

# Consolidated Financial Highlights for the First Quarter of FY2020 (From April 1, 2020 to June 30, 2020)

- |   |  |
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**NIHON KOHDEN CORPORATION**

(Ticker Code: 6849)

August 4, 2020

*Fighting Disease with Electronics*



# 1) Consolidated Financial Results for the 1<sup>st</sup> Quarter of FY2020

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

|  | FY2019<br>1Q    | FY2020<br>1Q           | YoY (%) |
|--|-----------------|------------------------|---------|
| <b>Net Sales</b>                                     | 38,551          | <b>38,461</b>          | -0.2    |
| <b>Domestic Sales</b>                                | 28,392          | <b>24,809</b>          | -12.6   |
| <b>Overseas Sales</b>                                | 10,159          | <b>13,652</b>          | 34.4    |
| <b>Gross Profit</b><br>(Gross Profit Margin)         | 18,524<br>48.1% | <b>19,428</b><br>50.5% | 4.9     |
| <b>Operating Income</b><br>(Operating Income Margin) | 542<br>1.4%     | <b>1,831</b><br>4.8%   | 237.8   |
| <b>Ordinary Income</b>                               | -26             | <b>1,581</b>           | —       |
| <b>Income Attributable to<br/>Owners of Parent</b>   | -499            | <b>1,060</b>           | —       |

← **+40% on a local currency basis**

← **In-house sales ratio: FY2019 1Q 62.5% → FY2020 1Q 68.7%**

← **SG&A Ratio: 46.7% → 45.7%**

← **Foreign exchange losses:  
FY2019 1Q ¥0.64 bil → FY2020 1Q ¥0.43 bil**

| Average Exchange Rate | (2019/6) | (2020/6)      |
|-----------------------|----------|---------------|
| <b>1 US Dollar</b>    | ¥110.7   | <b>¥107.9</b> |
| <b>1 EURO</b>         | ¥123.5   | <b>¥118.1</b> |

## 2) Highlights of FY2020 1Q

### Net Sales : -0.2%

- **Japan:** Sales decreased as the Company's sales and service staff limited visits to medical institutions and hospitals postponed testing and surgical procedures. Sales in the university and public hospital markets decreased significantly compared to the strong performance in FY2019 1Q when large orders related to construction of new hospitals were received.
- **International:** Sales in all regions achieved double-digit growth because demand for patient monitors and ventilators increased.

### Operating Income : +237.8%

- Gross profit margin improved thanks to a favorable product mix. It is the first time since FY2014 1Q that the rate has been above 50%.
- Operating income increased significantly due to an increase in gross profit and a decrease in SG&A expenses such as traveling expenses.

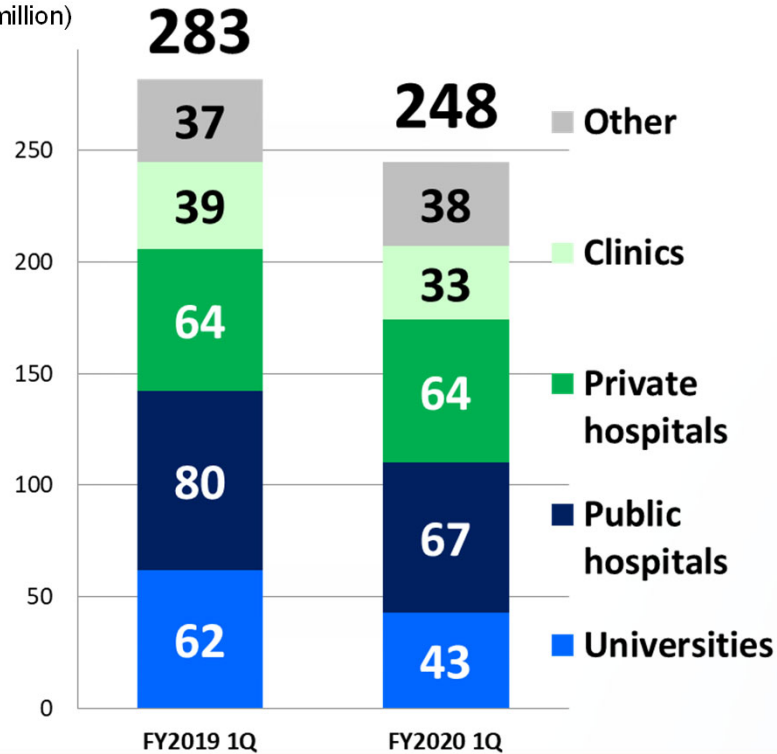
**Ordinary Income : ¥1,581 mil** (¥26 mil of ordinary loss in FY2019 1Q)

