

# Consolidated Financial Results for the Third Quarter Ended December 31, 2011 (J-GAAP) (Unaudited)

February 7, 2012

Listed company: DAIKYO INCORPORATED  
 Securities code: 8840  
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 Planned date of the filing of quarterly report: February 9, 2012  
 Planned dividends payment commencement date: —  
 3Q earnings presentation materials: Available  
 Holding of 3Q earnings announcement: None

Listed stock exchange: Tokyo  
 URL: <http://www.daikyo.co.jp>

(Amounts less than one million yen are truncated)

## 1. Consolidated Performance for the Nine Months Ended December 31, 2011 (April 1, 2011 to December 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended December 31, 2011	187,213	1.0%	8,958	16.1%	6,876	24.4%	8,651	125.0%
Nine months ended December 31, 2010	185,413	(14.3)%	7,713	1.0%	5,528	(4.9)%	3,845	(15.7)%

(Note) Comprehensive income: Nine months ended December 31, 2011: ¥8,533 million (128.8 %)  
 Nine months ended December 31, 2010: ¥3,729 million (— %)

	Net income per share	Fully diluted net income per share
Nine months ended December 31, 2011	¥19.57	¥10.16
Nine months ended December 31, 2010	¥8.70	¥4.52

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

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2011	305,786	104,423	34.1%
As of March 31, 2011	319,085	96,723	30.3%

(Reference) Shareholders' equity:

As of December 31, 2011: ¥104,423 million      As of March 31, 2011: ¥96,723 million

## 2. State of Dividends

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2011	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2012	—	0.00	—		
Fiscal year ending March 31, 2012 (Forecast)				2.00	2.00

(Note) Revisions to the latest dividend forecast: None

The above "State of Dividends" represents the state of dividends from common stock only. 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, 2012 (April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	296,000	0.2%	21,400	57.4%	18,400	70.7%	20,500	110.2%	¥44.52

(Note) Revisions to the latest performance forecast: None

### Disclaimer

This document was prepared in English for convenience purposes 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

(1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in change in scope of consolidation): None

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

(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and estimates, or retrospective restatements

(i) Change in accounting policies in accordance with revision of accounting standards: Yes

(ii) Change in accounting policies other than item (i) above: None

(iii) Change in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

				(Unit: share)
1) Number of issued shares at end of period (including treasury stock):	Dec. 31, 2011	445,337,738	Mar. 31, 2011	445,337,738
2) Number of shares of treasury stock at end of period:	Dec. 31, 2011	3,379,241	Mar. 31, 2011	3,388,518
3) Average number of shares during period:	Apr.–Dec. 2011	441,954,450	Apr.–Dec. 2010	441,966,312

\* 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.

The 3Q earnings presentation materials will be posted on TDnet on the day of earnings announcement, and also posted on the Company's website.

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, 2011	—	—	—	9.328	9.328
Fiscal year ending March 31, 2012	—	—	—		
Fiscal year ending March 31, 2012 (Forecast)				8.88	8.88

(Class 2 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2011	—	—	—	9.328	9.328
Fiscal year ending March 31, 2012	—	—	—		
Fiscal year ending March 31, 2012 (Forecast)				8.88	8.88

(Class 4 preferred stock)

	Annual dividends (Yen)				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended March 31, 2011	—	—	—	8.00	8.00
Fiscal year ending March 31, 2012	—	—	—		
Fiscal year ending March 31, 2012 (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, 2011	—	—	—	10.00	10.00
Fiscal year ending March 31, 2012	—	—	—		
Fiscal year ending March 31, 2012 (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, 2011	—	—	—	10.00	10.00
Fiscal year ending March 31, 2012	—	—	—		
Fiscal year ending March 31, 2012 (Forecast)				10.00	10.00

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

### (1) Qualitative information on the consolidated operating results

In the nine months ended December 31, 2011, net sales rose ¥1,800 million or 1.0% year on year to ¥187,213 million, operating income increased ¥1,245 million or 16.1% to ¥8,958 million, and ordinary income grew ¥1,348 million or 24.4% to ¥6,876 million. Net income increased ¥4,805 million or 125.0% to ¥8,651 million, reflecting the recognition of deferred tax assets.

