

Consolidated Financial Highlights for the First Quarter of FY2024 (From April 1, 2024 to June 30, 2024)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

August 2, 2024

Fighting Disease with Electronics



1) Consolidated Financial Results for the 1st Quarter of FY2024

	FY2023 1Q	FY2024 1Q	YoY (%)
Net Sales	48,728	46,227	-5.1
Domestic Sales	30,154	29,493	-2.2
Overseas Sales	18,574	16,734	-9.9
Gross Profit (Gross Profit Margin)	24,352 50.0%	21,857 47.3%	-10.2
Operating Income (Operating Income Margin)	2,205 4.5%	-1,248 —	—
Ordinary Income	5,794	1,674	-71.1
Income Attributable to Owners of Parent	3,787	766	-79.8

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

-21% on a local currency basis
(-9% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023 1Q*)

In-house sales ratio: FY2023 1Q **73.3%** → FY2024 1Q **68.9%**

SG&A Ratio: **45.5%** → **50.0%**

Foreign exchange gains:
¥3,532 mil → **¥2,741 mil**

Average Exchange Rate	(2023/6)	(2024/6)
1 US Dollar	135.4 yen	154.7 yen
1 EURO	147.9 yen	166.7 yen

*In the previous fiscal year, 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.

2) Highlights of FY2024 1Q

Net Sales : -5.1%

- **Japan**: Sales decreased due to a reactionary decline in sales of IT systems compared to the strong growth due to large orders in FY2023 1Q, while sales of consumables and services increased.
- **International**: Overseas sales decreased, due to the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. in FY2023 1Q. Another reason was that sales in Asia & Other decreased, mainly in China.

Operating Loss : ¥1,248 million (Operating income of ¥2,205 million in FY2023 1Q)

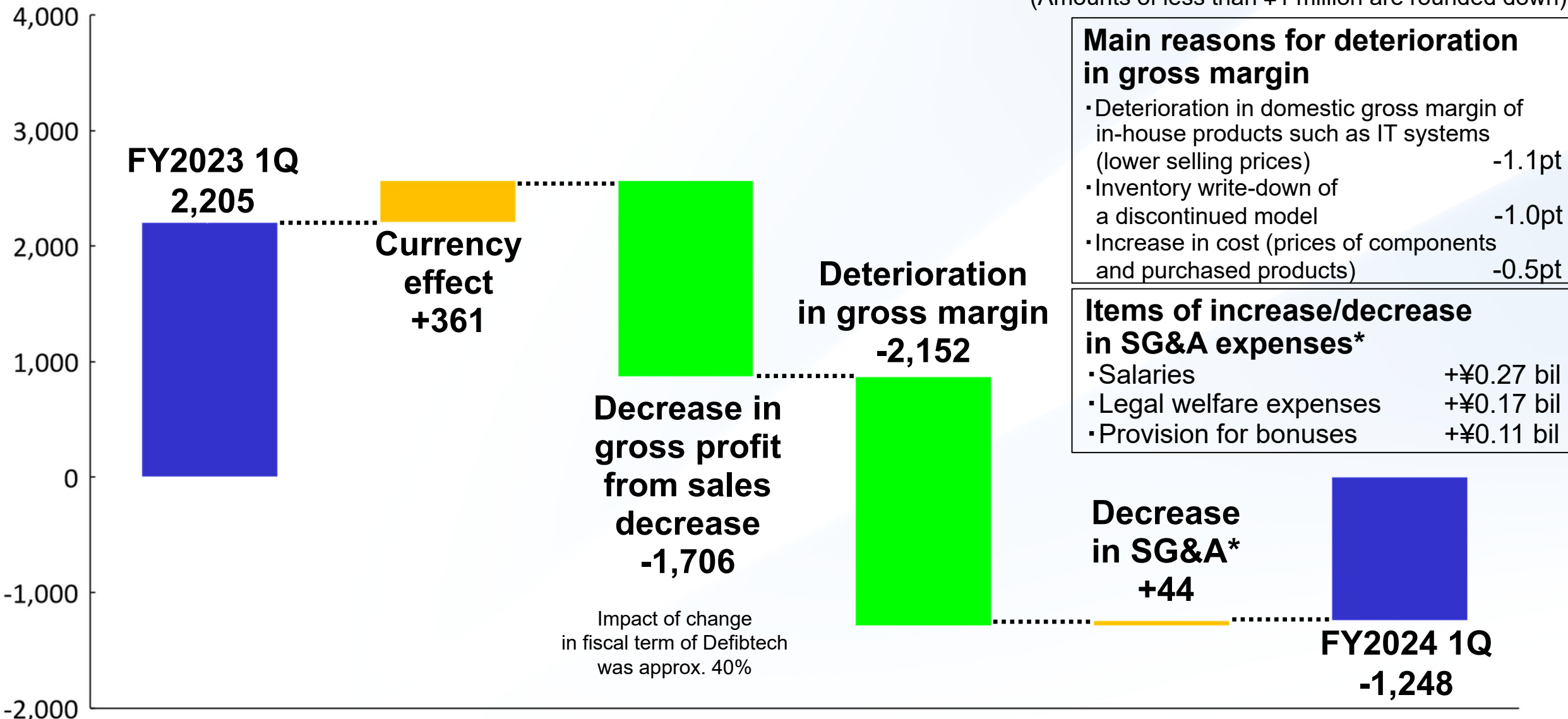
- Sales decreased and gross profit margin was lower, because domestic gross profit margin of in-house products such as IT systems decreased and inventory write-down of a discontinued model was recorded.

