

Consolidated Financial Highlights for First Half of FY2014

(From April 1, 2014 to September 30, 2014)

1. Consolidated Financial Results for First Half of FY2014
2. Forecast for FY2014
3. Business Strategy

November 7, 2014

Fighting Disease with Electronics

Consolidated Financial Results for First Half of FY2014

Fighting Disease with Electronics



1) Consolidated Financial Results for the 1st Half of FY2014

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

	First half FY2013	First half FY2014		
		Forecast	Actual	YoY (%)
Sales	67,148	72,000	72,023	7.3
Domestic Sales	53,249	-	55,695	4.6
Overseas Sales	13,899	-	16,327	17.5
Operating Income	5,299	5,400	5,502	3.8
Ordinary Income	5,787	5,400	6,096	5.3
Net Income	3,464	3,400	4,123	19.0

+12% on a local currency basis

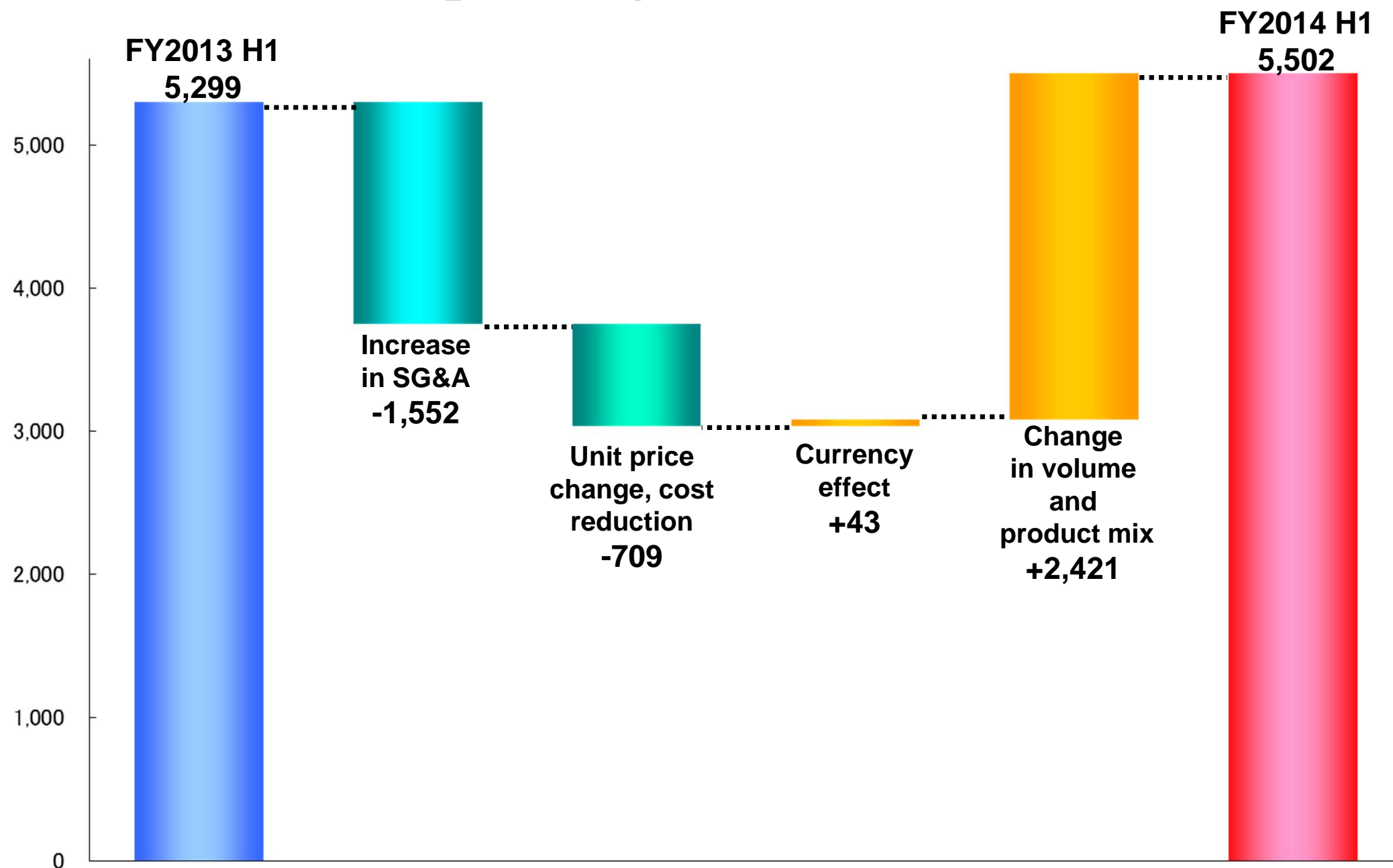
FY2013 H1 FY2014 H1
 Gross Margin Ratio: 49.4% → 48.9%
 SG&A Ratio: 41.5% → 41.3%

Foreign exchange gains: ¥0.4 billion

Average exchange rate	First half FY2013	First half FY2014
1 US Dollar	97.6 yen	102.6 yen
1 EURO	128.4 yen	138.9 yen

