

Consolidated Financial Highlights for FY2022

(From April 1, 2022 to March 31, 2023)

1. Consolidated Financial Results for FY2022
2. Forecast for FY2023
3. Progress of Three-year Business Plan

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

May 17, 2023

Fighting Disease with Electronics



1 Consolidated Financial Results for FY2022

1) Consolidated Financial Results for FY2022

	FY2021 Actual	FY2022		Actual	YoY (%)	(Amounts of less than ¥1 million are rounded down)
		Original forecast announced May 13, 2022	Revised forecast announced Feb 2, 2023			
Sales	205,129	195,000	208,000	206,603	0.7	
Domestic Sales	136,321	130,500	135,000	135,734	-0.4	
Overseas Sales	68,807	64,500	73,000	70,869	3.0	← -12% on a local currency basis
Gross Profit (Gross Profit Margin)	109,085 53.2%	98,200 50.4%	105,200 50.6%	105,926 51.3%	-2.9	← In-house sales ratio: FY2021 72.7% FY2022 72.4%
Operating Income (Operating Income Margin)	30,992 15.1%	16,500 8.5%	19,000 9.1%	21,120 10.2%	-31.9	← SG&A Ratio: FY2021 38.1% FY2022 41.1%
Ordinary Income	34,563	16,500	20,500	24,122	-30.2	← Foreign exchange gains: FY2021 ¥ 3,175 mil FY2022 ¥2,386 mil
Income Attributable to Owners of Parent	23,435	11,000	13,500	17,110	-27.0	

Average exchange rate	FY2021	FY2022	FY2022	FY2022
1 US Dollar	111.3 yen	117 yen	134 yen	134.6 yen
1 EURO	130.6 yen	130 yen	141 yen	141.0 yen

- Overall sales increased 0.7% over FY2021 to ¥206.6 billion. Domestic sales decreased 0.4% to ¥135.7 billion. Overseas sales increased 3% to ¥70.8 billion, a 12% decline on a local currency basis.
- Gross profit margin decreased by 1.9 percentage points to 51.3% due to higher prices of components and an unfavorable product mix.
- Operating income decreased 31.9% to ¥21.1 billion due to actual decrease in sales, a lower gross profit margin, and increased SG&A expenses.
- Ordinary income decreased 30.2% to ¥24.1 billion. Income attributable to owners of parent decreased 27% to ¥17.1 billion.

2) Measures Implemented in FY2022

- ✓ In Japan, demand for physiological measuring equipment and hematology instruments recovered as well as sales returned to growth YoY in 4Q.
- ✓ Internationally, there were negative impact of product supply issues in 1H but sales recovered in 2H.
- ✓ Gross profit margin decreased due to higher prices of components and an unfavorable product mix. SG&A expenses also increased due to the strengthening of human resources and the normalization of sales and service activities.

**The Company posted record highs in sales.
Operating income also exceeded its original forecast.**

	FY2020	FY2021		FY2022	FY2023 Targets	
Overseas Sales Ratio	31.3%	33.5%	<ul style="list-style-type: none"> ✓ Favorable currency effects ✓ Sales increased on a comparable basis, excluding the reactionary decline of COVID-19-related demand and impact of product supply issues 	34.3%	32.0%	
Consumables and Services Sales Ratio	43.0%	44.2%		<ul style="list-style-type: none"> ✓ Sales of catheters and sensors increased, as the number of testing and surgical procedures showed a recovery trend 	47.3%	48% or more
Gross Profit Margin	51.2%	53.2%		<ul style="list-style-type: none"> ✓ Higher prices of components ✓ Unfavorable product mix 	51.3%	50% or more
(Ref) In-house sales ratio	69.5%	72.7%		72.4%		

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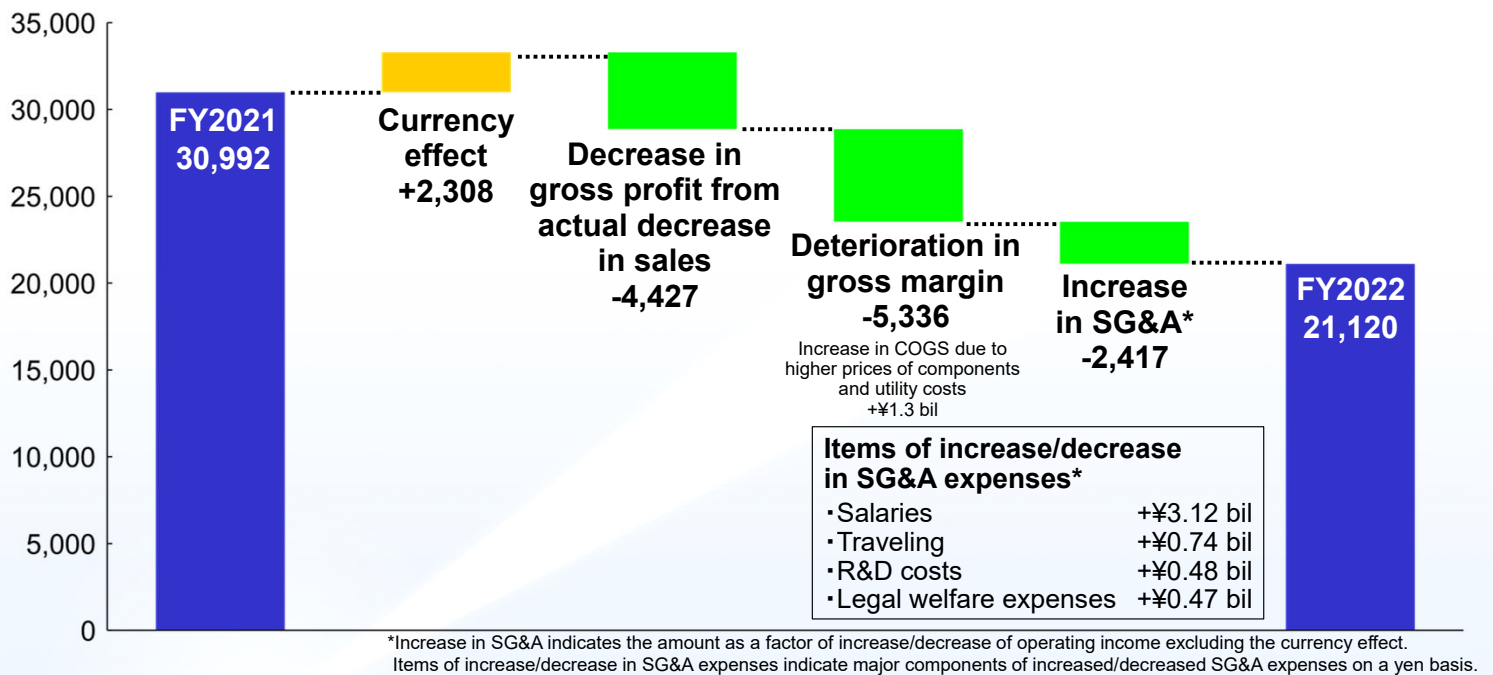
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- In FY2022, the Company worked on continuing to supply products globally to respond to the shortage of semiconductors and the Shanghai lockdown.
- In Japan, demand for physiological measuring equipment and hematology instruments, which had decreased over the past two years due to the COVID-19 pandemic, recovered. Demand for consumables also increased favorably as the number of testing and surgical procedures showed a recovery trend.
- Internationally, there were negative impact of product supply issues in the 1st half of FY2022, but sales recovered in the 2nd half of FY2022 mainly thanks to the launch of new products in the U.S.
- The Company posted record highs in sales and operating income also exceeded its original forecast, while there was a reactionary decline of COVID-19-related demand both in Japan and internationally.
- The overseas sales ratio and the consumables and services sales ratio increased from FY2021. The gross profit margin also remained above 50%.

3) Breakdown of Operating Income

(Amounts of less than ¥1 million are rounded down)



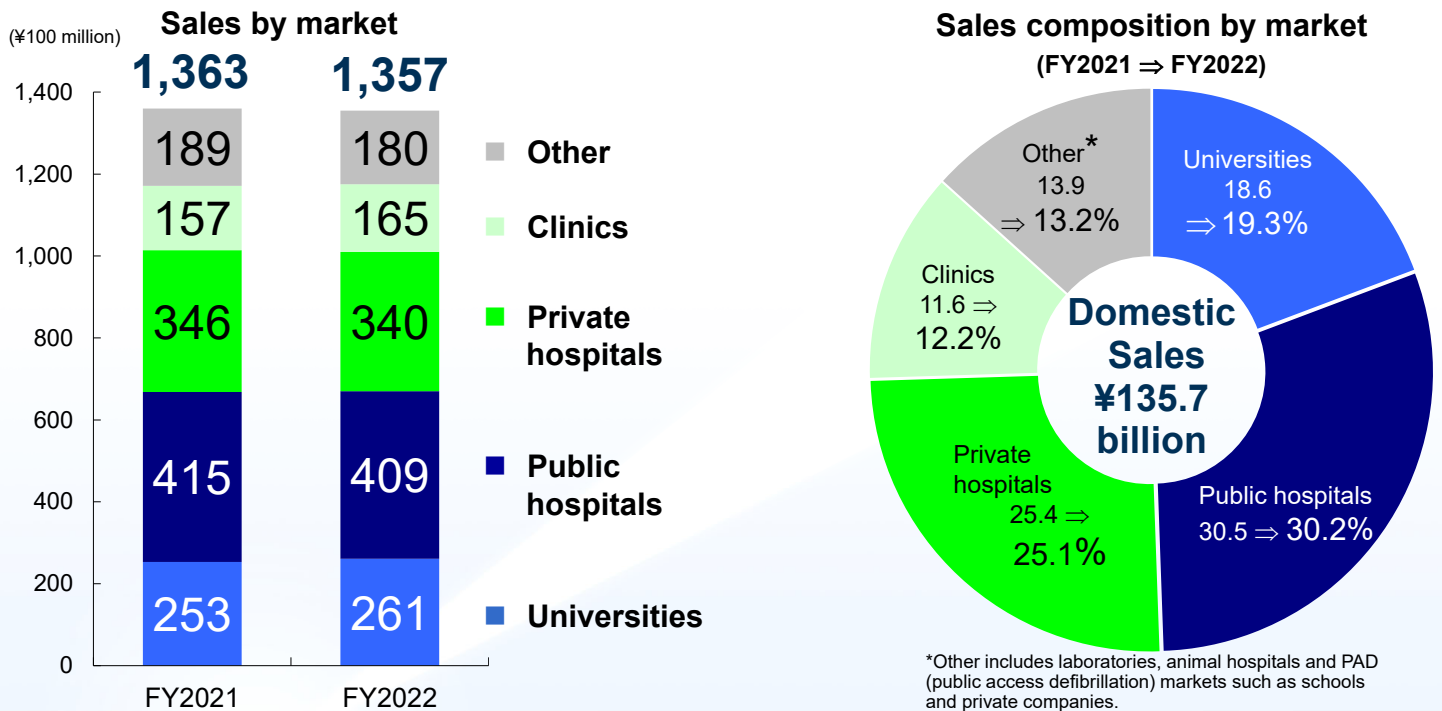
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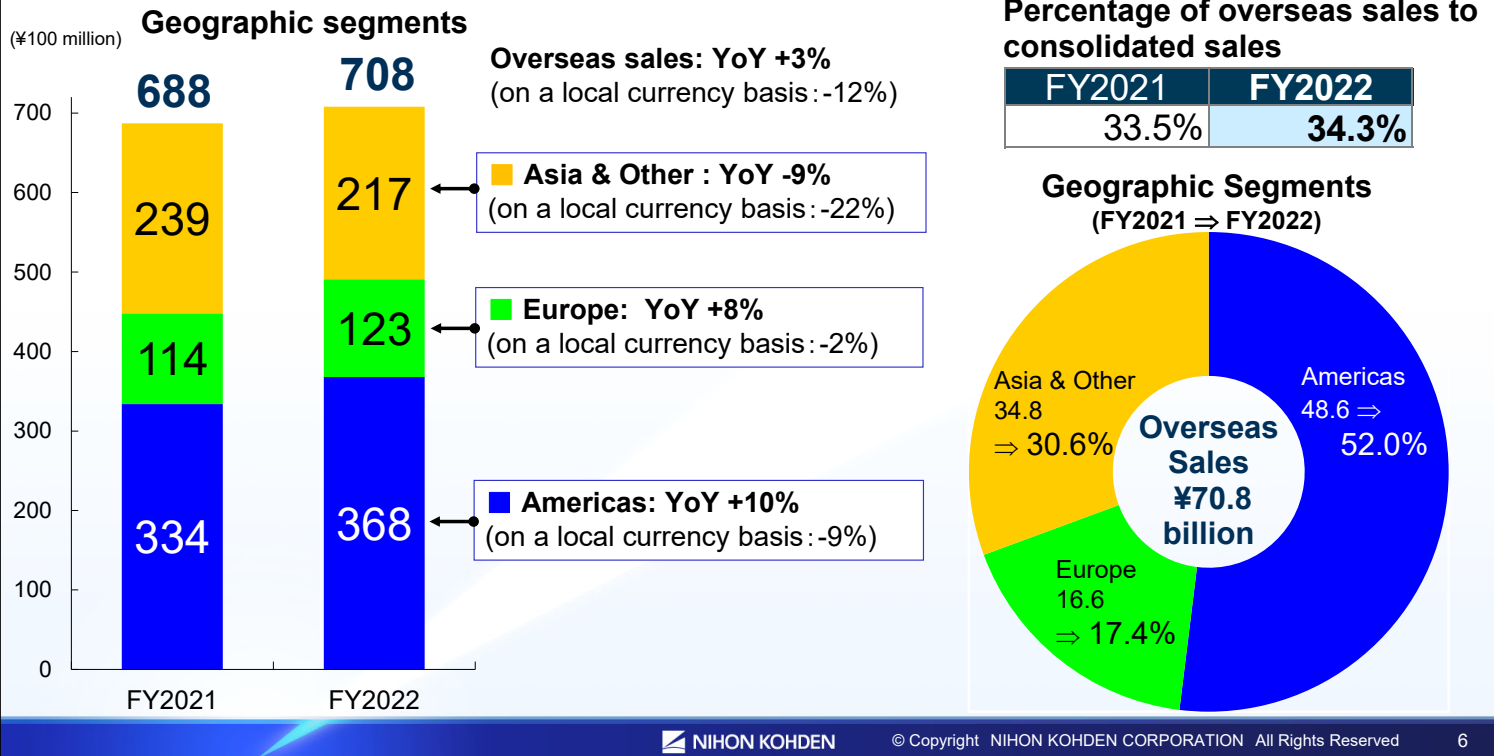
- FY2022 operating income decreased to ¥21.1 billion from ¥30.9 billion in FY2021.
- Currency effect had a positive impact of ¥2.3 billion.
- Decrease in gross profit from actual decrease in sales was ¥4.4 billion.
- Deterioration in gross margin was a negative factor worth ¥5.3 billion.
- SG&A expenses were a negative factor worth ¥2.4 billion due to a strengthening of human resources, as well as an increase in traveling expenses resulting from the normalization of sales and service activities.

4) Domestic Sales



- Domestic sales decreased by ¥0.6 billion to ¥135.7 billion.
- Sales in the university and clinic markets increased, because sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the public hospital and private hospital markets decreased, but sales in both markets increased on a comparable basis, excluding the impact of COVID-19-related demand.

5) Overseas Sales



- Overseas sales increased by ¥2 billion to ¥70.8 billion.
- Sales increased on a yen basis due to yen depreciation, while sales in all regions decreased on a local currency basis.
- It was affected by a reactionary decline in sales of Patient Monitors and ventilators compared to strong demand in FY2021 in regions where the spread of COVID-19 had resurged, as well as the Shanghai lockdown from the end of March to the end of May 2022.
- Sales in the Americas increased by ¥3.4 billion to ¥36.8 billion, a 9% decline on a local currency basis. Sales in the U.S. increased on a yen basis. Sales in Latin America decreased, mainly in Mexico and Chile.
- Sales in Europe increased by ¥0.9 billion to ¥12.3 billion, a 2% decline on a local currency basis. Sales in France and Spain decreased, while sales in Germany and the U.K. increased favorably.
- Sales in Asia & Other decreased by ¥2.2 billion to ¥21.7 billion, a 22% decline on a local currency basis. Sales decreased due to the reactionary decline in Egypt, India, and Vietnam where sales showed strong growth in FY2021. Sales also decreased in China, where patient monitors were installed due to the COVID-19 resurgence in December 2022, but not enough to cover the impact from the Shanghai lockdown.

6) Sales by Product Category

(Sales, millions of yen)

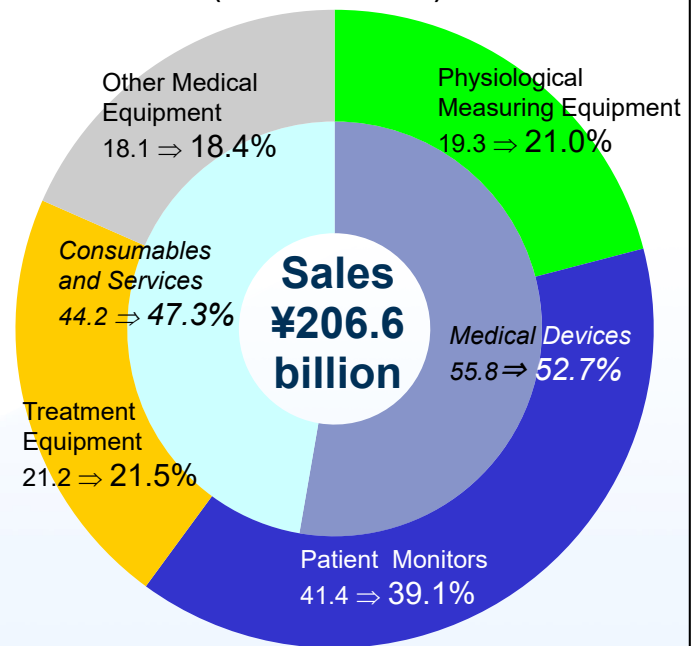
	FY2021	FY2022	YoY (%)
Physiological Measuring Equipment	39,681 (47%)	43,287 (45%)	9.1
Patient Monitors	84,860 (62%)	80,815 (62%)	-4.8
Treatment Equipment	43,388 (46%)	44,463 (45%)	2.5
Other Medical Equipment	37,198 (47%)	38,036 (44%)	2.3
Total	205,129 (53%)	206,603 (51%)	0.7

(Reference)

Medical Devices	114,552 (52%)	108,904 (51%)	-4.9
Consumables and Services	90,576 (55%)	97,699 (51%)	7.9

*The figures in parentheses in the table are gross profit margins.

Sales composition by product category
(FY2021 ⇒ FY2022)



- Sales by product category are shown above.
- Sales of Physiological Measuring Equipment increased favorably. Sales of Treatment Equipment and Other Medical Equipment also increased. Sales of Patient Monitors decreased compared to the strong growth in FY2021.
- The sales ratio of Consumables and Services increased to 47.3%, as sales of consumables such as catheters and sensors, and installation and maintenance services for medical devices increased favorably.
- Gross profit margins by product category are shown above.

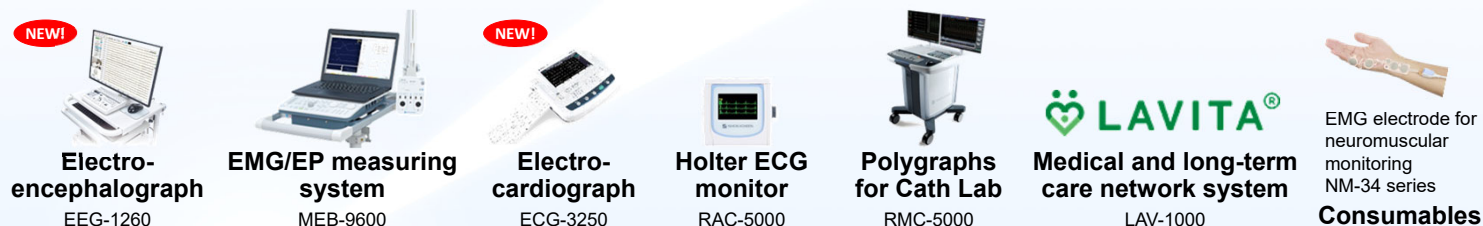
6.1) Physiological Measuring Equipment

	FY2021	FY2022	YoY (%)	(Sales, millions of yen)
Electroencephalographs	7,257	9,299	28.1	
Electrocardiographs	6,927	6,817	-1.6	
Polygraphs for Cath Lab	13,451	16,026	19.1	
Other Physiological Measuring Equipment*	12,044	11,143	-7.5	
Physiological Measuring Equipment	39,681	43,287	9.1	
Domestic Sales	30,478	33,235	9.0	
Overseas Sales	9,202	10,052	9.2	

Sales of polygraphs for cath lab and EEGs achieved double-digit growth. Sales of ECGs also increased. Sales of diagnostic information systems decreased due to a delay in some installations.

Sales of EEGs increased favorably in the Americas and Asia & Other. Sales of ECGs decreased in all regions because there was an impact on local production due to the lockdown in Shanghai.

*Includes diagnostic information systems and products of other companies.



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- Sales of Physiological Measuring Equipment increased 9.1% to ¥43.2 billion.
- Domestic sales increased 9% to ¥33.2 billion. Sales of polygraphs for cath lab and EEGs achieved double-digit growth and sales of ECGs also increased, as the number of testing showed a recovery trend and capital expenditure by medical institutions resumed. Sales of diagnostic information systems decreased due to a delay in some installations.
- Overseas sales increased 9.2% to ¥10 billion. Sales of EEGs increased favorably in the Americas and Asia & Other, supported by steady demand. Sales of ECGs decreased in all regions because there was an impact on local production due to the lockdown in Shanghai.

6.2) Patient Monitors

	FY2021	FY2022	YoY (%)
Patient Monitors	84,860	80,815	-4.8
Domestic Sales	48,241	45,606	-5.5
Overseas Sales	36,618	35,209	-3.8

(Sales, millions of yen)

Sales of transmitters and telemetry systems decreased compared to the strong growth in FY2021. Sales of clinical information systems increased favorably and sales of consumables such as sensors also increased.

Sales in all regions decreased on a local currency basis, due to a reactionary decline from FY2021 when demand increased. Sales in the Americas and Europe increased on a yen basis due to yen depreciation.



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- Sales of Patient Monitors decreased 4.8% to ¥80.8 billion.
- Domestic sales decreased 5.5% to ¥45.6 billion due to a reactionary decline of transmitters and telemetry systems compared to FY2021 when demand increased. Sales of clinical information systems increased favorably due in part to large orders. Sales of consumables such as sensors also increased.
- Overseas sales decreased 3.8% to ¥35.2 billion. Sales in all regions decreased on a local currency basis due to a reactionary decline from FY2021 when demand increased, while sales in the Americas and Europe increased on a yen basis due to yen depreciation.

6.3) Treatment Equipment

	FY2021	FY2022	YoY (%)
Defibrillators (for Hospital and Ambulance)	9,012	8,850	-1.8
AEDs (Automated External Defibrillator)	16,750	20,068	19.8
Pacemakers / ICDs	2,498	2,310	-7.5
Ventilators	8,560	5,581	-34.8
Other Treatment Equipment	6,567	7,651	16.5
Treatment Equipment	43,388	44,463	2.5
Domestic Sales	27,069	25,834	-4.6
Overseas Sales	16,318	18,628	14.2
(Ref.) AED Unit Sales	100,000	118,600	18.6
Domestic Unit Sales	51,000	50,000	-2.0

(Sales, millions of yen)

Domestic: Sales increased favorably thanks to orders received for replacements.
International: Sales decreased mainly due to the reactionary decline of COVID-19-related demand.

Domestic: Sales decreased as replacement demand was in trough.
International: Sales showed strong growth in all regions.

Domestic/International: Sales decreased due to the reactionary decline of COVID-19-related demand.

Domestic: Sales of ablation catheters increased favorably, as the number of testing and surgical procedures showed a recovery trend.



Defibrillator
EMS-1052



Mobile AED
AED-M100



Fully automatic AED
AED-3250



Pacemaker
Zenex MRI

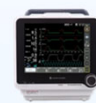


Ventilator
NKV-550

NEW!



Ventilator
NKV-440



Ventilator
NKV-330

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- Sales of Treatment Equipment increased 2.5% to ¥44.4 billion. Domestic sales decreased 4.6% to ¥25.8 billion. Overseas sales increased 14.2% to ¥18.6 billion.
- Sales of defibrillators decreased 1.8% to ¥8.8 billion. Overseas sales decreased mainly due to the reactionary decline of COVID-19-related demand, while domestic sales increased favorably thanks to orders received for replacements.
- The overall sales volume of AEDs was 118,600 units, and sales increased 19.8% to ¥20 billion. Overseas sales showed strong growth in all regions, supported by steady demand, while domestic sales decreased as replacement demand was in trough.
- Sales of ventilators decreased 34.8% to ¥5.5 billion. Sales decreased due to a reactionary decline of COVID-19-related demand both in Japan and internationally.
- Sales of other treatment equipment increased 16.5% to ¥7.6 billion as sales of ablation catheters increased favorably.

6.4) Other Medical Equipment

	FY2021	FY2022	YoY (%)	(Sales, millions of yen)
Hematology Analyzers	10,594	11,534	8.9	
Imaging Systems and Others *	26,604	26,501	-0.4	
Other Medical Equipment	37,198	38,036	2.3	
Domestic Sales	30,531	31,057	1.7	
Overseas Sales	6,667	6,979	4.7	

*Includes consumables, installation and maintenance services which are not part of other categories.

Sales of installation and maintenance services for medical devices and hematology instruments increased favorably. Sales of locally purchased products decreased.

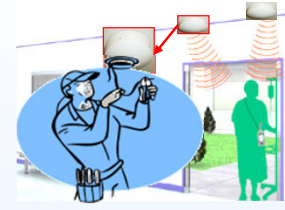
Sales of hematology analyzers and reagents increased significantly in Latin America and Europe.



Automated hematology analyzer
MEK-9200



Automated hematology and ESR analyzer
MEK-1305



Installation and maintenance services

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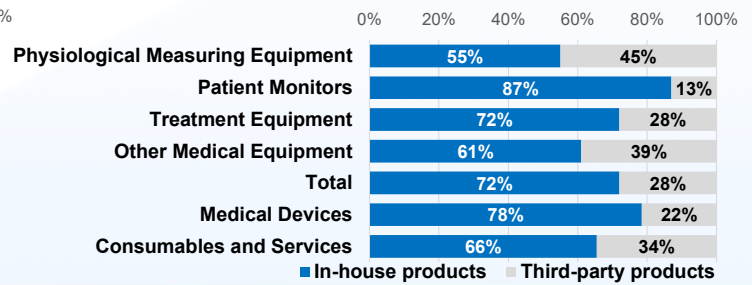
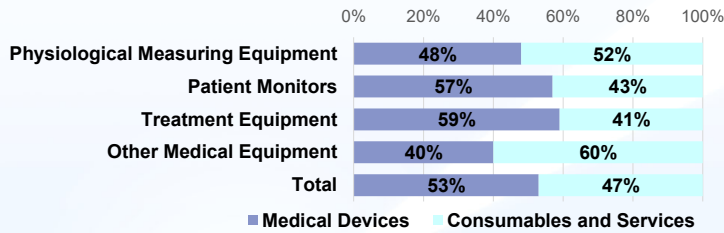
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- Sales of Other Medical Equipment increased 2.3% to ¥38 billion.
- Domestic sales increased 1.7% to ¥31 billion. Sales of installation and maintenance services for medical devices and hematology instruments increased favorably, while sales of locally purchased products decreased.
- Overseas sales increased 4.7% to ¥6.9 billion. Sales of hematology analyzers and reagents increased significantly in Latin America and Europe.

(Ref.) FY2022 Regional Sales by Product Category / Sales Ratio

(Amounts of less than ¥0.1 billion are rounded down)

	Overall Sales	Domestic Sales	Overseas Sales			
			Total	Americas	Europe	Asia & Other
Physiological Measuring Equipment	43.2 (+9%)	33.2 (+9%)	10.0 (+9%)	4.0 (+10%)	1.6 (+3%)	4.3 (+12%)
Patient Monitors	80.8 (-5%)	45.6 (-6%)	35.2 (-4%)	23.5 (+1%)	4.2 (+2%)	7.3 (-19%)
Treatment Equipment	44.4 (+3%)	25.8 (-5%)	18.6 (+14%)	7.4 (+52%)	5.0 (+12%)	6.1 (-11%)
Other Medical Equipment	38.0 (+2%)	31.0 (+2%)	6.9 (+5%)	1.6 (+22%)	1.3 (+20%)	3.9 (-5%)
Total	206.6 (+1%)	135.7 (-0%)	70.8 (+3%)	36.8 (+10%)	12.3 (+8%)	21.7 (-9%)



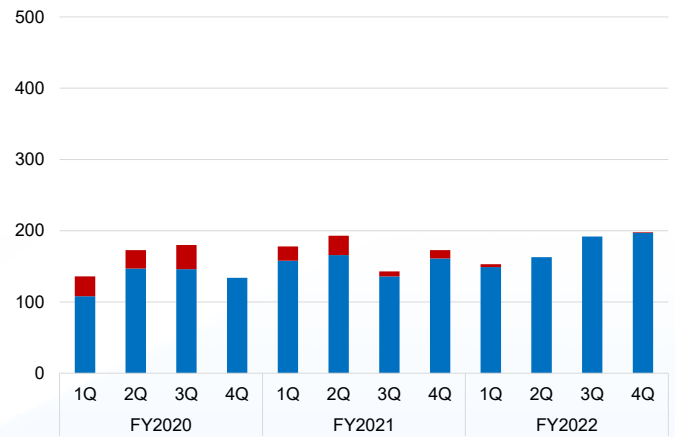
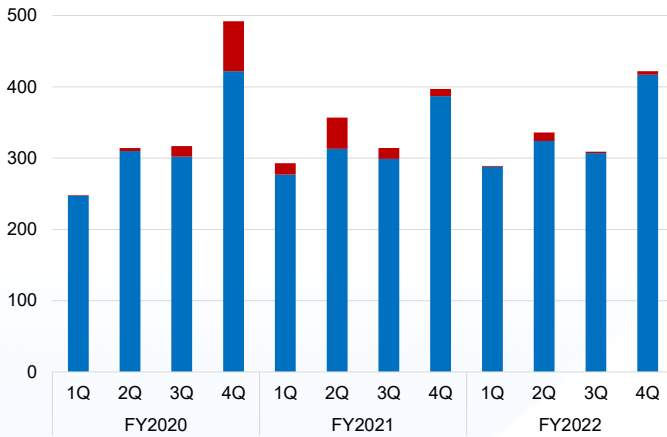
(Ref.) COVID-19-Related Demand (Estimated)

■ COVID-19-related demand
■ Non-COVID-19-related demand

(¥100 million)

Domestic Sales

Overseas Sales



FY2022 COVID-19-related demand	Japan		International	
		YoY		YoY
Patient Monitors	approx. ¥1.5 bil	approx. -¥4.5 bil	approx. ¥0.3 bil	approx. -¥3.2 bil
Ventilators	approx. ¥0.5 bil	approx. -¥2.0 bil	approx. ¥0.1 bil	approx. -¥1.4 bil
Defibrillators	—	—	approx. ¥0.1 bil	approx. -¥0.9 bil
Total	approx. ¥2.0 bil	approx. -¥6.5 bil	approx. ¥0.5 bil	approx. -¥5.5 bil

- COVID-19-related demand decreased both in Japan and internationally compared to FY2021 and is expected to have generally settled down.

7) Financial Condition

(Amounts of less than ¥1 million are rounded down)

	FY2021	FY2022	Change		FY2021	FY2022	Change
Current Assets	171,875	172,500	624	Current Liabilities	50,804	46,568	-4,235
Inventories	48,367	58,790	10,423	Interest-bearing Debt	325	403	78
Property, Plant & Equipment	19,920	24,446	4,525	Non-current Liabilities	3,016	2,555	-460
Intangible Assets	3,737	4,221	484	Net Assets	156,381	167,604	11,223
Investments & Other Assets	14,667	15,560	893				
Total Assets	210,201	216,728	6,527	Total Liabilities & Net Assets	210,201	216,728	6,527
Inventory Turnover	6.1 months	7.0 months		Equity Ratio	74.4%	77.3%	

[Reasons for the increase of inventories]

- Inventories increased by ¥10.4 billion in response to tight supply of components. (Inventories of finished goods and parts increased by ¥3 billion and ¥6.7 billion, respectively.)

[Reasons for the increase of property, plant and equipment]

- Establishment of new reagent factory in India ¥1.0 billion
- Acquisition of the new plant site in Tsurugashima City ¥2.3 billion

- Total assets increased by ¥6.5 billion to ¥216.7 billion.
- Inventory turnover was 7 months, because inventories of finished goods and parts increased in response to tight supply of components.
- Property, plant and equipment increased by ¥4.5 billion mainly due to the establishment of the new reagent factory in India and the acquisition of the new plant site in Tsurugashima City.

8) Cash Flows

	FY2021	FY2022	Change
I . Cash flows from operating activities	25,699	-2,513	-28,213
II . Cash flows from investing activities	-4,303	-7,647	-3,344
Free cash flows	21,396	-10,161	-31,557
III . Cash flows from financing activities	-7,300	-7,485	-184
Effect of exchange rate change on cash and cash equivalents	1,643	1,539	-104
Net increase (decrease) in cash and cash equivalents	15,739	-16,107	-31,846
Cash and cash equivalents at end of period	60,095	43,988	-16,107
ROE	15.9%	10.6%	

(Amounts of less than ¥1 million are rounded down)

	FY2021	FY2022	Change
Income before income taxes	34,263	24,716	-9,547
Decrease (increase) in accounts receivable	12,506	-4,753	-17,260
Decrease (increase) in inventories	-7,557	-8,590	-1,033
Income taxes paid	-12,868	-10,322	+2,545

	FY2021	FY2022	Change
Purchase of property, plant and equipment	-2,450	-7,458	-5,008

	FY2021	FY2022	Change
Purchase of treasury shares	-2,400	-1,001	+1,399
Cash dividends paid	-4,842	-5,733	-890

- Cash flows from operating activities amounted to minus ¥2.5 billion due to increases in notes and accounts receivable and inventories.
- Cash and cash equivalents at the end of the period decreased by ¥16.1 billion to ¥43.9 billion.
- The Company will optimize inventory levels and improve cash flow by implementing reforms to its global supply chain management.
- ROE was 10.6%.

9) Capital Investments and R&D Costs

(Amounts of less than ¥1 million are rounded down)

	FY2021 Actual	FY2022		Actual	Change	FY2023 Plan
		Original Forecast announced May 13, 2022	Revised Forecast announced Feb 2, 2023*			
Capital Investments	3,022	5,600	5,600	8,294	5,272	5,000
Depreciation	3,422	3,700	3,900	3,675	252	4,100
R&D costs	5,711	6,300	6,400	6,200	488	7,200

*Excluding the acquisition cost of the new plant site in Tsurugashima City of approx. ¥2.3 bil.

● FY2022 capital investments

Molds for new products, measuring equipment and jigs, products for demonstration, IT systems, production equipment, and acquisition of the new plant site

● FY2023 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

Establishment of new reagent factory in India

Total investments: approx. ¥1.1 bil

< FY2022: ¥1.0 bil
FY2023: ¥0.1 bil

Construction: Started in September 2022 and planned to be completed in Summer 2023
Operation: Planned to start in Summer 2024

Introduction of PLM/MES* systems

Capital Investments: approx. ¥2.5 bil

< FY2022: ¥0.3 bil
FY2023-FY2025: ¥2.2 bil

PLM/MES: Planned to start operation in FY2025

Establishment of new plant in Tsurugashima City

Total investments: approx. ¥9 to 11 bil

< FY2022: ¥2.3 bil
(Acquisition of the site)

Construction: Planned to start in Spring 2024 and be completed in Spring 2025

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

- Capital investments were ¥8.2 billion mainly due to the establishment of the new reagent factory in India and the acquisition of the new plant site in Tsurugashima City.
- Depreciation was ¥3.6 billion.
- R&D costs increased by ¥0.5 billion to ¥6.2 billion as the Company focused on developing bedside monitors and digital health solutions.
- In FY2023, capital investment will decrease by ¥3.2 billion to ¥5 billion, depreciation will increase by ¥0.4 billion to ¥4.1 billion, and R&D costs will increase by ¥1 billion to ¥7.2 billion.

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Forecast for FY2023

1) Business Environment

The global economy shows signs of slowdown due to tight monetary policy in the U.S. and Europe. Impact of inflation and higher personnel expenses on business of medical institutions should be monitored carefully.

Japan

Establish healthcare systems to respond to emerging infectious diseases. Expand ICU facilities.

- In accordance with the change of COVID-19's category to class 5 infectious disease from May 2023, special measures related to medical treatment fees and subsidies will be phased out. (planned by the end of September 2023)

Differentiate medical institution functions and strengthen collaboration. Promote integrated community care systems.

- Funds for securing comprehensive medical and long-term care in the community: FY2023 budget ¥102.9 bil for medical care
- Work style reforms will be implemented and each prefecture will draw up its eighth medical care plan starting from FY2024.

International

U.S. and Europe

- The shortage of nurses and higher interest rates have caused business deterioration of medical institutions.
- DX in medical fields is accelerated. Improve the quality and efficiency of medical care.

Emerging Markets

- Move to prefer domestically produced medical equipment and protectionism.
- Regulatory tightening for medical devices.

- As the global economy shows signs of slowdown due to tight monetary policy in the U.S. and Europe, and we should monitor the impact on business of medical institutions carefully.
- In Japan, each prefecture has revised the healthcare system in accordance with the change of COVID-19's category to class 5 infectious disease from May 2023. Work style reforms for medical staff and each prefecture's efforts to realize a regional vision of the healthcare system are expected to be fully in progress.
- Internationally, the shortage of nurses and higher interest rates have caused business deterioration of medical institutions in the U.S. and Europe. In some emerging countries, there are moves towards protectionism and tightening of regulatory requirements for medical devices.
- Medical equipment companies are strongly required to provide solutions which contribute to improving quality and efficiency of medical care.

2) Forecast for FY2023

	FY2022 Actual	FY2023 Forecast	YoY (%)
Sales	206,603	215,000	4.1
Domestic Sales	135,734	139,500	2.8
Overseas Sales	70,869	75,500	6.5
Gross Profit (Gross Profit Margin)	105,926 51.3%	109,000 50.7%	2.9
Operating Income (Operating Income Margin)	21,120 10.2%	21,500 10.0%	1.8
Ordinary Income	24,122	21,500	-10.9
Income Attributable to Owners of Parent	17,110	14,500	-15.3
Percentage of Overseas Sales	34.3%	35.1%	

(Amounts of less than ¥1 million are rounded down)

← +12% on a local currency basis

Breakdown of overseas sales by region

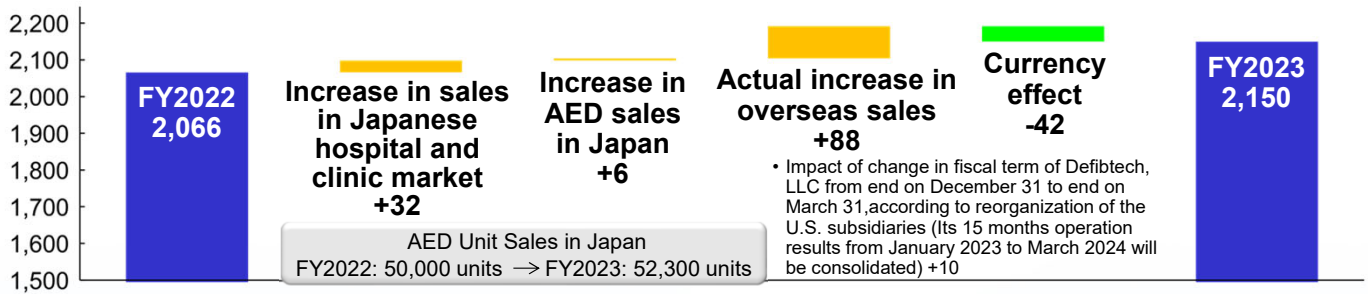
	FY2022 Actual	FY2023 Forecast	YoY (%)
Americas	36,818	40,200	9.2
Europe	12,349	11,700	-5.3
Asia & Other	21,701	23,600	8.7
Total	70,869	75,500	6.5

- The Company forecasts its overall sales, domestic sales, and overseas sales for FY2023 to be: a 4.1% increase to ¥215 billion, a 2.8% increase to ¥139.5 billion, and a 6.5% increase on a yen basis and 12% increase on a local currency basis to ¥75.5 billion, respectively.
- In Japan, the number of testing and surgical procedures in medical institutions will continue to recover gradually. Demand for medical equipment and IT systems which contribute to improving the quality and efficiency of medical care are expected to remain steady.
- Internationally, the Company will focus on increasing sales in the U.S. and emerging countries. In the U.S., the Company aims to increase synergy between subsidiaries by their reorganization. In emerging countries, the Company will also focus on capturing demand for establishing medical care system after COVID-19.
- Gross profit margin is expected to be 50.7%. Operating income is expected to increase 1.8% to ¥21.5 billion. The forecasts for ordinary income and income attributable to owners of parent are shown above.

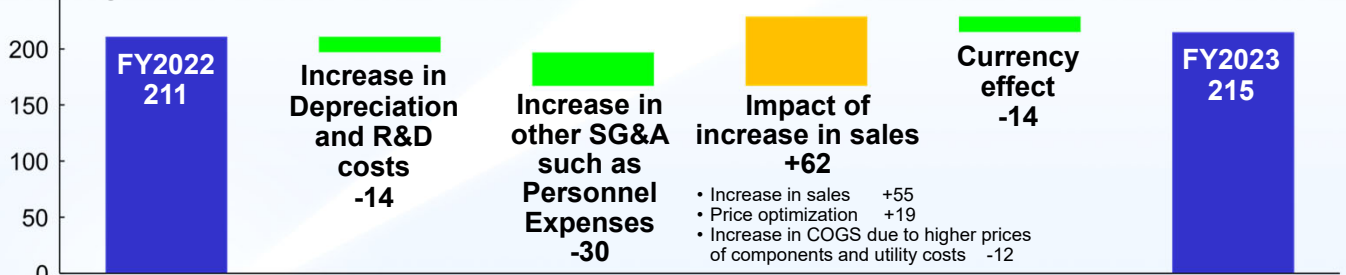
3) Analysis of FY2023 Forecast

(¥100 million)

Sales



Operating Income



- As for domestic sales, sales in the hospital and clinic markets are expected to increase by ¥3.2 billion. Sales of AEDs are expected to increase by ¥0.6 billion. The forecast for AED unit sales is 52,300 units.
- As for overseas sales, the actual increase in sales will be ¥8.8 billion. Negative currency effect will be ¥4.2 billion. The actual increase in sales includes the impact of change in fiscal term of Defibtech, LLC according to reorganization of the U.S. subsidiaries.
- As for operating income, depreciation and R&D costs will increase by ¥1.4 billion. Other SG&A such as personnel expenses will increase by ¥3 billion. The Company will enhance overseas human resources and focus on R&D of patient monitors and digital health solutions. The positive impact of the increase in sales will be ¥6.2 billion, which consists of a positive impact of ¥7.4 billion due to increased sales and price optimization and a negative impact of ¥1.2 billion caused by an increase in cost of goods sold due to higher prices of components and utility costs. Currency effect will have a negative impact of ¥1.4 billion.

(Ref.) Consolidated Forecast FY2023 by Product Category/ Exchange Rates

(Amounts of less than ¥1 million are rounded down)

	FY2022 Actual	FY2023 Forecast	Composition	YoY
			ratio (%)	(%)
Physiological Measuring Equipment	43,287	44,100	20.5	1.9
Patient Monitors	80,815	83,400	38.8	3.2
Treatment Equipment	44,463	48,200	22.4	8.4
Other Medical Equipment	38,036	39,300	18.3	3.3
Total	206,603	215,000	100.0	4.1

(Reference)

Medical Devices	108,904	113,000	52.6	3.8
Consumables and Services	97,699	102,000	47.4	4.4

Average Exchange Rate

	FY2022 Actual	FY2023 Forecast
1 US Dollar	134.6 yen	125 yen
1 EURO	141.0 yen	139 yen

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.41 bil yen	0.13 bil yen
EURO	0.06 bil yen	0.02 bil yen

- The consolidated sales forecast by product category is shown above.
- We will continue to strengthen our offerings of consumables and services both in Japan and internationally.
- The forecast for FY2023 is based on an exchange rate of 125 yen to the U.S. dollar and 139 yen to the euro.
- The estimated exchange rate fluctuations are shown above.

Progress of 3 Three-year Business Plan



Long-term Vision and Three-year Business Plan

We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.



ILLUMINATING MEDICINE FOR HUMANITY

Create a better future for people and healthcare by solving global medical issues

Targets for
FY2029

Operating
Margin

15%

Overseas
Sales Ratio

45%

Management
Philosophy

Long-term
Vision

Three-year
Business Plan

Core Values

Apr. 2027 - Mar. 2030 **BEACON 2030 Phase III: Realize BEACON 2030**

Apr. 2024 - Mar. 2027 **BEACON 2030 Phase II: Invest for growth**

Apr. 2021 - Mar. 2024 **BEACON 2030 Phase I: Strengthen foundation**

Core values are shared by Nihon Kohden staff worldwide, helping to connect them and contributing to the promotion of our Management Philosophy, Long-term Vision, and Three-year Business Plan.

Integrity / Humbleness / Diversity / Initiative / Customer Centric / Goal Oriented / Creativity

- The Three-year Business Plan, of which the final year is FY2023, is the 1st phase in realizing our Long-term Vision. We will strengthen our business foundation to support sustainable growth, as well as cultivating new business areas and business models towards 2030.

Embrace sustainability across business and corporate activities

Management Ensure strict compliance and strengthen group governance to reinforce the management structure

Business Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth

Operations Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

*SCM: Supply Chain Management

- In the Three-year Business Plan, in order to embrace sustainability across business and corporate activities, the Company works on key strategies from the three standpoints of management, business, and operations.

Management

Compliance


- ✓ Continued implementing the recurrence prevention measures
 - Reviewed applications received through the donation website
 - Established website for dealers
 - Compliance training

Corporate Governance


- ✓ Promoted implementation of the Global Business Management Policy
- ✓ Develop a company-wide sophisticated risk management framework

Business


Improve profitability

- ✓ Launched in-house products and services with high customer value
- 


Electro-encephalograph
EEG-1260



Electro-cardiograph
ECG-3250



Ventilator
NKV-440



AED use detection
and notification
service

Promote DHS

- ✓ Acquired Software Team Srl, Italy
- ✓ Started pilot validation of our tele-ICU project

Operations

Global SCM

- ✓ Completed linkage of backbone systems in overseas subsidiaries to head office network
- ✓ Started introducing PLM/MES*1 systems

Core functions of operations

- ✓ Strengthened compliance with the latest laws and regulations for medical devices
- ✓ Started PSIRT*2

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

*2 PSIRT: Product Security Incident Response Team

- From a management standpoint, we have implemented recurrence prevention measures in response to the compliance matter that occurred in January 2021 and have continued monitoring the progress of their implementation. To strengthen our group governance, we promoted implementation of the Global Business Management Policy and started to develop a sophisticated company-wide risk management framework.
- From a business standpoint, we worked on improving profitability by launching in-house products and services with high customer value. With the aim of realizing our DHS vision, we acquired Software Team Srl and started pilot validation of our tele-ICU project.
- From an operation standpoint, we completed the linkage of backbone systems in overseas subsidiaries to the head office network and started introducing PLM/MES systems. We also strengthened compliance with the latest laws and regulations for medical devices as well as establishing a PSIRT to enhance the security of our products and services and strengthen our response to security incidents.

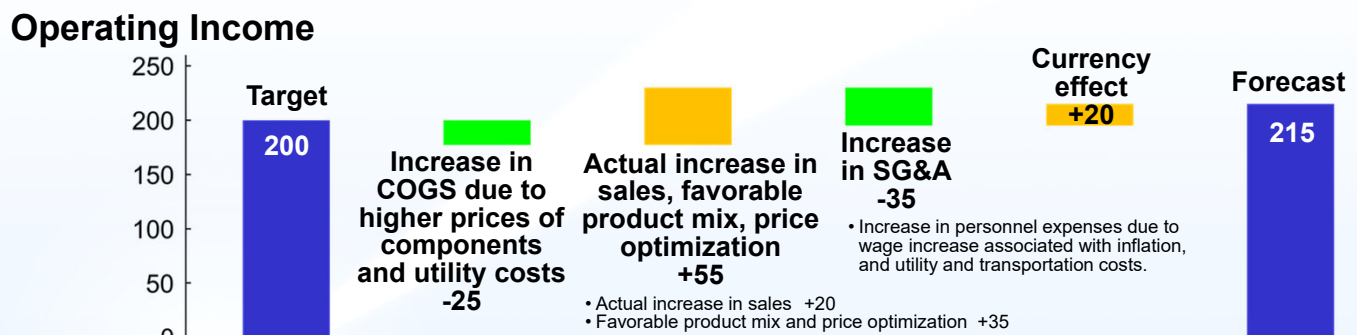
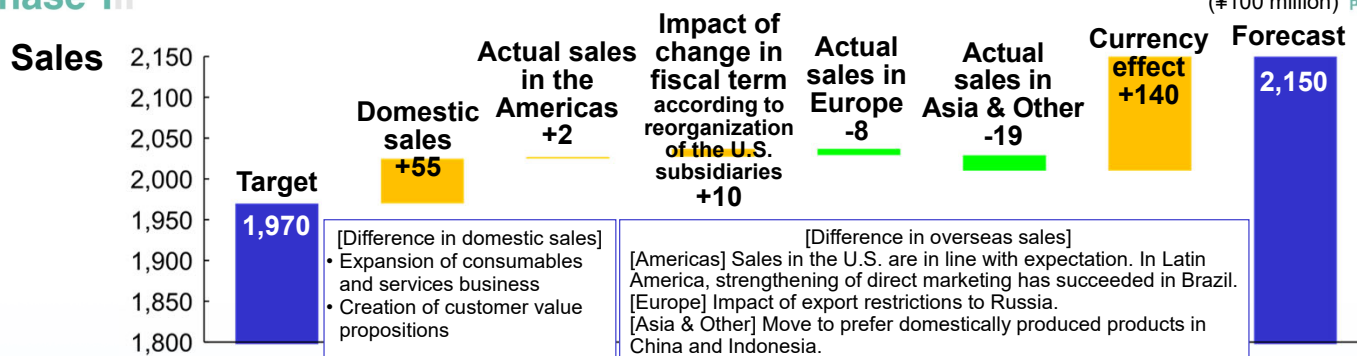
Target and Forecast for the Last Year of BEACON 2030 Phase III

	FY2023 Target ¥102 to the U.S. dollar, ¥124 to the euro	FY2023 Forecast ¥125 to the U.S. dollar, ¥139 to the euro	4-year CAGR
Net Sales	¥197.0 bil	¥215.0 bil	+3.8%
Domestic Sales	¥134.0 bil	¥139.5 bil	+0.9%
Overseas Sales (Overseas Sales Ratio)	¥63.0 bil (32.0%)	¥75.5 bil (35.1%)	+10.5%
Consumables and Services Sales Ratio	48% or more	47.4%	
Gross Profit Margin	50% or more	50.7%	
Operating Income (Operating Income Margin)	¥20.0 bil (10.2%)	¥21.5 bil (10.0%)	+8.5%
Income Attributable to Owners of Parent	¥13.8 bil	¥14.5 bil	
ROE	10%		

(¥billion)	FY2023 Target	FY2023 Forecast	4-year CAGR
Americas	32.0	40.2	+12.9%
Europe	10.0	11.7	+6.6%
Asia & Other	21.0	23.6	+12.2%

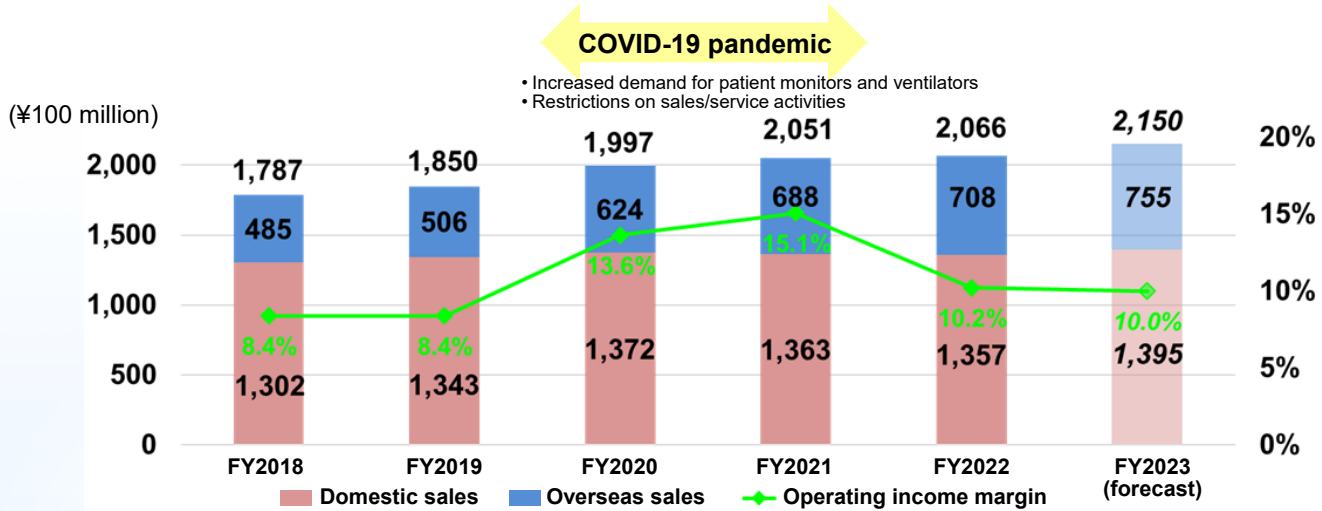
- The differences between the target and forecast for the last year of the Three-year Business Plan are shown above.

BEACON 2030 Phase II Difference b/w Target and Forecast in FY2023



- Domestic sales exceed the target as the Company has focused on expanding consumables and services business and creating customer value propositions.
- Internationally, sales in the U.S. are in line with its expectations. In Latin America, strengthening of direct marketing has succeeded in Brazil. Sales in Europe and Asia & Other are expected to be behind their targets due to the negative impact of factors such as export restrictions to Russia and moves to prefer domestically produced medical equipment in China and Indonesia, respectively.
- In terms of income, we take account of a negative impact of around ¥2.5 billion caused by an increase in COGS due to higher prices of components and utility costs, which were not assumed when the plan was formulated. The increase in SG&A is due to increases in personnel expenses caused by wage increases associated with inflation, and utility and transportation costs.
- We will secure sales growth by launching new products and further creating customer value propositions. We also aim to achieve a highly profitable structure through improving our product mix, optimizing selling prices, and implementing reforms to our supply chain management.

The Company aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.



- In its Three-year Business Plan, the Company aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more. Compared to pre-COVID-19, the Company is strengthening its business structure steadily to support its medium-to long-term growth.

To achieve ROE target of 10% in FY2023

NPV and IRR as investment decision criteria

From FY2018, the Board of Directors reviews cost of capital every year.

- Cost of capital is estimated by CAPM, as debt is small. (approx. 5%)

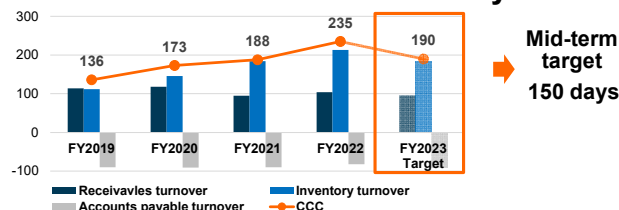
In FY2022, adopted NPV and IRR as investment decision criteria, and started evaluating new investment projects.

- Set cost of capital at 6% conservatively.
- Set target of IRR at 10%, Investment decisions will be made based on business strategies and Three-year Business Plan.
- The Board of Directors will verify the progress and effectiveness of investment projects beyond a certain amount.

*CAPM: Capital Asset Pricing Model, NPV: Net Present Value, IRR: Internal Rate of Return.

Improve working capital

Reduce cash conversion cycle



Mid-term target 150 days

FY2023 target: 190 days (similar level to FY2021)

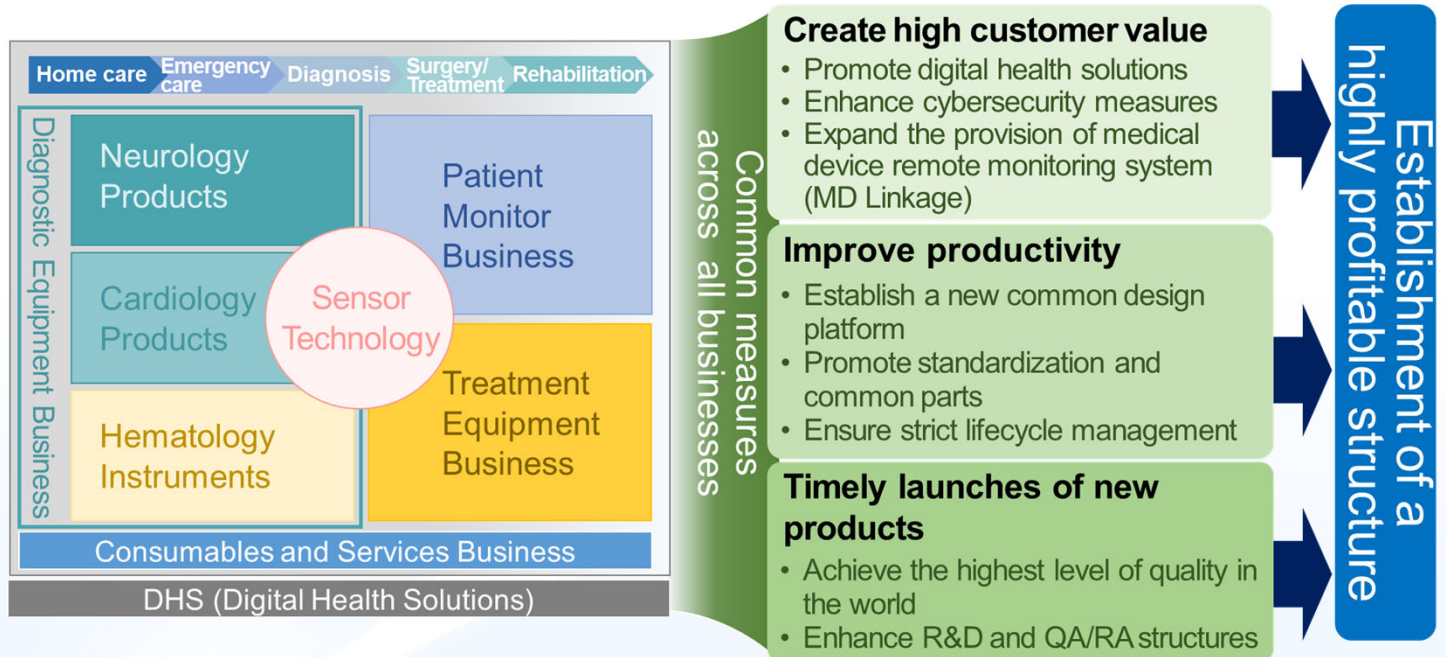
- From FY2020, inventories increased to respond to COVID-19 situation and the shortage of semiconductors.
- Enhance inventory control, as the shortage of semiconductors is expected to be resolved.

Mid-term target: 150 days

- Secure more inventory compared to pre-COVID-19 from the viewpoint of business continuity.

- The Company sets its target ROE at 10%. To increase corporate value through investment necessary for future business expansion, the Company has adopted NPV and IRR as investment decision criteria and started evaluating new investment projects in FY2022. The Company sets its target IRR at 10%, which exceeds its cost of capital. The Board of Directors will verify the progress and effectiveness of investment projects.
- To respond to COVID-19-related demand and the shortage of semiconductors, the Company has increased inventories since FY2020. This has resulted in a longer cash conversion cycle. In FY2023, the Company will optimize its inventory level and aim at 190 days, a similar level to FY2021. The medium-term target is 150 days, considering uncertainties in the global business environment.

Business Improve the Profitability of Existing Businesses



- To improve the profitability of existing businesses, we aim to establish a highly profitable structure by creation of high customer value, improvement of productivity, and timely launches of new products.
- The following are important measures which are common to all businesses: promotion of digital health solutions, enhancement of cybersecurity measures, establishment of a new common design platform, ensuring strict lifecycle management, and strengthening of R&D and QA/RA structures.

Create new customer value by Digital Health Solutions

Medical issues

✓ Shortage of nurses

✓ Missed important alarms, alarm fatigue

✓ Delay in diagnosis/treatment

✓ Economy of medical care

Alarm management

SOFTWARE TEAM

Acquired in November 2022



- Software that forwards data and alarms from medical devices such as patient monitors to mobile phones
- Started joint promotion in Europe and the Middle East

Dashboard



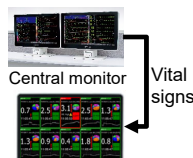
ER/ICU

Telemedicine



Branch hospitals/
Secondary emergency
medical facilities

NEW!

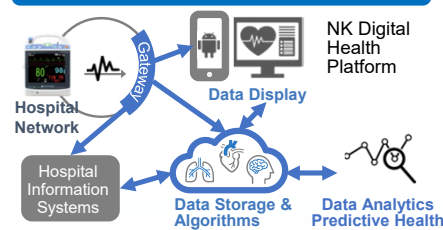


Central monitor
Vital signs

Supports monitoring changes in patient's condition using scores calculated from vital signs.

Launched in FY2022

Data platform



AMP3D Acquired in August 2021

CoMET®: Continuous Monitoring of Event Trajectories. Algorithms and software for patient condition management.

Application for FDA approval in FY2022

Withdrawn and under re-planning due to introduction of FDA's new rules for AI in April 2023

Solutions aimed at creating

Ease medical staff workload

Reduce medical incidents

Improve patient outcomes

Improve economy of medical care

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- In Digital Health Solutions, which we defined as a new business, we have aggressively expanded our product portfolio through acquisitions of AMP3D in the U.S. and Software Team in Italy.
- There are some medical issues such as shortage of nurses and missing of important alarms/alarm fatigue in clinical practice.
- We aim to contribute to improving patient outcomes and economy of medical care through providing solutions such as alarm management, dashboard, and digital health platforms to ease medical staff workloads, reduce medical incidents, and support early intervention.
- As for CoMET, an algorithm and software for patient condition management, we submitted an application to FDA in FY2022. However, we withdrew the submission and are now preparing for re-submission, because the FDA issued its draft guidance on machine learning and AI for medical devices.

Treatment Equipment Business

Medical issues

- ✓ Shortage of anesthetists
- ✓ Long working hours of doctors
- ✓ Appropriate drug dosing

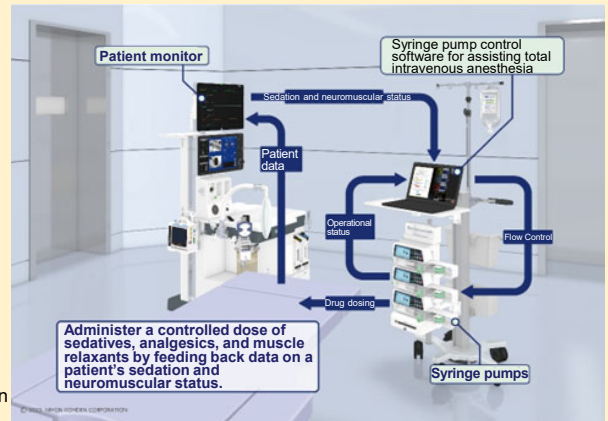
Anesthesia Machines Syringe pump control software for assisting total intravenous anesthesia

- Administer a controlled dose of anesthetics (sedatives, analgesics, muscle relaxants) by syringe pump using the patient's vital signs (BIS, TOF) obtained from patient monitors as a guide during operations.
- Under development of guidelines for proper use of the software, including training program by a related medical society.

Received approval in Japan in September 2022

Planned to launch in Japan in FY2023

*BIS (Bispectral Index): An index to indicate the depth of anesthesia and the degree of sedation calculated by analyzing electroencephalograms.
TOF(Train-of-four stimulation): Evaluation of neuromuscular status by four electrical stimulation.



Solutions aimed at creating

Ease medical staff workload

Reduce medical incidents

Improve patient outcomes

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- In September 2022, we received approval in Japan for the software, which was previously introduced as a robotic anesthesia system.
- It administers a controlled dose of anesthetics by syringe pump in a closed loop system using the patient's vital signs obtained from patient monitors as a guide.
- We will promote this software in accordance with the guidelines for its proper use drawn up by the relevant medical society.
- The use of this software is expected to ease the workload of anesthetists and contribute to improving medical safety during operations.


Treatment Equipment Business

- ✓ Launched a new model of in-house tracheal intubation ventilator, which enables transport in hospital

Ventilators

Treasure Every Breath.

NKV-550




Tracheal intubation type
U.S. R&D
U.S. production

- Multi-function and higher accuracy
- Lung Protection Apps
- Enables operation from out of ward

NKV-440

NEW!

December 2022
Limited Market Release in Thailand



January 2023
Arab Health

Tracheal intubation type
U.S. R&D
U.S. production

Suitable for ICU in emerging markets

Suitable for ER, ward, and transport in hospital in developed markets

- Lung Protection Apps
- Eliminate the need to connect pneumatic piping by turbine-driven platform
- Compact and light body with replaceable long-time battery

NKV-330



Mask-type
Japan R&D
Japan production
NEW! U.S. production

Launched in FY2022

- Mask-type model
- Equipped with SpO₂/CO₂ monitoring function
- Compact and easy to move

- A mid-range ventilator developed by Nihon Kohden OrangeMed was launched in certain overseas markets in December 2022. In contrast to our existing models, it can be used during transport in hospital because it uses a turbine-driven platform that eliminates the need to connect pneumatic piping to the ventilator. It also has a compact and light body with a replaceable long time battery. We will work to capture demand from ICUs in emerging markets and emergency rooms and general wards in developed markets.
- We launched two models of in-house ventilators in 2019. These models have been widely installed and used to treat many patients in clinical practice around the world during the COVID-19 pandemic. We are also aiming at further growth in our ventilator business by adding a new model to our lineup.

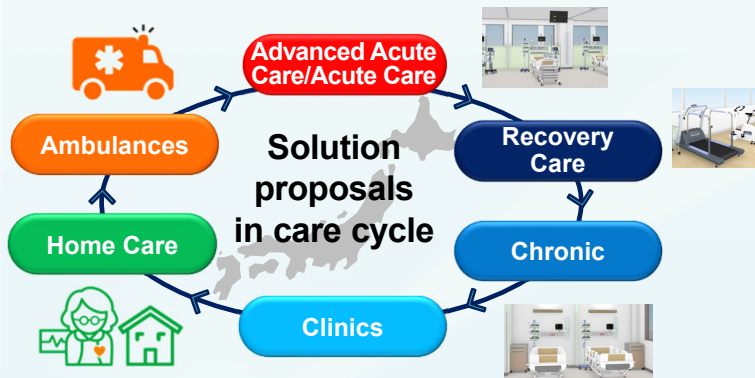
Strengthen Strategies in Global Business

Japan: Enhance solution proposals that contribute to improving quality of medical care and addressing medical issues

✓ Enhance customer value

Strengthen marketing and service capabilities which contribute to improving

Medical safety | Patient outcomes | Operating efficiency



✓ Provide solutions which contribute to work style reforms for doctors and DX in medical fields

PrimeGaia
Clinical information system



PrimeVitaPlus
Diagnostic information system



NEW!
Integrated vital sign data index software
Launched in FY2022

Syringe pump control software for assisting total intravenous anesthesia
Planned to launch in FY2023

✓ Expand product line-up

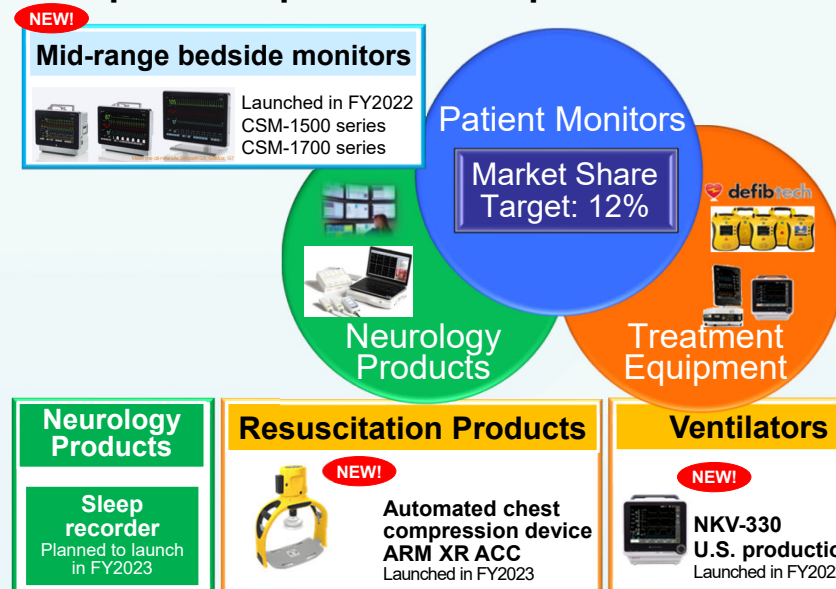
New models of telemetry systems
Planned to launch in FY2023

Automated chest compression device
Planned to launch in FY2023

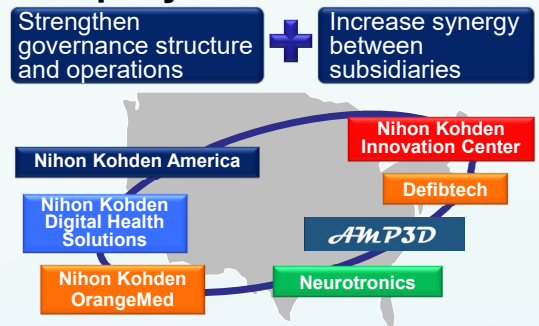
- In Japan, we will continue to promote transformation centered on customer value propositions. Our sales and services team will work together to further enhance their ability to propose solutions which contribute to improving medical safety, patient outcomes, and operating efficiency.
- As work style reforms for medical staff and DX in medical fields are in progress, we will focus on our offerings of solutions utilizing IT systems and various applications.
- We will also launch new models of telemetry systems and an automated chest compression device.

U.S.: Expand business by integration and unification of seven local subsidiaries

✓ Expand our product line-up



✓ Reorganized the U.S. subsidiaries into a holding company structure (April 2023)



NEW! FY2022 4Q
Signed contract with Premier Inc, one of the major GPOs.
FY2023 1Q
Start to sell our ventilators to approx. 4,400 member hospitals

*GPO: Group Purchase Organization

- In the U.S., we reorganized our seven U.S. subsidiaries into a holding company structure in April 2023. We aim to further strengthen our governance structure as well as enhance our U.S. business operations through increasing synergy between our local subsidiaries.
- We will launch a new model of automated chest compression device and sleep recorder.
- We launched mid-range bedside monitors and a mask-type ventilator in FY2022. Inquiries about these products are strong and are expected to make a contribution to increasing sales. As for ventilators, we signed a contract with Premier Inc, one of the major GPOs, and started promoting our ventilators to their 4,400 member hospitals.

Emerging Markets: Enhance solution proposals with new products made in Japan, the U.S. and Shanghai

Made in Japan/US

High-end market

NEW! Ambulance Defibrillator EMS-1052

NEW! Automated chest compression device ARM XR ACC Launched in FY2023

ICU Central monitor CNS-2101 Planned to launch in FY2023

Bedside monitors CSM-1500/1700 series

Ventilator NKV-330

Ventilator NKV-550

NEW! Ventilator NKV-440 Launched in FY2022

Bedside monitor PVM-4000

Hematology analyzer MEK-9200 Launched in FY2021

Hematology and ESR*1 analyzer MEK-1305

NEW! Hematology analyzer and clinical chemistry analyzer MEK-1303 + HbA1c*2 Launched in FY2022

Made in China

Local R&D and production

Middle to low-end market

ECG ECG-3150/3350

NEW! ECG ECG-3250 Launched in FY2022

Spot check monitor SVM-7100

Bedside monitor SVM-7500

Bedside monitor developed in China Planned to launch in FY2023

Local production for Chinese market

Automatic conveyor with efficiency system Measure 5-part diff and CRP*3

Defibrillator TEC-5600

AED AED-3100

Bedside monitor BSM-3000

Hematology analyzer MEK-9100

Reorganization in Southeast Asia

- ✓ **Established a sales branch in the Philippines** (January 2023)
 - Compliance with medical device registrations (CMDN)
- ✓ **Changed the name of NKS Bangkok to Nihon Kohden (Thailand)** (April 2023)
 - Support for local distributors
 - Direct marketing

*1 ESR: Erythrocyte Sedimentation Rate. *2 HbA1c: Hemoglobin A1c. *3 CRP: C-Reactive Protein.

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- In emerging markets, we will strengthen our offerings of products developed and manufactured in Japan and the U.S. for the high-end market, and products developed and manufactured in Shanghai for the middle to low-end markets.
- For the high-end market, we launched the mid-range ventilator and the automated chest compression device mentioned on the previous slides, as well as an automated hematology analyzer and clinical chemistry analyzer which can measure both CRP and HbA1c. We also plan to launch a central monitor.
- For the middle to low-end markets, we launched a new model of ECGs and also plan to launch new models of bedside monitors, both of which were developed in Shanghai.
- In addition, we established a sales branch in the Philippines and changed the name of the sales subsidiary in Thailand. By doing so, we aim to strengthen our direct marketing and our ability to meet medical needs in Southeast Asia.

Embrace Sustainability



Material Issues in Sustainability

KPI

Material issues to be addressed through business	Material Issue	KPI	
		Material Issue	KPI
Material issues to be addressed through business	Accessible	Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world Utilization rate of AEDs in Japan and the US
		Provide educational opportunities for medical professionals in emerging nations	Promote training in epilepsy diagnosis in Indonesia Number of educational seminars held, hosting countries, participants (including online programs)
	Intelligent	Automatic control of Medical equipment	R&D investment in a robotic anesthesia system R&D investment in closed loop control of ventilators
		Develop and provide sensors which are gentle on the patient	R&D investment in new sensors Number of products sold that have esCCO, synECG18, and iNIBP installed
	Connected	Create a peaceful patient environment with advanced alarm technology	R&D investment in improved alarm algorithms for patient monitors Number of hospitals that utilize alarm reports for improving workflow in Japan and the US
		Contribute to care for patients with heart failure, brain disorders and infection	R&D investment in early warning scores R&D investment in new parameters and algorithms for heart failure care
Optimized	Improve product utilization rate by remote monitoring	Number of MD Linkage sold and number of connected models Number of advance notifications before trouble with products occurs	
	Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA R&D investment in realization of remote support for ICUs	

[Measures in FY2022]

- ✓ Held discussions on sustainability globally (total 28 sessions, approx. 3k participants)
- ✓ Disclosed information in accordance with the TCFD recommendation
- ✓ Conducted human rights impact assessment and human rights risk assessment, and identified key human rights issues

Material issues to be addressed through corporate activities	Material Issue	KPI	
		Material Issue	KPI
Material issues to be addressed through corporate activities	Human rights / Human resources	Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction Develop human resources who can succeed globally
	Quality	Pursue the highest level of quality in the world across the value chain	Net Promoter Scores Number of recalls
	Governance	Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group Establish and promote global management policy in overseas subsidiaries Strengthen internal control over domestic sales
	Environment	Realize a carbon-free society	CO ₂ emissions Number of models and sales ratio of environment-friendly products Amount of waste from disposal of products and parts

[Measures planned in FY2023]

- ✓ Promote development of environment-friendly products, Develop internal regulations
- ✓ Proceed initiatives for setting SBT* of CO₂ emissions

*SBT (Science Based Target): Target of greenhouse gas emissions reduction set by each company for 5 to 15 years in the future in line with the levels sought under the Paris Agreement.

Results of KPIs for material issues will be disclosed on its website in July 2023.

- To embrace sustainability, sustainability discussions for all business units worldwide were held a total of twenty-eight times, with more than 3,000 participants.
- As president, I myself was a facilitator of all discussions. I was very impressed by the high level of awareness of sustainability among employees around the world and their strong desire to contribute to local communities through corporate activities.
- We will continue to foster a corporate culture in which sustainability is promoted as the core of our business activities.
- We also implemented measures such as disclosure of information in accordance with the TCFD recommendations, human rights risk assessment, and development of environment-friendly products. Results of KPIs for material issues will be disclosed on our website in July 2023.

Basic Policy on Distribution of Profits and Dividends

Priorities: 1) Investment necessary for future business expansion
2) Dividends 3) Share buybacks

1) Investment necessary for future business expansion

- R&D investments for **developing digital health solutions**, which the Company has targeted as a new business
- Capital investments for **promoting corporate digital transformation and establishing global SCM**

R&D investments



Capital investments



M&A and alliance



Human resource development



2) Dividends

Maintain stable and continuous dividend payments

Target: Consolidated dividend payout ratio of 30% or more

Full-year dividends
FY2022: 61 yen (pay-out ratio: 30.0%)
FY2023: 61 yen (pay-out ratio: 35.4%)

3) Share buybacks

Consider in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings and stock price level

Number of treasury stock:
4,104k shares
(stockholding ratio: 4.7%)

- The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more.
- Based on the business performance in FY2022, the Company decided to increase the full-year dividend by 21 yen from the previous forecast of 40 yen per share to 61 yen per share.
- The full-year dividend for FY2023 will be 61 yen per share, and the payout ratio will be 35.4%.

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