Ordinary Income : -71.1%

- Ordinary income was recorded, reflecting foreign exchange gains.

3) Breakdown of Operating Income

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



Main reasons for deterioration in gross margin

- Deterioration in domestic gross margin of in-house products such as IT systems (lower selling prices) -1.1pt
- Inventory write-down of a discontinued model -1.0pt
- Increase in cost (prices of components and purchased products) -0.5pt

Items of increase/decrease in SG&A expenses*

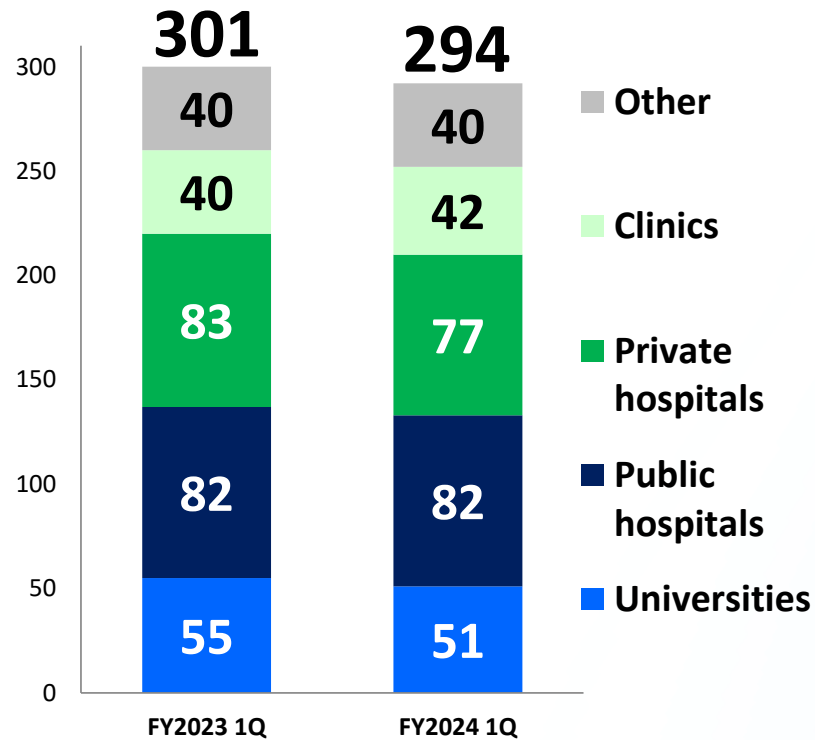
- Salaries +¥0.27 bil
- Legal welfare expenses +¥0.17 bil
- Provision for bonuses +¥0.11 bil

*Decrease 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.

