

[Summary]

May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended 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 FY2021 (From April 1, 2021 to March 31, 2022)

(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	205,129	2.7	30,992	14.4	34,563	21.8	23,435	28.5
FY2020	199,727	8.0	27,094	74.8	28,374	91.1	18,243	85.1

Note: Comprehensive income: FY2021: 24,750 million yen (22.9%) FY2020: 20,143 million yen (114.2%)

	Net income per share - Basic	Net income per share - Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2021	276.51	—	15.9	17.1	15.1
FY2020	214.21	—	14.0	15.7	13.6

Reference: Investment income for equity method: FY2021: — million yen FY2020: — million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2021	210,201	156,381	74.4	1,852.39
FY2020	193,030	138,986	72.0	1,631.88

Reference: Equity capital: FY2021: 156,381 million yen FY2020: 138,986 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2021	25,699	-4,303	-7,300	60,095
FY2020	13,945	-2,946	-3,007	44,356

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2020	—	17.00	—	38.00	55.00	4,684	25.7	3.6
FY2021	—	19.00	—	48.00	67.00	5,661	24.2	3.8
FY2022 (Forecast)	—	20.00	—	20.00	40.00		30.7	

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

Note: Breakdown of year-end dividends for FY2021: Ordinary dividends: 20.00 yen Special dividends: 15.00 yen

Commemorative dividends: 13.00 yen

3. Consolidated Forecast for FY2022 (From April 1, 2022 to March 31, 2023)

	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	88,000	-14.0	5,000	-71.3	5,000	-72.2	3,500	-71.5	41.46
Full year	195,000	-4.9	16,500	-46.8	16,500	-52.3	11,000	-53.1	130.30

* 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	88,730,980 shares
FY2020	88,730,980 shares

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

FY2021	4,309,526 shares
FY2020	3,561,589 shares

(iii) Average number of shares outstanding during the period

FY2021	84,757,441 shares
FY2020	85,165,330 shares

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2021 (From April 1, 2021 to March 31, 2022)

(1) Non-Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021	161,976	-1.4	25,650	14.8	31,977	32.9	21,295	86.1
FY2020	164,235	6.4	22,337	59.7	24,059	65.9	11,444	11.5

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2021	251.25	—
FY2020	134.38	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2021	186,622	139,262	74.6	1,649.61
FY2020	173,288	125,280	72.3	1,470.96

Reference: Equity capital: FY2021: 139,262 million yen FY2020: 125,280 million yen

* 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 March 31, 2022), social and economic activity showed signs of recovery 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 the spread of the Omicron variant from the end of 2021, higher resource prices, the semiconductor shortage, and the Ukraine crisis. In Japan, the number of testing and surgical procedures in medical institutions showed a recovery trend, although depending on the wave of COVID-19 infection, and the healthcare system continued to respond to COVID-19 patients. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment was steady as medical devices to treat COVID-19 patients were installed by medical facilities and demand for non-COVID-19-related medical devices has also shown signs of recovery.

Under these circumstances, Nihon Kohden started its three-year business plan, BEACON 2030 Phase I, in April 2021. The Company formulated the 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. The Company introduced its first hematology analyzer with reticulocyte measurement both in Japan and internationally. The Company also launched a central monitor which enhanced the linkage with IT systems and its first fully automatic AED in Japan. Internationally, Nihon Kohden strengthened its business structure. The Company started operation of its reagent factory in Dubai, UAE, and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. in the U.S.

As a result, overall sales during the term under review increased 2.7% over FY2020 to ¥205,129 million. Operating income increased 14.4% to ¥30,992 million due to the increase in sales and higher gross profit margin thanks to a favorable product mix. Ordinary income increased 21.8% to ¥34,563 million and income attributable to owners of parent increased 28.5% to ¥23,435 million.

[Sales by region]

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 consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. Sales of Patient Monitors increased favorably and demand for certain products which had slumped in the previous fiscal year recovered. The resumption of business negotiations related to IT system solutions also contributed to sales. Sales of locally purchased products decreased significantly as the Company focused on selling in-house products. Sales in the private hospital and clinic markets increased and sales in the university hospital market remained flat. Sales in the public hospital market decreased and sales of AEDs in the PAD market also decreased. As a result, domestic sales decreased 0.7% over FY2020 to ¥136,321 million.

