

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

- | | |
|------------------------------|--|
| 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/
Effect of Exchange Rate |
| 5) Overseas Sales | |

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
August 1, 2018



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

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

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

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

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

 NIHON KOHDEN

1

- Overall sales increased 3.7% to ¥34.5 billion.
- Domestic sales increased 3.3% to ¥25.7 billion. Sales in the hospital market increased as the Company enhanced sales activities tailored to match each market; the hospital market and the clinic market. Sales of AEDs in the PAD market increased favorably. Sales increased in all product categories.
- Overseas sales increased 4.9% to ¥8.8 billion, a 6% growth on a local currency basis. Sales in the Americas, Europe and Asia increased. In particular, sales in the U.S. and Latin America showed strong growth.
- Gross margin ratio increased by 90 basis points from the 1st quarter of FY2017. Product mix was improved as the Company focused on sales of in-house products both in Japan and internationally. As a result, operating income was recorded at ¥53 million. Ordinary income was ¥0.5 billion, reflecting foreign exchange gains.

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)

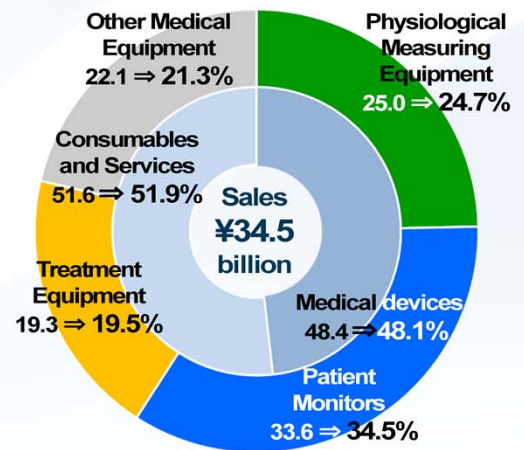
	FY2017 1Q	FY2018 1Q	YoY (%)
Physiological Measuring Equipment	8,342	8,535	2.3
Patient Monitors	11,217	11,920	6.3
Treatment Equipment	6,422	6,741	5.0
Other Medical Equipment	7,370	7,386	0.2
Total Sales	33,353	34,583	3.7

(Reference)

Consumables and Services	17,215	17,935	4.2
--------------------------	--------	---------------	-----

Sales composition by product category

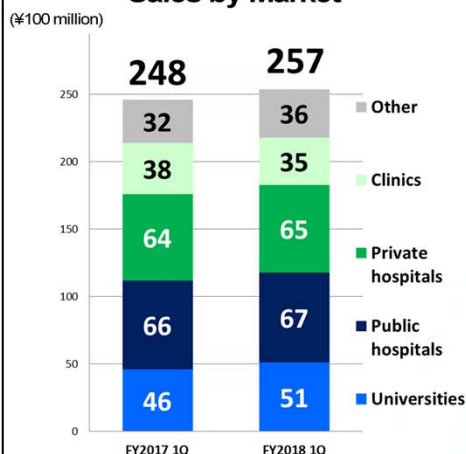
(FY2017 1Q ⇒ FY2018 1Q)



- Sales of Physiological Measuring Equipment increased 2.3% to ¥8.5 billion.
- Sales of Patient Monitors increased 6.3% to ¥11.9 billion.
- Sales of Treatment Equipment increased 5.0% to ¥6.7 billion.
- Sales of Other Medical Equipment increased 0.2% to ¥7.3 billion.
- Sales of Consumables and Services increased 4.2%. The Consumables and Services sales ratio increased to 51.9%.

4) Domestic Sales

Sales by Market



Sales by Product Category

(Sales, millions of yen)

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

【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.

