Consolidated Financial Highlights for FY2019

(From April 1, 2019 to March 31, 2020)

1. Consolidated Financial Results for FY2019
2. Forecast for FY2020
3. Review of Previous Mid-term Business Plan
4. Measures in FY2020

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
May 15, 2020

Fighting Disease with Electronics

NIHON KOHDEN

Responses to COVID-19 and Impact on Business in FY2019

Responses

- Suspended production at Shanghai Kohden from Jan. 24 to Feb 9. Strong demand for patient monitors, defibrillators and ECGs in China during this period was handled with stock.
  Resumed production at Shanghai Kohden with operation rate of 30% on Feb.10, and returned to normal on Mar. 2.
- Established COVID-19 response headquarters on Feb. 25 and conducted business with basic policies as follows:
  (1) Health and safety of employees at work and their families as the top priority
  (2) Fulfilling our responsibility to supply products and services to maintain the medical care system
- Confirmed 7 cases of COVID-19 at Tokorozawa Office and Tomioka Production Center since Mar. 27.
  Suspended production at Tomioka Production Center from Mar. 30 to Apr.14, and resumed on Apr. 15.
  Supply of medical equipment during this period was handled with stock from the Eastern Japan Logistics Center.
- Restricted sales activities due to lockdowns in each country (except production, shipping, and installation services).

Impact on Business

<Japan> Negative effect on sales was ¥0.5 billion because sales in the clinic and PAD market slowed down as the Company refrained from nonessential visits to customers, while inquiries about patient monitors and ventilators increased

<Europe> Positive effect on sales was ¥0.4 billion because demand for patient monitors increased in Mar

- The Nihon Kohden Group would like to express our deep respect toward all medical workers on the front line of the COVID-19 fight around the world.
- We also would like to extend our deepest sympathies and condolences to the relatives and loved ones of all those who died of COVID-19, and pray that all patients battling COVID-19 will recover as soon as possible.
- The Company had confirmed 7 cases of COVID-19 in its domestic offices, and production at the Tomioka Production Center was suspended for a certain period.
- We sincerely apologize for any concerns we have caused to the many affected people, including local residents.
- The Company aims to place its top priority on assuring the health and safety of employees at work and their families, and fulfilling our responsibility to supply products and services to maintain the medical care system.

1 Consolidated Financial Results for FY2019

1) Consolidated Financial Results for FY2019

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

	FY2018 Actual	FY2019 Original forecast announced May 13	FY2019 Revised forecast announced Nov 5	FY2019 Actual	YoY (%)
Sales	178,799	*186,000*	*186,000*	**185,007**	3.5
Domestic Sales	130,223	*133,000*	*134,500*	**134,355**	3.2
Overseas Sales	48,575	*53,000*	*51,500*	**50,651**	4.3
Gross Profit	85,987	*90,200*	*89,800*	**89,325**	3.9
(Gross Profit Margin)	48.1%	*48.5%*	*48.3%*	**48.3%**	
Operating Income	15,044	*16,000*	*16,000*	**15,503**	3.1
(Operating Income Margin)	8.4%	*8.6%*	*8.6%*	**8.4%**	
Ordinary Income	15,867	*16,000*	*16,000*	**14,846**	-6.4
Income Attributable to Owners of Parent	11,191	*11,000*	*10,700*	**9,854**	-12.0

Average exchange rate	FY2018	FY2019	FY2019	FY2019
1 US Dollar	110.8 yen	108 yen	108.5 yen	**109.1 yen**
1 EURO	128.5 yen	125 yen	121 yen	**121.1 yen**

COVID-19 impact
Domestic: Negative effect on sales was ¥0.5 bil due to sales decrease in the clinic and PAD market, while inquiries about patient monitors and ventilators increased
Europe: Positive effect on sales was ¥0.4 bil due to increased demand for patient monitors in Mar

+7% on a local currency basis

In-house Sales ratio:	FY2018		FY2019
	64.8%	→	65.6%

Foreign exchange gains/losses:
FY2018 → FY2019
¥85 mil gains → ¥973 mil losses

Extraordinary losses	FY2019
Settlement package:	¥520 mil
Demolition cost:	¥188 mil

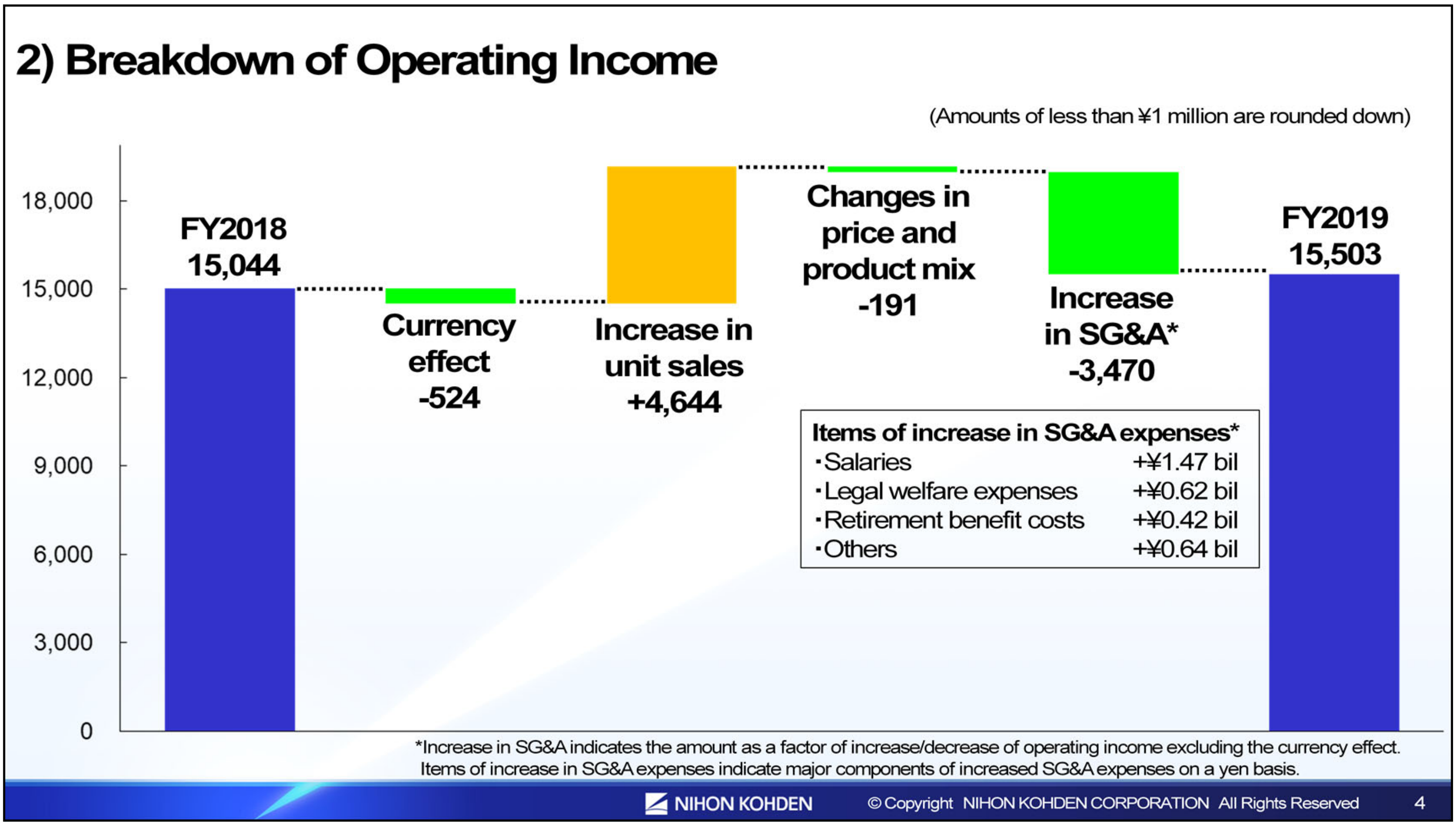
- Overall sales increased 3.5% to ¥185.0 billion. Domestic sales increased 3.2% to ¥134.3 billion. Overseas sales increased 4.3% to ¥50.6 billion, a 7% increase on a local currency basis.

- There was a negative effect on sales in Japan and a positive effect on sales in Europe due to the COVID-19 outbreak.

- Gross profit margin increased by 20 basis points to 48.3%, due to the favorable product mix as the Company focused on selling in-house products.

- Operating income increased 3.1% to ¥15.5 billion. This fell short of the forecast as overseas sales, especially sales in Asia and Africa, were lower than the forecast.

- Ordinary income decreased 6.4% to ¥14.8 billion, reflecting foreign exchange losses. Income attributable to owners of parent decreased 12.0% to ¥9.8 billion as extraordinary losses were posted.



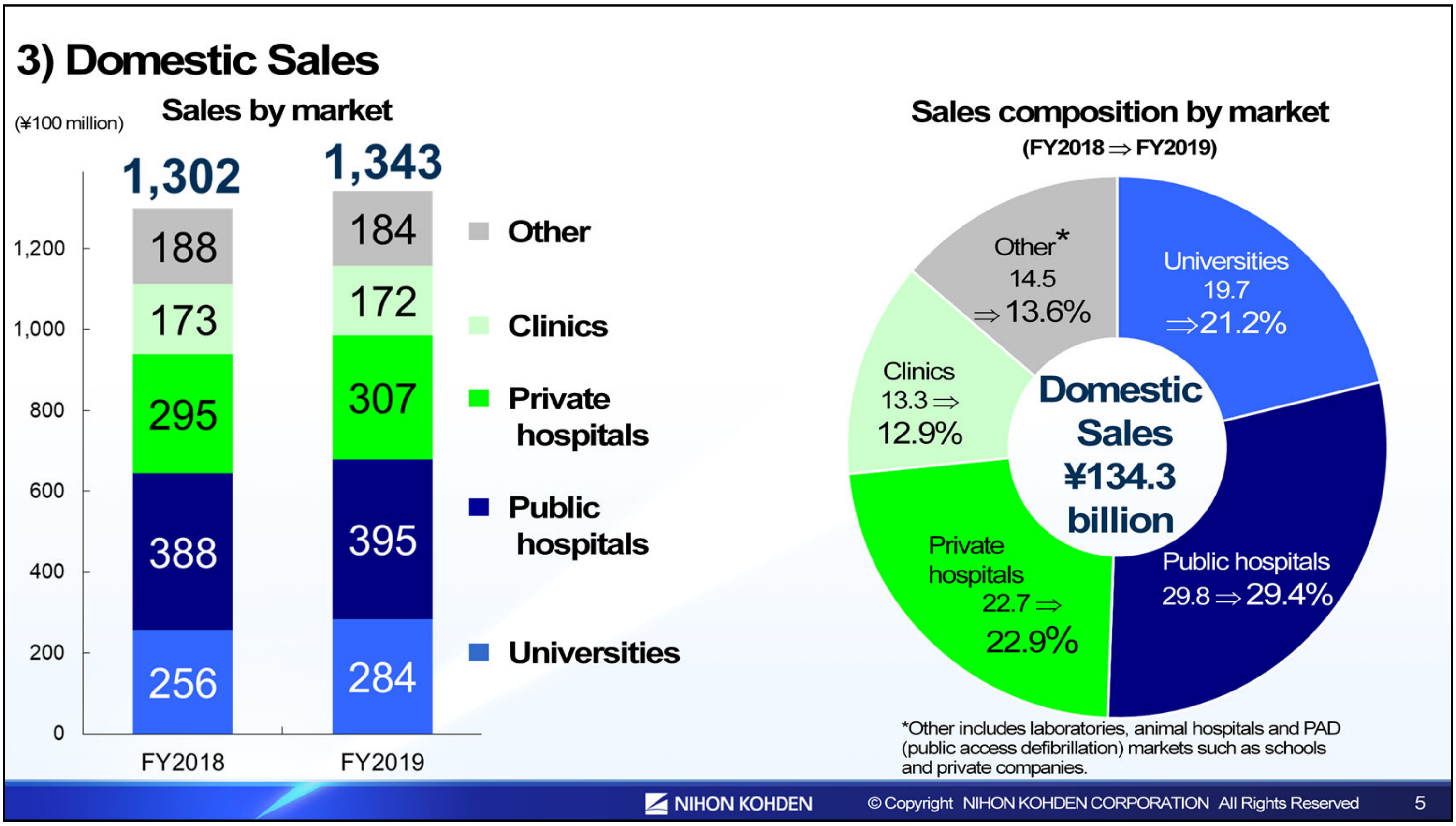
- FY2019 operating income increased to ¥15.5 billion from ¥15.0 billion in FY2018.

- Currency effect had a negative impact of ¥0.5 billion.

- Increase in unit sales had a positive impact of ¥4.6 billion.

- Changes in price and product mix had a negative impact of ¥0.2 billion due to lower selling prices, offsetting the favorable product mix.

