

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

[Japanese Standard] (Consolidated)

February 8, 2018

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:

February 9, 2018

Date scheduled for dividend payment commencement:

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Creating supplements to the financial statement:

None

Holding a briefing session 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 2018 (From April 1, 2017 to December 31, 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	%
Third quarter of the period ending March 2018	102,710	18.0	5,151	10.8	5,552	14.3	3,668	16.7
Third quarter of the period ending March 2017	87,058	(9.8)	4,651	5.6	4,856	4.8	3,144	7.5

(Note) Comprehensive income Third quarter of the period ending March 2018 5,523 Million yen 62.0%

Third quarter of the period ending March 2017 3,408 Million yen 6.7%

	Profit per share		Profit per share after making potential share adjustments	
	Yen	Sen	Yen	Sen
Third quarter of the period ending March 2018	164.58		—	
Third quarter of the period ending March 2017	141.03		—	

(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
Third quarter of the period ending March 2018	125,778	62,426	49.5	2,792.40
Period ending March 2017	118,454	58,004	48.8	2,593.28

(Reference) Equity capital Third quarter of the period ending March 2018 62,247 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 per share				
	End of first quarter		End of second quarter	End of third quarter	Through year
	Yen	Sen	Yen	Sen	Yen Sen
Period ending March 2017	—		10.00	—	13.00 23.00
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 dividends 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	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen	Sen
Total period	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)

Third quarter of period ending March 2018	22,981,901 shares	Period ending March 2017	22,981,901 shares
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② Number of treasury shares at the end of period

Third quarter of period ending March 2018	690,151 shares	Period ending March 2017	686,636 shares
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③ Average numbers of shares in the period (Quarter total)

Third quarter of period ending March 2018	22,293,449 shares	Third quarter of period ending March 2017	22,296,972 shares
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(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 2.

(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 estimate of individual performance for the period ending 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 third quarter consolidated cumulative period decreased by 1,735 million yen or 1.5% from the same quarter consolidated cumulative period of the previous year, resulting in 111,688 million yen.

Net sales of completed construction contracts increased by 15,652 million yen or 18.0% from the same quarter consolidated cumulative period of the previous year, resulting in 102,710 million yen.

Gross profit on completed construction contracts increased by 700 million yen or 5.5% from the same quarter consolidated cumulative period of the previous year, resulting in 13,335 million yen, due to the increase in the net sales of completed construction contracts.

Operating profit increased by 500 million yen or 10.8% from the same quarter consolidated cumulative period of the previous year, resulting in 5,151 million yen, due to the increase in the gross profit on completed construction contracts.

Ordinary profit increased by 695 million yen or 14.3% from the same quarter consolidated cumulative period of the previous year, resulting in 5,552 million yen. This was because foreign exchange losses of 56 million yen that occurred in the same quarter consolidated cumulative period of the previous year turned to foreign exchange gains of 138 million yen in the current third quarter consolidated cumulative period.

Profit attributable to owners of parent increased by 524 million yen or 16.7% from the same quarter consolidated cumulative period of the previous year, resulting in 3,668 million yen, after posting the gain on sales of investment securities of 8 million yen as an extraordinary gain, and deducting the income taxes-current, 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 third quarter consolidated accounting period increased by 4,831 million yen or 5.5% from the end of the previous consolidated accounting year, resulting in 92,348 million yen. The main factors for this are the increase of 1,724 million yen or 3.5% in notes receivable, accounts receivable from completed construction contract and the increase of 1,723 million yen or 92.8% in other current assets, etc. Non-current assets increased by 2,491 million yen or 8.1% from the end of the previous consolidated accounting year, resulting in 33,429 million yen. The main factors for this are the increase of 2,219 million yen or 13.4% in investment securities, etc.

As a result, total assets increased by 7,323 million yen or 6.2% from the end of the previous consolidated accounting year, resulting in 125,778 million yen.

(Liabilities)

Current liabilities at the end of the current third quarter consolidated accounting period increased by 2,531 million yen or 4.7% from the end of the previous consolidated accounting year, resulting in 56,237 million yen. The main factors for this are the increase of 6,001 million yen or 36.6% in electronically recorded obligations - operating, etc., surpassed the decrease of 1,840 million yen or 60.8% in advances received on uncompleted construction contracts, etc. Non-current liabilities increased by 369 million yen or 5.5% from the end of the previous consolidated accounting year, resulting in 7,114 million yen. The main factors for this are the increase of 811 million yen or 26.6% in deferred tax liabilities, etc.

As a result, total liabilities increased by 2,901 million yen or 4.8% from the end of the previous consolidated accounting year, resulting in 63,351 million yen.

(Net Assets)

Total net assets at the end of the current third quarter consolidated accounting period increased by 4,421 million yen or 7.6% from the end of the previous consolidated accounting year, resulting in 62,426 million yen. The main factors for this are the increase of 2,576 million yen or 6.0% in retained earnings, etc.

