



WIN PARTNERS
WIN A BETTER QUALITY OF LIFE®

SAFETY
CREATE VALUE
LEADERSHIP
HEALTHY SOCIETY
WIN A BETTER QUALITY OF LIFE
INNOVATION
PARTNERSHIP
TRUST

Results Presentation 2Q FY March 2019

Win-Partners Co., Ltd. (3183)



WINはQOL推進企業です

2Q results ending September 2019

Consolidated results summary

(¥mil)2Q to	Sep 2017	Sep 2018	YoY	OE
Sales	29,753	31,863	+7.1%	31,700
Operating profit	1,497	1,276	-14.8%	1,410
Recurring profit	1,499	1,273	-15.1%	1,410
Net profit	1,018	896	-12.0%	980
EPS (yen)	35.49	31.22		
BPS (yen)	549.20	321.01		

Our approach

- ◆ Negotiated selling and procurement prices to reflect new reimbursement prices

 - Reached agreement with customers (92%) and suppliers (99%)
- ◆ Implemented measures to improve margins

 - Rebate program and bulk purchasing
- ◆ Tesco Akita absorbed into Tesco in July

 - Introduced IT infrastructure and operational reforms
- ◆ Introduced new personnel appraisal

 - Shift to 'role-based' pay scheme from ability & seniority-based

Highlights

Sales + 7.1% YoY vs. plan
+0.5%

+2.3% excluding Tesco Akita

(¥mil)

31,863

29,753

2Q to Sep 2017

2Q to Sep 2018

Absorbed negative impact from reimbursement price cuts (-5.9%)

- Favorable sales of CRS, CVS and DMS
- PCI sales depressed by lower number of cases and price cuts

Reimbursement price cuts (impact on group sales)

Segment	Impact (%)
Percutaneous Coronary Intervention (PCI)	-10.6
Cardiac Rhythm Segment (CRS)	-5.5
Cardiac Vascular Segment (CVS)	-0.9
Percutaneous Peripheral Intervention (PPI)	-7.3
Brain Surgery	-2.0
Others	-0.3
Total	-5.9

Calculated based on the actual sales volume and product mix on FY 3/2018

Outline of reimbursement price cuts

Segment	Items	Reimbursement prices (¥000)		Change (%)
		2016	2018	
PCI	PTCA Ballon Catheter	59	45	- 23.3
	DES (Drug Eluting Stent)	226	193	- 14.6
	IVUS (Intravascular Ultrasound Catheter)	100	89	- 10.5
CRS	Pacemaker	739	831	12.4
	Pacemaker (MRI-conditional)	986	831	- 15.7
	ICD (Implantable Cardioverter Defibrillator)	2,890	3,040	5.2
	ICD (MRI-conditional)	3,300	3,040	- 7.9
	CRTD (Cardiac Resynchronization Therapy Defibrillator)	4,140	4,140	0.0
	CRTD (MRI-conditional)	4,500	4,140	- 8.0
	Subcutaneous Implantable Defibrillator (S-ICD)	3,060	3,060	0.0
	Ablation Catheter	143	133	- 7.0
	Cardiac CryoAblation Catheter	637	637	0.0
CVS	Stent graft (abdomen)	1,310	1,300	- 0.8
	Open Stent graft	1,090	1,090	0.0
	Heart valve for Transcatheter Aortic Valve Implantation (TAVI) (Balloon-expandable)	4,430	4,430	0.0
	Heart valve for TAVI (self-expanding)	3,670	3,670	0.0
PPI	PTA Ballon Catheter	67	60	- 10.4
	Peripheral Vascular Stent graft	188	179	- 4.8

Sales breakdown by segment

	Sales (¥mil)	YoY growth (%)		% of sales	
		Volume	Value	(%)	Change (pt)
Percutaneous coronary intervention (PCI)	10,204	+2.7	-7.7	32.0	-5.1
Cardiac rhythm segment (CRS)	8,707	+26.1	+23.8	27.3	+3.7
Cardiac vascular segment (CVS)	4,641	+10.9	+22.5	14.6	+1.8
Percutaneous peripheral intervention (PPI)	1,613	+15.3	+2.7	5.1	-0.2
Brain surgery	1,164	+9.9	+18.6	3.7	+0.4
Diabetes mellitus segment (DMS)	847	-	+63.8	2.7	+0.9
Large-sized medical equipment	1,530	-	-33.7	4.8	-3.0
Others	3,155	-	+26.3	9.9	+1.5
TOTAL	31,863	-	+7.1	100.0	

