

Consolidated Financial Highlights for First Half of FY2017

(From April 1, 2017 to September 30, 2017)

- 1. Consolidated Financial Results for First Half of FY2017**
- 2. Forecast for FY2017**
- 3. Business Strategy**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

November 9, 2017

Fighting Disease with Electronics



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Consolidated Financial Results for First Half of FY2017

1) Consolidated Financial Results for the 1st Half of FY2017

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

	First half FY2016	First half FY2017		
		Forecast	Actual	YoY (%)
Sales	74,463	78,000	76,648	2.9
Domestic Sales	55,876	-	56,241	0.7
Overseas Sales	18,586	-	20,407	9.8
Operating Income	3,834	3,900	3,128	-18.4
Ordinary Income	2,689	3,900	3,722	38.4
Income Attributable to Owners of Parent	1,683	2,500	2,541	51.0

← +7% on a local currency basis

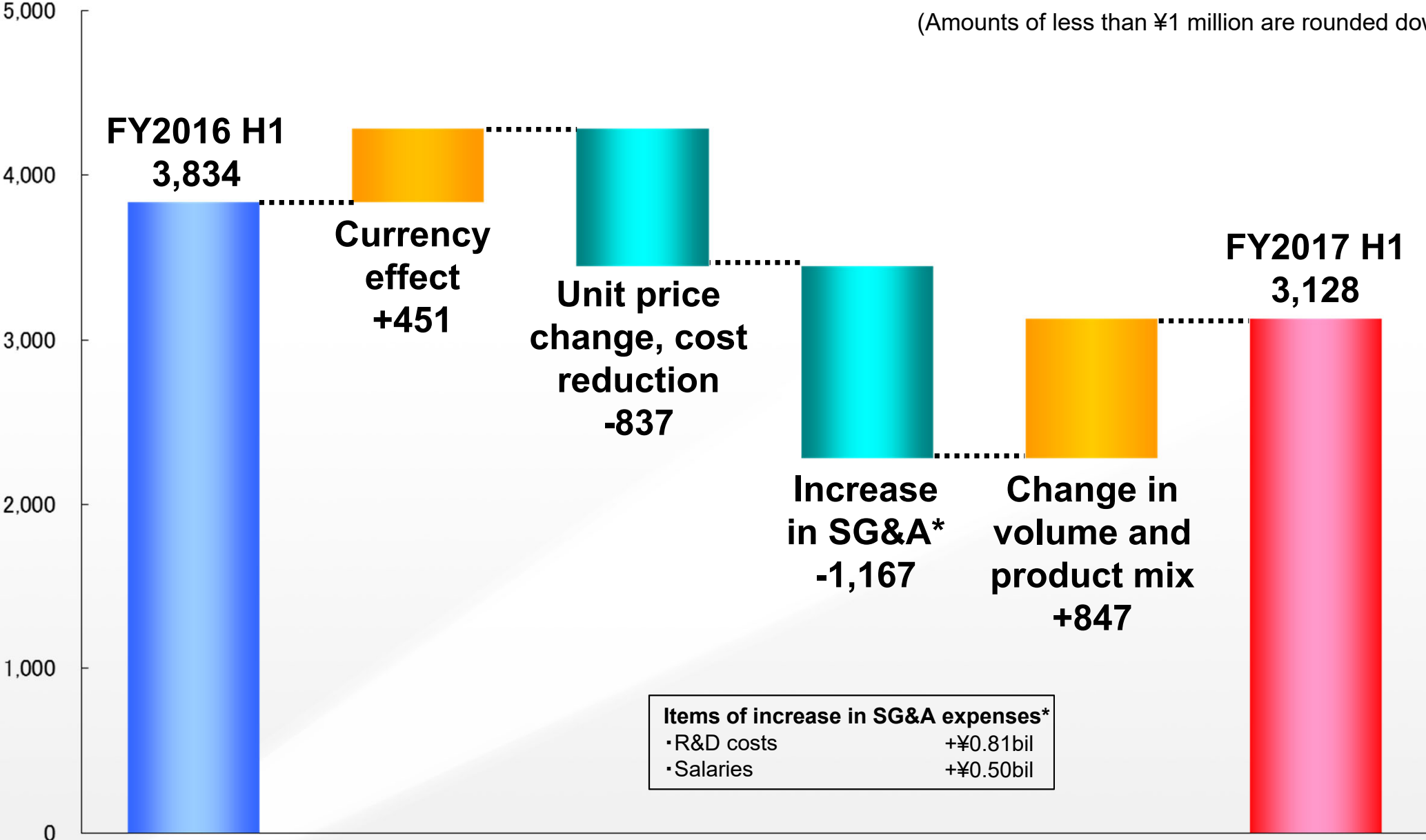
← Gross margin ratio: FY2016 H1 48.1% → FY2017 H1 47.6%
 SG&A ratio: 43.0% → 43.5%

← Foreign exchange gains or losses
 FY2016 H1 ¥1.51 bil losses → FY2017 H1 ¥0.257 bil gains

Average exchange rate	First half FY2016	First half FY2017
1 US Dollar	107.6 yen	111.3 yen
1 EURO	119.9 yen	126.1 yen

