



Consolidated Financial Highlights for the Third Quarter of FY2021 (From April 1, 2021 to December 31, 2021)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
February 3, 2022



1) Consolidated Financial Results for the 3rd Quarter of FY2021

	FY2020 3Q 9 months	FY2021 3Q 9 months	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	137,046	148,078	8.0	
Domestic Sales	88,004	96,597	9.8	
Overseas Sales	49,042	51,481	5.0	← +1% on a local currency basis
Gross Profit (Gross Profit Margin)	69,113 50.4%	79,188 53.5%	14.6	← In-house sales ratio: FY2020 3Q 69.1% → FY2021 3Q 72.1%
Operating Income (Operating Income Margin)	15,586 11.4%	23,316 15.7%	49.6	← SG&A: ¥53.5 bil → ¥55.8 bil SG&A Ratio: 39.0% → 37.8%
Ordinary Income	14,697	24,677	67.9	← Foreign exchange gains/losses: ¥1,271 mil losses → ¥979 mil gains
Income Attributable to Owners of Parent	8,882	16,911	90.4	
Average Exchange Rate	(2020/12)	(2021/12)		
1 US Dollar	106.3 yen	110.2 yen		
1 EURO	122.2 yen	130.9 yen		

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NIHON KOHDEN

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- Overall sales increased 8% to ¥148.0 billion.
- Domestic sales increased 9.8% to ¥96.5 billion. Sales in all markets increased as a result of the Company's focus on the consumables and services business and because demand for certain products recovered from the decrease that occurred in the same period of FY2020. The resumption of business negotiations related to IT system solutions also contributed to increased sales.
- Overseas sales increased 5% to ¥51.4 billion, a 1% growth on a local currency basis. In all regions, demand for certain products recovered from the decrease that occurred in the same period of FY2020. The Company also succeeded in strengthening its consumables and services business.
- Operating income increased 49.6% to ¥23.3 billion due to the increase in sales and higher gross profit margin resulting from a favorable product mix. Gross profit margin increased to 53.5% thanks to an increase in the in-house sales ratio.
- Ordinary income increased 67.9% to ¥24.6 billion.
Income attributable to owners of parent increased 90.4% to ¥16.9 billion.
- Domestic sales were in line with our expectation, and overseas sales exceeded our expectation. Operating income also greatly exceeded our expectation due to the higher gross profit margin. As a result, the Company revised its FY2021 full-year forecasts.

2) Highlights of FY2021 3Q (9 months)

Net Sales: +8.0%

- **Japan:** Demand for certain products recovered from the decrease that occurred in the same period of FY2020. The resumption of business negotiations related to IT system solutions also contributed to increased sales. The installation of patient monitors and ventilators supported by the Government's budget continued.
- **International:** In all regions, demand for certain products recovered from the decrease that occurred in the same period of FY2020. The Company also succeeded in strengthening its consumables and services business.

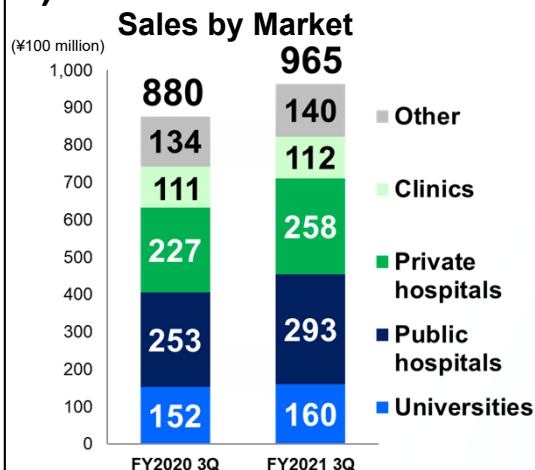
Operating Income: +49.6%

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

Ordinary Income: +67.9%

- Foreign exchange gains were recorded compared to losses in the same period of FY2020.

