

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2018 (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 1st Quarter of FY2017 (From April 1, 2017 to June 30, 2017)

(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	%
FY2017 1Q (3 months)	33,353	6.2	-219	—	158	—	16	—
FY2016 1Q (3 months)	31,402	-3.9	-416	—	-1,472	—	-1,086	—

Note: Comprehensive income: FY2017 1Q: -120 million yen (—%) FY2016 1Q: -2,352 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2017 1Q (3 months)	0.19	—
FY2016 1Q (3 months)	-12.69	—

(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, 2017	144,275	102,224	70.9	1,193.42
As of March 31, 2017	152,806	103,887	68.0	1,212.82

Reference: Equity Capital: FY2017 1Q: 102,224 million yen FY2016: 103,887 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2016	—	17.00	—	18.00	35.00
FY2017	—	—	—	—	—
FY2017 (Forecast)	—	17.00	—	18.00	35.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2017 (From April 1, 2017 to March 31, 2018)

	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
First half	78,000	4.7	3,900	1.7	3,900	45.0	2,500	48.5	29.19
Full year	175,000	5.2	15,000	10.4	15,000	6.7	10,200	11.5	119.08

Note: Revise of consolidated forecast: None

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* 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, 2017 to June 30, 2017), the Japanese government worked on healthcare system reform and each prefecture drew up a regional health vision for the enhancement of medical treatment systems by 2025. Discussions for differentiating medical institution functions and strengthening collaboration started in April. Medical equipment companies were strongly required to provide solutions which contribute to improve quality and efficiency of medical care and enhance regional medical care coordination. Internationally, overall demand for medical equipment remained steady although there was uncertainty regarding a health care bill in the U.S. and political instability in some emerging countries.

Under these circumstances, Nihon Kohden started its three-year mid-term business plan, TRANSFORM 2020, with the aim of achieving the transformation to a highly profitable structure through creating high customer value and improving productivity within the organization. In line with this plan, the Company implemented key strategies such as strengthening business expansion by region and further growth in core businesses.

Japan: In order to respond to market changes such as the government's healthcare reforms, the Company absorbed and merged 11 domestic sales subsidiaries in April 2017, following the reorganization of sales operations in April 2016. Sales increased in all product categories as the Company enhanced sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. Sales in the clinic market showed strong growth. Sales in the university and private hospital market also increased. Sales of Physiological Measuring Equipment increased favorably, supported by solid sales of diagnostic information system and polygraphs for cath lab. As a result, domestic sales increased 4.2% over the first quarter of FY2016 to ¥24,887 million.

International: Sales in the Americas and Asia increased as the Company strengthened its sales & service network and expanded its product line-up of Patient Monitors. In the Americas, sales in the U.S. increased favorably as there was partial shipment for orders of Patient Monitors which we received at the end of the previous fiscal year. Sales in Latin America also increased, primarily in Brazil. Sales in Europe slightly decreased, especially in Italy, while sales in Germany increased due to the enhancement of the sales network there. In Asia, sales in South Korea increased favorably and sales in India showed strong growth mainly due to a rush in demand prior to the GST implementation in July. Sales in China increased on a comparable basis and decreased on a yen basis. As a result, international sales increased 12.5% over the first quarter of FY2016 to ¥8,465 million.

As a result, overall sales during the term under review increased 6.2% over the first quarter of FY2016 to ¥33,353 million. As SG&A expenses increased mainly due to R&D investments, operating loss was ¥219 million, compared to operating loss of ¥416 million in the first quarter of FY2016. Ordinary income was ¥158 million (ordinary loss of ¥1,472 million in the first quarter of FY2016) and income attributable to owners of parent was ¥16 million (loss attributable to owners of parent of ¥1,086 million in the first quarter of FY2016), reflecting foreign exchange gains compared to losses in the same period of the previous fiscal year.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2017	
	Amount	Growth rate (%)
Physiological Measuring Equipment	8,342	+ 5.7
Patient Monitors	11,217	+ 13.7
Treatment Equipment	6,422	+ 0.2
Other Medical Equipment	7,370	+ 1.9
Total	33,353	+ 6.2
Domestic Sales	24,887	+ 4.2
Overseas Sales	8,465	+ 12.5
(Reference) Overseas Sales		
Americas	4,234	+ 25.7
Europe	1,518	- 0.6
Asia	2,524	+ 8.7
Other	188	- 38.2

