

# Consolidated Financial Highlights for First Half of FY2017

(From April 1, 2017 to September 30, 2017)

1. Consolidated Financial Results for First Half of FY2017
2. Forecast for FY2017
3. Business Strategy

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

November 9, 2017

*Fighting Disease with Electronics*



NIHON KOHDEN

# 1 Consolidated Financial Results for First Half of FY2017

---

# 1) Consolidated Financial Results for the 1<sup>st</sup> Half of FY2017

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

|  | First half FY2016 | First half FY2017 |               |         |
|--|-------------------|-------------------|---------------|---------|
|  |                   | Forecast          | Actual        | YoY (%) |
| <b>Sales</b>                                   | 74,463            | 78,000            | <b>76,648</b> | 2.9     |
| <b>Domestic Sales</b>                          | 55,876            | -                 | <b>56,241</b> | 0.7     |
| <b>Overseas Sales</b>                          | 18,586            | -                 | <b>20,407</b> | 9.8     |
| <b>Operating Income</b>                        | 3,834             | 3,900             | <b>3,128</b>  | -18.4   |
| <b>Ordinary Income</b>                         | 2,689             | 3,900             | <b>3,722</b>  | 38.4    |
| <b>Income Attributable to Owners of Parent</b> | 1,683             | 2,500             | <b>2,541</b>  | 51.0    |

| Average exchange rate | First half FY2016 | First half FY2017 |
|-----------------------|-------------------|-------------------|
| 1 US Dollar           | 107.6 yen         | 111.3 yen         |
| 1 EURO                | 119.9 yen         | 126.1 yen         |

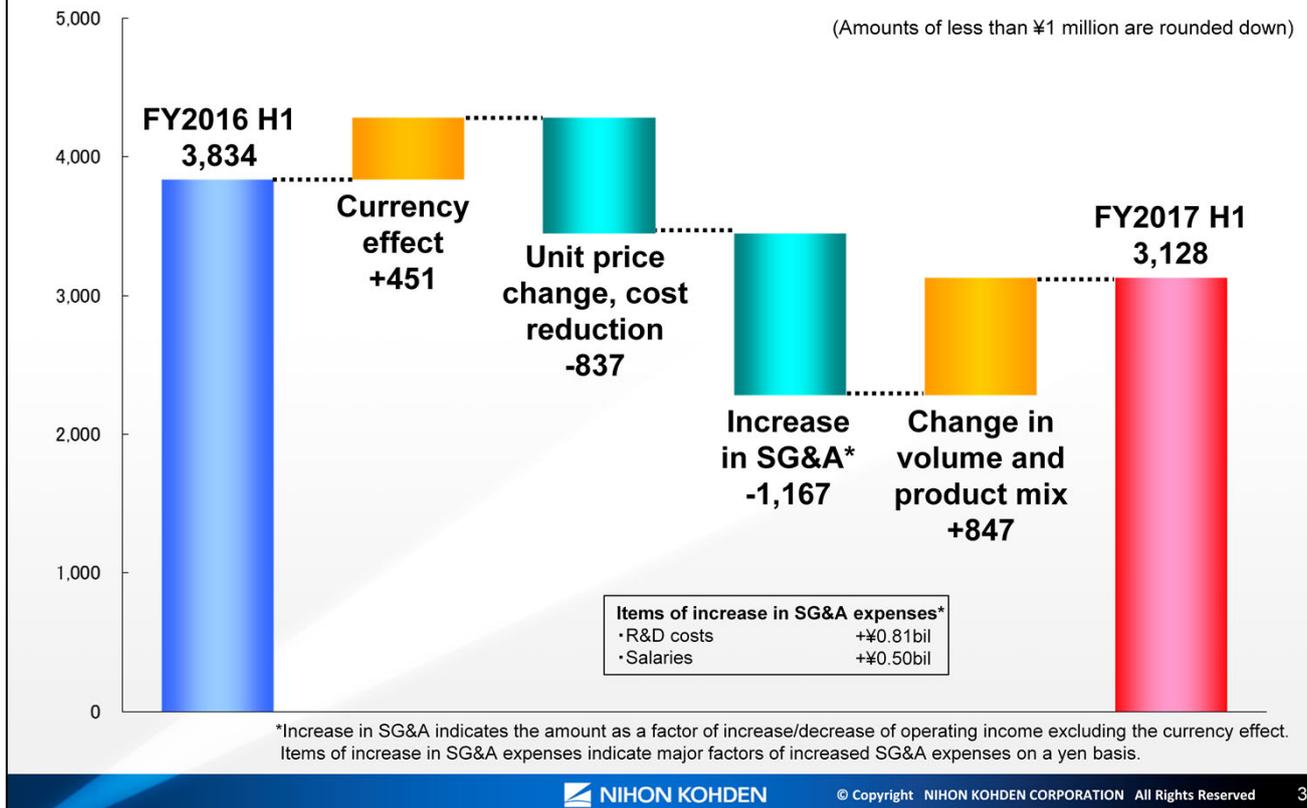
|                     | FY2016 H1 | FY2017 H1 |
|---------------------|-----------|-----------|
| Gross margin ratio: | 48.1%     | → 47.6%   |
| SG&A ratio:         | 43.0%     | → 43.5%   |

| Foreign exchange gains or losses |                    |
|----------------------------------|--------------------|
| FY2016 H1                        | FY2017 H1          |
| ¥1.51 bil losses                 | → ¥0.257 bil gains |

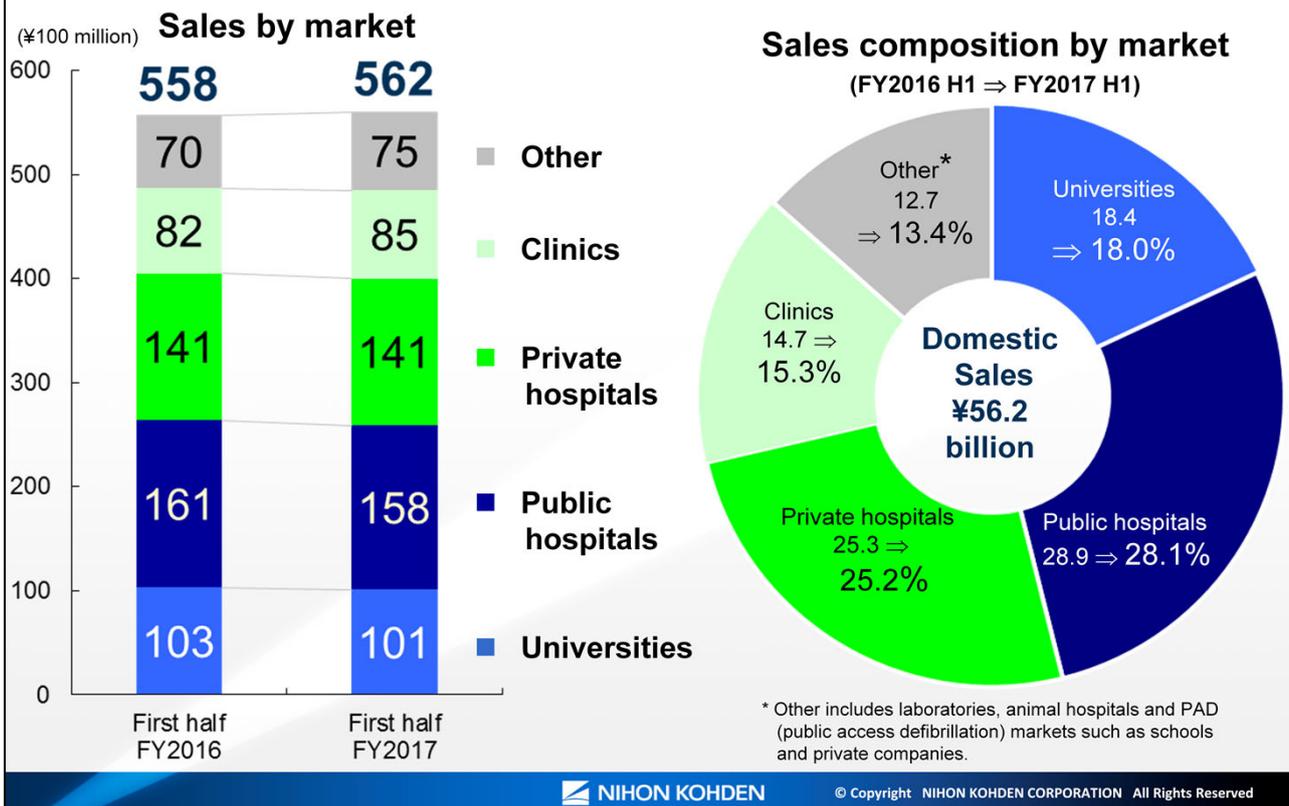
- Overall sales increased 2.9% to ¥76.6 billion.
- Domestic sales increased 0.7% to ¥56.2 billion as sales in the clinic market showed strong growth, while sales in the university and public hospital market decreased.
- Overseas sales increased 9.8% to ¥20.4 billion as sales in the Americas and Europe increased favorably, while sales in Asia decreased. Sales growth on a local currency basis was 7%.
- Overall sales fell short of the forecast by ¥1.4 billion. Both domestic and overseas sales were lower than our expectations.
- The cost of sales ratio rose due to the higher cost of sales for purchased products in domestic business, and also due to increased outsourcing fees in line with sales growth in international business. SG&A expenses also increased, mainly due to R&D investments. As a result, operating income decreased 18.4% to ¥3.1 billion.
- Ordinary income increased 38.4% to ¥3.7 billion and income attributable to owners of parent increased 51% to ¥2.5 billion, reflecting foreign exchange gains.

