

Consolidated Financial Highlights for the First Half of FY2020

(From April 1, 2020 to September 30, 2020)

- 1. Consolidated Financial Results
for the First Half of FY2020**
- 2. Forecast for FY2020**
- 3. Business Strategy**
- 4. New Long-term Vision, BEACON 2030**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

November 10, 2020

Fighting Disease with Electronics

1 Consolidated Financial Results for the First Half of FY2020

1) Consolidated Financial Results for the 1st Half of FY2020

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

	First half FY2019	First half FY2020	
		Actual	YoY (%)
Sales	89,735	87,240	-2.8
Domestic Sales	67,445	56,248	-16.6
Overseas Sales	22,289	30,992	39.0
Gross Profit (Gross Profit Margin)	43,354 48.3%	44,357 50.8%	2.3
Operating Income (Operating Income Margin)	7,009 7.8%	8,758 10.0%	24.9
Ordinary Income	6,334	8,215	29.7
Income Attributable to Owners of Parent	3,943	5,826	47.8

← **+43% on a local currency basis**

← **In-house sales ratio: FY2019 1H 64.3% → FY2020 1H 69.0%**

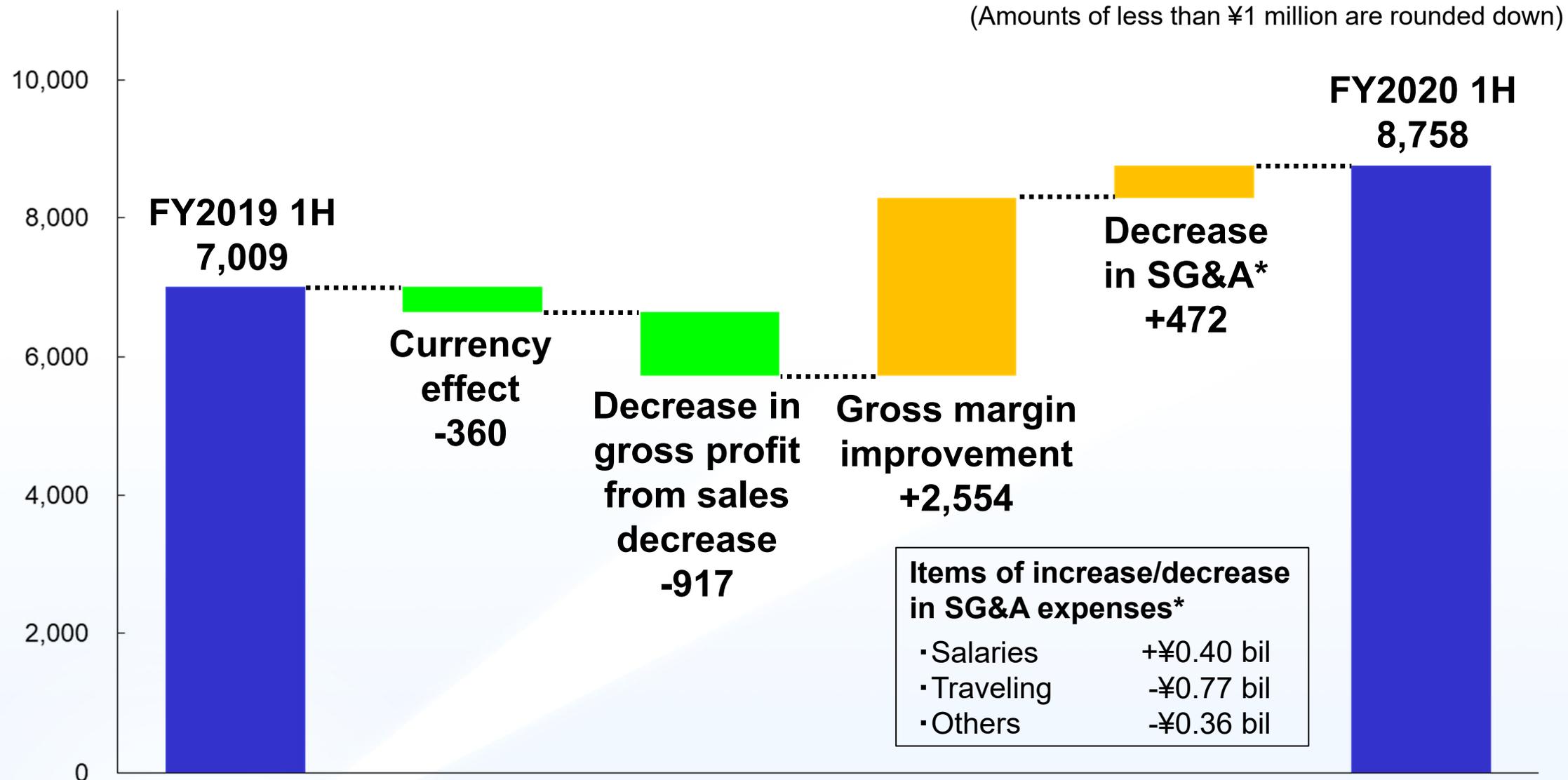
← **SG&A: ¥36.3 bil → ¥35.5 bil
SG&A Ratio: 40.5% → 40.8%**

← **Foreign exchange losses:
¥855 mil → ¥825 mil**

	First half FY2019	First half FY2020
Average exchange rate		
1 US Dollar	109.2 yen	106.9 yen
1 EURO	121.9 yen	121.3 yen

