

# Three-year Business Plan



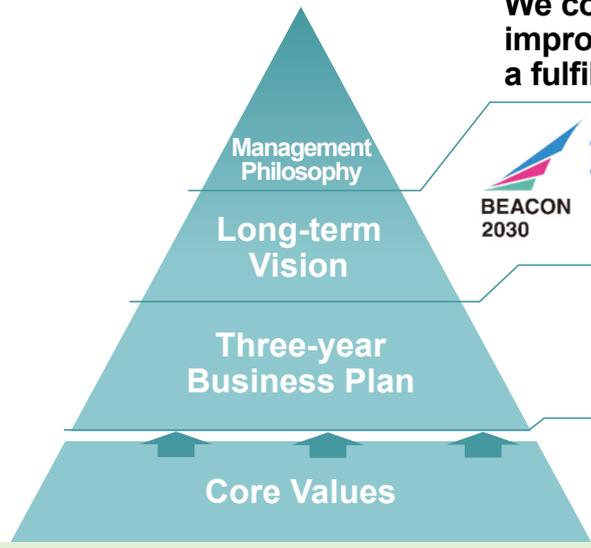
## **BEACON** **2030** Phase III

March 2, 2021



# Nihon Kohden Management Philosophy, Long-term Vision, Three-year Business Plan, and Core Values

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

**BEACON 2030 Phase III: Realize BEACON 2030**

**BEACON 2030 Phase II: Invest for growth**

**BEACON 2030 Phase I: Strengthen foundation**

Core values are shared by Nihon Kohden staff worldwide, which help to connect them and contribute to promoting our management philosophy, long-term vision, and three-year business plan.

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

- The three-year business plan is the 1<sup>st</sup> phase toward realizing our long-term vision, BEACON 2030. As with our long-term vision, our next-generation members took the lead in formulating the three-year business plan. We formulated it focusing on integrating company-wide goals and implementing key strategies for those goals in each division.

## Three Transformations 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 Phases of BEACON 2030

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



- We will promote these transformations divided into three phases of three years each. The 1<sup>st</sup> three-year business plan is Phase I, and we will focus on strengthening the business foundation toward realizing our long-term vision.
- We position this phase as a period to achieve the following: improve the profitability of existing businesses by increasing productivity through optimization of globally expanded resources; and cultivate new business areas and business models.

## Management Index for BEACON 2030

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

### The target levels in the fiscal year ending March 2030

Operating Margin

15%

Overseas Sales Ratio

45%

- For the fiscal year ending March 2030, we aim to achieve an operating margin of 15% and an overseas sales ratio of 45%. We consider the three-year business plan, Phase I, as an important step towards that goal.

# Three-year Business Plan **BEACON 2030** Phase III

1. Review of Previous Medium-term Business Plan and Measures Implemented in FY2020
2. Business Environment
3. Three-year Business Plan, BEACON 2030 Phase I
  - Basic Policy
  - Embracing Sustainability
  - Key Strategies
    - (1) Management
    - (2) Business
    - (3) Operations
  - Human Resource Development and Corporate Culture Reform
  - Numerical Targets
  - Investment Plan
  - Basic Policy on Distribution of Profits and Dividends

# 1. Review of Previous Medium-term Business Plan and Measures Implemented in FY2020

# Review of Previous Medium-term Business Plan

## 1 Create high customer value

- **Launched a series of Nihon Kohden's first products**  
- Ultrasound probe, automated hematology analyzer and clinical chemistry analyzer, spot check monitor, ventilators
- **In-house sales ratio: 65.6%** (FY2019)
- **Sales ratio of Consumables and Services: 45.5%** (FY2019)

## 2 Improve productivity within the organization

- **Established the Eastern Japan Logistics Center** 
- **Established a global ERP system**  
- Subsidiaries in the Middle East, Korea, Mexico, India
- **Simplified administrative work between headquarters and domestic sales branches**

	FY2016 Actual	FY2019 Target	FY2019 Actual
Net Sales	¥166.2 bil	¥190.0 bil	¥185.0 bil
Domestic Sales	¥124.7 bil	¥135.0 bil	¥134.3 bil
Overseas Sales	¥41.5 bil	¥55.0 bil	¥50.6 bil
Operating Income (Operating Income Margin)	¥13.5 bil (8.2%)	¥20.0 bil (10.5%)	¥15.5 bil (8.4%)
Income Attributable to Owners of Parent	¥9.1 bil	¥13.7 bil	¥9.8 bil
ROE	9.1%	12.0%	8.3%

