Financial Results for the Fiscal Year Ended March 31, 2010 (Unaudited)

May 12, 2010

Listed company: DAIKYO INCORPORATED Listed stock exchange: Tokyo
Securities code: 8840 URL: http://www.daikyo.co.jp
Representative: Masaaki Tashiro, Representative Executive Officer, President
Contact: Eiji Ochiai, Executive Officer
Planned date of Ordinary General Meeting of Shareholders: June 23, 2010
Planned date of submission of Annual Securities Report: June 23, 2010
Planned dividends payment commencement date: —

(Amounts less than one million yen are truncated)

1. Consolidated Performance in the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Consolidated operating results (% figures show year-on-year change)
(Millions of yen)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Fiscal year ended March 31, 2010	318,356	(9.5)%	9,098	—%	6,359	—%	6,307	—%
Fiscal year ended March 31, 2009	351,623	(10.8)%	(44,075)	—%	(51,845)	—%	(56,414)	—%

	Net income (loss) per share	Fully diluted net income per share	Ratio of net income (loss) to shareholders' equity	Ratio of ordinary income (loss) to total assets	Ratio of operating income (loss) to net sales
Fiscal year ended March 31, 2010	¥16.52	¥8.21	8.4 %	1.8 %	2.9 %
Fiscal year ended March 31, 2009	¥(164.87)	—	(64.4)%	(12.5)%	(12.5)%

(Reference) Equity in (earnings) loss of non-consolidated subsidiaries and affiliates:
Fiscal year ended March 31, 2010: ¥— million Fiscal year ended March 31, 2009: ¥42 million

(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, 2010	330,456	87,367	26.4%	¥116.67
Fiscal year ended March 31, 2009	367,521	62,820	17.1%	¥79.81

(Reference) Shareholders' equity:
Fiscal year ended March 31, 2010: ¥87,367 million Fiscal year ended March 31, 2009: ¥62,737 million

(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, 2010	1,913	(540)	(3,708)	65,245
Fiscal year ended March 31, 2009	48,899	14,055	(48,502)	67,577

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, 2009	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended March 31, 2010	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending March 31, 2011 (Forecast)	—	0.00	—	0.00	0.00		—	

(Note) The above "Status of Dividends" is only the status of dividends from common stock. Please refer to "State of Dividends from Class Stock" on page 3 for the state of dividends from class stock (unlisted) issued by the Company with different rights from common stock.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(% figures show year-on-year change)
(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Six months ending September 30, 2010	123,000	(21.1)%	3,000	(44.0)%	1,000	(77.1)%	300	(92.3)%	¥0.68
Full year	290,000	(8.9)%	12,500	37.4%	8,000	25.8 %	7,000	11.0 %	¥13.95

4. Others

(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, procedures, presentation methods for the preparation of the consolidated financial statements

(i) Changes due to revision of accounting standards, etc.: Yes
(ii) Changes other than (i): None

(3) Number of shares issued (common stock)

1) Number of issued shares at end of period (including shares of treasury stock)
As of March 31, 2010: 445,337,738 shares
As of March 31, 2009: 345,387,738 shares

2) Number of shares of treasury stock at end of period
As of March 31, 2010: 3,363,229 shares
As of March 31, 2009: 3,336,130 shares

(Reference) Overview of non-consolidated performance

1. Non-Consolidated Performance in the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Non-consolidated operating results (% figures show year-on-year change)
(Millions of yen)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Fiscal year ended March 31, 2010	194,832	(12.4)%	(2,272)	—%	1,840	—%	6,466	—%
Fiscal year ended March 31, 2009	222,457	(8.8)%	(36,690)	—%	(38,193)	—%	(49,604)	—%

	Net income (loss) per share	Fully diluted net income per share
Fiscal year ended March 31, 2010	¥16.96	¥8.42
Fiscal year ended March 31, 2009	¥(144.92)	—

(2) Non-consolidate 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, 2010	306,985	79,606	25.9%	¥99.11
Fiscal year ended March 31, 2009	341,910	55,277	16.1%	¥57.75

(Reference) Shareholders' equity:
Fiscal year ended March 31, 2010: ¥79,606 million Fiscal year ended March 31, 2009: ¥55,194 million

* Explanation of the Appropriate Use of Performance Forecasts, Other Points to Note

Forward-looking statements in this document, including the performance outlook, etc., were written based on the information available to the Company as of the date this document was published. Actual performance may differ from the forecast figures due to various factors.

