

# Consolidated Financial Results for the Second Quarter Ended September 30, 2015 (J-GAAP) (Unaudited)

October 29, 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: November 6, 2015  
 Planned dividends payment commencement date: —  
 2Q earnings presentation materials: Available  
 Holding of 2Q earnings announcement: Available (for institutional investors and analysts)

Listed stock exchange: Tokyo  
 URL: <http://www.daikyo.co.jp>

(Amounts less than one million yen are truncated)

## 1. Consolidated Performance for the Six Months Ended September 30, 2015 (April 1, 2015 to September 30, 2015)

### (1) Consolidated operating results (Cumulative)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended September 30, 2015	169,500	34.1%	10,798	—%	10,414	—%	6,976	404.1%
Six months ended September 30, 2014	126,369	(18.5)%	957	(85.0)%	417	(92.7)%	1,383	(88.1)%

(Note) Comprehensive income: Six months ended September 30, 2015: ¥7,124 million / 323.9%  
 Six months ended September 30, 2014: ¥1,680 million / —%

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2015	¥8.30	¥8.19
Six months ended September 30, 2014	¥1.65	¥1.63

### (2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2015	282,944	161,007	56.9%
As of March 31, 2015	324,610	156,488	48.2%

(Reference) Shareholders' equity:

As of September 30, 2015: ¥161,007 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	—	0.00			
Fiscal year ending March 31, 2016 (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, 2016 (April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		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 six 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

(4) Number of shares issued (common stock)

				(Unit: share)
1) Number of issued shares at end of period (including treasury stock):	Sep. 30, 2015	843,542,737	Mar. 31, 2015	843,542,737
2) Number of shares of treasury stock at end of period:	Sep. 30, 2015	3,476,258	Mar. 31, 2015	3,465,386
3) Average number of shares during period:	Apr.–Sep. 2015	840,071,207	Apr.–Sep. 2014	840,093,205

\* 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.

On October 29, 2015, the Company plans to hold an earnings announcement for institutional investors and analysts regarding results for the second quarter. The earnings presentation materials used on that day will be posted on the Company's website after the announcement.

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 Second Quarter

### (1) Explanation of the consolidated operating results

During the six months ended September 30, 2015, net sales increased ¥43,131 million, or 34.1% year on year, to ¥169,500 million, owing in part to an increase in the number of properties completed in condominium sales compared with the same period of the previous fiscal year. Meanwhile, operating income increased ¥9,841 million to ¥10,798 million compared with ¥9,957 million in the same period of the previous fiscal year, and ordinary income increased ¥9,997 million to ¥10,414 million compared with ¥417 million in the same period of the previous fiscal year. Profit attributable to owners of parent increased ¥5,592 million, or 404.1% year on year, to ¥6,976 million.

(Millions of yen)

Category	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
Net sales	126,369	169,500	43,131
Operating income	957	10,798	9,841
Ordinary income	417	10,414	9,997
Profit attributable to owners of parent	1,383	6,976	5,592

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. Accompanying this change, the following year-on-year comparisons have been prepared pursuant to the reporting segment classification subsequent to the changes.

#### Performance by Segment

(Millions of yen)

Category	Six months ended September 30, 2014		Six months ended September 30, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	35,821	(1,239)	69,844	6,327	34,023	7,567
Real Estate Management	71,601	3,235	75,970	4,219	4,368	984
Real Estate Brokerage	20,336	568	26,251	1,835	5,914	1,266
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,389)	(1,606)	(2,564)	(1,583)	(1,174)	22
Total	126,369	957	169,500	10,798	43,131	9,841

1) Real Estate Development and Sales

Condominium sales increased ¥30,368 million year on year to ¥59,716 million, reflecting an increase to 1,572 units sold, or 637 more units than in the same period of the previous fiscal year, amid an increase in the number of properties completed 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 ¥34,023 million year on year to ¥69,844 million, and operating income increased by ¥7,567 million to ¥6,327 million compared with an operating loss of ¥1,239 million in the same period of the previous fiscal year.

