

Consolidated Financial Highlights for First Half of FY2015

(From April 1, 2015 to September 30, 2015)

1. Consolidated Financial Results for First Half of FY2015
2. Forecast for FY2015
3. Business Strategy

November 10, 2015



Consolidated Financial Results for First Half of FY2015

1) Consolidated Financial Results for the 1st Half of FY2015

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

	First half FY2014	First half FY2015			
		Original Forecast announced May 11, 2015	Revised Forecast announced July 31, 2015	Actual	YoY (%)
Sales	72,023	78,500	74,000	73,498	2.0
Domestic Sales	55,695	-	-	53,285	-4.3
Overseas Sales	16,327	-	-	20,213	23.8
Operating Income	5,502	6,000	3,500	4,219	-23.3
Ordinary Income	6,096	6,000	4,000	4,401	-27.8
Income Attributable to Owners of Parent	4,123	4,100	2,600	2,516	-39.0

-3.8% excluding the impact of transfer of transformer business

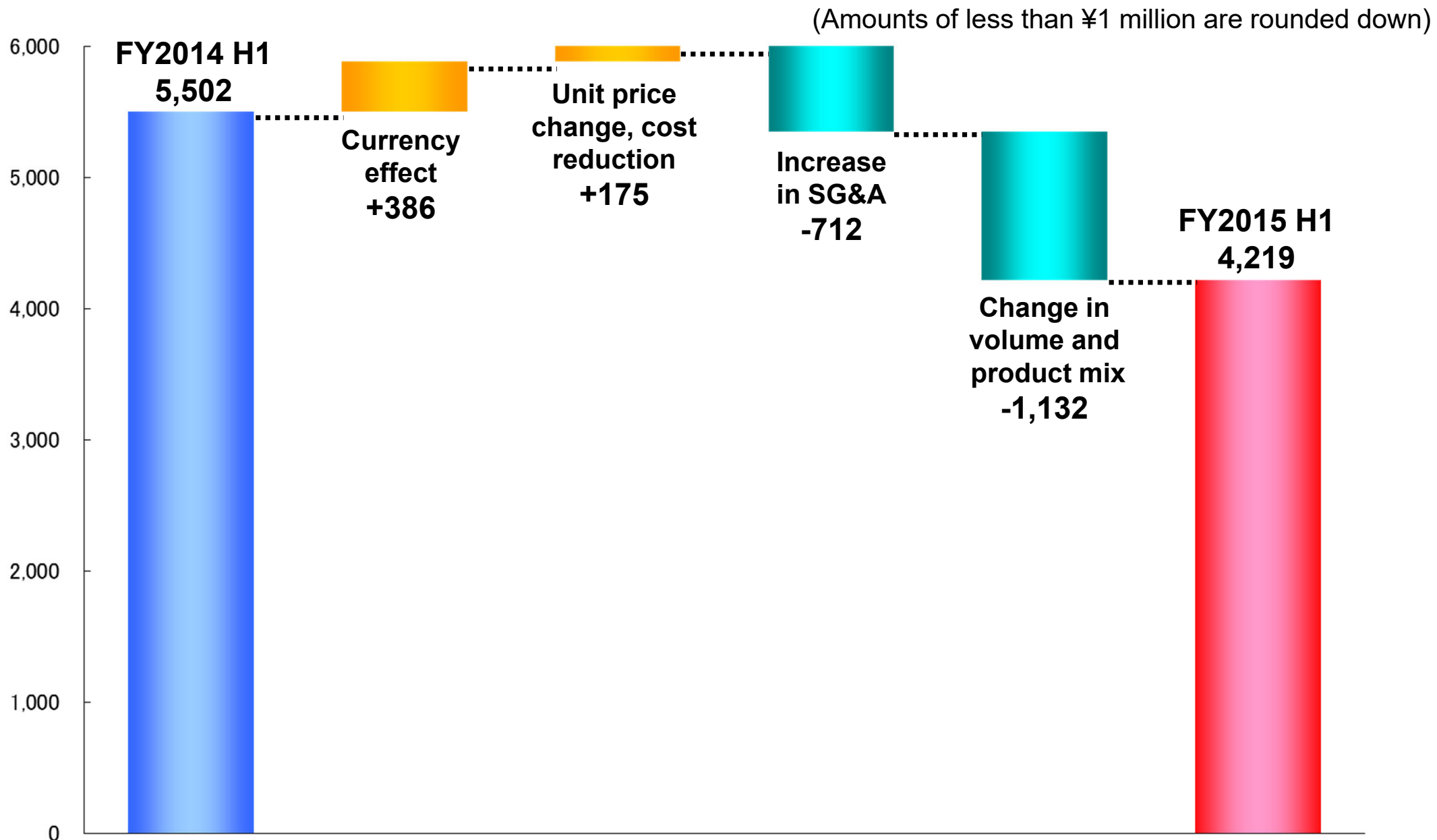
+9% on a local currency basis

	FY2014 H1	FY2015 H1
Gross margin ratio:	48.9%	→ 48.3%*
SG&A ratio:	41.3%	→ 42.6%

*Gross margin ratio improved in 2Q (3 months)
 FY2014 2Q FY2015 2Q
 47.6% → 48.8%

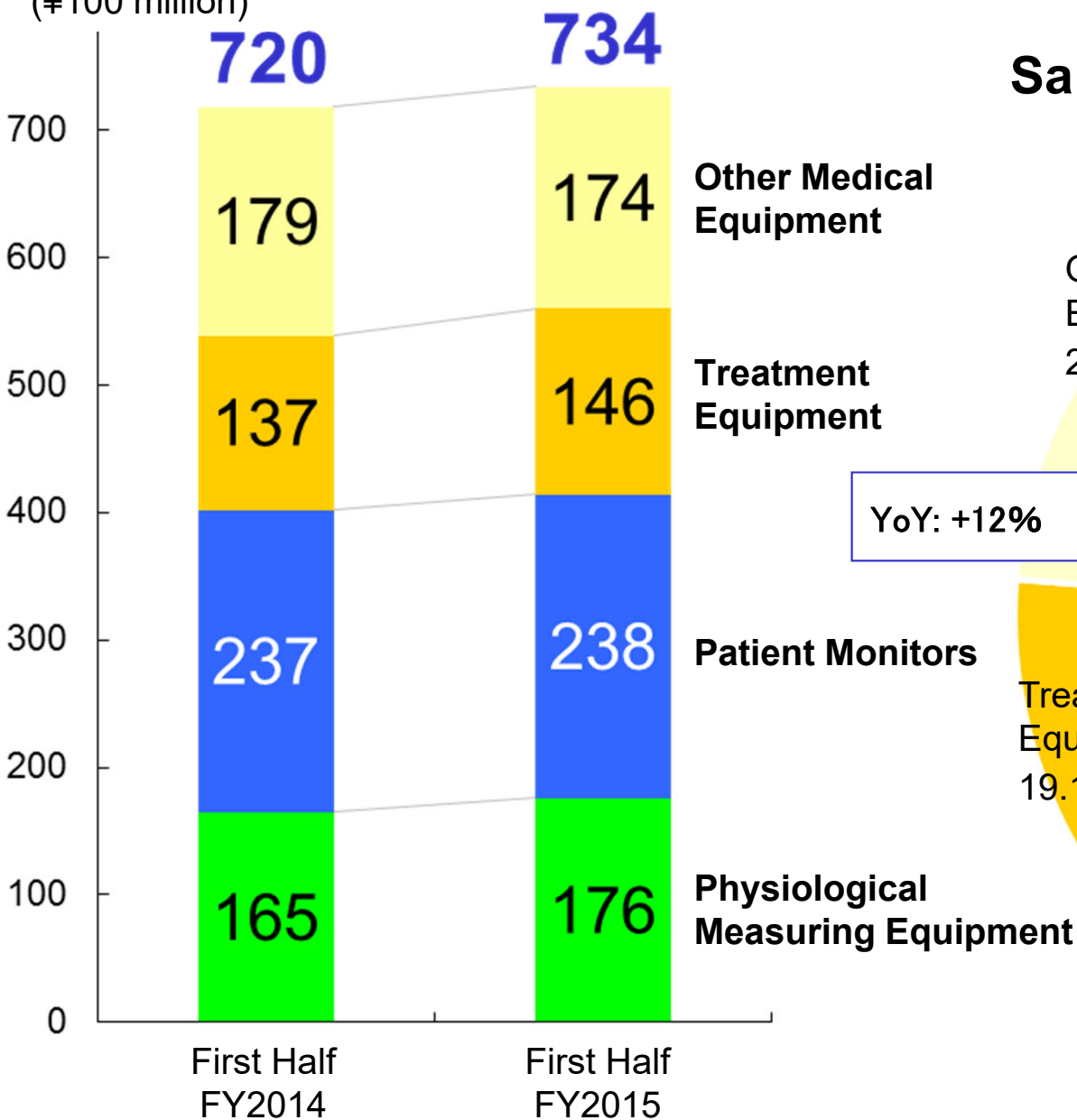
Average exchange rate	First half FY2014	First half FY2015
1 US Dollar	102.6 yen	121.6 yen
1 EURO	138.9 yen	135.0 yen

