



WIN A BETTER QUALITY OF LIFE

Results Presentation

Full Year ending March 2016

Full year results ending March 2016

Consolidated results summary

(¥mil)	Mar 2015	Mar 2016	YoY	OE
Sales	50,558	54,147	+7.1%	55,500
Operating profit	2,599	2,965	+14.1%	2,950
Recurring profit	2,626	2,978	+13.4%	2,950
Net profit	1,690	2,111	+24.9%	1,930
EPS (yen)	117.78	147.11	-	134.46
BPS (yen)	872.05	970.30	-	

Our approach

- ◆ Expand customer share

- ◆ Acquire new customers

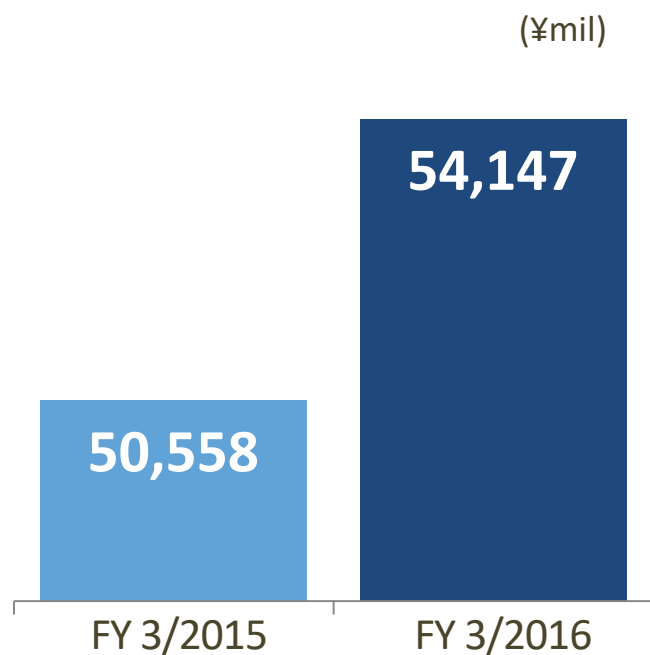
- ◆ Strengthen sales structure

- ◆ Improve gross profit margin

- ◆ Strengthen corporate governance

Highlights

Sales **+ 7.1%** YoY vs. plan
▲2.4%



Enjoyed higher sales from both existing and new customers

- Contribution from new sales branches

Openings in FY 3/2015 : Hiroshima, Hokkaido (Hakodate)
Nagano (Saku)

Openings in FY 3/2016 : Ibaraki (Mito)

Mainline PCI and CRS posted growth

Sales breakdown by segment

	Sales (¥mil)	YoY growth (%)		% of sales	
		Volume	Value	(%)	change (pt)
Percutaneous coronary intervention (PCI)	22,624	+7.6	+7.4	41.8	+0.1
Cardiac rhythm segment (CRS)	11,374	+20.8	+13.1	21.0	+1.1
Cardiac vascular segment (CVS)	6,662	▲ 0.9	▲ 0.7	12.3	▲ 1.0
Percutaneous peripheral intervention (PPI)	2,803	+15.6	+4.7	5.2	▲ 0.1
Brain surgery	1,903	+9.8	+21.4	3.5	+0.4
Diabetes mellitus segment (DMS)	773	-	+33.6	1.4	+0.3
Large-sized medical equipment	3,329	-	▲ 17.0	6.1	▲ 1.8
Others	4,675	-	+20.1	8.6	+0.9
TOTAL	54,147	-	+7.1	100.0	

Segment review (YoY)

P C I

enjoyed higher sales from both existing and new customers. Higher number of procedures supported double digit growth of DES (drug-eluting stent).

CRS

continued to post double digit growth in sales from both existing and new customers. Favorable sales of EP▪Ablation and MRI-conditional pacemaker.

CVS

fell suffered from reimbursement price cut of stent graft despite sales of TAVI picked up as well as number of procedures in the second half.

