

Translation

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Summary of Non-Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

October 31, 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 to file Quarterly Securities Report: November 1, 2017
 Scheduled date to commence dividend payments: December 4, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Non-consolidated operating results (cumulative)

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 | % |
| Six months ended September 30, 2017 | 4,234 | 1.3 | 833 | (2.3) | 833 | (2.5) | 511 | (18.4) |
| Six months ended September 30, 2016 | 4,180 | 3.6 | 853 | 3.0 | 854 | 2.2 | 626 | 7.5 |

| | Earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2017 | 17.12 | | 17.10 | |
| Six months ended September 30, 2016 | 20.90 | | 20.88 | |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2017 | 11,053 | 6,461 | 58.4 |
| As of March 31, 2017 | 11,007 | 7,279 | 66.1 |

2. Cash dividends

| | Annual dividends per share | | | | |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2017 | – | 7.00 | – | 18.00 | 25.00 |
| Year ending March 31, 2018 | – | 9.00 | – | – | – |
| Year ending March 31, 2018 (Forecast) | – | – | – | 12.00 | 21.00 |

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 |
| Full year | 8,600 | 2.4 | 1,550 | (9.4) | 1,550 | (9.6) | 1,030 | (17.3) | 34.34 |

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: Yes

(2) 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

(3) Number of issued shares (common shares)

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

| | | | | | |
|--------------------------|---|-------------------|----------------------|---|-------------------|
| As of September 30, 2017 | ‡ | 31,840,000 shares | As of March 31, 2017 | ‡ | 31,840,000 shares |
|--------------------------|---|-------------------|----------------------|---|-------------------|

Number of treasury shares at the end of the period

| | | | | | |
|--------------------------|---|------------------|----------------------|---|------------------|
| As of September 30, 2017 | ‡ | 1,849,257 shares | As of March 31, 2017 | ‡ | 1,849,257 shares |
|--------------------------|---|------------------|----------------------|---|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | | | |
|-------------------------------------|---|-------------------|-------------------------------------|---|-------------------|
| Six months ended September 30, 2017 | ‡ | 29,897,847 shares | Six months ended September 30, 2016 | ‡ | 29,990,743 shares |
|-------------------------------------|---|-------------------|-------------------------------------|---|-------------------|

Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|---------------------------------------|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,319,545 | 2,267,478 |
| Notes and accounts receivable - trade | 2,725,996 | 2,732,657 |
| Finished goods | 674,924 | 760,118 |
| Work in process | 46,185 | 96,074 |
| Raw materials | 266,240 | 329,217 |
| Deferred tax assets | 135,011 | 135,011 |
| Other | 122,276 | 92,607 |
| Allowance for doubtful accounts | (91) | (91) |
| Total current assets | 6,290,088 | 6,413,073 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 718,411 | 2,277,011 |
| Land | 1,703,670 | 1,703,670 |
| Construction in progress | 1,866,226 | 107,434 |
| Other, net | 217,578 | 356,803 |
| Total property, plant and equipment | 4,505,887 | 4,444,920 |
| Intangible assets | 61,805 | 53,807 |
| Investments and other assets | | |
| Investment securities | 7,576 | — |
| Deferred tax assets | 30,037 | 30,707 |
| Other | 143,913 | 140,292 |
| Allowance for doubtful accounts | (31,748) | (29,050) |
| Total investments and other assets | 149,778 | 141,948 |
| Total non-current assets | 4,717,472 | 4,640,676 |
| Total assets | 11,007,560 | 11,053,749 |

(Thousands of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|-------------------------------------------------------|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 878,333 | 988,582 |
| Short-term loans payable | 450,000 | 500,000 |
| Current portion of long-term loans payable | 439,952 | 747,752 |
| Income taxes payable | 201,971 | 224,622 |
| Accrued expenses | 394,251 | 400,050 |
| Provision for bonuses | – | 22,705 |
| Other | 837,980 | 248,109 |
| Total current liabilities | 3,202,489 | 3,131,822 |
| Non-current liabilities | | |
| Long-term loans payable | 500,140 | 1,435,714 |
| Other | 25,386 | 24,312 |
| Total non-current liabilities | 525,526 | 1,460,026 |
| Total liabilities | 3,728,016 | 4,591,848 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 495,875 | 495,875 |
| Capital surplus | 505,204 | 400,875 |
| Retained earnings | 6,781,789 | 6,402,995 |
| Treasury shares | (510,004) | (843,004) |
| Total shareholders' equity | 7,272,864 | 6,456,740 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,520 | – |
| Total valuation and translation adjustments | 1,520 | – |
| Subscription rights to shares | 5,160 | 5,160 |
| Total net assets | 7,279,544 | 6,461,900 |
| Total liabilities and net assets | 11,007,560 | 11,053,749 |

