

[Summary] Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2023 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: Prime Market, Tokyo Stock Exchange
Head Office: Tokyo
Representative: Hirokazu Ogino, Representative Director, President
Contact: Fumio Izumida, Operating Officer, General Manager, Corporate Strategy Division
Phone: +81 / 3 - 5996 - 8003 (URL <https://www.nihonkohden.co.jp>)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 2nd Quarter of FY2022 (From April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022 2Q (6 months)	94,349	-7.8	7,217	-58.6	13,019	-27.6	8,541	-30.5
FY2021 2Q (6 months)	102,343	17.3	17,414	98.8	17,990	119.0	12,294	111.0

Note: Comprehensive income: FY2022 2Q: 11,012 million yen (-15.3%) FY2021 2Q: 13,005 million yen (98.2%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2022 2Q (6 months)	101.43	—
FY2021 2Q (6 months)	144.85	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	209,292	162,424	77.6	1,930.72
As of March 31, 2022	210,201	156,381	74.4	1,852.39

Reference: Equity Capital: FY2022 2Q: 162,424 million yen FY2021: 156,381 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2021	—	19.00	—	48.00	67.00
FY2022	—	20.00	—	—	—
FY2022 (Forecast)	—	—	—	20.00	40.00

Note: Revise of dividends forecast: None

Note: Breakdown of year-end dividends for FY2021: Ordinary dividends: 20.00 yen Special dividends: 15.00 yen Commemorative dividends: 13.00 yen

3. Consolidated forecast for FY2022 (From April 1, 2022 to March 31, 2023)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	208,000	1.4	19,000	-38.7	23,500	-32.0	16,000	-31.7	190.19

Note: Revise of consolidated forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: — companies (—)

Excluded: — companies (—)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period
(including treasury shares)

FY2022 2Q	88,230,980	shares
FY2021	88,730,980	shares

(ii) Number of treasury shares at the end of the period

FY2022 2Q	4,104,572	shares
FY2021	4,309,526	shares

(iii) Average number of shares outstanding during the period

FY2022 2Q	84,209,182	shares
FY2021 2Q	84,879,678	shares

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2022 to September 30, 2022), social and economic activity around the world showed signs of recovery due to the benefits of economic measures and infection control measures taken by each country. However, the global economic outlook remained uncertain due to the Ukraine crisis and the Shanghai lockdown, in addition to the continued shortage of semiconductors, higher prices of components and resources, and supply chain disruption. In Japan, the burden on medical institutions fluctuated in accordance with the number of COVID-19 patients. Changes to the healthcare system to respond to emerging infectious diseases and work style reforms for medical staff were also implemented in conjunction with the medical treatment fee revision that occurred in April 2022. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving the quality and efficiency of medical care. Internationally, there were concerns about an economic slowdown due to tight monetary policy in the U.S. and Europe. However, overall demand for medical equipment which contributes to improving the quality and efficiency of medical care remained steady.

Under these circumstances, Nihon Kohden implemented its three-year business plan, BEACON 2030 Phase I. The Company formulated the basic policies of the plan as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and making strategic upfront investments, and iv) Establishing global SCM and strengthening core functions of operations.

Japan: Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency. Demand for physiological measuring equipment and hematology instruments was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Because there was a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in the same period of the previous fiscal year, overall domestic sales decreased. Sales in the clinic market increased favorably and sales in the university market also increased. Sales in the public hospital and private hospital markets decreased compared to the strong performance in the same period of the previous fiscal year. Sales of AEDs in the PAD market also decreased. Sales of Physiological Measuring Equipment achieved double-digit growth. Sales of Other Medical Equipment also increased, as sales of hematology instruments and installation and maintenance services for medical devices increased favorably. Sales of Patient Monitors and Treatment Equipment decreased compared to the strong growth in the same period of the previous fiscal year. As a result, domestic sales decreased 4.0% over the first half of FY2021 to ¥62,584 million.

