

Brief Report on the First Quarter Financial Statements for the Period Ending March 2017

[Japanese Standard] (Consolidated)

August 9, 2016

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

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

Stock Exchange Listing:

Tokyo Stock Exchange 1st section

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Representative of Company: Shohei KITANO, Representative Director, President

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Date scheduled to submit Quarterly report:

August 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 first quarter of the period ending March 2017 (From April 1, 2016 to June 30, 2016)

(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	%
First quarter of the period ending March 2017	28,304	-1.6	1,366	43.2	1,295	12.6	784	9.0
First quarter of the period ending March 2016	28,754	13.8	954	272.8	1,150	185.4	719	217.2

(Note) Comprehensive income First quarter of the period ending March 2017 165 Million yen (-86.0%) First quarter of the period ending March 2016 1,175 Million yen (103.7 %)

	Net income per share		Net income per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
First quarter of the period ending March 2017	17.60	—	—	—
First quarter of the period ending March 2016	16.14	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share	
	Million yen	Million yen	%	Yen	Sen
First quarter of the period ending March 2017	111,065	54,257	48.7	1,212.44	—
Period ending March 2016	122,312	54,583	44.5	1,219.41	—

(Reference) Equity capital First quarter of the period ending March 2017 54,068 Million yen Period ending March 2016 54,379 Million yen

2. Dividends

	Annual dividends per share					
	End of first quarter		End of second quarter		End of third quarter	
	Yen	Sen	Yen	Sen	Yen	Sen
Period ending March 2016	—	—	9.00	—	—	—
Period ending March 2017	—	—	—	—	—	—
Period ending March 2017 (Forecast)	—	—	10.00	—	10.00	20.00

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

3. Estimate of consolidated performance for the period ending March 2017 (From April 1, 2016 to March 31, 2017)

(Percentage indications show increase or decrease from the previous period for total period and from the same quarter of the previous year for the 2nd quarter consolidated cumulative period.)

	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
2nd quarter consolidated cumulative period	60,500	-1.2	2,300	-3.5	2,300	-9.3	1,400	-10.9	31.39	—
Total period	138,000	-0.3	6,500	-0.6	6,500	-4.0	4,000	-5.9	89.69	—

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

(Reference) 1. Estimated net sales of construction contract orders (the 2nd quarter consolidated cumulative period) 71,500 Million yen

2. Estimated net sales of construction contract orders (Total period) 143,000 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, restatement

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 Restatement: None

(Note) For details, please refer to Attached Data p.3 “2. Items Concerning Summary Information (Annotation).”

(4) Number of issued shares (common stock)

① Number of issued shares at the end of period (including treasury stock)

First quarter of period ending March 2017	45,963,803 shares	Period ending March 2016	45,963,803 shares
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② Number of treasury stock at the end of period

First quarter of period ending March 2017	1,369,274 shares	Period ending March 2016	1,368,636 shares
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③ Average numbers of shares in the period (Quarter total)

First quarter of period ending March 2017	44,595,067 shares	First quarter of period ending March 2016	44,600,498 shares
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* 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 2017 (From April 1, 2016 to March 31, 2017)

(Percentage indications show increase or decrease from the previous period for total period and from the same quarter of the previous year for the 2nd quarter cumulative period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
2nd quarter consolidated cumulative period	60,000	-1.0	2,300	-2.3	2,300	-8.2	1,400	-10.5		31.39
Total period	137,000	-0.1	6,500	0.2	6,500	-3.3	4,000	-5.1		89.69

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

(Reference) (1) Estimated net sales of construction contract orders (the 2nd quarter consolidated cumulative period) 71,000 Million yen

(2) Estimated net sales of construction contract orders (Total period) 142,000 Million yen

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1. Qualitative Information on Current Quarter Business Settlement

(1) Explanation on Operating Results

The economy in Japan during the current 1st quarter consolidated accumulative period fell in non-transparent situation for the future, such as the solid corporate income was affected by the U.K.'s leaving from European Union that happened in the end of June and by the sluggishness which arose in the movement of the improvement of operating results of companies due to stronger yen that advanced rapidly. In the construction industry, private equipment investment was expected to increase though public investment would slowly decrease, but by the influence of non-transparency for the future due to stronger yen, though the investment solidly transitioned but could not reach a significant increase, thereby, it continued to stay in marking time.

Under the circumstances, based on our mid-term management plan "Dai-Dan to Create and Supply Environments Necessary for Customers-Always with You," we tackled the securing of orders and incomes and as a result, our operating results in the current 1st quarter consolidated accumulative period became as follows.

Net sales of construction contract orders received increased by 8,382 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 38,087 million yen.