Segment review (YoY)

[vs. plan]

P C I suffered from larger reimbursement price cuts (-10.6%) and lower number of cases



CRS enjoyed higher demand for EP•Ablation (+27%) and ICD, CRTD despite reimbursement price cuts (-5.5%)



CVS enjoyed higher demand for TAVI and stent graft related products together with moderate reimbursement price cuts (-0.9%)



P P I enjoyed higher demand for PTA balloon catheter despite reimbursement price cuts (-7.3%)



Large equip-ment suffered from decreased number of large projects



Highlights

Operating
profit

-14.8% YoY [vs. plan
- **9.5%**]

(¥mil)

Gross profit margin

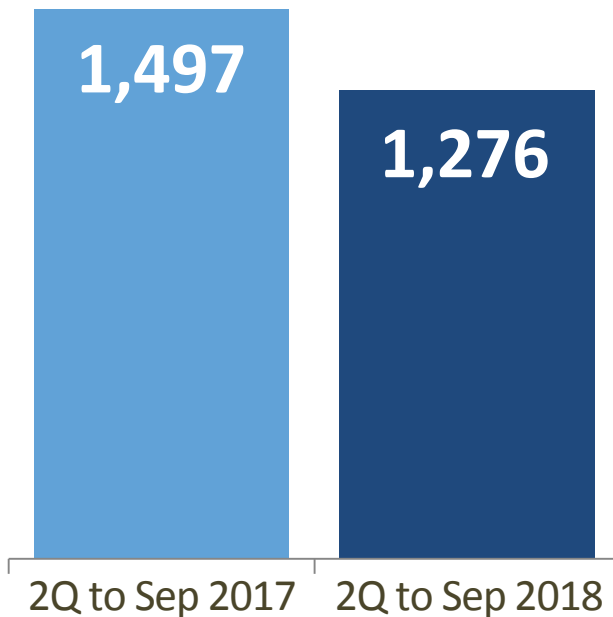
12.5% (-0.4pt YoY)

- Worsened product mix (lower sales of PCI)
- Fell short of the plan despite rebates at the end of 2Q

SG&A +15.2% YoY (+7% excluding Tesco Akita)

