

[Summary]

May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended 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 FY2022 (From April 1, 2022 to March 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	%
FY2022	206,603	0.7	21,120	-31.9	24,122	-30.2	17,110	-27.0
FY2021	205,129	2.7	30,992	14.4	34,563	21.8	23,435	28.5

Note: Comprehensive income: FY2022: 18,626 million yen (-24.7%) FY2021: 24,750 million yen (22.9%)

	Net income per share - Basic	Net income per share - Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2022	203.28	—	10.6	11.3	10.2
FY2021	276.51	—	15.9	17.1	15.1

Reference: Investment income for equity method: FY2022: — million yen FY2021: — million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2022	216,728	167,604	77.3	1,992.30
FY2021	210,201	156,381	74.4	1,852.39

Reference: Equity capital: FY2022: 167,604 million yen FY2021: 156,381 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2022	-2,513	-7,647	-7,485	43,988
FY2021	25,699	-4,303	-7,300	60,095

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2021	—	19.00	—	48.00	67.00	5,661	24.2	3.8
FY2022	—	20.00	—	41.00	61.00	5,131	30.0	3.2
FY2023 (Forecast)	—	30.00	—	31.00	61.00		35.4	

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 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
First half	98,500	4.4	6,000	-16.9	6,000	-53.9	4,000	-53.2	47.55
Full year	215,000	4.1	21,500	1.8	21,500	-10.9	14,500	-15.3	172.36

*** 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	88,230,980 shares
FY2021	88,730,980 shares

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

FY2022	4,104,612 shares
FY2021	4,309,526 shares

(iii) Average number of shares outstanding during the period

FY2022	84,170,968 shares
FY2021	84,757,441 shares

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2022 (From April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	159,415	-1.6	21,109	-17.7	26,313	-17.7	19,865	-6.7
FY2021	161,976	-1.4	25,650	14.8	31,977	32.9	21,295	86.1

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2022	236.01	—
FY2021	251.25	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2022	193,538	152,654	78.9	1,814.59
FY2021	186,622	139,262	74.6	1,649.61

Reference: Equity capital: FY2022: 152,654 million yen FY2021: 139,262 million yen

* 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 March 31, 2023), 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.

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. 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, overall sales during the term under review increased 0.7% over FY2021 to ¥206,603 million. Operating income decreased 31.9% to ¥21,120 million 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 30.2% to ¥24,122 million and income attributable to owners of parent decreased 27.0% to ¥17,110 million.

[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 the previous fiscal year. 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 ¥135,734 million.

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 the previous fiscal year 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 the previous fiscal year. 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 ¥70,869 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of polygraphs for cath lab and EEGs achieved double-digit growth and sales of ECGs also increased, while sales of diagnostic information systems decreased. Internationally, sales of EEGs increased favorably, while sales of ECGs decreased in all regions because there was an impact on local production due to the lockdown in Shanghai. Overall, sales increased 9.1% over the previous fiscal year to ¥43,287 million.

Patient Monitors: In Japan, sales decreased due to a reactionary decline of transmitters and telemetry systems compared to the previous fiscal year when demand increased. Sales of clinical information systems increased favorably and sales of consumables such as sensors also increased. Internationally, sales decreased compared to the previous fiscal year when demand increased. Sales in all regions decreased on a comparable basis but sales in the Americas and Europe increased on a yen basis. Overall, sales decreased 4.8% over the previous fiscal year to ¥80,815 million.

Treatment Equipment: In Japan, sales decreased due to lower sales of ventilators and AEDs. Demand for ventilators to treat COVID-19 patients has settled down and replacement demand for AEDs was in trough. Sales of defibrillators, and sales of ablation catheters in other treatment equipment increased favorably. Internationally, sales increased favorably, as sales of AEDs showed strong growth in all regions, supported by steady demand. Sales of ventilators and defibrillators decreased, as demand to treat COVID-19 patients has settled down. Overall, sales increased 2.5% over the previous fiscal year to ¥44,463 million.

