

## DVx Inc.

3079 Tokyo Stock Exchange First  
 Section

17-Jul.-15

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## ■ Consecutive increases in revenue and earnings in FY3/16, a record high in operating income in FY3/16

DVx Inc. <3079> (hereafter, “DVx” or “the Company”), a sales company for medical devices mainly focused in the area of cardiovascular diseases, rests on two pillars: its arrhythmia business (sales agent) and its ischemia business (mainly sole import agent). With the top market share for its arrhythmia business accounting for 40% in the Kanto region and 20% nationally in Japan, it is expanding market share by taking full advantage of its technical sales support capabilities. The ischemia business sells products to medical facilities and distributors by finding non-competing highly advanced medical devices overseas and then becoming the sole importer with exclusive sales rights.

In its FY3/15 results announced on May 15, the Company maintained, as it has since listing, increased revenue and earnings with net sales up 8.4% y-o-y to ¥28,647mn, and operating income up 10.2% y-o-y to ¥1,429mn. While the ischemia business suffered a slight decline in earnings due to the impact of yen depreciation, it was covered by expansion in its arrhythmia business and other businesses, including neurosurgery-related products businesses. Further, in respect of highly anticipated laser catheters for use in the treatment of peripheral arterial disease in the lower limbs in the new area of excimer laser vascularization, enrollment of cases subject to clinical trials was completed in April 2015, and going forward, a pharmaceutical application will be undertaken with commencement of sales planned for 2017.

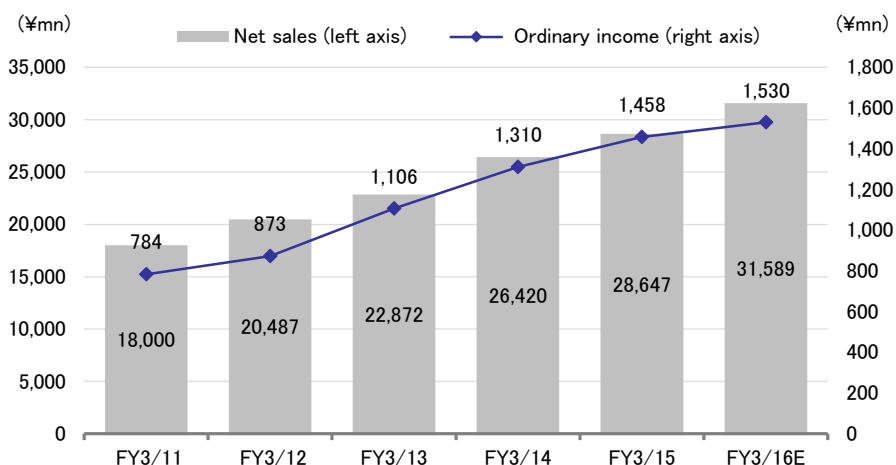
The FY3/16 results outlook anticipates underlying revenue and earnings growth to continue, with net sales to increase by 10.3% y-o-y to ¥31,589mn, and operating income to increase by 7.0% y-o-y to ¥1,530mn. Apart from expansion in the core arrhythmia business, with new development of large-scale hospitals in the Kansai region, double-digit growth in sales is also expected in its ischemia and other businesses. Given that the Company will proactively invest in human resources and IT, it is expected that its profitability will decline slightly, however, it is a conservative plan. Moreover, the assumed exchange rate is ¥120 to the 1USD, with each ¥1 in yen depreciation resulting in a ¥16mn decline in earnings.

The Company has, in its Medium Term Management Plan, pursued a strategy of further increasing its share in the arrhythmia area, expanding into areas other than arrhythmia area (sales agency business) and promoting the acquisition of exclusive distribution rights in relation to new overseas medical device products. At the same time as promoting the recruitment of career staff with strong networks with core regional hospitals, DVx is pushing for expansion in growth. In the domestic market with an ageing population, it is expected that the number of patients mainly in the area of cardiovascular diseases, the Company’s area of business operation, will continue to increase in the future. It is highly likely that double-digit annual growth rates will continue in results also for this Company that possesses strengths in areas such as technical sales support and exclusive distribution rights for leading niche products.

## ■ Check Point

- Top share in medical device sales in the arrhythmia field
- Continues to exceed 20% ROE, and continues to improve productivity
- Progressively increasing dividends in step with earnings expansion, with a 20% payout ratio as the yardstick

Results trends



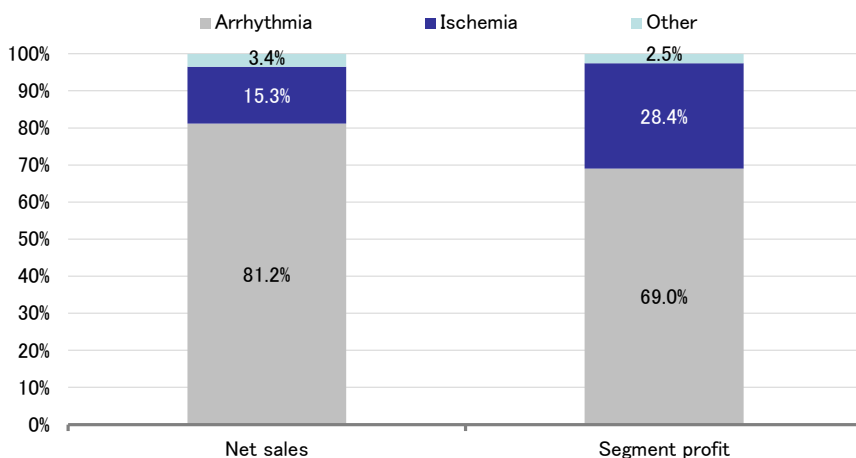
Business Overview

Top share in medical device sales in the arrhythmia field

Established in 1986 as a trading company specializing in medical devices, DVx has achieved steady increase in its revenues, earnings and real dividends since it was listed in 2007. The Company's operations are classified into three segments: arrhythmia business, ischemia business and others. Looking at the composition of FY3/15 net sales, we see little change in the trend from the recent few years, with the arrhythmia business contributing 81.2% and the ischemia business 15.3%, and these two businesses representing more than 96% of the total.