- In the previous medium-term business plan, we aimed at achieving the transformation to a highly profitable structure.
- To create high customer value, we launched a series of its 1<sup>st</sup> products such as ultrasound probes and ventilators. This resulted in increasing in-house sales ratio to 65.6%. As the Company focused on expanding Consumables and Services Business, the sales ratio increased to 45.5%, which exceeded the target.
- To improve productivity within the organization, we carried out the following: the establishment of the Eastern Japan Logistics Center aiming at the improvement of logistics capability, the introduction of ERP systems into overseas subsidiaries; and administrative process reform between the headquarters and domestic sales branches in Japan. Especially under a global expansion in demand due to the COVID-19 pandemic, the Eastern Japan Logistics Center demonstrated a positive impact.
- In terms of numerical targets, the overseas sales missed the target substantially, while domestic sales were roughly in line with the plan. Operating income fell far short of the target.

# Issues carried over from Previous Medium-term Business Plan

Improvement of profitability remains as an issue to be solved

## Improve profitability of existing businesses

- ✓ Launch new products on schedule
- ✓ Achieve further growth in overseas business
- ✓ Enhance customer value proposition in domestic business

## Consolidate corporate fundamentals to grow as a global company

- ✓ Strengthen governance and business management structure
- ✓ Improve supply chain management using IT

The announcement of a three-year business plan was suspended for a year because the market environment had changed due to the COVID-19 pandemic.

- As a result, issues carried over from the previous medium-term business plan included the following: improving the profitability of existing businesses; and consolidating corporate fundamentals to grow as a global company.
- The delay of new products launches has had adverse effects on the growth in the overseas business and profitability improvements. Therefore, we need to improve the development efficiency.
- To spur the growth of the overseas business, we must strengthen the global governance and business management structure, and improve supply chain management using IT.
- We originally planned to start the new medium-term business plan from April 2020, but the announcement was suspended for a year because the market environment had changed due to the COVID-19 pandemic.

# Measures Implemented in FY2020

## COVID-19 infection control measures

- Maintained supply of products and services, while implementing thorough measures to prevent infection
- Provided and expanded online seminars and training programs



## Measures to ramp-up production

- Ramped up production to meet increased overseas demand
  - Patient Monitors
    - Ramped up production at the Tomioka Production Center
  - Ventilators
    - Ramped up production at the Tomioka Production Center and Nihon Kohden OrangeMed



### Results

- Continue support of medical workers in clinical practice by fulfilling our responsibility as medical device manufacturer to supply products
- Expand international installation base of patient monitors and ventilators

### Issues

- Review corporate governance system following the compliance matter in Japan

- The measures we implemented over FY2020 are shown above.
- As our efforts to combat COVID-19, we continued to give top priority to the support of medical workers in countries around the world by maintaining supply of products and services, while implementing thorough measures to prevent infection. We also started providing online seminars and training programs, which allowed us to establish new modes of communication with customers. We think these connections with customers will lead to future business opportunities.
- In response to the surge in demand from overseas, we implemented rump-up production measures to supply a large volume of patient monitors and ventilators. We have fulfilled our responsibility as medical device manufacturer to supply products and significantly increased our production and supply capacity. We have considerably expanded the installation base of our patient monitors and ventilators, resulting in an enhancement of our presence in overseas markets.
- On the other hand, as there was a compliance matter in Japan, we must further strengthen our corporate governance and internal control systems.

## 2. Business Environment

# Business Environment

**COVID-19  
pandemic**

- +** Reaffirmed the importance of the healthcare system
- Increased infection rates and burden on medical workers  
Deteriorated hospitals' earnings

**Accelerate DX in medical fields  
such as telemedicine and tele-ICU**



**Increase the  
entry of new  
competitors**



**Tighten laws/regulations  
such as cybersecurity  
measures**



- As for our business environment, the COVID-19 pandemic reaffirmed the importance of the healthcare system around the world. On the other hand, increased infected medical workers and burden on them as well as deteriorated hospital earnings are issues.
- Digital transformation in medical care, such as telemedicine, will be accelerated from the standpoint of infection prevention and operating efficiency.
- The entry of new competitors such as IT companies has been increased in the medical care field, and regulations such as cybersecurity measures have been tightened.

