

Brief Report on the Second Quarter Financial Statements for the Period Ending March 2019

[Japanese Standard] (Consolidated)

November 8, 2018

Name of listed company: DAI-DAN Co., Ltd.

Code No.: 1980 URL: <http://www.daidan.co.jp/>

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Stock Exchange Listing:

Tokyo Stock Exchange 1st section

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Date scheduled to submit Quarterly report:

November 9, 2018

Date scheduled for dividend payment commencement:

December 3, 2018

Creating supplements to the financial statement:

Yes

Holding a briefing session on the financial statement:

Yes (for instituted investors and analysts)

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

1. Consolidated business results for the second quarter of the period ending March 2019 (From April 1, 2018 to September 30, 2018)

(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 2019	69,677	2.3	3,649	14.0	3,939	13.5	2,645	15.1
Second quarter of the period ending March 2018	68,141	16.1	3,201	3.8	3,469	19.1	2,297	25.3

(Note) Comprehensive income Second quarter of the period ending March 2019 2,967 Million yen 3.1%

Second quarter of the period ending March 2018 2,879 Million yen 173.6%

	Profit per share		Diluted Profit per share	
	Yen	Sen	Yen	Sen
Second quarter of the period ending March 2019	118.67	—	—	—
Second quarter of the period ending March 2018	103.05	—	—	—

(Note) Because we had the share consolidation of two common shares to one common share as of October 1, 2017, "Profit per share" is calculated assuming that the share consolidation 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 2019	130,299	66,648	51.0	2,982.96
Period ending March 2018	130,006	64,417	49.4	2,882.07

(Reference) Equity capital Second quarter of the period ending March 2019 66,494 Million yen

Period ending March 2018 64,245 Million yen

2. Dividends

	Annual dividends per share				
	End of first quarter		End of second quarter	End of third quarter	Period end
	Yen	Sen	Yen	Sen	Yen
Period ending March 2018	—	—	11.50	—	33.00
Period ending March 2019	—	—	28.00	—	—
Period ending March 2019 (Forecast)	—	—	—	—	28.00
					56.00

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

(Note 2) Breakdown of dividend at the end of the period ending March 2018: ordinary dividend 23.00 yen and special dividend 10.00 yen

(Note 3) We had the share consolidation of two common shares to one common share as of October 1, 2017. The dividends for the second quarter of the period ending March 2018 and earlier periods indicate the actual dividend amount before the share consolidation.

3. Estimate of consolidated performance for the period ending March 2019 (From April 1, 2018 to March 31, 2019)

(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	151,000	5.3	7,500	1.5	7,500	(2.3)	5,000	(2.1)	224.29	

(Reference) Estimated net sales of construction contract orders (Total period) 148,000 Million yen

(Note) Presence of revision from estimate of performance published most recently: None

* 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 2019	22,981,901 shares	Period ending March 2018	22,981,901 shares
Second quarter of period ending March 2019	690,516 shares	Period ending March 2018	690,284 shares
Second quarter of period ending March 2019	22,291,510 shares	Second quarter of period ending March 2018	22,294,169 shares

② Number of treasury shares at the end of period

③ Average number of shares in the period (quarter total)

(Note) Because we had the share consolidation of two common shares to one common share as of October 1, 2017, "Average numbers of shares in the period" is calculated assuming that the share consolidation was executed at the beginning of the previous consolidated accounting year.

* Brief report on quarterly financial statements is beyond the object of audit by CPA or an audit corporation.

* Explanation about 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 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 2019 (From April 1, 2018 to March 31, 2019)

(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	150,000	5.4	7,500	1.3	7,500	(2.4)	5,000	(2.3)		224.29

(Reference) Estimated net sales of construction contract orders (Total period) 147,000 Million yen

(Note) Presence of revision from estimate of performance published most recently: None

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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 accounting period increased by 6,223 million yen or 8.5% from the same quarter consolidated cumulative period of the previous year, resulting in 79,650 million yen.

