

[Summary]

May 13, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2023 (From April 1, 2023 to March 31, 2024)

(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	%
FY2023	221,986	7.4	19,591	-7.2	25,589	6.1	17,026	-0.5
FY2022	206,603	0.7	21,120	-31.9	24,122	-30.2	17,110	-27.0

Note: Comprehensive income: FY2023: 20,497 million yen (10.0%) FY2022: 18,626 million yen (-24.7%)

	Net income per share - Basic	Net income per share - Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2023	202.45	—	9.8	11.4	8.8
FY2022	203.28	—	10.6	11.3	10.2

Reference: Investment income for equity method: FY2023: — million yen FY2022: — million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2023	233,233	181,082	77.6	2,158.40
FY2022	216,728	167,604	77.3	1,992.30

Reference: Equity capital: FY2023: 181,082 million yen FY2022: 167,604 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
FY2023	15,607	-5,208	-6,968	49,877
FY2022	-2,513	-7,647	-7,485	43,988

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	%	%
FY2022	—	20.00	—	41.00	61.00	5,131	30.0	3.2
FY2023	—	30.00	—	31.00	61.00	5,125	30.1	2.9
FY2024 (Forecast)	—	15.00	—	16.00	31.00		32.5	

Note: At the Board of Directors' meeting held on May 13, 2024, the Company resolved that each share of common stock will be split into two shares effective on July 1, 2024. The annual dividends per share for the fiscal year ending March 31, 2025 (forecast) are based on the amount taking into consideration the stock split. Annual dividends per share for the fiscal year ending March 31, 2025 (forecast) without taking the stock split into account would be 62.00 yen.

3. Consolidated Forecast for FY2024 (From April 1, 2024 to March 31, 2025)

	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	104,000	0.4	7,000	-6.6	7,000	-44.2	4,500	-43.7	26.82
Full year	229,000	3.2	23,000	17.4	23,000	-10.1	16,000	-6.0	95.36

Note: At the Board of Directors' meeting held on May 13, 2024, the Company resolved that each share of common stock will be split into two shares effective on July 1, 2024. Basic earnings per share for the fiscal year ending March 31, 2025 are based on the amount taking into consideration the stock split. Basic earnings per share for the fiscal year ending March 31, 2025 without taking the stock split into account would be 53.64 yen for the first half and 190.71 yen for full year

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 1 Company name (Nihon Kohden OrangeMed, LLC)

Excluded: 1 Company name (Resuscitation Solution, Inc.)

Note: For details, please refer to "4. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Business Combinations)" on page 22 of the attachment.

(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: None

(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)

FY2023	88,230,980	shares
FY2022	88,230,980	shares

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

FY2023	4,334,266	shares
FY2022	4,104,612	shares

(iii) Average number of shares outstanding during the period

FY2023	84,102,066	shares
FY2022	84,170,968	shares

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2023 (From April 1, 2023 to March 31, 2024)

(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	%
FY2023	167,006	4.8	21,620	2.4	30,476	15.8	18,781	-5.5
FY2022	159,415	-1.6	21,109	-17.7	26,313	-17.7	19,865	-6.7

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2023	223.32	—
FY2022	236.01	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2023	204,803	164,836	80.5	1,964.75
FY2022	193,538	152,654	78.9	1,814.59

Reference: Equity capital: FY2023: 164,836 million yen FY2022: 152,654 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.

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1. Overview of Financial Results

(1) Review of Operations

During the term under review (April 1, 2023 to March 31, 2024), the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe as well as higher geopolitical risks. In Japan, each prefecture revised its healthcare system, and task shifting and operational efficiency were further required in medical institutions, because work style reforms for medical staff took effect in April 2024. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workloads remained steady, while the shortage of nurses and inflation of prices in the U.S. and Europe as well as the economic slowdown and anti-corruption campaign in China continued to have a negative impact.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I, which sets FY2023 as its final year. 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. The Company introduced its first syringe pump control software for assisting with total intravenous anesthesia in Japan. The Company also launched a home sleep recorder and a next-generation automated chest compression device, both of which were developed in North America, as well as affordable models of bedside monitors developed in Shanghai. The Company strengthened its overseas business structure through reorganizing its U.S. subsidiaries into a holding company structure in April 2023 and completing the transition in January 2024.

As a result, overall sales during the term under review increased 7.4% over FY2022 to ¥221,986 million. Operating income decreased 7.2% to ¥19,591 million because of increases in the cost of goods sold due to an increase in devaluation of inventories, as well as increased SG&A expenses due to the strengthening of human resources and R&D investment. Ordinary income increased 6.1% to ¥25,589 million, reflecting foreign exchange gains. Income attributable to owners of parent decreased 0.5% to ¥17,026 million because of an increase in the tax burden ratio due to an impact of losses before income taxes in some subsidiaries of the Company, while gain on revision of retirement benefit plan was recorded as extraordinary income.

[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 its 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. As a result of these initiatives, sales in all markets and all product categories increased. Sales in the public hospital and private hospital markets increased favorably driven by IT system solutions. Sales in the clinic market increased favorably and sales in the university market also increased. Sales of Physiological Measuring Equipment and Treatment Equipment increased favorably. Sales of Patient Monitors and Other Medical Equipment also increased. As a result, domestic sales increased 4.9% over FY2022 to ¥142,370 million.

International: Overseas sales showed double-digit growth due to yen depreciation and the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. In the Americas, sales in North America and Latin America showed double-digit growth. In North America, sales of Treatment Equipment increased significantly, while sales of Patient Monitors decreased. In Latin America, a large order in Costa Rica contributed to the sales increase. Sales in Mexico and Columbia also showed strong growth. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in Germany and Russia decreased, while sales in Netherlands and Italy increased favorably. In Asia & Other, sales in the Middle East and Africa increased significantly, thanks to a large order in Morocco. Sales in Taiwan and Vietnam also increased favorably. Sales in China decreased due to the impact of the anti-corruption campaign from the third quarter of FY2023. As a result of the above developments, overseas sales increased 12.3% over FY2022 to ¥79,615 million.

* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to Nihon Kohden's reorganization of its U.S. subsidiaries. In FY2023 ended March 31, 2024, Nihon Kohden consolidated the 15 months of Defibtech's operating results from January 1, 2023 to March 31, 2024.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of diagnostic information systems and EEGs achieved double-digit growth. Sales of polygraphs for cath lab increased favorably and sales of ECGs also increased. Internationally, sales of EEGs increased favorably in Europe and Asia & Other, while sales of ECGs decreased in Asia & Other and Europe. Overall, sales increased 7.5% over the previous fiscal year to ¥46,517 million.

Patient Monitors: In Japan, sales of clinical information systems increased significantly and sales of consumables such as sensors also increased. Sales of transmitters and bedside monitors decreased. Internationally, sales in Latin America increased significantly thanks to large orders. Sales in Europe and Asia & Other decreased on a comparable basis and increased on a yen basis. Sales in North America decreased. Overall, sales increased 4.1% over the previous fiscal year to ¥84,130 million.

