

Consolidated Financial Highlights for the First Quarter of FY2016

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



NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

August 1, 2016

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

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

	FY2015 1Q	FY2016 1Q	YoY (%)
Net Sales	32,687	31,402	-3.9
Domestic Sales	23,971	23,878	-0.4
Overseas Sales	8,715	7,524	-13.7
Operating Income	132	-416	—
Ordinary Income	610	-1,472	—
Income Attributable to Owners of Parent	239	-1,086	—

← -7% on a local currency basis

← **Gross Margin Ratio:**
FY2015 1Q 47.6% → FY2016 1Q 48.7%
SG&A Ratio: 47.2% → 50.0%

← **Foreign exchange gains or losses:**
FY2015 1Q ¥0.35 bil gains → FY2016 1Q ¥1.29 bil losses

Average Exchange Rate	(2015/6)	(2016/6)
1 US Dollar	¥120.9	¥112.8
1 EURO	¥132.9	¥125.8

2) Highlights of FY2016 1Q

Net Sales : -3.9%

- **Japan**: Sales in the hospital market and clinic market increased. Sales of AEDs in the PAD market decreased.
- **International**: Sales decreased due to the negative effects of weak local currencies and lower oil prices in some emerging countries. A negative currency translation impact also affected sales.

Operating Loss : ¥416 mil (¥132 mil of operating income in FY2015 1Q)

- Gross margin ratio was higher than the 1st quarter of FY2015 mainly due to improvement of productivity.
- SG&A expenses increased mainly due to enhancement of human resources. There were also effects of cost controls.

Ordinary Loss : ¥1,472 mil (¥610 mil of ordinary income in FY2015 1Q)

- Foreign exchange losses were recorded compared to foreign exchange gains in the 1st quarter of FY2015.

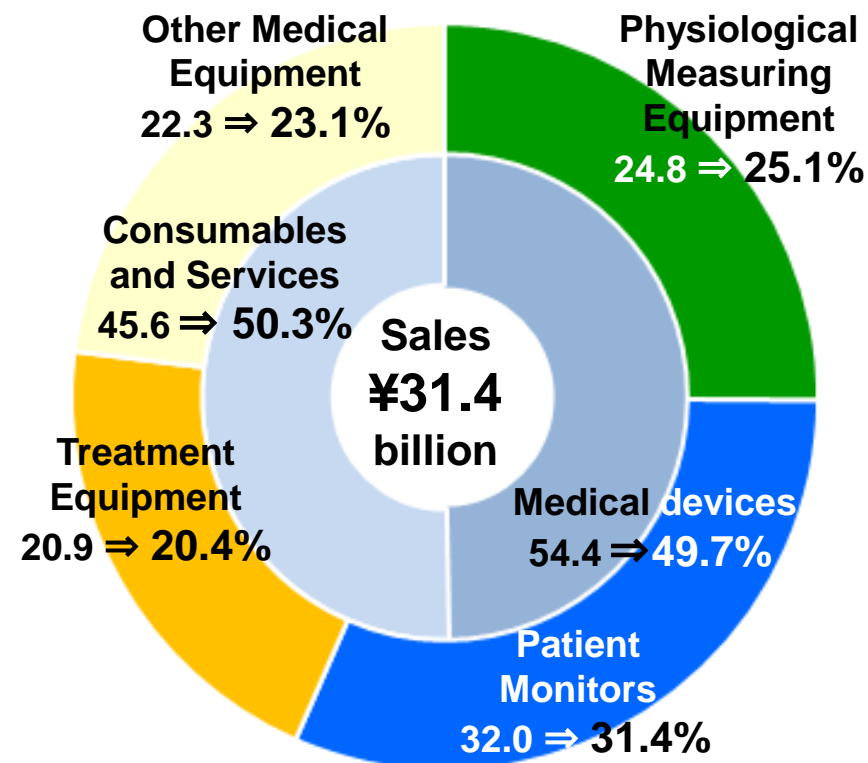
3) Sales by Product Category

(Sales, millions of yen)

	FY2015 1Q	FY2016 1Q	YoY (%)
Physiological Measuring Equipment	8,110	7,896	-2.6
Patient Monitors	10,472	9,862	-5.8
Treatment Equipment	6,824	6,409	-6.1
Other Medical Equipment	7,279	7,235	-0.6
Total Sales	32,687	31,402	-3.9
(Reference)			
Consumables and Services	14,889	15,791	6.1

