

Three-year Business Plan



BEACON
2030
Phase II

May 15, 2024



Three-year Business Plan BEACON 2030 Phase II

1. Long-term Vision
2. Review of Previous Three-year Business Plan
3. BEACON 2030 Phase II
 - Business Environment and Key Measures
 - Growth
 - Profitability
 - Capital Efficiency
 - Sustainability
 - Management Targets
 - Capital Allocation

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

Three Transformation for BEACON 2030



1 Transform into a global company creating high added value

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

2 Create a solution business providing superior customer value

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

3 Establish a global organization founded on Operational Excellence

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

* Human machine interface is the user interface that connects human and machine. For Nihon Kohden, this refers to sensor technology, signal processing technology, and data analysis technology.

Three Phase of BEACON 2030



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 Income Margin

15%

Overseas Sales Ratio

45%

Three-year Business Plan BEACON 2030 **Phase II**

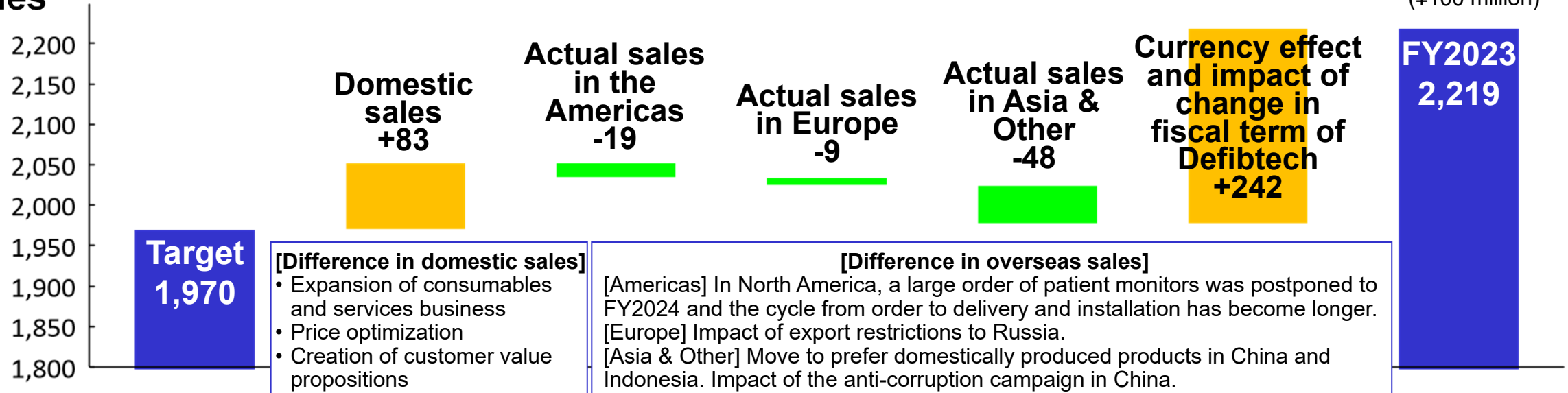
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Review of Previous Three-year Business Plan

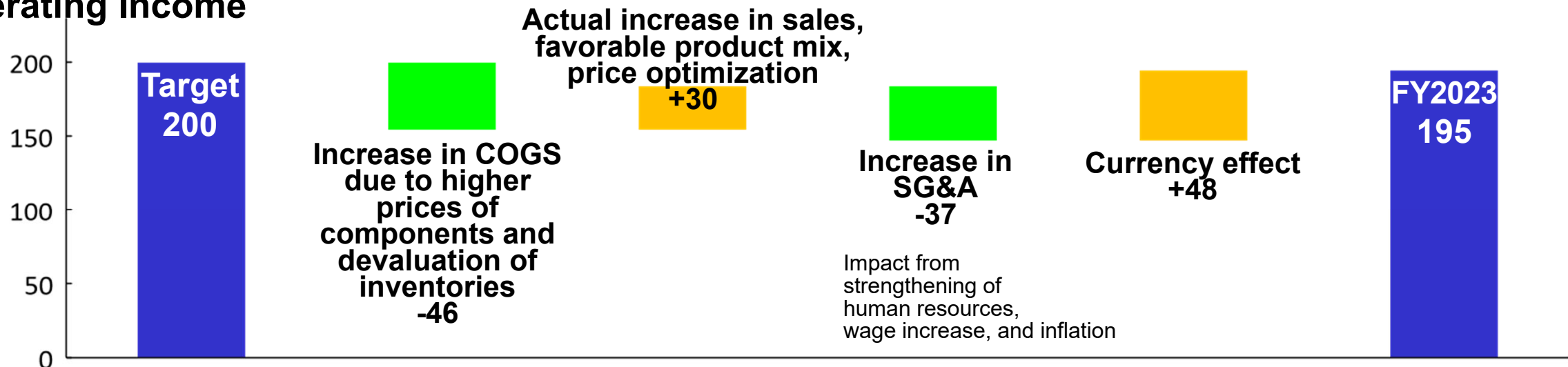
	FY2023 Targets ¥102 to the U.S. dollar, ¥124 to the euro	FY2023 Revised Forecast ¥139 to the U.S. dollar, ¥151 to the euro	FY2023 Results ¥143.9 to the U.S. dollar, ¥156.8 to the euro	5-year CAGR
Net Sales	¥197.0 bil	¥221.5 bil	¥221.9 bil	+4.7%
Domestic Sales	¥134.0 bil	¥142.0 bil	¥142.3 bil	+1.5%
Overseas Sales (Overseas Sales Ratio)	¥63.0 bil (32.0%)	¥79.5 bil (35.9%)	¥79.6 bil (35.9%)	+12.0%
Consumables and Services Sales Ratio	48% or more	47.9%	47.9%	
Gross Profit Margin	50% or more	50.8%	50.2%	
Operating Income (Operating Income Margin)	¥20.0 bil (10.2%)	¥22.2 bil (10.0%)	¥19.5 bil (8.8%)	+6.0%
Income Attributable to Owners of Parent	¥13.8 bil	¥15.5 bil	¥17.0 bil	
ROE	10%		9.8%	

Review of Previous Three-year Business Plan

Sales



Operating Income



Review of Previous Three-year Business Plan

Domestic Sales	<ul style="list-style-type: none"> ● Promoted customer value propositions and expanded consumables and services business. ● Favorable product mix due to restraining sales of locally purchased products.
Overseas Sales	<ul style="list-style-type: none"> ▲ North America: Sales fell short of expectations as a large order of patient monitors was postponed to FY2024. This was also because the cycle from order to delivery and installation has become longer mainly due to the deterioration of hospitals' financial situation. ▲ Rest of World: Sales fell short of expectations mainly due to the impact of the anti-corruption campaign in China.
Sales of Consumables and Services	<ul style="list-style-type: none"> ● Sales of consumables showed strong growth as the number of testing and surgical procedures increased. In Japan, the Company's efforts to raise selling prices also contributed to increased sales. ● Expanded our maintenance service programs especially for ventilators, of which the installation base had expanded due to the COVID-19 pandemic.
Gross Profit Margin	<ul style="list-style-type: none"> ● Increase in COGS due to higher prices of components was offset by raising selling prices. ▲ Devaluation of inventories increased mainly in the factory and North America.
Operating Income Margin	<ul style="list-style-type: none"> ▲ SG&A ratio increased due to the strengthening of human resources, wage increase, and inflation. This was also because actual overseas sales fell short of the target.
ROE	<ul style="list-style-type: none"> ▲ Increase in inventories of finished goods and parts resulted in a longer cash conversion cycle. ● Adopted NPV and IRR* as investment decision criteria and set target of IRR at 10%, which exceeds our 6% cost of capital.

* NPV: Net Present Value, IRR: Internal Rate of Return.

Results and Issues for Previous Three-year Business Plan

Results	1. Launched a series of Nihon Kohden's first products	Fully automatic AED, resuscitation monitor for neonate, mid-range ventilator, and syringe pump control software for assisting with total intravenous anesthesia.
	2. Promoted digital health solutions	Acquired AMP3D in the U.S. and Software Team Srl in Italy.
	3. Strengthened overseas business structure	Reorganized the U.S. subsidiaries into a holding company structure, established a sales branch in the Philippines, and established a new reagent factory in India.
	4. Embraced sustainability	Established an Advisory Board and strengthened our efforts to achieve material issues and KPIs.
Issues	1. Lower sales growth of overseas business	In North America and China, sales fell short of expectations and profitability deteriorated.
	2. Enhancement of product competitiveness	Development of new products delayed as man-hours have been allocated for responding to the tight supply of components as well as for complying with laws and regulations related to medical devices.
	3. Improvement of profitability in the entire Group	SG&A ratio increased due to the strengthening of human resources, wage increase, and inflation. This was also because actual overseas sales fell short of the target.
	4. Reduction of CCC	To respond to the tight supply of electronic components such as semiconductors, the Company has increased inventories of finished goods and parts. This has resulted in a longer cash conversion cycle.

Three-year Business Plan

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Business Environment

In the midst of a rapidly changing global situation and a difficult business environment, customer values have changed dramatically.

Global trend

P E S T

- Moves to protectionism and higher geopolitical risks
- Impact of **inflation and tight monetary policy** in the U.S. / Europe, slower economic growth in China
- Response to climate change, trend of work style reforms, and higher personnel expenses
- Rapid spread of the use of **generative AI**, higher **cybersecurity risks**

Business & competitive environment in healthcare industry

- + - **Deterioration, restructuring and consolidation of medical institutions**, Securing of medical professionals, Promotion of work style reforms
- + Growing **demand for medical DX/IT**
- Sales restrictions due to conflicts and moves to prefer domestically produced products, Risk of supply chain disruption
- **Tightening of laws and regulations related to medical equipment and cybersecurity**
- + - Withdrawal of foreign companies from the ventilator market, **Appearance of Chinese companies**

- **Broad client base and capacity to develop technologies rooted in medical practice:** Sales in more than 120 countries around the world, global R&D capabilities
- **Value creation through HMI* technology:** In-house development and production of consumables such as sensors. Enables to develop new parameters by combining several vital signs.
- **Providing Digital Health Solutions:** Ability to provide solutions such as decision-making support and remote monitoring by medical professionals by utilizing data obtained from medical devices.

