

Consolidated Financial Highlights for FY2012

(From April 1, 2012 to March 31, 2013)

- 1. Consolidated Financial Results for FY2012
& Forecast for FY2013**
- 2. A four-year business plan “Strong Growth 2017”**

May 14, 2013

Fighting Disease with Electronics



Consolidated Financial Results for FY2012 & Forecast for FY2013

1) Consolidated Financial Results for FY2012

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

	FY2011	FY2012			
		Original Forecast (announced on May.10, 2012)	Revised Forecast (announced on Nov. 2, 2012)	Actual	YoY (%)
Sales	120,718	130,000	130,000	132,538	9.8
Domestic Sales	99,706	105,000	106,500	110,215	10.5
Overseas Sales	21,011	25,000	23,500	22,322	6.2
Operating income	12,027	13,000	13,000	13,484	12.1
Ordinary income	12,193	13,000	13,000	14,658	20.2
Net income	7,621	7,900	7,900	9,151	20.1

Average exchange rate	FY2011	FY2012
1 US Dollar	79 yen	83 yen
1 EURO	110 yen	106 yen

Currency Effect
+ ¥0.1 billion (+0.7%)

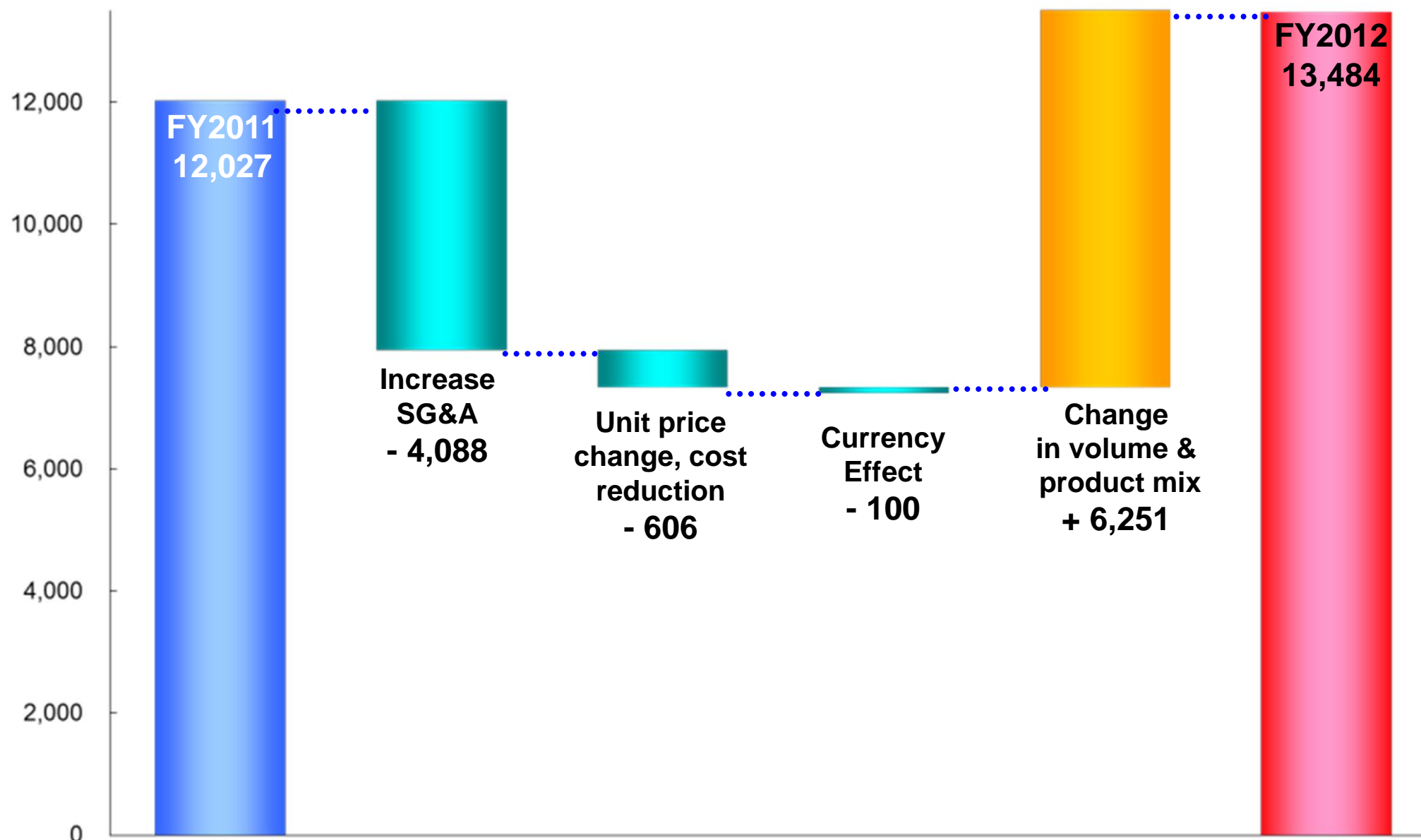
Gross Margin Ratio
FY2011 ⇒ FY2012
50.3% 50.0%

