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NIHON KOHDEN

November 7, 2024

Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2025 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing:	Prime Market, Tokyo Stock Exchange
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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 2nd Quarter of FY2024 (From April 1, 2024 to September 30, 2024)

(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	%
FY2024 2Q (6 months)	**102,784**	**-0.7**	**5,114**	**-31.7**	**2,139**	**-82.9**	**463**	**-94.2**
FY2023 2Q (6 months)	103,536	9.7	7,491	3.8	12,546	-3.6	7,997	-6.4

Note: Comprehensive income: FY2024 2Q: 142 million yen (-98.6%) FY2023 2Q: 10,071 million yen (-8.5%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2024 2Q (6 months)	**2.76**	**—**
FY2023 2Q (6 months)	47.53	—

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net income per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(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, 2024	**218,600**	**176,385**	**80.7**	**1,058.57**
As of March 31, 2024	233,233	181,082	77.6	1,079.20

Reference: Equity Capital: FY2025 2Q: 176,385 million yen FY2024 : 181,082 million yen

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2023	—	30.00	—	31.00	61.00
FY2024	—	15.00			
FY2024 (Forecast)			—	16.00	31.00

Note: Revise of dividends forecast: None

Note: Effective July 1, 2024, each share of common stock was split into two shares. For the fiscal year ended March 31, 2024, the actual dividend amount before the stock split is shown. For the fiscal year ending March 31, 2025 (forecast), the amount after the stock split is shown. Annual dividends per share for the fiscal year ending March 31, 2025 (forecast) without taking the stock split into account would be 62.00 yen.

3. Consolidated forecast for FY2024 (From April 1, 2024 to March 31, 2025)

	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	227,000	2.3	20,500	4.6	18,000	-29.7	12,000	-29.5	72.02

Note: Revise of consolidated forecast: Yes

Note: Effective July 1, 2024, each share of common stock was split into two shares. Basic earnings per share for the fiscal year ending March 31, 2025 are based on the amount taking into consideration the stock split. Basic earnings per share for the fiscal year ending March 31, 2025 without taking the stock split into account would be 144.04 yen for full year.

*** Notes**

(1) Significant changes in scope of consolidation during the period: Yes

Newly included: 1 company (Nihon Kohden Vietnam Company Limited)

Excluded: ― companies (―)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to "2. Consolidated Financial Statements and Primary Notes (4) Notes to Consolidated Financial Statements (Applying of Specific Accounting of the Consolidated Quarterly Financial Statements)" on page 11 of the attachment.

(3) 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

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	FY2024 2Q	170,961,960	shares
	FY2023	176,461,960	shares
(ii) Number of treasury shares at the end of the period	FY2024 2Q	4,336,156	shares
	FY2023	8,668,532	shares
(iii) Average number of shares outstanding during the period	FY2024 2Q	167,533,484	shares
	FY2023 2Q	168,270,357	shares

Note: Effective July 1, 2024, each share of common stock was split into two shares. "Total number of issued shares at the end of the period", "Number of treasury shares at the end of the period", and "Average number of shares outstanding during the period" are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

* 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.

Content of Supplementary Materials

1. Qualitative Information on Financial Results for the Period

(1) Operating Results Analysis

During the term under review (April 1, 2024 to September 30, 2024), the global economic outlook remained uncertain due to higher geopolitical risks, while tight monetary policy eased in the U.S. and Europe. In Japan, each medical institution strove to implement task shifting and improve its operational efficiency, as work style reforms for medical staff took effect in April 2024 and medical treatment fees were revised in June 2024. However, business sentiment in medical institutions deteriorated due to difficulties in securing medical professionals. Internationally, capital expenditure in China was still cautious due to the impact of the anti-corruption campaign and economic slowdown. In the U.S., hospital finance showed a trend of improvement as the number of testing and surgical procedures increased. Medical institutions both in Japan and internationally have promoted medical digital transformation, which includes data health, telemedicine, and utilization of AI and ICT, because they need to urgently improve the quality and efficiency of medical care.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase II, which started from FY2024. The Company aims to achieve targets for three indicators: growth, profitability, and capital efficiency, by conducting six key measures including “Enhance product competitiveness”, “Focus on growth of North America Business”, and “Implement the reform of the profit structure”.