2) Breakdown of Operating Income



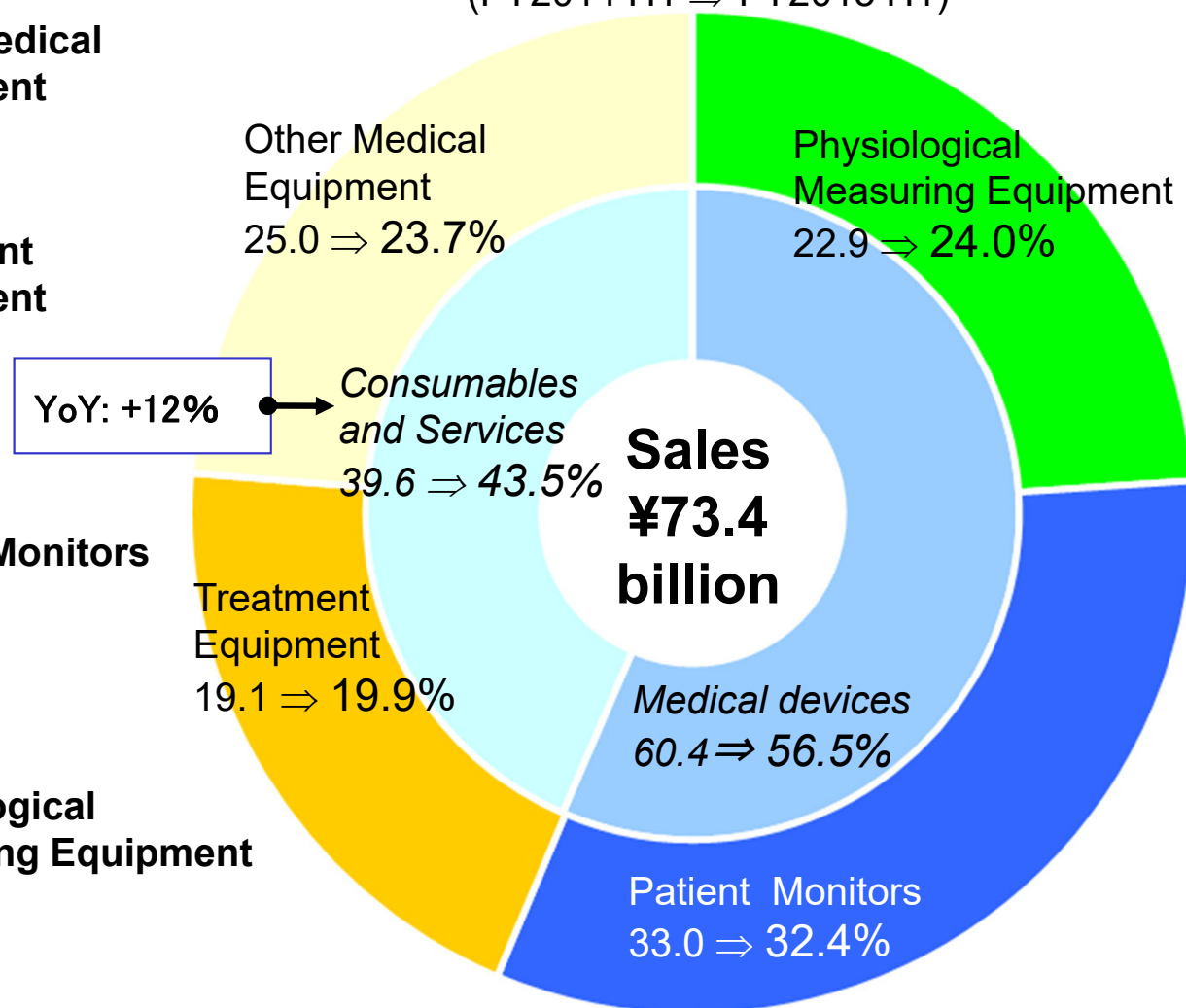
3) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2014 H1 ⇒ FY2015 H1)



3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	First half FY2014	First half FY2015	YoY (%)	Comparable YoY (%)
Electroencephalographs	4,480	3,812	-14.9	-0.3
Electrocardiographs	3,331	3,405	2.2	
Polygraphs for Cath Lab	4,501	5,313	18.0	
Other Physiological Measuring Equipment *	4,200	5,080	20.9	4.6
Physiological Measuring Equipment	16,514	17,611	6.6	
Domestic Sales	12,756	13,213	3.6	
Overseas Sales	3,757	4,397	17.0	

Domestic: Sales decreased.
Overseas: Sales increased excluding the impact of reclassification.

Domestic: Sales decreased.
Overseas: Sales in Europe and Asia increased favorably.

Domestic: Sales of EP catheters increased. New product also contributed.

*Other Physiological Measuring Equipment includes diagnostic information system and products of other companies. Effective FY2015, local installed products are reclassified into Other Physiological Measuring Equipment; this was previously classified into Electroencephalographs. This reclassification was due to the ERP installation into our U.S. sales subsidiary; sales of local installed products in the 1st half FY2014 were about 0.6 billion yen.



Electroencephalographs

EEG-1250



Electrocardiographs

ECG-2300

New!



Polygraphs for cath labs

RMC-5000

3.2) Patient Monitors

(Sales, millions of yen)

	First half FY2014	First half FY2015	YoY (%)
Patient Monitors	23,797	23,804	0.0
Domestic Sales	16,446	14,669	-10.8
Overseas Sales	7,351	9,135	24.3

Sales decreased due to reaction to the higher demand in the same period last year in the private hospital market.

Sales in Americas, Europe and Asia increased favorably. New products also contributed.



Bedside monitors
CSM-1901

New!



Bedside monitors for emerging countries
SVM-7500 series

New!



Vital sign telemeter
GZ-130P

New!



SpO₂ probes



Oxygen mask with CO₂ monitoring



ECGs Electrodes

Consumables

3.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2014	First half FY2015	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,343	2,640	12.7
AEDs (Automated External Defibrillator)	6,037	6,951	15.1
Pacemakers / ICDs	1,513	1,431	-5.4
Ventilators	679	644	-5.1
Other Treatment Equipment	3,166	2,977	-6.0
Treatment Equipment	13,739	14,645	6.6
Domestic Sales	10,496	10,348	-1.4
Overseas Sales	3,243	4,296	32.5
(Ref.) AED Unit Shipments	39,300	42,900	9.2
Domestic Unit Sales	24,600	25,300	2.8

Overseas: Sales in Americas, Europe and Asia increased favorably.

Domestic: AED unit sales increased due to demand for extension and replacement.



AED Remote Monitoring System



AED-2150, 2151, 2152

Overseas:
AED sales increased in all areas. Sales of both Defibtech and Nihon Kohden AEDs increased.

Domestic: Sales decreased due to change of cochlear implant supplier.



Defibrillators
TEC-5600 series



AEDs
AED-2150



Pacemakers
Zenex MRI



Ventilators
HAMILTON-C1

New!



