

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 3rd Quarter of FY2022

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

Average Exchange Rate	(2021/12)	(2022/12)
1 US Dollar	110.2 yen	134.0 yen
1 EURO	130.9 yen	140.6 yen

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%

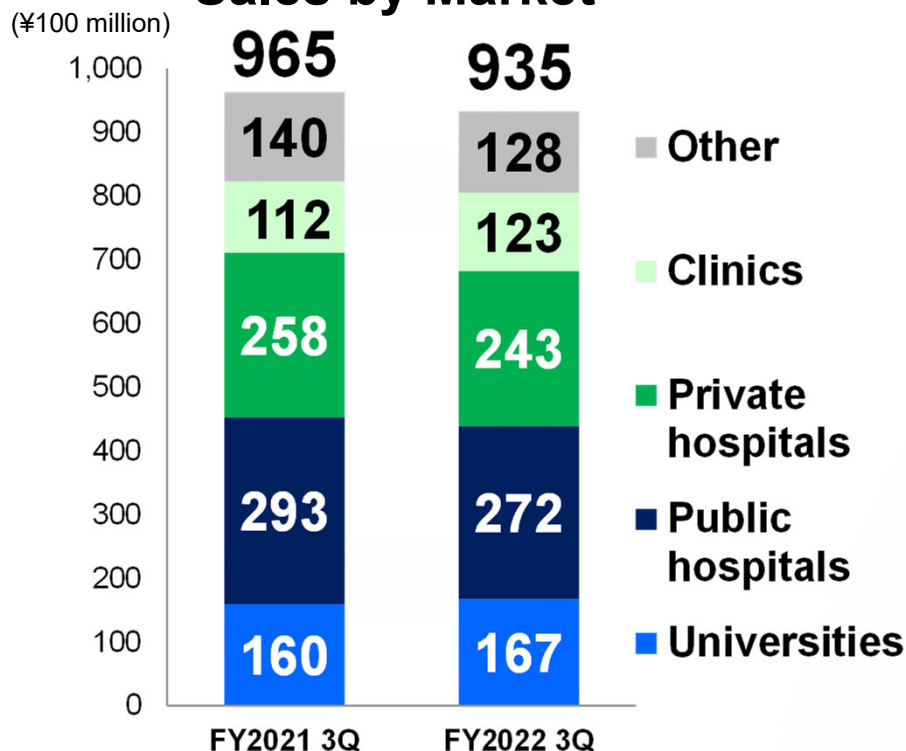
- Operating income decreased due to the decrease in sales. This was also because of a lower gross profit margin due to higher prices of components and an unfavorable product mix, as well as increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and 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
Total Sales	96,597	93,569	-3.1

【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.

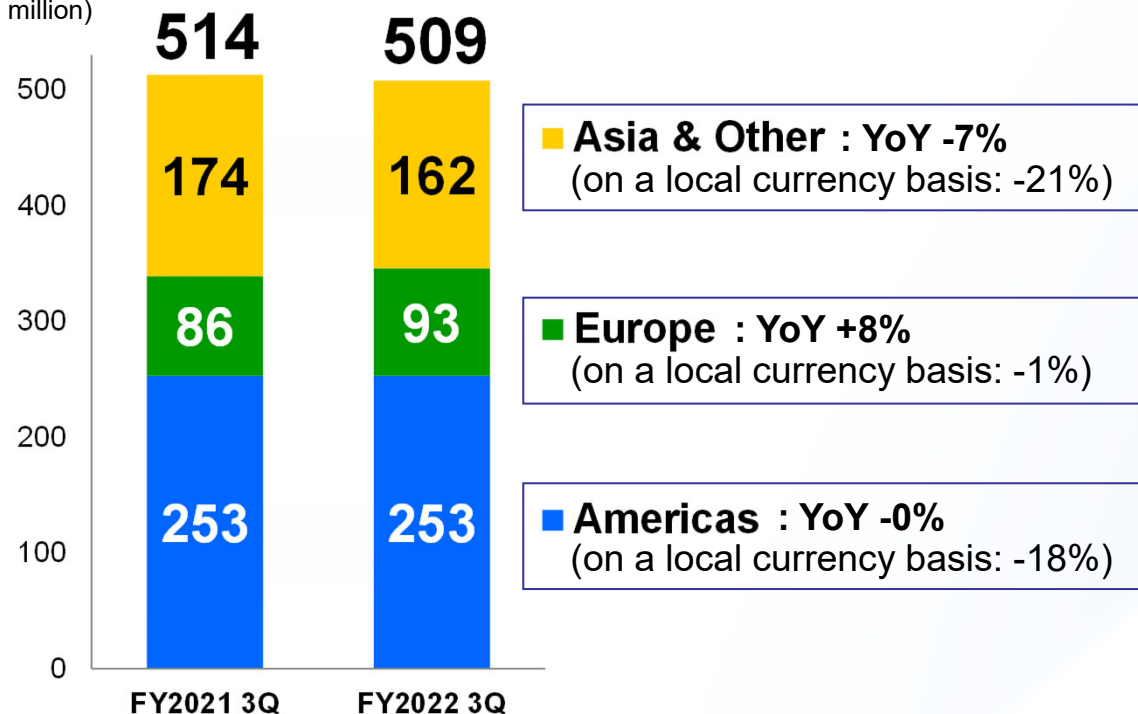
Treatment Equipment: Sales of ventilators and AEDs decreased compared to the strong growth in FY2021 3Q. Sales of defibrillators increased favorably.

