

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2020 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange
 Head Office: Tokyo
 Representative: Hirokazu Ogino, Representative Director, President
 Contact: Eiichi Tanaka, Corporate Director, Operating Officer, General Manager, Corporate Strategy Division
 Phone: +81 / 3 - 5996 - 8003 (URL <https://www.nihonkohden.co.jp>)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 1st Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

(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	%
FY2019 1Q (3 months)	38,551	11.5	542	919.0	-26	—	-499	—
FY2018 1Q (3 months)	34,583	3.7	53	—	580	266.9	538	—

Note: Comprehensive income: FY2019 1Q: -566 million yen (—%) FY2018 1Q: 194 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2019 1Q (3 months)	-5.86	—
FY2018 1Q (3 months)	6.33	—

(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, 2019	154,902	113,988	73.6	1,338.58
As of March 31, 2019	169,717	116,087	68.4	1,363.24

Reference: Equity Capital: FY2019 1Q: 113,988 million yen FY2018: 116,087 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2018	—	17.00	—	18.00	35.00
FY2019	—	—	—	—	—
FY2019 (Forecast)	—	17.00	—	18.00	35.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2019 (From April 1, 2019 to March 31, 2020)

	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	84,500	6.9	4,500	5.6	4,500	-14.6	2,700	-31.1	31.71
Full year	186,000	4.0	16,000	6.4	16,000	0.8	10,700	-4.4	125.65

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, 2019 to June 30, 2019), differentiation of medical institution functions and enhancement of medical coordination were promoted in order to realize the regional visions of the health care system in 2025 created by each prefecture. In addition, discussions have been started regarding reforms to the work style of physicians and medical staff and the geographic distribution of physicians, in preparation for the future health care system in 2040. 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 that sets FY2019 as its final year, 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 achieving further growth in core businesses.

Japan: Nihon Kohden introduced new products which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. As the Company also strengthened its marketing and service capabilities creating customer value which contributes to improving medical safety, patient outcomes, and operating efficiency, sales in all product categories increased. Sales in the university and public hospital markets showed strong growth, thanks to large orders related to construction of new hospitals. Sales in the clinic market also increased favorably, while sales in the private hospital market decreased. Sales of Patient Monitors showed strong growth, supported by new models of bedside monitors and orders received for the replacement of clinical information systems. As a result, domestic sales increased 10.5% over the first quarter of FY2018 to ¥28,392 million.

International: In the Americas, sales in the U.S. showed strong growth, supported by shipment of orders of patient monitors, which were carried forward from the previous fiscal year. Sales in Latin America also increased favorably, primarily in Mexico. Sales in Europe increased thanks to sales increase in Italy and France. Sales in Russia and Turkey also recovered. Sales in Asia decreased due to weak sales in Southeast Asia, while sales in China, India, and the Middle East increased. Sales in Other markets increased due to sales recovery in Africa such as South Africa. Sales of Physiological Measuring Equipment, Patient Monitors, and Other Medical Equipment increased favorably, while sales of Treatment Equipment decreased. As a result, international sales increased 14.4% over the first quarter of FY2018 to ¥10,159 million.

As a result, overall sales during the term under review increased 11.5% over the first quarter of FY2018 to ¥38,551 million. Operating income increased to ¥542 million from ¥53 million in the first quarter of FY2018. Ordinary loss was ¥26 million due to foreign exchange losses, compared to an ordinary income of ¥580 million in the first quarter of FY2018. Loss attributable to owners of parent was ¥499 million (income attributable to owners of parent of ¥538 million in the first quarter of FY2018), as the Company posted extraordinary losses such as settlement regarding labor issue of Nihon Kohden America, the Company's U.S. subsidiary.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2019	
	Amount	Growth rate (%)
Physiological Measuring Equipment	9,191	+ 7.7
Patient Monitors	13,398	+ 12.4
Treatment Equipment	7,233	+ 7.3
Other Medical Equipment	8,728	+ 18.2
Total	38,551	+ 11.5
Products	19,208	+ 15.4
Consumables and Services	19,342	+ 7.8
(Reference) Sales by Region		
Domestic Sales	28,392	+ 10.5
Overseas Sales	10,159	+ 14.4
Americas	5,782	+ 26.8
Europe	1,680	+ 5.3
Asia	2,443	- 3.9
Other	252	+ 41.3