International: Sales of all product categories increased as the Company succeeded in strengthening its business structure in the U.S. and emerging countries. In the Americas, sales in the U.S. increased favorably. Sales in Latin America decreased due to a reactionary decline in Columbia where sales doubled in the previous fiscal year. Sales decreased in Europe, where demand for certain products recovered, but not enough to cover the reactionary decline compared to the strong growth in the previous fiscal year. In Asia & Other, sales in India, Thailand, Malaysia, and Egypt doubled, and sales in China and Vietnam also increased favorably. As a result, international sales increased 10.2% over FY2020 to ¥68,807 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of diagnostic information systems showed double-digit growth and sales of ECGs also increased favorably due to the resumption of capital expenditure which had been put on hold in the previous fiscal year. Sales of EEGs remained flat. 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. Internationally, sales of EEGs showed double-digit growth as demand recovered in all regions. Sales of ECGs also increased in Asia & Other and Latin America. Overall, sales increased 5.6% over the previous fiscal year to ¥39,681 million.

Patient Monitors: In Japan, sales of transmitters and telemetry systems showed strong growth and sales of clinical information systems achieved double-digit growth. Sales of consumables such as sensors also increased favorably. Internationally, sales in the U.S. and Asia & Other recorded double-digit growth. Sales in Europe and Latin America decreased, as there was a reactionary decline compared to the previous fiscal year when demand surged. Overall, sales increased 7.7% over the previous fiscal year to ¥84,860 million.

Treatment Equipment: In Japan, sales decreased, as sales of ventilators decreased due to a reactionary decline from the previous fiscal year when demand increased. Sales of AEDs also decreased mainly due to a delay in some shipments. Internationally, sales of AEDs increased significantly as demand recovered in all regions. Sales of defibrillators also showed strong growth in Asia & Other and Latin America. Sales of ventilators decreased due to a reactionary decline from the previous fiscal year when demand increased, while demand increased in India and Southeast Asia. Overall, sales decreased 3.9% over the previous fiscal year to ¥43,388 million.

Other Medical Equipment: In Japan, sales of locally purchased products decreased significantly, as the Company focused on selling in-house products. Sales of installation and maintenance services for medical devices increased favorably, and sales of hematology instruments also increased. Internationally, sales showed strong growth, as demand for hematology analyzers and reagents recovered in all regions. Overall, sales decreased 2.6% over the previous fiscal year to ¥37,198 million.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	FY2021	
	Amount	Growth rate (%)
Physiological Measuring Equipment	39,681	+5.6
Patient Monitors	84,860	+7.7
Treatment Equipment	43,388	-3.9
Other Medical Equipment	37,198	-2.6
Total	205,129	+2.7
Products	114,552	+0.6
Consumables and Services	90,576	+5.5
(Reference) Sales by Region		
Domestic Sales	136,321	-0.7
Overseas Sales	68,807	+10.2
Americas	33,436	+10.4
Europe	11,449	-12.9
Asia & Other	23,921	+25.7

6. Consolidated Forecast for FY2022

The global economic outlook is expected to recover gradually but remain uncertain. There are concerns that the shortage of semiconductors, higher prices of components and resources, and supply chain disruption will be prolonged. Other concerns are the Ukraine crisis and Shanghai lockdown.

Under these circumstances, Nihon Kohden continues to implement its three-year business plan, BEACON 2030 Phase I. 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 upfront investing strategically, and iv) Establishing global SCM and strengthening core functions of operations.

The Company forecasts its overall sales, operating income, ordinary income, and income attributable to owners of parent for FY2022 to be ¥195,000 million, ¥16,500 million, ¥16,500 million and ¥11,000 million, respectively.

In Japan, Nihon Kohden will concentrate 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 will also focus on selling in-house products as well as strengthening its marketing and service capabilities creating customer value which contribute to improving medical safety, patient outcomes, and operating efficiency. The number of testing and surgical procedures in medical institutions will continue to recover gradually. The Company will strengthen its offerings of consumables and services for patient monitors and ventilators, as the number of these products installed has increased over the last two years. On the other hand, a reactionary decline in demand of patient monitors is expected compared to FY2021 when demand increased to treat COVID-19 patients. Overall, domestic sales are expected to decrease by 4.3% to ¥130,500 million.

Internationally, the Company will focus on enhancing its presence in the U.S. by strengthening its local R&D, production, sales and services structure. In Patient Monitoring Business, the Company launched mid-range bedside monitors in April 2022 and aims at strengthening its solution proposals for large-scale monitoring network systems. In Treatment Equipment Business, demand for AEDs will continue to recover and a next-generation automated chest compression machine which is now under development will be launched in the U.S. The Company will also start the U.S. local production of a mask-type ventilator which was developed in Japan. In Europe and Asia & Other, demand for medical devices to treat COVID-19 patients is expected to settle down. Overall, international sales are expected to decrease by 6.3% to ¥64,500 million.

