

## Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2024 (Japan GAAP)

### NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

#### 1. Consolidated Financial Highlights for the 3rd Quarter of FY2023 (From April 1, 2023 to December 31, 2023)

##### (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	%
<b>FY2023 3Q (9 months)</b>	<b>156,169</b>	<b>8.0</b>	<b>10,515</b>	<b>-7.6</b>	<b>13,258</b>	<b>-4.9</b>	<b>7,926</b>	<b>-10.5</b>
FY2022 3Q (9 months)	144,557	-2.4	11,377	-51.2	13,937	-43.5	8,860	-47.6

Note: Comprehensive income: FY2023 3Q: 9,769 million yen (-15.1%) FY2022 3Q: 11,512 million yen (-34.8%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2023 3Q (9 months)</b>	<b>94.20</b>	—
FY2022 3Q (9 months)	105.25	—

##### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of December 31, 2023</b>	<b>215,788</b>	<b>171,479</b>	<b>79.5</b>	<b>2,037.86</b>
As of March 31, 2023	216,728	167,604	77.3	1,992.30

Reference: Equity Capital: FY2023 3Q: 171,479 million yen FY2022: 167,604 million yen

##### 2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2022	—	20.00	—	41.00	61.00
FY2023	—	30.00	—		
FY2023 (Forecast)				31.00	61.00

Note: Revise of dividends forecast: None

##### 3. Consolidated Forecast for FY2023 (From April 1, 2023 to March 31, 2024)

	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	221,500	7.2	22,200	5.1	24,000	-0.5	15,500	-9.4	184.20

Note: Revise of consolidated forecast: None

\* 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: None

(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)

FY2023 3Q	88,230,980	shares
FY2022	88,230,980	shares

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

FY2023 3Q	4,084,190	shares
FY2022	4,104,612	shares

(iii) Average number of shares outstanding during the period

FY2023 3Q	84,138,664	shares
FY2022 3Q	84,184,348	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.

## Content of Supplementary Materials

1. Qualitative Information on Financial Results for the Period	4
(1) Operating Results Analysis	4
(2) Financial Conditions Analysis	5
(3) Consolidated Financial Forecast for FY2023	5
2. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to the Consolidated Financial Statements	9
(Assumption of Going Concern)	9
(Significant Changes in Shareholders' Equity)	9
(Applying of Specific Accounting of the Consolidated Quarterly Financial Statements)	9
(Additional Information)	9
(Segment Information)	10
(Revenue Recognition)	11
(Subsequent Event)	11

## 1. Qualitative Information on Financial Results for the Period

### (1) Operating Results Analysis

During the term under review (April 1, 2023 to December 31, 2023), the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe as well as higher geopolitical risks. In Japan, each prefecture revised its healthcare system, and task shifting and operational efficiency were further required in medical institutions, because work style reforms for medical staff are scheduled to take effect in April 2024. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workloads remained steady, while the shortage of nurses and inflation of prices in the U.S. and Europe continued to have a negative impact.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I, which sets FY2023 as its final year. 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 its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, sales in all markets and all product categories increased. Sales in the university and private hospital markets increased favorably thanks to large orders related to construction of new hospitals. Sales in the public hospital and clinic markets also increased. Sales of Physiological Measuring Equipment and Treatment Equipment increased favorably. Sales of Patient Monitors and Other Medical Equipment also increased. As a result, domestic sales increased 5.4% over the nine months of FY2022 to ¥98,598 million.

**International:** Overseas sales showed double-digit growth due to yen depreciation and the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. In the Americas, sales in the U.S. and Latin America showed double-digit growth. In the U.S., sales of Treatment Equipment and Physiological Measuring Equipment increased significantly, while sales of Patient Monitors decreased. In Latin America, sales in Columbia and Mexico showed strong growth. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in Germany decreased compared to the strong growth in the same period of the previous fiscal year, while sales in the U.K. and the Netherlands showed strong growth. In Asia & Other, sales increased, especially in Malaysia. A large order in Morocco also contributed to the sales increase. Sales growth moderated in China mainly due to the impact of the anti-corruption campaign from the third quarter of FY2023. Sales of all product categories increased. Sales of Treatment Equipment showed strong growth, because sales of Defibtech AEDs and a mask-type ventilator increased significantly. Sales of Physiological Measuring Equipment also achieved double-digit growth. Sales of Patient Monitors and Other Medical Equipment decreased on a comparable basis and increased on a yen basis. As a result, international sales increased 12.9% over the nine months of FY2022 to ¥57,571 million.

