

Three-year Business Plan



BEACON

2030

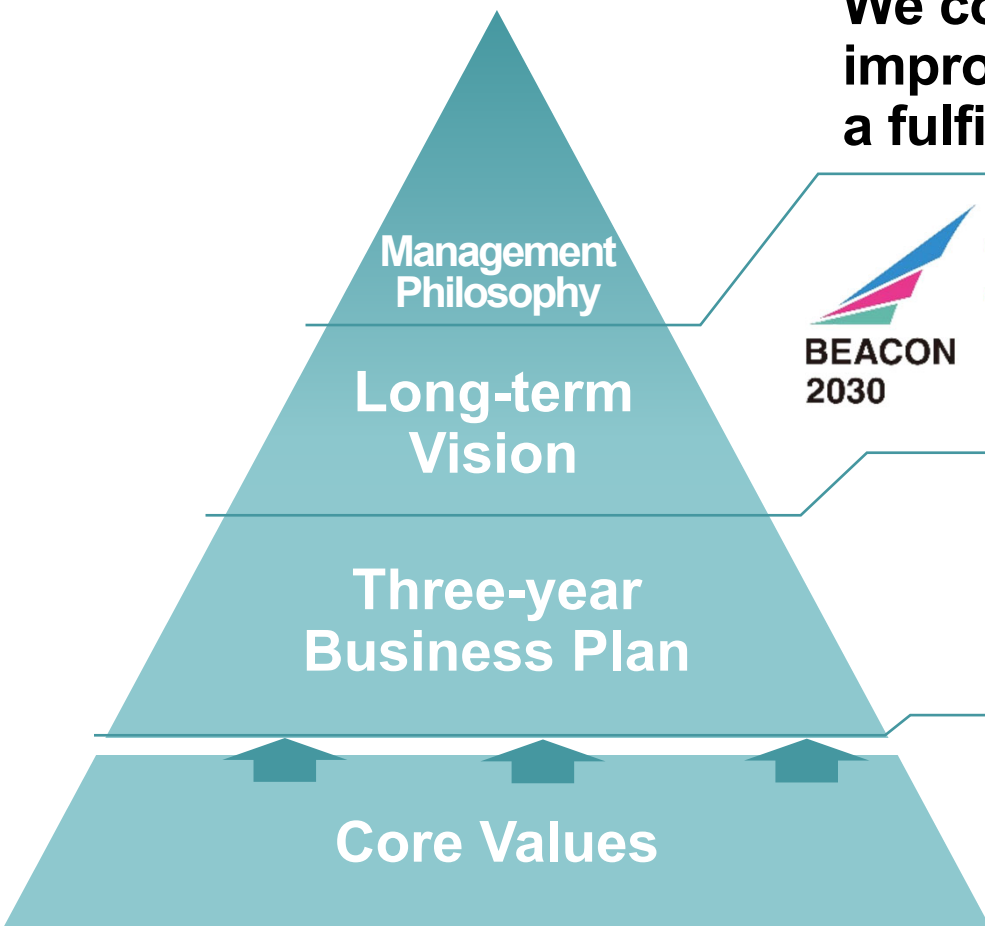
Phase III

March 2, 2021



Nihon Kohden Management Philosophy, Long-term Vision, Three-year Business Plan, and Core Values

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

BEACON 2030 Phase III: Realize BEACON 2030

BEACON 2030 Phase II: Invest for growth

BEACON 2030 Phase I: Strengthen foundation

Core values are shared by Nihon Kohden staff worldwide, which help to connect them and contribute to promoting our management philosophy, long-term vision, and three-year business plan.

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

Three Transformations for BEACON 2030

1 Transform into a global company creating high added value

- Promote overseas business strategies emphasizing high growth and improved profitability
- Develop sophisticated value propositions and cultivate new businesses areas in domestic business
- Create new business models by utilizing our global business foundation

2 Create a solution business providing superior customer value

- Create a business model that helps solve medical issues
- Realize a value creation model that creates value from data, by utilizing our core strength in Human Machine Interface* technology

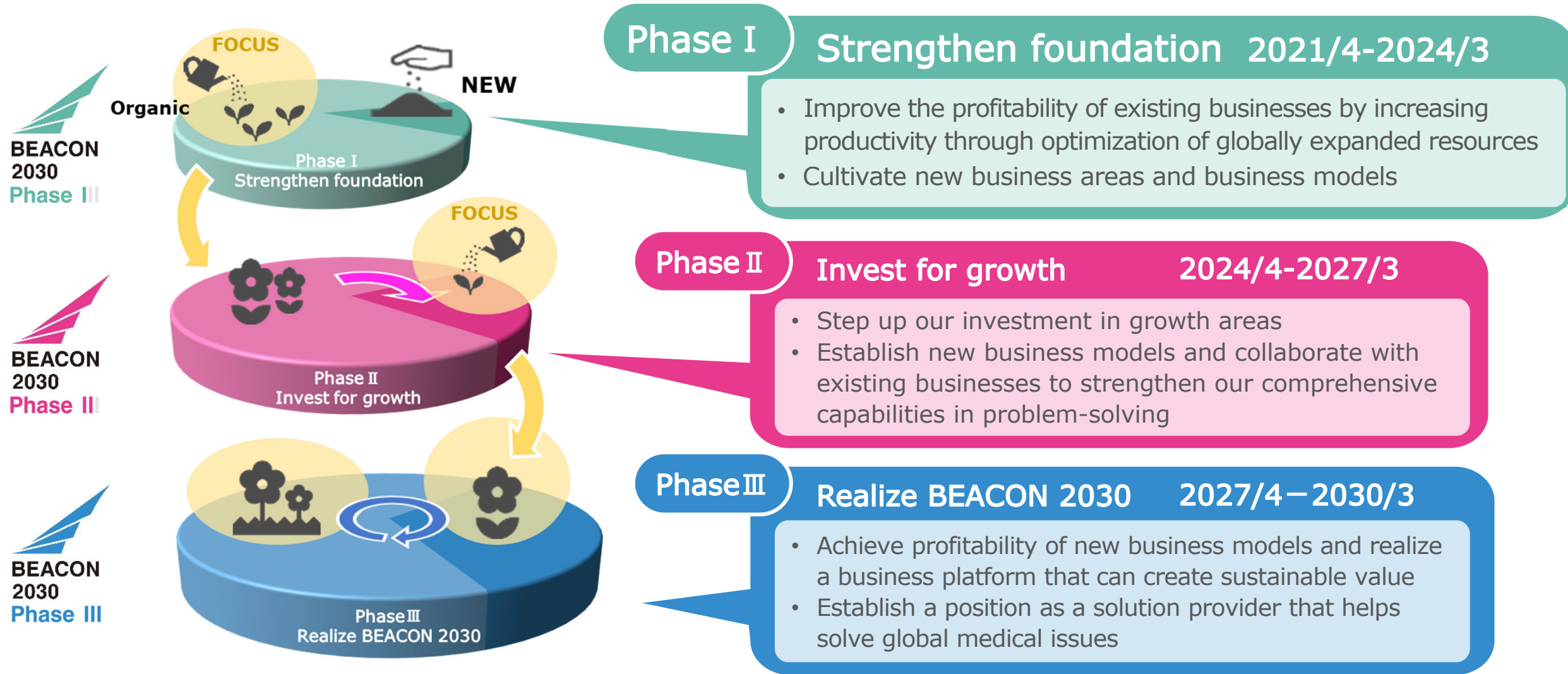
3 Establish a global organization founded on Operational Excellence

