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NIHON KOHDEN CORPORATION (6849)

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Announcement of a new three-year business plan

Nihon Kohden today announced a three-year business plan. Based on its management philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, a new three-year business plan, BEACON 2030 Phase I, has been designed with the twin aims of achieving a sustainable society and enhancing the corporate value of the Company.

I. Long-term vision, BEACON 2030

<Vision Statement>

Illuminating Medicine for Humanity

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

<Three Transforms>

- Transform into a global company creating high added value
- Create a solution business providing superior customer value
- Establish a global organization founded on Operational Excellence

<Three Phases>

Phase I (FY2021 to FY2023) Strengthen foundation

Improve the profitability of existing businesses, Cultivate new business areas and business models

Phase II (FY2024 to FY2026) Invest for growth

Step up its investment in growth areas, Establish collaborations between new business models and existing businesses

Phase III (FY2027 to FY2029) Realize BEACON 2030

Achieve profitability of new business models,

Establish a position as a solution provider that helps solve global medical issues

<Management Index>

The Company gives priority to operating margin and overseas sales ratio with the aim of becoming a global company that creates high added value. The target levels in the fiscal year ending March 2030 are an operating margin of 15% and overseas sales ratio of 45%.

II. Three-year Business Plan, BEACON 2030 Phase I

1. Basic Policy

- Embrace sustainability across business and corporate activities
- [Management] Ensure strict compliance and strengthen group governance
- [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

2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the UN Sustainable Development Goals. In our business activities, we will address 8 issues aimed at realizing the 5 visions for the future which we designated in BEACON 2030. In corporate activities, we will address 4 issues of Human rights/Human resources, Quality, Governance, and Environment. In order to address these issues, the Company will strengthen and combine human machine interface* technologies, digital technologies, and green technologies to reduce its environmental footprint.

* Human machine interface is the user interface that connects human and machine. For Nihon Kohden, this refers to sensor technology, signal processing technology, and data analysis technology.

12 Material Issues in Sustainability	
Material issues to be addressed through business	
BEACON 2030 5 visions for the future • Accessible • Intelligent • Patient oriented • Connected • Optimized	i. Improve resuscitation rates by expanding access to AEDs
	ii. Provide educational opportunities for medical professionals in emerging nations
	iii. Automatic control of medical equipment
	iv. Develop and provide sensors which are gentle on the patient
	v. Create a peaceful patient environment with advanced alarm technology
	vi. Contribute to care for patients with heart failure, brain disorders and infection
	vii. Improve product utilization rate by remote monitoring
	viii. Eliminate health disparities by telemedicine
Material issues to be addressed through corporate activities	
Human rights/ Human resources	ix. Foster a corporate culture of pride in contributing to healthcare
Quality	x. Pursue the highest level of quality in the world across the value chain
Governance	xi. Ensure strict compliance and strengthen group governance
Environment	xii. Contribute to realizing a carbon-free society

3. Six key strategies

(1) [Management] Ensure strict compliance and strengthen group governance

- Reorganize the Legal Department into the Compliance & Legal Department in the Global Corporate Administration Operations
- Newly establish the Compliance Department in the Sales Operations which controls domestic sales branches
- Enhance compliance training at each workplace to prevent corruption
- Establish and promote global management policy, strengthen internal control over domestic sales

(2) [Business] Improve the profitability of existing businesses

The Company aims to improve the profitability of existing businesses through creating high customer value, enhancing productivity, and timely launch of new products.

Patient Monitor Business

- Expand its product line-up by developing a new central monitor
- Provide application services which contribute to better patient outcomes and economy of medical care
- Develop digital health solutions by utilizing vital sign data

Treatment Equipment Business**• Ventilators and Anesthesia Machines**

- Achieve sustainable growth of ventilator business by introducing ventilators to the Chinese market and developing a mid-range model
- Develop Japan's first "robotic anesthesia system**"
*The system is designed to administer a controlled dose of anesthetics during operations by using the patient's vital signs as a guide. It consists of a patient monitor, personal computer, and syringe pump.

