

# Consolidated Financial Highlights for the Third Quarter of FY2022 (From April 1, 2022 to December 31, 2022)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

February 3, 2023

*Fighting Disease with Electronics*



# 1) Consolidated Financial Results for the 3<sup>rd</sup> Quarter of FY2022

	FY2021 3Q 9 months	FY2022 3Q 9 months	YoY (%)	(Amounts of less than ¥1 million are rounded down)
<b>Net Sales</b>	148,078	<b>144,557</b>	-2.4	
<b>Domestic Sales</b>	96,597	<b>93,569</b>	-3.1	
<b>Overseas Sales</b>	51,481	<b>50,987</b>	-1.0	← -16% on a local currency basis
<b>Gross Profit</b> (Gross Profit Margin)	79,188 53.5%	<b>73,496</b> <b>50.8%</b>	-7.2	← In-house sales ratio: FY2021 3Q 72.1% → FY2022 3Q 71.7%
<b>Operating Income</b> (Operating Income Margin)	23,316 15.7%	<b>11,377</b> <b>7.9%</b>	-51.2	← SG&A: ¥55.8 bil → ¥62.1 bil SG&A Ratio: 37.8% → 42.9%
<b>Ordinary Income</b>	24,677	<b>13,937</b>	-43.5	← Foreign exchange gains: ¥979 mil → ¥2,058 mil
<b>Income Attributable to Owners of Parent</b>	16,911	<b>8,860</b>	-47.6	
<b>Average Exchange Rate</b>	(2021/12)	(2022/12)		
<b>1 US Dollar</b>	110.2 yen	<b>134.0 yen</b>		
<b>1 EURO</b>	130.9 yen	<b>140.6 yen</b>		

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NIHON KOHDEN

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- Overall sales decreased 2.4% to ¥144.5 billion.
- Domestic sales decreased 3.1% to ¥93.5 billion. The Company focused on its consumables and services business. Demand for physiological measuring equipment and hematology instruments 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 and ventilators decreased due to the reactionary decline from the same period of FY2021 when large numbers of devices had been installed to treat COVID-19 patients.
- Overseas sales decreased 1% to ¥50.9 billion, a 16% decline on a local currency basis. Sales decreased, mainly due to a reactionary decline in sales of Patient Monitors compared to strong demand in the same period of FY2021 in regions where the spread of COVID-19 had resurged, as well as to the Shanghai lockdown. In the 3<sup>rd</sup> quarter (three months) of FY2022, sales in all regions achieved double-digit growth thanks to the launch of new mid-range bedside monitors in the U.S. and yen depreciation.
- Operating income decreased 51.2% to ¥11.3 billion due to the decrease in sales. The decrease in operating income was also 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. Gross profit margin was 50.8%.
- Ordinary income decreased 43.5% to ¥13.9 billion and income attributable to owners of parent decreased 47.6% to ¥8.8 billion.
- In the 3<sup>rd</sup> quarter (three months), sales were lower than our expectations but operating income was generally in line with our expectations, as SG&A expenses were lower than expected. Domestic sales were in line with our expectations. Overseas sales achieved double-digit growth, but less than its target.

## 2) Highlights of FY2022 3Q (9 months)

### Net Sales : -2.4%

- **Japan:** Demand for physiological measuring equipment and hematology instruments 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 and ventilators decreased compared to FY2021 3Q when large numbers of devices had been installed to treat COVID-19 patients.
- **International:** Sales decreased, mainly due to a reactionary decline in sales of Patient Monitors compared to strong demand in FY2021 3Q in regions where the spread of COVID-19 had resurged, as well as to the Shanghai lockdown. In 3Q (three months), sales in all regions achieved double-digit growth thanks to the launch of new mid-range bedside monitors in the U.S. and yen depreciation.

### Operating Income : -51.2%

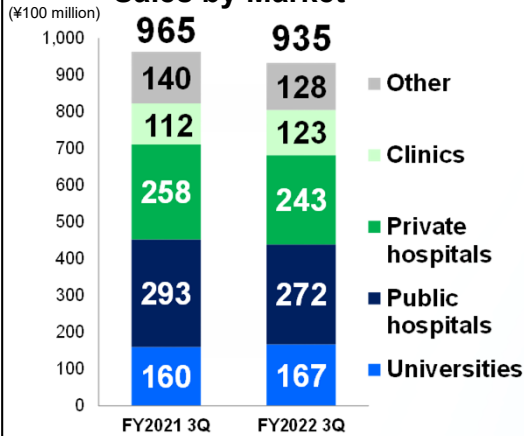
- Operating income decreased due to the decrease in sales. This was also because of a lower gross profit margin due to higher prices of components and an unfavorable product mix, as well as increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and service activities.

