Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (J-GAAP) (Unaudited)

May 15, 2017

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 Hinago, General Manager, Group Corporate Planning Dept.
Planned date of Ordinary General Meeting of Shareholders: June 22, 2017
Planned date of submission of Annual Securities Report: June 22, 2017
Planned dividends payment commencement date: June 23, 2017
Preparation of earnings presentation material: Yes
Holding of earnings announcement: Yes (for institutional investors and analysts)

(Amounts less than one million yen are truncated.)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated operating results (% figures show year-on-year change.)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended March 31, 2017	325,360	(2.8)%	20,523	12.0%	19,967	16.8%	14,044	11.2%
Fiscal year ended March 31, 2016	334,853	5.6%	18,318	1.1%	17,093	2.3%	12,628	3.9%

(Note) Comprehensive income
Fiscal year ended March 2017: ¥14,377 million / 17.8% Fiscal year ended March 2016: ¥12,209 million / (9.4)%

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended March 31, 2017	¥16.63	¥16.49	8.2%	7.2%	6.3%
Fiscal year ended March 31, 2016	¥14.94	¥14.83	7.8%	5.7%	5.5%

(Reference) Equity in (earnings) loss of non-consolidated subsidiaries and affiliates:
Fiscal year ended March 2017: ¥ — million Fiscal year ended March 2016: ¥ —million

(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, 2017	277,899	177,863	64.0%	¥206.88
Fiscal year ended March 31, 2016	274,594	166,090	60.5%	¥192.86

(Reference) Shareholders' equity:
Fiscal year ended March 2017: ¥177,863 million Fiscal year ended March 2016: ¥166,090 million

(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, 2017	15,229	(1,606)	(12,217)	83,722
Fiscal year ended March 31, 2016	(11,330)	18,683	(21,500)	82,329

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, 2016	—	0.00	—	3.00	3.00	2,520	20.1	1.6
Fiscal year ended March 31, 2017	—	0.00	—	6.00	6.00	5,040	36.1	3.0
Fiscal year ending March 31, 2018 (Forecast)	—	0.00	—	60.00	60.00		42.3	

Notes

(1) Shares will be consolidated at the ratio of 10 shares to 1 share to take effect on October 1, 2017. The dividends per share in the fiscal year ending March 31, 2018 (Forecast) is noted here taking into account this share consolidation. Please refer to "Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note" for details.

(2) The above "State 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, 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Full-year	340,000	4.5%	19,000	(7.4)%	18,000	(9.9)%	12,000	(14.6)%	141.96

Note: Net income per share in the consolidated earnings forecast for the fiscal year ending in March 2018 takes into account the impact of the share consolidation. Please refer to "Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note" for details.

* 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: None
(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, 2017	843,542,737	Mar. 31, 2016	843,542,737
2) Number of shares of treasury stock at end of period	Mar. 31, 2017	3,505,142	Mar. 31, 2016	3,488,219
3) Average number of shares during period	Apr.–Mar. 2017	840,047,752	Apr.–Mar. 2016	840,065,545

(Reference) Overview of non-consolidated financial results

1. Non-consolidated Performance for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended March 31, 2017	67,992	(21.6)%	2,879	12.6%	8,653	7.7%	8,291	(11.6)%
Fiscal year ended March 31, 2016	86,736	0.2%	2,556	(50.0)%	8,034	(49.4)%	9,379	(44.4)%

	Net income per share	Fully diluted net income per share
Fiscal year ended March 31, 2017	¥9.78	¥9.74
Fiscal year ended March 31, 2016	¥11.07	¥11.02

(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, 2017	212,784	155,800	73.2%	¥180.61
Fiscal year ended March 31, 2016	215,944	150,096	69.5%	¥173.82

(Reference) Shareholders' equity:
Fiscal year ended March 2017: ¥155,800 million Fiscal year ended March 2016: ¥150,096 million

2. Non-consolidated Performance Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)
(% figures show year-on-year change.)
(Millions of yen)

	Net sales		Ordinary income		Net income		Net income per share
Full-year	58,000	(14.7)	9,800	13.3	10,300	24.2	121.72

Note: Net income per share in the consolidated earnings forecast (full year) for the fiscal year ending in March 2018 takes into account the impact of the share consolidation. Please refer to "Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note" for details.