3) Domestic Sales



Sales by Product Category

(Sales, millions of yen)

	FY2020 3Q 9 months	FY2021 3Q 9 months	YoY (%)
Physiological Measuring Equipment	20,025	20,562	2.7
Patient Monitors	27,615	34,884	26.3
Treatment Equipment	18,828	20,904	11.0
Other Medical Equipment	21,536	20,246	-6.0
Total Sales	88,004	96,597	9.8

【Markets】 Sales in all markets increased because demand for certain products recovered from the decrease that occurred in the same period of FY2020. The resumption of business negotiations related to IT system solutions also contributed to increased sales. Sales in the public hospital and private hospital markets achieved double-digit growth, due in part to the installation of patient monitors and ventilators supported by the Government's budget.

【Products】 **Physiological Measuring Equipment:** Sales of diagnostic information systems and ECGs achieved double-digit growth. Sales of EEGs also increased favorably. Demand for pulse oximeters increased. Sales of polygraphs for cath lab recorded double-digit growth on a comparable basis, excluding the impact of decrease in sales of locally purchased products.

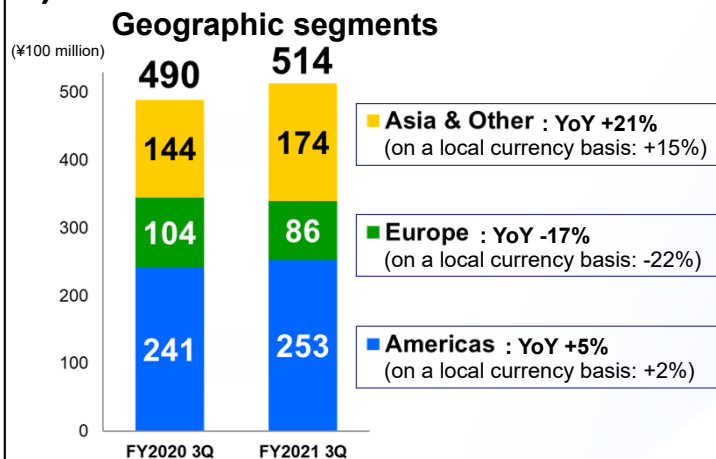
Patient Monitors: Sales of transmitters, bedside monitors, and clinical information systems increased significantly. Sales of consumables such as sensors also achieved double-digit growth.

Treatment Equipment: Sales of ventilators increased significantly. Sales of defibrillators and AEDs also increased favorably.

Other Medical Equipment: Sales of locally purchased products decreased, as the Company focused on selling in-house products. Sales of hematology analyzers, and installation and maintenance services for medical devices increased favorably.

- Domestic sales increased by ¥8.5 billion to ¥96.5 billion. Sales in all markets increased because demand for certain products such as Physiological Measuring Equipment and hematology analyzers recovered from the decrease that occurred in the same period of FY2020. The resumption of business negotiations related to IT system solutions also contributed to increased sales. Furthermore, sales of consumables and services increased favorably.
- Sales in the public hospital and private hospital markets achieved double-digit growth, due in part to the installation of patient monitors and ventilators supported by the Government's budget.
- Sales of locally purchased products which are included in Physiological Measuring Equipment and Other Medical Equipment decreased, as the Company focused on selling in-house products. This led to a favorable product mix and higher gross profit margin.
- In Physiological Measuring Equipment, sales of diagnostic information systems and ECGs achieved double-digit growth. Sales of EEGs also increased favorably. Demand for pulse oximeters increased. Sales of polygraphs for cath lab recorded double-digit growth on a comparable basis, excluding the impact of decrease in sales of locally purchased products.
- Sales of Patient Monitors showed strong growth in reaction to the decline in the same period of FY2020. Sales of transmitters and bedside monitors increased significantly to facilities accepting COVID-19 patients. Sales of clinical information systems showed strong growth thanks to the resumption of business negotiations. Sales of consumables such as sensors achieved double-digit growth as the number of tests and surgical procedures recovered.
- In Treatment Equipment, sales of ventilators increased significantly. Sales of defibrillators and AEDs also increased favorably.
- In Other Medical Equipment, sales of locally purchased products decreased, while sales of hematology analyzers, and installation and maintenance services for medical devices increased favorably.