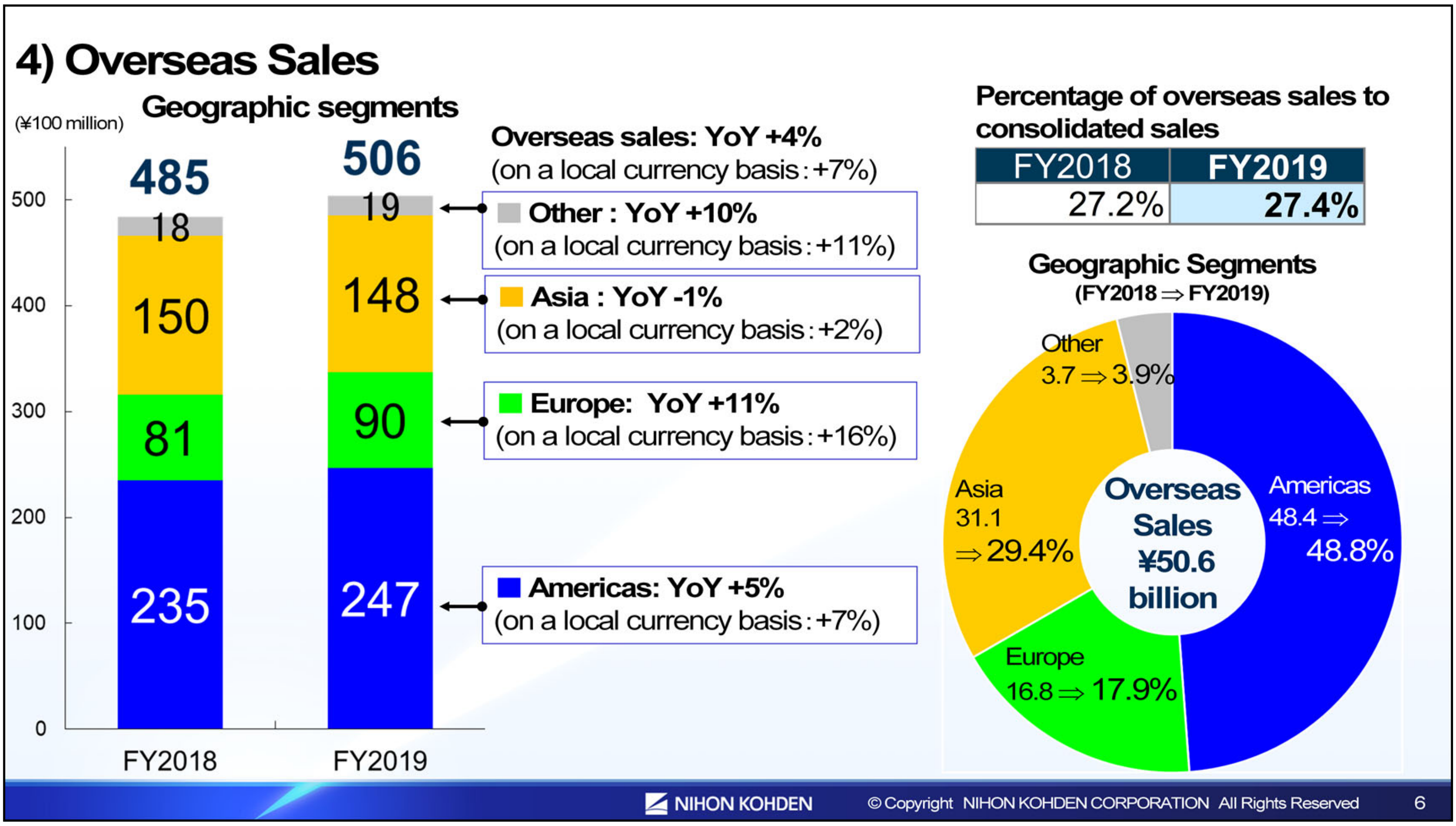
- Increases in SG&A had a negative impact of ¥3.4 billion mainly due to the increase of Personnel Expenses.



- Domestic sales increased by ¥4.1 billion to ¥134.3 billion.

- The last-minute increase in demand preceding the consumption tax increase was mostly offset by a corresponding decrease afterwards.

- Sales in the university hospital market increased favorably as a result of large orders received in relation to construction of new hospitals. Sales in the public and private hospital markets also increased.



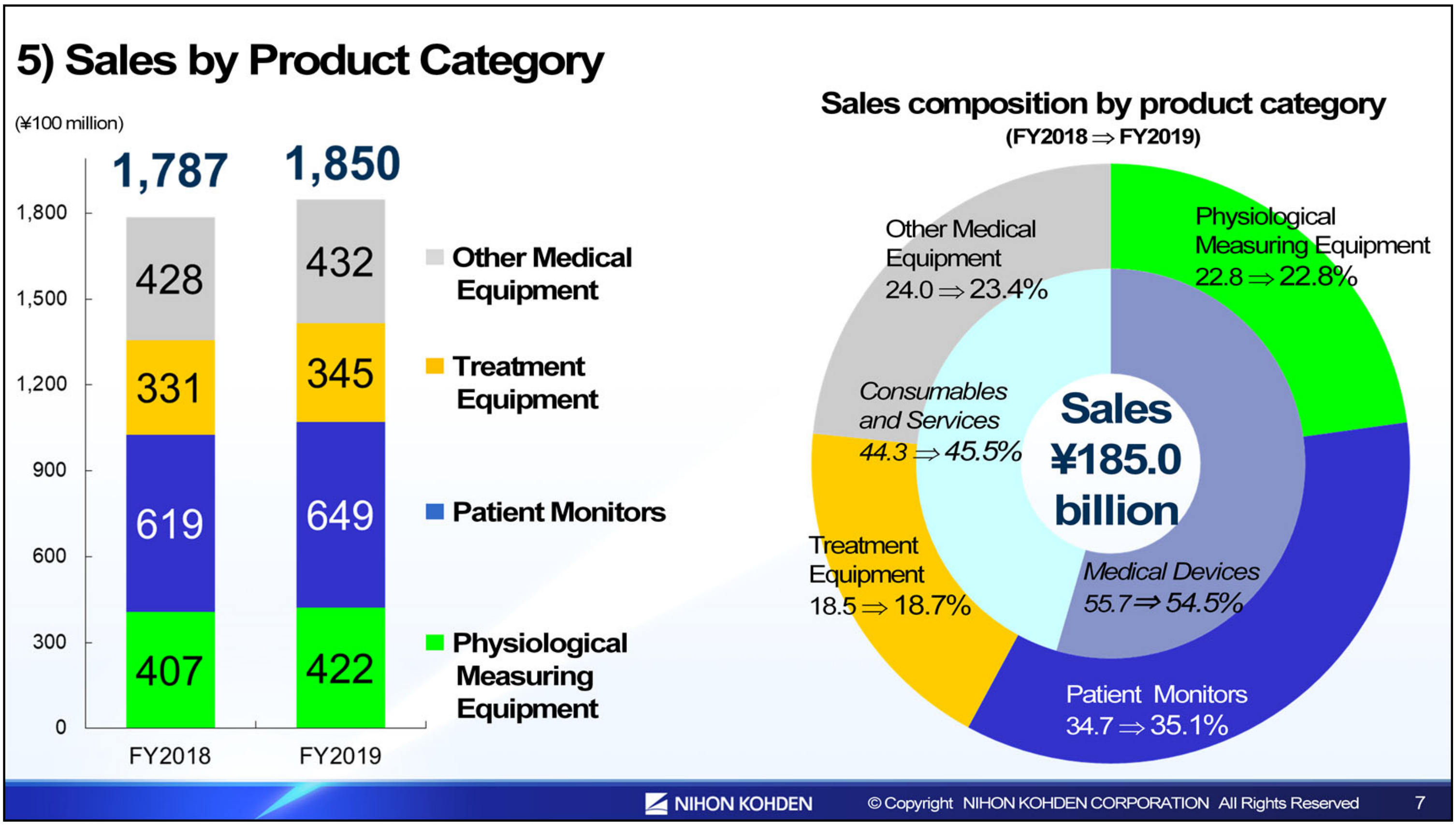
- Overseas sales increased by ¥2.1 billion to ¥50.6 billion.

- Sales in the Americas increased by ¥1.2 billion to ¥24.7 billion, a 7% increase on a local currency basis. Sales in the U.S increased favorably, especially for EEGs and AEDs. Sales of patient monitors including installation and maintenance services also increased. Sales in Latin America also increased favorably, mainly in Costa Rica and Chile, as the Company received orders from government and reorganized its distributor network.

- Sales in Europe increased by ¥0.9 billion to ¥9.0 billion, a 16% increase on a local currency basis. Sales in Europe showed double-digit growth, driven in particular by strong sales in Germany and Italy as demand for medical products such as patient monitors increased in March.

- Sales in Asia decreased by ¥0.2 billion to ¥14.8 billion, a 2% increase on a local currency basis. Sales in India and the Middle East increased favorably, while sales in Southeast Asia were weak because it took a long time to reorganize the distributor network there.

- Sales in Other markets increased due to sales recovery in Africa, particularly in South Africa and Egypt.



- Sales by product category are shown above. Sales increased in all product categories.

- The sales ratio of Consumables and Services increased to 45.5% as a result of strengthening this business both in Japan and internationally.

5.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2018	FY2019	YoY (%)
Electroencephalographs	7,648	**7,564**	-1.1
Electrocardiographs	6,766	**6,661**	-1.6
Polygraphs for Cath Lab	14,468	**16,081**	11.1
Other Physiological Measuring Equipment*	11,888	**11,966**	0.7
Physiological Measuring Equipment	40,773	**42,273**	3.7
Domestic Sales	32,112	**33,207**	3.4
Overseas Sales	8,661	**9,065**	4.7

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

Domestic Sales: Sales of Polygraphs for Cath Lab increased favorably. Sales of ECGs remained flat. Sales of EEGs decreased.

Overseas Sales: Sales of EEG showed strong growth, especially in the U.S. Sales of ECGs remained flat on a local currency basis and decreased on a yen basis.

Electro-encephalograph EEG-1290

EMG/EP measuring system MEB-9600

Electrocardiograph ECG-3150

Holter ECG monitor RAC-5000

Polygraphs for Cath Lab RMC-5000

Medical and long-term care network system LAV-1000

- Sales of Physiological Measuring Equipment increased 3.7% to ¥42.2 billion.

- Domestic sales increased 3.4% to ¥33.2 billion. Sales of polygraphs for cath lab increased favorably. Sales of ECGs remained flat. Sales of EEGs decreased.

- Overseas sales increased 4.7% to ¥9.0 billion. Sales of EEGs showed strong growth, especially in the U.S. Sales of ECGs remained flat on a local currency basis and decreased on a yen basis.

5.2) Patient Monitors

(Sales, millions of yen)

	FY2018	FY2019	YoY (%)
Patient Monitors	61,978	**64,966**	4.8
Domestic Sales	37,641	**39,735**	5.6
Overseas Sales	24,337	**25,230**	3.7

Domestic Sales: New products such as bedside monitors and telemetry systems contributed to increased sales. Sales of value-added accessories such as neuromuscular monitoring modules and ultrasound probes also increased favorably.

Overseas Sales: Sales in the Americas, Europe and Asia all increased. Sales in Europe especially showed strong growth.

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- Sales of Patient Monitors increased 4.8% to ¥64.9 billion.
- Domestic sales increased 5.6% to ¥39.7 billion. New products contributed to increased sales and value-added accessories also increased favorably.
- Overseas sales increased 3.7% to ¥25.2 billion. Sales in the Americas, Europe and Asia all increased. Sales in Europe especially showed strong growth. Sales in the U.S. increased, although there was concern about negative impact of the delay in introducing mid-range bedside monitors. Sales in Latin America showed strong sales. Sales in Asia increased favorably, driven by strong sales in Saudi Arabia and China.

5.3) Treatment Equipment

(Sales, millions of yen)

	FY2018	FY2019	YoY (%)
Defibrillators (for Hospital and Ambulance)	6,163	**6,276**	1.8
AEDs (Automated External Defibrillator)	15,388	**15,495**	0.7
Pacemakers / ICDs	3,019	**3,070**	1.7
Ventilators	2,660	**3,553**	33.6
Other Treatment Equipment	5,916	**6,117**	3.4
Treatment Equipment	33,149	**34,512**	4.1
Domestic Sales	22,299	**23,695**	6.3
Overseas Sales	10,849	**10,816**	-0.3
(Ref.) AED Unit Sales	101,900	**98,400**	-3.4
Domestic Unit Sales	49,700	**48,800**	-1.8

Domestic: Replacement orders from hospitals and ambulances contributed to strong sales. **International:** Sales in Asia decreased.

Domestic: AED unit sales decreased due to COVID-19 impact. Sales of consumables also decreased. **International:** Sales increased in Asia and the Americas.

Domestic: Sales of Hamilton's ventilators showed strong growth due to orders related to construction of new hospitals. The new in-house ventilator, NKV-330, also contributed to increased sales. **International:** New in-house ventilators, NKV-330/550 contributed to increased sales.

