

Consolidated Financial Highlights for FY2016

(From April 1, 2016 to March 31, 2017)

- 1. Consolidated Financial Results for FY2016**
- 2. Forecast for FY2017**
- 3. Review of the Previous Mid-term Business Plan**
- 4. Mid-term Business Plan, TRANSFORM 2020**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

May 16, 2017

Fighting Disease with Electronics



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Consolidated Financial Results for FY2016

1) Consolidated Financial Results for FY2016

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

	FY2015 Actual	FY2016				YoY (%)
		Original Forecast announced May 10, 2016	Revised Forecast announced Nov 4, 2016	Revised Forecast announced Feb 1, 2017	Actual	
Sales	165,522	175,000	170,500	168,000	166,285	0.5
Domestic Sales	121,989	127,000	126,300	124,000	124,764	2.3
Overseas Sales	43,533	48,000	44,200	44,000	41,520	-4.6
Operating Income	16,438	17,500	17,000	15,500	13,585	-17.4
Ordinary Income	16,116	17,500	16,000	16,000	14,053	-12.8
Income Attributable to Owners of Parent	10,516	11,500	10,700	10,300	9,149	-13.0
Average exchange rate	FY2015	FY2016	FY2016	FY2016	FY2016	
1 US Dollar	120.1 yen	109 yen	104 yen	109 yen	109.2 yen	
1 EURO	132.4 yen	123 yen	116 yen	119 yen	119.3 yen	

+6% on a local currency basis

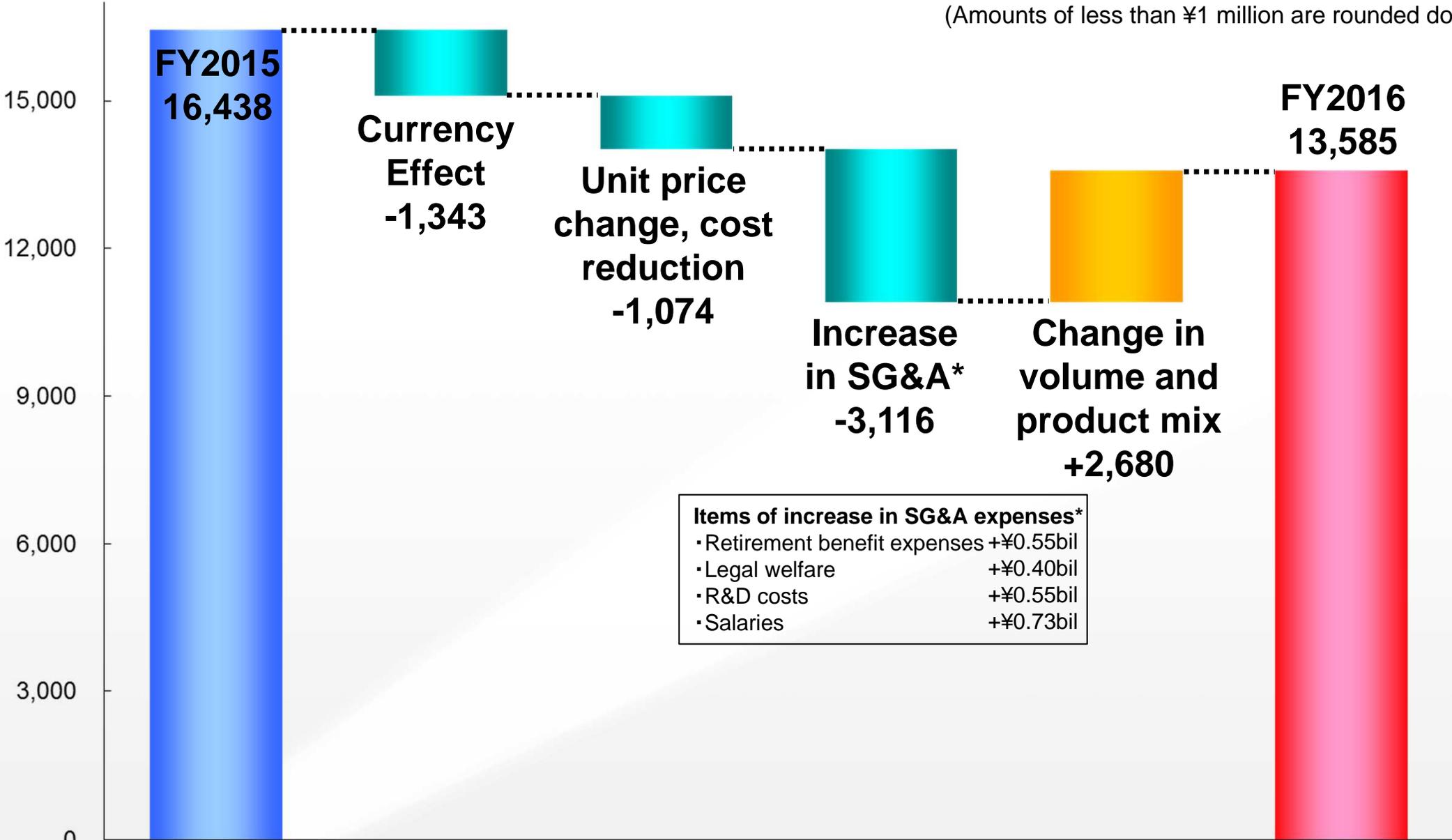
FY2015 FY2016
Gross margin ratio: 48.8%→47.6%
SG&A ratio: 38.9%→39.4%

Foreign exchange losses
FY2015 FY2016
¥911mil → ¥254mil

FY2016
Gain on sales of investment
securities: ¥416mil
Loss on valuation of investment
securities: ¥257mil
Office transfer cost: ¥271mil

2) Breakdown of Operating Income

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

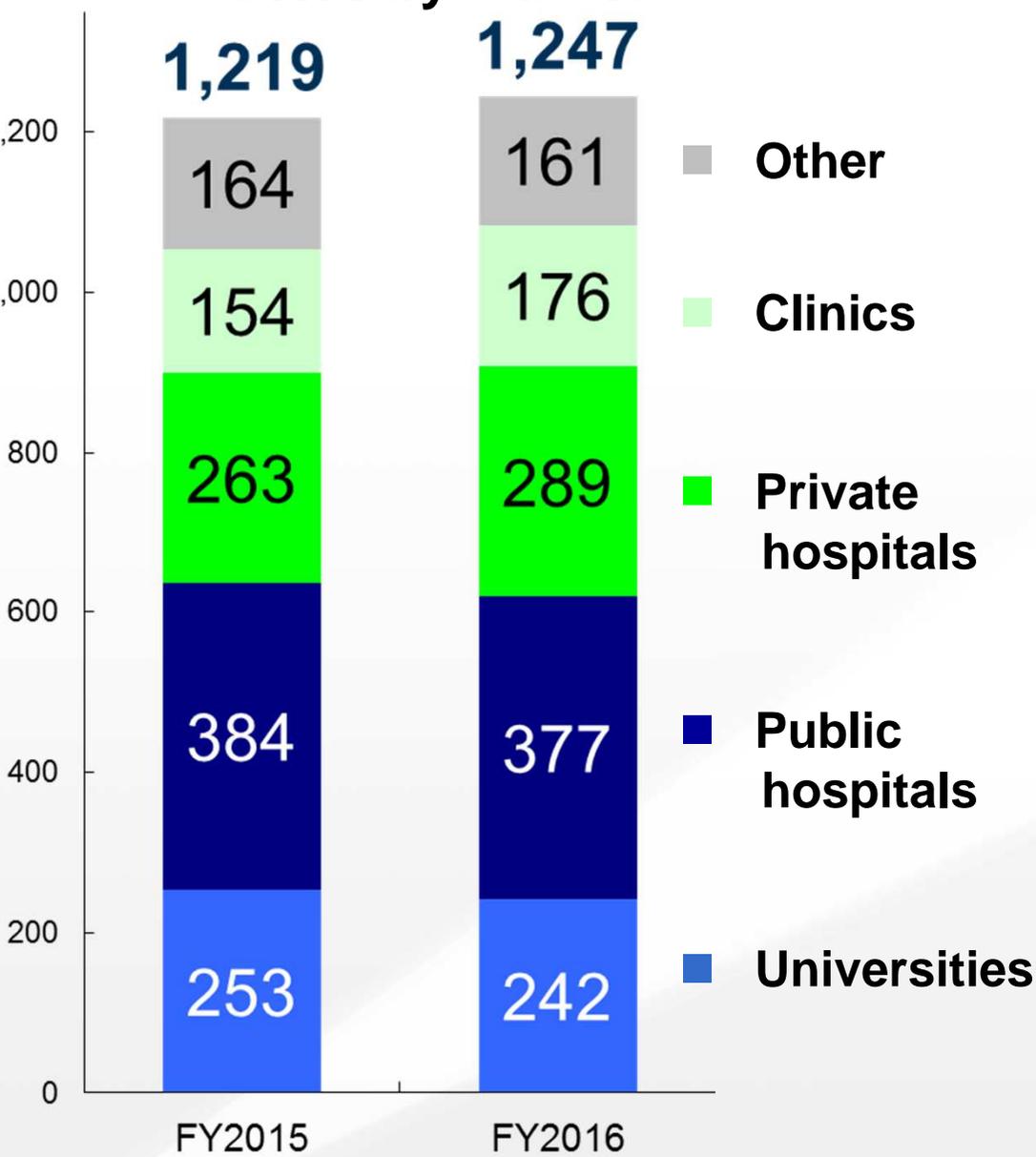


Items of increase in SG&A expenses*	
• Retirement benefit expenses	+¥0.55bil
• Legal welfare	+¥0.40bil
• R&D costs	+¥0.55bil
• Salaries	+¥0.73bil

