

Consolidated Financial Highlights for FY2018

(From April 1, 2018 to March 31, 2019)

- 1. Consolidated Financial Results for FY2018**
- 2. Forecast for FY2019**
- 3. Progress of Mid-term Business Plan,
TRANSFORM 2020**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

May 15, 2019

Fighting Disease with Electronics

1 Consolidated Financial Results for FY2018

1) Consolidated Financial Results for FY2018

	FY2017 Actual	FY2018		
		Forecast	Actual	YoY (%) Margin change (p)
Sales	174,249	180,000	178,799	2.6
Domestic Sales	128,144	130,700	130,223	1.6
Overseas Sales	46,105	49,300	48,575	5.4
Gross Profit (Gross Profit Margin)	82,759 47.5%	86,800 48.2%	85,987 48.1%	3.9 0.6
Operating Income (Operating Income Margin)	14,517 8.3%	15,000 8.3%	15,044 8.4%	3.6 0.1
Ordinary Income	14,501	15,000	15,867	9.4
Income Attributable to Owners of Parent	9,154	10,300	11,191	22.3

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

+6% on a local currency basis

In-house Sales ratio: FY2017 64.0% → FY2018 64.8%

Foreign exchange gains/losses:
FY2017 ¥733 mil losses → FY2018 ¥85 mil gains

[Extraordinary losses]
Provision for loss on litigation*: FY2018 ¥285 mil

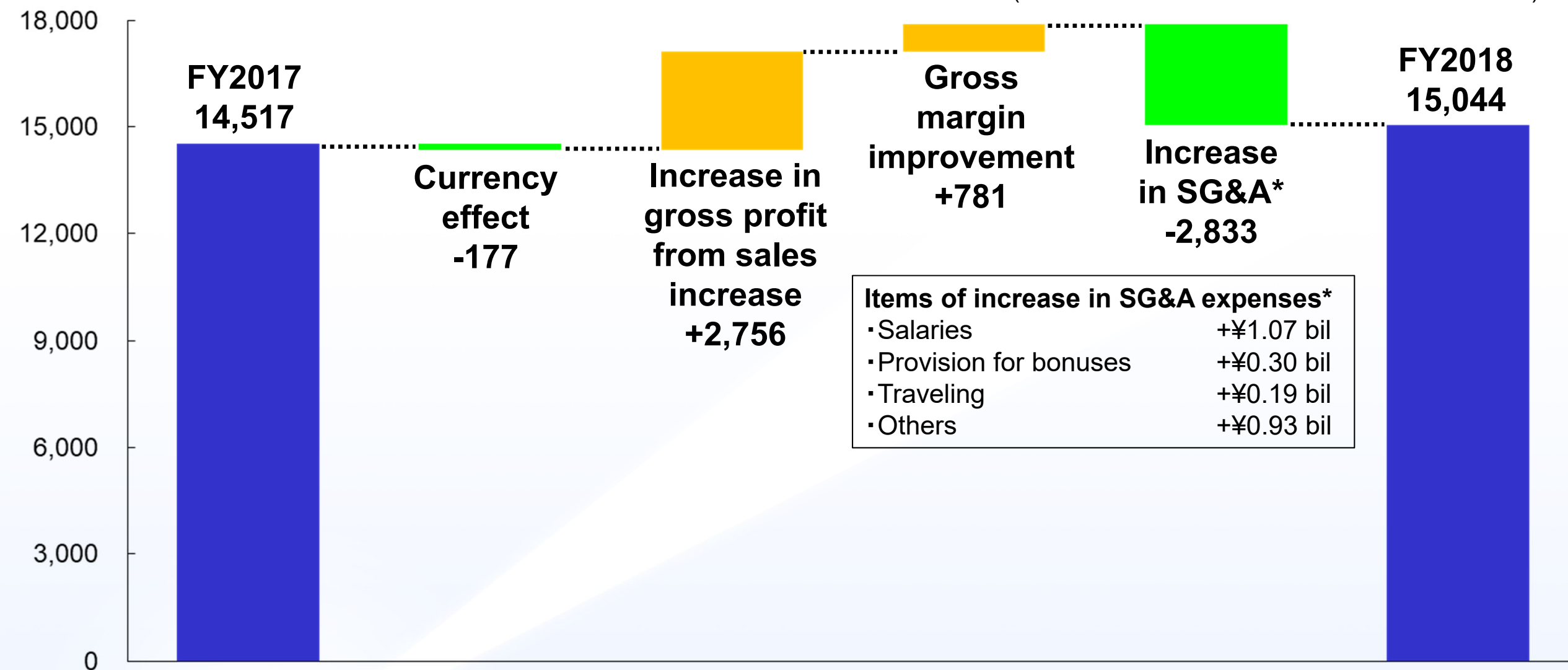
FY2017: Increase of income taxes due to the tax reform in the U.S.

* Provision for loss on litigation in accordance with the progress of the arbitration of labor issue involving Nihon Kohden America

Average exchange rate	FY2017	FY2018	FY2018
1 US Dollar	111.0 yen	105 yen	110.8 yen
1 EURO	130.0 yen	130 yen	128.5 yen

2) Breakdown of Operating Income

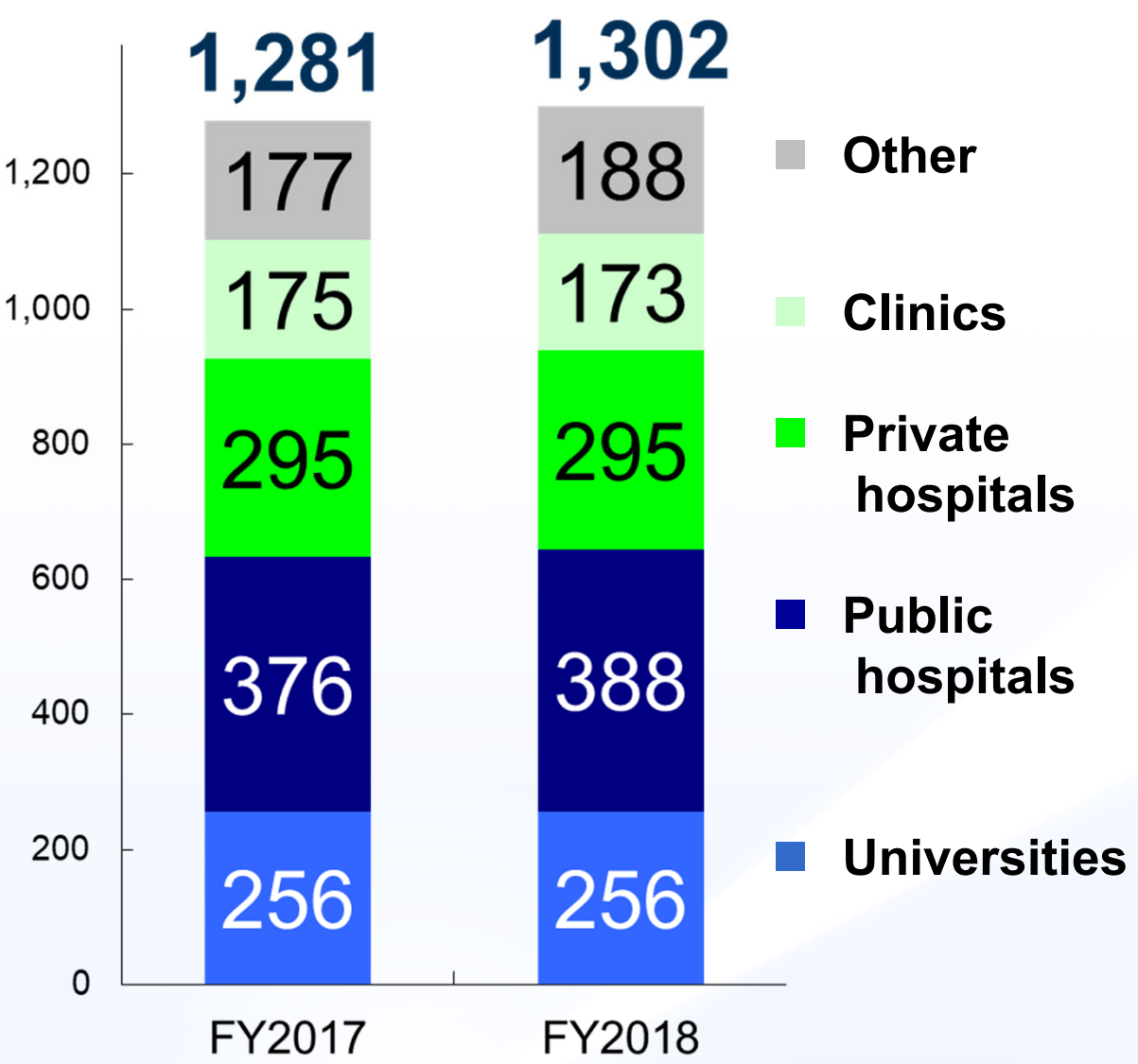
(Amounts of less than ¥1 million are rounded down)



