



# Consolidated Financial Highlights for FY2021

(From April 1, 2021 to March 31, 2022)

1. Consolidated Financial Results for FY2021
2. Forecast for FY2022
3. Progress of Three-year Business Plan

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

May 17, 2022

*Fighting Disease with Electronics*



# Consolidated Financial Results 1 for FY2021

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# 1) Consolidated Financial Results for FY2021

	FY2020 Actual	FY2021			YoY (%)	(Amounts of less than ¥1 million are rounded down)
		Original forecast announced May 13, 2021	Revised forecast announced Feb 2, 2022	Actual		
<b>Sales</b>	199,727	185,500	203,000	<b>205,129</b>	2.7	
<b>Domestic Sales</b>	137,274	128,000	136,500	<b>136,321</b>	-0.7	
<b>Overseas Sales</b>	62,452	57,500	66,500	<b>68,807</b>	10.2	+5% on a local currency basis
<b>Gross Profit</b> (Gross Profit Margin)	102,233 51.2%	92,100 49.6%	106,500 52.5%	<b>109,085</b> 53.2%	6.7	In-house sales ratio: FY2020 69.5% FY2021 72.7%
<b>Operating Income</b> (Operating Income Margin)	27,094 13.6%	16,000 8.6%	28,500 14.0%	<b>30,992</b> 15.1%	14.4	
<b>Ordinary Income</b>	28,374	16,000	29,500	<b>34,563</b>	21.8	Foreign exchange gains: FY2020 ¥472 mil FY2021 ¥3,175 mil
<b>Income Attributable to Owners of Parent</b>	18,243	11,000	20,000	<b>23,435</b>	28.5	

Average exchange rate	FY2020	FY2021	FY2021	FY2021
1 US Dollar	105.9 yen	105 yen	111 yen	<b>111.3 yen</b>
1 EURO	123.1 yen	125 yen	131 yen	<b>130.6 yen</b>

- Overall sales increased 2.7% over FY2020 to ¥205.1 billion. Domestic sales decreased 0.7% to ¥136.3 billion. Overseas sales increased 10.2% to ¥68.8 billion, a 5% growth on a local currency basis.
- Gross profit margin increased by 2 percentage points to 53.2% mainly due to an increase in the ratio of in-house products.
- Operating income increased 14.4% to ¥30.9 billion due to the increase in sales and higher gross profit margin.
- Ordinary income increased 21.8% to ¥34.5 billion. Income attributable to owners of parent increased 28.5% to ¥23.4 billion.

## 2) Measures Implemented in FY2021

- ✓ Demand for certain products recovered both in Japan and internationally from FY2020 when demand was weak, and the Company succeeded in strengthening its consumables and services business.
- ✓ Demand for medical devices to treat COVID-19 patients exceeded the Company's initial expectations both in Japan and internationally.
- ✓ The Company has worked on implementing supply chain management reforms to respond to tight supply of components.

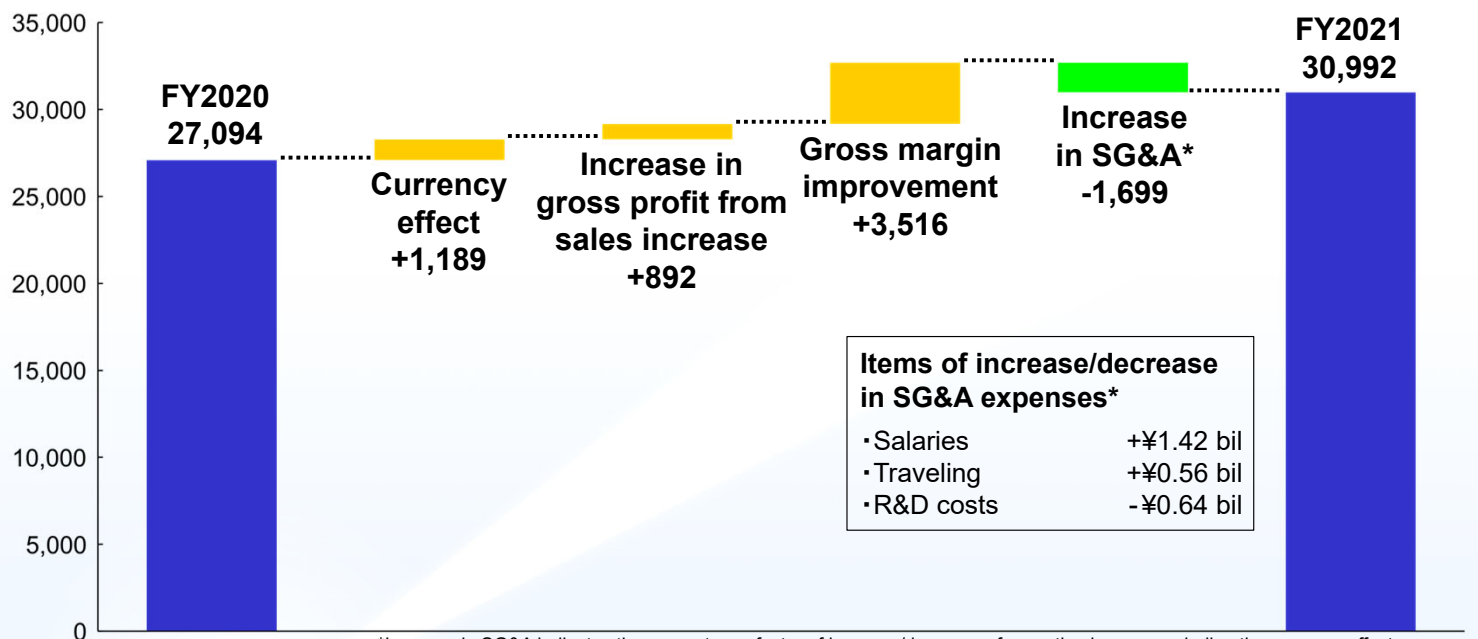
### Following FY2020, the Company posted record highs in both sales and profits

	FY2019	FY2020		FY2021	FY2023 Targets
Overseas Sales Ratio	27.4%	31.3%	✓ Sales growth driven by the U.S. patient monitoring business and India	33.5%	32.0%
Consumables and Services Sales Ratio	45.5%	43.0%	✓ Demand for consumables increased, as the number of patient monitors installed has increased	44.2%	48% or more
Gross Profit Margin	48.3%	51.2%	✓ Higher overseas sales ratio ✓ Sales of in-house products increased in Japan	53.2%	50% or more
(Ref) In-house sales ratio	65.6%	69.5%		72.7%	

- In FY2021, demand for certain products and consumables recovered both in Japan and internationally from FY2020 when demand was weak due to COVID-19 pandemic. COVID-19-related demand exceeded the Company's initial expectation due to the spread of the variants.
- Under these circumstances, the Company has worked on implementing supply chain management reforms to respond to the shortage of semiconductor around the world. Because the Company has continued to supply products globally, Nihon Kohden posted record highs both in sales and profits in FY2021.
- The overseas sales ratio, the consumables and services sales ratio, and the gross profit margin, all of which are management indexes in the Company's three-year business plan, increased from FY2020, leading to the improvement in profitability.

### 3) Breakdown of Operating Income

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



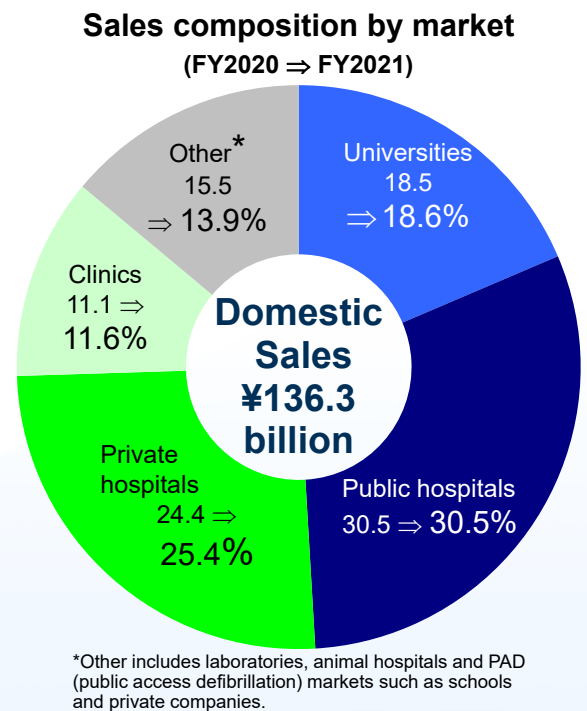
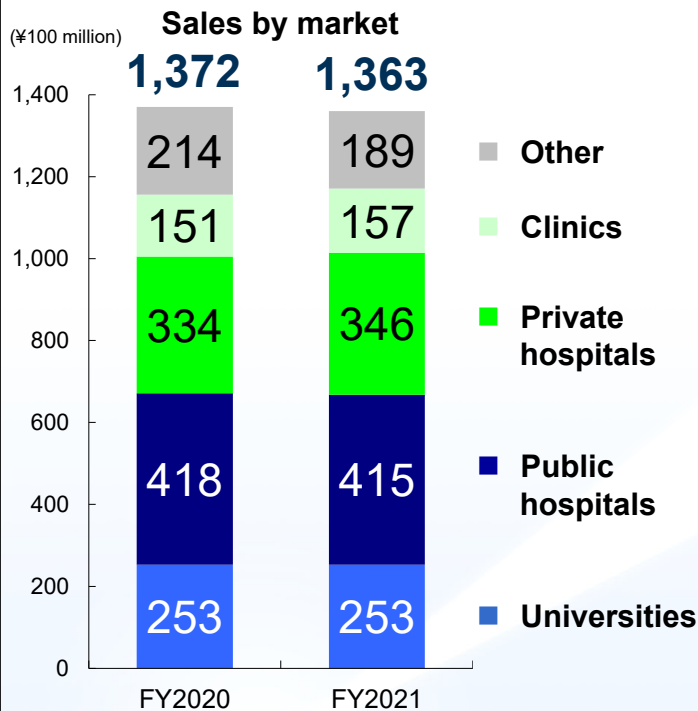
#### Items of increase/decrease in SG&A expenses\*

