

Consolidated Financial Highlights for the First Quarter of FY2021 (From April 1, 2021 to June 30, 2021)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
August 4, 2021



1) Consolidated Financial Results for the 1st Quarter of FY2021

	FY2020 1Q	FY2021 1Q	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	38,461	47,182	22.7	
Domestic Sales	24,809	29,364	18.4	
Overseas Sales	13,652	17,817	30.5	← +28% on a local currency basis
Gross Profit (Gross Profit Margin)	19,428 50.5%	24,565 52.1%	26.4	← In-house sales ratio: 68.7% → 72.0%
Operating Income (Operating Income Margin)	1,831 4.8%	6,423 13.6%	250.8	← SG&A Ratio: 45.7% → 38.5%
Ordinary Income	1,581	6,743	326.5	← Foreign exchange gains/losses: FY2020 1Q: ¥0.43 bil losses → FY2021 1Q: ¥0.20 bil gains
Income Attributable to Owners of Parent	1,060	4,537	327.8	
Average Exchange Rate	(2020/6)	(2021/6)		
1 US Dollar	107.9 yen	108.9 yen		
1 EURO	118.1 yen	131.5 yen		

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- Overall sales increased 22.7% to ¥47.1 billion.
- Domestic sales increased 18.4% to ¥29.3 billion, because demand for certain products recovered compared to the 1st quarter of FY2020 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 FY2020 when medical institutions postponed or froze their purchase budgets. The installation of patient monitors supported by the Government's budgets also continued.
- Overseas sales increased 30.5% to ¥17.8 billion, a 28% growth on a local currency basis. Sales were 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 1st quarter of FY2020. Demand for patient monitors increased in some regions where the spread of COVID-19 has resurged.
- Operating income increased significantly to ¥6.4 billion due to the increase in sales and higher gross profit margin resulting from a favorable product mix. Gross profit margin increased to 52.1% thanks to an increase in the in-house sales ratio.
- Both domestic and overseas sales exceeded our expectations, as demand for consumables and certain products recovered steadily and COVID-19-related demand continued. Operating income also greatly exceeded our expectations, partly due to the higher gross profit margin. As a result, the Company revised its forecasts for the 1st half and full year of FY2021.

2) Highlights of FY2021 1Q

Net Sales : +22.7%

- **Japan:** Sales achieved double-digit growth. Demand for certain products recovered compared to FY2020 1Q when the number of testing and surgical procedures decreased. Business negotiations related to IT system solutions resumed, after FY2020 when medical institutions postponed or froze their purchase budgets. The installation of patient monitors supported by the Government's budget continued.
- **International:** Sales in all regions increased. Especially, sales in the Americas and Asia & Other achieved double-digit growth.

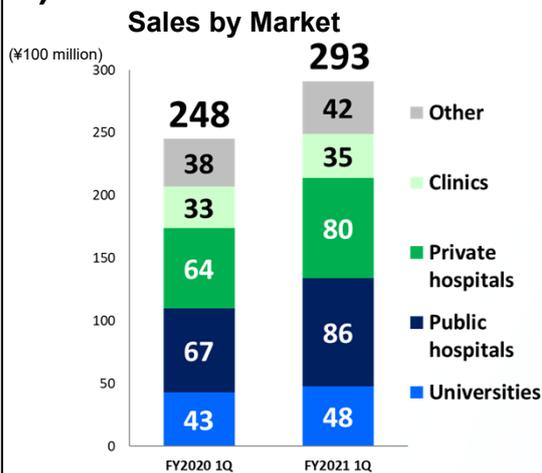
Operating Income : +250.8%

- Operating income increased significantly due to the increase in sales and higher gross profit margin resulting from a favorable product mix.

Ordinary Income : +326.5%

- Foreign exchange gains were recorded compared to losses in FY2020 1Q.