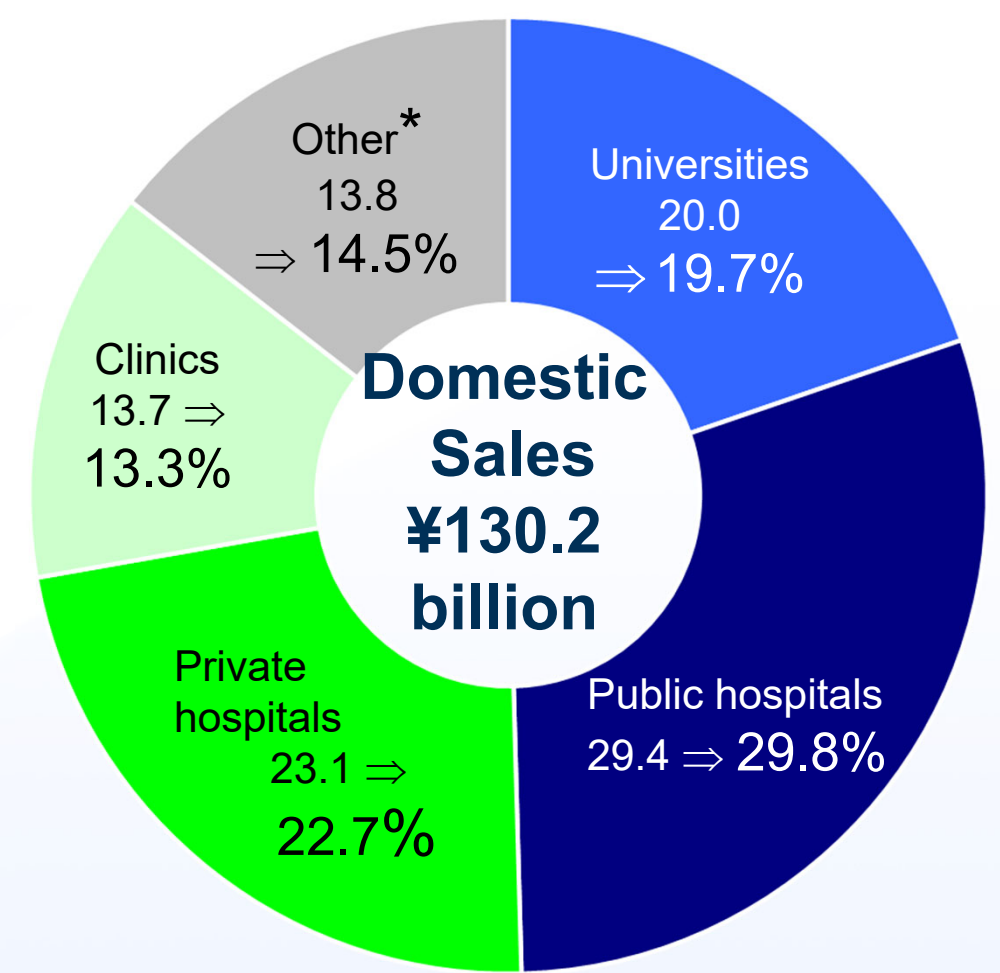
*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase in SG&A expenses indicate major components of increased SG&A expenses on a yen basis.

3) Domestic Sales

(¥100 million) Sales by market

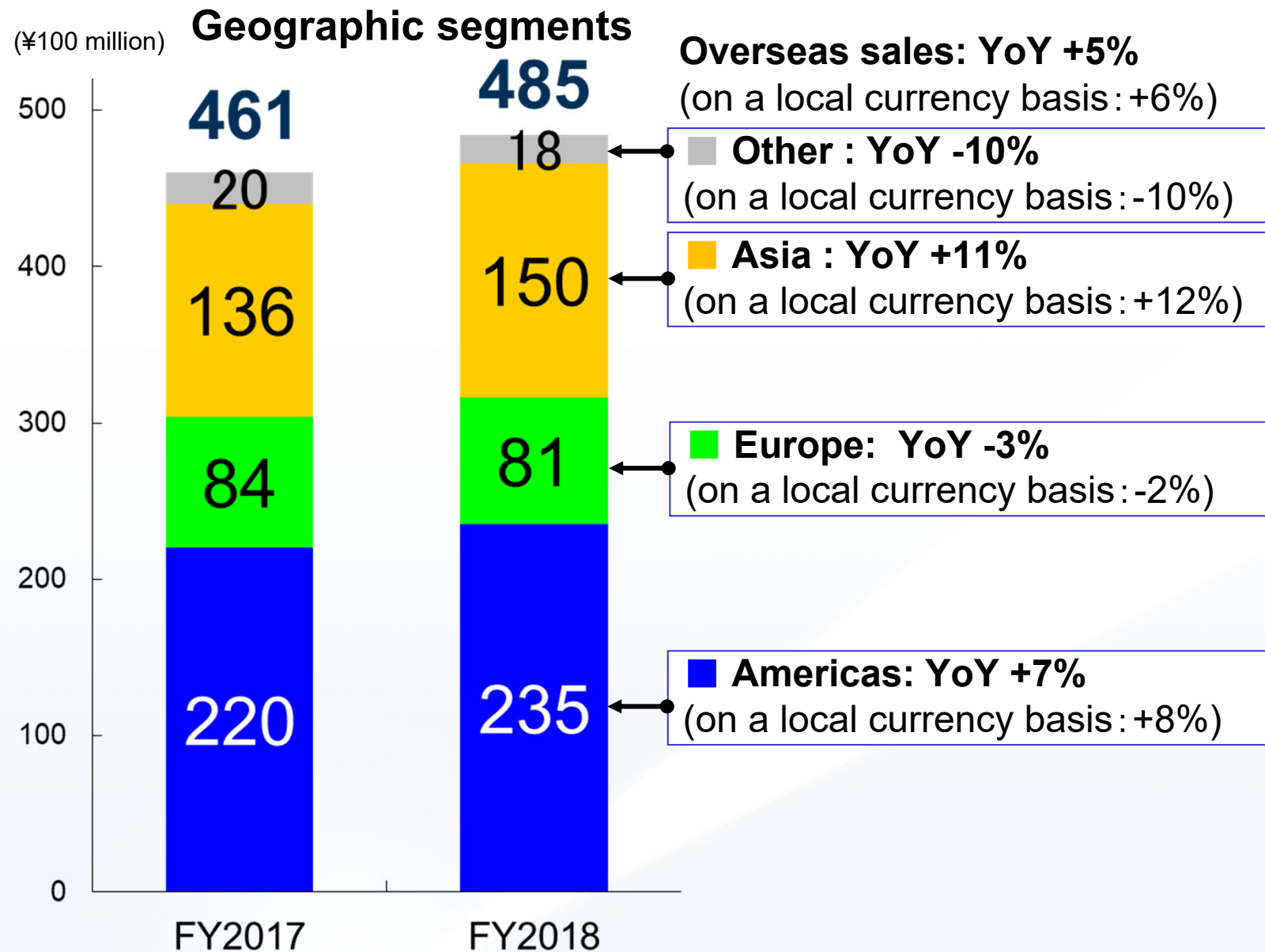


Sales composition by market (FY2017 ⇒ FY2018)