• Salaries	+¥1.42 bil
• Traveling	+¥0.56 bil
• R&D costs	-¥0.64 bil

\*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.

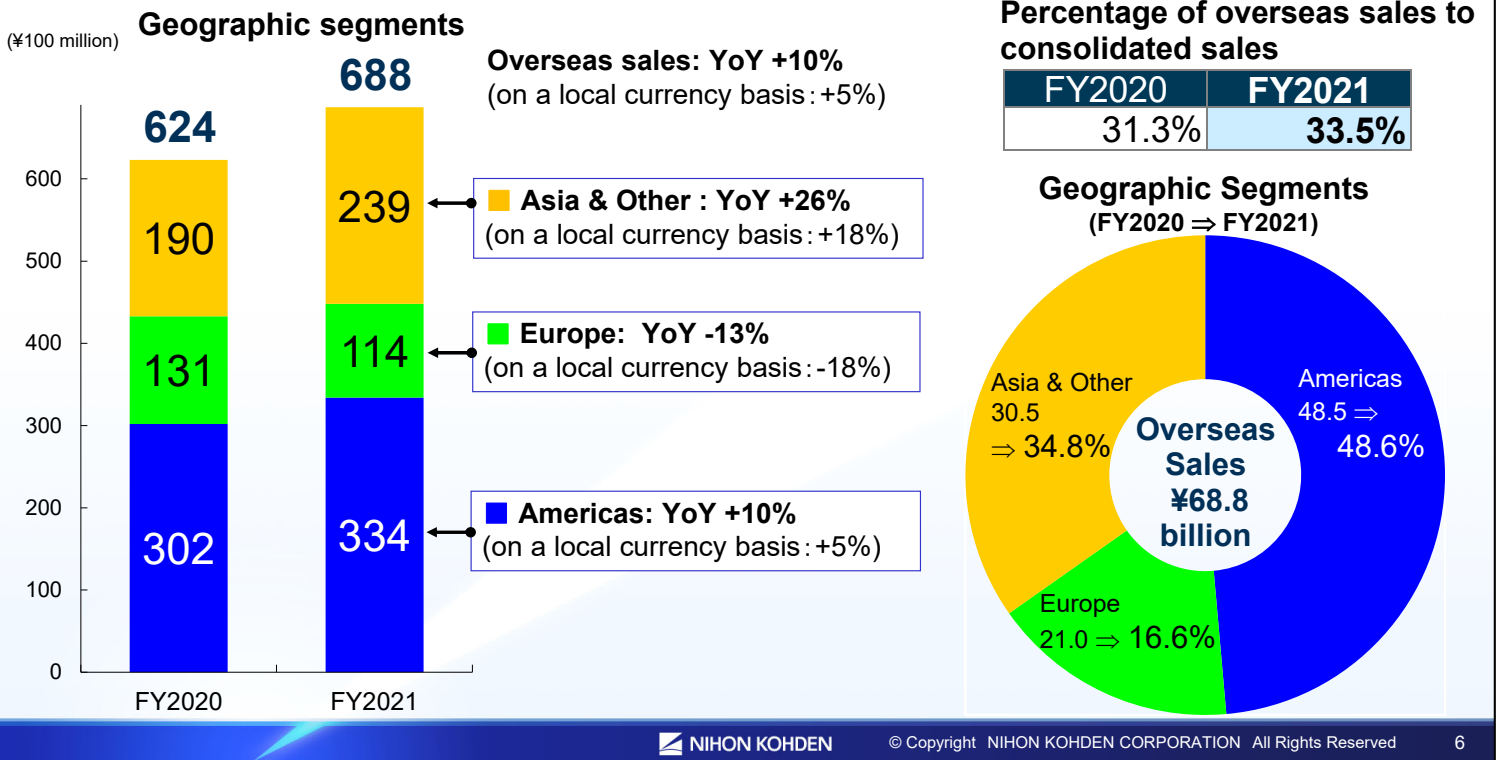
- FY2021 operating income increased to ¥30.9 billion from ¥27 billion in FY2020.
- Currency effect had a positive impact of ¥1.1 billion.
- Increase in gross profit from sales increase was ¥0.8 billion.
- Gross margin improvement was a positive factor worth ¥3.5 billion. This was attributable to a favorable product mix in Japan as the Company focused on selling in-house products.
- SG&A expenses were a negative factor worth ¥1.6 billion due to an increase in personnel expenses, as well as an increase in traveling and variable selling expenses.

## 4) Domestic Sales



- Domestic sales decreased by ¥0.9 billion to ¥136.3 billion.
- Sales of Patient Monitors increased favorably and demand for certain products which had slumped in the previous fiscal year recovered. The resumption of business negotiations related to IT system solutions also contributed to sales. Sales of locally purchased products decreased significantly as the Company focused on selling in-house products.
- Sales in the private hospital and clinic markets increased, and sales in the university hospital market remained flat. Sales in the public hospital market decreased and sales of AEDs in the PAD market also decreased.

