

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

[Japanese Standard] (Consolidated)

February 8, 2017

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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Division

Date scheduled to submit Quarterly report:

February 9, 2017

Date scheduled for dividend payment commencement:

-

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 2017 (From April 1, 2016 to December 31, 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 | % |
| Third quarter of the period ending March 2017 | 87,058 | -9.8 | 4,651 | 5.6 | 4,856 | 4.8 | 3,144 | 7.5 |
| Third quarter of the period ending March 2016 | 96,561 | 13.3 | 4,404 | 47.7 | 4,631 | 42.5 | 2,925 | 59.6 |

(Note) Comprehensive income Third quarter of the period ending March 2017 3,408 Million yen (6.7 %)

Third quarter of the period ending March 2016 3,195 Million yen (2.2 %)

| | Net income per share | | Net income per share after making potential share adjustments | |
|-----------------------------------------------|----------------------|-----|---------------------------------------------------------------|-----|
| | Yen | Sen | Yen | Sen |
| Third quarter of the period ending March 2017 | 70.51 | | — | |
| Third quarter of the period ending March 2016 | 65.60 | | — | |

(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 2017 | 109,781 | 57,052 | 51.8 | 1,275.65 | |
| Period ending March 2016 | 122,312 | 54,583 | 44.5 | 1,219.41 | |

(Reference) Equity capital Third quarter of the period ending March 2017 56,883 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 shares)

| | | | |
|-------------------------------------------|-------------------|--------------------------|-------------------|
| Third quarter of period ending March 2017 | 45,963,803 shares | Period ending March 2016 | 45,963,803 shares |
|-------------------------------------------|-------------------|--------------------------|-------------------|

② Number of treasury shares at the end of period

| | | | |
|-------------------------------------------|------------------|--------------------------|------------------|
| Third quarter of period ending March 2017 | 1,371,741 shares | Period ending March 2016 | 1,368,636 shares |
|-------------------------------------------|------------------|--------------------------|------------------|

③ Average numbers of shares in the period (Quarter total)

| | | | |
|-------------------------------------------|-------------------|-------------------------------------------|-------------------|
| Third quarter of period ending March 2017 | 44,594,019 shares | Third quarter of period ending March 2016 | 44,598,938 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 Estimate of Consolidated Performance” 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

The Japanese economy in the current third quarter consolidated cumulative period continued to be unstable with the occurrence of unexpected events such as sudden transformation into weaker yen and higher stock prices after the U.S. presidential election in November where stronger yen in the exchange market and lower stock prices in the stock market persistently continued due to the elevation of prudent posture against the interest rate rise in the U.S. and the disturbance after the decision of monetary policy by the Bank of Japan and caused the corporate profits in the tendency to remain at a standstill.

In the construction industry, public investment steadily transitioned and corporate capital investment presented the solid will without a substantial reduction although the profit foresight of companies stagnated. 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 3rd quarter consolidated accumulative period became as follows;

Net sales of construction contract orders received increased by 5,976 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 113,423 million yen.

Net sales of completed construction contracts decreased by 9,503 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 87,058 million yen.

Gross profit on completed construction contracts increased by 980 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 12,634 million yen thanks to the improvement of the ratio of gross profit on completed construction contracts.

Influenced by the increase of the gross profit on completed construction contracts, operating income increased by 247 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 4,651 million yen.

Ordinary income resulted in 4,856 million yen, increasing by 224 million yen from the same quarter consolidated cumulative periods of the previous year thanks to the increase of operating income, although foreign exchange losses resulted in 56 million yen, increasing by 47million yen from the same quarter consolidated cumulative period of the previous year.

Profit attributable to owners of parent posted a gain on sales of non-current assets of 49 million yen, an extraordinary loss of 76 million yen due to loss on a disaster (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 218 million yen from the same quarter consolidated accumulative period of the previous year, resulting in 3,144 million yen.

(2) Explanation on Financial Conditions

(Assets)

Current assets in the end of the current third quarter consolidated accounting period resulted in 78,022 million yen decreasing by 13,682 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 (15,565 million yen) surpassed the increase of cash and deposits (2,142 million yen).

Non-current assets resulted in 31,758 million yen increasing by 1,150 million yen from the end of the previous consolidated accounting year. The main factor for this is the increase of property, plant and equipment (527 million yen), and net defined benefit asset (439 million yen).

As a result, total assets resulted in 109,781 million yen decreasing by 12,531 million yen from the end of the previous accounting year.