4) Overseas Sales



Percentage of overseas sales to consolidated sales

FY2020 3Q	FY2021 3Q
9 months	9 months
35.8%	34.8%

Sales by Product Category

(Sales, millions of yen)

	FY2020 3Q	FY2021 3Q	YoY (%)
	9 months	9 months	
Physiological Measuring Equipment	5,948	6,895	15.9
Patient Monitors	27,753	27,540	-0.8
Treatment Equipment	11,700	12,245	4.7
Other Medical Equipment	3,639	4,800	31.9
Total Sales	49,042	51,481	5.0

+1% on a local currency basis

- 【Region】 Americas:** Sales in the U.S. increased favorably. Sales in Latin America decreased due to the reactionary decline in Mexico and Colombia where sales doubled in the same period of FY2020.
- Europe:** Sales decreased, as demand for certain products recovered but not enough to cover the reactionary decline compared to the strong growth in the same period of FY2020.
- Asia & Other:** Sales in India, Thailand, Malaysia, and Egypt doubled. Sales in China and Vietnam 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 decreased in all regions.
- Patient Monitors:** Sales in Europe and Latin America decreased, as there was a reactionary decline compared to the same period of FY2020 when demand increased. Sales in the U.S. and Asia & Other increased favorably.
- Treatment Equipment:** Sales of AEDs recovered in all regions. Sales of defibrillators increased significantly in Asia & Other and Europe. Sales of ventilators decreased due to a reactionary decline compared to the same period of FY2020 when demand increased, while demand increased in India and Southeast Asia.
- Other Medical Equipment:** Sales of hematology analyzers and reagents recovered in all regions.

- Overseas sales increased by ¥2.4 billion to ¥51.4 billion, a 1% growth on a local currency basis. The overseas sales ratio was 34.8%.
- In the Americas, sales in the U.S. increased favorably. Demand for EEGs and AEDs recovered as well as sales of patient monitors increased favorably, while there was a reactionary decline in demand for ventilators compared to the same period of FY2020 when demand surged. Sales in Latin America decreased due to the reactionary decline in Mexico and Colombia where sales doubled in the same period of FY2020.
- Sales decreased in Europe, where demand for certain products recovered from the decrease that occurred in the same period of FY2020, but not enough to cover the reactionary decline compared to the strong growth in the same period of FY2020. There is demand for patient monitors in some regions where the spread of infection has resurged.
- In Asia & Other, due to the resurgence of COVID-19, sales in India, Thailand, and Malaysia doubled, and sales in Vietnam showed strong growth. Sales in Egypt also doubled due to the resumption of business negotiations. Sales in China achieved double-digit growth both on a local currency basis and on a yen basis. The fiscal year-end of our subsidiary in China is December 31. Sales in China in full year of FY2021 are expected to result in a mid-single-digit growth on a local currency basis and double-digit growth on a yen basis.
- Demand for AEDs, EEGs, and hematology analyzers and reagents recovered in all regions compared to weak sales in the same period of FY2020 due to COVID-19. Sales of Patient Monitors decreased due to the reactionary decline in Europe and Latin America where demand increased in the same period of FY2020, while sales in the U.S. and Asia & Other increased favorably. Sales of ventilators also decreased due to the reactionary decline compared to the same period of FY2020 when demand increased, while demand increased in India and Southeast Asia.

