

# **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**

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# 1) Consolidated Financial Results for FY2022

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

	FY2021 Actual	FY2022			
		Original forecast announced May 13, 2022	Revised forecast announced Feb 2, 2023	Actual	YoY (%)
<b>Sales</b>	205,129	195,000	208,000	<b>206,603</b>	0.7
<b>Domestic Sales</b>	136,321	130,500	135,000	<b>135,734</b>	-0.4
<b>Overseas Sales</b>	68,807	64,500	73,000	<b>70,869</b>	3.0
<b>Gross Profit</b> (Gross Profit Margin)	109,085 53.2%	98,200 50.4%	105,200 50.6%	<b>105,926</b> 51.3%	-2.9
<b>Operating Income</b> (Operating Income Margin)	30,992 15.1%	16,500 8.5%	19,000 9.1%	<b>21,120</b> 10.2%	-31.9
<b>Ordinary Income</b>	34,563	16,500	20,500	<b>24,122</b>	-30.2
<b>Income Attributable to Owners of Parent</b>	23,435	11,000	13,500	<b>17,110</b>	-27.0

← -12% on a local currency basis

← In-house sales ratio:      FY2021      FY2022  
   72.7%      72.4%

← SG&A Ratio:      FY2021      FY2022  
                                 38.1%      41.1%

← Foreign exchange gains:  
                                 FY2021      FY2022  
                                 ¥ 3,175 mil      ¥2,386 mil

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

## 2) Measures Implemented in FY2022

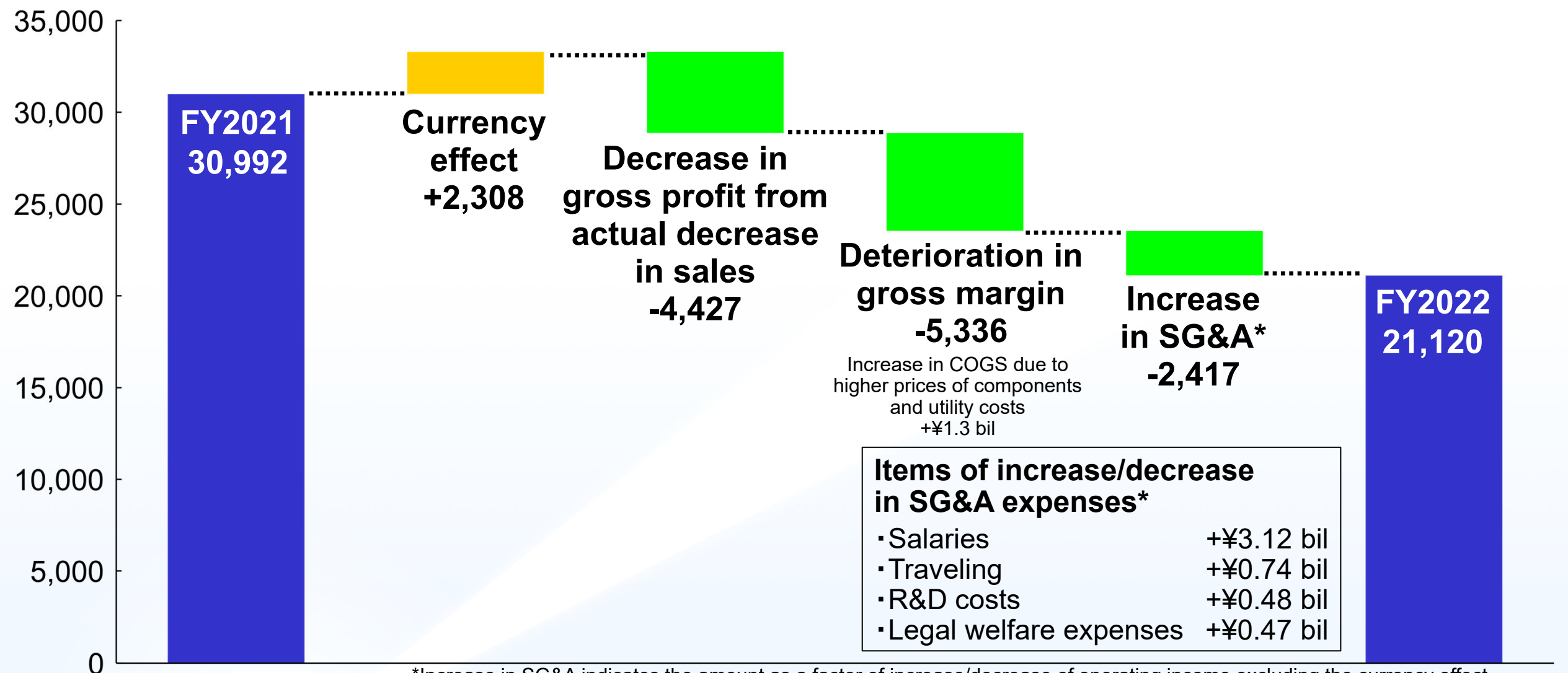
- ✓ In Japan, demand for physiological measuring equipment and hematology instruments recovered as well as sales returned to growth YoY in 4Q.
- ✓ Internationally, there were negative impact of product supply issues in 1H but sales recovered in 2H.
- ✓ Gross profit margin decreased due to higher prices 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"> <li>✓ Favorable currency effects</li> <li>✓ Sales increased on a comparable basis, excluding the reactionary decline of COVID-19-related demand and impact of product supply issues</li> </ul>	34.3%	32.0%
Consumables and Services Sales Ratio	43.0%	44.2%	<ul style="list-style-type: none"> <li>✓ Sales of catheters and sensors increased, as the number of testing and surgical procedures showed a recovery trend</li> </ul>	47.3%	48% or more
Gross Profit Margin	51.2%	53.2%	<ul style="list-style-type: none"> <li>✓ Higher prices of components</li> <li>✓ Unfavorable product mix</li> </ul>	51.3%	50% or more
(Ref) In-house sales ratio	69.5%	72.7%		72.4%	

### 3) Breakdown of Operating Income

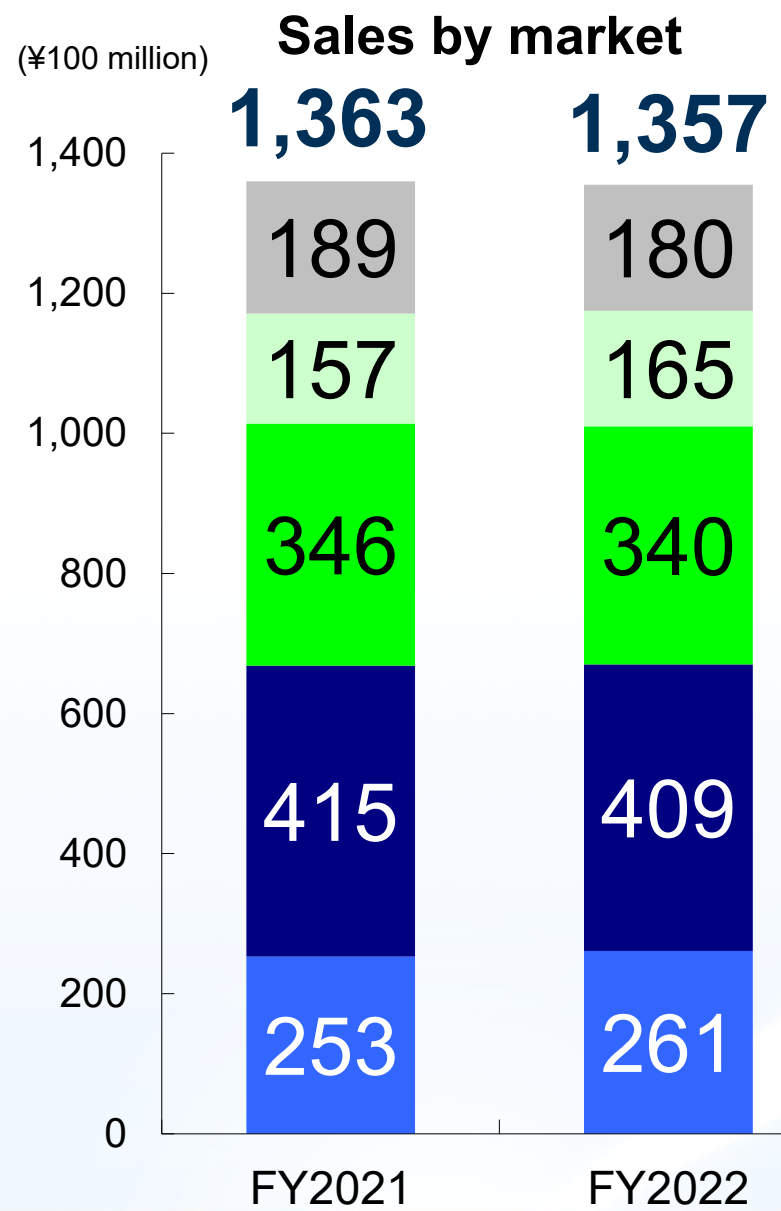
(Amounts of less than ¥1 million are rounded down)



\*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect.

