

[Summary] Consolidated Financial Results for the 3rd 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 3rd Quarter of FY2022 (From April 1, 2022 to December 31, 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 3Q (9 months)	144,557	-2.4	11,377	-51.2	13,937	-43.5	8,860	-47.6
FY2021 3Q (9 months)	148,078	8.0	23,316	49.6	24,677	67.9	16,911	90.4

Note: Comprehensive income: FY2022 3Q: 11,512 million yen (-34.8%) FY2021 3Q: 17,647 million yen (98.5%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2022 3Q (9 months)	105.25	—
FY2021 3Q (9 months)	199.36	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	206,011	161,242	78.3	1,916.67
As of March 31, 2022	210,201	156,381	74.4	1,852.39

Reference: Equity Capital: FY2022 3Q: 161,242 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	20,500	-40.7	13,500	-42.4	160.47

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 3Q	88,230,980	shares
FY2021	88,730,980	shares

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

FY2022 3Q	4,104,592	shares
FY2021	4,309,526	shares

(iii) Average number of shares outstanding during the period

FY2022 3Q	84,184,348	shares
FY2021 3Q	84,829,234	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 December 31, 2022), the overall global economy showed signs of recovery due to the Living with COVID-19 policies taken by each country. However, the global economic outlook remained uncertain due to higher prices of components and resources, supply chain disruption, and tight monetary policy in the U.S. and Europe. 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, overall demand for medical equipment which contributes to improving the quality and efficiency of medical care remained steady amid the growing shortage of nurses especially in the U.S. and the U.K.

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. 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. As a result, domestic sales decreased 3.1% over the nine months of FY2021 to ¥93,569 million.

International: Overseas sales decreased, mainly due to a reactionary decline in sales of Patient Monitors compared to strong demand in the same period of the previous fiscal year in regions where the spread of COVID-19 had resurged, as well as to the Shanghai lockdown. In the third quarter (three months), sales in all regions achieved double-digit growth thanks to the launch of new mid-range bedside monitors in the U.S. and yen depreciation. In the Americas, sales in the U.S. increased. Sales in Latin America decreased, mainly in Mexico and Chile. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in France and Turkey decreased, while sales in Germany and the U.K. increased favorably. Sales in Asia & Other decreased due to the reactionary decline in China, Vietnam, and Egypt where sales showed strong growth in the same period of the previous fiscal year. Sales of Patient Monitors decreased, while sales of Other Medical Equipment, Treatment Equipment, and Physiological Measuring Equipment increased. As a result, international sales decreased 1.0% over the nine months of FY2021 to ¥50,987 million.

As a result of the above factors, overall sales during the term under review decreased 2.4% over the nine months of FY2021 to ¥144,557 million. Operating income decreased 51.2% over the nine months of FY2021 to ¥11,377 million due to the decrease in sales. The decrease in operating income was also because of a lower gross profit margin due to higher prices of components and an unfavorable product mix, as well as increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and service activities. Ordinary income decreased 43.5% to ¥13,937 million and income attributable to owners of parent decreased 47.6% to ¥8,860 million over the nine months of FY2021, reflecting foreign exchange gains.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Nine months ended December 31, 2022	
	Amount	Growth rate (%)
Physiological Measuring Equipment	30,382	+ 10.7
Patient Monitors	55,970	- 10.3
Treatment Equipment	31,887	- 3.8
Other Medical Equipment	26,316	+ 5.1
Total	144,557	- 2.4
Products	73,618	- 9.8
Consumables and Services	70,938	+ 6.8
(Reference) Sales by Region		
Domestic Sales	93,569	- 3.1
Overseas Sales	50,987	- 1.0
Americas	25,334	- 0.1
Europe	9,399	+ 8.3
Asia & Other	16,254	- 6.8

6. Consolidated Forecast for FY2022

The Company reaffirmed its full-year forecasts for overall sales and operating income, previously announced on November 9, 2022. As foreign exchange gains are expected to be smaller reflecting the updated exchange rate assumption to yen appreciation for the fourth quarter, the Company revised its forecasts for ordinary income and income attributable to owners of parent to be ¥20,500 million (down ¥3,000 million from its previous forecast) and ¥13,500 million (down ¥2,500 million from its previous forecast), respectively.

The Company's forecast for the fourth quarter of FY2022 is based on an exchange rate of 130 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	December 31, 2022
ASSETS		
Current assets:		
Cash and deposits	28,925	40,724
Notes and accounts receivable - trade	58,381	55,653
Securities	32,000	3,000
Merchandise and finished goods	30,243	35,079
Work in process	3,495	4,244
Raw materials and supplies	14,628	21,035
Other current assets	4,409	5,212
Allowance for doubtful accounts	-208	-212
Total current assets	171,875	164,738
Non-current assets:		
Property, plant and equipment	19,920	20,621
Intangible assets		
Goodwill	794	1,074
Other intangible assets	2,942	3,219
Total intangible assets	3,737	4,294
Investments and other assets		
Investment securities	6,225	6,944
Other investments and other assets	8,651	9,629
Allowance for doubtful accounts	-210	-215
Total investments and other assets	14,667	16,357
Total non-current assets	38,325	41,273
Total assets	210,201	206,011
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	24,045	22,961
Short-term loans payable	325	433
Accrued income taxes	5,669	1,335
Provision for bonuses	5,013	1,924
Provision for product warranties	1,245	1,366
Other current liabilities	14,505	13,881
Total current liabilities	50,804	41,902
Non-current liabilities:		
Net defined benefit liability	1,073	827
Other non-current liabilities	1,943	2,039
Total non-current liabilities	3,016	2,867
Total liabilities	53,820	44,769
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,455	10,436
Retained earnings	142,224	144,275
Treasury shares	-9,331	-9,155
Total shareholders' equity	150,893	153,102
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,199	2,682
Foreign currency translation adjustments	2,387	4,806
Remeasurements of defined benefit plans	900	651
Total accumulated other comprehensive income	5,487	8,140
Total net assets	156,381	161,242
Total liabilities and net assets	210,201	206,011

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	148,078	144,557
Cost of sales	68,889	71,061
Gross profit	79,188	73,496
Selling, general and administrative expenses	55,872	62,118
Operating income	23,316	11,377
Non-operating income		
Interest income	62	126
Dividend income	97	108
Gain on valuation of investment securities	3	67
Foreign exchange gains	979	2,058
Subsidy income	64	36
Other, net	262	310
Total non-operating income	1,470	2,707
Non-operating expenses		
Interest expenses	4	5
Other, net	104	142
Total non-operating expenses	108	147
Ordinary income	24,677	13,937
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	—	3
Total extraordinary income	0	6
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	49	8
Loss on valuation of investment securities	—	44
Total extraordinary losses	49	52
Income before income taxes	24,628	13,890
Income taxes	7,716	5,030
Net income	16,911	8,860
Income attributable to owners of parent	16,911	8,860

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	16,911	8,860
Other comprehensive income		
Valuation difference on available-for-sale securities	165	482
Foreign currency translation adjustment	827	2,418
Remeasurements of defined benefit plans, net of tax	-257	-249
Total other comprehensive income	735	2,652
Comprehensive income	17,647	11,512
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,647	11,512
Comprehensive income attributable to non-controlling interests	—	—