## 2) Breakdown of Operating Income



- In the 1<sup>st</sup> half of FY2017 operating income decreased to ¥3.1 billion from ¥3.8 billion in the 1<sup>st</sup> half of FY2016.
- Currency effect had a positive impact of ¥0.4 billion due to depreciation of the yen against the U.S dollar and the euro.
- Unit price changes and cost reduction had a negative impact of ¥0.8 billion because unit price decline was not fully offset by cost reduction.
- Increases in SG&A had a negative impact of ¥1.1 billion mainly due to the increase of R&D costs and personnel expenses.
- Change in volume and product mix had a positive impact of ¥0.8 billion because of volume increase.

### 3) Domestic Sales

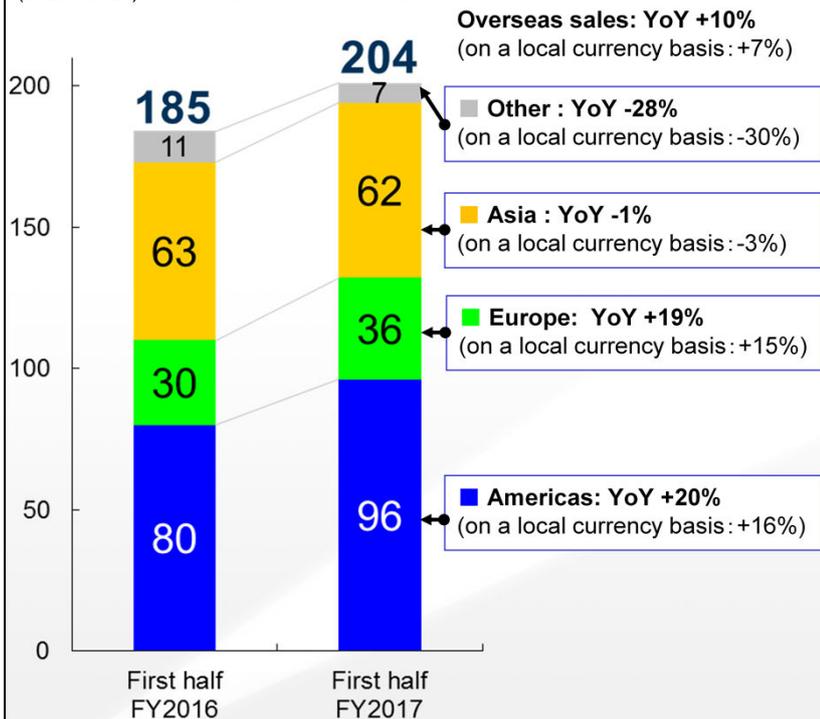


- Domestic sales increased by ¥0.4 billion to ¥56.2 billion.
- Sales increased as the Company absorbed and merged domestic sales subsidiaries in April 2017 and enhanced sales activities which match each market: the acute care hospital market, the small and mid-sized hospital market, and the clinic market. Consumables and services also contributed to the sales increase.
- As for sales by market, sales in the clinic market showed strong growth and sales in the private hospital market remained flat compared to the same period last year. Sales in the university and public hospital market decreased, reflecting a difficult management environment.

## 4) Overseas Sales

### Geographic segments

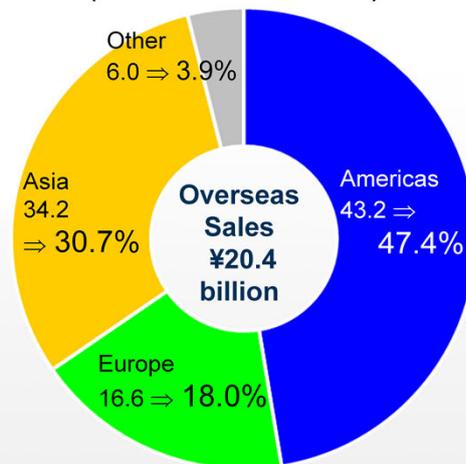
(¥100 million)



### Percentage of overseas sales to consolidated sales

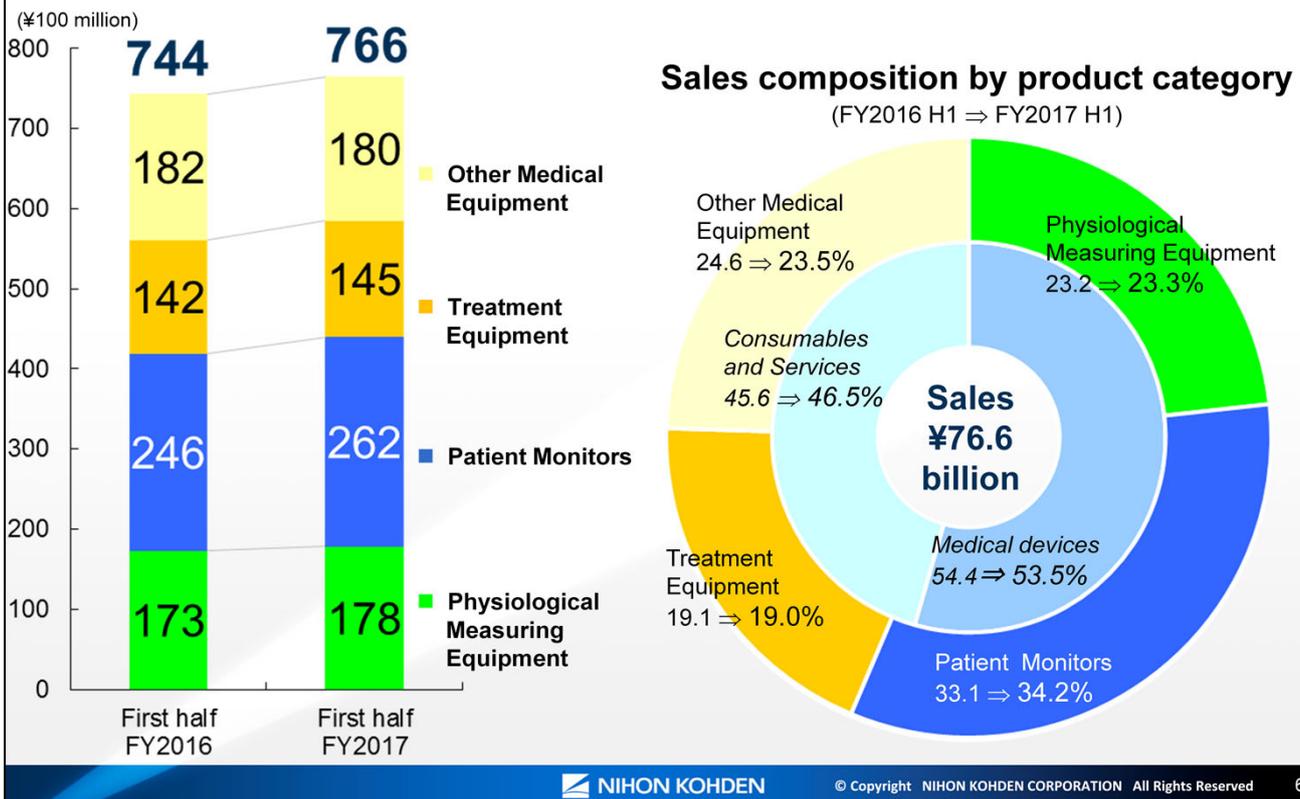
| First half FY2016 | First half FY2017 |
|-------------------|-------------------|
| 25.0%             | 26.6%             |

### Geographic Segments (FY2016 H1 ⇒ FY2017 H1)



- Overseas sales increased by ¥1.9 billion to ¥20.4 billion.
- Sales in the Americas increased by ¥1.6 billion to ¥9.6 billion, a 16% positive growth on a local currency basis. Sales in the U.S. increased favorably as there was shipment for orders of Patient Monitors which we received at the end of the previous fiscal year. Sales in Latin America also increased, primarily in Brazil and Colombia.
- Sales in Europe increased by ¥0.6 billion to ¥3.6 billion, a 15% positive growth on a local currency basis. This was due to solid sales in France and sales recovery in Turkey and Russia.
- Sales in Asia decreased by ¥0.1 billion to ¥6.2 billion, a 3% decline on a local currency basis. Sales decreased especially in South Korea and Vietnam. Sales in the Middle East increased as a result of developing the distributor network. Sales in China increased on a local currency basis and decreased on a yen basis.
- Sales in Other decreased compared with the same period last year when a large order in Egypt was recorded.
- The overseas sales ratio was 26.6%.

## 5) Sales by Product Category



- Sales by product category are shown above.
- Overall sales increased, primarily in Patient Monitors, while sales of Other Medical Equipment decreased.
- The sales ratio of Consumables and Services increased to 46.5% as a result of strengthening our consumables business both in Japan and internationally.