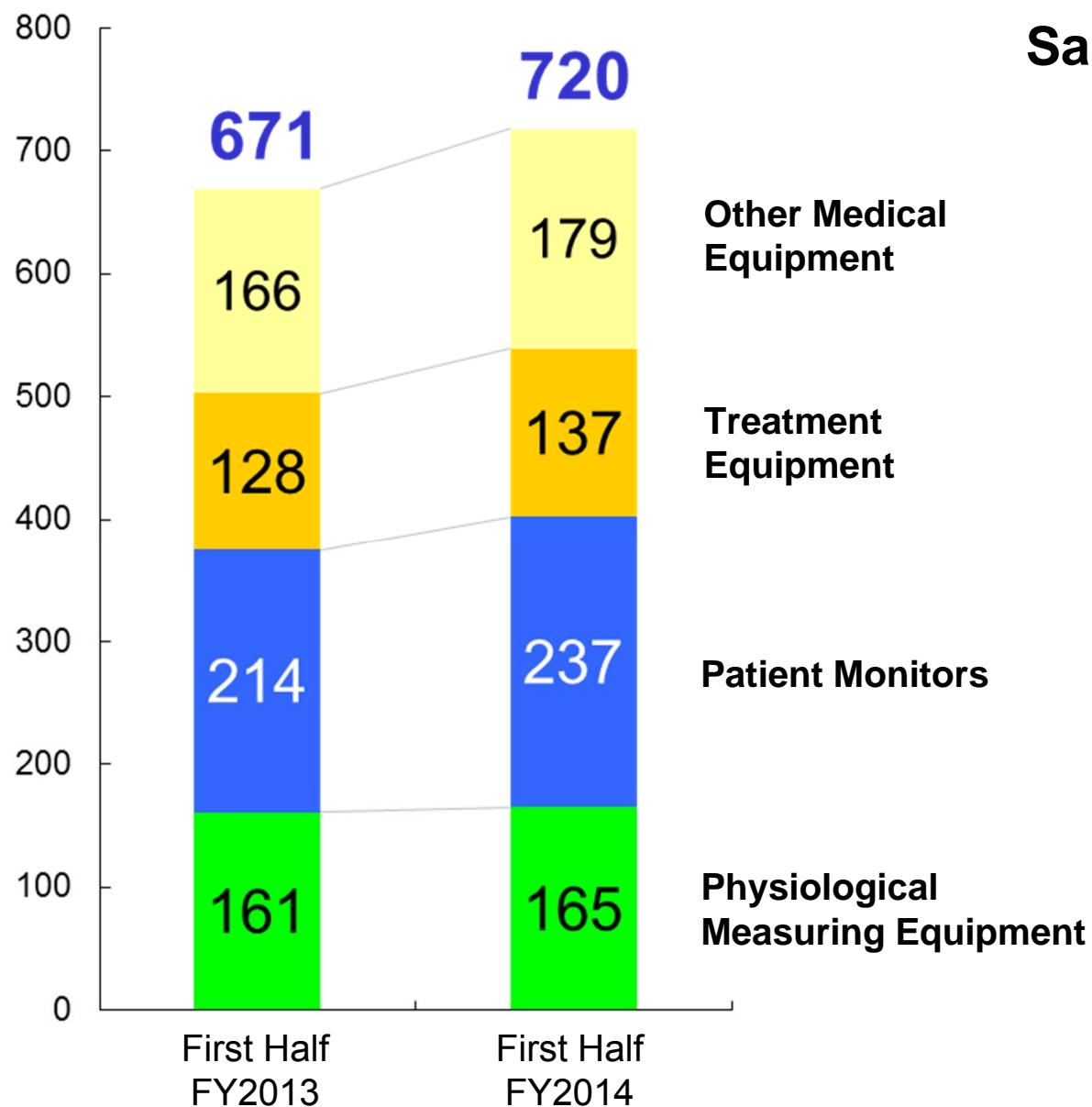
2) Breakdown of Operating Income

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



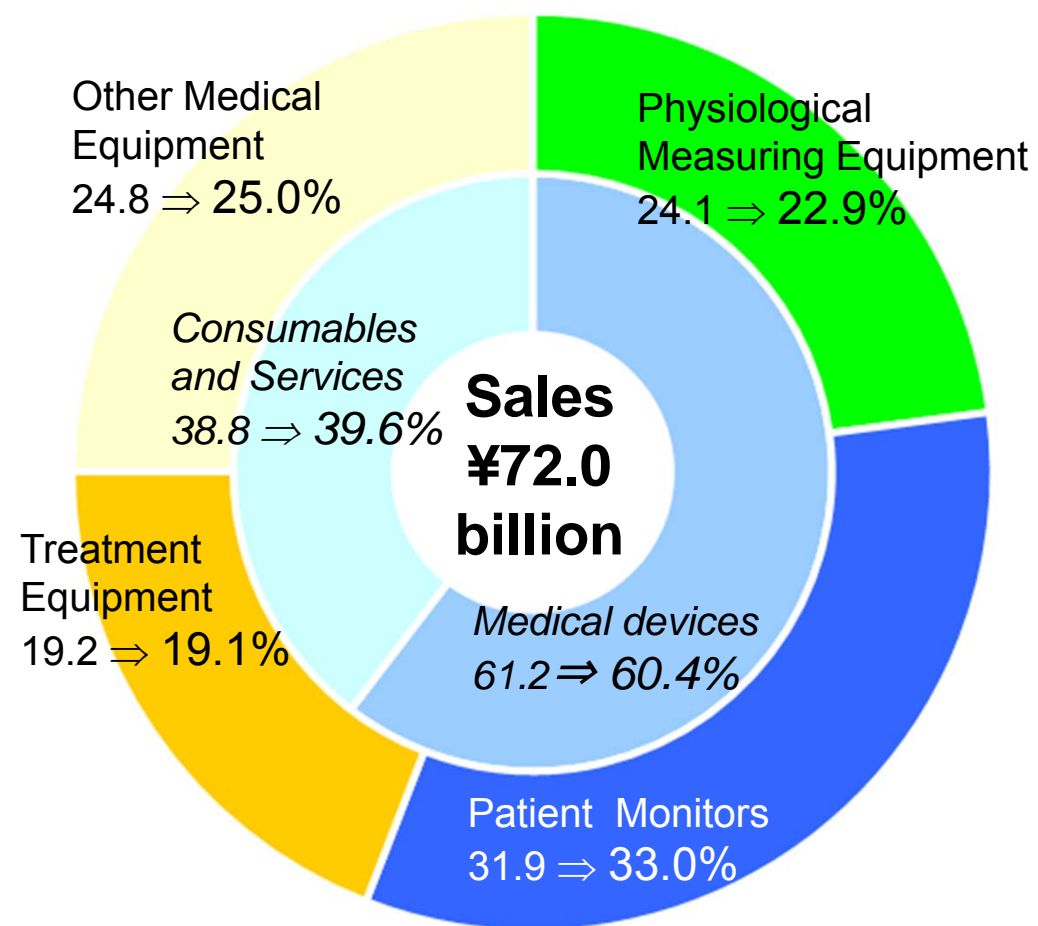
3) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2013 H1 ⇒ FY2014 H1)



3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	First half FY2013	First half FY2014	YoY (%)
Electroencephalographs	4,224	4,480	6.0
Electrocardiographs	3,432	3,331	-2.9
Polygraphs for Cath Lab	4,323	4,501	4.1
Other Physiological Measuring Equipment *	4,212	4,200	-0.3
Physiological Measuring Equipment	16,193	16,514	2.0
Domestic Sales	12,774	12,756	-0.1
Overseas Sales	3,418	3,757	9.9

Domestic:
Sales of EEG were weak.
Overseas:
Sales in Americas and Asia increased favorably.

Domestic:
Sales of EEG increased slightly.
Overseas:
Sales in Europe and Asia decreased.

* Other Physiological Measuring Equipment includes diagnostic information system and other company's products.



Electroencephalographs

EEG-1250



Electrocardiographs

ECG-2500



Polygraphs for cath labs

RMC-4000

3.2) Patient Monitors

(Sales, millions of yen)

	First half FY2013	First half FY2014	YoY (%)
Patient Monitors	21,435	23,797	11.0
Domestic Sales	15,558	16,446	5.7
Overseas Sales	5,877	7,351	25.1

Sales of transmitters and consumables such as sensors increased. New products also contributed.