- Establish an organizational and governance system in line with our corporate strategy
- Establish a development, production and sales system based on Global Supply Chain Management
- Strengthen global business deployment capabilities by establishing a Center of Excellence

* 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.

Three Phases of BEACON 2030

Nihon Kohden has set three phases to reach in our journey toward 2030. The Company aims to realize its long-term vision by steadily achieving the theme in each phase.



Management Index for BEACON 2030

Nihon Kohden 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

Operating Margin

15%

Overseas Sales Ratio

45%

Three-year Business Plan BEACON 2030 Phase III

1. Review of Previous Medium-term Business Plan and Measures Implemented in FY2020
2. Business Environment
3. Three-year Business Plan, BEACON 2030 Phase I
 - Basic Policy
 - Embracing Sustainability
 - Key Strategies
 - (1) Management
 - (2) Business
 - (3) Operations
 - Human Resource Development and Corporate Culture Reform
 - Numerical Targets
 - Investment Plan
 - Basic Policy on Distribution of Profits and Dividends

1. Review of Previous Medium-term Business Plan and Measures Implemented in FY2020

Review of Previous Medium-term Business Plan

1 Create high customer value

- **Launched a series of Nihon Kohden's first products**
 - Ultrasound probe, automated hematology analyzer and clinical chemistry analyzer, spot check monitor, ventilators
- **In-house sales ratio: 65.6%** (FY2019)
- **Sales ratio of Consumables and Services: 45.5%** (FY2019)

2 Improve productivity within the organization

- **Established the Eastern Japan Logistics Center**
- **Established a global ERP system**
 - Subsidiaries in the Middle East, Korea, Mexico, India
- **Simplified administrative work between headquarters and domestic sales branches**



	FY2016 Actual	FY2019 Target	FY2019 Actual
Net Sales	¥166.2 bil	¥190.0 bil	¥185.0 bil
Domestic Sales	¥124.7 bil	¥135.0 bil	¥134.3 bil
Overseas Sales	¥41.5 bil	¥55.0 bil	¥50.6 bil
Operating Income (Operating Income Margin)	¥13.5 bil (8.2%)	¥20.0 bil (10.5%)	¥15.5 bil (8.4%)
Income Attributable to Owners of Parent	¥9.1 bil	¥13.7 bil	¥9.8 bil
ROE	9.1%	12.0%	8.3%

Issues carried over from Previous Medium-term Business Plan

Improvement of profitability remains as an issue to be solved

Improve profitability of existing businesses

- ✓ Launch new products on schedule
- ✓ Achieve further growth in overseas business
- ✓ Enhance customer value proposition in domestic business

Consolidate corporate fundamentals to grow as a global company

- ✓ Strengthen governance and business management structure
- ✓ Improve supply chain management using IT

The announcement of a three-year business plan was suspended for a year because the market environment had changed due to the COVID-19 pandemic.

Measures Implemented in FY2020

COVID-19 infection control measures

- Maintained supply of products and services, while implementing thorough measures to prevent infection



- Provided and expanded online seminars and training programs



Measures to ramp-up production

- Ramped up production to meet increased overseas demand



Patient Monitors

- Ramped up production at the Tomioka Production Center

Ventilators

- Ramped up production at the Tomioka Production Center and Nihon Kohden OrangeMed

Results

- Continue support of medical workers in clinical practice by fulfilling our responsibility as medical device manufacturer to supply products
- Expand international installation base of patient monitors and ventilators

Issues

- Review corporate governance system following the compliance matter in Japan

2. Business Environment

Business Environment

**COVID-19
pandemic**

- +** Reaffirmed the importance of the healthcare system
- Increased infection rates and burden on medical workers
Deteriorated hospitals' earnings