2) Breakdown of Operating Income

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

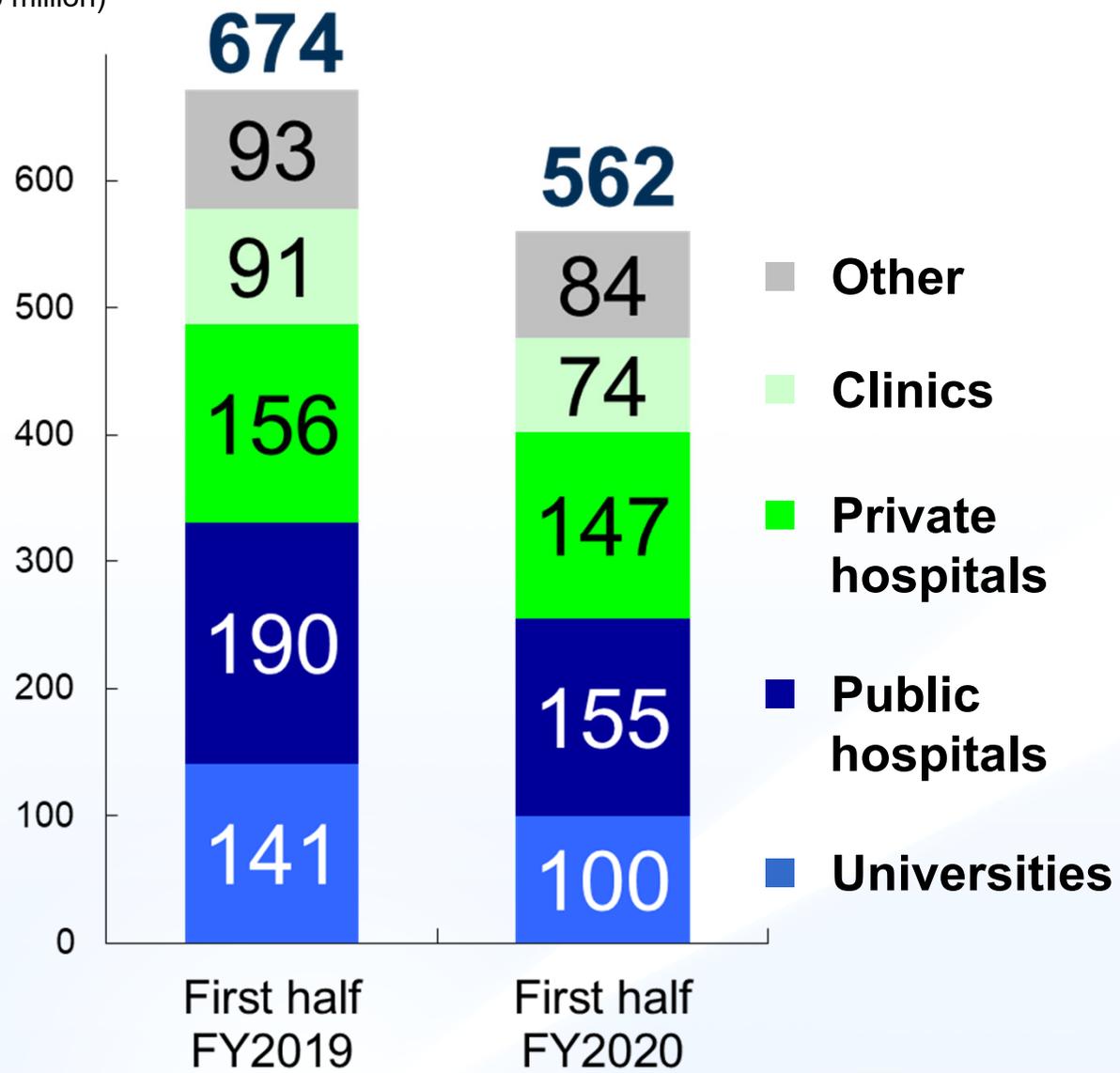


*Decrease in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect.
Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

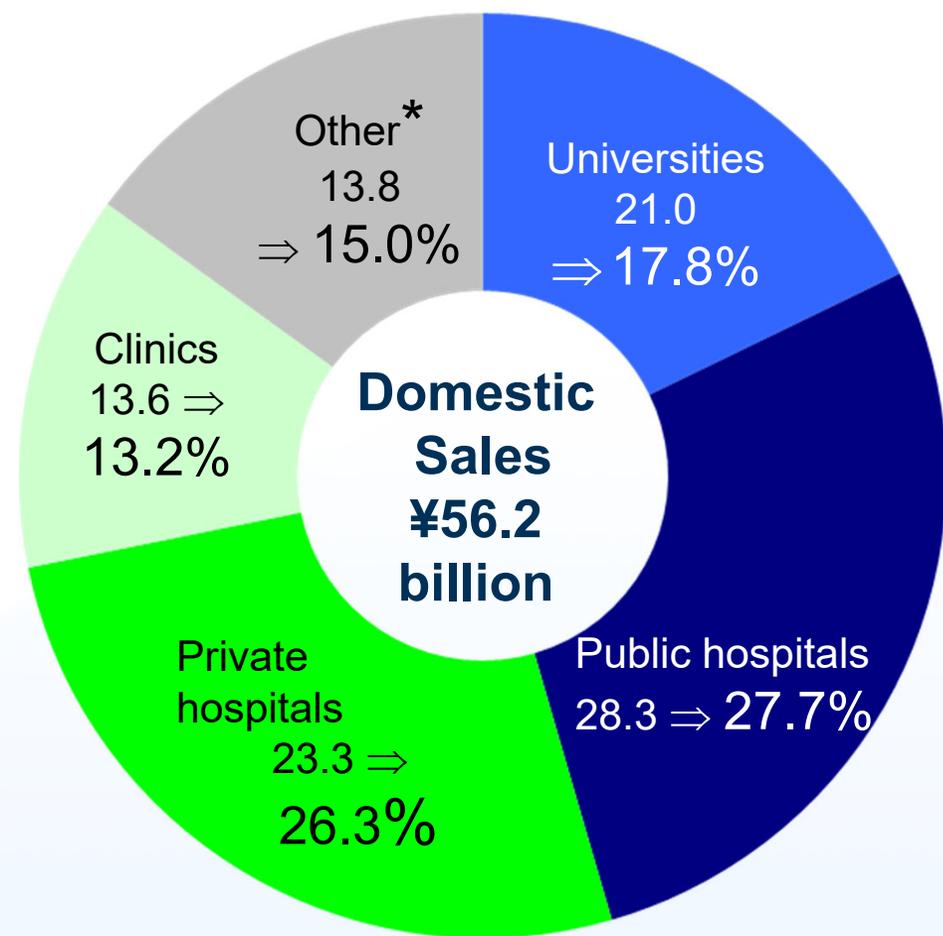
3) Domestic Sales

Sales by market

(¥100 million)



Sales composition by market
(FY2019 1H ⇒ FY2020 1H)

