

Financial Briefing Material for the Third Quarter of the Period Ending March 2022

February 9, 2022

 **DAI-DAN CO., LTD.**

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Reference: DATA FILE



**Third Quarter Financial Results
for the Period Ending March 2022**

Consolidated Performance Summary

Overview of consolidated management indicators, etc. (operating results)

(Millions of yen)

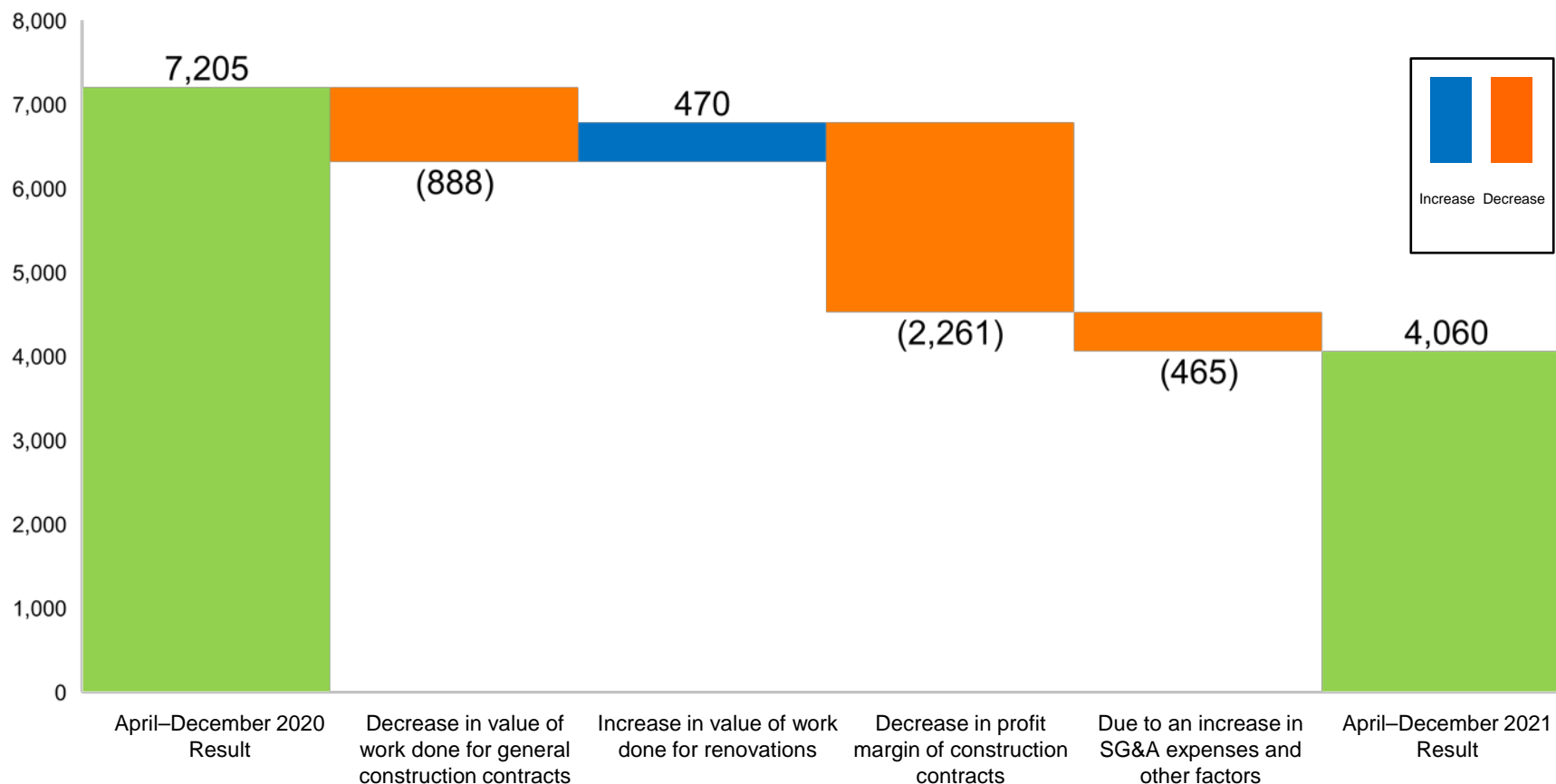
	3rd Quarter of period ended March 2021	3rd Quarter of period ending March 2022	Increase (Decrease)	Change rate	Major factors behind increase/decrease and annotation items
Net sales of uncompleted construction contracts at beginning of period	124,228	143,043	18,814	15.1%	
Net sales of construction contract orders received	122,561	150,118	27,556	22.5%	Recovery mainly in large-scale construction contracts to the pre-pandemic level
Net sales of completed construction contracts	111,099	108,257	(2,841)	-2.6%	Despite a sufficient amount of net sales of uncompleted construction contracts carried forward from the previous period, value of work done was not recorded in the current period because large projects were not fully in progress, resulting in a slight decrease.
Gross profit on completed construction contracts	16,401	13,562	(2,838)	-17.3%	Decrease in gross profit margin of completed construction contracts
Gross profit margin of completed construction contracts (%)	14.8%	12.5%	-2.2p		
Operating profit	7,205	4,060	(3,145)	-43.6%	Decrease in gross profit on completed construction contracts
Operating profit margin (%)	6.5%	3.8%	-2.7p		
Ordinary profit	7,593	4,399	(3,193)	-42.1%	Decrease in operating profit
Ordinary profit margin (%)	6.8%	4.1%	-2.8p		
Net profit attributable to owners of parent	5,190	3,059	(2,131)	-41.1%	
Net profit margin (%)	4.7%	2.8%	-1.8p		

Business environment

- Orders received decreased for renovations as a whole in the previous fiscal year due to the effects of the Covid-19 pandemic, but increased in the current period mainly because of recovery in orders for large-scale projects to the pre-pandemic level.
- Net sales of completed construction contracts recorded a slight decrease, because large projects were not fully in progress. Additionally, intensifying competition for order acquisition along with soaring prices of materials and equipment pushed down the profit margin and gross profit of completed construction contracts as well.
- Following the drop in gross profit of completed construction contracts, the Company recorded decreased profits.

Breakdown of decrease in consolidated operating profit

(Millions of yen)



- General construction saw a decrease in the value of work as large construction projects were not fully in progress, pushing down return on net sales. Meanwhile, on the back of recovery from the pandemic, especially, the value of work done for mid-to-large factory projects increased, pushing up return on net sales compared to the previous period.
- The profit margin of completed construction contracts decreased mainly due to intensifying competition for order acquisition and soaring prices of materials and equipment.