# 3. Three-year Business Plan

## BEACON 2030 Phase III

# Basic Policy

## Embrace sustainability across business and corporate activities

Management

Ensure strict compliance and strengthen group governance to reinforce the management structure

Business

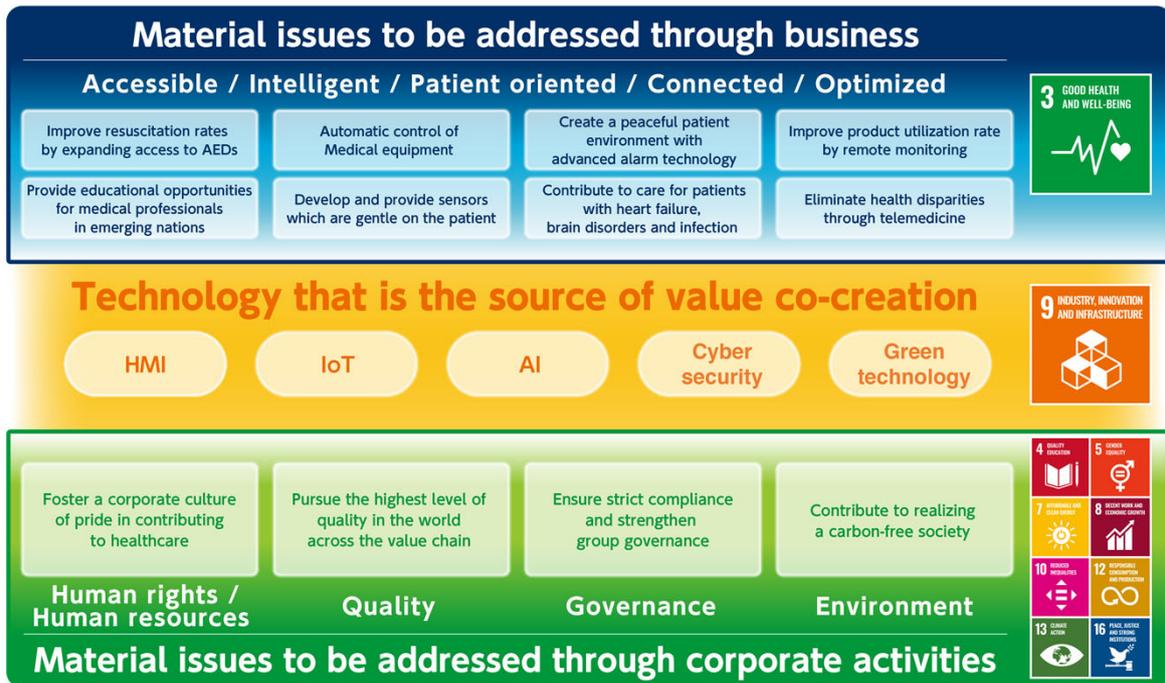
Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth

Operations

Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

- In this three-year business plan, based on its basic policy, “Embrace sustainability across business and corporate activities”, the Company will promote key strategies from the standpoint of management, business, and operations.

# Embracing Sustainability: Material Issues



- To embrace sustainability, the Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities.
- Based on 5 core technologies such as human machine interface technologies to co-create value and green technologies to reduce its environmental footprint, in our business activities, we will address 8 issues aimed at realizing the 5 visions for the future which we designated in our long-term vision. In corporate activities, we will address 4 issues of Human rights/Human resources, Quality, Governance, and Environment.