### Ordinary Income : -43.5%

- Foreign exchange gains increased.

### 3) Domestic Sales

Sales by Market



Sales by Product Category

	(Sales, millions of yen)		
	FY2021 3Q 9 months	FY2022 3Q 9 months	YoY (%)
Physiological Measuring Equipment	20,562	23,375	13.7
Patient Monitors	34,884	30,711	-12.0
Treatment Equipment	20,904	18,494	-11.5
Other Medical Equipment	20,246	20,988	3.7
<b>Total Sales</b>	<b>96,597</b>	<b>93,569</b>	<b>-3.1</b>

**【Markets】**

Sales in the public hospital and private hospital markets decreased compared to the strong performance in FY2021 3Q due in part to the installation of patient monitors and ventilators. Sales in the clinic market increased favorably and sales in the university market also increased, as capital expenditure by medical institutions resumed and the number of testing and surgical procedures showed a recovery trend.

**【Products】**

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

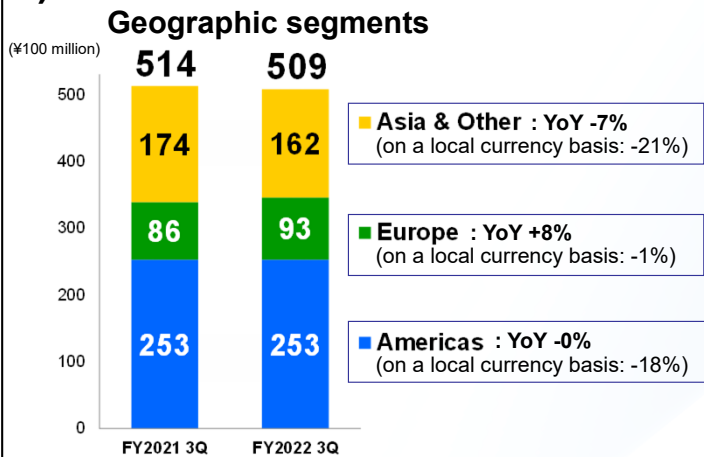
**Patient Monitors:** Sales of transmitters and bedside monitors decreased compared to the strong growth in FY2021 3Q. Sales of clinical information systems and consumables such as sensors increased.

**Treatment Equipment:** Sales of ventilators and AEDs decreased compared to the strong growth in FY2021 3Q. Sales of defibrillators increased favorably.

**Other Medical Equipment:** Sales of hematology instruments and installation and maintenance services for medical devices increased favorably.

- Domestic sales decreased by ¥3 billion to ¥93.5 billion. Demand for physiological measuring equipment and hematology instruments was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales of consumables and services also increased favorably. Because there was a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in the same period of FY2021, overall domestic sales decreased.
- Sales in the clinic market increased favorably and sales in the university market also increased, as capital expenditure by medical institutions resumed and the number of testing and surgical procedures showed a recovery trend. Sales in the public hospital and private hospital markets decreased, but 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 also increased, while sales of Patient Monitors and Treatment Equipment decreased compared to the strong growth in the same period of FY2021.
- In Physiological Measuring Equipment, sales of EEGs and polygraphs for cath lab achieved double-digit growth. Sales of diagnostic information systems increased favorably and sales of ECGs also increased.
- In Patient Monitors, sales of transmitters and bedside monitors decreased compared to the strong growth in the same period of FY2021. Sales of clinical information systems and consumables such as sensors increased.
- In Treatment Equipment, sales of ventilators and AEDs decreased compared to the strong growth in the same period of FY2021.
- In Other Medical Equipment, sales of hematology instruments and installation and maintenance services for medical devices increased favorably.