**Accelerate DX in medical fields
such as telemedicine and tele-ICU**



**Increase the
entry of new
competitors**



**Tighten laws/regulations
such as cybersecurity
measures**



3. Three-year Business Plan

BEACON 2030 Phase III

Basic Policy

Embrace sustainability across business and corporate activities

Management

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

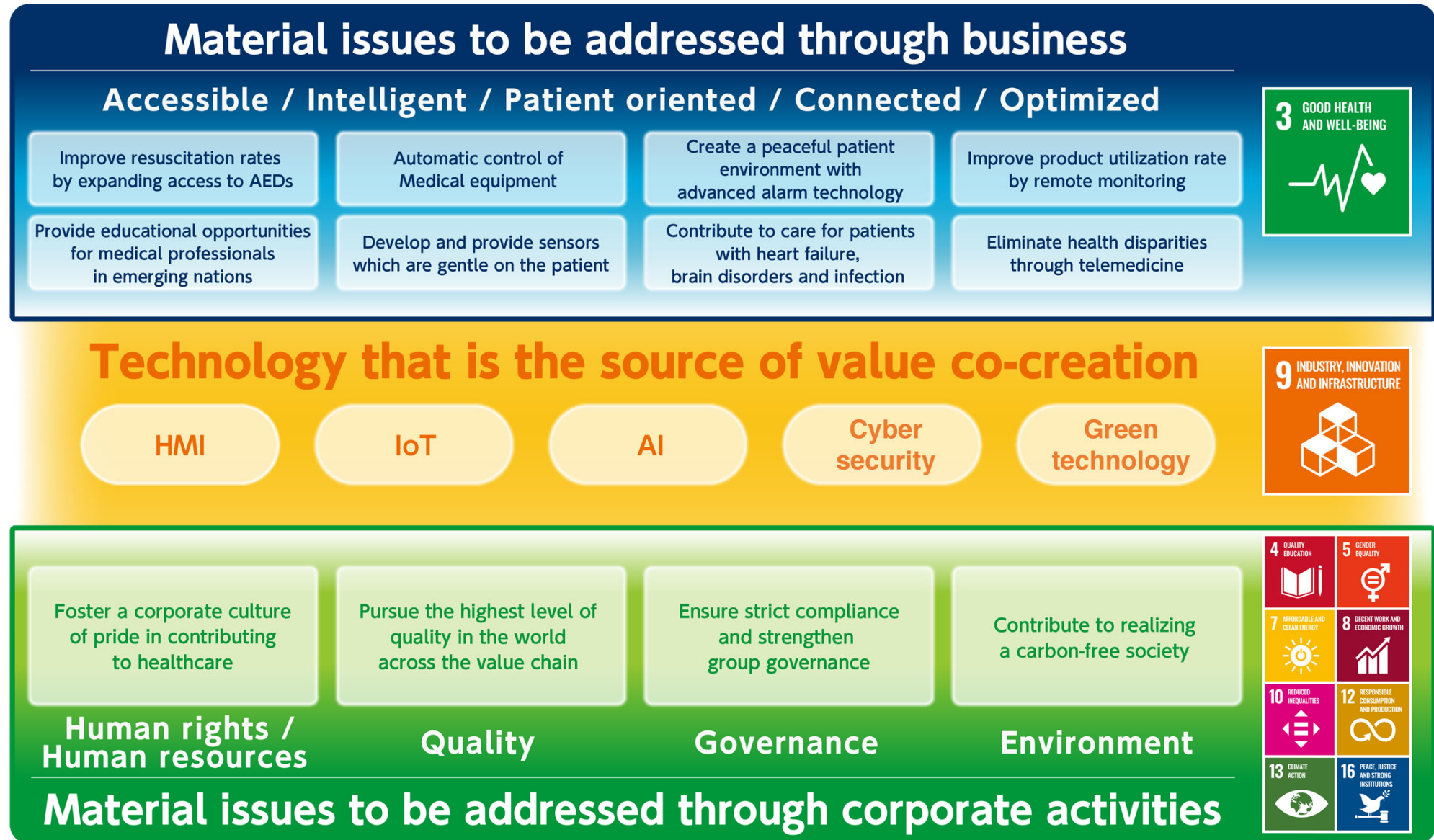
Business

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

Embracing Sustainability: Material Issues



Embracing Sustainability: KPIs

Material Issues in Sustainability

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
		Patient oriented	Develop and provide sensors which are gentle on the patient
	Connected		Create a peaceful patient environment with advanced alarm technology
		Optimized	Contribute to care for patients with heart failure, brain disorders and infection
			Improve product utilization rate by remote monitoring
		Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA R&D investment in realization of remote support for ICUs

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	Contribute to realizing 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

Key Strategy: (1) Management

Basic Policy

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

Ensure strict compliance

(Compliance training)

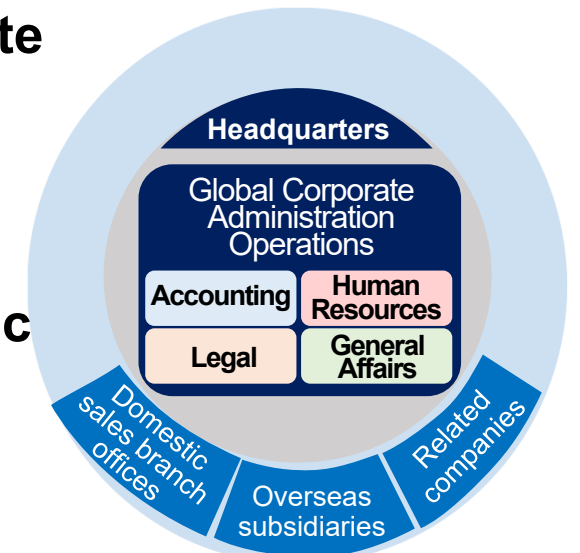
- ✓ Enhance compliance training at each workplace to prevent corruption

(Reorganize our compliance framework)

- ✓ **The Compliance & Legal Department** in the Global Corporate Administration Operations
- ✓ **The Compliance Department** in the Sales Operations in Japan

Strengthen group governance

- ✓ Establish and promote global management policy
- ✓ Strengthen internal control over domestic sales