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

4) Overseas Sales

Geographic segments

(¥100 million)



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
Total Sales	51,481	50,987	-1.0

-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.

5) Sales by Product Category

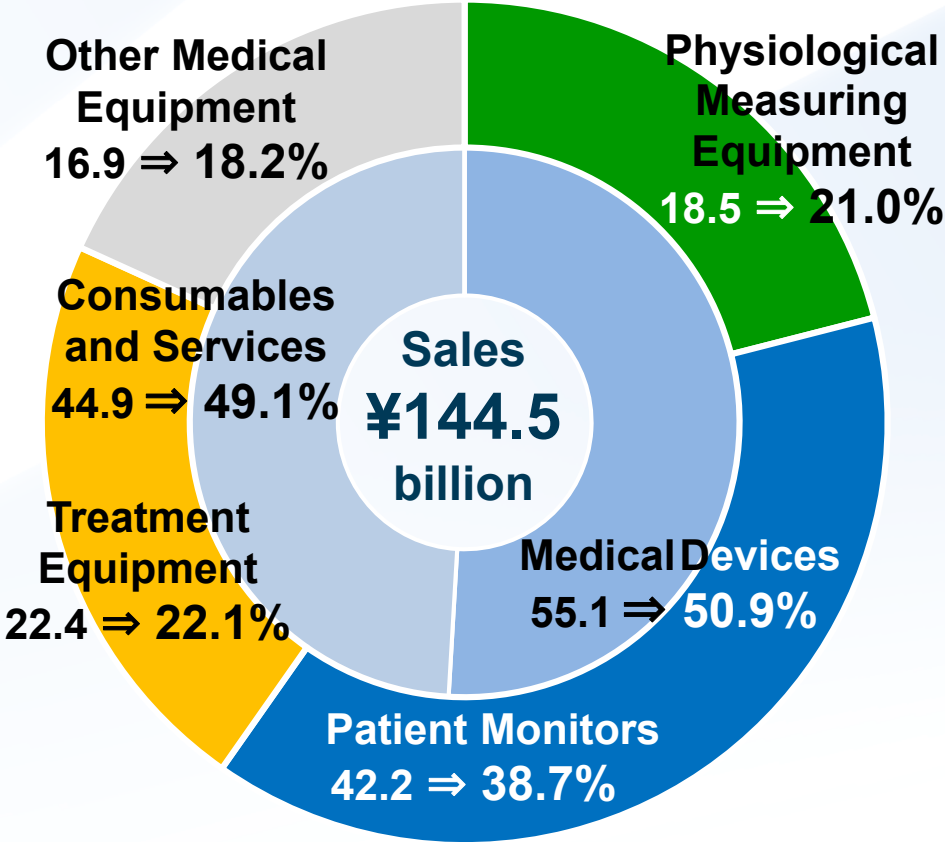
(Sales, millions of yen)

	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
Total Sales	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)



(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2021 3Q 9 months	FY2022 3Q 9 months
Electroencephalographs	5.1	6.4
Electrocardiographs	4.8	4.7
Polygraphs for Cath Lab	9.9	11.7
Other Physiological Measuring Equipment *	7.4	7.3

*Includes diagnostic information systems and products of other companies.

Treatment Equipment	FY2021 3Q 9 months	FY2022 3Q 9 months
Defibrillators (for Hospital and Ambulance)	6.3	5.9
AEDs (Automated External Defibrillator)	12.8	14.2
Pacemakers / ICDs	1.9	1.7
Ventilators	6.9	4.0
Other Treatment Equipment	5.0	5.7

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.

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 2nd factory

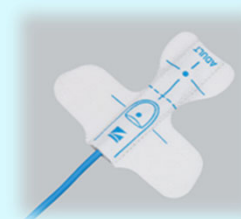
FY2017 Increased production capacity and automated production



SpO₂ probes

Tomioka 2nd 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. 34,463m²

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

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	2,661	193	3,422	3,700	3,900
R&D costs	4,040	4,395	355	5,711	6,300	6,400
Capital Investments				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.

8) Forecast for FY2022

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

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

← -10% on a local currency basis

Average exchange rate

1 US Dollar	111.3 yen	117 yen	135 yen	134 yen
1 EURO	130.6 yen	130 yen	139 yen	141 yen

Breakdown of overseas sales by region

	FY2021 Actual	FY2022		YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 9	
Americas	33,436	34,400	37,500	12.2
Europe	11,449	10,100	11,800	3.1
Asia & Other	23,921	20,000	23,700	-0.9
Total	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.

