Consolidated Financial Results
for the Fiscal Year Ended March 31, 2018 (J-GAAP)
(Unaudited)

May 9, 2018

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, 2018
Planned date of submission of Annual Securities Report: June 22, 2018
Planned dividends payment commencement date: June 4, 2018
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, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	335,184	3.0%	20,174	(1.7)%	19,789	(0.9)%	13,851	(1.4)%
Fiscal year ended March 31, 2017	325,360	(2.8)%	20,523	12.0%	19,967	16.8%	14,044	11.2%

(Note) Comprehensive income
Fiscal year ended March 2018: ¥14,081 million / (2.1)% Fiscal year ended March 2017: ¥14,377 million / 17.8%

	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, 2018	¥165.37	¥164.03	7.7%	7.1%	6.0%
Fiscal year ended March 31, 2017	¥166.26	¥164.95	8.2%	7.2%	6.3%

(Reference) Equity in (earnings) loss of non-consolidated subsidiaries and affiliates:
Fiscal year ended March 2018: ¥ — million Fiscal year ended March 2017: ¥ —million

(Note) The Company consolidated common stock and Class 1 preferred stocks at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, net income per share and fully diluted net income per share were calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

(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, 2018	276,661	180,356	65.2%	¥2,174.65
Fiscal year ended March 31, 2017	277,899	177,863	64.0%	¥2,068.79

(Reference) Shareholders' equity:
Fiscal year ended March 2018: ¥180,356 million Fiscal year ended March 2017: ¥177,863 million

(Note) The Company consolidated common stock at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, net assets per share was calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

(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, 2018	15,342	5,076	(14,086)	90,121
Fiscal year ended March 31, 2017	15,229	(1,606)	(12,217)	83,722

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, 2017	–	0.00	–	6.00	6.00	5,040	36.1	3.0
Fiscal year ended March 31, 2018	–	0.00	–	60.00	60.00	4,863	36.3	2.8
Fiscal year ending March 31, 2019 (Forecast)	–	0.00	–	0.00	0.00		–	

Notes

(1) The Company consolidated common stock at a ratio of 10 shares to one with an effective date of October 1, 2017.

(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) with different rights from common stock.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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	365,000	8.9%	22,000	9.0%	20,500	3.6%	14,000	1.1%	171.78

* 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: None
(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, 2018	84,354,273	Mar. 31, 2017	84,354,273
2) Number of shares of treasury stock at end of period	Mar. 31, 2018	3,292,427	Mar. 31, 2017	350,514
3) Average number of shares during period	Apr.–Mar. 2018	83,304,454	Apr.–Mar. 2017	84,004,775

(Note) The Company consolidated common stock at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, number of issued shares at end of period, number of shares of treasury stock at end of period, and average number of shares during period were calculated on the assumption that this share consolidation took place at the beginning of the previous consolidated fiscal year.

(Reference) Overview of non-consolidated financial results

1. Non-consolidated Performance for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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, 2018	63,950	(5.9)%	1,598	(44.5)%	11,733	35.6%	12,092	45.8%
Fiscal year ended March 31, 2017	67,992	(21.6)%	2,879	12.6%	8,653	7.7%	8,291	(11.6)%

	Net income per share	Fully diluted net income per share
Fiscal year ended March 31, 2018	¥144.25	¥143.20
Fiscal year ended March 31, 2017	¥97.78	¥97.38

(Notes) The Company consolidated common stock and Class 1 preferred stocks at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, net income per share and fully diluted net income per share were calculated on the assumption that this share consolidation took place at the beginning of the previous fiscal year.

(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, 2018	208,785	156,282	74.9%	¥1,877.65
Fiscal year ended March 31, 2017	212,784	155,800	73.2%	¥1,806.15

(Reference) Shareholders' equity:
Fiscal year ended March 2018: ¥156,282 million Fiscal year ended March 2017: ¥155,800 million

(Notes) The Company consolidated common stock at a ratio of 10 shares to one with an effective date of October 1, 2017. As a result, net assets per share was calculated on the assumption that this share consolidation took place at the beginning of the previous fiscal year.

2. Non-consolidated Performance Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)
(% figures show year-on-year change.)
(Millions of yen)

	Net sales		Ordinary income		Net income		Net income per share
Full-year	65,000	1.6%	11,500	(2.0%)	11,500	(4.9%)	140,94

* This summary report is not subject to audit by a certified public accountant or an audit corporation.

