



WIN PARTNERS
WIN A BETTER QUALITY OF LIFE®

WIN A BETTER QUALITY OF LIFE
INNOVATION
PARTNERSHIP
TRUST

SAFETY
CREATE VALUE
LEADERSHIP
HEALTHY SOCIETY

Results Presentation FY March 2019

Win-Partners Co., Ltd. (3183)



WINはQOL推進企業です

Full year results ending March 2019

Consolidated results summary

(¥ mil)	Mar 2018	Mar 2019	YoY	OE
Sales	62,832	69,775	+11.1%	69,000
Operating profit	3,144	3,261	+3.7%	3,260
Recurring profit	3,148	3,264	+3.7%	3,260
Net profit	3,005	2,640	-12.1%	2,600
EPS (yen)	104.69	91.99	-	90.57
BPS (yen)	618.78	680.89	-	-

Outline of 2018 revision of medical fee

1. Correction of over nursing care

- Reclassified acute care inpatient's wards (7 to 1, 10 to 1) into 7 categories

2. Correction of overtreatment

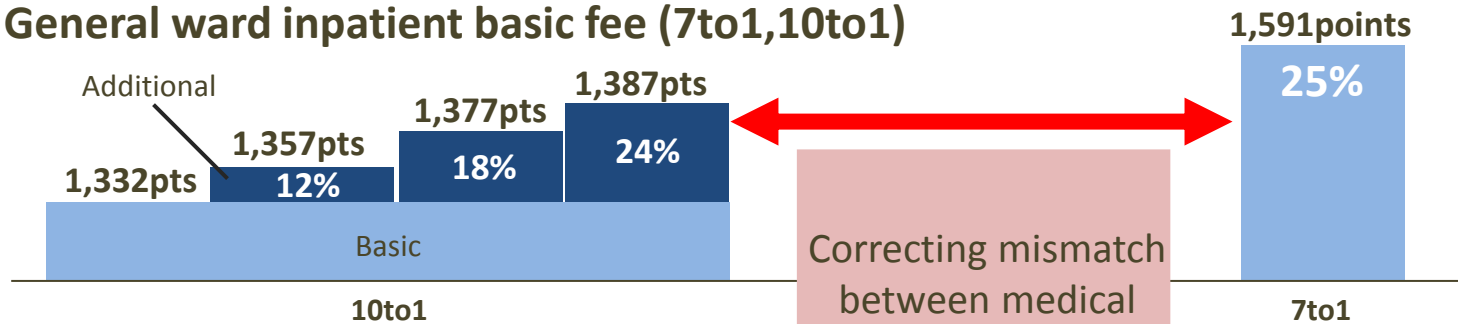
- Introduced appropriate usage criteria

3. Reimbursement price cuts of devices

Reclassified inpatient basic fee

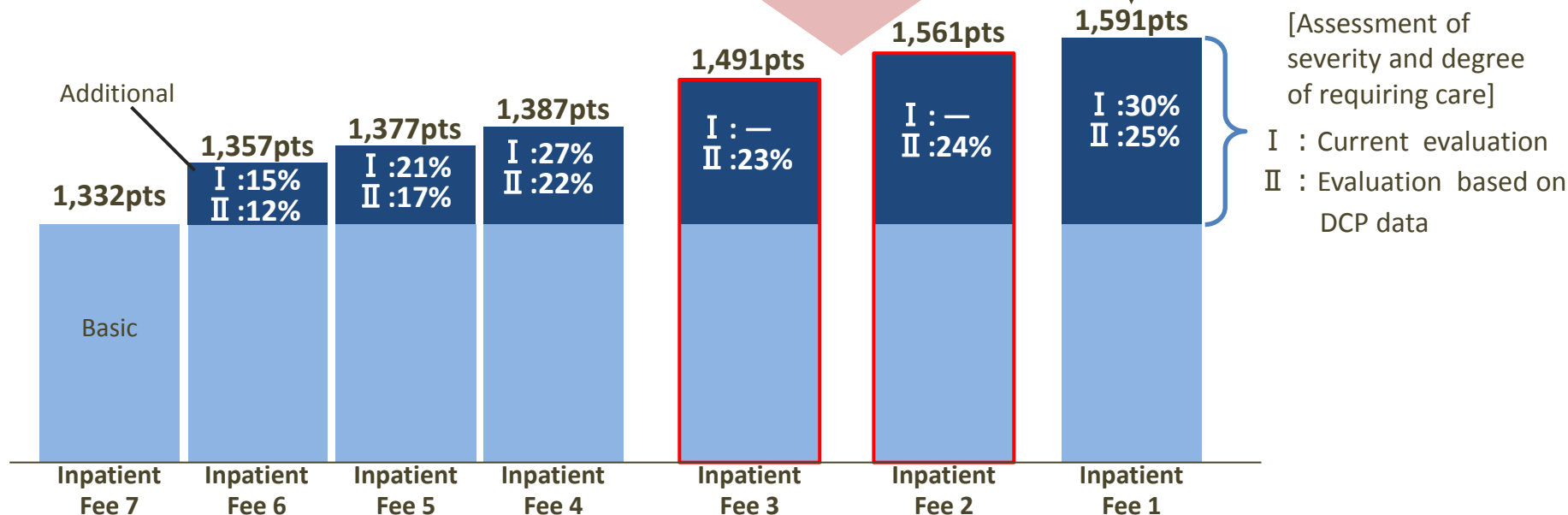
【Before】

General ward inpatient basic fee (7to1,10to1)



【After】

Acute general ward inpatient basic fee



Introduced 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.)

