

**DAIKEN MEDICAL CO., LTD.**7775 Tokyo Stock Exchange  
First Section

18-Jul.-14

Important disclosures  
and disclaimers appear  
at the end of this document.FISCO Ltd. Analyst  
Yuzuru Sato**■ With eight straight years of sales and recurring profit increases, company aims to expedite growth**

Daiken Medical develop and manufactures medical equipment and holds the top shares of the Japanese markets for aspiration devices and disposable infusion pumps. The company is strong in developing original, convenient products and has maintained high growth by concentrating on high-margin disposable medical products.

In the fiscal year that ended in March 2014, i.e., in FY3/14, the company raised its sales by 8.0% year-to-year (y-o-y) and its recurring profit by 12.1% y-o-y, marking the eighth straight year of increases in both and achieving record highs in both. This growth was led by greater sales of the company's main products, such as QinPot aspirators and Syringjectors with PCA (patient-controlled analgesia) devices. Both products expanded their market shares. For FY3/15, the company expects these products to propel sales growth of 6.3% y-o-y and recurring profit growth of 10.6% y-o-y.

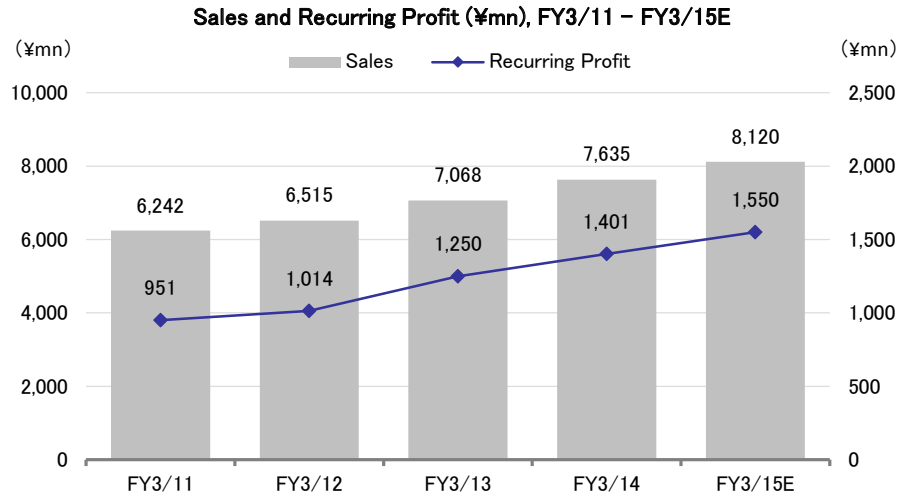
For FY3/19, the company targets sales of ¥30bn. It plans to achieve this target by increasing sales of its existing products, launching sales of new products, and entering new fields of medical equipment business. It projects especially strong growth from the improvement of disposable infusion pumps and electrical pumps that incorporate micro electrical mechanical systems (MEMS), making them smaller and less costly than its current products. It is also applying MEMS technology to develop equipment to drain body fluids, a new business area for the company, and it plans to sell all these new products in the US and Europe, as well as in Japan.

The company has recently developed a pharyngeal cooling apparatus called COOPDECH i-Cool and is developing a system to quickly identify the bacterium causing pneumonia. The company expects these new products to contribute to faster sales and profit growth from FY3/16.

The company aims to maintain a dividend payout ratio of 40%. Toward this end, it increased its dividend payment for FY3/14 by ¥2.5 y-o-y, making it ¥24.0 per share, and it plans to lift its dividend payment for FY3/15 by ¥3.0, making it ¥27.0. Furthermore, the company awards a QUO Card worth ¥1,000 to each holder of a minimum lot of 100 shares as of the end of every fiscal year.

**■ Check Point**

- Company holds the top shares of the Japanese markets for aspiration devices and disposable infusion pumps, its main product lines
- Strong sales of aspiration devices and disposable infusion pumps supported an eighth consecutive annual increase in sales and recurring profits in FY3/14
- By new customer development, the company will strive for continued growth in FY3/15
- New products expand the company's growth potential



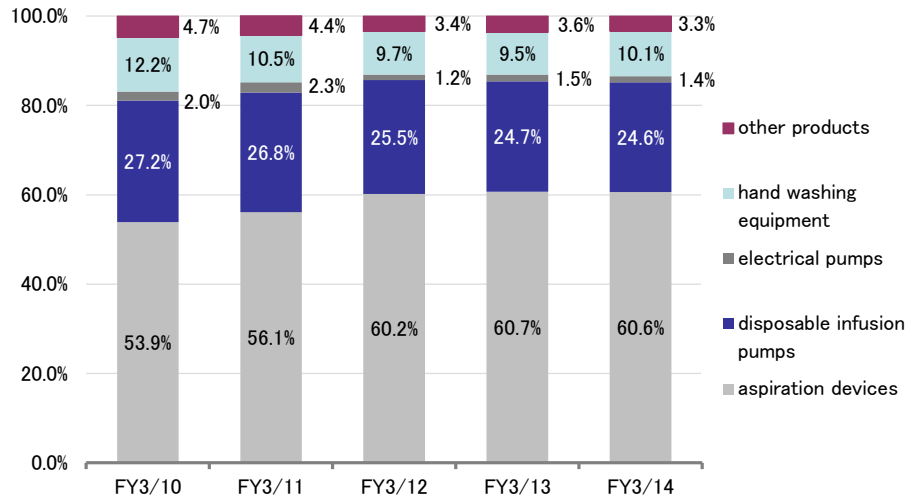
## ■ Description of Businesses

### Company holds the top shares of the Japanese markets for aspiration devices and disposable infusion pumps, its main product lines

Daiken Medical holds the top shares of the Japanese markets for its two main product lines, aspiration devices and disposable infusion pumps, reflecting its strength in developing innovative products to improve user's convenience. The company undertakes trial production and maintains a production line for small product quantities, but it outsources mass production to manufacturers in Japan and overseas. This production scheme allows the company to respond rapidly to changes in demand. The company concentrates on developing high value-added disposable medical equipment and on expanding its share of the Japanese market for this equipment, thereby growing fast and maintaining high profitability.

