


Consolidated Financial Highlights for First Half of FY2016

(From April 1, 2016 to September 30, 2016)

- 
1. Consolidated Financial Results for First Half of FY2016
 2. Forecast for FY2016
 3. Business Strategy

November 9, 2016



Consolidated Financial Results for First Half of FY2016

1) Consolidated Financial Results for the 1st Half of FY2016

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

	First half FY2015	First half FY2016			
		Original Forecast announced May 10, 2016	Revised Forecast announced Aug 1, 2016	Actual	YoY (%)
Sales	73,498	78,000	75,000	74,463	1.3
Domestic Sales	53,285	-	-	55,876	4.9
Overseas Sales	20,213	-	-	18,586	-8.0
Operating Income	4,219	4,500	3,700	3,834	-9.1
Ordinary Income	4,401	4,500	2,800	2,689	-38.9
Income Attributable to Owners of Parent	2,516	2,900	1,800	1,683	-33.1

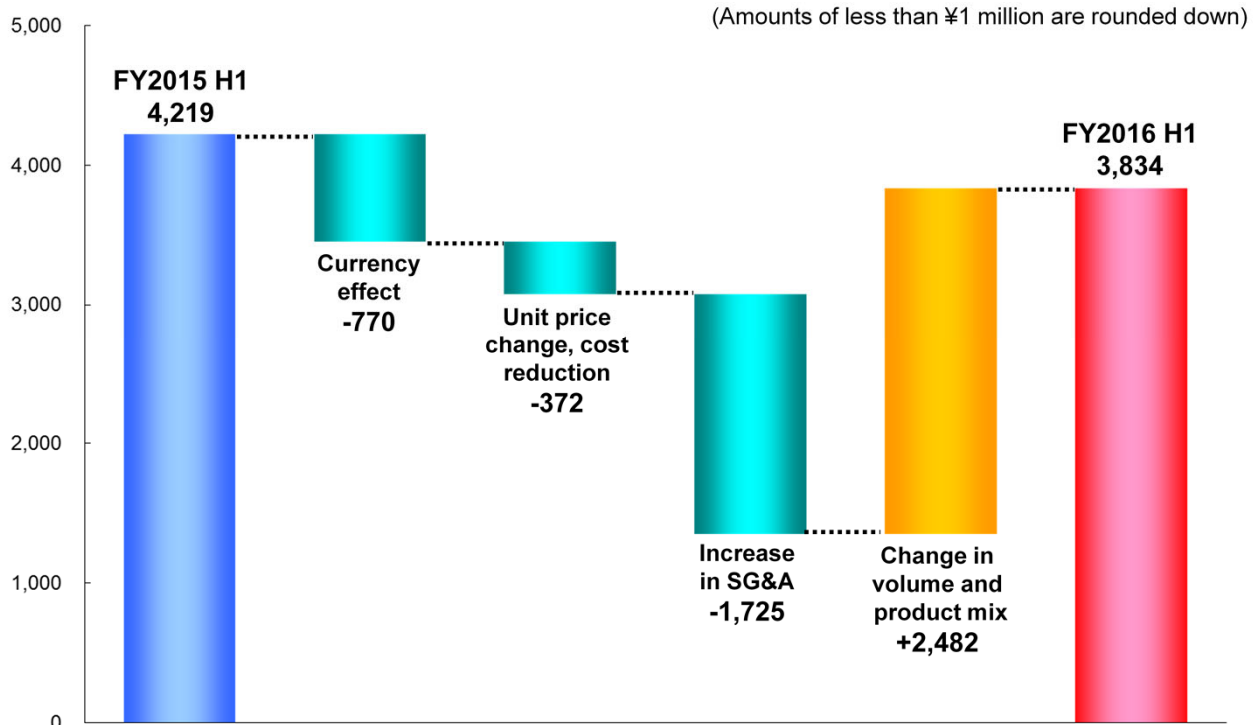
Average exchange rate	First half FY2015	First half FY2016
1 US Dollar	121.6 yen	107.6 yen
1 EURO	135.0 yen	119.9 yen

	FY2015 H1	FY2016 H1
Gross margin ratio:	48.3%	→ 48.1%
SG&A ratio:	42.6%	→ 43.0%

	FY2015 H1	FY2016 H1
Foreign exchange losses:	¥78 mil	→ ¥1,510 mil

- Overall sales increased 1.3% to ¥74.4 billion.
- Domestic sales increased 4.9% to ¥55.8 billion due to favorable sales in the hospital and clinic market.
- Overseas sales decreased 8% to ¥18.5 billion, 4% positive growth on a local currency basis. Sales in all areas and all product categories decreased due to a negative currency translation impact.
- Overall sales fell short of the revised forecast by ¥0.5 billion.
- Operating income decreased 9.1% to ¥3.8 billion.
- Ordinary income decreased 38.9% to ¥2.6 billion and Income attributable to owners of parent decreased 33.1% to ¥1.6 billion, reflecting foreign exchange losses.

2) Breakdown of Operating Income



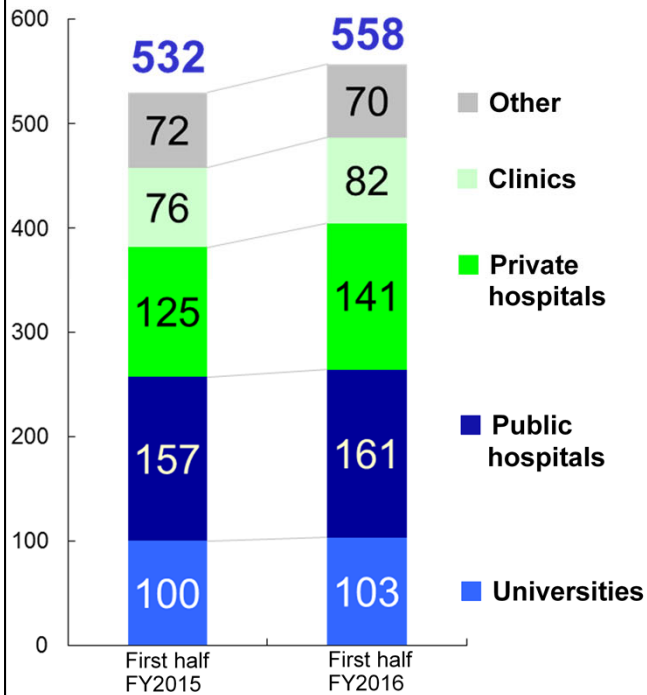
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- The 1st half of FY2016 operating income decreased to ¥3.8 billion from ¥4.2 billion in the 1st half of FY2015.
- Currency effect had a negative impact of ¥0.7 billion due to appreciation of the yen against the dollar and the euro.
- Unit price change and cost reduction had a negative impact of ¥0.3 billion mainly due to provision for product voluntary field corrective action expenses.
- Increase in SG&A was the negative impact of ¥1.7 billion mainly due to increase of R&D expenses and personnel expenses.
- Change in volume and product mix had a positive impact of ¥2.4 billion mainly due to volume increase.