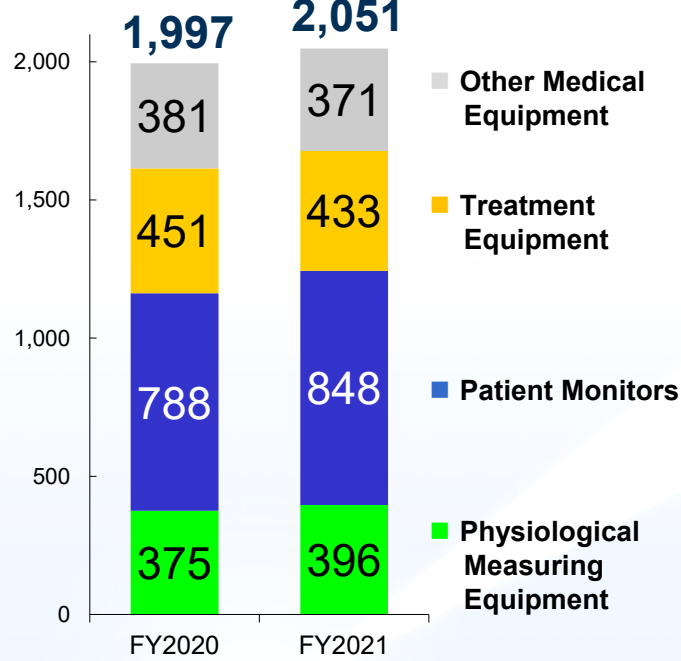
## 5) Overseas Sales



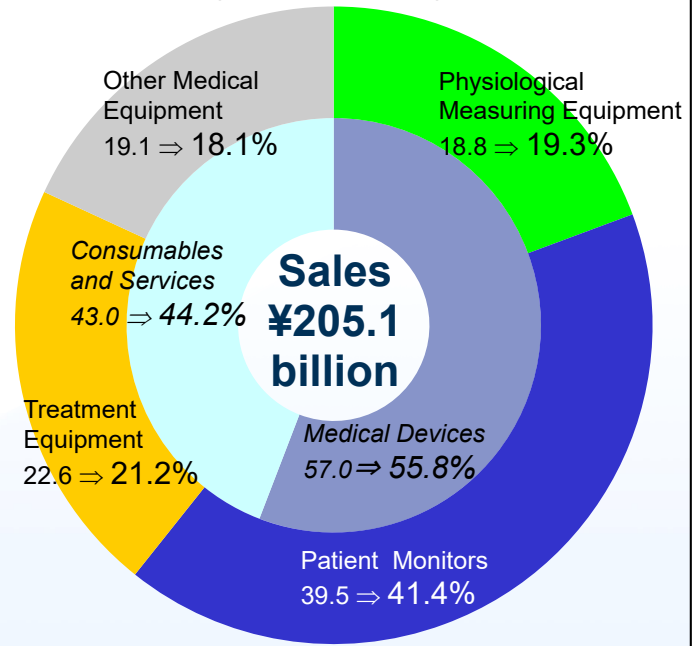
- Overseas sales increased by ¥6.4 billion to ¥68.8 billion.
- Sales in the Americas increased by ¥3.2 billion to ¥33.4 billion, a 5% increase on a local currency basis. Sales in the U.S. increased favorably. Sales in Latin America decreased due to a reactionary decline in Columbia where sales doubled in FY2020.
- Sales in Europe decreased by ¥1.7 billion to ¥11.4 billion, a 18% 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 FY2020.
- Sales in Asia & Other increased by ¥4.9 billion to ¥23.9 billion, a 18% increase on a local currency basis. Sales in India, Thailand, Malaysia, and Egypt doubled, and sales in China and Vietnam also increased favorably.

## 6) Sales by Product Category

(¥100 million)



Sales composition by product category (FY2020 ⇒ FY2021)



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- Sales by product category are shown above.
- Sales of Patient Monitors increased favorably both in Japan and internationally, and demand for Physiological Measuring Equipment recovered. Sales of Treatment Equipment and Other Medical Equipment decreased.
- The sales ratio of Consumables and Services increased to 44.2%.



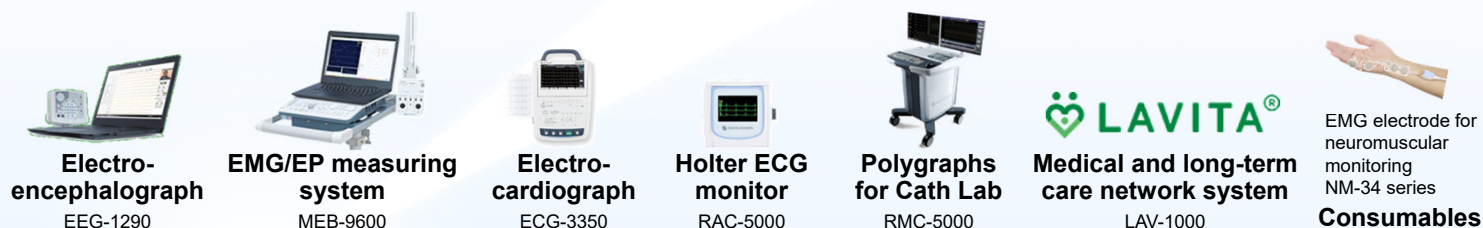
## 6.1) Physiological Measuring Equipment

	FY2020	FY2021	YoY (%)	(Sales, millions of yen)
Electroencephalographs	6,546	7,257	10.9	
Electrocardiographs	6,542	6,927	5.9	
Polygraphs for Cath Lab	14,676	13,451	-8.3	
Other Physiological Measuring Equipment*	9,820	12,044	22.6	
<b>Physiological Measuring Equipment</b>	<b>37,586</b>	<b>39,681</b>	<b>5.6</b>	
<b>Domestic Sales</b>	<b>29,555</b>	<b>30,478</b>	<b>3.1</b>	
<b>Overseas Sales</b>	<b>8,030</b>	<b>9,202</b>	<b>14.6</b>	

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

Sales of diagnostic information systems showed double-digit growth and sales of ECGs also increased favorably. Sales of EEGs remained flat. 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.

Sales of EEGs showed double-digit growth as demand recovered in all regions. Sales of ECGs also increased in Asia & Other and Latin America.



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- Sales of Physiological Measuring Equipment increased 5.6% to ¥39.6 billion.
- Domestic sales increased 3.1% to ¥30.4 billion. Sales of diagnostic information systems showed double-digit growth and sales of ECGs also increased favorably due to the resumption of capital expenditure which had been put on hold in FY2020. Sales of EEGs remained flat. 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 14.6% to ¥9.2 billion. Sales of EEGs showed double-digit growth as demand recovered in all regions. Sales of ECGs also increased in Asia & Other and Latin America.

## 6.2) Patient Monitors

	FY2020	FY2021	YoY (%)
<b>Patient Monitors</b>	78,818	<b>84,860</b>	7.7
<b>Domestic Sales</b>	44,116	<b>48,241</b>	9.4
<b>Overseas Sales</b>	34,701	<b>36,618</b>	5.5

(Sales, millions of yen)

Sales of transmitters and telemetry systems showed strong growth and sales of clinical information systems achieved double-digit growth. Sales of consumables such as sensors also increased favorably.

Sales in the U.S. and Asia & Other recorded double-digit growth. Sales in Europe and Latin America decreased, as there was a reactionary decline compared to FY2020 when demand surged.



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- Sales of Patient Monitors increased 7.7% to ¥84.8 billion.
- Domestic sales increased 9.4% to ¥48.2 billion. Sales of transmitters and telemetry systems showed strong growth and sales of clinical information systems achieved double-digit growth. Sales of consumables such as sensors also increased favorably.
- Overseas sales increased 5.5% to ¥36.6 billion. Sales in the U.S. and Asia & Other recorded double-digit growth. Sales in Europe and Latin America decreased compared to FY2020 when demand surged.

## 6.3) Treatment Equipment

	FY2020	FY2021	YoY (%)
Defibrillators (for Hospital and Ambulance)	7,647	9,012	17.9
AEDs (Automated External Defibrillator)	14,841	16,750	12.9
Pacemakers / ICDs	2,656	2,498	-5.9
Ventilators	13,950	8,560	-38.6
Other Treatment Equipment	6,030	6,567	8.9
<b>Treatment Equipment</b>	<b>45,126</b>	<b>43,388</b>	<b>-3.9</b>
Domestic Sales	30,294	27,069	-10.6
Overseas Sales	14,831	16,318	10.0
(Ref.) AED Unit Sales	87,900	100,000	13.8
Domestic Unit Sales	56,900	51,000	-10.4

(Sales, millions of yen)

**Domestic:** Replacement demand increased in medical institutions.

**International:** Sales showed strong growth in Asia & Other and Latin America.

**Domestic:** Sales decreased mainly due to a delay in some shipments.

**International:** Demand recovered in all regions.

**Domestic/International:** Sales decreased due to a reactionary decline from FY2020 when demand increased. Demand increased in India and Southeast Asia.



**Defibrillator**  
EMS-1052



**AED**  
AED-M100

NEW!



**Fully automatic AED**  
AED-3250



**Pacemaker**  
Zenex MRI



**Ventilator**  
NKV-550



**Ventilator**  
NKV-330



**Ventilator**  
HAMILTON-C6

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- Sales of Treatment Equipment decreased 3.9% to ¥43.3 billion. Domestic sales decreased 10.6% to ¥27 billion. Overseas sales increased 10% to ¥16.3 billion.
- Sales of defibrillators increased 17.9% to ¥9 billion. In Japan, replacement demand increased in medical institutions. Internationally, sales showed strong growth in Asia & Other and Latin America.
- The overall sales volume of AEDs was 100,000 units, and sales increased 12.9% to ¥16.7 billion. Domestic sales decreased mainly due to a delay in some shipments. Overseas sales increased significantly as demand recovered in all regions.
- Sales of ventilators decreased 38.6% to ¥8.5 billion compared to FY2020 when demand surged both in Japan and internationally.

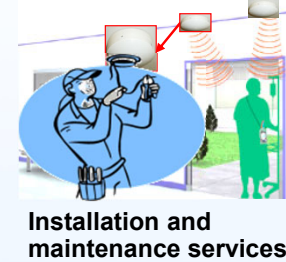
## 6.4) Other Medical Equipment

	FY2020	FY2021	YoY (%)	(Sales, millions of yen)
Hematology Analyzers	9,331	10,594	13.5	
Imaging Systems, Medical equipment for research and others *	28,865	26,604	-7.8	
Other Medical Equipment	38,196	37,198	-2.6	
Domestic Sales	33,307	30,531	-8.3	
Overseas Sales	4,888	6,667	36.4	

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

Sales of locally purchased products decreased significantly, as the Company focused on selling in-house products. Sales of installation and maintenance services for medical devices increased favorably, and sales of hematology instruments also increased.

Sales showed strong growth, as demand for hematology analyzers and reagents recovered in all regions. Especially, the installations of hematology instruments increased in India thanks to new products.