BEACON 2030 Phase II 3 Indicators and 6 Key Measures

Implement the reform of the profit structure and make investments in growth areas, and accelerate our transformation into a global MedTech company

1) Growth

Sales CAGR
FY2023 - FY2026

5%

Enhance product
competitiveness

Focus on growth of
North America Business

2) Profitability

Operating income margin
in FY2026

15%

Implement the reform
of the profit structure

Advance global supply chain
management

3) Capital efficiency

ROE
in FY2026

12%

Introduce Nihon Kohden's own
ROIC formula

Reduce cash conversion cycle

Practice of Sustainability Management

Medical
issues

Environmental
issues

Social
issues

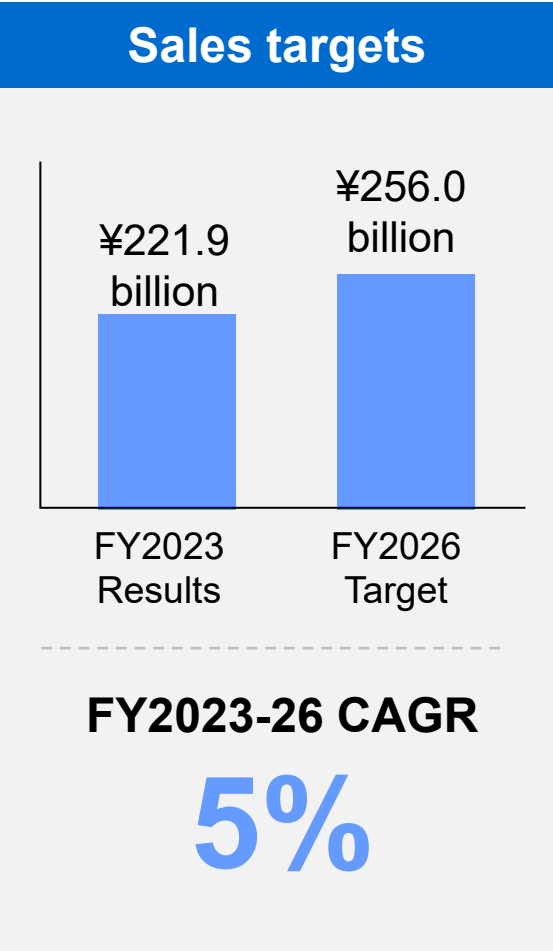
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Growth

Sales targets by region and product category for FY2026 ending March 2027



Breakdown of sales by region/product category and growth drivers				
Region	Japan	¥157.0 billion	FY2023-26 CAGR 3%	Sustains stable growth
	North America	¥50.0 billion	11%	Positioned as a growth driver
	Latin America	¥6.0 billion	0%	
	Europe	¥14.0 billion	2%	
	Asia & Other	¥29.0 billion	7%	
Product category	Physiological Measuring Equipment	¥53.0 billion	4%	
	Patient Monitors	¥98.0 billion	5%	Focusing on as core business
	Treatment Equipment	¥63.0 billion	7%	Expanding ventilator business
	Other Equipment	¥42.0 billion	2%	
	Consumables and Services		Mid-single digit	
	Solutions		Mid-single digit	

* Exchange rate assumptions: ¥140 to the U.S. dollar, ¥150 to the euro.

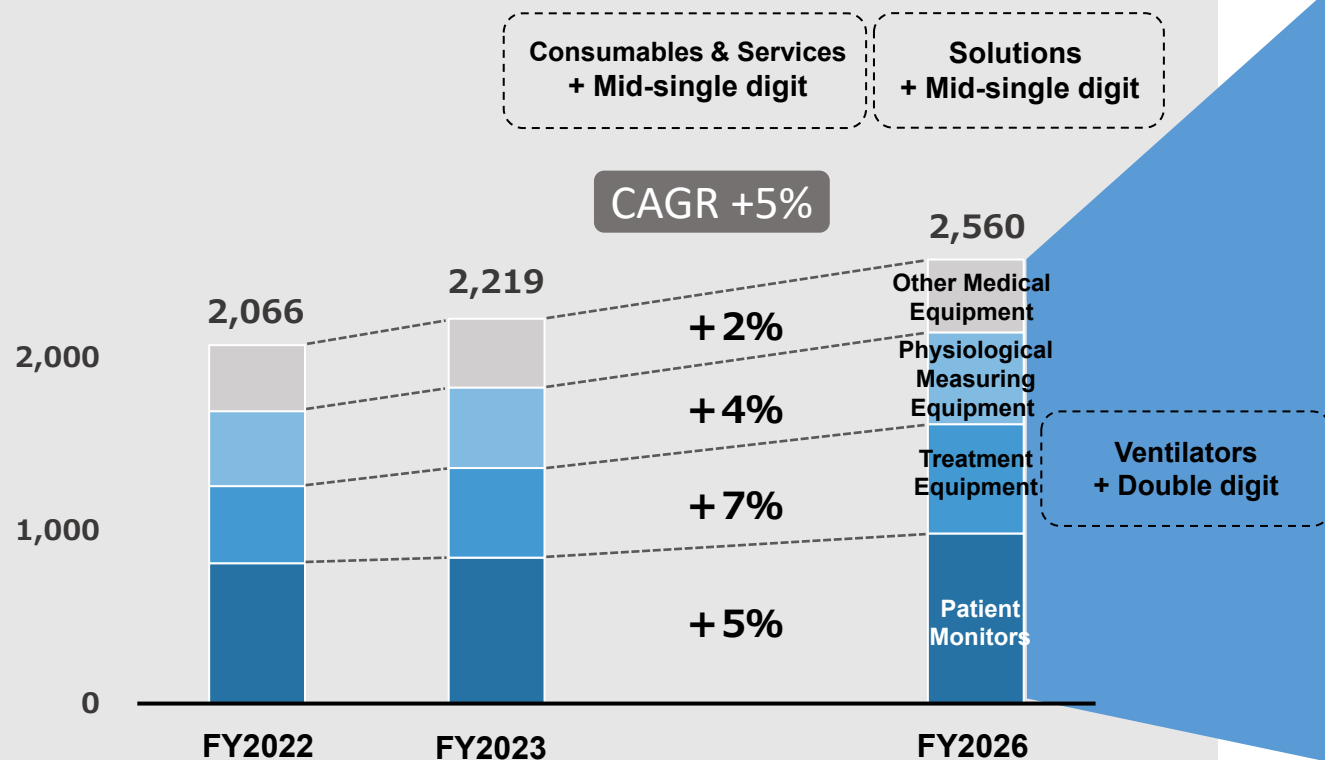
Growth

Growth strategies by product category

Focusing on strengthening our core patient monitoring business, achieving strong growth of ventilator business, and expanding consumables & services business and solutions business

Sales by product category

(Sales, 100 million of yen)



1) Patient Monitors



Central monitors, bedside monitors, telemetry systems, transmitters

2) Treatment Equipment



Defibrillators, AEDs, ventilators

3) Diagnostic Equipment



Neurology products, cardiology products, hematology instruments.

4) Consumables & Services

Electrodes, SpO₂/CO₂ sensors, blood pressure cuffs



5) Solutions (ITS+DHS)

Diagnostic information systems, Clinical information systems

PrimeVitaPlus

PrimeGaia

DHS

Growth

Enhance product competitiveness

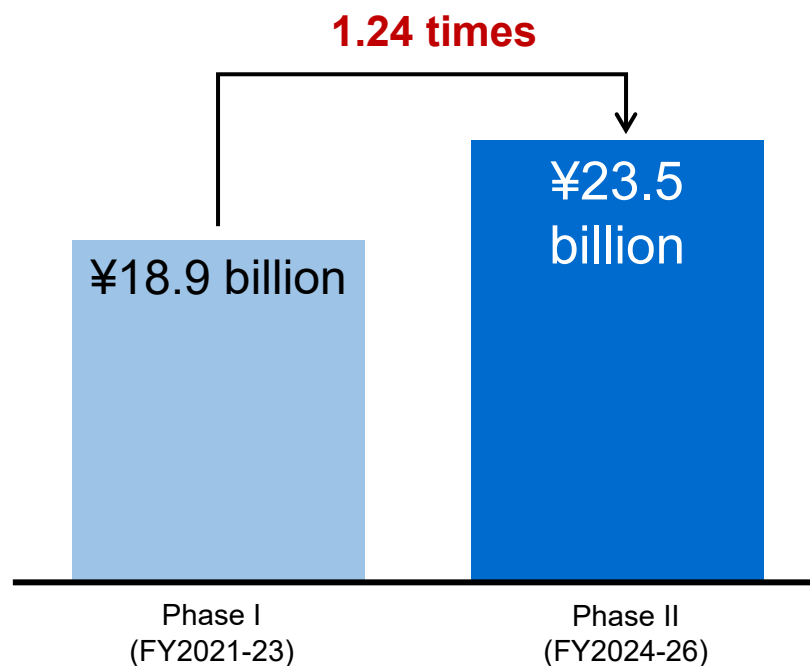


R&D investments in patient monitors, ventilators, and digital health solutions.
Strengthening technological capabilities. Shortening the development time for new products

Key development areas

**R&D investments
in patient monitors, ventilators, and DHS**

R&D costs



Strengthening technological capabilities

Common design platform

- Standardizing hardware and software platforms
- Establishing a common data platform for DHS

Multi-plant design

- Strengthening cost competitiveness through global production in optimal locations
- Responding to moves to prefer domestically produced products

Enhance cybersecurity measures

- Ensuring cybersecurity of the entire range of our medical devices and IT systems
- Strengthening post-market surveillance capability

Strengthen QA/RA*1 structure

- Strengthening the Global Quality Management System
- Responding quickly to the state-of-the-art regulations and laws related to medical equipment
- Obtaining approval of SaMD

Shortening the development time for new products

- Target: Shortening time from concept development to launch by approx. 10-20% by implementing the reform of R&D process in addition to the introduction of PLM / MES systems*2.

*1 QA: Quality Assurance, RA: Regulatory Affairs,*2 PLM: Product Life-cycle Management, MES: Manufacturing Execution System.

[Ref.] Product Category

1) Patient Monitors

Implementing specialized measures for OR, ICU, and wards. Contributing to economics of medical care by improving the quality of medical care, patient outcomes, and operational efficiency

Sales targets and KPIs

FY2023-26
CAGR Target

+ Mid-single digit

Sustainability KPI

Number of products sold that are equipped with unique technologies

Market size and growth rate estimated by the Company

Patient Monitors

Apx. \$ 4,500M (2023)
+ Mid-single digit (2023-29 CAGR)

Market environment and key measures

- Increasing need to improve workflow by supporting team medicine and utilizing medical DX, due to the shortage of medical professionals
- ✓ Design and development based on the premise of data utilization in digital health and linkage with hospital information system and electronic medical records
- ✓ Creating new business models including subscription models starting from the U.S., and strengthening the global deployment of them.