Other Medical Equipment: In Japan, sales of installation and maintenance services for medical devices and hematology instruments increased favorably, while sales of locally purchased products decreased. Internationally, sales of hematology analyzers and reagents increased significantly in Latin America and Europe. Overall, sales increased 2.3% over the previous fiscal year to ¥38,036 million.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	FY2022	
	Amount	Growth rate (%)
Physiological Measuring Equipment	43,287	+9.1
Patient Monitors	80,815	-4.8
Treatment Equipment	44,463	+2.5
Other Medical Equipment	38,036	+2.3
Total	206,603	+0.7
Products	108,904	-4.9
Consumables and Services	97,699	+7.9
(Reference) Sales by Region		
Domestic Sales	135,734	-0.4
Overseas Sales	70,869	+3.0
Americas	36,818	+10.1
Europe	12,349	+7.9
Asia & Other	21,701	-9.3

6. Consolidated Forecast for FY2023

The global economic outlook shows economies facing high uncertainty, due to tight monetary policy to reduce inflation in the U.S. and Europe, the protracted crisis in Ukraine, higher prices of components and resources, and complications in the supply chain, in addition to the recent financial system instability. In Japan, each prefecture has revised the healthcare system in accordance with the change of COVID-19's category to class 5 infectious disease from May 2023. As work style reforms for medical staff are scheduled to take effect in 2024, task shift and operational efficiency are further required in medical institutions. Each prefecture will also discuss a regional vision of the healthcare system in 2040. Internationally, the shortage of nurses and higher interest rates have caused business deterioration of medical institutions in the U.S. and Europe. In some emerging countries, there are the move towards protectionism and regulatory tightening for medical device applications and registrations. Medical equipment companies are expected to face a severe business environment because they are required to react to such changes in the market environment promptly and flexibly and to meet the needs of medical institutions for solutions which contribute to improve quality and efficiency of medical care.

Under these circumstances, Nihon Kohden continues to implement its Three-year Business Plan, BEACON 2030 Phase I, of which the final year is FY2023. The Company formulated 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 upfront investing strategically, and iv) Establishing global Supply Chain Management and strengthening core functions of operations. In FY2023, Nihon Kohden will launch new value-added products: the Company's first syringe pump control software for assisting total intravenous anesthesia, telemetry systems, bedside monitors for emerging countries, and an automated chest compression device.

In Japan, Nihon Kohden will concentrate 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 will also focus on consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contribute to improving medical safety, patient outcomes, and operating efficiency. Demand for medical equipment and IT systems which contribute to improving the quality and efficiency of medical care are expected to remain steady.

Internationally, the Company will focus on increasing sales in the U.S. and emerging countries. In the U.S., the Company reorganized its subsidiaries into a holding company structure in April 2023 to further strengthen its governance structure and operations. The Company will enhance its presence in the U.S. by increasing synergy between its local R&D, production, sales and services function. The Company's new products such as mid-range bedside monitors and a mask-type ventilator are expected to fully contribute to sales. In emerging countries, the Company will focus on capturing demand for establishing medical care system after COVID-19. In Southeast Asia, the Company established a sales branch in the Philippines in January 2023 and changed the name of NKS Bangkok, Co., Ltd. to Nihon Kohden (Thailand) Co., Ltd. in April 2023. The Company will leverage Nihon Kohden's brand to strengthen its direct marketing and increase sales by meeting needs of medical institutions. The Company will also proceed with process for regulatory approval and establish a sales and service network for a mid-range ventilator in each country.

Nihon Kohden will undertake capital investments for establishing global SCM. In India, the Company will establish a new hematology factory, with completion of construction in Summer 2023 and start of operation in Summer 2024. In Tsurugashima City, Saitama Prefecture, Japan, the Company will also build a new production facility both for manufacturing consumables such as sensors, and for R&D of automated production technology, with start of construction in Spring 2024, completion of construction in Spring 2025, and start of operation in 2026. To promote corporate DX, the Company will introduce PLM/MES systems.