SG&A Ratio
FY2011 ⇒ FY2012
40.3% 39.8%

Foreign exchange gains
+ ¥0.6 billion

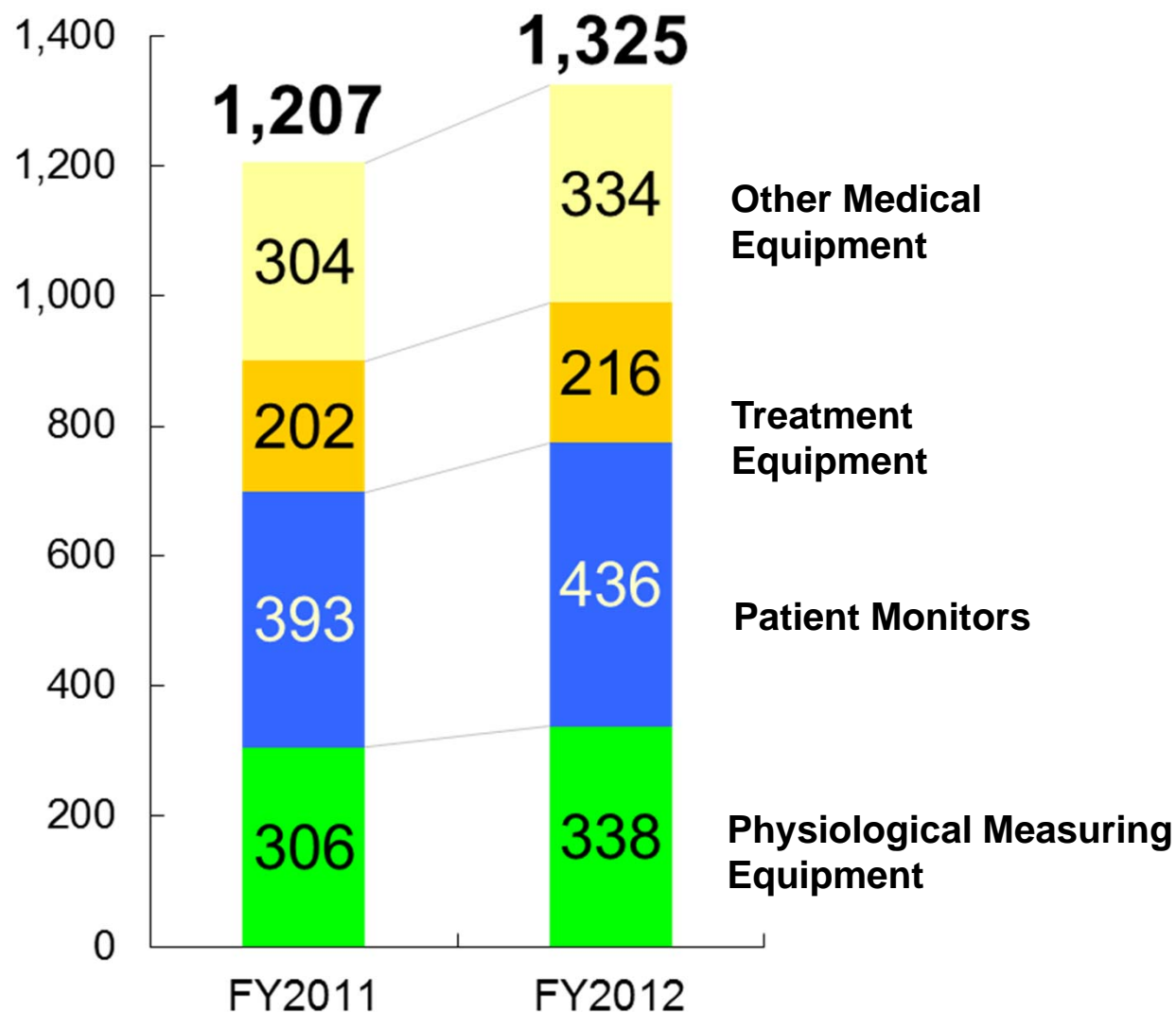
2) Breakdown of Operating Income

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



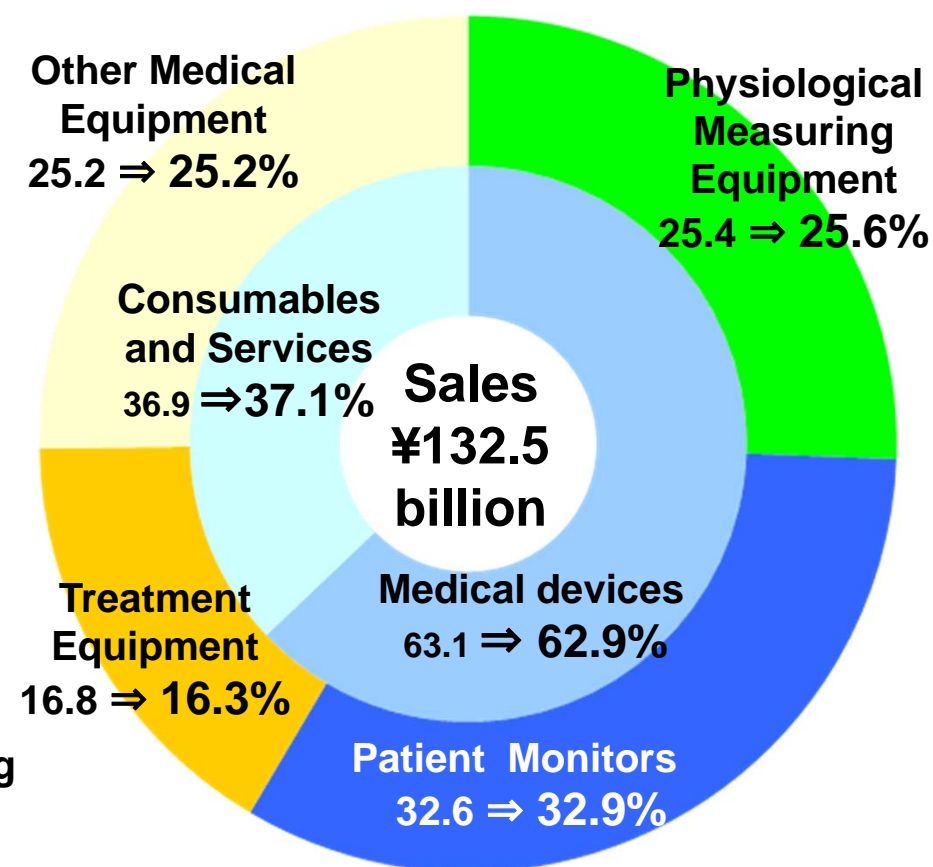
3) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2011 ⇒ FY2012)



3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2011	FY2012	YoY (%)
Electroencephalographs	7,645	8,677	13.5
Electrocardiographs	6,527	6,694	2.6
Polygraphs for Cath Lab	7,415	8,476	14.3
Other Physiological Measuring Equipment (Diagnostic Information System and Others) ※	9,088	10,023	10.3
Physiological Measuring Equipment	30,676	33,871	10.4
Domestic Sales	25,021	27,835	11.2
Overseas Sales	5,655	6,035	6.7

Domestic

Good effect from supportive activities for Epilepsy Care Network – Japan



Overseas

Sales in all areas increased. Focus strategy on top 50 U.S. hospitals contributes to sales increase in U.S.

Sales of Polygraphs for Cath Lab increased due to the increase or renewal of cath labs.

Sales of diagnostic information systems showed strong growth.

PrimeVita

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



Electroencephalographs
EEG-1200



Electrocardiographs
ECG-2500



Polygraphs for Cath Lab
RMC-4000

3.2) Patient Monitors

(Sales, millions of yen)

	FY2011	FY2012	YoY (%)
Patient Monitors	39,352	43,661	10.9
Domestic Sales	29,529	32,817	11.1
Overseas Sales	9,822	10,843	10.4

Sales in the public hospital and the private hospital market increased favorably. Sales of consumables such as SpO₂ probes also increased.

Sales in the Americas and Asia increased. In the U.S., stronger partnership with GPOs contributes to sales increase.



Bedside monitors
BSM-6000 series



Central monitors
CNS-6201



Transmitters
ZS-630P, ZS-611P



SpO₂ probes



Oxygen mask with CO₂ monitoring



ECGs Electrodes

Consumables

3.3) Treatment Equipment (Sales, millions of yen)

	FY2011	FY2012	YoY (%)
Defibrillators <small>(for Hospital and Ambulance)</small>	4,397	4,249	-3.4
AEDs <small>(Automated External Defibrillator)</small>	5,455	7,010	28.5
Pacemakers / ICDs	3,429	2,503	-27.0
Ventilators	2,552	2,620	2.6
Other Treatment Equipment	4,454	5,220	17.2
Treatment Equipment	20,288	21,604	6.5
Domestic Sales	17,858	19,135	7.2
Overseas Sales	2,430	2,469	1.6
(Ref.) AEDs Unit sales	25,600	34,500	34.8
Domestic unit Sales	24,100	31,400	30.3

Domestic/Overseas

New products contributed to sales increase.



AED Remote Monitoring System



AED-2150, 2151, 2152

Overseas

Demand for AEDs increased in Taiwan as the government plans to allow public access defibrillation.



Defibrillators
TEC-8300



AEDs
AED-2150



Pacemakers
Nuance DR RF




Ventilators
HAMILTON-C1

3.4) Other Medical Equipment

(Sales, millions of yen)

	FY2011	FY2012	YoY (%)
Hematology Analyzers	6,686	7,803	16.7
Transformers, Imaging Systems, Medical equipment for study and others ※	23,714	25,596	7.9
Other Medical Equipment	30,400	33,400	9.9
Domestic Sales	27,297	30,427	11.5
Overseas Sales	3,103	2,973	-4.2

Domestic/Overseas
New products contributed to sales increase.



MEK-7300 MEK-6500

Overseas
Sales of hematology analyzers and reagents increased favorably in China.

※ It includes consumables, installation and maintenance services which are not applicable to another categories.