New products & technologies in BEACON 2030 Phase II

NEW

CNS-2101

NEW

BSM-2500

- Strengthening overseas sales of the CNS-2101 central monitor, and the BSM-2500 bedside monitors developed in Shanghai
- Expanding our product line-up by developing a new model of mid- to low-end monitor
- Improving analysis accuracy of parameters such as ECG/SpO₂/NIBP as well as alarm accuracy
- Developing new analysis algorithms with multiple parameters

[Ref.] Product Category 2) 1 Treatment Equipment - ventilators

Strengthening sales promotion of in-house ventilators in Japan, and local production, sales, and service structure internationally. Providing total solutions by expanding product line-up and strengthening linkage with IT systems

Sales targets and KPIs

FY2023-26
CAGR Target

+ Double digit

Market size and growth rate estimated by the Company

Ventilators

Apx. **\$2,000M** (Before COVID-19)
+ Mid-single digit (2023-29 CAGR)

of which mask-type ventilators
Apx. **\$300M** (Before COVID-19)

Market environment and key measures

- Trend of emphasizing quality and after-sales support after the surge and reactionary decline in demand due to the COVID-19 pandemic
- ✓ Strengthening local production, sales, and service structure due to growing demand for mask-type ventilators in the U.S
- ✓ Expanding sales areas of ventilators such as in China
- ✓ Expand product line-up, adopt and train specialized experts, and strengthen after-sales support structure

New products & technologies in BEACON 2030 Phase II



NKV-330



NKV-440

- Expanding sales areas of the NKV-440 mid-range ventilator
Lung Protection Apps, turbine driven platform eliminates the need to connect pneumatic piping, compact and light body with replaceable long-time battery
- Reducing downtime by promoting the MD linkage system, which can monitor a device's condition in real time
- Developing a ventilator remote viewer in the U.S. which contributes to improving operational efficiency. Providing total solutions by strengthening linkage with patient monitors and IT systems
- Starting development of a smaller model of ventilator in the U.S.

[Ref.] Product Category 2) 2 Treatment Equipment - resuscitation

**Contributing to improving life-saving rates through increasing the use of fully automatic AEDs.
Gaining overseas market share by expanding our product portfolio in resuscitation**

Sales targets and KPIs

FY2023-26
CAGR Target

+ Mid-single digit

Sustainability KPI
Number of AEDs sold

Market size and growth rate estimated by the Company

Defibrillator/AED

Apx. **\$3,900M** (2023)
+ Mid-single digit (2023-29 CAGR)

Market environment and key measures

- Improving life-saving rates of out-of-hospital cardiac arrest patients remains an issue
- ✓ Contributing to reducing the psychological burden on rescuers and improving life-saving rates through the spread of fully automatic AEDs
- ✓ Optimizing R&D and production functions in Japan and the U.S. to maintain the top market share in Japan and expand overseas market share

New products & technologies in BEACON 2030 Phase II



- Strengthening sales promotion of the ARM XR ACC, a next-generation automated chest compression device
- Enhancing deployment of data transfer solutions
- Plans to launch the EMS-1052, a defibrillator for ambulances in North America and China
- Developing and launching next-generation defibrillators



[Ref.] Product Category

3) Diagnostic Equipment (neurology, cardiology, hematology instruments)

Strengthening the development of solutions to solve medical issues in Japan, North America, and Rest of World

Sales targets and KPIs

FY2023-26
CAGR Target

+ Mid-single digit

Market size and growth rate estimated by the Company

Neurology products

Apx. \$350M (2023)

+ Mid-single digit (2023-29 CAGR)

Cardiology products

Apx. \$2,500M (2023)

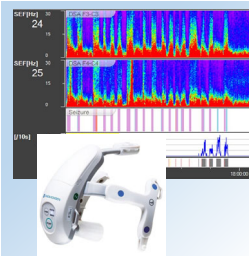
+ Low-single digit (2023-29 CAGR)

Hematology instruments

Apx. \$4,000M (2023)

+ Mid-single digit (2023-29 CAGR)

Neurology products



- Japan: Strengthening proof of concept and promotion of solutions for neurocritical care
- North America: Strengthening remote solutions for epilepsy and IONM*

* IONM: Intraoperative Neurophysiological Monitoring.

Cardiology products



- Japan: Providing diagnostic support solutions: strengthening proposals for improving operational efficiency by combining cardiology products and diagnostic information systems
- China: Expanding line-up of ECGs developed in Shanghai, Promoting cooperation for ECG testing b/w hospitals by utilizing CardioNet

Hematology instruments



- Developing new parameters by utilizing the RNP method*
- Improving operational efficiency by utilizing MD linkage
- Strengthening overseas production and supply of reagents

* RNP method: A method for fractionating red cells (erythrocytes), nucleated cells such as leukocytes, and platelets by measuring blood cell size and fluorescence.



New reagent factory in
India

[Ref.] Product Category 4) Consumables & Services

Improving basic performance of parameters. Enhancing overseas sales promotion. Increasing sophistication of automated production technology. Improving customer experience by promoting DX in Customer Service

Sales targets and KPIs

FY2023-26
CAGR Target

+ Mid-single digit



Sustainability KPI

Number of connections to
MD Linkage sold and
number of connected models

Consumables



- Improving basic performance of parameters such as SpO₂ / NIBP
- Strengthening overseas sales promotion of our unique parameters such as esCCO* / EMG-TOF (Muscle Relaxation Monitoring)
- Constructing a new plant in Tsurugashima. Improving automated production technology. Cost reduction.

* esCCO (estimated Continuous Cardiac Output): technology which can estimate cardiac output continuously based on ECG and pulse waves obtained from pulse oximetry.



Services



- Fostering specialized experts for network/cyber security of patient monitors and ventilators
- Expanding models connected to MD linkage (clinical information systems, patient monitors). Developing new functions such as support for managing medical devices.
- Consolidating call centers for customer service operations. Improving customer experience by realizing early response utilizing AI chatbots. Improving productivity of sales/service reps.

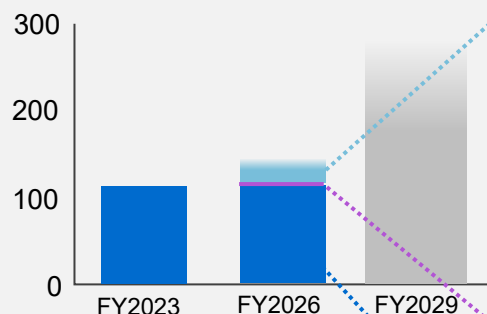
[Ref.] Product Category

5) Solutions

**Planning to launch new DHS products such as Alarm Solutions, Remote ICU, and Early Warning Score Dashboard in addition to the existing IT systems in Japan.
Focusing on obtaining approval for high value-added Software as a Medical Device (SaMD).**

Sales targets and KPIs

(Sales, 100 million of yen)



**FY2023-26
CAGR Target**

+ Mid-single digit

Sustainability KPI
Number of hospitals that have
introduced AsisTIVA

Classification

Details

Alarm Management

- Apps that transfer alarm information obtained from medical devices to mobile terminals
- Consulting services for reducing false alarms and alarm fatigue

Early Warning Score Dashboard (RRS* Support System)

- Detecting signs of sudden change in conditions such as cardiac arrest and notifying alerts to medical workers before the patient's condition deteriorates

Remote ICU

- Supports remote diagnosis by sharing patient and imaging data between medical institutions lacking intensivists and nurses and supporting facilities inside/outside hospitals

AsisTIVA

- A software program that administers a controlled dose of anesthetics using the patient's vital signs as a guide

PrimeGaia Clinical information system

- Collect and manage data obtained from patient monitors and ventilators
- Support for improving operational efficiency such as anesthesia and nursing records

PrimeVitaPlus[®] Diagnostic information system

- Collect and manage data such as ECG, EEG, and endoscope
- Support for improving efficiency of testing operation
- Extensive data search and tabulation functions

PrimePartner[®] Clinical assistant service

- Aggregates and stores data such as IVD/ECG testing data from general practitioners on a cloud server, and enables to be shown on the EMR

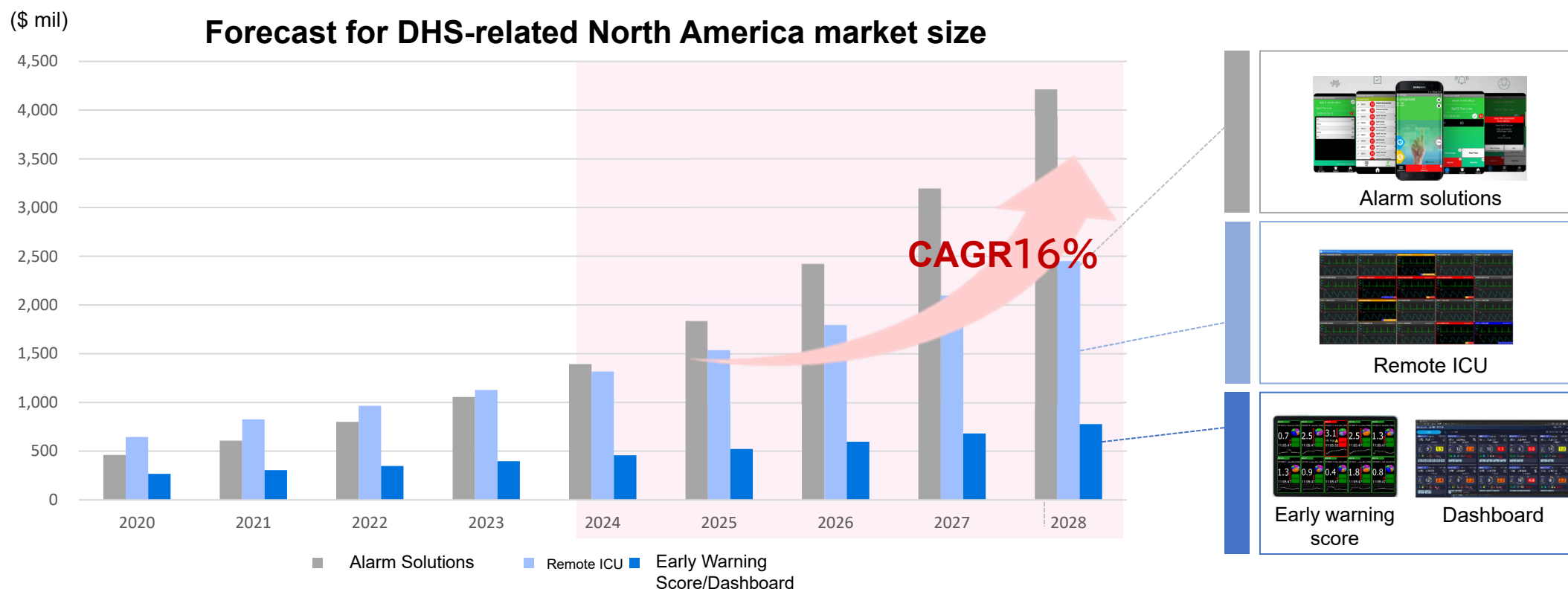
* PrimeGaia, PrimeVitaPlus, and PrimePartner are only available in Japan.

* RRS (Rapid Response System) is designed to respond to patients with early signs of clinical deterioration.

