Consolidated Financial Results
for the First Quarter Ended June 30, 2010 (J-GAAP)
(Unaudited)

August 3, 2010

Listed company: DAIKYO INCORPORATED Listed stock exchange: Tokyo
Securities code: 8840 URL: http://www.daikyo.co.jp
Representative: Akira Yamaguchi, Representative Executive Officer, President
Contact: Hidetake Takahashi, Executive Officer
Planned date of the filing of quarterly report: August 12, 2010
Planned dividends payment commencement date: —
1Q earnings presentation materials: Available
Holding of 1Q earnings announcement: None

(Amounts less than one million yen are truncated)

1. Consolidated Performance in the First Quarter Ended June 30, 2010 (April 1, 2010 to June 30, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
Three months ended June 30, 2010	51,626	(37.4)%	1,428	(50.7)%	829	(67.7)%	50	(95.7)%
Three months ended June 30, 2009	82,459	44.1%	2,899	—	2,573	—	1,160	—

	Net income per share	Fully diluted net income per share
Three months ended June 30, 2010	¥0.11	¥0.06
Three months ended June 30, 2009	¥3.39	¥1.55

(2) Consolidated financial position (Millions of yen except for % and per share figures)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of June 30, 2010	317,808	86,923	27.4%	¥116.49
As of March 31, 2010	330,456	87,367	26.4%	¥116.67

(Reference) Shareholders' equity:
As of June. 30, 2010: ¥86,923 million As of March. 31, 2010: ¥87,367 million

2. State of dividends

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		0.00	—	0.00	0.00

(Note) Revisions to the quarter's dividend forecast: None
The above "Status 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 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, 2011	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

(Note) Revisions to the quarter's performance forecast: None

4. Others (For further details, see “2. Other Information” on page 9.)

(1) Changes in significant subsidiaries during the quarter under review: None

New: — (Company name:) Excluded: — (Company name:)

*This refers to changes in specified subsidiaries resulting in change of scope of consolidation during the quarter.

(2) Application of simplified accounting treatment and special accounting treatment: None

* This refers to simplified accounting treatment and special accounting treatment for the preparation of the quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures and presentation methods

(i) Changes due to revision of accounting standards, etc.: Yes

(ii) Changes other than (i): None

* This refers to changes in accounting policies, procedures and presentation methods for the preparation of the consolidated financial statements

(4) Number of shares issued (common stock)

(Unit: share)

1) Number of issued shares at end of period (including treasury stock):	June 30, 2010	445,337,738	March 31, 2010	445,337,738
2) Number of shares of treasury stock at end of period:	June 30, 2010	3,368,552	March 31, 2010	3,363,229
3) Average number of shares during period	Apr–Jun 2010	441,971,375	Apr–Jun 2009	342,047,473

* Presentation of implementation state for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this Consolidated Financial Results, and the quarterly review procedure based on the Financial Instruments and Exchange Act had not been completed as of the release of this Consolidated Financial Results.

* 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)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	—	—	10.08	10.08
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		—	—	9.328	9.328

(Class 2 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	—	—	10.08	10.08
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		—	—	9.328	9.328

(Class 4 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	—	—	8.00	8.00
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		—	—	8.00	8.00

(Class 7 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	—	—	—	—
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		—	—	10.00	10.00

(Class 8 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2010	—	—	—	—	—
Fiscal year ending March 31, 2011	—				
Fiscal year ending March 31, 2011 (Forecast)		—	—	10.00	10.00

Formula for calculation of indicators in
"1. Consolidated Performance in the First Quarter Ended June 30, 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

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

○ Net assets per share

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

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

○ Net income per share

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

1. Qualitative Information on Consolidated Performance, etc., in the First Quarter

(1) Qualitative information on the consolidated operating results

1) Overall performance

During the three months ended June 30, 2010, the Japanese economy recovered owing to the improvement in corporate earnings against a background of improvements in foreign economies, particularly in Asia, and the aid of emergency economic stimulus packages, etc., and the foundation for an autonomous recovery of domestic private sector demand continues to be built, but conditions remain bleak as evidenced by the high unemployment rate, among other indicators.