3) Domestic Sales



Sales by Product Category

(Sales, millions of yen)

	FY2020 1Q	FY2021 1Q	YoY (%)
Physiological Measuring Equipment	5,643	6,392	13.3
Patient Monitors	7,732	10,827	40.0
Treatment Equipment	5,551	6,323	13.9
Other Medical Equipment	5,881	5,822	-1.0
Total Sales	24,809	29,364	18.4

【Markets】 Sales in all markets increased favorably because demand for certain products recovered compared to FY2020 1Q when the number of testing and surgical procedures decreased due to the spread of COVID-19. It was also because business negotiations related to IT system solutions resumed, after FY2020 when medical institutions postponed or froze their purchase budgets. 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.

【Products】 **Physiological Measuring Equipment:** Sales of diagnostic information systems, ECGs, and EEGs achieved double-digit growth. Sales of polygraphs for cath lab also increased.

Patient Monitors: Sales of bedside monitors, transmitters, and clinical information systems increased significantly. Sales of consumables such as sensors also increased favorably.

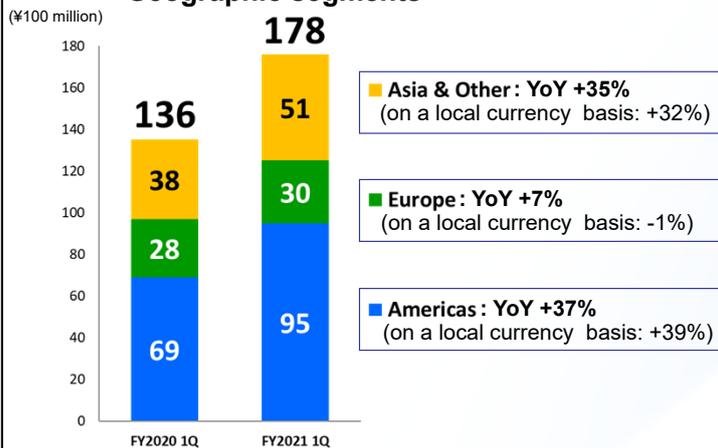
Treatment Equipment: Sales of AEDs and defibrillators increased favorably. Sales of ventilators decreased, as there was a reactionary decline compared to FY2020 1Q when demand surged.

Other Medical Equipment: Sales of locally purchased products decreased, as the Company focused on selling in-house products.

- Domestic sales increased by ¥4.5 billion to ¥29.3 billion. Sales increased significantly compared to the 1st quarter of FY2020 when the Company's sales and service staff limited visits to customers to a necessary minimum and medical institutions postponed testing and surgical procedures. We estimate that the negative impact was around ¥1.5 billion in the 1st quarter of FY2020. Demand for certain products also increased due to the recovery in the number of testing and surgical procedures and the resumption of business negotiations related to IT system solutions contributed to the increase in sales. We estimate that there was around ¥1.5 billion of COVID-19-related demand supported by the Government's budgets.
- Sales increased in all markets. 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 budgets. Sales in the university hospital and clinic markets also increased favorably.
- Sales of Patient Monitors, Treatment Equipment, Physiological Measuring Equipment achieved double-digit growth but sales of Other Medical Equipment decreased.
- In Physiological Measuring Equipment, sales of diagnostic information systems, ECGs, and EEGs achieved double-digit growth due to recovery in demand and resumption of business negotiations. Sales of polygraphs for cath lab also increased as the number of testing and surgical procedures recovered.
- Sales of Patient Monitors showed strong growth in reaction to the decline in the 1st quarter of FY2020. Sales of bedside monitors and transmitters increased significantly for accepting COVID-19 patients. Sales of clinical information systems increased favorably thanks to the resumption of business negotiations. Sales of consumables such as sensors also showed strong growth as the number of testing and surgical procedures recovered.
- In Treatment Equipment, sales of AEDs and defibrillators increased favorably. Sales of ventilators decreased as there was a reactionary decline compared to the 1st quarter of FY2020 when demand surged due to the spread of COVID-19, while the installation of ventilators continued in some medical facilities supported by the Government's budgets.
- In Other Medical Equipment, sales of locally purchased products decreased as the Company focused on selling in-house products.