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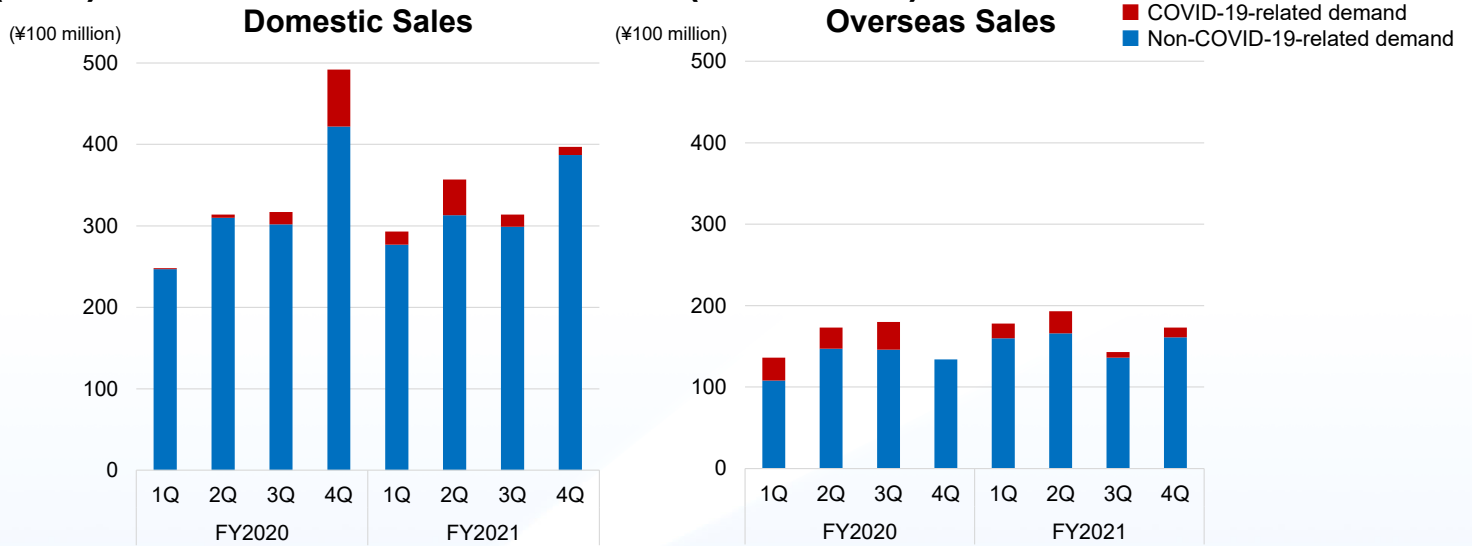
- Sales of Other Medical Equipment decreased 2.6% to ¥37.1 billion.
- Domestic sales decreased 8.3% to ¥30.5 billion. Sales of locally purchased products decreased significantly as the Company focused on selling in-house products. Sales of installation and maintenance services for medical devices increased favorably, and sales of hematology instruments also increased.
- Overseas sales increased 36.4% to ¥6.6 billion. Sales of hematology analyzers and reagents showed strong growth, as demand recovered in all regions. Especially, the installations of hematology instruments increased in India thanks to new products.

## (Ref.) FY2021 Regional Sales by Product Category / YoY

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

	Overall Sales	Domestic Sales	Overseas Sales			
			Total	Americas	Europe	Asia & Other
Physiological Measuring Equipment	39.6 (+6%)	30.4 (+3%)	9.2 (+15%)	3.7 (+11%)	1.6 (+16%)	3.8 (+18%)
Patient Monitors	84.8 (+8%)	48.2 (+9%)	36.6 (+6%)	23.4 (+13%)	4.2 (-32%)	9.0 (+14%)
Treatment Equipment	43.3 (-4%)	27.0 (-11%)	16.3 (+10%)	4.9 (-7%)	4.5 (-3%)	6.8 (+41%)
Other Medical Equipment	37.1 (-3%)	30.5 (-8%)	6.6 (+36%)	1.3 (+47%)	1.1 (+20%)	4.1 (+38%)
<b>Total</b>	<b>205.1 (+3%)</b>	<b>136.3 (-1%)</b>	<b>68.8 (+10%)</b>	<b>33.4 (+10%)</b>	<b>11.4 (-13%)</b>	<b>23.9 (+26%)</b>

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



COVID-19-related demand in FY2021	Japan		International	
		YoY		YoY
Patient Monitors	approx. ¥6.0 bil	approx. +¥2.0 bil	approx. ¥3.5 bil	approx. -¥1.0 bil
Ventilators	approx. ¥2.5 bil	approx. -¥2.5 bil	approx. ¥1.5 bil	approx. -¥2.5 bil
Defibrillators	—	—	approx. ¥1.0 bil	approx. +¥0.5 bil
<b>Total</b>	<b>approx. ¥8.5 bil</b>	<b>approx. -¥0.5 bil</b>	<b>approx. ¥6.0 bil</b>	<b>approx. -¥3.0 bil</b>

- In terms of the COVID-19-related demand in FY2021, we estimate that demand in Japan was around ¥8.5 billion: around ¥6 billion for patient monitors and around ¥2.5 billion for ventilators. Internationally, we also estimate that demand was around ¥6 billion: around ¥3.5 billion for patient monitors, around ¥1.5 billion for ventilators, and around ¥1 billion for defibrillators.

## 7) Financial Condition

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

	FY2020	FY2021	Change		FY2020	FY2021	Change
Current Assets	156,140	<b>171,875</b>	15,735	Current Liabilities	50,608	<b>50,804</b>	196
Inventories	38,887	<b>48,367</b>	9,479	Interest-bearing Debt	350	<b>325</b>	-25
Property, Plant & Equipment	20,193	<b>19,920</b>	-272	Non-current Liabilities	3,436	<b>3,016</b>	-419
Intangible Assets	2,329	<b>3,737</b>	1,407	Net Assets	138,986	<b>156,381</b>	17,394
Investments & Other Assets	14,366	<b>14,667</b>	300				
<b>Total Assets</b>	193,030	<b>210,201</b>	17,171	<b>Total Liabilities &amp; Net Assets</b>	193,030	<b>210,201</b>	17,171
Inventory Turnover	4.8 months	<b>6.1 months</b>		Equity Ratio	72.0%	<b>74.4%</b>	

### [Reasons for the increase of current assets]

- Inventories increased by **¥9.4 billion** in response to tight supply of components.  
(Inventories of finished goods and parts increased by **¥2.2 billion** and **¥6.0 billion**, respectively.)

- Total assets increased by **¥17.1 billion** to **¥210.2 billion**.
- Inventory turnover was **6.1 months**, because inventories of finished goods and parts increased in response to tight supply of components.

## 8) Cash Flows

	FY2020	FY2021	Change													
I . Cash flows from operating activities	13,945	<b>25,699</b>	11,753	(Amounts of less than ¥1 million are rounded down) <table border="1"> <thead> <tr> <th></th> <th>FY2020</th> <th>FY2021</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Income before income taxes</td> <td>27,166</td> <td>34,263</td> <td>+7,097</td> </tr> </tbody> </table>		FY2020	FY2021	Change	Income before income taxes	27,166	34,263	+7,097				
	FY2020	FY2021	Change													
Income before income taxes	27,166	34,263	+7,097													
II . Cash flows from investing activities	-2,946	<b>-4,303</b>	-1,356													
Free cash flows	10,999	<b>21,396</b>	10,396													
III . Cash flows from financing activities	-3,007	<b>-7,300</b>	-4,292	<table border="1"> <thead> <tr> <th></th> <th>FY2020</th> <th>FY2021</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Purchase of treasury shares</td> <td>-1</td> <td>-2,400</td> <td>-2,399</td> </tr> <tr> <td>Cash dividends paid</td> <td>-2,979</td> <td>-4,842</td> <td>-1,862</td> </tr> </tbody> </table>		FY2020	FY2021	Change	Purchase of treasury shares	-1	-2,400	-2,399	Cash dividends paid	-2,979	-4,842	-1,862
	FY2020	FY2021	Change													
Purchase of treasury shares	-1	-2,400	-2,399													
Cash dividends paid	-2,979	-4,842	-1,862													
Effect of exchange rate change on cash and cash equivalents	451	<b>1,643</b>	1,192													
Net increase (decrease) in cash and cash equivalents	8,442	<b>15,739</b>	7,296													
Cash and cash equivalents at end of period	44,356	<b>60,095</b>	15,739													
ROE	14.0%	<b>15.9%</b>														

- Cash and cash equivalents at end of the period increased by ¥15.7 billion to ¥60 billion.
- ROE was 15.9% thanks to improved profitability.