2) Breakdown of Operating Income

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



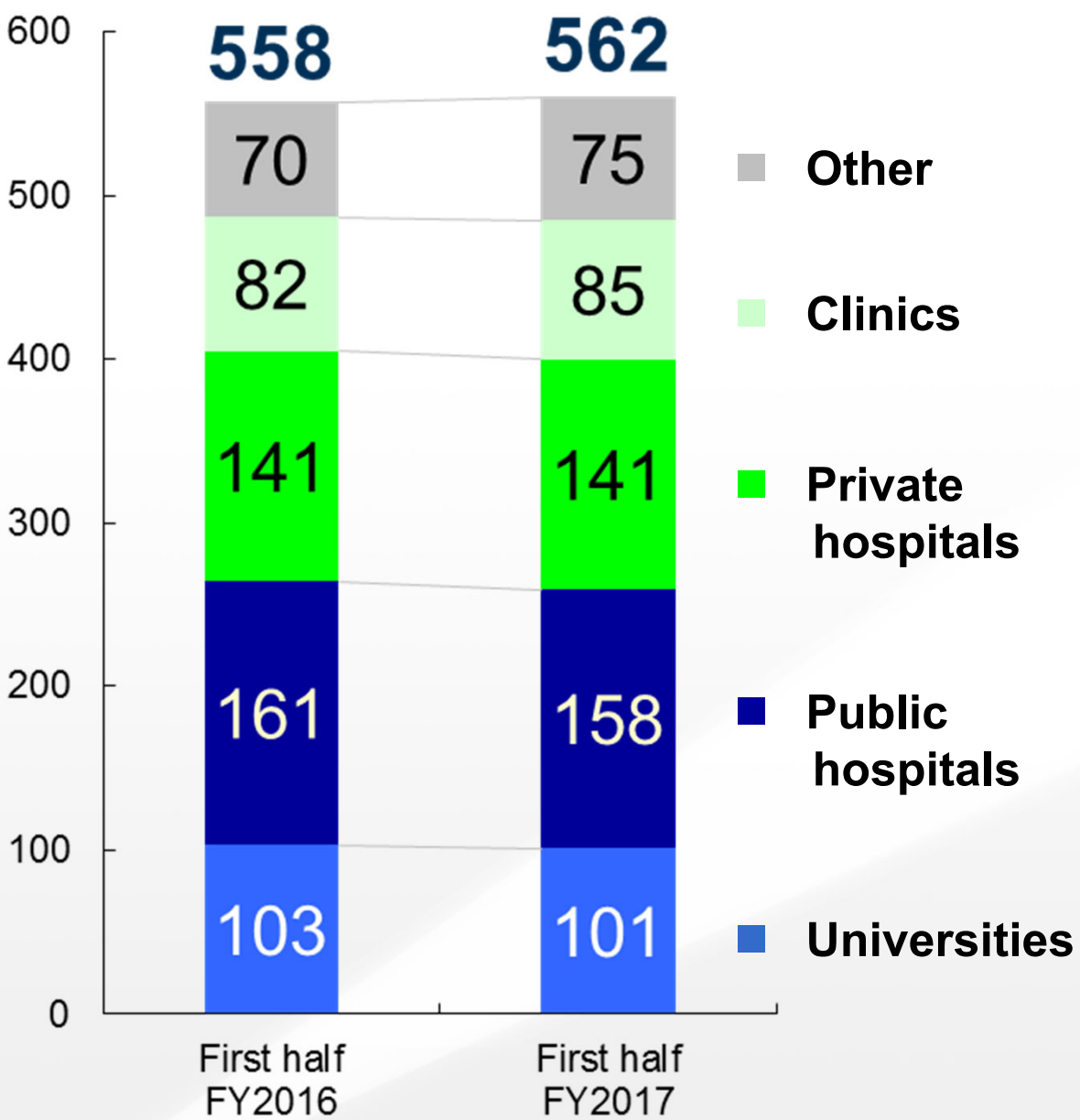
Items of increase in SG&A expenses*

- R&D costs +¥0.81bil
- Salaries +¥0.50bil

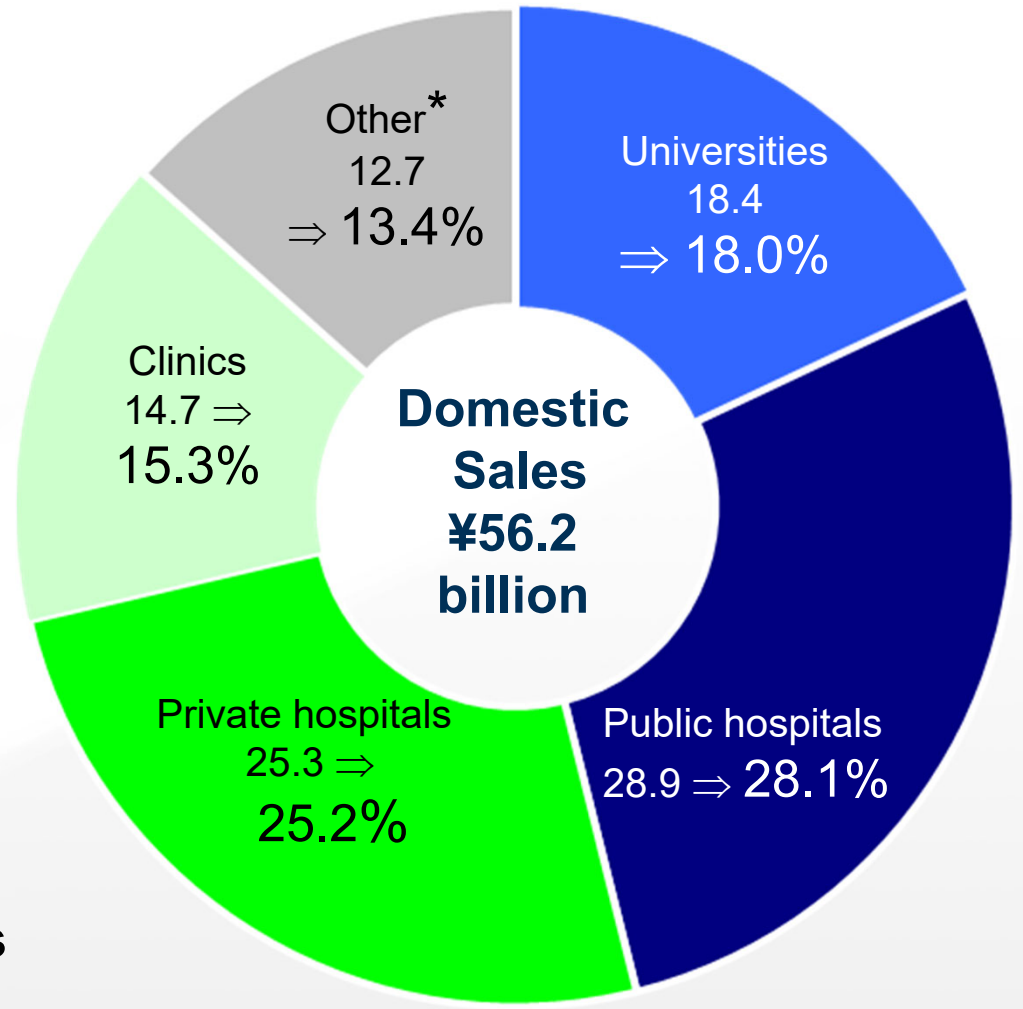
*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase in SG&A expenses indicate major factors of increased SG&A expenses on a yen basis.

3) Domestic Sales

(¥100 million) Sales by market



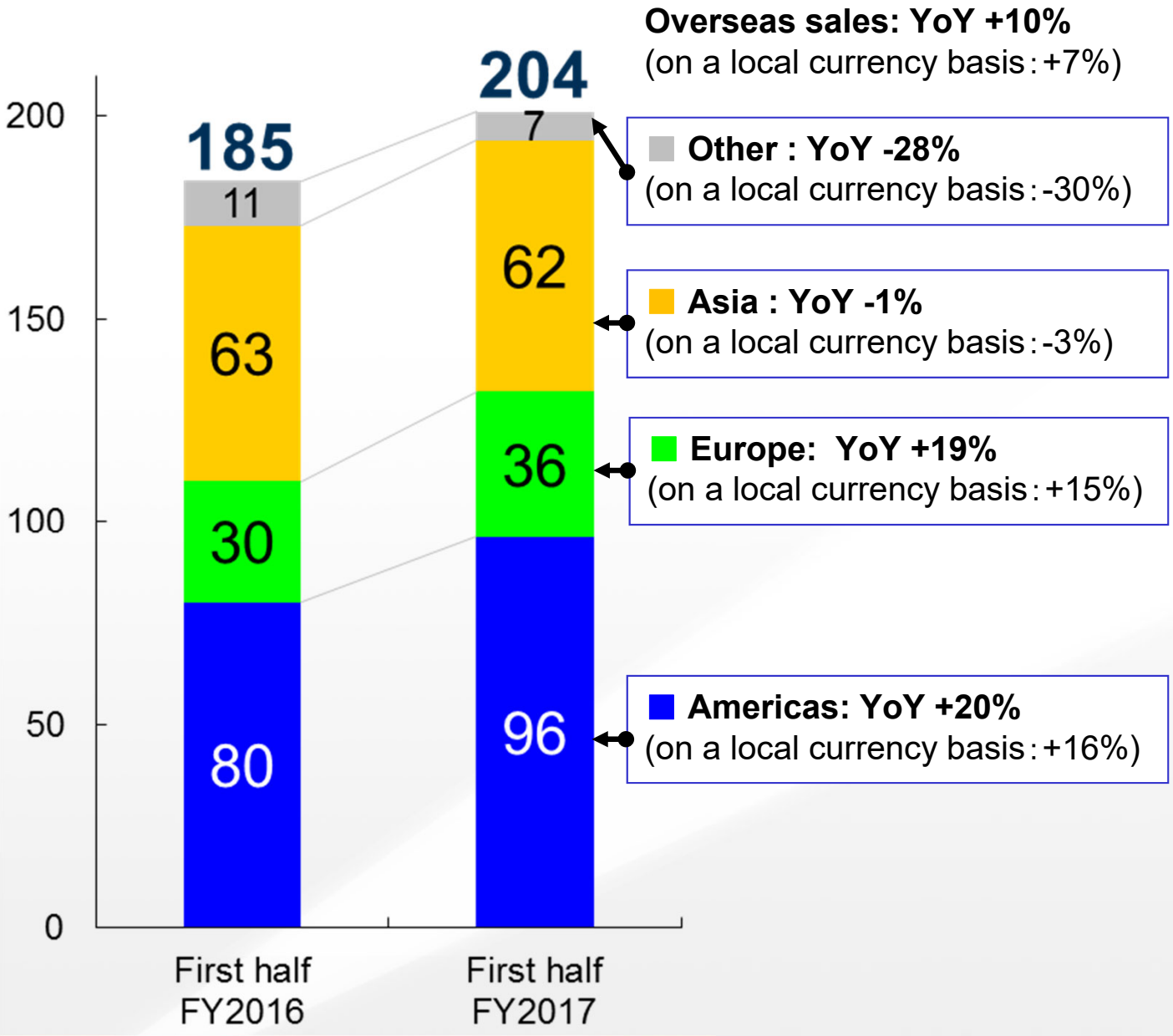
Sales composition by market (FY2016 H1 ⇒ FY2017 H1)