**Net Income : ¥1,060 mil** (¥499 mil of net loss in FY2019 1Q)

# 3) Domestic Sales

## Sales by Market

(¥100 million)



## Sales by Product Category

(Sales, millions of yen)

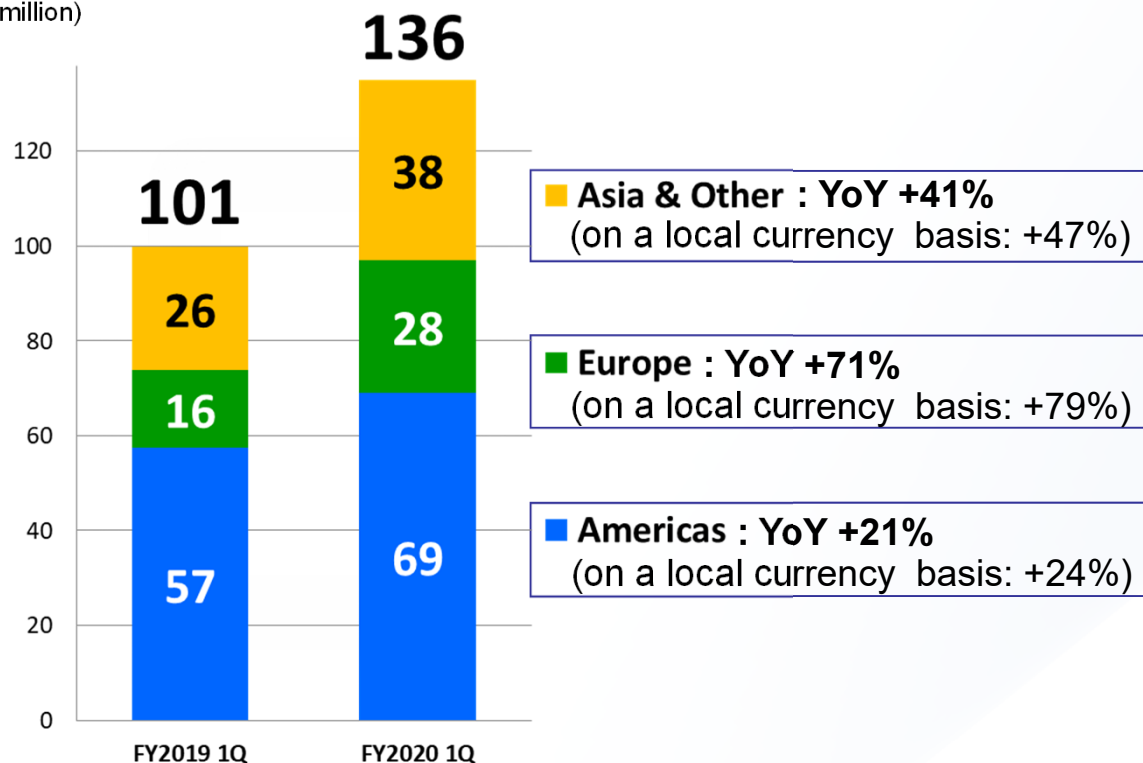
|                                   | FY2019 1Q     | FY2020 1Q     | YoY (%)      |
|-----------------------------------|---------------|---------------|--------------|
| Physiological Measuring Equipment | 7,291         | 5,643         | -22.6        |
| Patient Monitors                  | 8,183         | 7,732         | -5.5         |
| Treatment Equipment               | 5,493         | 5,551         | 1.0          |
| Other Medical Equipment           | 7,424         | 5,881         | -20.8        |
| <b>Total Sales</b>                | <b>28,392</b> | <b>24,809</b> | <b>-12.6</b> |