Automated hematology analyzers
MEK-6500

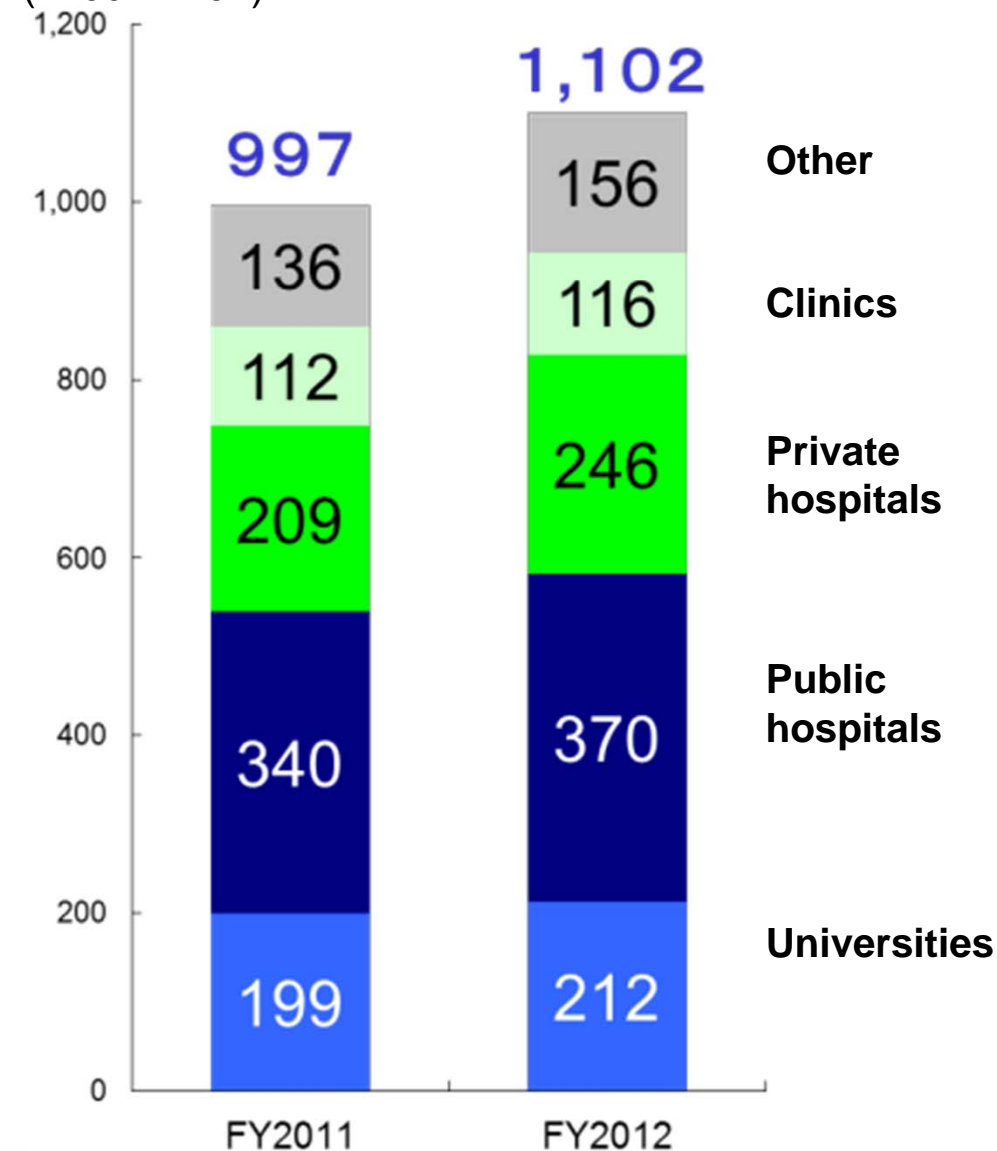


Multi-channel telemetry system
WEB-1000

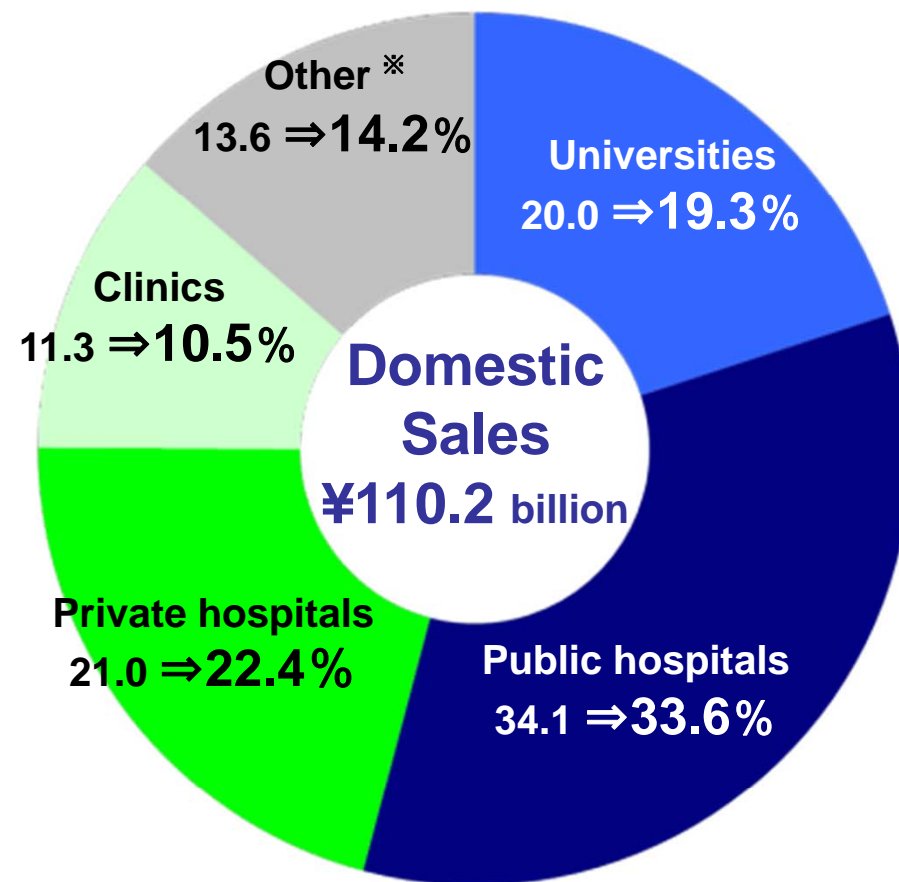
4) Domestic Sales

Sales by market

(¥100 million)



Sales composition by market FY2011 ⇒ FY2012

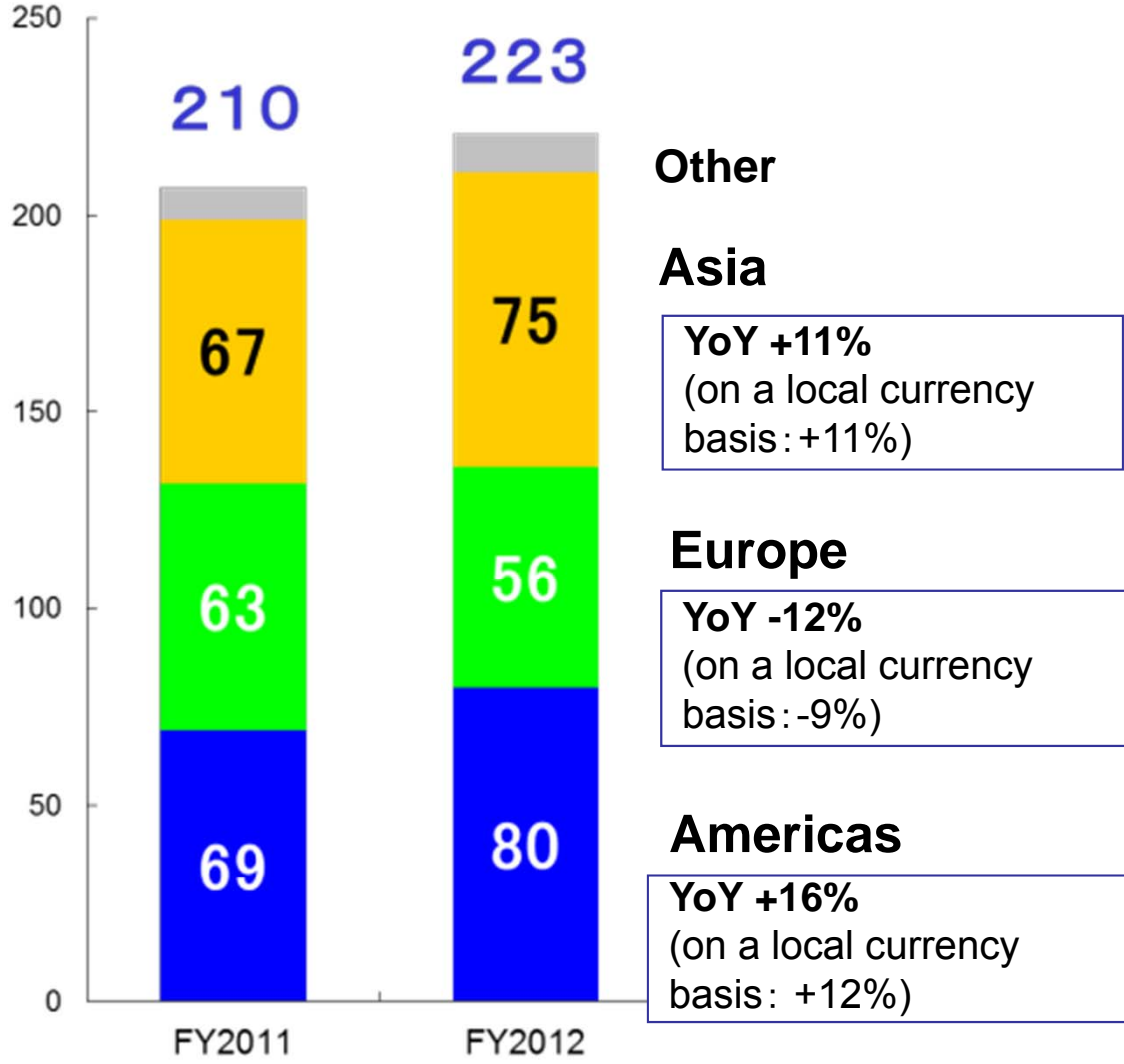


※: Other markets include laboratories, animal hospitals, and PAD (public access defibrillation) markets such as schools and private companies.