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

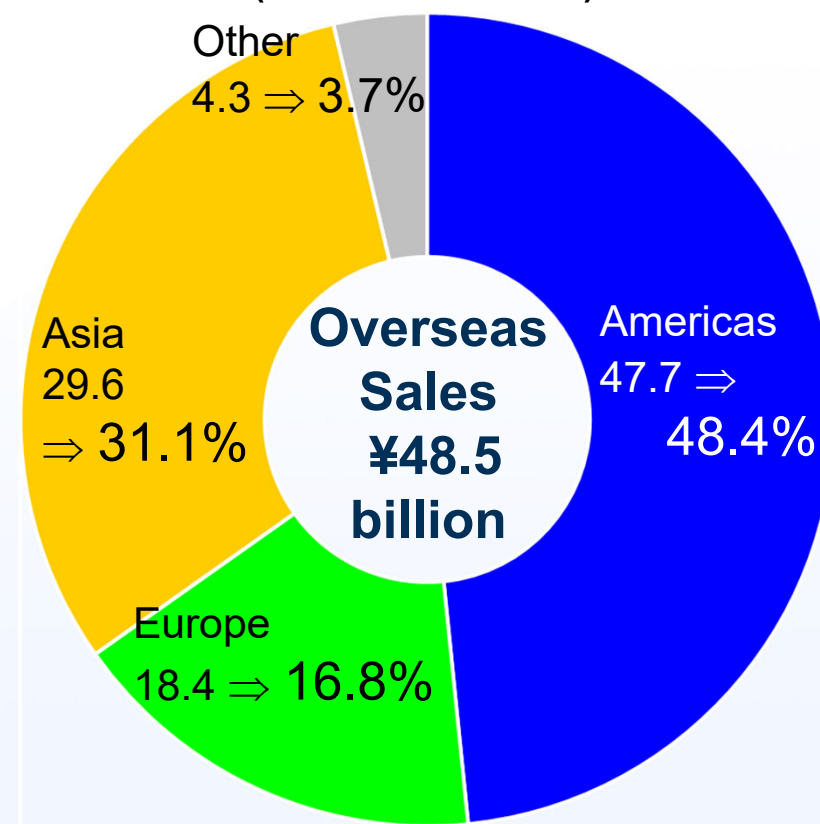
4) Overseas Sales



Percentage of overseas sales to consolidated sales

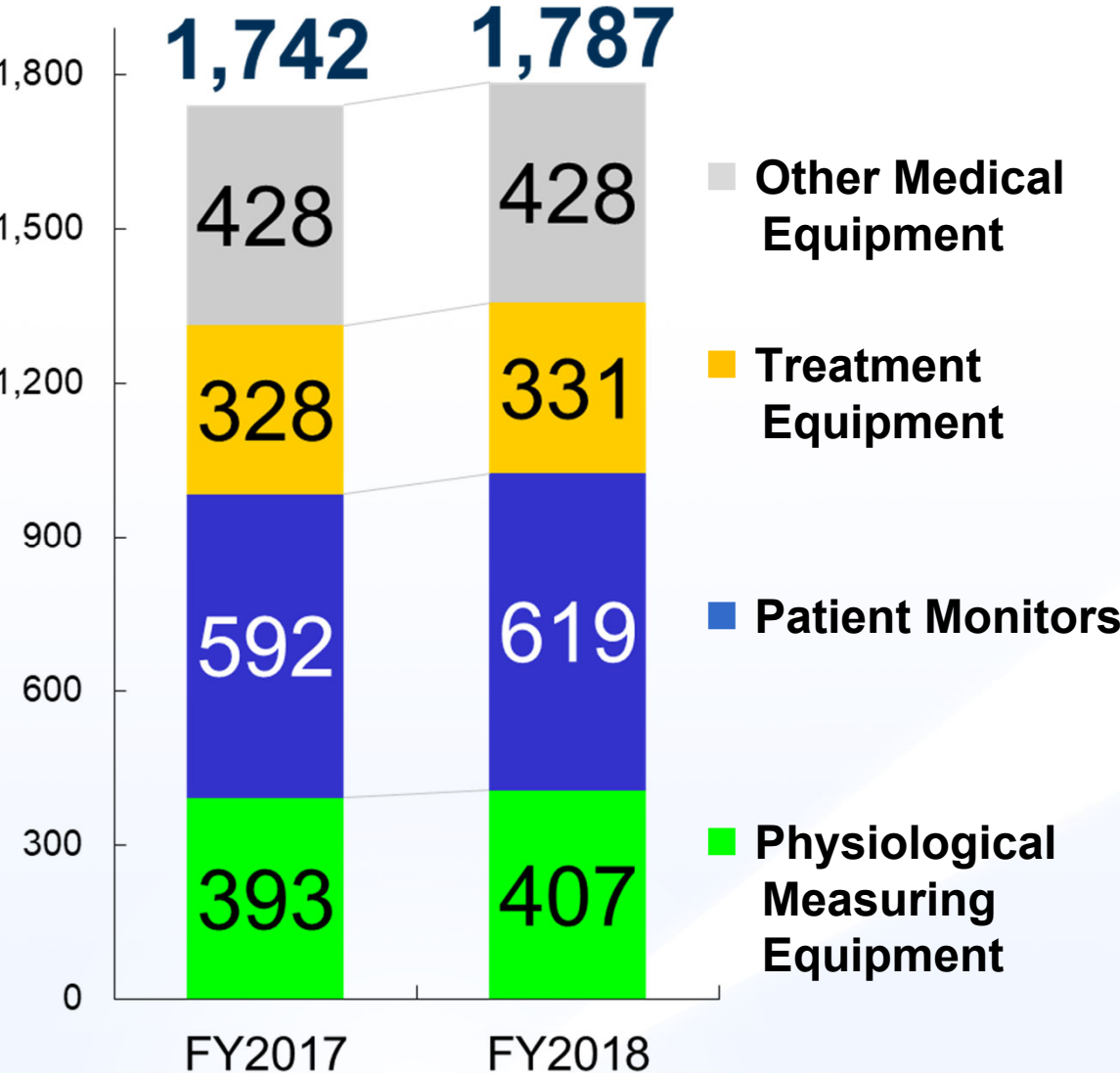
FY2017	FY2018
26.5%	27.2%

Geographic Segments (FY2017 ⇒ FY2018)

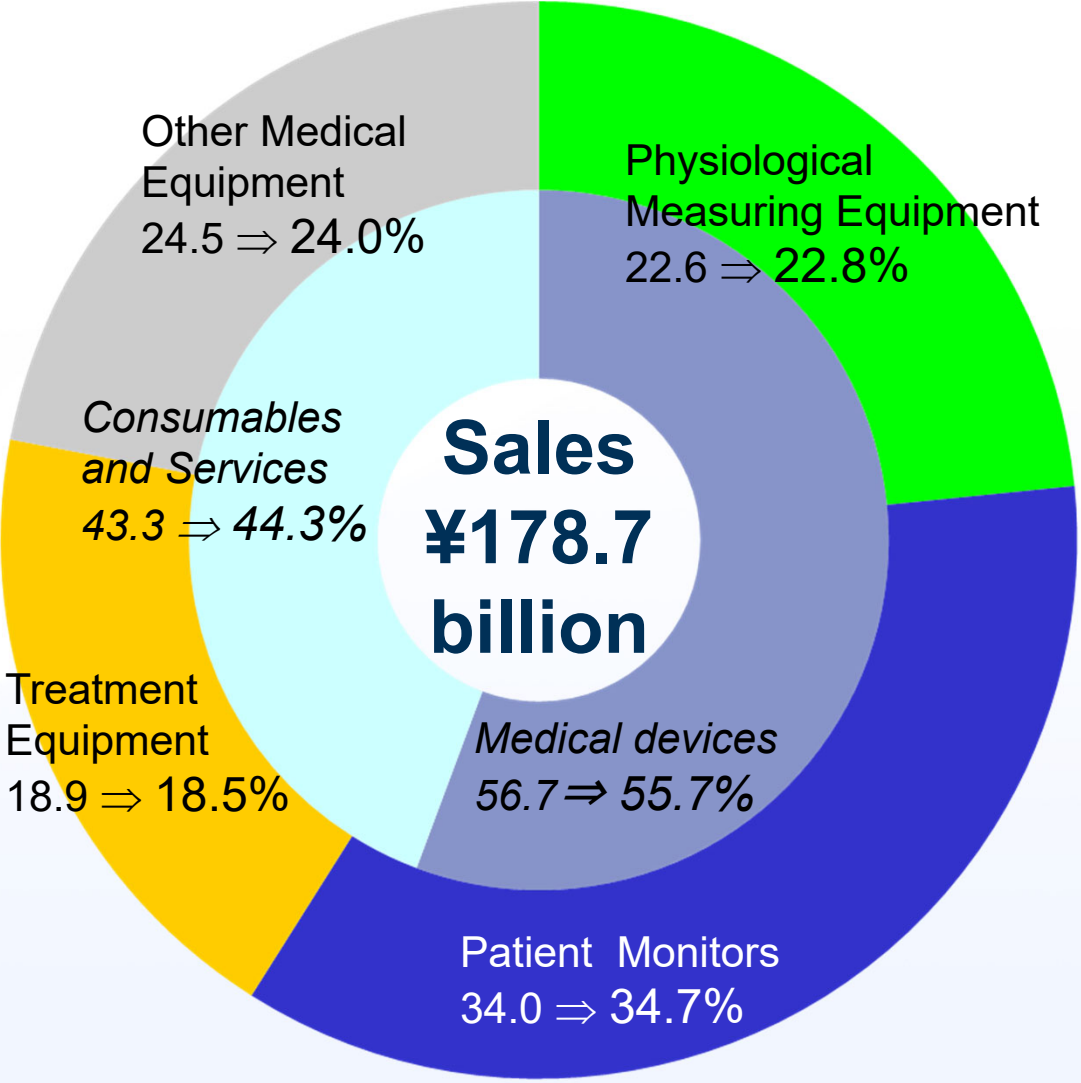


5) Sales by Product Category

(¥100 million)



Sales composition by product category (FY2017 ⇒ FY2018)



5.1) Physiological Measuring Equipment

	FY2017	FY2018	YoY (%)
Electroencephalographs	7,292	7,648	4.9
Electrocardiographs	6,982	6,766	-3.1
Polygraphs for Cath Lab	13,172	14,468	9.8
Other Physiological Measuring Equipment*	11,874	11,888	0.1
Physiological Measuring Equipment	39,323	40,773	3.7
Domestic Sales	31,445	32,112	2.1
Overseas Sales	7,878	8,661	9.9

(Sales, millions of yen)

Sales of Polygraphs for Cath Lab and diagnostic information systems increased favorably. Sales of EEGs and ECGs decreased.

