

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

[Japanese Standard] (Consolidated)

February 7, 2019

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

Code No.: 1980 URL: <https://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:

February 8, 2019

Date scheduled for dividend payment commencement:

—

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 2019 (From April 1, 2018 to December 31, 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	%
Third quarter of the period ending March 2019	110,776	7.9	5,408	5.0	5,755	3.7	3,774	2.9
Third quarter of the period ending March 2018	102,710	18.0	5,151	10.8	5,552	14.3	3,668	16.7

(Note) Comprehensive income Third quarter of the period ending March 2019 1,553 Million yen (71.9%)

Third quarter of the period ending March 2018 5,523 Million yen 62.0%

	Profit per share		Diluted Profit per share	
	Yen	Sen	Yen	Sen
Third quarter of the period ending March 2019	169.34	—	—	—
Third quarter of the period ending March 2018	164.58	—	—	—

(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 2019	131,952	64,609	48.8	2,891.14
Period ending March 2018	130,006	64,417	49.4	2,882.07

(Reference) Equity capital Third quarter of the period ending March 2019 64,446 Million yen

Period ending March 2018 64,245 Million yen

2. Dividends

	Annual dividends per share				
	End of first quarter		End of second quarter		Through year
	Yen	Sen	Yen	Sen	Yen Sen
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)

Third quarter of period ending March 2019	22,981,901 shares	Period ending March 2018	22,981,901 shares
Third quarter of period ending March 2019	690,691 shares	Period ending March 2018	690,284 shares
Third quarter of period ending March 2019	22,291,440 shares	Third quarter of period ending March 2018	22,293,449 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 2.

(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 third quarter consolidated accounting period decreased by 849 million yen or 0.8% from the same quarter consolidated cumulative period of the previous year, resulting in 110,838 million yen.

Net sales of completed construction contracts increased by 8,065 million yen or 7.9% from the same quarter consolidated cumulative period of the previous year, resulting in 110,776 million yen.

Gross profit on completed construction contracts increased by 415 million yen or 3.1% from the same quarter consolidated cumulative period of the previous year, resulting in 13,750 million yen.

Operating profit increased by 256 million yen or 5.0% from the same quarter consolidated cumulative period of the previous year, resulting in 5,408 million yen, due to the increase in the gross profit on completed construction contracts.

Ordinary profit increased by 203 million yen or 3.7% from the same quarter consolidated cumulative period of the previous year, resulting in 5,755 million yen, due to the increases in the operating profit, etc. in spite of the decrease in foreign exchange gains.

Profit attributable to owners of parent increased by 105 million yen or 2.9% from the same quarter consolidated cumulative period of the previous year, resulting in 3,774 million yen, after posting the loss on valuation of investment securities of 110 million yen as an extraordinary loss, as well as deducting the income tax - 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 5,153 million yen or 5.4% from the end of the previous consolidated accounting year, resulting in 100,913 million yen. The main factors for this are the increase of 3,184 million yen or 6.1% in notes receivable, accounts receivable from completed construction contracts and the increase of 3,088 million yen or 27.3% in electronically recorded monetary claims - operating, etc. Non-current assets decreased by 3,208 million yen or 9.4% from the end of the previous consolidated accounting year, resulting in 31,039 million yen. The main factor for this is the decrease of 3,418 million yen or 18.4% in investment securities.

As a result, total assets increased by 1,945 million yen or 1.5% from the end of the previous consolidated accounting year, resulting in 131,952 million yen.

(Liabilities)

Current liabilities at the end of the current third quarter consolidated accounting period increased by 2,103 million yen or 3.5% from the end of the previous consolidated accounting year, resulting in 61,992 million yen. The main factor for this is the increase of 4,914 million yen or 24.7% in electronically recorded obligations - operating. Non-current liabilities decreased by 350 million yen or 6.1% from the end of the previous consolidated accounting year, resulting in 5,350 million yen. The main factor for this is the decrease of 254 million yen or 9.2% in deferred tax liabilities.

As a result, total liabilities increased by 1,752 million yen or 2.7% from the end of the previous consolidated accounting year, resulting in 67,342 million yen.

(Net Assets)

Total net assets at the end of the current third quarter consolidated accounting period increased by 192 million yen or 0.3% from the end of the previous consolidated accounting year, resulting in 64,609 million yen. The main factor for this is the increase of 2,414 million yen or 5.1% in retained earnings.

As a result, the equity capital ratio resulted in 48.8% (49.4% 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 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 Third Quarter Consolidated Accounting Period (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	27,885	26,401
Notes receivable, accounts receivable from completed construction contracts	52,638	55,822
Electronically recorded monetary claims - operating	11,319	14,407
Costs on uncompleted construction contracts	500	1,517
Raw materials and supplies	0	—
Other	3,422	2,770
Allowance for doubtful accounts	(7)	(7)
Total current assets	95,759	100,913
Non-current assets		
Property, plant and equipment	4,704	4,645
Intangible assets	557	482
Investments and other assets		
Investment securities	18,602	15,183
Net defined benefit asset	8,944	9,411
Other	1,629	1,504
Allowance for doubtful accounts	(191)	(189)
Total investments and other assets	28,985	25,910
Total non-current assets	34,247	31,039
Total assets	130,006	131,952

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(Millions of yen)