From FY3/10 to FY3/14, the company's sales composition or weighting in aspiration devices grew steadily, reaching 60.6% in FY3/14. Over the same period, its sales weighting in disposable infusion pumps declined slightly, but it remained 24.6% in FY3/14. Thus, the product lines of aspiration devices and disposable infusion pumps accounted for 85% of total sales and provided most of the company's profits.

Sales Composition Ratio by Product, FY3/10 – FY3/14



**(1) Aspiration devices**

Provides more than 60% of total sales

Daiken Medical sells two main brands of aspiration devices, the FitFix brand and the QinPot brand. The FitFix brand, developed in 1990, was the first plastic equipment in Japan used to vacuum blood and other bodily fluids from a surgical site and solidify these fluids within a confined system. Prior to the development of this device, bodily fluids were vacuumed into glass bottles, which were washed and reused. This practice exposed surgical patients to the risk of contamination. By using FitFix aspirators, hospitals eliminated this risk and reduced the work of surgical staff. Because of these advantages, FitFix aspirators now accounts for 70% or more of all surgical aspirators used in Japan.

FitFix Aspirators

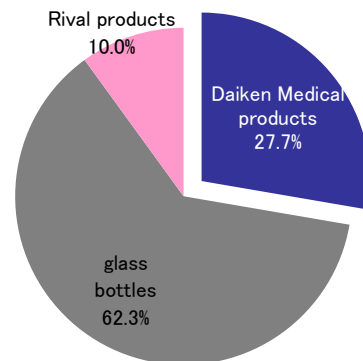


The QinPot brand, developed in 2004, is used to remove small quantities of bodily fluids, such as sputum, from inpatients on hospital wards. The QinPot brands also solidifies the extracted bodily fluids and stores them in disposable plastic bags for incineration. The growth potential of QinPot aspirators depends on their greater adoption as a prime aspiration device.

**QinPot Aspirators**



**Shares of Japanese Market for Hospital Ward Aspiration Devices as of the end of March 2014**



Source: Daiken Medical Co., Ltd.

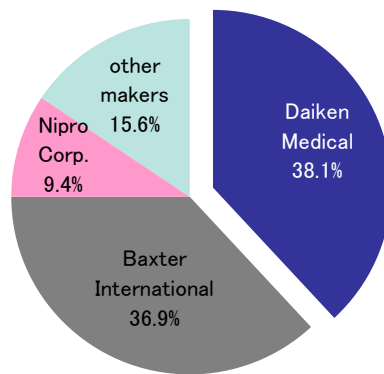
The company estimates that there were about 300,000 aspiration devices installed in hospital wards in Japan at the end of FY3/14, of which 62% were still glass bottle aspirators. By the end of FY3/14, the company had introduced a cumulative total of 76,000 QinPot devices (10,000 more than the total a year earlier) replacing the glass products. The company achieved a 27.7% share of the market in terms of installed aspirators by the end of FY3/14. Given the sanitation and convenience advantages offered by QinPot aspirators, the company expects them to take a majority share of the market eventually, just as FitFix aspirators now dominate the market for surgical aspirators.

**(2) Disposable infusion pumps**

The Syrinjectors brand of disposable infusion pumps administers small, steady amounts of analgesics or other pain killers through intravenous catheters to patients after surgery. Usually, they are used in hospitals or medical clinics, but occasionally, they are used by patients at their homes, under the supervision of a physician.

Daiken Medical has the highest share of the Japanese market for disposable infusion pumps. This share rose steadily to 38.1% in March 2013 because of the advanced functions of the injectors and the superior operability of their new patient-controlled analgesia (PCA) devices.

Shares of the Japanese Market for Disposable Infusion Pumps as of March 2013



Source: Market Prospects for General-use Equipment, 2013 by the Yano Research Institute

COOPDECH Syringinjectors with PCA devices



(3) Other product lines

Daiken Medical also produces syringe pumps and other electrical pumps for medical equipment, equipment for hospital personnel to wash their hands, such as equipment for sterilizing water, and other medical equipment, such as breath warmers and endobronchial blocker tubes. These products account for small proportions of the company's total sales and profits, so they are not addressed in this report.

COOPDECH Syringe Pumps



Hand-washing Equipment for Hospital Use



COOPDECH Breath Warmers



Company develops products that satisfy practical needs

(4) R&D, production, and sales

Daiken Medical employs 28 researchers at its Product Development Research Center in Izumi City, Osaka Prefecture, and at its New Market Development Division established in 2011 in Kanagawa Science Park. In cooperation with medical doctors, these researchers conduct R&D jointly with many universities and companies.

The Izumi Assembly Center manufactures new products, but the company outsources mass production to manufacturers in Japan and overseas. One of the overseas contractors is a Thailand subsidiary of a Japanese manufacturer that produces part of the FitFix aspirators, the QinPot aspirators, and the Syringinjectors with PCA devices. In FY3/14, about 40% of the company's products were manufactured overseas.