Sales in Americas, Europe and Asia increased favorably. New products also contributed.



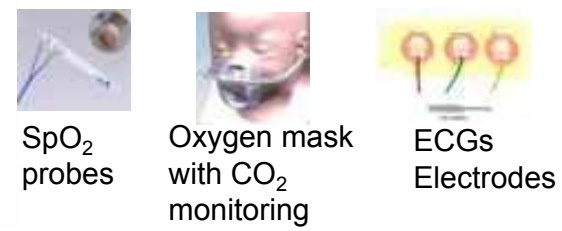
Transport monitors
BSM-1700 series



Bedside monitors
CSM-1901



Transmitters
ZS-630P, ZS-611P



Consumables


3.3) Treatment Equipment


(Sales, millions of yen)

	First half FY2013	First half FY2014	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,139	2,343	9.5
AEDs (Automated External Defibrillator)	5,609	6,037	7.6
Pacemakers / ICDs	1,503	1,513	0.6
Ventilators	923	679	- 26.4
Other Treatment Equipment	2,708	3,166	16.9
Treatment Equipment	12,884	13,739	6.6
Domestic Sales	10,174	10,496	3.2
Overseas Sales	2,710	3,243	19.7
(Ref.) AED Unit Shipments	34,100	39,300	15.2
Domestic unit Sales	19,700	24,600	24.9

Overseas:
Sales in Americas, Europe and Asia increased.

Domestic:
AED unit sales increased due to demand for new AEDs and replacement of older models.


AED Remote Monitoring System


AED-2150, 2151, 2152

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



Defibrillators
TEC-8300



AEDs
AED-2150



Pacemakers
Nuance MRI



Ventilators
HAMILTON-C1

New!



Magnetic Stimulation Treatment Equipment
TMU-1100

3.4) Other Medical Equipment

(Sales, millions of yen)

	First half FY2013	First half FY2014	YoY (%)
Hematology Analyzers	3,982	4,203	5.6
Transformers, Imaging Systems, Medical equipment for study and others *	12,653	13,767	8.8
Other Medical Equipment	16,635	17,971	8.0
Domestic Sales	14,742	15,996	8.5
Overseas Sales	1,893	1,974	4.3

Overseas:
Sales of hematology analyzers and reagents increased favorably in Americas and Asia, especially India and the Middle East

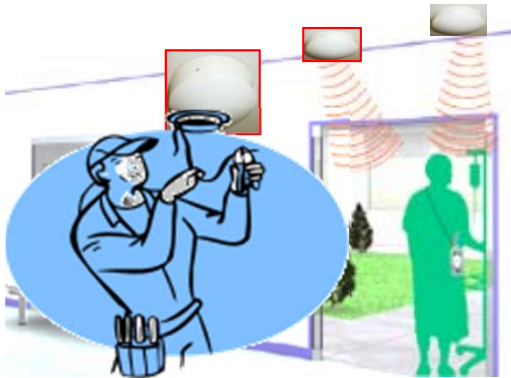
* Includes consumables, installation and maintenance services which are not applicable to other categories.