# Embracing Sustainability: KPIs

Material Issues in Sustainability		KPI	
Material issues to be addressed through business	Accessible	Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world Utilization rate of AEDs in Japan and the US
		Provide educational opportunities for medical professionals in emerging nations	Promote training in epilepsy diagnosis in Indonesia Number of educational seminars held, hosting countries, participants (including online programs)
	Intelligent	Automatic control of Medical equipment	R&D investment in a robotic anesthesia system R&D investment in closed loop control of ventilators
		Develop and provide sensors which are gentle on the patient	R&D investment in new sensors Number of products sold that have esCCO, synEC18, and iNIBP installed
	Patient oriented	Create a peaceful patient environment with advanced alarm technology	R&D investment in improved alarm algorithms for patient monitors Number of hospitals that utilize alarm reports for improving workflow in Japan and the US
		Contribute to care for patients with heart failure, brain disorders and infection	R&D investment in early warning scores R&D investment in new parameters and algorithms for heart failure care
	Connected	Improve product utilization rate by remote monitoring	Number of MD Linkage sold and number of connected models Number of advance notifications before trouble with products occurs
		Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA R&D investment in realization of remote support for ICUs
Material issues to be addressed through corporate activities	Human rights / Human resources	Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction Develop human resources who can succeed globally
	Quality	Pursue the highest level of quality in the world across the value chain	Net Promoter Scores Number of recalls
	Governance	Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group Establish and promote global management policy in overseas subsidiaries Strengthen internal control over domestic sales
	Environment	Contribute to realizing a carbon-free society	CO <sub>2</sub> emissions Number of models and sales ratio of environment-friendly products Amount of waste from disposal of products and parts

- The Company has set specific KPIs for each material issue aimed at embracing sustainability. These KPIs are linked to the key strategies of the three-year business plan, and they will enhance our sustainability drive.

# Key Strategy: (1) Management

**Basic Policy** Ensure strict compliance and strengthen group governance to reinforce the management structure

## Ensure strict compliance

(Compliance training)

✓ Enhance compliance training at each workplace to prevent corruption

(Reorganize our compliance framework)

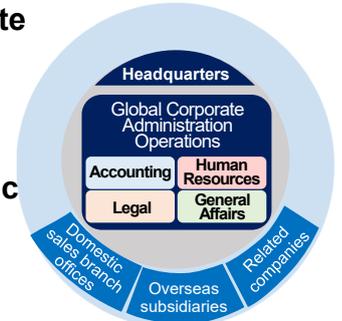
✓ **The Compliance & Legal Department** in the Global Corporate Administration Operations

✓ **The Compliance Department** in the Sales Operations in Japan

## Strengthen group governance

✓ Establish and promote global management policy

✓ Strengthen internal control over domestic sales



**Aim to rebuild trust with all stakeholders**

- From the management standpoint, we will work on the following as the most important measure: ensure strict compliance and strengthen group governance to reinforce the management structure.
- In our efforts to ensure strict compliance, we will enhance our training programs to further raise employees' awareness toward compliance. On the organizational side, we will establish the Compliance & Legal Department in the Global Corporate Administration Operations and the Compliance Department in the Sales Operations in Japan to strengthen the support structure.
- As for strengthening group governance, we will establish and promote a group management policy to reinforce the management system led by the headquarters. Further, we will strengthen the internal control over domestic sales.
- Through these initiatives, we aim to rebuild trust with all stakeholders.