Non-consolidated statements of income (cumulative)

(Thousands of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|-----------------------------------------------------------|----------------------------------------|----------------------------------------|
| Net sales | 4,180,213 | 4,234,753 |
| Cost of sales | 1,983,203 | 2,052,874 |
| Gross profit | 2,197,009 | 2,181,878 |
| Selling, general and administrative expenses | 1,343,632 | 1,348,427 |
| Operating profit | 853,377 | 833,450 |
| Non-operating income | | |
| Interest income | 68 | 65 |
| Dividend income | 104 | 112 |
| Gain on forfeiture of unclaimed dividends | 749 | 544 |
| Foreign exchange gains | – | 781 |
| Other | 2,687 | 699 |
| Total non-operating income | 3,609 | 2,203 |
| Non-operating expenses | | |
| Interest expenses | 2,160 | 1,947 |
| Other | 171 | 200 |
| Total non-operating expenses | 2,332 | 2,147 |
| Ordinary profit | 854,654 | 833,506 |
| Extraordinary income | | |
| Reversal of allowance for doubtful accounts | – | 2,450 |
| Gain on sales of investment securities | – | 2,551 |
| Gain on sales of golf memberships | 1,650 | – |
| Total extraordinary income | 1,650 | 5,001 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 7,082 | 39,211 |
| Expenses related to 50th-anniversary commemorative events | – | 85,145 |
| Total extraordinary losses | 7,082 | 124,356 |
| Profit before income taxes | 849,221 | 714,152 |
| Income taxes | 222,289 | 202,442 |
| Profit | 626,932 | 511,710 |

Non-consolidated statements of cash flows

(Thousands of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 849,221 | 714,152 |
| Depreciation | 90,680 | 106,154 |
| Increase (decrease) in allowance for doubtful accounts | (650) | (2,697) |
| Interest and dividend income | (172) | (178) |
| Interest expenses | 2,160 | 1,947 |
| Decrease (increase) in notes and accounts receivable - trade | 53,150 | (6,413) |
| Decrease (increase) in inventories | (87,867) | (198,059) |
| Increase (decrease) in notes and accounts payable - trade | (6,360) | 103,462 |
| Loss (gain) on sales of investment securities | – | (2,551) |
| Increase (decrease) in provision for bonuses | 23,701 | 22,705 |
| Loss on retirement of non-current assets | 7,082 | 39,211 |
| Loss (gain) on sales of golf club memberships | (1,650) | – |
| Surrender value of insurance | (779) | – |
| Subsidy income | (90) | – |
| Increase (decrease) in accounts payable - other | (140,893) | (114,357) |
| Increase (decrease) in accrued expenses | (6,488) | 5,549 |
| Decrease/increase in consumption taxes receivable/payable | 64,009 | 22,449 |
| Other, net | 38,108 | 15,556 |
| Subtotal | 883,160 | 706,930 |
| Interest and dividend income received | 135 | 140 |
| Interest expenses paid | (2,106) | (1,963) |
| Income taxes paid | (297,368) | (174,864) |
| Proceeds from subsidy income | 90 | – |
| Net cash provided by (used in) operating activities | 583,911 | 530,243 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (130,732) | (532,744) |
| Proceeds from sales of investment securities | – | 7,937 |
| Purchase of intangible assets | (17,667) | (13,667) |
| Proceeds from sales of golf club memberships | 5,650 | – |
| Proceeds from cancellation of insurance funds | 1,376 | – |
| Other, net | 915 | (4,188) |
| Net cash provided by (used in) investing activities | (140,457) | (542,662) |
| Cash flows from financing activities | | |
| Proceeds from long-term loans payable | – | 1,389,000 |
| Repayments of long-term loans payable | (154,976) | (145,626) |
| Purchase of treasury shares | – | (789,000) |
| Cash dividends paid | (270,396) | (539,293) |
| Net increase (decrease) in short-term loans payable | (50,000) | 50,000 |
| Repayments of lease obligations | (4,475) | (5,727) |
| Proceeds from disposal of treasury shares | – | 1,000 |
| Net cash provided by (used in) financing activities | (479,848) | (39,647) |
| Net increase (decrease) in cash and cash equivalents | (36,394) | (52,066) |
| Cash and cash equivalents at beginning of period | 2,302,435 | 2,319,545 |
| Cash and cash equivalents at end of period | 2,266,040 | 2,267,478 |