Net sales of completed construction contracts decreased by 449 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 28,304 million yen.

Gross profit on completed construction contracts increased by 617 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 4,068 million yen thanks to the improvement of the income rate of gross profit on completed construction contracts.

Influenced by the increase of the gross profit on completed construction contracts, operating income increased by 412 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 1,366 million yen.

Although the operating income increased, foreign exchange gains of 23 million yen that arose in the same quarter consolidated accumulative period of the previous year turned to foreign exchange losses of 246 million yen in the current 1st quarter consolidated accumulative period, thereby, ordinary income increased by 145 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 1,295 million yen.

Profit attributable to owners of parent posted a loss of 73 million yen due to loss on disaster as an extraordinary losses (loss related to the 2016 Kumamoto Earthquake), and as a result of deduction of income taxes-current, income taxes-deferred and loss attributable to non-controlling interests, it increased by 64 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 784 million yen.

(2) Explanation on Financial Conditions

(Assets)

Current assets in the end of the current 1st quarter consolidated accounting year resulted in 80,695 million yen decreasing by 11,008 million yen from the end of the previous consolidated accounting year. The main factor for this is that the decrease of notes receivable and accounts receivable from completed construction contracts (15,896 million yen) surpassed the increase of cash and deposits (4,263 million yen). Non-current assets resulted in 30,370 million yen decreasing by 238 million yen from the end of the previous consolidated accounting year. The main factor for this is the decrease of investment securities (984 million yen). As a result, total assets resulted in 111,065 million yen decreasing by 11,247 million yen from the end of the previous accounting year.

(Liabilities)

Current liabilities in the end of the current 1st quarter consolidated accounting period resulted in 50,791 million yen, decreasing by 10,642 million yen from the end of the previous accounting year. The main factors for this are the decrease of notes payable and accounts payable for construction contracts (7,394 million yen) and the decrease of income taxes payable (1,589 million yen). Non-current liabilities resulted in 6,016 million yen decreasing by 279 million yen from the end of the previous consolidated accounting year. The main factor for this is the decrease of deferred tax liabilities (202 million yen). As a result, total liabilities resulted in 56,808 million yen, decreasing by 10,921 million yen from the end of the previous consolidated accounting year.

(Net Assets)

Total net assets as of the end of the current 1st quarter consolidated accounting period resulted in 54,257 million yen, decreasing by 325 million yen from the end of the previous consolidated accounting year. The main factor for this is that the decrease of valuation difference on available-for-sale securities (683 million

yen) surpassed the increase of retained earnings (294 million yen).

As a result, capital adequacy ratio became 48.7% (44.5% for the end of the previous consolidated accounting year).

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

Business result forecast for the second quarter consolidated cumulative accounting period and total period published on May 11, 2016 remains unchanged.

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, Restatement

(Application of the handling in administrative work related to the change of the depreciation method related to the tax reform in 2016)

Accompanying the revision of the Corporation Tax Act, the Company applied “the Handling in Administrative Work Related to the Change of Depreciation Method Related to the Revision of the Corporation Tax Act” (Report for Business No.32 issued on June 17, 2016) to the current 1st quarter consolidated accounting period, and changed the depreciation method related to buildings and accompanying facilities and structures from declining-balance method to straight-line method. The influence by this change is minute.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2016)	Current First Quarter Consolidated Accounting Period (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	23,563	27,827
Notes receivable, accounts receivable from completed construction contracts	56,157	40,260
Electronically recorded monetary claims - operating	8,095	9,240
Costs on uncompleted construction contracts	385	814
Raw materials and supplies	0	0
Deferred tax assets	1,392	1,019
Other	2,117	1,538
Allowance for doubtful accounts	-7	-6
Total current assets	91,704	80,695
Non-current assets		
Property, plant and equipment	4,178	4,757
Intangible assets	594	613
Investments and other assets		
Investment securities	16,543	15,559
Deferred tax assets	1	1
Net defined benefit asset	7,866	8,014
Other	1,612	1,612
Allowance for doubtful accounts	-188	-189
Total investments and other assets	25,836	24,998
Total non-current assets	30,608	30,370
Total assets	122,312	111,065

