

DAIKEN MEDICAL (7775)

Fiscal Year (Unconsolidated) (Million Yen)		Sales	Operating Profit	Recurring Profit	Net Profit	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2022		8,540	1,150	1,152	831	28.93	20.00	224.13
FY03/2023		9,137	1,054	1,053	712	24.79	20.00	228.91
FY03/2024CoE		9,600	1,300	1,300	900	31.33	20.00	-
FY03/2023		YoY	7.0%	(8.4%)	(8.6%)	-	-	-
FY03/2024CoE		YoY	5.1%	23.3%	23.4%	26.4%	-	-
Quarter (Unconsolidated) (Million Yen)		Sales	Operating Profit	Recurring Profit	Net Profit	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2023		2,196	288	288	202	-	-	-
Q2 FY03/2023		2,258	317	316	226	-	-	-
Q3 FY03/2023		2,441	364	363	258	-	-	-
Q4 FY03/2023		2,240	84	84	23	-	-	-
Q1 FY03/2024		2,361	339	341	244	-	-	-
Q1 FY03/2024		YoY	7.5%	17.8%	18.7%	21.0%	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (3 August 2023)

A New Growth Phase


On 31 July 2023, DAIKEN MEDICAL, running operations of development, manufacture and sale of medical devices mainly used for hospital infection prevention and/or anesthesia with an exposure of some 85% to disposable products, released its Q1 FY03/2024 results. It has been revealed that the Company is seeing a steady increase in sales and earnings. This is mainly attributable to firm sales of Suction Devices (FitFix, QinPot), the mainstay for the Company. The number of surgeries at major hospitals to which the Company delivers its products is on the rise, while successfully promoting sales to chronic-stage hospitals at the same time. Having had been forced to see a temporary loss for Q4 FY03/2023, it appears now that the Company is beginning to take hold for a new growth phase. In fact, as was advocated in the FY03/2023 results briefing, the Company is to a) make progress in horizontal expansion of strategic products in Japan, b) launch a new product AMY in overseas markets and c) enter the market for insulin pumps (diabetes treatment) by applying its key device (micropumps) for the sake of driving its long-term growth potential. By the way, we are to interview with the Company's management on top of scrutinizing the information of the said result briefing in order to newly launch a full report on the Company, while planning to provide ongoing coverage of the Company.

For reference: [FY03/2023 Results Briefing Information](#) (held on 8 June 2023)

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2.0 Company Profile

Innovation for the Future of Medical

Company Name	DAIKEN MEDICAL CO., LTD. Company Website IR Information (Japanese) Share Price (Japanese)	
Established	5 November 1968	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 7775) 13 October 2010: Tokyo Stock Exchange 1st section 12 March 2009: Tokyo Stock Exchange 2nd section	
Capital	¥495m (as of the end of June 2023)	
No. of Shares	31,840,000 shares, including 3,111,561 treasury shares (as of the end of June 2023)	
Main Features	<ul style="list-style-type: none"> ● R&D-oriented medical device manufacturer, eager to make progress in the development of new cutting-edge technologies ● Suction Devices (FitFix, QinPot), the mainstay, used for hospital infection prevention, etc., accounting for 63.0% of sales (Q1 FY03/2024) ● Infusion Pumps (PCA Set + AMY), used for anesthesia, etc., being in the process of acquiring MDR and developing sales channel ahead of launch in Europe 	
Segment	I . Manufacture and Sale of Medical Devices	
Representative	President: Keiichi Yamada	
Shareholders	Keiichi Yamada 20.75%, Mitsuru Yamada 13.92%, Masayuki Yamada 10.89%, Master Trust Bank of Japan, T. 4.83% (as of the end of March 2023, but for treasury shares)	
Head Office	Izumi-city, Osaka-prefecture, JAPAN	
No. of Personnel	Parent: 185 (as of the end of June 2023)	

