

Brief Report on the First Quarter Financial Statements for the Period Ending March 2018

[Japanese Standard] (Consolidated)

August 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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Division

Date scheduled to submit Quarterly report:

August 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 first quarter of the period ending March 2018 (From April 1, 2017 to June 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of the period ending March 2018	27,847	-1.6	695	-49.1	910	-29.7	600	-23.5
First quarter of the period ending March 2017	28,304	-1.6	1,366	43.2	1,295	12.6	784	9.0

(Note) Comprehensive income First quarter of the period ending March 2018 1,060 Million yen (542.6 %)

First quarter of the period ending March 2017 165 Million yen (-86.0 %)

	Profit per share		Profit per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
First quarter of the period ending March 2018		13.46		—
First quarter of the period ending March 2017		17.60		—

(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 2018	114,158	58,483	51.1	1,307.60	
Period ending March 2017	118,454	58,004	48.8	1,296.64	

(Reference) Equity capital First quarter of the period ending March 2018 58,304 Million yen

Period ending March 2017 57,817 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 2017		—	10.00		13.00	23.00
Period ending March 2018		—				
Period ending March 2018 (Forecast)			11.50		23.00	—

(Note) 1. Presence of revision from dividend forecast published most recently: None

(Note) 2. Because we are scheduled to have a stock merger of 2 common shares to 1 common share, which will become effective on October 1, 2017, we are describing the period-end dividend per share in March 2018 (forecast) as the figure after the stock merger of the shares, and are describing the sum of annual dividends as “-”. The period-end dividend per share (forecast) in March 2018 when stock merger is not considered will be 11.50 yen and the annual dividend will be 23.00 yen.

3. Estimate of consolidated performance for the period ending March 2018 (From April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
Second quarter consolidated cumulative period	65,500	11.6	3,200	3.7	3,200	9.9	2,100	14.6		94.18
Total period	141,000	12.6	7,200	6.7	7,200	3.8	4,800	3.5		215.28

(Reference) 1. Estimated net sales of construction contract orders (the second quarter consolidated cumulative period) 70,500 Million yen

2. Estimated net sales of construction contract orders (Total period) 146,000 Million yen

(Note) 1. Presence of revision from dividend forecast published most recently: None

(Note) 2. Because we are scheduled to have a stock merger of 2 common shares to 1 common share, which will become effective on October 1, 2017, we are describing profit per share in the second quarter consolidated cumulative period and total period in the foresight of consolidated results in March 2018 in the figures where we consider the stock merger. The profits per share of the second quarter consolidated cumulative period and total period when we do not consider the stock merger are as follows.

The second quarter consolidated cumulative period: 47.09 yen, and total period: 107.64 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.: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatement: None

(4) Number of issued shares (common stock)

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

First quarter of period ending March 2018 45,963,803 shares Period ending March 2017 45,963,803 shares

② Number of treasury shares at the end of period

First quarter of period ending March 2018 1,374,977 shares Period ending March 2017 1,373,273 shares

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

First quarter of period ending March 2018 44,590,038 shares First quarter of period ending March 2017 44,595,067 shares

* Brief report on quarterly financial statements is beyond the object of quarterly review.

* 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 2018 (From April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
Second quarter consolidated cumulative period	65,000	12.0	3,200	4.0	3,200	10.2	2,100	15.1		94.18
Total period	140,000	13.0	7,200	6.8	7,200	3.9	4,800	3.7		215.28

(Reference) 1. Estimated net sales of construction contract orders (the second quarter consolidated cumulative period) 70,000 Million yen

2. Estimated net sales of construction contract orders (Total period) 145,000 Million yen

(Note) 1. Presence of revision from dividend forecast published most recently: None

(Note) 2. Because we are scheduled to have a stock merger of 2 common shares to 1 common share, which will become effective on October 1, 2017, we are describing profit per share in the second quarter consolidated cumulative period and total period in the foresight of individual results in March 2018 in the figures where we consider the stock merger. The profits per share of the second quarter consolidated cumulative period and total period when we do not consider the stock merger are as follows.
The second quarter consolidated cumulative period: 47.09 yen, and total period: 107.64 yen.

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1. Qualitative Information on Current Quarter Business Settlement

(1) Explanation on Operating Results

Net sales of construction contract orders received decreased by 934 million yen (-2.5%) from the same quarter consolidated cumulative period of the previous year, resulting in 37,153 million yen.

Net sales of completed construction contracts decreased by 457 million yen (-1.6%) from the same quarter consolidated cumulative period of the previous year, resulting in 27,847 million yen.

Gross profit on completed construction contracts decreased by 572 million yen (-14.1%) from the same quarter consolidated cumulative period of the previous year, resulting in 3,495 million yen, due to the decrease in the net sales of completed construction contracts.