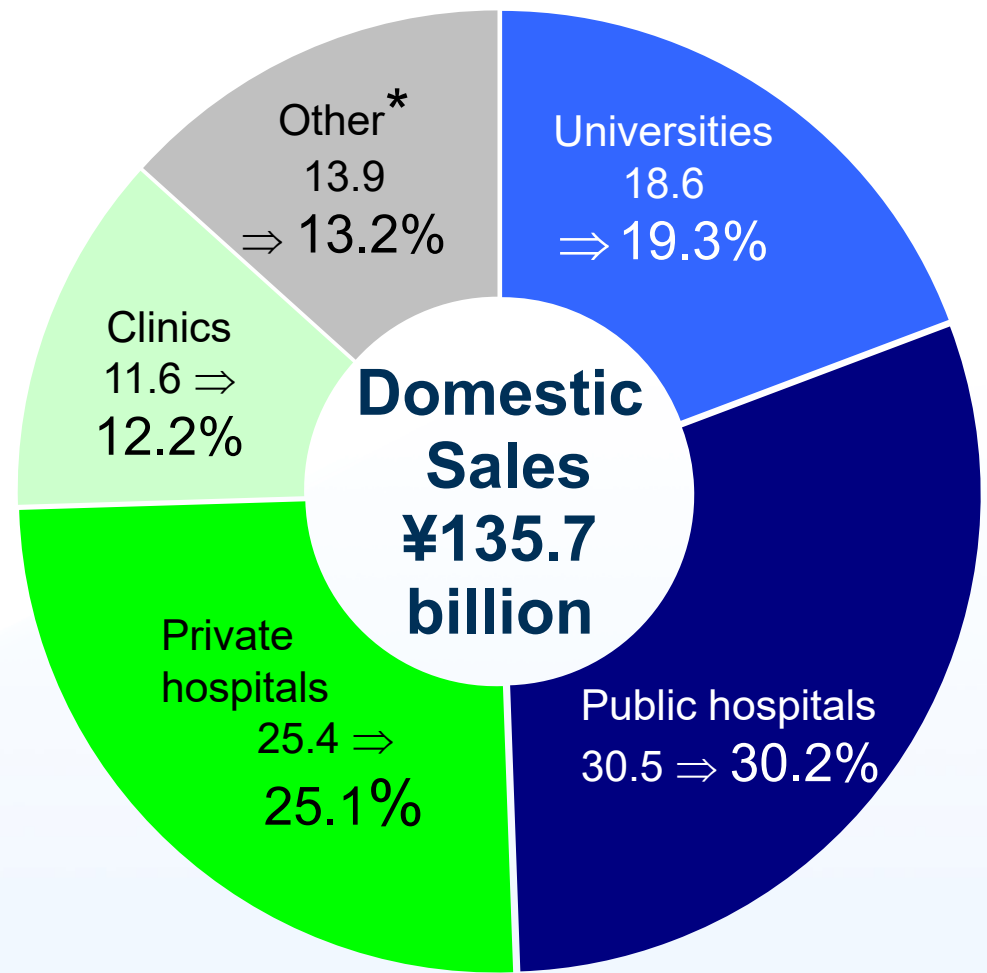
Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

# 4) Domestic Sales



- Other
- Clinics
- Private hospitals
- Public hospitals
- Universities

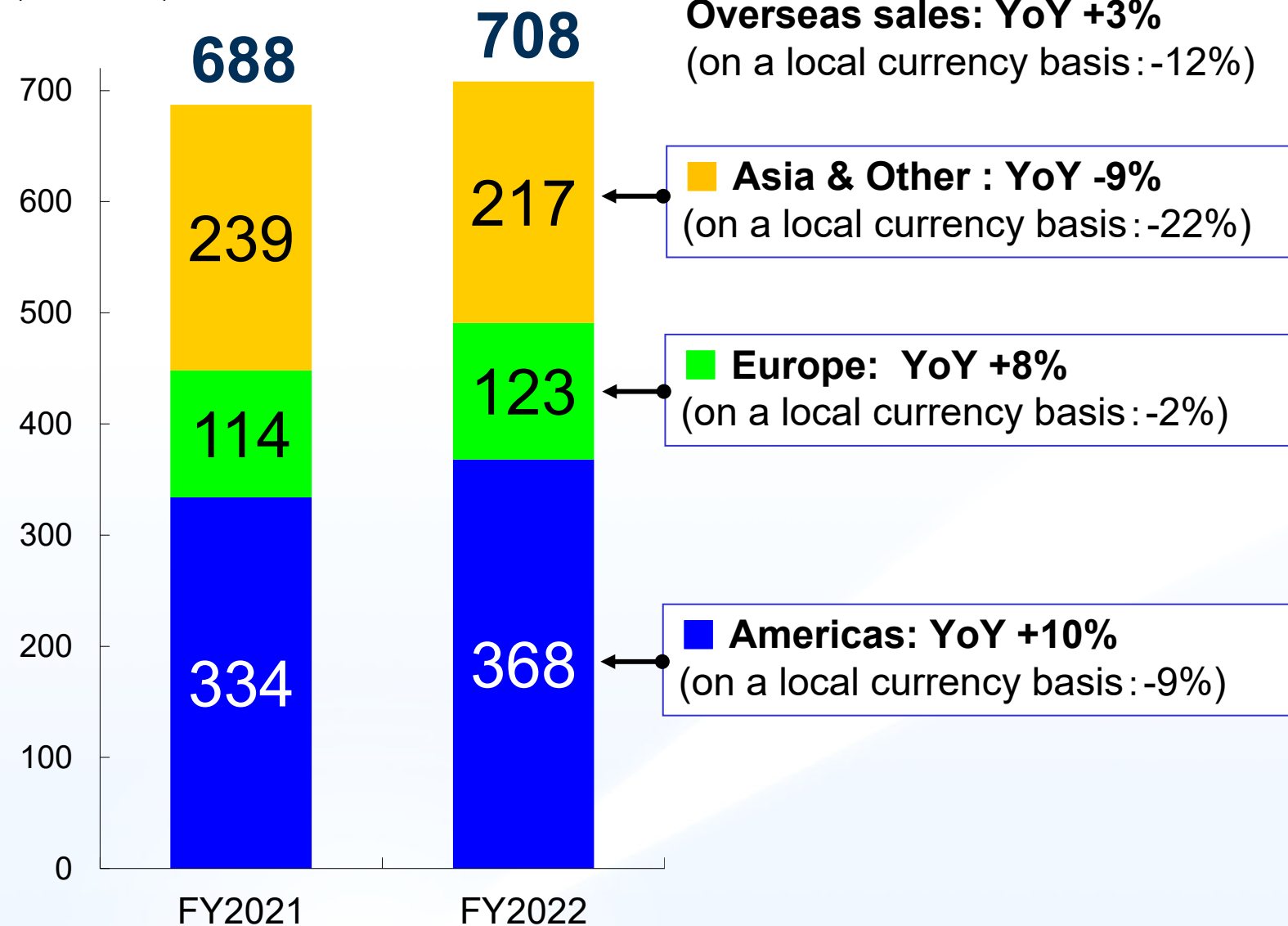
Sales composition by market (FY2021 ⇒ FY2022)



