

# Consolidated Financial Highlights for FY2014

(From April 1, 2014 to March 31, 2015)

1. Consolidated Financial Results for FY2014
2. Forecast for FY2015
3. Revision of four-year mid-term business plan, Strong Growth 2017

May 15, 2015

*Fighting Disease with Electronics*

# Consolidated Financial Results for FY2014

*Fighting Disease with Electronics*



# 1) Consolidated Financial Results for FY2014

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

	FY2013	FY2014		
		Forecast	Actual	YoY (%)
<b>Sales</b>	153,194	160,000	<b>160,803</b>	5.0
<b>Domestic Sales</b>	120,464	123,300	<b>122,490</b>	1.7
<b>Overseas Sales</b>	32,730	36,700	<b>38,313</b>	17.1
<b>Operating Income</b>	17,547	18,000	<b>15,921</b>	-9.3
<b>Ordinary Income</b>	18,998	18,000	<b>17,234</b>	-9.3
<b>Net Income</b>	12,346	11,500	<b>11,142</b>	-9.7

← +9% on a local currency basis

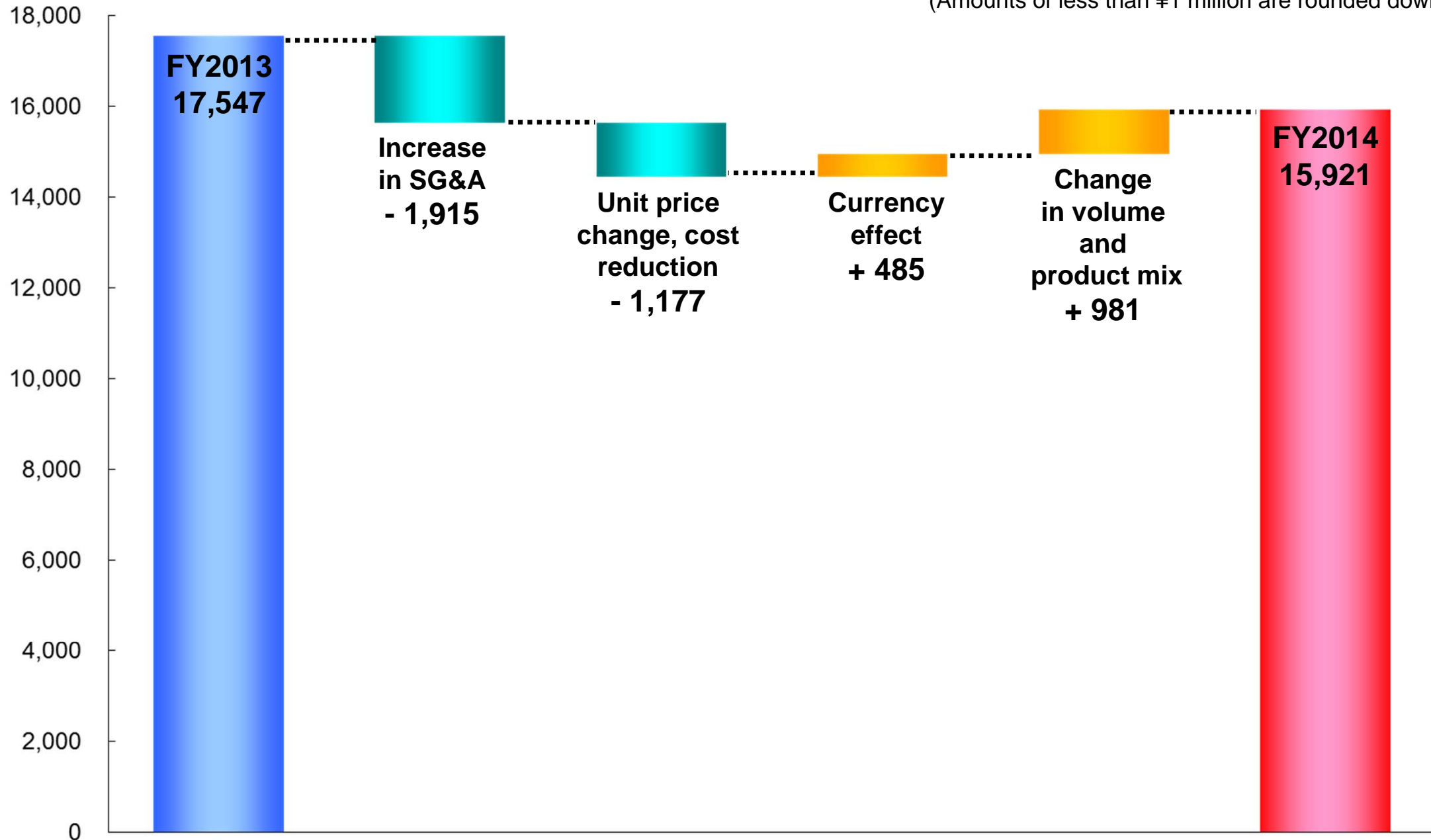
← Gross margin ratio: FY2013 50.0% → FY2014 48.4%  
 SG&A ratio: 38.5% → 38.5%

← Foreign exchange gains: ¥0.8 billion

Average exchange rate	FY2013	FY2014
1 US Dollar	99.8 yen	109.6 yen
1 EURO	134.3 yen	139.4 yen