Treatment Equipment: In Japan, sales of pacemakers and ICDs, ablation catheters in other treatment equipment, and defibrillators increased favorably. Sales of AEDs also increased. Internationally, sales of Defibtech AEDs and a mask-type ventilator increased significantly. Overall, sales increased 16.2% over the previous fiscal year to ¥51,665 million.

Other Medical Equipment: In Japan, sales of installation and maintenance services for medical devices as well as sales of hematology instruments and reagents increased favorably. Sales of locally purchased products decreased. Internationally, sales of hematology instruments and reagents increased favorably in Asia & Other. Overall, sales increased 4.3% over the previous fiscal year to ¥39,673 million.

(Consolidated Sales Results by Product Category)

	(Millions of yen)	
	FY2023	
	Amount	Growth rate (%)
Physiological Measuring Equipment	46,517	+7.5
Patient Monitors	84,130	+4.1
Treatment Equipment	51,665	+16.2
Other Medical Equipment	39,673	+4.3
Total	221,986	+7.4
Products	115,638	+6.2
Consumables and Services	106,347	+8.9
(Reference) Sales by Region		
Domestic Sales	142,370	+4.9
Overseas Sales	79,615	+12.3
North America	37,058	+14.7
Latin America	6,039	+33.8
Europe	13,104	+6.1
Asia & Other	23,413	+7.9

* Sales in the Americas are disclosed separately for sales in North America and Latin America due to the completion of the reorganization of the U.S. subsidiaries.

Previously, the Nihon Kohden Group conducted its business activities within a single segment, medical electronic equipment-related business, which was internally subdivided into functions such as development, manufacturing, and sales. To further expand its overseas business, the Company has been focusing on strengthening its local R&D, production, and sales capabilities as well as increasing synergies. In April 2023, with the aim of achieving more efficient group governance and operations, the Company reorganized its U.S. subsidiaries into a holding company structure. Following the reorganization, which was completed in January 2024, the Company has shifted to a framework that comprehensively manages development, manufacturing, and sales in each region. Starting from the third quarter of FY2023, Nihon Kohden has also reclassified its reporting segments into three categories: Japan, North America, and Rest of World.

(Operating Results by Reporting Segments)

Japan: Sales increased 5.2% to ¥143,939 million and segment income decreased 8.4% to ¥20,605 million in FY2023.

North America: Sales increased 19.2% to ¥41,996 million and segment loss was ¥2,203 million in FY2023 (Segment loss of ¥1,182 million in FY2022).

Rest of World: Sales increased 4.3% to ¥36,050 million and segment income increased 57.0% to ¥2,309 million in FY2023.

(2) Financial Position

Total assets at the end of the current fiscal year increased by ¥16,504 million compared with the end of the previous fiscal year to ¥233,233 million.

Current assets increased by ¥11,833 million to ¥184,333 million compared with the end of the previous fiscal year. This was mainly due to an increase in cash and deposits, accounts receivable (trade), securities (negotiable certificates of deposit) resulting from increasing the sales.

Fixed assets increased by ¥4,671 million to ¥48,899 million compared with the end of the previous fiscal year. This was mainly due to a decrease in deferred tax assets, as well as an increase in net defined benefit asset resulting from the influence of the revision of retirement benefit plans.

Total liabilities at the end of the current fiscal year increased by ¥3,026 million compared with the end of the previous fiscal year to ¥52,151 million. This was mainly due to an increase in accrued income taxes.

Total net assets at the end of the current fiscal year increased by ¥13,478 million compared with the end of the previous fiscal year to ¥181,082 million. This was mainly due to an increase in retained earnings.

As a result, net assets per share increased by ¥166.10 to ¥2,158.40 and the equity ratio increased by 0.3 percentage points from 77.3% at the end of the previous fiscal year to 77.6%.

(3) Cash Flows

Classification	Amounts (Millions of yen)	
	FY2022	FY2023
Cash and cash equivalents at beginning of period	60,095	43,988
Cash flows from operating activities	-2,513	15,607
Cash flows from investing activities	-7,647	-5,208
Cash flows from financing activities	-7,485	-6,968
Effect of exchange rate change on cash and cash equivalents	1,539	2,458
Net increase (decrease) in cash and cash equivalents	-16,107	5,889
Cash and cash equivalents at end of period	43,988	49,877

Cash and cash equivalents (hereinafter referred to as “funds”) on a consolidated basis at the end of the current fiscal year increased by ¥5,889 million compared with the end of the previous fiscal year to ¥49,877 million.

The status of each cash flow and their factors in the current fiscal year are as follows.

(Cash flows from operating activities)

Funds provided by operating activities increased ¥15,607 million (expenditure of ¥2,513 million in the previous year). This is mainly due to income before income taxes of ¥29,369 million, a decrease in inventories of ¥3,859 million, an increase in trade receivables of ¥4,088 million, a decrease in trade payables of ¥4,933 million.

(Cash flows from investing activities)

Funds used in investing activities decreased by ¥2,439 million year-on-year to ¥5,208 million. This is mainly due to the purchase of property, plant and equipment, amounting to ¥3,626 million, and the purchase of intangible assets such as PLM/MES systems, amounting to ¥1,106 million.

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

(Cash flows from financing activities)

Funds used in financing activities decreased by ¥517 million year-on-year to ¥6,968 million. This is mainly due to cash dividends paid of ¥5,968 million and purchase of treasury shares of ¥1,124 million.

(Reference) Trends in Cash Flow-Related Indices

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity ratio (%)	72.6	72.0	74.4	77.3	77.6
Market cap-based equity ratio (%)	206.1	142.5	118.5	139.4	144.0
Interest-bearing debt to cash flow ratio (%)	4.4	2.9	1.4	-17.6	4.2
Interest coverage ratio (x)	1,009.1	6,826.2	12,712.9	-1,089.0	773.6

Equity ratio: Total net assets / Total assets

Market cap-based equity ratio: Total market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Total interest payments

*All of the above is calculated on a consolidated basis.

*Market capitalization is based on the total number of shares outstanding excluding treasury shares.

*The cash flow above is the cash flow from operating activities as stated in the consolidated statements of cash flows.

*The interest-bearing debt includes all liabilities posted in the consolidated balance sheets on which the company pays interest.

(4) 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 make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. 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, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. The Company has revised the indicators and targets for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.

The Company decided to pay the year-end dividend of 31 yen per share. As a result, the full-year dividend for FY2023 will be 61 yen per share, including the interim dividend of 30 yen per share. The Company also acquired ¥1,123 million of own shares on February 5, 2024, pursuant to the Board of Directors' resolution of February 2, 2024.

In consideration of business performance, the full-year dividend for FY2024 will be 31 yen per share, which consists of interim dividend of 15 yen and year-end dividend of 16 yen. Effective July 1, 2024, each share of common stock will be split into two shares pursuant to the Board of Directors' resolution of May 13, 2024. The Company calculates dividends per share for FY2024 based on number of shares after the stock split.

In addition, 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 10 billion yen between August 5, 2024 and March 31, 2025, and cancel 5.5 million shares* of its treasury shares on July 19, 2024.

* Based on number of shares after the stock split.