4) Overseas Sales

Geographic segments



Percentage of overseas sales to consolidated sales

	FY2020 1Q	FY2021 1Q
Percentage	35.5%	37.8%

Sales by Product Category

(Sales, millions of yen)

	FY2020 1Q	FY2021 1Q	YoY (%)
Physiological Measuring Equipment	1,698	2,179	28.3
Patient Monitors	7,650	10,075	31.7
Treatment Equipment	3,163	4,035	27.6
Other Medical Equipment	1,139	1,526	34.0
Total Sales	13,652	17,817	30.5

+28% on a local currency basis

- 【Region】 Americas:** Sales in the U.S. achieved double-digit growth driven by large orders for patient monitors. Sales in Latin America doubled from FY2020 1Q, mainly in Brazil and Peru.
- Europe:** Sales decreased on a local currency basis and increased on a yen basis. There was a reactionary decline compared to the strong growth in FY2020 1Q.
- Asia & Other:** Sales in India and Thailand doubled due to the resurgence of COVID-19. Sales in China also increased favorably.
- 【Products】 Physiological Measuring Equipment:** Sales of EEGs recovered in the U.S. and China, and increased favorably in Europe. Sales of ECGs increased in the Americas and Europe.
- Patient Monitors:** Sales in the U.S. increased significantly. Sales in India and Latin America doubled from FY2020 1Q. Sales in Europe, China, and the Middle East decreased, as there was a reactionary decline compared to FY2020 1Q when demand surged.
- Treatment Equipment:** In all regions, sales of AEDs recovered and sales of defibrillators increased favorably. Sales of ventilators decreased, as there was a reactionary decline compared to FY2020 1Q when demand surged.
- Other Medical Equipment:** Sales of hematology analyzers and reagents recovered in all regions.

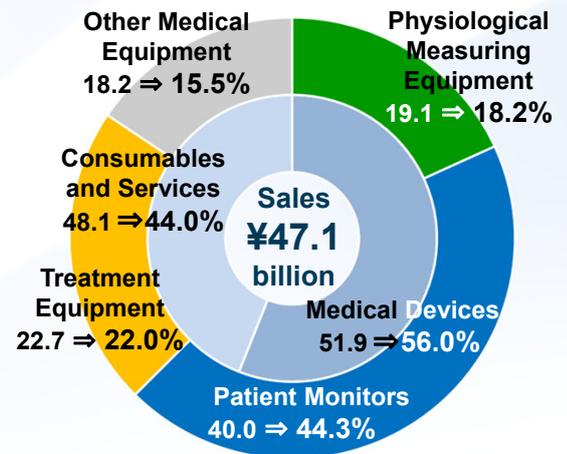
- Overseas sales increased by ¥4.2 billion to ¥17.8 billion, a 28% growth on a local currency basis. The overseas sales ratio rose to 37.8%. Sales were driven by large orders for patient monitors in the U.S.
- In the Americas, sales in the U.S. achieved double-digit growth. Sales in Latin America doubled, mainly in Brazil and Peru, due to the resurgence of COVID-19.
- Sales in Europe decreased on a local currency basis and increased on a yen basis. There was a reactionary decline compared to the strong growth in the 1st quarter of FY2020.
- In Asia & Other, sales in India and Thailand doubled due to the resurgence of COVID-19. Sales in China also achieved double-digit growth both on a local currency basis and on a yen basis. In China, COVID-19-related demand surged in the 1st quarter of FY2020 but purchasing activity has currently returned to normal. Demand for EEGs and AEDs recovered, while there was a reactionary decline in sales of patient monitors, defibrillators, and ECGs compared to the strong growth in the 1st quarter of FY2020. The fiscal year-end of our subsidiary in China is December 31. Sales in China in the 1st half of FY2021 are expected to result in double-digit growth both on a local currency basis and on a yen basis.
- Sales in all product categories achieved double-digit growth. Demand for AEDs, EEGs, and hematology analyzers and reagents recovered in all regions compared to weak sales in the 1st quarter of FY2020 due to COVID-19. Sales of Patient Monitors were driven by large orders in the U.S. We estimate that the positive impact of COVID-19-related demand was around ¥2 billion for patient monitors, defibrillators, and ventilators. Demand for patient monitors and defibrillators increased in regions where the spread of infection has resurged. Sales of ventilators decreased as there was a reactionary decline compared to the 1st quarter of FY2020 when demand surged, while demand continued in some regions.

