

# Consolidated Financial Highlights for the First Half of FY2020

(From April 1, 2020 to September 30, 2020)

1. Consolidated Financial Results  
for the First Half of FY2020
2. Forecast for FY2020
3. Business Strategy
4. New Long-term Vision, BEACON 2030

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)  
November 10, 2020

*Fighting Disease with Electronics*



- I would like to express my heartfelt respect, and deeply thank, the medical professionals who are committed to treating patients at the forefront of daily healthcare amid the continuing spread of COVID-19.
- I sincerely thank our employees, who are struggling with their everyday work to fulfill our social mission as a medical device manufacturer, as well as our shareholders for their much encouragement.

# Consolidated Financial Results 1 for the First Half of FY2020

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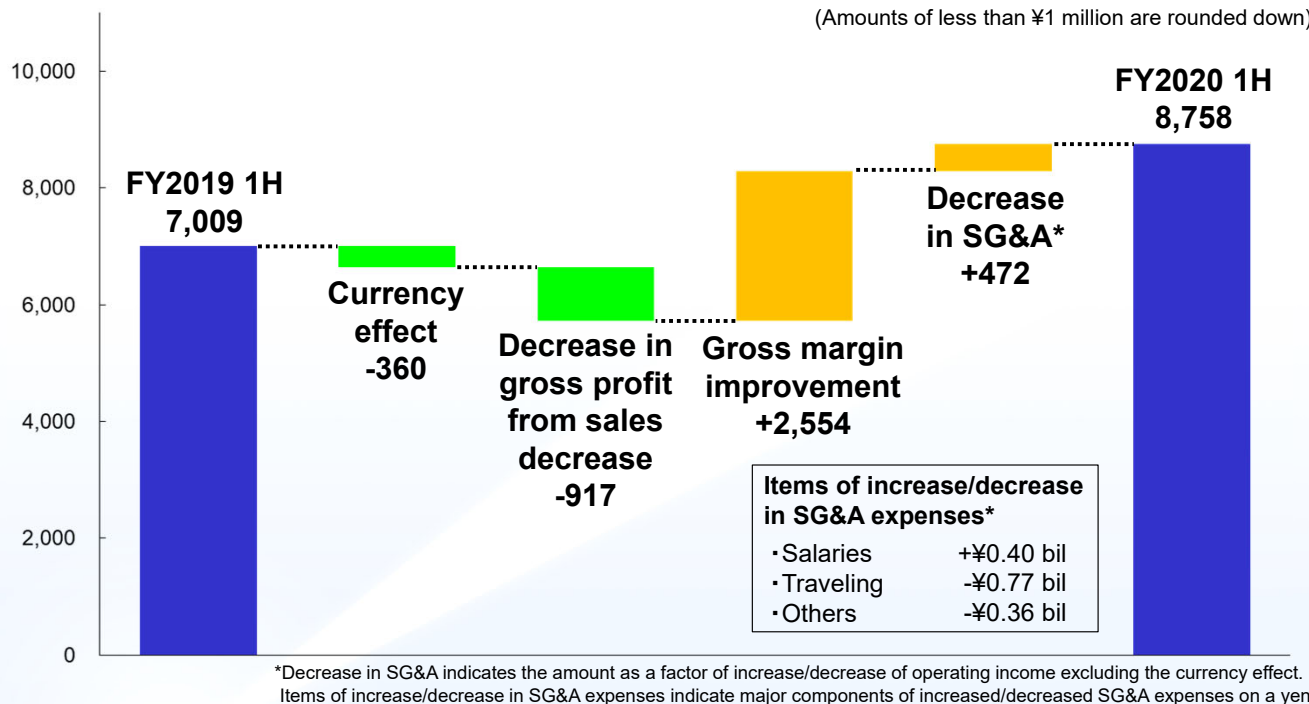
# 1) Consolidated Financial Results for the 1<sup>st</sup> Half of FY2020

	First half FY2019	First half FY2020		(Amounts of less than ¥1 million are rounded down)
		Actual	YoY (%)	
<b>Sales</b>	89,735	<b>87,240</b>	-2.8	
<b>Domestic Sales</b>	67,445	<b>56,248</b>	-16.6	
<b>Overseas Sales</b>	22,289	<b>30,992</b>	39.0	← <b>+43% on a local currency basis</b>
<b>Gross Profit</b> (Gross Profit Margin)	43,354 48.3%	<b>44,357</b> <b>50.8%</b>	2.3	← <b>In-house sales ratio: FY2019 1H 64.3% → FY2020 1H 69.0%</b>
<b>Operating Income</b> (Operating Income Margin)	7,009 7.8%	<b>8,758</b> <b>10.0%</b>	24.9	← <b>SG&amp;A: ¥36.3 bil → ¥35.5 bil SG&amp;A Ratio: 40.5% → 40.8%</b>
<b>Ordinary Income</b>	6,334	<b>8,215</b>	29.7	← <b>Foreign exchange losses: ¥855 mil → ¥825 mil</b>
<b>Income Attributable to Owners of Parent</b>	3,943	<b>5,826</b>	47.8	
Average exchange rate	First half FY2019	First half FY2020		
1 US Dollar	109.2 yen	106.9 yen		
1 EURO	121.9 yen	121.3 yen		

- Overall sales decreased 2.8% over the first half of FY2019 to ¥87.2 billion. Domestic sales decreased 16.6% to ¥56.2 billion. Overseas sales increased 39.0% to ¥30.9 billion, a 43% growth on a local currency basis.
- Although we did not announce our forecast for the first half of FY2020, both domestic and overseas results exceeded our internal plans.
- Gross profit margin increased by 2.5 percentage points to 50.8% due to an increase in the ratio of in-house products.
- Operating income increased 24.9% to ¥8.7 billion due to an improvement in the GPM, and a decrease in SG&A expenses.
- Ordinary income increased 29.7% to ¥8.2 billion. Income attributable to owners of parent increased 47.8% to ¥5.8 billion.