5) Sales by Product Category

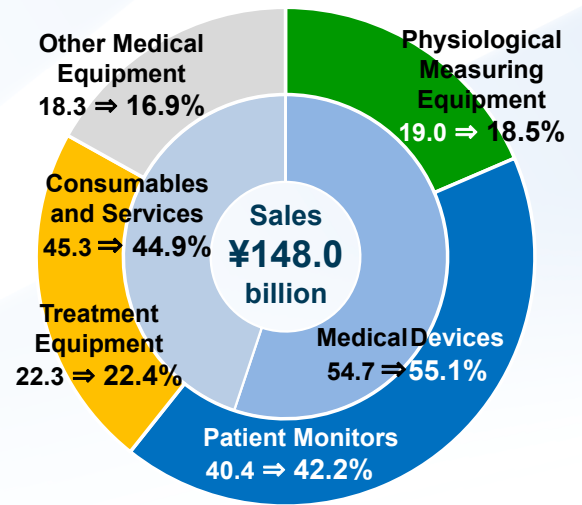
(Sales, millions of yen)

	FY2020 3Q 9 months	FY2021 3Q 9 months	YoY (%)
Physiological Measuring Equipment	25,973	27,457	5.7
Patient Monitors	55,369	62,425	12.7
Treatment Equipment	30,528	33,149	8.6
Other Medical Equipment	25,175	25,046	-0.5
Total Sales	137,046	148,078	8.0

(Reference)

Consumables and Services	62,036	66,431	7.1
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Sales composition
by product category
(FY2020 3Q ⇒ FY2021 3Q)



- Sales of Physiological Measuring Equipment increased 5.7% to ¥27.4 billion.
- Sales of Patient Monitors increased 12.7% to ¥62.4 billion.
- Sales of Treatment Equipment increased 8.6% to ¥33.1 billion.
- Sales of Other Medical Equipment decreased 0.5% to ¥25.0 billion.
- As demand for medical devices increased, the sales ratio of Consumables and Services was 44.9%.

(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2020 3Q 9 months	FY2021 3Q 9 months
Electroencephalographs	4.3	5.1
Electrocardiographs	4.6	4.8
Polygraphs for Cath Lab	10.7	9.9
Other Physiological Measuring Equipment *	6.2	7.4

*Includes diagnostic information systems and products of other companies.

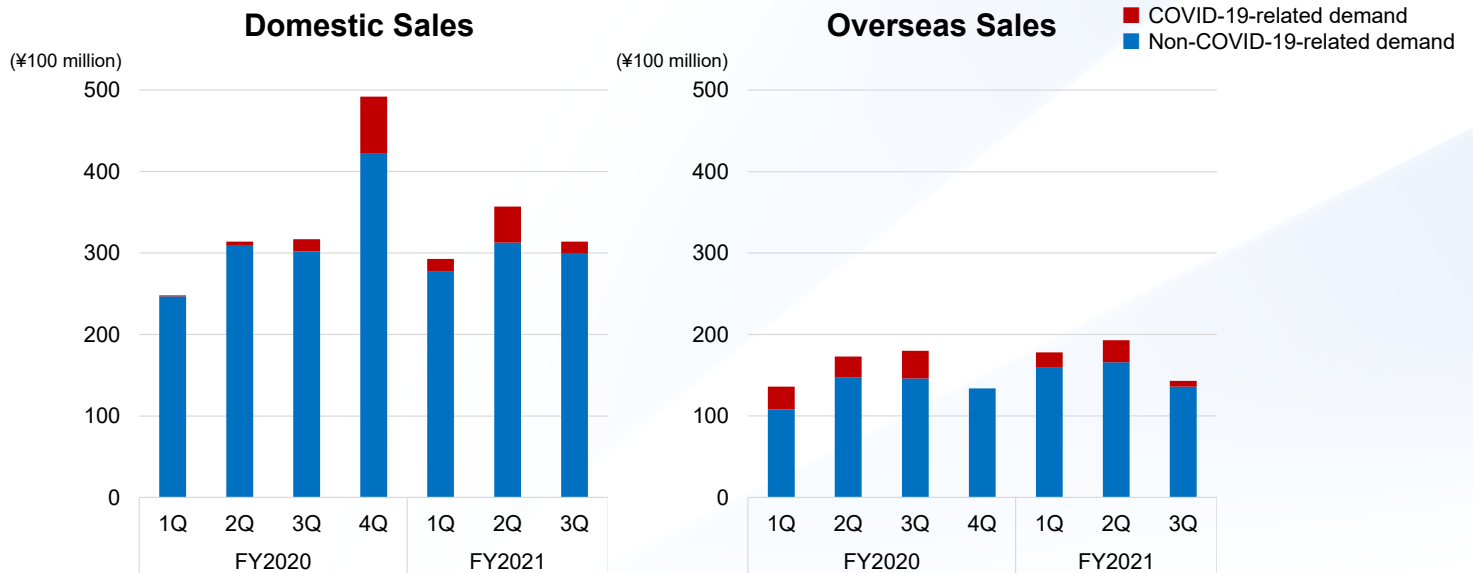
Treatment Equipment	FY2020 3Q 9 months	FY2021 3Q 9 months
Defibrillators (for Hospital and Ambulance)	5.2	6.3
AEDs (Automated External Defibrillator)	10.6	12.8
Pacemakers / ICDs	2.0	1.9
Ventilators	8.0	6.9
Other Treatment Equipment	4.5	5.0

