

Consolidated Financial Highlights for the First Quarter of FY2022 (From April 1, 2022 to June 30, 2022)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
August 3, 2022



1) Consolidated Financial Results for the 1st Quarter of FY2022

	FY2021 1Q	FY2022 1Q	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	47,182	44,363	-6.0	
Domestic Sales	29,364	28,971	-1.3	
Overseas Sales	17,817	15,391	-13.6	← -23% on a local currency basis
Gross Profit (Gross Profit Margin)	24,565 52.1%	21,811 49.2%	-11.2	← In-house sales ratio: FY2021 1Q 72.0% → FY2022 1Q 70.8%
Operating Income (Operating Income Margin)	6,423 13.6%	1,817 4.1%	-71.7	← SG&A Ratio: 38.5% → 45.1%
Ordinary Income	6,743	5,481	-18.7	← Foreign exchange gains: ¥0.20 bil → ¥3.55 bil
Income Attributable to Owners of Parent	4,537	3,679	-18.9	
Average Exchange Rate	(2021/6)	(2022/6)		
1 US Dollar	108.9 yen	124.6 yen		
1 EURO	131.5 yen	136.8 yen		

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 NIHON KOHDEN

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- Overall sales decreased 6% to ¥44.3 billion.
- Domestic sales decreased 1.3% to ¥28.9 billion. The Company focused on its consumables and services business. Demand for Physiological Measuring Equipment, hematology instruments, and IT system solutions was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. On the other hand, sales of Patient Monitors, which were installed to treat COVID-19 patients in the 1st quarter of FY2021, decreased.
- Overseas sales decreased 13.6% to ¥15.3 billion, a 23% decline on a local currency basis. Sales in all regions decreased, mainly due to a reactionary decline in sales of Patient Monitors. In the 1st quarter of FY2021, 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.
- Operating income decreased 71.7% to ¥1.8 billion due to the decrease in sales. This 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. Gross profit margin was 49.2%.
- Ordinary income decreased 18.7% to ¥5.4 billion and income attributable to owners of parent decreased 18.9% to ¥3.6 billion, reflecting foreign exchange gains.
- Both domestic and overseas sales exceeded our expectations. However, gross profit margin was lower than our expectation because sales of purchased products such as catheters increased favorably due to the recovery in the number of testing and surgical procedures. And because SG&A expenses, such as freight and packing costs, also exceeded the Company's expectations, operating income remained generally in line with our expectations. Ordinary income and income attributable owners of parent exceeded expectations, reflecting foreign exchange gains of ¥3.5 billion due to the sharp depreciation of the yen.

2) Highlights of FY2022 1Q

Net Sales : -6.0%

- **Japan**: Demand for Physiological Measuring Equipment, hematology instruments, and IT system solutions was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales of Patient Monitors, which were installed to treat COVID-19 patients in FY2021 1Q, decreased.
- **International**: Sales in all regions decreased, mainly due to a reactionary decline in sales of Patient Monitors compared to the strong growth in FY2021 1Q.

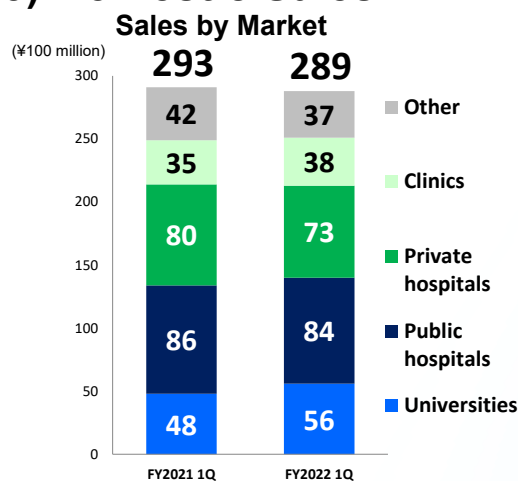
Operating Income : -71.7 %

- Operating income decreased due to the decrease in sales. This 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 : -18.7 %

- Foreign exchange gains increased significantly.