Trends in consolidated net sales by construction type

(Millions of yen)

		3rd Quarter of period ended March 2021	3rd Quarter of period ending March 2022	Increase (Decrease)	Change rate	Major factors behind increase/decrease and annotation items
Orders received	Electrical installations	20,165	18,347	(1,817)	-9.0%	
	Air conditioning installations	71,661	98,247	26,586	37.1%	Increase in orders received for offices, hospitals, and industrial facilities
	Plumbing installations	30,735	33,523	2,787	9.1%	
	Total	122,561	150,118	27,556	22.5%	See Page 4 for the factors behind the increase.
Net sales (completed)	Electrical installations	16,646	16,621	(25)	-0.2%	
	Air conditioning installations	67,782	64,967	(2,814)	-4.2%	
	Plumbing installations	26,670	26,668	(1)	-0.0%	
	Total	111,099	108,257	(2,841)	-2.6%	See Page 4 for the factors behind the decrease.
Net sales (uncompleted)	Electrical installations	23,032	23,611	579	2.5%	
	Air conditioning installations	81,464	119,217	37,753	46.3%	
	Plumbing installations	31,194	42,074	10,880	34.9%	
	Total	135,691	184,904	49,212	36.3%	Increased net sales of uncompleted construction contracts as at the end of FY2021, and an increase in orders received for FY2022.

- As described on Page 4, while orders received increased, net sales of completed construction contracts slightly decreased.
- The amount of orders received, mainly for large-scale construction projects, recovered with a notable increase recorded for offices, hospitals, and industrial facilities.
- Reflecting increased net sales (uncompleted) as at the end of FY2021, increased orders received and decreased net sales (completed) for FY2022, net sales (uncompleted) increased substantially.

Overview of consolidated management indicators, etc. (financial position)

(Millions of yen)

	Period ended March 2021	3rd Quarter of period ending March 2022	Increase (Decrease)	Change rate	Major factors behind increase/decrease and annotation items
Net assets	74,837	75,172	334	0.4%	Retained earnings exceeded loss on valuation of securities.
Total assets	132,210	129,582	(2,628)	-2.0%	Decrease in cash and deposits
Book value per share (BPS)	3,491.84 yen	3,506.67 yen	14.83 yen	0.4%	As per the increase in Net assets stated above
Price book-value ratio (PBR)	0.85 times	0.66 times	-0.19 times	—	(Reference) Closing stock price as of Mar. 31, 2021: 2,963 yen Closing stock price as of Dec. 30, 2021: 2,298 yen
Equity capital ratio	56.4%	57.9%	1.4p	—	

Overview of consolidated management indicators, etc. (cash flows)

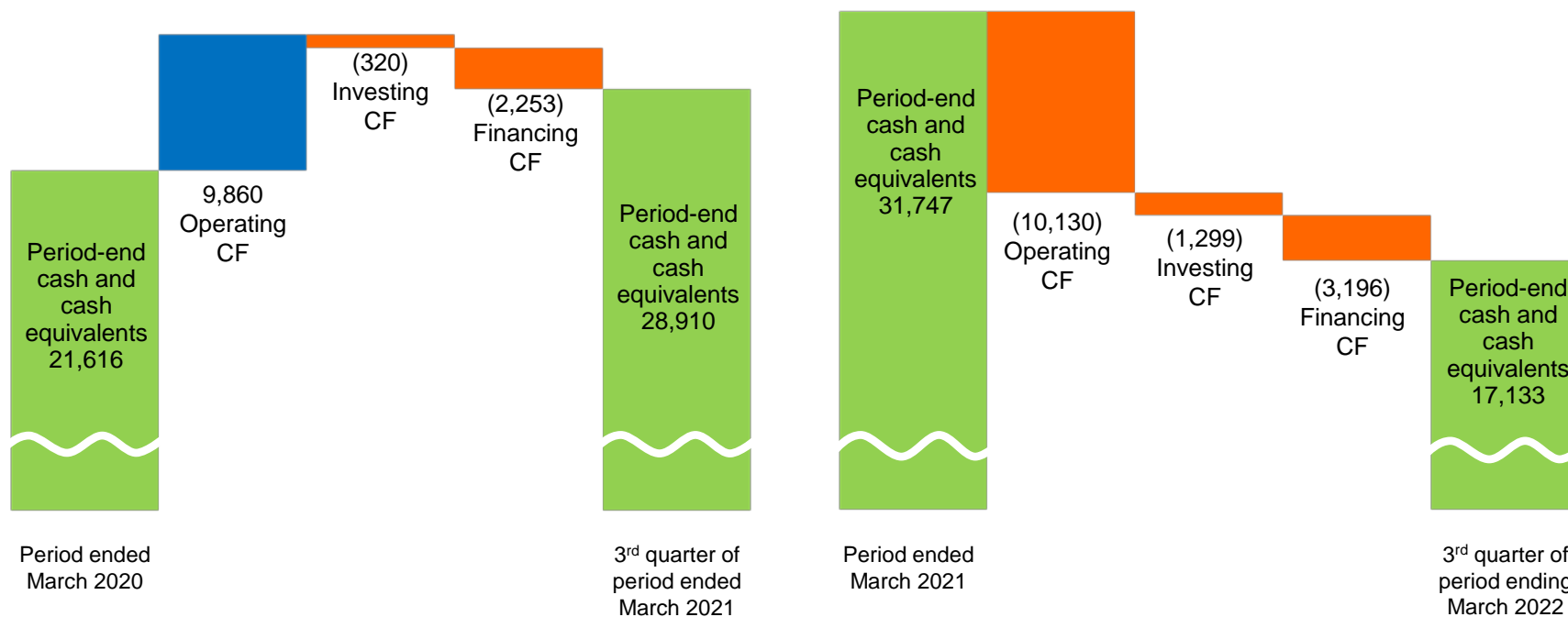
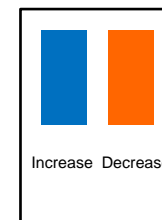
[Reference: Not disclosed in the brief report on financial statements]

(Millions of yen)

	3rd Quarter of period ended March 2021	3rd Quarter of period ending March 2022	Increase (Decrease)	Change rate	Major factors behind increase/decrease and annotation items
Cash flows from operating activities	9,860	(10,130)	(19,991)	—	Quarterly net profit decreased year-on-year, and factors for fund decrease, such as an increase in trade receivables, exceeded those for fund increase.
Cash flows from investing activities	(320)	(1,299)	(978)	—	Reconstruction of Hokkaido Branch and Hokuriku Branch Investment in venture companies
Cash flows from financing activities	(2,253)	(3,196)	(943)	—	Dividend payment
Cash and cash equivalents at beginning of period	21,616	31,747	10,131	46.9%	
Increase/decrease in cash and cash equivalents	7,294	(14,614)	(21,908)	—	
Cash and cash equivalents at end of quarter	28,910	17,133	(11,777)	-40.7%	

Cash flow comparison with the previous period (Trends in period-end balance of cash and cash equivalents)

(Millions of yen)





**Third Quarter Financial Results
for the Period Ending March 2022**

Third Quarter Financial Closing Highlights

Status of construction orders received

(Millions of yen)