The condominium market is showing signs of recovery and improving with progress in inventory adjustments and a marked improvement in the contract rate particularly in the Tokyo Metropolitan Area. Nonetheless, we still cannot afford to be optimistic about the business environment and it seems highly likely that a full-scale recovery will take considerable time, due to the fact that the employment and personal income environment remains bleak and other factors.

Given this environment, for the three months ended June 30, 2010, the Daikyo Group achieved increased sales in its real estate management segment due to the solid performance of property management commissions and contract work. However, net sales of condominiums, the mainstay of the real estate development and sales segment, amounted to ¥51,626 million, a year-on-year decline of 37.4%, due to the Group’s business plan, which included the completion and handing over of fewer properties than in the same period of the previous fiscal year. In the area of condominium sales, the profit margin improved but the sales decreased. Thus, operating income fell to ¥1,428 million, a year-on-year decline of 50.7%, and ordinary income fell to ¥829 million, a year-on-year decline of 67.7%. Furthermore, we recorded the loss on adjustment for changes of accounting standard for asset retirement obligations newly introduced from the quarter under review as an extraordinary loss of ¥234 million. As a result, net income was ¥50 million, a year-on-year decline of 95.7%, but we were still able to achieve the planned results.

2) Results by segment

Beginning from the quarter under review, the first quarter of the current fiscal year, the Daikyo Group will apply the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, March 21, 2008) and therefore is changing its segment categories.

Consequently, below we show comparisons with the actual results from the first quarter in the previous year after those results have been rearranged according to the new segments.

Performance by Segment (Millions of yen)

Category	Three months ended June 30, 2009		Three months ended June 30, 2010		Change	
	Net sales	Operating income	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Real Estate Development and Sales	54,767	1,017	22,579	(189)	(32,188)	(1,206)
Real Estate Management	23,200	2,208	24,317	1,800	1,117	(407)
Real Estate Brokerage	4,892	126	4,321	199	(571)	72
Other	358	14	791	41	433	27
Eliminations or Corporate Assets/Expenses	(759)	(466)	(382)	(423)	376	43
Total	82,459	2,899	51,626	1,428	(30,832)	(1,471)

Real Estate Development and Sales

In the real estate development and sales segment, net sales fell 58.8% compared with the same period of the previous fiscal year to ¥22,579 million, owing to a 797-unit decline in units sold, to 627 units, and a decline of ¥31,803 million in mainstay condominium net sales, to ¥21,540 million. This reflected the Group's business plan, which included the completion and handing over of fewer properties than in the same period of the previous fiscal year. Although the gross profit margin for condominium sales improved substantially year on year, we recorded a ¥189 million operating loss (compared to an operating income of ¥1,017 million in the same period of the previous fiscal year), but these are the results we planned.

Real Estate Management

In the real estate management segment, net sales rose 4.8%, to ¥24,317 million. This was the result of the fact that management income increased by ¥901 million year on year to ¥15,519 million due to the higher number of condominiums under management, and also the fact that contract work income increased by ¥618 million year on year to ¥8,118 million due to the increase in construction work in buildings, etc. We continued our investments to strengthen the Group's business structures for future business expansion, including the personnel structures. As a result, we recorded an operating income of ¥1,800 million, down 18.5%, compared with the same period of the previous fiscal year, which is a result according to plan.

Real Estate Brokerage

In the real estate brokerage segment, net sales fell 11.7%, to ¥4,321 million. Although trading and brokerage income increased by ¥269 million to ¥1,931 million, income from existing real estate sales fell ¥658 million to ¥1,104 million. The segment recorded an operating income of ¥199 million, up 57.7%, due to the increase in trading and brokerage income and the contribution made by an improved profit margin for existing real estate sales.

(2) Qualitative information on the consolidated financial position

1) Assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2010	As of June 30, 2010	Change
Total assets	330,456	317,808	(12,648)
Total liabilities	243,089	230,885	(12,204)
Interest-bearing debt	160,760	161,856	1,096
Total net assets	87,367	86,923	(444)
Shareholders' equity	87,367	86,923	(444)
Shareholders' equity ratio	26.4%	27.4%	1.0pp

Total assets as of June 30, 2010 were ¥317,808 million, a decrease of ¥12,648 million compared with the end of the previous fiscal year. This was a result of a ¥12,679 million decline in cash and deposits due to the settlement of notes and accounts payable, etc.

