


# Consolidated Financial Highlights for FY2015

(From April 1, 2015 to March 31, 2016)

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1. Consolidated Financial Results for FY2015
  2. Forecast for FY2016
  3. Business Strategy

May 16, 2016



# Consolidated Financial Results for FY2015

# 1) Consolidated Financial Results for FY2015

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

	FY2014 Actual	FY2015		Actual	YoY (%)	
		Original Forecast announced May 11, 2015	Revised Forecast announced Nov 4, 2015			
<b>Sales</b>	160,803	172,000	167,000	<b>165,522</b>	2.9	
<b>Domestic Sales</b>	122,490	126,000	121,000	<b>121,989</b>	-0.4	
<b>Overseas Sales</b>	38,313	46,000	46,000	<b>43,533</b>	13.6	+7% on a local currency basis
<b>Operating Income</b>	15,921	18,000	16,500	<b>16,438</b>	3.3	FY2014 FY2015 Gross margin ratio: 48.4% → 48.8% SG&A ratio: 38.5% → 38.9%
<b>Ordinary Income</b>	17,234	18,000	16,800	<b>16,116</b>	-6.5	Foreign exchange gains or losses: FY2014 FY2015 ¥818 mil gains → ¥911 mil losses
<b>Income Attributable to Owners of Parent</b>	11,142	12,100	10,700	<b>10,516</b>	-5.6	

Average exchange rate	FY2014	FY2015
1 US Dollar	109.6 yen	120.1 yen
1 EURO	139.4 yen	132.4 yen

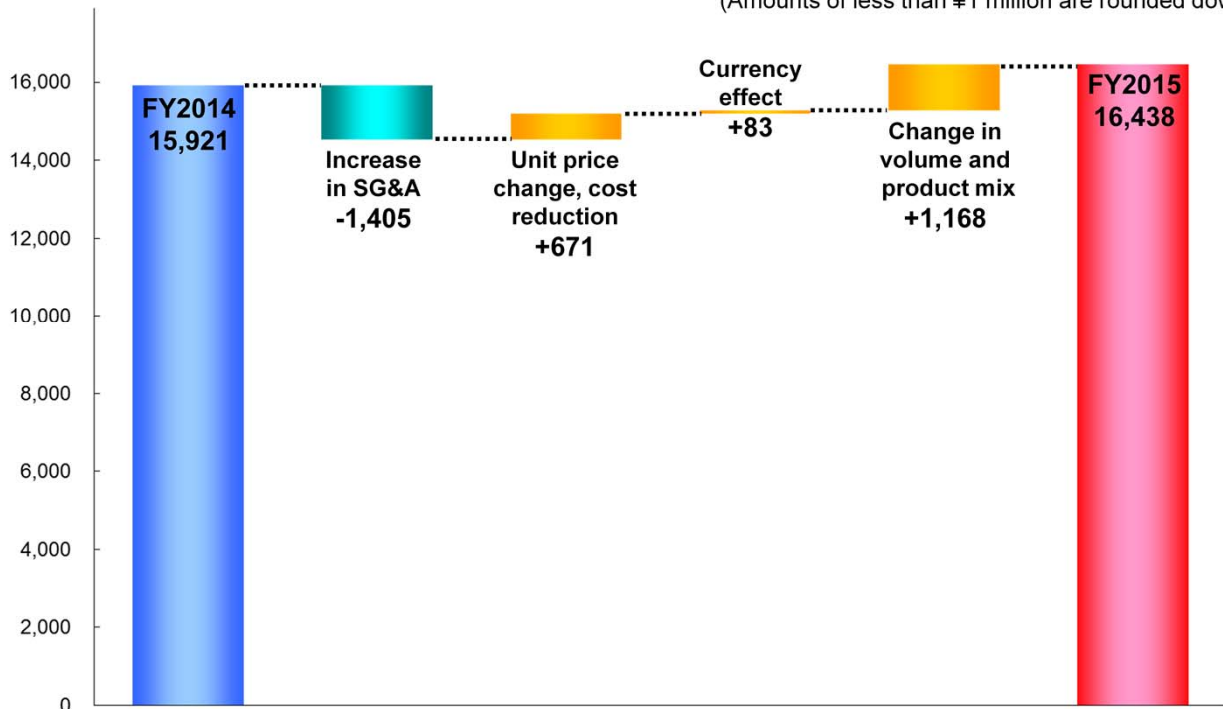
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- Overall sales increased 2.9% to ¥165.5 billion.
- Domestic sales were flat at ¥121.9 billion. Sales decreased in the first half then recovered in the second half.
- Overseas sales increased 13.6% to ¥43.5 billion, 7% growth on a local currency basis. Sales in all areas and all product categories increased.
- Overall sales fell short of the revised forecast by ¥1.5 billion. Overseas sales missed the revised forecast due to the impact of economic slowdown in some emerging countries, while domestic sales exceeded the revised forecast.
- Operating income increased 3.3% to ¥16.4 billion due to higher sales and there was an improvement in the gross margin ratio in accordance with the Company's selling policy with a focus on its own products and consumables. Operating income was in line with the revised forecast due to restraining SG&A expenses, while overall sales missed the revised forecast.
- Ordinary income decreased 6.5% to ¥16.1 billion and income attributable to owners of parent decreased 5.6% to ¥10.5 billion.

## 2) Breakdown of Operating Income

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



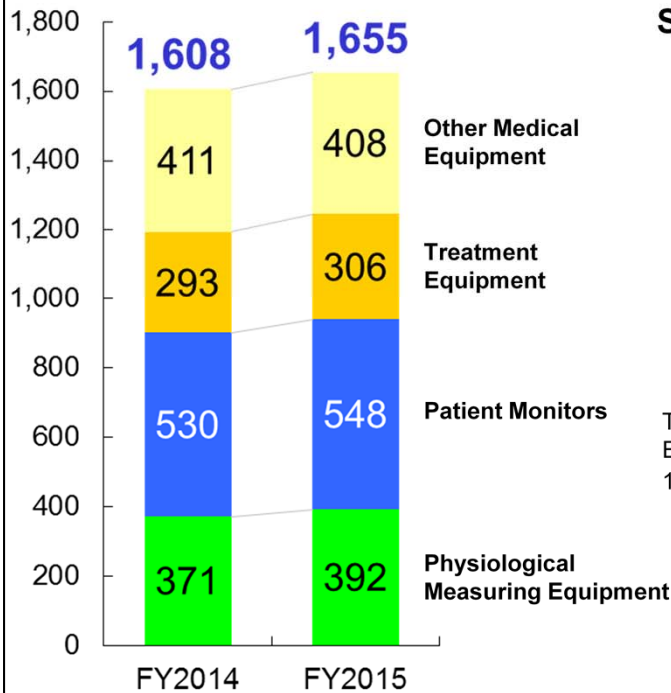
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- FY2015 operating income increased to ¥16.4 billion from ¥15.9 billion in FY2014.
- Increase in SG&A was the negative impact of ¥1.4 billion. Personnel expenses increased mainly due to enhancing international business structure.
- Unit price change and cost reduction had a positive impact of ¥0.6 billion, as cost reduction offset the impact of price decrease.
- Currency effect had a positive impact of ¥83 million due to depreciation of the yen against the U.S. dollar.
- Change in volume and product mix had a positive impact of ¥1.1 billion due to volume increase and improvement of domestic sales mix.