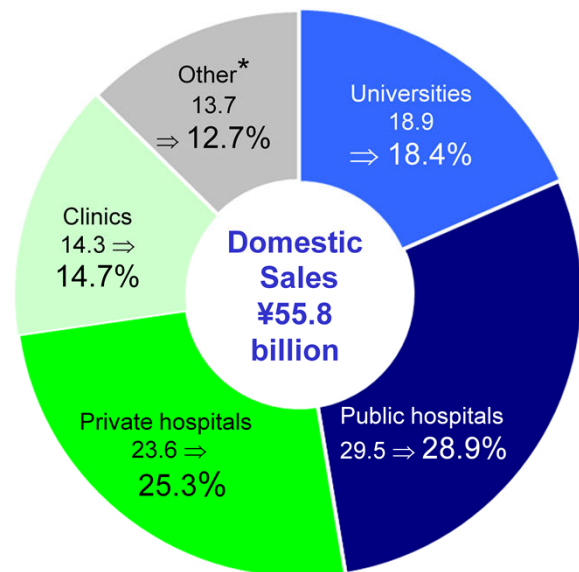
3) Domestic Sales

(¥100 million) Sales by market



Sales composition by market

(FY2015 H1 ⇒ FY2016 H1)



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

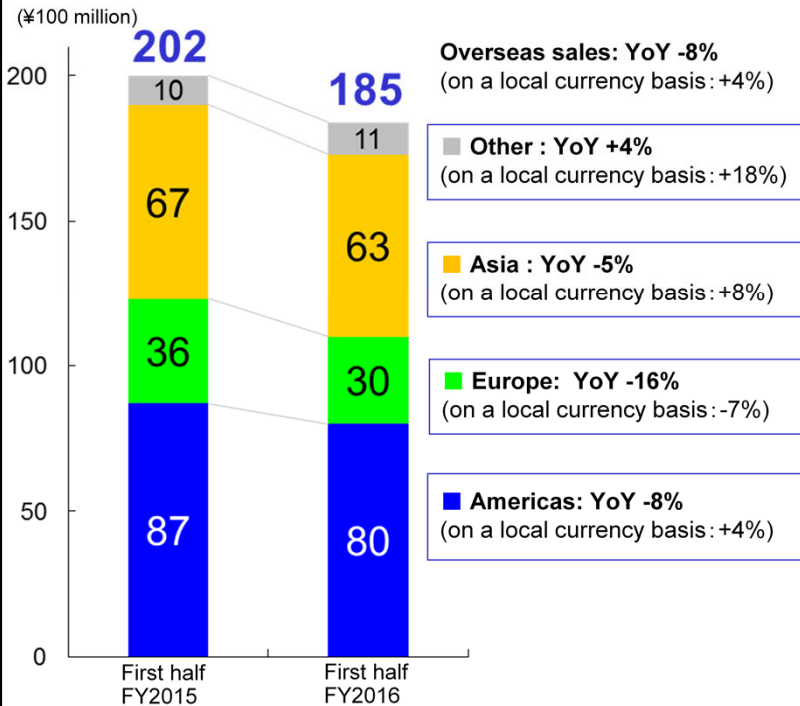
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- Domestic sales increased by ¥2.6 billion to ¥55.8 billion.
- Sales increased as we reorganized the sales operations in April 2016 to match each market: the acute care hospital market, the small and mid-sized hospital market, and the clinic market. Consumables and services also contributed to sales increase.
- Sales in the private hospital and clinic market showed strong growth. Sales in the university and public hospital market also increased.
- Sales in the Other market decreased due to slow replacement demand for AEDs.

4) Overseas Sales

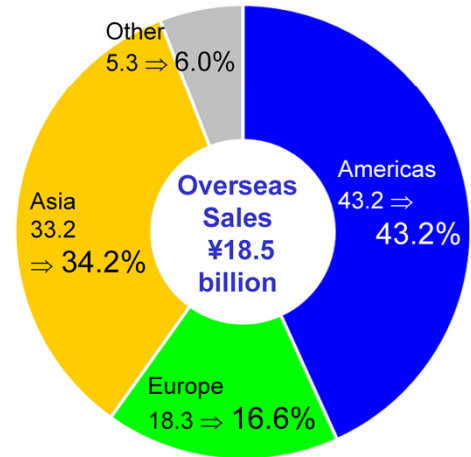
Geographic segments



Percentage of overseas sales to consolidated sales

First half FY2015	First half FY2016
27.5%	25.0%

Geographic Segments (FY2015 H1 ⇒ FY2016 H1)

