

[Summary] Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2013 (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 FY2012 (From April 1, 2012 to December 31, 2012)

(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	%
FY2012 3Q (9 months)	90,902	9.7	7,923	18.6	8,543	35.0	5,157	44.3
FY2011 3Q (9 months)	82,846	4.5	6,683	11.2	6,328	11.8	3,575	-6.3

Note: Comprehensive income: FY2012 3Q: 5,327 million yen (63.2%) FY2011 3Q: 3,265 million yen (0.9%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2012 3Q (9 months)	117.41	—
FY2011 3Q (9 months)	81.38	—

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

(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, 2012	103,350	71,255	68.9	1,621.12
As of March 31, 2012	99,403	67,911	68.3	1,544.87

Reference: Equity Capital: FY2012 3Q: 71,218million yen FY2011: 67,869 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2011	—	21.00	—	23.00	44.00
FY2012	—	22.00	—		
FY2012 (Forecast)				22.00	44.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2012 (From April 1, 2012 to March 31, 2013)

	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
Full year	130,000	7.7	13,000	8.1	13,000	6.6	7,900	3.7	179.82

Note: Revision 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, 2012 to December 31, 2012), Japanese medical treatment fees were revised upward in April 2012 to ensure delivery of emergency and perinatal care and improve home care. This was in line with the government's 2025 future vision of medical/long-term care services which was presented in the Comprehensive Reform of Social Security and Taxes. Internationally, although demand for medical devices in the United States and emerging countries remained solid, financial anxiety created difficult market conditions in Europe.

Under these circumstances, the Company implemented key strategies including expanding and strengthening core business areas and strengthening technological development capacity under its SPEED UP III 3-year Business Plan of which the final year is the term under review.

Japan: Sales in the hospital market, particularly the private hospital market, remained favorable and AED sales increased in the PAD market. This resulted in increased sales of all product categories. In Physiological Measuring Equipment, sales of EEGs, ECGs and polygraphs for cath labs showed strong growth. Sales of Patient Monitors also increased significantly, supported by good sales of bedside monitors and clinical information systems. In Treatment Equipment, AED sales showed strong growth as three new models were introduced. Sales of pacemakers and ICDs decreased due to downward revision of reimbursement prices. In Other Medical Equipment, sales of hematology analyzers increased as a new model was introduced. As a result, domestic sales increased 11.0% over the nine months of FY2011 to ¥74,900 million.

International: Sales of Patient Monitors and hematology analyzers showed strong growth, while sales of Physiological Measuring Equipment remained almost flat compared with the same quarter of the previous fiscal year. In Treatment Equipment, sales of defibrillators for hospitals were weak. In the Americas, sales in the U.S. showed strong growth while sales in Latin America decreased. Sales in Europe decreased due to the difficult market conditions and unfavorable foreign currency impacts. In Asia, sales in China and Southeast Asia showed strong growth. As a result, international sales increased 4.0% over the nine months of FY2011 to ¥16,002 million.

Overall sales during the term under review increased 9.7% over the nine months of FY2011 to ¥90,902 million. Operating income increased 18.6% to ¥7,923 million, ordinary income increased 35.0% to ¥8,543 million and net income increased 44.3% to ¥5,157 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)		
Nine months ended December 31, 2012		
	Amount	Growth rate (%)
Physiological Measuring Equipment	23,082	+ 7.7
Patient Monitors	30,789	+ 16.4
Treatment Equipment	14,945	+ 2.4
Other Medical Equipment	22,083	+ 8.4
Total	90,902	+ 9.7
(Reference) Domestic Sales	74,900	+ 11.0
(Reference) Overseas Sales	16,002	+ 4.0
(Reference) Overseas Sales		
Americas	5,622	+ 13.1
Europe	4,176	- 18.1
Asia	5,491	+ 17.5
Other	712	+ 12.0

