

Consolidated Financial Highlights for the Third Quarter of FY2015

(From April 1, 2015 to December 31, 2015)



NIHON KOHDEN CORPORATION
(Ticker Code: 6849)

February 1, 2016

1) Consolidated Financial Results for the 3rd Quarter of FY2015

	FY2014 3Q 9 months	FY2015 3Q 9 months	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	108,277	111,654	3.1	
Domestic Sales	82,761	81,094	-2.0	
Overseas Sales	25,516	30,560	19.8	+8% on a local currency basis
Operating Income	8,342	7,247	-13.1	FY2014 3Q FY2015 3Q Gross Margin Ratio: 49.2% → 48.8% SG&A Ratio: 41.5% → 42.3%
Ordinary Income	10,036	7,588	-24.4	Foreign exchange gains or losses: FY2014 3Q FY2015 3Q ¥1.4 bil gains → ¥0.1 bil losses
Income Attributable to Owners of Parent	6,710	4,650	-30.7	
Average Exchange Rate	(2014/12)	(2015/12)		
1 US Dollar	105.7 yen	121.6 yen		
1 EURO	140.1 yen	133.9 yen		

*Gross margin ratio in 3Q (3 months)
FY2014 3Q FY2015 3Q
49.8% → 49.9%

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- Overall sales increased 3.1% to ¥111.6 billion. Operating income was ¥7.2 billion, ordinary income was ¥7.5 billion, and income attributable to owners of parent was ¥4.6 billion, with double-digit decrease.
- Domestic sales decreased 2.0% to ¥81.0 billion. Sales in the public and private hospital market were weak. Sales in the clinic market increased favorably. As the execution of the budget in the university market started October 2015, domestic business has gradually been recovering in the second half of this fiscal year.
- Overseas sales increased 19.8% to ¥30.5 billion, 8% growth on a local currency basis. Sales in all areas and all product categories showed double-digit growth.
- Operating income decreased because of decrease in domestic sales as well as increase in SG&A expenses which was primarily due to the strengthening of the Company's international business structure.
- Gross margin ratio was 48.8%, compared to 49.2% in FY2014 3Q. Gross margin ratio for three months ended December 2015 was improved due to the Company's efforts for improving profitability.
- In terms of the progress of the Company's revised its full-year forecasts announced on November 2015, overseas sales were lower but operating income was in line with its expectations. Internationally, sales in the U.S. and Europe increased favorably. Sales in Latin America and China were lagging. Especially, sales in Asia were far below expectations. Operating income was in line with expectations due to improving gross margin and restraining SG&A expenses.

2) Highlights of FY2015 3Q

Net Sales : +3.1%

- **Japan**: Sales in the public hospital and the private hospital market were weak. Sales in the clinic market increased favorably. As the execution of the budget in the university market started Oct 2015, domestic business has gradually been recovering in the second half of this fiscal year.
- **International**: Sales in all areas and all product categories showed double-digit growth.

Operating Income : -13.1%

- Operating income decreased because of decrease in domestic sales as well as increase in SG&A expenses which was primarily due to the strengthening of the Company's international business structure.

Ordinary Income : -24.4%

- Foreign exchange losses were recorded compared to foreign exchange gains in the same period of FY2014.

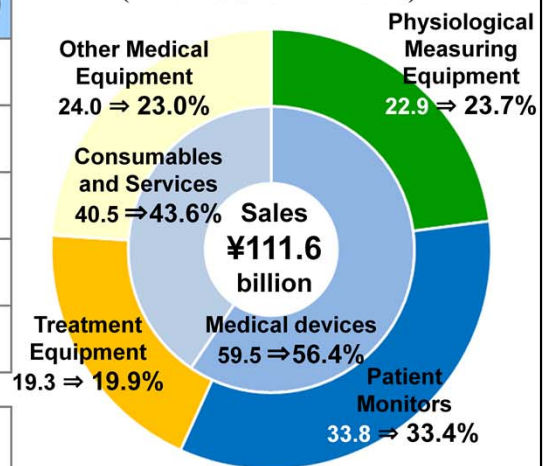
3) Sales by Product Category

(Sales, millions of yen)

	FY2014 3Q 9 months	FY2015 3Q 9 months	YoY (%)
Physiological Measuring Equipment	24,840	26,450	6.5
Patient Monitors	36,631	37,271	1.7
Treatment Equipment	20,855	22,164	6.3
Other Medical Equipment	25,950	25,768	-0.7
Total Sales	108,277	111,654	3.1
<small>(Reference)</small>			
Consumables and Services	43,868	48,683	11.0

