

Brief Report on the Third Quarter Financial Statements for the Period Ending March, 2015

[Japanese Standard] (Consolidated)

Name of listed company: DAI-DAN Co., Ltd.
Code No.: 1980 URL: <http://www.daidan.co.jp/>

February 5, 2015
Listed Shares Exchanges:
Tokyo Stock Exchange 1st section

Representative of Company: Shohei KITANO, Representative Director, President and Chief Operating Officer (C.O.O.)

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Date scheduled to submit Quarterly report:

February 6, 2015

Date scheduled for dividend payment commencement:

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Creating supplements to the financial statement:

None

Holding a briefing sessions on the financial statement:

None

(Amounts are indicated with figures less than 1 million yen discarded)

1. Consolidated business results for the third quarter of the period ending March 2015 (From April 1, 2014 to December 31, 2014)

(1) Consolidated management performance (Cumulative total)

(Percentage indications show increase or decrease from the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of the period ending March 2015	85,223	0.3	2,980	36.0	3,249	27.2	1,833	62.5
Third quarter of the period ending March 2014	85,010	1.7	2,191	621.4	2,554	293.1	1,127	—

(Note) Comprehensive income: Third quarter of the period ending March 2015 3,126 million yen (-2.3 %)

Third quarter of the period ending March 2014 3,198 million yen (377.9 %)

	Net income per share		Net income per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
Third quarter of the period ending March 2015	41.10	—	—	—
Third quarter of the period ending March 2014	25.28	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen Sen
Third quarter of the period ending March 2015	104,889	48,401	45.9	1,080.56
Period ending March 2014	111,347	46,609	41.7	1,040.67

(Reference) Equity capital: Third quarter of the period ending March 2015 48,196 million yen, Period ending March 2014 46,420 million yen

2. Dividend status

	Annual Dividends									
	End of first quarter		End of second quarter		End of third quarter		Period end		Through year	
	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen	Yen	Sen
Period ending March 2014	—	—	8.00	—	—	—	8.00	—	16.00	—
Period ending March 2015	—	—	8.00	—	—	—	—	—	—	—
Period ending March 2015 (Forecast)	—	—	—	—	—	—	8.00	—	16.00	—

(Note) Presence or absence of revision from dividend forecast published most recently: None

3. Estimate of consolidated performance for the period ending March 2015 (From April 1, 2014 to March 31, 2015)

(Percentage figures represent increase or decrease from the previous accounting year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
Total period	123,000	- 1.2	4,000	- 4.1	4,000	- 10.5	2,200	31.7	49.32	—

(Note) Presence or absence of revision from dividend forecast published most recently: None

(Reference) Estimated net sales of construction contract orders (Total period) 123,000 million yen

* Annotations

- (1) Changes in key subsidiaries in the current quarter consolidated cumulative period (changes in specific subsidiaries requiring changes of consolidation scope): None
- (2) Application of particular accounting to the preparation of quarter consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, revision redisplay
- Changes in accounting policies due to revision of accounting standards etc.: Yes
 - , Changes in accounting policies other than • : None
 - f* Changes in accounting estimates: None
 - „ Revision redisplay: None
- (Note) Refer to (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Revision Redisplay in 2. Items Concerning Summary Information (Annotation) in attached document on page 3 for detail.
- (4) Number of issued shares (common stock)
- Number of issued shares at the end of period (including treasury stock)
 - , Number of treasury stock at the end of period
 - f* Average numbers of shares in the period (Quarter total)

•	Third quarter of period ending March 2015	45,963,803 shares	Period ending March 2014	45,963,803 shares
,	Third quarter of period ending March 2015	1,360,662 shares	Period ending March 2014	1,357,727 shares
<i>f</i>	Third quarter of period ending March 2015	44,605,995 shares	Third quarter of period ending March 2014	44,610,457 shares

* Display Concerning State of Quarter Review Procedure Implementation

Quarter report review under the Financial Instruments and Exchange Act is implemented at the time of disclosure of this quarter settlement brief statement.

* Explanation about adequate use of achievement forecasts and other noteworthy matters

The above forecasts are based on the information available at the time of preparation of this document and the assumption considered as reasonable. Consequently, actual results differ materially from forecasts above due to changes in business results. For precautions for use of the assumptions for the above forecasts and forecasts of business results, please refer to information in the section “1. Qualitative Information on Current Quarter Business Settlement, (3) Explanation about Future Estimate Information such as Consolidated Earnings Forecasts” on page 3.