Operating profit decreased by 671 million yen (-49.1%) from the same quarter consolidated cumulative period of the previous year, resulting in 695 million yen, due to the decrease in the gross profit on completed construction contracts.

Ordinary profit decreased by 385 million yen (-29.7%) from the same quarter consolidated cumulative period of the previous year, resulting in 910 million yen due to the decrease in the operating profit, despite the fact that foreign exchange losses of 246 million yen caused in the same quarter of the previous year turned to foreign exchange gains of 28 million yen in the current first quarter consolidated cumulative period.

Profit attributable to owners of parent decreased by 184 million yen (-23.5%) from the same quarter consolidated cumulative period of the previous year, resulting in 600 million yen, after posting the gain on sales of investment securities of 8 million yen as an extraordinary gain, and deducting the corporate tax, resident tax and business tax, income taxes-deferred, and the quarterly net loss attributable to non-controlling interests.

(2) Explanation on Financial Conditions

(Assets)

Current assets at the end of the current first quarter consolidated accounting period decreased by 4,907 million yen (-5.6%) from the end of the previous consolidated accounting year, resulting in 82,609 million yen. The main factor for this is that the decrease of 9,806 million yen (-19.9%) in notes receivable, accounts receivable from completed construction contracts surpassed the increase of 3,711 million yen (45.2%) in the electronically recorded monetary claim. Non-current assets increased by 610 million yen (2.0%) from the end of the previous consolidated accounting year, resulting in 31,549 million yen. The main factors for this are the increase of 506 million yen (3.1%) in investment securities, etc.

As a result, total assets decreased by 4,296 million yen (-3.6%) from the end of the previous consolidated accounting year, resulting in 114,158 million yen.

(Liabilities)

Current liabilities at the end of the current first quarter consolidated accounting period decreased by 4,558 million yen (-8.5%) from the end of the previous consolidated accounting year, resulting in 49,147 million yen. The main factors for this are the decrease of 5,490 million yen (-27.4%) in notes payable, accounts payable for construction contracts and of 1,113 million yen (-97.4%) in income taxes payable, etc. Non-current liabilities decreased by 217 million yen (-3.2%) from the end of the previous consolidated accounting year, resulting in 6,527 million yen. The main factors for this are the decrease of 403 million yen (-19.7%) in long-term loans payable, etc.

As a result, total liabilities decreased by 4,775 million yen (-7.9%) from the end of the previous consolidated accounting year, resulting in 55,674 million yen.

(Net Assets)

Total net assets at the end of the current first quarter consolidated accounting period increased by 479 million yen (0.8%) from the end of the previous consolidated accounting year, resulting in 58,483 million yen. The main factor for this is the increase of 365 million yen (5.8%) in the valuation difference on available-for-sale securities.

As a result, the equity capital ratio resulted in 51.1% (48.8% at the end of the previous consolidated accounting year).

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

The operating results in the current first quarter consolidated cumulative period decreased in both income and profit as compared with the same quarter of the previous year. However, as shown in “3. Supplementary information: Divisional net sales of construction contract orders received, completed construction contracts, and uncompleted construction contracts (consolidated)” on page 8, the net sales of uncompleted construction contracts in the current first quarter period increased by 18,277 million yen (17.0%) from the same quarter of the previous year, resulted in 125,787 million yen (of which the expected net sales of completed construction contracts in the current consolidated accounting year accounts for 73,750 million yen, increasing by 15,615 million yen (21.2%) from the same quarter of the previous year). Especially, the net sales of uncompleted construction contracts for profitable renovation work increased by 12,575 million yen (49.9%) from the same quarter of the previous year, standing at 37,786 million yen (of which the expected net sales of completed construction contracts in the current consolidated accounting year accounts for 27,869 million yen, increasing by 7,221 million yen (25.9%) from the same quarter of the previous year), which will be expected to contribute to the profits of the second quarter consolidated accounting period onward. Therefore, the estimate of performance published on May 11, 2017 on the second quarter consolidated cumulative period and total period remains unchanged.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2017)	Current First Quarter Consolidated Accounting Period (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	26,576	27,536
Notes receivable, accounts receivable from completed construction contracts	49,198	39,392
Electronically recorded monetary claims - operating	8,216	11,928
Costs on uncompleted construction contracts	478	891
Raw materials and supplies	0	0
Deferred tax assets	1,194	823
Other	1,857	2,041
Allowance for doubtful accounts	-6	-5
Total current assets	87,516	82,609
Non-current assets		
Property, plant and equipment	4,694	4,688
Intangible assets	682	646
Investments and other assets		
Investment securities	16,574	17,080
Deferred tax assets	0	0
Net defined benefit asset	7,560	7,711
Other	1,615	1,611
Allowance for doubtful accounts	-188	-190
Total investments and other assets	25,562	26,214
Total non-current assets	30,938	31,549
Total assets	118,454	114,158