Looking at the composition of segment profits, the ischemia business is slightly higher compared to its proportion of net sales at 28.4%. The reason behind this may be that, as it mainly sells medical devices to domestic trading companies as a sole import agent with exclusive sales rights, the ischemia business has strong control over pricing, though the Company does cover marketing costs and regulatory application fees. On the other hand, the arrhythmia business is based on a model where the Company sources related products from manufacturers or trading companies and sells them to medical facilities, and thus is an environment where price competition is likely because of competing companies dealing in the same products. These environmental differences reflect the differences in profit margins.

Composition by business segment (FY3/15)



Note: Segment profit = gross profits



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**(1) Arrhythmia business**

Principal products in the arrhythmia business include pacemakers, ICDs (Implantable Cardioverter Defibrillators), CRT-Ds (Cardiac Resynchronization Therapy Defibrillators), electrode catheters for examinations and ablation (myocardial ablation) catheters.

As products handled by the Company require not only specialist technical knowledge but also support capabilities, a trusting relationship between the doctors that actually use the devices and the sales representatives is of paramount importance in doing business. The key strengths of the Company are that there are few trading companies that specialize in handling arrhythmia-related products, it has a large number of veteran sales staff possessing ample experience, and it has a solid track record of supplying to medical facilities that treat large numbers of cases, and we feel that the direction adopted by healthcare authorities in seeking to improve medical treatment efficiency by centralizing advanced medical care in core regional hospitals also positively influences the Company's results over the long-term.




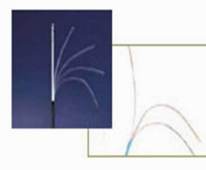
With the top market share of 40% in the Kanto area and 20% nationally, DVx is expanding its market share as it acquires new customers year after year (its domestic market share being only 13% in FY2008). In most cases, the opportunity to acquire new customers (medical facilities) occurs when existing client doctors are transferred. There are many doctors who wish to continue dealing with the Company at their new place of work, and thus the medical facility they are transferred to becomes a customer. For this reason, in cases where the new place of work is a regional medical facility and the Company does not have a sales office in the region, DVx may accommodate such customers by establishing a new local branch or sales office, after taking into consideration profitability under its business plan. In FY3/15 the Company established a local branch in Miyazaki, creating a 21 location structure nationwide. The establishment of that branch office was a result of a request by a manufacturing supplier, and for the reason that there was no major local distributor.

**Scale of the domestic arrhythmia market**

| Calendar year                                   | 2010    | 2011    | 2012    | 2013    | 2014    | Average growth rate (2010-2014) |
|---|---------|---------|---------|---------|---------|---------------------------------|
| Electrode catheters (for examinations)          | 15,960  | 15,127  | 15,085  | 17,792  | 18,155  | 3.3%                            |
| Ablation catheters                              | 7,703   | 9,654   | 11,267  | 12,455  | 13,210  | 14.4%                           |
| Cardiac pacemakers                              | 40,645  | 40,881  | 37,080  | 37,960  | 38,990  | -1.0%                           |
| ICDs/CRT-Ds                                     | 23,479  | 26,346  | 28,825  | 30,079  | 31,346  | 7.5%                            |
| Leads   | 13,310  | 13,918  | 13,190  | 13,644  | 14,185  | 1.6%                            |
| Total   | 101,097 | 105,926 | 105,447 | 111,930 | 115,886 | 3.5%                            |
| Net sales of DVx's arrhythmia business (annual) | 14,688  | 16,580  | 18,830  | 21,607  | 23,268  | 12.2%                           |
| Market share                                    | 14.5%   | 15.7%   | 17.9%   | 19.3%   | 20.1%   |                                 |

Source: R&D Medical Device and Supply Yearbook 2014 Edition

**Products handled in DVx's arrhythmia business**

|  |   |
|--|---|
| <p><b>Cardiac pacemakers</b></p>  <p>© 2012 Boston Scientific Corporation. All Rights Reserved. © Medtronic, Inc.2009. All Rights Reserved.</p> | <p><b>ICDs (Implantable Cardioverter Defibrillators)</b></p>  <p>© 2012 Boston Scientific Corporation. All Rights Reserved. © Medtronic, Inc.2009. All Rights Reserved.</p> |
| <p><b>Electrode catheters</b></p>   | <p><b>Ablation (myocardial ablation) catheters</b></p>   |