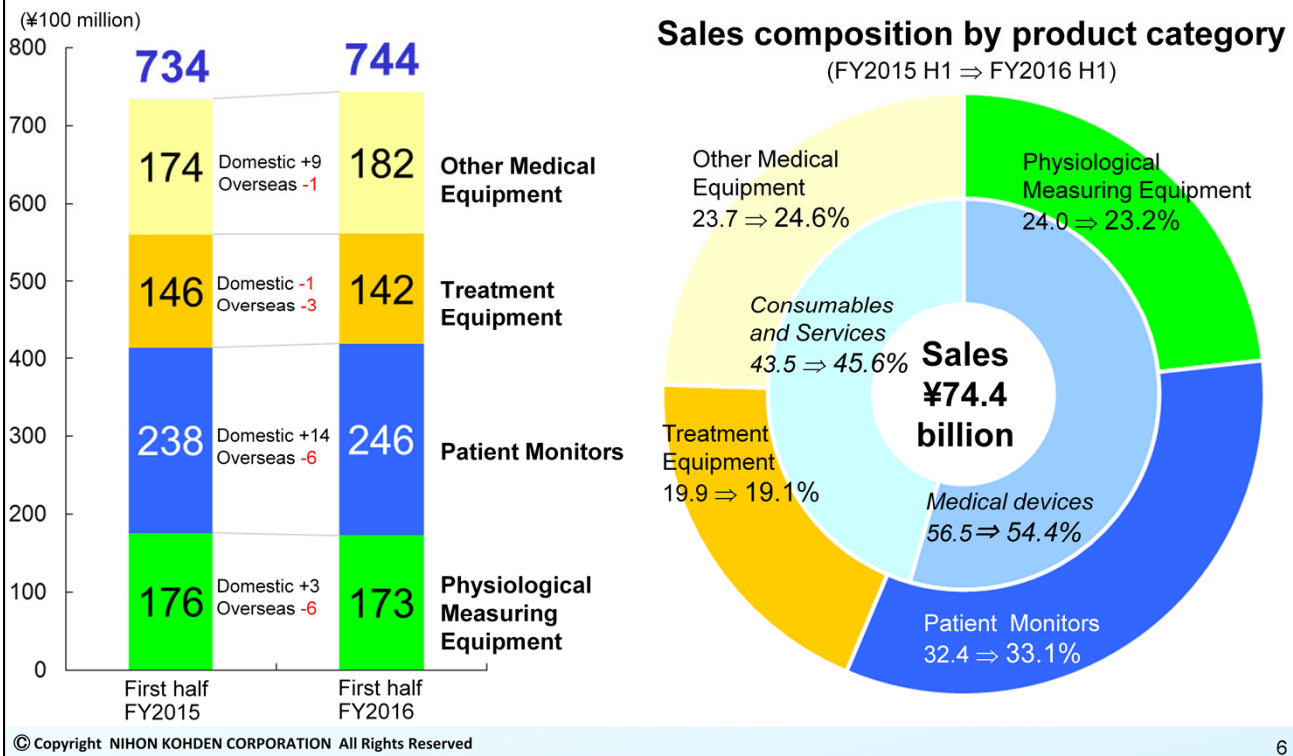


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- Overseas sales decreased by ¥1.7 billion to ¥18.5 billion. Sales in all areas and all product categories decreased due to a negative currency translation impact.
- Sales in the Americas decreased by ¥0.7 billion to ¥8.0 billion, a 4% positive growth on a local currency basis. Sales in the U.S. increased on a local currency basis, posting especially strong growth in Patient Monitors, and decreased on a yen basis. Sales in Latin America decreased partly due to change in distribution channels with reorganization of sales subsidiaries in Latin America.
- Sales in Europe decreased by ¥0.6 billion to ¥3.0 billion, a 7% decline on a local currency basis. Sales decreased especially in Germany, while sales in France and the UK increased.
- Sales in Asia decreased by ¥0.4 billion to ¥6.3 billion, an 8% positive growth on a local currency basis. Sales in Southeast Asia and South Korea increased favorably. Sales in oil producing countries in the Middle East decreased due to negative effects of lower oil prices.
- Sales in Other increased both on a yen basis and a local currency basis, driven by a partial shipment of a large order in Egypt.
- Overseas sales ratio was 25%.

5) Sales by Product Category



- Sales by product category are shown above.
- In Japan, sales of Patient Monitors increased favorably. Sales of Physiological Measuring Equipment and Other Medical Equipment also increased, while sales of Treatment Equipment slightly decreased due to slow replacement demand for AEDs.
- Internationally, sales in all product categories decreased due to a negative currency translation impact.
- Sales ratio of Consumables and Services increased to 45.6% because we strengthened the consumables business both in Japan and internationally; this is a stable revenue base.

5.1) Physiological Measuring Equipment

(Sales, millions of yen)

	First half FY2015	First half FY2016	YoY (%)	
Electroencephalographs	3,812	3,335	-12.5	← Both domestic and overseas sales decreased.
Electrocardiographs	3,405	3,145	-7.6	← Both domestic and overseas sales decreased.
Polygraphs for Cath Lab	5,313	6,101	14.8	← Domestic: Sales of EP catheters increased.
Other Physiological Measuring Equipment *	5,080	4,719	-7.1	
Physiological Measuring Equipment	17,611	17,302	-1.8	
Domestic Sales	13,213	13,536	2.4	
Overseas Sales	4,397	3,765	-14.4	

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



Electroencephalographs

EEG-1250



Electrocardiographs

ECG-2300



Polygraphs for cath labs

RMC-5000

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- Sales of Physiological Measuring Equipment decreased 1.8% to ¥17.3 billion.
- Domestic sales increased 2.4% to ¥13.5 billion because sales of EP catheters in polygraphs for cath lab increased favorably. Sales of EEGs, ECGs and diagnostic information systems decreased.
- Overseas sales decreased 14.4% to ¥3.7 billion, because sales of both EEGs and ECGs decreased.

5.2) Patient Monitors

(Sales, millions of yen)

	First half FY2015	First half FY2016	YoY (%)
Patient Monitors	23,804	24,667	3.6
Domestic Sales	14,669	16,079	9.6
Overseas Sales	9,135	8,588	-6.0

Sales of transmitters and bedside monitors increased favorably, especially in the private hospital and public hospital market.

Sales in Americas were flat. Sales in Europe and Asia decreased.



Bedside monitor
CSM-1901

New!



Telemetry central monitor
WEP-5250 series



Vital sign telemeter
GZ-130P



SpO₂
probes



Oxygen mask
with CO₂
monitoring



ECGs
Electrodes

Consumables

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- Sales of Patient Monitors increased 3.6% to ¥24.6 billion.
- Domestic sales increased 9.6% to ¥16.0 billion. Sales of transmitters and bedside monitors increased favorably, especially in the public hospital and private hospital market.
- Overseas sales decreased 6% to ¥8.5 billion. Sales in Europe and Asia decreased, while sales in the Americas were flat.

5.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2015	First half FY2016	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,640	2,197	-16.8
AEDs (Automated External Defibrillator)	6,951	6,484	-6.7
Pacemakers / ICDs	1,431	1,541	7.7
Ventilators	644	958	48.7
Other Treatment Equipment	2,977	3,051	2.5
Treatment Equipment	14,645	14,233	-2.8
Domestic Sales	10,348	10,275	-0.7
Overseas Sales	4,296	3,958	-7.9
(Ref.) AED Unit Shipments	42,900	41,200	-4.0
Domestic Unit Sales	25,300	21,800	-13.8

Both domestic and overseas sales decreased.

Domestic: Sales decreased due to slow replacement demand.
Overseas: Overall sales increased slightly. Sales in Europe and Asia increased.

Domestic: New orders from newly established hospitals.



Defibrillator
TEC-5600 series

New!



AED
AED-3100



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1



Anesthesia Machine
Leon plus

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- Sales of Treatment Equipment decreased 2.8% to ¥14.2 billion.
- Sales of Defibrillators decreased 16.8% to ¥2.1 billion because both domestic and overseas sales decreased.
- Sales of AEDs decreased 6.7% to ¥6.4 billion. AED unit shipments were 41,200 units. Domestic sales decreased due to slow replacement demand. Overseas sales increased slightly. Sales in Europe and Asia increased.
- Sales of ventilators increased due to new orders from newly established hospitals.
- Domestic sales decreased 0.7% to ¥10.2 billion. Overseas sales decreased 7.9% to ¥3.9 billion.

5.4) Other Medical Equipment

(Sales, millions of yen)

	First half FY2015	First half FY2016	YoY (%)
Hematology Analyzers	5,073	5,277	4.0
Imaging Systems, Medical equipment for study and others *	12,363	12,981	5.0
Other Medical Equipment	17,437	18,258	4.7
Domestic Sales	15,053	15,985	6.2
Overseas Sales	2,383	2,273	-4.6

Domestic: Sales increased in the private hospital and clinic market.
Overseas: Sales decreased slightly. Sales in Americas and Europe increased. New product also contributed.