- 【Markets】** Sales in the university and public hospital markets decreased significantly compared to the strong performance in FY2019 1Q when large orders related to construction of new hospitals were received. Sales in the clinic market also decreased. Sales in the private hospital market remained flat.
- 【Products】** **Physiological Measuring Equipment:** Sales of all products recorded double-digit declines. Sales of polygraphs for cath lab decreased because hospitals postponed testing and surgical procedures.
- Patient Monitors:** Sales of bedside monitors and clinical information systems decreased significantly in reaction to the strong performance in FY2019 1Q. Sales of telemetry systems and transmitters increased favorably.
- Treatment Equipment:** Sales of ventilators manufactured by both Hamilton and Nihon Kohden showed strong growth. Sales of AEDs increased favorably thanks to orders received for replacement of existing installations. Sales of defibrillators, pacemakers and ICDs decreased.
- Other Medical Equipment:** Sales of locally purchased products and installation services for medical devices decreased significantly compared to FY2019 1Q when large orders were received. It was also due to our sales and service staff limiting visits to medical institutions to a minimum.

# 4) Overseas Sales

## Geographic segments

(¥100 million)



## Percentage of overseas sales to consolidated sales

| FY2019 1Q | FY2020 1Q |
|-----------|-----------|
| 26.4%     | 35.5%     |

## Sales by Product Category

(Sales, millions of yen)

|                                   | FY2019 1Q     | FY2020 1Q     | YoY (%)     |
|-----------------------------------|---------------|---------------|-------------|
| Physiological Measuring Equipment | 1,899         | 1,698         | -10.6       |
| Patient Monitors                  | 5,215         | 7,650         | 46.7        |
| Treatment Equipment               | 1,739         | 3,163         | 81.8        |
| Other Medical Equipment           | 1,304         | 1,139         | -12.6       |
| <b>Total Sales</b>                | <b>10,159</b> | <b>13,652</b> | <b>34.4</b> |

+40% on a local currency basis

**[Region] Americas:** Sales in both the U.S. and Latin America showed double-digit growth. In Latin America, sales in Brazil and Mexico increased favorably.

**Europe:** Sales in Western Europe showed strong growth, primarily in Italy and the U.K.

**Asia & Other:** Sales in China increased favorably. Large orders in Vietnam and Qatar also contributed to increased sales.

**[Products] Physiological Measuring Equipment:** Sales of EEGs decreased in the U.S and China. Sales of ECGs increased favorably in Asia & Other and Europe.

**Patient Monitors:** Sales in all regions achieved double-digit growth. Especially, sales in Europe and Asia & Other doubled from FY2019 1Q.

**Treatment Equipment:** Sales of ventilators increased significantly in all regions. Sales of defibrillators showed strong growth in Asia & Other and Europe. Sales of AEDs decreased due to weak demand in all regions.