5) Overseas Sales

Geographic segments

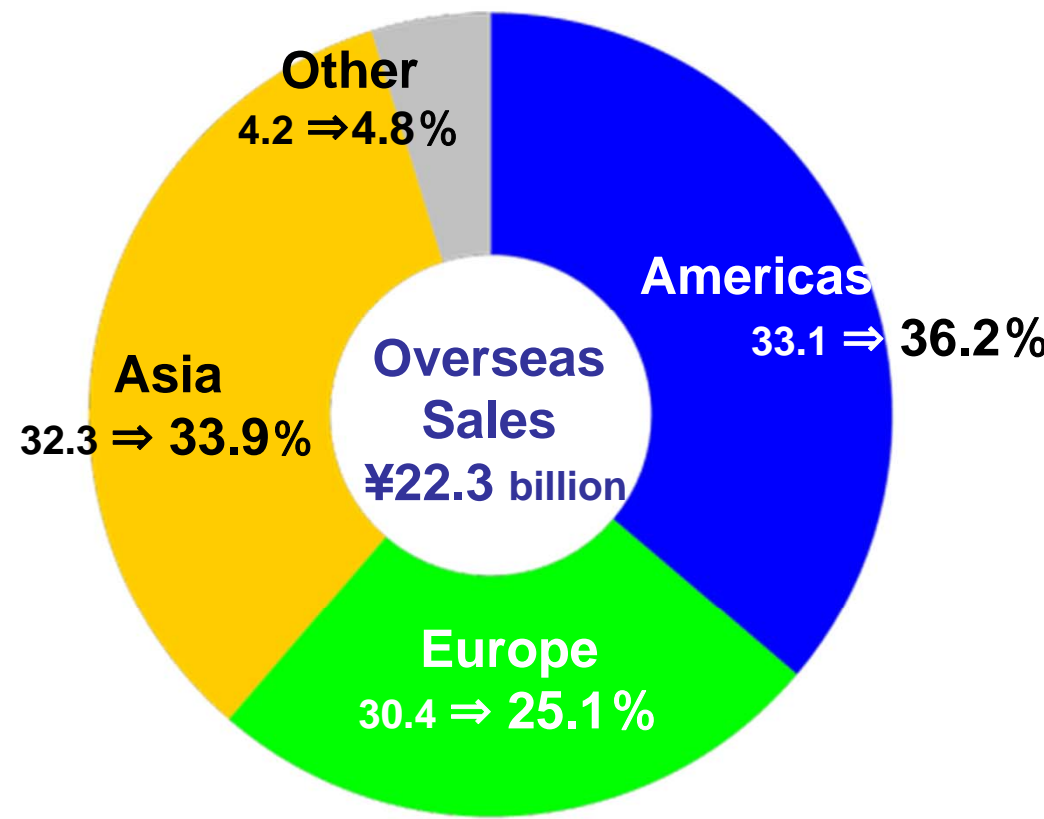
(¥100 million)



Percentage of overseas sales to consolidated sales

FY2011	FY2012
17.4%	16.8%

Geographic segments FY2011 ⇒ FY2012



6) Financial Condition

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

	FY2011	FY2012	Change
Current assets	82,742	95,181	12,438
Non-current assets	16,660	21,619	4,958
Total assets	99,403	116,800	17,397
Current liabilities	30,714	39,028	8,314
Non-current liabilities	778	1,515	737
Total liabilities	31,492	40,544	9,051
Net assets	67,911	76,256	8,345
Total liabilities & Net assets	99,403	116,800	17,397

Trade notes and accounts receivable:
+ ¥3.7 billion (B/S ¥46 billion)

Certificate of deposit :
+ ¥3 billion (B/S ¥15 billion)

Intangible assets:
+ ¥2.9 billion (B/S ¥6.4 billion)

7) Cash Flows

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

	FY2011	FY2012	Change
I .Cash flows from operating activities	7,559	13,189	5,629
II .Cash flows from investing activities	-2,338	-6,959	-4,620
Free cash flows	5,220	6,229	1,008
III .Cash flows from financing activities	-2,726	-1,174	1,551
Effect of exchange rate change on cash and cash equivalents	1	324	323
Net increase (decrease) in cash and cash equivalents	2,495	5,378	2,883
Cash and cash equivalents at end of period	21,304	26,683	5,378

Income before income taxes

FY2011	12,181
FY2012	14,525
Change	+ 2,344

Purchase of investments in subsidiaries

(Acquisition of Defibtech, LLC)

FY2011	—
FY2012	- 3,981
Change	- 3,981

8) Capital Investments and R&D Costs

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

	FY2011	FY2012			Change	FY2013 Plan
		Original Forecast (announced on May.10, 2012)	Revised Forecast (announced on Nov. 2, 2012)	Actual		
Capital Investments	2,063	3,400	3,400	3,143	1,080	3,900
Depreciation	2,849	3,200	3,200	2,853	4	3,500
R&D costs	5,583	5,800	6,100	6,424	840	7,300

- **FY2012 Actual: Capital Investments**

Molds for new products, measuring equipment, products for demonstration and expansion of production capacity

- **FY2013 Plan: Capital Investments**

Molds for new products, products for demonstration, expansion of production capacity (¥0.5 billion) and enhancement of ERP system (¥0.5 billion)

9) Forecast for FY2013

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

	FY2012	FY2013	YoY (%)
Sales	132,538	145,000	9.4
Domestic Sales	110,215	113,500	3.0
Overseas Sales	22,322	31,500	41.1
Operating Income	13,484	15,000	11.2
Ordinary Income	14,658	15,000	2.3
Net Income	9,151	9,500	3.8

Percentage of Overseas Sales 16.8% 21.7%

Average Exchange Rate

1 US Dollar	83 yen	90 yen
1 EURO	106 yen	118 yen

Expand sales in acute care hospitals because they are expected to continue stable capital spending

Expand sales in the Americas and Asia where we strengthened business structure last year by establishing a sales subsidiary and acquiring Defibtech, LLC

Regional Medical Care Revival Plan

The fiscal 2012 budget added another subsidy and the term was extended.

[Total budget]

¥517 billion



¥605 billion

[Deadline]

Until FY2013

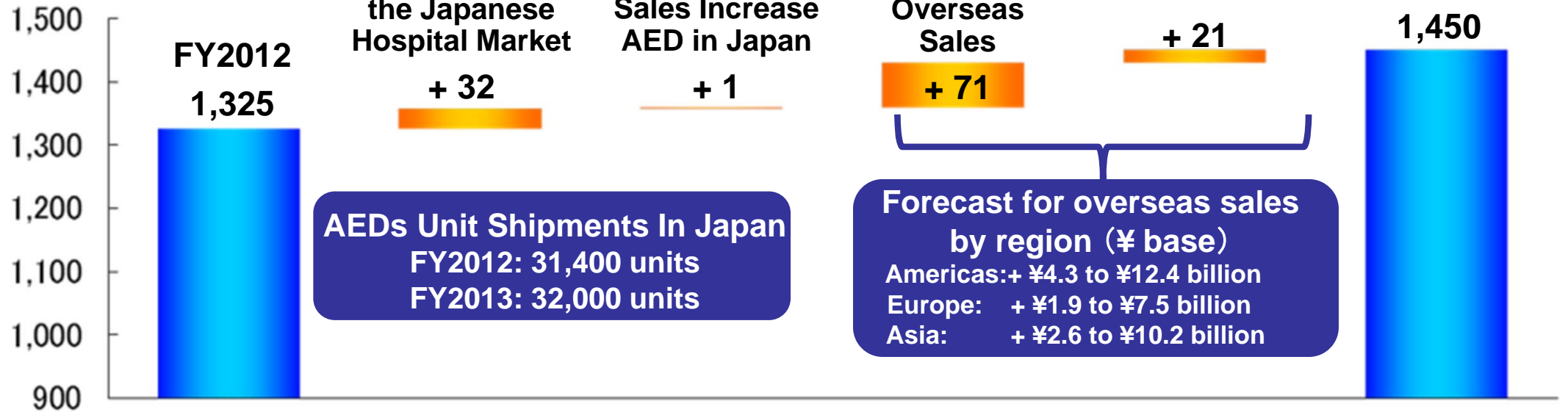


Start project by end of March, 2014

10) Analysis of FY2013 Forecasts

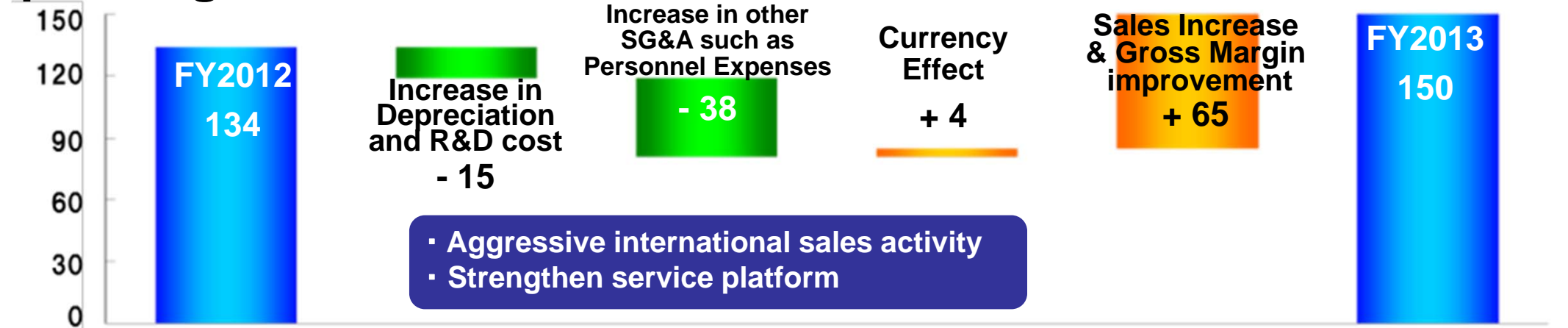
(¥100 million)