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 strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. Domestic sales increased, because sales of consumables and services increased, while there was a reactionary decline in sales of IT systems compared to the strong growth due to large orders in the same period of the previous fiscal year. Sales in the public hospital and clinic markets increased, while sales in the university and private hospital markets decreased. Sales of AEDs also increased favorably in the PAD (public access defibrillation) market. Sales of Patient Monitors and Physiological Measuring Equipment decreased due to lower sales of IT systems. Sales of Other Medical Equipment remained flat. Sales of Treatment Equipment increased favorably, mainly due to sales of AEDs, defibrillators, and ablation catheters. As a result, domestic sales increased 0.8% over the first half of FY2023 to ¥66,243 million.

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 the same period of the previous fiscal year. Another reason was that sales in Asia & Other decreased, mainly in China. In North America, sales of patient monitors and ventilators increased favorably, while sales of AEDs decreased. Sales in Latin America achieved double-digit growth, mainly in Mexico and Brazil. Sales in Europe decreased, as sales of AEDs decreased mainly in the Netherlands and the U.K., while sales in Germany and Turkey increased. Sales in Asia & Other decreased, as sales in China and the Middle East & Africa decreased compared to the strong growth in the same period of the previous fiscal year. Sales of Treatment Equipment and Physiological Measuring Equipment decreased, while sales of Patient Monitors and Other Medical Equipment increased. As a result, international sales decreased 3.4% over the first half of FY2023 to ¥36,541 million.

As a result of the above, overall sales during the term under review decreased 0.7% over the first half of FY2023 to ¥102,784 million. Operating income decreased 31.7% to ¥5,114 million, due to decreased sales and increased SG&A expenses caused by strengthening of human resources and wage increases. Ordinary income decreased 82.9% to ¥2,139 million, reflecting foreign exchange losses compared to gains in the same period of the previous fiscal year. Income attributable to owners of parent decreased 94.2% to ¥463 million over the first half of FY2023, as the Company posted extraordinary losses such as loss on business restructuring in Shanghai Kohden Medical Electronic Instrument Corp. due to lower demand for medical equipment in China.

* 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 the first half ended September 30, 2023, Nihon Kohden consolidated the nine months of Defibtech’s operating results from January 1, 2023 to September 30, 2023.

Consolidated Sales Results by Product Category

(Millions of yen)

	Six months ended September 30, 2024	
	Amount	Growth rate (%)
Physiological Measuring Equipment	21,474	- 3.8
Patient Monitors	38,478	+ 1.3
Treatment Equipment	24,444	- 3.6
Other Medical Equipment	18,387	+ 3.0
Total	102,784	- 0.7
Products	49,966	- 5.7
Consumables and Services	52,818	+ 4.5
(Reference) Sales by Region		
Domestic Sales	66,243	+ 0.8
Overseas Sales	36,541	- 3.4
North America	19,281	+ 8.0
Latin America	2,225	+ 24.3
Europe	5,741	- 9.9
Asia & Other	9,292	- 21.4

(Operating Results by Reporting Segments)
Japan: Sales increased 1.0% to ¥66,772 million and segment income increased 1.1% to ¥8,984 million in the first half of FY2024.
North America: Sales decreased 1.8% to ¥20,436 million and segment loss was ¥1,410 million in the first half of FY2024 (Segment loss of ¥1,292 million in the first half of FY2023).
Rest of World: Sales decreased 6.1% to ¥15,576 million and segment income decreased 93.9% to ¥31 million in the first half of FY2024.

(2) Financial Conditions Analysis

(i) Financial Position

Total assets at the end of the current fiscal period decreased by ¥14,633 million compared to the end of the previous fiscal year to ¥218,600 million.