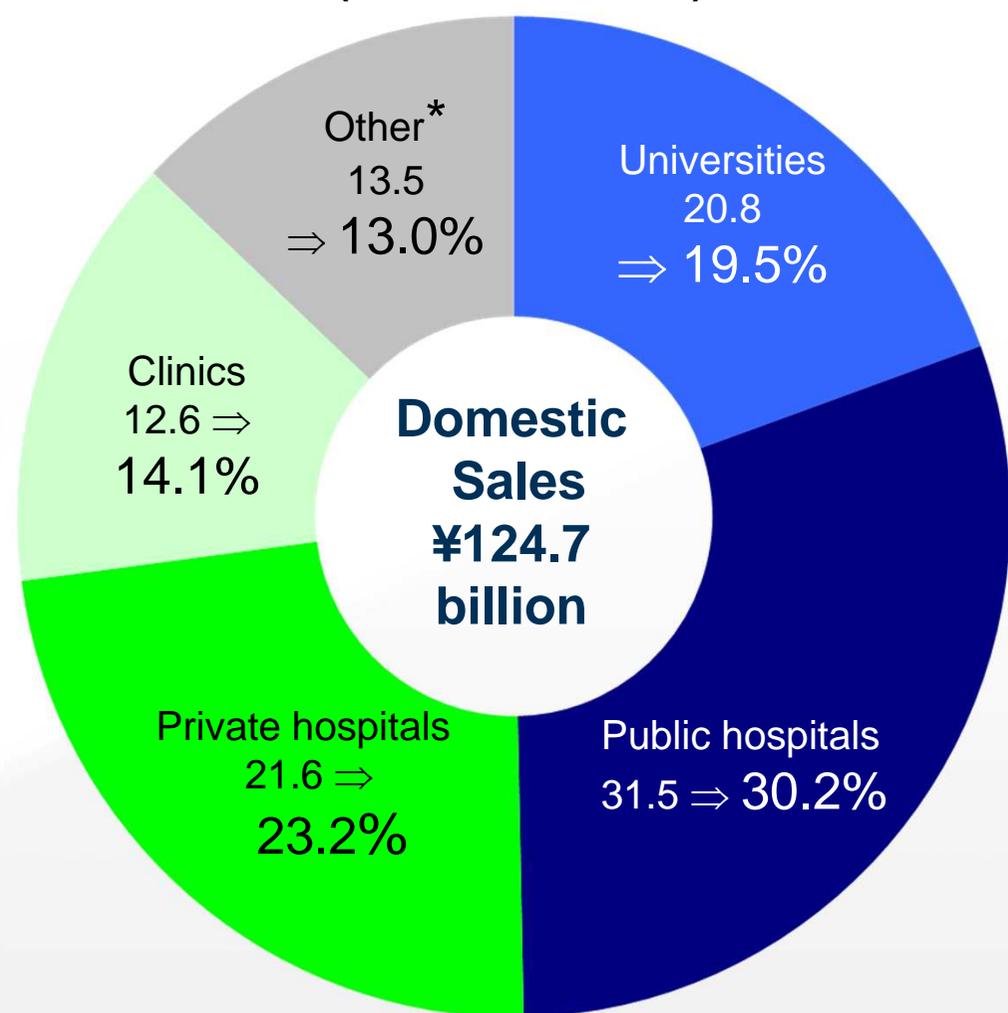
*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase in SG&A expenses indicate major factors of increased SG&A expenses on a yen basis.

3) Domestic Sales

(¥100 million) Sales by market



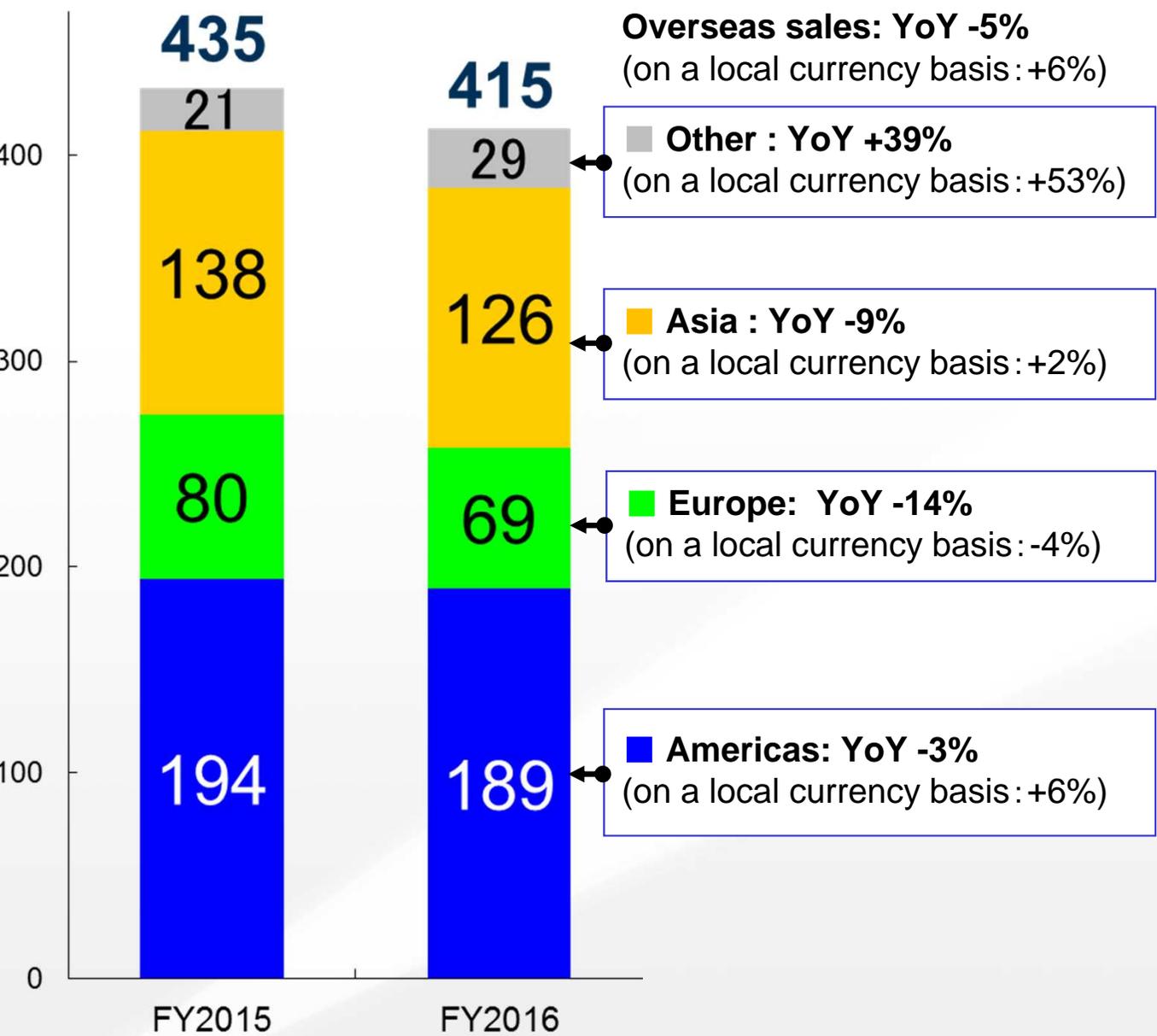
Sales composition by market (FY2015 ⇒ FY2016)



