

Financial Highlights for the 2nd Quarter Cumulative of Fiscal 2018 (Unaudited)
(Apr. 1, 2018– Sep. 30, 2018)

DAIBIRU CORPORATION

(Unaudited Translation of 'Kessan Tanshin,' Provided for Reference Only)

Oct. 31, 2018

Name of the Company: DAIBIRU CORPORATION
 Listing of Stock: First Section of Tokyo Stock Exchange
 Securities Code: 8806
 Head Office: 3-6-32 Nakanoshima, Kita-ku, Osaka, Japan
 URL: <http://www.daibiru.co.jp/english>
 Representative: Toshiyuki Sonobe, Representative Director, President Chief Executive Officer
 Scheduled Date of Commencing Dividend Payments: Dec 5, 2018
 Scheduled Date of Quarterly Report: Nov 12, 2018

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for 2Q Fiscal 2018 (Apr. 1, 2018 to Sep. 30, 2018)

(i) Consolidated Results (% indicates changes from the previous corresponding period)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q Fiscal 2018	20,090	△0.0	5,056	△13.1	5,017	△7.1	3,463	△6.0
2Q Fiscal 2017	20,098	4.0	5,819	12.3	5,400	24.5	3,686	27.2

Note: Comprehensive income
 Sep. 30, 2018: 4,974 millions of yen (12.1%) Sep. 30, 2017: 4,438 millions of yen (342.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q Fiscal 2018	29.70	-
2Q Fiscal 2017	31.61	-

(ii) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q Fiscal 2018	360,380	161,422	44.3
Fiscal 2017	351,291	157,673	44.4

Reference: Equity
 Sep. 30, 2018: 159,673 millions of yen Sep. 30, 2017: 155,967 millions of yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	-	8.50	-	10.50	19.00
Fiscal 2018	-	9.50			
Fiscal 2018 (forecast)			-	9.50	19.00

Note: Revisions to dividend forecast of the fiscal year ending March 31, 2019: None

3. Forecast of Consolidated Results for Fiscal 2018 (Apr. 1, 2018 to Mar. 31, 2019)

(% indicates changes from the previous corresponding period)

	Revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2018	40,500	0.2	10,000	△9.6	9,500	△10.7	6,500	△10.5	55.73

Note: Revisions to forecast of consolidated financial results for fiscal 2018 during this quarter: None

* Notes

(i) Significant changes of subsidiaries during the period under review (affecting specified subsidiaries which result in changes in scope of consolidation): Yes
New Consolidation: Daibiru Holdings Australia Pty Ltd

(ii) Adoption of the simplified accounting method and special accounting practices in the preparation of consolidated financial statements:
None

(iii) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: Yes

4) Corrections of errors: None

(iv) Total number of issued shares (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

2Q Fiscal 2018	116,851,049 shares
Fiscal 2017	116,851,049 shares

2) Number of treasury stock at the end of the period

2Q Fiscal 2018	224,234 shares
Fiscal 2017	224,074 shares

3) Average number of shares issued and outstanding during the period (quarterly consolidated cumulative basis)

2Q Fiscal 2018	116,626,914 shares
2Q Fiscal 2017	116,627,476 shares

* Financial results are not subject to auditing.

* Explanation of the Proper Use of Performance Forecast and Other Notes

Information described in this document, such as projections, was prepared based on available information at the time of the release of this document and certain assumptions that the Company judged as rational. Actual results may be significantly different due to various factors. For the notes regarding the assumed conditions for the financial result forecast and the usage of the forecast, please refer to "(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Results" on page 4 of Attached Reference.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Results of Operations

In the six months ended September 30, 2018, the Japanese economy was on a moderate recovery trend as improvements were made in terms of corporate earnings as well as the employment and income environment, and capital investment increased, despite heightened uncertainty regarding the future due to trade and other issues.

For the office leasing segment, strong conditions continued mainly due to continued low levels of vacancy rates of office buildings in the central business districts (CBD) of Tokyo and Osaka and a moderate upward trend in rent rates.

