NIHON KOHDEN

[Summary]

May 8, 2013

Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange
Head Office: Tokyo
Representative: Fumio Suzuki, President and COO
Contact: Toshihiko Hiraoka, Operating Officer, General Manager, Corporate Planning Dept.
Phone: +81 / 3 - 5996 - 8003 （URL http://www.nihonkohden.co.jp）

(Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.)

1. Consolidated Financial Highlights for FY2012 (From April 1, 2012 to March 31, 2013)

(1) Consolidated Operating Results (Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2012	**132,538**	**9.8**	**13,484**	**12.1**	**14,658**	**20.2**	**9,151**	**20.1**
FY2011	120,718	6.5	12,027	13.5	12,193	15.4	7,621	16.0

Note: Comprehensive income: FY2012: 10,329 million yen (35.2%) FY2011: 7,638 million yen (26.0%)

	Net income per share- Basic	Net income per share- Diluted	Return on Equity	Ordinary income to total assets	Operating income Margin
	yen	yen	%	%	%
FY2012	**208.31**	**—**	**12.7**	**13.6**	**10.2**
FY2011	173.49	—	11.7	12.7	10.0

Reference: Investment income for equity method: FY2012: －million yen FY2011: －million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2012	**116,800**	**76,256**	**65.2**	**1,734.73**
FY2011	99,403	67,911	68.3	1,544.87

Reference: Equity capital: FY2012: 76,208 million yen FY2011: 67,869 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2012	**13,189**	**-6,959**	**-1,174**	**26,683**
FY2011	7,559	-2,338	-2,726	21,304

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2011	—	21.00	—	23.00	44.00	1,933	25.4	3.0
FY2012	—	22.00	—	30.00	52.00	2,284	25.0	3.2
FY2013 (Forecast)	—	30.00	—	30.00	60.00		27.7	

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
First half	66,000	8.9	5,700	5.3	5,700	9.8	3,700	18.0	84.22
Full year	145,000	9.4	15,000	11.2	15,000	2.3	9,500	3.8	216.25

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2012 (From April 1, 2012 to March 31, 2013)

(1) Non-Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2012	**87,125**	**15.9**	**9,204**	**21.8**	**11,238**	**23.9**	**8,111**	**27.1**
FY2011	75,174	10.2	7,557	40.6	9,070	44.7	6,379	50.0

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2012	**184.64**	**—**
FY2011	145.22	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2012	**98,066**	**65,309**	**66.6**	**1,486.62**
FY2011	82,575	58,764	71.2	1,337.62

Reference: Equity capital: FY2012: 65,309 million yen FY2011: 58,764 million yen

* 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, 2012 to March 31, 2013), Japanese medical treatment fees were revised upward in April 2012 to ensure delivery of emergency and perinatal care and improve home care. This was in line with the government's 2025 future vision of medical/long-term care services which was presented in the Comprehensive Reform of Social Security and Taxes. Internationally, although demand for medical devices in the U.S. and emerging countries remained solid, financial anxiety created difficult market conditions in Europe.

Under these circumstances, the Company implemented key strategies including expanding and strengthening core business areas and strengthening technological development capacity under its SPEED UP Ⅲ 3-year Business Plan of which the final year is the term under review.

The Company is continuing to introduce products that support medical safety in the neonatal and pediatric intensive care. It launched a new stylish electroencephalograph with aEEG*, a new ECG electrode for neonates, and an oxygen mask with CO_2 monitoring for infants. The Company also released its first waterproof transmitter and a new ECG for emerging markets which was developed and manufactured in China. Nihon Kohden also strengthened its international business structure. In China, the Company consolidated its three subsidiaries which were engaged in research and development, manufacturing, and sales into one subsidiary. It established Nihon Kohden Middle East in Dubai and acquired Defibtech, LLC, a U.S. manufacturer of resuscitation equipment.

As a result, overall sales during the term under review increased 9.8% over FY2011 to ¥132,538 million and operating income increased 12.1% to ¥13,484 million. Ordinary income increased 20.2% to ¥14,658 million with favorable currency effects and net income increased 20.1% over FY2011 to ¥9,151 million.

* aEEG (amplitude-integrated electroencephalography) is a time-compressed EEG trend graph which is used in data analysis for neonatal convulsion and neonatal hypoxic-ischemic encephalopathy.