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

The Company forecasts its overall sales, operating income, ordinary income, and income attributable to owners of parent for FY2023 to be ¥215,000 million, ¥21,500 million, ¥21,500 million and ¥14,500 million, respectively.

The Company's forecast for FY2023 is based on an exchange rate of 125 yen to the U.S. dollar and 139 yen to the euro.

(Consolidated Forecast for FY2023 by Product Category)

	(Millions of yen)	
	FY2023 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	44,100	+1.9
Patient Monitors	83,400	+3.2
Treatment Equipment	48,200	+8.4
Other Medical Equipment	39,300	+3.3
Total	215,000	+4.1
Products	113,000	+3.8
Consumables and Services	102,000	+4.4
(Reference) Sales by Region		
Domestic Sales	139,500	+2.8
Overseas Sales	75,500	+6.5
Americas	40,200	+9.2
Europe	11,700	-5.3
Asia & Other	23,600	+8.7

7. Basic policy on distribution of profits and dividends

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plan, retained earnings, and stock price level.

Based on the business performance in FY2022, the Company decided to increase by 21 yen to 41 yen per share of the ordinary year-end dividend from the previous forecast of 20 yen per share. As a result, the full-year dividend for FY2022 will be 61 yen per share, including the interim dividend of 20 yen per share.

In consideration of business performance, the full-year dividend for FY2023 will be 61 yen per share, which consists of interim dividend of 30 yen and year-end dividend of 31 yen.

8. Management Policy

(1) Basic policies for corporate management

Nihon Kohden's Management Philosophy as a medical electronics manufacturer is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. To realize its Management Philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, service, technology, financial strength, and the quality of its employees.

In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aimed at improving the soundness, transparency, and efficiency of management, is an important management issue. In FY2022, the Board of Directors consists of twelve directors (including four outside directors) and independent outside directors comprise one-third of the Board. Considering the issues of gender and international diversity, one female outside director and two female operating officers are appointed.

The Company has adopted a Company with Audit & Supervisory Committee for strengthening supervisory functions, improving management transparency and soundness, and speeding up decision-making. At the same time, the Company has established a Nomination & Remuneration Committee, which is composed of four independent outside directors and the committee chair is also an independent outside director.

(2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 10%, which exceeds its cost of capital, in its Three-year Business Plan, BEACON 2030 Phase I. The Company currently estimates that its cost of capital is around 5%, which are reviewed every year.

In order to achieve the target, the Company will focus on improving its profitability by implementing its Three-year Business Plan. The Company will also improve working capital by reducing cash conversion cycle, including measures such as reduction of inventories and faster debt collection, as well as establish investment decision criteria and enhance shareholder return.

To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, the Company has increased inventories of finished goods and parts. It has resulted in a longer cash conversion cycle, 235 days in FY2022. In FY2023, the Company will enhance inventory control and aim at 190 days, a similar level to FY2021, because the shortage of semiconductors is expected to be resolved.

To increase corporate value through investment necessary for future business expansion, the Company has adopted Net Present Value (NPV) and Internal Rate of Return (IRR) as investment decision criteria and started evaluating new investment projects in FY2022. The Company sets its target IRR at 10%, which exceeds its cost of capital as hurdle rate. The Board of Directors will verify the progress and effectiveness of investment projects beyond a certain amount.

(3) Challenges to be addressed and mid-to long-term management strategy

In 2020, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next ten years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues. The Company has also set three transformations to be achieved: Transforming into a global company creating high added value, Creating a solution business providing superior customer value, and Establishing a global organization founded on Operational Excellence.

• Three-year Business Plan, BEACON 2030 Phase I, covering the fiscal years 2021 to 2023

The Company's Three-year Business Plan, BEACON 2030 Phase I is the stage to strengthen its business foundation toward realizing its Long-term Vision. The Company works on improving the profitability of existing businesses and cultivating new business areas and business models.