The company has 10 sales offices located in major markets in Japan, which sell directly to hospitals. By maintaining close relationships with hospitals, sales personnel learn the needs of hospitals and ensure that these needs are met by products under development.

**Izumi Product Development  
Research Center**



**Izumi Assembly Center**



**Kanagawa Science Park**



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■ **Business Trends**

**Strong sales of the main products supported eight years of sales and recurring profit increases**

(1) Results in FY3/14

In FY3/14, Daiken Medical's consolidated sales grew by 8.0% y-o-y to ¥7,635mn, its operating profit advanced by 10.2% to ¥1,389mn, its recurring profit increased by 12.1% to ¥1,401mn, and its net profit rose by 11.9% to ¥881mn. Sales, operating profit and recurring profit set record highs for the eighth straight year.

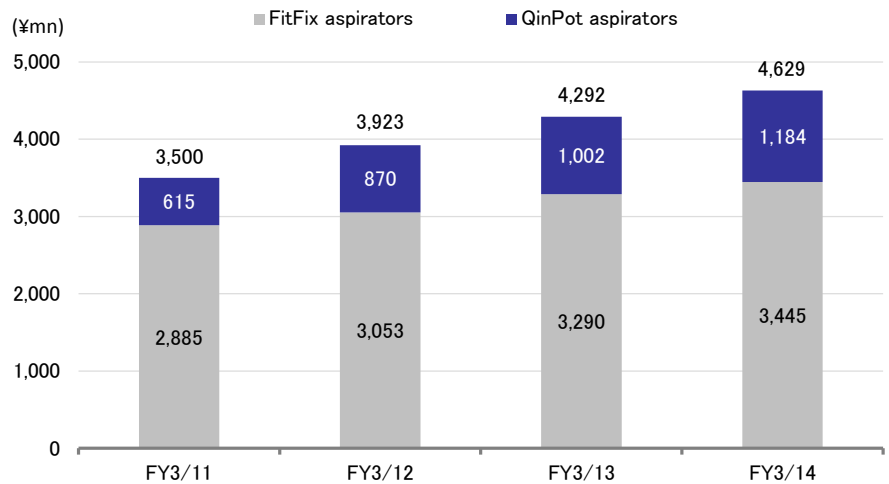
**Consolidated Results (¥mn), FY3/13 – FY3/14**

	FY3/13		FY3/14				
	Results	vs. sales	Co. f	Results	vs. sales	y-o-y	vs.Co. f
Sales	7,068	–	7,550	7,635	–	8.0%	1.1%
Gross profit	3,505	49.6%	–	3,923	51.4%	11.9%	–
Cost of sales	3,562	50.4%	–	3,711	48.6%	4.2%	–
SGA costs	2,244	31.8%	–	2,533	33.2%	12.9%	–
Operating profit	1,260	17.8%	1,395	1,389	18.2%	10.2%	–0.4%
Recurring profit	1,250	17.7%	1,400	1,401	18.4%	12.1%	0.1%
Net profit	787	11.1%	880	881	11.5%	11.9%	0.2%

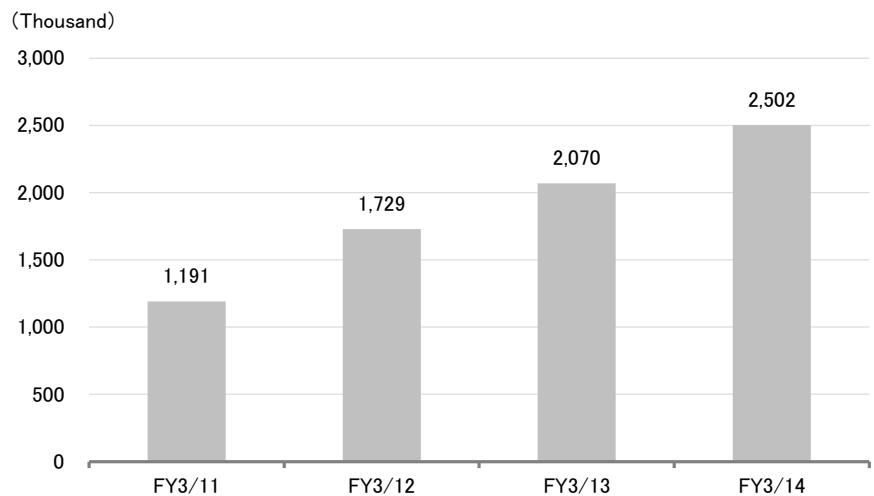
Note: Company forecasts are upward revisions as of January 2014

Sales of aspiration devices and disposable infusion pumps led overall sales growth. Sales of aspiration devices grew by 7.9% y-o-y to ¥4,629mn. In volume, sales of QinPot aspirators increased by 10,000 units y-o-y to a cumulative total of 76,000 units, while sales of disposable liners for these main body grew by 20.8% y-o-y to 2,502,000 units. Thus, sales of QinPot main body and disposable liners advanced by 18.1% y-o-y to ¥1,184mn. Sales of FitFix aspirators increased by 4.7% y-o-y to ¥3,445mn, in part, due to an increase in the number of surgical operations performed in Japan as the country's population ages.