- including labor cost (+16.6%)
- Number of employees: 471 → 527

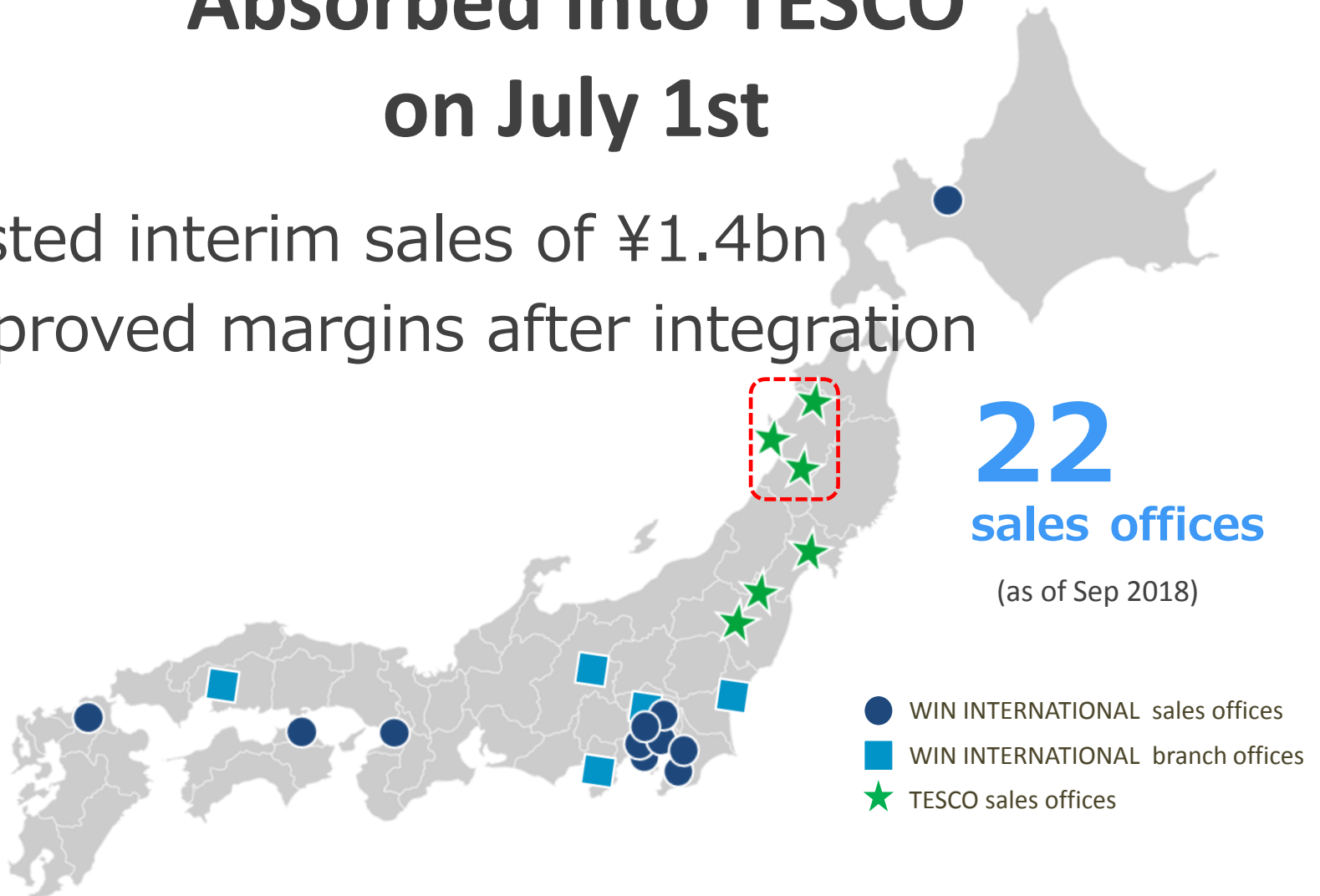
(Sep 2017) (Sep 2018)



PMI: TESCO Akita

Absorbed into TESCO on July 1st

- ✓ Posted interim sales of ¥1.4bn
- ✓ Improved margins after integration



Consolidated income statements

2Q to	Sep 2017		Sep 2018	
	(¥mil)	(%)	(¥mil)	(%)
Sales	29,753	100.0	31,863	100.0
Cost of sales	25,914	87.1	27,890	87.5
Gross profit	3,839	12.9	3,973	12.5
SG&A expenses	2,341	7.9	2,696	8.5
Operating profit	1,497	5.0	1,276	4.0
Non-operating profit	2	0.0	2	0.0
Non-operating expenses	0	0.0	5	0.0
Recurring profit	1,499	5.0	1,273	4.0
Extraordinary profit	-	-	0	0.0
Extraordinary loss	16	0.1	1	0.0
Pretax profit	1,483	5.0	1,272	4.0
Taxes	464	1.6	376	1.2
Net profit	1,018	3.4	896	2.8

Consolidated balance sheet

	Mar 2018		Sep 2018		Change (¥mil)
	(¥mil)	(%)	(¥mil)	(%)	
Current assets	33,033	91.3	32,813	91.4	-220
Cash and deposits	13,317	36.8	13,752	38.3	435
Accounts receivable	17,377	48.0	15,909	44.3	-1,468
Inventory	1,646	4.6	2,159	6.0	513
Other current assets	692	1.9	991	2.8	299
Fixed assets	3,154	8.7	3,079	8.6	-75
Total assets	36,188	100.0	35,892	100.0	-296
Current liabilities	17,635	48.7	17,246	48.0	-389
Accounts payable	16,388	45.3	16,229	45.2	-159
Taxes payable	485	1.3	420	1.2	-65
Other current liabilities	760	2.1	596	1.6	-164
Fixed liabilities	788	2.2	818	2.3	30
Total liabilities	18,424	50.9	18,064	50.3	-360
Net assets	17,764	49.1	17,828	49.7	64
Total liabilities, net assets	36,188	100.0	35,892	100.0	-296