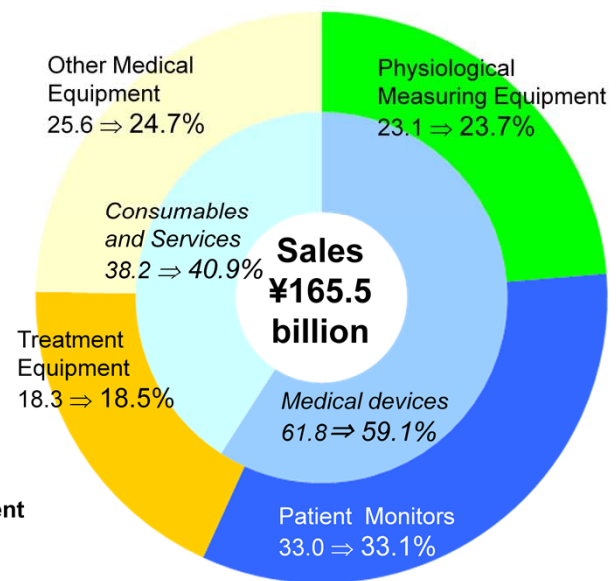
### 3) Sales by Product Category

(¥100 million)



### Sales composition by product category

(FY2014 ⇒ FY2015)



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- Sales increased in every product category except Other Medical Equipment.
- Sales ratio of Consumables and Services increased to 40.9%, because the Company strengthened its Consumables business which is a stable revenue base.

### 3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2014	FY2015	YoY (%)	Comparable YoY (%)
Electroencephalographs	9,913	8,200	-17.3	-0.5
Electrocardiographs	7,376	7,163	-2.9	
Polygraphs for Cath Lab	9,561	11,254	17.7	
Other Physiological Measuring Equipment (Diagnostic Information System and Others) *	10,329	12,599	22.0	5.0
<b>Physiological Measuring Equipment</b>	<b>37,180</b>	<b>39,218</b>	<b>5.5</b>	
<b>Domestic Sales</b>	<b>28,452</b>	<b>29,944</b>	<b>5.2</b>	
<b>Overseas Sales</b>	<b>8,728</b>	<b>9,274</b>	<b>6.3</b>	

**Domestic:** Sales decreased.  
**Overseas:** Sales increased excluding the impact of reclassification.

**Domestic:** Sales decreased.  
**Overseas:** Sales in Europe and Asia increased.

**Domestic:** Sales of EP catheters increased. New product also contributed.

\*Other Physiological Measuring Equipment includes diagnostic information system and products of other companies. Effective FY2015, local installed products are reclassified into Other Physiological Measuring Equipment; this was previously classified into Electroencephalographs. This reclassification was due to the ERP installation into our U.S. sales subsidiary.



**Electroencephalographs**  
EEG-1250



**Electrocardiographs**  
ECG-2300



**Polygraphs for cath labs**  
RMC-5000

- Sales of Physiological Measuring Equipment increased 5.5% to ¥39.2 billion.
- Domestic sales increased 5.2% to ¥29.9 billion. Sales of polygraphs for cath lab and diagnostic information systems increased, while sales of EEGs and ECGs decreased.
- Overseas sales increased 6.3% to ¥9.2 billion. Sales of ECGs increased in Europe and Asia. Sales of EEGs decreased due to the reclassification of locally installed products in the U.S. and increased steadily in the Americas and Asia on a comparable basis.

## 3.2) Patient Monitors

(Sales, millions of yen)

	FY2014	FY2015	YoY (%)
<b>Patient Monitors</b>	53,068	<b>54,823</b>	3.3
<b>Domestic Sales</b>	35,334	<b>34,616</b>	-2.0
<b>Overseas Sales</b>	17,734	<b>20,207</b>	13.9

Sales decreased due to reaction to the higher demand in the last year in the private hospital market.

Sales in Americas and Asia showed strong growth. New products also contributed.



**Bedside monitors**  
CSM-1901

**New!**



**Bedside monitors for emerging countries**  
SVM-7500 series

**New!**



**Vital sign telemeter**  
GZ-130P

**New!**



SpO<sub>2</sub> probes



Oxygen mask with CO<sub>2</sub> monitoring



ECGs Electrodes

**Consumables**

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- Sales of Patient Monitors increased 3.3% to ¥54.8 billion.
- Domestic sales decreased 2% to ¥34.6 billion. Sales in the private hospital market decreased due to reaction to the higher demand in the last year. Sales in the university market recovered in the second half.
- Overseas sales increased 13.9% to ¥20.2 billion. Sales in the Americas and Asia increased favorably and new products also contributed. Sales in Europe decreased as a reaction to large business deals in FY2014.

### 3.3) Treatment Equipment

(Sales, millions of yen)

	FY2014	FY2015	YoY (%)
<b>Defibrillators (for Hospital and Ambulance)</b>	5,410	<b>5,670</b>	4.8
<b>AEDs (Automated External Defibrillator)</b>	12,680	<b>13,825</b>	9.0
<b>Pacemakers / ICDs</b>	2,935	<b>2,914</b>	-0.7
<b>Ventilators</b>	1,809	<b>1,790</b>	-1.0
<b>Other Treatment Equipment</b>	6,556	<b>6,410</b>	-2.2
<b>Treatment Equipment</b>	29,393	<b>30,611</b>	4.1
Domestic Sales	21,889	<b>21,584</b>	-1.4
Overseas Sales	7,504	<b>9,027</b>	20.3
<b>(Ref.) AED Unit Shipments</b>	83,300	<b>87,500</b>	5.0
Domestic Unit Sales	47,600	<b>48,800</b>	2.5

**Overseas:** Sales in Americas, Europe and Other increased favorably.

**Domestic:** AED unit sales increased due to demand for extension and replacement. New product also contributed.

**AED Linkage**  
AED Remote Monitoring System



AED-2150, 2151, 2152, 3100

**Overseas:** AED sales showed strong growth in all areas. Sales of both Defibtech and Nihon Kohden AEDs increased.

**Domestic:** Sales decreased due to change of cochlear implant supplier.



- Sales of Treatment Equipment increased 4.1% to ¥30.6 billion.
- Sales of Defibrillators increased 4.8% to ¥5.6 billion. Sales in the Americas, Europe and Other increased favorably.
- Sales of AEDs increased 9% to ¥13.8 billion. AED unit shipments were 87,500 units. Sales of both Defibtech and Nihon Kohden AEDs increased favorably.
- Domestic sales decreased 1.4% to ¥21.5 billion due to change of cochlear implant supplier.
- Overseas sales increased 20.3% to ¥9.0 billion.



### 3.4) Other Medical Equipment

(Sales, millions of yen)

	FY2014	FY2015	YoY (%)
Hematology Analyzers	9,751	11,382	16.7
Imaging Systems, Medical equipment for study and others *	31,408	29,485	-6.1
Other Medical Equipment	41,160	40,868	-0.7
<b>Domestic Sales</b>	36,814	35,843	-2.6
<b>Overseas Sales</b>	4,346	5,024	15.6

**Domestic:** Sales of hematology analyzers and clinical chemistry analyzers increased in the clinic market.  
**Overseas:** Sales of hematology analyzers increased in Asia and Other, especially India and the Middle East.  
**Domestic:** Sales of locally purchased products decreased in accordance with the Company's selling policy focus on its own products.

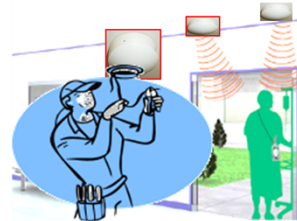
\*Includes consumables, installation and maintenance services which are not applicable to other categories.