[Sales by region]

Japan: Sales in the hospital market remained favorable and AED sales increased in the PAD market. This resulted in increased sales of all product categories. Steady demand in the private hospital market and the public hospital market supported strong sales of Physiological Measuring Equipment and Patient Monitors. As a result, domestic sales increased 10.5% over FY2011 to ¥110,215 million.

International: Sales of Patient Monitors and hematology analyzers showed strong growth. Sales of Physiological Measuring Equipment also increased. In the Americas, sales in the U.S. showed strong growth while sales in Latin America decreased slightly. Sales in Europe decreased due to the difficult market conditions and unfavorable foreign currency impacts. In Asia, sales in China, India, and Southeast Asia showed strong growth. As a result, international sales increased 6.2% over FY2011 to ¥22,322 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales increased in all products including EEGs, ECGs, polygraphs for cath lab, and diagnostic information systems. Internationally, sales of EEGs increased in all areas, while sales of ECGs were weak. Overall, sales increased 10.4% over the previous fiscal year to ¥33,871 million.

Patient Monitors: In Japan, sales of Patient Monitors increased significantly, supported by good sales of bedside monitors and central monitors. Consumable sales such as sensors also increased robustly. Outside Japan, sales in the Americas and Asia showed strong growth, while sales in Europe decreased. In the U.S., strengthening of relationship with major GPOs brought acquisition of new customers. Overall, sales increased 10.9% over the previous fiscal year to ¥43,661 million.

Treatment Equipment: In Japan, AED sales showed strong growth as three new models were introduced. Sales of pacemakers and ICDs decreased due to downward revision of reimbursement prices. Sales of vagus nerve stimulation therapy systems and irrigation catheters also increased. Internationally, although sales of defibrillators for hospitals decreased, sals of AEDs in the hospital market and the ambulance market increased. Demand for AEDs also increased in Taiwan as the government plans to allow public access defibrillation. Overall, sales increased 6.5% over the previous fiscal year to ¥21,604 million.

Other Medical Equipment: In Japan, sales of hematology analyzers increased as new models were introduced. Sales of locally purchased products also increased. Internationally, sales of hematology analyzers showed strong growth, while sales of locally purchased products decreased. Overall, sales increased 9.9% over the previous fiscal year to ¥33,400 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)

	FY2012	
	Amount	Growth rate (%)
Physiological Measuring Equipment	33,871	+10.4
Patient Monitors	43,661	+10.9
Treatment Equipment	21,604	+6.5
Other Medical Equipment	33,400	+9.9
Total	132,538	+9.8
(Reference) Domestic Sales	110,215	+10.5
(Reference) Overseas Sales	22,322	+6.2
(Reference) Overseas Sales		
Americas	8,090	+16.4
Europe	5,612	-12.1
Asia	7,560	+11.3
Other	1,059	+20.2

6. Consolidated Forecast for FY2013

In Japan, acute care hospitals are likely to continue stable capital spending due to progress in the regional medical care revival plan, for which the Japanese government provides necessary funding in the supplementary budgets.

Internationally, demand for medical equipment will remain steady in emerging countries and the U.S., while there is concern about the impact of financial crisis in Europe. In the medical equipment industry, competition among companies will intensify domestically and internationally due to increasing cross-border M&A deals and new entrants.

Under these circumstances, Nihon Kohden will start its new 4-year business plan, Strong Growth 2017 in order to achieve sustained group growth and enhance its corporate value. In Japan, the Company aims to expand sales in acute care hospitals since they are expected to continue stable capital spending. The Company will introduce new competitive products as well as provide IT system solutions. Internationally, the Company aims to expand its sales in the Americas and Asia where it strengthend its business structure last year by establishing a sales subsidiary and acquiring Defibtech, LLC.

The Company forecasts overall sales, operating income, ordinary income and net income for FY2013 to be ¥145,000 million, ¥15,000 million, ¥15,000 million and ¥9,500 million, respectively.

The Company's forecast for FY2013 is based on an exchange rate of 90 yen to the dollar and 118 yen to the euro.

