

[Summary] Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2024 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 2nd Quarter of FY2023 (From April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023 2Q (6 months)	103,536	9.7	7,491	3.8	12,546	-3.6	7,997	-6.4
FY2022 2Q (6 months)	94,349	-7.8	7,217	-58.6	13,019	-27.6	8,541	-30.5

Note: Comprehensive income: FY2023 2Q: 10,071 million yen (-8.5%) FY2022 2Q: 11,012 million yen (-15.3%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2023 2Q (6 months)	95.05	—
FY2022 2Q (6 months)	101.43	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	220,990	174,305	78.9	2,071.45
As of March 31, 2023	216,728	167,604	77.3	1,992.30

Reference: Equity Capital: FY2023 2Q: 174,305 million yen FY2022: 167,604 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2022	—	20.00	—	41.00	61.00
FY2023	—	30.00			
FY2023 (Forecast)			—	31.00	61.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2023 (From April 1, 2023 to March 31, 2024)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	221,500	7.2	22,200	5.1	24,000	-0.5	15,500	-9.4	184.20

Note: Revise of consolidated forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: — companies (—)

Excluded: — companies (—)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period
(including treasury shares)

FY2023 2Q	88,230,980	shares
FY2022	88,230,980	shares

(ii) Number of treasury shares at the end of the period

FY2023 2Q	4,084,068	shares
FY2022	4,104,612	shares

(iii) Average number of shares outstanding during the period

FY2023 2Q	84,135,178	shares
FY2022 2Q	84,209,182	shares

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2023 to September 30, 2023), the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe, the protracted crisis in Ukraine, and higher prices of components and resources. In Japan, each prefecture revised its healthcare system, and task shifting and operational efficiency were further required in medical institutions, because work style reforms for medical staff are scheduled to take effect in 2024. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workloads remained steady, while the negative impact of the shortage of nurses and higher interest rates remained in the U.S. and Europe.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I that sets FY2023 as its final year. The Company formulated the basic policies of the plan as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and making strategic upfront investments, and iv) Establishing global SCM and strengthening core functions of operations.

Japan: Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, sales in all markets increased. Sales in the university and private hospital markets increased favorably thanks to large orders related to construction of new hospitals. Sales in the public hospital and clinic markets also increased. Sales of Physiological Measuring Equipment, Treatment Equipment, and Patient Monitors increased favorably. Sales of Other Medical Equipment remained flat, as sales of imaging systems decreased, while sales of maintenance services for medical devices increased favorably. As a result, domestic sales increased 5.0% over the first half of FY2022 to ¥65,708 million.

International: Overseas sales showed double-digit growth due to the impact of a 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. In the Americas, sales in the U.S. showed double-digit growth, especially in Treatment Equipment and Patient Monitors. Sales in Latin America decreased on a comparable basis and increased on a yen basis. Sales in Brazil decreased, while sales in Mexico increased favorably. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in Germany decreased, while sales in the U.K. and the Netherlands showed strong growth. Sales in Asia & Other achieved double-digit growth, as sales in China increased significantly. Sales in the Middle East and Vietnam also increased favorably. Sales of Treatment Equipment showed strong growth, because sales of Defibtech AEDs increased significantly. Sales of Physiological Measuring Equipment also achieved double-digit growth and sales of Patient Monitors increased. Sales of Other Medical Equipment remained flat. As a result, international sales increased 19.1% over the first half of FY2022 to ¥37,828 million.

As a result of the above, overall sales during the term under review increased 9.7% over the first half of FY2022 to ¥103,536 million. The Company's efforts to raise selling prices due to higher prices of components also contributed to increased sales. Operating income increased 3.8% over the first half of FY2022 to ¥7,491 million due to sales increasing, despite an increase in SG&A expenses resulting from the strengthening of human resources and R&D investment. Ordinary income decreased 3.6% to ¥12,546 million, and income attributable to owners of parent decreased 6.4% to ¥7,997 million over the first half of FY2022, reflecting the decrease in foreign exchange gains.

* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to Nihon Kohden's reorganization of its U.S. subsidiaries. In the first half ended September 30, 2023, Nihon Kohden consolidated the 9 months of Defibtech's operating results from January 1, 2023 to September 30, 2023.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Six months ended September 30, 2023	
	Amount	Growth rate (%)
Physiological Measuring Equipment	22,329	+ 12.2
Patient Monitors	37,989	+ 5.6
Treatment Equipment	25,367	+ 22.6
Other Medical Equipment	17,849	+ 0.3
Total	103,536	+ 9.7
Products	52,989	+ 10.8
Consumables and Services	50,547	+ 8.7
(Reference) Sales by Region		
Domestic Sales	65,708	+ 5.0
Overseas Sales	37,828	+ 19.1
Americas	19,640	+ 28.9
Europe	6,370	+ 7.9
Asia & Other	11,817	+ 11.2

6. Consolidated Forecast for FY2023

Based on the results for the first half of FY2023 and recent performance trends, the Company revised its forecasts for FY2023, previously announced on May 15, 2023.

As domestic sales in the first half of FY2023 were higher than expected and overseas sales were affected by greater-than-expected depreciation of the yen in currency translation, the FY2023 full-year forecasts for overall sales, domestic sales, and overseas sales were revised to ¥221,500 million (up ¥6,500 million from its previous forecast), ¥142,000 million (up ¥2,500 million from its previous forecast), and ¥79,500 million (up ¥4,000 million from its previous forecast), respectively. In Japan, sales of Consumables and Services were higher than expected as the number of testing and surgical procedures increased in the first half of FY2023. In the second half of FY2023, the Company will focus on sales activities and receiving orders for medical devices and IT systems which contribute to improving the quality and efficiency of medical care. Internationally, sales in the first half of FY2023 were in line with its expectation on a comparable basis. In the second half of FY2023, overseas sales were behind its initial expectation on a comparable basis, because a large order of patient monitors in the U.S. is expected to be postponed to the next fiscal year, and also because of the impact of the anti-corruption campaign in China.

Because sales are expected to be higher than the Company's previous forecast, operating income, ordinary income, and income attributable to owners of parent are expected to be ¥22,200 million (up ¥700 million from its previous forecast), ¥24,000 million (up ¥2,500 million from its previous forecast), and ¥15,500 million (up ¥1,000 million from its previous forecast), respectively. As increases in the cost of goods sold are expected, due to higher prices of components and devaluation of inventories, the Company will focus on improving its profitability through raising selling prices.

The Company's forecast for the second half of FY2023 is based on an exchange rate of 138 yen to the U.S. dollar and 150 yen to the euro.

(Consolidated Forecast for FY2023 by Product Category)

	(Millions of yen)	
	FY2023 (forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	46,100	+ 6.5
Patient Monitors	85,500	+ 5.8
Treatment Equipment	50,900	+ 14.5
Other Medical Equipment	39,000	+ 2.5
Total	221,500	+ 7.2
Products	115,500	+ 6.1
Consumables and Services	106,000	+ 8.5

(Reference) Sales by Region

Domestic Sales	142,000	+ 4.6
Overseas Sales	79,500	+ 12.2
Americas	43,400	+ 17.9
Europe	12,600	+ 2.0
Asia & Other	23,500	+ 8.3

(Reorganization of subsidiaries)

As the Company announced that on September 7, 2023, its Board of Directors passed a resolution to i) change the name of Nihon Kohden OrangeMed, Inc., one of Nihon Kohden's wholly owned subsidiaries, to "Nihon Kohden North America, Inc.", and ii) allow Nihon Kohden OrangeMed, Inc. to contribute and assign its ventilator business to Nihon Kohden OrangeMed, LLC, a wholly owned subsidiary of Nihon Kohden OrangeMed, Inc. These reorganizations are scheduled on January 1, 2024.

After transferring the ventilator business to a spin-off company, Nihon Kohden OrangeMed, LLC, it will become a specified sub-subsidiary of Nihon Kohden as its capital will be equivalent to 10% or more of Nihon Kohden's capital.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets



(Millions of yen)