Aim to rebuild trust with all stakeholders

Key Strategy: (2) Business

Basic Policy

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



1) Improve the profitability of existing businesses

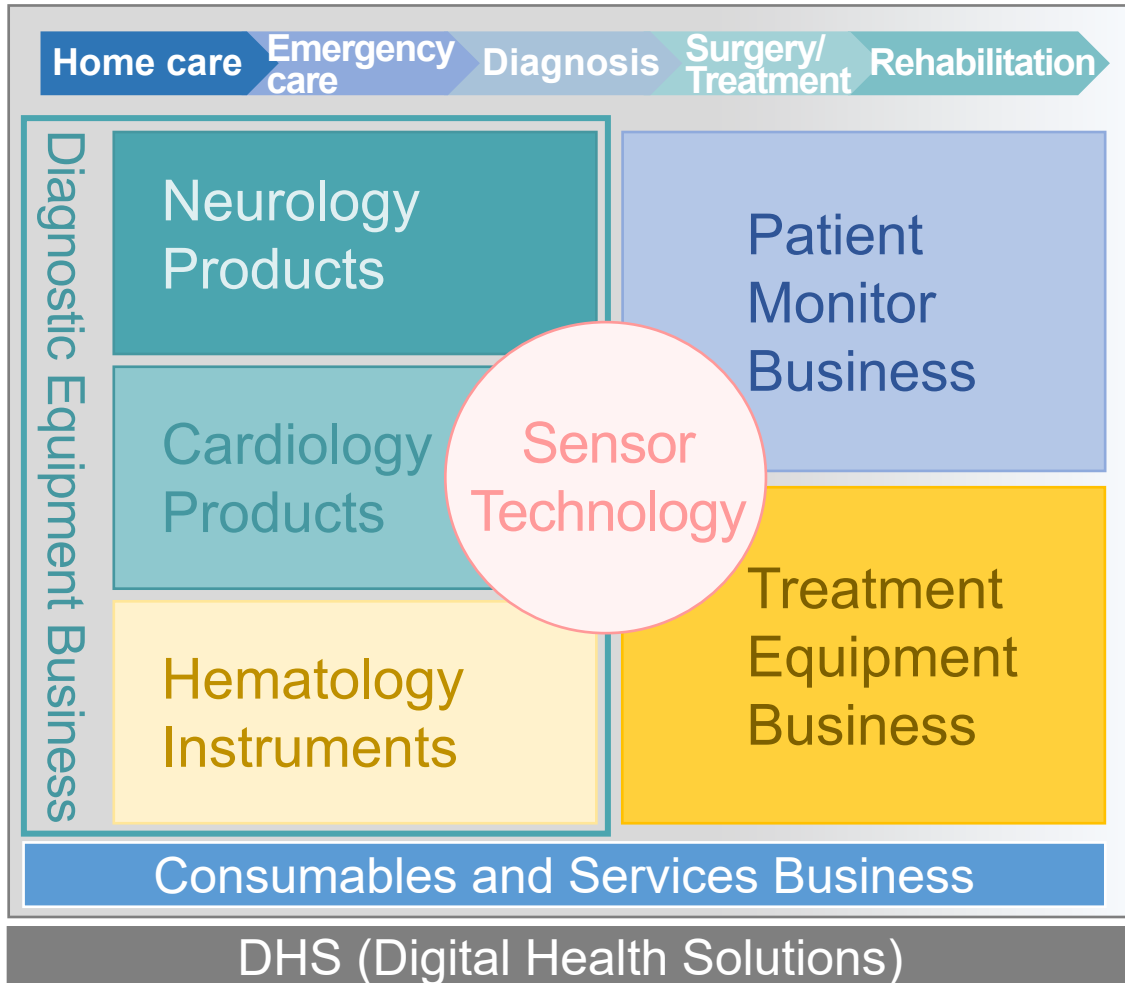


2) Strengthen strategies in global business



3) Create new customer value by digital health solutions

1) Improve the profitability of existing businesses



Common measures across all businesses

Create high customer value

- Promote digital health solutions
- Enhance cybersecurity measures
- Expand the provision of medical device remote monitoring system (MD Linkage)

Improve productivity

- Establish a new common design platform
- Promote standardization and common parts
- Ensure strict lifecycle management

Timely launches of new products

- Achieve the highest level of quality in the world
- Enhance R&D and QA/RA structures

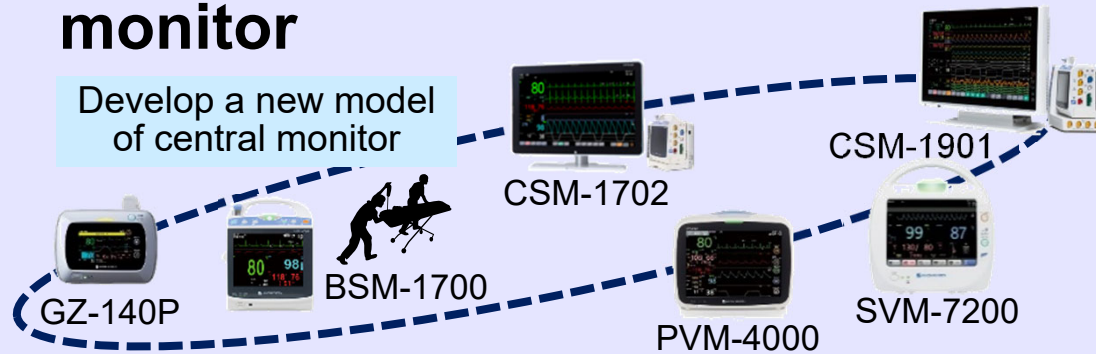
Establishment of a highly profitable structure