**Automated hematology analyzers**  
MEK-6500



**Clinical chemistry analyzers**  
CHM-4100



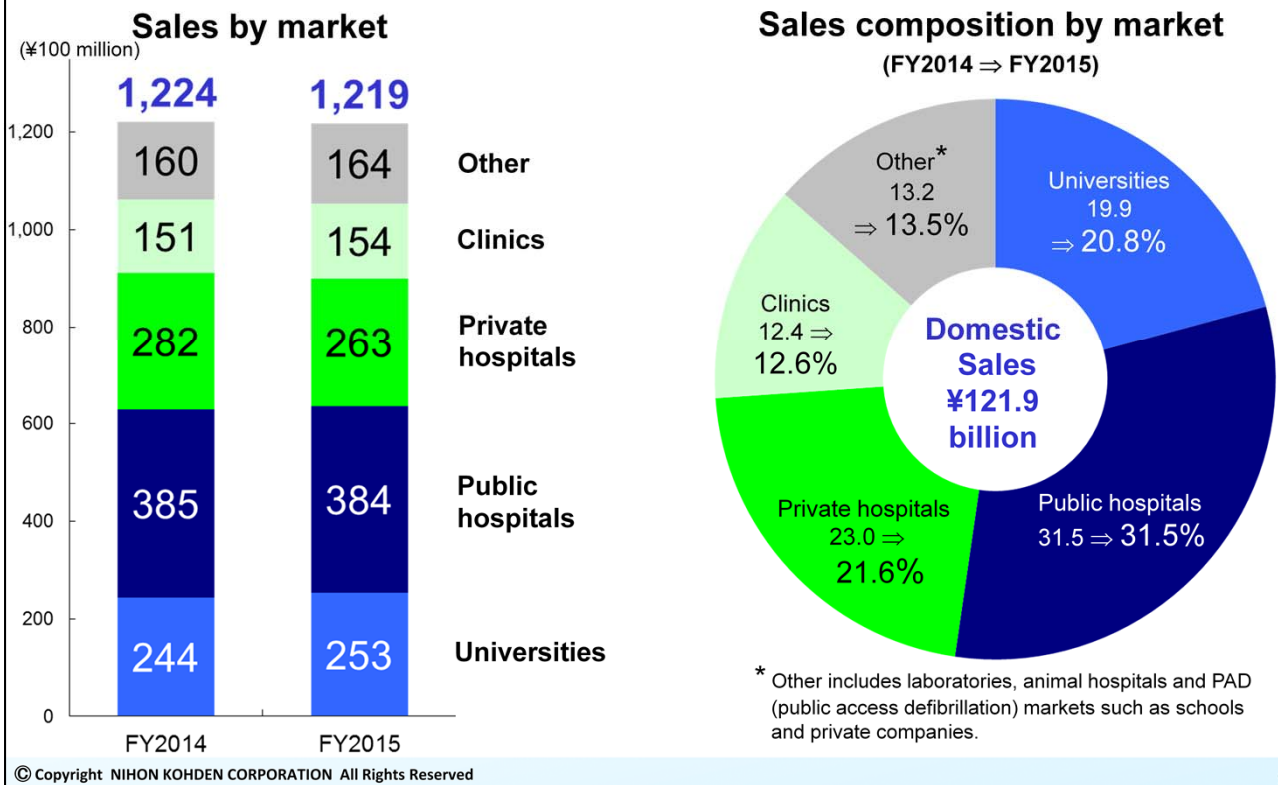
**Installation and maintenance services**

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- Sales of Other Medical Equipment decreased 0.7% to ¥40.8 billion.
- Domestic sales decreased 2.6% to ¥35.8 billion. Sales of locally purchased products decreased in accordance with the Company's selling policy with a focus on its own products. Sales of hematology analyzers and clinical chemistry analyzers increased in the clinic market.
- Overseas sales increased 15.6% to ¥5.0 billion. Sales of hematology analyzers increased in Asia and Other, especially India and the Middle East.

## 4) Domestic Sales

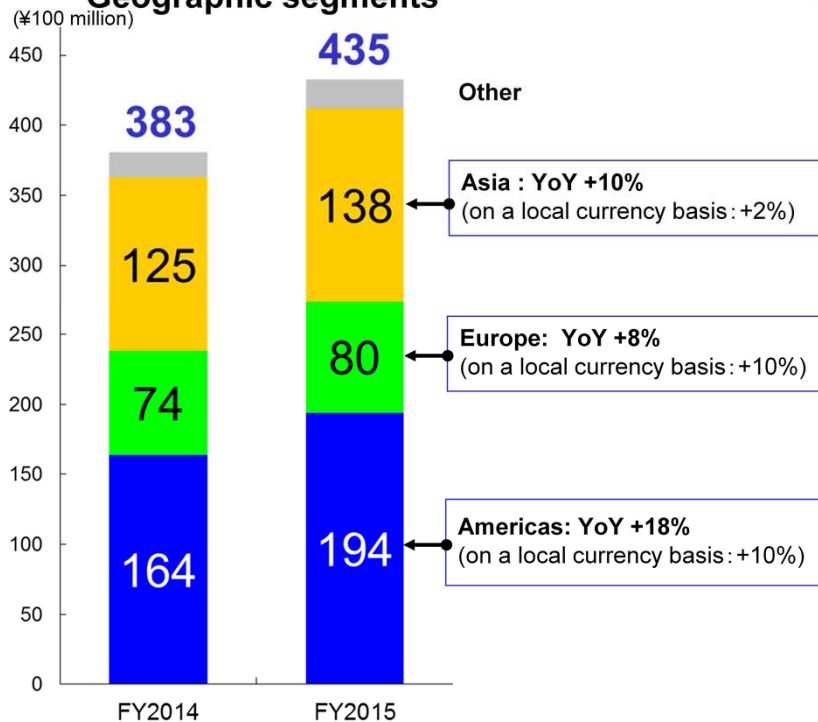


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- Domestic sales decreased by ¥0.5 billion to ¥121.9 billion.
- Sales in the university market increased, thanks to a recovery of capital investments since October 2015.
- Sales in the public hospital market were flat due to remaining impact of the 2014 revision of medical treatment fees and the consumption tax hike. Sales recovered in the second half.
- Sales in the private hospital market decreased due to reaction to the higher demand in FY2014.
- Sales in the clinic market increased as demand continued to increase. Consulting services to startup clinics also contributed to sales increase.

## 5) Overseas Sales

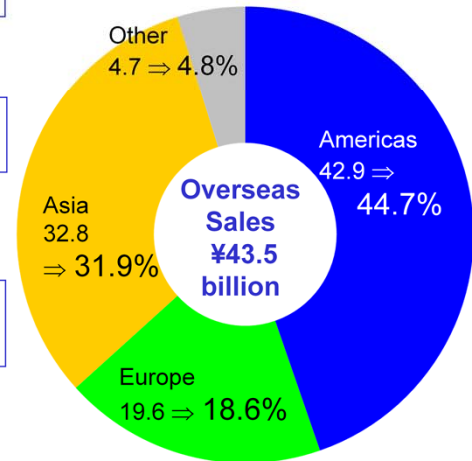
### Geographic segments



### Percentage of overseas sales to consolidated sales

FY2014	FY2015
23.8%	26.3%

### Geographic Segments (FY2014 ⇒ FY2015)



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- Overseas sales increased by ¥5.2 billion to ¥43.5 billion.
- Sales in all areas and all product categories increased as the Company strengthened its international business structure and sales promotion of consumables.
- Sales in the Americas increased by ¥3.0 billion to ¥19.4 billion, 10% growth on a local currency basis. Sales in the U.S. showed strong growth, while sales in Latin America remained at the same level as FY2014.
- Sales in Europe increased by ¥0.6 billion to ¥8.0 billion, 10% growth on a local currency basis. Sales increased in Western Europe led by Germany, as the Company strengthened its local sales and service network by reorganizing its European subsidiaries.
- Sales in Asia increased by ¥1.3 billion to ¥13.8 billion, a 2% growth on a local currency basis. Sales in India, Korea and the Middle East showed strong growth. Sales in China also increased.
- Overseas sales ratio was 26.3%.

