

Consolidated Financial Highlights for the Third Quarter of FY2016

(From April 1, 2016 to December 31, 2016)



NIHON KOHDEN CORPORATION
(Ticker Code: 6849)

February 1, 2017

1) Consolidated Financial Results for the 3rd Quarter of FY2016

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

	FY2015 3Q 9 months	FY2016 3Q 9 months	YoY (%)
Net Sales	111,654	110,619	-0.9
Domestic Sales	81,094	83,011	2.4
Overseas Sales	30,560	27,607	-9.7
Operating Income	7,247	5,302	-26.8
Ordinary Income	7,588	6,046	-20.3
Income Attributable to Owners of Parent	4,650	3,825	-17.8

← +3% on a local currency basis

← **Gross Margin Ratio:** FY2015 3Q 48.8% → FY2016 3Q 48.5%
SG&A Ratio: 42.3% → 43.7%

← **Foreign exchange gains or losses:**
FY2015 3Q ¥140 mil losses → FY2016 3Q ¥250 mil gains

Average Exchange Rate	(2015/12)	(2016/12)
1 US Dollar	121.6 yen	107.4 yen
1 EURO	133.9 yen	118.6 yen

2) Highlights of FY2016 3Q

Net Sales : -0.9%

- **Japan**: Sales increased as the Company reorganized its sales operations to match each market: the acute care hospital market, the small and mid-sized hospital market, and the clinic market. Consumables and services also contributed to sales increase.
- **International**: Sales in all areas and all product categories decreased due to yen appreciation. Sales in the Americas and Asia increased on a local currency basis.

Operating Income : -26.8%

- Operating income decreased due to sales decrease and due to increase in SG&A expenses such as R&D expenses and enhancement of human resources.

Ordinary Income : -20.3%

- Foreign exchange gains were recorded compared to foreign exchange losses in the same period of FY2015.

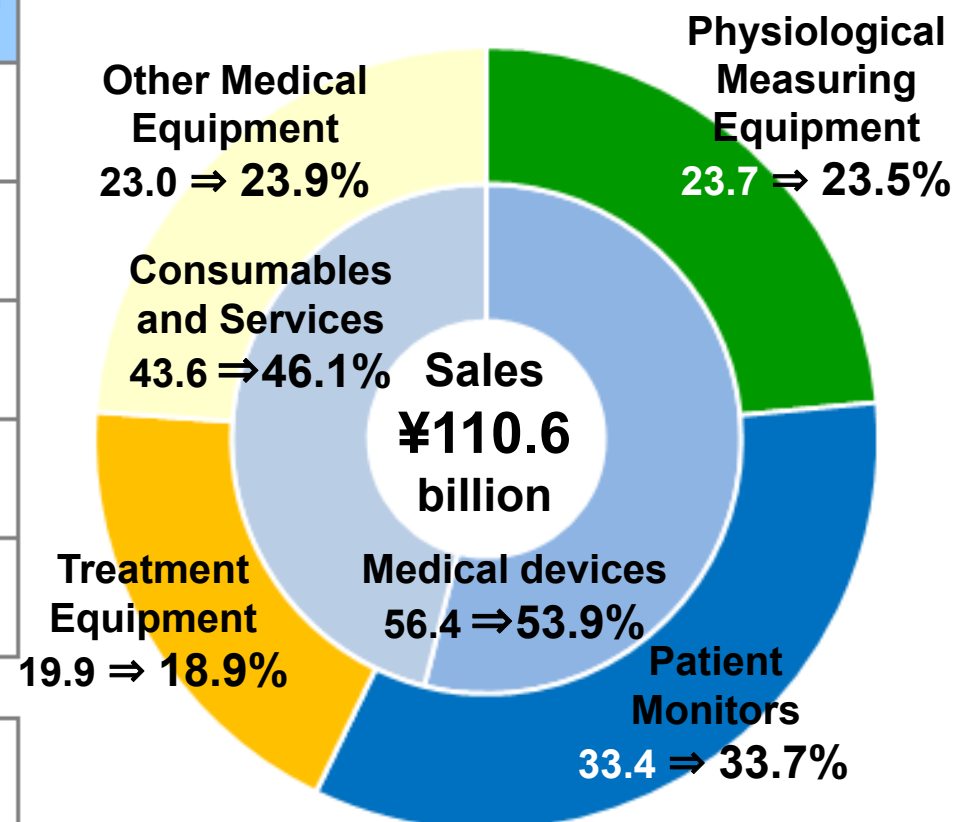
3) Sales by Product Category

(Sales, millions of yen)

