

# Consolidated Financial Highlights for the First Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

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**NIHON KOHDEN CORPORATION**

(Ticker Code: 6849)  
August 1, 2019

*Fighting Disease with Electronics*



# 1) Consolidated Financial Results for the 1<sup>st</sup> Quarter of FY2019

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

	FY2018 1Q	FY2019 1Q	YoY (%)
<b>Net Sales</b>	34,583	<b>38,551</b>	11.5
<b>Domestic Sales</b>	25,705	<b>28,392</b>	10.5
<b>Overseas Sales</b>	8,878	<b>10,159</b>	14.4
<b>Gross Profit</b> (Gross Profit Margin)	17,095 49.4%	<b>18,524</b> 48.1%	8.4
<b>Operating Income</b> (Operating Income Margin)	53 0.2%	<b>542</b> 1.4%	919.0
<b>Ordinary Income</b>	580	<b>-26</b>	—
<b>Income Attributable to Owners of Parent</b>	538	<b>-499</b>	—

← **+15% on a local currency basis**

← **In-house sales ratio:** FY2018 1Q **64.9%** → FY2019 1Q **62.5%**

← **SG&A Ratio:** 49.2% → 46.7%

← **Foreign exchange gains/losses:**  
FY2018 1Q **¥0.30 bil gains** → FY2019 1Q **¥0.64 bil losses**

← **¥447 mil of settlement regarding labor issues of Nihon Kohden America in FY2019 1Q**

<b>Average Exchange Rate</b>	(2018/6)	(2019/6)
<b>1 US Dollar</b>	¥108.5	<b>¥110.7</b>
<b>1 EURO</b>	¥129.5	<b>¥123.5</b>

## 2) Highlights of FY2019 1Q

### Net Sales : +11.5%

- **Japan:** Sales in the university and public hospital market showed strong growth, thanks to large orders related to construction of new hospitals. Sales in the clinic market also increased favorably, while sales in the private hospital market decreased.
- **International:** Sales in the Americas and Europe increased. In particular, sales in the U.S. showed strong growth.

### Operating Income : ¥542 mil (¥53 mil of operating income in FY2018 1Q)

- Operating income increased favorably thanks to increased sales, offsetting the increase of SG&A expenses such as personnel expenses.
- Gross margin ratio decreased due to lower selling prices and unfavorable product mix.

### Net Loss : ¥499 mil (¥538 mil of net income in FY2018 1Q)

- Foreign exchange losses were recorded compared to gains in the 1<sup>st</sup> quarter of FY2018.
- Extraordinary losses such as settlement and demolition cost were recorded.

# 3) Sales by Product Category

(Sales, millions of yen)

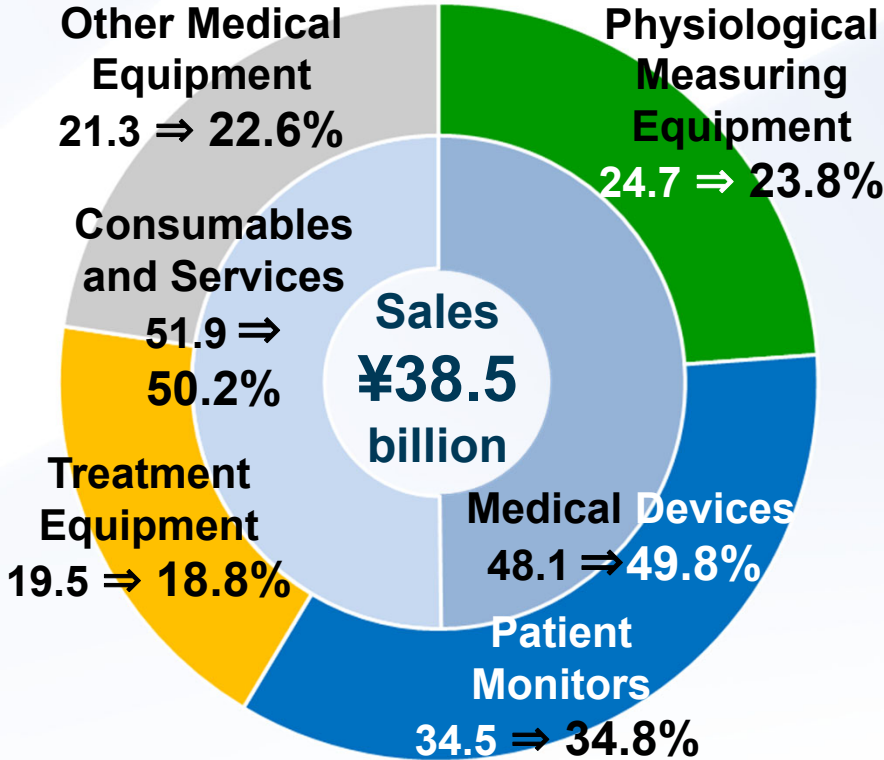
	FY2018 1Q	FY2019 1Q	YoY (%)
Physiological Measuring Equipment	8,535	9,191	7.7
Patient Monitors	11,920	13,398	12.4
Treatment Equipment	6,741	7,233	7.3
Other Medical Equipment	7,386	8,728	18.2
<b>Total Sales</b>	<b>34,583</b>	<b>38,551</b>	<b>11.5</b>