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Product overview

| Product name  | Product overview  |
|---|---|
| Cardiac pacemaker   | Devices that are mainly for treating bradycardia, an arrhythmia with a slow heart rate. Pacemakers are devices that take over the cardiac function and stimulate the heart rate when the heart rate is slow, constantly monitoring the heart. They are designed to not operate if the pre-set minimum heart rate is present.  |
| ICDs (Implantable Cardioverter Defibrillators)            | Used mainly for treating severe cases of accelerated pulse rates, known as “ventricular tachycardia” or “ventricular fibrillation”. Ventricular tachycardia is a faster-than-normal heart rate that may cause dizziness or syncope due to inability of the heart to send blood into body when the heart beats at a very fast rate of 180-220 beats per minute (bpm) (normal rate is 60 - 100 bpm). Ventricular fibrillation is a condition where ventricles contract in a rapid way and, if left untreated, may cause death due to unconsciousness caused by the almost complete inability of heart to send blood into body. ICDs are designed to stop arrhythmia using electrical shock pulses when fast pulses rates occur. |
| CRT-Ds (Cardiac Resynchronization Therapy Defibrillators) | ICD enabled devices with Cardiac Resynchronization Therapy (CRT), a type of treatment for heart failure. Cardiac Resynchronization Therapy is a treatment that uses a device, such as a pacemaker, to restore pump function to the heart by correcting interventricular contraction delays. Leads will be placed in coronary veins as well as in the right atrium and ventricle in order to perform pacing to correct interventricular contraction delays. Since these devices were approved for coverage under the National Health Insurance (NHI) in Japan in August 2006 partially due to their more flexible use when compared to ICDs, their market is growing faster than that for ICDs.                                |
| Electrode catheters                                       | Electrode catheters are catheters with electrodes at the tips and are used for testing to determine the adaptation of cardiac pacemakers or ICDs (Implantable Cardioverter Defibrillators). They will be inserted into the heart chamber to examine the cause and location of occurrence of an arrhythmia, as well as to evaluate its severity.   |
| Ablation (myocardial ablation) catheters                  | A kind of electrode catheter used for a procedure called ablation that uses heat to destroy an area of cardiac muscle tissue that is causing rapid heartbeats. The procedure is a treatment that ablates an area causing an arrhythmia and destroys the tissue by applying high-frequency electrical energy to the catheter placed in the heart chamber from the outside. As the range of applicable uses, including WPW syndrome, atrioventricular nodal reentrant tachycardia, atrial flutter ventricular tachycardia and atrial fibrillation, expands year by year, this business continues to grow strongly.  |




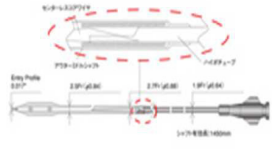


○ Ischemia Business

Principal products in the ischemia business include automatic contrast injection systems (product name: ACIST), excimer laser systems and PTA balloon catheters. The Company sells these products to medical facilities across the country as a sole importer through its distributors. DVx has established 6 sales offices in major cities nationwide.

Automatic contrast injection systems, which DVx commenced import and sales of in 2000, are extremely competitive products representing market shares of 50% for the devices themselves and over 60% for consumables; which is also a reason that this business segment maintains high profit margins. As of end-March 2015, approximately 409 medical facilities have installed these devices, with the domestic distribution cycle being basically completed. At present, sales are focused mainly on consumable sales.

The excimer laser system started being used widely after the coronary catheter (for treatment of coronary artery) was approved for coverage under NHI in July 2012, and a total of 69 have been introduced in medical facilities as of end-March 2015. The range of its applicable use under NHI, including treatment of peripheral arteries in the lower limbs, is expected to expand in the future. As for PTA balloon catheters, the Company outsources their manufacture to FILMECC CO., LTD., a wholly-owned subsidiary of ASAHI INTEC CO., LTD. <7747>.

Products handled in the Ischemia business

|  |  |   |
|--|--|---|
| <br><br><b>Automatic Contrast Injection System</b> | <br><br><b>PTA Balloon Catheters</b> | <br><br><b>Excimer Laser Angioplasty System</b> |
|--|--|---|



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Product overview

| Product name                                | Product overview  | Manufacturer                         |
|---|---|--------------------------------------|
| Automatic Contrast Injection System "ACIST" | ACIST is an injector system that variably controls the flow rate and velocity of contrast injection for angiography of the heart's coronary artery. Its features include: (a) it may be used both in the left ventricle and coronary artery; (b) a special hand controller enables sensitive discharge control; and (c) the system automatically injects either contrast or saline fluids.  | ACIST Medical Systems, US            |
| PTA Balloon Catheters "CAST", "Tip Top"     | Medical devices used for PCI (Percutaneous Coronary Intervention), a procedure to percutaneously treat ischemic heart diseases, such as heart attack and angina. The catheter, equipped with a balloon at the tip, is inflated in a blood vessel that has been narrowed by the accumulation of agents such as cholesterol, to enlarge the blocked area.   | FILMECC (subsidiary of ASAHI INTECC) |
| Excimer Laser Angioplasty System "CVX-300"  | A treatment device to remove plaque (cholesterol) that has become calcified or fibrous in the coronary artery with vaporization induced by laser irradiation. The device with a wavelength in the UV range will generate less heat. With a limited reach range of 0.005 mm, the device gives rise to less complications and superior results. Other than coronary artery, "CVX-300" can also be used for treatment of peripheral blood vessel and cardiac lead removal for pacemakers and ICDs. | Spectranetics, US                    |

○Others

The "Others" segment includes products not included in other two main business segments of arrhythmia and ischemia, such as neurosurgery-related and gastrointestinal system-related products, as well as radiation protection products and books. In respect of neurosurgery-related products, it is being developed, focusing mainly on the Shizuoka sales office which acquired these operations in 2010.

■ Results Trends

Last period actual results exceeded initial forecasts, increased sales in all business segments

(1) FY3/15 Results Overview

FY3/15 results continued the growth in both revenue and earnings that has occurred since DVx was listed, with net sales up 8.4% y-o-y to ¥28,647mn, operating income up 10.2% y-o-y to ¥1,429mn, ordinary income up 11.3% y-o-y to ¥1,458mn and net income up 16.7% y-o-y to ¥919mn; also coming in over the initial Company plan.