Automated hematology analyzers
MEK-6500



Clinical chemistry analyzer
CHM-4100

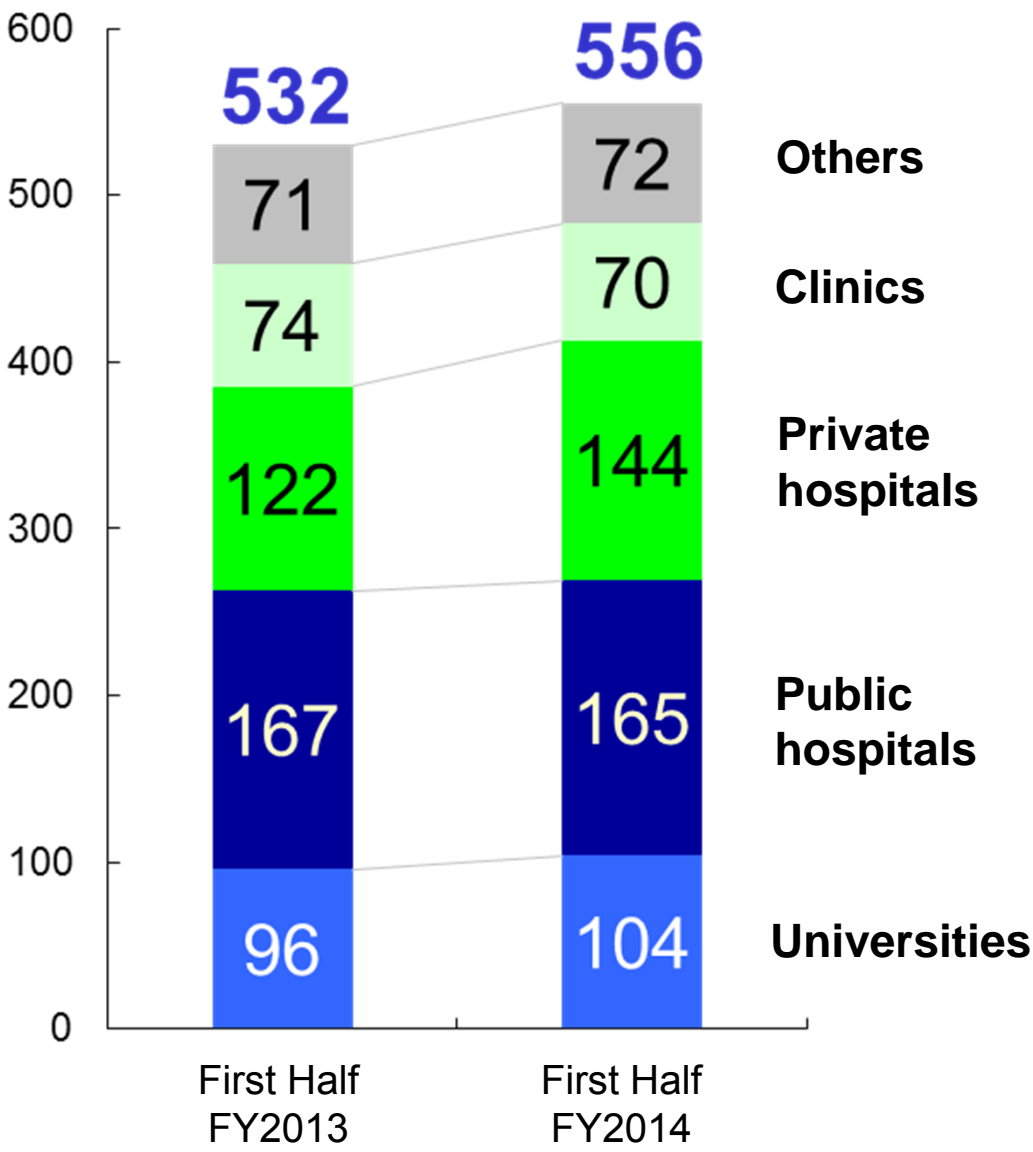


Installation and maintenance services

4) Domestic Sales

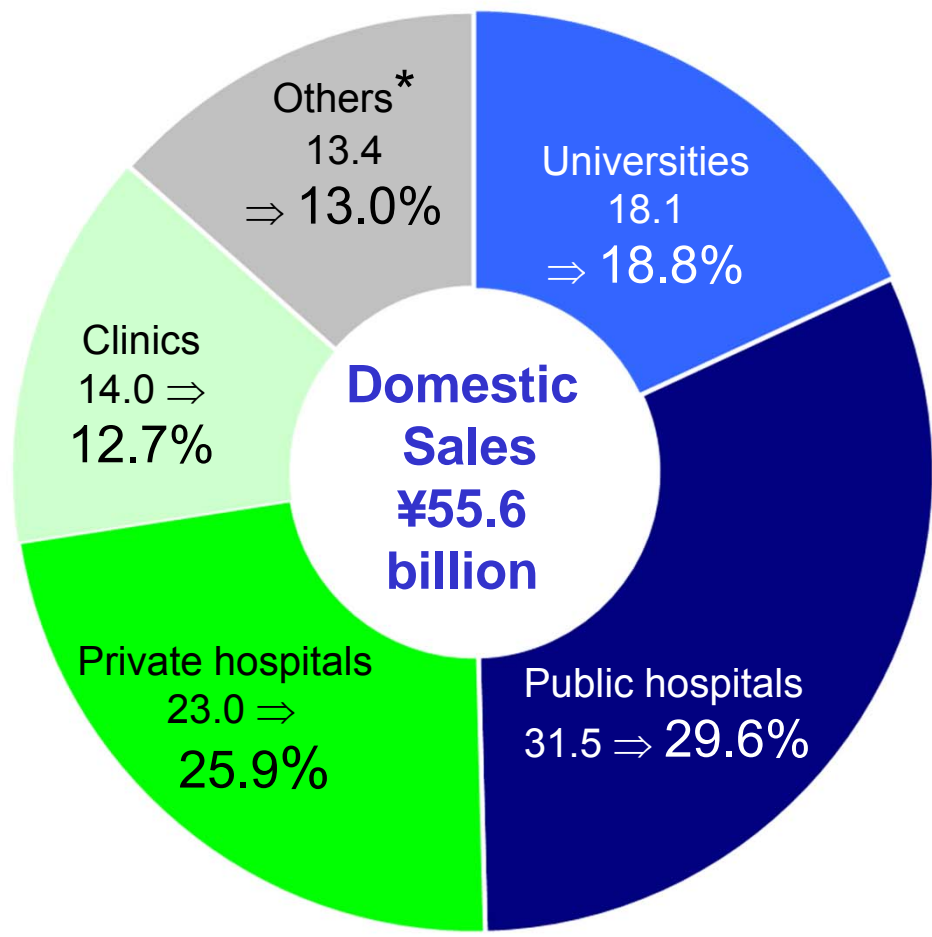
Sales by market

(¥100 million)



Sales composition by market

(FY2013 H1 ⇒ FY2014 H1)

