

**In addition to steady progress in the segments,
the sale of asset holdings exceeded forecasts,
and as a result net income came in 15.4% higher than the initial target**

DAIKYO INCORPORATED (the “Company”) announces financial results for the fiscal year ended March 31, 2018. For more details, please refer to Consolidated Financial Results for the fiscal year Ended March 31, 2018, and the Fact Sheets.

■ **Consolidated Statements of Operations**

Year ended March 31	2017	2018	Change	(Millions of yen) Forecast 2018
Net sales	325,360	335,184	9,823	340,000
Operating income	20,523	20,174	△ 348	19,000
Ordinary income	19,967	19,789	△ 178	18,000
Profit attributable to owners of parent	14,044	13,851	△ 193	12,000

■ **Consolidated Financial Results Summary**

During the consolidated fiscal year under review, net sales increased ¥9,823 million, or 3.0% year on year, to ¥335,184 million; operating income decreased ¥348 million, or 1.7%, to ¥20,174 million; and ordinary income decreased ¥178 million, or 0.9%, to ¥19,789 million. Profit attributable to owners of parent decreased ¥193 million, or 1.4%, to ¥13,851 million.

Net sales increased ¥9,823 million over the previous year. This was due to a ¥7,604 million increase in sales in the real estate management segment, attributable to higher revenue from contract work such as condominium repair and maintenance work, as well as a ¥1,340 million increase in sales in the real estate brokerage business due to higher existing real estate sales, and a ¥3,523 million increase in the real estate development and sales business attributable to higher-than-expected sales of asset holdings.

At the same time, profit attributable to owners of parent decreased ¥193 million over the previous year. This was due to an increase in labor costs following additional hiring with the aim of expanding operations, higher R&D costs for AI and IoT, and publicity costs for television commercials, which we resumed after a break of 10 years. Despite this decrease, profit attributable to owners of parent totaled ¥13,851 million, surpassing by ¥1,851 million the initial forecast of ¥12,000 million.

■ Results by Segment

Although operating income rose in the real estate management business and the real estate brokerage business, it fell slightly in the real estate development and sales business.

Real Estate Management

Year ended March 31	Net sales			Operating income		
	2017	2018	Year-on-year	2017	2018	Year-on-year
	163,339	170,944	7,604	10,684	11,016	331

(Millions of yen)

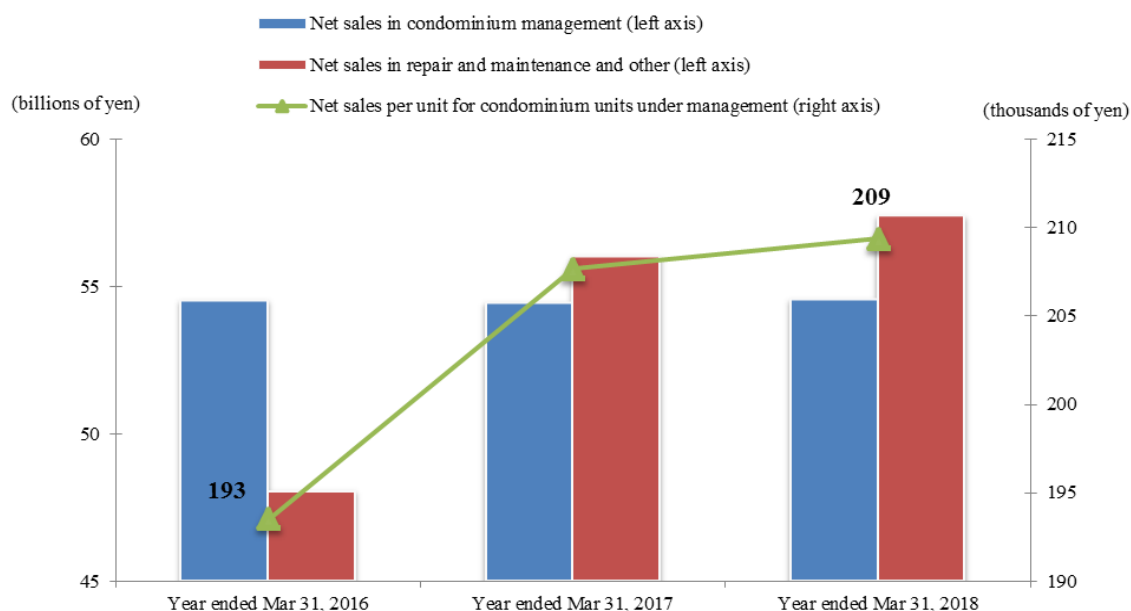
Segment Summary

- Net sales increased ¥7,604 million year on year due to sales increases of ¥3,460 million in condominium repair and maintenance work, ¥1,541 million in condominium management, and ¥2,486 million in building and facility management.
- Operating income increased ¥331 million due to a steady expansion of businesses.
- Condominium management sales remained stable, and the resulting repair and maintenance work and other sales increased steadily. As a result, average annual growth in net sales per unit (*1) for condominium under management stood at 4.0%, increasing to over 200,000 yen (refer to Graph 1).
- Progress in achieving the sales forecast for the next fiscal year of ¥42,000 million for large-scale condominium repair and maintenance work was 40%.