Nihon Kohden will undertake capital investments for promoting corporate DX by introducing PLM/MES systems. The Company aims at improving its productivity by establishing new common design platforms and optimizing its entire product lifecycle. The Company will also increase its production capacity for SpO₂ probe and EMG electrode for neuromuscular monitoring in Japan, and establish a new hematology reagent factory in India.

* PLM: Product Life-cycle Management, MES: Manufacturing Execution System.

Operating income, ordinary income, and income attributable to owners of parent are expected to decrease over the previous fiscal year because of a lower sales forecast than FY2021, lower gross profit margin due to an unfavorable product mix, and higher prices of components and utility costs.

The earnings forecasts described above include the impact of the shortage of semiconductors, higher prices of components and resources, supply chain disruption, Ukraine crisis, and Shanghai lockdown. The Company takes account of negative impacts of around 4 billion yen on sales and 2 billion yen on operating income, based on the assumption that the product supply issues due to the shortage of semiconductors and Shanghai lockdown will continue until the end of the first half of FY2022. Negative impact of around 1.5 billion yen on gross profit margin is also factored in, based on the assumption that higher prices of components and utility costs will continue until the end of FY2022. Actual results may differ from the forecasts due to unforeseen circumstances.

The Company's forecast for FY2022 is based on an exchange rate of 117 yen to the U.S. dollar and 130 yen to the euro.

(Consolidated Forecast for FY2022 by Product Category)

	(Millions of yen)	
	FY2022 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	41,100	+3.6
Patient Monitors	75,900	-10.6
Treatment Equipment	41,000	-5.5
Other Medical Equipment	37,000	-0.5
Total	195,000	-4.9
Products	100,200	-12.5
Consumables and Services	94,800	+4.7
(Reference) Sales by Region		
Domestic Sales	130,500	-4.3
Overseas Sales	64,500	-6.3
Americas	34,400	+2.9
Europe	10,100	-11.8
Asia & Other	20,000	-16.4

<Impact of Ukraine crisis and Shanghai lockdown on financial results>

The impact of Ukraine crisis on consolidated results will be minor, as sales in Russia and Ukraine are less than 10% of sales in Europe and less than 1% of overall sales. Shanghai Kohden has closed its offices due to lockdown in Shanghai since March 28, 2022, but some shipments have been continued on a limited basis for urgent cases. R&D and sales divisions have continued teleworking, and the resumption of production is currently being prepared. Sales in China are around 30% of sales in Asia & Other and around 3% of overall sales.

7. Basic policy on distribution of profits and dividends

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plan, retained earnings, and stock price level.

Because Nihon Kohden celebrated the 70th anniversary of its founding on August 7, 2021, and the business performance in FY2021 was favorable, the Company decided to pay a commemorative dividend of 13 yen per share, and a special dividend of 15 yen per share, in addition to the ordinary year-end dividend of 20 yen per share, as a return to shareholders. As a result, the full-year dividend for FY2021 will be 67 yen per share, including the interim dividend of 19 yen per share. As described in the press release regarding the acquisition of own shares and cancellation of treasury shares announced today, the Company will acquire its own shares up to 1.0 billion yen between May 16, 2022 and June 30, 2022 and cancel 500,000 shares of its treasury shares on June 10, 2022.

In consideration of business performance, the full-year dividend for FY2022 will be 40 yen per share, which consists of interim

8. Management Policy

(1) Basic policies for corporate management

Nihon Kohden's management philosophy as a medical electronics manufacturer is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. To realize its management philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, service, technology, financial strength, and the quality of its employees.

In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aimed at improving the soundness, transparency, and efficiency of management, is an important management issue. The Board of Directors consists of twelve directors (including four outside directors) and independent outside directors comprise one-third of the Board. Considering the issues of gender and international diversity, one female outside director and two female operating officers are appointed.

The Company has adopted a Company with Audit & Supervisory Committee for strengthening supervisory functions, improving management transparency and soundness, and speeding up decision-making. At the same time, the Company has established a Nomination & Remuneration Committee, which is composed of four independent outside directors and the committee chair is also an independent outside director.

(2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 10% in its three-year business plan, BEACON 2030 Phase I starting from April 2021.

