

Operating income turns to surplus despite ongoing low delivery volume of completed units

DAIKYO INCORPORATED (the “Company”) announces financial results for the second quarter ended September 30, 2018. For more details, please refer to Consolidated Financial Results for the Second Quarter Ended September 30, 2018, and the Fact Sheets.

Consolidated Statements of Operations

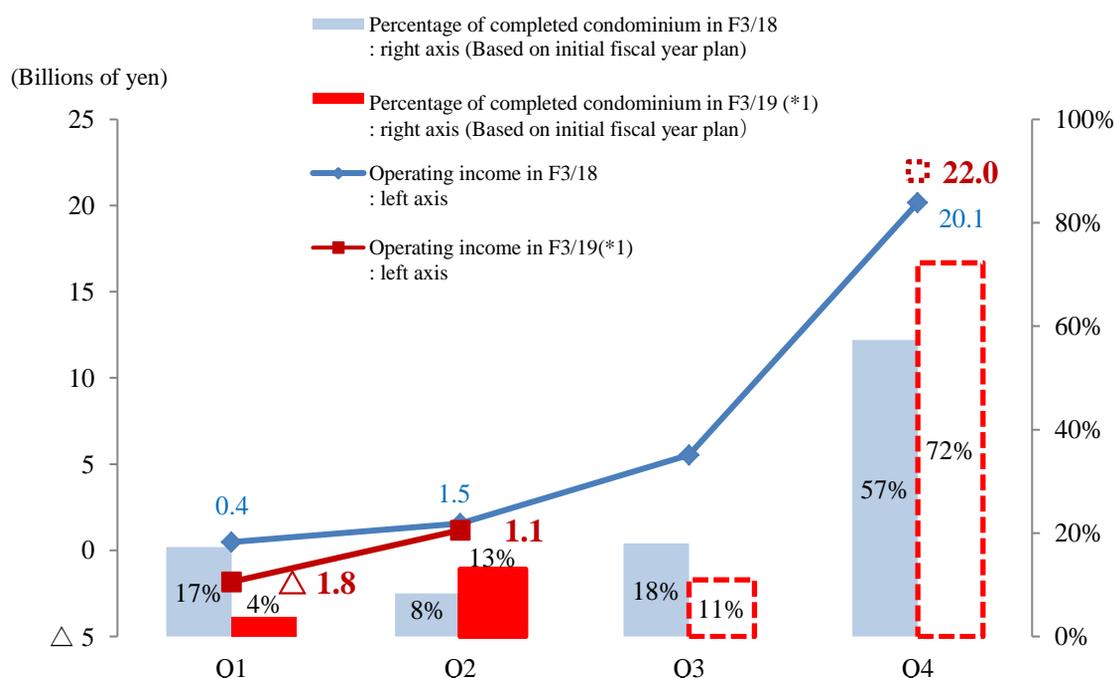
Six months ended September 30	2017	2018	Change	(Millions of yen) Forecast 2019
Net sales	133,640	130,645	Δ 2,994	365,000
Operating income	1,550	1,165	Δ 385	22,000
Ordinary income	1,373	1,023	Δ 350	20,500
Profit (loss) attributable to owners of parent	650	Δ 297	Δ 948	14,000

Consolidated Financial Results Summary

During the six months ended September 30, 2018, net sales decreased ¥2,994 million to ¥130,645 million, an operating income of ¥1,165 million was posted (a decrease of ¥385 million over the previous year), an ordinary income of ¥1,023 million was recorded (a decrease of ¥350 million over the previous year), and a ¥297 million loss attributable to owners of parent was posted (a decrease of ¥948 million over the previous year).

As shown in Graph below, in new condominium sales, which are posted as sales when the units are delivered, the number of completed units was down significantly over the same period in the previous year. This is because a high 72% of condominiums are expected to be completed in the fourth quarter. **Despite that, the decrease of operating income was much less than expected compared to the first quarter’s consolidated earnings, due to higher sales and income in the real estate brokerage business over the same period in the previous year. As a result, operating income returned to profitability.**

(Graph) Percentage of new condominium units completed in fiscal year ended in March 2018 and fiscal year ending in March 2019 (*1)



(*1) The percentage of condominiums completed in the fiscal year ending in March 2019 is based on the initial fiscal year plan. Figures for operating income in the fiscal year ending in March 2019 are the actual data for Q1 and Q2 and the full-year forecast for Q4.

■ Results by Segment

Real Estate Management

Six months ended September 30	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	77,519	75,769	Δ 1,749	4,174	4,153	Δ 20	

Segment Summary

- Compared to the previous year, net sales decreased by ¥1,749 million and operating income fell ¥20 million, as a result of a ¥4,554 million decrease in sales of repair and maintenance work for condominiums, which exceeded a ¥1,577 million increase in sales for building and facility management and a ¥1,042 million increase in condominium management sales.
- Of the repair and maintenance work for condominiums, progress in achieving the full-year forecast of ¥42 billion in sales for large-scale condominium repair and maintenance work was 74% as of the end of the first half (up 34 points from 40% at the end of the previous fiscal year).

Real Estate Brokerage

Six months ended September 30	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	29,419	31,080	1,661	1,239	1,769	529	

Segment Summary

- Net sales in the real estate brokerage segment increased ¥1,661 million and operating income rose ¥529 million, due to a ¥2,069 million increase in existing real estate sales over the same period in the previous fiscal year, offsetting a ¥460 million decrease in lease management over the previous year.
- The number of brokerage offices was 75 as of the end of the second quarter (compared with 74 at the end of the previous fiscal year).
- The number of reserve units for renovated condominiums stood at 1,497 units at the end of the second quarter (compared to 1,340 units at the end of the previous fiscal year). Of these, the number of condominiums with leases held (uncontracted) increased from 769 units at the end of the previous fiscal year to 927 units.

Real Estate Development and Sales

Six months ended September 30	Net sales			Operating loss			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	29,963	26,071	Δ 3,892	Δ 2,234	Δ 2,672	Δ 437	

Segment Summary

- The number of condominiums planned for completion in the second quarter is low compared to the same period in the previous fiscal year. As a result, the number of condominium units sold decreased by 174 units, from 684 units in the previous fiscal year to 510 units. Net sales from real estate sales decreased ¥3,231 million year on year to ¥23,668 million.
- The condominium gross profit margin (*2) was 24.5%, exceeding the full-year forecast of 24%.
- As a result, net sales decreased ¥3,892 million and operating income fell ¥437 million.
- The number of condominiums under contract increased by 146 units over the previous year to 1,255 units, and as a result, progress in achieving the full-year sales forecast was 79% as of the end of the first half of the fiscal year (compared to 46% at the end of the previous fiscal year), which represents steady progress.
- The number of completed but unsold condominium units was 276 units as of the end of the second quarter (compared with 351 units as of the end of the previous fiscal year).

(*2) “Total of units transferred during this period + contracted units to be transferred during this fiscal year” relative to the full-year forecast for units sold.

■ Regarding consolidated performance forecast

There are no changes in the full-year performance forecasts released in May 2018.