

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (J-GAAP) (Unaudited)

May 12, 2015

Listed company: DAIKYO INCORPORATED
 Securities code: 8840 URL: <http://www.daikyo.co.jp>
 Representative: Akira Yamaguchi, Representative Executive Officer, President
 Contact: Koichi Hinago, General Manager Group Corporate Planning Dept.
 Planned date of Ordinary General Meeting of Shareholders: June 23, 2015
 Planned date of submission of Annual Securities Report: June 23, 2015
 Planned dividends payment commencement date: June 24, 2015
 Preparation of earnings presentation material: Yes
 Holding of earnings announcement: Yes (for institutional investors and analysts)
 (Amounts less than one million yen are truncated)

Listed stock exchange: Tokyo

1. Consolidated Performance for the Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|----------------------------------|-----------|--------|------------------|------|-----------------|------|------------|---------|
| Fiscal year ended March 31, 2015 | 317,154 | (5.0)% | 18,124 | 7.2% | 16,703 | 6.7% | 12,154 | (41.5)% |
| Fiscal year ended March 31, 2014 | 333,813 | 10.3% | 16,910 | — | 15,646 | — | 20,790 | — |

(Note) Comprehensive income

Fiscal year ended March 2015: ¥13,469 million / (35.9)% Fiscal year ended March 2014: ¥21,001 million / -%

| | Net income per share | Fully diluted net income per share | Ratio of net income to shareholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|----------------------------------|----------------------|------------------------------------|---|--|--|
| Fiscal year ended March 31, 2015 | ¥14.37 | ¥14.27 | 8.0% | 5.4% | 5.7% |
| Fiscal year ended March 31, 2014 | ¥43.32 | ¥24.42 | 15.3% | 5.5% | 5.1% |

(Reference) Equity in (earnings) loss of non-consolidated subsidiaries and affiliates:

Fiscal year ended March 2015: ¥— million Fiscal year ended March 2014: ¥—million

(Note) Changes in accounting policy have been applied retrospectively to the figures presented for the fiscal year ended March 31, 2014. Therefore, year-on-year changes on a percentage basis for the fiscal year ended March 31, 2014 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 % and per-share figures)

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|----------------------------------|--------------|------------|----------------------------|----------------------|
| Fiscal year ended March 31, 2015 | 324,610 | 156,488 | 48.2% | ¥186.42 |
| Fiscal year ended March 31, 2014 | 297,812 | 144,986 | 48.7% | ¥167.69 |

(Reference) Shareholders' equity:

Fiscal year ended March 2015: ¥156,488 million Fiscal year ended March 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

(3) Consolidated cash flows (Millions of yen)

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at end of year |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Fiscal year ended March 31, 2015 | 20,079 | (11,034) | (8,994) | 96,526 |
| Fiscal year ended March 31, 2014 | 20,220 | (25,560) | (14,069) | 96,413 |

Disclaimer

This document was prepared in English for conveniences purpose only. The original Japanese document shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this document.

2. State of Dividends

| | Dividends per share (Yen) | | | | | Total dividends (Millions of yen) | Dividend payout ratio (Consolidated) (%) | Ratio of dividends to net assets (Consolidated) (%) |
|--|---------------------------|--------|--------|----------|-------|--------------------------------------|--|---|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| Fiscal year ended March 31, 2014 | — | 0.00 | — | 3.00 | 3.00 | 2,520 | 6.9 | 1.6 |
| Fiscal year ended March 31, 2015 | — | 0.00 | — | 3.00 | 3.00 | 2,520 | 20.9 | 1.7 |
| Fiscal year ending March 31, 2016 (Forecast) | — | 0.00 | — | 3.00 | 3.00 | | 20.3 | |

Note: The above “Status of Dividends” is only the status of dividends from common stock. 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, 2016 (April 1, 2015 to March 31, 2016) (% figures show year-on-year change) (Millions of yen)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to parent company shareholders | | Net income per share |
|-----------|-----------|-----|------------------|-------|-----------------|-----|---|-----|-------------------------|
| Full-year | 335,000 | 5.6 | 18,000 | (0.7) | 17,000 | 1.8 | 12,500 | 2.8 | 14.78 |

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in change in scope of consolidation): None

New: — (Company name:) Excluded: — (Company name:)

(2) Changes in accounting policies and estimates, or retrospective restatements

(i) Change in accounting policies in accordance with revision of accounting standards: Yes

(ii) Changes in accounting policies other than item (i) above: Yes

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

(Unit: share)

| | | | | |
|--|----------------|-------------|----------------|-------------|
| 1) Number of issued shares at end of period (including treasury stock) | Mar. 31, 2015 | 843,542,737 | Mar. 31, 2014 | 843,542,737 |
| 2) Number of shares of treasury stock at end of period | Mar. 31, 2015 | 3,465,386 | Mar. 31, 2014 | 3,442,847 |
| 3) Average number of shares during period | Apr.-Mar. 2015 | 840,087,503 | Apr.-Mar. 2014 | 477,916,061 |