## 4) Overseas Sales



### Percentage of overseas sales to consolidated sales

FY2021 3Q	FY2022 3Q
9 months	9 months
34.8%	35.3%

### Sales by Product Category

(Sales, millions of yen)

	FY2021 3Q	FY2022 3Q	YoY (%)
	9 months	9 months	
Physiological Measuring Equipment	6,895	7,007	1.6
Patient Monitors	27,540	25,259	-8.3
Treatment Equipment	12,245	13,392	9.4
Other Medical Equipment	4,800	5,328	11.0
<b>Total Sales</b>	<b>51,481</b>	<b>50,987</b>	<b>-1.0</b>

**-16% on a local currency basis**

- 【Region】 Americas:** Sales in the U.S. decreased on a local currency basis and increased on a yen basis. Sales in Latin America decreased, mainly in Mexico and Chile.
- Europe:** Sales in France and Turkey decreased, while sales in Germany and the U.K. increased favorably.
- Asia & Other:** Sales decreased due to the reactionary decline in China, Vietnam, and Egypt where sales showed strong growth in FY2021 3Q.
- 【Products】 Physiological Measuring Equipment:** Sales of EEGs increased significantly in Asia & Other and Latin America. Sales of ECGs decreased, mainly in China.
- Patient Monitors:** Sales in the Americas and Asia & Other decreased due to the reactionary decline of large orders and COVID-19-related demand in FY2021 3Q.
- Treatment Equipment:** Sales of AEDs showed strong growth in all regions. Sales of ventilators and defibrillators decreased.
- Other Medical Equipment:** Sales of hematology analyzers and reagents increased favorably in Latin America and Europe.

- Overseas sales decreased by ¥0.5 billion to ¥50.9 billion, a 16% decline on a local currency basis. The overseas sales ratio was 35.3%.
- In the Americas, sales in the U.S. decreased on a local currency basis and increased on a yen basis. Sales in Latin America decreased, mainly in Mexico and Chile. In the U.S., sales of Treatment Equipment including AEDs showed strong growth and sales of Patient Monitors also recovered significantly in the 3<sup>rd</sup> quarter (three months) thanks to the launch of new mid-range bedside monitors. However, overall sales in the U.S. were less than the Company's target for the three months.
- Sales in Europe decreased on a local currency basis and increased on a yen basis. Sales in France and Turkey decreased, while sales in Germany and the U.K. increased favorably.
- Sales in Asia & Other decreased due to the reactionary decline in China, Vietnam, and Egypt where sales showed strong growth in the same period of FY2021. In China, sales decreased by double digits both on a local currency basis and on a yen basis in the nine months of FY2022. Sales in the 1<sup>st</sup> half of FY2022 decreased significantly due to the negative impact of the Shanghai lockdown but sales in the 2<sup>nd</sup> half of FY2022 showed positive growth. The fiscal year-end of our subsidiary in China is December 31. Sales in China in full year of FY2022 are expected to result in a double-digit decline on a local currency basis and a mid-single-digit decline on a yen basis.
- Sales of Patient Monitors decreased, while sales of Physiological Measuring Equipment, Treatment Equipment, and Other Medical Equipment increased. In Physiological Measuring Equipment, sales of EEGs increased significantly in Asia & Other and Latin America. Sales of ECGs decreased, mainly in China. Sales of Patient Monitors decreased due to the reactionary decline of large orders in the U.S. and COVID-19-related demand in regions where the spread of COVID-19 had resurged in the same period of FY2021. In Treatment Equipment, sales of AEDs showed strong growth in all regions, supported by steady demand. Sales of ventilators and defibrillators decreased. In Other Medical Equipment, sales of hematology analyzers and reagents increased favorably in Latin America and Europe.

## 5) Sales by Product Category

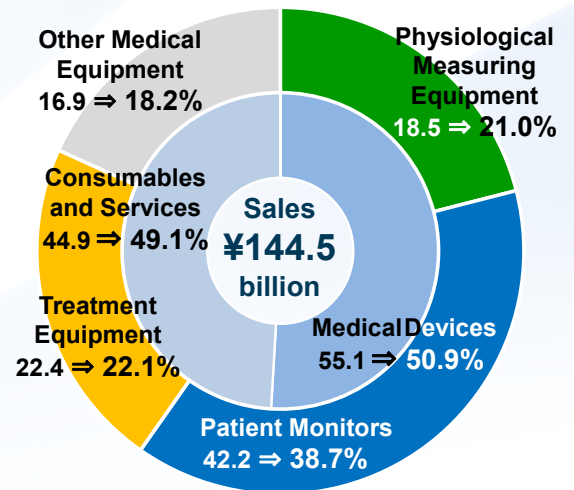
(Sales, millions of yen)