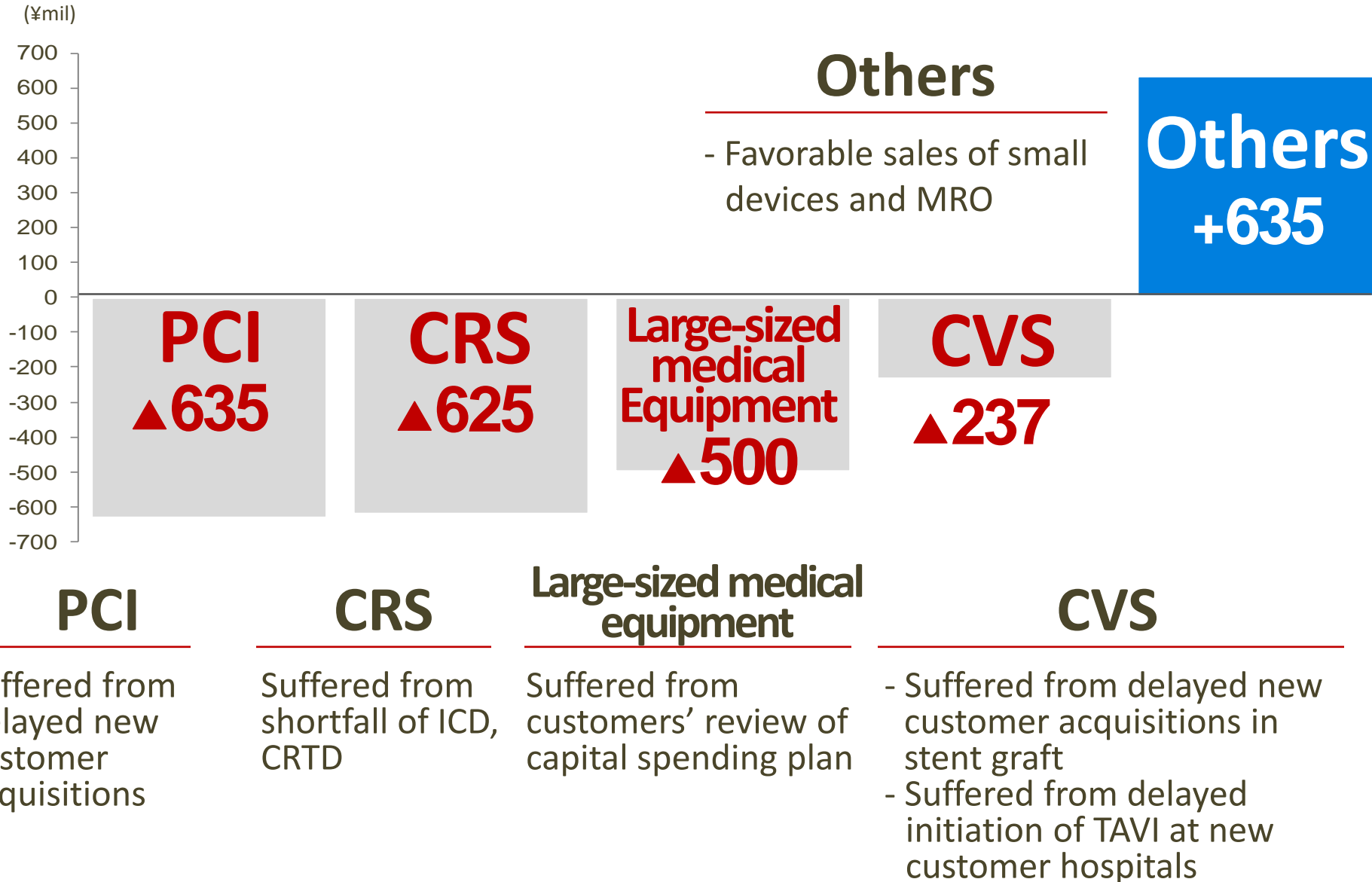
P P I

enjoyed higher number of procedures. Despite double digit growth of PTA balloon catheters, lower sales of high-priced peripheral vascular stents slowed overall growth.