## 2) Breakdown of Operating Income

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



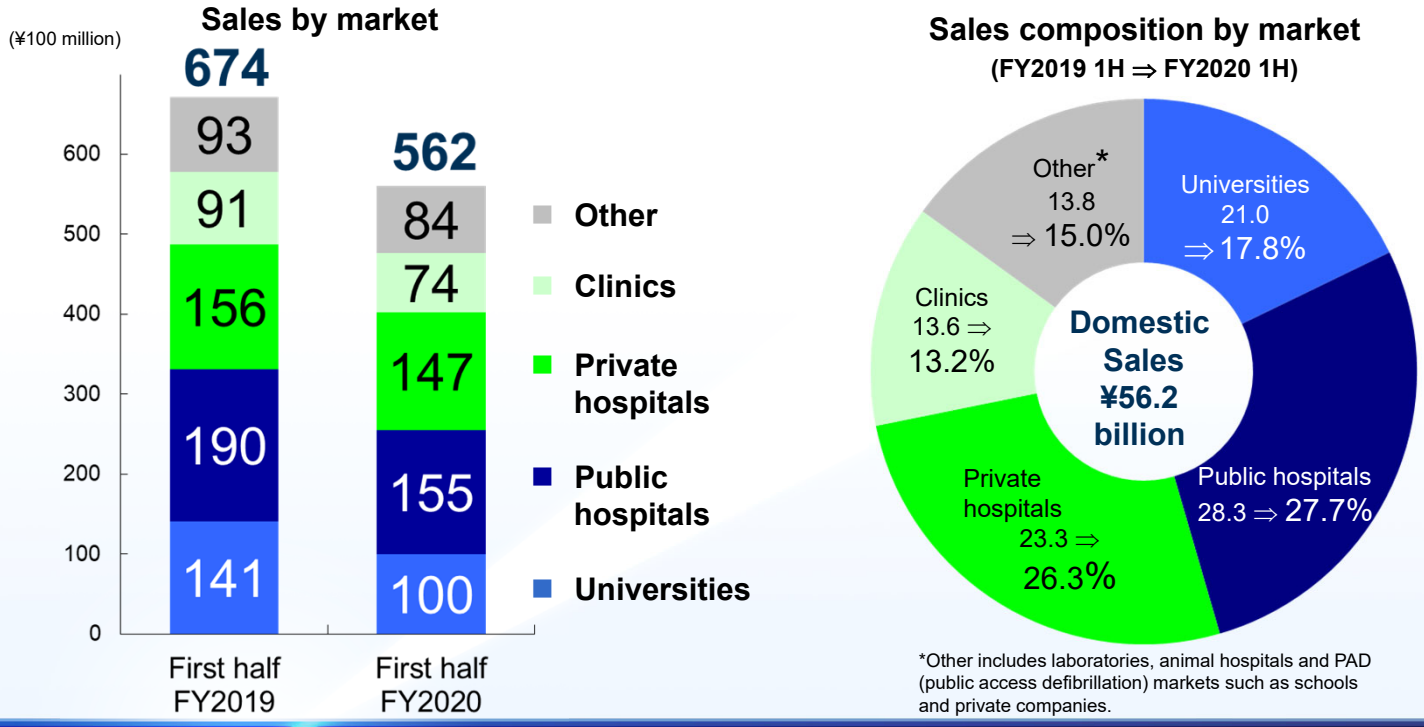
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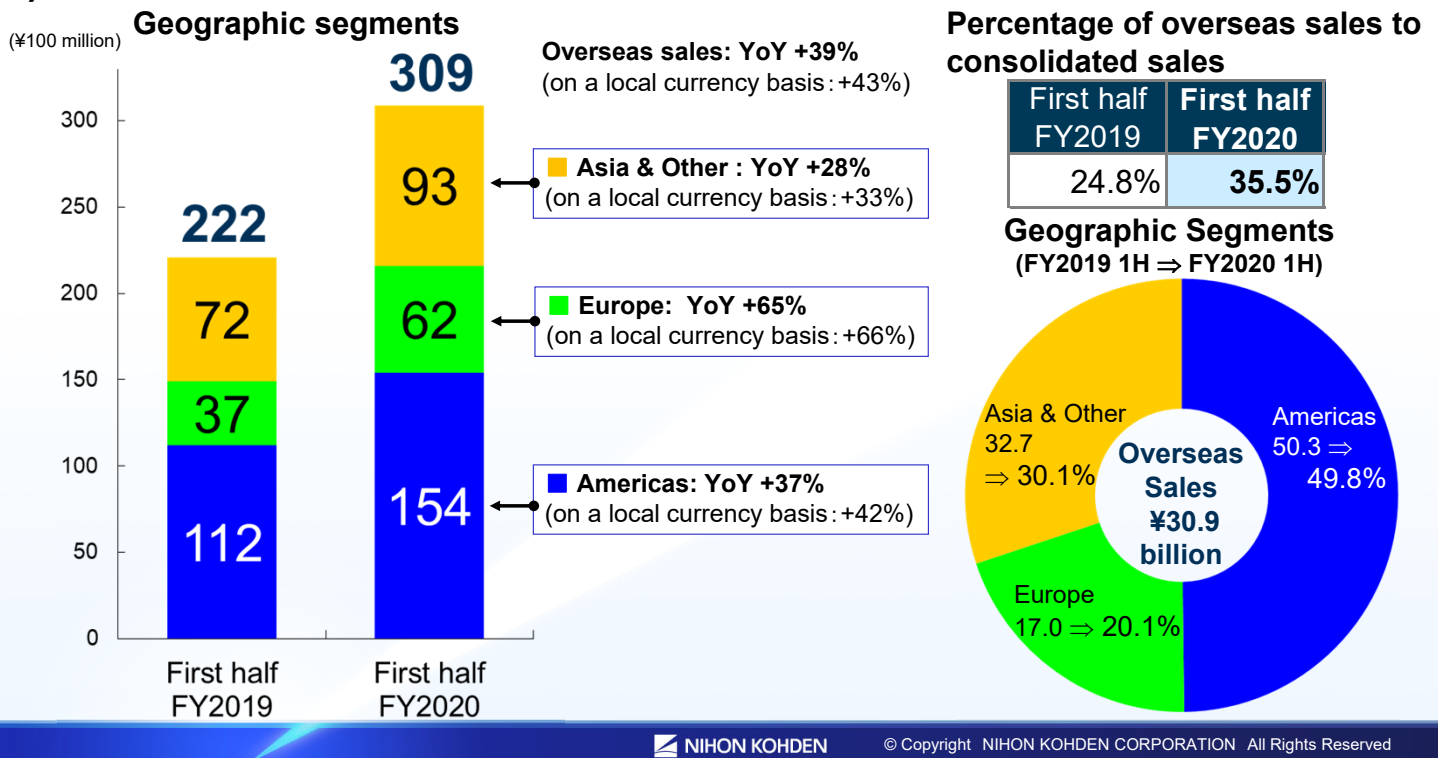
- In the first half of FY2020, operating income increased to ¥8.7 billion from ¥7.0 billion in the first half of FY2019.
- Foreign exchange rates had a negative impact of ¥0.3 billion.
- A decrease in gross profit due to the decrease in sales was ¥0.9 billion.
- The improvement in the GPM was a positive factor worth ¥2.5 billion. This was attributable to the strong performance of overseas business, which have a high ratio of in-house products, and to an improved sales mix in the domestic market as a result of our efforts to sell in-house products.
- SG&A expenses were a positive factor worth ¥0.4 billion due to a decrease in travel expenses, and other expenses resulting from restrictions on sales activities.

### 3) Domestic Sales



- Domestic sales decreased by ¥11.2 billion to ¥56.2 billion.
- Sales decreased in all markets in reaction to the last-minute surge in demand in the same period of the previous fiscal year, preceding consumption tax increase. In the university and public hospital markets, there was a reactionary decline compared to the first half of FY2019 when sales were strong due to large orders related to construction of new hospitals. We estimate that the impact of the reactionary declines was around ¥7 billion to ¥8 billion.
- We believe that COVID-19 had a negative impact of around ¥4 billion. We were affected by the postponement of testing, surgical procedures, and hospitalization, as well as the deferral or freezing of budget execution for certain products, such as Physiological Measuring Equipment. On the other hand, due in part to the contribution from the government's supplementary budget, demand for ventilators increased with sales exceeding our internal plan.