## 6) Financial Condition

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

	FY2014	FY2015	Change	
<b>Current Assets</b>	118,389	<b>112,929</b>	-5,459	← <b>Securities (certificate of deposit)</b>
<b>Fixed Assets</b>	28,366	<b>31,340</b>	2,974	← <b>Property, plant and equipment</b>
<b>Total Assets</b>	146,755	<b>144,270</b>	-2,485	
<b>Current Liabilities</b>	45,654	<b>42,901</b>	-2,752	
<b>Non-current Liabilities</b>	1,797	<b>3,697</b>	1,900	← <b>Net defined benefit liability</b>
<b>Total Liabilities</b>	47,451	<b>46,599</b>	-852	
<b>Net Assets</b>	99,304	<b>97,671</b>	-1,632	← <b>Treasury shares</b>
<b>Total Liabilities &amp; Net Assets</b>	146,755	<b>144,270</b>	-2,485	

<b>Securities (certificate of deposit)</b>		
FY2014	FY2015	Change
21,000	11,000	-10,000

<b>Property, plant and equipment</b>		
FY2014	FY2015	Change
12,211	15,695	+3,484

<b>Net defined benefit liability</b>		
FY2014	FY2015	Change
619	3,164	+2,545

<b>Treasury shares</b>		
FY2014	FY2015	Change
-2,029	-7,472	-5,442

- Total assets decreased by ¥2.5 billion to ¥144.2 billion.

## 7) Cash Flows

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

	FY2014	FY2015	Change	
I .Cash flows from operating activities	12,505	10,765	-1,740	←
II .Cash flows from investing activities	-4,689	-7,802	-3,112	←
Free cash flows	7,815	2,962	-4,852	
III .Cash flows from financing activities	-3,267	-9,488	-6,220	←
Effect of exchange rate change on cash and cash equivalents	756	-304	-1,060	
Net increase (decrease) in cash and cash equivalents	5,304	-6,829	-12,133	
Cash and cash equivalents at end of period	34,113	27,283	-6,829	

Income before income taxes		
FY2014	FY2015	Change
17,425	15,939	-1,486

Purchase of property, plant and equipment		
FY2014	FY2015	Change
-3,174	-6,898	-3,723

Purchase of treasury shares		
FY2014	FY2015	Change
-2	-6,438	-6,436

- Cash and cash equivalents at end of the period decreased by ¥6.8 billion to ¥27.2 billion.

## 8) Capital Investments and R&D Costs

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

	FY2014 Actual	FY2015		Actual	Change	FY2016 Plan
		Original Forecast announced May 11, 2015	Revised Forecast announced Nov 4, 2015			
Capital Investments	5,158	9,600	8,600	6,678	1,520	10,000
Depreciation	3,445	4,200	3,400	3,459	14	4,000
R&D costs	5,745	6,400	6,100	5,910	164	7,300

### ● FY2015 capital investments :

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment and construction of Tokorozawa R&D center

### ● FY2016 capital investments plan:

- Molds for new products, measuring equipment and jigs, products for demonstration, production equipment and renovation of Tomioka 2<sup>nd</sup> 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

- Capital investments increased by ¥1.5 billion to ¥6.6 billion. The reason for difference from the forecast was the carryover of investment in molds and the review of investments such as ERP system.
- Depreciation was ¥3.4 billion, the same level as FY2014. R&D costs increased by ¥0.1 billion to ¥5.9 billion.
- Capital investments for FY2016 will increase by ¥3.3 billion to ¥10.0 billion, which include large investments such as a new R&D center and a new facility in Asaka in Saitama Prefecture. These investments are planned in the mid-term business plan.
- Depreciation for FY2016 will increase by ¥0.5 billion to ¥4.0 billion.
- R&D costs for FY2016 will increase by ¥1.4 billion to ¥7.3 billion, partially due to developing new products such as in-house ventilators and anesthesia machines.

# 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 and Europe

- ObamaCare in US
- Improve the quality and efficiency of medical care
- Increase in centralized purchasing systems like GPO\*

### 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. In acute care hospitals, the ratio of critically ill inpatients changed, and emergency care and surgical procedures received a high appraisal. Family doctors in clinics also received a high appraisal. The Company expects that these environmental changes will cause moderate recovery of hospital capex and stable demand in clinics.
- Internationally, there are concerns about an economic slowdown due to weak currencies and lower oil prices in some emerging countries. However, the Company expects that overall demand for medical equipment will remain steady in the U.S., Europe and emerging countries.



## 2) Forecast for FY2016

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

	FY2015	FY2016	YoY (%)
<b>Sales</b>	165,522	<b>175,000</b>	5.7
<b>Domestic Sales</b>	121,989	<b>127,000</b>	4.1
<b>Overseas Sales</b>	43,533	<b>48,000</b>	10.3
<b>Operating Income</b>	16,438	<b>17,500</b>	6.5
<b>Ordinary Income</b>	16,116	<b>17,500</b>	8.6
<b>Income Attributable to Owners of Parent</b>	10,516	<b>11,500</b>	9.3

### Breakdown of overseas sales by region

	FY2015	FY2016	YoY (%)
<b>Americas</b>	19,455	<b>21,300</b>	9.5
<b>Europe</b>	8,084	<b>8,700</b>	7.6
<b>Asia</b>	13,877	<b>15,700</b>	13.1
<b>Other</b>	2,115	<b>2,300</b>	8.7

Percentage of Overseas Sales      26.3%      27.4%

#### Average Exchange Rate

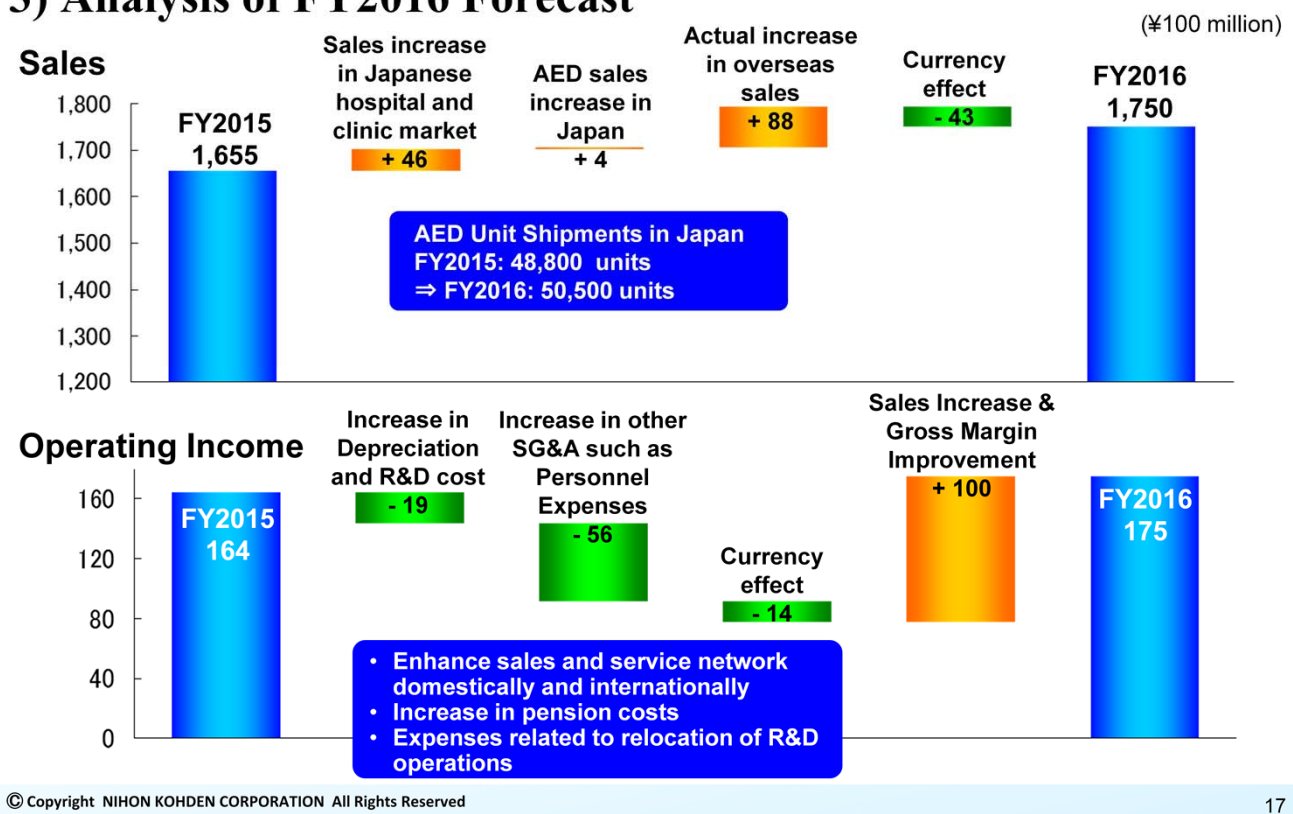
1 US Dollar	120.1 yen	109 yen
1 EURO	132.4 yen	123 yen

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- Under these market circumstances, the Company forecasts its overall sales, domestic sales and overseas sales for FY2016 to be: 5.7% growth to ¥175 billion (overall), 4.1% growth to ¥127 billion (domestic), and 10.3% growth to ¥48 billion (overseas). The Company will focus on sales in the Americas and Asia especially.
- Forecast for operating income is ¥17.5 billion, up 6.5%.
- The forecast for FY2016 is based on an exchange rate of 109 yen to the dollar and 123 yen to the euro.