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

4) Overseas Sales

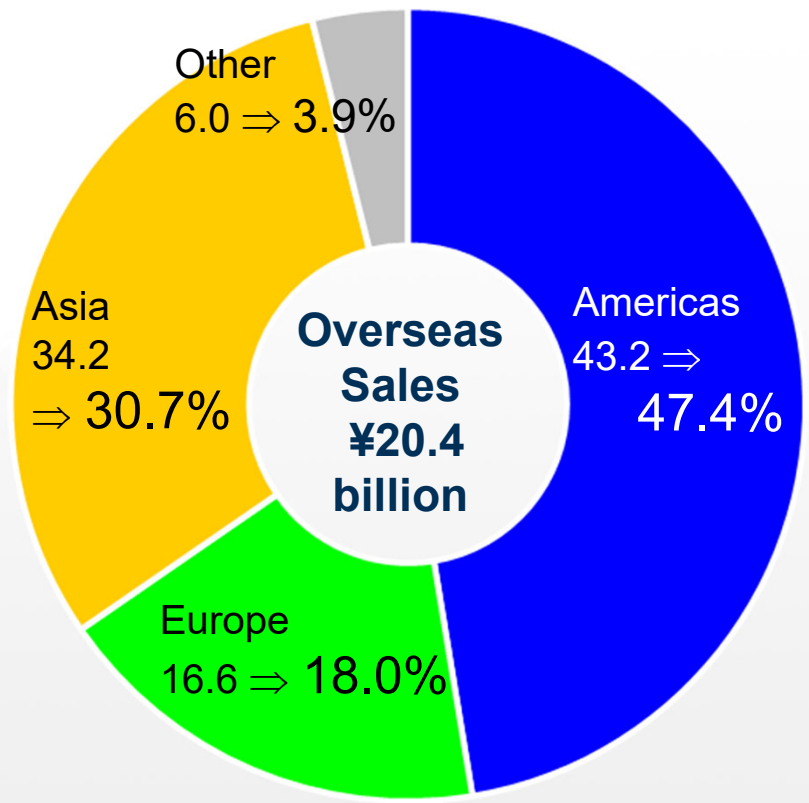
(¥100 million) Geographic segments



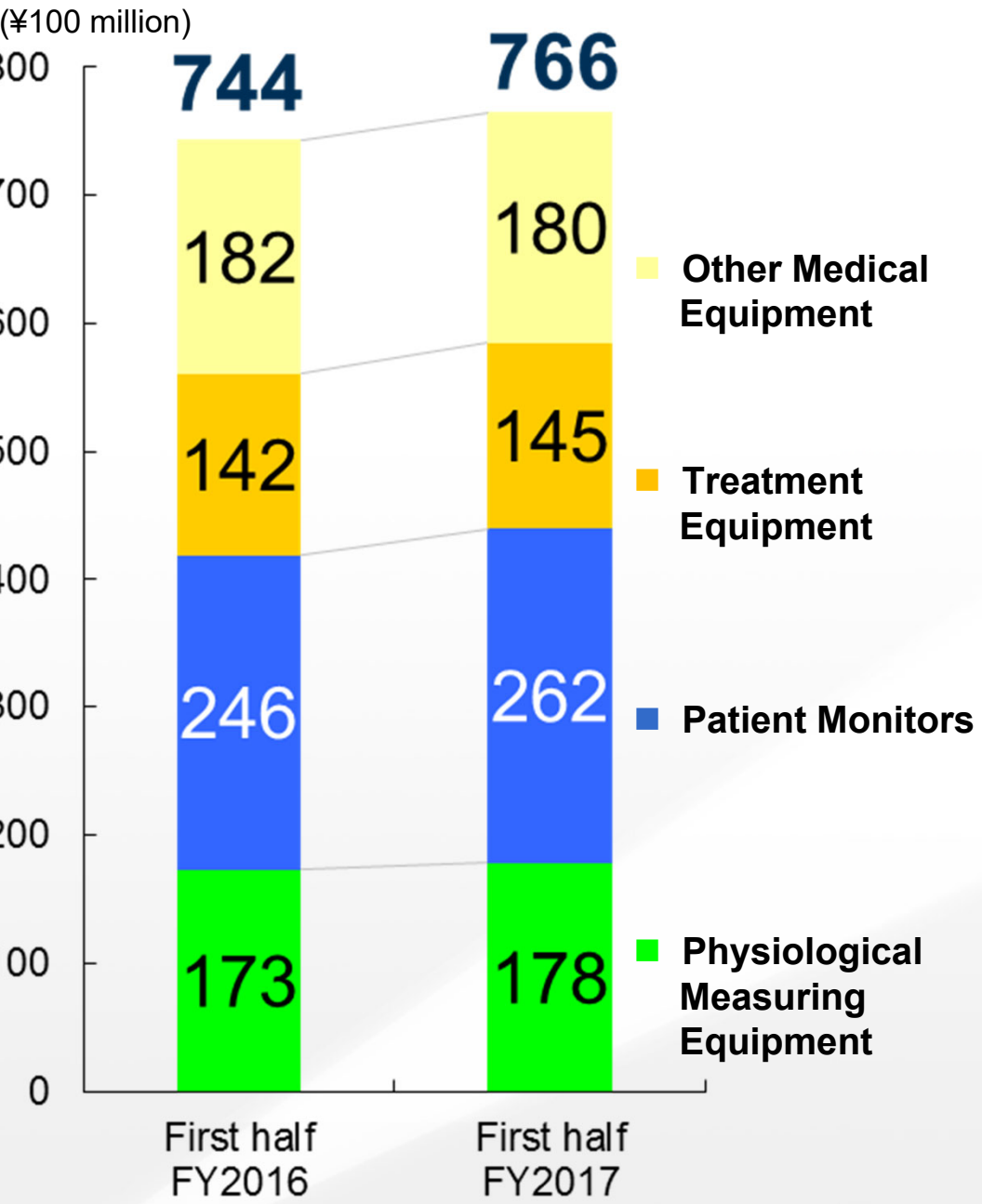
Percentage of overseas sales to consolidated sales

First half FY2016	First half FY2017
25.0%	26.6%

Geographic Segments (FY2016 H1 ⇒ FY2017 H1)

