

July 31, 2014

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2015 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange
 Head Office: Tokyo
 Representative: Fumio Suzuki, President and CEO
 Contact: Takashi Seo, Operating Officer, General Manager, Corporate Planning Dept.
 Phone: +81 / 3 - 5996 - 8003 (URL <http://www.nihonkohden.co.jp>)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 1st Quarter of FY2014 (From April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 1Q (3 months)	30,982	1.9	1,051	-32.2	971	-51.7	539	-59.0
FY2013 1Q (3 months)	30,415	9.5	1,552	-28.4	2,010	8.4	1,316	24.2

Note: Comprehensive income: FY2014 1Q: 287 million yen (-86.9%) FY2013 1Q: 2,185 million yen (119.6%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2014 1Q (3 months)	12.27	—
FY2013 1Q (3 months)	29.97	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2014	119,493	86,864	72.7	1,976.22
As of March 31, 2014	130,917	88,512	67.6	2,013.45

Reference: Equity Capital: FY2014 1Q: 86,815 million yen FY2013: 88,451 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2013	—	30.00	—	40.00	70.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	35.00	—	35.00	70.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2014 (From April 1, 2014 to March 31, 2015)

	Net sales		Operating income		Ordinary income		Net income		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	72,000	7.2	5,400	1.9	5,400	-6.7	3,400	-1.8	77.40
Full year	160,000	4.4	18,000	2.6	18,000	-5.3	11,500	-6.9	261.78

Note: Revise of consolidated forecast: None

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2014 to June 30, 2014), the Japanese government revised medical treatment fees in April and promulgated the law for securing comprehensive medical and long-term care in the communities. This indicated the direction to differentiate medical institution functions, promote collaboration between medical and nursing care, and establish the integrated community care system, which was based on the government's 2025 future vision of medical/long-term care services. Internationally, demand for medical equipment remained steady in emerging countries and the U.S., while there was a sign of recovery in Europe.

Under these circumstances, the Company implemented key strategies such as strengthening technological development capabilities, strengthening business expansion by region, and further growth in core business implement under its 4-year business plan, Strong Growth 2017.

Japan: Sales of consumables and services increased steadily, but sales of medical devices decreased as a reaction to the temporary increase in demand ahead of the consumption tax hike. Sales in the university and private hospital market showed steady growth, while sales in the public hospital and clinic market were weak. Sales of Treatment Equipment remained at the same level as the first quarter of FY2013. Sales of Physiological Measuring Equipment, Patient Monitors, and Other Medical Equipment decreased. As a result, domestic sales decreased 2.5% over the first quarter of FY2013 to ¥23,700 million.

International: In the Americas, sales in the U.S. and Latin America showed strong growth as the Company strengthened its local business structure. Sales in Europe decreased on a comparable basis and increased on a yen basis due to yen depreciation. Sales in Russia and Turkey were weak, although demands in Western Europe recovered. In Asia, sales in Southeast Asia, India and the Middle East showed strong growth as the Company strengthened its local business structure. Sales in China were weak. Sales increased across all product categories, posting especially strong growth in Patient Monitors. As a result, international sales increased 19.3% over the first quarter of FY2013 to ¥7,282 million.

Overall sales during the term under review increased 1.9% over the first quarter of FY2013 to ¥30,982 million. As SG&A expenses increased, mainly due to the enhancement of human resources, operating income decreased 32.2% to ¥1,051 million. As foreign exchange losses were recorded, compared to foreign exchange gains in the first quarter of FY2013, ordinary income decreased 51.7% to ¥971 million and net income decreased 59.0% to ¥539 million.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2014	
	Amount	Growth rate (%)
Physiological Measuring Equipment	7,632	- 2.1
Patient Monitors	10,471	+ 6.6
Treatment Equipment	6,221	+ 2.9
Other Medical Equipment	6,657	- 1.3
Total	30,982	+ 1.9
Domestic Sales	23,700	- 2.5
Overseas Sales	7,282	+ 19.3
(Reference) Overseas Sales		
Americas	3,327	+ 27.4
Europe	1,443	+ 5.1
Asia	2,187	+ 20.3
Other	323	+ 7.9

6. Consolidated Forecast for FY2014

As recent performance trends are in line with estimates, the Company reaffirms its forecasts for the first half of FY2014 and FY2014, previously announced on May 8, 2014.