Sales of EEG showed strong growth, especially in the U.S. Sales of ECGs decreased.

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



Electro-encephalograph
EEG-1290



EMG/EP measuring system
MEB-9400



Electrocardiographs
ECG-2400



Holter ECG monitor
RAC-5000



Polygraphs for Cath Lab
RMC-5000



Medical and long-term care network system
LAV-1000

5.2) Patient Monitors

	FY2017	FY2018	YoY (%)
Patient Monitors	59,229	61,978	4.6
Domestic Sales	36,857	37,641	2.1
Overseas Sales	22,372	24,337	8.8

(Sales, millions of yen)

Replacement demand for clinical information systems increased favorably. Sales of consumables such as sensors also contributed to increased sales.

Sales in the Americas and Asia showed strong growth. Sales in Europe remained flat. Sales in Other decreased.



Bedside monitor
CSM-1901

NEW!



CSM-1501 CSM-1502 CSM-1701 CSM-1702

Bedside monitor
CSM-1500/1700



Transmitter
ZS-640P



SpO₂ probes cap-ONE biteblock ECG Electrodes

Consumables

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

5.3) Treatment Equipment

	FY2017	FY2018	YoY (%)
Defibrillators (for Hospital and Ambulance)	6,285	6,163	-1.9
AEDs (Automated External Defibrillator)	14,867	15,388	3.5
Pacemakers / ICDs	3,189	3,019	-5.3
Ventilators	2,432	2,660	9.4
Other Treatment Equipment	6,117	5,916	-3.3
Treatment Equipment	32,892	33,149	0.8
Domestic Sales	22,288	22,299	0.0
Overseas Sales	10,603	10,849	2.3
(Ref.) AED Unit Sales	92,000	101,900	10.8
Domestic Unit Sales	45,200	49,700	10.0

(Sales, millions of yen)

● **Domestic:** Sales remained flat.
International: Sales decreased in reaction to the strong performance in FY2017.

● **Domestic:** Sales increased favorably due to increase of additional installations and replacement demand.
International: Sales increased in Europe and Asia.

● Reached the hundred thousand units mark



Defibrillator
TEC-5600 series

NEW!



AED
AED-3150



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1



CPR assist
CPR-1100

5.4) Other Medical Equipment

	FY2017	FY2018	YoY (%)	Comparable YoY (%)
Hematology Analyzers	11,224	9,666	-13.9	6.2
Imaging Systems, Medical equipment for research and others *	31,589	33,231	5.1	-1.9
Other Medical Equipment	42,804	42,898	0.2	
Domestic Sales	37,552	38,169	1.6	
Overseas Sales	5,251	4,728	-10.0	

(Sales, millions of yen)

Domestic: Sales increased favorably on a comparable basis, supported by a new product launch.
International: Sales increased in Latin America and Asia.

Sales of locally purchased products decreased.

*Includes consumables, installation and maintenance services which are not part of other categories. Effective FY2018, bundled deals of third-party hematology analyzers and imaging systems are reclassified into Imaging Systems, Medical equipment for study and others; these were previously classified as Hematology Analyzers.

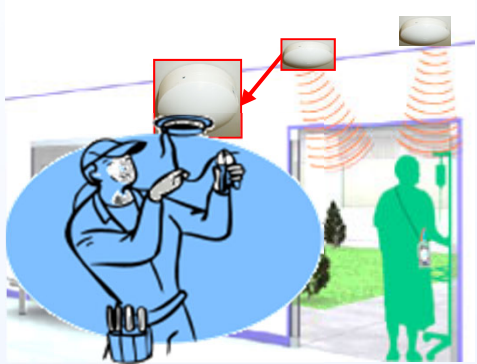


Automated hematology analyzer
MEK-9100

NEW!



Automated hematology analyzer and clinical chemistry analyzer
MEK-1303



Installation and maintenance services

(Ref.) FY2018 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	40.7 (+4%)	32.1 (+2%)	8.6 (+10%)	3.7 (+29%)	1.2 (-19%)	3.4 (+7%)	0.2 (+1%)
Patient Monitors	61.9 (+5%)	37.6 (+2%)	24.3 (+9%)	15.3 (+9%)	3.1 (-1%)	5.1 (+21%)	0.6 (-16%)
Treatment Equipment	33.1 (+1%)	22.2 (+0%)	10.8 (+2%)	4.0 (-5%)	2.9 (+7%)	3.1 (+12%)	0.6 (-10%)
Other Medical Equipment	42.8 (+0%)	38.1 (+2%)	4.7 (-10%)	0.3 (-52%)	0.8 (-15%)	3.2 (+1%)	0.2 (-3%)
Total	178.7 (+3%)	130.2 (+2%)	48.5 (+5%)	23.5 (+7%)	8.1 (-3%)	15.0 (+11%)	1.8 (-10%)

6) Financial Condition

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

	FY2017	FY2018	Change		FY2017	FY2018	Change
Current Assets	120,687	132,211	11,524	Current Liabilities	44,601	48,346	3,744
Inventories	23,098	28,599	5,500	Interest-bearing Debt	488	406	-81
Property, Plant & Equipment	20,324	19,945	-379	Non-current Liabilities	3,953	5,282	1,329
Intangible Assets	5,079	4,563	-516	Net Assets	109,355	116,087	6,732
Investments & Other Assets	11,818	12,997	1,178				
Total Assets	157,910	169,717	11,807	Total Liabilities & Net Assets	157,910	169,717	11,807

Inventory Turnover	3.0 months	3.7 months		Equity Ratio	69.3%	68.4%	
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[Reason for the increase of inventories]

- Merchandise and finished goods increased by ¥4,810 million
 - Products: Ensuring of stable supply and awaiting shipment
 - Consumables: Guaranteeing supply in line with BCP
- Raw materials and supplies increased by ¥627 million
 - Procurement of electronic components in advance

7) Cash Flows

	FY2017	FY2018	Change
I . Cash flows from operating activities	10,843	9,819	-1,024
II . Cash flows from investing activities	-3,346	-3,258	88
Free cash flows	7,497	6,561	-935
III . Cash flows from financing activities	-4,628	-3,074	1,553
Effect of exchange rate change on cash and cash equivalents	-144	-74	69
Net increase (decrease) in cash and cash equivalents	2,724	3,412	687
Cash and cash equivalents at end of period	31,285	34,697	3,412

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

	FY2017	FY2018	Change
Income before income taxes	13,954	15,519	+1,565
Decrease (increase) in inventories	-496	-5,602	-5,105
Purchase of property, plant and equipment	-2,901	-2,794	+106

ROE	8.6%	9.9%	
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8) Capital Investments and R&D Costs

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

	FY2017 Actual	FY2018			Change	FY2019 Plan
		Original Forecast announced May 10, 2018	Revised Forecast announced Nov 2, 2018	Actual		
Capital Investments	3,430	4,000	3,900	3,049	-381	4,700
Depreciation	3,338	3,900	3,800	3,542	203	3,900
R&D costs	7,226	8,500	8,000	7,243	17	7,600

● **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, investments is only for distribution equipment)

Eastern Japan Logistics Center



Tomioka

Tsurugashima

Store medical devices and consumables in one place



Construction: Completion in Jun 2019
Transfer: Start in Aug and completion in 2019



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

2

Forecast for FY2019

1) Business Environment

Japan

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

- Differentiate medical institution functions and strengthen collaboration
- Promote integrated community care systems

- At end of FY2018, each prefecture set up policies about role sharing between hospitals and the number of hospital beds converted to long-term care at a coordination conference
- Hereafter, substitution or reorganization of public hospitals will be discussed
- Funds for securing comprehensive medical and long-term care in the communities: FY2019 ¥103.4 bil for medical care

Medical service fee will rise by 0.41% accompanying the consumption tax increase in Oct 2019

- Reorganization of medical institution functions will proceed.
- The impact of a rush in demand and the corresponding reactions in accordance with the consumption tax increase should be monitored carefully.