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2016)	Current First Quarter Consolidated Accounting Period (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	42,067	34,673
Short-term loans payable	4,519	4,240
Income taxes payable	1,622	32
Advances received on uncompleted construction contracts	2,794	3,295
Provision for bonuses	—	977
Provision for directors' bonuses	—	17
Provision for warranties for completed construction	81	89
Provision for loss on construction contracts	628	538
Provision for environmental measures	2	2
Other	9,717	6,925
Total current liabilities	61,434	50,791
Non-current liabilities		
Long-term loans payable	1,401	1,346
Deferred tax liabilities	3,208	3,005
Net defined benefit liability	1,376	1,356
Provision for foreign investment loss	5	8
Long-term accounts payable - other	303	298
Other	0	0
Total non-current liabilities	6,295	6,016
Total liabilities	67,729	56,808
Net Assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	39,588	39,882
Treasury shares	-674	-675
Total shareholders' equity	48,203	48,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,326	5,642
Foreign currency translation adjustment	20	11
Remeasurements of defined benefit plans	-169	-82
Total accumulated other comprehensive income	6,176	5,571
Non-controlling interests	203	189
Total net assets	54,583	54,257
Total liabilities and net assets	122,312	111,065

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

(in million yen)

	Previous First Quarter Consolidated Cumulative Period (From April 1, 2015 to June 30, 2015)	Current First Quarter Consolidated Cumulative Period (From April 1, 2016 to June 30, 2016)
Net sales of completed construction contracts	28,754	28,304
Cost of sales of completed construction contracts	25,303	24,236
Gross profit on completed construction contracts	3,450	4,068
Selling, general and administrative expenses	2,496	2,701
Operating income	954	1,366
Non-operating income		
Interest income	1	1
Dividends income	119	130
Insurance fee	86	89
Foreign exchange gains	23	—
Other	8	8
Total non-operating income	240	229
Non-operating expenses		
Interest expenses	35	33
Guarantee commission	0	3
Foreign exchange losses	—	246
Other	7	17
Total non-operating expenses	44	300
Ordinary income	1,150	1,295
Extraordinary income		
Gain on sales of non-current assets	1	0
Profit reversed from the allowance for the loss relating to the antimonopoly law	47	—
Total extraordinary income	49	0
Extraordinary losses		
Loss on valuation of investment securities	1	—
Loss on valuation of golf club membership	2	—
Loss on disaster	—	73
Total extraordinary losses	3	73
Profit before income taxes	1,195	1,222
Income taxes-current	9	10
Income taxes-deferred	461	433
Total income taxes	470	443
Profit	724	779
Profit (loss) attributable to non-controlling interests (-)	4	-5
Profit attributable to owners of parent	719	784

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

(in million yen)

	Previous First Quarter Consolidated Cumulative Period (From April 1, 2015 to June 30, 2015)	Current First Quarter Consolidated Cumulative Period (From April 1, 2016 to June 30, 2016)
Profit	724	779
Other comprehensive income		
Valuation difference on available-for-sale securities	478	-683
Foreign currency translation adjustment	3	-17
Remeasurements of defined benefit plans, before tax	-30	87
Total other comprehensive income	450	-614
Comprehensive income	1,175	165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,168	179
Comprehensive income attributable to non-controlling interests	6	-14

(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 First Quarter Consolidated Cumulative Period		Current First Quarter Consolidated Cumulative Period		Previous Consolidated Accounting Year	
		(From April 1, 2015 to June 30, 2015)		(From April 1, 2016 to June 30, 2016)		(From April 1, 2015 to March 31, 2016)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Component ratio %
Net sales of construction contract orders received	Electrical equipment installations	6,187	20.8	6,076	16.0	27,700	19.3
	Air-conditioning installations	17,042	57.4	24,989	65.6	83,880	58.5
	Plumbing	6,475	21.8	7,021	18.4	31,922	22.2
	Total	29,704	100.0	38,087	100.0	143,503	100.0
	(Renovations)	17,851	60.1	16,317	42.8	75,814	52.8
	(Overseas operations)	1,173	4.0	2,048	5.4	4,260	3.0
Net sales of completed construction contracts	Electrical equipment installations	6,558	22.8	6,160	21.8	30,805	22.3
	Air-conditioning installations	15,917	55.4	15,961	56.4	77,298	55.9
	Plumbing	6,278	21.8	6,182	21.8	30,242	21.8
	Total	28,754	100.0	28,304	100.0	138,346	100.0
	(Renovations)	14,815	51.5	16,768	59.2	77,421	56.0
	(Overseas operations)	3,075	10.7	963	3.4	9,381	6.8
Net sales of uncompleted construction contracts	Electrical equipment installations	17,158	18.3	14,341	13.4	14,425	14.8
	Air-conditioning installations	53,923	57.7	68,407	63.6	59,379	60.8
	Plumbing	22,438	24.0	24,761	23.0	23,921	24.4
	Total	93,520	100.0	107,510	100.0	97,727	100.0
	(Renovations)	30,305	32.4	25,210	23.5	25,661	26.3
	(Overseas operations)	6,161	6.6	4,026	3.8	2,942	3.0