

Consolidated Financial Highlights for the First Half of FY2018

(From April 1, 2018 to September 30, 2018)

- 1. Consolidated Financial Results
for the First Half of FY2018**
- 2. Forecast for FY2018**
- 3. Business Strategy**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

November 7, 2018

Fighting Disease with Electronics



1 Consolidated Financial Results for the First Half of FY2018

1) Consolidated Financial Results for the 1st Half of FY2018

	First half FY2017	First half FY2018		
		Original Forecast announced May 10, 2018	Actual	YoY (%)
Sales	76,648	80,000	79,050	3.1
Domestic Sales	56,241	-	57,857	2.9
Overseas Sales	20,407	-	21,192	3.8
Gross Profit (Gross Profit Margin)	36,500 47.6%	-	38,649 48.9%	5.9
Operating Income (Operating Income Margin)	3,128 4.1%	3,100 3.9%	4,260 5.4%	36.2
Ordinary Income	3,722	3,100	5,270	41.6
Income Attributable to Owners of Parent	2,541	2,100	3,916	54.1

(Amounts of less than ¥1 million are rounded down)

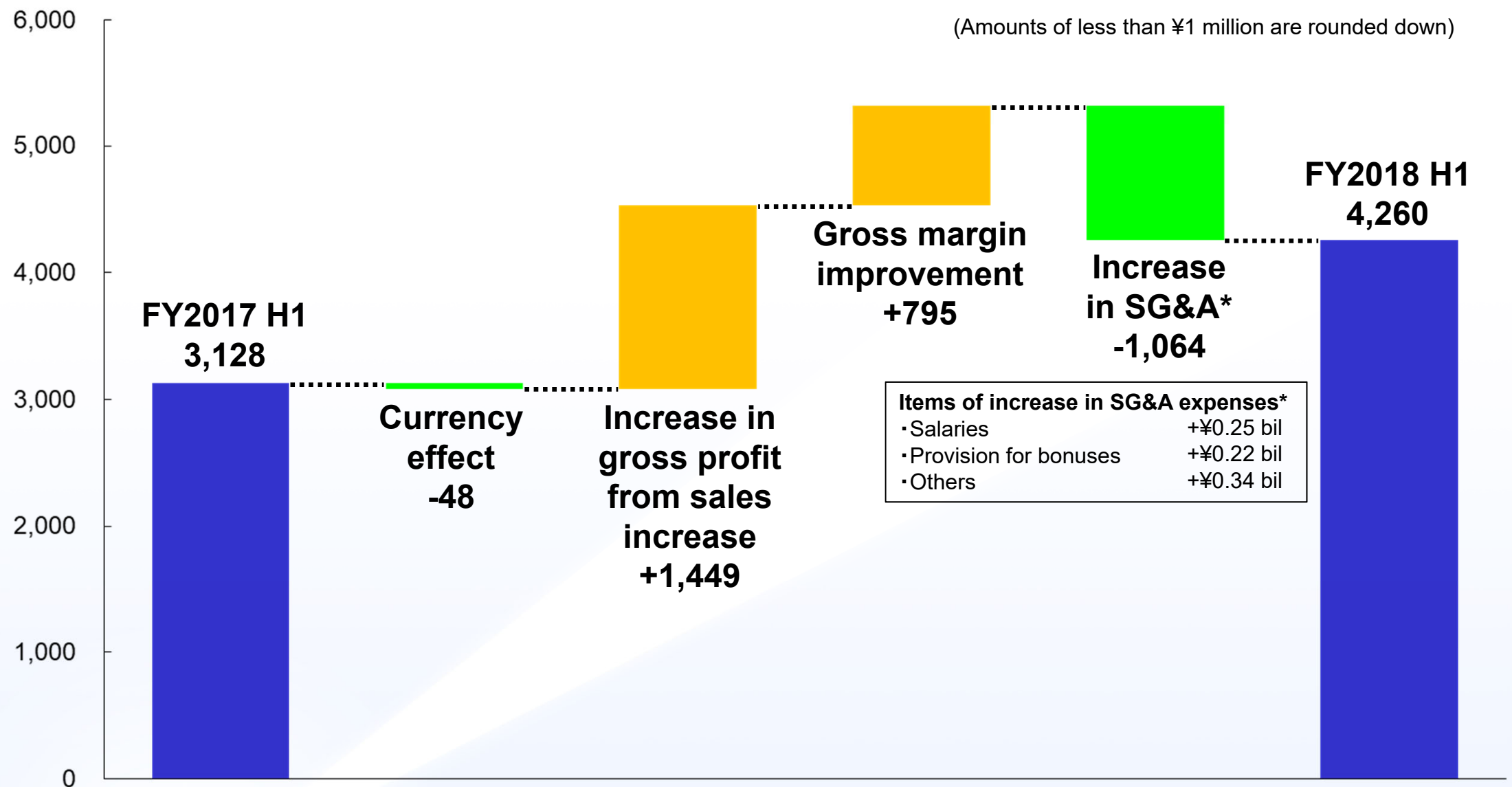
← +4% on a local currency basis

← In-house Sales ratio FY2017 H1 63.1% → FY2018 H1 64.1%

← Foreign exchange gains:
FY2017 H1 ¥257 mil → FY2018 H1 ¥701 mil

Average exchange rate	First half FY2017	First half FY2018
1 US Dollar	111.3 yen	109.7 yen
1 EURO	126.1 yen	129.2 yen