(5) Consolidated Forecast for FY2024

The global economic outlook is expected to remain uncertain due to tight monetary policy in the U.S. and Europe as well as higher geopolitical risks. In Japan, as work style reforms for medical staff have taken effect in April 2024 and the medical treatment fee revision will occur in June 2024, task shifting and operational efficiency are further required in medical institutions. Each prefecture will also discuss a regional vision of the healthcare system in 2040. Internationally, medical institutions' business is gradually improving as the number of testing and surgical procedures increases. On the other hand, capital expenditure by medical institutions is still cautious due in part to inflation. In some emerging countries, there are the move towards protectionism and regulatory tightening for medical devices. Medical equipment companies are expected to face a severe business environment because they are required to react to such changes in the market environment promptly and flexibly and to meet the needs of medical institutions for solutions which contribute to improve the quality and efficiency of medical care.

Under these circumstances, Nihon Kohden will implement its Three-year Business Plan, BEACON 2030 Phase II, starting from FY2024. The Company will implement the reform of the profit structure, make investments in growth areas, and establish collaborations between new business models and existing businesses. The Company aims to achieve targets for three indicators, which consist of growth, profitability, and capital efficiency, by conducting six key measures such as "Enhance Product Competitiveness" and "Focus on Growth of North America Business".

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 consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contribute to improving medical safety, patient outcomes, and operating efficiency. Demand for IT system solutions is expected to settle down compared to the strong growth in FY2023. However, demand for medical equipment and services which contribute to improving the quality and efficiency of medical care is expected to remain steady, especially for patient monitors and treatment equipment.

Internationally, sales are expected to be high-single digit growth on a comparable basis excluding the currency effect and the impact of a change in the fiscal term of Defibtech, LLC in FY2023. In North America, the Company will enhance its proposals for patient monitors by adding digital health solutions, while demand for AEDs is expected to settle down compared to the strong growth in FY2023. The Company will also focus on expanding sales of a mask-type ventilator, for which demand is increasing, and launch a mid-range ventilator. In the Rest of World, in China, there will be a reactionary decline compared to the first half of FY2023, when demand increased due to expansion of ICUs as well as the impact of the anti-corruption campaign. In Southeast Asia, the Company plans to establish a sales subsidiary in Vietnam in June 2024 and start local production in Indonesia by the end of FY2024. The Company will also strengthen its business structure and increase sales by meeting the needs of medical institutions.

Gross profit margin is expected to improve as devaluation of inventories will decrease. SG&A expenses are expected to increase due to wage increases. The Company will focus on improving personnel productivity through the reform of the profit structure of the entire Group.

Nihon Kohden will undertake capital investments for advancing global supply chain management. In India, the Company will start operation of a new hematology factory in Summer 2024. The Company will also build a new production facility both for manufacturing consumables and for R&D of automated production technology, with the acquisition of a site in Tsurugashima City, Saitama Prefecture, Japan, occurring in 2023, and the start of construction scheduled for July 2024, the completion of construction at the end of 2025, and the start of operation in 2026. To further the implementation of corporate DX, the Company will introduce PLM/MES* systems and generative AI.

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

The Company forecasts its overall sales, operating income, ordinary income, and income attributable to owners of parent for FY2024 to be ¥229,000 million, ¥23,000 million, ¥23,000 million, and ¥16,000 million, respectively.

The Company's forecast for FY2024 is based on an exchange rate of 140 yen to the U.S. dollar and 150 yen to the euro.

(Consolidated Forecast for FY2024 by Product Category)

	(Millions of yen)	
	FY2024 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	47,900	+3.0
Patient Monitors	87,200	+3.6
Treatment Equipment	53,200	+3.0
Other Medical Equipment	40,700	+2.6
Total	229,000	+3.2
Products	117,900	+2.0
Consumables and Services	111,100	+4.5
(Reference) Sales by Region		
Domestic Sales	147,000	+3.3
Overseas Sales	82,000	+3.0
North America	38,100	+2.8
Latin America	5,200	-13.9
Europe	12,400	-5.4
Asia & Other	26,300	+12.3

2. 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. In FY2023, the ratio of independent outside directors to the Board of Directors is more than one-third and is expected to be 50% subject to the approval at the 73rd Ordinary General Meeting of Shareholders to be held on June 26, 2024. Considering the issues of gender and international diversity, the Company has nominated two female directors and a foreign director as candidates.

The Company has adopted a Company with Audit & Supervisory Committee structure 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 three 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 12%, which exceeds its cost of capital, in its Three-year Business Plan, BEACON 2030 Phase II, which starts from April 2024. The Company currently estimates that its cost of capital is around 5%, which are reviewed every year.

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 working capital by introducing Nihon Kohden's own ROIC formula and reducing the cash conversion cycle through measures such as reduction of inventories and faster debt collection, as well as establishing investment decision criteria and enhancing shareholder return.

To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, the Company has increased inventories of finished goods and parts. This has resulted in a longer cash conversion cycle, 232 days in FY2023. In FY2024, the Company will aim at 190 days, a similar level to FY2021 through further inventory control mainly at Production Operations, which was newly established in April 2024, as well as by faster debt collection.

To increase corporate value through investment in future business expansion, the Company has adopted Net Present Value (NPV) and Internal Rate of Return (IRR) as investment decision criteria and started evaluating new investment projects in FY2022. In Phase II, the Company will set its target IRR at 12%, which exceeds its cost of capital. The Board of Directors verifies the progress and effectiveness of investment projects beyond a certain amount every year.

(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.

<Review of Previous Three-year Business Plan, BEACON 2030 Phase I, covering FY2021 to FY2023>

In Japan, the Company promoted creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency, as healthcare systems to respond to emerging infectious diseases were established and work style reforms for medical staff were implemented. Internationally, while the shortage of nurses and inflation of prices continued to have a negative impact, the Company focused on proposing medical equipment which contributed to easing medical staff workloads and enhancing its business foundation in the U.S. and emerging markets. The Company launched a series of its first new high-value-added products such as a fully automatic AED, a resuscitation monitor for neonates, syringe pump control software for assisting with total intravenous anesthesia, and a mid-range ventilator developed by Nihon Kohden OrangeMed, LLC in the U.S. Internationally, Nihon Kohden strengthened its business structure. The Company acquired AMP3D, LLC in the U.S. and Software Team Srl in Italy. The Company also reorganized its U.S. subsidiaries into a holding company structure. As a result, in FY2023 ended March 2024, which was the final year of BEACON 2030 Phase I, domestic sales increased favorably. Overseas sales fell short of the Company's target on a comparable basis excluding the impact of foreign exchange rates, due to changes in the market environment mainly in the U.S. and China, which the Company has focused on. In addition to actual overseas sales fell short of its target, operating income margin fell short of its target because of increases in the cost of goods sold due to an increase in devaluation of inventories, as well as increased SG&A expenses due to the strengthening of human resources, wage increase, and inflation. Thus, improvement of profitability remains an issue. Additionally, the increased inventories of finished goods and parts due to the shortage of semiconductors led to a longer cash conversion cycle, while the Company promoted supply chain management reforms and continued to supply products globally.