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

4) Overseas Sales

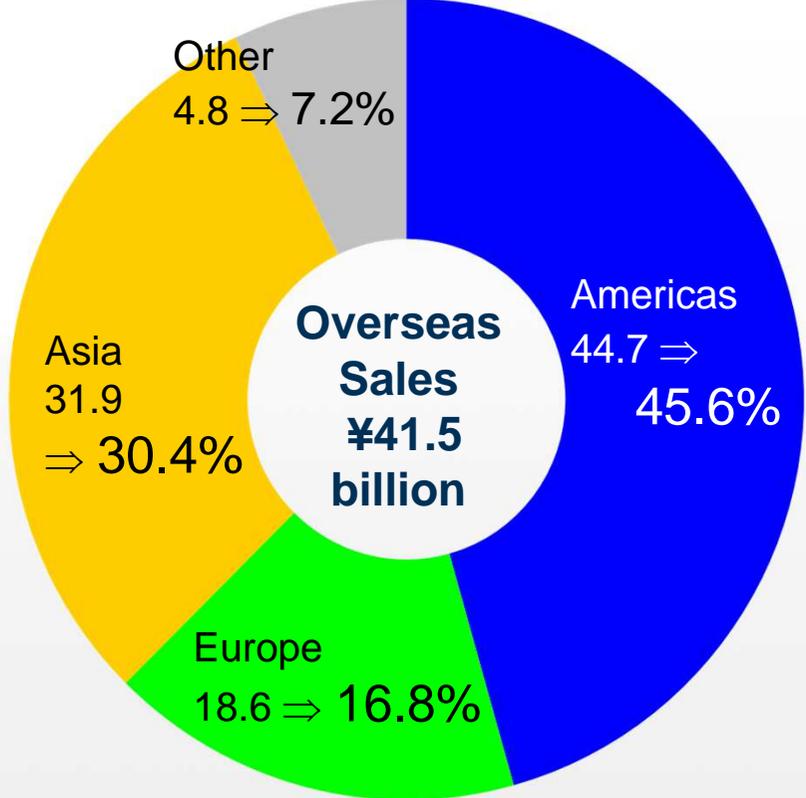
Geographic segments



Percentage of overseas sales to consolidated sales

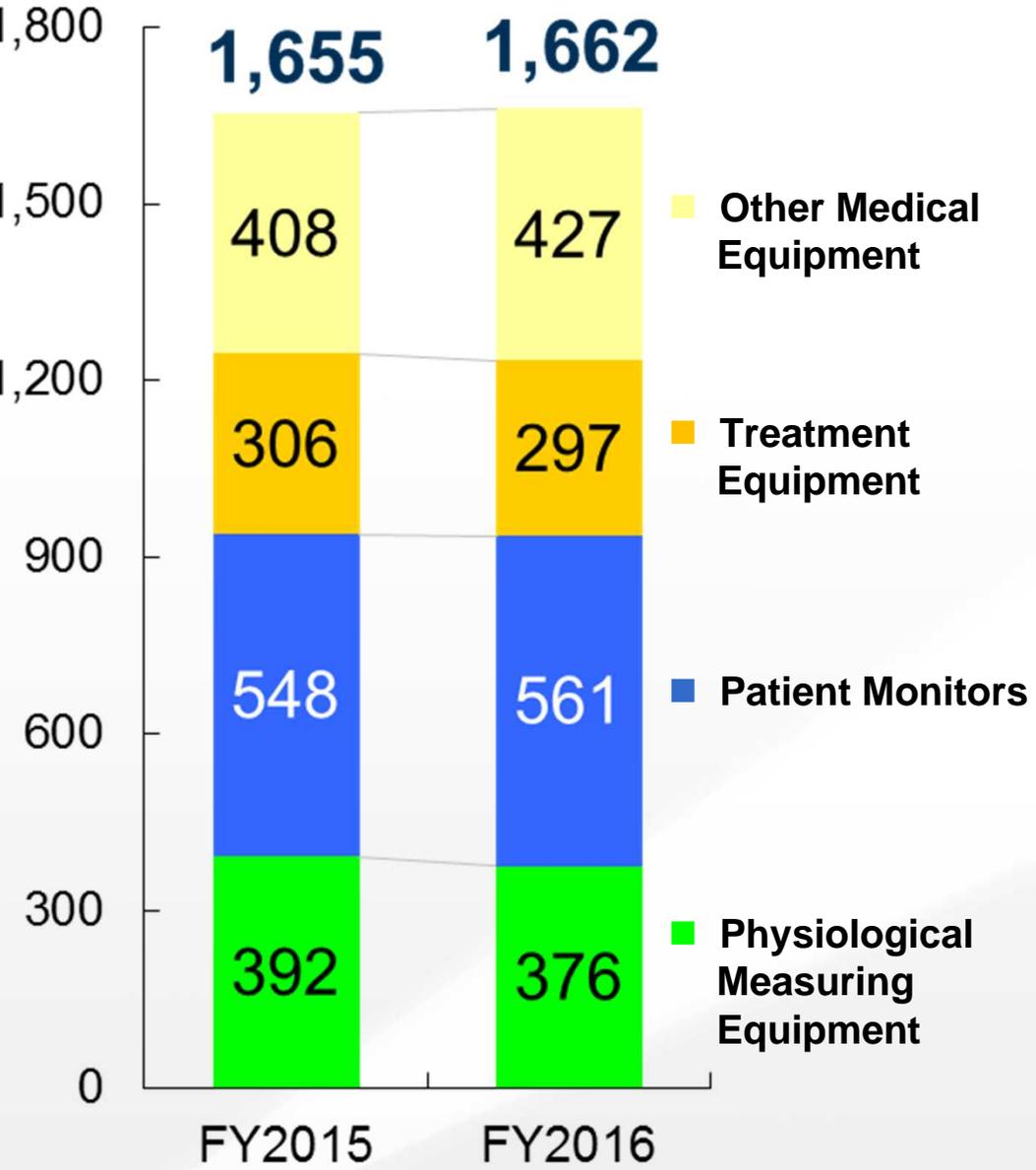
FY2015	FY2016
26.3%	25.0%

Geographic Segments (FY2015 ⇒ FY2016)



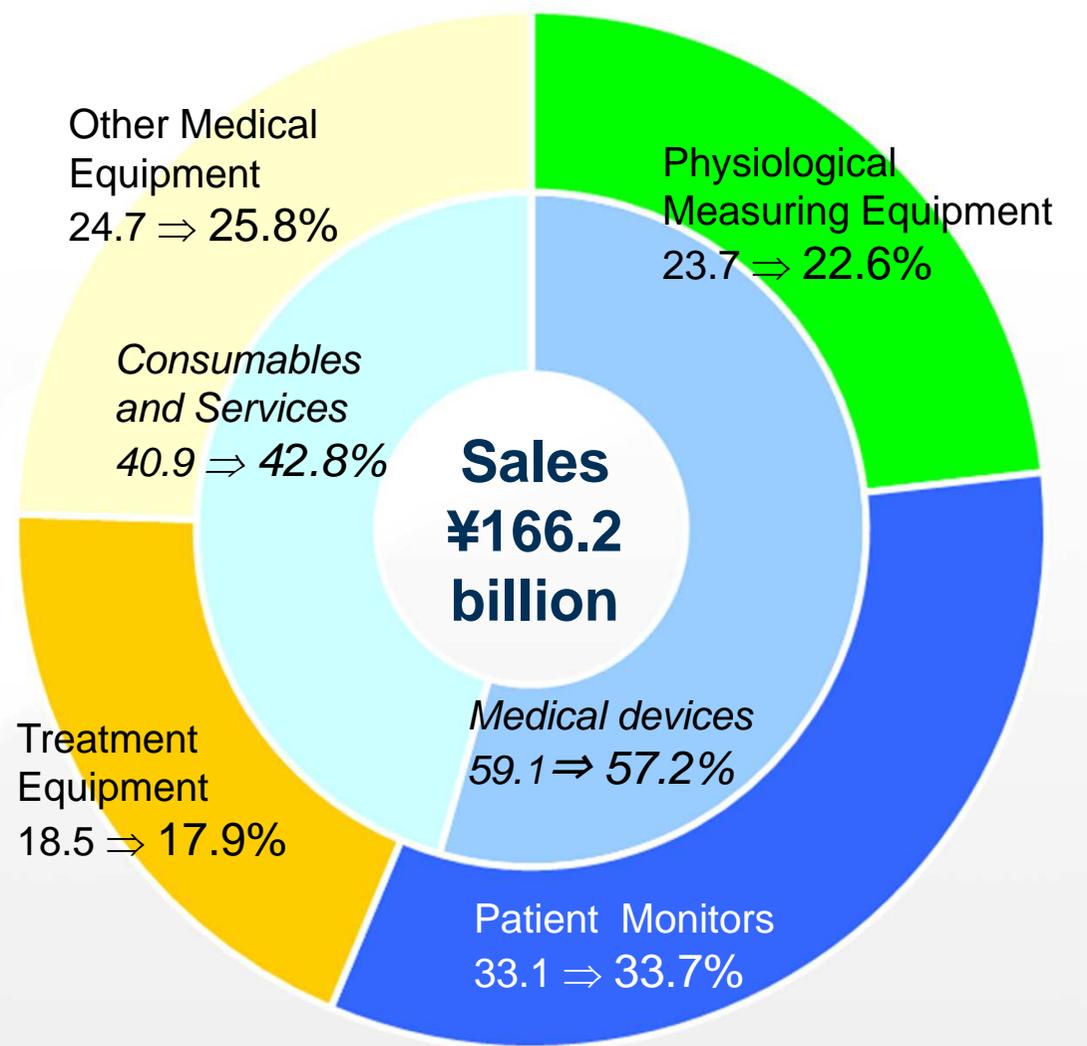
5) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2015 ⇒ FY2016)



5.1) Physiological Measuring Equipment

(Sales, millions of yen)

	FY2015	FY2016	YoY (%)
Electroencephalographs	8,200	7,372	-10.1
Electrocardiographs	7,163	6,620	-7.6
Polygraphs for Cath Lab	11,254	12,330	9.6
Other Physiological Measuring Equipment (Diagnostic Information System and Others) *	12,599	11,334	-10.0
Physiological Measuring Equipment	39,218	37,658	-4.0
Domestic Sales	29,944	29,748	-0.7
Overseas Sales	9,274	7,910	-14.7

Both domestic and overseas sales decreased.

