

Consolidated Financial Highlights for the Third Quarter of FY2018 (From April 1, 2018 to December 31, 2018)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

February 4, 2019

Fighting Disease with Electronics



1) Consolidated Financial Results for the 3rd Quarter of FY2018

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

	FY2017 3Q 9 months	FY2018 3Q 9 months	YoY (%)
Net Sales	117,456	120,227	2.4
Domestic Sales	86,766	87,568	0.9
Overseas Sales	30,689	32,659	6.4
Gross Profit (Gross Profit Margin)	56,530 48.1%	58,627 48.8%	3.7
Operating Income (Operating Income Margin)	6,041 5.1%	6,365 5.3%	5.4
Ordinary Income	6,981	7,143	2.3
Income Attributable to Owners of Parent	4,262	4,986	17.0

← +7% on a local currency basis

← **In-house sales ratio** FY2017 3Q 63.2% → FY2018 3Q 64.0%

← **SG&A Ratio:** 43.0% → 43.5%

← **Foreign exchange gains:**
¥0.46 bil → ¥0.19 bil

Average Exchange Rate	(2017/12)	(2018/12)
1 US Dollar	111.6 yen	110.7 yen
1 EURO	128.8 yen	129.4 yen

2) Highlights of FY2018 3Q

Net Sales : +2.4%

- **Japan**: Sales increased as the Company enhanced sales activities which match each market. Consumables and services also contributed to the sales increase.
- **International**: Sales increased favorably driven by strong sales in the Americas and Asia.

Operating Income : +5.4%

- Operating income increased thanks to increased sales and improved gross margin, offsetting the increase of SG&A expenses.
- Gross margin ratio improved by 70 basis points thanks to production cost reduction and a favorable product mix.

Net Income : +17.0%

- Net income achieved double-digit growth compared with FY2017 3Q when there was a reversal of deferred tax assets following US tax reform.

3) Sales by Product Category

(Sales, millions of yen)

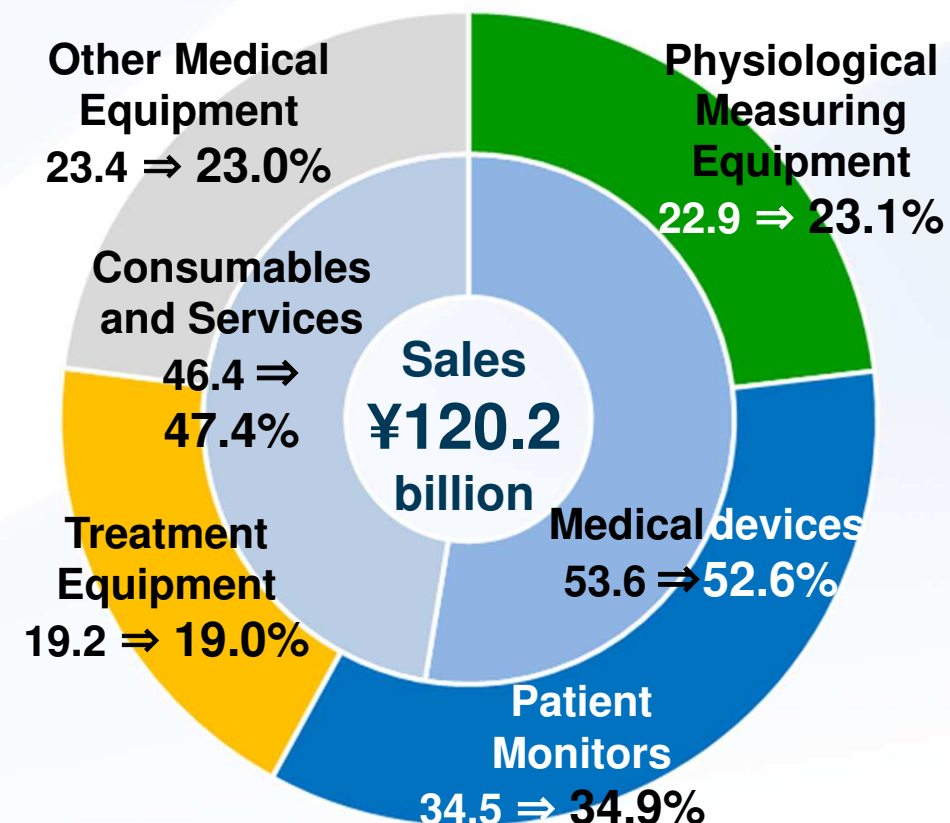
	FY2017 3Q 9 months	FY2018 3Q 9 months	YoY (%)
Physiological Measuring Equipment	26,859	27,776	3.4
Patient Monitors	40,559	41,933	3.4
Treatment Equipment	22,497	22,894	1.8
Other Medical Equipment	27,539	27,624	0.3
Total Sales	117,456	120,227	2.4

