

# Consolidated Financial Highlights for the First Quarter of FY2015

(From April 1, 2015 to June 30, 2015)



**NIHON KOHDEN CORPORATION**

**(Ticker Code: 6849)**

**July 31, 2015**

# 1) Consolidated Financial Results for the 1<sup>st</sup> Quarter of FY2015

(Amounts of less than ¥1 million are rounded down)

	FY2014 1Q	FY2015 1Q	YoY (%)
<b>Net Sales</b>	30,982	<b>32,687</b>	5.5
<b>Domestic Sales</b>	23,700	<b>23,971</b>	1.1
<b>Overseas Sales</b>	7,282	<b>8,715</b>	19.7
<b>Operating Income</b>	1,051	<b>132</b>	-87.4
<b>Ordinary Income</b>	971	<b>610</b>	-37.1
<b>Income Attributable to Owners of Parent</b>	539	<b>239</b>	-55.6

+7% on a local currency basis

	FY2014 1Q	FY2015 1Q
<b>Gross Margin Ratio:</b>	50.7%	→ 47.6%
<b>SG&amp;A Ratio:</b>	47.3%	→ 47.2%

**Foreign exchange gains or losses:**

	FY2014 1Q	FY2015 1Q
	¥204 mil losses	→ ¥358 mil gains

Average Exchange Rate	(2014/6)	(2015/6)
1 US Dollar	¥102.4	<b>¥120.9</b>
1 EURO	¥140.4	<b>¥132.9</b>

## 2) Highlights of FY2015 1Q

### Net Sales : +5.5%

- **Japan**: Sales in the clinic market increased favorably. Sales in the university market and sales of AEDs in PAD market also increased, while sales in the public hospital and private hospital markets were weak.
- **International**: Sales in all areas and all product categories increased.

### Operating Income : -87.4%

- Gross margin ratio was lower than the first quarter of FY2014 due to unfavorable product mix in domestic business.
- SG&A expenses increased mainly due to increased marketing spending and human resources.

### Ordinary Income: -37.1%

- Foreign exchange gains were recorded compared to foreign exchange losses in the first quarter of FY2014.

# 3) Sales by Product Category

(Sales, millions of yen)

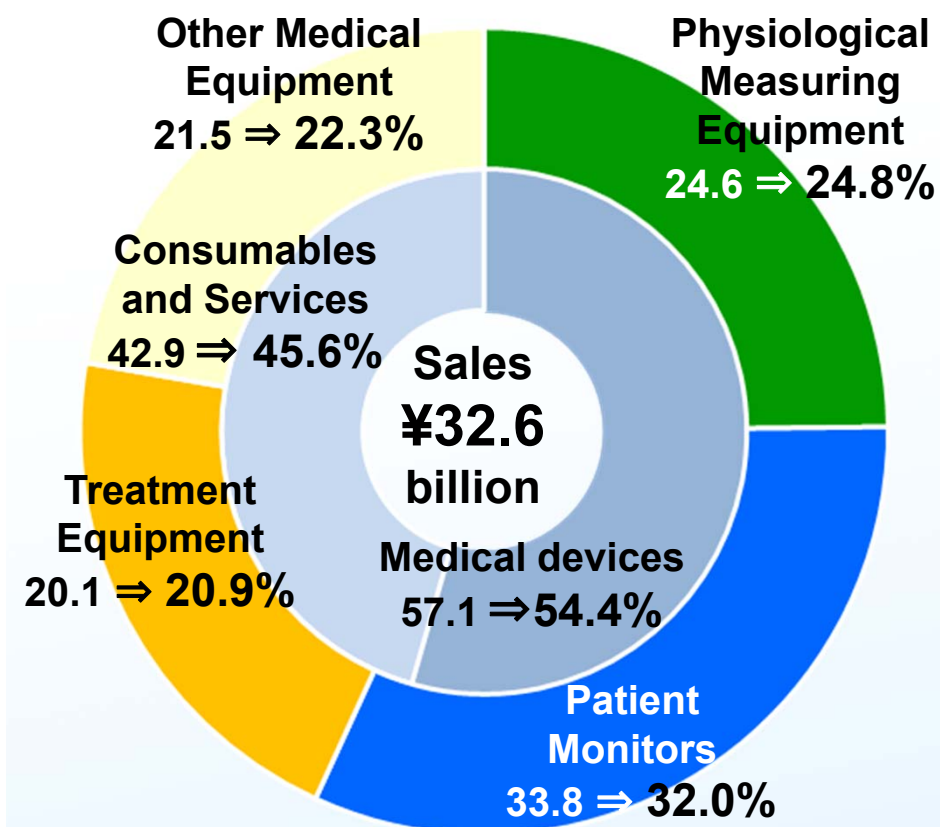
	FY2014 1Q	FY2015 1Q	YoY (%)
Physiological Measuring Equipment	7,632	8,110	6.3
Patient Monitors	10,471	10,472	0.0
Treatment Equipment	6,221	6,824	9.7
Other Medical Equipment	6,657	7,279	9.3
<b>Total Sales</b>	<b>30,982</b>	<b>32,687</b>	<b>5.5</b>