As a result of the above, overall sales during the term under review increased 8.0% over the nine months of FY2022 to ¥156,169 million. Operating income decreased 7.6% over the nine months of FY2022 to ¥10,515 million due to an increase in SG&A expenses resulting from the strengthening of human resources and R&D investment, as well as costs from the reform of the profit structure starting from the third quarter of FY2023. The cost of sales ratio rose due to unfavorable product mix in sales of in-house products, while the impact of higher prices of components was offset by the Company's efforts to raise selling prices. Ordinary income decreased 4.9% to ¥13,258 million, and income attributable to owners of parent decreased 10.5% to ¥7,926 million over the nine months of FY2022.

\* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to Nihon Kohden's reorganization of its U.S. subsidiaries. In the nine months ended December 31, 2023, Nihon Kohden consolidated the 12 months of Defibtech's operating results from January 1, 2023 to December 31, 2023.

### (Consolidated Sales Results by Product Category)

	(Millions of yen)	
	Nine months ended December 31, 2023	
	Amount	Growth rate (%)
Physiological Measuring Equipment	33,021	+ 8.7
Patient Monitors	57,908	+ 3.5
Treatment Equipment	38,258	+ 20.0
Other Medical Equipment	26,980	+ 2.5
<b>Total</b>	<b>156,169</b>	<b>+ 8.0</b>
Products	78,302	+ 6.4
Consumables and Services	77,866	+ 9.8

### (Reference) Sales by Region

Domestic Sales	98,598	+ 5.4
Overseas Sales	57,571	+ 12.9
Americas	30,557	+ 20.6
Europe	9,835	+ 4.6
Asia & Other	17,177	+ 5.7

Previously, the Nihon Kohden Group conducted its business activities within a single segment, medical electronic equipment-related business, which was internally subdivided into functions such as development, manufacturing, and sales. To further expand its overseas business, the Company has been focusing on strengthening its local R&D, production, and sales capabilities as well as increasing synergies. In April 2023, with the aim of achieving more efficient group governance and operations, the Company reorganized its U.S. subsidiaries into a holding company structure. Following the reorganization, which was completed on January 1, 2024, the Company has shifted to a framework that comprehensively manages development, manufacturing, and sales in each region. Starting from the third quarter of FY2023, Nihon Kohden has also reclassified its reporting segments into three categories: Japan, North America, and Rest of World.

#### (Operating Results by Reporting Segments)

**Japan:** Sales increased 5.9% to ¥99,782 million and segment income decreased 9.9% to ¥12,517 million in the nine months of FY2023.

**North America:** Sales increased 24.2% to ¥30,598 million and segment loss was ¥1,689 million in the nine months of FY2023 (Segment loss of ¥1,063 million in the nine months of FY2022).

**Rest of World:** Sales increased 0.5% to ¥25,788 million and segment income decreased 12.9% to ¥1,055 million in the nine months of FY2023.

## (2) Financial Conditions Analysis

### (Financial Position)

Total assets at the end of the current fiscal period decreased by ¥940 million compared to the end of the previous fiscal year to ¥215,788 million.

Current assets decreased by ¥3,333 million to ¥169,167 million compared with the end of the previous fiscal year. This was mainly due to a decrease in accounts receivable resulting from the collection from the end of the previous fiscal year, as well as an increase in inventories of raw materials and products to ensure a stable supply.

Fixed assets increased by ¥2,392 million to ¥46,621 million compared with the end of the previous fiscal year. This was mainly due to increase in deferred tax assets, as well as an increase in property, plant and equipment for a new reagent plant at Nihon Kohden India Pvt. Ltd.

Total liabilities at the end of the current fiscal period decreased by ¥4,815 million compared to the end of the previous

## (3) Consolidated Forecast for FY2023

The Company reaffirms its forecast for FY2023, previously announced on November 8, 2023.

The assumed exchange rates for the fourth quarter of FY2023 are 142 yen to the U.S. dollar and 157 yen to the euro.

