

## [Summary] Consolidated Financial Results for the 3rd 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 3rd Quarter of FY2015 (From April 1, 2015 to December 31, 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	%
<b>FY2015 3Q (9 months)</b>	<b>111,654</b>	<b>3.1</b>	<b>7,247</b>	<b>-13.1</b>	<b>7,588</b>	<b>-24.4</b>	<b>4,650</b>	<b>-30.7</b>
FY2014 3Q (9 months)	108,277	6.7	8,342	-0.5	10,036	2.6	6,710	10.1

Note: Comprehensive income: FY2015 3Q: 4,498 million yen (-43.1%) FY2014 3Q: 7,899 million yen (0.6%)

	Net income per share - Basic*	Net income per share - Diluted
	Yen	Yen
<b>FY2015 3Q (9 months)</b>	<b>53.15</b>	—
FY2014 3Q (9 months)	76.38	—

##### (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, 2015</b>	<b>136,134</b>	<b>100,016</b>	<b>73.5</b>	<b>1,140.99</b>
As of March 31, 2015	146,755	99,304	67.6	1,129.57

Reference: Equity Capital: FY2015 3Q: 100,016million 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: Revision of consolidated forecast: None

\* 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 December 31, 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 facilities, 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 were weak due to spending restraints in the public hospital market as well as 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. As the execution of the budget in the university market started October 2015, domestic business has gradually been recovering in the second half of this fiscal year. 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. As a result, domestic sales decreased 2.0% over the nine months of FY2014 to ¥81,094 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, while sales in Latin America decreased. Sales in Europe increased favorably, especially in Western Europe, 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 19.8% over the nine months of FY2014 to ¥30,560 million.

Overall sales during the term under review increased 3.1% over the nine months of FY2014 to ¥111,654 million. Operating income decreased 13.1% to ¥7,247 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 24.4% to ¥7,588 million and income attributable to owners of parent decreased 30.7% to ¥4,650 million over the nine months of FY2014.

## 5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Nine months ended December 31, 2015	
	Amount	Growth rate (%)
Physiological Measuring Equipment	26,450	+ 6.5
Patient Monitors	37,271	+ 1.7
Treatment Equipment	22,164	+ 6.3
Other Medical Equipment	25,768	- 0.7
Total	111,654	+ 3.1
Domestic Sales	81,094	- 2.0
Overseas Sales	30,560	+ 19.8
(Reference) Overseas Sales		
Americas	13,367	+ 20.8
Europe	6,026	+ 18.2
Asia	9,725	+ 18.6
Other	1,440	+ 25.4

## 6. Consolidated Forecast for FY2015

The Company reaffirms the forecast for FY2015, previously announced on November 4, 2015.

Based on the assumed exchange rates of 120 yen to the dollar and 130 yen to the euro for the fourth quarter, the average rates will be 121 yen to the dollar and 133 yen to the euro for FY2015.

## 7. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2015	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and deposits	13,233	16,797
Notes and accounts receivable - trade	58,834	46,601
Securities	21,000	12,000
Merchandise and finished goods	14,421	16,688
Work in process	1,366	1,946
Raw materials and supplies	3,482	3,563
Other current assets	6,255	7,578
Allowance for doubtful accounts	-203	-223
Total current assets	118,389	104,952
Non-current assets:		
Property, plant and equipment	12,211	15,628
Intangible assets		
Goodwill	2,558	2,425
Other intangible assets	4,226	3,842
Total intangible assets	6,784	6,268
Investments and other assets		
Investment securities	6,685	6,786
Other investments and other assets	2,870	2,683
Allowance for doubtful accounts	-185	-185
Total investments and other assets	9,370	9,284
Total non-current assets	28,366	31,181
Total assets	146,755	136,134
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable - trade	30,816	24,815
Short-term loans payable	1,116	1,117
Accrued income taxes	2,350	305
Provision for bonuses	2,889	1,346
Provision for product warranties	325	333
Other current liabilities	8,155	6,310
Total current liabilities	45,654	34,229
Non-current liabilities:		
Net defined benefit liability	619	749
Long-term accounts payable	170	24
Other non-current liabilities	1,007	1,114
Total non-current liabilities	1,797	1,888
Total liabilities	47,451	36,117
<b>Net assets</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,487	10,414
Retained earnings	77,335	77,967
Treasury shares	-2,029	-1,637
Total shareholders' equity	93,338	94,289
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,327	2,429
Foreign currency translation adjustment	3,068	2,928
Remeasurements of defined benefit plans	509	369
Total accumulated other comprehensive income	5,905	5,727
Non-controlling interests	60	—
Total net assets	99,304	100,016
Total liabilities and net assets	146,755	136,134

## (2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	108,277	111,654
Cost of sales	54,962	57,150
Gross profit	53,315	54,504
Selling, general and administrative expenses	44,972	47,257
Operating income	8,342	7,247
Non-operating income		
Interest income	32	27
Dividend income	97	100
Foreign exchange gains	1,421	—
Subsidy income	0	222
Reversal of allowance for doubtful accounts	35	34
Other non-operating income	194	229
Total non-operating income	1,780	615
Non-operating expenses		
Interest expenses	31	42
Foreign exchange losses	—	146
Other non-operating expenses	55	84
Total non-operating expenses	86	274
Ordinary income	10,036	7,588
Extraordinary income		
Gain on sales of non-current assets	10	2
Gain on transfer of business	190	—
Total extraordinary income	201	2
Extraordinary loss		
Loss on sales of non-current assets	0	5
Loss on retirement of non-current assets	6	18
Factory transfer cost	—	128
Total extraordinary losses	6	152
Income before income taxes and minority interests	10,230	7,437
Income taxes	3,518	2,758
Net income	6,712	4,679
Income attributable to non-controlling interests	2	28
Income attributable to owners of parent	6,710	4,650

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net income	6,712	4,679
Other comprehensive income		
Valuation difference on available-for-sale securities	394	102
Foreign currency translation adjustment	877	-143
Remeasurements of defined benefit plans	-85	-140
Total other comprehensive income	1,187	-181
Comprehensive income	7,899	4,498
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,889	4,472
Comprehensive income attributable to non-controlling interests	9	25