	Period ended March 2021			Period ending March 2022	Year-on-year change		Major factors behind increase/decrease and annotation items
	First to third quarter	Fourth quarter	Full year	First to third quarter	Increase (Decrease)	Change rate	
Renovations	58,179	19,574	77,754	72,060	13,880	23.9%	Due mainly to orders for mid-to-large factory projects
Ratio of renovations (%)	47.5%	36.3%	44.0%	48.0%			
Mid-to-large renovations	33,868	11,766	45,635	46,859	12,990	38.4%	
Small-scale renovations	24,310	7,808	32,118	25,201	890	3.7%	
Other	64,381	34,389	98,711	78,057	13,676	21.2%	
Total orders received	122,561	53,964	176,526	150,118	27,556	22.5%	
Of which, direct orders	48,209	20,526	68,736	73,898	25,688	53.3%	Orders for large-scale hospitals, factories, and data centers
Ratio of direct orders (%)	39.3%	38.0%	38.9%	49.2%			
Of which, public works	19,952	6,357	26,309	25,836	5,884	29.5%	Orders for the above-mentioned hospital projects
Ratio of public works (%)	16.3%	11.8%	14.9%	17.2%			

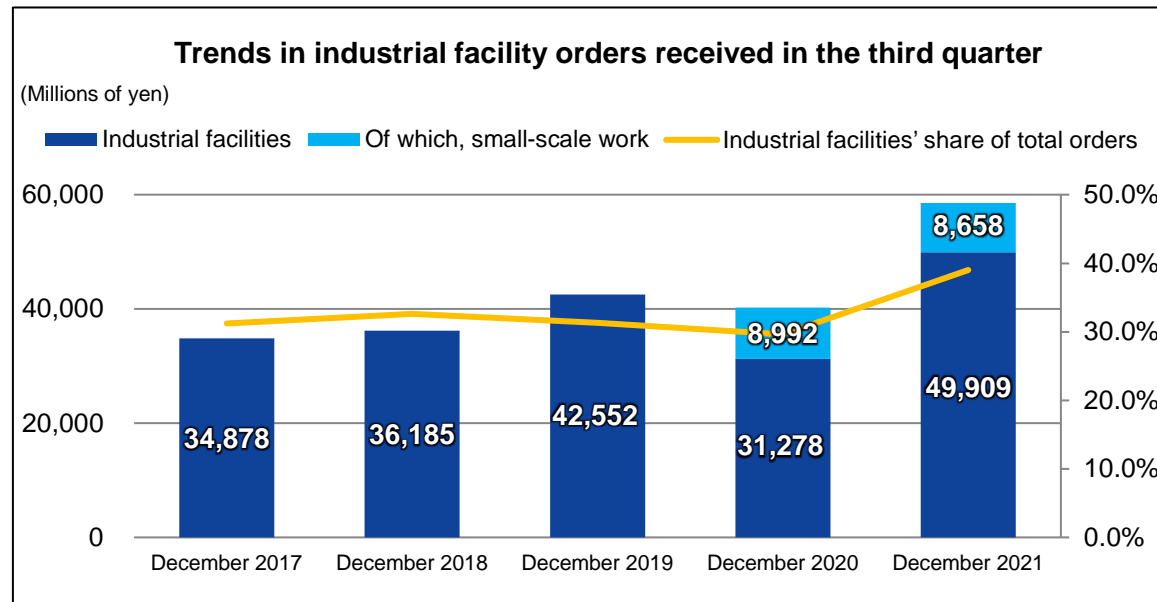
- Renovations decreased in the previous period due primarily to the effects of the Covid-19 pandemic, but recovered to the pre-pandemic level in the current period thanks to orders received for mid-to-large factory projects.
- Direct orders were received for large-scale hospital, factory, and data center projects, and the large-scale hospital projects were public works. Consequently, both direct orders and public works increased remarkably.

Industrial facilities

(Millions of yen)

	Period ended March 2021			Period ending March 2022	Year-on-year change		Major factors behind increase/decrease and annotation items
	First to third quarter	Fourth quarter	Full year	First to third quarter	Increase (Decrease)	Change rate	
Total industrial facilities	40,269	25,380	65,649	58,567	18,297	45.4%	An increase in large-scale factory and data center orders
(Share of total orders: %)	32.9%	47.0%	37.2%	39.0%			
Total orders received	122,561	53,965	176,526	150,118	27,556	22.5%	

* Factories, labs, data centers, and logistics facilities are classified as “industrial facilities.”



- Following the recovery in capital investment, orders received for large-scale factory and data center projects, in particular, contributed to the year-on-year increase.

* As a result of reviewing the construction classification from the current period, part of small-scale construction works has been included in “Industrial facilities.”
The previous third quarter (December 2020) also indicates the value after retrospectively applying the revision of the construction classification.

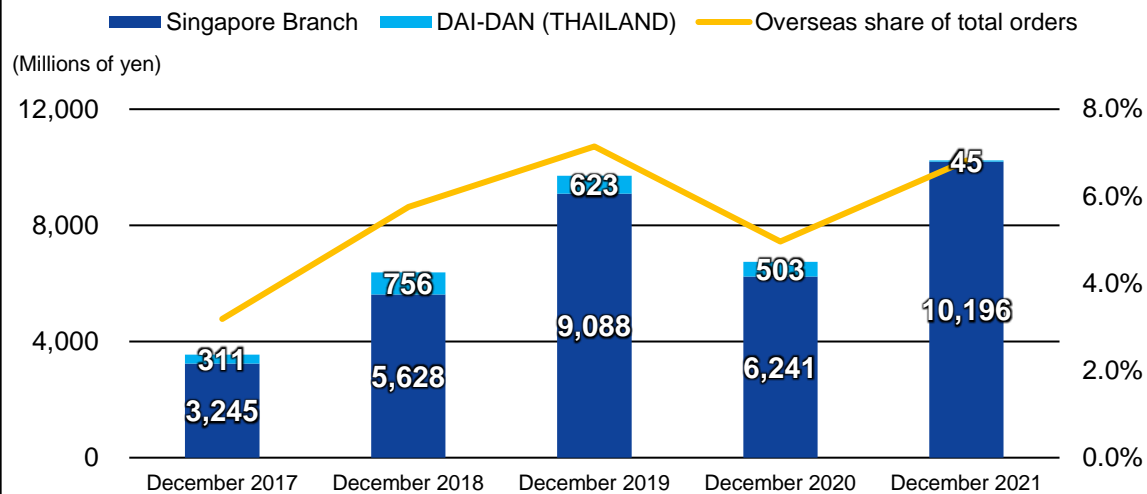
Overseas operations

- Singapore Branch and DAI-DAN (THAILAND) are the pillars of our overseas operation.
- As our new overseas bases, DAI-DAN (VIETNAM) Co., LTD. was established in Hanoi, Vietnam in the previous period, and DAI-DAN INTERNATIONAL ASIA PTE.LTD. in Singapore in the current period.