(Reference)

Consumables and Services	17,935	19,342	7.8
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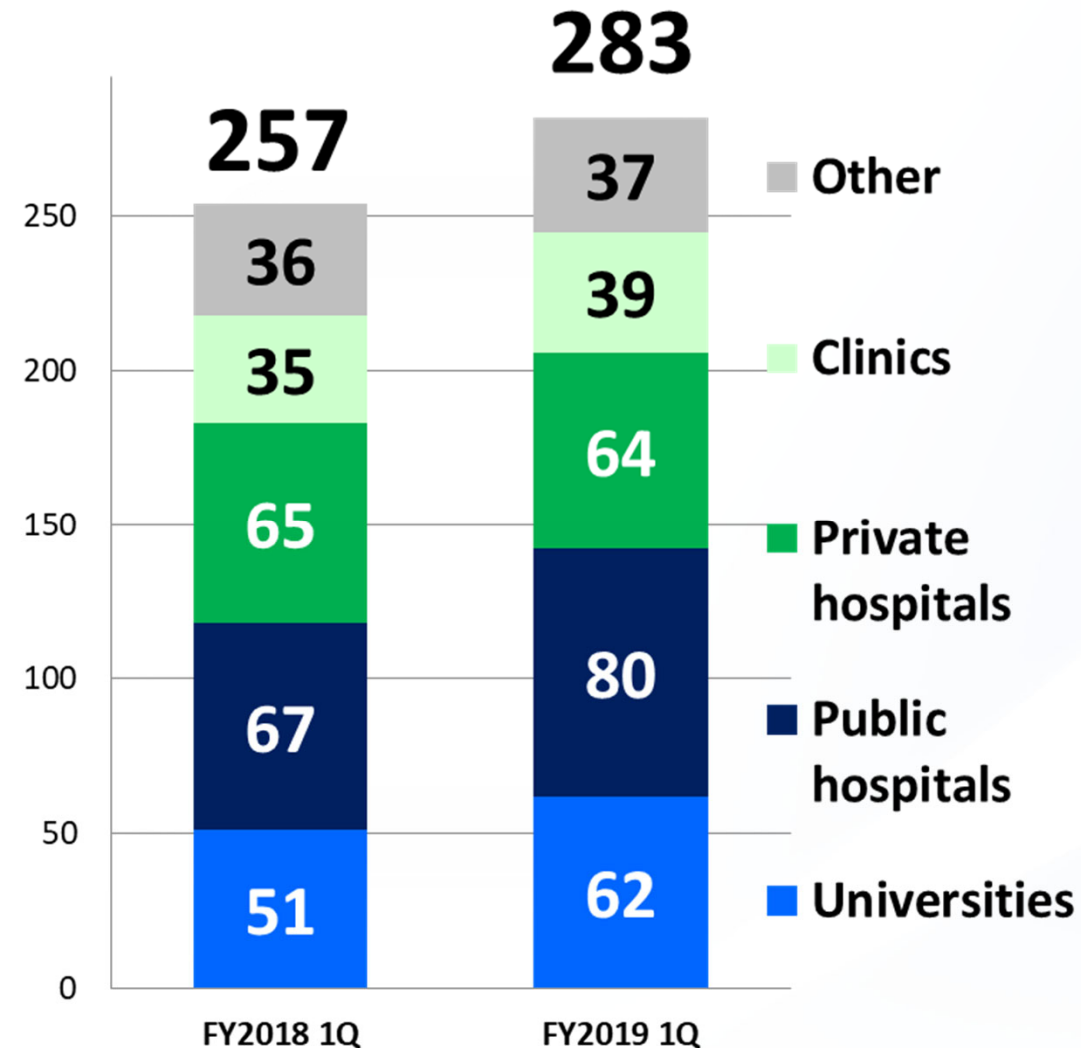
## Sales composition by product category

