

Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (J-GAAP) (Unaudited)

October 30, 2017

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
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 Planned date of the filing of quarterly report: November 8, 2017
 Planned dividends payment commencement date: —
 2Q earnings presentation materials: Yes
 Holding of earnings announcement: Yes (for institutional investors and analysts)

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

(Amounts of less than one million yen are truncated)

1. Consolidated Performance for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(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	
Six months ended September 30, 2017	133,640	(8.9)%	1,550	(76.5)%	1,373	(78.3)%	650	(83.7)%
Six months ended September 30, 2016	146,628	(13.5)%	6,592	(39.0)%	6,332	(39.2)%	4,001	(42.6)%

(Note) Comprehensive income: Six months ended September 30, 2017: ¥686 million / (83.0)%
 Six months ended September 30, 2016: ¥4,034 million / (43.4)%

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2017	¥7.76	¥7.66
Six months ended September 30, 2016	¥47.64	¥47.00

(Note) The Company consolidated common stock and Class 1 preferred stocks at a ratio of ten shares to one with an effective date of October 1, 2017. As a result, net income per share and fully diluted net income per share were calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2017	259,689	172,366	66.4%
As of March 31, 2017	277,899	177,863	64.0%

(Reference) Shareholders' equity:

As of September 30, 2017: ¥172,366 million As of March 31, 2017: ¥177,863 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2017	—	0.00	—	6.00	6.00
Fiscal year ending March 31, 2018	—	0.00			
Fiscal year ending March 31, 2018 (Forecast)			—	60.00	60.00

(Notes) 1. Revisions to the latest performance forecast: None

2. The Company consolidated common stock at a ratio of ten shares to one with an effective date of October 1, 2017. The year-end dividends and total annual dividends for the fiscal year ending March 31, 2018 (forecasts) are noted here taking this share consolidation into account.

3. 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, 2018 (April 1, 2017 to March 31, 2018)

(% 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	4.5%	19,000	(7.4)%	18,000	(9.9)%	12,000	(14.6)%	¥142.46

(Note) 1. Revisions to the latest performance forecast: None

2. Net income per share in the consolidated performance forecast for the fiscal year ending March 31, 2018 (full-year) takes into account the impact of the share consolidation.

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 six 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: None

(ii) Change in accounting policies other than item (i) above: Yes

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Sep. 30, 2017	84,354,273	Mar. 31, 2017	84,354,273
2) Number of shares of treasury stock at end of period:	Sep. 30, 2017	854,405	Mar. 31, 2017	350,514
3) Average number of shares during period	Apr.–Sep. 2017	83,884,168	Apr.–Sep. 2016	84,005,269

(Note) The Company consolidated common stock at a ratio of ten shares to one with an effective date of October 1, 2017. As a result, number of issued shares at end of period, number of shares of treasury stock at end of period, and average number of shares during period were calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

* The summary of financial statements is exempt from quarterly review procedures.

* Explanation of the appropriate use of performance forecasts; other points to note

1. Forward-looking statements in this document, including the performance outlook, etc. were written based on 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.
2. On October 30, 2017, the Company plans to hold an earnings announcement for institutional investors and analysts regarding results for the second quarter. The earnings presentation materials used on that day will be posted on the Company's website after the announcement.

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, 2017	—	—	—	7.73	7.73
Fiscal year ending March 31, 2018	—	—			
Fiscal year ending March 31, 2018 (Forecast)			—	75.12	75.12

The Company consolidated Class 1 preferred stocks at a ratio of ten shares to one with an effective date of October 1, 2017. Accordingly, year-end dividends per share and total annual dividends per share for the fiscal year ending March 31, 2018 (forecasts) take into account the effect of this share consolidation.

1. Qualitative Information on Consolidated Performance in the Second Quarter

(1) Explanation of the consolidated operating results

During the six months ended September 30, 2017, net sales decreased ¥12,988 million, or 8.9% year on year, to ¥133,640 million, operating income decreased ¥5,042 million, or 76.5% year on year, to ¥1,550 million, and ordinary income decreased ¥4,958 million, or 78.3%, to ¥1,373 million. Profit attributable to owners of parent decreased ¥3,350 million, or 83.7%, to ¥650 million.

(Millions of yen)

Category	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
Net sales	146,628	133,640	(12,988)
Operating income	6,592	1,550	(5,042)
Ordinary income	6,332	1,373	(4,958)
Profit attributable to owners of parent	4,001	650	(3,350)

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

Performance by Segment

(Millions of yen)

Category	Six months ended September 30, 2016		Six months ended September 30, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	75,597	4,320	77,519	4,174	1,921	(146)
Real Estate Brokerage	28,833	1,138	29,419	1,239	585	100
Real Estate Development and Sales	44,339	2,362	29,963	(2,234)	(14,375)	(4,596)
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,141)	(1,229)	(3,261)	(1,629)	(1,119)	(400)
Total	146,628	6,592	133,640	1,550	(12,988)	(5,042)

1) Real Estate Management

In the real estate management segment, net sales amounted to ¥77,519 million, up ¥1,921 million year on year. This was partly thanks to the fact that net sales in contract work rose ¥1,328 million year on year to ¥30,496 million. Despite the sales growth in contract work, operating income decreased ¥146 million from the previous year to ¥4,174 million. This was mainly due to increased labor costs, as a result of personnel reinforcement aimed at expanding operations.

