Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (J-GAAP) (Unaudited)

May 10, 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 Ordinary General Meeting of Shareholders: June 22, 2016
Planned date of submission of Annual Securities Report: June 22, 2016
Planned dividends payment commencement date: June 23, 2016
Preparation of earnings presentation material: Yes
Holding of earnings announcement: Yes (for institutional investors and analysts)

(Amounts less than one million yen are truncated)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated operating results (% figures show year-on-year change)
(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended March 31, 2016	334,853	5.6%	18,318	1.1%	17,093	2.3%	12,628	3.9%
Fiscal year ended March 31, 2015	317,154	(5.0)%	18,124	7.2%	16,703	6.7%	12,154	(41.5)%

(Note) Comprehensive income
Fiscal year ended March 2016: ¥12,209 million / (9.4)% Fiscal year ended March 2015: ¥13,469 million / (35.9)%

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended March 31, 2016	¥14.94	¥14.83	7.8%	5.7%	5.5%
Fiscal year ended March 31, 2015	¥14.37	¥14.27	8.0%	5.4%	5.7%

(Reference) Equity in (earnings) loss of non-consolidated subsidiaries and affiliates:
Fiscal year ended March 2016: ¥ — million Fiscal year ended March 2015: ¥ —million

(2) Consolidated financial position (Millions of yen except for % and per-share figures)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal year ended March 31, 2016	274,594	166,090	60.5%	¥192.86
Fiscal year ended March 31, 2015	324,610	156,488	48.2%	¥181.42

(Reference) Shareholders' equity:
Fiscal year ended March 2016: ¥166,090 million Fiscal year ended March 2015: ¥156,488 million

(3) Consolidated cash flows (Millions of yen)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
Fiscal year ended March 31, 2016	(11,330)	18,683	(21,500)	82,329
Fiscal year ended March 31, 2015	20,079	(11,034)	(8,994)	96,526

2. State of Dividends

	Dividends per share (Yen)					Total dividends (Millions of yen)	Dividend payout ratio (Consolidated) (%)	Ratio of dividends to net assets (Consolidated) (%)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended March 31, 2015	—	0.00	—	3.00	3.00	2,520	20.9	1.7
Fiscal year ended March 31, 2016	—	0.00	—	3.00	3.00	2,520	20.1	1.6
Fiscal year ending March 31, 2017 (Forecast)	—	0.00	—	4.00	4.00		24.1	

Note: The above “State of Dividends” is only the status of dividends from common stock. 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, 2017 (April 1, 2016 to March 31, 2017)

(% 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	340,000	1.5	20,000	9.2	19,000	11.2	14,000	10.9	16.57

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in scope of consolidation): None

New: — (Company name:) Excluded: — (Company name:)

(2) Changes in accounting policies and estimates, or retrospective restatements

(i) Change in accounting policies in accordance with revision of accounting standards: Yes
(ii) Changes in accounting policies other than item (i) above: None
(iii) Changes in accounting estimates: None
(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock)	Mar. 31, 2016	843,542,737	Mar. 31, 2015	843,542,737
2) Number of shares of treasury stock at end of period	Mar. 31, 2016	3,488,219	Mar. 31, 2015	3,465,386
3) Average number of shares during period	Apr.–Mar. 2016	840,065,545	Apr.–Mar. 2015	840,087,503

(Reference) Overview of non-consolidated financial results

1. Non-consolidated Performance for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended March 31, 2016	86,736	0.2%	2,556	(50.0)%	8,034	(49.4)%	9,379	(44.4)%
Fiscal year ended March 31, 2015	86,605	(14.6)%	5,109	17.7%	15,891	70.9%	16,854	77.6%

	Net income per share	Fully diluted net income per share
Fiscal year ended March 31, 2016	¥11.07	¥11.02
Fiscal year ended March 31, 2015	¥19.96	¥19.79

(2) Non-consolidated financial position (Millions of yen except for % and per-share figures)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal year ended March 31, 2016	215,944	150,096	69.5%	¥173.82
Fiscal year ended March 31, 2015	259,943	143,343	55.1%	¥165.77

(Reference) Shareholders' equity:
Fiscal year ended March 2016: ¥150,096 million Fiscal year ended March 2015: ¥143,343 million

* Presentation of implementation state for auditing procedures

The auditing procedures based on the Financial Instruments and Exchange Act do not apply to this Consolidated Financial Results, and the auditing procedures 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 has at this time and certain assumptions the Company considers to be reasonable. Actual performance may differ from the forecast figures due to various factors.