Other Medical Equipment	FY2020 3Q 9 months	FY2021 3Q 9 months
Hematology Analyzers	6.6	7.8
Imaging Systems, Medical equipment for research and others *	18.5	17.2

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

- Breakdown of sales by product category are shown above.

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



【COVID-19-related demand in FY2021 3Q (3 months)】

Japan: approx. ¥1.2 billion for patient monitors, approx. ¥0.3 billion for ventilators
 International: over ¥0.5 billion for patient monitors, over ¥0.1 billion for ventilators

- We estimate that COVID-19-related demand in the 3rd quarter (3 months) was around ¥1.2 billion for patient monitors and ¥0.3 billion for ventilators in Japan, and over ¥0.5 billion for patient monitors and ¥0.1 billion for ventilators internationally.
- In the 3rd quarter (3 months), domestic sales decreased 1% due to the decline in sales of third-party products. Sales of in-house products remained favorable as the Company focuses on its sales activities. Overseas sales decreased 21% because COVID-19-related demand has settled down compared to the same period of FY2020, when demand surged.

6) Topics

New products in FY2021 2H

Patient Monitoring Business

Central monitor CNS-2101

3Q: Japan



- Enables intensive monitoring of up to 32 patients in ICUs
- Easy access to patient data with iconized menu window
- Supports operational efficiency improvement by linkage with hospital information system



Wall-mountable

Mid-range bedside monitors CSM-1500/1700 series

Planned to launch in 4Q
in the U.S.



Treatment Equipment Business

Automated external defibrillator AED-3250

4Q: Japan



- The Company's first fully automatic AED
- Aimed at reducing psychological burden in rescuers and promoting early defibrillation by automatically delivering shock without operator intervention



AED remote monitoring system supports daily inspections

4x0 00:01 4x0 00:37



This AED automatically delivers shocks.



Delivering shock in 3 seconds. Do not touch patient.

Instructions with illustrations and messages are shown on the color screen.

- In the 3rd quarter of FY2021, we launched a new model of central monitor CNS-2101 in Japan. The CNS-2101 intensively monitors up to 32 patients in ICUs/ORs by receiving vital signs of patients from bedside monitors and transmitters. The various iconized menu windows enable easy access to patient data for medical workers. It also supports improved operational efficiency by linkage with hospital information systems.
- The mid-range bedside monitors will be launched in the U.S. in the 4th quarter of FY2021.
- In Treatment Equipment Business, the Company's first fully automatic AED was launched in Japan in the 4th quarter of FY2021. We hope that it will reduce the psychological burden on rescuers by automatically delivering shocks without operator intervention. We also hope that it will further improve the survival rate by promoting early defibrillation.