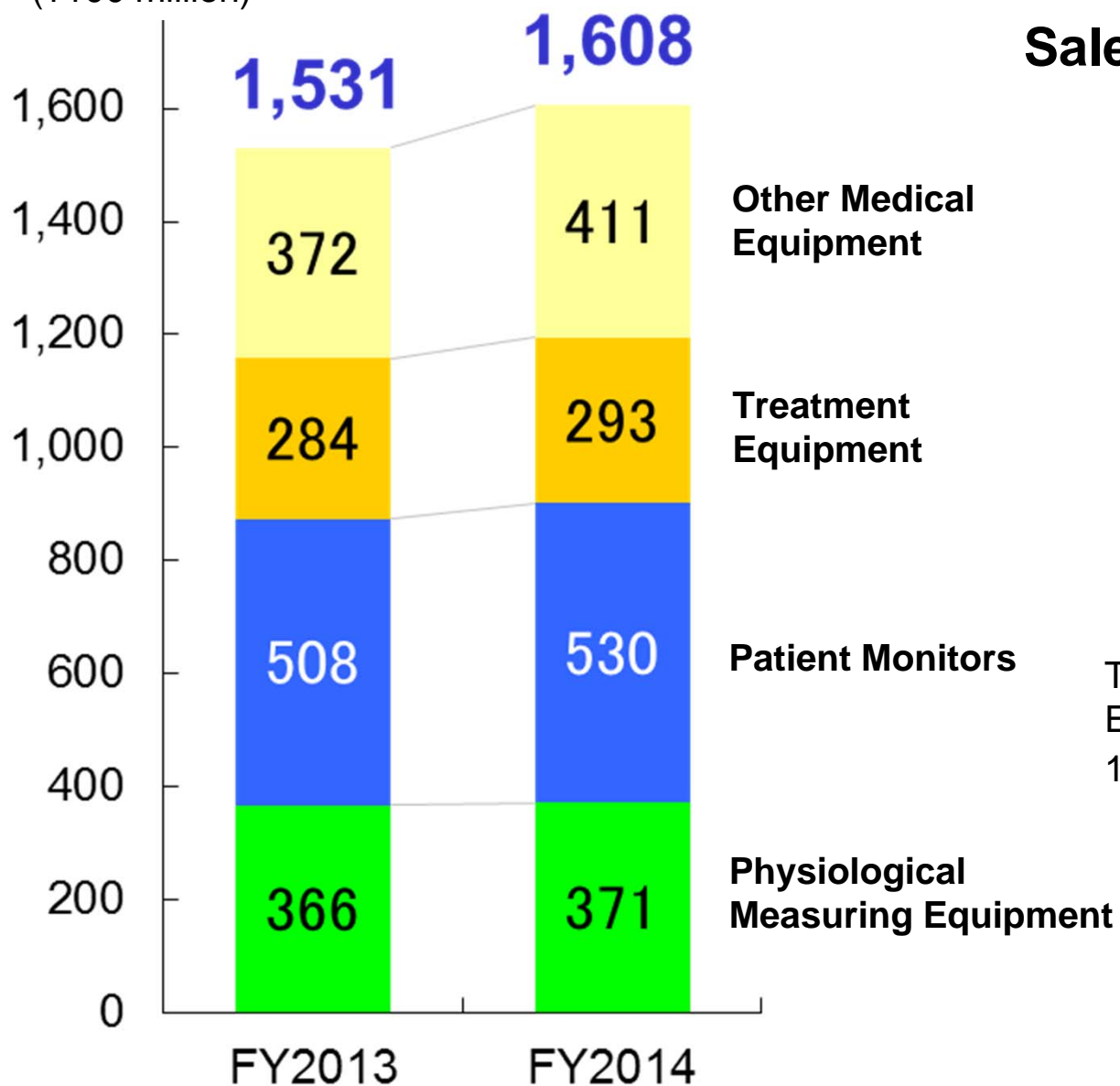
## 2) Breakdown of Operating Income

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



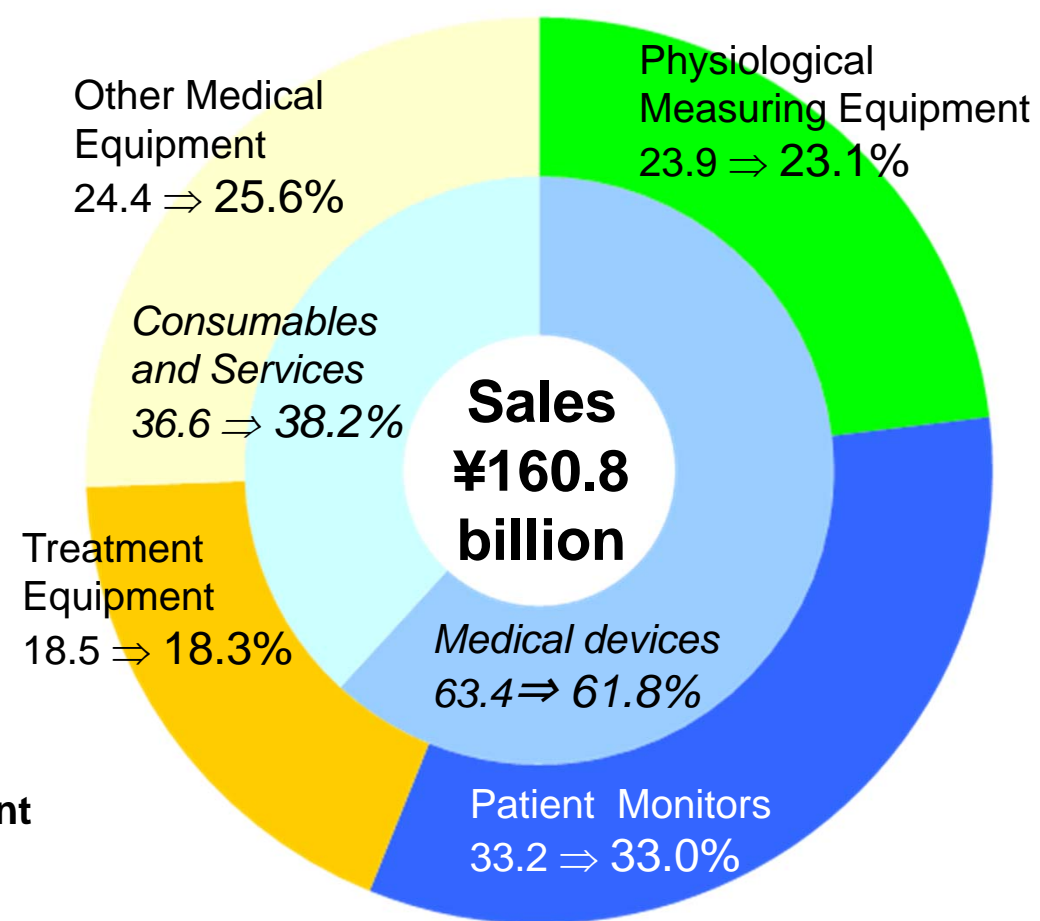
# 3) Sales by Product Category

(¥100 million)



## Sales composition by product category

(FY2013 ⇒ FY2014)



# 3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2013	FY2014	YoY (%)
<b>Electroencephalographs</b>	9,541	<b>9,913</b>	3.9
<b>Electrocardiographs</b>	7,413	<b>7,376</b>	-0.5
<b>Polygraphs for Cath Lab</b>	9,161	<b>9,561</b>	4.4
<b>Other Physiological Measuring Equipment (Diagnostic Information System and Others) *</b>	10,537	<b>10,329</b>	-2.0
<b>Physiological Measuring Equipment</b>	36,654	<b>37,180</b>	1.4
<b>Domestic Sales</b>	28,822	<b>28,452</b>	-1.3
<b>Overseas Sales</b>	7,831	<b>8,728</b>	11.5

Sales of EEGs, ECGs and diagnostic information systems decreased. Sales of polygraphs for cath lab increased.

Sales of EEG in Americas and Asia increased favorably.

\* Other Physiological Measuring Equipment includes diagnostic information system and other company's products.



**Electroencephalographs**  
EEG-1250



**Electrocardiographs**  
ECG-2300



**Polygraphs for cath labs**  
RMC-4000

# 3.2) Patient Monitors

(Sales, millions of yen)

	FY2013	FY2014	YoY (%)
<b>Patient Monitors</b>	50,864	<b>53,068</b>	4.3
<b>Domestic Sales</b>	37,060	<b>35,334</b>	-4.7
<b>Overseas Sales</b>	13,804	<b>17,734</b>	28.5

Sales of bedside monitors and clinical information systems decreased in university and public hospital market.

Sales in all areas achieved double digit growth. New products launch in the U.S. and Europe and strengthening sales networks in Latin America and Asia contributed.



**Transport monitors**  
BSM-1700 series

**New!**



**Bedside monitors**  
CSM-1900

**New!**



**Vital Sign Telemeter**  
GZ-130P



SpO<sub>2</sub> probes



Oxygen masks with CO<sub>2</sub> monitoring



ECGs Electrodes

**Consumables**

# 3.3) Treatment Equipment

(Sales, millions of yen)

	FY2013	FY2014	YoY (%)
<b>Defibrillators</b> (for Hospital and Ambulance)	5,704	5,410	-5.2
<b>AEDs</b> (Automated External Defibrillator)	11,395	12,680	11.3
<b>Pacemakers / ICDs</b>	3,100	2,935	-5.3
<b>Ventilators</b>	2,355	1,809	-23.2
<b>Other Treatment Equipment</b>	5,845	6,556	12.2
<b>Treatment Equipment</b>	28,401	29,393	3.5
Domestic Sales	21,351	21,889	2.5
Overseas Sales	7,050	7,504	6.4
<b>(Ref.) AEDs Unit Shipments</b>	69,000	83,300	20.7
Domestic Unit Sales	36,300	47,600	31.1

**Overseas:**  
Sales decreased compared to strong FY2013 with large orders from Iraq.

**Domestic:**  
AED sales showed strong growth as a wide range of models and AED Remote Monitoring Systems have been well received.