## 5.1) Physiological Measuring Equipment

(Sales, millions of yen)

|   | First half<br>FY2016 | First half<br>FY2017 | YoY (%)     |
|---|----------------------|----------------------|-------------|
| Electroencephalographs                    | 3,335                | 3,315                | -0.6        |
| Electrocardiographs                       | 3,145                | 3,077                | -2.1        |
| Polygraphs for Cath Lab                   | 6,101                | 6,552                | 7.4         |
| Other Physiological Measuring Equipment * | 4,719                | 4,888                | 3.6         |
| <b>Physiological Measuring Equipment</b>  | <b>17,302</b>        | <b>17,833</b>        | <b>3.1</b>  |
| <b>Domestic Sales</b>                     | <b>13,536</b>        | <b>14,264</b>        | <b>5.4</b>  |
| <b>Overseas Sales</b>                     | <b>3,765</b>         | <b>3,568</b>         | <b>-5.2</b> |

Sales of ECGs, Polygraphs for Cath Lab and diagnostic information systems increased, while sales of EEGs decreased.

Sales of ECGs decreased, while sales of EEGs increased.

\*Other Physiological Measuring Equipment includes diagnostic information systems and products of other companies.

NEW!



EMG/EP measuring system

MEB-9400



Electrocardiographs

ECG-2450



Polygraphs for Cath Lab

RMC-5000

NEW!

LAVITA®

Medical and long-term  
care network system

LAV-1000

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

7

- Sales of Physiological Measuring Equipment increased 3.1% to ¥17.8 billion.
- Domestic sales increased 5.4% to ¥14.2 billion because sales of ECGs, polygraphs for cath lab, and diagnostic information systems increased. Sales of EEGs decreased.
- Overseas sales decreased 5.2% to ¥3.5 billion because sales of ECGs decreased. Sales of EEGs increased.

## 5.2) Patient Monitors

(Sales, millions of yen)

|                         | First half<br>FY2016 | First half<br>FY2017 | YoY (%) |
|-------------------------|----------------------|----------------------|---------|
| <b>Patient Monitors</b> | 24,667               | <b>26,248</b>        | 6.4     |
| <b>Domestic Sales</b>   | 16,079               | <b>16,148</b>        | 0.4     |
| <b>Overseas Sales</b>   | 8,588                | <b>10,100</b>        | 17.6    |

Sales of clinical information systems and consumables such as sensors increased. Sales of transmitters and bedside monitors decreased.

Sales in the Americas and Europe increased favorably. Sales in Asia also increased.



**Bedside monitor**  
CSM-1901



**Vital sign telemeter**  
GZ-140P



**Transmitter**  
ZS-640P



**Consumables**

\*iNIBP is our original algorithm which allows quick and painless NIBP measurement during cuff inflation.

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

8

- Sales of Patient Monitors increased 6.4% to ¥26.2 billion.
- Domestic sales increased 0.4% to ¥16.1 billion. Sales of clinical information systems and consumables such as sensors increased, while sales of transmitters and bedside monitors decreased as a consequence of the higher demand in the same period last year.
- Overseas sales increased 17.6% to ¥10.1 billion. Sales in the Americas and Europe increased favorably. Sales in Asia also increased.

## 5.3) Treatment Equipment

(Sales, millions of yen)

|  | First half FY2016 | First half FY2017 | YoY (%) |
|--|-------------------|-------------------|---------|
| <b>Defibrillators</b> (for Hospital and Ambulance) | 2,197             | <b>2,572</b>      | 17.0    |
| <b>AEDs</b> (Automated External Defibrillator)     | 6,484             | <b>6,694</b>      | 3.2     |
| <b>Pacemakers / ICDs</b>                           | 1,541             | <b>1,593</b>      | 3.4     |
| <b>Ventilators</b>                                 | 958               | <b>934</b>        | -2.6    |
| <b>Other Treatment Equipment</b>                   | 3,051             | <b>2,752</b>      | -9.8    |
| <b>Treatment Equipment</b>                         | 14,233            | <b>14,546</b>     | 2.2     |
| Domestic Sales                                     | 10,275            | <b>10,143</b>     | -1.3    |
| Overseas Sales                                     | 3,958             | <b>4,402</b>      | 11.2    |
| <b>(Ref.) AED Unit Shipments</b>                   | 41,200            | <b>38,900</b>     | -5.6    |
| Domestic Unit Sales                                | 21,800            | <b>20,000</b>     | -8.3    |

Both domestic and overseas sales increased favorably.

Sales of consumables such as pads and batteries increased, while sales of units decreased both in Japan and internationally.

Domestic: Sales of warming system decreased due to change of supplier.



**Defibrillator**  
TEC-5600 series



**AED**  
AED-3100



**Pacemaker**  
Zenex MRI



**Ventilator**  
HAMILTON-C1



**Airway scope**  
AWS-S200

Acquired the business from HOYA Service on October 2

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

9

- Sales of Treatment Equipment increased 2.2% to ¥14.5 billion.
- Sales of defibrillators increased 17% to ¥2.5 billion because both domestic and overseas sales increased.
- Sales of AEDs increased 3.2% to ¥6.6 billion. AED unit sales were 38,900 units. Sales of consumables such as pads and batteries increased, while sales of AED units decreased both in Japan and internationally.
- Sales of Other Treatment Equipment decreased as sales of warming systems decreased due to a change of supplier.
- Domestic sales decreased 1.3% to ¥10.1 billion. Overseas sales increased 11.2% to ¥4.4 billion.
- On October 2, the Company completed the process of acquiring the business of HOYA Service Corporation.

## 5.4) Other Medical Equipment

(Sales, millions of yen)

|  | First half<br>FY2016 | First half<br>FY2017 | YoY (%) |
|--|----------------------|----------------------|---------|
| <b>Hematology Analyzers</b>  | 5,277                | 5,033                | -4.6    |
| <b>Imaging Systems, Medical<br/>equipment for study and others *</b> | 12,981               | 12,986               | 0.0     |
| <b>Other Medical Equipment</b>                                       | 18,258               | 18,019               | -1.3    |
| <b>Domestic Sales</b>  | 15,985               | 15,684               | -1.9    |
| <b>Overseas Sales</b>  | 2,273                | 2,335                | 2.7     |

Sales of hematology instruments decreased.

Sales of services and locally purchased products increased, while sales of hematology analyzers decreased.

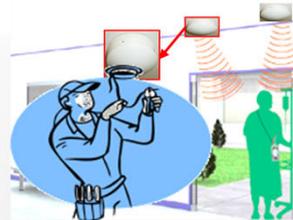
\*Includes consumables, installation and maintenance services which are not applicable to other categories.



**Automated hematology  
analyzer**  
MEK-9100



**Clinical chemistry  
analyzer**  
CHM-4100



**Installation and  
maintenance services**

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

10

- Sales of Other Medical Equipment decreased 1.3% to ¥18.0 billion.
- Domestic sales decreased 1.9% to ¥15.6 billion, because sales of hematology instruments decreased.
- Overseas sales increased 2.7% to ¥2.3 billion, because sales of services and locally purchased products increased. Sales of hematology analyzers decreased in Asia.

## 6) Financial Condition

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

|   | FY2016  | First half<br>FY2017 | Change  |
|---|---------|----------------------|---------|
| <b>Current Assets</b>                     | 119,235 | <b>111,879</b>       | - 7,355 |
| <b>Non-current Assets</b>                 | 33,571  | <b>32,410</b>        | - 1,160 |
| <b>Total Assets</b>                       | 152,806 | <b>144,290</b>       | - 8,516 |
| <b>Current Liabilities</b>                | 45,006  | <b>35,468</b>        | - 9,537 |
| <b>Non-current Liabilities</b>            | 3,913   | <b>4,059</b>         | 146     |
| <b>Total Liabilities</b>                  | 48,919  | <b>39,527</b>        | - 9,391 |
| <b>Net Assets</b>                         | 103,887 | <b>104,762</b>       | 875     |
| <b>Total Liabilities &amp; Net Assets</b> | 152,806 | <b>144,290</b>       | - 8,516 |

- Total assets decreased by ¥8.5 billion to ¥144.2 billion.