Sales



Operating Income

(¥100 million)

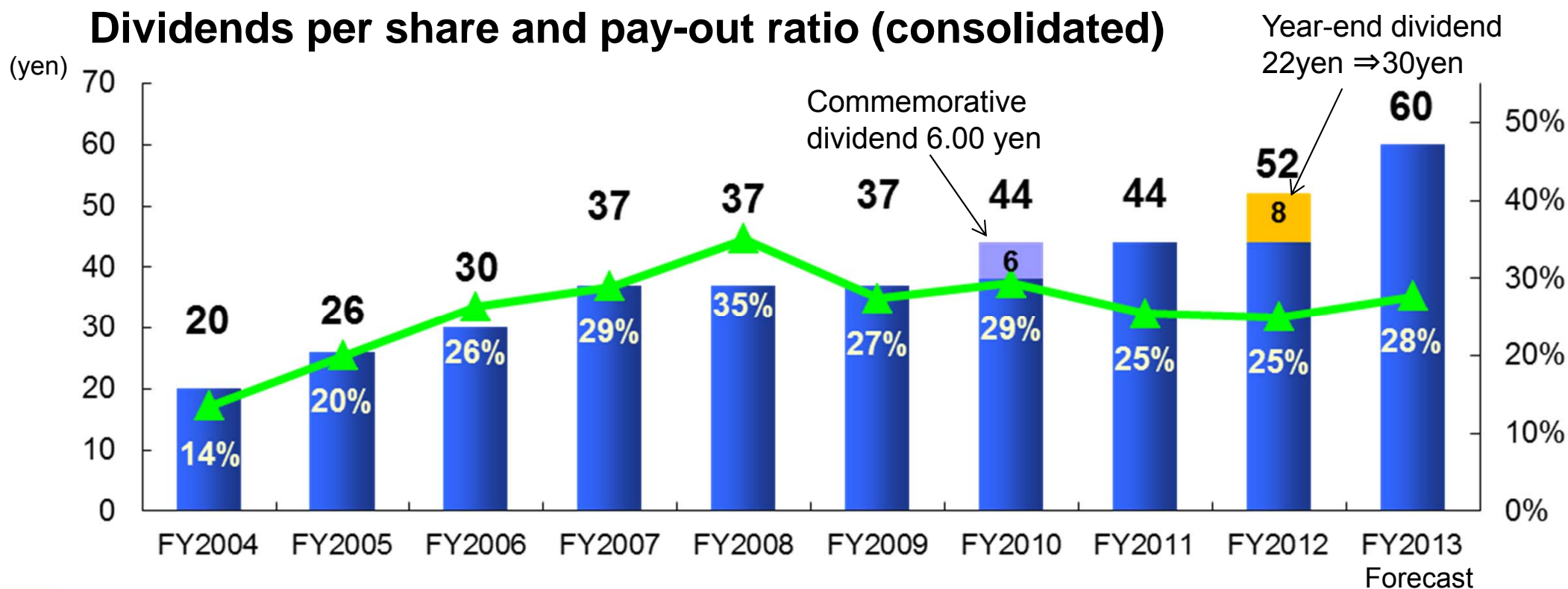


11) Dividend Policy

Basic Dividend Policy

Continue a stable dividend for a long period as well as increase retained earnings for the enhancement of business structure and future business expansion

Rough indication: Consolidated payout ratio of 30%



(Ref.)

Consolidated Forecast for FY2013 by Product Category

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

	FY2012	FY2013	YoY (%)
Physiological Measuring Equipment	33,871	36,900	8.9
Patient Monitors	43,661	47,900	9.7
Treatment Equipment	21,604	26,250	21.5
Other Medical Equipment	33,400	33,950	1.6
Total	132,538	145,000	9.4
(Reference)			
Consumables and Services	49,149	52,200	6.2

Domestic
Sales recovery of Pacemakers and ICDs

Overseas
Contribution of Defibtech AEDs sales

**A four-year business plan,
“Strong Growth 2017”
(FY2013 to FY2016)**

1) Market Environment - Global -

Global medical device industry continues growth

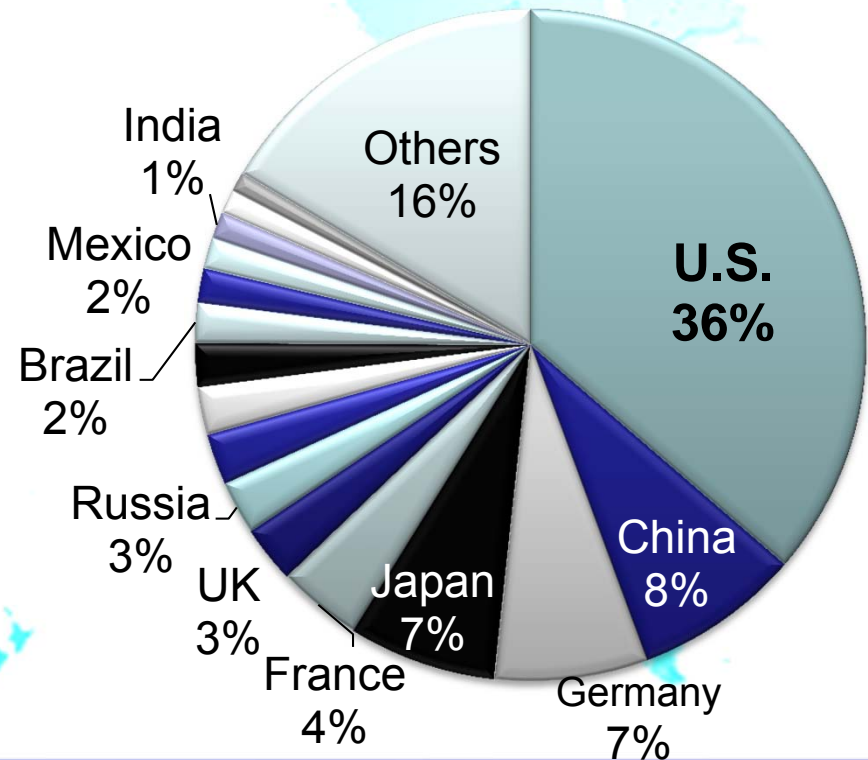
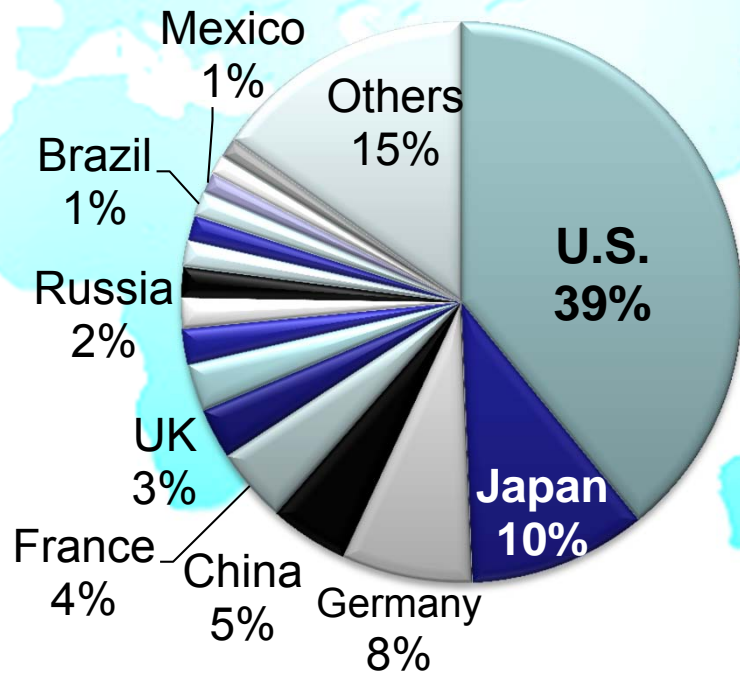
【2012】

\$307.7 billion
(¥30.7 trillion)

+\$126.7 billion
(¥12.6 trillion)

【2017】

\$434.4 billion
(¥43.4 trillion)

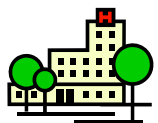


1) Market Environment - Japan -

The Japanese government advocates the growth strategy of medical related industry against rapidly aging society

Percentage of population over 65 years old will increase **23.0% → 30.3%** from 2010 to 2025
Source: white paper on Japan's aging society 2012

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



Differentiate medical providers



- Strengthen acute care and rehabilitation
- Enhance home medical care



Cooperation among medical and nursing care



Establish integrated community care system

Promote medical innovation

Accelerate regulatory procedures for medical device approval

Strengthen MEJ and promote export of Japanese healthcare (Nihon Kohden participates)