Current assets decreased by ¥16,442 million to ¥167,891 million compared with the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable resulting from the collection from the end of the previous fiscal year.

Fixed assets increased by ¥1,809 million to ¥50,709 million compared with the end of the previous fiscal year. This was mainly due to an increase in deferred tax assets, as well as an increase in construction in progress for a new plant at Tsurugashima.

Total liabilities at the end of the current fiscal period decreased by ¥9,935 million compared to the end of the previous fiscal year to ¥42,215 million. This was mainly due to a decrease in notes and accounts payable, as well as accrued income taxes.

Total net assets at the end of the current fiscal period decreased by ¥4,697 million compared to the end of the previous fiscal year to ¥176,385 million. This was mainly due to a decrease in retained earnings resulting from dividend payments and the acquisition of treasury stock.

As a result, net assets per share increased by ¥20.63 to ¥1,058.57 and the equity ratio increased by 3.1 percentage points from 77.6% at the end of the previous fiscal year to 80.7%.

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) on a consolidated basis at the end of the current fiscal year decreased by ¥1,185 million compared with the end of the previous fiscal year to ¥48,692 million.

The status of each cash flow and their factors in the current fiscal year are as follows.

(Cash flows from operating activities)

Funds provided by operating activities decreased by ¥1,600 million year-on-year to ¥7,888 million. This is mainly due to income before income taxes of ¥1,908 million, a decrease in trade receivables of ¥14,143 million, a decrease in trade payables of ¥2,337 million, foreign exchange losses of ¥2,346 million, income taxes paid of ¥5,362 million.

(Cash flows from investing activities)

Funds used as a result of investment activities increased by ¥491 million year-on-year to ¥3,366 million. The main breakdown includes the acquisition of property, plant and equipment of ¥2,503 million and the increase in intangible asset of ¥1,032 million.

(Cash flows from financing activities)

Funds used in financing activities increased by ¥1,481 million year-on-year to ¥5,034 million. This is mainly due to cash dividends paid of ¥2,602 million and purchase of treasury shares of ¥2,306 million.

(3) Consolidated Forecast for FY2024

Based on the results for the first half of FY2024 and recent performance trends, the Company revised its forecast for FY2024, previously announced on May 13, 2024.

The FY2024 full-year forecasts for overall sales, domestic sales, and overseas sales were revised to ¥227,000 million (down ¥2,000 million from its original forecast), ¥147,000 million (reaffirmed its original forecast), and ¥80,000 million (down ¥2,000 million from its original forecast), respectively. Domestic sales remained generally in line with its expectations in the first half of FY2024, and sales of AEDs will continue to increase favorably in the second half of FY2024, while sales of locally purchased products will be lower than its expectations. Internationally, sales in Asia & Other, mainly in China and the Middle East & Africa, fell short of its expectations in the first half of FY2024. In the second half of FY2024, the impact of the anti-corruption campaign in China is expected to continue and sales of Defibtech’s AEDs will be lower than its expectations due to inventory adjustments at distributors in each country. In North America, sales of patient monitors and ventilators will increase favorably, exceeding its expectations.

Because sales are expected to be lower than the Company’s original forecast, operating income, ordinary income, and income attributable to owners of parent are expected to be ¥20,500 million (down ¥2,500 million from its original forecast), ¥18,000 million (down ¥5,000 million from its original forecast), and ¥12,000 million (down ¥4,000 million from its original forecast), respectively. The Company anticipates a recovery in both sales and income in the second half, but the recovery is not expected to offset the falls in the first half. Nihon Kohden will continue to focus on selling in-house products and strive to reform the profit structure of the entire Group.

The Company’s forecast for the second half of FY2024 is based on an exchange rate of 145 yen to the U.S. dollar and 155 yen to the euro.