Both domestic and overseas sales decreased.

Domestic: Sales of EP catheters increased.

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



Intraoperative Monitoring System

MEE-2000

New!



Electrocardiographs

ECG-2450



Polygraphs for cath labs

RMC-5000

5.2) Patient Monitors

(Sales, millions of yen)

	FY2015	FY2016	YoY (%)
Patient Monitors	54,823	56,117	2.4
Domestic Sales	34,616	36,032	4.1
Overseas Sales	20,207	20,084	-0.6

- Sales of transmitters, telemetry central monitors and bedside monitors increased favorably.
- Sales of consumables such as sensors also contributed to sales increase.
- Sales in Other showed strong growth and sales in the Americas also increased.
- Sales in Europe and Asia decreased.



Bedside monitor
CSM-1901



Telemetry central monitor
WEP-5250 series

New!



Vital sign telemeter
GZ-140P



SpO₂ probes



Oxygen mask with CO₂ monitoring



ECGs Electrodes

Consumables

5.3) Treatment Equipment

(Sales, millions of yen)

	FY2015	FY2016	YoY (%)
Defibrillators (for Hospital and Ambulance)	5,670	5,109	-9.9
AEDs (Automated External Defibrillator)	13,825	13,175	-4.7
Pacemakers / ICDs	2,914	3,111	6.7
Ventilators	1,790	2,205	23.2
Other Treatment Equipment	6,410	6,127	-4.4
Treatment Equipment	30,611	29,728	-2.9
Domestic Sales	21,584	21,315	-1.2
Overseas Sales	9,027	8,412	-6.8
(Ref.) AED Unit Sales	87,500	84,700	-3.2
Domestic Unit Sales	48,800	44,300	-9.2

Both domestic and overseas sales decreased.

Domestic: Sales decreased due to slow replacement demand.
Overseas: Sales decreased in the Americas and Europe, while sales in Asia and Other increased favorably.

Domestic: Sales increased as a result of promotional activities. New orders from newly established hospitals also contributed.



Defibrillator
TEC-5600 series



AED
AED-3100



Pacemaker
Zenex MRI



Ventilator
HAMILTON-C1

New!



CPR Assist
CPR-1100

5.4) Other Medical Equipment

(Sales, millions of yen)

	FY2015	FY2016	YoY (%)
Hematology Analyzers	11,382	12,074	6.1
Imaging Systems, Medical equipment for study and others *	29,485	30,707	4.1
Other Medical Equipment	40,868	42,781	4.7
Domestic Sales	35,843	37,668	5.1
Overseas Sales	5,024	5,112	1.8

Domestic: Sales increased in the private hospital and clinic market.
Overseas: Sales decreased slightly. Sales in Asia decreased, while sales in the Americas and Europe increased. New product also contributed.

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

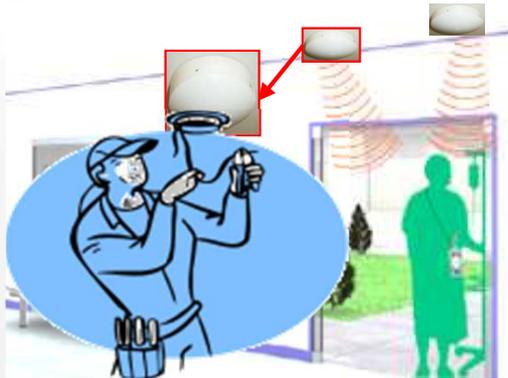
New



Automated hematology analyzer
MEK-9100



Clinical chemistry analyzer
CHM-4100



Installation and maintenance services

6) Financial Condition

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

	FY2015	FY2016	Change
Current Assets	112,929	119,235	6,305
Fixed Assets	31,340	33,571	2,230
Total Assets	144,270	152,806	8,536
Current Liabilities	42,901	45,006	2,104
Non-current Liabilities	3,697	3,913	215
Total Liabilities	46,599	48,919	2,320
Net Assets	97,671	103,887	6,215
Total Liabilities & Net Assets	144,270	152,806	8,536

	FY2015	FY2016	Change
Merchandise and finished goods	14,519	17,061	+2,541
Property, plant and equipment	15,695	20,148	+4,453

7) Cash Flows

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

	FY2015	FY2016	Change	
I .Cash flows from operating activities	10,765	11,356	591	←
II .Cash flows from investing activities	-7,802	-6,344	1,457	←
Free cash flows	2,962	5,011	2,049	
III .Cash flows from financing activities	-9,488	-3,517	5,970	←
Effect of exchange rate change on cash and cash equivalents	-304	-217	86	
Net increase (decrease) in cash and cash equivalents	-6,829	1,277	8,106	
Cash and cash equivalents at end of period	27,283	28,560	1,277	

	FY2015	FY2016	Change
Income before income taxes and non-controlling interests	15,939	13,851	-2,087
Increase (decrease) in notes and accounts payable - trade	-453	2,826	+3,279
Proceeds from sales of investment securities	127	759	+631
Purchase of property, plant and equipment	-6,898	-6,304	+594
Purchase of treasury shares	-6,438	-1	+6,437

8) Capital Investments and R&D Costs

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

	FY2015 Actual	FY2016		Actual	Change	FY2017 Plan
		Original Forecast announced May 10, 2016	Revised Forecast announced Nov 4, 2016			
Capital Investments	6,678	10,000	9,000	7,710	1,032	5,700
Depreciation	3,459	4,000	3,400	3,422	-37	3,900
R&D costs	5,910	7,300	6,500	6,466	556	7,300

● FY2016 capital investments:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, renovation of head quarters (Nishiochiai Office), and constructions of Advanced Technology Center in Tokorozawa (¥3.4bil) and Asaka facility (Relocation of immunochemical products department) (¥0.7bil)

● FY2017 capital investments plan:

Molds for new products, measuring equipment and jigs, products for demonstration, production equipment, and renovation of head quarters (Nishiochiai Office) (¥1.0bil)

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Forecast for FY2017

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

• In March 2017, each prefecture drew up a regional health vision. Discussions on the division of roles between hospitals will start at a regional health vision coordination meeting.

• Funds for securing comprehensive medical and long-term care in the communities: FY2017 ¥90.4 bil for medical care

- Each prefecture draws up its seventh medical care plan starting from FY2018
- Discussions on FY2018 revision of medical treatment fees and long-term care compensation will start.



- Hospitals start to reorganize medical facilities' functions in accordance with a regional health vision.
- The clinic market will remain stable as providers of home care.

International

U.S.

- Debate on the American Health Care Act
- Improve the quality and efficiency of medical care
- Expand IDNs*

Europe

- Moderate economic recovery, impact of Brexit

Emerging Markets

- Concerns about economic slowdown have eased due to a rally in oil prices
- Political instability will remain in some regions
- Healthcare infrastructure is developing together with economic growth



Overall demand for medical equipment will remain steady

*IDN: Integrated Delivery Network

2) Forecast for FY2017

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

	FY2016	FY2017	YoY (%)
Sales	166,285	175,000	5.2
Domestic Sales	124,764	128,000	2.6
Overseas Sales	41,520	47,000	13.2
Operating Income	13,585	15,000	10.4
Ordinary Income	14,053	15,000	6.7
Income Attributable to Owners of Parent	9,149	10,200	11.5
Percentage of Overseas Sales	25.0%	26.9%	
Average Exchange Rate			
1 US Dollar	109.2 yen	110 yen	
1 EURO	119.3 yen	115 yen	

+14% on a local currency basis

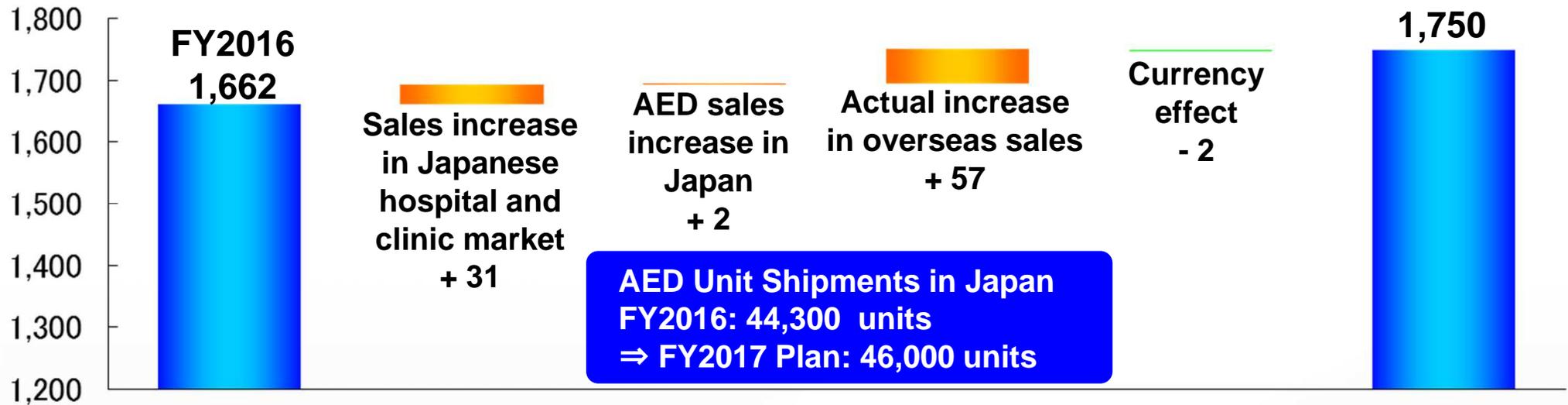
Breakdown of overseas sales by region

	FY2016	FY2017	YoY (%)
Americas	18,953	22,500	18.7
Europe	6,988	7,500	7.3
Asia	12,639	14,400	13.9
Other	2,938	2,600	-11.5
Total	41,520	47,000	13.2