* The summary of financial statements is exempt from audit procedures.

* Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note

1. 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.
Please refer to "1. Operating Results and Financial Position (4) Forecasts" on page 13 of the Appendix for details.

2. At the meeting of the Board of Directors held on May 15, 2017, a decision was reached to submit proposals to the 93rd Ordinary General Meeting of Shareholders of the Company, to be held on June 22, 2017, with respect to share consolidation. Shares will be consolidated at the ratio of 10 shares to 1 share and this change will be subject to the approval, at the 93rd Ordinary General Meeting of Shareholders to take effect on October 1, 2017. As a result, the dividends per share in the next fiscal year, taking into account this share consolidation, is noted here. We forecast dividends of ¥6 per share in the next fiscal year when not taking into account the share consolidation.
In conjunction with this, we also plan to change the number of shares constituting one full unit of stock (from 1,000 shares to 100 shares).
The dividend forecasts, consolidated earnings forecasts, and individual earnings forecasts for the fiscal year ending in March 2018, when not taking the share consolidation into account, are as follows.

(1) Dividend forecast for the fiscal year ending in March 2018 (common stock)
Dividends per share
Year end: ¥6

(2) Dividend forecast for the fiscal year ending in March 2018 (Class 1 preferred stock)
Dividends per share
Year end: ¥7.51

(3) Consolidated earnings forecast for the fiscal year ending in March 2018
Net income per share
Full year: ¥14.20

(4) Individual earnings forecasts for the fiscal year ending in March 2018
Net income per share
Full year: ¥12.17

3. The Company is scheduled to hold an earnings announcement for institutional investors and analysts on May 23, 2017. The presentation materials 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, 2016	—	—	—	8.13	8.13	81
Fiscal year ending March 31, 2017	—	—	—	7.73	7.73	77
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	75.12	75.12	75

Note: As we plan to carry out a share consolidation effective October 1, 2017, in which each 10 shares will be consolidated as one share, the figures for year-end dividends and total annual dividends per share for the fiscal year ending March 2018 (forecast) reflect the share consolidation. For details, please refer to “Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note.”

1. Overview of Operating Results

(1) Overview of operating results in the fiscal period under review

Overall Performance

During the fiscal year ended March 31, 2017, some sectors of the Japanese economy were slow to improve, but a modest recovery continued on the back of effective government economic policies and ongoing strength in the employment and income environment.

In the real estate management market, the trend for concentration of condominium management among large companies continued. In addition, consumers became even more cost-conscious and customer needs grew more sophisticated and diverse. This led to a reinforcement and expansion of services.

The real estate brokerage market posted an increase in the number of sales contracts compared to the previous year. This can be attributed to a decline in the number of new condominiums available, stubbornly high prices, and the growing stock of premium-quality existing residences.

The new condominium market remained firm as demand was buoyed by low interest rates and incentives aimed at encouraging home purchases. This offset the trend of high sales prices, particularly in metropolitan areas, due to land prices and building costs.

In this business environment, the Daikyo Group established its medium-term management plan, “Make NEW VALUE 2021: New Value Creation through Real Estate Solutions.” This fiscal year was the first year of the plan. With “making Japanese communities more vibrant” as our key message, the Group addressed the increase in aging real estate stock, changes in population breakdown, and diversifying values by expanding its large-scale repair and maintenance business, reinforcing its renovation business, promoting the redevelopment business, and also providing new solutions and services. The Daikyo Group also carried out research and development on unmanned operation, mechanization using AI and IoT, and extending the life of buildings and facilities.

As a result, during the fiscal year under review, net sales decreased ¥9,492 million, or 2.8% year on year, to ¥325,360 million, operating income increased ¥2,204 million, or 12.0%, to ¥20,523 million, and ordinary income increased ¥2,874 million, or 16.8%, to ¥19,967 million. Profit attributable to owners of parent increased ¥1,416 million, or 11.2%, to ¥14,044 million.

