Consolidated Financial Results
for the Second Quarter Ended September 30, 2014 (J-GAAP)
(Unaudited)

October 31, 2014

Listed company: DAIKYO INCORPORATED Listed stock exchange: Tokyo
Securities code: 8840 URL: http://www.daikyo.co.jp
Representative: Akira Yamaguchi, Representative Executive Officer, President
Contact: Koichi Hinako, General Manager, Group Corporate Planning Dept.
Planned date of the filing of quarterly report: November 7, 2014
Planned dividends payment commencement date: —
2Q earnings presentation materials: Available
Holding of 2Q earnings announcement: Available (for institutional investors and analysts)

(Amounts less than one million yen are truncated)

1. Consolidated Performance for the Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(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, 2014	126,369	(18.5)%	957	(85.0)%	417	(92.7)%	1,383	(88.1)%
Six months ended September 30, 2013	154,988	(1.1)%	6,370	—%	5,752	—%	11,636	—%

(Note) Comprehensive income: Six months ended September 30, 2014: ¥1,680 million / (85.8)%
Six months ended September 30, 2013: ¥11,838 million / —%

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2014	¥1.65	¥1.63
Six months ended September 30, 2013	¥26.33	¥13.67

(Note) Changes in accounting policy have been applied retrospectively to the figures presented for the six months ended September 30, 2013. Therefore, year-on-year changes on a percentage basis for the six months ended September 30, 2013 have been provided only for net sales that were not impacted by changes in accounting policy.

(2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2014	275,351	144,730	52.6%
As of March 31, 2014	297,812	144,986	48.7%

(Reference) Shareholders' equity:
As of September 30, 2014: ¥144,701 million As of March 31, 2014: ¥144,959 million

(Note) Changes in accounting policy have been applied retrospectively to the figures shown under "Consolidated financial position" as of March 31, 2014.

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2014	—	0.00	—	3.00	3.00
Fiscal year ending March 31, 2015	—	0.00			
Fiscal year ending March 31, 2015 (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, 2015 (April 1, 2014 to March 31, 2015)

(% 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	(1.1)%	19,000	12.4%	17,800	13.8%	13,500	(35.1)%	¥15.97

(Note) Revisions to the latest performance forecast: None
Changes in accounting policy have been applied retrospectively resulting in changes to some of the figures showing year-on-year changes on a percentage basis listed in the "Consolidated Performance Forecast" above.

* 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: Yes
(ii) Change in accounting policies other than item (i) above: Yes
(iii) Change in accounting estimates: None
(iv) Retrospective restatements: None
(Note) For details on those changes, refer to “2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements” on page 9.

(4) Number of shares issued (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	Sep. 30, 2014	843,542,737	Mar. 31, 2014	843,542,737
2) Number of shares of treasury stock at end of period:	Sep. 30, 2014	3,455,944	Mar. 31, 2014	3,442,847
3) Average number of shares during period:	Apr.–Sep. 2014	840,093,205	Apr.–Sep. 2013	441,926,171

* 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 October 31, 2014, 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 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, 2014	—	—	—	8.44	8.44
Fiscal year ending March 31, 2015	—	—			
Fiscal year ending March 31, 2015 (Forecast)			—	8.28	8.28

1. Qualitative Information on Consolidated Performance in the Second Quarter

(1) Explanation of the consolidated operating results

During the six months ended September 30, 2014, net sales declined ¥28,618 million, or 18.5% year on year, to ¥126,369 million, owing in part to plans for fewer scheduled unit completions in condominium sales compared to the same period of the previous fiscal year. Meanwhile, operating income decreased ¥5,413 million, or 85.0% year on year, to ¥957 million, and ordinary income decreased ¥5,335 million, or 92.7% year on year, to ¥417 million. Net income decreased ¥10,252 million, or 88.1% year on year, to ¥1,383 million, due to factors including the posting of negative goodwill in the same period of the previous fiscal year.

Additionally, the Company has initiated changes to accounting policies effective beginning with the first quarter of the current fiscal year, as has been detailed under section "2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements, 2. Accounting treatment pertaining to the real estate development and sales segment." As such, those changes have been retrospectively applied to figures in this report for the second quarter of the previous fiscal year (cumulative).

(Millions of yen)

Category	Six months ended September 30, 2013	Six months ended September 30, 2014	Change
Net sales	154,988	126,369	(28,618)
Operating income	6,370	957	(5,413)
Ordinary income	5,752	417	(5,335)
Net income	11,636	1,383	(10,252)

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

Performance by Segment (Millions of yen)

Category	Six months ended September 30, 2013		Six months ended September 30, 2014		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	66,310	2,077	35,821	(1,239)	(30,489)	(3,317)
Real Estate Management	74,377	4,792	74,299	3,160	(77)	(1,632)
Real Estate Brokerage	16,397	1,118	17,661	642	1,264	(476)
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,097)	(1,618)	(1,413)	(1,606)	684	12
Total	154,988	6,370	126,369	957	(28,618)	(5,413)

1) Real Estate Development and Sales

Condominium sales declined ¥31,777 million year on year to ¥29,348 million, reflecting a decrease to 935 units sold, or 853 fewer units than in the same period of the previous fiscal year, due to plans for fewer properties completed and handed over than in the same period of the previous fiscal year. As a result, net sales in the real estate development and sales segment declined by ¥30,489 million year on year to ¥35,821 million, accompanied by an operating loss of ¥1,239 million, compared with an operating income of ¥2,077 million in the same period of the previous fiscal year.