Growth

Forecast of market size for DHS (Digital Health Solutions) in North America

Estimates that the five-year CAGR is 16% for DHS products such as Alarm Solutions, Remote ICU, and Early Warning Score and Dashboard in North America



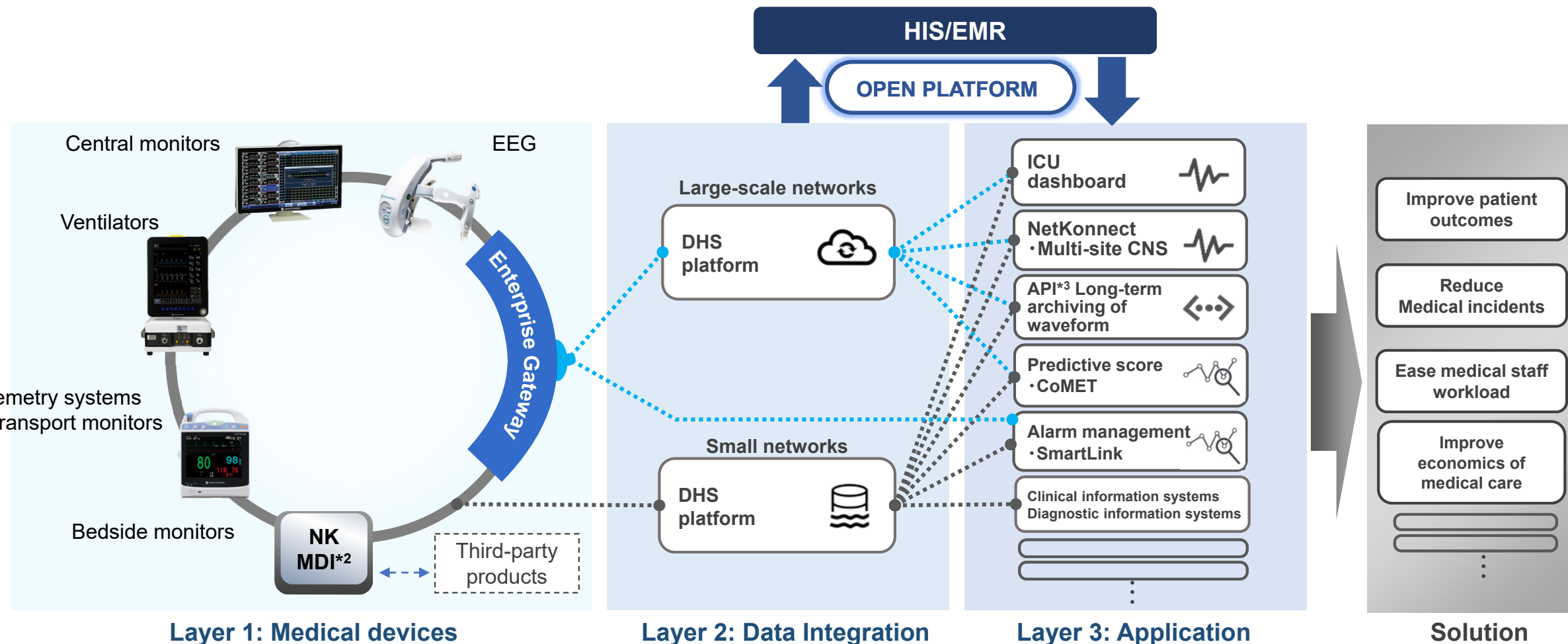
Sources:

The Company's estimate based on Markets and Markets's report: CLINICAL RISK GROUPING SOLUTIONS MARKET BY PRODUCT (2017-2024), CLINICAL ALARM MANAGEMENT MARKET BY COMPONENT (2016-2023), and Mordor Intelligence's report: GLOBAL TELE INTENSIVE CARE UNIT MARKET (2021-2026).

Growth

Overview of our DHS Vision

Providing total solutions through a three-layer open platform and enhanced components.
This structure is highly evaluated for its linkage with HIS/EMR*¹ and its high scalability.



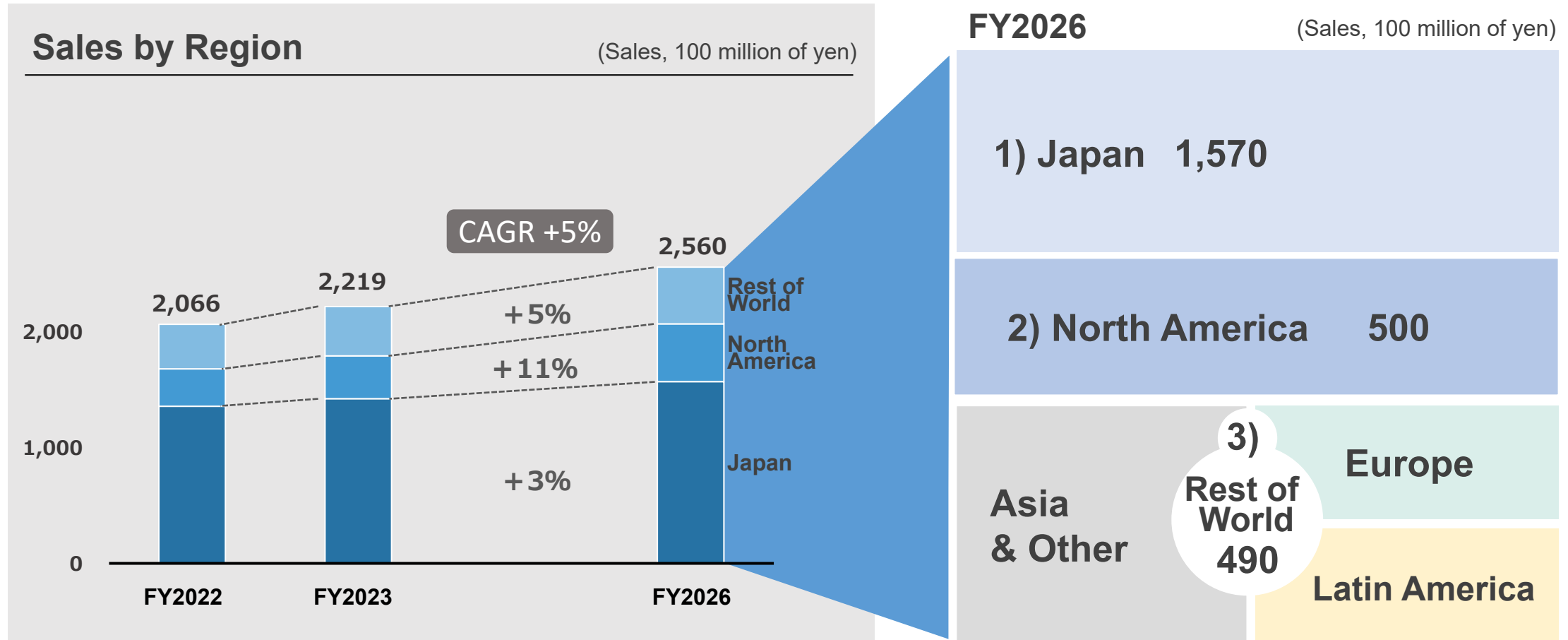
*1 HIS: Hospital Information System, EMR: Electronic Medical Record, *2 MDI: Medical Device Integration, *3 API: Application Programming Interface.

Growth

Growth strategies by region

Aim at FY2026 sales of ¥256 billion

through stable sales growth in Japan and high sales growth in North America



[Ref.] By Region

1) Japan

Strengthen the customer base and achieve sustainable growth by enhancing customer value propositions

Market environment



- The medical device market is almost matured. The number of patients will increase due to the progress of the aging society. **The market growth rate is expected to be approx. 1-2% per year.**
- **Review of the regional medical health vision toward 2040 (reorganization and integration of medical institutions, reduction of number of beds)**
- **Promoting Healthcare DX** to reform the work styles of healthcare professionals and improve operational efficiency

Competitive environment



- We are maintaining the top market share for patient monitors, EEGs, polygraphs for cath labs, defibrillators, AEDs, and diagnostic/clinical information systems.
- Sources of differentiation are our unique sensors and IT systems as well as the competitiveness of the products themselves. **Customer needs are shifting from hardware alone to providing solutions.**
- Risks of increased competition due to **Chinese companies' entry into the Japanese market**

Key measures in Phase II

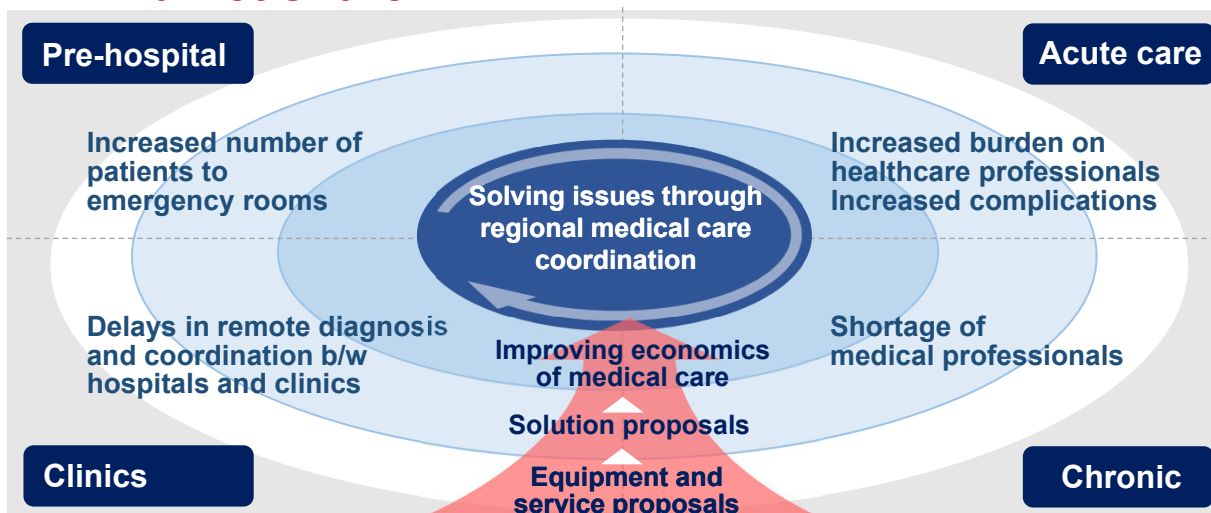


- **Strengthening solution proposals** including DHS (Digital Health Solutions) for each clinical site.
- Improving product mix by reviewing the product portfolio and **improving gross profit margin** by optimizing prices.
- **Improving customer experience** by implementing DX in sales and service divisions and standardizing business processes.