5) Sales by Product Category

(Sales, millions of yen)

	FY2020 1Q	FY2021 1Q	YoY (%)
Physiological Measuring Equipment	7,342	8,571	16.7
Patient Monitors	15,382	20,903	35.9
Treatment Equipment	8,714	10,358	18.9
Other Medical Equipment	7,021	7,349	4.7
Total Sales	38,461	47,182	22.7
(Reference)			
Consumables and Services	18,502	20,760	12.2

**Sales composition
by product category**
(FY2020 1Q ⇒ FY2021 1Q)



- Sales of Physiological Measuring Equipment increased 16.7% to ¥8.5 billion.
- Sales of Patient Monitors increased 35.9% to ¥20.9 billion.
- Sales of Treatment Equipment increased 18.9% to ¥10.3 billion.
- Sales of Other Medical Equipment increased 4.7% to ¥7.3 billion.
- Sales of Consumables and Services increased 12.2% to ¥20.7 billion due to a recovery in the number of testing and surgical procedures from the 1st quarter of FY2020. Sales of installation and maintenance services for medical devices also increased favorably compared to the 1st quarter of FY2020 when there was a negative impact from the Company's voluntary restraint of service activities.

(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2020 1Q	FY2021 1Q
Electroencephalographs	1.1	1.5
Electrocardiographs	1.3	1.5
Polygraphs for Cath Lab	3.0	3.2
Other Physiological Measuring Equipment *	1.7	2.2

*Includes diagnostic information systems and products of other companies.

Treatment Equipment	FY2020 1Q	FY2021 1Q
Defibrillators (for Hospital and Ambulance)	1.2	2.0
AEDs (Automated External Defibrillator)	3.0	4.1
Pacemakers / ICDs	0.6	0.6
Ventilators	2.4	1.5
Other Treatment Equipment	1.2	1.8

Other Medical Equipment	FY2020 1Q	FY2021 1Q
Hematology Analyzers	2.1	2.2
Imaging Systems, Medical equipment for research and others *	4.8	5.0

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

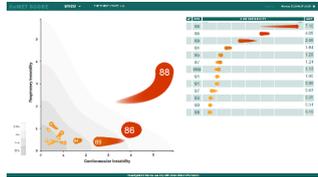
- Demand recovered especially for Physiological Measuring Equipment. Sales of defibrillators and AEDs also increased favorably. Sales of ventilators decreased as there was a reactionary decline compared to the 1st quarter of FY2020 when demand surged due to the spread of COVID-19, but a certain level of demand continued partly due to the spread of more infectious coronavirus variants.

6) Topics: Patient Monitoring Business in the U.S.

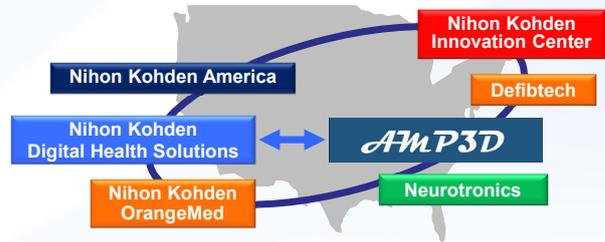
Acquired AMP3D (U.S. Company)

- Head office: Virginia, U.S.A.
- Establishment: 2013
- Representative: Kevin L. Passarello
(President and CEO)
- Business: R&D of algorithms and software for patient condition management

