

Consolidated Financial Highlights for the First Quarter of FY2023 (From April 1, 2023 to June 30, 2023)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

August 3, 2023

Fighting Disease with Electronics



1) Consolidated Financial Results for the 1st Quarter of FY2023

	FY2022 1Q	FY2023 1Q	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	44,363	48,728	9.8	
Domestic Sales	28,971	30,154	4.1	+11% on a local currency basis (±0% on a local currency basis excluding impact of change in fiscal term of Defibtech*)
Overseas Sales	15,391	18,574	20.7	
Gross Profit (Gross Profit Margin)	21,811 49.2%	24,352 50.0%	11.7	In-house sales ratio: FY2022 1Q 70.8% → FY2023 1Q 73.3%
Operating Income (Operating Income Margin)	1,817 4.1%	2,205 4.5%	21.3	SG&A Ratio: 45.1% → 45.5%
Ordinary Income	5,481	5,794	5.7	Foreign exchange gains: ¥3.55 bil → ¥3.53 bil
Income Attributable to Owners of Parent	3,679	3,787	2.9	
Average Exchange Rate	(2022/6)	(2023/6)		
1 US Dollar	124.6 yen	135.4 yen		
1 EURO	136.8 yen	147.9 yen		

*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 FY2023 1Q ended June 30, 2023, Nihon Kohden consolidated the 6 months of Defibtech's operating results from January 1, 2023 to June 30, 2023.

- Overall sales increased 9.8% to ¥48.7 billion.
- Domestic sales increased 4.1% to ¥30.1 billion. Nihon Kohden concentrated on enhancing sales activities which match each market. The Company also focused on its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value. As a result of these initiatives, sales increased.
- Overseas sales increased 20.7% to ¥18.5 billion, an 11% growth on a local currency basis. 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 April 2023. In the 1st quarter of FY2023 ended June 30, 2023, Nihon Kohden consolidated the 6 months of Defibtech's operating results. Overseas sales remained flat on a local currency basis excluding the impact of the change in the fiscal term of Defibtech, LLC.
- Operating income increased 21.3% to ¥2.2 billion due to the increase in sales and higher gross profit margin thanks to a favorable product mix, offsetting the increase of SG&A expenses such as personnel expenses. Gross profit margin was 50.0%.
- Ordinary income increased 5.7% to ¥5.7 billion and income attributable to owners of parent increased 2.9% to ¥3.7 billion, reflecting foreign exchange gains.
- The 1st 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.

2) Highlights of FY2023 1Q

Net Sales : +9.8%

- **Japan**: Sales increased because the Company focused on its consumables and services business. Sales in the private hospital and clinic markets increased favorably, while sales in the university and public hospital markets decreased.
- **International**: 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.