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)

	Dividends per share (Yen)					Total dividends (Millions of yen)
	1Q end	2Q end	3Q end	Year end	Total	
Fiscal year ended March 31, 2009	—	—	—	0.00	0.00	—
Fiscal year ended March 31, 2010	—	—	—	10.08	10.08	100
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	9.328	9.328	93

(Class 2 preferred stock)

	Dividends per share (Yen)					Total dividends (Millions of yen)
	1Q end	2Q end	3Q end	Year end	Total	
Fiscal year ended March 31, 2009	—	—	—	0.00	0.00	—
Fiscal year ended March 31, 2010	—	—	—	10.08	10.08	113
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	9.328	9.328	104

(Class 4 preferred stock)

	Dividends per share (Yen)					Total dividends (Millions of yen)
	1Q end	2Q end	3Q end	Year end	Total	
Fiscal year ended March 31, 2009	—	—	—	0.00	0.00	—
Fiscal year ended March 31, 2010	—	—	—	8.00	8.00	150
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	8.00	8.00	150

(Class 7 preferred stock)

	Dividends per share (Yen)					Total dividends (Millions of yen)
	1Q end	2Q end	3Q end	Year end	Total	
Fiscal year ended March 31, 2009	—	—	—	—	—	—
Fiscal year ended March 31, 2010	—	—	—	—	—	—
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	10.00	10.00	250

(Class 8 preferred stock)

	Dividends per share (Yen)					Total dividends (Millions of yen)
	1Q end	2Q end	3Q end	Year end	Total	
Fiscal year ended March 31, 2009	—	—	—	—	—	—
Fiscal year ended March 31, 2010	—	—	—	—	—	—
Fiscal year ending March 31, 2011 (Forecast)	—	—	—	10.00	10.00	235

Formula for calculation of indicators in
"1. Consolidated Performance in the Fiscal Year Ended March 31, 2010"

○ Net income per share

$$\frac{\text{Net income in relation to common stock}}{\text{Average number of common shares during the fiscal year}}$$

○ Fully diluted net income per share

$$\frac{\text{Net income in relation to common stock + Adjustments to net income}}{\text{Average number of common shares during the fiscal year + Increase in the number of common shares}}$$

○ Net assets per share

$$\frac{\text{Year-end net assets in relation to common stock}}{\text{Number of common shares issued at year-end}}$$

Formula for calculation of indicators in "3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2011"

○ Net income per share

$$\frac{\text{Forecast net income in relation to common stock}}{\text{Forecast average number of common shares during the fiscal year}}$$

(Reference) Overview of non-consolidated performance
Formula for calculation of indicators in "1. Non-Consolidated Performance in the Fiscal Year Ended March 31, 2010"

○ Net income per share

$$\frac{\text{Net income in relation to common stock}}{\text{Average number of common shares during the fiscal year}}$$

○ Fully diluted net income per share

$$\frac{\text{Net income in relation to common stock + Adjustments to net income}}{\text{Average number of common shares during the fiscal year + Increase in the number of common shares}}$$

○ Net assets per share

$$\frac{\text{Year-end net assets in relation to common stock}}{\text{Number of common shares issued at year-end}}$$