\*Other includes laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

# 5) Overseas Sales

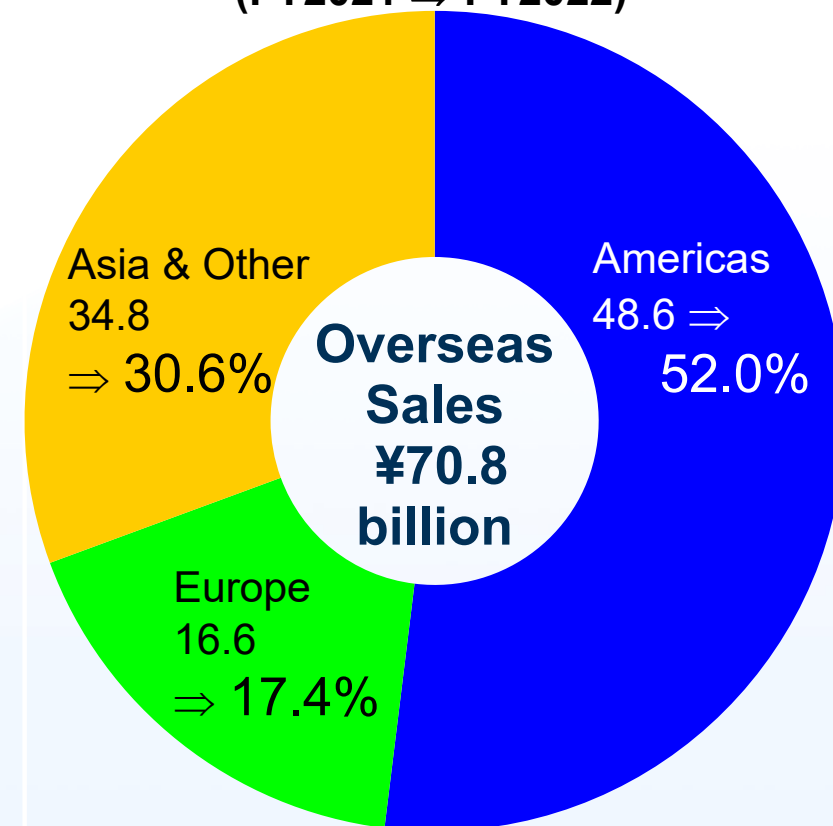
Geographic segments  
(¥100 million)



Percentage of overseas sales to consolidated sales

FY2021	FY2022
33.5%	34.3%

Geographic Segments  
(FY2021 ⇒ FY2022)



# 6) Sales by Product Category

(Sales, millions of yen)

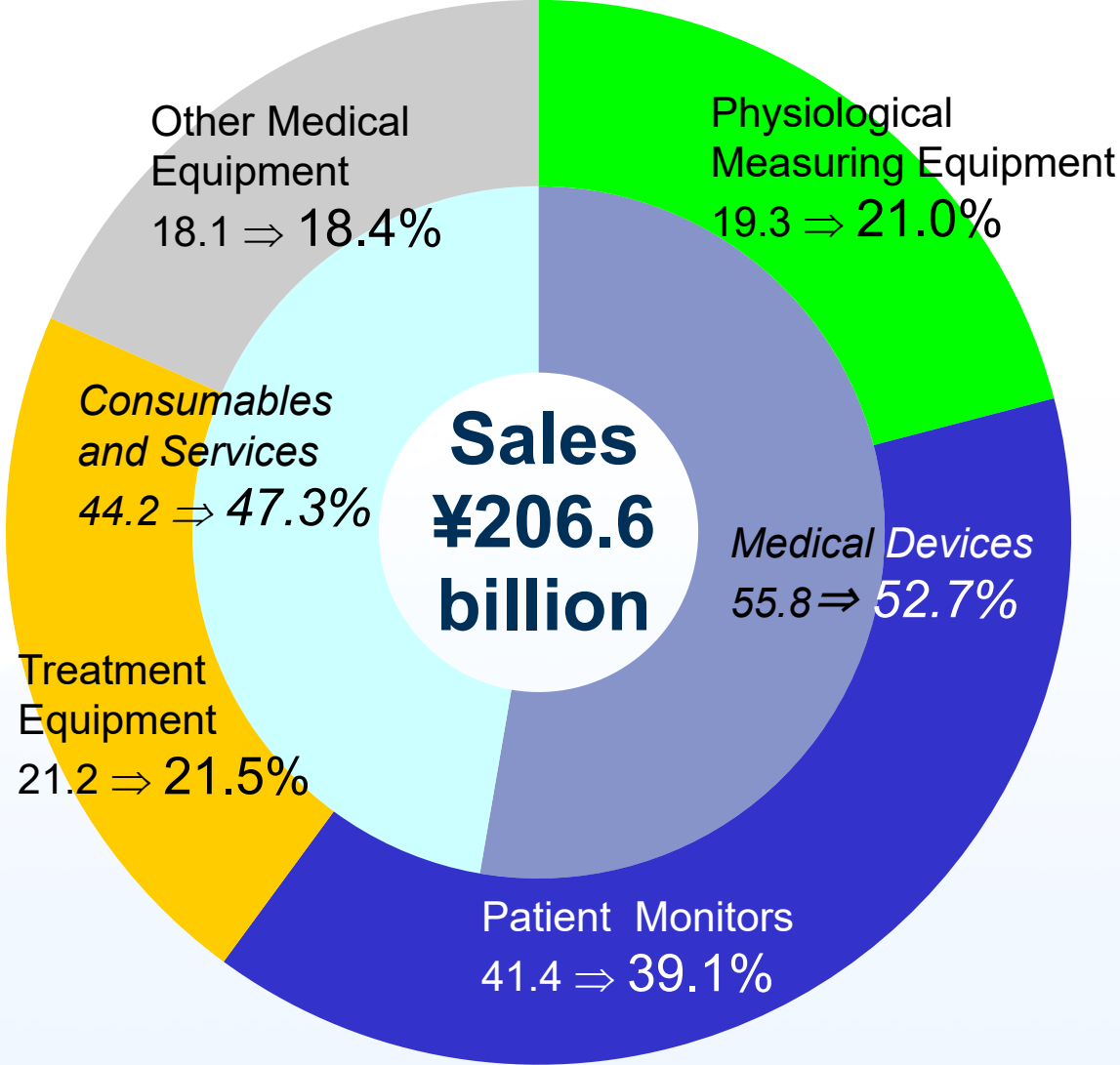
	FY2021	FY2022	YoY (%)
Physiological Measuring Equipment	39,681 (47%)	<b>43,287</b> (45%)	9.1
Patient Monitors	84,860 (62%)	<b>80,815</b> (62%)	-4.8
Treatment Equipment	43,388 (46%)	<b>44,463</b> (45%)	2.5
Other Medical Equipment	37,198 (47%)	<b>38,036</b> (44%)	2.3
<b>Total</b>	<b>205,129</b> (53%)	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

(Reference)

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

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

Sales composition by product category  
(FY2021 ⇒ FY2022)





# 6.1) Physiological Measuring Equipment

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

(Sales, millions of yen)

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.

**NEW!**



**Electro-encephalograph**  
EEG-1260



**EMG/EP measuring system**  
MEB-9600

**NEW!**



**Electro-cardiograph**  
ECG-3250



**Holter ECG monitor**  
RAC-5000



**Polygraphs for Cath Lab**  
RMC-5000



**Medical and long-term care network system**  
LAV-1000



**EMG electrode for neuromuscular monitoring NM-34 series**  
**Consumables**

# 6.2) Patient Monitors

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



**Bedside monitors**  
CSM-1500/1700



**Spot check monitor**  
SVM-7200



**Telemetry system**  
WEP-1200



**Central monitor**  
CNS-2101



SpO<sub>2</sub> probe for esCCO measurement



cap-ONE mask



ECG electrodes

**Consumables**

# 6.3) Treatment Equipment

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

# 6.4) Other Medical Equipment

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

(Sales, millions of yen)

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.

