

Three-year Business Plan



BEACON 2030 Phase II

May 15, 2024



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Three-year Business Plan

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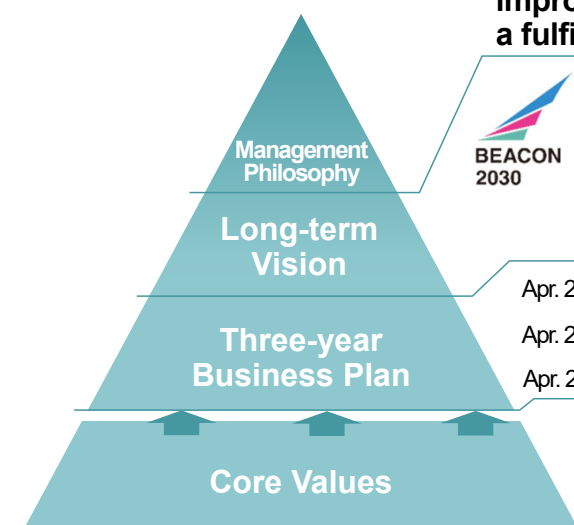
Three-year Business Plan BEACON 2030 **Phase II**

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 and 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%

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

- Based on its Management Philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and creating a fulfilling life for our employees, in 2020, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next 10 years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues.

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

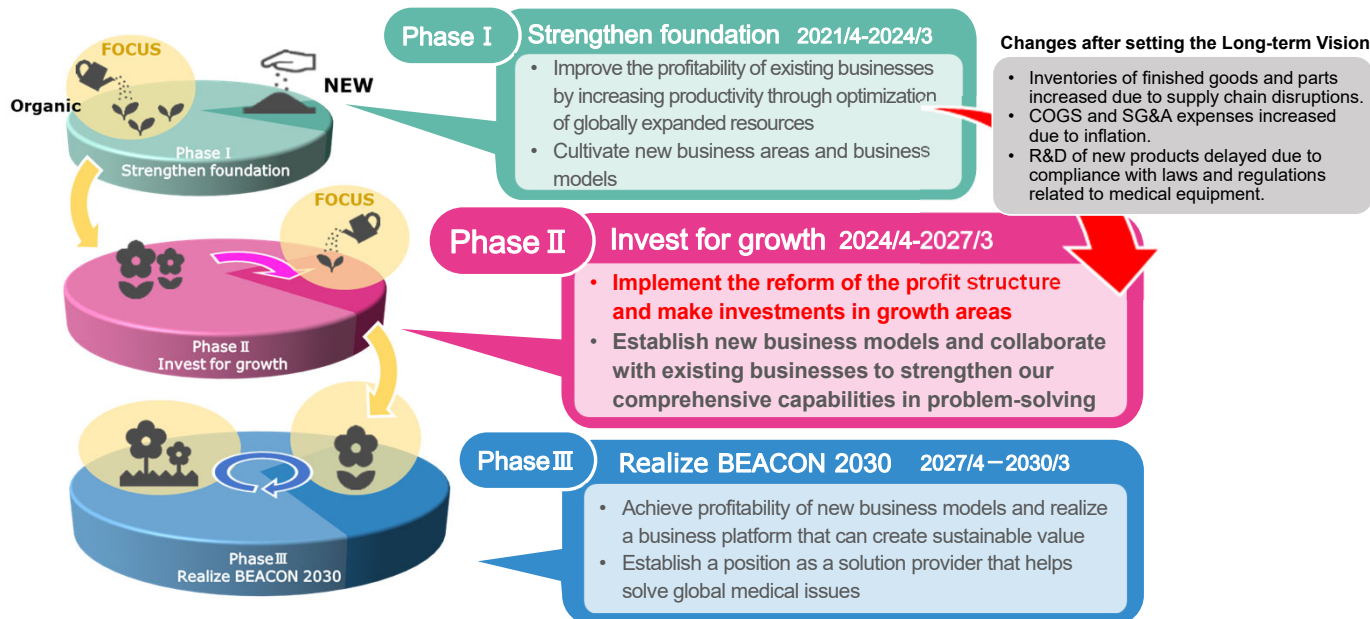
- Establish an organizational and governance system in line with our corporate strategy
- Establish a development, production and sales system based on Global Supply Chain Management
- Strengthen global business deployment capabilities by establishing a Center of Excellence

* 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.

- The Company has set three transformations in its Long-term Vision, BEACON 2030.

First, “Transform into a global company creating high added value”, second, “Create a solution business providing superior customer value”, and third, “Establish a global organization founded on operational excellence”.

Three Phase of BEACON 2030



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- We are proceeding with these transformations in three phases of three years each.
- There are some changes in the business environment which were not expected when the Company formulated its Long-term Vision in 2020: tight supply of components and increased inventories resulting from supply chain disruptions after the COVID-19 pandemic, increase in the cost of goods sold and SG&A expenses due to inflation, moves to prefer domestically produced products, and tightening of laws and regulations for medical equipment.
- Considering these changes in the business environment, we will implement the reform of the profit structure of the entire Company and make investments in growth areas in Phase II.

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%

- For the fiscal year ending March 2030, we aim to achieve an operating income margin of 15% and an overseas sales ratio of 45%.