(Reference)

Consumables and Services	54,485	56,956	4.5
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Sales composition by product category

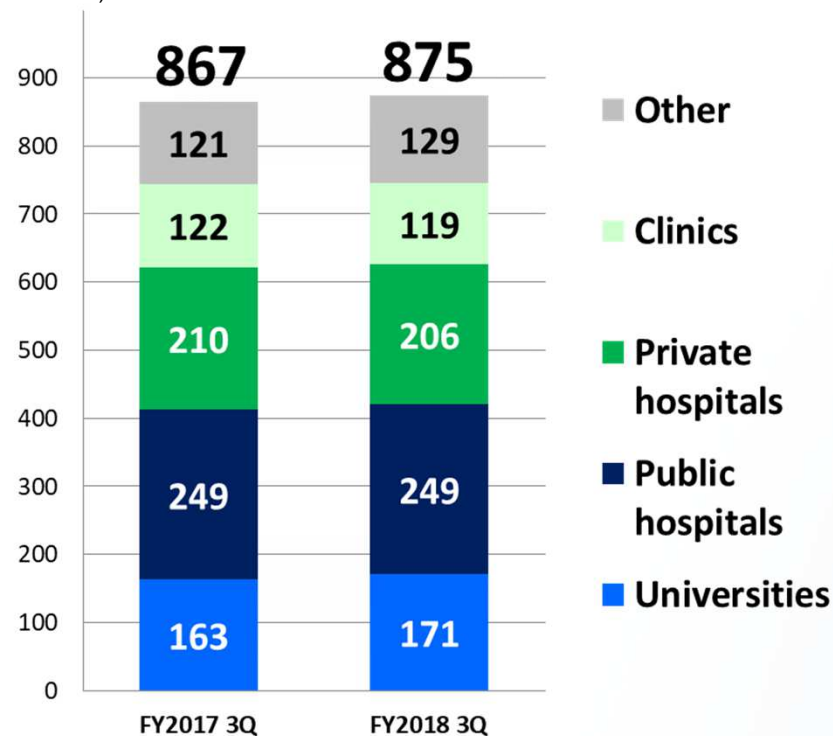
(FY2017 3Q ⇒ FY2018 3Q)



4) Domestic Sales

Sales by Market

(¥100 million)



Sales by Product Category

(Sales, millions of yen)

	FY2017 3Q 9 months	FY2018 3Q 9 months	YoY (%)
Physiological Measuring Equipment	21,442	21,789	1.6
Patient Monitors	25,680	25,567	-0.4
Treatment Equipment	15,683	15,916	1.5
Other Medical Equipment	23,961	24,294	1.4
Total Sales	86,766	87,568	0.9

【Markets】 Sales in PAD* market in Other showed strong growth. Sales in the university hospital market also increased. Sales in the private hospital market and clinic market decreased.

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

Patient Monitors: Sales of bedside monitors decreased due to temporary delay in production and shipment of new bedside monitors. Sales of consumables and clinical information systems increased.