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 Intervension (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

Our approach

- ◆ Strengthened sales activities to encourage PCI cases

 - Offered information on appropriate usage criteria, and proposed countermeasures based on catchment area research
- ◆ Implemented measures to improve margins

 - Rebate program and bulk purchasing
- ◆ Post merger integration of Tesco and Tesco Akita Sales

 - Tesco Akita Sales absorbed by Tesco on July 1st 2018
- ◆ Tesco acquired MCI, a distributor in Yamagata pref.

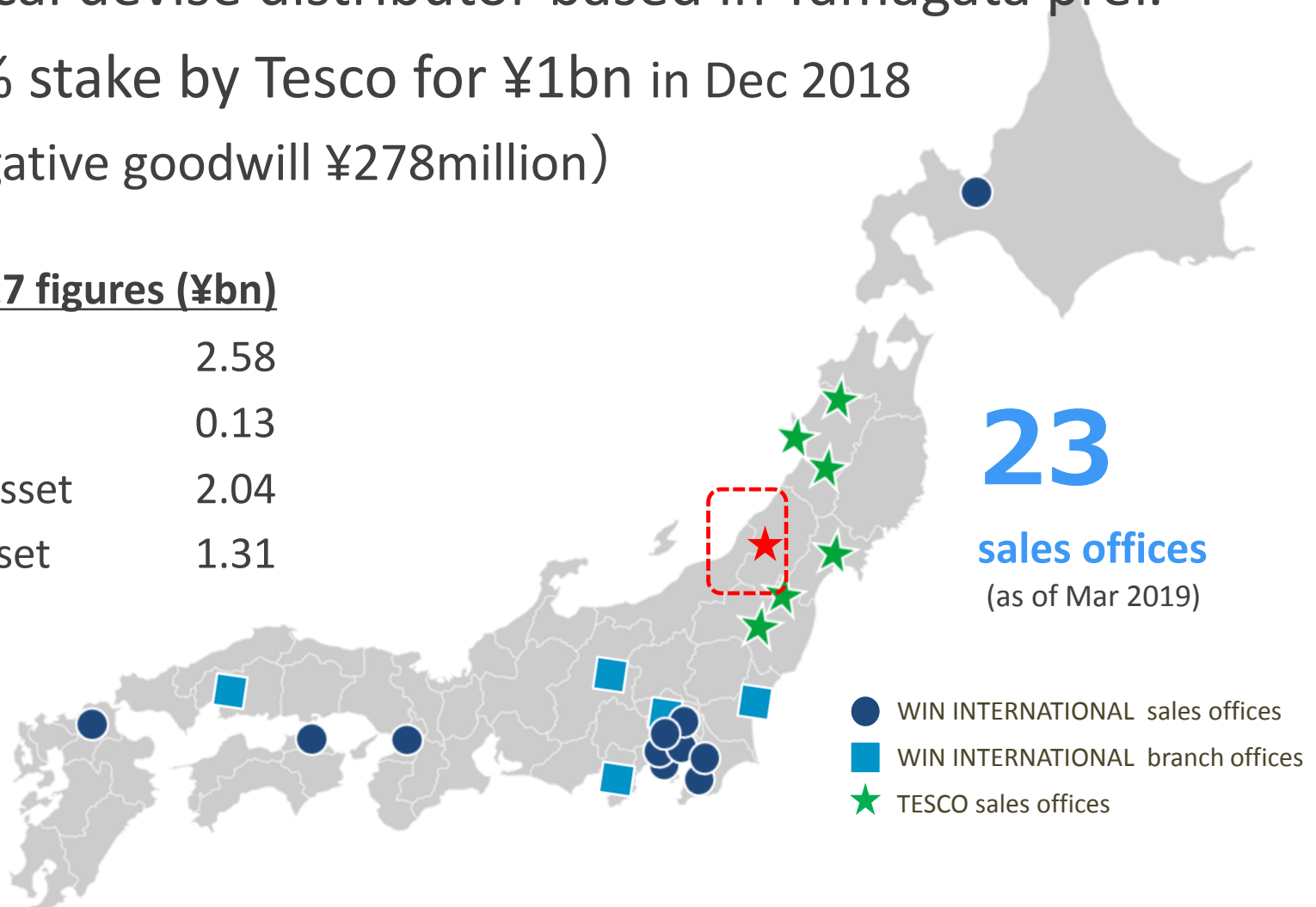
 - Consolidated from December 1st 2018

M&A of MCI

- ✓ Medical device distributor based in Yamagata pref.
- ✓ 100% stake by Tesco for ¥1bn in Dec 2018
(Negative goodwill ¥278million)