<u>* Explanation of the Appropriate Use of Performance Forecasts; Other Points to Note</u>

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. Overview of Operating Results (4) Forecasts" on page 12 of the Appendix for details.

2. The Company is scheduled to hold an earnings announcement for institutional investors and analysts on May 16, 2018. 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, 2017	–	–	–	7.73	7.73	77
Fiscal year ended March 31, 2018	–	–	–	75.12	75.12	75
Fiscal year ending March 31, 2019 (Forecast)	–	–	–	75.44	75.44	75

(Note) The Company consolidated preferred stocks at a ratio of 10 shares to one with an effective date of October 1, 2017.

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, 2018, a modest recovery continued on the back of effective government economic policies and ongoing improvement 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, management associations became even more cost-conscious and customer needs became more sophisticated and diverse. In order to reinforce and expand services that meet these demands, there was a move toward reducing labor and making operations more efficient through the use of AI and the IoT.

In the real estate brokerage market, the number of sales contracts and the average contract price for existing condominiums in the Tokyo metropolitan region reached record highs, and the number of sales contracts exceeded the number of new condominiums available, as in the previous year. This can be attributed to a decline in the number of new condominiums available and remaining high prices.

In the new condominium market, demand from first-time home buyers remained firm, buoyed by low interest rates. This offset the ongoing trend of higher land prices, particularly in highly convenient areas, and growing building costs.

In this business environment, the Daikyo Group pursued its five-year medium-term management plan, "Make NEW VALUE 2021: New Value Creation through Real Estate Solutions," which was launched in the fiscal year ended in March 2017. The Daikyo 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 using AI and IoT, mechanization and extending the life of buildings and facilities. These efforts resulted in several new initiatives, such as offering operational support from remote locations in building and facility management, establishing unstaffed real estate remote customer service store using VR technology, and introducing interactive voice response systems using AI technology.

As a result, during the 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.

(Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Net sales	325,360	335,184	9,823
Operating income	20,523	20,174	(348)
Ordinary income	19,967	19,789	(178)
Profit attributable to owners of parent	14,044	13,851	(193)

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, 2017		Fiscal year ended March 31, 2018		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	163,339	10,684	170,944	11,016	7,604	331
Real Estate Brokerage	62,249	3,449	63,590	3,621	1,340	171
Real Estate Development and Sales	104,684	8,987	108,207	8,890	3,523	(97)
Adjustments (Eliminations or Corporate Assets/Expenses)	(4,913)	(2,598)	(7,557)	(3,353)	(2,644)	(755)
Total	325,360	20,523	335,184	20,174	9,823	(348)

1) Real Estate Management

In the real estate management segment, net sales increased by ¥7,604 million to ¥170,944 million due to a ¥6,653 million increase in contract work income to ¥75,572 million, and a ¥1,039 million increase in management income to ¥86,118 million. Operating income rose ¥331 million over the previous year to ¥11,016 million.

At the end of the fiscal year under review, the number of condominium units under management was 534,715 units (up 2,758 units year on year) and the backlog of contract work orders received was ¥32,919 million, (up ¥4,579 million year on year) .

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Condominium Management, Building Management	85,078	86,118	1,039
Contract Work	68,918	75,572	6,653
Other	9,342	9,253	(89)
Total	163,339	170,944	7,604

Number of Condominium Units under Management

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Number of Condominium Units under Management	531,957 units	534,715 units	2,758 units

Contract Work

(Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Backlog of Contract Work Orders Received	28,339	32,919	4,579

2) Real Estate Brokerage

In the real estate brokerage segment, net sales increased by ¥1,340 million to ¥63,590 million, and operating income rose ¥171 million over the previous year to ¥3,621 million, due to a ¥2,310 million year-on-year increase in existing real estate sales to ¥39,113 million.

Breakdown of Net Sales

(Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Real Estate Brokerage	8,199	7,979	(219)
Existing Real Estate Sales	36,802	39,113	2,310
Lease Management	9,848	9,898	50
Other	7,399	6,598	(800)
Total	62,249	63,590	1,340

Amount of Brokerage Transactions

(Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Number of Brokerage Transactions	6,828	6,805	(23)
Total Amount of Transactions	172,174	173,254	1,079

Existing Real Estate Sales

(Millions of yen)

Category		Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018		Change	
		Units	Amount	Units	Amount	Units	Amount
Sales Results	Condominiums	1,465 units	35,698	1,487 units	37,160	22 units	1,462
	Other	—	1,104	—	1,952	—	848
	Total	1,465 units	36,802	1,487 units	39,113	22 units	2,310

3) Real Estate Development and Sales

In the real estate development and sales segment, condominium sales amounted to 2,340 units (down 226 units year on year) and net sales totaled ¥84,195 million (down ¥9,773 million year on year), while net sales for land and buildings was ¥13,206 million (up ¥10,906 million year on year). As a result, net sales for the real estate development and sales segment rose ¥3,523 million over the previous year to ¥108,207 million.