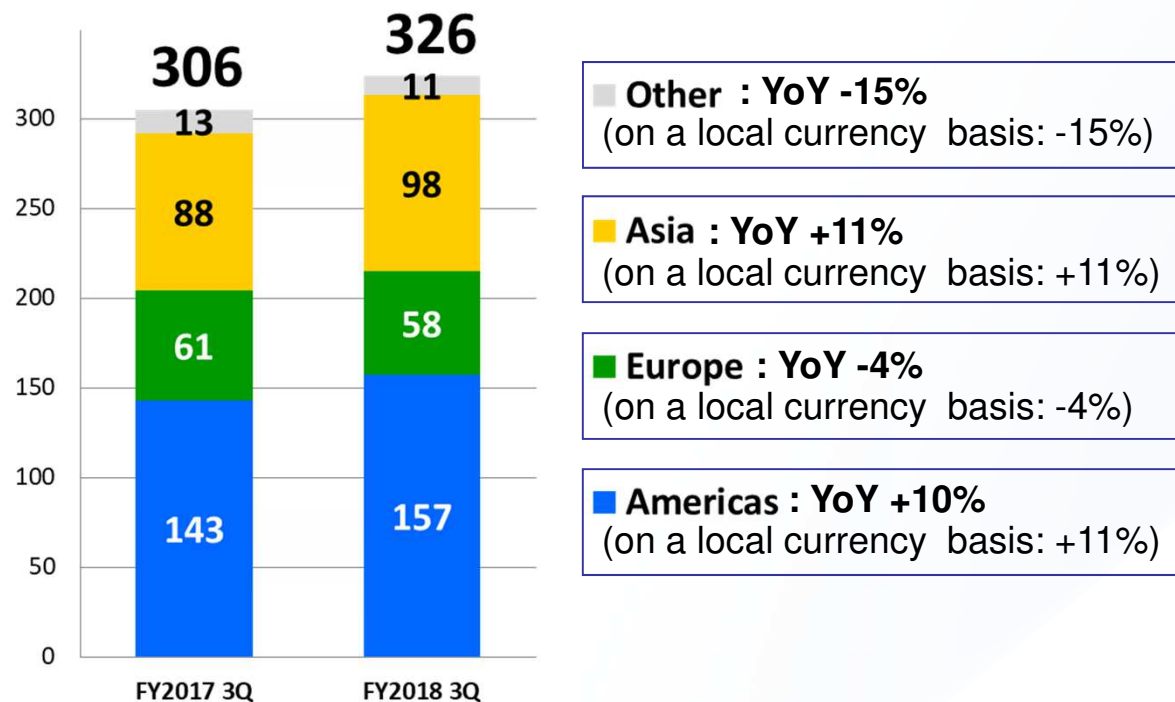
Treatment Equipment: Sales of AEDs and ventilators showed strong growth. Sales of pacemakers and ICDs decreased.

Other Medical Equipment: Sales increased, supported by the product launch of an integrated hematology analyzer and clinical chemistry analyzer. Sales of installation services and maintenance services for medical devices also increased favorably.

5) Overseas Sales

Geographic segments

(¥100 million)



Ratio of overseas sales to consolidated sales

FY2017 3Q 9 months	FY2018 3Q 9 months
26.1%	27.2%

Sales by Product Category

(Sales, millions of yen)

	FY2017 3Q 9 months	FY2018 3Q 9 months	YoY (%)
Physiological Measuring Equipment	5,417	5,986	10.5
Patient Monitors	14,879	16,365	10.0
Treatment Equipment	6,814	6,978	2.4
Other Medical Equipment	3,578	3,329	-7.0
Total Sales	30,689	32,659	6.4

+7% on a local currency basis

- 【Region】**
Americas: In the U.S., sales of Patient Monitors and EEGs increased favorably. Sales in Latin America also showed strong growth, primarily in Brazil and Mexico.
Europe: Sales in Russia and Turkey decreased, although sales in Germany and Italy increased.
Asia: Sales in China and Thailand increased favorably. A large order in Qatar also contributed to the sales increase.
- 【Products】**
Physiological Measuring Equipment: Sales of EEGs showed strong growth in the U.S. Sales of ECGs increased favorably in Asia.
Patient Monitors: Sales in the Americas and Asia showed double-digit growth.
Treatment Equipment: Sales of defibrillators showed strong growth in the Americas and Asia. Sales of AEDs decreased in the Americas and increased favorably in Asia.
Other Medical Equipment: Sales of locally purchased products decreased. Sales of hematology analyzers increased favorably in Latin America and Asia.

6) Topics

New products in FY2018 3Q

Treatment Equipment

Japan's first

Automated external defibrillator for home use, AED-3101

- Japan's first AED for home use
- Aim to improve survival rate through putting more AEDs in homes*1
- Enables providing rescue data, which is downloaded via a wireless connection, to medical institutions
- Japanese/English bilingual voice prompts
- This product is only available with the SECOM MyAED service

Japan:
Launched in Dec 2018



*1 About 70,000 people in Japan die from a sudden cardiac arrest every year and more than 70% cardiac arrests occur at home. (Reference: FDMA emergency and rescue activities in 2018, Resuscitation 2006; 69 221-228)

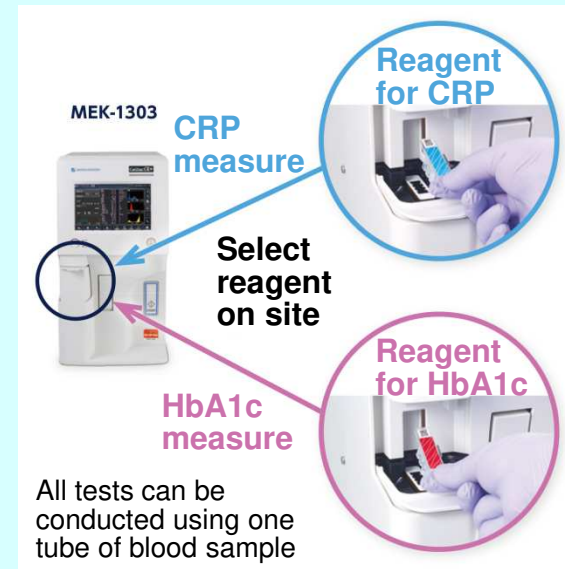
Hematology Instruments

Japan's first

+HbA1c license for automated hematology analyzer and clinical chemistry analyzer, MEK-1303