Large equip- ment

suffered from depressed demand because of building costs increase together with delayed sales.

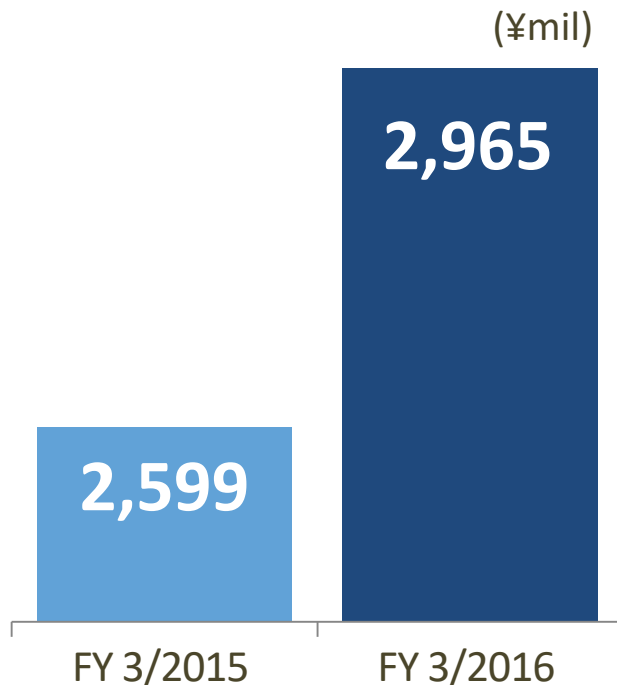
Segment review (vs plan)



Highlights

Operating profit **+14.1%** YoY [vs. plan
▲0.5%]

Operating profit margin improved 0.4pt



Gross profit margin **13.4%** YoY (+0.2pt)

- Cost reduction by bulk purchasing
- Higher margins of CRS supported by larger sales volume
- Favorable sales mix

SG&A to sales **7.9%** YoY (▲0.2pt)

Miscellaneous expense decreased except for labor costs

[SG&A expenses] **+4.9% YoY**

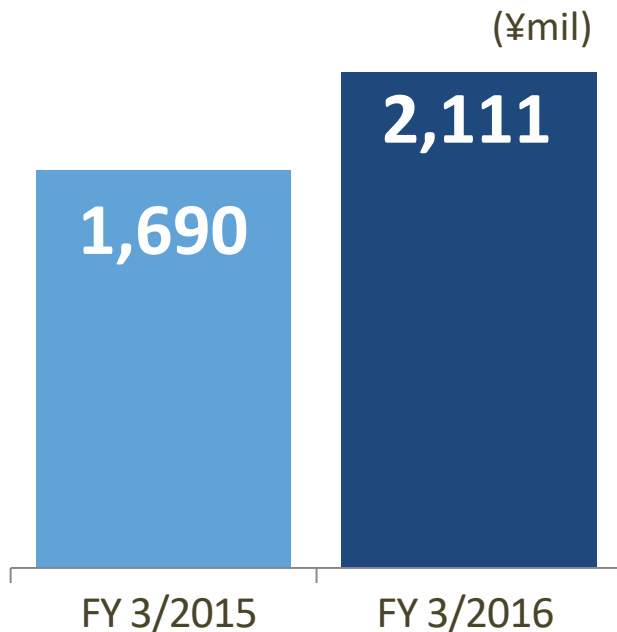
[Labor costs] **+8.4% YoY**

[Miscellaneous expense] **▲ 3.0% YoY** Disappearance of TSE listing related expenses, etc.

