

Consolidated Financial Results for the Second Quarter Ended September 30, 2018 (J-GAAP) (Unaudited)

October 26, 2018

Listed company: DAIKYO INCORPORATED
 Securities code: 8840
 Representative: Kazuo Kojima, President and Representative Executive Officer
 Contact: Hideki Morimoto, General Manager, Group Corporate Planning Dept.
 Planned date of the filing of quarterly report: November 7, 2018
 Planned dividends payment commencement date: -
 2Q earnings presentation materials: Yes
 Holding of 2Q earnings announcement: Yes (for institutional investors and analysts)

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

(Amounts of less than one million yen are truncated)

1. Consolidated Performance for the Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

(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	
Six months ended September 30, 2018	130,645	(2.2)%	1,165	(24.8)%	1,023	(25.5)%	(297)	-
Six months ended September 30, 2017	133,640	(8.9)%	1,550	(76.5)%	1,373	(78.3)%	650	(83.7)%

(Note) Comprehensive income: Six months ended September 30, 2018: ¥(224) million / -%
 Six months ended September 30, 2017: ¥686 million / (83.0)%

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2018	(¥3.69)	-
Six months ended September 30, 2017	¥7.76	¥7.66

(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 %)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2018	259,789	172,823	66.5
As of March 31, 2018	276,417	180,356	65.2

(Reference) Shareholders' equity:

As of September 30, 2018: ¥172,816 million; As of March 31, 2018: ¥180,356 million

2. State of Dividends

	Annual dividends (Yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended March 31, 2018	-	0.00	-	60.00	60.00
Fiscal year ending March 31, 2019	-	0.00	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	-	-	0.00	0.00

(Notes) 1. Revisions to the latest performance forecast: Yes

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, 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%	174.20

(Note) Revisions to the latest performance forecast: None

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 six months under review (changes in specified subsidiaries resulting in change in scope of consolidation): None

(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: None

(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):	Sep. 30, 2018	84,354,273	Mar. 31, 2018	84,354,273
2) Number of shares of treasury stock at end of period:	Sep. 30, 2018	4,354,872	Mar. 31, 2018	3,292,427
3) Average number of shares during period	Apr.–Sep. 2018	80,679,974	Apr.–Sep. 2017	83,884,168

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

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

* 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. Earnings presentation materials for the second quarter (Fact sheet) will be posted on TDnet on the day of the earnings announcement, and also on the Company's website.
3. On October 29, 2018, the Company plans to hold an earnings announcement for institutional investors and analysts regarding results for the second quarter. The earnings presentation materials used on that day will be posted on the Company's website after the announcement.

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, 2018	-	-	-	75.12	75.12
Fiscal year ending March 31, 2019	-	-			
Fiscal year ending March 31, 2019 (Forecast)			-	0.00	0.00

1. Qualitative Information on Consolidated Performance in the Second Quarter

(1) Explanation of the consolidated operating results

During the six months ended September 30, 2018, net sales decreased ¥2,994 million, or 2.2% year on year, to ¥130,645 million. Operating income was ¥1,165 million, down ¥385 million, or 24.8% year on year, and ordinary income was ¥1,023 million, down ¥350 million, or 25.5%. Loss attributable to owners of parent was ¥297 million, while in the previous year profit attributable to owners of parent was ¥650 million.

(Millions of yen)

Category	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Net sales	133,640	130,645	(2,994)
Operating income	1,550	1,165	(385)
Ordinary income	1,373	1,023	(350)
Profit (loss) attributable to owners of parent	650	(297)	(948)

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

Performance by Segment

(Millions of yen)

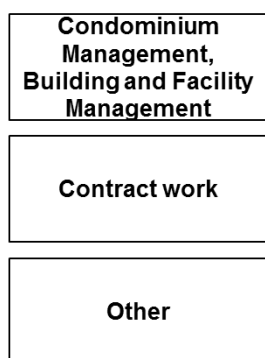
Category	Six months ended September 30, 2017		Six months ended September 30, 2018		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Management	77,519	4,174	75,769	4,153	(1,749)	(20)
Real Estate Brokerage	29,419	1,239	31,080	1,769	1,661	529
Real Estate Development and Sales	29,963	(2,234)	26,071	(2,672)	(3,892)	(437)
Adjustments (Eliminations or Corporate Assets/Expenses)	(3,261)	(1,629)	(2,275)	(2,085)	985	(456)
Total	133,640	1,550	130,645	1,165	(2,994)	(385)