(Reference) Estimate of individual performance

Estimate of individual performance for the period ending March 2015 (From April 1, 2014 to March 31, 2015)

(Percentage figures represent increase or decrease from the previous accounting year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
Total period	122,000	- 0.8	4,000	- 1.5	4,000	- 8.2	2,200	37.5	49	.32

(Note) Presence or absence of revision from dividend forecast published most recently: None
(Reference)Estimated net sales of construction contract orders (Total period) 122,000 Million yen

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1. Qualitative Information on Current Quarter Business Settlement

(1) Explanation about Operating Results

The economy of Japan during the current third quarter consolidated accounting period continued to experience an unpredictable situation caused by the low price of crude oil, the non-transparency of European economy etc. though the influence of the increase of consumption tax on the reduction of consumption was mitigated, whereby the economy did not reach a substantial rebounding.

In the construction industry, while the increase in public investment due to the effect of the moving-up of the implementation of budget by the government was seen, although a large amount of increase had been expected for private equipment investment due to the improvement of corporate profits in addition to the necessity of the renewal of existing facilities caused by their obsolescence, the private equipment investment resulted in the lack of strengthening influenced by the shortage of manpower etc.

Under the circumstances, as a result of that we tackled the securing of orders to be received and profit based upon our mid-term management plan “Dai-Dan to Challenge a New Era,” our achievements during the current third quarter consolidated accounting period were as follows.

Net sales of construction contract orders received amounted to 117,639 million yen which increased from that of the same consolidated quarter of the previous year by 21,683 million yen.

Net sales of completed construction contracts slightly increased from that of the same consolidated quarter of the previous year to 85,223 million yen.

Though the net sales of completed construction contracts increased only slightly, by the improvement in gross profit margin of completed construction contracts, the gross profit on completed construction contracts increased by 896 million yen to 10,417 million yen.

Thanks to the increase of the gross profit on completed construction contracts, the operating income amounted to 2,980 million yen which increased from that of the same consolidated quarter of the previous year by 789 million yen.

Although the foreign exchange gain amounted to 78 million yen which decreased from that of the same consolidated quarter of the previous year by 121 million yen, owing to the increase of the operating income, the ordinary income amounted to 3,249 million yen which increased from that of the same consolidated quarter of the previous year by 695 million yen.

In regard to the quarter's net income, because we were prosecuted by the Tokyo District Public Prosecutor's Office on March 4, 2014 on suspicion that we violated the antimonopoly law as to the bidding on the facilities' construction of Hokuriku Shikansen, we reviewed the amount of loss that might happen after the prosecution and allocated the provision of loss reserve related to the antimonopoly law by 92 million yen, and deducted corporate tax, resident tax, business tax, adjustment amounts of corporate tax etc. and minority interests in income, thereby the net income amounted to 1,833 million yen which increased from that of the same consolidated quarter of the previous year by 705 million yen.

(2) Explanation about Financial Positions

(Assets)

Current assets at the end of the current third quarter consolidated accounting period decreased by 8,008 million yen from the end of the previous consolidated accounting year to 77,716 million yen, primarily because decreases in cash and deposit (1,332 million yen), notes receivable and accounts receivable from completed construction contracts (8,754 million yen) etc. surpassed the increase of payment of uncompleted construction contracts (1,041 million yen) etc.

Noncurrent assets amounted to 27,173 million yen, increasing from that of the end of the previous consolidated accounting year by 1,550 million yen, primarily because of the increase of investment securities (1,847 million yen) etc.

As a result, total assets decreased by 6,457 million yen from the end of the previous consolidated accounting year to 104,889 million yen.

(Liabilities)

Current liabilities at the end of the current third quarter consolidated accounting period decreased by 8,530 million yen from the end of the previous consolidated accounting year to 50,009 million yen, primarily because of the decreases of notes payable and accounts payable for completed construction contracts (6,797 million yen) and the decrease unpaid corporate tax (1,246 million yen).

Fixed liabilities increased by 281 million yen from the end of the previous consolidated accounting year to 6,478 million yen, primarily because the increase in deferred tax liabilities (476 million yen) etc. surpassed the decrease in long-term loans payable (184 million yen).

As a result, total liabilities decreased by 8,249 million yen from the end of the previous consolidated accounting year to 56,488 million yen.

(Net Assets)

Net assets at the end of the current third quarter consolidated accounting period increased by 1,791 million yen from the end of the previous consolidated accounting year to 48,401 million yen, primarily because of the increases in retained earnings (500 million yen), in valuation difference on available-for-sale securities (1,196 million yen) and in the accumulated adjustment amount related to retirement benefits (79 million yen) etc.

As a result equity capital ratio came to 45.9% (41.7% at the end of the previous consolidated accounting year).