Operating Income : +21.3%

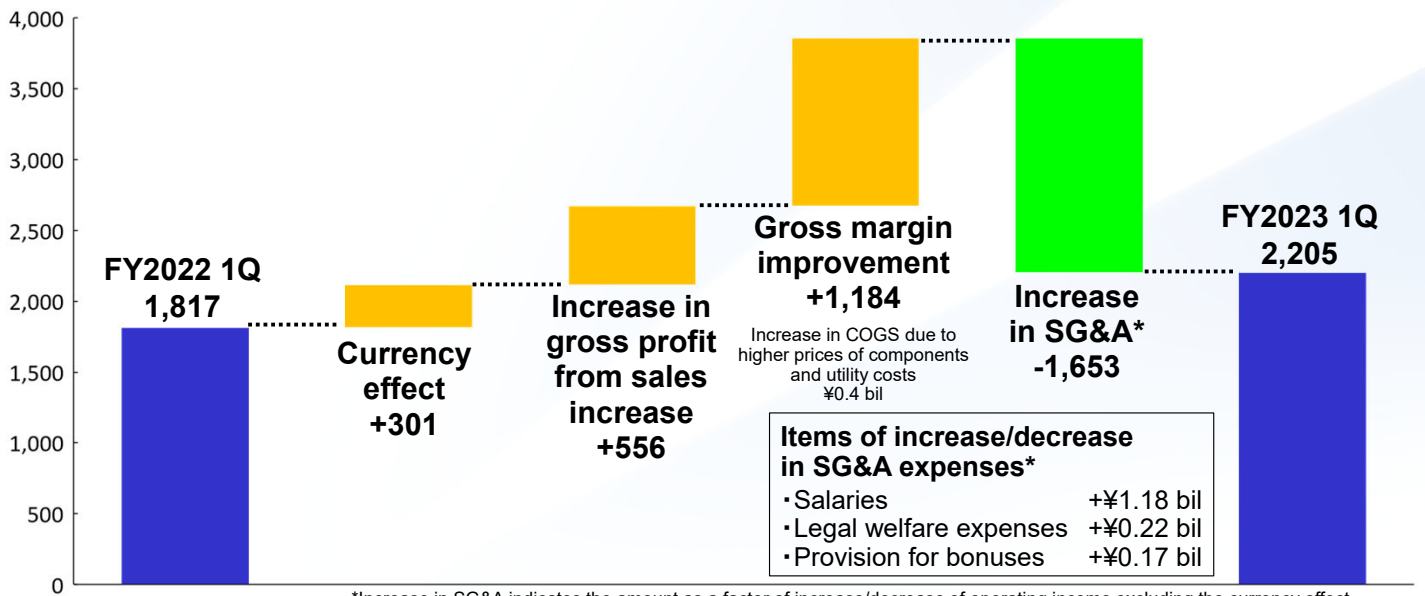
- Operating income increased due to the increase in sales and higher gross profit margin thanks to a favorable product mix, offsetting the increase of SG&A expenses such as personnel expenses.

Ordinary Income : +5.7%

- Foreign exchange gains were recorded.

3) Breakdown of Operating Income

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

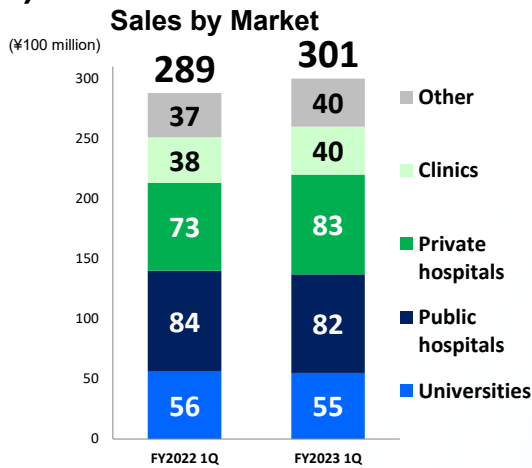


Items of increase/decrease in SG&A expenses*	
• Salaries	+¥1.18 bil
• Legal welfare expenses	+¥0.22 bil
• Provision for bonuses	+¥0.17 bil

*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect. Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

- In the 1st quarter of FY2023, operating income increased to ¥2.2 billion from ¥1.8 billion in the 1st quarter of FY2022.
- Currency effect had a positive impact of ¥0.3 billion.
- The increase in gross profit from sales increase was ¥0.5 billion.
- Gross margin improvement was a positive factor worth ¥1.1 billion. This was due to a favorable product mix as the Company focused on selling in-house products in Japan. The increase in cost of goods sold due to higher prices of components and utility costs was around ¥0.4 billion which was offset by price optimization both in Japan and internationally.
- SG&A expenses were a negative factor worth ¥1.6 billion due to strengthening of human resources.

