

## [Summary] Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2021 (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 FY2020 (From April 1, 2020 to June 30, 2020)

##### (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	%
<b>FY2020 1Q (3 months)</b>	<b>38,461</b>	<b>-0.2</b>	<b>1,831</b>	<b>237.8</b>	<b>1,581</b>	<b>—</b>	<b>1,060</b>	<b>—</b>
FY2019 1Q (3 months)	38,551	11.5	542	919.0	-26	—	-499	—

Note: Comprehensive income: FY2020 1Q: 1,336 million yen (—%) FY2019 1Q: -566 million yen (—%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2020 1Q (3 months)</b>	<b>12.46</b>	<b>—</b>
FY2019 1Q (3 months)	-5.86	—

##### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of June 30, 2020</b>	<b>161,362</b>	<b>121,577</b>	<b>75.3</b>	<b>1,427.71</b>
As of March 31, 2020	167,786	121,774	72.6	1,430.02

Reference: Equity Capital: FY2020 1Q: 121,577 million yen FY2019: 121,774 million yen

#### 2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2019	—	17.00	—	18.00	35.00
FY2020	—	—	—	—	—
FY2020 (Forecast)	—	17.00	—	18.00	35.00

Note: Revise of dividends forecast: None

#### 3. Consolidated forecast for FY2020 (From April 1, 2020 to March 31, 2021)

	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	
<b>Full year</b>	<b>180,000</b>	<b>-2.7</b>	<b>14,000</b>	<b>-9.7</b>	<b>14,000</b>	<b>-5.7</b>	<b>10,000</b>	<b>1.5</b>	<b>117.43</b>	

Note: Revise of consolidated forecast: None

\* 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.

\* While it is difficult to foresee when COVID-19 pandemic will end, the earnings forecasts described above are based on the assumption that COVID-19 will end after a certain period. As there are a number of uncertain factors, the Company has suspended the announcement of its forecasts for the first half of FY2020.

## 4. Review of Operations

During the term under review (April 1, 2020 to June 30, 2020), the COVID-19 pandemic adversely affected national healthcare systems in every country and the global economic outlook remained uncertain. In Japan, the government implemented measures to support the healthcare system in the midst of the COVID-19 crisis by enacting a FY2020 supplementary budget and special measures in relation to medical treatment fees. There were concerns that medical institutions were facing financial challenges because COVID-19 caused people to avoid visiting hospitals and clinics, and forced hospitals to postpone surgical procedures and inpatient admissions. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving quality and efficiency of medical care. Internationally, additional medical equipment was installed by facilities in China, Europe, the U.S and emerging countries to treat the growing number of COVID-19 patients in those countries.

Under these circumstances, Nihon Kohden conducted its business activities in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company. The Company also ramped up production of patient monitors and ventilators to meet increased demand due to the growing number of COVID-19 patients.

**Japan:** Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also strengthened its marketing and service capabilities creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. However, domestic sales decreased as the Company's sales and service staff limited visits to medical institutions to a necessary minimum and hospitals postponed testing and surgical procedures. Sales in the university and public hospital markets decreased significantly as there was a reactionary decline compared to the first quarter of FY2019 when sales were strong due to large orders related to construction of new hospitals. Sales in the clinic market also decreased. Sales in the private hospital market remained flat. Sales of AEDs in the PAD market increased favorably thanks to orders received for replacement of existing installations. Sales of Treatment Equipment increased, supported by favorable sales of ventilators and AEDs. Sales of Physiological Measuring Equipment, Patient Monitors and Other Medical Equipment decreased. As a result, domestic sales decreased 12.6% over the first quarter of FY2019 to ¥24,809 million.

**International:** Sales in all regions achieved double-digit growth because demand for patient monitors and ventilators increased due to the growing number of COVID-19 patients. In the Americas, sales in both the U.S. and Latin America showed double-digit growth. In Latin America, sales in Brazil and Mexico increased favorably. In Europe, sales in Western Europe showed strong growth, primarily in Italy and the U.K. Sales in Asia & Other regions also showed strong growth, thanks to favorable sales in China and large orders in Vietnam and Qatar. Sales of Patient Monitors and Treatment Equipment achieved double-digit growth, while sales of Physiological Measuring Equipment and Other Medical Equipment decreased. As a result, international sales increased 34.4% over the first quarter of FY2019 to ¥13,652 million.

As a result, overall sales during the term under review decreased 0.2% over the first quarter of FY2019 to ¥38,461 million. Operating income increased 237.8% over the first quarter of FY2019 to ¥1,831 million because gross profit margin improved thanks to a favorable product mix and a decrease in SG&A expenses such as traveling expenses. Ordinary income was ¥1,581 million (ordinary loss of ¥26 million in the first quarter of FY2019). Income attributable to owners of parent was ¥1,060 million (loss attributable to owners of parent of ¥499 million in the first quarter of FY2019).

