

Consolidated Financial Results for the First Quarter Ended June 30, 2015 (J-GAAP) (Unaudited)

July 30, 2015

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
 Representative: Akira Yamaguchi, Representative Executive Officer, President
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 Planned date of the filing of quarterly report: August 7, 2015
 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, 2015 (April 1, 2015 to June 30, 2015)

(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, 2015	70,722	46.6%	1,654	- %	1,504	- %	834	- %
Three months ended June 30, 2014	48,252	(29.9)%	(2,926)	- %	(3,164)	- %	(2,167)	- %

(Note) Comprehensive income: Three months ended June 30, 2015: ¥834 million (- %)
 Three months ended June 30, 2014: ¥(1,988) million (- %)

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2015	¥0.99	¥0.98
Three months ended June 30, 2014	¥(2.58)	-

(2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2015	280,671	154,718	55.1%
As of March 31, 2015	324,610	156,488	48.2%

(Reference) Shareholders' equity:
 As of June 30, 2015: ¥154,718 million As of March 31, 2015: ¥156,488 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2015	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31, 2016 (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, 2016 (April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to parent company shareholders		Net income per share
Full-year	335,000	5.6%	18,000	(0.7)%	17,000	1.8%	12,500	2.8%	¥14.78

(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: Yes

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

(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, 2015	843,542,737	Mar. 31, 2015	843,542,737
2) Number of shares of treasury stock at end of period:	Jun. 30, 2015	3,472,100	Mar. 31, 2015	3,465,386
3) Average number of shares during period	Apr.–Jun. 2015	840,073,551	Apr.–Jun. 2014	840,096,802

* Presentation of implementation status 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 possessed 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, 2015	—	—	—	8.28	8.28
Fiscal year ending March 31, 2016	—				
Fiscal year ending March 31, 2016 (Forecast)		—	—	8.13	8.13

1. Qualitative Information on Consolidated Performance in the First Quarter

(1) Explanation of the consolidated operating results

During the three months ended June 30, 2015, net sales increased ¥22,470 million, or 46.6% year on year, to ¥70,722 million owing in part to an increase in the number of properties completed in condominium sales compared to the same period of the previous fiscal year. Meanwhile, operating income increased ¥4,581 million to ¥1,654 million compared with an operating loss of ¥2,926 million in the same period of the previous fiscal year, and ordinary income increased ¥4,668 million to ¥1,504 million compared with ordinary loss of ¥3,164 million in the same period of the previous fiscal year. Net income attributable to parent company shareholders increased ¥3,001 million to ¥834 million compared with net loss of ¥2,167 million in the same period of the previous fiscal year.

(Millions of yen)

Category	Three months ended June 30, 2014	Three months ended June 30, 2015	Change
Net sales	48,252	70,722	22,470
Operating income (loss)	(2,926)	1,654	4,581
Ordinary income (loss)	(3,164)	1,504	4,668
Net income (loss) attributable to parent company shareholders	(2,167)	834	3,001

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

Additionally, in accordance with changes to the management structure, Daikyo Reform-Design Incorporated has been shifted to the real estate brokerage segment beginning with the first quarter of the current fiscal year, from the previous real estate management segment. In accordance with this change, segment information for the first quarter of the current fiscal year has been prepared pursuant to the reporting segment classification subsequent to the changes.

Performance by Segment

(Millions of yen)

Category	Three months ended June 30, 2014		Three months ended June 30, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	7,633	(3,076)	26,483	667	18,850	3,743
Real Estate Management	31,777	960	32,211	952	434	(7)
Real Estate Brokerage	9,508	35	13,070	862	3,561	827
Adjustments (Eliminations or Corporate Assets/Expenses)	(666)	(845)	(1,043)	(827)	(377)	18
Total	48,252	(2,926)	70,722	1,654	22,470	4,581

1) Real Estate Development and Sales

Condominium sales increased ¥14,270 million year on year to ¥19,815 million, reflecting an increase to 502 units sold, or 302 more units than in the same period of the previous fiscal year, amid an increase in the number of properties completed and handed over in comparison with the same period of the previous fiscal year. As a result, net sales in the real estate development and sales segment rose by ¥18,850 million year on year to ¥26,483 million, accompanied by an operating income of ¥667 million, compared with an operating loss of ¥3,076 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 2,112 units and ¥77,576 million, respectively, marking respective decreases of 668 units and ¥24,014 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, 2014	Three months ended June 30, 2015	Change
Real Estate Sales	6,088	25,244	19,155
Other	1,544	1,239	(305)
Total	7,633	26,483	18,850

Real Estate Sales by Category (Millions of yen)

