

Consolidated Financial Results for the Second Quarter Ended September 30, 2013 (J-GAAP) (Unaudited)

October 31, 2013

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
 Representative: Akira Yamaguchi, Representative Executive Officer, President
 Contact: Konosuke Miyakawa, Executive Officer & General Manager, Group Corporate Planning Dept.
 Planned date of the filing of quarterly report: November 8, 2013
 Planned dividends payment commencement date: —
 2Q earnings presentation materials: Available
 Holding of 2Q earnings announcement: Available (for institutional investors and analysts)

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

(Amounts less than one million yen are truncated)

1. Consolidated Performance for the Six Months Ended September 30, 2013 (April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (Cumulative) (% figures show year-on-year change)
(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
Six months ended September 30, 2013	154,988	(1.1)%	7,860	(31.7)%	7,242	(29.6)%	13,350	82.5%
Six months ended September 30, 2012	156,777	33.5%	11,514	102.3%	10,287	137.8%	7,314	(20.4)%

(Note) Comprehensive income: Six months ended September 30, 2013: ¥13,552 million / 86.7%
 Six months ended September 30, 2012: ¥7,258 million / (20.4)%

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2013	¥30.21	¥15.68
Six months ended September 30, 2012	¥16.55	¥8.59

(2) Consolidated financial position (Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2013	295,143	142,693	48.3%
As of March 31, 2013	275,442	131,314	47.7%

(Reference) Shareholders' equity:

As of September 30, 2013: ¥142,667 million As of March 31, 2013: ¥131,290 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2014	—	0.00			
Fiscal year ending March 31, 2014 (Forecast)			—	3.00	3.00

(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, 2014 (April 1, 2013 to March 31, 2014)

(% figures show year-on-year change) (Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	330,000	9.1%	16,000	(27.6)%	14,500	(28.5)%	21,000	35.2%	¥ 45.77

(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 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: 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):	Sep. 30, 2013	445,337,738	Mar. 31, 2013	445,337,738
2) Number of shares of treasury stock at end of period:	Sep. 30, 2013	3,426,380	Mar. 31, 2013	3,399,737
3) Average number of shares during period:	Apr.–Sep. 2013	441,926,171	Apr.–Sep. 2012	441,953,877

* Presentation of implementation state for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this 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 this 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.

On November 1, 2013, 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 promptly 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, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—	—			
Fiscal year ending March 31, 2014 (Forecast)			—	8.44	8.44

(Class 2 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—	—			
Fiscal year ending March 31, 2014 (Forecast)			—	8.44	8.44

(Class 4 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	8.84	8.84
Fiscal year ending March 31, 2014	—	—			
Fiscal year ending March 31, 2014 (Forecast)			—	8.44	8.44

(Class 7 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	10.00	10.00
Fiscal year ending March 31, 2014	—	—			
Fiscal year ending March 31, 2014 (Forecast)			—	9.00	9.00

(Class 8 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2013	—	—	—	10.00	10.00
Fiscal year ending March 31, 2014	—	—			
Fiscal year ending March 31, 2014 (Forecast)			—	9.00	9.00

1. Qualitative Information on Consolidated Performance in the Second Quarter

(1) Explanation of the consolidated operating results

During the six months ended September 30, 2013, despite a positive contribution from Anabuki Construction Inc. and its subsidiaries now in the scope of consolidation, net sales overall fell by ¥1,789 million, or 1.1% year on year, to ¥154,988 million, owing in part to a year-on-year decrease in the number of scheduled unit completions in mainstay condominium sales. Moreover, operating income decreased ¥3,654 million, or 31.7%, to ¥7,860 million, and ordinary income declined by ¥3,044 million, or 29.6%, to ¥7,242 million, partially due to a limited contribution to operating income in consolidated accounting caused by having stated inventories and other assets of Anabuki Construction and its subsidiaries at fair value. Meanwhile, net income grew ¥6,035 million, or 82.5%, to ¥13,350 million, due to influences such as recording of negative goodwill-incurred profits from the acquisition of Anabuki Construction Inc. as a consolidated subsidiary.

