

Consolidated Financial Highlights for FY2017

(From April 1, 2017 to March 31, 2018)

- 1. Consolidated Financial Results for FY2017**
- 2. Forecast for FY2018**
- 3. Progress of Mid-term Business Plan, TRANSFORM 2020**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

May 15, 2018

Fighting Disease with Electronics



1

Consolidated Financial Results for FY2017

1) Consolidated Financial Results for FY2017

	FY2016 Actual	FY2017		
		Forecast	Actual	YoY (%)
Sales	166,285	175,000	174,249	4.8
Domestic Sales	124,764	128,000	128,144	2.7
Overseas Sales	41,520	47,000	46,105	11.0
Gross Profit (Gross Profit Margin)	79,226 47.6%	—	82,759 47.5%	4.5
Operating Income (Operating Income Margin)	13,585 8.2%	15,000 8.6%	14,517 8.3%	6.9
Ordinary Income	14,053	15,000	14,501	3.2
Income Attributable to Owners of Parent	9,149	10,200	9,154	0.1

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

← +8% on a local currency basis

← Gross margin ratio fell due to reduced pricing in selected deals, although the sales ratio of in-house products increased.

In-house sales ratio	FY2016	FY2017
	63.1%	64.0%

← Extraordinary losses

Retirement benefit expenses*1:	¥225 mil
Surcharges*2:	¥195 mil

← Increase of income taxes due to the tax reform in the U.S.: approx. ¥0.8 bil

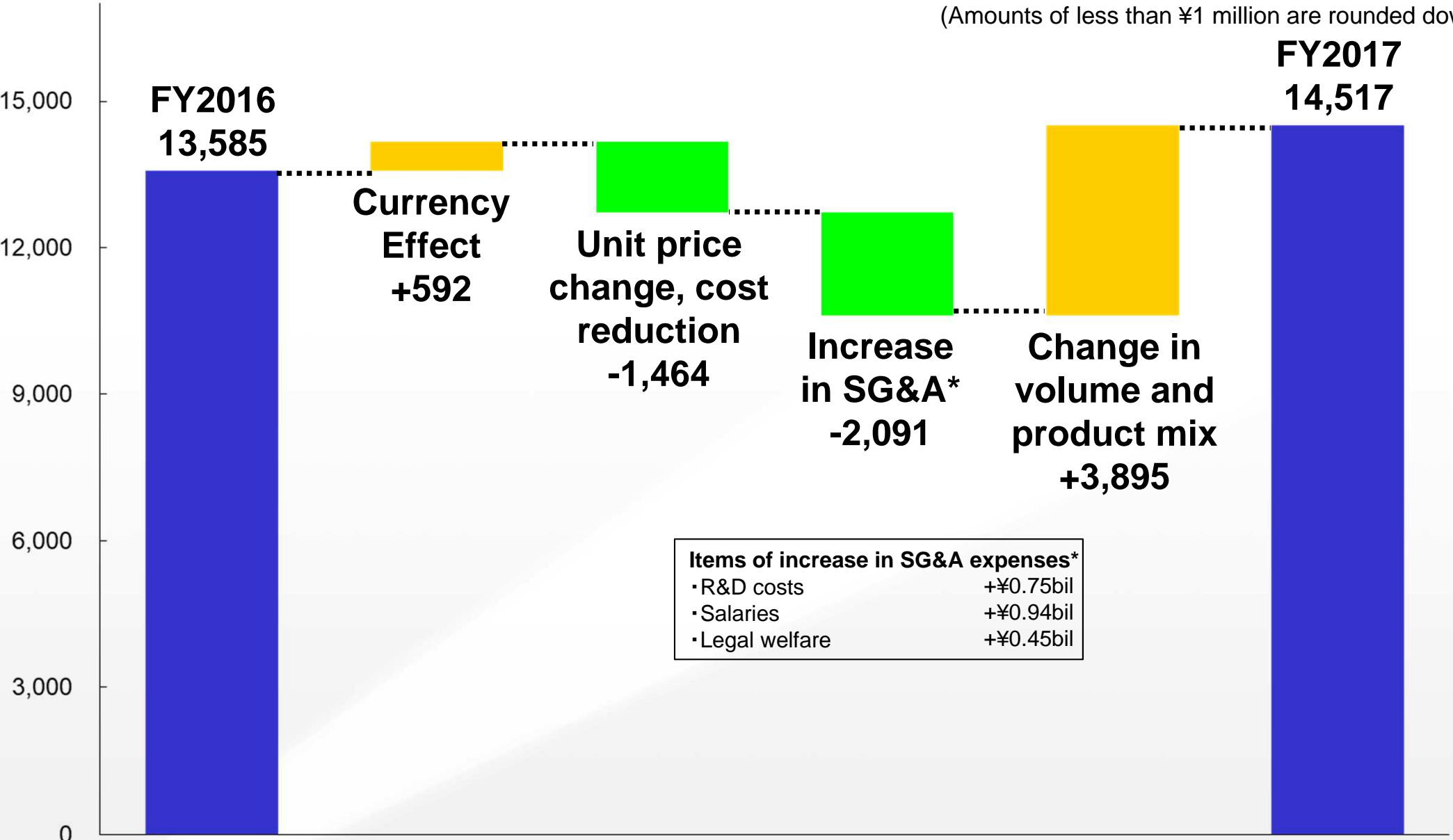
Average exchange rate	FY2016	FY2017	FY2017
1 US Dollar	109.2 yen	110 yen	111.0 yen
1 EURO	119.3 yen	115 yen	130.0 yen

*1 Loss associated with the transfer to a defined contribution pension plan

*2 Expected administrative fine imposed on Nihon Kohden Europe under the German Act on Regulatory Offences

2) Breakdown of Operating Income

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

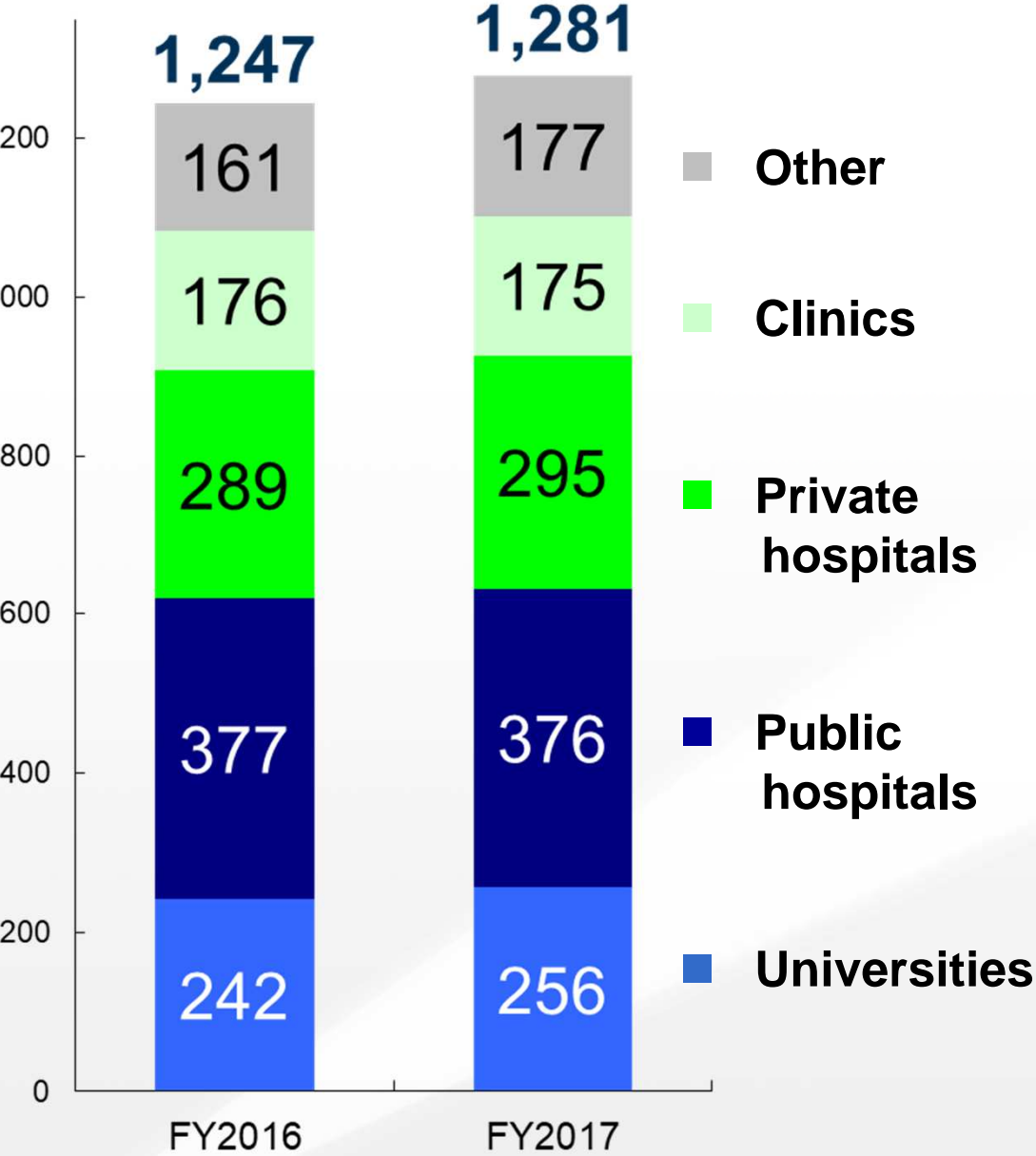


Items of increase in SG&A expenses*	
• R&D costs	+¥0.75bil
• Salaries	+¥0.94bil
• Legal welfare	+¥0.45bil