(Millions of yen)

Category	Nine months ended December 31, 2010	Nine months ended December 31, 2011	Change
Net sales	185,413	187,213	1,800
Operating income	7,713	8,958	1,245
Ordinary income	5,528	6,876	1,348
Net income	3,845	8,651	4,805

(Millions of yen)

Category	Nine months ended December 31, 2010		Nine months ended December 31, 2011		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	93,772	1,931	92,951	5,329	(821)	3,397
Real Estate Management	75,543	5,548	79,157	5,460	3,614	(87)
Real Estate Brokerage	14,870	910	13,466	(495)	(1,403)	(1,405)
Other	2,923	286	3,009	329	85	42
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,696)	(962)	(1,371)	(1,664)	324	(702)
Total	185,413	7,713	187,213	8,958	1,800	1,245

#### Real Estate Development and Sales

Segment net sales were ¥92,951 million, down ¥821 million, compared with the same period of the previous fiscal year, owing to a decrease of 203 units in units sold to 2,298 units, and a decline of ¥1,149 million to ¥88,455 million in mainstay condominium sales. This reflected the Group's business plan, which included the handing over of fewer properties compared with the same period of the previous fiscal year. Operating income increased ¥3,397 million to ¥5,329 million, reflecting year on year improvements in gross profit margins on condominium sales.

The number and amount of contracted sales at the end of the third quarter were 3,140 units and ¥125,056 million, respectively, marking decreases of 258 units and ¥7,531 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, 2010	Nine months ended December 31, 2011	Change
Real Estate Sales	91,837	91,608	(229)
Other	1,935	1,343	(591)
Total	93,772	92,951	(821)

Real Estate Sales by Category (Millions of yen)

Category		Nine months ended December 31, 2010		Nine months ended December 31, 2011		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Contract Agreement Results*	Condominiums	4,089 units	152,406	2,635 units	101,967	(1,454 units)	(50,438)
	Other	— units 84,632 m <sup>2</sup>	1,673	4 units 9,235 m <sup>2</sup>	3,290	4 units (75,396 m <sup>2</sup> )	1,616
	Total	4,089 units 84,632 m <sup>2</sup>	154,080	2,639 units 9,235 m <sup>2</sup>	105,258	(1,450 units) (75,396 m <sup>2</sup> )	(48,821)
Sales Results	Condominiums	2,501 units	89,604	2,298 units	88,455	(203 units)	(1,149)
	Other	— units 85,822 m <sup>2</sup>	2,232	2 units 9,235 m <sup>2</sup>	3,152	2 units (76,587 m <sup>2</sup> )	919
	Total	2,501 units 85,822 m <sup>2</sup>	91,837	2,300 units 9,235 m <sup>2</sup>	91,608	(201 units) (76,587 m <sup>2</sup> )	(229)
Contracted Sales Results**	Condominiums	3,398 units	132,587	3,140 units	125,056	(258 units)	(7,531)
	Other	— units — m <sup>2</sup>	—	2 units — m <sup>2</sup>	138	2 units — m <sup>2</sup>	138
	Total	3,398 units — m <sup>2</sup>	132,587	3,142 units — m <sup>2</sup>	125,194	(256 units) — m <sup>2</sup>	(7,393)

\*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 "Other" indicates detached housing and other forms of real estate, and the figures for "m<sup>2</sup>" under "Units or Area" indicate land area of other real estate.

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

## Real Estate Management

In the Real estate management segment, management income increased ¥960 million year on year to ¥48,018 million, reflecting a higher number of condominium units managed, compared with the same period of the previous fiscal year, and steady progress in building management. In addition, income from contract work grew ¥2,460 million to ¥28,122 million, owing to increases in planned repair and maintenance work on condominiums.

As a result of the above, segment net sales were ¥79,157 million, up ¥3,614 million year on year, and operating income was ¥5,460 million, down ¥87 million. The volume of contract work orders received at the end of third quarter was ¥18,656 million, an increase of ¥3,241 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, 2010	Nine months ended December 31, 2011	Change
Condominium Management, Building Management	47,058	48,018	960
Contract Work	25,661	28,122	2,460
Other	2,823	3,016	193
<b>Total</b>	<b>75,543</b>	<b>79,157</b>	<b>3,614</b>

### Number of Condominium Units Managed

Category	As of December 31, 2010	As of December 31, 2011	Change
Number of Condominium Units Managed	397,232 units	403,476 units	6, 244 units

### Contract Work (Millions of yen)

Category	As of December 31, 2010	As of December 31, 2011	Change
Volume of Contract Work Orders Received	15,415	18,656	3,241

## Real Estate Brokerage

In the Real estate brokerage segment, net sales were ¥13,466 million, down ¥1,403 million year on year, with an operating loss of ¥495 million, down ¥1,405 million from the operating income posted in the same period of the previous fiscal year. This reflected a temporary decline in the number of brokerage transactions. Efforts are now being made to restructure operations for future business expansion.