(Millions of yen)

Category	Six months ended September 30, 2012	Six months ended September 30, 2013	Change
Net sales	156,777	154,988	(1,789)
Operating income	11,514	7,860	(3,654)
Ordinary income	10,287	7,242	(3,044)
Net income	7,314	13,350	6,035

The results are broken down by segment as follows. The amounts reported for each segment include the inter-segment sales.

Performance by Segment

(Millions of yen)

Category	Six months ended September 30, 2012		Six months ended September 30, 2013		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	87,239	8,196	66,310	3,628	(20,929)	(4,567)
Real Estate Management	59,823	4,071	74,377	4,769	14,553	697
Real Estate Brokerage	10,534	288	16,397	1,118	5,862	830
Adjustments (Eliminations or Corporate Assets/Expenses)	(819)	(1,042)	(2,097)	(1,656)	(1,277)	(614)
Total	156,777	11,514	154,988	7,860	(1,789)	(3,654)

1) Real Estate Development and Sales

In the real estate development and sales segment, despite the positive contribution of Anabuki Construction Inc. as a consolidated subsidiary, net sales declined ¥20,929 million year on year to ¥66,310 million, and operating income was ¥3,628 million, a decrease of ¥4,567 million. This was due to a ¥23,494 million year-on-year decrease in condominium sales, which came in at ¥61,125 million amid sales of 1,788 units, or 437 fewer units year on year, amid a lower scheduled number of units completed than in the same period of the previous fiscal year.

The number and amount of contracted sales at the end of the second quarter were 3,036 units and ¥106,829 million, respectively, marking respective increases of 1,443 units and ¥39,623 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, 2012	Six months ended September 30, 2013	Change
Real Estate Sales	85,774	63,185	(22,588)
Other	1,464	3,124	1,659
Total	87,239	66,310	(20,929)

Real Estate Sales by Category

(Millions of yen)

Category		Six months ended September 30, 2012		Six months ended September 30, 2013		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	1,540 units	59,881	1,946 units	68,473	406 units	8,591
	Houses	3 units	179	13 units	479	10 units	300
	Other	—	1,154	—	446	—	(707)
	Total	1,543 units	61,215	1,959 units	69,399	416 units	8,184
Sales Results	Condominiums	2,225 units	84,620	1,788 units	61,125	(437) units	(23,494)
	Houses	—	—	14 units	458	14 units	458
	Other	—	1,154	—	1,601	—	447
	Total	2,225 units	85,774	1,802 units	63,185	(423) units	(22,588)
Contracted Sales Results**	Condominiums	1,593 units	67,206	3,036 units	106,829	1,443 units	39,623
	Houses	3 units	179	7 units	390	4 units	211
	Other	—	—	—	336	—	336
	Total	1,596 units	67,385	3,043 units	107,556	1,447 units	40,170

* 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) Real Estate Management

In the real estate management segment, management income increased ¥5,030 million year on year to ¥39,785 million and contract work income rose ¥7,890 million year on year to ¥29,877 million, due to the positive contribution of Anabuki Community Inc. and Anabuki Corporation that became consolidated subsidiaries. As a result of the above, net sales were ¥74,377 million, up ¥14,553 million year on year, and operating income was ¥4,769 million, up ¥697 million.