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2017)	Current First Quarter Consolidated Accounting Period (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	20,051	14,560
Electronically recorded obligations - operating	16,384	20,198
Short-term loans payable	3,880	3,726
Income taxes payable	1,143	29
Advances received on uncompleted construction contracts	3,028	2,365
Provision for bonuses	—	1,068
Provision for directors' bonuses	—	17
Provision for warranties for completed construction	76	70
Provision for loss on construction contracts	254	206
Other	8,887	6,902
Total current liabilities	53,705	49,147
Non-current liabilities		
Long-term loans payable	2,054	1,651
Deferred tax liabilities	3,046	3,237
Net defined benefit liability	1,339	1,336
Provision for foreign investment loss	7	6
Long-term accounts payable - other	296	296
Other	0	0
Total non-current liabilities	6,744	6,527
Total liabilities	60,450	55,674
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	43,290	43,311
Treasury shares	-678	-680
Total shareholders' equity	51,901	51,919
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	6,710
Foreign currency translation adjustment	13	14
Remeasurements of defined benefit plans	-441	-340
Total accumulated other comprehensive income	5,916	6,384
Non-controlling interests	186	179
Total net assets	58,004	58,483
Total liabilities and net assets	118,454	114,158

(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, 2016 to June 30, 2016)	Current First Quarter Consolidated Cumulative Period (From April 1, 2017 to June 30, 2017)
Net sales of completed construction contracts	28,304	27,847
Cost of sales of completed construction contracts	24,236	24,351
Gross profit on completed construction contracts	4,068	3,495
Selling, general and administrative expenses	2,701	2,800
Operating profit	1,366	695
Non-operating income		
Interest income	1	1
Dividend income	130	131
Insurance fee	89	83
Foreign exchange gains	—	28
Other	8	9
Total non-operating income	229	254
Non-operating expenses		
Interest expenses	33	32
Guarantee commission	3	0
Foreign exchange losses	246	—
Other	17	7
Total non-operating expenses	300	40
Ordinary profit	1,295	910
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	8
Total extraordinary income	0	9
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Loss on disaster	73	—
Total extraordinary losses	73	0
Profit before income taxes	1,222	919
Income taxes - current	10	-28
Income taxes - deferred	433	355
Total income taxes	443	327
Profit	779	591
Loss attributable to non-controlling interests (-)	-5	-8
Profit attributable to owners of parent	784	600

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

(in million yen)

	Previous First Quarter Consolidated Cumulative Period (From April 1, 2016 to June 30, 2016)	Current First Quarter Consolidated Cumulative Period (From April 1, 2017 to June 30, 2017)
Profit	779	591
Other comprehensive income		
Valuation difference on available-for-sale securities	-683	365
Foreign currency translation adjustment	-17	2
Remeasurements of defined benefit plans	87	100
Total other comprehensive income	-614	468
Comprehensive income	165	1,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	179	1,068
Comprehensive income attributable to non-controlling interests	-14	-7

(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

3. Supplementary Information

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

(in million yen)

(in million yen)

		Previous First Quarter Consolidated Cumulative Period		Current First Quarter Consolidated Cumulative Period		Increased (decreased) amount	Increase (decrease) rate
		(From April 1, 2016 to June 30, 2016)		(From April 1, 2017 to June 30, 2017)			
		Amount	Component ratio %	Amount	Component ratio %		
Net sales of construction contract orders received	Electrical equipment installations	6,076	16.0	7,197	19.4	1,120	18.4
	Air-conditioning installations	24,989	65.6	22,872	61.5	-2,116	-8.5
	Plumbing	7,021	18.4	7,082	19.1	61	0.9
	Total	38,087	100.0	37,153	100.0	-934	-2.5
	(Renovations)	16,317	42.8	22,663	61.0	6,346	38.9
	(Overseas operations)	2,048	5.4	1,327	3.6	-720	-35.2
Net sales of completed construction contracts	Electrical equipment installations	6,160	21.8	4,774	17.1	-1,385	-22.5
	Air-conditioning installations	15,961	56.4	17,320	62.2	1,358	8.5
	Plumbing	6,182	21.8	5,752	20.7	-430	-7.0
	Total	28,304	100.0	27,847	100.0	-457	-1.6
	(Renovations)	16,768	59.2	13,496	48.5	-3,271	-19.5
	(Overseas operations)	963	3.4	930	3.3	-32	-3.4
Net sales of uncompleted construction contracts	Electrical equipment installations	14,341	13.4	19,855	15.8	5,513	38.4
	Air-conditioning installations	68,407	63.6	76,537	60.8	8,130	11.9
	Plumbing	24,761	23.0	29,394	23.4	4,633	18.7
	Total	107,510	100.0	125,787	100.0	18,277	17.0
	(Renovations)	25,210	23.5	37,786	30.0	12,575	49.9
	(Overseas operations)	4,026	3.8	3,025	2.4	-1,001	-24.9