In order to achieve the target, the Company will focus on improving its profitability by implementing its three-year business plan. The Company will also improve efficiency of assets by measures such as reduction of inventories as well as enhance shareholder return.

(3) Challenges to be addressed and mid-to long-term management strategy

In 2020, Nihon Kohden set out its long-term vision, BEACON 2030, for the next ten years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues. The Company has also set three transformations to be achieved: Transforming into a global company creating high added value, Creating a solution business providing superior customer value, and Establishing a global organization founded on Operational Excellence.

• Three-year Business Plan, BEACON 2030 Phase I, covering the fiscal years 2021 to 2023

The Company's three-year business plan, BEACON 2030 Phase I is the stage to strengthen its business foundation toward realizing its long-term vision. The Company works on improving the profitability of existing businesses and cultivating new business areas and business models.

1. Basic policy

- Embrace sustainability across business and corporate activities
- [Management] Ensure strict compliance and strengthen group governance
- [Business] Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth
- [Operations] Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the SDGs. In our business activities, we will address 8 issues aimed at realizing the 5 visions for the future (Accessible/Intelligent/Patient oriented/Connected/Optimized) which we designated in BEACON 2030. In corporate activities, we will address 4 issues of Human rights/Human resources, Quality, Governance, and Environment.

3. Six key strategies

(1) [Management] Ensure strict compliance and strengthen group governance

The Company will establish and promote global management policy as well as strengthening internal control over domestic sales.

(2) [Business] Improve the profitability of existing businesses

The Company aims to improve the profitability of existing businesses through creating high customer value, enhancing productivity, and timely launch of new products.

(3) [Business] Strengthen strategies in global business

The Company will focus on Japan, the U.S., and China, and establishes Global Quad-Polar Organization together with Europe & Emerging markets. The Company strengthens strategies in each region.

(4) [Business] Create new customer value by digital health solutions

The Company will establish a vital sign data platform for integration and analysis of data and develop clinical support applications for improving patient outcomes and economy of medical care.

(5) [Operations] Promote corporate digital transformation

The Company will establish a global information system and communication system in order to promote work-style reforms and improve operating efficiency.

(6) [Operations] Establish global supply chain management

The Company will realize supply chain data visualization by DX and reform its operational processes in procurement, production, and logistics.

4. Human resource development and corporate culture reform

In accordance with its Core Values (Integrity/Humbleness/Diversity/Initiative/Customer Centric/Goal Oriented/Creativity), Nihon Kohden is introducing a new personnel system and enhancing its global human resource development programs to foster a corporate culture in which employees take pride in contribution to healthcare and mission.

5. BEACON 2030 Phase I targets for FY2023 ending March 2024 (consolidated)

¥100 million	Target in FY2023
Sales	1,970
Domestic Sales	1,340
Overseas Sales	630
Operating Income	200
Operating Income Margin	10.2%
ROE	10%

<The progress of BEACON 2030 Phase I>

In FY2021, which was the first year of this plan, demand for certain products and consumables recovered both in Japan and internationally from the previous fiscal year when demand was weak due to the COVID-19 pandemic. Demand for medical devices to treat COVID-19 patients exceeded its initial expectation due to the spread of the variants. Under these circumstances, the Nihon Kohden Group has worked on implementing reforms to its supply chain management by promoting collaboration across all divisions such as R&D, procurement, production, logistics, and sales divisions to respond to the shortage of semiconductors around the world. Because the Company has continued to supply products globally, Nihon Kohden posted record highs both in sales and profits in FY2021. In Japan, the Company strived to sell in-house products for creating customer value which resulted in improved gross profit margin reflecting favorable product mix. As a result, the Company achieved a highly profitable structure. Internationally, the Company focused on consumables and services business by leveraging its increased product installations such as patient monitors. The Company also strengthened its business structure in the U.S. and Asia. In the U.S, the enhanced local R&D, sales and service capabilities enabled us to win the opportunity for installing a large-scale of our patient monitoring network systems in a new building of one of the U.S. top hospitals, and strengthen Nihon Kohden's presence in the U.S. market. In addition, the Company acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. to enhance its R&D capacity for developing digital health solutions (DHS), which the Company defined as a new business in its three-year business plan. In India, the enhanced local sales and service capabilities enabled us to receive large orders for patient monitors, increase the installations of hematology instruments thanks to new products, and strengthen Nihon Kohden's presence in the Indian market.

