

# Consolidated Financial Results

## for the Third Quarter Ended December 31, 2015 (J-GAAP)

### (Unaudited)

January 27, 2016

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 Hinago, General Manager, Group Corporate Planning Dept.  
 Planned date of the filing of quarterly report: February 4, 2016  
 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, 2015 (April 1, 2015 to December 31, 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	
Nine months ended December 31, 2015	238,320	24.7%	11,939	482.0%	11,142	859.2%	7,471	435.6%
Nine months ended December 31, 2014	191,090	(12.5)%	2,051	(68.7)%	1,161	(79.3)%	1,395	(87.7)%

(Note) Comprehensive income: Nine months ended December 31, 2015: ¥7,601 million / 322.7%  
 Nine months ended December 31, 2014: ¥1,798 million / (84.5)%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended December 31, 2015	¥8.89	¥8.78
Nine months ended December 31, 2014	¥1.66	¥1.64

##### (2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2015	268,860	161,483	60.1
As of March 31, 2015	324,610	156,488	48.2

(Reference) Shareholders' equity:

As of December 31, 2015: ¥161,483 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		Profit attributable to owners of parent 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 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: 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):	Dec. 31, 2015	843,542,737	Mar. 31, 2015	843,542,737
2) Number of shares of treasury stock at end of period:	Dec. 31, 2015	3,483,874	Mar. 31, 2015	3,465,386
3) Average number of shares during period:	Apr.–Dec. 2015	840,068,414	Apr.–Dec. 2014	840,090,182

\* 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	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 Third Quarter

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

During the nine months ended December 31, 2015, net sales increased by ¥47,230 million, or 24.7% year on year, to ¥238,320 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 by ¥9,887 million, or 482.0% year on year, to ¥11,939 million, and ordinary income increased by ¥9,980 million to ¥11,142 million, or 859.2% year on year. Profit attributable to owners of parent increased by ¥6,076 million, or 435.6% year on year, to ¥7,471 million.

(Millions of yen)

Category	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Change
Net sales	191,090	238,320	47,230
Operating income	2,051	11,939	9,887
Ordinary income	1,161	11,142	9,980
Profit attributable to owners of parent	1,395	7,471	6,076

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	Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	54,883	(1,462)	88,170	5,254	33,286	6,716
Real Estate Management	106,279	4,684	114,295	6,531	8,015	1,846
Real Estate Brokerage	32,111	1,162	39,439	2,456	7,327	1,293
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,184)	(2,333)	(3,584)	(2,302)	(1,399)	31
Total	191,090	2,051	238,320	11,939	47,230	9,887

1) Real Estate Development and Sales

Condominium sales increased by ¥31,777 million year on year to ¥76,667 million, reflecting an increase to 2,054 units sold, or 702 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 ¥33,286 million year on year to ¥88,170 million, and operating income increased by ¥6,716 million year on year to ¥5,254 million.

The number and amount of contracted sales at the end of the third quarter of the current fiscal year were 1,752 units and ¥63,244 million, respectively, marking respective decreases of 1,295 units and ¥50,198 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, 2014	Nine months ended December 31, 2015	Change
Real Estate Sales	49,145	83,985	34,840
Other	5,738	4,184	(1,553)
Total	54,883	88,170	33,286

Real Estate Sales by Category

(Millions of yen)

Category		Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,082 units	76,252	1,781 units	63,813	(301) units	(12,438)
	Houses	29 units	1,403	47 units	2,000	18 units	597
	Other	—	7,809	—	1,115	—	(6,694)
	Total	2,111 units	85,465	1,828 units	66,930	(283) units	(18,535)
Sales Results	Condominiums	1,352 units	44,889	2,054 units	76,667	702 units	31,777
	Houses	20 units	985	39 units	1,672	19 units	686
	Other	—	3,269	—	5,645	—	2,375
	Total	1,372 units	49,145	2,093 units	83,985	721 units	34,840
Contracted Sales Results**	Condominiums	3,047 units	113,443	1,752 units	63,244	(1,295) units	(50,198)
	Houses	11 units	510	15 units	631	4 units	120
	Other	—	4,540	—	—	—	(4,540)
	Total	3,058 units	118,493	1,767 units	63,876	(1,291) units	(54,617)

\* 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 ¥8,015 million to ¥114,295 million year on year, while operating income increased by ¥1,846 million to ¥6,531 million, partially due to strong year-on-year increases in management income of ¥2,054 million and contract work income of ¥5,193 million, to ¥63,270 million and ¥44,595 million, respectively.

The number of condominium units managed increased by 7,094 to 529,348 units and the volume of contract work orders received at the end of the third quarter was ¥32,693 million, an increase of ¥417 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, 2014	Nine months ended December 31, 2015	Change
Condominium Management, Building Management	61,215	63,270	2,054
Contract Work	39,401	44,595	5,193
Other	5,663	6,430	767
Total	106,279	114,295	8,015

### Number of Condominium Units Managed

Category	As of December 31, 2014	As of December 31, 2015	Change
Number of Condominium Units Managed	522,254 units	529,348 units	7,094 units

### Contract Work

(Millions of yen)

Category	As of December 31, 2014	As of December 31, 2015	Change
Volume of Contract Work Orders Received	32,275	32,693	417

### 3) Real Estate Brokerage

In the real estate brokerage segment, net sales increased by ¥7,327 million year on year to ¥39,439 million, and operating income increased by ¥1,293 million to ¥2,456 million, partially due to solid year-on-year increases in real estate brokerage income of ¥550 million and existing real estate sales of ¥6,046 million, to ¥5,740 million and ¥20,762 million, respectively.

#### Breakdown of Net Sales

(Millions of yen)

Category	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Change
Real Estate Brokerage	5,190	5,740	550
Existing Real Estate Sales	14,715	20,762	6,046
Lease Management	7,072	7,186	114
Other	5,133	5,750	616
Total	32,111	39,439	7,327

#### Amount of Brokerage Transactions

Category	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Change
Number of Brokerage Transactions	4,804	4,817	13
Total Amount of Transactions (Millions of yen)	125,545	117,077	(8,468)

#### Existing Real Estate Sales

(Millions of yen)

Category		Nine months ended December 31, 2014		Nine months ended December 31, 2015		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	680 units	14,578	866 units	20,212	186 units	5,633
	Other	—	137	—	550	—	412
	Total	680 units	14,715	866 units	20,762	186 units	6,046

## (2) Explanation of financial position

Assets, liabilities, and net assets

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015	Change
Total assets	324,610	268,860	(55,749)
Inventories	113,678	109,826	(3,851)
Total liabilities	168,121	107,377	(60,744)
Interest-bearing debt	57,324	42,571	(14,752)
Total net assets	156,488	161,483	4,994
Shareholders' equity ratio	48.2%	60.1%	11.9 pp

Total assets as of December 31, 2015 were ¥268,860 million, down ¥55,749 million compared with the end of the previous fiscal year. This reflected factors including declines of ¥18,815 million in cash and deposits, ¥5,140 million in notes and accounts receivable, ¥26,064 million in securities, and ¥3,851 million in inventories.

Total liabilities were ¥107,377 million, down ¥60,744 million compared with the end of the previous fiscal year. This resulted from decreases of ¥21,179 million in notes and accounts payable, ¥14,752 million in interest-bearing debt, and ¥24,718 million in deposits received.

Total net assets were ¥161,483 million, up ¥4,994 million year on year. This was largely attributable to an increase of ¥7,471 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 60.1%, 11.9 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 third 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 third quarter of the current fiscal year.