[Ref.] By Region

1) Japan

Contributing to improving economics of medical care and resolving issues throughout the care cycle. Strengthening solution proposals mainly for IT systems and DHS products to keep high market share



Acute care

Providing high customer value by promoting IT systems and DHS products

- ✓ **OR/ICU:** Supporting reduction of average length of hospital stays and work style reforms for medical staff. Increase number of hospitals that have introduced AsisTIVA*
- ✓ **Ward:** Providing new solutions aimed at early diagnosis and preventing severe illness
- ✓ **Diagnosis:** Promoting improvement of operational efficiency through further digitization. Promoting accuracy control of medical devices. Strengthening solutions for specialized areas

Chronic

Promoting DX in small- to mid-sized hospitals

- ✓ Strengthening the provision of an annual fee service including maintenance services to increase market share
- ✓ Promoting our alarm solutions which are cultivated in the acute care

Clinic

Supporting collection and utilization of a variety of testing data and promoting DX

- ✓ Supporting communication b/w medical professionals and patients at hospitals and home care by strengthening promotion of PrimePartner
- ✓ Providing a stable examination environment by expanding service programs including MD linkage

Pre-hospital

Improving life-saving rates and transport efficiency by expanding our product line-up

- ✓ Strengthening promotion of automated chest compression devices and creating synergies with defibrillators and patient monitors
- ✓ Contributing to improving life-saving rates by providing educational opportunities in relation to our fully automatic AED



Automated chest compression device



Fully automatic AED

[Ref.] By Region

2) North America

Strengthen ties with the major IDN/GPO & DoD/VA and improve brand awareness and profitability

Market environment



- The market growth rate is expected to be **mid-single digit***. Faster growing opportunities in ventilation, software solutions and outpatient/home patient monitoring.
- Growing need for medical devices and solutions which contribute to **improving operational efficiency and patient outcomes**.
- Increasing level of requirements for cybersecurity.

* The Company's estimates for 2023-2029 CAGR of medical devices including patient monitors, EEGs, neurophysiological testing, and ventilators based on global estimates by Markets and Markets.

Competitive environment



- Acceleration of industry restructuring including withdrawal, transfer, and divestiture of the medical device business. **Improving brand awareness remains an issue.**
- Acceleration of **the construction of large-scale networks within and b/w hospitals** due to expanding IDNs.
- Developing medical devices using AI technology and improving operational efficiency and productivity in clinical practice.

Key measures in Phase II



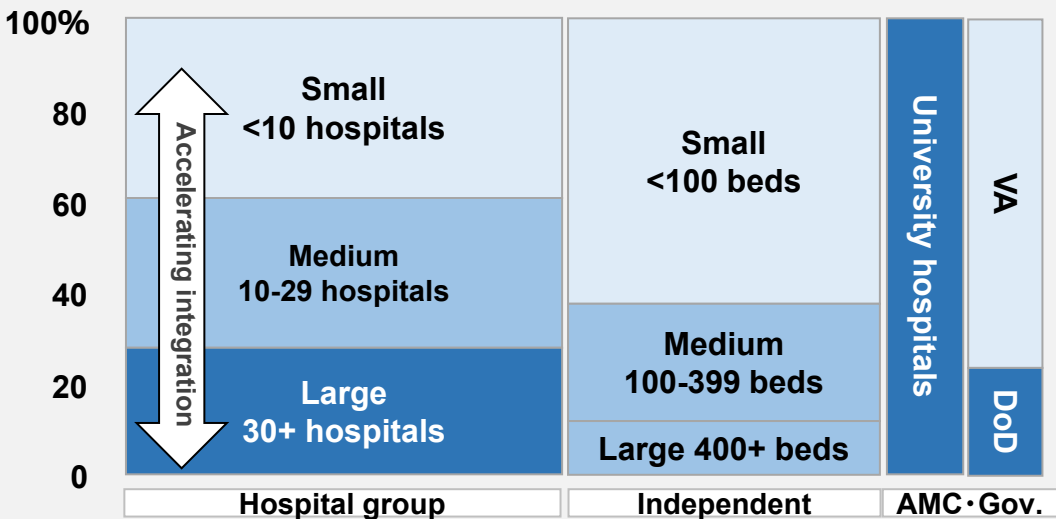
- Major IDN/GPO*¹ market: **Deployment of DHS such as alarm solutions and remote ICUs. Expansion of market share of patient monitors.**
- DoD/VA*² Market: Meeting cybersecurity requirements to gain a new account and improve brand awareness.
- Expanding sales of consumables and services: Promoting our unique sensor technology (SpO₂/CO₂/EMG-TOF).
- Expanding the ventilator business: Strengthening local production, sales, and service capabilities to increase market share.
- Improving profitability: **Reviewing sales and service delivery models and implementing the reform of the profit structure.**

[Ref.] By Region

2) North America

Expanding market share in major IDNs by deploying DHS products to improve medical economics.
Improving brand awareness by cultivating the DoD/VA market through enhanced cybersecurity support

Target customers in North America



Enhancing customer visibility in nationwide IDNs
Value Proposition fitted to customer needs



Key measures

IDN/GPO*1

Adding functions for patient monitors. Expanding DHS products which contribute to improving economics of medical care

DoD/VA*2

Systematically expanding the line-up of products that meet cybersecurity requirements and obtain ATO*3

Ventilators

Strengthening local production, sales, and service capabilities, and expanding product line-up, to increase market share

Consumables

Expanding sales of SpO₂/CO₂/EMG-TOF by strengthening local marketing and responding to market requirements, as well as further cost reduction

Services

Expanding service programs/models such as NK Network Care (network service)

Install our patient monitors in Top25 IDN

18 groups
FY2023 Result

23 groups
FY2026 Target

of comprehensive agreement

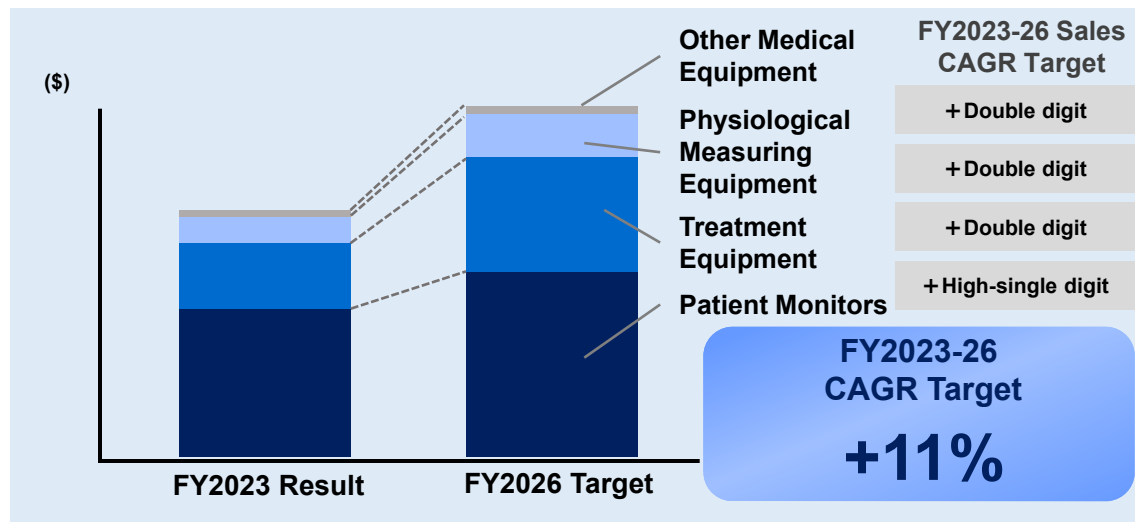
3 groups
FY2023 Result

9 groups
FY2026 Target

[Ref.] By Region

2) North America

Steady growth of patient monitoring/neurology business. Establishing a presence in ventilator business. Early launch of resuscitation products in the pre-hospital market



Neurology

Establishing a leading position in epilepsy monitoring

- ✓ Improving workflow in ICU/EMU* through providing EEG amplifiers with enhanced network capabilities and waveform noise reduction technology
- ✓ Developing epilepsy telehealth solutions in chronic/acute care

Ventilator

Establishing a market presence and providing our unique solutions

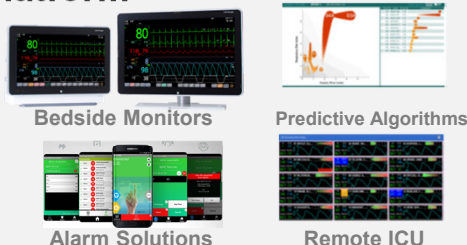
- ✓ Establishing sales and service structure specialized for ventilators
- ✓ Enhancing cross-selling with patient monitors and neurology
- ✓ Promoting our unique SpO₂ sensors/CO₂ masks
- ✓ Starting to develop a smaller ventilator
- ✓ Enhancing connections to HIS/EMR and offering integrated alarm management



Patient monitors

Creating synergies with equipment and DHS by providing subscription-based solutions

- ✓ Promoting medical devices and network care services with high reliability and scalability
- ✓ Realizing remote ICUs based on the NK Digital Health Platform



Resuscitation

Entering to pre-hospital market by expanding product line-up

- ✓ Plans to receive FDA approval for defibrillators for ambulances developed in Japan/U.S.



[Ref.] By Region

3) Rest of World

Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities

Market environment



- **The market growth rate* is expected to be mid-single digit**, while medical institutions have restrained capital expenditure due to reductions in the Government budget.
- After the COVID-19 pandemic, during which prompt product supply was in demand, **the need for integration b/w medical devices and IT systems has increased.**
- The market is changing from imported products market to domestically produced products, due to the moves to prefer domestically produced products and protectionism.

* The Company's estimates for 2023-2029 CAGR of medical devices including patient monitors, ECGs, defibrillators, EEGs, neurophysiological testing, hematology analyzers, and ventilators based on global estimates by Markets and Markets.