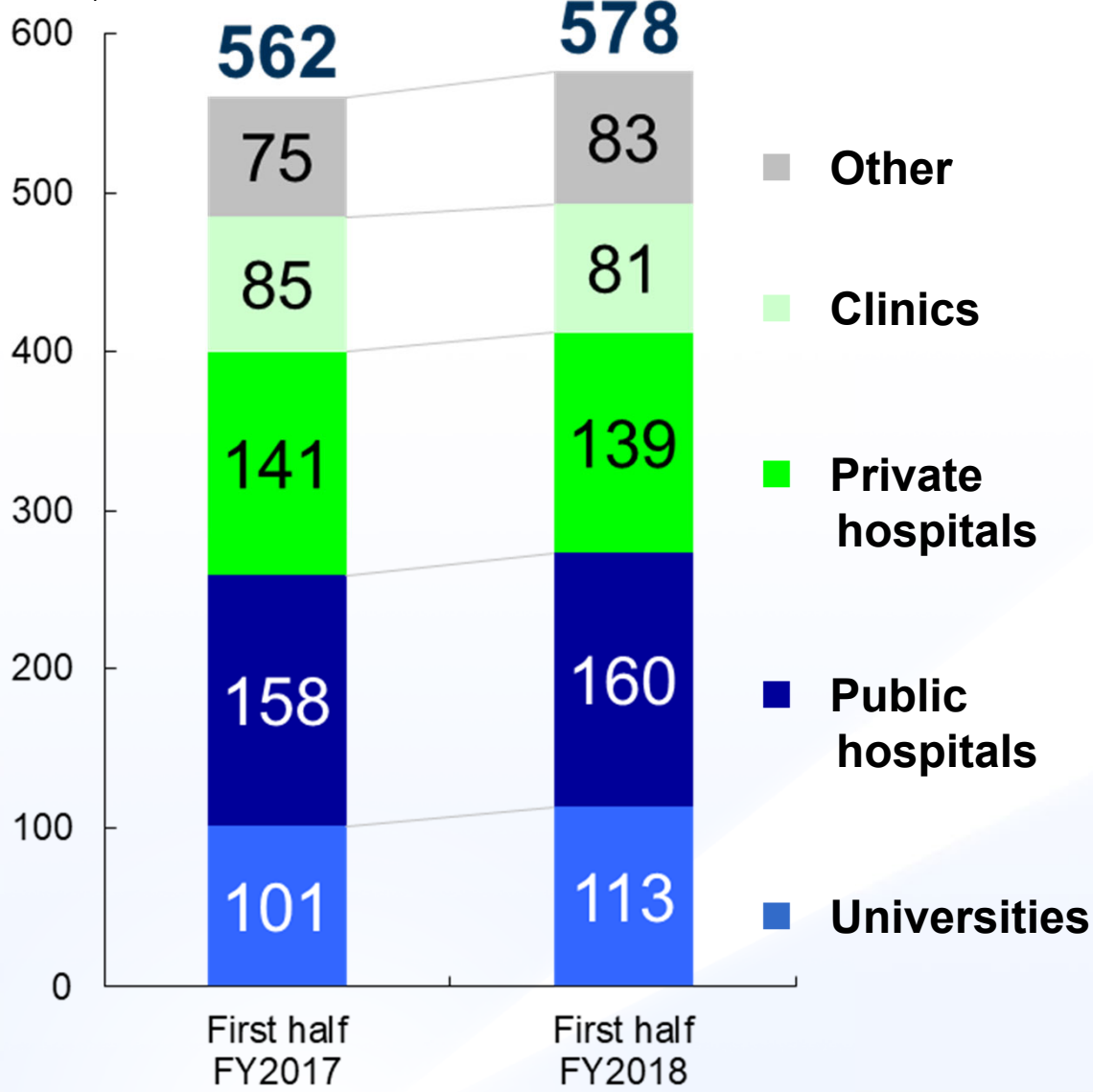
2) Breakdown of Operating Income



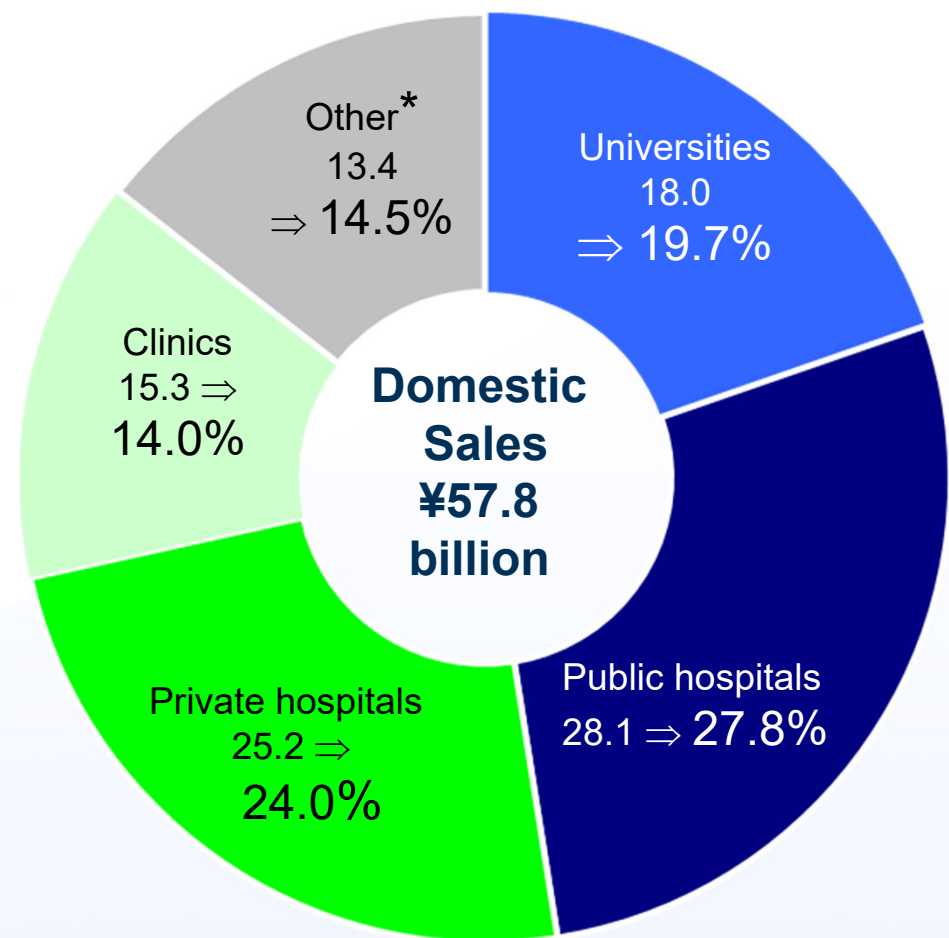
*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase in SG&A expenses indicate major components of increased SG&A expenses on a yen basis.

3) Domestic Sales

(¥100 million) Sales by market



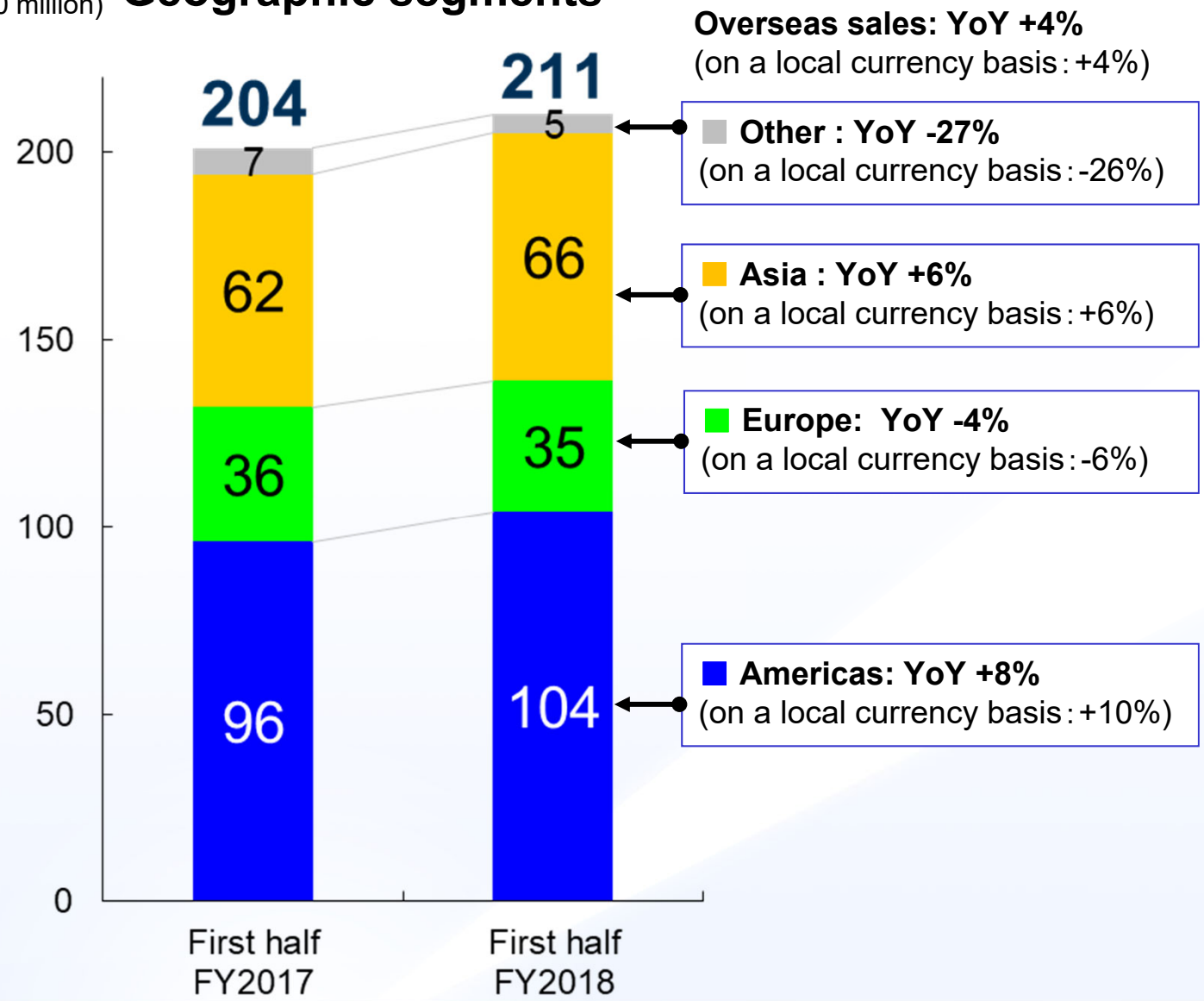
Sales composition by market (FY2017 H1 ⇒ FY2018 H1)