**Sales (¥mn) of Aspiration Devices, FY3/11 – FY3/14**

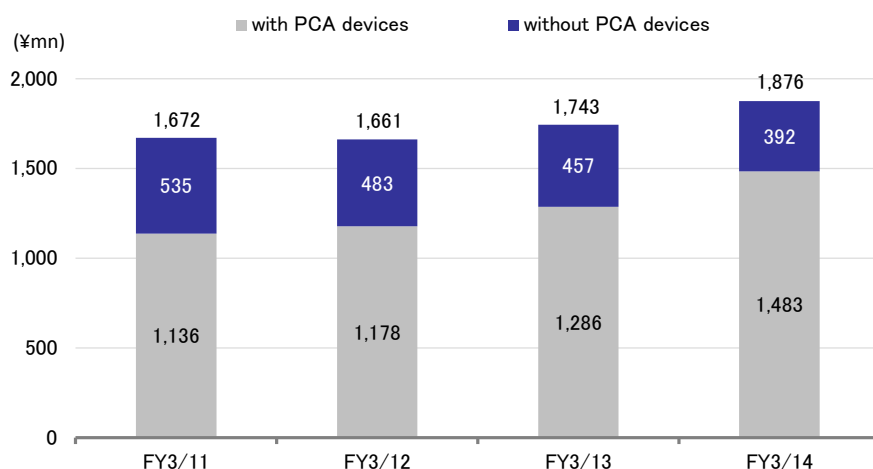


**Volume Sales (thousand units) of Liners for QinPot Aspirators, FY3/11 – FY3/14**

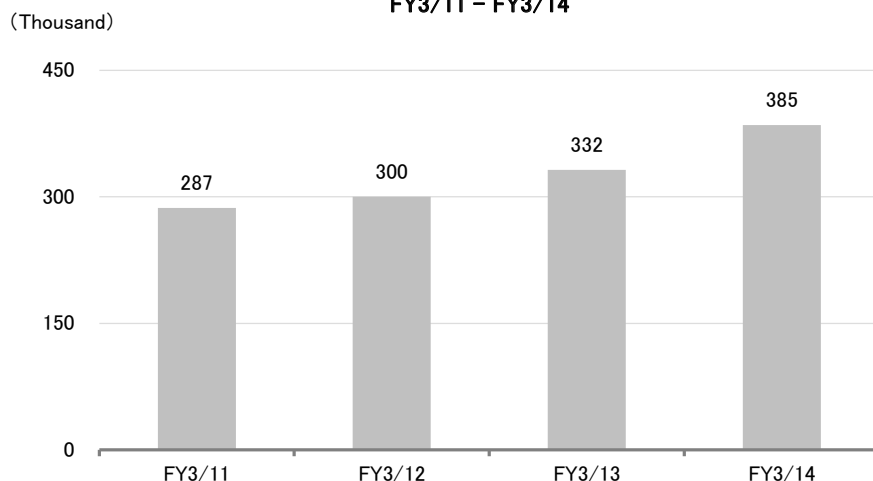


Sales of disposable infusion pumps grew by 7.7% y-o-y to ¥1,876mn in FY3/14. Spurred by replacement demand for a new type of PCA devices introduced in early 2012, sales of Syrinjectors with PCA devices increased by 15.9% y-o-y in volume to 385,000 units and by 15.4% y-o-y in value to ¥1,483mn.

Sales (¥mn) of Disposable Infusion Pumps, FY3/11 – FY3/14



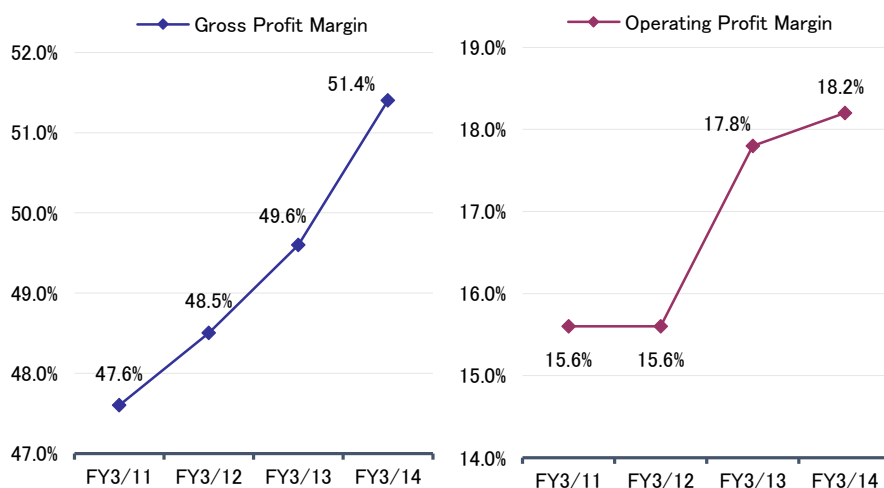
Volume Sales (thousand units) of Syringinjectors with PCA device, FY3/11 – FY3/14



In recent years, the sales weightings of high value-added products, such as QinPot aspirators and Syringinjectors with PCA devices, have risen, while production costs have fallen accompanying an increase in overseas production. Thus, the gross profit margin has risen. In FY3/14, this rise offset an increase in SGA costs, mainly the costs of personnel and R&D. Thus, consolidated operating profit grew by 10.2% y-o-y, and the operating profit margin rose by 0.4ppt y-o-y to 18.2%.



