

[Summary] Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2016 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 3rd Quarter of FY2015 (From April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results

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

| | Net sales | | Operating income | | Ordinary income | | Income attributable to owners of parent | |
|-----------------------------|-----------------|------------|------------------|--------------|-----------------|--------------|---|--------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| FY2015 3Q (9 months) | 111,654 | 3.1 | 7,247 | -13.1 | 7,588 | -24.4 | 4,650 | -30.7 |
| FY2014 3Q (9 months) | 108,277 | 6.7 | 8,342 | -0.5 | 10,036 | 2.6 | 6,710 | 10.1 |

Note: Comprehensive income: FY2015 3Q: 4,498 million yen (-43.1%) FY2014 3Q: 7,899 million yen (0.6%)

| | Net income per share - Basic* | Net income per share - Diluted |
|-----------------------------|-------------------------------|--------------------------------|
| | Yen | Yen |
| FY2015 3Q (9 months) | 53.15 | — |
| FY2014 3Q (9 months) | 76.38 | — |

(2) Consolidated Financial Conditions

| | Total assets | Net assets | Equity ratio | Net assets per share* |
|--------------------------------|-----------------|-----------------|--------------|-----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2015 | 136,134 | 100,016 | 73.5 | 1,140.99 |
| As of March 31, 2015 | 146,755 | 99,304 | 67.6 | 1,129.57 |

Reference: Equity Capital: FY2015 3Q: 100,016million yen FY2014: 99,243 million yen

2. Dividends

| | Dividends per share | | | | |
|--------------------|---------------------|--------------------------|---------------|----------|-----------|
| | First quarter | Interim (Second quarter) | Third quarter | Year-end | Full-year |
| | Yen | Yen | Yen | Yen | Yen |
| FY2014 | — | 35.00 | — | 35.00 | 70.00 |
| FY2015* | — | 17.00 | — | — | — |
| FY2015 (Forecast)* | — | — | — | 18.00 | 35.00 |

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2015 (From April 1, 2015 to March 31, 2016)

| | Net sales | | Operating income | | Ordinary income | | Income attributable to owners of parent | | Net income per share - Basic |
|-----------|-----------------|-----|------------------|-----|-----------------|------|---|------|------------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 167,000 | 3.9 | 16,500 | 3.6 | 16,800 | -2.5 | 10,700 | -4.0 | 122.06 |

Note: Revision of consolidated forecast: None

* Effective April 1, 2015, each share of common stock was split into two shares. The Company calculated net income/assets per share on the assumption that stock split was conducted at the beginning of FY2014. The Company also calculates dividends for FY2015 based on number of shares after the stock split.

** 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, 2015 to December 31, 2015), the Japanese government worked on healthcare system reform under its 2025 future vision of medical/long-term care services. After medical treatment fees were revised and a reporting system for hospital classification was introduced in 2014, the government issued guidelines to draw up a regional health vision in 2015. As hospital management was affected by responses to differentiate medical institution functions and cooperate with local medical treatment facilities, the medical equipment industry was required to meet the changing needs of medical institutions. Internationally, demand for medical equipment remained steady in the U.S., Europe and emerging countries although there was political and economic uncertainty in some regions.

Under these circumstances, the Company implemented its 4-year mid-term business plan, Strong Growth 2017, which was revised at the beginning of FY2015, the halfway point of the plan and took measures to improve profitability as the top priority.

Japan: Sales were weak due to spending restraints in the public hospital market as well as reaction to the higher demand in the same period last year in response to the stricter standards for acute care and conversions to integrated community care in the private hospital market. Sales in the clinic market increased favorably as the Company marketed products and services that meet their needs such as enhancing the role of family doctors. Consulting business for private practice startups also contributed to sales increase. As the execution of the budget in the university market started October 2015, domestic business has gradually been recovering in the second half of this fiscal year. Sales of Physiological Measuring Equipment increased, while sales of Patient Monitors and Treatment Equipment decreased. Sales of Other Medical Equipment decreased as sales of locally purchased products decreased in accordance with the Company's selling policy with a focus on its own products and consumables. As a result, domestic sales decreased 2.0% over the nine months of FY2014 to ¥81,094 million.

International: Sales in all areas and all product categories showed double-digit growth as the Company strengthened its international business structure and sales promotion of consumables. In the Americas, sales in the U.S. showed strong growth, while sales in Latin America decreased. Sales in Europe increased favorably, especially in Western Europe, as the Company strengthened its local sales and service network by reorganization of its European subsidiaries. In Asia, sales in India, Korea and the Middle East showed strong growth. Sales in China also increased. As a result, international sales increased 19.8% over the nine months of FY2014 to ¥30,560 million.

Overall sales during the term under review increased 3.1% over the nine months of FY2014 to ¥111,654 million. Operating income decreased 13.1% to ¥7,247 million because of decrease in domestic sales as well as increase in SG&A expenses which was primarily due to the strengthening of the Company's international business structure. Ordinary income decreased 24.4% to ¥7,588 million and income attributable to owners of parent decreased 30.7% to ¥4,650 million over the nine months of FY2014.