¥100 million	Target for FY2023	Results in FY2023
Sales	1,970	2,219
Domestic Sales	1,340	1,423
Overseas Sales	630	796
Operating Income	200	195
Operating Income Margin	10.2%	8.8%
Income attributable to owners of parent	138	170
ROE	10%	9.8%

<Three-year Business Plan, BEACON 2030 Phase II, covering FY2024 to FY2026>

Faced with a rapidly changing global situation and a difficult business environment, in BEACON 2030 Phase II, Nihon Kohden will implement the reform of the profit structure, make investments in growth areas, and establish collaborations between new business models and existing businesses, based on the results and issues of the previous Three-year Business Plan.

1. Three Indicators and Six Key Measures

Nihon Kohden will strengthen its growth, profitability, and capital efficiency, as well as the practice of Sustainability Management.

[Growth] Sales CAGR of 5% (FY2023-FY2026)

Enhance product competitiveness, Focus on growth of North America Business

[Profitability] Operating income margin of 15% (FY2026)

Implement the reform of the profit structure of the entire Group, Advance global supply chain management

[Capital efficiency] ROE of 12% (FY2026)

Introduce Nihon Kohden's own ROIC formula, Reduce cash conversion cycle

(1) [Growth] Enhance product competitiveness

Nihon Kohden will focus on strengthening its core Patient Monitoring Business and expanding Treatment Equipment Business including ventilators which are expected to grow rapidly as well as Consumables and Services Business and Solution Business including digital health solutions.

The Company will establish a common design platform and multi-plant design, refine cybersecurity measures, and strengthen QA/RA structures. The Company will also shorten the development time for new products by promoting R&D process reforms in addition to the introduction of PLM/MES systems.

* QA: Quality Assurance, RA: Regulatory Affairs, PLM: Product Life-cycle Management, MES: Manufacturing Execution System.

(2) [Growth] Focus on growth of North America Business

Nihon Kohden will focus on the market strategy in three regions: Japan, North America, Rest of World. In North America, which is expected to high growth, the Company aims to expand its market share and improve its profitability by prioritizing allocation of resources.

[Japan] Strengthen customer base and achieve sustainable growth by enhancing customer value proposition

[North America] Strengthen ties with the major IDN/GPO & DoD/VA and improve brand awareness and profitability

[Rest of World] Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities

* IDN: Integrated Delivery Network, GPO: Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs.

(3) [Profitability] Implement the reform of the profit structure of the entire Group

Implement several measures to improve product mix, productivity, and supply chains

(4) [Profitability] Advance global supply chain management

Enhance PSI (Production, Sales, Inventory) Management, Strengthen global QMS (Quality Management System), Promote multi-plant production

(5) [Capital Efficiency] Introduce Nihon Kohden's own ROIC formula

Improve operating margins, Strengthen monitoring of return on investment

(6) [Capital Efficiency] Reduce Cash Conversion Cycle

Strengthen procurement and production management capabilities mainly at the newly established Production Operations, Collect debt faster

2. Sustainability Management

To promote its practice of Sustainability Management, Nihon Kohden will partially review its material issues and KPIs, which were set out in the Phase I. The Company will also work on solving medical, environmental, and social issues.

Based on its Core Values, Nihon Kohden will disseminate the BEACON personnel system introduced in the Phase I and strengthen its operation. The Company will also work on work style reforms and improve personnel productivity. In addition to promoting Diversity and Inclusion, the Company will foster a corporate culture of pride in contributing to healthcare by enhancing career support such as the development of global/DX human resources.

To further strengthen its Group governance, Nihon Kohden will ensure the diversity of the Board of Directors and speed up decision-making by introducing a CxO framework. With the aim of encouraging the sharing of value with shareholders, the Company will also review the remuneration structure for directors.

3. Target for FY2026 ending March 2027 (consolidated)

¥100 million	Target for FY2026
Sales	2,560
Domestic Sales	1,570
Overseas Sales	990
Operating Income	385
Operating Income Margin	15%
Income attributable to owners of parent	250
ROIC	12%
ROE	12%

(4) Other Significant Matters for Corporate Management

Not applicable.

3. Basic Approach to Selection of Accounting Standards

The Company is preparing for the future application of IFRS by analyzing the impact on the consolidated financial statements associated with its application and examining the specific work required thereafter.

9. Consolidated Financial Statements



(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2023	March 31, 2024
ASSETS		
Current assets:		
Cash and deposits	33,459	36,132
Notes receivable - trade	2,401	1,408
Electronically recorded monetary claims - operating	2,669	3,744
Accounts receivable - trade	59,934	66,606
Securities	11,000	14,300
Merchandise and finished goods	33,337	33,223
Work in process	4,045	3,258
Raw materials and supplies	21,406	21,305
Other current assets	4,424	4,865
Allowance for doubtful accounts	-179	-511
Total current assets	172,500	184,333
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	10,788	11,441
Machinery, equipment and vehicles, net	1,260	1,252
Tools, furniture and fixtures, net	3,632	4,262
Land	7,074	7,114
Lease assets, net	41	75
Construction in progress	1,648	1,274
Total property, plant and equipment	24,446	25,418
Intangible assets		
Goodwill	1,044	893
Other intangible assets	3,177	3,958
Total intangible assets	4,221	4,852
Investments and other assets		
Investment securities	6,713	7,283
Deferred tax assets	6,561	2,782
Net defined benefit asset	—	5,970
Other investments and other assets	2,415	2,727
Allowance for doubtful accounts	-129	-134
Total investments and other assets	15,560	18,628
Total non-current assets	44,228	48,899
Total assets	216,728	233,233

(Millions of yen)

	March 31, 2023	March 31, 2024
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	22,940	20,143
Short-term loans payable	403	579
Accounts payable - other	3,161	4,943
Lease obligations	21	36
Accrued income taxes	3,178	5,597
Accrued expenses	4,474	5,126
Provision for bonuses	4,320	4,242
Provision for product warranties	1,361	1,648
Other current liabilities	6,706	7,583
Total current liabilities	46,568	49,901
Non-current liabilities:		
Lease obligations	17	39
Deferred tax liabilities	275	265
Net defined benefit liability	669	—
Other non-current liabilities	1,592	1,943
Total non-current liabilities	2,555	2,249
Total liabilities	49,124	52,151
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	9,685	9,718
Retained earnings	152,525	163,578
Treasury shares	-9,155	-10,233
Total shareholders' equity	160,600	170,608
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,377	2,796
Foreign currency translation adjustment	4,003	5,772
Remeasurements of defined benefit plans	623	1,905
Total accumulated other comprehensive income	7,003	10,474
Total net assets	167,604	181,082
Total liabilities and net assets	216,728	233,233