**Other Medical Equipment:** Sales of hematology analyzers decreased in all regions.

# 5) Sales by Product Category

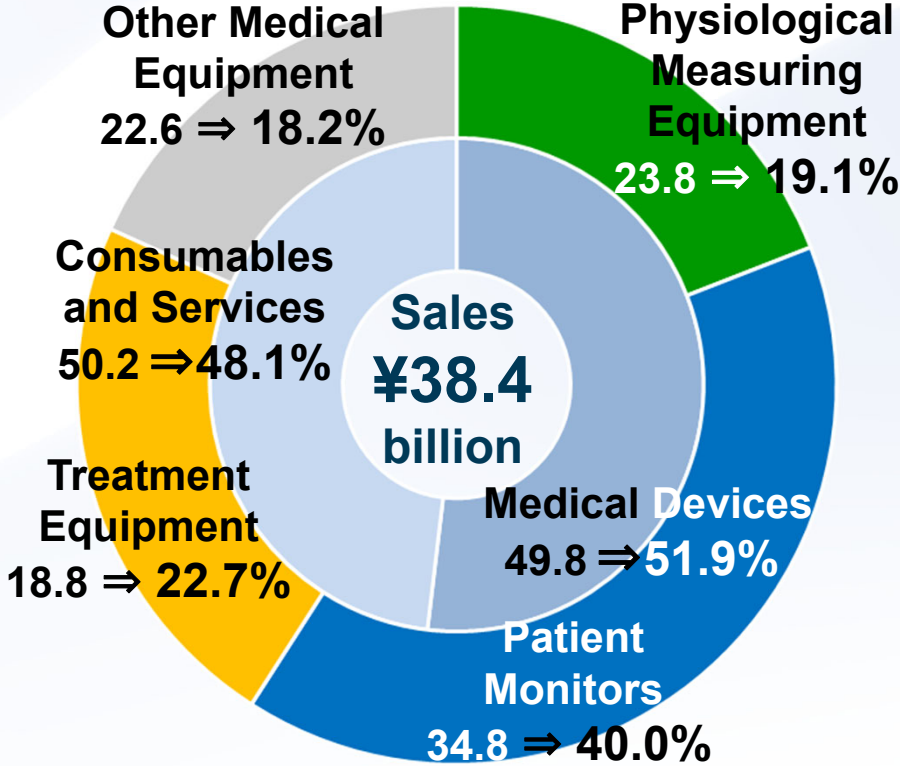
(Sales, millions of yen)

|                                   | FY2019<br>1Q  | FY2020<br>1Q  | YoY (%)     |
|-----------------------------------|---------------|---------------|-------------|
| Physiological Measuring Equipment | 9,191         | 7,342         | -20.1       |
| Patient Monitors                  | 13,398        | 15,382        | 14.8        |
| Treatment Equipment               | 7,233         | 8,714         | 20.5        |
| Other Medical Equipment           | 8,728         | 7,021         | -19.6       |
| <b>Total Sales</b>                | <b>38,551</b> | <b>38,461</b> | <b>-0.2</b> |

(Reference)

|                          |        |        |      |
|--------------------------|--------|--------|------|
| Consumables and Services | 19,342 | 18,502 | -4.3 |
|--------------------------|--------|--------|------|

**Sales composition by product category**  
(FY2019 1Q ⇒ FY2020 1Q)



# (Ref.) Breakdown of Sales by Product Category

(Billions of yen)

| Physiological Measuring Equipment         | FY2019<br>1Q | FY2020<br>1Q |
|---|--------------|--------------|
| Electroencephalographs                    | 1.4          | <b>1.1</b>   |
| Electrocardiographs                       | 1.4          | <b>1.3</b>   |
| Polygraphs for Cath Lab                   | 3.9          | <b>3.0</b>   |
| Other Physiological Measuring Equipment * | 2.3          | <b>1.7</b>   |

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

| Treatment Equipment                         | FY2019<br>1Q | FY2020<br>1Q |
|---|--------------|--------------|
| Defibrillators (for Hospital and Ambulance) | 1.1          | <b>1.2</b>   |
| AEDs (Automated External Defibrillator)     | 3.1          | <b>3.0</b>   |
| Pacemakers / ICDs                           | 0.8          | <b>0.6</b>   |
| Ventilators                                 | 0.7          | <b>2.4</b>   |
| Other Treatment Equipment                   | 1.4          | <b>1.2</b>   |









| Other Medical Equipment                                      | FY2019<br>1Q | FY2020<br>1Q |
|--|--------------|--------------|
| Hematology Analyzers   | 2.0          | <b>2.1</b>   |
| Imaging Systems, Medical equipment for research and others * | 6.7          | <b>4.8</b>   |

