

Brief Report on the Third Quarter Financial Statements for the Period Ending March 2016

[Japanese Standard] (Consolidated)

February 9, 2016

Name of listed company: DAI-DAN Co., Ltd.

Code No.: 1980 URL: <http://www.daidan.co.jp/>

Listed Shares Exchanges:

Tokyo Stock Exchange 1st section

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Date scheduled to submit Quarterly report:

February 10, 2016

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 2016 (From April 1, 2015 to December 31, 2015)

(1) Consolidated management performance (Cumulative total) (Percentage indications show increase or decrease from the previous period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of the period ending March 2016	96,561	13.3	4,404	47.7	4,631	42.5	2,925	59.6
Third quarter of the period ending March 2015	85,223	0.3	2,980	36.0	3,249	27.2	1,833	62.5

(Note) Comprehensive income Third quarter of the period ending March 2016 3,195 Million yen (2.2 %) Third quarter of the period ending March 2015 3,126 Million yen (-2.3 %)

	Net income per share		Net income per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
Third quarter of the period ending March 2016	65.60	—	—	—
Third quarter of the period ending March 2015	41.10	—	—	—

(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 2016	116,106	55,806	47.9	1,246.71	—
Period ending March 2015	113,440	53,462	46.9	1,193.61	—

(Reference) Equity capital Third quarter of the period ending March 2016 55,598 Million yen Period ending March 2015 53,236 Million yen

2. Dividends

	Annual dividends					
	End of first quarter		End of second quarter		End of third quarter	
	Yen	Sen	Yen	Sen	Yen	Sen
Period ending March 2015	—	—	8.00	—	10.00	18.00
Period ending March 2016	—	—	9.00	—	—	—
Period ending March 2016 (Forecast)	—	—	—	—	9.00	18.00

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

3. Estimate of consolidated performance for the period ending March 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
Total period	136,000	11.7	5,500	21.0	5,500	12.8	3,300	13.0	73.99	—

(Note) Presence or absence of revision from dividend forecast published most recently: Yes

(Reference) Estimated net sales of construction contract orders (Total period) 141,000 Million yen

* Annotations

- (1) Changes in significant 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
- ① Changes in accounting policies due to revision of accounting standards etc.: Yes
 - ② Changes in accounting policies other than ①: None
 - ③ Changes in accounting estimates: None
 - ④ Revision redisplay: None
- (Note) For details, please refer to Attached Data p.4 “2. Items Concerning Summary Information (Annotations), (3) Changes in Accounting Policies, Changes in Accounting Estimates, Revision Redisplay”

(4) Number of issued shares (common stock)

① Number of issued shares at the end of period (including treasury stock)			
Third quarter of period ending March 2016	45,963,803 shares	Period ending March 2015	45,963,803 shares
② Number of treasury stock at the end of period			
Third quarter of period ending March 2016	1,367,578 shares	Period ending March 2015	1,362,322 shares
③ Average numbers of shares in the period (Quarter total)			
Third quarter of period ending March 2016	44,598,938 shares	Third quarter of period ending March 2015	44,605,995 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 on 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 on 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 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
Total period	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
	135,000	12.0	5,500	21.8	5,500	15.5	3,300	15.8		73.99

(Note) Presence or absence of revision from dividend forecast published most recently: Yes

(Reference) Estimated net sales of construction contract orders (Total period) 140,000 Million yen

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1. Qualitative Information on Current Quarter Business Settlement

(1) Explanation on Operating Results

During the current third quarter consolidated cumulative accounting period, Japan's economy was unstable due to Chinese economic trend and emerging countries' economic slowdown, though domestic corporate business environment continued to be good.

In the construction industry, private-sector's capital investments were expected to increase as a result of robust corporate performance, yet full-scale recovery was not seen despite the steady situation, because of a strong cautious attitude and a concern about overseas economy.

Under the circumstances, as a result of that we tackled the securing of orders received and profit based on our mid-term management plan called "Dai-Dan to Challenge a New Era," the operating results in the current third quarter consolidated cumulative accounting period resulted as follows.