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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%	

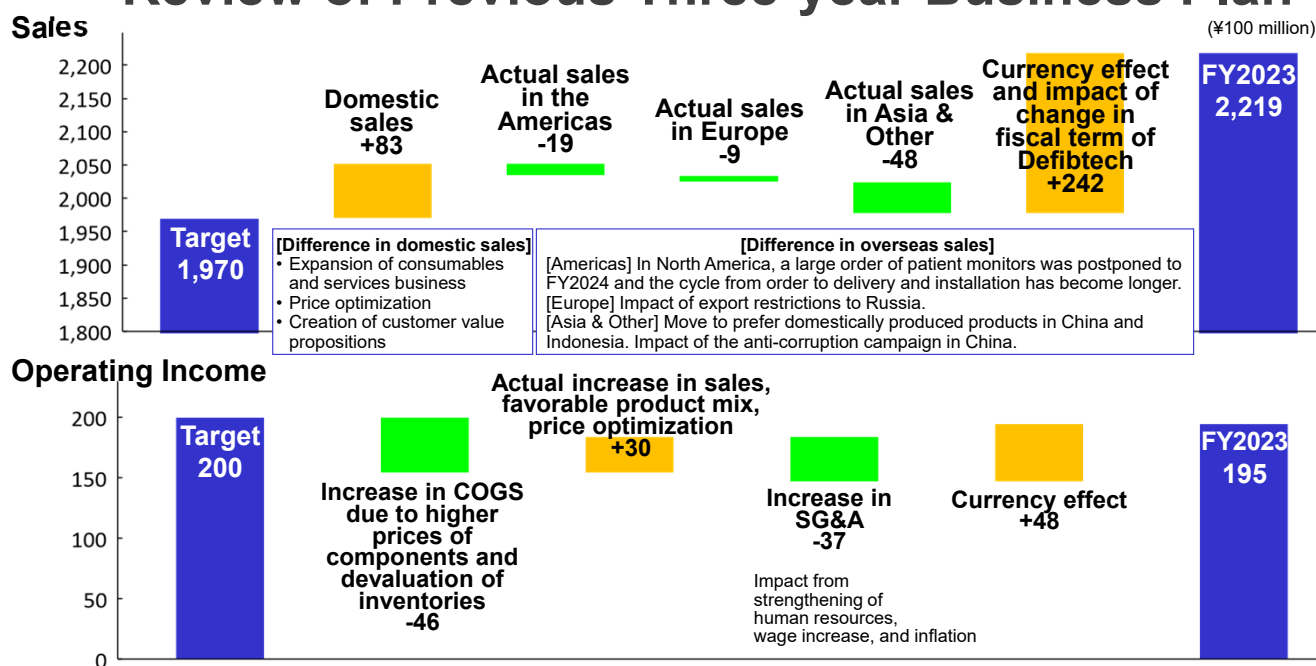
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- In the previous Three-year Business Plan, we worked to transform our operations into a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.
- Operating income margin and ROE for FY2023 fell short of the targets, while we were able to secure a gross profit margin of 50% or more.

Review of Previous Three-year Business Plan

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- Domestic sales exceeded the target. Overseas sales fell short of the target on a comparable basis excluding the impact of foreign exchange rates due to changes in the market environment mainly in North America and China, which the Company has focused on.
- In addition to actual overseas sales falling short of the target, operating income margin also fell short of the target, because of increases in the cost of goods sold due to higher prices of components and an increase in devaluation of inventories. This was also because of increases in SG&A expenses due to the strengthening of human resources, wage increase, and inflation. Thus, improvement of profitability remains as an issue.

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.

- The results and issues of the previous Three-year Business Plan are as shown.
- As for results, we launched a series of our first new high-value-added products such as a fully automatic AED and syringe pump control software for assisting with total intravenous anesthesia.
- Internationally, we strengthened our business structure. We acquired DHS-related companies in the U.S. and Italy. We also reorganized our U.S. subsidiaries into a holding company structure.
- On the other hand, the following items remain as main issues to be addressed: improvement of the growth potential of overseas businesses, especially in North America, enhancement of product competitiveness by improving development efficiency, improvement of profitability of the entire Group to respond to higher prices of components and SG&A expenses, and reduction of cash conversion cycle by optimizing inventory levels.

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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



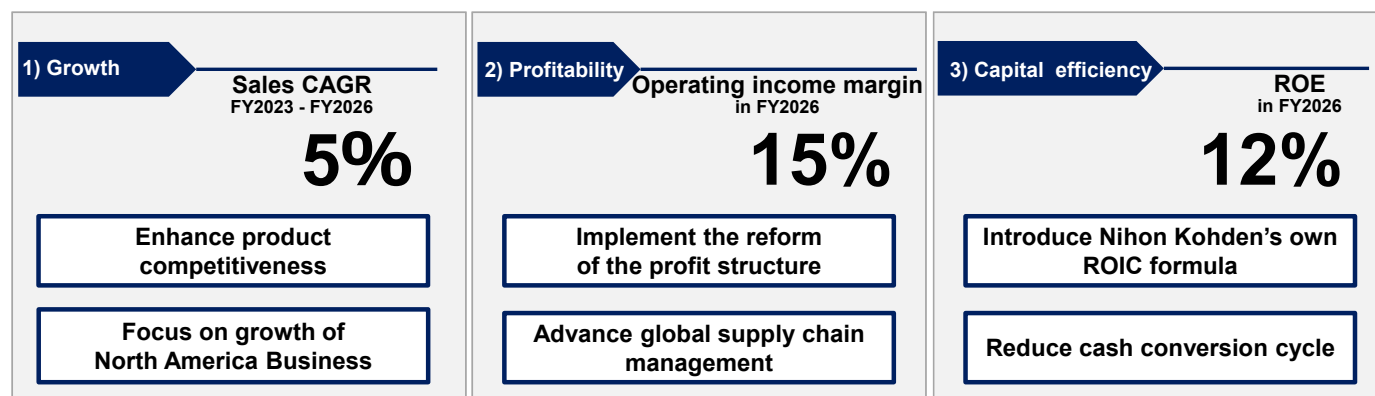
- **Broad client base and capacity to develop technologies rooted in medical practice:** Sales in more than 120 countries around the world, global R&D capabilities
- **Value creation through HMI* technology:** In-house development and production of consumables such as sensors. Enables to develop new 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.