In FY2022, which is the second year of this plan, Nihon Kohden continues to focus on the stable supply of products by implementing SCM reforms, as there are many uncertainties such as the ongoing shortage of semiconductors, Ukraine crisis, and Shanghai lockdown. The Company also aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.

9. Consolidated Financial Statements



(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2021	March 31, 2022
ASSETS		
Current assets:		
Cash and deposits	30,609	28,925
Notes and accounts receivable - trade	68,612	—
Notes receivable - trade	—	5,354
Accounts receivable - trade	—	53,027
Securities	14,000	32,000
Merchandise and finished goods	27,965	30,243
Work in process	2,326	3,495
Raw materials and supplies	8,594	14,628
Other current assets	4,256	4,409
Allowance for doubtful accounts	-225	-208
Total current assets	156,140	171,875
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	11,342	10,964
Machinery, equipment and vehicles, net	1,443	1,321
Tools, furniture and fixtures, net	3,238	3,623
Land	3,479	3,423
Lease assets, net	52	33
Construction in progress	637	553
Total property, plant and equipment	20,193	19,920
Intangible assets		
Goodwill	431	794
Other intangible assets	1,898	2,942
Total intangible assets	2,329	3,737
Investments and other assets		
Investment securities	6,418	6,225
Deferred tax assets	5,758	6,264
Other investments and other assets	2,353	2,387
Allowance for doubtful accounts	-165	-210
Total investments and other assets	14,366	14,667
Total non-current assets	36,889	38,325
Total assets	193,030	210,201

(Millions of yen)

March 31, 2021

March 31, 2022

LIABILITIES

Current liabilities:

Notes and accounts payable - trade	24,412	24,045
Short-term loans payable	350	325
Accounts payable - other	3,721	4,408
Lease obligations	11	10
Accrued income taxes	7,915	5,669
Accrued expenses	3,876	4,132
Provision for bonuses	4,691	5,013
Provision for product warranties	1,116	1,245
Other current liabilities	4,511	5,953
Total current liabilities	50,608	50,804

Non-current liabilities:

Lease obligations	43	24
Deferred tax liabilities	1	272
Net defined benefit liability	1,852	1,073
Other non-current liabilities	1,538	1,646
Total non-current liabilities	3,436	3,016

Total liabilities**54,044** **53,820****NET ASSETS**

Shareholders' equity:

Capital stock	7,544	7,544
Capital surplus	10,437	10,455
Retained earnings	123,796	142,224
Treasury shares	-6,966	-9,331
Total shareholders' equity	134,812	150,893

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	2,158	2,199
Foreign currency translation adjustment	1,085	2,387
Remeasurements of defined benefit plans	929	900
Total accumulated other comprehensive income	4,173	5,487

Total net assets**138,986** **156,381****Total liabilities and net assets****193,030** **210,201**

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	199,727	205,129
Cost of sales	97,493	96,043
Gross profit	102,233	109,085
Selling, general and administrative expenses	75,138	78,093
Operating income	27,094	30,992
Non-operating income		
Interest income	86	132
Dividend income	112	107
Foreign exchange gains	472	3,175
Subsidy income	514	63
Gain on valuation of investment securities	3	—
Other non-operating income	234	393
Total non-operating income	1,424	3,872
Non-operating expenses		
Interest expenses	8	11
Loss on valuation of investment securities	—	80
Other non-operating expenses	136	209
Total non-operating expenses	145	301
Ordinary income	28,374	34,563
Extraordinary income		
Gain on sales of non-current assets	0	18
Gain on sales of investment securities	464	6
Gain on termination of retirement benefit plan	132	—
Total extraordinary income	596	25
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	69	58
Impairment losses	388	—
Loss on valuation of investment securities	—	265
Amortization of goodwill	1,185	—
Office transfer cost	161	—
Total extraordinary losses	1,805	324
Income before income taxes	27,166	34,263
Income taxes - current	9,470	11,135
Income taxes - deferred	-547	-308
Total income taxes	8,922	10,827
Net income	18,243	23,435
Income attributable to owners of parent	18,243	23,435