*Other includes laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

4) Overseas Sales

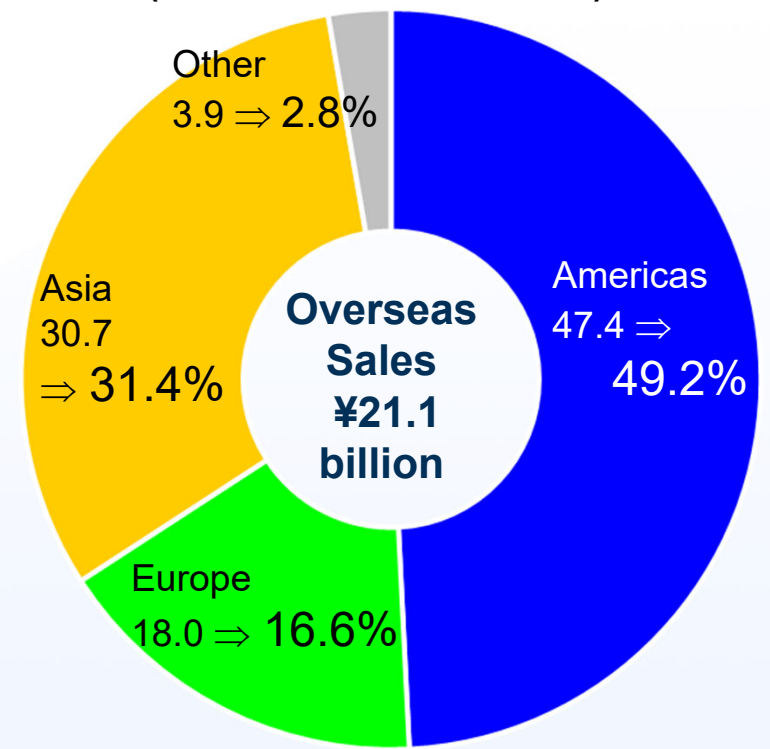
(¥100 million) **Geographic segments**



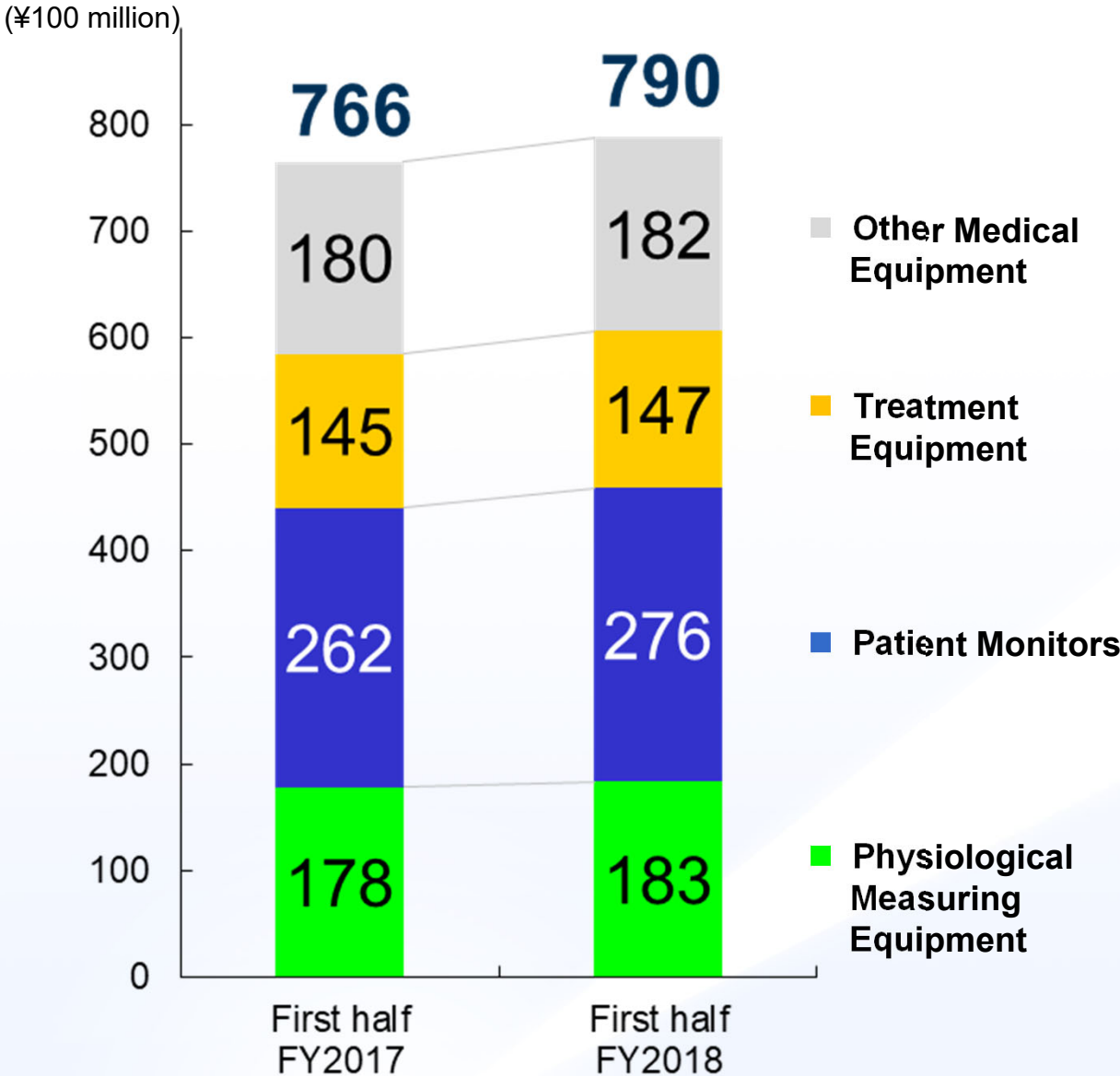
Percentage of overseas sales to consolidated sales

First half FY2017	First half FY2018
26.6%	26.8%

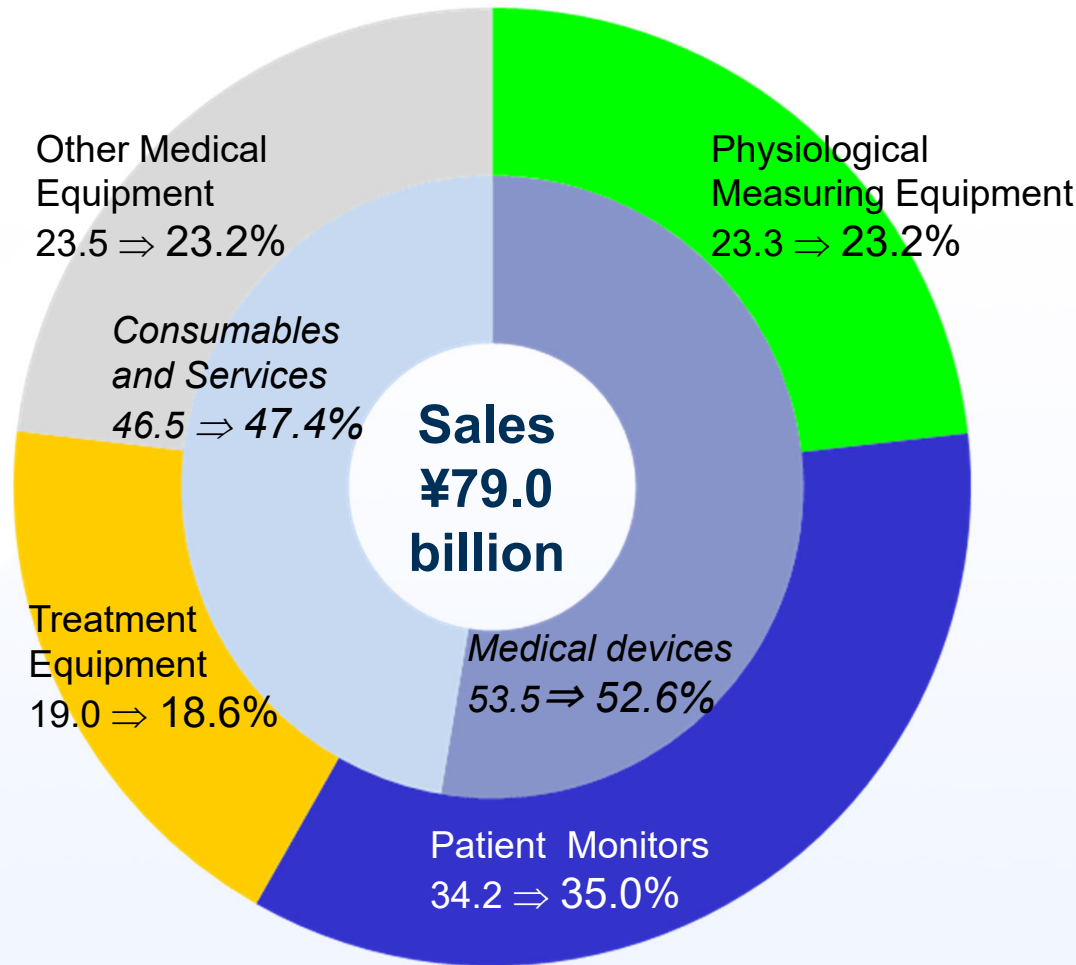
Geographic Segments (FY2017 H1 ⇒ FY2018 H1)



5) Sales by Product Category



Sales composition by product category
(FY2017 H1 ⇒ FY2018 H1)



5.1) Physiological Measuring Equipment

	First half FY2017	First half FY2018	YoY (%)	(Sales, millions of yen)
Electroencephalographs	3,315	3,448	4.0	
Electrocardiographs	3,077	3,281	6.6	
Polygraphs for Cath Lab	6,552	6,902	5.3	
Other Physiological Measuring Equipment *	4,888	4,719	-3.5	
Physiological Measuring Equipment	17,833	18,351	2.9	
Domestic Sales	14,264	14,387	0.9	←
Overseas Sales	3,568	3,964	11.1	←

Sales of EEGs, ECGs, Polygraphs for Cath Lab and diagnostic information systems increased.

Sales of EEGs increased favorably in the Americas. Sales of ECGs also showed strong growth in Asia.

*Other Physiological Measuring Equipment includes diagnostic information systems and products of other companies.



NEW!
EMG/EP measuring system
 MEB-9400



NEW!
Wireless input unit
 WEE-1200



NEW!
Electrocardiographs
 ECG-2400



NEW!
Holter ECG monitor
 RAC-5000



NEW!
Polygraphs for Cath Lab
 RMC-5000



Medical and long-term care network system
 LAV-1000

5.2) Patient Monitors

	First half FY2017	First half FY2018	YoY (%)
Patient Monitors	26,248	27,667	5.4
Domestic Sales	16,148	16,718	3.5
Overseas Sales	10,100	10,948	8.4

(Sales, millions of yen)

Replacement demand for clinical information systems increased. Sales of consumables such as sensors also increased favorably.