Total liabilities were ¥230,885 million, a decrease of ¥12,204 million compared with the end of the previous fiscal year. This was because advances received increased by ¥3,043 million and interest-bearing debt increased by ¥1,096 million, while notes and accounts payable decreased by ¥13,228 million and, owing to such factors as a drop in deposits on condominium sales, other current liabilities also decreased by ¥2,815 million.

Net assets fell by ¥444 million from the end of the previous fiscal year, to ¥86,923 million. This was mainly attributable to retained earnings decreasing by ¥313 million, due to the payment of dividends for preferred stocks, etc. Furthermore, the shareholders' equity ratio was 27.4%, 1.0 percentage points higher than at the end of the previous fiscal year, and net assets per share were ¥116.49, a decrease of ¥0.18 compared with the end of the previous fiscal year.

2) Consolidated statements of cash flows

As of June 30, 2010, the Group had "cash and cash equivalents" (hereinafter referred to as "cash") of ¥52,565 million, down ¥12,679 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash used in operating activities during the three months ended June 30, 2010 was ¥13,755 million. Although cash increased due to the increase in advances received, etc., this was offset by the decrease in cash due to the decrease in notes and accounts payable and drop in deposits on condominium sales.

Cash flow from investing activities

Net cash provided by investing activities in the three months ended June 30, 2010 was ¥343 million. This result was mainly due to the sale of fixed assets.

Cash flow from financing activities

Net cash provided by financing activities in the three months ended June 30, 2010 was ¥730 million. Although cash decreased due to the payment of dividends for preferred stocks, this was offset by the procurement of cash through borrowing.

(3) Qualitative information on the consolidated performance forecast

There are no changes from the consolidated performance forecast announced on May 12, 2010.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Six months ending September 30, 2010	123,000	3,000	1,000	300	¥0.68
Full year	290,000	12,500	8,000	7,000	¥13.95

The outlook based on the new business segments is as follows.

In the real estate development and sales segment, we expect decreased mainstay condominium sales due to our business plan, which includes the completion and handing over of fewer properties than in the same period last year, 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 drop in operating income, as a result of an increase in personnel costs needed for the strengthening of our business structures, and other increases in costs. We expect to increase sales in the real estate brokerage segment as well, by expanding the areas covered by trading and brokerage and by taking other measures. In addition, we are anticipating a rise in operating income due to the improvement of the profit margin in existing real estate sales and other factors.

Performance Forecast (Millions of yen)

Category	Fiscal year ended March 31, 2010		Fiscal year ending March 31, 2011 (forecast)		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	194,832	285	161,000	4,800	(33,832)	4,514
Real Estate Management	100,846	9,397	103,800	8,000	2,953	(1,397)
Real Estate Brokerage	19,851	601	21,800	1,200	1,948	598
Other	5,319	506	5,400	200	80	(306)
Eliminations or Corporate Assets/Expenses	(2,493)	(1,692)	(2,000)	(1,700)	493	(7)
Total	318,356	9,098	290,000	12,500	(28,356)	3,401

The above forecasts 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.

2. Other Information

(1) Overview of changes in significant subsidiaries

Not applicable

(2) Overview of simplified accounting treatment and special accounting treatment

Not applicable

(3) Overview of changes in accounting policies, procedures and presentation methods

1) Application of the accounting standard for asset retirement obligations

Beginning from the quarter under review, the first quarter of the current fiscal year, the Daikyo Group will apply the Accounting Standards for Asset Retirement Obligations (ASBJ Statement No.18, March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No.21, March 31, 2008).

As a result of this change, both operating income and ordinary income decrease by ¥11 million, and quarterly income before income taxes decreases by ¥246 million.

2) Application of the accounting standard for business combinations, etc.

Beginning from the quarter under review, the first quarter of the current fiscal year, the Daikyo Group will apply the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).