(3) Explanation about Future Estimate Information such as Consolidated Earnings Forecasts

Business result forecast to the third quarter consolidated accounting period and full period published on May 8, 2014 remains unchanged.

2. Items Concerning Summary Information (Annotation)

(1) Changes in Major Subsidiaries in the Current Quarter Consolidated Cumulative Period

None

(2) Application of Particular Accounting to the Preparation of Quarter Consolidated Financial Statements

None

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Revision Redisplay

(Adoption of accounting standard for retirement benefits)

Concomitant with the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 May 17, 2012, hereinafter referred to as the “Accounting Standard for Retirement Benefits”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 May 17, 2012, hereinafter referred to as the “Guidance on Retirement Benefits”), the Company Group has applied the regulations stipulated under Article No. 35 of the Accounting Standard for Retirement Benefits and Article No. 67 of the Guidance on Retirement Benefits from the current first quarter consolidated accounting period. Under the new standards, the method of calculating retirement benefit obligations and service cost is revised, with the method of determining the discount rate revised from the average number of remaining service years of employees to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In regard to the adoption of the Accounting Standard for Retirement Benefits, the Company Group follows the transitional measure stipulated under Article No. 37 of the Accounting Standard for Retirement Benefits, and the amount of financial impact arising from the changes in method of calculating retirement benefit obligations and service cost is recognized as an adjustment to retained earnings at the beginning of the third quarter consolidated accounting period.

As a result, net defined benefit liability has increased by 88 million yen from the beginning of the current third quarter consolidated accounting period, and net defined benefit asset, deferred tax liabilities, and retained earnings have decreased by 878 million yen, 347 million yen, and 618 million yen, respectively.

The effect on the operating income, ordinary income, and net income before taxes for the current third quarter consolidated accounting period is minimal.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(in million yen)

	Previous Consolidated Accounting Year (March 31, 2014)	Current Third Quarter Consolidated Accounting Period (December 31, 2014)
Assets		
Current assets		
Cash and deposits	24,626	23,293
Notes receivable, accounts receivable from completed construction contracts	57,189	48,435
Costs on uncompleted construction contracts	152	1,193
Raw materials and supplies	0	0
Deferred tax assets	1,273	1,041
Other	2,488	3,757
Allowance for doubtful accounts	-6	-5
Total current assets	85,724	77,716
Noncurrent assets		
Property, plant and equipment	3,788	3,961
Intangible assets	260	173
Investments and other assets		
Investment securities	13,229	15,077
Deferred tax assets	1	1
Net defined benefit asset	6,921	6,442
Other	2,086	1,710
Allowance for doubtful accounts	-665	-193
Total investments and other assets	21,574	23,039
Total noncurrent assets	25,623	27,173
Total assets	111,347	104,889

(in million yen)

	Previous Consolidated Accounting Year (March 31, 2014)	Current Third Quarter Consolidated Accounting Period (December 31, 2014)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	40,007	33,209
Short-term loans payable	5,686	5,847
Income taxes payable	1,381	135
Advances received on uncompleted construction contracts	3,124	2,452
Provision for bonuses	—	1,012
Provision for directors' bonuses	—	43
Provision for warranties for completed construction	92	90
Provision for loss on construction contracts	130	429
Loss reserve related to antimonopoly law	771	703
Other	7,346	6,084
Total current liabilities	58,539	50,009
Noncurrent liabilities		
Long-term loans payable	1,903	1,719
Deferred tax liabilities	2,304	2,781
Net defined benefit liability	1,398	1,392
Provision for environment measures	220	220
Provision for overseas investment loss	18	13
Long-term accounts payable	352	352
Other	0	0
Total noncurrent liabilities	6,197	6,478
Total liabilities	64,737	56,488
Net Assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	34,597	35,098
Treasury stock	-666	-668
Total shareholders' equity	43,221	43,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,690	4,886
Foreign currency translation adjustment	68	70
Remeasurements of defined benefit plans	-559	-480
Total accumulated other comprehensive income	3,199	4,476
Minority interests	189	205
Total net assets	46,609	48,401
Total liabilities and net assets	111,347	104,889

(2) Consolidated Income Statements and Consolidated Statements of Comprehensive Income
 (Consolidated Income Statements)
 (Third Quarter Consolidated Cumulative Period)

(in million yen)