3) Analysis of FY2017 Forecast

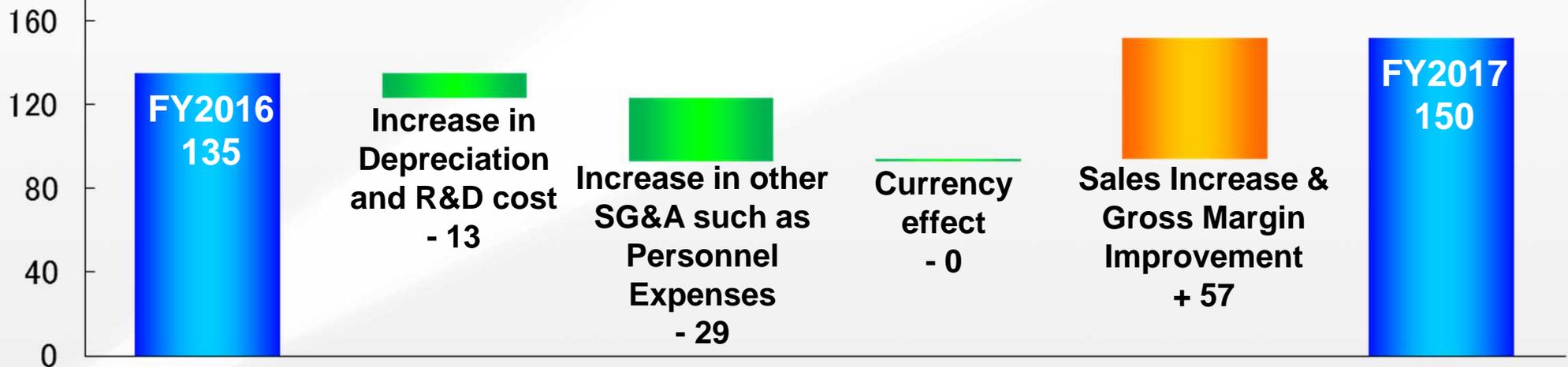
(¥100 million)

Sales



Operating Income

(¥100 million)



(Ref.) Consolidated Forecast FY2017 by Product Category

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

	FY2016	FY2017	Composition ratio (%)	YoY (%)
Physiological Measuring Equipment	37,658	39,800	22.7	5.7
Patient Monitors	56,117	59,100	33.8	5.3
Treatment Equipment	29,728	31,200	17.8	5.0
Other Medical Equipment	42,781	44,900	25.7	5.0
Total	166,285	175,000	100.0	5.2

(Reference)

Consumables and Services	71,180	75,100	42.9	5.5
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3

Review of the Previous Mid-term Business Plan

Results for Strong Growth 2017

Enhance operating base to ensure growth

Strengthen international business structure

- Establish sales subsidiaries 
- Appoint local management staff 

Establish R&D base

- Construct Advanced Technology Center 
- Establish R&D offices in the U.S. 

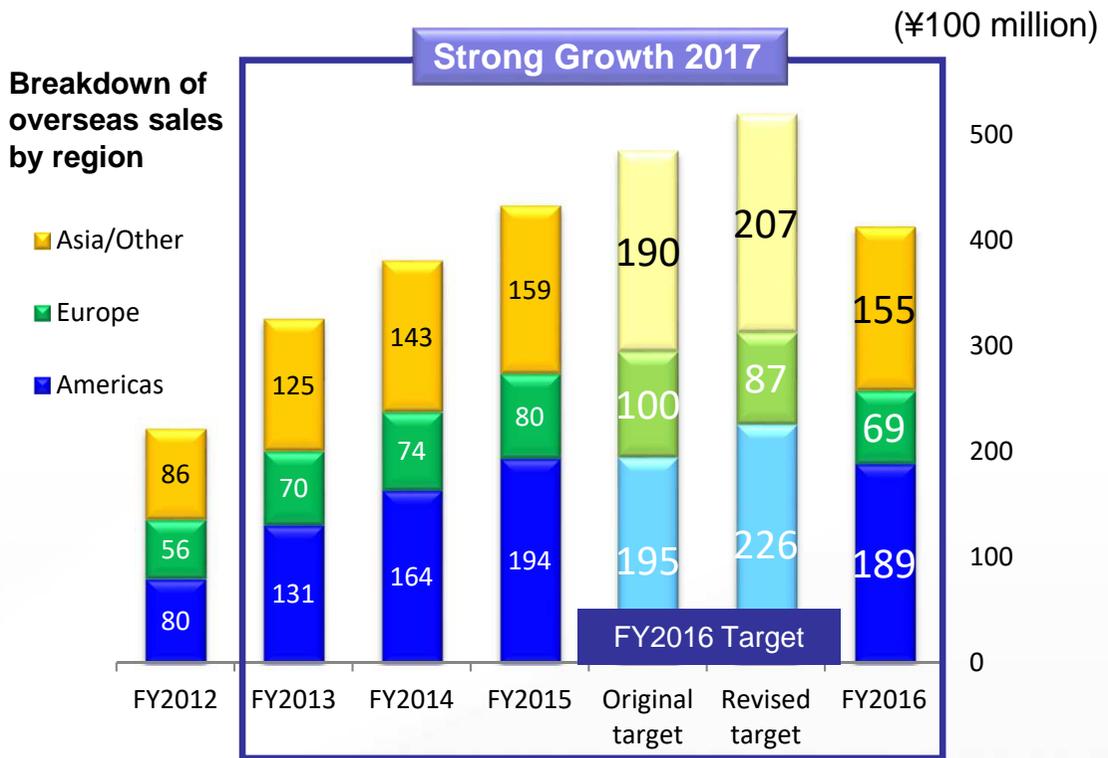
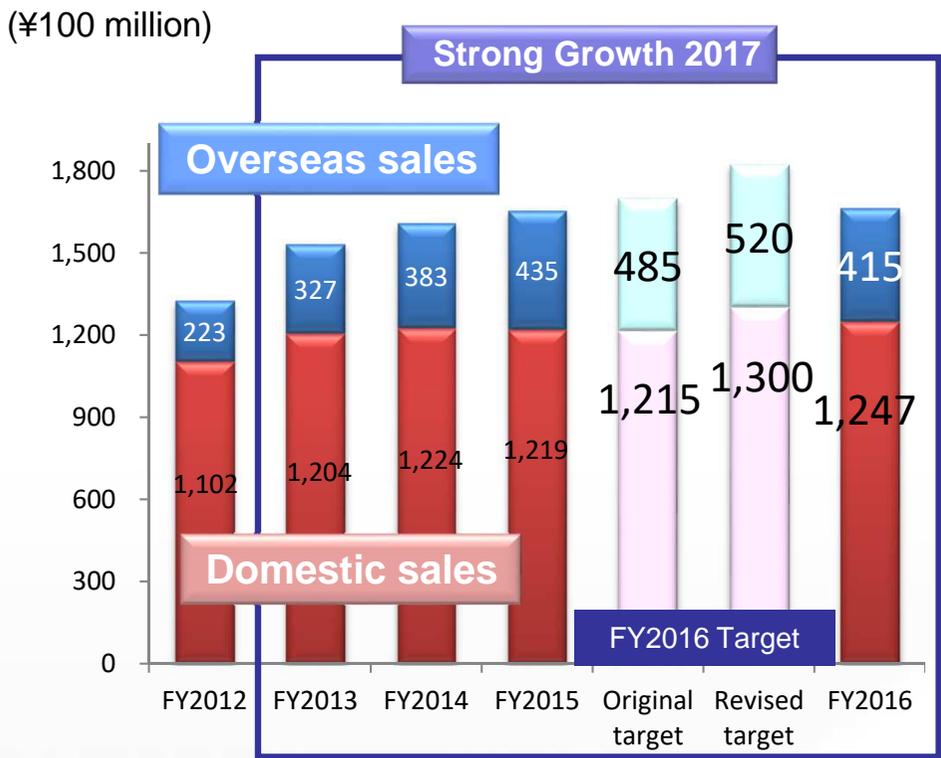
Reorganize domestic production operations