Medical Excellence JAPAN (MEJ): Organization which supports export of Japanese medical devices, drugs, and medical services

Launch Japanese version of NIH to help create advanced medical devices and drugs

NIH: National Institutes of Health

2) Evaluation of Previous Mid-term Plan (i) *SPEED UP III*

Establish competitive advantages in Japan's hospital market

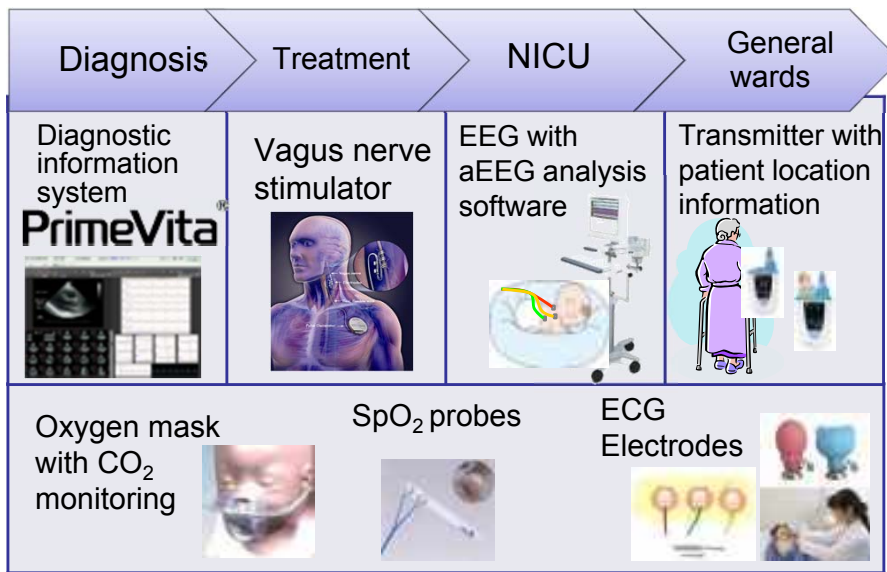
- Enhanced products tailored to the needs of clinical practice
- Reinforced consumables business such as electrodes and sensors

Reinforce overseas business structure

- Consolidated 3 Chinese subsidiaries in one subsidiary to unify R&D, production, sales and services
- Established sales subsidiaries in India, Brazil, and UAE
- Acquired Defibtech, LLC, a U.S. manufacturer of resuscitation equipment

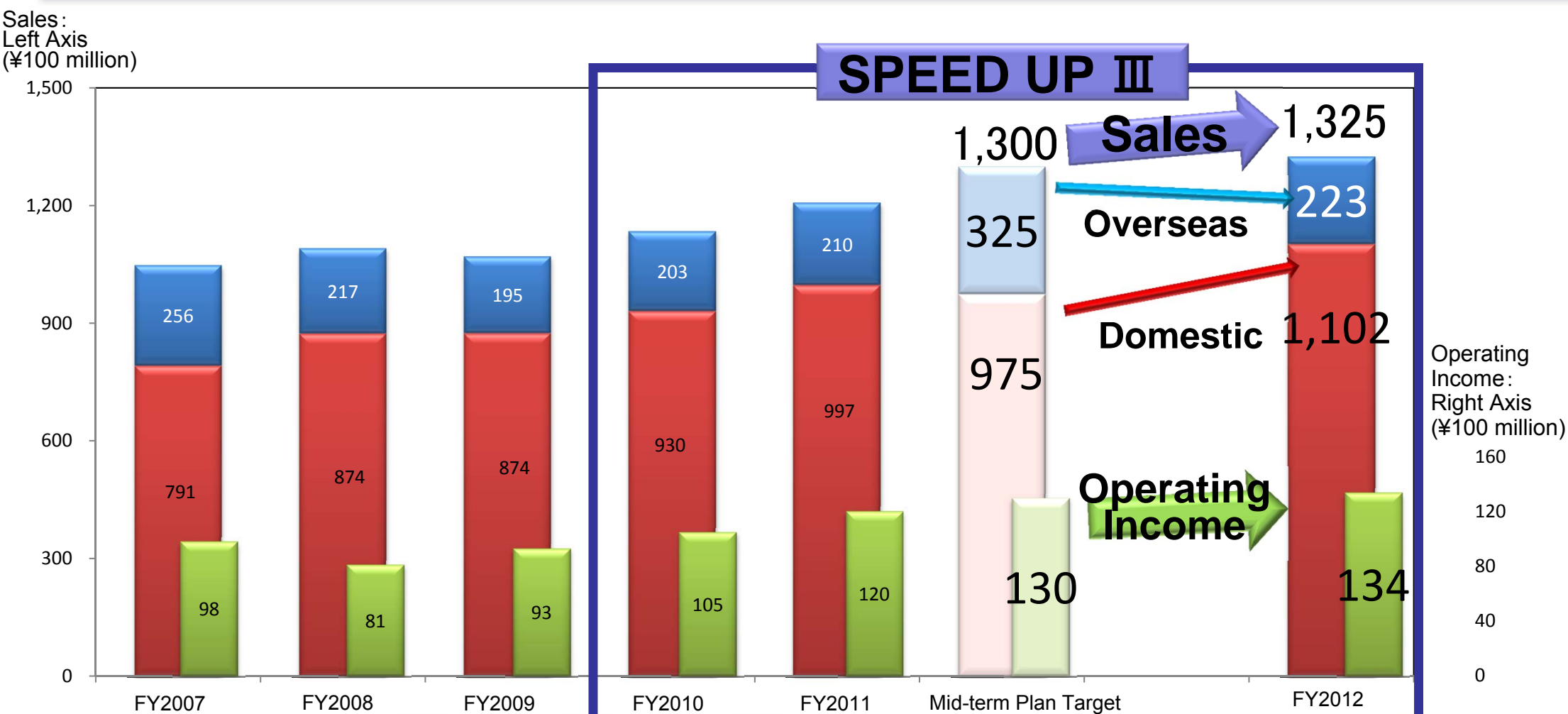
Strengthen technological development capabilities

- Commercialized its unique parameter measurement technologies: esCCO, derived 18-lead ECG and CO₂ sensor



2) Evaluation of Previous Mid-term Plan (ii) *SPEED UP III*

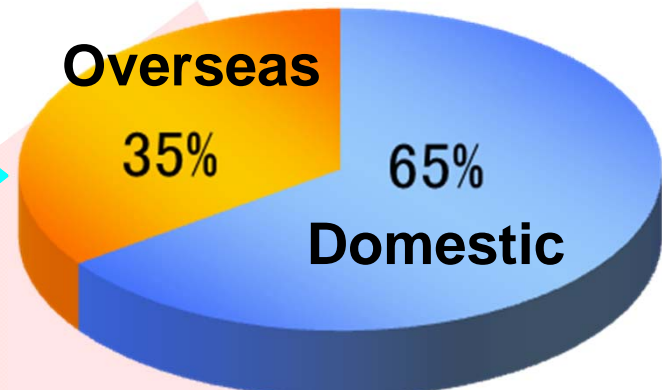
- Achieved targets of 130 billion yen sales and 10% operating margin
- Strong growth in emerging markets remained as an issue to be solved



3) Long-term Vision and New Mid-term Business Plan

Long-term Vision (April 2010 to March 2020)

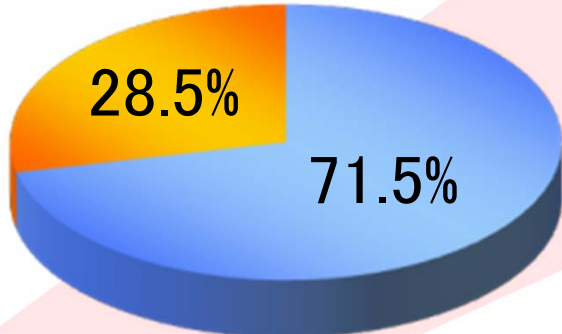
The CHANGE 2020
-The Global Leader of Medical Solutions-



2nd Stage

Strong Growth 2017

(April 2013 to March 2017)

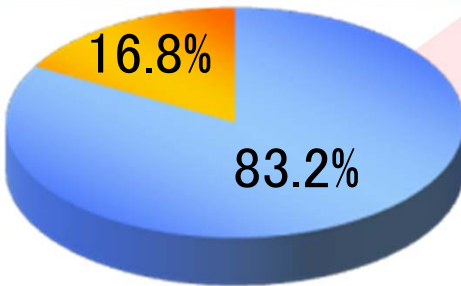


Fiscal year ending March 2020

Sales	¥200 billion
Operating Income	¥25 billion
Operating income ratio 12.5%	

1st Stage

SPEED UP III



FY2012

Sales **¥132.5 billion**
 Operating Income **¥13.4 billion**
 Operating income ratio **10.2%**

FY2016

Sales	¥170 billion
Operating Income	¥18 billion
Operating income ratio 10.6%	

4) Key Strategies of New 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

5) Strengthen technological development capabilities

Strengthen R&D organization to swiftly and flexibly address needs of clinical practice

Enhance R&D organization in the U.S.