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Net sales	334,853	325,360	(9,492)
Operating income	18,318	20,523	2,204
Ordinary income	17,093	19,967	2,874
Profit attributable to owners of parent	12,628	14,044	1,416

Results by Segment

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

Performance by Segment

(Millions of yen)

Category	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	162,821	9,664	163,339	10,684	518	1,020
Real Estate Brokerage	54,904	3,233	62,249	3,449	7,345	216
Real Estate Development and Sales	122,211	8,667	104,684	8,987	(17,526)	320
Adjustments (Eliminations or Corporate Assets/Expenses)	(5,083)	(3,246)	(4,913)	(2,598)	170	648
Total	334,853	18,318	325,360	20,523	(9,492)	2,204

(Note) The order in which segments are listed has been changed from the fiscal year under review.

1) Real Estate Management

In the real estate management segment, net sales increased by ¥518 million to ¥163,339 million due to a ¥986 million increase in management income to ¥85,078 million, offsetting a ¥690 million yen decrease in contract work income to ¥68,918 million. Operating income rose ¥1,020 million over the previous year to ¥10,684 million due to an increase in the profit margin, in addition to higher net sales .

At the end of the fiscal year, the number of condominium units managed increased 1,862 units to 531,957 units and the volume of contract work orders received was ¥28,339 million, an increase of ¥3,289 million compared with the end of the previous fiscal year.

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Condominium Management, Building Management	84,092	85,078	986
Contract Work	69,609	68,918	(690)
Other	9,120	9,342	222
Total	162,821	163,339	518

Number of Condominium Units Managed

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Number of Condominium Units Managed	530,095 units	531,957 units	1,862 units

Contract Work

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Volume of Contract Work Orders Received	25,050	28,339	3,289

2) Real Estate Brokerage

Net sales in the real estate brokerage segment rose ¥7,345 million to ¥62,249 million due to a ¥6,744 million year-on-year increase in existing real estate sales to ¥36,802 million. Although operating costs increased due to staff reinforcement aimed at expanding our store network, operating income rose ¥216 million over the previous year to ¥3,449 million as a result of growth in existing real estate sales revenue.

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Real Estate Brokerage	7,840	8,199	358
Existing Real Estate Sales	30,058	36,802	6,744
Lease Management	9,787	9,848	60
Other	7,218	7,399	180
Total	54,904	62,249	7,345

Amount of Brokerage Transactions

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Number of Brokerage Transactions	6,564	6,828	264
Total Amount of Transactions	161,688	172,174	10,486

Existing Real Estate Sales

(Millions of yen)

Category		Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	1,236 units	29,418	1,465 units	35,698	229 units	6,280
	Other	—	640	—	1,104	—	464
	Total	1,236 units	30,058	1,465 units	36,802	229 units	6,744

3) Real Estate Development and Sales

Due to the effect of condominium sales amounting to 2,565 units (down 415 units year on year), and net sales amounting to ¥93,969 million (down ¥14,105 year on year) as a result of fewer planned completions year on year, net sales for the real estate development and sales segment decreased ¥17,526 million to ¥104,684 million. Operating income rose ¥320 million over the previous year to ¥8,987 million due to an increase in profit margin for condominiums and a decrease in selling expenses, in spite of a fall in condominium sales.

The number and amount of contracted condominium sales as of the end of the fiscal year were 1,124 units and ¥39,478 million, respectively, marking decreases of 396 units and ¥15,887 million compared with the end of the previous fiscal year.

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

Lions Tower Kashiwa	(Kashiwa, Chiba)
Lions Sasaoka Surpass Residence	(Fukuoka City, Fukuoka)
Lions Kokutaiji Grand Axis	(Hiroshima City, Hiroshima)
Lions Aratamabashi Grand Gate	(Nagoya, Aichi)
Surpass Showa-cho 1-chome	(Takamatsu, Kagawa)

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Real Estate Sales	116,361	98,736	(17,625)
Other	5,849	5,948	99
Total	122,211	104,684	(17,526)

Real Estate Sales

(Millions of yen)