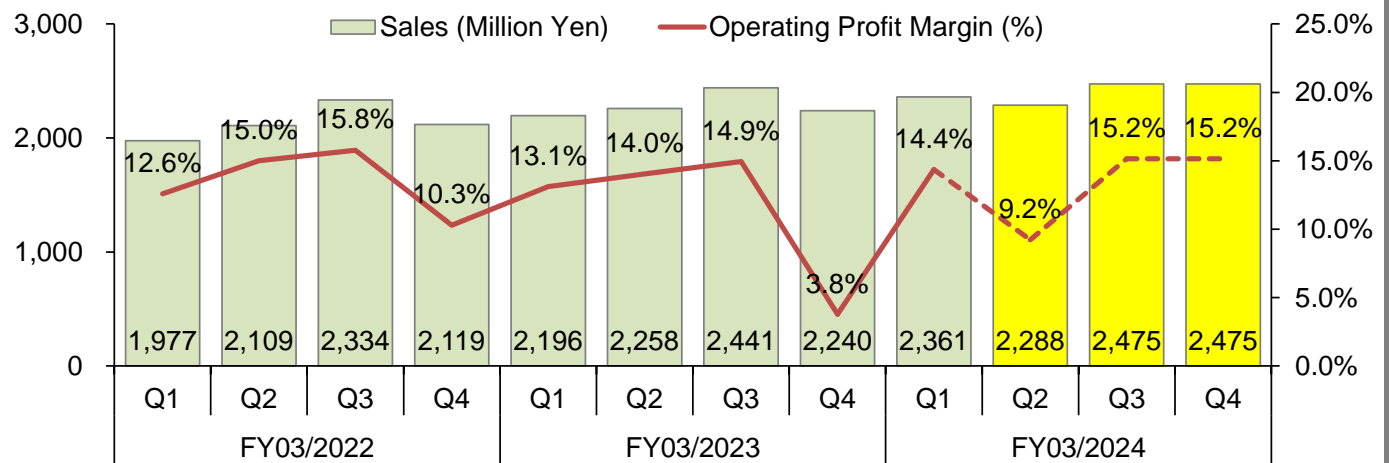
Source: Company Data

3.0 Recent Trading and Prospects

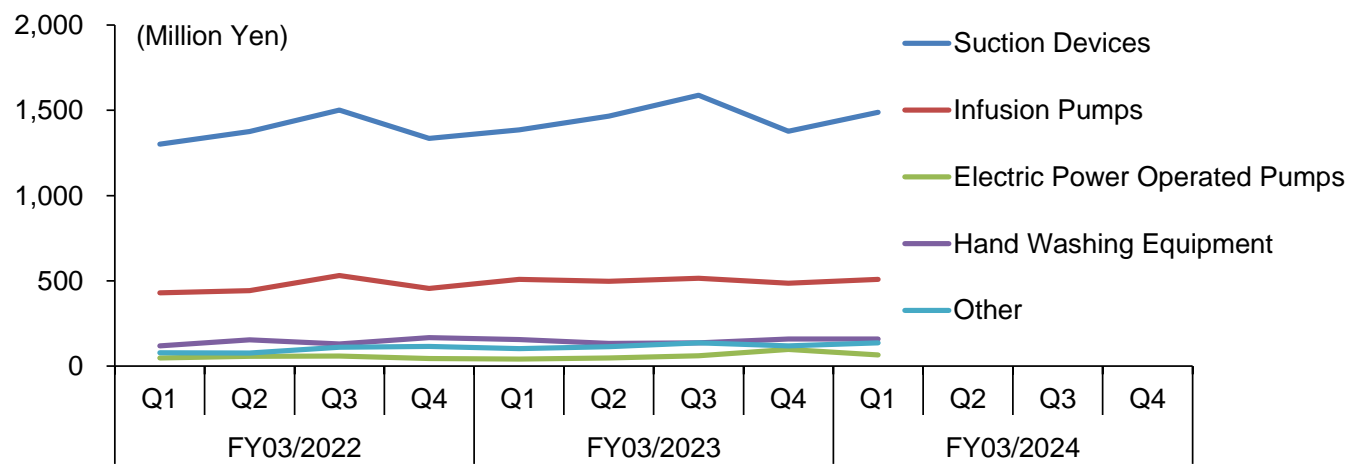
Q1 FY03/2024

For Q1 FY03/2024, sales came in at ¥2,361m (up 7.5% YoY), operating profit ¥339m (up 17.8%), recurring profit ¥341m (up 18.7%) and net profit ¥244m (up 21.0%). Meanwhile, gross profit came in at ¥958m (up 4.8%) and SG&A expenses ¥618m (down 1.2%), implying gross profit margin of 40.6% (down 1.0% point) and SG&A ratio of 26.2% (down 2.3 % points), having resulted in operating profit margin of 14.4% (down 1.3% points).

Sales and Operating Profit Margin



Sales by Product Category



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2024: H2 Company forecasts, pro rata)

Meanwhile Suction Device saw sales of ¥1,488m (up 7.4%), Infusion Pumps ¥508m (down 0.2%), Electric Power Operated Pumps ¥66m (up 56.5%), Hand Washing Equipment ¥159m (up 2.8%) and Other ¥137m (up 34.1%). With respect to Suction Device, sales comprised ¥584m (up 10.6%) for “QinPot” and ¥904m (up 5.5%) for “FitFix & BYRON”, while, sales mainly comprised ¥441m (down 1.3%) for “PCA Set & AMY” with respect to Infusion Pumps.

According to the Company's analysis of changes in recurring profit, there was a net increase of ¥97m due to higher sales volume, a net decrease of ¥53m due to higher costs and a net increase of ¥9m due to lower SG&A expenses. The increase in the Company's sales volume was largely due to firm demand for products of the mainstay Suction Devices, which are mainly used to prevent infections in hospitals. At the same time, however, the Company suggests that it suffers from higher procurement cost for products of Suction Devices, which are manufactured by overseas subcontractors, as a result of yen's depreciation, which is mentioned as the key reason cost rate increased.