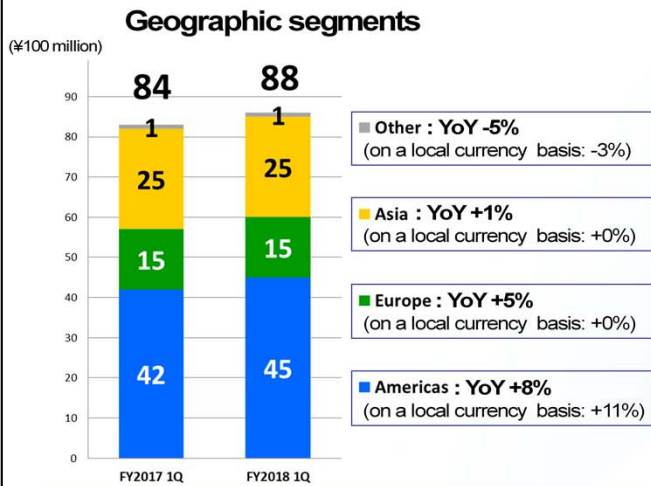
Patient Monitors: Sales of bedside monitors and clinical information systems showed strong growth in the university hospital market.

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.

- Domestic sales increased by ¥0.8 billion to ¥25.7 billion.
- Sales in the university hospital market showed strong growth, thanks to orders related to new hospitals. Sales in the public and private hospital market also increased. Sales in the clinic market decreased as sales of locally purchased products decreased. Sales of hematology analyzers also decreased before the launch of a new model of hematology analyzers in June. Customer reaction has been positive and it is expected to contribute to sales recovery in the clinic market.
- In each market, there were no signs of motives for capital spending to respond to the medical treatment fees revision in April 2018. Sales increased because we strengthened sales activities in the university and public hospital market to attract replacement demand.
- In Physiological Measuring Equipment, sales of ECGs increased favorably, driven by new products such as holter ECG monitors. Sales of polygraphs for cath labs also increased, mainly of related consumables such as EP catheters. Sales of EEGs decreased.
- In Patient Monitors, sales of bedside monitors and clinical information systems showed strong growth in the university hospital market.
- In Treatment Equipment, sales of AEDs increased favorably. Sales of pacemakers and ICDs also increased. Sales of defibrillators were flat compared to the 1st quarter of FY2017.
- In Other Medical Equipment, sales of installation services of medical devices, patient monitors in particular, increased favorably. Sales of maintenance services also showed strong growth. Sales of hematology instruments decreased.

5) Overseas Sales



Percentage of overseas sales to consolidated sales

	FY2017 1Q	FY2018 1Q
Percentage of overseas sales to consolidated sales	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
Total Sales	8,465	8,878	4.9

+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.
 - 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.
- [Products]**
- 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.

- Overseas sales increased by ¥0.4 billion to ¥8.8 billion, a 6% growth on a local currency basis. The overseas sales ratio was 25.7%.
- Americas: In the U.S., sales of patient monitors increased favorably and sales of Physiological Measuring Equipment recovered as the Company reorganized the sales structure of EEGs. Sales in Latin America increased, mainly in Brazil, where the Company enhanced the local sales & services network.
- Europe: Sales increased in Germany, where the Company developed the sales & service network. Sales in Spain also increased. Sales in France and Russia decreased.
- Asia: Sales in China increased favorably, and showed double-digit growth both on a local currency basis and a yen basis. Sales in China in the 1st half of FY2018 are expected to result in double-digit growth. The fiscal year-end of our subsidiary in China is December 31. Sales in India decreased due to a reaction to a last minute surge in demand prior to the GST implementation in the 1st quarter of FY2017. Sales in India are expected to recover hereafter as the impact of GST has been reduced.

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

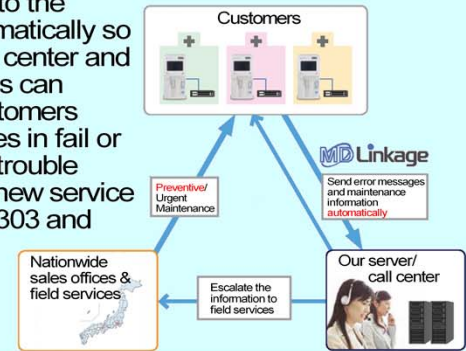
Services

NEW! Medical devices remote monitoring system

MD Linkage

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



- In June 2018, we launched Nihon Kohden's first integrated hematology & CRP analyzer mainly for the clinic market in Japan. Blood infection risk is prevented as it can measure CBC & CPR without taking off the cap of the blood collection tube. The measurement time is short, approximately 3 minutes and 20 seconds. New functions such as color-coded messages have also been added. If an abnormal value is detected, the analyzer prompts the user for re-measurement by displaying a color-coded message.
- We also launched the Medical Device Remote Monitoring System, MD Linkage. In this system, medical devices' operation information such as error messages or maintenance information is sent to the server automatically and our call center monitors medical devices remotely. If medical devices are fail or experience trouble, we can support customers immediately. We initiated this new service with MEK-1303 and plan to add other applicable models.