(*1) Average from the fiscal year ended in March 31, 2016 to the fiscal year ended in March 31, 2018.

(Graph 1) Fluctuations in net sales in condominium management, net sales in repair and maintenance work and other, and net sales per unit for the number of condominium units under management in the past three fiscal periods.(*2)

(*2) Condominium repair and maintenance work income is the total of sales for contract work in the condominium management business and sales in the internal market for large-scale repair and maintenance work in the condominium repair and maintenance business. Other income refers to other sales in the condominium management business.



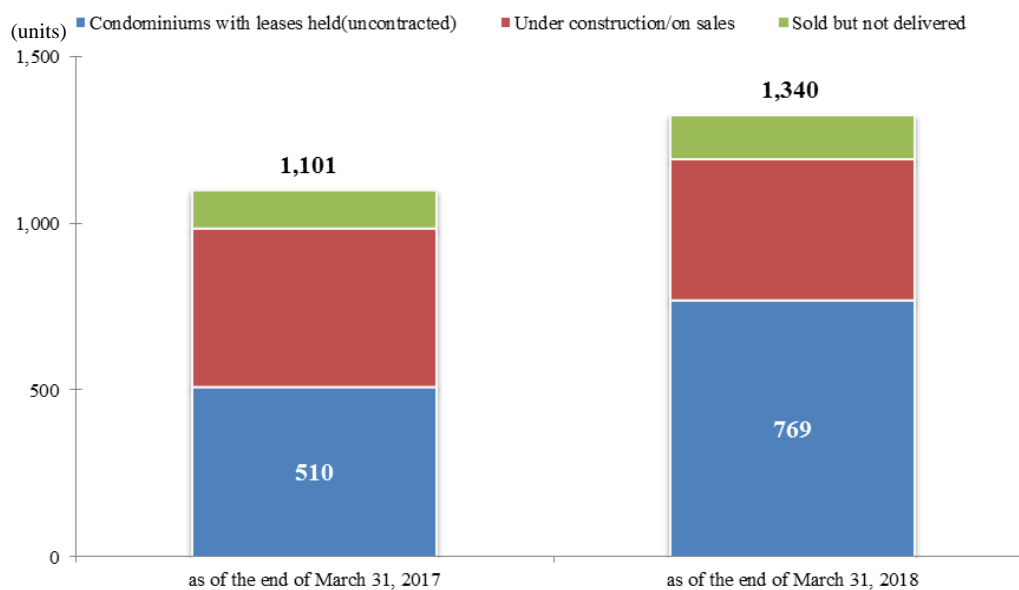
Real Estate Brokerage

Year ended March 31	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	62,249	63,590	1,340	3,449	3,621	171	

Segment Summary

- Net sales in the real estate brokerage segment increased ¥1,340 million over the previous year due to a ¥2,310 million increase in existing real estate sales, while operating income rose ¥171 million.
- The number of brokerage offices was 74 as of the end of the fiscal year (compared with 70 offices as of the end of the previous fiscal year).
- The number of reserve units for renovated condominiums stood at 1,340 units at the end of the fiscal year (compared with 1,101 units at the end of the previous fiscal year). (Refer to Graph 2)
- The number of condominiums with leases held (uncontracted) increased from 510 units at the end of the previous fiscal year to 769 units, and the gross rental yield has remained at 7-8%.

(Graph 2) The number of reserve units for renovated condominiums as of the end of the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018.



Real Estate Development and Sales

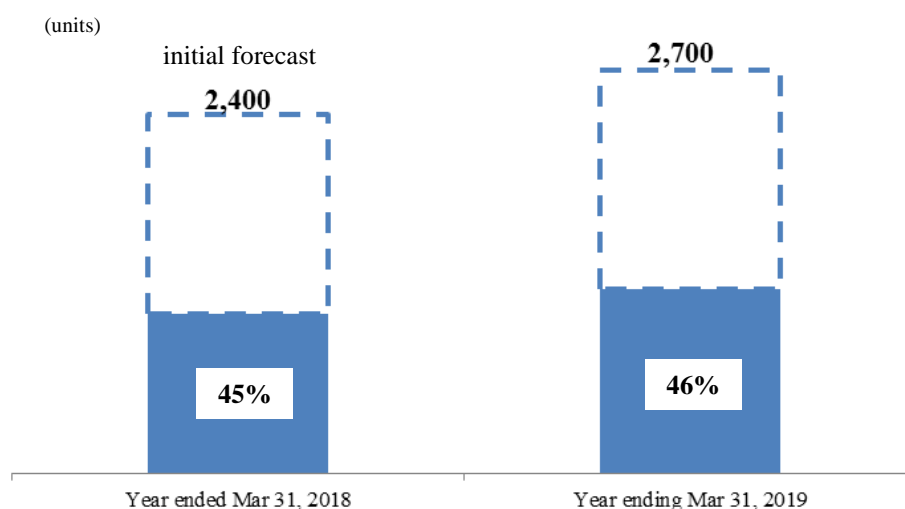
Year ended March 31	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	104,684	108,207	3,523	8,987	8,890	△ 97	