- The business environment surrounding the Company is unpredictable in the midst of a rapidly changing global situation. There are moves toward protectionism and higher geopolitical risks, as well as moves to prefer domestically produced products and tightening of laws and regulations related to medical equipment. Medical institutions financial situation has worsened due to inflation and tight monetary policy. Other issues include higher cybersecurity risks and the spread of AI.
- On the other hand, global demand for developing healthcare infrastructure remains steady. Especially, DX in medical fields is accelerating.
- New business opportunities are emerging as medical institutions look for solutions that contribute to improving their operational efficiency and profitability.
- Under these circumstances, Nihon Kohden will work to solve global medical issues by providing digital health solutions that utilize data obtained from medical equipment as well as creating new clinical value based on the Company's core Human Machine Interface technology.

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



Practice of Sustainability Management

Medical
issues

Environmental
issues

Social
issues

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- Based on the recognition of this business environment, in BEACON 2030 Phase II, we will implement the reform of the profit structure, make investments in growth areas, and accelerate our transformation into a global MedTech company.
- We have set three indicators, which consist of growth, profitability, and capital efficiency, and aim to achieve each target: sales CAGR of 5%, operating income margin of 15%, and ROE of 12% by implementing six key measures such as “Enhance product competitiveness”, “Focus on growth of North America Business”, and “Implement the reform of the profit structure”.
- We will also practice sustainability management and foster an organizational culture that works on solving medical, environmental, and social issues as the essence of our business activities.

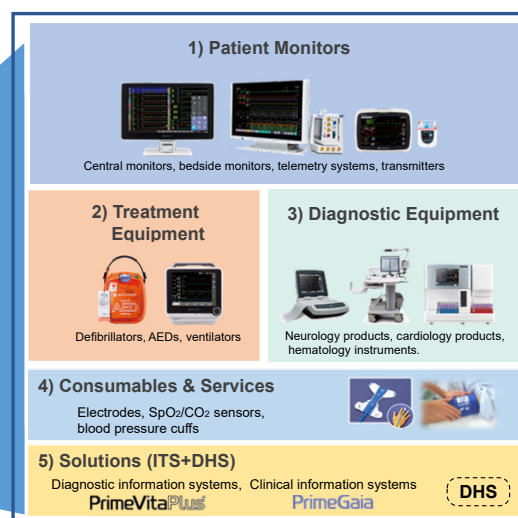
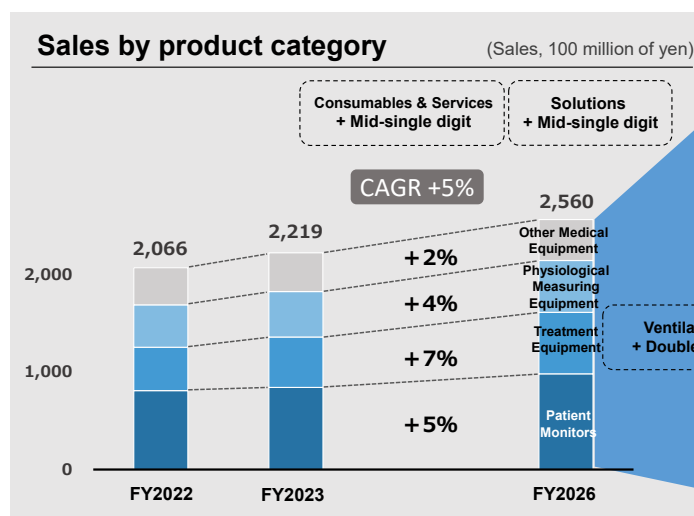
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Growth

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

BEACON
2030
Phase II


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- To achieve sales CAGR of 5%, we will focus on strengthening our core patient monitoring business, expanding our ventilator business, which is expected to grow rapidly, as well as our consumables & services business and solutions business.
- We have redefined our solutions business as IT solutions in Japan and our new digital health solutions.

Growth

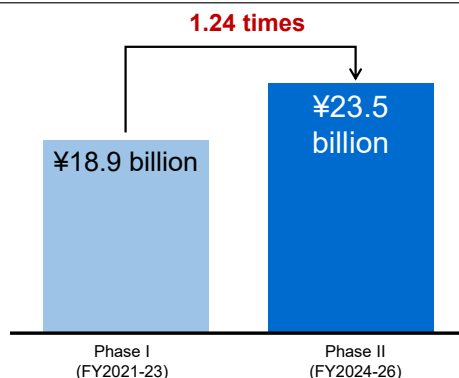
Enhance product competitiveness

**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.

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- To enhance product competitiveness, we will make R&D investments in patient monitors, ventilators, and digital health solutions.
- R&D costs are expected to increase by 1.2 times to ¥23.5 billion over the next three years.
- To strengthen our technological capabilities, we will establish a common design platform and multi-plant design as well as enhancing cybersecurity measures and strengthening our QA/RA structure.
- We will also shorten the development time for new products by implementing a reform of the R&D process in addition to the introduction of PLM/MES systems.