Consolidated cashflow statements

(¥mil) 2Q to	Sep 2017	Sep 2018
Cash flows from operating activities	-562	1,327
Net profit before taxes	1,483	1,272
Depreciation	120	115
Notes and accounts receivable	-1,844	1,468
Inventories	-118	-512
Notes and accounts payable	253	-151
Tax paid	-488	-490
Other	31	-373
Cash flows from investing activities	-1,363	-59
Purchase of tangible assets	-98	-53
Purchase of marketable securities	-1,250	-
Other	-14	-5
Cash flows from financing activities	-746	-832
Cash dividends paid	-746	-832
Other	0	0
Net increase in cash and cash equivalents	-2,671	435
Cash and cash equivalents at beginning of FY	11,954	13,317
Cash and cash equivalents at the end of 2Q	9,283	13,752

Outlook

Overview of PCI

Factors affecting sluggish sales

- ① Lower price, reflecting severe reimbursement price cuts (-10.6%)
- ② Lower number of PCI cases at customer hospitals

Factors affecting lower PCI cases

- ① Hospitals holding back of PCI after introduction of Appropriate Usage Criteria
(evaluation of functional ischemia of coronary)
- ② Intense competition among hospitals
(loss of patients)
- ③ Shortage of doctors (transfer and retirement)
- ④ Shift of hospital resources to Ablation and TAVI

Outline of appropriate usage criteria

Changes of reimbursement requirements on PCI for stable angina

Before: Case of over 75% stenosis

After April:

In case of stenosis between 75% and 90%,
provide evidence to justify PCI
(assessment of functional flow reserve etc.)

Our approach in the second half

✓ Support hospitals for proper interpretation on the usage criteria

✓ Propose competitive measures and support marketing to increase patient referral

Provide research of catchment area and promote regional collaboration with clinics etc.

✓ Propose measures to improve hospital income and support to recruit doctors

✓ Acquire new customers

✓ Improve gross margins

Consolidated Forecasts to March 2019

	(¥mil)	YoY (%)	(%)
Sales	67,000	+ 6.6	100.0
Operating profit	3,200	+ 1.8	4.8
Recurring profit	3,200	+ 1.6	4.8
Net profit	2,300	- 23.5	3.4
EPS (yen)	80.12		
DPS (yen)	30.00		

Forecast highlights

Sales **+ 6.6%** YoY

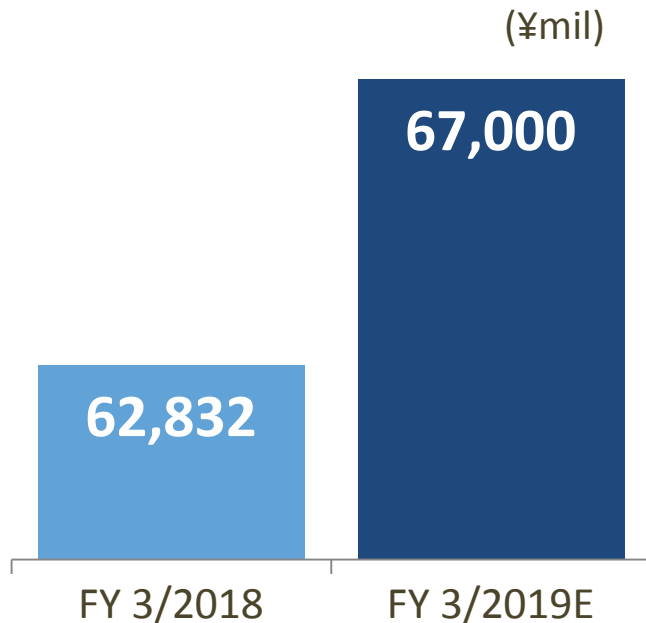
Expand customer share

- Support customers to increase PCI patients
- Expand trading volume per customer

Acquire new customers

- University hospital groups
- Regional core hospitals
- Diabetes clinic

Revised sales breakdown by segment



Full year sales breakdown by segment

	(¥mil)	YoY(%)	% of sales	OE(¥mil)
Percutaneous coronary intervention (PCI)	21,300	-7.4	31.8	23,110
Cardiac rhythm segment (CRS)	18,000	+19.0	26.9	16,810
Cardiac vascular segment (CVS)	9,480	+13.9	14.1	9,480
Percutaneous peripheral intervension (PPI)	3,310	+2.2	4.9	3,310
Brain surgery	2,180	+0.7	3.3	2,180
Diabetes mellitus segment (DMS)	1,580	+31.2	2.4	1,580
Large-sized medical equipment	4,400	+11.4	6.6	4,400
Others	6,750	+15.8	10.1	6,130
TOTAL	67,000	+6.6	100.0	67,000