Category		Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,475 units	87,342	2,169 units	78,081	(306) units	(9,260)
	Houses	62 units	2,579	56 units	2,354	(7) units	(224)
	Other	—	1,366	—	5,086	—	3,719
	Total	2,537 units	91,287	2,225 units	85,521	(313) units	(5,765)
Sales Results	Condominiums	2,980 units	108,074	2,565 units	93,969	(415) units	(14,105)
	Houses	56 units	2,390	59 units	2,467	3 units	76
	Other	—	5,896	—	2,299	—	(3,597)
	Total	3,036 units	116,361	2,624 units	98,736	(412) units	(17,625)
Contracted Sales Results**	Condominiums	1,520 units	55,366	1,124 units	39,478	(396) units	(15,887)
	Houses	13 units	491	9 units	377	(4) units	(113)
	Other	—	—	—	2,787	—	2,787
	Total	1,533 units	55,857	1,133 units	42,643	(399) units	(13,214)

* 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) Overview of financial position in the fiscal period under review

Consolidated Financial Position

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Total assets	274,594	277,899	3,305
Inventories	104,972	115,990	11,017
Total liabilities	108,503	100,036	(8,466)
Interest-bearing debt	38,484	28,930	(9,554)
Total net assets	166,090	177,863	11,772
Shareholders' equity ratio	60.5%	64.0%	3.5 p.p

Total assets as of March 31, 2017 were ¥277,899 million, up ¥3,305 million compared with the end of the previous fiscal year. This was because, although tangible fixed assets decreased ¥3,964 million and intangible fixed assets dropped ¥2,114 million, inventories increased ¥11,017 million.

Total liabilities were ¥100,036 million, down ¥8,466 million compared with the end of the previous fiscal year. This can be attributed to a ¥9,554 million decrease in interest-bearing debt.

Total net assets were ¥177,863 million, up ¥11,772 million compared with the end of the previous fiscal year. This was mainly attributable to an increase of ¥11,442 million in retained earnings, which resulted from profit attributable to owners of parent for the fiscal year under review of ¥14,044 million, offset by a corresponding decrease of ¥2,601 million due to payment of dividends of surplus. Furthermore, the shareholders' equity ratio was 64.0%, which is 3.5 percentage points higher than the ratio at the end of the previous fiscal year, and net assets per share amounted to ¥206.88, an increase of ¥14.02.

(3) Overview of cash flows in the fiscal period under review

As of March 31, 2017, the Group had cash and cash equivalents (hereinafter, “cash”) of ¥83,722 million, up ¥1,392 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was ¥15,229 million, compared with ¥11,330 million used in the previous fiscal year. This reflects such factors as an increase in inventories of ¥7,774 million, against increases in cash from recording of income before income taxes of ¥19,412 million and an increase in notes and accounts payable–trade of ¥2,516 million.

Cash flow from investing activities

Net cash used in investing activities was ¥1,606 million, compared with ¥18,683 million provided in the previous fiscal year. This reflects a decrease in cash largely due to an increase in payments into time deposits of ¥1 billion and expenditures to acquire tangible and intangible fixed assets totaling ¥732 million.

Cash flow from financing activities

Net cash used in financing activities was ¥12,217 million, compared with ¥21,500 million used in the previous fiscal year. This reflects such factors as a decrease in long-term loans payable of ¥9,453 million and cash dividends paid of ¥2,597 million.

Change in Indicators Related to Cash Flows

Fiscal year ended March 31	2013	2014	2015	2016	2017
Shareholders’ equity ratio	47.7%	48.7%	48.2%	60.5%	64.0%
Shareholders’ equity ratio on a market price basis	60.7%	60.7%	47.4%	57.5%	72.5%
Interest-bearing debt/Cash flow ratio	1.5 years	3.1 years	2.9 years		1.9 years
Interest coverage ratio	32.9	21.8	30.0		55.4

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.

(4) Forecasts

For the fiscal year ending March 31, 2018, the Company is targeting net sales of ¥340,000 million, a year-on-year increase of ¥14,639 million, operating income of ¥19,000 million, a decrease of ¥1,523 million, ordinary income of ¥18,000 million, a decrease of ¥1,967 million, and profit attributable to owners of parent of ¥12,000 million, a decrease of ¥2,044 million.

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018	Change
Net sales	325,360	340,000	14,639
Operating income	20,523	19,000	(1,523)
Ordinary income	19,967	18,000	(1,967)
Profit attributable to owners of parent	14,044	12,000	(2,044)

The outlook for each business segment is as follows:

In the real estate management segment, we forecast gains with respect to both revenues and income, due to factors such as rising orders involving contract work along with increasing business involving buildings under management in our building management operations.