1. Basic policy

- Embrace sustainability across business and corporate activities
- [Management] Ensure strict compliance and strengthen group governance
- [Business] Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth
- [Operations] Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the SDGs. In our business activities, we will address eight issues aimed at realizing the 5 visions for the future (Accessible/Intelligent/Patient oriented/Connected/Optimized) which we designated in BEACON 2030. In corporate activities, we will address four issues of Human rights/Human resources, Quality, Governance, and Environment.

3. Six key strategies

(1) [Management] Ensure strict compliance and strengthen group governance

The Company will establish and promote global management policy as well as strengthening internal control over domestic sales.

(2) [Business] Improve the profitability of existing businesses

The Company aims to improve the profitability of existing businesses through creating high customer value, enhancing productivity, and timely launch of new products.

(3) [Business] Strengthen strategies in global business

The Company will focus on Japan, the U.S., and China, and establishes Global Quad-Polar Organization together with Europe & Emerging markets. The Company strengthens strategies in each region.

(4) [Business] Create new customer value by digital health solutions

The Company will establish a vital sign data platform for integration and analysis of data and develop clinical support applications for improving patient outcomes and economy of medical care.

(5) [Operations] Promote corporate digital transformation

The Company will establish a global information system and communication system in order to promote work-style reforms and improve operating efficiency.

(6) [Operations] Establish global supply chain management

The Company will realize supply chain data visualization by DX and reform its operational processes in procurement, production, and logistics.

4. Human resource development and corporate culture reform

In accordance with its Core Values (Integrity/Humbleness/Diversity/Initiative/Customer Centric/Goal Oriented/Creativity), Nihon Kohden is introducing a new personnel system and enhancing its global human resource development programs to foster a corporate culture in which employees take pride in contribution to healthcare and mission.

<The progress of BEACON 2030 Phase I>

In FY2022, which was the second year of this plan, the Company worked on continuing to supply products globally by implementing reforms to its supply chain management and promoting collaboration across all divisions such as R&D, procurement, production, logistics, and sales, to respond to the product supply issues due to the shortage of semiconductors and the Shanghai lockdown. In Japan, demand for medical devices, that had decreased over the past two years due to the COVID-19 pandemic, recovered. Demand for consumables also increased favorably as the number of testing and surgical procedures recovered. Domestic sales decreased due to a reactionary decline of COVID-19-related demand but exceeded its original forecast, because the Company focused on consumables and services business as well as creating customer value propositions. Internationally, there were losses of business opportunities and delays in supplying new models due to the product supply issues in the first half of FY2022. In the second half of FY2022, sales recovered thanks to the launch of new mid-range bedside monitors and a mask-type ventilator in the U.S. and yen depreciation. The Company also received orders related to strengthening healthcare systems especially in Europe, Latin America, and India. Compared to its original forecast, full-year sales exceeded on a yen basis but were behind on a comparable basis, because of the negative impact of delays in supplying new models in the U.S. and the Shanghai lockdown. As a result, Nihon Kohden posted record highs in sales in FY2022. Operating income exceeded its original forecast, due to the increase in sales and higher gross profit margin compared to its forecast.

In FY2023, which is the final year of this plan, Nihon Kohden continues to execute the six key strategies. The Company aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more. As higher prices of components, utility costs, and personnel expenses are expected, the Company will implement reforms to its supply chain management and optimize its selling prices.

¥100 million	Forecast in FY2023	Target in FY2023
Sales	2,150	1,970
Domestic Sales	1,395	1,340
Overseas Sales	755	630
Operating Income	215	200
Operating Income Margin	10.0%	10.2%
ROE	—	10%

