

Financial / Non Financial Summary



(Millions of yen unless otherwise stated)

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business results												
Net sales	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727	205,129	206,603
Operating income	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094	30,992	21,120
Income attributable to owners of parent*1	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243	23,435	17,110
Financial position												
Current assets*2	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140	171,875	172,500
Current liabilities*2	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608	50,804	46,568
Total assets*2	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030	210,201	216,728
Net assets	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986	156,381	167,604
Cash flows												
Cash flows from operating activities	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945	25,699	(2,513)
Cash flows from investing activities	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)	(4,303)	(7,647)
Free cash flow	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999	21,396	(10,161)
Cash flows from financing activities	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)	(7,300)	(7,485)
Cash and cash equivalents	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356	60,095	43,988
Per share information												
Net income (Yen)*3	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21	276.51	203.28
Dividends (Yen)*4	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0	67.0	61.0
Other												
R&D costs	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357	5,711	6,200
Number of employees (Persons)	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531	5,639	5,751
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730	88,730	88,230
Key performance indicators												
ROE (%)	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0	15.9	10.6
Operating income margin (%)	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6	15.1	10.2
Dividend payout ratio (%)	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7	24.2	30.0

*1 The figures for FY2014 or earlier periods represent net income.

*2 Since the beginning of FY2018 ended March 31, 2019, the Company has applied the partial amendments to the Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018). These accounting standards apply to FY2017 figures retrospectively.

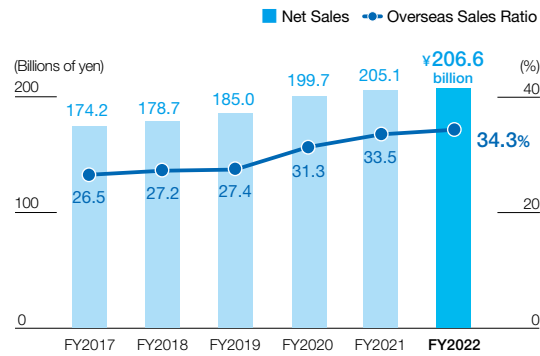
*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

*4 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.

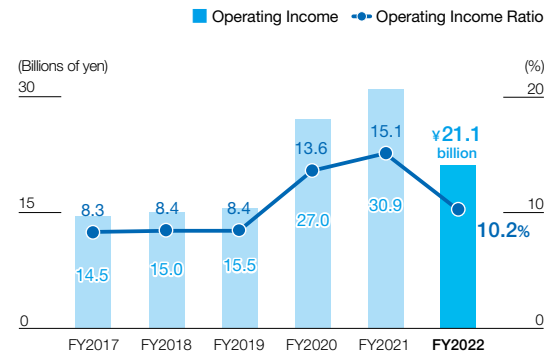
*5 Effective April 1, 2015, each share of common stock was split into two shares.

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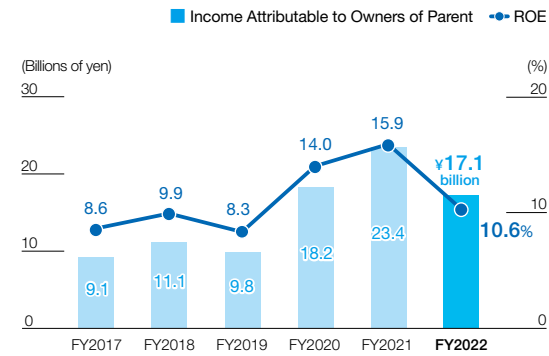
Net Sales/Overseas Sales Ratio



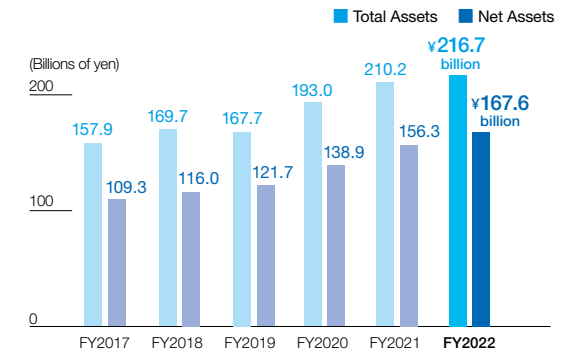
Operating Income/Operating Income Margin



