

# Consolidated Financial Results

## for the Second Quarter Ended September 30, 2010 (J-GAAP)

### (Unaudited)

November 9, 2010

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: November 12, 2010  
 Planned dividends payment commencement date: —  
 2Q earnings presentation materials: Available  
 Holding of 2Q earnings announcement: Available (for analysts)

Listed stock exchange: Tokyo

(Amounts less than one million yen are truncated)

#### 1. Consolidated Performance for the Six Months Ended September 30, 2010 (April 1, 2010 to September 30, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
Six months ended September 30, 2010	129,117	(17.2)%	6,089	13.6%	4,691	7.6%	3,311	(14.5)%
Six months ended September 30, 2009	155,939	30.7%	5,359	—	4,361	—	3,875	—

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2010	¥7.49	¥3.89
Six months ended September 30, 2009	¥11.33	¥5.16

(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 September 30, 2010	313,072	90,166	28.8%	¥123.83
As of March 31, 2010	330,456	87,367	26.4%	¥116.67

(Reference) Shareholders' equity:

As of September 30, 2010: ¥90,166 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 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):	Sep. 30, 2010	445,337,738	Mar. 31, 2010	445,337,738
2) Number of shares of treasury stock at end of period:	Sep. 30, 2010	3,372,955	Mar. 31, 2010	3,363,229
3) Average number of shares during period	Apr–Sep 2010	441,969,027	Apr–Sep 2009	342,044,703

\* 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 Second Quarter” on page 8.

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 Six Months Ended September 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

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

○ 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 Second Quarter**

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

#### 1) Overall performance

During the six months ended September 30, 2010, the Japanese economy recovered owing to factors including the improvement in corporate earnings and an improvement trend in personal consumption due to the aid of economic stimulus packages. At the same time, concerns about the outlook for domestic business conditions are intensifying due to the high unemployment rate, a deteriorating export environment caused by yen appreciation, and deceleration of overseas economies, among other indicators.

The condominium market showed signs of a recovery trend, including improvement in the contract rate due in part to lower housing loan interest rates and the impact of the government's preferential policy for homebuyers. Nonetheless, we cannot continuously afford to be optimistic about the business environment due to the fact that the employment and personal income environment remains bleak and other factors.

Given this environment, for the six months ended September 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 ¥129,117 million, a year-on-year decline of 17.2%, 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 contract situation developed favorably. In the area of condominium sales, the profit margin improved and cost reductions were implemented. Thus, operating income rose to ¥6,089 million, a year-on-year increase of 13.6%, and ordinary income rose to ¥4,691 million, a year-on-year increase of 7.6%. Furthermore, 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 ¥3,311 million, a year-on-year decline of 14.5%.

## 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 six months in the previous year after those results have been rearranged according to the new segments.

Performance by Segment		(Millions of yen)				
Category	Six months ended September 30, 2009		Six months ended September 30, 2010		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income (loss)
Real Estate Development and Sales	97,665	1,050	68,399	2,274	(29,265)	1,223
Real Estate Management	48,195	4,615	49,893	3,712	1,697	(902)
Real Estate Brokerage	9,666	516	9,773	566	106	50
Other	1,627	114	2,099	194	472	79
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,215)	(937)	(1,048)	(658)	167	279
Total	155,939	5,359	129,117	6,089	(26,821)	730

### Real Estate Development and Sales

In the real estate development and sales segment, net sales fell 30.0% compared with the same period of the previous fiscal year to ¥68,399 million, despite a 124-unit increase in unit contracted to 2,702 units, and an increase of ¥6,469 million to ¥99,598 million, owing to a 647-unit decline in units sold to 1,834 units and a decline of ¥30,357 million in mainstay condominium net sales to ¥65,080 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 ¥2,274 million operating income, a year-on-year increase of 116.5%.

The number and amount of contracted sales at the end of the second quarter were 2,678 units and ¥104,304 million, respectively, increases of 868 units and ¥34,518 million year on year.

### Real Estate Management

In the real estate management segment, net sales rose 3.5% to ¥49,893 million. This was the result of the fact that management income increased by ¥1,571 million year on year to ¥31,273 million due to the higher number of condominiums under management, and also that contract work income increased by ¥483 million year on year to ¥16,651 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 ¥3,712 million, down 19.6% 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 rose 1.1% year on year to ¥9,773 million, and operating income rose 9.7% to ¥566 million. Although trading and brokerage income increased by ¥300 million to ¥3,793 million and income from existing real estate sales increased by ¥150 million to ¥3,410 million, leasing management fee income fell ¥318 million to ¥2,317 million.

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

### 1) Assets, liabilities and net assets

	As of Mar. 31, 2010	As of Sep. 30, 2010	(Millions of yen) Change
Total assets	330,456	313,072	(17,384)
Total liabilities	243,089	222,905	(20,183)
Interest-bearing debt	160,760	158,452	(2,307)
Total net assets	87,367	90,166	2,799
Shareholders' equity	87,367	90,166	2,799
Shareholders' equity ratio	26.4%	28.8%	2.4pp

Total assets as of September 30, 2010 were ¥313,072 million, a decrease of ¥17,384 million compared with the end of the previous fiscal year. This was a result of declines of ¥5,458 million in cash and deposits due to factors including settlement of notes and accounts payable and a decline of ¥7,793 million in inventories.

Total liabilities were ¥222,905 million, a decrease of ¥20,183 million compared with the end of the previous fiscal year. This was because advances received increased by ¥2,374 million, while notes and accounts payable-trade decreased by ¥19,272 million and interest-bearing debt decreased by ¥2,307 million.

Net assets rose by ¥2,799 million from the end of the previous fiscal year to ¥90,166 million. This is mainly attributable to the payment of ¥364 million of dividends for preferred stocks, while retained earnings increased by ¥2,947 million due to the recording of net income. Furthermore, the shareholders' equity ratio was 28.8%, 2.4 percentage points higher than at the end of the previous fiscal year, and net assets per share were ¥123.83, an increase of ¥7.16 compared with the end of the previous fiscal year.

### 2) Consolidated statements of cash flows

As of September 30, 2010, the Group had "cash and cash equivalents" (hereinafter referred to as "cash") of ¥59,787 million, down ¥5,458 million compared with the end of the previous fiscal year.

#### Cash flow from operating activities

Net cash used in operating activities during the six months ended September 30, 2010 was ¥3,191 million. Although cash increased due to the recording of income before income taxes, an increase in advances received, a decrease in inventories and other factors, this was offset by factors including a decrease in cash due to a decrease in notes and accounts payable-trade.

#### Cash flow from investing activities

Net cash provided by investing activities during the six months ended September 30, 2010 was ¥444 million. This result was mainly due to the sale of fixed assets.

#### Cash flow from financing activities

Net cash used in financing activities during the six months ended September 30, 2010 was ¥2,708 million. Although the Company procured cash through borrowing and the issuance of commercial paper and bonds, this was offset by a decrease in cash due to factors including 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, both operating income and ordinary income decrease by ¥23 million, and quarterly income before income taxes decreases by ¥258 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).