- Sales of Treatment Equipment increased 4.1% to ¥34.5 billion. Domestic sales increased 6.3% to ¥23.6 billion. Overseas sales decreased 0.3% to ¥10.8 billion.

- Sales of defibrillators increased 1.8% to ¥6.2 billion. Domestic sales showed strong growth because the Company received large orders and launched new products. Overseas sales decreased in Asia.

- Sales of AEDs increased 0.7% to ¥15.4 billion. AED unit sales were 98,400 units. In Japan, sales were weak, reflecting decreased unit sales of AEDs. Internationally, sales of Defibtech's AEDs increased in Asia and the Americas.

- Sales of ventilators increased 33.6% to ¥3.5 billion. Sales of Hamilton's ventilators showed strong growth due to orders related to construction of new hospitals. New in-house ventilators also contributed to increased sales.

5.4) Other Medical Equipment

(Sales, millions of yen)

	FY2018	FY2019	YoY (%)
Hematology Analyzers	9,666	**10,172**	5.2
Imaging Systems, Medical equipment for research and others *	33,231	**33,082**	-0.4
Other Medical Equipment	42,898	**43,254**	0.8
Domestic Sales	38,169	**37,716**	-1.2
Overseas Sales	4,728	**5,538**	17.1

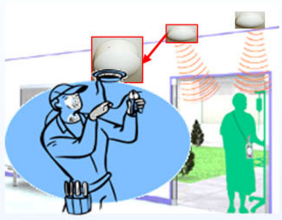
*Includes consumables, installation and maintenance services which are not part of other categories.

Sales of locally purchased products such as imaging systems decreased. Sales of hematology instruments for the clinic market increased favorably. Sales of installation services and maintenance services for medical devices also increased favorably.

Sales of hematology analyzers increased in Latin America, Europe and Africa. Sales of installation services and maintenance services for medical devices also increased favorably in the U.S.

Automated hematology analyzer
MEK-9100

Automated hematology analyzer and clinical chemistry analyzer
MEK-1303



Installation and maintenance services

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- Sales of Other Medical Equipment increased 0.8% to ¥43.2 billion.
- Domestic sales decreased 1.2% to ¥37.7 billion. Sales of locally purchased products such as imaging systems decreased. Sales of hematology instruments, and installation and maintenance services for medical devices, increased favorably.
- Overseas sales increased 17.1% to ¥5.5 billion. Sales of hematology analyzers increased in Latin America, Europe and Africa. Sales of installation and maintenance services for medical devices also increased favorably in the U.S.

(Ref.) FY2019 Regional Sales by Product Category / YoY

(Amounts of less than ¥0.1 billion are rounded down)

	Overall Sales	Domestic Sales	Overseas Sales				
			Total	Americas	Europe	Asia	Other
Physiological Measuring Equipment	42.2 (+4%)	33.2 (+3%)	9.0 (+5%)	4.1 (+10%)	1.3 (+9%)	3.3 (-3%)	0.2 (-1%)
Patient Monitors	64.9 (+5%)	39.7 (+6%)	25.2 (+4%)	15.5 (+2%)	3.5 (+15%)	5.4 (+5%)	0.6 (-12%)
Treatment Equipment	34.5 (+4%)	23.6 (+6%)	10.8 (-0%)	4.0 (-0%)	3.1 (+8%)	2.8 (-10%)	0.6 (+10%)
Other Medical Equipment	43.2 (+1%)	37.7 (-1%)	5.5 (+17%)	0.9 (+174%)	0.9 (+9%)	3.1 (-2%)	0.4 (+77%)
Total	185.0 (+3%)	134.3 (+3%)	50.6 (+4%)	24.7 (+5%)	9.0 (+11%)	14.8 (-1%)	1.9 (+10%)

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6) Financial Condition

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

	FY2018	FY2019	Change
Current Assets	132,211	**129,020**	-3,191
Inventories	28,599	**29,249**	650
Property, Plant & Equipment	19,945	**20,003**	57
Intangible Assets	4,563	**4,149**	-413
Investments & Other Assets	12,997	**14,612**	1,615
Total Assets	169,717	**167,786**	-1,930
Inventory Turnover	3.7 months	**3.7 months**	

	FY2018	FY2019	Change
Current Liabilities	48,346	**40,319**	-8,026
Interest-bearing Debt	406	**350**	-56
Non-current Liabilities	5,282	**5,692**	409
Net Assets	116,087	**121,774**	5,686
Total Liabilities & Net Assets	169,717	**167,786**	-1,930
Equity Ratio	68.4%	**72.6%**	

[Reason for the decrease of current assets]
・Accounts receivable decreased by ¥6.0 billion mainly due to lower sales in March compared to the previous fiscal year.
[Reason for the decrease of current liabilities]
・Accounts payable decreased by ¥8.8 billion mainly due to shorter period of payment in accordance with the revision of the Act against Delay in Payment of Subcontract Proceeds to Subcontractors in May 2019.

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- Total assets decreased by ¥1.9 billion to ¥167.7 billion.
- Inventory turnover was 3.7 months.

7) Cash Flows

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

	FY2018	FY2019	Change
Ⅰ. Cash flows from operating activities	9,819	**9,217**	-602
Ⅱ. Cash flows from investing activities	-3,258	**-4,607**	-1,349
Free cash flows	6,561	**4,609**	-1,952
Ⅲ. Cash flows from financing activities	-3,074	**-3,054**	20
Effect of exchange rate change on cash and cash equivalents	-74	**-339**	-264
Net increase (decrease) in cash and cash equivalents	3,412	**1,215**	-2,196
Cash and cash equivalents at end of period	34,697	**35,913**	1,215
ROE	9.9%	**8.3%**	

	FY2018	FY2019	Change
Income before income taxes	15,519	13,980	-1,538
Decrease (increase) in accounts receivable	-2,114	6,925	+9,040
Increase (decrease) in accounts payable	2,905	-8,429	-11,334

Purchase of investment securities	-44	-965	-920
Purchase of property, plant and equipment	-2,794	-3,106	-311

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- Cash and cash equivalents at end of the period increased by ¥1.2 billion to ¥35.9 billion.
- ROE was 8.3%.

8) Capital Investments and R&D Costs

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

	FY2018 Actual	FY2019 Original Forecast announced May 13, 2019	FY2019 Revised Forecast announced Nov 5, 2019	FY2019 Actual	Change	FY2020 Plan
Capital Investments	3,049	4,700	4,600	**3,549**	500	3,900
Depreciation	3,542	3,900	3,800	**3,597**	55	3,600
R&D costs	7,243	7,600	7,200	**6,731**	-512	7,000

●**FY2019 capital investments:**

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, reagent factory in Dubai, and Eastern Japan Logistics Center

→As the Center is a leasing logistics facility, investments are only for distribution equipment

●**FY2020 capital investments plan:**

Molds for new products, measuring equipment and jigs, products for demonstration, IT systems for increasing operating efficiency, production equipment including equipment related to ramping-up production for two models of ventilators and patient monitors

NKV-330

NKV-550

- Both capital investments and depreciation were ¥3.5 billion. The reason for the difference from the forecast was the carryover of investments in production equipment and renovation of buildings.

- R&D costs were ¥6.7 billion, which fell far short of the forecast. This was because some expenses were carried over until FY2020.

- In FY2020, capital investments will increase by ¥0.4 billion to ¥3.9 billion, which includes production equipment related to ramping-up production for two models of ventilators and patient monitors. Depreciation will be ¥3.6 billion, the same level as the FY2019. R&D costs will increase by ¥0.3 billion to ¥7.0 billion.

2 Forecast for FY2020

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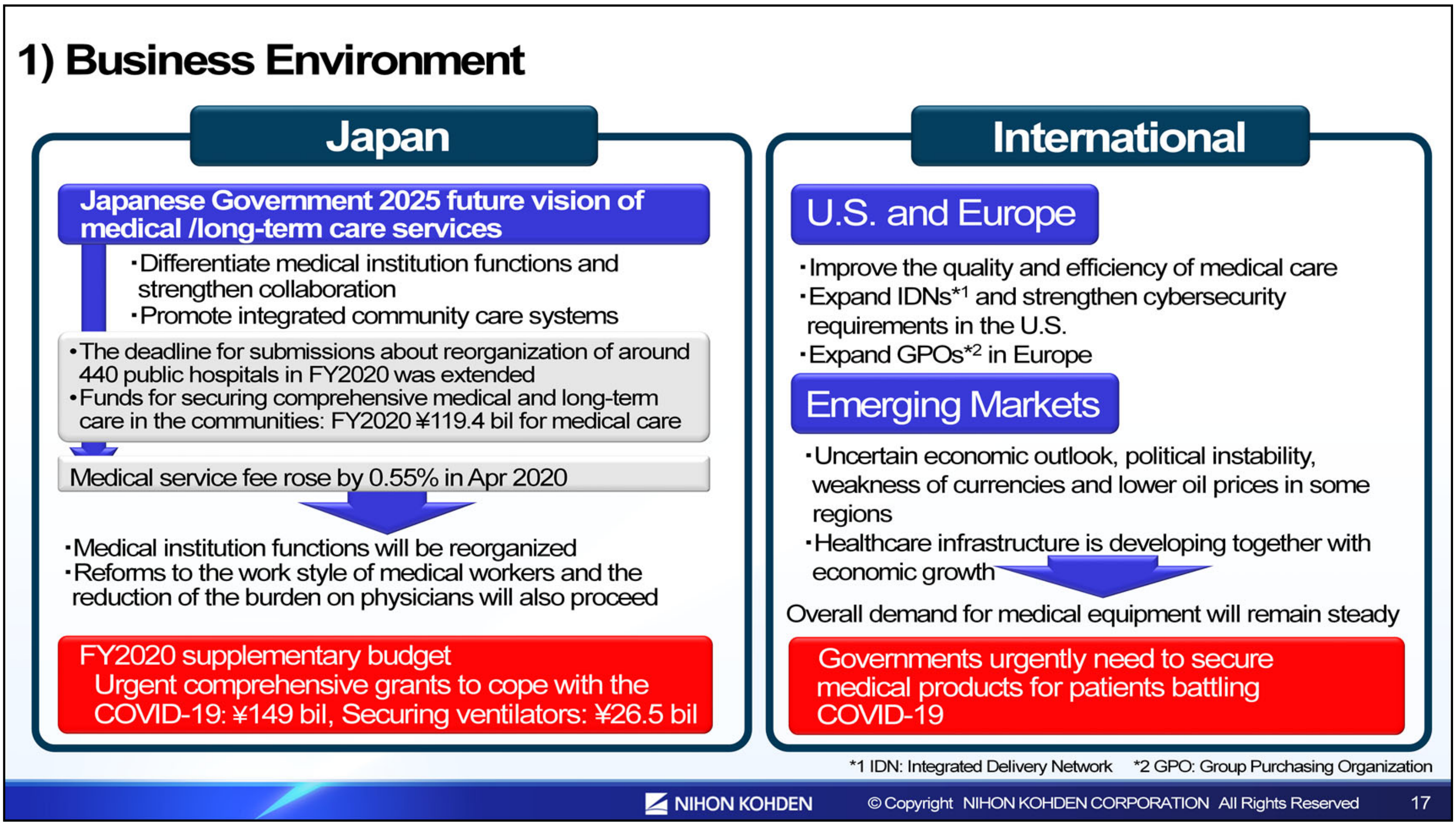
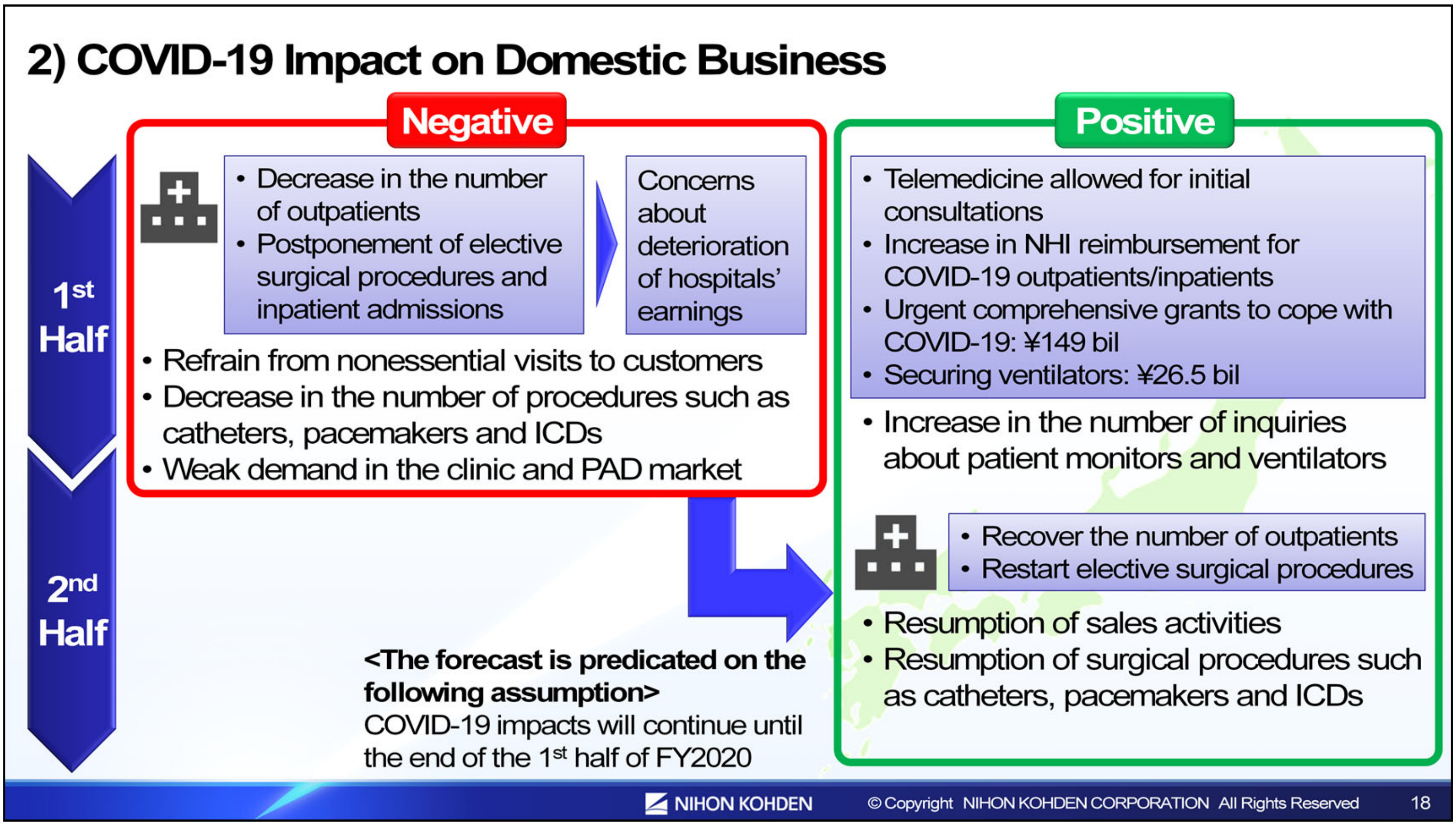


