

[Summary] Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2014 (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 FY2013 (From April 1, 2013 to September 30, 2013)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2013 3Q (6 months)	67,148	10.8	5,299	-2.0	5,787	11.5	3,464	10.5
FY2012 2Q (6 months)	60,581	9.6	5,410	30.5	5,189	35.2	3,134	35.8

Note: Comprehensive income: FY2013 2Q: 4,657 million yen (55.2%) FY2012 2Q: 3,000 million yen (44.2%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2013 2Q (6 months)	78.85	—
FY2012 2Q (6 months)	71.35	—

(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, 2013	112,347	79,588	70.8	1,810.76
As of March 31, 2013	116,800	76,256	65.2	1,734.73

Reference: Equity Capital: FY2013 2Q: 79,548 million yen FY2012: 76,208 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2012	—	22.00	—	30.00	52.00
FY2013	—	30.00	—	—	—
FY2013 (Forecast)	—	—	—	30.00	60.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2013 (From April 1, 2013 to March 31, 2014)

	Net sales		Operating income		Ordinary income		Net income		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	145,000	9.4	15,000	11.2	15,000	2.3	9,500	3.8	216.25

Note: Revise of consolidated forecast: None

* 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, 2013 to September 30, 2013), Japanese acute care hospitals continued stable capital spending in response to the upward revision of medical treatment fees in April 2012 and progress in the regional medical care revival plan. The medical equipment industry has come into the spotlight as the Japanese government worked on its growth strategy for the healthcare sector. Internationally, demand for medical equipment remained steady in the United States and emerging countries, while fiscal austerity created difficult market conditions in Europe.

Under these circumstances, the Company started its new 4-year business plan, Strong Growth 2017, in April 2013 and implemented key strategies such as further growth in core business and strengthening technological development capacity.

Japan: Both the hospital market and the clinic market remained favorable and AED sales increased in the PAD market. This resulted in increased sales of all product categories. In Treatment Equipment, sales of AEDs showed strong growth as a wide range of models were well received and attracted demand for replacement of older models. Sales of pacemakers and ICDs also increased. In Physiological Measuring Equipment, sales of polygraphs for cath labs increased. In Patient Monitors, sales of consumables such as sensors increased. In Other Medical Equipment, sales of hematology instruments increased as new products were well received. As a result, domestic sales increased 6.9% over the first half of FY2012 to ¥53,249 million.

International: Sales of all areas and all product categories increased due to favorable currency impact. Sales of defibrillators, AEDs and hematology analyzers increased strongly. Acquisition of Defibtech contributed to sales growth of AEDs. In the Americas, sales in the U.S. and Latin America showed strong growth. Comparable sales in Europe decreased because sales in Russia were weak compared to a strong first half of FY2012. In Asia, sales in India and Middle East showed strong growth as the Company strengthened its local business structure. Comparable sales in China decreased as a reflection of cooler Japan-China relations. As a result, international sales increased 29.0% over the first half of FY2012 to ¥13,899 million.

Overall sales during the term under review increased 10.8% over the first half of FY2012 to ¥67,148 million. Gross margin was lower than the first half of FY2012 as yen depreciation raised import prices, while the ratio of our own products to sales was unchanged. SG&A expenses increased due to planned increase in R&D and sales force. As a result, operating income decreased 2.0% to ¥5,299 million. As foreign exchange gains were recorded, ordinary income increased 11.5% to ¥5,787 million and net income increased 10.5% to ¥3,464 million over the first half of FY2012.

5. Consolidated Sales by Product Category

	(Millions of yen)	
	Six months ended September 30, 2013	
	Amount	Growth rate (%)
Physiological Measuring Equipment	16,193	+ 4.6
Patient Monitors	21,435	+ 3.4
Treatment Equipment	12,884	+ 33.7
Other Medical Equipment	16,635	+ 13.0
Total	67,148	+ 10.8
Domestic Sales	53,249	+ 6.9
Overseas Sales	13,899	+ 29.0
(Reference) Overseas Sales		
Americas	5,666	+ 51.1
Europe	2,868	+ 7.3
Asia	4,647	+ 20.7
Other	716	+ 42.3

6. Consolidated Forecast for FY2013

The Company reaffirms its forecasts for FY2013, previously announced on May 8, 2013.