[Number of employees] Mar 2016 422 Mar 2015 (399)

Highlights

Net profit **+24.9%** YoY [vs. plan] **+9.4%**



Extraordinary profit
¥294mil

- Sales proceeds of marketable securities
- Cash surrender value of insurance

Extraordinary loss
¥182mil

- Actuarial loss on retirement allowance

Consolidated income statements

	March 2015		March 2016	
	(¥mil)	(%)	(¥mil)	(%)
Sales	50,558	100.0	54,147	100.0
Cost of sales	43,862	86.8	46,882	86.8
Gross profit	6,695	13.2	7,264	13.4
SG&A expenses	4,096	8.1	4,299	7.9
Operating profit	2,599	5.1	2,965	5.5
Non-operating profit	30	0.1	13	0.0
Non-operating expenses	2	0.0	0	0.0
Recurring profit	2,626	5.2	2,978	5.5
Extraordinary profit	4	0.0	294	0.5
Extraordinary loss	1	0.0	182	0.3
Pretax profit	2,629	5.2	3,090	5.7
Taxes	938	1.9	978	1.8
Net profit	1,690	3.3	2,111	3.9

Consolidated balance sheet

	March 2015		March 2016		Change (¥mil)
	(¥mil)	(%)	(¥mil)	(%)	
Current assets	24,537	88.4	26,624	90.2	2,087
Cash and deposits	7,238	26.1	9,285	31.5	2,047
Accounts receivable	14,512	52.3	15,137	51.3	624
Inventory	2,106	7.6	1,475	5.0	▲630
Other current assets	679	2.4	725	2.5	46
Fixed assets	3,228	11.6	2,891	9.8	▲337
Total assets	27,765	100.0	29,515	100.0	1,749
Current liabilities	14,821	53.4	14,903	50.5	81
Accounts payable	13,758	49.6	13,477	45.7	▲281
Taxes payable	499	1.8	604	2.0	104
Other current liabilities	562	2.0	821	2.8	259
Fixed liabilities	427	1.5	684	2.3	257
Total liabilities	15,248	54.9	15,587	52.8	339
Net assets	12,517	45.1	13,927	47.2	1,410
Total liabilities, net assets	27,765	100.0	29,515	100.0	1,749

Consolidated cashflow statements

(¥mil)	March 2015	March 2016
Cash flows from operating activities	▲312	2,294
Net profit before taxes	2,629	3,090
Depreciation	276	276
Sales proceeds of marketable securities	-	▲200
Cash surrender value of insurance	-	▲93
Actuarial loss on retirement allowance	-	159
Notes and accounts receivable	▲714	▲624
Inventories	▲985	636
Notes and accounts payable	▲517	▲293
Tax paid	▲953	▲952
Cash flows from investing activities	▲553	298
Purchase of tangible assets	▲507	▲235
Sale of marketable securities	-	381
Surrender of insurance	-	106
Cash flows from financing activities	▲459	▲545
Cash dividends paid	▲459	▲545
Net increase in cash and cash equivalents	▲1,325	2,047
Cash and cash equivalents at beginning of FY	8,563	7,238
Cash and cash equivalents at the end of FY	7,238	9,285

Corporate Governance

Converted to a company with an audit and supervisory committee

Increased number of outside directors to 4, out of 9 directors

Sold some marketable securities

Outlook

Business outlook

Medical expenditures under tighter control

- Revision of medical fees
- Clarification of hospital functions

Technological advancement of medical devices

- Creation of new markets, with potential patients
- Specialization of medical devices

Unbalanced medical services

- Unbalanced medical services by region and treatment field
- Outpatients concentrating in larger hospitals

Outline of 2016 revision of medical fee

1. Reimbursement price cut of devices

→ Estimated impact to our group:

Average ▲**5%** on sales

2. Stricter assessment of acute care hospitals

→ **10%** of number of bed units for acute care hospitals likely to be disqualified

1. Impact of reimbursement price cut on group sales

Segment	Impact (%)
Percutaneous Coronary Intervention (PCI)	▲ 8.7
Cardiac Rhythm Segment (CRS)	▲ 3.4
Cardiac Vascular Segment (CVS)	▲ 2.0
Percutaneous Peripheral Intervension (PPI)	▲ 3.7
Brain Surgery	▲ 2.3
Others	▲ 0.7
Total	▲ 5.0