We also anticipate revenue and income gains in the real estate brokerage segment, stemming from initiatives being taken to further upgrade and expand our office network, while also taking steps to increase business involving real estate brokerage and renovated condominium sales.

In the real estate development and sales segment, we anticipate decreases in revenues and income amid declining volumes of condominium sales.

Performance Forecast by Segment

(Millions of yen)

Category	Fiscal year ended March 31, 2017		Fiscal year ending March 31, 2018		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	163,339	10,684	177,000	11,300	13,660	615
Real Estate Brokerage	62,249	3,449	65,000	3,900	2,750	450
Real Estate Development and Sales	104,684	8,987	102,000	7,100	(2,684)	(1,887)
Adjustments (Eliminations or Corporate Assets/Expenses)	(4,913)	(2,598)	(4,000)	(3,300)	913	(701)
Total	325,360	20,523	340,000	19,000	14,639	(1,523)

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

In the medium-term management plan released in October 2016, our basic policy on shareholder returns adds “enhancing sustainable returns” to the previous objectives of “stability” and “continuity”.

Based on these three basic policies, we strive to invest for growth while maintaining a healthy financial condition, raise the dividend payout ratio on a sustainable basis and enhance corporate value.

In accordance with the above policy, the Company has decided to increase dividends by ¥3.00 over the previous fiscal year to ¥6.00 (dividend ratio of 36.1%). A year-end dividend of ¥60 per share (42.3% dividend ratio) is planned for the fiscal year ending March 31, 2018.

At the meeting of the Board of Directors held on May 15, 2017, a decision was reached to submit proposals to the 93rd Ordinary General Meeting of Shareholders of the Company, to be held on June 22, 2017, with respect to share consolidation. Shares will be consolidated at the ratio of 10 shares to 1 share and this change will be subject to the approval, at the 93rd Ordinary General Meeting of Shareholders to take effect on October 1, 2017. As a result, the dividends per share in the next fiscal year, taking into account this share consolidation, is noted here. We forecast dividends of ¥6 per share in the next fiscal year when not taking into account the share consolidation. For details, please refer to the press release “Announcement Regarding Change in the Number of Shares Constituting One Full Unit of Stock, Share Consolidation and Partial Amendment of the Articles of Incorporation,” released today.

2. The Daikyo Group

As of March 31, 2017,the Daikyo Group consists of DAIKYO INCORPORATED, its 13 subsidiaries (9 in Japan, 4 overseas), and 4 affiliates (3 in Japan, 1 overseas). The Group engages in business involving both products and services in the business segments of real estate management, real estate brokerage, and real estate development and sales.

The parent company is ORIX Corporation.

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

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

Real Estate Management

DAIKYO ASTAGE INCORPORATED engages in business that includes condominium management, 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.

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 planned condominium repairs and general contracting.

Real Estate Brokerage

DAIKYO ANABUKI REAL ESTATE INCORPORATED engages in real estate brokerage, real estate sales, and real estate leasing and lease management.

DAIKYO REFORM-DESIGN INCORPORATED engages in business that includes remodeling work and condominium resident services.