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

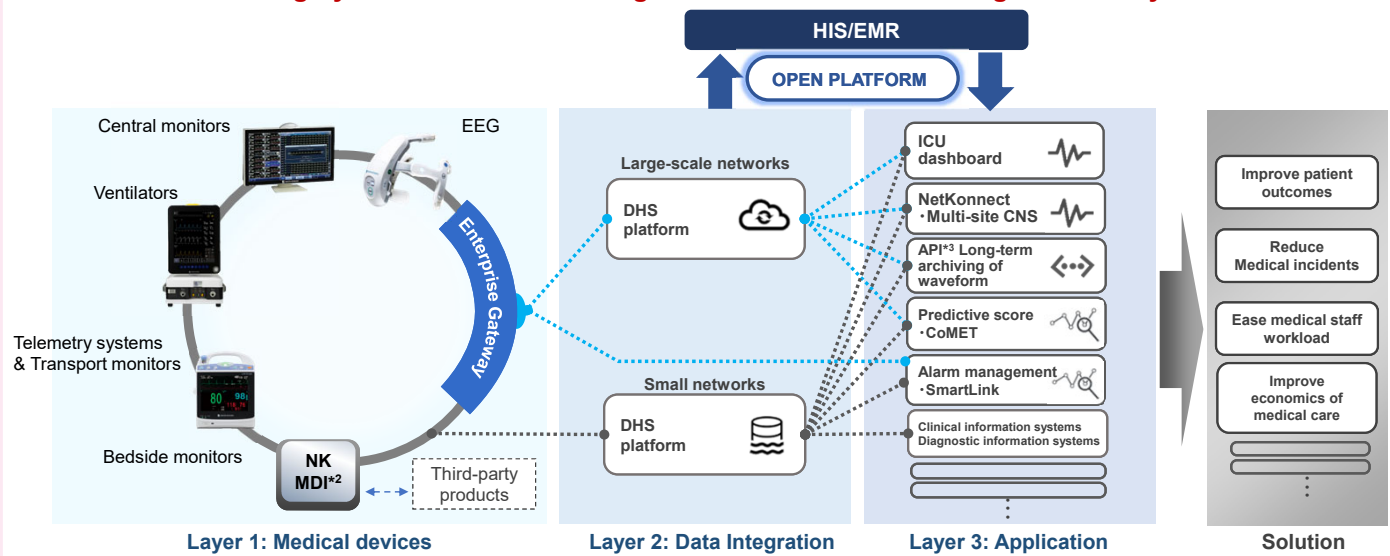
- Strengthening overseas sales of the CNS-2101 central monitor, and the BSM-2500 bedside monitors developed in Shanghai
- Expanding our product line-up by developing a new model of mid- to low-end monitor
- Improving analysis accuracy of parameters such as ECG/SpO₂/NIBP as well as alarm accuracy
- Developing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

- In our core patient monitoring business, we will implement specialized measures for OR, ICU, and wards. We will enhance solution proposals that contribute to improving economics of medical care by improving the quality of medical care, patient outcomes, and operational efficiency.
- We will strengthen overseas sales of a new central monitor and bedside monitors developed in Shanghai, as well as expanding our product line-up by developing a new model of mid- to low-end monitors.
- We also aim at creating our unique clinical value by improving analysis accuracy of parameters and alarm accuracy as well as developing new analysis algorithms.

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.

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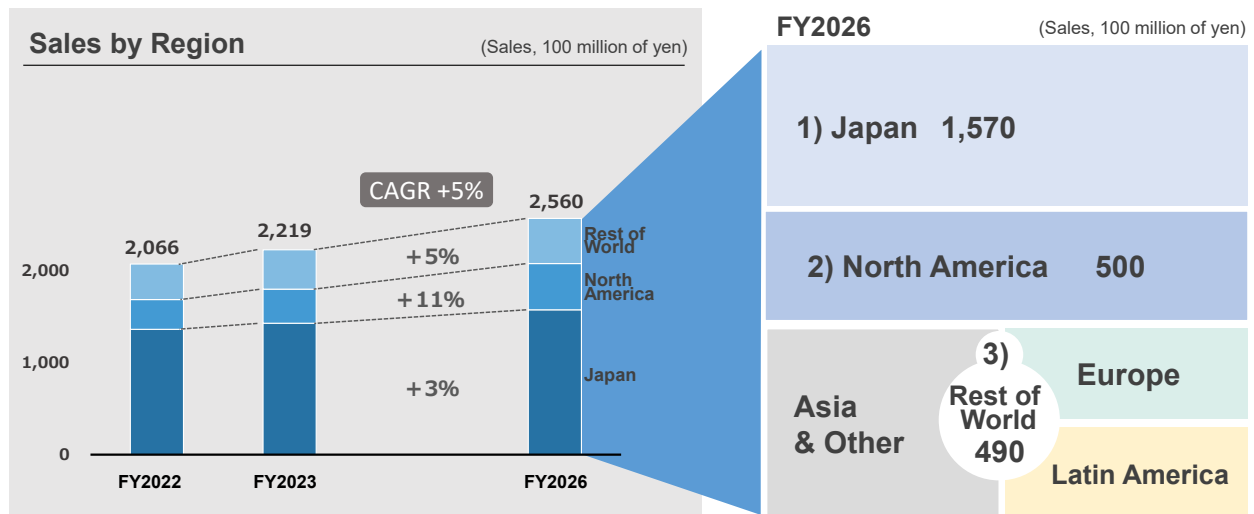
- To realize our DHS vision, we are developing DHS products, mainly in North America and Japan.
- We will provide a data platform to integrate data obtained from medical equipment and utilize that data as a big data. We will also provide clinical support applications such as remote monitoring for ICUs, alarm management, patient condition prediction, and dashboard functions. We aim at offering solutions that contribute to improving patient outcomes and the economics of medical care.
- Our open platform concept especially for utilizing data in hospitals are well received.