7) Depreciation and R&D Costs

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

	FY2020 3Q 9 months	FY2020 3Q 9 months	Change	FY2020 Actual	FY2021		
					Original forecast announced May 13	Revised forecast announced Nov 8	Revised forecast announced Feb 2
Depreciation	2,334	2,467	132	3,236	3,800	3,800	3,800
R&D costs	4,430	4,040	-390	6,357	6,600	6,300	6,100
		Capital Investments		3,524	4,100	4,100	4,100

●FY2021 capital investments plan

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

- Depreciation increased by ¥0.1 billion to ¥2.4 billion. R&D costs decreased by ¥0.4 billion to ¥4.0 billion.
- There is no change to our forecasts for full-year depreciation of ¥3.8 billion and capital investments of ¥4.1 billion. The forecast for full-year R&D costs were revised to ¥6.1 billion, reflecting the progress made during the 9 months of FY2021. There were delays in the progress of some development projects, as man-hours in the R&D departments have been allocated to exploring alternative parts and performance validation in response to tight supply of components.

8) Forecast for FY2021

	FY2020 Actual	FY2021			YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 8	Revised forecast announced Feb 2	
Sales	199,727	185,500	201,000	203,000	1.6
Domestic Sales	137,274	128,000	136,500	136,500	-0.6
Overseas Sales	62,452	57,500	64,500	66,500	6.5
Gross Profit (Gross Profit Margin)	102,233 51.2%	92,100 49.6%	104,000 51.7%	106,500 52.5%	4.2
Operating Income (Operating Income Margin)	27,094 13.6%	16,000 8.6%	25,500 12.7%	28,500 14.0%	5.2
Ordinary Income	28,374	16,000	25,500	29,500	4.0
Income Attributable to Owners of Parent	18,243	11,000	17,500	20,000	9.6
Percentage of Overseas Sales	31.3%	31.0%	32.1%	32.8%	
Average exchange rate					
1 US Dollar	105.9 yen	105 yen	110 yen	111 yen	
1 EURO	123.1 yen	125 yen	130 yen	131 yen	

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

← +1% on a local currency basis

Breakdown of overseas sales by region

	FY2020 Actual	FY2021			YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 8	Revised forecast announced Feb 2	
Americas	30,288	29,000	31,500	32,200	6.3
Europe	13,139	9,500	10,000	10,600	-19.3
Asia & Other	19,024	19,000	23,000	23,700	24.6
Total	62,452	57,500	64,500	66,500	6.5

*The assumed exchange rates for FY2021 4Q are 114 yen to the U.S. dollar and 131 yen to the euro.

- Based on the results of the 9 months of FY2021 and recent performance trends, the Company revised upward its FY2021 full-year forecasts.
- Domestic sales are expected to decrease 0.6% to ¥136.5 billion, the same as the previous forecast. In the 4th quarter of FY2021, there is expected to be a reactionary decline compared to the 4th quarter of FY2020 when demand for patient monitors and ventilators surged. Sales of locally purchased products are also expected to decrease, as the Company focuses on selling in-house products.
- Overseas sales are expected to be ¥66.5 billion, an increase of ¥2 billion from the previous forecast, a 1% growth on a year-on-year local currency basis. The Company revised its overseas sales forecast as there is demand for patient monitors in some regions such as Europe and Asia & Other where the spread of infection has resurged. The revision was also because demand for non-COVID-19-related medical devices has shown signs of recovery.
- Operating income is expected to be ¥28.5 billion, because sales are expected to be higher than the previous forecast and gross profit margin is also expected to exceed the previous forecast thanks to a favorable product mix. Ordinary income and net income are as shown above.
The full-year forecasts include the impact of the spread of coronavirus variants and the semiconductor shortage at this moment. The Company should continue to monitor future trends carefully.