4) Domestic Sales

Sales by Market

(¥100 million)



Sales by Product Category

(Sales, millions of yen)

	FY2023 1Q	FY2024 1Q	YoY (%)
Physiological Measuring Equipment	8,262	7,760	-6.1
Patient Monitors	9,818	9,038	-7.9
Treatment Equipment	6,048	6,641	9.8
Other Medical Equipment	6,024	6,051	0.5
Total Sales	30,154	29,493	-2.2

[Markets] Sales in the university and private hospital markets decreased and sales in the public hospital market remained flat. Sales in the clinic market increased favorably.

[Products] Physiological Measuring Equipment: Sales of diagnostic information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1Q. Sales of ECGs and EEGs also decreased. Sales of polygraphs for cath lab increased.

Patient Monitors: Sales of clinical information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1Q. Sales of transmitters also decreased. Sales of telemetry systems increased favorably, supported by the launch of new products.

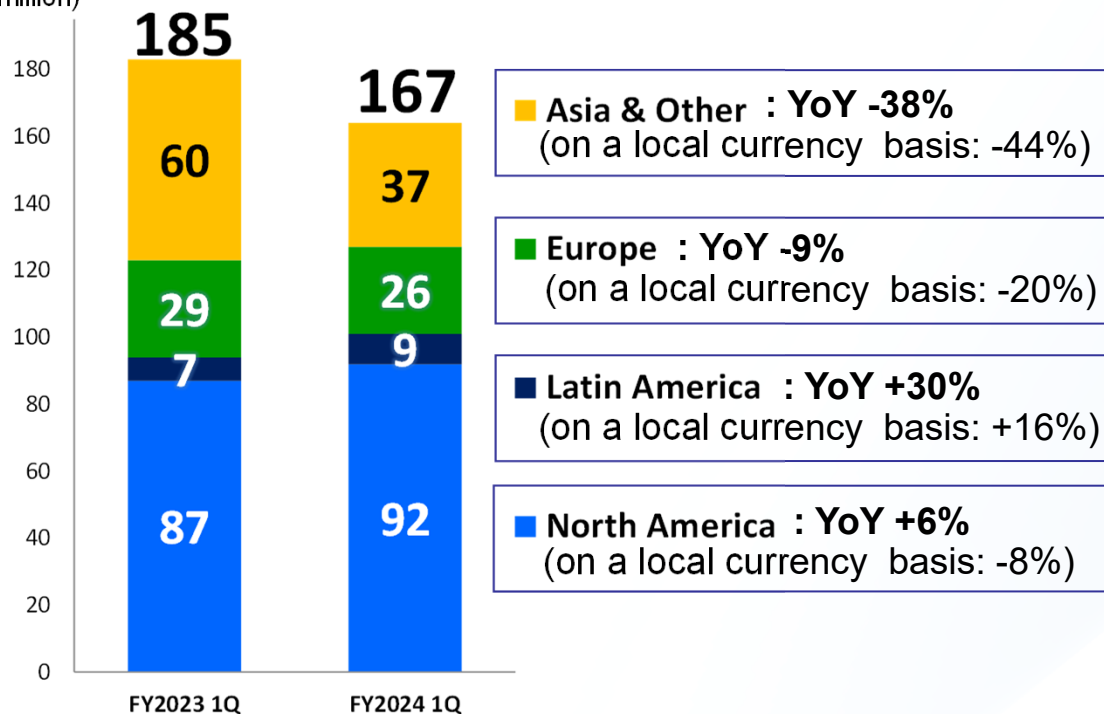
Treatment Equipment: Sales of AEDs and ventilators achieved double-digit growth. Sales of defibrillators and pacemakers / ICDs decreased.