FY3/15 results

(Units: ¥mn)

|   | FY3/14         |         | FY3/15       |                |         |       |         |
|---|----------------|---------|--------------|----------------|---------|-------|---------|
|   | Actual results | % Sales | Company Plan | Actual results | % Sales | y-o-y | Vs Plan |
| Net sales   | 26,420         | -       | 27,583       | 28,647         | -       | 8.4%  | 3.9%    |
| Cost of goods sold (COGs)                         | 21,759         | 82.4%   | -            | 23,754         | 82.9%   | 9.2%  | -       |
| Selling, general & administrative expenses (SG&A) | 3,364          | 12.7%   | -            | 3,463          | 12.1%   | 3.0%  | -       |
| Operating income                                  | 1,297          | 4.9%    | 1,334        | 1,429          | 5.0%    | 10.2% | 7.1%    |
| Ordinary income                                   | 1,310          | 5.0%    | 1,333        | 1,458          | 5.1%    | 11.3% | 9.4%    |
| Net income  | 788            | 3.0%    | 838          | 919            | 3.2%    | 16.7% | 9.7%    |

Apart from steady expansion in sales of core arrhythmia business products, in its ischemia business, excimer laser angioplasty system-related consumables performed soundly (e.g. coronary catheters). Further, in other business also, in addition to expansion in sales of neurosurgery-related products, sales were recorded for large-sized medical devices, with all business segments achieving growth in sales. Moreover, the impact on sales due to the pricing revision of insurance reimbursement prices in the Spring of 2014 was a factor tending to reduce sales by 3.4%.

The operating income margin rose by 0.1 ppt to 5.0%, comfortably ensuring the target of being above the 4% mark. The 0.6 ppt decline in the SG&A ratio due to the impact of higher sales, despite deterioration in the COGs ratio by 0.5 ppt year-on-year as a result of changes in the product mix (e.g. increases in ischemia products and neurosurgery products manufactured by other firms) and the yen depreciation trend in foreign exchange rates, contributed to this (improvement). Moreover, operating income decreased by ¥100mn due to the yen's depreciation.

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\*1Freezor Cardiac CryoAblation Catheter (manufactured by Meditronics) is a catheter used in "catheter myocardial freezing ablation" becoming covered by the NHI in July 2014. In comparison to previous radiofrequency catheter ablation operations, times are shortened, being completed in about two thirds the time, and they also enable reliable atrial fibrillation treatment. They are effective in (treating) paroxysmal atrial fibrillation.

\*2Diagnostic ultrasound catheters (manufactured by J&J) are intravascular catheters, approved by the FDA as an examination system for arrhythmia in 2010 and used for 3D mapping systems. In Japan, the device was approved by the medical affairs administration in 2011 and started to move toward popularization and growth from FY3/14.

Further, the clinical trial costs associated with laser catheters for treatment of arteries in the lower limbs for which trials are being progressed as a new area for excimer laser angioplasty systems were ¥140mn, or a year-on-year decline of around ¥30mn. In respect of the trials, enrollment of all scheduled 50 cases was completed by April 2015, and going forward, after activities such as follow-up observations, DVx will apply for pharmaceutical approval, with sales scheduled to commence in 2017.

In addition to volumes performing well in terms of sales, we may cite expansion in neurosurgery-related products and the recording of large-sized medical device sales as factors that tended to push results above the initial plan. Further, from a profit perspective, in addition to the impact of higher sales, the fact that trial costs could be kept marginally under the initial plan was a factor. FY3/15 performances by business segment are explained below

○Arrhythmia business

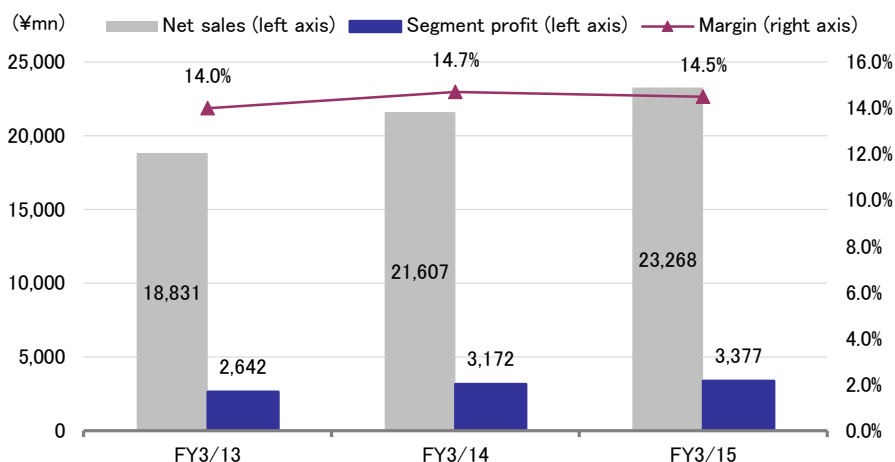
Net sales in the arrhythmia business rose 7.7% y-o-y to ¥23,268mn, while segment profit rose 6.5% y-o-y to ¥3,377mn. Despite there being an impact from the lowering of insurance reimbursement prices, against a background of increases in the aged population, the trend is for cardiovascular disease patient numbers to increase year after year, with continuing expansion in volumes being a (contributing) factor. Also, growth in non-metropolitan areas such as Kansai, Hiroshima and Fukui stood out. Sales in metropolitan areas are growing, however, in terms of the proportion of sales, at 75% the trend is one of decline from 80% three years ago; reflecting the fact that new customer acquisition is progressing steadily.

Looking at sales trends by major product, apart from steady expansion in electrode catheters (with ablation function) which rose 7.9% y-o-y to ¥2,798mn, Freezor Cardiac CryoAblation Catheter\*1, for which sales as a new product were commenced in July 2014also contributed ¥379mn to increased sales. Further, in line with prevalence of 3D mapping test systems, diagnostic ultrasound catheters\*2 also experienced double-digit growth of 30% y-o-y to ¥1,636mn.

On the other hand, despite pacemakers being flat on a unit volume basis, sales declined 5.8% y-o-y to ¥2,743mn due to impact of reduced insurance reimbursement prices, and electrode catheters (for ablation) were down 2.9% y-o-y to ¥1,138mn due to the impact of a partial shift to cryoablation catheters.