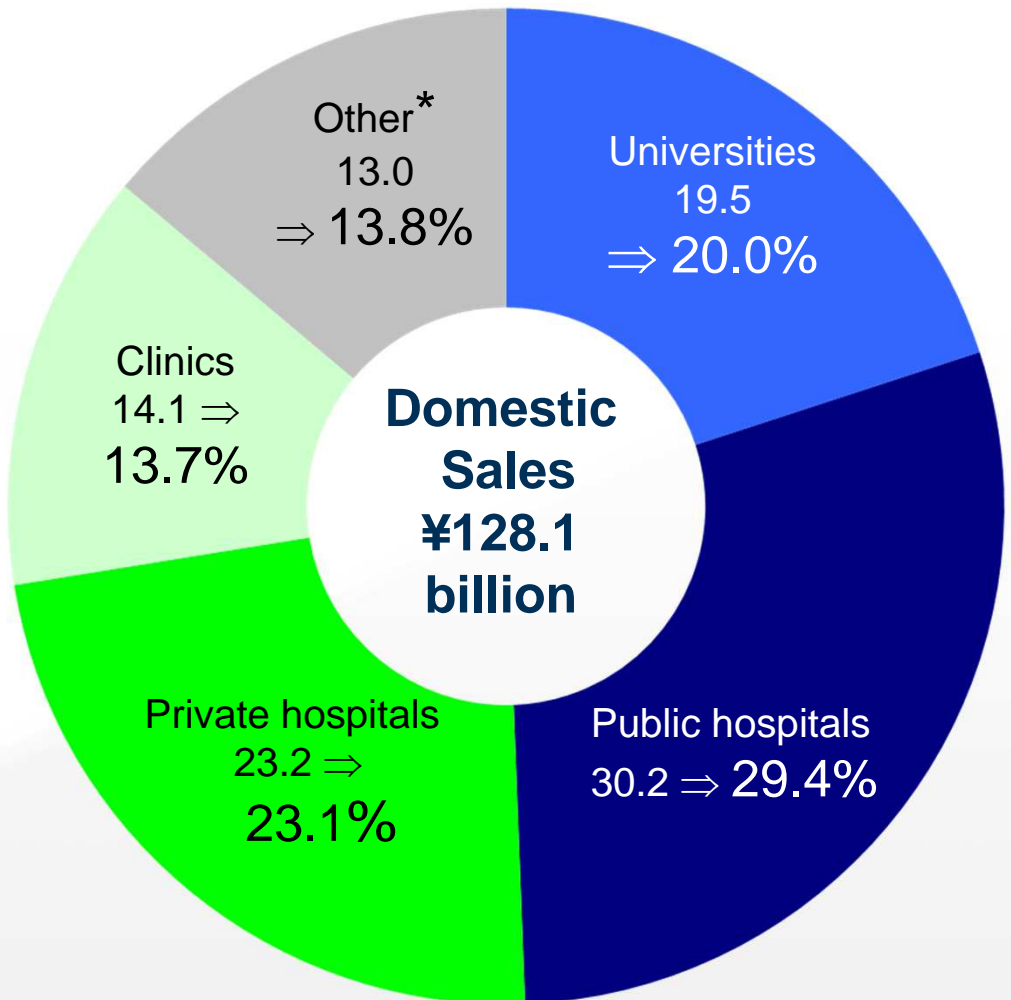
*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase in SG&A expenses indicate major factors of increased SG&A expenses on a yen basis.

3) Domestic Sales

(¥100 million) Sales by market



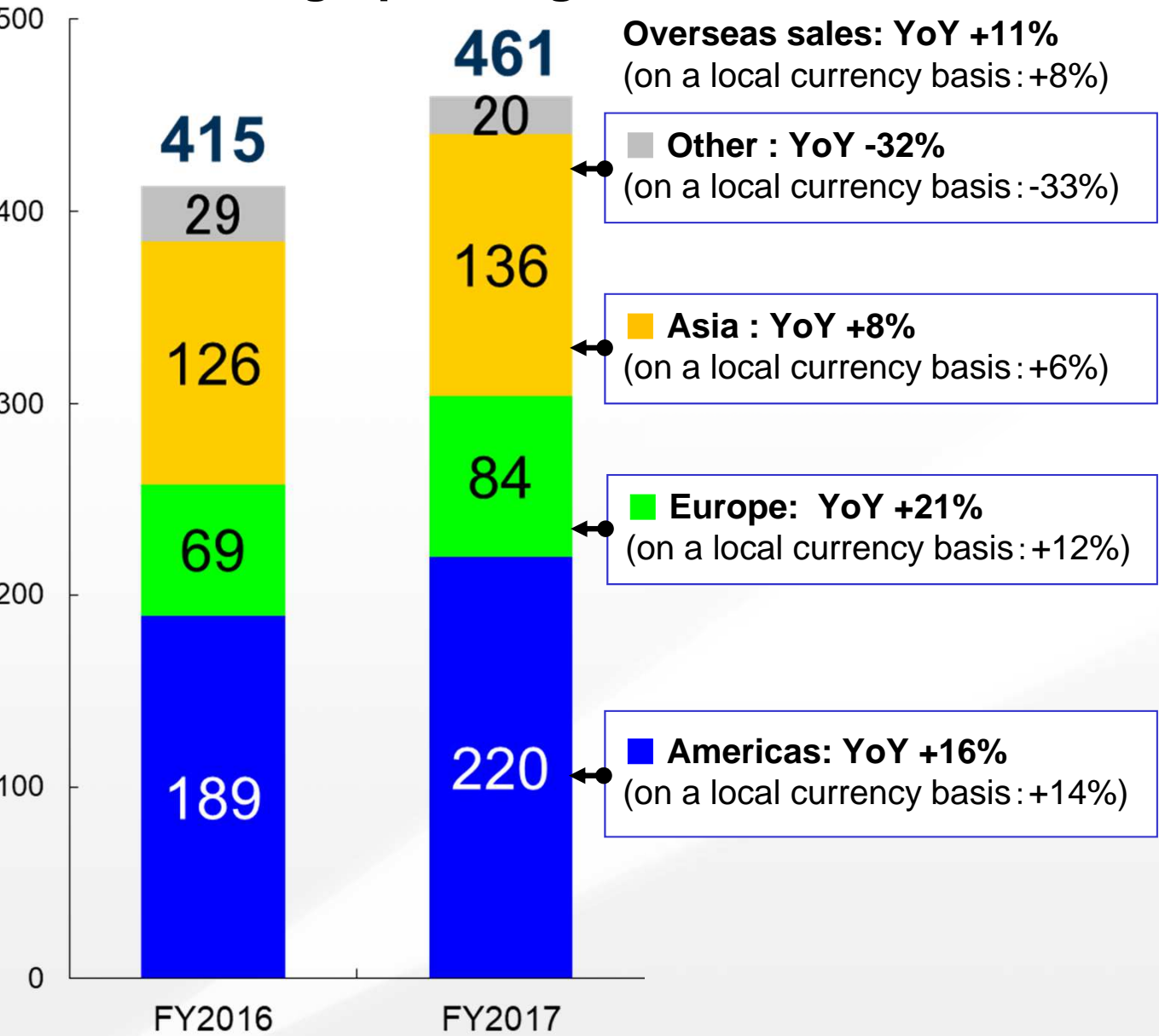
Sales composition by market (FY2016 ⇒ FY2017)



