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[Summary] Consolidated Financial Results for the 2nd 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 2nd Quarter of FY2015 (From April 1, 2015 to September 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 2Q (6 months)	73,498	2.0	4,219	-23.3	4,401	-27.8	2,516	-39.0
FY2014 2Q (6 months)	72,023	7.3	5,502	3.8	6,096	5.3	4,123	19.0

Note: Comprehensive income: FY2015 2Q: 2,102 million yen (-48.5%) FY2014 2Q: 4,083 million yen (-12.3%)

	Net income per share - Basic*	Net income per share - Diluted
	Yen	Yen
FY2015 2Q (6 months)	28.79	—
FY2014 2Q (6 months)	46.93	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share*
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2015	133,342	99,265	74.4	1,131.61
As of March 31, 2015	146,755	99,304	67.6	1,129.57

Reference: Equity Capital: FY2015 2Q: 99,194 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*	—	17.00			
FY2015 (Forecast)*			—	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
Full year	167,000	3.9	16,500	3.6	16,800	-2.5	10,700	-4.0	122.06

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 calculates 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 September 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, demand for medical equipment remained steady in the U.S., Europe and emerging countries although there was political and economic uncertainty in some regions.

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 hospital market were weak due to spending restraints in the university market and public hospital market. There was also reaction to the higher demand in the same period last year in response to the stricter standards for acute care and conversions to integrated community care in the private hospital market. 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 of AEDs in the PAD market increased. Sales of Physiological Measuring Equipment increased, while sales of Patient Monitors and Treatment Equipment decreased. Sales of Other Medical Equipment decreased as sales of locally purchased products decreased in accordance with the Company's selling policy with a focus on its own products and consumables. Transfer of transformer business was also impacted. As a result, domestic sales decreased 4.3% over the first half of FY2014 to ¥53,285 million.

International: Sales in all areas and all product categories showed double-digit growth as the Company strengthened its international business structure and sales promotion of consumables. In the Americas, sales in the U.S. showed strong growth and sales in Latin America increased. 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. Sales in China also increased. As a result, international sales increased 23.8% over the first half of FY2014 to ¥20,213 million.

Overall sales during the term under review increased 2.0% over the first half of FY2014 to ¥73,498 million. Operating income decreased 23.3% to ¥4,219 million because of decrease in domestic sales as well as increase in SG&A expenses which was primarily due to the strengthening of the Company's international business structure. Ordinary income decreased 27.8% to ¥4,401 million and income attributable to owners of parent decreased 39.0% to ¥2,516 million over the first half of FY2014.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Six months ended September 30, 2015	
	Amount	Growth rate (%)
Physiological Measuring Equipment	17,611	+ 6.6
Patient Monitors	23,804	+ 0.0
Treatment Equipment	14,645	+ 6.6
Other Medical Equipment	17,437	- 3.0
Total	73,498	+ 2.0
Domestic Sales	53,285	- 4.3
Overseas Sales	20,213	+ 23.8
(Reference) Overseas Sales		
Americas	8,735	+ 26.4
Europe	3,699	+ 15.8
Asia	6,715	+ 22.6
Other	1,061	+ 42.9

6. Consolidated Forecast for FY2015

Based on recent performance trends and future outlook, the Company revised its forecasts for FY2015, previously announced on May 11, 2015. Domestic sales is expected to recover in the second half of FY2015, but not enough to cover the weak first half sales due to spending restraints in the hospital market. The Company has revised its domestic sales forecast to ¥121,000 million, down ¥5,000 million from its previous forecast. The Company leaves its international sales forecast unchanged at ¥46,000 million as it is expected to be in line with estimates. Overall sales forecast for FY2015 is ¥167,000 million, down ¥5,000 million from its previous forecast. The Company will intend to improve profitability by restraining the growth of expenditures, but operating income forecast for FY2015 is ¥16,500 million, down ¥1,500 million from its previous forecast, because sales is expected to be lower than the previous forecast. Ordinary income and income attributable to owners of parent for FY2015 are expected to be ¥16,800 million (down ¥1,200 million from its previous forecast) and ¥10,700 million (down ¥1,400 million from its previous forecast), respectively.