Anesthesia Machine
Leon plus

3.4) Other Medical Equipment

(Sales, millions of yen)

	First half FY2014	First half FY2015	YoY (%)
Hematology Analyzers	4,203	5,073	20.7
Imaging Systems, Medical equipment for study and others *	13,767	12,363	-10.2
Other Medical Equipment	17,971	17,437	-3.0
Domestic Sales	15,996	15,053	-5.9
Overseas Sales	1,974	2,383	20.7

Domestic: Sales of hematology analyzers and clinical chemistry analyzers increased in the clinic market.
Overseas: Sales of hematology analyzers and reagents increased favorably in Asia, especially India and the Middle East.

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

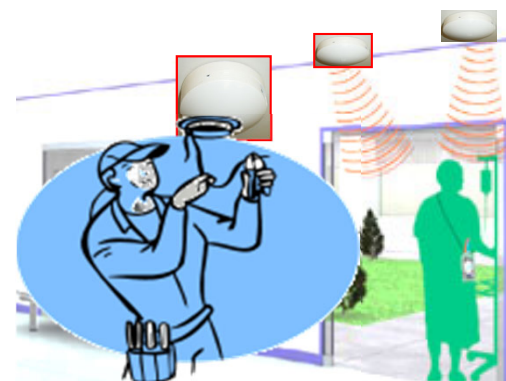
*Includes consumables, installation and maintenance services which are not applicable to other categories. Transformer business was transferred in Sep 2014.



Automated hematology analyzers
MEK-6500



Clinical chemistry analyzers
CHM-4100

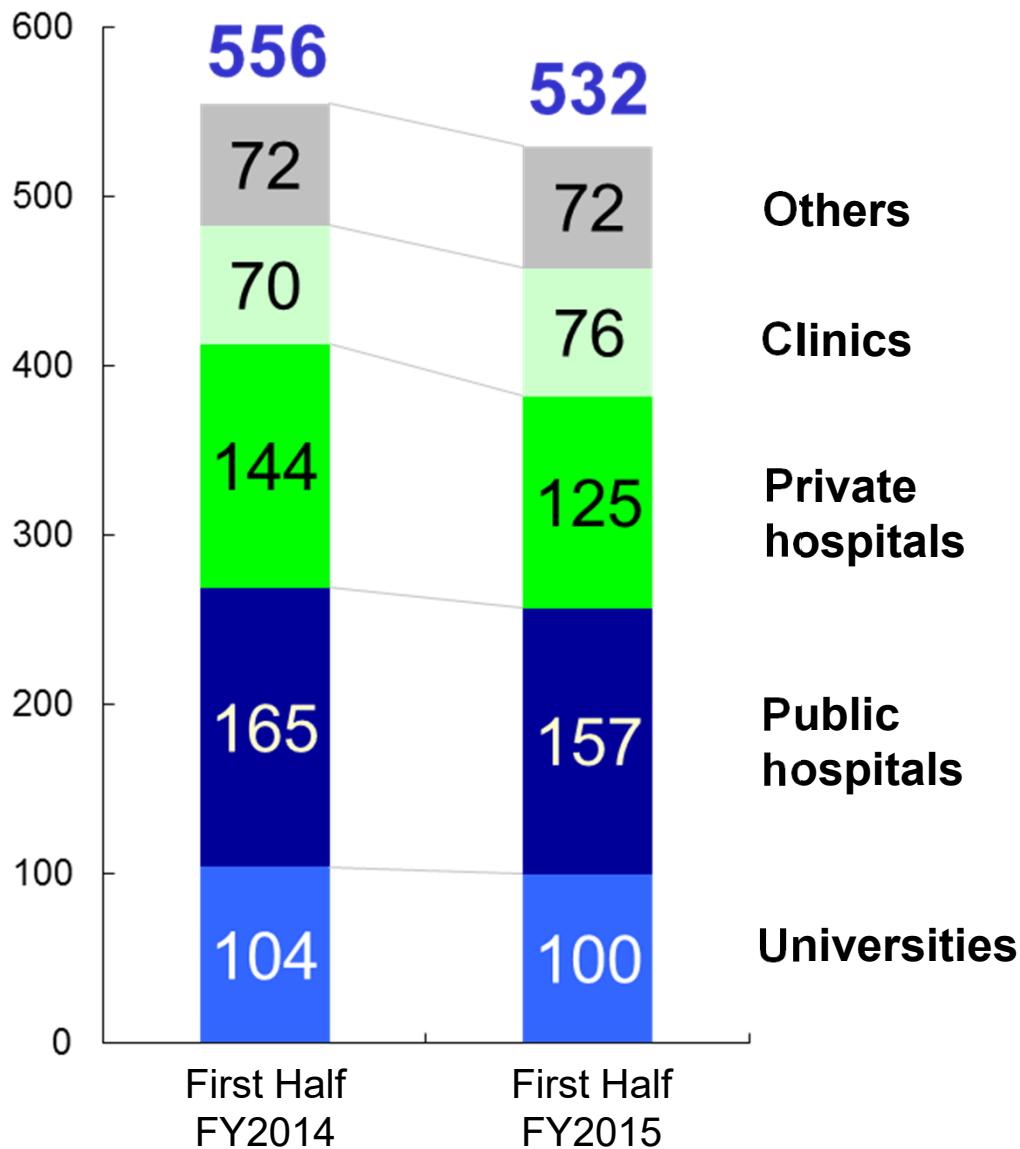


Installation and maintenance services

4) Domestic Sales

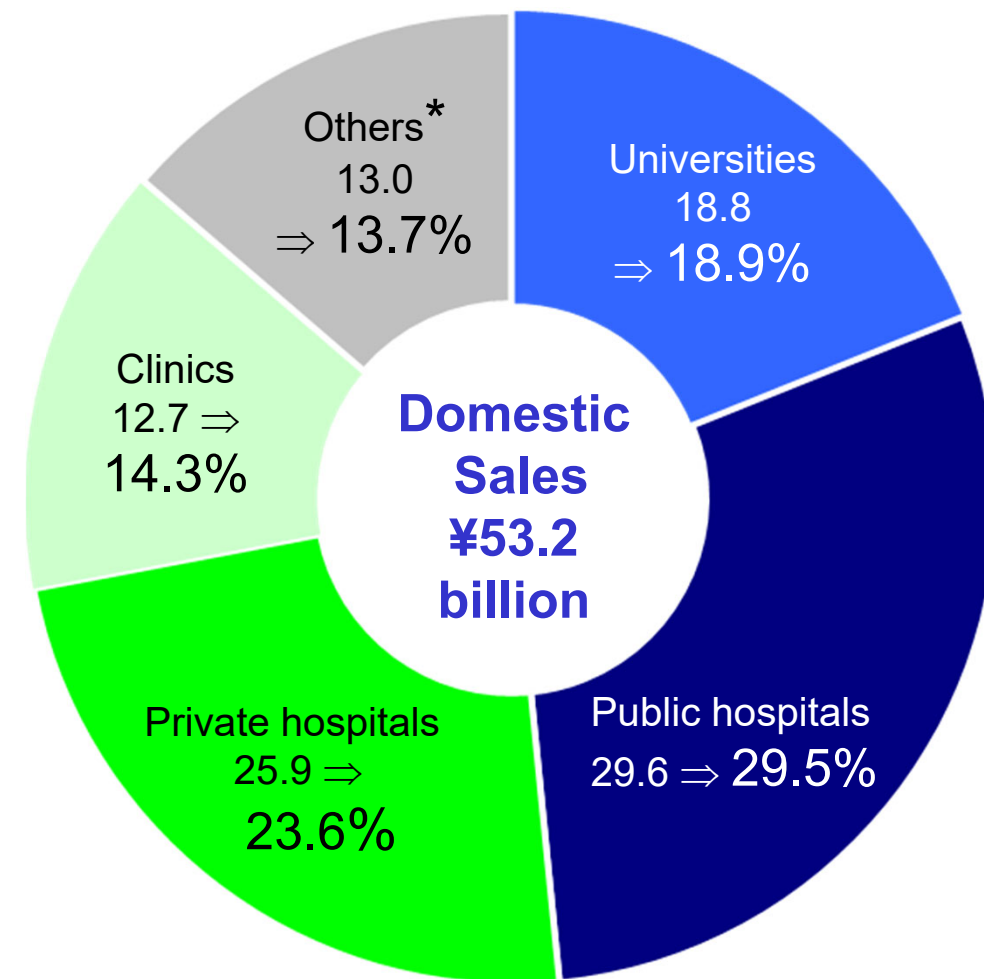
Sales by market

(¥100 million)