### 3) Analysis of FY2016 Forecast



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- As for domestic sales, increase of sales in Japanese hospital and clinic market, and AED sales in Japan are expected to be ¥4.6 billion and ¥0.4 billion. Forecast for AED unit sales are 50,500 units.
- As for overseas sales, actual increase in overseas sales will be ¥8.8 billion. Negative currency effect will be ¥4.3 billion.
- As for operating income, there are depreciation and R&D costs increase of ¥1.9 billion, in addition to other SG&A such as Personnel Expenses of ¥5.6 billion. The Company will enhance sales and service network domestically and internationally. Pension Costs and expenses related to relocation of R&D operations will be incurred.
- Negative currency effect will be ¥1.4 billion.
- The impact of sales increase and gross margin improvement will be ¥10.0 billion.

**(Ref.) Consolidated Forecast FY2016 by Product Category**

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

	FY2015	FY2016	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
<b>Total</b>	165,522	175,000	5.7
(Reference)			
Consumables and Services	67,684	72,400	7.0

- The Company expects sales increase in all product categories, especially aiming at market share gain in Patient Monitors. We will also enhance Consumables and Services business domestically and internationally, which is a stable revenue base.

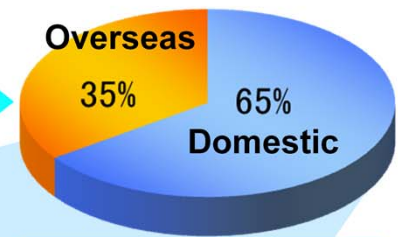
# Business Strategy



# 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**

**Achieve Strong Growth with  
Company-wide efforts**

Sustainable growth in  
Japan

Strong growth in  
international market

Enhance operating base to ensure growth

**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 for realizing the long-term vision.

## 2) Progress of Mid-term Business Plan - Review of Three-Year Progress

### Sustainable growth in Japan

- Enhance **business operations to match each market**; acute care hospitals, small and mid-sized hospitals and clinics
- Secure stable revenue by **expanding consumables and services**



### Strong growth in international market

- Establish a stronger presence in **US** by reorganizing direct-sales operations and enhancing ties with GPO/IDN\*
- Achieve strong growth in **emerging market** by expanding sales network and enriching Chinese-made products



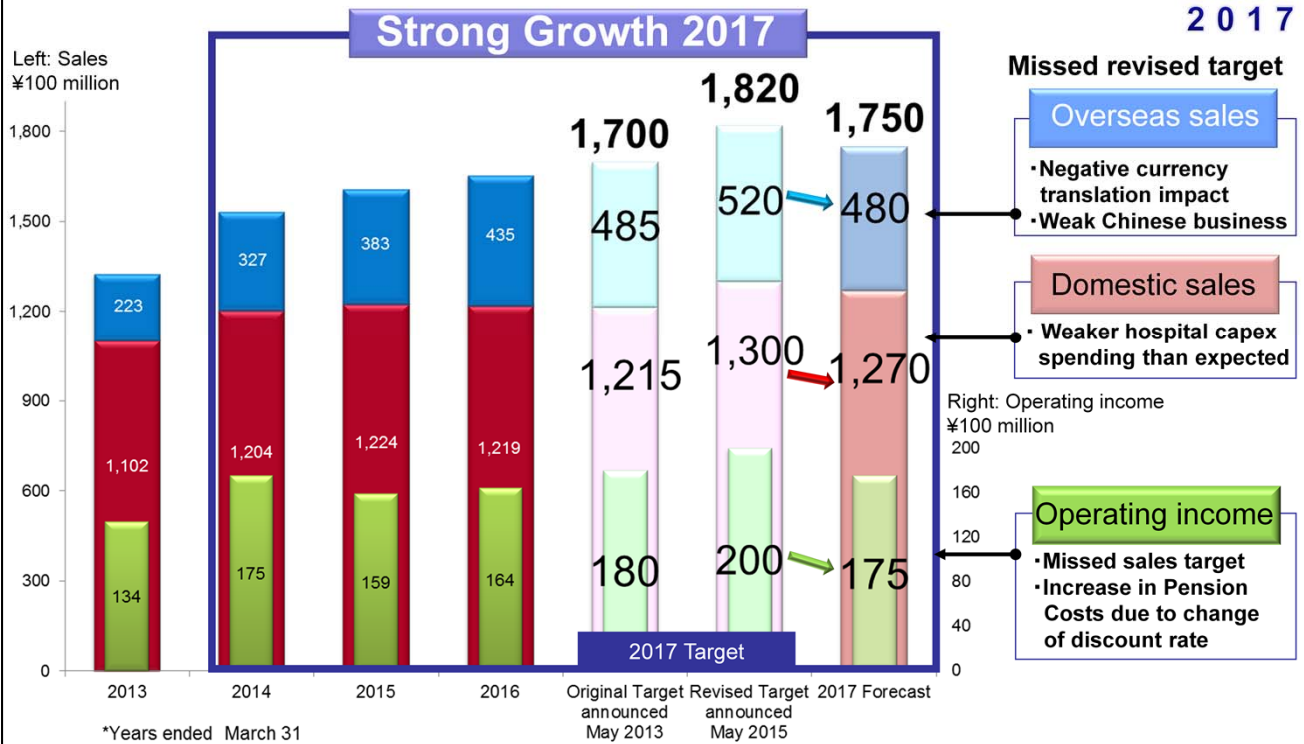
### Enhance operating base to ensure growth

- Enhance portfolio by introducing competitive technologies and products
- Establish R&D offices in US, sales & manufacturing sites in emerging countries
- Establish Tomioka production center and a new R&D center



- After review of three-year progress of the mid-term business plan in Japan, we strengthened business operations to match each market and secured stable revenue by expanding consumables and services business.
- Internationally, the Company established a stronger presence in the U.S. by reorganizing its direct-sales operations and enhancing ties with GPOs and IDNs.
- In emerging markets, the Company achieved strong growth by expanding its sales network and enhancing the line-up of products manufactured in Shanghai.
- The Company established R&D offices in the U.S., and sales and manufacturing sites in emerging countries as its operating base to ensure growth globally.
- The Company also established a new Tomioka production center as its mother factory, and plans to establish a new R&D center.

**2) Progress of Mid-term Business Plan – Forecast for the Last Year -**



- The Company revised the numerical target for its mid-term business plan at the halfway point in this plan. However, we will miss this revised target due to change in the domestic and international market environments.
- Domestic sales are expected to be ¥127.0 billion because of weaker hospital capex spending than expected.
- Overseas sales are expected to be ¥48.0 billion because of negative currency translation impact and weak China business.
- Operating income will be ¥17.5 billion because of missed sales target and increase in Pension Costs.

### 3) Key Strategies of Mid-term Business Plan

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 for achieving its mid-term business plan. These are to strengthen technological development capabilities, strengthen business expansion by region and achieve further growth in core businesses.