Net sales of construction contract orders received resulted in 107,447 million yen decreasing from the previous third quarter consolidated cumulative accounting period by 10,192 million yen.

Net sales of completed construction contracts resulted in 96,561 million yen increasing from the previous third quarter consolidated cumulative accounting period by 11,337 million yen.

Gross profit on completed construction contracts resulted in 11,653 million yen increasing from the previous third quarter consolidated cumulative accounting period by 1,236 million yen.

In response to the increase of the gross profit on completed construction contracts, operating income resulted in 4,404 million yen increasing from the previous third quarter consolidated cumulative accounting period by 1,423 million yen.

Although the foreign exchange gains of 78 million yen which arose in the previous third quarter consolidated cumulative accounting period turned to foreign exchange losses of 8 million yen in the current third quarter consolidated cumulative accounting period, as the operating income increased and dividends income of 215 million yen etc. arose, ordinary income resulted in 4,631 million yen increasing from the previous third quarter consolidated cumulative accounting period by 1,382 million yen.

As to the profit attributable to owners of parent, as a result of that, in addition to the increase of the ordinary income, the profit reversed from the allowance for the loss relating to the antimonopoly law of 47 million yen was accounted for as an extraordinary income, and that income taxes-current, income taxes-deferred, and profit attributable to non-controlling interests were deducted, it resulted in 2,925 million yen increasing from the previous third quarter consolidated cumulative accounting period by 1,092 million yen.

(2) Explanation on Financial Conditions

(Assets)

Current assets as of the end of the current third quarter consolidated accounting period resulted in 82,316 million yen increasing from the end of the previous consolidated accounting year by 1,484 million yen.

This is mainly because the increased notes receivable, accounts receivable from completed construction contracts (6,214 million yen) and the increased costs on uncompleted construction contracts (897 million yen) exceeded the decreased cash and deposits (5,270 million yen). Noncurrent assets resulted in 33,790 million yen, increasing by 1,181 million yen from the end of the previous consolidated accounting year. This is mainly because of the increased investment securities (574 million yen) and the increased net defined benefit assets (414 million yen).

As a result, total assets counted 116,106 million yen increasing from the end of the previous accounting year by 2,665 million yen.

(Liabilities)

Current liabilities as of the end of the current third quarter consolidated accounting period resulted in 52,767 million yen increasing from the end of the previous consolidated accounting year by 454 million yen. This is mainly because the increased advances received on uncompleted construction contracts (1,247 million yen) and the increased provision for bonuses (1,384 million yen) exceeded the decreased notes payable, accounts payable for construction contracts (1,089 million yen), the decreased income taxes payable (786 million yen), and the decreased loss reserve related to antimonopoly law (390 million yen). Noncurrent liabilities resulted in 7,532 million yen, decreasing by 132 million yen from the end of the previous consolidated accounting year. This is mainly because the decreased long-term loans payable (295 million yen) and the decreased provision for environmental measures (107 million yen) exceeded the increased deferred tax liabilities (381 million yen).

As a result, total liabilities counted 60,300 million yen increasing from the end of the previous consolidated accounting year by 322 million yen.

(Net Assets)

Total net assets as of the end of the current third quarter consolidated accounting period counted 55,806 million yen increasing from the end of the previous consolidated accounting year by 2,343 million yen. This is mainly because the profit attributable to owners of parent (2,925 million yen) exceeded the dividend of surplus (847 million yen).

As a result, equity capital ratio resulted in 47.9% (it was 46.9% in the end of the previous consolidated accounting year).

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

As to the consolidated earnings forecasts for the total period of this accounting year, taking into account the business results and order acceptance situation etc. of the third quarter consolidated cumulative accounting period, net sales of construction contract orders received was revised from 136,000 million yen as publicized at the previous time on November 6, 2015 to 141,000 million yen increasing by 5,000 million yen and net sales of completed construction contracts was revised from 134,000 million yen as publicized at the previous time to 136,000 million yen increasing by 2,000 million yen. As to the income, accompanying the increase of net sales of completed construction contracts, operating income was revised to 5,500 million yen increasing from 5,300 million yen as publicized at previous time by 200 million yen, ordinary income was revised to 5,500 million yen increasing from 5,300 million yen as publicized at previous time by 200 million yen, and the profit attributable to owners of parent was revised to 3,300 million yen increasing from 3,200 million yen as publicized at previous time by 100 million yen.

