

## [Summary] Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2021 (Japan GAAP)

### NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1<sup>st</sup> section Tokyo Stock Exchange  
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(Amounts are rounded down to the nearest million yen)

#### 1. Consolidated Financial Highlights for the 2<sup>nd</sup> Quarter of FY2020 (From April 1, 2020 to September 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 2Q (6 months)</b>	<b>87,240</b>	<b>-2.8</b>	<b>8,758</b>	<b>24.9</b>	<b>8,215</b>	<b>29.7</b>	<b>5,826</b>	<b>47.8</b>
FY2019 2Q (6 months)	89,735	13.5	7,009	64.5	6,334	20.2	3,943	0.7

Note: Comprehensive income: FY2020 2Q: 6,561 million yen (101.0%) FY2019 2Q: 3,264 million yen (-32.7%)

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2020 2Q (6 months)</b>	<b>68.42</b>	—
FY2019 2Q (6 months)	46.31	—

##### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>As of September 30, 2020</b>	<b>168,512</b>	<b>126,853</b>	<b>75.3</b>	<b>1,489.42</b>
As of March 31, 2020	167,786	121,774	72.6	1,430.02

Reference: Equity Capital: FY2020 2Q: 126,853 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	—	17.00	—	—	—
FY2020 (Forecast)	—	—	—	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>184,000</b>	<b>-0.5</b>	<b>16,500</b>	<b>6.4</b>	<b>16,500</b>	<b>11.1</b>	<b>11,000</b>	<b>11.6</b>	<b>129.15</b>

Note: Revise of consolidated forecast: Yes

\* 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, 2020 to September 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, leading to a reduction in the number of 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, medical equipment to treat COVID-19 patients was installed by medical facilities in areas where the infection has spread.

Under these circumstances, Nihon Kohden announced a long-term vision, BEACON 2030, for the next ten years to 2030, in September 2020. The Company aims to create a better future for people and healthcare by solving global medical issues. In FY2020, 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 focused on selling in-house products as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. However, sales in all markets decreased not only because there was a reactionary decline from the last-minute surge in demand in the first half of FY2019, preceding consumption tax increase, but also because medical institutions reduced the number of testing and surgical procedures, and postponed or froze the purchase budget for certain products such as Physiological Measuring Equipment. Sales in the university and public hospital markets decreased significantly as there was a reactionary decline compared to the first half of FY2019 when sales were strong due to large orders related to construction of new hospitals. 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 16.6% over the first half of FY2019 to ¥56,248 million.

**International:** Sales in all regions achieved double-digit growth because demand for patient monitors and ventilators surged to respond to COVID-19. In the Americas, sales in both the U.S. and Latin America achieved double-digit growth. In Latin America, sales in Brazil, Mexico and Colombia showed strong growth. 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 large orders in Vietnam, Qatar and Indonesia. Sales growth moderated in China as demand for medical devices has settled down from the second quarter of FY2020 after the successful control of COVID-19. 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 39.0% over the first half of FY2019 to ¥30,992 million.

As a result, overall sales during the term under review decreased 2.8% over the first half of FY2019 to ¥87,240 million. Operating income increased 24.9% over the first half of FY2019 to ¥8,758 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 increased 29.7% to ¥8,215 million and income attributable to owners of parent increased 47.8% to ¥5,826 million.

## 5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Six months ended September 30, 2020	
	Amount	Growth rate (%)
Physiological Measuring Equipment	16,350	- 21.3
Patient Monitors	35,067	+ 13.6
Treatment Equipment	19,324	+ 16.7
Other Medical Equipment	16,499	- 23.4
Total	87,240	- 2.8
Products	47,367	- 1.2
Consumables and Services	39,873	- 4.6
(Reference) Sales by Region		
Domestic Sales	56,248	- 16.6
Overseas Sales	30,992	+ 39.0
Americas	15,423	+ 37.4
Europe	6,217	+ 64.5
Asia & Other	9,352	+ 28.2

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

## 6. Consolidated Forecast for FY2020

The Company revised its forecast for FY2020, previously announced on May 13, 2020, because the first half result exceeded the Company's initial estimates, while the Company continues to see uncertainty related to the impact from the second wave of COVID-19.

The Company has revised its domestic sales forecast to ¥127,200 million (up ¥1,000 million from its previous forecast) and its overseas sales forecast to ¥56,800 million (up ¥3,000 million from its previous forecast) due to strong demand for ventilators. In the second half of FY2020, in Japan, the number of outpatients, testing and surgical procedures is expected to recover, but it will take time before a return to the previous levels. Domestic sales for the second half will recover because the Company resumed sales activities gradually. The government supplementary budget for supporting healthcare systems in the midst of the COVID-19 is also expected to be a positive factor. Internationally, the strong demand related to COVID-19 is expected to continue until the third quarter and generate a corresponding reactionary decline in the fourth quarter of FY2020.