Nihon Kohden will implement its new 4-year business plan, Strong Growth 2017, to achieve sustained group growth and enhance its corporate value. In Japan, Nihon Kohden aims to expand sales in acute care hospitals because these hospitals are expected to continue stable capital spending. Internationally, the Company aims to expand its sales in the Americas and Asia where it strengthened its business structure. New sales subsidiaries, NKS Bangkok Co., Ltd. in Thailand and NIHON KOHDEN Latin America S.A.S, in Columbia, begin operations. New competitive products were launched since April 2013: a telemetry transmitter with a color display, a portable receiving terminal, and a clinical chemistry analyzer. Nihon Kohden will also launch a new transport monitor and a new high-end monitor in the near future. Nihon Kohden aims to expand its sales with these new products and by expanding its global sales activities.

Nihon Kohden plans to invest in a new plant for medical electronics in Tomioka city, Gunma prefecture. The new plant will become the mother factory. It will enhance efficiency by integrating the major production functions and increase production volumes. Possible effect of this investment on the consolidated results for FY2013 would be minor.

The Company's forecast for the second half of FY2013 is based on an exchange rate of 98 yen to the dollar and 132 yen to the euro. Forecast for FY2013 is based on an exchange rate of 98 yen to the dollar and 130 yen to the euro.

(Consolidated Forecast for FY2013 by Product Category)

	(Millions of yen)	
	FY2013 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	36,400	+ 7.5
Patient Monitors	48,000	+ 9.9
Treatment Equipment	26,800	+ 24.1
Other Medical Equipment	33,800	+ 1.2
Total	145,000	+ 9.4
Domestic Sales	113,500	+ 3.0
Overseas Sales	31,500	+ 41.1

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2013	September 30, 2013
ASSETS		
Current assets:		
Cash	11,743	11,971
Trade notes and accounts receivable	46,043	38,294
Marketable Securities	15,000	17,000
Merchandise and finished goods	12,836	13,488
Work in process	1,171	1,299
Raw materials and supplies	3,093	3,141
Other current assets	5,605	5,466
Allowance for doubtful receivables	-312	-297
Total current assets	95,181	90,364
Noncurrent assets:		
Property, plant and equipment	8,879	9,105
Intangible fixed assets		
Goodwill	2,251	2,323
Other intangible fixed assets	4,225	4,287
Total intangible fixed assets	6,476	6,610
Investments and other assets		
Investments in securities	3,466	3,682
Other investments and other assets	2,848	2,636
Allowance for doubtful receivables	-51	-51
Total investments and other assets	6,262	6,266
Total noncurrent assets	21,619	21,982
Total assets	116,800	112,347
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	24,423	19,993
Short-term debt	1,589	1,918
Accrued income taxes	3,847	2,018
Reserve for bonuses	2,822	2,167
Provision for product warranties	438	419
Other current liabilities	5,906	4,661
Total current liabilities	39,028	31,178
Non-current liabilities:		
Long-term debt	0	0
Reserve for retirement benefits	1,121	1,151
Long-term accounts payable	170	170
Other non-current liabilities	222	258
Total non-current liabilities	1,515	1,580
Total liabilities	40,544	32,758
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	59,943	62,089
Treasury stock	-2,023	-2,024
Total stockholders' equity	75,952	78,097
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	458	612
Foreign currency translation adjustments	-202	838
Total accumulated other comprehensive income	256	1,450
Minority interests	47	40
Total net assets	76,256	79,588
Total liabilities and net assets	116,800	112,347

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	60,581	67,148
Cost of sales	29,968	33,987
Gross profit	30,613	33,161
Selling, general and administrative expenses	25,202	27,861
Operating income	5,410	5,299
Non-operating income		
Interest income	30	15
Dividend income	49	54
Foreign exchange gains	—	302
Reversal of allowance for doubtful accounts	69	37
Other, net	183	173
Total non-operating income	332	583
Non-operating expenses		
Interest expenses	6	17
Foreign exchange losses	505	—
Other, net	42	78
Total non-operating expenses	553	96
Ordinary income	5,189	5,787
Extraordinary income		
Gain on sales of noncurrent assets	1	—
Gain on sales of investment securities	0	36
Total extraordinary income	2	36
Extraordinary expenses		
Loss on retirement of noncurrent assets	7	6
Loss on valuation of investment securities	8	—
Total extraordinary expenses	15	6
Income before income taxes and minority interests	5,175	5,817
Income taxes	2,039	2,348
Income before minority interests	3,136	3,468
Minority interests	1	4
Net income	3,134	3,464

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	3,136	3,468
Other comprehensive income		
Valuation difference on available-for-sale securities	11	154
Foreign currency translation adjustment	-147	1,034
Total other comprehensive income	-135	1,188
Comprehensive Income	3,000	4,657
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,001	4,658
Comprehensive income attributable to minority interests	-1	-1