The profit margin in this business declined 0.2 ppt y-o-y to 14.5%. Due to medical fee revisions implemented in April 2014, there was an impact from reduced insurance redemption prices for most of the main products handled, however, by also promoting reductions in procurement costs, it was maintained at almost the same level as the previous period.

Arrhythmia business revenue trends



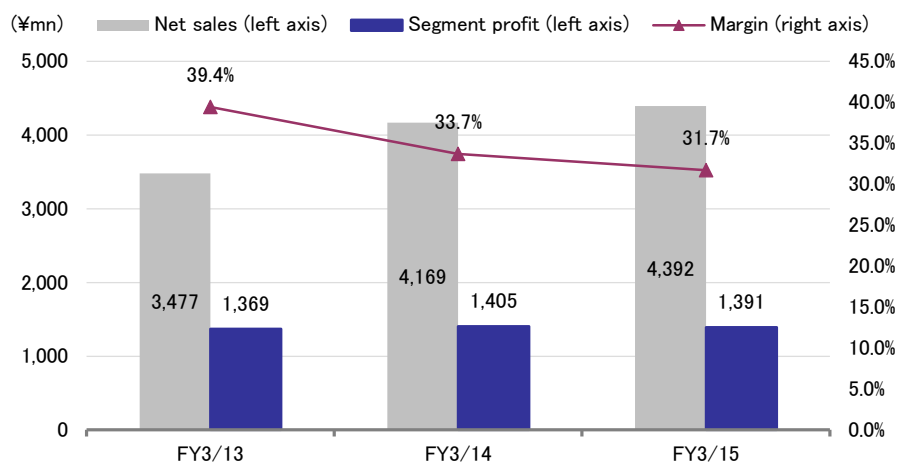
○ **Ischemia business**

Net sales in the ischemia business rose 5.4% y-o-y to ¥4,392mn, while segment profit declined 1.0% y-o-y to ¥1,391mn. Apart from consumables for its core Automatic Contrast Injection System (ACIST) performing soundly, as a result of proactively engaging in the recruitment of career staff who have strong doctor networks, new customer acquisition progressed, and general distributor products also, such as coronary artery stents, performed well, with double-digit growth.

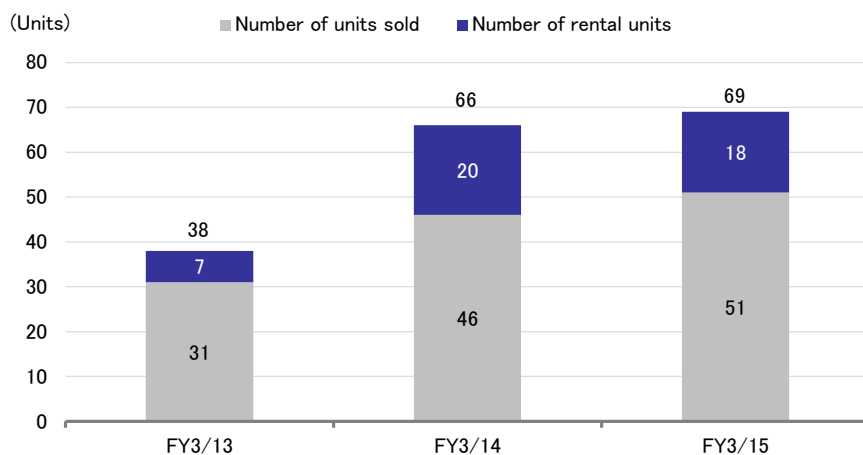
While other business sales are still small at less than 10%, coronary catheters (for coronary artery treatments) also showed outstanding growth of 90% y-o-y. Since becoming covered by the NHI in July 2012, in addition to installations of excimer laser angioplasty systems units themselves in medical facilities nationwide, 0.9mm small diameter products becoming newly covered by the NHI in June 2014 has (also) led to further growth in demand.

Moreover, the number of excimer laser angioplasty system units installed in medical facilities has increased steadily to 69 by end-March 2015 (a year-on-year increase of 3 units), however, there have been declines in the number of units sold annually, with declines in sales of the system units themselves.

**Ischemia business revenue trends**



**Number of excimer laser angioplasty system units installed**



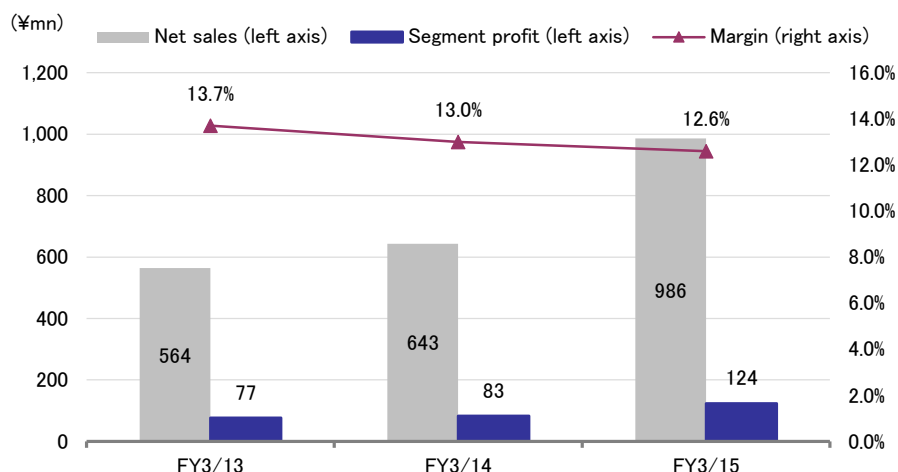
The profit margin in this business declined by 2.0 ppt to 31.7%. As noted above, this was impacted on by rises in procurement costs as a result of yen depreciation and changes in the product mix. With regard to changes in the product mix, the impact came from rises in the proportion of sales represented by products sourced from other distributors such as coronary artery stents.