Amid such environment, the Daibiru Group actively developed its business activities including the recovery of rent levels which had trended downward since the economic downturn precipitated by the Lehman Brothers bankruptcy. Simultaneously, the Group sought to offer tenant services with “Daibiru Excellence” by promoting activities that improve building management quality and thus differentiate Daibiru properties from competitors’ buildings. These efforts have enabled the Daibiru Group to continue securing high occupancy rates.

In April of this year, the Company formulated its new medium-term management plan “Design 100” Project Phase-II. Under this plan, the Company has promoted five priority strategies: “Investment in high-end office properties in CBD”, “Expansion of investments targets”, “Improvement of overseas businesses”, “Investment to enhance the competitiveness of existing assets”, and “Enhancement and expansion of property maintenance businesses”.

In August of this year, as one of the priority strategies “Improvement of overseas businesses,” the Company searched for new opportunities to acquire properties for overseas investments in Australia, the second destination following Vietnam, which resulted in concluding an agreement with the John Holland Group, a leading general contractor and developer in Australia, to acquire “275 George Street,” an office building development project located in the Sydney CBD. This project is planned for completion in June 2020 (15 floors above ground, 3 floors below ground, net leasable area of 7,274 m²).

As for the “Akihabara Project” (tentative name, Chiyoda-ku, Tokyo, 11 floors above ground, 2 floors below ground, gross floor area approx. 5,000 m²), construction is proceeding smoothly toward its grand opening in autumn in 2019, and steady progress has been made to attract tenants as well.

With regard to operating results in the six months ended September 30, 2018, revenue from operations decreased ¥8 million, or 0.0%, year on year to ¥20,090 million, and operating income decreased ¥762 million, or 13.1%, to ¥5,056 million.

As for non-operating income and expenses, ordinary income decreased ¥382 million, or 7.1%, to ¥5,017 million, despite an improvement in the financial balance, the recording of share of profit of entities accounted for using equity method and a decrease in foreign exchange losses.

With regard to extraordinary income and loss, there was no recording in the six months ended September 30, 2018. In the same period of the previous fiscal year, loss on disposal of fixed assets of ¥2 million was recorded under extraordinary loss.

As a result, profit attributable to owners of parent decreased ¥222 million, or 6.0%, to ¥3,463 million.

Operating results by segment were as follows.

1) Leasing

In this segment, which accounts for 75.9% of consolidated revenue in the six months ended September 30, 2018, revenue from operations decreased ¥252 million, or 1.6%, to ¥15,249 million mainly due to decreased revenue from some existing buildings. In terms of expenses, operating income decreased ¥683 million, or 10.9%, to ¥5,561 million mainly due to an increase in depreciation and amortization caused by changes to the useful lives of buildings planned for reconstruction.

2) Facility Management

In this segment, which accounts for 22.8% of consolidated revenue, revenue from operations increased ¥170 million, or 3.9%, to ¥4,587 million mainly due to orders for new commissioned properties, but operating income decreased ¥41 million, or 13.7%, to ¥257 million.

3) Other Businesses

In this segment, which accounts for 1.3% of consolidated revenue, revenue from operations increased ¥72 million, or 40.4%, to ¥253 million and operating income increased ¥20 million, or 23.9%, to ¥106 million, mainly due to an increase in construction management fees and construction subcontracting values caused by tenants entering properties.

(2) Explanation on Financial Position

1) Assets, Liabilities and Net assets

Total assets at the end of the second quarter of the current fiscal year were ¥360,380 million, an increase of ¥9,089 million from the end of the previous fiscal year. Owing mainly to an increase in cash and cash equivalents, current assets increased ¥14,048 million from the end of the previous fiscal year to ¥20,342 million. Noncurrent assets decreased ¥4,959 million from the end of the previous fiscal year to ¥340,037 million. This is mainly due to a decrease in buildings and structures owing to depreciation, a decrease in other intangible assets, and a decrease in investment securities owing to the capital reduction by a company accounted for by the equity method.