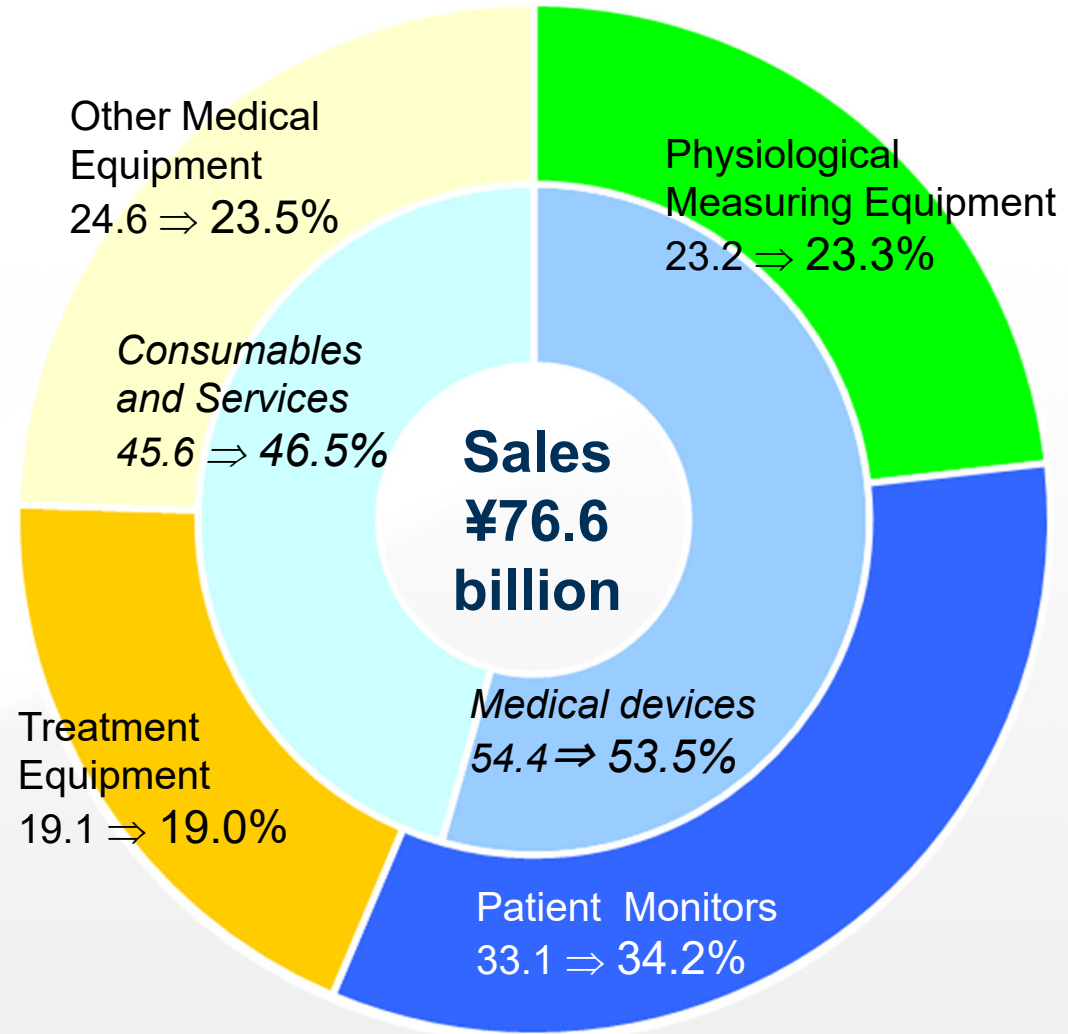


5) Sales by Product Category



Sales composition by product category

(FY2016 H1 ⇒ FY2017 H1)



5.1) Physiological Measuring Equipment

(Sales, millions of yen)

	First half FY2016	First half FY2017	YoY (%)
Electroencephalographs	3,335	3,315	-0.6
Electrocardiographs	3,145	3,077	-2.1
Polygraphs for Cath Lab	6,101	6,552	7.4
Other Physiological Measuring Equipment *	4,719	4,888	3.6
Physiological Measuring Equipment	17,302	17,833	3.1
Domestic Sales	13,536	14,264	5.4
Overseas Sales	3,765	3,568	-5.2

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

Sales of ECGs decreased, while sales of EEGs increased.

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

NEW!



EMG/EP measuring system

MEB-9400



Electrocardiographs

ECG-2450



Polygraphs for Cath Lab

RMC-5000

NEW!



Medical and long-term care network system

LAV-1000

5.2) Patient Monitors

(Sales, millions of yen)

	First half FY2016	First half FY2017	YoY (%)
Patient Monitors	24,667	26,248	6.4
Domestic Sales	16,079	16,148	0.4
Overseas Sales	8,588	10,100	17.6

Sales of clinical information systems and consumables such as sensors increased. Sales of transmitters and bedside monitors decreased.

Sales in the Americas and Europe increased favorably. Sales in Asia also increased.



Bedside monitor
CSM-1901



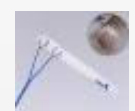
Vital sign telemeter
GZ-140P

NEW!



Transmitter
ZS-640P

NEW!



SpO₂ probes



cap-ONE biteblock



ECGs Electrodes

Consumables

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

5.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2016	First half FY2017	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,197	2,572	17.0
AEDs (Automated External Defibrillator)	6,484	6,694	3.2
Pacemakers / ICDs	1,541	1,593	3.4
Ventilators	958	934	-2.6
Other Treatment Equipment	3,051	2,752	-9.8
Treatment Equipment	14,233	14,546	2.2
Domestic Sales	10,275	10,143	-1.3
Overseas Sales	3,958	4,402	11.2
(Ref.) AED Unit Shipments	41,200	38,900	-5.6
Domestic Unit Sales	21,800	20,000	-8.3

Both domestic and overseas sales increased favorably.

Sales of consumables such as pads and batteries increased, while sales of units decreased both in Japan and internationally.

Domestic: Sales of warming system decreased due to change of supplier.



Defibrillator
TEC-5600 series



AED
AED-3100



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1



Airway scope
AWS-S200

Acquired the business from HOYA Service on October 2

5.4) Other Medical Equipment

(Sales, millions of yen)

	First half FY2016	First half FY2017	YoY (%)
Hematology Analyzers	5,277	5,033	-4.6
Imaging Systems, Medical equipment for study and others *	12,981	12,986	0.0
Other Medical Equipment	18,258	18,019	-1.3
Domestic Sales	15,985	15,684	-1.9
Overseas Sales	2,273	2,335	2.7

Sales of hematology instruments decreased.

Sales of services and locally purchased products increased, while sales of hematology analyzers decreased.

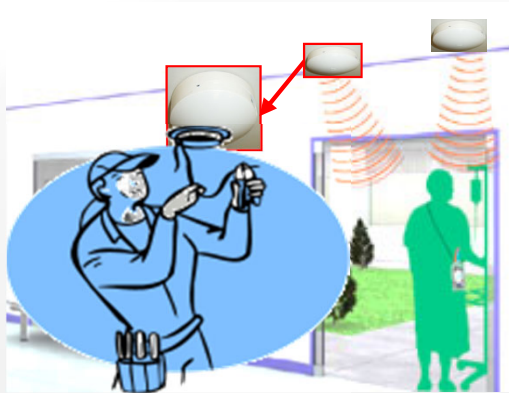
*Includes consumables, installation and maintenance services which are not applicable to other categories.



Automated hematology analyzer
MEK-9100



Clinical chemistry analyzer
CHM-4100



Installation and maintenance services

6) Financial Condition

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

	FY2016	First half FY2017	Change
Current Assets	119,235	111,879	- 7,355
Non-current Assets	33,571	32,410	- 1,160
Total Assets	152,806	144,290	- 8,516
Current Liabilities	45,006	35,468	- 9,537
Non-current Liabilities	3,913	4,059	146
Total Liabilities	48,919	39,527	- 9,391
Net Assets	103,887	104,762	875
Total Liabilities & Net Assets	152,806	144,290	- 8,516

7) Capital Investments and R&D Costs

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

	First half FY2016	First half FY2017	FY2016	FY2017	
				Original Forecast announced May 11	Revised Forecast announced Nov 6
Capital Investments	4,758	1,003	7,710	5,700	5,200
Depreciation	1,548	1,571	3,422	3,900	3,600
R&D costs	2,958	3,772	6,466	7,300	7,300

●FY2017 H1 capital investments:

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

●FY2017 capital investments plan:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renovation of headquarters (Nishiochiai Office) (¥0.8bil)

2

Forecast for FY2017

1) Business Environment

Japan

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

- Differentiate medical providers and strengthen collaboration
- Promote integrated community care systems

In March 2017, each prefecture drew up a regional health vision

- Discuss the division of roles between hospitals at a regional health vision coordination meeting
- Utilize funds for securing comprehensive medical and long-term care in the communities

Discussions are ongoing on FY2018 revision of medical treatment fees and long-term care compensation

- Hospitals start to reorganize medical facilities' functions in accordance with a regional health vision
- The clinic market will remain stable as providers of home care

International

U.S.