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

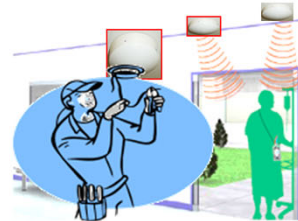
New!



Automated hematology analyzer
MEK-9100



Clinical chemistry analyzer
CHM-4100



Installation and maintenance service

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- Sales of Other Medical Equipment increased 4.7% to ¥18.2 billion.
- Domestic sales increased 6.2% to ¥15.9 billion. Sales of hematology instruments increased in the private hospital and clinic market.
- Overseas sales decreased 4.6% to ¥2.2 billion due to yen appreciation. Sales of hematology analyzers increased in the Americas and Europe. New products also contributed.

6) Financial Condition

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

	FY2015	First half FY2016	Change
Current Assets	112,929	100,087	- 12,841
Non-current Assets	31,340	33,397	2,056
Total Assets	144,270	133,485	- 10,785
Current Liabilities	42,901	33,240	- 9,661
Non-current Liabilities	3,697	4,615	918
Total Liabilities	46,599	37,856	- 8,742
Net Assets	97,671	95,628	- 2,042
Total Liabilities & Net Assets	144,270	133,485	- 10,785

- Total assets decreased by ¥10.7 billion to ¥133.4 billion.

7) Capital Investments and R&D Costs

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

	First half FY2015	First half FY2016	FY2015	FY2016	
				Original Forecast announced May 10	Revised Forecast announced Nov 4
Capital Investments	2,873	4,758	6,678	10,000	9,000
Depreciation	1,596	1,548	3,459	4,000	3,400
R&D costs	2,616	2,958	5,910	7,300	6,500

● FY2016 H1 capital investments :

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and constructions of Advanced Technology Center in Tokorozawa and Asaka facility

● FY2016 capital investments plan:

- Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renovations of Tomioka 2nd Plant and head quarters (Nishiochiai Office)
- Establish Advanced Technology Center in Tokorozawa
 - Completion and relocation: October 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: Winter 2016
 - Capital investments: 1.1 billion yen < FY2015: 0.2 billion yen
 - FY2016: 0.9 billion yen

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- Capital investments increased by ¥1.9 billion to ¥4.7 billion; this includes large investments such as an Advanced Technology Center in Tokorozawa City.
- Depreciation was ¥1.5 billion, the same level as the 1st half of FY2015. R&D costs increased by ¥0.3 billion to ¥2.9 billion.
- We revised the forecast for FY2016 of capital investments to ¥9.0 billion and depreciation to ¥3.4 billion.
- We also revised downward the forecast for FY2016 of R&D costs to ¥6.5 billion, reflecting the progress made during the 1st half. R&D costs will increase over that of FY2015 because we are developing new products in-house such as ventilators.

8) Consolidation and Relocation of Headquarters Function

R&D departments have been relocated to Tokorozawa City, Saitama Prefecture in October 2016



Advanced
Technology Center



Tokorozawa Office



Headquarters
(Nishiochiai Office)

Higashinakano Office

The headquarters function will be consolidated and relocated in the headquarters (Nishiochiai Office) in December 2016

- R&D departments were relocated to the new Advanced Technology Center in October 2016.
- The new Advanced Technology Center is a creative place which fosters dreams and innovations. We are making efforts to realize our long-term vision and lead the world in the development of revolutionary breakthrough technology.
- The headquarters function will be consolidated and relocated from the Higashinakano Office to the Nishiochiai Office in December 2016.

Forecast for FY2016



1) Business Environment

Japan

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

- Differentiate medical providers and strengthen collaboration
- Promote integrated community care systems
- Medical service fee revision of +0.49% in Apr 2016
 - [Acute care]
 - Raise % of critically ill inpatients to 25% from 15%
 - Higher evaluation on emergency care and surgical procedures
 - [Clinics] Higher evaluation on family doctors
- Funds for securing comprehensive medical and long-term care in the communities: FY2016 ¥90.4 bil for medical

Government requires each prefecture to draw up a regional health vision. Deadline Mar 2018; desired mid 2016

Environmental changes will cause moderate recovery of hospital capex and stable demand in clinics

International

US

- Promote ObamaCare
- Increase and expansion of IDNs*

Europe

- Moderate economic recovery, concern about impact of Brexit

Emerging Countries

- Concern about an economic slowdown due to weak currencies and lower oil prices in some regions
- Healthcare infrastructure is developing together with economic growth

Overall demand for medical equipment will remain steady

- In Japan, the government is proceeding with reform of the healthcare system under its 2025 future vision of medical/long-term care services.
- In April 2016, there was a 0.49% upward revision of medical service fees. Acute care hospitals are required to prepare to accept many critically ill inpatients. Family doctors in clinics also received a high appraisal. The Company expects that these health care environment changes will cause moderate recovery of hospital capex and stable demand in clinics.
- Internationally, ObamaCare is progressing and IDNs are increasing and expanding in the U.S.
- In Europe, the economy is recovering moderately, but there are concerns about the impact of Brexit.
- There are also concerns about an economic slowdown due to weak currencies and lower oil prices in some emerging countries. However, we expect that overall demand for medical equipment will remain steady in the U.S., Europe and emerging countries.

2) Measures in the 2nd Half of FY2016

Domestic Business

Expand sales by market

University and public hospital market

Receive large orders as budget executions will be more concentrated in the 2nd half

Private hospital and clinic market

Acquire new customers with new product introductions

Overseas Business

US

Strengthen R&D functions at NKUS Lab for expanding US patient monitoring business

Emerging Countries

- Expand hematology business
- Focus on private hospital market

Improve Profitability

Expand sales of in-house consumables

Focus on promoting SpO₂/CO₂ sensor and NIBP disposable cuff as well as productivity improvement

Response to tenders with short delivery times

Improve forecast accuracy of orders by introducing ERP/CRM system in overseas subsidiaries

Strengthen cost control

Strengthen cost control in each subsidiary and division, and continue necessary investments for future business expansion

- In the 2nd half of FY2016, we will promote the above measures.
- In Japan, we are expanding sales activities to match each market. We are aiming at receiving large orders as budget executions will be more concentrated in the 2nd half in the university and public hospital market. We are also working to acquire new customers with new product introductions in the private hospital and clinic market.
- Internationally, we are strengthening R&D functions at NKUS Lab to expand the U.S. patient monitoring business. In emerging countries, we are expanding hematology business and focusing on sales activities in the private hospital market where solid demand continues.
- To improve profitability, we are focusing on sales of in-house consumables such as sensors and blood pressure cuffs. We are also improving the forecast accuracy of orders by introducing an ERP/CRM system to respond to tenders with short delivery times. We are strengthening cost control on a company-wide basis and continuing necessary investments for future business expansion.