As a result, the equity capital ratio resulted in 49.5% (48.8% 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, 2017.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous Consolidated Accounting Year (As of March 31, 2017)	Current Third Quarter Consolidated Accounting Period (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	26,576	26,575
Notes receivable, accounts receivable from completed construction contracts	49,198	50,923
Electronically recorded monetary claims - operating	8,216	9,060
Costs on uncompleted construction contracts	478	1,509
Raw materials and supplies	0	0
Deferred tax assets	1,194	704
Other	1,857	3,580
Allowance for doubtful accounts	(6)	(6)
Total current assets	87,516	92,348
Non-current assets		
Property, plant and equipment	4,694	4,594
Intangible assets	682	594
Investments and other assets		
Investment securities	16,574	18,793
Deferred tax assets	0	0
Net defined benefit asset	7,560	8,011
Other	1,615	1,627
Allowance for doubtful accounts	(188)	(191)
Total investments and other assets	25,562	28,240
Total non-current assets	30,938	33,429
Total assets	118,454	125,778

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(Millions of yen)

	Previous Consolidated Accounting Year (As of March 31, 2017)	Current Third Quarter Consolidated Accounting Period (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	20,051	19,427
Electronically recorded obligations - operating	16,384	22,385
Short-term loans payable	3,880	4,036
Income taxes payable	1,143	445
Advances received on uncompleted construction contracts	3,028	1,188
Provision for bonuses	—	1,472
Provision for directors' bonuses	—	9
Provision for warranties for completed construction	76	75
Provision for loss on construction contracts	254	95
Other	8,887	7,101
Total current liabilities	53,705	56,237
Non-current liabilities		
Long-term loans payable	2,054	1,622
Deferred tax liabilities	3,046	3,857
Net defined benefit liability	1,339	1,332
Provision for foreign investment loss	7	5
Long-term accounts payable - other	296	296
Other	0	0
Total non-current liabilities	6,744	7,114
Total liabilities	60,450	63,351
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	43,290	45,866
Treasury shares	(678)	(688)
Total shareholders' equity	51,901	54,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	7,897
Foreign currency translation adjustment	13	21
Remeasurements of defined benefit plans	(441)	(138)
Total accumulated other comprehensive income	5,916	7,779
Non-controlling interests	186	178
Total net assets	58,004	62,426
Total liabilities and net assets	118,454	125,778

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

	(Millions of yen)	
	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2016 to December 31, 2016)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2017 to December 31, 2017)
Net sales of completed construction contracts	87,058	102,710
Cost of sales of completed construction contracts	74,423	89,375
Gross profit on completed construction contracts	12,634	13,335
Selling, general and administrative expenses	7,983	8,184
Operating profit	4,651	5,151
Non-operating income		
Interest income	5	5
Dividend income	244	257
Insurance fee	109	93
Foreign exchange gains	—	138
Other	29	28
Total non-operating income	389	523
Non-operating expenses		
Interest expenses	101	108
Guarantee commission	4	5
Foreign exchange losses	56	—
Other	22	8
Total non-operating expenses	184	122
Ordinary profit	4,856	5,552
Extraordinary income		
Gain on sales of non-current assets	49	4
Gain on sales of investment securities	—	8
Total extraordinary income	49	13
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Loss on valuation of golf club membership	—	4
Loss on disaster	76	—
Total extraordinary losses	80	4
Profit before income taxes	4,825	5,561
Income taxes - current	1,009	1,425
Income taxes - deferred	680	482
Total income taxes	1,689	1,907
Profit	3,135	3,653
Loss attributable to non-controlling interests	(8)	(15)
Profit attributable to owners of parent	3,144	3,668

DAI-DAN Co., Ltd. (1980), Brief Report on the Third Quarter Financial Statements for the Period Ending March 2018

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

(Millions of yen)

	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2016 to December 31, 2016)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2017 to December 31, 2017)
Profit	3,135	3,653
Other comprehensive income		
Valuation difference on available-for-sale securities	61	1,552
Foreign currency translation adjustment	(50)	15
Remeasurements of defined benefit plans	261	302
Total other comprehensive income	272	1,870
Comprehensive income	3,408	5,523
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,443	5,531
Comprehensive income attributable to non-controlling interests	(34)	(8)

(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)

(Millions of yen)

		Previous Third Quarter Consolidated Cumulative Period (From April 1, 2016 to December 31, 2016)		Current Third Quarter Consolidated Cumulative Period (From April 1, 2017 to December 31, 2017)		Increase (decrease)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Ratio %
Net sales of construction contract orders received	Electrical equipment installations	17,758	15.7	17,535	15.7	(223)	(1.3)
	Air-conditioning installations	71,011	62.6	68,973	61.8	(2,037)	(2.9)
	Plumbing	24,653	21.7	25,178	22.5	525	2.1
	Total	113,423	100.0	111,688	100.0	(1,735)	(1.5)
	(Renovations)	57,743	50.9	58,594	52.5	850	1.5
	(Overseas operations)	3,599	3.2	3,556	3.2	(42)	(1.2)
Net sales of completed construction contracts	Electrical equipment installations	18,832	21.6	18,586	18.1	(245)	(1.3)
	Air-conditioning installations	49,098	56.4	61,539	59.9	12,441	25.3
	Plumbing	19,127	22.0	22,584	22.0	3,456	18.1
	Total	87,058	100.0	102,710	100.0	15,652	18.0
	(Renovations)	48,870	56.1	53,614	52.2	4,743	9.7
	(Overseas operations)	3,539	4.1	3,991	3.9	451	12.8
Net sales of uncompleted construction contracts	Electrical equipment installations	13,352	10.8	16,381	13.1	3,028	22.7
	Air-conditioning installations	81,292	65.5	78,419	62.5	(2,873)	(3.5)
	Plumbing	29,447	23.7	30,657	24.4	1,210	4.1
	Total	124,092	100.0	125,457	100.0	1,365	1.1
	(Renovations)	34,534	27.8	33,599	26.8	(934)	(2.7)
	(Overseas operations)	3,001	2.4	2,193	1.7	(808)	(26.9)