6. Consolidated Forecast for FY2017

As recent performance trends are in line with estimates, the Company reaffirms its forecasts for the first half of FY2017 and FY2017, previously announced on May 11, 2017.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets



(Millions of yen)

March 31, 2017 June 30, 2017

ASSETS		
Current assets:		
Cash and deposits	18,753	16,724
Notes and accounts receivable - trade	60,993	49,497
Securities	10,000	15,000
Merchandise and finished goods	17,061	18,434
Work in process	1,288	1,583
Raw materials and supplies	4,288	3,963
Other current assets	7,015	6,156
Allowance for doubtful accounts	-165	-114
Total current assets	<u>119,235</u>	<u>111,244</u>
Non-current assets:		
Property, plant and equipment	20,148	19,844
Intangible assets		
Goodwill	2,187	2,119
Other intangible assets	3,410	3,245
Total intangible assets	<u>5,597</u>	<u>5,364</u>
Investments and other assets		
Investment securities	5,050	5,107
Other investments and other assets	2,949	2,893
Allowance for doubtful accounts	-174	-178
Total investments and other assets	<u>7,825</u>	<u>7,821</u>
Total non-current assets	<u>33,571</u>	<u>33,031</u>
Total assets	<u>152,806</u>	<u>144,275</u>
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	32,539	27,234
Short-term loans payable	628	597
Accrued income taxes	2,194	403
Provision for bonuses	2,671	2,989
Provision for product warranties	476	377
Other current liabilities	6,495	6,477
Total current liabilities	<u>45,006</u>	<u>38,079</u>
Non-current liabilities:		
Net defined benefit liability	2,532	2,584
Long-term accounts payable - other	23	23
Other non-current liabilities	1,357	1,363
Total non-current liabilities	<u>3,913</u>	<u>3,971</u>
Total liabilities	<u>48,919</u>	<u>42,050</u>
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	89,984	88,459
Treasury shares	-7,473	-7,474
Total shareholders' equity	<u>100,470</u>	<u>98,944</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,604	1,599
Foreign currency translation adjustments	1,959	1,814
Remeasurements of defined benefit plans	-147	-134
Total accumulated other comprehensive income	<u>3,416</u>	<u>3,279</u>
Total net assets	<u>103,887</u>	<u>102,224</u>
Total liabilities and net assets	<u>152,806</u>	<u>144,275</u>

(2) Consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	31,402	33,353
Cost of sales	16,110	17,161
Gross profit	15,292	16,191
Selling, general and administrative expenses	15,709	16,411
Operating income (loss)	-416	-219
Non-operating income		
Interest income	5	8
Dividend income	50	49
Gain on valuation of investment securities	75	39
Foreign exchange gains	—	107
Subsidy income	61	105
Other, net	95	96
Total non-operating income	287	405
Non-operating expenses		
Interest expenses	21	7
Foreign exchange losses	1,290	—
Other, net	31	19
Total non-operating expenses	1,342	27
Ordinary income (loss)	-1,472	158
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	1	24
Loss on sales of investment securities	—	12
Office transfer cost	32	9
Total extraordinary losses	33	46
Income (loss) before income taxes and non-controlling interests	-1,506	112
Income taxes	-419	95
Net income (loss)	-1,086	16
Income (loss) attributable to owners of parent	-1,086	16

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income (loss)	-1,086	16
Other comprehensive income		
Valuation difference on available-for-sale securities	-332	-5
Foreign currency translation adjustment	-1,048	-145
Remeasurements of defined benefit plans, net of tax	114	13
Total other comprehensive income	-1,266	-136
Comprehensive income	-2,352	-120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-2,352	-120
Comprehensive income attributable to non-controlling interests	—	—