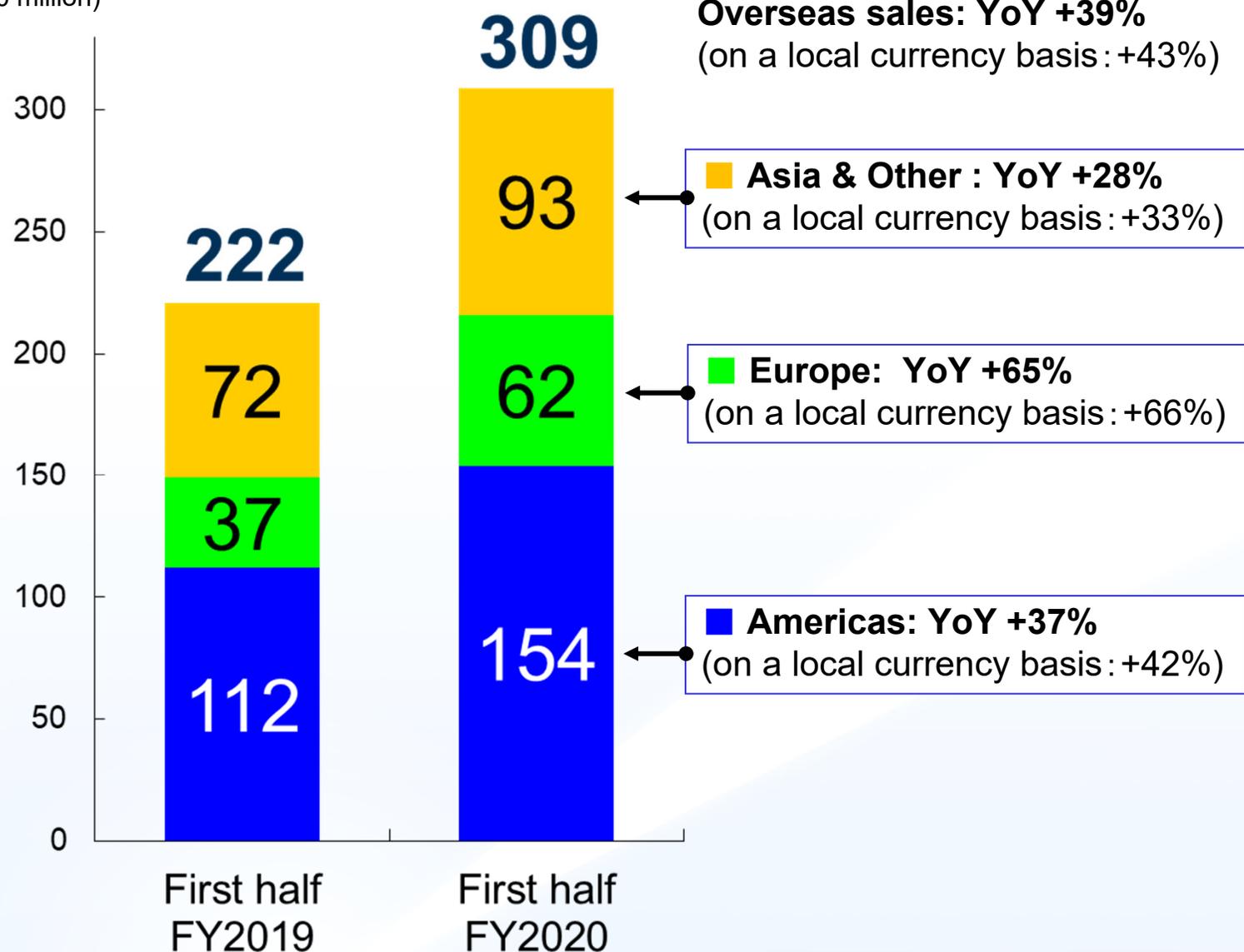


*Other includes laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

4) Overseas Sales

(¥100 million)

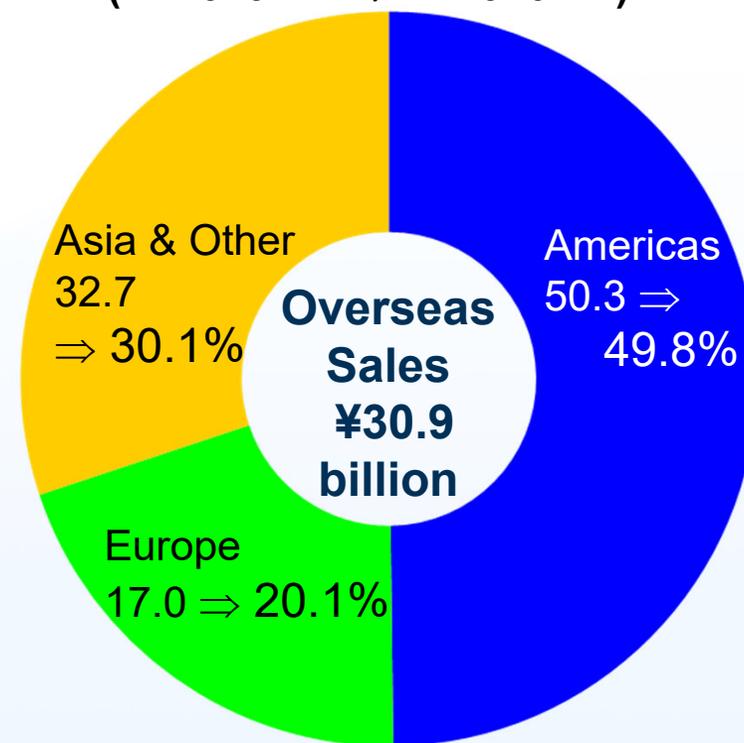
Geographic segments



Percentage of overseas sales to consolidated sales

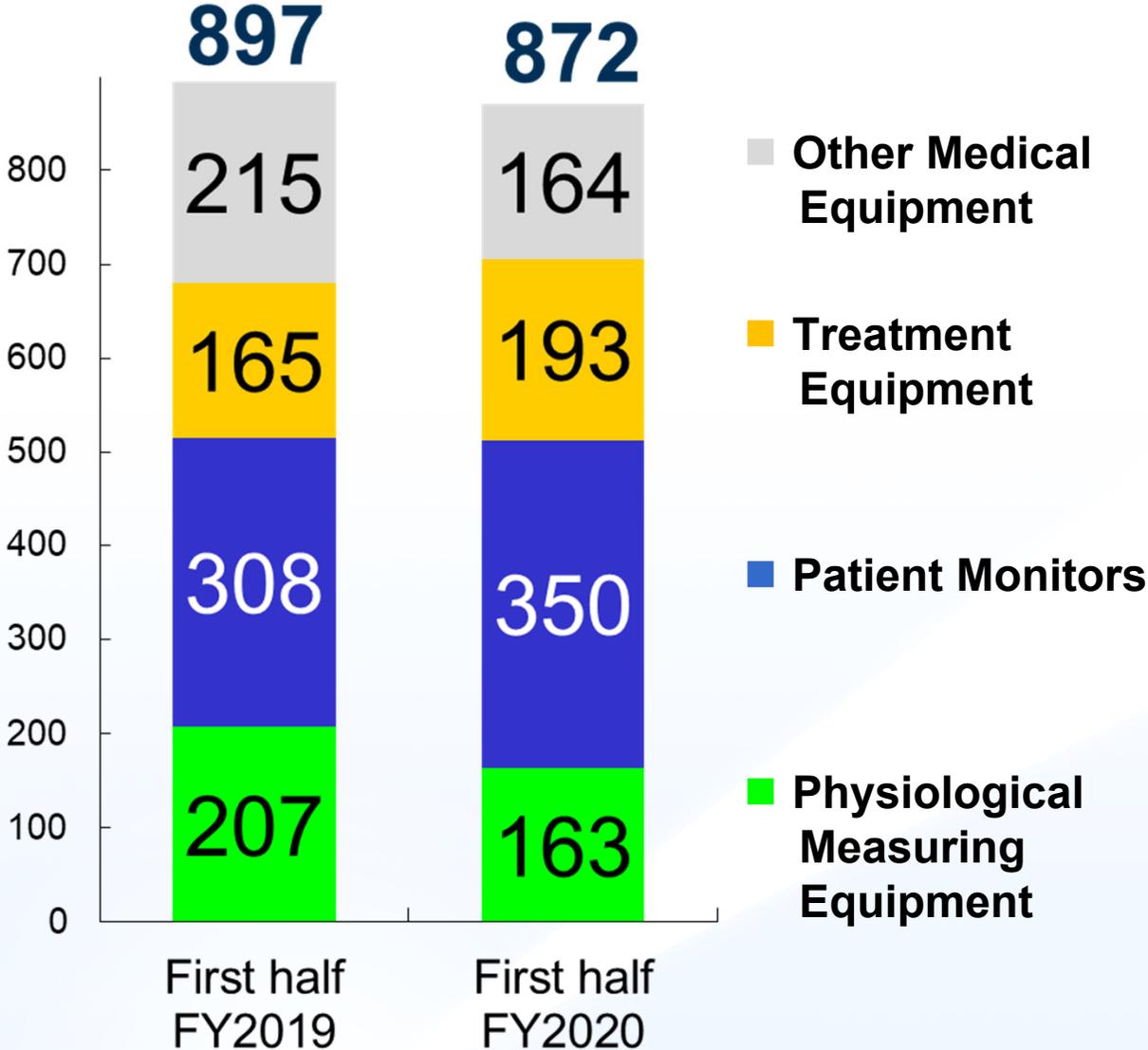
First half FY2019	First half FY2020
24.8%	35.5%