- In Japan, the government has promoted reorganization of medical institution functions and reforms to the work style of medical workers. Currently, securing healthcare systems in the midst of the COVID-19 is the top priority.

- Internationally, the improvement of quality and efficiency of medical care is being promoted in the U.S. and Europe, and healthcare infrastructure is developing in emerging countries. Currently, the government has urgently promoted securing medical products for patients battling COVID-19 in each country.

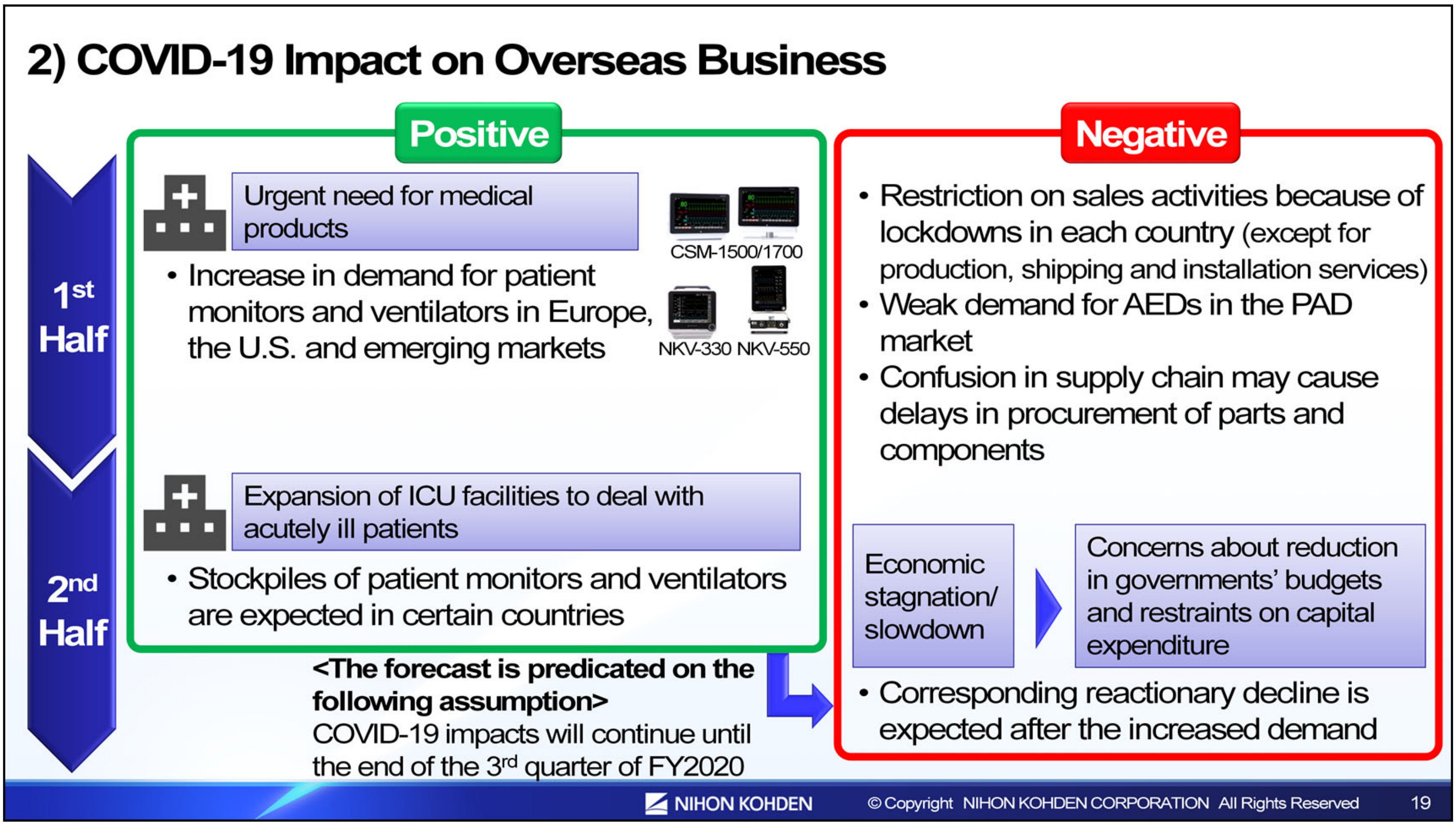


- In Japan, there are concerns about deterioration of hospitals' earnings because of the decrease in the number of outpatients and postponement of elective surgical procedures and inpatient admissions.

- The Company has concerns about negative impact due to refrains from nonessential visits to customers, decrease in the number of procedures such as catheters and weak demand in the clinic and PAD market.

- On the other hand, the number of inquiries about patient monitors and ventilators is increasing, but this positive impact is expected to be limited. The Company estimates the negative impact from deterioration in the market environment will be greater.

- The domestic sales forecast is based on the assumption that COVID-19 impacts will continue until the end of the 1st half of FY2020.



- Internationally, demand for patient monitors and ventilators has increased in Europe, the U.S. and emerging markets as each government has urgently focused on securing medical products. Demand for patient monitors and ventilators is expected to continue in the 2nd half of FY2020 in certain countries which need to expand ICU facilities to deal with acutely ill patients.

- On the other hand, the Company has concerns about negative impacts from restraint of sales activities and weak demand for AEDs. There is also a risk of delays in the procurement of parts and components.

- The Company also has concerns about reduction in governments' budgets and restraints on capital expenditure in accordance with economic stagnation and slowdown. The increased demand is expected to bring a corresponding reactionary decline.

- The overseas sales forecast is based on the assumption that COVID-19 impacts will continue until the end of the 3rd quarter of FY2020.

3) Forecast for FY2020

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

	FY2019 Actual	FY2020 Forecast	YoY (%)
Sales	185,007	180,000	-2.7
Domestic Sales	134,355	126,200	-6.1
Overseas Sales	50,651	53,800	6.2
Gross Profit	89,325	87,200	-2.4
(Gross Profit Margin)	48.3%	48.4%	
Operating Income	15,503	14,000	-9.7
(Operating Income Margin)	8.4%	7.8%	
Ordinary Income	14,846	14,000	-5.7
Income Attributable to Owners of Parent	9,854	10,000	1.5
Percentage of Overseas Sales	27.4%	29.9%	

+9% on a local currency basis

Breakdown of overseas sales by region

	FY2019 Actual	FY2020 Forecast	YoY (%)
Americas	24,731	26,600	7.6
Europe	9,044	8,800	-2.7
Asia &Other	16,876	18,400	9.0
Total	50,651	53,800	6.2

* Effective FY2020, Asia and Other are reclassified into Asia & Other.

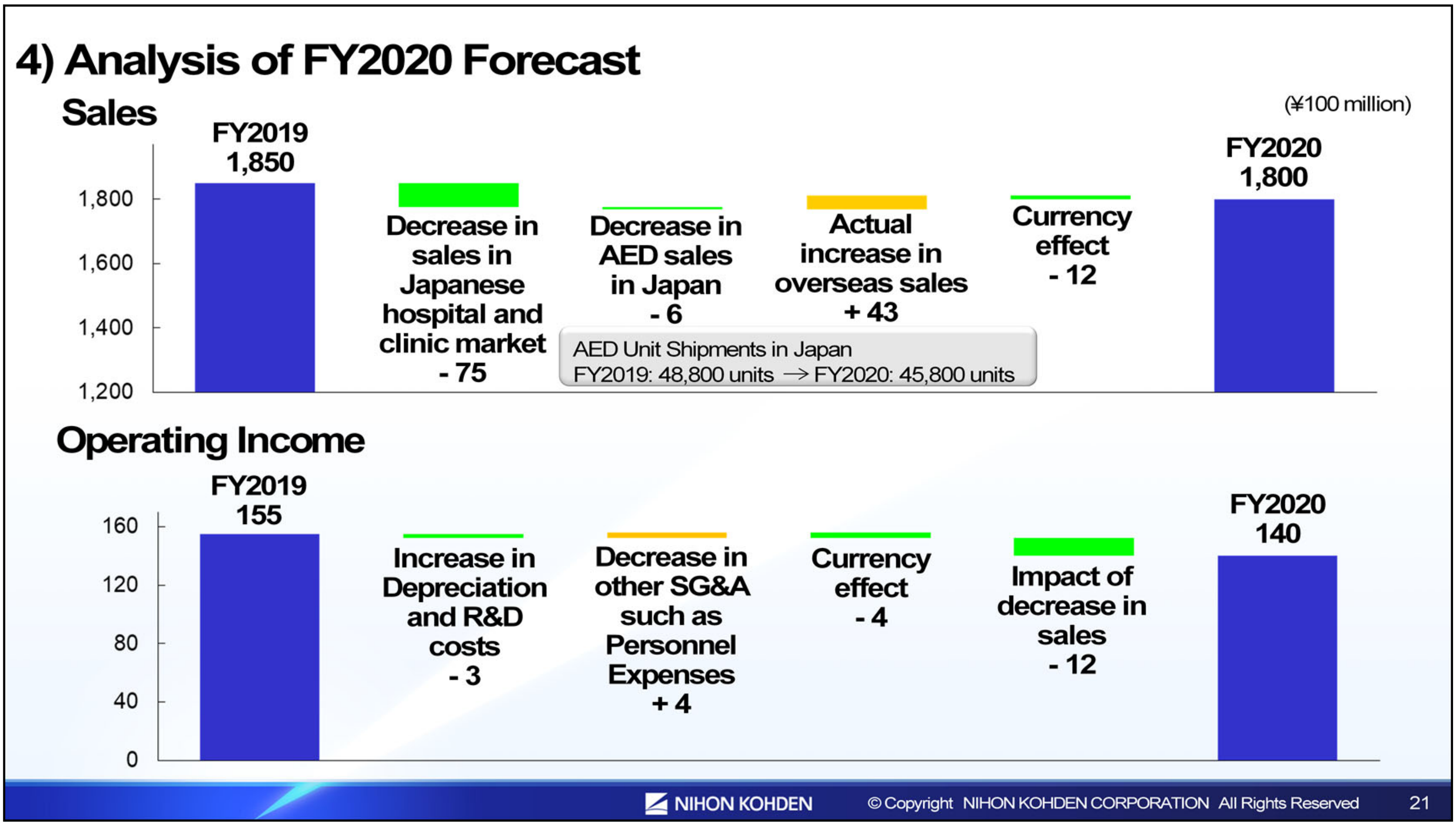
- Under these market circumstances, the Company forecasts its overall sales, domestic sales and overseas sales for FY2020 to be: 2.7% decline to ¥180.0 billion, 6.1% decline to ¥126.2 billion, and 6.2% growth to ¥53.8 billion, respectively. Overseas sales will be 9.0% growth on a local currency basis.

- Gross profit margin is expected to be 48.4%.

- Operating income is expected to decrease by 9.7% to ¥14.0 billion. The Company will continue investments necessary for future business expansion such as R&D investments, but strive to restrain other SG&A such as Personnel Expenses.

