

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2022 (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 1st Quarter of FY2021 (From April 1, 2021 to June 30, 2021)

(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	%
FY2021 1Q (3 months)	47,182	22.7	6,423	250.8	6,743	326.5	4,537	327.8
FY2020 1Q (3 months)	38,461	-0.2	1,831	237.8	1,581	—	1,060	—

Note: Comprehensive income: FY2021 1Q: 5,438 million yen (307.0%) FY2020 1Q: 1,336 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2021 1Q (3 months)	53.38	—
FY2020 1Q (3 months)	12.46	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	180,514	139,525	77.3	1,647.38
As of March 31, 2021	193,030	138,986	72.0	1,631.88

Reference: Equity Capital: FY2021 1Q: 139,525 million yen FY2020 : 138,986 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2020	—	17.00	—	38.00	55.00
FY2021	—	—	—	—	—
FY2021 (Forecast)	—	19.00	—	20.00	39.00

Note: Revise of dividends forecast: None

Note: Breakdown of year-end dividends for FY2020: Ordinary dividends: 18.00 yen Special dividends: 20.00 yen

3. Consolidated forecast for FY2021 (From April 1, 2021 to March 31, 2022)

	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
First half	96,000	10.0	11,000	25.6	11,000	33.9	7,500	28.7	88.55
Full year	190,500	-4.6	18,000	-33.6	18,000	-36.6	12,000	-34.2	141.68

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: Yes

(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)

FY2021 1Q	88,730,980	shares
FY2020	88,730,980	shares

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

FY2021 1Q	4,035,545	shares
FY2020	3,561,589	shares

(iii) Average number of shares outstanding during the period

FY2021 1Q	85,005,613	shares
FY2020 1Q	85,155,816	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, 2021 to June 30, 2021), social and economic activity recovered in some regions due to the benefits of economic measures taken by each country and the progress of COVID-19 vaccination. However, the global economic outlook remained uncertain due to concern about the spread of more infectious coronavirus variants. In Japan, the number of testing and surgical procedures in medical institutions showed a recovery trend but remained below the level they were at before the COVID-19 pandemic. The Government implemented measures to support the healthcare system in the midst of the COVID-19 crisis by enacting budgets and special measures in relation to medical treatment fees. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving quality and efficiency of medical care. Internationally, medical equipment to treat COVID-19 patients was installed by medical facilities in regions where the spread of infection has resurged.

Under these circumstances, Nihon Kohden started its three-year business plan, BEACON 2030 Phase I, in April 2021. The Company formulated basic policies 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 strengthened its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. Accordingly, sales in all markets increased favorably. Sales also increased because demand for certain products recovered compared to the same period of the previous fiscal year, when the number of testing and surgical procedures decreased due to the spread of COVID-19. Furthermore, business negotiations related to IT system solutions resumed, after the previous fiscal year when medical institutions postponed or froze their purchase budgets. In particular, sales in the public hospital and private hospital markets showed strong growth, due in part to the installation of patient monitors supported by the Government's budget. Sales of Patient Monitors, Treatment Equipment, Physiological Measuring Equipment achieved double-digit growth but sales of Other Medical Equipment decreased. In Treatment Equipment, sales of ventilators decreased as there was a reactionary decline compared to the same period of the previous fiscal year when demand surged due to the spread of COVID-19. As a result, domestic sales increased 18.4% over the first quarter of FY2020 to ¥29,364 million.

International: Sales increased favorably driven by large orders for patient monitors in the U.S. where the Company has focused on expanding its market share. Sales in all regions increased, as demand for certain products recovered from the decrease that occurred in the same period of the previous fiscal year. Another reason for the increased sales was that demand for patient monitors increased in some regions where the spread of COVID-19 has resurged. In the Americas, sales in the U.S. achieved double-digit growth. Sales in Latin America doubled, mainly in Brazil and Peru. Sales in Europe decreased on a comparable basis and increased on a yen basis due to yen depreciation. There was a reactionary decline compared to the strong growth in the same period of the previous fiscal year. In Asia & Other, sales in India and Thailand doubled and sales in China also increased favorably. Sales in all product categories achieved double-digit growth. In Treatment Equipment, sales of AEDs recovered and sales of defibrillators increased favorably. Sales of ventilators decreased as there was a reactionary decline compared to the same period of the previous fiscal year when demand surged due to the spread of COVID-19. As a result, international sales increased 30.5% over the first quarter of FY2020 to ¥17,817 million.

As a result, overall sales during the term under review increased 22.7% over the first quarter of FY2020 to ¥47,182 million. Operating income increased 250.8% over the first quarter of FY2020 to ¥6,423 million due to the increase in sales and higher gross profit margin thanks to a favorable product mix. Ordinary income increased 326.5% over the first quarter of FY2020 to ¥6,743 million, reflecting foreign exchange gains compared to losses in the same period of the previous fiscal year. Income attributable to owners of parent increased 327.8% over the first quarter of FY2020 to ¥4,537 million.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2021	
	Amount	Growth rate (%)
Physiological Measuring Equipment	8,571	+ 16.7
Patient Monitors	20,903	+ 35.9
Treatment Equipment	10,358	+ 18.9
Other Medical Equipment	7,349	+ 4.7
Total	47,182	+ 22.7
Products	26,421	+ 32.4
Consumables and Services	20,760	+ 12.2
(Reference) Sales by Region		
Domestic Sales	29,364	+ 18.4
Overseas Sales	17,817	+ 30.5
Americas	9,585	+ 37.5
Europe	3,069	+ 7.1
Asia & Other	5,162	+ 35.4

6. Consolidated Forecast for FY2021

Based on the results for the first quarter of FY2021 and recent performance trends, the Company revised its forecasts for the first half and full year of FY2021, previously announced on May 13, 2021.