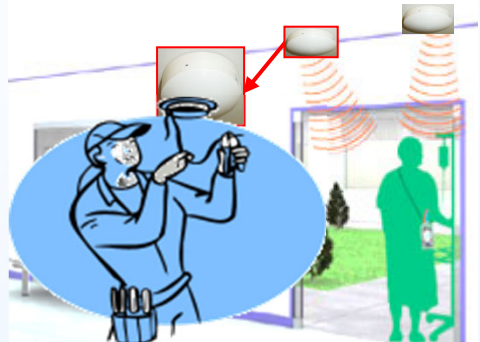
\*Includes consumables, installation and maintenance services which are not part of other categories.



**Automated hematology analyzer**  
MEK-9200



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

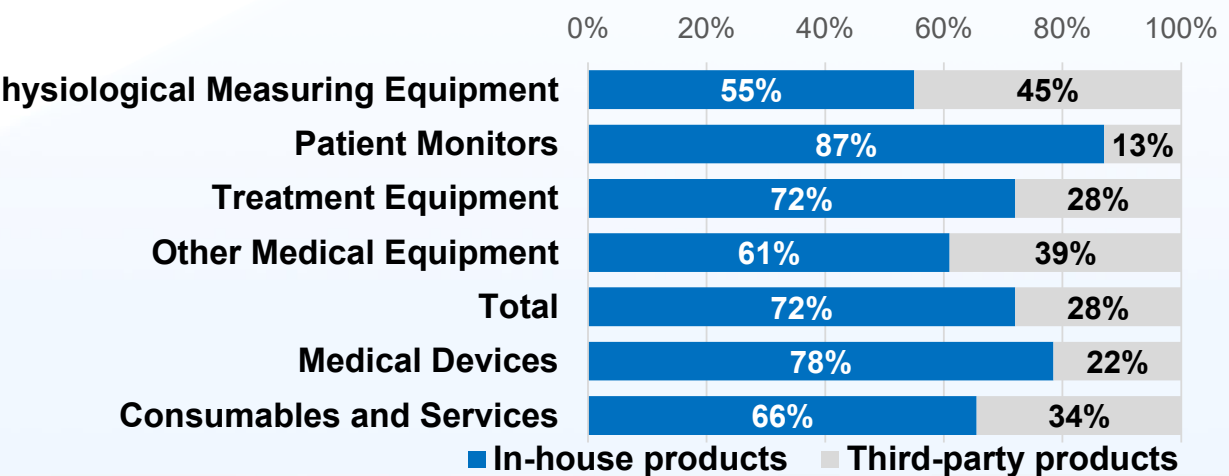
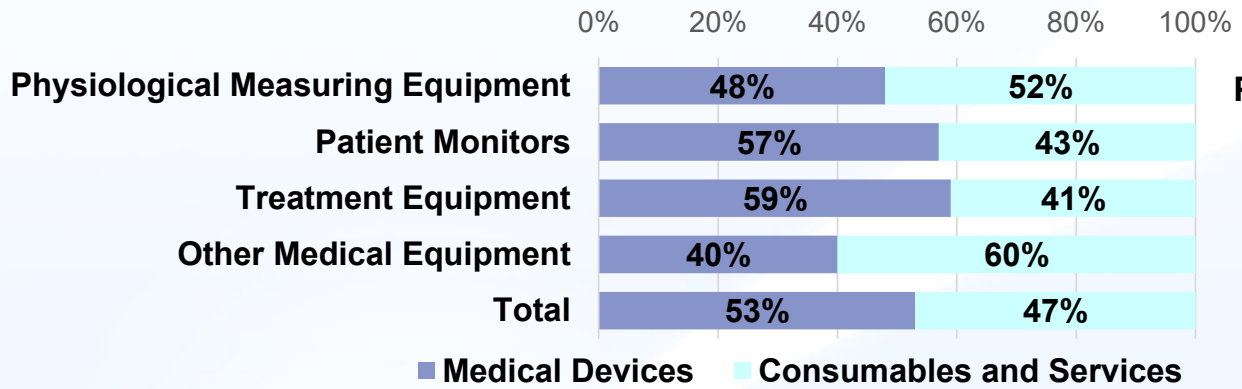


**Installation and maintenance services**

# (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%)
<b>Total</b>	<b>206.6 (+1%)</b>	<b>135.7 (-0%)</b>	<b>70.8 (+3%)</b>	<b>36.8 (+10%)</b>	<b>12.3 (+8%)</b>	<b>21.7 (-9%)</b>