7) Depreciation and R&D Costs

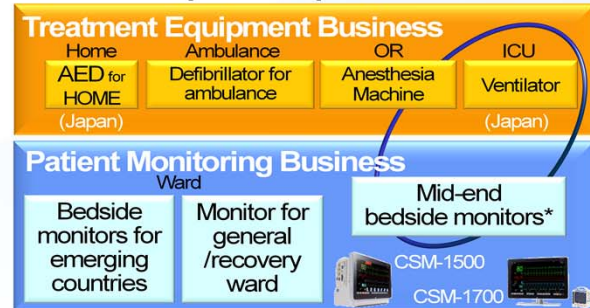
(Millions of yen)

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

● **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 2nd half FY2018

- Depreciation was ¥0.77 billion, the same level as the 1st quarter of FY2017. This was in line with the schedule. There is no change to our forecasts for full-year depreciation of ¥3.9 billion and capital investments of ¥4.0 billion.
- R&D costs increased by ¥0.22 billion to ¥1.85 billion, slightly lower than estimates. In FY2018, we plan to launch several types of patient monitors. As man-hours for improving existing products increased, the development of new products is slightly behind schedule. However, new products will be launched within FY2018 as planned. There is also no change to our forecast for full-year R&D costs of ¥8.5 billion.

8) Forecast for FY2018

(Billions of yen)

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

+11% on a local currency basis

Breakdown of overseas sales by region

(Millions of yen)

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

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

NIHON KOHDEN

8

- As recent performance trends are in line with estimates, the Company reaffirms its forecasts for the 1st half of FY2018 and FY2018. Overall sales will be ¥80.0 billion in the 1st half of FY2018.
- In domestic sales, low-single-digit growth is forecast for the 1st half of FY2018. While the Company continues to focus on sales activities tailored to match each market, shipment of several deals will be carried over to the 2nd half of FY2018. The new products such as mid-end bedside monitors and a hematology analyzer will make a full contribution to earnings in the 2nd half of FY2018. The Company will continue to control sales of locally purchased products especially in the clinic market in order to improve gross margin.
- In August 2018, we will launch CSM-1700 which is an additional new model of mid-end bedside monitor. CSM-1700 has a larger display than CSM-1500 which was launched in March 2018. The main body of CSM-1700 and its input box can be configured independently, allowing flexible layout. We will enhance sales promotion of CSM-1500/1700 as bedside monitors in the OR/ICU in acute care hospitals.
- In Overseas sales, mid-single-digit growth is forecast for the 1st half of FY2018. Double-digit growth is anticipated in the Americas and Asia, while sales in Europe is expected to be flat compared to the 1st half of FY2017. In the U.S., sales of both patient monitors and EEGs grew as planned. In Europe, new patient monitors were launched in April 2018, but it takes time to convert the interface and manuals into local languages. Thus, full contribution to earnings will be after the 2nd half in FY2018 as in Japan.
- Gross margin in the 1st half of FY2018 is expected to be mid-48%, improved from the 1st half of FY2017. We aim to ensure operating income of ¥3.1 billion in the 1st half of FY2018.

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

(Millions of yen)

	FY2017 Actual	FY2018 Forecast	Composition ratio (%)	YoY (%)
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
Total	174,249	180,000	100.0	3.3

(Reference)

Consumables and Services	75,505	78,100	43.4	3.4
--------------------------	--------	---------------	------	-----

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

- The Company also leaves the sales forecast for FY2018 by product category unchanged.

Disclaimer:

Contents described in 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 stated.