3) Domestic Sales



Sales by Product Category

(Sales, millions of yen)

	FY2021 1Q	FY2022 1Q	YoY (%)
Physiological Measuring Equipment	6,392	7,897	23.5
Patient Monitors	10,827	9,203	-15.0
Treatment Equipment	6,323	5,648	-10.7
Other Medical Equipment	5,822	6,222	6.9
Total Sales	29,364	28,971	-1.3

【Markets】 Sales in the public hospital and private hospital markets decreased compared to the strong performance due in part to the installation of patient monitors in FY2021 1Q. Sales in the university hospital and clinic markets increased favorably, as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed.

【Products】 **Physiological Measuring Equipment:** Sales of EEGs, polygraphs for cath lab, and diagnostic information systems achieved double-digit growth. Sales of ECGs also increased favorably.

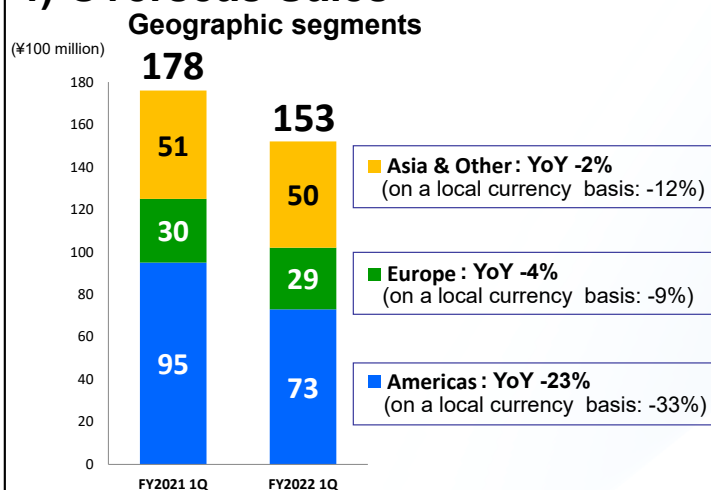
Patient Monitors: Sales of transmitters and bedside monitors were double-digit decline compared to the strong growth in FY2021 1Q. Sales of clinical information systems increased significantly.

Treatment Equipment: Sales of ventilators decreased significantly. Sales of AEDs also decreased compared to the strong performance in FY2021 1Q. Sales of defibrillators increased.

Other Medical Equipment: Sales of hematology instruments and installation and maintenance services for medical devices showed strong growth. Sales of locally purchased products decreased, as the Company focused on selling in-house products.

- Domestic sales decreased by ¥0.4 billion to ¥28.9 billion. We estimate that COVID-19-related demand mainly for patient monitors was around ¥1.5 billion in the 1st quarter of FY2021 and around ¥0.1 billion in the 1st quarter of FY2022, respectively. As a result, we estimate that domestic sales increased by mid-single digit year on year on a comparable basis, excluding the impact of COVID-19-related demand. Demand for physiological measuring equipment, hematology instruments, and IT system solutions was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed.
- Sales in the university hospital and clinic markets increased favorably, as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the public hospital and private hospital markets decreased, but sales increased on a comparable basis, excluding the impact of COVID-19-related demand.
- Sales of Physiological Measuring Equipment achieved double-digit growth and sales of Other Medical Equipment increased favorably, while sales of Patient Monitors and Treatment Equipment decreased compared to the strong growth in the 1st quarter of FY2021.
- In Physiological Measuring Equipment, sales of EEGs, polygraphs for cath lab, and diagnostic information systems achieved double-digit growth, as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales of ECGs also increased favorably.
- In Patient Monitors, sales of transmitters and bedside monitors decreased by double digits compared to the strong growth in the 1st quarter of FY2021. Sales of clinical information systems increased significantly. Sales of consumables remained flat, as sales of accessories for equipment decreased while sales of sensors increased.
- In Treatment Equipment, sales of ventilators decreased significantly. Sales of AEDs also decreased compared to the strong growth in the 1st quarter of FY2021.
- In Other Medical Equipment, sales of hematology instruments and installation and maintenance services for medical devices showed strong growth. Sales of locally purchased products decreased, as the Company focused on selling in-house products.