## 9) Capital Investments and R&D Costs

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

	FY2020 Actual	FY2021		Actual	Change	FY2022 Plan
		Original Forecast announced May 13, 2021	Revised Forecast announced Feb 2, 2022			
Capital Investments	3,524	4,100	4,100	3,022	-502	5,600
Depreciation	3,236	3,800	3,800	3,422	186	3,700
R&D costs	6,357	6,600	6,100	5,711	-645	6,300

### ● FY2021 capital investments

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

### ● FY2022 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: Planned to start in Autumn 2022  
and complete in Spring 2023  
Operation: Planned to start in Spring 2024

Introduction of PLM/MES\* systems  
Capital Investments: approx. ¥2.5 bil

< FY2022: ¥1.0 bil  
FY2023-FY2024: ¥1.5 bil

PLM: Planned to start operation in FY2023 2H  
MES: Planned to start operation in FY2024

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

- Capital investments and depreciation were ¥3 billion and ¥3.4 billion, respectively.
- R&D costs were ¥5.7 billion, which fell short of the 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.
- In FY2022, capital investment will increase by ¥2.6 billion to ¥5.6 billion, depreciation will increase by ¥0.3 billion to ¥3.7 billion, and R&D costs will increase by ¥0.6 billion to ¥6.3 billion.
- In terms of capital investments, we will establish a new factory in India in response to the increasing demand for hematology reagents. We will also introduce PLM/MES systems for promoting corporate DX. The Company aims at improving its productivity by establishing new common design platforms and optimizing its entire product lifecycle.

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## Forecast for FY2022

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# 1) Business Environment

Shortage of semiconductors, higher prices of components and resources, and supply chain disruption will be prolonged. Uncertainty is expected to continue due to the Ukraine crisis and the Shanghai lockdown.

## Japan

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

- **Medical service fee rose by 0.43% in April 2022.**  
New evaluation items for acute care and intensive care
- **Urgent comprehensive grants to cope with the COVID-19** (until the end of September 2022)

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

- Funds for securing comprehensive medical and long-term care in the community: FY2022 budget ¥102.9 bil for medical care

## International

### U.S. and Europe

- DX in medical fields is accelerated.
- Improve the quality and efficiency of medical care.
- Modernize healthcare system in some regions in Europe.

### China

- Impact of the resurgence of COVID-19 and lockdown should be monitored carefully.

### Emerging Markets

- Concerns about slowdown in economic recovery.

- The global economic outlook is expected to recover gradually, but there are concerns that the shortage of semiconductors, higher prices of components and resources, and supply chain disruption will be prolonged. Uncertainty is expected to continue due to the Ukraine crisis and the Shanghai lockdown.
- In Japan, there are efforts to establish healthcare systems to respond to emerging infectious diseases, and expand ICU facilities. Differentiation of medical institution functions and collaboration among medical institutions as well as integrated community care systems will be promoted.
- Internationally, the digital transformation in medical fields is expected to accelerate. The improvement of the quality and efficiency of medical care is also required.

## 2) Forecast for FY2022

	FY2021 Actual	FY2022 Forecast	YoY (%)
<b>Sales</b>	205,129	195,000	-4.9
<b>Domestic Sales</b>	136,321	130,500	-4.3
<b>Overseas Sales</b>	68,807	64,500	-6.3
<b>Gross Profit</b> (Gross Profit Margin)	109,085 53.2%	98,200 50.4%	-10.0
<b>Operating Income</b> (Operating Income Margin)	30,992 15.1%	16,500 8.5%	-46.8
<b>Ordinary Income</b>	34,563	16,500	-52.3
<b>Income Attributable to Owners of Parent</b>	23,435	11,000	-53.1
<b>Percentage of Overseas Sales</b>	33.5%	33.1%	

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

← -10% on a local currency basis

**Breakdown of overseas sales by region**

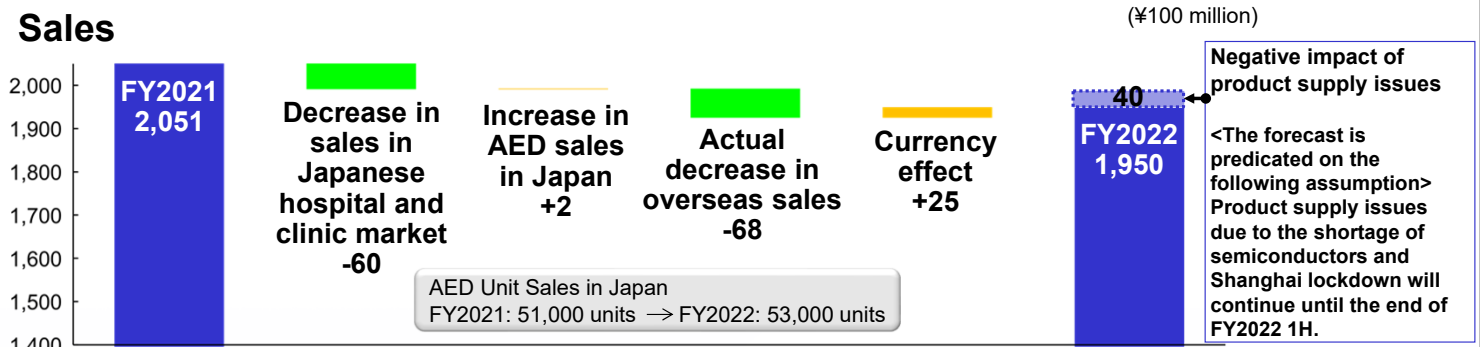
	FY2021 Actual	FY2022 Forecast	YoY (%)
<b>Americas</b>	33,436	34,400	2.9
<b>Europe</b>	11,449	10,100	-11.8
<b>Asia &amp; Other</b>	23,921	20,000	-16.4
<b>Total</b>	68,807	64,500	-6.3

\* Sales in Russia and Ukraine are less than 10% of sales in Europe and less than 1% of overall sales.  
Sales in China are around 30% of sales in Asia & Other and around 3% of overall sales.

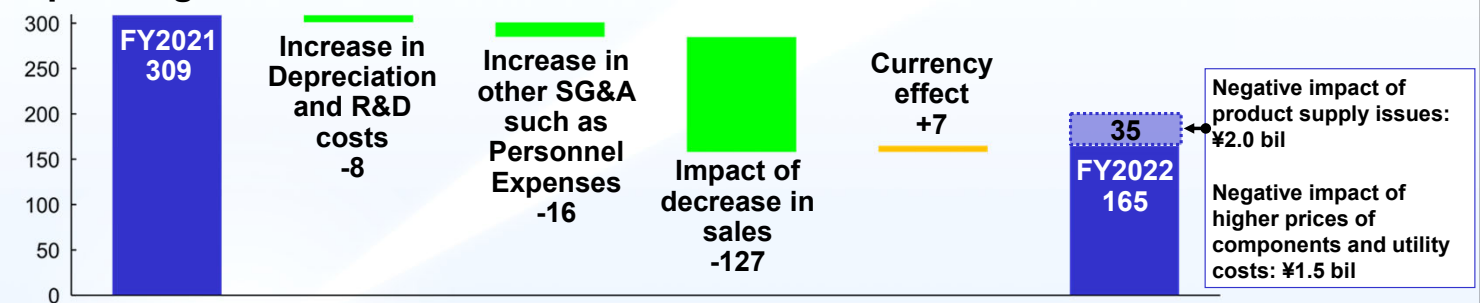
- The Company forecasts its overall sales, domestic sales, and overseas sales for FY2022 to be: 4.9% decline to ¥195 billion, 4.3% decline to ¥130.5 billion, and 6.3% decline to ¥64.5 billion, respectively.
- In Japan, a reactionary decline in demand of patient monitors is expected compared to FY2021 when demand increased to treat COVID-19 patients, but the number of testing and surgical procedures will continue to recover gradually. The Company will strengthen its offerings of consumables and services for patient monitors and ventilators, as the number of these products installed had increased over the last two years.  
Internationally, the Company will focus on enhancing its presence in the U.S. by strengthening its local R&D, production, sales and services structure. In Europe and Asia & Other, demand for medical devices to treat COVID-19 patients is expected to settle down.
- Gross profit margin is expected to be 50.4% due to an unfavorable product mix, and higher prices of components and utility costs.
- Operating income is expected to decrease 46.8% to ¥16.5 billion due to lower sales and lower gross profit margin. The forecasts for ordinary income and income attributable to owners of parent are shown above.

