Change	(Millions of yen) Forecast 2015
Year ended September 30				
Net sales	154,988	126,369	Δ 28,618	330,000
Operating income	6,370	957	Δ 5,413	19,000
Ordinary income	5,752	417	Δ 5,335	17,800
Net income	11,636	1,383	Δ 10,252	13,500

Consolidated Financial Results Summary

In the six months ended September 30, 2014, the Company’s consolidated results were as follows. Net sales decreased ¥28,618 million, or 18.5% year on year, to ¥126,369 million. Operating income decreased ¥5,413 million, or 85.0% year on year, to ¥957 million. Ordinary income decreased ¥5,335 million, or 92.7% year on year, to ¥417 million. Net income decreased ¥10,252 million, or 88.1% year on year, to ¥1,383 million, due to factors including the posting of negative goodwill in the same period of the previous fiscal year.

These results were due in part to plans for fewer scheduled unit completions in condominium sales compared to the same period of the previous fiscal year. However, the progress made against the full-year forecast for each segment is generally as expected, and there are no changes from the consolidated performance forecast announced in May 2014.

The Company has initiated changes to accounting policies effective from the first quarter of the current fiscal year. As such, those changes have been retrospectively applied to figures in this report for the second quarter of the previous consolidated fiscal year (cumulative).

■ Results by Segment

◆ Real Estate Development and Sales

Net sales

Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year
66,310	35,821	Δ 30,489

Operating income

Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year	(Millions of yen)
2,077	Δ 1,239	Δ 3,317	

Segment Summary

- Condominium sales decreased ¥31,777 million year on year to ¥29,348 million, as units sold in condominium sales fell by 835 units year on year to 935 units.
- This is because, while the Company completed 28 buildings with 1,476 units in the same period of the previous fiscal year, in the corresponding period of the current fiscal year, it planned a reduction to 16 buildings with 945 units. The progress made in contracts as of the end of the quarter under review is 82% of the full-year forecast of condominium sales, indicating that said progress has generally remained strong.
- While paying close attention to the market trends, as a result of carrying out sales activities that place the highest priority on securing appropriate profits, although the number of contracted units decreased by 567 units year on year to 1,379 units, the gross profit margin for condominium sales improved by 3.8 percentage points to 24.2%.
- Even though the number of completed but unsold condominium units increased from 130 units at the end of the first quarter of the current fiscal year to 165 units at the end of second quarter, the number remains at a low level.

◆ Real Estate Management

Net sales			Operating income			
Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year	Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year	
74,377	74,299	Δ 77	4,792	3,160	Δ 1,632	(Millions of yen)

Segment Summary

- The number of condominium units managed increased 6,546 units in comparison to the number at the end of the same period of the previous fiscal year. Mainly due to this factor, management income increased ¥683 million year on year. For the DAIKYO Group as a whole, the number of condominium units managed surpassed 520,000 units for the first time ever. (At the end of second quarter of the current fiscal year, the number was 520,340 units.)
- Contract work income decreased ¥344 million year on year, due in part to a decrease in small-scale contract work with relatively short construction periods.
- Mainly to increase the quality of the services that it offers, the Company strengthened its organizational structure through measures including an increase of slightly less than 200 in the number of personnel. As a result of those efforts as well as an increase in cost of contract work, operating income decreased ¥1,632 million year on year.
- In this segment, the percentage of progress against the full-year net sales forecast is 45%. (In the same period of the previous fiscal year, the percentage of progress was 48%.) Work orders, which are recovering, are generally in line with expectations.

◆ Real Estate Brokerage

Net sales			Operating income			
Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year	Six Months Ended Sep 30, 2013	Six Months Ended Sep 30, 2014	Year-on-year	
16,397	17,661	1,264	1,118	642	Δ 476	(Millions of yen)

Segment Summary

- Real estate brokerage income decreased ¥367 million year on year, mainly due to a year-on-year decrease of 132 in the number of brokerage transactions.
- Existing real estate sales increased ¥1,643 million year on year, mainly due to an increase of 61 units in the number of renovated condominiums sold.
- Operating income decreased ¥476 million year on year. This was because operating expenses increased as a result of building up the workforce in conjunction with new store openings and an increase in the number of retail locations.
- In this segment, the percentage of progress against the full-year net sales forecast is 44%. (In the same period of the previous fiscal year, the percentage of progress was 44%.) Compared to the previous period, when the market for real estate brokerage services was strong, the DAIKYO Group's number of brokerage transactions decreased slightly. However, since the Group's existing real estate sales remained strong, the progress was generally as expected.

■ Regarding consolidated performance forecast

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