(FY2018 1Q ⇒ FY2019 1Q)



# 4) Domestic Sales – Sales by Market

(¥100 million)



## University / Public hospital market:

Sales achieved double-digit growth thanks to large orders related to construction of new hospitals.

Replacement demand for clinical information systems and diagnostic information systems increased as hospitals executed their annual budget before the consumption tax increase, ahead of schedule.

## Private hospital market:

Sales decreased slightly due to weak sales in the small and mid-sized hospital market. The Company aims to recover sales by promoting new products for these markets and enhancing sales activities.

## Clinic market:

Sales increased favorably, supported by new models of hematology analyzers and sales of solution proposals as part of the Company's consulting business for private practice startups.

## Forecast for FY2019 2Q and after

The Company reaffirms its full-year forecast as last-minute demand in 2Q will be offset by a reactionary drop in 3Q.

## 4) Domestic Sales – Sales by Product Category

(Sales, millions of yen)

	FY2018 1Q	FY2019 1Q	YoY (%)
Physiological Measuring Equipment	6,850	7,291	6.4
Patient Monitors	7,337	8,183	11.5
Treatment Equipment	4,944	5,493	11.1
Other Medical Equipment	6,573	7,424	12.9
<b>Total Sales</b>	<b>25,705</b>	<b>28,392</b>	<b>10.5</b>

Sales in all product categories increased, as the Company introduced new products which match each market, and strengthened its marketing and service capabilities creating customer value which contributes to improving medical safety, patient outcomes, and operating efficiency.

**Physiological Measuring Equipment:** Sales of polygraphs for cath lab and diagnostic information systems increased favorably. Sales of EEGs and ECGs decreased.

**Patient Monitors:** New models of bedside monitors contributed to increased sales. Sales of clinical information systems also increased favorably.