1) Improve the profitability of existing businesses

Patient Monitor Business

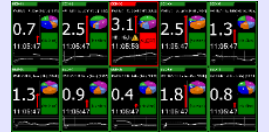
Expand the product line-up

- ✓ Develop a new model of central monitor



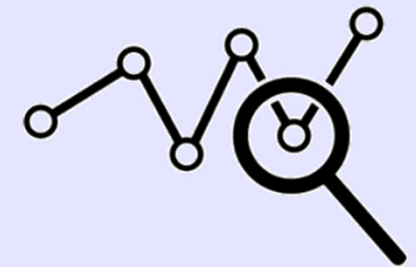
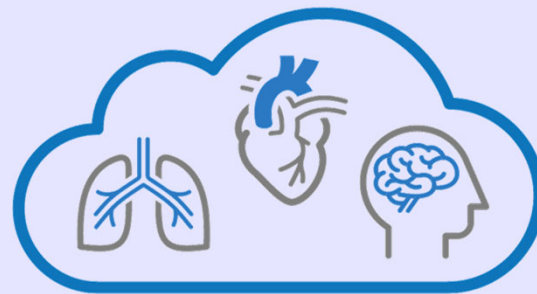
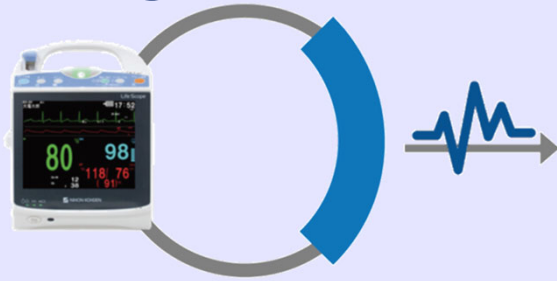
Provide application services

- ✓ Equip Early Warning Scores
- ✓ Enhance connectivity with ventilators
- ✓ Connect to medical device remote monitoring system MDLinkage



Develop DHS by utilizing vital sign data

- ✓ Provide new solutions in the U.S.



Waveform Gateway

Data Warehouse

View/Extract & Analytics

1) Improve the profitability of existing businesses

Treatment Equipment Business

(Ventilators & Anesthesia Machines and Resuscitation Products)

Ventilators & Anesthesia Machines

✓ Achieve sustainable growth of ventilator business

- Enter the Chinese market
- Develop a mid-range model
- Enhance connectivity with patient monitors



Develop a mid-range ventilator

✓ Develop a robotic anesthesia system

- Administer a controlled dose of anesthetics during operations using the patient's vital signs as a guide

Japan's first!

Resuscitation Products

✓ Expand overseas business in pre-hospital market

- Develop affordable models of defibrillators and a new model of automated chest compression device
- Promote a video laryngoscope and automated chest compression device

Develop affordable models of defibrillators



Video Laryngoscope



Automated Chest Compression Device

Develop a new model

✓ Provide solutions that improve the utilization rate of AEDs

- Promote the pulse checker
- Improve accessibility by mobile AED and AED for home



Pulse Checker



AED-M100

1) Improve the profitability of existing businesses

Diagnostic Equipment Business

(Neurology Products/Cardiology Products/Hematology Instruments)

Neurology Products

- ✓ Develop an EEG amplifier with enhanced network capabilities
- ✓ Introduce the Nihon Kohden EEG headset to China
- ✓ Establish leadership positions in the neurology product market in Japan, China, and the U.S.

Develop an EEG amplifier with enhanced network capabilities



EEG Headset

Cardiology Products

- ✓ Expand product line-up of affordable ECG models
- ✓ Enhance marketing activities of cardioNet in China
- ✓ Promote the arrhythmia analysis function of polygraphs for cath lab

Develop affordable ECG models



RMC-5000



Hematology Instruments

- ✓ Expand the product line-up

Develop a hematology analyzer with reticulocyte measurement

- ✓ Accelerate business development in China and emerging markets
 - Promote hematology analyzer with ESR measurement
 - Introduce medical device remote monitoring system to overseas markets



1) Improve the profitability of existing businesses

Consumables and Services Business

Consumables

Japan & International: Promote as infection prevention measures

- ✓ Expand sales of disposable consumables for patient monitors and ventilators



International: Strengthen consumables business

- ✓ Reduce cost & increase production volume



- ✓ Expand line-up of consumables

Services

Japan: Provide services with high added value

- ✓ Expand maintenance plans
- ✓ Increase the number of connected models to the medical device remote monitoring system



International: Strengthen services business structure

- ✓ Strengthen proposals of services to new customer base acquired in FY2020
- ✓ Expand maintenance plans and training programs
- ✓ Introduce medical device remote monitoring system