FY 2017 figures (¥bn)

Sales	2.58
OP	0.13
Total asset	2.04
Net asset	1.31



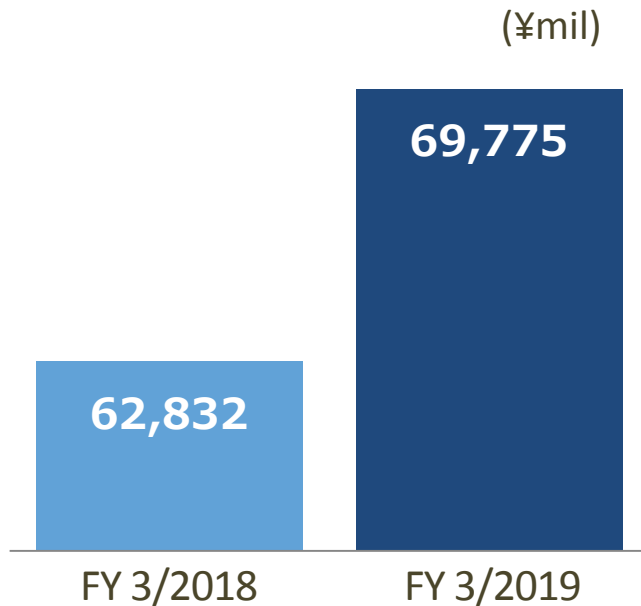
Highlights

Sales + 11.1%_{YoY} vs. plan
+1.1%

**Like-for-like sales +5.9%, excluding
Tesco Akita Sales and MCI**

**Volume increase offsets
reimbursement price cuts (-5.9%)**

Favorable CRS, CVS, DMS and large-sized equipment
while PCI remains sluggish



Sales breakdown by segment

	Sales (¥mil)	YoY growth (%)		% of sales	
		Volume	Value	(%)	Change (pt)
Percutaneous coronary intervention (PCI)	21,320	+2.6	▲ 7.3	30.6	▲ 6.0
Cardiac rhythm segment (CRS)	17,625	+20.9	+16.5	25.3	+1.2
Cardiac vascular segment (CVS)	9,775	▲ 2.1	+17.5	14.0	+0.8
Percutaneous peripheral intervention (PPI)	3,463	+16.6	+6.9	5.0	▲ 0.2
Brain surgery	2,486	+14.5	+14.9	3.6	+0.1
Diabetes mellitus segment (DMS)	1,821	-	+51.3	2.6	+0.7
Large-sized medical equipment	6,691	-	+69.5	9.6	+3.3
Others	6,590	-	+13.0	9.4	+0.2
TOTAL	69,775	-	+11.1	100.0	

Segment review

P C I

suffered from decreasing number of cases together with reimbursement price cuts (-10.6%)

CRS

enjoyed increased volume absorbing reimbursement price cuts(-5.5%)
Sales of EP▪Ablation related products posted 20% plus growth

CVS

enjoyed 40% plus growth in TAVI (transcatheter aortic valve implantation)
Overall volume declined due to terminated sales of commodity products by ex-Tesco Akita Sales