(Reference) Overview of non-consolidated financial results

1. Non-consolidated Performance for the Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(1) Non-consolidated operating results (% figures show year-on-year change)
(Millions of yen)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------------------------|-----------|---------|------------------|-------|-----------------|-------|------------|-------|
| Fiscal year ended March 31, 2015 | 86,605 | (14.6)% | 5,109 | 17.7% | 15,891 | 70.9% | 16,854 | 77.6% |
| Fiscal year ended March 31, 2014 | 101,388 | (36.2)% | 4,340 | — | 9,296 | — | 9,487 | — |

| | Net income per share | Fully diluted net income per share |
|-------------------------------------|-------------------------|---------------------------------------|
| Fiscal year ended March 31, 2015 | ¥19.96 | ¥11.59 |
| Fiscal year ended March 31, 2014 | ¥19.68 | ¥11.14 |

(Note) Changes in accounting policy have been applied retrospectively to the figures presented for the fiscal year ended March 31, 2014. Therefore, year-on-year changes on a percentage basis for the fiscal year ended March 31, 2014 have been provided only for net sales that were not impacted by changes in accounting policy.

(2) Non-consolidated financial position

(Millions of yen except for % and per-share figures)

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|-------------------------------------|--------------|------------|----------------------------|----------------------|
| Fiscal year ended March 31, 2015 | 259,943 | 143,343 | 55.1% | ¥165.77 |
| Fiscal year ended March 31, 2014 | 225,634 | 128,672 | 57.0% | ¥148.30 |

(Reference) Shareholders' equity:

Fiscal year ended March 2015: ¥143,343 million

Fiscal year ended March 2014: ¥128,672 million

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

* Presentation of implementation state for auditing procedures

The auditing procedure based on the Financial Instruments and Exchange Act does not apply to this Consolidated Financial Results, and the auditing 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 the performance outlook, etc., were written based on the information the Company has at this time and certain assumptions the Company considers to be reasonable. Actual performance may differ from the forecast figures due to various factors.

For details of the above performance forecasts, refer to page 10 of the attached materials, "1. Operating Results and Financial Position (1) Analysis of operating results, Outlook for the Fiscal Year Ending March 31, 2016."

The Company is scheduled to hold an earnings announcement for institutional investors and analysts on May 14, 2015. The presentation material used on that day will be promptly uploaded after the announcement on the Company's homepage.

State of Dividends from Class Stock

The breakdown of the dividends per share and the amount of dividends from class stock with different rights from common stock are as follows.

(Class 1 preferred stock)

| | Annual dividends (Yen) | | | | | Total dividends (Millions of yen) |
|---|------------------------|--------|--------|----------|-------|--------------------------------------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | |
| Fiscal year ended March 31, 2014 | — | — | — | 8.44 | 8.44 | 84 |
| Fiscal year ending March 31, 2015 | — | — | — | 8.28 | 8.28 | 82 |
| Fiscal year ending March 31, 2016 (Forecast) | — | — | — | 8.13 | 8.13 | 81 |

1. Operating Results and Financial Position

(1) Analysis of operating results

Operating Results for the Fiscal Year under Review

Overall Performance

During the fiscal year ended March 31, 2015, the Japanese economy held steady overall, generally maintaining course on a path of gradual recovery. This was largely attributable to a marked trend of improvement over the latter half of the fiscal year with respect to corporate revenues and exports, despite a slowdown in the first half due to such factors as a dip in personal spending resulting from the consumption tax rate hike, amid a scenario of yen depreciation coupled with a recovering upward trend in stock prices driven largely by the government's economic stimulus measures and additional monetary easing by the Bank of Japan.

The condominium market generally remained firm, with support provided by steady demand against a backdrop of factors such as low mortgage interest rates and the government's stimulus policy for homebuyers, despite signs of cautious sentiment associated with the consumption tax rate hike.

In the real estate management market, there was a visible trend toward upgrades and expansion of services beyond those involving conventional condominium and building management, amid growing customer needs associated with heightening cost consciousness and increasingly diverse lifestyles.

The real estate brokerage market remained firm partially thanks to demand from overseas investors and shifting attitudes toward existing residences, despite relatively fewer sales contracts in comparison with results achieved in last year's favorable market.

In this business environment, the Daikyo Group pursued efficiency-oriented management of operations geared toward improving profitability, and also implemented organizational restructuring with the aim of reinforcing its "stock" business. Moreover, the Daikyo Group pursued innovation in its existing businesses, such as by developing new business that involves making use of periods when people's vacation homes would otherwise go unoccupied and establishing new operations in Okinawa and overseas, while also taking on initiatives involving new business ventures both within and outside Japan.

