

No change to full-year performance forecasts due to steady progress with contracts relative to full-year condominium sales forecasts and orders received for large-scale condominium renovation projects

DAIKYO INCORPORATED (the “Company”) announces financial results for the first quarter ended June 30, 2017. For more details, please refer to Consolidated Financial Results for the First Quarter Ended June 30, 2017, and the Fact Sheets.

■ Consolidated Statements of Operations

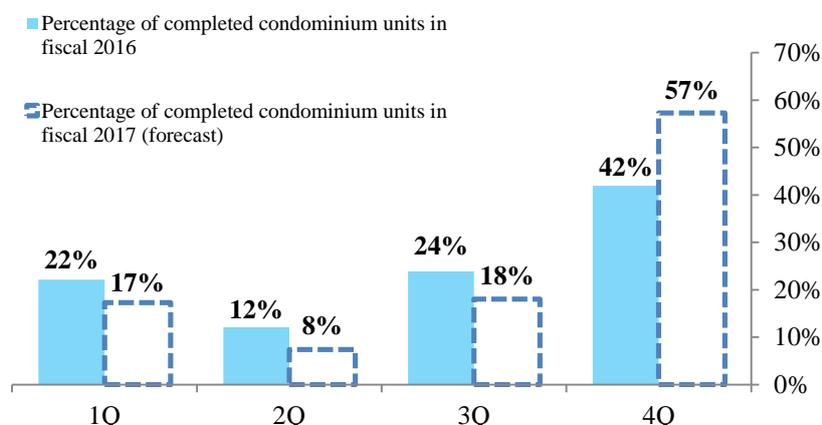
| Three months ended June 30 | 2016 | 2017 | Change | (Millions of yen) Forecast 2017 |
|---|--------|--------|--------|---------------------------------------|
| Net sales | 71,383 | 64,772 | Δ6,610 | 340,000 |
| Operating income | 2,633 | 480 | Δ2,153 | 19,000 |
| Ordinary income | 2,496 | 469 | Δ2,027 | 18,000 |
| Profit attributable to owners of parent | 1,405 | 156 | Δ1,249 | 12,000 |

Consolidated Financial Results Summary

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

This is primarily due to plans for fewer unit completions in condominium sales year on year. However, progress in each segment was generally in line with full-year forecasts, and there has been no change in the full-year performance forecasts released in May 2017.

Reference: Percentage of completed new condominium units in each quarter in fiscal 2016 and fiscal 2017 (*1)



(*1) The percentage of completed new condominium units is calculated based on the first day of residence.

■ Results by Segment

Real Estate Management

| Three months ended June 30 | Net sales | | | Operating income | | | (Millions of yen) |
|----------------------------|---------------|---------------|--------------|------------------|--------------|--------------|-------------------|
| | 2016 | 2017 | Year-on-year | 2016 | 2017 | Year-on-year | |
| | 35,087 | 35,174 | 87 | 1,587 | 1,150 | △437 | |

Segment Summary

- Net sales increased ¥87 million due to increases of ¥184 million in condominium management sales and ¥441 million in sales of repair and maintenance work for condominiums, offsetting decrease of ¥557 million in management sales of building and other facilities.
- Operating income decreased ¥437 million due to increase in labor costs aimed at reinforcement of personnel for business expansions.
- Progress in achieving the full-year forecast of ¥39.5 billion in sales for large-scale condominium repair and maintenance work was 70% as of the end of the first quarter (compared with 47% at the end of the previous fiscal year).
- The rate of progress with regard to full-year forecast net sales was 20% (average of 20% in the most recent three fiscal years).

Real Estate Brokerage

| Three months ended June 30 | Net sales | | | Operating income | | | (Millions of yen) |
|----------------------------|---------------|---------------|--------------|------------------|------------|--------------|-------------------|
| | 2016 | 2017 | Year-on-year | 2016 | 2017 | Year-on-year | |
| | 13,446 | 13,865 | 419 | 354 | 318 | △35 | |

Segment Summary

- Existing real estate sales increased ¥772 million year on year, mainly due to year-on-year increase of renovated condominium unit prices.
- Real estate brokerage sales declined ¥189 million over the previous year due to a decrease in the number of brokerage transactions over the previous fiscal year, and other sales fell ¥214 million due to a decrease in interior goods sales.
- As a result, net sales increased ¥419 million year on year.
- Operating income decreased ¥35 million, mainly due to an increase of labor costs aimed at reinforcement of personnel for further expansion of our network of offices.
- The number of brokerage offices was 72 as of the end of the first quarter (compared with 70 offices as of the end of the previous fiscal year).
- The number of reserve units for renovated condominiums stood at 1,301 units at the end of the first quarter (compared with 1,101 units at the end of the previous fiscal year).
- The rate of progress with regard to full-year forecast net sales was 21% (average of 24% in the most recent three fiscal years).

Real Estate Development and Sales

| Three months ended June 30 | Net sales | | | Operating income | | | (Millions of yen) |
|-------------------------------|---------------|---------------|---------------|------------------|-------------|---------------|-------------------|
| | 2016 | 2017 | Year-on-year | 2016 | 2017 | Year-on-year | |
| | 23,978 | 17,257 | Δ6,721 | 1,449 | △125 | Δ1,574 | |

Segment Summary

- Only 390 completed condominium units were planed in the first quarter, as opposed to 487 units in the previous fiscal year. As a result, the number of condominiums units sold decreased by 99 over the previous fiscal year to 434. Real estate sales fell ¥6,939 million.
- The condominium gross profit margin rose 1.6 pp year on year to 25.7% as a result of appropriate profit levels being made the top priority in sales activities, in parallel with monitoring market trends.
- As a result, net sales decreased ¥6,721 million year on year, and operating income decreased ¥1,574 million.
- As of the end of the first quarter, the rate of progress made in contracted units toward the target of 2,400 units sold in the fiscal year ending in March 2018 was 63% (compared with 45% at the end of the previous fiscal year).
- The number of completed but unsold condominiums was 320 units as of the end of the first quarter (compared with 294 units as of the end of the previous fiscal year).

■ Regarding consolidated performance forecast

There are no changes in the full-year performance forecasts released in May 2017.