Liabilities at the end of the second quarter of the current fiscal year were ¥198,957 million, an increase in ¥5,339 million from the end of the previous fiscal year. Current liabilities increased ¥17,035 million from the end of the previous fiscal year to ¥33,079 million. This is mainly due to an increase in commercial paper and current portion of bonds payable. Due to a decrease in bonds payable and long-term debt, long-term liabilities decreased ¥11,695 million from the end of the previous fiscal year to ¥165,877 million. Total interest bearing debt increased ¥6,435 million from the end of the previous fiscal year to ¥147,977 million.

Net assets at the end of the second quarter of the current fiscal year increased ¥3,749 million from the end of the previous fiscal year to ¥161,422 million. This is mainly due to an increase in retained earnings and net unrealized holding gains on securities, despite a decrease in foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year were ¥18,014 million, an increase of ¥13,859 million from the end of the previous fiscal year. Changes in cash flows and their causes are explained below:

(Cash flows from operating activities)

Net cash provided by operating activities in the six months ended September 30, 2018 was ¥5,988 million, smaller by ¥965 million from the same period of the previous fiscal year. This is mainly due to decreases in profit before income taxes, accounts payable-trade and guarantee deposits received.

(Cash flows from investing activities)

Net cash provided by investing activities in the six months ended September 30, 2018 was ¥2,607 million. This is mainly due to proceeds from capital reduction of investment securities. In the same period of the previous fiscal year, net cash used in investing activities was ¥5,964 million mainly due to purchases of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities in the six months ended September 30, 2018 was ¥5,210 million. This is mainly due to an increase in commercial paper. In the same period of the previous fiscal year, net cash used in financing activities was ¥2,498 million mainly due to repayment of long-term debt.

(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Results

Figures announced on April 27, 2018 have not been revised.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen, figures are rounded down to the nearest million yen)

	Previous Fiscal Year As of March 31, 2018	2Q of Current Fiscal Year As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	4,529	18,397
Accounts receivable-trade	998	1,039
Inventories	53	52
Other current assets	718	864
Allowance for doubtful accounts	(6)	(11)
Total current assets	6,294	20,342
Noncurrent assets		
Property and equipment		
Buildings and structures, net	108,720	105,892
Land	157,695	157,729
Land in trust	31,231	31,231
Construction in progress	198	564
Other, net	395	331
Net property and equipment	298,243	295,750
Intangible assets		
Goodwill	1,857	1,748
Other	12,417	11,926
Total intangible assets	14,275	13,674
Investments and other assets		
Investment securities	30,203	28,337
Deferred tax assets	204	219
Other	2,103	2,070
Allowance for doubtful accounts	(33)	(15)
Total investments and other assets	32,478	30,612
Total noncurrent assets	344,996	340,037
Total assets	351,291	360,380

(Millions of yen, figures are rounded down to the nearest million yen)

	Previous Fiscal Year As of March 31, 2018	2Q of Current Fiscal Year As of September 30, 2018
Liabilities		
Current liabilities		
Current portion of long-term debt	3,130	3,115
Current portion of bond	–	10,000
Commercial paper	5,000	13,000
Accrued income and enterprise taxes	1,639	1,642
Accrued bonuses for directors and statutory auditors	79	–
Other current liabilities	6,194	5,322
Total current liabilities	16,044	33,079
Long-term liabilities		
Bonds payable	80,000	70,000
Long-term debt	53,412	51,862
Guarantee deposits received	25,353	24,609
Deferred tax liabilities	8,852	9,526
Deferred tax liabilities for land revaluation	8,024	8,024
Retirement benefits for directors and statutory auditors	61	58
Defined benefit liabilities	787	803
Provision for environmental measures	620	620
Other long-term liabilities	460	372
Total long-term liabilities	177,573	165,877
Total liabilities	193,617	198,957
Net assets		
Shareholders' equity		
Common stock	12,227	12,227
Capital surplus	13,852	13,852
Retained earnings	102,099	104,338
Treasury stock	(147)	(147)
Total shareholders' equity	128,032	130,271
Accumulated other comprehensive income		
Net unrealized holding gains on securities	13,512	15,422
Deferred gains on hedges	(4)	2
Land revaluation reserve	12,193	12,193
Foreign currency translation adjustment	2,233	1,782
Total accumulated other comprehensive income	27,934	29,401
Non-controlling interests	1,706	1,749
Total net assets	157,673	161,422
Total liabilities and net assets	351,291	360,380