(Millions of yen)

	Period ended March 2021			Period ending March 2022	Year-on-year change		Major factors behind increase/decrease and annotation items
	First to third quarter	Fourth quarter	Full year	First to third quarter	Increase (Decrease)	Change rate	
Total overseas orders received	6,743	2,995	9,738	10,241	3,497	51.9%	Increasing orders received for overseas industrial facilities
(Share of total orders: %)	5.5%	5.5%	5.5%	6.8%			
Total orders received	122,561	53,965	176,526	150,118	27,556	22.5%	

Trends in overseas construction orders received in third quarter



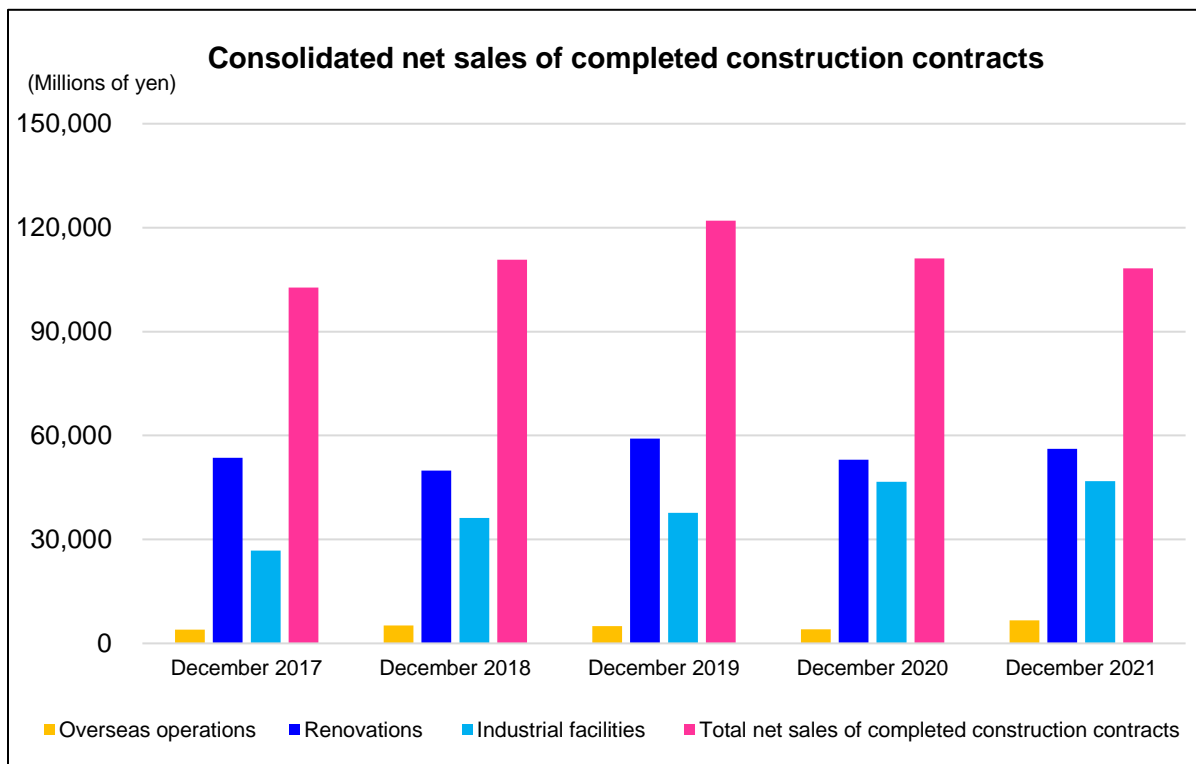
- Continuing from the previous period, movements are restricted in Singapore to prevent the spread of Covid-19, adversely affecting the operation of construction sites. However, the impact on order receiving activities was limited, and net sales of construction contract orders received posted remarkable growth compared to last year.
- In Thailand, orders received declined substantially. The large-scale construction orders received last year were canceled because they were to be likely stopped for the customer's convenience.

Status of completed construction contracts

(Millions of yen)

	Third quarter of period ended March 2021		Third quarter of period ending March 2022		Year-on-year change	
	Monetary amount	Composition ratio	Monetary amount	Composition ratio	Monetary amount	Change rate
Total net sales of completed construction contracts	111,099	100.0%	108,257	100.0%	(2,841)	-2.6%
Of which;						
(Industrial facilities)	46,623	42.0%	46,869	43.3%	246	0.5%
(Renovations)	52,989	47.7%	56,129	51.8%	3,139	5.9%
(Overseas operations)	4,100	3.7%	6,674	6.2%	2,573	62.8%

* The figures in the table include a certain amount of overlap, as calculation is done by construction type: industrial facilities, renovations, and overseas operations.



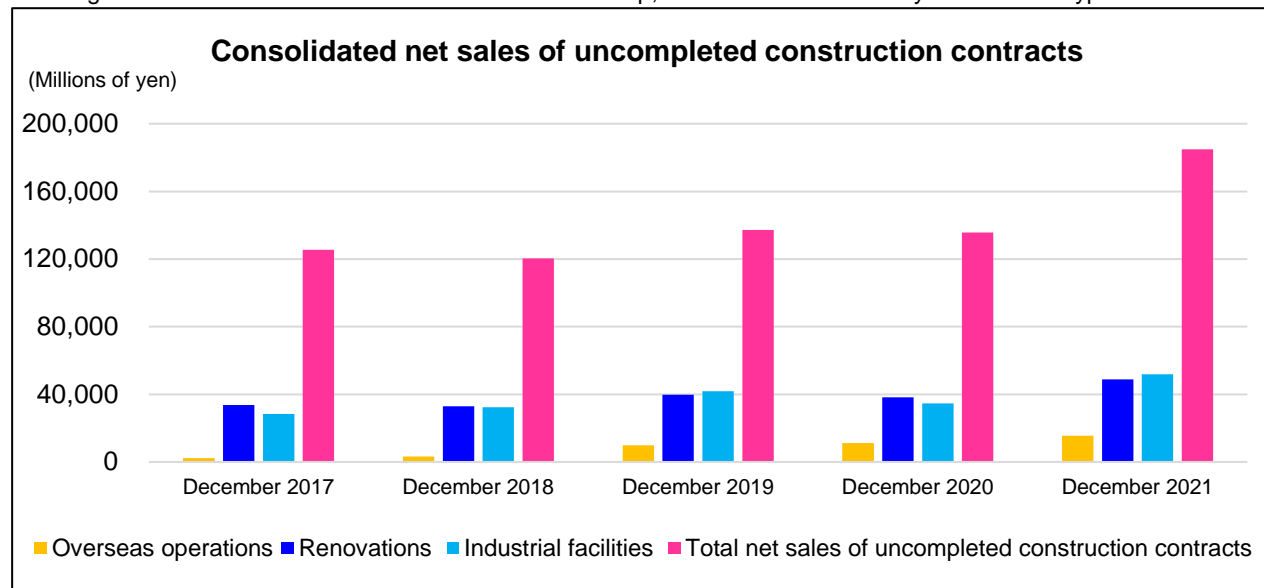
- Looking at net sales of completed construction contracts for the current period, industrial facilities increased slightly, and renovations and overseas operations posted growth. As not many large-scale projects carried forward from the previous period were fully in progress in the current period, however, overall net sales of completed construction contracts decreased slightly.
- As described on Page 14, net sales of uncompleted construction contracts are sufficient, and will contribute to the net sales of completed construction contracts for the fourth quarter and the next fiscal period.

