

# Brief Report on the Second Quarter Financial Statements for the Period Ending March 2020

## [Japanese Standard] (Consolidated)

November 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 1<sup>st</sup> section

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Date scheduled to submit Quarterly report:

November 7, 2019

Date scheduled for dividend payment commencement:

December 2, 2019

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 2020 (From April 1, 2019 to September 30, 2019)

#### (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 2020	78,917	13.3	4,091	12.1	4,230	7.4	2,897	9.5
Second quarter of the period ending March 2019	69,677	2.3	3,649	14.0	3,939	13.5	2,645	15.1

(Note) Comprehensive income Second quarter of the period ending March 2020 2,786 Million yen (6.1%)

Second quarter of the period ending March 2019 2,967 Million yen 3.1%

	Profit per share		Diluted Profit per share	
	Yen	Sen	Yen	Sen
Second quarter of the period ending March 2020	131.43		—	
Second quarter of the period ending March 2019	118.67		—	

#### (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 2020	122,014	67,331	55.0	3,056.99
Period ending March 2019	120,728	66,390	54.8	2,970.59

(Reference) Equity capital Second quarter of the period ending March 2020 67,149 Million yen

Period ending March 2019 66,217 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 2019	—		28.00		48.00 76.00
Period ending March 2020	—		40.00		
Period ending March 2020 (Forecast)			—		50.00 90.00

(Note 1) Presence of revision from dividend forecast published most recently: Yes

(Note 2) Breakdown of dividend at the end of the period ending March 2019: ordinary dividend 28.00 yen and special dividend 20.00 yen

### 3. Estimate of consolidated performance for the period ending March 2020 (From April 1, 2019 to March 31, 2020)

(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	161,000	3.5	8,000	4.4	8,200	1.8	5,700	4.3	255.71	

(Reference) Estimated net sales of construction contract orders (Total period) 161,000 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)

② Number of treasury shares at the end of period

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

Second quarter of period ending March 2020	22,981,901 shares	Period ending March 2019	22,981,901 shares
Second quarter of period ending March 2020	1,016,063 shares	Period ending March 2019	690,998 shares
Second quarter of period ending March 2020	22,047,113 shares	Second quarter of period ending March 2019	22,291,510 shares

\* 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, (4) 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 2020 (From April 1, 2019 to March 31, 2020)

(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	160,000	4.0	8,000	5.2	8,200	2.6	5,700	5.0	255.71	

(Reference) Estimated net sales of construction contract orders (Total period) 160,000 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 8,251 million yen or 10.4% from the same quarter consolidated cumulative period of the previous year, resulting in 87,902 million yen.

Net sales of completed construction contracts increased by 9,240 million yen or 13.3% from the same quarter consolidated cumulative period of the previous year, resulting in 78,917 million yen.

Gross profit on completed construction contracts increased by 730 million yen or 8.0% from the same quarter consolidated cumulative period of the previous year, resulting in 9,870 million yen, due to the increase in the net sales of completed construction contracts.

Operating profit increased by 442 million yen or 12.1% from the same quarter consolidated cumulative period of the previous year, resulting in 4,091 million yen, due to the increase in the gross profit on completed construction contracts.

Ordinary profit increased by 291 million yen or 7.4% from the same quarter consolidated cumulative period of the previous year, resulting in 4,230 million yen, due to the increase in the operating profit, even though foreign exchange gains of 31 million yen that occurred in the previous second quarter consolidated accounting period turned to foreign exchange losses of 87 million yen in the current second quarter consolidated accounting period.

Profit attributable to owners of parent increased by 252 million yen or 9.5% from the same quarter consolidated cumulative period of the previous year, resulting in 2,897 million yen, after posting the gain on sales of investment securities of 108 million yen, etc. as extraordinary income, the loss on retirement of non-current assets of 73 million yen, etc. as extraordinary losses, as well as deducting the income tax - current, income taxes - deferred, and the profit 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 1,821 million yen or 2.0% from the end of the previous consolidated accounting year, resulting in 90,735 million yen. The main factor for this is the increase of 10,709 million yen or 83.6% in cash and deposits. Non-current assets decreased by 536 million yen or 1.7% from the end of the previous consolidated accounting year, resulting in 31,278 million yen. The main factor for this is the decrease of 469 million yen or 2.9% in investment securities.

As a result, total assets decreased by 1,285 million yen or 1.1% from the end of the previous consolidated accounting year, resulting in 122,014 million yen.

#### (Liabilities)

Current liabilities at the end of the current second quarter consolidated accounting period decreased by 213 million yen or 0.4% from the end of the previous consolidated accounting year, resulting in 49,365 million yen. The main factor for this is the decrease of 544 million yen or 34.6% in advances received on construction contracts in progress. Non-current liabilities increased by 557 million yen or 11.7% from the end of the previous consolidated accounting year, resulting in 5,317 million yen. The main factor for this is the increase of 385 million yen or 20.3% in deferred tax liabilities.

As a result, total liabilities increased by 344 million yen or 0.6% from the end of the previous consolidated accounting year, resulting in 54,682 million yen.

