

# Consolidated Financial Results for the Third Quarter Ended December 31, 2016 (J-GAAP) (Unaudited)

January 26, 2017

Listed company: DAIKYO INCORPORATED  
 Securities code: 8840  
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 Planned date of the filing of quarterly report: February 2, 2017  
 Planned dividends payment commencement date: —  
 3Q earnings presentation materials: Yes  
 Holding of 3Q earnings announcement: None

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

(Amounts less than one million yen are truncated)

## 1. Consolidated Performance for the Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 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	
Nine months ended December 31, 2016	228,099	(4.3)%	12,639	5.9%	12,309	10.5%	8,290	11.0%
Nine months ended December 31, 2015	238,320	24.7%	11,939	482.0%	11,142	859.2%	7,471	435.6%

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥8,447 million / 11.1%  
 Nine months ended December 31, 2015: ¥7,601 million / 322.7%

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2016	¥9.87	¥9.74
Nine months ended December 31, 2015	¥8.89	¥8.78

### (2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2016	264,406	171,933	65.0
As of March 31, 2016	274,594	166,090	60.5

(Reference) Shareholders' equity:

As of December 31, 2016: ¥171,933 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	—	0.00	—		
Fiscal year ending March 31, 2017 (Forecast)				6.00	6.00

(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 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, 2016	843,542,737	Mar. 31, 2016	843,542,737
2) Number of shares of treasury stock at end of period:	Dec. 31, 2016	3,501,083	Mar. 31, 2016	3,488,219
3) Average number of shares during period:	Apr.–Dec. 2016	840,050,209	Apr.–Dec. 2015	840,068,414

\* Presentation of implementation state for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these 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 these 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, 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 Third Quarter

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

During the nine months ended December 31, 2016, net sales decreased ¥10,221 million yen, or 4.3% year on year, to ¥228,099 million, operating income increased ¥700 million, or 5.9% year on year, to ¥12,639 million, and ordinary income increased ¥1,166 million, or 10.5%, to ¥12,309 million. Profit attributable to owners of parent increased ¥818 million, or 11.0%, to ¥8,290 million.

Progress was generally in line with full-year forecasts, and there has been no change in the full-year performance forecast announced in May 2016.

(Millions of yen)

Category	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change
Net sales	238,320	228,099	(10,221)
Operating income	11,939	12,639	700
Ordinary income	11,142	12,309	1,166
Profit attributable to owners of parent	7,471	8,290	818

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

The order in which segments are listed has been changed from the second quarter of this consolidated fiscal period.

#### Performance by Segment

(Millions of yen)

Category	Nine months ended December 31, 2015		Nine months ended December 31, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	114,295	6,531	115,064	6,775	768	244
Real Estate Brokerage	39,439	2,456	44,575	2,027	5,136	(428)
Real Estate Development and Sales	88,170	5,254	71,953	5,609	(16,216)	354
Adjustments (Eliminations or Corporate Assets/Expenses)	(3,584)	(2,302)	(3,494)	(1,772)	90	529
Total	238,320	11,939	228,099	12,639	(10,221)	700

#### 1) Real Estate Management

In the real estate management segment, net sales increased by ¥768 million to ¥115,064 million year on year, while operating income increased by ¥244 million to ¥6,775 million, partially due to increases in management income of ¥614 million and contract work income of ¥104 million, to ¥63,885 million and ¥44,699 million, respectively.

The number of condominium units managed increased by 1,077 to 530,425 units and the volume of contract work orders received at the end of the third quarter was ¥34,511 million, an increase of ¥1,817 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, 2015	Nine months ended December 31, 2016	Change
Condominium Management, Building Management	63,270	63,885	614
Contract Work	44,595	44,699	104
Other	6,430	6,480	49
Total	114,295	115,064	768

#### Number of Condominium Units Managed

Category	As of December 31, 2015	As of December 31, 2016	Change
Number of Condominium Units Managed	529,348 units	530,425 units	1,077 units

#### Contract Work

(Millions of yen)

Category	As of December 31, 2015	As of December 31, 2016	Change
Volume of Contract Work Orders Received	32,693	34,511	1,817

## 2) Real Estate Brokerage

Net sales in the real estate brokerage segment rose ¥5,136 million to ¥44,575 million due to a ¥4,916 million year-on-year increase in existing real estate sales to ¥25,678 million. However, operating income decreased ¥428 million to ¥2,027 million, due to higher operating costs resulting from a year-on-year increase of six offices and the reinforcement of personnel aimed at the expansion of the office network.