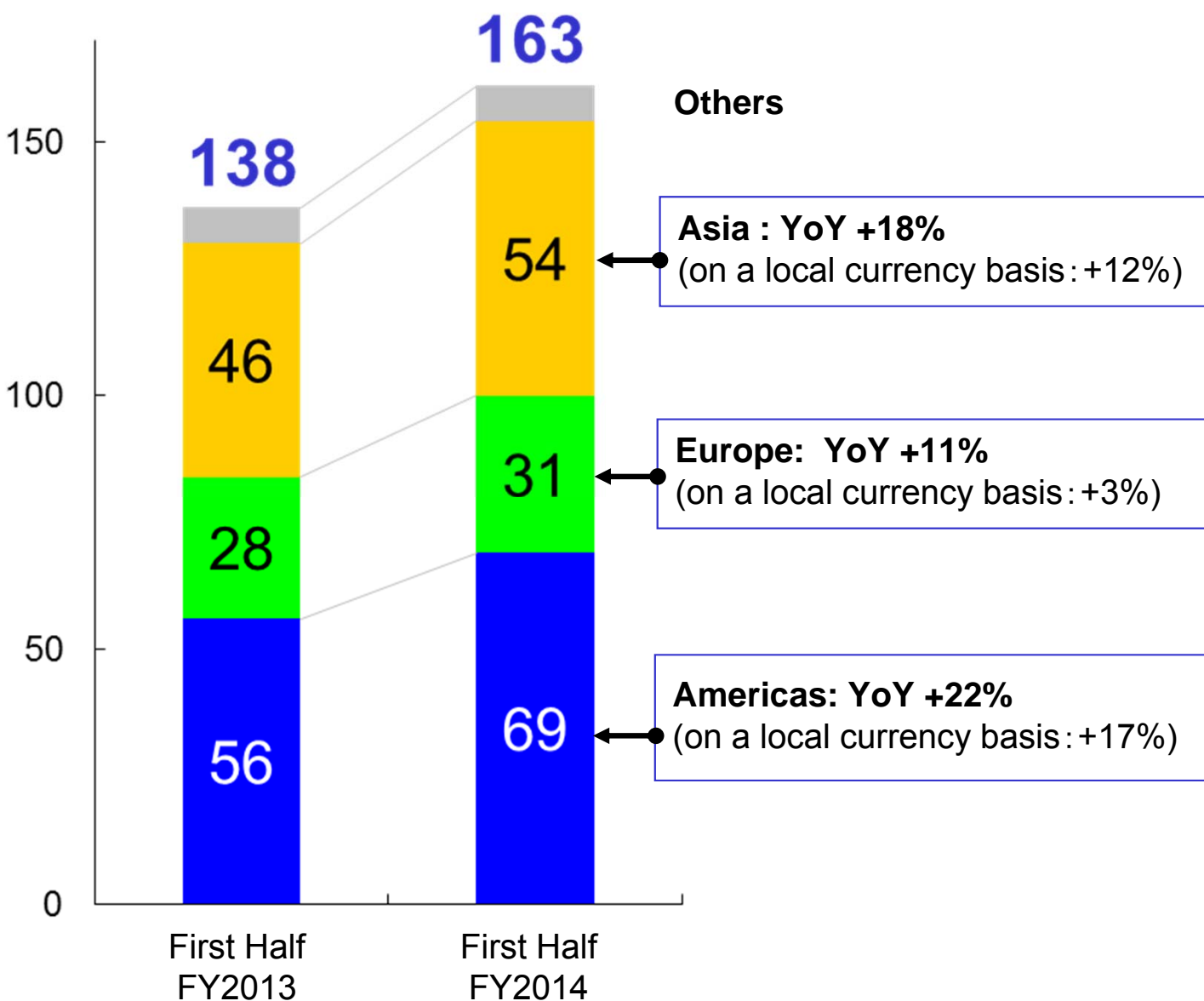


* Others include laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

5) Overseas Sales

Geographic Segments

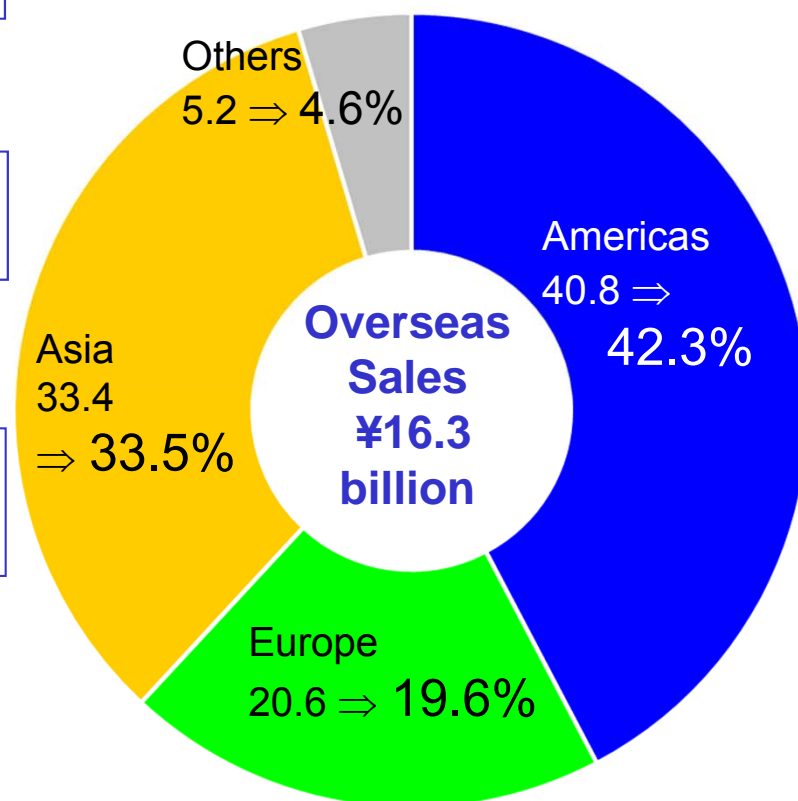
(¥100 million)



Percentage of overseas sales to consolidated sales

First half FY2013	First half FY2014
20.7%	22.7%

Geographic Segments (FY2013 H1 ⇒ FY2014 H1)



6) Financial Condition

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

	FY2013	First half FY2014	Change
Current Assets	106,515	102,657	- 3,858
Fixed Assets	24,402	24,668	265
Total Assets	130,917	127,325	- 3,592
Current Liabilities	41,248	35,173	- 6,075
Non-current Fixed Liabilities	1,156	1,493	336
Total Liabilities	42,405	36,667	- 5,738
Net Assets	88,512	90,658	2,146
Total Liabilities & Net Assets	130,917	127,325	- 3,592

7) Capital Investments and R&D Costs

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

	First half FY2013	First half FY2014	FY2013	FY2014	
				Original Forecast announced May 8	Revised Forecast announced Oct 31
Capital Investments	1,443	1,664	4,544	7,300	6,800
Depreciation	1,400	1,574	3,103	3,900	3,500
R&D costs	3,267	2,798	7,108	7,200	6,900

1st half of FY2014 Actual Capital Investments

- Molds for new products, measuring equipment and jigs, products for demonstration, enhancement of ERP System and production equipment

2nd half of FY2014 Capital Investments Plan

- Molds for new products, production equipment, products for demonstration, enhancement of ERP system and **renovation of new production facility (0.8 billion yen)** – Operation starts in spring 2015

- **Establish new R&D facility**

Start of construction (plan): December 2014

Completion and relocation: Spring 2016

Total investment amount: 7 billion yen

→ Capital investments: 6.3 billion yen

< **FY2014: 1.1 billion yen**
FY2015: 5.2 billion yen

Forecast for FY2014

Fighting Disease with Electronics



1) Business Environment

Japan

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

- Differentiate medical providers
- Enhance home medical care and cooperation among medical and nursing care

- 0.1% upward revision of medical treatment fees in Apr 2014
- ¥90.4 billion of new budget for financial support to medical institutions

Promote medical innovation

- Enforcement of Pharmaceutical Law revision, scheduled in Nov 2014
- Promote export of Japanese healthcare
- Launch Japanese version of NIH

International

Europe and U.S.

- Medical cost restriction measures
- Healthcare reform

Emerging Countries

- The healthcare infrastructure has developed together with economic growth
- Political uncertainty in some regions

Overall demand for medical equipment will remain steady

2) Forecast for FY2014

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

	FY2013	FY2014 Forecast	YoY (%)
Sales	153,194	160,000	4.4
Domestic Sales	120,464	123,300	2.4
Overseas Sales	32,730	36,700	12.1
Operating Income	17,547	18,000	2.6
Ordinary Income	18,998	18,000	-5.3
Net Income	12,346	11,500	-6.9

Outlook of gross margin and SG&A expenses

- Gross margin ratio will be lower than the original forecast and the same level as FY2013
- SG&A expenses, including R&D costs and depreciation, will be lower than the original forecast