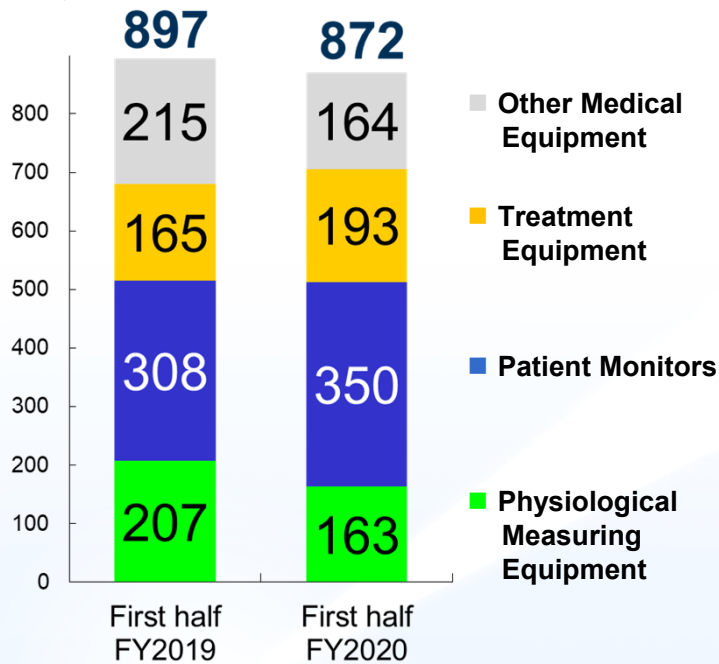
## 4) Overseas Sales



- Overseas sales increased by ¥8.7 billion to ¥30.9 billion.
- Sales in all regions exceeded our internal plans because demand for patient monitors and ventilators surged in response to COVID-19.
- In the Americas, sales increased by ¥4.2 billion to ¥15.4 billion and rose 42% on a local currency basis. Sales in both the U.S. and Latin America achieved double-digit growth. In Latin America, sales in Mexico, Brazil, and Colombia showed strong growth.
- Sales in Europe increased by ¥2.5 billion to ¥6.2 billion and jumped 66% on a local currency basis. Sales in Western Europe showed strong growth, primarily in Italy and the U.K.
- Sales in Asia & Other increased by ¥2.1 billion to ¥9.3 billion, and grew 33% on a local currency basis, thanks to large orders in Vietnam, Qatar, and Indonesia. Sales growth moderated in China, as demand for medical devices has settled down from the second quarter of FY2020 after the successful control of COVID-19.

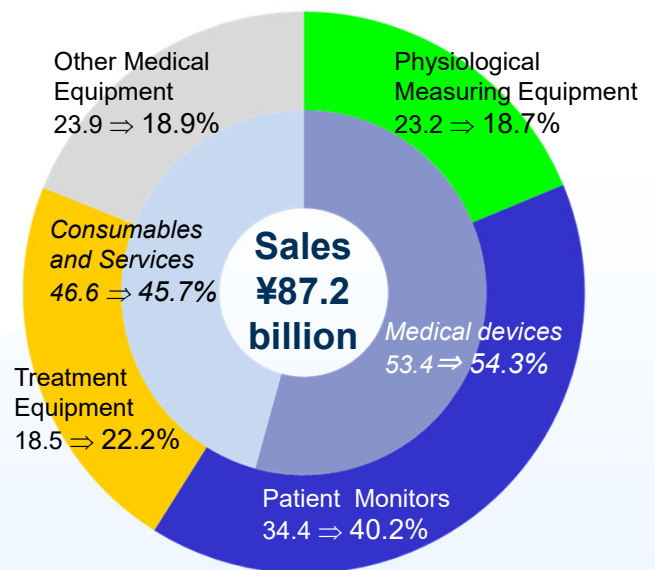
## 5) Sales by Product Category

(¥100 million)



## Sales composition by product category

(FY2019 1H ⇒ FY2020 1H)



- Sales by product category are shown above.
- Sales of Patient Monitors and Treatment Equipment, including ventilators, grew sharply. But those of Physiological Measuring Equipment and Other Medical Equipment incurred, fell YoY as demand slowed.
- The ratio of Consumables and Services accounted for 45.7% of total net sales. Domestic sales of consumables, such as catheters, SpO<sub>2</sub> sensors, and electrodes, declined due to the postponement of testing and surgical procedures.

## 5.1) Physiological Measuring Equipment

	First half FY2019	First half FY2020	YoY (%)	(Sales, millions of yen)
Electroencephalographs	3,620	<b>2,666</b>	-26.3	
Electrocardiographs	3,380	<b>2,962</b>	-12.4	
Polygraphs for Cath Lab	8,204	<b>6,907</b>	-15.8	
Other Physiological Measuring Equipment *	5,577	<b>3,814</b>	-31.6	
<b>Physiological Measuring Equipment</b>	<b>20,782</b>	<b>16,350</b>	<b>-21.3</b>	
<b>Domestic Sales</b>	<b>16,627</b>	<b>12,625</b>	<b>-24.1</b>	
<b>Overseas Sales</b>	<b>4,155</b>	<b>3,724</b>	<b>-10.4</b>	

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

Sales of all products recorded double-digit declines because medical institutions reduced the number of testing and surgical procedures, and postponed or froze a part of their purchase budgets. The demand for pulse oximeters and LAVITA increased because of use in checking mildly ill COVID-19 patients.

Sales of EEGs decreased in the Americas and Asia & Other. Sales of ECGs increased favorably in all regions.



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- Sales of Physiological Measuring Equipment declined 21.3% to ¥16.3 billion.
- Domestic sales decreased 24.1% to ¥12.6 billion. Sales of all products declined by double digits, partly due to the decrease in testing and surgical procedures and the postponement or freezing of budget execution. On the other hand, demand for pulse oximeters and LAVITA increased for mildly ill patients of COVID-19.
- Overseas sales decreased 10.4% to ¥3.7 billion. Sales of EEGs decreased in the Americas and Asia & Other due to a decline in demand. Sales of ECGs increased favorably in all regions, partly due to demand for measures to combat COVID-19.



## 5.2) Patient Monitors

	First half FY2019	First half FY2020	YoY (%)
<b>Patient Monitors</b>	30,855	<b>35,067</b>	13.6
<b>Domestic Sales</b>	19,984	<b>17,276</b>	-13.6
<b>Overseas Sales</b>	10,870	<b>17,790</b>	63.7

(Sales, millions of yen)

Sales of clinical information systems and bedside monitors decreased significantly in reaction to the strong performance in FY2019 1H. Sales of telemetry systems increased favorably.

Sales in all regions achieved double-digit growth. Especially, sales in Europe, the Middle East and Latin America doubled compared to FY2019 1H.



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- Sales of Patient Monitors increased 13.6% to ¥35.0 billion.
- Domestic sales decreased 13.6% to ¥17.2 billion. Sales of clinical information systems and bedside monitors declined significantly in reaction to strong performance in the first half of the previous fiscal year. On the other hand, sales of telemetry systems were favorable due to the contribution of new products, as well as measures to combat COVID-19.
- Overseas sales increased 63.7% to ¥17.7 billion, showing significant increases in all regions. In particular, sales doubled in Europe, the Middle East, and Latin America.

## 5.3) Treatment Equipment

	First half FY2019	First half FY2020	YoY (%)	(Sales, millions of yen)
Defibrillators (for Hospital and Ambulance)	2,879	3,049	5.9	<p><b>Domestic:</b> Sales decreased in reaction to the strong performance in FY2019 1H.</p> <p><b>International:</b> Sales in all regions increased favorably thanks to double-digit growth in Asia &amp; Other and Latin America.</p>
AEDs (Automated External Defibrillator)	7,479	6,885	-7.9	<p><b>Domestic:</b> Sales increased favorably thanks to orders received for replacement.</p> <p><b>International:</b> Sales decreased due to weak demand in all regions.</p>
Pacemakers / ICDs	1,625	1,366	-15.9	
Ventilators	1,603	5,317	231.6	<p><b>Domestic:</b> Sales of both Hamilton's ventilators and our in-house ventilator increased favorably supported by supplementary budgets.</p> <p><b>International:</b> Sales increased significantly in all regions. The business has grown to a certain scale.</p>
Other Treatment Equipment	2,970	2,705	-8.9	
<b>Treatment Equipment</b>	<b>16,558</b>	<b>19,324</b>	<b>16.7</b>	
Domestic Sales	11,922	12,277	3.0	
Overseas Sales	4,635	7,047	52.0	
(Ref.) AED Unit Sales	45,000	39,400	-12.4	
Domestic Unit Sales	26,200	28,200	7.6	



- Sales of Treatment Equipment increased 16.7% to ¥19.3 billion. Domestic sales increased 3.0% to ¥12.2 billion. Overseas sales increased 52% to ¥7.0 billion.
- Sales of defibrillators rose 5.9% to ¥3 billion. Domestic sales decreased in reaction to the strong performance in the first half of the previous fiscal year, but overseas sales increased favorably in all regions.
- The overall sales volume of AEDs was 39,400 units, with the sales value decreasing 7.9% to ¥6.8 billion. Domestic sales were strong thanks to orders received for replacement, but overseas sales declined due to weak demand in all overseas regions.
- Ventilators performed well, both domestically and overseas, and sales increased significantly to ¥5.3 billion from ¥1.6 billion. Domestically, sales of both Hamilton's ventilators and our in-house ventilator increased favorably. Overseas, demand surged in all regions, reaching a certain level of business scale in each region.

