

# Consolidated Financial Highlights for the First Quarter of FY2018 (From April 1, 2018 to June 30, 2018)

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|------------------------------|--|
| 1) Financial Results         | 6) Topics  |
| 2) Highlights                | 7) Depreciation and R&D costs  |
| 3) Sales by Product Category | 8) Forecast for FY2018   |
| 4) Domestic Sales            | [Ref] Sales Forecast by Product Category/<br>Effect of Exchange Rate |
| 5) Overseas Sales            |  |

**NIHON KOHDEN CORPORATION**

(Ticker Code: 6849)  
August 1, 2018

# 1) Consolidated Financial Results for the 1<sup>st</sup> Quarter of FY2018

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

	FY2017 1Q	FY2018 1Q	YoY (%)	
<b>Net Sales</b>	33,353	<b>34,583</b>	3.7	
<b>Domestic Sales</b>	24,887	<b>25,705</b>	3.3	
<b>Overseas Sales</b>	8,465	<b>8,878</b>	4.9	← +6% on a local currency basis
<b>Gross Profit</b> (Gross Profit Margin)	16,191 48.5%	<b>17,095</b> 49.4%	5.6	← <b>In-house sales ratio</b> FY2017 1Q 62.5% → FY2018 1Q 64.9%
<b>Operating Income</b> (Operating Income Margin)	-219 —	<b>53</b> 0.2%	—	← <b>SG&amp;A Ratio:</b> 49.2% → 49.2%
<b>Ordinary Income</b>	158	<b>580</b>	266.9	← <b>Foreign exchange gains:</b> FY2017 1Q ¥0.10 bil → FY2018 1Q ¥0.30 bil
<b>Income Attributable to Owners of Parent</b>	16	<b>538</b>	—	

<b>Average Exchange Rate</b>	<b>(2017/6)</b>	<b>(2018/6)</b>
<b>1 US Dollar</b>	¥111.9	<b>¥108.5</b>
<b>1 EURO</b>	¥121.9	<b>¥129.5</b>

## 2) Highlights of FY2018 1Q

### Net Sales : +3.7%

- **Japan:** Sales in the hospital market increased as the company enhanced sales activities tailored to match each market. Sales of AEDs in the PAD market increased favorably. Sales of all product categories increased.
- **International:** Sales in the Americas, Europe and Asia increased. In particular, sales in the U.S. and Latin America showed strong growth.

### Operating Income : ¥53 mil (¥219 mil of operating losses in FY2017 1Q)

- Gross margin ratio increased as the Company focused on sales of in-house products both in Japan and internationally.
- Operating income was recorded thanks to increased sales and improved gross margin, offsetting the increase of SG&A expenses such as R&D investments.

### Ordinary Income : +266.9%

- Foreign exchange gains increased.

# 3) Sales by Product Category

(Sales, millions of yen)