(Reference)

Consumables and Services	13,300	14,889	11.9
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## Sales composition by product category

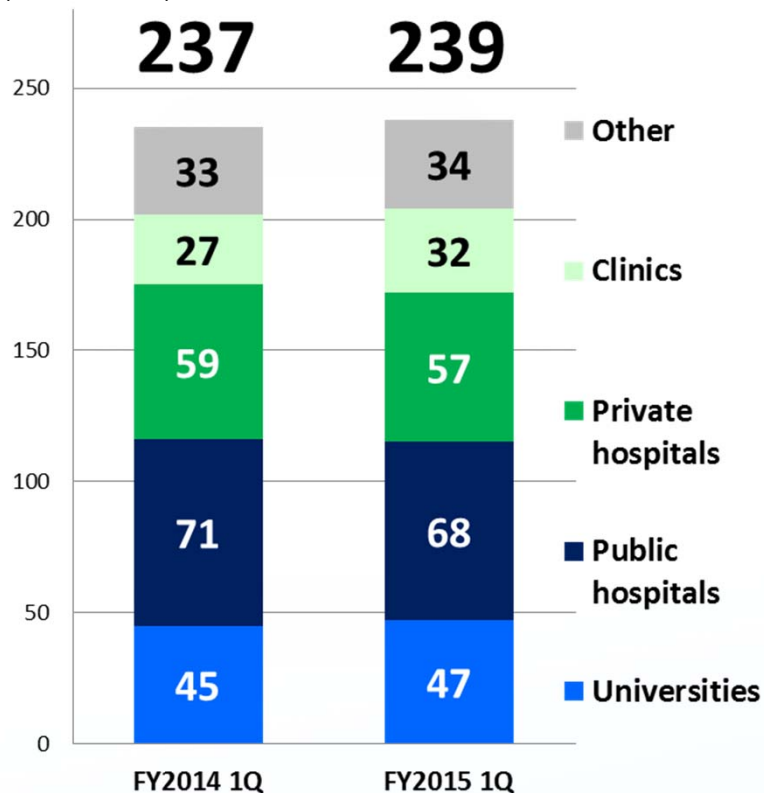
(FY2014 1Q ⇒ FY2015 1Q)



# 4) Domestic Sales

## Sales by Market

(¥100 million)



## Sales by Product Category

(Sales, millions of yen)

	FY2014 1Q	FY2015 1Q	YoY (%)
Physiological Measuring Equipment	5,933	6,179	4.2
Patient Monitors	7,087	6,655	-6.1
Treatment Equipment	4,861	4,984	2.5
Other Medical Equipment	5,818	6,151	5.7
<b>Total Sales</b>	<b>23,700</b>	<b>23,971</b>	<b>1.1</b>

**【Markets】** Sales in the clinic and university market increased favorably. Sales in the public and private hospital market were weak.

**【Products】 Physiological Measuring Equipment:** Sales of polygraphs for cath labs and diagnostic information system increased favorably. Sales of ECGs decreased slightly. Sales of EEGs were weak.