1. Operating Results

(1) Analysis of operating results

Operating Results for the Fiscal Year under Review

(Billions of yen except for % and per share amounts)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	EBITDA	Net income (loss) per share	Ordinary income to net sales ratio	ROA
Fiscal year ended March 31, 2010	318.3	9.0	6.3	6.3	10.4	¥16.52	2.0 %	2.6 %
Fiscal year ended March 31, 2009	351.6	(44.0)	(51.8)	(56.4)	(43.0)	¥(164.87)	(14.7)%	(10.6)%
Change	(9.5)%	—	—	—	—	—	—	—

(Note) EBITDA = Operating income (loss) + Depreciation expenses + Amortization of goodwill

1. Overall Performance

During the fiscal year ended March 31, 2010, the Japanese economy continued to recover, owing to increased exports and production generated by improvements in foreign economies, particularly in Asia, and by the aid of emergency economic stimulus packages. However, domestic demand was unable to sustain a recovery, and conditions remain bleak as evidenced by the high unemployment rate, among other indicators.

Although the condominium market has been improving slowly with gradual progress in inventory adjustments, the business environment remains difficult—and it seems highly likely that recovery will take considerable time, hampered by stagnant employment and personal income.

Given this environment, in the period under review, the Daikyo Group’s total net sales amounted to ¥318,356 million, a year-on-year decline of 9.5%, due to a significant decrease in net sales in the Group’s mainstay business of real estate sales, which fell 25.9%, to ¥198,539 million.

Although net sales declined, operating income improved from a loss of ¥44,075 million in the previous fiscal year to a gain of ¥9,098 million, and ordinary income improved from a loss of ¥51,845 million in the previous fiscal year to a gain of ¥6,359 million. The increases in income is attributed to the strengthened profitability of the “Stock” business centered on the real estate management segment and contributions from the performance of ORIX Facilities Corporation and J・COMS INCORPORATED (now JAPAN LIVING COMMUNITY INC.), which became consolidated subsidiaries. As a result, net income amounted to ¥6,307 million, an improvement from a net loss of ¥56,414 million recorded in the previous fiscal year.

Note: J･COMS INCORPORATED changed its name to JAPAN LIVING COMMUNITY INC. on April 1, 2010.

2. Results by Segment

Performance by Segment (Millions of yen)

Category	Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2010		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Real Estate Sales	267,845	(50,436)	198,539	(2,070)	(69,306)	48,365
Real Estate Management	31,944	3,586	60,402	5,558	28,457	1,971
Real Estate Brokerage	8,506	(129)	8,424	1,381	(81)	1,510
Contract Work	35,144	2,758	42,027	3,448	6,883	689
Other	11,206	2,184	11,424	2,481	217	297
Eliminations or Corporate Assets/Expenses	(3,023)	(2,040)	(2,460)	(1,700)	562	339
Total	351,623	(44,075)	318,356	9,098	(33,267)	53,174

1) Real Estate Sales

In the real estate sales segment, net sales fell 25.9% from the previous fiscal year, to ¥198,539 million, owing to a decline of ¥45,340 million in mainstay condominium net sales, to ¥194,302 million. This reflected a 1,085-unit decline in units sold, to 5,559 units, as well as a decrease in net sales of land and buildings to ¥4,236 million, down ¥23,965 million from the previous fiscal year. The deterioration of income following the decline in revenue from condominium sales, revisions to the business plan and construction delays on some projects, along with a write-down of ¥6,710 million for inventory valuations, all contributed to an operating loss of ¥2,070 million, an improvement from a loss of ¥50,436 million in the previous fiscal year.

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

N4.TOWER	(Osaka)
LIONS TOWER SAGAMIHARA Station Grande	(Sagamihara, Kanagawa)
LIONS KURUME WELLITH TOWER	(Kurume, Fukuoka)
LIONS ITABASHI-NISHIDAI Bright House	(Itabashi-ku, Tokyo)
LIONS TOWER KOBE MOTOMACHI	(Kobe, Hyogo)

2) Real Estate Management

In the real estate management segment, net sales rose 89.1%, to ¥60,402 million, and operating income rose 55.0% from the previous fiscal year, to ¥5,558 million, due to a higher number of units under the management of DAIKYO ASTAGE INCORPORATED, compared with the previous fiscal year, and to contributions from ORIX Facilities Corporation and J・COMS INCORPORATED, which became consolidated subsidiaries, as noted above.