During the fiscal year under review, net sales decreased ¥16,659 million, or 5.0% year on year, to ¥317,154 million, operating income increased ¥1,214 million, or 7.2%, to ¥18,124 million, and ordinary income increased ¥1,056 million, or 6.7%, to ¥16,703 million. Meanwhile, net income decreased ¥8,635 million, or 41.5% year on year, to ¥12,154 million, due to factors including the posting of a gain on negative goodwill in the previous fiscal year.

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

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|------------------|-------------------------------------|-------------------------------------|----------|
| Net sales | 333,813 | 317,154 | (16,659) |
| Operating income | 16,910 | 18,124 | 1,214 |
| Ordinary income | 15,646 | 16,703 | 1,056 |
| Net income | 20,790 | 12,154 | (8,635) |

Results by Segment

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 | Fiscal year ended March 31, 2014 | | Fiscal year ended March 31, 2015 | | Change | |
|--|-------------------------------------|---------------------|-------------------------------------|---------------------|-----------|---------------------|
| | Net sales | Operating income | Net sales | Operating income | Net sales | Operating income |
| Real Estate Development and Sales | 142,765 | 7,863 | 120,712 | 10,121 | (22,052) | 2,258 |
| Real Estate Management | 158,257 | 9,724 | 158,070 | 8,331 | (187) | (1,392) |
| Real Estate Brokerage | 36,632 | 2,388 | 41,862 | 2,840 | 5,229 | 452 |
| Adjustments (Eliminations or Corporate Assets/Expenses) | (3,841) | (3,065) | (3,490) | (3,169) | 350 | (103) |
| Total | 333,813 | 16,910 | 317,154 | 18,124 | (16,659) | 1,214 |

1) Real Estate Development and Sales

In the real estate development and sales segment, net sales were ¥120,712 million, a decrease of ¥22,052 million year on year. The decline is attributable to 724 fewer units sold and a corresponding ¥25,407 million drop in sales compared with the previous fiscal year, for total condominium sales of 3,066 units amounting to ¥106,695 million. However, operating income increased ¥2,258 million year on year to ¥10,121 million, largely due to a positive contribution to earnings from Anabuki Construction Inc., which had been limited in the previous fiscal year.

The number and amount of contracted condominium sales at the end of the fiscal year were 2,025 units and ¥76,098 million. These two figures marked decreases of 292 units and ¥5,982 million compared with the end of the previous fiscal year.

<Major properties in terms of net sales (condominium development and sales)>

| | |
|--|---------------------------|
| Osaka Hibikino Machi – The Sanctus Tower | (Osaka City, Osaka) |
| The Seasons Gran Alt Koshigaya Laketown | (Koshigaya, Saitama) |
| Lions Kitaurawa Station Residence | (Saitama City, Saitama) |
| Lions Ibaraki New City A Block | (Ibaraki, Osaka) |
| Surpass Fuzoku-chu Mae | (Miyazaki City, Miyazaki) |

Breakdown of Net Sales

(Millions of yen)

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|-------------------|-------------------------------------|-------------------------------------|----------|
| Real estate sales | 135,654 | 111,644 | (24,009) |
| Other | 7,111 | 9,068 | 1,957 |
| Total | 142,765 | 120,712 | (22,052) |

Real Estate Sales

(Millions of yen)

| Category | | Fiscal year ended March 31, 2014 | | Fiscal year ended March 31, 2015 | | Change | |
|-----------------------------------|--------------|-------------------------------------|---------|-------------------------------------|---------|-------------|----------|
| | | Units | Amount | Units | Amount | Units | Amount |
| Contract Agreement Results* | Condominiums | 3,229 units | 114,702 | 2,774 units | 100,713 | (455) units | (13,988) |
| | Houses | 35 units | 1,303 | 40 units | 1,878 | 5 units | 575 |
| | Other | — | 479 | — | 7,809 | — | 7,330 |
| | Total | 3,264 units | 116,485 | 2,814 units | 110,401 | (450) units | (6,083) |
| Sales Results | Condominiums | 3,790 units | 132,103 | 3,066 units | 106,695 | (724) units | (25,407) |
| | Houses | 41 units | 1,579 | 35 units | 1,668 | (6) units | 89 |
| | Other | — | 1,971 | — | 3,279 | — | 1,308 |
| | Total | 3,831 units | 135,654 | 3,101 units | 111,644 | (730) units | (24,009) |
| Contracted Sales Results** | Condominiums | 2,317 units | 82,080 | 2,025 units | 76,098 | (292) units | (5,982) |
| | Houses | 2 units | 93 | 7 units | 302 | 5 units | 209 |
| | Other | — | — | — | 4,530 | — | 4,530 |
| | Total | 2,319 units | 82,173 | 2,032 units | 80,931 | (287) units | (1,242) |

* 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.

Notes: Contracted sales are the balance as of the end of the fiscal year under review.