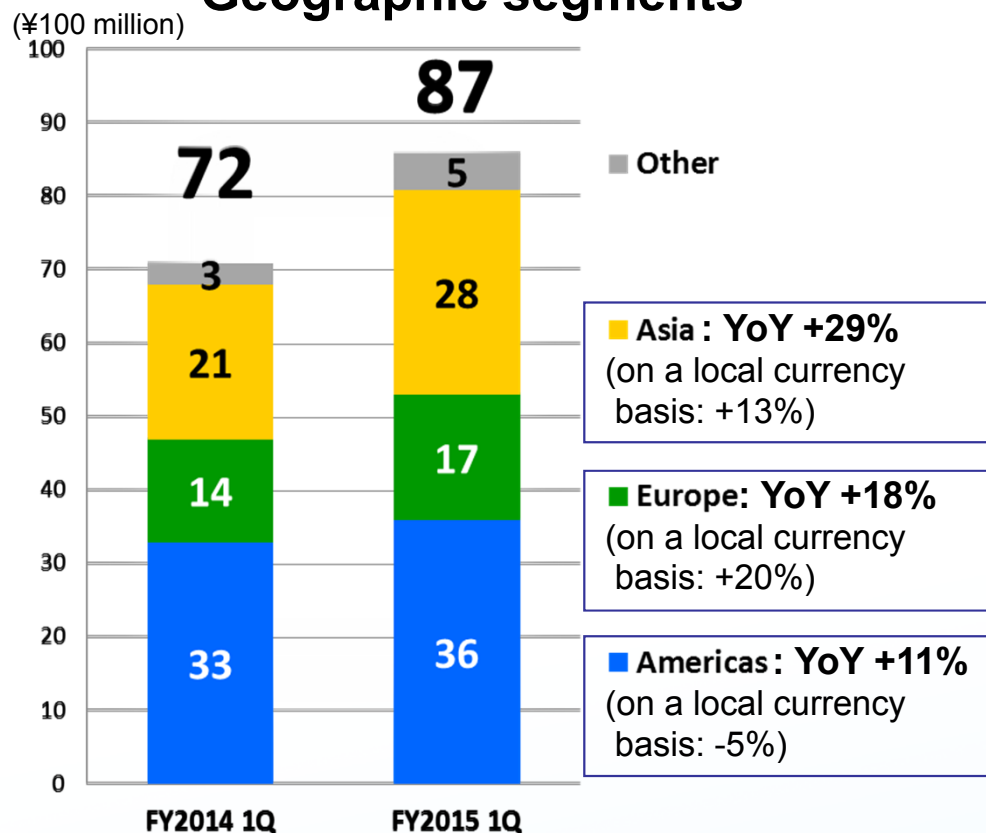
**Patient Monitors:** Sales of transmitters and bedside monitors were weak, while sales of clinical information system, consumables and services increased.

**Treatment Equipment:** Sales of AEDs increased favorably.

**Other Medical Equipment:** Sales of hematology instruments and locally purchased products increased.

# 5) Overseas Sales

## Geographic segments



Percentage of overseas sales to consolidated sales

FY2014 1Q	FY2015 1Q
23.5%	26.7%

## Sales by Product Category

(Sales, millions of yen)

	FY2014 1Q	FY2015 1Q	YoY (%)
Physiological Measuring Equipment	1,698	1,930	13.6
Patient Monitors	3,384	3,817	12.8
Treatment Equipment	1,359	1,840	35.3
Other Medical Equipment	839	1,127	34.4
<b>Total Sales</b>	<b>7,282</b>	<b>8,715</b>	<b>19.7</b>

+7% on a local currency basis

- 【Region】**
- Americas:** Sales in the U.S. increased, while sales in Latin America decreased.
  - Europe:** Sales in Europe increased favorably, especially in Germany, as the Company strengthened its local sales and service network by reorganization of its European subsidiaries.
  - Asia:** Sales in India, Korea and the Middle East showed strong growth as the Company strengthened its local business structure. Sales in China also increased.
- 【Products】**
- Physiological Measuring Equipment:** Sales of EEGs in Asia and sales of ECGs in Europe increased favorably.
  - Patient Monitors:** Sales in all areas increased favorably, posting especially strong growth in Europe and Asia.
  - Treatment Equipment:** Sales of defibrillators and AEDs increased favorably in all areas.
  - Other Medical Equipment:** Sales of hematology analyzers increased favorably in Asia.



# 6) Topics

## New products in FY2015 1Q

### Physiological Measuring Equipment



#### Polygraph for cath lab RMC-5000 (Japan)

- Multiple parameters such as synthesized 18-lead ECG, BIS and CO<sub>2</sub>.
- Can be used in both cath lab and hybrid operating room.

