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To whom it may concern

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**Announcement of Formulation of the Daikyo Group's Medium-term Management Plan
 "Create NEW VALUE 2021 -New Value Creation through Real Estate Solutions-"**

DAIKYO INCORPORATED (the "Company") hereby announces that it has formulated the medium-term management plan "Create NEW VALUE 2021-New Value Creation through Real Estate Solutions-" (from the fiscal year ending March 2017 through fiscal year ending March 2021).

1. Reflecting on the Previous Medium-term Management Plan

The Group's fiscal 2005 medium-term management plan (fiscal year ended March 2006 through fiscal year ended March 2008) saw a shift in housing policy "from quantity to quality" as we became a society with a declining and aging population. It placed the condominium sale, condominium management, and real estate brokerage businesses as our core businesses as we specialized in condominiums. Subsequently, we were ahead of the industry in moving away from an earnings structure that focused on our condominium sales business (flow) by increasing the scale of our management and brokerage business (stock), while increasing the efficiency and profitability of our condominium sales business.

As a result of the above management reform, we built a firmer financial base and dramatically expanded our customer base to develop a "lifetime relation system" (*1) in all 47 prefectures of Japan. This began our transition into a one-of-a-kind business group. Looking forward, we plan to achieve sustainable growth by leveraging the strengths of our unique business model and financial base.

Comparison items		Previous plan (final year) Fiscal year ended March 2008	Performance in previous fiscal year Fiscal year ended March 2016
Earnings structure	Net sales ratio (flow/stock)	78%/22%	36%/64%
	Inventory turnover (*2)	0.73 times	1.09 times
	Condominium profit margin	18.5%	22.9%
Customer base	Managed properties · Condominiums · Office buildings and retail facilities, etc.	336,085 units Approx. 90 facilities	530,095 units Approx. 6,000 facilities
Financial base	Equity ratio	24.2%	60.5%
	D/E Ratio	2.03	0.23

	Long-term rating · Rating and Investment Information · Japan Credit Rating Agency	BBB (Stable) BBB (Positive)	BBB+ (Stable) *3 A- (Stable) *4
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Notes: *1 A Group-wide unified one-stop service framework that “supports customers’ life cycles”

<Development ⇒ Construction ⇒ Sale ⇒ Property Management ⇒ Resident Services ⇒ Sales Brokerage and Leasing ⇒ Remodeling⇒ Rebuilding and Redevelopment>

*2 Inventory Turnover = Cost of Real Estate Sale ÷ Real Estate Inventory (balance at end of fiscal year)

*3 Changed to “BBB+ (Positive)” on October 17, 2016

*4 Changed to “A (Stable)” on August 4, 2016

2. Background and Purpose of the Plan

At present, the social and financial environment in which the Group operates is undergoing major changes caused by a globally unprecedented decline in the birth rate and an aging and declining population in Japan, and we are seeing social issues, such as weakening of local communities and worsening living conditions, due to the deterioration of existing stock and an increase in vacant houses, etc. amid accelerating population drift to urban areas. Furthermore, consumers are developing more diverse values, which greatly change our concepts of “insufficiency” and “surplus.”

Based on these circumstances, the Group has formulated the medium-term management plan “Create NEW VALUE 2021 -New Value Creation through Real Estate Solutions-,” covering the 5-year period from the fiscal year ending March 2017 through the fiscal year ending March 2021 to solve social issues through real estate solutions (*1) that replenish “insufficiencies” using “surpluses” in order to achieve a stock society (*2).

Notes: *1 Including repair, renovation, remodeling, renting, redevelopment, and research and development.

*2 A society that creates financial freedom and minimizes environmental impact by making social infrastructure, such as housing, last over the long term.

3. The Group’s Aims under the Plan

The Group aims to create new value through real estate solutions, and accumulate social assets that will be inherited by the next generation in order to achieve a stock society.

4. Basic Policy

- (1) We will engage in management that combines “consistency” with “sustainable growth” while maintaining a profit balance between real estate management (50%) and real estate brokerage/real estate development and sales (50%).
- (2) We will engage in solving social issues and meeting the needs of customers through real-estate solutions, while refining our strengths, which are a business base with a nationwide network, our lifetime relation system, and community involvement with long-term customer contact.
- (3) We will engage in further improving corporate value to achieve sustainable growth, achieving both new investments and shareholder returns.

5. New Themes

(1) Expanding Business Domain

a) Developing demand for repair and maintenance work other than in condominiums under management

The Company has a top-class record in the industry when it comes to repair and maintenance work. We are working to (1) enhance our construction systems (increase construction management personnel and developing construction contractors), (2) enhance our cost competitiveness (reduce costs through centralized purchasing), and (3) enhance our marketing capabilities (increase awareness through advertising), and going forward, we will develop marketing activities in external markets and aim to further increase revenue from repair and maintenance work.

b) Entering the detached house renovation sector

We will enter the detached house renovation sector, leveraging our strengths, which are (1) the purchasing system provided by our nationwide office network, (2) our unique quality assurance system, and (3) the construction management system developed through our construction and sales business of detached houses. Looking forward, we will expand sales in our renovation business to 2,500 units in the fiscal year ending March 2021, adding to our top-level renovated condominium sales in the industry.

c) Entering the corporate remodeling sector

Until now, we have conducted remodeling of condominiums owned by individuals, etc.; however, going forward we will also enter the whole-building remodeling sector for dormitories owned by corporations, etc. as well as properties like rental condominiums and multi-story buildings.