Status of uncompleted construction contracts

(Millions of yen)

	Third quarter of period ended March 2021		Third quarter of period ending March 2022		Year-on-year change	
	Monetary amount	Composition ratio	Monetary amount	Composition ratio	Monetary amount	Change rate
Net sales of uncompleted construction contracts at beginning of period	124,228	—	143,043	—	18,814	15.1%
Net sales of construction contract orders received	122,561	—	150,118	—	27,556	22.5%
Net sales of completed construction contracts	111,099	—	108,257	—	(2,841)	-2.6%
Net sales of uncompleted construction contracts	135,691	100.0%	184,904	100.0%	49,212	36.3%
Of which;						
(Industrial facilities)	34,580	25.5%	51,953	28.1%	17,373	50.2%
(Renovations)	38,156	28.1%	48,785	26.4%	10,629	27.9%
(Overseas operations)	11,195	8.3%	15,434	8.3%	4,238	37.9%
Of which, those to be completed in fourth quarter of current period	37,387	—	47,447	—	10,060	26.9%

* The figures in the table include a certain amount of overlap, as calculation is done by construction type: industrial facilities, renovations, and overseas operations.



- Both net sales of uncompleted construction contracts at beginning of period and net sales of construction contract orders received increased from the previous period. Meanwhile, net sales of completed construction contracts slightly decreased as large-scale projects were not fully in progress, bringing about a significant increase in net sales of uncompleted construction contracts.
- The highest net sales of uncompleted construction contracts in the last five years were posted in the current period, meaning a sufficient volume of construction work has been secured.

Quarterly operating results

(Millions of yen)

		Period ended March 2021	Period ending March 2022	Increase (Decrease)	Change rate
Net sales of construction contract orders received	April–June	36,167	44,698	8,531	23.6%
	July–September	48,489	62,725	14,236	29.4%
	October–December	37,906	42,695	4,790	12.6%
	April–December	122,562	150,118	27,556	22.5%
Net sales of completed construction contracts	April–June	34,816	27,257	(7,559)	-21.7%
	July–September	37,918	38,523	605	1.6%
	October–December	38,365	42,477	4,112	10.7%
	April–December	111,099	108,257	(2,841)	-2.6%
Operating profit	April–June	2,281	528	(1,752)	-76.8%
	July–September	2,789	2,240	(549)	-19.7%
	October–December	2,135	1,292	(843)	-39.5%
	April–December	7,205	4,060	(3,145)	-43.6%

- Net sales of construction contract orders received from April to June, from July to September, and from October to December increased compared to the previous period.
- Net sales of completed construction contracts decreased from April to June compared to the previous period, but increased in July-September and October-December periods, showing an increasing trend with 10.7% growth posted from October to December.
- The year-on-year decrease rate of operating profit has been decelerating to -19.7% from July to September compared to -76.8% from April to June. The rate fell to -39.5% from October to December, adversely affected by a decline in profit margin of completed construction contracts.



**Third Quarter Financial Results
for the Period Ending March 2022**

**Full-Year Earnings
Forecast**

Consolidated full-year earnings forecast

(Millions of yen)

	Period ended March 2021	Period ending March 2022				Year-on-year change, full year		Versus previous forecast, full year	
	Full year	Previous forecast [Full year]	First to third quarter (Actual)	Fourth quarter	Current forecast [Full year]	Increase (Decrease)	Change rate	Increase (Decrease)	Change rate
Net sales of construction contract orders received	176,526	183,000	150,118	32,882	183,000	6,474	3.7%	–	–
Net sales of completed construction contracts	157,712	168,000	108,257	53,743	162,000	4,288	2.7%	(6,000)	-3.6%
Gross profit on completed construction contracts	21,521	22,000	13,562	6,938	20,500	(1,021)	-4.7%	(1,500)	-6.8%
Gross profit margin of completed construction contracts (%)	13.6%	13.1%	12.5%	12.9%	12.7%	-1.0%		-0.4%	
Operating profit	8,754	7,500	4,060	2,940	7,000	(1,754)	-20.0%	(500)	-6.7%
Operating profit margin (%)	5.6%	4.5%	3.8%	5.5%	4.3%	-1.2%		-0.1%	
Ordinary profit	9,262	7,700	4,399	2,801	7,200	(2,062)	-22.3%	(500)	-6.5%
Ordinary profit margin (%)	5.9%	4.6%	4.1%	5.2%	4.4%	-1.4%		-0.1%	
Net profit attributable to owners of parent	6,318	5,200	3,059	1,941	5,000	(1,318)	-20.9%	(200)	-3.8%
Net profit margin (%)	4.0%	3.1%	2.8%	3.6%	3.1%	-0.9%		-0.0%	

Preconditions for earnings forecast

- We have revised our earnings forecast in the brief report on the financial statements announced on May 12, 2021.
- Because the progress of unfinished construction work and profit margin of construction contracts will not reach the initial forecast, while SG&A expenses are expected to be reduced, we have downwardly revised the initial forecast as shown above.

Shareholder return policy

- We consider returning profits to our shareholders through profit distribution as the most important management issue and strive to build a sound financial structure.
- We have a dividend policy of striving for a payout ratio of 30% or more as per the numerical targets in our Mid-Term Management Plan.

Dividend status

	Full-year dividend			Total dividend (Total sum)	Dividend ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	End of second quarter	End of period	Total			
	Yen Sen	Yen Sen	Yen Sen	Million yen	%	%
Period ended March 2020	40.00	50.00	90.00	1,975	30.9%	3.0%
Period ended March 2021	45.00	45.00	90.00	1,949	30.8%	2.7%
Period ending March 2022 (Forecast for period-end values)	45.00	45.00	90.00	–	38.5%	–

Purchase of treasury shares

- We will consider it as appropriate aiming for returning profits to our shareholders and improving capital efficiency.