3) Real Estate Brokerage

Although net sales in the real estate brokerage segment declined 1.0% from the previous fiscal year, to ¥8,424 million, brought about by the closure of unprofitable branch offices and cutbacks in personnel in the previous fiscal year, improved operating productivity and the effect of curtailed expenses contributed to operating income of ¥1,381 million, rebounding from a loss of ¥129 million in the previous fiscal year.

4) Contract Work

In the contract work segment, net sales rose 19.6%, to ¥42,027 million, and operating income rose 25.0% from the previous fiscal year, to ¥3,448 million, attributable to the solid performance in large-scale repair and maintenance work by DAIKYO ASTAGE INCORPORATED and to the performance of ORIX Facilities Corporation.

5) Other

In the other segment, net sales primarily made up of leasing income rose 1.9%, to ¥11,424 million, and operating income rose 13.6% from the previous fiscal year, to ¥2,481 million.

Outlook for the Fiscal Year Ending March 31, 2011

We expect the bleak business environment to continue, for the time being, in our mainstay real estate sales segment. However, due to the strengthened profitability of the "Stock" business centered on the real estate management segment, in our outlook for the fiscal year ending March 31, 2011, we forecast net sales of ¥290 billion, a year-on-year decline of 8.9%, operating income of ¥12.5 billion, a year-on-year increase of 37.4%, ordinary income of ¥8 billion, a year-on-year increase of 25.8%, and net income of ¥7 billion, a year-on-year increase of 11.0%.

Regarding the outlook for each business segment, we expect net sales for the real estate sales segment forecast to fall by 15.4%, to ¥168 billion, with the bleak business environment to continue, but we aim to secure profits by curtailing expenses and implementing other measures. In the real estate management segment, we expect increased sales due to an increase in the number of units under management and other factors. However, we also anticipate a slight drop in operating income, as a result of an increase in labor costs due to the hiring of extra personnel for the development of business structures and other increases in costs. We aim to increase net sales in the real estate brokerage segment as well, by expanding the areas covered by the segment and by taking other measures. Although, we are expecting a slight decline in operating income due to infrastructure development expenses arising from the development of business structures and other expenses.

The outlook for the fiscal year ending March 31, 2011 is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ending March 31, 2011	Change (%)
Net sales	318,356	290,000	(8.9)
Operating income	9,098	12,500	37.4
Ordinary income	6,359	8,000	25.8
Net income	6,307	7,000	11.0
Net income per share	¥16.52	¥13.95	(15.6)

The outlook for each business segment is as follows:

(Millions of yen)

Category	Fiscal year ended March 31, 2010		Fiscal year ending March 31, 2011	
	Net sales	Operating income (loss)	Net sales	Operating income
Real Estate Sales	198,539	(2,070)	168,000	3,400
Real Estate Management	60,402	5,558	62,000	5,200
Real Estate Brokerage	8,424	1,381	9,000	1,300
Contract Work	42,027	3,448	43,000	2,900
Other	11,424	2,481	10,000	1,800
Eliminations or Corporate Assets/Expenses	(2,460)	(1,700)	(2,000)	(2,100)
Total	318,356	9,098	290,000	12,500

(2) Analysis of financial position

Analysis of Assets, Liabilities, Net Assets and Cash Flows

1. Consolidated Financial Position

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Change
Total assets	367,521	330,456	(37,064)
Total liabilities	304,700	243,089	(61,611)
Interest-bearing debt	182,449	160,760	(21,689)
Total net assets	62,820	87,367	24,546
Shareholders' equity	62,737	87,367	24,630
Shareholders' equity ratio	17.1%	26.4%	9.3pp

Total assets as of March 31, 2010 were ¥330,456 million, a decrease of ¥37,064 million compared with the end of the previous fiscal year. This was a result of inventories declining by ¥33,492 million, among other factors.