5. Consolidated Sales Results by Product Category

| | (Millions of yen) | |
|-----------------------------------|-------------------------------------|-----------------|
| | Nine months ended December 31, 2015 | |
| | Amount | Growth rate (%) |
| Physiological Measuring Equipment | 26,450 | + 6.5 |
| Patient Monitors | 37,271 | + 1.7 |
| Treatment Equipment | 22,164 | + 6.3 |
| Other Medical Equipment | 25,768 | - 0.7 |
| Total | 111,654 | + 3.1 |
| Domestic Sales | 81,094 | - 2.0 |
| Overseas Sales | 30,560 | + 19.8 |
| (Reference) Overseas Sales | | |
| Americas | 13,367 | + 20.8 |
| Europe | 6,026 | + 18.2 |
| Asia | 9,725 | + 18.6 |
| Other | 1,440 | + 25.4 |

6. Consolidated Forecast for FY2015

The Company reaffirms the forecast for FY2015, previously announced on November 4, 2015.

Based on the assumed exchange rates of 120 yen to the dollar and 130 yen to the euro for the fourth quarter, the average rates will be 121 yen to the dollar and 133 yen to the euro for FY2015.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | March 31, 2015 | December 31, 2015 |
|---|----------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 13,233 | 16,797 |
| Notes and accounts receivable - trade | 58,834 | 46,601 |
| Securities | 21,000 | 12,000 |
| Merchandise and finished goods | 14,421 | 16,688 |
| Work in process | 1,366 | 1,946 |
| Raw materials and supplies | 3,482 | 3,563 |
| Other current assets | 6,255 | 7,578 |
| Allowance for doubtful accounts | -203 | -223 |
| Total current assets | 118,389 | 104,952 |
| Non-current assets: | | |
| Property, plant and equipment | 12,211 | 15,628 |
| Intangible assets | | |
| Goodwill | 2,558 | 2,425 |
| Other intangible assets | 4,226 | 3,842 |
| Total intangible assets | 6,784 | 6,268 |
| Investments and other assets | | |
| Investment securities | 6,685 | 6,786 |
| Other investments and other assets | 2,870 | 2,683 |
| Allowance for doubtful accounts | -185 | -185 |
| Total investments and other assets | 9,370 | 9,284 |
| Total non-current assets | 28,366 | 31,181 |
| Total assets | 146,755 | 136,134 |
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable - trade | 30,816 | 24,815 |
| Short-term loans payable | 1,116 | 1,117 |
| Accrued income taxes | 2,350 | 305 |
| Provision for bonuses | 2,889 | 1,346 |
| Provision for product warranties | 325 | 333 |
| Other current liabilities | 8,155 | 6,310 |
| Total current liabilities | 45,654 | 34,229 |
| Non-current liabilities: | | |
| Net defined benefit liability | 619 | 749 |
| Long-term accounts payable | 170 | 24 |
| Other non-current liabilities | 1,007 | 1,114 |
| Total non-current liabilities | 1,797 | 1,888 |
| Total liabilities | 47,451 | 36,117 |
| Net assets | | |
| Shareholders' equity: | | |
| Capital stock | 7,544 | 7,544 |
| Capital surplus | 10,487 | 10,414 |
| Retained earnings | 77,335 | 77,967 |
| Treasury shares | -2,029 | -1,637 |
| Total shareholders' equity | 93,338 | 94,289 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 2,327 | 2,429 |
| Foreign currency translation adjustment | 3,068 | 2,928 |
| Remeasurements of defined benefit plans | 509 | 369 |
| Total accumulated other comprehensive income | 5,905 | 5,727 |
| Non-controlling interests | 60 | — |
| Total net assets | 99,304 | 100,016 |
| Total liabilities and net assets | 146,755 | 136,134 |

(2) Consolidated Statements of Income

(Millions of yen)

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2015 |
|--|--|--|
| Net sales | 108,277 | 111,654 |
| Cost of sales | 54,962 | 57,150 |
| Gross profit | 53,315 | 54,504 |
| Selling, general and administrative expenses | 44,972 | 47,257 |
| Operating income | 8,342 | 7,247 |
| Non-operating income | | |
| Interest income | 32 | 27 |
| Dividend income | 97 | 100 |
| Foreign exchange gains | 1,421 | — |
| Subsidy income | 0 | 222 |
| Reversal of allowance for doubtful accounts | 35 | 34 |
| Other non-operating income | 194 | 229 |
| Total non-operating income | 1,780 | 615 |
| Non-operating expenses | | |
| Interest expenses | 31 | 42 |
| Foreign exchange losses | — | 146 |
| Other non-operating expenses | 55 | 84 |
| Total non-operating expenses | 86 | 274 |
| Ordinary income | 10,036 | 7,588 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 10 | 2 |
| Gain on transfer of business | 190 | — |
| Total extraordinary income | 201 | 2 |
| Extraordinary loss | | |
| Loss on sales of non-current assets | 0 | 5 |
| Loss on retirement of non-current assets | 6 | 18 |
| Factory transfer cost | — | 128 |
| Total extraordinary losses | 6 | 152 |
| Income before income taxes and non-controlling interests | 10,230 | 7,437 |
| Income taxes | 3,518 | 2,758 |
| Net income | 6,712 | 4,679 |
| Income attributable to non-controlling interests | 2 | 28 |
| Income attributable to owners of parent | 6,710 | 4,650 |

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

| | Nine months ended December 31, 2014 | Nine months ended December 31, 2015 |
|--|--|--|
| Net income | 6,712 | 4,679 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 394 | 102 |
| Foreign currency translation adjustment | 877 | -143 |
| Remeasurements of defined benefit plans | -85 | -140 |
| Total other comprehensive income | 1,187 | -181 |
| Comprehensive income | 7,899 | 4,498 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 7,889 | 4,472 |
| Comprehensive income attributable to non-controlling interests | 9 | 25 |