	FY2021 3Q 9 months	FY2022 3Q 9 months	YoY (%)
Physiological Measuring Equipment	27,457	30,382	10.7
Patient Monitors	62,425	55,970	-10.3
Treatment Equipment	33,149	31,887	-3.8
Other Medical Equipment	25,046	26,316	5.1
<b>Total Sales</b>	148,078	144,557	-2.4

(Reference)

Consumables and Services	66,431	70,938	6.8
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**Sales composition  
by product category**  
(FY2021 3Q ⇒ FY2022 3Q)



- Sales of Physiological Measuring Equipment increased 10.7% to ¥30.3 billion.
- Sales of Patient Monitors decreased 10.3% to ¥55.9 billion.
- Sales of Treatment Equipment decreased 3.8% to ¥31.8 billion.
- Sales of Other Medical Equipment increased 5.1% to ¥26.3 billion.
- Sales of Consumables and Services increased 6.8% to ¥70.9 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 catheters, which are purchased products, achieved double-digit growth, and sales of installation and maintenance services for medical devices also increased favorably. Sales of in-house consumables such as sensors also increased.

## (Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2021 3Q 9 months	FY2022 3Q 9 months	Treatment Equipment	FY2021 3Q 9 months	FY2022 3Q 9 months
Electroencephalographs	5.1	6.4	Defibrillators (for Hospital and Ambulance)	6.3	5.9
Electrocardiographs	4.8	4.7	AEDs (Automated External Defibrillator)	12.8	14.2
Polygraphs for Cath Lab	9.9	11.7	Pacemakers / ICDs	1.9	1.7
Other Physiological Measuring Equipment *	7.4	7.3	Ventilators	6.9	4.0
			Other Treatment Equipment	5.0	5.7

\*Includes diagnostic information systems and products of other companies.

Other Medical Equipment	FY2021 3Q 9 months	FY2022 3Q 9 months
Hematology Analyzers	7.8	8.6
Imaging Systems and Others *	17.2	17.6

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

- A breakdown of sales by product category is shown above.

## 6) Topics

### Plan to acquire new plant site in Tsurugashima City \*

#### Measures to expand production of consumables and promote cost reduction

##### AED disposable pads

Tomioka 2<sup>nd</sup> factory

FY2017 Increased production capacity and automated production



##### SpO<sub>2</sub> probes

Tomioka 2<sup>nd</sup> factory

FY2018 Started automated production  
FY2022 Preparations for increasing automated production lines



##### EMG electrodes for neuromuscular monitoring

Kawamoto production center

FY2022 Increase production lines and start automated production



EMG electrode NM-34 series

#### Plan to build mother factory for consumables

##### Production of consumables such as sensors and R&D of automated production technology



Simulated images

##### In response to growing global demand, consumables production capacity is expected to be more than double by 2030 compared to FY2021.

- Total investment amount    Approx. ¥9 to 11 bil, including the acquisition cost of the plant site of approx. ¥2.3 bil (planned)
- Acquisition date            March 2023 (planned), and planned to start operation in CY2026
- Location                      Industrial premises on the east side of the Ken-o Tsurugashima Interchange in Saitama Prefecture
- Ground area                 Approx. 34,463m<sup>2</sup>

\*The site will be acquired through necessary procedures including a resolution of Saitama Prefectural Assembly.

- As we announced at the end of last December, we plan to acquire a new plant site in Tsurugashima City, Saitama Prefecture. We plan to build a new production facility on the site both for manufacturing consumables such as sensors, and for R&D of automated production technology.
- In our Three-year Business Plan, we are focusing on our consumables and services business by expanding sales of disposable consumables for infection prevention. We also aim to expand our consumables business in overseas markets by enhancing our production and supply capability through measures such as promoting automated production and expanding our line-up of consumables.
- The Company manufactures consumables at the Kawamoto Production Center in Fukaya City, Saitama Prefecture, and at the Tomioka 2<sup>nd</sup> factory in Gunma Prefecture. The new plant will become the mother factory for consumables. It will enhance efficiency utilizing the Company's automated production technology and allow increased production volume to respond growing global demand.
- Nihon Kohden aims to start operations at the new plant in CY2026. Our consumables production capacity including production at the new plant is expected to more than double by 2030 compared to FY2021. Details for construction of the new plant are under consideration and the total investment amount including the acquisition cost of the new plant site is expected to be around ¥9 to 11 billion.