2) Strengthen strategies in global business

< Japan >

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

✓ **Enhance customer value**

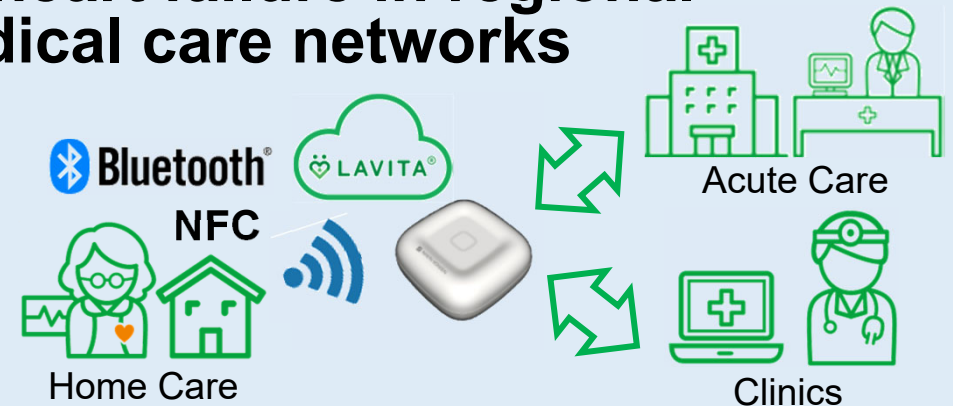
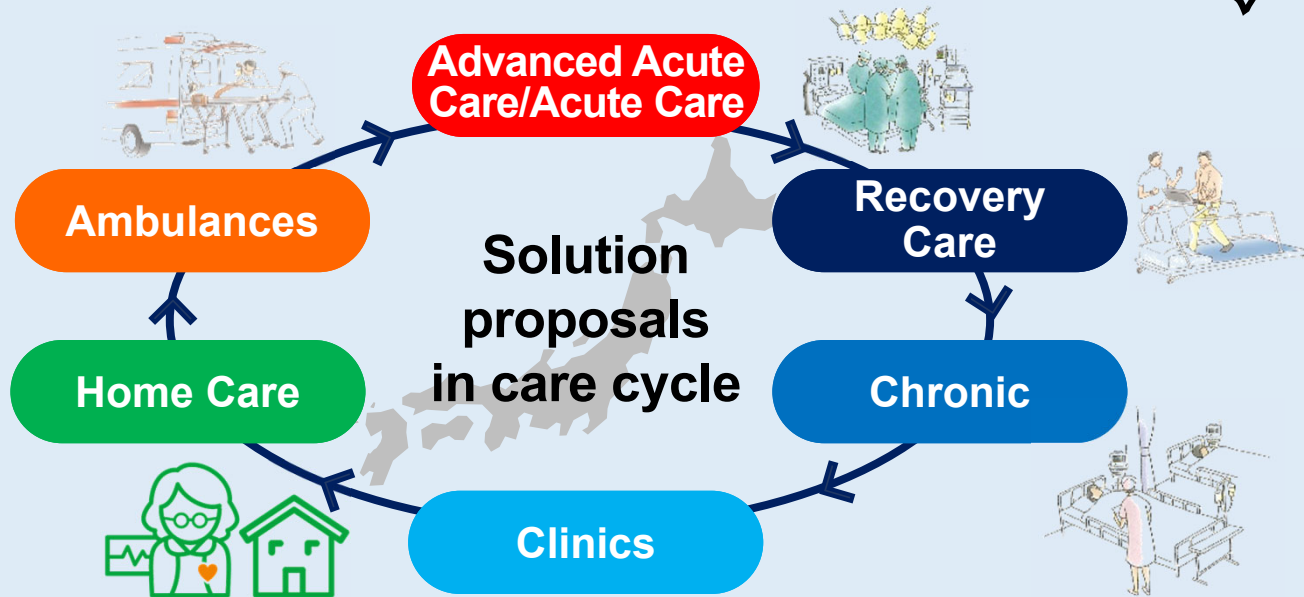
Strengthen marketing and service capabilities which contribute to improving



✓ **Provide integrated monitoring by connecting between patient monitors and ventilators**



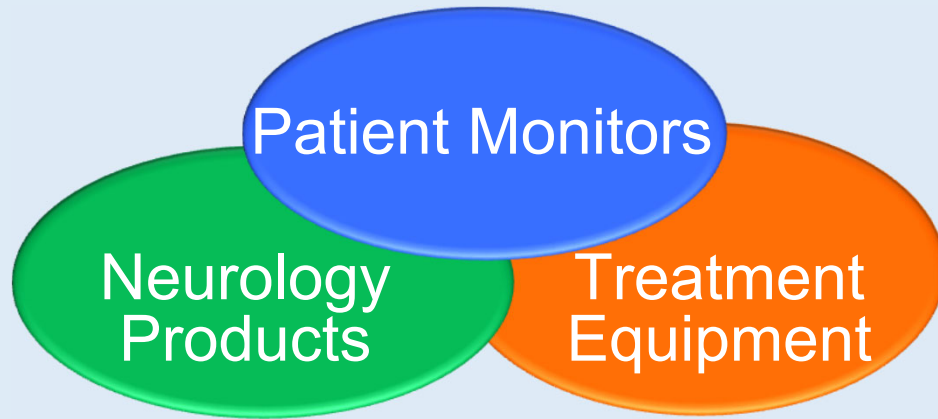
✓ **Expand the line-up of products which can be connected to LAVITA® to contribute to caring for heart failure in regional medical care networks**



2) Strengthen strategies in global business

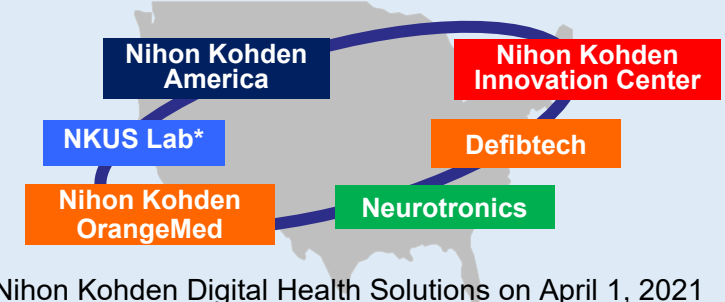
< U.S. >

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



✓ Actively utilize development, production, and sales functions

Local production and sales of NKV-330/EMS-1052 in U.S.



* Plan to be rebranded as Nihon Kohden Digital Health Solutions on April 1, 2021

Patient Monitors

Market Share Target: 12%

- Develop and introduce DHS
- Introduce mid-range bedside monitors



CSM-1500/1700 series

Treatment Equipment

Ventilators

- Expand the product line-up



NKV-330



NKV-550

Resuscitation Products

- Promote solution proposals
- Introduce defibrillators manufactured in U.S.