## 5.4) Other Medical Equipment

	First half FY2019	First half FY2020	YoY (%)	(Sales, millions of yen)
Hematology Analyzers	4,884	4,451	-8.9	
Imaging Systems, Medical equipment for study and others *	16,655	12,047	-27.7	
<b>Other Medical Equipment</b>	21,539	<b>16,499</b>	<b>-23.4</b>	
<b>Domestic Sales</b>	18,911	<b>14,068</b>	<b>-25.6</b>	
<b>Overseas Sales</b>	2,628	<b>2,430</b>	<b>-7.5</b>	

Sales of locally purchased products decreased significantly compared to FY2019 1H when large orders were received. The decrease was also because the Company focused on selling in-house products.

Sales of hematology analyzers and reagents decreased due to weak demand and a decrease in the amount of testing.

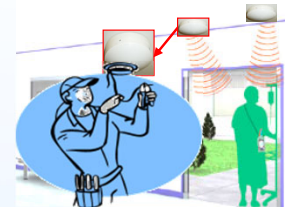
\*Includes consumables, installation and maintenance services which are not part of other categories.



**Automated hematology analyzer**  
MEK-9100



**Automated hematology analyzer and clinical chemistry analyzer**  
MEK-1303



**Installation and maintenance services**

- Sales of Other Medical Equipment decreased 23.4% to ¥16.4 billion.
- Domestic sales decreased 25.6% to ¥14.0 billion. Sales of locally purchased products decreased significantly, due to a reaction to large-scale orders in the first half of the previous fiscal year, and efforts to sell in-house products.
- Overseas sales decreased 7.5% to ¥2.4 billion. Sales of hematology analyzers and reagents declined YoY in all regions due to a decrease in demand and in the amount of testing.

## 6) Financial Condition

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

	FY2019	First half FY2020	Change		FY2019	First half FY2020	Change
Current Assets	129,020	<b>128,958</b>	-62	Current Liabilities	40,319	<b>36,081</b>	-4,238
Inventories	29,249	<b>36,303</b>	7,054	Interest-bearing Debt	350	<b>350</b>	—
Property, Plant & Equipment	20,003	<b>20,014</b>	10	Non-current Liabilities	5,692	<b>5,577</b>	-115
Intangible Assets	4,149	<b>3,883</b>	-266	Net Assets	121,774	<b>126,853</b>	5,078
Investments & Other Assets	14,612	<b>15,656</b>	1,043				
<b>Total Assets</b>	167,786	<b>168,512</b>	725	<b>Total Liabilities &amp; Net Assets</b>	167,786	<b>168,512</b>	725
Inventory Turnover	3.7 months	<b>4.9 months</b>		Equity Ratio	72.6%	<b>75.3%</b>	

- Total assets increased by ¥0.7 billion to ¥168.5 billion.
- Inventories increased by ¥7 billion due to an increase in production of patient monitors and ventilators.

## 7) Capital Investments and R&D Costs

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

	First half FY2019	First half FY2020	FY2019 Actual	FY2020	
				Original Forecast announced May 13	Revised Forecast announced Nov 6
Capital Investments	1,609	1,472	3,549	3,900	3,900
Depreciation	1,695	1,496	3,597	3,600	3,600
R&D costs	3,162	3,069	6,731	7,000	7,200

### ● FY2020 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, IT systems for increasing operating efficiency, production equipment including equipment related to ramping-up production of two models of ventilators and patient monitors

<Supports for production increase of ventilators and patient monitors by partners>

- Delivery of 1,000 units of carts for ventilators by Honda Motor Co., Ltd.
- Advice for improving the production process for ventilators and patient monitors by Toyota Production System (TPS) Support Team



[Difference b/w original forecast and revised forecast announced on Nov.6]

• R&D costs +¥0.2 bil:  
Accelerates development of digital technology set out in its long-term vision



- Capital investments and depreciation came to ¥1.4 billion, respectively. R&D costs totaled ¥3 billion.
- For the full fiscal year, we have not changed our estimates for capital investments and depreciation at ¥3.9 billion and ¥3.6 billion, respectively. On the other hand, we have changed our projection for R&D costs to ¥7.2 billion. We will accelerate the development of digital technologies, as outlined in our long-term vision, BEACON 2030.
- As you can see, the Tomioka Production Center is working to increase production with the support from various companies.

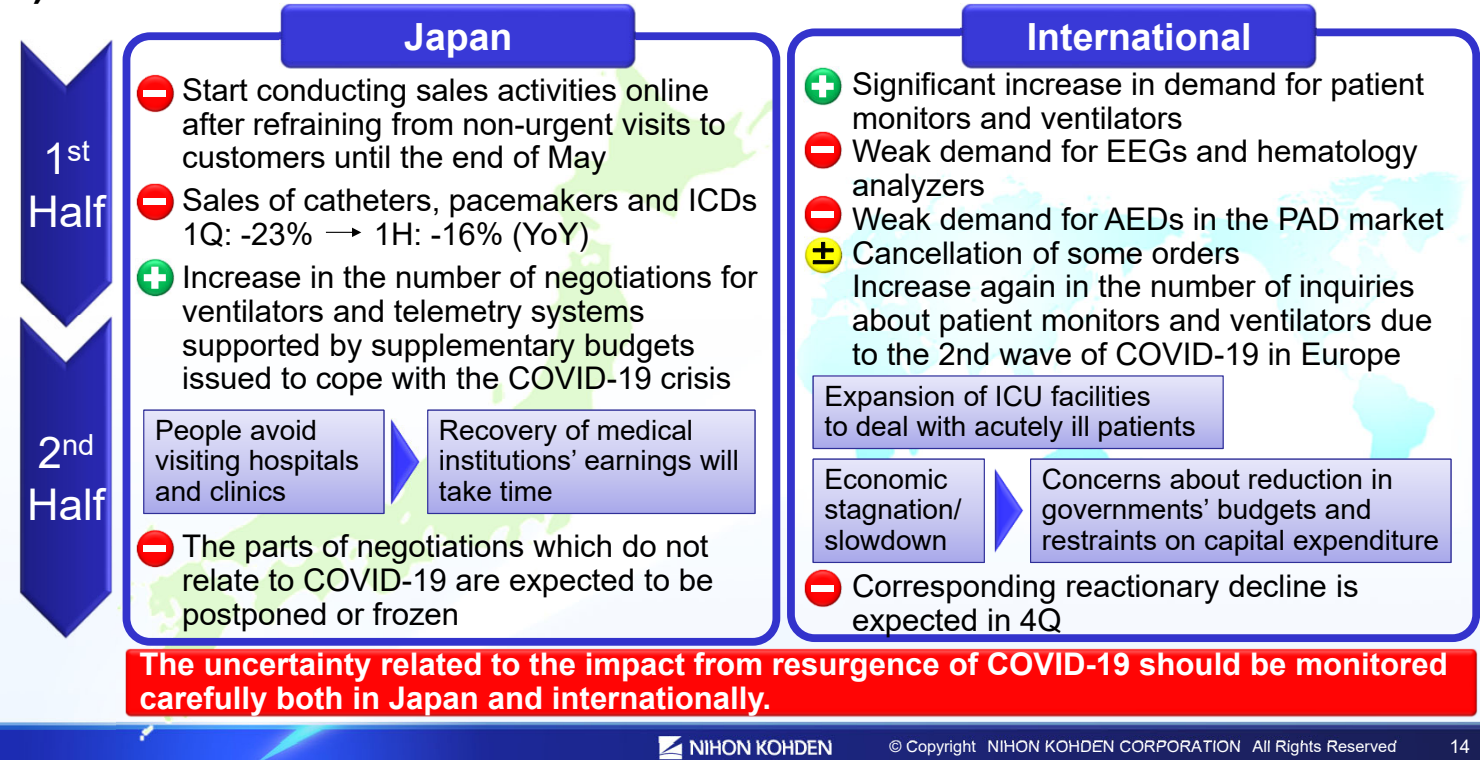
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## Forecast for FY2020