Sales in the Americas showed strong growth. Sales in Asia also increased.



Bedside monitor
CSM-1901

NEW!



CSM-1501



CSM-1502



CSM-1701



CSM-1702

Bedside monitor
CSM-1500/1700



Transmitter
ZS-640P



SpO₂ probes



cap-ONE biteblock



ECG Electrodes

Consumables

*iNIBP is our original algorithm which allows quick and painless NIBP measurement during cuff inflation.

5.3) Treatment Equipment

	First half FY2017	First half FY2018	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,572	2,453	-4.6
AEDs (Automated External Defibrillator)	6,694	7,031	5.0
Pacemakers / ICDs	1,593	1,558	-2.2
Ventilators	934	993	6.4
Other Treatment Equipment	2,752	2,704	-1.7
Treatment Equipment	14,546	14,741	1.3
Domestic Sales	10,143	10,528	3.8
Overseas Sales	4,402	4,213	-4.3
(Ref.) AED Unit Sales	38,900	44,200	13.6
Domestic Unit Sales	20,000	24,700	23.5

(Sales, millions of yen)

Domestic: Sales were flat compared to FY2017 H1.
International: Sales decreased in Europe and Africa.

Domestic: Sales of units increased as additional installations increased and replacement demand recovered.
International: Sales decreased in the Americas and Europe.



Defibrillator
TEC-5600 series



AED
AED-3100



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1



CPR assist
CPR-1100

5.4) Other Medical Equipment

	First half FY2017	First half FY2018	YoY (%)	Comparable YoY (%)
Hematology Analyzers	5,033	4,234	-15.9	3.4
Imaging Systems, Medical equipment for study and others *	12,986	14,055	8.2	0.8
Other Medical Equipment	18,019	18,290	1.5	
Domestic Sales	15,684	16,223	3.4	
Overseas Sales	2,335	2,066	-11.5	

(Sales, millions of yen)

Domestic: Sales increased on a comparable basis, supported by a new product launch.
International: Sales increased in Latin America, Europe and Asia.

*Includes consumables, installation and maintenance services which are not part of other categories.
 Effective FY2018, bundled deals of third-party hematology analyzers and imaging systems are reclassified into Imaging Systems, Medical equipment for study and others; these were previously classified as Hematology Analyzers.

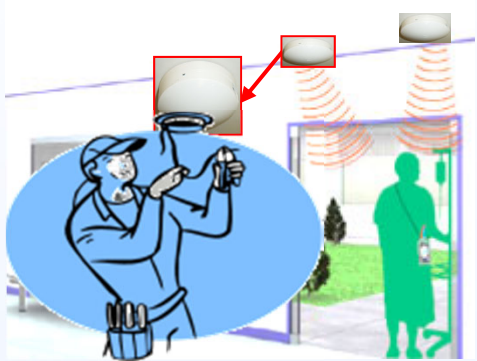


Automated hematology analyzer
 MEK-9100

NEW!



Automated hematology analyzer and clinical chemistry analyzer
 MEK-1303



Installation and maintenance services

6) Financial Condition

(Amounts of less than ¥1 million are rounded down)

	FY2017	First half FY2018	Change
Current Assets	120,687	115,309	-5,377
Inventories	23,098	26,623	3,524
Property, Plant & Equipment	20,324	20,203	-121
Intangible Assets	5,079	4,761	-318
Investments & Other Assets	11,818	13,250	1,432
Total Assets	157,910	153,525	-4,385

	FY2017	First half FY2018	Change
Current Liabilities	44,601	36,688	-7,912
Interest-bearing Debt	488	408	-79
Non-current Liabilities	3,953	4,164	211
Net Assets	109,355	112,671	3,316
Total Liabilities & Net Assets	157,910	153,525	-4,385

Inventory Turnover	3.0 months	3.5 months
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Equity Ratio	69.3%	73.4%
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[Reason for the increase of inventories]

- Merchandise and finished goods increased by ¥3,341 million because of
 - The concentration of sales at the end of the fiscal year as usual
 - Equalization of production in preparation for starting production of new products in the 2nd half
 - Increase of inventories awaiting shipment

7) Capital Investments and R&D Costs

(Amounts of less than ¥1 million are rounded down)

	First half FY2017	First half FY2018	FY2017	FY2018	
				Original Forecast announced May 10	Revised Forecast announced Nov 2
Capital Investments	1,003	1,375	3,430	4,000	3,900
Depreciation	1,571	1,630	3,338	3,900	3,800
R&D costs	3,772	3,741	7,226	8,500	8,000

[Difference b/w original forecast and revised forecast announced on Nov. 2]

- R&D costs - ¥0.5 bil
- Development costs for upgrade + ¥0.5 bil

*Development Costs for upgrading the recently launched products or adding new functions

●FY2018 H1 capital investments:

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

●FY2018 capital investments plan:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renewal of backbone system servers

2

Forecast for FY2018

1) Business Environment

Japan

Japanese Government 2025 future vision of medical /long-term care services

- Differentiate medical institution functions and strengthen collaboration
- Promote integrated community care systems

Medical service fee rose by 0.55% in Apr 2018
[Hospitals] Review of hospitalization fees
[Clinics] New reimbursement for telemedicine and for enhancing the role of family doctors

- Each prefecture discusses issues such as role sharing between hospitals and the number of hospital beds converted to long-term care by the end of FY2018
- Funds for securing comprehensive medical and long-term care in local communities: FY2018 ¥93.4 bil for medical care

- Hospitals start to reorganize medical facilities' functions in accordance with the medical service fee revision and the regional health vision.
- The clinic market will remain stable as providers of home care.

International

U.S. and Europe

- Improve the quality and efficiency of medical care
- Expand IDNs*1 in the U.S.
- Expand GPOs*2 in Europe

Emerging Markets

- Economic conditions will remain steady, although political instability will remain in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

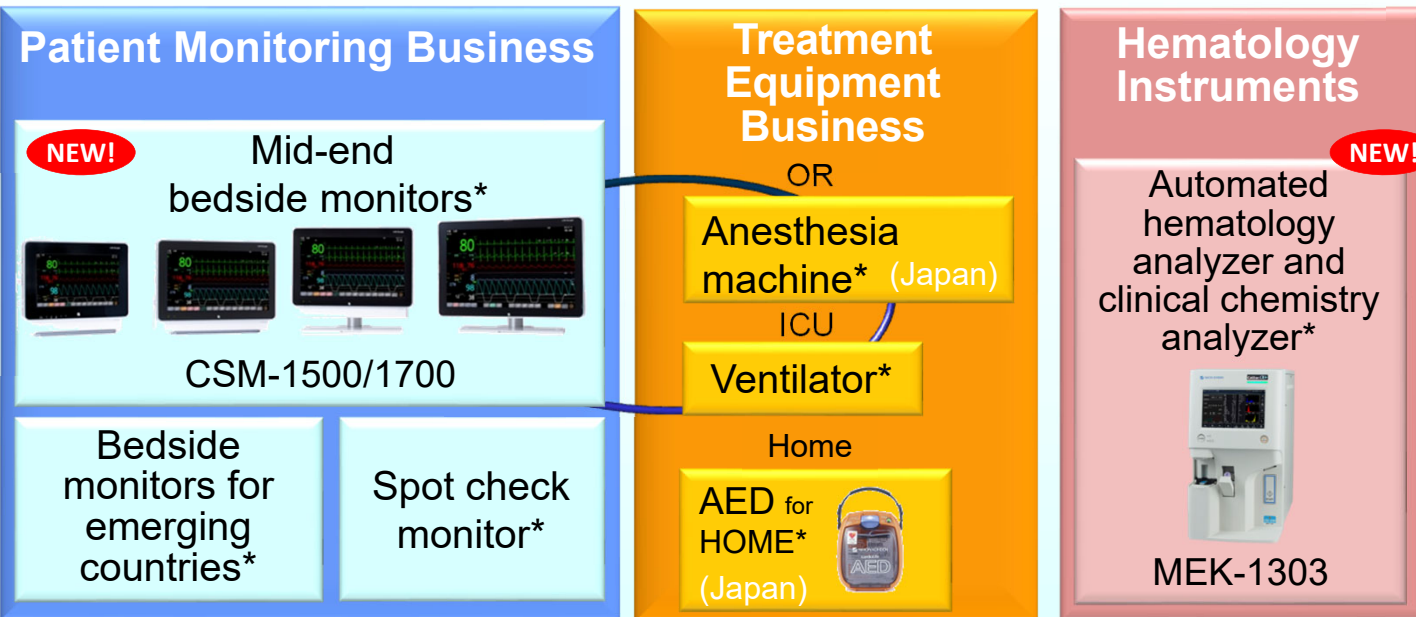
*1 IDN: Integrated Delivery Network *2 GPO: Group Purchasing Organization

2) Measures in the 2nd Half of FY2018

TRANSFORM 2020: Transform operations to achieve a highly profitable structure

1 Create high customer value

Early market penetration of new products



*CSM-1500/1700 and MEK-1303 were already launched. Others will be launched in FY2018 H2.

