

# Consolidated Financial Results for the First Quarter Ended June 30, 2016 (J-GAAP) (Unaudited)

July 26, 2016

Listed company: DAIKYO INCORPORATED  
 Securities code: 8840  
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 Planned date of the filing of quarterly report: August 2, 2016  
 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, 2016 (April 1, 2016 to June 30, 2016)

### (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	
Three months ended June 30, 2016	71,383	0.9%	2,633	59.2%	2,496	66.0%	1,405	68.4%
Three months ended June 30, 2015	70,722	46.6%	1,654	- %	1,504	- %	834	- %

(Note) Comprehensive income: Three months ended June 30, 2016: ¥1,469 million / 76.2%  
 Three months ended June 30, 2015: ¥834 million / - %

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2016	¥1.67	¥1.65
Three months ended June 30, 2015	¥0.99	¥0.98

### (2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2016	258,452	164,958	63.8%
As of March 31, 2016	274,594	166,090	60.5%

(Reference) Shareholders' equity:

As of June 30, 2016: ¥164,958 million      As of March 31, 2016: ¥166,090 million

## 2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2016	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (Forecast)		0.00	—	4.00	4.00

(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, 2017 (April 1, 2016 to March 31, 2017)

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

(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, 2016	843,542,737	Mar. 31, 2016	843,542,737
2) Number of shares of treasury stock at end of period:	Jun. 30, 2016	3,489,776	Mar. 31, 2016	3,488,219
3) Average number of shares during period	Apr.–Jun. 2016	840,053,676	Apr.–Jun. 2015	840,073,551

\* 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, 2016	—	—	—	8.13	8.13
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (Forecast)		—	—	7.73	7.73

## 1. Qualitative Information on Consolidated Performance in the First Quarter

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

During the three months ended June 30, 2016, net sales increased ¥660 million yen, or 0.9% year on year, to ¥71,383 million, operating income increased ¥979 million, or 59.2% year on year, to ¥2,633 million, and ordinary income increased ¥992 million, or 66.0%, to ¥2,496 million. Profit attributable to owners of parent increased ¥570 million, or 68.4%, to ¥1,405 million.

(Millions of yen)

Category	Three months ended June 30, 2015	Three months ended June 30, 2016	Change
Net sales	70,722	71,383	660
Operating income	1,654	2,633	979
Ordinary income	1,504	2,496	992
Profit attributable to owners of parent	834	1,405	570

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

#### Performance by Segment

(Millions of yen)

Category	Three months ended June 30, 2015		Three months ended June 30, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	26,483	667	23,978	1,449	(2,505)	781
Real Estate Management	32,211	952	35,087	1,587	2,875	635
Real Estate Brokerage	13,070	862	13,446	354	375	(507)
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,043)	(827)	(1,128)	(757)	(85)	70
Total	70,722	1,654	71,383	2,633	660	979

1) Real Estate Development and Sales

Condominium sales increased ¥2,056 million year on year to ¥21,872 million, reflecting an increase to 534 units sold, or 32 more units than in the same period of the previous fiscal year. However, other net sales in real estate sales decreased ¥4,494 million to ¥421 million, and as a result, net sales in the real estate development and sales segment fell ¥2,505 million year on year to ¥23,978 million. Operating income rose ¥781 million over the previous year to ¥1,449 million due to a rise in profit margin for condominiums and a decrease in advertising costs.

The number and amount of contracted sales of condominiums at the end of the first quarter of the current fiscal year were 1,436 units and ¥49,638 million, respectively, marking decreases of 676 units and ¥27,937 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, 2015	Three months ended June 30, 2016	Change
Real Estate Sales	25,244	22,836	(2,407)
Other	1,239	1,141	(98)
Total	26,483	23,978	(2,505)

Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2015		Three months ended June 30, 2016		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	589 units	21,293	450 units	16,144	(139) units	(5,149)
	Houses	11 units	476	6 unit	214	(5) units	(261)
	Other	—	385	—	1,764	—	1,378
	Total	600 units	22,155	456 units	18,123	(144) units	(4,031)
Sales Results	Condominiums	502 units	19,815	534 units	21,872	32 units	2,056
	Houses	10 units	512	14 units	543	4 units	30
	Other	—	4,915	—	421	—	(4,494)
	Total	512 units	25,244	548 units	22,836	36 units	(2,407)
Contracted Sales Results**	Condominiums	2,112 units	77,576	1,436 units	49,638	(676) units	(27,937)
	Houses	8 unit	266	5 unit	162	(3) unit	(103)
	Other	—	—	—	1,343	—	1,343
	Total	2,120	77,842	1,441 units	51,144	(679) units	(26,698)