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2017 to Sep. 30, 2017)	2Q of Current Fiscal Year (From Apr. 1, 2018 to Sep. 30, 2018)
Revenue from operations	20,098	20,090
Cost of revenue from operations	12,438	13,110
Operating gross profit	7,659	6,980
Selling, general and administrative expenses	1,840	1,923
Operating income	5,819	5,056
Non-operating income		
Interest income	20	19
Dividend income	310	349
Share of profit of entities accounted for using equity method	—	229
Other	15	13
Total non-operating income	345	611
Non-operating expenses		
Interest expense	591	592
Foreign exchange losses	118	51
Other	55	6
Total non-operating expenses	765	650
Ordinary income	5,400	5,017
Extraordinary loss		
Loss on disposal of fixed assets	2	—
Total extraordinary losses	2	—
Profit before income taxes	5,397	5,017
Income taxes—current	1,621	1,577
Income taxes—deferred	37	△66
Total income taxes	1,659	1,510
Profit	3,738	3,507
Profit attributable to non-controlling interests	52	43
Profit attributable to owners of parent	3,686	3,463

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2017 to Sep. 30, 2017)	2Q of Current Fiscal Year (From Apr. 1, 2018 to Sep. 30, 2018)
Profit	3,738	3,507
Other comprehensive income		
Net unrealized holding gains on securities	1,341	1,909
Deferred gains on hedges	3	7
Foreign currency translation adjustment	△645	△339
Share of other comprehensive income of entities accounted for using equity method	—	△110
Total other comprehensive income	699	1,466
Comprehensive income	4,438	4,974
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	4,385	4,930
Comprehensive income attributable to non- controlling interests	52	43

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2017 to Sep. 30, 2017)	2Q of Current Fiscal Year (From Apr. 1, 2018 to Sep. 30, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	5,397	5,017
Depreciation and amortization	3,439	3,623
Amortization of goodwill	79	59
Increase (decrease) in accrued bonuses for directors and statutory auditors	△64	△79
Increase (decrease) in Defined benefit liabilities	15	15
Increase (decrease) in retirement benefits for directors and statutory auditors	△2	△3
Interest and dividend income	△330	△368
Interest expense	591	592
Share of (profit) loss of entities accounted for using equity method	—	△229
Loss on disposal of fixed assets	2	—
Increase (decrease) in guarantee deposits received	△397	△730
Decrease (increase) in guarantee deposits	△0	△3
Decrease (increase) in accounts receivable-trade	103	△41
Decrease (increase) in inventories	△1	1
Increase (decrease) in accounts payable-trade	△1	△336
Decrease (increase) in accrued consumption taxes	△184	189
Other, net	384	75
Subtotal	9,031	7,783
Interest and dividends received	330	368
Interest paid	△598	△599
Income taxes paid	△1,809	△1,563
Net cash provided by (used in) operating activities	6,953	5,988
Net cash provided by (used in) investing activities		
Purchases of property and equipment	△1,243	△1,888
Purchases of investment securities	△4,671	—
Proceeds from capital reduction of investment securities	—	4,671
Payments into time deposits	△191	△204
Proceeds from withdrawal of time deposits	237	186
Collections of long-term loans receivable	4	6
Other, net	△99	△164
Net cash provided by (used in) investing activities	△5,964	2,607
Net cash provided by (used in) financing activities		
Net increase (decrease) in commercial paper	—	8,000
Repayment of long-term debt	△1,565	△1,565
Purchases of treasury stock	△0	△0
Dividends paid	△932	△1,224
Other, net	—	0
Net cash provided by (used in) financing activities	△2,498	5,210
Effect of exchange rate change on cash and cash equivalents	106	52
Net increase (decrease) in cash and cash equivalents	△1,402	13,859
Cash and cash equivalents at beginning of year	7,954	4,155
Cash and cash equivalents at end of year	6,551	18,014