- High affinity with our DHS (digital health solution) vision
- Strengthening of the local R&D capability



CoMET®
Continuous Monitoring
of Event Trajectories



Received FDA approval for mid-range bedside monitors

July 2021
FDA approval

FY2021 2H
Planned to launch



CSM-1500/1700 series

- In April 2020, the Company established the U.S. Operations Department to strengthen synergies among the local subsidiaries such as Nihon Kohden America, Defibtech, and Nihon Kohden OrangeMed.
- Nihon Kohden Digital Health Solutions was rebranded in April 2021 and focuses on developing digital health solutions, which we defined as a new business in our three-year business plan. With the aim of further strengthening and promoting our DHS vision, we decided to acquire Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. (“AMP3D”) in the U.S. AMP3D, with its expertise and wealth of knowledge rooted in clinical practice in the U.S., is developing technologies for computational algorithms and software to understand the condition and status of patients. There is a high affinity between our DHS vision and AMP3D’s software, and we expect to strengthen our technological development capabilities in this field. In the U.S., pioneering research is being conducted, such as research into prediction and early detection of changes in patient conditions using vital sign data and information obtained from medical equipment. We also expect to strengthen our local R&D capability and collaborate with leading research and development institutions in the U.S.
- In July 2021, we received FDA approval for the CSM-1500/1700 series, mid-range bedside monitors. The launch will be in the 2nd half of FY2021 as planned. By introducing these products, we expect to enhance our cybersecurity measures and increase the value of our monitoring solutions for large-scale network systems, leading to additional business opportunities.

7) Depreciation and R&D Costs

(Millions of yen)

	FY2020 1Q	FY2021 1Q	Change	FY2020 Actual	FY2021 Plan
Depreciation	722	756	33	3,236	3,800
R&D Costs	1,464	1,324	-139	6,357	6,600
			Capital Investments	3,524	4,100

●FY2021 capital investments plan

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

- Depreciation was ¥0.7 billion and in line with the schedule. There is no change to our forecasts for full-year depreciation of ¥3.8 billion and capital investments of ¥4.1 billion.
- R&D costs decreased by ¥0.1 billion to ¥1.3 billion. Although there were delays in the progress of some development projects, we will accelerate the development related to DHS together with Nihon Kohden Digital Health Solutions and AMP3D in the U.S. from the 2nd quarter onward.

8) Forecast for FY2021

(Billions of yen)

	FY2020 Actual		FY2021 Forecast					
	First Half	Full Year	First Half			Full Year		
			Original forecast announced May 13	Revised forecast announced Aug 4	YoY (%)	Original forecast announced May 13	Revised forecast announced Aug 4	YoY (%)
Net Sales	87.2	199.7	88.5	96.0	10.0	185.5	190.5	-4.6
Domestic Sales	56.2	137.2	—	—	—	128.0	130.5	-4.9
Overseas Sales	30.9	62.4	—	—	—	57.5	60.0	-3.9
Gross Profit (Gross Profit Margin)	44.3 50.8%	102.2 51.2%	—	—	—	92.1 49.6%	95.7 50.2%	-6.4
Operating Income (Operating Income Margin)	8.7 10.0%	27.0 13.6%	6.5 7.3%	11.0 11.5%	25.6	16.0 8.6%	18.0 9.4%	-33.6
Ordinary Income	8.2	28.3	6.5	11.0	33.9	16.0	18.0	-36.6
Income Attributable to Owners of Parent	5.8	18.2	4.5	7.5	28.7	11.0	12.0	-34.2
Percentage of Overseas Sales	35.5%	31.3%				31.0%	31.5%	

-5% on a local currency basis

*The assumed exchange rates from FY2021 2Q are 107 yen to the U.S. dollar and 127 yen to the euro.