Sales Composition by Product Category

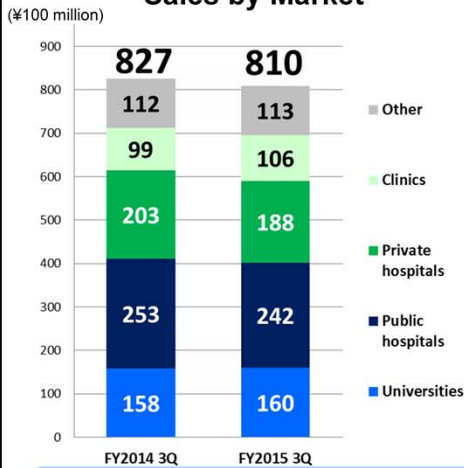
(FY2014 3Q ⇒ FY2015 3Q)



- Sales of Physiological Measuring Equipment increased 6.5% to ¥26.4 billion.
- Sales of Patient Monitors increased 1.7% to ¥37.2 billion.
- Sales of Treatment Equipment increased 6.3% to ¥22.1 billion.
- Sales of Other Medical Equipment decreased 0.7% to ¥25.7 billion.
- Sales of Consumables and Services increased 11% because the Company strengthened sales promotion of consumables internationally. Sales of Consumables and Services provided stable revenue.

4) Domestic Sales

Sales by Market



Sales by Product Category

(Sales, millions of yen)

	FY2014 3Q 9 months	FY2015 3Q 9 months	YoY (%)
Physiological Measuring Equipment	18,983	20,002	5.4
Patient Monitors	24,919	23,437	-5.9
Treatment Equipment	15,926	15,601	-2.0
Other Medical Equipment	22,931	22,052	-3.8
Total Sales	82,761	81,094	-2.0

[Markets] Sales in the public and private hospital market were weak. Sales in the clinic market and the university market increased.

[Products] **Physiological Measuring Equipment:** Sales of polygraphs for cath labs increased favorably. Sales of EEGs and diagnostic information system were flat, while sales of ECGs decreased.

Patient Monitors: Sales of transmitters and bedside monitors were weak. Sales of consumables and services, and clinical information system increased.

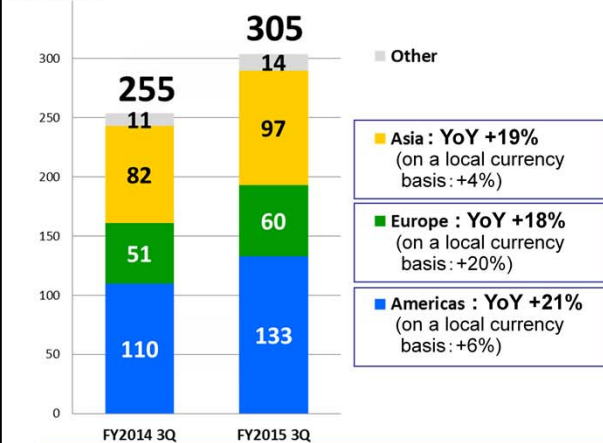
Treatment Equipment: Sales were weak because sales of cochlear implant decreased due to change of supplier. Sales of AEDs were flat.

Other Medical Equipment: Sales of locally purchased products decreased in accordance with the Company's selling policy focus on its own products.

- As shown above, domestic sales decreased by ¥1.7 billion to ¥81.0 billion.
- Sales in the public hospital market were weak due to spending restraints because the April 2014 medical fee revisions and consumption tax hike have been a negative for earnings at these hospitals. Sales in the private hospital market were also weak due to reaction to the higher demand in the same period last fiscal year.
- Sales in the clinic market increased favorably because the Company promoted solutions that meet their needs. Consulting business for private practice startups also contributed to sales increase.
- Sales in the university market increased as the execution of the budget started in the second half of this fiscal year.
- In Physiological Measuring Equipment, sales of polygraphs for cath labs increased favorably. Sales of EEGs started recovering in the second half.
- Sales of Patient Monitors decreased for nine months, while sales for three months ended December 2015 showed sign of recovery especially in university hospitals.
- Sales of AEDs were flat because it took a long time to switch from the older model to the new model launched in October 2015. The full-year sales forecast remains at 48,000 units because of steady demand.
- As for domestic market environment, the clinic market remains strong. The university and private hospital market has been recovering in the second half. The Company will focus on sales activities in the university and public hospital markets because their budget execution is concentrated at the end of the fiscal year.

