

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 15, 2017

Company name: DAIKEN MEDICAL CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 7775 URL <http://www.daiken-iki.co.jp>
 Representative: President Mitsuru Yamada
 Inquiries: General Manager, Business Control Division Kenji Tamamaki TEL 06-6231-9917
 Scheduled date of ordinary general meeting of shareholders: June 27, 2017
 Scheduled date to file Securities Report: June 27, 2017
 Scheduled date to commence dividend payments: June 12, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	8,399	1.7	1,711	0.9	1,714	0.6	1,246	8.0
Year ended March 31, 2016	8,261	2.8	1,695	4.6	1,704	4.9	1,153	5.0

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	41.55	41.50	18.1	16.2	20.4
Year ended March 31, 2016	38.45	38.41	18.7	18.0	20.5

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	11,007	7,279	66.1	242.55
As of March 31, 2016	10,136	6,512	64.2	216.95

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	1,350	(603)	(729)	2,319
Year ended March 31, 2016	1,294	(1,316)	192	2,302

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	–	7.00	–	9.00	16.00	479	41.6	7.8
Year ended March 31, 2017	–	7.00	–	18.00	25.00	749	60.2	10.9
Year ending March 31, 2018 (Forecast)	–	9.00	–	12.00	21.00		61.2	

3. Forecast of non-consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	4,250	1.7	710	(16.8)	710	(16.9)	420	(33.0)	14.00
Full year	8,600	2.4	1,550	(9.4)	1,550	(9.6)	1,030	(17.3)	34.34

4. Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(2) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2017	31,840,000 shares	As of March 31, 2016	31,840,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	1,849,257 shares	As of March 31, 2016	1,849,257 shares
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Average number of shares during the period

Year ended March 31, 2017	29,990,743 shares	Year ended March 31, 2016	29,990,769 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	2,302,435	2,319,545
Notes receivable - trade	1,300,562	1,319,400
Accounts receivable - trade	1,484,862	1,406,596
Finished goods	553,000	674,924
Work in process	50,970	46,185
Raw materials	279,472	266,240
Prepaid expenses	20,598	43,241
Deferred tax assets	146,210	135,011
Other	67,892	79,034
Allowance for doubtful accounts	(189)	(91)
Total current assets	6,205,816	6,290,088
Non-current assets		
Property, plant and equipment		
Buildings, net	746,617	718,411
Machinery and equipment, net	109,731	88,773
Tools, furniture and fixtures, net	140,344	114,885
Land	1,703,670	1,703,670
Leased assets, net	12,430	13,919
Construction in progress	984,143	1,866,226
Total property, plant and equipment	3,696,938	4,505,887
Intangible assets		
Software	53,974	46,757
Software in progress	9,000	9,945
Telephone subscription right	5,103	5,103
Total intangible assets	68,077	61,805
Investments and other assets		
Investment securities	5,269	7,576
Investments in capital	11	11
Claims provable in bankruptcy, claims provable in rehabilitation and other	247	247
Long-term prepaid expenses	7,110	3,533
Deferred tax assets	40,081	30,037
Guarantee deposits	97,643	96,673
Membership	25,500	21,500
Life insurance funds	9,394	8,797
Long-term accounts receivable - other	13,150	13,150
Allowance for doubtful accounts	(32,398)	(31,748)
Total investments and other assets	166,009	149,778
Total non-current assets	3,931,026	4,717,472
Total assets	10,136,843	11,007,560

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	485,401	449,170
Accounts payable - trade	377,777	403,747
Short-term loans payable	400,000	450,000
Current portion of long-term loans payable	289,952	439,952
Accounts payable - other	334,945	717,839
Lease obligations	8,950	6,801
Accrued expenses	384,571	394,251
Income taxes payable	307,781	201,971
Accrued consumption taxes	–	26,025
Deposits received	26,258	24,677
Notes payable - facilities	39,745	25,415
Other	7,305	62,636
Total current liabilities	2,662,686	3,202,489
Non-current liabilities		
Long-term loans payable	940,092	500,140
Lease obligations	4,475	8,410
Long-term guarantee deposited	13,986	14,006
Other	2,969	2,969
Total non-current liabilities	961,522	525,526
Total liabilities	3,624,209	3,728,016
Net assets		
Shareholders' equity		
Capital stock	495,875	495,875
Capital surplus		
Legal capital surplus	400,875	400,875
Other capital surplus	104,329	104,329
Total capital surpluses	505,204	505,204
Retained earnings		
Legal retained earnings	23,750	23,750
Other retained earnings		
General reserve	690,000	690,000
Retained earnings brought forward	5,301,889	6,068,039
Total retained earnings	6,015,639	6,781,789
Treasury shares	(510,004)	(510,004)
Total shareholders' equity	6,506,714	7,272,864
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(80)	1,520
Total valuation and translation adjustments	(80)	1,520
Subscription rights to shares	6,000	5,160
Total net assets	6,512,633	7,279,544
Total liabilities and net assets	10,136,843	11,007,560