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net income	18,243	23,435
Other comprehensive income		
Valuation difference on available-for-sale securities	186	41
Foreign currency translation adjustment	102	1,301
Remeasurements of defined benefit plans, net of tax	1,611	-28
Total other comprehensive income	1,899	1,314
Comprehensive income	20,143	24,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,143	24,750
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	27,166	34,263
Depreciation and amortization	3,236	3,422
Amortization of goodwill	1,307	68
Impairment loss	388	—
Loss (gain) on sales and retirement of property, plant and equipment	70	33
Loss (gain) on sales and retirement of intangible assets	0	8
Increase (decrease) in allowance for doubtful accounts	3	-11
Increase (decrease) in reserve for bonuses	1,416	284
Increase (decrease) in provision for product warranties	744	47
Increase (decrease) in net defined benefit liability	-50	-820
Interest and dividend income	-199	-239
Interest expenses	8	11
Foreign exchange losses (gains)	-342	-2,076
Loss (gain) on valuation of investment securities	-3	345
Loss (gain) on sales of investment securities	-464	-6
Decrease (increase) in notes and accounts receivable - trade	-7,170	12,506
Decrease (increase) in inventories	-9,313	-7,557
Increase (decrease) in notes and accounts payable - trade	430	-1,768
Increase (decrease) in accrued consumption taxes	-705	-24
Other, net	1,754	-131
Subtotal	18,275	38,355
Interest and dividends income received	165	213
Interest expenses paid	-2	-2
Income taxes paid	-4,493	-12,868
Net cash flows from operating activities	13,945	25,699
Cash flows from investing activities		
Proceeds from sales of investment securities	841	14
Purchase of investment securities	-159	-86
Proceeds from sales of property, plant and equipment	14	75
Purchase of property, plant and equipment	-2,923	-2,450
Purchase of intangible assets	-461	-484
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-929
Other, net	-257	-442
Net cash flows from investing activities	-2,946	-4,303
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	-25
Purchase of treasury shares	-1	-2,400
Cash dividends paid	-2,979	-4,842
Repayments of lease obligations	-26	-31
Net cash flows from financing activities	-3,007	-7,300
Effect of exchange rate change on cash and cash equivalents	451	1,643
Net increase (decrease) in cash and cash equivalents	8,442	15,739
Cash and cash equivalents at beginning of period	35,913	44,356
Cash and cash equivalents at end of period	44,356	60,095

(Notes on Business Combination)

Business combination through acquisition

1. Overview of business combination

(1) Name of acquired company and operations

Name of acquired company Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. ("AMP3D")
 Business Research and development of algorithms and software for patient condition management

(2) Main reason for business combination

Reinforcement of technological development capabilities in the digital health solutions (DHS) field by combining the Company's core human machine interface (HMI) technology with AMP3D's algorithms and software technology for patient condition management

(3) Date of business combination

August 9, 2021

(4) Legal form of business combination

Acquisition of ownership for cash

(5) Name of company after business combination

Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. ("AMP3D")

(6) Share of voting rights acquired

100%

(7) Basis of determination of acquiring company

Acquisition of ownership for cash by Nihon Kohden Digital Health Solutions, Inc., one of Nihon Kohden's subsidiaries

2. Business term of the acquired company included in the Consolidated Statement of Income for the full year of FY2021 (12 months)

From August 9, 2021 to December 31, 2021

3. Acquisition cost for the acquired company and breakdown thereof

	(Millions of yen)
Payment for acquisition of stocks	964
Acquisition related costs such as advisory fees	77
<u>Acquisition cost</u>	<u>1,042</u>

4. Contents of the condition clause for the acquisition cost under an acquisition agreement and its accounting method hereafter

There is the escalation clause that adjusts the acquisition cost based on the results of operations after the acquisition in the business combination agreement. If additional payment is required based on the clause, the acquisition cost will be revised assuming that the additional payment had been made at the time of acquisition and the Company adjusts the goodwill amount and its amortization.

5. Amount of goodwill incurred, reasons and amortization method

The Company recognized goodwill of ¥ 413 million and it is amortized by straight-line method over the term of 10 years. Goodwill is calculated based on the projected future excess earnings through future business development.

6. Total amounts and principal breakdowns of assets received and liabilities assumed on the effective date of the business combination

	(Millions of yen)
Current assets	37
Non-current assets	0
<u>Total assets</u>	<u>38</u>
<u>Current liabilities</u>	<u>281</u>
<u>Total liabilities</u>	<u>281</u>

7. Detail of amounts allocated to intangible assets other than goodwill and their amortization period

	(Millions of yen)
Technology-related assets	956 (Amortization period 10 years)
Software	114 (Amortization period 3 years)
<hr/> Total intangible assets other than goodwill	<hr/> 1,070 (Weighted-average amortization period 9 years)

8. Estimated impact of business combination on the consolidated income statements for the current consolidated fiscal term in the hypothetical case that the business combination were completed on the first day of said term; method for calculating such

This information is omitted due to immateriality.