Percentage of overseas sales 21.4% **22.9%**

Revision of exchange rate

Average exchange rate

1 US Dollar	99.8 yen
1 EURO	134.3 yen

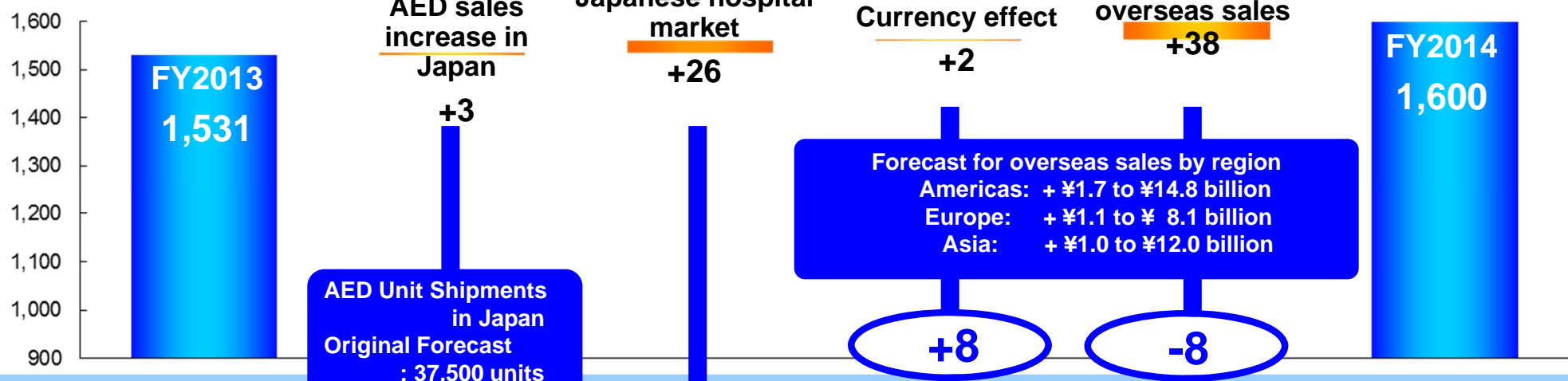
(announced May 8) (announced Oct 31) (FY2014 H2)

100 yen	→ 104 yen	106 yen
138 yen	→ 137 yen	136 yen

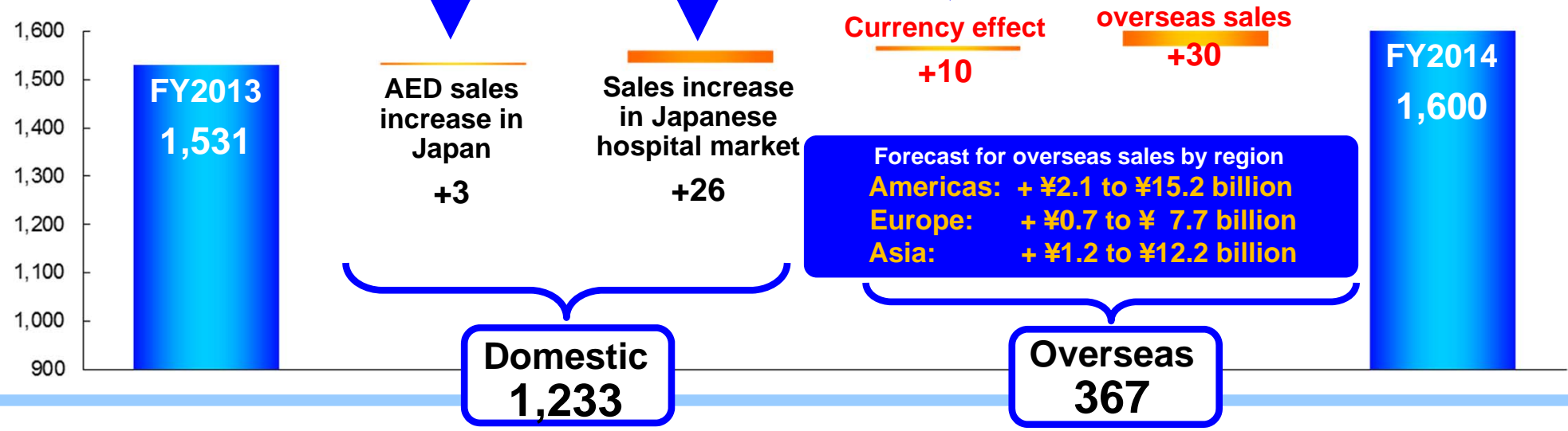
3) Analysis of FY2014 Sales Forecast

(¥100 million)

Original Forecast (announced May 8)



Revised Forecast (announced Oct 31)



(Ref.) Consolidated Forecast FY2014 by Product Category

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

	FY2013	FY2014		YoY (%)
		Original Forecast announced May 8	Revised Forecast announced Oct 31	
Physiological Measuring Equipment	36,654	38,900	37,500	2.3
Patient Monitors	50,864	54,250	55,400	8.9
Treatment Equipment	28,401	30,500	29,100	2.5
Other Medical Equipment	37,273	36,350	38,000	1.9
Total	153,194	160,000	160,000	4.4
(Reference)				
Consumables and Services	56,072	58,800	60,000	7.0

Business Strategy

Fighting Disease with Electronics



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-

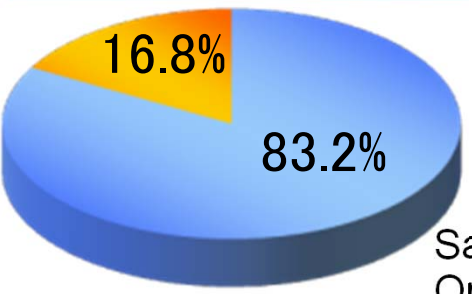
2nd Stage

Strong Growth 2017

(April 2013 to March 2017)

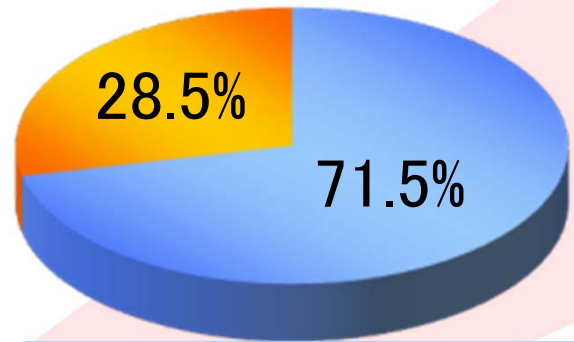
1st Stage

SPEED UP III



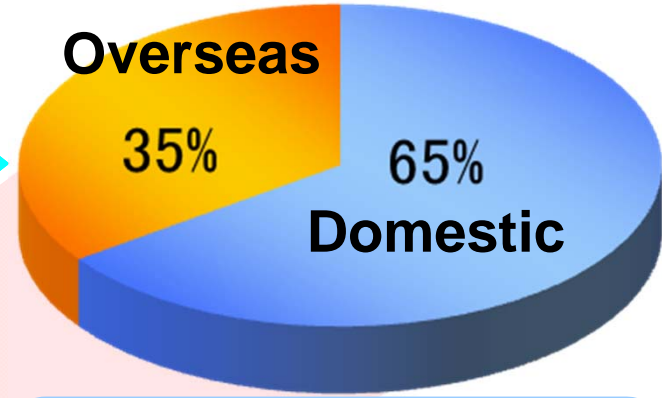
FY2012

Sales **¥132.5 bil**
 Operating Income **¥13.4 bil**
 Operating income ratio **10.2%**



FY2016

Sales ¥170 billion
Operating Income ¥18 billion
 Operating income ratio 10.6%



Fiscal year ending March 2020

Sales ¥200 billion
Operating Income ¥25 billion
 Operating income ratio 12.5%

- Target of operating income will be achieved in FY2014
- We will review two-year progress of the mid-term business plan and incorporate updates of the plan (Announcement will be in May 2015)

2) Targets for FY2016 ending March 2017

ROE target was achieved in FY2013.
Targets of domestic sales and operating income will be achieved in FY2014.