○Other business

Both revenue and earnings increased significantly in DVx's other business, with net sales rising 53.2% y-o-y to ¥986mn, and segment profit increasing 48.5% y-o-y to ¥124mn. In addition to sales of neurosurgery-related products (e.g. stents and catheters) performing soundly, the main reason for this is the inclusion in sale of angiography systems, which are large-scale medical devices (cardiovascular system x-ray imaging systems). In this business also the recruiting of career staff has been highly beneficial, with, in particular, sales of related products increasing significantly at the Hamamatsu sales office (Shizuoka) and Fukuyama branch office (Hiroshima).

Segment profit margin declined 0.4ppt y-o-y to 12.6%, however, in addition to the profit margin in large-sized medical devices being lower, the reason is that neurosurgery-related products are still at relatively low levels. However, in respect of neurosurgery-related products, it has been cited as one area that will be focused on in the medium term, and going forward DVx will promote product expansion and by seeking to expand the volume of sales aim to lower procurement costs and increase profit margins.

Other business revenue trends



**Continues to exceed 20% ROE, and continues to improve productivity**

(2) Financial status & management indices

Looking at DVx's financial condition at end-March 2015, total assets rose ¥1,435mn y-o-y to ¥12,760mn. The main factors behind the rise were an increase in accounts receivable (up ¥463mn) associated with increased sales at the period end, increases in inventories (up ¥395mn) associated with increased unit volume sales of proprietary DVx products, and an increase in cash and deposits (up ¥106mn).

On the other hand, liabilities rose ¥658mn from the end of the previous period to ¥7,781mn. The main reason was an increase in accounts payable (up ¥661mn) associated with increased procurement. Also, Net assets rose ¥777mn y-o-y to ¥4,978mn due to an increase in retained earnings (up ¥750mn).

Looking at management indices, the shareholders' equity ratio, which indicates safety, rose 1.9 ppt y-o-y to 39.0%, and further the debt/equity ratio was 2.9%, making it in practice a debt free structure, and may be termed to be in a healthy financial position. Looking at profitability indices, the OP margin is trending stably at around 5.0%, with both the ROE and ROA steady and maintaining levels of over 20% and over 10% respectively. In particular, the ROE is an investment indicator that institutional and other investors valued most, with the maintenance of an excellent level over 20% especially noteworthy. Also, looking in relation to productivity indices as well, within the strengthening of staff structures, sales per employee is in an upward trend, which may be regarded highly as the undertaking of effective investment in human resources.



**Balance Sheet**

|                                | (Unit: ¥mn)  |               |               |                  |
|--------------------------------|--------------|---------------|---------------|------------------|
|                                | FY3/13       | FY3/14        | FY3/15        | Amount<br>change |
| Current assets                 | 9,326        | 10,572        | 11,743        | 1,171            |
| Cash and deposits              | 3,188        | 3,186         | 3,292         | 106              |
| Inventories                    | 470          | 550           | 945           | 395              |
| Fixed assets                   | 670          | 752           | 1,017         | 265              |
| <b>Total assets</b>            | <b>9,996</b> | <b>11,325</b> | <b>12,760</b> | <b>1,435</b>     |
| Current liabilities            | 6,179        | 6,840         | 7,434         | 594              |
| Fixed liabilities              | 275          | 283           | 347           | 64               |
| (Interest-bearing liabilities) | 192          | 148           | 143           | -5               |
| <b>Total liabilities</b>       | <b>6,455</b> | <b>7,123</b>  | <b>7,781</b>  | <b>658</b>       |
| <b>Net assets</b>              | <b>3,541</b> | <b>4,201</b>  | <b>4,978</b>  | <b>777</b>       |
| Management indices             |              |               |               |                  |
| (Safety)                       |              |               |               |                  |
| Shareholders' equity ratio     | 35.4%        | 37.1%         | 39.0%         | 1.8pt            |
| D/E ratio                      | 5.4%         | 3.5%          | 2.9%          | -0.6pt           |
| (Profitability)                |              |               |               |                  |
| ROE                            | 21.1%        | 20.4%         | 20.0%         | -0.4pt           |
| ROA                            | 11.7%        | 12.3%         | 12.1%         | -0.2pt           |
| Operating income margin        | 4.9%         | 4.9%          | 5.0%          | 0.1pt            |
| (Productivity)                 |              |               |               |                  |
| Net sales per employee (¥mn)   | 106          | 115           | 122           | 7                |

**■ Future Outlook**
**Expectation of new record high operating income in this period also, impact from yen depreciation limited**
**(1) FY3/16 Results Outlook**

The outlook for FY3/16 results is for net sales to increase 10.3% y-o-y to ¥31,589mn, operating income to increase 7.0% y-o-y to ¥1,530mn, ordinary income to rise 5.0% y-o-y to ¥1,530mn and net income to rise 8.0% y-o-y to ¥993mn. This anticipates 29 years of consecutive growth in net sales and consecutive posting of record high operating income.

DVx's strategy is to promote expansion in results while promoting new customer acquisition going forward, armed with its advanced technical support capabilities, within a market environment where the trend is for increased numbers of patients in the field of cardiovascular diseases, associated with the progression of the ageing society. The operating income margin will decline 0.2 ppt to 4.8%, however, apart from continuing to proactively hire career staff in this period also, this is because an increase in staff costs is expected due to among other things plans to hire around 30 staff with the aim of strengthening of head office functions and other factors. In particular, there will be roughly a doubling of the number staff to date at the Osaka sales office to around 10. Due to the recruitment of career staff, the Company has succeeded in acquiring seven to eight large-scale hospitals as customers, and in this period by focusing on responding to new customers, it is promoting sales expansion in the Kansai area. Moreover, in line with increases in new customers during this period or the next period, the Company is also considering establishing a new sales office, with Wakayama or Nara the candidates.