Segment Summary

- Only 2,256 completed condominium units were planned in fiscal year under review, as opposed to 2,601 units in the previous fiscal year. As a result, the number of condominiums units sold decreased by 226 over the previous fiscal year to 2,340, but sales resulting from the replacement of asset holdings were solid thanks to a robust market.
- The condominium gross profit margin (*3) was 25.2%, greater than the full-year forecast of over 24% (compared with 25.7% in the previous fiscal year).
- As a result, net sales in the real estate development business increased ¥3,523 million year on year, and operating income decreased ¥97 million.
- Progress in achieving the next full-year forecast for new condominium of 2,700 units was 46% as of the end of the fiscal year (compared with 45% as of the end of the previous fiscal year; refer to Graph 3).
- The number of completed but unsold condominiums units was 351 units as of the end of the fiscal year under review (compared with 294 units as of the end of the previous fiscal year).

(*3) This refers to the profit remaining when deducting the direct cost of sales related to condominium sales from condominium sales, then divided by condominium sales.

(Graph 3) Progress in achieving the next full-year forecast of new condominium units as of the end of the fiscal year ended March 31, 2018 and the fiscal year ending March 31, 2019



■ State of Dividends

The Company has decided to pay a year-end dividend of ¥60 per share, as announced on May 15, 2017.

■ Outlook for the Fiscal Year Ending March 31, 2019

We forecast a 9.0% increase in operating income, to ¥22,000 million.

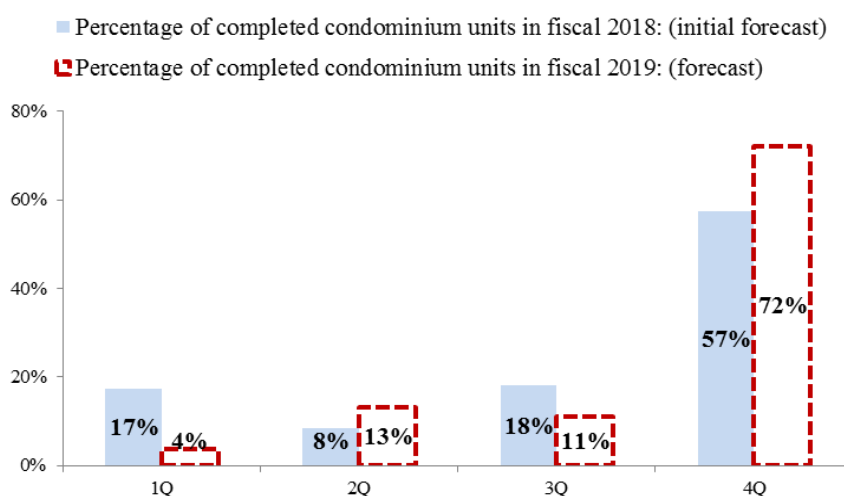
Year ended March 31	2018	Forecast 2019	Change	(Millions of yen)
				Percentage change
Net sales	335,184	365,000	29,815	8.9%
Operating income	20,174	22,000	1,825	9.0%
Ordinary income	19,789	20,500	710	3.6%
Net income attributable to parent company shareholders	13,851	14,000	148	1.1%

Performance Forecast by Segment

Year ended March 31	2018		Forecast 2019		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	170,944	11,016	187,000	13,000	16,055	1,983
Real Estate Brokerage	63,590	3,621	65,000	3,900	1,409	278
Real Estate Development and Sales	108,207	8,890	120,000	9,500	11,792	609
Adjustments (Eliminations or Corporate Assets/Expenses)	△ 7,557	△ 3,353	△ 7,000	△ 4,400	557	△ 1,046
Total	335,184	20,174	365,000	22,000	29,815	1,825

In the fiscal year ending in March 31, 2019, we expect earnings to be driven by the real estate development segment, which forecasts an increase of 535 new condominium units planned for completion over the fiscal year under review, and by the real estate management segment, which saw a ¥7,255 million increase in the backlog of orders for building and facility management contract work over the previous fiscal year. As a result, we expect consolidated sales to increase ¥29,815 million to ¥365,000 million and consolidated operating income to increase ¥1,825 million to ¥22,000 million. The percentage of new condominiums completed in each quarter of the fiscal year ending in March 31, 2019 will tend to be more heavily concentrated in the fourth quarter compared to the fiscal year under review. As a result, we expect operating income to be skewed toward the second half of the fiscal year in the next fiscal year. (Refer to Graph 4).

(Graph 4) Percentage of new condominium units completed in each quarter in the fiscal year ended in March 31, 2018 and the fiscal year ending in March 31, 2019



■ Dividend forecasts

We plan to pay dividends of ¥60 per share based on our basic policies for shareholder returns—stability, continuity and enhancing sustainable returns, taking into account earnings forecasts as well as the balance between dividends and investments for profit growth.

Reference

The Treasury Stock acquired since October 27, 2017 brought the total to 2,658,900 shares, or ¥5,899,998,000, as of April 30, 2018.