Competitive environment



- Commoditization of products is increasing, and price competition is intensifying due to appearance of local lower-priced products.
- Acceleration of the medical DX and growing requirements for cybersecurity
- **Ability to comply with laws and regulations related to medical equipment is directly linked to competitive advantage.**

Key measures in Phase II










- Promoting solution proposals: **Global deployment of the DHS products developed in North America.** It leads to differentiating ourselves by contributing to improving economics of medical care in each country.
- Reviewing sales structure: **Restructuring distributor network** at each sales subsidiary.
- Strengthening our ability to comply with laws and regulations related to medical equipment: **In-house sales licenses**

[Ref.] By Region

3) Rest of World

Compliance with laws and regulations related to medical equipment in each country, and strengthening local R&D, production, sales, and service capabilities

Market	Market environment and position	Key measures	
 China	<ul style="list-style-type: none"> Economic growth is expected to be lower at this moment, while high growth rate is expected in the mid- to long-term. The timing of market recovery should be monitored carefully. Moves to prefer domestically produced products. Completed development of a nationwide sales network in China. 	<ul style="list-style-type: none"> Accelerating local R&D and production to respond to moves to prefer domestically produced products. Introducing a new model of patient monitors and expanding DHS products Establishing a ventilator business 	 Ventilators NKV-550
 Europe	<ul style="list-style-type: none"> Lower capital expenditure due to reductions in Government budgets and deterioration of hospitals' financial situation. Economic outlook is uncertain due to the Russia-Ukraine conflict. Expanded installed base of mask-type ventilators. 	<ul style="list-style-type: none"> Expanding sales of patient monitors combined with DHS products Establishing a market presence by expanding product line-up of ventilators and strengthening their promotion 	 Alarm solutions
 India	<ul style="list-style-type: none"> Moves to prefer domestically produced products in the Government procurement and tenders. Intensifying competition in the private hospital market due to appearance of Chinese companies. Established a market presence in hematology instruments and patient monitors. 	<ul style="list-style-type: none"> Preparing for manufacturing medical devices at a new reagent factory to respond to moves to prefer domestically produced products. Establishing a market presence in ventilators by expanding product line-up of ventilators and strengthening their promotion. Expanding sales of patient monitors combined with DHS products. 	 New reagent factory in India
Latin America, Middle East & Africa, Asia	<ul style="list-style-type: none"> Demand is expected to recover along with population/economic growth, while the impact of the reactionary decline of COVID-19-related demand is expected to remain. Strict laws and regulations related to medical equipment in each country 	<ul style="list-style-type: none"> Introducing a new model of patient monitors. Strengthening promotion of DHS and ventilators. Developing the OR market by utilizing EMG-TOF. Considering local production in countries where moves to prefer domestically produced products are progressing. Restructuring of distributor network and obtaining in-house sales licenses by establishing branch offices. 	 EMG electrodes for neuromuscular monitoring NM-34 series

Three-year Business Plan

BEACON 2030 **Phase II**

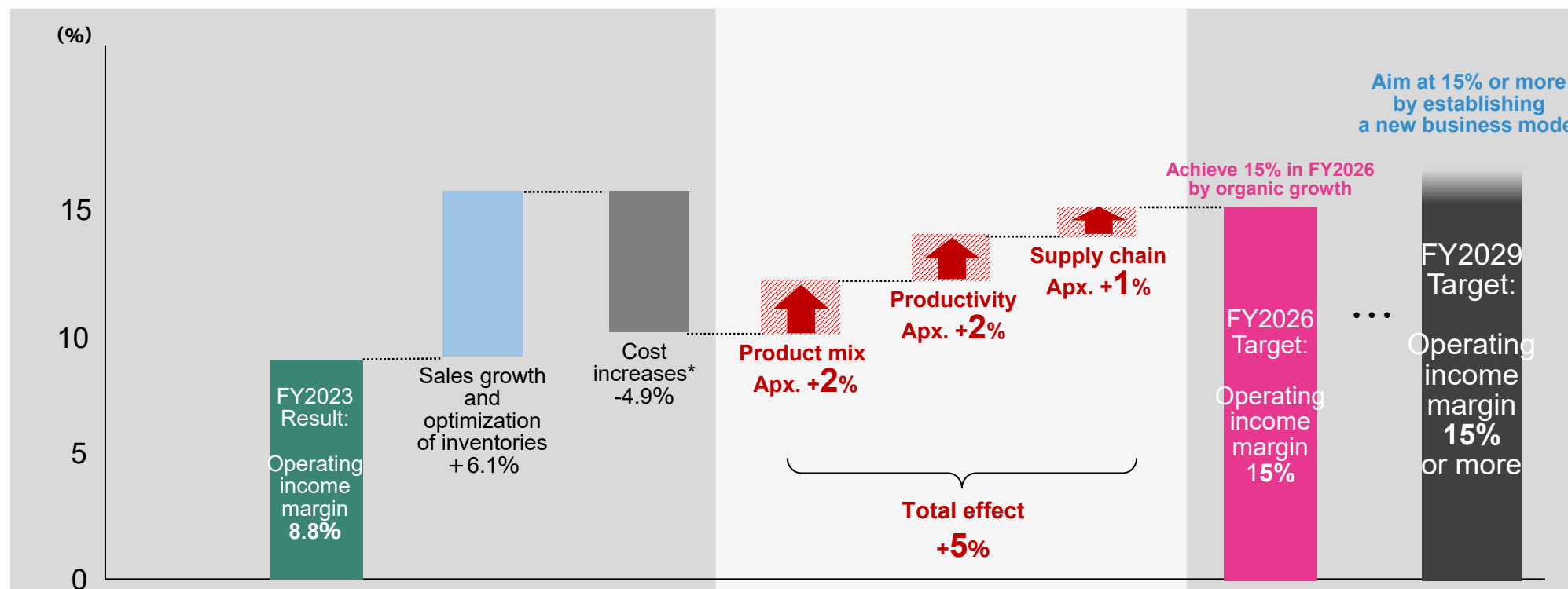
1. Long-term Vision
2. Review of Previous Three-year Business Plan
3. **BEACON 2030 Phase II**
 - Business Environment and Key Measures
 - Growth
 - **Profitability**
 - Capital Efficiency
 - Sustainability
 - Management Targets
 - Capital Allocation

Profitability

Implement the reform of the profit structure



Aim to improve operating income margin by 5% points over the three years of Phase II



* Major factors led to cost increases

- Impact of wage increase and extension of retirement age
- Higher prices of components
- R&D costs
- Promotion of DX, enhancement of cybersecurity

Target of SG&A Ratio: 41% → 38%
 FY2023 Result FY2026 Target

* Exchange rate assumptions: ¥140 to the U.S dollar, ¥150 to the euro.

Profitability

Implement the reform of the profit structure



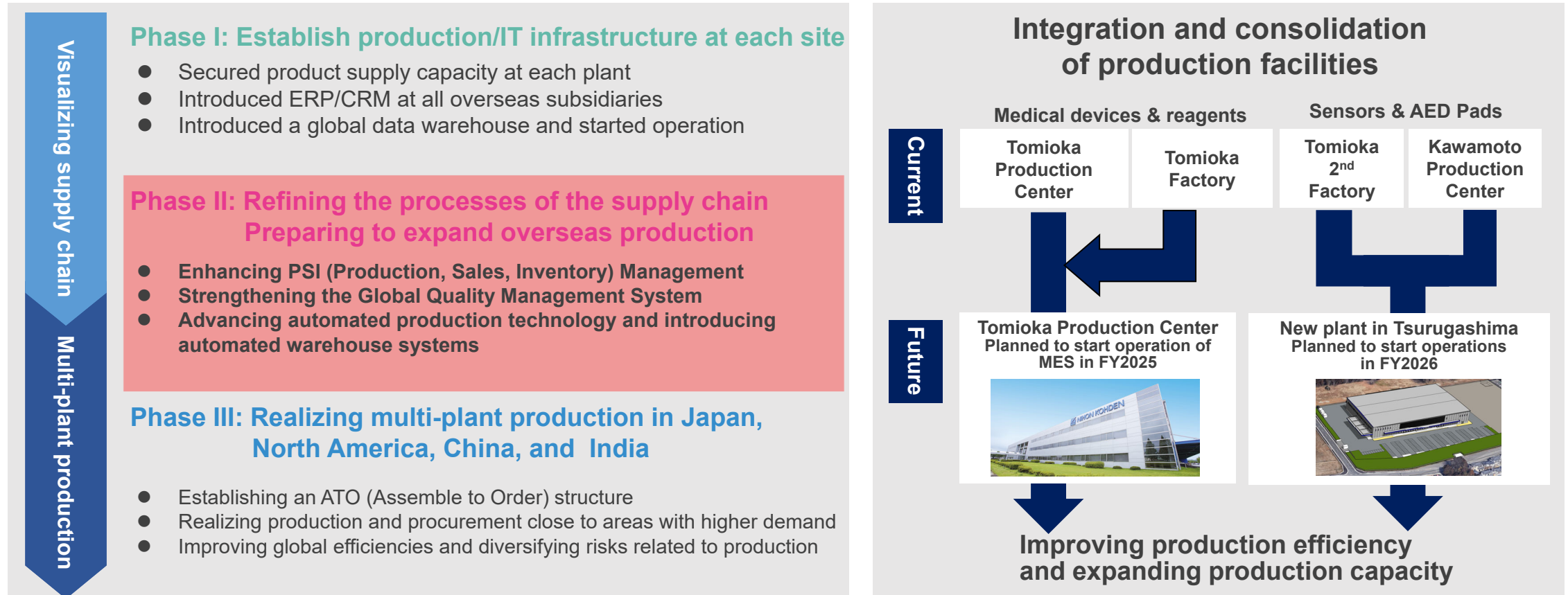
Implement several measures to improve product mix, productivity, and supply chains both in Japan and internationally. Aim at 1.5 times or more of operating income per employee in FY2026 compared to FY2023 by improving personnel productivity.

Area	Theme	Details of measures	FY2026 Target
Product mix	Sale pricing	✓ Reviewing pricing policies both in Japan and overseas	Apx. 2%
	Review of product line-up	✓ Reviewing and optimizing the number of products ✓ Increasing in-house sales ratio	
Productivity	Improving personnel productivity, including by utilizing generative AI	✓ Improving operational efficiency by introducing generative AI: 1.4 mil hours per year ✓ Focusing on core jobs and reallocating resources: 900 k hours per year ✓ Reducing the increase of personnel and overtime hours	Apx. 2%
	Reducing other expenses	✓ Reducing infrastructure costs such as utility costs, rent expenses, and communication expenses, and reviewing traveling costs	
Supply chain	Optimizing parts procurement	✓ Refining price negotiations with suppliers ✓ Promoting Value Analysis/Value Engineering	Apx. 1%

Profitability

Advance global supply chain management

Enhancing PSI (Production, Sales, Inventory) Management, strengthening global QMS (Quality Management System), and promoting multi-plant production



Overseas production ratio: **20%** → **30%**
FY2023 Result FY2029 Target

Three-year Business Plan

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Capital efficiency

Action on Cost of Capital-Conscious Management

Introducing Nihon Kohden's ROIC to achieve ROE target of 12% in FY2026

Phase I: Adopted NPV and IRR* as investment decision criteria

- Set target of IRR at 10%. Investment decisions are made based on business strategies and the Three-year Business Plan.
- The Board of Directors verify the progress and effectiveness of investment projects beyond a certain amount.