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

4) Overseas Sales

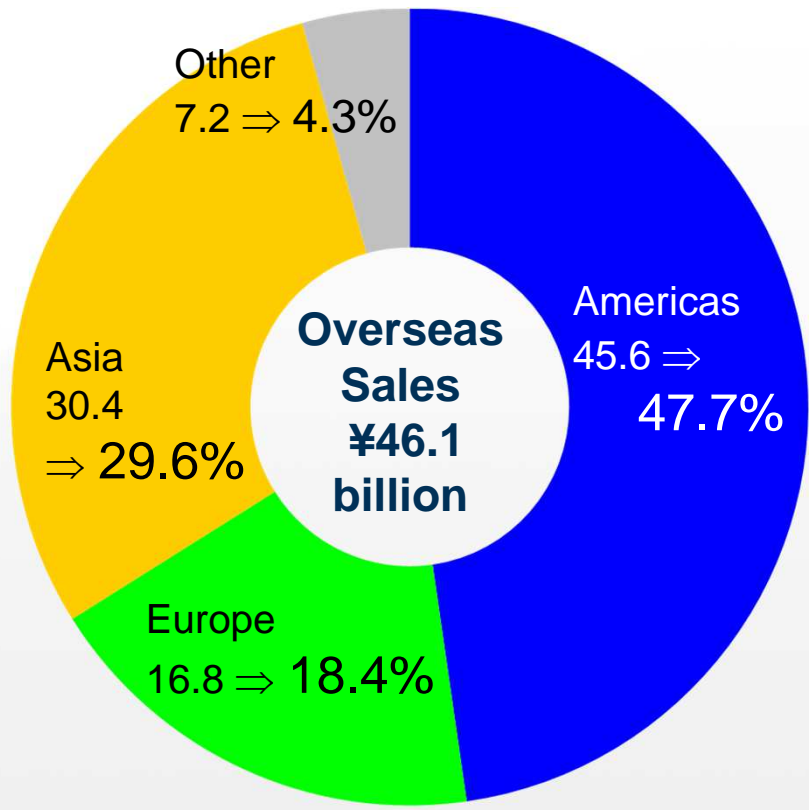
(¥100 million) **Geographic segments**



Percentage of overseas sales to consolidated sales

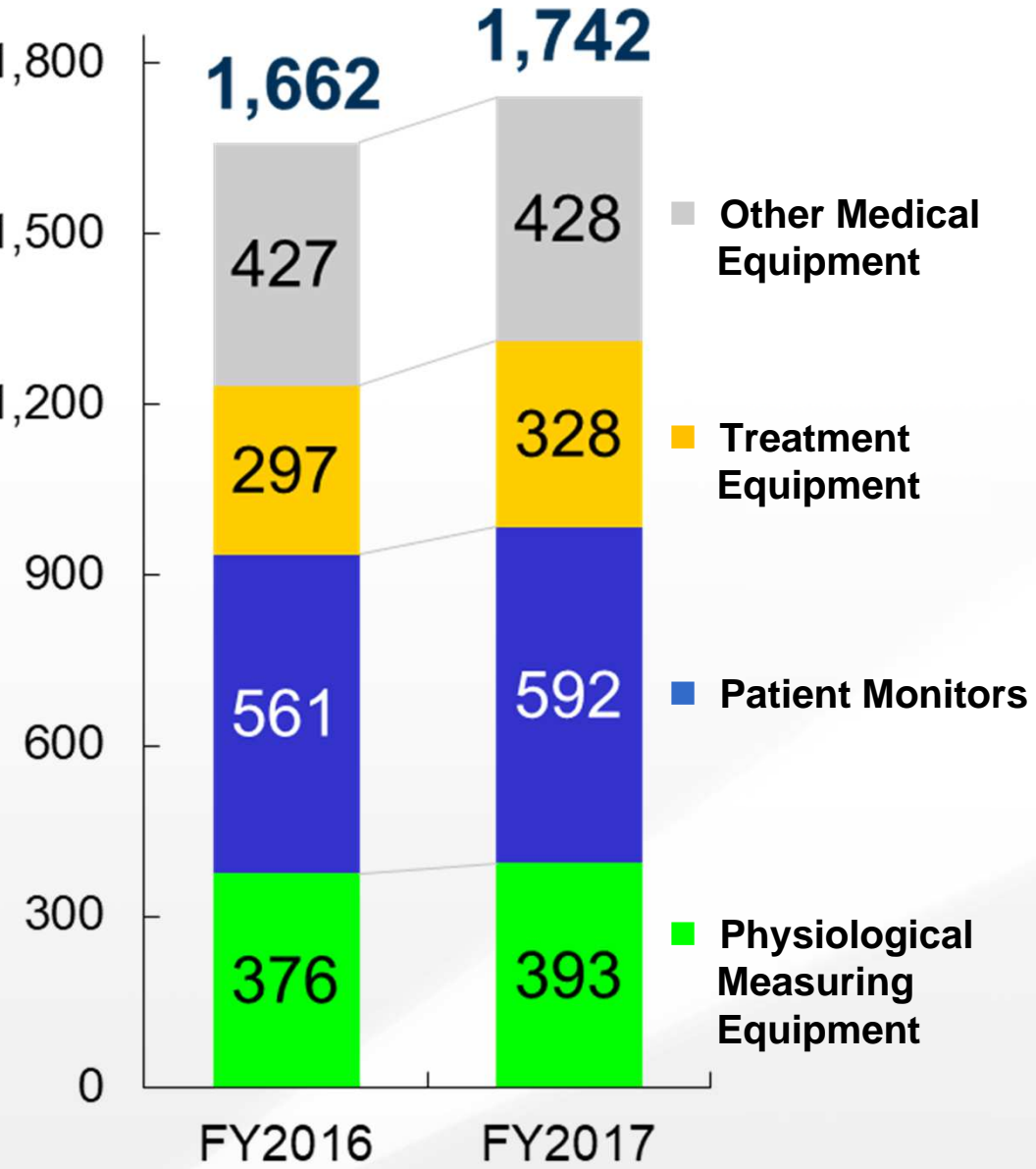
FY2016	FY2017
25.0%	26.5%

Geographic Segments (FY2016 ⇒ FY2017)

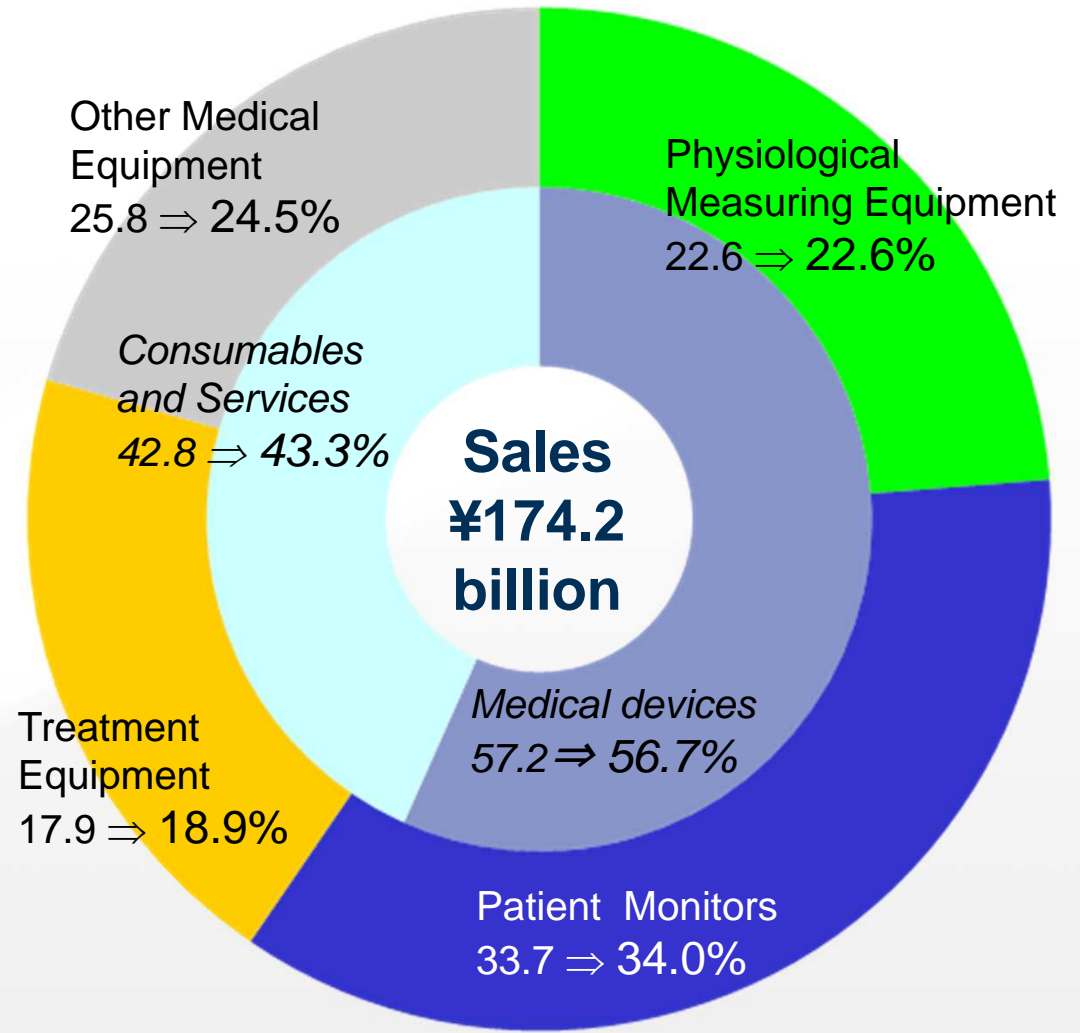


5) Sales by Product Category

(¥100 million)



Sales composition by product category (FY2016 ⇒ FY2017)



5.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2016	FY2017	YoY (%)
Electroencephalographs	7,372	7,292	-1.1
Electrocardiographs	6,620	6,982	5.5
Polygraphs for Cath Lab	12,330	13,172	6.8
Other Physiological Measuring Equipment (Diagnostic Information Systems and Others) *	11,334	11,874	4.8
Physiological Measuring Equipment	37,658	39,323	4.4
Domestic Sales	29,748	31,445	5.7
Overseas Sales	7,910	7,878	-0.4

Sales of Polygraphs for cath labs and diagnostic information systems increased favorably. Sales of ECGs also increased. Sales of EEGs remained flat.