	FY2015 3Q 9 months	FY2016 3Q 9 months	YoY (%)
Physiological Measuring Equipment	26,450	26,006	-1.7
Patient Monitors	37,271	37,232	-0.1
Treatment Equipment	22,164	20,948	-5.5
Other Medical Equipment	25,768	26,431	2.6
Total Sales	111,654	110,619	-0.9
(Reference)			
Consumables and Services	48,683	50,956	4.7

Sales Composition by Product Category

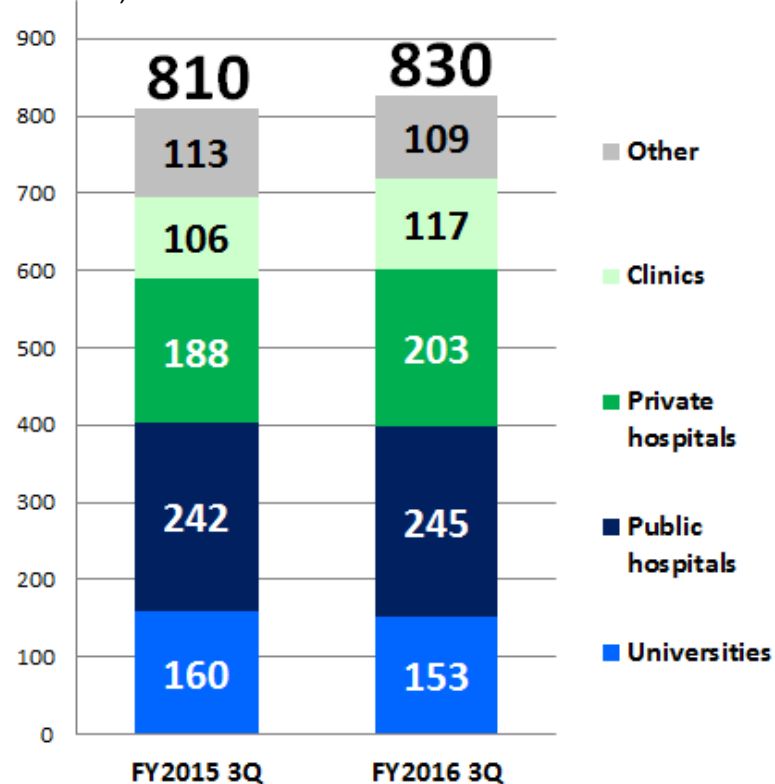
(FY2015 3Q ⇒ FY2016 3Q)



4) Domestic Sales

Sales by Market

(¥100 million)



Sales by Product Category

(Sales, millions of yen)

	FY2015 3Q 9 months	FY2016 3Q 9 months	YoY (%)
Physiological Measuring Equipment	20,002	20,335	1.7
Patient Monitors	23,437	24,448	4.3
Treatment Equipment	15,601	15,153	-2.9
Other Medical Equipment	22,052	23,074	4.6
Total Sales	81,094	83,011	2.4

【Markets】 Sales in the private hospital and clinic market showed strong growth. Sales in the public hospital market increased. Sales in the university market decreased.

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

Patient Monitors: Sales increased favorably, reflecting demand for differentiating and strengthening medical institution functions. Consumables such as sensors also contributed to sales increase.

