

# Consolidated Financial Results for the Second Quarter Ended September 30, 2011 (J-GAAP) (Unaudited)

November 1, 2011

Listed company: DAIKYO INCORPORATED  
 Securities code: 8840  
 Representative: Akira Yamaguchi, Representative Executive Officer, President  
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 Planned date of the filing of quarterly report: November 10, 2011  
 Planned dividends payment commencement date: —  
 2Q earnings presentation materials: Available  
 Holding of 2Q earnings announcement: Available (for institutional investors and analysts)

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

(Amounts less than one million yen are truncated)

## 1. Consolidated Performance for the Six Months Ended September 30, 2011 (April 1, 2011 to September 30, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
Six months ended September 30, 2011	117,352	(9.1)%	5,581	(8.3)%	4,326	(7.8)%	9,193	177.6%
Six months ended September 30, 2010	129,117	(17.2)%	6,089	13.6%	4,691	7.6%	3,311	(14.5)%

(Note) Comprehensive income: Six months ended September 30, 2011: ¥9,122 million (188.2 %)  
 Six months ended September 30, 2010: ¥3,164 million (— %)

	Net income per share	Fully diluted net income per share
Six months ended September 30, 2011	¥20.80	¥10.80
Six months ended September 30, 2010	¥7.49	¥3.89

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

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2011	301,152	105,013	34.9%
As of March 31, 2011	319,085	96,723	30.3%

(Reference) Shareholders' equity:  
 As of September 30, 2011: ¥105,013 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: Yes

### 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 six 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):	Sep. 30, 2011	445,337,738	Mar. 31, 2011	445,337,738
2) Number of shares of treasury stock at end of period:	Sep. 30, 2011	3,376,669	Mar. 31, 2011	3,388,518
3) Average number of shares during period:	Apr.–Sep. 2011	441,952,260	Apr.–Sep. 2010	441,969,027

\* 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 9.

On November 9, 2011, the Company plans to hold an earnings announcement for institutional investors and analysts regarding results for the second quarter. The earnings presentation materials used on that day will be promptly posted on the company's website after the announcement.

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 Second Quarter

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

#### 1) Overall performance

During the first six months ended September 30, 2011, the Japanese economy remained in a severe situation due to the impact of the Great East Japan Earthquake. However, production, exports, and consumer spending showed signs of recovery. Although this recovery trend is expected to continue, the economic outlook is unclear because of issues such as the impact of the nuclear disaster, prolonged yen appreciation, and debt problems in the US and Europe which pose downside risks to the global economy.

In this economic environment, the Daikyo Group announced on May 11, 2011 a performance forecast for the fiscal year ending March 31, 2012 that factored in the impact of the earthquake. However, in the mainstay area of condominium sales within the Real estate development and sales segment, the Group expects to be able to hand over some properties ahead of schedule, and the actual effect of the earthquake was less than expected, owing to the restoration of supply chains. As a result, the Group revised its consolidated performance forecast on September 2.

Performance for the period surpassed the revised forecast. Net sales decreased ¥11,765 million year on year to ¥117,352 million, operating income decreased ¥508 million to ¥5,581 million, and ordinary income decreased ¥365 million to ¥4,326 million. Net income increased ¥5,881 million to ¥9,193 million, reflecting the recognition of deferred tax assets.

#### 2) Results by segment

Performance by Segment		(Millions of yen)				
Category	Six months ended September 30, 2010		Six months ended September 30, 2011		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	68,399	2,274	54,968	2,489	(13,431)	215
Real Estate Management	49,893	3,712	52,590	3,801	2,696	88
Real Estate Brokerage	9,773	566	9,106	89	(666)	(476)
Other	2,099	194	1,664	179	(434)	(14)
Adjustments (Eliminations or Corporate Assets/Expenses)	(1,048)	(658)	(978)	(978)	70	(320)
Total	129,117	6,089	117,352	5,581	(11,765)	(508)

## Real Estate Development and Sales

In the condominium market, the impact of the earthquake disaster resulted in self-restraint with regard to sales activities. The contract rate, however, was steady, reflecting steady demand, as well as a boost from low mortgage interest rates and the government's stimulus policy for homebuyers. Nevertheless, new housing construction starts are increasing nationwide, with the possibility of a surplus in the number of units supplied. In this situation, efforts to restrain the increase in completed condominium units in inventory could lead to more sales price competition. In view of this, business operations need to have a particular focus on the supply-demand balance in areas where the Company provides condominiums.