Geographic Segments (FY2019 1H ⇒ FY2020 1H)



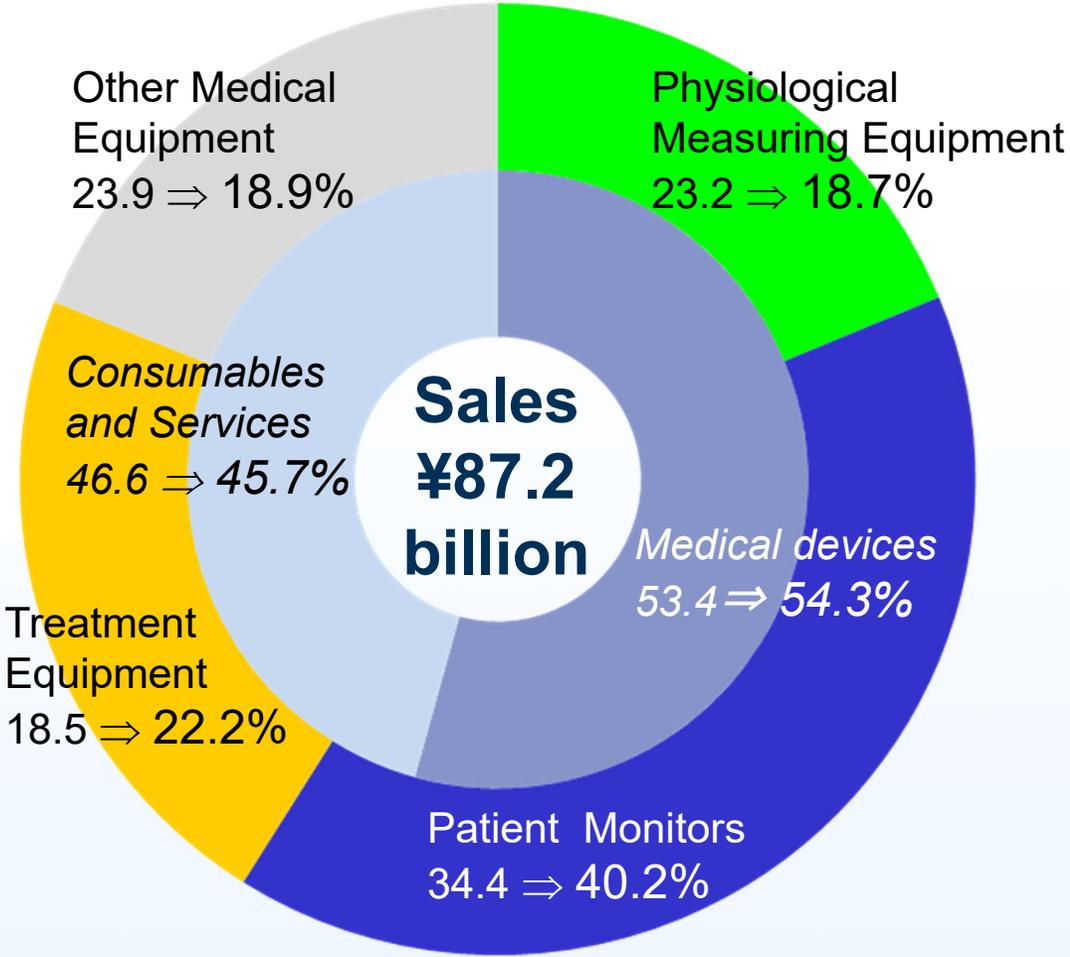
5) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2019 1H ⇒ FY2020 1H)



5.1) Physiological Measuring Equipment

	First half FY2019	First half FY2020	YoY (%)
Electroencephalographs	3,620	2,666	-26.3
Electrocardiographs	3,380	2,962	-12.4
Polygraphs for Cath Lab	8,204	6,907	-15.8
Other Physiological Measuring Equipment *	5,577	3,814	-31.6
Physiological Measuring Equipment	20,782	16,350	-21.3
Domestic Sales	16,627	12,625	-24.1
Overseas Sales	4,155	3,724	-10.4

(Sales, millions of yen)

Sales of all products recorded double-digit declines because medical institutions reduced the number of testing and surgical procedures, and postponed or froze a part of their purchase budgets. The demand for pulse oximeters and LAVITA increased because of use in checking mildly ill COVID-19 patients.

Sales of EEGs decreased in the Americas and Asia & Other. Sales of ECGs increased favorably in all regions.

*Includes diagnostic information systems and products of other companies.



Electro-encephalograph
EEG-1290



EMG/EP measuring system
MEB-9600



Electro-cardiograph
ECG-3150



Holter ECG monitor
RAC-5000



Polygraph for Cath Lab
RMC-5000



Medical and long-term care network system
LAV-1000

5.2) Patient Monitors

	First half FY2019	First half FY2020	YoY (%)
Patient Monitors	30,855	35,067	13.6
Domestic Sales	19,984	17,276	-13.6
Overseas Sales	10,870	17,790	63.7

(Sales, millions of yen)

Sales of clinical information systems and bedside monitors decreased significantly in reaction to the strong performance in FY2019 1H. Sales of telemetry systems increased favorably.

Sales in all regions achieved double-digit growth. Especially, sales in Europe, the Middle East and Latin America doubled compared to FY2019 1H.



CSM-1501 CSM-1502 CSM-1701 CSM-1702

Bedside monitors
CSM-1500/1700



Bedside monitor
PVM-4000



Spot check monitor
SVM-7200



Telemetry system
WEP-1400

NEW!



SpO₂ probe for esCCO measurement



cap-ONE biteblock



ECG Electrodes

Consumables

5.3) Treatment Equipment

	First half FY2019	First half FY2020	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,879	3,049	5.9
AEDs (Automated External Defibrillator)	7,479	6,885	-7.9
Pacemakers / ICDs	1,625	1,366	-15.9
Ventilators	1,603	5,317	231.6
Other Treatment Equipment	2,970	2,705	-8.9
Treatment Equipment	16,558	19,324	16.7
Domestic Sales	11,922	12,277	3.0
Overseas Sales	4,635	7,047	52.0
(Ref.) AED Unit Sales	45,000	39,400	-12.4
Domestic Unit Sales	26,200	28,200	7.6

(Sales, millions of yen)

Domestic: Sales decreased in reaction to the strong performance in FY2019 1H.
International: Sales in all regions increased favorably thanks to double-digit growth in Asia & Other and Latin America.

Domestic: Sales increased favorably thanks to orders received for replacement.
International: Sales decreased due to weak demand in all regions.

Domestic: Sales of both Hamilton's ventilators and our in-house ventilator increased favorably supported by supplementary budgets.
International: Sales increased significantly in all regions. The business has grown to a certain scale.



Defibrillator
EMS-1052



AED
AED-3150



Pacemaker
Zenex MRI

NEW!