2) Real Estate Management

In the real estate management segment, although management income increased ¥1,529 million year on year to ¥81,654 million, segment net sales decreased ¥187 million to ¥158,070 million, largely due to a ¥1,762 million decrease in contract work income to ¥66,209 million. Meanwhile, operating income decreased ¥1,392 million year on year to ¥8,331 million, partially as a result of efforts geared toward reinforcing the personnel structure to improve service quality.

At the end of the fiscal year, the number of condominium units managed increased 9,473 units to 526,131 units and the volume of contract work orders received was ¥31,478 million, an increase of ¥7,812 million compared with the end of the previous fiscal year.

Breakdown of Net Sales

(Millions of yen)

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|---|-------------------------------------|-------------------------------------|---------|
| Condominium Management, Building Management | 80,125 | 81,654 | 1,529 |
| Contract Work | 67,972 | 66,209 | (1,762) |
| Other | 10,160 | 10,206 | 46 |
| Total | 158,257 | 158,070 | (187) |

Number of Condominium Units Managed

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|--|-------------------------------------|-------------------------------------|-------------|
| Number of Condominium Units Managed | 516,658 units | 526,131 units | 9,473 units |

Contract Work

(Millions of yen)

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|--|-------------------------------------|-------------------------------------|--------|
| Volume of Contract Work Orders Received | 23,666 | 31,478 | 7,812 |

3) Real Estate Brokerage

Despite a year-on-year decline in real estate brokerage income of ¥533 million to ¥7,453 million, total net sales in the real estate brokerage segment increased ¥5,229 million to ¥41,862 million, and operating income increased ¥452 million to ¥2,840 million, owing to a year-on-year increase in real estate sales of ¥5,663 million to ¥23,750 million.

Breakdown of Net Sales

(Millions of yen)

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|-----------------------|-------------------------------------|-------------------------------------|--------|
| Real Estate Brokerage | 7,987 | 7,453 | (533) |
| Real estate sales | 18,086 | 23,750 | 5,663 |
| Lease Management | 9,447 | 9,567 | 120 |
| Other | 1,111 | 1,090 | (20) |
| Total | 36,632 | 41,862 | 5,229 |

Amount of Brokerage Transactions

(Millions of yen)

| Category | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|----------------------------------|-------------------------------------|-------------------------------------|--------|
| Number of Brokerage Transactions | 6,840 | 6,693 | (147) |
| Total Amount of Transactions | 163,900 | 171,189 | 7,289 |

Real Estate Sales

(Millions of yen)

| Category | | Fiscal year ended March 31, 2014 | | Fiscal year ended March 31, 2015 | | Change | |
|------------------|--------------|-------------------------------------|--------|-------------------------------------|--------|-----------|--------|
| | | Units | Amount | Units | Amount | Units | Amount |
| Sales Results | Condominiums | 827 units | 18,010 | 1,056 units | 23,476 | 229 units | 5,466 |
| | Other | — | 75 | — | 273 | — | 197 |
| | Total | 827 units | 18,086 | 1,056 units | 23,750 | 229 units | 5,663 |

Outlook for the Fiscal Year Ending March 31, 2016

For the fiscal year ending March 31, 2016, the Company is targeting net sales of ¥335,000 million, a year-on-year increase of ¥17,845 million, operating income of ¥18,000 million, a decrease of ¥124 million, ordinary income of ¥17,000 million, an increase of ¥296 million, and net income of ¥12,500 million, an increase of ¥345 million.

| | Fiscal year ended March 31, 2015 | Fiscal year ending March 31, 2016 | Change |
|--|-------------------------------------|--------------------------------------|--------|
| Net sales | 317,154 | 335,000 | 17,845 |
| Operating income | 18,124 | 18,000 | (124) |
| Ordinary income | 16,703 | 17,000 | 296 |
| Net income attributable to parent company shareholders | 12,154 | 12,500 | 345 |

The outlook for each business segment is as follows:

In the real estate development and sales segment, we anticipate revenue growth amid an increase in condominium unit sales, but a decrease in earnings due to the prospect of a lower gross profit margin for condominium sales.

In the real estate management segment, we forecast gains with respect to both revenues and income, amid a positive contribution from orders received in the fiscal year ended March 31, 2015, mainly involving contract work.

In the real estate brokerage segment, we also anticipate revenue and income gains amid ongoing favorable results largely from existing real estate sales.

| Category | Fiscal year ended March 31, 2015 | | Fiscal year ending March 31, 2016 | | Change | |
|---|-------------------------------------|---------------------|--------------------------------------|---------------------|-----------|---------------------|
| | Net sales | Operating income | Net sales | Operating income | Net sales | Operating income |
| Real Estate Development and Sales | 120,712 | 10,121 | 130,000 | 8,900 | 9,287 | (1,221) |
| Real Estate Management | 158,070 | 8,331 | 167,000 | 9,400 | 8,929 | 1,068 |
| Real Estate Brokerage | 41,862 | 2,840 | 43,000 | 3,000 | 1,137 | 159 |
| Adjustments (Eliminations or Corporate Assets/Expenses) | (3,490) | (3,169) | (5,000) | (3,300) | (1,509) | (130) |
| Total | 317,154 | 18,124 | 335,000 | 18,000 | 17,845 | (124) |