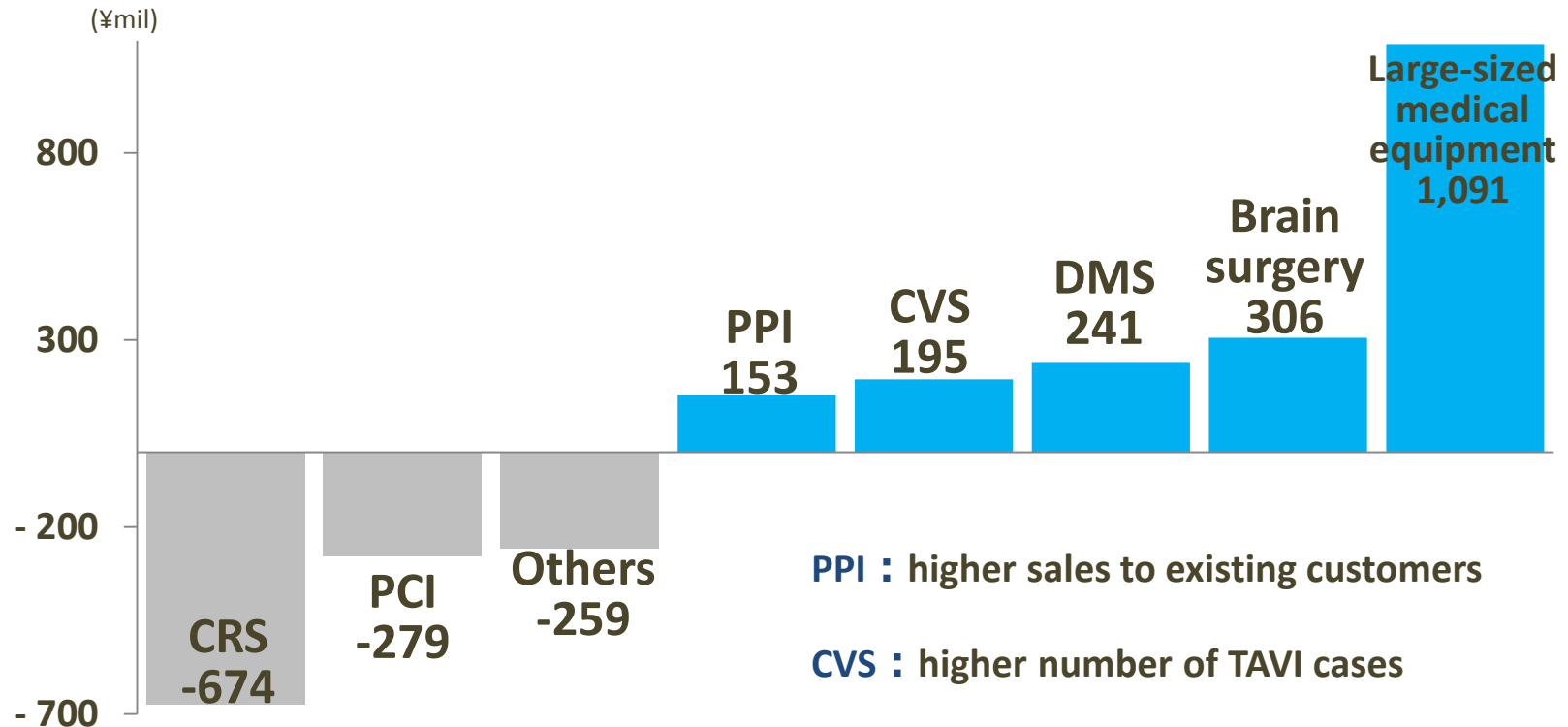
P P I

enjoyed increased volume of PTA (percutaneous transluminal angioplasty) balloon catheters despite reimbursement price cuts (-7.3%)

**Large
equip
-ment**

enjoyed large-scaled relocation projects in Tohoku region

Segment review (vs. plan)



CRS : shortage of sales to new customers

PCI : lower number of clinical cases

Others : curtailed unprofitable categories

PPI : higher sales to existing customers

CVS : higher number of TAVI cases

DMS : higher sales of glucose monitors

Brain surgery :

higher sales to existing and new customers

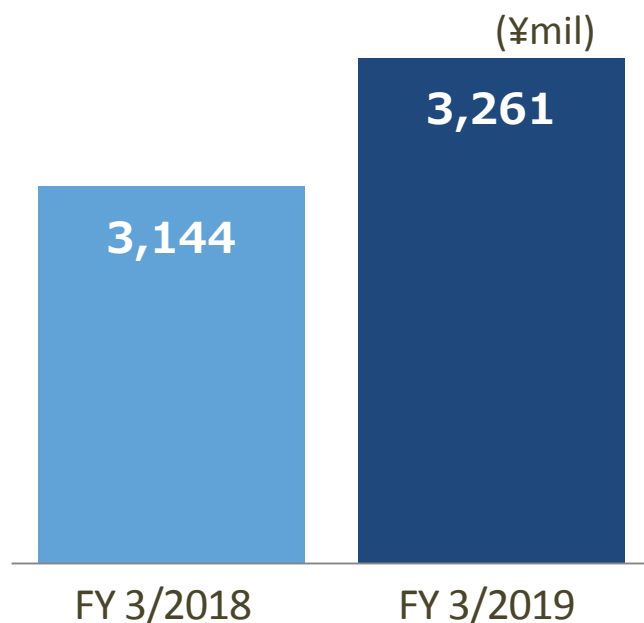
Large-sized medical equipment :

larger orders relating to hospital relocations

Highlights

Operating
profit

+ 3.7% YoY $\left[\begin{array}{c} \text{vs. plan} \\ +0\% \end{array} \right]$



Gross margin declined 0.5pt YoY

- Worse sales mix
(lower sales of PCI and higher sales of large equipment)
- Lower than plan (12.6%) despite higher rebates in 4Q