Forecast highlights

**Operating
profit**

+1.8% YoY

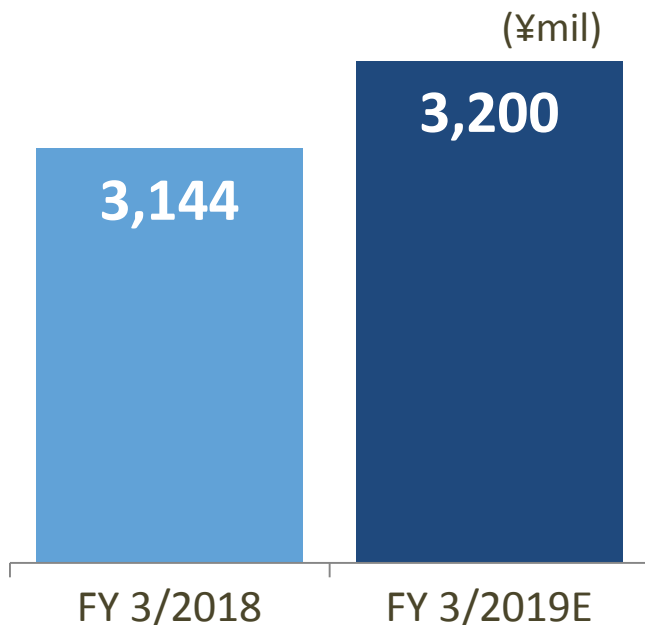
**Gross profit margin
12.8% (flat YoY)**

- Revised from initial target (13.1%) due to lower PCI sales
- Expecting to improve margins supported by higher rebates and bulk purchasing in the second half

SG&A ¥5.35bn (+9.2% YoY)

- +5.3% excluding Tesco Akita
- Revised down from initial plan by ¥0.2bn
- Estimated number of employees

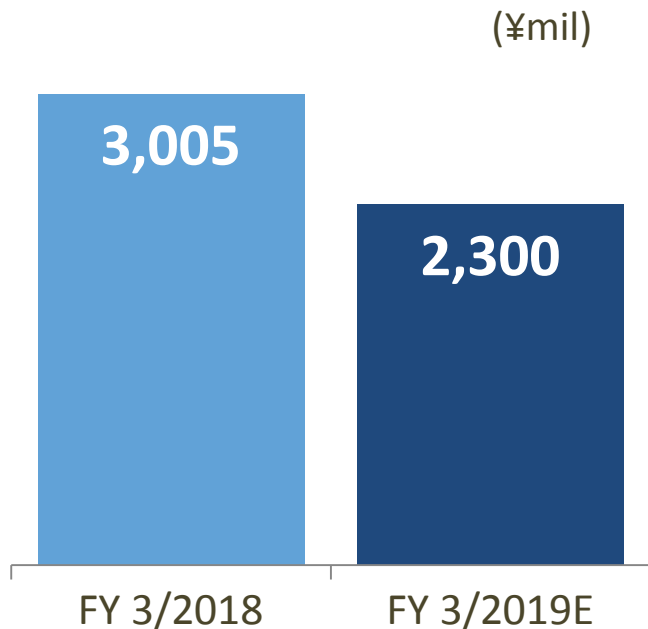
517 → 540 (vs. initial 561)
(Mar 2018) (Mar 2019)