For details of the above performance forecasts, refer to page 10 of the attached materials, "1. Operating Results and Financial Position (1) Analysis of operating results, Outlook for the Fiscal Year Ending March 31,2017."

The Company is scheduled to hold an earnings announcement for institutional investors and analysts on May 12, 2016. The presentation materials used on that day will be promptly uploaded after the announcement on the Company's homepage.

State of Dividends from Class Stock

The breakdown of the dividends per share and the amount of dividends from class stock with different rights from common stock are as follows.

(Class 1 preferred stock)

	Annual dividends (Yen)					Total dividends (Millions of yen)
	1Q-end	2Q-end	3Q-end	Year-end	Total	
Fiscal year ended March 31, 2015	–	–	–	8.28	8.28	82
Fiscal year ending March 31, 2016	–	–	–	8.13	8.13	81
Fiscal year ending March 31, 2017 (Forecast)	–	–	–	7.73	7.73	77

1. Operating Results and Financial Position

(1) Analysis of operating results

Operating Results for the Fiscal Year under Review

Overall Performance

During the fiscal year ended March 31, 2016, the Japanese economy showed signs of intensifying uncertainties stemming from a downward trend in emerging economies, yet still continued holding to a path of gradual recovery aided by factors such as an improving employment and income environment along with measures taken by the government to stimulate the economy.

The condominium market remained firm with housing demand gaining support from factors such as low interest rates and incentives to encourage home purchases, amid a scenario of rising land prices particularly around metropolitan areas along with construction expenses that remained high despite previous upward momentum in such costs having subsided.

In the real estate management market, we are seeing growing cost consciousness and increasingly diverse customer needs, which has helped give rise to greater sophistication with respect to business operations beyond conventional condominium and building management, and expansion of services, with respect to areas such as those involving care for the environment, energy-related management, and consulting.

The real estate brokerage market remained firm amid an increase in numbers of sales contracts in comparison with last year as a result of synergies brought about by rising prices for new condominiums along with an increasing stock of premium-quality existing residences, in conjunction with shifting customer attitudes with respect to existing residences.

In this business environment, the Daikyo Group engaged in initiatives that, as set forth in “Basic Plan on Housing” of the Ministry of Land, Infrastructure, Transport and Tourism, included making use of existing housing stock, redoubling efforts to promote redevelopment and rebuilding projects in part to address issues of Japan’s dwindling birth rate and aging population, expanding the renovation business, and taking on initiatives to supply serviced housing for the elderly. Meanwhile, in the real estate brokerage business, we provided new proposals and services in areas such as developing integrated stores handling remodeling and launching services that involve routine monitoring of vacant homes.

As a result, during the fiscal year under review, net sales increased ¥17,699 million, or 5.6% year on year, to ¥334,853 million, operating income increased ¥194 million, or 1.1%, to ¥18,318 million, and ordinary income increased ¥390 million, or 2.3%, to ¥17,093 million. Profit attributable to owners of parent increased ¥473 million, or 3.9% year on year, to ¥12,628 million.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Net sales	317,154	334,853	17,699
Operating income	18,124	18,318	194
Ordinary income	16,703	17,093	390
Profit attributable to owners of parent	12,154	12,628	473

Results by Segment

The results are broken down by segment as follows. The amounts reported for each segment include intersegment sales.

In accordance with changes to the management structure, DAIKYO REFORM-DESIGN INCORPORATED has been shifted to the real estate brokerage segment beginning with the current fiscal year, from the previous real estate management segment. As such, the figures for the previous fiscal year presented in the table of year-on-year comparisons below have been restated to reflect the segment classifications after the change.

