

[Summary] Consolidated Financial Results for the 1st 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 1st Quarter of FY2015 (From April 1, 2015 to June 30, 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 1Q (3 months)	32,687	5.5	132	-87.4	610	-37.1	239	-55.6
FY2014 1Q (3 months)	30,982	1.9	1,051	-32.2	971	-51.7	539	-59.0

Note: Comprehensive income: FY2015 1Q: 386 million yen (34.6%) FY2014 1Q: 287 million yen (-86.9%)

	Net income per share - Basic*	Net income per share - Diluted
	Yen	Yen
FY2015 1Q (3 months)	2.75	—
FY2014 1Q (3 months)	6.14	—

(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, 2015	135,338	97,549	72.0	1,111.99
As of March 31, 2015	146,755	99,304	67.6	1,129.57

Reference: Equity Capital: FY2015 1Q: 97,475 million 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	—				
FY2015 (Forecast)*		17.00	—	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
First half	74,000	2.7	3,500	-36.4	4,000	-34.4	2,600	-36.9	29.66
Full year	172,000	7.0	18,000	13.1	18,000	4.4	12,100	8.6	137.72

Note: Revise of consolidated forecast: Yes

* 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 calculated 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 June 30, 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, the medical equipment industry was required to meet the changing needs of medical institutions. Internationally, the number of Americans who have health insurance increased under the Affordable Care Act in the U.S., while Europe continued to face challenging market conditions due to the governments' measures for medical cost restriction. In emerging countries, the healthcare infrastructure has developed together with economic growth. Overall overseas demand for medical equipment remained steady.

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 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. Sales in the university market and sales of AEDs in the PAD market also increased, while sales in the public hospital and private hospital markets were weak. Sales of Physiological Measuring Equipment, Treatment Equipment, and Other Medical Equipment increased, while sales of Patient Monitors decreased. As a result, domestic sales increased 1.1% over the first quarter of FY2014 to ¥23,971 million.

International: Sales in all areas and all product categories increased. In the Americas, sales in the U.S. increased, while sales in Latin America decreased. Sales in Europe increased favorably, especially in Germany, 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 as the Company strengthened its local business structure. Sales in China also increased. As a result, international sales increased 19.7% over the first quarter of FY2014 to ¥8,715 million.

As a result, overall sales during the term under review increased 5.5% over the first quarter of FY2014 to ¥32,687 million. Gross margin ratio was lower than the first quarter of FY2014 due to unfavorable product mix in domestic business. SG&A expenses increased due to increased marketing spending and human resources. Operating income decreased 87.4% to ¥132 million, ordinary income decreased 37.1% to ¥610 million, and income attributable to owners of parent decreased 55.6% to ¥239 million.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2015	
	Amount	Growth rate (%)
Physiological Measuring Equipment	8,110	+ 6.3
Patient Monitors	10,472	+ 0.0
Treatment Equipment	6,824	+ 9.7
Other Medical Equipment	7,279	+ 9.3
Total	32,687	+ 5.5
Domestic Sales	23,971	+ 1.1
Overseas Sales	8,715	+ 19.7
(Reference) Overseas Sales		
Americas	3,684	+ 10.7
Europe	1,701	+ 17.9
Asia	2,817	+ 28.8
Other	511	+ 58.3

6. Consolidated Forecast for FY2015

Based on recent performance trends and future outlook, the Company revised its forecasts for the first half of FY2015, previously announced on May 11, 2015. Domestic sales are expected to decrease over the first half of FY2015 as budget executions in the university market and public hospital market will be more concentrated in the second half. There is also reaction to the higher demand in the same period last year, followed by responses to stricter standards for acute care and conversions to integrated community care in the private hospital market. Overseas sales growth is expected to remain at the same level as the first quarter, around 20%, which is lower than expected. As a result, the Company forecasts its overall sales, operating income, ordinary income and income attributable to owners of parent for the first half of FY2015 to be ¥74,000 million (down ¥4,500 million from its previous forecast), ¥3,500 million (down ¥2,500 million from its previous forecast), ¥4,000 million (down ¥2,000 million from its previous forecast), and ¥2,600 million (down ¥1,500 million from its previous forecast), respectively.

Nihon Kohden will continue to implement its four-year mid-term business plan, Strong Growth 2017 and take measures to improve profitability as the top priority for FY2015.