Segment net sales were ¥54,968 million, down ¥13,431 million, compared with the same period of the previous fiscal year, owing to a decrease of 447 units in units sold to 1,387 units, and a decline of ¥14,104 million to ¥50,975 million in mainstay condominium sales. This reflected the Group's business plan, which included the completion and handing over of fewer properties, compared with the same period of the previous fiscal year. Operating income increased ¥215 million to ¥2,489 million, due to reductions in selling, general and administrative expenses.

The number and amount of contracted sales at the end of the second quarter were 3,058 units and ¥123,642 million, respectively, marking increases of 380 units and ¥19,337 million compared with the end of the same period of the previous fiscal year.

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

Category	Six months ended September 30, 2010	Six months ended September 30, 2011	Change
Real Estate Sales	66,994	53,974	(13,019)
Other	1,405	994	(411)
Total	68,399	54,968	(13,431)

### Real Estate Sales by Category (Millions of yen)

Category		Six months ended September 30, 2010		Six months ended September 30, 2011		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Contract Agreement Results*	Condominiums	2,702 units	99,598	1,642 units	63,074	(1,060 units)	(36,524)
	Other	— units 9,416 m <sup>2</sup>	1,355	1 unit 9,235 m <sup>2</sup>	3,078	1 unit (180 m <sup>2</sup> )	1,722
	Total	2,702 units 9,416 m <sup>2</sup>	100,953	1,643 units 9,235 m <sup>2</sup>	66,152	(1,059 units) (180 m <sup>2</sup> )	(34,801)
Sales Results	Condominiums	1,834 units	65,080	1,387 units	50,975	(447 units)	(14,104)
	Other	— units 10,607 m <sup>2</sup>	1,914	— units 9,235 m <sup>2</sup>	2,999	— units (1,371 m <sup>2</sup> )	1,084
	Total	1,834 units 10,607 m <sup>2</sup>	66,994	1,387 units 9,235 m <sup>2</sup>	53,974	(447 units) (1,371 m <sup>2</sup> )	(13,019)
Contracted Sales Results**	Condominiums	2,678 units	104,304	3,058 units	123,642	380 units	19,337
	Other	— units — m <sup>2</sup>	—	1 unit — m <sup>2</sup>	79	1 unit — m <sup>2</sup>	79
	Total	2,678 units — m <sup>2</sup>	104,304	3,059 units — m <sup>2</sup>	123,721	381 units — m <sup>2</sup>	19,416

\*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 “m<sup>2</sup>” 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, management income increased ¥702 million year on year to ¥31,976 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 ¥2,060 million to ¥18,712 million, owing to increases in large-scale repair and maintenance work on condominiums, the resolution of construction delays that were due to the earthquake disaster, and increases in small-scale repair and maintenance work.

As a result of the above, segment net sales were ¥52,590 million, up ¥2,696 million year on year, and operating income was ¥3,801 million, up ¥88 million.

The volume of contract work orders received at the end of second quarter was ¥16,578 million, an increase of ¥2,421 million compared with the end of the same period of the previous fiscal year.

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

Category	Six months ended September 30, 2010	Six months ended September 30, 2011	Change
Condominium Management, Building Management	31,273	31,976	702
Contract Work	16,651	18,712	2,060
Other	1,967	1,901	(66)
Total	49,893	52,590	2,696

### Number of Condominium Units Managed

Category	As of September 30, 2010	As of September 30, 2011	Change
Number of Condominium Units Managed	396,816 units	400,988 units	4,172 units

### Contract Work (Millions of yen)

Category	As of September 30, 2010	As of September 30, 2011	Change
Volume of Contract Work Orders Received	14,157	16,578	2,421

## Real Estate Brokerage

In the real estate brokerage market, the number of existing condominium contracts entered into within the Tokyo metropolitan area continued to decrease year on year, owing to the impact of the earthquake disaster. Consumer confidence among customers does not appear to be recovering and the business environment remains severe.

As a reflection of the severe market conditions, the number of brokerage transactions declined by 465 transactions to 2,437 transactions, while real estate brokerage income decreased ¥406 million, to ¥3,386 million. In addition, income from existing real estate sales declined ¥244 million, to ¥3,165 million, and income from lease management decreased ¥9 million, to ¥2,307 million.