Performance by Segment

(Millions of yen)

Category	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	120,712	10,121	122,211	8,667	1,498	(1,454)
Real Estate Management	151,246	8,218	162,821	9,664	11,574	1,445
Real Estate Brokerage	48,492	2,938	54,904	3,233	6,411	294
Adjustments (Eliminations or Corporate Assets/Expenses)	(3,298)	(3,154)	(5,083)	(3,246)	(1,785)	(91)
Total	317,154	18,124	334,853	18,318	17,699	194

1) Real Estate Development and Sales

With respect to condominium sales, although the number of units sold decreased by 86 units year on year to 2,980 units, sales increased by ¥1,378 million to ¥108,074 million largely due to increasing prices of individual condominium units. As a result, net sales in the real estate development and sales segment rose by ¥1,498 million year on year to ¥122,211 million, but operating income decreased by ¥1,454 million to ¥8,667 million, largely due to a downturn in the profit margin on condominium sales.

The number and amount of contracted condominium sales as of the end of the fiscal year were 1,520 units and ¥55,366 million, respectively, marking decreases of 505 units and ¥20,732 million compared with the end of the previous fiscal year.

<Major properties in terms of net sales (condominium development and sales)>

Lions Kohoku New Town Laurel Court	(Yokohama, Kanagawa)
Lions Kamiotai Oasis Place	(Nagoya, Aichi)
Lions Shinkoiwa Grandfort	(Edogawa-ku, Tokyo)
Surpass Tower Higashishizuoka	(Shizuoka City, Shizuoka)
Surpass Niigata Ekimae Residence	(Niigata City, Niigata)

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Real Estate Sales	111,644	116,361	4,717
Other	9,068	5,849	(3,219)
Total	120,712	122,211	1,498

Real Estate Sales

(Millions of yen)

Category		Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,774 units	100,713	2,475 units	87,342	(299) units	(13,371)
	Houses	40 units	1,878	62 units	2,579	22 units	700
	Other	—	7,809	—	1,366	—	(6,443)
	Total	2,814 units	110,401	2,537 units	91,287	(277) units	(19,114)
Sales Results	Condominiums	3,066 units	106,695	2,980 units	108,074	(86) units	1,378
	Houses	35 units	1,668	56 units	2,390	21 units	722
	Other	—	3,279	—	5,896	—	2,616
	Total	3,101 units	111,644	3,036 units	116,361	(65) units	4,717
Contracted Sales Results**	Condominiums	2,025 units	76,098	1,520 units	55,366	(505) units	(20,732)
	Houses	7 units	302	13 units	491	6 units	188
	Other	—	4,530	—	—	—	(4,530)
	Total	2,032 units	80,931	1,533 units	55,857	(499) units	(25,074)

* 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.

Notes: Contracted sales are the balance as of the end of the fiscal year under review.

2) Real Estate Management

In the real estate management segment, net sales increased by ¥11,574 million to ¥162,821 million year on year, while operating income increased by ¥1,445 million to ¥9,664 million, partially due to strong year-on-year increases in management income of ¥2,415 million and contract work income of ¥8,335 million, to ¥84,092 million and ¥69,609 million, respectively.

At the end of the fiscal year, the number of condominium units managed increased 3,964 units to 530,095 units and the volume of contract work orders received was ¥25,050 million, a decrease of ¥5,442 million compared with the end of the previous fiscal year.

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Condominium Management, Building Management	81,677	84,092	2,415
Contract Work	61,273	69,609	8,335
Other	8,296	9,120	823
Total	151,246	162,821	11,574

Number of Condominium Units Managed

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Number of Condominium Units Managed	526,131 units	530,095 units	3,964 units

Contract Work

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Volume of Contract Work Orders Received	30,492	25,050	(5,442)

3) Real Estate Brokerage

In the real estate brokerage segment, net sales increased by 6,411 million year on year to ¥54,904 million, and operating income increased ¥294 million to ¥3,233 million, partially due to year-on-year increases in both real estate brokerage income and existing real estate sales of ¥386 million and ¥6,307 million, to ¥7,840 million, and ¥30,058 million, respectively.