Other Medical Equipment: Sales of imaging systems were double-digit growth. Sales of hematology instruments and locally purchased products decreased.

5) Overseas Sales

Geographic Segments

(¥100 million)



Percentage of overseas sales to consolidated sales

	FY2023 1Q	FY2024 1Q
Percentage of overseas sales to consolidated sales	38.1%	36.2%

Sales by Product Category

(Sales, millions of yen)

	FY2023 1Q	FY2024 1Q	YoY (%)
Physiological Measuring Equipment	2,493	2,409	-3.4
Patient Monitors	7,809	8,275	6.0
Treatment Equipment	6,664	4,193	-37.1
Other Medical Equipment	1,607	1,855	15.4
Total Sales	18,574	16,734	-9.9

-21% on a local currency basis
(-9% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023 1Q)

- [Region]**
- North America:** Sales of patient monitors, ventilators, and neurology products increased favorably, while sales of AEDs decreased.
 - Latin America:** Sales achieved double-digit growth, mainly in Brazil and Mexico. Sales in all product categories increased.
 - Europe:** Sales decreased, as sales of AEDs decreased mainly in the Netherlands and the U.K., while sales in Germany increased.
 - Asia & Other:** Sales decreased, as sales in China and the Middle East decreased compared to the strong growth in FY2023 1Q, as well as lower sales in Southeast Asia.
- [Products]**
- Physiological Measuring Equipment:** Sales of ECGs decreased compared to the strong growth in China in FY2023 1Q. Sales of EEGs decreased in China, compared to favorable sales in North America, Europe, and Latin America.
 - Patient Monitors:** Sales in North America, Europe, and Latin America achieved double-digit growth. Sales in Asia & Other decreased compared to the strong growth in China and the Middle East in FY2023 1Q.
 - Treatment Equipment:** Sales of AEDs decreased due to the impact of change in fiscal term of Defibtech, LLC. Sales of ventilators increased significantly, especially for a mask-type ventilator in North America.
 - Other Medical Equipment:** Sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.

6) Sales by Product Category

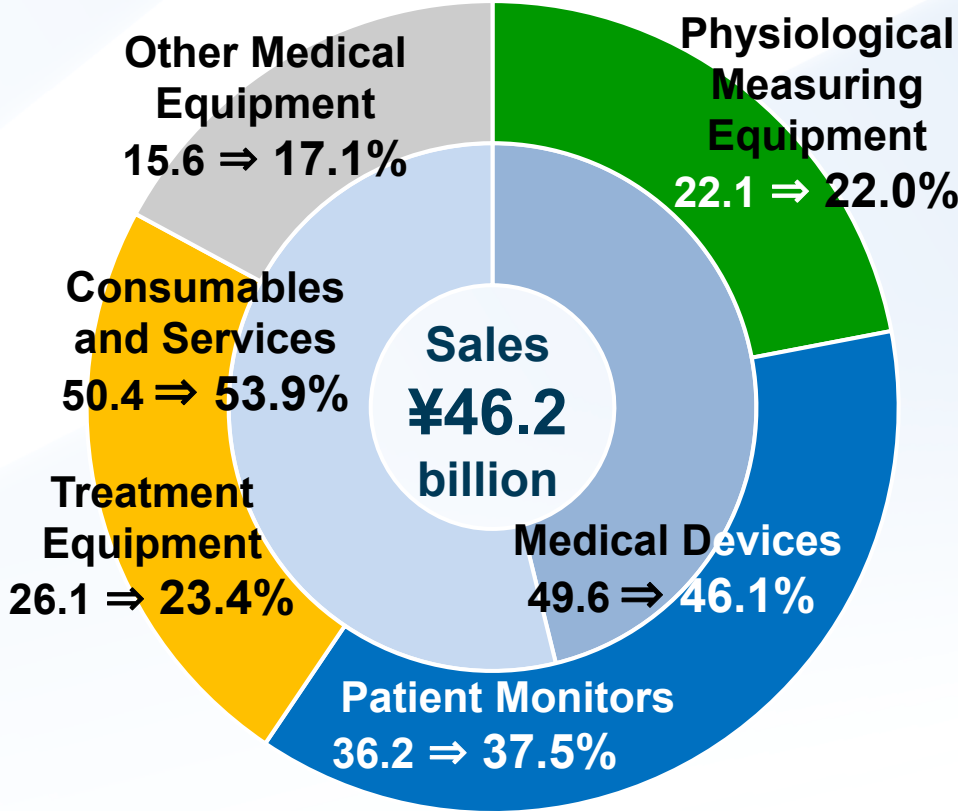
(Sales, millions of yen)