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:**  
Japan's first magnetic stimulation treatment equipment for urinary incontinence contributed.



**Defibrillators**  
TEC-5600



**AEDs**  
AED-2150



**Pacemakers**  
Nuance MRI



**Ventilators**  
HAMILTON-C1



**Magnetic Stimulation Treatment Equipment**  
TMU-1100



# 3.4) Other Medical Equipment

(Sales, millions of yen)

	FY2013	FY2014	YoY (%)
<b>Hematology Analyzers</b>	8,806	<b>9,751</b>	10.7
<b>Transformers, Imaging Systems, Medical equipment for study and others *</b>	28,466	<b>31,408</b>	10.3
<b>Other Medical Equipment</b>	37,273	<b>41,160</b>	10.4
<b>Domestic Sales</b>	33,228	<b>36,814</b>	10.8
<b>Overseas Sales</b>	4,044	<b>4,346</b>	7.5

**Overseas:**  
Sales of hematology analyzers and reagents increased favorably in Asia, especially India and the Middle East

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

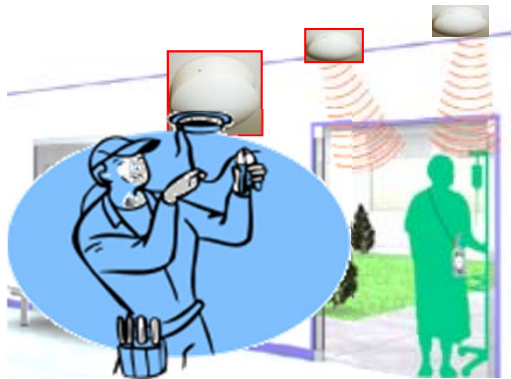


**Automated hematology analyzers**  
MEK-6500

**New!**



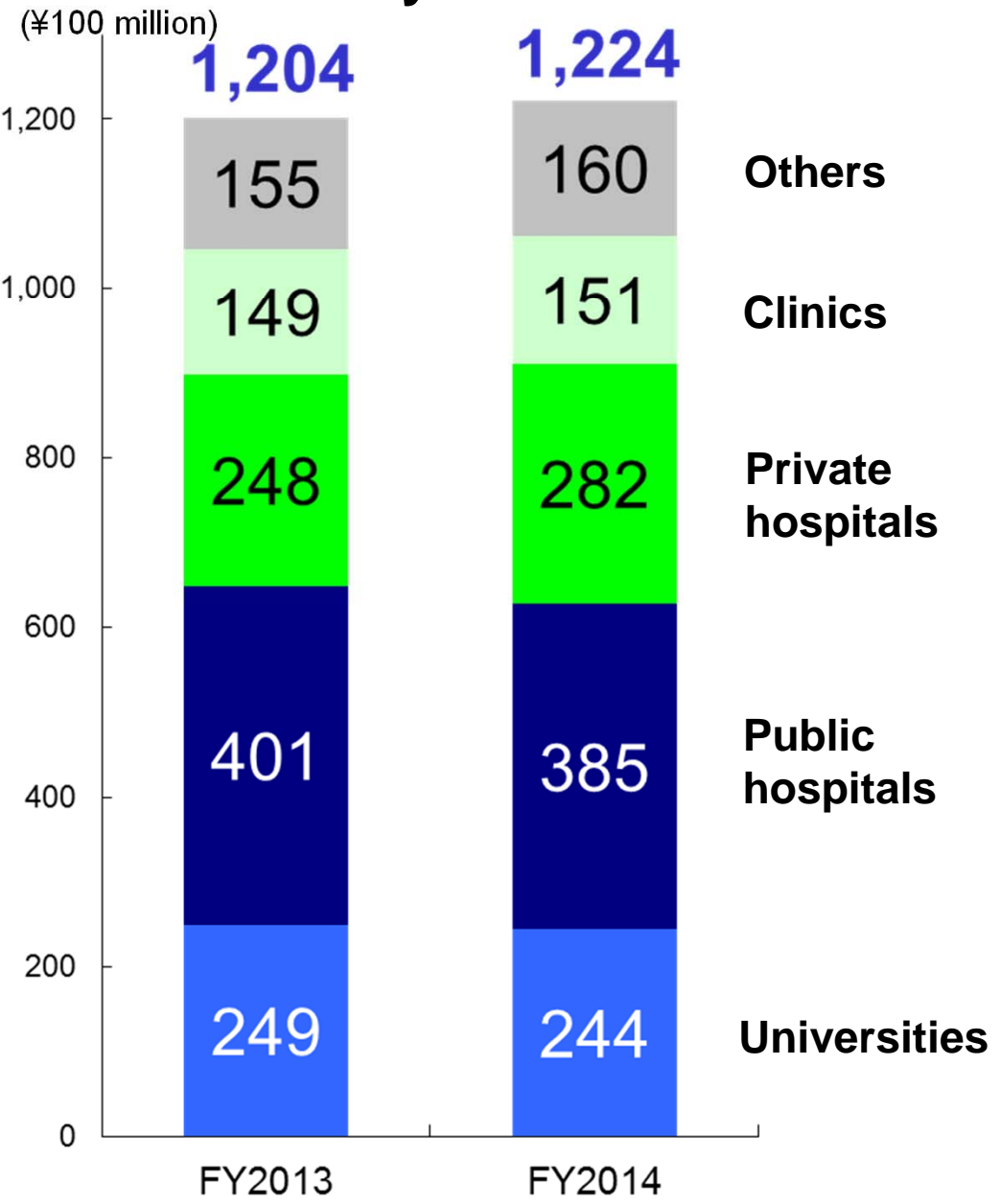
**Clinical chemistry analyzer**  
CHM-4120



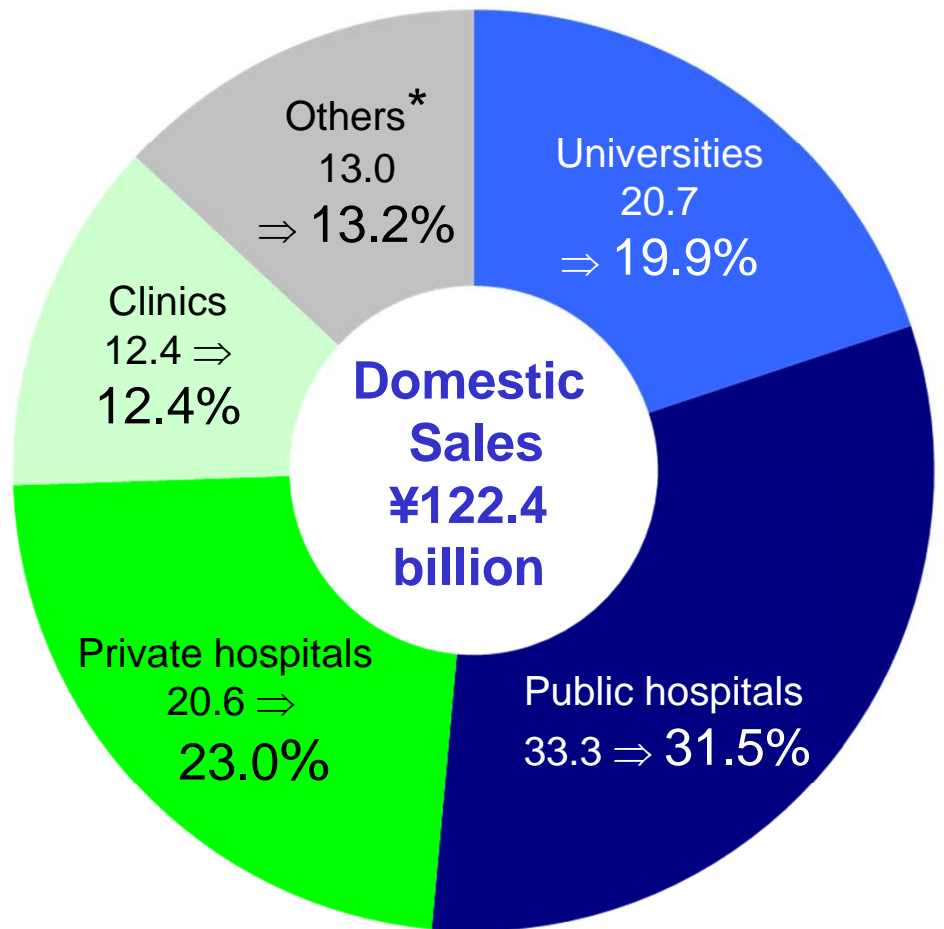
**Installation and maintenance services**