(2) Analysis of financial position

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

Consolidated Financial Position

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | (Millions of yen) Change |
|----------------------------|-------------------------------------|-------------------------------------|-----------------------------|
| Total assets | 297,812 | 324,610 | 26,797 |
| Inventories | 101,421 | 113,678 | 12,256 |
| Total liabilities | 152,826 | 168,121 | 15,295 |
| Interest-bearing debt | 63,646 | 57,324 | (6,321) |
| Total net assets | 144,986 | 156,488 | 11,501 |
| Shareholders' equity | 144,959 | 156,488 | 11,529 |
| Shareholders' equity ratio | 48.7% | 48.2% | (0.5)p.p |

Total assets as of March 31, 2015 were ¥324,610 million, up ¥26,797 million compared with the end of the previous fiscal year. This resulted mainly from increases in securities and inventories of ¥10,069 million and ¥12,256 million, respectively.

Total liabilities were ¥168,121 million, up ¥15,295 million compared with the end of the previous fiscal year, largely attributable to an increase of ¥21,834 million in deposits offset by a decrease of ¥6,321 million in interest-bearing debt. Net assets gained ¥11,501 million from the end of the previous fiscal year to ¥156,488 million. This was attributable to an increase of ¥10,220 million in retained earnings, which resulted from net income for the fiscal year under review of ¥12,154 million, offset by a corresponding decrease of ¥2,604 million due to payment of dividends from surplus. Furthermore, the shareholders' equity ratio was 48.2%, which is 0.5 percentage points lower than the ratio at the end of the previous fiscal year, and net assets per share amounted to ¥181.42, an increase of ¥13.73.

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

Consolidated Statements of Cash Flows

As of March 31, 2015, the Group had cash and cash equivalents (hereinafter referred to as “cash”) of ¥96,526 million, up ¥112 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities during the fiscal year ended March 31, 2015 was ¥20,079 million, compared with ¥20,220 million provided in the previous fiscal year. This reflects such factors as an increase in funds from recording of income before income taxes and minority interests of ¥16,619 million and a gain in deposits payable of ¥21,076 million, against a decrease in funds as a result of a gain in inventories of ¥12,404 million.

Cash flow from investing activities

Net cash used in investing activities was ¥11,034 million, compared with a ¥25,560 million decrease in the previous fiscal year. This reflects such factors as an increase in funds due to proceeds from withdrawal of time deposits of ¥18,183 million, against a decrease in funds due to payments for purchase of marketable securities of ¥26,000 million and payments into time deposits of ¥2,000 million.

Cash flow from financing activities

Net cash used in financing activities was ¥8,994 million, compared with a ¥14,069 million decrease in the previous fiscal year. This reflects such factors as a decrease in long-term borrowings of ¥7,187 million and cash dividends paid of ¥2,600 million.

Change in Indicators Related to Cash Flows

| Fiscal year ended March 31 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-----------|-----------|-----------|-----------|-----------|
| Shareholders' equity ratio | 30.3% | 40.5% | 47.7% | 48.7% | 48.2% |
| Shareholders' equity ratio on a market price basis | 29.9% | 46.3% | 60.7% | 60.7% | 47.4% |
| Interest-bearing debt/Cash flow ratio | 2.9 years | 1.6 years | 1.5 years | 3.1 years | 2.9 years |
| Interest coverage ratio | 18.0 | 23.8 | 32.9 | 21.8 | 30.0 |

Notes: Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio on a market price basis = Total market price of shares / Total assets

Interest-bearing debt / Cash flow ratio = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest payments

* All of the indicators are calculated from the financial figures on a consolidated basis.

* The total market price of the shares is calculated as the average share price during the last month of the fiscal year x number of shares issued at the end of the fiscal year (after deduction of treasury stock) + the total value of the preferred stocks issued.

* For operating cash flow, we use the cash flow from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt is all of the liabilities recorded on the Consolidated Balance Sheets for which the Company is paying interest. Furthermore, for interest payments we use the amount of interest paid in the Consolidated Statements of Cash Flows.

(3) Basic policy regarding profit allocation and dividends in the fiscal year under review and the next fiscal year

With a basic policy of returning profits to all shareholders via sustainable increases in corporate and shareholder value, the Company will continue to invest for growth and ensure stable dividends while maintaining a healthy financial condition.

The Company has accordingly decided to pay a year-end dividend of ¥3.00 per share for the fiscal year under review, in light of performance and other factors.

Also, a year-end dividend of ¥3.00 per share is planned for the fiscal year ending March 31, 2016.

