

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

## [Japanese Standard] (Consolidated)

November 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 1<sup>st</sup> section

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Division

Date scheduled to submit Quarterly report:

November 10, 2016

Date scheduled for dividend payment commencement:

December 1, 2016

Creating supplements to the financial statement:

None

Holding a briefing sessions on the financial statement:

Yes

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

1. Consolidated business results for the second quarter of the period ending March 2017 (From April 1, 2016 to September 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	%
Second quarter of the period ending March 2017	58,706	-4.1	3,085	29.5	2,912	14.9	1,833	16.6
Second quarter of the period ending March 2016	61,235	12.1	2,382	50.3	2,535	43.0	1,572	68.9

(Note) Comprehensive income Second quarter of the period ending March 2017 1,052 Million yen (7.4 %)

Second quarter of the period ending March 2016 979 Million yen (-40.4 %)

	Net income per share		Net income per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
Second quarter of the period ending March 2017	41.10	—	—	—
Second quarter of the period ending March 2016	35.25	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share	
	Million yen	Million yen	%	Yen	Sen
Second quarter of the period ending March 2017	107,680	55,143	51.0	1,232.71	—
Period ending March 2016	122,312	54,583	44.5	1,219.41	—

(Reference) Equity capital Second quarter of the period ending March 2017 54,970 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	—	—	10.00	—	—	—
Period ending March 2017 (Forecast)	—	—	—	—	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)

	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	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) 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)

Second 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

Second quarter of period ending March 2017	1,370,537 shares	Period ending March 2016	1,368,636 shares
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③ Average numbers of shares in the period (Quarter total)

Second quarter of period ending March 2017	44,594,659 shares	Second quarter of period ending March 2016	44,599,703 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)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
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) 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

Due to the slow-down of the businesses in China and Asian emerging countries, the elevation of prudent posture against the heightening interest in the U.S. and the disturbance after the decision of monetary policy by the Bank of Japan, the Japanese economy in the current second quarter consolidated cumulative period continued to be unstable such as the settlement of the tendency of stronger yen in the exchange market and the stagnancy of high-level corporate profits.

In the construction industry, the solid will of investment was seen such as public investment which steadily transitioned and private equipment investment which stayed to be a minor downward revision compared with the decrease of the profit foresight of companies.

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 11,524 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 83,492 million yen.

Net sales of completed construction contracts decreased by 2,528 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 58,706 million yen.

Gross profit on completed construction contracts increased by 1,184 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 8,433 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 703 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 3,085 million yen.

Ordinary income resulted in 2,912 million yen, increasing by 377 million yen from the same quarter consolidated cumulative periods of the previous year thanks to the increase etc. of operating income, though foreign exchange losses resulted in 359 million yen, increasing by 336 million yen from the same quarter consolidated cumulative period of the previous year.

Profit attributable to owners of parent posted a loss of 76 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 260 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 1,833 million yen.

## (2) Explanation on Financial Conditions

### (Assets)

Current assets in the end of the current second quarter consolidated accounting period resulted in 77,424 million yen decreasing by 14,279 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 (16,219 million yen) surpassed the increase of cash and deposits (4,359 million yen).

Non-current assets resulted in 30,256 million yen decreasing by 352 million yen from the end of the previous consolidated accounting year. The main factor for this is the decrease of investment securities (1,295 million yen). As a result, total assets resulted in 107,680 million yen decreasing by 14,632 million yen from the end of the previous accounting year.

### (Liabilities)

Current liabilities resulted in 46,089 million yen in the end of the current second quarter consolidated accounting period, decreasing by 15,344 million yen from the end of the previous consolidated accounting year. Main factors for this are the decrease of notes payable, accounts payable for construction contracts (15,951 million yen) and income taxes payable (853 million yen) etc. Non-current liabilities resulted in 6,447 million yen, increasing by 151 million yen compared with the end of the previous consolidated accounting year. The main factors for this are the increase of long-term loans payable (494 million yen) etc. As a result, total liabilities resulted in 52,536 million yen, decreasing by 15,192 million yen from the end of the previous consolidated accounting year.

### (Net Assets)

Total net assets in the end of the current second quarter consolidated accounting period resulted in 55,143 million yen, increasing by 560 million yen compared with the end of the previous consolidated accounting year. The main factor for this is that the increase of retained earnings (1,342 million yen) etc. surpassed the decrease of valuation difference on available-for sale securities (900 million yen). As a result, the capital

adequacy ratio resulted in 51.0% (44.5% at the end of the previous consolidated accounting year).

#### Situations of cash flow

Cash and cash equivalents (hereinafter referred to as “fund”) during the current second quarter consolidated period resulted in 27,896 million yen, increasing by 4,359 million yen compared with the end of the previous consolidated accounting year. The situation of cash flows and their factors during the current 2nd quarter consolidated cumulative period are as follows.