Expand sales of consumables and services

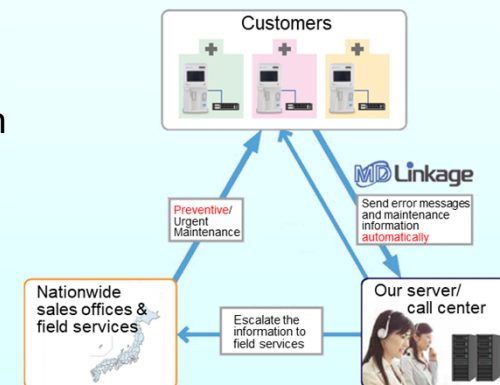
Sales ratio in FY2018: 43.4% (plan)

Medical devices remote monitoring system

MD Linkage **NEW!**

Japan: Launched in June 2018

- The system sends operation information to the server automatically so that our call center and field services can support customers when devices in fail or experience trouble
- This new service was initiated with MEK-1303 and it is planned to add other applicable models in future



2) Measures in the 2nd Half of FY2018

TRANSFORM 2020: Transform operations to achieve a highly profitable structure

2

Improve productivity within the organization

R&D

Utilize the R&D and testing environment



Advanced Technology Center

Production & Logistics

Establish the Eastern Logistics Center

Completion and relocation:
Summer 2019 (plan)



Tomioka

Tsurugashima

Store medical devices and consumables in one place



Reduce logistics costs by shipping medical devices and consumables as a package

The Entire Group

Establish a global ERP system

- Already introduced ERP into subsidiaries in the U.S., Europe, China and the Middle-East
- Introduce ERP into subsidiaries in emerging countries sequentially



- Simplify administrative work between headquarters and domestic sales branches

3) Forecast for FY2018

	FY2017 Actual	FY2018 Forecast	YoY (%)
Sales	174,249	180,000	3.3
Domestic Sales	128,144	130,700	2.0
Overseas Sales	46,105	49,300	6.9
Gross Profit (Gross Profit Margin)	82,759 47.5%	86,800 48.2%	4.9
Operating Income (Operating Income Margin)	14,517 8.3%	15,000 8.3%	3.3
Ordinary Income	14,501	15,000	3.4
Income Attributable to Owners of Parent	9,154	10,300	12.5

(Amounts of less than ¥1 million are rounded down)

+9% on a local currency basis

Percentage of overseas sales	26.5%	27.4%
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Average exchange rate	Initial assumptions	
1 US Dollar	111.0 yen	105 yen
1 EURO	130.0 yen	130 yen

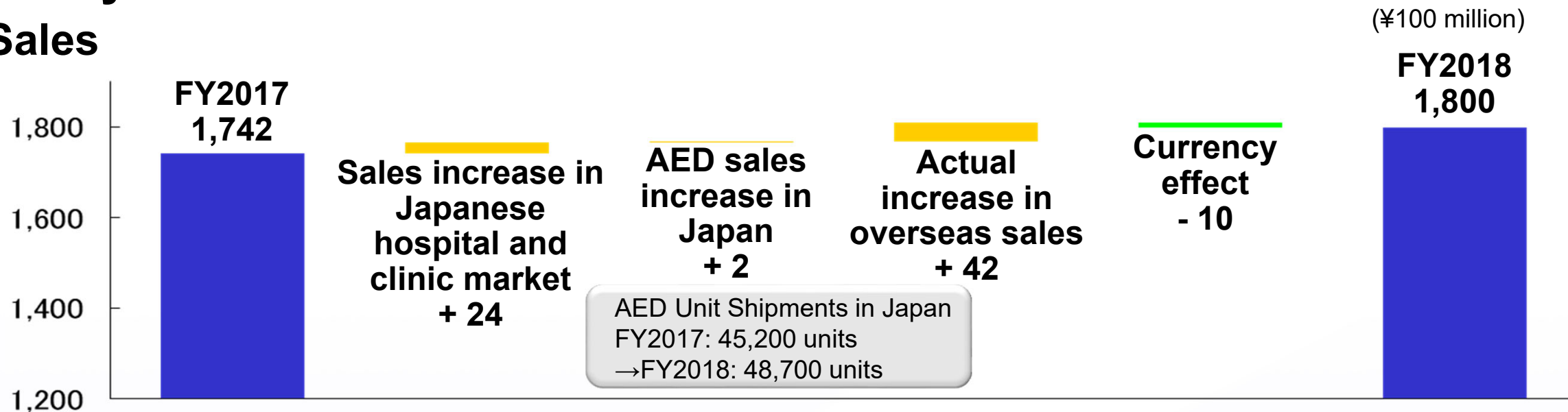
FY2018 2H
105 yen
130 yen

Breakdown of overseas sales by region

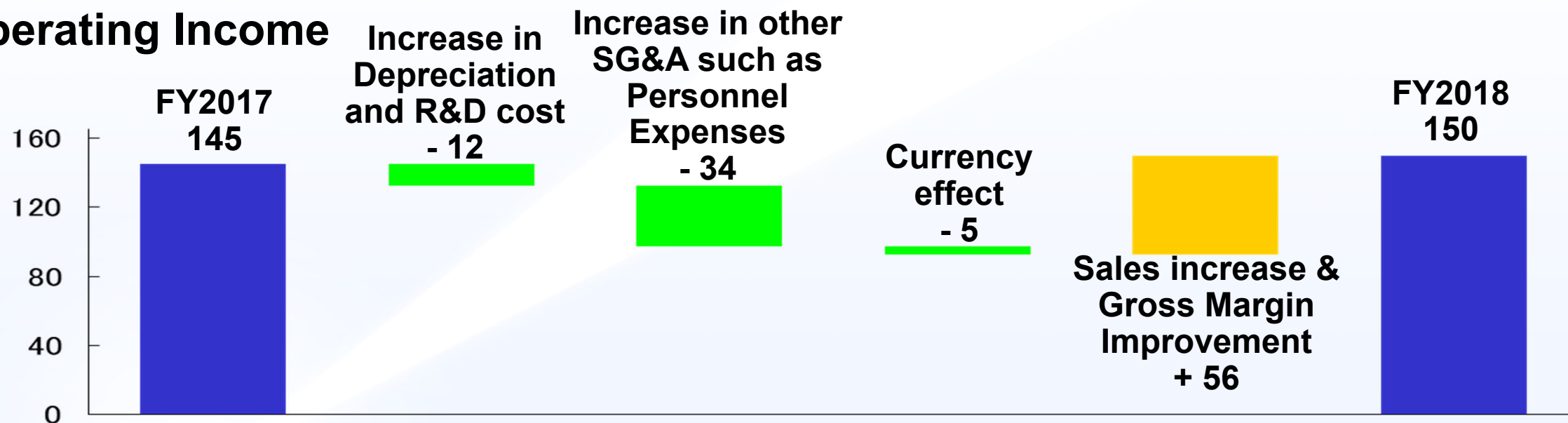
	FY2017 Actual	FY2018 Forecast		YoY (%)
		Original forecast announced May 10	Revised Forecast announced Nov 2	
Americas	22,000	23,400	23,600	7.3
Europe	8,462	9,100	8,600	1.6
Asia	13,634	14,100	14,600	7.1
Others	2,008	2,700	2,500	24.4
Total	46,105	49,300	49,300	6.9

4) Analysis of FY2018 Forecast

Sales



Operating Income



(Ref.) Consolidated Forecast FY2018 by Product Category/ Effect of Exchange Rate

(Amounts of less than ¥1 million are rounded down)

	FY2017 Actual	FY2018 Forecast			YoY (%)
		Original Forecast announced May 10	Revised Forecast announced Nov 2	Composition ratio (%)	
Physiological Measuring Equipment	39,323	40,200	40,500	22.5	3.0
Patient Monitors	59,229	62,500	62,800	34.9	6.0
Treatment Equipment	32,892	33,600	33,400	18.6	1.5
Other Medical Equipment	42,804	43,700	43,300	24.0	1.2
Total	174,249	180,000	180,000	100.0	3.3

(Reference)

Consumables and Services	75,505	78,100	78,200	43.4	3.6
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Annual Estimates of Exchange Rate Fluctuations

	Sales	Operating Income
1 US Dollar	0.30 bil yen	0.11 bil yen
1 EURO	0.05 bil yen	0.02 bil yen