Gross Profit Margin, Operating Profit Margin, FY3/11 – FY3/14



Sales (¥mn) by Product Line and Main Product, FY3/11 – FY3/15E

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15E
Sales					
Aspiration devices	3,500	3,923	4,292	4,629	5,021
FitFix aspirators	2,885	3,053	3,290	3,445	3,626
QinPot aspirators	615	870	1,002	1,184	1,394
Disposable infusion pumps	1,672	1,661	1,743	1,876	1,967
Syrinjectors with PCA devices	1,136	1,178	1,286	1,483	1,640
Syrinjectors without PCA devices	535	483	457	392	327
Electrical pumps	146	77	107	105	214
Hand-washing equipment	652	633	672	770	649
Other products	271	219	252	253	267
Total	6,242	6,515	7,068	7,635	8,120
Sales growth rate					
Aspiration devices	13.2%	12.1%	9.4%	7.9%	8.5%
FitFix aspirators	11.6%	5.8%	7.8%	4.7%	5.3%
QinPot main body	21.3%	41.5%	15.2%	18.1%	17.8%
Disposable infusion pumps	7.3%	-0.6%	4.9%	7.7%	4.9%
Syrinjectors with PCA devices	12.7%	3.7%	9.2%	15.4%	10.5%
Syrinjectors without PCA devices	-2.7%	-9.8%	-5.5%	-14.0%	-16.6%
Electrical pumps	27.6%	-46.9%	39.0%	-2.3%	103.6%
Hand-washing equipment	-6.7%	-2.9%	6.3%	14.5%	-15.8%
Other products	-0.6%	-19.2%	15.0%	0.5%	5.3%
Total	8.8%	4.4%	8.5%	8.0%	6.3%

## Financial stability and profitability remain high

### (2) Financial Condition

At the end of FY3/14, total assets came to ¥8,233mn, which was ¥269mn more than the total a year earlier. This growth stemmed entirely from increases in current assets, such as sales receivables, cash and deposits, and inventories. On the other hand total liabilities decreased by ¥163mn in FY3/14, because of a drop in interest-bearing debt. Total equity increased by ¥432mn due to an increase in retained earnings.

The major financial indicators of the company improved in FY3/14, as its equity ratio rose, its gross debt-equity ratio fell, and its net cash grew by ¥388mn to ¥1,183mn. Its ROA, ROE and operating profit margin rose y-o-y.

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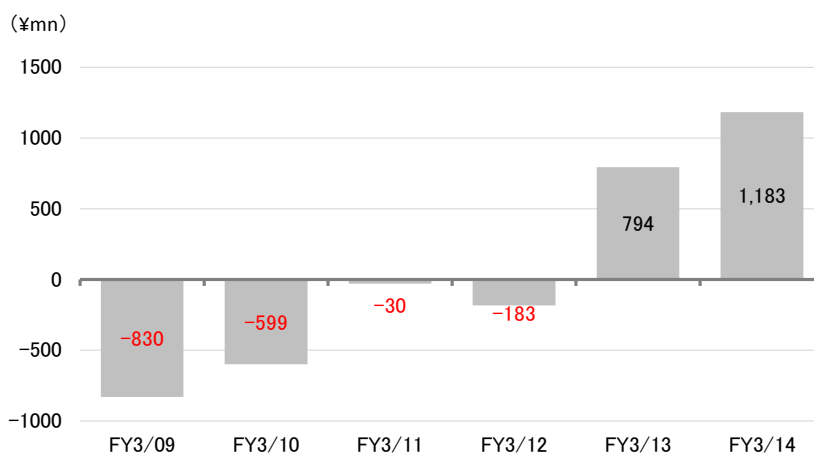
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Summary Balance Sheet (¥mn), FY3/12 – FY3/14

	(¥mn)			
	FY3/12	FY3/13	FY3/14	change y-o-y
Current assets	5,119	5,387	5,666	278
Cash and deposits	1,656	1,911	1,960	49
Inventories	1,053	919	968	48
Fixed assets	2,695	2,576	2,566	▲ 9
Total assets	7,814	7,964	8,233	269
Current liabilities	2,454	2,274	2,451	176
Fixed liabilities	960	619	280	▲ 339
Interest-bearing debt	1,839	1,116	776	▲ 339
Total liabilities	3,414	2,894	2,731	▲ 163
Total equity	4,400	5,069	5,501	432
Measures of financial stability				
Current ratio (ratio of current assets to current liabilities)	208.6%	236.8%	231.2%	
Equity ratio (ratio of total equity to total assets)	56.3%	63.6%	66.8%	
Gross debt-equity ratio (ratio of interest-bearing debt to total equity)	41.8%	22.0%	14.1%	
Measures of profitability				
ROA (ratio of recurring profit to total assets)	12.9%	15.8%	17.3%	
ROE (ratio of net profit to total equity)	9.5%	16.6%	16.7%	
Operating profit margin	15.6%	17.8%	18.2%	

Net Cash (¥mn), FY3/09 – FY3/14



Note: Net cash = Cash and deposits minus interest-bearing debt

## ■ Company Forecasts for FY3/15

### Aims to maintain growth by developing new customers

For FY3/15, Daiken Medical projects a 6.3% y-o-y rise in sales to ¥8,120mn, an 11.9% increase in operating profit to ¥1,555mn, a 10.6% upturn in recurring profit to ¥1,550mn, and a 12.1% rise in net profit to ¥988mn. Although it plans to increase spending on sales promotions and R&D, it expects sales growth to offset these increases and foresees a rise in the operating profit margin to 19.2%.

