

# Financial Report for Second Quarter of Fiscal Year Ending March 2013 (Japan GAAP) (Non-consolidated)

November 1, 2012

Company name : WIN INTERNATIONAL CO., LTD. Osaka Securities Exchange  
 Code No. : 2744 URL: <http://www.win-int.co.jp>  
 Representative : Hideumi Akizawa, President and Representative Director  
 Contact : Hiroyoshi Murata, Director, Corporate Officer and Administrative Manager Tel: +81-3-5688-0878  
 Scheduled date to submit quarterly financial report: : November 12, 2012  
 Scheduled date to start dividend payment: : —  
 Preparation of supplementary materials for quarterly financial results : None  
 Holding of quarterly financial results briefing : Yes (for institutional investors and analysts)

(Amounts below one million yen are truncated.)

## 1. Earnings results for the second quarter of the fiscal year ending March 2013 (from April 1, 2012 to September 30, 2012)

### (1) Operating results (accumulated)

(Percentage figures indicate changes from the same quarter of the previous fiscal year.)

	Sales		Operating profit		Current profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2nd quarter of fiscal year ending March 2013	15,536	(1.0)	653	(13.9)	659	(13.6)	401	(9.3)
2nd quarter of fiscal year ended March 2012	15,685	9.7	759	13.7	763	13.3	442	12.7

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
2nd quarter of fiscal year ending March 2013	32.92		—	
2nd quarter of fiscal year ended March 2012	36.24		—	

### (2) Financial condition

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2nd quarter of fiscal year ending March 2013	15,670	7,309	46.6	598.96
Fiscal year ended March 2012	16,595	7,259	43.7	594.88

(Reference) Shareholders' equity: 2nd quarter of fiscal year ending March 2013: 7,309 million yen; Fiscal year ended March 2012: 7,259 million yen

### 2. Dividends

	Annual dividend				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen		Yen		Yen
Fiscal year ended March 2012	—	0.00	—	28.00	28.00
Fiscal year ending March 2013	—	0.00			
Fiscal year ending March 2013 (forecast)			—	29.00	29.00

(Note) Revision to the dividend forecasts most recently announced: None

### 3. Earnings forecasts for the fiscal year ending March 2013 (from April 1, 2012 to March 31, 2013)

(Percentage figures indicate changes from the previous fiscal year.)

	Sales		Operating profit		Current profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	34,049	3.3	1,652	0.2	1,657	0.0	1,009	5.7	82.74

(Note) Revision to the earnings forecasts most recently announced: None

\* Notes:

**(1) Application of accounting procedures specific to the preparation of quarterly financial statements: Yes**

For further details, please refer to p.3 of the Attached Materials, "Summary information (Notes), (1) Application of accounting procedures specific to the preparation of quarterly financial statements."

**(2) Changes in accounting policies, changes in accounting estimates and restatements**

- a. Changes in accounting policies accompanied by revision of accounting standard, etc. : Yes
- b. Changes in accounting policies other than a. above : No
- c. Changes in accounting estimates : Yes
- d. Restatements : No

For further details, please refer to p.3 of the Attached Materials, "Summary information (Notes), (2) Changes in accounting policies, changes in accounting estimates and restatements."

**(3) Number of outstanding shares (common stock)**

	2Q of FY March 2013	FY March 2012
	Shares	Shares
Number of outstanding shares as of the end of the fiscal year (including treasury stock)	12,303,400	12,303,400
Number of treasury shares as of the end of the fiscal year	100,377	100,348
Average number of outstanding shares during the fiscal year (quarter accumulated)	12,203,027	12,219,445

\* Indication of quarterly review procedure implementation status

This quarterly financial report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Law. The quarterly financial statements are under the quarterly review procedure process at the time of disclosure of this report.

\* Explanation for appropriate use of earnings forecasts and other notes

- a. The Company has not revised the figures of its earnings forecasts stated in the Financial Report for Fiscal Year Ended March 2012 (Japan GAAP) (Non-consolidated), which was released on May 9, 2012.
- b. The above earnings forecasts are based on the information that is available as of the time of release of these materials and the assumptions regarding uncertain factors that may affect future earnings, as of the time of release of these materials. Actual earnings results may significantly differ from these forecasts in the future due to a variety of factors.