Sales of EEGs decreased, while sales of ECGs increased favorably.

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



5.2) Patient Monitors

(Sales, millions of yen)

	FY2016	FY2017	YoY (%)
Patient Monitors	56,117	59,229	5.5
Domestic Sales	36,032	36,857	2.3
Overseas Sales	20,084	22,372	11.4

Replacement demands for clinical information systems increased favorably. Consumables such as sensors also contributed increased sales.

Sales increased in the Americas, Europe and Asia, especially led by strong sales in the U.S.



Bedside monitor
CSM-1901



Bedside monitor
CSM-1500



Transmitter
ZS-640P



Consumables

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

5.3) Treatment Equipment

(Sales, millions of yen)

	FY2016	FY2017	YoY (%)
Defibrillators (for Hospital and Ambulance)	5,109	6,285	23.0
AEDs (Automated External Defibrillator)	13,175	14,867	12.8
Pacemakers / ICDs	3,111	3,189	2.5
Ventilators	2,205	2,432	10.3
Other Treatment Equipment	6,127	6,117	-0.2
Treatment Equipment	29,728	32,892	10.6
Domestic Sales	21,315	22,288	4.6
Overseas Sales	8,412	10,603	26.0
(Ref.) AED Unit Sales	84,700	92,000	8.6
Domestic Unit Sales	44,300	45,200	2.0

Both domestic and overseas sales increased favorably.

Domestic: Unit sales increased due to recovery of replacement demand.
Overseas: Sales increased favorably in the Americas and Europe.



Defibrillator
TEC-5600 series



AED
AED-3100



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1



CPR Assist
CPR-1100

5.4) Other Medical Equipment

(Sales, millions of yen)

	FY2016	FY2017	YoY (%)
Hematology Analyzers	12,074	11,224	-7.0
Imaging Systems, Medical equipment for research and others *	30,707	31,589	2.9
Other Medical Equipment	42,781	42,804	0.1
Domestic Sales	37,668	37,552	-0.3
Overseas Sales	5,112	5,251	2.7

Domestic: Sales decreased.
Overseas: Sales increased in Latin America and Europe.

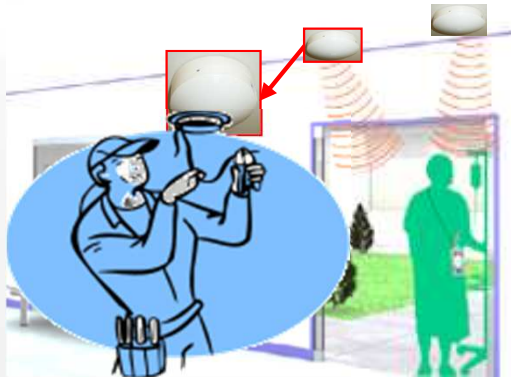
*Includes consumables, installation and maintenance services which are not applicable to other categories.



Automated hematology analyzer
MEK-9100



Clinical chemistry analyzer
CHM-4100



Installation and maintenance services

6) Financial Condition

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

	FY2016	FY2017	Change
Current Assets	119,235	124,601	5,366
Inventories	22,638	23,098	460
Property, Plant & Equipment	20,148	20,324	175
Intangible Assets	5,597	5,079	-517
Investments & Other Assets	7,825	7,935	109
Total Assets	152,806	157,941	5,134

	FY2016	FY2017	Change
Current Liabilities	45,006	44,605	-400
Interest-bearing Debt	628	488	-140
Non-current Liabilities	3,913	3,980	67
Net Assets	103,887	109,355	5,468
Total Liabilities & Net Assets	152,806	157,941	5,134

Inventory Turnover	3.1 months	3.0 months
--------------------	------------	-------------------

Equity Ratio	68.0%	69.2%
--------------	-------	--------------

[Reason for the increase of inventories]

- Work in process and raw materials and supplies increased by ¥1,439 million, while merchandise and finished goods decreased by ¥979 million.
- Procurement of electronic components in advance due to tight demand-supply balance
- Securing of materials to shorten lead-time

7) Cash Flows

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

	FY2016	FY2017	Change
I .Cash flows from operating activities	11,356	10,843	-512
II .Cash flows from investing activities	-6,344	-3,346	2,998
Free cash flows	5,011	7,497	2,485
III .Cash flows from financing activities	-3,517	-4,628	-1,110
Effect of exchange rate change on cash and cash equivalents	-217	-144	72
Net increase (decrease) in cash and cash equivalents	1,277	2,724	1,447
Cash and cash equivalents at end of period	28,560	31,285	2,724
ROE	9.1%	8.6%	

	FY2016	FY2017	Change
Income before income taxes and non-controlling interests	13,851	13,954	+102

Purchase of property, plant and equipment	-6,304	-2,901	+3,402
---	--------	--------	--------

Purchase of treasury shares:
500k shares (¥1.47 bil) in Mar 2018

8) Capital Investments and R&D Costs

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

	FY2016 Actual	FY2017			Change	FY2018 Plan
		Original Forecast announced May 11, 2017	Revised Forecast announced Nov 6, 2017	Actual		
Capital Investments	7,710	5,700	5,200	3,430	-4,280	4,000
Depreciation	3,422	3,900	3,600	3,338	-83	3,900
R&D costs	6,466	7,300	7,300	7,226	759	8,500

●FY2017 capital investments:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, renovation of head quarters (Nishiochiai Office) (¥0.8bil)

●FY2018 capital investments plan:

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

●FY2019 capital investments plan:

Construction of Eastern Japan Logistics Center {

- Start of construction: June 2018 (plan)
- Completion and relocation: Summer 2019 (plan)
- Capital investments in FY2019: ¥0.8bil
- (As the Center is a leasing logistics facility, investment is for distribution equipment such as moving shelves)

2

Forecast for FY2018

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

Medical service fee rose by 0.55% in Apr 2018
[Hospitals] Review of hospitalization fees
[Clinics] New reimbursement for telemedicine and for enhancing the role of family doctors

- Each prefecture discusses issues such as role sharing between hospitals and the number of hospital beds converted to long-term care by the end of FY2018
- Funds for securing comprehensive medical and long-term care in the communities: FY2018 ¥93.4 bil for medical care

- Hospitals start to reorganize medical facilities' functions in accordance with the medical service fee revision and the regional health vision.
- The clinic market will remain stable as providers of home care.

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 will remain 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 FY2018

	FY2017	FY2018	YoY (%)
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%	

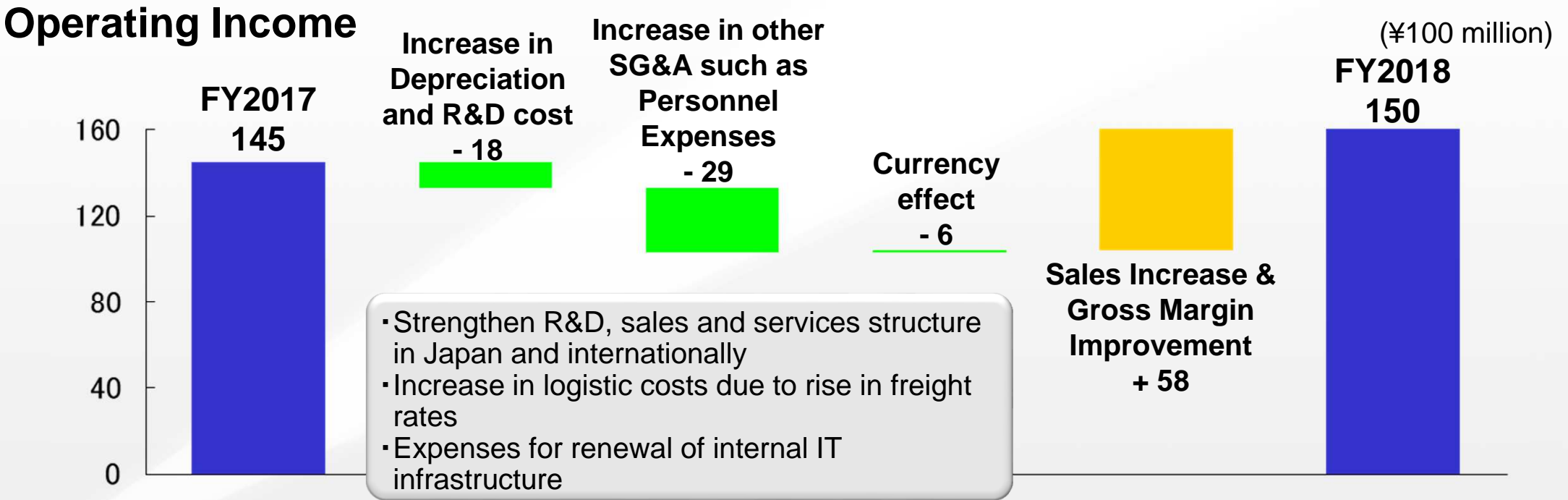
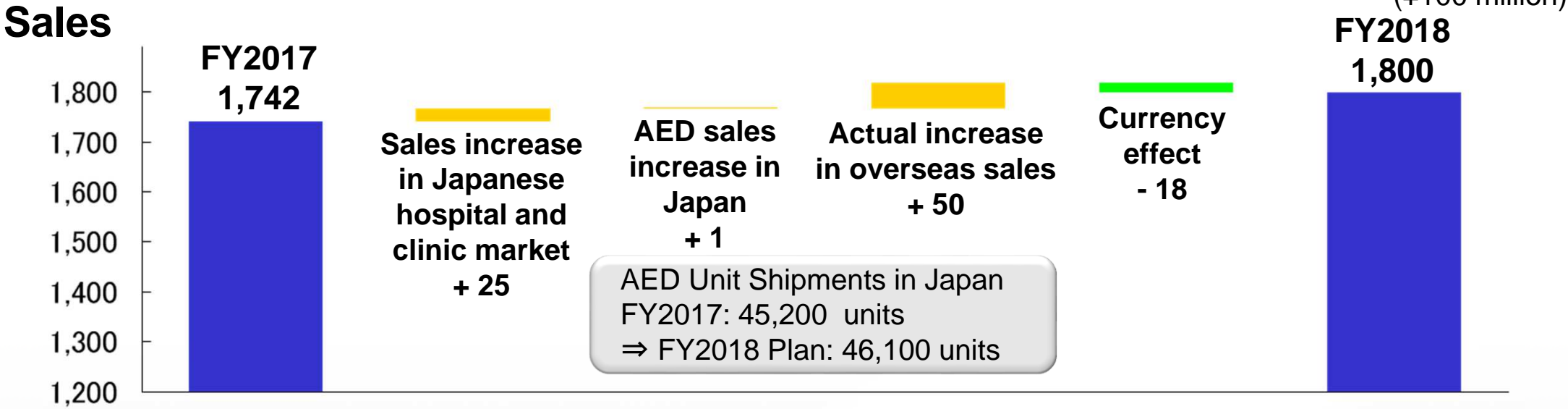
(Amounts of less than ¥1 million are rounded down)