International

U.S. and Europe

- Improve the quality and efficiency of medical care
- Expand IDNs*¹ in the U.S.
- Expand GPOs*² in Europe

Emerging Markets

- Political instability and weakness of currencies in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

*1 IDN: Integrated Delivery Network *2 GPO: Group Purchasing Organization

2) Forecast for FY2019

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

	FY2018 Actual	FY2019 Forecast	YoY (%)
Sales	178,799	186,000	4.0
Domestic Sales	130,223	133,000	2.1
Overseas Sales	48,575	53,000	9.1
Gross Profit (Gross Profit Margin)	85,987 48.1%	90,200 48.5%	4.9
Operating Income (Operating Income Margin)	15,044 8.4%	16,000 8.6%	6.4
Ordinary Income	15,867	16,000	0.8
Income Attributable to Owners of Parent	11,191	11,000	-1.7
Percentage of Overseas Sales	27.2%	28.5%	

+12% on a local currency basis

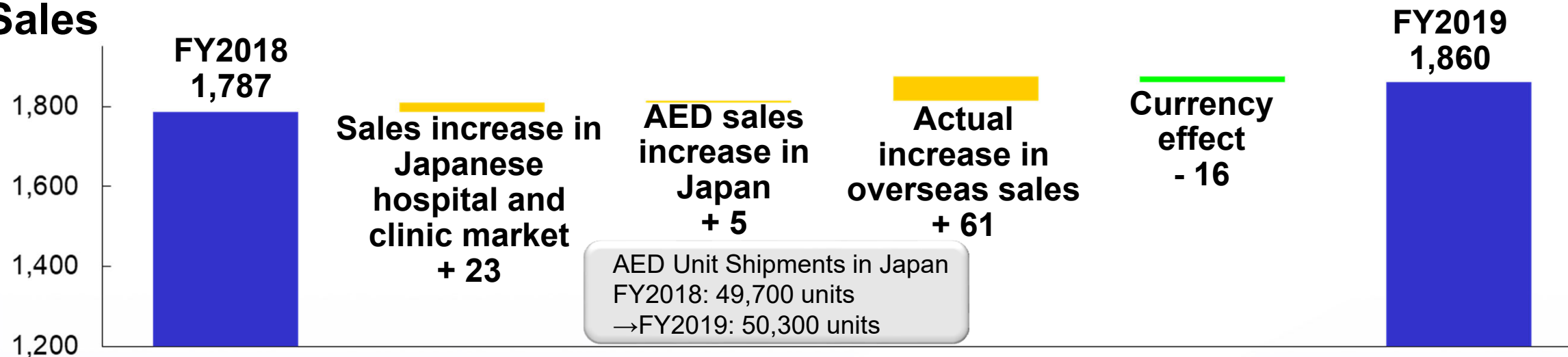
Breakdown of overseas sales by region

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

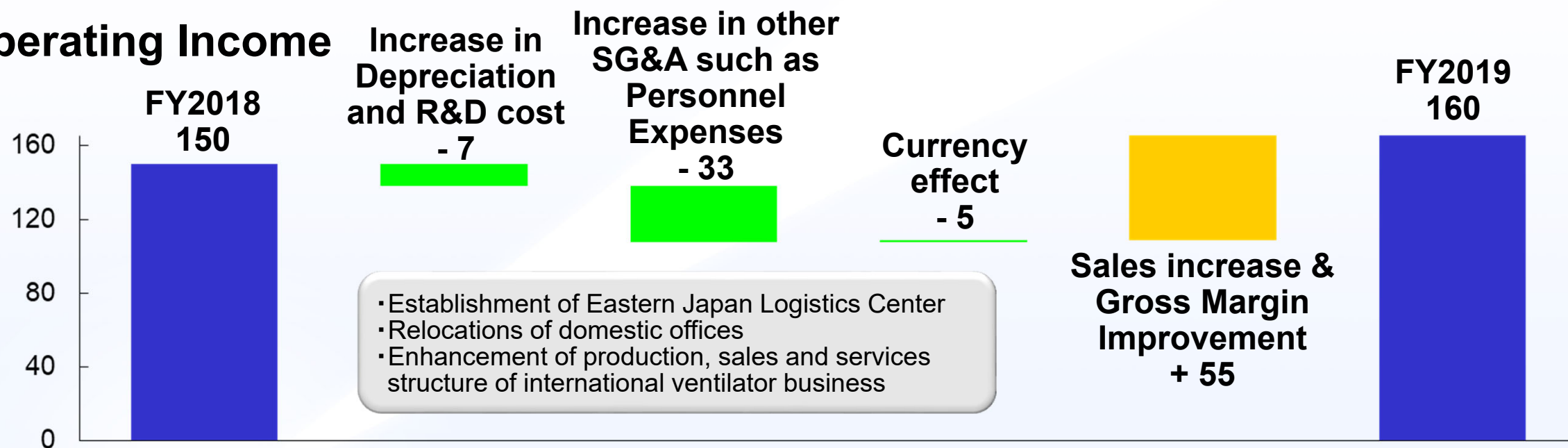
3) Analysis of FY2019 Forecast

(¥100 million)

Sales



Operating Income



(Ref.) Consolidated Forecast FY2019 by Product Category/ Effect of Exchange Rates

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

	FY2018 Actual	FY2019 Forecast	Composition ratio (%)	YoY (%)
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
Total	178,799	186,000	100.0	4.0

(Reference)

Consumables and Services	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

Progress of Mid-term Business Plan, 3 TRANSFORM 2020

Mid-term Business Plan, TRANSFORM 2020

Transform operations to achieve a highly profitable structure

Basic Policy

- 1 Create high customer value
- 2 Improve productivity within the organization

Six Key Strategies

Strengthen business expansion by region

Achieve further growth in core businesses

Develop new businesses

Strengthen technological development capabilities

Pursue the highest level of quality in the world

Consolidate corporate fundamentals

Human Resource Development and Corporate Culture Reform

Review of 2 years of TRANSFORM 2020

1 Create high customer value

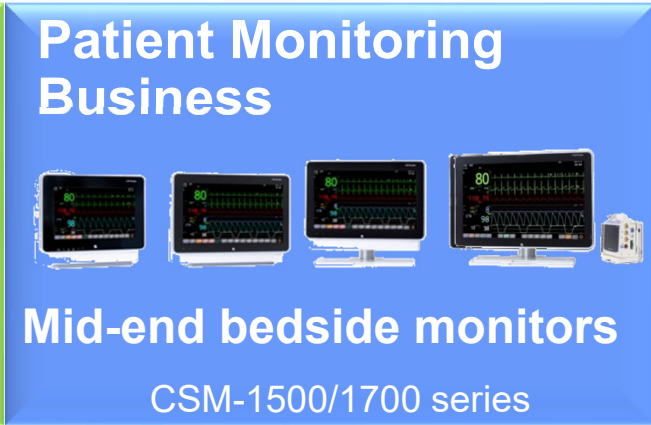
Launch in-house products with high customer value

Diagnostic Equipment Business



Electro-encephalograph EEG-1290	Holter ECG monitor RAC-5000	Ultrasound probe TUP-C035J	Automated hematology analyzer and clinical chemistry analyzer MEK-1303 + HbA1c
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Patient Monitoring Business



Mid-end bedside monitors
CSM-1500/1700 series

Treatment Equipment Business



AED for home use color display AED-3101	AED with color display AED-3150
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IT Solutions Business



Consumables and Services Business



Expand sales of consumables and services

Sales ratio	FY2016	FY2018
	42.8%	44.3%

*CSM-1500/1700 were launched in Japan and internationally. Others were launched only in Japan.