6. Consolidated Forecast for FY2012

As recent performance trends are in line with estimates, the Company reaffirms the forecast for FY2012. Based on the assumed exchange rates of 88 yen to the dollar and 113 yen to the euro for the fourth quarter, the average rates will be 82 yen to the dollar and 105 yen to the euro for FY2012.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2012	December 31, 2012
ASSETS		
Current assets:		
Cash	9,342	9,362
Trade notes and accounts receivable	42,249	37,225
Marketable Securities	12,000	13,000
Merchandise and finished goods	10,452	12,985
Work in process	1,304	1,796
Raw materials and supplies	2,395	3,309
Other current assets	5,364	5,080
Allowance for doubtful receivables	-366	-256
Total current assets	82,742	82,501
Fixed assets:		
Tangible fixed assets	8,516	8,721
Intangible fixed assets		
Goodwill	757	4,483
Other intangible fixed assets	2,764	2,518
Total intangible fixed assets	3,522	7,001
Investments and other assets		
Investments in securities	2,555	3,035
Other investments and other assets	2,125	2,141
Allowance for doubtful receivables	-59	-51
Total investments and other assets	4,622	5,124
Total fixed assets	16,660	20,848
Total assets	99,403	103,350
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	20,068	20,897
Short-term debt	620	1,521
Accrued income taxes	2,189	1,389
Reserve for bonuses	2,460	1,272
Provision for product warranties	428	662
Other current liabilities	4,946	5,046
Total current liabilities	30,714	30,791
Non-current liabilities:		
Long-term debt	3	0
Reserve for retirement benefits	405	943
Long-term accounts payable	191	170
Other non-current liabilities	177	188
Total non-current liabilities	778	1,303
Total liabilities	31,492	32,094
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	52,768	55,950
Treasury stock	-2,020	-2,021
Total stockholders' equity	68,779	71,960
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	45	98
Foreign currency translation adjustments	-955	-840
Total accumulated other comprehensive income	-910	-741
Minority interests	41	37
Total net assets	67,911	71,255
Total liabilities and net assets	99,403	103,350

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	82,846	90,902
Cost of sales	40,718	44,760
Gross profit	42,128	46,141
Selling, general and administrative expenses	35,444	38,217
Operating income	6,683	7,923
Non-operating income		
Interest income	22	37
Dividends income	81	85
Foreign exchange gains	—	245
Provision of allowance for doubtful accounts	23	87
Other, net	151	241
Total non-operating income	278	696
Non-operating expenses		
Interest expenses	15	10
Foreign exchange losses	524	—
Other, net	93	66
Total non-operating expenses	633	77
Ordinary income	6,328	8,543
Extraordinary income		
Gain on sales of noncurrent assets	—	1
Gain on sales of investment securities	1	0
Total extraordinary income	1	2
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Loss on retirement of noncurrent assets	8	13
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	8
Total extraordinary losses	8	21
Income before income taxes and minority interests	6,320	8,524
Income taxes	2,734	3,365
Income before minority interest	3,585	5,159
Minority interests in income	10	1
Net income	3,575	5,157

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Income before minority interests	3,585	5,159
Other comprehensive income		
Valuation difference on available-for-sale securities	-4	53
Foreign currency translation adjustment	-316	114
Total other comprehensive income	-320	168
Comprehensive Income	3,265	5,327
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,262	5,326
Comprehensive income attributable to minority interests	2	1

(3) Notes on Business Combination

(Business combination through acquisition)

1. Overview of business combination

(1) Name and operations of acquired company

Name of acquired company	Defibtech, LLC
Business	Manufacturer of resuscitation equipment

(2) Main reason for business combination

Reinforcement of technological capability in the resuscitation field and expansion of Nihon Kohden's business in the U.S. Market

(3) Date of business combination

November 30, 2012

(4) Legal form of business combination

Acquisition of ownership for cash

(5) Name of company after business combination

Defibtech, LLC

(6) Share of voting rights acquired

100%

(7) Basis of determination of acquiring company

Acquisition of ownership for cash by RESUSCITATION SOLUTION, INC., one of NihonKohden's subsidiaries.

2. Business term of the acquired company included in the consolidated statement of income for the 3rd quarter consolidated FY2012 (9 months)

The acquisition date is November 30, 2012 and Defibtech's fiscal year ends on December 31.

Defibtech's business results are not included in the consolidated statement of income for the 3rd quarter consolidated FY2012 (9 months).

3. Acquisition cost for the acquired company and breakdown thereof

Consideration for acquisition	3,905 million yen
Expenses directly incurred in the acquisition: advisory fees, etc.	186 million yen
<u>Acquisition cost</u>	<u>4,092 million yen</u>

Acquisition cost above is assumed based on information currently available.

4. Contents of the condition clause for the acquisition cost under an acquisition agreement and its accounting method hereafter

Nihon Kohden will make milestone payments based on the achievement of performance goals after the acquisition. If additional payment for the acquisition cost occurs as mentioned above, the acquisition cost will be revised assuming that the additional payment had been made at the time of acquisition and the Company will revise the amount of goodwill and the amortization of goodwill.

5. Amount of goodwill incurred, reasons and amortization method

(1) Amount of goodwill

3,763 million yen

Amount of goodwill above is assumed based on information currently available.

(2) Reason for goodwill

Excess earnings expected to be delivered through the future development of the business.

(3) Method and period of amortization

Straight-line method within 20 years

Period of amortization will be determined by the end of FY2012.