SG&A rose 9.2% YoY

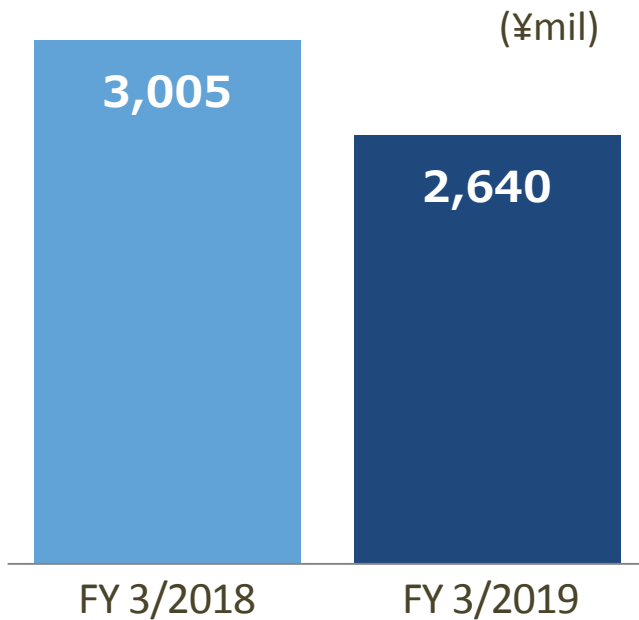
- Labor cost (+11.2%) adding ex-Tesco Akita Sales and MCI
- Number of employees 517 \rightarrow 536※
(Mar 2018) (Mar 2019)
※including 10 employees of MCI

Highlights

Net profit

- 12.1% YoY

vs. plan
+1.6%



Negative goodwill of MCI
(¥278mil) vs.

Negative goodwill of ex-Tesco
Akita Sales (¥684mil) in previous
year

Consolidated income statements

	Mar 2018		Mar 2019	
	(¥mil)	(%)	(¥mil)	(%)
Sales	62,832	100.0	69,775	100.0
Cost of sales	54,787	87.2	61,163	87.7
Gross profit	8,044	12.8	8,612	12.3
SG&A expenses	4,900	7.8	5,351	7.7
Operating profit	3,144	5.0	3,261	4.7
Non-operating profit	9	0.0	8	0.0
Non-operating expenses	5	0.0	5	0.0
Recurring profit	3,148	5.0	3,264	4.7
Extraordinary profit	734	1.2	279	0.4
Extraordinary loss	55	0.1	4	0.0
Pretax profit	3,826	6.1	3,540	5.1
Taxes	821	1.3	899	1.3
Net profit	3,005	4.8	2,640	3.8

Consolidated balance sheet

	Mar 2018		Mar 2019		Change (¥mil)
	(¥mil)	(%)	(¥mil)	(%)	
Current assets	33,033	91.3	36,754	92.1	3,721
Cash and deposits	13,317	36.8	15,289	38.3	1,972
Accounts receivable	17,377	48.0	18,361	46.0	984
Inventory	1,646	4.6	2,335	5.9	688
Other current assets	692	1.9	767	1.9	75
Fixed assets	3,154	8.7	3,156	7.9	2
Total assets	36,188	100.0	39,910	100.0	3,722
Current liabilities	17,635	48.7	19,439	48.7	1,804
Accounts payable	16,388	45.3	18,168	45.5	1,780
Taxes payable	485	1.3	484	1.2	-1
Other current liabilities	760	2.1	786	2.0	26
Fixed liabilities	788	2.2	924	2.3	136
Total liabilities	18,424	50.9	20,363	51.0	1,939
Net assets	17,764	49.1	19,547	49.0	1,783
Total liabilities, net assets	36,188	100.0	39,910	100.0	3,722

Including MCI
¥395mil

Including MCI
¥476mil

Consolidated cashflow statements

(¥mil)	Mar 2018	Mar 2019
Cash flows from operating activities	1,343	2,289
Net profit before taxes	3,826	3,540
Depreciation	261	237
Sales proceeds of marketable securities	-38	1
Negative goodwill	-684	-278
Notes and accounts receivable	-1,393	-594
Inventories	365	-651
Notes and accounts payable	-49	1,321
Tax paid	-927	-964
Other	-16	-321
Cash flows from investing activities	764	-4,484
Payments into time deposits	-	-5,000
Purchase of tangible assets	-198	-91
Sales proceeds of tangible assets	115	7
Sale of marketable securities	280	9
Purchase of investments in subsidiaries resulting in change in scope of consolidation	604	613
Other	-37	-24
Cash flows from financing activities	-746	-832
Cash dividends paid	-746	-832
Net increase in cash and cash equivalents	1,362	-3,027
Cash and cash equivalents at beginning of FY	11,954	13,317
Cash and cash equivalents at the end of FY	13,317	10,289

Outlook

Oct 2019 revision of medical fee

Net increase but individual prices not yet fixed

Change	(%)	(¥bil)
1 . Technical fee	+0.41	+20
Medical	+0.48	+17
Dental	+0.57	+2
Dispensing	+0.12	+1
2 . Pharmaceutical and material price		
Pharmaceutical price	- 0.51	- 29
Corresponding consumption tax hike	+ 0.42	+ 20
Corresponding market price	- 0.93	- 49
Material price	+ 0.03	+ 2
Corresponding consumption tax hike	+ 0.06	+ 3
Corresponding market price	- 0.02	- 1