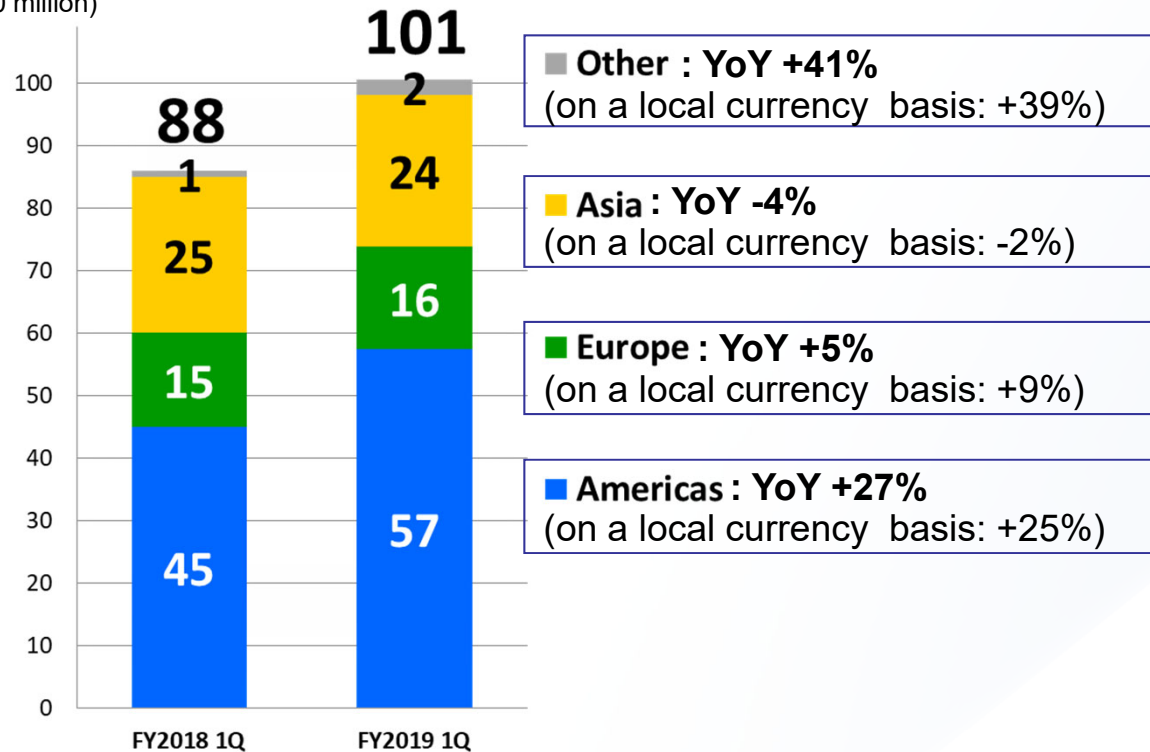
**Treatment Equipment:** Sales of defibrillators and ventilators showed strong growth, supported by large orders. Sales of AEDs decreased due to weak sales in consumables, while unit sales of AEDs increased.

**Other Medical Equipment:** New models of hematology analyzers contributed to increased sales. Sales of installation services for medical devices and locally purchased products increased, as a result of large orders.

# 5) Overseas Sales

## Geographic segments

(¥100 million)



## Percentage of overseas sales to consolidated sales

FY2018 1Q	FY2019 1Q
25.7%	26.4%

## Sales by Product Category

(Sales, millions of yen)

	FY2018 1Q	FY2019 1Q	YoY (%)
Physiological Measuring Equipment	1,685	1,899	12.8
Patient Monitors	4,582	5,215	13.8
Treatment Equipment	1,796	1,739	-3.2
Other Medical Equipment	813	1,304	60.3
<b>Total Sales</b>	<b>8,878</b>	<b>10,159</b>	<b>14.4</b>

+15% on a local currency basis

**【Region】 Americas:** In the U.S., sales of Patient Monitors and EEGs showed strong growth, as shipment of orders of monitors was carried forward from FY2018. Sales in Latin America also increased favorably, primarily in Mexico.

**Europe:** Sales increased in Italy and France. Sales in Russia and Turkey also recovered.

**Asia:** Sales decreased due to weak sales in Southeast Asia, while sales in China, India, and the Middle East increased.

**【Products】 Physiological Measuring Equipment:** Sales of EEGs showed strong growth in the U.S. Sales of ECGs increased favorably in Asia.

**Patient Monitors:** Sales increased favorably in all areas. Especially, sales in the U.S. and the Middle East showed strong growth.

**Treatment Equipment:** Sales of defibrillators decreased in Asia. Sales of AEDs increased in all areas.

**Other Medical Equipment:** Sales of hematology analyzers showed strong growth in Latin America, the Middle East and Africa. There was a positive impact from the changes in the deferred revenue process for installation services of medical devices in the U.S.