## 7) Capital Investments and R&D Costs

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

|                     | First half<br>FY2016 | First half<br>FY2017 | FY2016 | FY2017                                |                                     |
|---------------------|----------------------|----------------------|--------|---------------------------------------|-------------------------------------|
|                     |                      |                      |        | Original Forecast<br>announced May 11 | Revised Forecast<br>announced Nov 6 |
| Capital Investments | 4,758                | 1,003                | 7,710  | 5,700                                 | 5,200                               |
| Depreciation        | 1,548                | 1,571                | 3,422  | 3,900                                 | 3,600                               |
| R&D costs           | 2,958                | 3,772                | 6,466  | 7,300                                 | 7,300                               |

### ●FY2017 H1 capital investments:

Molds for new products, measuring equipment and jigs, products for demonstration

### ●FY2017 capital investments plan:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renovation of headquarters (Nishiochiai Office) (¥0.8bil)

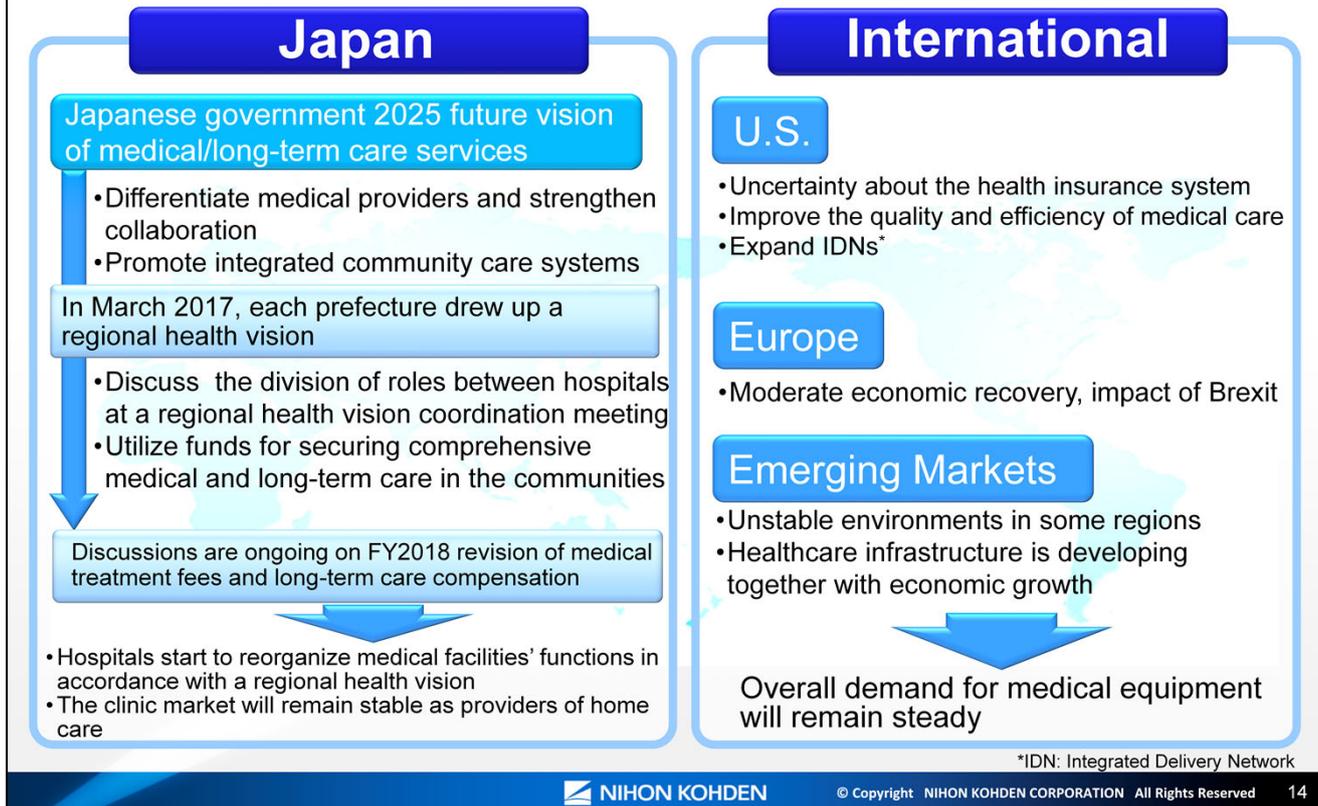
- Capital investments decreased by ¥3.7 billion to ¥1 billion. Large-sized investments such as the Advanced Technology Center in Tokorozawa city were completed in the last fiscal year.
- Depreciation was ¥1.5 billion, the same level as the 1<sup>st</sup> half of FY2016. R&D costs increased by ¥0.8 billion to ¥3.7 billion. This was slightly ahead of schedule, as development of new products such as Patient Monitors progressed smoothly.
- As we review the scheduled investments, the forecast for FY2017 of capital investments was revised to ¥5.2 billion and depreciation to ¥3.6 billion, respectively.
- We reaffirm the forecast of R&D costs for FY2017 to be ¥7.3 billion.

**2**

## **Forecast for FY2017**

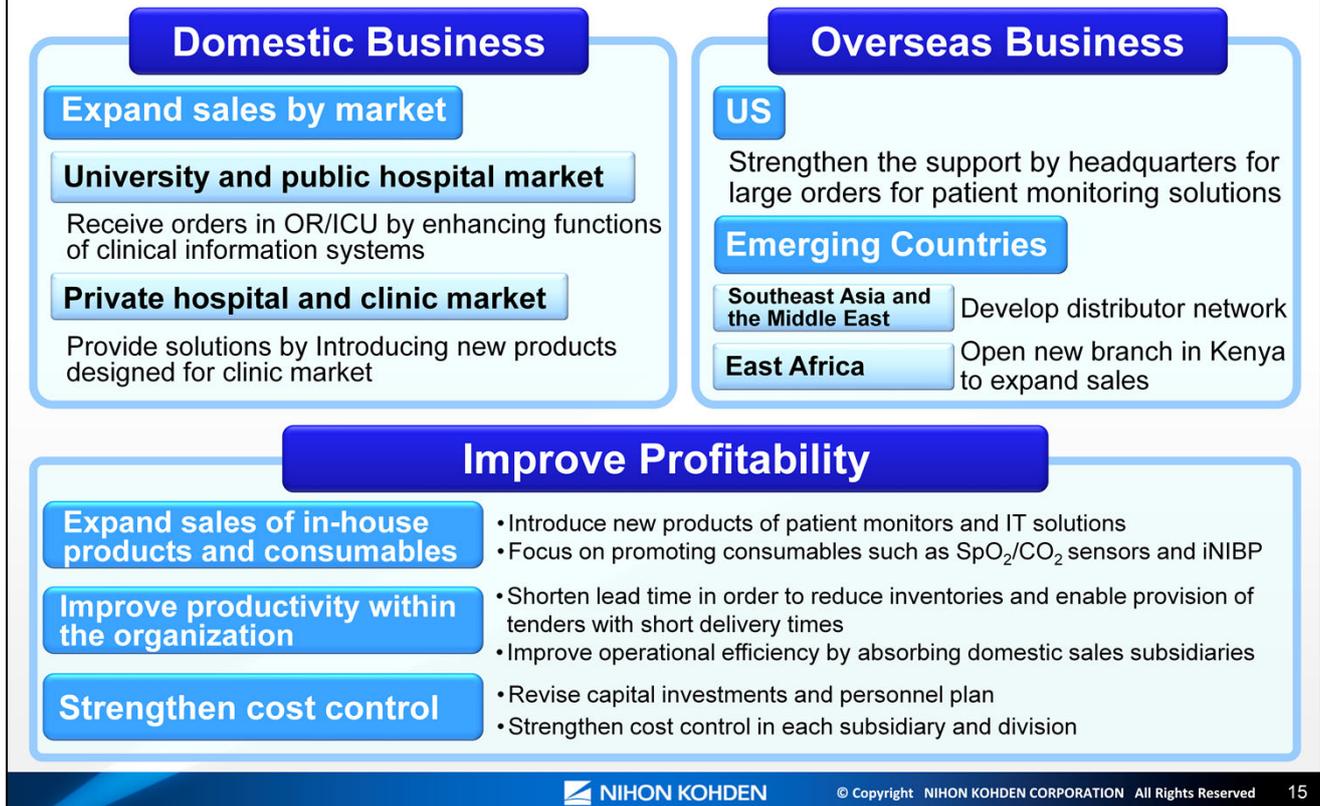
---

# 1) Business Environment



- In Japan, the government is proceeding with reform of the healthcare system under its 2025 future vision of medical/long-term care services.
- Each prefecture drew up a regional health vision in March 2017 and has discussed the division of roles between hospitals. Discussions are also ongoing on the FY2018 revision of medical treatment fees and long-term care compensation.
- Hospitals will start to reorganize medical facilities' functions in accordance with a regional health vision. The clinic market will remain stable as the provider of home care.
- Internationally, there is uncertainty about the health insurance system in the U.S. Hospitals are required to improve the quality and efficiency of their medical care. IDNs will continue to expand.
- In Europe, the economy is recovering moderately.
- In emerging countries, healthcare infrastructure is developing together with economic growth, although there is an unstable political and economic environment in some regions.
- We expect that overall demand for medical equipment in overseas markets will remain steady.

## 2) Measures in the 2<sup>nd</sup> Half of FY2017



- Based on these environments, we will promote the above measures in the 2<sup>nd</sup> half of FY2017.
- In Japan, we are continuing to expand sales by market. We are aiming at receiving orders in OR/ICU by enhancing the functions of our clinical information systems, as budget executions in the university and public hospital market will be more concentrated in the 2<sup>nd</sup> half of this fiscal year. We will provide solutions by introducing new products in the private hospital and clinic market.
- Internationally, we are strengthening the support by headquarters for large orders of patient monitoring solutions in the U.S. In emerging countries, we are developing distributor networks and will open a new branch in Kenya.
- To improve profitability, we continue to focus on sales of in-house products and services. We will also improve productivity within the organization by reducing inventories and improving operational efficiency. We are strengthening cost control on a company-wide basis by revising our capital investments and personnel plan.