- Uncertainty about the health insurance system
- Improve the quality and efficiency of medical care
- Expand IDNs*

Europe

- Moderate economic recovery, impact of Brexit

Emerging Markets

- Unstable environments in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

*IDN: Integrated Delivery Network

2) Measures in the 2nd Half of FY2017

Domestic Business

Expand sales by market

University and public hospital market

Receive orders in OR/ICU by enhancing functions of clinical information systems

Private hospital and clinic market

Provide solutions by introducing new products designed for clinic market

Overseas Business

US

Strengthen the support by headquarters for large orders for patient monitoring solutions

Emerging Countries

Southeast Asia and the Middle East

Develop distributor network

East Africa

Open new branch in Kenya to expand sales

Improve Profitability

Expand sales of in-house products and consumables

- Introduce new products of patient monitors and IT solutions
- Focus on promoting consumables such as SpO₂/CO₂ sensors and iNIBP

Improve productivity within the organization

- Shorten lead time in order to reduce inventories and enable provision of tenders with short delivery times
- Improve operational efficiency by absorbing domestic sales subsidiaries

Strengthen cost control

- Revise capital investments and personnel plan
- Strengthen cost control in each subsidiary and division

3) Forecast for FY2017

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

	FY2016 Actual	FY2017 Forecast	YoY (%)
Sales	166,285	175,000	5.2
Domestic Sales	124,764	128,000	2.6
Overseas Sales	41,520	47,000	13.2
Operating Income	13,585	15,000	10.4
Ordinary Income	14,053	15,000	6.7
Income Attributable to Owners of Parent	9,149	10,200	11.5

+14% on a local currency basis

Breakdown of overseas sales by region

	FY2016 Actual	FY2017 Forecast	YoY (%)
Americas	18,953	22,500	18.7
Europe	6,988	7,500	7.3
Asia	12,639	14,400	13.9
Others	2,938	2,600	-11.5
Total	41,520	47,000	13.2

Percentage of overseas sales 25.0% **26.9%**

Average exchange rate Initial assumptions

1 US Dollar	109.2 yen	110 yen
1 EURO	119.3 yen	115 yen

FY2017 2H
110 yen
115 yen

(Ref.) Consolidated Forecast FY2017 by Product Category

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

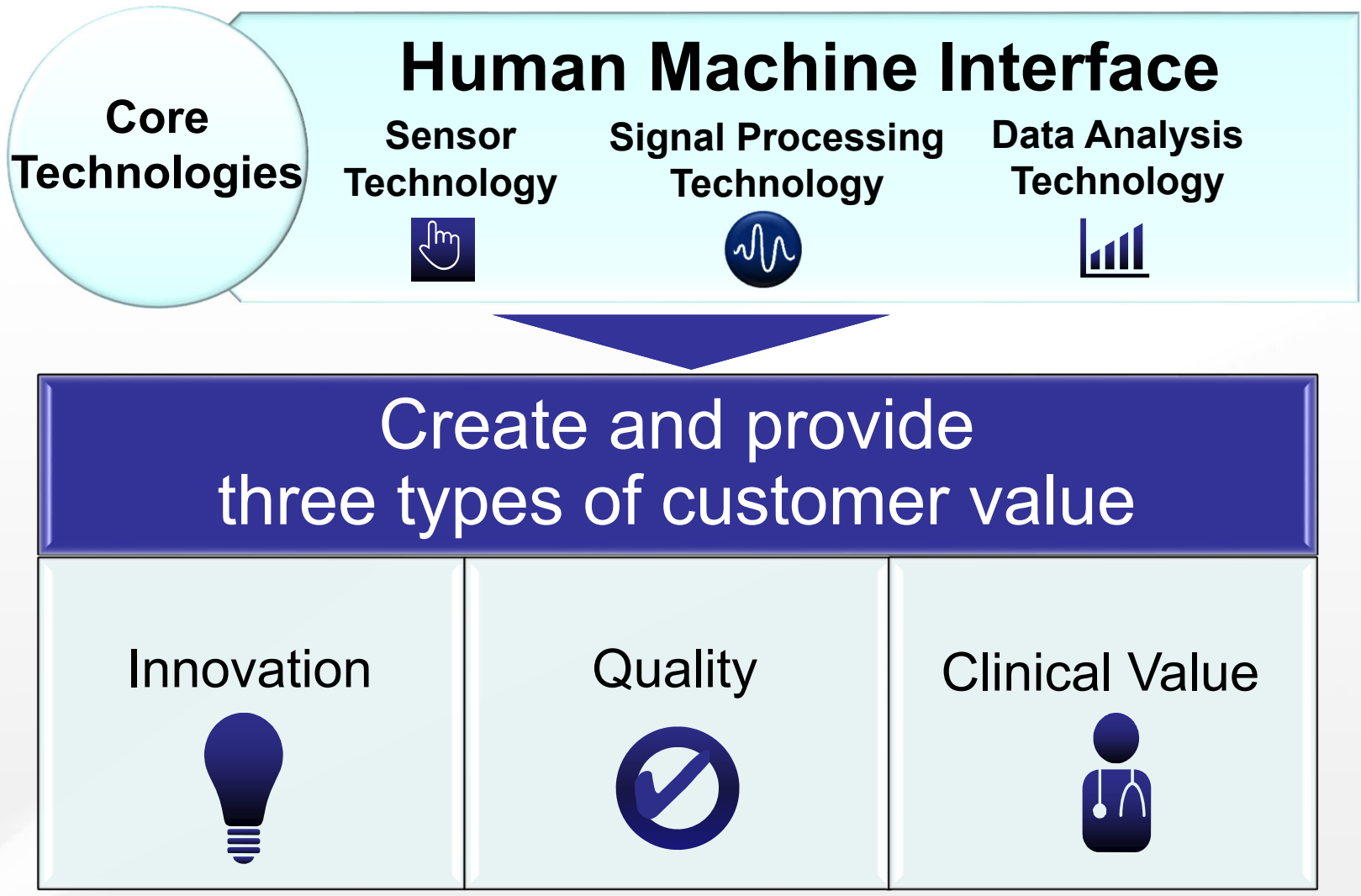
	FY2016	FY2017		YoY (%)
		Original Forecast announced May 11	Revised Forecast announced Nov 6	
Physiological Measuring Equipment	37,658	39,800	39,500	4.9
Patient Monitors	56,117	59,100	61,400	9.4
Treatment Equipment	29,728	31,200	31,200	5.0
Other Medical Equipment	42,781	44,900	42,900	0.3
Total	166,285	175,000	175,000	5.2
(Reference)				
Consumables and Services	71,180	75,100	75,700	6.4

3

Business Strategy

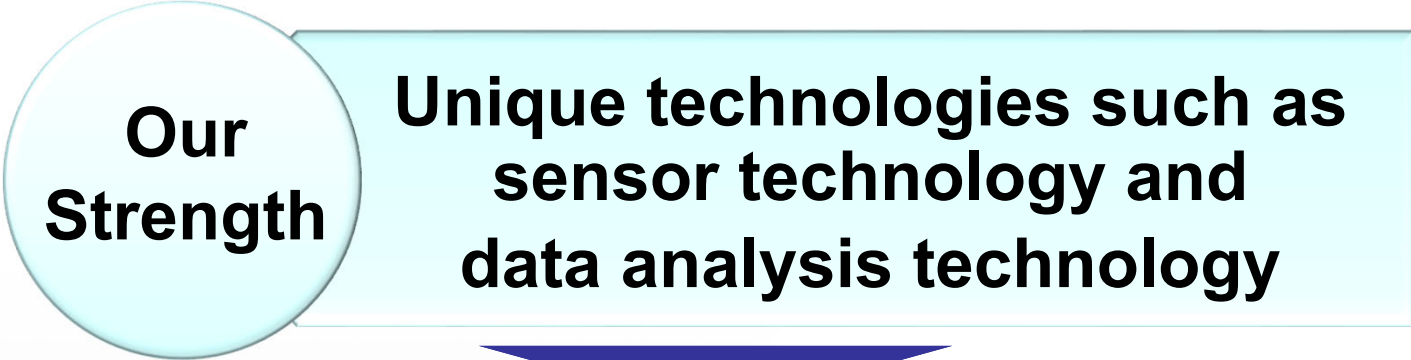
Basic Policies of TRANSFORM 2020

Transform operations to achieve a highly profitable structure



Basic Policies of TRANSFORM 2020

1 Create high customer value



Develop and sell in-house products with high customer value

Three blue icons: a lightbulb, a checkmark inside a circle, and a person with a stethoscope.