On top of the Company's effort to pass that on to selling prices, the cost of marine freight is now declining, which has resulted in factors to lower cost rate, but not as much as more than compensating for the negative impact stemming from higher cost rate brought forth by higher procurement cost so far, according to the Company. Nevertheless, the Company has seen a steady increase in sales and earnings due to effect on increased sales, which had a larger positive impact. By the way, SG&A expenses marginally declined over the same period of the previous year due mainly to a delayed timing for contribution of R&D expenses from Q1 to Q2 to a certain extent, according to the Company.

Meanwhile, the Company saw one-time write-off of ¥172m as a result of retention for bad inventory for Q4 FY03/2023, having suffered from a deterioration in cost rate to a corresponding extent. This is a result of stagnated sales for BYRON to have been developed and launched as the next-generation product (superior in cost competitiveness) to replace the conventional FitFix. The Company is now in the process of developing refined BYRON to well respond to the needs of the market, attempting once again to make a changeover from the conventional one to the next-generation one.

FY03/2024 Company Forecasts

FY03/2024 Company forecasts (announced on 15 May 2023) have remained unchanged, going for prospective sales of ¥9,600m (up 5.1% YoY), operating profit of ¥1,300m (up 23.3%), recurring profit of ¥1,300m (up 23.4%) and net profit of ¥900m (up 26.4%), while operating profit margin of 13.5% (up 2.0% points). With respect to planned annual dividend, Company forecasts are going for ¥20.00 per share, implying payout ratio of 63.8%.