Sales composition by market

(FY2014 H1 ⇒ FY2015 H1)

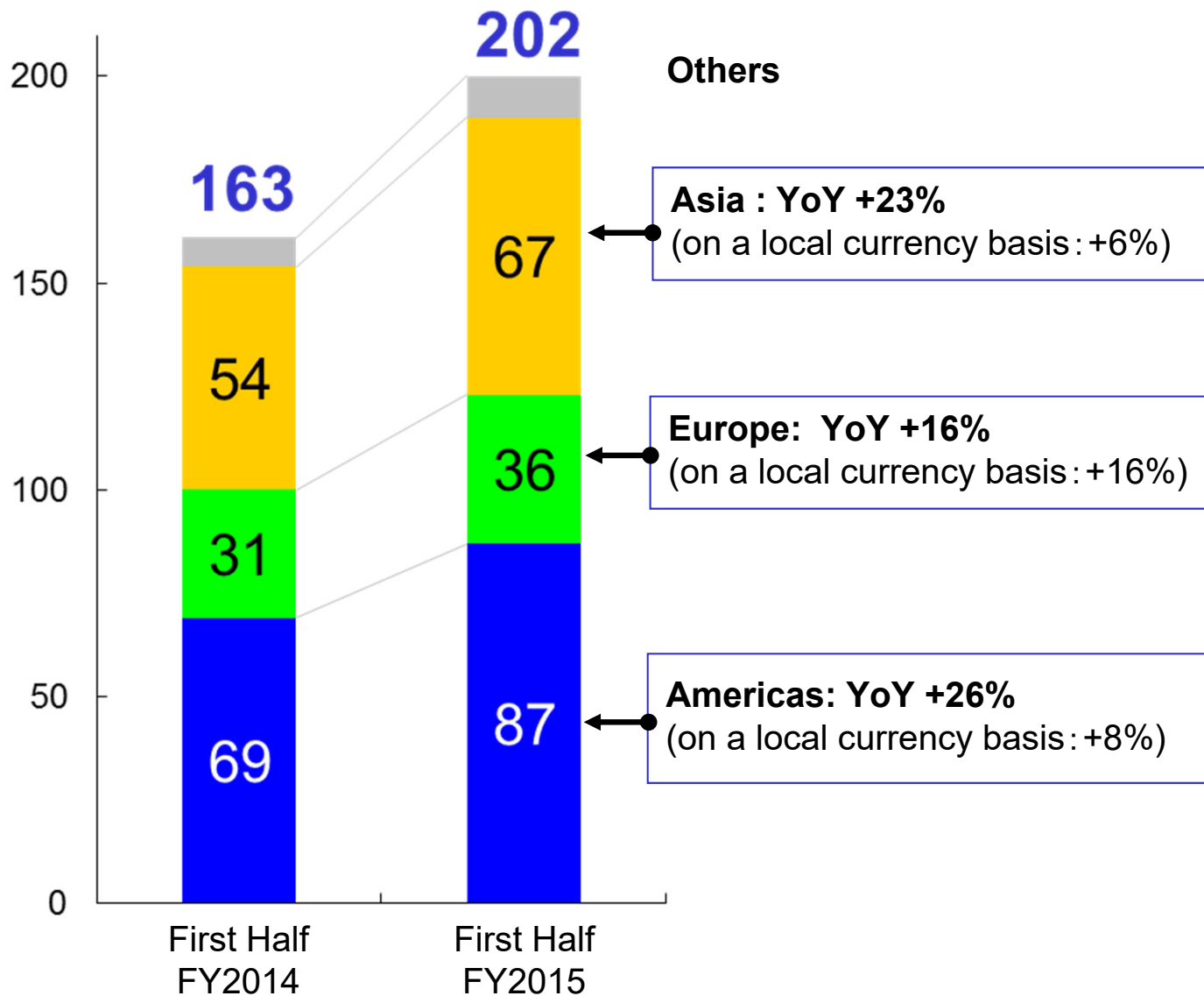


* Others include laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

5) Overseas Sales

Geographic segments

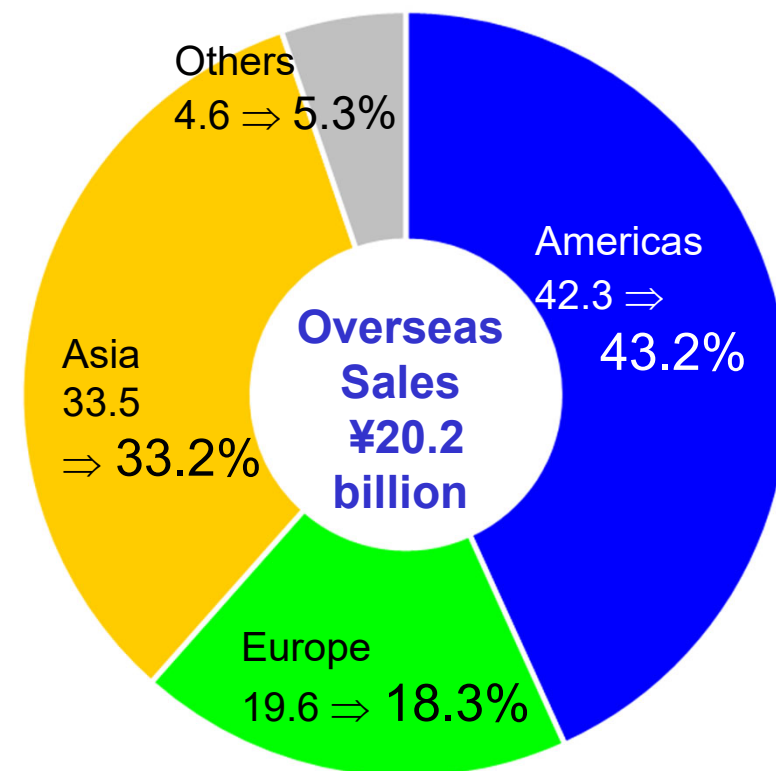
(¥100 million)



Percentage of overseas sales to consolidated sales

First half FY2014	First half FY2015
22.7%	27.5%

Geographic Segments (FY2014 H1 ⇒ FY2015 H1)



6) Financial Condition

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

	FY2014	First half FY2015	Change
Current Assets	118,389	104,529	- 13,859
Fixed Assets	28,366	28,812	446
Total Assets	146,755	133,342	- 13,413
Current Liabilities	45,654	32,570	- 13,083
Non-current Fixed Liabilities	1,797	1,505	- 292
Total Liabilities	47,451	34,076	- 13,375
Net Assets	99,304	99,265	- 38
Total Liabilities & Net Assets	146,755	133,342	- 13,413

7) Capital Investments and R&D Costs

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

	First half FY2014	First half FY2015	FY2014	FY2015	
				Original Forecast announced May 11	Revised Forecast announced Nov 4
Capital Investments	1,664	2,873	5,158	9,600	8,600
Depreciation	1,574	1,596	3,445	4,200	3,400
R&D costs	2,798	2,616	5,745	6,400	6,100

● FY2015 H1 capital investments:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment and construction of Tokorozawa R&D center

● 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

Forecast for FY2015



1) Business Environment

Japan

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

- Differentiate medical providers
- Promote home medical care and nursing care
- Establish integrated community care systems

- 0.1% upward revision of medical treatment fees and consumption tax hike in Apr 2014
- Funds for securing comprehensive medical and long-term care in the communities
FY2015: ¥162.8 bil (¥90.4 bil for medical, ¥72.4 bil for long-term care)

Government requires each prefecture to draw up a regional health vision. Deadline Mar 2018; desired mid 2016

Environmental changes cause spending restraints in the hospital market

International

Europe

- Economy remains in a recovery trend

USA

- Number of Americans with health insurance increased under the Affordable Care Act

Emerging Countries

- Political uncertainty and weaker currency in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

2) Measures in the 2nd Half of FY2015

Recovery of domestic business

Strengthen patient monitors business

- Receive orders for patient monitors in the university market and public hospital market
- Introduce competitive products and value-added features

Develop business respond to healthcare system reform

- Establish regional health care networks → Focus on the private hospital market and the clinic market
- Medical Investigation System for Malpractice started in Oct 2015→Provide products and services for medical safety

Improvement of profitability

Expand sales of consumables and services

- Focus on sales of our own consumables such as SpO₂ and CO₂ sensors

Reduce costs at R&D and production

- Reduce manufacturing costs of selected models and sensors by decreasing man-hours and material costs
- Improve development efficiency by merging R&D sections for technologies which are common to all product lines
- Improve productivity by introducing automatic inspection systems and changing from a worker cell production to a group cell production

Strengthen cost control across all Nihon Kohden groups by improving expense management in each subsidiary and division, while continuing necessary investments for future international business expansion.