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Real Estate Brokerage	7,453	7,840	386
Existing Real Estate Sales	23,750	30,058	6,307
Lease Management	9,567	9,787	219
Other	7,720	7,218	(502)
Total	48,492	54,904	6,411

Amount of Brokerage Transactions

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Number of Brokerage Transactions	6,693	6,564	(129)
Total Amount of Transactions	171,189	161,688	(9,501)

Existing Real Estate Sales

(Millions of yen)

Category		Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	1,056 units	23,476	1,236 units	29,418	180 units	5,941
	Other	—	273	—	640	—	366
	Total	1,056 units	23,750	1,236 units	30,058	180 units	6,307

Outlook for the Fiscal Year Ending March 31, 2017

For the fiscal year ending March 31, 2017, the Company is targeting net sales of ¥340,000 million, a year-on-year increase of ¥5,146 million, operating income of ¥20,000 million, an increase of ¥1,681 million, ordinary income of ¥19,000 million, an increase of ¥1,906 million, and profit attributable to owners of parent of ¥14,000 million, an increase of ¥1,371 million.

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ending March 31, 2017	Change
Net sales	334,853	340,000	5,146
Operating income	18,318	20,000	1,681
Ordinary income	17,093	19,000	1,906
Net income attributable to parent company shareholders	12,628	14,000	1,371

The outlook for each business segment is as follows:

In the real estate development and sales segment, we anticipate decreases in revenues and income amid declining volumes of condominium sales.

In the real estate management segment, we forecast gains with respect to both revenues and income, due to factors such as rising orders involving contract work along with increasing business involving buildings under management in our building management operations.

We also anticipate revenue and income gains in the real estate brokerage segment, stemming from initiatives being taken to further upgrade and expand our office network, while also taking steps to increase business involving real estate brokerage and renovated condominium sales, amid a likely scenario of a growing market for previously owned residences.

Performance Forecast by Segment

(Millions of yen)

Category	Fiscal year ended March 31, 2016		Fiscal year ending March 31, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	122,211	8,667	107,000	7,800	(15,211)	(867)
Real Estate Management	162,821	9,664	170,000	10,400	7,178	735
Real Estate Brokerage	54,904	3,233	66,000	4,600	11,095	1,366
Adjustments (Eliminations or Corporate Assets/Expenses)	(5,083)	(3,246)	(3,000)	(2,800)	2,083	446
Total	334,853	18,318	340,000	20,000	5,146	1,681

(2) Analysis of financial position

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

Consolidated Financial Position

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Total assets	324,610	274,594	(50,016)
Inventories	113,678	104,972	(8,706)
Total liabilities	168,121	108,503	(59,618)
Interest-bearing debt	57,324	38,484	(18,839)
Total net assets	156,488	166,090	9,602
Shareholders' equity ratio	48.2%	60.5%	12.3 p.p

Total assets as of March 31, 2016 were ¥274,594 million, down ¥50,016 million compared with the end of the previous fiscal year. This reflected factors including declines of ¥9,196 million in cash and deposits, ¥26,064 million in securities, and ¥8,706 million in inventories.

Total liabilities were ¥108,503 million, down ¥59,618 million compared with the end of the previous fiscal year. This resulted from decreases of ¥18,413 million in Notes and accounts payable-trade, and ¥18,839 million in interest-bearing debt.

Net assets gained ¥9,602 million from the end of the previous fiscal year to ¥166,090 million. This was attributable to an increase of ¥10,025 million in retained earnings, which resulted from profit attributable to owners of parent for the fiscal year under review of ¥12,628 million, offset by a corresponding decrease of ¥2,603 million due to payment of dividends of surplus. Furthermore, the shareholders' equity ratio was 60.5%, which is 12.3 percentage points higher than the ratio at the end of the previous fiscal year, and net assets per share amounted to ¥192.86, an increase of ¥11.44.

Consolidated Statements of Cash Flows

As of March 31, 2016, the Group had cash and cash equivalents (hereinafter, "cash") of ¥82,329 million, down ¥14,196 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash used in operating activities was ¥11,330 million, compared with ¥20,079 million provided in the previous fiscal year. This reflects such factors as increases in cash from recording of income before income taxes of ¥17,003 million and a reduction in inventories of ¥8,840 million, against decreases in cash largely due to a decrease in deposits received of ¥21,282 million and a decrease in notes and accounts payable–trade of ¥18,411 million.