9. Consolidated Financial Statements



(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2022	March 31, 2023
ASSETS		
Current assets:		
Cash and deposits	28,925	33,459
Notes receivable - trade	5,354	2,401
Electronically recorded monetary claims - operating	—	2,669
Accounts receivable - trade	53,027	59,934
Securities	32,000	11,000
Merchandise and finished goods	30,243	33,337
Work in process	3,495	4,045
Raw materials and supplies	14,628	21,406
Other current assets	4,409	4,424
Allowance for doubtful accounts	-208	-179
Total current assets	171,875	172,500
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	10,964	10,788
Machinery, equipment and vehicles, net	1,321	1,260
Tools, furniture and fixtures, net	3,623	3,632
Land	3,423	7,074
Lease assets, net	33	41
Construction in progress	553	1,648
Total property, plant and equipment	19,920	24,446
Intangible assets		
Goodwill	794	1,044
Other intangible assets	2,942	3,177
Total intangible assets	3,737	4,221
Investments and other assets		
Investment securities	6,225	6,713
Deferred tax assets	6,264	6,561
Other investments and other assets	2,387	2,415
Allowance for doubtful accounts	-210	-129
Total investments and other assets	14,667	15,560
Total non-current assets	38,325	44,228
Total assets	210,201	216,728

(Millions of yen)

March 31, 2022

March 31, 2023

LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	24,045	22,940
Short-term loans payable	325	403
Accounts payable - other	4,408	3,161
Lease obligations	10	21
Accrued income taxes	5,669	3,178
Accrued expenses	4,132	4,474
Provision for bonuses	5,013	4,320
Provision for product warranties	1,245	1,361
Other current liabilities	5,953	6,706
Total current liabilities	50,804	46,568
Non-current liabilities:		
Lease obligations	24	17
Deferred tax liabilities	272	275
Net defined benefit liability	1,073	669
Other non-current liabilities	1,646	1,592
Total non-current liabilities	3,016	2,555
Total liabilities	53,820	49,124
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,455	9,685
Retained earnings	142,224	152,525
Treasury shares	-9,331	-9,155
Total shareholders' equity	150,893	160,600
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,199	2,377
Foreign currency translation adjustment	2,387	4,003
Remeasurements of defined benefit plans	900	623
Total accumulated other comprehensive income	5,487	7,003
Total net assets	156,381	167,604
Total liabilities and net assets	210,201	216,728

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	205,129	206,603
Cost of sales	96,043	100,677
Gross profit	109,085	105,926
Selling, general and administrative expenses	78,093	84,805
Operating income	30,992	21,120
Non-operating income		
Interest income	132	194
Dividend income	107	119
Foreign exchange gains	3,175	2,386
Subsidy income	63	52
Gain on valuation of investment securities	—	33
Other non-operating income	393	442
Total non-operating income	3,872	3,230
Non-operating expenses		
Interest expenses	11	10
Loss on valuation of investment securities	80	—
Other non-operating expenses	209	217
Total non-operating expenses	301	228
Ordinary income	34,563	24,122
Extraordinary income		
Gain on sales of non-current assets	18	699
Gain on sales of investment securities	6	3
Total extraordinary income	25	702
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	58	29
Loss on valuation of investment securities	265	80
Total extraordinary losses	324	109
Income before income taxes	34,263	24,716
Income taxes - current	11,135	7,785
Income taxes - deferred	-308	-178
Total income taxes	10,827	7,606
Net income	23,435	17,110
Income attributable to owners of parent	23,435	17,110