4) Domestic Sales



Sales by Product Category

(Sales, millions of yen)

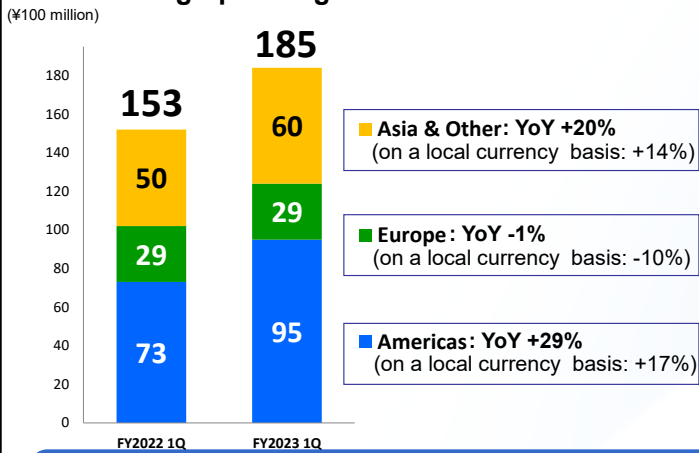
	FY2022 1Q	FY2023 1Q	YoY (%)
Physiological Measuring Equipment	7,897	8,262	4.6
Patient Monitors	9,203	9,818	6.7
Treatment Equipment	5,648	6,048	7.1
Other Medical Equipment	6,222	6,024	-3.2
Total Sales	28,971	30,154	4.1

- 【Markets】** As the number of testing and surgical procedures in medical institutions continued to recover and the Company focused on its consumables and services business, sales in the private hospital and clinic markets increased favorably. Sales in the university market decreased compared to the strong performance in FY2022 1Q when capital expenditure by medical institutions resumed. In the public hospital market, sales of locally purchased products decreased.
- 【Products】** **Physiological Measuring Equipment:** Sales of diagnostic information systems achieved double-digit growth. Sales of ECGs increased favorably. Sales of EEGs and polygraphs for cath lab also increased.
Patient Monitors: Sales of clinical information systems and telemetry systems achieved double-digit growth. Sales of consumables such as sensors also increased favorably.
Treatment Equipment: Sales of AEDs and pacemakers / ICDs achieved double-digit growth due to a recovery in demand. Sales of defibrillators also increased.
Other Medical Equipment: Sales of locally purchased products decreased, as the Company focused on selling in-house products. Sales of hematology instruments increased favorably.

- Domestic sales increased by ¥1.2 billion to ¥30.1 billion, as the number of testing and surgical procedures in medical institutions continued to recover and the Company focused on its consumables and services business.
- Sales in the private hospital and clinic markets increased favorably. Sales in the university market decreased compared to the strong performance in the 1st quarter of FY2022 when capital expenditure by medical institutions resumed. In the public hospital market, sales of locally purchased products 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.
- In Physiological Measuring Equipment, sales of diagnostic information systems achieved double-digit growth due in part to a postponement in some installations from the previous fiscal year. Sales of ECGs increased favorably. Sales of EEGs and polygraphs for cath lab also increased due to the increase in the number of testing and surgical procedures in medical institutions.
- In Patient Monitors, sales of clinical information systems remained strong and sales of telemetry systems recovered, resulting in double-digit sales growth for both products. Sales of consumables such as sensors also increased favorably.
- In Treatment Equipment, sales of AEDs and pacemakers / ICDs achieved double-digit growth due to a recovery in demand. Sales of defibrillators also increased. As for AEDs, sales of consumables such as pads and batteries increased favorably.
- In Other Medical Equipment, sales of locally purchased products decreased, while sales of hematology instruments increased favorably.

5) Overseas Sales

Geographic segments



Percentage of overseas sales to consolidated sales

	FY2022 1Q	FY2023 1Q
Percentage of overseas sales to consolidated sales	34.7%	38.1%

Sales by Product Category

(Sales, millions of yen)

	FY2022 1Q	FY2023 1Q	YoY (%)
Physiological Measuring Equipment	2,133	2,493	16.9
Patient Monitors	7,714	7,809	1.2
Treatment Equipment	3,994	6,664	66.9
Other Medical Equipment	1,549	1,607	3.7
Total Sales	15,391	18,574	20.7

+11% on a local currency basis
(±0% on a local currency basis excluding impact of change in fiscal term of Defibtech)