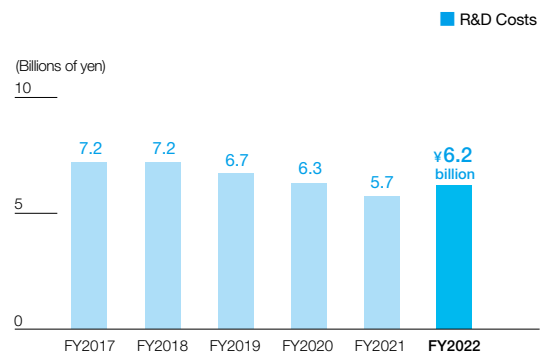
Income Attributable to Owners of Parent/ROE



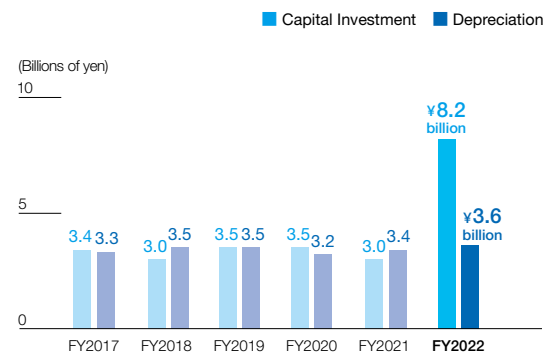
Total Assets/Net Assets



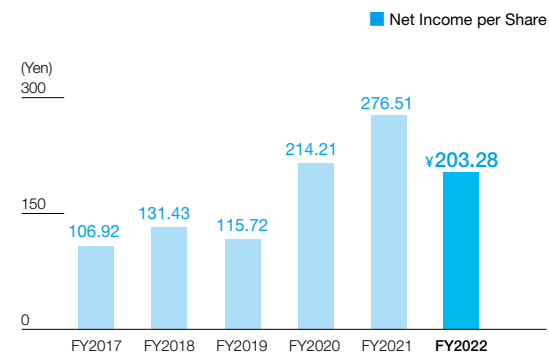
R&D Costs



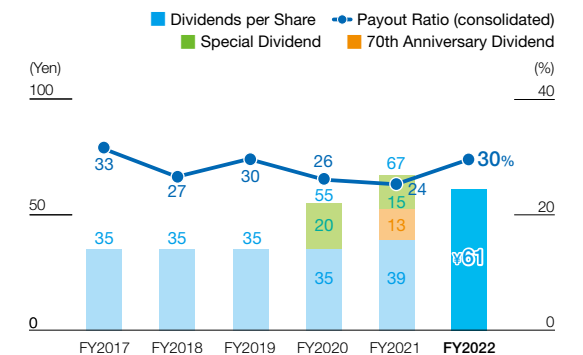
Capital Investment/Depreciation



Net Income per Share

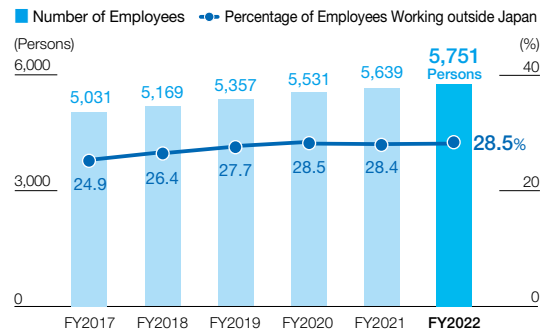


Dividends per Share/Payout Ratio (consolidated)