Net sales of completed construction contracts increased by 1,535 million yen or 2.3% from the same quarter consolidated cumulative period of the previous year, resulting in 69,677 million yen.

Gross profit on completed construction contracts increased by 490 million yen or 5.7% from the same quarter consolidated cumulative period of the previous year, resulting in 9,140 million yen.

Operating profit increased by 447 million yen or 14.0% from the same quarter consolidated cumulative period of the previous year, resulting in 3,649 million yen, due to the increase in the gross profit on completed construction contracts.

Ordinary profit increased by 470 million yen or 13.5% from the same quarter consolidated cumulative period of the previous year, resulting in 3,939 million yen, due to the increases in the operating profit, etc.

Profit attributable to owners of parent increased by 347 million yen or 15.1% from the same quarter consolidated cumulative period of the previous year, resulting in 2,645 million yen, after 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 second quarter consolidated accounting period decreased by 226 million yen or 0.2% from the end of the previous consolidated accounting year, resulting in 95,533 million yen. The main factors for this are the decrease of 1,791 million yen or 15.8% in electronically recorded monetary claims - operating and the decrease of 668 million yen or 19.5% in other current assets. Non-current assets increased by 519 million yen or 1.5% from the end of the previous consolidated accounting year, resulting in 34,766 million yen. The main factors for this are the increase of 431 million yen or 2.3% in investment securities and the increase of 312 million yen or 3.5% in net defined benefit asset.

As a result, total assets increased by 293 million yen or 0.2% from the end of the previous consolidated accounting year, resulting in 130,299 million yen.

(Liabilities)

Current liabilities at the end of the current second quarter consolidated accounting period decreased by 2,577 million yen or 4.3% from the end of the previous consolidated accounting year, resulting in 57,311 million yen. The main factors for this are the decrease of 1,270 million yen or 6.4% in electronically recorded obligations - operating and the decrease of 2,431 million yen or 24.4% in other current liabilities. Non-current liabilities increased by 639 million yen or 11.2% from the end of the previous consolidated accounting year, resulting in 6,339 million yen. The main factor for this is the increase of 600 million yen or 21.6% in deferred tax liabilities.

As a result, total liabilities decreased by 1,938 million yen or 3.0% from the end of the previous consolidated accounting year, resulting in 63,651 million yen.

(Net Assets)

Total net assets at the end of the current second quarter consolidated accounting period increased by 2,231 million yen or 3.5% from the end of the previous consolidated accounting year, resulting in 66,648 million yen. The main factor for this is the increase of 1,909 million yen or 4.0% in retained earnings.

As a result, the equity capital ratio resulted in 51.0% (49.4% at the end of the previous consolidated accounting year).

(3) Situations of Cash Flows

Cash and cash equivalents (hereinafter referred to as "fund") in the current second quarter consolidated accounting period increased by 1,866 million yen from the end of the previous consolidated accounting year, resulting in 29,724 million yen. The situations of each cash flows and their factors in the current second quarter consolidated accounting period are as follows.

(Cash flows from operating activities)

As a result of the operating activities, the increased fund resulted in 2,569 million yen (increase by 2,114 million yen of the fund in the same quarter consolidated cumulative period of the previous year). The main factor for this is that the increase factors of the fund such as the posting of profit before income taxes and the decrease in notes and accounts receivable – trade surpassed the decrease factors of the fund such as the decrease in notes and accounts payable – trade.

(Cash flows from investing activities)

As a result of the investing activities, the decreased fund resulted in 38 million yen (decrease by 128 million yen of the fund in the same quarter consolidated cumulative period of the previous year). The main factor for this is that the purchase of property, plant and equipment and the other payments.

(Cash flows from financing activities)

As a result of the financing activities, the decreased fund resulted in 660 million yen (decrease by 582 million yen of the fund in the same quarter consolidated cumulative period of the previous year). The main factor for this is that the cash dividends paid.