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	Year ended		Year ended	
	March 31, 2023		March 31, 2024	
Net sales		206,603		221,986
Cost of sales	*2	100,677	*2	110,639
Gross profit		105,926		111,346
Selling, general and administrative expenses	*1, *2	84,805	*1, *2	91,755
Operating income		21,120		19,591
Non-operating income				
Interest income		194		289
Dividend income		119		130
Foreign exchange gains		2,386		5,370
Subsidy income		52		175
Gain on valuation of investment securities		33		—
Other non-operating income		442		297
Total non-operating income		3,230		6,263
Non-operating expenses				
Interest expenses		10		24
Loss on valuation of investment securities		—		103
Other non-operating expenses		217		137
Total non-operating expenses		228		265
Ordinary income		24,122		25,589
Extraordinary income				
Gain on sales of non-current assets		699		4
Gain on sales of investment securities		3		11
Gain on revision of retirement benefit plan		—	*3	4,038
Total extraordinary income		702		4,054
Extraordinary losses				
Loss on sales of non-current assets		0		0
Loss on retirement of non-current assets		29		20
Impairment losses		—	*4	168
Loss on valuation of inventories		—		85
Loss on valuation of investment securities		80		—
Total extraordinary losses		109		274
Income before income taxes		24,716		29,369
Income taxes - current		7,785		9,213
Income taxes - deferred		-178		3,129
Total income taxes		7,606		12,342
Net income		17,110		17,026
Income attributable to owners of parent		17,110		17,026

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net income	17,110	17,026
Other comprehensive income		
Valuation difference on available-for-sale securities	177	419
Foreign currency translation adjustment	1,616	1,769
Remeasurements of defined benefit plans, net of tax	-277	1,282
Total other comprehensive income	1,516	3,470
Comprehensive income	18,626	20,497
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,626	20,497
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

Year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2022	7,544	10,455	142,224	-9,331	150,893
Changes arising during year					
Cash dividends			-5,734		-5,734
Net income attributable to owners of parent			17,110		17,110
Purchase of treasury share				-1,000	-1,000
Disposal of treasury share		-19	-1,074	1,176	83
Change in ownership interest of parent due to transactions with non-controlling interests		-750			-750
Net changes other than stockholders' equity					—
Total changes during the year	—	-769	10,301	176	9,707
Balance at March 31, 2023	7,544	9,685	152,525	-9,155	160,600

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2022	2,199	2,387	900	5,487	156,381
Changes arising during year					
Cash dividends					-5,734
Net income attributable to owners of parent					17,110
Purchase of treasury share					-1,000
Disposal of treasury share					83
Change in ownership interest of parent due to transactions with non-controlling interests					-750
Net changes other than stockholders' equity	177	1,616	-277	1,516	1,516
Total changes during the year	177	1,616	-277	1,516	11,223
Balance at March 31, 2023	2,377	4,003	623	7,003	167,604

Year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2023	7,544	9,685	152,525	-9,155	160,600
Changes arising during year					
Cash dividends			-5,973		-5,973
Net income attributable to owners of parent			17,026		17,026
Purchase of treasury share				-1,124	-1,124
Disposal of treasury share		33		46	79
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes other than stockholders' equity					—
Total changes during the year	—	33	11,053	-1078	10,007
Balance at March 31, 2024	7,544	9,718	163,578	-10,233	170,608

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2023	2,377	4,003	623	7,003	167,604
Changes arising during year					
Cash dividends					-5,973
Net income attributable to owners of parent					17,026
Purchase of treasury share					-1,124
Disposal of treasury share					79
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes other than stockholders' equity	419	1,769	1,282	3,470	3,470
Total changes during the year	419	1,769	1,282	3,470	13,478
Balance at March 31, 2024	2,796	5,772	1,905	10,474	181,082

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Income before income taxes	24,716	29,369
Depreciation and amortization	3,675	3,704
Amortization of goodwill	116	149
Impairment loss	—	168
Loss (gain) on sales and retirement of property, plant and equipment	-669	12
Loss (gain) on sales and retirement of intangible assets	—	4
Increase (decrease) in allowance for doubtful accounts	-149	281
Increase (decrease) in provision for bonuses	-742	-151
Increase (decrease) in provision for product warranties	24	139
Increase (decrease) in net defined benefit asset or liability	-802	-4,792
Interest and dividend income	-314	-419
Interest expenses	10	24
Foreign exchange losses (gains)	-1,868	-3,626
Loss (gain) on valuation of investment securities	46	103
Loss (gain) on sales of investment securities	-3	-11
Decrease (increase) in notes and accounts receivable - trade	-4,753	-4,088
Decrease (increase) in inventories	-8,590	3,859
Increase (decrease) in notes and accounts payable - trade	-2,465	-4,933
Increase (decrease) in accrued consumption taxes	-975	1,765
Other, net	199	174
Subtotal	7,451	21,732
Interest and dividends income received	359	390
Interest expenses paid	-2	-20
Income taxes paid	-10,322	-6,495
Net cash flows from operating activities	-2,513	15,607
Cash flows from investing activities		
Proceeds from sales of investment securities	85	16
Purchase of investment securities	-359	-72
Proceeds from sales of property, plant and equipment	828	6
Purchase of property, plant and equipment	-7,458	-3,626
Purchase of intangible assets	-798	-1,160
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-108	—
Other, net	163	-371
Net cash flows from investing activities	-7,647	-5,208
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30	161
Purchase of treasury shares	-1,001	-1,124
Cash dividends paid	-5,733	-5,968
Repayments of lease obligations	-30	-36
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	-750	—
Net cash flows from financing activities	-7,485	-6,968
Effect of exchange rate change on cash and cash equivalents	1,539	2,458
Net increase (decrease) in cash and cash equivalents	-16,107	5,889
Cash and cash equivalents at beginning of period	60,095	43,988
Cash and cash equivalents at end of period	43,988	49,877

(5) Notes to the Consolidated Financial Statements

(Assumption of Going Concern)

Not applicable.

(Basis of Presentation of the Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 31 companies

Nihon Kohden Tomioka Corporation

Nihon Kohden America, LLC

Nihon Kohden Europe GmbH and other 28 companies

Note: Nihon Kohden OrangeMed LLC is included in the scope of consolidation due to transfer of ventilator business through incorporation-type company split effective on January 1, 2024. Additionally, Resuscitation Solution, Inc. is excluded from the scope of consolidation as its liquidation has completed.

2. Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year end of Shanghai Kohden Medical Electronic Instrument Corp., Nihon Kohden Do Brasil Ltda., Nihon Kohden Latin America S.A.S., Nihon Kohden Mexico S.A. de C.V. and Software Team Srl is December 31 and the difference with the fiscal year end of the consolidated financial statements (March 31) does not exceed three months, so the financial statements of these companies as of the fiscal year end are used, and necessary adjustments for consolidation are made when there are significant transactions between the fiscal year end of these companies and the fiscal year end of consolidated financial statements.

Previously, the financial statements of Defibtech, LLC, a consolidated subsidiary whose fiscal year end was December 31, were used and necessary adjustments for consolidation were made when there were significant transactions that occurred between its fiscal year end

3. Significant accounting principles

(1) Valuation standards and methodology for material assets

(i) Securities

Available-for-sale-securities

-Securities other than for which there are no fair value:

Stated at fair value based on the quoted market price at the fiscal year end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)

-Securities for which there are no fair value:

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at fair value

(iii) Inventories

Stated at cost (balance sheet amounts are measured at the lower of cost or net selling value), valuation methodology for each category of inventories is as follows:

Finished goods, Merchandise, semiprocessed goods	: moving average method
Work in process	: specific identification method
Raw materials, supplies	: moving average method

(2) Depreciation and amortization methods for material depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The Company and its domestic subsidiaries provided depreciation principally by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016, which are depreciated based on the straight-line method. Its foreign subsidiaries provided depreciation principally by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	3-50 years
Machinery, equipment and vehicles	2-15 years

(ii) Intangible assets (excluding lease assets)

Straight-line method is applied.