# Key Strategy: (2) Business

## Basic Policy

Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth



**1) Improve the profitability of existing businesses**



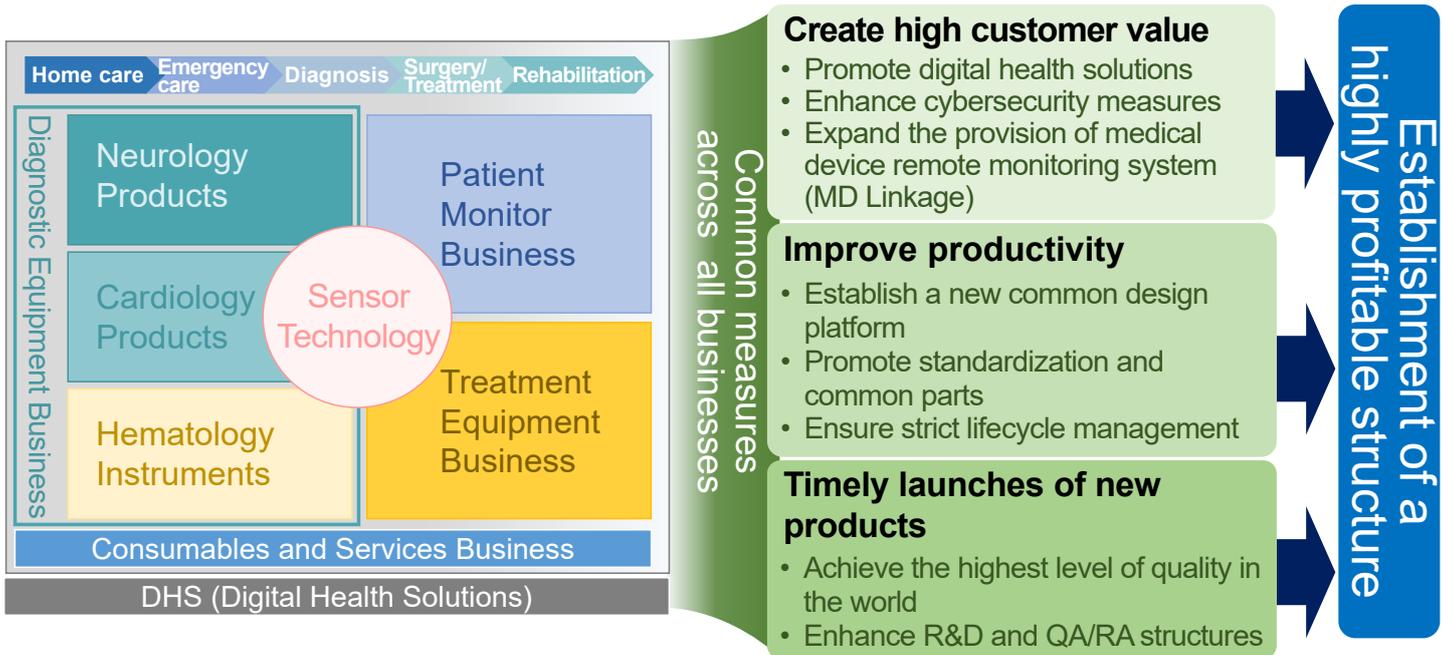
**2) Strengthen strategies in global business**



**3) Create new customer value by digital health solutions**

- From the business standpoint, we aim to improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth.
- Specifically, we will work on the following 3 measures: 1) Improve the profitability of existing businesses, 2) Strengthen strategies in global business, and 3) Create new customer value by promoting digital health solutions.

# 1) Improve the profitability of existing businesses



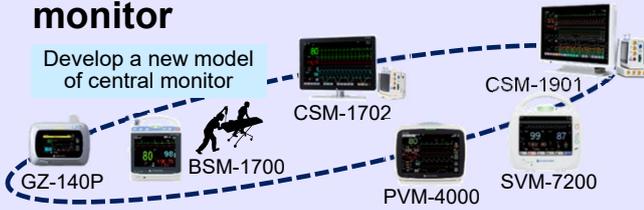
- To improve the profitability of existing businesses, we aim at establishment of a highly profitable structure by implementing the following common measures across all businesses: create high customer value, improve productivity, and timely launches of new products.
- The following are important measures which are common to all businesses: promote digital health solutions, enhance cybersecurity measures, establish a new common design platform, ensure strict lifecycle management, enhance R&D and QA/RA structures.

# 1) Improve the profitability of existing businesses

## Patient Monitor Business

### Expand the product line-up

- ✓ Develop a new model of central monitor

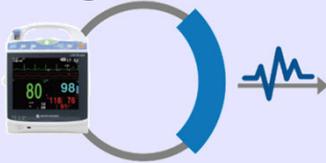


### Provide application services

- ✓ Equip Early Warning Scores
- ✓ Enhance connectivity with ventilators
- ✓ Connect to medical device remote monitoring system



### Develop DHS by utilizing vital sign data



Waveform Gateway



Data Warehouse



View/Extract & Analytics

- ✓ Provide new solutions in the U.S.



- In the Patient Monitor Business, we will continue to expand the product line-up.
- We will expand our application services such as equipping Early Warning Scores, enhancing connectivity with ventilators, and connecting to the medical device remote monitoring system.
- We will also prioritize our initiatives to develop DHS by utilizing vital sign data, aiming to start the provision of new solutions in the U.S., which is a cutting-edge market.