##### (Cash flows from operating activities)

As a result of the sales activities, increased fund resulted in 6,265 million yen (decrease by 2,204 million yen of the fund in the same quarter consolidated cumulative period of the previous year). Main factors for this are that the increase factors of the fund including the posting of the quarterly profit before income taxes, the decrease in notes and accounts receivable-trade and the increase in advances received on uncompleted construction contracts surpassed the decrease factors of the fund such as decrease in notes and accounts payable - trade.

##### (Cash flows from investing activities)

As a result of the investing activities, the decreased fund resulted in 1,243 million yen (decrease of the fund by 234 million yen in the same quarter consolidated cumulative period of the previous year). Main factors for this are the purchase of property, plant and equipment etc.

##### (Cash flows from financing activities)

As a result of the financing activities, the decreased fund resulted in 562 million yen (decrease of the fund by 424 million yen in the same quarter consolidated cumulative period of previous year). Main factor for this is that the expenditure for repayment of short-term loans payable and long-term loans payable and the payment amount of dividends surpassed the proceeds from short-term loans payable and long-term loans payable.

- (3) Explanation concerning the future foresight information such as the consolidated operating results foresight  
There is no change in the prospect of operating results for a full accounting year published on May 11, 2016.

## 2. Items Concerning Summary Information (Annotations)

- (1) Changes in Major 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 Second Quarter Consolidated Accounting Period (As of September 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	23,563	27,923
Notes receivable, accounts receivable from completed construction contracts	56,157	39,937
Electronically recorded monetary claims - operating	8,095	5,908
Costs on uncompleted construction contracts	385	973
Raw materials and supplies	0	0
Deferred tax assets	1,392	1,068
Other	2,117	1,619
Allowance for doubtful accounts	-7	-6
<b>Total current assets</b>	<b>91,704</b>	<b>77,424</b>
Non-current assets		
Property, plant and equipment	4,178	4,708
Intangible assets	594	733
Investments and other assets		
Investment securities	16,543	15,247
Deferred tax assets	1	1
Net defined benefit asset	7,866	8,161
Other	1,612	1,592
Allowance for doubtful accounts	-188	-188
<b>Total investments and other assets</b>	<b>25,836</b>	<b>24,814</b>
<b>Total non-current assets</b>	<b>30,608</b>	<b>30,256</b>
<b>Total assets</b>	<b>122,312</b>	<b>107,680</b>

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2016)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	42,067	26,115
Electronically recorded obligations - operating	—	3,386
Short-term loans payable	4,519	3,954
Income taxes payable	1,622	768
Advances received on uncompleted construction contracts	2,794	3,255
Provision for bonuses	—	1,919
Provision for directors' bonuses	—	34
Provision for warranties for completed construction	81	89
Provision for loss on construction contracts	628	485
Provision for environmental measures	2	2
Other	9,717	6,077
Total current liabilities	61,434	46,089
Non-current liabilities		
Long-term loans payable	1,401	1,895
Deferred tax liabilities	3,208	2,899
Net defined benefit liability	1,376	1,345
Provision for foreign investment loss	5	7
Long-term accounts payable - other	303	298
Other	0	0
Total non-current liabilities	6,295	6,447
Total liabilities	67,729	52,536
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	39,588	40,930
Treasury shares	-674	-676
Total shareholders' equity	48,203	49,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,326	5,425
Foreign currency translation adjustment	20	-3
Remeasurements of defined benefit plans	-169	4
Total accumulated other comprehensive income	6,176	5,426
Non-controlling interests	203	173
Total net assets	54,583	55,143
Total liabilities and net assets	122,312	107,680



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

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2015 to September 30, 2015)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)
Net sales of completed construction contracts	61,235	58,706
Cost of sales of completed construction contracts	53,986	50,273
Gross profit on completed construction contracts	7,248	8,433
Selling, general and administrative expenses	4,866	5,348
Operating income	2,382	3,085
Non-operating income		
Interest income	7	2
Dividends income	139	155
Insurance fee	94	104
Other	21	18
Total non-operating income	262	280
Non-operating expenses		
Interest expenses	71	69
Guarantee commission	6	3
Foreign exchange losses	22	359
Other	8	21
Total non-operating expenses	109	453
Ordinary income	2,535	2,912
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 retirement of non-current assets	1	2
Loss on valuation of investment securities	17	—
Loss on valuation of golf club membership	2	—
Loss on disaster	—	76
Total extraordinary losses	20	79
Profit before income taxes	2,563	2,833
Income taxes-current	405	671
Income taxes-deferred	573	335
Total income taxes	978	1,006
Profit	1,585	1,827
Profit (loss) attributable to non-controlling interests (-)	13	-5
Profit attributable to owners of parent	1,572	1,833