Review of 2 years of TRANSFORM 2020

2 Improve productivity within the organization

R&D and Production

- Cost reduction at R&D stage
 - Standardizing parts
- Improve production efficiency at Tomioka Production Center

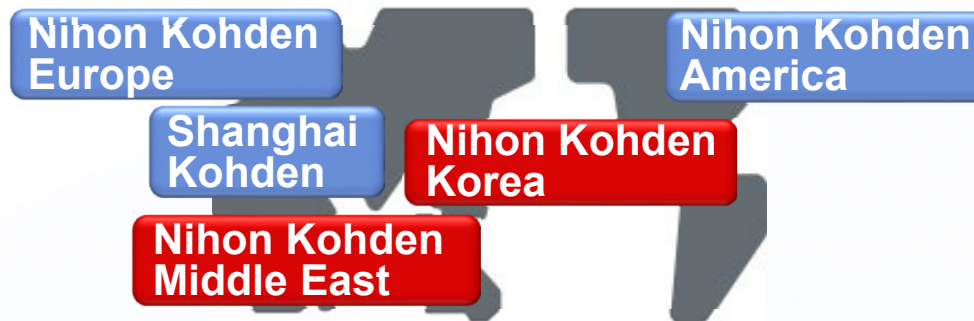


Production output per employee

Increase 5% or more annually after starting operation of Tomioka Production Center in Apr 2015

The Entire Group

- Establish a global ERP system
 - Introduce ERP into subsidiaries in the Middle East and Korea, following the U.S., Europe and China



- Simplify administrative work between headquarters and domestic sales branches

Forecast for the last year of TRANSFORM 2020

¥ billion	FY2019 Target	3 year CAGR	FY2019 Forecast	3 year CAGR
Sales	190.0	4.5%	186.0	3.8%
Domestic Sales	135.0	2.7%	133.0	2.2%
Overseas Sales	55.0	9.8%	53.0	8.5%
Consumables and Services Sales Ratio	45.0%		44.6%	
Operating Income (Operating Income Margin)	20.0 (10.5%)	13.8%	16.0 (8.6%)	5.6%
ROE	12.0%		—	

¥110 to the U.S. dollar, ¥115 to the euro

¥108 to the U.S. dollar, ¥125 to the euro

[Difference b/w target and forecast]

Domestic sales

- Sales growth in small and mid-sized hospital, and clinic markets remains challenging
- Expiration of distribution agreement for vagus nerve stimulator and discontinuation of sales of equipment for research

Overseas sales

	FY2019 Target	FY2019 Forecast
Americas	27.3	25.5
Europe	8.2	8.9
Asia	16.5	16.0
Other	3.0	2.6

Delay of new product launches adversely affects strong sales growth in U.S. and emerging markets

Operating income margin

While achieving some success in improving profitability, delay of new product launches and investments such as the Eastern Japan Logistics Center have adverse effects

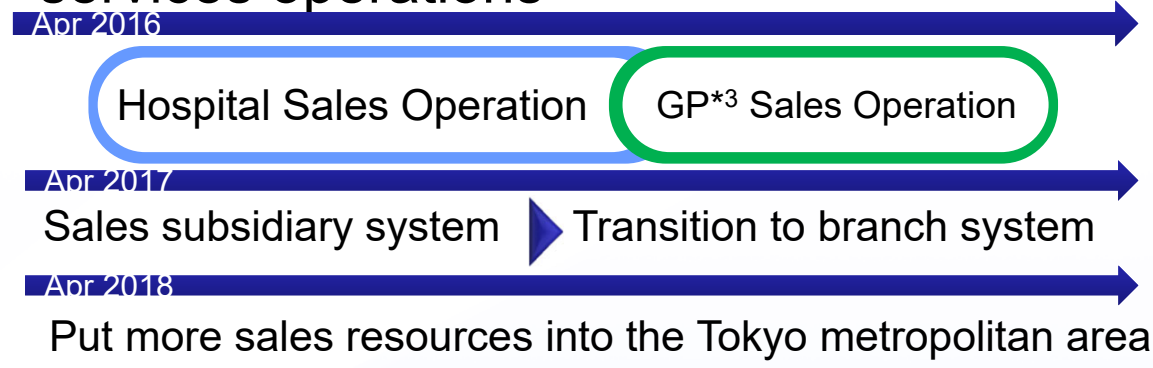
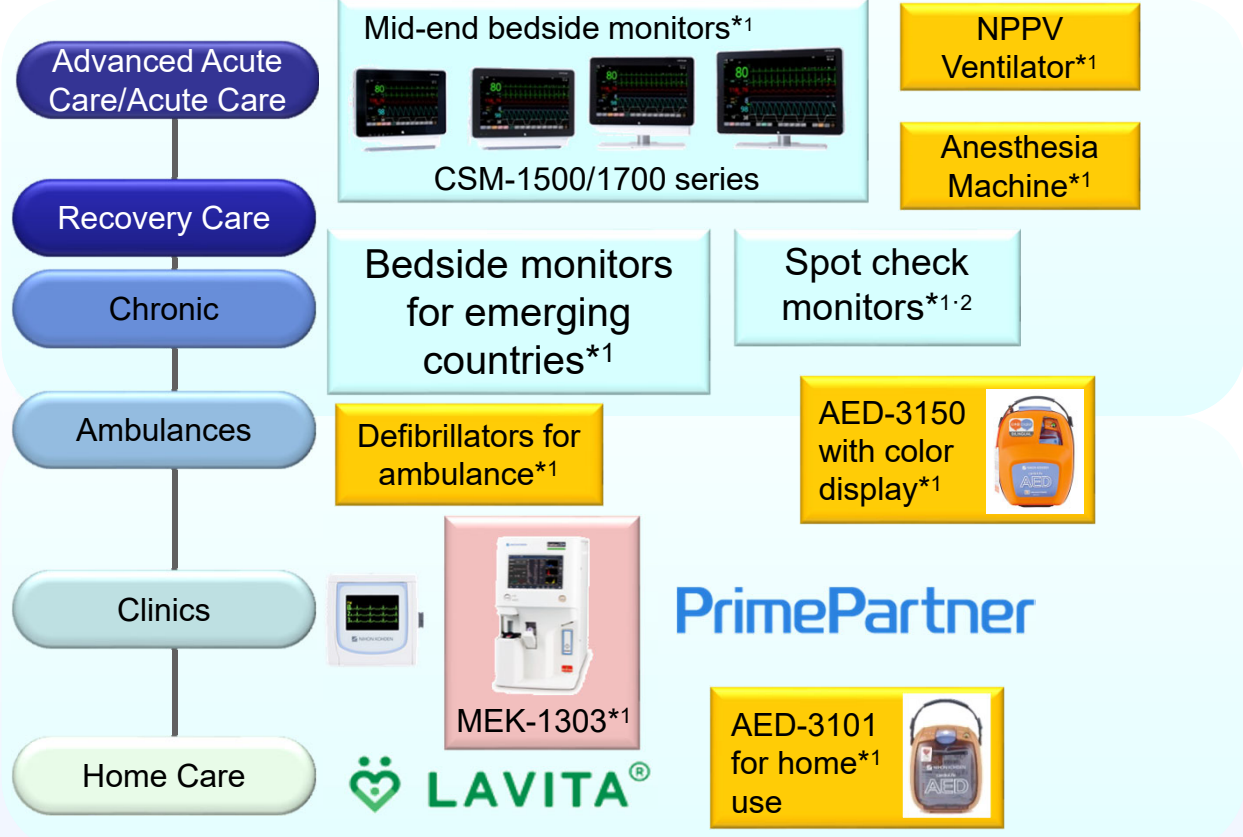
Strengthen Business Expansion by Region

Japan

Establish the business foundation for future growth to meet medical needs in an aging society

✓ Strengthen business expansion by market through introducing new products and services

✓ Enhance and reorganize sales and services operations



Promote customer value

Strengthen marketing and service capabilities which contribute to improving:

Medical safety	Patient outcomes	Operating efficiency
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Preventive Maintenance Contract

Preventive plan + **Medical Device Remote Monitoring System**

MD Linkage

*1 CSM-1500/1700, MEK-1303, AED-3150 and AED-3101 were already launched. Others will be launched in FY2019.

*2 It will be launched only as a continuous monitor in Japan

*3 GP: General Practitioner

U.S.

