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Nihon Kohden draws up a new mid-term business plan

Nihon Kohden today announced a new mid-term business plan, **Strong Growth 2017**, covering fiscal years 2013 to 2016. This four-year business plan aims to sustain growth of the Nihon Kohden Group and enhance the corporate value of the Company in line with its corporate philosophy of “Fighting disease and enhancing health by advanced technology in order to contribute to the world as well as create an affluent life for employees”.

The Company’s previous mid-term business plan, SPEED UP III, was the first stage in realizing the Company’s long-term vision “The Change 2020 – The Global Leader of Medical Solutions –” which was set out in 2010 for the next ten years through to 2020.

Nihon Kohden achieved its previous mid-term business plan targets of 130 billion yen in sales and a 10% operating margin. This was due to the Company’s efforts to expand and strengthen core business areas. Nihon Kohden also established competitive advantages in Japan’s acute care hospital market. The Company also commercialized its own parameter measurement technologies such as esCCO^{*1} and derived 18-lead ECG^{*2} which resulted in increased brand recognition around the world. However, strong growth in emerging markets remains as an issue to be solved.

The Company’s next mid-term business plan, Strong Growth 2017, is the second stage in realizing its long-term vision. The coming four-year period is crucial for building a more solid foundation. Nihon Kohden aims to achieve sustainable growth in Japan under the national future vision to reorganize the medical and nursing care systems by 2025 and achieve strong growth in international markets. The Company will also enhance its operating base to ensure its growth.

^{*1} esCCO, estimated continuous cardiac output, is a new measurement method to calculate cardiac output continuously using ECG and pulse oximetry.

^{*2} 18-lead ECG is a new measurement method to derive 6-lead ECG, right-side leads V3R-V5R and posterior leads V7-V9 from the standard 12-lead ECG.

I. Long-term vision: The Change 2020 – The Global Leader of Medical Solutions –

Nihon Kohden's envisioned corporate status for 2020 is as follows:

(1) Lead the world in the development of revolutionary breakthrough technology

The Company will utilize the 60 years of technical experience and expertise of the Nihon Kohden Group to:

- 1) Promote healthier and longer life through collaboration between the public, private and academic sectors both within and outside Japan in the development of world-first revolutionary technologies for the prevention, early diagnosis and treatment of lifestyle-related illnesses, dementia and other intractable disease; and
- 2) Help hospitals assure medical safety and security by creating advanced new measurement parameters and sharpening the Company's competitive monitoring technologies that will lead to appropriate and efficient clinical care.

(2) Achieve the highest level of quality in the world

Nihon Kohden will achieve the highest level of quality in the world in order to sustain customer satisfaction well into the future, thereby earning a solid reputation as a reliable partner.

(3) Attain top share in applicable global markets

Nihon Kohden will ensure that business strategies are tailored to regional characteristics and develop optimized business structures that encompass all processes from product development to production, distribution and after-sales service in order to enable a prompt and effective response to the changing needs of the global healthcare market such as aging populations in developed markets and demand for basic healthcare networks in emerging economies which are experiencing rapid economic growth. To this end, the Company will strive to attain top market share in a wider range of its own products in both the domestic and international markets while aiming for a top share of all its own products in the domestic market.

The target for the period ending March 2020 is sales of ¥200 billion, operating income of ¥25 billion and overseas sales ratio of 35%.

II. Mid-term business plan: Strong Growth 2017

1. Basic Principles

Each and every employee will act autonomously and implement the following principles aimed at realizing the Company's long-term vision:

- (a) User oriented – Take all necessary actions for the customer
- (b) Relationships – Strengthen relationships with customers and partners both inside and outside the Company
- (c) Global – Enhance global communication skills as well as think and act with a global perspective
- (d) Speed – Strive to do everything with greater speed

2. Key strategies

(1) Pursue the highest level of quality in the world

Nihon Kohden will enhance its credibility as a leading medical equipment manufacturer by ensuring quality in every activity of every division across the entire Nihon Kohden Group, from development and design to production, logistics, sales and services, to keep its customers satisfied and ensure that customers around the world recognize Nihon Kohden for its superior quality products, sales and services.

(2) Strengthen technological development capabilities

- Nihon Kohden will further reinforce its technological strength and speed of development processes. To this end, the Company will strengthen its R&D organization to address the needs of clinical practice swiftly and flexibly. The Company will also promote industry-government-academia collaboration as well as collaboration with other companies both inside and outside Japan.
- The Company will combine its own core technologies to develop new technologies and products that help enhance medical safety and operating efficiencies, which will allow further differentiation.

(3) Strengthen business expansion by region

Nihon Kohden will strive to achieve strong growth internationally and take steps to reinforce its business expansion in the Americas, Europe and Asia. Specifically, the Company will focus initiatives on strengthening business activities in Japan, the U.S. and emerging markets including BRICs.

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

Nihon Kohden will further cultivate its strength in the acute care hospital market and provide comprehensive solutions corresponding to the differentiation of medical providers, collaboration between medical and nursing care, and the establishment of an integrated community care system.