The forecasts for overall sales, operating income, ordinary income, and income attributable to owners of parent for the first half of FY2021 were revised to ¥96,000 million (up ¥7,500 million from its previous forecast), ¥11,000 million (up ¥4,500 million from its previous forecast), ¥11,000 million (up ¥4,500 million from its previous forecast), ¥7,500 million (up ¥3,000 million from its previous forecast), respectively. Both domestic and overseas sales are expected to exceed its previous forecast. In Japan, both sales of medical devices, and consumables and services, will exceed its previous forecast due to the recovery in the number of testing and surgical procedures, and the resumption of business negotiations related to IT system solutions. Internationally, the Company focuses on the U.S. and China and sales in both countries are expected to continue to grow. Medical equipment to treat COVID-19 patients is expected to be installed by medical facilities in regions where the spread of infection has resurged. The Company also revised its forecast for income as the forecast for overall sales is expected to exceed its previous forecast.

The FY2021 full-year forecasts for overall sales, operating income, ordinary income, and income attributable to owners of parent were revised to ¥190,500 million (up ¥5,000 million from its previous forecast), ¥18,000 million (up ¥2,000 million from its previous forecast), ¥18,000 million (up ¥2,000 million from its previous forecast), ¥12,000 million (up ¥1,000 million from its previous forecast), respectively.

The Company's forecast from the second quarter of FY2021 is based on an exchange rate of 107 yen to the U.S. dollar and 127 yen to the euro. The forecast for FY2021 is based on an exchange rate of 108 yen to the U.S. dollar and 128 yen to the euro.

The earnings forecasts are based on information currently available and certain assumptions that the Company believes are reasonable. The operating results and financial position of the Nihon Kohden Group could be potentially affected by uncertainties such as the resurgence of COVID-19 and tight supply of components. The Company will immediately announce further revisions to its forecasts if necessary.

(Consolidated Forecast for FY2021 by Product Category)

	(Millions of yen)	
	FY2021 (forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	40,900	+ 8.8
Patient Monitors	74,300	- 5.7
Treatment Equipment	37,150	- 17.7
Other Medical Equipment	38,150	- 0.1
Total	190,500	- 4.6
Products	100,800	- 11.5
Consumables and Services	89,700	+ 4.4
(Reference) Sales by Region		
Domestic Sales	130,500	- 4.9
Overseas Sales	60,000	- 3.9
Americas	29,800	- 1.6
Europe	9,600	- 26.9
Asia & Other	20,600	+ 8.3

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2021	June 30, 2021
ASSETS		
Current assets:		
Cash and deposits	30,609	30,959
Notes and accounts receivable - trade	68,612	57,517
Securities	14,000	11,000
Merchandise and finished goods	27,965	28,044
Work in process	2,326	2,569
Raw materials and supplies	8,594	9,660
Other current assets	4,256	3,414
Allowance for doubtful accounts	-225	-240
Total current assets	156,140	142,926
Non-current assets:		
Property, plant and equipment	20,193	19,880
Intangible assets		
Goodwill	431	419
Other intangible assets	1,898	1,827
Total intangible assets	2,329	2,247
Investments and other assets		
Investment securities	6,418	7,153
Other investments and other assets	8,112	8,472
Allowance for doubtful accounts	-165	-166
Total investments and other assets	14,366	15,460
Total non-current assets	36,889	37,587
Total assets	193,030	180,514
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	24,412	19,886
Short-term loans payable	350	350
Accrued income taxes	7,915	2,163
Provision for bonuses	4,691	3,540
Provision for product warranties	1,116	961
Other current liabilities	12,121	10,784
Total current liabilities	50,608	37,686
Non-current liabilities:		
Net defined benefit liability	1,852	1,739
Other non-current liabilities	1,583	1,562
Total non-current liabilities	3,436	3,301
Total liabilities	54,044	40,988
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,437	10,437
Retained earnings	123,796	124,935
Treasury shares	-6,966	-8,466
Total shareholders' equity	134,812	134,451
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,158	2,648
Foreign currency translation adjustments	1,085	1,582
Remeasurements of defined benefit plans	929	843
Total accumulated other comprehensive income	4,173	5,074
Total net assets	138,986	139,525
Total liabilities and net assets	193,030	180,514

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	38,461	47,182
Cost of sales	19,033	22,616
Gross profit	19,428	24,565
Selling, general and administrative expenses	17,597	18,141
Operating income	1,831	6,423
Non-operating income		
Interest income	9	11
Dividend income	52	29
Foreign exchange gains	—	204
Subsidy income	96	27
Other, net	65	91
Total non-operating income	224	364
Non-operating expenses		
Interest expenses	2	1
Loss on valuation of investment securities	1	4
Foreign exchange losses	437	—
Other, net	33	38
Total non-operating expenses	474	44
Ordinary income	1,581	6,743
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	0
Office transfer cost	25	—
Total extraordinary losses	25	0
Income before income taxes	1,555	6,743
Income taxes	494	2,206
Net income	1,060	4,537
Income attributable to owners of parent	1,060	4,537

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	1,060	4,537
Other comprehensive income		
Valuation difference on available-for-sale securities	428	490
Foreign currency translation adjustment	-215	496
Remeasurements of defined benefit plans, net of tax	62	-85
Total other comprehensive income	275	901
Comprehensive income	1,336	5,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,336	5,438
Comprehensive income attributable to non-controlling interests	—	—