Pulse checker
PLS-1100

NEW!



Ventilator
HAMILTON-C6



Ventilator
NKV-330

NEW!



Ventilator
NKV-550

5.4) Other Medical Equipment

	First half FY2019	First half FY2020	YoY (%)
Hematology Analyzers	4,884	4,451	-8.9
Imaging Systems, Medical equipment for study and others *	16,655	12,047	-27.7
Other Medical Equipment	21,539	16,499	-23.4
Domestic Sales	18,911	14,068	-25.6
Overseas Sales	2,628	2,430	-7.5

(Sales, millions of yen)

Sales of locally purchased products decreased significantly compared to FY2019 1H when large orders were received. The decrease was also because the Company focused on selling in-house products.

Sales of hematology analyzers and reagents decreased due to weak demand and a decrease in the amount of testing.

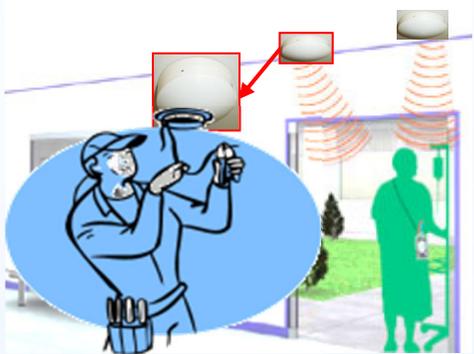
*Includes consumables, installation and maintenance services which are not part of other categories.



Automated hematology analyzer
MEK-9100



Automated hematology analyzer and clinical chemistry analyzer
MEK-1303



Installation and maintenance services

6) Financial Condition

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

	FY2019	First half FY2020	Change		FY2019	First half FY2020	Change
Current Assets	129,020	128,958	-62	Current Liabilities	40,319	36,081	-4,238
Inventories	29,249	36,303	7,054	Interest-bearing Debt	350	350	—
Property, Plant & Equipment	20,003	20,014	10	Non-current Liabilities	5,692	5,577	-115
Intangible Assets	4,149	3,883	-266	Net Assets	121,774	126,853	5,078
Investments & Other Assets	14,612	15,656	1,043				
Total Assets	167,786	168,512	725	Total Liabilities & Net Assets	167,786	168,512	725
Inventory Turnover	3.7 months	4.9 months		Equity Ratio	72.6%	75.3%	

7) Capital Investments and R&D Costs

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

	First half FY2019	First half FY2020	FY2019 Actual	FY2020	
				Original Forecast announced May 13	Revised Forecast announced Nov 6
Capital Investments	1,609	1,472	3,549	3,900	3,900
Depreciation	1,695	1,496	3,597	3,600	3,600
R&D costs	3,162	3,069	6,731	7,000	7,200



●FY2020 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, IT systems for increasing operating efficiency, production equipment including equipment related to ramping-up production of two models of ventilators and patient monitors

<Supports for production increase of ventilators and patient monitors by partners>

- Delivery of 1,000 units of carts for ventilators by Honda Motor Co., Ltd.
- Advice for improving the production process for ventilators and patient monitors by Toyota Production System (TPS) Support Team

[Difference b/w original forecast and revised forecast announced on Nov.6]

• R&D costs +¥0.2 bil:
Accelerates development of digital technology set out in its long-term vision



2

Forecast for FY2020

1) Business Environment

1st
Half

2nd
Half

Japan

- ➖ Start conducting sales activities online after refraining from non-urgent visits to customers until the end of May
- ➖ Sales of catheters, pacemakers and ICDs 1Q: -23% → 1H: -16% (YoY)
- ➕ Increase in the number of negotiations for ventilators and telemetry systems supported by supplementary budgets issued to cope with the COVID-19 crisis

People avoid visiting hospitals and clinics

Recovery of medical institutions' earnings will take time

- ➖ The parts of negotiations which do not relate to COVID-19 are expected to be postponed or frozen

International

- ➕ Significant increase in demand for patient monitors and ventilators
- ➖ Weak demand for EEGs and hematology analyzers
- ➖ Weak demand for AEDs in the PAD market
- ± Cancellation of some orders
- ➕ Increase again in the number of inquiries about patient monitors and ventilators due to the 2nd wave of COVID-19 in Europe

Expansion of ICU facilities to deal with acutely ill patients

Economic stagnation/slowdown

Concerns about reduction in governments' budgets and restraints on capital expenditure

- ➖ Corresponding reactionary decline is expected in 4Q

The uncertainty related to the impact from resurgence of COVID-19 should be monitored carefully both in Japan and internationally.

2) Forecast for FY2020

	FY2019 Actual	FY2020		YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 6	
Sales	185,007	180,000	184,000	-0.5
Domestic Sales	134,355	126,200	127,200	-5.3
Overseas Sales	50,651	53,800	56,800	12.1
Gross Profit (Gross Profit Margin)	89,325 48.3%	87,200 48.4%	91,300 49.6%	2.2
Operating Income (Operating Income Margin)	15,503 8.4%	14,000 7.8%	16,500 9.0%	6.4
Ordinary Income	14,846	14,000	16,500	11.1
Income Attributable to Owners of Parent	9,854	10,000	11,000	11.6
Percentage of overseas sales	27.4%	29.9%	30.9%	