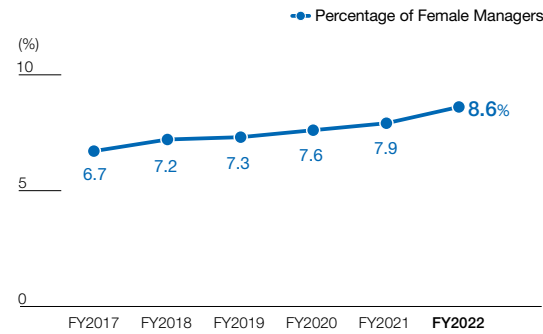


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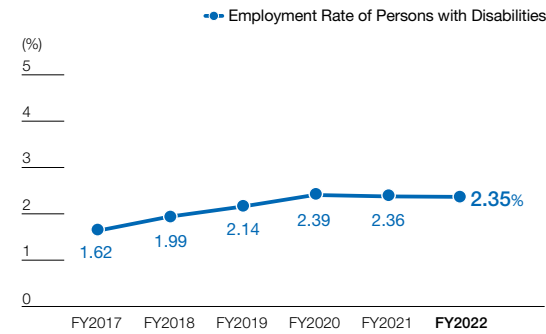
Number of Employees (Consolidated)/Percentage of Employees Working outside Japan



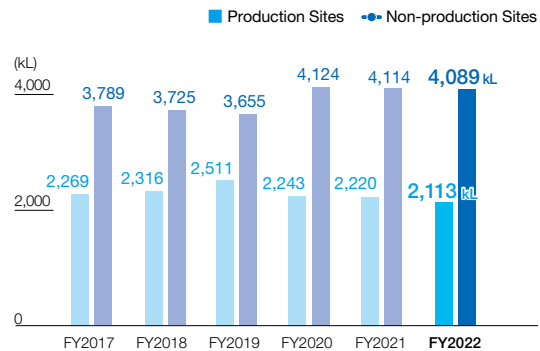
Percentage of Female Managers*1



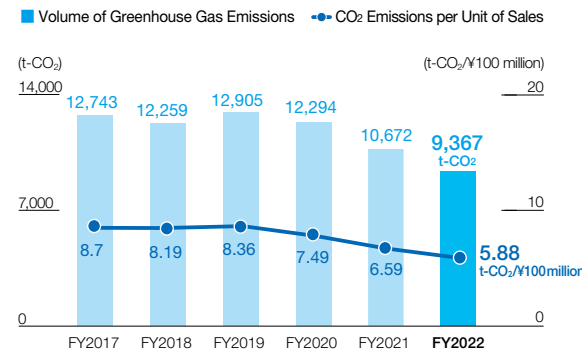
Employment Rate of Persons with Disabilities*1



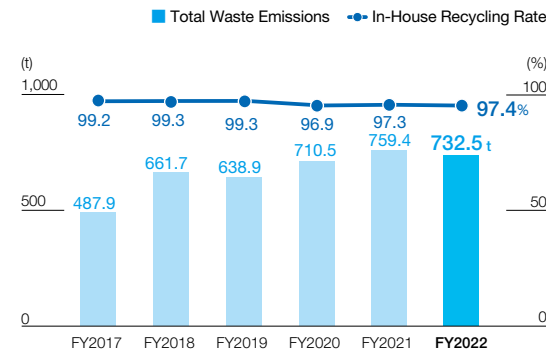
Total Energy Consumption (Barrels of Oil Equivalent (BOE))*2



