

## [Summary] Consolidated Financial Results for the 2nd 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 2<sup>nd</sup> Quarter of FY2018 (From April 1, 2018 to September 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 2Q (6 months)</b>	<b>79,050</b>	<b>3.1</b>	<b>4,260</b>	<b>36.2</b>	<b>5,270</b>	<b>41.6</b>	<b>3,916</b>	<b>54.1</b>
FY2017 2Q (6 months)	76,648	2.9	3,128	-18.4	3,722	38.4	2,541	51.0

Note: Comprehensive income: FY2018 2Q: 4,849 million yen (100.6%) FY2017 2Q: 2,417 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2018 2Q (6 months)</b>	<b>45.99</b>	—
FY2017 2Q (6 months)	29.67	—

##### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of September 30, 2018</b>	<b>153,525</b>	<b>112,671</b>	<b>73.4</b>	<b>1,323.11</b>
As of March 31, 2018	157,910	109,355	69.3	1,284.17

Reference: Equity Capital: FY2018 2Q: 112,671 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	—	17.00	—	—	—
FY2018 (Forecast)	—	—	—	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
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 September 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 that occurred 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 the 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. The Company has continued to introduce new products since April 2018: A new mid-end bedside monitor for the acute care hospital market is the first patient monitor which enables viewing the echo image from an ultrasound probe through a USB connection. Nihon Kohden's first integrated hematology analyzer and clinical chemistry analyzer for the clinic market was also launched.

**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. Consumables and services also contributed to the sales increase. Sales in the university hospital market showed strong growth and sales of AEDs in the PAD market increased favorably. Sales in the public hospital market also increased, while sales in the private hospital market and clinic market decreased. Sales of Patient Monitors increased as sales of clinical information systems and consumables such as sensors increased favorably. In Treatment Equipment, sales of AEDs and ventilators increased favorably, while sales of defibrillators remained flat. As a result, domestic sales increased 2.9% over the first half of FY2017 to ¥57,857 million.

**International:** In the Americas, sales in the U.S. increased favorably as the Company expanded the patient monitoring business and reorganized the sales structure of EEGs. Sales in Latin America slightly increased on a comparable basis and decreased on a yen basis. Sales in Brazil and Mexico increased, while sales in Colombia decreased. Sales in Europe decreased as sales in Russia and Turkey decreased, although sales in Germany and Italy increased. In Asia, sales increased, especially in China, South Korea and Thailand. Sales in the Middle East decreased due to political instability. Sales in Other decreased as an order in Egypt was carried over to the second half of this fiscal year. Sales of Physiological Measuring Equipment and Patient Monitor showed strong growth, while sales of Treatment Equipment and Other Medical Equipment decreased. As a result, international sales increased 3.8% over the first half of FY2017 to ¥21,192 million.

Overall sales during the term under review increased 3.1% over the first half of FY2017 to ¥79,050 million. Operating income increased 36.2% to ¥4,260 million not only because of sales increases, but also because the Company took proactive measures to improve gross margin and some expenses were delayed until the second half. Ordinary income increased 41.6% to ¥5,270 million and income attributable to owners of parent increased 54.1% to ¥3,916 million over the first half of FY2017, reflecting foreign exchange gains.

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

	(Millions of yen)	
	Six months ended September 30, 2018	
	Amount	Growth rate (%)
Physiological Measuring Equipment	18,351	+ 2.9
Patient Monitors	27,667	+ 5.4
Treatment Equipment	14,741	+ 1.3
Other Medical Equipment	18,290	+ 1.5
<b>Total</b>	<b>79,050</b>	<b>+ 3.1</b>
Products	41,616	+ 1.6
Consumables and Services	37,433	+ 4.9
(Reference) Sales by Region		
Domestic Sales	57,857	+ 2.9
Overseas Sales	21,192	+ 3.8
Americas	10,430	+ 7.8
Europe	3,523	- 4.0
Asia	6,659	+ 6.3
Other	579	- 27.1

## 6. Consolidated Forecast for FY2018

The Company reaffirms its forecasts for FY2018, previously announced on May 10, 2018.

Overall sales for FY2018 will be ¥180,000 million (Domestic sales of ¥130,700 million and Overseas sales of ¥49,300 million), as initially planned. Sales in Japan are expected to be in line with estimates. Internationally, sales in the Americas and Asia are expected to continue to grow. In the African market, the Company anticipates a recovery in orders. Sales in Europe are expected to recover in the second half of FY2018, but not enough to cover the weak sales in the first half year.