3

Business Strategy

Mid-term Business Plan, TRANSFORM 2020

Transform operations to achieve a highly profitable structure

Basic Policy

- 1 Create high customer value
- 2 Improve productivity within the organization

Six Key Strategies

Strengthen business expansion by region

Achieve further growth in core businesses

Develop new businesses

Strengthen technological development capabilities

Pursue the highest level of quality in the world

Consolidate corporate fundamentals

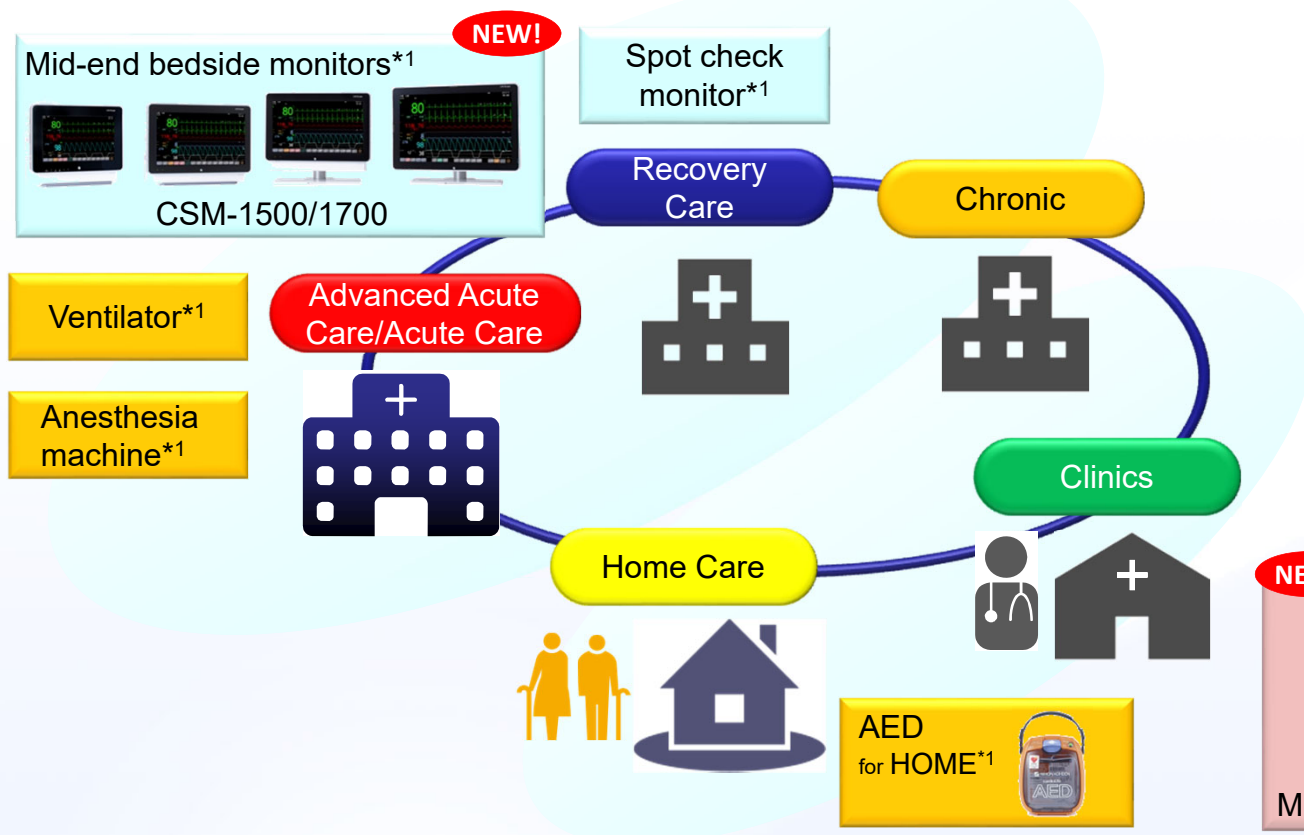
Human Resource Development and Corporate Culture Reform

Strengthen Business Expansion by Region

Japan

Establish the business foundation for future growth to meet medical needs in an aging society

- ✓ Provide solutions that contribute to improving hospital management



- ✓ Enhance and reorganize sales and services operations

Apr 2016

Hospital Sales Operation

GP*2 Sales Operation

Apr 2017

Sales subsidiary system

Transition to branch system

Apr 2018

Put more sales resources into the metropolitan area

- ✓ Expand product portfolio to meet the needs of regional medical care networks



*1 CSM-1500/1700 and MEK-1303 were already launched. Others will be launched in FY2018 H2.

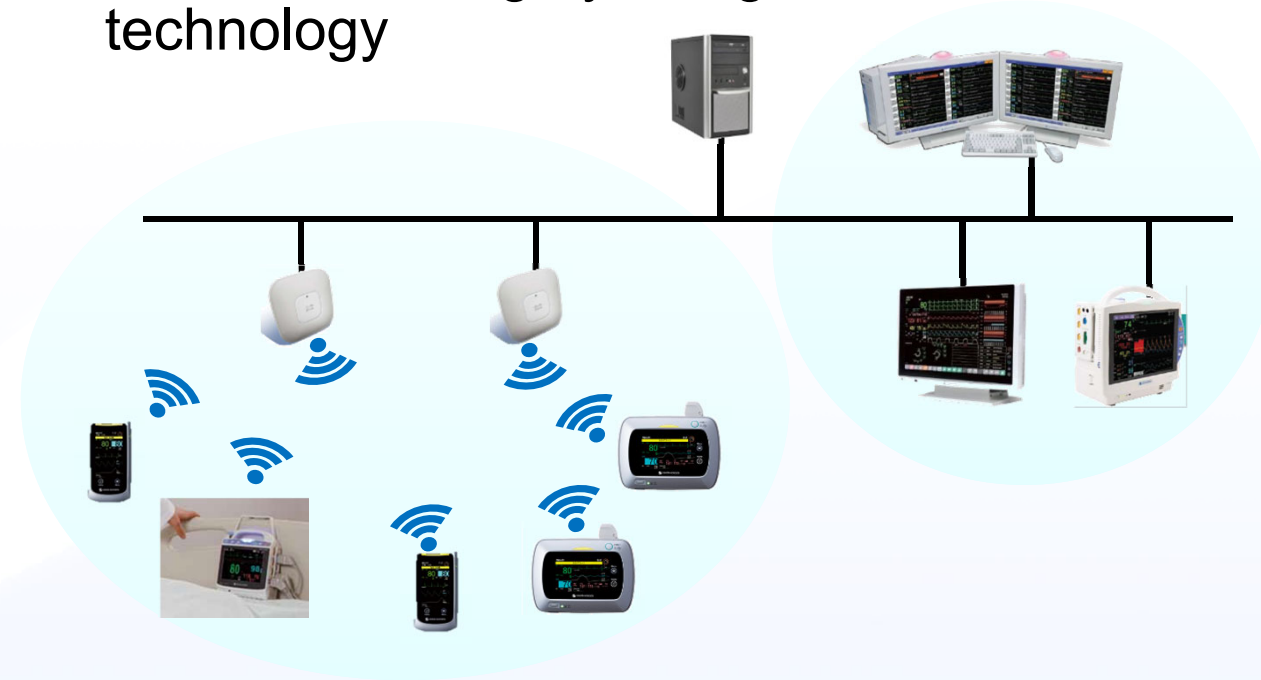
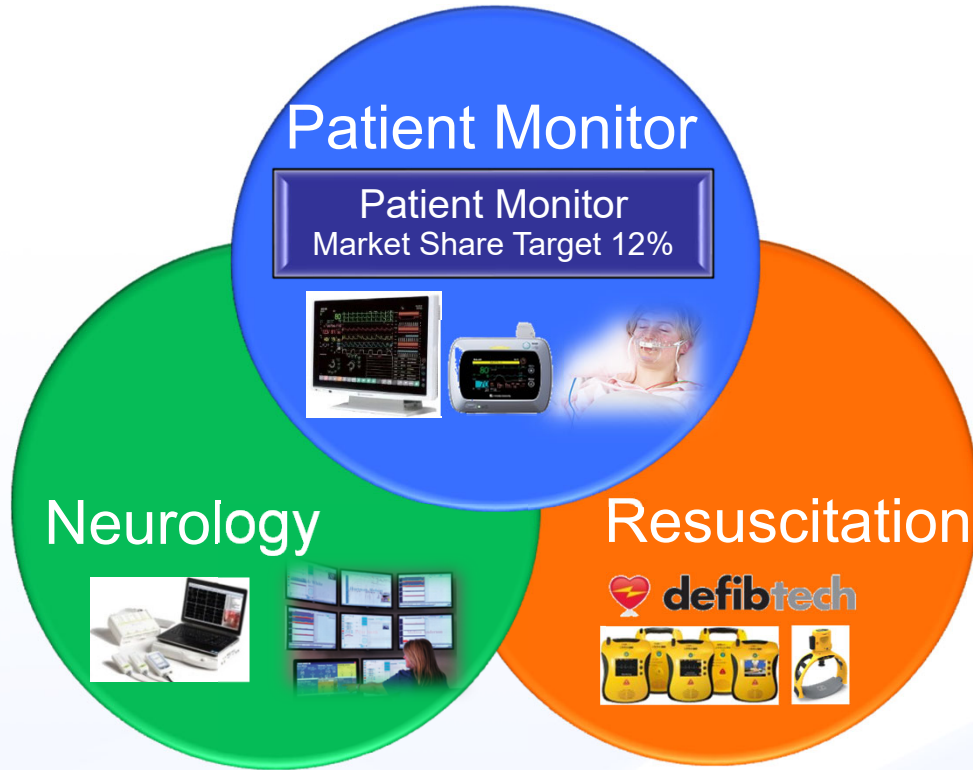
*2 GP: General Practitioner

U.S.