+11% on a local currency basis

Breakdown of overseas sales by region

	FY2017	FY2018	YoY (%)
Americas	22,000	23,400	6.4
Europe	8,462	9,100	7.5
Asia	13,634	14,100	3.4
Other	2,008	2,700	34.4
Total	46,105	49,300	6.9

3) Analysis of FY2018 Forecast



(Ref.) Consolidated Forecast FY2018 by Product Category

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

	FY2017	FY2018	Composition ratio (%)	YoY (%)
Physiological Measuring Equipment	39,323	40,200	22.3	2.2
Patient Monitors	59,229	62,500	34.7	5.5
Treatment Equipment	32,892	33,600	18.7	2.2
Other Medical Equipment	42,804	43,700	24.3	2.1
Total	174,249	180,000	100.0	3.3

(Reference)

Consumables and Services	75,505	78,100	43.4	3.4
--------------------------	--------	--------	------	-----

Average exchange rate

	FY2017	FY2018
1 US Dollar	111.0 yen	105 yen
1 EURO	130.0 yen	130 yen

Annual 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

3

Progress of Mid-term Business Plan, TRANSFORM 2020

Review of 1st year of TRANSFORM 2020

1) Key Indicators

	FY2016 Actual	FY2017 Actual		FY2019 Target	3 year CAGR
Sales YoY	+0.5%	+4.8%	Sales	¥190 bil	4.5%
Domestic Sales YoY	+2.3%	+2.7%	Domestic Sales	¥135 bil	2.7%
Overseas Sales YoY <small>(on a local currency basis)</small>	-4.6% (+ 6%)	+11.0% (+8%)	Overseas Sales	¥55 bil	9.8%
Consumables and Services Sales Ratio	42.8%	43.3%	Consumables and Services Sales Ratio	45.0%	
Operating Income Margin	8.2%	8.3%	Operating Income <small>(Operating income margin)</small>	¥20 bil (10.5%)	13.8%
ROE	9.1%	8.6%	ROE	12.0%	

Breakdown of overseas sales by region

Americas	¥27.3 bil
Europe	¥8.2 bil
Asia	¥16.5 bil
Other	¥3.0 bil

Review of 1st year of TRANSFORM 2020

2) Key Strategies

6 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

Results in FY2017

- Absorbed domestic sales subsidiaries
- Established Kenya branch in Africa and enhanced direct sales structure in Brazil

- Introduced new patient monitors
- Expanded product portfolio for the clinic market
- Took initiatives to start automated production of consumables

- Promoted in-house development of ventilators and anesthesia machines

- Strengthened local R&D capability for large deals in the U.S.

- No.1 customer satisfaction for 11 consecutive years in the U.S.

- One-third of board directors will be outside directors as of Jun 27, 2018.
- Promote work style reforms and introduce flextime and telecommuting programs in Apr 2018

TRANSFORM 2020

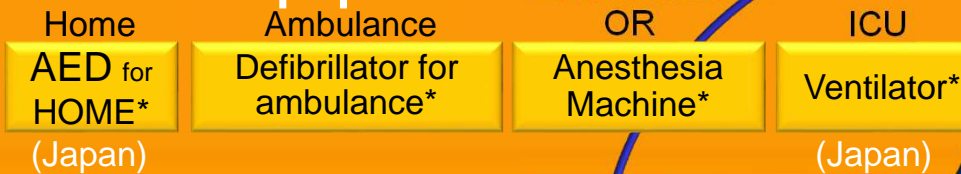
Transform operations to achieve a highly profitable structure Measures in FY2018

1 Create high customer value

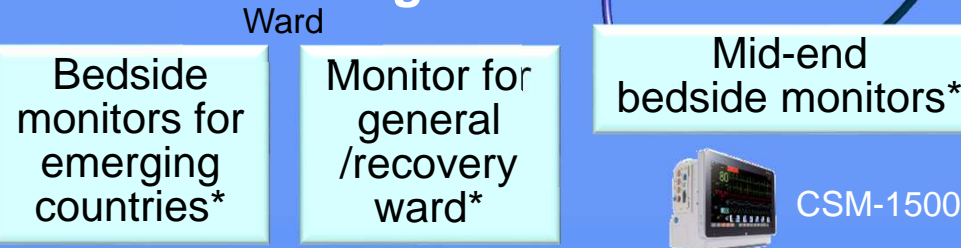
Introduce in-house products with high customer value

Combine our own core technologies by collaboration within each research department

Treatment Equipment Business



Patient Monitoring Business



* CSM-1500 was launched in FY2017. Others will be launched in FY2018.

Expand sales of consumables and services
Sales ratio in FY2018: 43.4% (plan)

2 Improve productivity within the organization

- Improve productivity at Tomioka Production Center and shorten lead time
- Automated production of SpO₂ sensor at Tomioka 2nd plant
- Enhance R&D and production structure in Shanghai Kohden
- Simplify administrative work between headquarters and domestic sales branches



- Cost reduction
- Reduce inventories
- Timely supply of products to countries around the world