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



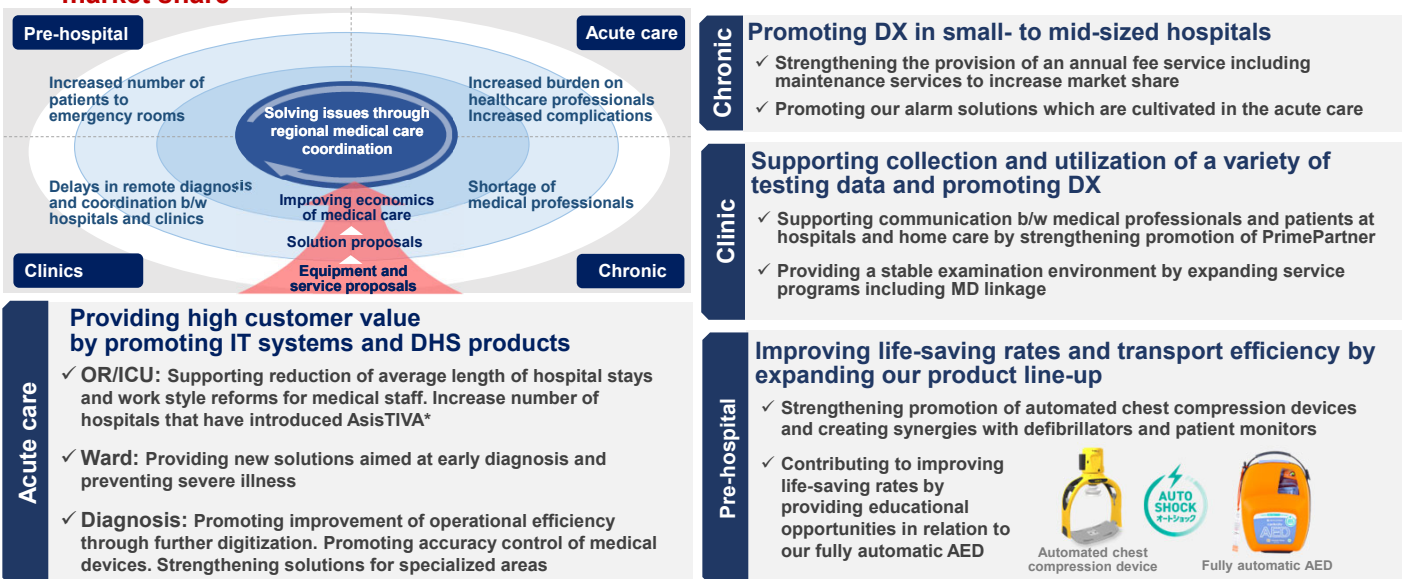
- Next, I will explain our growth strategy by region.
 We will focus on stable growth in Japan and high sales growth in North America.

Growth

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



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- In Japan, we will strengthen solution proposals mainly for IT systems and DHS products that contribute to improving operational efficiency, enhancing economics of medical care, and resolving issues throughout the care cycle.
- In acute care, we will focus on promoting the widespread adoption of AsisTIVA in ORs as well as providing new solutions for general wards aimed at early diagnosis and preventing severe illness.
- In chronic and clinics, where DX is expected to accelerate, we will strengthen our provision of solutions such as cloud-based products and services.
- In pre-hospital, we will strengthen promotion of a newly introduced automated chest compression device and aim to improve life-saving rates through encouraging the widespread adoption of a fully automatic AED.

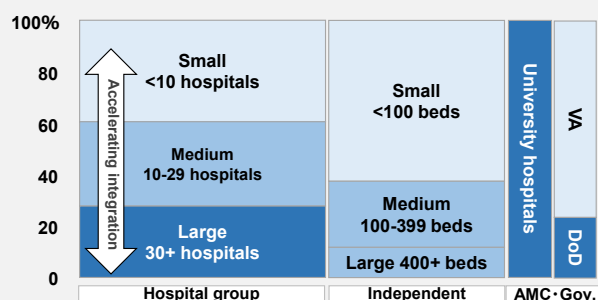
Growth

North America

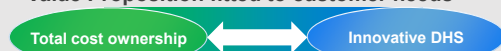
Expanding market share in major IDNs by deploying DHS products to improve medical economics.
Improving brand awareness by cultivating the DoD/VA market through enhanced cybersecurity support



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 # of comprehensive agreement

18 groups FY2023 Result	23 groups FY2026 Target	3 groups FY2023 Result	9 groups FY2026 Target
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*1 IDN: Integrated Delivery Network, GPO: Group Purchase Organization, *2 DoD: Department of Defense, VA: Veterans Affairs.
*3 ATO: Authority to Operate.

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- In North America, where we are targeting high growth, we aim to expand our market share in major IDNs by contributing to improving the operational efficiency and economics of medical care through our solution proposals for patient monitors and DHS products.
- We will also cultivate the DoD/VA market through enhancing cybersecurity of our products, and improve our brand awareness.
- As for ventilators, we will strengthen our local production, sales, and service capabilities and expand our product line-up to increase market share.
- We will also strengthen our consumables and services business, with the aim of expanding our installation base and achieving recurring sales.
- In addition, we will work to promote the clinical value of our unique technologies and create a superior customer experience.