### 3) Forecast for FY2017

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

|  | FY2016<br>Actual | FY2017<br>Forecast | YoY (%) |
|--|------------------|--------------------|---------|
| <b>Sales</b>                                   | 166,285          | <b>175,000</b>     | 5.2     |
| <b>Domestic Sales</b>                          | 124,764          | <b>128,000</b>     | 2.6     |
| <b>Overseas Sales</b>                          | 41,520           | <b>47,000</b>      | 13.2    |
| <b>Operating Income</b>                        | 13,585           | <b>15,000</b>      | 10.4    |
| <b>Ordinary Income</b>                         | 14,053           | <b>15,000</b>      | 6.7     |
| <b>Income Attributable to Owners of Parent</b> | 9,149            | <b>10,200</b>      | 11.5    |

+14% on a local currency basis

#### Breakdown of overseas sales by region

|                 | FY2016<br>Actual | FY2017<br>Forecast | YoY (%) |
|-----------------|------------------|--------------------|---------|
| <b>Americas</b> | 18,953           | 22,500             | 18.7    |
| <b>Europe</b>   | 6,988            | 7,500              | 7.3     |
| <b>Asia</b>     | 12,639           | 14,400             | 13.9    |
| <b>Others</b>   | 2,938            | 2,600              | -11.5   |
| <b>Total</b>    | 41,520           | 47,000             | 13.2    |

Percentage of overseas sales      25.0%      **26.9%**

| Average exchange rate | Initial assumptions |         |
|-----------------------|---------------------|---------|
| 1 US Dollar           | 109.2 yen           | 110 yen |
| 1 EURO                | 119.3 yen           | 115 yen |

| FY2017 2H |
|-----------|
| 110 yen   |
| 115 yen   |

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

16

- Based on the measures to be implemented in the 2<sup>nd</sup> half of FY2017, we reaffirmed our forecast for FY2017.
- The forecast of overall sales, domestic sales and overseas sales for FY2017 is expected to be 5.2% growth to ¥175.0 billion, 2.6% growth to ¥128.0 billion, and 13.2% growth to ¥47.0 billion, respectively.
- Gross margin ratio in the 2<sup>nd</sup> half of FY2017 is forecast to improve compared to the 1<sup>st</sup> half, as we introduce new products, expand overseas business and increase sales of Patient Monitors.
- We also reaffirmed the forecast of operating income at 10.4% growth to ¥15.0billion, as we plan to restrain the growth of SG&A expenses such as personnel expenses.
- The forecast for ordinary income and income attributable to owners of parent is as shown above.
- The assumed exchange rates for the 2<sup>nd</sup> half of FY2017 remain at 110 yen to the U.S. dollar and 115 yen to the euro.

## (Ref.) Consolidated Forecast FY2017 by Product Category

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

|                                   | FY2016  | FY2017                                |                                     | YoY (%) |
|-----------------------------------|---------|---------------------------------------|-------------------------------------|---------|
|                                   |         | Original Forecast<br>announced May 11 | Revised Forecast<br>announced Nov 6 |         |
| Physiological Measuring Equipment | 37,658  | 39,800                                | <b>39,500</b>                       | 4.9     |
| Patient Monitors                  | 56,117  | 59,100                                | <b>61,400</b>                       | 9.4     |
| Treatment Equipment               | 29,728  | 31,200                                | <b>31,200</b>                       | 5.0     |
| Other Medical Equipment           | 42,781  | 44,900                                | <b>42,900</b>                       | 0.3     |
| <b>Total</b>                      | 166,285 | 175,000                               | <b>175,000</b>                      | 5.2     |
| (Reference)                       |         |                                       |                                     |         |
| Consumables and Services          | 71,180  | 75,100                                | <b>75,700</b>                       | 6.4     |

- The Company revised its sales forecast by product category based on recent performance trends.
- We aim at gaining market share especially in the area of Patient Monitors. We will also enhance our Consumables and Services Business; this is a stable revenue base.

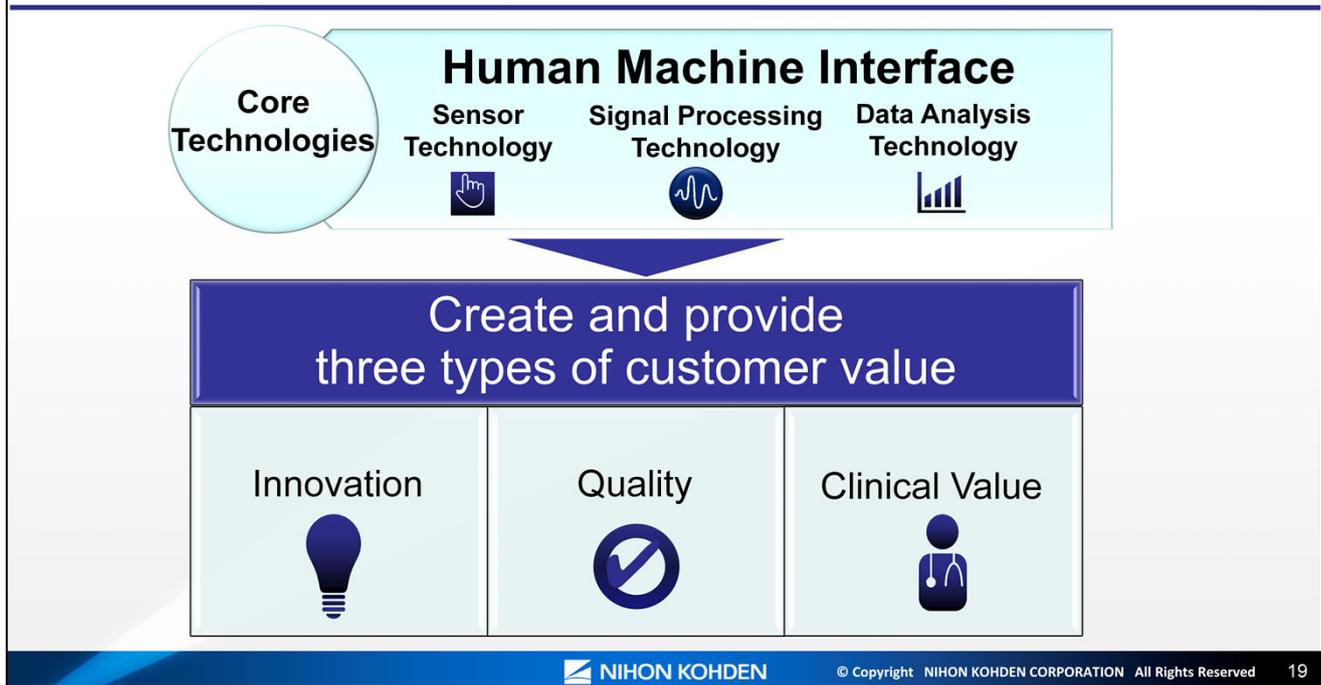
3

# Business Strategy

---

# Basic Policies of TRANSFORM 2020

Transform operations to achieve a highly profitable structure



- In the three-year mid-term business plan, TRANSFORM 2020, we aim to transform our operations to achieve a highly profitable structure.
- In order to improve profitability, we will further enhance our core Human Machine Interface technologies and continue to create and provide three types of customer value that help to resolve the issues encountered in medical practice.

# Basic Policies of TRANSFORM 2020

1

## Create high customer value

Our Strength

Unique technologies such as sensor technology and data analysis technology

Develop and sell in-house products with high customer value



• Increase the competitive advantage of consumables such as sensors



• Services that contribute to medical safety and efficiency

Consumables and Services Sales Ratio Target 45%

Establish a global sales and services network that draws on high levels of expertise

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

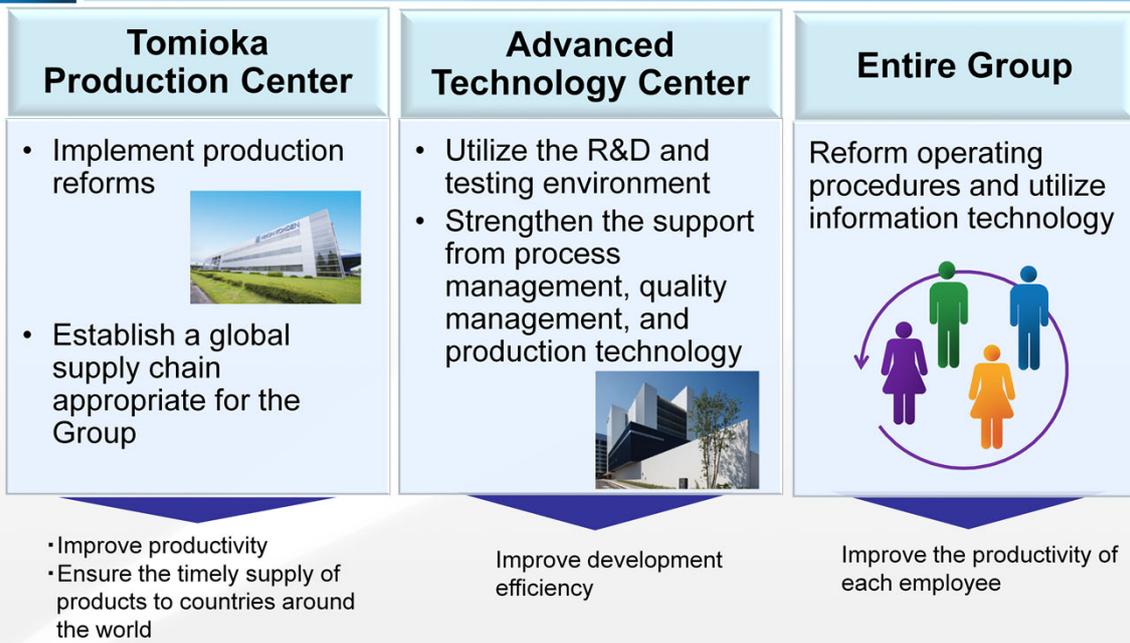
20

- One of the basic policies of TRANSFORM 2020 is to create high customer value.
- We will focus on developing and selling in-house products with high customer value by leveraging our core technologies.
- We will increase the competitive advantage of consumables such as sensors and enhance services that contribute to medical safety and efficiency in order to expand sales of consumables and services. The target Consumables and Services sales ratio is 45%.
- We will establish a global sales and services network that draws on high levels of expertise to improve customer satisfaction.

