

## [Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2019 (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 1<sup>st</sup> Quarter of FY2018 (From April 1, 2018 to June 30, 2018)

#### (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	%
<b>FY2018 1Q (3 months)</b>	<b>34,583</b>	<b>3.7</b>	<b>53</b>	<b>—</b>	<b>580</b>	<b>266.9</b>	<b>538</b>	<b>—</b>
FY2017 1Q (3 months)	33,353	6.2	-219	—	158	—	16	—

Note: Comprehensive income: FY2018 1Q: 194 million yen (—%) FY2017 1Q: -120 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2018 1Q (3 months)</b>	<b>6.33</b>	<b>—</b>
FY2017 1Q (3 months)	0.19	—

#### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of June 30, 2018</b>	<b>149,855</b>	<b>108,017</b>	<b>72.1</b>	<b>1,268.45</b>
As of March 31, 2018	157,910	109,355	69.3	1,284.17

Reference: Equity Capital: FY2018 1Q: 108,017 million yen FY2017: 109,355 million yen

#### 2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2017	—	17.00	—	18.00	35.00
FY2018	—				
FY2018 (Forecast)		17.00	—	18.00	35.00

Note: Revise of dividends forecast: None

#### 3. Consolidated forecast for FY2018 (From April 1, 2018 to March 31, 2019)

	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	80,000	4.4	3,100	-0.9	3,100	-16.7	2,100	-17.4	24.66
Full year	180,000	3.3	15,000	3.3	15,000	3.4	10,300	12.5	120.95

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, 2018 to June 30, 2018), differentiation of medical institution functions and enhancement of medical coordination were promoted in order to establish integrated community care systems according to the medical treatment fee revision in April 2018 and the regional health visions which each prefecture drew up. Medical equipment companies were strongly required to provide solutions which contribute to improving quality and efficiency of medical care and enhancing regional medical care coordination. Internationally, overall demand for medical equipment remained steady although there was concern regarding policy trends in the U.S. and political instability in some emerging countries such as the Middle East.

Under these circumstances, Nihon Kohden implemented 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 put more sales resources into the Tokyo metropolitan area in April 2018, following the absorption of 11 domestic sales subsidiaries in April 2017. 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 university hospital market showed strong growth and sales of AEDs in the PAD market increased favorably. Sales in the public and private hospital market also increased, while sales in the clinic market decreased. Sales of Patient Monitors increased favorably, supported by orders received for bedside monitors and clinical information systems in the university hospital market. As a result, domestic sales increased 3.3% over the first quarter of FY2017 to ¥25,705 million.

**International:** In the Americas, sales in both the U.S. and Latin America increased favorably as the Company strengthened its local sales & service network. Sales in Europe were flat on a comparable basis and increased on a yen basis due to yen depreciation. Sales in Germany and Spain increased, while sales in France and Russia decreased. In Asia, sales in China increased favorably, while sales in India decreased due to a reaction to a last minute surge in demand prior to the GST implementation in the same period of the previous fiscal year. Sales of Physiological Measuring Equipment, Patient Monitors, and Treatment Equipment increased favorably, while sales of Other Medical Equipment decreased. As a result, international sales increased 4.9% over the first quarter of FY2017 to ¥8,878 million.

As a result, overall sales during the term under review increased 3.7% over the first quarter of FY2017 to ¥34,583 million. Operating income was ¥53 million, compared to an operating loss of ¥219 million in the first quarter of FY2017. Ordinary income increased 266.9% to ¥580 million and income attributable to owners of parent was ¥538 million (income attributable to owners of parent of ¥16 million in the first quarter of FY2017), reflecting foreign exchange gains.

#### 5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2018	
	Amount	Growth rate (%)
Physiological Measuring Equipment	8,535	+ 2.3
Patient Monitors	11,920	+ 6.3
Treatment Equipment	6,741	+ 5.0
Other Medical Equipment	7,386	+ 0.2
<b>Total</b>	<b>34,583</b>	<b>+ 3.7</b>
Products	16,648	+ 3.2
Consumables and Services	17,935	+ 4.2
<b>(Reference) Sales by Region</b>		
Domestic Sales	25,705	+ 3.3
Overseas Sales	8,878	+ 4.9
Americas	4,560	+ 7.7
Europe	1,595	+ 5.1
Asia	2,544	+ 0.8
Other	178	- 5.4

#### 6. Consolidated Forecast for FY2018

As recent performance trends are in line with estimates, the Company reaffirms its forecasts for the first half of FY2018 and FY2018, previously announced on May 10, 2018.

**7. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	March 31, 2018	June 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash and deposits	16,589	19,043
Notes and accounts receivable - trade	64,151	50,743
Securities	15,000	15,000
Merchandise and finished goods	16,081	19,035
Work in process	1,461	1,696
Raw materials and supplies	5,555	5,498
Other current assets	1,973	2,105
Allowance for doubtful accounts	-126	-146
Total current assets	120,687	112,976
Non-current assets:		
Property, plant and equipment	20,324	20,136
Intangible assets		
Goodwill	2,112	1,992
Other intangible assets	2,967	2,792
Total intangible assets	5,079	4,785
Investments and other assets		
Investment securities	5,729	5,876
Other investments and other assets	6,277	6,267
Allowance for doubtful accounts	-189	-186
Total investments and other assets	11,818	11,958
Total non-current assets	37,222	36,879
Total assets	157,910	149,855
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	29,846	26,472
Short-term loans payable	488	417
Accrued income taxes	2,067	501
Provision for bonuses	2,942	3,203
Provision for product warranties	426	340
Other current liabilities	8,830	6,850
Total current liabilities	44,601	37,786
Non-current liabilities:		
Net defined benefit liability	2,565	2,658
Long-term accounts payable - other	23	—
Other non-current liabilities	1,364	1,394
Total non-current liabilities	3,953	4,052
Total liabilities	48,554	41,838
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	96,141	93,192
Treasury shares	-8,945	-6,989
Total shareholders' equity	105,155	104,161
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,082	2,174
Foreign currency translation adjustments	1,875	1,462
Remeasurements of defined benefit plans	241	219
Total accumulated other comprehensive income	4,199	3,855
Total net assets	109,355	108,017
Total liabilities and net assets	157,910	149,855

**(2) Consolidated Statements of Income**

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	33,353	34,583
Cost of sales	17,161	17,488
Gross profit	16,191	17,095
Selling, general and administrative expenses	16,411	17,042
Operating income (loss)	-219	53
Non-operating income		
Interest income	8	11
Dividend income	49	50
Gain on valuation of investment securities	39	—
Foreign exchange gains	107	309
Subsidy income	105	163
Other, net	96	44
Total non-operating income	405	579
Non-operating expenses		
Interest expenses	7	2
Loss on valuation of investment securities	—	4
Other, net	19	45
Total non-operating expenses	27	51
Ordinary income	158	580
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	25
Total extraordinary income	0	25
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	24	1
Loss on sales of investment securities	12	—
Office transfer cost	9	—
Total extraordinary losses	46	1
Income before income taxes	112	604
Income taxes	95	65
Net income	16	538
Income attributable to owners of parent	16	538

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	16	538
Other comprehensive income		
Valuation difference on available-for-sale securities	-5	91
Foreign currency translation adjustment	-145	-413
Remeasurements of defined benefit plans, net of tax	13	-22
Total other comprehensive income	-136	-344
Comprehensive income	-120	194
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-120	194
Comprehensive income attributable to non-controlling interests	—	—