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



# 6) Topics: Strengthening synergies in the U.S.

## Pre/In-hospital: Enhancing our line-up of products & services that respond to the COVID-19 crisis

|   |   |   |  |
|---|---|---|--|
| <p><b>In-hospital</b></p> <p><b>NEW!</b> Launched in the U.S. in Jan 2020</p>  <p>Protective Control™</p>  <p>Nihon Kohden OrangeMed</p> | <ul style="list-style-type: none"> <li>Reduces infection risk of medical staff by enabling operation from out of ward with a second display</li> </ul>  | <ul style="list-style-type: none"> <li>Provides interactive online training programs</li> </ul>   | <p><b>Pre/In-hospital</b></p>   <p>AN EDUCATIONAL SERVICE OFFERING OF NIHON KOHDEN</p> |
| <p><b>Pre-hospital</b></p>                            | <p><b>Automated Chest Compression Device Lifeline ARM</b></p> <ul style="list-style-type: none"> <li>Reduces infection risk of medical staff by performing mechanical chest compressions</li> </ul> | <p><b>Video Laryngoscope NK AWS-S200</b></p> <ul style="list-style-type: none"> <li>Reduces infection risk of medical staff by performing smooth tracheal intubation with visibility on the built-in monitor</li> </ul> | <p><b>Pre/In-hospital</b></p> <p><b>NEW!</b> Business acquisition in Sep 2017<br/>Launched in the U.S. in Jul 2020</p>   |

|  |                                      |  |  |
|--|--------------------------------------|--|--|
| <p><b>Introduction of mid-range bedside monitors</b></p> | <p>Enhance product cybersecurity</p> | <p>FY2020 3Q<br/>Aim at FDA resubmission</p> | <p>* The Company revised the schedule as development is slightly delayed due to teleworking.</p> |
|--|--------------------------------------|--|--|



# 7) Depreciation and R&D Costs

(Millions of yen)

|              | FY2019<br>1Q | FY2020<br>1Q | Change                     | FY2019<br>Actual | FY2020<br>Plan |
|--------------|--------------|--------------|----------------------------|------------------|----------------|
| Depreciation | 785          | 722          | -63                        | 3,597            | 3,600          |
| R&D Costs    | 1,497        | 1,464        | -33                        | 6,731            | 7,000          |
|              |              |              | <b>Capital Investments</b> | 3,549            | 3,900          |

## ●FY2020 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, IT systems for increasing operating efficiency, production equipment including equipment related to ramping-up production for two models of ventilators and patient monitors

<Supports for production increase of ventilators and patient monitors by partners>

- Delivery of 1,000 units of carts for ventilators by Honda Motor Co., Ltd.
- Advice for improving the production process for ventilators and patient monitors by Toyota Production System (TPS) Support Team



NKV-330



NKV-550



# 8) COVID-19 Impact on Business

1st Half

2nd Half

## Japan

- ➖ Refrain from nonessential visits to customers until the end of May
- ➖ Decline in the number of procedures such as catheters, pacemakers and ICDs until the end of May
- ➕ Increase in the number of inquiries about ventilators and patient monitors such as telemetry systems and transmitters

People avoid visiting hospitals and clinics



Recovery of medical institutions' earnings will take time

- ➖ Negotiations which do not relate to COVID-19 may be down-scaled or postponed

## International

- ➕ Increase in demand for patient monitors and ventilators in all regions
- ➖ Weak demand for EEGs and hematology analyzers
- ➖ Weak demand for AEDs in the PAD market