Forecast highlights

Net profit **-23.5%** YoY

**Absence of negative goodwill of
Tesco Akita**



Capex **¥150 mil**

vs. ¥198mil for FY 3/2018

Depreciation **¥220 mil**

vs. ¥262mil for FY 3/2018

Dividends

**We aim at
Over 30% payout ratio**

Dividends FY ending March 2019

30 yen

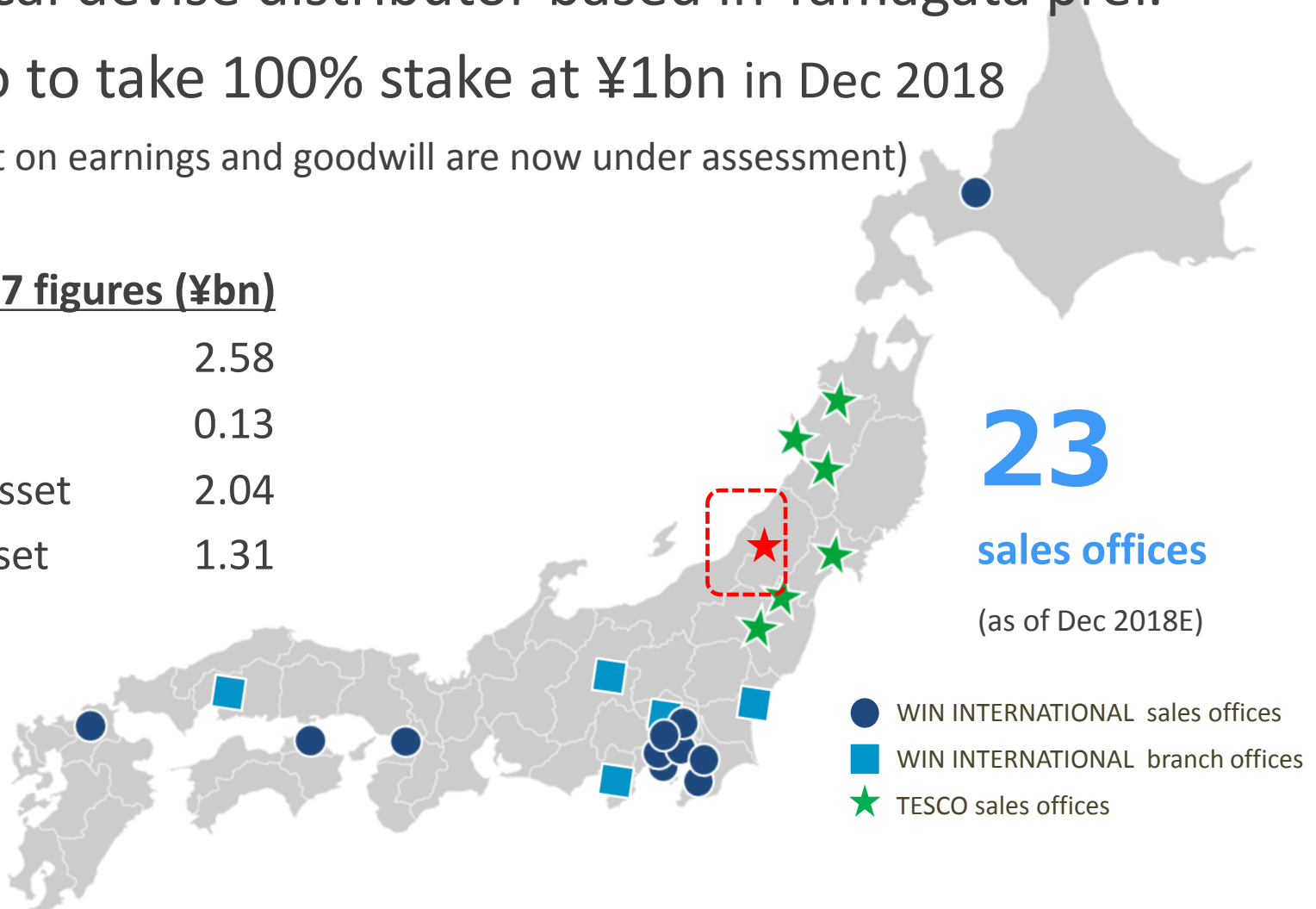
payout ratio
37%

M&A of MCI











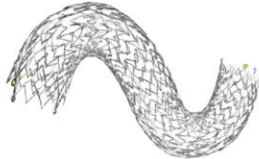





- ✓ Medical device distributor based in Yamagata pref.
- ✓ Tesco to take 100% stake at ¥1bn in Dec 2018
(Impact on earnings and goodwill are now under assessment)

FY 2017 figures (¥bn)