## 7) Depreciation and R&D Costs

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

	FY2021 3Q 9 months	FY2022 3Q 9 months	Change	FY2021 Actual	FY2022	
					Original forecast announced May 13	Revised forecast announced Nov 9
Depreciation	2,467	<b>2,661</b>	193	3,422	3,700	3,900
R&D costs	4,040	<b>4,395</b>	355	5,711	6,300	6,400
		<b>Capital Investments</b>		3,022	5,600	5,600

Excluding the acquisition cost of the new plant site in Tsurugashima City of approx. ¥2.3 bil planned in March 2023.

### ●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: Started in September 2022, and planned to be completed in Spring 2023  
Operation: Planned to start in Spring 2024

Introduction of PLM/MES\* systems

Capital investments: approx. ¥2.5 bil

< **FY2022: ¥0.4 bil**  
FY2023-FY2024: ¥2.1 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 increased by ¥0.1 billion to ¥2.6 billion. R&D costs increased by ¥0.3 billion to ¥4.3 billion.
- There is no change to our forecasts for full-year depreciation of ¥3.9 billion, R&D costs of ¥6.4 billion, and capital investments of ¥5.6 billion.

## 8) Forecast for FY2022

	FY2021 Actual	FY2022			YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 9	Revised forecast announced Feb 2	
<b>Sales</b>	205,129	195,000	208,000	208,000	1.4
<b>Domestic Sales</b>	136,321	130,500	135,000	135,000	-1.0
<b>Overseas Sales</b>	68,807	64,500	73,000	73,000	6.1
<b>Gross Profit</b> (Gross Profit Margin)	109,085 53.2%	98,200 50.4%	105,200 50.6%	105,200 50.6%	-3.6
<b>Operating Income</b> (Operating Income Margin)	30,992 15.1%	16,500 8.5%	19,000 9.1%	19,000 9.1%	-38.7
<b>Ordinary Income</b>	34,563	16,500	23,500	20,500	-40.7
<b>Income Attributable to Owners of Parent</b>	23,435	11,000	16,000	13,500	-42.4
<b>Percentage of Overseas Sales</b>	33.5%	33.1%	35.1%	35.1%	
<b>Average exchange rate</b>					
1 US Dollar	111.3 yen	117 yen	135 yen	134 yen	
1 EURO	130.6 yen	130 yen	139 yen	141 yen	

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

← -10% on a local currency basis

### Breakdown of overseas sales by region

	FY2021 Actual	FY2022		YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 9	
<b>Americas</b>	33,436	34,400	37,500	12.2
<b>Europe</b>	11,449	10,100	11,800	3.1
<b>Asia &amp; Other</b>	23,921	20,000	23,700	-0.9
<b>Total</b>	68,807	64,500	73,000	6.1

\*The assumed exchange rates for FY2022 4Q are 130 yen to the U.S. dollar and 140 yen to the euro.

- The Company reaffirmed its full-year forecasts for overall sales and operating income. As foreign exchange gains are expected to be smaller reflecting the updated exchange rate assumption to yen appreciation for the 4<sup>th</sup> quarter, the Company revised its forecasts for ordinary income and income attributable to owners of parent to be ¥20.5 billion and ¥13.5 billion, respectively.
- Domestic sales are expected to decrease 1% to ¥135 billion. The full-year sales of AEDs are expected to be lower than the previous forecast. The Company will continue to focus on consumables and services business and work to deliver and install medical devices including IT system solutions by the end of the fiscal year. Domestic sales are expected to show positive growth in the 4<sup>th</sup> quarter (three months).
- Overseas sales are expected to increase 6.1% to ¥73 billion, a 10% decline on a local currency basis. While sales in the U.S. were less than the Company's target in the 3<sup>rd</sup> quarter (three months), the Company will continue to strengthen its offerings of new products such as mid-range bedside monitors and a mask-type ventilator in the U.S., as inquiries for these products have been strong. On the other hand, sales in Europe and Asia & Other, where demand for medical equipment remains steady, and China, where patient monitors were installed to treat COVID-19 patients in December 2022, are expected to exceed the previous forecasts. The Company aims to achieve its FY2022 full-year forecast, although the current exchange rate against the U.S. dollar is in the direction of yen appreciation compared to November.
- There is no change to our forecast for operating income of ¥19 billion. The full-year forecast for gross profit margin remains unchanged at 50.6%, as the negative impact of higher prices of components and utility costs will continue and the bulk of orders tend to be concentrated in the 4<sup>th</sup> quarter of the fiscal year.

