

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2024 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: Prime Market, Tokyo Stock Exchange
Head Office: Tokyo
Representative: Hirokazu Ogino, Representative Director, President
Contact: Fumio Izumida, Operating Officer, General Manager, Corporate Strategy Division
Phone: +81 / 3 - 5996 - 8003 (URL <https://www.nihonkohden.co.jp>)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 1st Quarter of FY2023 (From April 1, 2023 to June 30, 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	%
FY2023 1Q (3 months)	48,728	9.8	2,205	21.3	5,794	5.7	3,787	2.9
FY2022 1Q (3 months)	44,363	-6.0	1,817	-71.7	5,481	-18.7	3,679	-18.9

Note: Comprehensive income: FY2023 1Q: 5,432 million yen (6.0%) FY2022 1Q: 5,124 million yen (-5.8%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2023 1Q (3 months)	45.02	—
FY2022 1Q (3 months)	43.66	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2023	216,444	169,587	78.4	2,015.87
As of March 31, 2023	216,728	167,604	77.3	1,992.30

Reference: Equity Capital: FY2023 1Q: 169,587 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	—	—	—	—	—
FY2023 (Forecast)	—	30.00	—	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
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

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 1Q	88,230,980	shares
FY2022	88,230,980	shares

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

FY2023 1Q	4,104,654	shares
FY2022	4,104,612	shares

(iii) Average number of shares outstanding during the period

FY2023 1Q	84,126,357	shares
FY2022 1Q	84,278,109	shares

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2023 to June 30, 2023), the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe, the protracted crisis in Ukraine, and higher prices of components and resources. 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 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 negative impact of the shortage of nurses and higher interest rates was gradually improved in the U.S. and Europe.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I that 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 increased. Sales in the private hospital and clinic markets increased favorably, while sales in the university and public hospital markets decreased. Sales of Patient Monitors and Treatment Equipment increased favorably. Sales of Physiological Measuring Equipment also increased. In Other Medical Equipment, sales of locally purchased products decreased, as the Company focused on selling in-house products. As a result, domestic sales increased 4.1% over the first quarter of FY2022 to ¥30,154 million.

International: Overseas sales showed double-digit growth, as there was an impact of change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. Strong sales were also seen in China because patient monitors were installed due to the COVID-19 resurgence. In the Americas, sales in the U.S. showed double-digit growth. Sales in Latin America also increased favorably, mainly in Mexico. Sales in Europe decreased, as sales in Germany decreased compared to the strong growth in the same period of the previous fiscal year. Sales in France, Spain, and the U.K. increased. Sales in Asia & Other achieved double-digit growth, as sales in China increased significantly. Sales in the Middle East and South Korea also showed strong growth. Sales in all product categories increased, especially for Treatment Equipment, because sales of Defibtech AEDs increased significantly. Sales of Physiological Measuring Equipment also achieved double-digit growth. As a result, international sales increased 20.7% over the first quarter of FY2022 to ¥18,574 million.

As a result of the above, overall sales during the term under review increased 9.8% over the first quarter of FY2022 to ¥48,728 million. Operating income increased 21.3% over the first quarter of FY2022 to ¥2,205 million due to the increase in sales and higher gross profit margin thanks to a favorable product mix. Ordinary income increased 5.7% to ¥5,794 million and income attributable to owners of parent increased 2.9% to ¥3,787 million over the first quarter of FY2022, reflecting foreign exchange gains.

* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to the reorganization of U.S. subsidiaries. In the first quarter ended June 30, 2023, Nihon Kohden consolidated the 6 months of Defibtech's operating results from January 1, 2023 to June 30, 2023.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2023	
	Amount	Growth rate (%)
Physiological Measuring Equipment	10,756	+ 7.2
Patient Monitors	17,627	+ 4.2
Treatment Equipment	12,713	+ 31.8
Other Medical Equipment	7,631	- 1.8
Total	48,728	+ 9.8
Products	24,150	+ 10.0
Consumables and Services	24,578	+ 9.7
(Reference) Sales by Region		
Domestic Sales	30,154	+ 4.1
Overseas Sales	18,574	+ 20.7
Americas	9,553	+ 29.4
Europe	2,929	- 0.6
Asia & Other	6,091	+ 20.3

6. Consolidated Forecast for FY2023

The first quarter performance was better than the Company's forecast both in sales and income due to greater-than-expected depreciation of the yen in currency translation as well as the favorable performance of consumables and services business in Japan. As the first quarter accounts for only a small percentage of the full year and future exchange rate fluctuations are uncertain, the Company reaffirms its forecast for the first half of FY2023 and FY2023, previously announced on May 15, 2023.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets



(Millions of yen)

	March 31, 2023	June 30, 2023
ASSETS		
Current assets:		
Cash and deposits	33,459	34,062
Notes and accounts receivable - trade	65,005	56,873
Securities	11,000	12,000
Merchandise and finished goods	33,337	36,233
Work in process	4,045	4,101
Raw materials and supplies	21,406	22,608
Other current assets	4,424	4,635
Allowance for doubtful accounts	-179	-197
Total current assets	172,500	170,317
Non-current assets:		
Property, plant and equipment	24,446	24,937
Intangible assets		
Goodwill	1,044	1,063
Other intangible assets	3,177	3,304
Total intangible assets	4,221	4,368
Investments and other assets		
Investment securities	6,713	7,591
Other investments and other assets	8,977	9,364
Allowance for doubtful accounts	-129	-133
Total investments and other assets	15,560	16,821
Total non-current assets	44,228	46,127
Total assets	216,728	216,444
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	22,940	20,768
Short-term loans payable	403	333
Accrued income taxes	3,178	2,591
Provision for bonuses	4,320	3,925
Provision for product warranties	1,361	1,539
Other current liabilities	14,363	15,092
Total current liabilities	46,568	44,249
Non-current liabilities:		
Net defined benefit liability	669	572
Other non-current liabilities	1,885	2,035
Total non-current liabilities	2,555	2,607
Total liabilities	49,124	46,857
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	9,685	9,685
Retained earnings	152,525	152,863
Treasury shares	-9,155	-9,155
Total shareholders' equity	160,600	160,939
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,377	3,042
Foreign currency translation adjustments	4,003	5,040
Remeasurements of defined benefit plans	623	565
Total accumulated other comprehensive income	7,003	8,648
Total net assets	167,604	169,587
Total liabilities and net assets	216,728	216,444

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	44,363	48,728
Cost of sales	22,552	24,376
Gross profit	21,811	24,352
Selling, general and administrative expenses	19,993	22,146
Operating income	1,817	2,205
Non-operating income		
Interest income	37	52
Dividend income	52	57
Foreign exchange gains	3,551	3,532
Subsidy income	23	0
Other, net	50	81
Total non-operating income	3,715	3,725
Non-operating expenses		
Interest expenses	1	3
Loss on valuation of investment securities	5	80
Other, net	44	53
Total non-operating expenses	51	137
Ordinary income	5,481	5,794
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of investment securities	—	1
Total extraordinary income	2	2
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	2
Total extraordinary losses	0	2
Income before income taxes	5,483	5,794
Income taxes	1,803	2,006
Net income	3,679	3,787
Income attributable to owners of parent	3,679	3,787

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net income	3,679	3,787
Other comprehensive income		
Valuation difference on available-for-sale securities	89	665
Foreign currency translation adjustment	1,438	1,036
Remeasurements of defined benefit plans, net of tax	-83	-57
Total other comprehensive income	1,445	1,644
Comprehensive income	5,124	5,432
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,124	5,432
Comprehensive income attributable to non-controlling interests	—	—