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## 1. Qualitative information on financial results for the second quarter of the fiscal year ending March 2013

### (1) Qualitative information on operating results

During the second quarter of the current fiscal year, the business environment of the healthcare industry continued to be severe, affected by health care reforms in recent years intended to curb medical expenditures. Medical institutions are forced to reduce costs due to financial deterioration, and the pressure on suppliers to lower prices is mounting. Medical device distributors, including the Company, are required to accurately understand this customer environment and to provide high-quality services that meet their needs.

The revision of the medical treatment structure in April 2012 was, as a whole, favorable to the industry. However, reimbursement prices of medicines and medical materials were reduced, and selling prices of the Company's mainstay products, including cardiac catheters and pacemakers, also dropped.

Under such circumstances, the Company strove to expand operations, centering on its core businesses: less-invasive and heart treatments.

As a result, the Company's sales for the second quarter were 15,536,236 thousand yen, down 1.0% year on year basis, with current profit at 659,585 thousand yen, down 13.6% and net profit at 401,693 thousand yen, down 9.3%.

Sales by business segment were as follows.

Business segment	Second quarter of the previous fiscal year From April 1, 2011 to September 30, 2011		Second quarter of the current fiscal year From April 1, 2012 to September 30, 2012		Change	
	Amount (1,000 yen)	Composition ratio (%)	Amount (1,000 yen)	Composition ratio (%)	Amount (1,000 yen)	Percent change (%)
Supplies	15,522,562	99.0	15,255,640	98.2	(266,922)	(1.7)
Other	162,903	1.0	280,596	1.8	117,693	72.2
Total	15,685,465	100.0	15,536,236	100.0	(149,229)	(1.0)

#### Supplies

To increase sales volume, this segment strove to acquire new customers, proposed measures for increasing the number of patients to existing customers, and conducted aggressive sales activities to clinical departments with which the segment had not previously transacted.

As a result, the segment achieved an increase in sales volumes of mainstay drug eluting stent (DES) and PTA Balloon Catheters used for less-invasive treatment of peripheral blood vessels of the lower limb, head, neck, etc. It also endeavored to maintain and increase profit margin under a rebate program which took into account a target sales volume.

Despite these efforts, sales in the supplies business of the second quarter decreased 1.7% year on year to 15,255,640 thousand yen, and gross profit decreased 3.3% to 1,969,185 thousand yen as reimbursement prices were reduced and selling prices of the Company's mainstay products dropped.

#### Other

Other business segments focused on sales activities combined with the business of supplies. For this, they strengthened cooperation with the sales section of the supplies business segment aiming at accurately and quickly obtaining information on the construction of medical facilities and sales of large medical devices.

As a result, sales at other segments increased 72.2% year on year to 280,596 thousand yen, and gross profit increased 46.6% to 44,635 thousand yen.

## **(2) Qualitative information on financial condition**

### **a. Assets, liabilities and net assets**

#### **Assets**

Assets stood at 15,670,022 thousand yen, down 925,033 thousand yen from the end of the previous fiscal year, mainly due to a decrease in cash and deposits of 431,336 thousand yen and a decrease in notes and accounts receivable-trade of 1,009,967 thousand yen.

#### **Liabilities**

Liabilities were 8,360,945 thousand yen, down 974,818 thousand yen from the end of the previous fiscal year, chiefly owing to a decrease in notes and accounts payable-trade of 707,421 thousand yen.

#### **Net assets**

Net assets stood at 7,309,077 thousand yen, up 49,784 thousand yen from the end of the previous fiscal year, primarily because of an increase of 401,693 thousand yen due to net profit, despite a decrease of 341,685 thousand yen due to cash dividends paid for the previous fiscal year.

### **b. Cash flows**

Cash and cash equivalents at the end of the second quarter of the current fiscal year totaled 3,549,656 thousand yen, down 431,336 thousand yen from the end of the previous fiscal year. The main factors are as follows.

#### **Cash flows from operating activities**

Net cash provided by operating activities was 579,684 thousand yen (compared with net cash provided by operating activities of 565,481 thousand yen in the previous fiscal year), reflecting 996,766 thousand yen in proceeds from pure operating activities (compared with 850,743 thousand yen a year earlier) and income taxes paid of 419,737 thousand yen (compared with a payment of 286,917 thousand yen a year ago).

#### **Cash flows from investing activities**

Net cash used in investing activities stood at 628,318 thousand yen (compared with net cash used in investing activities of 107,045 thousand yen in the previous fiscal year), primarily due to the purchase of 456,461 thousand yen worth of stocks of subsidiaries and affiliates (compared with none a year earlier).