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

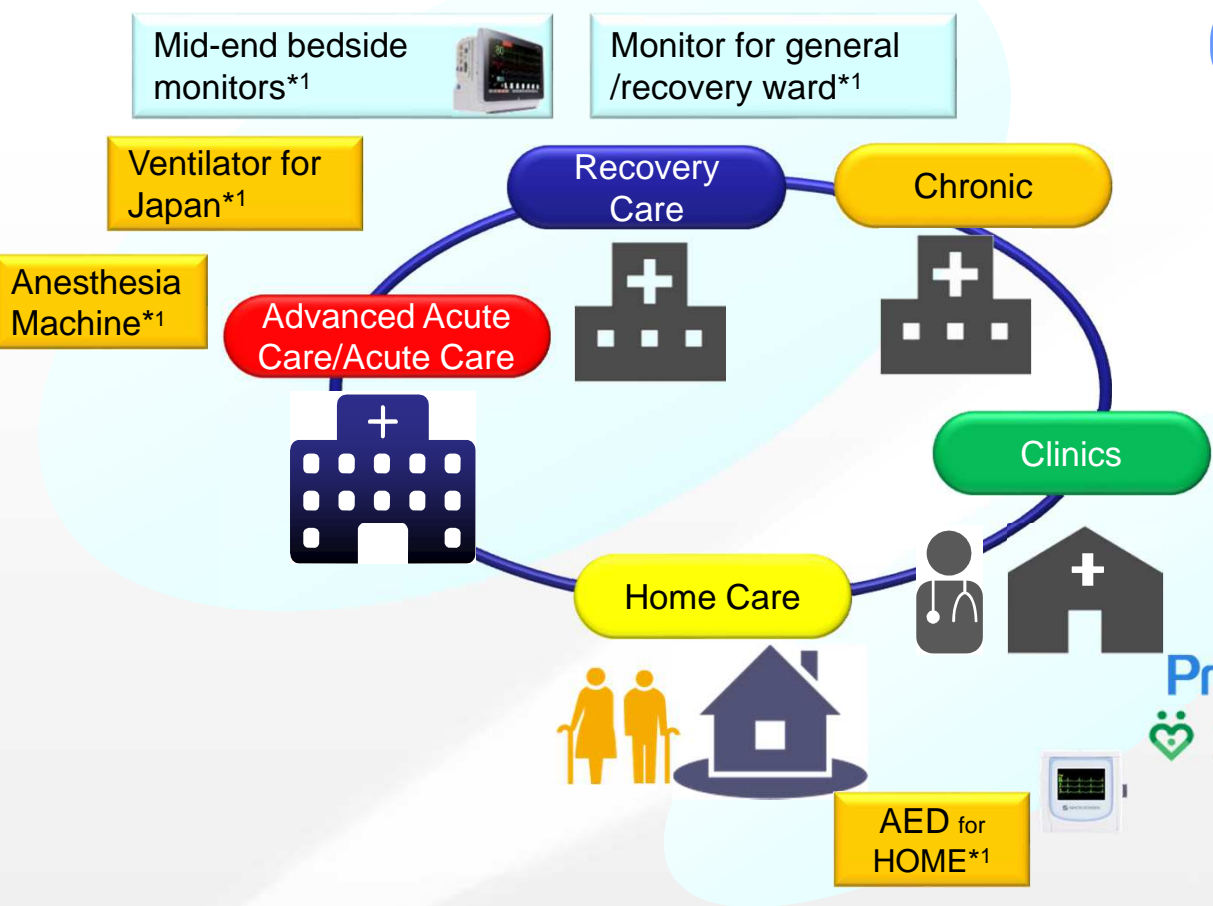
Strengthen Business Expansion by Region

Japan

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

- ✓ Provide solutions that contribute to improving hospital management

- ✓ Enhance and reorganize sales and services operations



Apr 2016

Hospital Sales Operation GP*2 Sales Operation

Apr 2017

Sales Subsidiary system Transition to branch system

Apr 2018

Put more sales resources into the metropolitan area

- ✓ Expand product portfolio to meet the needs of regional medical care networks

*1 CSM-1500 was launched in FY2017. Others will be launched in FY2018.

*2 GP: General Practitioner

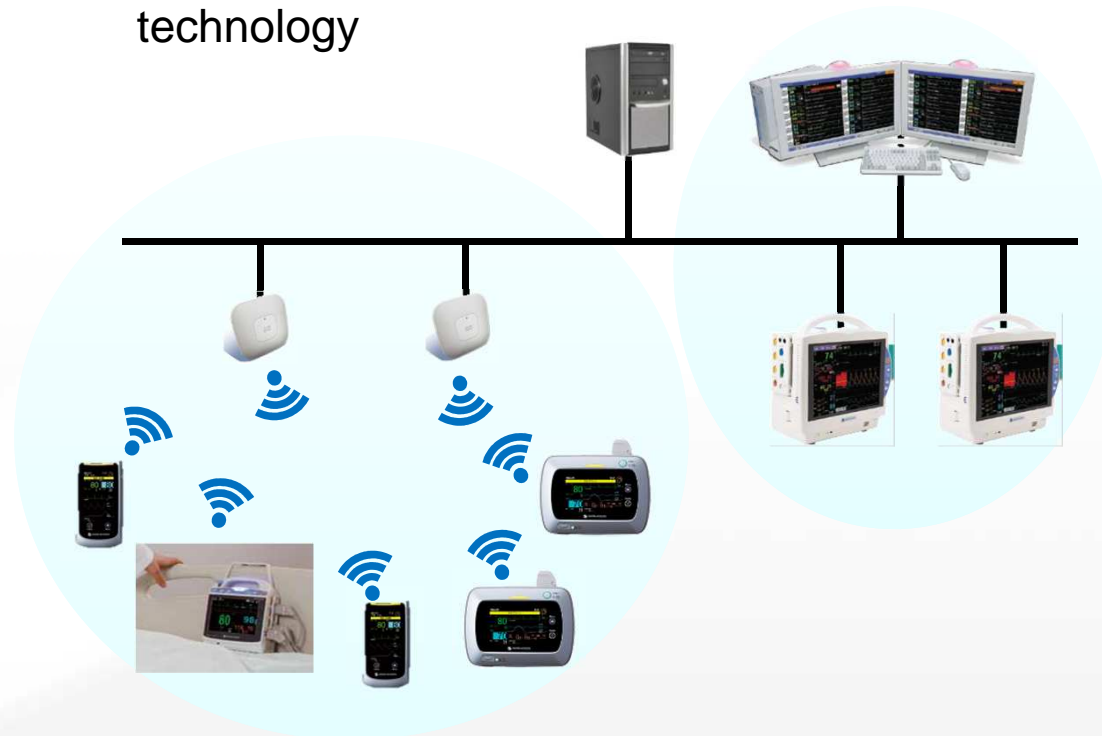
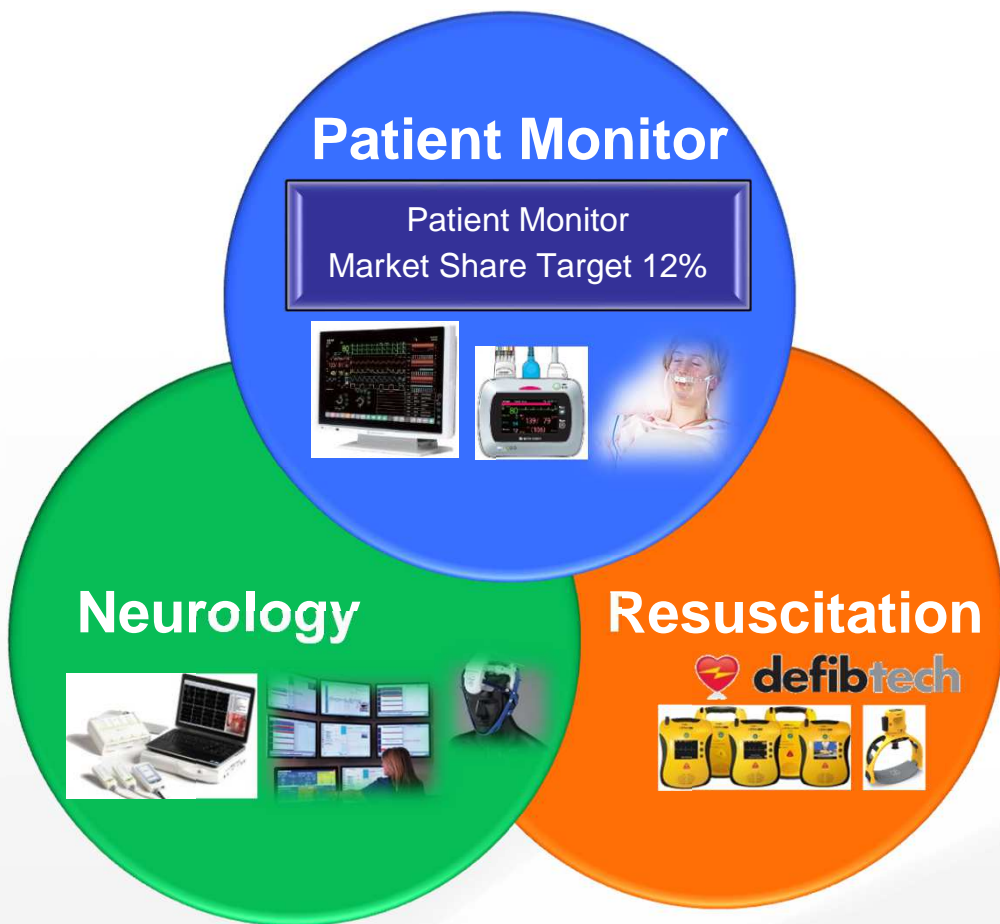
U.S.

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

- ✓ Strengthen local development structure **NKUS Lab**

- ✓ Enhance network systems to support large-scale monitoring by using wireless technology



Measures for improving profitability in FY2018

- Launch new patient monitors
- New installation pricing model for monitoring systems

Emerging Markets

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

Establish International Sales Operations department

10 subsidiaries work together as one to develop business in emerging markets

China

- Expand sales of new products



- Develop new products

Monitor for general/recovery ward

Plan to launch in FY2018 (exc. China)

Shanghai Kohden

Nihon Kohden Korea

Nihon Kohden Middle East

Nihon Kohden India

NKS Bangkok

Nihon Kohden Mexico

Nihon Kohden Malaysia

Nihon Kohden Latin America

Nihon Kohden Singapore

Nihon Kohden Do Brasil

Saudi Arabia



Received package orders including patient monitors and defibrillators from KKU* hospital