3) Forecast for FY2015

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

	FY2014	FY2015		YoY (%)
		Original Forecast announced May 11	Revised Forecast announced Nov 4	
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

Breakdown of overseas sales by region

	FY2014	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
Others	1,813	2,200	2,200	21.2

Percentage of overseas 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

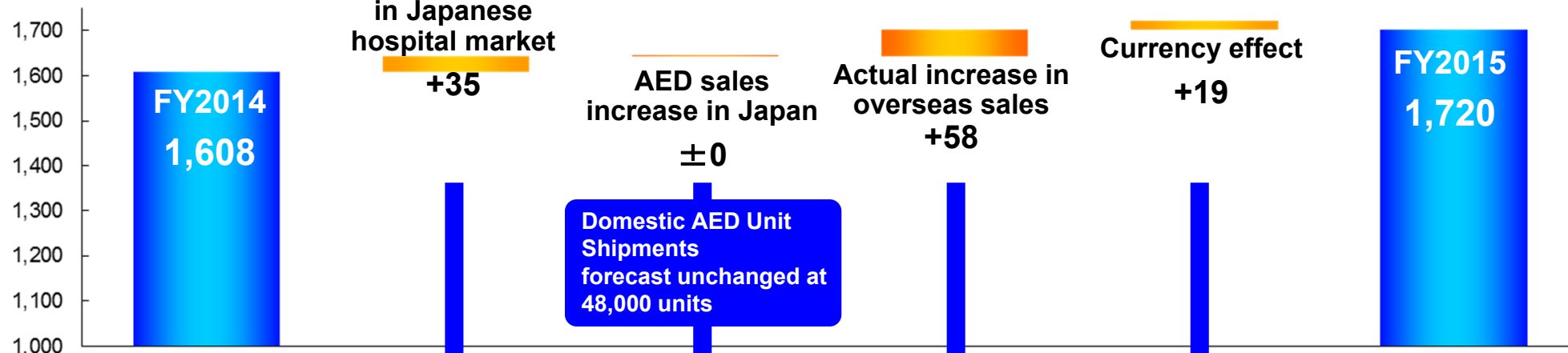
FY2015 2H

120 yen
135 yen

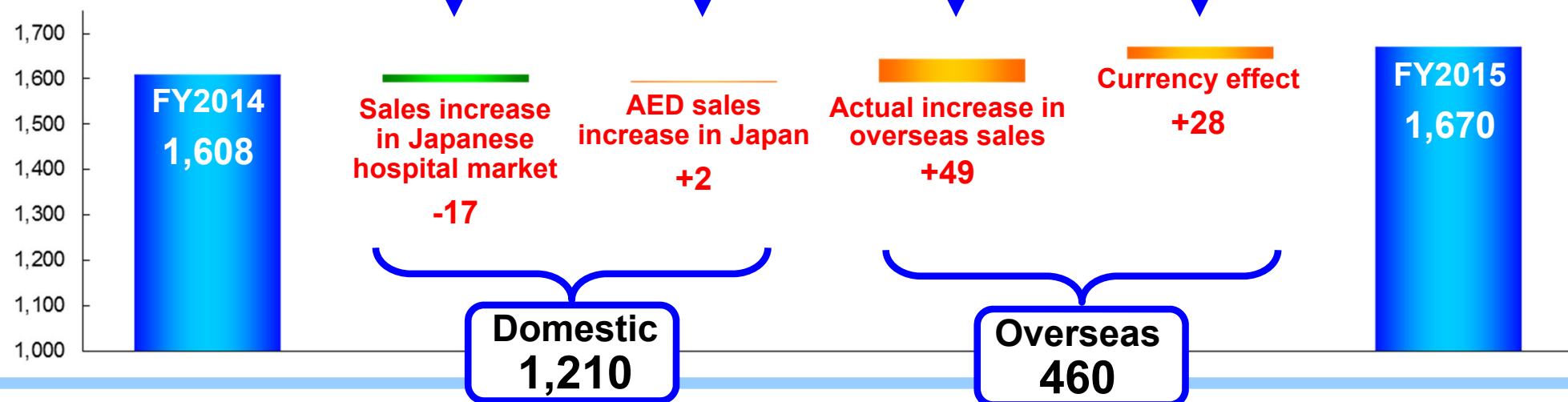
4) Analysis of FY2015 Sales Forecast

(¥100 million)

Original Forecast (announced May 11)



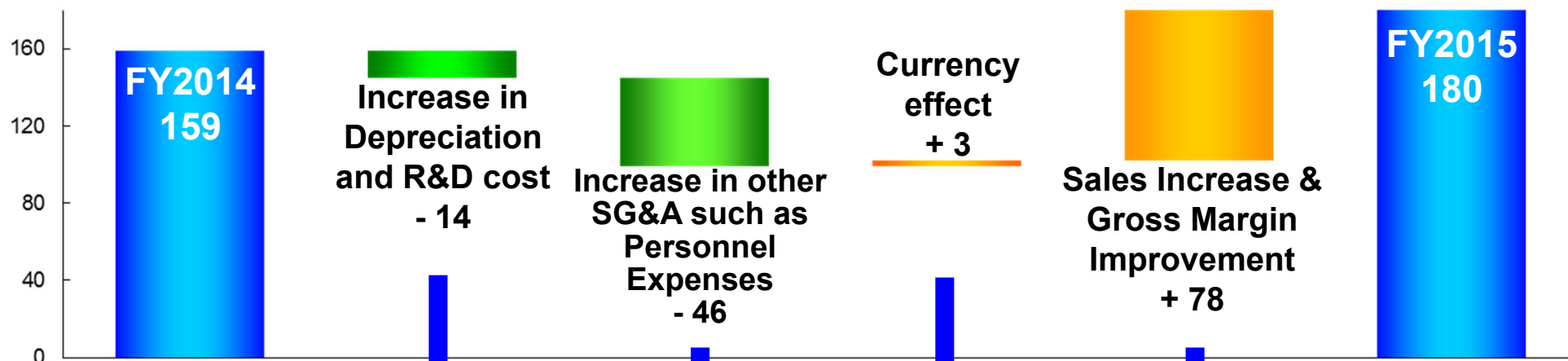
Revised Forecast (announced Nov 4)