# 4) Domestic Sales

## Sales by market



## Sales composition by market (FY2013 ⇒ FY2014)

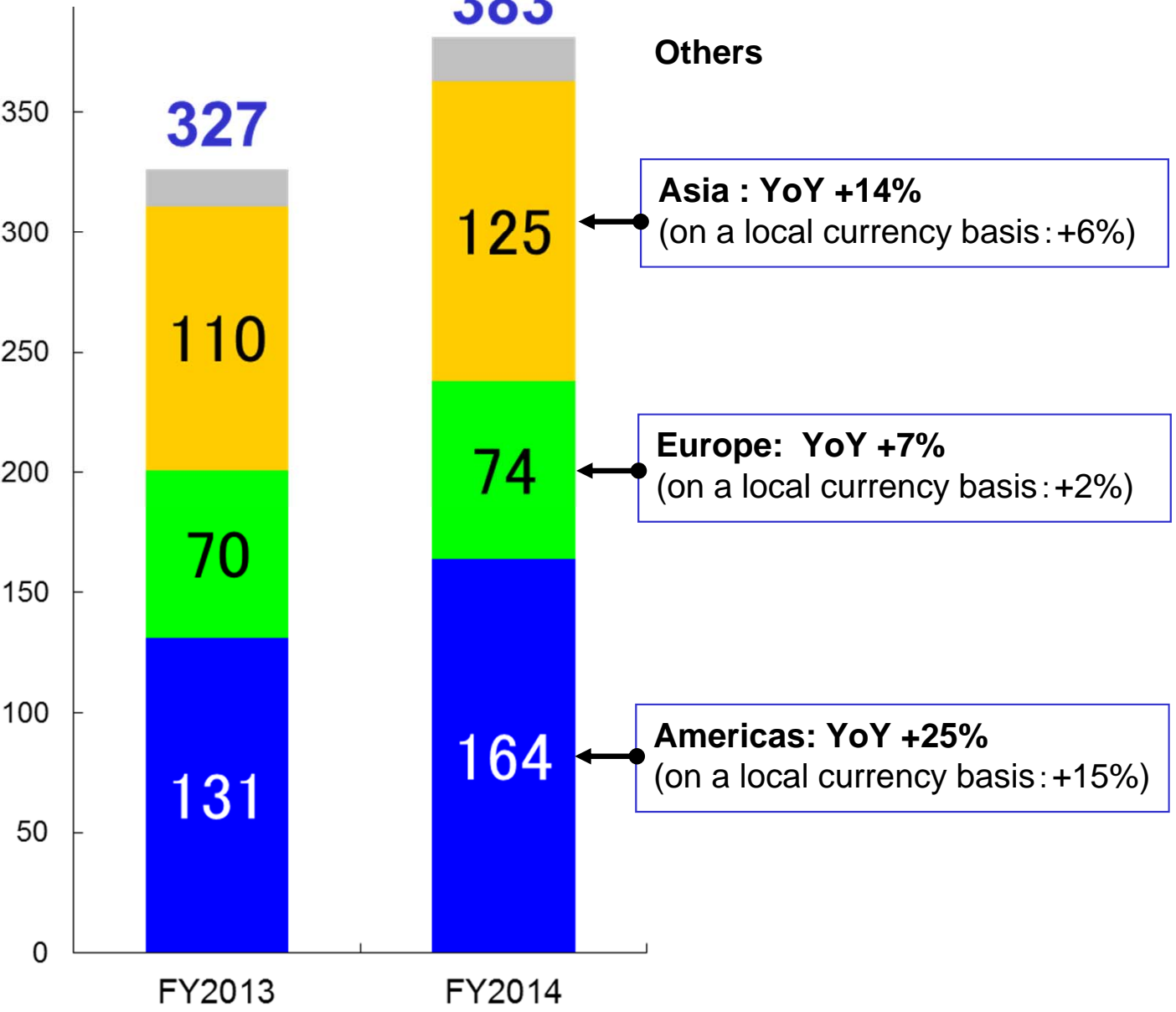


\* Others include laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

# 5) Overseas Sales

## Geographic Segments

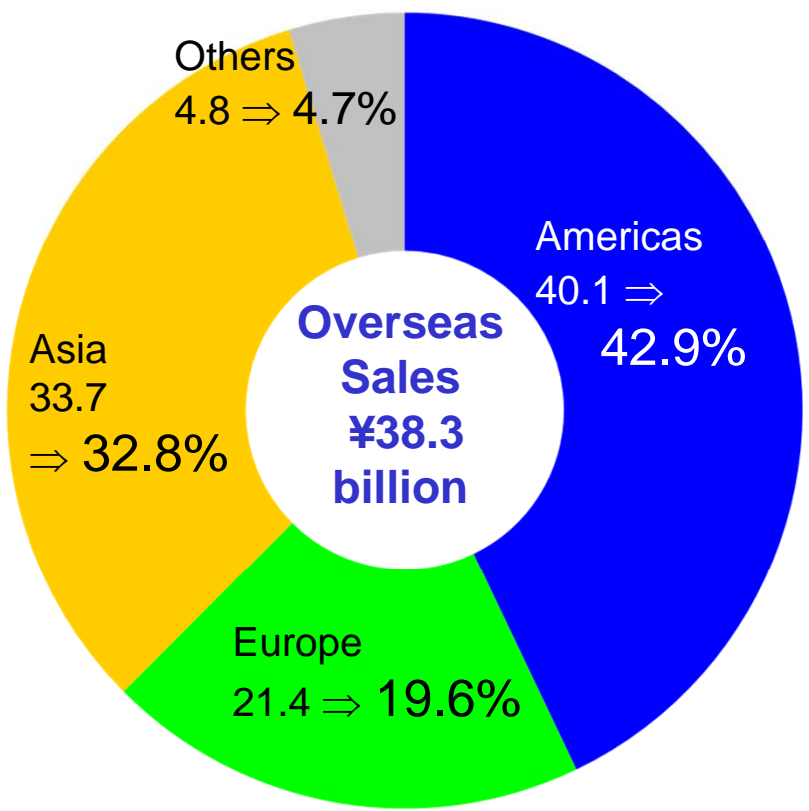
(¥100 million)



