Consolidated Financial Results
for the Third Quarter Ended December 31, 2014 (J-GAAP)
(Unaudited)

February 4, 2015

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: February 10, 2015
Planned dividends payment commencement date: —
3Q earnings presentation materials: Available
Holding of 3Q earnings announcement: None

(Amounts less than one million yen are truncated)

1. Consolidated Performance for the Nine Months Ended December 31, 2014 (April 1, 2014 to December 31, 2014)

(1) Consolidated operating results (Cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended December 31, 2014	191,090	(12.5)%	2,051	(68.7)%	1,161	(79.3)%	1,395	(87.7)%
Nine months ended December 31, 2013	218,417	3.9%	6,562	—%	5,608	—%	11,369	—%

(Note) Comprehensive income: Nine months ended December 31, 2014: ¥1,798 million / (84.5) %
Nine months ended December 31, 2013: ¥11,589 million / —%

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2014	¥1.66	¥1.64
Nine months ended December 31, 2013	¥25.73	¥13.35

(Note) Changes in accounting policy have been applied retrospectively to the figures presented for the nine months ended December 31, 2014. Therefore, year-on-year changes on a percentage basis for the nine months ended December 31, 2014 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 December 31, 2014	282,640	144,817	51.2%
As of March 31, 2014	297,812	144,986	48.7%

(Reference) Shareholders' equity:
As of December 31, 2014: ¥144,817 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	—	0.00	—		
Fiscal year ending March 31, 2015 (Forecast)				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 nine 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):	Dec. 31, 2014	843,542,737	Mar. 31, 2014	843,542,737
2) Number of shares of treasury stock at end of period:	Dec. 31, 2014	3,461,506	Mar. 31, 2014	3,442,847
3) Average number of shares during period:	Apr.–Dec. 2014	840,090,182	Apr.–Dec. 2013	441,919,287

* 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 performance outlook, are based on the information available to the Company at this time, as well as certain assumptions deemed reasonable by the Company. Accordingly, the actual results may vary significantly due to a variety of factors.

Earnings presentation materials for the third 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	2Q-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 Second Quarter

(1) Explanation of the consolidated operating results

During the nine months ended December 31, 2014, net sales declined ¥27,326 million, or 12.5% year on year, to ¥191,090 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, operating income decreased ¥4,510 million, or 68.7% year on year, to ¥2,051 million, and ordinary income decreased ¥4,447 million, or 79.3% year on year, to ¥1,161 million. Net income decreased ¥9,974 million, or 87.7% year on year, to ¥1,395 million, due to factors including the posting of negative goodwill in the same period 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 third quarter of the previous fiscal year (cumulative).

(Millions of yen)

Category	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
Net sales	218,417	191,090	(27,326)
Operating income	6,562	2,051	(4,510)
Ordinary income	5,608	1,161	(4,447)
Net income	11,369	1,395	(9,974)

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

Performance by Segment (Millions of yen)

Category	Nine months ended December 31, 2013		Nine months ended December 31, 2014		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	86,364	781	54,883	(1,462)	(31,480)	(2,243)
Real Estate Management	109,752	6,529	110,694	4,621	941	(1,907)
Real Estate Brokerage	25,187	1,541	27,786	1,225	2,598	(316)
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,887)	(2,290)	(2,273)	(2,333)	613	(43)
Total	218,417	6,562	191,090	2,051	(27,326)	(4,510)

1) Real Estate Development and Sales

Condominium sales declined ¥34,194 million year on year to ¥44,889 million, reflecting a decrease to 1,352 units sold, or 924 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 ¥31,480 million year on year to ¥54,883 million, accompanied by an operating loss of ¥1,462 million, compared with an operating income of ¥781 million in the same period of the previous fiscal year.

The number and amount of contracted sales at the end of the third quarter of the current fiscal year were 3,047 units and ¥113,443 million, respectively, marking respective decreases of 66 units and ¥3,305 million increases compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
Real Estate Sales	82,014	49,145	(32,869)
Other	4,349	5,738	1,388
Total	86,364	54,883	(31,480)

Real Estate Sales by Category (Millions of yen)

Category		Nine months ended December 31, 2013		Nine months ended December 31, 2014		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,511 units	89,740	2,082 units	76,252	(429) units	(13,488)
	Houses	23 units	761	29 units	1,403	6 units	641
	Other	—	479	—	7,809	—	7,330
	Total	2,534 units	90,981	2,111 units	85,465	(423) units	(5,516)
Sales Results	Condominiums	2,276 units	79,084	1,352 units	44,889	(924) units	(34,194)
	Houses	28 units	988	20 units	985	(8) units	(2)
	Other	—	1,941	—	3,269	—	1,327
	Total	2,304 units	82,014	1,372 units	49,145	(932) units	(32,869)
Contracted Sales Results**	Condominiums	3,113 units	110,137	3,047 units	113,443	(66) units	3,305
	Houses	3 units	142	11 units	510	8 units	368
	Other	—	29	—	4,540	—	4,510
	Total	3,116 units	110,310	3,058 units	118,493	(58) units	8,183

* 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

Net sales in the real estate management segment increased ¥941 million year on year to ¥110,694 million, largely due to an increase in management income of ¥1,054 million to ¥61,198 million, and an increase in contract work income of ¥116 million to ¥43,012 million.