4.0 Financial Statements

Income Statement (Cumulative / Quarterly)

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2023	03/2023	03/2023	03/2023	03/2024	03/2024	03/2024	03/2024	03/2024	
Sales	2,196	4,454	6,896	9,137	2,361	-	-	-	-	+165
Cost of Sales	1,282	2,613	4,055	5,606	1,403	-	-	-	-	+121
Gross Profit	914	1,841	2,840	3,530	958	-	-	-	-	+43
SG&A Expenses	626	1,236	1,870	2,475	618	-	-	-	-	(7)
Operating Profit	288	605	969	1,054	339	-	-	-	-	+51
Non Operating Balance	0	0	0	0	2	-	-	-	-	+2
Recurring Profit	288	605	968	1,053	341	-	-	-	-	+53
Extraordinary Balance	0	0	0	(28)	0	-	-	-	-	(0)
Profit before Income Taxes	288	604	968	1,025	341	-	-	-	-	+53
Total Income Taxes	85	175	280	312	97	-	-	-	-	+11
Net Profit	202	429	688	712	244	-	-	-	-	+42
Sales YoY	+11.1%	+9.0%	+7.4%	+7.0%	+7.5%	-	-	-	-	-
Operating Profit YoY	+15.7%	+7.0%	+3.9%	(8.4%)	+17.8%	-	-	-	-	-
Recurring Profit YoY	+15.5%	+7.0%	+3.8%	(8.6%)	+18.7%	-	-	-	-	-
Net Profit YoY	+14.8%	+7.3%	+3.9%	(14.3%)	+21.0%	-	-	-	-	-
Gross Profit Margin	41.6%	41.3%	41.2%	38.6%	40.6%	-	-	-	-	(1.0%)
SG&A Ratio	28.5%	27.8%	27.1%	27.1%	26.2%	-	-	-	-	(2.3%)
Operating Profit Margin	13.1%	13.6%	14.1%	11.5%	14.4%	-	-	-	-	+1.3%
Recurring Profit Margin	13.1%	13.6%	14.0%	11.5%	14.5%	-	-	-	-	+1.4%
Net Profit Margin	9.2%	9.6%	10.0%	7.8%	10.4%	-	-	-	-	+1.2%
Total Income Taxes / Profit before Income Taxes	29.8%	29.0%	29.0%	30.5%	28.4%	-	-	-	-	(1.4%)

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2023	03/2023	03/2023	03/2023	03/2024	03/2024	03/2024	03/2024	03/2024	
Sales	2,196	2,258	2,441	2,240	2,361	-	-	-	-	+165
Cost of Sales	1,282	1,330	1,442	1,551	1,403	-	-	-	-	+121
Gross Profit	914	927	998	689	958	-	-	-	-	+43
SG&A Expenses	626	610	634	604	618	-	-	-	-	(7)
Operating Profit	288	317	364	84	339	-	-	-	-	+51
Non Operating Balance	0	0	0	0	2	-	-	-	-	+2
Recurring Profit	288	316	363	84	341	-	-	-	-	+53
Extraordinary Balance	0	0	0	(28)	0	-	-	-	-	(0)
Profit before Income Taxes	288	316	363	56	341	-	-	-	-	+53
Total Income Taxes	85	89	105	32	97	-	-	-	-	+11
Net Profit	202	226	258	23	244	-	-	-	-	+42
Sales YoY	+11.1%	+7.1%	+4.6%	+5.7%	+7.5%	-	-	-	-	-
Operating Profit YoY	+15.7%	+0.2%	(1.0%)	(61.0%)	+17.8%	-	-	-	-	-
Recurring Profit YoY	+15.5%	+0.3%	(1.2%)	(61.3%)	+18.7%	-	-	-	-	-
Net Profit YoY	+14.8%	+1.3%	(1.2%)	(85.8%)	+21.0%	-	-	-	-	-
Gross Profit Margin	41.6%	41.1%	40.9%	30.8%	40.6%	-	-	-	-	(1.1%)
SG&A Ratio	28.5%	27.0%	26.0%	27.0%	26.2%	-	-	-	-	(2.3%)
Operating Profit Margin	13.1%	14.0%	14.9%	3.8%	14.4%	-	-	-	-	+1.2%
Recurring Profit Margin	13.1%	14.0%	14.9%	3.8%	14.5%	-	-	-	-	+1.4%
Net Profit Margin	9.2%	10.0%	10.6%	1.1%	10.4%	-	-	-	-	+1.2%
Total Income Taxes / Profit before Income Taxes	29.8%	28.4%	28.9%	57.4%	28.4%	-	-	-	-	(1.4%)