## Percentage of overseas sales to consolidated sales

FY2013	FY2014
21.4%	23.8%

## Geographic Segments (FY2013 ⇒ FY2014)



## 6) Financial Condition

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

	FY2013	<b>FY2014</b>	Change
<b>Current Assets</b>	106,515	<b>118,389</b>	11,874
<b>Fixed Assets</b>	24,402	<b>28,366</b>	3,963
<b>Total Assets</b>	130,917	<b>146,755</b>	15,837
<b>Current Liabilities</b>	41,248	<b>45,654</b>	4,405
<b>Non-current Liabilities</b>	1,156	<b>1,797</b>	640
<b>Total Liabilities</b>	42,405	<b>47,451</b>	5,045
<b>Net Assets</b>	88,512	<b>99,304</b>	10,791
<b>Total Liabilities &amp; Net Assets</b>	130,917	<b>146,755</b>	15,837

# 7) Cash Flows

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

	FY2013	FY2014	Change
I .Cash flows from operating activities	9,383	<b>12,505</b>	3,121
II .Cash flows from investing activities	-4,421	<b>-4,689</b>	-268
Free cash flows	4,962	<b>7,815</b>	2,853
III .Cash flows from financing activities	-3,436	<b>-3,267</b>	169
Effect of exchange rate change on cash and cash equivalents	598	<b>756</b>	157
Net increase (decrease) in cash and cash equivalents	2,124	<b>5,304</b>	3,179
Cash and cash equivalents at end of period	28,808	<b>34,113</b>	5,304

<b>Income before income taxes</b>	
FY2013	19,021
<b>FY2014</b>	<b>17,425</b>
Change	-1,596
<b>Decrease (increase) in notes and accounts receivable-trade</b>	
FY2013	-8,117
<b>FY2014</b>	<b>-3,373</b>
Change	+4,743



# 8) Capital Investments and R&D Costs

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

	FY2013	FY2014			Change	FY2015 Plan
		Original Forecast announced May 8, 2014	Revised Forecast announced Oct 31, 2014	Actual		
Capital Investments	4,544	7,300	6,800	5,158	613	9,600
Depreciation	3,103	3,900	3,500	3,445	341	4,200
R&D costs	7,108	7,200	6,900	5,745	-1,363	6,400

## FY2014 Actual Capital Investments

- Molds for new products, measuring equipment and jigs, products for demonstration, and enhancement of ERP System.
- **Renovation of Tomioka production center (0.8 billion yen)** – Operation starts in May 2015

## FY2015 Capital Investments Plan

- Molds for new products, production equipment, products for demonstration, enhancement of 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

# Forecast for FY2015

*Fighting Disease with Electronics*

 **NIHON KOHDEN**

# 1) Business Environment

## Japan

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

- Differentiate medical providers
- Enhance home medical care and cooperation among medical and nursing care

- 0.1% upward revision of medical treatment fees in Apr 2014
- Funds for securing comprehensive medical and long-term care in the communities  
FY2014: ¥90.4 bil for medical care  
FY2015: ¥162.8 bil (¥90.4 bil for medical, ¥72.4 bil for long-term care)

### Promote medical innovation

- Enforcement of Pharmaceutical Law revision in Nov 2014
- Promote export of Japanese healthcare

## International

### Europe and U.S.

- Medical cost restriction measures
- Healthcare reform

### Emerging Countries

- The healthcare infrastructure has developed together with economic growth
- Political uncertainty in some regions

Overall demand for medical equipment will remain steady



## 2) Forecast for FY2015

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

	FY2014	FY2015	YoY (%)
<b>Sales</b>	160,803	172,000	7.0
<b>Domestic Sales</b>	122,490	126,000	2.9
<b>Overseas Sales</b>	38,313	46,000	20.1
<b>Operating Income</b>	15,921	18,000	13.1
<b>Ordinary Income</b>	17,234	18,000	4.4
<b>Net Income</b>	11,142	12,100	8.6

Percentage of Overseas Sales      23.8%      26.7%

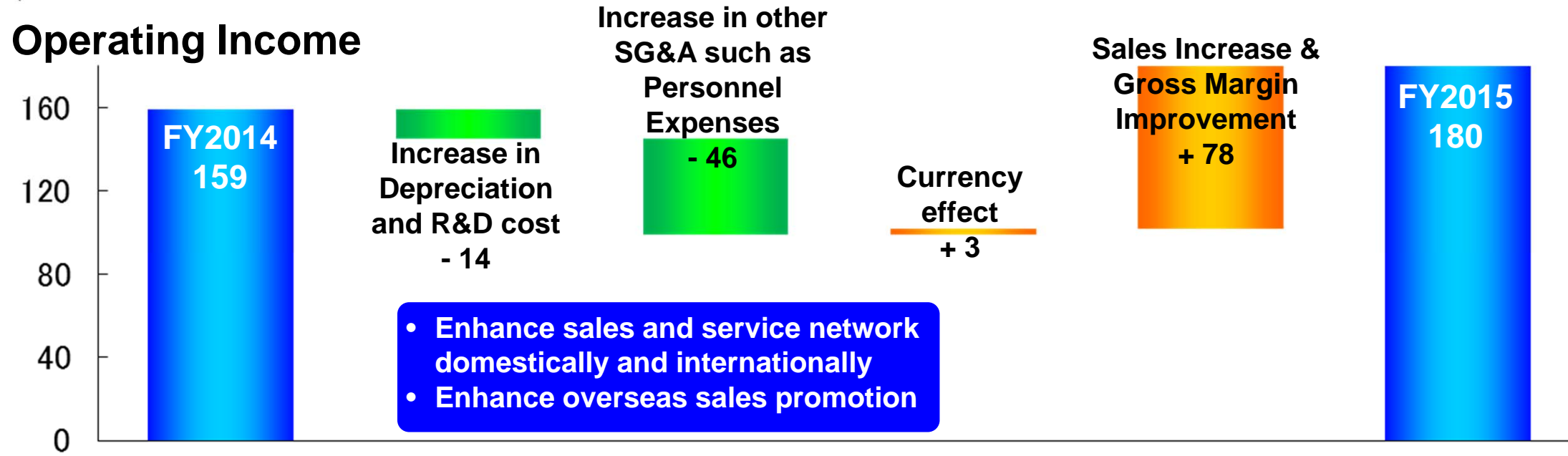
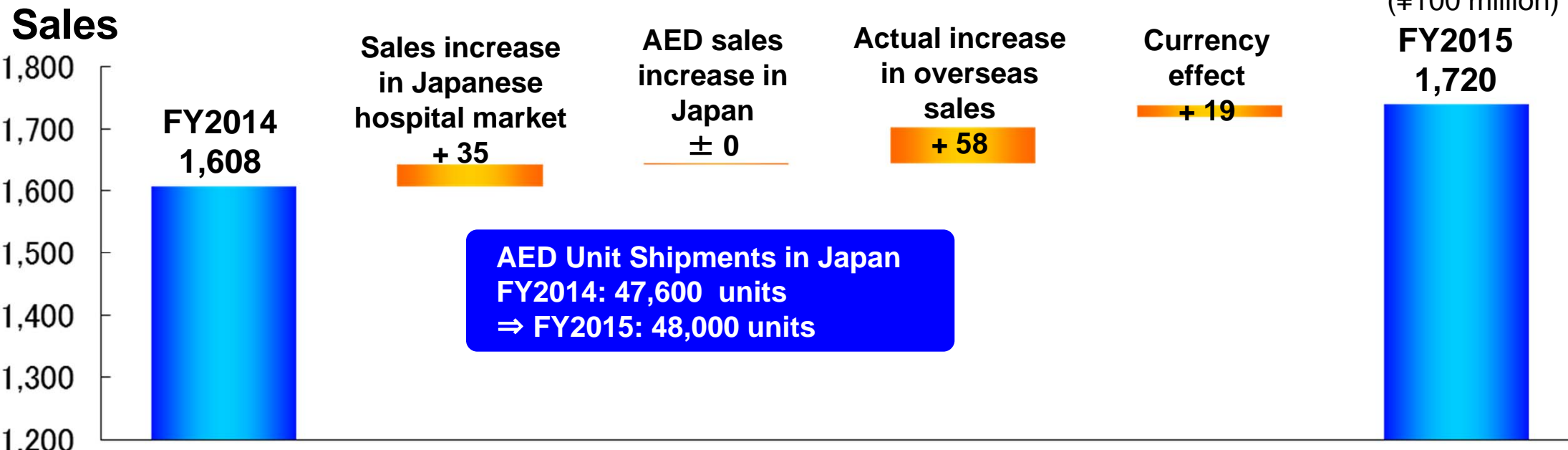
Average Exchange Rate