The number and amount of contracted sales at the end of the second quarter of the current fiscal year were 2,763 units and ¥103,006 million, respectively, marking respective decreases of 273 units and ¥3,822 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, 2013	Six months ended September 30, 2014	Change
Real Estate Sales	63,185	32,085	(31,100)
Other	3,124	3,735	610
Total	66,310	35,821	(30,489)

Real Estate Sales by Category (Millions of yen)

Category		Six months ended September 30, 2013		Six months ended September 30, 2014		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	1,946 units	68,473	1,379 units	50,274	(567) units	(18,199)
	Houses	13 units	479	8 units	394	(5) units	(84)
	Other	—	446	—	3,269	—	2,823
	Total	1,959 units	69,399	1,387 units	53,939	(572) units	(15,460)
Sales Results	Condominiums	1,788 units	61,125	935 units	29,348	(853) units	(31,777)
	Houses	14 units	458	8 units	380	(6) units	(78)
	Other	—	1,601	—	2,356	—	754
	Total	1,802 units	63,185	943 units	32,085	(859) units	(31,100)
Contracted Sales Results**	Condominiums	3,036 units	106,829	2,761 units	103,006	(275) units	(3,822)
	Houses	7 units	390	2 units	107	(5) units	(282)
	Other	—	336	—	913	—	576
	Total	3,043 units	107,556	2,763 units	104,027	(280) units	(3,529)

* 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, despite strong results with respect to management income, which increased ¥683 million year on year to ¥40,469 million, net sales in the segment decreased by ¥77 million year on year to ¥74,299 million, partially due to a decrease in contract work income of ¥344 million to ¥29,533 million. Meanwhile, operating income decreased ¥1,632 million year on year to ¥3,160 million, partially as a result of efforts geared toward reinforcing the personnel structure to improve service quality as well as an increase in cost of contract work.

At the end of the second quarter, the number of condominium units managed increased 6,546 units to 520,340 units and the volume of contract work orders received was ¥23,957 million, a decrease of ¥13,166 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, 2013	Six months ended September 30, 2014	Change
Condominium Management, Building Management	39,785	40,469	683
Contract Work	29,877	29,533	(344)
Other	4,714	4,297	(416)
Total	74,377	74,299	(77)

Number of Condominium Units Managed

Category	As of September 30, 2013	As of September 30, 2014	Change
Number of Condominium Units Managed	513,794 units	520,340 units	6,546 units

Contract Work (Millions of yen)

Category	As of September 30, 2013	As of September 30, 2014	Change
Volume of Contract Work Orders Received	37,124	23,957	(13,166)

3) Real Estate Brokerage

Despite a year-on-year decline in real estate brokerage income of ¥367 million to ¥3,460 million, total net sales in the real estate brokerage segment increased ¥1,264 million year on year to ¥17,661 million owing to a year-on-year increase in existing real estate sales of ¥1,643 million to ¥8,923 million. However, operating income decreased ¥476 million to ¥642 million partly as a result of building up the workforce in conjunction with an increase in numbers of retail locations.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2013	Six months ended September 30, 2014	Change
Real Estate Brokerage	3,827	3,460	(367)
Existing Real Estate Sales	7,279	8,923	1,643
Lease Management	4,699	4,718	19
Other	590	559	(31)
Total	16,397	17,661	1,264

Amount of Brokerage Transactions

Category	Six months ended September 30, 2013	Six months ended September 30, 2014	Change
Number of Brokerage Transactions	3,328	3,196	(132)
Total Amount of Transactions (Millions of yen)	78,209	86,887	8,678

Existing Real Estate Sales (Millions of yen)

Category		Six months ended September 30, 2013		Six months ended September 30, 2014		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	356 units	7,203	417 units	8,802	61 units	1,598
	Other	—	75	—	121	—	45
	Total	356 units	7,279	417 units	8,923	61 units	1,643

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014	Change
Total assets	297,812	275,351	(22,461)
Inventories	101,421	112,670	11,249
Total liabilities	152,826	130,621	(22,205)
Interest-bearing debt	63,646	58,822	(4,824)
Total net assets	144,986	144,730	(256)
Shareholders’ equity	144,959	144,701	(257)
Shareholders’ equity ratio	48.7%	52.6%	3.9 pp