1) Real Estate Management

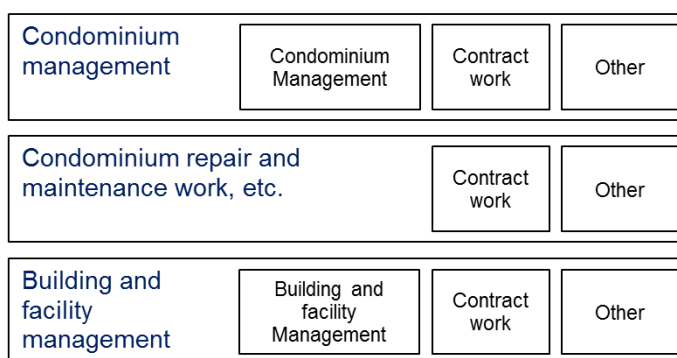
Net sales increased ¥1,577 million over the previous year to ¥23,941 million for building and facility management, but net sales for repair and maintenance work for condominiums decreased by ¥4,554 million to ¥14,179 million. As a result, net sales in the real estate management business decreased ¥1,749 million to ¥75,769 million and operating income fell ¥20 million to ¥4,153 million.

Beginning with the first quarter of this consolidated fiscal year, we have changed business classifications from a breakdown by product and service to a breakdown in company units based on the main products and services (“condominium management,” “repair and maintenance work for condominiums,” and “building and facility management”) in order to augment information disclosure. For this reason, comparisons are made using figures for the same period in the previous year which have been restated to match the reported segment classification after the change.

Original breakdown



Current breakdown



Breakdown of Net Sales

(Millions of yen)

Category	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Condominium Management	37,227	38,269	1,042
Condominium Repair and Maintenance Work, etc.	18,734	14,179	(4,554)
Building and Facility Management	22,363	23,941	1,577
Eliminations	(806)	(620)	185
Total	77,519	75,769	(1,749)

Condominium Management

• Number of Condominium Units under Management

(units)

Category	As of September 30, 2017	As of September 30, 2018	Change
Number of Condominium Units under Management	531,798	534,645	2,847

• Contract Work

(Millions of yen)

Category	As of September 30, 2017	As of September 30, 2018	Change
Orders	5,888	6,307	418
Sales	5,483	5,930	446
Backlog of Orders*	2,286	2,334	48

*The backlog of order is the balance at the end of the fiscal period.

Condominium Repair and Maintenance Work, etc.

• Contract Work

(Millions of yen)

Category	As of September 30, 2017	As of September 30, 2018	Change
Orders	21,342	23,056	1,713
Sales	18,586	14,057	(4,529)
Backlog of Orders*	26,718	30,167	3,449

*The backlog of order is the balance at the end of the fiscal period.

Building and Facility Management

• Backlog of Annual Contracted

(Millions of yen)

Category	As of September 30, 2017	As of September 30, 2018	Change
Backlog of annual contracted	31,168	30,503	(664)

• Contract Work

(Millions of yen)

Category	As of September 30, 2017	As of September 30, 2018	Change
Orders	8,531	7,551	(979)
Sales	6,543	7,953	1,410
Backlog of Orders*	4,535	9,400	4,864

*The backlog of order is the balance at the end of the fiscal period.

2) Real Estate Brokerage

Net sales for lease management decreased ¥460 million over the previous year to ¥4,489 million, but net sales for existing real estate sales increased ¥2,069 million to ¥19,610 million. As a result, net sales in the real estate brokerage business increased ¥1,661 million to ¥31,080 million. At the same time, operating income increased ¥529 million from the previous year to ¥1,769 million.