Strengthen our business structure in the U.S. which is the world's largest market and a center of leading-edge medical care

- ✓ Provide solutions that contribute to improving quality and efficiency of medical care

- ✓ Strengthen local development structure **NKUS Lab**
- ✓ Enhance network systems to support large-scale monitoring by using wireless technology



Measures for improving profitability in FY2018

- Launch new patient monitors



CSM-1500/1700*

Spot check monitor*

- Enhance installation structure
- New installation pricing models for monitoring systems

*Planned to launch in FY2018 H2

Emerging Markets

Conduct strategic business expansion to meet medical needs in high growth emerging markets

- ✓ Enhance solution proposal by introducing new products

Made in Japan

High-end market

es created CCO
INBP
synECi 18
Synthesized Electrocardiogram

NEW! Mid-end Bedside monitors*
CSM-1500/1700

ICU
Ventilator*
Bedside monitors for emerging countries*

Made in China

Middle to low-end market

General ward
Spot check monitor*

Nihon Kohden Middle East

Nihon Kohden India

Shanghai Kohden

Nihon Kohden Korea

NKS Bangkok

Nihon Kohden Malaysia

Nihon Kohden Singapore

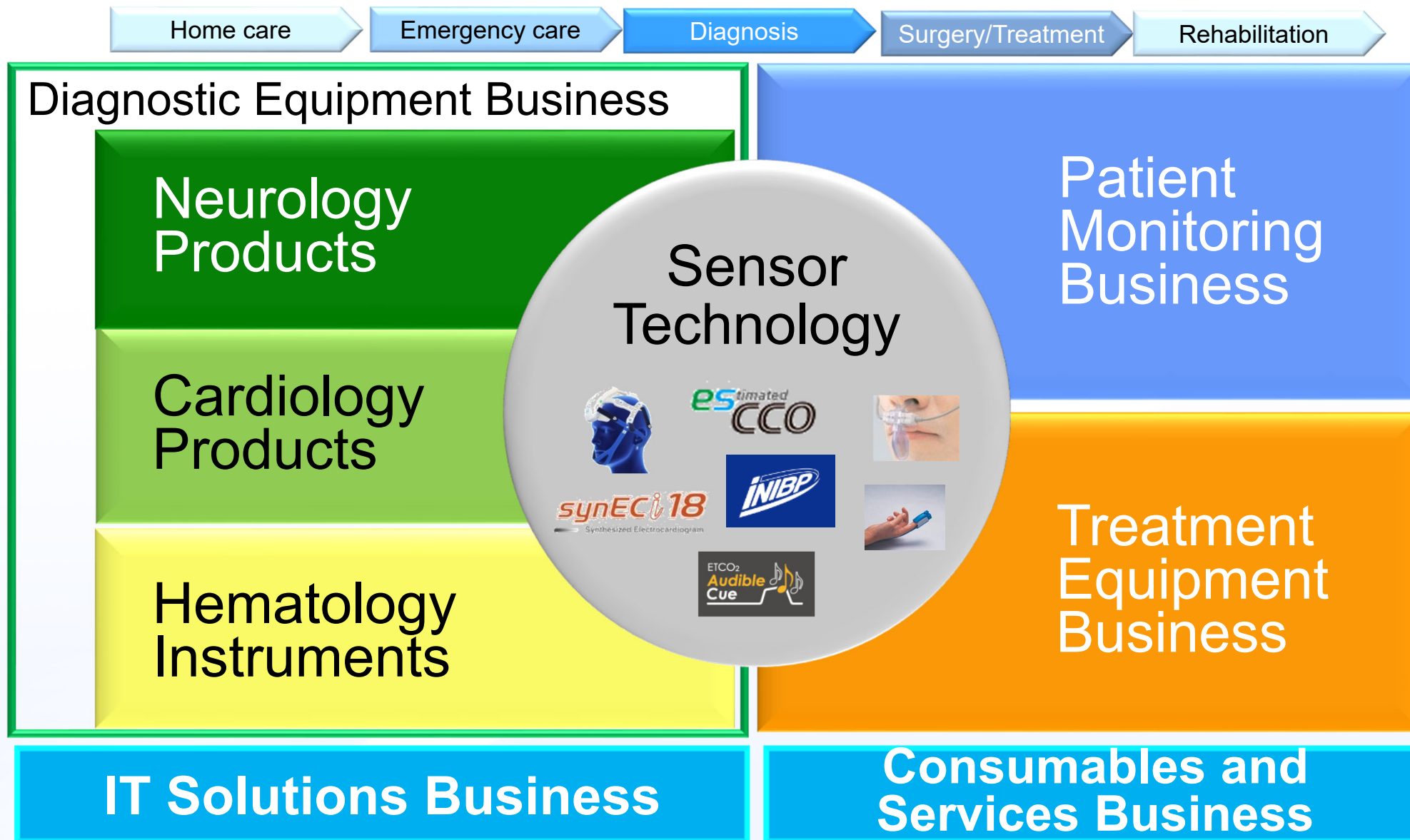
Nihon Kohden Mexico

Nihon Kohden Latin America

Nihon Kohden Do Brasil

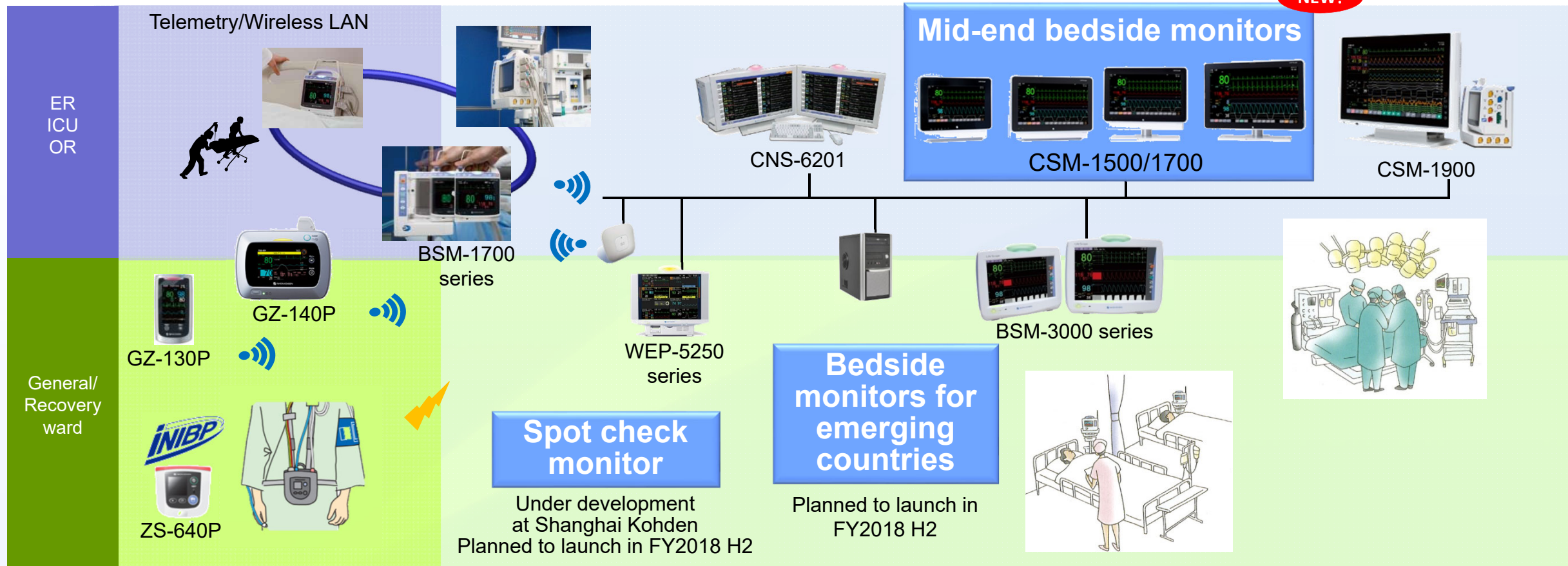
*CSM-1500/1700 were already launched. Others will be launched in FY2018 H2.