- The forecasts for ordinary income and income attributable to owners of parent are shown above.

- Currently, it is difficult to foresee when COVID-19 will end, making it challenging to present highly accurate operating results forecasts. The earnings forecasts described above are based on the assumption that COVID-19 will end after a certain period.



- As for sales in Japan, sales in the hospital and clinic markets, and AED sales are expected to decrease by ¥7.5 billion and ¥0.6 billion, respectively. The forecast for AED unit sales is 45,800 units.

- As for overseas sales, the actual increase in overseas sales will be ¥4.3 billion. Negative currency effect will be ¥1.2 billion.

- As for operating income, depreciation and R&D costs will increase by ¥0.3 billion. Other SG&A such as Personnel Expenses will decrease by ¥0.4 billion. Currency effects will have a negative impact of ¥0.4 billion. The negative impact of the sales decrease will be ¥1.2 billion.

(Ref.) Consolidated Forecast FY2020 by Product Category/ Exchange Rates

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

	FY2019 Actual	FY2020 Forecast	Composition ratio (%)	YoY (%)
Physiological Measuring Equipment	42,273	37,200	20.7	-12.0
Patient Monitors	64,966	68,500	38.1	5.4
Treatment Equipment	34,512	35,800	19.9	3.7
Other Medical Equipment	43,254	38,500	21.3	-11.0
Total	185,007	180,000	100.0	-2.7

Plan to ramp up production of patient monitors and ventilators to meet increased demand

(Reference)

Consumables and Services	84,160	82,200	45.7	-2.3

Average Exchange Rate

	FY2019 Actual	FY2020 Forecast
1 US Dollar	109.1 yen	107 yen
1 EURO	121.1 yen	117 yen

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.33 bil yen	0.10 bil yen
1 EURO	0.06 bil yen	0.02 bil yen

- The sales forecasts by product category are shown above. The Company plans to ramp up production of patient monitors and ventilators to meet increased demand. However, sales of other products excluding patient monitors and ventilators are expected to decrease due to the decline in demand in those categories.

- Sales of Consumables and Services are also expected to decrease due to the decline in the number of intervention procedures using catheters.

- The forecast for FY2020 is based on an exchange rate of 107 yen to the U.S. dollar and 117 yen to the euro.

3 Review of Mid-term Business Plan

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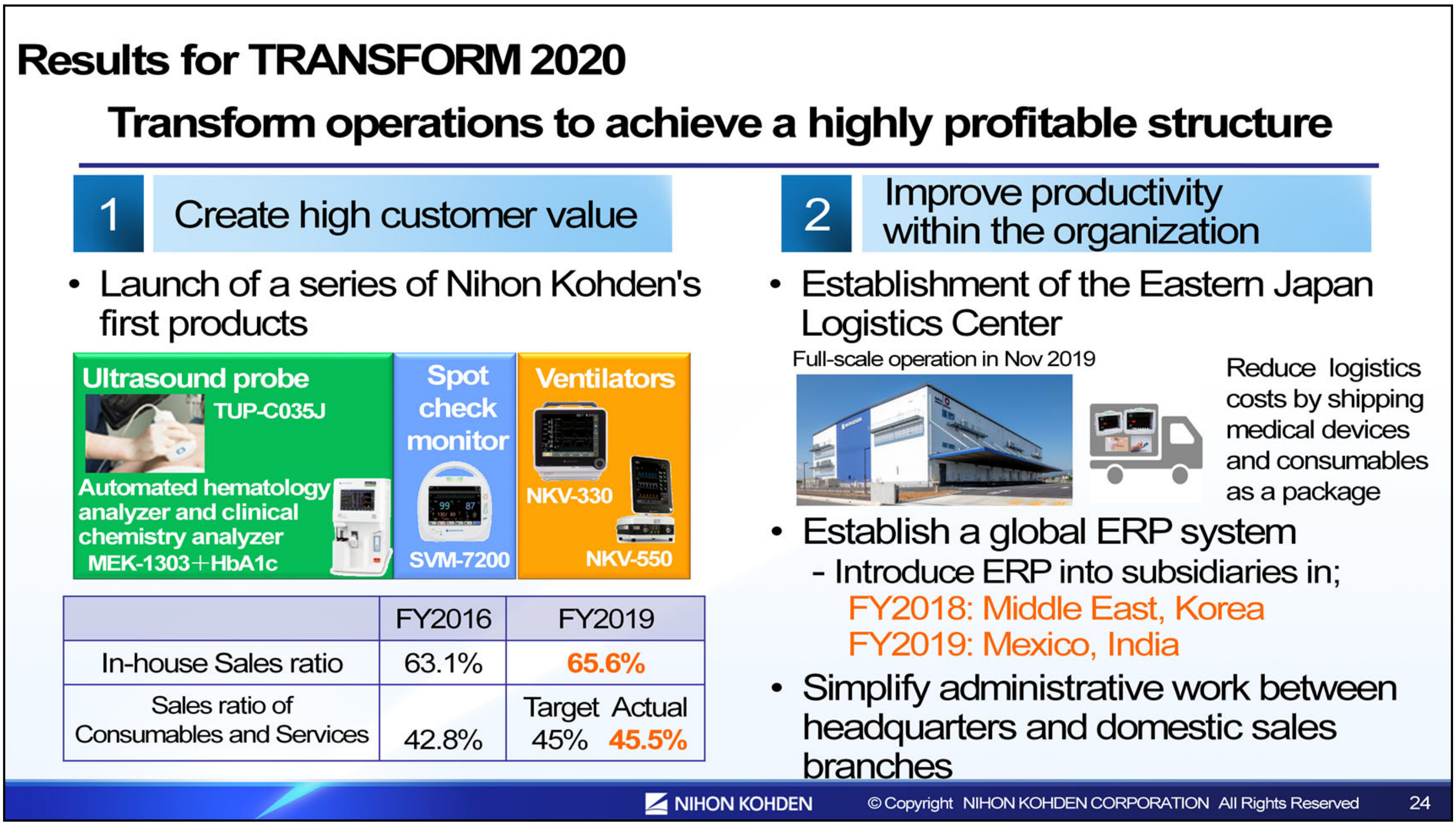
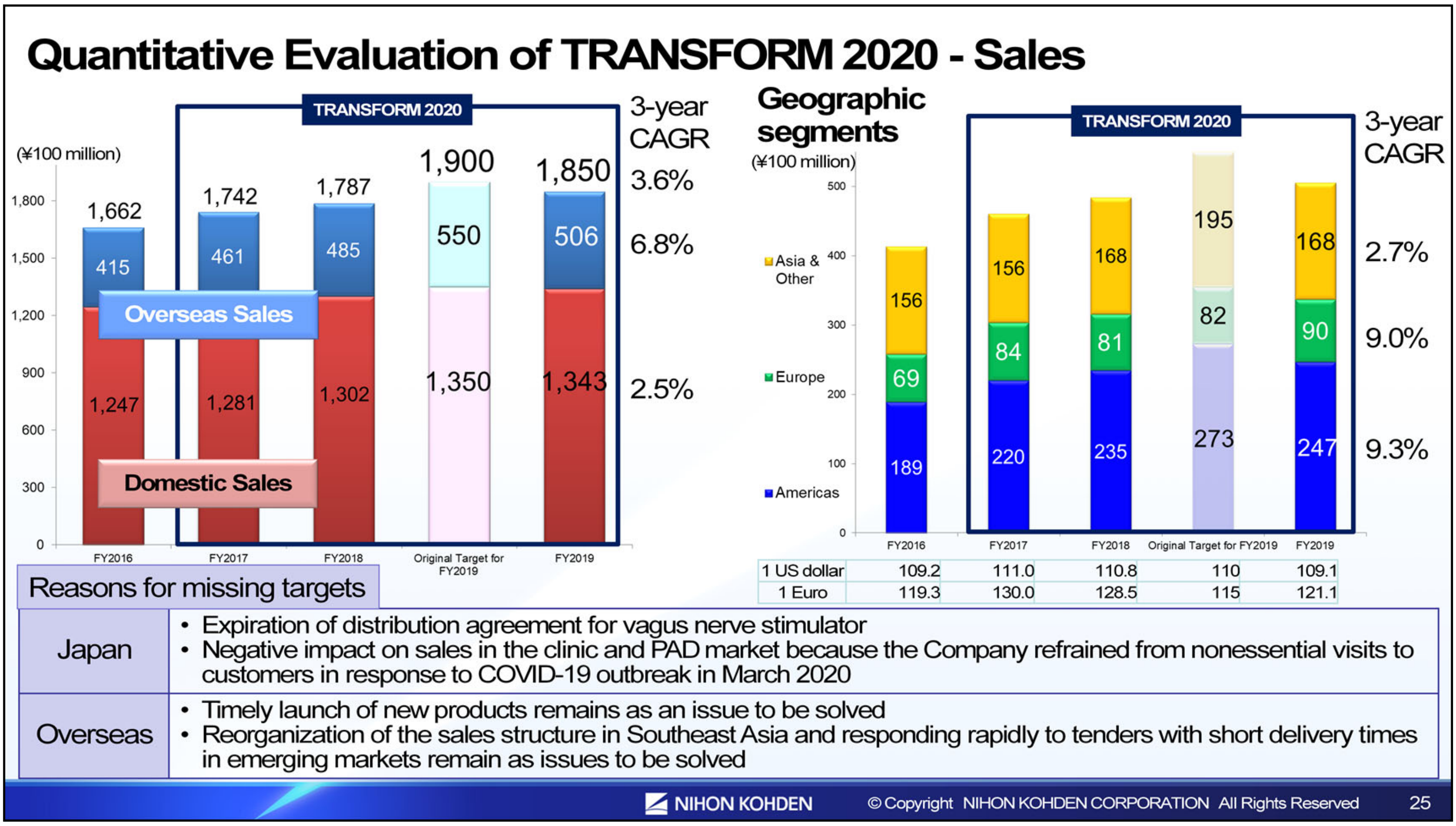


- The Company implemented its three-year mid-term business plan, TRANSFORM 2020, with the aim of achieving the transformation to a highly profitable structure.

- To create high customer value, the Company launched a series of its first products such as ultrasound probes and ventilators. This resulted in increasing in-house sales ratio to 65.6%. As the Company focused on expanding Consumables and Services Business, the sales ratio increased to 45.5%, which exceeded the target.

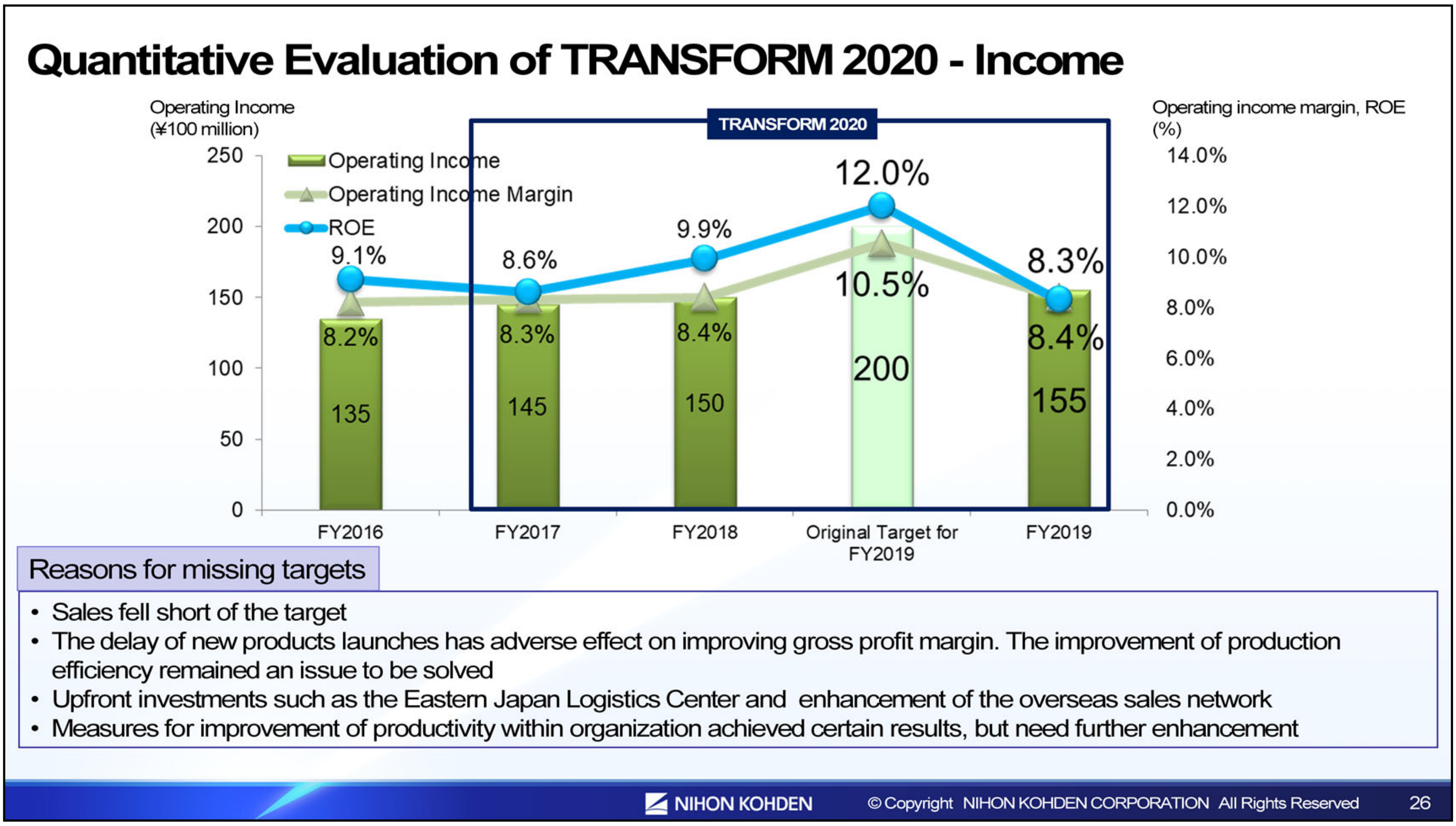
- To improve productivity within the organization, the Company established the Eastern Japan Logistics Center aiming at the reduction of logistics costs. The Company has also introduced ERP systems into overseas subsidiaries and simplified the administrative procedures between headquarters and domestic sales branches through digitalization.