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	8,261,416	8,399,605
Cost of sales		
Beginning finished goods	625,676	553,000
Cost of products manufactured	3,891,164	4,168,152
Cost of purchased goods	53,979	39,135
Cost of construction by the outside order	9,527	9,614
Total	4,580,347	4,769,902
Transfer to other account	82,367	103,601
Ending finished goods	553,000	674,924
Total cost of sales	3,944,979	3,991,377
Gross profit	4,316,436	4,408,227
Selling, general and administrative expenses	2,620,495	2,696,974
Operating profit	1,695,940	1,711,253
Non-operating income		
Interest income	416	130
Dividend income	281	217
Gain on forfeiture of unclaimed dividends	–	1,112
Compensation income	3,060	997
Subsidy income	8,662	1,938
Insurance premiums refunded cancellation	–	780
Other	3,316	2,429
Total non-operating income	15,737	7,605
Non-operating expenses		
Interest expenses	6,140	3,942
Other	1,345	–
Total non-operating expenses	7,485	3,942
Ordinary profit	1,704,192	1,714,916
Extraordinary income		
Gain on sales of golf memberships	–	1,650
Gain on reversal of subscription rights to shares	–	840
Total extraordinary income	–	2,490
Extraordinary losses		
Loss on retirement of non-current assets	983	15,594
Loss on cancellation of leases	–	4,201
Total extraordinary losses	983	19,795
Profit before income taxes	1,703,208	1,697,610
Income taxes - current	519,826	431,072
Income taxes - deferred	30,100	20,536
Total income taxes	549,927	451,609
Profit	1,153,281	1,246,001

Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	495,875	400,875	104,329	505,204	23,750	690,000	4,628,461	5,342,211
Changes of items during period								
Dividends of surplus							(479,852)	(479,852)
Profit							1,153,281	1,153,281
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	-	673,428	673,428
Balance at end of current period	495,875	400,875	104,329	505,204	23,750	690,000	5,301,889	6,015,639

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(509,958)	5,833,331	1,579	1,579	6,000	5,840,911
Changes of items during period						
Dividends of surplus		(479,852)				(479,852)
Profit		1,153,281				1,153,281
Purchase of treasury shares	(46)	(46)				(46)
Net changes of items other than shareholders' equity			(1,660)	(1,660)		(1,660)
Total changes of items during period	(46)	673,382	(1,660)	(1,660)	-	671,722
Balance at end of current period	(510,004)	6,506,714	(80)	(80)	6,000	6,512,633

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	495,875	400,875	104,329	505,204	23,750	690,000	5,301,889	6,015,639
Changes of items during period								
Dividends of surplus							(479,851)	(479,851)
Profit							1,246,001	1,246,001
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	–	–	766,149	766,149
Balance at end of current period	495,875	400,875	104,329	505,204	23,750	690,000	6,068,039	6,781,789

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(510,004)	6,506,714	(80)	(80)	6,000	6,512,633
Changes of items during period						
Dividends of surplus		(479,851)				(479,851)
Profit		1,246,001				1,246,001
Purchase of treasury shares		–				–
Net changes of items other than shareholders' equity			1,601	1,601	(840)	761
Total changes of items during period	–	766,149	1,601	1,601	(840)	766,910
Balance at end of current period	(510,004)	7,272,864	1,520	1,520	5,160	7,279,544

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,703,208	1,697,610
Depreciation	183,573	175,912
Increase (decrease) in allowance for doubtful accounts	346	(748)
Interest and dividend income	(698)	(347)
Interest expenses	6,140	3,942
Decrease (increase) in notes and accounts receivable - trade	(112,025)	59,428
Decrease (increase) in inventories	66,895	(103,905)
Increase (decrease) in notes and accounts payable - trade	(5,677)	(10,259)
Loss on retirement of non-current assets	983	15,594
Loss (gain) on sales of golf club memberships	–	(1,650)
Surrender value of insurance	–	(780)
Subsidy income	(8,662)	(1,938)
Increase (decrease) in accounts payable - other	(20,517)	(11,709)
Increase (decrease) in accrued expenses	41,418	9,679
Decrease/increase in consumption taxes receivable/payable	(132,487)	26,862
Other, net	17,833	47,891
Subtotal	1,740,330	1,905,582
Interest and dividend income received	649	276
Interest expenses paid	(6,221)	(3,824)
Income taxes paid	(448,424)	(553,619)
Proceeds from subsidy income	8,662	1,938
Net cash provided by (used in) operating activities	1,294,996	1,350,353
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,307,672)	(595,448)
Purchase of intangible assets	(7,211)	(16,663)
Proceeds from sales of golf club memberships	–	5,650
Proceeds from cancellation of insurance funds	–	1,377
Other, net	(1,316)	1,103
Net cash provided by (used in) investing activities	(1,316,200)	(603,982)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,200,000	–
Repayments of long-term loans payable	(423,124)	(289,952)
Cash dividends paid	(479,781)	(480,359)
Net increase (decrease) in short-term loans payable	(100,000)	50,000
Repayments of lease obligations	(4,475)	(8,950)
Purchase of treasury shares	(46)	–
Net cash provided by (used in) financing activities	192,573	(729,261)
Net increase (decrease) in cash and cash equivalents	171,370	17,109
Cash and cash equivalents at beginning of period	2,131,065	2,302,435
Cash and cash equivalents at end of period	2,302,435	2,319,545