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None applicable

(Changes to the Scope of Consolidation or the Scope of Application of Equity Method)

From the second quarter of the current fiscal year, Daibiru Holdings Australia Pty Ltd, Margaret George Investment Custodian Pty Ltd, whose materiality have increased, and Margaret George Investment Trust, to which Daibiru Holdings Australia Pty Ltd made equity investments in July 2018, have been included in the scope of consolidation.

(Changes in Accounting Estimates)

The Company, at its Board of Directors meeting held on April 27, 2018, resolved to reconstruct certain buildings which it owns. In conjunction with this resolution, starting from the first quarter of the current fiscal year, the useful lives of property and equipment relating to these buildings have been shortened and changed into the future.

As a result, for the six months ended September 30, 2018, cost of revenue from operations increased by ¥297 million, and operating gross profit, operating income, ordinary income and profit before income taxes decreased by ¥297 million, respectively, compared to the previous method.

(Significant Changes in Shareholder's Equity)

None applicable

(Segment Information)

I Previous 2Q fiscal year (Apr. 1, 2017 to Sep. 30, 2017)

1. Information on the amount of revenue and income by reportable segment

(Millions of yen, figures are rounded down to the nearest million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Leasing	Facility Management	Total				
Revenue:							
Outside customers	15,501	4,416	19,918	180	20,098	—	20,098
Intersegment	54	1,117	1,171	—	1,171	(1,171)	—
Total Sales	15,556	5,533	21,089	180	21,270	(1,171)	20,098
Segment income	6,244	298	6,543	86	6,629	(809)	5,819

- Notes:
1. "Other" is a business segment that is not included in the reportable segments and refers to construction and real estate agency, etc.
 2. The adjustment was minus ¥809 million for segment income is mainly the corporate expense of ¥814 million that has not been allocated to reportable segments. Corporate expense is primarily expense related to administrative departments, including the Human Resources and General Affairs Department at headquarters, that does not belong to the reportable segment.
 3. Segment income is adjusted to operating income on Quarterly Consolidated Statements of Income.

II Current 2Q fiscal year (Apr. 1, 2018 to Sep. 30, 2018)

1. Information on the amount of revenue and income by reportable segment

(Millions of yen, figures are rounded down to the nearest million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Leasing	Facility Management	Total				
Revenue:							
Outside customers	15,249	4,587	19,836	253	20,090	—	20,090
Intersegment	55	1,146	1,202	—	1,202	(1,202)	—
Total Sales	15,305	5,734	21,039	253	21,292	(1,202)	20,090
Segment income	5,561	257	5,818	106	5,925	(868)	5,056

- Notes:
1. "Other" is a business segment that is not included in the reportable segments and refers to construction and real estate agency, etc.
 2. The adjustment was minus ¥868 million for segment income is mainly the corporate expense of ¥872 million that has not been allocated to reportable segments. Corporate expense is primarily expense related to administrative departments, including the Human Resources and General Affairs Department at headquarters, that does not belong to the reportable segment.
 3. Segment income is adjusted to operating income on Quarterly Consolidated Statements of Income.

2. Changes to Reportable Segments

As stated in Changes in Accounting Estimates, starting from the first quarter of the current fiscal year, the useful lives of property and equipment relating to the buildings scheduled for rebuilding have been changed.

As a result of this change, for the six months ended September 30, 2018, segment income of the "Leasing" segment decreased by ¥297 million.