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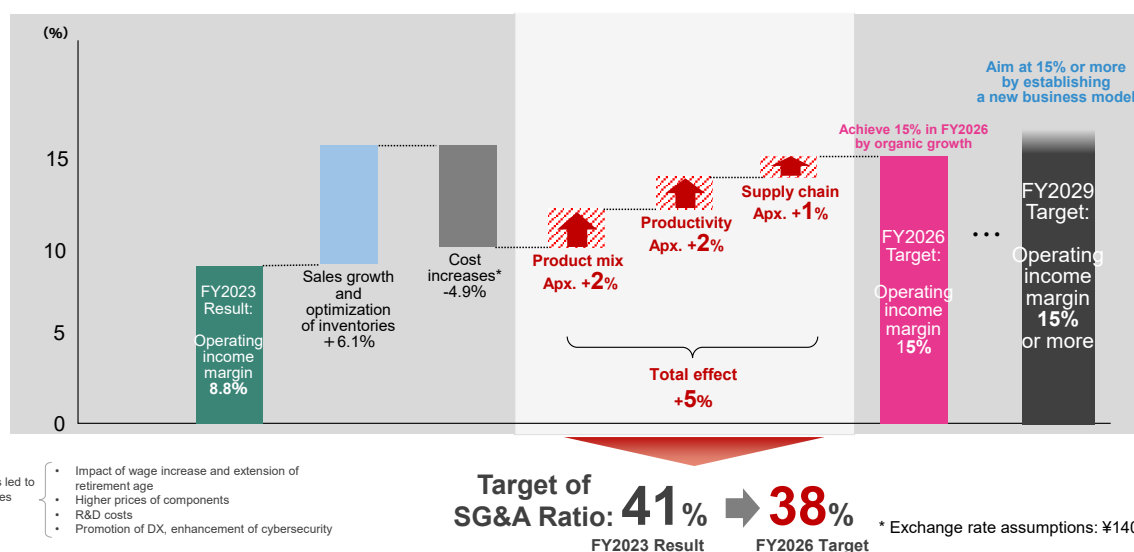
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Profitability

Implement the reform of the profit structure



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



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- In the final year of Phase I, operating income margin were below the target of 10% and improving profitability remains as an issue to be solved.
- In Phase II, in addition to improving profitability through business growth, we will implement the reform of the profit structure of the entire Group to improve our operating income margin by around 5% points.
- We aim to achieve an operating income margin of 15% by reducing our SG&A ratio to 38% through improving organizational productivity.

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%

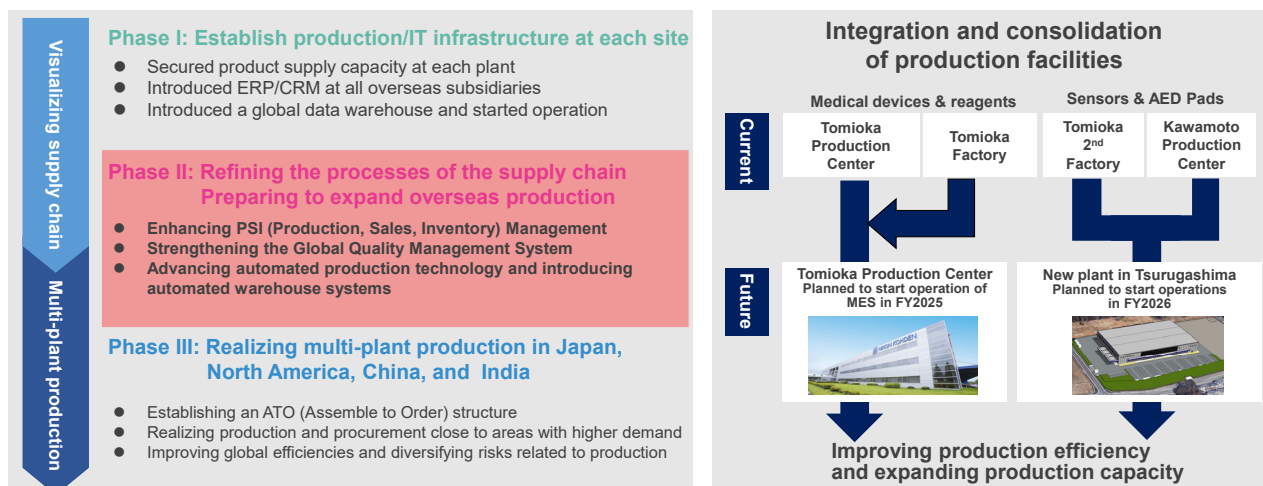
- In the reform of the profit structure of the entire Group, we will focus on measures to improve profitability in three areas; product mix, productivity, and supply chain, by working with a global consulting firm.
- In the area of product mix, we will improve gross profit margin by reviewing pricing policies and product line-up.
- In terms of productivity, we will improve personnel productivity by focusing on our core jobs and reallocating resources through significantly improving operational efficiency utilizing generative AI.
- In supply chain, we will work to reduce costs of goods sold by refining price negotiations and strengthening value engineering.
- Although the timing of the effects of each measure will differ, we aim to improve profitability incrementally over next three years and achieve 1.5 or more times the current level of operating income per employee.

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

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- To advance our global supply chain management, we will enhance PSI (production, sales, and inventory) management; strengthen our global QMS (quality management system); and further develop our automated production technology.
- In Japan, we will improve production efficiency and expand production capacity by integrating and consolidating the production of medical devices and reagents at the Tomioka Production Center, and consumables such as sensors and pads at the new plant in Tsurugashima.
- We will embark on multi-plant production for Phase III and aim at an overseas production ratio of 30% in the long term.