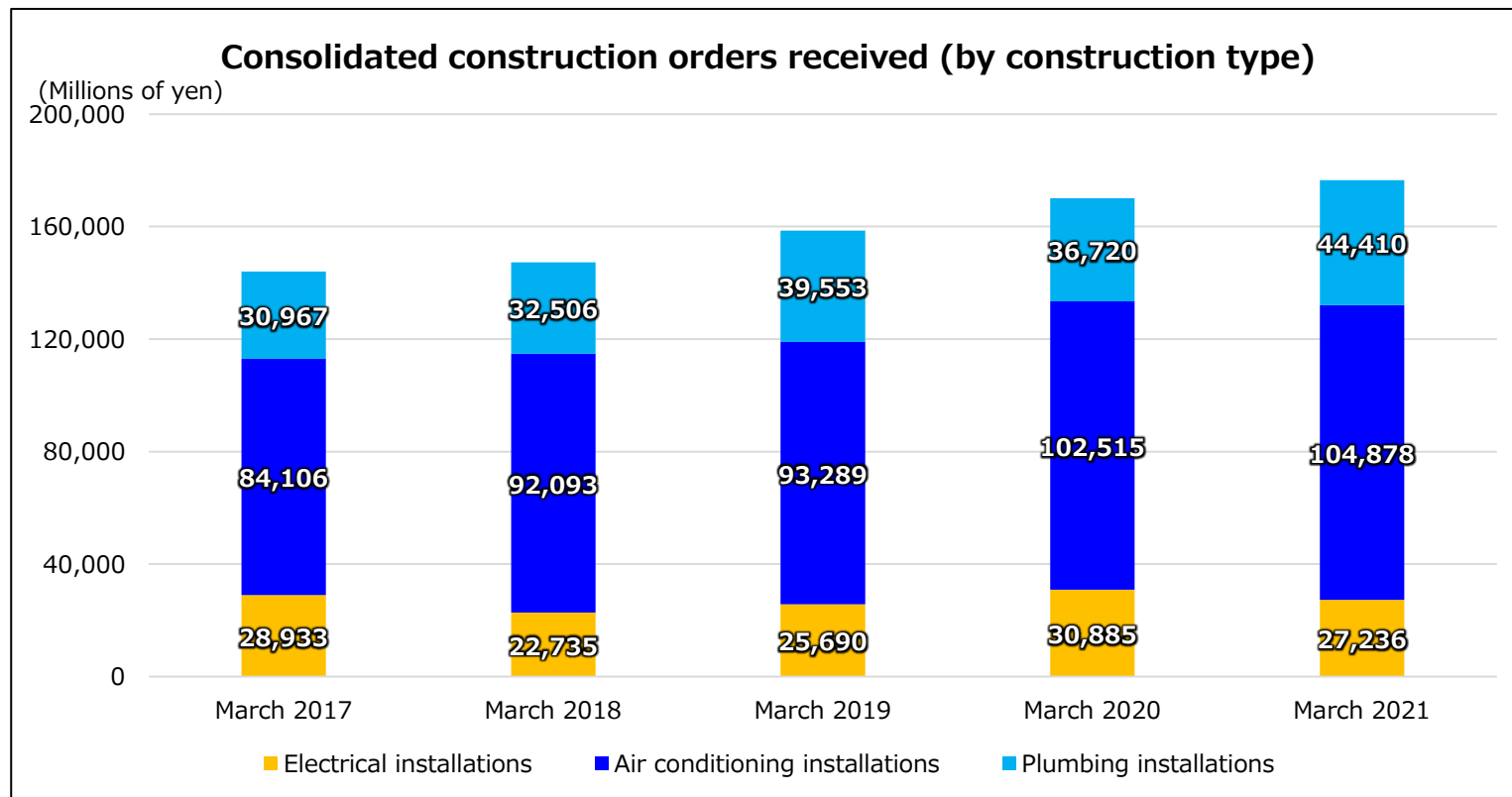
The background features a large, abstract composition of overlapping geometric shapes in various shades of blue and green. A semi-transparent map of the United States is visible, particularly in the lower-left and lower-right quadrants. The overall aesthetic is clean and modern, typical of a professional report or presentation.

**Reference:
DATA FILE
(Full-Year)**

Consolidated sales of construction orders received (by construction type) (Full-year)

(Millions of yen)

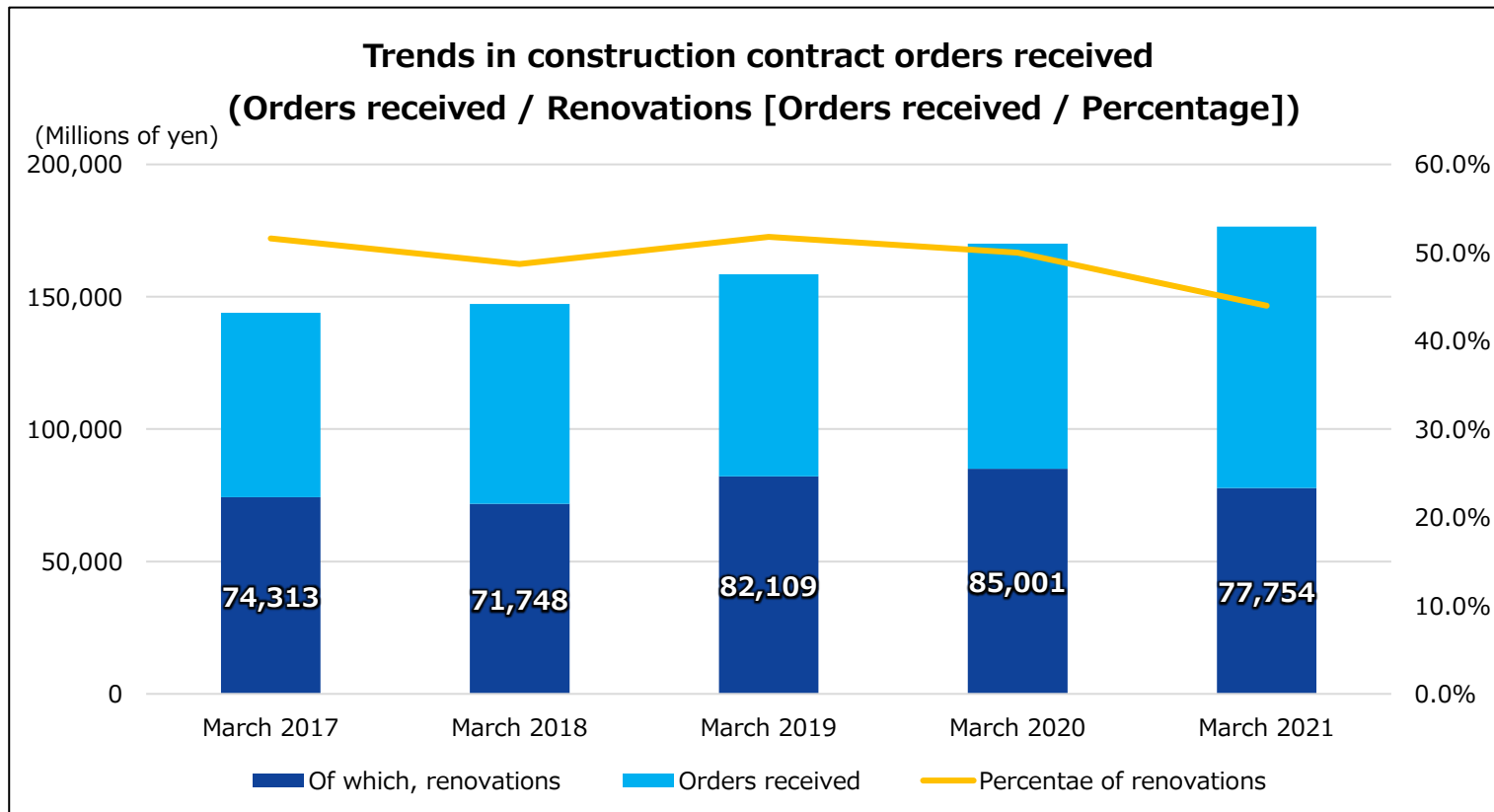
	Period ended March 2017	Period ended March 2018	Period ended March 2019	Period ended March 2020	Period ended March 2021
Electrical installations	28,933	22,735	25,690	30,885	27,236
Air conditioning installations	84,106	92,093	93,289	102,515	104,878
Plumbing installations	30,967	32,506	39,553	36,720	44,410
Total	144,007	147,335	158,533	170,121	176,526