Source : Ministry of Health, Labor and Welfare

Our approach for 3/2020

◆ Improve gross profit margin

- Tougher price negotiation, consumption tax pass-on

◆ Acquire new customers

- Approach to next generation of doctors

◆ Enhance marketing to existing customers

- Offer solutions to meet needs based on customer analysis

◆ Improve productivity

- Renew mission-critical system and separate logistics from sales function

◆ Enforce M&A and group management

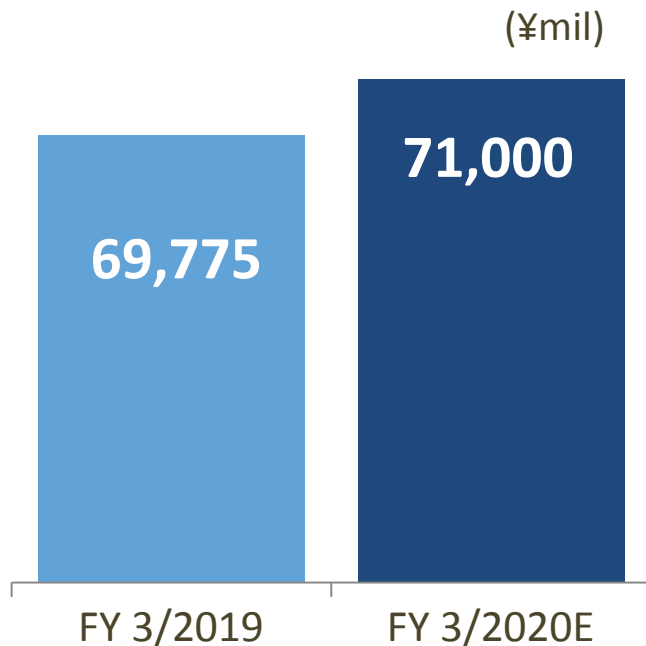
- Set administration division in April

Consolidated Forecasts to March 2020

	(¥mil)	YoY (%)	(%)
Sales	71,000	+1.8	100.0
Operating profit	3,300	+1.2	4.6
Recurring profit	3,300	+1.1	4.6
Net profit	2,260	- 14.4	3.2
EPS (yen)	78.72		
DPS (yen)	33.00		

Forecast highlights

Sales **+ 1.8%** YoY



Full contribution of MCI

Factored 1% impact from reimbursement price cuts in 2H

Lower sales of large sized equipment after large projects

Sales breakdown by segment

	(¥mil)	YoY	% of sales
Percutaneous coronary intervention (PCI)	22,780	+6.8%	32.1%
Cardiac rhythm segment (CRS)	19,460	+10.4%	27.4%
Cardiac vascular segment (CVS)	10,500	+7.4%	14.8%
Percutaneous peripheral intervention (PPI)	3,800	+9.7%	5.4%
Brain surgery	2,490	+0.1%	3.5%
Diabetes mellitus segment (DMS)	2,050	+12.6%	2.9%
Large-sized medical equipment	4,540	-32.2%	6.4%
Others	5,380	-18.4%	7.6%
TOTAL	71,000	+1.8%	100.0%

Forecast highlights

**Operating
profit**

+1.2% YoY

Gross profit margin +0.5pt YoY

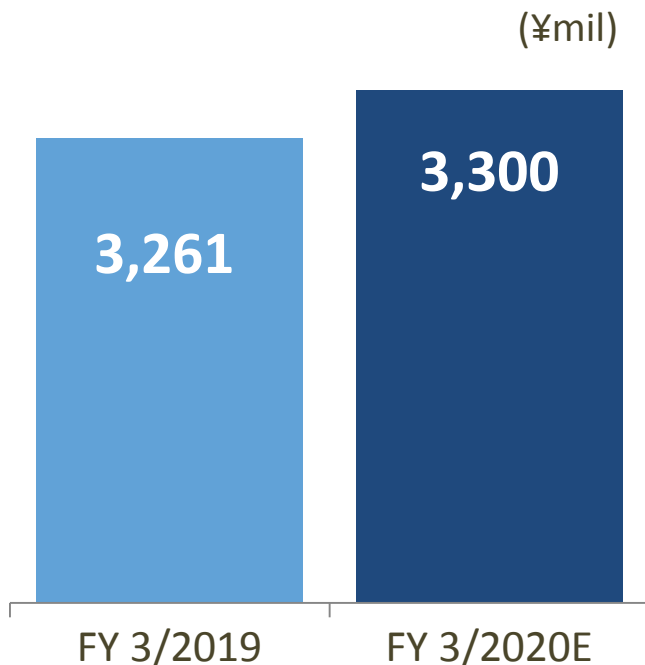
- Emphasizing price negotiation of disposal devices and large sized equipment