Furthermore, the construction period and price per order in this sector are midway between home remodeling and large-scale repair and maintenance work, and the scale of the market has been expanding in recent years.

(2) Utilization of Assets

a) Investing in leased real estate

We will invest a total of ¥70 billion in leased real estate under the plan. We will achieve high profits by investing, focusing on corporate dormitories, leased condominiums, and serviced housing for the elderly, about which we have extensive knowledge, and on managing risk through our unique monitoring system.

b) Promoting the redevelopment business

We will promote our nationwide redevelopment business, leveraging our strengths, which include brand awareness, as demonstrated by our record of supplying more than 450 thousand condominiums for “Lions Mansion” and “Surpass Mansion,” our lifetime relation system, our business base and its nationwide network, and our sound financial base.

At present, we are conducting 16 projects, mainly in regional centers, and we expect total income from this business to exceed ¥80 billion from the fiscal year ending March 2021 onwards.

<Representative Project>

Project name: South 2 West 3 South-west District, type-1 urban redevelopment project (3 Chome Minami 2 Jonishi, Chuo-ku, Sapporo-shi)

Year: From fiscal 2015 to fiscal 2021 (scheduled)

Area: Approx. 0.6 ha

Floor area: Approx. 42,900 m²

Main uses: Commercial, residence, public bicycle parking area

(3) Promoting research and development

a) Leveraging ICT

In preparation for a declining working population, we are currently conducting joint research that applies wall-climbing technology and demonstration testing of remote business support by utilizing smart glass, through alliances with universities and other sectors. Going forward, we will promote research and development based on the themes of (1) remote and unmanned work, (2) mechanization, and (3) longer-lasting buildings and equipment.

b) Overseas expansion

The period of the plan is vital for building a foundation for overseas expansion, and we will promote (1) market surveying and research (identifying businesses with the potential for global expansion, selecting countries to expand into, investment targets, and partners), and (2) investment in, and development of personnel (acquiring personnel from other sectors and giving international experience to selected personnel in the company).

6. Initiatives for Existing Businesses

(1) Real estate management business

- We will work to strengthen and expand our customer base, and provide a lifecycle business that supports customers throughout their lives.
- Demand for repair and maintenance work of managed properties has increased over the years and we will steadily receive orders for this work.
- We will develop an energy-saving, low-cost, and labor-saving option menu to respond to the diversifying needs of owners.
- With regard to the resident service business, we will actively promote alliances with businesses in other sectors in order to expand the range of services provided.

(2) Real estate brokerage business

- We will apply the expertise that we have cultivated in the three major metropolitan areas (Tokyo, Nagoya, and Osaka) to all 47 prefectures of Japan.
- We will expand our share of brokerage for condominiums and renovation, and grow this business at a rate in excess of market growth.

(3) Real estate development and sales business

- With regard to the condominium sales business, we will increase our share in regional areas by combining the expertise and connections of Daikyo and Anabuki Construction Inc.
- Under conditions in which construction costs remain at a high level, we will increase our in-house construction capabilities and enhance earning capacity by increasing construction management personnel and expanding areas of operation, etc.
- We will expand the scale of the detached house sale business to a 300-unit framework.

7. Quantitative Targets

(1) Profit targets and indicators

Quantitative targets for the final year of the plan are as follows.

	Performance in previous fiscal year (reference) Fiscal year ended March 2016	The plan (final fiscal year) Fiscal year ending March 2021
Operating income	¥18.3 billion	Over ¥28 billion
ROE	7.8%	Over 9%

(2) Investment plan (total from fiscal 2016 to fiscal 2020)

We are making anticipatory investments from a medium-to-long term perspective with an eye to dramatic growth during the period of the plan and beyond.

Investment field		Invested sum (Total)
Real estate investment	<ul style="list-style-type: none"> • Acquisition of assets for the real estate development and real estate brokerage businesses • Acquisition of assets for the real estate leasing business 	¥100 billion
Research and development investment	<ul style="list-style-type: none"> • Research and development regarding remote work, unmanned work, mechanization, and longer-lasting buildings and equipment, etc., using AI, and the IoT, etc. 	¥50 billion
Strategic investment	<ul style="list-style-type: none"> • M&A, etc., related to condominium management, building management, detached housing brokerage, and repair and maintenance work 	
Total		¥150 billion

8. Shareholder Return Policy

- Our shareholder return policies are “stability,” “continuity,” and “enhancing sustainable returns.”

Common stock	Performance in previous fiscal year (reference) Fiscal year ended March 2016	Period for the plan
		Revised forecast Fiscal year ending March 2017
Annual dividend	¥3.0	¥6.0
Payout ratio	20.1%	36.2% (*1, 2)

Notes: *1 This is calculated based on the total of 840,049,866 shares issued as of September 30, 2016 (excluding treasury stock), and does not take into account the effect of any treasury stock acquisitions that may have occurred from October 1, 2016, onward.

*2 At the meeting of the Board of Directors held on October 26, 2016, the Company resolved to acquire treasury stock under Article 37 of the Company’s Articles of Incorporation, based on Article 459, Paragraph 1, Item 1 of the Companies Act at the meeting of the Board of Directors on October 26, 2016.

<Content of the Resolution>

(1) Type of shares to be acquired: Common stock of the Company

(2) Total number of shares to be acquired: Up to 70,000,000

[Percentage of total number of shares issued (excluding treasury stock): 8.33%]

(3) Total value of stock to be acquired: Up to ¥10 billion

(4) Period of acquisition: From October 27, 2016 to October 26, 2017

The planned method of acquisition is market purchase through the Tokyo Stock Exchange.

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.