

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

## [Japanese Standard] (Consolidated)

November 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 1<sup>st</sup> section

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Division

Date scheduled to submit Quarterly report:

November 9, 2017

Date scheduled for dividend payment commencement:

December 1, 2017

Creating supplements to the financial statement:

None

Holding a briefing session 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 2018 (From April 1, 2017 to September 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	%
Second quarter of the period ending March 2018	68,141	16.1	3,201	3.8	3,469	19.1	2,297	25.3
Second quarter of the period ending March 2017	58,706	(4.1)	3,085	29.5	2,912	14.9	1,833	16.6

(Note) Comprehensive income Second quarter of the period ending March 2018 2,879 Million yen 173.6 %

Second quarter of the period ending March 2017 1,052 Million yen 7.4 %

	Profit per share		Profit per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
Second quarter of the period ending March 2018	103.05		—	
Second quarter of the period ending March 2017	82.21		—	

(Note) Because we had a stock merger of two common shares to one common share as of October 1, 2017, "Profit per share" is calculated assuming that the stock merger was executed at the beginning of the previous consolidated accounting year.

(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 2018	122,534	60,296	49.1	2,696.69	
Period ending March 2017	118,454	58,004	48.8	2,593.28	

(Reference) Equity capital Second quarter of the period ending March 2018 60,115 Million yen

Period ending March 2017 57,817 Million yen

(Note) Because we had a stock merger of two common shares to one common share as of October 1, 2017, "Net assets per share" is calculated assuming that the stock merger was executed at the beginning of the previous consolidated accounting year.

## 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		—	
Period ending March 2018	—		11.50		—	
Period ending March 2018 (Forecast)					23.00	

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

(Note 2) Because we had a stock merger of two common shares to one common share as of October 1, 2017, we are describing the period-end dividend per share in March 2018 (forecast) as the figure after the effect of the stock merger, 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)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share	
Total period	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
	141,000	12.6	7,200	6.7	7,200	3.8	4,800	3.5	215	28

(Reference) 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 had a stock merger of two common shares to one common share as of October 1, 2017, we are describing profit per share in estimate of consolidated performance for the period ending March 2018 in those figures where we consider the effect of the stock merger.

#### \* 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)

Second quarter of period ending March 2018 22,981,901 shares Period ending March 2017 22,981,901 shares

② Number of treasury shares at the end of period

Second quarter of period ending March 2018 689,559 shares Period ending March 2017 686,636 shares

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

Second quarter of period ending March 2018 22,294,169 shares Second quarter of period ending March 2017 22,297,274 shares

(Note) Because we had a stock merger of two common shares to one common share as of October 1, 2017, "Number of issued shares at the end of period," "Number of treasury shares at the end of period" and "Average numbers of shares in the period" are calculated assuming that the stock merger was executed at the beginning of the previous consolidated accounting year.

\* 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)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
Total period	140,000	13.0	7,200	6.8	7,200	3.9	4,800	3.7		215.28

(Reference) 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 had a stock merger of two common shares to one common share as of October 1, 2017, we are describing profit per share in foresight of individual results in March 2018 in those figures where we consider the effect of the stock merger.

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## 1. Qualitative Information on Current Quarter Business Settlement

### (1) Explanation on Operating Results

Net sales of construction contract orders received in the current second quarter consolidated cumulative period decreased by 10,064 million yen or 12.1% from the same quarter consolidated cumulative period of the previous year, resulting in 73,427 million yen.

Net sales of completed construction contracts increased by 9,434 million yen or 16.1% from the same quarter consolidated cumulative period of the previous year, resulting in 68,141 million yen.

Gross profit on completed construction contracts increased by 216 million yen or 2.6% from the same quarter consolidated cumulative period of the previous year, resulting in 8,650 million yen, due to the increase in the net sales of completed construction contracts.

Operating profit increased by 116 million yen or 3.8% from the same quarter consolidated cumulative period of the previous year, resulting in 3,201 million yen, due to the increase in the gross profit on completed construction contracts.

Ordinary profit increased by 556 million yen or 19.1% from the same quarter consolidated cumulative period of the previous year, resulting in 3,469 million yen. This was because foreign exchange losses of 359 million yen that occurred in the same quarter consolidated cumulative period of the previous year turned to foreign exchange gains of 80 million yen in the current second quarter consolidated cumulative period.

Profit attributable to owners of parent increased by 464 million yen or 25.3% from the same quarter consolidated cumulative period of the previous year, resulting in 2,297 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 loss attributable to non-controlling interests.

### (2) Explanation on Financial Conditions

#### (Assets)

Current assets at the end of the current second quarter consolidated accounting period increased by 3,359 million yen or 3.8% from the end of the previous consolidated accounting year, resulting in 90,875 million yen. The main factors for this are the increase of 1,417 million yen or 5.3% in cash and deposits, and the increase of 1,595 million yen or 85.9% in other current assets. Non-current assets increased by 720 million yen or 2.3% from the end of the previous consolidated accounting year, resulting in 31,658 million yen. The main factors for this are the increase of 533 million yen or 3.2% in investment securities, and the increase of 301 million yen or 4.0% in net defined benefit asset.