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# 1) Business Environment



- In Japan, testing and surgical procedures, which had been postponed, were gradually resumed. In addition, due to the introduction of the government's supplementary budget, there was an increase in business negotiations for ventilators, telemetry systems, and other products. On the other hand, it is expected to take time for medical institutions to recover profitability as patients remain reluctant to go to hospitals, and hospitalization and surgical procedures continue to decrease. In some business negotiations, other than those for COVID-19 countermeasures, some customers have postponed or frozen budget execution.
- Internationally, we received some cancellations for orders for ventilators. Currently, there have been new inquiries in Europe, which faces the second wave of COVID-19. We anticipate a recovery in the second half in sales of EEGs, hematology analyzers, and AEDs, for which demand declined in the first half, but the recovery is not expected to offset the falls in the first half. In addition, as we expected at the beginning of the fiscal year, we still forecast a reactionary decline in the fourth quarter onward.
- We are closely monitoring the situation of whether infections will spread again both domestically and internationally.

## 2) Forecast for FY2020

	FY2019 Actual	FY2020		YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 6	
<b>Sales</b>	185,007	180,000	184,000	-0.5
<b>Domestic Sales</b>	134,355	126,200	127,200	-5.3
<b>Overseas Sales</b>	50,651	53,800	56,800	12.1
<b>Gross Profit</b> (Gross Profit Margin)	89,325 48.3%	87,200 48.4%	91,300 49.6%	2.2
<b>Operating Income</b> (Operating Income Margin)	15,503 8.4%	14,000 7.8%	16,500 9.0%	6.4
<b>Ordinary Income</b>	14,846	14,000	16,500	11.1
<b>Income Attributable to Owners of Parent</b>	9,854	10,000	11,000	11.6

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

+15% on a local currency basis

Percentage of overseas sales 27.4% 29.9% 30.9%

### Average exchange rate

1 US Dollar	109.1 yen	107 yen	106 yen
1 EURO	121.1 yen	117 yen	122 yen

FY2020 2H
106 yen
124 yen

### Breakdown of overseas sales by region

	FY2019 Actual	FY2020 Forecast		YoY (%)
		Original forecast announced May 13	Revised Forecast announced Nov 6	
<b>Americas</b>	24,731	26,600	28,100	13.6
<b>Europe</b>	9,044	8,800	10,300	13.9
<b>Asia &amp; Other</b>	16,876	18,400	18,400	9.0
<b>Total</b>	50,651	53,800	56,800	12.1

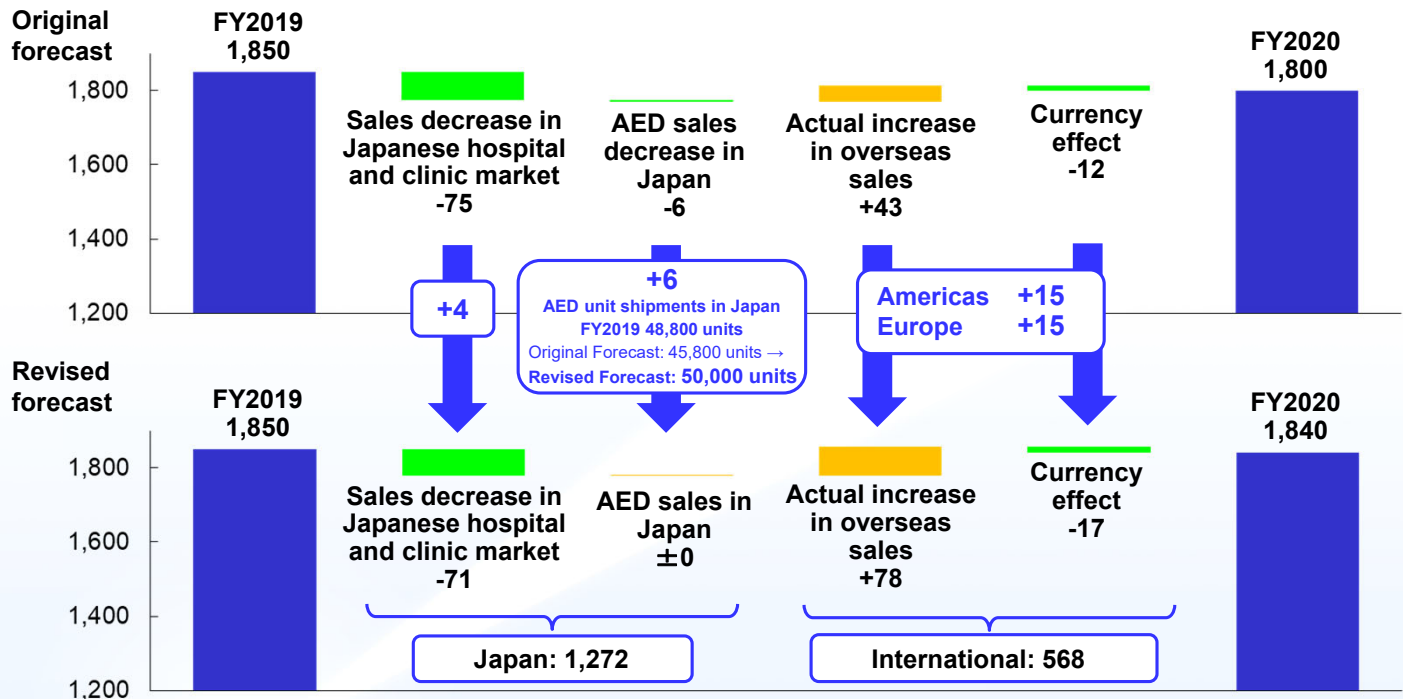
\*Effective FY2020, Asia and Other are reclassified as Asia & Other.