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

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

	FY2021	FY2022			YoY (%)
	Actual	Original forecast announced May 13	Revised forecast announced Nov 9	Composition ratio (%)	
Physiological Measuring Equipment	39,681	41,100	44,800	21.5	12.9
Patient Monitors	84,860	75,900	80,100	38.5	-5.6
Treatment Equipment	43,388	41,000	42,800	20.6	-1.4
Other Medical Equipment	37,198	37,000	40,300	19.4	8.3
<b>Total</b>	<b>205,129</b>	<b>195,000</b>	<b>208,000</b>	<b>100.0</b>	<b>1.4</b>

(Reference)

Consumables and Services	90,576	94,800	101,300	48.7	11.8
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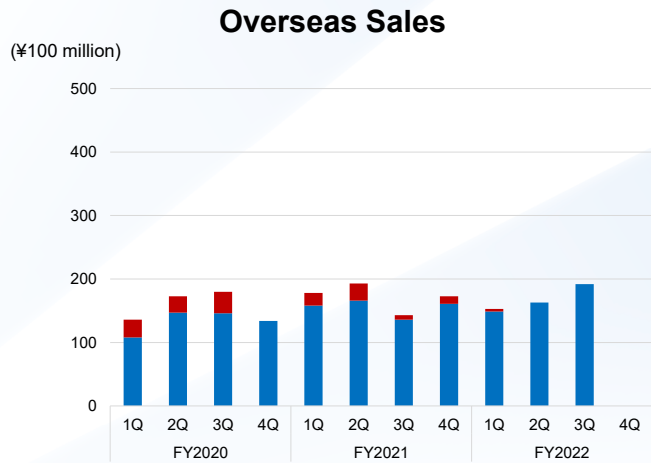
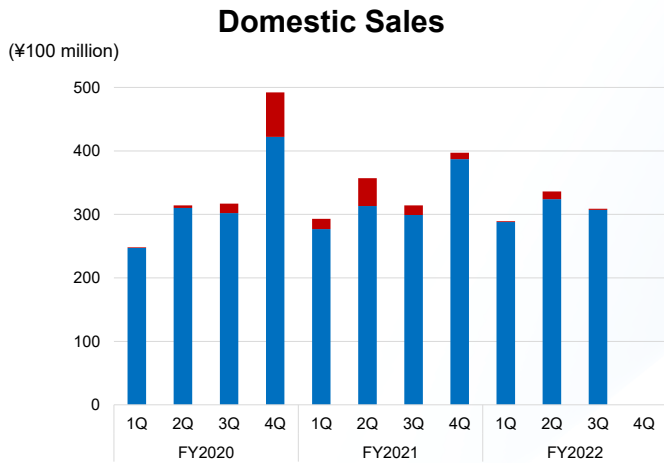
### Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.36 bil yen	0.08 bil yen
EURO	0.06 bil yen	0.02 bil yen

- The Company also reaffirms its forecasts for FY2022 by product category.
- The impact of the shortage of semiconductors is lessening compared to the 1<sup>st</sup> half of FY2022 but we are experiencing delays in delivery of some parts. We will continue to secure inventories of finished goods and parts to minimize the impact on our production and product supply toward the end of the fiscal year.

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

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



FY2022 3Q (9 months) COVID-19-related demand	Japan		International	
		YoY		YoY
Patient Monitors	approx. ¥1.1 bil	approx. -¥4.1 bil	approx. ¥0.2 bil	approx. -¥2.9 bil
Ventilators	approx. ¥0.4 bil	approx. -¥1.9 bil	approx. ¥0.1 bil	approx. -¥1.0 bil
Defibrillators	—	—	approx. ¥0.1 bil	approx. -¥0.4 bil
<b>Total</b>	<b>approx. ¥1.5 bil</b>	<b>approx. -¥6.0 bil</b>	<b>approx. ¥0.4 bil</b>	<b>approx. -¥4.3 bil</b>

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