Source: Company Data, WRJ Calculation

Sales by Product Category (Cumulative / Quarterly)

Sales by Product Category (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2023	Q1 to Q2 03/2023	Q1 to Q3 03/2023	Q1 to Q4 03/2023	Q1 03/2024	Q1 to Q2 03/2024	Q1 to Q3 03/2024	Q1 to Q4 03/2024		
Suction Devices	1,385	2,852	4,441	5,820	1,488	-	-	-	-	+103
Infusion Pumps	509	1,007	1,522	2,008	508	-	-	-	-	(1)
Electric Power Operated Pumps	42	90	151	248	66	-	-	-	-	+24
Hand Washing Equipment	155	289	425	585	159	-	-	-	-	+4
Other	102	216	354	473	137	-	-	-	-	+35
Sales	2,196	4,454	6,896	9,137	2,361	-	-	-	-	+165
Suction Devices	+6.4%	+6.5%	+6.3%	+5.5%	+7.4%	-	-	-	-	-
Infusion Pumps	+18.8%	+15.3%	+8.4%	+8.0%	(0.2%)	-	-	-	-	-
Electric Power Operated Pumps	(10.1%)	(15.0%)	(8.2%)	+18.4%	+56.5%	-	-	-	-	-
Hand Washing Equipment	+31.0%	+5.8%	+5.4%	+2.4%	+2.8%	-	-	-	-	-
Other	+29.5%	+38.6%	+32.7%	+23.8%	+34.1%	-	-	-	-	-
Sales (YoY)	+11.1%	+9.0%	+7.4%	+7.0%	+7.5%	-	-	-	-	-
Suction Devices	63.1%	64.0%	64.4%	63.7%	63.0%	-	-	-	-	-
Infusion Pumps	23.2%	22.6%	22.1%	22.0%	21.5%	-	-	-	-	-
Electric Power Operated Pumps	1.9%	2.0%	2.2%	2.7%	2.8%	-	-	-	-	-
Hand Washing Equipment	7.1%	6.5%	6.2%	6.4%	6.8%	-	-	-	-	-
Other	4.7%	4.9%	5.1%	5.2%	5.8%	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Sales by Product Category (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2023	Q2 03/2023	Q3 03/2023	Q4 03/2023	Q1 03/2024	Q2 03/2024	Q3 03/2024	Q4 03/2024		
Suction Devices	1,385	1,466	1,589	1,378	1,488	-	-	-	-	+103
Infusion Pumps	509	497	515	486	508	-	-	-	-	(1)
Electric Power Operated Pumps	42	47	61	97	66	-	-	-	-	+24
Hand Washing Equipment	155	133	136	159	159	-	-	-	-	+4
Other	102	113	137	119	137	-	-	-	-	+35
Sales	2,196	2,258	2,441	2,240	2,361	-	-	-	-	+165
Suction Devices	+6.4%	+6.6%	+5.9%	+3.2%	+7.4%	-	-	-	-	-
Infusion Pumps	+18.8%	+12.0%	(3.1%)	+6.7%	(0.2%)	-	-	-	-	-
Electric Power Operated Pumps	(10.1%)	(18.9%)	+3.7%	+116.4%	+56.5%	-	-	-	-	-
Hand Washing Equipment	+31.0%	(13.5%)	+4.7%	(4.8%)	+2.8%	-	-	-	-	-
Other	+29.5%	+48.0%	+24.3%	+3.4%	+34.1%	-	-	-	-	-
Sales (YoY)	+11.1%	+7.1%	+4.6%	+5.7%	+7.5%	-	-	-	-	-
Suction Devices	63.1%	64.9%	65.1%	61.5%	63.0%	-	-	-	-	-
Infusion Pumps	23.2%	22.0%	21.1%	21.7%	21.5%	-	-	-	-	-
Electric Power Operated Pumps	1.9%	2.1%	2.5%	4.3%	2.8%	-	-	-	-	-
Hand Washing Equipment	7.1%	5.9%	5.6%	7.1%	6.8%	-	-	-	-	-