- We have revised up our full-year earnings forecast as the first-half results exceeded our internal plans.
- Overall sales are forecast to decrease 0.5% to ¥184 billion. Domestic sales are expected to decrease 5.3% to ¥127.2 billion, and overseas sales to increase 12.1% to ¥56.8 billion and to increase 15% on a local currency basis.
- Domestic sales are expected to increase by ¥1 billion from the original forecast. Overseas sales are expected to increase by ¥3 billion on the assumption that sales in all regions will exceed the original forecasts. In particular, demand for ventilators is stronger than anticipated, leading to this revision.
- Operating income is expected to total ¥16.5 billion, an increase of ¥2.5 billion from the original forecast, due to a reduction in the size of the sales decline and an improvement in the GPM. Ordinary income and income attributable to owners of parents are as shown above.
- The assumed exchange rates for the second half are 106 yen against the U.S. dollar and 124 yen against the euro.



### 3) Analysis of FY2020 Sales Forecast

(¥100 million)



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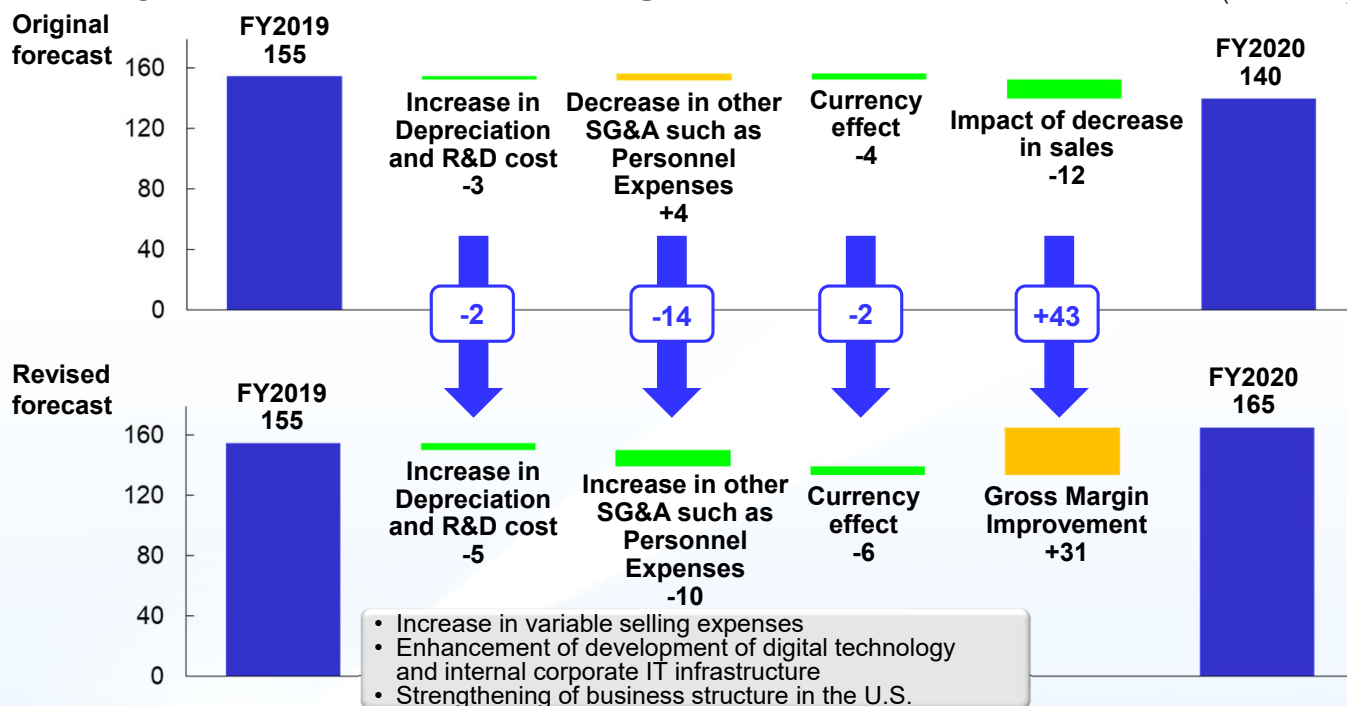
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- We revised the figure for Japanese hospital and clinic market to a decrease of ¥7.1 billion, as the first-half result exceeded our internal plan. Similarly, we revised the value of full-year sales of AEDs to a flat level and the volume of sales to 50,000 units.
- We expect that overseas sales in the Americas and Europe will exceed the original forecasts by ¥1.5 billion, respectively, resulting in an actual YoY increase of ¥7.8 billion. Regarding foreign exchange rates, we expect a negative impact of ¥1.7 billion.

## 4) Analysis of FY2020 Operating Income Forecast

(¥100 million)



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- Since we achieved a substantial increase in profits in the first half of the fiscal year, we will implement strategic investments that are essential to realizing our long-term vision, BEACON 2030, such as those for accelerating the development of digital technologies and improving internal corporate IT infrastructure. We will also work to strengthen our business structure in the U.S. with the aim of further expanding our overseas business.
- As a result, depreciation and R&D costs were revised to an increase of ¥0.5 billion, and other SG&A such as personnel expenses were revised to an increase of ¥1 billion.
- We forecast a negative impact of foreign exchange rates worth ¥0.6 billion, and a positive effect of the improvement in the GPM worth ¥3.1 billion.

## (Ref.) Consolidated Forecast for FY2020 by Product Category/ Effect of Exchange Rates

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

	FY2019 Actual	FY2020 Forecast			YoY (%)
		Original Forecast announced May 13	Revised Forecast announced Nov 6	Composition ratio (%)	
Physiological Measuring Equipment	42,273	37,200	36,800	20.0	-12.9
Patient Monitors	64,966	68,500	70,000	38.0	7.7
Treatment Equipment	34,512	35,800	39,800	21.6	15.3
Other Medical Equipment	43,254	38,500	37,400	20.4	-13.5
<b>Total</b>	<b>185,007</b>	<b>180,000</b>	<b>184,000</b>	<b>100.0</b>	<b>-0.5</b>

(Reference)

<b>Consumables and Services</b>	84,160	82,200	81,500	44.3	-3.2
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### Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
1 US Dollar	0.34 bil yen	0.07 bil yen
1 EURO	0.07 bil yen	0.03 bil yen

- The consolidated sales forecast by product category has been revised based on the first-half results.
- The sensitivity to foreign exchange rates is as shown above.

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# Business Strategy

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## 1) Basic policies to address COVID-19

1. Ensuring the health and safety of employees at work and their families as the top priority
2. Fulfilling our responsibility to supply products and services to maintain the medical care system



Our staff wearing personal protective equipment installed patient monitors in Shanghai in Feb. 2020



Installed NKV-550 ventilators in Spain in Apr. 2020



Installed NKV-330 ventilators in London in Jun. 2020



Installed NKV-550 ventilators in Scotland in Jun. 2020

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- In FY2020, we are promoting business activities based on our basic policy of ensuring the health and safety of employees and their families and fulfilling our responsibility to supply as a medical device manufacturer.
- We are proud of our employees who are committed to the supply of products and services, while implementing thorough measures to prevent infectious diseases in countries around the world, and we are sincerely grateful to them.
- We will continue to give top priority to the support of medical workers who are committed to countermeasures against COVID-19 at the forefront of the clinical practice.