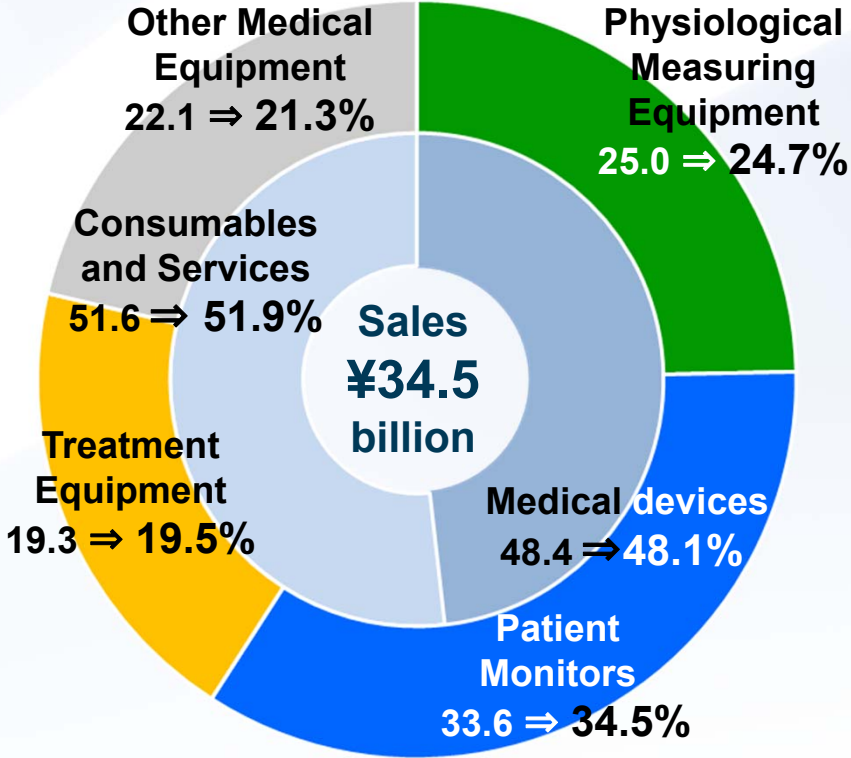
	FY2017 1Q	FY2018 1Q	YoY (%)
Physiological Measuring Equipment	8,342	<b>8,535</b>	2.3
Patient Monitors	11,217	<b>11,920</b>	6.3
Treatment Equipment	6,422	<b>6,741</b>	5.0
Other Medical Equipment	7,370	<b>7,386</b>	0.2
<b>Total Sales</b>	<b>33,353</b>	<b>34,583</b>	<b>3.7</b>

(Reference)

Consumables and Services	17,215	<b>17,935</b>	4.2
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## Sales composition by product category

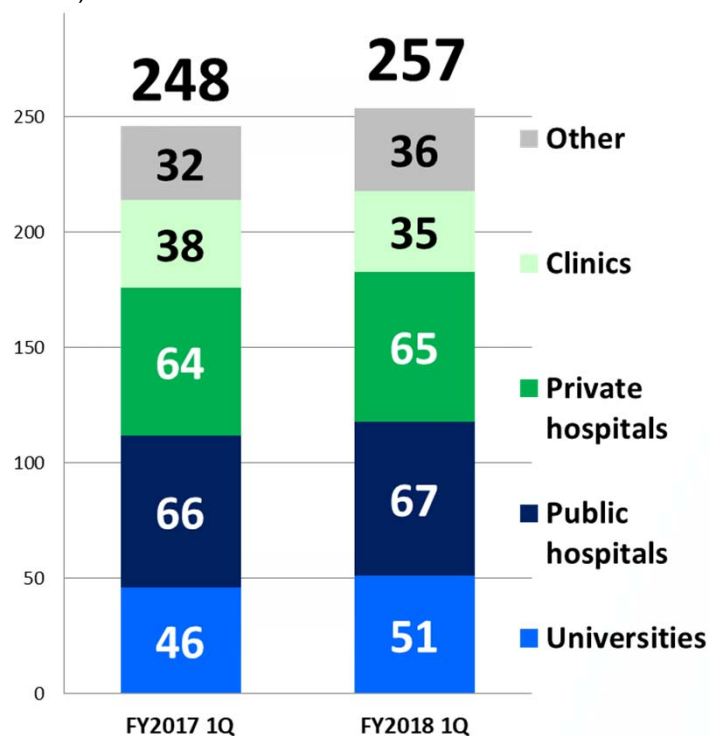
(FY2017 1Q ⇒ FY2018 1Q)



# 4) Domestic Sales

## Sales by Market

(¥100 million)



## Sales by Product Category

(Sales, millions of yen)

	FY2017 1Q	FY2018 1Q	YoY (%)
Physiological Measuring Equipment	6,818	<b>6,850</b>	0.5
Patient Monitors	6,943	<b>7,337</b>	5.7
Treatment Equipment	4,726	<b>4,944</b>	4.6
Other Medical Equipment	6,398	<b>6,573</b>	2.7
<b>Total Sales</b>	<b>24,887</b>	<b>25,705</b>	<b>3.3</b>

**【Markets】** Sales in the university hospital market showed strong growth and sales in the public and private hospital market also increased. Sales in the clinic market decreased.