2. The Daikyo Group

As of March 31, 2015, the Daikyo Group consists of DAIKYO INCORPORATED, its 15 subsidiaries (10 in Japan, 5 overseas), and 3 affiliates (3 in Japan). The Group engages in business involving both products and services in the business segments of real estate development and sales, real estate management, and real estate brokerage.

The following section highlights each of the three segments and describes how business of the Group's primary affiliates fits into the overall operating framework.

The business segments listed here are referred to later in this document.

Real Estate Development and Sales

DAIKYO INCORPORATED engages in condominium development and sales, as well as business incidental to such operations.

Anabuki Construction Inc. engages in overall construction work design and execution, and condominium planning, construction, and sales.

Real Estate Management

DAIKYO ASTAGE INCORPORATED engages in business that includes condominium management, planned repair and maintenance work, and condominium resident services.

Anabuki Community Inc. engages in business that includes condominium management, planned repair and maintenance work, and condominium resident services.

GRAND AMENITY LTD. engages in condominium management, as well as building & lease management services.

ORIX Facilities Corporation engages in business that includes building management services with a focus on office buildings and commercial facilities, and also engages in installation of equipment and fixtures on new construction and demolition work.

DAIKYO ANABUKI CONSTRUCTION INCORPORATED engages in business that includes condominium repairs and general contracting.

DAIKYO L-DESIGN INCORPORATED engages in business that includes renovation work and condominium resident services.

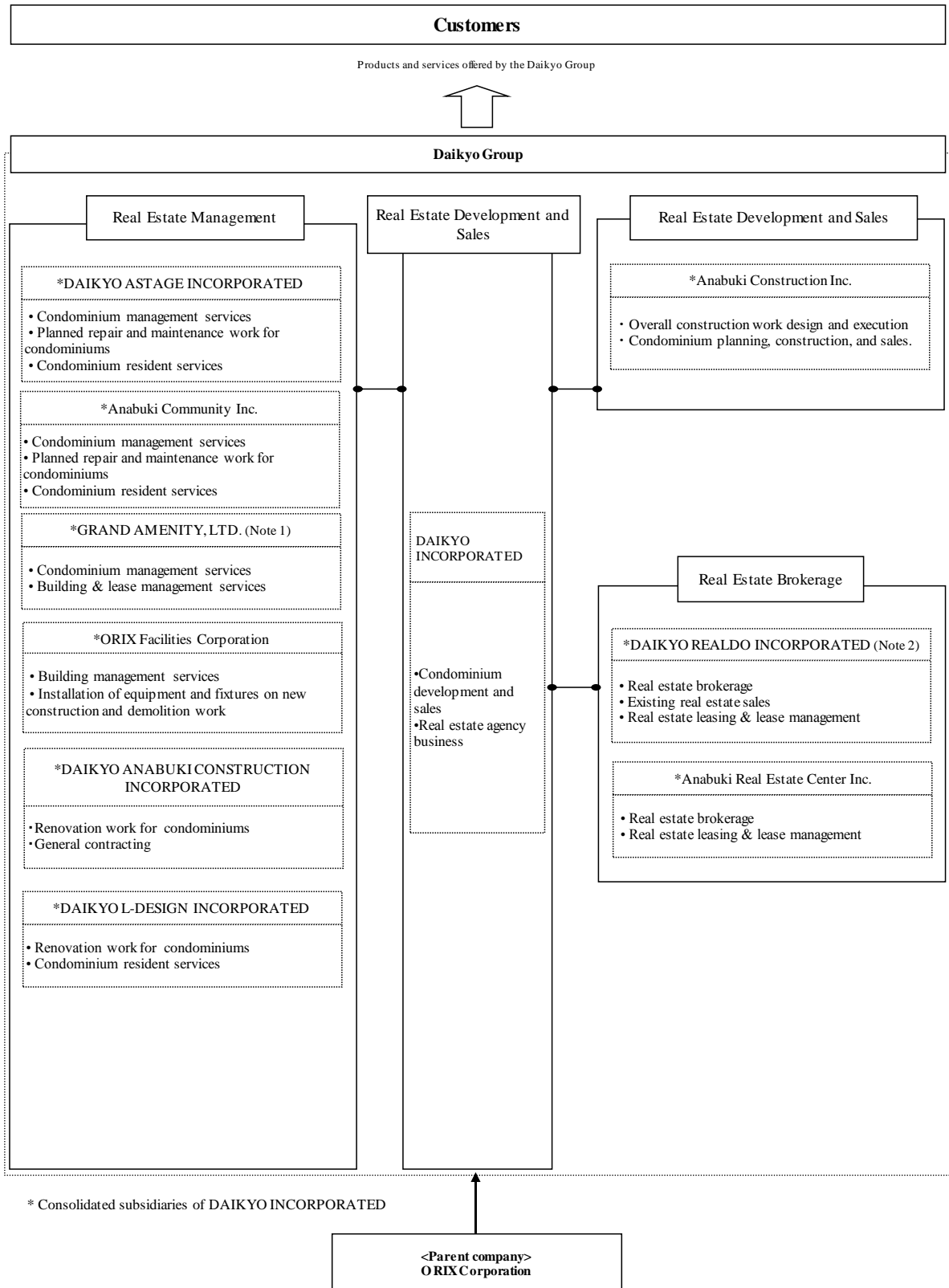
Real estate brokerage

DAIKYO REALDO INCORPORATED engages in brokerage services for condominiums and other real estate, existing real estate sales as well as leasing & lease management.