(Consolidated Forecast for FY2024 by Product Category)

(Millions of yen)

	FY2024 (forecast) Amount	Growth rate (%)
Physiological Measuring Equipment	46,900	+ 0.8
Patient Monitors	86,900	+ 3.3
Treatment Equipment	53,200	+ 3.0
Other Medical Equipment	40,000	+ 0.8
Total	227,000	+ 2.3
Products	114,700	- 0.8
Consumables and Services	112,300	+ 5.6
(Reference) Sales by Region		
Domestic Sales	147,000	+ 3.3
Overseas Sales	80,000	+ 0.5
North America	40,400	+ 9.0
Latin America	5,200	- 13.9
Europe	12,000	- 8.4
Asia & Other	22,400	- 4.3

2. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheets

NIHON KOHDEN

(Millions of yen)

	March 31, 2024	September 30, 2024
ASSETS		
Current assets:		
Cash and deposits	36,132	34,057
Notes and accounts receivable - trade	71,759	57,035
Securities	14,300	15,000
Merchandise and finished goods	33,223	30,357
Work in process	3,258	4,127
Raw materials and supplies	21,305	21,465
Other current assets	4,865	6,352
Allowance for doubtful accounts	-511	-505
Total current assets	184,333	167,891
Non-current assets:		
Property, plant and equipment	25,418	25,960
Intangible assets		
Goodwill	893	804
Other intangible assets	3,958	4,399
Total intangible assets	4,852	5,203
Investments and other assets		
Investment securities	7,283	6,657
Net defined benefit asset	5,970	5,988
Other investments and other assets	5,510	7,032
Allowance for doubtful accounts	-134	-132
Total investments and other assets	18,628	19,545
Total non-current assets	48,899	50,709
Total assets	233,233	218,600
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	20,143	17,141
Short-term loans payable	579	477
Accrued income taxes	5,597	2,963
Provision for bonuses	4,242	3,209
Provision for product warranties	1,648	1,581
Other current liabilities	17,690	14,718
Total current liabilities	49,901	40,092
Non-current liabilities:		
Other non-current liabilities	2,249	2,122
Total non-current liabilities	2,249	2,122
Total liabilities	52,151	42,215
NET ASSETS		
Shareholders’ equity:		
Capital stock	7,544	7,544
Capital surplus	9,718	9,663
Retained earnings	163,578	155,035
Treasury shares	-10,233	-6,012
Total shareholders’ equity	170,608	166,231
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,796	2,376
Foreign currency translation adjustments	5,772	6,222
Remeasurements of defined benefit plans	1,905	1,553
Total accumulated other comprehensive income	10,474	10,153
Total net assets	181,082	176,385
Total liabilities and net assets	233,233	218,600

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	103,536	102,784
Cost of sales	51,531	50,877
Gross profit	52,005	51,906
Selling, general and administrative expenses	44,514	46,791
Operating income	7,491	5,114
Non-operating income		
Interest income	107	157
Dividend income	69	80
Foreign exchange gains	4,866	—
Subsidy income	88	67
Other, net	102	173
Total non-operating income	5,233	479
Non-operating expenses		
Interest expenses	7	16
Loss on valuation of investment securities	80	17
Foreign exchange losses	—	3,327
Other, net	91	93
Total non-operating expenses	179	3,454
Ordinary income	12,546	2,139
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	1	—
Total extraordinary income	5	0
Extraordinary losses		
Loss on sales of non-current assets	0	5
Loss on retirement of non-current assets	5	43
Business restructuring costs	—	182
Total extraordinary losses	5	231
Income before income taxes	12,545	1,908
Income taxes	4,548	1,445
Net income	7,997	463
Income attributable to owners of parent	7,997	463