Apart from implementing IT investment for improving internal work efficiency, other measures include becoming proactive also in investment in medical device manufacturing venture companies that may lead to securing sole distribution rights for new products.

Moreover, the assumed exchange rate is ¥120 per USD1, and in the case going forward that yen depreciation proceeds further, there is the possibility that this will be a factor tending to depress earnings, however, import sales are only around 10% of the overall, and thus the impact will not be too great. Hypothetically, even if it is a factor behind cost increases, it is felt that it will be easily able to be covered by, for example, reduction in other costs.



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\*1Percutaneous transluminal coronary angioplasty is a therapy to improve arterial circulation by breaking down blood clots at a molecular level through excimer laser irradiation into (affected) areas in cases where arteries that carry blood to the heart are narrowed or have an embolism due to hardening of the arteries or blood clots.

\*2Cardiac lead removal – The need to remove lead wires that have become a source of infection arises when devices such as pacemakers and ICDs are infected by bacteria and there is a danger of infection spreading to the entire body in order to contain the infection. However, lead wires that are placed inside the heart for extended periods become intertwined with the hearts structures, and previously removing them was difficult. DVx's product by irradiating an excimer laser from the tip of a catheter, provides a therapy for separating the lead wires from the heart structures.

In plans by business segment the arrhythmia business is expected to be up 9.5% y-o-y to ¥25,470mn. Apart from being able to anticipate the results of new customer acquisition in the Kansai area, DVx will also promote the further development of existing customers. Additionally, it will also continue to tackle reduction in procurement costs. By product, growth in catheter categories is expected, focusing on cryoablation catheters. Small gains in unit volumes of pacemakers, ICDs and other devices are also expected.

The outlook in the ischemia business is for double-digit growth of 13.0% to ¥4,961mn. Apart from securing replacement demand for Automatic Contrast Injection Systems (ACIST), by promoting the installation of excimer laser angioplasty systems, the Company expects increased sales of consumables such as coronary catheters. However, it is expected that profit margins will decline slightly as procurement costs rise due to yen depreciation.

The Company is aiming for the number of excimer laser angioplasty system units installed to rise by 10 year-on-year to 79. Given that the cost of a single unit is high, and many medical facilities are cautious in installing them, DVx's policy is to also promote rental installations. If sales commence as scheduled from 2017 for laser catheters for use in the treatment of arteries in the lower limbs for which pharmaceutical approval is currently being applied for it will be easier to promote installation on the medical facility side because, in combination with percutaneous transluminal coronary angioplasty therapy\*1 and cardiac lead removal \*2, three types of operative methods will be possible with the same excimer laser system. As a result, it is the focus of attention as one product where further growth may be expected from 2017.

Other business is expected to grow 17.3% y-o-y to ¥1,156mn. Growth in sales for neurosurgery-related products and angiography systems continues to be expected. In this period, seeking to strengthen sales structures, the Company plans to enter not only the Shizuoka area, but also the Kanagawa area in the neighboring prefecture.

### Results trends by business segment

|                     | (Unit: ¥mn) |        |        |         |             |
|---------------------|-------------|--------|--------|---------|-------------|
|                     | FY3/13      | FY3/14 | FY3/15 | FY3/16E | Growth rate |
| Net sales           |             |        |        |         |             |
| Arrhythmia business | 18,830      | 21,607 | 23,268 | 25,470  | 9.5         |
| Ischemia business   | 3,477       | 4,169  | 4,392  | 4,961   | 13.0        |
| Others              | 564         | 643    | 986    | 1,156   | 17.3        |
| Total               | 22,872      | 26,420 | 28,647 | 31,589  | 10.3        |
| Segment profit      |             |        |        |         |             |
| Arrhythmia business | 2,642       | 3,172  | 3,377  |         |             |
| Ischemia business   | 1,369       | 1,405  | 1,391  |         |             |
| Others              | 77          | 83     | 124    |         |             |
| Common expenses     | -2,964      | -3,364 | -3,463 |         |             |
| Operating income    | 1,124       | 1,297  | 1,429  | 1,530   | 7.0         |

## Plan to expand sales areas nationwide will also focus on uncovering new products

### (2) Medium Term Strategy

The Company's medium term strategy is to divide operations into the "sales agent business" (arrhythmia and other business) and the "sole importer business" (ischemia business), taking the directions set out below to tackle strengthening the respective business portfolios.

#### ○Sales agent business

In respect of its sales agent business, the Company will focus on rolling out sales areas nationwide and expanding the business fields it handles. In terms of expanding sales areas, as noted above, apart from succeeding in new customer acquisition in the Kansai area, it is steadily expanding in regional areas also, with for example the establishment of a local branch in Miyazaki. In the cardiovascular field, given that in regional areas there are virtually no competitors who possess the high quality support capabilities of DVx, going forward also, although dependent on the customers (doctors, manufacturing suppliers etc.), the Company's aim is to expand sales areas nationally while promoting career staff recruitment.

In expanding the business fields it handles, from FY3/15 DVx is strengthening moves to get involved in the ischemia and neurosurgery areas as medical care fields outside arrhythmia, which is immediately leading to increased sales. Given that the scale handled is still small there are also products with low profitability, however, the Company's aim is to accelerate growth, seeking to expand sales volumes while promoting career staff recruitment.

○ **Sole importer business**

In respect of its sole importer business, in order to promote the development of a product pipeline the Company will undertake even more proactively than it has done to date the uncovering of new products. The newly appointed President and CEO Mr. Shigeru Chiba assumes leadership, and is working on it with a unit organized reporting directly to him. While striving to match the broad domestic and overseas network possessed by the CEO, who held a position for many years with a foreign medical device manufacturer, with the needs divined locally by DVx's staff, the Company will uncover new products. Target candidates are those that are expected to be marketable domestically but that do not have competing products, or those that if commercialized may be expected to have a large market share.