#### **Cash flows from financing activities**

Net cash used in financing activities came to 382,702 thousand yen (compared with net cash used in financing activities of 408,400 thousand yen in the previous fiscal year), mainly because of 341,685 thousand yen in the payment of dividends for the previous fiscal year (compared with a payment of 307,576 thousand yen a year earlier).

## **(3) Qualitative information on earnings forecasts**

During the second quarter of the current fiscal year, the medical treatment structure was revised (April 2012). This resulted in reducing reimbursement prices of special medical materials, the Company's mainstay products, and selling prices of our products declined. Against this backdrop, the Company made great efforts to cultivate new customers and further develop existing customers by, for example, increasing product lineups. We also negotiated with suppliers on wholesale prices and implemented a rebate program that took into account a target sales volume. As a result, the Company's earnings continued to be generally in line with our plan.

Given the above factors, the Company has left its earnings forecasts for the fiscal year ending March 2013 unchanged from projections described in the Financial Report for Fiscal Year Ended March 2012 (Japan GAAP) (Non-consolidated), which the Company released on May 9, 2012.

## **2. Summary information (Notes)**

### **(1) Application of accounting procedures specific to the preparation of quarterly financial statements**

Income tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to net profit before income taxes for the current fiscal year, and multiplying quarterly net profit before income taxes by the estimated effective tax rate.

### **(2) Changes in accounting policies, changes in accounting estimates and restatements**

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

#### Change in the depreciation method

In accordance with the revision of the Corporate Tax Law, the Company has changed the depreciation method for property, plants and equipment acquired on or after April 1, 2012 to the method under the revised law from the first quarter of this fiscal year.

This change has little effect on earnings.

### 3. Quarterly financial statements

#### (1) Quarterly Balance Sheets

(Unit: 1,000 yen)

	End of the previous fiscal year (March 31, 2012)	End of the second quarter of the current fiscal year (September 30, 2012)
<b>Assets</b>		
Current assets		
Cash and deposits	3,980,992	3,549,656
Notes and accounts receivable-trade	9,833,567	8,823,599
Merchandise	696,440	730,433
Other	355,175	310,653
Allowance for doubtful accounts	(310)	(280)
Total current assets	14,865,866	13,414,062
Noncurrent assets		
Property, plants and equipment	1,196,932	1,183,348
Intangible assets	122,474	214,690
Investments and other assets	409,782	857,921
Total noncurrent assets	1,729,189	2,255,959
Total assets	16,595,056	15,670,022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,315,534	7,608,112
Current portion of Long-term loans payable	41,000	-
Income taxes payable	419,241	264,183
Allowance for bonuses	130,302	119,433
Other	239,948	163,066
Total current liabilities	9,146,026	8,154,796
Noncurrent liabilities		
Allowance for retirement benefits	188,737	205,148
Other	1,000	1,000
Total noncurrent liabilities	189,737	206,148
Total liabilities	9,335,763	8,360,945
Net assets		
Shareholders' equity		
Capital stock	330,625	330,625
Capital surplus	196,875	196,875
Retained earnings	6,764,610	6,824,618
Treasury stock	(61,202)	(61,219)
Total shareholders' equity	7,230,908	7,290,899
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	28,383	18,178
Total valuation and translation adjustments	28,383	18,178
Total net assets	7,259,292	7,309,077
Total liabilities and net assets	16,595,056	15,670,022

**(2) Quarterly Statements of Income**  
(Second quarter of the fiscal year)

(Unit: 1,000 yen)

	Second quarter of the previous fiscal year (from April 1, 2011 to September 30, 2011)	Second quarter of the current fiscal year (from April 1, 2012 to September 30, 2012)
Sales	15,685,465	15,536,236
Cost of sales	13,618,386	13,522,416
Gross profit	2,067,079	2,013,820
Selling, general and administrative expenses	1,308,017	1,360,187
Operating profit	759,062	653,632
Non-operating profit		
Interest income	419	359
Dividends income	2,028	2,481
Real estate rental income	1,825	1,825
Other	1,432	1,801
Total non-operating profit	5,705	6,467
Non-operating expenses		
Interest expenses	852	188
Commission for purchase of treasury stock	224	-
Other	45	326
Total non-operating expenses	1,122	514
Current profit	763,645	659,585
Extraordinary profit		
Gains on sale of investment securities	36	-
Total extraordinary profit	36	-
Extraordinary loss		
Losses on disposal of noncurrent assets	659	98
Total extraordinary loss	659	98
Net profit before taxes	763,023	659,486
Income taxes	320,240	257,793
Net profit	442,782	401,693