At the end of the second quarter, the number of condominium units managed increased 73,007 units to 513,794 units and the volume of contract work orders received was ¥37,124 million, an increase of ¥20,578 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, 2012	Six months ended September 30, 2013	Change
Condominium Management, Building Management	34,755	39,785	5,030
Contract Work	21,987	29,877	7,890
Other	3,080	4,714	1,633
Total	59,823	74,377	14,553

Number of Condominium Units Managed

Category	As of September 30, 2012	As of September 30, 2013	Change
Number of Condominium Units Managed	440,787 units	513,794 units	73,007 units

Contract Work

(Millions of yen)

Category	As of September 30, 2012	As of September 30, 2013	Change
Volume of Contract Work Orders Received	16,545	37,124	20,578

3) Real Estate Brokerage

In the real estate brokerage segment, net sales were ¥16,397 million, up ¥5,862 million year on year, with an operating income of ¥1,118 million, up ¥830 million year on year. This was due to strong performance in real estate brokerage and existing real estate sales, as well as to the positive contribution of Anabuki Real Estate Center Inc. that became a consolidated subsidiary.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2012	Six months ended September 30, 2013	Change
Real Estate Brokerage	3,139	3,827	687
Existing Real Estate Sales	5,013	7,279	2,266
Lease Management	2,140	4,699	2,558
Other	240	590	350
Total	10,534	16,397	5,862

Amount of Brokerage Transactions

Category	Six months ended September 30, 2012	Six months ended September 30, 2013	Change
Number of Brokerage Transactions	2,530	3,328	798
Total Amount of Transactions (Millions of yen)	75,500	78,209	2,709

Existing Real Estate Sales

(Millions of yen)

Category		Six months ended September 30, 2012		Six months ended September 30, 2013		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	260 units	4,775	356 units	7,203	96 units	2,427
	Other	—	237	—	75	—	(161)
	Total	260 units	5,013	356 units	7,279	96 units	2,266

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013	Change
Total assets	275,442	295,143	19,701
Inventories	94,559	123,109	28,549
Total liabilities	144,127	152,450	8,322
Interest-bearing debt	69,164	69,049	(114)
Total net assets	131,314	142,693	11,378
Shareholders' equity	131,290	142,667	11,376
Shareholders' equity ratio	47.7%	48.3%	0.6pp

Total assets as of September 30, 2013 were ¥295,143 million, up ¥19,701 million compared with the end of the previous fiscal year. This reflected factors including increases of ¥28,549 million in inventories, ¥1,863 million in goodwill, and ¥6,928 million in other intangible fixed assets, against a decline of ¥21,826 million in cash and deposits.

Total liabilities were ¥152,450 million, up ¥8,322 million compared with the end of the previous fiscal year. This in part reflected increases of ¥4,511 million in advances received, ¥5,247 million in deferred tax liabilities, ¥4,029 million in allowance for employees' retirement benefits, and ¥4,816 million in other long-term liabilities, against a decrease of ¥10,089 million in notes and accounts payable.

Total net assets rose ¥11,378 million, compared with the end of the previous fiscal year, to ¥142,693 million. This was attributable to an increase of ¥11,184 million in retained earnings, which resulted from recording of net income for the second quarter and offset the impact of a payment of ¥2,165 million in common stock and preferred stock dividends. Furthermore, the shareholders' equity ratio was 48.3%, 0.6 percentage points higher compared with the end of the previous fiscal year.

Most of these changes are a consequence of the acquisition of Anabuki Construction Inc. and its affiliates as consolidated subsidiaries.

(3) Explanation of information regarding consolidated performance forecast and other projections

There are no changes from the consolidated performance forecast announced on May 14, 2013.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the six 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

Not applicable

(4) Additional information

(Changes in the presentation method)

Penalty income that had been posted under non-operating income for the second quarter of the previous consolidated fiscal year (cumulative) has been posted under net sales from the previous fiscal year. This change was conducted for presentation in an income segment that more properly presents this income as resulting from the Company's business activities. The financial statements for the second quarter of the previous consolidated fiscal year (cumulative) have been reclassified to reflect this change in presentation.

As a result, ¥64 million of penalty income that had been presented under non-operating income in the consolidated statement of income for the second quarter of the previous fiscal year (cumulative) has been reclassified under net sales.