Operating income decreased ¥97 million over the previous year to ¥8,890 million due to an increase in selling expenses.

The number and amount of contracted condominium sales as of the end of the fiscal year were 1,291 units and ¥48,222 million, respectively (up 167 units and ¥8,744 million respectively year on year).

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

Lions Hiroshima Kakomachi	(Hiroshima City, Hiroshima)
Lions Nishitetsu Kurume Ekimae	(Kurume City, Fukuoka)
Lions Saga Tenryuji Wakamiya West Residence	(Kyoto City, Kyoto)
Lions Sengencho Marks Fort	(Nagoya City, Aichi)
Surpass Toiyacho Residence	(Okayama City, Okayama)

(Breakdown of Net Sales) (Millions of yen)

Category	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Real Estate Sales	98,736	100,099	1,363
Other	5,948	8,107	2,159
Total	104,684	108,207	3,523

(Real Estate Sales) (Millions of yen)

Category		Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018		Change	
		Units	Amount	Units	Amount	Units	Amount
Contract Agreement Results*	Condominiums	2,169 units	78,081	2,507 units	92,940	337 units	14,859
	Houses	56 units	2,354	57 units	2,666	2 units	312
	Other	—	5,086	—	14,618	—	9,532
	Total	2,225 units	85,521	2,564 units	110,225	339 units	24,704
Sales Results	Condominiums	2,565 units	93,969	2,340 units	84,195	(226) units	(9,773)
	Houses	59 units	2,467	57 units	2,697	(2) units	230
	Other	—	2,299	—	13,206	—	10,906
	Total	2,624 units	98,736	2,397 units	100,099	(228) units	1,363
Contracted Sales Results**	Condominiums	1,124 units	39,478	1,291 units	48,222	167 units	8,744
	Houses	9 units	377	9 units	346	—	(31)
	Other	—	2,787	—	4,200	—	1,412
	Total	1,133 units	42,643	1,300 units	52,769	167 units	10,126

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

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

(Note)The number of joint business properties is distributed evenly according to the business holdings;
Figures are rounded to the nearest whole number.

(2) Overview of financial position in the fiscal period under review

Consolidated Financial Position

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Total assets	277,899	276,661	(1,238)
Inventories	115,990	113,538	(2,451)
Total liabilities	100,036	96,305	(3,731)
Interest-bearing debt	28,930	26,503	(2,427)
Total net assets	177,863	180,356	2,492
Shareholders' equity ratio	64.0%	65.2	1.2p

As of March 31, 2018, total assets were ¥276,661 million (down ¥1,238 million compared with the end of the previous fiscal year). This was because, although notes and accounts receivable increased ¥2,972 million, inventories dropped ¥2,451 million and intangible fixed assets dropped ¥1,893 million.

Total liabilities were ¥96,305 million (down ¥3,731 million compared with the end of the previous fiscal year). This can be attributed to a ¥2,427 million decrease in interest-bearing debt and a ¥1,806 million decrease in advances received.

Total net assets were ¥180,356 million (up ¥2,492 million compared with the end of the previous fiscal year). This was mainly due to an increase of ¥13,851 million by posting profit attributable to owners of parent despite decreases of ¥6,488 million due to acquisition of treasury shares and ¥5,117 million due to payment of dividends of surplus. Furthermore, shareholders' equity ratio was 65.2%, which is 1.2 percentage points higher than the ratio at the end of the previous fiscal year, and net assets per share amounted to ¥2,174.65 (up ¥105.86).

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

As of March 31, 2018, the Daikyo Group had cash and cash equivalents (hereinafter, "cash") of ¥90,121 million (up ¥6,398 million compared with the end of the previous fiscal year).

Cash flow from operating activities

Net cash provided by operating activities was ¥15,342 million (compared with ¥15,229 million provided in the previous fiscal year). This reflects such factors as a decrease in cash due to a decrease in income taxes paid of ¥5,133 million, against an increase in cash from recording of income before income taxes of ¥19,745 million and a decrease in inventories of ¥2,598 million.