	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2013 to December 31, 2013)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2014 to December 31, 2014)
Net sales of completed construction contracts	85,010	85,223
Cost of sales of completed construction contracts	75,489	74,806
Gross profit on completed construction contracts	9,520	10,417
Selling, general and administrative expenses	7,329	7,436
Operating income	2,191	2,980
Non-operating income		
Interest income	10	9
Dividends income	164	185
Insurance fee	91	102
Foreign exchange gains	200	78
Other	33	27
Total non-operating income	500	403
Non-operating expenses		
Interest expenses	113	120
Guarantee commission	14	5
Other	9	9
Total non-operating expenses	138	135
Ordinary income	2,554	3,249
Extraordinary income		
Gain on sales of noncurrent assets	—	1
Total extraordinary income	—	1
Extraordinary loss		
Impairment loss	—	5
Loss on sales of noncurrent assets	4	—
Loss on retirement of noncurrent assets	0	24
Loss on valuation of investment securities	40	20
Loss on valuation of golf club membership	0	0
Provision of loss reserve related to antimonopoly law	—	92
Provision for loss on litigation	345	—
Total extraordinary loss	391	144
Income before income taxes	2,162	3,106
Income taxes-current	582	936
Income taxes-deferred	414	331
Total income taxes	996	1,267
Income before minority interests	1,165	1,838
Minority interests in income	37	5
Net income	1,127	1,833

(Consolidated Statements of Comprehensive Income)
(Third Quarter Consolidated Cumulative Period)

(in million yen)

	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2013 to December 31, 2013)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2014 to December 31, 2014)
Income before minority interests	1,165	1,838
Other comprehensive income		
Valuation difference on available-for-sale securities	1,999	1,196
Foreign currency translation adjustment	33	12
Remeasurements of defined benefit plans, before tax	—	79
Total other comprehensive income	2,032	1,287
Comprehensive income	3,198	3,126
(Particulars)		
Comprehensive income attributable to owners of parent	3,148	3,109
Comprehensive income attributable to minority interests	50	16

(3) Annotation Items Concerning Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

None

(Material Subsequent Events)

Because we were rendered a definitive judgment by the Tokyo District Court that we violated the antimonopoly law as to the work for machine and facilities for melting snow bases and the work for machine and facilities for vanishing snow bases of Hokuriku Shinkansen that were ordered by independent administrative corporation Japan Railway Construction, Transport and Technology Agency, on January 14, 2015, our business license was suspended as follows by Kinki Regional Development Bureau of Ministry of Land, Infrastructure, Transport and Tourism in accordance with Section 28 paragraph 3 of the Construction Industry Act. Although there is a possibility that such a disposition will exert influence over construction contract orders received, it is difficult to rationally estimate the influenced amount.

1. Scope of business for which suspension was ordered.

Out of the operations related to piping work in Japan, those which are related to public works or, if the works are private ones, those which are granted subsidies etc.

2. Period

For 60 days from January 29, 2015 until March 29, 2015.

4. Supplementary Information

Divisional net sales of construction contract orders received, completed construction contracts, and uncompleted construction contracts (consolidated)

(in million yen)

		Previous Third Quarter Consolidated Cumulative Period		Current Third Quarter Consolidated Cumulative Period		Previous Consolidated Accounting Year	
		(From April 1, 2013 to December 31, 2013)		(From April 1, 2014 to December 31, 2014)		(From April 1, 2013 to March 31, 2014)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Component ratio %
Net sales of construction contract orders received	Electrical equipment installations	22,023	23.0	26,817	22.8	28,808	22.6
	Air-conditioning installations	57,299	59.7	64,699	55.0	75,277	59.1
	Plumbing	16,633	17.3	26,122	22.2	23,307	18.3
	Total	95,956	100.0	117,639	100.0	127,394	100.0
	(Renovations)	56,589	59.0	54,937	46.7	71,595	56.2
	(Overseas operations)	9,915	10.3	8,547	7.3	10,385	8.2
Net sales of completed construction contracts	Electrical equipment installations	17,840	21.0	17,767	20.9	26,528	21.3
	Air-conditioning installations	48,249	56.8	49,956	58.6	71,134	57.2
	Plumbing	18,920	22.2	17,499	20.5	26,783	21.5
	Total	85,010	100.0	85,223	100.0	124,445	100.0
	(Renovations)	41,683	49.0	43,969	51.6	65,293	52.5
	(Overseas operations)	3,376	4.0	6,422	7.5	6,237	5.0
Net sales of uncompleted construction contracts	Electrical equipment installations	15,273	16.8	22,421	19.4	13,370	16.2
	Air-conditioning installations	56,827	62.7	66,664	57.9	51,921	62.7
	Plumbing	18,612	20.5	26,047	22.7	17,425	21.1
	Total	90,713	100.0	115,132	100.0	82,716	100.0
	(Renovations)	35,268	38.9	37,632	32.7	26,664	32.2
	(Overseas operations)	10,244	11.3	9,977	8.7	7,852	9.5