# 1) Improve the profitability of existing businesses

## Treatment Equipment Business

(Ventilators & Anesthesia Machines and Resuscitation Products)

### Ventilators & Anesthesia Machines

✓ **Achieve sustainable growth of ventilator business**

- Enter the Chinese market
- Develop a mid-range model
- Enhance connectivity with patient monitors



Develop a mid-range ventilator

✓ **Develop a robotic anesthesia system**

- Administer a controlled dose of anesthetics during operations using the patient's vital signs as a guide

Japan's first!

### Resuscitation Products

✓ **Expand overseas business in pre-hospital market**

- Develop affordable models of defibrillators and a new model of automated chest compression device
- Promote a video laryngoscope and automated chest compression device

Develop affordable models of defibrillators



Video Laryngoscope



Automated Chest Compression Device

Develop a new model

✓ **Provide solutions that improve the utilization rate of AEDs**

- Promote the pulse checker
- Improve accessibility by mobile AED and AED for home



Pulse Checker



AED-M100

- As for ventilators, the COVID-19 pandemic boosted its demand and rapid business expansion. Going forward, we aim to increase our market presence by entering the Chinese market, developing a mid-range model, and enhancing connectivity with patient monitors to achieve sustainable growth of the ventilator business. We will also promote the development of a robotic anesthesia system which administers a controlled dose of anesthetics during operations using the patient's vital signs as a guide.
- In resuscitation products, we aim to expand our market share in the overseas pre-hospital market through developing affordable models of defibrillators and a new model of automated chest compression device as well as promoting a video laryngoscope. As for AEDs, we aim to provide solutions that improve the utilization rate by promoting the pulse checker and improving accessibility with our newly-designed mobile AED and AED for home.

# 1) Improve the profitability of existing businesses

## Diagnostic Equipment Business

(Neurology Products/Cardiology Products/Hematology Instruments)

### Neurology Products

- ✓ Develop an EEG amplifier with enhanced network capabilities
- ✓ Introduce the Nihon Kohden EEG headset to China
- ✓ Establish leadership positions in the neurology product market in Japan, China, and the U.S.

Develop an EEG amplifier with enhanced network capabilities



EEG Headset

### Cardiology Products

- ✓ Expand product line-up of affordable ECG models
- ✓ Enhance marketing activities of cardioNet in China
- ✓ Promote the arrhythmia analysis function of polygraphs for cath lab

Develop affordable ECG models



RMC-5000



### Hematology Instruments

- ✓ Expand the product line-up

Develop a hematology analyzer with reticulocyte measurement

- ✓ Accelerate business development in China and emerging markets

- Promote hematology analyzer with ESR measurement
- Introduce medical device remote monitoring system to overseas markets



CIRHEX Technology



MD Linkage

- In neurology products, we aim to do the following: develop an EEG amplifier with enhanced network capabilities for system configurations, introduce our EEG headset to China, and establish leadership positions in the neurology product markets in Japan, China, and the U.S.
- In cardiology products, we aim to expand the product line-up of affordable ECG models catering to emerging markets. In China, we will enhance marketing activities of cardioNet, which is an ECG data management software. We also aim to improve our presence in the field of arrhythmia treatment by promoting the arrhythmia analysis function of polygraphs for cath lab.
- In hematology instruments, we will expand the product line-up by developing a hematology analyzer with reticulocyte measurement. In addition, we will accelerate business development in China and emerging markets by promoting hematology analyzer with ESR measurement and introducing our medical device remote monitoring system to overseas markets.

# 1) Improve the profitability of existing businesses

## Consumables and Services Business

Consumables	Services
<p><b>Japan &amp; International: Promote as infection prevention measures</b></p> <ul style="list-style-type: none"> <li>✓ Expand sales of disposable consumables for patient monitors and ventilators</li> </ul> 	<p><b>Japan: Provide services with high added value</b></p> <ul style="list-style-type: none"> <li>✓ Expand maintenance plans</li> <li>✓ Increase the number of connected models to the medical device remote monitoring system</li> </ul> 
<p><b>International: Strengthen consumables business</b></p> <ul style="list-style-type: none"> <li>✓ Reduce cost &amp; increase production volume</li> <li>✓ Expand line-up of consumables</li> </ul> 	<p><b>International: Strengthen services business structure</b></p> <ul style="list-style-type: none"> <li>✓ Strengthen proposals of services to new customer base acquired in FY2020</li> <li>✓ Expand maintenance plans and training programs</li> <li>✓ Introduce medical device remote monitoring system</li> </ul> 