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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

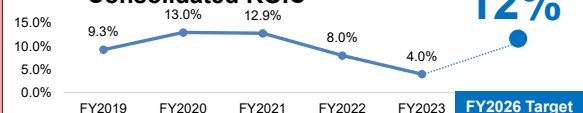
Nihon Kohden's own ROIC
calculation formula

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.

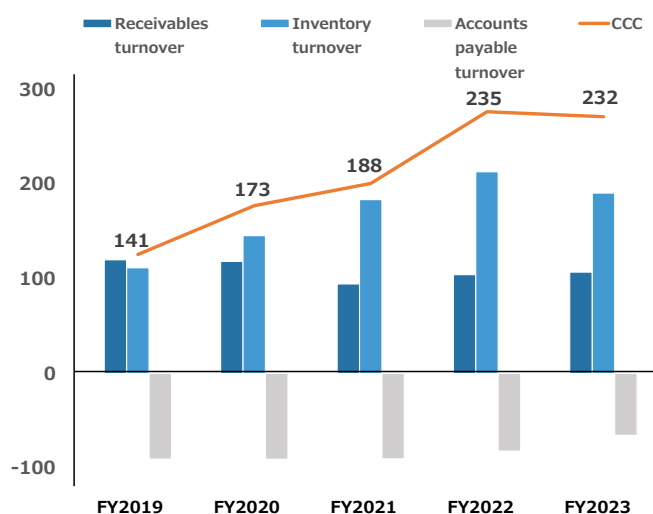
* NPV: Net Present Value, IRR: Internal Rate of Return.
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- As an action on cost of capital-conscious management, we will start introducing Nihon Kohden's own ROIC formula.
- Because improving profitability in P/L and capital efficiency in B/S remain as main issues to be solved, we will introduce and promote ROIC for each subsidiary/division in the Group.
- Phase II is the stage of investing for growth, and we aim at achieving ROE of 12% by focusing on improving profitability and working capital, as well as making investment decisions in accordance with investment decision criteria and managing that progress, and enhancing shareholder returns.

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

- The cash conversion cycle has become longer than before due to increased inventories in response to the tight supply of components.
- In Phase II, we aim at reducing to 175 days through further inventory control mainly at the Production Operations, which was newly established in April 2024, as well as by faster debt collection.
- Looking beyond that, our mid-term target is 150 days.

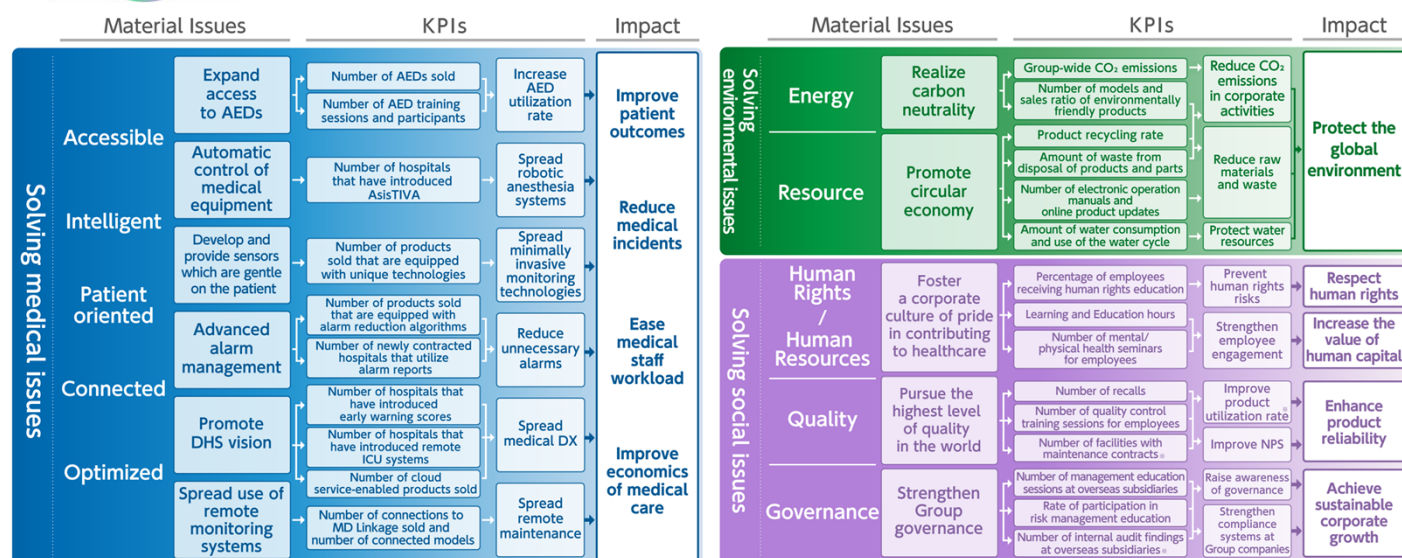
Three-year Business Plan BEACON 2030 **Phase II**

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 and Capital Allocation



Implementing Sustainability Management

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



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Three-year Business Plan 2024-2026 | 30

- Nihon Kohden firstly worked on embracing sustainability as one of the basic policies in Phase I, our Three-year Business Plan. We worked to raise awareness of sustainability throughout the entire Group.
- In Phase II, we will move into the phase of the practice of sustainability management. Based on the results and issues in Phase I, we will partially review our material issues and KPIs. We will also work on solving medical, environmental, and social issues through embracing sustainability as the essence of our business activities.