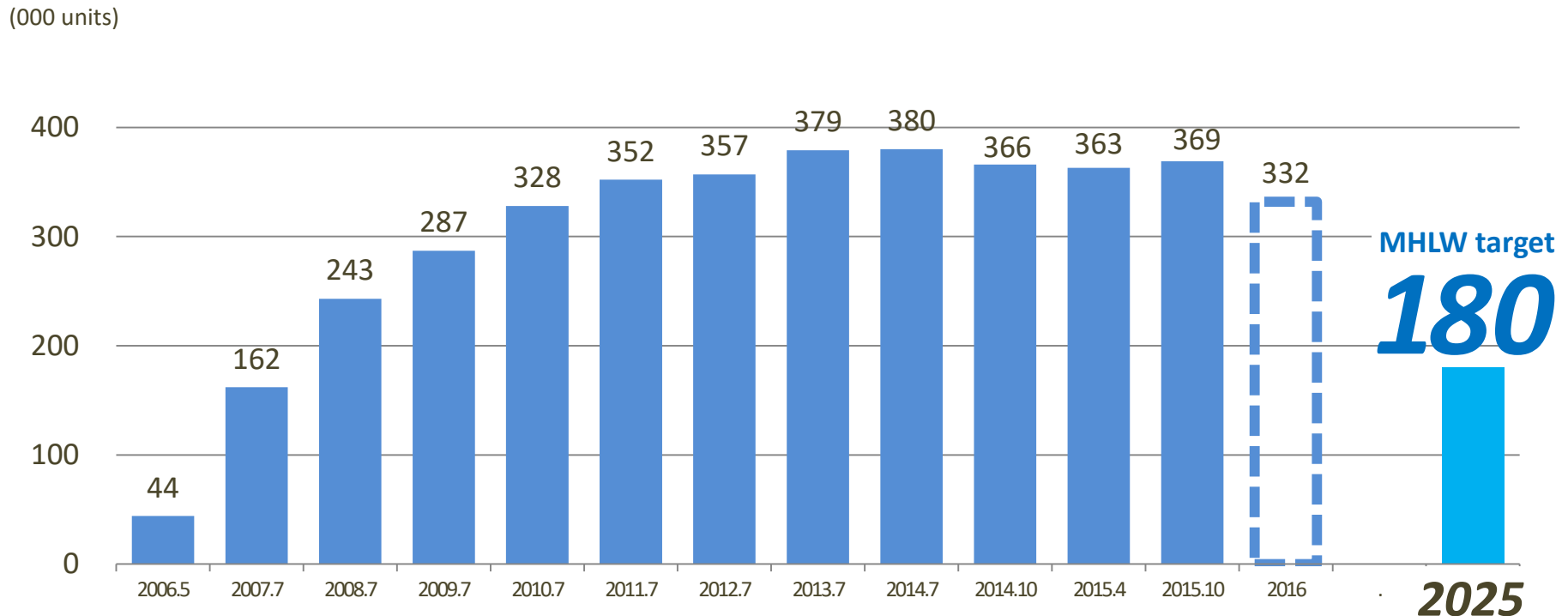
Outline of reimbursement price cuts

Segment	Items	Reimbursement prices (¥000)		Impact (%)
		2014	2016	
PCI	PTCA Ballon Catheter	67	59	▲ 12.0
	DES (Drug Eluting Stent)	261	226	▲ 13.4
	IVUS (Intravascular Ultrasound Catheter)	109	100	▲ 8.3
CRS	Pacemaker	827	739	▲ 10.6
	Pacemaker (MRI-conditional)	1,040	986	▲ 5.2
	ICD (Implantable Cardioverter Defibrillator)	2,940	2,890	▲ 1.7
	ICD (MRI-conditional)	3,300	3,300	0.0
	CRTD (Cardiac Resynchronization Therapy Defibrillator)	4,280	4,140	▲ 3.3
	CRTD (MRI-conditional)	4,500	4,500	0.0
	Subcutaneous Implantable Defibrillator (S-ICD)	—	2,870	-
	Ablation Catheter	149	143	▲ 4.0
	Cardiac CryoAblation Catheter	637	637	0.0
CVS	Stent graft (abdomen)	1,310	1,310	0.0
	Open Stent graft	—	1,140	-
	Heart valve for Transcatheter Aortic Valve Implantation (TAVI) (Balloon-expandable)	4,650	4,430	▲ 4.7
	Heart valve for TAVI (self-expanding)	—	3,670	-
PPI	PTA Ballon Catheter	72	67	▲ 6.9
	Peripheral Vascular Stent graft	188	188	0.0