Cash flow from investing activities

Net cash provided by investing activities was ¥5,076 million (compared with ¥1,606 million used in the previous fiscal year). This reflects such factors as an increase in cash due to proceeds from withdrawal of time deposits amounting to ¥974 million and a decrease in cash due to expenditure to acquire tangible and intangible fixed assets totaling ¥6,000 million.

Cash flow from financing activities

Net cash used in financing activities was ¥14,086 million (compared with ¥12,217 million used in the previous fiscal year). This reflects expenditures for acquisition of treasury shares amounting to ¥6,488 million, cash dividends paid amounting to ¥5,110 million, and redemption of bonds amounting to ¥2,000 million.

Change in Indicators Related to Cash Flows

Fiscal year ended March 31	2014	2015	2016	2017	2018
Shareholders' equity ratio	48.7%	48.2%	60.5%	64.0%	65.2%
Shareholders' equity ratio on a market price basis	60.7%	47.4%	57.5%	72.5%	66.4%
Interest-bearing debt/Cash flow ratio	3.1 years	2.9 years	−	1.9 years	1.7 years
Interest coverage ratio	21.8	30.0	−	55.4	71.6

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 shares) + 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, 2019, the Company is targeting net sales of ¥ 365,000 million, a year-on-year increase of ¥29,815 million, operating income of ¥ 22,000 million, an increase of ¥1,825 million, ordinary income of ¥ 20,500 million, an increase of ¥710 million, and profit attributable to owners of parent of ¥ 14,000 million, an increase of ¥148 million.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019	Change
Net sales	335,184	365,000	29,815
Operating income	20,174	22,000	1,825
Ordinary income	19,789	20,500	710
Profit attributable to owners of parent	13,851	14,000	148

The outlook for each business segment in the fiscal year ending March 31, 2019 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, 2018		Fiscal year ending March 31, 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

(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 pay year-end dividends of ¥60 per share for common stock in this fiscal year, in line with the initial plan. A year-end dividend of ¥60 per share is planned for the fiscal year ending March 31, 2019.

2. The Daikyo Group

As of March 31, 2018, the Daikyo Group consists of DAIKYO INCORPORATED, its 13 subsidiaries (9 in Japan, 4 overseas), and 4 affiliates (3 in Japan, 1 overseas). The Daikyo Group engages 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 Daikyo Group's primary affiliates fit into the overall operating framework.

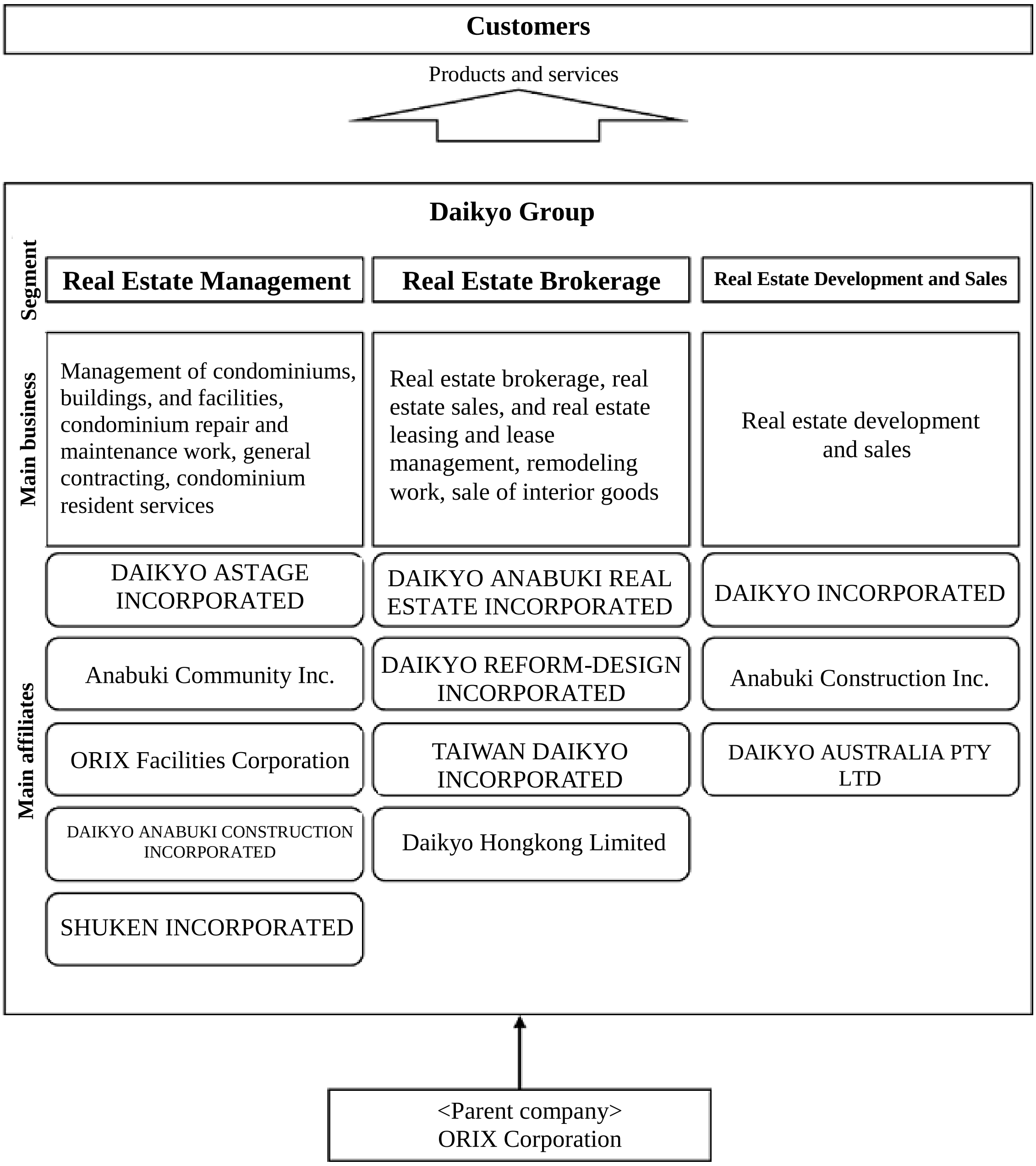
The business segments listed here are referred to later in this document.

