

[Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2023 (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 FY2022 (From April 1, 2022 to June 30, 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	%
FY2022 1Q (3 months)	44,363	-6.0	1,817	-71.7	5,481	-18.7	3,679	-18.9
FY2021 1Q (3 months)	47,182	22.7	6,423	250.8	6,743	326.5	4,537	327.8

Note: Comprehensive income: FY2022 1Q: 5,124 million yen (-5.8%) FY2021 1Q: 5,438 million yen (307.0%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2022 1Q (3 months)	43.66	—
FY2021 1Q (3 months)	53.38	—

(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, 2022	203,115	156,453	77.0	1,860.35
As of March 31, 2022	210,201	156,381	74.4	1,852.39

Reference: Equity Capital: FY2022 1Q: 156,453 million yen FY2021: 156,381 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2021	—	19.00	—	48.00	67.00
FY2022	—	—	—	—	—
FY2022 (Forecast)	—	20.00	—	20.00	40.00

Note: Revise of dividends forecast: None

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

Note: Revise of consolidated forecast: None

*** 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)

FY2022 1Q	88,230,980	shares
FY2021	88,730,980	shares

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

FY2022 1Q	4,132,066	shares
FY2021	4,309,526	shares

(iii) Average number of shares outstanding during the period

FY2022 1Q	84,278,109	shares
FY2021 1Q	85,005,613	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, 2022 to June 30, 2022), social and economic activity showed signs of recovery due to the benefits of economic measures and infection control measures taken by each country. However, the global economic outlook remained uncertain due to the Ukraine crisis and the Shanghai lockdown, in addition to the continued shortage of semiconductors, higher prices of components and resources, and supply chain disruption. In Japan, healthcare systems to respond to emerging infectious diseases were being established and work style reforms for medical staff were also promoted according to the medical treatment fee revision in April 2022. 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, there were concerns about an economic slowdown due to tight monetary policy in the U.S. and Europe. However, overall demand for medical equipment which contributes to improving the quality and efficiency of medical care was steady.

Under these circumstances, Nihon Kohden implemented its three-year business plan, BEACON 2030 Phase I. The Company formulated the basic policies of the plan 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 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. Demand for Physiological Measuring Equipment, hematology instruments, and IT system solutions was favorable as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Overall, domestic sales decreased, as there was a reactionary decline in demand mainly for Patient Monitors which were installed to treat COVID-19 patients in the same period of the previous fiscal year. Sales in the university hospital and clinic markets increased favorably, while sales in the public hospital and private hospital markets decreased compared to the strong performance in the same period of the previous fiscal year. Sales of AEDs in the PAD market also decreased. Sales of Physiological Measuring Equipment achieved double-digit growth. Sales of Other Medical Equipment also increased favorably, as sales of hematology instruments and installation and maintenance services for medical devices showed strong growth. Sales of Patient Monitors and Treatment Equipment decreased compared to the strong growth in the same period of the previous fiscal year. As a result, domestic sales decreased 1.3% over the first quarter of FY2021 to ¥28,971 million.

International: Sales in all regions decreased, mainly due to a reactionary decline in sales of Patient Monitors. In the same period of the previous fiscal year, sales of Patient Monitors were favorable due to large orders in the U.S. and strong demand in some regions where the spread of COVID-19 had resurged. In the Americas, sales in the U.S. decreased. Sales in Latin America also decreased, mainly in Brazil and Peru where sales doubled in the same period of the previous fiscal year. Sales in Europe decreased, especially in France and Turkey, while sales in Germany and the U.K. increased favorably. Sales in Asia & Other decreased, especially in China, while sales in Korea and Indonesia showed strong growth. Sales of Patient Monitors, Physiological Measuring Equipment, and Treatment Equipment decreased, while sales of Other Medical Equipment increased. As a result, international sales decreased 13.6% over the first quarter of FY2021 to ¥15,391 million.