- [Region]** **Americas:** Sales in the U.S. showed double-digit growth, as there was an impact of change in the fiscal term of Defibtech, LLC. Sales in Latin America also increased favorably, mainly in Mexico.
Europe: Sales decreased, as sales in Germany decreased compared to the strong growth in FY2022 1Q. Sales in France, Spain, and the U.K. increased.
Asia & Other: Sales achieved double-digit growth due to the strong sales in China, where patient monitors were installed due to the COVID-19 resurgence. Sales in the Middle East and South Korea also showed strong growth.
- [Products]** **Physiological Measuring Equipment:** Sales of ECGs showed strong growth, due to a recovery in demand in China. Sales of EEGs also increased, driven by growth in Asia & Other.
Patient Monitors: Sales in Asia & Other increased favorably, mainly in China. Sales in Europe and the U.S. decreased.
Treatment Equipment: Sales of AEDs increased favorably, excluding the impact of change in fiscal term of Defibtech, LLC. Sales of ventilators decreased in Europe and Asia & Other.
Other Medical Equipment: Sales of hematology analyzers and reagents increased, driven by growth in Asia & Other.

- Overseas sales increased by ¥3.2 billion to ¥18.5 billion, an 11% growth on a local currency basis. 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. Overseas sales remained flat on a local currency basis excluding the impact of change in the fiscal term of Defibtech, LLC. The overseas sales ratio was 38.1%.
- In the Americas, sales in the U.S. showed double-digit growth. Sales of AEDs increased favorably, excluding the impact of the change in fiscal term. Sales of ventilators also increased thanks to the launch of a new product. Sales of Patient Monitors and EEGs decreased, as the cycle from order to delivery and installation has become longer. Sales in Latin America increased favorably, mainly in Mexico.
- Sales in Europe decreased, as sales in Germany decreased compared to the strong growth in the 1st quarter of FY2022. 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. The fiscal year-end of our subsidiary in China is December 31. Sales in China in the 1st half of FY2023 are expected to result in a double-digit growth both on a local currency basis and on a yen basis.
- 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. In Physiological Measuring Equipment, sales of ECGs showed strong growth, due to a recovery in demand in China. Sales of EEGs also increased, driven by growth in Asia & Other. In Patient Monitors, sales in Asia & Other increased favorably, mainly in China, while sales in Europe and the U.S. decreased. In Treatment Equipment, sales of AEDs increased favorably, excluding the impact of the change in fiscal term. Sales of ventilators decreased in Europe and Asia & Other. Sales of hematology analyzers and reagents increased, driven by growth in Asia & Other.

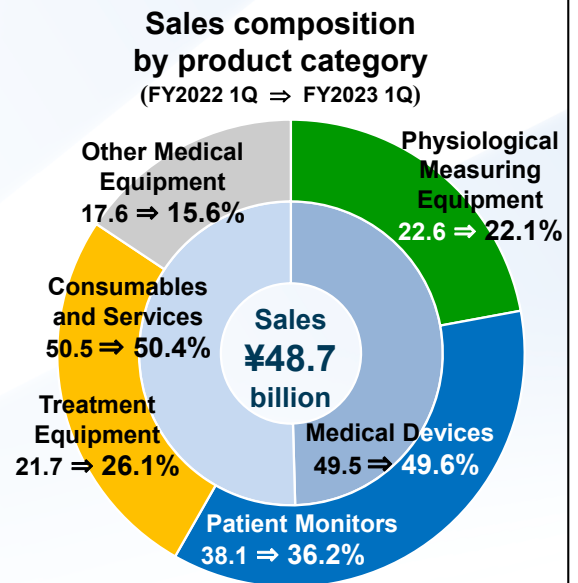
6) Sales by Product Category

(Sales, millions of yen)

	FY2022 1Q	FY2023 1Q	YoY (%)
Physiological Measuring Equipment	10,031	10,756	7.2
Patient Monitors	16,917	17,627	4.2
Treatment Equipment	9,642	12,713	31.8
Other Medical Equipment	7,771	7,631	-1.8
Total Sales	44,363	48,728	9.8

(Reference)

Medical Devices	21,953	24,150	10.0
Consumables and Services	22,409	24,578	9.7



- Sales of Physiological Measuring Equipment increased 7.2% to ¥10.7 billion.
- Sales of Patient Monitors increased 4.2% to ¥17.6 billion.
- Sales of Treatment Equipment increased 31.8% to ¥12.7 billion.
- Sales of Other Medical Equipment decreased 1.8% to ¥7.6 billion.
- Sales of Consumables and Services increased 9.7% to ¥24.5 billion. As the number of testing and surgical procedures in medical institutions continued to recover and the Company focused on its consumables and services business, sales increased favorably both in Japan and internationally.