As a result, total assets increased by 4,079 million yen or 3.4% from the end of the previous consolidated accounting year, resulting in 122,534 million yen.

#### (Liabilities)

Current liabilities at the end of the current second quarter consolidated accounting period increased by 1,661 million yen or 3.1% from the end of the previous consolidated accounting year, resulting in 55,367 million yen. The main factors for this are the increase of 2,189 million yen or 13.4% in electronically recorded obligations - operating, etc. Non-current liabilities increased by 125 million yen or 1.9% from the end of the previous consolidated accounting year, resulting in 6,870 million yen. The main factors for this are the increase of 254 million yen or 8.4% in deferred tax liabilities, etc.

As a result, total liabilities increased by 1,787 million yen or 3.0% from the end of the previous consolidated accounting year, resulting in 62,237 million yen.

#### (Net Assets)

Total net assets at the end of the current second quarter consolidated accounting period increased by 2,291 million yen or 4.0% from the end of the previous consolidated accounting year, resulting in 60,296 million yen. The main factor for this is the increase of 1,717 million yen or 4.0% in retained earnings, etc.

As a result, the equity capital ratio resulted in 49.1% (48.8% 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 increased by 1,417 million yen from the end of the previous consolidated accounting year, resulting in 27,967 million yen. The situation of cash flows and their factors during the current second quarter consolidated cumulative period are as follows.

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

As a result of operating activities, the increased fund resulted in 2,114 million yen (increase of the fund by 6,265 million yen in the same-quarter consolidated cumulative period of the previous year). The main reason for this is that the increase factors of the fund, such as the posting of the profit before income taxes and the increase in notes and accounts payable – trade, surpassed the decrease factors of the fund, such as the increase in other current assets and the decrease in advances received on uncompleted construction contracts.

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

As a result of the investing activities, the decreased fund resulted in 128 million yen (decrease of the fund by 1,243 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 582 million yen (decrease of the fund by 562 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 cash dividends paid surpassed the proceeds from short-term loans payable and long-term loans payable.

#### (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, 2017.

## 2. Consolidated Financial Statements and Major Notes

## (1) Consolidated Balance Sheets

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2017)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	26,576	27,994
Notes receivable, accounts receivable from completed construction contracts	49,198	49,477
Electronically recorded monetary claims - operating	8,216	7,918
Costs on uncompleted construction contracts	478	1,024
Raw materials and supplies	0	0
Deferred tax assets	1,194	1,014
Other	1,857	3,452
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,516	90,875
Non-current assets		
Property, plant and equipment	4,694	4,646
Intangible assets	682	616
Investments and other assets		
Investment securities	16,574	17,107
Deferred tax assets	0	0
Net defined benefit asset	7,560	7,861
Other	1,615	1,615
Allowance for doubtful accounts	(188)	(190)
Total investments and other assets	25,562	26,394
Total non-current assets	30,938	31,658
Total assets	118,454	122,534

(in million yen)

	Previous Consolidated Accounting Year (As of March 31, 2017)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	20,051	21,315
Electronically recorded obligations - operating	16,384	18,573
Short-term loans payable	3,880	4,009
Income taxes payable	1,143	1,148
Advances received on uncompleted construction contracts	3,028	1,514
Provision for bonuses	—	2,131
Provision for directors' bonuses	—	35
Provision for warranties for completed construction	76	71
Provision for loss on construction contracts	254	96
Other	8,887	6,471
Total current liabilities	53,705	55,367
Non-current liabilities		
Long-term loans payable	2,054	1,931
Deferred tax liabilities	3,046	3,300
Net defined benefit liability	1,339	1,335
Provision for foreign investment loss	7	6
Long-term accounts payable - other	296	296
Other	0	0
Total non-current liabilities	6,744	6,870
Total liabilities	60,450	62,237
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	43,290	45,008
Treasury shares	(678)	(686)
Total shareholders' equity	51,901	53,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	6,727
Foreign currency translation adjustment	13	16
Remeasurements of defined benefit plans	(441)	(239)
Total accumulated other comprehensive income	5,916	6,504
Non-controlling interests	186	180
Total net assets	58,004	60,296
<b>Total liabilities and net assets</b>	<b>118,454</b>	<b>122,534</b>



(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, 2016 to September 30, 2016)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)
Net sales of completed construction contracts	58,706	68,141
Cost of sales of completed construction contracts	50,273	59,491
Gross profit on completed construction contracts	8,433	8,650
Selling, general and administrative expenses	5,348	5,448
Operating profit	3,085	3,201
Non-operating income		
Interest income	2	3
Dividend income	155	160
Insurance fee	104	93
Foreign exchange gains	—	80
Other	18	18
Total non-operating income	280	356
Non-operating expenses		
Interest expenses	69	77
Guarantee commission	3	4
Foreign exchange losses	359	—
Other	21	7
Total non-operating expenses	453	89
Ordinary profit	2,912	3,469
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	—	8
Total extraordinary income	0	10
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Loss on valuation of golf club membership	—	3
Loss on disaster	76	—
Total extraordinary losses	79	4
Profit before income taxes	2,833	3,474
Income taxes - current	671	1,011
Income taxes - deferred	335	175
Total income taxes	1,006	1,186
Profit	1,827	2,288
Loss attributable to non-controlling interests	(5)	(8)
Profit attributable to owners of parent	1,833	2,297

