

Consolidated Financial Results for the Third Quarter Ended December 31, 2010 (J-GAAP) (Unaudited)

February 8, 2011

Listed company: DAIKYO INCORPORATED
 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: February 10, 2011
 Planned dividends payment commencement date: —
 3Q earnings presentation materials: Available
 Holding of 3Q earnings announcement: None

Listed stock exchange: Tokyo

(Amounts less than one million yen are truncated)

1. Consolidated Performance for the Nine Months Ended December 31, 2010 (April 1, 2010 to December 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended December 31, 2010	185,413	(14.3)%	7,713	1.0%	5,528	(4.9)%	3,845	(15.7)%
Nine months ended December 31, 2009	216,289	9.7%	7,637	—	5,811	—	4,561	—

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2010	¥8.70	¥4.52
Nine months ended December 31, 2009	¥13.34	¥6.08

(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 December 31, 2010	317,169	90,730	28.6%	¥125.11
As of March 31, 2010	330,456	87,367	26.4%	¥116.67

(Reference) Shareholders' equity:

As of December 31, 2010: ¥90,730 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	—	0.00	—		
Fiscal year ending March 31, 2011 (Forecast)				0.00	0.00

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

The above "State of Dividends" is only the state 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 DAIKYO INCORPORATED ("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
Full year	290,000	(8.9)%	12,500	37.4%	8,000	25.8%	7,000	11.0%	¥13.95

(Note) Revisions to the performance forecast during the quarter: None

Disclaimer

This document was prepared in English for convenience purpose only. The original Japanese document shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this document.

4. Others (For further details, see “2. Other Information” on page 11.)

(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):	Dec. 31, 2010	445,337,738	Mar. 31, 2010	445,337,738
2) Number of shares of treasury stock at end of period:	Dec. 31, 2010	3,383,470	Mar. 31, 2010	3,363,229
3) Average number of shares during period	Apr–Dec 2010	441,966,312	Apr–Dec 2009	342,040,906

* 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. Please refer to “(3) Qualitative information on the consolidated performance forecast” of “1. Qualitative Information on Consolidated Performance, etc., in the Third Quarter” on page 10.

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 for the Nine Months Ended December 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

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

○ 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 Third Quarter

(1) Qualitative information on the consolidated operating results

1) Overall performance

During the nine months ended December 31, 2010, although the Japanese economy is gradually recovering owing to factors including improvement in corporate earnings, at the same time concerns about the outlook for domestic business conditions are intensifying due to areas of weakness in personal consumption, the continued high unemployment rate, and other indicators.

In the condominium market, the contract rate improved and the number of condominiums supplied showed signs of recovery due in part to progress with inventory and price adjustments, lower housing loan interest rates, and the impact of the government's preferential policy for homebuyers, such as the raising of the gift tax exemption. Nonetheless, we cannot continuously afford to be optimistic about the business environment since the economic situation is expected to remain uncertain and the employment and personal income environment remains bleak.

Given this environment, for the nine months ended December 31, 2010 the Daikyo Group achieved increased sales in its real estate management segment and real estate brokerage segment. However, net sales of condominiums, the mainstay of the real estate development and sales segment, amounted to ¥185,413 million, a year-on-year decline of 14.3%, 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, despite the fact that the contract situation developed favorably.

In the area of condominium sales, the profit margin improved and cost reductions were implemented. Thus, operating income came in at nearly the prior-year level, rising 1.0% to ¥7,713 million, while ordinary income fell to ¥5,528 million, a year-on-year decrease of 4.9%. We recorded a loss on adjustment for changes of accounting standard for asset retirement obligations newly introduced from the first quarter of the current fiscal year as an extraordinary loss of ¥234 million. As a result, net income was ¥3,845 million, a year-on-year decline of 15.7%.

2) Results by segment

Beginning from the first quarter of the current fiscal year the Daikyo Group applied 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 has changed its segment categories. Consequently, below we show comparisons with the actual results from the first nine months in the previous year after those results have been rearranged according to the new segments.