	Previous Consolidated Accounting Year (As of March 31, 2018)	Current Third Quarter Consolidated Accounting Period (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	21,996	20,688
Electronically recorded obligations - operating	19,862	24,776
Short-term loans payable	4,026	3,932
Income taxes payable	1,880	—
Advances received on uncompleted construction contracts	1,733	2,171
Provision for bonuses	—	1,670
Provision for directors' bonuses	—	29
Provision for warranties for completed construction	69	75
Provision for loss on construction contracts	358	83
Other	9,961	8,564
Total current liabilities	59,889	61,992
Non-current liabilities		
Long-term loans payable	1,299	1,197
Deferred tax liabilities	2,774	2,520
Net defined benefit liability	1,323	1,329
Provision for foreign investment loss	6	6
Long-term accounts payable - other	296	296
Other	0	0
Total non-current liabilities	5,700	5,350
Total liabilities	65,589	67,342
Net assets		
Shareholders' equity		
Capital stock	4,479	4,479
Capital surplus	4,809	4,809
Retained earnings	47,307	49,722
Treasury shares	(688)	(690)
Total shareholders' equity	55,908	58,321
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,798	5,515
Foreign currency translation adjustment	24	26
Remeasurements of defined benefit plans	514	582
Total accumulated other comprehensive income	8,337	6,124
Non-controlling interests	171	163
Total net assets	64,417	64,609
Total liabilities and net assets	130,006	131,952

(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, 2017 to December 31, 2017)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2018 to December 31, 2018)
Net sales of completed construction contracts	102,710	110,776
Cost of sales of completed construction contracts	89,375	97,026
Gross profit on completed construction contracts	13,335	13,750
Selling, general and administrative expenses	8,184	8,342
Operating profit	5,151	5,408
Non-operating income		
Interest income	5	7
Dividend income	257	303
Insurance fee	93	107
Foreign exchange gains	138	0
Other	28	38
Total non-operating income	523	456
Non-operating expenses		
Interest expenses	108	91
Guarantee commission	5	6
Other	8	11
Total non-operating expenses	122	109
Ordinary profit	5,552	5,755
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on sales of investment securities	8	—
Total extraordinary income	13	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Loss on valuation of investment securities	—	110
Loss on valuation of golf club membership	4	—
Total extraordinary losses	4	110
Profit before income taxes	5,561	5,645
Income taxes – current	1,425	1,157
Income taxes – deferred	482	722
Total income taxes	1,907	1,880
Profit	3,653	3,764
Loss attributable to non-controlling interests	(15)	(10)
Profit attributable to owners of parent	3,668	3,774

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

(Millions of yen)

	Previous Third Quarter Consolidated Cumulative Period (From April 1, 2017 to December 31, 2017)	Current Third Quarter Consolidated Cumulative Period (From April 1, 2018 to December 31, 2018)
Profit	3,653	3,764
Other comprehensive income		
Valuation difference on available-for-sale securities	1,552	(2,283)
Foreign currency translation adjustment	15	4
Remeasurements of defined benefit plans	302	67
Total other comprehensive income	1,870	(2,210)
Comprehensive income	5,523	1,553
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,531	1,561
Comprehensive income attributable to non-controlling interests	(8)	(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, 2017 to December 31, 2017)		Current Third Quarter Consolidated Cumulative Period (From April 1, 2018 to December 31, 2018)		Increase (decrease)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Ratio %
Net sales of construction contract orders received	Electrical installations	17,535	15.7	14,467	13.1	(3,067)	(17.5)
	Air conditioning installations	68,973	61.8	67,843	61.2	(1,130)	(1.6)
	Plumbing installations	25,178	22.5	28,527	25.7	3,349	13.3
	Total	111,688	100.0	110,838	100.0	(849)	(0.8)
	(Industrial facilities)	34,878	31.2	36,184	32.6	1,306	3.7
	(Renovations)	58,594	52.5	59,560	53.7	966	1.6
	(Overseas operations)	3,556	3.2	6,383	5.8	2,827	79.5
Net sales of completed construction contracts	Electrical installations	18,586	18.1	17,029	15.4	(1,556)	(8.4)
	Air conditioning installations	61,539	59.9	65,834	59.4	4,294	7.0
	Plumbing installations	22,584	22.0	27,912	25.2	5,328	23.6
	Total	102,710	100.0	110,776	100.0	8,065	7.9
	(Industrial facilities)	26,783	26.1	36,256	32.7	9,472	35.4
	(Renovations)	53,614	52.2	49,922	45.1	(3,691)	(6.9)
	(Overseas operations)	3,991	3.9	5,166	4.7	1,175	29.5
Net sales of uncompleted construction contracts	Electrical installations	16,381	13.1	11,609	9.7	(4,771)	(29.1)
	Air conditioning installations	78,419	62.5	79,161	65.7	742	0.9
	Plumbing installations	30,657	24.4	29,659	24.6	(998)	(3.3)
	Total	125,457	100.0	120,429	100.0	(5,027)	(4.0)
	(Industrial facilities)	28,305	22.6	32,358	26.9	4,053	14.3
	(Renovations)	33,599	26.8	32,931	27.3	(667)	(2.0)
	(Overseas operations)	2,193	1.7	3,306	2.7	1,113	50.8