**(3) Quarterly Statements of Cash Flows**

(Unit: 1,000 yen)

	Second quarter of the previous fiscal year (from April 1, 2011 to September 30, 2011)	Second quarter of the current fiscal year (from April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Net profit before taxes	763,023	659,486
Depreciation	82,771	66,914
(Increase) decrease in notes and accounts receivable-trade	(211,556)	1,009,967
(Increase) decrease in inventories	36,053	(27,258)
Increase (decrease) in notes and accounts payable-trade	194,008	(707,421)
Other	(13,556)	(4,922)
Subtotal	850,743	996,766
Income taxes paid	(286,917)	(419,737)
Other	1,655	2,655
Net cash provided by operating activities	565,481	579,684
Cash flows from investing activities		
Purchase of property, plants and equipment	(66,327)	(64,856)
Proceeds from sale of investment securities	64	-
Purchase of stocks of subsidiaries and affiliates	-	(456,561)
Other	(40,781)	(106,900)
Net cash used in investing activities	(107,045)	(628,318)
Cash flows from financing activities		
Repayment of long-term loans payable	(39,600)	(41,000)
Purchase of treasury stock	(61,224)	(17)
Cash dividends paid	(307,576)	(341,685)
Net cash used in financing activities	(408,400)	(382,702)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	50,036	(431,336)
Cash and cash equivalents at beginning of the fiscal year	4,026,709	3,980,992
Cash and cash equivalents at the end of the quarter of the fiscal year	4,076,745	3,549,656

**(4) Notes regarding premise of going concern**

No applicable items.

**(5) Notes in the event of significant changes in shareholders' equity**

No applicable items.

**(6) Significant subsequent events**

**Business integration with TESCO CO., LTD.**

The Company and TESCO CO., LTD. ("TESCO") (collectively, the "Companies"), by the respective resolutions of the board of directors meetings of the Companies held today, have entered into a "Business Integration Agreement" to establish "WIN-Partners Co., Ltd.," which will become a wholly-owning parent company of the Companies (the "Joint Holding Company") as of April 1, 2013 (scheduled date), by method of a joint share transfer (the "Share Transfer"), subject to approval of the respective shareholders' meetings of the Companies and approval of relevant authorities, etc. and have jointly prepared a share transfer plan on the Share Transfer.

**i) Background and Purpose of the Business Integration through the Share Transfer**

In the health industry that the Companies belong to, the business environment has been struggling because of the influence of the recent medical service reform intended to contain medical costs. Medical institutions are forced to reduce costs because of the financial deterioration, and the pressure on the suppliers to reduce prices has been mounting. Medical devices distributors are required to accurately understand the environments surrounding customers and to provide high quality service based on their needs.

Under such market environments, the Company has increased its market share focusing on the less-invasive treatments market, including the circulatory organs field in which the Company sells its main products, and has pursued scale advantages, but such difficult market circumstances will probably continue for the foreseeable future.

The Companies have agreed that it is the best choice for the Companies to consider such change of the market environments as a new opportunity for growth and to make effective use of their business resources under their common philosophies and strategies so that the Companies improve our corporate value. Therefore, the Companies agreed to conduct the business integration.

**ii) Outline of the Share Transfer**

**a. Schedule of the Share Transfer**

Board of directors meeting to approve the Share Transfer Plan (both Companies)	November 1, 2012
Execution of the Business Integration Agreement and preparation of the Share Transfer Plan (both Companies)	November 1, 2012
Public notice to set the record date for extraordinary shareholders' meeting (the Company)	November 15, 2012 (tentative)
Record date for the extraordinary shareholders' meeting (the Company)	November 30, 2012 (tentative)
Extraordinary shareholders' meeting to approve the Share Transfer Plan (both Companies)	January 30, 2013 (tentative)
Date of delisting from the JASDAQ (standard) of the Osaka Stock Exchange (the Company)	March 27, 2013 (tentative)
Date of registration of the incorporation of the Joint Holding Company (the effective date of the Share Transfer)	April 1, 2013 (tentative)
Date of listing of the Joint Holding Company	April 1, 2013 (tentative)

(Note) The schedule may be changed through mutual consultation between the Companies, if necessary, to conduct the Share Transfer procedures or due to any other reason.