Anabuki Real Estate Center Inc. engages in real estate brokerage and real estate rental and management services.

The diagram on the following page illustrates the Daikyo Group business portfolio, as described above.

Daikyo Group Business Portfolio



Notes:

1. GRAND AMENITY, LTD. was absorbed by Anabuki Community Inc. on April 1, 2015 through an absorption-type merger.
2. Anabuki Real Estate Center Inc. was absorbed by DAIKYO REALDO INCORPORATED on April 1, 2015 through an absorption-type merger. DAIKYO REALDO INCORPORATED changed its company name to DAIKYO ANABUKI REAL ESTATE INCORPORATED on the same date.

3. Management Policy

(1) Basic policy for company management

The Daikyo Group remains committed to maximizing corporate value, to which end our management practices embody the four tenets of the Group's Basic Management Policy, laid out below, while taking steps to achieve the Daikyo Group Vision pursued on the basis of our Management Philosophy, which calls on us to leverage the collective strengths of the Group toward creating 'harmonious living environments' through housing products and services that satisfy the needs of all age groups and lifestyles.

Group Vision

The Daikyo Group will engage in business involving innovative real estate services that are built around residential lifestyles geared to customer preferences.

Basic Management Policy

- Customer-oriented, value-centered management
Engage in management practices that deliver customer value by placing high priority on customer satisfaction and promoting greater collaboration among Group companies.
- Profitability
Maximize corporate value by developing strategic foresight and generating consistent earnings.
- Compliance
Remain a company that contributes to society, whereby each and every employee acts with integrity and righteousness, and is cognizant of our corporate social responsibility.
- Communication
Pursue sustained growth of the entire Group by focusing on better communication and working to combine and develop knowledge among Group companies, between divisions and across organizational hierarchies.

(2) Performance Indicators

We have set a managerial objective calling for 10% or better return on equity (ROE). The Company uses ROE as an overall benchmark of profitability and asset efficiency.

(3) Mid-term business strategy and issues to address

In terms of the economic outlook, we anticipate a moderate trend of expansion in business worldwide, under a scenario where the financial markets smoothly absorb the impact of transitions slated for U.S. monetary policy, despite a possibility of such changes unleashing intense global economic adjustment by causing shifts in international capital flows.

Meanwhile, with respect to Japan's economy, recovery is likely to persist at a moderate pace, despite some apparent weakness such as in terms of personal consumption, as the government pushes forward with its stimulus measures in the form of the three Abenomics policy arrows. Moreover, a virtuous cycle of economic expansion and growth is apt to emerge from solid implementation of the government's growth strategy and other measures helping to bring about favorable corporate performance, in turn fueling greater capital investment, wage hikes and further improvement in the job environment.

We also need to keep a close watch on the business environment in which the Daikyo Group operates, given various factors that are bound to have a material impact on our business. As such, we will monitor developments emerging with respect to rising construction costs spurred in part by materials prices stuck at high levels and shortages of skilled labor, potential ramifications of that environment in terms of housing prices and outlays for construction work, changing attitudes regarding spending due to the consumption tax rate hike, and revisions to systems of taxation involving real estate. Furthermore, we must not overlook trends developing year after year in terms of increasingly diverse and sophisticated customer values and needs, emerging as a consequence of changes in social structures and the economic environment.

Amid this business environment, the Daikyo Group will provide products and services that are of value for customers as it continues to pursue innovation in existing business ventures while also taking on challenges in new areas of business both in Japan and abroad, with the aim of engaging in business involving innovative real estate services that are built around residential lifestyles geared to customer preferences.

1 Daikyo's "flow business"

Real estate development and sales

In the real estate development and sales segment, we face severe competition with respect to procurement of land for new condominiums, largely due to an emerging scenario of conspicuous land price increases above official price levels and a decrease in deals involving sales of land for use by companies, against a backdrop of favorable corporate business performance.

Moreover, costs of labor and materials for new condominium construction are poised to remain at relatively high levels over the medium to long term.

Within this environment, the Daikyo Group aims to clearly establish the new condominium sales business, which acts as the starting point of Daikyo Group revenue streams, in a position of functioning as a source of consistent earnings generation.

With respect to business volume, we will take steps to secure and maintain a certain scale of business, taking an agile approach in developing our operations, with a focus on locations that hold promise of favorable supply and demand fundamentals while taking the business environment and other such factors into consideration.