(Consolidated Forecast for FY2013 by Product Category)

(Millions of yen)

	FY2013 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	36,900	+8.9
Patient Monitors	47,900	+9.7
Treatment Equipment	26,250	+21.5
Other Medical Equipment	33,950	+1.6
Total	145,000	+9.4
(Reference) Domestic Sales	113,500	+3.0
(Reference) Overseas Sales	31,500	+41.1

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2012	March 31, 2013
ASSETS		
Current assets:		
Cash	9,342	11,743
Trade notes and accounts receivable	42,249	46,043
Marketable securities	12,000	15,000
Merchandise and finished goods	10,452	12,836
Work in process	1,304	1,171
Raw materials and supplies	2,395	3,093
Deferred tax assets	3,838	4,341
Other current assets	1,525	1,264
Allowance for doubtful receivables	-366	-312
Total current assets	82,742	95,181
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures, net	3,118	2,996
Machinery, equipment and vehicles, net	520	628
Tools, furniture and fixtures, net	2,040	2,259
Land	2,624	2,572
Lease assets, net	46	55
Construction in progress	166	366
Total property, plant and equipment	8,516	8,879
Intangible assets		
Goodwill	757	2,251
Other intangible assets	2,764	4,225
Total intangible assets	3,522	6,476
Investments and other assets		
Investments in securities	2,555	3,466
Deferred tax assets	998	1,690
Other investments and other assets	1,127	1,157
Allowance for doubtful receivables	-59	-51
Total investments and other assets	4,622	6,262
Total noncurrent assets	16,660	21,619
Total assets	99,403	116,800

(Millions of yen)

	March 31, 2012	March 31, 2013
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	20,068	24,423
Short-term debt	620	1,589
Accounts payable-other	1,615	2,004
Lease obligations	22	23
Accrued income taxes	2,189	3,847
Accrued expenses	2,453	2,791
Reserve for bonuses	2,460	2,822
Provision for product warranties	428	438
Other current liabilities	854	1,086
Total current liabilities	30,714	39,028
Non-current liabilities:		
Long-term debt	3	0
Long-term accounts payable	191	170
Lease obligations	18	28
Deferred tax liabilities	14	24
Reserve for retirement benefits	405	1,121
Other non-current liabilities	144	169
Total non-current liabilities	778	1,515
Total liabilities	31,492	40,544
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	52,768	59,943
Treasury stock	-2,020	-2,023
Total stockholders' equity	68,779	75,952
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	45	458
Foreign currency translation adjustments	-955	-202
Total accumulated other comprehensive income	-910	256
Minority interests	41	47
Total net assets	67,911	76,256
Total liabilities and net assets	99,403	116,800

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Net sales	120,718	132,538
Cost of sales	60,038	66,218
Gross profit	60,679	66,319
Selling, general and administrative expenses	48,652	52,835
Operating income	12,027	13,484
Non-operating income		
Interest income	34	46
Dividend income	81	88
Foreign exchange gains	—	634
Subsidy income	96	88
Other, net	257	484
Total non-operating income	470	1,341
Non-operating expenses		
Interest expenses	19	22
Foreign exchange losses	131	—
Other, net	153	145
Total non-operating expenses	304	167
Ordinary income	12,193	14,658
Extraordinary income		
Gain on sales of noncurrent assets	0	7
Gain on sales of investments in securities	1	0
Total extraordinary income	1	7
Extraordinary expenses		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	13	44
Impairment loss	—	60
Loss on sales of investment securities	0	—
Loss on devaluation of investment in securities	—	34
Total extraordinary expenses	13	140
Income before income taxes and minority interests	12,181	14,525
Income taxes	4,523	6,056
Income taxes-deferred	23	-687
Total income taxes	4,546	5,368
Income before minority interst	7,635	9,156
Minority interests	13	5
Net income	7,621	9,151

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Income before minority interests	7,635	9,156
Other comprehensive income		
Valuation difference on available-for-sale securities	121	413
Foreign currency translation adjustment	-118	759
Total other comprehensive income	3	1,172
Comprehensive Income	7,638	10,329
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,631	10,317
Comprehensive income attributable to minority interests	7	11