**b. Method of the Share Transfer**

The Companies will establish WIN-Partners Co., Ltd., which will become a wholly owning parent company of the Companies, as of April 1, 2013 (scheduled date) by method of a joint share transfer, subject to approval of the respective extraordinary shareholders' meetings of the Companies to be held on January 30, 2013 and approval of relevant authorities, etc., have the new Joint Holding Company acquire all of the outstanding shares of the Companies, and allot new shares, which will be issued by the Joint Holding Company upon the Share Transfer, to the Companies' shareholders.

**c. Description of Allotments of Shares in the Share Transfer (Share Transfer Ratio)**

Company Name	Company	TESCO
Share Transfer Ratio	1	15.5

(Note 1) Stock Transfer Ratio:

One share of common stock of the Joint Holding Company will be allotted and delivered for each share of common stock of the Company, and 15.5 shares of common stock of the Joint Holding Company will be allotted and delivered for each share of common stock of TESCO. The share transfer ratio above may be changed through consultation between the Companies if any material change occurs with regard to any of the various conditions upon which the ratio has been determined. The Joint Holding Company plans to adopt the share unit system, under which one share unit is 100 shares.

(Note 2) Number of new shares to be delivered by the Joint Holding Company through the Share Transfer (tentative):

15,251,655 shares of common stock

The above number of shares is calculated based on the total number of outstanding shares of the Company, 12,303,400 shares (as of September 30, 2012), and those of TESCO, 190,210 shares (as of September 30, 2012). The actual number of new shares delivered by the Joint Holding Company may change.

**iii) Outline of the Holding Company to be Established upon the Share Transfer**

(1) Company Name	WIN-Partners Co., Ltd.																								
(2) Business Description	Management and administration of companies that engage in the business of sale of medical devices and supplies, etc., and such other businesses incidental or related thereto																								
(3) Location of Head Office	4-24-8 Taito, Taito-ku, Tokyo, Japan																								
(4) Representatives and Officers to be Appointed	<table border="0"> <tr> <td>President and Representative Director</td> <td>Hideumi Akizawa</td> <td>(current President and Representative Director of the Company)</td> </tr> <tr> <td>Director</td> <td>Yuji Akita</td> <td>(current Representative Director of TESCO)</td> </tr> <tr> <td>Director</td> <td>Hiromi Mitagami</td> <td>(current Director of the Company)</td> </tr> <tr> <td>Director</td> <td>Hiroyoshi Murata</td> <td>(current Director of the Company)</td> </tr> <tr> <td>Director</td> <td>Shingo Majima</td> <td>(current Director of the Company)</td> </tr> <tr> <td>Statutory Auditor (Full-time)</td> <td>Yoshitaka Urabe</td> <td>(current Standing Auditor of the Company)</td> </tr> <tr> <td>Statutory Auditor</td> <td>Asaka Kanda</td> <td>(current Auditor of the Company)</td> </tr> <tr> <td>Statutory Auditor</td> <td>Yasuo Kikuchi</td> <td>(current Auditor of the Company)</td> </tr> </table>	President and Representative Director	Hideumi Akizawa	(current President and Representative Director of the Company)	Director	Yuji Akita	(current Representative Director of TESCO)	Director	Hiromi Mitagami	(current Director of the Company)	Director	Hiroyoshi Murata	(current Director of the Company)	Director	Shingo Majima	(current Director of the Company)	Statutory Auditor (Full-time)	Yoshitaka Urabe	(current Standing Auditor of the Company)	Statutory Auditor	Asaka Kanda	(current Auditor of the Company)	Statutory Auditor	Yasuo Kikuchi	(current Auditor of the Company)
President and Representative Director	Hideumi Akizawa	(current President and Representative Director of the Company)																							
Director	Yuji Akita	(current Representative Director of TESCO)																							
Director	Hiromi Mitagami	(current Director of the Company)																							
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Statutory Auditor (Full-time)	Yoshitaka Urabe	(current Standing Auditor of the Company)																							
Statutory Auditor	Asaka Kanda	(current Auditor of the Company)																							
Statutory Auditor	Yasuo Kikuchi	(current Auditor of the Company)																							
(5) Capital Amount	JPY 550 million																								
(6) Net Assets	To be determined																								
(7) Total Assets	To be determined																								
(8) Date of Fiscal Year End	March 31																								
(9) Accounting Auditor	KPMG AZSA LLC																								
(10) Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation																								

**iv) Future Prospects**

The Companies will discuss the outlook of the business after the business integration.