• Resuscitation Products

- Expand overseas business in pre-hospital market by developing affordable models of defibrillators and promoting a video laryngoscope and automated chest compression device which help to reduce the infection risk of medical staff
- Provide solution for improving the utilization rate of AEDs

Diagnostic Equipment Business**• Neurology Products**

- Establish leadership positions in the neurology products market in Japan, China and the U.S. by developing an EEG amplifier with enhanced network capabilities and introducing the Company's EEG headset to China

• Cardiology Products

- Expand its product line-up of affordable model of ECGs
- Enhance marketing activities of cardioNet* in China
*ECG data management software designed for the Chinese market

• Hematology Instruments

- Expand its product line-up by developing a hematology analyzer with reticulocyte measurement
- Accelerate business development in China and emerging markets by promoting the hematology analyzer with ESR measurement and introducing the medical device remote monitoring system

Consumables and Services Business

- Strengthen proposals of consumables and services to the new customer base acquired in FY2020
- Expand sales of disposable consumables as infection prevention measures
- Increase the number of connected models and available countries for the medical device remote monitoring system
- Strengthen services business by expanding maintenance plans and training programs

(3) [Business] Strengthen strategies in global* business

Nihon Kohden focuses on Japan, the U.S., and China, and establishes Global Quad-Polar Organization together with Europe & Emerging markets.

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

- Strengthen its marketing and service capabilities to create customer value which contributed to improving medical safety, patient outcomes, and operating efficiency
- Provide integrated monitoring by connecting between patient monitors and ventilators
- Expand its line-up of products which can be connected to LAVITA to contribute to caring for heart failure in regional medical care networks

[U.S.] Expand business in the U.S. by integration and unification of six local subsidiaries

- Strengthen treatment equipment business by local production of the NKV-330 ventilator and the EMS-1052 defibrillator, and local development of a new automated chest compression device
- Expand market share of patient monitors by local development of digital health solutions and introduction of mid-range bedside monitors

[China] Maximize customer value by utilizing local R&D, production, and sales functions

- Strengthen local R&D and production functions to respond to the needs of the Chinese market
- Promote solution proposals by enhancing marketing capabilities

[Europe & Emerging markets] Expand sales to new customer base and promote solution proposals

- Expand sales of consumables and services to the customer base newly acquired in FY2020
- Propose the establishment of medical care system suitable for the future needs after COVID-19

(4) [Business] Create new customer value by digital health solutions

- Establish a vital sign data platform for integration and analysis of data, and develop clinical support applications for improving patient outcomes and economy of medical care

(5) [Operations] Promote corporate digital transformation

- Establish a global information system and communication system in order to promote work-style reforms and improve operating efficiency

(6) [Operations] Establish global supply chain management

- Realize supply chain data visualization by DX and reform operational processes in procurement, production, and logistics

4. Human resource development and corporate culture reform

In accordance with its Core Values, Nihon Kohden will introduce a new personnel system and enhance its global human resource development programs to foster corporate culture in which employees take pride in contribution to healthcare and mission.

5. Targets for FY2023 ending March 2024 (consolidated)

In FY2021, which is the first year of BEACON 2030 Phase I, Nihon Kohden will focus on minimizing the negative impact in reaction to special demand related to COVID-19. The Company will consistently implement six key strategies set out above to achieve the targets and embrace sustainability across its business and corporate activities.

¥billion	FY2019 actual	FY2020 forecast	FY2023 target
Sales	185.0	190.5	197.0
Domestic sales	134.3	129.0	134.0
Overseas sales	50.6	61.5	63.0
Gross profit margin	48.3 %	49.7 %	Over 50 %
Operating income	15.5	20.0	20.0
Operating income margin	8.4 %	10.5 %	10.2 %
Income attributable to owners of parent	9.8	11.8	13.8
ROE	8.3 %	—	10 %

Breakdown of overseas sales by region

	FY2019 actual	FY2020 forecast	FY2023 target
Americas	24.7	29.6	32.0
Europe	9.0	12.7	10.0
Asia & Other	16.8	19.2	21.0

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

[Reference] Investment plan for growth

The total amount of R&D costs and capital investments are planned to be about ¥20.0 billion and ¥14.0 billion respectively over three years.

The Company will undertake R&D investments for developing digital health solutions which the Company defines as new business and capital investments for promoting corporate digital transformation and establishing global SCM.

6. Basic policy on distribution of profits and dividends

Nihon Kohden applies a basic policy on distribution of profits and dividends that prioritizes 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. With stable and continuous dividends as its basic policy, the Company sets a target consolidated dividend payout ratio of 30% or more. Share buybacks are considered in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings, and stock price level.

Disclaimer: This document is based on Company evaluations and analyses at the time of writing and does not in any way constitute a guarantee or warranty that the Company will achieve the numerical targets or implement the measures stated herein.