- The difference between results and targets is shown above.

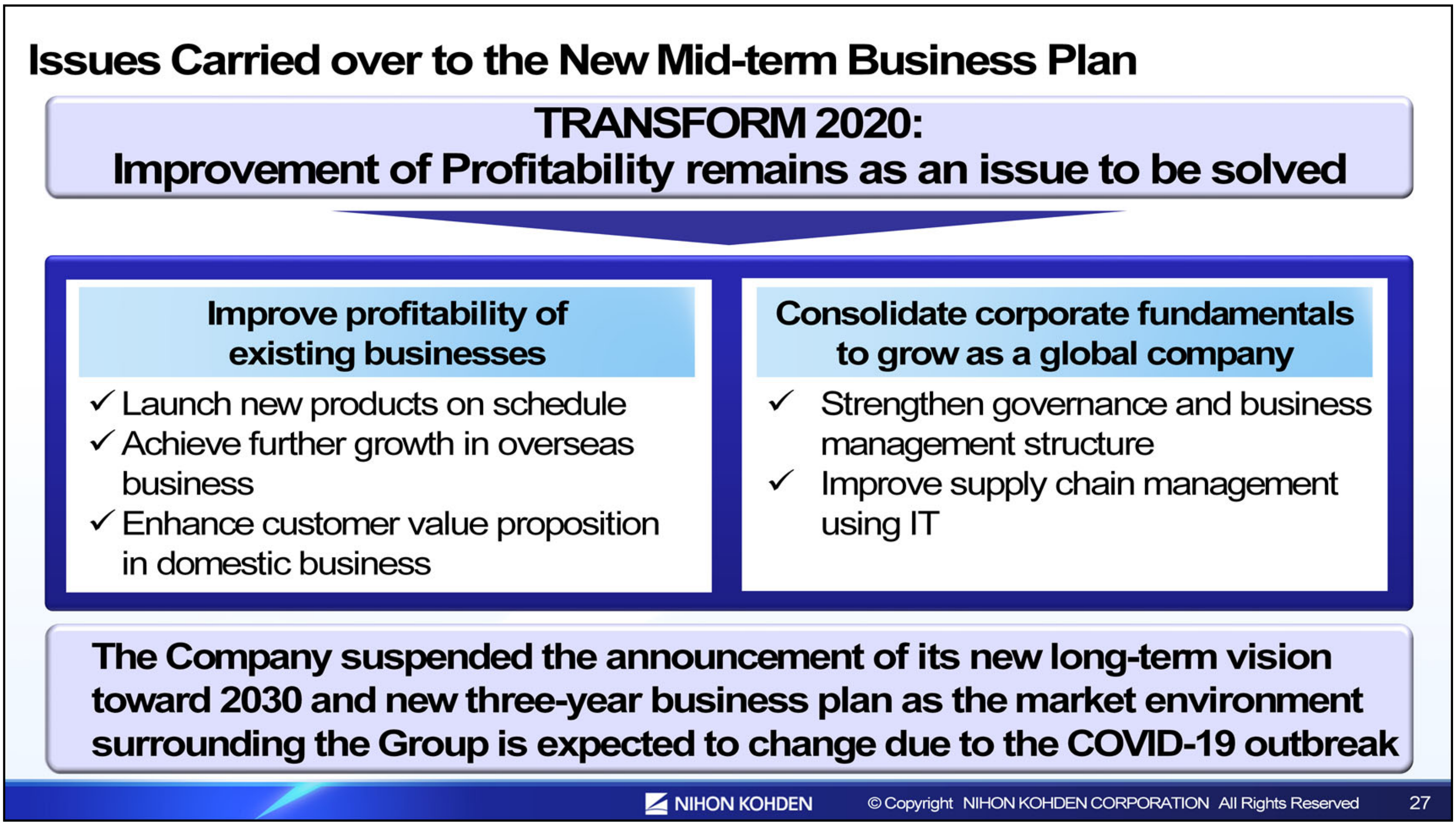
- Domestic sales fell slightly short of the target for FY2019. This was mainly due to expiration of the distribution agreement for vagus nerve stimulators. There was also negative impact of refraining from nonessential visits to customers in March 2020.

- Internationally, sales in the Americas and Asia & Other fell far short of the target for FY2019. Timely launch of new products, reorganization of the sales structure in Southeast Asia, and responding rapidly to tenders with short delivery times in emerging markets remain as issues to be solved.



- Operating Income fell far short of the target for FY2019. This was mainly due to lower sales. The delay of new products launches has had adverse effects on improving gross profit margin. The improvement of production efficiency also remains as an issue to be solved. Upfront investments such as the Eastern Japan Logistics Center and enhancement of the overseas sales network were also a cost burden.

- While achieving certain results in improving profitability, the Company needs to further improve productivity within the organization.



- Under its three-year mid-term business plan, the Company implemented measures aiming of achieving the transformation to a highly profitable structure. The Company strengthened product, sales and organizational capabilities, but organizational functions and cross-divisional measures necessary for global business expansion remains issues to be solved.

- To improve profitability of existing businesses and consolidate corporate fundamentals to grow as a global company, the Company was preparing a new long-term vision and mid-term business plan. However, the Company suspended the announcement of the plans because the market environment is likely to change from the Company’s assumptions in the plans, due to the COVID-19 outbreak.

- The Company will review its assumptions, and update the contents of the plans and announce the revised plans.

4 Measures in FY2020

1) Strengthen business expansion by region
2) Achieve further growth in core businesses
3) Consolidate corporate fundamentals
4) Measures to realize sustainability

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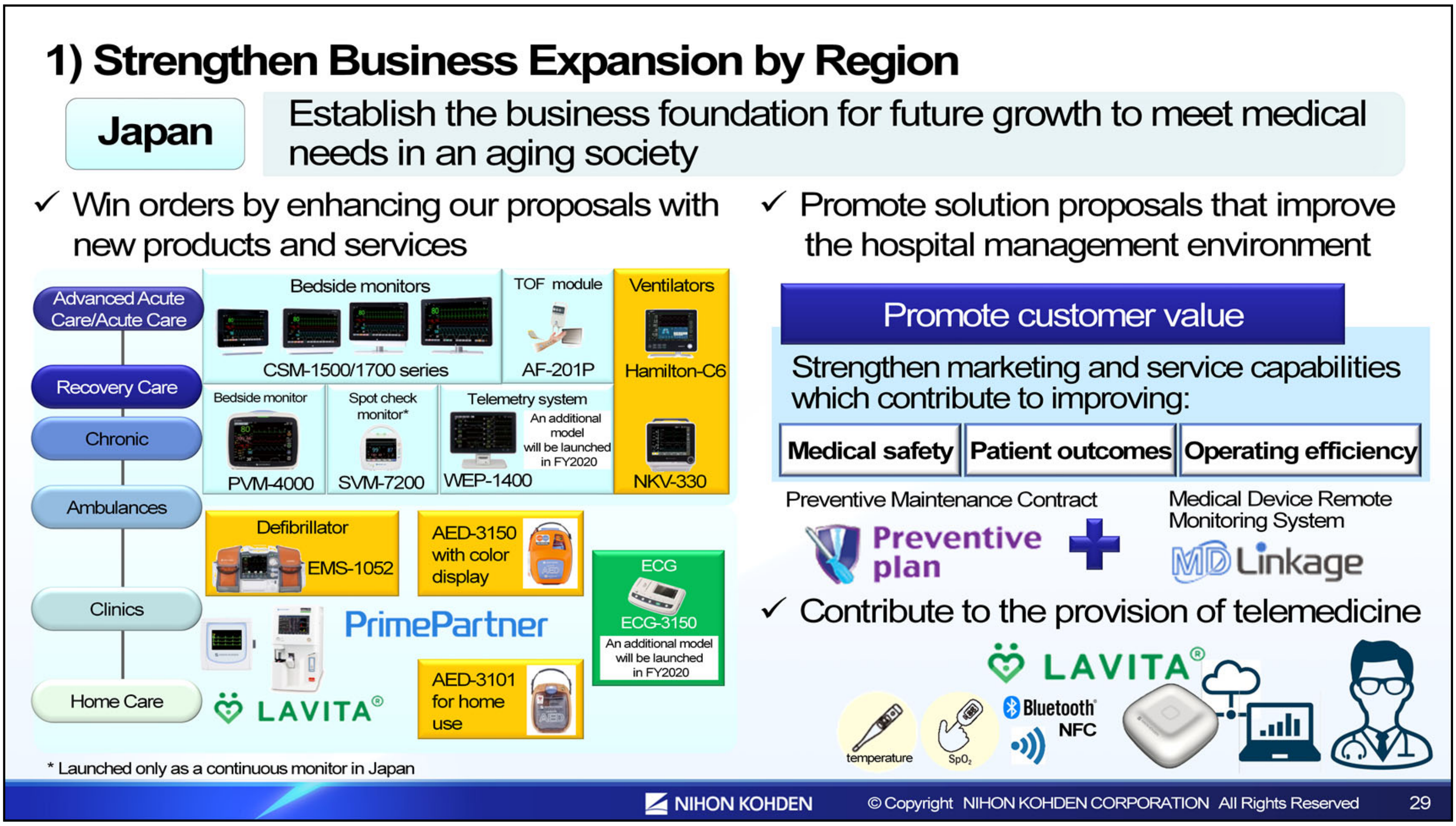
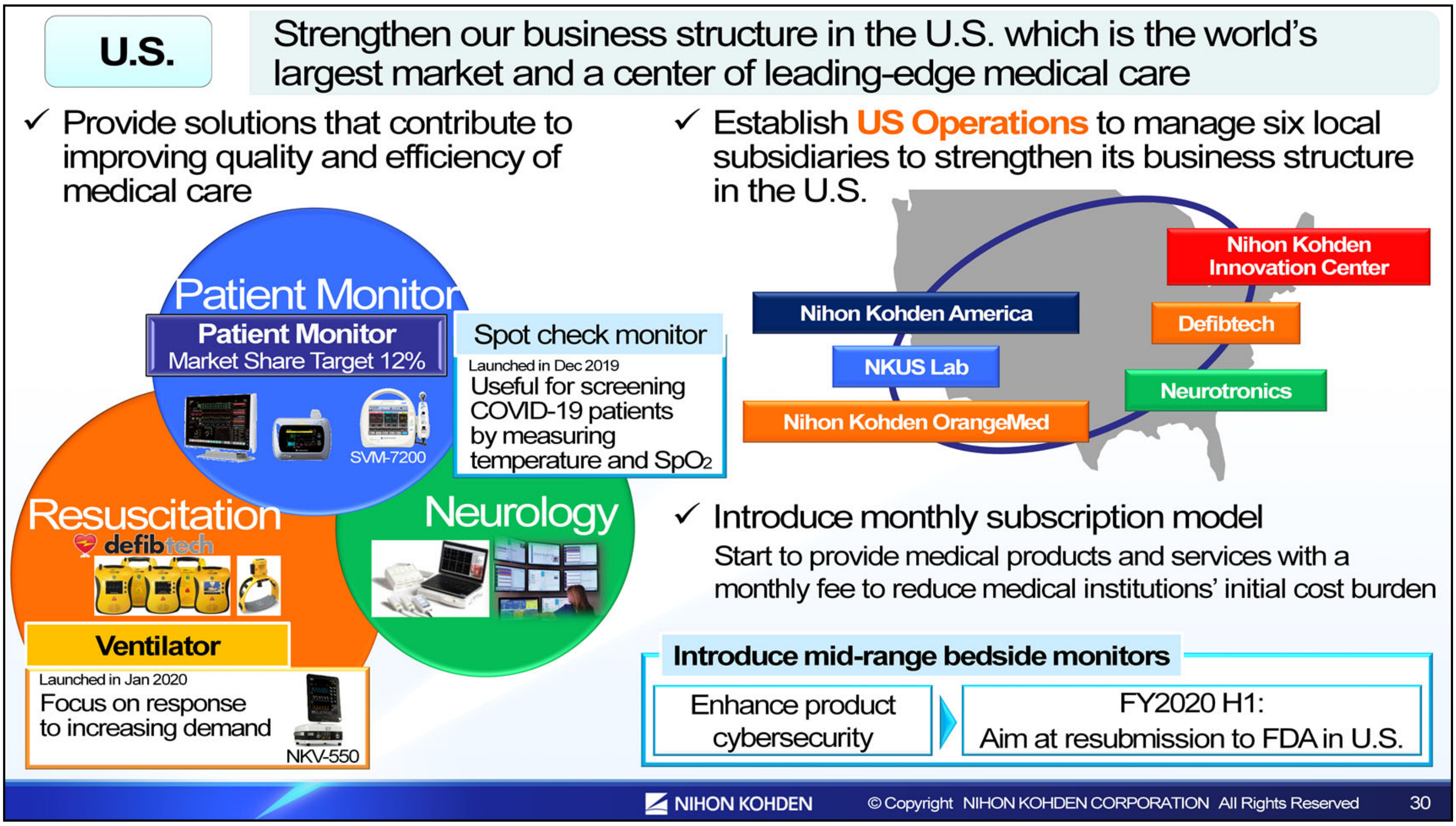


- In Japan, the Company has launched a series of new products and services over the past few years. We aim to win orders by enhancing our sales proposals with these products and services.