Cash flow from investing activities

Net cash provided by investing activities was ¥18,683 million, compared with ¥11,034 million used in the previous fiscal year. This reflects such factors as a decrease in cash largely due to payments into time deposits of ¥33,700 million, against increases in cash largely due to proceeds from redemptions of securities of ¥26,070 million and proceeds from withdrawal of time deposits of ¥28,700 million.

Cash flow from financing activities

Net cash used in financing activities was ¥21,500 million, compared with ¥8,994 million used in the previous fiscal year. This reflects such factors as a decrease in long-term loans payable of ¥13,025 million, payments for redemption of bonds of ¥5,000 million, and cash dividends paid of ¥2,597 million.

Change in Indicators Related to Cash Flows

Fiscal year ended March 31	2012	2013	2014	2015	2016
Shareholders' equity ratio	40.5%	47.7%	48.7%	48.2%	60.5%
Shareholders' equity ratio on a market price basis	46.3%	60.7%	60.7%	47.4%	57.5%
Interest-bearing debt/Cash flow ratio	1.6 years	1.5 years	3.1 years	2.9 years	—
Interest coverage ratio	23.8	32.9	21.8	30.0	—

Notes: Shareholders' equity ratio = Shareholders' equity ÷ Total assets
Shareholders' equity ratio on a market price basis = Total market price of shares ÷ Total assets
Interest-bearing debt ÷ Cash flow ratio = Interest-bearing debt ÷ Operating cash flow
Interest coverage ratio = Operating cash flow ÷ Interest payments

* All of the indicators are calculated from the financial figures on a consolidated basis.
* The total market price of the shares is calculated as the average share price during the last month of the fiscal year x number of shares issued at the end of the fiscal year (after deduction of treasury stock) + the total value of the preferred stocks issued.
* For operating cash flow, we use the cash flow from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt is all of the liabilities recorded on the Consolidated Balance Sheets for which the Company is paying interest. Furthermore, for interest payments we use the amount of interest paid in the Consolidated Statements of Cash Flows.

(3) Basic policy regarding profit allocation and dividends in the fiscal year under review and the next fiscal year

With a basic policy of returning profits to all shareholders via sustainable increases in corporate and shareholder value, the Company will continue to invest for growth and ensure stable dividends taking into account performance while maintaining a healthy financial condition.

In accordance with the above policy, the Company has decided to pay a year-end dividend of ¥3.00 per share for the fiscal year under review as initially planned.

A year-end dividend of ¥4.00 per share is planned for the fiscal year ending March 31, 2017 in view of the financial outlook and balancing investment for profit growth with dividends, etc.

2. The Daikyo Group

As of March 31, 2016, the Daikyo Group consists of DAIKYO INCORPORATED, its 13 subsidiaries (9 in Japan, 4 overseas), and 4 affiliates (3 in Japan, 1 overseas). The Group engages in business involving both products and services in the business segments of real estate development and sales, real estate management, and real estate brokerage.

Moreover, the parent company is ORIX Corporation.

The following section highlights each of the three segments and describes how business of the Group's primary affiliates fits into the overall operating framework.

The business segments listed here are referred to later in this document.

Real Estate Development and Sales

DAIKYO INCORPORATED engages in condominium development and sales, as well as business incidental to such operations.

Anabuki Construction Inc. engages in overall construction work design and execution, and condominium planning, construction, and sales.

Real Estate Management

DAIKYO ASTAGE INCORPORATED engages in business that includes condominium management, planned repair and maintenance work, and condominium resident services.

Anabuki Community Inc. engages in business that includes condominium management, planned repair and maintenance work, and condominium resident services.

ORIX Facilities Corporation engages in business that includes building management services with a focus on office buildings and commercial facilities, and also engages in installation of equipment and fixtures on new construction and demolition work.

DAIKYO ANABUKI CONSTRUCTION INCORPORATED engages in business that includes condominium repairs and general contracting.