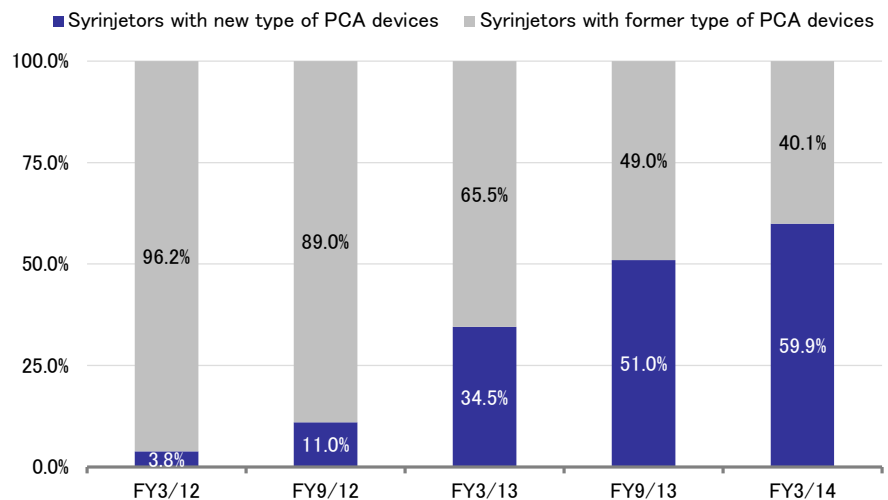
#### (1) Existing products

The company intends to sell another 10,000 QinPot aspirators, mainly to hospitals with 300 or more beds, thereby raising the cumulative number of installed QinPot aspirators to 86,000 and raising the company's share of the Japanese market for installed hospital ward aspirators by 3.4ppts to 31.1%. These sales, plus sales of disposable liners for QinPot aspirators are seen lifting overall sales of QinPot aspiration aspirators by 17.8% y-o-y.

By attracting new customers, the company aims to increase its sales of Syrinjectors with PCA devices by 10.5% y-o-y in FY3/15. Since it introduced a new type of PCA devices in early 2012, many customers who had been using the company's former type of PCA devices have switched to its new type of PCA devices. Thus, the proportion of the company's total shipments of Syrinjectors with PCA devices accounted for by Syrinjectors with the new type of PCA devices has risen rapidly, to almost 60% by the end of FY3/14, and the company has not aggressively sought new customers for its Syrinjectors with the new type of PCA devices. Now that a large portion of its existing customers has switched to Syrinjectors with new type of PCA devices, the company intends to invite new customers for these injectors more aggressively in FY3/15.

As mentioned earlier, the company's share of the Japanese market for Syrinjectors with PCA devices is just over 40%, so there is space to expand this share. The official price of Syrinjectors with PCA devices was raised slightly by the Japanese government for the two years from April 1, 2014. This price rise should also contribute to sales growth.

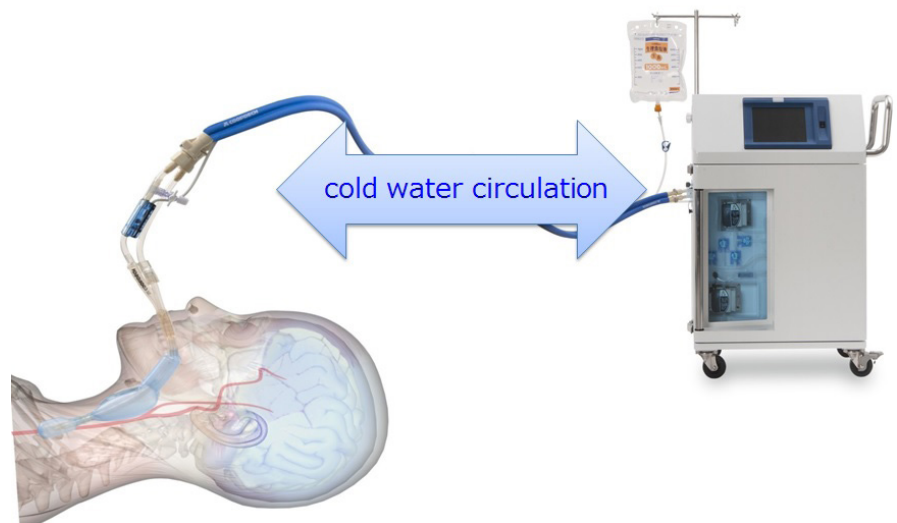
Composition of Syrinjectors with new type of PCA devices Shipments, 3/12 – 3/14



**(2) New products****Pharyngeal cooling device (“COOPDECH i-Cool”)**

In cooperation with Okayama University, Daiken Medical has recently developed a pharyngeal cooling device called COOPDECH i-Cool. This apparatus is the first in the world for cooling the brain of a cardiopulmonary arrest patient before his or her heartbeat resumes. The company developed this system based on the observation that people eating ice cream often complain of pain in the head. The standard medical practice now is to apply coolant sheets to the entire body of a cardiopulmonary arrest patient after his or her heartbeat resumes to lower his or her body temperature and reduce brain damage. However, the application of this procedure is delayed until the heartbeat resumes, and the procedure takes a long time to cool the brain. The company has shown that the use of its COOPDECH i-Cool system before the heartbeat resumes increases the survival rate of cardiovascular arrest patients and reduces brain damage after resuscitation more than the conventional treatment. The company is considering developing a portable version of the COOPDECH i-Cool system to be installed in ambulances.

The Japanese Ministry of Health, Labour and Welfare approved the production and sale of the COOPDECH i-Cool system in February 2014, and the company has received many inquiries about the system from hospitals. However, the company does not expect sales of this system to grow rapidly until the government approves the reimbursement of its cost by health insurance plans, and it estimates that it will take about a year to gain this approval. The company targets system sales of ¥1bn five years from now, mainly to the emergency rooms of hospitals. As there are about 120,000 cardiopulmonary arrests per year in Japan, the company estimates the potential market for its system to be at least ¥10bn.