## 4) Strategy for FY2016

### (i) Strengthen technological development capabilities

#### Relocate to a new R&D facility

Relocate and consolidate R&D operations to enhance technological competitiveness and improve development efficiency



New R&D Center  
Completion in fall 2016

2<sup>nd</sup> Seibu building  
Lease several floors

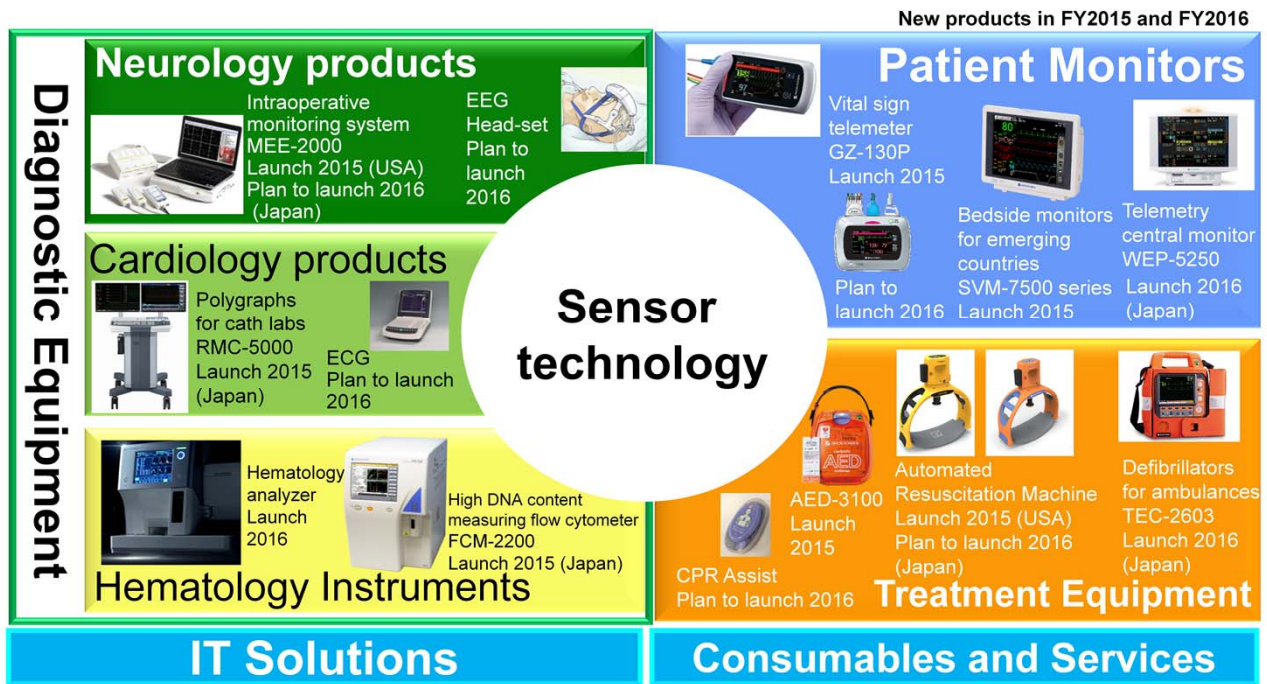
#### Strengthen R&D functions of Patient Monitors

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



- The Company plans to relocate and consolidate R&D operations in a newly constructed R&D center, in front of Tokorozawa station in Saitama prefecture, to enhance technological competitiveness and improve development efficiency. Relocation starts in May and will be completed within 2016.
- The Company will also strengthen R&D functions at NKUS Labs to expand its US patient monitoring business which is expected to be higher growth.

## (ii) Achieve further growth in core businesses




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- The Company has five core business areas which focus on sensor technology.
- Neurology products with high global market share
- Cardiology products which we provide care cycle solution from diagnosis to treatment
- Hematology Instruments focusing on Point of Care Testing
- Patient Monitors which provide vital signs in patients
- Treatment Equipment which includes the only made-in-Japan defibrillators and AEDs
- Additionally, IT Solutions and Consumables and Services are important and common elements to ensure growth of these core businesses.
- New products are shown above.


## (ii) Achieve further growth in core businesses

### Synthesized 18-lead ECG **synECG 18** Synthesized Electrocardiogram



Measurement method to derive 6-lead ECG, right-side leads and posterior leads, from the standard 12-lead ECG

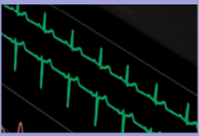
### **esCCO** Continuous Cardiac Output



Non-invasive continuous cardiac output monitoring  
Estimate CO using ECG and SpO<sub>2</sub>



※ esCCO : estimated Continuous Cardiac Output

### Arrhythmia Analysis **eci** Arrhythmia Analysis



High quality arrhythmia detection and reduction of false alarms

### Fast and painless NIBP measurement **iNIBP**







Conventional step down method  
Linear Inflation


※ NIBP : Non Invasive Blood Pressure

### SpO<sub>2</sub> **NPi** Pulse Oximetry

Pioneer in the development of principles of pulse oximetry which measures SpO<sub>2</sub>






### **cap-ONE** etCO<sub>2</sub> ORAL NASAL EXPIRATION



World's smallest and lightest mainstream CO<sub>2</sub> sensor

Oxygen masks with CO<sub>2</sub> monitoring

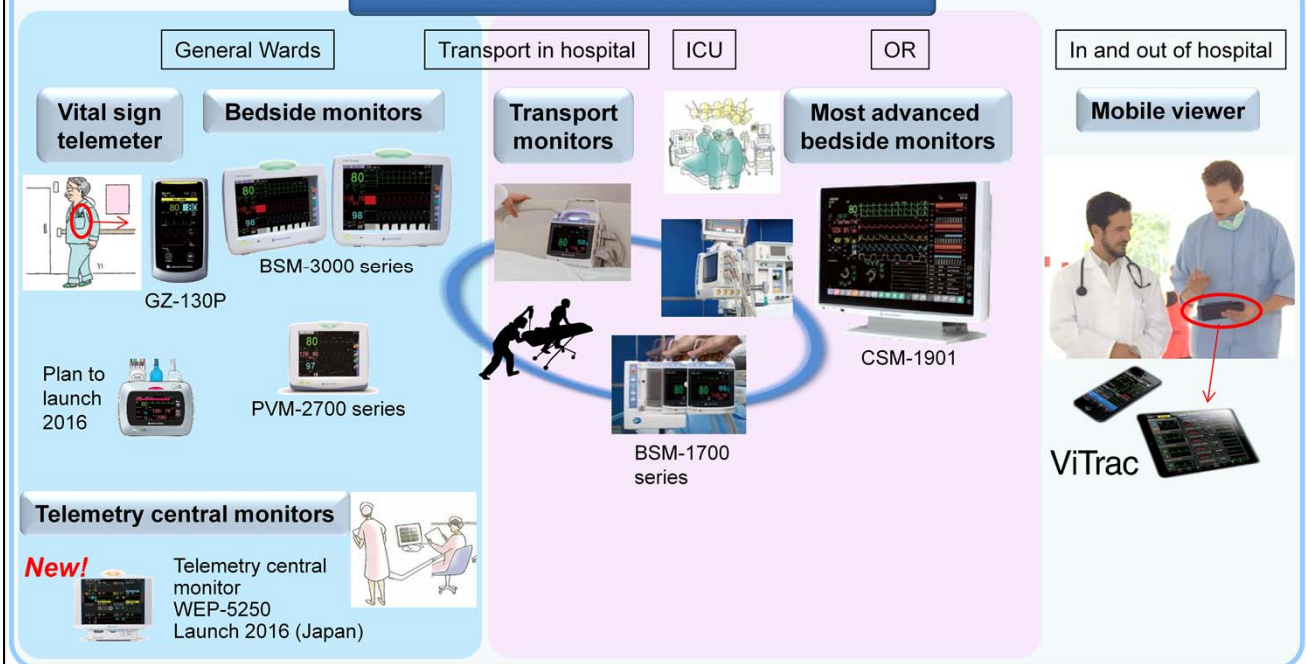


# Nihon Kohden's original sensor technology

- 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.
- The Company's technologies enhance its product competitiveness and contribute to the improvement of medical technologies through creating new clinical value.