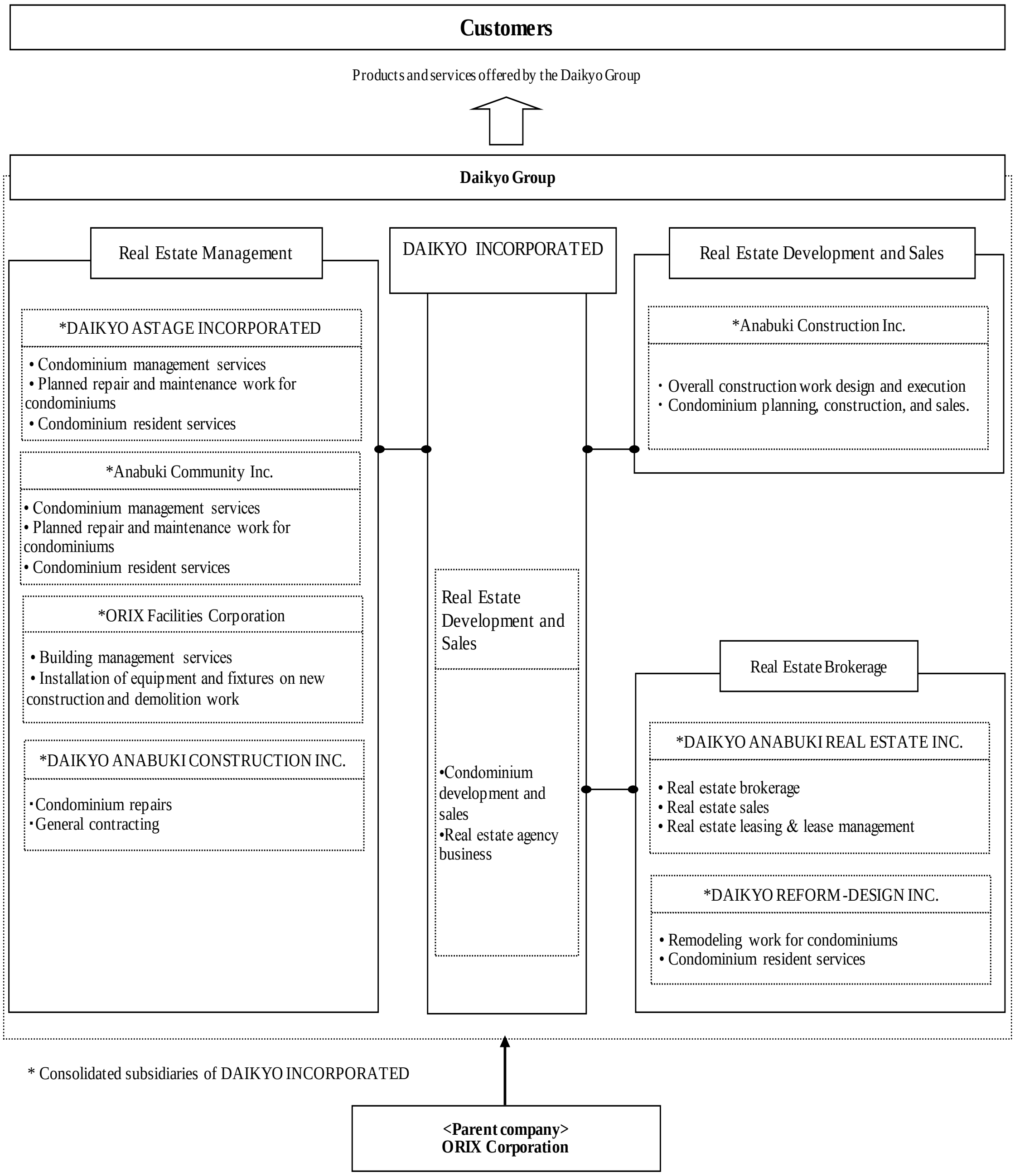
Real Estate Brokerage

DAIKYO ANABUKI REAL ESTATE INCORPORATED engages in real estate brokerage, real estate sales, and real estate leasing and lease management.

DAIKYO REFORM-DESIGN INCORPORATED engages in business that includes remodeling work and condominium resident services.

The diagram on the following page illustrates the Daikyo Group business portfolio, as described above.

Daikyo Group Business Portfolio



3. Management Policy

(1) Basic policy for company management

The Daikyo Group remains committed to maximizing corporate value, to which end our management practices embody the four tenets of the Group's Basic Management Policy, laid out below, while taking steps to achieve the Daikyo Group Vision pursued on the basis of our Management Philosophy, which calls on us to leverage the collective strengths of the Group toward creating 'harmonious living environments' through housing products and services that satisfy the needs of all age groups and lifestyles.