5) Overseas Sales

(¥100 million)



Percentage of Overseas Sales to Consolidated Sales

FY2014 3Q 9 months	FY2015 3Q 9 months
23.6%	27.4%

Sales by Product Category

(Sales, millions of yen)

	FY2014 3Q 9 months	FY2015 3Q 9 months	YoY (%)
Physiological Measuring Equipment	5,856	6,447	10.1
Patient Monitors	11,711	13,834	18.1
Treatment Equipment	4,928	6,562	33.2
Other Medical Equipment	3,019	3,715	23.0
Total Sales	25,516	30,560	19.8

+8% on a local currency basis

- [Region]** **Americas:** Sales in the U.S. showed strong growth. Sales in Latin America decreased.
- Europe:** Sales increased favorably, especially in Western Europe, as the Company strengthened local sales and service networks by reorganization of European subsidiaries.
- Asia:** Sales in India, Korea and the Middle East showed strong growth. Sales in China also increased.
- [Products]** **Physiological Measuring Equipment:** Sales of ECGs increased favorably in Europe and Asia.
- Patient Monitors:** Sales increased favorably in all areas, especially in the U.S.
- Treatment Equipment:** Sales of Defibrillators and AEDs in all areas showed strong growth.
- Other Medical Equipment:** Sales of hematology analyzers increased favorably in Asia.

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- As shown above, overseas sales increased by ¥5 billion to ¥30.5 billion. Sales in all areas and all product categories showed double-digit growth, 8% growth on a local currency basis. Overseas sales ratio increased to 27.4%.
- In the Americas, sales in the U.S. showed strong growth, while sales in Latin America decreased. The Company expects positive growth for full-year sales in Latin America as orders increase favorably.
- In Europe, sales increased favorably, especially in Western Europe, as the Company strengthened its local sales and service network by reorganization of its European subsidiaries.
- In Asia, sales in India, Korea and the Middle East showed strong growth. Sales in China also increased.
- As for outlook of overseas sales in the fourth quarter, orders in the U.S. and Latin America will remain favorable. Orders in Europe will also remain favorable, but sales growth in the fourth quarter will be moderate due to reaction of stronger sales in the same period last fiscal year. In Asia, orders in Southeast Asia and the Middle East will remain favorable, while orders in China will be weak. Full-year sales in China will be ¥5.2 billion, mid single-digit growth on a yen basis. The fiscal year-end of group companies in China is December 31.

6) Topics – Strengthen Business in the Americas

New Product for the U.S.

Neuromonitoring Remote Access

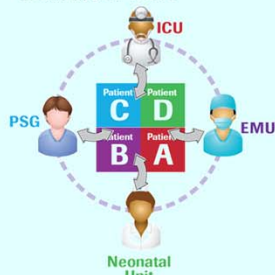
New!



Launch Feb 2016

Live View Panel

allows real-time management of remote neuromonitored patients with EEG and PSG from a centralized location



View patients from multiple locations within the local facility



View multiple locations from where ever you choose

Reorganization in LA

Jan 2016 **Establish Nihon Kohden Mexico**
Apr 2016 **Start operations**

New!



- Expand distributor network
- Strengthen sales and support to meet needs in Latin America

- Measures to strengthen its business in the Americas are as shown above.
- In the U.S., the Company will launch Live View Panel which supports remote diagnosis of epilepsy and sleep apnea syndrome. The Company's EEGs have strong brand recognition and users are well-known hospitals such as Cleveland Clinic. There is demand among these top-end hospitals for a system which allows real-time management of remote neuromonitored patients in multiple locations from a centralized location. The Company expects this product to contribute to sales as it meets the needs of top-end hospitals.
- In Latin America, the Company will enhance its sales and service network by reorganization of its sales subsidiaries. Until now, Nihon Kohden Do Brasil (NKBR) and Nihon Kohden Latin America (NKLA) have provided sales and after-sales support in Latin America. Nihon Kohden Mexico (NKMX), a sales subsidiary established in January 2016, aims to penetrate deeper into the Mexican market, the second largest market in this region after Brazil. NKLA, which provides sales and after-sales support in northern Latin America, will become an affiliate of NKMX. NKBR will expand its coverage area to southern Latin America.
- The Company continues to focus on strengthening business in the U.S. and Latin America, which is a growth driver of its overseas business.