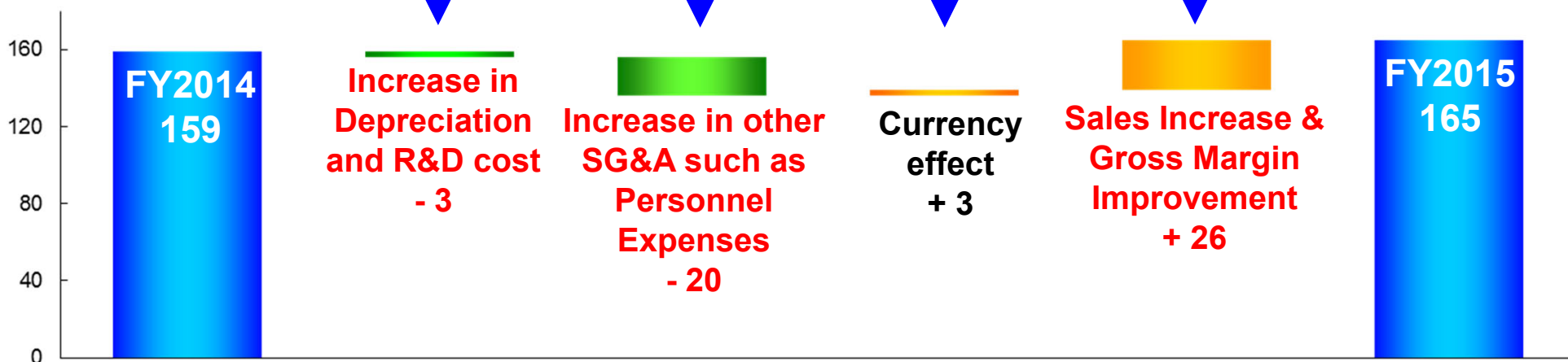
5) Analysis of FY2015 Operating Income Forecast

(¥100 million)

Original Forecast (announced May 11)



Revised Forecast (announced Nov 4)



(Ref.) Consolidated Forecast FY2015 by Product Category

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

	FY2014	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

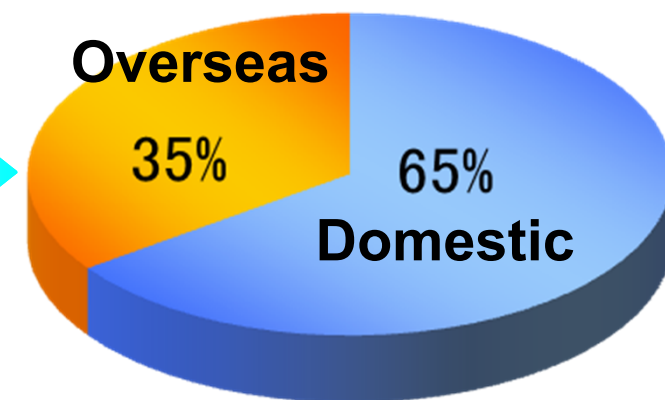
Business Strategy



1) Long-term Vision and Mid-term Business Plan

Long-term Vision (April 2010 to March 2020)

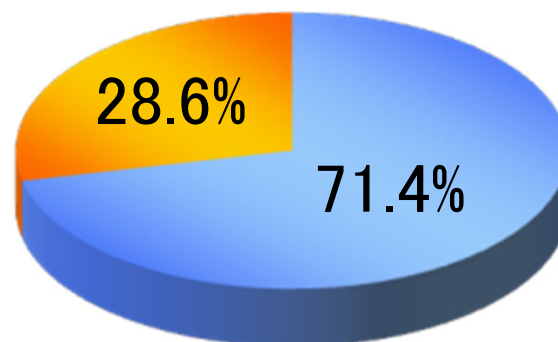
The CHANGE 2020
-The Global Leader of Medical Solutions-



2nd Stage

Strong Growth 2017

(April 2013 to March 2017)



FY2016

Sales ¥182 billion

Operating Income ¥20 billion

Operating income ratio 11.0%

Fiscal year ending March 2020

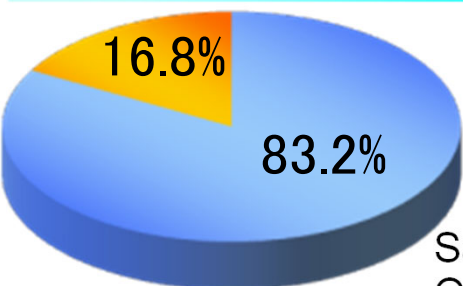
Sales ¥200 billion

Operating Income ¥25 billion

Operating income ratio 12.5%

1st Stage

SPEED UP III



FY2012

Sales ¥132.5 bil

Operating Income ¥13.4 bil

Operating income ratio 10.2%

**Strong
Growth
2017**

2) Targets for FY2016 ending March 2017

¥billion	FY2012 actual	FY2015 forecast	FY2016 mid-term target	4 year CAGR
Sales	132.5	167.0	182.0	8.3%
Domestic	110.2	121.0	130.0	4.2%
Overseas	22.3	46.0	52.0	23.5%
Operating Income	13.4	16.5	20.0	10.4%
ROE	12.7%		13.5%	

Breakdown of overseas sales by region

Exchange rate as of plan is 118 yen to dollar and 125 yen to euro.

Americas	8.0	20.3	22.6	29.3%
Europe	5.6	8.3	8.7	11.6%
Asia	7.5	15.2	18.2	24.6%
Other	1.0	2.2	2.5	24.0%

3) Key Strategies of Mid-term Business Plan

Pursue the highest level of quality in the world

Strengthen technological development capabilities

Strengthen business expansion by region

Achieve further growth in core businesses

Develop new businesses

Consolidate corporate fundamentals

4) Strategy for FY2015

(i) Achieve further growth in core businesses

New products in FY2014 and FY2015

Diagnostic Equipment

Neurology products



Intraoperative monitoring system
MEE-2000
Launch 2015 (USA)

Cardiology products



Polygraphs for cath labs
RMC-5000
Launch 2015 (Japan)



Hematology analyzer
Plan to launch 2016



High DNA content measuring flow cytometer
FCM-2200
Launch 2015 (Japan)

Hematology Instruments

Sensor technology

Patient Monitors



Vital sign telemeter
GZ-130P
Launch 2015



Bedside monitors for emerging countries
SVM-7500 series
Launch 2015



Patient Monitors for ambulances
Plan to launch 2016



Defibrillators
TEC-5600 series
Launch 2014



Defibrillators for ambulances
Plan to launch 2016



AED-3100
Launch 2015



Automated Resuscitation Machine
Plan to launch 2016

Treatment Equipment

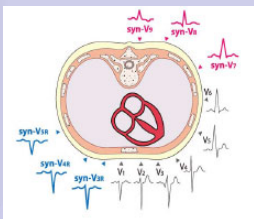
IT Solutions

Consumables and Services

4) Strategy for FY2015

(i) Achieve further growth in core businesses

Synthesized 18-lead ECG



Measurement method to derive 6-lead ECG, right-side leads and posterior leads, from the standard 12-lead ECG

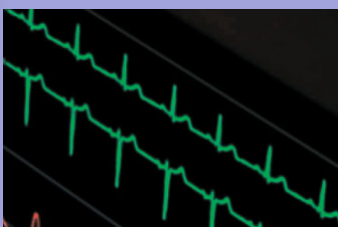


esCCO

Non-invasive continuous cardiac output monitoring
Estimate CO using ECG and SpO₂

※ esCCO : estimated Continuous Cardiac Output

Arrhythmia Analysis

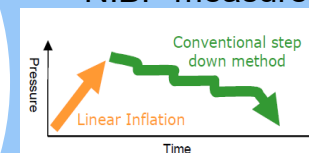


High quality arrhythmia detection and reduction of false alarms

Nihon Kohden's original sensor technology

Fast and painless NIBP measurement

iNIBP

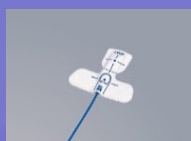


※ NIBP : Non Invasive Blood Pressure

SpO₂



Pioneer in the development of principles of pulse oximetry which measures SpO₂



etCO₂



Oxygen masks with CO₂ monitoring
Launch 2015



CO₂ monitor
Plan to launch 2016

World's smallest and lightest mainstream CO₂ sensor

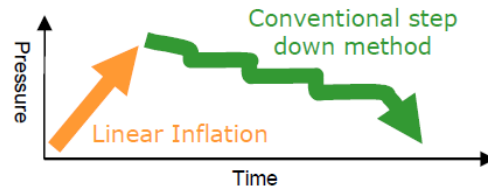


Raise brand recognition through unique technologies

Fast and painless NIBP measurement by original



- New developed algorithm which measures NIBP during cuff inflation
- Quick and painless NIBP measurement