In Japan, the Company aims to expand sales in acute care hospitals by introducing new competitive products and providing IT system solutions. In the small and mid-sized hospital market and the clinic market, the Company will develop business for integrated community care systems. New business for home care will be also developed. Internationally, the Company will expand its sales network and continue to introduce products that are tailored to the demands of local markets.

Nihon Kohden will take measures to improve gross margin ratio. The Company will reduce costs at the product planning stage, R&D and production by merging the R&D sections for technologies which are common to all product lines, reinforcing cooperation between the production division and the R&D division, and improving productivity at Tomioka production center. The Company will also expand sales of its own products and consumables. The Company will strengthen cost control across all Nihon Kohden groups by improving expense management in each subsidiary and division, while continuing necessary investments for future business expansion such as R&D.

The Company leaves its forecasts for FY2015 unchanged as business deals both domestically and internationally will be more concentrated in the second half. The Company will also take measures to further improve profitability. After reviewing the results of the first half and outlook of the second half, the Company will revise its forecasts for FY2015 at the announcement of financial results for the first half of FY2015 on November 4, 2015, if necessary.

Assumed exchange rates from the second quarter of FY2015 are 122 yen to the dollar and 135 yen to the euro.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2015	June 30, 2015
ASSETS		
Current assets:		
Cash and deposits	13,233	13,499
Notes and accounts receivable - trade	58,834	47,246
Securities	21,000	18,000
Merchandise and finished goods	14,421	15,725
Work in process	1,366	1,296
Raw materials and supplies	3,482	3,234
Other current assets	6,255	6,723
Allowance for doubtful receivables	-203	-219
Total current assets	118,389	105,505
Noncurrent assets:		
Property, plant and equipment	12,211	13,846
Intangible fixed assets		
Goodwill	2,558	2,511
Other intangible fixed assets	4,226	4,075
Total intangible fixed assets	6,784	6,586
Investments and other assets		
Investments in securities	6,685	6,773
Other investments and other assets	2,870	2,815
Allowance for doubtful receivables	-185	-189
Total investments and other assets	9,370	9,399
Total noncurrent assets	28,366	29,832
Total assets	146,755	135,338
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	30,816	26,078
Short-term loans payable	1,116	1,509
Accrued income taxes	2,350	264
Provision for bonuses	2,889	723
Provision for product warranties	325	334
Other current liabilities	8,155	7,169
Total current liabilities	45,654	36,079
Non-current liabilities:		
Net defined benefit liability	619	667
Long-term accounts payable	170	24
Other non-current liabilities	1,007	1,017
Total non-current liabilities	1,797	1,709
Total liabilities	47,451	37,789
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,487	10,482
Legal retained earnings	77,335	75,046
Treasury shares	-2,029	-1,637
Total shareholders' equity	93,338	91,436
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,327	2,389
Foreign currency translation adjustments	3,068	3,185
Remeasurements of defined benefit plans	509	463
Total accumulated other comprehensive income	5,905	6,038
Non-controlling interests	60	74
Total net assets	99,304	97,549
Total liabilities and net assets	146,755	135,338

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	30,982	32,687
Cost of sales	15,273	17,141
Gross profit	15,709	15,546
Selling, general and administrative expenses	14,657	15,413
Operating income	1,051	132
Non-operating income		
Interest income	10	8
Dividend income	53	54
Foreign exchange gains	—	358
Reversal of allowance for doubtful accounts	16	6
Other, net	72	94
Total non-operating income	153	521
Non-operating expenses		
Interest expenses	10	16
Foreign exchange losses	204	—
Other, net	18	27
Total non-operating expenses	233	43
Ordinary income	971	610
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Total extraordinary income	1	0
Extraordinary expenses		
Loss on sales of noncurrent assets	—	5
Loss on retirement of noncurrent assets	2	10
Factory transfer cost	—	128
Total extraordinary expenses	2	144
Income before income taxes and non-controlling interests	970	466
Income taxes	432	213
Net income	538	252
Income (loss) attributable to non-controlling interests	-1	13
Income attributable to owners of parent	539	239

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net income	538	252
Other comprehensive income		
Valuation difference on available-for-sale securities	94	62
Foreign currency translation adjustment	-317	117
Remeasurements of defined benefit plans	-28	-46
Total other comprehensive income	-251	133
Comprehensive income	287	386
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	288	372
Comprehensive income attributable to non-controlling interests	-1	13