

Message from Management



Entering the final stage of BEACON 2030 Phase I, we will continue to steadily strengthen our foundation to realize our Long-term Vision.

Representative Director
President and CEO

Introduction –To all stakeholders –

We would like to express our sincere gratitude to your continued understanding and support of the corporate activities of the Nihon Kohden Group. The world is entering a new period of turmoil, with the protracted situation in Ukraine and heightened geopolitical risks. Because we live in such an era, I have reaffirmed that our social mission as a medical equipment manufacturer is stable supply of high-quality and high-performance medical equipment that protect patients' lives around the world as well as contributing to the realization of a society in which everyone can live with peace of mind. "Curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal." These words from our founder reflect his strong desire to be a cornerstone in building a peaceful world by taking on the challenge of overcoming disease, as commonly desired by all humanity in the chaotic postwar world of 70 years ago. Based on our Management Philosophy inherited from the time the Company was founded, we aim to realize a sustainable society and enhance corporate value of the Company by working together with all stakeholders to create a better future for people and healthcare by solving global medical issues.

Review of FY2022

In FY2022, in response to product supply issues caused by the shortage of semiconductors and the Shanghai lockdown, all employees worked together to continue product supply by changing designs using alternative components and temporarily increasing product and component inventories. As a result, consolidated net sales reached a record high and operating income exceeded the initial plan. Although there was a reactionary decline in COVID-19-related demand from FY2021 both in Japan and internationally, demand for our products, consumables and services remained steady in Japan due to the establishment of healthcare systems to respond to emerging infectious diseases, and the promotion of work style reforms for medical staff. Internationally, there are moves toward the development of post-COVID-19 healthcare systems in each country, and demand for medical equipment that contributes to improving the quality and efficiency of medical care remains steady.

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Progress of the Three-year Business Plan (Major Initiatives and Results for FY2022)

■ Basic Policy in Three-year Business Plan, BEACON 2030 Phase I



In FY2022, the second year of our Three-year Business Plan, we worked toward strengthening our business foundation by promoting measures from the three standpoints of management, business, and operations to realize our Long-term Vision.

[Management] Focus on thorough compliance as a top priority

In response to the compliance matter that occurred in 2021, we have worked over the past two years to introduce the recurrence prevention measures, based on our firm pledge to never allow a similar incident to occur. All recurrence prevention measures, such as a donation website and website for dealers, have been introduced and implemented. We will continue implementing recurrence prevention measures and monitoring the progress of their implementation. In accordance with the Ethical Company Declaration, we will foster an organizational culture that values ethical behavior above all else and strive to grow into a company that is trusted by society.

First half	<ul style="list-style-type: none"> Reviewed applications received through the donation website Established website for dealers (due diligence, pledge to comply with laws, and announcement of whistle-blowing channel)
Second half	<ul style="list-style-type: none"> Conducted compliance training by outside experts Conducted compliance study sessions in each division

[Business] Introduce new products with high customer value

To improve the profitability of existing businesses, we worked to strengthen the ventilator business, which led to an increase in our presence during the COVID-19 pandemic. In FY2022, we started production and sales of a mask-type ventilator, the NKV-330, in the U.S. and launched a new mid-range ventilator, the NKV-440, in Thailand. The first two types of in-house ventilators, the NKV-330/550, were widely installed in clinical practice around the world during the COVID-19 pandemic, contributing to the treatment of many patients.

In our patient monitoring business, we launched mid-range bedside monitors, the CSM-1500/1700

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series, with enhanced cyber security functions in the U.S. market. Our first resuscitation monitor for neonates, the NRM-1300, was also introduced in Japan. This monitor was developed in the project which supports R&D of medical devices/systems and healthcare by the Japan Agency for Medical Research and Development (AMED). It assists to support appropriate bag valve mask ventilation for a newborn infant who is not breathing.

In the creation of new businesses, we are working to expand our product portfolio in the area of digital health solutions (DHS) amid the accelerating DX in medical fields. In November 2022, we acquired Software Team Srl, Italy, a provider of alarm management solutions. In April 2023, we reorganized our U.S. subsidiaries into a holding company structure to strengthen our governance structure and operations in the U.S. business, which is driving our growth.