- Initially installed on BSM-1700



Plan to expand applicable models



BSM-3000



PVM-2700

* NIBP : Non Invasive Blood Pressure

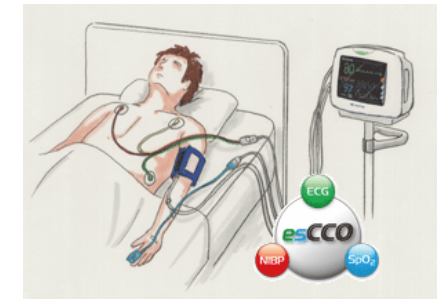
World's first Non-invasive continuous cardiac output monitoring **esCCO**

World's first



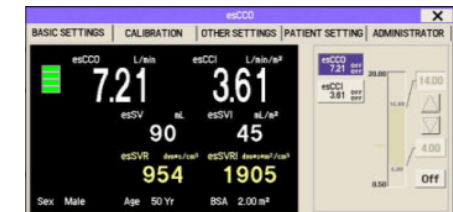
- Estimate CO using ECG and SpO₂
- No infection risk and no pain
- No additional sensors and no additional running cost

Introduce in Europe and emerging countries



Prepare for clinical research to receive PMDA and FDA approval

esCCO window

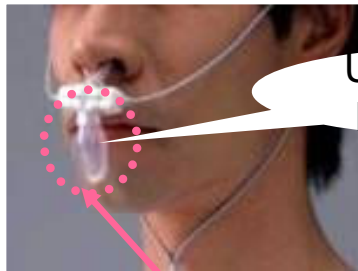


* esCCO : estimated Continuous Cardiac Output

Raise brand recognition through unique technologies

World's first mainstream CO₂ sensor for non-intubated patients

cap-ONE
ORAL NASAL EXPIRATION



Unique design adaptor catches both oral /nasal expiration

mouth guide



World's smallest and lightest mainstream CO₂ sensor
CO₂ sensor kit TG-920P

5 minutes before

1 minute before

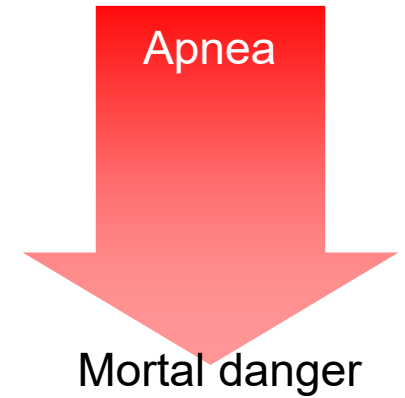
15 second before

CO₂ alarm

SpO₂ alarm

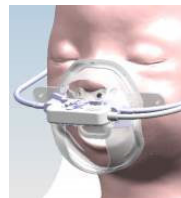
ECG alarm

CO₂ can detect abnormal respiration immediately



World's first Oxygen masks with CO₂ monitoring

- Ensure stable oxygen supply with CO₂ monitoring
- Launch infant/pediatric masks in 2012



Launch adult masks in 2015 (Japan)

New!



L size



XL size

Patient Monitors

Seamless Patient Care

General wards

Transport in hospital

ICU

OR

In and out of hospital

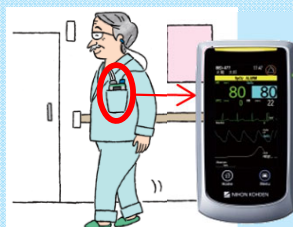
Portable telemetry

Bedside monitors

Transport monitors

Most advanced bedside monitors

Mobile viewer



Vital sign
telemeter
GZ-130P
Launch 2015



BSM-3000 series



PVM-2700 series

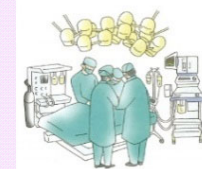


Add iNIBP program
Plan to add FY2015

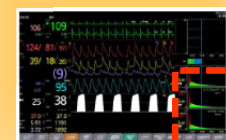
Add value with original
sensor technology



BSM-1700
series



CSM-1901



Add PK/PD* simulation for
anesthetic management

Add 2015

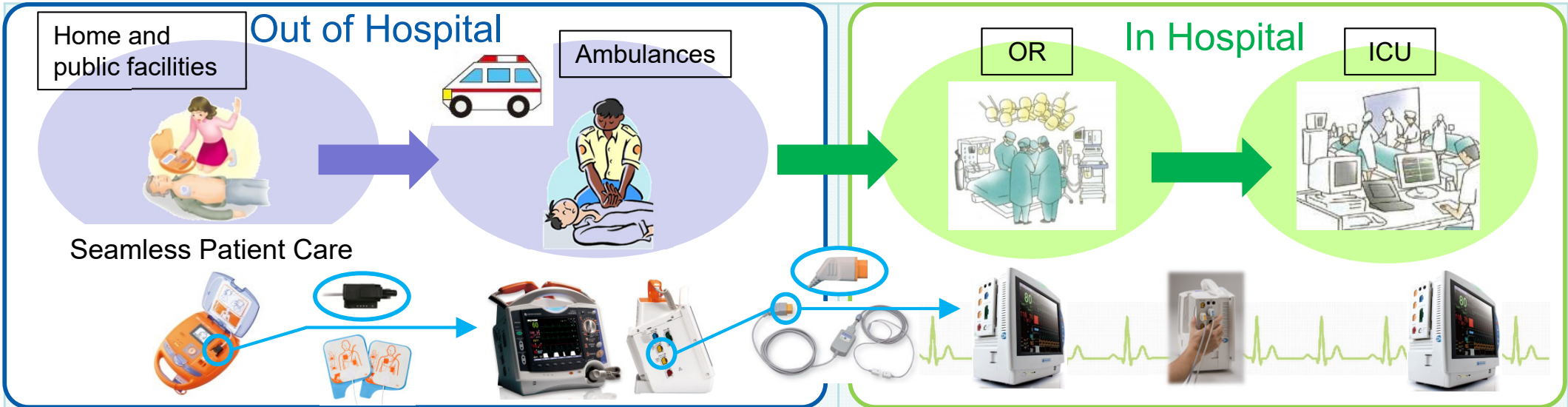
Add value with
diagnosis support



ViTrac

Treatment Equipment

Strengthen collaboration with patient monitors



AED Linkage

AED Remote Monitoring System

New!



Compact, lightweight
AED-3100
Launch 2015

Automated Resuscitation Machine



Plan to launch 2016



Defibrillators for ambulances



Patient Monitors for ambulances



Anesthesia Machine
Launch 2015 (Japan)
Heinen + Löwenstein products

Joint development with Acoma

Ventilators



Hamilton products



Metran products



Develop ventilators at new R&D office in California

OrangeMed, Inc.
9 employees as of Oct 2015

Hematology Instruments

Launch new products

Hematology Analyzer

Most advanced hematology analyzer



Plan to launch 2016



MEK-7300



MEK-6500 series

Clinical Chemistry Analyzer



CHM-4120
CRP measurement



CHM-4100
HbA1c and CRP
measurement

Find new markets

Issues in intraoperative pathological diagnosis

- Judgment is subjective
- Lack of pathologist
- Takes 20 minutes

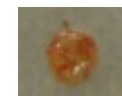
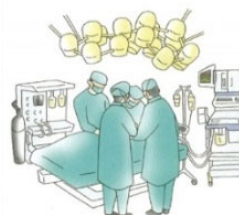


