

Consolidated Financial Results for the Third Quarter Ended December 31, 2017 (J-GAAP) (Unaudited)

January 30, 2018

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
 Representative: Akira Yamaguchi, Representative Executive Officer, President
 Contact: Koichi Hinago, General Manager, Group Corporate Planning Dept.
 Planned date of the filing of quarterly report: February 6, 2018
 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 of less than one million yen are truncated)

1. Consolidated Performance for the Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 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	
Nine months ended December 31, 2017	209,013	(8.4)%	5,447	(56.9)%	5,186	(57.9)%	3,254	(60.7)%
Nine months ended December 31, 2016	228,099	(4.3)%	12,639	5.9%	12,309	10.5%	8,290	11.0%

(Note) Comprehensive income: Nine months ended December 31, 2017: ¥3,353 million / (60.3)%
 Nine months ended December 31, 2016: ¥8,447 million / 11.1%

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2017	¥38.87	¥38.35
Nine months ended December 31, 2016	¥98.69	¥97.37

(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)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2017	263,995	174,525	66.1%
As of March 31, 2017	277,899	177,863	64.0%

(Reference) Shareholders' equity:

As of December 31, 2017: ¥174,525 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)%	¥142.61

(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 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: 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):	Dec. 31, 2017	84,354,273	Mar. 31, 2017	84,354,273
2) Number of shares of treasury stock at end of period:	Dec. 31, 2017	1,091,087	Mar. 31, 2017	350,514
3) Average number of shares during period:	Apr.–Dec. 2017	83,722,031	Apr.–Dec. 2016	84,005,021

(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. Earnings presentation materials for the third quarter will be posted on TDnet on the day of the earnings announcement, and also 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, 2017	—	—	—	7.73	7.73
Fiscal year ending March 31, 2018	—	—	—		
Fiscal year ending March 31, 2018 (Forecast)				75.12	75.12

(Notes) 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 Third Quarter

(1) Explanation of the consolidated operating results

During the nine months ended December 31, 2017, net sales decreased ¥19,085 million, or 8.4% year on year, to ¥209,013 million, operating income decreased ¥7,191 million, or 56.9% year on year, to ¥5,447 million, and ordinary income decreased ¥7,122 million, or 57.9%, to ¥5,186 million. Profit attributable to owners of parent decreased ¥5,036 million, or 60.7%, to ¥3,254 million.

(Millions of yen)

Category	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Net sales	228,099	209,013	(19,085)
Operating income	12,639	5,447	(7,191)
Ordinary income	12,309	5,186	(7,122)
Profit attributable to owners of parent	8,290	3,254	(5,036)

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

Performance by Segment

(Millions of yen)

Category	Nine months ended December 31, 2016		Nine months ended December 31, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	115,064	6,775	118,866	6,535	3,802	(240)
Real Estate Brokerage	44,575	2,027	44,285	1,854	(290)	(173)
Real Estate Development and Sales	71,953	5,609	50,556	(551)	(21,396)	(6,160)
Adjustments (Eliminations or Corporate Assets/Expenses)	(3,494)	(1,772)	(4,694)	(2,390)	(1,200)	(617)
Total	228,099	12,639	209,013	5,447	(19,085)	(7,191)

1) Real Estate Management

In the real estate management segment, net sales amounted to ¥118,866 million, up ¥3,802 million year on year. This was partly thanks to the fact that net sales in contract work rose ¥2,863 million year on year to ¥47,562 million. Despite the sales growth in contract work, operating income decreased ¥240 million from the previous year to ¥6,535 million. This was mainly due to increased labor costs, as a result of personnel reinforcement aimed at expanding operations.

The number of condominium units under management increased 2,227 to 532,652 units and the backlog of contract work orders received at the end of the third quarter was ¥38,266 million, an increase of ¥3,755 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, 2016	Nine months ended December 31, 2017	Change
Condominium Management, Building Management	63,885	64,779	894
Contract Work	44,699	47,562	2,863
Other	6,480	6,524	44
Total	115,064	118,866	3,802

Number of Condominium Units Managed

Category	As of December 31, 2016	As of December 31, 2017	Change
Number of Condominium Units Managed	530,425 units	532,652 units	2,227 units

Contract Work (Millions of yen)

Category	As of December 31, 2016	As of December 31, 2017	Change
Volume of Contract Work Orders Received	34,511	38,266	3,755

2) Real Estate Brokerage

Net sales in the real estate brokerage segment fell ¥290 million to ¥44,285 million. This can be attributed to a ¥982 million decrease in other sales, such as the sale of interior goods, to ¥4,657 million, which exceeded an ¥803 million year-on-year increase in existing real estate sales to ¥26,482 million. Operating income decreased ¥173 million from the previous year to ¥1,854 million.