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- Based on the results of the 1st quarter of FY2021 and recent performance trends, the Company revised its forecasts for the 1st half and full year of FY2021. The revisions also reflect greater-than-expected depreciation of the yen in currency translation.
- Overall sales for the 1st half of FY2021 are expected to be ¥96 billion. Both domestic and overseas sales are expected to exceed our original forecasts, increasing by around 10% over the 1st half of FY2020. On the other hand, both domestic and overseas sales in the 2nd half of FY2021 are expected to decrease due to reaction to demand increased in the 2nd half of FY2020.
- In Japan, both sales of medical devices, and consumables and services, will exceed the original forecast due to the recovery in the number of testing and surgical procedures, and the resumption of business negotiations related to IT system solutions. In addition, the installation of medical equipment supported by the Government's budgets is expected to continue until the end of September 2021.
- 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 FY2021 full-year forecasts for overall sales, operating income, ordinary income, and income attributable owners of parent were revised to ¥190.5 billion, ¥18 billion, ¥18 billion, ¥12 billion, respectively. The Company revised its forecasts for income because the forecast for overall sales is expected to exceed its original forecast. Gross profit margin is expected to exceed the original forecast thanks to a favorable product mix.
As there are uncertainties such as the resurgence of COVID-19 and tight supply of components, we will immediately announce further revisions to its forecasts if necessary.

9) Reason for the Revision

Net Sales
(up ¥5.0 bil from previous forecast)

Domestic Sales
(up ¥2.5 bil)

- Both sales of medical devices, and consumables and services, will exceed the 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.
- The installation of patient monitors supported by the Government's budget is expected to continue until the end of September 2021.

Overseas Sales
(up ¥2.5 bil)

- 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 assumed exchange rates for FY2021 were changed due to yen depreciation. (1 US Dollar: from ¥105 to ¥108, 1 Euro: from ¥125 to ¥128)

**Operating Income
Ordinary Income**
(up ¥2.0 bil respectively)
**Income Attributable to
Owners of Parent**
(up ¥1.0 bil)

- Revised upward because sales are expected to exceed the previous forecast.
- Gross profit margin is also expected to exceed the Company's initial estimates due to a favorable product mix.

*There are 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.

(Ref.) Consolidated Forecast for FY2021 by Product Category, Breakdown of Overseas Sales Forecast by Region/ Effect of Exchange Rates

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

	FY2020 Actual	FY2021		Composition ratio (%)	YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 4		
Physiological Measuring Equipment	37,586	40,700	40,900	21.5	8.8
Patient Monitors	78,818	70,900	74,300	39.0	-5.7
Treatment Equipment	45,126	36,100	37,150	19.5	-17.7
Other Medical Equipment	38,196	37,800	38,150	20.0	-0.1
Total	199,727	185,500	190,500	100.0	-4.6

	FY2020 Actual	FY2021		YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 4	
Americas	30,288	29,000	29,800	-1.6
Europe	13,139	9,500	9,600	-26.9
Asia & Other	19,024	19,000	20,600	8.3
Total	62,452	57,500	60,000	-3.9

-5% on a local currency basis

(Reference)

Consumables and Services	85,890	87,200	89,700	47.1	4.4
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Average Exchange Rate

	FY2020 Actual	FY2021 Forecast
1 US Dollar	105.9 yen	108 yen
1 EURO	123.1 yen	128 yen

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.36 bil yen	0.10 bil yen
EURO	0.06 bil yen	0.02 bil yen

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- Based on the results for the 1st quarter and recent performance trends, the Company revised its forecasts by product category. Sales of patient monitors, defibrillators, AEDs, and ventilators are expected to exceed the original forecasts. Sales of consumables and services are also expected to increase due to recovery in the number of testing and surgical procedures.
- As for the overseas sales forecast by region, the assumed exchange rates were revised. COVID-19-related demand is also reflected to the revised forecast, as the spread of COVID-19 has resurged mainly in Latin America and India. Sales in Asia & Other are expected to increase in the revised forecast, while we had expected a decrease in sales in the original forecast.

Disclaimer:

The contents of this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures described therein.