International: Overseas sales decreased, mainly due to a reactionary decline in sales of Patient Monitors as well as to the Shanghai lockdown. In the same period of the previous fiscal year, sales of Patient Monitors were favorable due to large orders in the U.S. and strong demand in some regions where the spread of COVID-19 had resurged. In the Americas, sales in the U.S. decreased. Sales in Latin America also decreased, mainly in Peru and Chile where sales doubled in the same period of the previous fiscal year. Sales in Europe decreased on a comparable basis and increased on a yen basis due to yen depreciation. Sales in France and Turkey decreased, while sales in Germany and the U.K. increased favorably. In Asia & Other, sales in China decreased, as the Company temporarily suspended its local production and sales activities due to the Shanghai lockdown. Sales in India, Thailand, and Malaysia also decreased compared to the same period of the previous fiscal year when sales doubled. Sales of Patient Monitors, Physiological Measuring Equipment, and Treatment Equipment decreased, while sales of Other Medical Equipment increased. As a result, international sales decreased 14.6% over the first half of FY2021 to ¥31,764 million.

As a result of the above factors, overall sales during the term under review decreased 7.8% over the first half of FY2021 to ¥94,349 million. Operating income decreased 58.6% over the first half of FY2021 to ¥7,217 million due to the decrease in sales. The decrease in operating income was also because of a lower gross profit margin due to an unfavorable product mix, and increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and service activities. Ordinary income decreased 27.6% to ¥13,019 million and income attributable to owners of parent decreased 30.5% to ¥8,541 million over the first half of FY2021, reflecting foreign exchange gains.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Six months ended September 30, 2022	
	Amount	Growth rate (%)
Physiological Measuring Equipment	19,896	+ 10.5
Patient Monitors	35,964	- 19.3
Treatment Equipment	20,689	- 9.9
Other Medical Equipment	17,799	+ 5.7
Total	94,349	- 7.8
Products	47,840	- 18.2
Consumables and Services	46,508	+ 6.0
(Reference) Sales by Region		
Domestic Sales	62,584	- 4.0
Overseas Sales	31,764	- 14.6
Americas	15,238	- 19.8
Europe	5,902	+ 4.7
Asia & Other	10,624	- 15.3

6. Consolidated Forecast for FY2022

Based on the results for the first half of FY2022 and recent performance trends, the Company revised its forecasts for FY2022, previously announced on May 13, 2022.

As domestic sales in the first half of FY2022 were higher than expected, and overseas sales, which were in line with its expectation on a comparable basis, were affected by greater-than-expected depreciation of the yen in currency translation, the FY2022 full-year forecasts for overall sales, domestic sales, and overseas sales were revised to ¥208,000 million (up ¥13,000 million from its previous forecast), ¥135,000 million (up ¥4,500 million from its previous forecast), and ¥73,000 million (up ¥8,500 million from its previous forecast), respectively. In Japan, demand for physiological measuring equipment and hematology instruments was higher than expected as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed in the first half of FY2022. In the second half of FY2022, the Company will focus on its consumables and services business as well as strengthening its marketing and service capabilities and creating customer value. Internationally, sales in the U.S. were lower than expected in the first half of FY2022, as supply of new models of mid-range bedside monitors was delayed, mainly due to the shortage of semiconductors. Sales in China were also weak, due to the impact of the Shanghai lockdown. On the other hand, sales in India, Southeast Asia, and Europe were higher than expected as demand for medical equipment remained steady. In the second half of FY2022, the Company will strengthen its offerings of new products such as mid-range bedside monitors and a mask-type ventilator in the U.S. Both domestic sales and overseas sales in the second half of FY2022 are expected to increase compared to the same period of the previous fiscal year.

Because sales are expected to be higher than the Company's previous forecast, even though there will be impacts from higher logistics costs and utility costs, operating income, ordinary income, and income attributable to owners of parent are expected to be ¥19,000 million (up ¥2,500 million from its previous forecast), ¥23,500 million (up ¥7,000 million from its previous forecast), and ¥16,000 million (up ¥5,000 million from its previous forecast), respectively.