The reason why income for the first half year exceeded the initial plan was that some expenses were delayed until the second half of the fiscal year. Therefore, FY2018 full-year forecasts for operating income, ordinary income and income attributable to owners of parent remain unchanged at ¥15,000 million, ¥15,000 million and ¥10,300 million, respectively.

The assumed exchange rates for the second half of FY2018 remain 105 yen to the U.S. dollar and 130 yen to the euro.

### (Consolidated Forecast for FY2018 by Product Category)

	(Millions of yen)	
	Amount	Growth rate (%)
	FY2018 (Forecast)	
Physiological Measuring Equipment	40,500	+ 3.0
Patient Monitors	62,800	+ 6.0
Treatment Equipment	33,400	+ 1.5
Other Medical Equipment	43,300	+ 1.2
<b>Total</b>	<b>180,000</b>	<b>+ 3.3</b>
Products	101,800	+ 3.1
Consumables and Services	78,200	+ 3.6
(Reference) Sales by Region		
Domestic Sales	130,700	+ 2.0
Overseas Sales	49,300	+ 6.9

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

(Millions of yen)

	March 31, 2018	September 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash and deposits	16,589	16,195
Notes and accounts receivable - trade	64,151	49,510
Securities	15,000	21,000
Merchandise and finished goods	16,081	19,423
Work in process	1,461	1,646
Raw materials and supplies	5,555	5,553
Other current assets	1,973	2,125
Allowance for doubtful accounts	-126	-144
<b>Total current assets</b>	<b>120,687</b>	<b>115,309</b>
Non-current assets:		
Property, plant and equipment	20,324	20,203
Intangible assets		
Goodwill	2,112	2,007
Other intangible assets	2,967	2,753
<b>Total intangible assets</b>	<b>5,079</b>	<b>4,761</b>
Investments and other assets		
Investment securities	5,729	7,365
Other investments and other assets	6,277	6,075
Allowance for doubtful accounts	-189	-189
<b>Total investments and other assets</b>	<b>11,818</b>	<b>13,250</b>
<b>Total non-current assets</b>	<b>37,222</b>	<b>38,215</b>
<b>Total assets</b>	<b>157,910</b>	<b>153,525</b>
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	29,846	25,137
Short-term loans payable	488	408
Accrued income taxes	2,067	1,954
Provision for bonuses	2,942	2,434
Provision for product warranties	426	361
Other current liabilities	8,830	6,391
<b>Total current liabilities</b>	<b>44,601</b>	<b>36,688</b>
Non-current liabilities:		
Net defined benefit liability	2,565	2,742
Long-term accounts payable - other	23	—
Other non-current liabilities	1,364	1,422
<b>Total non-current liabilities</b>	<b>3,953</b>	<b>4,164</b>
<b>Total liabilities</b>	<b>48,554</b>	<b>40,853</b>
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	96,141	96,569
Treasury shares	-8,945	-6,990
<b>Total shareholders' equity</b>	<b>105,155</b>	<b>107,538</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,082	3,273
Foreign currency translation adjustment	1,875	1,662
Remeasurements of defined benefit plans	241	197
<b>Total accumulated other comprehensive income</b>	<b>4,199</b>	<b>5,133</b>
<b>Total net assets</b>	<b>109,355</b>	<b>112,671</b>
<b>Total liabilities and net assets</b>	<b>157,910</b>	<b>153,525</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	76,648	79,050
Cost of sales	40,148	40,400
Gross profit	36,500	38,649
Selling, general and administrative expenses	33,371	34,388
Operating income	3,128	4,260
Non-operating income		
Interest income	15	26
Dividend income	56	57
Gain on valuation of investment securities	35	—
Foreign exchange gains	257	701
Subsidy income	142	205
Other, net	141	96
Total non-operating income	649	1,088
Non-operating expenses		
Interest expenses	19	5
Loss on valuation of investment securities	—	1
Other, net	36	70
Total non-operating expenses	55	78
Ordinary income	3,722	5,270
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	39	25
Total extraordinary income	40	25
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	67	7
Loss on sales of investment securities	12	—
Office transfer cost	13	—
Total extraordinary losses	96	8
Income before income taxes	3,666	5,288
Income taxes	1,125	1,372
Net income	2,541	3,916
Income attributable to owners of parent	2,541	3,916

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	2,541	3,916
Other comprehensive income		
Valuation difference on available-for-sale securities	-42	1,191
Foreign currency translation adjustment	-108	-213
Remeasurements of defined benefit plans, net of tax	27	-44
Total other comprehensive income	-123	933
Comprehensive income	2,417	4,849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,417	4,849
Comprehensive income attributable to non-controlling interests	—	—