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(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net income	7,997	463
Other comprehensive income		
Valuation difference on available-for-sale securities	471	-419
Foreign currency translation adjustment	1,718	449
Remeasurements of defined benefit plans, net of tax	-115	-351
Total other comprehensive income	2,074	-321
Comprehensive income	10,071	142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,071	142
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes	12,545	1,908
Depreciation and amortization	1,684	1,925
Increase (decrease) in provision	-1,037	-1,011
Increase (decrease) in net defined benefit asset or liability	-374	-524
Interest and dividend income	-176	-237
Interest expenses	7	16
Foreign exchange losses (gains)	-3,152	2,346
Loss (gain) on sales and retirement of property, plant and equipment	2	48
Decrease (increase) in notes and accounts receivable - trade	9,445	14,143
Decrease (increase) in inventories	-412	826
Increase (decrease) in notes and accounts payable - trade	-6,635	-2,337
Other, net	253	-4,052
Subtotal	12,148	13,050
Interest and dividend income received	173	204
Interest expenses paid	-3	-4
Income taxes paid	-2,829	-5,362
Net cash flows from operating activities	9,488	7,888
Cash flows from investing activities		
Proceeds from sales of investment securities	2	6
Expenditures from the acquisition of investment securities	—	-5
Proceeds from sales of property, plant and equipment	4	6
Purchase of property, plant and equipment	-1,844	-2,503
Purchase of intangible assets	-408	-1,032
Other, net	-628	162
Net cash flows from investing activities	-2,874	-3,366
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-90	-109
Purchase of treasury shares	-0	-2,306
Cash dividends paid	-3,445	-2,602
Repayments of lease obligations	-16	-17
Net cash flows from financing activities	-3,553	-5,034
Effect of exchange rate change on cash and cash equivalents	2,114	-672
Net increase (decrease) in cash and cash equivalents	5,175	-1,185
Cash and cash equivalents at beginning of period	43,988	49,877
Cash and cash equivalents at end of period	49,163	48,692

(4) Notes to the Consolidated Financial Statements

(Assumption of Going Concern)
Not applicable.

(Significant Changes in Shareholders' Equity)
(Acquisition of Own Shares)
Board of Directors of the Company held on May 13, 2024 has resolved to acquire its own shares pursuant the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act, and conduct acquisition of own shares of 1,196,300 shares. As a result, treasury shares at the end of the current fiscal period increased by ¥2,305 million.

(Cancellation of Treasury Shares)
Board of Directors of the Company held on May 13, 2024 has resolved to cancel treasury shares pursuant to Article 178 of the Companies Act, and conduct the cancellation of treasury shares of 5,500,000 shares, ¥6,493 million on July 19,2024. As a result, capital surplus decreased by ¥55 million, retained earnings decreased by ¥6,438 million, and treasury shares decreased by ¥6,493 million at the end of the current fiscal period.

As a result, capital surplus amounted to ¥9,663 million, retained earnings to ¥155,035 million, and treasury shares to ¥6,012 million at the end of the current fiscal period.

(Applying of Specific Accounting of the Consolidated Half Financial Statements)
(Method of Calculating Income Tax)
Income tax amount is calculated principally by multiplying reasonably estimated annual effective tax rate through the half fiscal year ended September 30, 2024, with the effects of deferred taxes reflected, by the amount of year-to-date income before income taxes.

(Additional Information)
(Business combination through Acquisition)
As the Company announced on September 12, 2024 that on the same day, its Board of Directors passed a resolution to acquire 71.4% shares of NeuroAdvanced Corp. (“NAC”), which is the parent company of Ad-Tech Medical Instrument Corporation (“Ad-Tech”) in the U.S. The Company concluded a stock purchase agreement with NeuroNewCo, LP (“NNC-LP”), a fund that owns 100% shares of NAC, on the same day. The Company will also conclude a shareholders agreement with NNC-LP regarding Ad-Tech’s business operations under the new capital structure (Nihon Kohden: 71.4%, NNC-LP: 28.6%) and future acquisition of shares of NAC by Nihon Kohden.