Meanwhile, from the perspective of securing a constant volume of business, we will take an approach of targeting acquisitions that enable us to temporarily hold and manage prime locations with promise of consistent profitability, combined with initiatives geared toward taking on prime land for new condominiums.

In addition, in order to respond to the values and needs of customers as they become more diverse and sophisticated, we will take steps to develop and strengthen businesses secondary to that involving new condominiums, such as our detached housing business and serviced housing for senior citizens business, as we also persist in taking on challenges in developing new opportunities geared toward diversifying our revenue sources.

2 Daikyo's "stock business"

Real estate management

In the condominium management business, customer needs are becoming increasingly sophisticated and diverse, with trends that include growing cost awareness among customers given the higher consumption tax rate and an aging condominium resident demographic, along with shifting preferences away from simple price sensitivity toward more of a focus on added value.

Within this environment, we aim to reaffirm the Daikyo Group's position as the industry's leading enterprise based on numbers of condominium units managed. To that end, whenever coming into contact with customers, we will make a point of listening to their feedback more than ever before, as we work to improve and develop our existing services tailored to common areas of buildings, while upgrading and expanding our resident-oriented services tailored to privately owned sections of condominiums. In addition, with the aim of increasing numbers of condominium units under our management, we will keep working toward heightening our presence in the condominium management market involving units beyond those of the Daikyo Group.

With respect to management of buildings and other facilities, we expect competition to become increasingly intense as we go head to head with competitors in offering lower prices geared toward encouraging customer switch-overs from other management companies involving existing properties, as we face a situation lacking in prospects for adding to our stock of buildings. To achieve further growth, we must continually work to heighten our technology and improve quality, while building unmatched levels of expertise and originality, while expanding in terms of business fields and locations.

Within this environment, the Daikyo Group aims to increase orders received in specialist fields such as those involving management of medical and welfare-related facilities, and hotels and other lodgings, along with operations and maintenance work involving solar power generation equipment. In addition, we will also work to expand our share of the Okinawan market, centered on Ryukyu Facilities Corporation established in January 2015.

In the area of contract work, while difficulties remain with respect to securing engineers and skilled labor due to decreasing numbers of workers and the aging population, we nevertheless expect to see growing demand as the overall age of buildings increases.

Under these conditions, the Daikyo Group merged two group companies that handle construction-related work in March 2015, premised on the aim of combining their technological capabilities and condominium renovation know-how. Going forward, we will take on work primarily involving repairs and renovations of common areas in condominiums, providing ever greater levels of quality and customer satisfaction, while increasing numbers of orders received for work from markets outside the Daikyo Group, through efforts to reinforce systems of sales and construction management. In the area of work involving buildings and other facilities, we will press ahead toward gaining more contracts for business by proposing solutions designed to meet needs in areas that promise growth going forward, such as with respect to dealing with aging equipment installed in older buildings and other structures and improving energy efficiency, as well as handling customer services entailing energy-related management and maintenance.

Real estate brokerage

In the real estate brokerage segment, we anticipate increasing vitality in the market for previously owned residences fueled by support from government policies geared toward expanding the secondary market for such housing. In the lease management business, on the other hand, we anticipate an increasingly severe investment environment for real-estate owners amid a shift toward more of a renter's market as vacancies rise.

Within this environment, we integrated two Daikyo Group real estate brokerage firms in April 2015, with the aim of developing a comprehensive real estate brokerage business on a nationwide scale involving a full range of real estate sales, purchase and leasing services in the market for previously owned residences. On the road ahead, we will redouble our efforts in implementing a finely tuned approach tailored to geographic regions with the aim of progressively building a framework that enables

us to provide timely and precise solutions designed to address customer needs.

In the area of real estate brokerage and existing real estate sales, we aim to increase numbers of brokerage transactions handled and units sold under our proprietary renovated condominium brands such as Reno α (Reno alpha), by upgrading and expanding the office network, heightening brand recognition in areas where offices have been opened, and increasing our market share.

To ensure that the lease management business functions as a core part of our operations, we will use the merger as an opportunity to unify and strengthen our services, while building positive relations that will carry over well into the future.

With respect to developing overseas investor inbound business, we will work to increase numbers of brokerage transactions centered on overseas subsidiaries in Taiwan and Hong Kong, by leveraging the Daikyo Group's total support capabilities. In addition, with respect to business involving second homes and condominiums in resort communities, the Daikyo Group will diversify its range of services by developing new opportunities, such as in the form of services involving hotel-type rental and sublease of such second homes and condominiums to third parties during periods of owner availability.

4. Fundamental Approach to Selection of Accounting Standards

For the time being, the Daikyo Group will prepare its consolidated financial statements in accordance with Japanese GAAP, out of consideration for issues such as comparability with other domestic companies in the same industry.

The Daikyo Group will appropriately address matters regarding IFRS adoption, taking into account prevailing circumstances in Japan and overseas.