2. Items Concerning Summary Information (Annotations)

(1) Changes in Significant Subsidiaries in the Current Quarter Consolidated Cumulative Period
Not applicable

(2) Application of Particular Accounting to the Preparation of Quarter Consolidated Financial Statements
Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Revision Redisplay
(Application of Accounting Standard Relating to Corporate Consolidation Etc.)
We have been applying “Accounting Standard Relating to Corporate Consolidation” (Corporate Accounting Standard No.21 dated September 13, 2013, hereinafter called “Corporate Consolidation Accounting Standard”), “Accounting Standard Relating to Consolidated Financial Statements”(Corporate Accounting Standard No.22 dated September 13, 2013, hereinafter called “Consolidated Accounting Standard”) and “Accounting Standard Relating to Business Separation” (Corporate Accounting Standard No.7 dated September 13, 2013, hereinafter called “Accounting Standard for Business Separation Etc.”) etc. from the current first quarter consolidated accounting period, and changed the method to account for the difference amount caused by the fluctuation of the equity of the Company in the subsidiaries which we are continuing to dominate as capital surplus, and to account for the acquisition-related costs as the costs in the consolidated accounting year in which they occurred. Furthermore, as to the corporate consolidation to be executed from the beginning of the current first quarter consolidated accounting period onwards, we changed to a method to reflect the review of the distribution amount of acquisition costs by the fixation of temporary accounting disposal in the quarterly financial statements of the quarterly consolidated period to which the date of corporate consolidation belongs.

In addition, we changed the representation of the net income etc. and changed the representation from minority interests to non-controlling interests. In order to reflect the changes of these representations, as to the previous third quarter consolidated cumulative accounting period and the previous consolidated accounting year, we changed the quarterly financial statements and consolidated financial statements. As to the application of the Corporate Consolidation Accounting Standard etc., in accordance with the temporary handling set forth in paragraph 58-2 (4) of the Corporate Consolidation Accounting Standard, paragraph 44-5 (4) of the Consolidated Accounting Standard and paragraph 57-4 (4) of the Accounting Standard for Business Separation etc., we are applying it from the beginning of the current first quarter consolidated accounting period onwards.

There is no impact on the profit and loss by the above.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2015)	Current Third Quarter Consolidated Accounting Period (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	24,385	19,115
Notes receivable, accounts receivable from completed construction contracts	52,802	59,016
Costs on uncompleted construction contracts	424	1,322
Raw materials and supplies	0	0
Deferred tax assets	1,278	780
Other	1,945	2,087
Allowance for doubtful accounts	-5	-6
Total current assets	80,831	82,316
Noncurrent assets		
Property, plant and equipment	3,919	3,939
Intangible assets	156	325
Investments and other assets		
Investment securities	17,494	18,069
Deferred tax assets	1	1
Net defined benefit assets	9,633	10,047
Other	1,595	1,596
Allowance for doubtful accounts	-190	-189
Total investments and other assets	28,533	29,525
Total noncurrent assets	32,609	33,790
Total assets	113,440	116,106

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2015)	Current Third Quarter Consolidated Accounting Period (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	37,937	36,847
Short-term loans payable	4,379	4,413
Income taxes payable	990	203
Advances received on uncompleted construction contracts	1,500	2,748
Provision for bonuses	—	1,384
Provision for directors' bonuses	—	9
Provision for warranties for completed construction	85	91
Provision for loss on construction contracts	480	368
Loss reserve related to antimonopoly law	390	—
Provision for environmental measures	—	2
Other	6,550	6,696
Total current liabilities	52,312	52,767
Noncurrent liabilities		
Long-term loans payable	1,583	1,288
Deferred tax liabilities	4,237	4,618
Net defined benefit liability	1,377	1,317
Provision for environment measures	107	—
Provision for overseas investment loss	6	5
Long-term accounts payable	352	303
Other	0	0
Total noncurrent liabilities	7,665	7,532
Total liabilities	59,978	60,300
Net Assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	36,186	38,265
Treasury stock	-669	-673
Total shareholders' equity	44,807	46,880
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,797	7,200
Foreign currency translation adjustment	39	16
Remeasurements of defined benefit plans	1,592	1,500
Total accumulated other comprehensive income	8,429	8,717
Non-controlling interests	225	207
Total net assets	53,462	55,806
Total liabilities and net assets	113,440	116,106