Strengthen our business structure in the U.S. which is the world's largest market and a center of leading-edge medical care

- ✓ Provide solutions that contribute to improving quality and efficiency of medical care

- ✓ Enable the centralized management of data of all patients in hospital by introducing spot check monitors

Patient Monitor

Patient Monitor

Market Share Target 12%



Resuscitation



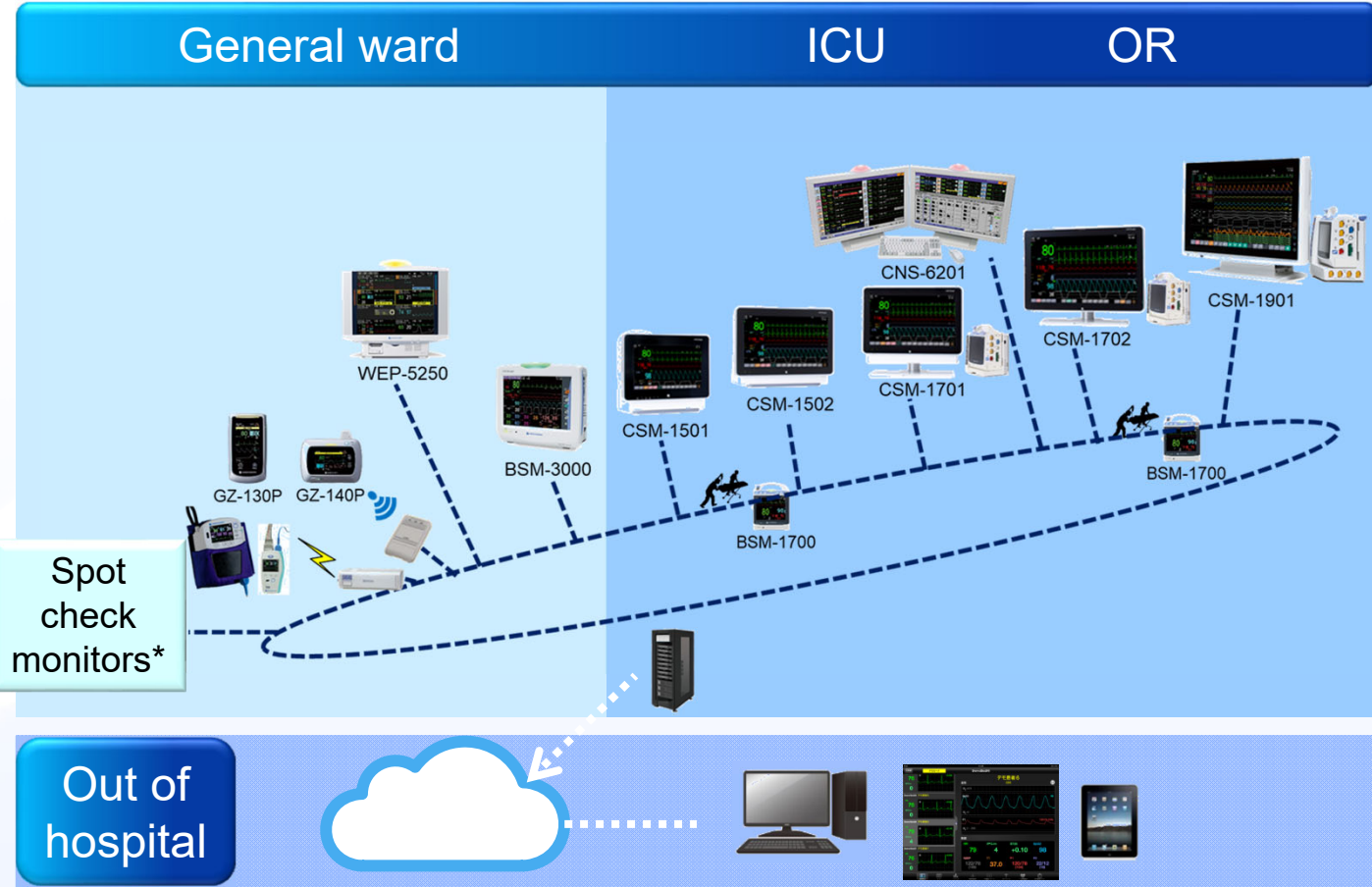
Neurology



Enter into ventilator market

Ventilator under development at Nihon Kohden OrangeMed will be manufactured in the U.S.

Nihon Kohden America will be a distributor*



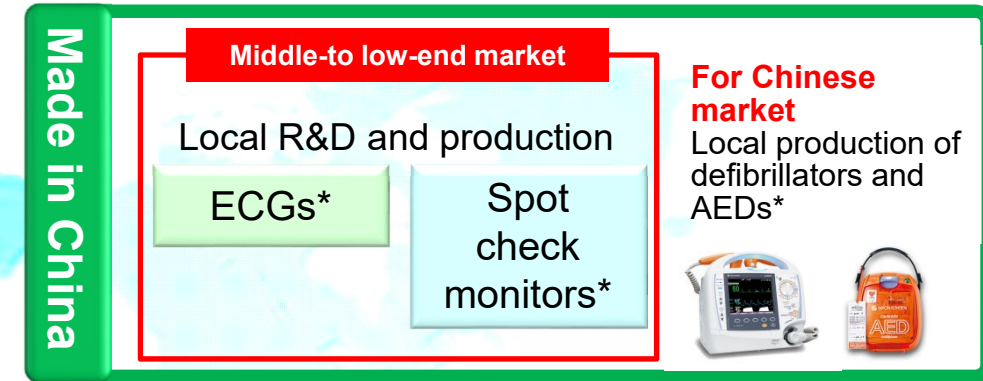
* Ventilator will be launched in the U.S. in FY2020. CSM-1500/1700 and spot check monitors will be launched in FY2019.

Emerging Markets

Conduct strategic business expansion to meet medical needs in high growth emerging markets

✓ Enhance solution proposals by introducing new products

✓ Expand product line-up manufactured at Shanghai Kohden
 ✓ Increase exports



*CSM-1500/1700 were already launched. Others will be manufactured and launched in FY2019.

Achieve Further Growth in Core Businesses

Home care

Emergency care

Diagnosis

Surgery/Treatment

Rehabilitation

Diagnostic Equipment Business

Neurology Products

Cardiology Products

Planned to launch in FY2019

Shanghai Kohden ECGs

Hematology Instruments

IT Solutions Business

Patient Monitoring Business

Planned to launch in FY2019 H1

Spot check monitors

Bedside monitors for emerging countries

Sensor Technology



Treatment Equipment Business

Planned to launch in FY2019

Defibrillators for ambulance

NPPV Ventilator

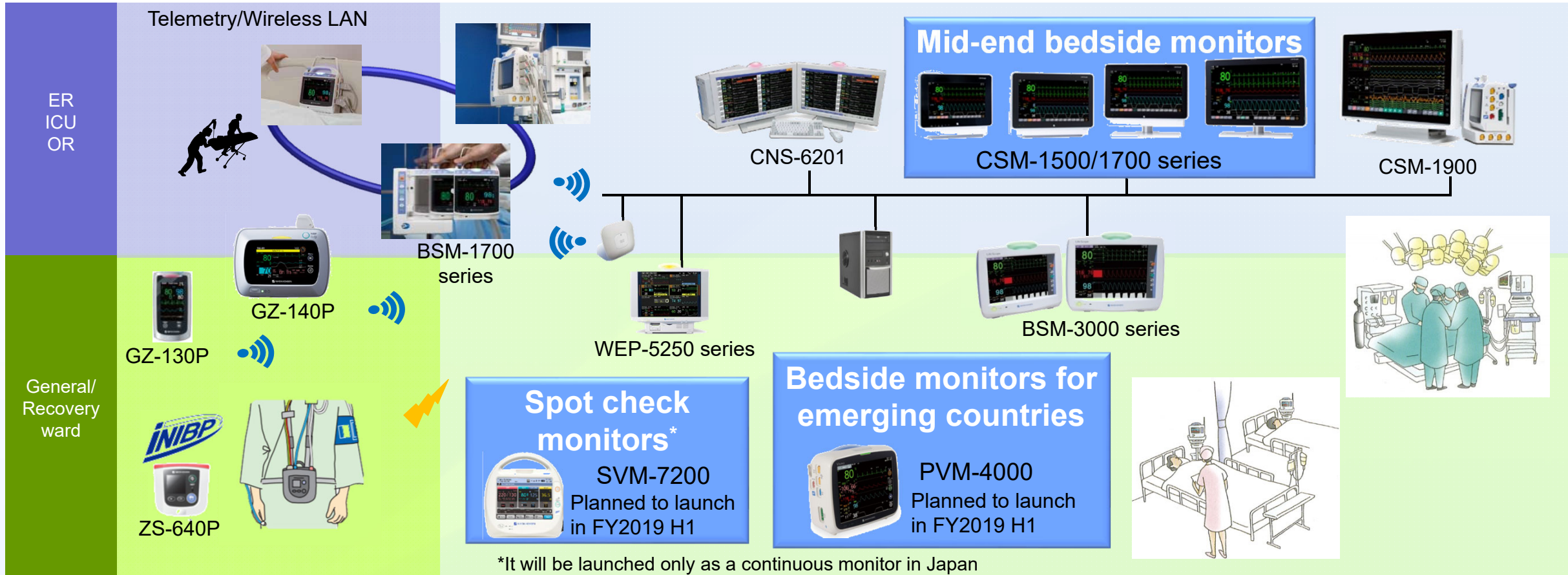
Anesthesia Machine (Japan)