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

There is no change in the estimate of performance for a full accounting year published on May 10, 2018.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous Consolidated Accounting Year (As of March 31, 2018)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	27,885	29,752
Notes receivable, accounts receivable from completed construction contracts	52,638	52,245
Electronically recorded monetary claims - operating	11,319	9,527
Costs on uncompleted construction contracts	500	1,261
Raw materials and supplies	0	—
Other	3,422	2,754
Allowance for doubtful accounts	(7)	(7)
Total current assets	95,759	95,533
Non-current assets		
Property, plant and equipment	4,704	4,660
Intangible assets	557	512
Investments and other assets		
Investment securities	18,602	19,034
Net defined benefit asset	8,944	9,257
Other	1,629	1,491
Allowance for doubtful accounts	(191)	(190)
Total investments and other assets	28,985	29,592
Total non-current assets	34,247	34,766
Total assets	130,006	130,299

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(Millions of yen)

	Previous Consolidated Accounting Year (As of March 31, 2018)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	21,996	21,846
Electronically recorded obligations - operating	19,862	18,591
Short-term loans payable	4,026	4,068
Income taxes payable	1,880	965
Advances received on uncompleted construction contracts	1,733	1,811
Provision for bonuses	—	2,268
Provision for directors' bonuses	—	58
Provision for warranties for completed construction	69	79
Provision for loss on construction contracts	358	90
Other	9,961	7,530
Total current liabilities	59,889	57,311
Non-current liabilities		
Long-term loans payable	1,299	1,333
Deferred tax liabilities	2,774	3,375
Net defined benefit liability	1,323	1,328
Provision for foreign investment loss	6	6
Long-term accounts payable - other	296	296
Other	0	0
Total non-current liabilities	5,700	6,339
Total liabilities	65,589	63,651
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	47,307	49,217
Treasury shares	(688)	(689)
Total shareholders' equity	55,908	57,817
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,798	8,098
Foreign currency translation adjustment	24	18
Remeasurements of defined benefit plans	514	559
Total accumulated other comprehensive income	8,337	8,677
Non-controlling interests	171	154
Total net assets	64,417	66,648
Total liabilities and net assets	130,006	130,299

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

	(Millions of yen)	
	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)
Net sales of completed construction contracts	68,141	69,677
Cost of sales of completed construction contracts	59,491	60,536
Gross profit on completed construction contracts	8,650	9,140
Selling, general and administrative expenses	5,448	5,491
Operating profit	3,201	3,649
Non-operating income		
Interest income	3	5
Dividend income	160	195
Insurance fee	93	107
Foreign exchange gains	80	31
Other	18	27
Total non-operating income	356	367
Non-operating expenses		
Interest expenses	77	61
Guarantee commission	4	3
Other	7	11
Total non-operating expenses	89	77
Ordinary profit	3,469	3,939
Extraordinary income		
Gain on sales of non-current assets	1	—
Gain on sales of investment securities	8	—
Total extraordinary income	10	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on valuation of golf club membership	3	—
Total extraordinary losses	4	—
Profit before income taxes	3,474	3,939
Income taxes – current	1,011	856
Income taxes – deferred	175	448
Total income taxes	1,186	1,305
Profit	2,288	2,634
Loss attributable to non-controlling interests	(8)	(11)
Profit attributable to owners of parent	2,297	2,645