**Diagram of COOPDECH i-Cool System**

**Double-lumen tubes for differential lung ventilation**

Daiken Medical has also recently developed double-lumen tubes for differential lung ventilation during lung or chest surgical operations when a single lung is temporarily non-functional. These tubes maintain their location or position better than other surgical tubes, and their insertion depth can be easily adjusted. Therefore, doctors do not have to reinsert endoscopes to adjust their position. The company estimates the Japanese market for such tubes to be worth about ¥1bn per year. It has applied for numerous patents on these tubes and has received partial regulatory approval of them. It is awaiting the results of field tests of the tubes by several universities, and it is reviewing the cost of producing these tubes. Based on this information, it plans to improve the tubes and resubmit applications for regulatory approval. The company is already promoting these tubes at seminars held jointly with associations of medical specialists, and the tubes appear to be gaining increasing support from the medical community.

**COOPDECH Double lumen tube**

**Summary Income Statement (¥mn), FY3/11 – 3/15E**

	(¥mn,%)				
	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15E
Sales	6,242	6,515	7,068	7,635	8,120
y-o-y	8.8	4.4	8.5	8.0	6.3
Cost of Sales	3,270	3,354	3,562	3,711	–
vs. sales	52.4	51.5	50.4	48.6	–
SGA cost	1,997	2,145	2,244	2,533	–
vs. sales	32.0	32.9	31.8	33.2	–
Operating profit	974	1,014	1,260	1,389	1,555
y-o-y	16.6	4.1	24.3	10.2	11.9
vs. sales	15.6	15.6	17.8	18.2	19.2
Recurring profit	951	1,014	1,250	1,401	1,550
y-o-y	16.2	6.6	23.2	12.1	10.6
vs. sales	15.2	15.6	17.7	18.4	19.1
Pretax profit	915	1,002	1,252	1,382	–
y-o-y	14.3	9.5	25.0	10.4	–
vs. sales	14.7	15.4	17.7	18.1	–
Income taxes	360	598	464	501	–
Effective tax rate	39.4	59.7	37.1	36.3	–
Net profit	555	404	787	881	988
y-o-y	13.8	-27.2	94.9	11.9	12.1
vs. sales	8.9	6.2	11.1	11.5	12.2
[Per-share and Other Date]					
Avg. no. of shares outstanding (thousand)	14,665	14,770	14,844	15,101	–
EPS (¥)	37.85	27.36	53.05	58.37	65.26
DPS (¥)	11.00	11.50	21.50	24.00	27.00
BPS (¥)	281.25	297.12	337.20	363.35	–
Dividend payout ratio	29.1	42.0	40.5	41.1	41.4

Note: The company made a 2-for-1 stock split on July 1, 2013. The average number of shares outstanding and the per-share data for FY3/11 – 3/13 have been adjusted to reflect this split.

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\*1 Micro electro mechanical systems are integrations of mechanical components, sensors, actuators, electronic circuits and other elements on a single board. Examples of such systems now in use include high-speed sensors and gyrosensors in ink jet printer heads, automobiles and cellular phones. The use of these systems is expected to grow rapidly in many industries, including electronics, medicine, robots and automobiles.

\*2 Drainage devices pump blood and other bodily fluids out of the chest cavity following thoracic surgery, thereby preventing the collapse or re-expansion of the lungs.

## ■ Growth Strategy

### Expanding growth potential with new products

Daiken Medical targets consolidated sales of ¥30bn in five years. It expects sales of its two main product lines to grow by ¥500mn annually in aggregate, and it plans to further sales growth by developing more new products, entering new fields of medical equipment, and participating in overseas markets on a full scale.

#### (1) New products with the MEMS technology

The company's centerpiece new products will incorporate the technology of the micro electro mechanical systems (MEMS)\*1, allowing them to be smaller and less costly than current products. Daiken Medical plans to develop new products based on this technology in the medical equipment fields in which it is currently engaged and in other fields.

Working jointly with other companies possessing the MEMS technology, the company has already completed basic research on the industry's first drainage device\*2 for thoracic surgery patients based on this technology. The company estimates that the Japanese market for drainage devices is now worth ¥5.4bn. By taking a growing share of this market, the company aims to expand its sales.

The company intends to develop and commercialize many other products based on the MEMS technology in its current product areas and new areas. It may also market these products aggressively overseas, thereby increasing its overseas sales rapidly from the current level of 2 - 3% of total sales.

#### (2) Rapid identification system for the bacterium causing pneumonia

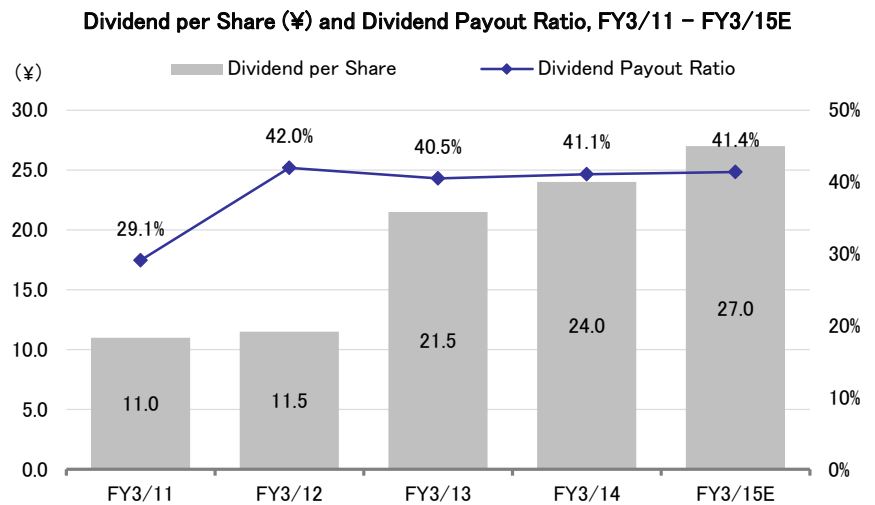
In conjunction with Tokyo Medical University, Daiken Medical is also developing a system for the rapid identification of the bacterium causing pneumonia. Pneumonia is the third-largest cause of death in Japan, and one reason for this morbidity is that between three days and a week is required to identify the bacterium causing the disease, and the disease cannot be treated until its cause is known because treatments vary depending on the cause. Therefore, the company is trying to develop a system to identify many of the bacteria that cause pneumonia within 30 minutes. If it succeeds in developing and commercializing such a system, the demand for it is likely to be huge.