- Currently, the number of inquiries about patient monitors and ventilators is increasing. On the other hand, there are concerns about the deterioration of hospitals' earnings due to the decrease in the number of outpatients, elective surgical procedures and inpatient admissions. We think it is more important than ever to strengthen our marketing and service capabilities, creating customer value and contributing to improving the customers' healthcare administration management.

- The Company is also strengthening its cloud business services such as LAVITA because the demand for telemedicine is expected to increase.



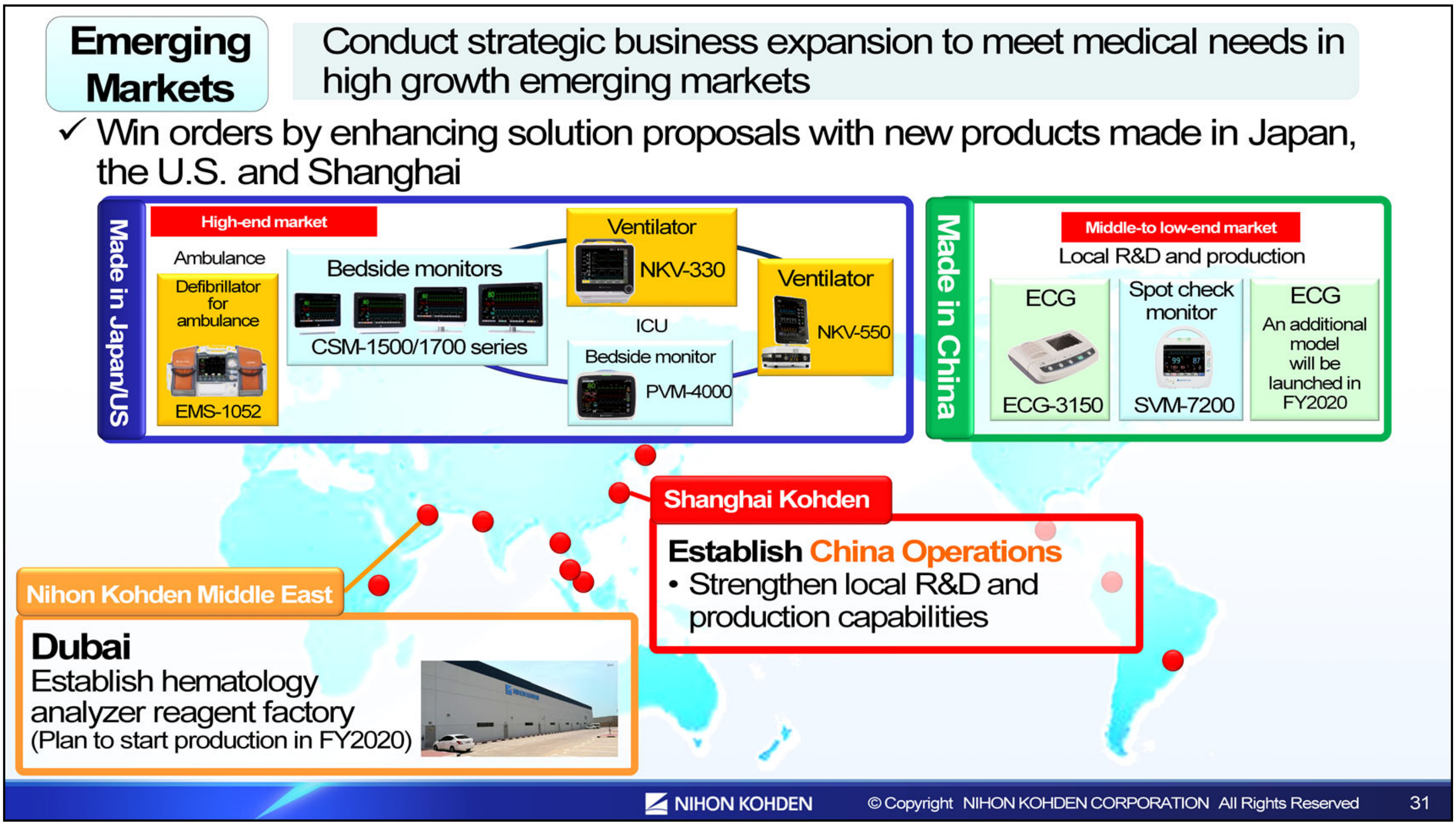
- In the U.S., our monitoring solutions are highly evaluated by customers. The spot check monitor is expected to be used for screening COVID-19 patients by measuring their temperature and SpO_2.

- In response to the COVID-19 outbreak, the Company is strengthening the promotion of patient monitors and ventilators, for which demand is increasing.

- The Company also introduced a monthly subscription model to reduce medical institutions' initial cost burden when purchasing new equipment.

- As for the introduction of mid-range bedside monitors in the U.S, we aim at resubmission to the FDA in the 1st half of FY2020 as planned.

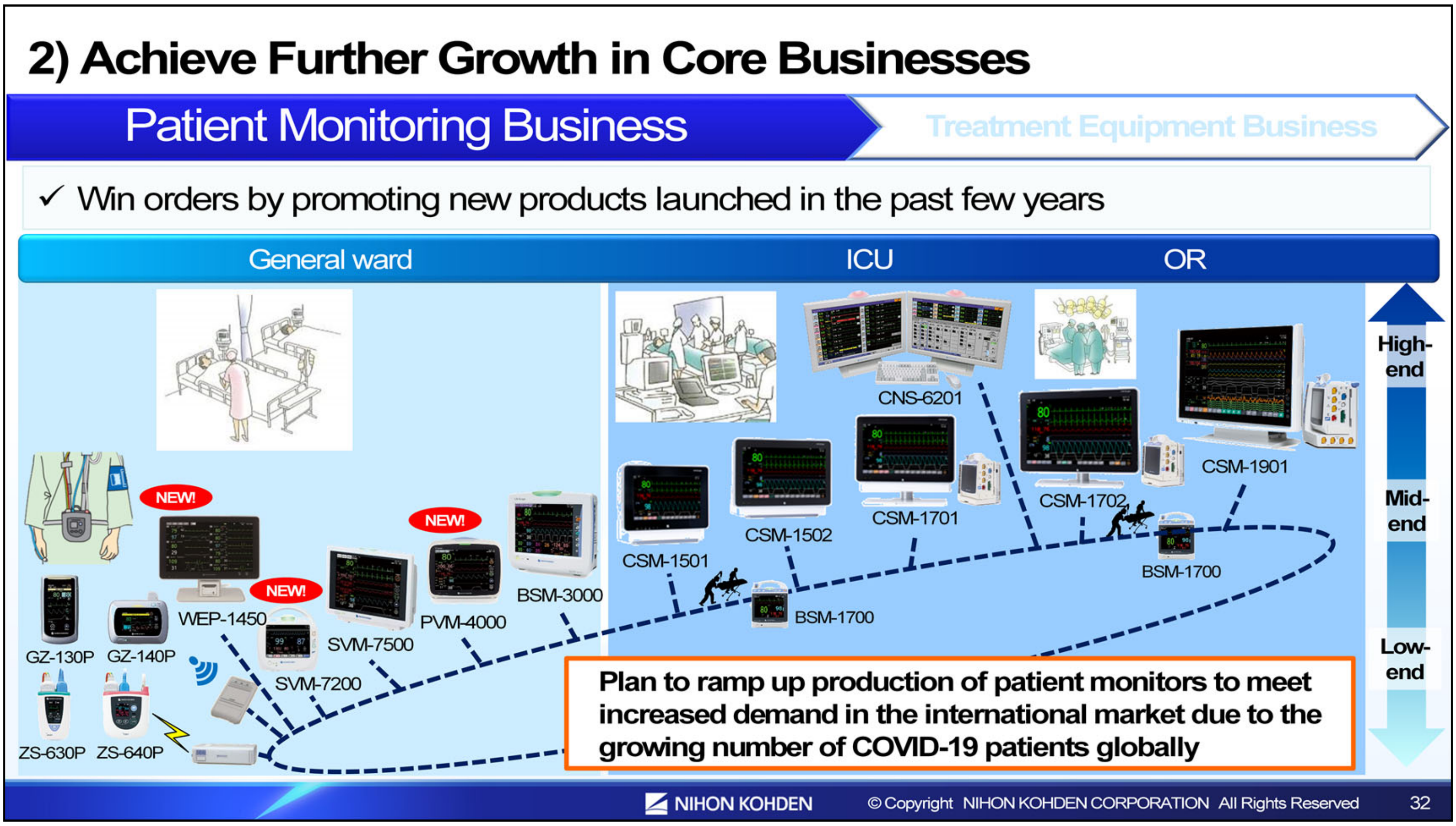
- In April 2020, the Company established the US Operations Department to manage local subsidiaries and will strengthen its business structure in the U.S.



- In emerging markets, we offer high-value-added products developed and manufactured in Japan and the U.S. to the high end market, where the same level of medical care as in developed countries is required. To the middle to low-end market, we offer high-cost-competitive products developed and manufactured in Shanghai.

- We have strengthened the promotion of new products such as patient monitors, ventilators and defibrillators for ambulances. These products were introduced in the past three years and are highly evaluated by the customers.

- The Company established the China Operations Department in April 2020. We aim at gaining market share in China by strengthening our local R&D and production capabilities. The reagent factory in Dubai is preparing to start production in FY2020, as planned.



- In our Patient Monitoring Business, the Company renewed its product line-up by launching a series of new products such as mid-range bedside monitors, its first spot check monitors and bedside monitors for emerging markets. We are strengthening our competitiveness by expanding our product line-up in all categories from acute care to recovery care and enhancing our networking capabilities.

- The Company is currently working on ramping up production of patient monitors to meet increased demand in the international market due to the growing number of COVID-19 patients globally.

Patient Monitoring Business

Treatment Equipment Business

✓ Strengthen production and supply of ventilators to meet the increased global demand

	In-house products		Import products
	NKV-330	NKV-550	HAMILTON-C6
Type	NPPV*1	Invasive	Invasive
Image		Reduces infection risk Enables operation from out of ward with Protective Control ™ 	
Production base	Tomioka Production Center (Gunma, Japan)	Nihon Kohden OrangeMed, (California, U.S.), **Tomioka Production Center (Gunma, Japan)**	Hamilton Medical AG (Switzerland)
Sales areas*2	Japan, Europe, Emerging Countries	U.S. Europe, Emerging Countries, **Japan (launch planned for 2Q)**	Japan

NEW!

Aim to supply 1,000 units in the 1st half

NEW!