Total liabilities decreased by ¥61,611 million from the end of the previous fiscal year, to ¥243,089 million. This was a consequence of decreases of ¥28,562 million in notes and accounts payable, ¥21,689 million in interest-bearing debt and ¥8,573 million in other current liabilities, owing to such factors as a drop in deposits on condominium sales.

Net assets rose by ¥24,546 million from the end of the previous fiscal year, to ¥87,367 million. This was mainly attributable to capital and capital surplus growing by ¥9,108 million, due to the issuance of new shares for public stock offerings, etc., and retained earnings increasing by ¥6,307 million due to the recording of net income. In order to cover the loss of retained earnings caused by the loss in the previous fiscal year, ¥14,495 million was transferred from capital surplus to retained earnings. Furthermore, shareholders' equity ratio was 26.4%, 9.3 percentage points higher than at the end of the previous fiscal year, and net assets per share were ¥116.67, an increase of ¥36.86 compared with the end of the previous fiscal year.

2. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Change
Cash flow from operating activities	48,899	1,913	(46,986)
Cash flow from investing activities	14,055	(540)	(14,595)
Cash flow from financing activities	(48,502)	(3,708)	44,793
Effect of exchange rate changes on cash and cash equivalents	(37)	2	40
Net increase (decrease) in cash and cash equivalents	14,415	(2,332)	(16,747)
Cash and cash equivalents at beginning of year	53,162	67,577	14,415
Cash and cash equivalents at end of year	67,577	65,245	(2,332)

As at March 31, 2010, the Group had cash and cash equivalents (hereinafter referred to as "cash") of ¥65,245 million, down ¥2,332 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities during the fiscal year ended March 31, 2010 was ¥1,913 million, compared with ¥48,899 million in the previous fiscal year. The cash decrease, due to a drop in notes and accounts payable and in deposits on condominium sales, was offset by an increase in cash owing to the recording of income before income taxes and a reduction in inventory.

Cash flow from investing activities

Net cash used in investing activities during the fiscal year ended March 31, 2010 was ¥540 million, compared with ¥14,055 million provided by investing activities in the previous fiscal year. This was primarily the result of the purchase of investments in subsidiaries.

Cash flow from financing activities

Net cash used in financing activities during the fiscal year ended March 31, 2010 was ¥3,708 million, compared with ¥48,502 million in the previous fiscal year. The increase in cash, due to the issuance of shares, was offset by a cash decrease following a loan repayment and the redemption of corporate bonds.

Change in Indicators related to Cash Flows

Fiscal year ended March 31	2006	2007	2008	2009	2010
Shareholders' equity ratio	22.7%	20.3%	24.2%	17.1%	26.4%
Shareholders' equity ratio on a market price basis	65.1%	55.0%	20.2%	14.6%	33.8%
Number of years for the redemption of debt	5.4 years	—	—	3.7 years	84.0 years
Interest coverage ratio	6.5	—	—	13.4	0.7

Notes: Shareholders' equity ratio = (Net assets – Share subscription rights – Minority interests)/Total assets
Shareholders' equity ratio on a market price basis = Total market price of shares/Total assets
Number of years for the redemption of debt = 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 stock) + the 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.

(3) Basic policy regarding profit allocation and dividends in the fiscal year under review and the next fiscal year

Our basic policy is to return profits to shareholders through sustained improvements in corporate value and increases in shareholder value; therefore we will continue building up our internal reserves in order to strengthen our financial foundation and will continue paying out dividends that are stable in the medium to long term.

However, we have withheld payment of dividends at the end of the fiscal year under review because we have decided to give priority to building up our internal reserves even though the economic trends are on course for a recovery.

Furthermore, we plan to withhold payment of dividends in the next fiscal year (the fiscal year ending March 31, 2011), just as we have in the fiscal year under review.