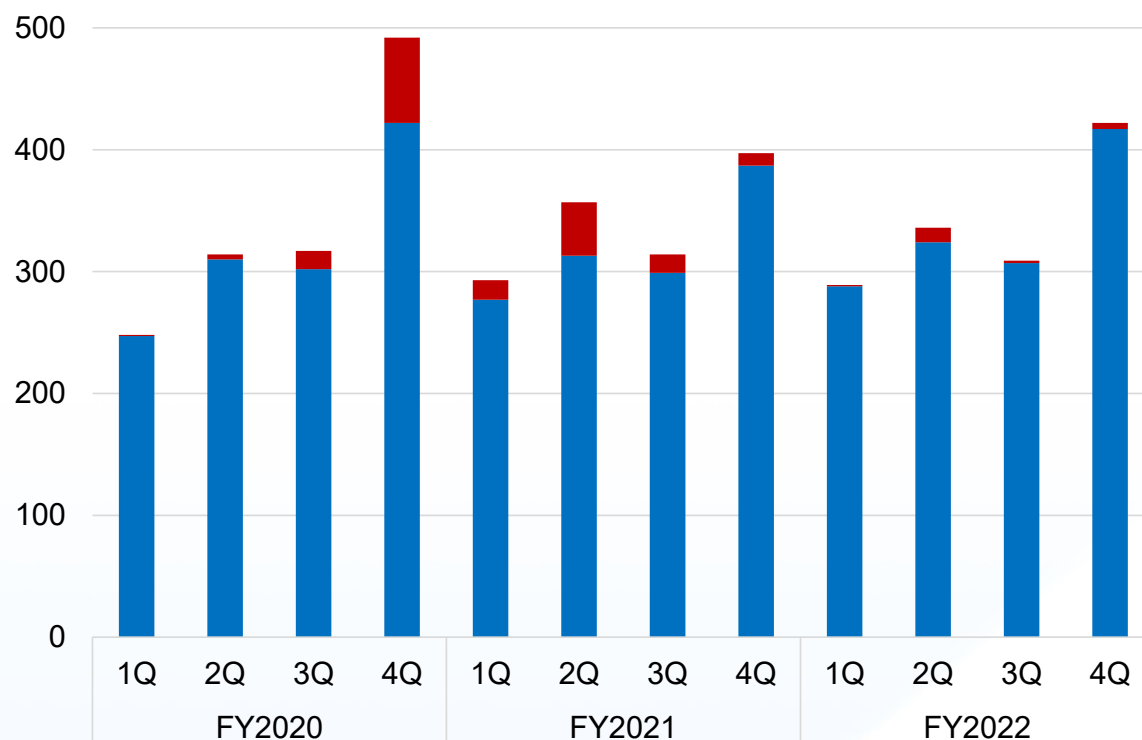


# (Ref.) COVID-19-Related Demand (Estimated)

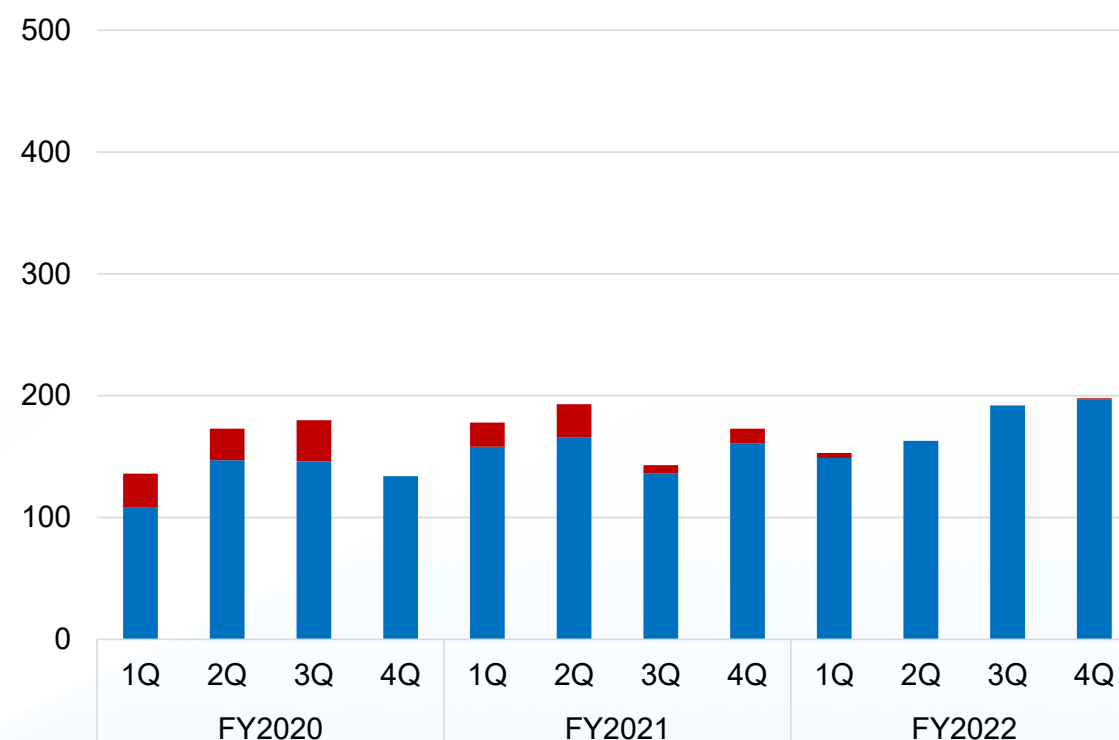
■ COVID-19-related demand  
■ Non-COVID-19-related demand

(¥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
<b>Total</b>	<b>approx. ¥2.0 bil</b>	<b>approx. -¥6.5 bil</b>	<b>approx. ¥0.5 bil</b>	<b>approx. -¥5.5 bil</b>

# 7) Financial Condition

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

	FY2021	FY2022	Change
Current Assets	171,875	<b>172,500</b>	624
Inventories	48,367	<b>58,790</b>	10,423
Property, Plant & Equipment	19,920	<b>24,446</b>	4,525
Intangible Assets	3,737	<b>4,221</b>	484
Investments & Other Assets	14,667	<b>15,560</b>	893
<b>Total Assets</b>	210,201	<b>216,728</b>	6,527

	FY2021	FY2022	Change
Current Liabilities	50,804	<b>46,568</b>	-4,235
Interest-bearing Debt	325	<b>403</b>	78
Non-current Liabilities	3,016	<b>2,555</b>	-460
Net Assets	156,381	<b>167,604</b>	11,223
<b>Total Liabilities &amp; Net Assets</b>	210,201	<b>216,728</b>	6,527

Inventory Turnover	6.1 months	<b>7.0 months</b>
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Equity Ratio	74.4%	<b>77.3%</b>
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## [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**

## 8) Cash Flows

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

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

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

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

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

<b>ROE</b>	15.9%	<b>10.6%</b>	
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## 9) Capital Investments and R&D Costs

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

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

FY2024: approx. ¥6.5 to 8.5 bil Operation: Planned to start in 2026

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

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# Forecast for FY2023

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# 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.

## 2) Forecast for FY2023

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

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

← +12% on a local currency basis

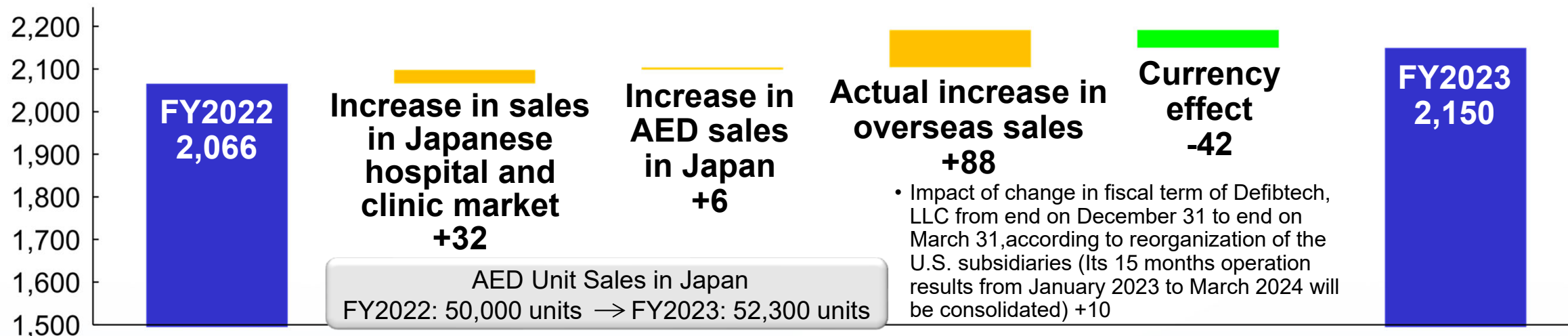
### Breakdown of overseas sales by region

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

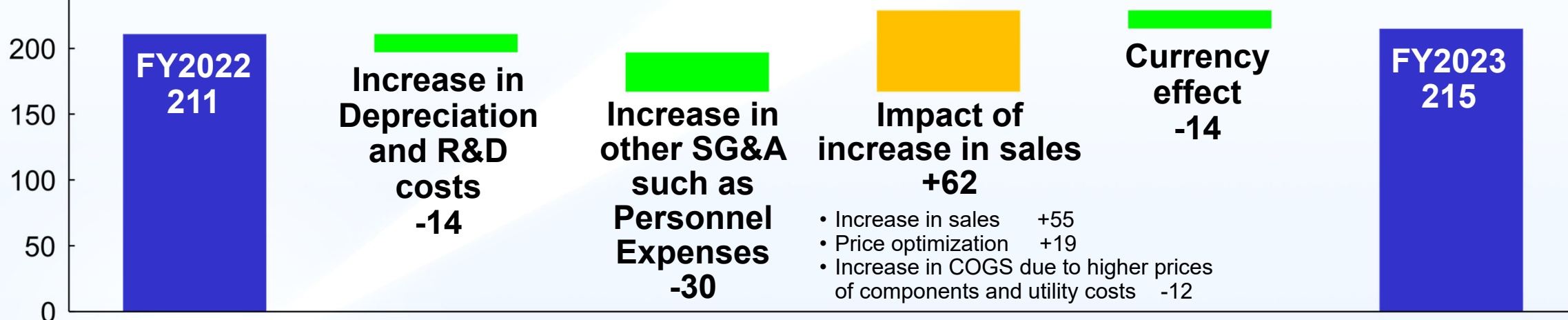
### 3) Analysis of FY2023 Forecast

(¥100 million)

#### Sales



#### Operating Income



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

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

	FY2022	FY2023	Composition ratio (%)	YoY
	Actual	Forecast		(%)
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
<b>Total</b>	<b>206,603</b>	<b>215,000</b>	<b>100.0</b>	<b>4.1</b>

(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

# 3 Progress of 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

<b>Targets for FY2029</b>	Operating Margin	15%	Overseas Sales Ratio	45%
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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.