4) Overseas Sales



Percentage of overseas sales to consolidated sales

	FY2021 1Q	FY2022 1Q
	37.8%	34.7%

Sales by Product Category

(Sales, millions of yen)

	FY2021 1Q	FY2022 1Q	YoY (%)
Physiological Measuring Equipment	2,179	2,133	-2.1
Patient Monitors	10,075	7,714	-23.4
Treatment Equipment	4,035	3,994	-1.0
Other Medical Equipment	1,526	1,549	1.5
Total Sales	17,817	15,391	-13.6

-23% on a local currency basis

- 【Region】 Americas:** Sales in the U.S. decreased due to a reactionary decline of patient monitors compared to FY2021 1Q when large orders were received. Sales in Latin America also decreased, mainly in Brazil and Peru, where sales doubled in FY2021 1Q.
- Europe:** Sales decreased, especially in France and Turkey, while sales in Germany and the U.K. increased favorably.
- Asia & Other:** Sales decreased, especially in China, while sales in Korea and Indonesia showed strong growth.
- 【Products】 Physiological Measuring Equipment:** In all regions, sales of ECGs decreased and sales of EEGs increased favorably.
- Patient Monitors:** Sales in both the U.S. and Latin America decreased significantly. Sales in Europe also decreased. Sales in Asia & Other increased.
- Treatment Equipment:** Sales of defibrillators decreased in all regions compared to the strong performance in FY2021 1Q. Sales of AEDs showed strong growth in all regions. Sales of ventilators also increased favorably in Europe and Asia & Other.
- Other Medical Equipment:** Sales of hematology analyzers and reagents increased favorably in Latin America and Europe.

- Overseas sales decreased by ¥2.5 billion to ¥15.3 billion, a 23% decline on a local currency basis. Sales decreased, because there were several large orders for patient monitors in the U.S. in the 1st quarter of FY2021. It was also because there was a reactionary decline in COVID-19-related demand from around ¥2 billion in the 1st quarter of FY2021 to around ¥0.4 billion in the 1st quarter of FY2022. Excluding these two special factors, we estimate that overseas sales increased by double digits on a yen basis. The overseas sales ratio was 34.7%.
- In the Americas, sales in both the U.S. and Latin America decreased by double digits. In the U.S., sales of AEDs showed strong growth and sales of EEGs also increased, while sales of patient monitors decreased. Sales in Latin America decreased, mainly in Brazil and Peru, where sales had doubled in the 1st quarter of FY2021.
- Sales in Europe decreased, especially in France and Turkey, while sales in Germany and the U.K. increased favorably.
- Sales in Asia & Other decreased, especially in China, while sales in Korea and Indonesia showed strong growth. Shanghai Kohden closed its offices from the end of March to the end of May. Operations resumed after the lockdown was lifted in June, but supply chain disruptions have continued. The fiscal year-end of our subsidiary in China is December 31. Sales in China in the 1st half of FY2022 are expected to result in a double-digit decline both on a local currency basis and on a yen basis.
- Sales of Patient Monitors, Physiological Measuring Equipment, and Treatment Equipment decreased, while sales of Other Medical Equipment increased. In Physiological Measuring Equipment, in all regions, sales of ECGs decreased and sales of EEGs increased favorably. In Treatment Equipment, sales of defibrillators decreased in all regions compared to the strong growth in the 1st quarter of FY2021. Sales of AEDs showed strong growth in all regions. Sales of ventilators also increased favorably in Europe and Asia & Other. Sales of hematology analyzers and reagents increased favorably in Latin America and Europe.

5) Sales by Product Category

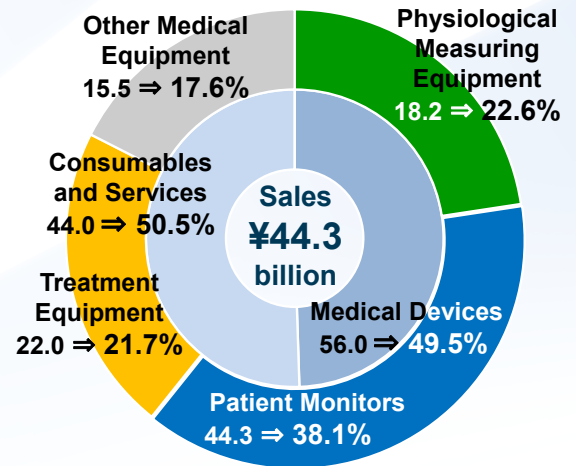
(Sales, millions of yen)