Nihon Kohden OrangeMed Ventilator

Consumables and Services Business

- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety

Expand product line-up and enhance network systems



*It will be launched only as a continuous monitor in Japan

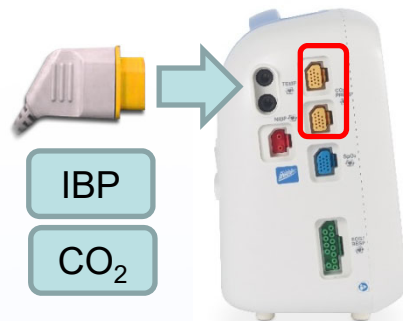
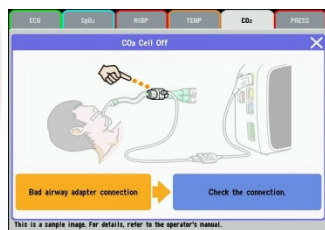
Launch new models with high competitiveness

Bedside monitors for emerging countries

Planned to launch in FY2019 H1



PVM-4000

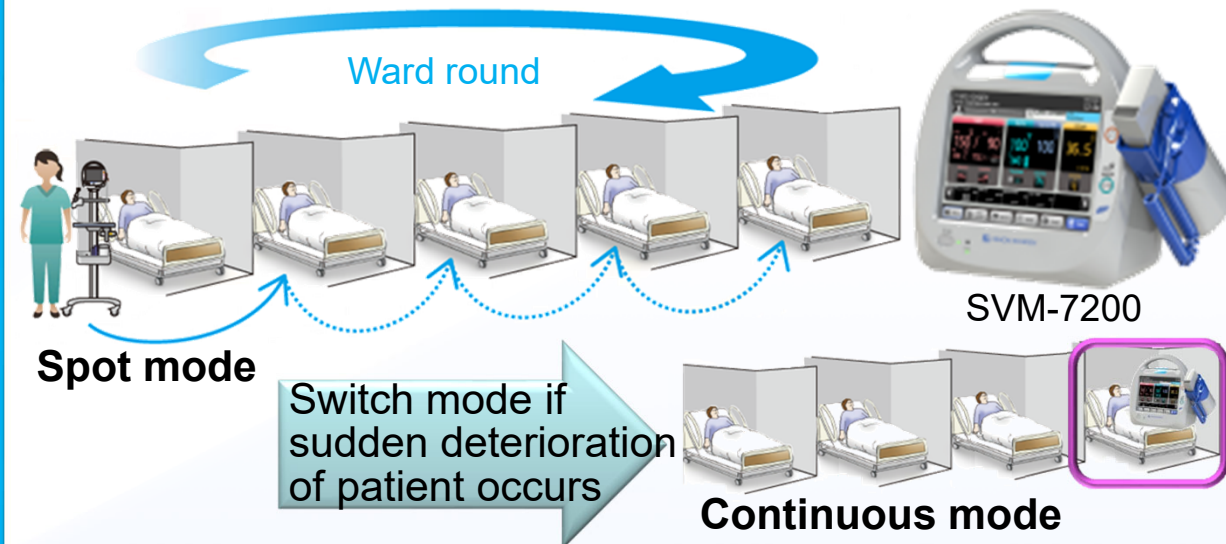


- Compact monitor with **guide function**
- Enables measuring IBP and CO₂ simultaneously by **two MULTI sockets**
- Wide use in hospitals from general ward to OR/ICU
- Plan to **connect with NPPV ventilator (NKV-330)**

* NPPV (noninvasive positive pressure ventilation) is artificial respiratory management which doesn't require intratracheal intubation or tracheotomy

Spot check monitors

Planned to launch in FY2019 H1



SVM-7200

Spot mode

Switch mode if sudden deterioration of patient occurs



Continuous mode

- Affordable monitors which can measure SpO₂, NIBP and temperature (option)
- **Spot check and Continuous switching function**
- Early Warning Score function

*It will be launched only as a continuous monitor in Japan

✓ Establish a leadership position in the defibrillator and AED markets

Home and public facilities



AED-3101
for home use



AED-3150
with color display



Remove blue liner from pads and apply pads to patient.

Japanese/
English
bilingual



Ambulance 

Add high value with our unique technologies

Defibrillators for ambulance

Planned to launch in FY2019




Help manage ETCO₂ during manual ventilation by providing sounds



Synthesized 18-lead ECG*1



✓ Create a new ventilator and anesthesia machine

Planned to launch in FY2019

**NPPV*2
Ventilator**

- Under development at Advanced Technology Center
- Target market is general ward

**Nihon Kohden OrangeMed
Ventilator**

- Under development at Nihon Kohden Orange Med, the U.S. R&D office
- It will be manufactured in the U.S.

**Anesthesia Machine
(Japan)**

Under development with Acoma

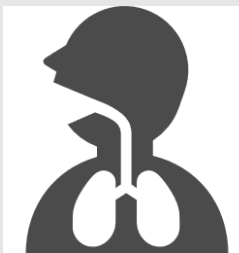
*1 Measurement method to derive right-side and posterior waveforms from the standard 12-lead ECG
 *2 NPPV (noninvasive positive pressure ventilation) is artificial respiratory management which doesn't require intratracheal intubation or tracheotomy

Issues in medical practice

NPPV is better as tracheal intubation has higher infection risk

Patient safety is a concern as general NPPV ventilators don't have enough monitoring functionality

Masks designed by U.S. and European makers don't fit Japanese. Skin problems tend to occur by compressing the face



Solutions

NPPV Ventilator utilizing our monitoring technologies



NKV-330

Planned to launch in FY2019



Patient Monitors



Private exhibition at the Japanese Society of Intensive Care Medicine in Mar 2019

"Made in Japan" ventilator attracted many customers

[Medical safety]
Provide safe respiratory care

MULTI socket

- Enables **monitoring SpO₂ and CO₂ during NPPV** by applying Nihon Kohden's unique technologies
- Contributes to **improving safety**

CO₂

cap-ONE
ORAL NASAL EXPIRATION

SpO₂

[Patient outcomes]
Improve QOL of patients

- Design original masks which fit the skeletal structure of Japanese faces
- Improve patient comfort, and reduce air leaks and risk of skin problems by improving the fit with the face

Basic Policy on Distribution of Profits and Dividends

Investments for Growth

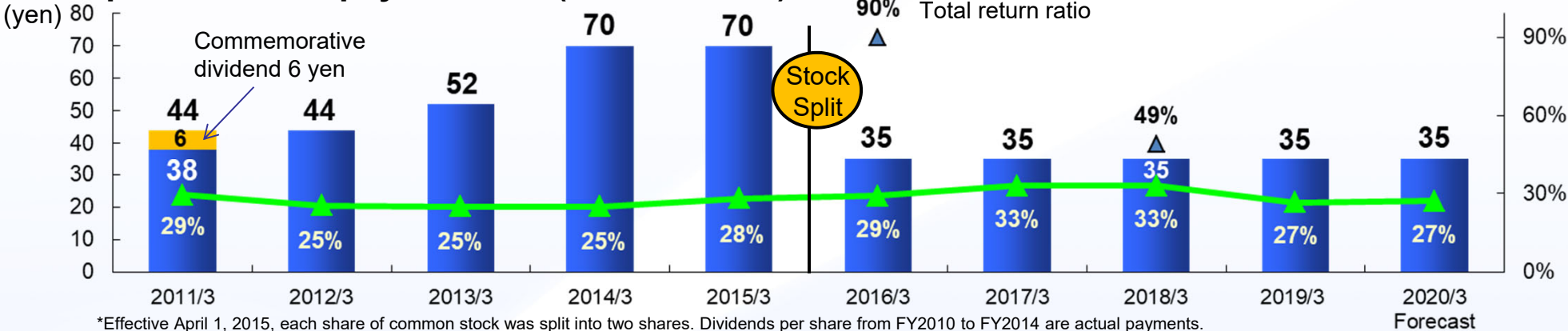
Continue investments necessary for future business expansion

- R&D investments
- Capital investments
- M&A and alliance
- Human resource development

Shareholder Return

- ✓ Maintain stable and continuous dividend payments
- ✓ 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.

Dividends per share and pay-out ratio (consolidated)



Repurchase and cancellation of treasury stock

Mar 2, 2018
Repurchase
500k shares



May 21, 2018
Cancel
1,000k shares



Number of treasury stock: 3,570k shares
(stockholding ratio: 4.0%)

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.