Volume of Greenhouse Gas Emissions/CO2 Emissions per Unit of Sales*2



Total Waste Emissions/In-House Recycling Rate*3

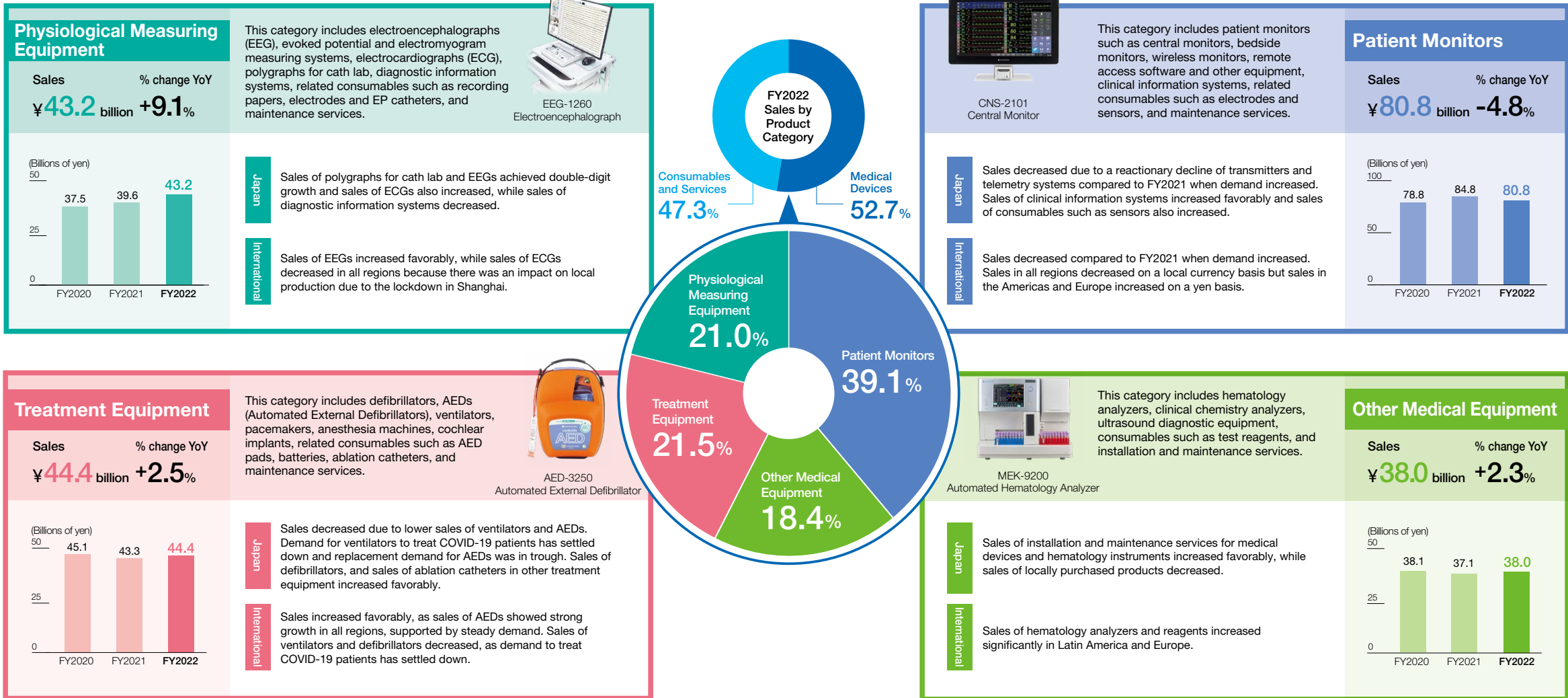


*1 The percentage of female managers and employment rate of person with disabilities are the combined totals for the parent company and the domestic sales branches.

*2 The figures for total energy consumption and volume of greenhouse gas emissions/CO₂ emissions per unit of sales are the combined totals for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.

*3 The total waste emissions/in-house recycling rate for FY2020 are combined totals for the scope of ISO 14001 certification, including the parent company, and the Eastern Japan Logistics Center.

Overview by Product Category (Consolidated)



Management's Discussion and Analysis

Business Environment

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 easing medical staff workload remained steady amid the growing shortage of nurses especially in the U.S. and the U.K.

Review of Operations

FY2022 was the second year of the 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.

The Company introduced a patient monitor specialized for neonatal resuscitation and an EEG amplifier with enhanced network capabilities in Japan, and an ECG with built-in wireless LAN both in Japan and internationally. In the U.S., the Company launched mid-range bedside monitors and a mask-type ventilator. In certain overseas markets, the Company also introduced a mid-range ventilator developed by Nihon Kohden OrangeMed, Inc, in the U.S. Internationally, Nihon Kohden strengthened its business structure. The Company decided to reorganize its U.S. subsidiaries into a holding company structure, and acquired Software Team Srl in Italy, a software development company which collects data and alarms from medical devices such as patient monitors and forwards to mobile phones. As a result of these measures, overall sales for FY2022 increased 0.7% over FY2021 to ¥206.6 billion.