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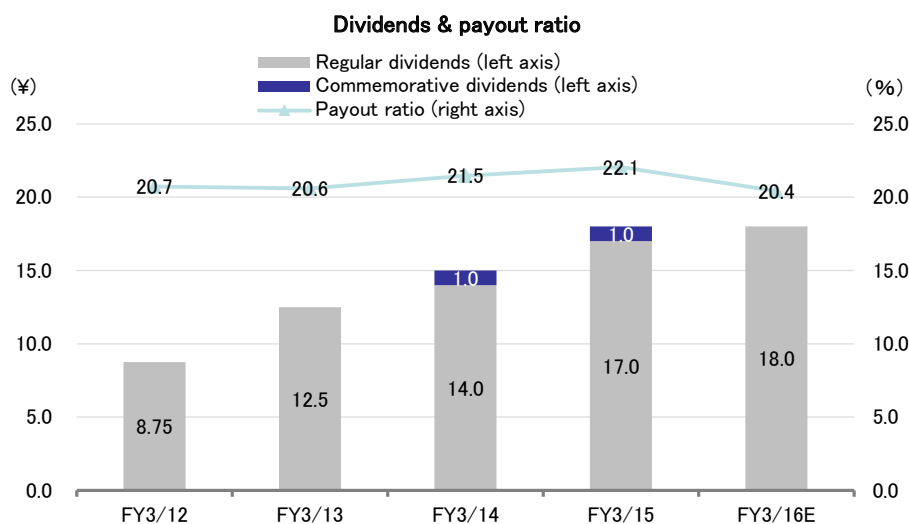
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■ **Shareholder Returns Policy**

**Progressively increasing dividends in step with earnings expansion, with a 20% payout ratio as the yardstick**

The Company's underlying dividend policy emphasizes maintaining stable dividends based on a dividend payout ratio of 20%. Along with results expansion the Company has continued to raise dividends in each consecutive year since listing in 2007. In FY3/16 the dividend will be flat year-on-year at ¥18.0 (a payout ratio of 20.4%), however, in the previous period the Company added a ¥1.0 dividend to commemorate its First Section listing, and so, on a regular dividend basis, it is continuing to increase dividends. If it appears that results will exceed the Company's plan the likelihood of dividends being increased is high.

As part of its shareholder benefits program, the Company awards Quo cards (prepaid gift card) to shareholders of register, as of the end of March (with a card that is equivalent to ¥1,000 awarded to those with at least 100 shares but less than 200 shares; and a card equivalent to ¥2,000 awarded to those with 200 shares or more.) The total return on investment, including shareholder benefits, is over 2%.



Note: Stock splits were implemented in FY3/12, FY3/13 and FY3/15, with dividends restated retroactively.



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Income Statement (nonconsolidated)

(Unit: ¥mn)

|                                     | FY3/12 | FY3/13 | FY3/14 | FY3/15 | FY3/16E |
|-------------------------------------|--------|--------|--------|--------|---------|
| Net Sales                           | 20,487 | 22,872 | 26,420 | 28,647 | 31,589  |
| (y-o-y)                             | 13.8%  | 11.6%  | 15.5%  | 8.4%   | 10.3%   |
| COGs                                | 16,759 | 18,782 | 21,759 | 23,754 |         |
| (% of sales)                        | 81.8%  | 82.1%  | 82.4%  | 82.9%  |         |
| SG&A                                | 2,834  | 2,964  | 3,364  | 3,463  |         |
| (% of sales)                        | 13.8%  | 13.0%  | 12.7%  | 12.1%  |         |
| Operating income                    | 892    | 1,124  | 1,297  | 1,429  | 1,530   |
| (y-o-y)                             | 14.5   | 26.0   | 15.3   | 10.2   | 7.0     |
| (% of sales)                        | 4.4    | 4.9    | 4.9    | 5.0    | 4.8     |
| Ordinary income                     | 873    | 1,106  | 1,310  | 1,458  | 1,530   |
| (y-o-y)                             | 11.3%  | 26.7%  | 18.5%  | 11.3%  | 5.0%    |
| (% of sales)                        | 4.3%   | 4.8%   | 5.0%   | 5.1%   | 4.8%    |
| Income before income tax            | 867    | 1,104  | 1,307  | 1,451  |         |
| (y-o-y)                             | 41.9%  | 27.3%  | 18.4%  | 11.0%  |         |
| (% of sales)                        | 4.2%   | 4.8%   | 4.9%   | 5.1%   |         |
| Corporate income tax                | 391    | 421    | 519    | 531    |         |
| (Effective tax rate)                | 45.1%  | 38.2%  | 39.7%  | 36.6%  |         |
| Net income                          | 476    | 682    | 788    | 919    | 993%    |
| (y-o-y)                             | 33.3%  | 43.4%  | 15.5%  | 16.7%  | 8.0%    |
| (% of sales)                        | 2.3%   | 3.0%   | 3.0%   | 3.2%   | 3.1%    |
| [Major Indicators]                  |        |        |        |        |         |
| Number of shares issued (thousands) | 11,280 | 11,277 | 11,277 | 11,277 | 11,277  |
| EPS (¥)                             | 42.21  | 60.54  | 69.92  | 81.57  | 88.11   |
| Dividend per share (¥)              | 8.75   | 12.5   | 15.0   | 18.0   | 18.0    |
| BPS (¥)                             | 260.83 | 314.05 | 372.55 | 441.49 | -       |
| Number of employees                 | 194    | 215    | 229    | 234    | -       |

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