Meanwhile, operating income decreased ¥1,907 million year on year to ¥4,621 million, partially as a result of efforts geared toward reinforcing the personnel structure to improve service quality as well as an increase in cost of contract work.

At the end of the third quarter, the number of condominium units managed increased 8,014 units to 522,254 units and the volume of contract work orders received was ¥32,928 million, a decrease of ¥2,953 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
Condominium Management, Building Management	60,143	61,198	1,054
Contract Work	42,896	43,012	116
Other	6,712	6,482	(229)
Total	109,752	110,694	941

Number of Condominium Units Managed

Category	As of December 31, 2013	As of December 31, 2014	Change
Number of Condominium Units Managed	514,240 units	522,254 units	8,014 units

Contract Work (Millions of yen)

Category	As of December 31, 2013	As of December 31, 2014	Change
Volume of Contract Work Orders Received	35,881	32,928	(2,953)

3) Real Estate Brokerage

Despite a year-on-year decline in real estate brokerage income of ¥409 million to ¥5,190 million, total net sales in the real estate brokerage segment increased ¥2,598 million year on year to ¥27,786 million owing to a year-on-year increase in existing real estate sales of ¥2,990 million to ¥14,715 million. Operating income decreased ¥316 million to ¥1,225 million, partly resulting from the decrease in real estate brokerage income, as well as initiatives to build up the workforce in anticipation of an increase in numbers of retail locations.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
Real Estate Brokerage	5,599	5,190	(409)
Existing Real Estate Sales	11,724	14,715	2,990
Lease Management	7,017	7,072	54
Other	846	808	(37)
Total	25,187	27,786	2,598

Amount of Brokerage Transactions

Category	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Change
Number of Brokerage Transactions	5,026	4,804	(222)
Total Amount of Transactions (Millions of yen)	116,361	125,545	9,184

Existing Real Estate Sales (Millions of yen)

Category		Nine months ended December 31, 2013		Nine months ended December 31, 2014		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	549 units	11,648	680 units	14,578	131 units	2,929
	Other	—	75	—	137	—	61
	Total	549 units	11,724	680 units	14,715	131 units	2,990

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2015	Change
Total assets	297,812	282,640	(15,172)
Inventories	101,421	124,666	23,245
Total liabilities	152,826	137,822	(15,003)
Interest-bearing debt	63,646	57,564	(6,081)
Total net assets	144,986	144,817	(168)
Shareholders' equity	144,959	144,817	(141)
Shareholders' equity ratio	48.7%	51.2%	2.5 pp

Total assets as of December 31, 2014 were ¥282,640 million, down ¥15,172 million compared with the end of the previous fiscal year.
This reflected factors including an increase of ¥23,245 million in inventories, and declines of ¥27,869 million in cash and deposits and ¥15,930 million in securities.
Total liabilities were ¥137,822 million, down ¥15,003 million compared with the end of the previous fiscal year.
This resulted from decreases of ¥4,667 million in notes and accounts payable, ¥6,081 million in interest-bearing debt and ¥4,835 million in income taxes payable.
Total net assets declined ¥168 million compared with the end of the previous fiscal year to ¥144,817 million.
This was attributable to a decrease of ¥539 million in retained earnings, which resulted mainly from ¥2,604 million of dividend of surplus and recording of ¥1,395 million in net income for the third quarter.
Furthermore, the shareholders' equity ratio was 51.2%, 2.5 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

In the nine months ended December 31, 2014, the Company's sales and profit decreased year on year on consolidated basis. 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 on May 13, 2014.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the six 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 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 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 income, ordinary income, or net income for the third 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 third quarter (cumulative) 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 ¥639 million, and decreased each of operating income, ordinary income and income before income taxes and minority interest by ¥2,624 million, as presented in the Consolidated Statement of Income for the third 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 the complexities involved in doing so.
Also, net income per share and fully diluted net income per share for the third quarter of the previous fiscal year decreased by ¥5.92 and ¥3.08, respectively.

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