Sales by Region

■ 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. Domestic sales decreased due to a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in FY2021. On the other hand, sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the university and clinic market increased, while sales in the public hospital and private hospital markets decreased. Sales of AEDs in the PAD markets also decreased. As a result, domestic sales decreased 0.4% over FY2021 to ¥135.7 billion.

■ International

Sales increased on a yen basis due to yen depreciation, while sales in all regions decreased on a comparable basis. It was affected by a reactionary decline in sales of Patient Monitors and ventilators compared to strong demand in FY2021 in regions where the spread of COVID-19 had resurged, as well as the Shanghai lockdown from the end of March to the end of May 2022. In the Americas, sales in the U.S. increased on a yen basis. 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 Spain decreased, while sales in Germany and the U.K. increased favorably. Sales in Asia & Other decreased due to the reactionary decline in Egypt, India, and Vietnam where sales showed strong growth in FY2021. Sales also decreased in China, where patient monitors were installed due to the COVID-19 resurgence in December 2022, but not enough to cover the impact from the Shanghai lockdown. As a result, international sales increased 3.0% over FY2021 to ¥70.8 billion.

Management's Discussion and Analysis

Cost of Sales, SGA Expenses, Operating Income, and Income Attributable to Owners of Parent Company

Cost of sales increased 4.8% over FY2021 to ¥100.6 billion. The gross profit margin deteriorated by 1.9 percentage points to 51.3% due to higher material and component prices and a change in the sales mix, gross profit on sales decreased 2.9% over FY2021 to ¥105.9 billion. SGA expenses increased 8.6% over FY2021 to ¥84.8 billion due to the strengthening of human resources, as well as an increase in traveling expenses resulting from the normalization of sales and service activities. The ratio of SGA expenses rose 3.0 percentage points to 41.1%. R&D costs increased ¥0.5 billion year on year to ¥6.2 billion. The ratio of R&D costs to sales increased 0.2 percentage points to 3.0%. As a result, operating income decreased 31.9% over FY2021 to ¥21.1 billion. Income attributable to owners of parent decreased 27.0% over FY2021 to ¥17.1 billion.

Assets, Liabilities, and Equity

■ Assets

Total assets at the end of FY2022 increased by ¥6.5 billion compared to the end of the previous fiscal year. Current assets increased by ¥0.6 billion from the end of the previous fiscal year, mainly due to a decrease in securities (negotiable certificates of deposit) resulting from the purchase of inventories and fixed assets, as well as an increase in inventories of raw materials and products to ensure a stable supply. Fixed assets increased by ¥5.9 billion compared with the end of the previous fiscal year, mainly due to an increase in land and construction in progress for the acquisition of land for a new Tsurugashima plant and construction of a new plant at Nihon Kohden India Pvt. Ltd.

■ Liabilities and Equity

Total liabilities decreased by ¥4.6 billion compared to the end of the previous fiscal year, mainly due to a decrease in accrued income taxes. Total net assets increased by ¥11.2 billion compared to the end of the previous fiscal year, mainly due to an increase in retained earnings. Equity ratio increased by 2.9 percentage points to 77.3%.

■ Cash Flows

Funds used in operating activities totaled ¥2.5 billion (revenue of ¥25.6 billion in the previous fiscal year). This is mainly due to income before income taxes of ¥24.7 billion, an increase in inventories of ¥8.5 billion, an increase in trade receivables of ¥4.7 billion, a decrease in trade payables of ¥2.4 billion, and income tax payments of ¥10.3 billion. Funds used in investing activities increased by ¥3.3 billion year-on-year to ¥7.6 billion. This is mainly due to the purchase of land, property, plant and equipment such as promotional products, amounting to ¥7.4 billion. Funds used in financing activities increased by ¥0.1 billion year-on-year to ¥7.4 billion. This is mainly due to cash dividends paid of ¥5.7 billion and purchase of treasury shares of ¥1.0 billion. Cash and cash equivalents at the end of FY2022 were ¥43.9 billion, down ¥16.1 billion from the end of the previous fiscal year.

■ ROE

ROE in FY2022 was 10.6%, remaining above the target of 10%. The decrease from 15.9% in the previous fiscal year was due to a decline in the net profit margin as a result of lower operating income.