# Patient Monitors

## Seamless Patient Care



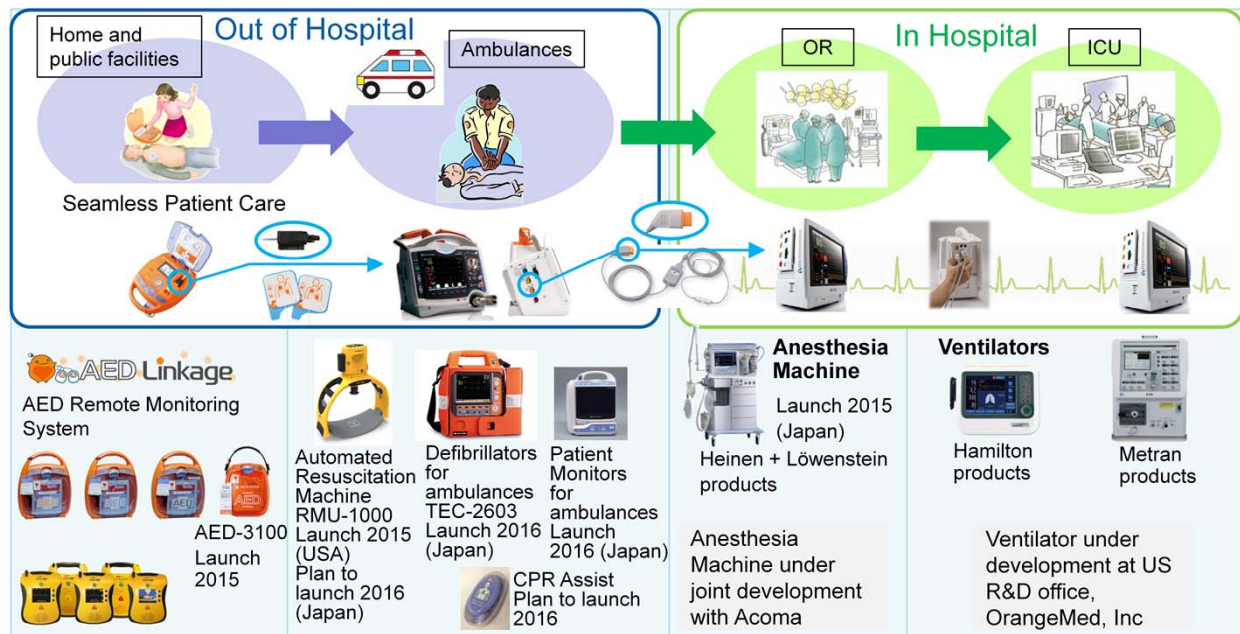
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- In Patient Monitors, the Company established a next generation platform through launching a vital sign telemeter, transport monitor, advanced bedside monitor, and mobile viewer. The Company provides leading-edge solutions to the world.
- New products are telemetry central monitors. The Company plans to launch a vital sign telemeter with iNIBP, the unique method of noninvasive blood pressure measuring.
- The role of Patient Monitors is becoming more important in advanced acute care because Patient Monitors can integrate all the patients' vital signs.
- The Company continues to accelerate its business operations globally through providing its unique solutions.

# Treatment Equipment

Strengthen collaboration with patient monitors



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- In Treatment Equipment, the Company provides continuum care cycle solutions from out of hospital to in hospital.
- New products are AED, defibrillators and monitors for ambulances. The Company plans to launch CPR assist, which provides depth and speed of chest compressions to rescuer.
- Automated resuscitation machine developed by Defibtech has been already launched in the U.S., and plan to be launched in Japan.
- We also have been developing anesthesia machine under joint development with Acoma, and ventilator under development at US R&D office, OrangeMed, Inc.
- We regard development of Treatment Equipment requiring high reliability as strategic challenge to attain higher technological capabilities and long-term competitive advantage.

# Hematology Instruments

Hematology analyzer

## Launch new products

International

Japan



MEK-6500 series



MEK-7300

**New! Most advanced hematology analyzer**



MEK-9100 Launch 2016

Clinical chemistry analyzer

## Expand Overseas Business

**CRP measurement and reagents**

- Production in Shanghai will start in 2016
- Plan to start business development in Asia in FY2016

International

Japan



CHM-4120  
CRP  
measurement



CHM-4100  
HbA1c and CRP  
measurement



Acquire 100% ownership of joint company for manufacturing reagents in India

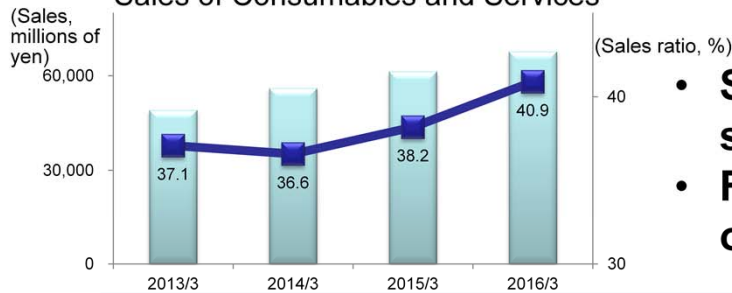
Relocate immunochemical products department

- Hematology instrument market is expected to grow further in the future.
- The Company launched its most advanced 5-part diff hematology analyzer, MEK-9100. This instrument streamlines examination workflow and features seamless connection with the information system. The newly-developed measurement technology greatly improves counting precision and accuracy.
- The Company aims to accelerate expansion of clinical chemistry analyzer international business. Shanghai Kohden will start manufacturing CRP measurement devices and reagents. The Company also plans to start business development in Asia.
- We acquired 100% ownership of a joint company for manufacturing reagents in India. We also plan to relocate our immunochemical products department to Asaka in Saitama Prefecture.
- The Company aims to expand hematology instruments business through focusing on POCT as well as enhancing R&D in hematology analyzers and clinical chemistry analyzers.