¥billion	FY2012 actual	FY2013 actual	FY2014 forecast	FY2016 mid-term target	4 year CAGR
Sales	132.5	153.1	160.0	170.0	6.4%
Domestic	110.2	120.4	123.3	121.5	2.5%
Overseas	22.3	32.7	36.7	48.5	21.4%
Operating Income	13.4	17.5	18.0	18.0	7.5%
ROE	12.7%	15.0%		13.0%	

Breakdown of overseas sales by region

Exchange rate as of plan is 90 yen to dollar and 118 yen to euro.

Americas	8.0	13.1	15.2	19.5	24.6%
Europe	5.6	7.0	7.7	10.0	15.5%
Asia	7.5	11.0	12.2	17.0	22.5%
Other	1.0	1.5	1.6	2.0	17.2%

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

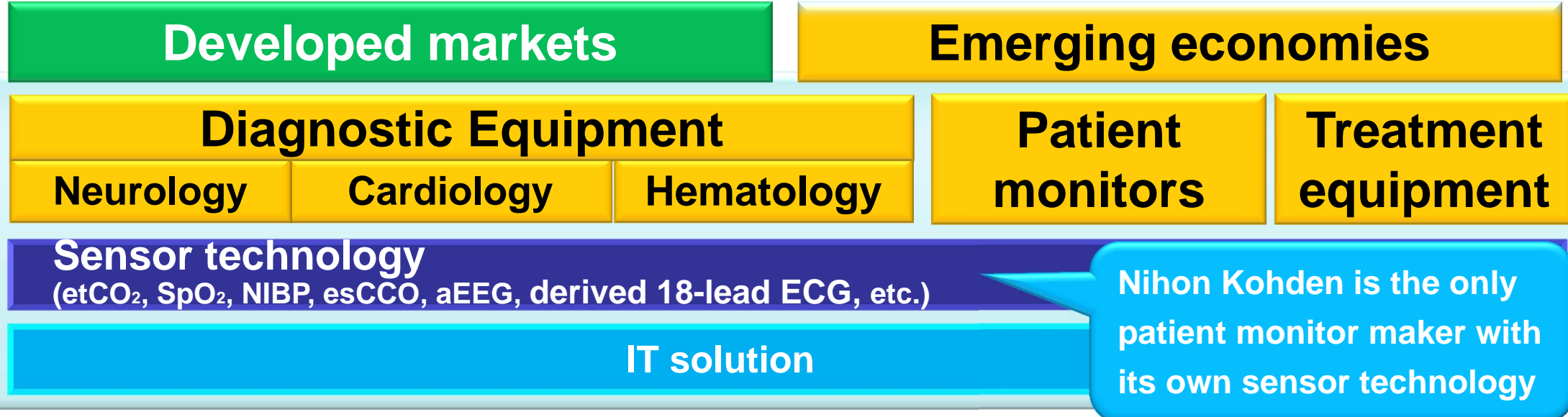
Achieve further growth in core businesses

Develop new businesses

Consolidate corporate fundamentals


4) Strategy for FY2014

(i) Achieve further growth in core businesses




New products in FY2013 and FY2014


Diagnostic Equipment




ECG,
ECG-2300



Electromyograph
MEM-8301
Launch May 2014
(Japan)




Polygraphs
for cath labs
Plan to launch
FY2014 (Japan)




Hand-
sized
ECG
Launch Mar 2014 (intl)


Patient Monitors




Transport
monitors,
BSM-1700
series



Bedside
monitors,
CSM-1901
(Japan)




Vital sign
telemetry
Plan to launch
2015



Bedside monitors for
emerging markets
Plan to launch
FY2014

Treatment Equipment



Defibrillators
TEC-5600
series
Launch July (intl),
Nov 2014 (Japan)



Automated
Resuscitation
Machine
Plan to launch FY2014 (intl)

Patient Monitors

Launch highly competitive monitors and enhance product line-up

Most advanced bedside monitors

Launch Mar (Japan), June 2014 (intl)

Price Product line-up of main bedside monitors and transmitters

Transport in hospital

- ER
- OR
- ICU
- CCU

Laboratory
Rehabilitation

Cardiac ward
General ward

Transport monitors

Launch Dec 2013 (international), Feb 2014 (Japan)



BSM-1700 series



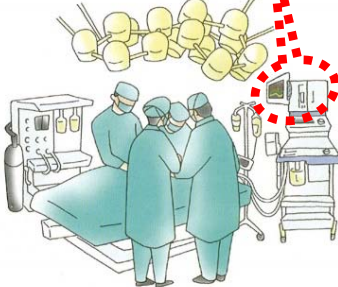
BSM-6000 series



CSM-1901



BSM-3000 series



Nihon Kohden's first vital sign telemetry



Transmitters

Plan to launch FY2014

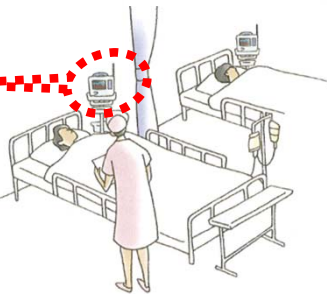
Made in China



Bedside monitors for emerging markets

PVM-2700 series

Plan to launch FY2014



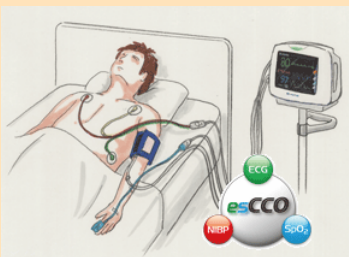
Performance

Patient Monitors

Raise brand recognition through unique technologies

World's first non-invasive continuous cardiac output monitoring

esCCO™
— Continuous Cardiac Output —



- **estimated continuous cardiac output**
- Estimate CO using ECG and SpO₂
- **No infection risk and no pain**
- **No additional sensors**

Introduce in Europe and emerging countries

Prepare for FDA and PMDA approval

Develop a vital sign parameter business

SpO₂ sensor

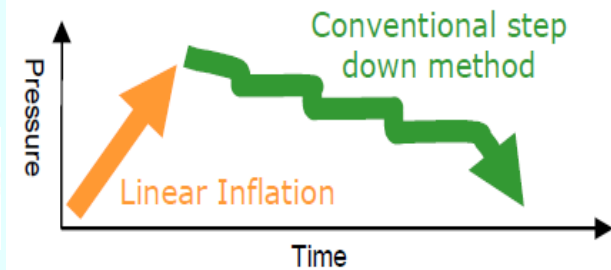


CO₂ sensor

cap-ONE



NIBP module



Treatment Equipment

Expand product line-up in resuscitation field

Defibrillators

TEC-5600 series

Launch July
(international),
Nov 2014 (Japan)