(Liabilities)

Current liabilities in the end of the current third quarter consolidated accounting period resulted in 45,866 million yen decreasing by 15,567 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 (27,383 million yen) and income taxes payable (1,618 million yen) etc. Non-current liabilities resulted in 6,861 million yen, increasing by 566 million yen from the end of the previous consolidated accounting year. The main factors for this are the increase of long-term loans payable (453 million yen) etc.

As a result, total liabilities resulted in 52,728 million yen, decreasing by 15,001 million yen from the end of the previous consolidated accounting year.

(Net Assets)

Total net assets in the end of the current third quarter consolidated accounting period resulted in 57,052 million yen increasing by 2,469 million yen from the end of the previous consolidated accounting year.

The main factor for this is the increase of retained earnings (2,207 million yen).

As a result, the equity capital ratio resulted in 51.8% (44.5% at the end of the previous consolidated accounting year).

(3) Explanation on Future Estimate Information such as Estimate of Consolidated Performance

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 Third Quarter Consolidated Accounting Period (As of December 31, 2016) |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,563 | 25,706 |
| Notes receivable, accounts receivable from completed construction contracts | 56,157 | 40,591 |
| Electronically recorded monetary claims - operating | 8,095 | 7,695 |
| Costs on uncompleted construction contracts | 385 | 1,460 |
| Raw materials and supplies | 0 | 0 |
| Deferred tax assets | 1,392 | 709 |
| Other | 2,117 | 1,864 |
| Allowance for doubtful accounts | -7 | -6 |
| Total current assets | 91,704 | 78,022 |
| Non-current assets | | |
| Property, plant and equipment | 4,178 | 4,706 |
| Intangible assets | 594 | 694 |
| Investments and other assets | | |
| Investment securities | 16,543 | 16,636 |
| Deferred tax assets | 1 | 1 |
| Net defined benefit asset | 7,866 | 8,306 |
| Other | 1,612 | 1,603 |
| Allowance for doubtful accounts | -188 | -189 |
| Total investments and other assets | 25,836 | 26,358 |
| Total non-current assets | 30,608 | 31,758 |
| Total assets | 122,312 | 109,781 |

(in million yen)

| | Previous Consolidated Accounting Year (As of March 31, 2016) | Current Third Quarter Consolidated Accounting Period (As of December 31, 2016) |
|------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts | 42,067 | 14,683 |
| Electronically recorded obligations - operating | — | 15,040 |
| Short-term loans payable | 4,519 | 3,788 |
| Income taxes payable | 1,622 | 4 |
| Advances received on uncompleted construction contracts | 2,794 | 4,477 |
| Provision for bonuses | — | 1,234 |
| Provision for directors' bonuses | — | 9 |
| Provision for warranties for completed construction | 81 | 88 |
| Provision for loss on construction contracts | 628 | 246 |
| Provision for environmental measures | 2 | — |
| Other | 9,717 | 6,291 |
| Total current liabilities | 61,434 | 45,866 |
| Non-current liabilities | | |
| Long-term loans payable | 1,401 | 1,854 |
| Deferred tax liabilities | 3,208 | 3,349 |
| Net defined benefit liability | 1,376 | 1,353 |
| Provision for foreign investment loss | 5 | 5 |
| Long-term accounts payable - other | 303 | 298 |
| Other | 0 | 0 |
| Total non-current liabilities | 6,295 | 6,861 |
| Total liabilities | 67,729 | 52,728 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 4,479 | 4,479 |
| Capital surplus | 4,809 | 4,809 |
| Retained earnings | 39,588 | 41,796 |
| Treasury shares | -674 | -677 |
| Total shareholders' equity | 48,203 | 50,408 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,326 | 6,388 |
| Foreign currency translation adjustment | 20 | -5 |
| Remeasurements of defined benefit plans | -169 | 91 |
| Total accumulated other comprehensive income | 6,176 | 6,475 |
| Non-controlling interests | 203 | 169 |
| Total net assets | 54,583 | 57,052 |
| Total liabilities and net assets | 122,312 | 109,781 |