Group Vision
The Daikyo Group will engage in business involving innovative real estate services that are built around residential lifestyles geared to customer preferences.

Basic Management Policy

- Customer-oriented, value-centered management
  Engage in management practices that deliver customer value by placing high priority on customer satisfaction and promoting greater collaboration among Group companies.
- Profitability
  Maximize corporate value by developing strategic foresight and generating consistent earnings.
- Compliance
  Remain a company that contributes to society, whereby each and every employee acts with integrity and righteousness, and is cognizant of our corporate social responsibility.
- Communication
  Pursue sustained growth of the entire Group by focusing on better communication and working to combine and develop knowledge among Group companies, between divisions, and across organizational hierarchies.

(2) Performance Indicators

We have set a managerial objective calling for 10% or better return on equity (ROE). The Company uses ROE as an overall benchmark of profitability and asset efficiency.

(3) Mid-term business strategy and issues to address

In terms of the environment surrounding the Japanese economy going forward, we anticipate a scenario going forward where economic developments continue to hinge on reactions of financial markets to trends in the U.S. and China, particularly given prevailing nervousness with respect to intensifying pressure for global economic adjustments stemming from growing concerns associated with additional interest rate hikes in the U.S. and China's economic downturn.

Meanwhile, with respect to Japan's economy, despite a lagging rebound in consumer spending and private sector capital investment along with the need to take heed of potential economic effects resulting from the 2016 Kumamoto Earthquake, recovery is likely to continue at a moderate pace amid a scenario of ongoing improvement with respect to the employment and income environment fueled by the government's moves to forge ahead with economic and fiscal policies.

Going forward, we need to continue keeping a close watch on the business environment in which the Daikyo Group operates, given various factors that are bound to have a material impact on our business. As such, we will monitor developments emerging with respect to persistently high materials prices and construction costs, potential ramifications of that environment in terms of housing prices and outlays for construction work, moves to hike the consumption tax rate, and revisions to systems of taxation involving real estate. Furthermore, we must not overlook trends developing year after year in terms of increasingly diverse and sophisticated customer values and needs, emerging as a consequence of changes in social structures and the economic environment.

Amid this business environment, the Daikyo Group will provide products and services that are of value for customers as it continues to pursue innovation in existing business ventures while also taking on challenges in new areas of business both in Japan and abroad, with the aim of engaging in business involving innovative real estate services that are built around residential lifestyles geared to customer preferences.

1 Daikyo's "flow business"

Real estate development and sales

In the real estate development and sales segment, we face intensifying competition with respect to procurement of sites for real estate development, largely due to an ongoing scenario of land price increases that are apparent also in terms of official land values and decreasing numbers of deals involving sales of land for use by companies, against a backdrop of favorable corporate business performance. Moreover, new condominium construction expenses are poised to remain at relatively high levels over the medium to long term, given the notion that costs are unlikely to decline due to Japan's chronic labor shortage.

Within this environment, the Daikyo Group aims to clearly establish the new condominium sales business, which acts as the starting point of Daikyo Group revenue streams, in a position of functioning as a source of consistent earnings generation.

With respect to business volume, we will take steps to secure and maintain a certain scale of business, while still pursuing an agile approach in developing our operations with a focus on locations that hold promise of favorable supply and demand fundamentals, taking the business environment and other such factors into consideration.

Meanwhile, with respect to properties in favorable locations with promise of economic viability, we will take steps to secure prime sites for real estate development, combined with an approach of targeting acquisitions that enable us to hold and manage such properties, all the while keeping our sights set on an exit strategy.

In addition, in order to respond to the values and needs of customers as they become more diverse and sophisticated, we will take steps to develop and strengthen businesses secondary to that involving new condominiums, such as that involving projects that greatly benefit society in the realm of redevelopment and reconstruction, and serviced housing for senior citizens, as we also consistently take on challenges in developing new opportunities geared toward diversifying our revenue sources.