Management Philosophy

Long-term Vision

Three-year Business Plan

Core Values

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



# Basic Policy of the Three-year Business Plan

## 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

### 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



Electroencephalograph EEG-1260



Electrocardiograph 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

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



FY2023 Target	FY2023 Forecast	4-year CAGR
¥102 to the U.S. dollar, ¥124 to the euro	¥125 to the U.S. dollar, ¥139 to the euro	

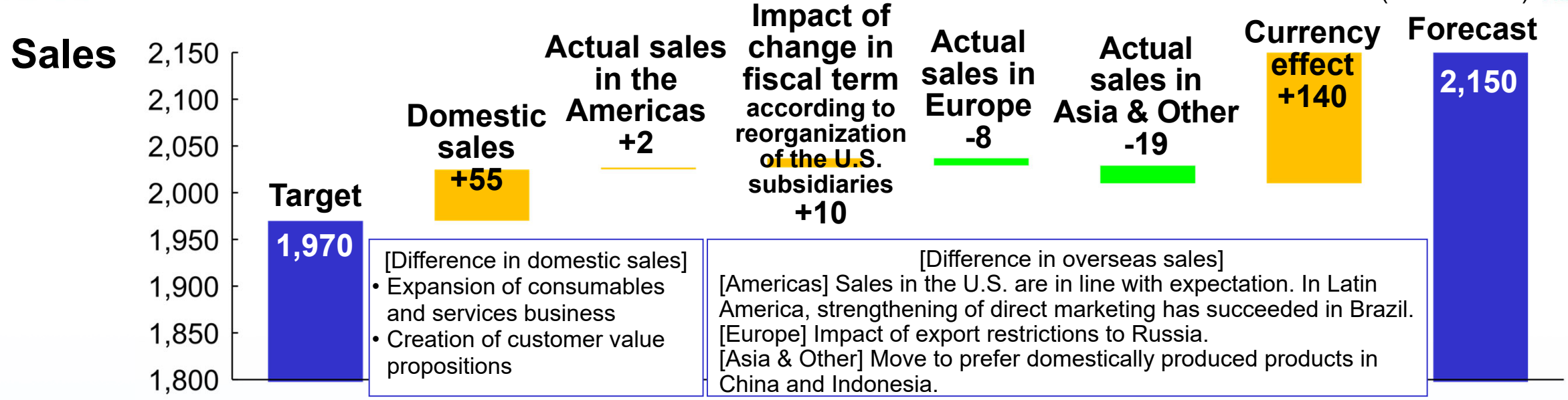
	FY2023 Target	FY2023 Forecast	4-year CAGR
<b>Net Sales</b>	¥197.0 bil	¥215.0 bil	+3.8%
<b>Domestic Sales</b>	¥134.0 bil	¥139.5 bil	+0.9%
<b>Overseas Sales</b> (Overseas Sales Ratio)	¥63.0 bil (32.0%)	¥75.5 bil (35.1%)	+10.5%
<b>Consumables and Services Sales Ratio</b>	48% or more	47.4%	
<b>Gross Profit Margin</b>	50% or more	50.7%	
<b>Operating Income</b> (Operating Income Margin)	¥20.0 bil (10.2%)	¥21.5 bil (10.0%)	+8.5%
<b>Income Attributable to Owners of Parent</b>	¥13.8 bil	¥14.5 bil	
<b>ROE</b>	10%		

## Breakdown of overseas sales by region

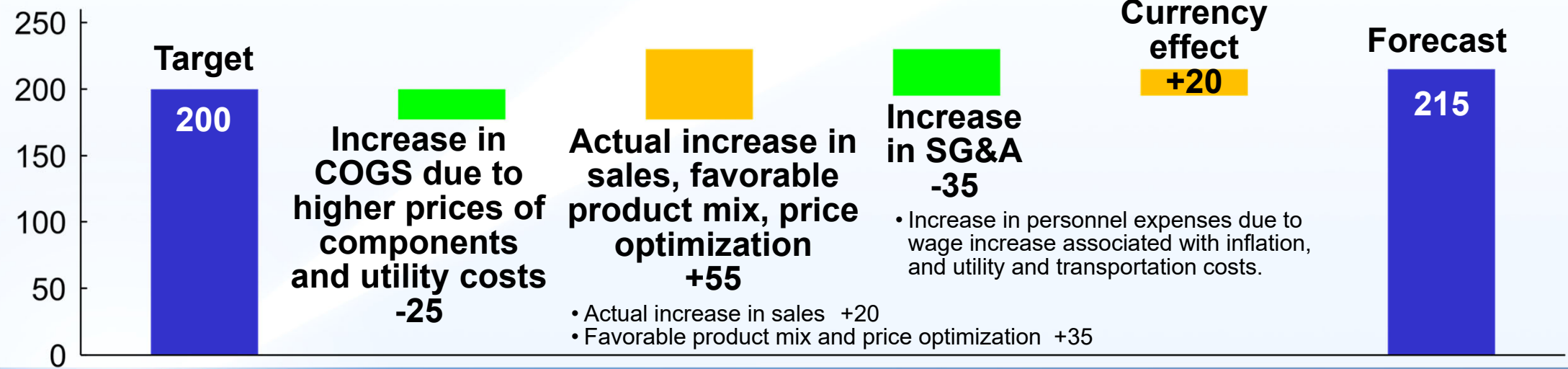
(¥billion)	FY2023 Target	FY2023 Forecast	4-year CAGR
<b>Americas</b>	32.0	40.2	+12.9%
<b>Europe</b>	10.0	11.7	+6.6%
<b>Asia &amp; Other</b>	21.0	23.6	+12.2%

# Difference b/w Target and Forecast in FY2023

(¥100 million)



### Operating Income



# BEACON 2030 Sales and Operating Income Margin Trends

## Phase III

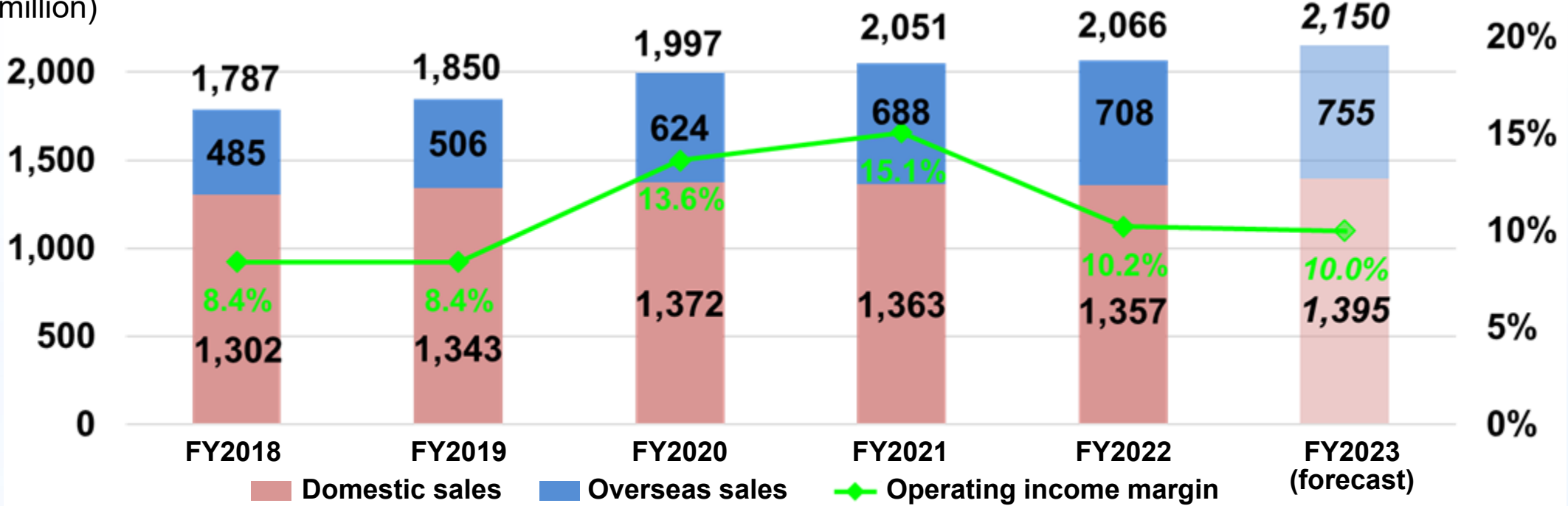


The Company aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.