**【Products】 Physiological Measuring Equipment:** Sales of ECGs increased favorably and sales of polygraphs for cath labs also increased. Sales of EEGs decreased.

**Patient Monitors:** Sales of bedside monitors and clinical information systems showed strong growth in the university hospital market.

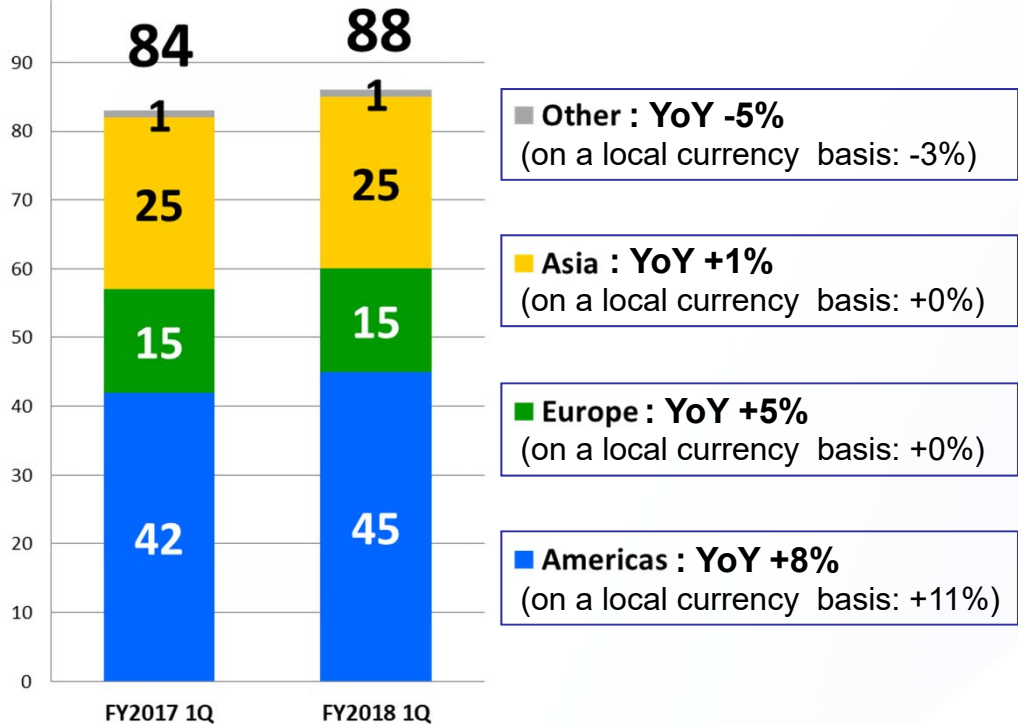
**Treatment Equipment:** Sales of AEDs increased favorably. Sales of pacemakers and ICDs also increased.

**Other Medical Equipment:** Sales of installation services of medical devices and maintenance services increased favorably. Sales of hematology instruments decreased.

# 5) Overseas Sales

## Geographic segments

(¥100 million)



## Percentage of overseas sales to consolidated sales

FY2017 1Q	FY2018 1Q
25.4%	25.7%

## Sales by Product Category

(Sales, millions of yen)

	FY2017 1Q	FY2018 1Q	YoY (%)
Physiological Measuring Equipment	1,524	1,685	10.6
Patient Monitors	4,273	4,582	7.2
Treatment Equipment	1,695	1,796	5.9
Other Medical Equipment	972	813	-16.3
<b>Total Sales</b>	<b>8,465</b>	<b>8,878</b>	<b>4.9</b>

**+6% on a local currency basis**

**[Region]** **Americas:** In the U.S., sales of Patient Monitors increased favorably and sales of Physiological Measuring Equipment recovered. Sales in Latin America also increased, primarily in Brazil.  
**Europe:** Sales in Germany and Spain increased, while sales in France and Russia decreased.