The number of condominium units managed increased 2,211 units to 531,798 units and the backlog of contract work orders received at the end of the second quarter was ¥33,463 million, a decrease of ¥2,282 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
Condominium Management, Building Management	42,339	42,781	442
Contract Work	29,168	30,496	1,328
Other	4,089	4,240	150
Total	75,597	77,519	1,921

Number of Condominium Units Managed

Category	As of September 30, 2016	As of September 30, 2017	Change
Number of Condominium Units Managed	529,587 units	531,798 units	2,211 units

Contract Work (Millions of yen)

Category	As of September 30, 2016	As of September 30, 2017	Change
Backlog of Contract Work Orders Received	35,745	33,463	(2,282)

2) Real Estate Brokerage

Net sales in the real estate brokerage segment rose ¥585 million to ¥29,419 million and operating income increased ¥100 million from the previous year to ¥1,239 million, due to a ¥1,325 million year-on-year increase in existing real estate sales to ¥17,540 million..

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
Real Estate Brokerage	4,030	3,842	(187)
Existing Real Estate Sales	16,215	17,540	1,325
Lease Management	4,874	4,949	74
Other	3,713	3,086	(626)
Total	28,833	29,419	585

Amount of Brokerage Transactions (Millions of yen)

Category	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
Number of Brokerage Transactions	3,394	3,311	(83)
Total Amount of Transactions	82,844	85,484	2,640

Existing Real Estate Sales (Millions of yen)

Category		Six months ended September 30, 2016		Six months ended September 30, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	655 units	16,049	657 units	16,351	2 units	302
	Other	—	165	—	1,188	—	1,023
	Total	655 units	16,215	657 units	17,540	2 units	1,325

3) Real Estate Development and Sales

Due to the effect of fewer planned completions year on year, condominium units sold amounted to 684 units (down 335 units year on year), and condominium sales amounted to ¥23,833 million (down ¥15,693 million year on year). As a result, net sales in the real estate development and sales segment decreased ¥14,375 million to ¥29,963 million, accompanied by an operating loss of ¥2,234 million (operating income of 2,362 million was recorded in the same period of the previous fiscal year).

The number and amount of contracted condominium sales as of the end of the second quarter of the current fiscal year were 1,548 units and ¥55,651 million, respectively, marking an increase of 25 units and an increase of ¥3,574 million compared with the end of the same quarter of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2016	Six months ended September 30, 2017	Change
Real Estate Sales	42,114	26,900	(15,213)
Other	2,224	3,062	837
Total	44,339	29,963	(14,375)

Real Estate Sales (Millions of yen)

Category		Six months ended September 30, 2016		Six months ended September 30, 2017		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	1,022 units	36,237	1,109 units	40,006	86 units	3,769
	Detached houses	16 units	559	24 units	1,115	9 units	555
	Other	—	1,764	—	2,158	—	393
	Total	1,038 units	38,561	1,133 units	43,280	95 units	4,718
Sales Results	Condominiums	1,019 units	39,526	684 units	23,833	(335) units	(15,693)
	Detached houses	22 units	823	23 units	1,052	1 unit	229
	Other	—	1,764	—	2,015	—	250
	Total	1,041 units	42,114	707 units	26,900	(334) units	(15,213)
Contracted Sales Results**	Condominiums	1,523 units	52,076	1,548 units	55,651	25 units	3,574
	Detached houses	6 units	227	10 units	441	4 units	213
	Other	—	—	—	2,787	—	2,787
	Total	1,529 units	52,304	1,558 units	58,880	29 units	6,575

* Represents the number and amount of condominium units and detached houses for which sales agreements are entered into each period.

** Represents the number and amount of condominium units and detached houses for which sales agreements have been entered into but have yet to be delivered.

(2) Explanation of financial position

Assets, liabilities, and net assets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017	Change
Total assets	277,899	259,689	(18,209)
Inventories	115,990	128,405	12,415
Total liabilities	100,036	87,323	(12,713)
Interest-bearing debt	28,930	29,208	277
Total net assets	177,863	172,366	(5,496)
Shareholders' equity ratio	64.0%	66.4%	2.4 pp

Total assets as of September 30, 2017 were ¥259,689 million, down ¥18,209 million compared with the end of the previous fiscal year. This reflected a ¥29,231 million decrease in cash and deposits as well as a ¥3,520 million decrease in notes and accounts receivable, while a ¥12,415 million increase in inventories.

Total liabilities were ¥87,323 million, down ¥12,713 million compared with the end of the previous fiscal year. This resulted from decreases of ¥7,494 million in notes and accounts payable and ¥5,021 million in other current liabilities due to a decrease in deposits.

Total net assets were ¥172,366 million, down ¥5,496 million compared with the end of the previous fiscal year. This was due to a ¥650 million increase resulting from profit attributable to owners of parent, offset by corresponding decreases of ¥5,117 million and ¥1,083 million, due to payment of dividends of surplus and acquisition of treasury shares, respectively. Furthermore, the shareholders' equity ratio was 66.4%, 2.4 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 15, 2017.