	FY2023 1Q	FY2024 1Q	YoY (%)
Physiological Measuring Equipment	10,756	10,170	-5.4
Patient Monitors	17,627	17,314	-1.8
Treatment Equipment	12,713	10,835	-14.8
Other Medical Equipment	7,631	7,906	3.6
Total Sales	48,728	46,227	-5.1

(Reference)

Medical Devices	24,150	21,331	-11.7
Consumables and Services	24,578	24,895	1.3

**Sales composition
by product category**
(FY2023 1Q ⇒ FY2024 1Q)



(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2023 1Q	FY2024 1Q
Electroencephalographs	2.1	2.1
Electrocardiographs	1.7	1.3
Polygraphs for Cath Lab	4.2	4.3
Diagnostic Information Systems	1.4	1.0
Other Physiological Measuring Equipment *	1.1	1.4

*Includes products of other companies.

Treatment Equipment	FY2023 1Q	FY2024 1Q
Defibrillators (for Hospital and Ambulance)	1.6	1.5
AEDs (Automated External Defibrillator)	7.8	5.2
Pacemakers / ICDs	0.6	0.6
Ventilators	0.6	1.4
Other Treatment Equipment	1.8	1.9

Patient Monitors	FY2023 1Q	FY2024 1Q
Patient Monitors	17.6	17.3
Clinical Information Systems	1.3	0.9

Other Medical Equipment	FY2023 1Q	FY2024 1Q
Hematology Instruments	2.6	2.9
Imaging Systems and Others *	4.9	5.0

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

7) Topics

Announced New Vendor-Partnership with Houston Methodist

- Major IDN* in Texas, the U.S., which owns eight hospitals with approx. 2,700 operating beds

In FY2023 3Q

Signed a five-year contract



In FY2024 1Q

Announced our partnership, preparing for delivery to affiliated hospitals

*IDN: Integrated Delivery Network.

New products to be launched in FY2024

Patient Monitoring Business

Central monitor CNS-2101

Launched in Japan in FY2021 3Q
Launched in the U.S. in FY2023 3Q

Planned to launch in Europe
and emerging markets in FY2024



Mid-to low-end bedside monitors

Planned to launch in Japan, Europe,
and emerging markets in FY2024

Treatment Equipment Business

Ventilator NKV-440

U.S. production

U.S. R&D

Launched in some emerging
countries in FY2022 4Q

Planned to launch
in the U.S. in FY2024



Defibrillator for hospital

Planned to launch in Japan
and emerging markets in FY2024

Solution Business (ITS+DHS)

Remote ICU solution RemoteSense

U.S. R&D

Launched in the U.S.
in FY2024 1Q
Planned to add functions
in FY2024 2Q



Dashboard software for monitoring patient condition

Planned to launch in Japan in FY2024

* The actual launch dates varied in accordance with the examination period for regulatory approval in each country.