SG&A **+9.1% YoY**

- Higher labor cost

Total number of employees

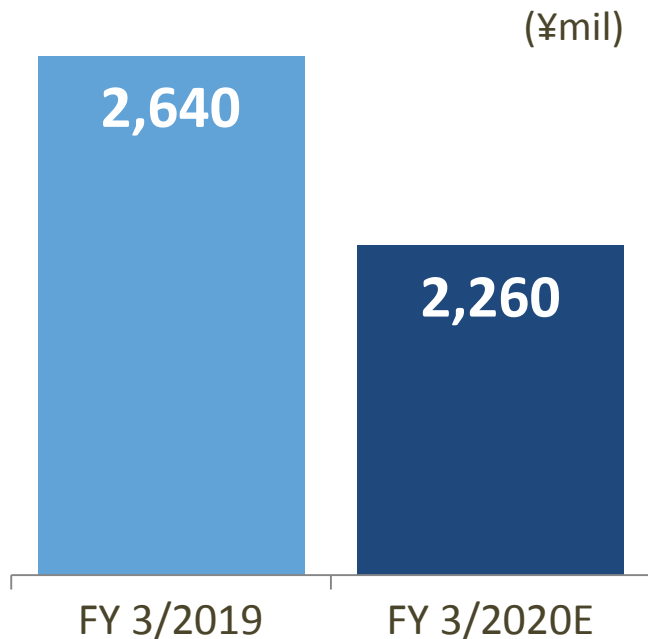
536 → 584
(Mar 2019) (Mar 2020E)



Forecast highlights

Net profit **-14.4%** YoY

Absence of negative goodwill



Capex **¥130 mil**

vs. ¥143mil for FY 3/2019

Depreciation **¥220mil**

vs. ¥237mil for FY 3/2019











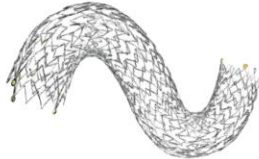





Dividends

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

Dividends FY ending March 2020

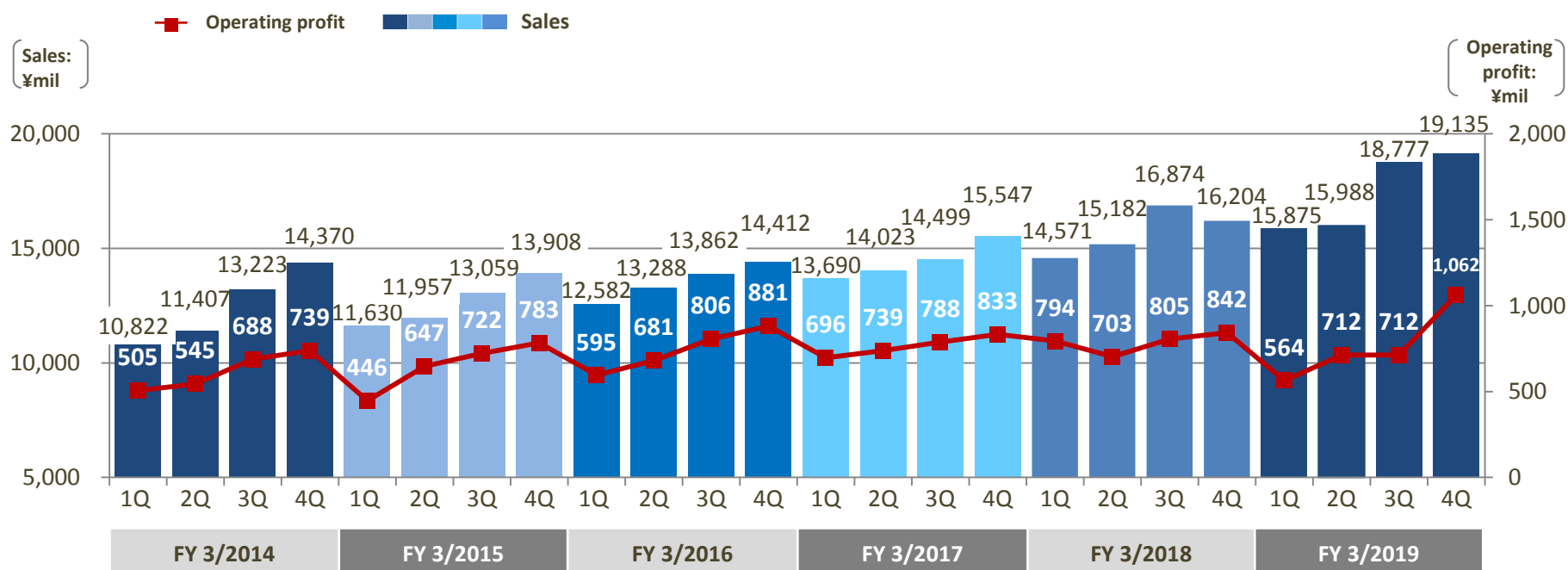
33 yen (payout ratio
42%)