\* 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 ¥284 million year on year to ¥20,966 million. Meanwhile, contract work income increased ¥2,530 million year on year to ¥12,159 million, mainly due to an increase in planned repair and maintenance work on condominiums. As a result, net sales were ¥35,087 million, up ¥2,875 million year on year, and operating income increased by ¥635 million year on year to ¥1,587 million.

The number of condominium units managed increased by 3,154 units to 529,841 units and the volume of contract work orders received at the end of the first quarter was ¥31,832 million, a decrease of ¥4,697 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, 2015	Three months ended June 30, 2016	Change
Condominium Management, Building Management	20,682	20,966	284
Contract Work	9,628	12,159	2,530
Other	1,901	1,960	59
Total	32,211	35,087	2,875

Number of Condominium Units Managed

Category	As of June 30, 2015	As of June 30, 2016	Change
Number of Condominium Units Managed	526,687 units	529,841 units	3,154 units

Contract Work (Millions of yen)

Category	As of June 30, 2015	As of June 30, 2016	Change
Volume of Contract Work Orders Received	36,530	31,832	(4,697)

3) Real Estate Brokerage

Net sales in the real estate brokerage segment rose ¥375 million to ¥13,446 million due to a ¥440 million year-on-year increase in real estate brokerage income to ¥7,018 million. However, operating income decreased ¥507 million to ¥354 million, due to higher operating costs resulting from a year-on-year increase of six brokerage offices and the reinforcement of personnel aimed at further office development.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2015	Three months ended June 30, 2016	Change
Real Estate Brokerage	2,124	2,117	(6)
Existing Real Estate Sales	6,577	7,018	440
Lease Management	2,445	2,451	5
Other	1,922	1,858	(64)
Total	13,070	13,446	375

Amount of Brokerage Transactions (Millions of yen)

Category	Three months ended June 30, 2015	Three months ended June 30, 2016	Change
Number of Brokerage Transactions	1,763	1,792	29
Total Amount of Transactions	43,167	43,147	(19)

Existing Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2015		Three months ended June 30, 2016		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	281 units	6,330	307 units	6,917	26 units	586
	Other	—	246	—	100	—	(145)
	Total	281 units	6,577	307 units	7,018	26 units	440

## (2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016	Change
Total assets	274,594	258,452	(16,141)
Inventories	104,972	111,152	6,180
Total liabilities	108,503	93,494	(15,009)
Interest-bearing debt	38,484	36,540	(1,944)
Total net assets	166,090	164,958	(1,132)
Shareholders' equity ratio	60.5%	63.8%	3.3 pp

Total assets as of June 30, 2016 were ¥258,452 million, down ¥16,141 million compared with the end of the previous fiscal year. This reflected a ¥14,549 million decrease in cash and deposits and a ¥4,750 million decrease in notes and accounts receivable, canceling out a ¥6,180 million increase in inventories.

Total liabilities were ¥93,494 million, down ¥15,009 million compared with the end of the previous fiscal year. This resulted from decreases of ¥5,337 million in notes and accounts payable, ¥5,266 million in other current liabilities due to a decrease in deposits, and ¥1,944 million in interest-bearing debt.

Total net assets were ¥164,958 million, down ¥1,132 million compared with the end of the previous fiscal year. This can be attributed to a ¥1,405 million increase from profit attributable to owners of parent, offsetting a ¥2,601 million decrease in retained earnings due to retained earnings distributions. Furthermore, the shareholders' equity ratio was 63.8%, 3.3 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 10, 2016.

## **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)

Due to revisions in the Corporation Tax Act, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Fiscal 2016 Tax Reforms” (ASBJ Practical Issue Task Force No. 32, issued on June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of some facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on the Company’s consolidated financial statements for the first quarter is insignificant.

### **(4) Additional information**

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.