Nihon Kohden will implement its 4-year business plan, Strong Growth 2017, to achieve sustained group growth and enhance its corporate value. In Patient Monitoring business, the Company will enhance product differentiation by new competitive products such as a high-end bedside monitor and a transport monitor, which were launched at the end of the previous fiscal year, and original technologies such as esCCO* and iNIBP** to increase sales. In Japan, the Company will promote sales and marketing that is much closer to the customers, corresponding to the demands for medical devices in accordance with clarifying acute care functions and establishing integrated community care. Internationally, the Company will expand its sales network and continue to introduce products that are tailored to the demands of each region; the Americas, Europe and Asia.

The Company's forecast for FY2014 is based on an exchange rate of 100 yen to the dollar and 138 yen to the euro.

* esCCO (estimated Continuous Cardiac Output) is a new non-invasive method of CCO measurement using ECG and pulse oximetry. It has not been launched in Japan.

** iNIBP is an original algorithm which measures NIBP during inflation. It realizes fast and painless NIBP measurement.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash	13,882	13,571
Trade notes and accounts receivable	54,456	42,789
Marketable Securities	15,010	15,010
Merchandise and finished goods	13,019	13,330
Work in process	1,140	1,405
Raw materials and supplies	3,105	3,108
Other current assets	6,142	5,962
Allowance for doubtful receivables	-241	-212
Total current assets	106,515	94,965
Noncurrent assets:		
Property, plant and equipment	10,613	10,584
Intangible fixed assets		
Goodwill	2,353	2,282
Other intangible fixed assets	4,301	4,218
Total intangible fixed assets	6,654	6,500
Investments and other assets		
Investments in securities	4,525	4,695
Other investments and other assets	2,661	2,800
Allowance for doubtful receivables	-51	-51
Total investments and other assets	7,135	7,443
Total noncurrent assets	24,402	24,527
Total assets	130,917	119,493
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	25,995	21,460
Short-term debt	992	1,000
Accrued income taxes	3,974	329
Reserve for bonuses	3,079	749
Provision for product warranties	360	354
Other current liabilities	6,846	7,293
Total current liabilities	41,248	31,188
Non-current liabilities:		
Long-term debt	0	—
Net defined benefit liability	700	991
Long-term accounts payable	170	170
Other non-current liabilities	285	278
Total non-current liabilities	1,156	1,440
Total liabilities	42,405	32,628
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	69,653	68,269
Treasury stock	-2,027	-2,027
Total stockholders' equity	85,658	84,274
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	881	976
Foreign currency translation adjustments	1,603	1,285
Remeasurements of defined benefit plans	307	279
Total accumulated other comprehensive income	2,792	2,541
Minority interests	60	49
Total net assets	88,512	86,864
Total liabilities and net assets	130,917	119,493

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	30,415	30,982
Cost of sales	15,230	15,273
Gross profit	15,184	15,709
Selling, general and administrative expenses	13,632	14,657
Operating income	1,552	1,051
Non-operating income		
Interest income	7	10
Dividend income	50	53
Foreign exchange gains	292	—
Reversal of allowance for doubtful accounts	30	16
Other, net	126	72
Total non-operating income	507	153
Non-operating expenses		
Interest expenses	7	10
Foreign exchange losses	—	204
Other, net	41	18
Total non-operating expenses	48	233
Ordinary income	2,010	971
Extraordinary income		
Gain on sales of noncurrent assets	—	1
Total extraordinary income	—	1
Extraordinary expenses		
Loss on retirement of noncurrent assets	1	2
Total extraordinary expenses	1	2
Income before income taxes and minority interests	2,008	970
Income taxes	691	432
Income before minority interests	1,317	538
Minority interests in income (loss)	0	-1
Net income	1,316	539

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	1,317	538
Other comprehensive income		
Valuation difference on available-for-sale securities	181	94
Foreign currency translation adjustment	687	-317
Remeasurements of defined benefit plans	—	-28
Total other comprehensive income	868	-251
Comprehensive Income	2,185	287
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,188	288
Comprehensive income attributable to minority interests	-2	-1