- Increase the competitive advantage of consumables such as sensors 
- Services that contribute to medical safety and efficiency

Consumables and Services Sales Ratio Target 45%

Establish a global sales and services network that draws on high levels of expertise

Basic Policies of TRANSFORM 2020

2 Improve productivity within the organization

Tomioka Production Center

- Implement production reforms
- 
- Establish a global supply chain appropriate for the Group

- Improve productivity
- Ensure the timely supply of products to countries around the world

Advanced Technology Center

- Utilize the R&D and testing environment
 - Strengthen the support from process management, quality management, and production technology
- 

Improve development efficiency

Entire Group

Reform operating procedures and utilize information technology



Improve the productivity of each employee

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

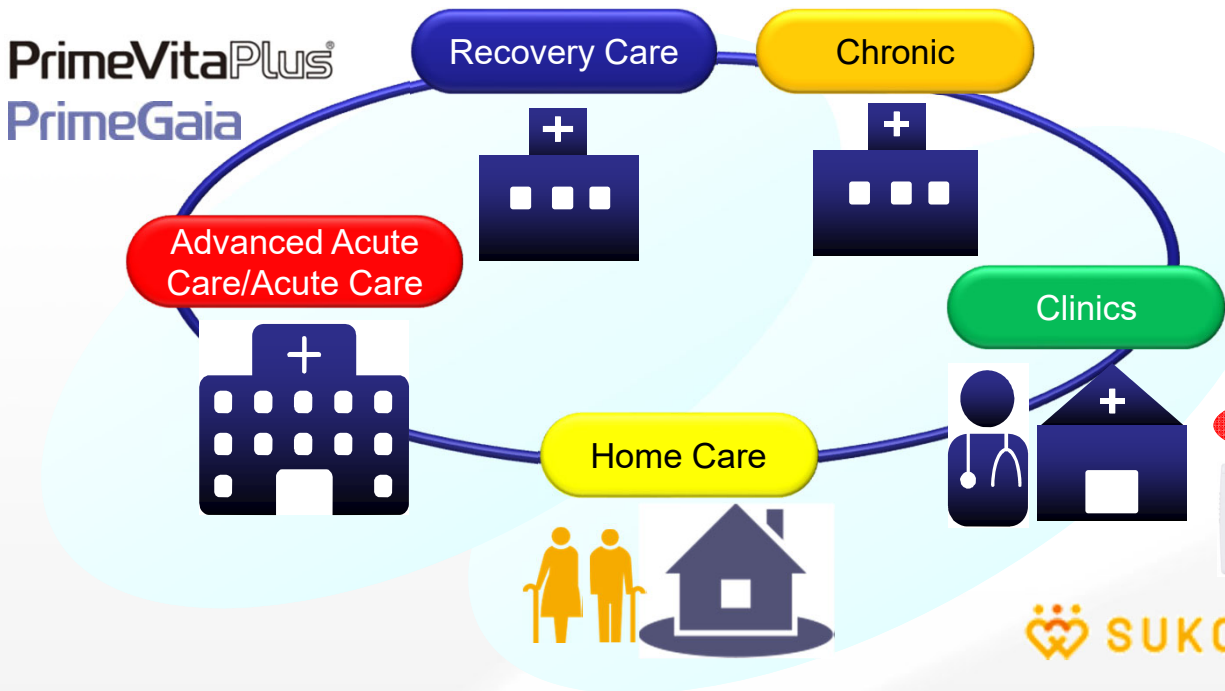
Strengthen Business Expansion by Region

Japan

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

✓ Provide solutions that contribute to improving hospital management

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



- NEW!** PrimePartner Clinical assistant service
Launch Oct 2017
- NEW!** LAVITA® Medical and long-term care network system
Launch Aug 2017
- NEW!** Holter ECG
Launch Oct 2017
- SUKOYAKA®** Remote care system for elderly persons who live alone

✓ Enhance and reorganize sales and services operations



Sales Subsidiary system ▶ Transition to branch system *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



Patient Monitor

Patient Monitor
Market Share Target 12%



Neurology

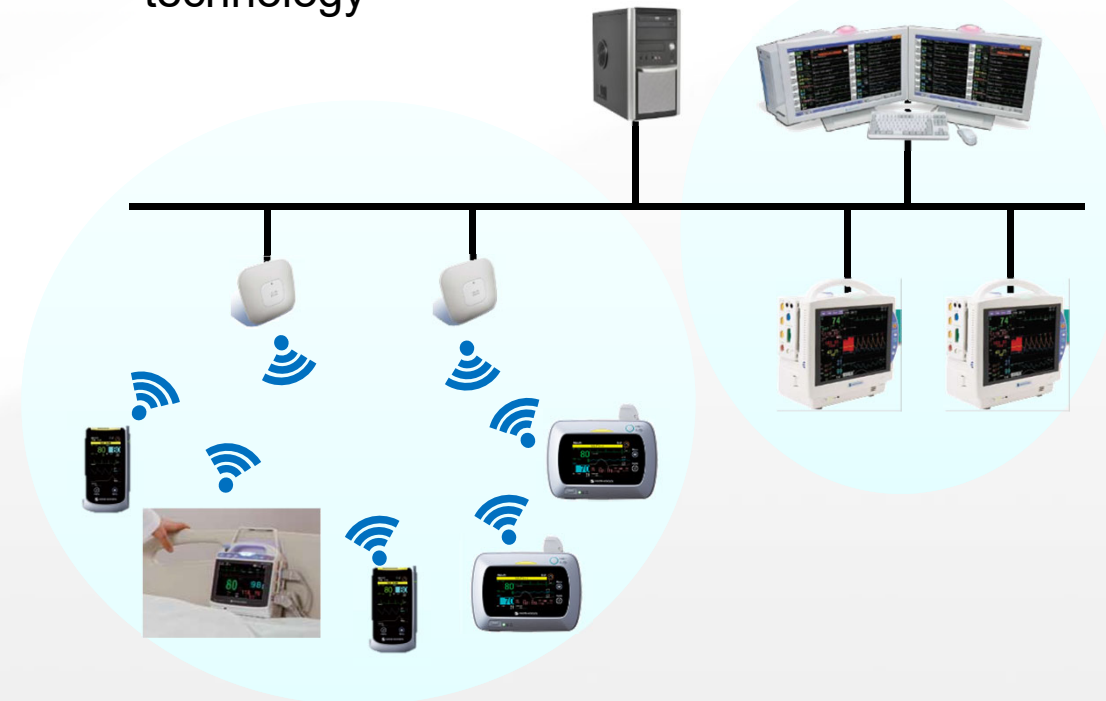


Resuscitation



- ✓ Enter new markets
 - Expand product line-up
 - Strategic M&A

- ✓ Enhance network systems to support large-scale monitoring by using wireless technology



Emerging Markets

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

✓ Enhance business structure in Asia, Latin America and Africa

China Expand sales of new products



Shanghai Kohden

Nihon Kohden Korea

Nihon Kohden Middle East

Nihon Kohden India

NKS Bangkok

Nihon Kohden Mexico

Nihon Kohden Malaysia

Nihon Kohden Latin America

Oil producing countries in the Middle East

Develop distributor network

Africa

Open new branch in Kenya (Plan in Dec 2017)