### 3) Analysis of FY2022 Forecast

#### Sales



#### Operating Income



- As for sales in Japan, sales in the hospital and clinic markets are expected to decrease by ¥6 billion. Sales of AEDs are expected to increase by ¥0.2 billion. The forecast for AED unit sales is 53,000 units.
- As for overseas sales, the actual decrease in sales will be ¥6.8 billion. Positive currency effect will be ¥2.5 billion.
- As for operating income, depreciation and R&D costs will increase by ¥0.8 billion. Other SG&A such as personnel expenses will increase by ¥1.6 billion. The Company will enhance overseas human resources and invest in internal IT infrastructure. Sales activities both in Japan and internationally will be also normalized.  
The negative impact of the decrease in sales will be ¥12.7 billion, with around 60% of this amount attributable to lower sales and around 40% attributable to lower gross profit margin. Currency effect will have a positive impact of ¥0.7 billion.
- The earnings forecasts include negative impacts of around ¥4 billion on sales and ¥2 billion on operating income, based on the assumption that the product supply issues due to the shortage of semiconductors and Shanghai lockdown will continue until the end of the 1<sup>st</sup> half of FY2022.  
Negative impact of around ¥1.5 billion on gross profit margin is also factored in, based on the assumption that higher prices of components and utility costs will continue until the end of FY2022.

## (Ref.) Consolidated Forecast FY2022 by Product Category/ Exchange Rates

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

	FY2021 Actual	FY2022 Forecast	Composition ratio (%)	YoY (%)
Physiological Measuring Equipment	39,681	41,100	21.1	3.6
Patient Monitors	84,860	75,900	38.9	-10.6
Treatment Equipment	43,388	41,000	21.0	-5.5
Other Medical Equipment	37,198	37,000	19.0	-0.5
<b>Total</b>	<b>205,129</b>	<b>195,000</b>	<b>100.0</b>	<b>-4.9</b>

(Reference)

<b>Consumables and Services</b>	90,576	94,800	48.6	4.7
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### Average Exchange Rate

	FY2021 Actual	FY2022 Forecast
1 US Dollar	111.3 yen	117 yen
1 EURO	130.6 yen	130 yen

### Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.38 bil yen	0.12 bil yen
1 EURO	0.06 bil yen	0.02 bil yen

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- The consolidated sales forecast by product category is shown above.
- Demand for patient monitors and ventilators to treat COVID-19 patients is expected to settle down both in Japan and internationally. As the number of these products installed had increased over the last two years, we will strengthen our offerings of consumables and services. We expect that demand for Physiological Measuring Equipment will continue to recover in Japan, and overseas demand for AEDs will also be steady.
- The forecast for FY2022 is based on an exchange rate of 117 yen to the U.S. dollar and 130 yen to the euro.

# Progress of 3 Three-year Business Plan



# Long-term Vision and Three-year Business Plan

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



## ILLUMINATING MEDICINE FOR HUMANITY

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

Targets for  
FY2029

Operating  
Margin

15%

Overseas  
Sales Ratio

45%

Management  
Philosophy

Long-term  
Vision

Three-year  
Business Plan

Core Values

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

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

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

Core values are shared by Nihon Kohden staff worldwide, helping to connect them and contributing to the promotion of our management philosophy, long-term vision, and three-year business plan.

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

- The three-year business plan 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.

## Management

### Compliance

- ✓ Formulated the recurrence prevention measures and implemented all recommendations of the Investigation Committee

### Corporate Governance

- ✓ Formulated the Global Corporate Administration Policy and promoted implementation by overseas subsidiaries

Accounting    Human Resources  
Legal    IT security

## Business

### Improve profitability

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



### Promote DHS

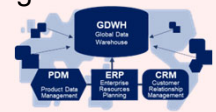
- ✓ Acquired AMP3D



## Operations

### Global SCM

- ✓ Establishing a global information system
- ✓ Started introducing PLM/MES\* systems



### Core functions of operations

- ✓ Enhancing cybersecurity of the internal IT infrastructure

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

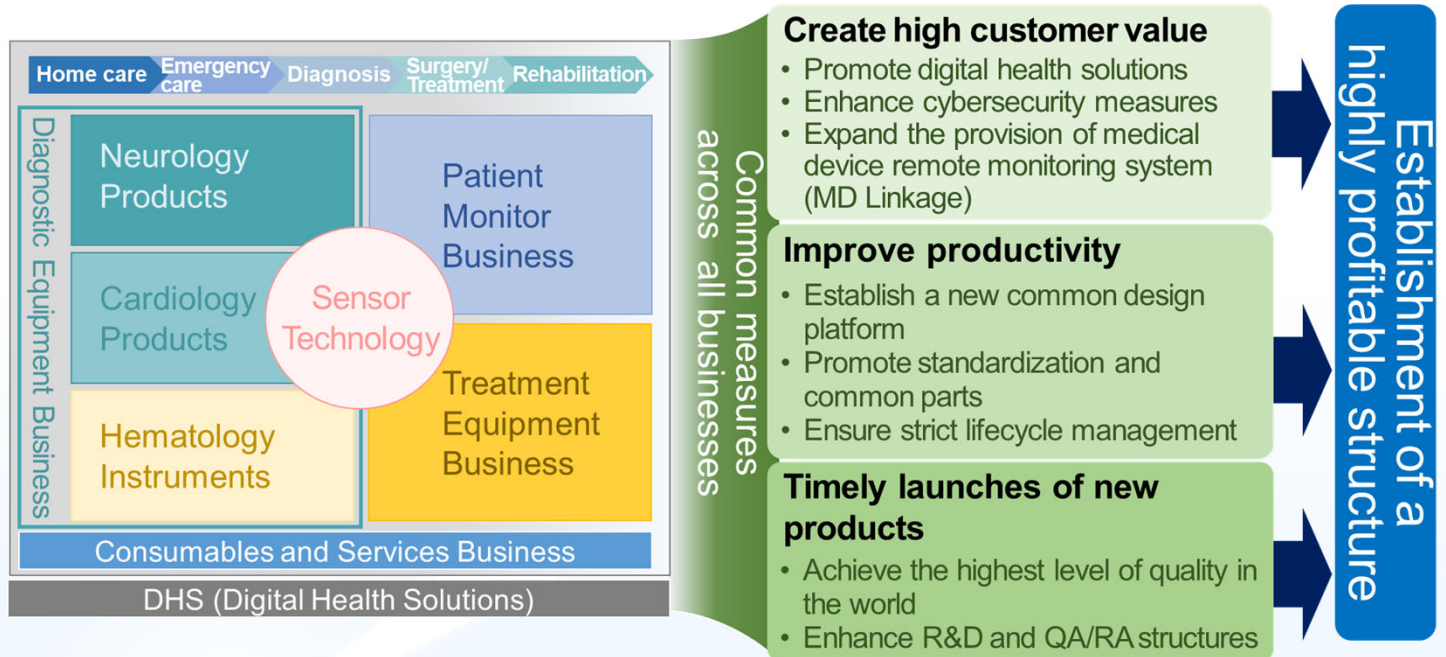
- From a management standpoint, we formulated and implemented recurrence prevention measures in response to the compliance matter that occurred in January 2021. To strengthen our group governance, we formulated the Global Corporate Administration Policy and started implementation in overseas subsidiaries.
- From a business standpoint, we focused on improving profitability by launching in-house products and services with high customer value. With the aim of promoting our DHS vision, we acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. in the U.S.
- From an operation standpoint, as part of our efforts to promote global supply chain management reforms and corporate DX, we started introducing PLM/MES systems. We also enhanced the cybersecurity of our internal IT infrastructure, following a cyber-attack on our European subsidiary.

## Management Ensure strict compliance/Strengthen group governance

- ✓ Meetings of the Committee for Implementation and Management of Recurrence Prevention Measures, which includes the Investigation Committee members, were held seven times.
- ✓ All recommendations of the Investigation Committee have been implemented and are being continued in FY2022.