Business segments	Company name	Main business operations
Real Estate Management	DAIKYO ASTAGE INCORPORATED	Condominium management, small-scale condominium construction (Note)
	ANABUKI COMMUNITY INC.	Condominium management, small-scale condominium construction (Note)
	ORIX Facilities Corporation	Building and facility management, building and facility construction
	DAIKYO ANABUKI CONSTRUCTION INCORPORATED	Large-scale repair and maintenance work for condominium (Note), general contracting
	SHUKEN INCORPORATED	Repair and maintenance work for condominiums
Real Estate Brokerage	DAIKYO ANABUKI REAL ESTATE INCORPORATED	Real Estate Brokerage, real estate sales, and real estate leasing and lease management
	DAIKYO REFORM・DESIGN INCORPORATED	Remodeling work, sale of interior goods
	TAIWAN DAIKYO INCORPORATED	Real Estate Brokerage
	Daikyo Hongkong Limited	Real Estate Brokerage
Real Estate Development and Sales	DAIKYO INCORPORATED	Real Estate Development and Sales
	Anabuki Construction Inc.	Real Estate Development and Sales, general contracting
	DAIKYO AUSTRALIA PTY LTD	Real Estate Development

Note: Construction based on long-term repair plans for condominiums is categorized as large-scale repair and maintenance work for condominiums, and other condominium repair work is classified as small-scale condominium construction.

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

<Business diagram>



3. Management Policy

(1) Basic policy for company management

The Daikyo 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 Daikyo 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 Daikyo 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 Daikyo Group that meets the wide range of needs that customers have over the lifecycle.

(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 final year of the medium-term management plan, the fiscal year ending March 31, 2021.

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

The social and economic environment surrounding the Daikyo Group is changing dramatically. As Japan's population ages, the birth rate is declining and the population is shrinking at an unprecedented rate, with migration to urban areas accelerating. The aging of existing housing stock and the increase in empty houses are 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 Daikyo Group established its medium-term management plan, "Make NEW VALUE 2021: New Value Creation through Real Estate Solutions," which covers the five-year period from the fiscal year ended in March 2017 through the fiscal year ending in March 2021. With the aim of forging 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 resolve social issues through real estate solutions such as repair, renovation, reform, renting, redevelopment, and research and development. These initiatives turn "insufficiencies" 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 Daikyo 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 relationships 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 order activities beyond properties managed by the Daikyo Group.

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

The Daikyo 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 Daikyo 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 to date, to collaborate 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 Daikyo 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.

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

Residence and livelihood needs are becoming increasingly diversified as a result of changes in lifestyles and technological advancements. The Daikyo 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 the condominium management business, we are working to raise the quality of our maintenance and management services for the assets of our more than one 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.

We also 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- 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.