#### (Net Assets)

Total net assets at the end of the current second quarter consolidated accounting period increased by 941 million yen or 1.4% from the end of the previous consolidated accounting year, resulting in 67,331 million yen. The main factor for this is the increase of 1,827 million yen or 3.6% in retained earnings.

As a result, the equity capital ratio resulted in 55.0% (54.8% 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 10,709 million yen from the end of the previous consolidated accounting year, resulting in 23,485 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 12,840 million yen (increase by 2,569 million yen of the fund in the same quarter consolidated cumulative period of the previous year). The main factor for this are the posting of profit before income taxes and the decrease in notes and accounts receivable.

(Cash flows from investing activities)

As a result of the investing activities, the decreased fund resulted in 286 million yen (decrease by 38 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.

(Cash flows from financing activities)

As a result of the financing activities, the decreased fund resulted in 1,826 million yen (decrease by 660 million yen of the fund in the same quarter consolidated cumulative period of the previous year). The main factor for this are the purchase of treasury shares and 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 9, 2019.

## 2. Consolidated Financial Statements and Major Notes

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	Previous Consolidated Accounting Year (As of March 31, 2019)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	12,803	23,513
Notes receivable, accounts receivable from completed construction contracts	58,088	52,252
Electronically recorded monetary claims - operating	14,814	9,581
Costs on construction contracts in progress	509	758
Other	2,705	4,637
Allowance for doubtful accounts	(8)	(8)
<b>Total current assets</b>	<b>88,913</b>	<b>90,735</b>
Non-current assets		
Property, plant and equipment	5,198	5,155
Intangible assets	457	384
Investments and other assets		
Investment securities	16,129	15,660
Retirement benefit asset	8,675	8,699
Other	1,536	1,549
Allowance for doubtful accounts	(183)	(171)
<b>Total investments and other assets</b>	<b>26,159</b>	<b>25,738</b>
<b>Total non-current assets</b>	<b>31,815</b>	<b>31,278</b>
<b>Total assets</b>	<b>120,728</b>	<b>122,014</b>

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(Millions of yen)

	Previous Consolidated Accounting Year (As of March 31, 2019)	Current Second Quarter Consolidated Accounting Period (As of September 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	20,763	21,459
Electronically recorded obligations - operating	9,796	10,188
Short-term loans payable	3,826	3,661
Income taxes payable	1,149	1,007
Advances received on construction contracts in progress	1,574	1,030
Provision for bonuses	—	2,496
Provision for directors' bonuses	—	50
Provision for share-based remuneration	—	17
Provision for warranties for completed construction	85	79
Provision for loss on construction contracts	138	61
Other	12,244	9,315
Total current liabilities	49,578	49,365
Non-current liabilities		
Long-term loans payable	1,543	1,727
Deferred tax liabilities	1,903	2,289
Net defined benefit liability	1,299	1,286
Provision for foreign investment loss	5	7
Long-term accounts payable - other	6	6
Other	0	0
Total non-current liabilities	4,759	5,317
Total liabilities	54,338	54,682
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,479	4,479
Capital surplus	4,809	4,897
Retained earnings	51,412	53,240
Treasury shares	(690)	(1,553)
Total shareholders' equity	60,011	61,064
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,172	6,080
Foreign currency translation adjustment	22	27
Remeasurements of defined benefit plans	10	(22)
Total accumulated other comprehensive income	6,205	6,085
Non-controlling interests	172	181
Total net assets	66,390	67,331
Total liabilities and net assets	120,728	122,014



(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, 2018 to September 30, 2018)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2019 to September 30, 2019)
Net sales of completed construction contracts	69,677	78,917
Cost of sales of completed construction contracts	60,536	69,046
Gross profit on completed construction contracts	9,140	9,870
Selling, general and administrative expenses	5,491	5,779
Operating profit	3,649	4,091
Non-operating income		
Interest income	5	5
Dividend income	195	196
Insurance fee income	107	90
Foreign exchange gains	31	—
Other	27	18
Total non-operating income	367	310
Non-operating expenses		
Interest expenses	61	62
Guarantee commission	3	2
Foreign exchange losses	—	87
Other	11	19
Total non-operating expenses	77	171
Ordinary profit	3,939	4,230
Extraordinary income		
Gain on sales of investment securities	—	108
Gain on liquidation of subsidiaries and associates	—	70
Total extraordinary income	—	179
Extraordinary losses		
Loss on retirement of non-current assets	—	73
Loss on sales of investment securities	—	51
Loss on valuation of investment securities	—	55
Total extraordinary losses	—	180
Profit before income taxes	3,939	4,229
Income taxes - current	856	886
Income taxes - deferred	448	440
Total income taxes	1,305	1,327
Profit	2,634	2,902
Profit (loss) attributable to non-controlling interests	(11)	4
Profit attributable to owners of parent	2,645	2,897

DAI-DAN Co., Ltd. (1980), Brief Report on the Second Quarter Financial Statements for the Period Ending March 2020

