

## [Summary] Consolidated Financial Results for the 3rd 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 3rd Quarter of FY2018 (From April 1, 2018 to December 31, 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 3Q (9 months)</b>	<b>120,227</b>	<b>2.4</b>	<b>6,365</b>	<b>5.4</b>	<b>7,143</b>	<b>2.3</b>	<b>4,986</b>	<b>17.0</b>
FY2017 3Q (9 months)	117,456	6.2	6,041	13.9	6,981	15.5	4,262	11.4

Note: Comprehensive income: FY2018 3Q: 4,746 million yen (2.8%) FY2017 3Q: 4,616 million yen (87.2%)

	Net income per share	
	- Basic	- Diluted
	Yen	Yen
<b>FY2018 3Q (9 months)</b>	<b>58.56</b>	—
FY2017 3Q (9 months)	49.77	—

##### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of December 31, 2018</b>	<b>153,841</b>	<b>111,120</b>	<b>72.2</b>	<b>1,304.90</b>
As of March 31, 2018	157,910	109,355	69.3	1,284.17

Reference: Equity Capital: FY2018 3Q: 111,120 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: Revision 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 December 31, 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 the rise of protectionism in some countries such as the U.S. and weakness of emerging-market currencies.

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, a compact notebook PC based EEG, and an AED for home use were 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 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 of AEDs in the PAD market showed strong growth and sales in the university hospital market also increased. Sales in the public hospital market remained flat, while sales in the private hospital market and clinic market decreased. Sales of Physiological Measuring Equipment and Treatment Equipment increased. Sales of Other Medical Equipment also increased, supported by the launch of an integrated hematology analyzer and clinical chemistry analyzer for the clinic market. Sales of Patient Monitors remained flat due to a temporary delay in production and shipment of new bedside monitors last Autumn. Overall, domestic sales increased 0.9% over the nine months of FY2017 to ¥87,568 million.

**International:** In the Americas, sales in the U.S. increased favorably as the Company expanded its patient monitoring business and reorganized the sales structure of EEGs. Sales in Latin America also showed strong growth, primarily in Brazil and Mexico. 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 and Thailand. A large order in Qatar also contributed to the sales increase. Sales in Other markets decreased due to weak performance in Africa such as Ethiopia. Sales of Physiological Measuring Equipment and Patient Monitors showed strong growth. Sales of Treatment Equipment also increased, while sales of Other Medical Equipment decreased. Overall, international sales increased 6.4% over the nine months of FY2017 to ¥32,659 million.

Overall sales during the term under review increased 2.4% over the nine months of FY2017 to ¥120,227 million. Operating income increased 5.4% to ¥6,365 million and ordinary income increased 2.3% to ¥7,143 million not only because of sales increases, but also because the Company took proactive measures to improve gross margin. Income attributable to owners of parent also increased 17.0% to ¥4,986 million, compared with the same period last year when income taxes increased due to the impact from tax reform in the U.S.

## 5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Nine months ended December 31, 2018	
	Amount	Growth rate (%)
Physiological Measuring Equipment	27,776	+3.4
Patient Monitors	41,933	+3.4
Treatment Equipment	22,894	+1.8
Other Medical Equipment	27,624	+0.3
<b>Total</b>	<b>120,227</b>	<b>+2.4</b>
Medical Devices	63,271	+0.5
Consumables and Services	56,956	+4.5
<b>(Reference) Sales by Region</b>		
Domestic Sales	87,568	+0.9
Overseas Sales	32,659	+6.4
Americas	15,793	+9.8
Europe	5,893	-3.8
Asia	9,851	+11.2
Other	1,121	-15.4

## 6. Consolidated Forecast for FY2018

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

The assumed exchange rates for the fourth quarter of FY2018 remain 105 yen to the U.S. dollar and 130 yen to the euro. Consolidated forecast by product category is shown below. Internationally, sales of Patient Monitors are expected to continue to grow. In Japan, the Company enhances its patient monitoring business in acute care hospitals because replacement demand for clinical information systems and patient monitors is expected. Production and shipment of new bedside monitors have already resumed in December 2018.

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

	(Millions of yen)	
	FY2018 (Forecast)	
	Amount	Growth rate (%)
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>
Medical Devices	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	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and deposits	16,589	17,696
Notes and accounts receivable - trade	64,151	50,684
Securities	15,000	16,000
Merchandise and finished goods	16,081	22,257
Work in process	1,461	2,262
Raw materials and supplies	5,555	5,670
Other current assets	1,973	2,321
Allowance for doubtful accounts	-126	-133
Total current assets	120,687	116,759
Non-current assets:		
Property, plant and equipment	20,324	19,963
Intangible assets		
Goodwill	2,112	2,005
Other intangible assets	2,967	2,721
Total intangible assets	5,079	4,727
Investments and other assets		
Investment securities	5,729	5,822
Other investments and other assets	6,277	6,752
Allowance for doubtful accounts	-189	-184
Total investments and other assets	11,818	12,390
Total non-current assets	37,222	37,081
Total assets	157,910	153,841
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	29,846	27,946
Short-term loans payable	488	407
Accrued income taxes	2,067	974
Provision for bonuses	2,942	1,436
Provision for product warranties	426	366
Other current liabilities	8,830	7,292
Total current liabilities	44,601	38,423
Non-current liabilities:		
Net defined benefit liability	2,565	2,829
Long-term accounts payable - other	23	—
Other non-current liabilities	1,364	1,468
Total non-current liabilities	3,953	4,297
Total liabilities	48,554	42,720
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	96,141	96,192
Treasury shares	-8,945	-6,990
Total shareholders' equity	105,155	107,160
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,082	2,141
Foreign currency translation adjustment	1,875	1,643
Remeasurements of defined benefit plans	241	174
Total accumulated other comprehensive income	4,199	3,959
Total net assets	109,355	111,120
Total liabilities and net assets	157,910	153,841

## (2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	117,456	120,227
Cost of sales	60,925	61,600
Gross profit	56,530	58,627
Selling, general and administrative expenses	50,489	52,262
Operating income	6,041	6,365
Non-operating income		
Interest income	26	39
Dividend income	95	96
Gain on valuation of investment securities	70	88
Foreign exchange gains	466	190
Subsidy income	183	241
Other, net	187	239
Total non-operating income	1,029	895
Non-operating expenses		
Interest expenses	19	8
Other, net	70	109
Total non-operating expenses	89	117
Ordinary income	6,981	7,143
Extraordinary income		
Gain on sales of non-current assets	2	2
Gain on sales of investment securities	39	25
Total extraordinary income	42	27
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	78	73
Loss on sales of investment securities	12	—
Office transfer cost	31	—
Total extraordinary losses	124	74
Income before income taxes	6,898	7,095
Income taxes	2,635	2,109
Net income	4,262	4,986
Income attributable to owners of parent	4,262	4,986

**(Consolidated Statements of Comprehensive Income)**

	(Millions of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income	4,262	4,986
Other comprehensive income		
Valuation difference on available-for-sale securities	212	58
Foreign currency translation adjustment	100	-232
Remeasurements of defined benefit plans, net of tax	40	-66
Total other comprehensive income	353	-240
Comprehensive income	4,616	4,746
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,616	4,746
Comprehensive income attributable to non-controlling interests	—	—