Joint research with Tokyo Women's Medical University

Develop intraoperative flow cytometer to support resection of glioma* during surgery

i) Obtain tissue

Tissue



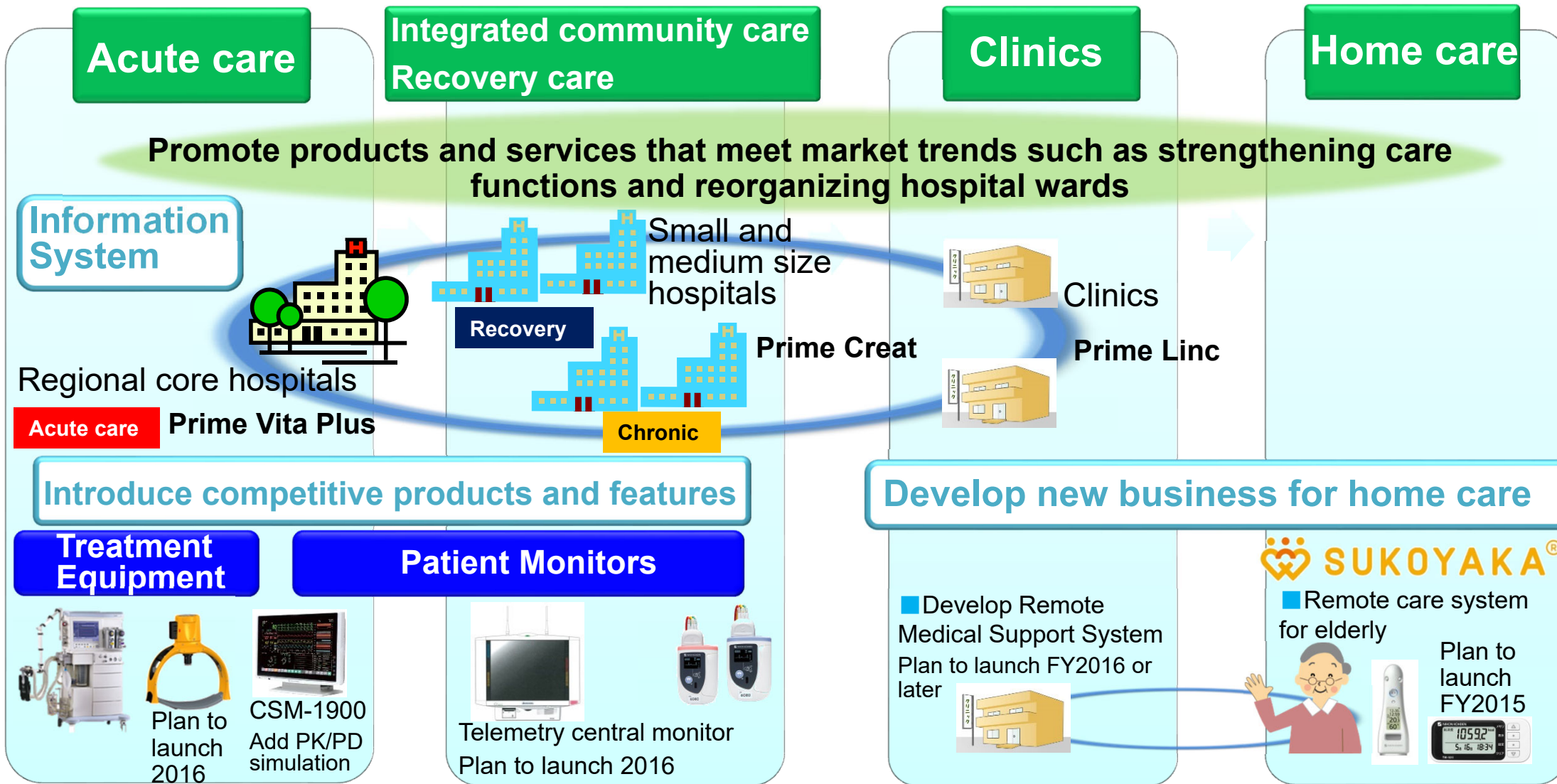
New!

ii) Calculate the percentage of cells with high DNA content in 10 minutes

High DNA content measuring flow cytometer FCM-2200

(ii) Strengthen Business Expansion by Region

Japan: Create solutions for a national future vision of medical and nursing care services in 2025



Establish a stronger presence in **the U.S.** which is a center of leading-edge medical treatment

Public facilities

Strengthen collaboration of 3 business and cross-selling by reorganizing direct-sales operations

Resuscitation field



Plan to launch 2016



Nihon Kohden America expands offerings with Defibtech AEDs

Medium size hospitals

Neurology

- Focus on top 50 hospitals in USA

Patient monitors

- Strengthen ties with GPOs and IDNs* → Negotiations increased with large IDNs and university hospitals
- Achieve 36 consecutive quarters of No. 1 customer satisfaction**
- Expand consumable sales



SpO₂ probe



CO₂ sensor

Large size hospitals



New!



MEE-2000

Launch 2015 (USA)



CSM-1901



GZ-130P

Plan to launch FY2015

Aim at 10% share in patient monitors market

* GPO: Group Purchase Organization IDN: Integrated Delivery Network

** Source: MD Buyline, Inc. which conducts a survey of U.S. hospitals for patient monitoring vendors every quarter

Increase market share in **emerging markets** as a key growth driver

Strengthen business structure

China

Accelerate operations by unifying development, production, sales and services

Focus on the private hospital market

Asia, the Middle East and Latin America

Enhance local sales and service network

Sales offices

Asia: China, Singapore, Thailand, Malaysia, India, UAE, Korea
 Latin America: Colombia and Brazil

Local sales staff allocated in major countries during FY2015

Product strategy tailored to each market

Made in Japan


High-end market



- Launch AED-3100
- Launch AED Remote Monitoring System in Korea and Taiwan

Made in China

Middle to low-end market



Plan to launch 2016

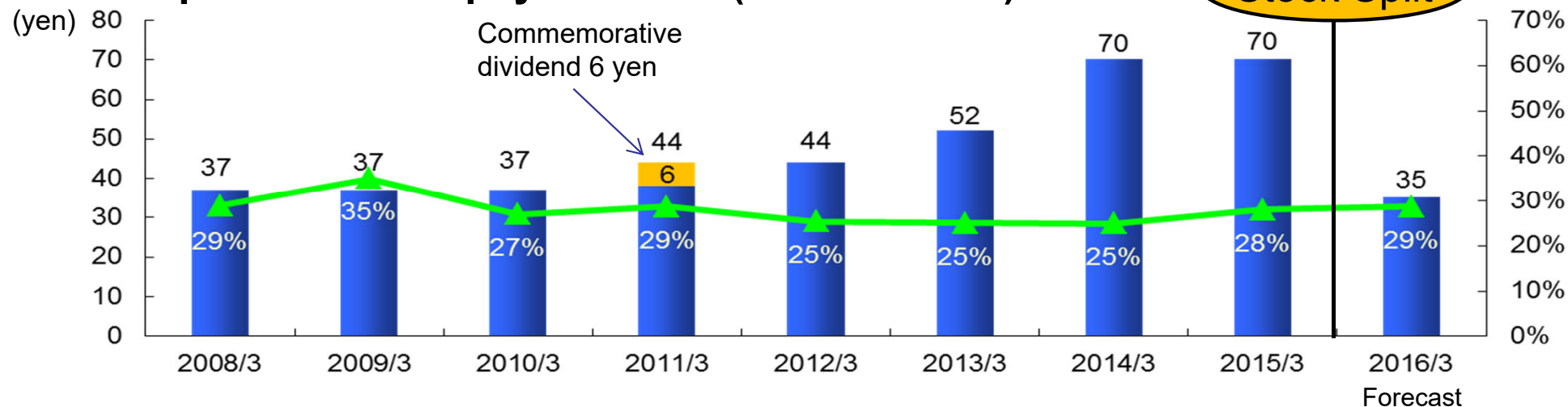
Start to manufacture in Malaysia
 Sep 2015

5) Dividend Policy

Basic dividend policy

- **Maintain stable and continuous dividend payments** while retaining necessary reserves for future business expansion. Retained earnings are used in R&D investments, capital investments, M&A and development of human resources.
- Cash dividends is the base of the shareholder return, and **a target consolidated pay-out ratio is 30% or more.**
- Share buyback is considered in a flexible manner.

Dividends per share and pay-out ratio (consolidated)



* Effective April 1, 2015, each share of common stock was split into two shares. Dividends per share from FY2006 to FY2014 were actual payment amounts.

Cancellation and repurchase of treasury stock

May 20
Cancel
1,800K shares



June 2
Repurchase
200K shares



Number of treasury stock:
2,070K shares
 (stockholding ratio: 2.3%)

Disclaimer:

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