1 US Dollar	109.6 yen	118 yen
1 EURO	139.4 yen	125 yen

### Breakdown of overseas sales by region

	FY2014	FY2015	YoY (%)
<b>Americas</b>	16,423	<b>20,000</b>	21.8
<b>Europe</b>	7,495	<b>7,700</b>	2.7
<b>Asia</b>	12,581	<b>16,100</b>	28.0
<b>Others</b>	1,813	<b>2,200</b>	21.3

# 3) Analysis of FY2015 Forecast



# (Ref.) Consolidated Forecast FY2015 by Product Category

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

	FY2014	FY2015	YoY (%)
Physiological Measuring Equipment	37,180	<b>40,400</b>	8.7
Patient Monitors	53,068	<b>59,050</b>	11.3
Treatment Equipment	29,393	<b>32,050</b>	9.0
Other Medical Equipment	41,160	<b>40,500</b>	-1.6
<b>Total</b>	160,803	<b>172,000</b>	7.0
(Reference)			
Consumables and Services	61,426	<b>65,750</b>	7.0

# **Revision of four-year mid-term business plan, Strong Growth 2017 (FY2013 to FY2016)**

*Fighting Disease with Electronics*

# 1) Review of Two-Year Progress

## Strong Growth 2017

Sustainable growth  
in Japan

The FY2016 target for domestic sales  
achieved 2 years ahead of schedule

Strong growth  
in international market

FY2014 overseas sales exceeded  
the forecast

### Enhance operating base to ensure growth

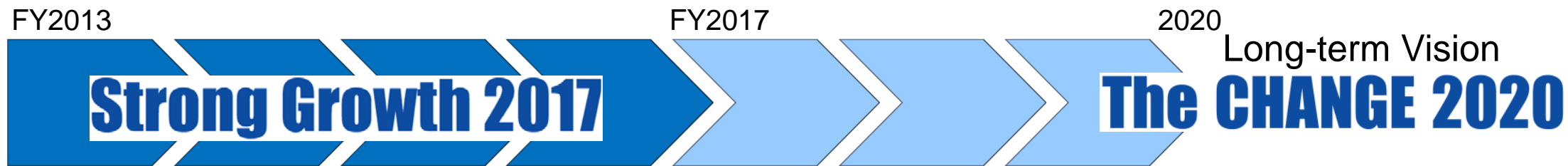
- Launch competitive technologies and products such as iNIBP\* and BSM-1700
- Establish overseas offices and Tomioka production center and construct R&D center

**FY2014 operating income was below the forecast and decreased over FY2013.  
Improvement of profitability remains an issue.**

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

## 2) Measures Based on Results and Issues

- I . Implement revised Strong Growth 2017
- II . Take measures to improve profitability as the top priority for FY2015 while continue necessary investments for future business expansion



April 2015 to March 2016

**Measures to improve profitability**

**Necessary investments  
for future business  
expansion**

- Construct R&D center
- Improve environment of clinical chemistry reagents division

# 3) Measures to Improve Profitability in FY2015

## Gross margin

### Reduce costs at product planning stage, R&D and production

- Reduce design costs
- Merge R&D sections for technologies which are common to all product lines
- Reinforce cooperation between production and R&D
- Improve productivity at Tomioka production center



### Expand sales of Company's own products and consumables

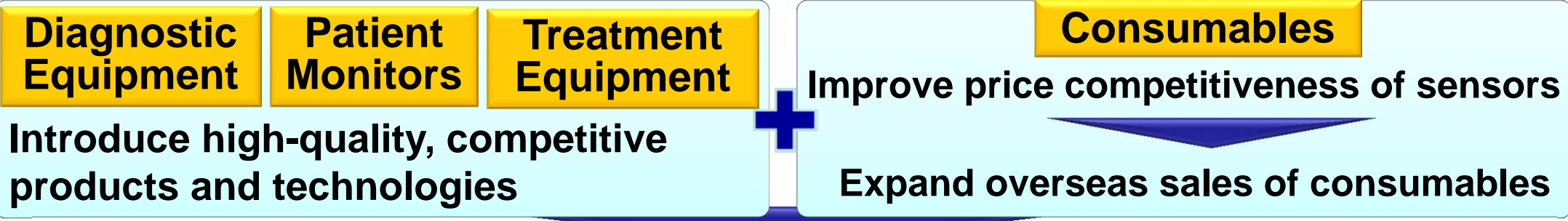
## SG&A

### Strengthen cost control across Nihon Kohden group

Strengthen expense management process in each subsidiary and division while continuing necessary investments for future business expansion such as R&D