## 2) Measures in FY2020

### Improve profitability of existing businesses

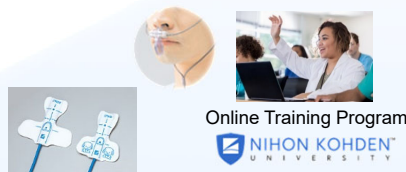
#### Launch new products on schedule

- ✓ Enhance improvement of development efficiency



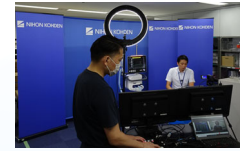
#### Achieve further growth in overseas business

- ✓ Expand the installation of patient monitors and ventilators
- ✓ Enhance proposals of consumables and services



#### Enhance customer value proposition in domestic business

- ✓ Hold online seminars
- ✓ Enrich contents of the membership website



- Let me explain our efforts to improve profitability in existing businesses.
- Complying with the new product launch schedule is an issue from the previous medium-term business plan. But from April, we have shifted our technological development division to an organization by function and are working to improve development efficiency.
- Overseas, we focus on proposing consumables and services to build a stable revenue base as the installation of patient monitors and ventilators is expanding.
- Domestically, we hold online seminars and enrich contents of the membership-based website in order to promote proposals in favor of customer value amid the COVID-19 pandemic.

## 2) Measures in FY2020

### Consolidate corporate fundamentals to grow as a global company

#### Strengthen governance and business management structure

April 2020

- ✓ **Strengthened risk management supervision of overseas subsidiaries**



June 2020

- ✓ **Appointed one female outside director**
- ✓ **Introduced a restricted stock remuneration plan for directors and operating officers**

#### Improve supply chain management using IT

- ✓ **Establish a global ERP system**
  - Introduce ERP into a subsidiary in Singapore in FY2020



- ✓ **Promote and expand use of online ordering system in domestic business transactions**

- Aiming at strengthening our corporate fundamentals to grow as a global company, we established the global corporate administration operations in April to strengthen risk management of our overseas subsidiaries. In addition, we appointed one female Outside Director and introduced a restricted stock remuneration plan as a measure for compensation for directors and operating officers.
- To improve supply chain management, we plan to introduce an ERP system into a subsidiary in Singapore and promote online ordering system in domestic business transactions to streamline operations.



### 3) Strengthen business expansion by region

Japan

Promote customer value which contributes to improving medical safety, patient outcomes, and operating efficiency

COVID-19 response

✓ In-hospital: Enable remote viewing on mobile terminals from out of ward

Telemetry system WEP-1400

**NEW!** Telemetry system WEP-1200 Launched in Oct 2020

Transmitter ZS-640P

Ventilator NKV-330

✓ Accommodation facilities: Enable checking COVID-19 patient condition from other rooms

temperature

SpO<sub>2</sub>

Bluetooth NFC

LAVITA®

✓ Recommend use of disposable consumables to prevent infection

NIBP Cuff

SpO<sub>2</sub> probe

**NEW!** Ultrasound Gelsonic mini Launched in Jul 2020

✓ Introduce esCCO

\* esCCO: estimated Continuous Cardiac Output

- Estimate CO using ECG and SpO<sub>2</sub> pulse wave
- Low infection risk and no pain
- No additional sensors and no additional running cost

**NEW!** SpO<sub>2</sub> probe for esCCO measurement Launched in Sep 2020

✓ Patient outcomes

- With respect to the strengthening of our business development by region, in the domestic market, we strengthen proposals for solutions that can view patients' conditions from out of wards through mobile terminals as a measure against COVID-19. The new telemetry system, WEP-1200, is expected to contribute to medical safety by realizing data/alarm connectivity with our ventilator.
- We have built a system that can check the conditions of mildly ill patients of COVID-19 from other rooms using LAVITA, which has been highly evaluated.
- We are also focusing on proposing disposable consumables, including Gelsonic, a newly launched ultrasound gel.
- We have also introduced our esCCO domestically. This is our unique technology for estimating continuous cardiac output non-invasively, and we expect it to lead to an increase in customer value.



✓ Promote solution proposals with NK-HealthProtect™ **NEW!**

### Patient Triage Solution

COVID-19 screening



Useful for screening COVID-19 patients by measuring temperature and SpO<sub>2</sub>

Spot check monitor  
SVM-7200  
Launched in Dec 2019

### Wireless Surge Solution

Support for emergency department



Prefense® Early Detection and Notification System\*



Vital sign telemeter  
GZ-140P

### Pop-up ICU Solution

Rapidly expand capacity



Central monitor  
CNS-6801



Bedside monitor  
BSM-6301

✓ Reduce infection risk of medical staff

Pre-hospital/In-hospital market



\* Prefense® Early Detection and Notification System is Nihon Kohden's proprietary software that allows for continuous vital signs monitoring of multiple patients on a single screen, enabling recognition and faster intervention when vital signs change.

- In the U.S., we are developing NK-HealthProtect, a program for combating COVID-19. The Patient Triage Solution is expected to be used for screening COVID-19 patients, as it can measure body temperature and SpO<sub>2</sub> with a spot check monitor. The Wireless Surge Solution supports emergency department crowded with many patients, as it is able to monitor vital signs using the Prefense Early Detection System for multiple patients. The Pop-up ICU solution, which consists of bedside monitors and a central monitor, enables rapid expansion of ICUs.
- In addition, we will strengthen proposals to reduce the infection risk of medical staff.
- The NKV-550 ventilator has been adopted at Harvard University's Massachusetts General Hospital. We expect it to have a ripple effect in the future.

Made in Japan/US	High-end market		Made in China	Middle-to low-end market	

**Hematology Instruments**

✓ Introduced three new models (Launched in Oct 2020)



✓ Establish hematology analyzer reagent factory in Dubai (Plan to start production in FY2020 4Q)



MEK-1301 MEK-1302 MEK-1305

- **NEW!** The world's first hematology analyzer which enables ESR\* to be measured simultaneously (MEK-1305)
- Newly installed NLR (Neutrophil/Lymphocyte Ratio) for prediction of COVID-19 severity (MEK-1301/1302/1305)







\* ESR (Erythrocyte Sedimentation Rate): High ESR means a possibility of infectious diseases such as tuberculosis. ESR is measured mainly in emerging countries.

- In emerging countries, we added a new model of ECGs, which are developed and manufactured in Shanghai. We also introduced three new models of hematology instruments.
- The MEK-1305 is the world's first hematology analyzer that can simultaneously measure ESR, Erythrocyte Sedimentation Rate. ESR is used for screening infectious diseases, such as tuberculosis. Under the conventional method, the inspection time was around 30 minutes. But our analyzer realized the shorter measurement time at two minutes. In addition, the function to measure NLR, the Neutrophil/Lymphocyte Ratio, has been installed in all three models as NLR is used to predict the severity of COVID-19.
- Dubai's reagent factory is scheduled to begin production during FY2020 as planned.

## 4) Basic policy on distribution of profits

### Retain necessary reserves for future business expansion

<b>R&amp;D investments</b>  <ul style="list-style-type: none"><li>• Product and technology development to achieve sustainable growth</li></ul>	<b>Capital investments</b>  <ul style="list-style-type: none"><li>• Plan to ramp up production of ventilators and patient monitors</li><li>• Build an IT infrastructure</li></ul>	<b>M&amp;A and alliance</b>  <ul style="list-style-type: none"><li>• Search for new business opportunities</li></ul>	<b>Human resource development</b>  <ul style="list-style-type: none"><li>• Acquisition and development of human resources</li></ul>
<b>Shareholder Return</b>	<ul style="list-style-type: none"><li>• Maintain stable and continuous dividend payments</li><li>• A target consolidated dividend payout ratio of 30% or more</li><li>• Cash dividends are the basis of shareholder return</li><li>• Share buybacks are considered in a flexible manner</li></ul>		
<b>Full-year dividends</b>	FY2019: 35 yen (payout ratio: 30.2%) FY2020 (forecast): 35 yen (payout ratio: 27.1%)		<b>Number of treasury stock:</b> 3,561k shares (stockholding ratio: 4.0%)

- Our basic policy on distribution of profits is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion.
- As for R&D investments, the Company focuses on product and technology development to achieve sustainable growth of existing businesses. In terms of capital investments, the Company plans to ramp up production of ventilators and patient monitors and build an IT infrastructure. As for M&A, the Company continues to search for new business opportunities. The Company also focuses on developing human resource.
- Our basic policy on shareholder returns is to maintain long-term stable dividends. The Company sets a target consolidated dividend payout ratio of 30% or more. Cash dividends are the basis of shareholder return, and share buybacks are considered in a flexible manner.
- For the current fiscal year, we forecast an annual dividend of 35 yen per share, for a dividend payout ratio of 27.1%.