# 6) Topics

## New products launched in FY2019

### Patient Monitoring Business



**Bedside monitors  
PVM-4000**

Japan, Europe, emerging countries:  
Launched in FY2019 1Q



**Spot check monitors  
SVM-7200**

Japan, Europe, emerging countries:  
Launched in FY2019 1Q  
\* Only as a continuous monitor in Japan



**Telemetry systems  
WEP-1400**

Japan: Launched in FY2019 2Q

### Diagnostic Equipment Business



**Electrocardiograph  
ECG-3150**

Japan, Europe, emerging countries:  
Launched in FY2019 1Q

### Treatment Equipment Business



**Ventilator  
NKV-330**

Japan, Europe, emerging countries:  
Launched in FY2019 1Q



**Defibrillator  
EMS-1052**

Japan: Launched in FY2019 2Q

\* The actual launch dates varied in accordance with the examination period for regulatory approval in each country.



# 7) Depreciation and R&D Costs

(Millions of yen)

	FY2018 1Q	FY2019 1Q	Change	FY2018 Actual	FY2019 Plan
Depreciation	779	785	6	3,542	3,900
R&D Costs	1,856	1,497	-358	7,243	7,600
Capital Investments				3,049	4,700

● **FY2018 capital investments:**

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

● **FY2019 capital investments plan:**

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, reagent factory in Dubai (¥0.2 bil), and Eastern Japan Logistics Center (¥0.4 bil)

→ As the Center is a leasing logistics facility, investment is only for distribution equipment)

**Eastern Japan Logistics Center**

Construction: Completion at the end of May 2019  
Transfer: Start in Aug and completion in 2019



Store medical devices and consumables in one place



Reduce logistics costs by shipping medical devices and consumables as a package

## 8) Forecast for FY2019

(Billions of yen)

	FY2018 Actual		FY2019 Forecast			
	First Half	Full Year	First Half	YoY (%)	Full Year	YoY (%)
<b>Net Sales</b>	79.0	178.7	84.5	6.9	186.0	4.0
<b>Domestic Sales</b>	57.8	130.2	—	—	133.0	2.1
<b>Overseas Sales</b>	21.1	48.5	—	—	53.0	9.1
<b>Gross Profit</b> (Gross Profit Margin)	38.6 48.9%	85.9 48.1%	—	—	90.2 48.5%	4.9
<b>Operating Income</b> (Operating Income Margin)	4.2 5.4%	15.0 8.4%	4.5 5.3%	5.6	16.0 8.6%	6.4
<b>Ordinary Income</b>	5.2	15.8	4.5	-14.6	16.0	0.8
<b>Income Attributable to Owners of Parent</b>	3.9	11.1	2.7*	-31.1	10.7*	-4.3
<b>Percentage of Overseas Sales</b>	26.8%	27.2%			28.5%	

← +12% on a local currency basis

### Breakdown of overseas sales by region

(Millions of yen)

	FY2018 Actual	FY2019 Forecast	YoY (%)
<b>Americas</b>	23,508	25,500	8.5
<b>Europe</b>	8,167	8,900	9.0
<b>Asia</b>	15,096	16,000	6.0
<b>Other</b>	1,802	2,600	44.2
<b>Total</b>	48,575	53,000	9.1

\* Forecast of income attributable to owners of parent in FY2019 1H and FY2019 were revised on June 17, 2019.

# (Ref.) Consolidated Sales Forecast for FY2019 by Product Category/ Effect of Exchange Rate

(Millions of yen)

	FY2018	FY2019	Composition ratio (%)	YoY (%)
	Actual	Forecast		
Physiological Measuring Equipment	40,773	41,700	22.4	2.3
Patient Monitors	61,978	66,150	35.6	6.7
Treatment Equipment	33,149	34,250	18.4	3.3
Other Medical Equipment	42,898	43,900	23.6	2.3
<b>Total</b>	<b>178,799</b>	<b>186,000</b>	<b>100.0</b>	<b>4.0</b>

(Reference)

<b>Consumables and Services</b>	79,226	83,000	44.6	4.8
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## Average Exchange Rate

	FY2018 Actual	FY2019 Forecast
1 US Dollar	110.8 yen	108 yen
1 EURO	128.5 yen	125 yen

## Annual Estimates of Exchange Rate Fluctuations

	Sales	Operating Income
1 US Dollar	0.32 bil yen	0.11 bil yen
1 EURO	0.05 bil yen	0.02 bil yen

## 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 stated.