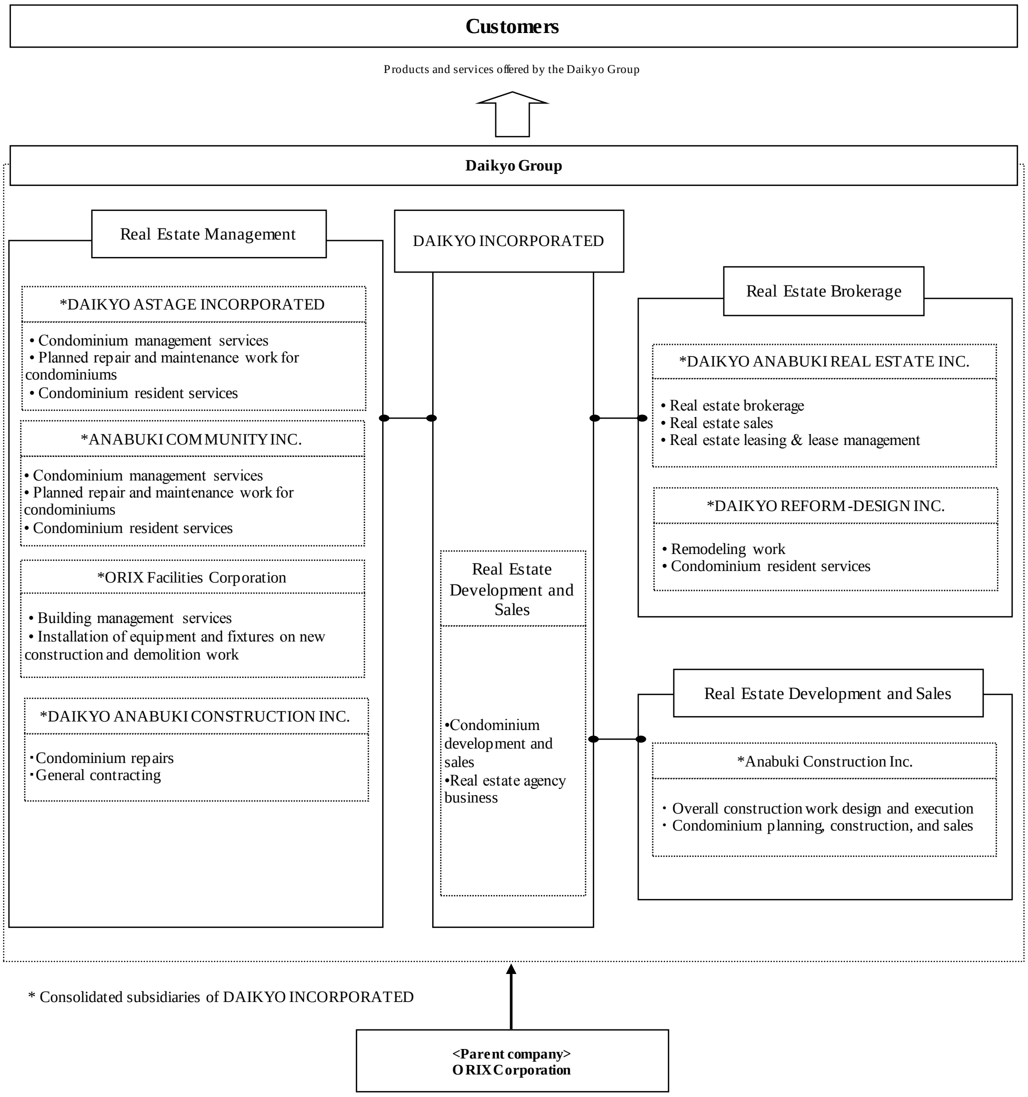
Real Estate Development and Sales

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.

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

Daikyo Group Business Portfolio



* Consolidated subsidiaries of DAIKYO INCORPORATED

3. Management Policy

(1) Basic policy for company management

The Group is striving to maximize corporate value by realizing the vision laid out in its medium-term management plan, “Make NEW VALUE 2021: New Value Creation through Real Estate Solutions.” This is based on the management philosophy of “leveraging the collective strengths of the Group to create a harmonious living environment through housing products and services that satisfy the needs of all age groups and lifestyles.”

Vision in medium-term management plan
The Group aims to create new value through real estate solutions, and accumulate social assets that will be passed down to the next generation in order to help make the vision of a stock-oriented society a reality.

Basic policies in medium-term management plan

・We will combine “consistency” with “sustainable growth,” while maintaining a profit balance between the business segments, with the real estate management segment accounting for 50% of operating income and the real estate brokerage business and real estate sales and development business accounting for the other 50%.

・We will refine the business base for a nationwide network, create a lifetime relationship system (note) and reinforce community-oriented and long-term customer interaction, striving to resolve social problems with real estate solutions and satisfy customer needs.

・We will work to balance new investment for sustainable growth with shareholder returns, and make further gains in corporate value.

Note: A one-stop service provided by the Group that meets the wide range of needs that customers have over the life cycle.

(2) Performance Indicators

We have adopted return on equity (ROE) as a comprehensive indicator for revenue capacity and efficiency, and target operating income of more than ¥28.0 billion and ROE over 9% in the fiscal year ending in March 2021, the final year of the medium-term management plan.