The number and amount of contracted sales at the end of the second quarter of the current fiscal year were 1,682 units and ¥60,862 million, respectively, marking respective decreases of 1,079 units and ¥42,144 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
Real Estate Sales	32,085	66,641	34,555
Other	3,735	3,202	(532)
Total	35,821	69,844	34,023

Real Estate Sales by Category (Millions of yen)

Category		Six months ended September 30, 2014		Six months ended September 30, 2015		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	1,379 units	50,274	1,229 units	44,480	(150) units	(5,793)
	Houses	8 units	394	29 units	1,213	21 units	818
	Other	—	3,269	—	1,115	—	(2,154)
	Total	1,387 units	53,939	1,258 units	46,809	(129) units	(7,129)
Sales Results	Condominiums	935 units	29,348	1,572 units	59,716	637 units	30,368
	Houses	8 units	380	31 units	1,279	23 units	898
	Other	—	2,356	—	5,645	—	3,289
	Total	943 units	32,085	1,603 units	66,641	660 units	34,555
Contracted Sales Results**	Condominiums	2,761 units	103,006	1,682 units	60,862	(1,079) units	(42,144)
	Houses	2 units	107	5 units	236	3 units	128
	Other	—	913	—	—	—	(913)
	Total	2,763 units	104,027	1,687 units	61,098	(1,076) units	(42,928)

\* 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, net sales increased by ¥4,368 million to ¥75,970 million year on year, while operating income increased by ¥984 million to ¥4,219 million, partially due to strong year-on-year increases in management income of ¥1,313 million and contract work income of ¥2,495 million, to ¥41,794 million and ¥29,841 million, respectively.

The number of condominium units managed increased by 8,190 to 528,530 units and the volume of contract work orders received at the end of the second quarter was ¥32,843 million, an increase of ¥9,623 million compared with the end of the same period of the previous fiscal year.

### Breakdown of Net Sales

(Millions of yen)

Category	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
Condominium Management, Building Management	40,480	41,794	1,313
Contract Work	27,345	29,841	2,495
Other	3,775	4,334	558
Total	71,601	75,970	4,368

### Number of Condominium Units Managed

Category	As of September 30, 2014	As of September 30, 2015	Change
Number of Condominium Units Managed	520,340 units	528,530 units	8,190 units

### Contract Work

(Millions of yen)

Category	As of September 30, 2014	As of September 30, 2015	Change
Volume of Contract Work Orders Received	23,220	32,843	9,623

### 3) Real Estate Brokerage

In the real estate brokerage segment, net sales increased by ¥5,914 million year on year to ¥26,251 million, and operating income increased by ¥1,266 million to ¥1,835 million, partially due to solid year-on-year increases in real estate brokerage income of ¥531 million and existing real estate sales of ¥4,679 million, to ¥3,991 million and ¥13,602 million, respectively.

#### Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
Real Estate Brokerage	3,460	3,991	531
Existing Real Estate Sales	8,923	13,602	4,679
Lease Management	4,718	4,819	100
Other	3,234	3,838	603
Total	20,336	26,251	5,914

#### Amount of Brokerage Transactions

Category	Six months ended September 30, 2014	Six months ended September 30, 2015	Change
Number of Brokerage Transactions	3,196	3,263	67
Total Amount of Transactions (Millions of yen)	86,887	78,932	(7,955)

#### Existing Real Estate Sales (Millions of yen)

Category		Six months ended September 30, 2014		Six months ended September 30, 2015		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	417 units	8,802	571 units	13,356	154 units	4,553
	Other	—	121	—	246	—	125
	Total	417 units	8,923	571 units	13,602	154 units	4,679

## (2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015	Change
Total assets	324,610	282,944	(41,665)
Inventories	113,678	108,802	(4,875)
Total liabilities	168,121	121,937	(46,184)
Interest-bearing debt	57,324	51,823	(5,500)
Total net assets	156,488	161,007	4,519
Shareholders' equity	156,488	161,007	4,519
Shareholders' equity ratio	48.2%	56.9%	8.7 pp

Total assets as of September 30, 2015 were ¥282,944 million, down ¥41,665 million compared with the end of the previous fiscal year. This reflected factors including declines of ¥1,942 million in cash and deposits, ¥3,844 million in notes and accounts receivable, ¥26,069 million in securities and ¥4,875 million in inventories.

Total liabilities were ¥121,937 million, down ¥46,184 million compared with the end of the previous fiscal year. This resulted from decreases of ¥14,579 million in notes and accounts payable, ¥5,500 million in interest-bearing debt and ¥24,034 million in deposits received.

Total net assets were ¥161,007 million, up ¥4,519 million year on year. This was largely attributable to an increase of ¥6,976 million in retained earnings from profit attributable to owners of parent, partially offset by a decrease of ¥2,603 million due to retained earnings distributions. Furthermore, the shareholders' equity ratio was 56.9%, 8.7 percentage points higher compared with the end of 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 12, 2015.

## **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)

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 “non-controlling interests.” The consolidated financial statements for the second 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 second quarter of the current fiscal year.