- Japan's first POCT analyzer which can measure CBC, CRP and HbA1c*2
- Enables testing for infection and life-style diseases in clinics
- Infection prevention with cap piercing closed mode

Japan:
Launched in Dec 2018



*2 CBC: Complete Blood Count
CRP: C-Reactive Protein
HbA1c: Hemoglobin A1c
POCT: Point of Care Testing

7) Depreciation and R&D Costs

(Millions of yen)

	FY2017 3Q 9 months	FY2018 3Q 9 months	Change	FY2017 Actual	FY2018	
					Original Forecast announced May 10	Revised Forecast announced Nov 2
Depreciation	2,417	2,550	132	3,338	3,900	3,800
R&D costs	5,598	5,459	-139	7,226	8,500	8,000
Capital Investments				3,430	4,000	3,900


● **FY2018 capital investments plan:**

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renewal of backbone system server

● **New products in 2018 and 2019**

Patient Monitoring

Mid-end bedside monitor



CSM-1500/1700

Bedside monitors for emerging countries


Spot check monitor

Treatment Equipment

Anesthesia machine (Japan) OR


Ventilator ICU

AED-3101 (Japan) Home




Diagnostic Equipment

Automated hematology analyzer and clinical chemistry analyzer



MEK-1303 +HbA1c (Japan)

EEG



EEG-1260/1290 (Japan)

[Difference b/w original forecast and revised forecast announced on Nov. 2]

- R&D costs - ¥0.5 bil
- Development costs for upgrade + ¥0.5 bil

* Development Costs for upgrading the recently launched products or adding new functions

* CSM-1500/1700 were already launched in Japan, Europe and emerging countries. The approval process in the U.S. has been delayed due to the partial government shutdown. MEK-1303, AED-3101 and EEG-1260/1290 were already launched in Japan. Others will be launched in 2019.

8) Forecast for FY2018

	FY2017 Actual	FY2018 Forecast	YoY (%)
Net Sales	174,249	180,000	3.3
Domestic Sales	128,144	130,700	2.0
Overseas Sales	46,105	49,300	6.9
Gross Profit (Gross Profit Margin)	82,759 47.5%	86,800 48.2%	4.9
Operating Income (Operating Income Margin)	14,517 8.3%	15,000 8.3%	3.3
Ordinary Income	14,501	15,000	3.4
Income Attributable to Owners of Parent	9,154	10,300	12.5
Percentage of Overseas Sales	26.5%	27.4%	

(Millions of yen)

+9% on a local currency basis

Breakdown of overseas sales by region

	FY2017 Actual	FY2018		YoY (%)
		Original forecast	Revised forecast	
Americas	22,000	23,400	23,600	7.3
Europe	8,462	9,100	8,600	1.6
Asia	13,634	14,100	14,600	7.1
Other	2,008	2,700	2,500	24.4
Total	46,105	49,300	49,300	6.9

Average Exchange Rate

Initial assumptions

1 US Dollar	111.0 yen	105 yen
1 EURO	130.0 yen	130 yen

*The assumed exchange rates for the 4th quarter of FY2018 are 105 yen to the U.S. dollar and 130 yen to the euro.

(Ref.) Consolidated Sales Forecast for FY2018 by Product Category/ Effect of Exchange Rate

(Millions of yen)

	FY2017 Actual	FY2018			YoY (%)
		Original Forecast announced May 10	Revised Forecast announced Nov 2	Composition ratio (%)	
Physiological Measuring Equipment	39,323	40,200	40,500	22.5	3.0
Patient Monitors	59,229	62,500	62,800	34.9	6.0
Treatment Equipment	32,892	33,600	33,400	18.6	1.5
Other Medical Equipment	42,804	43,700	43,300	24.0	1.2
Total	174,249	180,000	180,000	100.0	3.3

(Reference)

Consumables and Services	75,505	78,100	78,200	43.4	3.6
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Annual Estimates of Exchange Rate Fluctuations

	Sales	Operating Income
1 US Dollar	0.30 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.