EMS-1052

2) Strengthen strategies in global business

< 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**
 - Focus on ECGs, defibrillators, AEDs, and hematology instruments
- ✓ **Promote solution proposals by enhancing marketing capabilities**



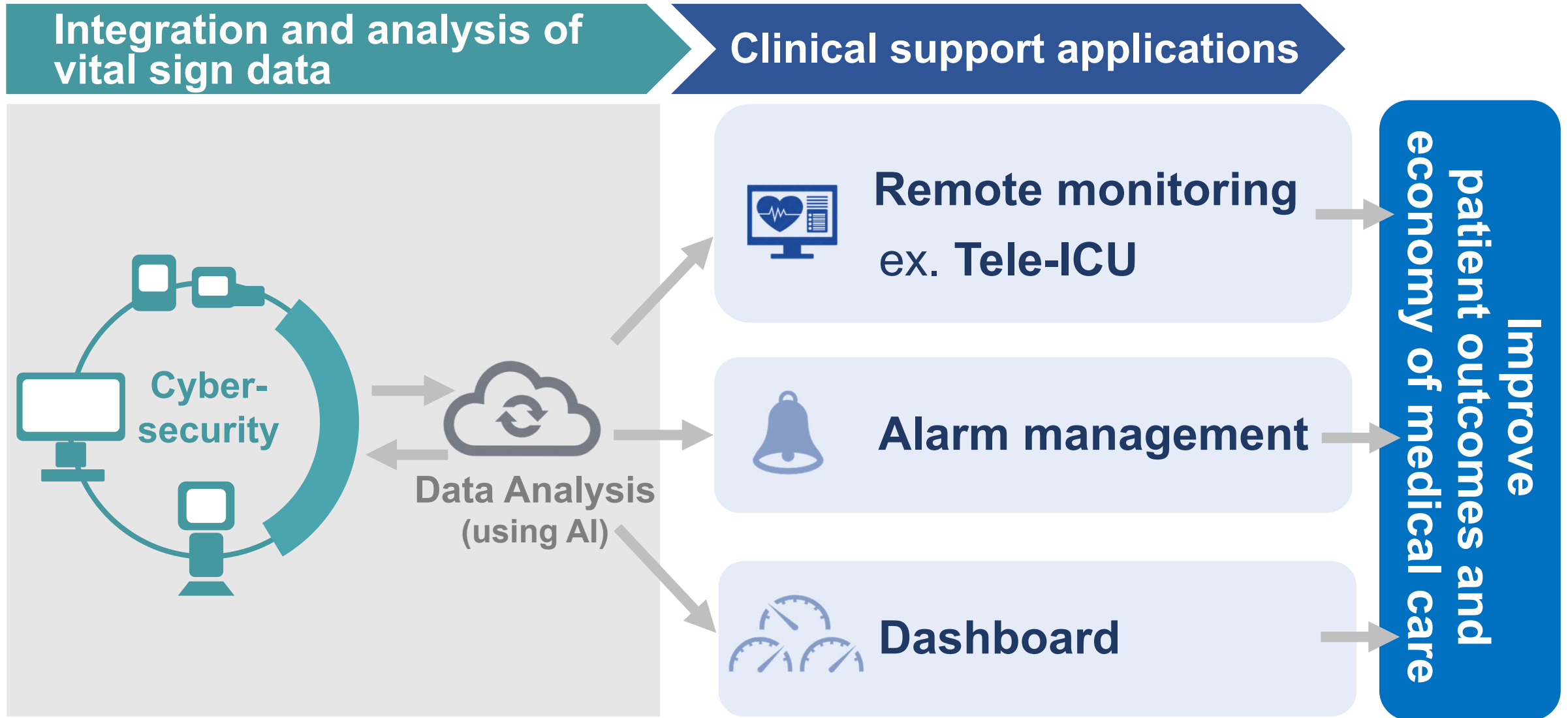
< Europe & Emerging markets >

Expand sales to new customer base and promote solution proposals

- ✓ **Expand sales of consumables and services**
- ✓ **Propose establishment of medical care system suitable for future needs after COVID-19**
- ✓ **Promote data linkage by collaborating with local IT system vendors**