Human Resource Development and Corporate Culture Reform

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



- We will work to develop human resources that support all of our corporate activities and to reform our organizational culture.
- We will thoroughly implement a new role-based personnel system based on our Core Values and improve personnel productivity by business process reforms and improvements to health management practices.
- In addition to promoting diversity & inclusion, we will enhance career support for developing global human resources and DX human resources. We continue to foster a corporate culture in which employees take pride in their contribution to healthcare and our mission.

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

Internal
Outside

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

- To further strengthen group governance, we will improve the diversity of the Board of Directors.
- The ratio of outside directors and the ratio of female directors will be 50% and 16%, respectively, subject to approval at the General Meeting of Shareholders in June 2024.
- By introducing a CxO framework, we will clarify Management Operating Officers' roles and responsibilities for functional, business, regional axes to speed up decision-making and strengthen global governance.
- We will review the remuneration for executives with the aim of encouraging shared value with shareholders. The evaluation items will be operating income margin, ROE, and relative TSR.

Three-year Business Plan BEACON 2030 Phase II

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 - **Management Targets and Capital Allocation**

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

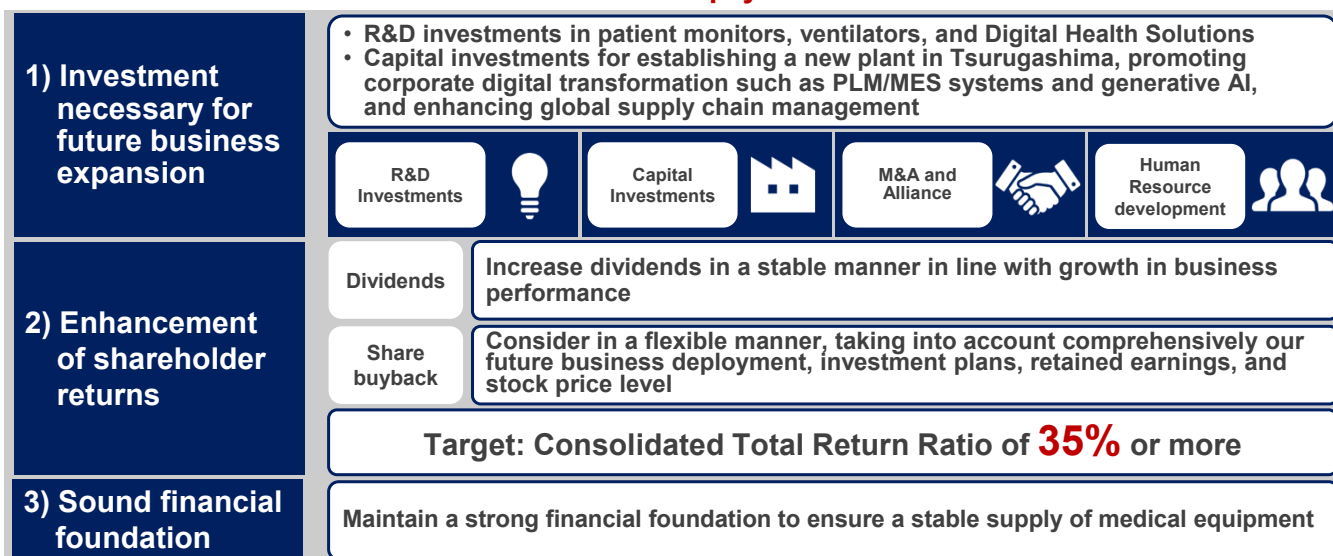
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Three-year Business Plan 2024-2026 | 34

- Management targets for FY2026 are shown above.
- We will promote our transformation into a company creating high added value. Overseas sales ratio, consumables and services sales ratio, and in-house sales ratio are important KPIs.
- Solution sales ratio is defined as total sales of products and services required for creating a solution business model. It includes solution businesses such as IT systems/DHS products, software/program (SaMD), and maintenance services.

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



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Three-year Business Plan

2024-2026 | 35

- Our capital policy is shown above.
- 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 make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, and ii) shareholder returns.
- We have revised the indicators and targets for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.
- In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level.

Cash Allocation Policy



Fundraising policy	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The level of cash and deposits on hand necessary for stable operations is approx. three months of monthly sales.

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Three-year Business Plan 2024-2026 | 36

- Our cash allocation policy is shown above.
- The total operating cash flow is expected to be ¥80 billion or more over three years.
- Growth investment and M&A is expected to be ¥30 billion or more. We will accelerate investment in areas such as DHS which have synergies with existing businesses.
- Capital investments are planned to be around ¥25 billion for establishing a new plant in Tsurugashima, as well as promoting corporate digital transformation such as introduction of PLM/MES systems.
- The Company plans shareholder returns of ¥28 billion or more over three years and will consider additional shareholder returns depending on the progress of its future investment plans.

Disclaimer:

The contents of this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures described therein.

Information on products (including products under development) in this document is not intended to make any advertisement or promotion.

- We set high numerical targets for BEACON 2030 Phase II, that are distinct from those of the past. To achieve these targets, many difficulties are expected. However, we believe that it is essential to establish a global competitive advantage to adapt to changes in the global business environment and achieve sustained growth in corporate value. With that aim, we will work on quickly improving profitability, creating excess capacity for investment, and accelerating investments for growth such as investments in R&D and human capital.
- The entire Group will work together to achieve the new Three-year Business Plan's targets and contribute to realizing our Long-term Vision.