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net income	23,435	17,110
Other comprehensive income		
Valuation difference on available-for-sale securities	41	177
Foreign currency translation adjustment	1,301	1,616
Remeasurements of defined benefit plans, net of tax	-28	-277
Total other comprehensive income	1,314	1,516
Comprehensive income	24,750	18,626
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,750	18,626
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	34,263	24,716
Depreciation and amortization	3,422	3,675
Amortization of goodwill	68	116
Loss (gain) on sales and retirement of property, plant and equipment	33	-669
Loss (gain) on sales and retirement of intangible assets	8	—
Increase (decrease) in allowance for doubtful accounts	-11	-149
Increase (decrease) in reserve for bonuses	284	-742
Increase (decrease) in provision for product warranties	47	24
Increase (decrease) in net defined benefit liability	-820	-802
Interest and dividend income	-239	-314
Interest expenses	11	10
Foreign exchange losses (gains)	-2,076	-1,868
Loss (gain) on valuation of investment securities	345	46
Loss (gain) on sales of investment securities	-6	-3
Decrease (increase) in notes and accounts receivable - trade	12,506	-4,753
Decrease (increase) in inventories	-7,557	-8,590
Increase (decrease) in notes and accounts payable - trade	-1,768	-2,465
Increase (decrease) in accrued consumption taxes	-24	-975
Other, net	-131	199
Subtotal	<u>38,355</u>	<u>7,451</u>
Interest and dividends income received	213	359
Interest expenses paid	-2	-2
Income taxes paid	-12,868	-10,322
Net cash flows from operating activities	<u>25,699</u>	<u>-2,513</u>
Cash flows from investing activities		
Proceeds from sales of investment securities	14	85
Purchase of investment securities	-86	-359
Proceeds from sales of property, plant and equipment	75	828
Purchase of property, plant and equipment	-2,450	-7,458
Purchase of intangible assets	-484	-798
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-929	-108
Other, net	-442	163
Net cash flows from investing activities	<u>-4,303</u>	<u>-7,647</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-25	30
Purchase of treasury shares	-2,400	-1,001
Cash dividends paid	-4,842	-5,733
Repayments of lease obligations	-31	-30
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	—	-750
Net cash flows from financing activities	<u>-7,300</u>	<u>-7,485</u>
Effect of exchange rate change on cash and cash equivalents	1,643	1,539
Net increase (decrease) in cash and cash equivalents	<u>15,739</u>	<u>-16,107</u>
Cash and cash equivalents at beginning of period	44,356	60,095
Cash and cash equivalents at end of period	<u>60,095</u>	<u>43,988</u>

(Notes on U.S. subsidiaries reorganization)

Nihon Kohden resolved at its Board of Directors held on March 7, 2023 to reorganize a total of eight direct and indirect, wholly owned subsidiaries in the United States and make a contribution in kind of all shares of five of the direct, wholly owned subsidiaries to Nihon Kohden OrangeMed, Inc. which would become the new holding company. This reorganization was completed on April 1, 2023.

1. Purpose of the Reorganization

Nihon Kohden has established or acquired a total of eight direct and indirect, wholly owned subsidiaries in the U.S. By transforming to a holding company structure and reorganizing these subsidiaries, Nihon Kohden aims to enhance its U.S. business further through (i) increased synergy, (ii) efficient group governance and operations and (iii) strengthened competitiveness utilizing its local R&D, production, and sales capabilities.

2. Outline of the Reorganization

1) Nihon Kohden made a contribution in kind of all shares of (i) Nihon Kohden America, Inc., (ii) Neurotronics, Inc., (iii) Nihon Kohden Digital Health Solutions, Inc., (iv) Nihon Kohden Innovation Center, Inc. and (v) Resuscitation Solution, Inc., to Nihon Kohden OrangeMed, Inc.

2) As a result of this contribution, Nihon Kohden OrangeMed, Inc. becomes a holding company for all other U.S. subsidiaries. No immediate changes to the name or ventilator business of Nihon Kohden OrangeMed, Inc. will occur as part of the currently approved reorganization.

3) Immediately following the contribution, Nihon Kohden America, Inc., Neurotronics, Inc., Nihon Kohden Digital Health Solutions, Inc., Advanced Medical Predictive Devices, Diagnostics and Displays, Inc., and Nihon Kohden Innovation Center, Inc. converted from corporations to limited liability companies in each applicable U.S. jurisdiction.

4) Resuscitation Solution, Inc. was previously established for the purpose of purchasing and holding the ownership of Defibtech, LLC, which was acquired by Nihon Kohden in 2012. Immediately following the contribution of shares from Nihon Kohden to Nihon Kohden OrangeMed, Inc., Nihon Kohden dissolved Resuscitation Solution, Inc. Defibtech, LLC then became a wholly owned subsidiary of Nihon Kohden OrangeMed, Inc.

5) According to this reorganization, Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31. In FY2023 ending March 31, 2024, Nihon Kohden will consolidate its 15 months operation results from January 1, 2023 to March 31, 2024.