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

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)
Profit	2,288	2,634
Other comprehensive income		
Valuation difference on available-for-sale securities	383	299
Foreign currency translation adjustment	5	(11)
Remeasurements of defined benefit plans	201	45
Total other comprehensive income	590	333
Comprehensive income	2,879	2,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,885	2,984
Comprehensive income attributable to non-controlling interests	(5)	(16)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	3,474	3,939
Depreciation	231	223
Increase (decrease) in allowance for doubtful accounts	1	(1)
Increase (decrease) in net defined benefit liability	8	16
Interest and dividend income	(163)	(200)
Interest expenses	77	61
Increase (decrease) in allowance for foreign investment loss	(1)	(0)
Loss (gain) on sales of investment securities	(8)	—
Loss (gain) on sales of non-current assets	(1)	—
Loss on retirement of non-current assets	0	—
Loss on valuation of golf club memberships	3	—
Decrease (increase) in notes and accounts receivable – trade	19	2,184
Decrease (increase) in costs on uncompleted construction contracts	(545)	(760)
Decrease (increase) in other current assets	(1,605)	707
Decrease (increase) in other non-current assets	(1)	1
Decrease (increase) in net defined benefit asset	(23)	(259)
Increase (decrease) in notes and accounts payable – trade	3,453	(1,420)
Increase (decrease) in advances received on uncompleted construction contracts	(1,513)	78
Increase (decrease) in other current liabilities	(373)	(406)
Subtotal	3,033	4,164
Interest and dividend income received	163	200
Interest expenses paid	(76)	(62)
Income taxes (paid) refund	(1,005)	(1,732)
Net cash provided by (used in) operating activities	2,114	2,569

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)
Cash flows from investing activities		
Purchase of property, plant and equipment	(123)	(97)
Proceeds from sales of property, plant and equipment	1	0
Purchase of investment securities	(2)	(2)
Proceeds from sales and redemption of investment securities	30	2
Payments of loans receivable	(0)	(1)
Collection of loans receivable	0	0
Other payments	(60)	(42)
Other proceeds	24	102
Net cash provided by (used in) investing activities	(128)	(38)
Cash flows from financing activities		
Increase in short-term loans payable	19,080	18,280
Decrease in short-term loans payable	(18,980)	(18,280)
Proceeds from long-term loans payable	1,000	1,100
Repayments of long-term loans payable	(1,094)	(1,023)
Purchase of treasury shares	(8)	(0)
Cash dividends paid	(579)	(735)
Net cash provided by (used in) financing activities	(582)	(660)
Effect of exchange rate change on cash and cash equivalents	14	(3)
Net increase (decrease) in cash and cash equivalents	1,417	1,866
Cash and cash equivalents at beginning of period	26,549	27,858
Cash and cash equivalents at end of period	27,967	29,724

(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 Second Quarter Consolidated Cumulative Period (From April 1, 2017 to September 30, 2017)		Current Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)		Increase (decrease)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Ratio %
Net sales of construction contract orders received	Electrical installations	12,763	17.4	10,200	12.8	(2,563)	(20.1)
	Air conditioning installations	46,641	63.5	49,307	61.9	2,665	5.7
	Plumbing installations	14,022	19.1	20,143	25.3	6,120	43.6
	Total	73,427	100.0	79,650	100.0	6,223	8.5
	(Renovations)	40,862	55.7	40,828	51.3	(34)	(0.1)
	(Overseas operations)	2,550	3.5	4,890	6.1	2,339	91.7
Net sales of completed construction contracts	Electrical installations	12,272	18.0	11,275	16.2	(997)	(8.1)
	Air conditioning installations	40,850	60.0	41,139	59.0	288	0.7
	Plumbing installations	15,018	22.0	17,262	24.8	2,244	14.9
	Total	68,141	100.0	69,677	100.0	1,535	2.3
	(Renovations)	34,908	51.2	31,287	44.9	(3,621)	(10.4)
	(Overseas operations)	2,489	3.7	2,861	4.1	372	15.0
Net sales of uncompleted construction contracts	Electrical installations	17,923	14.7	13,096	10.0	(4,826)	(26.9)
	Air conditioning installations	76,775	63.1	85,319	65.5	8,544	11.1
	Plumbing installations	27,067	22.2	31,925	24.5	4,857	17.9
	Total	121,767	100.0	130,341	100.0	8,574	7.0
	(Renovations)	34,572	28.4	32,833	25.2	(1,738)	(5.0)
	(Overseas operations)	2,689	2.2	4,118	3.2	1,428	53.1