← COVID-19 pandemic →

- Increased demand for patient monitors and ventilators
- Restrictions on sales/service activities

(¥100 million)



## 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%)

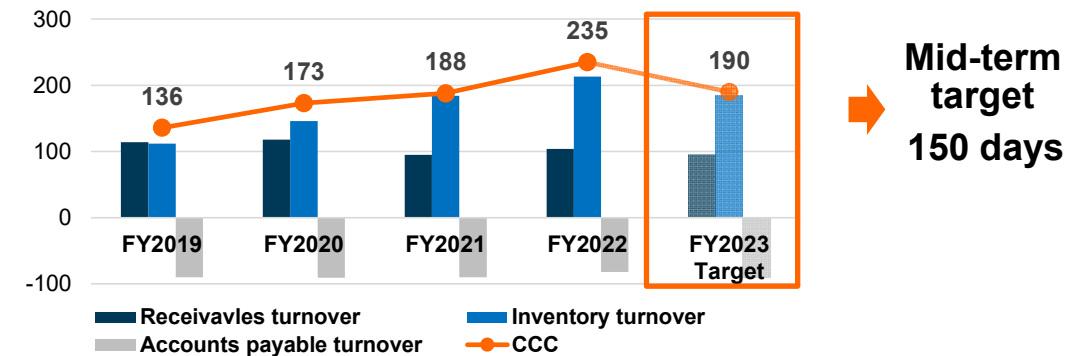
In FY2022, adopted **NPV and IRR** as investment decision criteria, and **started evaluating new investment projects.**

- 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



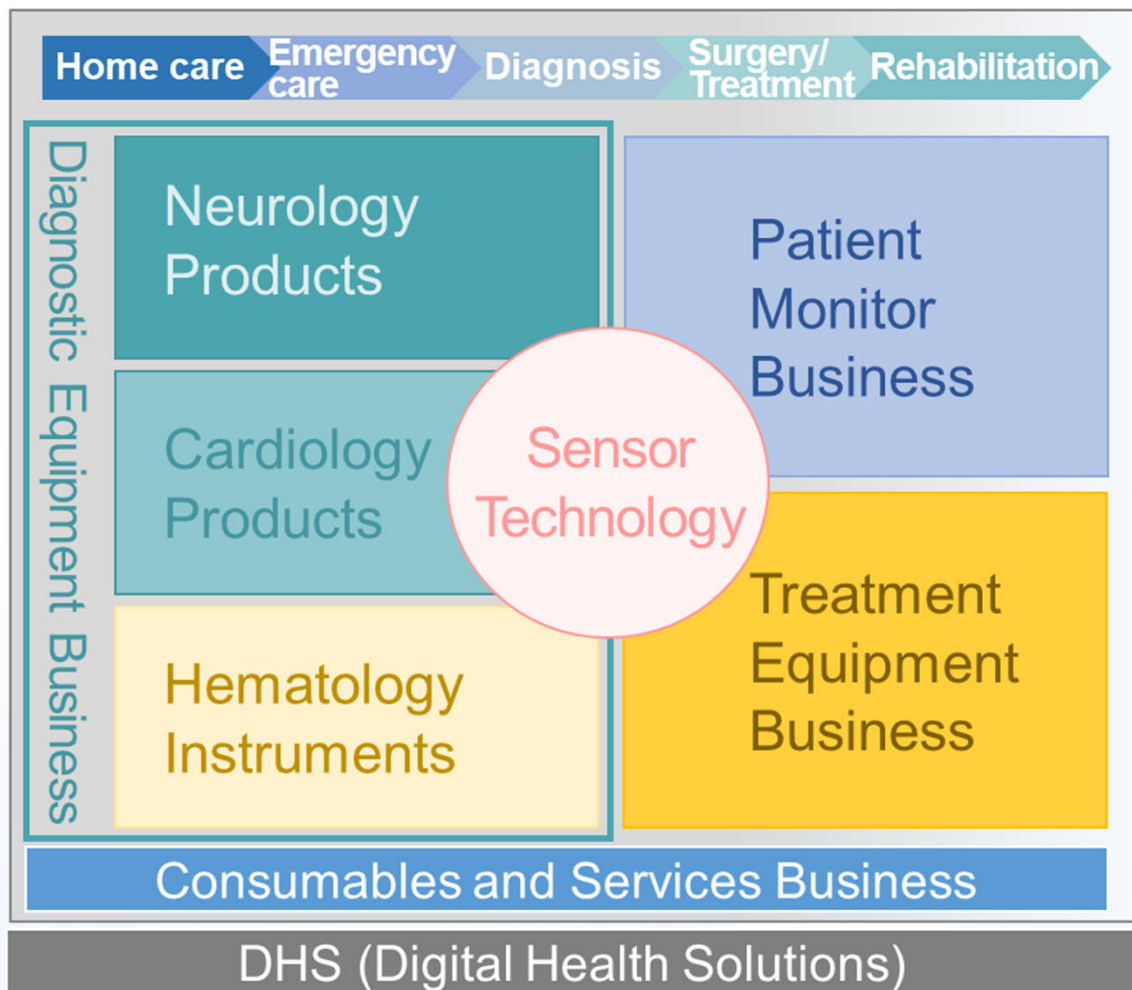
**FY2023 target: 190 days (similar level to FY2021)**

- 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.

# 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

# 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



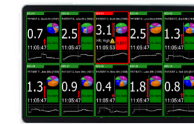
Branch hospitals/  
Secondary emergency  
medical facilities

**NEW!**



Central monitor

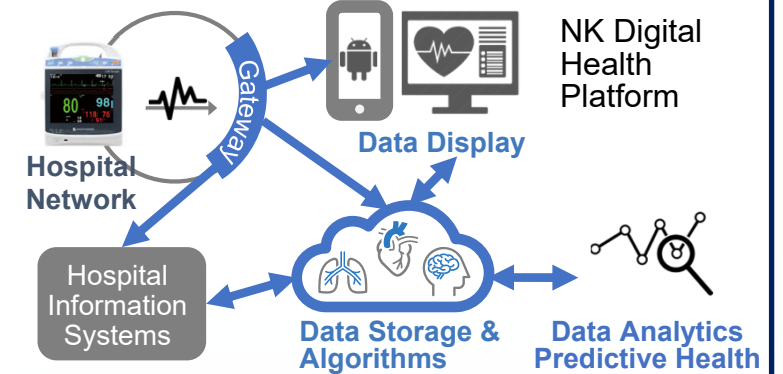
Vital signs



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



# Treatment Equipment Business

## Medical issues

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

## Anesthesia Machines

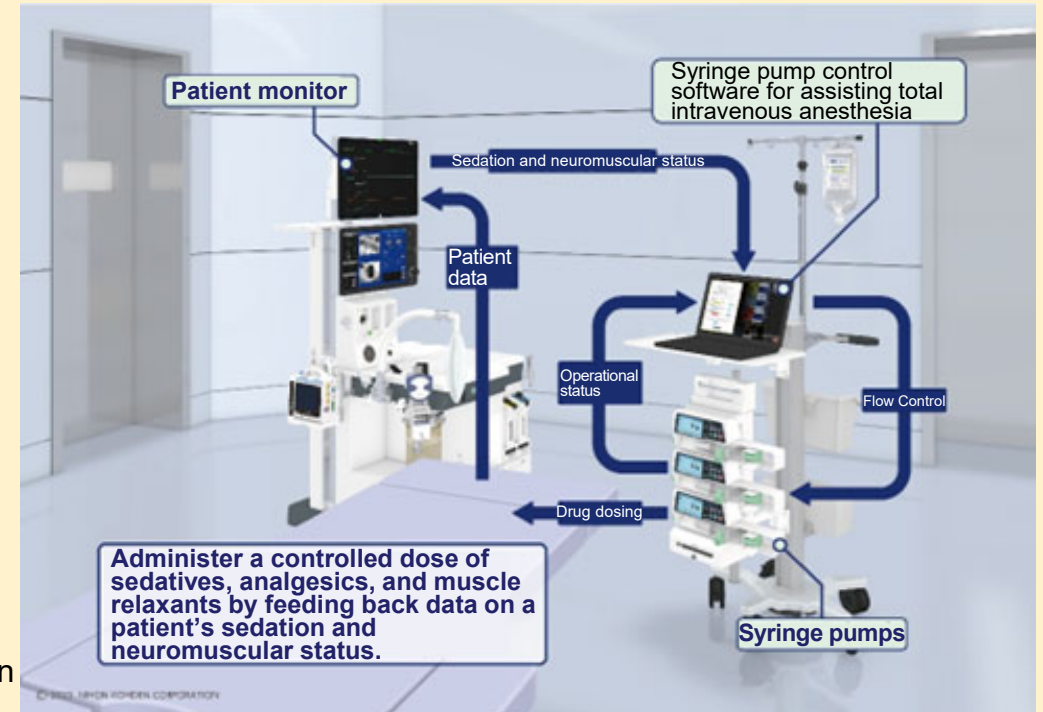
### Syringe pump control software for assisting total intravenous anesthesia