Performance by Segment

(Millions of yen)

Category	Nine months ended December 31, 2009		Nine months ended December 31, 2010		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	127,817	979	93,772	1,931	(34,044)	951
Real Estate Management	73,585	7,036	75,543	5,548	1,957	(1,488)
Real Estate Brokerage	13,714	700	14,870	910	1,155	209
Other	2,799	253	2,923	286	124	32
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,626)	(1,333)	(1,696)	(962)	(69)	370
Total	216,289	7,637	185,413	7,713	(30,876)	76

Real Estate Development and Sales

In the real estate development and sales segment, net sales fell 26.6% compared with the same period of the previous fiscal year to ¥93,772 million, despite a 499-unit increase in units contracted to 4,089 units and an increase of ¥23,314 million to ¥152,406 million, owing to a 831-unit decline in units sold to 2,501 units and a decline of ¥34,398 million in mainstay condominium net sales to ¥89,604 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. Owing to substantial improvement year on year in the gross profit margin for condominium sales and cost reductions, we recorded a ¥1,931 million operating income, a year-on-year increase of 97.2%.

The number and amount of contracted sales at the end of the third quarter were 3,398 units and ¥132,587 million, respectively, increases of 1,185 units and ¥49,801 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Change
Real Estate Sales	125,334	91,837	(33,497)
Other	2,482	1,935	(547)
Total	127,817	93,772	(34,044)

Real Estate Sales by Category (Millions of yen)

Category		Nine months ended December 31, 2009		Nine months ended December 31, 2010		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Contract Agreement Results*	Condominiums	3,590 units	129,092	4,089 units	152,406	499 units	23,314
	Other	2,073 m ²	201	84,632 m ²	1,673	82,559 m ²	1,471
	Total	3,590 units 2,073 m ²	129,294	4,089 units 84,632 m ²	154,080	499 units 82,559 m ²	24,785
Sales Results	Condominiums	3,332 units	124,003	2,501 units	89,604	(831 units)	(34,398)
	Other	12,789 m ²	1,331	85,822 m ²	2,232	73,033 m ²	901
	Total	3,332 units 12,789 m ²	125,334	2,501 units 85,822 m ²	91,837	(831 units) 73,033 m ²	(33,497)
Contracted Sales Results**	Condominiums	2,213 units	82,785	3,398 units	132,587	1,185 units	49,801
	Other	m ²		m ²		m ²	
	Total	2,213 units m ²	82,785	3,398 units m ²	132,587	1,185 units m ²	49,801

*Represents the number and amount of condominium units for which sales agreements are entered into each period.

**Represents the number and amount of condominium units for which sales agreements have been entered into but have yet to be delivered.

Notes:

1 The figures for "m²" under "Units or Area" indicate land area.

2 Contracted sales are the balance as of the end of the quarter.

Real Estate Management

In the real estate management segment, net sales rose 2.7% to ¥75,543 million. This was the result of the fact that management income increased by ¥2,024 million year on year to ¥47,058 million due to the higher number of condominium units managed, and also that contract work income increased by ¥398 million year on year to ¥25,661 million due to favorable development of large-scale repair and maintenance work on condominiums and an increase in renovation work. We continued our investments to strengthen the Group's business structures for future business expansion, including the personnel structures. As a result, we recorded operating income of ¥5,548 million, down 21.1% compared with the same period of the previous fiscal year, which is a result according to plan.

The volume of contract work orders received at the end of the third quarter was ¥15,415 million, an increase of ¥4,178 million compared with the end of the same period of the previous fiscal year.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Change
Condominium Management, Building Management	45,033	47,058	2,024
Contract Work	25,263	25,661	398
Other	3,288	2,823	(465)
Total	73,585	75,543	1,957

Number of Condominium Units Managed

Category	As of December 31, 2009	As of December 31, 2010	Change
Number of Condominium Units Managed	390,589 units	397,232 units	6,643 units

Contract Work (Millions of yen)

Category	As of December 31, 2009	As of December 31, 2010	Change
Volume of Contract Work Orders Received	11,236	15,415	4,178

Real Estate Brokerage

In the real estate brokerage segment, net sales rose 8.4% year on year to ¥14,870 million, and operating income rose 29.9% to ¥910 million, owing to an increase in income from existing property sales and an improvement in profit margin. Although trading and brokerage income increased by ¥342 million to ¥5,539 million and income from existing real estate sales increased by ¥1,245 million to ¥5,467 million, leasing management fee income fell ¥406 million to ¥3,504 million.

Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Change
Real Estate Brokerage	5,197	5,539	342
Existing Real Estate Sales	4,222	5,467	1,245
Leasing Management	3,910	3,504	(406)
Other	384	358	(25)
Total	13,714	14,870	1,155

Amount of Brokerage Transactions (Millions of yen)

Category	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Change
Number of Brokerage Transactions	4,504	4,433	(71)
Total Amount of Transactions	111,976	150,680	38,703

Existing Real Estate Sales (Millions of yen)

Category		Nine months ended December 31, 2009		Nine months ended December 31, 2010		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Sales Results	Condominiums	224 units	3,729	282 units	5,080	58 units	1,351
	Other	6 units 687 m ²	493	1 unit 164 m ²	387	(5 units) (523 m ²)	(105)
	Total	230 units 687 m ²	4,222	283 units 164 m ²	5,467	53 units (523 m ²)	1,245

Note: The figures for “units” and “m²” of “Other” under “Units or Area” indicate number of houses and land area (excluding houses), respectively.

(2) Qualitative information on the consolidated financial position

1) Assets, liabilities and net assets

	As of Mar. 31, 2010	As of Dec. 31, 2010	(Millions of yen) Change
Total assets	330,456	317,169	(13,287)
Total liabilities	243,089	226,439	(16,650)
Interest-bearing debt	160,760	151,072	(9,688)
Total net assets	87,367	90,730	3,362
Shareholders' equity	87,367	90,730	3,362
Shareholders' equity ratio	26.4%	28.6%	2.2pp

Total assets as of December 31, 2010 were ¥317,169 million, a decrease of ¥13,287 million compared with the end of the previous fiscal year. This was a result of declines of ¥6,520 million in cash and deposits due to factors including settlement of notes and accounts payable and a decline of ¥7,378 million in inventories.

Total liabilities were ¥226,439 million, a decrease of ¥16,650 million compared with the end of the previous fiscal year. This was because advances received increased by ¥7,540 million, while notes and accounts payable-trade decreased by ¥12,353 million and interest-bearing debt decreased by ¥9,688 million.

Net assets rose by ¥3,362 million from the end of the previous fiscal year to ¥90,730 million. This is mainly attributable to the payment of ¥364 million of dividends for preferred stocks, while retained earnings increased by ¥3,480 million due to the recording of net income. Furthermore, the shareholders' equity ratio was 28.6%, 2.2 percentage points higher than at the end of the previous fiscal year, and net assets per share were ¥125.11, an increase of ¥8.44 compared with the end of the previous fiscal year.

2) Consolidated statements of cash flows

As of December 31, 2010, the Group had "cash and cash equivalents" (hereinafter referred to as "cash") of ¥58,724 million, down ¥6,520 million compared with the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities during the nine months ended December 31, 2010 was ¥3,607 million. Although cash decreased due to decreases in notes and accounts payable, deposits for condominium sales, and other factors, this was offset by factors including the recording of income before income taxes, a decrease in inventories, and an increase in advances received.

Cash flow from investing activities

Net cash provided by investing activities during the nine months ended December 31, 2010 was ¥28 million. Although cash decreased due to the purchase of fixed assets, the payments for investments in capital, and other factors, this was offset by factors including the sale of fixed assets and investment securities,

Cash flow from financing activities

Net cash used in financing activities during the nine months ended December 31, 2010 was ¥10,152 million. Although the Company procured cash through the issuance of commercial paper and bonds, this was offset by a decrease in cash due to factors including the repayment of borrowings and the redemption of bonds.

(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
Full year	290,000	12,500	8,000	7,000	¥13.95

In addition, there are no changes in the performance forecast by business segment from the consolidated performance forecast announced on August 3, 2010.

Performance Forecast by Segment

(Millions of yen)

Category	Fiscal year ending March 31, 2011	
	Net sales	Operating income
Real Estate Development and Sales	161,000	4,800
Real Estate Management	103,800	8,000
Real Estate Brokerage	21,800	1,200
Other	5,400	200
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,000)	(1,700)
Total	290,000	12,500

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 first quarter of the current fiscal year, the Daikyo Group has applied 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, operating income decreases by ¥43 million, ordinary income increases by ¥12 million, and quarterly income before income taxes decreases by ¥238 million. The amount of change in the asset retirement obligations by application of the accounting standards, etc., is ¥442 million.

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

Beginning from the first quarter of the current fiscal year, the Daikyo Group has applied 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).