As a result, segment net sales were ¥9,106 million, down ¥666 million year on year, with an operating income of ¥89 million, down ¥476 million.

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

Category	Six months ended September 30, 2010	Six months ended September 30, 2011	Change
Real Estate Brokerage	3,793	3,386	(406)
Existing Real Estate Sales	3,410	3,165	(244)
Lease Management	2,317	2,307	(9)
Other	252	246	(5)
Total	9,773	9,106	(666)

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

Category	Six months ended September 30, 2010	Six months ended September 30, 2011	Change
Number of Brokerage Transactions	2,902	2,437	(465)
Total Amount of Transactions	114,256	76,439	(37,816)

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

Category		Six months ended September 30, 2010		Six months ended September 30, 2011		Change	
		Units or Area	Amount	Units or Area	Amount	Units or Area	Amount
Sales Results	Condominiums	179 units	3,061	134 units	2,387	(45 units)	(674)
	Other	164 m <sup>2</sup>	348	4,462 m <sup>2</sup>	778	4,298 m <sup>2</sup>	429
	Total	179 units 164 m <sup>2</sup>	3,410	134 units 4,462 m <sup>2</sup>	3,165	(45 units) 4,298 m <sup>2</sup>	(244)

(Note) The figures for “m<sup>2</sup>” under “Units or Area” indicate land area.

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

Assets, liabilities and net assets

(Millions of yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011	Change
Total assets	319,085	301,152	(17,932)
Total liabilities	222,362	196,139	(26,222)
Interest-bearing debt	140,304	130,092	(10,212)
Total net assets	96,723	105,013	8,290
Shareholders' equity	96,723	105,013	8,290
Shareholders' equity ratio	30.3%	34.9%	4.6pp

Total assets as of September 30, 2011 were ¥301,152 million, down ¥17,932 million compared with the end of the previous fiscal year. This reflected declines of ¥11,067 million in cash and deposits due to factors including settlements of notes and accounts payable, and ¥9,979 million in inventories.

Total liabilities were ¥196,139 million, down ¥26,222 million compared with the end of the previous fiscal year. This resulted from a decrease of ¥13,660 million in notes and accounts payable-trade and a decline of ¥10,212 million in interest-bearing debt.

Total net assets rose ¥8,290 million from the end of the previous fiscal year to ¥105,013 million. This was attributable to an increase of ¥8,355 million in retained earnings, which resulted from the recording of net income for the second quarter and offset the impact of a payment of ¥834 million in preferred stock dividends. Furthermore, the shareholders' equity ratio was 34.9%, 4.6 percentage points higher than at the end of the previous fiscal year.



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

The performance forecast for the fiscal year ending March 31, 2012 announced on May 11, 2011 has been revised. For details, please refer to the November 1 announcement titled “Announcement Regarding 1) Difference between Consolidated Performance Forecast and Actual Results for the First Six Months Ended September 30, 2011; 2) Revision of Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2012.”

The consolidated performance forecast for the fiscal year ending March 31, 2012 is as follows:

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	270,000	13,500	10,000	11,500	¥24.16
<b>Revised forecast (B)</b>	<b>296,000</b>	<b>21,400</b>	<b>18,400</b>	<b>20,500</b>	<b>¥44.52</b>
Change (B – A)	26,000	7,900	8,400	9,000	—
Change (%)	9.6	58.5	84.0	78.3	—
Results for the fiscal year ended March 31, 2011	295,374	13,597	10,779	9,752	¥20.18

The performance forecast by segment for the fiscal year ending March 31, 2012 is as follows:

(Millions of yen)

Category	Previous forecast		Revised forecast		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Development and Sales	140,000	6,900	166,000	14,600	26,000	7,700
Real Estate Management	104,000	7,200	104,000	7,200	—	—
Real Estate Brokerage	24,000	1,500	24,000	1,500	—	—
Other	4,000	200	4,000	200	—	—
Adjustments (Eliminations or Corporate Assets/Expenses)	(2,000)	(2,300)	(2,000)	(2,100)	—	200
<b>Total</b>	<b>270,000</b>	<b>13,500</b>	<b>296,000</b>	<b>21,400</b>	<b>26,000</b>	<b>7,900</b>

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. Summary Information (Other)**

### **(1) Changes in significant subsidiaries during the six 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 six months ended September 30, 2010, the conversion price of preferred stock was not adjusted, and therefore fully diluted net income per share was unaffected.