2 Daikyo's "stock business"

Real estate management

In the condominium management business, customer needs are becoming increasingly sophisticated and diverse, with trends that include growing cost awareness among customers partially due to an aging condominium resident demographic, along with shifting preferences away from simple price sensitivity toward more of a focus on added value.

Within this environment, we aim to reaffirm the Daikyo Group’s position as the industry’s leading enterprise based on numbers of condominium units managed. To that end, whenever coming into contact with customers, we will make a renewed point of listening to their feedback, as we work to improve and develop our existing services tailored to common areas of buildings, while upgrading and expanding our resident-oriented services tailored to privately owned sections of condominiums. In addition, with the aim of increasing numbers of condominium units under our management, we will keep working toward heightening our presence in the condominium management market involving units beyond those of the Daikyo Group.

With respect to management of buildings and other facilities, we expect competition to become increasingly intense. In addition to competition on the basis of low prices prevailing thus far, such competition is also likely to involve calls for improving levels of quality and service, along with demands to provide peripheral services, amid a market for such services where substantial expansion is unlikely.

To achieve further growth, we must continually work to heighten our technology and improve quality, while building unmatched levels of expertise and originality, and seeking expansion in terms of fields of business.

More specifically, the Daikyo Group aims to increase orders gained in specialist fields where it can demonstrate its technological strengths and know-how, such as those involving management of medical facilities, public-private partnerships, hotels and other lodgings, aquariums, and other special-purpose facilities, along with business involving operations and maintenance of solar power generation equipment.

In the area of contract work, while difficulties remain with respect to securing engineers and skilled labor due to decreasing numbers of workers and the aging population, we nevertheless expect to see growing demand as the overall age of buildings increases.

Under these conditions, the Daikyo Group will develop the “Plusidea” brand through which we propose solutions for making customer lifestyles more comfortable and enhancing asset values. In so doing, we will take on work primarily involving repairs and renovations of common areas in condominiums, thereby providing ever greater levels of quality and customer satisfaction, while achieving greater numbers of orders received for work from markets outside the Daikyo Group through efforts geared to building new channels for generating orders and strengthening our sales workforce. Meanwhile, in the area of work involving buildings and other facilities, we will press ahead toward gaining more contracts for business by proposing solutions designed to meet needs in areas that promise growth going forward. This will encompass areas such as performing renovation work associated with extending the service life of buildings and dealing with aging facilities and equipment, coming up with energy-saving solutions, and also handling customer services entailing energy-related management and maintenance.

Real estate brokerage

In the real estate brokerage segment, we expect to achieve further expansion particularly in the market for previously owned residences amid the advent of a major turning point in government policy on housing involving a shift from an emphasis on supplying new residences to a focus on putting existing housing stock to effective use, as described in the “Basic Plan on Housing” that is being promoted by the Ministry of Land, Infrastructure Transport and Tourism of Japan. In the lease management business, we anticipate an increasingly severe investment environment for real estate owners amid a shift toward more of a renter’s market as vacancies rise.

Amid this environment in the area of real estate brokerage and existing real estate sales, we will take steps to heighten brand recognition in areas where offices have been opened by further pushing ahead with efforts to develop and expand our store network, while also seeking to increase numbers of brokerage transactions handled as well as condominium units sold under our proprietary renovated condominium brands such as Reno α (Reno alpha). Moreover, in conjunction with our conventional stores we will also successively expand our network of Reno Salon stores, which are designed based on ground-breaking concepts that enable us to provide our customers with one-stop real estate brokerage and renovation services. On the other hand, we will also work to create a new business model that involves drawing on remarkable advances emerging with respect to information technology, and does not hinge on expanding our workforce or increasing numbers of stores.

In the area of lease management, we will improve the quality of our existing services and operations with the aim of increasing the number of leased units we manage, and we will also look toward inbound demand involving overseas customers to help ensure that our lease management business functions as a core part of our operations with respect to building positive relations that will carry over well into the future.

4. Fundamental Approach to Selection of Accounting Standards

For the present, the Daikyo Group will prepare its consolidated financial statements in accordance with Japanese GAAP, out of consideration for issues such as comparability with other domestic companies in the same industry.

The Daikyo Group will appropriately address matters regarding IFRS adoption, taking into account prevailing circumstances in Japan and overseas.