<b>1. Strengthening of Governance</b> <b>(1) Review of the organization</b> <ul style="list-style-type: none"><li>Established the Compliance &amp; Legal Department in the Global Corporate Administration Operations (April 2021)</li><li>Established the Compliance Department in the Sales Operations in Japan (April 2021)</li><li>Domestic sales branch offices<ul style="list-style-type: none"><li>Strengthened administrative functions (Sequential implementation in progress)</li><li>Strengthened reporting lines to the Chief Compliance Officer (Compliance Officers' meeting: November 2021)</li></ul></li></ul>	<b>(2) Review of the procedures for considering donations</b> <ul style="list-style-type: none"><li>Introduced a donation website. Established a review organization that is independent of sales divisions (September 2021)</li></ul> <b>(3) Strengthening of internal controls</b> <ul style="list-style-type: none"><li>Application of IT controls to pre-order processes (November 2021)</li></ul> <b>(4) Establish mutual check procedures with dealers</b> (From January 2022) <ul style="list-style-type: none"><li>Mutual pledge to comply with laws</li><li>Periodic questionnaires</li><li>Established whistle-blowing channel for third parties</li></ul>	<b>2. Review of the Employee Performance Evaluation System</b> <ul style="list-style-type: none"><li>Included compliance in evaluation items for performance evaluation (Management positions: June 2021, General employees: October 2021)</li></ul> <b>3. Thorough Compliance Education</b> <ul style="list-style-type: none"><li>Domestic sales branch offices<ul style="list-style-type: none"><li>Improved education programs for managers (Training by outside experts: October 2021)</li><li>Increased the amount of specific and practical training contents (Continued to implement)</li></ul></li></ul> <b>4. Monitoring</b> <ul style="list-style-type: none"><li>Periodic internal compliance awareness surveys (February 2021, February 2022)</li><li>Ensure that all employees are aware of the internal reporting hotline (Newly established lawyer hotline: February 2022)</li></ul>
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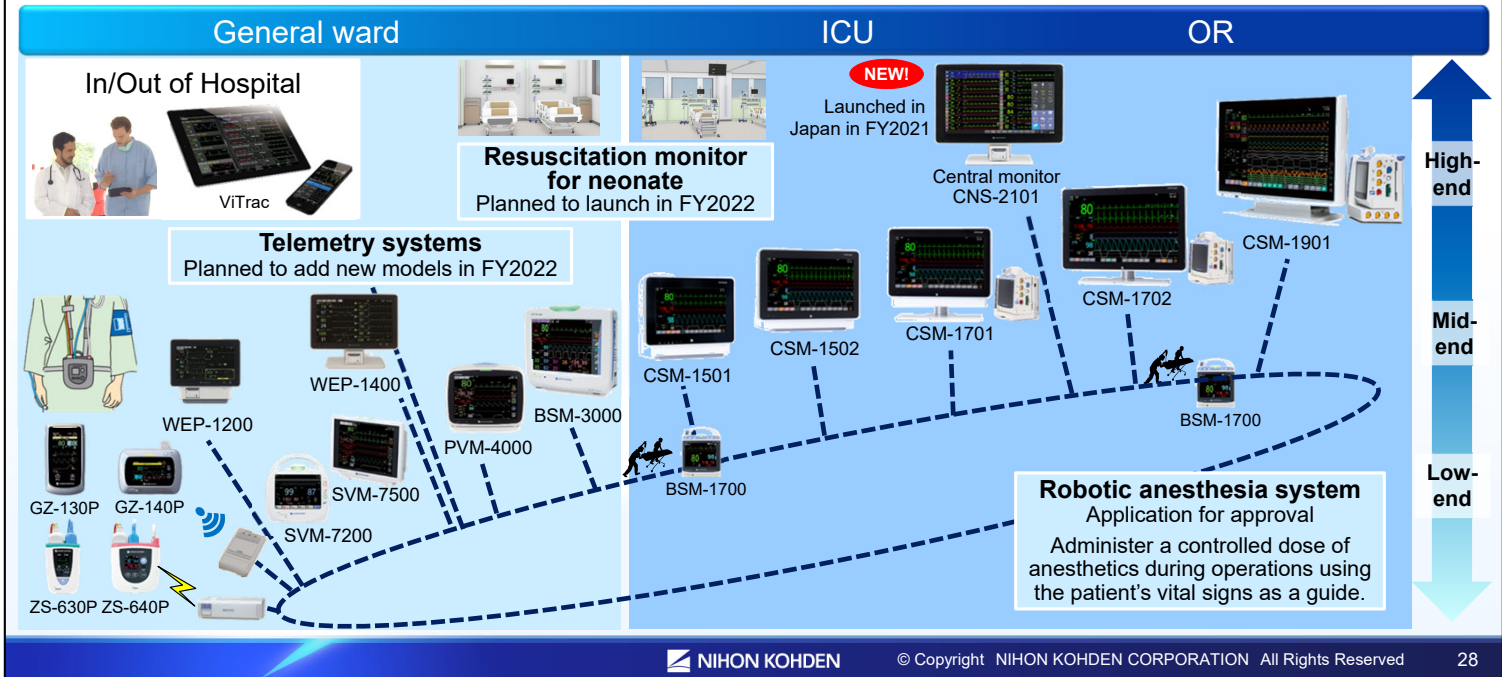
- The progress of recurrence prevention measures in response to the compliance matter is as shown above. Meetings of the Committee for Implementation and Management of Recurrence Prevention Measures, which includes outside members of the Investigation Committee, were held seven times. All recommendations of the Investigation Committee have been implemented.
- In the 2<sup>nd</sup> half of FY2021, in addition to the application of IT controls to pre-order processes, due diligence for dealers, training by outside experts, and expansion of the internal reporting hotline, the Company enhanced monitoring through a questionnaire survey provided to dealers and all employees.
- In FY2022, we will continue our monitoring efforts to ensure strict compliance.



- 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, and strengthening of R&D and QA/RA structures.

# Patient Monitor Business

- ✓ Promote creation of 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 launched a central monitor with enhanced linkage to IT systems in Japan.
- In FY2022, we will add new models of telemetry systems, and launch a resuscitation monitor for neonate as part of our efforts to contribute to the improvement of medical standards in emerging countries. We also applied for approval for a robotic anesthesia system which administers a controlled dose of anesthetics during operations using the patient's vital signs as a guide.

# Consumables and Services Business

## Consumables

- ✓ Expand production of consumables and promote cost reduction as demand is expected to increase

### AED disposable pads

FY2017  
Increased production capacity by automating production at Tomioka 2<sup>nd</sup> factory



### SpO<sub>2</sub> probes

FY2018  
Started automated production at Tomioka 2<sup>nd</sup> factory



### Measures in FY2022

#### SpO<sub>2</sub> probes

- ✓ Preparations for increasing automated production lines at Tomioka 2<sup>nd</sup> factory



#### EMG electrodes for neuromuscular monitoring

Demand for neuromuscular monitoring in the perioperative period is increasing for medical safety reasons

- ✓ Increase production lines
- ✓ Start automated production for domestic and the U.S. markets at Kawamoto production center



EMG electrode  
NM-34 series

- In our Consumables business, we will expand production and promote cost reductions to prepare for the increased demand for consumables of patient monitors and ventilators, as the number of these products installed had increased over the past two years.
- In terms of SpO<sub>2</sub> probes, we will prepare for increasing automated production lines. We will also start automated production of EMG electrodes as demand for neuromuscular monitoring in the perioperative period is increasing in Japan and the U.S., for medical safety reasons.

# Consumables and Services Business

## Services

- ✓ Increase the number of connected models to the medical device remote monitoring system **MD Linkage**

### Initiated the service with hematology analyzers

Japan in FY2018



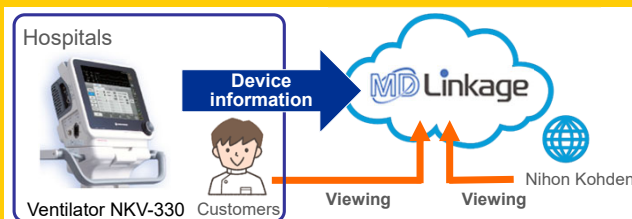
Number of  
- connected models: 5  
- connected units:  
approx. 1,700

NEW!

### Started linkage of ventilators

Japan in FY2022

- **Operating efficiency**  
Support operations by automatically sending results of daily inspections to cloud server
- **Medical safety**  
Enable remote checking of operating status in wards



Measures  
in FY2022

- ✓ Increase the number of connected models
- ✓ Test linkage of hematology analyzers in emerging countries

- In our Services business, we will increase the number of connected models to the medical device remote monitoring system.
- The service was initiated with hematology analyzers in FY2018, and is currently connected with 1,700 units of five models. It has been well received because of its ability to provide prompt support in the event of equipment malfunction or failure.
- In April 2022, we started linkage of ventilators. We expect that it will reduce customer workload by automatically sending results of inspections to a cloud server. We also expect that it will lead to greater medical safety, including infection prevention, by enabling remote checking of the operating status.
- In FY2022, we will increase the number of connected models and conduct test linkage of hematology analyzers not only in Japan but also in emerging countries.