- Start operation of Tomioka Production Center 
- Shift production of consumables to Tomioka 2nd plant 

Strengthen corporate governance

- Transition to a Company with Audit & Supervisory Committee
- Appoint 4 independent outside directors
- Establish a Nomination and Remuneration Committee

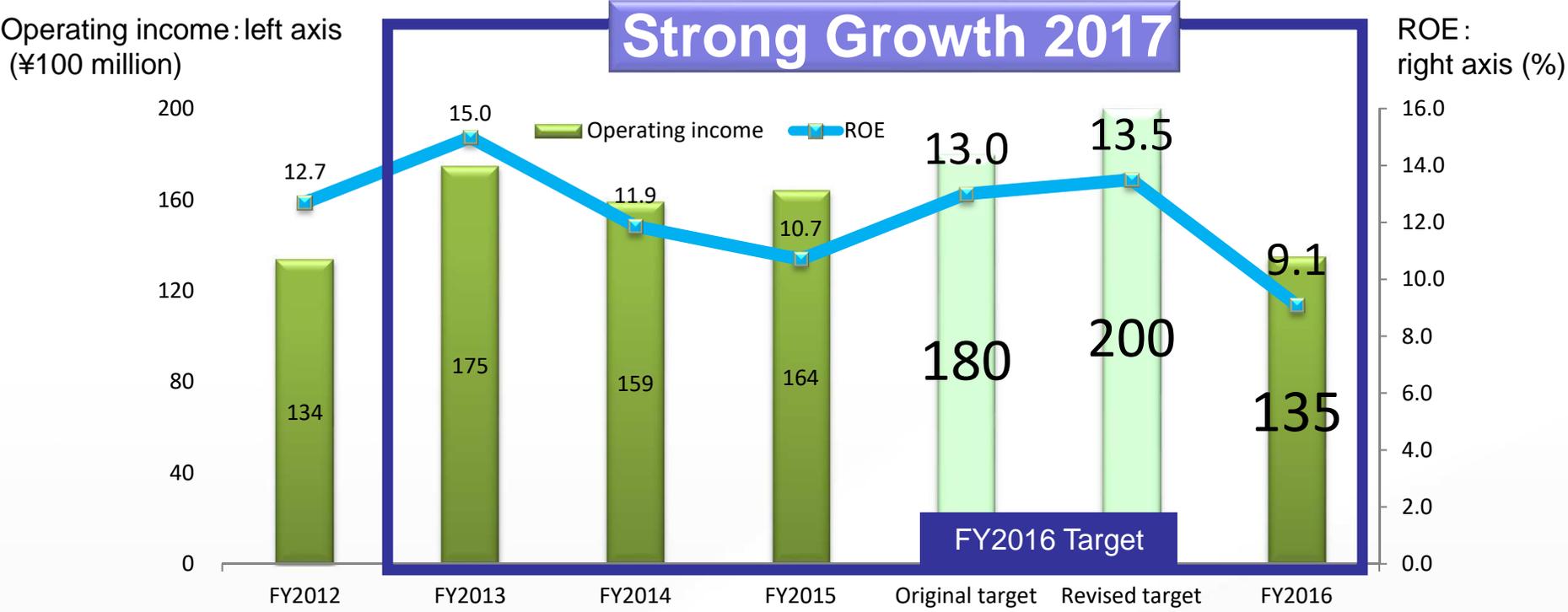
Quantitative Evaluation of Strong Growth 2017 - Sales



1US Dollar	83.0	99.8	109.6	120.1	90	118	109.2
1EURO	106.0	134.3	139.4	132.4	118	125	119.3

Reasons for missing revised targets	External environmental factors	The Company's factors
Japan	<ul style="list-style-type: none"> Progress of healthcare reform Deterioration of management environment in acute care hospitals 	<ul style="list-style-type: none"> Building sales operations and developing products in response to the market environment remained as an issue
Overseas	<ul style="list-style-type: none"> Negative currency translation impact due to yen appreciation Deterioration of market environment in some emerging markets 	<ul style="list-style-type: none"> Rapid response to tenders with short delivery times in emerging markets remained as an issue Improving our presence in Western European markets remained as an issue

Quantitative Evaluation of Strong Growth 2017 - Income



	External environmental factors	The Company's factors
Reasons for missing revised targets	<ul style="list-style-type: none"> Increase in retirement benefit expenses due to discount rate change Negative currency translation impact due to yen appreciation 	<ul style="list-style-type: none"> Missed sales target Rise in cost of sales ratio due to unfavorable product mix Upfront investment burden <ul style="list-style-type: none"> R&D investment Strengthen overseas sales & services network

Issues Carried over to the New Mid-term Business Plan

Strong Growth 2017 completed enhancement of operating base



Improvement of profitability



Globalization of management



Further growth of overseas business



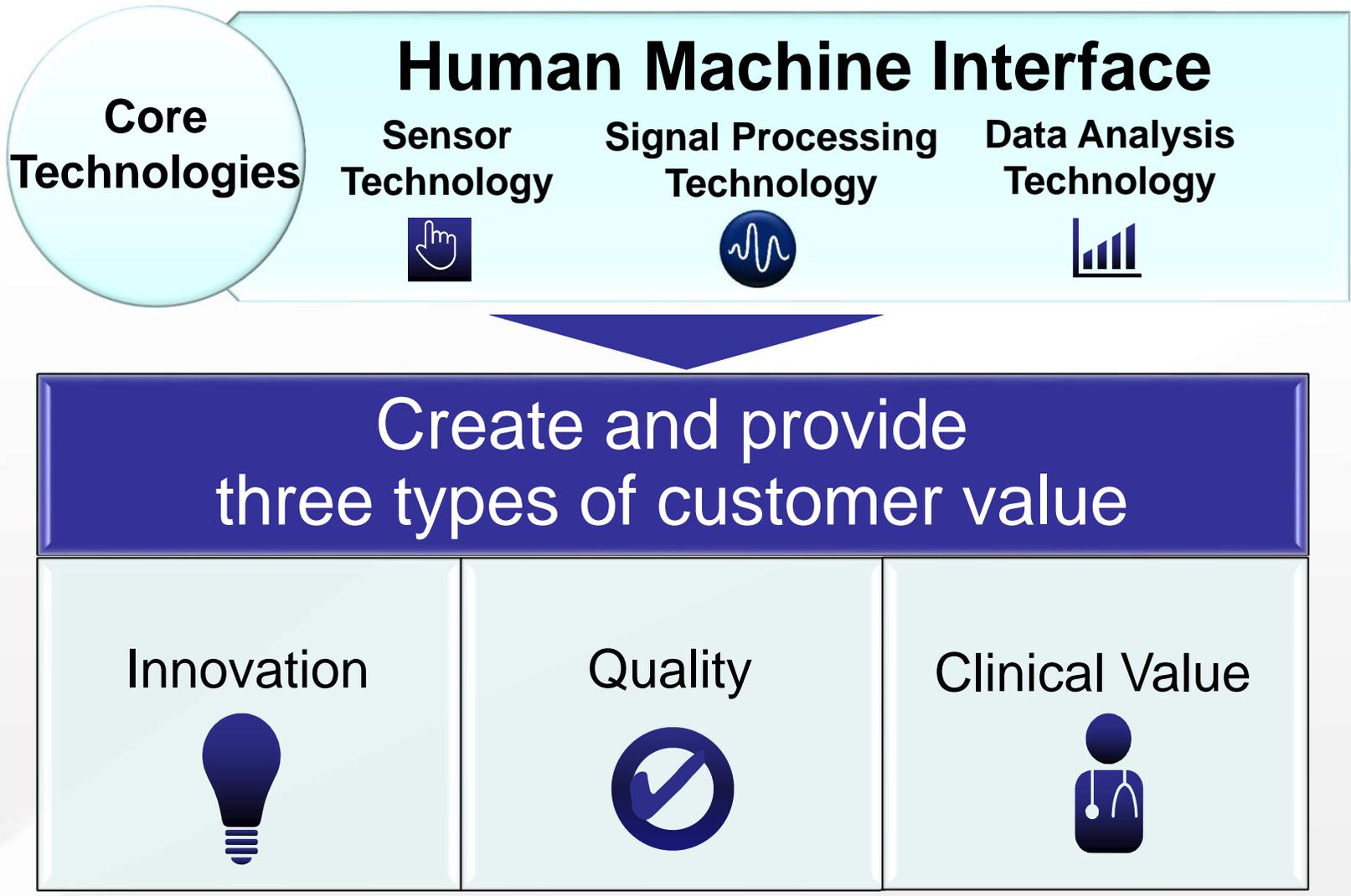
Development of new businesses

4

Mid-term Business Plan, TRANSFORM 2020

Basic Policies of TRANSFORM 2020

Transform operations to achieve a highly profitable structure



Basic Policies of TRANSFORM 2020

1 Create high customer value



Develop and sell in-house products with high customer value

Three blue icons: a lightbulb, a checkmark inside a circle, and a person with a stethoscope.