Trends in consolidated orders received (Orders received / Renovations) (Full-year)

(Millions of yen)

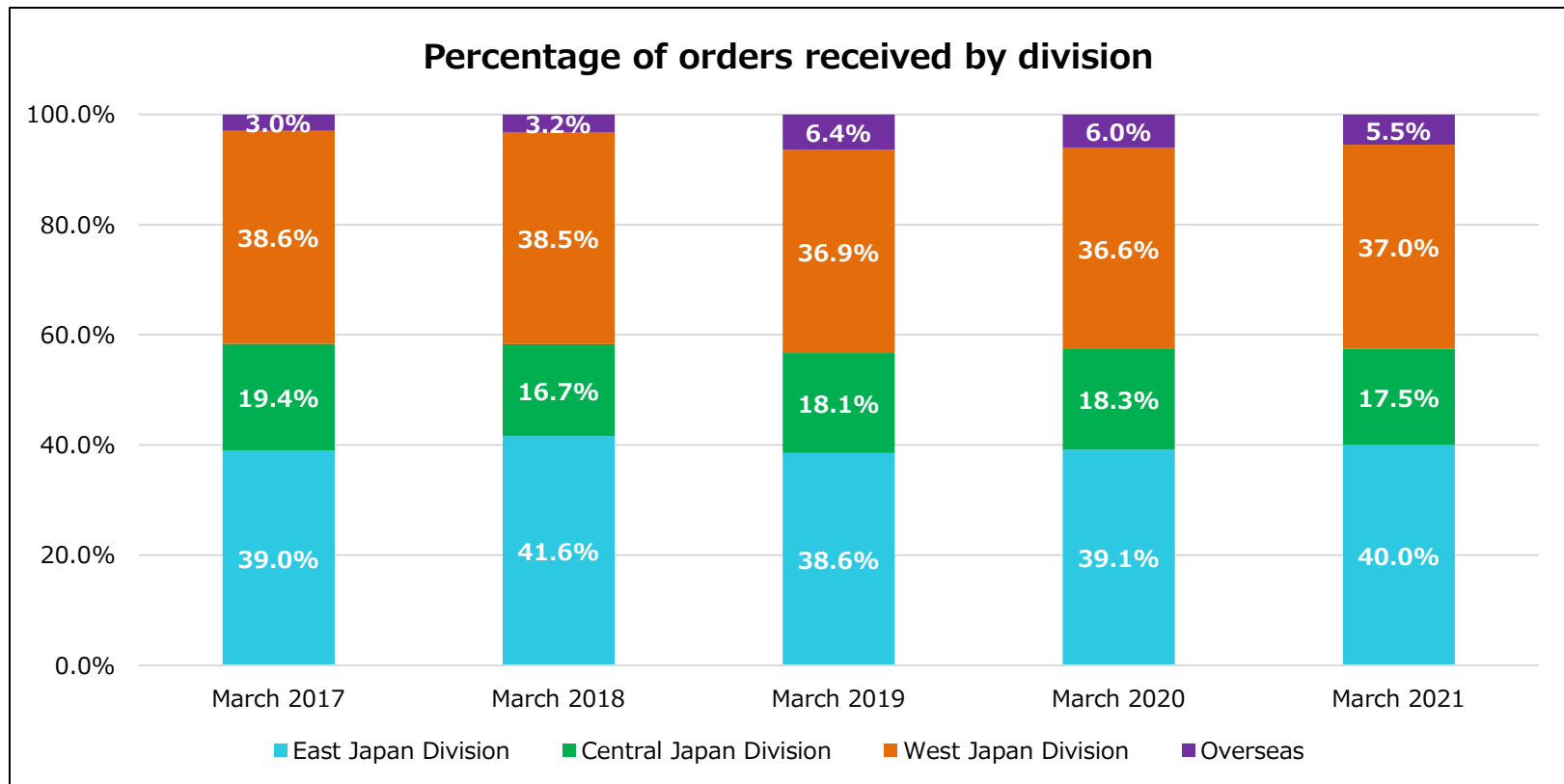
	Period ended March 2017	Period ended March 2018	Period ended March 2019	Period ended March 2020	Period ended March 2021
Orders received	144,007	147,335	158,533	170,121	176,526
Renovations	74,313	71,748	82,109	85,001	77,754
Percentage of renovations	51.6%	48.7%	51.8%	50.0%	44.0%



Percentage of consolidated orders received by division (Full-year)

Percentage of orders received

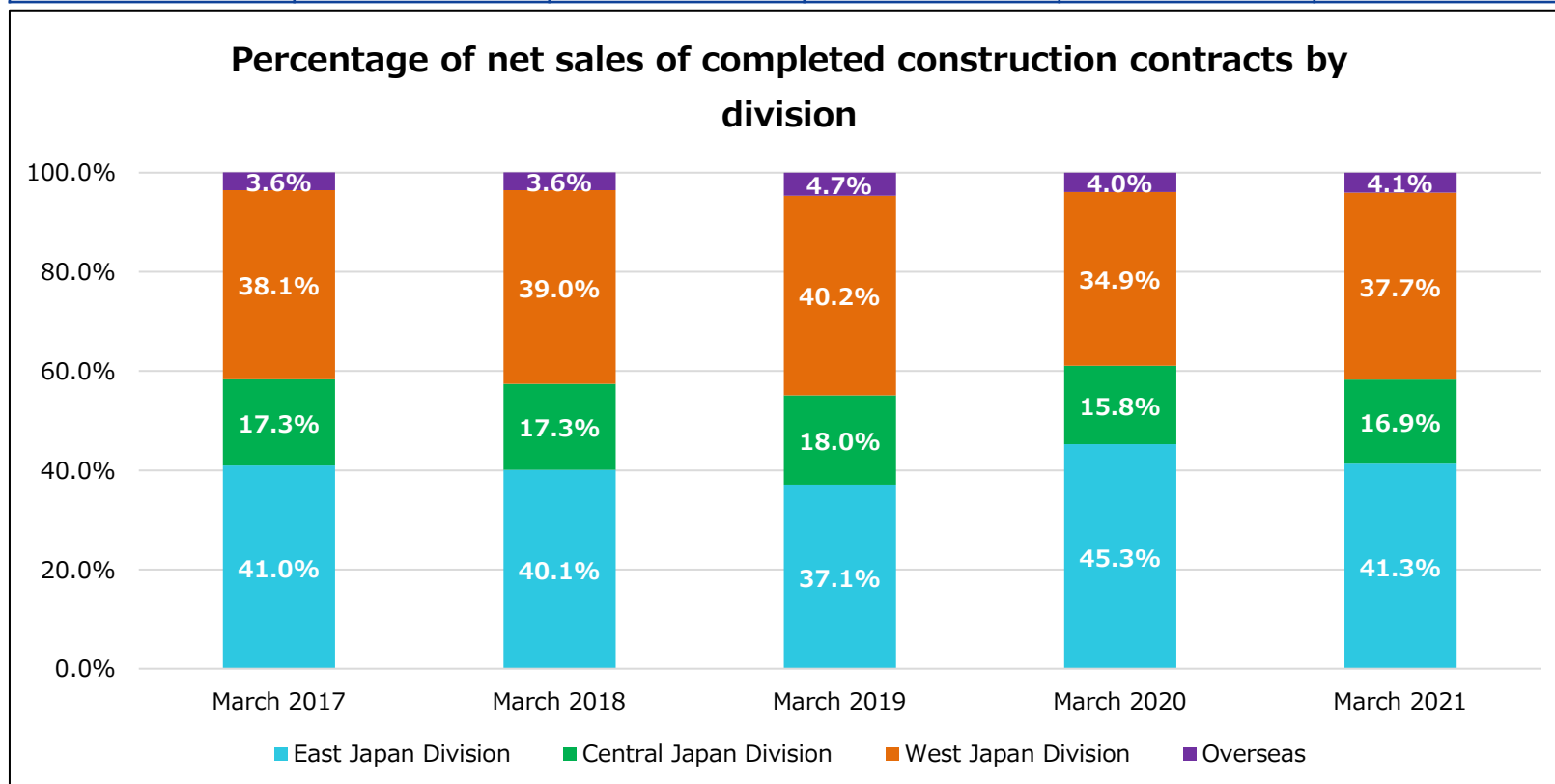
	Period ended March 2017	Period ended March 2018	Period ended March 2019	Period ended March 2020	Period ended March 2021
East Japan Division	39.0%	41.6%	38.6%	39.1%	40.0%
Central Japan Division	19.4%	16.7%	18.1%	18.3%	17.5%
West Japan Division	38.6%	38.5%	36.9%	36.6%	37.0%
Overseas	3.0%	3.2%	6.4%	6.0%	5.5%