### (Consolidated Forecast for FY2023 by Product Category)

	(Millions of yen)	
	FY2023 (forecast) Amount	Growth rate (%)
Physiological Measuring Equipment	46,100	+ 6.5
Patient Monitors	85,500	+ 5.8
Treatment Equipment	50,900	+ 14.5
Other Medical Equipment	39,000	+ 2.5
<b>Total</b>	<b>221,500</b>	<b>+ 7.2</b>
Products	115,500	+ 6.1
Consumables and Services	106,000	+ 8.5
<b>(Reference) Sales by Region</b>		
Domestic Sales	142,000	+ 4.6
Overseas Sales	79,500	+ 12.2
Americas	43,400	+ 17.9
Europe	12,600	+ 2.0
Asia & Other	23,500	+ 8.3

**2. Consolidated Financial Statements and Notes**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	March 31, 2023	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and deposits	33,459	32,240
Notes and accounts receivable - trade	65,005	57,550
Securities	11,000	12,000
Merchandise and finished goods	33,337	36,432
Work in process	4,045	4,326
Raw materials and supplies	21,406	22,209
Other current assets	4,424	4,613
Allowance for doubtful accounts	-179	-207
Total current assets	172,500	169,167
Non-current assets:		
Property, plant and equipment	24,446	24,976
Intangible assets		
Goodwill	1,044	1,055
Other intangible assets	3,177	3,469
Total intangible assets	4,221	4,524
Investments and other assets		
Investment securities	6,713	7,039
Other investments and other assets	8,977	10,214
Allowance for doubtful accounts	-129	-133
Total investments and other assets	15,560	17,120
Total non-current assets	44,228	46,621
Total assets	216,728	215,788
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	22,940	18,539
Short-term loans payable	403	442
Accrued income taxes	3,178	2,750
Provision for bonuses	4,320	2,458
Provision for product warranties	1,361	1,514
Other current liabilities	14,363	16,223
Total current liabilities	46,568	41,929
Non-current liabilities:		
Net defined benefit liability	669	351
Other non-current liabilities	1,885	2,028
Total non-current liabilities	2,555	2,379
Total liabilities	49,124	44,309
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	9,685	9,718
Retained earnings	152,525	154,477
Treasury shares	-9,155	-9,109
Total shareholders' equity	160,600	162,631
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,377	2,617
Foreign currency translation adjustments	4,003	5,778
Remeasurements of defined benefit plans	623	450
Total accumulated other comprehensive income	7,003	8,847
Total net assets	167,604	171,479
Total liabilities and net assets	216,728	215,788

**(2) Consolidated Statements of Income**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	144,557	156,169
Cost of sales	71,061	77,886
Gross profit	73,496	78,282
Selling, general and administrative expenses	62,118	67,767
Operating income	11,377	10,515
Non-operating income		
Interest income	126	169
Dividend income	108	116
Gain on valuation of investment securities	67	—
Foreign exchange gains	2,058	2,354
Subsidy income	36	147
Other, net	310	167
Total non-operating income	2,707	2,954
Non-operating expenses		
Interest expenses	5	8
Loss on valuation of investment securities	—	85
Other, net	142	117
Total non-operating expenses	147	211
Ordinary income	13,937	13,258
Extraordinary income		
Gain on sales of non-current assets	2	3
Gain on sales of investment securities	3	1
Total extraordinary income	6	5
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	8	8
Loss on valuation of investment securities	44	—
Total extraordinary losses	52	8
Income before income taxes	13,890	13,255
Income taxes	5,030	5,329
Net income	8,860	7,926
Income attributable to owners of parent	8,860	7,926

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	8,860	7,926
Other comprehensive income		
Valuation difference on available-for-sale securities	482	240
Foreign currency translation adjustment	2,418	1,775
Remeasurements of defined benefit plans, net of tax	-249	-172
Total other comprehensive income	2,652	1,843
Comprehensive income	11,512	9,769
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,512	9,769
Comprehensive income attributable to non-controlling interests	—	—



### (3) Notes to the Consolidated Financial Statements

(Assumption of Going Concern)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Applying of Specific Accounting of the Consolidated Quarterly Financial Statements)

(Method of Calculating Income Tax)

Income tax amount is calculated principally by multiplying reasonably estimated annual effective tax rate through the third quarter ended December 31, 2023, with the effects of deferred taxes reflected, by the amount of year-to-date income before income taxes.

(Additional Information)

(Changes in the Fiscal Year and Other Matters of Consolidated Subsidiaries)

As the Company announced on March 7, 2023 that Nihon Kohden Corporation to Reorganize Its U.S. Subsidiaries into a Holding Company Structure, Change in Specified Subsidiaries, and Name Change of Subsidiaries, the Company has implemented the reorganizaion of its U.S. subsidiaries. Defibtech, LLC, one of Nihon Kohden's wholly owned subsidiaries, has changed its fiscal term from end on December 31 to end on March 31. For the third quarter of FY2023, the Company has consolidated the twelve months from January 1, 2023, to December 31, 2023, and has adjusted for the impact of the change in the fiscal term through the consolidated income statement.