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)		
				

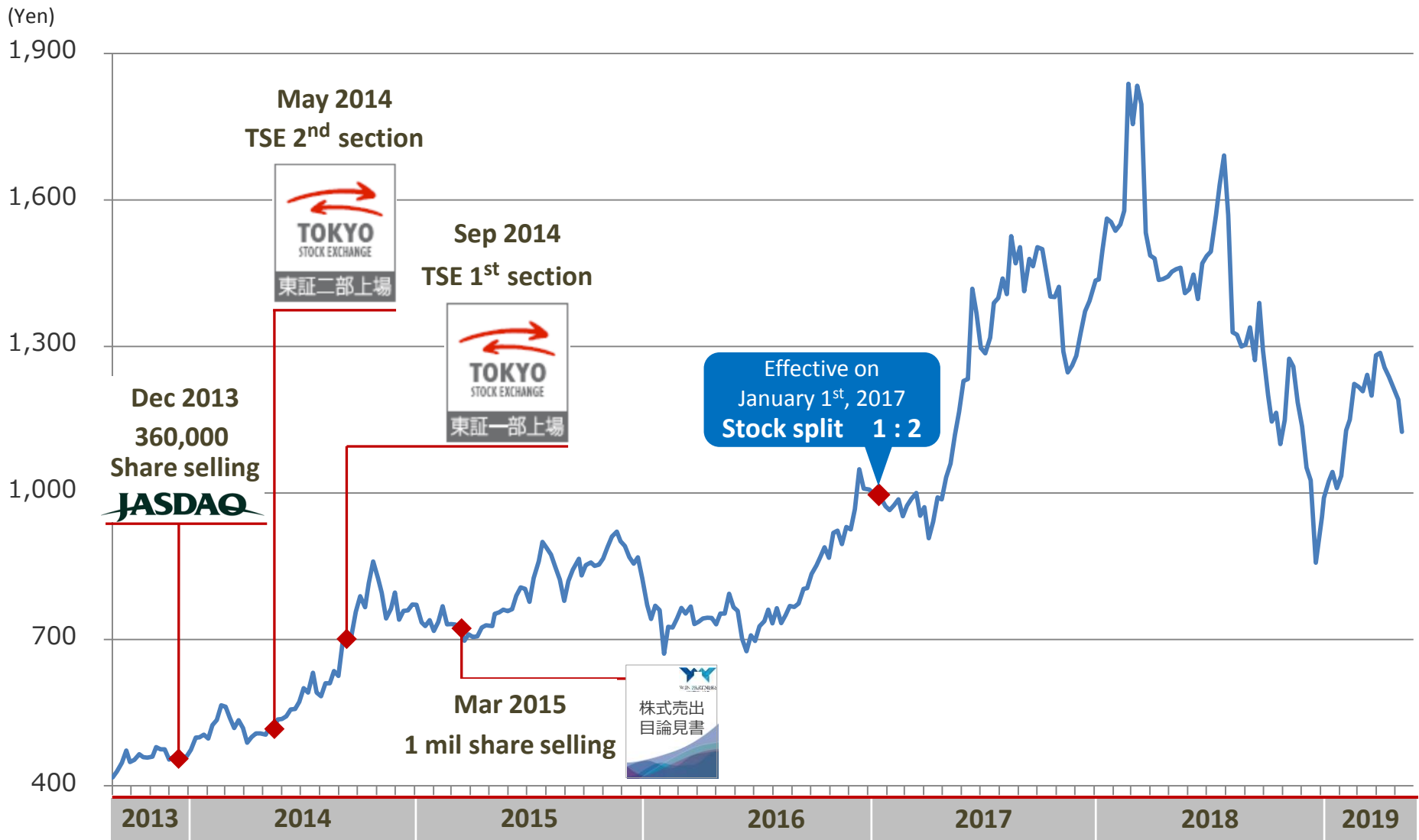
Track record of quarterly results

Sales/Operating profit (quarterly)



■ = Year of reimbursement price revisions

Share price





Disclaimer

This material was prepared based on information available and views held at the time it was made. Statements in this material that are not historical facts, including, without limitation, plans, forecasts and strategies are “forward-looking statements”.

Forward-looking statements are by their nature subject to various risks and uncertainties, including, without limitation, a decline in general economic conditions, general market conditions, technological developments, changes in customer demand for products and services, increased competition, and other important factors, each of which may cause actual results and future developments to differ materially from those expressed or implied in any forward-looking statement.

With the passage of time, information in this material (including, without limitation, forward-looking statements) could be superseded or cease to be accurate. WIN-Partners Co., Ltd. disclaims any obligation or responsibility to update, revise or supplement any forward-looking statement or other information in any material or generally to any extent. Use of or reliance on the information in this material is at your own risk.

Contact

WIN-Partners Co., Ltd.

Investor Relations

TEL: +81-3-3548-0790

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