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

← +15% on a local currency basis

Average exchange rate

1 US Dollar	109.1 yen	107 yen	106 yen
1 EURO	121.1 yen	117 yen	122 yen

FY2020 2H	106 yen
	124 yen

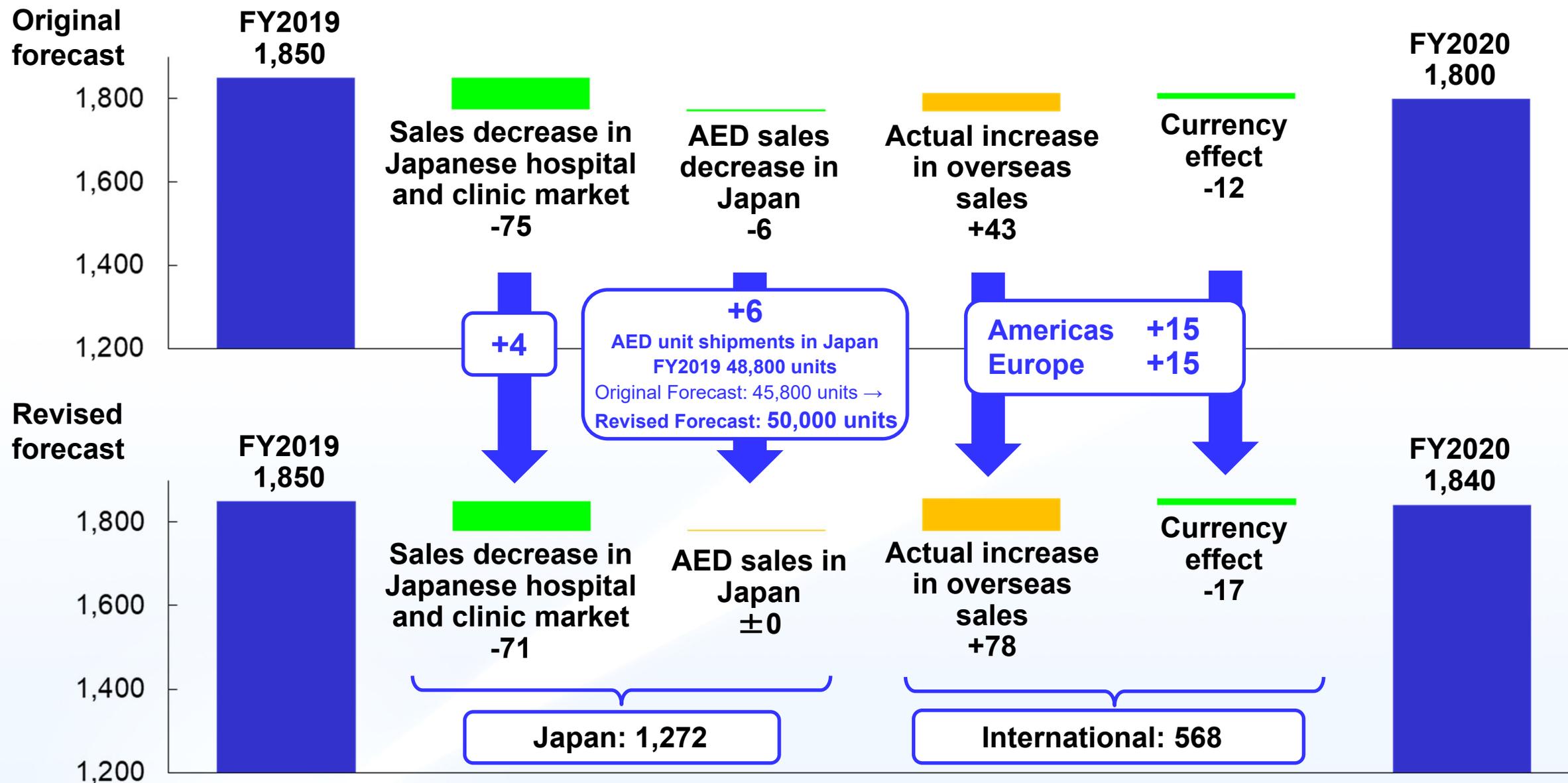
Breakdown of overseas sales by region

	FY2019 Actual	FY2020 Forecast		YoY (%)
		Original forecast announced May 13	Revised Forecast announced Nov 6	
Americas	24,731	26,600	28,100	13.6
Europe	9,044	8,800	10,300	13.9
Asia & Other	16,876	18,400	18,400	9.0
Total	50,651	53,800	56,800	12.1

*Effective FY2020, Asia and Other are reclassified as Asia & Other.

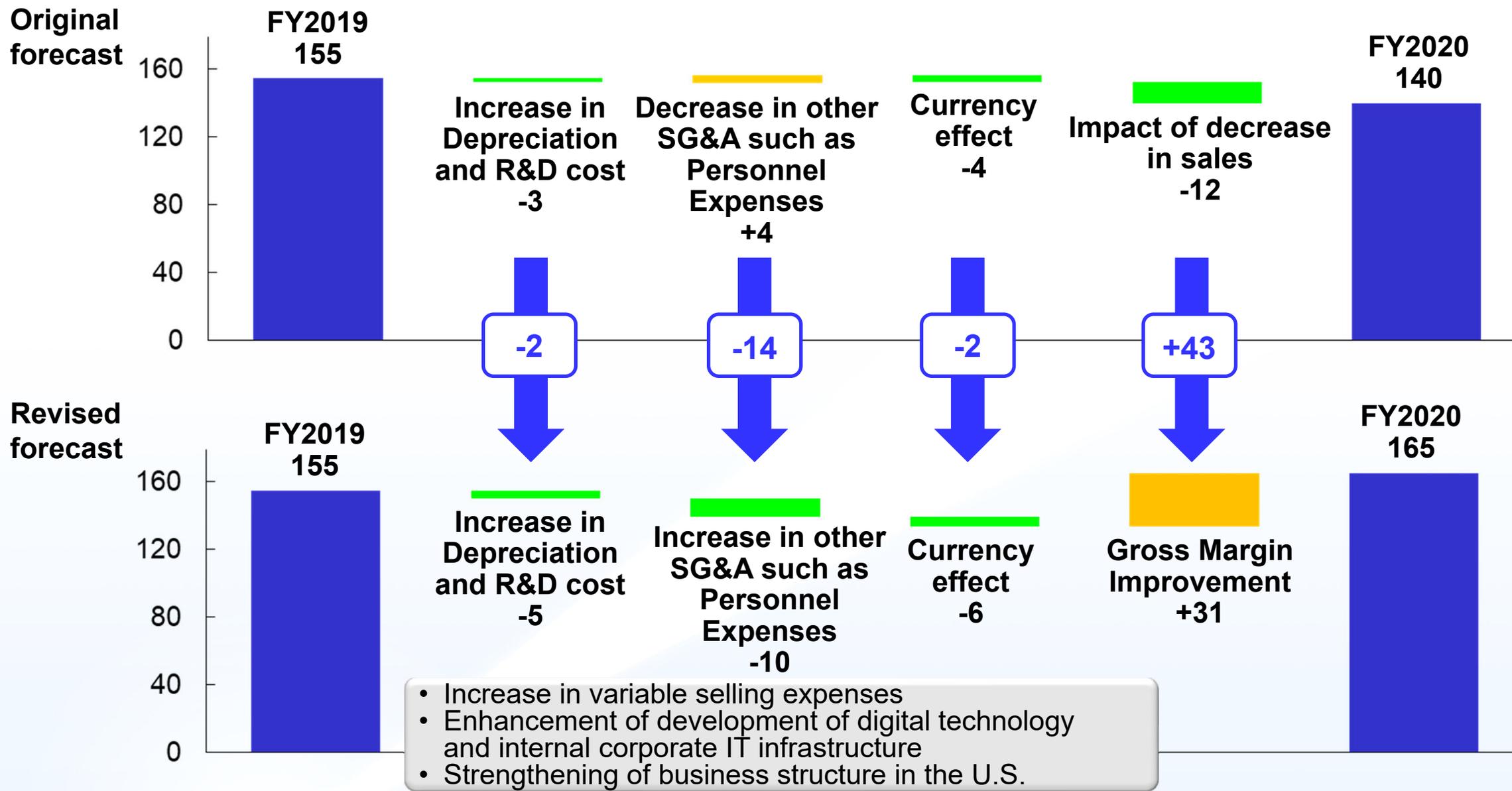
3) Analysis of FY2020 Sales Forecast

(¥100 million)



4) Analysis of FY2020 Operating Income Forecast

(¥100 million)



(Ref.) Consolidated Forecast for FY2020 by Product Category/ Effect of Exchange Rates

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

	FY2019 Actual	FY2020 Forecast			YoY (%)
		Original Forecast announced May 13	Revised Forecast announced Nov 6	Composition ratio (%)	
Physiological Measuring Equipment	42,273	37,200	36,800	20.0	-12.9
Patient Monitors	64,966	68,500	70,000	38.0	7.7
Treatment Equipment	34,512	35,800	39,800	21.6	15.3
Other Medical Equipment	43,254	38,500	37,400	20.4	-13.5
Total	185,007	180,000	184,000	100.0	-0.5