3) Forecast for FY2016

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

	FY2015	FY2016		YoY (%)
		Original Forecast announced May 10	Revised Forecast announced Nov 4	
Sales	165,522	175,000	170,500	3.0
Domestic Sales	121,989	127,000	126,300	3.5
Overseas Sales	43,533	48,000	44,200	1.5
Operating Income	16,438	17,500	17,000	3.4
Ordinary Income	16,116	17,500	16,000	-0.7
Income Attributable to Owners of Parent	10,516	11,500	10,700	1.7

Percentage of overseas 26.3% 27.4% 25.9%

Average exchange rate

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

+16.5% on a local currency basis

Breakdown of overseas sales by region

	FY2015	FY2016		YoY (%)
		Original Forecast announced May 10	Revised Forecast announced Nov 4	
Americas	19,455	21,300	19,900	2.3
Europe	8,084	8,700	7,700	-4.8
Asia	13,877	15,700	14,200	2.3
Others	2,115	2,300	2,400	13.5

FY2016 2H

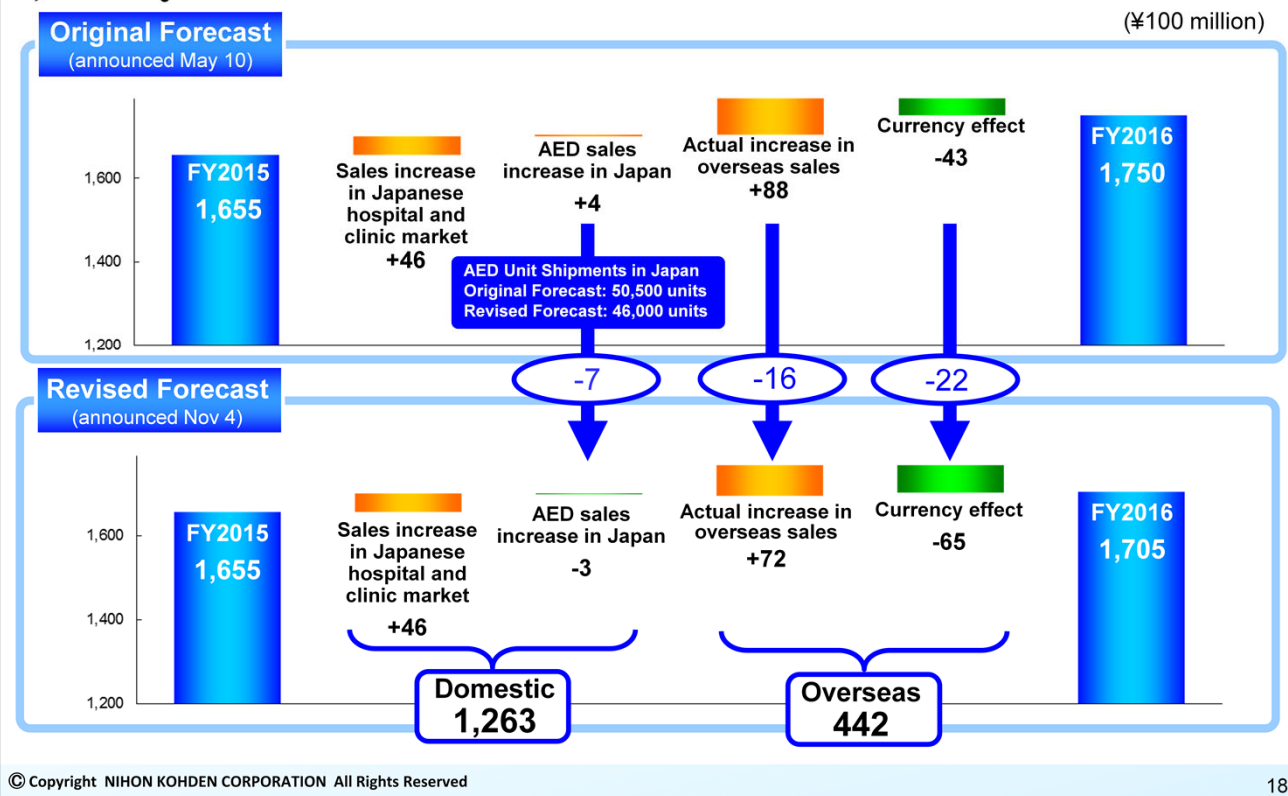
101 yen
113 yen

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- Based on recent performance trends and future outlook, we revised the forecast for FY2016.
- Both sales and income forecast were revised because sales of AEDs were weak in Japan and sales in Europe and China were below the Company's expectation. It was also because appreciation of the yen was greater than expected.
- The Company forecasts that its overall sales will increase 3.0% to ¥170.5 billion and domestic sales will increase 3.5% to ¥126.3 billion. Overseas sales are expected to increase 1.5% to ¥44.2 billion, 16.5% growth on a local currency basis. The breakdown of overseas sales forecast by region is shown above.
- Operating income is expected to increase 3.4% to ¥17.0 billion, reflecting lower sales than the previous forecast, while we will focus on improving the profitability by restraining the growth of expenditures. Ordinary income is expected to decrease 0.7% to ¥16.0 billion and Income attributable to owners of parent is expected to increase 1.7% to ¥10.7 billion, reflecting foreign exchange losses.
- The forecast for the 2nd half of FY2016 is based on an exchange rate of 101 yen to the dollar and 113 yen to the euro. The forecast for FY2016 is based on an exchange rate of 104 yen to the dollar and 116 yen to the euro.

4) Analysis of FY2016 Sales Forecast



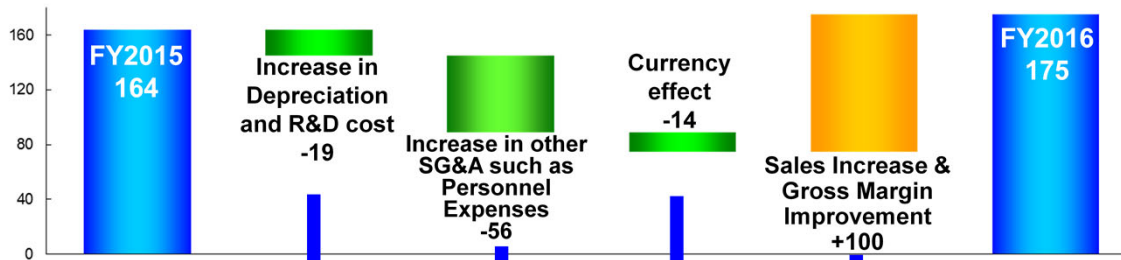
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- For domestic sales, sales in Japanese hospital and clinic market are expected to increase ¥4.6 billion.
- AED sales in Japan are expected to decrease ¥0.3 billion. The forecast for AED unit sales was revised to 46,000 units from 50,500 units.
- For overseas sales, sales in Europe and China are expected to recover in the 2nd half of FY2016, but not enough to meet the expectation. Therefore, the increase in overseas sales forecast was revised to ¥7.2 billion.
- Negative currency effect will be ¥6.5 billion, reflecting the revised currency exchange rate to the dollar and the euro.