Straight-line method over the useful lives (mainly 5 years) is applied for software.

(iii) Lease assets

Lease assets related to finance lease transaction without transfer of ownership

Lease assets are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

(3) Policy on translation of major assets and liabilities denominated in foreign currency into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange at the balance sheet date. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange at the balance sheet date and revenues and expenses into yen at the average rate of exchange prevailing during the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustment" in Net Assets.

(4) Basis of material allowances

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is measured at estimated recoverable amounts. For general receivables, the recoverable amounts are estimated by historical write-off ratio and for individual receivables such as receivables with default risk, the recoverable amounts are estimated individual basis.

(ii) Provision for bonuses

Provision for bonuses is measured based on estimated amount of payment for employee bonuses.

(iii) Provision for product warranties

Provision for product warranties is measured at estimated repair expenses based on ratio of the expenses incurred to sales and individual estimates to provide for the cost of repairs to be made free of charge after shipment of the products.

(5) Accounting treatment for retirement benefits

(i) The method of attributing expected retirement benefit

For calculating benefit obligation, the method of attributing expected retirement benefit to periods up to the end of current fiscal year is the benefit formula basis.

(ii) The method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized using the declining balance method within over average remaining years of service of the employees (5 years) from the following year in which the gains or losses are recognized.

(6) Recognition criteria for significant revenues and expenses

With respect to revenues arising from the Group's contracts with its customers, major performance obligations in the principal business and usual point in time that a performance obligation is satisfied (usual point in time to recognize revenues) are as follows:

(i) Sales of products

Revenue is recognized at the time of delivery to the customer or at the time of acceptance upon inspection. For products such as consumables that do not require installation, revenue is recognized at the time of shipment.

(ii) Repair, maintenance and other services

Repair, maintenance and other services includes revenues related to repair, inspection, maintenance and other services mainly related to products. Revenue for repair and inspection is recognized at the time of completion of service provision and for maintenance and other services, revenue is recognized over the period in which the services are rendered as performance obligations are deemed to be satisfied over time.

(7) Significant method of hedge accounting

(i) Hedge accounting

Deferral hedge accounting is applied.

(ii) Hedge methods and hedged items

Hedge methods	Derivative transactions (forward exchange contract)
Hedged items	Planned trading transactions that are denominated in foreign currencies

(iii) Hedge policy

The Group carries out forward exchange contract for hedging the risk of foreign exchange fluctuation of planned trading transactions that are denominated in foreign currencies.

(iv) Evaluation of hedge effectiveness

Evaluation of hedge effectiveness of planned trading transactions as hedge items and forward exchange contracts as hedge methods are omitted as their principal conditions are the same.

(8) Goodwill amortization and amortization period

Goodwill is amortized using the straight-line method over estimated duration of the effect (within 20 years). However, when the amount of goodwill is immaterial, it is amortized in total when it is recognized.

(9) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(Notes to the Consolidated Statements of Income)

*1 Major accounts and amounts of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
1 Salaries and allowances	¥34,437 million	¥39,094 million
2 Provision for bonuses	¥3,542 million	¥3,313 million
3 Retirement benefit expenses	¥2,045 million	¥2,227 million
4 Depreciation	¥2,661 million	¥2,779 million
5 Legal welfare expenses	¥7,043 million	¥7,737 million
6 Travel and transportation expenses	¥3,152 million	¥3,554 million
7 Research and development expenses	¥6,200 million	¥6,996 million
8 Freight and packing costs	¥2,581 million	¥2,158 million

*2 Research and development expenses included in general and administrative expenses and manufacturing costs for the year are as follows:

	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
	¥6,200 million	¥6,996 million

*3 Gain on revision of retirement benefit plan

The Company and a part of consolidated subsidiaries of the Company have revised its retirement benefit plan as of March 1, 2024. The gain on revision of retirement benefit plan of ¥4,038 million is recorded as an extraordinary income arising from this change.

*4 Impairment losses

In the fiscal year ended March 31, 2024, ¥168 million for an impairment loss on goodwill with respect to Software Team Srl is recorded as an extraordinary losses. The carrying amount of goodwill is reduced to its recoverable amount due to inability to achieve forecasted revenues. The recoverable amount was measured based on the value in use, and the value was determined to be zero as insufficient future cash flow is forecasted.

(Business Combinations)

According to the reorganization of its U.S. subsidiaries, Nihon Kohden passed a resolution at its Board of Directors held on September 7, 2023, to i) change the name of Nihon Kohden OrangeMed, Inc., one of Nihon Kohden's wholly owned subsidiaries, to "Nihon Kohden North America, Inc.", and ii) allow Nihon Kohden OrangeMed, Inc. to contribute and assign its ventilator business to Nihon Kohden OrangeMed, LLC, a wholly owned subsidiary of Nihon Kohden OrangeMed, Inc. This company split was completed on January 1, 2024.

1. Outline of Business Combination

(1) Name and outline of business

Name: Ventilator business

Business: R&D, production, sales and service of ventilators

(2) Date of business combination

January 1, 2024

(3) Legal form of business combination

Incorporation-type company split with Nihon Kohden OrangeMed, Inc., as a splitting company, one of Nihon Kohden's wholly owned subsidiaries, changed the name to Nihon Kohden North America, Inc. on January 1 2024; and Nihon Kohden OrangeMed, LLC, as a succeeding company, one of Nihon Kohden's wholly owned subsidiaries.

(4) Company name after the combination

Nihon Kohden OrangeMed, LLC (one of Nihon Kohden's wholly owned subsidiaries)

(5) Others

As the Company announced on March 7, 2023, Nihon Kohden reorganized its U.S. subsidiaries and Nihon Kohden OrangeMed, Inc. became the new holding company to manage and control of its U.S. business as well as operates its ventilator business starting April 1, 2023. As the transition to a holding company was completed, effective January 1, 2024, Nihon Kohden OrangeMed, Inc. changed the name to Nihon Kohden North America, Inc. to manage and control of subsidiaries in the U.S., meanwhile Nihon Kohden OrangeMed, Inc. also transferred its ventilator business to Nihon Kohden OrangeMed, LLC.

2. Summary of Accounting Treatments

This company split is treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on January 16, 2019).