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

Nihon Kohden aims to build a strong presence in the U.S. by cultivating high-end markets and establishing a stronger foothold in low-end markets through the reinforcement of its direct-sales force, stronger ties with GPOs, developing new sales channels and expanding its product line-ups. The Company will expand its presence by increasing sales of Defensive Monitoring^{TM*} in the patient monitors business, promoting a strategy of focusing on the U.S. top 50 hospitals in the neurology business, and enriching the product line-up of Defibtech in the resuscitation field.

* Defensive MonitoringTM is a method of patient monitoring by using the Company's product, PrefenseTM, to prevent medical harm.

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

China

Nihon Kohden will accelerate business operations by unifying development, production, sales and services. In addition, the Company will expand export from China and raise its production efficiency by increasing production volume.

Emerging markets

Nihon Kohden will promote a high-end market strategy of offering products made in Japan that are highly functional and IT-compliant and a low-end market strategy of offering price competitive products made in China or at other local production sites. In addition, the Company will work to raise brand recognition with its unique technologies such as esCCO and to expand its sales and service networks.

(4) **Achieve further growth in core businesses**

Nihon Kohden will take steps to achieve further growth in its core businesses both inside and outside Japan in order to expand its global market share and establish a stable and consistent revenue base.

Patient Monitors

Nihon Kohden will increase its share in global markets by strengthening its sales force and expanding products that ensure medical safety and improve operating efficiencies in line with the needs of each region. The Company will launch new, highly competitive bedside monitors and telemetry products and raise brand recognition through its unique technologies such as esCCO and CO₂ sensors.

Diagnostic Equipment

- Neurology products: Nihon Kohden will expand market-leading business and strengthen its brand positioning globally by satisfying new needs* in developed markets and targeting growing emerging markets.
* EEG monitoring or remote monitoring in emergency rooms and neuro ICUs.
- Cardiology products: Nihon Kohden will expand its share in global markets by broadening its product range and reinforcing compatibilities with IT systems, and raising brand recognition with its unique technologies such as derived 18-lead ECG.
- Diagnostic information systems: In Japan, Nihon Kohden will expand its line-up for small and medium-sized hospitals and for regional medical care networks. In Europe and China, the Company will differentiate itself from competitors with locally developed ECG data management systems.
- Hematology instruments: Nihon Kohden will strengthen its international business of hematology analyzers and reagents as well as expand the immunology analyzers and reagents business by adding types of reagents.

Treatment Equipment

As the only Japanese manufacturer of defibrillators and AEDs, Nihon Kohden will expand its line-up of products that contribute to emergency care. In addition, the Company will continue to introduce the most advanced treatment equipment from all over the world into Japan that offers synergies with the Company's own products.

Consumables and Services

Nihon Kohden will improve its price competitiveness through automated production and overseas production, and expand sales by offering combined packages of products and consumables. In addition, the Company will expand its repair and maintenance service offerings as well as user training programs.

(5) Develop new businesses

Nihon Kohden aims to develop new core businesses by self-development, alliances, M&A and other measures. The Company will pursue the development and introduction of medical equipment designed to improve medical safety, address lifestyle-related diseases, dementia, and intractable diseases. The Company will also pursue solutions for an integrated community care system.

Expand treatment equipment business

- 1) Nihon Kohden will expand its product line-up of ventilators and anesthesia machines through alliances.
- 2) The Company will develop emergency care equipment and strengthen its presence in the emergency care market.

Create a new business of neurological diagnosis, treatment and rehabilitation equipment

Nihon Kohden will offer comprehensive solutions from diagnosis to treatment and rehabilitation of neurological diseases. The Company is developing technologies for the early detection of Alzheimer's and depression, and treatment of nerve diseases.

Create a physiological parameter business

Nihon Kohden will raise recognition and clinical assessment values of its advanced SpO₂ and CO₂ sensors. The Company will create a physiological parameter business and build-up its brand as a sensor manufacturer.

(6) Consolidate corporate fundamentals

In order to adapt to changes in the business environment and become the world's leader in medical equipment, Nihon Kohden will foster a more robust business structure that is globalized, efficient and fast-paced as well as implement CSR activities aimed at sustainable growth and strengthen its human resource development initiatives.

3. Strong Growth 2017 targets for FY 2016 ending March 2017 (consolidated)

	FY 2012 actual	FY 2016
Sales	¥132.5 billion	¥170.0 billion
- Domestic	¥110.2 billion	¥121.5 billion
- Overseas	¥22.3 billion	¥48.5 billion
Operating income	¥13.4 billion	¥18.0 billion
ROE	12.7 %	13.0 %

Break down of overseas sales by region

	FY 2012 actual	FY 2016
Americas	¥8.0 billion	¥19.5 billion
Europe	¥5.6 billion	¥10.0 billion
Asia	¥7.5 billion	¥17.0 billion
Other	¥1.0 billion	¥2.0 billion

Exchange rate assumptions: ¥90 to the dollar, ¥118 to the euro

4. Main facility planning

Nihon Kohden will improve R&D environment in the head office to improve intellectual productivity and enhance R&D efficiency. The Company will also automate its manufacturing facilities and prepare for increasing production volumes and reducing costs.

Disclaimer: This document is based on Company evaluations and analyses at the time of writing and does not in any way constitute a guarantee or warranty that the Company will achieve the numerical targets or implement the measures stated herein.