# 4) Key Points for Revision - 1

## Achieve further growth in core businesses



**Expand global market share**  
**Establish stable and consistent revenue base**

## Strengthen business expansion in the U.S.



**Establish a stronger presence in the U.S.**



## 4) Key Points for Revision - 2

### Consolidate corporate fundamentals

**Improve  
development  
efficiency**



**Strengthen  
response to  
regulations**



**Global supply chain  
which promotes  
optimization and  
efficiency**

**Improve profitability and speed up product supply**

**Further globalize head  
office functions**



**Appoint local  
management staff**

# 4) Key Points for Revision - 3

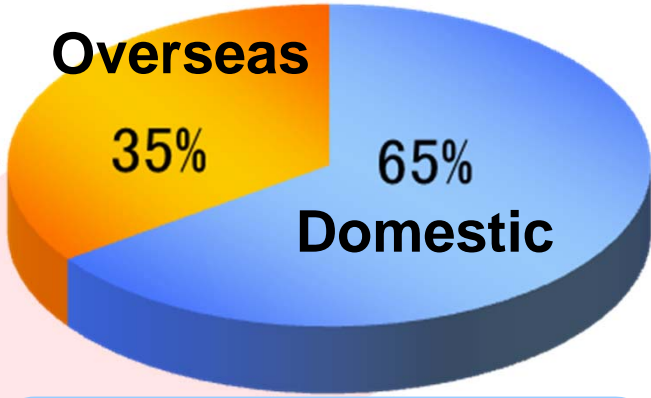
## Revision of numerical targets

¥billion	FY2012 actual	FY2016 mid-term target announced May 8, 2013	4 year CAGR	FY2016 mid-term target announced May 11, 2015	4 year CAGR
<b>Sales</b>	<b>132.5</b>	<b>170.0</b>	<b>6.4%</b>	<b>182.0</b>	<b>8.3%</b>
<b>Domestic</b>	<b>110.2</b>	<b>121.5</b>	<b>2.5%</b>	<b>130.0</b>	<b>4.2%</b>
<i>ratio</i>	<i>83.2%</i>	<i>71.5%</i>		<i>71.4%</i>	
<b>Overseas</b>	<b>22.3</b>	<b>48.5</b>	<b>21.4%</b>	<b>52.0</b>	<b>23.5%</b>
<i>ratio</i>	<i>16.8%</i>	<i>28.5%</i>		<i>28.6%</i>	
<b>Operating Income</b>	<b>13.4</b>	<b>18.0</b>	<b>7.5%</b>	<b>20.0</b>	<b>10.4%</b>
<i>Operating income ratio</i>	<i>10.2%</i>	<i>10.6%</i>		<i>11.0%</i>	
<b>ROE</b>	<b>12.7%</b>	<b>13.0%</b>		<b>13.5%</b>	
	83 yen to dollar 106 yen to euro	90 yen to dollar 118 yen to euro		118 yen to dollar 125 yen to euro	
<b>Break down of overseas sales by region</b>					
Americas	<b>8.0</b>	<b>19.5</b>	<b>24.6%</b>	<b>22.6</b>	<b>29.3%</b>
Europe	<b>5.6</b>	<b>10.0</b>	<b>15.5%</b>	<b>8.7</b>	<b>11.6%</b>
Asia	<b>7.5</b>	<b>17.0</b>	<b>22.5%</b>	<b>18.2</b>	<b>24.6%</b>
Other	<b>1.0</b>	<b>2.0</b>	<b>17.2%</b>	<b>2.5</b>	<b>24.0%</b>

# 5) Long-term Vision and Mid-term Business Plan

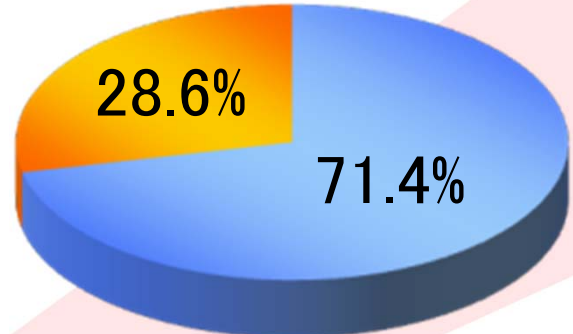
**Long-term Vision** (April 2010 to March 2020)

**The CHANGE 2020**  
**-The Global Leader of Medical Solutions-**



**2nd Stage**  
**Strong Growth 2017**

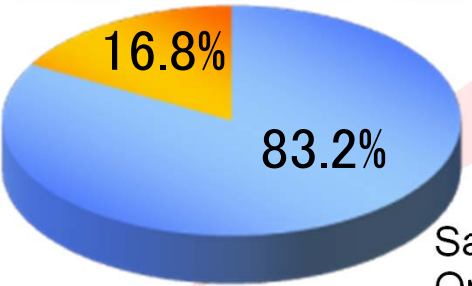
(April 2013 to March 2017)



**Fiscal year ending March 2020**

<b>Sales</b>	¥200 billion
<b>Operating Income</b>	¥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%**

**FY2016**

<b>Sales</b>	¥182 billion
<b>Operating Income</b>	¥20 billion
Operating income ratio 11.0%	

## 6) 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

# 7) Achieve Further Growth in Core Businesses

## Diagnostic Equipment

Neurology

Cardiology

Hematology

## Patient monitors

## Treatment equipment


**Sensor technology:**  
etCO<sub>2</sub>, SpO<sub>2</sub>, NIBP, esCCO, aEEG, derived 18-lead ECG, etc.

IT solutions

Nihon Kohden is the only patient monitor maker with its own sensor technology

### New products in FY2014 and FY2015

#### Diagnostic Equipment



Polygraphs for cath labs  
Launch 2015 (Japan)



Hand-sized ECG  
Launch 2014 (intl)



Intraoperative monitoring system  
Plan to launch FY2015



Hematology Analyzer  
Plan to launch FY2015

#### Patient Monitors



Central Monitors, CNS-6101  
Launch 2015 (Japan)



Bedside monitors, BSM-3400  
Launch 2015 (Japan)



Bedside monitors for emerging markets, SVM-7500  
Launch 2015



Vital sign telemeter, GZ-130P  
Launch 2015



Oxygen masks with CO<sub>2</sub> monitoring  
Launch 2015



Telemetry  
Plan to Launch FY2015



Monitor for ambulances  
Plan to Launch FY2015

#### Treatment Equipment



Defibrillators TEC-5600 series  
Launch 2014



Automated Resuscitation Machine  
Plan to launch FY2015



AED  
Plan to launch FY2015



Defibrillators for ambulances  
Plan to launch FY2015



# Patient Monitors

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

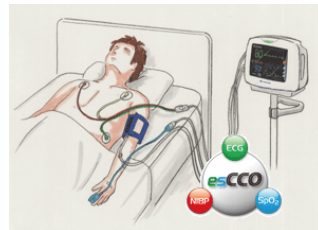
\* NIBP : Non Invasive Blood Pressure

World's first



## Non-invasive continuous cardiac output monitoring

- Estimate CO using ECG and SpO<sub>2</sub>
- 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 : estimated Continuous Cardiac Output

World's first



## Oxygen masks with CO<sub>2</sub> monitoring

- Ensure stable oxygen supply with CO<sub>2</sub> monitoring
- Launch infant/pediatric masks in 2012



Launch adult masks in 2015 (Japan)