Total assets as of September 30, 2014 were ¥275,351 million, down ¥22,461 million compared with the end of the previous fiscal year. This reflected factors including an increase of ¥11,249 million in inventories, and declines of ¥17,842 million in cash and deposits and ¥13,930 million in securities.
Total liabilities were ¥130,621 million, down ¥22,205 million compared with the end of the previous fiscal year. This resulted from decreases of ¥9,198 million in notes and accounts payable, ¥4,824 million in interest-bearing debt and ¥4,120 million in income taxes payable. Note that a total commitment line of ¥26,000 million has been signed with major financial institutions for the purpose of securing flexible fund procurement and improving the funding efficiency of the Group.
Total net assets declined ¥256 million compared with the end of the previous fiscal year to ¥144,730 million. The lower figure for net assets, despite a gain of ¥1,383 million in net income, was partially attributable to a decrease of ¥550 million in retained earnings mainly resulting from dividends of surplus amounting to ¥2,604 million. Furthermore, the shareholders’ equity ratio was 52.6%, 3.9 percentage points higher compared with the end of the previous fiscal year.
Additionally, the Company has initiated changes to accounting policies effective beginning with the first quarter of the current fiscal year, as has been detailed under section "2. Summary Information (Notes), (3) Changes in accounting policies and estimates, or retrospective restatements, 2. Accounting treatment pertaining to the real estate development and sales segment." As such, those changes have been retrospectively applied to figures in this report for 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 13, 2014.

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

(Changes in accounting policies)

1. Application of accounting standards for retirement benefits

From the first quarter of the current fiscal year, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued May 17, 2012; hereinafter "Guidance"), with respect to the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standards and in the main clause of Article 67 of the Guidance. Accordingly, upon review of its methods for calculating retirement benefit obligations and service costs, the Company has changed its method of attributing expected benefits to accounting periods, and now uses the benefit formula basis rather than the straight-line basis used previously. The Company has also adopted a new method of determining the discount rate, and has accordingly changed to one involving the use of a single weighted average discount rate reflecting the estimated timing and amounts of benefit payments, in place of its previous method where the discount rate was determined based on a number of years approximate to the expected average remaining service period of the Company's employees.

In adopting accounting polices including those in the Retirement Benefits Accounting Standards, beginning with the first half of the current fiscal year, the Company adjusts retained earnings by amounts derived by the change in the method used for calculating retirement benefit obligations and service costs in accordance with the transitional treatment set forth in Article 37 of the Retirement Benefits Accounting Standards.

As a result, the net defined benefit liability at the beginning of the current fiscal year decreased by ¥795 million, and retained earnings increased by ¥670 million.

Note that this change has not caused a material impact on operating income, ordinary income, or income before income taxes and minority interest for the second quarter of the current fiscal year.

2. Accounting treatment pertaining to the real estate development and sales segment

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.

This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given that declining purchasing volumes in recent years have brought about a diminishing relationship with respect to matching expenses and revenues and inadequate rationale for using conventional expense allocation methods. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

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.

This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given a diminishing direct relationship between advertising expenses and net sales due to a shift in recent years from the use primarily of leaflets for advertising to use of the Internet and multiple other formats, and also due to greater diversity in sales methods such as those where units of a single property are sold over multiple phases. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

3) Previously, condominium sales showroom 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.

This change was made upon review of our accounting methods, as we move to adopt a new property development and sales system and a new accounting system in the first quarter of the current fiscal year, and given that the new method more accurately reflects the realities of our business by distinguishing between direct costs attributable to net sales and expenses related to sales activities. The change was also made to enhance the financial standing of the Company and to more accurately represent profit and loss of respective fiscal periods.

These changes in accounting policy have been retrospectively applied to the Company's consolidated financial statements for the second quarter of the previous fiscal year (cumulative).

As a result, the Company's real estate for sale, real estate for sale in progress, real estate for development projects and other inventories, as well as others under current assets presented in the Consolidated Balance Sheet as of the end of the previous fiscal year decreased by ¥270 million, ¥3,526 million, ¥64 million, ¥50 million and ¥2,826 million, respectively, and deferred tax assets listed under current assets increased by ¥1,722 million, compared with the corresponding figures before the retrospective application. The retrospective application also decreased gross profit by ¥230 million, and decreased operating income, ordinary income and income before income taxes and minority interest each by ¥1,489 million, as presented in the Consolidated Statement of Income for the second quarter of the previous fiscal year (cumulative). Meanwhile, the retained earnings balance at the beginning of the previous fiscal year decreased by ¥3,967 million, reflecting the cumulative impact on net assets at the beginning of the previous fiscal year. The monetary effect of these changes resulting from retrospective application of accounting policies has been presented in aggregate, and not attributed to specific changes in accounting policy, given the complexities involved in doing so.

Also, net income per share and fully diluted net income per share for the second quarter of the previous fiscal year (cumulative) decreased by ¥3.88 and ¥2.01, respectively.

Amounts that impact segment information are stated in the corresponding sections of this document.