Current

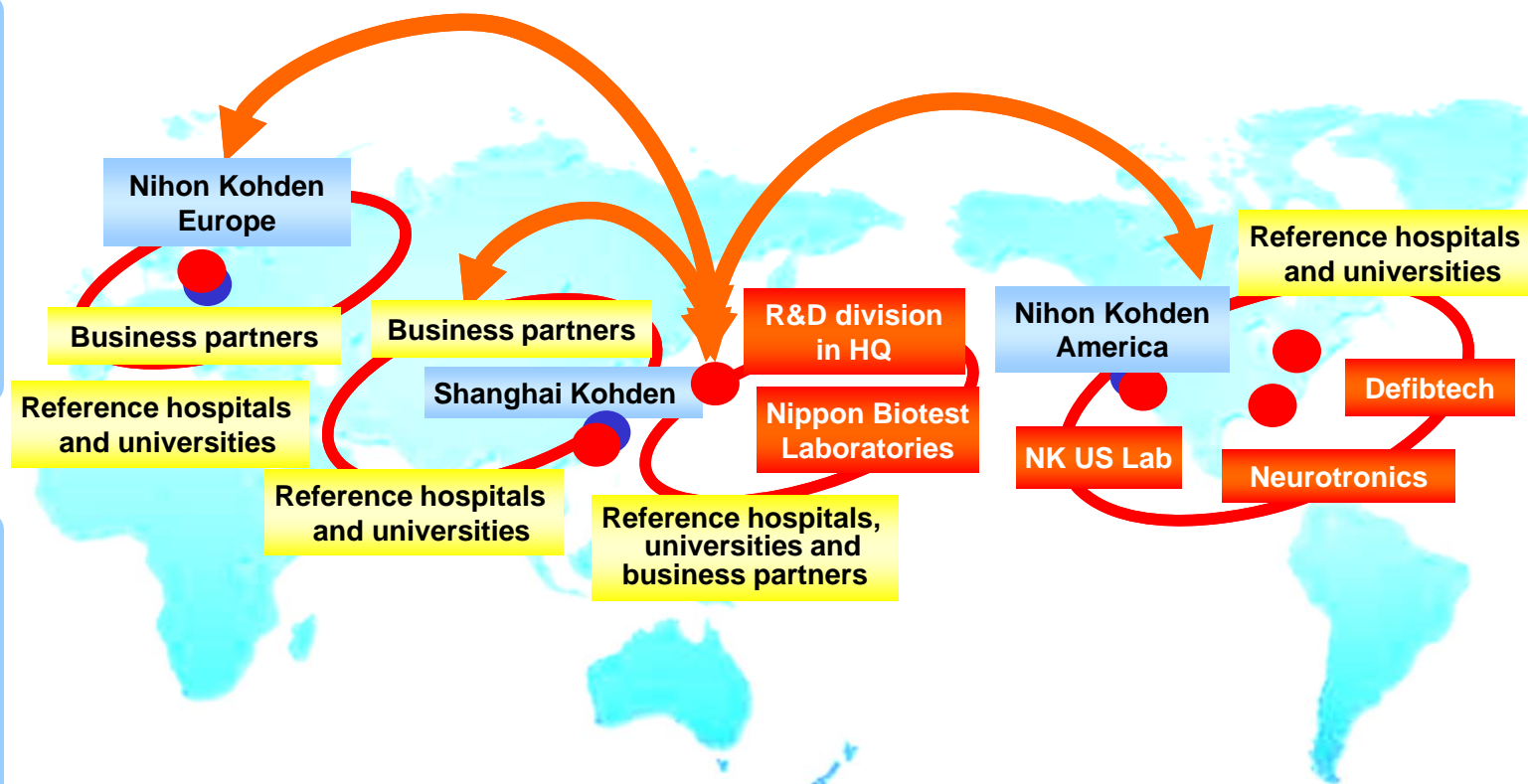
- Develop EEGs in collaboration with top hospitals
- Clinical evaluation of esCCO and CO₂ sensors



Near Future

Add R&D office

- Grasp advanced medical technology trends
- Strengthen partnership with medical institutions




6) Strengthen business expansion by region

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

Enhance business in acute care hospital


Focus on treatment equipment business

Introduce the most advanced treatment equipment from all over the world that offers synergies with our own products.

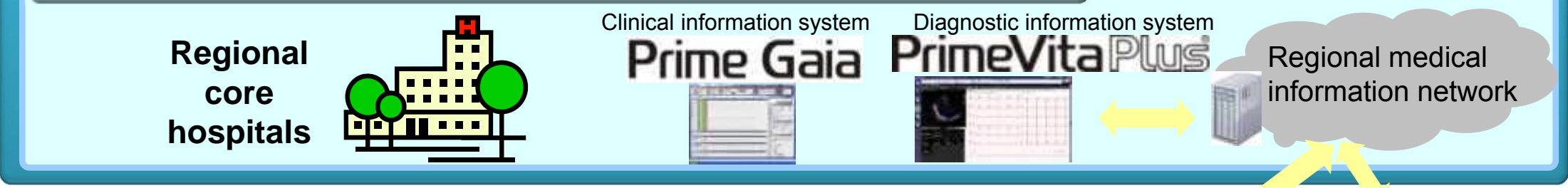


Expand consumables and services business

Promote consumables such as SpO₂ probes



Enhance competitiveness of information system products



Approach affiliated hospitals and clinics

Small and medium size hospitals **PrimeCreat**

Clinics **Prime Linc**



Develop new business tailored to an integrated community care system

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

Inside hospitals

ER



Laboratory



OR



ICU



General wards



Achieve 10% or more market share in patient monitors

- Reinforce direct-sales force and strengthen ties with GPOs
- Differentiate with Prefense™



Build strong presence in neurology business

- Focus on U.S. top 50 hospitals



Cleveland Clinic

Strengthen consumables and services business

Expand business in the resuscitation field



Outside hospitals

Develop new sales network

Develop new sales network

iii) Increase market share in **emerging markets** as a key growth driver (i)

Strengthen business structure of R&D, Production, Sales and Service

Establish Asia & Middle East Operations

Nihon Kohden
Middle East

Shanghai
Kohden

Nihon
Kohden
India

Nihon Kohden
Singapore

Enhance functions of subsidiary

- **Localized sales and service network**
 - Personnel assignment in selected countries
 - Strengthen sales of hematology instruments
 - Enhance local repair service and training programs
- **Promote solution sales**
 - Strengthen ties with key doctors and reference hospitals



- **Four subsidiaries work together to promote business operations in China, Asia, Middle East and Africa**
- **Expand export from China**

Nihon Kohden
Do Brasil


iii) Increase market share in **emerging markets** as a key growth driver (ii)

Product strategy tailored to each market

High-end market

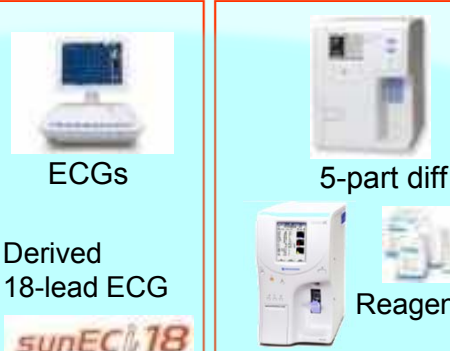
Made in Japan

Patient monitors



Bedside monitors
Central monitors
Telemetry
esCCO™
CO₂ sensor

Defibrillators & AEDs



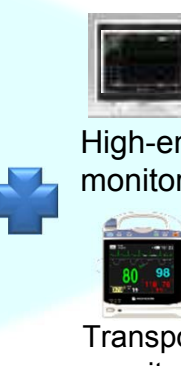
ECGs
5-part diff
Derived 18-lead ECG
Reagents
3-part diff

EEGs



EEGs
Evoked potential / EMG systems

Future product line-up (Plan)



High-end monitors
Transport monitors


- Products made in Japan that are highly functional and IT-compliant
- Differentiate by unique technologies such as esCCO



Low-end market

Made in China

Patient monitors



Bedside monitors
Central monitors

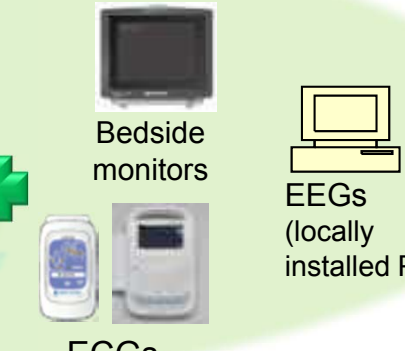
ECGs



ECGs
3-part diff

Hematology Analyzers

Future product line-up (Plan)