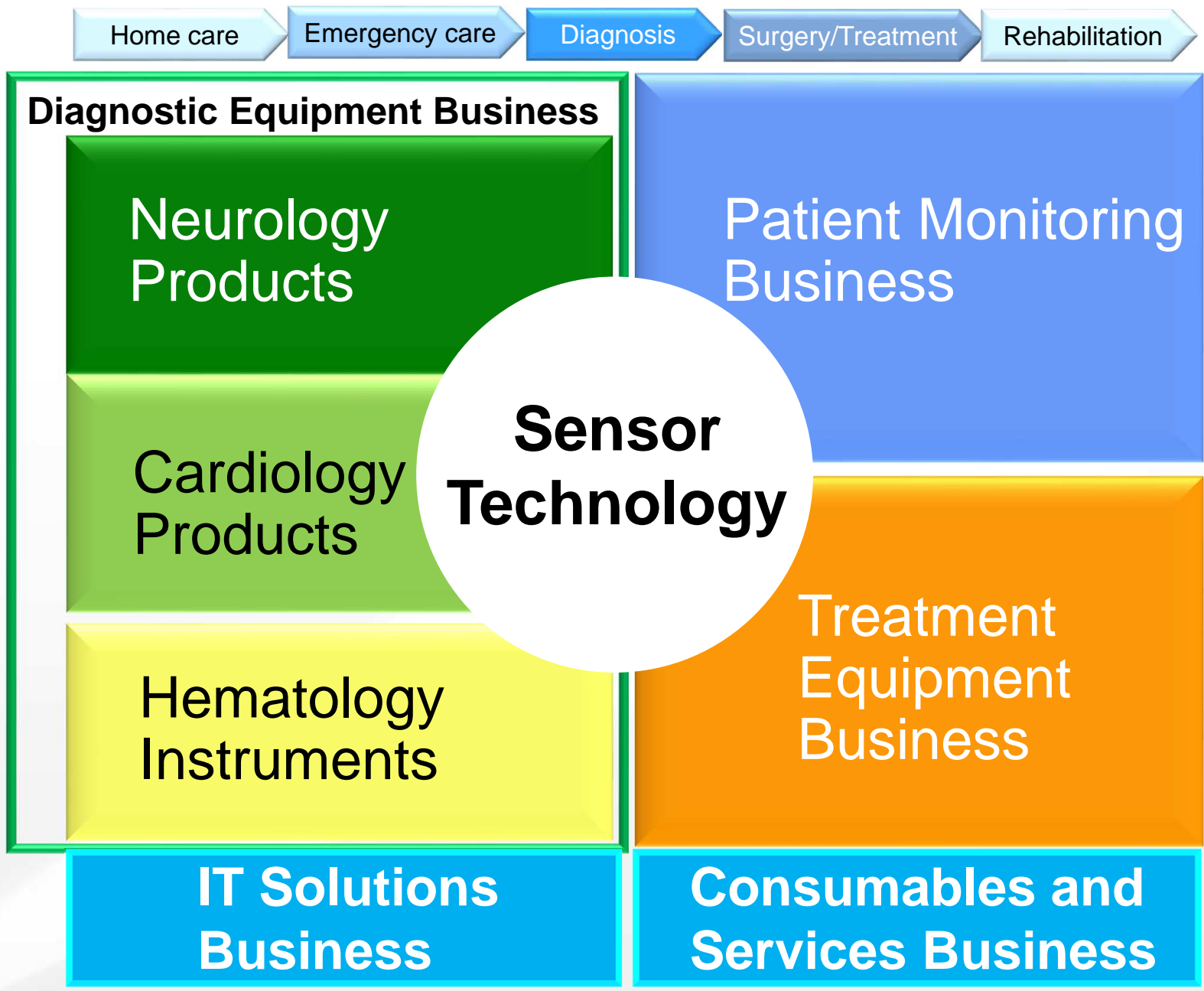
Eastern Africa

Open Kenya branch in Dec 2017



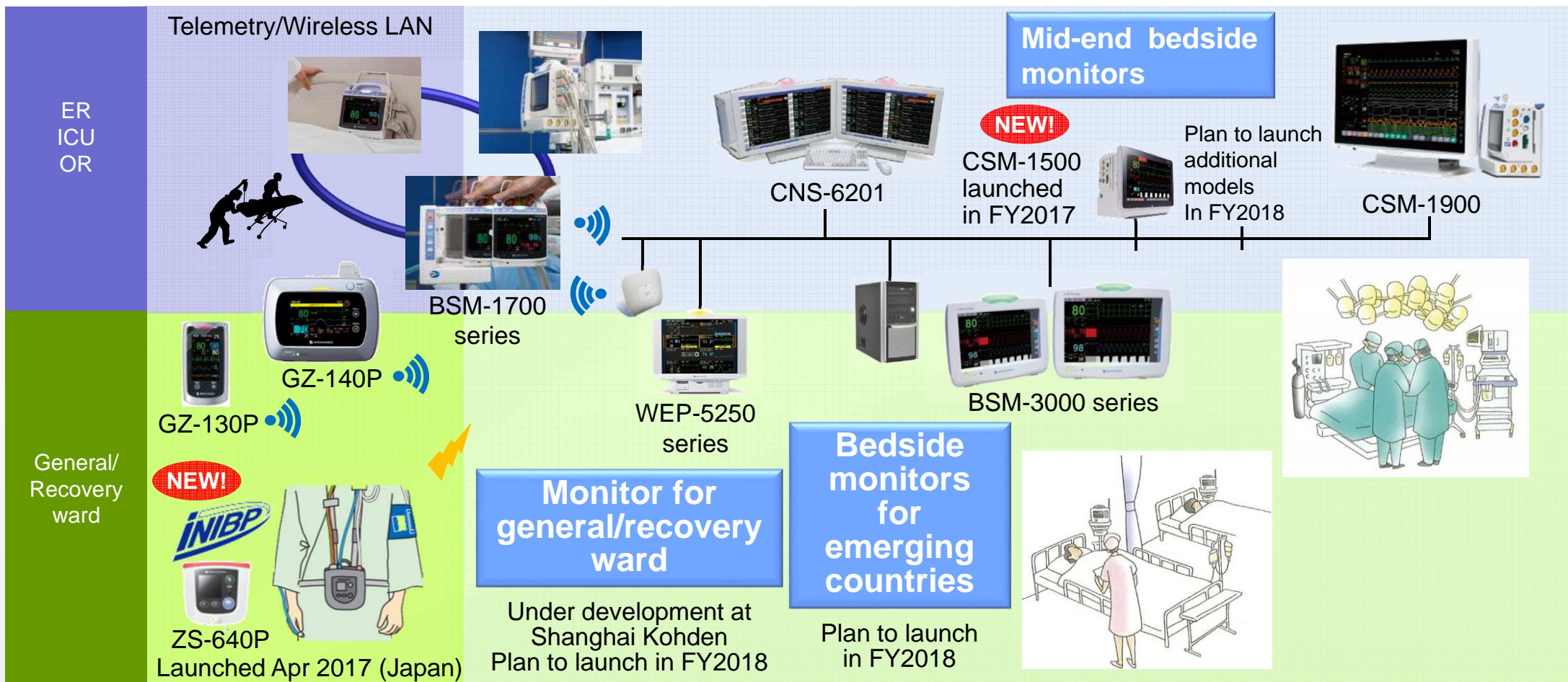
* King Khalid University Hospital in Abha. Core hospital in southwestern Saudi Arabia

Achieve Further Growth in Core Businesses



- ✓ 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



Launch new models with high competitiveness

High-end monitor



CSM-1901

Mid-end bedside monitors

12.1-inch



CSM-1501

15.6-inch



CSM-1502

NEW!

Launched
Japan: Mar 2018
Europe: Apr 2018
US: Plan to launch
in 2nd half FY2018



Plan to launch
additional
models
in FY2018

- ER
- OR
- ICU
- CCU
- Ward

Inherit features from high-end monitor, CSM-1901

- Ease of operation **G-Scope function**



- Intuitive approach to diagnostic and therapeutic decision making

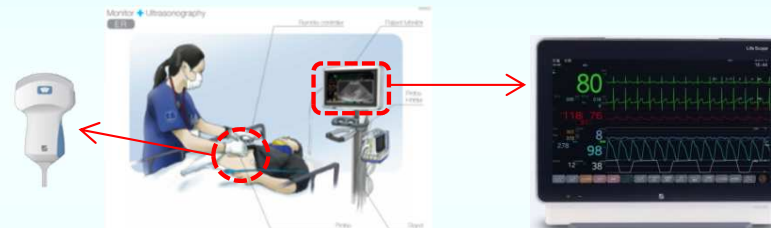
Hemodynamics graph



Add value with our unique functions

Plan in FY2018

- Linkage with ultrasound device (FAST* in emergency)



- EEG monitoring using EEG headset in ER or ICU



Linkage with in-house ventilator and anesthesia machine

(Plan to launch in FY2018)

* FAST (Focused Assessment with Sonography for Trauma) is a rapid ultrasound examination as a screening test for blood in pericardium, abdominal, thoracic cavity of trauma patients in ER

✓ Establish leadership position in the defibrillator and AED markets

<p>Home and public facilities</p>  <p>AED for HOME</p> <p>Plan to launch in FY2018 (Japan)</p> 	<p>Ambulances</p>  <p>Defibrillators for ambulances</p> <p>Plan to launch in FY2018</p> 	<p>Add high value with our unique technologies</p>  <p>Help manage ETCO₂ during manual ventilation by delivering sounds</p>   <p>Synthesized 18-lead ECG*</p>
--	--	--