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

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)
Profit	1,827	2,288
Other comprehensive income		
Valuation difference on available-for-sale securities	(900)	383
Foreign currency translation adjustment	(48)	5
Remeasurements of defined benefit plans	174	201
Total other comprehensive income	(774)	590
Comprehensive income	1,052	2,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,082	2,885
Comprehensive income attributable to non-controlling interests	(30)	(5)

## (3) Consolidated Statement of Cash Flows

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	2,833	3,474
Depreciation	172	231
Increase (decrease) in allowance for doubtful accounts	(1)	1
Increase (decrease) in net defined benefit liability	(18)	8
Interest and dividend income	(157)	(163)
Interest expenses	69	77
Increase (decrease) in provision for foreign investment loss	2	(1)
Loss (gain) on sales of investment securities	—	(8)
Loss (gain) on sales of non-current assets	(0)	(1)
Loss on retirement of non-current assets	2	0
Loss on valuation of golf club memberships	—	3
Decrease (increase) in notes and accounts receivable - trade	18,407	19
Decrease (increase) in costs on uncompleted construction contracts	(587)	(545)
Decrease (increase) in other current assets	551	(1,605)
Decrease (increase) in other non-current assets	4	(1)
Decrease (increase) in net defined benefit asset	(56)	(23)
Increase (decrease) in notes and accounts payable - trade	(12,565)	3,453
Increase (decrease) in advances received on uncompleted construction contracts	460	(1,513)
Increase (decrease) in other current liabilities	(1,398)	(373)
Increase (decrease) in other non-current liabilities	(5)	—
Subtotal	7,712	3,033
Interest and dividend income received	157	163
Interest expenses paid	(68)	(76)
Income taxes (paid) refund	(1,536)	(1,005)
Net cash provided by (used in) operating activities	6,265	2,114

(in million yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2016 to September 30, 2016)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)
Cash flows from investing activities		
Purchase of property, plant and equipment	(874)	(123)
Proceeds from sales of property, plant and equipment	0	1
Purchase of investment securities	(2)	(2)
Proceeds from sales and redemption of investment securities	0	30
Payments of loans receivable	—	(0)
Collection of loans receivable	1	0
Expenditures by acquiring of other non-current assets	(398)	(60)
Proceeds from sales of other non-current assets	30	24
Net cash provided by (used in) investing activities	(1,243)	(128)
Cash flows from financing activities		
Increase in short-term loans payable	18,480	19,080
Decrease in short-term loans payable	(19,180)	(18,980)
Proceeds from long-term loans payable	1,700	1,000
Repayments of long-term loans payable	(1,070)	(1,094)
Purchase of treasury shares	(1)	(8)
Cash dividends paid	(490)	(579)
Net cash provided by (used in) financing activities	(562)	(582)
Effect of exchange rate change on cash and cash equivalents	(100)	14
Net increase (decrease) in cash and cash equivalents	4,359	1,417
Cash and cash equivalents at beginning of period	23,536	26,549
Cash and cash equivalents at end of period	27,896	27,967

## (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

## 3. 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 (From April 1, 2016 to September 30, 2016)		Current Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)		Increase (decrease)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Ratio %
Net sales of construction contract orders received	Electrical equipment installations	12,021	14.4	12,763	17.4	741	6.2
	Air-conditioning installations	54,058	64.8	46,641	63.5	(7,417)	(13.7)
	Plumbing	17,411	20.8	14,022	19.1	(3,389)	(19.5)
	Total	83,492	100.0	73,427	100.0	(10,064)	(12.1)
	(Renovations)	38,398	46.0	40,862	55.7	2,464	6.4
	(Overseas operations)	2,359	2.8	2,550	3.5	190	8.1
Net sales of completed construction contracts	Electrical equipment installations	12,430	21.2	12,272	18.0	(157)	(1.3)
	Air-conditioning installations	33,181	56.5	40,850	60.0	7,668	23.1
	Plumbing	13,094	22.3	15,018	22.0	1,923	14.7
	Total	58,706	100.0	68,141	100.0	9,434	16.1
	(Renovations)	33,321	56.8	34,908	51.2	1,587	4.8
	(Overseas operations)	2,317	4.0	2,489	3.7	171	7.4
Net sales of uncompleted construction contracts	Electrical equipment installations	14,016	11.4	17,923	14.7	3,906	27.9
	Air-conditioning installations	80,256	65.5	76,775	63.1	(3,480)	(4.3)
	Plumbing	28,239	23.1	27,067	22.2	(1,171)	(4.1)
	Total	122,512	100.0	121,767	100.0	(745)	(0.6)
	(Renovations)	30,737	25.1	34,572	28.4	3,834	12.5
	(Overseas operations)	2,984	2.4	2,689	2.2	(294)	(9.9)