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

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

	FY2021 Actual	FY2022			YoY (%)
		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
Total	205,129	195,000	208,000	100.0	1.4

(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

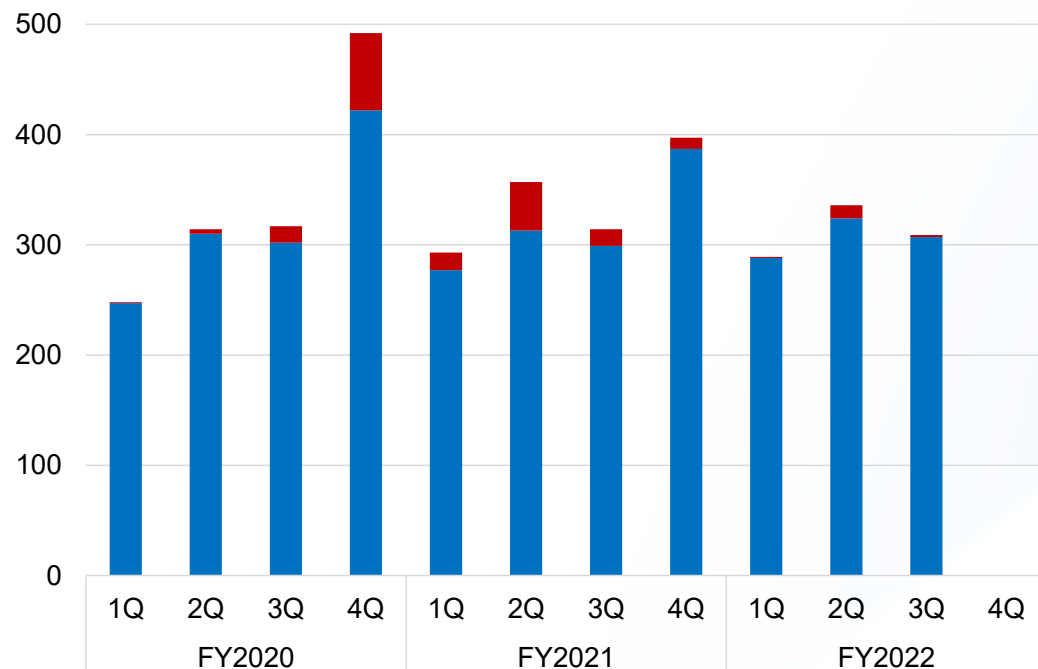
	Sales	Operating Income
US Dollar	0.36 bil yen	0.08 bil yen
EURO	0.06 bil yen	0.02 bil yen

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

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

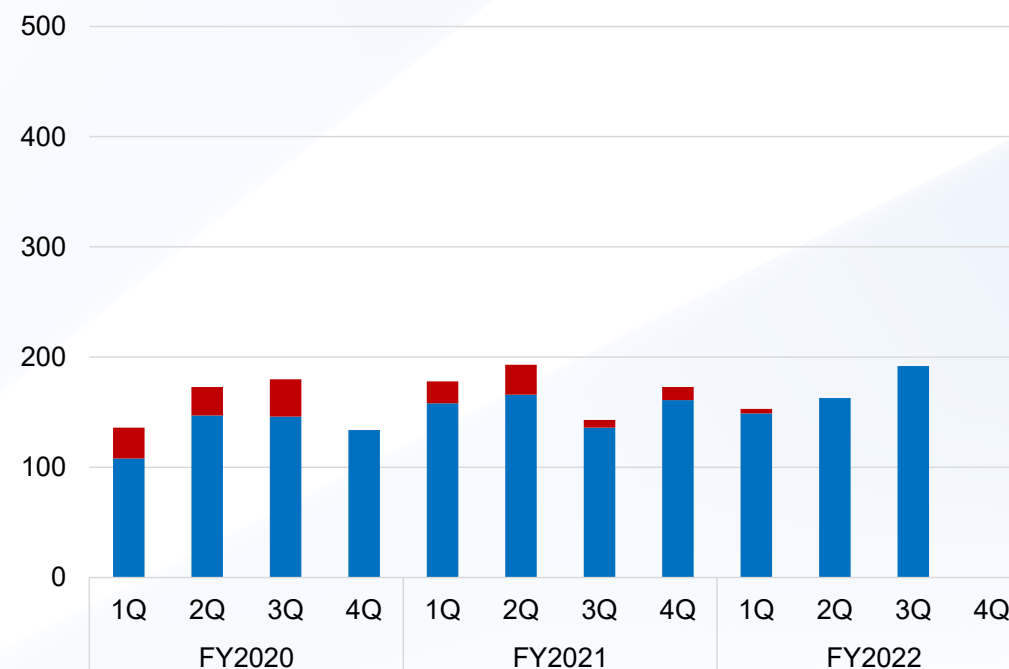
Domestic Sales

(¥100 million)



Overseas Sales

(¥100 million)



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
Total	approx. ¥1.5 bil	approx. -¥6.0 bil	approx. ¥0.4 bil	approx. -¥4.3 bil

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