Other	4.7%	5.0%	5.7%	5.3%	5.8%	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2023	Q2 03/2023	Q3 03/2023	Q4 03/2023	Q1 03/2024	Q2 03/2024	Q3 03/2024	Q4 03/2024		
Cash and Deposit	2,331	2,282	2,072	2,516	2,488	-	-	-	-	+157
Accounts Receivables	2,442	2,505	2,675	2,530	2,504	-	-	-	-	+61
Inventory	1,568	1,654	1,673	1,514	1,567	-	-	-	-	(0)
Other	114	86	153	77	101	-	-	-	-	(12)
Current Assets	6,457	6,529	6,574	6,638	6,662	-	-	-	-	+205
Tangible Assets	4,074	4,085	4,078	4,070	4,056	-	-	-	-	(18)
Intangible Assets	13	11	11	9	8	-	-	-	-	(4)
Investments and Other Assets	213	212	225	295	294	-	-	-	-	+81
Fixed Assets	4,301	4,310	4,314	4,374	4,359	-	-	-	-	+58
Total Assets	10,758	10,840	10,889	11,013	11,022	-	-	-	-	+263
Accounts Payables	999	1,045	1,203	1,175	1,173	-	-	-	-	+174
Short Term Debt	1,200	1,200	1,200	1,000	1,200	-	-	-	-	0
Current Portion of Long-term Debt	495	419	588	659	659	-	-	-	-	+164
Other	501	480	496	533	536	-	-	-	-	+35
Current Liabilities	3,196	3,145	3,488	3,369	3,569	-	-	-	-	+373
Long Term Debt	1,185	1,090	795	1,013	898	-	-	-	-	(286)
Other	40	38	35	33	25	-	-	-	-	(15)
Fixed Liabilities	1,225	1,128	830	1,046	924	-	-	-	-	(301)
Total Liabilities	4,422	4,273	4,319	4,416	4,493	-	-	-	-	+71
Shareholders' Equity	6,325	6,552	6,552	6,576	6,505	-	-	-	-	+179
Other	10	14	17	20	23	-	-	-	-	+12
Net Assets	6,336	6,566	6,569	6,597	6,528	-	-	-	-	+192
	10,758	10,840	10,889	11,013	11,022	-	-	-	-	+263
Interest Bearing Debt	6,325	6,552	6,552	6,576	6,505	-	-	-	-	+180
Net Debt	2,880	2,709	2,583	2,673	2,758	-	-	-	-	(122)
Equity Ratio	58.8%	60.4%	60.2%	59.7%	59.0%	-	-	-	-	-
Net Debt Equity Ratio	8.7%	6.5%	7.8%	2.4%	4.1%	-	-	-	-	-
ROE (12 months)	13.9%	13.4%	13.4%	10.9%	11.8%	-	-	-	-	-
ROA (12 months)	11.1%	11.0%	11.0%	9.6%	10.2%	-	-	-	-	-
Days for Inventory Turnover	111	113	105	89	101	-	-	-	-	-
Quick Ratio	149%	152%	136%	150%	140%	-	-	-	-	-
Current Ratio	202%	208%	188%	197%	187%	-	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY Net Chg.
	Q1 03/2023	Q1 to Q2 03/2023	Q1 to Q3 03/2023	Q1 to Q4 03/2023	Q1 03/2024	Q1 to Q2 03/2024	Q1 to Q3 03/2024	Q1 to Q4 03/2024		
Operating Cash Flow	-	348	-	989	-	-	-	-	-	-
Investing Cash Flow	-	(104)	-	(210)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	244	-	778	-	-	-	-	-	-
Financing Cash Flow	-	(480)	-	(781)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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