Bedside monitors
ECGs
EEGs (locally installed PC)


- Broaden line-up of products made in China and other local production sites to target high volume markets



7) Achieve further growth in core businesses

i) Patient Monitors

Strengthen sales force and expand products that ensure medical safety and improve operating efficiencies in line with the needs of each region


Launch highly competitive bedside monitors and telemetry products

Raise brand recognition through unique technologies such as esCCO and CO₂ sensors 





Future product line-up (Plan)

Ambulance and rescue helicopters
 Develop patient monitors for ambulance

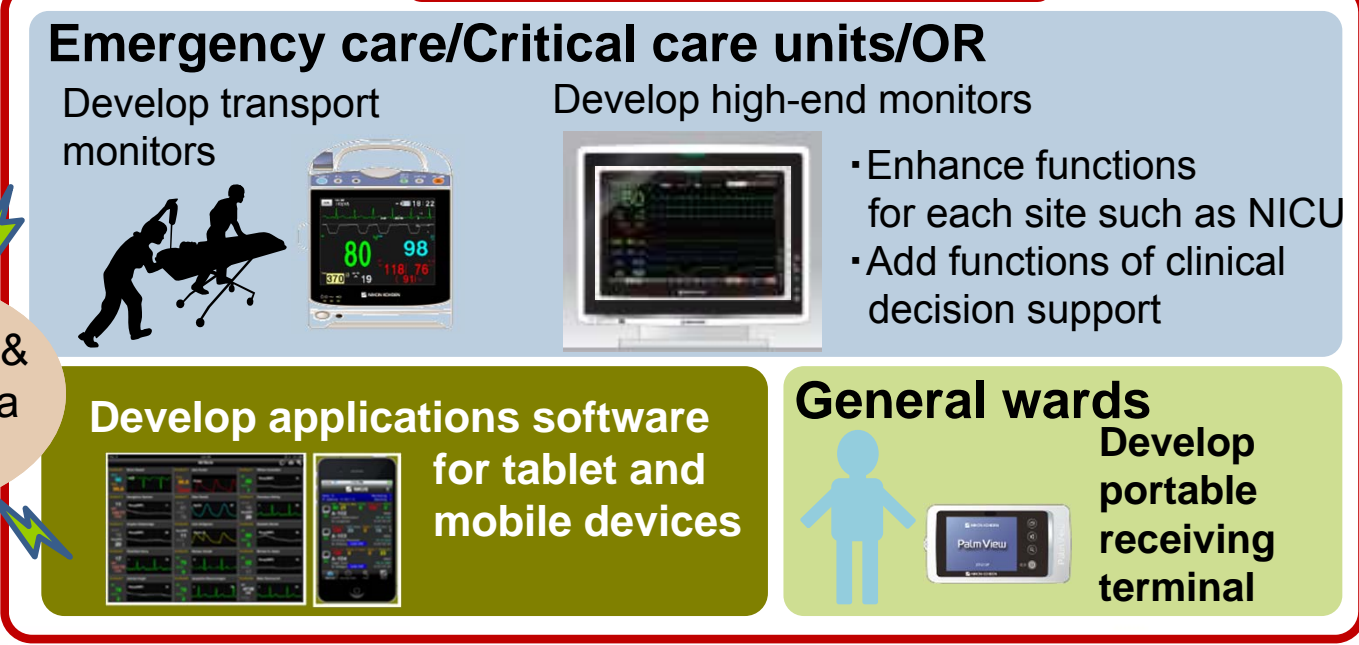


Home care monitoring
 Integrated community care system
 Develop patient monitors tailored to elderly residence with care services



Patient data & Medical Data Base

Inside hospitals



ii) Diagnostic Equipment

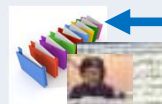
Expand market-leading business by satisfying new needs in developed markets and targeting growing emerging markets

Epilepsy tests & diagnosis (Japan)

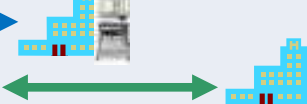
Establish Epilepsy Care Networks – Japan creates a new need of EEG reading service



Doctors who can read EEG to help diagnosing epilepsy



Medical institutions for EEG tests



Neuro ICUs (US)

Remote monitoring needs

Core hospital Monitoring room



Satellite hospital Neuro ICUs



Neurology products

▪ Broaden product range and reinforce compatibilities with IT systems

Future product line-up (Plan)

Cardiology products

ECGs

Expand product line-up



ECGs developed and manufactured in China

Holter ECG

Exercise stress ECG

Diagnostic Equipment for Arteriosclerosis

Address lifestyle-related diseases



▪ Raise brand recognition with unique technologies such as derived 18-lead ECG

synECi 18
Synthesized Electrocardiogram

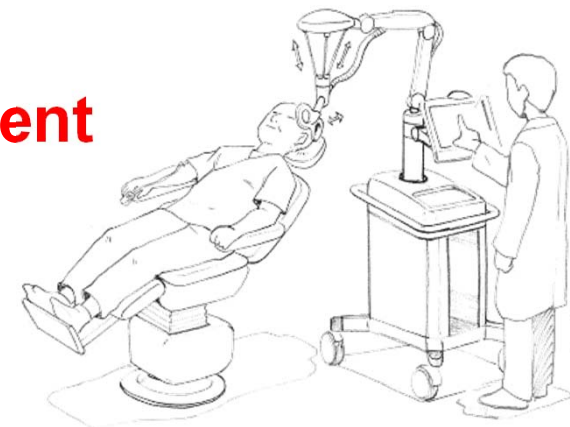
8) Develop new businesses

- Nihon Kohden aims to develop new core businesses by self-development, alliances, M&A and other measures.
- The Company will pursue the development and introduction of medical equipment designed to improve medical safety, address lifestyle-related diseases, dementia, and intractable diseases.
- The Company will also pursue solutions for an integrated community care system.

i) Create a new business of neurological diagnosis, treatment and rehabilitation equipment

Develop magnetic stimulation treatment equipment for neurological disease

- Develop **Japan's first non-invasive repetitive magnetic stimulation treatment equipment** for Parkinson's disease
- Plan clinical research at Fukushima medical university



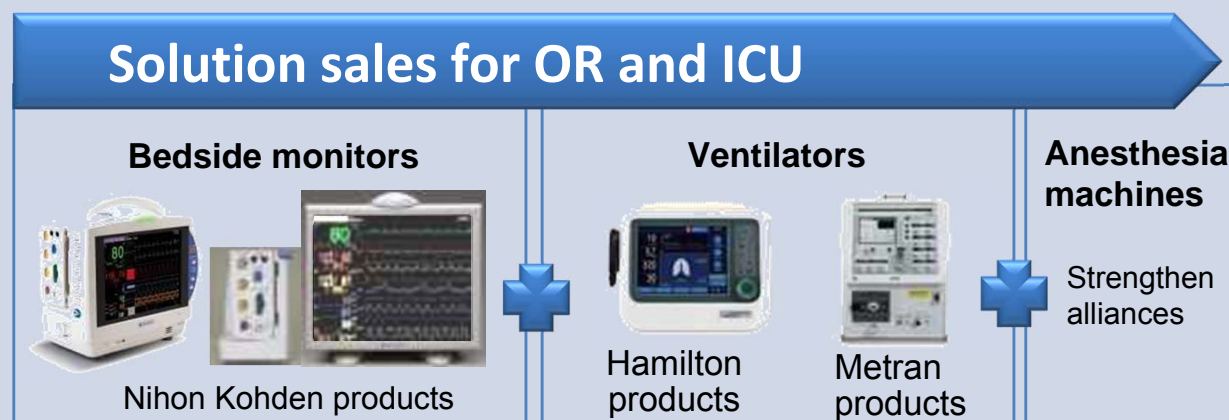
This R&D project was awarded a grant from Fukushima prefecture

ii) Expand treatment equipment business

Expand line-up of products that contribute to emergency care as the only Japanese manufacturer of defibrillators and AEDs



Expand its product line-up of ventilators and anesthesia machines through alliances



9) Targets for FY 2016 ending March 2017

¥billion	FY2012 actual	FY2016 target	4 year CAGR
Sales	132.5	170.0	6.4%
Domestic	110.2	121.5	2.5%
Overseas	22.3	48.5	21.4%
Operating income	13.4	18.0	7.5%
ROE	12.7%	13.0%	
Exchange Rate: 1 US Dollar 1 Euro	83 yen 106yen	90 yen 118yen	

Breakdown of overseas sales by region

Americas	8.0	19.5	24.6%
Europe	5.6	10.0	15.5%
Asia	7.5	17.0	22.5%
Other	1.0	2.0	17.2%

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