- 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

# 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

Mid-range model

**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 SpO<sub>2</sub>/CO<sub>2</sub> monitoring function
- Compact and easy to move

# Strengthen Strategies in Global Business

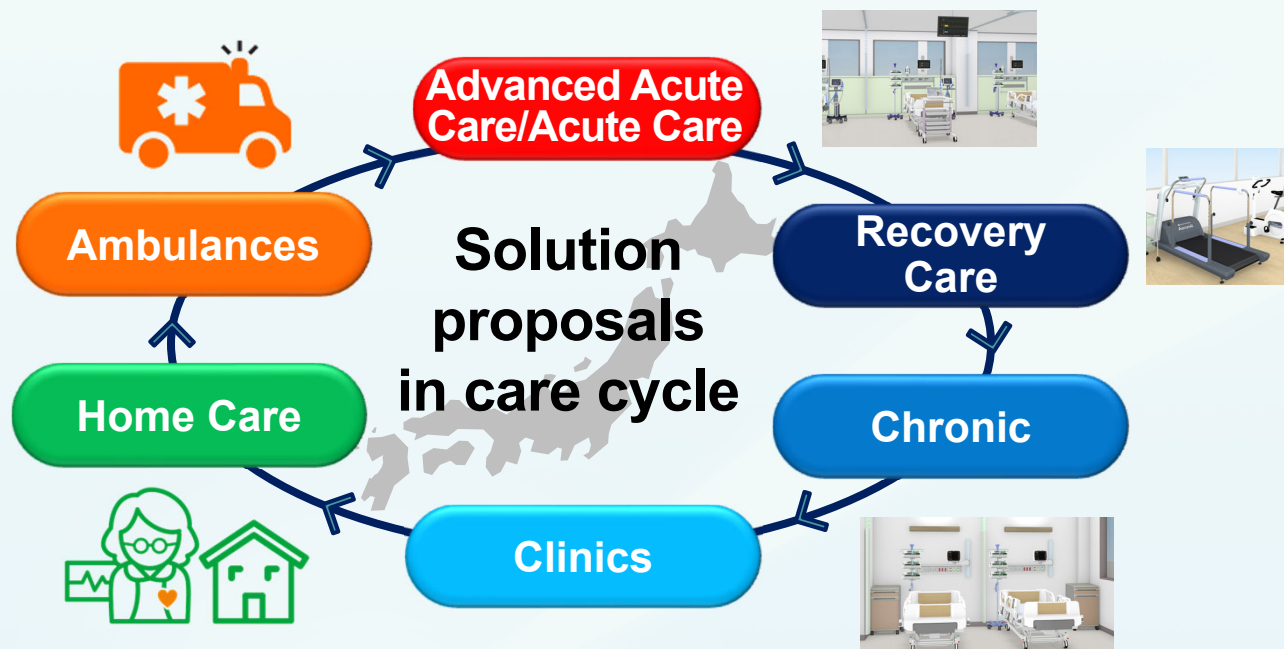
## Japan: Enhance solution proposals that contribute to improving quality of medical care and addressing medical issues

- ✓ **Enhance customer value**  
Strengthen marketing and service capabilities which contribute to improving

Medical safety

Patient outcomes

Operating efficiency

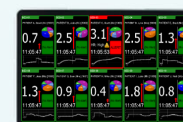


- ✓ **Provide solutions which contribute to work style reforms for doctors and DX in medical fields**

**PrimeGaia**  
Clinical information system



**PrimeVitaPlus**<sup>®</sup>  
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

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

## ✓ Expand our product line-up

**NEW!**

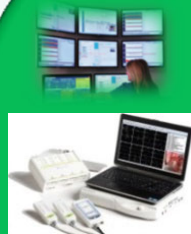
### Mid-range bedside monitors



Launched in FY2022  
CSM-1500 series  
CSM-1700 series

### Patient Monitors

Market Share  
Target: 12%



### Neurology Products



### Treatment Equipment

### Neurology Products

**Sleep recorder**  
Planned to launch in FY2023

### Resuscitation Products



**NEW!**

**Automated chest compression device  
ARM XR ACC**  
Launched in FY2023

### Ventilators



**NEW!**

**NKV-330**  
**U.S. production**  
Launched in FY2022

### Mid-range ventilator NKV-440

Application for FDA approval in FY2022

**NEW!**

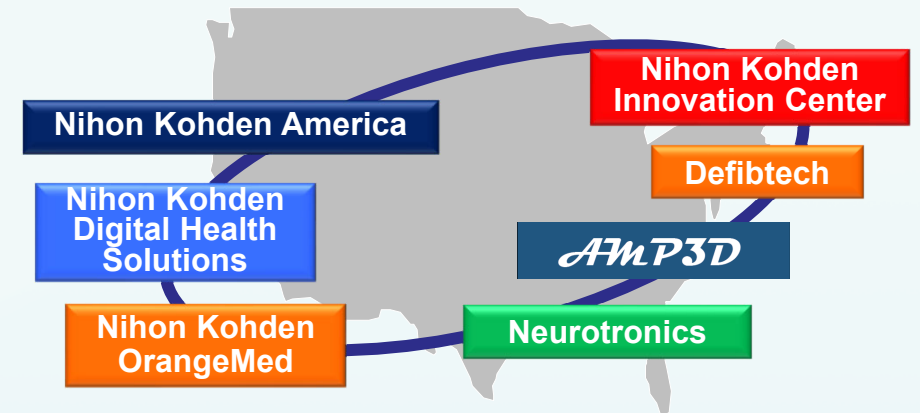
FY2022 4Q  
Signed contract with Premier Inc, one of the major GPOs.  
FY2023 1Q  
Start to sell our ventilators to approx. 4,400 member hospitals

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

Strengthen governance structure and operations



Increase synergy between subsidiaries



\*GPO: Group Purchase Organization

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

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

<p><b>NEW!</b> Ambulance Defibrillator EMS-1052</p> <p><b>NEW!</b> Automated chest compression device ARM XR ACC Launched in FY2023</p>	<p>Central monitor CNS-2101 Planned to launch in FY2023</p> <p>Bedside monitors CSM-1500/1700 series</p>	<p>Ventilator NKV-330</p> <p>Bedside monitor PVM-4000</p>	<p>Ventilator NKV-550</p> <p><b>NEW!</b> Ventilator NKV-440 Launched in FY2022</p>	<p>Hematology analyzer MEK-9200 Launched in FY2021</p> <p>MEK-1301/02</p>	<p>Hematology and ESR*1 analyzer MEK-1305</p>	<p><b>NEW!</b> Hematology analyzer and clinical chemistry analyzer MEK-1303 + HbA1c*2 Launched in FY2022</p>
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**Made in China** Local R&D and production

Middle to low-end market

<p>ECG ECG-3150/3350</p>	<p><b>NEW!</b> ECG ECG-3250 Launched in FY2022</p>	<p>Spot check monitor SVM-7100</p>	<p>Bedside monitor SVM-7500</p>	<p>Bedside monitor developed in China Planned to launch in FY2023</p>
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Local production **for Chinese market**

<p>Automatic conveyor with efficiency system Measure 5-part diff and CRP*3</p>	<p>Defibrillator TEC-5600</p>	<p>AED AED-3100</p>	<p>Bedside monitor BSM-3000</p>	<p>Hematology analyzer MEK-9100</p>
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## 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)
 

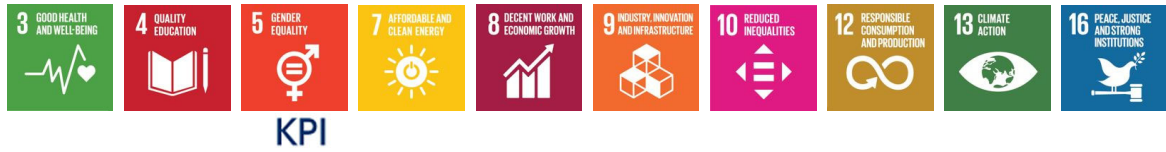
Support for local distributors

+

Direct marketing

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

# Embrace Sustainability



## Material Issues in Sustainability

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

- [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	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 <sub>2</sub> 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 CO<sub>2</sub> 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.**

# 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%)

## Disclaimer:

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