Sales composition by product category

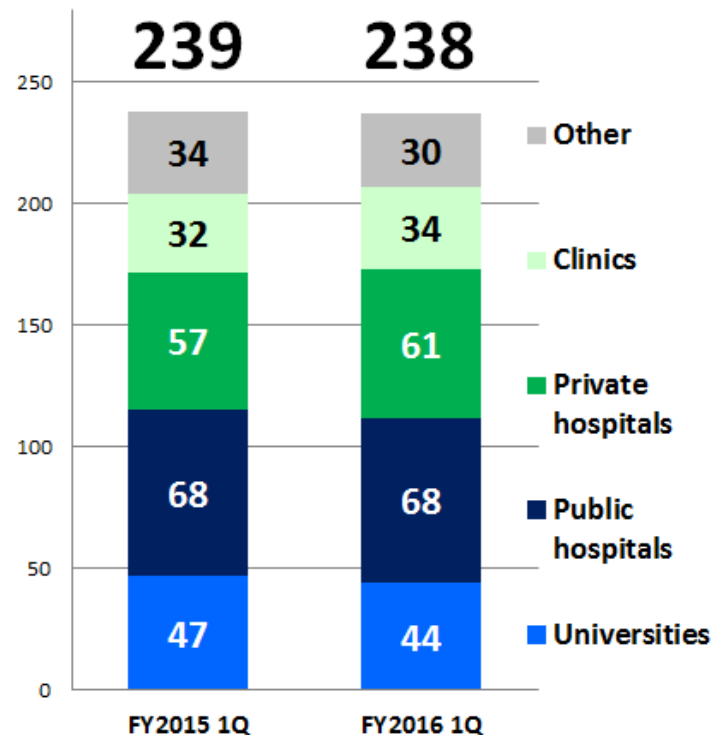
(FY2015 1Q ⇒ FY2016 1Q)



4) Domestic Sales

Sales by Market

(¥100 million)



Sales by Product Category

(Sales, millions of yen)

	FY2015 1Q	FY2016 1Q	YoY (%)
Physiological Measuring Equipment	6,179	6,271	1.5
Patient Monitors	6,655	6,693	0.6
Treatment Equipment	4,984	4,646	-6.8
Other Medical Equipment	6,151	6,266	1.9
Total Sales	23,971	23,878	-0.4

[Markets] Sales in the private hospital market and the clinic market increased. Sales in the public hospital market were flat. Sales in the university market decreased. Sales of AEDs in the PAD market decreased due to slow replacement demand.

[Products] Physiological Measuring Equipment: Sales of EEGs and polygraphs for cath labs increased, while sales of ECGs and diagnostic information system decreased.

Patient Monitors: Sales of bedside monitors, transmitters, and consumables and services increased, while sales of clinical information system decreased.

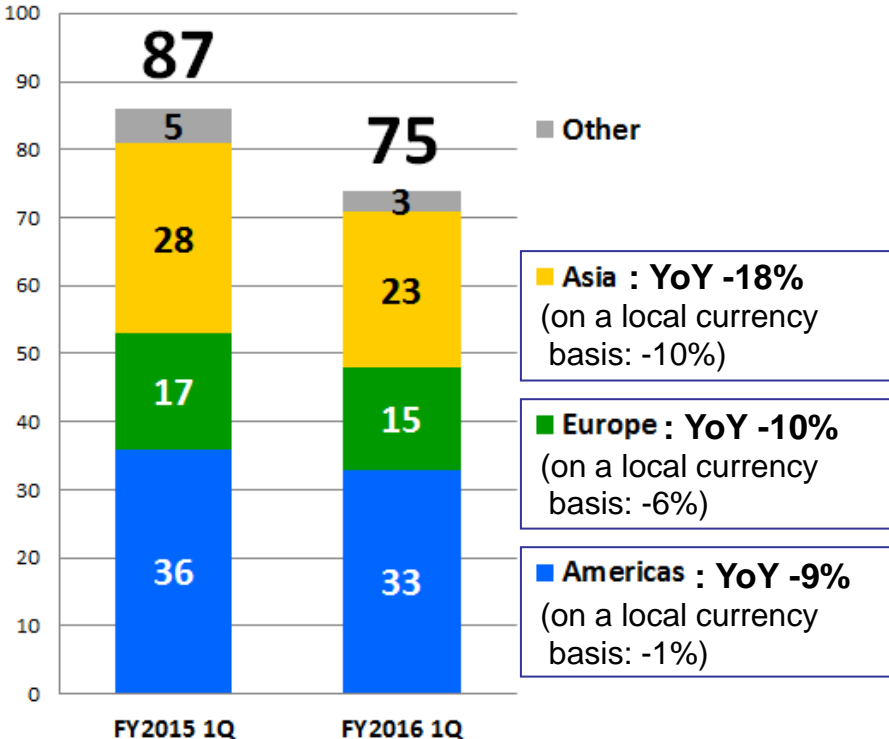
Treatment Equipment: Sales of defibrillators and AEDs decreased. Sales of ventilators, pacemakers and ICDs increased.

Other Medical Equipment: Sales of hematology instruments increased. Sales of locally purchased products were controlled in accordance with the Company's selling policy to focus on its own products and consumables.