6. Consolidated Forecast for FY2019

The first quarter performance was better than the Company anticipated thanks to strong domestic orders and sales reflecting large orders related to construction of new hospitals in the university and public hospital markets. It was also because orders related to replacement of IT systems increased as some public hospitals executed their annual budget before the consumption tax increase, ahead of the schedule. As the first quarter accounts for only a small percentage of the full year and the impact of consumption tax rise is uncertain, the Company reaffirms its forecasts for the first half of FY2019 and FY2019, previously announced on June 17, 2019.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2019	June 30, 2019
ASSETS		
Current assets:		
Cash and deposits	18,811	18,761
Notes and accounts receivable - trade	66,889	54,397
Securities	16,000	11,000
Merchandise and finished goods	20,892	22,894
Work in process	1,523	1,893
Raw materials and supplies	6,182	6,516
Other current assets	2,083	1,969
Allowance for doubtful accounts	-171	-175
Total current assets	132,211	117,257
Non-current assets:		
Property, plant and equipment	19,945	19,810
Intangible assets		
Goodwill	1,938	1,900
Other intangible assets	2,624	2,559
Total intangible assets	4,563	4,460
Investments and other assets		
Investment securities	5,235	5,171
Other investments and other assets	7,942	8,378
Allowance for doubtful accounts	-180	-176
Total investments and other assets	12,997	13,373
Total non-current assets	37,505	37,644
Total assets	169,717	154,902
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	32,645	25,613
Short-term loans payable	406	374
Accrued income taxes	3,649	414
Provision for bonuses	3,098	850
Provision for product warranties	379	341
Provision for loss on litigation	285	—
Other current liabilities	7,880	8,141
Total current liabilities	48,346	35,738
Non-current liabilities:		
Net defined benefit liability	3,827	3,796
Other non-current liabilities	1,455	1,378
Total non-current liabilities	5,282	5,175
Total liabilities	53,629	40,914
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	102,397	100,365
Treasury shares	-6,991	-6,992
Total shareholders' equity	113,365	111,332
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,758	1,683
Foreign currency translation adjustments	1,443	1,406
Remeasurements of defined benefit plans	-479	-434
Total accumulated other comprehensive income	2,722	2,655
Total net assets	116,087	113,988
Total liabilities and net assets	169,717	154,902

(2) Consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	34,583	38,551
Cost of sales	17,488	20,027
Gross profit	17,095	18,524
Selling, general and administrative expenses	17,042	17,982
Operating income	53	542
Non-operating income		
Interest income	11	12
Dividend income	50	51
Foreign exchange gains	309	—
Subsidy income	163	46
Other, net	44	33
Total non-operating income	579	144
Non-operating expenses		
Interest expenses	2	5
Loss on valuation of investment securities	4	2
Foreign exchange losses	—	640
Other, net	45	64
Total non-operating expenses	51	712
Ordinary income (loss)	580	-26
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	25	—
Total extraordinary income	25	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	1	0
Demolition cost	—	43
Settlement package	—	447
Office transfer cost	—	19
Total extraordinary losses	1	511
Income (loss) before income taxes	604	-537
Income taxes	65	-38
Net income (loss)	538	-499
Income (loss) attributable to owners of parent	538	-499

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income (loss)	538	-499
Other comprehensive income		
Valuation difference on available-for-sale securities	91	-74
Foreign currency translation adjustment	-413	-36
Remeasurements of defined benefit plans, net of tax	-22	44
Total other comprehensive income	-344	-67
Comprehensive income	194	-566
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	194	-566
Comprehensive income attributable to non-controlling interests	—	—