(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2022 1Q	FY2023 1Q	Treatment Equipment	FY2022 1Q	FY2023 1Q
Electroencephalographs	2.1	2.1	Defibrillators (for Hospital and Ambulance)	1.6	1.6
Electrocardiographs	1.4	1.7	AEDs (Automated External Defibrillator)	4.2	7.8
Polygraphs for Cath Lab	4.1	4.2	Pacemakers / ICDs	0.5	0.6
Other Physiological Measuring Equipment *	2.3	2.6	Ventilators	1.3	0.6
*Includes diagnostic information systems and products of other companies.			Other Treatment Equipment	1.8	1.8

Other Medical Equipment	FY2022 1Q	FY2023 1Q
Hematology Analyzers	2.5	2.6
Imaging Systems and Others *	5.2	4.9

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

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

7) Topics

New products

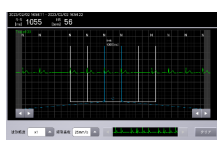
Patient Monitoring Business

Telemetry system WEP-1600

Launched in Japan in FY2023 2Q



Monitoring up to 16 patients



Caliper/Divider function

- Newly installed caliper/divider function enables efficient reviewing of arrhythmia waveforms
- Newly installed vital sign viewer function* enables long-term data storage and reference on the server
- WEB browser function enables remote data reference on PCs in hospital

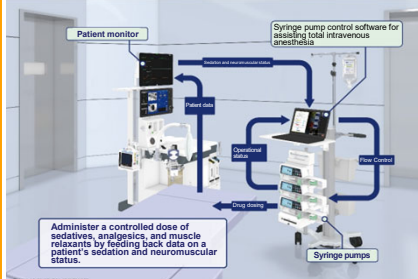
*option

Treatment Equipment Business

Syringe pump control software for assisting total intravenous anesthesia ROP-1680

AsiTIVA

Started promotion in Japan in FY2023 1Q,
Launched in Japan in FY2023 2Q



- Training courses for proper use of the software are under development based on application guidelines by a related medical society

Ventilator NKV-440

U.S. R&D

U.S. production



Launched in some emerging countries in FY2023 3Q
Received FDA approval in FY2023 1Q
Planned to launch in the U.S. in FY2023 2H

- Lung Protection Apps
- Eliminate the need to connect pneumatic piping by turbine-driven platform
- Compact and light body with replaceable long-time battery

Tracheal intubation ventilator for transportation in hospital

- Our new products in FY2023 are shown above.
- We launched a new model of telemetry system in Japan. It enables efficient reviewing of arrhythmia waveforms by a newly installed function which is useful for ECG measurement. It also newly incorporates a function that enables long-term storage of data such as vital signs on the server for later reference, which is useful for ex-post verification. In addition, we expect that its WEB browser function for remote data reference away from patients will contribute to improving the operational efficiency of medical staff.
- A software that administers a controlled dose of anesthetics using the patient's vital signs as a guide, AsiTIVA, was launched in Japan in July 2023. We are developing training courses for our sales reps and for anesthesiologists based on application guidelines for proper use of the software by a related medical society. The use of this software is expected to ease the workload of anesthesiologists and contribute to improving medical safety during operations.
- The NKV-440, a ventilator developed by Nihon Kohden OrangeMed in the U.S., was launched in certain overseas markets in December 2022 and received FDA approval in June 2023. We are currently preparing for its launch in the U.S. in the 2nd half of FY2023. In contrast to our existing models, it can be used during transport in hospital because it uses a turbine-driven platform that eliminates the need to connect pneumatic piping to the ventilator. It also has a compact and light body with a replaceable long time battery. We will work to capture demand from ICUs in emerging markets and emergency rooms and general wards in developed markets.