(1) Outline of business combination
1) Name of acquired company and its business description
Name of acquired company: NeuroAdvanced Corp.
Business description: Holding company of companies that are engaged in R&D, production, and sales of medical equipment

2) Main reasons for the business combination
Nihon Kohden aims to create a better future for people and healthcare by solving global medical issues in its Long-term Vision, BEACON 2030. In its Three-year Business Plan, BEACON 2030 Phase II, starting from April 2024, the Company focuses on enhancing product competitiveness and expanding consumables and services business. In North America, the Company also aims to grow its business by prioritizing allocation of resources.
Since its founding in 1951, Nihon Kohden has continued R&D, production, and sales of EEGs used for the examination and diagnosis of brain diseases such as epilepsy, resulting in gaining a high reputation and market share globally. Ad-Tech has also continued R&D, production, and sales of intracranial electrodes such as depth electrodes and subdural electrodes, which are used for surgical treatment of drug-resistant epilepsy, since its founding in 1983. They have gained an excellent reputation among neurosurgeons in 60 or more countries around the world. For more than 30 years, Nihon Kohden has provided Ad-Tech products with exclusive distribution rights to medical institutions in Japan.
Both Nihon Kohden and NNC-LP reached an agreement on this transaction because there is a high affinity between the Company’s neurology products and Ad-Tech’s intracranial electrodes, and because the Company expects to further strengthen its core human machine interface (HMI) technology by acquiring Ad-Tech’s know-how for technology and production of consumables used in invasive testing and treatment. The Company also expects that the expansion of its consumable portfolio will lead to a stable and consistent revenue base and growth.
Globally, it is estimated that there are 50 million patients with epilepsy, of which patients with drug-resistant are 15 million and surgical treatment is required for 5 million patients. In the U.S., as cutting-edge research on diagnosis and treatment of epilepsy is conducted, Nihon Kohden will strengthen collaboration with not only Ad-Tech but also medical institutions and research institutions. Nihon Kohden aims to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to prognosis in neurology area.

3) Date of the business combination
Scheduled in November 2024

4) Legal form of the business combination
Acquisition of shares for cash

5) Name of the company after combination
No change

6) Ratio of voting rights to be acquired
71.4%

7) Main reason for determining the acquiring company
The Company will acquire the shares for cash

(2) Acquisition cost of the acquired company and breakdown by type of consideration
Nothing is confirmed at this time

(3) Description and amount of major acquisition-related expenses
Nothing is confirmed at this time

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(Segment Information)
Sales and Income by Reporting Segment

Six months ended September 30, 2023

	Reporting Segment			Total	Adjustment (Note 2)	Amount on quarterly consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	66,132	20,820	16,584	103,536	—	103,536
Other revenue	—	—	—	—	—	—
Net sales to external customers	66,132	20,820	16,584	103,536	—	103,536
Intersegment sales	13,467	994	565	15,028	- 15,028	—
Total sales	79,600	21,814	17,150	118,565	- 15,028	103,536
Segment income (loss)	8,889	- 1,292	516	8,113	- 621	7,491

(Notes)
1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥621 million include negative ¥437 million for the unrealized gains on inventories and negative ¥186 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

Six months ended September 30, 2024

	Reporting Segment			Total	Adjustment (Note 2)	Amount on quarterly consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	66,772	20,436	15,576	102,784	—	102,784
Other revenue	—	—	—	—	—	—
Net sales to external customers	66,772	20,436	15,576	102,784	—	102,784
Intersegment sales	14,973	1,173	335	16,482	- 16,482	—
Total sales	81,746	21,609	15,911	119,267	- 16,482	102,784
Segment income (loss)	8,984	- 1,410	31	7,605	- 2,490	5,114

(Notes)
1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥2,490 million include negative ¥2,340 million for the unrealized gains on inventories and negative ¥166 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

(Subsequent Event)

(Borrowing of large amounts of funds)

Based on the resolution of the Board of Directors of the Company held on September 12, 2024, the Company has undertaken the borrowing as follows.

(1) Use of funds
Related to acquisition of NeuroAdvanced Corp. shares

(2) Lenders
4 financial institutions

(3) Amount borrowed
18.0 billion yen

(4) Borrowing interest rate
Variable interest rate

(5) Borrowing date
November 1, 2024

(6) Repayment period
1 year

(7) Repayment method
Lump-sum repayment on the due date

(8) Details of pledged assets or guarantees
None