

Consolidated Financial Results for the First Quarter Ended June 30, 2017 (J-GAAP) (Unaudited)

July 31, 2017

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
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 Planned date of the filing of quarterly report: August 4, 2017
 Planned dividends payment commencement date: —
 IQ earnings presentation materials: Yes
 Holding of IQ earnings announcement: None

Listed stock exchange: Tokyo
 URL: <http://www.daikyo.co.jp>

(Amounts of less than one million yen are truncated)

1. Consolidated Performance for the Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (Cumulative)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended June 30, 2017	64,772	(9.3)%	480	(81.8)%	469	(81.2)%	156	(88.9)%
Three months ended June 30, 2016	71,383	0.9%	2,633	59.2%	2,496	66.0%	1,405	68.4%

(Note) Comprehensive income: Three months ended June 30, 2017: ¥202 million / (86.2)%
 Three months ended June 30, 2016: ¥1,469 million / 76.2 %

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2017	¥0.19	¥0.18
Three months ended June 30, 2016	¥1.67	¥1.65

(2) Consolidated financial position

(Millions of yen except for %)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2017	259,382	172,966	66.7%
As of March 31, 2017	277,899	177,863	64.0%

(Reference) Shareholders' equity:

As of June 30, 2017: ¥172,966 million As of March 31, 2017: ¥177,863 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2017	—	0.00	—	6.00	6.00
Fiscal year ending March 31, 2018	—				
Fiscal year ending March 31, 2018 (Forecast)		0.00	—	60.00	60.00

(Note) Revisions to the latest dividend forecast: None

(Notes)

- Shares will be consolidated at the ratio of ten shares to one, taking effect on October 1, 2017. The dividends per share in the fiscal year ending March 31, 2018 (Forecast) is noted here taking this share consolidation into account.
- 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) Revisions to the latest performance forecast: None

(Note) Net income per share in the consolidated performance forecast for the fiscal year ending March 31, 2018 (full-year) takes into account the impact of the share consolidation.

Disclaimer

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

* Notes

(1) Changes in significant subsidiaries during the three 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: None

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

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

				(Unit: share)
1) Number of issued shares at end of period (including treasury stock):	Jun. 30, 2017	843,542,737	Mar. 31, 2017	843,542,737
2) Number of shares of treasury stock at end of period:	Jun. 30, 2017	3,507,062	Mar. 31, 2017	3,505,142
3) Average number of shares during period	Apr.–Jun. 2017	840,036,411	Apr.–Jun. 2016	840,053,676

* The summary of financial statements is exempt from quarterly review 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 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.
2. The Company plans to consolidate common stock and Class 1 preferred stocks at a ratio of ten shares to one with an effective date of October 1, 2017. Accordingly, year-end dividends and total annual dividends (common stock and Class 1 preferred stocks) for the fiscal year ending March 31, 2018 (forecasts), as well as net income per share in the consolidated forecasts for the fiscal year ending March 31, 2018 (full-year), take into account the effect of this share consolidation.
3. Earnings presentation materials for the first quarter will be posted on TDnet on the day of the earnings announcement, and also on the Company's website.

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, 2017	—	—	—	7.73	7.73
Fiscal year ending March 31, 2018	—				
Fiscal year ending March 31, 2018 (Forecast)		—	—	75.12	75.12

Note: As the company plans to carry out a share consolidation effective October 1, 2017, in which ten 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 31, 2018 (forecast) reflect the share consolidation.

1. Qualitative Information on Consolidated Performance in the First Quarter

(1) Explanation of the consolidated operating results

During the three months ended June 30, 2017, net sales decreased ¥6,610 million yen, or 9.3% year on year, to ¥64,772 million, operating income decreased ¥2,153 million, or 81.8% year on year, to ¥480 million, and ordinary income decreased ¥2,027 million, or 81.2%, to ¥469 million. Profit attributable to owners of parent decreased ¥1,249 million, or 88.9%, to ¥156 million.

(Millions of yen)

Category	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
Net sales	71,383	64,772	(6,610)
Operating income	2,633	480	(2,153)
Ordinary income	2,496	469	(2,027)
Profit attributable to owners of parent	1,405	156	(1,249)

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

Performance by Segment

(Millions of yen)

Category	Three months ended June 30, 2016		Three months ended June 30, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	35,087	1,587	35,174	1,150	87	(437)
Real Estate Brokerage	13,446	354	13,865	318	419	(35)
Real Estate Development and Sales	23,978	1,449	17,257	(125)	(6,721)	(1,574)
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,128)	(757)	(1,524)	(863)	(396)	(105)
Total	71,383	2,633	64,772	480	(6,610)	(2,153)

1) Real Estate Management

In the real estate management segment, net sales increased by ¥87 million to ¥35,174 million. Operating income decreased ¥437 million from the previous year to ¥1,150 million, due to an increase in the labor costs aimed at reinforcement of personnel.

The number of condominium units under management increased by 1,553 units to 531,394 units and the backlog of contract work orders received at the end of the first quarter was ¥35,474 million, an increase of ¥3,641 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
Condominium Management, Building and facility Management	20,966	21,143	177
Contract Work	12,159	11,965	(193)
Other	1,960	2,064	104
Total	35,087	35,174	87

Number of Condominium Units under Management

Category	As of June 30, 2016	As of June 30, 2017	Change
Number of Condominium Units under Management	529,841 units	531,394 units	1,553 units

Contract Work (Millions of yen)

Category	As of June 30, 2016	As of June 30, 2017	Change
Backlog of Contract Work Orders Received	31,832	35,474	3,641

2) Real Estate Brokerage

Net sales in the real estate brokerage segment rose ¥419 million to ¥13,865 million due to a ¥772 million year-on-year increase in existing real estate sales to ¥7,791 million. Operating income decreased ¥35 million from the previous year to ¥318 million, mainly due to increased operating costs by reinforcement of personnel aimed at expanding our network of offices.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
Real Estate Brokerage	2,117	1,927	(189)
Existing Real Estate Sales	7,018	7,791	772
Lease Management	2,451	2,502	51
Other	1,858	1,644	(214)
Total	13,446	13,865	419

Amount of Brokerage Transactions (Millions of yen)

Category	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
Number of Brokerage Transactions	1,792	1,668	(124)
Total Amount of Transactions	43,147	43,236	88

Existing Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2016		Three months ended June 30, 2017		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	307 units	6,917	310 units	7,458	3 units	540
	Other	—	100	—	332	—	231
	Total	307 units	7,018	310 units	7,791	3 units	772

3) Real Estate Development and Sales

Due to the effect of fewer planned completions year on year, condominium units sold amounted to 434 units (down 99 units year on year), and condominium sales amounted to ¥14,921 million (down ¥6,950 million year on year). As a result, net sales in the real estate development and sales segment decreased ¥6,721 million to ¥17,257 million, accompanied by an operating loss of ¥125 million (operating income of 1,449 million was recorded in the same period of the previous fiscal year). The number and amount of contracted condominium sales as of the end of the first quarter of the current fiscal year were 1,164 units and ¥41,378 million, respectively, marking decreases of 273 units and ¥8,259 million compared with the end of the same quarter of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Three months ended June 30, 2016	Three months ended June 30, 2017	Change
Real Estate Sales	22,836	15,897	(6,939)
Other	1,141	1,359	218
Total	23,978	17,257	(6,721)

Real Estate Sales (Millions of yen)

Category		Three months ended June 30, 2016		Three months ended June 30, 2017		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	450 units	16,144	474 units	16,822	24 units	677
	Detached houses	6 units	214	14 units	638	8 units	423
	Other	—	1,764	—	582	—	(1,182)
	Total	456 units	18,123	488 units	18,043	32 units	(80)
Sales Results	Condominiums	534 units	21,872	434 units	14,921	(99) units	(6,950)
	Detached houses	14 units	543	9 units	393	(5) units	(149)
	Other	—	421	—	582	—	160
	Total	548 units	22,836	443 units	15,897	(104) units	(6,939)
Contracted Sales Results**	Condominiums	1,436 units	49,638	1,164 units	41,378	(273) units	(8,259)
	Detached houses	5 units	162	14 units	622	10 units	459
	Other	—	1,343	—	2,787	—	1,444
	Total	1,441 units	51,144	1,178 units	44,789	(263) units	(6,355)

* Represents the number and amount of condominium units and detached houses for which sales agreements are entered into each period.

** Represents the number and amount of condominium units and detached houses for which sales agreements have been entered into but have yet to be delivered.

(2) Explanation of financial position

Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017	Change
Total assets	277,899	259,382	(18,556)
Inventories	115,990	123,243	7,253
Total liabilities	100,036	86,376	(13,659)
Interest-bearing debt	28,930	29,320	389
Total net assets	177,863	172,966	(4,897)
Shareholders' equity ratio	64.0%	66.7%	2.7 pp

Total assets as of June 30, 2017 were ¥259,382 million, down ¥18,556 million compared with the end of the previous fiscal year. This reflected a ¥22,991 million decrease in cash and deposits as well as a ¥5,217 million decrease in notes and accounts receivable, while a ¥7,253 million increase in inventories.

Total liabilities were ¥86,376 million, down ¥13,659 million compared with the end of the previous fiscal year. This resulted from decreases of ¥7,183 million in notes and accounts payable and ¥4,492 million in other current liabilities due to a decrease in deposits.

Total net assets were ¥172,966 million, down ¥4,897 million compared with the end of the previous fiscal year. This can be attributed to a ¥156 million increase in retained earnings, which resulted from profit attributable to owners of parent, offset by a corresponding decrease of ¥5,117 million due to payment of dividends of surplus. Furthermore, the shareholders' equity ratio was 66.7%, 2.7 percentage points higher compared with the end of 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 15, 2017.