L size

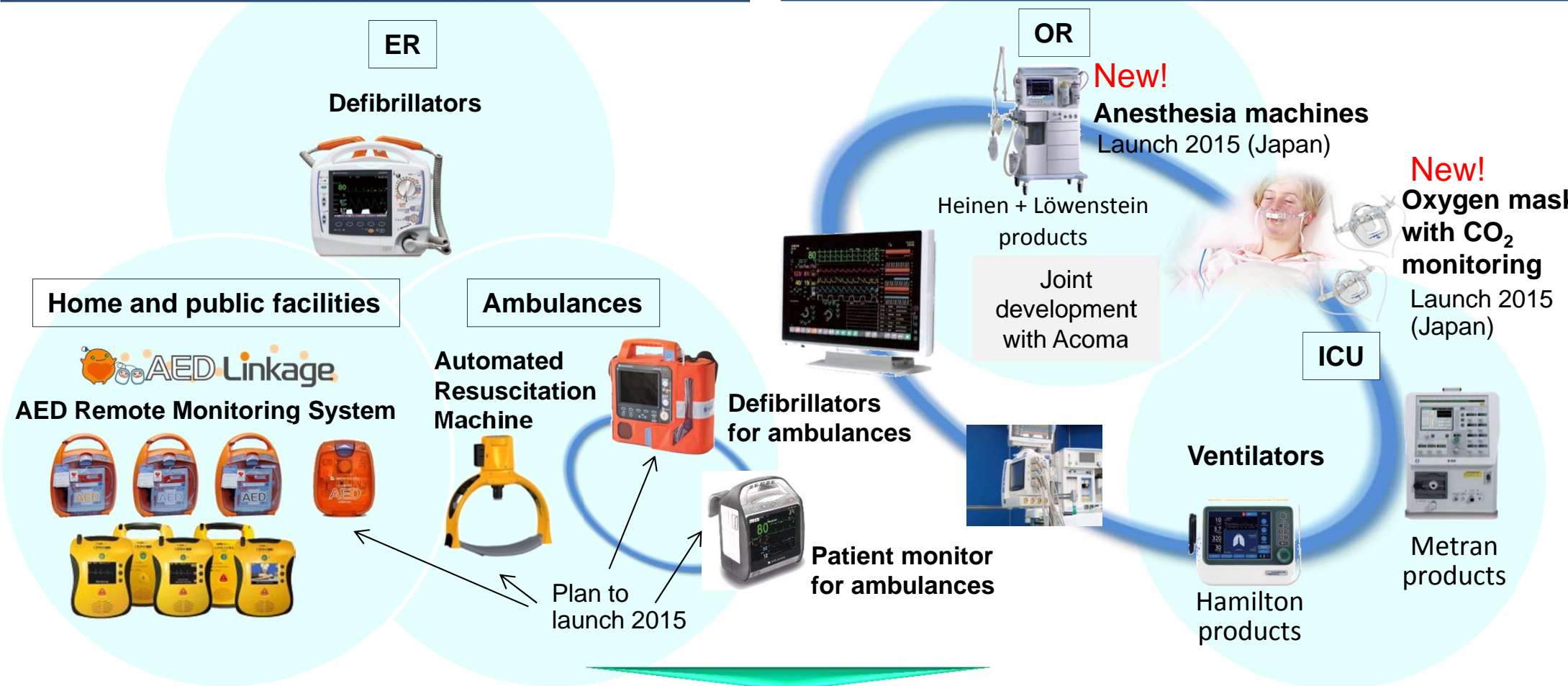
XL size

New!

# Patient Monitors & Treatment Equipment

Expand product line-up in resuscitation

Expand product line-up in OR and ICU



Generate a synergistic effect on both businesses

# 8) Strengthen Business Expansion by Region

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

**Cultivate strength in the acute care hospital market**

Enhance IT system solutions

Prime Vita Plus  
Prime Gaia

**Introduce new products**

**Patient Monitors**



Plan to launch FY2015



**Treatment Equipment**



Plan to launch FY2015





**Develop new business for home care**

Remote care system for elderly



**SUKOYAKA**

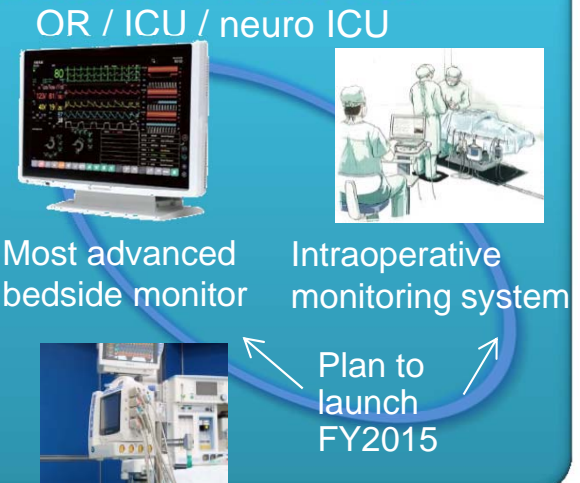
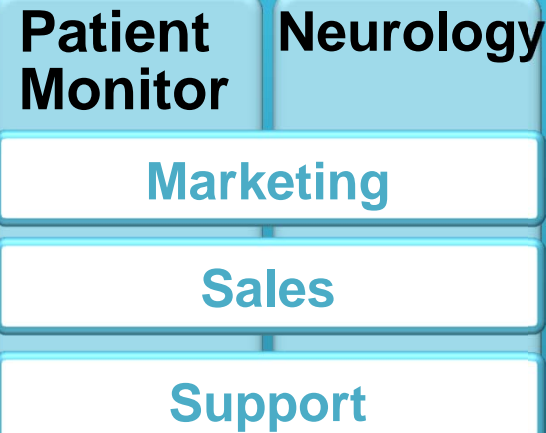


Establish a stronger presence in **the U.S.** which is a center of leading-edge medical treatment

## Cultivate high-end markets by Patient Monitor and Neurology collaboration

- Reorganize direct-sales operations
- Strengthen ties with GPOs and IDNs
- Keep high customer satisfaction

Aim at 10% share in patient monitors market



## Expand product line-up

Expand consumables and service business



SpO<sub>2</sub> probe



CO<sub>2</sub> sensor

Expand business in resuscitation field



**Nihon Kohden Innovation Center:**  
Joint development with local medical institutions

\*GPO : Group Purchase Organization

IDN: Integrated Delivery Network

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

## Strengthen business structure

### China

- Accelerate operations by unifying development, production, sales and services
- Expand export from China

### Asia and Latin America

- Enhance local sales and service network
- Strengthen ties with key doctors and reference hospitals

### Sales offices

Asia: China, Singapore, Thailand, Malaysia, India, UAE, Korea

Latin America: Colombia and Brazil

## Product strategy tailored to each market

Made in Japan

### High-end market



Made in China and Malaysia

### Middle to low-end market

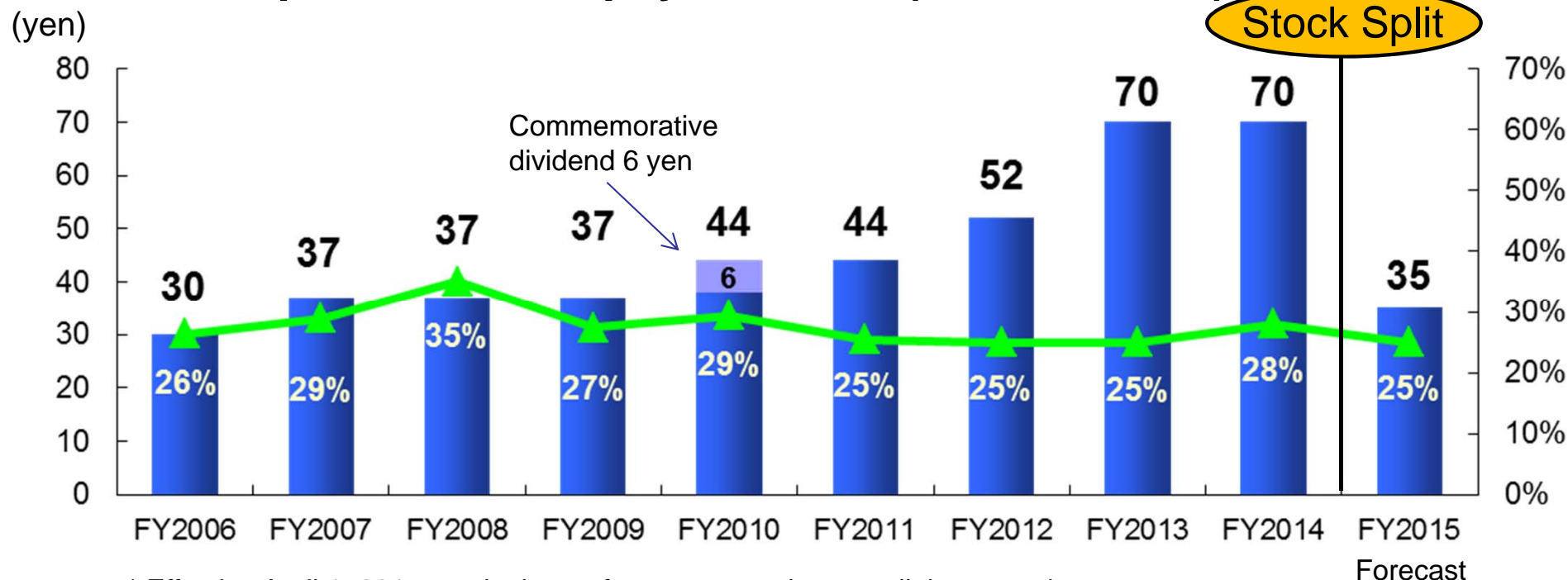


# 9) Dividend Policy

## 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.

## 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.