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

(in million yen)

| | Previous Third Quarter Consolidated Cumulative Period (From April 1, 2015 to December 31, 2015) | Current Third Quarter Consolidated Cumulative Period (From April 1, 2016 to December 31, 2016) |
|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Net sales of completed construction contracts | 96,561 | 87,058 |
| Cost of sales of completed construction contracts | 84,907 | 74,423 |
| Gross profit on completed construction contracts | 11,653 | 12,634 |
| Selling, general and administrative expenses | 7,249 | 7,983 |
| Operating income | 4,404 | 4,651 |
| Non-operating income | | |
| Interest income | 9 | 5 |
| Dividends income | 215 | 244 |
| Insurance fee | 106 | 109 |
| Other | 30 | 29 |
| Total non-operating income | 361 | 389 |
| Non-operating expenses | | |
| Interest expenses | 108 | 101 |
| Guarantee commission | 8 | 4 |
| Foreign exchange losses | 8 | 56 |
| Other | 8 | 22 |
| Total non-operating expenses | 133 | 184 |
| Ordinary income | 4,631 | 4,856 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 2 | 49 |
| Profit reversed from the allowance for the loss relating to the antimonopoly law | 47 | — |
| Total extraordinary income | 49 | 49 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 1 | 4 |
| Loss on valuation of investment securities | 17 | — |
| Loss on valuation of golf club membership | 2 | — |
| Loss on disaster | — | 76 |
| Total extraordinary losses | 20 | 80 |
| Profit before income taxes | 4,660 | 4,825 |
| Income taxes-current | 991 | 1,009 |
| Income taxes-deferred | 737 | 680 |
| Total income taxes | 1,729 | 1,689 |
| Profit | 2,931 | 3,135 |
| Profit (loss) attributable to non-controlling interests (-) | 5 | -8 |
| Profit attributable to owners of parent | 2,925 | 3,144 |

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

(in million yen)

| | Previous Third Quarter Consolidated Cumulative Period (From April 1, 2015 to December 31, 2015) | Current Third Quarter Consolidated Cumulative Period (From April 1, 2016 to December 31, 2016) |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Profit | 2,931 | 3,135 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 403 | 61 |
| Foreign currency translation adjustment | -47 | -50 |
| Remeasurements of defined benefit plans, before tax | -91 | 261 |
| Total other comprehensive income | 264 | 272 |
| Comprehensive income | 3,195 | 3,408 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,213 | 3,443 |
| Comprehensive income attributable to non-controlling interests | -18 | -34 |

(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, 2015 to December 31, 2015) | | (From April 1, 2016 to December 31, 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 | 22,108 | 20.6 | 17,758 | 15.7 | 27,700 | 19.3 |
| | Air-conditioning installations | 63,498 | 59.1 | 71,011 | 62.6 | 83,880 | 58.5 |
| | Plumbing | 21,840 | 20.3 | 24,653 | 21.7 | 31,922 | 22.2 |
| | Total | 107,447 | 100.0 | 113,423 | 100.0 | 143,503 | 100.0 |
| | (Renovations) | 58,055 | 54.0 | 57,743 | 50.9 | 75,814 | 52.8 |
| | (Overseas operations) | 3,615 | 3.4 | 3,599 | 3.2 | 4,260 | 3.0 |
| Net sales of completed construction contracts | Electrical equipment installations | 21,545 | 22.3 | 18,832 | 21.6 | 30,805 | 22.3 |
| | Air-conditioning installations | 53,041 | 54.9 | 49,098 | 56.4 | 77,298 | 55.9 |
| | Plumbing | 21,974 | 22.8 | 19,127 | 22.0 | 30,242 | 21.8 |
| | Total | 96,561 | 100.0 | 87,058 | 100.0 | 138,346 | 100.0 |
| | (Renovations) | 51,498 | 53.3 | 48,870 | 56.1 | 77,421 | 56.0 |
| | (Overseas operations) | 7,564 | 7.8 | 3,539 | 4.1 | 9,381 | 6.8 |
| Net sales of uncompleted construction contracts | Electrical equipment installations | 18,092 | 17.5 | 13,352 | 10.8 | 14,425 | 14.8 |
| | Air-conditioning installations | 63,255 | 61.2 | 81,292 | 65.5 | 59,379 | 60.8 |
| | Plumbing | 22,107 | 21.3 | 29,447 | 23.7 | 23,921 | 24.4 |
| | Total | 103,455 | 100.0 | 124,092 | 100.0 | 97,727 | 100.0 |
| | (Renovations) | 33,825 | 32.7 | 34,534 | 27.8 | 25,661 | 26.3 |
| | (Overseas operations) | 4,114 | 4.0 | 3,001 | 2.4 | 2,942 | 3.0 |