### Breakdown of Net Sales (Millions of yen)

Category	Nine months ended December 31, 2010	Nine months ended December 31, 2011	Change
Real Estate Brokerage	5,539	4,703	(836)
Existing Real Estate Sales	5,467	5,022	(445)
Lease Management	3,504	3,402	(102)
Other	358	338	(19)
Total	14,870	13,466	(1,403)

### Amount of Brokerage Transactions (Millions of yen)

Category	Nine months ended December 31, 2010	Nine months ended December 31, 2011	Change
Number of Brokerage Transactions	4,433	3,525	(908)
Total Amount of Transactions	150,680	108,898	(41,781)

### Existing Real Estate Sales (Millions of yen)

Category		Nine months ended December 31, 2010		Nine months ended December 31, 2011		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Sales Results	Condominiums	282 units	5,080	190 units	3,354	(92 units)	(1,725)
	Other	1 unit 164 m <sup>2</sup>	387	— units 4,998 m <sup>2</sup>	1,668	(1 unit) 4,834 m <sup>2</sup>	1,280
	Total	283 units 164 m <sup>2</sup>	5,467	190 units 4,998 m <sup>2</sup>	5,022	(93 units) 4,834 m <sup>2</sup>	(445)

(Note) "Other" indicates detached housing and other forms of real estate, and the figures for "m<sup>2</sup>" under "Units or Area" indicate land area of other existing real estate.

## (2) Qualitative information on the consolidated financial position

Assets, liabilities and net assets

(Millions of yen)

	As of Mar. 31, 2011	As of Dec. 31, 2011	Change
Total assets	319,085	305,786	(13,298)
Inventories	168,616	150,668	(17,948)
Total liabilities	222,362	201,363	(20,999)
Interest-bearing debt	140,304	124,352	(15,951)
Total net assets	96,723	104,423	7,700
Shareholders' equity	96,723	104,423	7,700
Shareholders' equity ratio	30.3%	34.1%	3.8pp

Total assets as of December 31, 2011 were ¥305,786 million, down ¥13,298 million compared with the end of the previous fiscal year. This reflected declines of ¥17,948 million in inventories and ¥4,231 million in cash and deposits, which offset increases of ¥5,024 million in securities and ¥2,956 million in deferred tax assets.

Total liabilities were ¥201,363 million, down ¥20,999 million compared with the end of the previous fiscal year. This resulted from a decrease of ¥5,842 million in notes and accounts payable-trade and a decline of ¥15,951 million in interest-bearing debt.

Total net assets rose ¥7,700 million from the end of the previous fiscal year to ¥104,423 million. This was attributable to an increase of ¥7,812 million in retained earnings, which resulted from the recording of net income for the third quarter and offset the impact of a payment of ¥834 million in preferred stock dividends. Furthermore, the shareholders' equity ratio was 34.1%, 3.8 percentage points higher than at the end of the previous fiscal year.

## (3) Qualitative information on the consolidated performance forecast

No changes have been made to the consolidated performance forecast announced on November 1, 2011.



## **2. Summary Information (Other)**

### **(1) Changes in significant subsidiaries during the nine months under review**

Not applicable

### **(2) Application of special accounting treatment for the preparation of quarterly consolidated financial statements**

Not applicable

### **(3) Changes in accounting policies and estimates, or retrospective restatements**

(Application of accounting standards regarding net income per share)

From the first quarter of the current fiscal year, the Daikyo Group has applied the Accounting Standard for Earnings Per Share (ASBJ Statement No.2, June 30, 2010), the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4, June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No.9, June 30, 2010).

As a result, for calculations of fully diluted net income per share in cases where the conversion price of preferred stock has been adjusted during the fiscal year, the Company has switched to a method whereby it estimates an increase in the number of common shares reflecting such adjustments.

During the nine months ended December 31, 2010, the conversion price of preferred stock was not adjusted, and therefore fully diluted net income per share was unaffected.