- Start to ramp up production at Nihon Kohden OrangeMed
- Received approval for NKV-550 in Japan
  Start production at Tomioka Production Center and aim to ship from July

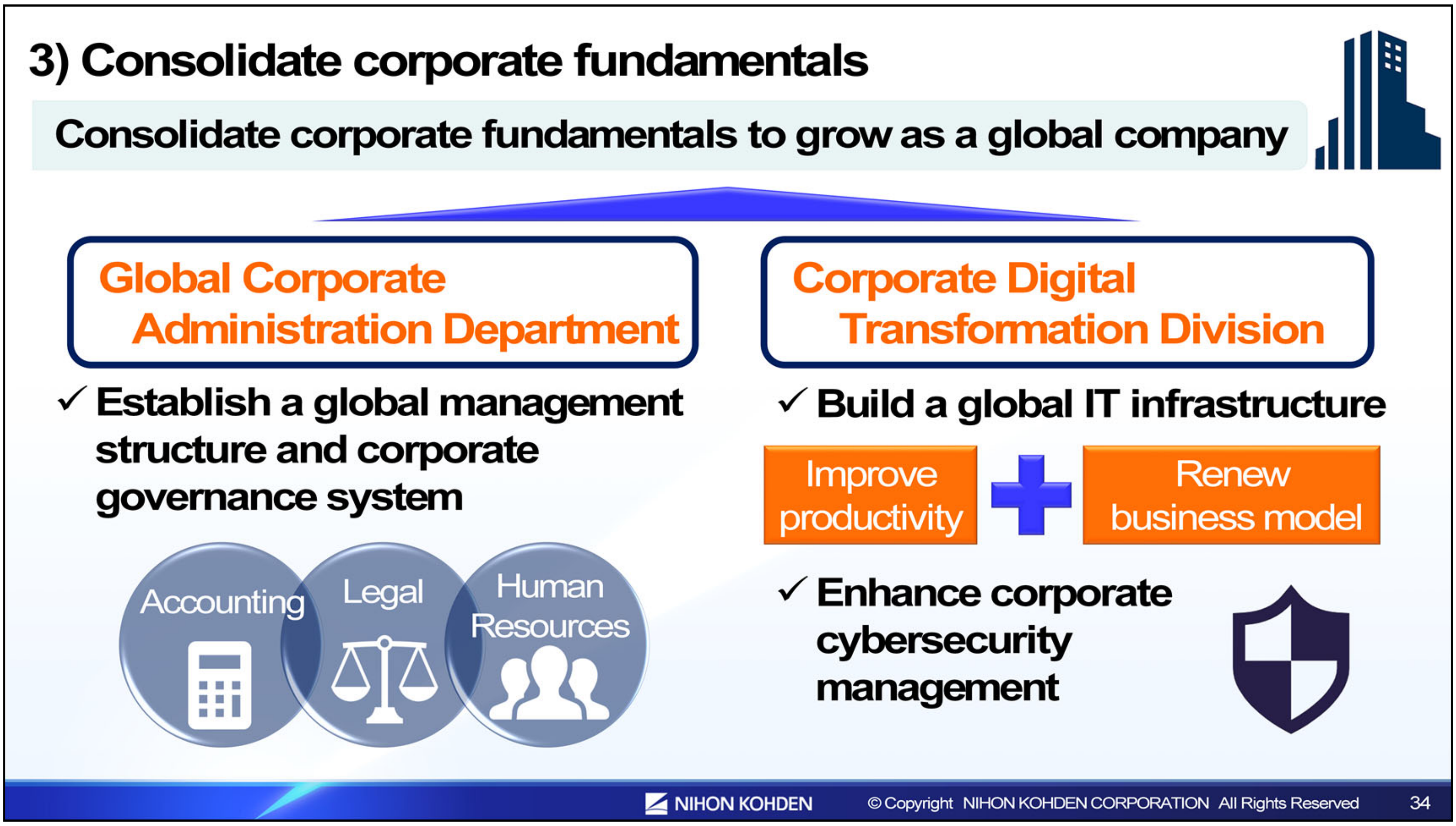
*1 NPPV: Noninvasive Positive Pressure Ventilation *2 Sales area varies in accordance with the examination period for regulatory approval in each country

- In our Treatment Equipment Business, the Company is currently working on ramping up production of ventilators at the Tomioka Production Center and Nihon Kohden OrangeMed to meet increased demand.

- The Company aims to supply 1,000 units of NKV-330 in the 1st half of FY2020 for mildly ill patients who do not need intracheal intubation. We hope that the invasive ventilators currently owned by medical institutions will be used for acutely ill patients.

- The Company received approval for NKV-550 in Japan. We started production at the Tomioka Production Center and aim to start shipping the ventilators from July 2020.

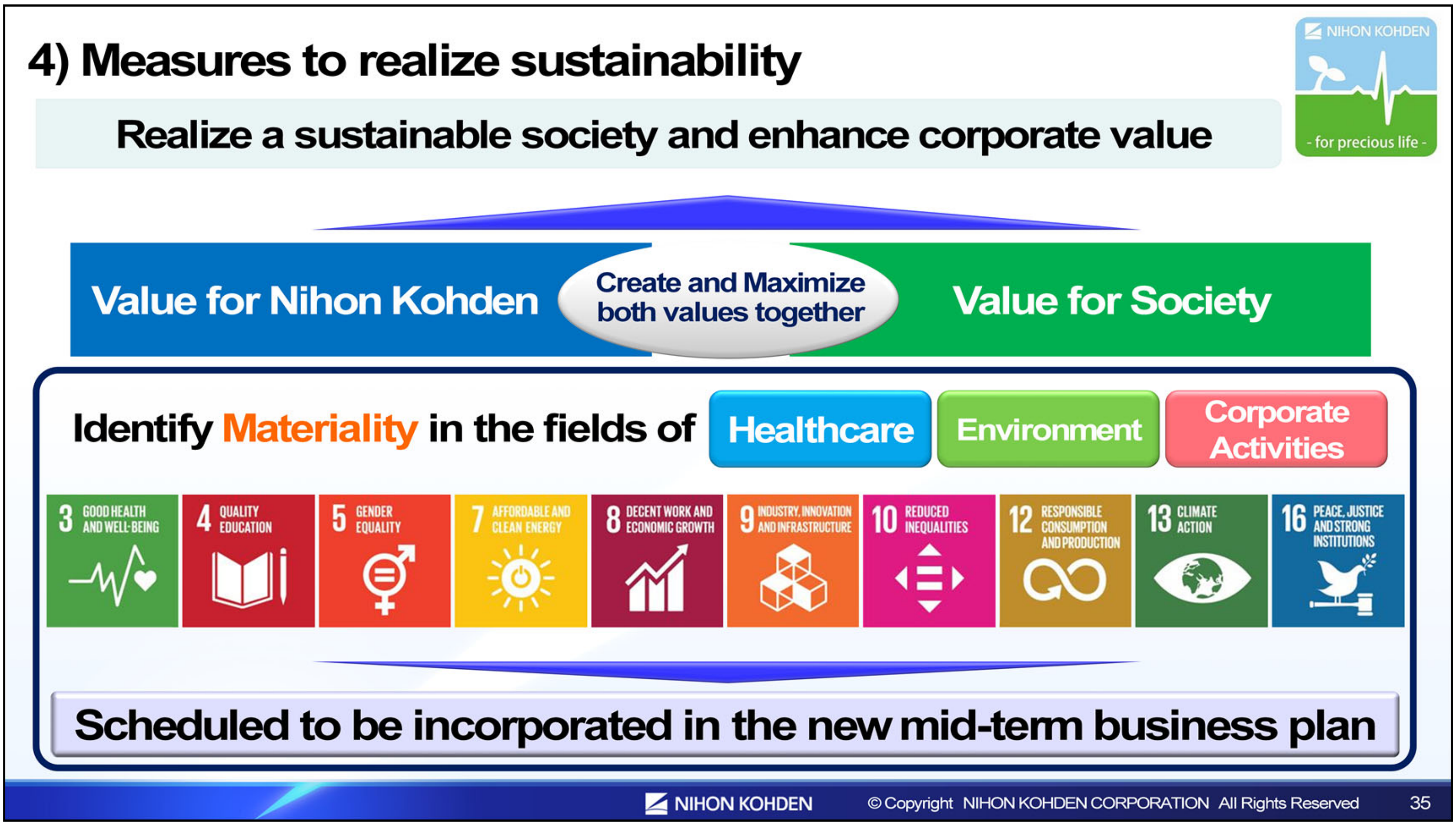
- It is not easy to ramp up production in a short period of time because ventilators are high quality products requiring precision manufacture and there are difficulties in the procurement of parts and components. However, the Company will make every effort to increase production.



- In April 2020, the Company established two organizations to consolidate the corporate fundamentals needed to grow as a global company.

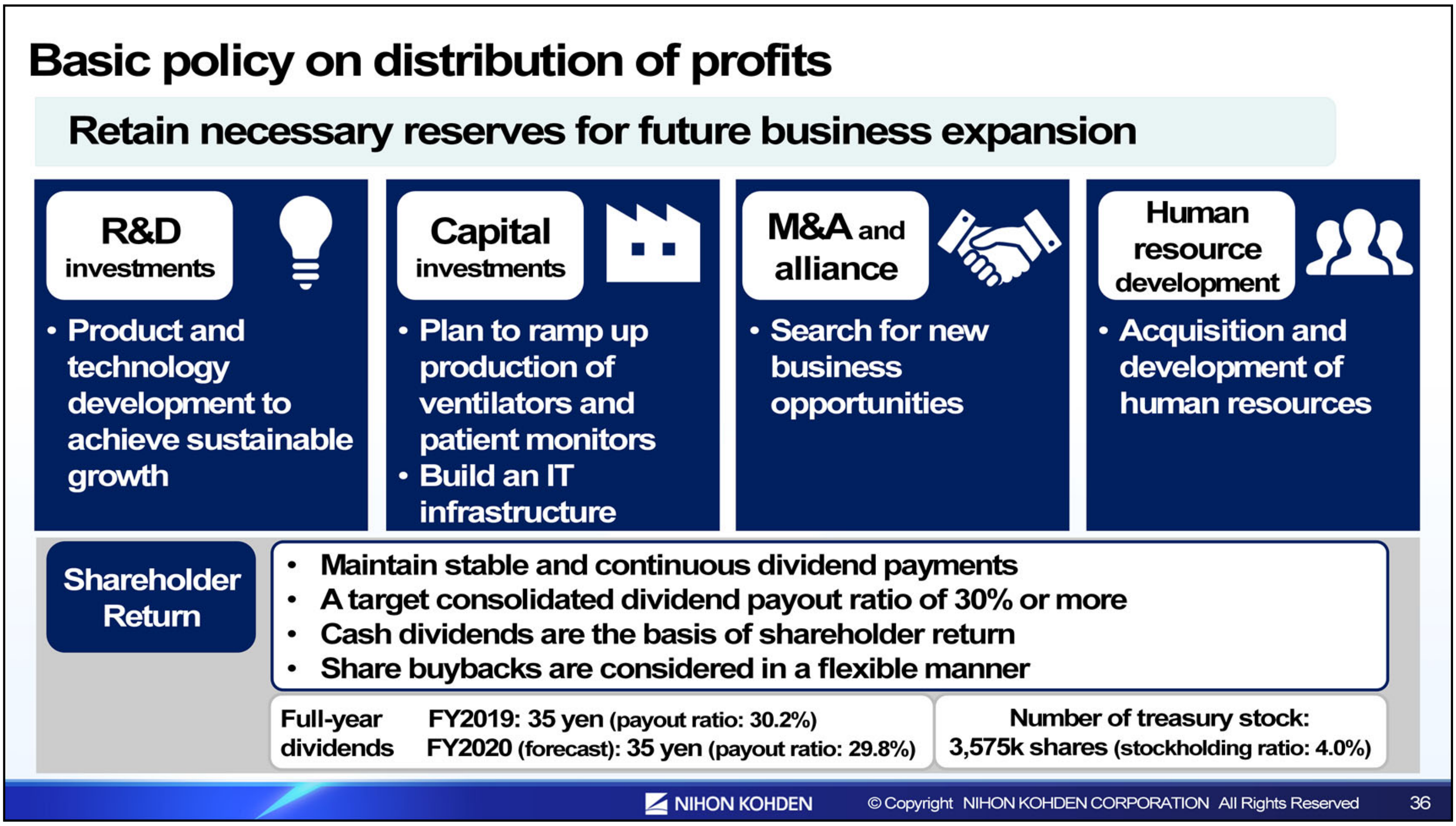
- The Global Corporate Administration Department will integrate administrative functions such as accounting, legal and human resources to strengthen our global management structure and corporate governance system.

- The Corporate Digital Transformation Division will build a global IT Infrastructure to promote the use of data, and enhance corporate cybersecurity management.



- The Company aims to create and maximize both Value for Nihon Kohden and Value for Society together to realize a sustainable society and enhance its corporate value.

- We are working on identifying materiality in three fields of healthcare, environment and corporate activities. We aim to solve issues through our business activities by incorporating the identified materiality in the new mid-term business plan.



- Our basic policy on distribution of profits is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion.

- As for R&D investments, the Company focuses on product and technology development to achieve sustainable growth from a mid- to long-term perspective. In terms of capital investments, the Company plans to ramp up production of ventilators and patient monitors and build an IT infrastructure. As for M&A, the Company continues to search for new business opportunities which have synergies with its core businesses. The Company also focuses on developing human resources which are the cornerstone of all business strategies.

- The Company sets 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.

- Full-year dividends for FY2020 will be 35 yen, and the payout ratio will be 29.8%.

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.

- As part of its social responsibility as a medical equipment manufacturer, the Nihon Kohden Group is singularly focused on supporting the medical workers on the front line of the COVID-19 fight.

- The Company will further strengthen our management structure to protect the continuity of our business and employment, even in a challenging environment where there is a real fear of the first global economic crisis since the financial crisis of 2007-2008.