

Consolidated Financial Results for the Third Quarter Ended December 31, 2013 (J-GAAP) (Unaudited)

February 5, 2014

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
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 Planned date of filing of quarterly report: February 12, 2014
 Planned dividends payment commencement date: —
 3Q earnings presentation materials: Available
 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, 2013 (April 1, 2013 to December 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended December 31, 2013	218,417	3.9%	9,186	(28.6)%	8,232	(26.5)%	13,988	76.7%
Nine months ended December 31, 2012	210,221	12.2%	12,858	40.7%	11,205	63.0%	7,916	(8.5)%

(Note) Comprehensive income: Nine months ended December 31, 2013: ¥14,207 million / 79.3 %
 Nine months ended December 31, 2012: ¥7,922 million / (7.2) %

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2013	¥31.65	¥16.43
Nine months ended December 31, 2012	¥17.91	¥9.3

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

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2013	298,185	143,344	48.1%
As of March 31, 2013	275,442	131,314	47.7%

(Reference) Shareholders' equity:

As of December 31, 2013: ¥143,318 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 except for %)

	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 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: None

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

				(Unit: share)
(i) Number of issued shares at end of period (including treasury stock):	Dec. 31, 2013	445,337,738	Mar. 31, 2013	445,337,738
(ii) Number of shares of treasury stock at end of period:	Dec. 31, 2013	3,439,515	Mar. 31, 2013	3,399,737
(iii) Average number of shares during period:	Apr.–Dec. 2013	441,919,287	Apr.–Dec. 2012	441,951,297

* 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.

Earnings presentation materials for the third quarter will be posted on TDnet on the day of the earnings announcement, and also posted 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, 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 Third Quarter

(1) Explanation of the consolidated operating results

During the nine months ended December 31, 2013, net sales increased ¥8,195 million, or 3.9% year on year, to ¥218,417 million, owing to such factors as positive contributions from Anabuki Construction Inc. and its subsidiaries now in the scope of consolidation. However, operating income decreased ¥3,672 million, or 28.6%, to ¥9,186 million, and ordinary income declined by ¥2,972 million, or 26.5%, to ¥8,232 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, along with a year-on-year decrease in the number of scheduled unit completions in mainstay condominium sales. Meanwhile, net income grew ¥6,071 million, or 76.7%, to ¥13,988 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	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change
Net sales	210,221	218,417	8,195
Operating income	12,858	9,186	(3,672)
Ordinary income	11,205	8,232	(2,972)
Net income	7,916	13,988	6,071

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

Performance by Segment

(Millions of yen)

Category	Nine months ended December 31, 2012		Nine months ended December 31, 2013		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	107,417	8,625	86,364	3,480	(21,053)	(5,144)
Real Estate Management	87,778	5,479	109,752	6,505	21,974	1,026
Real Estate Brokerage	16,097	366	25,187	1,541	9,090	1,175
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,071)	(1,611)	(2,887)	(2,341)	(1,815)	(729)
Total	210,221	12,858	218,417	9,186	8,195	(3,672)

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 ¥21,053 million year on year to ¥86,364 million, and operating income was ¥3,480 million, a decrease of ¥5,144 million. This was due to a ¥24,666 million year-on-year decrease in condominium sales, which came in at ¥79,084 million amid sales of 2,276 units, or 487 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 third quarter were 3,113 units and ¥110,137 million, respectively, marking respective increases of 1,274 units and ¥31,674 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, 2012	Nine months ended December 31, 2013	Change
Real Estate Sales	105,195	82,014	(23,181)
Other	2,221	4,349	2,127
Total	107,417	86,364	(21,053)

Real Estate Sales by Category (Millions of yen)

Category		Nine months ended December 31, 2012		Nine months ended December 31, 2013		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,324 units	90,268	2,511 units	89,740	187 units	(528)
	Houses	5 units	360	23 units	761	18 unit	401
	Other	—	1,154	—	479	—	(674)
	Total	2,329 units	91,783	2,534 units	90,981	205 units	(801)
Sales Results	Condominiums	2,763 units	103,750	2,276 units	79,084	(487) units	(24,666)
	Houses	4 units	291	28 units	988	24 units	696
	Other	—	1,154	—	1,941	—	787
	Total	2,767 units	105,195	2,304 units	82,014	(463) units	(23,181)
Contracted Sales Results**	Condominiums	1,839 units	78,463	3,113 units	110,137	1,274 units	31,674
	Houses	1 unit	68	3 units	142	2 units	73
	Other	—	—	—	29	—	29
	Total	1,840 units	78,532	3,116 units	110,310	1,276 units	31,777

* 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 ¥7,534 million year on year to ¥60,143 million and contract work income rose ¥11,809 million year on year to ¥42,896 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 ¥109,752 million, up ¥21,974 million year on year, and operating income was ¥6,505 million, up ¥1,026 million.