As a result, overall sales during the term under review decreased 6.0% over the first quarter of FY2021 to ¥44,363 million. Operating income decreased 71.7% over the first quarter of FY2021 to ¥1,817 million due to the decrease in sales. This was also because of a lower gross profit margin due to an unfavorable product mix, and increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and service activities. Ordinary income decreased 18.7% to ¥5,481 million and income attributable to owners of parent decreased 18.9% to ¥3,679 million over the first quarter of FY2021, reflecting foreign exchange gains.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2022	
	Amount	Growth rate (%)
Physiological Measuring Equipment	10,031	+ 17.0
Patient Monitors	16,917	- 19.1
Treatment Equipment	9,642	- 6.9
Other Medical Equipment	7,771	+ 5.8
Total	44,363	- 6.0
Products	21,953	- 16.9
Consumables and Services	22,409	+ 7.9
(Reference) Sales by Region		
Domestic Sales	28,971	- 1.3
Overseas Sales	15,391	- 13.6
Americas	7,382	- 23.0
Europe	2,947	- 4.0
Asia & Other	5,061	- 2.0

6. Consolidated Forecast for FY2022

The first quarter performance was better than the Company's forecast because foreign exchange gains were recorded as non-operating income. As future exchange rate fluctuations are uncertain, the Company reaffirms its forecast for the first half of FY2022 and FY2022, previously announced on May 13, 2022. The assumed exchange rates from the second quarter of FY2022 also remain 117 yen to the U.S. dollar and 130 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 product supply issues due to the shortage of semiconductors, and increases in component prices, utility costs and logistics costs. The Company will immediately announce further revisions to its forecasts if necessary.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2022	June 30, 2022
ASSETS		
Current assets:		
Cash and deposits	28,925	36,538
Notes and accounts receivable - trade	58,381	51,906
Securities	32,000	18,000
Merchandise and finished goods	30,243	33,014
Work in process	3,495	3,395
Raw materials and supplies	14,628	15,880
Other current assets	4,409	4,383
Allowance for doubtful accounts	-208	-211
Total current assets	171,875	162,907
Non-current assets:		
Property, plant and equipment	19,920	20,553
Intangible assets		
Goodwill	794	975
Other intangible assets	2,942	3,085
Total intangible assets	3,737	4,060
Investments and other assets		
Investment securities	6,225	6,390
Other investments and other assets	8,651	9,420
Allowance for doubtful accounts	-210	-216
Total investments and other assets	14,667	15,594
Total non-current assets	38,325	40,208
Total assets	210,201	203,115
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	24,045	21,687
Short-term loans payable	325	325
Accrued income taxes	5,669	2,890
Provision for bonuses	5,013	3,749
Provision for product warranties	1,245	1,301
Other current liabilities	14,505	13,712
Total current liabilities	50,804	43,666
Non-current liabilities:		
Net defined benefit liability	1,073	993
Other non-current liabilities	1,943	2,001
Total non-current liabilities	3,016	2,995
Total liabilities	53,820	46,662
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,455	10,414
Retained earnings	142,224	140,777
Treasury shares	-9,331	-9,216
Total shareholders' equity	150,893	149,520
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,199	2,289
Foreign currency translation adjustments	2,387	3,825
Remeasurements of defined benefit plans	900	817
Total accumulated other comprehensive income	5,487	6,932
Total net assets	156,381	156,453
Total liabilities and net assets	210,201	203,115

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	47,182	44,363
Cost of sales	22,616	22,552
Gross profit	24,565	21,811
Selling, general and administrative expenses	18,141	19,993
Operating income	6,423	1,817
Non-operating income		
Interest income	11	37
Dividend income	29	52
Foreign exchange gains	204	3,551
Subsidy income	27	23
Other, net	91	50
Total non-operating income	364	3,715
Non-operating expenses		
Interest expenses	1	1
Loss on valuation of investment securities	4	5
Other, net	38	44
Total non-operating expenses	44	51
Ordinary income	6,743	5,481
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Income before income taxes	6,743	5,483
Income taxes	2,206	1,803
Net income	4,537	3,679
Income attributable to owners of parent	4,537	3,679

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	4,537	3,679
Other comprehensive income		
Valuation difference on available-for-sale securities	490	89
Foreign currency translation adjustment	496	1,438
Remeasurements of defined benefit plans, net of tax	-85	-83
Total other comprehensive income	901	1,445
Comprehensive income	5,438	5,124
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,438	5,124
Comprehensive income attributable to non-controlling interests	—	—