The earnings forecasts are based on information currently available, which includes product supply issues due to the shortage of semiconductors, and certain assumptions that the Company believes are reasonable. Actual results may differ from the forecasts due to unforeseen circumstances.

The Company's forecast for the second half of FY2022 is based on an exchange rate of 140 yen to the U.S. dollar and 140 yen to the euro.

(Consolidated Forecast for FY2022 by Product Category)

	(Millions of yen)	
	FY2022 (forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	44,800	+ 12.9
Patient Monitors	80,100	- 5.6
Treatment Equipment	42,800	- 1.4
Other Medical Equipment	40,300	+ 8.3
Total	208,000	+ 1.4
Products	106,700	- 6.9
Consumables and Services	101,300	+ 11.8
(Reference) Sales by Region		
Domestic Sales	135,000	- 1.0
Overseas Sales	73,000	+ 6.1
Americas	37,500	+ 12.2
Europe	11,800	+ 3.1
Asia & Other	23,700	- 0.9

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2022	September 30, 2022
ASSETS		
Current assets:		
Cash and deposits	28,925	29,440
Notes and accounts receivable - trade	58,381	53,715
Securities	32,000	23,000
Merchandise and finished goods	30,243	35,348
Work in process	3,495	3,641
Raw materials and supplies	14,628	18,895
Other current assets	4,409	4,388
Allowance for doubtful accounts	-208	-216
Total current assets	171,875	168,213
Non-current assets:		
Property, plant and equipment	19,920	20,604
Intangible assets		
Goodwill	794	982
Other intangible assets	2,942	3,311
Total intangible assets	3,737	4,293
Investments and other assets		
Investment securities	6,225	6,671
Other investments and other assets	8,651	9,722
Allowance for doubtful accounts	-210	-213
Total investments and other assets	14,667	16,180
Total non-current assets	38,325	41,078
Total assets	210,201	209,292
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	24,045	21,340
Short-term loans payable	325	325
Accrued income taxes	5,669	5,501
Provision for bonuses	5,013	2,914
Provision for product warranties	1,245	1,395
Other current liabilities	14,505	12,427
Total current liabilities	50,804	43,905
Non-current liabilities:		
Net defined benefit liability	1,073	905
Other non-current liabilities	1,943	2,056
Total non-current liabilities	3,016	2,962
Total liabilities	53,820	46,867
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,455	10,436
Retained earnings	142,224	145,638
Treasury shares	-9,331	-9,154
Total shareholders' equity	150,893	154,465
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,199	2,531
Foreign currency translation adjustments	2,387	4,693
Remeasurements of defined benefit plans	900	734
Total accumulated other comprehensive income	5,487	7,959
Total net assets	156,381	162,424
Total liabilities and net assets	210,201	209,292

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	102,343	94,349
Cost of sales	47,855	46,752
Gross profit	54,487	47,596
Selling, general and administrative expenses	37,073	40,379
Operating income	17,414	7,217
Non-operating income		
Interest income	32	74
Dividend income	57	64
Gain on valuation of investment securities	6	—
Foreign exchange gains	296	5,531
Subsidy income	47	34
Other, net	204	202
Total non-operating income	645	5,907
Non-operating expenses		
Interest expenses	3	4
Loss on valuation of investment securities	—	29
Other, net	66	71
Total non-operating expenses	69	105
Ordinary income	17,990	13,019
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	44	1
Loss on valuation of investment securities	—	44
Total extraordinary losses	44	45
Income before income taxes	17,945	12,975
Income taxes	5,650	4,434
Net income	12,294	8,541
Income attributable to owners of parent	12,294	8,541

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	12,294	8,541
Other comprehensive income		
Valuation difference on available-for-sale securities	166	331
Foreign currency translation adjustment	716	2,306
Remeasurements of defined benefit plans, net of tax	-171	-166
Total other comprehensive income	711	2,471
Comprehensive income	13,005	11,012
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,005	11,012
Comprehensive income attributable to non-controlling interests	—	—