[Operations] Promote business process reform in R&D, production, and logistics departments

A groupware was introduced throughout Group companies as part of efforts to improve the efficiency of Group-wide operations and strengthen the security of internal IT systems. To supply highly competitive products in a timely manner, we started introducing PLM/MES* systems and are working to build a system to centrally manage information related to the product lifecycle from R&D, production, and post-market response after shipment.

To strengthen our global supply chain management (SCM), we acquired a site for a new plant for consumables in Tsurugashima City, Saitama Prefecture, in March 2023. The plant will be used as a production site for consumables such as sensors, for which demand is expected to further increase in the future, and as an R&D center for automated production technology. Tsurugashima City is located close to the Advanced Technology Center (Tokorozawa City, Saitama Prefecture) and the Eastern Japan Logistics Center (Sakado City, Saitama Prefecture); therefore, our R&D, production, and logistics departments will work together to expand and upgrade the production and supply system.

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

Toward FY2023, the final year of the Three-year Business Plan

FY2023 is the final year of the Three-year Business Plan, BEACON 2030 Phase I. We will promote strengthening our foundation, the theme of Phase I, improve the profitability of existing businesses, and cultivate new business areas.

In April 2023, the Company newly established the Corporate Quality Management Operations by integrating the Quality Control Division, Global Quality Management Division, and Product Quality Control Division. We will establish a system of supervision and instructions in quality management and build a consistent quality management system throughout the Group, from quality measures to post-marketing monitoring. In addition, the Strategic Technology Division was newly established under the Strategic Technology Operations, and the Production Engineering Division was incorporated into the Strategic Technology Operations. To address increasingly complex supply chain issues, it is important to develop strategic design concepts such as promoting standardization and common parts at the design stage. Therefore, we will strengthen cross-divisional functions in common technology, production technology, regulatory affairs, and cyber security measures.

We are also actively engaged in human capital management. In April 2023, we introduced a new role-based personnel system for general employees. We will utilize a personnel evaluation system and human resource development program based on our globally shared Core Values to improve the engagement of each employee. In addition, a talent management system will be implemented to build a foundation for utilizing human capital information. Given current concerns about higher prices of components and utility costs as well as the business deterioration of medical institutions due to a shortage of medical professionals and higher interest rates, demand for solutions that contribute to improving the quality and efficiency of medical care is increasing around the world. We will strengthen our foundation by improving



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organizational productivity, expanding our product portfolio, and enhancing our solution proposals. We also promote transformation into 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.

Foster a Corporate Culture that Promotes Sustainability as the Essence of Our Business

In FY2022, the newly established Sustainability Promotion Team played a central role in various activities. I have facilitated the Sustainability Discussions for all employees, which have been held 28 times and attended by more than 3,000 employees. I was very impressed by the high level of awareness of sustainability among employees around the world and their strong desire to contribute to local communities through our corporate activities. Through the panel discussion, we gained an awareness of issues common to all companies from the three perspectives of education, healthcare, and environment. For example, from an environmental perspective, the participants in the Sustainability Discussions expressed opinions that in order to provide customers with solutions that lead to environmental measures, we should develop products that take the environment and sustainability into consideration from the design stage as well as creating an ecosystem that includes used product collection and recycling. In particular, hundreds of thousands of AEDs are installed around the world each year, many of which are discarded at the end of their service life without ever being used. I believe that if many of our employees are keenly aware of this issue and we can create an ecosystem that not only supplies products but also collects them for reuse or recycling, we can further increase the customer value of our AEDs.

We plan to develop our awareness of these issues into specific action plans, which will be reflected in the sustainability promotion targets in the next Medium-term Business Plan.

Education	Raise awareness throughout the community by providing sustainability education opportunities not only to employees, but also to medical institutions, distributors, and suppliers.
Healthcare	Contribute to the promotion of sustainability of medical institutions and healthcare systems by providing technologies and services in addition to solving medical issues through our business.
Environment	Strive to solve environmental issues by developing environmentally friendly products and building an ecosystem that includes product collection and recycling.

Continue to Pay Stable Dividends over the Long Term

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. 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. Based on the business performance in FY2022, the Company decided to increase the ordinary year-end dividend by 21 yen from the previous forecast of 20 yen per share to 41 yen per share. As a result, the full-year dividend for FY2022 was 61 yen per share, including the interim dividend of 20 yen per share.

In consideration of business performance, the full-year dividend for FY2023 will be 61 yen per share. I appreciate your continued support.