Breakdown of Net Sales

(Millions of yen)

Category	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Real Estate Brokerage	5,973	5,759	(214)
Existing Real Estate Sales	25,678	26,482	803
Lease Management	7,283	7,385	101
Other	5,639	4,657	(982)
Total	44,575	44,285	(290)

Amount of Brokerage Transactions

(Millions of yen)

Category	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change
Number of Brokerage Transactions	5,063	4,997	(66)
Total Amount of Transactions	125,380	127,588	2,208

Existing Real Estate Sales

(Millions of yen)

Category		Nine months ended December 31, 2016		Nine months ended December 31, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	1,016 units	24,838	1,044 units	25,157	28 units	319
	Other	—	839	—	1,324	—	484
	Total	1,016 units	25,678	1,044 units	26,482	28 units	803

3) Real Estate Development and Sales

Due to the effect of fewer planned completions year on year, condominium units sold amounted to 1,096 units (down 624 units year on year), and net sales amounted to ¥37,917 million (down ¥27,142 million year on year).

As a result, net sales for the real estate development and sales segment decreased ¥21,396 million year on year to ¥50,556 million, accompanied by an operating loss of ¥551 million (operating income of ¥5,609 million was recorded in the same period of the previous fiscal year).

The number and amount of contracted sales of condominiums at the end of the third quarter of the current fiscal year were 1,799 units and ¥67,100 million, respectively, marking increases of 449 units and ¥20,826 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, 2016	Nine months ended December 31, 2017	Change
Real Estate Sales	68,114	44,542	(23,571)
Other	3,839	6,013	2,174
Total	71,953	50,556	(21,396)

Real Estate Sales by Category (Millions of yen)

Category		Nine months ended December 31, 2016		Nine months ended December 31, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	1,549 units	55,967	1,770 units	65,539	221 units	9,571
	Houses	30 units	1,285	31 units	1,434	2 units	148
	Other	—	5,086	—	8,069	—	2,983
	Total	1,579 units	62,339	1,801 units	75,043	222 units	12,703
Sales Results	Condominiums	1,720 units	65,059	1,096 units	37,917	(624) units	(27,142)
	Houses	26 units	948	34 units	1,546	8 units	598
	Other	—	2,106	—	5,079	—	2,972
	Total	1,746 units	68,114	1,130 units	44,542	(616) units	(23,571)
Contracted Sales Results**	Condominiums	1,350 units	46,273	1,799 units	67,100	449 units	20,826
	Houses	16 units	828	6 units	265	(10) units	(563)
	Other	—	2,980	—	5,777	—	2,797
	Total	1,366 units	50,082	1,805 units	73,143	439 units	23,060

* 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.

(Note) The number of joint business properties is distributed evenly according to the business holdings; figures are rounded to the nearest whole number.

(2) Explanation of financial position

Assets, liabilities, and net assets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017	Change
Total assets	277,899	263,995	(13,903)
Inventories	115,990	134,176	18,186
Total liabilities	100,036	89,469	(10,566)
Interest-bearing debt	28,930	28,406	(524)
Total net assets	177,863	174,525	(3,337)
Shareholders' equity ratio	64.0%	66.1%	2.1p

Total assets as of December 31, 2017 were ¥263,995 million, down ¥13,903 million compared with the end of the previous fiscal year. This reflected a ¥34,471 million decrease in cash and deposits, and a ¥1,132 million decrease in notes and accounts receivable, canceling out a ¥18,186 million increases in real estate inventories and a ¥4,216 million increase in other inventories.

Total liabilities were ¥89,469 million, down ¥10,566 million compared with the end of the previous fiscal year. This resulted from decreases of ¥5,554 million in other current liabilities mainly due to a decrease in deposits, and ¥5,020 million in notes and accounts payable.

Total net assets were ¥174,525 million, down ¥3,337 million compared with the end of the previous fiscal year. This can be attributed to decreases of ¥5,117 million and ¥1,591 million, due to payment of dividends of surplus and acquisition of treasury shares respectively, offsetting a ¥3,254 million increase from profit attributable to owners of parent. Furthermore, the shareholders' equity ratio was 66.1%, 2.1 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.