Nihon Kohden Singapore

Nihon Kohden Do Brasil

✓ Penetrate medical technologies through JICA

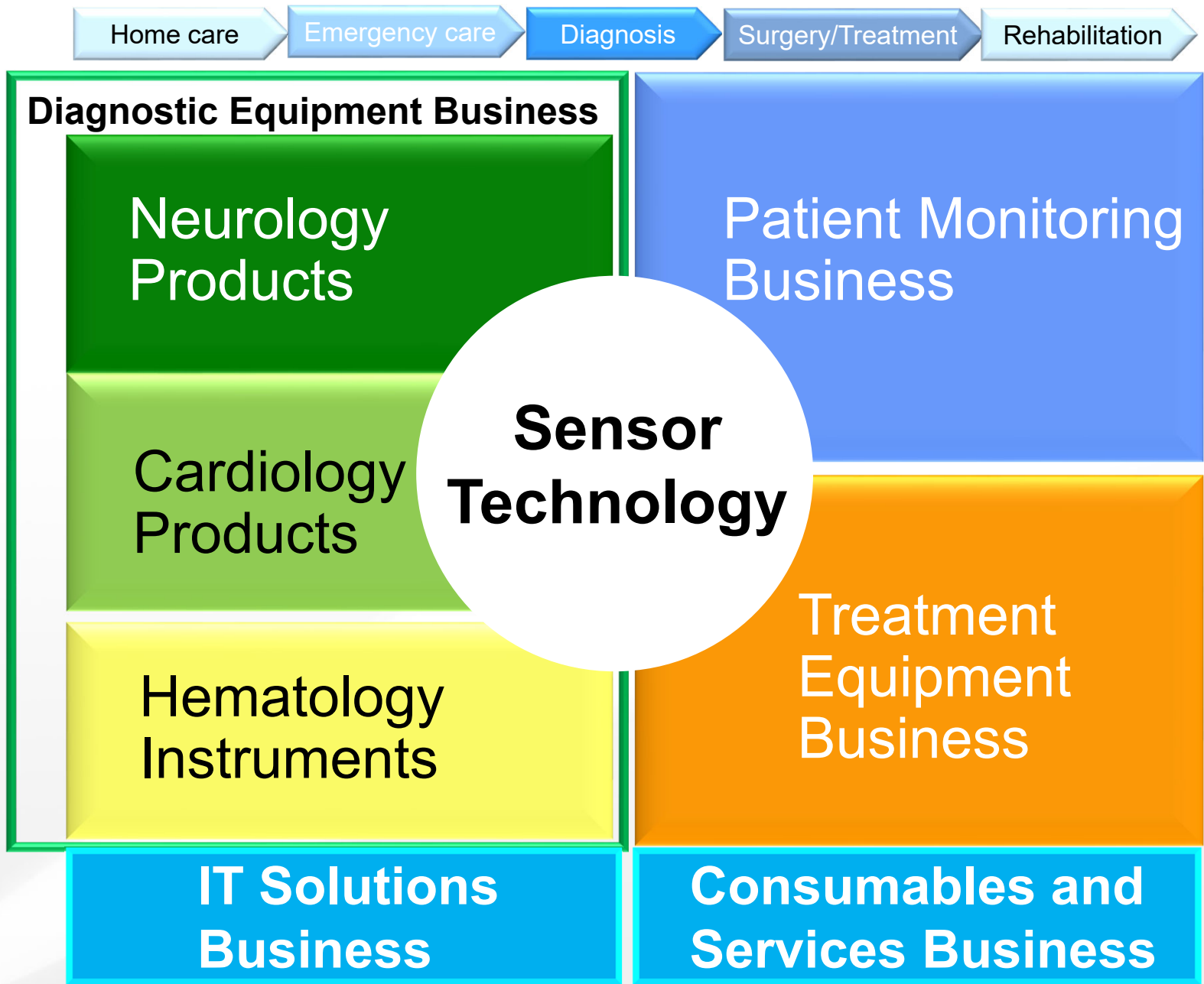
Vietnam Promote esCCO* in perinatal care

Mexico Promote AED

- Direct sales to key hospitals
- Strengthen IVD business

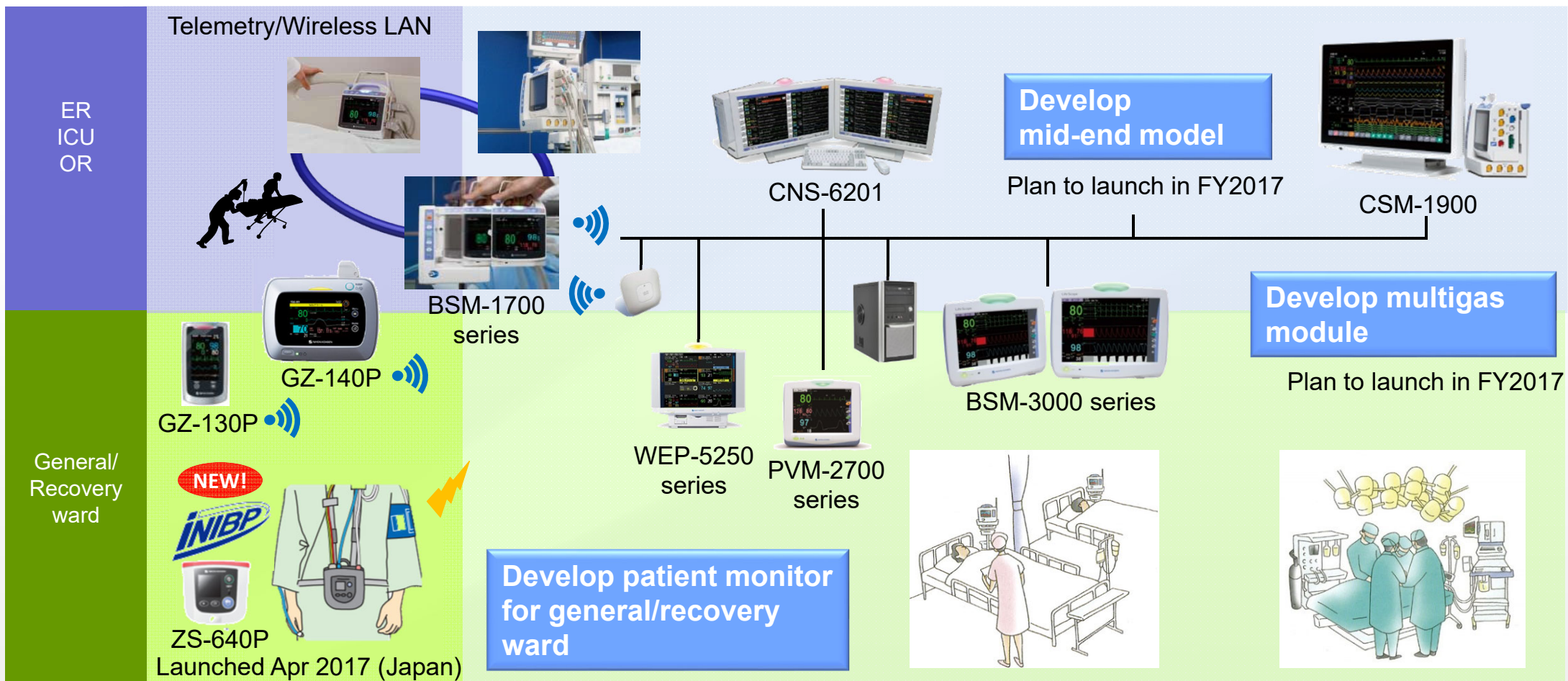
*esCCO is Nihon Kohden's original non-invasive method of continuous cardiac output measurement using ECG and pulse oximetry