Expansion of ICU facilities to deal with acutely ill patients

Economic stagnation/slowdown



Concerns about reduction in governments' budgets and restraints on capital expenditure

- ➕ Stockpiles of patient monitors and ventilators are expected in certain countries
- ➖ Corresponding reactionary decline is expected after the increased demand

**The earnings forecasts are based on the assumption that COVID-19 pandemic will end by the end of FY2020 1H in Japan and FY2020 3Q internationally. The uncertain situation should be monitored carefully.**

## 9) Forecast for FY2020

|  | FY2019<br>Actual | FY2020<br>Forecast | YoY<br>(%) |
|--|------------------|--------------------|------------|
| <b>Net Sales</b>                                     | 185,007          | 180,000            | △ 2.7      |
| <b>Domestic Sales</b>                                | 134,355          | 126,200            | △ 6.1      |
| <b>Overseas Sales</b>                                | 50,651           | 53,800             | 6.2        |
| <b>Gross Profit</b><br>(Gross Profit Margin)         | 89,325<br>48.3%  | 87,200<br>48.4%    | △ 2.4      |
| <b>Operating Income</b><br>(Operating Income Margin) | 15,503<br>8.4%   | 14,000<br>7.8%     | △ 9.7      |
| <b>Ordinary Income</b>                               | 14,846           | 14,000             | △ 5.7      |
| <b>Income Attributable to<br/>Owners of Parent</b>   | 9,854            | 10,000             | 1.5        |
| <b>Percentage of Overseas Sales</b>                  | 27.4%            | 29.9%              |            |

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

← +9% on a local currency basis

### Breakdown of overseas sales by region

|                             | FY2019<br>Actual | FY2020<br>Forecast | YoY<br>(%) |
|-----------------------------|------------------|--------------------|------------|
| <b>Americas</b>             | 24,731           | 26,600             | 7.6        |
| <b>Europe</b>               | 9,044            | 8,800              | -2.7       |
| <b>Asia<br/>&amp; Other</b> | 16,876           | 18,400             | 9.0        |
| <b>Total</b>                | 50,651           | 53,800             | 6.2        |

\*Effective FY2020, Asia and Other are reclassified into Asia & Other.

# (Ref.) Consolidated Forecast FY2020 by Product Category/ Exchange Rates

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

|                                   | FY2019         | FY2020         | Composition<br>ratio (%) | YoY<br>(%)  |
|-----------------------------------|----------------|----------------|--------------------------|-------------|
|                                   | Actual         | Forecast       |                          |             |
| Physiological Measuring Equipment | 42,273         | 37,200         | 20.7                     | -12.0       |
| Patient Monitors                  | 64,966         | 68,500         | 38.1                     | 5.4         |
| Treatment Equipment               | 34,512         | 35,800         | 19.9                     | 3.7         |
| Other Medical Equipment           | 43,254         | 38,500         | 21.3                     | -11.0       |
| <b>Total</b>                      | <b>185,007</b> | <b>180,000</b> | <b>100.0</b>             | <b>-2.7</b> |

(Reference)

|                          |        |        |      |      |
|--------------------------|--------|--------|------|------|
| Consumables and Services | 84,160 | 82,200 | 45.7 | -2.3 |
|--------------------------|--------|--------|------|------|

## Average Exchange Rate

|             | FY2019<br>Actual | FY2020<br>Forecast |
|-------------|------------------|--------------------|
| 1 US Dollar | 109.1 yen        | 107 yen            |
| 1 EURO      | 121.1 yen        | 117 yen            |

## Estimated Exchange Rate Fluctuations for Full Fiscal Year

|             | Sales        | Operating<br>Income |
|-------------|--------------|---------------------|
| 1 US Dollar | 0.33 bil yen | 0.10 bil yen        |
| 1 EURO      | 0.06 bil yen | 0.02 bil yen        |

## Disclaimer:

The contents of this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures described therein.