August 6, 2014

DAIKYO INCORPORATED

Summary of Consolidated Financial Results
For the Year Ended June 30, 2014

DAIKYO INCORPORATED (the "Company") announces financial results for the year ended June 30, 2014. For more details, please refer to Full Year Financial Results and Fact Sheets.

■Consolidated Statements of Operations

(Millions of yen)

Year ended June 30	2013	2014	Change	Forecast 2015
Net sales	**68,812**	**48,252**	**△ 20,560**	**330,000**
Operating income	**1,283**	**△ 2,926**	**△ 4,210**	**19,000**
Ordinary income	**1,079**	**△ 3,164**	**△ 4,243**	**17,800**
Net income	**8,899**	**△ 2,167**	**△ 11,066**	**13,500**

Consolidated Financial Results Summary

During the three months ended June 30, 2014, net sales declined ¥20,560 million, or 29.9% year on year, to ¥48,252 million, with an operating loss of ¥2,926 million compared to operating income of ¥1,283 million in the first three months of the previous fiscal year, an ordinary loss of ¥3,164 million compared to ordinary income of ¥1,079 million in the same period of the previous fiscal year, and a net loss of ¥2,167 million compared to net income of ¥8,899 million in the same period of the previous fiscal year, due to factors including the posting of negative goodwill in that period.

Despite in part to plans for fewer scheduled unit completions in condominium sales compared to the same period of the previous fiscal year, the individual segments are generally in line with the forecast. There are no changes from the consolidated performance forecast announced on May 13, 2014.

Additionally, the Company has initiated changes to accounting policies effective beginning with the first quarter of the current fiscal year. As such, those changes have been retrospectively applied to figures in this report for the first quarter of the previous fiscal year.

Results by Segment

◆ Real Estate Development and Sales

・Condominium sales declined ¥19,720 million year on year to ¥5,545 million, reflecting a decrease to 200 units sold, or 501 fewer units than in the same period of the previous fiscal year.

・This is due to our plans for fewer condominium completions: three buildings with 181 units in the first quarter of this fiscal year as opposed to nine buildings with 437 units in the same period of the previous fiscal year.

However, as of June 30, 2014, we have steadily acquired contracts whose total amount accounts for 72% of the full-year forecasts of condominium sales for the year ending March 31, 2015.

・The number of completed condominium units in inventories was 130 units, and decreased from 159 units at the end of the previous fiscal year, remaining at low levels.

◆ Real Estate Management

・Management income increased ¥309 million year on year, reflecting an increase of 6,160 units in the number of condominium units managed compared with the end of the same period of the previous fiscal year.

・Contract work income decreased by ¥872 million, reflecting a drop in demand after the last-minute surge ahead of the consumption tax hike and the change in the timing of the recording of sales of some construction work.

・Net sales in the real estate management segment reached 20% of full-year forecasts (compared with 22% in the same period of the previous fiscal year). The volume of contract work orders was generally in line with the forecast, showing signs of recovery.

◆ Real Estate Brokerage

・Despite year-on-year declines in the number and amount of brokerage transactions of 38 and ¥2,712 million, respectively, the real estate brokerage income decreased ¥293 million year on year.

・Existing real estate sales increased ¥832 million year on year reflecting an increase of 27 units in the number of renovated condominium units delivered.

・Operating expense increased ¥894 million, partly as a result of building up the workforce in anticipation of an increase in numbers of retail locations.

・Net sales in the real estate brokerage segment were generally in line with the forecast, reaching 21% of full-year forecasts (compared with 21% in the same period of the previous fiscal year).

■ Summary and main points of changes in accounting polices

◆ Summary of change in accounting policies

1. Previously, indirect costs, such as personnel expenses and other expenses pertaining mainly to land acquisition and construction work in the real estate development and sales segment had been allocated to costs of respective properties on the basis of proportions of direct costs, such as land acquisition expenses and construction expenses. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such indirect costs are accounted for as period expenses. At the same time, the Company has changed to a method of accounting for some indirect costs incurred in the real estate management segment as period expenses, upon review of allocations of such indirect costs where there is a diminishing relationship in matching expenses with revenues.
2.Previously, advertising expenses related to sales of condominiums and detached housing in the real estate development and sales segment were accounted for by collectively charging such expenses to income when the Company began handing over properties, in accordance with the principle of matching expenses to revenues. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such expenses are charged to income as they are incurred.
3.Previously, condominium sales gallery construction expenses and other such costs in the real estate development and sales segment were accounted for as costs for properties and recognized when sales were recorded, in accordance with the principle of matching expenses to revenues. As of the first quarter of the current fiscal year, however, the Company has changed to a method whereby such expenses are charged to income as they are incurred.

◆ Main effect of change in accounting policies

1. Balance Sheet as of the end of the previous fiscal year (excerpt）

(Millions of yen)

As of March 31	2014 (Before the retroactive application)	2014 (After the retroactive application)	Amounts of impact for the retroactive application
（Assets）			
Current assets			
Inventories			
Real estate for sale	**15,289**	**15,018**	**△ 270**
Real estate for sale in progress	**82,138**	**78,611**	**△ 3,526**
Real estate for development projects	**7,855**	**7,790**	**△ 64**
Other inventories	**2,591**	**2,540**	**△ 50**
Deferred tax asset	**3,984**	**5,707**	**1,722**
Others	**8,858**	**6,031**	**△ 2,826**
(Net assets）			
Shareholder's equity			
Retained earnings	**72,850**	**67,842**	**△ 5,007**

2.Consolidated Statement of Operations year ended June 30, 2013（excerpt）

(Millions of yen)

Year ended June 30	2013 (before the retroactive application)	2013 (After the retroactive application)	Amounts of impact for the retroactive application
Gross profit	**9,584**	**9,500**	**△ 84**
Operating income	**2,047**	**1,283**	**△ 763**
Ordinary income	**1,843**	**1,079**	**△ 763**
Income before income taxes and minority	**11,042**	**10,278**	**△ 763**

3.Segment information during the three months ended June 30, 2013 (excerpt）

(Millions of yen)

Year ended June 30	2013 (before the retroactive application)	2013 (After the retroactive application)	Amounts of impact for the retroactive application
Operating income or loss			
Real estate development and sales	**746**	**△ 38**	**△ 785**
Real estate management	**1,586**	**1,599**	**13**
Adjusted amount	**△ 836**	**△ 827**	**8**

■ Regarding consolidated performance forecast

There are no changes from consolidated performance forecast announced on May 13, 2014