8) Capital Investments and R&D Costs

(Millions of yen)

	FY2022 1Q	FY2023 1Q	Change	FY2022 Actual	FY2023 Plan
Capital Investments	1,196	1,067	-129	8,294	5,000
Depreciation	825	832	6	3,675	4,100
R&D Costs	1,412	1,559	146	6,200	7,200

● FY2023 capital investments 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 Summer 2023
Operation: Planned to start in Summer 2024

Introduction of PLM/MES* systems
Capital Investments: approx. ¥2.5 bil

< FY2022: ¥0.3 bil
FY2023-FY2025: ¥2.2 bil

PLM/MES: Planned to start operation in FY2025

Establishment of new plant in Tsurugashima City
Total investments: approx. ¥9 to 11 bil

< FY2022: ¥2.3 bil
(Acquisition of the site)
FY2024: approx. ¥6.5 to 8.5 bil

Construction: Planned to start in Spring 2024 and be completed in Spring 2025
Operation: Planned to start in 2026

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

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- Capital investments, depreciation, and R&D costs were ¥1 billion, ¥0.8 billion, and ¥1.5 billion, respectively. These were in line with the schedule.
- There are no changes to our forecasts for full-year capital investments of ¥5 billion, depreciation of ¥4.1 billion, and R&D costs of ¥7.2 billion.

9) Forecast for FY2023

(Billions of yen)

	FY2022 Actual		FY2023 Forecast			
	First Half	Full Year	First Half	YoY (%)	Full Year	YoY (%)
Net Sales	94.3	206.6	98.5	4.4	215.0	4.1
Domestic Sales	62.5	135.7	—	—	139.5	2.8
Overseas Sales	31.7	70.8	—	—	75.5	6.5
Gross Profit	47.5	105.9	—	—	109.0	2.9
(Gross Profit Margin)	50.4%	51.3%			50.7%	
Operating Income	7.2	21.1	6.0	-16.9	21.5	1.8
(Operating Income Margin)	7.6%	10.2%	6.1%		10.0%	
Ordinary Income	13.0	24.1	6.0	-53.9	21.5	-10.9
Income Attributable to Owners of Parent	8.5	17.1	4.0	-53.2	14.5	-15.3
Percentage of Overseas Sales	33.7%	34.3%			35.1%	

+12% on a local currency basis

Breakdown of overseas sales by region

(Millions of yen)

	FY2022 Actual	FY2023 Forecast	YoY (%)
Americas	36,818	40,200	9.2
Europe	12,349	11,700	-5.3
Asia & Other	21,701	23,600	8.7
Total	70,869	75,500	6.5

*The assumed exchange rates from FY2023 2Q remain 125 yen to the U.S. dollar and 139 yen to the euro.

- The 1st 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 1st 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 1st half of FY2023 and FY2023. The assumed exchange rates also remain unchanged.
- Domestic sales for the 1st half of FY2023 are expected to increase by low to mid-single digits. We expect the consumables and services business to remain strong as the number of testing and surgical procedures in medical institutions will increase. Demand for medical equipment and IT systems which contribute to improving the quality and efficiency of medical care are expected to remain steady.
- Overseas sales for the 1st half of FY2023 are expected to increase by double digits. We expect a recovery in sales from the 1st half of FY2022 when there were loss of business opportunities and delays in supplying new models due to product supply issues. In the Americas, we aim at double-digit growth in sales. In the U.S., we will focus on delivery and installation of new models of mid-range bedside monitors and ventilators, and sales of AEDs are expected to increase favorably. Sales in Asia & Other will increase, as sales in China are expected to result in a double-digit growth both on a local currency basis and on a yen basis. On the other hand, sales in Europe will decrease on a local currency basis and increase on a yen basis.
- We expect to secure a gross profit margin of 50% in the 1st half of FY2023. Because of the impact of an increase in cost of goods sold due to higher prices of components and utility costs, the Company will continue to work on optimizing its selling prices both in Japan and internationally. SG&A expenses such as personnel expenses will increase compared to the 1st half of FY2022, while we will restrain growth of expenditures.