	FY2021 1Q	FY2022 1Q	YoY (%)
Physiological Measuring Equipment	8,571	10,031	17.0
Patient Monitors	20,903	16,917	-19.1
Treatment Equipment	10,358	9,642	-6.9
Other Medical Equipment	7,349	7,771	5.8
Total Sales	47,182	44,363	-6.0

(Reference)

Consumables and Services	20,760	22,409	7.9
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**Sales composition
by product category**
(FY2021 1Q ⇒ FY2022 1Q)



- Sales of Physiological Measuring Equipment increased 17% to ¥10 billion.
- Sales of Patient Monitors decreased 19.1% to ¥16.9 billion.
- Sales of Treatment Equipment decreased 6.9% to ¥9.6 billion.
- Sales of Other Medical Equipment increased 5.8% to ¥7.7 billion.
- Sales of Consumables and Services increased 7.9% to ¥22.4 billion. As the number of testing and surgical procedures showed a recovery trend, sales increased favorably both in Japan and internationally. Especially in Japan, sales of EP catheters and ablation catheters, which are purchased products, achieved double-digit growth, and sales of installation and maintenance services for medical devices also showed strong growth.

(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2021 1Q	FY2022 1Q	Treatment Equipment	FY2021 1Q	FY2022 1Q
Electroencephalographs	1.5	2.1	Defibrillators (for Hospital and Ambulance)	2.0	1.6
Electrocardiographs	1.5	1.4	AEDs (Automated External Defibrillator)	4.1	4.2
Polygraphs for Cath Lab	3.2	4.1	Pacemakers / ICDs	0.6	0.5
Other Physiological Measuring Equipment *	2.2	2.3	Ventilators	1.5	1.3
			Other Treatment Equipment	1.8	1.8

*Includes diagnostic information systems and products of other companies.

Other Medical Equipment	FY2021 1Q	FY2022 1Q
Hematology Analyzers	2.2	2.5
Imaging Systems and Others *	5.0	5.2

*Includes consumables, installation and maintenance services which are not part of other categories.

- A breakdown of sales by product category is shown above. Demand for EEGs, polygraphs for cath lab, and hematology analyzers has continued to recover.

6) Topics

New products

Patient Monitoring Business

Resuscitation monitor for neonate NRM-1300 Breath Cue



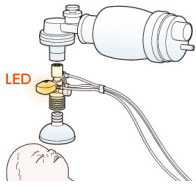
- Monitors parameters specific to neonatal resuscitation
- Supports positive pressure ventilation visually with LED colors and flashing lights

ECG SpO₂ Flow Paw*

FY2022
Started efforts to encourage its widespread use in Japan and Indonesia

3 GOOD HEALTH AND WELL-BEING
Reduce neonatal mortality mainly in emerging countries

* Airway pressure



Treatment Equipment Business

Ventilator NKV-330



- The Company's first NPPV* ventilator (developed and manufactured in Japan)
- High-flow oxygen therapy
- Improved fitting of the mask to the face

June 2019

- ✓ Launched in Japan, Europe, and emerging countries

July 2022

- ✓ Received FDA approval
- ✓ Started production and plan to launch in the U.S. in FY2022 2Q



* NPPV (non-invasive positive pressure ventilation): Artificial respiratory management which doesn't require intratracheal intubation or tracheotomy.

- Our new products in FY2022 are shown above.
- The resuscitation monitor for neonate is our first product which monitors parameters specific to neonatal resuscitation, such as ECG, SpO₂, respiratory flow, and airway pressure. It is estimated that around 15% of babies are born in a state of suspended animation and most of them are in respiratory failure. During neonatal resuscitation, manual positive pressure ventilation is conducted to assist babies' breathing. This product supports the positive pressure ventilation visually with LED colors and flashing lights. Through the widespread use of this product, Nihon Kohden aims to reduce mortality and serious complications by supporting neonatal resuscitation in emerging countries such as Indonesia. As the SDGs also include a target of reducing neonatal mortality, we will encourage widespread use of this product as part of our efforts to embrace sustainability.
- The NKV-330, the Company's first mask-type ventilator, which was developed and manufactured in Japan, is being used to treat mildly or moderately ill COVID-19 patients. We launched this product in Japan, Europe, and emerging countries in 2019. In July 2022, we received FDA approval and started production at Nihon Kohden OrangeMed, our U.S. ventilator development subsidiary. We will launch the NKV-330 in the U.S. in the 2nd quarter of FY2022, and aim to promote and expand installation of the ventilator in the U.S., the world's largest medical device market.