(Segment Information)

1. Sales and Income by Reporting Segment

Year ended March 31, 2023

(Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	136,800	35,244	34,557	206,603	—	206,603
Other revenue	—	—	—	—	—	—
Net sales to external customers	136,800	35,244	34,557	206,603	—	206,603
Intersegment sales	24,919	1,343	1,039	27,302	- 27,302	—
Total sales	161,720	36,588	35,597	233,905	- 27,302	206,603
Segment income (loss)	22,502	- 1,182	1,470	22,790	- 1,670	21,120

Notes:

1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥1,670 million include negative ¥1,266 million for the unrealized gains on inventories and negative ¥445 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

Year ended March 31, 2024

(Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	143,939	41,996	36,050	221,986	—	221,986
Other revenue	—	—	—	—	—	—
Net sales to external customers	143,939	41,996	36,050	221,986	—	221,986
Intersegment sales	25,077	1,803	1,035	27,916	- 27,916	—
Total sales	169,016	43,800	37,086	249,903	- 27,916	221,986
Segment income (loss)	20,605	- 2,203	2,309	20,711	- 1,120	19,591

Notes:

1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥1,120 million include negative ¥558 million for the unrealized gains on inventories and negative ¥363 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

2. Change in Reporting Segment

Previously, the Nihon Kohden Group conducted its business activities within a single segment, medical electronic equipment-related business, which was internally subdivided into functions such as development, manufacturing, and sales. To further expand its overseas business, the Company has been focusing on strengthening its local R&D, production, and sales capabilities as well as increasing synergies. In April 2023, with the aim of achieving more efficient group governance and operations, the Company reorganized its U.S. subsidiaries into a holding company structure. Following the reorganization, which was completed on January 1, 2024, the Company has shifted to a framework that comprehensively manages development, manufacturing, and sales in each region. Starting from the third quarter of FY2023, Nihon Kohden has also reclassified its reporting segments into three categories: Japan, North America, and Rest of World.

[Related information]

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	43,287	80,815	44,463	38,036	206,603

2. Geographic information

(1) Net sales

(Millions of yen)

Japan	North America	Latin America	Europe	Asia and other	Total
135,734	32,303	4,514	12,349	21,701	206,603

Notes: Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Latin America	Europe	Asia and other	Total
21,682	973	74	264	1,451	24,446

3. Information by major customers

Because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed.

Current fiscal year (From April 1, 2023 to March 31, 2024)

1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	46,517	84,130	51,665	39,673	221,986

2. Geographic information

(1) Net sales

(Millions of yen)

Japan	North America	Latin America	Europe	Asia and other	Total
142,370	37,058	6,039	13,104	23,413	221,986

Note: 1. Net sales are based on the location of customers and are classified by country or region.

2. Net sales of "Americas" has been changed in "North America" and "Latin America" from this fiscal year. This change has been reflected in the previous fiscal year.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Latin America	Europe	Asia and other	Total
21,918	1,206	84	286	1,923	25,418

3. Information by major customers

Because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed.

(Per Share Information)

Item	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
Net assets per share	¥1,992.30	¥2,158.40
Net income per share	¥203.28	¥202.45

Notes:

1. Diluted net income per share for the previous and current fiscal year are not stated as there are no potential shares that have dilutive effect.

2. The basis for calculating net income per share and net assets per share is as follows:

(1) Net income per share

Item	Previous fiscal year (From April 1, 2022 To March 31, 2023)	Current fiscal year (From April 1, 2023 To March 31, 2024)
Income attributable to owners of parent (Millions of yen)	17,110	17,026
Income not applicable to common stockholders (Millions of yen)	—	—
Income attributable to owners of parent applicable to common stock (Millions of yen)	17,110	17,026
Weighted average number of shares outstanding (Thousands of shares)	84,170	84,102

(2) Net assets per share

Item	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Total net assets (Millions of yen)	167,604	181,082
Amounts deducted from total net assets (Millions of yen)	—	—
Net assets applicable to common stock (Millions of yen)	167,604	181,082
Number of shares outstanding at the end of year on which net assets per share is calculated (Thousands of shares)	84,126	83,896

(Subsequent Event)

(Stock Split and Partial Amendment to the Articles of Incorporation)

Board of Directors of the Company held on May 13, 2024 has resolved to conduct a stock split and partially amend the Articles of Incorporation.

1. Purpose of stock split

The purpose of the stock split is to create an environment that makes it easier for investors to invest in the Company's stock and to increase the trading liquidity of the stock and expand the investor base, by lowering the amount of one unit of investment.

2. Outline of stock split

(1) Method of stock split

Each share of common stock held by shareholders listed or recorded in the final shareholders' register as of Sunday, June 30, 2024 will be split into two shares.

(2) Increase in number of shares due to stock split		
(i) Total number of shares issued before stock split	88,230,980	shares
(ii) Increase in number of shares due to stock split	88,230,980	shares
(iii) Total number of shares issued after stock split	176,461,960	shares
(iv) Total number of shares authorized to be issued after stock split	395,944,000	shares

3. Schedule of stock split

(1) Public notice date of record date	Friday, June 14, 2024 (planned)
(2) Record date	Sunday, June 30, 2024
(3) Effective date	Monday, July 1, 2024

* As the record date is a non-business day of the shareholders registry administrator, the actual record date will be Friday, June 28, 2024.

4. Partial amendment to the Articles of Incorporation

(1) Reason for amendment

Along with the stock split, Nihon Kohden will amend Article 6 (Total Number of Shares Authorized to be Issued) of the Articles of Incorporation of the Company, effective July 1, 2024, in accordance with the provision of Article 184, Paragraph 2 of the Companies Act.

(2) Contents of amendment

(The amendment is underlined.)

Current Articles of Incorporation	Amended Articles of Incorporation
(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>197,972k shares.</u>	(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>395,944k shares.</u>

(Acquisition of Own Shares and Cancellation of Treasury Shares)

Board of Directors of the Company held on May 13, 2024 has resolved to acquire its own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act, as well as to cancel treasury shares pursuant to Article 178 of the Companies Act.

1. Reasons for Acquisition of Own Shares and Cancellation of Treasury Shares

To improve capital efficiency and to return further profits to shareholders.

2. Details of Matters related to Acquisition

(1) Class of shares to be acquired:	Common shares of the Company
(2) Total number of shares to be acquired:	Up to 6,000,000 shares* (3.57% of the total number of issued shares excluding treasury shares)
(3) Total amount of share acquisition costs:	Up to 10,000,000,000 yen
(4) Acquisition period:	From August 5, 2024, to March 31, 2025
(5) Method of acquisition:	Market purchase on the Tokyo Stock Exchange

3. Details of Matters related to Cancellation

(1) Class of shares to be cancelled:	Common shares of the Company
(2) Number of shares to be cancelled:	5,500,000 shares* (3.11% of the total number of shares issued before the cancellation)
(3) Date of cancellation:	July 19, 2024

* Effective July 1, 2024, each share of common stock will be split into two shares and the above number of shares is the number after the stock split.

(Reference)

- Number of treasury shares held after July 1, 2024 stock split (Forecast)

Total number of issued shares excluding treasury shares:	167,793,220 shares
Total number of treasury shares:	8,668,740 shares
- The total number of shares issued after the cancellation will be 170,961,960 shares.