Phase II: Start to introduce Nihon Kohden's own ROIC formula

- Manage Nihon Kohden's own ROIC formula in each subsidiary/division, as our business consists of a single segment, medical electronic equipment-related business.
- Measure effectiveness from a mid-to long-term perspective, as R&D costs and personnel expenses in last three years, which are not included B/S, are considered as future investments.
- Figure out ROIC in each subsidiary and promote penetration of NK's ROIC in the Group

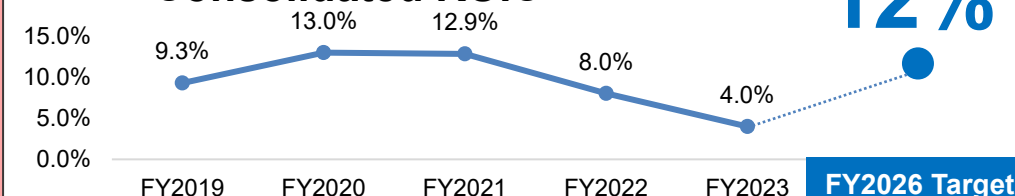
Nihon Kohden's own ROIC calculation formula

Operating income

Invested capital (future investment* + accounts receivable + inventory + property, plant and equipment - accounts payable)

* R&D costs and personnel expenses in last three years

Consolidated ROIC



Consolidated ROIC = NOPAT ÷ Invested capital

* Invested capital... interest-bearing liabilities + shareholders' equity

Set cost of capital at 7% conservatively, target of IRR at 12% in Phase II

Phase III: Planning to set ROIC targets in each subsidiary

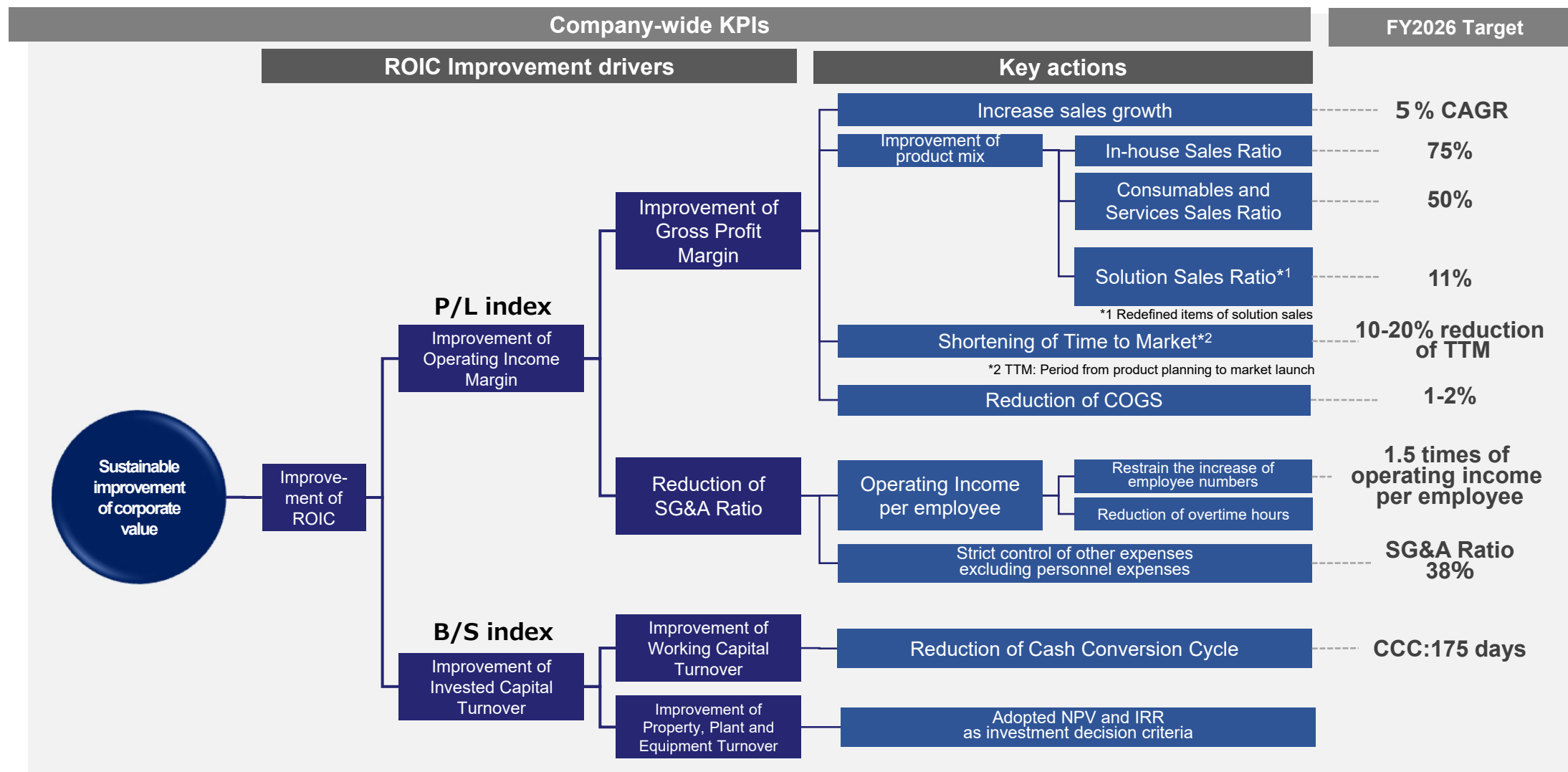
- Improve ROIC proactively in each subsidiary by setting an individual ROIC target.

* NPV: Net Present Value, IRR: Internal Rate of Return.

Capital efficiency

Action on Cost of Capital-Conscious Management

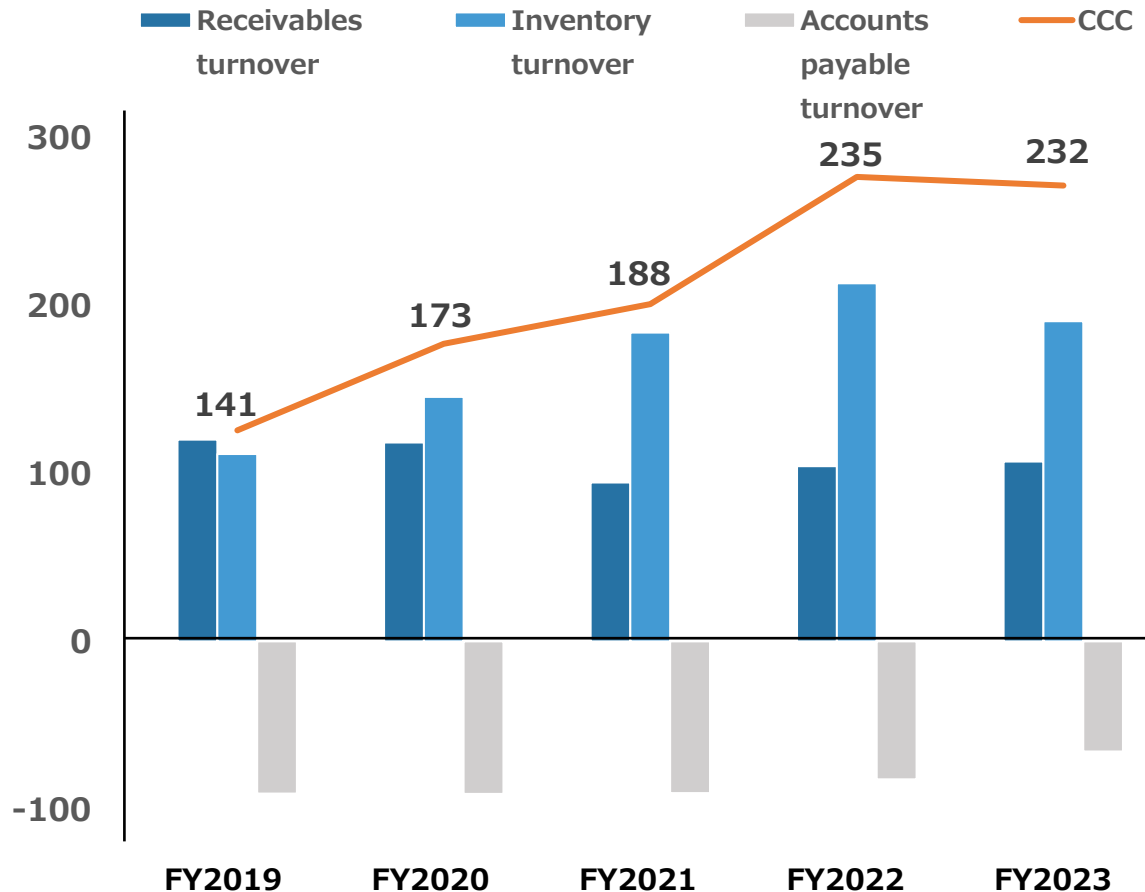
Planned to set KPIs in each subsidiary/division to penetrate Nihon Kohden's ROIC



Capital efficiency

Reduce Cash Conversion Cycle

Aim at a mid-term CCC target of 150 days by implementing measures such as reduction of inventories and faster debt collection



Three-year Business Plan Phase II target

CCC ~175 days

Cash Conversion Cycle

Mid-term target

CCC ~150 days

Key measures

- ✓ Strengthen procurement and production management functions mainly at the newly established Production Operations
- ✓ Optimize inventory levels of finished goods and parts
- ✓ Enhance PSI (Production, Sales, Inventory Management)
- ✓ Collect debt faster