# Basic Policies of TRANSFORM 2020

2

## Improve productivity within the organization



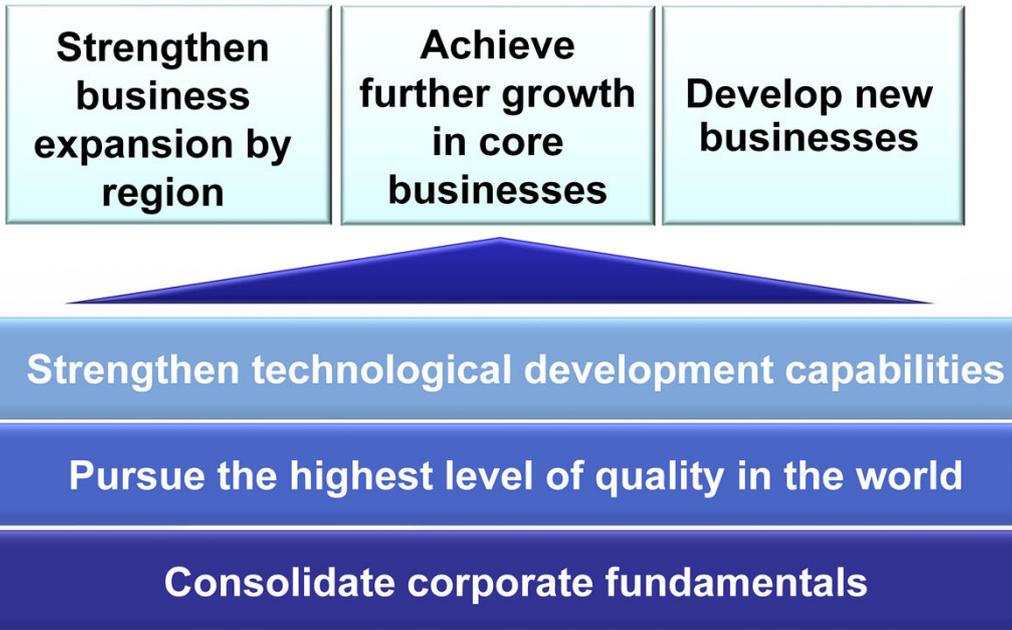
NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

21

- The other basic policy is to improve productivity within the organization.
- At the Tomioka Production Center, we will implement production reforms. We will also establish global supply chain appropriate for the Group in order to improve productivity and ensure the timely supply of products.
- At the Advanced Technology Center, we will improve development efficiency by utilizing the R&D and testing environment as well as strengthening the support from process management, quality management, and production technology.
- Across the entire group, we will reform operating procedures and utilize information technology to improve the productivity of each employee.

## Six Key Strategies



- We will consistently implement six key strategies in line with these basic policies. The strategies “strengthen business expansion by region” and “achieve further growth in core businesses” will be implemented as follows:

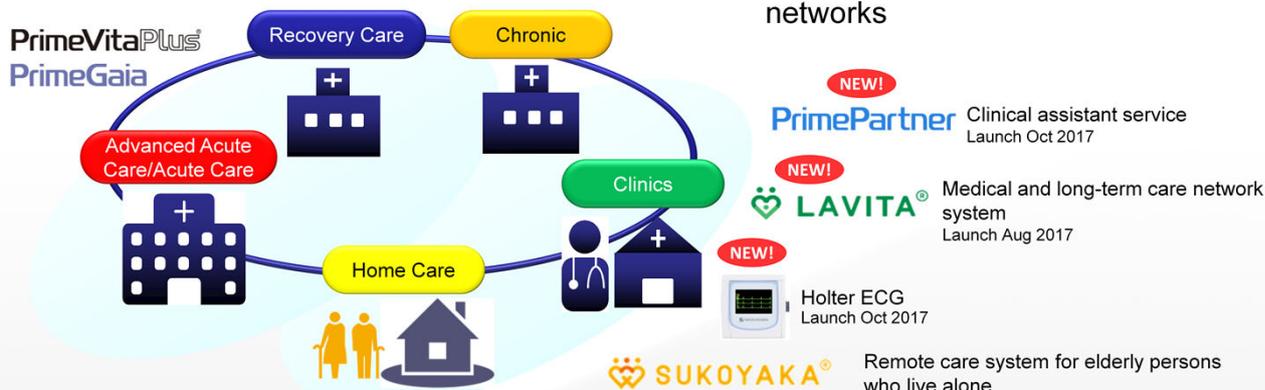
# Strengthen Business Expansion by Region

## Japan

Establish the business foundation for future growth to meet medical needs in an aging society

- ✓ Provide solutions that contribute to improving hospital management

- ✓ Expand product portfolio to meet the needs of regional medical care networks



- ✓ Enhance and reorganize sales and services operations

Hospital Sales Operation

GP\* Sales Operation

Sales Subsidiary system ▶ Transition to branch system \*GP: General Practitioner

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

23

- In Japan, we will establish the business foundation for future growth to meet medical needs in an aging society.
- In the acute care hospital market, we will work to win orders for information systems as a solution that contributes to improving hospital management, because replacement demand is expected.
- In the clinic market, we will strengthen our sales activities by introducing Holter ECG monitors as well as IT solutions which meet the needs of regional medical care networks.
- We will also respond flexibly to changes in the market environment such as expanding hospital groups and hospital alliances for group purchasing by utilizing the branch system introduced in April 2017.

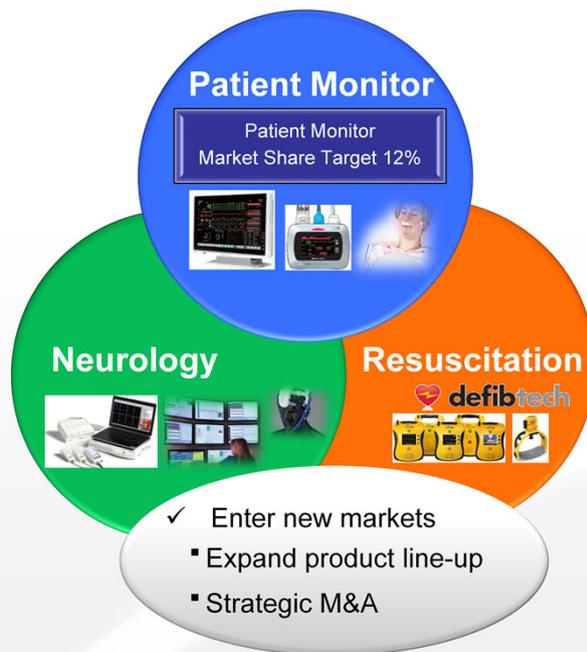
## U.S.

Strengthen our business structure in the U.S. which is the world's largest market and a center of leading-edge medical care

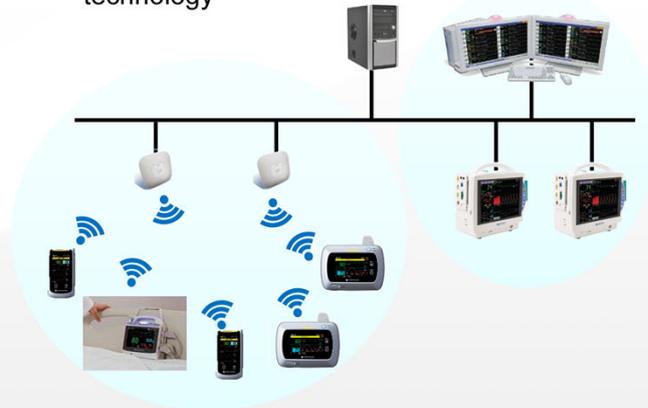
- ✓ Provide solutions that contribute to improving quality and efficiency of medical care

- ✓ Strengthen local development structure

NKUS Lab



- ✓ Enhance network systems to support large-scale monitoring by using wireless technology



NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

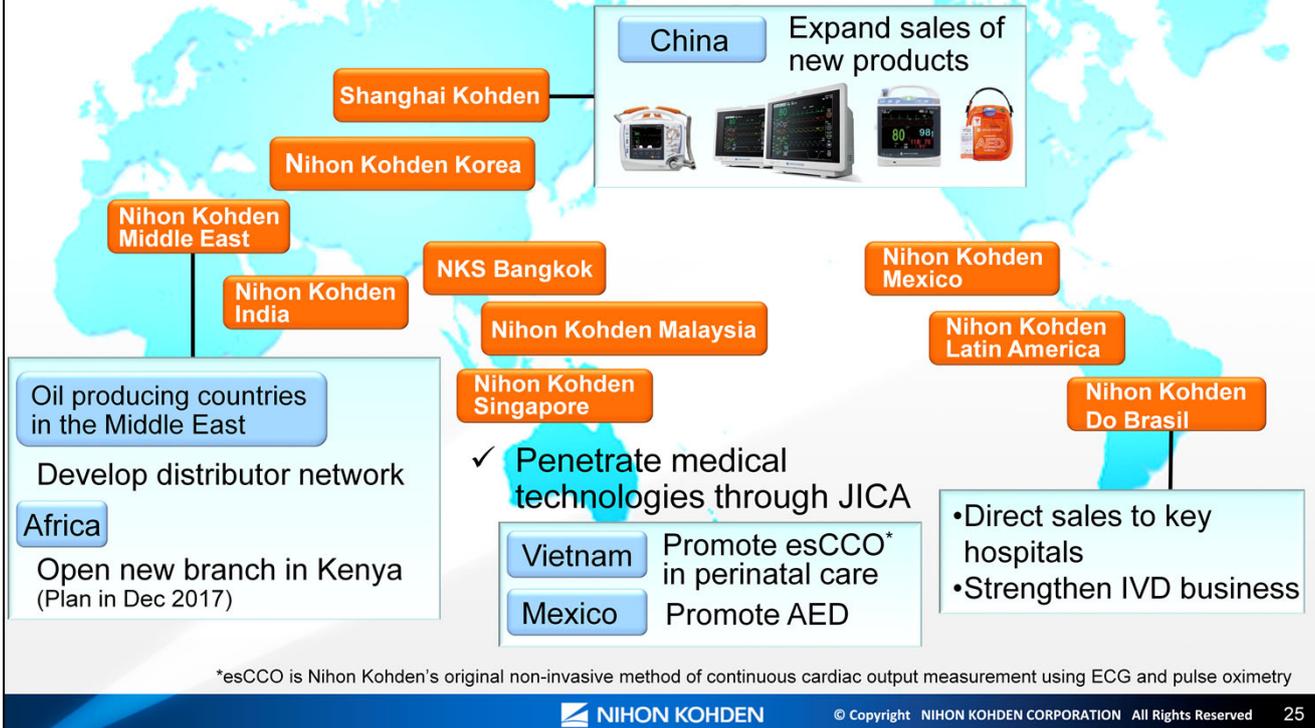
24

- We are continuing to strengthen our business structure in the U.S.
- We will enhance the collaboration between three businesses: Patient Monitors, Neurology and Resuscitation to provide solutions. We will also enter new markets through the expansion of our product line-up and strategic M&A.
- We are aiming at a 12% share of the patient monitor market. We recently received orders of Patient Monitors from the U.S. top children hospital. We are honored that our patient monitoring system was evaluated and expect the future ripple effect.
- We are strengthening the development structure at NKUS Lab. We will expand product line-up with wireless LAN connectivity and enhance network systems to support large-scale monitoring.
- Based on these measures, we aim to receive orders by increasing sales opportunity and strengthening the support by headquarters.

## Emerging Markets

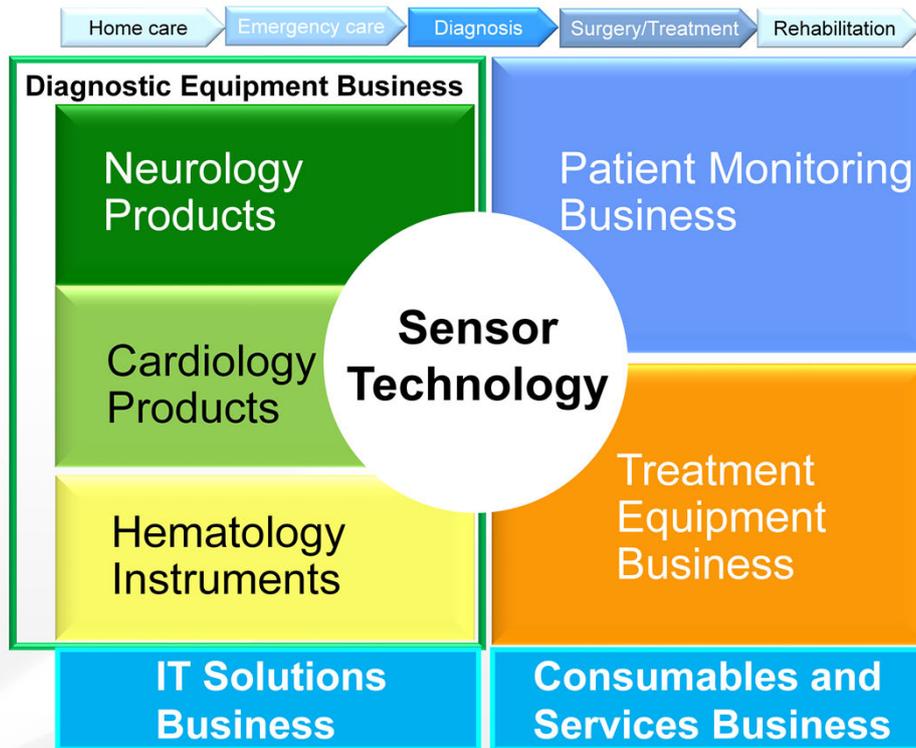
Conduct strategic business expansion to meet medical needs in high growth emerging markets

- ✓ Enhance business structure in Asia, Latin America and Africa



- In emerging markets, we will enhance local business structure in each area.
- In China, we will focus on expanding sales of new products such as Patient Monitors and Treatment Equipment which received CFDA approval.
- In oil producing countries in the Middle East, Saudi Arabia, for example, we are aiming at sales recovery by developing our distributor network.
- In East Africa, we will expand our sales network by opening a new branch in Kenya.
- In Brazil, we will focus on direct sales to key hospitals and strengthening our IVD business.
- We will also focus on promoting esCCO in Vietnam and AEDs in Mexico with the goal of increasing the market penetration of our medical technologies in emerging markets.

# Achieve Further Growth in Core Businesses



NIHON KOHDEN

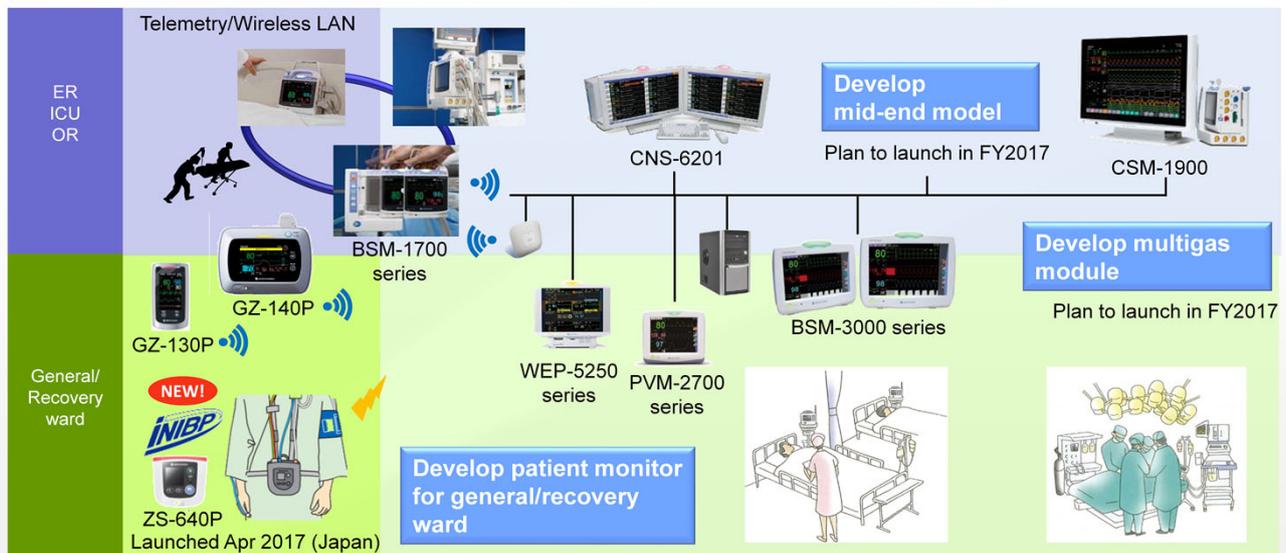
© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

26

- The Company is pursuing business developments utilizing its sensor technology in the above core business areas.
- Planned developments in the “Patient Monitoring Business”, “IT Solutions Business” and “Consumables and Services Business” areas are as follows:

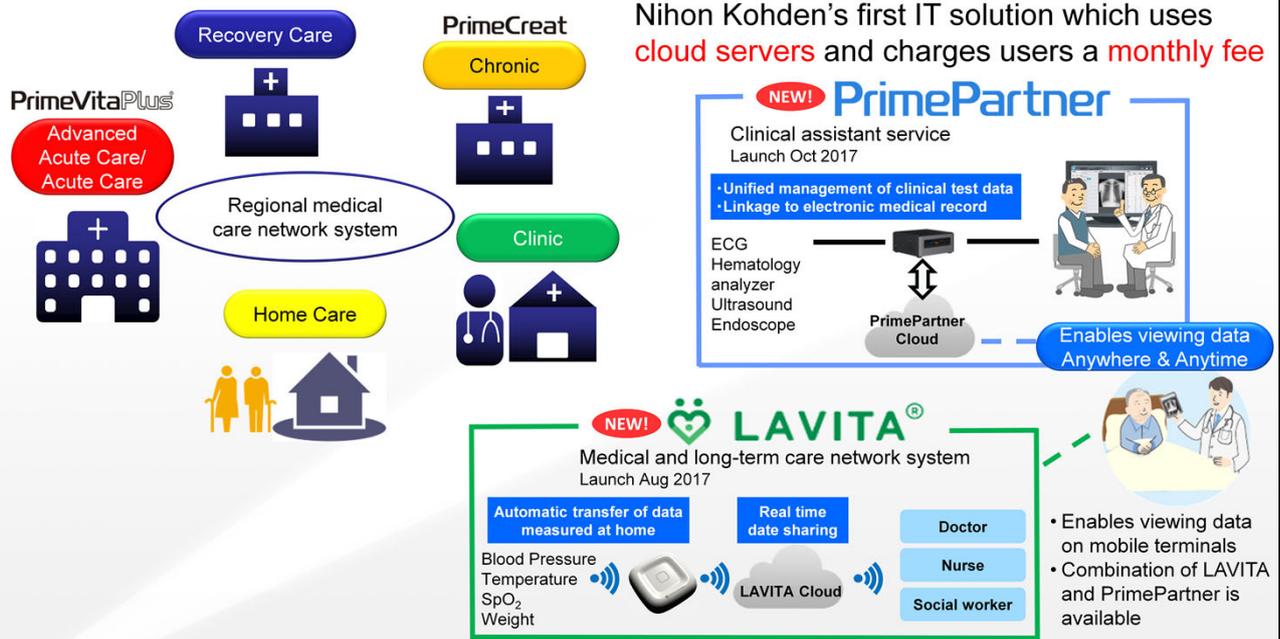
- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety

### Expand product line-up and enhance network systems



- In our Patient Monitoring Business, we will expand our product line-up and enhance network systems to improve the quality and efficiency of medical care and patient safety.
- We have received high reputation for a transmitter with iNIBP, which is our original blood pressure measurement method. It enables us to differentiate ourselves from other companies.
- In FY2017, we plan to launch mid-range models of bedside monitors and a multigas module. We are also developing a patient monitor for use in general and recovery wards.
- We will continue to accelerate the deployment of our international business by providing our original solutions globally.

- ✓ Expand our system product line-up to become the basis of regional medical care networks by utilizing cloud technologies



NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

28

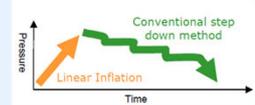
- In our IT Solutions Business, we will expand our system product line-up to become the basis of regional medical care networks
- We launched PrimePartner and LAVITA one after another as new services to the clinic market. Both products are our first IT solutions businesses which use cloud servers and charge users a monthly fee.
- PrimePartner is a service that allows users to unify clinical test data measured at the same clinic and to view data anywhere and anytime.
- LAVITA is a service that allows users to share data measured at home in real time with medical and nursing care staff.
- Both services are able to be used in combination. We will focus on sales activities to increase IT utilization in home medical care.

- ✓ Promote market penetration of our unique sensor technologies globally

Expand CO<sub>2</sub> adapterMainstream  
CO<sub>2</sub> sensorOxygen mask with  
CO<sub>2</sub> monitoringcap-ONE biteblock  
during upper  
endoscopy

NEW!

## Promote OEM business

NIBP modules' OEM supply  
agreement with TOITU

- ✓ Expand production and cost reduction of consumables

Goal to achieve FY2017

FY2018

FY2019 ~

## AED disposable pads

Increase production  
capacity by automated  
production at Tomioka  
2<sup>nd</sup> PlantSpO<sub>2</sub> sensorAutomated production  
and cost reduction  
at Tomioka 2<sup>nd</sup> Plant

## NIBP cuff

Automated  
production

- In our Consumables and Services Business, we continue to promote market penetration of our unique sensor technologies globally.
- Our CO<sub>2</sub> sensors are the world's smallest and lightest. We recently launched a biteblock for measuring CO<sub>2</sub> during upper endoscopy. It is used for monitoring breathing when patients are sedated during endoscopy.
- In OEM business, we have reached an agreement with TOITU CO., LTD. to integrate iNIBP technology into their childbirth monitor.
- To achieve increased production of consumables together with reducing their cost, we have started automated production of AED disposable pads at Tomioka 2<sup>nd</sup> plant with the goal of increasing its production capacity. We also aim to start automated production of SpO<sub>2</sub> sensors and NIBP cuffs.

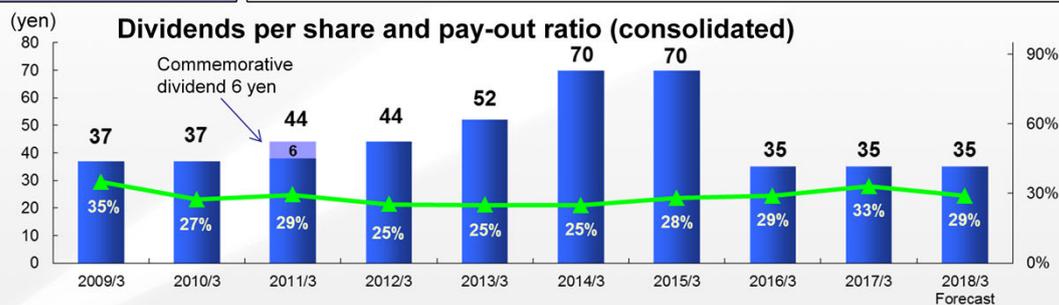
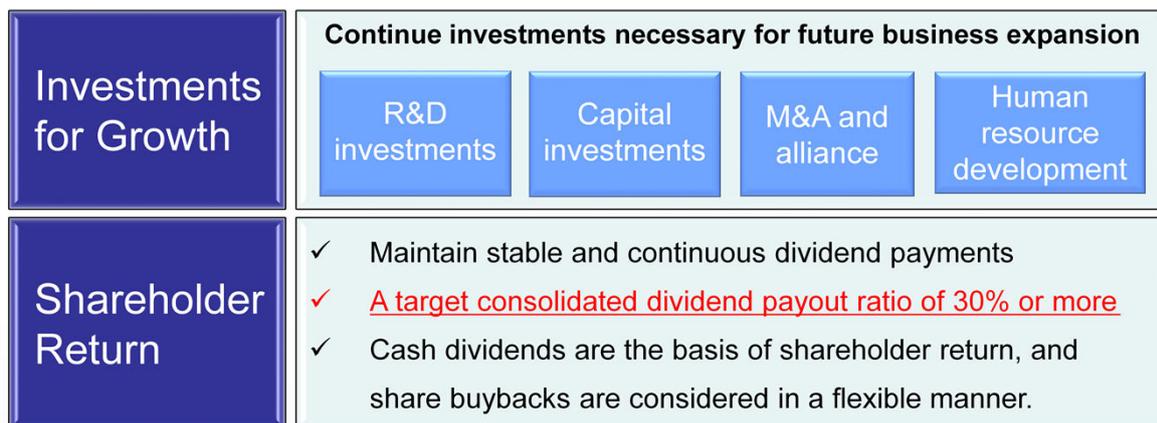
## Targets for FY2019 ending March 2020 (consolidated)

|   |                          |                                       |               |
|---|--------------------------|---------------------------------------|---------------|
| Sales   | ¥190.0 billion           |                                       |               |
| Domestic sales                                | ¥135.0 billion           |                                       |               |
| Overseas sales                                | ¥55.0 billion            | Breakdown of overseas sales by region |               |
| Operating income<br>(Operating income margin) | ¥20.0 billion<br>(10.5%) |                                       |               |
| Income attributable to<br>owners of parent    | ¥13.7 billion            |                                       |               |
| ROE   | 12.0%                    |                                       |               |
|   |                          | Americas                              | ¥27.3 billion |
|   |                          | Europe                                | ¥8.2 billion  |
|   |                          | Asia                                  | ¥16.5 billion |
|   |                          | Other                                 | ¥3.0 billion  |

Exchange rate assumptions: ¥110 to the U.S. dollar, ¥115 to the euro

- TRANSFORM 2020 targets for FY2019 ending March 2020 are ¥190.0 billion of consolidated sales, ¥135.0 billion of domestic sales and ¥55.0 billion of overseas sales. The breakdown of overseas sales targets by region is shown above.
- We are aiming at ¥20.0 billion of operating income, ¥13.7 billion of income attributable to owners of parent, and 12% of ROE.

# Basic Policy on Distribution of Profits and Dividends



\*Effective April 1, 2015, each share of common stock was split into two shares. Dividends per share from FY2008 to FY2014 were actual payment amounts.

NIHON KOHDEN

© Copyright NIHON KOHDEN CORPORATION All Rights Reserved

31

- Our basic policy on distribution of profits and dividends 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 Alliance, and development of human resources. The target consolidated pay-out ratio is 30% or more.
- Cash dividends are the basis of shareholder return, and share buybacks are considered in a flexible manner.
- Full-year dividends for FY2017 will be 35 yen, and the payout ratio will be 29%.

**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.