

Third quarter 2015 financial results conference call
Main Questions and Answers
(February 2, 2016)

Q1: Domestic sales showed recovery in 3rd quarter. Why were orders from universities and public hospitals delayed until the 3rd quarter? Do you have specific reasons for the orders increase in December?

A1: Because of the negative impact of the revision of medical treatment fees and consumption tax hike in April 2014, earnings at acute care hospitals were worsened due to increased costs of medical materials. However, after the first half, as hospitals recognized the outlook for income and expenditure for this fiscal year, the execution of their budgets started. Domestic business in the second half was in line with the Company's estimates.

Q2: The discussion is currently proceeding for the revision of the medical treatment fees in April 2016 by the Ministry of Health, Labour and Welfare (MHLW). It includes changes in requirements for claiming the 7-to-1 basic stay fee and notifications per hospital ward. What do you think about the impact on hospital management?

A2: Medical treatment fees are revised for reallocation of beds. This trend is the same as the previous one. We don't think the business environment of hospitals will be further worsened because discussion in the Central Social Insurance Medical Council which is an advisory body of the MHLW is in line with expectations. We also think the financial conditions of hospitals will not improve so much because the non-deductible consumption tax issue is postponed in the revision.

Q3: You reorganized your sales organizations in the U.S. and Europe. Which is the reason for your strong performance in the U.S. and Europe, the reorganization or better market environment?

A3: Sales in the U.S. showed strong growth especially Patient Monitors business before the reorganization. We expect a positive effect of the reorganization and cross-selling in the future. As for Europe, Nihon Kohden Europe in Germany provided sales and after-sales support in the German-speaking countries and managed each sales subsidiary in Europe. For the purpose of expanding its sales there, the Company established a sales subsidiary in Germany and assigned a local staff member as the president in April 2015. Sales in Europe were favorable due to strengthening of the organization as well as recovery of the market environment.

Q4: Please explain the U.S. market condition, outlook and the schedule of new product launches.

A4: Sales in the U.S. remained in double-digit growth. There is no particular change in the U.S. market environment. The Company is enhancing collaboration of each business and cross-selling. We expect a positive impact in future business expansion. As for new products, the Company plans to launch its most advanced bedside monitor, CSM-1901, in February. A vital sign telemeter will be launched in the next fiscal year.

Q5: What is the reason for growth of international consumables sales? Which type of consumables increased especially?

A5: Sales of sensors and electrodes for Patient Monitors and sales of reagents for Hematology Analyzers increased. Sensors especially contributed to sales growth. In the U.S., the Company changed the salary system of sales rep in order to provide commission for consumables sales. In emerging countries, the Company has focused on promoting the accuracy and high added value of its genuine consumables to distributors. These measures contributed to sales growth.

Q6: I heard that price pressure from domestic hospitals has been getting stronger since January 2016. Could you tell us how it was?

A6: We think that the hospital management environment has continued to be difficult after the consumption tax hike and the revision of medical treatment fees in Apr 2014. We haven't seen large changes in these situations since Jan 2016.

(End)

(Cautionary Statement)

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