

Steady progress in business segments in meeting full-year sales forecasts

DAIKYO INCORPORATED (the “Company”) announces financial results for the first quarter ended June 30, 2018. For more details, please refer to Consolidated Financial Results for the First Quarter Ended June 30, 2018, and the Fact Sheets.

■ Consolidated Statements of Operations

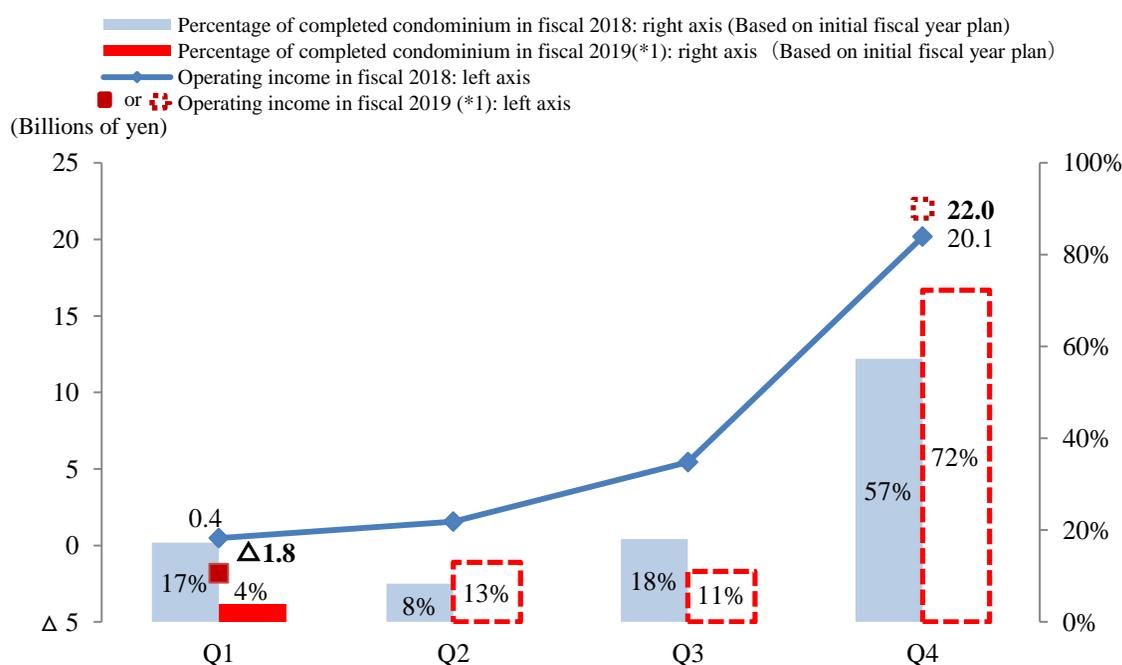
Three months ended June 30	2017	2018	Change	(Millions of yen) Forecast 2019
Net sales	64,772	57,517	Δ 7,255	365,000
Operating income (loss)	480	Δ 1,835	Δ 2,316	22,000
Ordinary income (loss)	469	Δ 1,868	Δ 2,337	20,500
Profit (loss) attributable to owners of parent	156	Δ 2,009	Δ 2,165	14,000

Consolidated Financial Results Summary

During the three months ended June 30, 2018, net sales decreased ¥7,255 million, or 11.2% year on year, to ¥57,517 million, an operating loss of ¥1,835 million was posted (a decrease of ¥2,316 million over the previous year), an ordinary loss of ¥1,868 million was recorded (a decrease of ¥2,337 million over the previous year), and a ¥2,009 million loss attributable to owners of parent was posted (a decrease of ¥2,165 million over the previous year).

As shown in Graph below, in new condominium sales, which are posted as sales when the units are delivered, the number of completed units was down significantly over the same period in the previous year. This is because a high 72% of condominiums are expected to be completed in the fourth quarter. Despite that, the progress in achieving the full-year sales forecast of 2,700 new condominiums has been steady at 62%, remaining the same level as in the first quarter of the previous fiscal year. Moreover, progress in achieving the full-year forecast of ¥42 billion in large-scale condominium repair and maintenance work was 60%. Progress has been steady in all business segments as expected, in line with the income forecasts for this fiscal year, which are skewed toward the second half.

(Graph) Percentage of new condominium units completed in fiscal year ended in March 2018 and fiscal year ending in March 2019 (*1)



(*1) The percentage of condominiums completed in the fiscal year ending in March 2019 is the actual data for Q1, and forecasts for Q2, Q3, and Q4, based on the initial fiscal year plan. Figures for operating income in the fiscal year ending in March 2019 are the actual data for Q1 and the full-year forecast for Q4.

■ Results by Segment

Real Estate Management

Three months ended June 30	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	35,174	33,401	Δ 1,773	1,150	927	Δ 223	

Segment Summary

- Net sales decreased by ¥1,773 million and operating income fell ¥223 million as a result of a ¥2,935 million decrease in sales of repair and maintenance work for condominiums, which exceeded a ¥707 million increase in sales for building and facility management and a ¥360 million increase in condominium management sales.
- Progress in achieving the full-year forecast of ¥42 billion in sales for large-scale condominium repair and maintenance work was 60% as of the end of the first quarter (up 20% points from 40% at the end of the previous fiscal year).

Real Estate Brokerage

Three months ended June 30	Net sales			Operating income			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	13,865	14,027	161	318	264	Δ 53	

Segment Summary

- Net sales in the real estate brokerage segment increased ¥161 million while operating income fell ¥53 million due to a ¥465 million increase in existing real estate sales over the same period in the previous fiscal year and a ¥202 million decrease in lease management over the previous year.
- The number of brokerage offices was 74 as of the end of the first quarter (compared with 74 at the end of the previous fiscal year).
- The number of reserve units for renovated condominiums stood at 1,437 units at the end of the first quarter (compared to 1,340 units at the end of the previous fiscal year).
Of these, the number of condominiums with leases held (uncontracted) increased from 769 units at the end of the previous fiscal year to 818 units, and the gross rental yield has remained at 7% level.

Real Estate Development and Sales

Three months ended June 30	Net sales			Operating loss			(Millions of yen)
	2017	2018	Year-on-year	2017	2018	Year-on-year	
	17,257	11,018	Δ 6,238	Δ 125	Δ 1,947	Δ 1,821	

Segment Summary

- The number of condominiums planned for completion in the first quarter was 105 units, which is low compared to the 390 units completed in the same period in the previous fiscal year. As a result, the number of condominium units sold decreased by 272 units, from 434 units in the previous fiscal year to 162 units. Net sales from real estate sales decreased ¥5,916 million over the previous year to ¥9,980 million.
- The condominium gross profit margin (*2) was 23.7%, about the same level as the full-year forecast of 24%.
- As a result, net sales decreased ¥6,238 million and operating income fell ¥1,821 million.
- The number of condominiums under contract increased by 101 units over the previous year to 575 units, and as a result, progress in achieving the full-year sales forecast was 62% as of the end of the first quarter (compared to 46% at the end of the previous fiscal year), which represents steady progress.
- The number of completed but unsold condominium units was 295 units as of the end of the first quarter (compared with 351 units as of the end of the previous fiscal year).

(*2)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.

■ Regarding consolidated performance forecast

There are no changes in the full-year performance forecasts released in May 2018.