(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, 2014 to December 31, 2014)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2015 to December 31, 2015)
Net sales of completed construction contracts	85,223	96,561
Cost of sales of completed construction contracts	74,806	84,907
Gross profit on completed construction contracts	10,417	11,653
Selling, general and administrative expenses	7,436	7,249
Operating income	2,980	4,404
Non-operating income		
Interest income	9	9
Dividends income	185	215
Insurance fee	102	106
Foreign exchange gains	78	—
Other	27	30
Total non-operating income	403	361
Non-operating expenses		
Interest expenses	120	108
Guarantee commission	5	8
Foreign exchange losses	—	8
Other	9	8
Total non-operating expenses	135	133
Ordinary income	3,249	4,631
Extraordinary income		
Income on sales of noncurrent assets	1	2
Profit reversed from the allowance for the loss relating to the antimonopoly law	—	47
Total extraordinary income	1	49
Extraordinary loss		
Impairment loss	5	—
Loss on retirement of noncurrent assets	24	1
Loss on valuation of investment securities	20	17
Loss on valuation of golf club membership	0	2
Provision of loss reserve related to antimonopoly law	92	—
Total extraordinary loss	144	20
Income before income taxes and minority interests	3,106	4,660
Income taxes-current	936	991
Income taxes-deferred	331	737
Total income taxes	1,267	1,729
Net income	1,838	2,931
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	1,833	2,925

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

(in million yen)

	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2014 to December 31, 2014)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2015 to December 31, 2015)
Net income	1,838	2,931
Other comprehensive income		
Valuation difference on available-for-sale securities	1,196	403
Foreign currency translation adjustment	12	-47
Remeasurements of defined benefit plans, before tax	79	-91
Total other comprehensive income	1,287	264
Comprehensive income	3,126	3,195
(Particulars)		
Comprehensive income attributable to owners of parent	3,109	3,213
Comprehensive income attributable to non-controlling interests	16	-18

(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

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, 2014 to December 31, 2014)		(From April 1, 2015 to December 31, 2015)		(From April 1, 2014 to March 31, 2015)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Component ratio %
Net sales of construction contract orders received	Electrical equipment installations	26,817	22.8	22,108	20.6	30,235	23.0
	Air-conditioning installations	64,699	55.0	63,498	59.1	72,122	54.8
	Plumbing	26,122	22.2	21,840	20.3	29,275	22.2
	Total	117,639	100.0	107,447	100.0	131,633	100.0
	(Renovations)	54,937	46.7	58,055	54.0	63,987	48.6
	(Overseas operations)	8,547	7.3	3,615	3.4	9,929	7.5
Net sales of completed construction contracts	Electrical equipment installations	17,767	20.9	21,545	22.3	26,076	21.4
	Air-conditioning installations	49,956	58.6	53,041	54.9	71,245	58.5
	Plumbing	17,499	20.5	21,974	22.8	24,458	20.1
	Total	85,223	100.0	96,561	100.0	121,780	100.0
	(Renovations)	43,969	51.6	51,498	53.3	63,383	52.0
	(Overseas operations)	6,422	7.5	7,564	7.8	9,718	8.0
Net sales of uncompleted construction contracts	Electrical equipment installations	22,421	19.4	18,092	17.5	17,530	19.0
	Air-conditioning installations	66,664	57.9	63,255	61.2	52,797	57.0
	Plumbing	26,047	22.7	22,107	21.3	22,241	24.0
	Total	115,132	100.0	103,455	100.0	92,569	100.0
	(Renovations)	37,632	32.7	33,825	32.7	27,268	29.5
	(Overseas operations)	9,977	8.7	4,114	4.0	8,063	8.7