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

The social and economic environment surrounding the Group is changing dramatically. As Japan's population ages, the birth rate is declining and the population is shrinking at an unprecedented rate, and the migration to urban areas is accelerating. The aging of existing housing stock and the increase in empty houses is leading to social problems such as the dilution of local communities and deteriorating living environments. Moreover, consumers' sense of values is diversifying, leading to major changes in our concepts of "insufficiency" and "surplus."

In this environment, the Group established its medium-term management plan, "Make NEW VALUE 2021: New Value Creation through Real Estate Solutions," which lasts for the five-year period from the fiscal year ended in March 2017 through the fiscal year ending in March 2021. With the aim of creating a stock-oriented society that creates economic leeway and reduces environmental impact by extending the life of houses and other social infrastructure, we are working to solve social issues through real estate solutions such as repair, renovation, reform, renting, redevelopment, and research and development. These initiatives take "insufficiencies" and turn them into "surpluses."

Initiatives targeting housing stock

There are over 6 million condominiums nationwide in Japan, and this stock is expected to steadily increase going forward, even as existing stock ages. The Daikyo Group believes that raising the quality of this housing so that residents can continue to live in them with security many years after they were first built is its mission, as the company that has supplied the most condominiums in Japan.

The Group aims to expand the repair and maintenance business, a sector in which Daikyo has the best record in the industry. We plan to achieve this by (1) strengthening the execution system by increasing the number of construction management employees and cultivating relationship with construction partners, (2) strengthening the competitiveness of our prices by cutting the cost of sales with central purchasing utilizing our scale, and (3) raising our name recognition through publicity, strengthening our marketing capacity and expanding orders activities beyond properties managed by the Group.

In single-family housing stock, we expect to see a rapid rise in the number of unoccupied homes, which will make fraying community ties and crime prevention in outlying communities key social issues.

The Group will utilize the strengths it has built in condominium renovation thus far to participate in the renovation business for single-family houses and address these social issues.

We will also strive to revitalize the brokerage business for existing housing by expanding the number of intermediary transactions utilizing the stock of Group properties and supplying high-quality renovated homes.

Initiatives for community development

Redevelopment projects, primarily in provincial cities, are being considered and promoted on the back of government plans to revitalize regions and make the country more resilient. The Group will capitalize on its brand power and business foundation, backed by its supply of over 450,000 Lions Mansion condominiums and Surpass Mansion condominiums, as well as its achievements thus far, to work with communities and government in a three-pronged approach. Together, we will address issues such as fostering disaster prevention and revitalization and expanding welfare services to promote redevelopment business throughout Japan.

Initiatives addressing declining birth rate, aging society and diversification of values

The reduction in the estimated pension payments resulting from an increase in the number of elderly people is expected to heighten anxiety over living expenses in the future. The Group is working to address social issues through real estate solutions, such as the development of highly profitable investment products, in addition to prime condominium units and block property residences.

In addition, the working population is expected to decrease in the future due to the declining birth rate. Given this, the Group will use AI and IT to raise the efficiency of operations, while also setting up remote and unmanned operations through academic-industrial alliances and research and development on automation.

Residence and livelihood needs are increasingly diversified as a result of changes in lifestyles and technological advancements. The Group is adapting to the diversification and sophistication of customers' values and needs by providing a wide range of residences, such as built-for-sale condominiums and single-family homes, rental condominiums and apartments, shared houses, and elderly housing that provides services, through its Lifetime Relationship System.

In addition, in the condominium management business, we are working to raise the quality of our maintenance and management services for the assets of our more than 1 million residents, and we will continue to take up the challenge of developing new services.

Initiatives to reduce environmental impact

We strive to improve the quality of existing housing through repair and maintenance work, renovation of condominiums and single-family houses and reform as a means of extending the life of houses and other social infrastructure.

In addition, we work hard to reduce our environmental impact by such measures as developing environmentally friendly residences by planting trees and other plants in common areas and utilizing passive designs that incorporate natural breezes, proposing a menu of building and facility management with extensive energy conservation, cost-saving and power-saving options, and carrying out research and development focused on extending the life of buildings and facilities.

4. Fundamental Approach to Selection of Accounting Standards

For the present, 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.