

Consolidated Financial Results for the First Quarter Ended June 30, 2018 (J-GAAP) (Unaudited)

July 30, 2018

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
 Representative: Kazuo Kojima, President and Representative Executive Officer
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 Planned date of the filing of quarterly report: August 3, 2018
 Planned dividends payment commencement date: —
 1Q earnings presentation materials: Yes
 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, 2018 (April 1, 2018 to June 30, 2018)

(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, 2018	57,517	(11.2)%	(1,835)	—%	(1,868)	—%	(2,009)	—%
Three months ended June 30, 2017	64,772	(9.3)%	480	(81.8)%	469	(81.2)%	156	(88.9)%

(Note) Comprehensive income: Three months ended June 30, 2018: ¥(1,976) million / -%
 Three months ended June 30, 2017: ¥202 million / (86.2) %

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2018	(¥24.84)	¥—
Three months ended June 30, 2017	¥1.86	¥1.84

(Note) The Company consolidated common stock and Class 1 preferred stocks at a ratio of 10 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 June 30, 2018	254,671	172,949	67.9%
As of March 31, 2018	276,417	180,356	65.2%

(Reference) Shareholders' equity:

As of June 30, 2018: ¥172,940 million As of March 31, 2018: ¥180,356 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2018	—	0.00	—	60.00	60.00
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (Forecast)		0.00	—	60.00	60.00

(Notes)

1. Revisions to the latest dividend forecast: None

2. 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 the Company with different rights from common stock.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)
 (% 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	365,000	8.9%	22,000	9.0%	20,500	3.6%	14,000	1.1%	¥172.22

(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: None

(ii) Change in accounting policies other than item (i) above: None

(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)	Jun. 30, 2018	84,354,273	Mar. 31, 2018	84,354,273
2) Number of shares of treasury stock at end of period	Jun. 30, 2018	3,516,270	Mar. 31, 2018	3,292,427
3) Average number of shares during period	Apr.–Jun. 2018	80,894,208	Apr.–Jun. 2017	84,003,641

Note: The Company consolidated common stock at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, average number of shares during period was calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

* This summary report is not subject to audit by a certified public accountant or an audit corporation.

* 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 first 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, 2018	—	—	—	75.12	75.12
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (Forecast)		—	—	75.44	75.44

1. Qualitative Information on Consolidated Performance in the First Quarter

(1) Explanation of the consolidated operating results

During the three months ended June 30, 2018, net sales decreased ¥7,255 million, or 11.2% year on year, to ¥57,517 million. Operating loss was ¥1,835 million, ordinary loss was ¥1,868 million, and loss attributable to owners of parent was ¥2,009 million, while in the previous year operating income was ¥480 million, ordinary income was ¥469 million, and profit attributable to owners of parent was ¥156 million.

(Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Net sales	64,772	57,517	(7,255)
Operating income (loss)	480	(1,835)	(2,316)
Ordinary income (loss)	469	(1,868)	(2,337)
Profit (loss) attributable to owners of parent	156	(2,009)	(2,165)

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

Performance by Segment

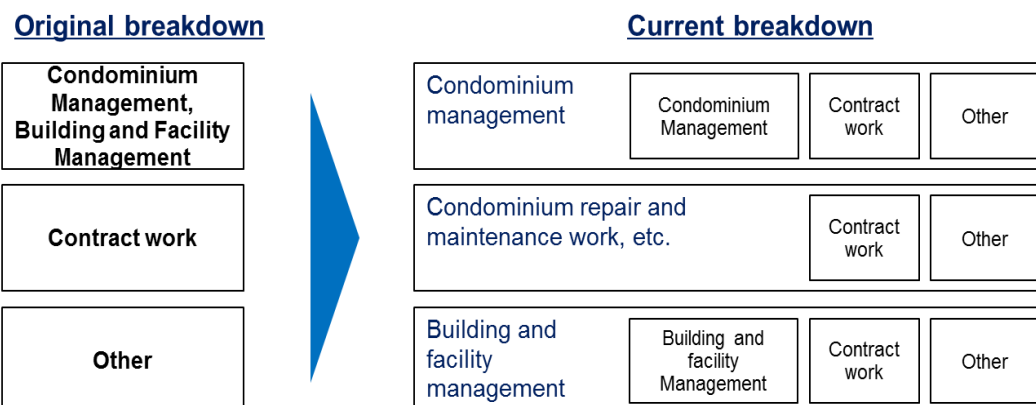
(Millions of yen)

Category	Three months ended June 30, 2017		Three months ended June 30, 2018		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	35,174	1,150	33,401	927	(1,773)	(223)
Real Estate Brokerage	13,865	318	14,027	264	161	(53)
Real Estate Development and Sales	17,257	(125)	11,018	(1,947)	(6,238)	(1,821)
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,524)	(863)	(930)	(1,080)	594	(217)
Total	64,772	480	57,517	(1,835)	(7,255)	(2,316)

1) Real Estate Management

Net sales increased ¥707 million over the previous year to ¥11,396 million for building and facility management, but net sales for repair and maintenance work for condominiums decreased by ¥2,935 million to ¥3,983 million. As a result, net sales in the real estate management business decreased ¥1,773 million to ¥33,401 million and operating income fell ¥223 million to ¥927 million.

Beginning with the first quarter of this consolidated fiscal year, we have changed business classifications from a breakdown by product and service to a breakdown in company units based on the main products and services (“condominium management,” “repair and maintenance work for condominiums,” and “building and facility management”) in order to augment information disclosure. For this reason, comparisons are made using figures for the same period in the previous year which have been restated to match the reported segment classification after the change.



Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Condominium Management	17,880	18,240	360
Condominium Repair and Maintenance Work, etc.	6,918	3,983	(2,935)
Building and Facility Management	10,688	11,396	707
Eliminations	(313)	(218)	94
Total	35,174	33,401	(1,773)

Condominium Management

• Number of Condominium Units under Management

Category	As of June 30, 2017	As of June 30, 2018	Change
Number of Condominium Units under Management	531,394 units	534,731 units	3,337 units

• Contract Work

(Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Orders	3,076	3,310	234
Sales	2,227	2,429	201
Backlog of Orders*	2,730	2,839	109

*The backlog of order is the balance at the end of the fiscal period.

Condominium Repair and Maintenance Work, etc.

• Contract Work (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Orders	11,652	11,850	197
Sales	6,853	3,925	(2,928)
Backlog of Orders*	28,762	29,094	332

*The backlog of order is the balance at the end of the fiscal period.

Building and Facility Management

• Backlog of Annual Contracted (Millions of yen)

Category	As of June 30, 2017	As of June 30, 2018	Change
Backlog of annual contracted	30,789	31,222	432

• Contract Work (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Orders	4,414	3,987	(426)
Sales	2,940	3,525	585
Backlog of Orders*	4,019	10,263	6,243

*The backlog of order is the balance at the end of the fiscal period.

2) Real Estate Brokerage

Net sales for lease management decreased ¥202 million to ¥2,300 million, but net sales for existing real estate sales increased ¥465 million to ¥8,256 million. As a result, net sales in the real estate brokerage business increased ¥161 million to ¥14,027 million. At the same time, operating income decreased ¥53 million from the previous year to ¥264 million.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Real Estate Brokerage	1,927	1,860	(67)
Existing Real Estate Sales	7,791	8,256	465
Lease Management	2,502	2,300	(202)
Other	1,644	1,609	(34)
Total	13,865	14,027	161

Amount of Brokerage Transactions (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Number of Brokerage Transactions	1,668	1,688	20
Total Amount of Transactions	43,236	40,230	(3,006)

Existing Real Estate Sales Results (Millions of yen)

Category	Three months ended June 30, 2017		Three months ended June 30, 2018		Change	
	Units	Amount	Units	Amount	Units	Amount
Renovated Condominiums	310 units	7,458	306 units	7,263	(4) units	(195)
Other	—	332	—	993	—	661
Total	310 units	7,791	306 units	8,256	(4) units	465

Number of Reserve Units for Existing Real Estate Sales

Category	As of June 30, 2017	As of June 30, 2018	Change
Number of units reserved	1,301 units	1,437 units	136 units
Number of condominiums with leases held (uncontracted)	601 units	818 units	217 units

3) Real Estate Development and Sales

Due to the effect of condominium sales amounting to 162 units (down 272 units year on year), and net sales amounting to ¥5,345 million (down ¥9,576 million year on year) as a result of fewer planned completions year on year, net sales for the real estate development and sales business decreased ¥6,238 million to ¥11,018 million. Operating loss was ¥1,947 million (loss of ¥125 million in the previous year).

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2017	Three months ended June 30, 2018	Change
Real Estate Sales	15,897	9,980	(5,916)
Other	1,359	1,037	(322)
Total	17,257	11,018	(6,238)

Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2017		Three months ended June 30, 2018		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement*	Condominiums	474 units	16,822	575 units	21,684	101 units	4,861
	Detached Houses	14 units	638	26 units	1,143	12 units	505
	Land and Buildings	—	582	—	—	—	(582)
	Total	488 units	18,043	601 units	22,827	113 units	4,784
Sales	Condominiums	434 units	14,921	162 units	5,345	(272) units	(9,576)
	Detached Houses	9 units	393	11 units	435	2 units	42
	Land and Buildings	—	582	—	4,200	—	3,617
	Total	443 units	15,897	173 units	9,980	(270) units	(5,916)
Contracted Sales**	Condominiums	1,164 units	41,378	1,704 units	64,561	540 units	23,182
	Detached Houses	14 units	622	24 units	1,054	10 units	431
	Land and Buildings	—	2,787	—	—	—	(2,787)
	Total	1,178 units	44,789	1,728 units	65,616	550 units	20,827

* 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 allocated proportionality based on 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, 2018	As of June 30, 2018	Change
Total assets	276,417	254,671	(21,745)
Inventories	113,538	125,695	12,156
Total liabilities	96,061	81,721	(14,339)
Interest-bearing debt	26,503	25,802	(700)
Total net assets	180,356	172,949	(7,406)
Shareholders' equity ratio	65.2%	67.9%	2.7pp

Total assets as of June 30, 2018 were ¥254,671 million, down ¥21,745million compared with the end of the previous fiscal year. This reflected a ¥12,156 million increase in real estate inventory as well as a ¥1,816 million increase in other inventories, while a ¥28,001 million decrease in cash and cash equivalents and ¥8,369 million decrease in notes and accounts receivable.

Total liabilities were ¥81,721 million, down ¥14,339million compared with the end of the previous fiscal year. This resulted from decreases of ¥9,785 million in accounts payable and ¥3,801million in other current liabilities due to a decrease in deposits.

Total net assets were ¥172,949 million, down ¥7,406 million compared with the end of the previous fiscal year. This can be attributed to a ¥6,948 million decreases in retained earnings, which resulted from posting of payment of dividends of surplus amounting ¥4,938 million and loss attributable to owners of parent amounting ¥2,009 million. Furthermore, the shareholders' equity ratio was 67.9%, 2.7 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 9, 2018.