Three-year Business Plan

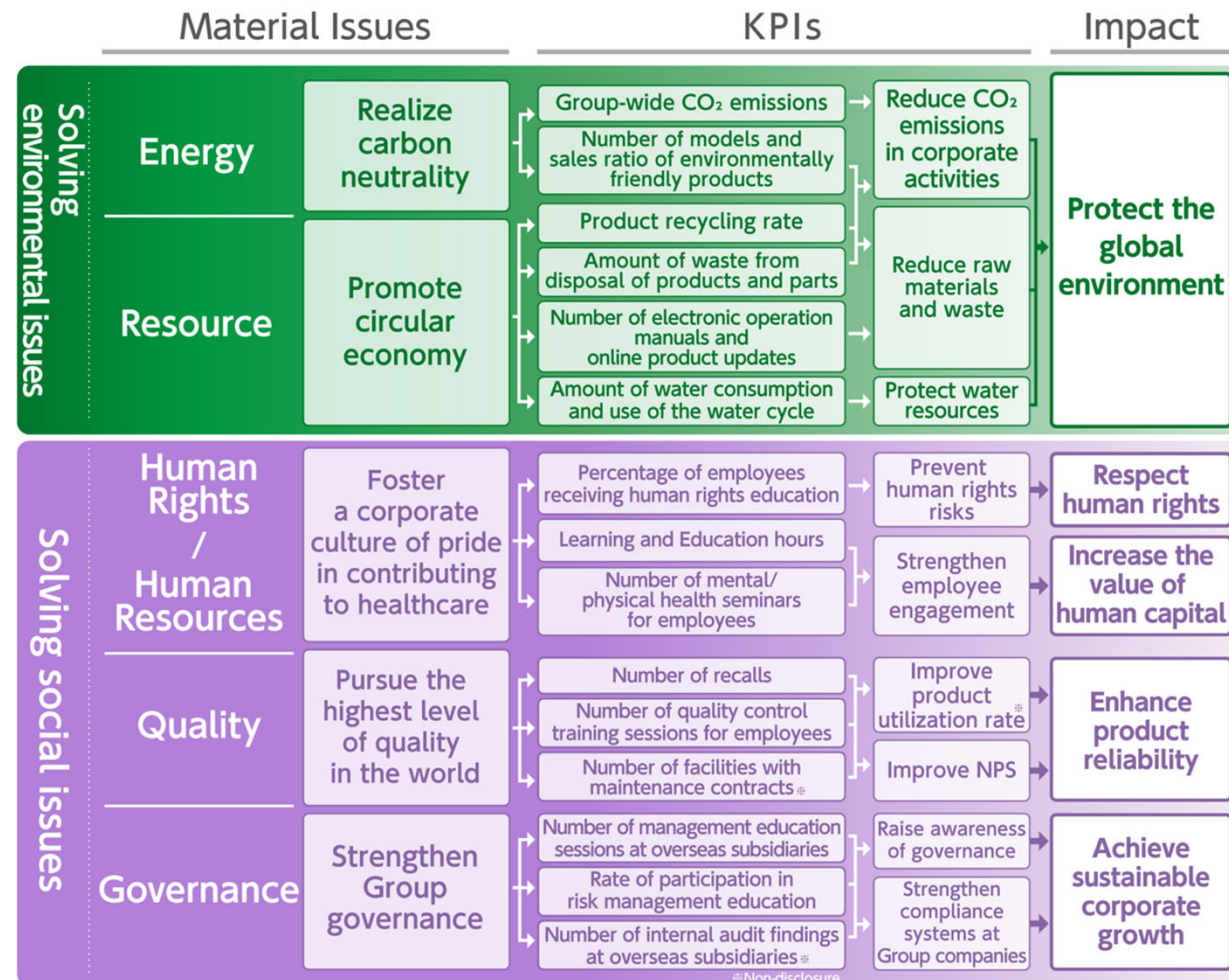
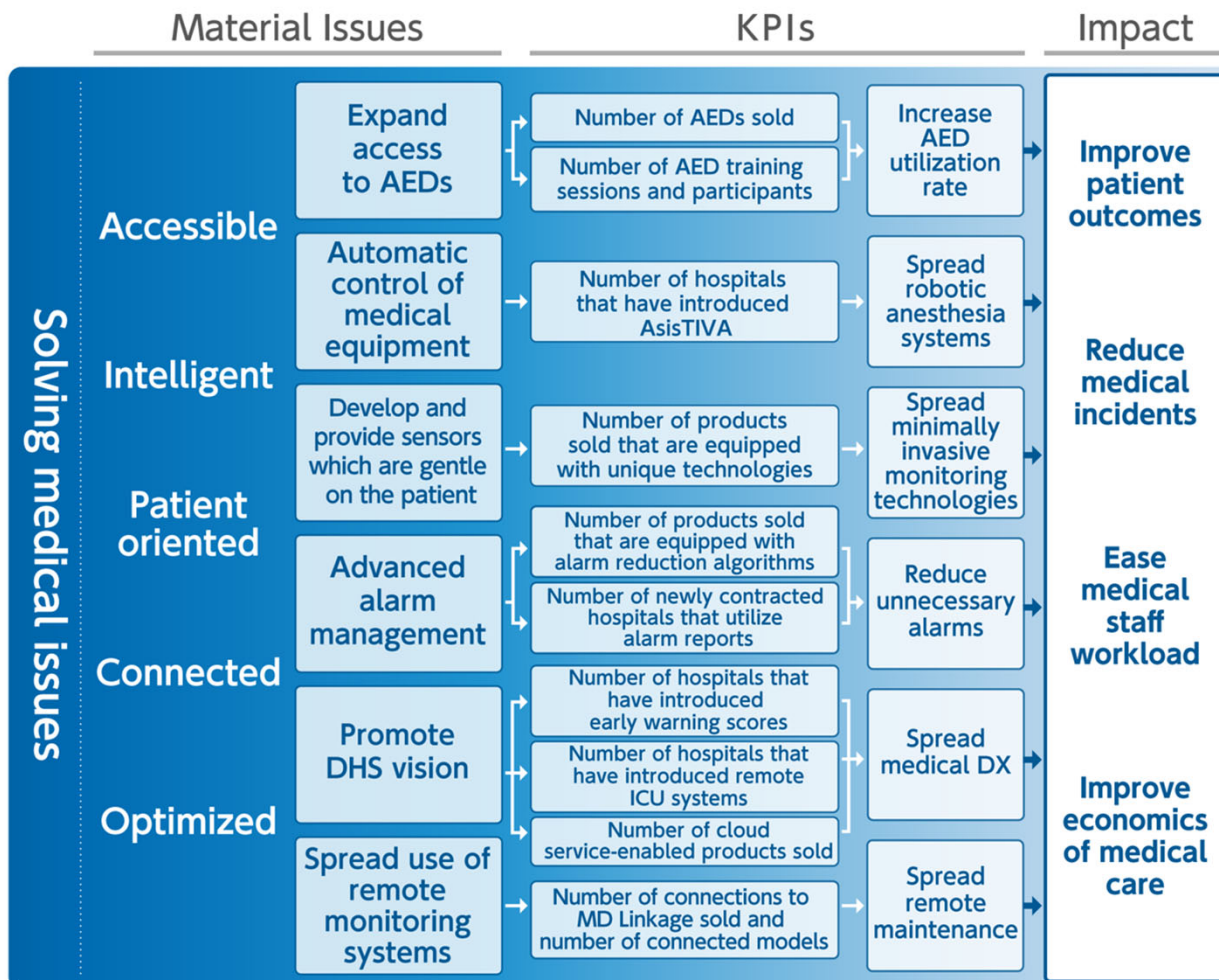
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Implementing Sustainability Management

Redefined material issues and KPIs and the practice of sustainability management to solve medical, environmental, and social issues



Human Resource Development and Corporate Culture Reform

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

Management Philosophy

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

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

Core Values



Well-being

Improve personnel productivity

- Improve company-wide business process
- Health management practices

Develop DX human resources

- Expand DX literacy education
- Support the achievement of DX promotion skills

BEACON personnel system

- Evaluate contribution to organization and value creation
- Enhance human resources management

Promote Diversity & Inclusion

- Develop global human resources
- Create a workplace environment in which each individual can demonstrate his/her full potential
- Promotion of women's participation and career advancement

Support employees' career development

- Fulfill career development training
- Establish consultation counter

Strengthen Group Governance

Diversity of Board of Directors

- ✓ Ratio of outside directors: 50%
- ✓ Ensuring diversity of the Board of Directors

Shareholders Meeting

Appointment

Board of Directors



Operating



Non-Operating



Introduction of CxO framework

- ✓ Speeding up decision-making
- ✓ Strengthening global governance

CEO

- Chief Administrative Officer
- Chief Regional Officer
 - North America/International/Japan
- Chief Human Capital Officer
- Chief Business Development Officer
- Chief Strategy & Innovation Officer
- Chief Quality & Regulatory Officer
- Chief Manufacturing Officer
- Chief Technology Officer

Review of remuneration for executives

- ✓ Review of evaluation items, with the aim of encouraging shared value with shareholders

Evaluate based on the achievement of management targets in Phase II

[Evaluation items]

- Consolidated Operating Income Margin
- Consolidated ROE
- Relative TSR

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Targets for FY2026 ending March 2027

Aiming at sales CAGR of 5%, operating income margin of 15%, ROE of 12%

	FY2023 Actual	FY2026 Target
Net Sales	¥221.9 bil	¥256.0 bil
Domestic Sales	¥142.3 bil	¥157.0 bil
Overseas Sales (Overseas Sales Ratio)	¥79.6 bil (35.9%)	¥99.0 bil (38.7%)
Consumables and Services Sales Ratio	47.9%	50%
In-house Sales Ratio	73.5%	75%
Solution Sales Ratio*	11%	11%
Gross Profit Margin	50.2%	53%
Operating Income (Operating Income Margin)	¥19.5 bil (8.8%)	¥38.5 bil (15%)
Income Attributable to Owners of Parent	¥17.0 bil	¥25.0 bil
ROIC	4.0%	12%
ROE	9.8%	12%

Sales by Region			
	Net Sales		
	FY2023 Actual	FY2026 Target	CAGR
Japan	¥142.3 bil	¥157.0 bil	3%
North America	¥37.0 bil	¥50.0 bil	11%
Latin America	¥6.0 bil	¥6.0 bil	0%
Europe	¥13.1 bil	¥14.0 bil	2%
Asia & Other	¥23.4 bil	¥29.0 bil	7%

Sales by Product Category			
	Net Sales		
	FY2023 Actual	FY2026 Target	CAGR
Physiological Measuring Equipment	¥46.5 bil	¥53.0 bil	4%
Patient Monitors	¥84.1 bil	¥98.0 bil	5%
Treatment Equipment	¥51.6 bil	¥63.0 bil	7%
Other Medical Equipment	¥39.6 bil	¥42.0 bil	2%

Investment Plans		
	Phase I Actual	Phase II Target
Capital investments	¥16.2 bil	Apx. ¥25.0 bil
R&D investments	¥18.9 bil	Apx. ¥23.5 bil

* Solution business, software/program, and maintenance services are included.

* Exchange rate assumptions: ¥140 to the U.S dollar, ¥150 to the euro

Three-year Business Plan

BEACON 2030 Phase II

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 - **Capital Allocation**

Capital Policy

Make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. Revise indicators and targets for shareholder returns from consolidated dividend payout ratio to consolidated total return ratio

1) Investment necessary for future business expansion

- R&D investments in patient monitors, ventilators, and Digital Health Solutions
- Capital investments for establishing a new plant in Tsurugashima, promoting corporate digital transformation such as PLM/MES systems and generative AI, and enhancing global supply chain management

R&D
Investments



Capital
Investments



M&A and
Alliance



Human
Resource
development



2) Enhancement of shareholder returns

Dividends

Increase dividends in a stable manner in line with growth in business performance

Share
buyback

Consider in a flexible manner, taking into account comprehensively our future business deployment, investment plans, retained earnings, and stock price level

Target: Consolidated Total Return Ratio of 35% or more

3) Sound financial foundation

Maintain a strong financial foundation to ensure a stable supply of medical equipment

Cash Allocation Policy

Cash + Debt

FY2024 – FY2026
Operating Cash Flow

**¥80 bil
or more**

Cash + Debt

FY2021-FY2023
Operating
Cash Flow

¥38.7 bil



Growth Investment / M&A: ¥30 bil or more

*Investing in areas such as DHS which have synergies with existing businesses



Capital Investments: Apx. ¥25 bil

*Construction of Tsurugashima plant: ¥9.2 bil,
Introduction of PLM/MES systems: ¥2.2 bil



Shareholder Returns: ¥28 bil or more

*Considering additional shareholder returns depending on the progress of future investment plans

Fundraising policy

- Using its own funds as the Group's main source of working capital and capital expenditure.
- Considering borrowing as an effective means of raising funds, when fundraising becomes necessary, such as for M&A and new businesses and optimizing the weighted average cost of capital, which also takes into account the cost of debt.

Necessary cash and deposits

- The level of cash and deposits on hand necessary for stable operations is approx. three months of monthly sales.

Disclaimer:

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