9. Non-Consolidated Financial Statements



(1) Non-Consolidated Balance Sheets

(Millions of yen)

	March 31, 2023	March 31, 2024
ASSETS		
Current assets:		
Cash and deposits	12,405	16,285
Notes receivable - trade	2,351	1,346
Electronically recorded monetary claims - operating	2,669	3,744
Accounts receivable - trade	56,739	62,231
Securities	11,000	14,300
Merchandise and finished goods	19,066	16,888
Work in process	1,920	1,001
Raw materials and supplies	588	654
Prepaid expenses	739	831
Accrued income	415	658
Short-term loans receivable from subsidiaries and associates	36,435	42,417
Accounts receivable - other	10,123	8,155
Advances paid	52	38
Other current assets	34	68
Allowance for doubtful accounts	-4,775	-2,939
Total current assets	149,767	165,683
Non-current assets:		
Property, plant and equipment		
Buildings	14,522	14,737
Accumulated depreciation	-5,611	-5,939
Buildings, net	8,911	8,798
Structures	196	209
Accumulated depreciation	-169	-172
Structures, net	27	36
Machinery and equipment	663	683
Accumulated depreciation	-517	-545
Machinery and equipment, net	146	137
Vehicles	5	5
Accumulated depreciation	-5	-5
Vehicles, net	0	0
Tools, furniture and fixtures	20,267	21,209
Accumulated depreciation	-17,760	-18,414
Tools, furniture and fixtures, net	2,507	2,794
Land	5,666	5,666
Lease assets	26	27
Accumulated depreciation	-18	-9
Lease assets, net	7	17
Construction in progress	661	863
Total property, plant and equipment	17,928	18,315

(Millions of yen)

	March 31, 2023	March 31, 2024
Intangible assets		
Goodwill	87	81
Patent right	5	10
Software	1,155	1,916
Telephone subscription right	55	51
Other intangible assets	13	24
Total intangible assets	1,317	2,084
Investments and other assets		
Investment securities	6,710	7,272
Shares of subsidiaries and associates	9,204	1,340
Investments in capital of subsidiaries and associates	2,832	2,905
Long-term loans receivable from employees	2	9
Prepaid pension costs	—	2,938
Deferred tax assets	3,918	2,210
Other investments and other assets	1,933	2,120
Allowance for doubtful accounts	-77	-77
Total investments and other assets	24,524	18,719
Total non-current assets	43,770	39,119
Total assets	193,538	204,803
LIABILITIES		
Current liabilities:		
Accounts payable - trade	24,543	20,866
Short-term loans payable	250	250
Accounts payable - other	1,154	3,135
Accrued income taxes	2,902	5,149
Accrued expenses	2,293	2,200
Contract liabilities	3,354	3,664
Deposits received	264	277
Provision for bonuses	3,408	3,135
Provision for product warranties	319	348
Other current liabilities	3	6
Total current liabilities	38,496	39,034
Non-current liabilities:		
Provision for retirement benefits	1,502	—
Asset retirement obligations	869	909
Other non-current liabilities	15	23
Total non-current liabilities	2,387	933
Total liabilities	40,884	39,967

(Millions of yen)

	March 31, 2023	March 31, 2024
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus		
Legal capital surplus	10,482	10,482
Other capital surplus	21	55
Total capital surplus	10,504	10,537
Retained earnings		
Legal retained earnings	1,149	1,149
Other retained earnings		
General reserve	118,460	133,460
Retained earnings brought forward	21,774	19,582
Total retained earnings	141,383	154,191
Treasury shares	-9,155	-10,233
Total shareholders' equity	150,277	162,039
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	2,377	2,796
Total valuation and translation adjustments	2,377	2,796
Total net assets	152,654	164,836
Total liabilities and net assets	193,538	204,803

(2) Non-Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales		
Net sales of finished goods	113,025	119,514
Net sales of merchandise	46,390	47,492
Total net sales	159,415	167,006
Cost of sales		
Beginning merchandise and finished goods	15,721	18,693
Cost of products manufactured	352	226
Purchase of finished goods	48,520	47,305
Purchase of merchandise	35,840	37,061
Total	100,434	103,286
Ending merchandise and finished goods	18,693	16,505
Total cost of sales	81,741	86,781
Gross profit	77,674	80,225
Selling, general and administrative expenses	56,564	58,605
Operating income	21,109	21,620
Non-operating income		
Interest income	824	1,684
Dividend income	1,618	1,795
Subsidy income	44	174
Foreign exchange gains	2,390	5,060
Rental income from land and buildings	169	166
Gain on valuation of investment securities	33	—
Other non-operating income	161	136
Total non-operating income	5,241	9,018
Non-operating expenses		
Interest expenses	1	1
Loss on valuation of investment securities	—	103
Other non-operating expenses	36	57
Total non-operating expenses	37	162
Ordinary income	26,313	30,476
Extraordinary income		
Gain on sales of non-current assets	692	—
Gain on sales of investment securities	1	11
Reversal of provision of allowance for doubtful accounts for subsidiaries and associates	308	2,100
Gain on revision of retirement benefit plan	—	3,749
Total extraordinary income	1,002	5,861
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	17	13
Loss on valuation of investment securities	72	—
Loss on valuation of shares of subsidiaries and associates	—	7,790
Total extraordinary losses	90	7,804
Income before income taxes	27,225	28,533
Income taxes - current	6,919	8,228
Income taxes - deferred	440	1,522
Total income taxes	7,359	9,751
Net income	19,865	18,781

(3) Non-Consolidated Statements of Changes in Equity

Year ended March 31, 2023

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2022	7,544	10,482	41	10,523	1,149	104,460	22,717	128,327
Changes arising during year								
Cash dividends							-5,734	-5,734
Net income							19,865	19,865
Provision of general reserve						14,000	-14,000	—
Purchase of treasury share								—
Disposal of treasury share			-19	-19			-1,074	-1,074
Net changes other than stockholders' equity								—
Total changes during the year	—	—	-19	-19	—	14,000	-943	13,056
Balance at March 31, 2023	7,544	10,482	21	10,504	1,149	118,460	21,774	141,383

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2022	-9,331	137,063	2,198	2,198	139,262
Changes arising during year					
Cash dividends		-5,734			-5,734
Net income		19,865			19,865
Provision of general reserve		—			—
Purchase of treasury share	-1,000	-1,000			-1,000
Disposal of treasury share	1,176	83			83
Net changes other than stockholders' equity			178	178	178
Total changes during the year	176	13,213	178	178	13,392
Balance at March 31, 2023	-9,155	150,277	2,377	2,377	152,654

Year ended March 31, 2024

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2023	7,544	10,482	21	10,504	1,149	118,460	21,774	141,383
Changes arising during year								
Cash dividends							-5,973	-5,973
Net income							18,781	18,781
Provision of general reserve						15,000	-15,000	—
Purchase of treasury share								—
Disposal of treasury share			33	33				—
Net changes other than stockholders' equity								—
Total changes during the year	—	—	33	33	—	15,000	-2,191	12,808
Balance at March 31, 2024	7,544	10,482	55	10,537	1,149	133,460	19,582	154,191

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2023	-9,155	150,277	2,377	2,377	152,654
Changes arising during year					
Cash dividends		-5,973			-5,973
Net income		18,781			18,781
Provision of general reserve		—			—
Purchase of treasury share	-1,124	-1,124			-1,124
Disposal of treasury share	46	79			79
Net changes other than stockholders' equity			419	419	419
Total changes during the year	-1,078	11,762	419	419	12,181
Balance at March 31, 2024	-10,233	162,039	2,796	2,796	164,836