(Reference)

Consumables and Services	84,160	82,200	81,500	44.3	-3.2
---------------------------------	--------	--------	--------	------	------

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.34 bil yen	0.07 bil yen
1 EURO	0.07 bil yen	0.03 bil yen

3

Business Strategy

1) Basic policies to address COVID-19

1. Ensuring the health and safety of employees at work and their families as the top priority
2. Fulfilling our responsibility to supply products and services to maintain the medical care system



Our staff wearing personal protective equipment installed patient monitors in Shanghai in Feb. 2020



Installed NKV-550 ventilators in Spain in Apr. 2020



Installed NKV-330 ventilators in London in Jun. 2020



Installed NKV-550 ventilators in Scotland in Jun. 2020

2) Measures in FY2020

Improve profitability of existing businesses

Launch new products on schedule

- ✓ Enhance improvement of development efficiency



Achieve further growth in overseas business

- ✓ Expand the installation of patient monitors and ventilators
- ✓ Enhance proposals of consumables and services



Online Training Program



AN EDUCATIONAL SERVICE OFFERING OF NIHON KOHDEN

Enhance customer value proposition in domestic business

- ✓ Hold online seminars



- ✓ Enrich contents of the membership website



2) Measures in FY2020

Consolidate corporate fundamentals to grow as a global company

Strengthen governance and business management structure

April 2020

- ✓ **Strengthened risk management supervision of overseas subsidiaries**



June 2020

- ✓ **Appointed one female outside director**
- ✓ **Introduced a restricted stock remuneration plan for directors and operating officers**

Improve supply chain management using IT

- ✓ **Establish a global ERP system**
 - Introduce ERP into a subsidiary in Singapore in FY2020



- ✓ **Promote and expand use of online ordering system in domestic business transactions**

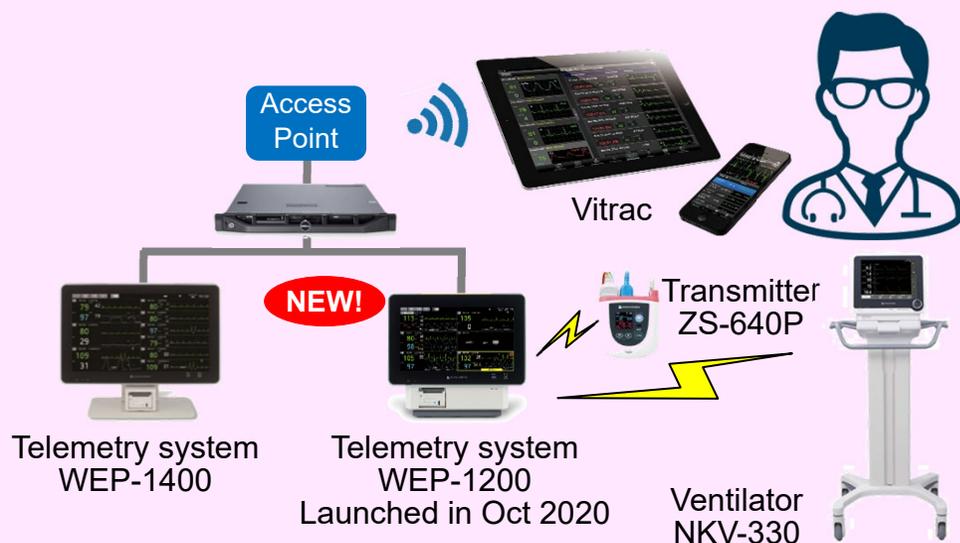
3) Strengthen business expansion by region

Japan

Promote customer value which contributes to improving medical safety, patient outcomes, and operating efficiency

COVID-19 response

- ✓ In-hospital: Enable remote viewing on mobile terminals from out of ward



- ✓ Accommodation facilities: Enable checking COVID-19 patient condition from other rooms



- ✓ Recommend use of disposable consumables to prevent infection



Patient outcomes

- ✓ Introduce esCCO



* esCCO : estimated Continuous Cardiac Output

- Estimate CO using ECG and SpO₂ pulse wave
- Low infection risk and no pain
- No additional sensors and no additional running cost

NEW!
SpO₂ probe for esCCO measurement
Launched in Sep 2020



U.S.

Launch a Program to cope with COVID-19

✓ Promote solution proposals with NK-HealthProtect™ **NEW!**

Patient Triage Solution

COVID-19 screening



Useful for screening COVID-19 patients by measuring temperature and SpO₂

Spot check monitor SVM-7200
Launched in Dec 2019

Wireless Surge Solution

Support for emergency department



Prefense® Early Detection and Notification System*



Vital sign telemeter GZ-140P

Pop-up ICU Solution

Rapidly expand capacity



Central monitor CNS-6801



Bedside monitor BSM-6301

✓ Reduce infection risk of medical staff

Pre-hospital/In-hospital market



* Prefense® Early Detection and Notification System is Nihon Kohden's proprietary software that allows for continuous vital signs monitoring of multiple patients on a single screen, enabling recognition and faster intervention when vital signs change.

Emerging Markets

Enhance solution proposals with new products made in Japan, the U.S. and Shanghai

Made in Japan/US

High-end market

Ambulance
Defibrillator



EMS-1052

ICU

Bedside monitors



CSM-1500/1700 series

Ventilator



NKV-330

Ventilator



NKV-550

Bedside monitor



PVM-4000

Made in China

Local R&D and production

Middle-to low-end market

ECG



ECG-3150

Spot check monitor



SVM-7200

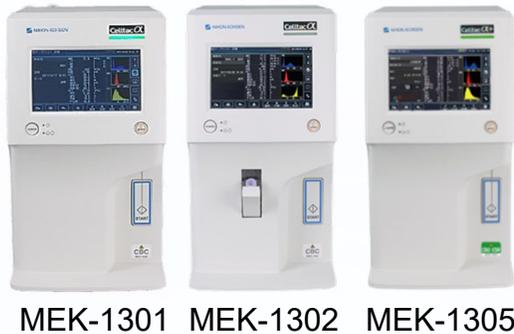
ECG



ECG-3350

Hematology Instruments

- ✓ Introduced three new models (Launched in Oct 2020)



- **The world's first** hematology analyzer which enables ESR* to be measured simultaneously (MEK-1305)
- **Newly installed NLR** (Neutrophil/Lymphocyte Ratio) for prediction of COVID-19 severity (MEK-1301/1302/1305)

* ESR (Erythrocyte Sedimentation Rate): High ESR means a possibility of infectious diseases such as tuberculosis. ESR is measured mainly in emerging countries.

- ✓ Establish hematology analyzer reagent factory in Dubai (Plan to start production in FY2020 4Q)



4) Basic policy on distribution of profits

Retain necessary reserves for future business expansion

R&D investments



- Product and technology development to achieve sustainable growth

Capital investments



- Plan to ramp up production of ventilators and patient monitors
- Build an IT infrastructure

M&A and alliance



- Search for new business opportunities

Human resource development



- Acquisition and development of human resources

Shareholder Return

- Maintain stable and continuous dividend payments
- A target consolidated dividend payout ratio of 30% or more
- Cash dividends are the basis of shareholder return
- Share buybacks are considered in a flexible manner

Full-year dividends

FY2019: 35 yen (payout ratio: 30.2%)
FY2020 (forecast): 35 yen (payout ratio: 27.1%)

Number of treasury stock:
3,561k shares (stockholding ratio: 4.0%)

New Long-term Vision, BEACON 2030



BEACON 2030

The name of the long-term vision

Nihon Kohden named its long-term vision BEACON 2030 as the keyword in the Vision Statement is "Illuminating" and Nihon Kohden's logo graphically expresses the light beaming from a lighthouse.