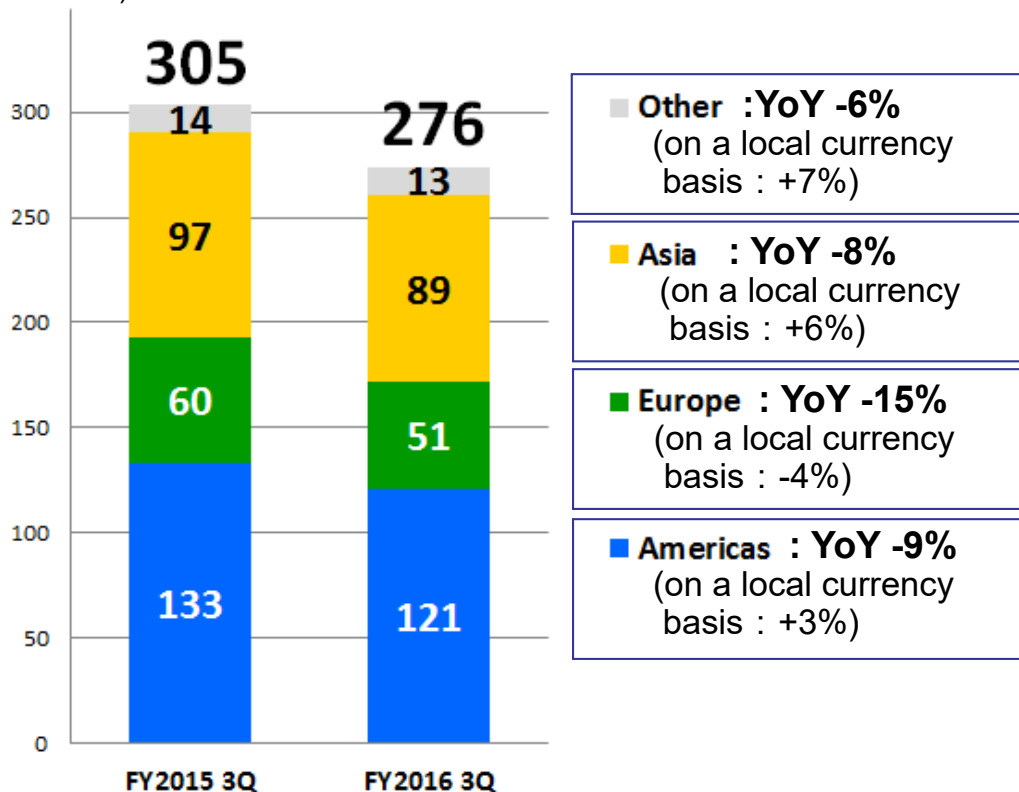
Treatment Equipment: Sales of defibrillators and AEDs decreased. Sales of ventilators, pacemakers and ICDs increased.

Other Medical Equipment: Sales of hematology instruments increased.

5) Overseas Sales

Geographic Segments

(¥100 million)



Percentage of Overseas Sales to Consolidated Sales

FY2015 3Q 9 months	FY2016 3Q 9 months
27.4%	25.0%

Sales by Product Category

(Sales, millions of yen)

	FY2015 3Q 9 months	FY2016 3Q 9 months	YoY (%)
Physiological Measuring Equipment	6,447	5,671	-12.0
Patient Monitors	13,834	12,784	-7.6
Treatment Equipment	6,562	5,794	-11.7
Other Medical Equipment	3,715	3,357	-9.6
Total Sales	30,560	27,607	-9.7

+3% on a local currency basis

- 【Region】**
- Americas:** Sales in the U.S. increased on a local currency basis. Sales in Latin America decreased mainly due to change in distribution channels.
 - Europe:** Sales decreased, especially in Germany, although orders improved from the 3rd quarter.
 - Asia:** Sales in Southeast Asia and India increased favorably. Sales in oil producing countries in the Middle East decreased due to negative effects of lower oil prices.
- 【Products】**
- Physiological Measuring Equipment:** Sales of EEGs and ECGs decreased in all areas.
 - Patient Monitors:** Sales decreased in the Americas, Europe and Asia. Sales in other area increased favorably.
 - Treatment Equipment:** Sales of defibrillators decreased in all areas. Sales of AEDs increased in Europe and Asia and decreased in the Americas.
 - Other Medical Equipment:** Sales of hematology analyzers decreased in Asia.