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

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2015 to September 30, 2015)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)
Profit	1,585	1,827
Other comprehensive income		
Valuation difference on available-for-sale securities	-539	-900
Foreign currency translation adjustment	-5	-48
Remeasurements of defined benefit plans, before tax	-60	174
Total other comprehensive income	-605	-774
Comprehensive income	979	1,052
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	969	1,082
Comprehensive income attributable to non-controlling interests	10	-30

## (3) Consolidated Statement of Cash Flows

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2015 to September 30, 2015)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,563	2,833
Depreciation	137	172
Increase (decrease) in allowance for doubtful accounts	-4	-1
Increase (decrease) in net defined benefit liability	-55	-18
Increase (decrease) in provision for environmental measures	-105	—
Interest and dividend income	-146	-157
Interest expenses	71	69
Increase (decrease) in provision for foreign investment loss	2	2
Loss (gain) on valuation of investment securities	17	—
Loss (gain) on sales of non-current assets	-1	-0
Loss on retirement of non-current assets	1	2
Increase (decrease) in loss reserve related to antimonopoly law	-47	—
Loss on valuation of golf club membership	2	—
Decrease (increase) in notes and accounts receivable - trade	392	18,407
Decrease (increase) in costs on uncompleted construction contracts	-643	-587
Decrease (increase) in other current assets	-65	551
Decrease (increase) in other non-current assets	4	4
Decrease (increase) in net defined benefit asset	-377	-56
Increase (decrease) in notes and accounts payable - trade	-3,976	-12,565
Increase (decrease) in advances received on uncompleted construction contracts	217	460
Increase (decrease) in other current liabilities	694	-1,398
Increase (decrease) in other non-current liabilities	-48	-5
Subtotal	-1,364	7,712
Interest and dividend income received	146	157
Interest expenses paid	-71	-68
Income taxes (paid) refund	-914	-1,536
Cash flows from operating activities	-2,204	6,265
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-147	-874
Proceeds from sales of property, plant and equipment	1	0
Purchase of investment securities	-2	-2
Proceeds from sales and redemption of investment securities	1	0
Payments of loans receivable	-0	—
Collection of loans receivable	1	1
Expenditures by acquiring of other non-current assets	-104	-398
Revenue by sales of other non-current assets	14	30
Cash flows from investing activities	-234	-1,243

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2015 to September 30, 2015)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)
Cash flows from financing activities		
Increase in short-term loans payable	18,380	18,480
Decrease in short-term loans payable	-17,880	-19,180
Proceeds from long-term loans payable	600	1,700
Repayments of long-term loans payable	-1,075	-1,070
Purchase of treasury shares	-2	-1
Cash dividends paid	-446	-490
Cash flows from financing activities	-424	-562
Effect of exchange rate change on cash and cash equivalents	-35	-100
Net increase (decrease) in cash and cash equivalents	-2,899	4,359
Cash and cash equivalents at beginning of period	24,358	23,536
Cash and cash equivalents at end of period	21,459	27,896

## (4) 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 Second Quarter Consolidated Cumulative Period		Current Second Quarter Consolidated Cumulative Period		Previous Consolidated Accounting Year	
		(From April 1, 2015 to September 30, 2015)		(From April 1, 2016 to September 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	15,548	21.6	12,021	14.4	27,700	19.3
	Air-conditioning installations	42,001	58.4	54,058	64.8	83,880	58.5
	Plumbing	14,417	20.0	17,411	20.8	31,922	22.2
	Total	71,968	100.0	83,492	100.0	143,503	100.0
	(Renovations)	40,732	56.6	38,398	46.0	75,814	52.8
	(Overseas operations)	2,438	3.4	2,359	2.8	4,260	3.0
Net sales of completed construction contracts	Electrical equipment installations	13,949	22.8	12,430	21.2	30,805	22.3
	Air-conditioning installations	33,622	54.9	33,181	56.5	77,298	55.9
	Plumbing	13,663	22.3	13,094	22.3	30,242	21.8
	Total	61,235	100.0	58,706	100.0	138,346	100.0
	(Renovations)	31,781	51.9	33,321	56.8	77,421	56.0
	(Overseas operations)	5,127	8.4	2,317	4.0	9,381	6.8
Net sales of uncompleted construction contracts	Electrical equipment installations	19,129	18.5	14,016	11.4	14,425	14.8
	Air-conditioning installations	61,176	59.2	80,256	65.5	59,379	60.8
	Plumbing	22,996	22.3	28,239	23.1	23,921	24.4
	Total	103,302	100.0	122,512	100.0	97,727	100.0
	(Renovations)	36,220	35.1	30,737	25.1	25,661	26.3
	(Overseas operations)	5,374	5.2	2,984	2.4	2,942	3.0