3) Create new customer value by digital health solutions



Key Strategy: (3) Operations

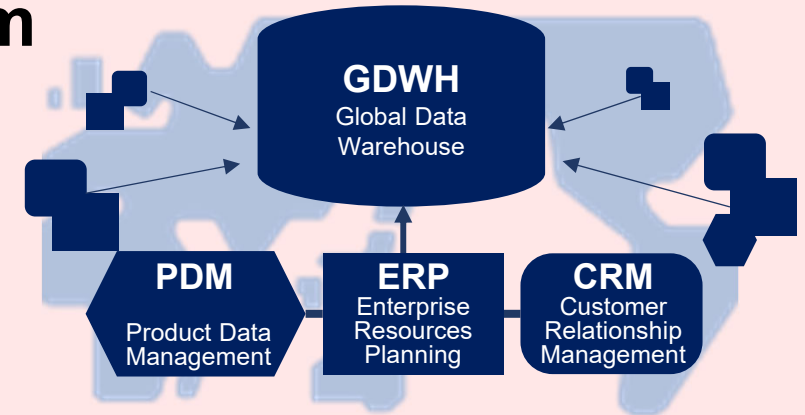
Basic Policy

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

1) Promote corporate digital transformation



- ✓ Enhance cybersecurity
- ✓ Establish global information system

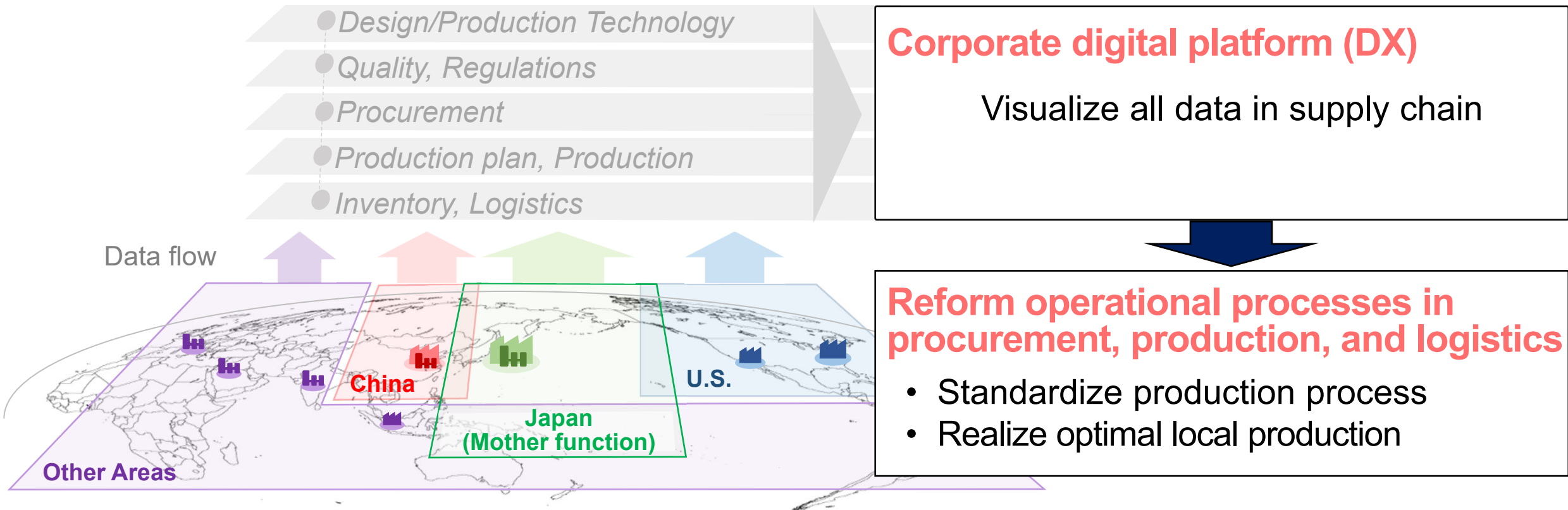


- ✓ Establish communication system

Key Strategy: (3) Operations



2) Establish global supply chain management



Human Resource Development and Corporate Culture Reform

Foster a corporate culture in which employees take pride in their contribution to healthcare and our mission

Management Philosophy

Long-term vision **BEACON 2030**
Illuminating Medicine for Humanity

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

Seven Core Values

New personnel system



Shift to role-based (job-based) personnel system to realize long-term vision



Work-style reforms

Work-life balance
Response to new work-styles

Global human resource development programs



Programs to develop skills, human resources and organization necessary for realizing long-term vision

Targets for FY2023 ending March 2024

Net Sales	¥197.0 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%

Breakdown of overseas sales by region

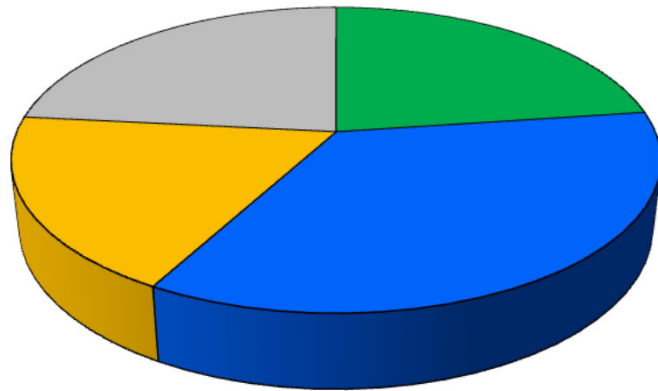
Americas	¥32.0 bil
Europe	¥10.0 bil
Asia & Others	¥21.0 bil

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

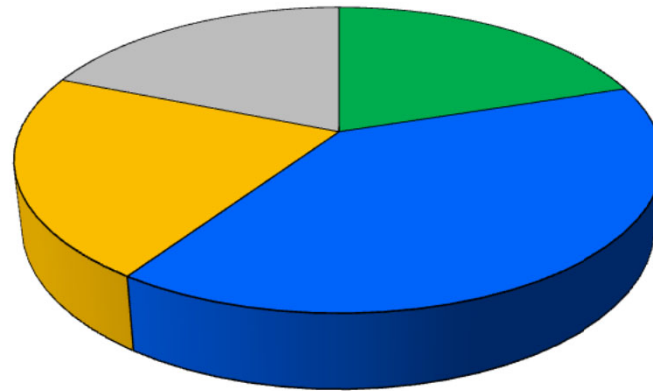
Image of Sales by Product Category

Focus on expanding Patient Monitors and Treatment Equipment Businesses

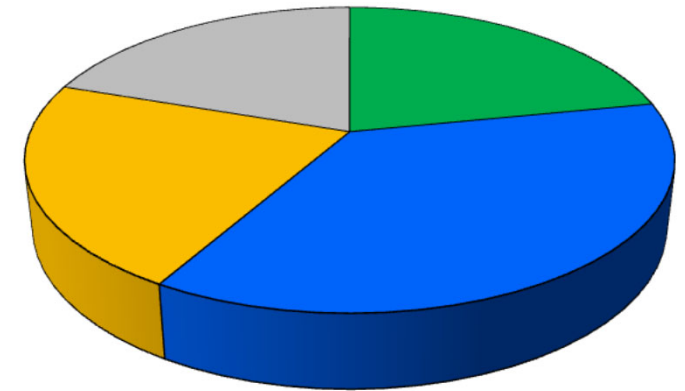
FY2019 Actual



FY2020 Forecast



FY2023 Target



■ Physiological Measuring Equipment ■ Patient Monitors
■ Treatment Equipment ■ Other Medical Equipment

Investment Plan

- Completed development of major models of patient monitors and ventilators in previous medium-term business plan
- Plan to actively undertake R&D investments for developing digital health solutions which the Company defines as new business
- Plan to undertake capital investments for promoting corporate digital transformation and establishing global SCM

	Previous Medium-term Business Plan (Three-year Actual)	BEACON 2030 Phase III (Three-year Plan)
R&D investments	¥21.2 bil	About ¥20.0 bil
Capital investments	¥10.0 bil	About ¥14.0 bil

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 defines as 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

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.