6) Depreciation & R&D Costs

(Millions of yen)

	FY2015 3Q 9 months	FY2016 3Q 9 months	Change	FY2015 Actual	FY2016	
					Original Forecast announced May 11	Revised Forecast announced Nov 4
Depreciation	2,503	2,461	-42	3,459	4,000	3,400
R&D costs	4,058	4,474	415	5,910	7,300	6,500

● FY2016 capital investments plan:

- Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renovation of Tomioka 2nd Plant and head quarters (Nishiochiai Office)
- Establish Advanced Technology Center in Tokorozawa
 Completion and relocation: Oct 2016
 Capital investments: 7.2 billion yen < FY2015: 3.4 billion yen
 FY2016: 3.8 billion yen
- Establish new facility in Asaka (Relocation of immunochemical products department)
 Completion and relocation: Dec 2016
 Capital investments: 1.1 billion yen < FY2015: 0.2 billion yen
 FY2016: 0.9 billion yen



7) Forecast for FY2016

(¥billion, Amounts of less than ¥10 million are rounded down)

	FY2015 Actual	FY2016 Forecast				YoY (%)
		Original announced May 11	Revision announced Nov 4 (A)	Revision announced Feb 1 (B) *	Difference (B-A)	
Net Sales	165.5	175.0	170.5	168.0	-2.5	1.5
Domestic Sales	121.9	127.0	126.3	124.0	-2.3	1.6
Overseas Sales	43.5	48.0	44.2	44.0	-0.2	1.1
Operating Income	16.4	17.5	17.0	15.5	-1.5	-5.7
Ordinary Income	16.1	17.5	16.0	16.0	—	-0.7
Income Attributable to Owners of Parent	10.5	11.5	10.7	10.3	-0.4	-2.1

Percentage of Overseas Sales 26.3% 27.4% 25.9% **26.2%**

Average Exchange Rate

1 US Dollar	120.1 yen	109 yen	104 yen	109 yen
1 EURO	132.4 yen	123 yen	116 yen	119 yen

← +12% on a local currency basis

Breakdown of overseas sales by region

	FY2015 Actual	FY2016 Forecast			YoY (%)
		Original announced May 11	Revision announced Nov 4	Revision announced Feb 1	
Americas	19.4	21.3	19.9	20.4	4.9
Europe	8.0	8.7	7.7	7.4	-8.5
Asia	13.8	15.7	14.2	13.6	-2.0
Other	2.1	2.3	2.4	2.6	22.9

*Notes: The assumed exchange rates are 112 yen to the dollar and 122 yen to the euro for the 4th quarter.

8) Reason for the Revision

Net Sales (down ¥2.5bil from previous forecast)	Domestic Sales (down ¥2.3bil)	<ul style="list-style-type: none"> ▪ The number of large orders from universities and public hospitals is expected to be less than FY2015. There were some postponements of and restraints on their spending from the 2nd half of FY2016. ▪ Sales in the private hospital and clinic market will remain favorable. ▪ Focus on sales activities of consumables and services.
	Overseas Sales (down ¥0.2bil)	<ul style="list-style-type: none"> ▪ Sales in the Americas are expected in line with estimates. ▪ In Europe, sales recovery in Germany is expected to be weak. Sales in Asia will be negatively impacted by the political unrest in South Korea and the abolition of high-value rupee notes in India. ▪ In the other area, sales of a large order in Egypt will be recorded in the 4th quarter. ▪ The assumed exchange rates were changed due to yen depreciation. (1 US Dollar: from ¥104 to ¥109, 1 EURO: from ¥116 to ¥119)
Operating Income (down ¥1.5 bil)	<ul style="list-style-type: none"> ▪ Revised downward as sales are expected to be lower than the previous forecast. ▪ Improve profitability by promoting cost reductions and strengthening expense management. ▪ Continue necessary investments such as enhancement of human resources, considering the business performance. 	
Ordinary Income (same as previous forecast)	<ul style="list-style-type: none"> ▪ After the 3rd quarter, foreign exchange gains are recorded. 	
Income Attributable to Owners of Parent (down ¥0.4bil)	<ul style="list-style-type: none"> ▪ Extraordinary losses such as office transfer cost will be recorded in the 4th quarter. 	

(Ref.) Consolidated Forecast for FY2016 by Product Category

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

	FY2015 Actual	FY2016 Forecast			YoY (%)
		Original announced May 11	Revision announced Nov 4	Revision announced Feb 1	
Physiological Measuring Equipment	39,218	40,800	39,600	39,500	0.7
Patient Monitors	54,823	59,250	57,900	56,850	3.7
Treatment Equipment	30,611	32,600	30,700	29,900	-2.3
Other Medical Equipment	40,868	42,350	42,300	41,750	2.2
Total	165,522	175,000	170,500	168,000	1.5
(Reference)					
Consumables and Services	67,684	72,400	71,900	71,700	5.9

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.