Category		Three months ended June 30, 2014		Three months ended June 30, 2015		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	663 units	25,055	589 units	21,293	(74) units	(3,761)
	Houses	1 units	60	11 unit	476	10 units	415
	Other	—	450	—	385	—	(64)
	Total	664 units	25,566	600 units	22,155	(64) units	(3,410)
Sales Results	Condominiums	200 units	5,545	502 units	19,815	302 units	14,270
	Houses	2 units	93	10 units	512	8 units	418
	Other	—	450	—	4,915	—	4,465
	Total	202 units	6,088	512 units	25,244	310 units	19,155
Contracted Sales Results**	Condominiums	2,780 units	101,590	2,112 units	77,576	(668) units	(24,014)
	Houses	1 unit	60	8 unit	266	7 unit	206
	Other	—	—	—	—	—	—
	Total	2,781	101,651	2,120 units	77,842	(661) units	(23,808)

* 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 was generally strong and increased ¥605 million year on year to ¥20,682 million. Meanwhile, contract work income decreased ¥280 million year on year to ¥9,628 million, mainly due to a decline in planned repair and maintenance work on condominiums. As a result, net sales were ¥32,211 million, up ¥434 million year on year and operating income decreased by ¥7 million year on year to ¥952 million.

The number of condominium units managed increased by 7,950 units to 526,687 units and the volume of contract work orders received at the end of the first quarter was ¥36,530 million, an increase of ¥10,795 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, 2014	Three months ended June 30, 2015	Change
Condominium Management, Building Management	20,076	20,682	605
Contract Work	9,909	9,628	(280)
Other	1,791	1,901	109
Total	31,777	32,211	434

Number of Condominium Units Managed

Category	As of June 30, 2014	As of June 30, 2015	Change
Number of Condominium Units Managed	518,737 units	526,687 units	7,950 units

Contract Work (Millions of yen)

Category	As of June 30, 2014	As of June 30, 2015	Change
Volume of Contract Work Orders Received	25,735	36,530	10,795

3) Real Estate Brokerage

In the real estate brokerage segment, net sales increased by ¥3,561 million year on year to ¥13,070 million, and operating income increased ¥827 million to ¥862 million, partially due to year-on-year increases in both real estate brokerage income and existing real estate sales of ¥508 million and ¥2,479 million, to ¥2,124 million, and ¥6,577 million, respectively.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2014	Three months ended June 30, 2015	Change
Real Estate Brokerage	1,615	2,124	508
Existing Real Estate Sales	4,098	6,577	2,479
Lease Management	2,360	2,445	85
Other	1,433	1,922	488
Total	9,508	13,070	3,561

Amount of Brokerage Transactions (Millions of yen)

Category	Three months ended June 30, 2014	Three months ended June 30, 2015	Change
Number of Brokerage Transactions	1,665	1,763	98
Total Amount of Transactions	38,290	43,167	4,876

Existing Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2014		Three months ended June 30, 2015		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	192 units	4,088	281 units	6,330	89 units	2,242
	Other	—	9	—	246	—	237
	Total	192 units	4,098	281 units	6,577	89 units	2,479

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015	Change
Total assets	324,610	280,671	(43,938)
Inventories	113,678	110,777	(2,900)
Total liabilities	168,121	125,953	(42,168)
Interest-bearing debt	57,324	53,788	(3,536)
Total net assets	156,488	154,718	(1,770)
Shareholders' equity	156,488	154,718	(1,770)
Shareholders' equity ratio	48.2%	55.1%	6.9 pp

Total assets as of June 30, 2015 were ¥280,671 million, down ¥43,938 million compared with the end of the previous fiscal year. This reflected factors including declines of ¥8,499 million in cash and deposits, ¥7,404 million in notes and accounts receivable, ¥26,069 million in securities, and ¥2,900 million in inventories.

Total liabilities were ¥125,953 million, down ¥42,168 million compared with the end of the previous fiscal year. This resulted from decreases of ¥11,773 million in notes and accounts payable, ¥3,536 million in interest-bearing debt, and ¥23,670 million in deposits received.

Total net assets were ¥154,718 million, down ¥1,770 million compared with the end of the previous fiscal year. This was largely attributable to a decrease of ¥1,768 million in retained earnings due to retained earnings distributions of ¥2,603 million, offset by an increase of ¥834 million from net income attributable to parent company shareholders. Furthermore, the shareholders' equity ratio was 55.1%, 6.9 percentage points higher year on year.

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

There are no changes from the consolidated performance forecast announced on May 12, 2015.

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)

Effective from the first quarter of the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and other accounting standards. As a result, the method of recording differences caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which such amounts are recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which such amounts are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal quarter in which the business combination occurs. In addition, changes have also been made in the presentation of quarterly net income, etc. and also in nomenclature from “minority interests” to “noncontrolling interests.” The consolidated financial statements for the first quarter of the previous fiscal year and those for the entire previous fiscal year have been reclassified to reflect these changes in presentation.

The Accounting Standard for Business Combinations, etc. is applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and will be applied from the beginning of the first quarter of the current fiscal year and on into the future.

These changes do not affect the Company’s consolidated financial statements for the first quarter of the current fiscal year.