- 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

Basic Policies of TRANSFORM 2020

2 Improve productivity within the organization

Tomioka Production Center

- Implement production reforms



- Establish a global supply chain appropriate for the Group

- Improve productivity
- Ensure the timely supply of products to countries around the world

Advanced Technology Center

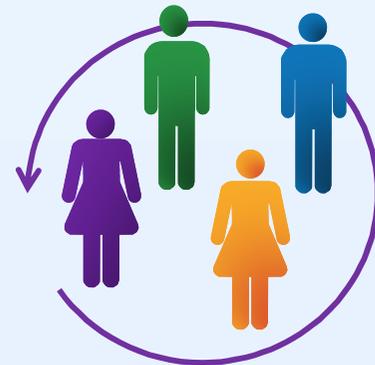
- Utilize the R&D and testing environment
- Strengthen the support from process management, quality management, and production technology



Improve development efficiency

Entire Group

Reform operating procedures and utilize information technology



Improve the productivity of each employee

Six Key Strategies

**Strengthen
business
expansion by
region**

**Achieve
further growth
in core
businesses**

**Develop new
businesses**

Strengthen technological development capabilities

Pursue the highest level of quality in the world

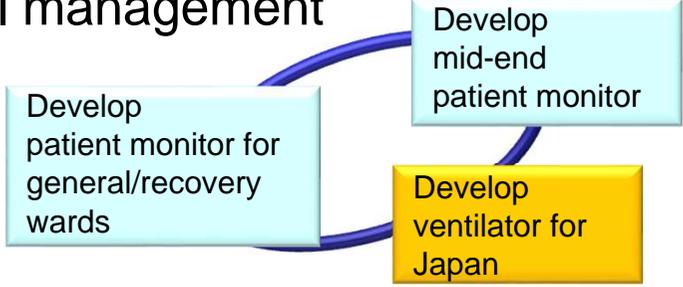
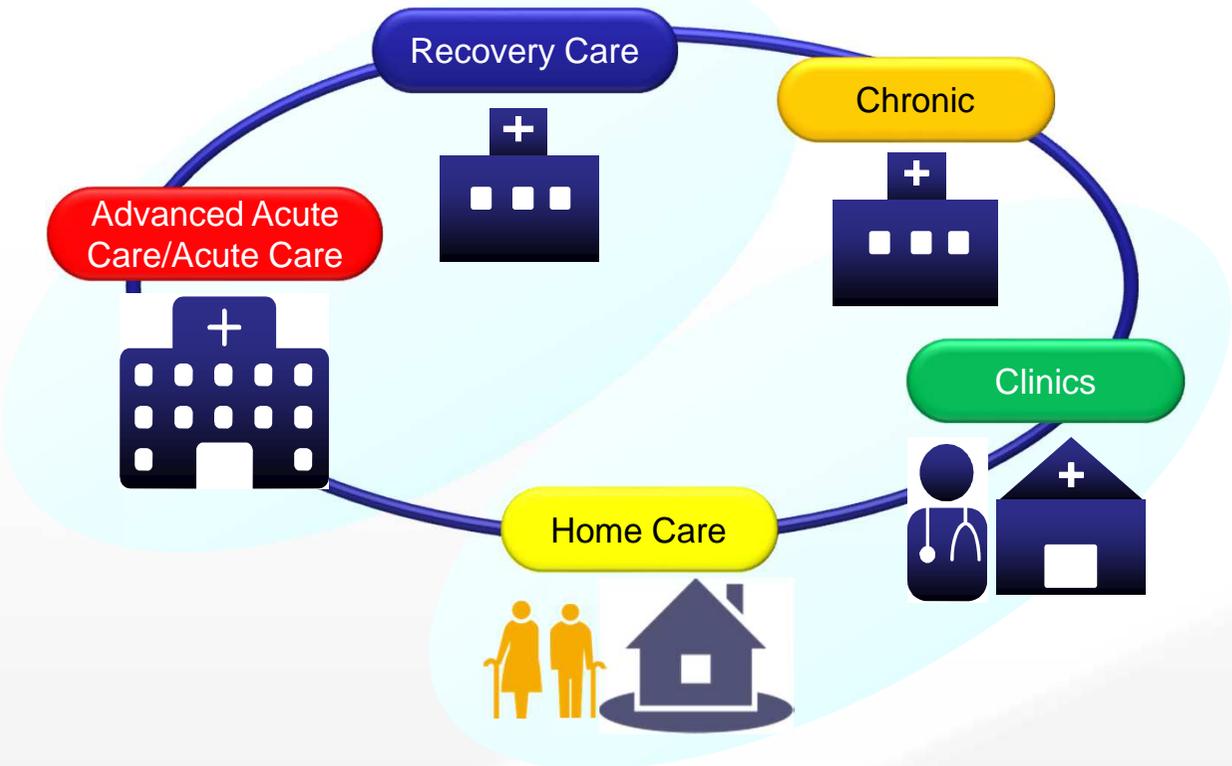
Consolidate corporate fundamentals

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

LAVITA®
Remote Medical Support System (plan to launch FY2017)

Automatic transfer of measurement data during house visit

Share information

Blood pressure, temperature, SpO₂

Cloud

Doctor, Nurse, Helper

SUKOYAKA®
みまもりテレケアシステム
Remote care system for elderly persons who live alone

✓ Enhance and reorganize sales and services operations

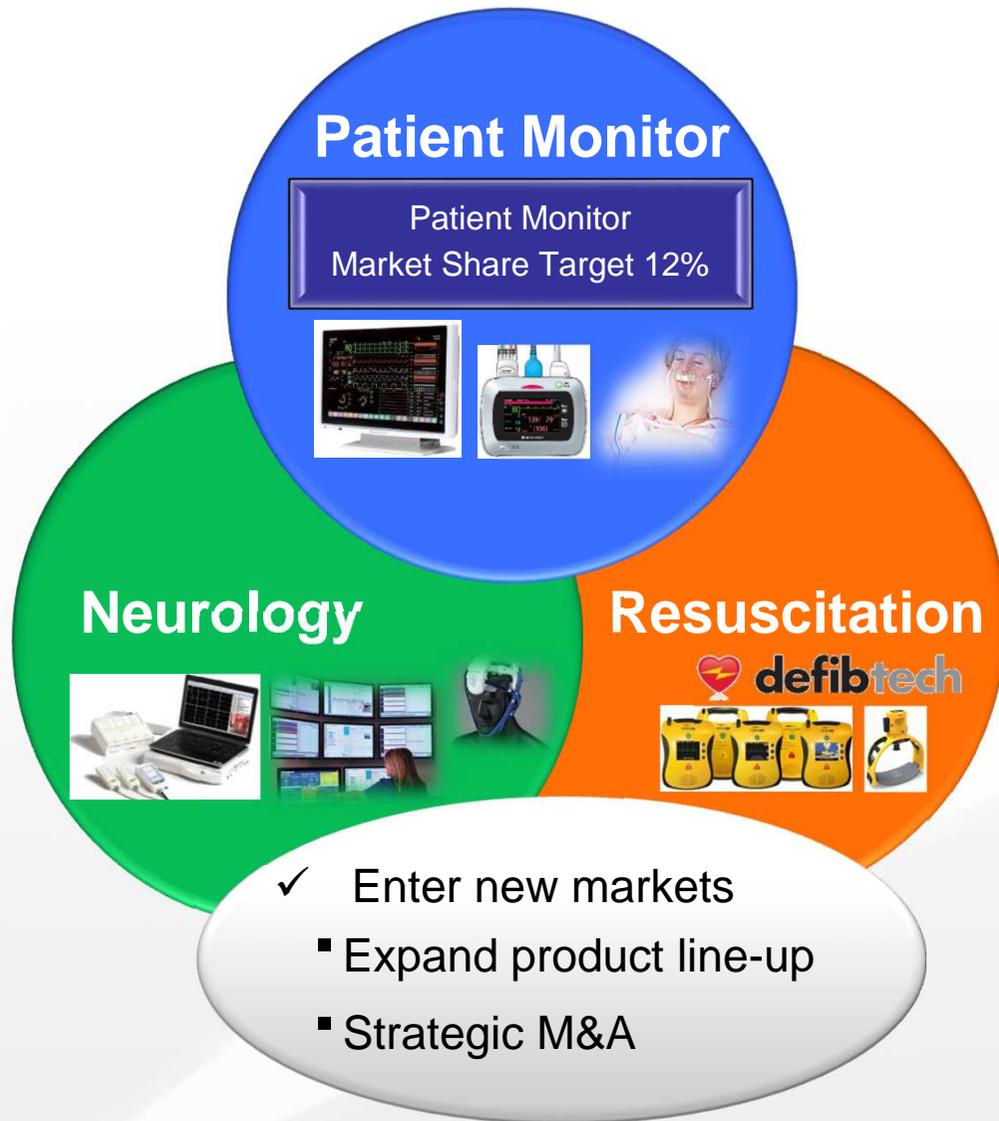


Sales Subsidiary system ▶ Transition to branch system *GP: General Practitioner

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
- ✓ Establish R&D, sales and services operations that enable rapid response to market needs and ensure high customer satisfaction