(Segment Information)

1. Sales and Income by Reporting Segment

Nine months ended December 31, 2022

(Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on quarterly consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	94,264	24,632	25,660	144,557	—	144,557
Other revenue	—	—	—	—	—	—
Net sales to external customers	94,264	24,632	25,660	144,557	—	144,557
Intersegment sales	19,804	1,204	803	21,813	- 21,813	—
Total sales	114,069	25,836	26,464	166,370	- 21,813	144,557
Segment income (loss)	13,890	- 1,063	1,211	14,038	- 2,661	11,377

(Notes)

1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥2,661 million include negative ¥2,348 million for the unrealized gains on inventories and negative ¥340 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

Nine months ended December 31, 2023

(Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on quarterly consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	99,782	30,598	25,788	156,169	—	156,169
Other revenue	—	—	—	—	—	—
Net sales to external customers	99,782	30,598	25,788	156,169	—	156,169
Intersegment sales	19,771	1,279	896	21,947	- 21,947	—
Total sales	119,553	31,878	26,684	178,116	- 21,947	156,169
Segment income (loss)	12,517	- 1,689	1,055	11,883	- 1,368	10,515

(Notes)

1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥1,368 million include negative ¥1,099 million for the unrealized gains on inventories and negative ¥274 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

## 2. Change in Reporting Segment

Previously, the Nihon Kohden Group conducted its business activities within a single segment, medical electronic equipment-related business, which was internally subdivided into functions such as development, manufacturing, and sales. To further expand its overseas business, the Company has been focusing on strengthening its local R&D, production, and sales capabilities as well as increasing synergies. In April 2023, with the aim of achieving more efficient group governance and operations, the Company reorganized its U.S. subsidiaries into a holding company structure. Following the reorganization, which was completed on January 1, 2024, the Company has shifted to a framework that comprehensively manages development, manufacturing, and sales in each region. Starting from the third quarter of FY2023, Nihon Kohden has also reclassified its reporting segments into three categories: Japan, North America, and Rest of World.

### (Revenue Recognition)

Information on disaggregation of revenue arising from contracts with customers is as described in (Segment information).

### (Subsequent Event)

#### (Company Split of Subsidiary (Incorporation-Type))

According to the reorganization of its U.S. subsidiaries, Nihon Kohden passed a resolution at its Board of Directors held on September 7, 2023, to i) change the name of Nihon Kohden OrangeMed, Inc., one of Nihon Kohden's wholly owned subsidiaries, to "Nihon Kohden North America, Inc.," and ii) allow Nihon Kohden OrangeMed, Inc. to contribute and assign its ventilator business to Nihon Kohden OrangeMed, LLC, a wholly owned subsidiary of Nihon Kohden OrangeMed, Inc. This company split was completed on January 1, 2024.

## 1. Outline of Business Combination

### (1) Name and outline of business

Name: Ventilator business

Business: R&D, production, sales and service of ventilators

### (2) Date of business combination

January 1, 2024

### (3) Legal form of business combination

Incorporation-type company split with Nihon Kohden OrangeMed, Inc., as a splitting company, one of Nihon Kohden's wholly owned subsidiaries, changed the name to Nihon Kohden North America, Inc. on January 1, 2024; and Nihon Kohden OrangeMed, LLC, as a succeeding company, one of Nihon Kohden's wholly owned subsidiaries.

### (4) Company name after the combination

Nihon Kohden OrangeMed, LLC (one of Nihon Kohden's wholly owned subsidiaries)

### (5) Others

As the Company announced on March 7, 2023, Nihon Kohden reorganized its U.S. subsidiaries and Nihon Kohden OrangeMed, Inc. became the new holding company to manage and control of its U.S. business as well as operates its ventilator business starting April 1, 2023. As the transition to a holding company was completed, effective January 1, 2024, Nihon Kohden OrangeMed, Inc. changed the name to Nihon Kohden North America, Inc. to manage and control of subsidiaries in the U.S., meanwhile Nihon Kohden OrangeMed, Inc. also transferred its ventilator business to Nihon Kohden OrangeMed, LLC.

## 2. Summary of Accounting Treatments

This company split is treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on January 16, 2019).