7) Depreciation & R&D Costs

(Millions of yen)

	FY2014 3Q 9 months	FY2015 3Q 9 months	Change	FY2014 Actual	FY2015	
					Original Forecast announced May 11	Revised Forecast announced Nov 4
Depreciation	2,459	2,503	44	3,445	4,200	3,400
R&D costs	4,238	4,058	-179	5,745	6,400	6,100

● FY2015 capital investments plan:

- Molds for new products, production equipment, products for demonstration, ERP System
- Establish Tokorozawa R&D center
 - Start of construction: Apr 2015
 - Completion and relocation: Summer 2016
 - Capital investments: 7.2 billion yen < **FY2015: 3.5 billion yen**
FY2016: 3.7 billion yen
- Establish new facility in Asaka (Relocation of immunochemical products department)
 - Start of construction: Feb 2016 (Plan)
 - Completion and relocation: Winter 2016
 - Capital investments: 1.1 billion yen < **FY2015: 0.1 billion yen**
FY2016: 1.0 billion yen

- Depreciation was ¥2.5 billion, the same level as the same period last fiscal year.
- R&D costs decreased by ¥0.2 billion to ¥4 billion.
- Depreciation and R&D costs for FY2015 will be in line with the Company estimates.
- Construction of the Tokorozawa R&D center is proceeding as planned. The relocation is scheduled to be in summer 2016.

8) Forecast for FY2015

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

	FY2014 Actual	FY2015		YoY (%)
		Original Forecast announced May 11	Revised Forecast announced Nov 4	
Net Sales	160,803	172,000	167,000	3.9
Domestic Sales	122,490	126,000	121,000	-1.2
Overseas Sales	38,313	46,000	46,000	20.1
Operating Income	15,921	18,000	16,500	3.6
Ordinary Income	17,234	18,000	16,800	-2.5
Income Attributable to Owners of Parent	11,142	12,100	10,700	-4.0
Percentage of Overseas Sales	23.8%	26.7%	27.5%	
Average Exchange Rate				
1 US Dollar	109.6 yen	118 yen	121 yen	
1 EURO	139.4 yen	125 yen	135 yen	

	FY2014 Actual	FY2015		YoY (%)
		Original Forecast announced May 11	Revised Forecast announced Nov 4	
Americas	16,423	20,000	20,300	23.6
Europe	7,495	7,700	8,300	10.7
Asia	12,581	16,100	15,200	20.8
Other	1,813	2,200	2,200	21.3

FY2015 2H	
120 yen	
135 yen	

Notes: As of Feb 1, 2016, based on the assumed exchange rates of 120 yen to the dollar and 130 yen to the euro for the fourth quarter, the average rates will be 121 yen to the dollar and 133 yen to the euro for FY2015.

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- Regarding outlook for the fourth quarter, domestic sales are expected to be flat compared to the same period last fiscal year because the Company will focus on selling its own products and improving gross margin ratio. The clinic market will remain strong. University hospitals and public hospitals start executing their budgets toward the end of the fiscal year. The Company aims to achieve its domestic sales target of ¥121 billion through sales activities to receive orders.
- The overseas sales target for FY2015 is becoming challenging because the Company recognizes that sales result in China will be weaker than its expectations. Markets in the U.S., Europe and emerging countries such as the Middle East and Southeast Asia will continue to perform well. Internationally, the Company aims to achieve its overseas sales target for FY2015 of ¥46 billion and double-digit growth in the fourth quarter.
- The Company reaffirms its forecast for FY2015, overall sales of ¥167 billion and operating income of ¥ 16.5 billion.

(Ref.) Consolidated Forecast for FY2015 by Product Category

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

	FY2014 Actual	FY2015		YoY (%)
		Original Forecast announced May 11	Revised Forecast announced Nov 4	
Physiological Measuring Equipment	37,180	40,400	40,100	7.9
Patient Monitors	53,068	59,050	56,000	5.5
Treatment Equipment	29,393	32,050	31,900	8.5
Other Medical Equipment	41,160	40,500	39,000	-5.2
Total	160,803	172,000	167,000	3.9
(Reference)				
Consumables and Services	61,426	65,750	68,300	11.2

- The Company also leaves its full-year sales forecast 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.