5) Overseas Sales

Geographic segments

(¥100 million)



Percentage of overseas sales to consolidated sales

FY2015 1Q	FY2016 1Q
26.7%	24.0%

Sales by Product Category

(Sales, millions of yen)

	FY2015 1Q	FY2016 1Q	YoY (%)
Physiological Measuring Equipment	1,930	1,624	-15.8
Patient Monitors	3,817	3,168	-17.0
Treatment Equipment	1,840	1,763	-4.2
Other Medical Equipment	1,127	968	-14.1
Total Sales	8,715	7,524	-13.7

-7% 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, while sales in France and the UK increased.
Asia: Sales in the Middle East decreased due to lower oil prices. Sales in China increased on a local currency basis.
- [Products]** **Physiological Measuring Equipment:** Sales of EEGs decreased in all areas. Sales of ECGs decreased in the Americas and Europe.
Patient Monitors: Sales decreased in all areas.
Treatment Equipment: Sales of defibrillators decreased, while sales of AEDs increased.
Other Medical Equipment: Sales of hematology analyzers decreased in Asia.

6) Topics

New product in FY2016 1Q

EEG in Physiological Measuring Equipment

EEG Headset, AE-120A Launch July 2016 (Japan)

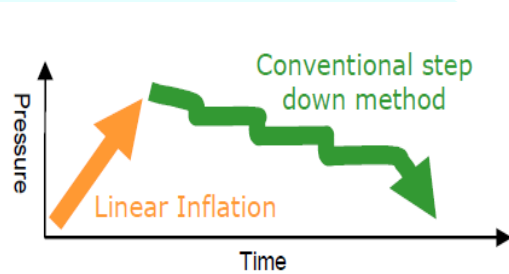
- Easy attachment enables fast EEG measurement.
- Address needs of measuring EEG in unconscious patients of unknown cause in emergency care, especially useful for diagnosing NCSE*.



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

Develop a vital sign parameter business

NIBP* module



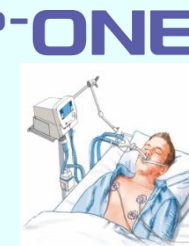
⇒ OEM supply agreement with NIKKISO

SpO₂ sensor



CO₂ sensor

cap-ONE



⇒ Under negotiation with an overseas medical device maker towards an agreement

7) Depreciation & R&D Costs

(Millions of yen)

	FY2015 1Q	FY2016 1Q	Change	FY2015 Actual	FY2016 Plan
Depreciation	747	733	-13	3,459	4,000
R&D Costs	1,254	1,242	-12	5,910	7,300

● FY2016 capital investments plan:

- Molds for new products, measuring equipment and jigs, products for demonstration, production equipment and renovation of Tomioka 2nd Plant
- Establish Tokorozawa R&D center
 - Completion and relocation: Fall 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

8) Revision of Forecast for 1st Half of FY2016

(100 Millions of yen)

	FY2015 1H Actual	FY2016 1H			
		Original Forecast announced May 10 (A)	Revised Forecast announced Aug 1 (B)	Difference (B-A)	YoY(%)
Net Sales	734	780	750	-30	2.0
Domestic Sales	532	—	—	—	—
Overseas Sales	202	—	—	—	—
Operating Income	42	45	37	-8	-12.3
Ordinary Income	44	45	28	-17	-36.4
Income Attributable to Owners of Parent	25	29	18	-11	-28.5

Notes: As of August 1, assumed exchange rates are 105 yen to the dollar and 116 yen to the euro from the 2nd quarter of FY2016.

9) Reason for the Revision

Net Sales: ¥75.0 bil (down ¥3.0 bil from its previous forecast)

- Both domestic and international sales are expected to recover in the second quarter, but not enough to cover the weak first quarter. Greater-than expected appreciation of the yen in currency translation will also have an effect.
- **Japan:** The Company will promote sales and marketing that is a much closer fit to customers in the acute care hospital market and the small and mid-sized hospital market, corresponding to the demands for medical devices in accordance with revised evaluation of hospital treatment.
- **International:** In Patient Monitoring business in the U.S., contracts and business negotiations with IDNs* are expected to increase. In emerging countries, the Company anticipates a recovery in orders driven by a large order from Egypt.

Operating Income: ¥3.7 bil (down ¥0.8 bil from its previous forecast)

- The Company will reduce costs at the product planning stage, R&D and production, while continuing necessary investments for future business expansion.
- SG&A expenses will increase compared to 1st half of FY2015, while the Company will restrain growth of expenditures.

10) Forecast for FY2016

Sales by Product Category (Millions of yen)

	FY2015 Actual	FY2016 Forecast	YoY (%)
Net Sales	165,522	175,000	5.7
Domestic Sales	121,989	127,000	4.1
Overseas Sales	43,533	48,000	10.3
Operating Income	16,438	17,500	6.5
Ordinary Income	16,116	17,500	8.6
Income Attributable to Owners of Parent	10,516	11,500	9.4

	FY2015 Actual	FY2016 Forecast	YoY (%)
Physiological Measuring Equipment	39,218	40,800	4.0
Patient Monitors	54,823	59,250	8.1
Treatment Equipment	30,611	32,600	6.5
Other Medical Equipment	40,868	42,350	3.6
Total	165,522	175,000	5.7
(Reference)			
Consumables and Services	67,684	72,400	7.0

The Company leaves its forecasts for FY2016 unchanged as business deals both domestically and internationally will be more concentrated in the 2nd half. The Company will also take measures to further improve profitability.

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.