	March 31, 2023	September 30, 2023
ASSETS		
Current assets:		
Cash and deposits	33,459	33,134
Notes and accounts receivable - trade	65,005	58,069
Securities	11,000	17,000
Merchandise and finished goods	33,337	36,203
Work in process	4,045	3,867
Raw materials and supplies	21,406	21,765
Other current assets	4,424	4,700
Allowance for doubtful accounts	-179	-216
Total current assets	172,500	174,522
Non-current assets:		
Property, plant and equipment	24,446	25,038
Intangible assets		
Goodwill	1,044	1,122
Other intangible assets	3,177	3,395
Total intangible assets	4,221	4,518
Investments and other assets		
Investment securities	6,713	7,312
Other investments and other assets	8,977	9,732
Allowance for doubtful accounts	-129	-133
Total investments and other assets	15,560	16,910
Total non-current assets	44,228	46,467
Total assets	216,728	220,990
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	22,940	18,206
Short-term loans payable	403	317
Accrued income taxes	3,178	5,381
Provision for bonuses	4,320	3,277
Provision for product warranties	1,361	1,556
Other current liabilities	14,363	15,422
Total current liabilities	46,568	44,161
Non-current liabilities:		
Net defined benefit liability	669	460
Other non-current liabilities	1,885	2,062
Total non-current liabilities	2,555	2,523
Total liabilities	49,124	46,684
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	9,685	9,718
Retained earnings	152,525	157,073
Treasury shares	-9,155	-9,109
Total shareholders' equity	160,600	165,227
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,377	2,848
Foreign currency translation adjustments	4,003	5,721
Remeasurements of defined benefit plans	623	508
Total accumulated other comprehensive income	7,003	9,078
Total net assets	167,604	174,305
Total liabilities and net assets	216,728	220,990

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	94,349	103,536
Cost of sales	46,752	51,531
Gross profit	47,596	52,005
Selling, general and administrative expenses	40,379	44,514
Operating income	7,217	7,491
Non-operating income		
Interest income	74	107
Dividend income	64	69
Foreign exchange gains	5,531	4,866
Subsidy income	34	88
Other, net	202	102
Total non-operating income	5,907	5,233
Non-operating expenses		
Interest expenses	4	7
Loss on valuation of investment securities	29	80
Other, net	71	91
Total non-operating expenses	105	179
Ordinary income	13,019	12,546
Extraordinary income		
Gain on sales of non-current assets	2	3
Gain on sales of investment securities	—	1
Total extraordinary income	2	5
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	1	5
Loss on valuation of investment securities	44	—
Total extraordinary losses	45	5
Income before income taxes	12,975	12,545
Income taxes	4,434	4,548
Net income	8,541	7,997
Income attributable to owners of parent	8,541	7,997

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	8,541	7,997
Other comprehensive income		
Valuation difference on available-for-sale securities	331	471
Foreign currency translation adjustment	2,306	1,718
Remeasurements of defined benefit plans, net of tax	-166	-115
Total other comprehensive income	2,471	2,074
Comprehensive income	11,012	10,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,012	10,071
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Income before income taxes	12,975	12,545
Depreciation and amortization	1,711	1,684
Increase (decrease) in provision	-2,218	-1,037
Increase (decrease) in net defined benefit liability	-406	-374
Interest and dividend income	-138	-176
Interest expenses	4	7
Foreign exchange losses (gains)	-3,781	-3,152
Loss (gain) on sales and retirement of property, plant and equipment	-4	2
Decrease (increase) in notes and accounts receivable - trade	6,889	9,445
Decrease (increase) in inventories	-5,962	-412
Increase (decrease) in notes and accounts payable - trade	-5,043	-6,635
Other, net	-2,190	253
Subtotal	1,835	12,148
Interest and dividend income received	168	173
Interest expenses paid	-1	-3
Income taxes paid	-5,518	-2,829
Net cash flows from operating activities	-3,516	9,488
Cash flows from investing activities		
Proceeds from sales of investment securities	—	2
Purchase of investment securities	-40	—
Proceeds from sales of property, plant and equipment	2	4
Purchase of property, plant and equipment	-2,038	-1,844
Purchase of intangible assets	-454	-408
Other, net	356	-628
Net cash flows from investing activities	-2,173	-2,874
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	-90
Purchase of treasury shares	-1,001	-0
Cash dividends paid	-4,046	-3,445
Repayments of lease obligations	-15	-16
Net cash flows from financing activities	-5,063	-3,553
Effect of exchange rate change on cash and cash equivalents	2,704	2,114
Net increase (decrease) in cash and cash equivalents	-8,048	5,175
Cash and cash equivalents at beginning of period	60,095	43,988
Cash and cash equivalents at end of period	52,047	49,163