## 4 New Long-term Vision, BEACON 2030



### The name of the long-term vision

Nihon Kohden named its long-term vision BEACON 2030 as the keyword in the Vision Statement is "Illuminating" and Nihon Kohden's logo graphically expresses the light beaming from a lighthouse.

The name conveys our spirit that we will be the light offering hope to people suffering from illness.

### The logo of the long-term vision

The logo depicts a big wing of light flying towards the future. The spreading light represents "Illuminating" which is a keyword of the Vision Statement.

The motif of the wing was inspired by the story of the bird's wings, which was the catalyst for our founding.

The colors are based on the three primary colors of light and represent the three phases for achieving the long-term vision.

### The Road to Developing a New Long-Term Vision

We held panel discussions and other activities involving all employees to incorporate their thoughts for the future of Nihon Kohden into a new Long-term Vision. Based on an understanding of the opinions and ideas obtained through these activities, we formulated BEACON 2030 after productive discussions with the management and next-generation leaders.



- I would like to explain our long-term vision, BEACON 2030, which we announced in September.
- In formulating this long-term vision, we promoted a project led by approximately 30 next generation members, and held panel discussions with a total of 3,000 employees for 34 times on a global basis.
- It is a common vision of an ideal shape that Nihon Kohden should aim for toward 2030, cherished by all employees around the world beyond generational and cultural differences.

# illuminating Medicine for Humanity

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

## 1. illuminate the future of medicine through our understanding of humanity

We will seek better patient outcomes and economy of medical care by remaining a close partner with healthcare professionals and patients around the world, and by leveraging our problem-solving capabilities rooted in clinical expertise.

## 2. illuminate the lives of many by co-creating unprecedented value

We will realize the optimal care cycle for each patient, by utilizing our core strength in Human Machine Interface technology with advanced digital technology and data collected from medical sites.

## 3. illuminate the potential of our people and organization by embracing new challenges

We will build an open-minded and creative team of individuals around the world who take pride in their contribution to healthcare and their mission to solve global medical issues facing humankind.



- The Vision Statement calls for us to evolve from a medical device company to a global medical issues-solving company based on healthcare, technology, and human resources, and to grow into a Company that contributes more to the development of society than ever before.



# Value Creation Compass

## Key Concept

### ● Patient outcomes and economy of medical care

We aim to create value that addresses global medical issues of achieving better patient outcomes and improving the economy of medical care.

### ● Suitable solutions for each disease and clinical site

We aim to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to home care.

### ● HMI technology and medical equipment

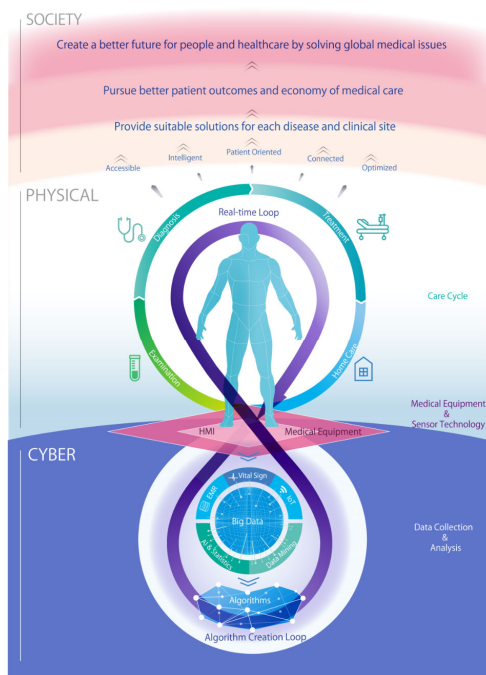
HMI technology is one of our core strengths and serves as an important touchpoint with patients throughout their clinical journey. HMI technology and medical equipment give us access to patients and clinical sites which enable us to create value.

### ● Value creation from data gathered through clinical sites

Nihon Kohden will develop a data integration platform and pioneer algorithms to create new value from information. Vital sign data, IoT data and EMR information will be integrated as a big data. Algorithms for clinical prediction models will be developed using AI and data analysis.

### ● Real time loop to respond to clinical needs

By combining HMI technology and medical equipment used in the medical field, and new algorithms created from big data analysis, we provide solutions that can respond to clinical needs in real time.



- The Value Creation Compass is our new value creation model as we head toward 2030.
- At the heart of our value creation are always people and patients. We will use AI and other data sciences to create new algorithms for data obtained from our human machine interface technologies, which are points of contact with patients. By providing real-time feedback on the results, we will realize the optimal care cycle solution for each patient. We will then achieve better patient outcomes, and improve the economy of medical care, by providing disease-specific and site-specific solutions, thereby contributing to the solution of global medical issues.

## Three Transformations for BEACON 2030

Nihon Kohden has set three transformations to be realized as a company-wide management policy for the next 10 years

### 1 Transform into a global company creating high added value

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

### 2 Create a solution business providing superior customer value

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

### 3 Establish a global organization founded on Operational Excellence

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



- In order to realize this long-term vision, we will undertake three transformations.
- The first is to transform into a global company creating high added value. We aim to promote overseas business strategies emphasizing high growth and improved profitability. We also aim to develop sophisticated value propositions and cultivate new business areas in domestic business, as well as create new business models by utilizing our global business foundation.
- The second transformation is to create a solution business providing superior customer value. We aim to transform our business model from a seller of equipment to a solution provider that helps solve medical issues. We also aim to realize a value creation model that creates value from data.
- The third transformation is to establish a global organization founded on operational excellence. We will establish a governance system and supply chain management system. We will also strengthen organizational functions to support global business deployment.

## Three Phases of BEACON 2030

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



- We will promote these transformations by dividing the 10-year period to 2030 into three phases.
- In Phase I from 2021, we will improve the profitability of existing businesses by increasing productivity through optimization of globally expanded resources.
- Next, in Phase II, we will step up our investment in growth areas. We will establish new business models and collaborate with existing businesses to strengthen our comprehensive capabilities in problem-solving.
- In Phase III, we will realize our long-term vision. We will establish a position as a solution provider that helps solve global medical issues.
- By steadily implementing these three phases, we aim to realize our long-term vision.



## Management Index for BEACON 2030

Nihon Kohden gives priority to operating margin and overseas sales ratio with the aim of becoming a global company that creates high added value.

The target levels in the fiscal year ending March 2030

Operating Margin

15%

Overseas Sales Ratio

45%



New Medium-term Business Plan  
(2021/4 - 2024/3)  
will be announced  
by the end of Mar. 2021



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- BEACON 2030 emphasizes not merely expanding sales, but whether it is creating high added value for customers, and how much it is contributing to solving medical issues.
- Accordingly, our management indicators are the operating margin, which represents whether we are producing valuable solutions with high productivity, and the overseas sales ratio, which represents whether we are growing into a global company and contributing to solving medical issues in countries worldwide.
- By pursuing these two management indicators, we will work to create high customer value and solve global medical issues.
- We plan to announce our medium-term business plan beginning in April 2021 by the end of March next year.

**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.