## Nihon Kohden America expands offerings with Defibtech AEDs

Defibtech AEDs available through its North American sales network from July 2015.  
Nihon Kohden products



Patient Monitors

Neurology



Defibtech products

Resuscitation



## Cancellation and repurchase of treasury stock

May 20

**Cancel  
1,800K shares**



June 2

**Repurchase  
200K shares**



**Number of treasury stock:  
2,070K shares**  
(stockholding ratio: 2.3%)

# 7) Depreciation & R&D Costs

(Millions of yen)

	FY2014 1Q	FY2015 1Q	Change	FY2014 Actual	FY2015 Plan
<b>Depreciation</b>	753	747	-6	3,445	4,200
<b>R&amp;D Costs</b>	1,309	1,254	-54	5,745	6,400

## ● FY2015 Capital Investments Plan:

- Molds for new products, production equipment, products for demonstration, ERP System
- Establish Tokorozawa R&D center

Start of construction: Apr 2015

Completion and relocation: Summer 2016

Capital investments: 7.2 billion yen < FY2015: 3.5 billion yen  
FY2016: 3.7 billion yen

Tomioka production center begins operation in May 2015.

- Establish new facility in Asaka  
(Relocation of immunochemical products department)

Start of construction: Jan 2016

Completion and relocation: Winter 2016

Capital investments: 1.2 billion yen





# 8) Revision of Forecast for 1<sup>st</sup> Half of FY2015

(100 Millions of yen)

	FY2014 1H Actual	FY2015 1H			
		Original Forecast announced May 11 (A)	Revised Forecast announced July 31 (B)	Difference (B-A)	YoY(%)
<b>Net Sales</b>	720	785	<b>740</b>	-45	2.7
<b>Domestic Sales</b>	556	—	—	—	—
<b>Overseas Sales</b>	163	—	—	—	—
<b>Operating Income</b>	55	60	<b>35</b>	-25	-36.4
<b>Ordinary Income</b>	60	60	<b>40</b>	-20	-34.4
<b>Income Attributable to Owners of Parent</b>	41	41	<b>26</b>	-15	-36.9

Notes: As of July 31, assumed exchange rates are 122 yen to the dollar and 135 yen to the euro from the 2<sup>nd</sup> quarter of FY2015.

## 9) Reason for the Revision

**Net Sales: ¥74.0 bil** (down ¥4.5 bil from its previous forecast)

- **Domestic sales are expected to decrease over 1<sup>st</sup> half of FY2014.**
  - Budget executions in the university market and public hospital market will be more concentrated in the 2<sup>nd</sup> half.
  - There is reaction to higher demand in the same period last year, followed by response to stricter standards for acute care and conversion to integrated community care in the private hospital market.
- **Overseas sales growth is expected to be around 20%.**
  - Remain at the same level as the 1<sup>st</sup> quarter, which is lower than expected.

**Operating Income: ¥3.5 bil** (down ¥2.5 bil from its previous forecast)

- **Gross margin ratio will be the same level as 1<sup>st</sup> half of FY2014.**
- **SG&A expenses will increase over 1<sup>st</sup> half of FY2014, mainly due to enhancing human resources, marketing activities and R&D.**

# 10) Forecast for FY2015 Unchanged

## Sales by Product Category (Millions of yen)

	FY2014 Actual	FY2015 Forecast	YoY (%)
<b>Net Sales</b>	160,803	<b>172,000</b>	7.0
<b>Domestic Sales</b>	122,490	<b>126,000</b>	2.9
<b>Overseas Sales</b>	38,313	<b>46,000</b>	20.1
<b>Operating Income</b>	15,921	<b>18,000</b>	13.1
<b>Ordinary Income</b>	17,234	<b>18,000</b>	4.4
<b>Income Attributable to Owners of Parent</b>	11,142	<b>12,100</b>	8.6

	FY2014 Actual	FY2015 Forecast	YoY (%)
Physiological Measuring Equipment	37,180	<b>40,400</b>	8.7
Patient Monitors	53,068	<b>59,050</b>	11.3
Treatment Equipment	29,393	<b>32,050</b>	9.0
Other Medical Equipment	41,160	<b>40,500</b>	-1.6
<b>Total</b>	160,803	<b>172,000</b>	7.0
(Reference)			
Consumables and Services	61,426	<b>65,750</b>	7.0

- Business deals both domestically and internationally will be more concentrated in the 2<sup>nd</sup> half than expected. The Company will also take measures to further improve profitability.
- After reviewing the results of the 1<sup>st</sup> half and outlook of the 2<sup>nd</sup> half, the Company will revise its forecast for FY2015 at the announcement of financial results for the 1<sup>st</sup> half of FY2015 on November 4, 2015, if necessary.

## Disclaimer:

Contents described in this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures.