



Illuminating Medicine  
for Humanity

# Consolidated Financial Highlights for the First Half of FY2021

(From April 1, 2021 to September 30, 2021)

1. **Consolidated Financial Results  
for the First Half of FY2021**
2. **Forecast for FY2021**
3. **Business Strategy**

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)  
November 10, 2021

*Fighting Disease with Electronics*



# 1 Consolidated Financial Results for the First Half of FY2021

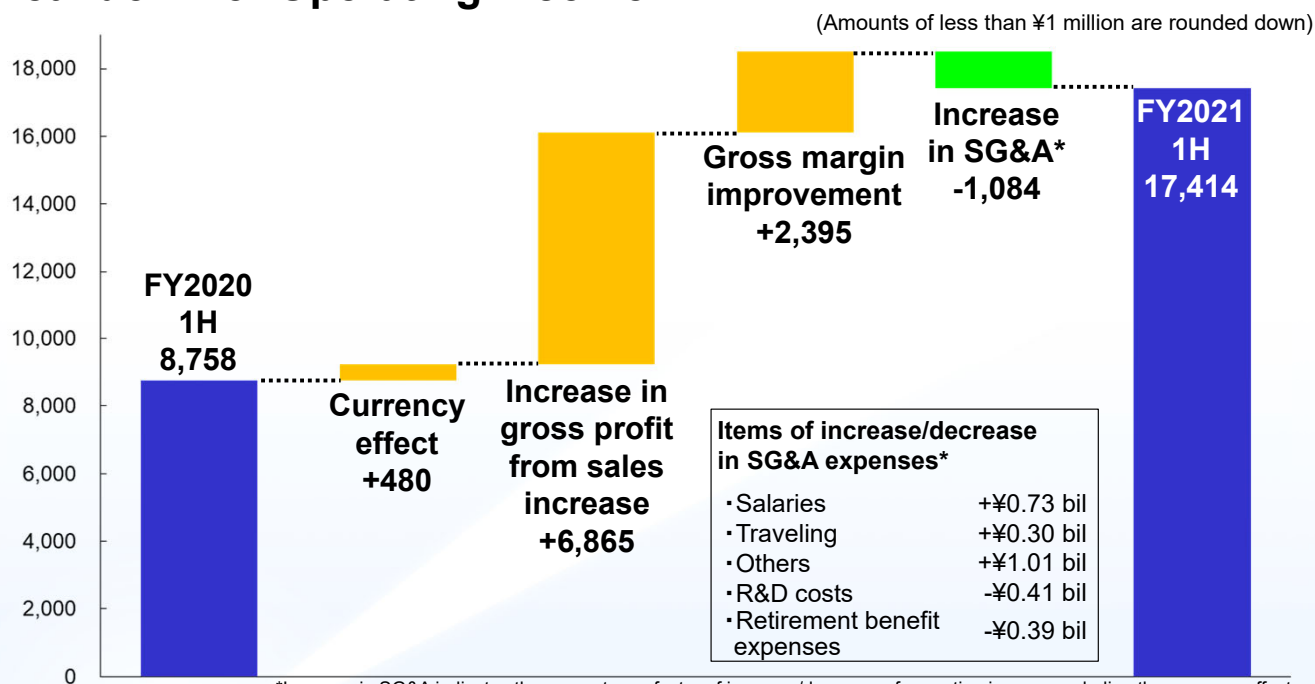
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# 1) Consolidated Financial Results for the 1<sup>st</sup> Half of FY2021

	First half FY2020	First half FY2021			Actual	YoY (%)	(Amounts of less than ¥1 million are rounded down)
		Original forecast announced May 13	Revised forecast announced Aug 4	Revised forecast announced Sep 14			
<b>Sales</b>	87,240	88,500	96,000	100,000	<b>102,343</b>	17.3	
<b>Domestic Sales</b>	56,248	-	-	-	<b>65,164</b>	15.9	
<b>Overseas Sales</b>	30,992	-	-	-	<b>37,178</b>	20.0	+16% on a local currency basis
<b>Gross Profit</b> (Gross Profit Margin)	44,357 50.8%	-	-	-	<b>54,487</b> 53.2%	22.8	In-house sales ratio: FY2020 1H 69.0% → FY2021 1H 72.2%
<b>Operating Income</b> (Operating Income Margin)	8,758 10.0%	6,500 7.3%	11,000 11.5%	15,000 15.0%	<b>17,414</b> 17.0%	98.8	SG&A: ¥35.5 bil → ¥37.0 bil SG&A Ratio: 40.8% → 36.2%
<b>Ordinary Income</b>	8,215	6,500	11,000	15,000	<b>17,990</b>	119.0	Foreign exchange gains/losses: ¥825 mil losses → ¥296 mil gains
<b>Income Attributable to Owners of Parent</b>	5,826	4,500	7,500	10,000	<b>12,294</b>	111.0	
Average exchange rate	First half FY2020					First half FY2021	
1 US Dollar	106.9 yen					109.5 yen	
1 EURO	121.3 yen					131.1 yen	

- Overall sales increased 17.3% over the 1<sup>st</sup> half of FY2020 to ¥102.3 billion. Domestic sales increased 15.9% to ¥65.1 billion. Overseas sales increased 20% to ¥37.1 billion, a 16% growth on a local currency basis.
- Both domestic and overseas sales exceeded our internal plans, because demand for patient monitors was strong due to the surge in the number of patients with coronavirus variants.
- Gross profit margin increased by 2.4 percentage points to 53.2% due to an increase in the ratio of in-house products.
- Operating income increased 98.8% to ¥17.4 billion due to the increase in sales and a higher gross profit margin.
- Ordinary income increased 119% to ¥17.9 billion. Income attributable to owners of parent increased 111% to ¥12.2 billion.
- The Company posted record highs in both sales and profits.

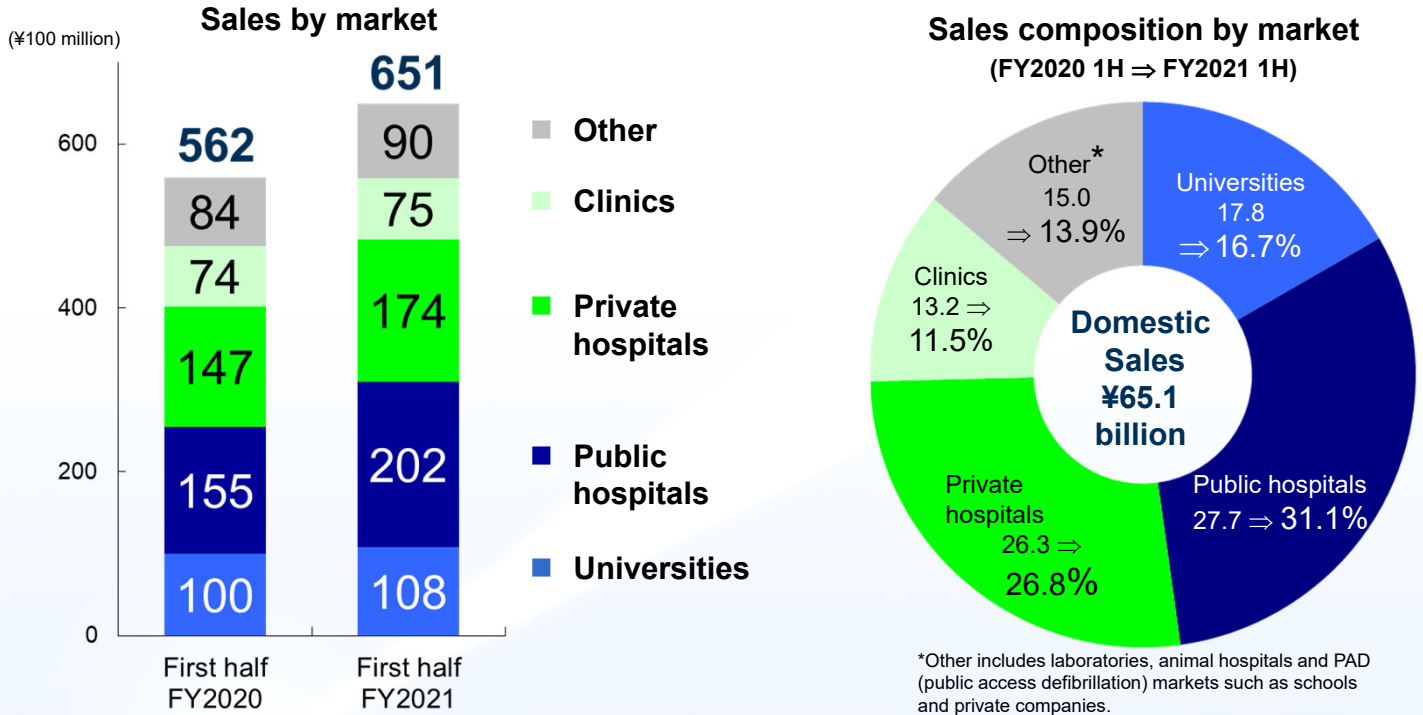
## 2) Breakdown of Operating Income



\*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect.  
Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

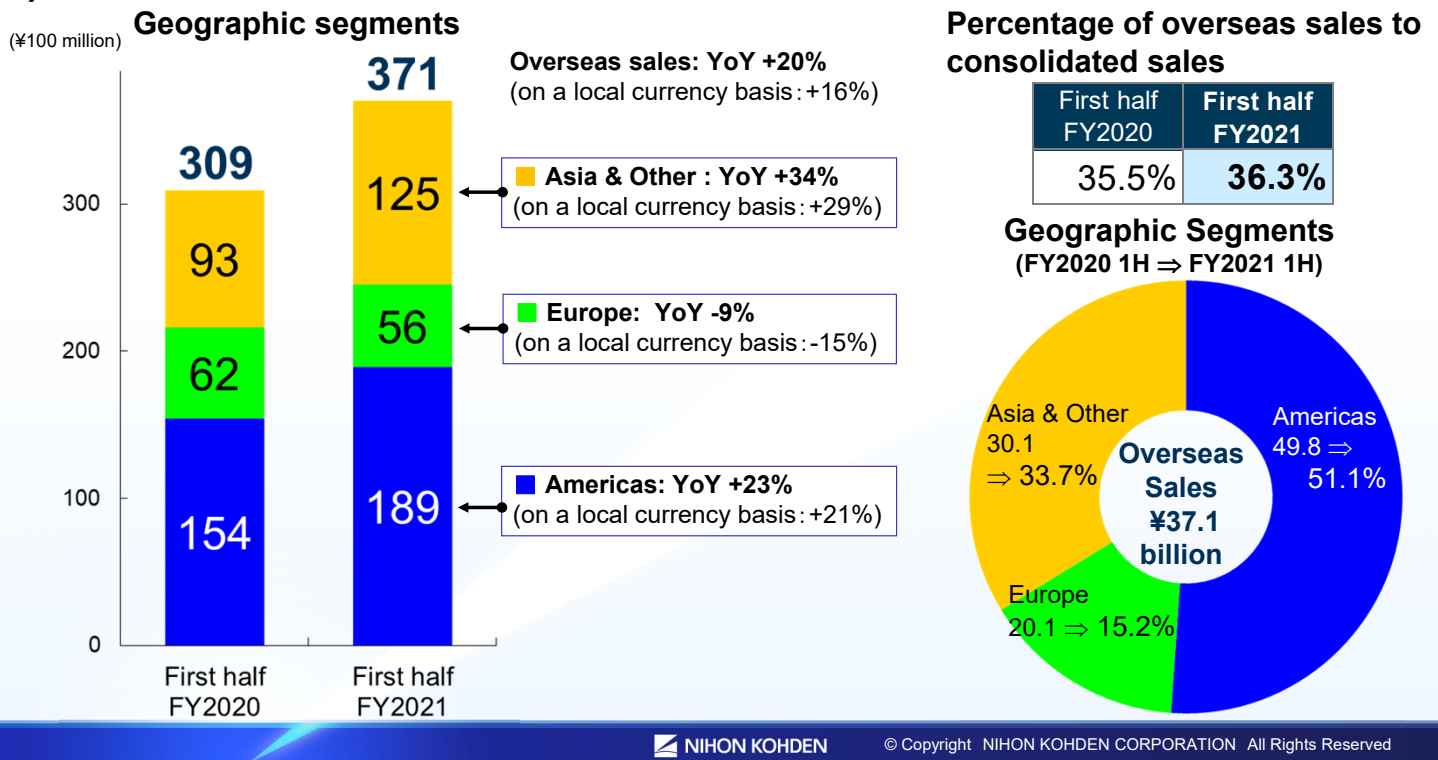
- In the 1<sup>st</sup> half of FY2021, operating income increased to ¥17.4 billion from ¥8.7 billion in the 1st half of FY2020.
- Foreign exchange rates had a positive impact of ¥0.4 billion.
- An increase in gross profit due to the increase in sales was ¥6.8 billion.
- Gross margin improvement was a positive factor worth ¥2.3 billion. This was attributable to a favorable product mix in Japan, and to the strong performance of overseas business which has a high ratio of in-house products.
- SG&A expenses were a negative factor worth ¥1.0 billion due to a recovery in sales activity and an increase in variable selling expenses.

### 3) Domestic Sales



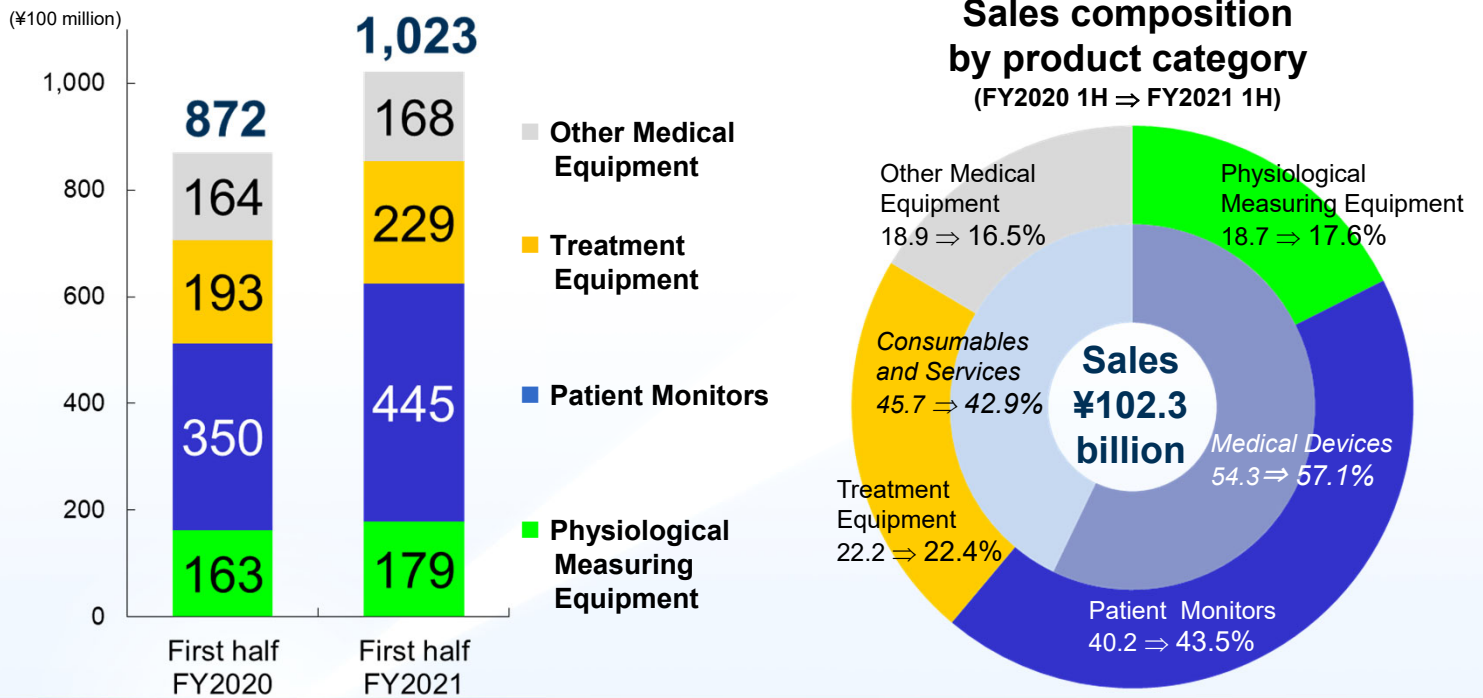
- Domestic sales increased by ¥8.9 billion to ¥65.1 billion.
- Sales in all markets increased because demand for certain products and consumables recovered from the decrease that occurred in the 1<sup>st</sup> half of FY2020. It was also because business negotiations related to IT system solutions resumed, after FY2020 when medical institutions postponed or froze their purchase budgets. In particular, sales in the public hospital and private hospital markets showed strong growth, due in part to the installation of patient monitors and ventilators supported by the Government's budget.

## 4) Overseas Sales



- Overseas sales increased by ¥6.2 billion to ¥37.1 billion.
- Sales increased favorably driven by large orders for patient monitors in the U.S. In all regions, demand for certain products recovered from the decrease that occurred in the 1<sup>st</sup> half of FY2020. Another reason for the increased sales was that demand for patient monitors increased in Latin America, India, and Southeast Asia, where the spread of COVID-19 has resurged.
- In the Americas, sales increased by ¥3.5 billion to ¥18.9 billion, a 21% increase on a local currency basis. Sales in both the U.S. and Latin America achieved double-digit growth. In Latin America, sales in Brazil, Peru, and Chile showed strong growth.
- Sales in Europe decreased by ¥0.6 billion to ¥5.6 billion, a 15% decrease on a local currency basis. Demand for certain products recovered, but not enough to cover the reactionary decline compared to the strong growth in the 1<sup>st</sup> half of FY2020.
- Sales in Asia & Other increased by ¥3.2 billion to ¥12.5 billion, a 29% increase on a local currency basis. Sales in India, Thailand, and Malaysia doubled and sales in China and Vietnam also increased favorably.

## 5) Sales by Product Category



- Sales by product category are shown above.
- Sales of Patient Monitors, Treatment Equipment, and Physiological Measuring Equipment achieved double-digit growth. Sales of Other Medical Equipment also increased.
- As demand for medical devices increased, the sales ratio of Consumables and Services was 42.9%.

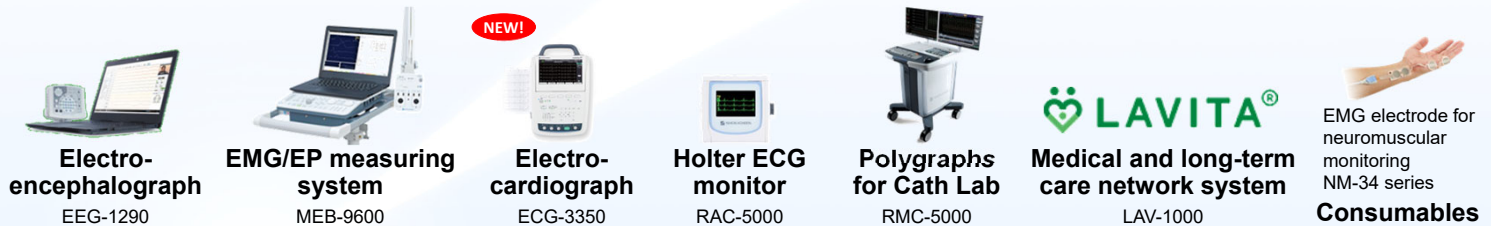
## 5.1) Physiological Measuring Equipment

	First half FY2020	First half FY2021	YoY (%)	(Sales, millions of yen)
Electroencephalographs	2,666	3,318	24.5	
Electrocardiographs	2,962	3,254	9.9	
Polygraphs for Cath Lab	6,907	6,424	-7.0	
Other Physiological Measuring Equipment *	3,814	5,000	31.1	
<b>Physiological Measuring Equipment</b>	<b>16,350</b>	<b>17,998</b>	<b>10.1</b>	
Domestic Sales	12,625	13,371	5.9	
Overseas Sales	3,724	4,627	24.2	

\*Includes diagnostic information systems and products of other companies.

Sales of diagnostic information systems and ECGs achieved double-digit growth. Sales of EEGs also increased favorably. Sales of polygraphs for cath lab recorded double-digit growth on a comparable basis, excluding the impact of decrease in sales of locally purchased products. The demand for pulse oximeters increased.

Sales of EEGs recovered in the U.S. and China, and increased favorably in Europe. Sales of ECGs remained flat.



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- Sales of Physiological Measuring Equipment increased 10.1% to ¥17.9 billion.
- Domestic sales increased 5.9% to ¥13.3 billion. Sales of diagnostic information systems and ECGs achieved double-digit growth, and sales of EEGs also increased favorably, because demand recovered compared to the 1<sup>st</sup> half of FY2020, when demand decreased due to the COVID-19 pandemic. Sales of polygraphs for cath lab recorded double-digit growth on a comparable basis, excluding the impact of decrease in sales of locally purchased products.
- Overseas sales increased 24.2% to ¥4.6 billion. Sales of EEGs recovered in the U.S. and China, and increased favorably in Europe. Sales of ECGs remained flat.



## 5.2) Patient Monitors

	First half FY2020	First half FY2021	YoY (%)
<b>Patient Monitors</b>	35,067	<b>44,546</b>	27.0
<b>Domestic Sales</b>	17,276	<b>23,806</b>	37.8
<b>Overseas Sales</b>	17,790	<b>20,740</b>	16.6

(Sales, millions of yen)

Sales of transmitters and bedside monitors increased significantly. Sales of clinical information systems and consumables such as sensors also achieved double-digit growth.

Sales in the U.S., India, and Southeast Asia increased significantly. Sales in Europe, China, and the Middle East decreased, as there was a reactionary decline compared to FY2020 1H when demand surged.



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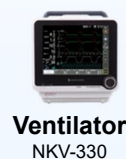
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- Sales of Patient Monitors increased 27% to ¥44.5 billion.
- Domestic sales increased 37.8% to ¥23.8 billion. Sales of transmitters and bedside monitors increased significantly thanks to a recovery in demand from the 1<sup>st</sup> half of FY2020 when sales decreased. It was also because demand increased due to the resurgence of COVID-19. Sales of clinical information systems and consumables such as sensors also achieved double-digit growth .
- Overseas sales increased 16.6% to ¥20.7 billion. Sales were driven by large orders in the U.S. Sales also increased significantly in Latin America, India, and Southeast Asia due to the resurgence of COVID-19. Sales in Europe, China, and the Middle East decreased, as there was a reactionary decline compared to the 1<sup>st</sup> half of FY2020 when demand surged.
- We estimate that COVID-19-related demand was around ¥4 billion in Japan and around ¥2.5 billion internationally.

## 5.3) Treatment Equipment

	First half FY2020	First half FY2021	YoY (%)	(Sales, millions of yen)
<b>Defibrillators</b> (for Hospital and Ambulance)	3,049	<b>4,137</b>	35.7	<b>Domestic:</b> Sales increased favorably thanks to orders received for replacements. <b>International:</b> Sales in Asia & Other and Europe showed strong growth.
<b>AEDs</b> (Automated External Defibrillator)	6,885	<b>8,713</b>	26.6	<b>Domestic:</b> Sales increased favorably thanks to orders received for replacements. <b>International:</b> Demand recovered in all regions.
<b>Pacemakers / ICDs</b>	1,366	<b>1,288</b>	-5.7	
<b>Ventilators</b>	5,317	<b>5,381</b>	1.2	<b>Domestic:</b> Sales of ventilators manufactured by both Hamilton and the Company increased significantly due to the resurgence of COVID-19. <b>International:</b> Sales decreased due to a reactionary decline compared to FY2021 1H when demand surged. In Latin America, India, and Southeast Asia, demand increased due to the resurgence of COVID-19.
<b>Other Treatment Equipment</b>	2,705	<b>3,443</b>	27.3	
<b>Treatment Equipment</b>	19,324	<b>22,965</b>	18.8	
<b>Domestic Sales</b>	12,277	<b>14,321</b>	16.6	
<b>Overseas Sales</b>	7,047	<b>8,644</b>	22.7	
<b>(Ref.) AED Unit Sales</b>	39,400	<b>54,300</b>	37.8	
<b>Domestic Unit Sales</b>	28,200	<b>29,600</b>	5.0	



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- Sales of Treatment Equipment increased 18.8% to ¥22.9 billion. Domestic sales increased 16.6% to ¥14.3 billion. Overseas sales increased 22.7% to ¥8.6 billion.
- Sales of defibrillators increased 35.7% to ¥4.1 billion. Domestic sales increased favorably thanks to orders received for replacements. Overseas sales showed strong growth, particularly in Asia & Other and Europe.
- The overall sales volume of AEDs was 54,300 units, and sales increased 26.6% to ¥8.7 billion. Domestic sales increased favorably thanks to orders received for replacements. Internationally, demand recovered in all regions.
- Sales of ventilators increased 1.2% to ¥5.3 billion. In Japan, sales of ventilators manufactured by both Hamilton and the Company increased significantly due to the resurgence of COVID-19. Internationally, sales decreased as there was a reactionary decline compared to the 1<sup>st</sup> half of FY2020 when demand surged. In Latin America, India, and Southeast Asia, demand increased due to the resurgence of COVID-19.
- We estimate that COVID-19-related demand was around ¥2 billion for ventilators in Japan, and around ¥1 billion for ventilators and around ¥0.5 billion for defibrillators internationally.

## 5.4) Other Medical Equipment

	First half FY2020	First half FY2021	YoY (%)
Hematology Analyzers	4,451	5,136	15.4
Imaging Systems, Medical equipment for study and others *	12,047	11,695	-2.9
<b>Other Medical Equipment</b>	16,499	16,832	2.0
<b>Domestic Sales</b>	14,068	13,666	-2.9
<b>Overseas Sales</b>	2,430	3,166	30.2

(Sales, millions of yen)

Sales of locally purchased products decreased, as the Company focused on selling in-house products. Sales of hematology analyzers increased favorably.

Demand for hematology analyzers and reagents recovered in all regions.

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

NEW!

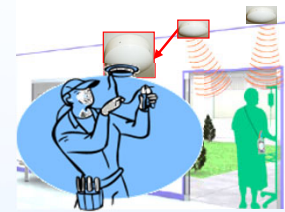


**Automated hematology analyzer**  
MEK-9200

NEW!



**Automated hematology and ESR analyzer**  
MEK-1305



**Installation and maintenance services**

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- Sales of Other Medical Equipment increased 2% to ¥16.8 billion.
- Domestic sales decreased 2.9% to ¥13.6 billion. Sales of locally purchased products decreased as the Company focused on selling in-house products. Sales of hematology analyzers increased favorably.
- Overseas sales increased 30.2% to ¥3.1 billion. Demand for hematology analyzers and reagents recovered in all regions.

## 6) Financial Condition

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

	FY2020	First half FY2021	Change		FY2020	First half FY2021	Change
Current Assets	156,140	<b>151,240</b>	-4,899	Current Liabilities	50,608	<b>39,089</b>	-11,518
Inventories	38,887	<b>40,056</b>	1,169	Interest-bearing Debt	350	<b>350</b>	—
Property, Plant & Equipment	20,193	<b>19,558</b>	-634	Non-current Liabilities	3,436	<b>3,520</b>	84
Intangible Assets	2,329	<b>3,693</b>	1,364	Net Assets	138,986	<b>147,144</b>	8,158
Investments & Other Assets	14,366	<b>15,261</b>	894				
<b>Total Assets</b>	193,030	<b>189,754</b>	-3,276	<b>Total Liabilities &amp; Net Assets</b>	193,030	<b>189,754</b>	-3,276
Inventory Turnover	4.8 months	<b>4.8 months</b>		Equity Ratio	72.0%	<b>77.5%</b>	

- Total assets decreased by ¥3.2 billion to ¥189.7 billion.
- Inventories were ¥40 billion and inventory turnover was 4.8 months, because inventory of parts increased in response to tight supply of components.

## 7) Capital Investments and R&D Costs

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

	First half FY2020	First half FY2021	FY2020 Actual	FY2021	
				Original forecast announced May 13	Revised forecast announced Nov 8
<b>Capital Investments</b>	1,472	<b>814</b>	3,524	4,100	4,100
<b>Depreciation</b>	1,496	<b>1,561</b>	3,236	3,800	3,800
<b>R&amp;D costs</b>	3,069	<b>2,658</b>	6,357	6,600	6,300

### ●FY2021 capital investments plan

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

- Capital investments, depreciation, and R&D costs were ¥0.8 billion, ¥1.5 billion, and ¥2.6 billion, respectively.
- For the full fiscal year, we estimate that capital investments, depreciation, and R&D costs will be ¥4.1 billion, ¥3.8 billion, and ¥6.3 billion, respectively. R&D costs are expected to be lower than our original forecast, as man-hours in the R&D departments have been allocated for exploring alternative parts and performance validation in response to tight supply of components.

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## Forecast for FY2021

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# 1) Business Environment

Economies show recovery trends thanks to COVID-19 vaccination, while the status of the spread of coronavirus variants and tight supply of components should be monitored carefully.

## Japan

- The number of newly infected patients is decreasing.
- Enhancement of the capacity of the healthcare system in preparation for the resurgence of COVID-19 is continuing.

### Urgent comprehensive grants to cope with COVID-19 (until the end of December 2021)

- Establish healthcare systems to respond to emerging infectious diseases. Expand ICU facilities.
- Differentiate medical institution functions and strengthen collaboration. Promote integrated community care systems.
- Promote telemedicine and tele-ICU.
- Funds for securing comprehensive medical and long-term care in the community: FY2021 budget ¥117.9 bil for medical care

## International

### U.S. and Europe

- DX in medical fields is accelerated.
- Economies show recovery trends after relaxing restrictions on social and economic activity.

### China

- Move to prefer domestically produced medical equipment.
- Concerns about economic slowdown.

### Emerging Markets

- Concerns that the spread of coronavirus variants may lead to a delay in economic recovery in some regions.

- Economies show recovery trends thanks to COVID-19 vaccination, while the status of the spread of coronavirus variants and tight supply of components should be monitored carefully.
- In Japan, the number of newly infected patients is decreasing, but the enhancement of the capacity of healthcare system supported by the Government's budgets is expected to continue until the end of December 2021.
- Internationally, the digital transformation in medical fields is expected to accelerate, especially in the U.S. and Europe. The move to prefer domestically produced medical equipment in China should be monitored carefully. In emerging markets, there are concerns that the spread of coronavirus variants may lead to a delay in economic recovery in some regions.

## 2) Forecast for FY2021

	FY2020 Actual	FY2021 Forecast			YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 4	Revised forecast announced Nov 8	
<b>Sales</b>	199,727	185,500	190,500	201,000	0.6
<b>Domestic Sales</b>	137,274	128,000	130,500	136,500	-0.6
<b>Overseas Sales</b>	62,452	57,500	60,000	64,500	3.3
<b>Gross Profit</b> (Gross Profit Margin)	102,233 51.2%	92,100 49.6%	95,700 50.2%	104,000 51.7%	1.7
<b>Operating Income</b> (Operating Income Margin)	27,094 13.6%	16,000 8.6%	18,000 9.4%	25,500 12.7%	-5.9
<b>Ordinary Income</b>	28,374	16,000	18,000	25,500	-10.1
<b>Income Attributable to Owners of Parent</b>	18,243	11,000	12,000	17,500	-4.1
<b>Percentage of overseas sales</b>	31.3%	31.0%	31.5%	32.1%	

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

← -1% on a local currency basis

**Breakdown of overseas sales by region**

	FY2020 Actual	FY2021 Forecast			YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 4	Revised forecast announced Nov 8	
<b>Americas</b>	30,288	29,000	29,800	31,500	4.0
<b>Europe</b>	13,139	9,500	9,600	10,000	-23.9
<b>Asia &amp; Other</b>	19,024	19,000	20,600	23,000	20.9
<b>Total</b>	62,452	57,500	60,000	64,500	3.3