9) Reason for the Revision

Net Sales
(up ¥2.0 bil from
previous forecast)

**Domestic
Sales**
(same as
previous forecast)

- In FY2021 4Q, there will be a reactionary decline compared to FY2020 4Q when demand for patient monitors and ventilators surged.
- Sales of locally purchased products will also decrease, as the Company focuses on selling in-house products.

**Overseas
Sales**
(up ¥2.0 bil)

- There is demand for patient monitors in some regions where the spread of infection has resurged.
- Demand for non-COVID-19-related medical devices has shown signs of recovery.
- The assumed exchange rates for FY2021 were changed due to yen depreciation.
(1 US Dollar: from ¥110 to ¥111, 1 Euro: from ¥130 to ¥131)

Operating Income
(up ¥3.0 bil)

Ordinary Income
(up ¥4.0 bil)

**Income Attributable
to Owners of Parent**
(up ¥2.5 bil)

- Revised upward because sales are expected to be higher than the previous forecast.
- Gross profit margin is also expected to exceed the previous forecast due to a favorable product mix.

* The forecasts include the impact of the spread of coronavirus variants and the semiconductor shortage, but actual results may differ from the forecasts due to unforeseen circumstances.

(Ref.) Consolidated Forecast for FY2021 by Product Category/ Effect of Exchange Rates

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

	FY2020	FY2021			YoY (%)	
	Actual	Original forecast announced May 13	Revised forecast announced Nov 8	Revised forecast announced Feb 2		Composition ratio (%)
Physiological Measuring Equipment	37,586	40,700	40,600	39,700	19.6	5.6
Patient Monitors	78,818	70,900	80,750	81,900	40.3	3.9
Treatment Equipment	45,126	36,100	41,450	43,200	21.3	-4.3
Other Medical Equipment	38,196	37,800	38,200	38,200	18.8	0.0
Total	199,727	185,500	201,000	203,000	100.0	1.6

(Reference)

Consumables and Services	85,890	87,200	91,400	92,100	45.4	7.2
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Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.37 bil yen	0.14 bil yen
1 EURO	0.07 bil yen	0.03 bil yen

- The sales forecasts for FY2021 by product category are as shown above. The Company revised its sales forecasts for Patient Monitors and Treatment Equipment, because of COVID-19-related demand in some regions where the spread of infection has resurged and also because demand for non-COVID-19-related medical devices has shown signs of recovery. The Company also revised its sales forecast for Physiological Measuring Equipment, because of concerns about a delay in the recovery in the number of tests due to the spread of the Omicron variant.

Basic Policy on Distribution of Profits and Dividends

Priorities: 1) Investment necessary for future business expansion
2) Dividends 3) Share buybacks

Investment necessary for future business expansion

- R&D investments for developing digital health solutions, which the Company has targeted as a new business
- Capital investments for promoting corporate digital transformation and establishing global SCM

R&D investments



Capital investments



M&A and alliance



Human resource development



Dividends

Maintain stable and continuous dividend payments

Target: Consolidated dividend payout ratio of 30% or more

Share buybacks

Consider in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings and stock price level

FY2021 (Forecast)

Full-year dividend: 52 yen
(Ordinary dividend 39 yen)
Commemorative dividend for 70th Anniversary 13 yen
(pay-out ratio: 22.0%)



Status of share buybacks

Feb 3, 2022 (Plan)

Acquire 289,800 shares

Estimated number of treasury stock: 4,309k shares
(stockholding ratio: 4.9%)

- On August 7, 2021, Nihon Kohden celebrated the 70th anniversary of its founding. As an expression of gratitude to its shareholders, who have supported Nihon Kohden over many long years, the Company is proposing a commemorative dividend of 13 yen per share in addition to the ordinary dividend. As a result, the full-year dividend for FY2021 will be 52 yen per share.
- As the Company also acquired 289,800 shares of its own shares, the total return ratio is expected to be 26.4%.
- We will consider shareholder returns at the time of the full-year financial settlement.

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