In its long-term vision, BEACON 2030, Nihon Kohden Group aims to apply its core strength in Human Machine Interface technology and its clinical expertise with advanced digital technology driven by data so that the Company can create a better future for people and healthcare by solving global medical issues. In view of its robust earnings in the first half of the fiscal year, Nihon Kohden will undertake the strategic investments which are essential to realizing BEACON 2030; accelerating development of digital technology and enhancing the corporate IT infrastructure.

Because sales are expected to be higher than the previous forecast and gross profit margin will improve thanks to a favorable product mix, operating income, ordinary income and income attributable to owners of parent for FY2020 are expected to be ¥16,500 million (up ¥2,500 million from its previous forecast), ¥16,500 million (up ¥2,500 million from its previous forecast) and ¥11,000 million (up ¥1,000 million from its previous forecast) respectively.

The Company's forecast for the second half of FY2020 is based on an exchange rate of 106 yen to the U.S. dollar and 124 yen to the euro.

### (Consolidated Forecast for FY2020 by Product Category)

	(Millions of yen)	
	FY2020 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	36,800	- 12.9
Patient Monitors	70,000	+ 7.7
Treatment Equipment	39,800	+ 15.3
Other Medical Equipment	37,400	- 13.5
Total	184,000	- 0.5
Products	102,500	+ 1.6
Consumables and Services	81,500	- 3.2
(Reference) Sales by Region		
Domestic Sales	127,200	- 5.3
Overseas Sales	56,800	+ 12.1

**7. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	March 31, 2020	September 30, 2020
<b>ASSETS</b>		
Current assets:		
Cash and deposits	20,967	24,139
Notes and accounts receivable - trade	60,871	50,646
Securities	15,000	15,000
Merchandise and finished goods	21,939	25,190
Work in process	1,908	2,718
Raw materials and supplies	5,401	8,395
Other current assets	3,160	3,051
Allowance for doubtful accounts	-228	-183
Total current assets	129,020	128,958
Non-current assets:		
Property, plant and equipment	20,003	20,014
Intangible assets		
Goodwill	1,773	1,679
Other intangible assets	2,376	2,203
Total intangible assets	4,149	3,883
Investments and other assets		
Investment securities	6,377	7,620
Other investments and other assets	8,391	8,194
Allowance for doubtful accounts	-156	-158
Total investments and other assets	14,612	15,656
Total non-current assets	38,766	39,554
Total assets	167,786	168,512
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable - trade	23,755	21,019
Short-term loans payable	350	350
Accrued income taxes	2,339	2,581
Provision for bonuses	3,263	2,660
Provision for product warranties	364	698
Other current liabilities	10,245	8,771
Total current liabilities	40,319	36,081
Non-current liabilities:		
Net defined benefit liability	4,225	4,099
Other non-current liabilities	1,466	1,477
Total non-current liabilities	5,692	5,577
Total liabilities	46,011	41,658
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,437
Retained earnings	108,533	112,827
Treasury shares	-6,992	-6,966
Total shareholders' equity	119,500	123,844
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,972	2,813
Foreign currency translation adjustments	983	751
Remeasurements of defined benefit plans	-681	-555
Total accumulated other comprehensive income	2,273	3,008
Total net assets	121,774	126,853
Total liabilities and net assets	167,786	168,512

## (2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	89,735	87,240
Cost of sales	46,381	42,883
Gross profit	43,354	44,357
Selling, general and administrative expenses	36,344	35,599
Operating income	7,009	8,758
Non-operating income		
Interest income	30	12
Dividend income	59	60
Subsidy income	55	204
Other, net	143	101
Total non-operating income	289	378
Non-operating expenses		
Interest expenses	5	3
Loss on valuation of investment securities	8	10
Foreign exchange losses	855	825
Other, net	94	82
Total non-operating expenses	964	921
Ordinary income	6,334	8,215
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	10	22
Demolition cost	133	—
Settlement package	440	—
Office transfer cost	85	34
Total extraordinary losses	669	57
Income before income taxes	5,665	8,157
Income taxes	1,722	2,330
Net income	3,943	5,826
Income attributable to owners of parent	3,943	5,826

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	3,943	5,826
Other comprehensive income		
Valuation difference on available-for-sale securities	-273	840
Foreign currency translation adjustment	-494	-231
Remeasurements of defined benefit plans, net of tax	88	125
Total other comprehensive income	-679	734
Comprehensive income	3,264	6,561
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,264	6,561
Comprehensive income attributable to non-controlling interests	—	—