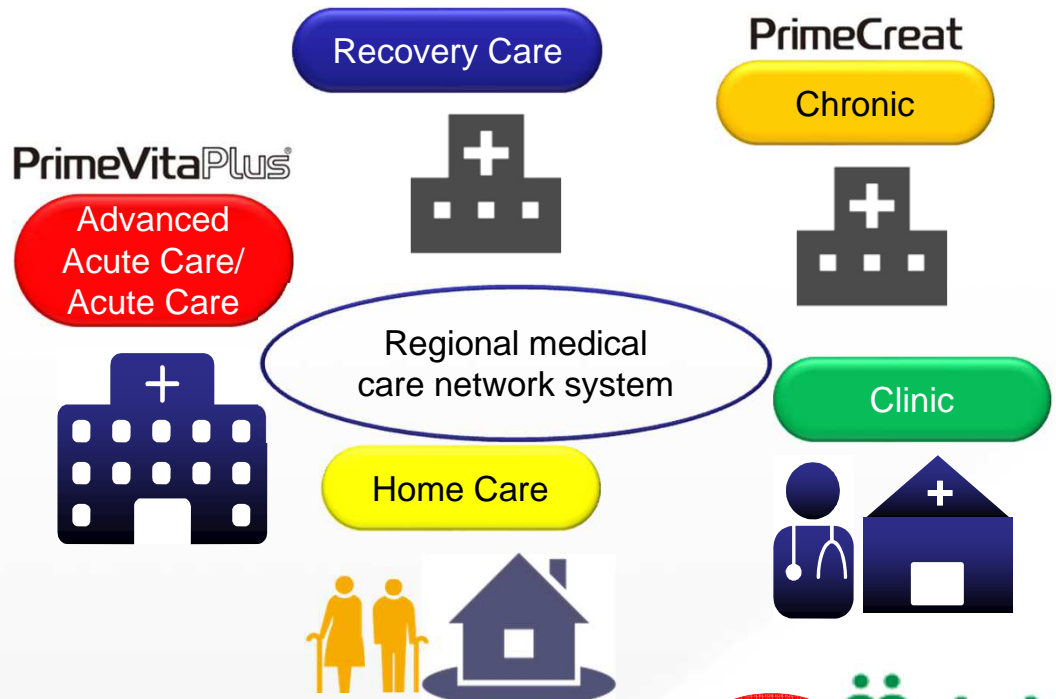
✓ Create ventilator and anesthesia machine business and promote global expansion at the earliest opportunity

Plan to launch in FY2018		Plan to launch in FY2019	
Ventilator for Japan	Under development at Advanced Technology Center	Ventilator for emerging markets	Under development at the U.S. R&D office
Anesthesia Machine	Under development with Acoma		

* Measurement method to derive right-side and posterior waveforms from the standard 12-lead ECG

- ✓ Expand our system product line-up to become the basis of regional medical care networks by utilizing cloud technologies

Nihon Kohden's first IT solution which uses **cloud servers** and charges users a **monthly fee**



NEW! PrimePartner
 Clinical assistant service
 Launch Oct 2017

- Unified management of clinical test data
- Linkage to electronic medical record

ECG
 Hematology analyzer
 Ultrasound
 Endoscope

PrimePartner Cloud

Enables viewing data Anywhere & Anytime

NEW! LAVITA®
 Medical and long-term care network system
 Launch Aug 2017

Automatic transfer of data measured at home
 Blood Pressure
 Temperature
 SpO₂
 Weight

Real time data sharing
 LAVITA Cloud

Doctor
 Nurse
 Social worker

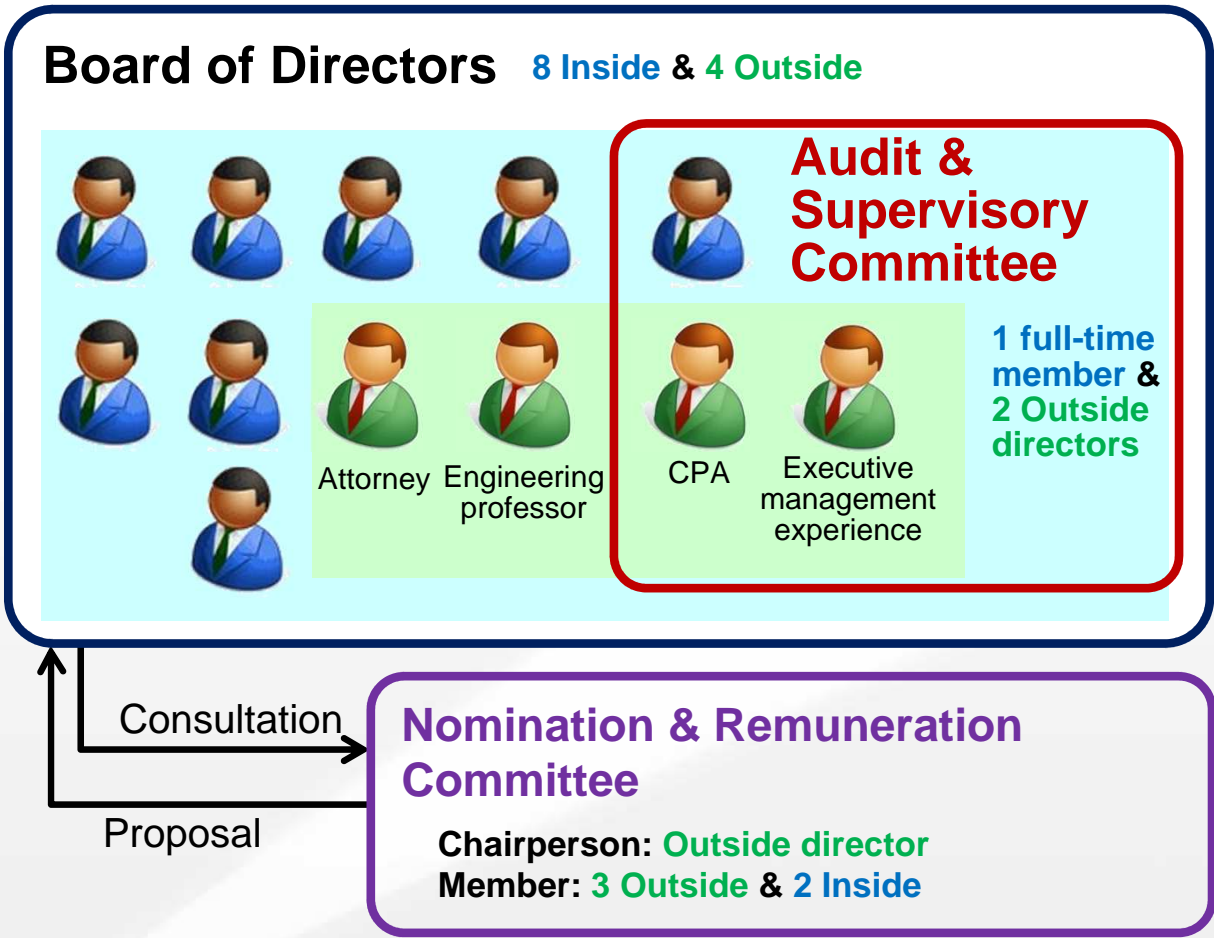
- Enables viewing data on mobile terminals
- Combination of LAVITA and PrimePartner is available

• Promote the use of LAVITA at telemedicine
 • Enhance linkage with IT systems such as EMR

Consolidate corporate fundamentals

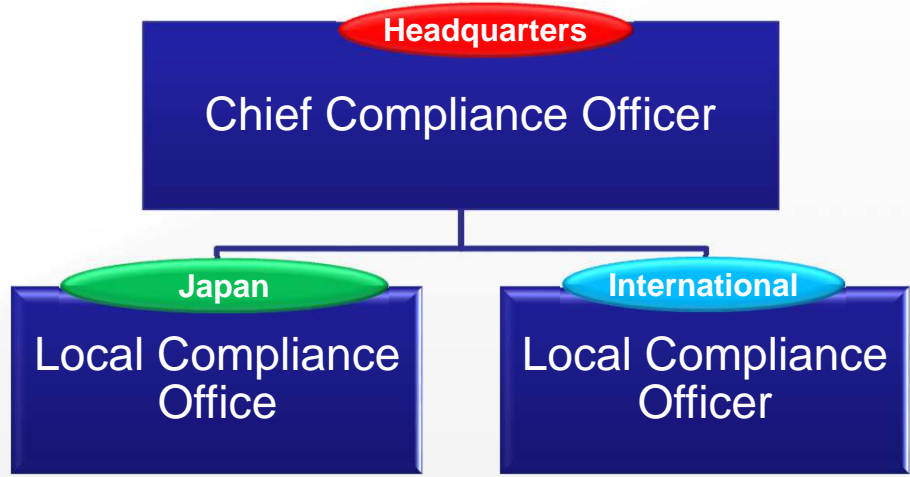
Corporate governance

- Jun 2016 Transition to a **Company with an Audit & Supervisory Committee**
Establish a **nomination and remuneration committee**
- Jun 2018 **One-third board independence** (plan)



Compliance

- In 2017
 - Established anti-corruption rule
 - Introduced global compliance program



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)



*Effective April 1, 2015, each share of common stock was split into two shares. Dividends per share from FY2009 to FY2014 were actual payment amounts. Forecast

Repurchase and cancellation of treasury stock

Mar 2, 2018
Repurchase
500k shares



May 21, 2018 (plan)
Cancel
1,000k shares



Estimated 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.