At the end of the third quarter, the number of condominium units managed increased 73,500 units to 514,240 units and the volume of contract work orders received was ¥35,881 million, an increase of ¥17,890 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, 2012	Nine months ended December 31, 2013	Change
Condominium Management, Building Management	52,609	60,143	7,534
Contract Work	31,086	42,896	11,809
Other	4,081	6,712	2,630
Total	87,778	109,752	21,974

Number of Condominium Units Managed

Category	As of December 31, 2012	As of December 31, 2013	Change
Number of Condominium Units Managed	440,740 units	514,240 units	73,500 units

Contract Work

(Millions of yen)

Category	As of December 31, 2012	As of December 31, 2013	Change
Volume of Contract Work Orders Received	17,991	35,881	17,890

3) Real Estate Brokerage

In the real estate brokerage segment, net sales were ¥25,187 million, up ¥9,090 million year on year, with an operating income of ¥1,541 million, up ¥1,175 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	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change
Real Estate Brokerage	4,645	5,599	954
Existing Real Estate Sales	7,898	11,724	3,826
Lease Management	3,193	7,017	3,823
Other	360	846	485
Total	16,097	25,187	9,090

Amount of Brokerage Transactions

Category	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change
Number of Brokerage Transactions	3,912	5,026	1,114
Total Amount of Transactions (Millions of yen)	132,221	116,361	(15,859)

Existing Real Estate Sales

(Millions of yen)

Category		Nine months ended December 31, 2012		Nine months ended December 31, 2013		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	398 units	7,637	549 units	11,648	151 units	4,011
	Other	—	260	—	75	—	(184)
	Total	398 units	7,898	549 units	11,724	151 units	3,826

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013	Change
Total assets	275,442	298,185	22,743
Inventories	94,559	122,482	27,922
Total liabilities	144,127	154,840	10,713
Interest-bearing debt	69,164	70,858	1,694
Total net assets	131,314	143,344	12,030
Shareholders' equity	131,290	143,318	12,027
Shareholders' equity ratio	47.7%	48.1%	0.4pp

Total assets as of December 31, 2013 were ¥298,185 million, up ¥22,743 million compared with the end of the previous fiscal year. This reflected factors including increases of ¥27,922 million in inventories, ¥4,314 million in other inventories, ¥2,279 million in property and equipment, and ¥8,418 million in intangible fixed assets, against a decline of ¥22,048 million in cash and deposits.

Total liabilities were ¥154,840 million, up ¥10,713 million compared with the end of the previous fiscal year. This reflected increases of ¥3,215 million in income taxes payable, ¥7,686 million in advances received, ¥2,486 million in deferred tax liabilities, and ¥4,193 million in allowance for employees' retirement benefits, against a decrease of ¥7,938 million in notes and accounts payable.

Total net assets rose ¥12,030 million, compared with the end of the previous fiscal year, to ¥143,344 million. This was attributable to an increase of ¥11,822 million in retained earnings, which resulted from recording of net income for the third quarter, which offsets the impact of a payment of ¥2,165 million in common stock and preferred stock dividends. Furthermore, the shareholders' equity ratio was 48.1%, 0.4 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 nine 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 third 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 third quarter of the previous consolidated fiscal year (cumulative) have been reclassified to reflect this change in presentation.

As a result, ¥90 million of penalty income that had been presented under non-operating income in the consolidated statement of income for the third quarter of the previous fiscal year (cumulative) has been reclassified under net sales.

***Significant subsequent events**

On January 17, 2014, our preferred stockholder ORIX Corporation informed the Company of a decision to execute a demand for acquisition of 11,250,000 shares of class 2 preferred stock, 18,750,000 shares of class 4 preferred stock, 25,000,000 shares of class 7 preferred stock, and 23,598,144 shares of class 8 preferred stock of the Company.

In the event of reception of demand for acquisition, based on the stipulations of the Companies Act and the articles of association of the Company, the Company shall acquire these preferred stocks in exchange for delivery of 398,204,999 shares of our common stock to ORIX Corporation. Accordingly, ORIX Corporation will hold the majority of the voting rights of the Company and will become a holding company of it.