**[Products]** **Asia:** Sales in China increased favorably, while sales in India decreased due to a reaction to a last minute surge in demand prior to the GST implementation in FY2017 1Q.  
**Physiological Measuring Equipment:** Sales of EEGs increased favorably in the U.S. and Asia. Sales of ECGs decreased in the Americas and Europe, and increased in Asia.  
**Patient Monitors:** Sales in the Americas and Europe increased. Sales in the U.S showed strong growth especially.  
**Treatment Equipment:** Sales of defibrillators increased favorably in the Americas, Europe and Asia. Sales of AEDs decreased in the Americas and Europe, and increased in Asia.  
**Other Medical Equipment:** Sales of locally purchased products decreased. Sales of hematology analyzers decreased in Asia, and increased in Latin America and Europe.

# 6) Topics

## New products in FY2018 1Q

### Hematology Instruments

#### **NEW!** Automated hematology analyzer and clinical chemistry analyzer, MEK-1303

- Nihon Kohden's first integrated hematology & CRP\*1 analyzer
- Reduces blood infection risk by allowing measurement without taking off the cap of the blood collection tube
- Fast measurement of CBC\*2 & CRP in approx. 3 min. and 20 sec.\*3
- Color-coded message provided if re-measurement is needed

Japan:  
Launched in June 2018  
International:  
Planned to launch in 2H 2018



\*1 CRP: C-Reactive Protein

\*2 CBC: Complete Blood Count

\*3 Measure in open tube mode

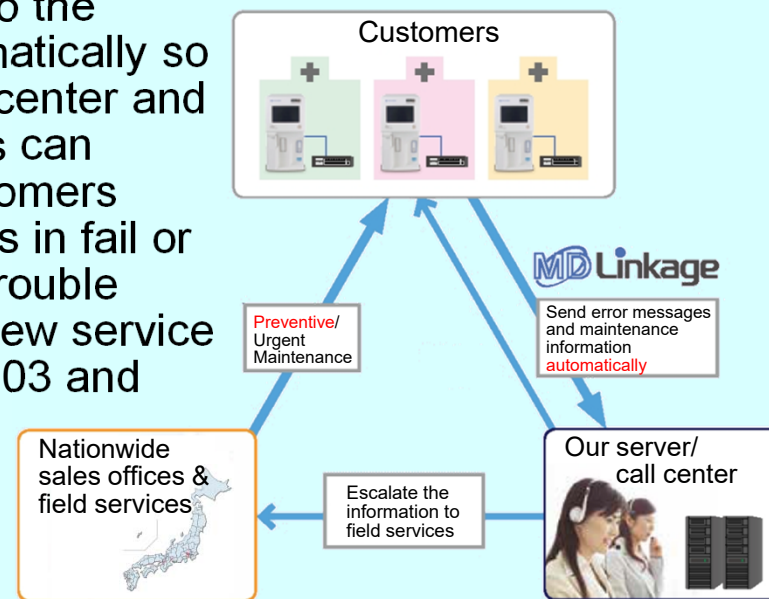
### Services

#### **NEW!** Medical devices remote monitoring system



Japan: Launched in June 2018

- Send operation information to the server automatically so that our call center and field services can support customers when devices in fail or experience trouble
- Initiate this new service with MEK-1303 and plan to add other applicable models