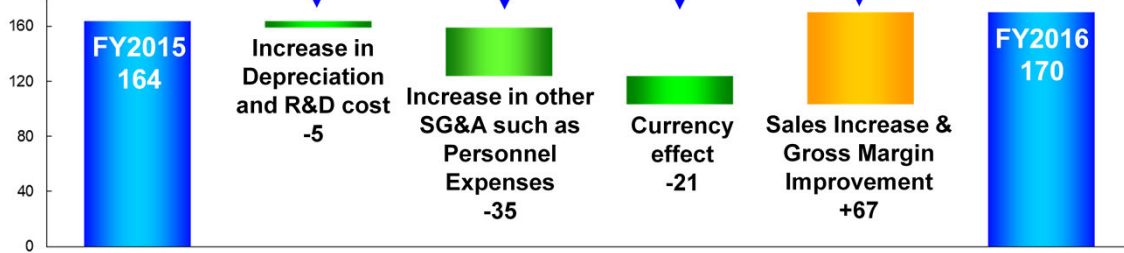
5) Analysis of FY2016 Operating Income Forecast

(¥100 million)

Original Forecast (announced May 10)



Revised Forecast (announced Nov 4)



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- For operating income, there are depreciation costs and R&D costs increase of ¥0.5 billion, in addition to other SG&A increase such as personnel expenses of ¥3.5 billion.
- Negative currency effect will be ¥2.1 billion, reflecting greater-than expected appreciation of the yen.
- The impact of sales increase and gross margin improvement will be ¥6.7 billion, because sales are expected to be lower than the previous forecast.

(Ref.) Consolidated Forecast FY2016 by Product Category

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

	FY2015	FY2016		YoY (%)
		Original Forecast announced May 10	Revised Forecast announced Nov 4	
Physiological Measuring Equipment	39,218	40,800	39,600	1.0
Patient Monitors	54,823	59,250	57,900	5.6
Treatment Equipment	30,611	32,600	30,700	0.3
Other Medical Equipment	40,868	42,350	42,300	3.5
Total	165,522	175,000	170,500	3.0
(Reference)				
Consumables and Services	67,684	72,400	71,900	6.2

- The Company also revised its sales forecast by product category based on recent performance trends.
- We will aim at gaining market share especially in Patient Monitors. We will also enhance Consumables and Services business domestically and internationally; this is a stable revenue base.

Business Strategy



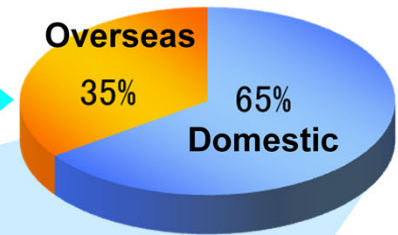
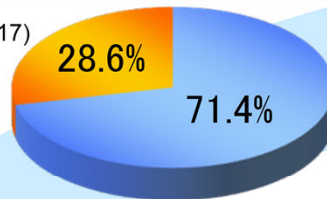
1) Long-term Vision and Mid-term Business Plan

Long-term Vision (April 2010 to March 2020)

The CHANGE 2020
-The Global Leader of Medical Solutions-

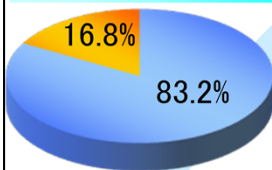
2nd Stage (April 2013 to March 2017)

Strong Growth 2017



1st Stage (April 2010 to March 2013)

SPEED UP III



FY2012 Actual

Sales ¥132.5 bil
Operating Income ¥13.4 bil
Operating income ratio 10.2%
ROE 12.7%

FY2016 Target

Sales ¥182 billion
Operating Income ¥20 billion
Operating income ratio 11.0%
ROE 13.5%

FY2016 Revised Forecast

Sales ¥170.5 bil
Operating Income ¥17.0 bil
Overseas sales ratio 25.9%

Fiscal year ending March 2020

Sales ¥200 billion

Operating Income ¥25 billion

Operating income ratio 12.5%

- In our long-term vision, the target for the period ending March 2020 is sales of ¥200 billion, operating income of ¥25 billion and overseas sales ratio of 35%.
- FY2016 is the last year of our mid-term business plan.
- The Company aims to achieve sustainable growth in Japan and strong growth in international markets. The Company is also strengthening its operating base to ensure growth to realize the long-term vision.

2) Key Strategies of Mid-term Business Plan

Strong
Growth
2017

Pursue the highest level of quality in the world

Strengthen technological development capabilities

Strengthen business expansion by region

Achieve further growth in core businesses

Develop new businesses

Consolidate corporate fundamentals

- The Company is executing six key strategies to achieve its mid-term business plan. These are to strengthen business expansion by region and achieve further growth in core businesses.

3) Strategy for FY2016 (i) Strengthen Business Expansion by Region

Japan: Create solutions for a national future vision of medical and nursing care services in 2025

Advanced Acute Care/Acute Care

Recovery Care

Chronic

Clinics

Home Care

Reorganize sales operations to match each market in Apr 2016



Hospital Sales Operations

GP* Sales Operations



Develop products for acute care and integrated community care
(Recovery care, Chronic and Clinics)



AE-120A MEE-2000



WEP-5250 OLV-4200 OLG-3800 MEK-9100 ECG-2400 ECG-2250

Develop new business for home care

Develop Remote Medical Support System
Plan to launch FY2016 or later

Remote care system for elderly

SUKOYAKA®



Provide IT system solutions

Acute care



Prime Vita Plus



Recovery

Prime Creat



Chronic



Clinics

Prime Linc

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*GP: General Practitioner

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- In Japan, the market environment has been changing drastically because the Japanese government is proceeding with healthcare system reform under its 2025 future vision of medical/long-term care services.
- The Company reorganized its sales operations in April 2016 to match each market further, and its positive effect will appear gradually.
- Hospital Sales Operations is enhancing its sales force expertise to support advanced acute care as well as provide IT system solutions.
- GP Sales Operations is focusing on developing products which meet market needs in order to acquire new customers. We are also developing new business such as a remote care system for the elderly.