Achieve Further Growth in Core Businesses



- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety

Expand product line-up and enhance network systems



Launch new models with high competitiveness

- ER
- OR
- ICU
- CCU
- Ward

NEW! Mid-end bedside monitors

12.1 inch 15.6 inch 15.6 inch 19 inch

CSM-1501 CSM-1502 CSM-1701 CSM-1702

— integrated models — — separable models —

• Separate input box from main unit enables monitors to be laid out freely

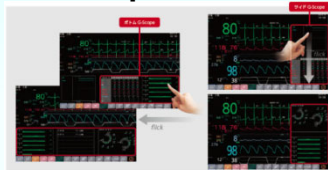
High-end monitor



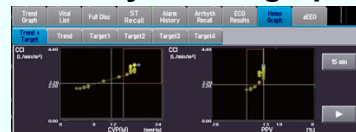
CSM-1901

Inherit features from high-end monitor, CSM-1901

- Ease of operation
- G-Scope function**

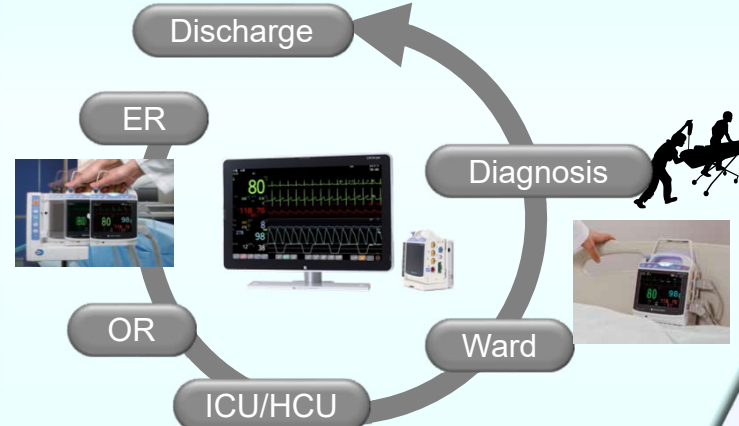


- Intuitive approach to diagnostic and therapeutic decision making
- Hemodynamics graph**



Realize seamless monitoring

- Vital sign data during patient transportation is sent to central monitor automatically when transport monitor is connected to host monitor



Add value with our unique functions

- EEG monitoring using EEG headset in ER or ICU
- Rapid ultrasound examination using bedside monitor in ER

✓ Add new functions to Patient Monitors by integrating our core technologies in order to realize easy and prompt diagnosis

EEG monitoring

• Collaboration of bedside monitor, CSM-1700 and EEG headset to support early detection of NCSE* in ER/ICU

- Easy attachment enables fast EEG measurement
- Send data using Bluetooth®



• Worldwide promotion



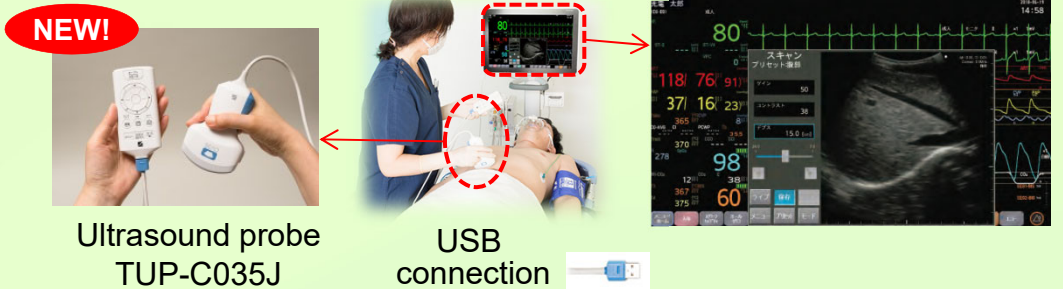
Demonstration at European Society of Intensive Care Medicine in Oct 2018

*NCSE (Nonconvulsive Status Epilepticus) is a consciousness disturbance of unknown cause and difficult to diagnose due to the absence of convulsion. Early diagnosis and treatment is important.

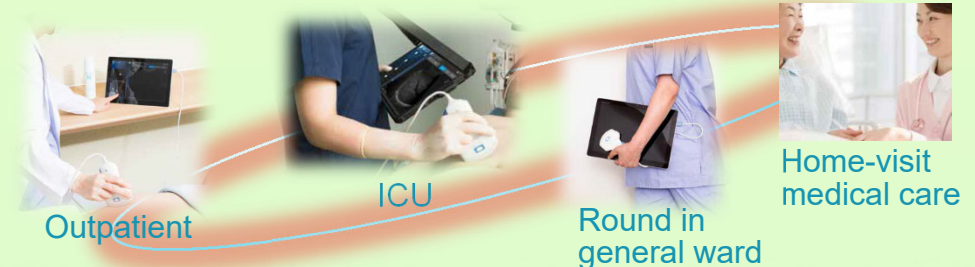
First monitor equipped with

Point of Care Ultrasound

• Connect probe to bedside monitor, CSM-1700 to support prompt ultrasound tests such as FAST* in ER




• Portable echography can be achieved by connecting the probe to a dedicated tablet computer



*FAST (Focused Assessment with Sonography for Trauma) is a rapid ultrasound examination as a screening test for blood in pericardium, abdominal, thoracic cavity of trauma patients in ER.

✓ Establish a leadership position in the defibrillator and AED markets

<p>Home and public facilities</p>  <p>AED for HOME</p> <p>Planned to launch in FY2018 H2 (Japan)</p> 	<p>Ambulances </p> <p>Add high value with our unique technologies</p> <p>Defibrillators for ambulances</p> <p>Planned to launch in 2019</p>    <p>Help manage ETCO₂ during manual ventilation by delivering sounds</p>  <p>Synthesized 18-lead ECG*1</p>
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✓ Create a new ventilator and anesthesia machine

Planned to launch in FY2018 H2		Planned to launch in FY2019	
Ventilator	<ul style="list-style-type: none"> Under development at Advanced Technology Center Dedicated NPPV*2 Target market is general ward 	Ventilator for emerging markets	Under development at the U.S. R&D office
Anesthesia machine (Japan)	Under development with Acoma		

*1 Measurement method to derive right-side and posterior waveforms from the standard 12-lead ECG
 *2 NPPV (noninvasive positive pressure ventilation) is artificial respiratory management which doesn't require intratracheal intubation or tracheotomy

Targets for FY2019 ending March 2020 (consolidated)

Sales	¥190.0 billion		
Domestic sales	¥135.0 billion		
Overseas sales	¥55.0 billion	Breakdown of overseas sales by region	
Operating income (Operating income margin)	¥20.0 billion (10.5%)		
Income attributable to owners of parent	¥13.7 billion		
ROE	12.0%		
		Americas	¥27.3 billion
		Europe	¥8.2 billion
		Asia	¥16.5 billion
		Other	¥3.0 billion

Exchange rate assumptions: ¥110 to the U.S. dollar, ¥115 to the euro

Basic Policy on Distribution of Profits and Dividends

Investments for Growth

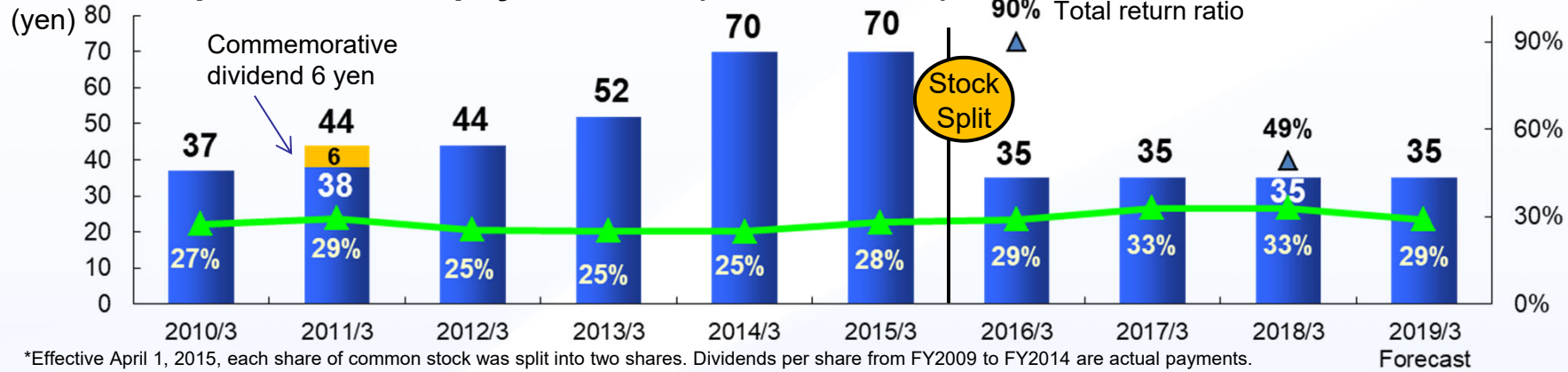
Continue investments necessary for future business expansion

- R&D investments
- Capital investments
- M&A and alliance
- Human resource development

Shareholder Return

- ✓ Maintain stable and continuous dividend payments
- ✓ A target consolidated dividend payout ratio of 30% or more
- ✓ Cash dividends are the basis of shareholder return, and share buybacks are considered in a flexible manner.

Dividends per share and pay-out ratio (consolidated)



Repurchase and cancellation of treasury stock

Mar 2, 2018
Repurchase
500k shares



May 21, 2018
Cancel
1,000k shares



Number of treasury stock: 3,570k shares
(stockholding ratio: 4.0%)

Disclaimer:

The contents of this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures described therein.