# 7) Depreciation and R&D Costs

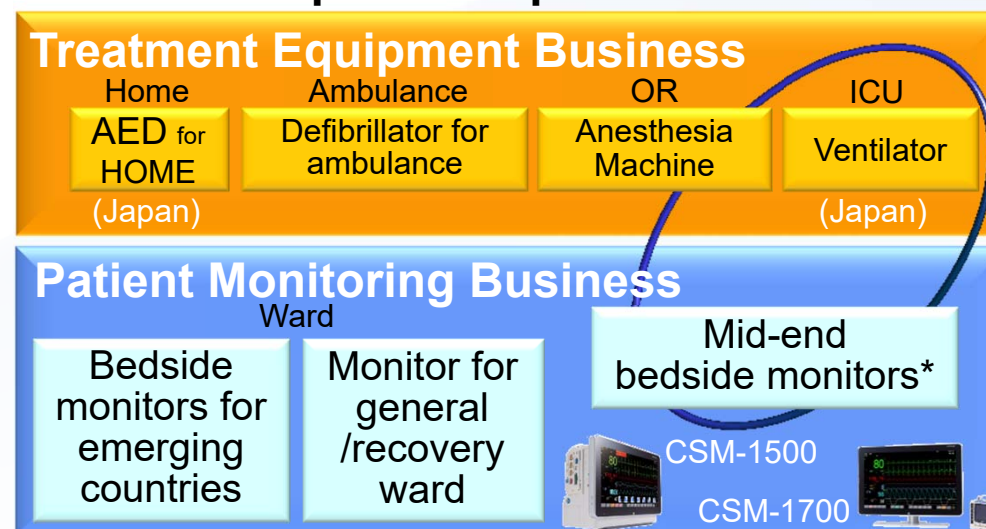
(Millions of yen)

	FY2017 1Q	FY2018 1Q	Change	FY2017 Actual	FY2018 Plan
Depreciation	770	<b>779</b>	9	3,338	<b>3,900</b>
R&D Costs	1,633	<b>1,856</b>	222	7,226	<b>8,500</b>
Capital Investments				3,430	<b>4,000</b>

● **FY2018 capital investments plan:**

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

● **FY2018 new products plan**



\* CSM-1500: Launched in Japan in Mar 2018; Europe in Apr 2018  
 CSM-1700: Planned to launch in Japan and Europe in Aug 2018  
 In the U.S., both models will be launched in 2<sup>nd</sup> half FY2018



## 8) Forecast for FY2018

(Billions of yen)

	FY2017		FY2018			
	First Half Actual	Full Year Actual	First Half Forecast	YoY (%)	Full Year Forecast	YoY (%)
<b>Net Sales</b>	76.6	174.2	<b>80.0</b>	4.4	<b>180.0</b>	3.3
<b>Domestic Sales</b>	56.2	128.1	—	—	<b>130.7</b>	2.0
<b>Overseas Sales</b>	20.4	46.1	—	—	<b>49.3</b>	6.9
<b>Gross Profit</b> (Gross Profit Margin)	36.5 47.6%	82.7 47.5%	—	—	<b>86.8</b> 48.2%	4.9
<b>Operating Income</b> (Operating Income Margin)	3.1 4.1%	14.5 8.3%	<b>3.1</b> 3.9%	-0.9	<b>15.0</b> 8.3%	3.3
<b>Ordinary Income</b>	3.7	14.5	<b>3.1</b>	-16.7	<b>15.0</b>	3.4
<b>Income Attributable to Owners of Parent</b>	2.5	9.1	<b>2.1</b>	-17.4	<b>10.3</b>	12.5
<b>Percentage of Overseas Sales</b>	26.6%	26.5%			<b>27.4%</b>	

+11% on a local currency basis

### Breakdown of overseas sales by region

(Millions of yen)

	FY2017 Actual	FY2018 Forecast	YoY (%)
Americas	22,000	<b>23,400</b>	6.4
Europe	8,462	<b>9,100</b>	7.5
Asia	13,634	<b>14,100</b>	3.4
Other	2,008	<b>2,700</b>	34.4
<b>Total</b>	<b>46,105</b>	<b>49,300</b>	<b>6.9</b>

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

(Millions of yen)

	FY2017 Actual	FY2018 Forecast	Composition	YoY (%)
			ratio (%)	
Physiological Measuring Equipment	39,323	40,200	22.3	2.2
Patient Monitors	59,229	62,500	34.7	5.5
Treatment Equipment	32,892	33,600	18.7	2.2
Other Medical Equipment	42,804	43,700	24.3	2.1
<b>Total</b>	174,249	180,000	100.0	3.3

(Reference)

Consumables and Services	75,505	78,100	43.4	3.4
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Average Exchange Rate

	FY2017	FY2018
1 US Dollar	111.0 yen	105 yen
1 EURO	130.0 yen	130 yen

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

**Disclaimer:**

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