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

Category	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change
Real Estate Brokerage	5,740	5,973	232
Existing Real Estate Sales	20,762	25,678	4,916
Lease Management	7,186	7,283	97
Other	5,750	5,639	(110)
Total	39,439	44,575	5,136

### Amount of Brokerage Transactions (Millions of yen)

Category	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Change
Number of Brokerage Transactions	4,817	5,063	246
Total Amount of Transactions	117,077	125,380	8,303

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

Category		Nine months ended December 31, 2015		Nine months ended December 31, 2016		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	866 units	20,212	1,016 units	24,838	150 units	4,626
	Other	—	550	—	839	—	289
	Total	866 units	20,762	1,016 units	25,678	150 units	4,916

### 3) Real Estate Development and Sales

Due to the effect of condominium sales amounting to 1,720 units (down 335 units year on year), and net sales amounting to ¥65,059 million (down ¥11,607 year on year) as a result of fewer planned completions year on year, net sales for the real estate development and sales segment decreased ¥16,216 million to ¥71,953 million. Operating income rose ¥354 million over the previous year to ¥5,609 million due to an increase in profit margin for condominiums and a decrease in advertising costs, in spite of a fall in condominium sales.

The number and amount of contracted sales of condominiums at the end of the third quarter of the current fiscal year were 1,350 units and ¥46,273 million, respectively, marking decreases of 402 units and ¥16,970 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, 2015	Nine months ended December 31, 2016	Change
Real Estate Sales	83,985	68,114	(15,871)
Other	4,184	3,839	(345)
Total	88,170	71,953	(16,216)

#### Real Estate Sales by Category

(Millions of yen)

Category		Nine months ended December 31, 2015		Nine months ended December 31, 2016		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	1,781 units	63,813	1,549 units	55,967	(233) units	(7,846)
	Houses	47 units	2,000	30 units	1,285	(18) units	(714)
	Other	—	1,115	—	5,086	—	3,970
	Total	1,828 units	66,930	1,579 units	62,339	(251) units	(4,590)
Sales Results	Condominiums	2,054 units	76,667	1,720 units	65,059	(335) units	(11,607)
	Houses	39 units	1,672	26 units	948	(13) units	(724)
	Other	—	5,645	—	2,106	—	(3,539)
	Total	2,093 units	83,985	1,746 units	68,114	(348) units	(15,871)
Contracted Sales Results**	Condominiums	1,752 units	63,244	1,350 units	46,273	(402) units	(16,970)
	Houses	15 units	631	16 units	828	1 units	197
	Other	—	—	—	2,980	—	2,980
	Total	1,767 units	63,876	1,366 units	50,082	(401) units	(13,793)

\* 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) Explanation of financial position

Assets, liabilities, and net assets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	Change
Total assets	274,594	264,406	(10,187)
Inventories	104,972	116,043	11,071
Total liabilities	108,503	92,472	(16,030)
Interest-bearing debt	38,484	29,361	(9,123)
Total net assets	166,090	171,933	5,842
Shareholders' equity ratio	60.5%	65.0%	4.5 pp

Total assets as of December 31, 2016 were ¥264,406 million, down ¥10,187 million compared with the end of the previous fiscal year. This reflected a ¥15,676 million decrease in cash and deposits, a ¥2,670 million decrease in notes and accounts receivable, and a ¥2,294 million decrease in other current liabilities canceling out a ¥11,071 million increase in inventories.

Total liabilities were ¥92,472 million, down ¥16,030 million compared with the end of the previous fiscal year. This resulted from decreases of ¥9,123 million in interest-bearing debt, ¥4,665 million in other current liabilities mainly due to a decrease in deposits, and ¥2,760 million in notes and accounts payable.

Total net assets were ¥171,933 million, up ¥5,842 million compared with the end of the previous fiscal year. This can be attributed to a ¥8,290 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 65.0%, 4.5 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. Furthermore, the Group has formulated a medium-term management plan that operates from the fiscal year ending March 2017 through the end of the fiscal year ending March 2021. Please refer to "Announcement of Formulation of the Daikyo Group's Medium-term Management Plan 'Create NEW VALUE2021 -New Value Creation through Real Estate Solutions-'" which was announced on October 26, 2016, for details.



## **2. Summary Information (Notes)**

### **(1) Changes in significant subsidiaries during the nine 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 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) beginning with 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 third quarter is insignificant.

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

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