## 5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Three months ended June 30, 2020	
	Amount	Growth rate (%)
Physiological Measuring Equipment	7,342	- 20.1
Patient Monitors	15,382	+ 14.8
Treatment Equipment	8,714	+ 20.5
Other Medical Equipment	7,021	- 19.6
Total	38,461	- 0.2
Products	19,959	+ 3.9
Consumables and Services	18,502	- 4.3
(Reference) Sales by Region		
Domestic Sales	24,809	- 12.6
Overseas Sales	13,652	+ 34.4
Americas	6,971	+ 20.6
Europe	2,865	+ 70.5
Asia & Other	3,814	+ 41.5

\* Effective FY2020, Asia and Other are reclassified into Asia & Other.

## 6. Consolidated Forecast for FY2020

The Company reaffirms its forecast for FY2020, previously announced on May 13, 2020. While it is difficult to foresee when the COVID-19 pandemic will end, the earnings forecasts are based on the assumption that COVID-19 will end after a certain period: by the end of the first half of FY2020 in Japan and by the end of the third quarter of FY2020 internationally. There is a possibility that the operating results and financial position of the Nihon Kohden Group could be affected in the following circumstances: if the impacts from COVID-19 last longer than expected, or if unexpected difficulty in the procurement of parts and components causes delays in or suspension of manufacturing, or if the rise in air freight rates exceeds assumptions. The Company will immediately announce revisions to its forecasts if necessary.

## 7. Consolidated Financial Statements

### (1) Consolidated Balance Sheets



(Millions of yen)

	March 31, 2020	June 30, 2020
<b>ASSETS</b>		
Current assets:		
Cash and deposits	20,967	36,869
Notes and accounts receivable - trade	60,871	49,357
Securities	15,000	—
Merchandise and finished goods	21,939	23,718
Work in process	1,908	2,649
Raw materials and supplies	5,401	6,609
Other current assets	3,160	3,162
Allowance for doubtful accounts	-228	-181
Total current assets	129,020	122,185
Non-current assets:		
Property, plant and equipment	20,003	20,123
Intangible assets		
Goodwill	1,773	1,718
Other intangible assets	2,376	2,237
Total intangible assets	4,149	3,955
Investments and other assets		
Investment securities	6,377	7,037
Other investments and other assets	8,391	8,217
Allowance for doubtful accounts	-156	-156
Total investments and other assets	14,612	15,098
Total non-current assets	38,766	39,177
Total assets	167,786	161,362
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	23,755	22,163
Short-term loans payable	350	350
Accrued income taxes	2,339	792
Provision for bonuses	3,263	899
Provision for product warranties	364	393
Other current liabilities	10,245	9,561
Total current liabilities	40,319	34,159
Non-current liabilities:		
Net defined benefit liability	4,225	4,151
Other non-current liabilities	1,466	1,473
Total non-current liabilities	5,692	5,625
Total liabilities	46,011	39,785
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	108,533	108,061
Treasury shares	-6,992	-6,992
Total shareholders' equity	119,500	119,028
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,972	2,400
Foreign currency translation adjustments	983	767
Remeasurements of defined benefit plans	-681	-618
Total accumulated other comprehensive income	2,273	2,549
Total net assets	121,774	121,577
Total liabilities and net assets	167,786	161,362

## (2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	38,551	38,461
Cost of sales	20,027	19,033
Gross profit	18,524	19,428
Selling, general and administrative expenses	17,982	17,597
Operating income	542	1,831
Non-operating income		
Interest income	12	9
Dividend income	51	52
Subsidy income	46	96
Other, net	33	65
Total non-operating income	144	224
Non-operating expenses		
Interest expenses	5	2
Loss on valuation of investment securities	2	1
Foreign exchange losses	640	437
Other, net	64	33
Total non-operating expenses	712	474
Ordinary income (loss)	-26	1,581
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	0
Demolition cost	43	—
Settlement package	447	—
Office transfer cost	19	25
Total extraordinary losses	511	25
Income (loss) before income taxes	-537	1,555
Income taxes	-38	494
Net income (loss)	-499	1,060
Income (loss) attributable to owners of parent	-499	1,060

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income (loss)	-499	1,060
Other comprehensive income		
Valuation difference on available-for-sale securities	-74	428
Foreign currency translation adjustment	-36	-215
Remeasurements of defined benefit plans, net of tax	44	62
Total other comprehensive income	-67	275
Comprehensive income	-566	1,336
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-566	1,336
Comprehensive income attributable to non-controlling interests	—	—