8) Financial Condition

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

	FY2023	FY2024 1Q	Change		FY2023	FY2024 1Q	Change
Current Assets	184,333	172,437	-11,896	Current Liabilities	49,901	42,338	-7,563
Inventories	57,787	59,305	1,517	Interest-bearing Debt	579	584	4
Property, Plant & Equipment	25,418	26,602	1,183	Non-current Liabilities	2,249	2,238	-10
Intangible Assets	4,852	5,161	309	Net Assets	181,082	179,211	-1,871
Investments & Other Assets	18,628	19,586	958				
Total Assets	233,233	223,787	-9,446	Total Liabilities & Net Assets	233,233	223,787	-9,446

Inventory Turnover	6.3 months	6.4 months		Equity Ratio	77.6%	80.1%	
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[Reasons for the decrease of current assets]
Notes and accounts receivable decreased by ¥12 bil.

[Reasons for the increase of Property, Plant & Equipment]
Construction cost of
new plant in Tsurugashima City was ¥1.3 bil.

[Cancellation of treasury shares]
Cancellation of 5.5 mil shares on July 19, 2024
As of end of July 2024:
Total number of shares issued after cancellation:
170 mil shares
Number of treasury stock: 3.13 mil shares
(stockholding ratio: 1.8%)

9) Cash Flows

	FY2023 1Q	FY2024 1Q	Change
I . Cash flows from operating activities	4,991	-544	-5,536
II . Cash flows from investing activities	-1,077	-1,115	-38
Free cash flows	3,914	-1,660	-5,574
III . Cash flows from financing activities	-3,476	-2,581	894
Effect of exchange rate change on cash and cash equivalents	1,473	1,157	-315
Net increase (decrease) in cash and cash equivalents	1,911	-3,083	-4,995
Cash and cash equivalents at end of period	45,899	46,794	894

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

	FY2023 1Q	FY2024 1Q	Change
Income before income taxes	5,794	1,669	-4,124
Decrease (increase) in accounts receivable	9,625	12,623	+2,997
Decrease (increase) in inventories	-2,281	82	+2,363
Income taxes paid	-2,725	-5,360	-2,634

	FY2023 1Q	FY2024 1Q	Change
Cash dividends paid	-3,396	-2,565	+830

[Planned to acquire own shares]

Acquisition period: From August 5, 2024, to March 31, 2025
 Total amount of share acquisition costs: Up to ¥10 billion

10) Capital Investments and R&D Costs

(Millions of yen)

	FY2023 1Q	FY2024 1Q	Change	FY2023 Actual	FY2024 Plan
Capital Investments	1,067	2,222	1,154	4,978	10,300
Depreciation	832	933	101	3,704	4,500
R&D Costs	1,559	1,602	43	6,996	7,500

● FY2024 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

Introduction of PLM/MES* systems

Capital Investments: approx. ¥3.0 bil < FY2022: ¥0.3 bil, FY2023: ¥0.5 bil
FY2024: ¥1.1 bil, FY2025: ¥1.1 bil

PLM/MES:
Planned to start operation in FY2025

Establishment of new plant in Tsurugashima City

Total investments: approx. ¥11.0 bil < FY2022: ¥2.3 bil
(Acquisition of the site)
~FY2024: ¥4.1 bil, FY2025~: ¥4.6 bil
(Building and facilities)

Construction: **Started in July 2024** and
be completed at end of 2025
Operation: Planned to start in 2026



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

11) Forecast for FY2024 1H

(Billions of yen)

	FY2023 1H	FY2024 1H Forecast			
	Actual	Original forecast announced May 13 (A)	Revised forecast announced Aug 2 (B)	Difference (B) - (A)	YoY (%)
Net Sales	103.5	104.0	102.0	-2.0	-1.5
Domestic Sales	65.7	—	—	—	—
Overseas Sales	37.8	—	—	—	—
Gross Profit (Gross Profit Margin)	52.0 50.2%	—	—	—	—
Operating Income (Operating Income Margin)	7.4 7.2%	7.0 6.7%	3.0 2.9%	-4.0	-60.0
Ordinary Income	12.5	7.0	3.0	-4.0	-76.1
Income Attributable to Owners of Parent	7.9	4.5	1.5	-3.0	-81.2

*The assumed exchange rates in FY2024 2Q are 150 yen to the U.S. dollar and 160 yen to the euro.