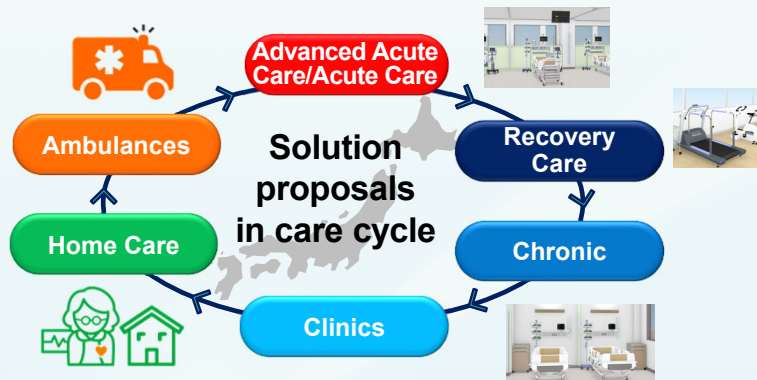
# Strengthen Strategies in Global Business

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

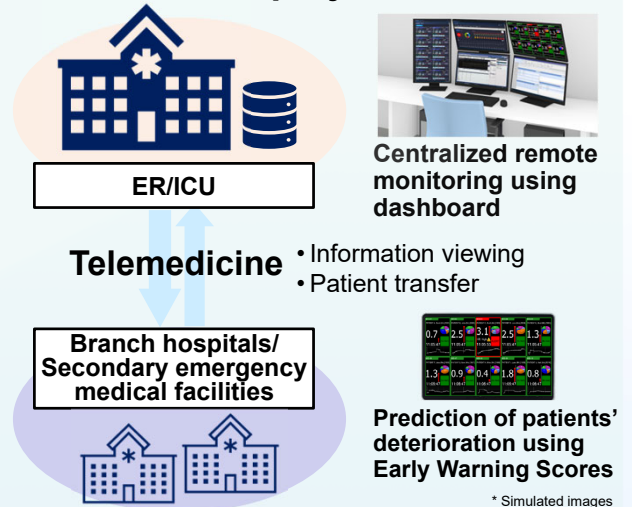
### ✓ Enhance customer value

Strengthen marketing and service capabilities which contribute to improving

Medical safety    Patient outcomes    Operating efficiency



### ✓ Start pilot validation of our tele-ICU project



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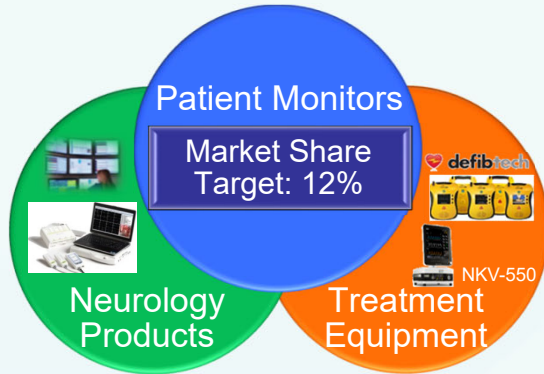
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- In Japan, we will continue to promote transformation centered on customer value propositions. Our sales and services team will work together to further enhance their ability to propose solutions which contribute to improving medical safety, patient outcomes, and operating efficiency.
- With the aim of contributing to enhancement of advanced ICU facilities and effective utilization of limited medical resources, we will start pilot validation of our tele-ICU project, including centralized remote monitoring by specialists using dashboard and prediction of patients' deterioration using Early Warning Scores. In the future, we will create our solutions to medical issues.



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

### ✓ Expand our product line-up



### ✓ Strengthen proposals for added value using new products, consumables and services

**NEW!**

#### Mid-range bedside monitors

Launched in FY2022

Enhanced product cybersecurity



CSM-1500 series

**NEW!**

#### EMG electrode for neuromuscular monitoring

Launched in FY2021

**NEW!**

#### NK NETWORK CARE

Monitor security threats

Launched in FY2021

#### Ventilators



**NKV-330**  
U.S. production  
Planned to launch  
in FY2022

#### Resuscitation Products



**Next-generation automated chest compression device**  
Planned to launch in FY2022

#### DHS (Digital Health Solutions)

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

**Added neonatal respiratory management index**



- In the U.S., we aim to achieve further growth by strengthening our business structure through functional integration and unification of seven local subsidiaries.
- To expand our product line-up, we will start local production in the U.S. of a mask-type ventilator and launch a next-generation automated chest compression machine which is now under development.
- In April 2022, we launched mid-range bedside monitors with enhanced product cybersecurity. We will continue to strengthen our unique proposals for adding value using not only products but also consumables and services.
- We are also strengthening our local R&D capability in the U.S. We added a neonatal respiratory management index to the software under development at AMP3D.

# 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

**NEW!** Hematology analyzer MEK-9200 Launched in FY2021

### Expand production of reagents in India

Installations of hematology instruments increased

Hematology analyzer MEK-9100

Hematology and ESR<sup>2</sup> analyzer MEK-1305

### Made in China

Local R&D and production

**Middle to low-end market**

ECG ECG-3150/3350

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

### Establish a new reagent factory

Total investment: approx. ¥1.1 bil  
Floor area: approx. four times the current plant (planned)

- FY2022 • Start construction
- FY2023 • Install production equipment
- FY2024 • Full-scale operation

\*1 CRP: C-Reactive Protein \*2 ESR: Erythrocyte Sedimentation Rate

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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.
- We will focus on the following proposals: the MEK-9200 which is our first hematology analyzer with RET (reticulocyte) measurement, the automatic conveyor with efficiency system developed in Shanghai, as well as the bedside monitors and hematology analyzers which we started local production in Shanghai. We also plan to launch an ECG developed and manufactured in Shanghai.
- In India, we will establish a new reagent factory, as the installations of hematology instruments are increasing thanks to new products. We plan to start construction in FY2022 and full-scale operation will start in FY2024.



## FY2021 Established Advisory Board

(Environment)

- ✓ **For realizing a carbon-free society**
  - Promoted setting SBTs\*<sup>1</sup> for CO<sub>2</sub> emissions
  - Promoted development of environment-friendly products

(Quality)

- ✓ **Introduced NPS\*<sup>2</sup> to improve quality**

(Human rights/Human resources)

- ✓ **Started human rights due diligence**
- ✓ **Conducted employee satisfaction survey**
- ✓ **Introduced role-based personnel system**

\*<sup>1</sup> 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

\*<sup>2</sup> NPS (Net Promoter Score): Index to measure customer loyalty. NPS indicates the degree of customers' attachment to products or services

## FY2022

- ✓ **Disclose information on climate change in accordance with the TCFD recommendation**

\* TCFD: Task Force on Climate-related Financial Disclosure

- ✓ **Analyze the NPS survey results and formulate measures to improve scores**

- ✓ **Conduct human rights risk assessment and identify human rights issues**
- ✓ **Promote measures for further improving employee satisfaction, based on the results of survey**
- ✓ **Promote role-based personnel system**

**Results of KPIs for material issues will be disclosed in the Integrated Report to be published at the end of August 2022 and on its website.**

- To embrace sustainability, we established an Advisory Board in July 2021 and strengthened our efforts in the areas of the environment, quality, and human rights and human resources.
- From the environmental aspect, we will disclose information on climate change in accordance with the TCFD recommendation.
- From the quality aspect, we conducted the Net Promoter Score survey, an index to measure customer loyalty. In FY2022, we will analyze the NPS survey results and formulate measures to improve the scores.
- In the area of human rights and human resources, we will conduct a human rights risk assessment and identify human rights issues, based on the results of human rights due diligence. Based on the results of our first employee satisfaction survey, we will promote measures for further improvements. We will also introduce and promote a role-based personnel system.
- Results of KPIs for material issues will be disclosed in the Integrated Report and on our website by the end of August 2022.

## 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 & Other	¥21.0 bil

### Three-year Plan

R&D investments	Approx. ¥20.0 bil
Capital investments	Approx. ¥14.0 bil

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

- The numerical targets for FY2023 ending March 2024 are as shown above. The Company reaffirmed the targets for FY2023, as the business environment is uncertain at this moment.
- We will strive to minimize the reactionary decline of COVID-19-related demand, and continue to focus on the stable supply of products by implementing SCM reforms. 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

FY2021

Full-year dividend: 67 yen including commemorative dividend for 70<sup>th</sup> anniversary of 13 yen and special dividend of 15 yen (pay-out ratio: 24.2%)  
Share buybacks: Up to 1.0 billion yen May 16 - June 30  
(total return ratio: 32.2%) (forecast)

FY2022  
(Forecast)

Full-year dividend:  
40 yen  
(pay-out ratio: 30.7%)

- The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion.  
The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more.
- As the business performance in FY2021 was favorable, the Company plans to pay the full-year dividend of 67 yen per share including the ordinary dividend of 39 yen per share, a commemorative dividend for 70<sup>th</sup> anniversary of 13 yen per share, and a special dividend of 15 yen per share, as a return to shareholders. The Company also plans to acquire up to 1 billion yen of its own shares.
- The full-year dividend for FY2022 will be 40 yen per share, and the payout ratio will be 30.7%.

## 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.

- Although there are uncertainties such as product supply issues due to the shortage of semiconductors and the Shanghai lockdown, our global business foundation to support the mid-to long-term growth has been steadily strengthened through COVID-19-related measures and supply chain reforms in the past two years. We will continue to promote company-wide transformation to realize our long-term vision.