The name conveys our spirit that we will be the light offering hope to people suffering from illness.

The logo of the long-term vision

The logo depicts a big wing of light flying towards the future. The spreading light represents "Illuminating" which is a keyword of the Vision Statement.

The motif of the wing was inspired by the story of the bird's wings, which was the catalyst for our founding.

The colors are based on the three primary colors of light and represent the three phases for achieving the long-term vision.

The Road to Developing a New Long-Term Vision

We held panel discussions and other activities involving all employees to incorporate their thoughts for the future of Nihon Kohden into a new Long-term Vision. Based on an understanding of the opinions and ideas obtained through these activities, we formulated BEACON 2030 after productive discussions with the management and next-generation leaders.



Illuminating Medicine for Humanity

Create a better future for people and healthcare by solving global medical issues

1. Illuminate the future of medicine through our understanding of humanity

We will seek better patient outcomes and economy of medical care by remaining a close partner with healthcare professionals and patients around the world, and by leveraging our problem-solving capabilities rooted in clinical expertise.

2. Illuminate the lives of many by co-creating unprecedented value

We will realize the optimal care cycle for each patient, by utilizing our core strength in Human Machine Interface technology with advanced digital technology and data collected from medical sites.

3. Illuminate the potential of our people and organization by embracing new challenges

We will build an open-minded and creative team of individuals around the world who take pride in their contribution to healthcare and their mission to solve global medical issues facing humankind.

Value Creation Compass

Key Concept

● Patient outcomes and economy of medical care

We aim to create value that addresses global medical issues of achieving better patient outcomes and improving the economy of medical care.

● Suitable solutions for each disease and clinical site

We aim to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to home care.

● HMI technology and medical equipment

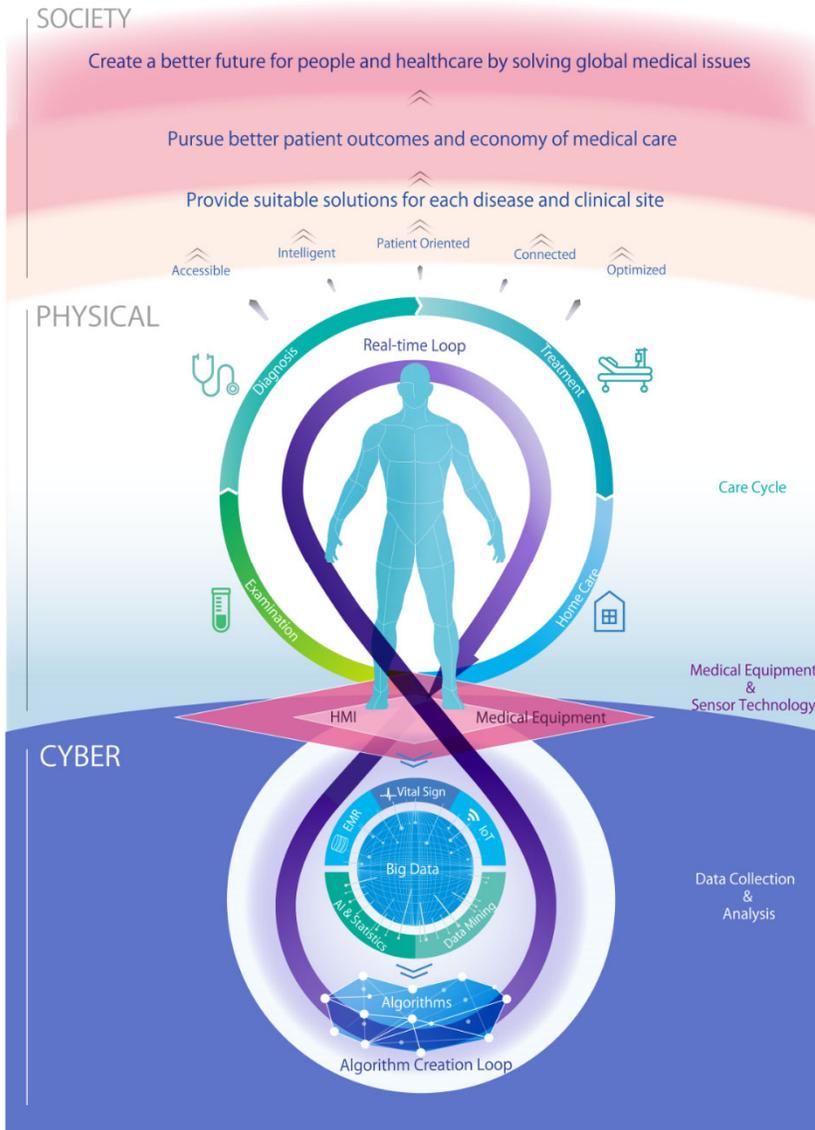
HMI technology is one of our core strengths and serves as an important touchpoint with patients throughout their clinical journey. HMI technology and medical equipment give us access to patients and clinical sites which enable us to create value.

● Value creation from data gathered through clinical sites

Nihon Kohden will develop a data integration platform and pioneer algorithms to create new value from information. Vital sign data, IoT data and EMR information will be integrated as a big data. Algorithms for clinical prediction models will be developed using AI and data analysis.

● Real time loop to respond to clinical needs

By combining HMI technology and medical equipment used in the medical field, and new algorithms created from big data analysis, we provide solutions that can respond to clinical needs in real time.



Three Transformations for BEACON 2030

Nihon Kohden has set three transformations to be realized as a company-wide management policy for the next 10 years

1 Transform into a global company creating high added value

- Promote overseas business strategies emphasizing high growth and improved profitability
- Develop sophisticated value propositions and cultivate new businesses areas in domestic business
- Create new business models by utilizing our global business foundation

2 Create a solution business providing superior customer value

- Create a business model that helps solve medical issues
- Realize a value creation model that creates value from data, by utilizing our core strength in Human Machine Interface technology

3 Establish a global organization founded on Operational Excellence

- Establish an organizational and governance system in line with our corporate strategy
- Establish a development, production and sales system based on Global Supply Chain Management
- Strengthen global business deployment capabilities by establishing a Center of Excellence

Three Phases of BEACON 2030

Nihon Kohden has set three phases to reach in our journey toward 2030. The Company aims to realize its long-term vision by steadily achieving the theme in each phase.



Management Index for BEACON 2030

Nihon Kohden gives priority to operating margin and overseas sales ratio with the aim of becoming a global company that creates high added value.

The target levels in the fiscal year ending March 2030

Operating Margin

15%

Overseas Sales Ratio

45%



New Medium-term Business Plan
(2021/4 - 2024/3)
will be announced
by the end of Mar. 2021



Disclaimer:

The contents of 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 described therein.