Emerging Markets

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

- ✓ Enhance R&D and production operations in China

Expand line-up of affordable models for emerging markets



Nihon Kohden
Middle East

Nihon Kohden Korea

Shanghai Kohden

Nihon Kohden
India

NKS Bangkok

Nihon Kohden Malaysia

Nihon Kohden
Singapore

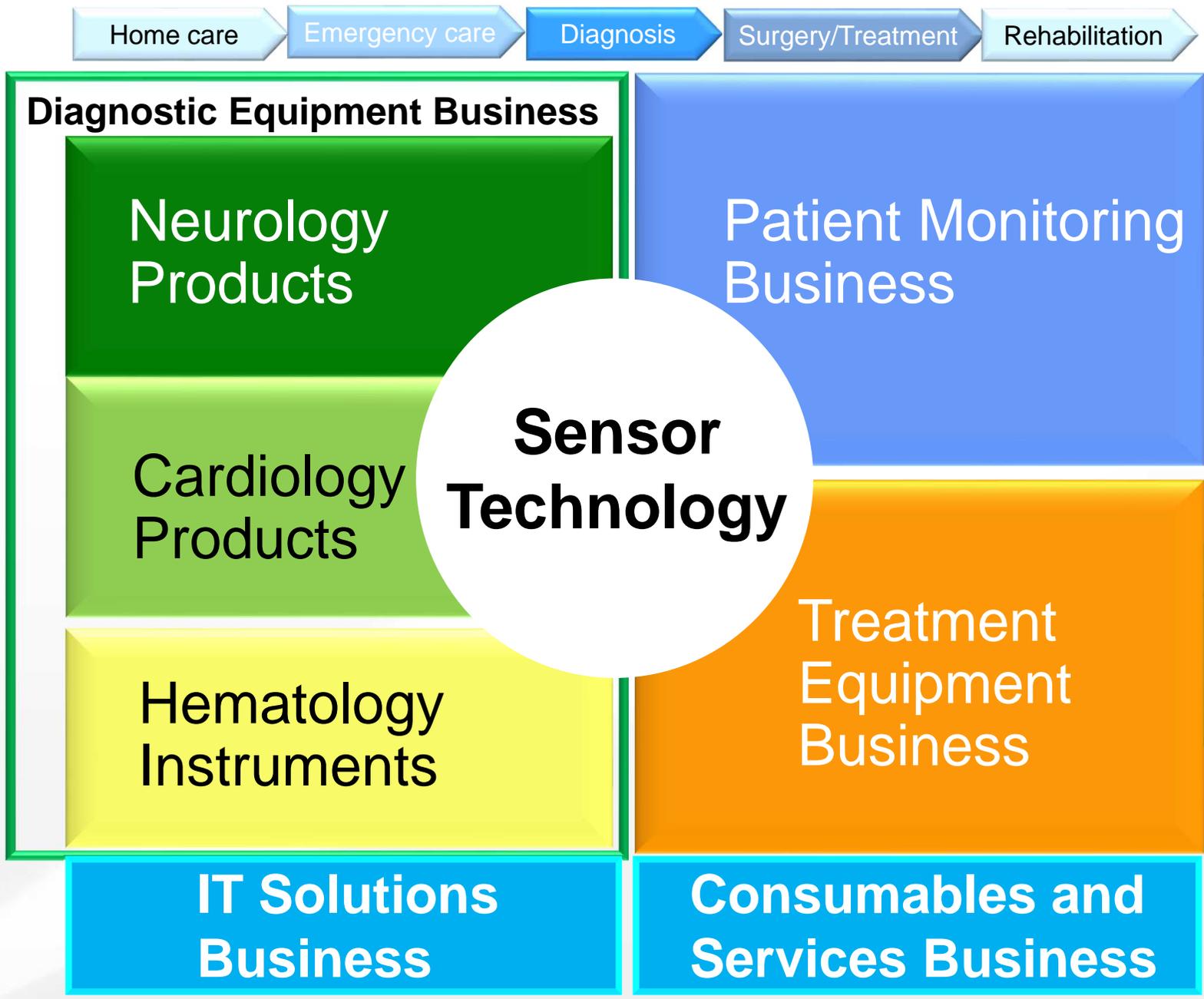
Nihon Kohden
Mexico

Nihon Kohden
Latin America

Nihon Kohden
Do Brasil

- ✓ Promote local production and strengthen local services operations in India, Southeast Asia, and Latin America

Achieve Further Growth in Core Businesses



Patient Monitoring Business

- ✓ Provide monitoring solutions that contribute to improving the quality and efficiency of medical care and patient safety
- ✓ Establish a global R&D structure for responding to the needs of each market
- ✓ Enhance network systems to support large-scale monitoring by utilizing wireless technology

Future Product Development (Plan)

Provide remote monitoring system

NKANYWHERE

Patient data & medical DB



Home monitoring



In Hospital

[General/Recovery ward]

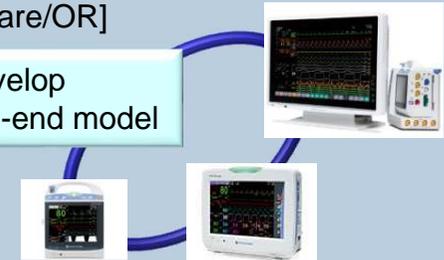
Develop patient monitor for general/recovery ward



Launch transmitter with iNIBP technology
April 2017(Japan)

[ER/Acute Care/OR]

Develop mid-end model



Solutions that contribute to the efficiency of medical care and patient safety

Enhance clinical information system

PrimeGaia

Enhance availability of wireless LAN technology



Develop new parameters

Develop & launch multigas module

Treatment Equipment Business

- ✓ Establish leadership position in the defibrillator and AED markets
Develop unique technologies and solutions that contribute to improving the care cycle in the resuscitation field



- ✓ Create ventilators and anesthesia machines business and promote global expansion at the earliest opportunity

Develop cutting-edge ventilators and anesthesia machines by utilizing unique technologies

		Launch Target
Ventilator for Japan	Under development at Advanced Technology Center	FY2018
Ventilator for emerging markets	Under development at the U.S. R&D office, OrangeMed	FY2019
Anesthesia Machine	Joint development with Acoma	FY2018

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 (Operating income margin)	¥20.0 billion (10.5%)		
Income attributable to 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

Basic Policy on Distribution of Profits and Dividends

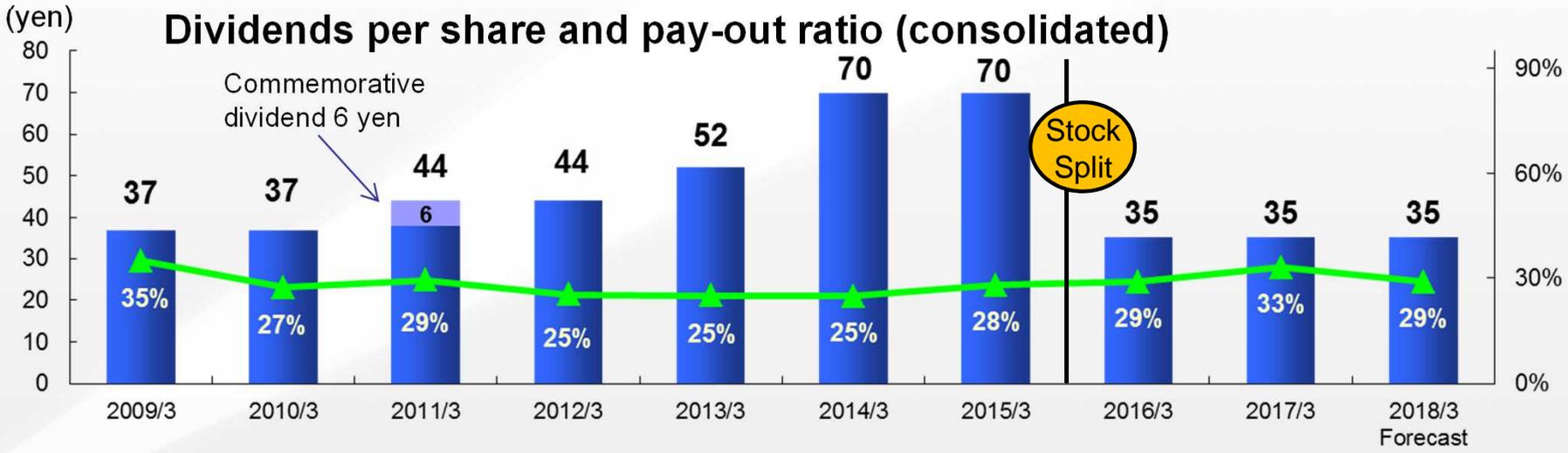
Investments for Growth

Continue investments necessary for future business expansion

- R&D investments
- Capital investments
- M&A and alliance
- Human resource development

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, and share buybacks are considered in a flexible manner.



*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.

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.