7) Depreciation and R&D Costs

(Millions of yen)

	FY2021 1Q	FY2022 1Q	Change	FY2021 Actual	FY2022 Plan
Depreciation	756	825	69	3,422	3,700
R&D Costs	1,324	1,412	88	5,711	6,300
			Capital Investments	3,022	5,600

●FY2022 capital investment plan

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

Establishment of new reagent factory in India

Total investments: approx. ¥1.1 bil

< **FY2022: ¥1.0 bil**
FY2023: ¥0.1 bil

Construction: Planned to start in Autumn 2022
and complete in Spring 2023
Operation: Planned to start in Spring 2024

Introduction of PLM/MES* systems

Capital investments: approx. ¥2.5 bil

< **FY2022: ¥1.0 bil**
FY2023-FY2024: ¥1.5 bil

PLM: Planned to start operation in FY2023 2H
MES: Planned to start operation in FY2024

*PLM: Product Life-cycle Management, MES: Manufacturing Execution System

- Depreciation and R&D costs were ¥0.8 billion and ¥1.4 billion, respectively. These were in line with the schedule.
- There are no changes to our forecasts for full-year depreciation of ¥3.7 billion, R&D costs of ¥6.3 billion, and capital investments of ¥5.6 billion.

8) Forecast for FY2022

(Billions of yen)

	FY2021 Actual		FY2022 Forecast			
	First Half	Full Year	First Half	YoY (%)	Full Year	YoY (%)
Net Sales	102.3	205.1	88.0	-14.0	195.0	-4.9
Domestic Sales	65.1	136.3	—	—	130.5	-4.3
Overseas Sales	37.1	68.8	—	—	64.5	-6.3
Gross Profit (Gross Profit Margin)	54.4 53.2%	109.0 53.2%	—	—	98.2 50.4%	-10.0
Operating Income (Operating Income Margin)	17.4 17.0%	30.9 15.1%	5.0 5.7%	-71.3	16.5 8.5%	-46.8
Ordinary Income	17.9	34.5	5.0	-72.2	16.5	-52.3
Income Attributable to Owners of Parent	12.2	23.4	3.5	-71.5	11.0	-53.1
Percentage of Overseas Sales	36.3%	33.5%			33.1%	

← -10% on a local currency basis

Breakdown of overseas sales by region

(Millions of yen)

	FY2021 Actual	FY2022 Forecast	YoY (%)
Americas	33,436	34,400	2.9
Europe	11,449	10,100	-11.8
Asia & Other	23,921	20,000	-16.4
Total	68,807	64,500	-6.3

* The assumed exchange rates from FY2022 2Q remain 117 yen to the U.S. dollar and 130 yen to the euro.

- Foreign exchange gains were recorded as non-operating income in the 1st quarter of FY2022. As future exchange rate fluctuations are uncertain, the Company reaffirms its forecast for the 1st half and the full year of FY2022. The assumed exchange rates also remain unchanged.
- Domestic sales for the 1st half of FY2022 are expected to decrease by high single digit. Demand for physiological measuring equipment, hematology analyzers, and IT systems is expected to continue. We are carefully monitoring trends in the number of testing and surgical procedures, as the spread of COVID-19 has resurged recently. COVID-19-related demand, which was around ¥6 billion in the 1st half of FY2021, is expected to settle down in the 1st half of FY2022.
- Overseas sales for the 1st half of FY2022 are expected to decrease by double digits. Sales in all regions are expected to decrease because product supply issues due to the shortage of semiconductors will continue until the end of the 1st half of FY2022, as we expected at the beginning of the fiscal year. In the U.S., we expect that a part of the shipments of patient monitors may be delayed to the 2nd half of FY2022. On the other hand, sales in Asia & Other are expected to exceed the Company's expectations as demand for medical devices will remain steady, especially in India and Southeast Asia, despite the negative impact of the Shanghai lockdown in China.
- Based on the results of the 1st quarter of FY2022, overall sales for the 1st half may exceed the Company's forecast. As gross profit margin is expected to be less than 50%, operating income will be almost exactly in line with the forecast of ¥5 billion. There are uncertainties such as product supply issues and increases in component prices, utility costs, and logistics costs. The Company will immediately announce further revisions to its forecasts if necessary.