12) Reason for the Revision

Net Sales
 [down ¥2.0 bil
 from previous
 forecast]

**Domestic
 Sales**

- Sales are expected to show a low-single-digit decline.
- Each medical institution is facing difficulty in securing medical professionals, responding to work style reforms for medical staff and the medical treatment fee revision.
- Budget executions in the university and public hospital markets will be more concentrated in FY2024 2H than its expectations. There is also a cautious stance on capital expenditure by private hospitals.

**Overseas
 Sales**

- Sales are expected to show a low-single-digit decline on a yen basis. (Double-digit decline on a local currency basis, Low-single-digit decline on a local currency basis, ex impact of change in fiscal term)
- Sales in China will continue to decrease in FY2024 2Q and business deals and budget executions in the Middle East and Southeast Asia will be more concentrated in FY2024 2H than its expectations.
- In North America, which is a market that the Company is focusing on, sales of patient monitors, ventilators, and neurology products are expected to increase favorably.

**Operating Income
 Ordinary Income**
 [down ¥4.0 bil]
**Income Attributable to
 Owners of Parent**
 [down ¥3.0 bil]

- In FY2024 1H, gross profit margin will be less than 50%.
- In FY2024 2Q, income is expected to be lower than its previous forecasts, as sales will be lower than expected. The Company aims at securing gross profit margin of 50% by focusing on selling its in-house products.

13) Forecast for FY2024

	FY2023 Actual	FY2024 Forecast	YoY (%)
Net Sales	221,986	229,000	3.2
Domestic Sales	142,370	147,000	3.3
Overseas Sales	79,615	82,000	3.0
Gross Profit (Gross Profit Margin)	111,346 50.2%	118,000 51.5%	6.0
Operating Income (Operating Income Margin)	19,591 8.8%	23,000 10.0%	17.4
Ordinary Income	25,589	23,000	-10.1
Income Attributable to Owners of Parent	17,026	16,000	-6.0
Percentage of Overseas Sales	35.9%	35.8%	

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

+5% on a local currency basis
(+7% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023)

Breakdown of overseas sales by region

	FY2023 Actual	FY2024 Forecast	YoY (%)
North America	37,058	38,100	2.8
Latin America	6,039	5,200	-13.9
Europe	13,104	12,400	-5.4
Asia & Other	23,413	26,300	12.3
Total	79,615	82,000	3.0

The Company reaffirms its forecast for FY2024 unchanged as both domestic and overseas sales will be more concentrated in FY2024 2H than its expectations. The Company will also take further measures to reform the profit structure of the entire Group.

(Ref.) Consolidated Forecast for FY2024 by Product Category/ Effect of Exchange Rates

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

	FY2023	FY2024	Composition ratio (%)	YoY (%)
	Actual	Forecast		
Physiological Measuring Equipment	46,517	47,900	20.9	3.0
Patient Monitors	84,130	87,200	38.1	3.6
Treatment Equipment	51,665	53,200	23.2	3.0
Other Medical Equipment	39,673	40,700	17.8	2.6
Total	221,986	229,000	100.0	3.2

(Reference)

Medical Services	115,638	117,900	51.5	2.0
Consumables and Services	106,347	111,100	48.5	4.5

Average Exchange Rate

	FY2023 Actual	FY2024 Forecast
1 US Dollar	143.9 yen	140 yen
1 EURO	156.8 yen	150 yen

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.40 bil yen	0.12 bil yen
EURO	0.06 bil yen	0.03 bil yen

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