ER



Home and
public facilities



AED remote monitoring system



Ambulances



Automated
Resuscitation Machine

Provide consistent chest compression
for emergency life guards



Plan to launch
FY2014 (intl)

Develop neurology field

Magnetic stimulation treatment equipment for urinary incontinence



Magnetic stimulation
treatment equipment
TMU-1100

Launch May 2014
(Japan)

Compact EMG



Monitor electromyogram
during rehabilitation

Electromyograph MEM-8301
Launch May 2014 (Japan)

(ii) Strengthen business expansion by region

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

Acute care hospitals



Integrated community care
Recovery care



Clinics



Promote products and services that meet market trends such as strengthening care functions and establishing integrated community care

Establish Wellcare Business Division
Develop new business domain

Patient monitors



Bedside monitors ← Plan to launch in FY2014 → Central monitors

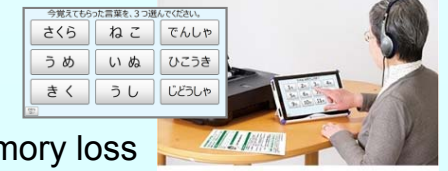
Treatment Equipment



Rehabilitation



Dementia



Memory loss prevention program MSP-1100

Diabetes

HbA1c Analyzer CHM-4100



Information System

PrimeVitaPlus
Prime Gaia

Community medical relations

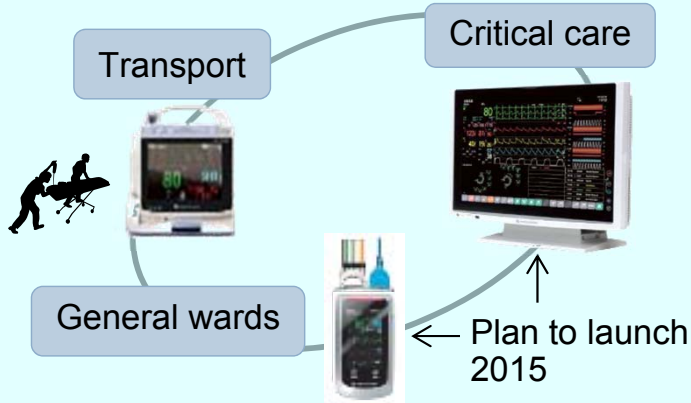
PrimeCreat

Prime Linc

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

Patient Monitor

- Launch new products



- Reinforce sales network
- New contract with MedAssets

Neurology

- Focus on U.S. top 50 hospitals



Ronald Reagan UCLA Medical Center

- Launch new products

Intraoperative Monitoring System

Plan to launch FY2014



Resuscitation



Automated Resuscitation Machine



Plan to launch FY2014

Strengthen technological development capabilities

Establish Nihon Kohden Innovation Center in Boston in September

First overseas basic research office for translational research

Start operation Sept 2014

Nihon Kohden America

NKUS Lab

Defibtech

Neurotronics

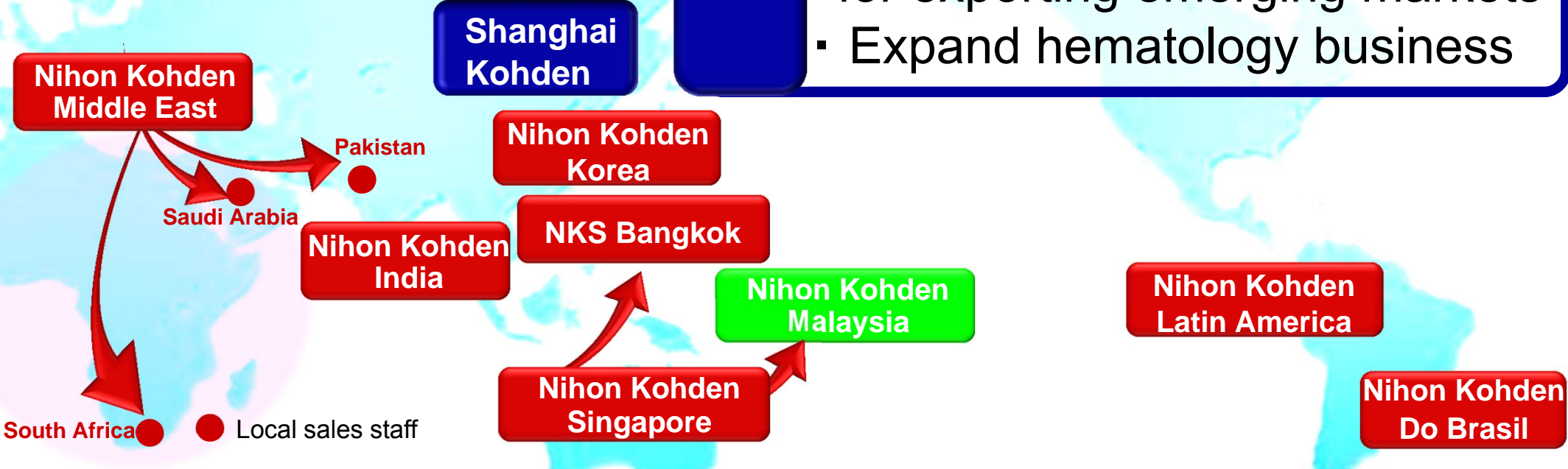
Nihon Kohden Innovation Center

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

Strengthen business structure

China

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



Enhance production system in Asia

- Apply for a manufacturer license in Malaysia
- Start to manufacture bedside monitors for emerging markets in 2015



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

Product strategy tailored to each market

High-end market

Made in Japan

Most advanced bedside monitors

Transport monitors

esCCO™
Continuous Cardiac Output

CO2 sensor

INBP

ECGs

Derived 18-lead ECG

synECG 18
Synthesized Electrocardiogram

5-part diff

3-part diff

Reagents

EEGs

Defibrillators & AEDs

EEGs

Defibrillators

Evoked potential / EMG systems

- Products manufactured in Japan that are highly functional and IT-compliant
- Differentiate by unique technologies

Low-end market

Made in China

Bedside monitors

Central monitors

ECGs

Hematology Analyzers

5-part diff

3-part diff

Reagents

Future product line-up (Plan)

Bedside monitors

C-reactive Protein measuring instruments and reagents

- Broaden line-up of products manufactured in China to target high volume markets

Disclaimer:

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