# Consumables

## Expand international sales of consumables

Sales of Consumables and Services



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

## Increase production efficiency and product volume of consumables

### Add domestic plant for consumables



Kawamoto Office



Plan to start in Tomioka 2<sup>nd</sup> Plant in FY2016

### Automate production of SpO<sub>2</sub> sensors, CO<sub>2</sub> sensors and AED disposable pads

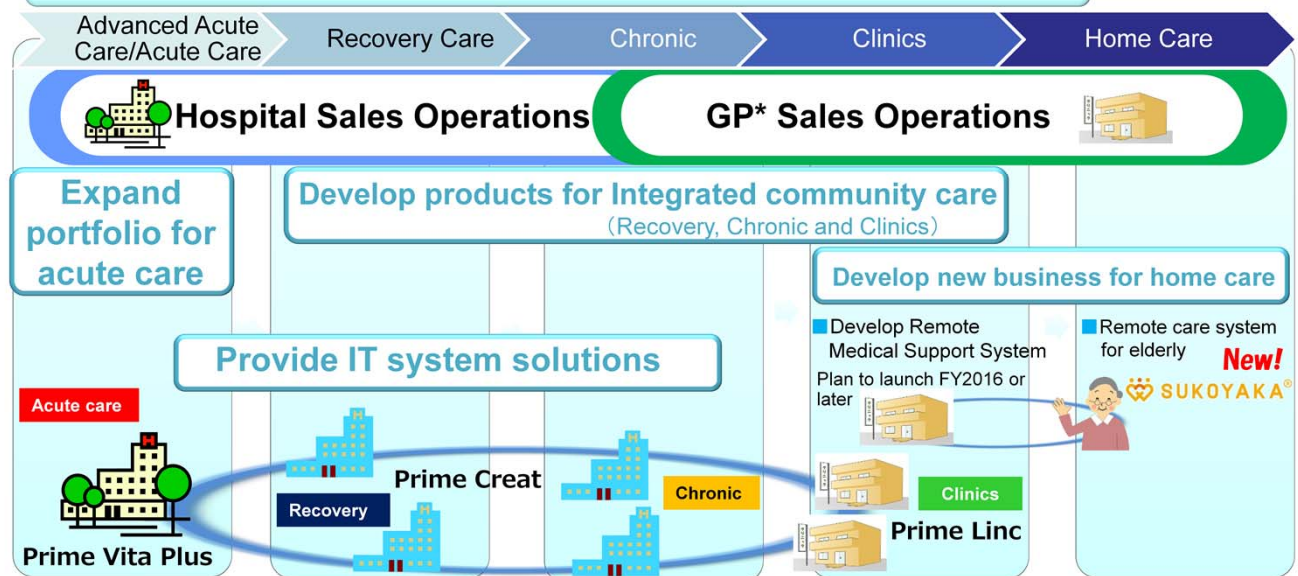


- Sales of Consumables and Services continue to increase steadily. In particular, we are focusing on overseas business of consumables.
- The domestic manufacturing function will be reorganized to increase production efficiency and production volume of consumables such as sensors.
- We will renovate Tomioka 2<sup>nd</sup> plant as a plant for consumables and promote automate production of sensors and AED disposable pads.

### (iii) Strengthen Business Expansion by Region

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

**Reorganize sales operations to match each market**



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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 to match each market further, and established Hospital Sales Operations Department and GP Sales Operations Department.
- In the acute care hospital market, we will expand our product line-up and provide IT system solutions as well as enhance sales force expertise to support advanced acute care.
- We focus on developing products for Integrated Community Care in aging society. We will also develop new business such as remote care system for elderly.



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

Strengthen collaboration of 3 business and cross-selling  
by reorganizing direct-sales operations

### Patient monitors

- Strengthen ties with GPO/IDN\*



Contract for patient monitors with University of Connecticut

- Expand consumable sales



SpO<sub>2</sub> probe



Oxygen mask with CO<sub>2</sub> monitoring

### Neurology

- Focus on top 50 hospitals in USA



Contract for EEGs with Barnes Jewish Hospital

- Launch new products



MEE-2000



Live View Panel

**New!**

Launch 2016 (USA)

### Resuscitation



- Launch new products



RMU-1000  
Launch 2015 (USA)

### Expand service operations

Establish new East Coast facility in Pennsylvania in Feb 2016 to provide technical and product support

Nihon Kohden America

**Aim at 10% share in patient monitors market**

- The U.S. market is the largest medical device market in the world and the center of state-of-the-art medical technology. Establishing a stronger presence in the U.S. is one of our mid to long-term goals.
- In the U.S., the Company strengthens collaboration of 3 businesses and cross-selling by reorganizing its direct-sales operations.
- In Patient Monitors, we continue to strengthen ties with GPOs and IDNs. This led to a contract for patient monitors with the University of Connecticut. We will also expand sales of consumables.
- In Neurology, we continue to focus on the top 50 hospitals, and Barnes Jewish Hospital became a new customer of our EEGs. The Company aims to gain market share by launching intraoperative monitoring system and Live View Panel, which supports remote neuromonitoring.
- Defibtech recently launched an automated resuscitation machine and strengthened its presence in the resuscitation field.
- The Company established a new East Coast facility to provide technical and product support.
- We continue to take steps to gain market share in the U.S. market.

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

### Strengthen business structure

China

- Enhance R&D and production for exporting to emerging markets
- Expand hematology business

Shanghai Kohden

Malaysia

Start manufacturing bedside monitors in Sep 2015



Nihon Kohden Middle East

Nihon Kohden Korea

Nihon Kohden India

NKS Bangkok

Nihon Kohden Singapore

Nihon Kohden Malaysia

Nihon Kohden Mexico

Nihon Kohden Latin America

Nihon Kohden Do Brasil

### Reorganize group companies in Latin America

Establish Nihon Kohden Mexico to provide sales and after-sales support in northern Latin America in Jan 2016. Nihon Kohden Do Brasil expands its coverage area to southern Latin America.

- In growing emerging countries, the Company aims to capture strong demands associated with developing healthcare infrastructure. We also contribute to improve the standard of medical care.
- In China, the Company will further strengthen its business structure as an R&D and production base for exporting to emerging markets. We will also expand hematology business in China, where higher demand is expected.
- In Malaysia, the Company started manufacturing bedside monitors for emerging countries in September 2015.
- In Latin America, the Company reorganized group companies and established a new sales subsidiary in Mexico, which started operations in April 2016.
- We continue localization of our sales and services networks in emerging countries.

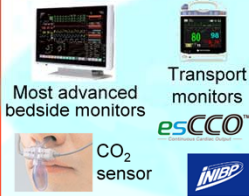
## Increase market share in **emerging markets** as a key growth driver

### Product strategy tailored to each market

#### High-end market

Made in Japan

##### Patient monitors



##### ECGs



##### Hematology analyzers



##### Neurology



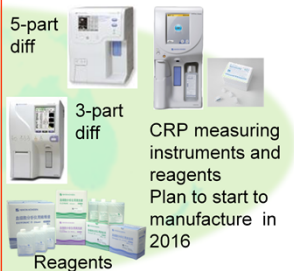
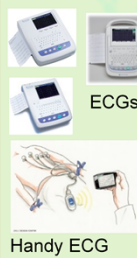
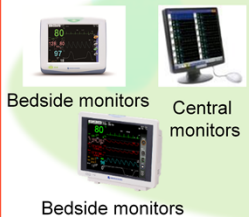
##### Defibrillators & AEDs



Propose solutions to improve the quality and efficiency of medical care

#### Low-end market

Made in Shanghai



Broaden line-up of high-quality products at reasonable prices to target high volume markets

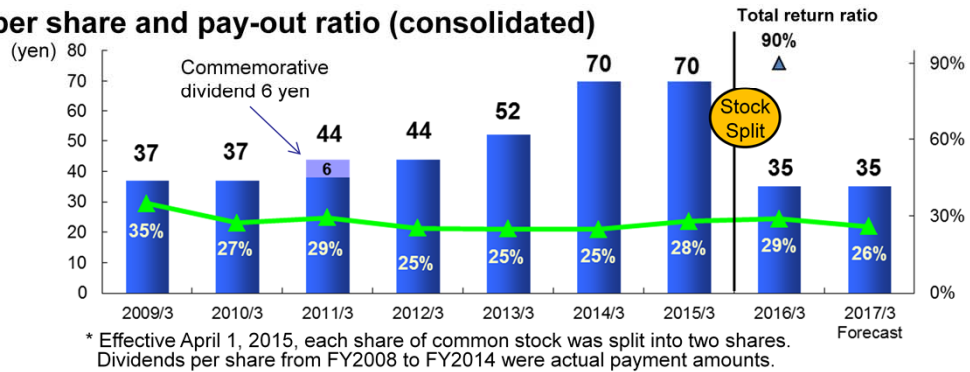
- In the high-end market, we provide Japanese-made products as this market requires equivalent functionality to the developed countries. We also promote solutions to improve the quality and efficiency of medical care.
- In the low-end market, the Company aims to gain market share by expanding its product line-up for high volume markets. These products are developed and manufactured in Shanghai and Malaysia with price competitiveness.

## 5) 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%)

- The 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 a target consolidated pay-out ratio is 30% or more.
- Share buyback is considered in a flexible manner.
- Full-year dividends for FY2016 will be 35 yen, and payout ratio will be 26%.
- The Company cancelled 1.8 million shares and repurchased 2.2 million shares of treasury stock in FY2015.

**Disclaimer:**

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