Achieve Further Growth in Core Businesses

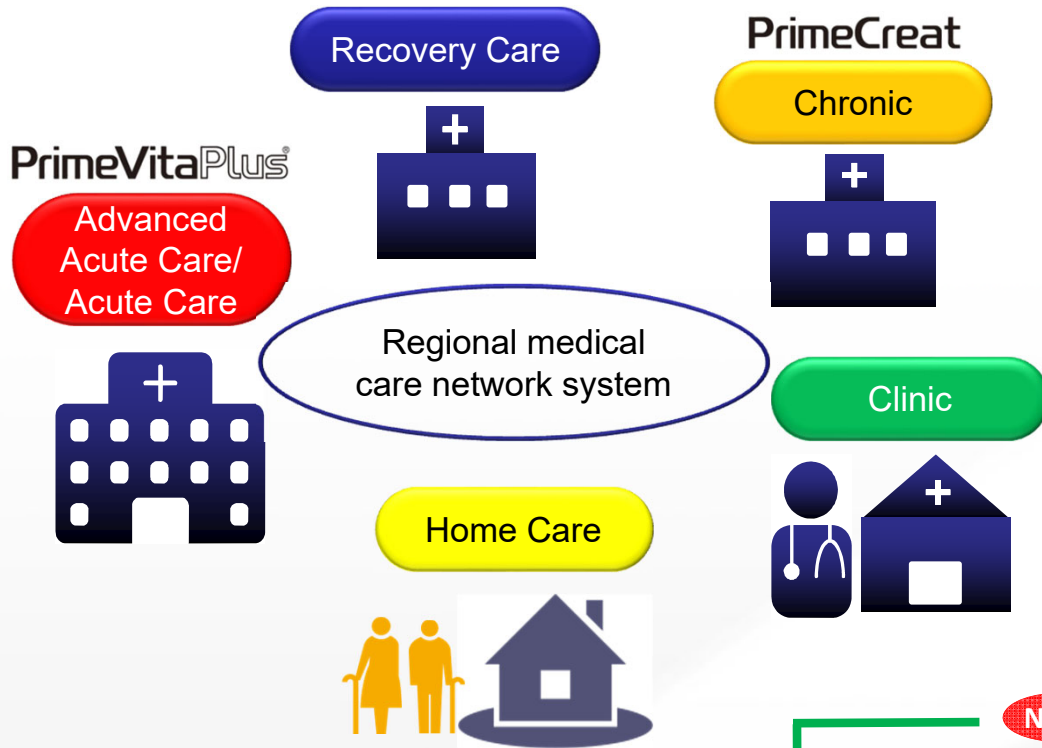


- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety

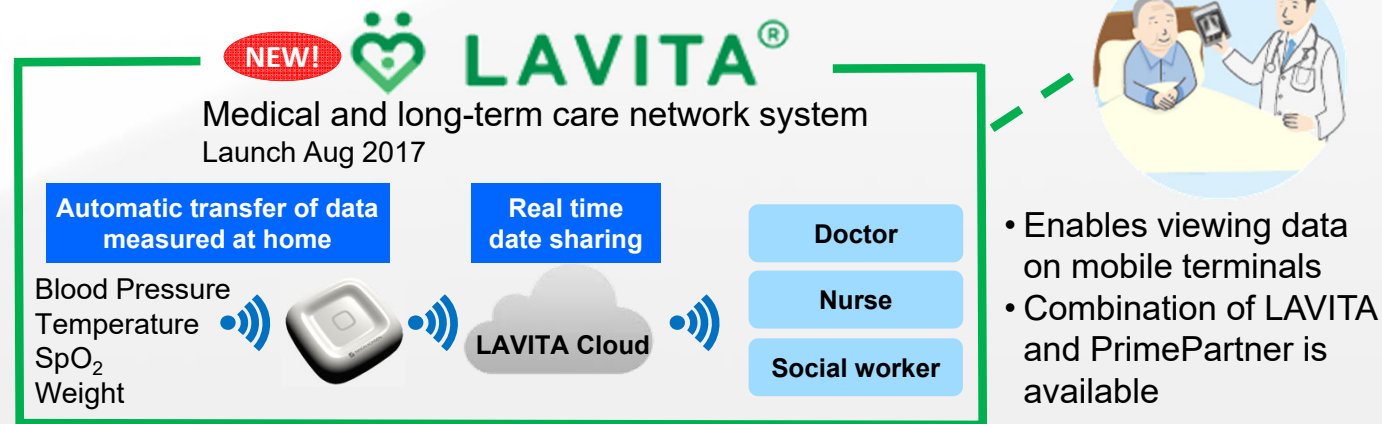
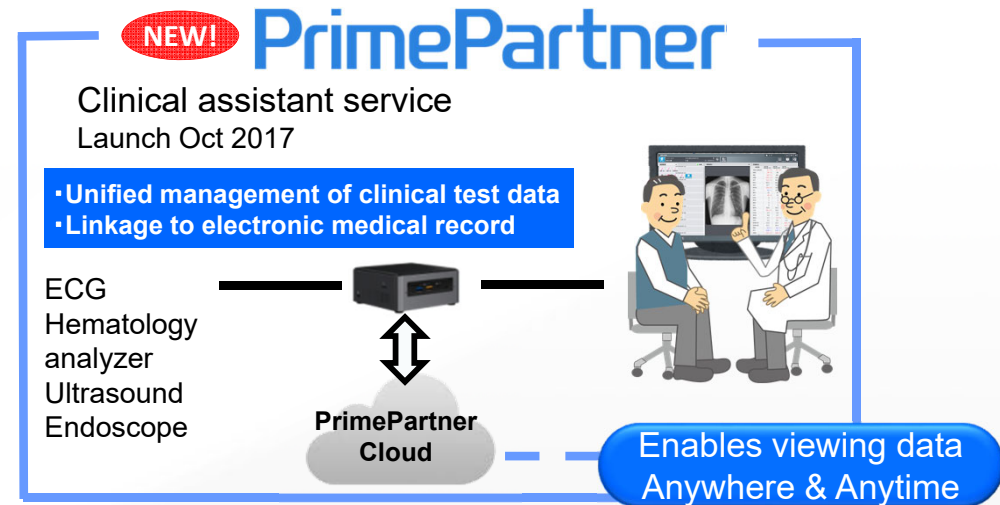
Expand product line-up and enhance network systems



- ✓ Expand our system product line-up to become the basis of regional medical care networks by utilizing cloud technologies



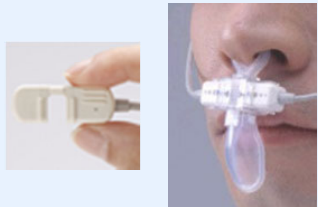
Nihon Kohden's first IT solution which uses **cloud servers** and charges users a **monthly fee**



- ✓ Promote market penetration of our unique sensor technologies globally

Expand CO₂ adapter

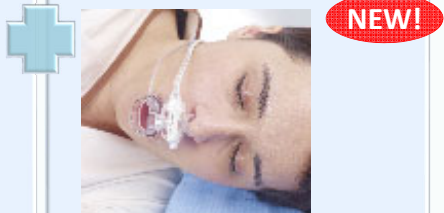
Mainstream CO₂ sensor



Oxygen mask with CO₂ monitoring

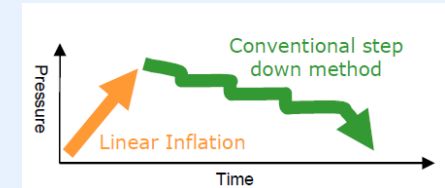


cap-ONE biteblock during upper endoscopy



Promote OEM business

NIBP modules' OEM supply agreement with TOITU



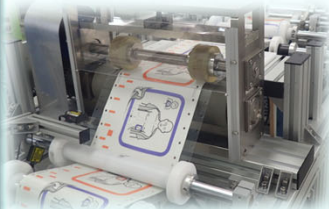
- ✓ Expand production and cost reduction of consumables

Goal to achieve FY2017

FY2018

FY2019 ~

AED disposable pads



Increase production capacity by automated production at Tomioka 2nd Plant

SpO₂ sensor



Automated production and cost reduction at Tomioka 2nd Plant

NIBP cuff



Automated production

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

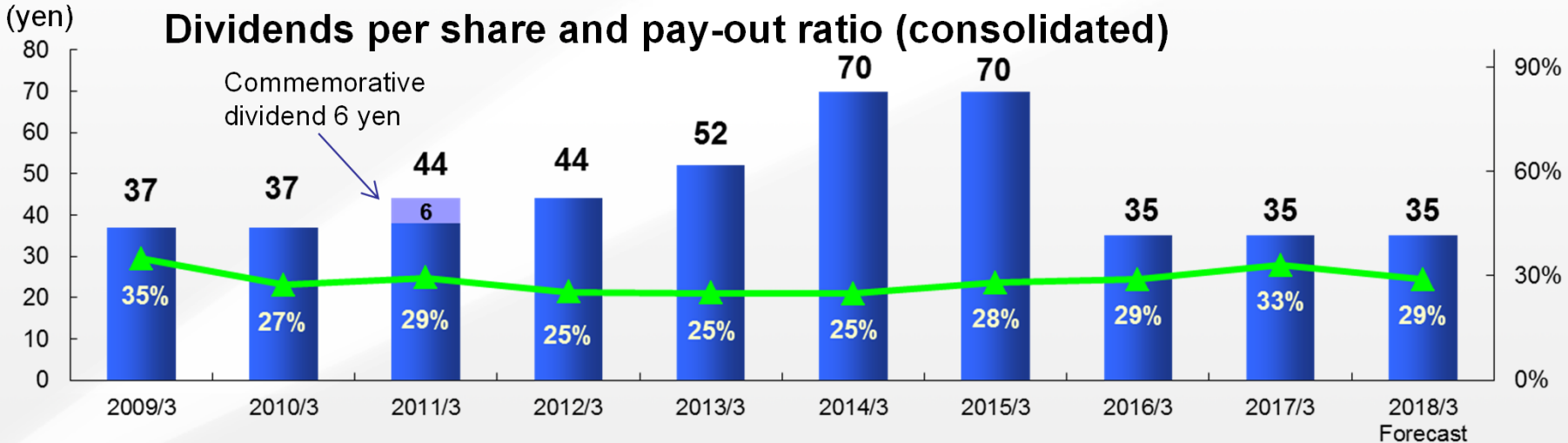
Investments for Growth

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.



*Effective April 1, 2015, each share of common stock was split into two shares. Dividends per share from FY2008 to FY2014 were actual payment amounts.

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.