Percentage of consolidated net sales of completed construction contracts by division (Full-year)

Percentage of net sales of completed construction contracts

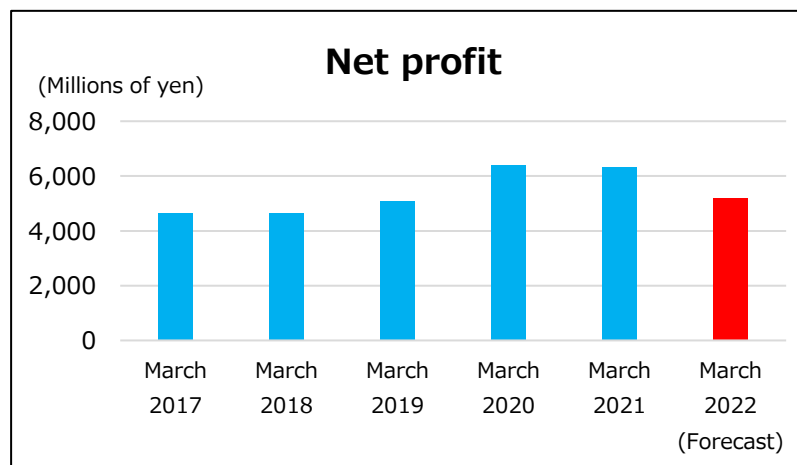
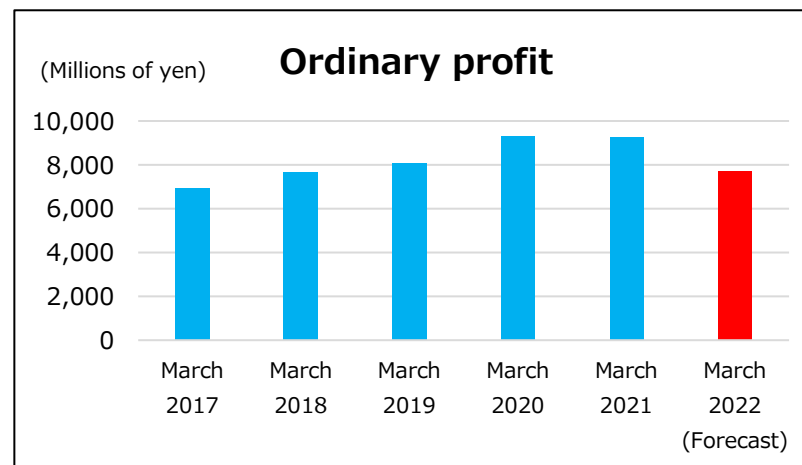
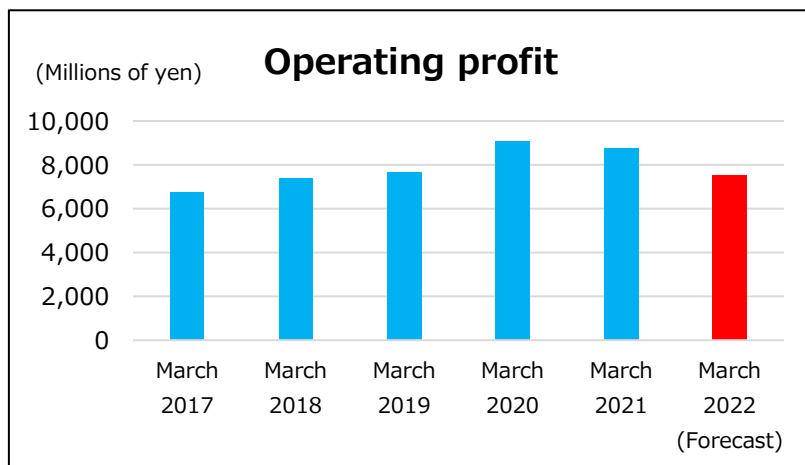
	Period ended March 2017	Period ended March 2018	Period ended March 2019	Period ended March 2020	Period ended March 2021
East Japan Division	41.0%	40.1%	37.1%	45.3%	41.3%
Central Japan Division	17.3%	17.3%	18.0%	15.8%	16.9%
West Japan Division	38.1%	39.0%	40.2%	34.9%	37.7%
Overseas	3.6%	3.6%	4.7%	4.0%	4.1%



Consolidated (operating/ordinary/net) profits (Full-year)

(Millions of yen)

	Period ended March 2017	Period ended March 2018	Period ended March 2019	Period ended March 2020	Period ended March 2021	Period ending March 2022 (Forecast)
Operating profit	6,750	7,385	7,661	9,063	8,754	7,500
Ordinary profit	6,939	7,674	8,057	9,282	9,262	7,700
Net profit	4,638	4,638	5,109	6,399	6,318	5,200



Disclaimer

The forecast concerning future business results, including future plans and strategies, disclosed by the Company is based on assumptions deemed reasonable at the time of announcement. Therefore, actual business results may differ from the forecast due to various factors.

IR-related inquiries:

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