

Summary of Consolidated Financial Results For the Nine Months Ended December 31, 2014

DAIKYO INCORPORATED (“the Company”) announces its financial results for the third quarter of the year ending March 30, 2015. For more details, please refer to the Consolidated Financial Results for the Third Quarter Ended December 31, 2014, and the Fact Sheets.

■ Consolidated Statements of Operations

Year ended December 31	2013	2014	Change	(Millions of yen) Forecast 2015
Net sales	218,417	191,090	Δ 27,326	330,000
Operating income	6,562	2,051	Δ 4,510	19,000
Ordinary income	5,608	1,161	Δ 4,447	17,800
Net income	11,369	1,395	Δ 9,974	13,500

Consolidated Financial Results Summary

In the nine months ended December 31, 2014, the Company’s consolidated results were as follows. Net sales decreased ¥27,326 million, or 12.5% year on year, to ¥191,090 million. Operating income decreased ¥4,510 million, or 68.7% year on year, to ¥2,051 million. 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.

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 third quarter of the previous consolidated fiscal year (cumulative).

■ Results by Segment

◆ Real Estate Development and Sales

Net sales

Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year
86,364	54,883	Δ 31,480

Operating income

Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year	(Millions of yen)
781	Δ 1,462	Δ 2,243	

Segment Summary

- Condominium sales decreased ¥34,194 million year on year to ¥44,889 million, as units sold in condominium sales fell by 924 units year on year to 1,352 units.
- This is because, while the Company completed 37 buildings with 1,940 units in the same period of the previous fiscal year, in the corresponding period of the current fiscal year, it planned a reduction to 26 buildings with 1,486 units. The progress made in contracts as of the end of the quarter under review is 88% of the full-year forecast of condominium sales.
- 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 429 units year on year to 2,082 units, the gross profit margin for condominium sales improved by 4.7 percentage points to 24.6%.
- The number of completed but unsold condominium units was 209 as of the end of the third quarter (compared to 165 units at the end of the second quarter).

◆ Real Estate Management

Net sales			Operating income			
Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year	Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year	
109,752	110,694	941	6,529	4,621	Δ 1,907	(Millions of yen)

Segment Summary

- The number of condominium units managed increased by 8,014 in comparison to the number at the end of the same period of the previous fiscal year, and annual contracted sales of buildings and other facilities also increased in comparison to the previous fiscal year. Mainly due to these factors, management income increased ¥1,054 million year on year.
- The number of condominium units managed was 522,254 as of the end of the third quarter.
- Contract work income increased ¥116 million year on year, due in part to an increase in general contract work other than planned repair and maintenance work derived from condominiums, buildings and other facilities under management, etc.
- Operating income decreased ¥197 million year on year, due in part to a rising cost of sales ratio for contract work income, along with expenses incurred to reinforce the personnel structure in order to improve the quality of services provided.
- In this segment, the percentage of progress against the full-year net sales forecast is 67% (against 71% for the same period of the previous fiscal year).

◆ Real Estate Brokerage

Net sales			Operating income			
Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year	Nine Months Ended Dec 31 2013	Nine Months Ended Dec 31, 2014	Year-on-year	
25,187	27,786	2,598	1,541	1,225	Δ 316	(Millions of yen)

Segment Summary

- Real estate brokerage income decreased ¥409 million year on year, mainly due to a year-on-year decrease of 222 in the number of brokerage transactions.
- Existing real estate sales increased ¥2,990 million year on year, mainly due to an increase of 131 units in the number of renovated condominiums sold.
- Operating income decreased ¥316 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 increase in the number of retail locations.
- The number of brokerage offices was 70 as of the end of the third quarter (against 61 offices as of the end of the same quarter in the previous fiscal year).
- In this segment, the percentage of progress against the full-year net sales forecast is 69%. (In the same period of the previous fiscal year, the percentage of progress was 68%.)

■ Regarding consolidated performance forecast

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