Establish a stronger presence in **the U.S.** which is a center of leading-edge medical treatment

Strengthen collaboration of 3 businesses and cross-selling

Patient monitors

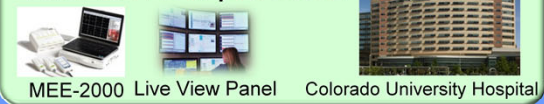
- Strengthen ties with IDNs*
 - Agreement with large IDNs
- Achieve No.1 customer satisfaction for **10 consecutive years****
 - High evaluation for our patient monitors quality and performance, and after sales service such as training
- Launch new products



- Expand consumable sales
 - SpO₂ probe
 - Oxygen mask with CO₂ monitoring

Neurology

- Focus on top 50 hospitals in USA
- Launch new products



Resuscitation

- **defibtech** Establish new factory

- Outsourcing production & in-house production
- Establish high quality management system complying with FDA



Aim at 10% share in patient monitors market

*IDN: Integrated Delivery Network **Source: MD Buyline, Inc. which conducts a survey of U.S. hospitals for patient monitoring vendors every quarters

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- In the U.S., we are strengthening collaboration of 3 businesses and cross-selling.
- In Patient Monitors, we are strengthening ties with IDNs which are increasing and expanding. We recently had a contract for patient monitors with one of the large IDNs. We have also achieved No. 1 customer satisfaction for 10 consecutive years, with high evaluation for our patient monitors quality and performance, and after sales service such as training. We continue to take steps to gain 10% market share in the U.S. by launching new products and expanding sales of consumables.
- In Neurology, we continue to focus on the top 50 hospitals, and Colorado University Hospital became a new customer of our EEGs. We aim to gain market share by developing products which meet market needs.
- In the Resuscitation field, Defibtech established a new factory and started in-house production in addition to outsourced production. We are establishing a high quality management system in compliance with the FDA.

Increase market share in **emerging markets** as a key growth driver

Strengthen business structure

- Expand hematology business
- Focus on the private hospital market
- Make efforts to win government tenders, ex. receive a large order in Egypt

Nihon Kohden
Middle East

Shanghai Kohden

Nihon Kohden Korea

Nihon Kohden India

NKS Bangkok

Nihon Kohden Mexico

Nihon Kohden Malaysia

Nihon Kohden
Latin America

Nihon Kohden Singapore

Nihon Kohden Do Brasil



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- In emerging countries, we aim to capture strong demand associated with developing healthcare infrastructure. We are also contributing to improve the standard of medical care.
- We are focusing on expanding hematology business such as hematology analyzers and CRP measurement devices. We are also focusing on the private hospital market where demand for medical devices is solid.
- We will make efforts to win government tenders. For instance, we received a large order in Egypt and part of this sale was recorded in the 2nd quarter of FY2016.
- We continue to expand localization of our sales and services networks in emerging countries as well as provide made-in-Japan products to high-end markets and made-in-Shanghai products to middle- to low-end markets.

(ii) Achieve further growth in core businesses


New products in FY2015 and FY2016

Diagnostic Equipment

Neurology products




Intraoperative monitoring system MEE-2000
Launch 2015 (USA)
Launch 2016 (Japan)




EEG Head-set
Launch 2016 (Japan)


Patient Monitors




Vital sign telemeter GZ-130P
Launch 2015



Bedside monitors for emerging countries GZ-140P
Launch 2016




Telemetry central monitor WEP-5250 series
Launch 2016 (Japan)




SVM-7500 series
Launch 2015

Cardiology products




Polygraphs for cath labs RMC-5000
Launch 2015 (Japan)




ECG-2400
launch 2016

Hematology Instruments




Hematology analyzer MEK-9100
Launch 2016




High DNA content measuring flow cytometer FCM-2200
Launch 2015 (Japan)


Treatment Equipment




AED-3100
Launch 2015



Automated Resuscitation Machine
Launch 2015 (USA)



CPR Assist
Plan to launch 2016



Defibrillators for ambulances TEC-2603
Launch 2016 (Japan)

Sensor
technology

IT Solutions

Consumables and Services

- The Company has five core business areas which focus on sensor technology.
- New products are shown above.

(ii) Achieve further growth in core businesses



Non-invasive continuous cardiac output monitoring
Estimate CO using ECG and SpO₂

Introduce in Europe and emerging countries

Complete clinical research in Japan in Aug, prepare application for PMDA approval

Fast and painless NIBP measurement **iNIBP**




New!
Disposable Cuff for NIBP measurement
Launch 2016

* NIBP : Non Invasive Blood Pressure

Worldwide promotion

Demonstration at World Congress of Anesthesiologists in Hong Kong in Aug 2016



World's smallest and lightest mainstream CO₂ sensor



Oxygen masks with CO₂ monitoring
Launch 2015



New!
CO₂ monitor OLG-3800
Launch 2016

SpO₂ **NPI**
Pulse Oximetry

Pioneer in the development of principles of pulse oximetry which measures SpO₂



New!
Pulse oximeter OLV-4200
Launch 2016

Nihon Kohden's original sensor technology

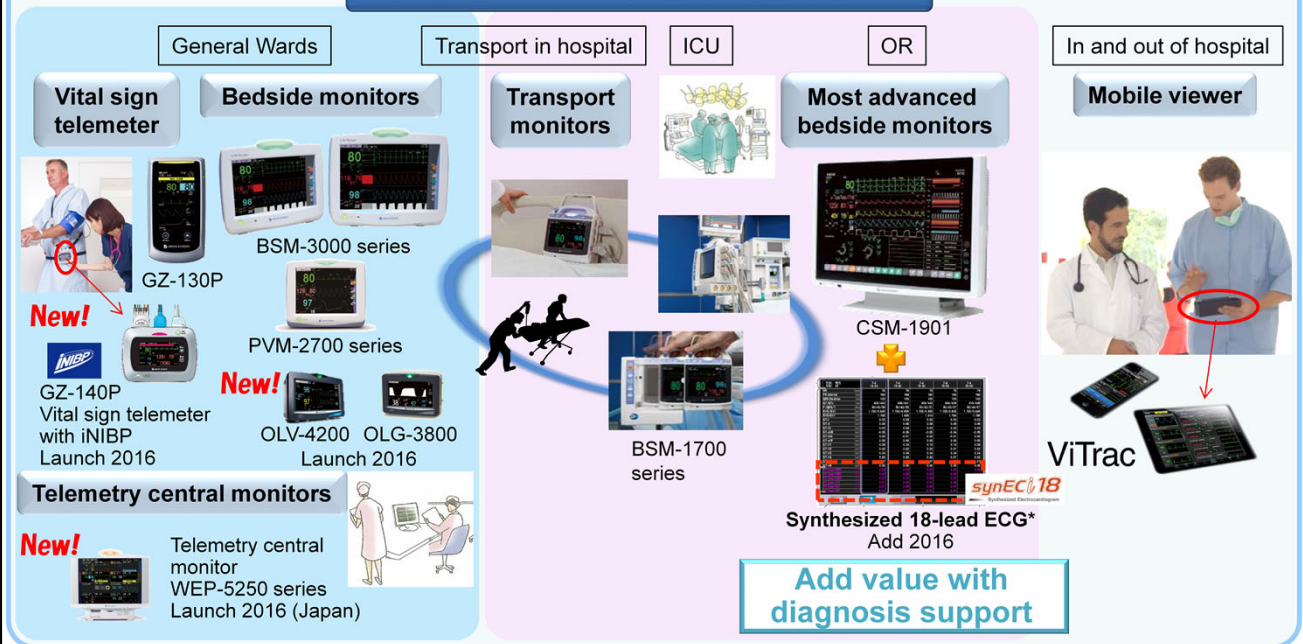
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- The Company has continued to focus on developing its original sensor and parameter technologies since its founding. Human Machine Interface is the Company's core technology.
- esCCO is our unique parameter which can estimate non-invasive continuous cardiac output. We completed clinical research in Japan and started preparing application for PMDA approval. esCCO received a high evaluation from doctors around the world at the World Congress of Anesthesiologists in August 2016.
- We also developed SpO₂ technology, iNIBP which is a fast and painless blood pressure measurement method, and new CO₂ measurement technology.
- These technologies enhance our product competitiveness and contribute to the improvement of medical technology.