In the second half of FY2015, the Company will aim for recovery of domestic business and continue to take measures to improve profitability. In Japan, the Company intends to receive orders for patient monitors in the university market and public hospital market 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 increase business for integrated community care systems. Internationally, the Company will expand its sales network and strengthen sales promotion of consumables. Nihon Kohden aims to improve its gross margin ratio by reducing costs at the product planning stage, R&D and production. 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 international business expansion.

The Company's forecast for the second half of FY2015 is based on an exchange rate of 120 yen to the dollar and 135 yen to the euro. The forecast for FY2015 is based on an exchange rate of 121 yen to the dollar and 135 yen to the euro.

(Consolidated Forecast for FY2015 by Product Category)

	(Millions of yen)	
	FY2015 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	40,100	+ 7.9
Patient Monitors	56,000	+ 5.5
Treatment Equipment	31,900	+ 8.5
Other Medical Equipment	39,000	- 5.2
Total	167,000	+ 3.9
Domestic Sales	121,000	- 1.2
Overseas Sales	46,000	+ 20.1

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2015	September 30, 2015
ASSETS		
Current assets:		
Cash and deposits	13,233	11,971
Notes and accounts receivable - trade	58,834	44,429
Securities	21,000	22,000
Merchandise and finished goods	14,421	15,393
Work in process	1,366	1,414
Raw materials and supplies	3,482	3,276
Other current assets	6,255	6,237
Allowance for doubtful accounts	-203	-194
Total current assets	118,389	104,529
Noncurrent assets:		
Property, plant and equipment	12,211	13,695
Intangible fixed assets		
Goodwill	2,558	2,502
Other intangible fixed assets	4,226	4,000
Total intangible fixed assets	6,784	6,502
Investments and other assets		
Investments in securities	6,685	5,984
Other investments and other assets	2,870	2,816
Allowance for doubtful accounts	-185	-186
Total investments and other assets	9,370	8,614
Total noncurrent assets	28,366	28,812
Total assets	146,755	133,342
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	30,816	22,633
Short-term loans payable	1,116	1,107
Accrued income taxes	2,350	828
Provision for bonuses	2,889	2,257
Provision for product warranties	325	329
Other current liabilities	8,155	5,414
Total current liabilities	45,654	32,570
Non-current liabilities:		
Net defined benefit liability	619	707
Long-term accounts payable	170	24
Other non-current liabilities	1,007	772
Total non-current liabilities	1,797	1,505
Total liabilities	47,451	34,076
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,487	10,482
Legal retained earnings	77,335	77,323
Treasury shares	-2,029	-1,637
Total shareholders' equity	93,338	93,713
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,327	1,839
Foreign currency translation adjustment	3,068	3,225
Remeasurements of defined benefit plans	509	416
Total accumulated other comprehensive income	5,905	5,481
Non-controlling interests	60	71
Total net assets	99,304	99,265
Total liabilities and net assets	146,755	133,342

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	72,023	73,498
Cost of sales	36,778	38,016
Gross profit	35,244	35,482
Selling, general and administrative expenses	29,741	31,262
Operating income	5,502	4,219
Non-operating income		
Interest income	20	19
Dividend income	58	59
Foreign exchange gains	399	—
Subsidy income	0	113
Reversal of allowance for doubtful accounts	24	20
Other, net	144	125
Total non-operating income	647	339
Non-operating expenses		
Interest expenses	19	29
Foreign exchange losses	—	78
Other, net	34	49
Total non-operating expenses	54	158
Ordinary income	6,096	4,401
Extraordinary income		
Gain on sales of noncurrent assets	10	1
Gain on transfer of business	190	—
Total extraordinary income	200	1
Extraordinary expenses		
Loss on sales of noncurrent assets	0	5
Loss on retirement of noncurrent assets	4	16
Factory transfer cost	—	128
Total extraordinary expenses	4	150
Income before income taxes and minority interests	6,291	4,251
Income taxes	2,164	1,720
Net income	4,127	2,531
Income attributable to non-controlling interests	4	14
Income attributable to owners of parent	4,123	2,516

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income	4,127	2,531
Other comprehensive income		
Valuation difference on available-for-sale securities	184	-487
Foreign currency translation adjustment	-171	153
Remeasurements of defined benefit plans	-56	-93
Total other comprehensive income	-44	-428
Comprehensive Income	4,083	2,102
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,075	2,092
Comprehensive income attributable to non-controlling interests	7	10