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	12,181	14,525
Depreciation and amortization	2,849	2,853
Amortization of goodwill	51	56
Impairment loss	—	60
Loss (gain) on sales and retirement of property, plant and equipment	12	38
Loss (gain) on sales of intangible assets	0	—
Increase (decrease) in allowance for doubtful accounts	25	-63
Increase (decrease) in reserve for bonuses	1,004	361
Increase (decrease) in provision for product warranties	-195	-27
Increase (decrease) in provision for retirement benefits	289	716
Interest and dividends income	-116	-134
Interest expenses	19	22
Foreign exchange losses (gains)	15	-339
Loss (gain) on valuation of investment securities	12	51
Loss (gain) on sales of investment securities	-0	-0
Decrease (increase) in notes and accounts receivable-trade	-5,104	-3,269
Decrease (increase) in inventories	132	-2,855
Increase (decrease) in notes and accounts payable-trade	1,198	4,190
Increase (decrease) in accrued consumption taxes	117	78
Other, net	-353	1,173
Subtotal	12,139	17,438
Interest and dividends income received	115	133
Interest expenses paid	-19	-15
Income taxes paid	-4,675	-4,367
Net cash provided by (used in) operating activities	7,559	13,189
Net cash provided by (used in) investing activities		
Proceeds from sales of investment securities	38	132
Purchase of investment securities	-42	-448
Proceeds from sales of property, plant and equipment	2	15
Purchase of property, plant and equipment	-1,888	-2,131
Purchase of intangible assets	-425	-538
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-3,981
Other, net	-22	-7
Net cash provided by (used in) investing activities	-2,338	-6,959
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-658	840
Repayment of long-term loans payable	-4	-5
Net decrease (increase) in treasury stock	-0	-2
Cash dividends paid	-2,020	-1,975
Repayments of lease obligations	-42	-26
Cash dividends paid to minority shareholders	—	-5
Net cash provided by (used in) financing activities	-2,726	-1,174
Effect of exchange rate change on cash and cash equivalents	1	324
Net increase (decrease) in cash and cash equivalents	2,495	5,378
Cash and cash equivalents at beginning of period	18,808	21,304
Cash and cash equivalents at end of period	21,304	26,683

(4) Notes on Business Combination

(Business combination through acquisition)

1. Overview of business combination

(1) Name and operations of acquired company

Name of acquired company Defibtech, LLC

Business Manufacturer of resuscitation equipment

(2) Main reason for business combination

Reinforcement of technological capability in the resuscitation field and expansion of Nihon Kohden's business in the U.S. Market

(3) Date of business combination

November 30, 2012

(4) Legal form of business combination

Acquisition of ownership for cash

(5) Name of company after business combination

Defibtech, LLC

(6) Share of voting rights acquired

100%

(7) Basis of determination of acquiring company

Acquisition of ownership for cash by RESUSCITATION SOLUTION, INC., one of NihonKohden's subsidiaries.

2. Period of the acquired company's fiscal year included in the consolidated financial statements

From December 1, 2012 to December 31, 2012

3. Acquisition cost for the acquired company and breakdown thereof

Consideration for acquisition	3,905 million yen
Expenses directly incurred in the acquisition: advisory fees, etc.	201 million yen
Acquisition cost	4,107 million yen

4. Contents of the condition clause for the acquisition cost under an acquisition agreement and its accounting method hereafter

Nihon Kohden will make milestone payments based on the achievement of performance goals after the acquisition. If additional payment for the acquisition cost occurs as mentioned above, the acquisition cost will be revised assuming that the additional payment had been made at the time of acquisition and the Company will revise the amount of goodwill and the amortization of goodwill.

5. Amount of goodwill incurred, reasons and amortization method

(1) Amount of goodwill

1,490 million yen

(2) Reason for goodwill

Excess earnings expected to be delivered through the future development of the business.

(3) Method and period of amortization

Straight-line method with 20 years

6. Amounts of assets and liabilities acquired on the day of the business combination

Current assets	587 million yen
Noncurrent assets	15 million yen
Total assets	603 million yen
Current liabilities	274 million yen
Total liabilities	274 million yen

7. Amounts allocated to intangible assets other than goodwill, and their breakdown, and weightedaverage amortization period by major category

Technology	672 million yen	Amortization period	20 years
Customer list	645 million yen	Amortization period	10 years
Patent	294 million yen	Amortization period	10 years
Total intangible assets other than goodwill	1,612 million yen	Weightedaverage amortization period	12 years

8. Approximate amounts of impact on the consolidated statements of income for the fiscal year ended March 31, 2013, assuming that the business combinations had been completed on the commencement date of the fiscal year

Net sales	1,962 million yen
Operating income	116 million yen
Ordinary income	98 million yen
Net income	98 million yen

(Calculation method of the approximate amounts)

The effect of the approximate amounts is calculated as the difference between the revenues and profit and loss information that has been calculated by assuming the business combination was completed on the first day of the consolidated fiscal year, and the revenues and profit and loss information reported in the consolidated statement of income of the Company.
The amount of goodwill amortization was calculated assuming that the goodwill recognized at the time of the business combination was recognized at the first day of the consolidated fiscal year ended March 31, 2013. A certification of audit has not been received for this note.