(Ref.) Consolidated Forecast for FY2023 by Product Category/ Effect of Exchange Rates

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

	FY2022	FY2023	Composition ratio (%)	YoY (%)
	Actual	Forecast		
Physiological Measuring Equipment	43,287	44,100	20.5	1.9
Patient Monitors	80,815	83,400	38.8	3.2
Treatment Equipment	44,463	48,200	22.4	8.4
Other Medical Equipment	38,036	39,300	18.3	3.3
Total	206,603	215,000	100.0	4.1

(Reference)

Medical Services	108,904	113,000	52.6	3.8
Consumables and Services	97,699	102,000	47.4	4.4

Average Exchange Rate

	FY2022 Actual	FY2023 Forecast
1 US Dollar	134.6 yen	125 yen
1 EURO	141.0 yen	139 yen

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.41 bil yen	0.13 bil yen
EURO	0.06 bil yen	0.02 bil yen

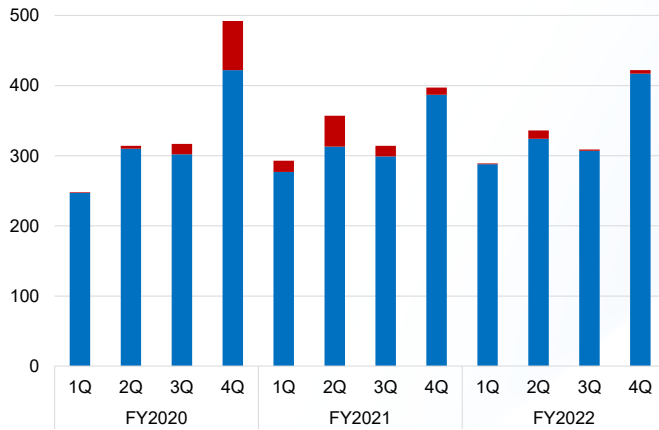
- The Company also reaffirms its forecasts for FY2023 by product category.

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

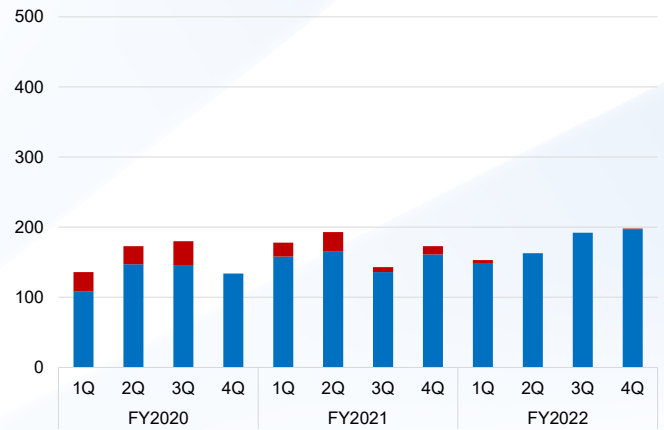
■ COVID-19-related demand
■ Non-COVID-19-related demand

(¥100 million)

Domestic Sales



Overseas Sales



COVID-19-related demand (full-year)	FY2020		FY2021		FY2022	
	Japan	International	Japan	International	Japan	International
Patient Monitors	approx. ¥4.0 bil	approx. ¥4.5 bil	approx. ¥6.0 bil	approx. ¥3.5 bil	approx. ¥1.5 bil	approx. ¥0.3 bil
Ventilators	approx. ¥5.0 bil	approx. ¥4.0 bil	approx. ¥2.5 bil	approx. ¥1.5 bil	approx. ¥0.5 bil	approx. ¥0.1 bil
Defibrillators	—	approx. ¥0.5 bil	—	approx. ¥1.0 bil	—	approx. ¥0.1 bil
Total	approx. ¥9.0 bil	approx. ¥9.0 bil	approx. ¥8.5 bil	approx. ¥6.0 bil	approx. ¥2.0 bil	approx. ¥0.5 bil

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