2. Stricter assessment of acute care hospitals

Due to the **stricter regulation** of medical fees, **10%** of number of bed units(c. 36,000) for **acute care hospitals** likely to be eliminated

Changes in number of bed units for acute care hospitals



Our approach for FY 3/2017

Promoting support to strengthen customer hospital functions

Current situation

- About 30% of customers offering PCI are able to treat cardiac arrhythmia including ablation, etc.
- Only 5% of patients with atrial fibrillation (about 1 million people) are treated by ablation
- By promoting PPI screening, some customers experienced synergy with higher number of PCI procedures

Our concrete measures to strengthen customer hospital functions

Support driving our customers to “Multi-specialty” hospitals

- 1) Propose customers to start up new department:
Cardiovascular internal medicine → Cardiac surgery
- 2) Propose customers to expand the field of diagnosis and treatment:
Percutaneous coronary intervention → Abnormal cardiac rhythm
- 3) Recommend screening related-disorders to discover potential patients: Heart ↔ Peripheral
- 4) Support to form “Hybrid medical” team
- 5) Offer specialist services:
Support to use devices properly by newly formed ablation team

Consolidated Forecasts to March 2017

	(¥mil)	(%)	YoY(%)
Sales	56,600	100.0	+4.5
Operating profit	3,000	5.3	+1.2
Recurring profit	3,000	5.3	+0.7
Net profit	2,050	3.6	▲2.9
EPS (yen)	142.82		▲2.9
DPS (yen)	43.0		+4.9

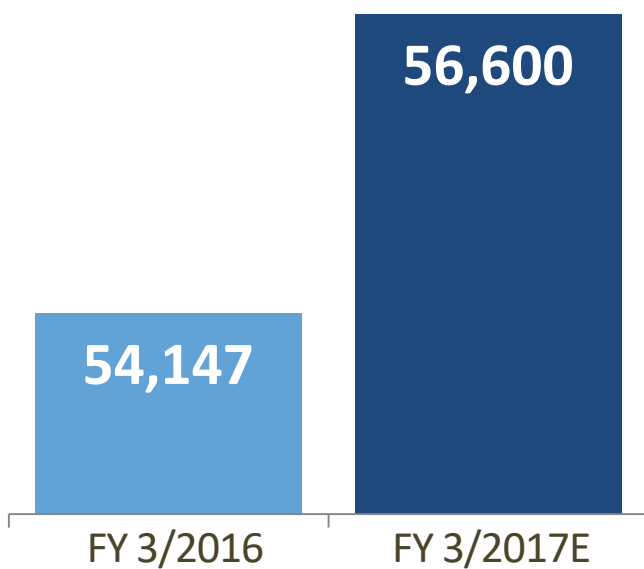
Forecast highlights

Sales **+4.5%** YoY

Expand customer share

- Support to strengthen hospital functions

(¥mil)



Acquire new customers

- Acquire major customer hospitals in the metropolitan area
- Expand relatively new branches in response to increasing requests from customer hospitals

Each category expects increases in sales supported by larger sales volume while brain surgery expects decrease due to changes in sales strategy in western Japan