**Average exchange rate**

1 US Dollar	105.9 yen	105 yen	108 yen	110 yen
1 EURO	123.1 yen	125 yen	128 yen	130 yen

FY2021 2H  
110 yen  
130 yen

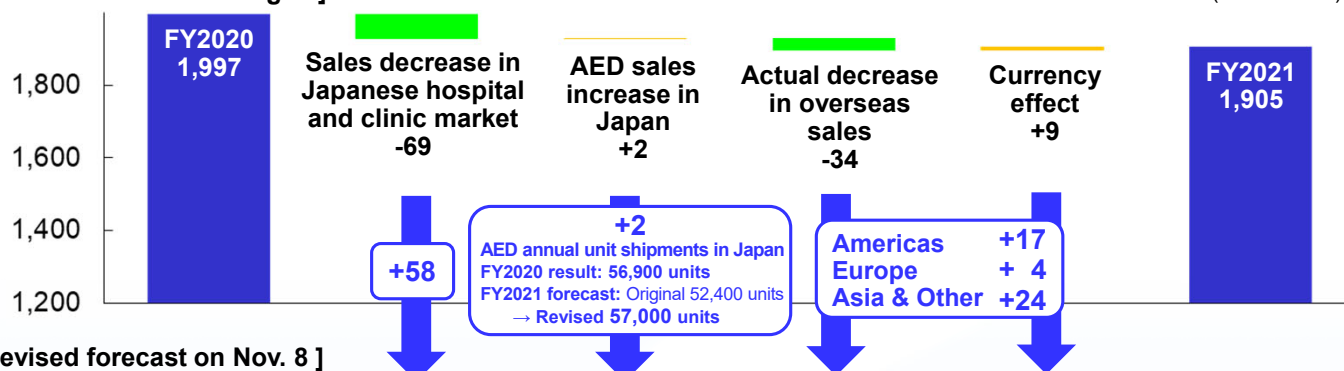
- The FY2021 full-year forecast were revised upward because demand mainly for patient monitors increased in regions where the spread of infection has resurged in the 1<sup>st</sup> half of FY2021.
- Overall sales are expected to increase 0.6% over FY2020 to ¥201 billion. Domestic sales are expected to decrease 0.6% to ¥136.5 billion, and overseas sales to increase 3.3% to ¥64.5 billion, a 1% decline on a local currency basis. Operating income is expected to decrease 5.9% to ¥25.5 billion.
- Domestic sales and overseas sales are expected to increase by ¥6 billion and by ¥4.5 billion from the previous forecast announced on August 4<sup>th</sup>, 2021, respectively. Operating income is expected to increase by ¥7.5 billion from the previous forecast, due to the increase in sales and higher gross profit margin.
- Ordinary income and income attributable to owners of parents are as shown above.
- The assumed exchange rates for the 2<sup>nd</sup> half are 110 yen to the U.S. dollar and 130 yen to the euro.



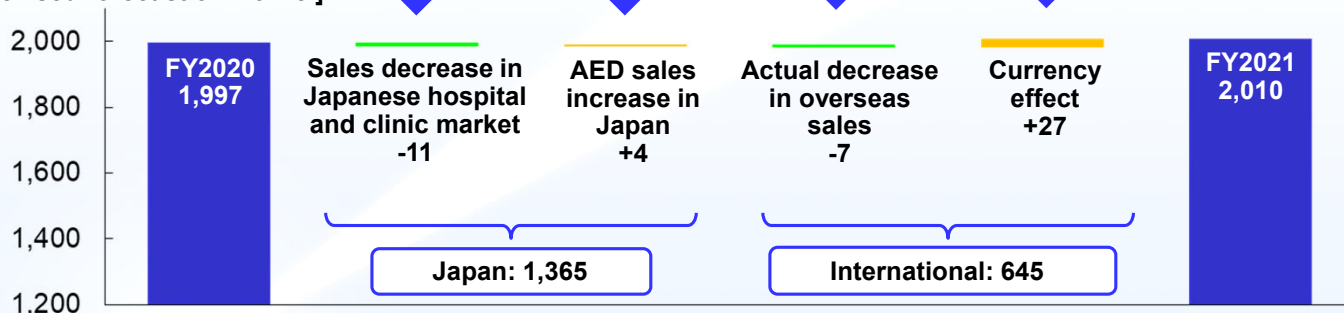
### 3) Analysis of FY2021 Sales Forecast

[ Revised forecast on Aug. 4 ]

(¥100 million)



[ Revised forecast on Nov. 8 ]



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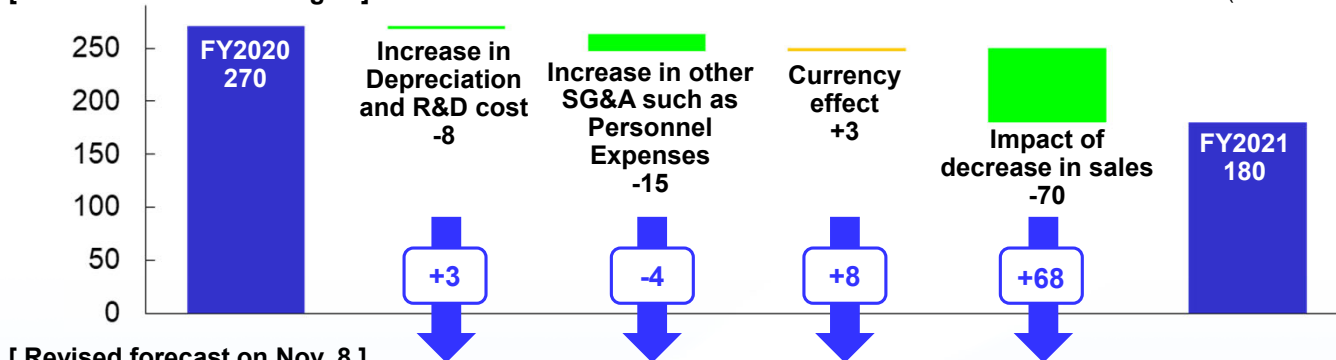
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- We revised the figure of sales decrease in Japanese hospital and clinic market to ¥1.1 billion, because COVID-19-related demand in the 1<sup>st</sup> half of FY2021 exceeded our expectations. We revised the full-year sales of AEDs to increase by ¥0.4 billion and the volume of sales to 57,000 units.
- We expect that overseas sales in the Americas, Europe, and Asia & Other will exceed the previous forecasts by ¥1.7 billion, ¥0.4 billion, and ¥2.4 billion, respectively, resulting in an actual YoY decrease of ¥0.7 billion. Regarding foreign exchange rates, we expect a positive impact of ¥2.7 billion.

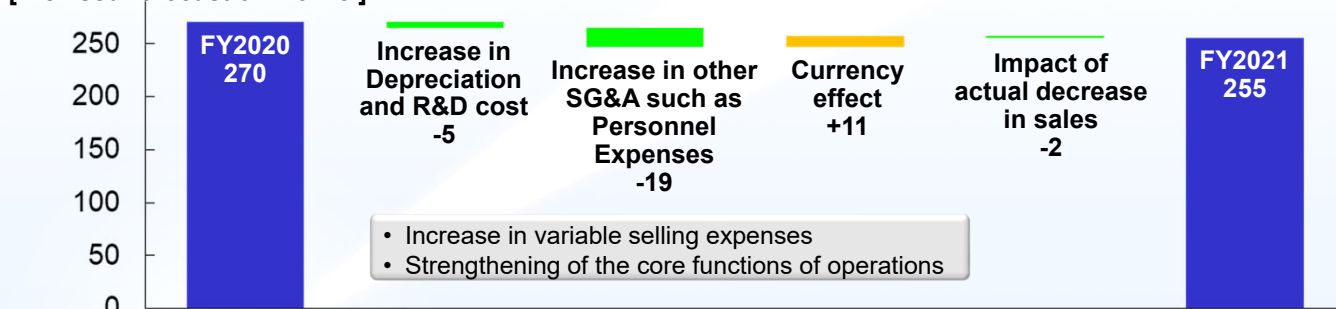
## 4) Analysis of FY2021 Operating Income Forecast

[ Revised forecast on Aug. 4 ]

(¥100 million)



[ Revised forecast on Nov. 8 ]



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- R&D costs are expected to be behind the previous forecast, as man-hours have been allocated for responding to tight supply of components. On the other hand, we will strive to strengthen the core functions of operations in view of the robust earnings in the 1<sup>st</sup> half of FY2021.
- As a result, depreciation and R&D costs were revised to an increase of ¥0.5 billion, and other SG&A such as personnel expenses were revised to an increase of ¥1.9 billion.
- Currency effect will have a positive impact of ¥1.1 billion. The negative impact of the actual decrease in sales will be ¥0.2 billion.

## (Ref.) Consolidated Forecast for FY2021 by Product Category/ Effect of Exchange Rates

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

	FY2020 Actual	FY2021 Forecast				YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 4	Revised forecast announced Nov 8	Composition ratio (%)	
Physiological Measuring Equipment	37,586	40,700	40,900	40,600	20.2	8.0
Patient Monitors	78,818	70,900	74,300	80,750	40.2	2.5
Treatment Equipment	45,126	36,100	37,150	41,450	20.6	-8.1
Other Medical Equipment	38,196	37,800	38,150	38,200	19.0	0.0
<b>Total</b>	<b>199,727</b>	<b>185,500</b>	<b>190,500</b>	<b>201,000</b>	<b>100.0</b>	<b>0.6</b>

(Reference)

Consumables and Services	85,890	87,200	89,700	91,400	45.5	6.4
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### Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.37 bil yen	0.14 bil yen
1 EURO	0.07 bil yen	0.03 bil yen

- The consolidated sales forecast by product category has been revised based on the 1<sup>st</sup>-half results. Sales of Patient Monitors are expected to exceed the record high of FY2020.
- The sensitivity to foreign exchange rates is as shown above.

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# Business Strategy

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# Nihon Kohden Celebrates Its 70th Anniversary

Illuminating Medicine  
for Humanity



At the time of its founding  
Nihon Kohden started with only twelve staff



Founder Yoshio Ogino



Nihon Kohden's History:  
<https://www.nihonkohden.com/70th/index.html>

Please watch this video to learn more about  
our history and vision.

- In August 2021, Nihon Kohden celebrated its 70<sup>th</sup> anniversary. For further details about the history of Nihon Kohden since its founding in 1951 by 12 members, please refer to our website.

# 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 that started in April 2021 is the 1<sup>st</sup> phase in realizing our long-term vision, BEACON 2030. We will strengthen the business foundation to support sustainable growth, as well as cultivate 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

- In the three-year business plan, in order to embrace sustainability across our business and corporate activities, we will work to ensure strict compliance and strengthen group governance, to improve the profitability of existing businesses and make upfront strategic investments, and to establish global supply chain management and strengthen core functions of operations.



## Established an Advisory Board

(July 2021)

- ✓ Established to incorporate outside perspectives
- ✓ Composed of four outside experts, Provides advice to the Sustainability Promotion Committee



Hikaru Kobayashi  
Adviser, RCAST\*1, the University of Tokyo  
(Environment)



Hidemitsu Sasaya  
ESG/SDGs consultant  
(All aspects of sustainability)



Kuniko Shoji  
Professor, Kanagawa University  
of Human Services  
(Governance/Operations)



Mika Takaoka  
Professor, Marketing College  
of Business, Rikkyo University  
(Environment/Society)

\*1 RCAST: Research Center for Advanced Science and Technology

## Measures planned in FY2021

(Environment)

- ✓ For realizing a carbon-free society
  - Promote setting SBT\*2 of CO<sub>2</sub> emissions
  - Promote development of environment-friendly products

(Quality)

- ✓ Introduce NPS\*3 for improving quality

(Human rights/Human resources)

- ✓ Conduct employee satisfaction survey
- ✓ Start human rights due diligence
- ✓ Introduce role-based personnel system

\*2 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

\*3 NPS (Net Promoter Score): Index to measure customer loyalty. NPS indicates the degree of customers' attachment to products or services

- To embrace sustainability, we established an Advisory Board in July 2021, following the review of the sustainability promotion structure in April 2021. We will incorporate various advice from the above four outside experts in our efforts.
- From the environmental aspect, we will strengthen our efforts to set a Science Based Target for CO<sub>2</sub> emissions, and promote the development of environment-friendly products.
- We will also introduce the Net Promoter Score, an index to measure customer loyalty, to further improve quality.
- In the area of human rights and human resources, we will conduct employee satisfaction surveys, start human rights due diligence, and introduce a role-based personnel system.



**Promote implementing recurrence prevention measures**

**1st Half**

- ✓ Provided education for compliance officers
- ✓ Enriched contents of compliance study sessions in each office
- ✓ Added compliance to the personnel evaluation items
- ✓ Introduced a donation website

**2nd Half**

- ✓ Application of IT controls to preorder processes
- ✓ Establish website for dealers  
Due diligence/Pledge to comply with laws/  
Whistle-blowing channel
- ✓ Questionnaire survey to dealers and all employees

**Strengthen group governance**

- ✓ Formulated the **Global Corporate Administration Policy**, Promote implementation in overseas subsidiaries

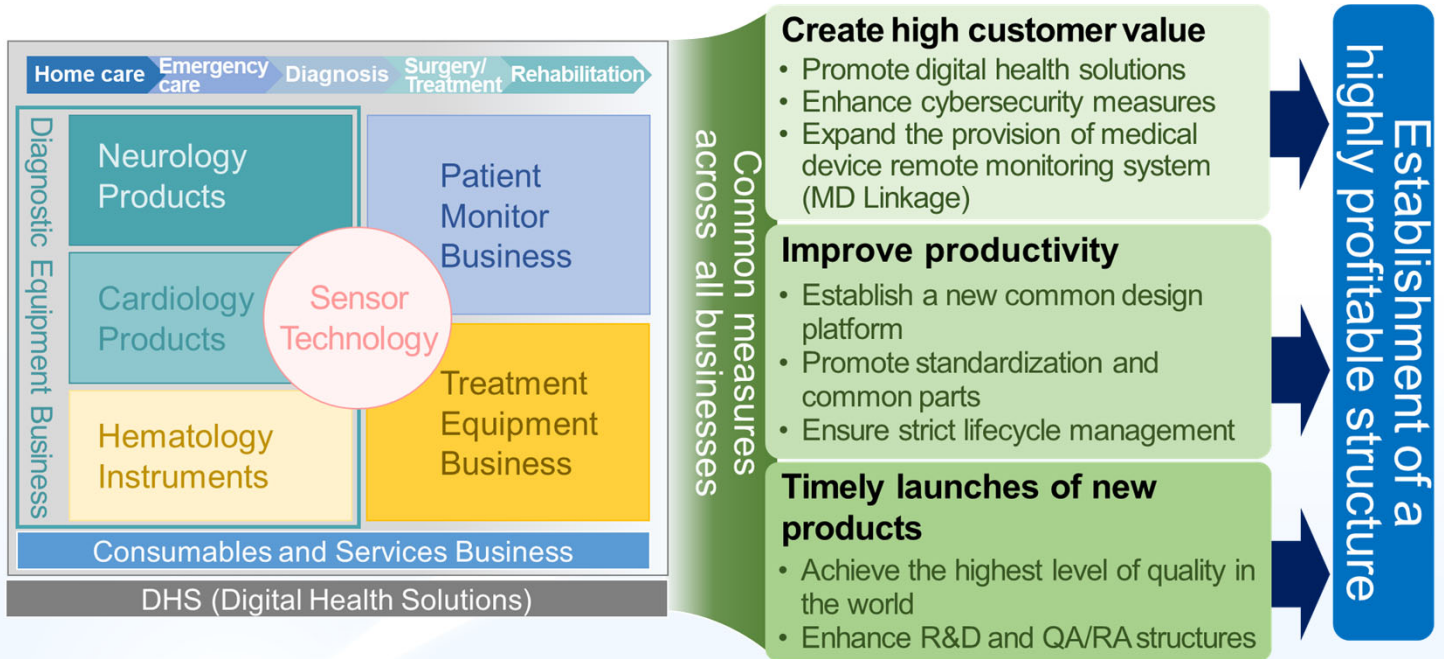
Accounting Human Resources

Legal IT security

- ✓ Strengthen internal control over domestic sales



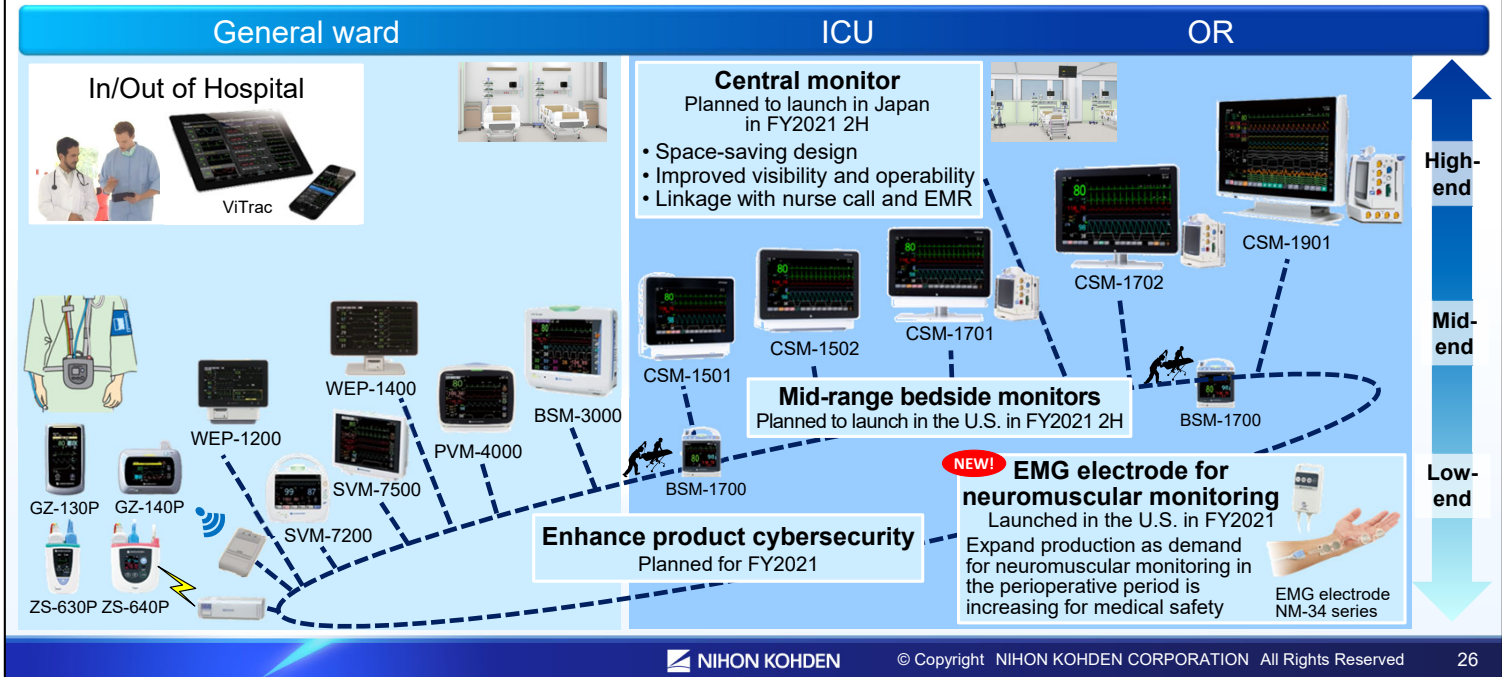
- The progress of recurrence prevention measures in response to the compliance matter that occurred in January 2021 is as shown above.
- In the 1<sup>st</sup> half of FY2021, we provided additional education for compliance officers and enriched the contents of compliance study sessions in each office of our domestic sales branches. We also added the compliance factor to the personnel evaluation items for all employees and introduced a donation website.
- In the 2<sup>nd</sup> half of FY2021, we will apply IT controls to pre-order processes, implement due diligence for dealers, and conduct a compliance questionnaire survey to dealers and all employees, for the purpose of enhancing the effectiveness of our recurrence prevention measures.
- To strengthen our group governance, we formulated the Global Corporate Administration Policy and started implementation in overseas subsidiaries.
- As we have discovered acts of misconduct by a former employee in one of our domestic sales branch offices, as reported recently, we will further strengthen the internal control over domestic sales.



- To improve the profitability of existing businesses, we aim to establish a highly profitable structure by implementing the following common measures across all businesses: 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, strengthening of R&D and QA/RA structures.

# Patient Monitor Business

- ✓ Promote creating customer value by expanding product line-up and enhancing product capabilities



- In our Patient Monitor Business, we will promote creating customer value by expanding our product line-up and enhancing the functions of our products.
- We will launch a central monitor in Japan. The new model has a space-saving design suitable for installation in wards and has improved its visibility and operability.
- In the U.S., we will launch mid-range bedside monitors. We also launched a neuromuscular monitoring module and an EMG electrode. We will expand production of these products as demand for neuromuscular monitoring in the perioperative period is increasing for medical safety, both in Japan and internationally.

# Treatment Equipment Business

## Ventilators

- ✓ Focus on providing products in regions where the spread of infection has surged

### For acutely ill patients



Tracheal intubation type Ventilator NKV-550

Protective Control™

- Raise awareness of lung-protective ventilation function
- Build clinical evidence
- Strengthen efforts to increase market awareness

### For moderately ill patients



Mask-type Ventilator NKV-330

Telemetry system WEP-1200

- Raise awareness of high-flow oxygen therapy
- Enhance connectivity with patient monitors


- ✓ Expand sales of disposable consumables



SpO<sub>2</sub> probes

NPPV\* cap-ONE mask

- ✓ Strengthen maintenance and inspection service

- Package with regular replacement parts
- Enrich training programs
- Test linkage with medical device remote monitoring system 

\* NPPV(Noninvasive Positive Pressure Ventilation) is artificial respiratory management which doesn't require intratracheal intubation or tracheotomy.

- In our Treatment Equipment Business, we will focus on providing ventilators in regions where demand has continued due to the resurgence of infection.
- The NKV-550, the tracheal intubation type ventilator, is used for acutely ill patients. We will raise awareness of its lung-protective ventilation function as well as strengthening our efforts to build clinical evidence and increase market awareness.
- For moderately ill patients, we will strengthen our proposals for the NKV-330, the mask-type ventilator, as the effectiveness of high-flow oxygen therapy has been confirmed and its demand has been increasing. We will also enhance the connectivity between ventilators and patient monitors, aiming to provide solutions which contribute to improving medical safety and operational efficiency.
- As the installation base of ventilators has expanded due to the COVID-19 pandemic, we will focus on expanding sales of disposable consumables, and strengthen our maintenance and inspection service. Currently, we have started test linkage with a medical device remote monitoring system in Japan.

# Hematology Instrument Business

## Hematology Instruments

✓ Focus on expanding sales of a series of new models

✓ Reagent factory in Dubai started production April 2021

**NEW!**

Launched internationally in FY2020



Automated hematology analyzer  
MEK-1301 MEK-1302



Automated hematology and ESR\*1 analyzer  
MEK-1305



**NEW!**

Launched in FY2021



Automated hematology analyzer  
MEK-9200



- Incorporates RET\*2 measurement using a blue semiconductor laser and nucleic acid staining reagent
- Enables stabilization of the measurement quality by automatically confirming the type and expiration date of reagents in the reagent management system



\*1 ESR (Erythrocyte Sedimentation Rate): High ESR means a possibility of infectious diseases such as tuberculosis. ESR is measured mainly in emerging countries.  
\*2 RET (Reticulocyte) is a new red blood cell released from the bone marrow into the peripheral blood. RET is measured to evaluate anemia in patients.

- In our Hematology Instrument Business, we launched the MEK-1305 in FY2020. It is the world's first hematology analyzer that can simultaneously measure ESR; the speed at which red blood cells sink. Demand for the MEK-1305 has been increasing mainly in India. It is expected to be used for screening of infectious diseases such as tuberculosis in emerging countries.
- We also launched the MEK-9200, the Company's first hematology analyzer with RET (reticulocyte) measurement. By incorporating a blue semiconductor laser, the MEK-9200 is able to perform RET measurement, which is measured to evaluate anemia in patients. The analyzer also further contributes to improving the measurement quality and accuracy by using dedicated reagents.

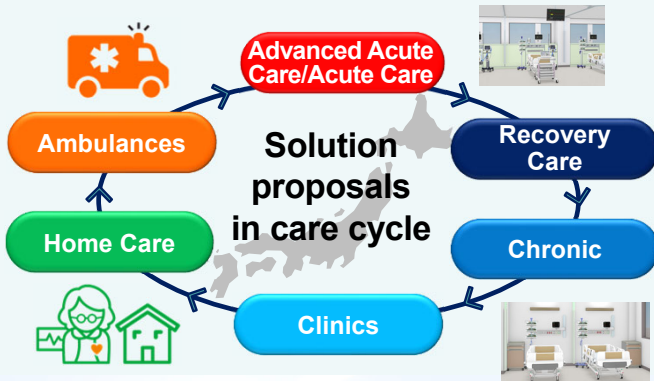
# Strengthen Strategies in Global Business

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

### ✓ Enhance customer value

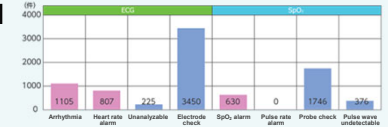
Strengthen marketing and service capabilities which contribute to improving

Medical safety Patient outcomes Operating efficiency



- **Medical safety** **Operating efficiency** **Provide alarm reports for patient monitors**

Collect and analyze alarm data, and propose operational improvement in hospitals by showing numerical data and graphs



- **Medical safety** **Strengthen maintenance and inspection service for ventilators**



Preventive maintenance and repair warranty



2-year fixed-price inspection

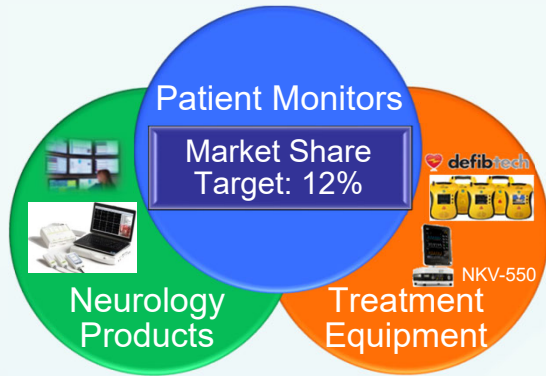


Ventilator NKV-330

- 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.
- The alarm reports for patient monitors collect and analyze alarm data in each ward and propose operational improvements by showing numerical data and graphs. As they lead to improvement in medical safety and operational efficiency, our alarm reports have been well received by many hospitals.
- As the installation base of our ventilators has expanded, we will strengthen the proposals and implementation of our maintenance and inspection service, aiming to contribute to medical safety.

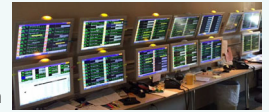
## U.S.: Expand business by integration and unification of six local subsidiaries

### ✓ Expand our product line-up



### ✓ Strengthen our solution proposals for large-scale monitoring network systems

War Room



### ✓ Expand sales of consumables and services



SpO<sub>2</sub> probe

NEW!



EMG electrode for neuromuscular monitoring NM-34 series  
Launched in FY2021

NEW!

#### NK NETWORK CARE

Launched in FY2021



Provide 24-hour monitoring of security threats in hospitals' networks, and support them when issues are detected

#### Patient Monitors



Mid-range bedside monitors  
CSM-1500/1700 series  
Planned to launch in FY2021 2H

#### Resuscitation Products



Video Laryngoscope  
NK AWS-S200  
Launched in FY2020

Next-generation automated chest compression device  
Planned to launch in FY2021 2H

- In the U.S., we aim to achieve further growth by strengthening our business structure through functional integration and unification of six local subsidiaries.
- Currently, we are preparing to launch mid-range bedside monitors. By introducing these new products, we will enhance our cybersecurity measures and strengthen our solution proposals for large-scale monitoring network systems.
- As the installation base has expanded, we will also expand our recurring businesses such as consumables and services. In addition to SpO<sub>2</sub> probes and CO<sub>2</sub> sensors, we have newly added an EMG electrode for neuromuscular monitoring to our line-up of consumables. We have also started offering our new service, NK NETWORK CARE. In recent years, cyber-attacks on medical institutions have become issues. By providing 24-hour monitoring of security threats to hospitals' networks and supporting them promptly when issues are detected, we will contribute to improving medical safety.

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

**Made in Japan/US** High-end market

Ambulance Defibrillator EMS-1052

Bedside monitors CSM-1500/1700 series

ICU Ventilator NKV-330

Bedside monitor PVM-4000

Ventilator NKV-550

**Made in China** Local R&D and production

Middle to low-end market

ECG ECG-3150

**NEW!** ECG ECG-3350 Launched in FY2020

ECG Planned to launch in FY2022

Spot check monitor SVM-7100

Bedside monitor SVM-7500

Local R&D for Chinese market

**NEW!** Automatic conveyor with efficiency system

Measure 5-part diff and CRP\*1 Launched in FY2021

Local production for Chinese market

Defibrillator TEC-5600

AED AED-3100

**NEW!** Bedside monitor BSM-3000 Launched in FY2021

**NEW!** Hematology analyzer MEK-9100 Launched in FY2021

## PAD\*2 market expansion in China and Latin America

From 2017: China and Columbia, From 2020: Chile

- ✓ Expansion of AED installation in public facilities
- ✓ Focus on raising awareness of AED and holding workshops



## Order for patient monitors from top hospital in Brazil

- ✓ Strengthened our direct sales and service capabilities in Sao Paulo
- ✓ Received order from Hospital Israelita Albert Einstein for ICU patient monitoring system



\*1 CRP: C-Reactive Protein

\*2 PAD (Public Access Defibrillation): PAD market includes public facilities, schools, and private companies.

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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.
- In addition to the launch of an automatic conveyor with efficiency system as a local R&D product for the Chinese market, we have started local production of bedside monitors and a hematology analyzer.
- In China and Latin America, laws for Public Access Defibrillation are being developed, and the installation of AEDs in public facilities is expanding. We will focus on expanding our AED business by raising awareness of AEDs.
- In Brazil, we have strengthened our direct sales and service capabilities in Sao Paulo and received an order from the top-ranked hospital in Latin America, Hospital Israelita Albert Einstein, for an ICU patient monitoring system. We expect it to have a ripple effect in the future.



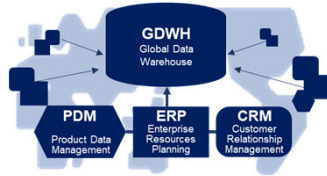
## Establish global SCM/ Strengthen core functions of operations

### Establish global SCM

#### ✓ Establish global information system

Reducing loss of business opportunities

Proper inventory management



#### ✓ Response to tight supply of components

Pre-ordering of components

Purchasing from multiple suppliers



### Strengthen core functions of operations

#### ✓ Enhance cybersecurity of the internal IT infrastructure



#### ✓ Strengthen compliance with the latest laws and regulations throughout the product life cycle

Compliance with environmental regulations

Post-market surveillance

- From the operations standpoint, we aim to establish a global SCM and strengthen core functions of operations to lay a foundation to support global growth.
- By establishing our global information system, we will reduce loss of business opportunities, especially overseas, and work on proper inventory management.
- To deal with tight supply of components, we prioritize securing inventory of parts by pre-ordering of components and purchasing from multiple suppliers.
- Following a cyber-attack on our European subsidiary in June, we are enhancing the cybersecurity of our internal IT infrastructure.
- We will also strengthen our business structure to ensure compliance with the state-of-the-art throughout the product life cycle. In particular, we will focus on compliance with environmental regulations and strengthening post-market surveillance.

## Targets for FY2023 ending March 2024

Net Sales	¥197.0 bil	<b>Breakdown of overseas sales by region</b> <table border="1"> <tbody> <tr> <td>Americas</td> <td>¥32.0 bil</td> </tr> <tr> <td>Europe</td> <td>¥10.0 bil</td> </tr> <tr> <td>Asia &amp; Other</td> <td>¥21.0 bil</td> </tr> </tbody> </table>	Americas	¥32.0 bil	Europe	¥10.0 bil	Asia & Other	¥21.0 bil
Americas	¥32.0 bil							
Europe	¥10.0 bil							
Asia & Other	¥21.0 bil							
Domestic Sales	¥134.0 bil							
Overseas Sales (Overseas Sales Ratio)	¥63.0 bil (32.0%)							
Consumables and Services Sales Ratio	48% or more							
Gross Profit Margin	50% or more							
Operating Income (Operating Income Margin)	¥20.0 bil (10.2%)							
Income Attributable to Owners of Parent	¥13.8 bil							
ROE	10%							

Exchange rate assumptions: ¥102 to the U.S. dollar, ¥124 to the euro

Three-year Plan	
R&D investments	Approx. ¥20.0 bil
Capital investments	Approx. ¥14.0 bil

- The numerical targets for FY2023 ending March 2024 are as shown above.
- The consolidated financial forecast for FY2021 is expected to exceed the targets of the three-year business plan, because COVID-19-related demand exceeded our expectations both in Japan and internationally. However, the Company reaffirmed the targets for FY2023. We will strive to minimize the reactionary decline of special demand. We also aim to achieve 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.

# Basic Policy on Distribution of Profits and Dividends

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

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



Dividends

Maintain stable and continuous dividend payments

Target: Consolidated dividend payout ratio of 30% or more

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

FY2020 Full-year dividend: 55 yen including special dividend of 20 yen (pay-out ratio: 25.7%)  
Share buybacks: 1.49 billion yen (total return ratio: 33.9%)

FY2021 (Forecast) Full-year dividend: 39 yen (pay-out ratio: 18.9%)

- 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.
- Full-year dividend for FY2021 will be 39 yen per share, and the payout ratio will be 18.9%. We will consider shareholder returns at the time of the full-year financial settlement.

## Disclaimer:

The contents of this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures described therein. Information on products (including products under development) in this document is not intended to make any advertisement or promotion.