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Real Estate Brokerage	3,842	3,676	(166)
Existing Real Estate Sales	17,540	19,610	2,069
Lease Management	4,949	4,489	(460)
Other	3,086	3,304	218
Total	29,419	31,080	1,661

Amount of Brokerage Transactions (Millions of yen)

Category	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Number of Brokerage Transactions	3,311	3,205	(106)
Total Amount of Transactions	85,484	78,094	(7,389)

Existing Real Estate Sales Results (Millions of yen)

Category	Six months ended September 30, 2017		Six months ended September 30, 2018		Change	
	Units	Amount	Units	Amount	Units	Amount
Renovated Condominiums	657 units	16,351	656 units	15,847	(1) units	(503)
Other	-	1,188	-	3,762	-	2,573
Total	657 units	17,540	656 units	19,610	(1) units	2,069

Number of Reserve Units for Renovated Condominiums (units)

Category	As of September 30, 2017	As of September 30, 2018	Change
Renovated Condominiums	1,373	1,497	124
Number of condominiums with lease held (uncontracted)	654	927	273

3) Real Estate Development and Sales

Due to the effect of fewer planned completions year on year, condominium units sold amounted to 510 units, down 174 units year on year, and condominium sales amounted to ¥178,78 million, down ¥5,954 million year on year. As a result, net sales in the real estate development and sales business decreased ¥3,892 million to ¥26,071 million, accompanied by an operating loss of ¥2,672 million (operating loss of ¥2,234 million was recorded in the same period of the previous fiscal year).

Breakdown of Net Sales (Millions of yen)

Category	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Real Estate Sales	26,900	23,668	(3,231)
Other	3,062	2,402	(660)
Total	29,963	26,071	(3,892)

Real Estate Sales (Millions of yen)

Category		Six months ended September 30, 2017		Six months ended September 30, 2018		Change	
		Unit	Amount	Unit	Amount	Unit	Amount
Contract Agreement Results*	Condominiums	1,109 units	40,006	1,255 units	46,892	146 units	6,885
	Detached houses	24 units	1,115	38 units	1,647	14 units	531
	Land and buildings	-	2,158	-	148	-	(2,010)
	Total	1,133 units	43,280	1,292 units	48,688	160 units	5,407
Sales Results	Condominiums	684 units	23,833	510 units	17,878	(174) units	(5,954)
	Detached houses	23 units	1,052	37 units	1,590	14 unit	538
	Land and buildings	-	2,015	-	4,200	-	2,184
	Total	707 units	26,900	547 units	23,668	(160) units	(3,231)
Contracted Sales Results**	Condominiums	1,548 units	55,651	2,036 units	77,237	487 units	21,585
	Detached houses	10 units	441	10units	403	(1) units	(37)
	Land and buildings	-	2,787	-	148	-	(2,639)
	Total	1,558 units	58,880	2,045 units	77,788	487 units	18,908

* 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.

Note The number of joint business properties is allocated proportionality based on business holdings; figures are rounded to the nearest whole number.

(2) Explanation of financial position

Assets, liabilities, and net assets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018	Change
Total assets	276,417	259,789	(16,627)
Inventories	113,538	138,475	24,936
Total liabilities	96,061	86,965	(9,095)
Interest-bearing debt	26,503	24,275	(2,228)
Total net assets	180,356	172,823	(7,532)
Shareholders' equity ratio	65.2%	66.5%	1.3p

Total assets as of September 30, 2018 were ¥259,789 million, down ¥16,627 million compared with the end of the previous fiscal year. This reflected a ¥24,936 million increase in real estate inventory, while a ¥37,170 million decrease in cash and cash equivalents and ¥5,163 million decrease in notes and accounts receivable.

Total liabilities were ¥86,965 million, down ¥9,095 million compared with the end of the previous fiscal year. This resulted from decreases of ¥5,069 million in accounts payable and ¥437 million in other current liabilities due to a decrease in deposits.

Total net assets were ¥172,823 million, down ¥7,532 million compared with the end of the previous fiscal year. This resulted from decreases of ¥4,938 million due to payment of dividends of surplus and ¥2,379 million due to purchase of treasury shares. Furthermore, the shareholders' equity ratio was 66.5%, 1.3 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 9, 2018.