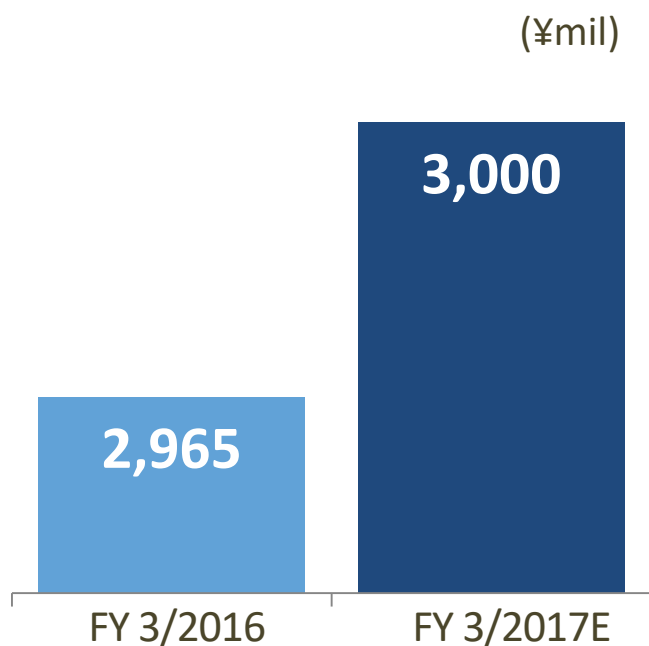
Full year sales breakdown by segment

	(¥mil)	YoY	% of sales
Percutaneous coronary intervention (PCI)	23,330	+3.1%	41.2%
Cardiac rhythm segment (CRS)	11,960	+5.1%	21.1%
Cardiac vascular segment (CVS)	6,820	+2.4%	12.0%
Percutaneous peripheral intervention (PPI)	3,010	+7.4%	5.3%
Brain surgery	1,770	▲7.0%	3.1%
Diabetes mellitus segment (DMS)	1,030	+33.1%	1.8%
Large-sized medical equipment	3,970	+19.2%	7.0%
Others	4,710	+0.7%	8.3%
TOTAL	56,600	+4.5%	100.0%

Forecast highlights

Operating profit

+1.2% YoY



Gross profit margin

13.5% +0.1pt YoY

- Absorb negative impact from reimbursement price cuts by committing volume expansion
- Higher rebates from manufacturers through sales expansion

SG&A to sales

8.2% +0.3pt YoY

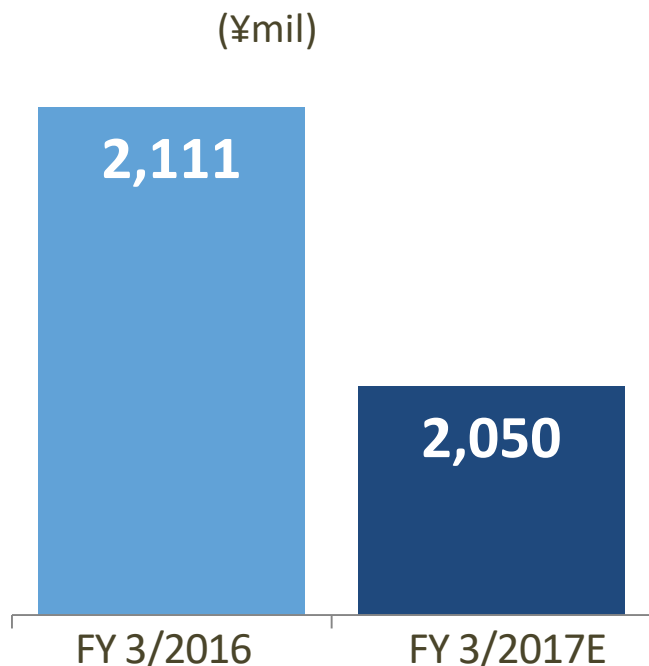
- SG&A expenses +8.4% due to increase in number of employees

422 → 478 (+13.3%)
March 2016 March 2017E

Forecast highlights

Net profit **▲2.9%** YoY

Absence of extraordinary profit



Capex **¥60mil**

vs. ¥310mil for FY 3/2016

Depreciation **¥230mil**

vs. ¥276mil for FY 3/2016



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