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

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2019 to September 30, 2019)
Profit	2,634	2,902
Other comprehensive income		
Valuation difference on available-for-sale securities	299	(92)
Foreign currency translation adjustment	(11)	9
Remeasurements of defined benefit plans	45	(32)
Total other comprehensive income	333	(115)
Comprehensive income	2,967	2,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,984	2,777
Comprehensive income attributable to non-controlling interests	(16)	8

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	3,939	4,229
Depreciation	223	223
Increase (decrease) in allowance for doubtful accounts	(1)	(12)
Increase (decrease) in retirement benefit liability	16	(3)
Interest and dividend income	(200)	(201)
Interest expenses	61	62
Increase (decrease) in allowance for foreign investment loss	(0)	1
Loss (gain) on valuation of investment securities	—	55
Loss (gain) on sales of investment securities	—	(57)
Loss (gain) on liquidation of subsidiaries and associates	—	(70)
Loss on retirement of non-current assets	—	73
Decrease (increase) in trade receivables	2,184	11,068
Decrease (increase) in costs on construction contracts in progress	(760)	(248)
Decrease (increase) in other current assets	707	(1,906)
Decrease (increase) in other non-current assets	1	11
Decrease (increase) in retirement benefit asset	(259)	(80)
Increase (decrease) in trade payables	(1,420)	1,086
Increase (decrease) in advances received on construction contracts in progress	78	(544)
Increase (decrease) in other current liabilities	(406)	27
Subtotal	4,164	13,714
Interest and dividends received	200	201
Interest paid	(62)	(62)
Income taxes (paid) refund	(1,732)	(1,012)
Net cash provided by (used in) operating activities	2,569	12,840

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)	Current Second Quarter Consolidated Cumulative Period (From April 1, 2019 to September 30, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(97)	(649)
Payments for retirement of property, plant and equipment	—	(1)
Purchase of investment securities	(2)	(2)
Proceeds from sales and redemption of investment securities	2	323
Loan advances	(1)	(0)
Collection of loans receivable	0	0
Proceeds from liquidation of subsidiaries and associates	—	88
Other payments	(42)	(66)
Other proceeds	102	21
Net cash provided by (used in) investing activities	(38)	(286)
Cash flows from financing activities		
Proceeds from short-term borrowings	18,280	19,580
Repayments of short-term borrowings	(18,280)	(19,680)
Proceeds from long-term borrowings	1,100	1,225
Repayments of long-term borrowings	(1,023)	(1,106)
Purchase of treasury shares	(0)	(1,078)
Proceeds from disposal of treasury shares	—	303
Dividends paid	(735)	(1,069)
Net cash provided by (used in) financing activities	(660)	(1,826)
Effect of exchange rate change on cash and cash equivalents	(3)	(18)
Net increase (decrease) in cash and cash equivalents	1,866	10,709
Cash and cash equivalents at beginning of period	27,858	12,776
Cash and cash equivalents at end of period	29,724	23,485

## (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)

(Millions of yen)

		Previous Second Quarter Consolidated Cumulative Period (From April 1, 2018 to September 30, 2018)		Current Second Quarter Consolidated Cumulative Period (From April 1, 2019 to September 30, 2019)		Increase (decrease)	
		Amount	Component ratio %	Amount	Component ratio %	Amount	Ratio %
Net sales of construction contract orders received	Electrical installations	10,200	12.8	11,140	12.7	939	9.2
	Air conditioning installations	49,307	61.9	55,288	62.9	5,981	12.1
	Plumbing installations	20,143	25.3	21,473	24.4	1,330	6.6
	Total	79,650	100.0	87,902	100.0	8,251	10.4
	(Industrial facilities)	28,324	35.6	27,225	31.0	(1,099)	(3.9)
	(Renovations)	40,828	51.3	45,321	51.6	4,493	11.0
	(Overseas operations)	4,890	6.1	3,765	4.3	(1,124)	(23.0)
Net sales of completed construction contracts	Electrical installations	11,275	16.2	12,029	15.2	754	6.7
	Air conditioning installations	41,139	59.0	47,963	60.8	6,824	16.6
	Plumbing installations	17,262	24.8	18,924	24.0	1,661	9.6
	Total	69,677	100.0	78,917	100.0	9,240	13.3
	(Industrial facilities)	22,321	32.0	24,527	31.1	2,206	9.9
	(Renovations)	31,287	44.9	37,985	48.1	6,698	21.4
	(Overseas operations)	2,861	4.1	2,980	3.8	118	4.1
Net sales of uncompleted construction contracts	Electrical installations	13,096	10.0	14,579	11.0	1,482	11.3
	Air conditioning installations	85,319	65.5	84,827	64.1	(492)	(0.6)
	Plumbing installations	31,925	24.5	32,914	24.9	989	3.1
	Total	130,341	100.0	132,321	100.0	1,979	1.5
	(Industrial facilities)	39,099	30.0	39,764	30.1	665	1.7
	(Renovations)	32,833	25.2	39,540	29.9	6,706	20.4
	(Overseas operations)	4,118	3.2	5,788	4.4	1,669	40.5