(Ref.) Consolidated Forecast for FY2022 by Product Category/ Effect of Exchange Rates

(Amounts of less than ¥1 million are rounded down)

	FY2021 Actual	FY2022 Forecast	Composition	YoY (%)
			ratio (%)	
Physiological Measuring Equipment	39,681	41,100	21.1	3.6
Patient Monitors	84,860	75,900	38.9	-10.6
Treatment Equipment	43,388	41,000	21.0	-5.5
Other Medical Equipment	37,198	37,000	19.0	-0.5
Total	205,129	195,000	100.0	-4.9

(Reference)

Consumables and Services	90,576	94,800	48.6	4.7
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Average Exchange Rate

	FY2021 Actual	FY2022 Forecast
1 US Dollar	111.3 yen	117 yen
1 EURO	130.6 yen	130 yen

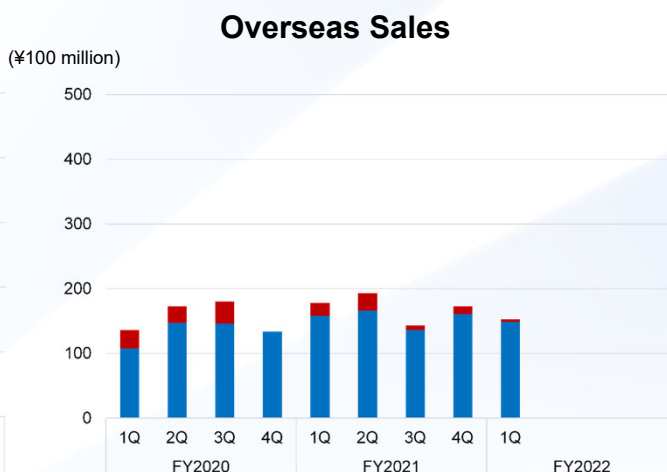
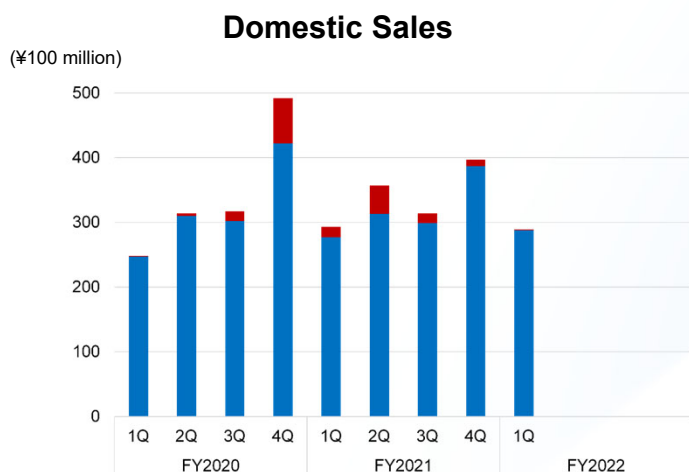
Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.38 bil yen	0.12 bil yen
EURO	0.06 bil yen	0.02 bil yen

- The Company also reaffirms its forecasts for FY2022 by product category.

(Ref.) COVID-19-Related Demand (Estimated)

■ COVID-19-related demand
■ Non-COVID-19-related demand



FY2022 1Q COVID-19-related demand	Japan		International	
		YoY		YoY
Patient Monitors	approx. ¥0.1 bil	approx. -¥1.2 bil	approx. ¥0.2 bil	approx. -¥1.1 bil
Ventilators	—	approx. -¥0.2 bil	approx. ¥0.1 bil	approx. -¥0.2 bil
Defibrillators	—	—	approx. ¥0.1 bil	approx. -¥0.3 bil
Total	approx. ¥0.1 bil	approx. -¥1.4 bil	approx. ¥0.4 bil	approx. -¥1.6 bil



- COVID-19-related-demand has settled down both in Japan and internationally, and there is no change in the Company's forecast.

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