Patient Monitors

Seamless Patient Care



* Synthesized 18-lead ECG derives 6-lead ECG, right-side leads and posterior lead, from the standard 12-lead ECG

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- In Patient Monitors, the Company established a next generation platform by launching the above product line-up.
- New products such as a vital sign telemeter with iNIBP, and telemetry central monitors were launched.
- We added value by installing synthesized 18-lead ECG on our most advanced bedside monitors.
- The role of Patient Monitors is becoming more important in advanced acute care.
- We continue to accelerate our business operations globally through providing our unique solutions.

Treatment Equipment

Strengthen collaboration with patient monitors



Early detection of NCSE* in ER/ICU

* NCSE (Nonconvulsive Status Epilepticus) is a consciousness disturbance of unknown cause and difficult to diagnose due to nonconvulsion. Early diagnosis and treatment is important.

New!

EEG Headset
AE-120A
Launch 2016
(Japan)

Easy attachment
enables fast EEG
measurement.



EEG monitoring



EEG measurement



EEG monitoring by bedside monitors



Resuscitation

AED Linkage



Anesthesia Machine

Heinen + Löwenstein
products

Anesthesia Machine
under joint development
with Acoma

Ventilators

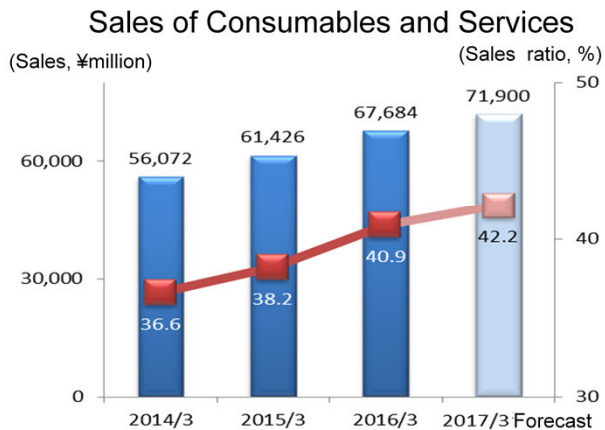
Hamilton products Metran products

Ventilator under
development at US R&D
office, OrangeMed, Inc

- In Treatment Equipment, we provide continuum solutions from out of hospital to in hospital.
- In the ER and ICU, demand for measuring and monitoring EEG is increasing. We launched an EEG headset with easy attachment to enable fast EEG measurement. We will contribute to early diagnosis and treatment by fast EEG measurement for nonconvulsive status epilepticus patients. There is also increasing need for EEG monitoring by bedside monitors.
- We are also developing in-house ventilators and anesthesia machines.

Consumables

Expand international sales of consumables



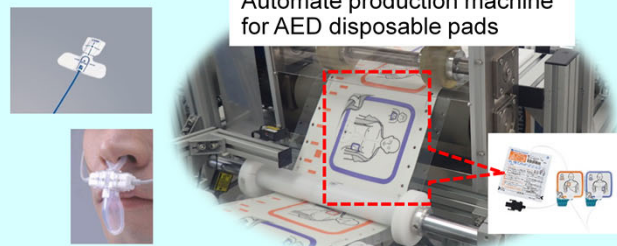
- Sales of consumables and services has grown steadily
- Focus on overseas business of consumables

Increase production efficiency and product volume

Add domestic plant for consumables



Automate production of SpO₂/CO₂ sensors and AED disposable pads



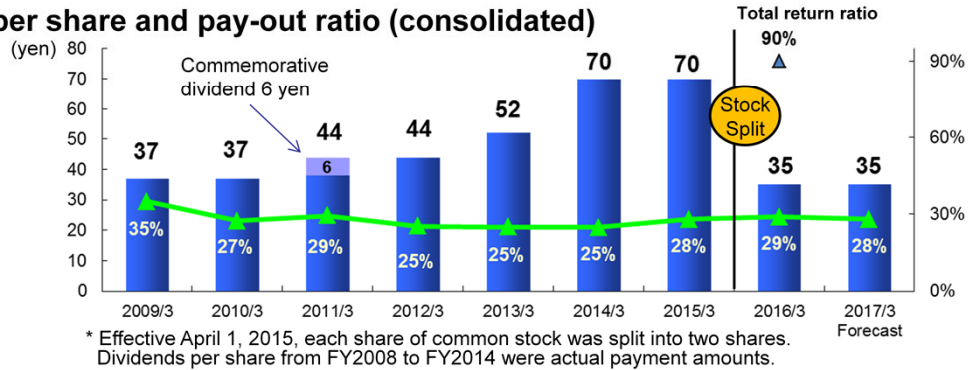
- Sales of Consumables and Services continue to increase steadily.
- In particular, we are focusing on overseas consumables business.
- We expanded our domestic manufacturing function to increase production efficiency and product volume. We plan to start manufacturing consumables at the Tomioka 2nd Plant within FY2016. We will also promote automate production of sensors and AED disposable pads.

4) Dividend Policy

Basic dividend policy

- **Maintain stable and continuous dividend payments** while retaining necessary reserves for future business expansion. Retained earnings are used in R&D investments, capital investments, M&A and development of human resources.
- Cash dividends is the base of the shareholder return, and **a target consolidated pay-out ratio is 30% or more.**
- Share buyback is considered in a flexible manner.

Dividends per share and pay-out ratio (consolidated)



Cancellation and repurchase of treasury stock

May 2015
Cancel
1,800K shares



June 2015 and March 2016
Repurchase
2,200K shares

Number of treasury stock:
4,070K shares
(stockholding ratio: 4.5%)

- Our basic policy is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion such as R&D investments, capital investments, M&A and development of human resources.
- Cash dividends are the base of the shareholder return, and the target consolidated pay-out ratio is 30% or more.
- Full-year dividends for FY2016 will be 35 yen, and payout ratio will be 28%.
- Share buyback is considered in a flexible manner.

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.