These new products, particularly products based on the MEMS technology, should increase the growth potential of the company over the medium term. We believe that the company is likely to enter a new growth stage in FY3/16.

## Returns to Shareholders

### Company plans consecutive dividend increases accompanying profit growth

For FY3/14, Daiken Medical aimed to maintain a dividend payout ratio of 40% or more. Toward this end, it increased its dividend payment for FY3/14 by ¥2.5 y-o-y, making it ¥24.0 per share, and it plans to lift its dividend payment for FY3/15 by ¥3.0, making it ¥27.0. Furthermore, the company awards a QUO Card worth ¥1,000 to each holder of a minimum lot of 100 of its shares as of the end of every fiscal year.



Note: The company made a 2-for-1 stock split on July 1, 2013. The dividends per share for FY3/11 – FY3/13 have been adjusted to reflect this split.

## Peer Analysis

### High growth power and stable profitability

The table below compares Daiken Medical with seven other Japanese manufacturers of disposable medical equipment in terms of growth, profitability and share price valuations.

Based on company forecasts for fiscal years ending in 2014, The company forecasts a recurring profit margin of 19.1%, which positions it in the higher margin group. This high profitability stems from the company's large market shares in its main product lines, which provide high added value. The recurring profit growth projected by the company for FY3/14 is about average for the peer group. However, the company's average recurring profit growth over the last seven fiscal years is far higher than the averages for its peers. With high growth power and profitability, the company also has the highest PER in the group. Given the prospects for higher growth power in coming years, the company's share price is likely to rise.

## Peer Comparison

	Sales		Rec. profit		Rec. profit margin (%)	EPS (¥)	DPS (¥)	PER (X)	payout ratio (%)	7-yr avg. growth ratio		Share Price
	¥mn	y-o-y	¥mn	y-o-y						Sales	Rec. profit	
	Daiken Medical (7775)	8,120	6.3%	1,550	10.6%	19.1%	65.26	27.0	29.6	41.4%	9.0%	18.8%
JMS (7702)	56,000	4.0%	1,400	17.9%	2.5%	16.41	8.0	18.0	48.8%	3.3%	3.4%	295
Hogy Medical (3593)	36,950	6.2%	9,410	3.9%	25.5%	390.99	112.0	14.6	28.6%	3.5%	5.7%	5,720
Kawasumi Labs (7703)	28,200	2.1%	1,300	135.5%	4.6%	32.80	15.0	19.4	45.7%	-1.5%	-10.0%	635
Asahi Intec (7747)	26,578	33.1%	5,519	14.9%	20.8%	130.69	29.9	33.0	22.9%	10.6%	13.4%	4,315
Medicit (7749)	14,805	1.9%	3,064	-5.4%	20.7%	204.82	57.0	14.6	27.8%	3.3%	0.3%	2,995
Mani (7730)	10,831	15.9%	3,834	17.2%	35.4%	219.16	66.0	26.6	30.1%	2.9%	1.0%	5,840
Create Medic (5187)	10,124	2.5%	930	-2.4%	9.2%	63.95	35.0	15.3	54.7%	2.3%	-6.9%	980

Note: Figures shown are company forecasts for FY3/15, except those for Mani for FY8/14 and those for Create Medic for FY12/14. Share prices are closing prices on July 17, 2014.

18-Jul.-14

## Risks

### Business risks are low

We foresee five possible risks to the company's business, but none of these appears highly probable.

#### •Product liability

If any defect were discovered in one of the company's products or one of its products harmed a user, the company could be held legally responsible. It may have to recall the defective or dangerous product, and it would probably incur extraordinary losses as a result. Its business may also slow or decline.

#### •Dependence on single product

The company's heavy dependence on a single product line, aspiration equipment, which provides more than 60% of its total sales, makes it susceptible to severe price competition in this line, which could erode sales and profits.

#### •Patent expiry

Most of the company's products are patented, protecting them temporarily from competition. When the patents expire, however, new competitors could produce these products, adversely affecting the company's business.

#### •Natural disasters

All the company's syringe injectors are produced at the Assembly Center in Osaka. If this center were damaged by a natural disaster, the company's business would be hurt. Furthermore, all the company's QinPot aspiration equipment is produced by contractors in Thailand. If the production facilities of these contractors were damaged by a natural disaster or the political situation in Thailand deteriorated, the company's business could be adversely affected.

#### •Regulated price fall

The Japanese Ministry of Health, Labour and Welfare is gradually lowering the official prices for medical products and services to control overall medical costs. If the official prices for the company's products were sharply reduced, its business would be hurt.



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