Sales	2.58
OP	0.13
Total asset	2.04
Net asset	1.31

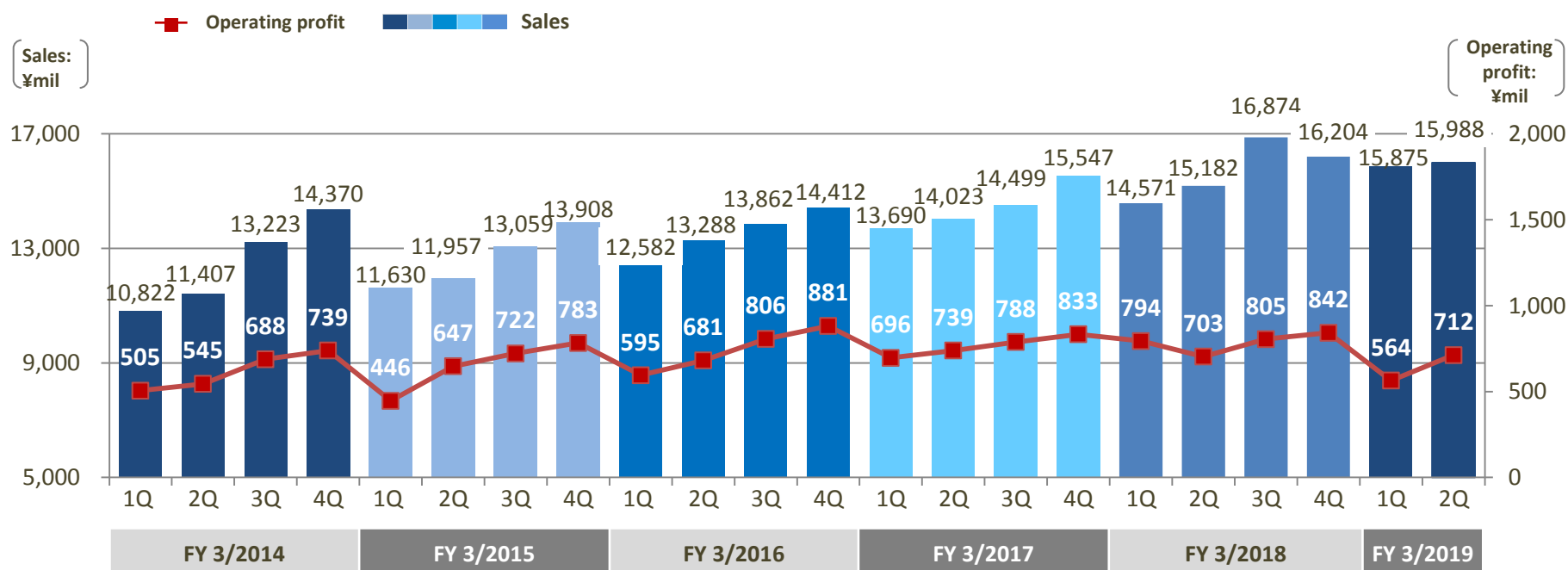


Major products

Segment	Disease	Product		
PCI	<ul style="list-style-type: none"> Myocardial infarction Angina 	PTCA balloon catheter	Drug-eluting stent (DES)	Intravascular ultrasound (IVUS) catheter
				
CRS	<ul style="list-style-type: none"> Abnormal cardiac rhythm 	Pacemaker	Implantable cardioverter defibrillator (ICD)	Cardiac resynchronization therapy defibrillator (CRTD)
				
CVS	<ul style="list-style-type: none"> Aortic aneurysm Aortic stenosis 	Ablation catheter	Stent graft	Transcatheter aortic valve
				
PPI/ Brain surgery	<ul style="list-style-type: none"> Arteriosclerosis obliterans 	Mechanical heart valve	Peripheral vascular stent	Carotid stent
				
DMS/ Large equipment	<ul style="list-style-type: none"> Diabetes Diagnosis 	Neurovascular occlusion coil	Insulin pump	X-ray equipment
				
		Magnetic resonance imaging (MRI)		
				

Track record of quarterly results

Sales/Operating profit (quarterly)



■ = Year of reimbursement price revisions

Share price





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Contact

WIN-Partners Co., Ltd.

Investor Relations

TEL: +81-3-3548-0790

<http://www.win-partners.co.jp>