- In consumables, we will focus on expanding sales of disposable consumables for patient monitors and ventilators by capturing the increased market demand for infection prevention as a result of the COVID-19 pandemic. We also aim to expand the consumables business in overseas markets by strengthening the production and supply structure through measures such as automated production and expanding the line-up of consumables.
- In services, we will strengthen our business structure of high value-added services in Japan by expanding maintenance plans and increasing the number of connected models to the medical device remote monitoring system. Internationally, we will strengthen proposals of maintenance plans and training programs to our new customer base acquired in FY2020. We will also introduce our medical device remote monitoring system in some regions to strengthen our services business structure.

## 2) Strengthen strategies in global business

### < Japan >

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

✓ **Enhance customer value**

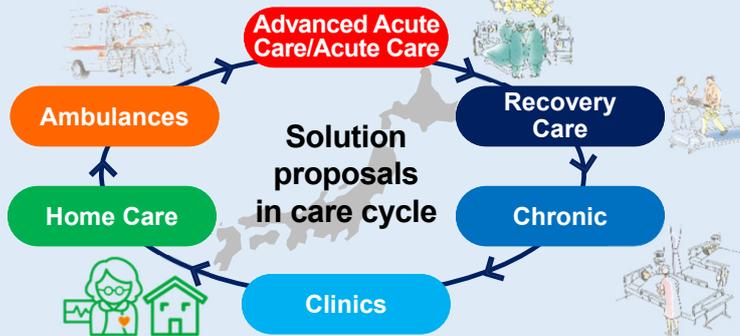
Strengthen marketing and service capabilities which contribute to improving

Medical safety    Patient outcomes    Operating efficiency

✓ **Provide integrated monitoring by connecting between patient monitors and ventilators**



✓ **Expand the line-up of products which can be connected to LAVITA® to contribute to caring for heart failure in regional medical care networks**

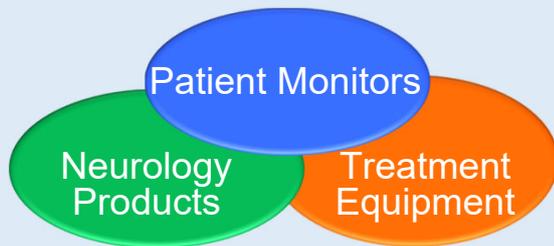


- In Japan, we will promote transformation centered on customer value propositions. Our sales and services teams will work together to further enhance their ability to propose solutions which contribute to improving medical safety, patient outcomes, and operating efficiency.
- We aim to propose new monitoring systems by connecting patient monitors and ventilators. In addition, we look to introduce a support services for regional medical care networks to contribute to caring for heart failure using LAVITA. In these ways, we seek to provide care cycle solutions for the integrated community care systems focusing on the advanced acute care market.

## 2) Strengthen strategies in global business

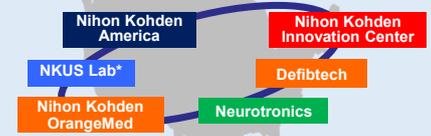
< U.S. >

Expand business in the U.S. by integration and unification of six local subsidiaries



✓ Actively utilize development, production, and sales functions

Local production and sales of NKV-330/EMS-1052 in U.S.



\* Plan to be rebranded as Nihon Kohden Digital Health Solutions on April 1, 2021

### Patient Monitors

Market Share Target: 12%

- Develop and introduce DHS
- Introduce mid-range bedside monitors



CSM-1500/1700 series

### Treatment Equipment

#### Ventilators

- Expand the product line-up



NKV-330

NKV-550

### Resuscitation Products

- Promote solution proposals
- Introduce defibrillators manufactured in U.S.



EMS-1052

- In the U.S., we aim to strengthen the business foundation by integration and unification of six local subsidiaries.
- Through horizontally utilizing the development, production, and sales functions in the U.S., we will build a local production and sales structure of the NKV-330 ventilator and the EMS-1052 defibrillator for ambulance.
- In Patient Monitors, which is a driver of growth, we aim to expand market share by developing and introducing DHS in addition to introducing the CSM-1500/1700 mid-range bedside monitors.
- In Treatment Equipment, in which we expect growth as a third pillar, we will expand the product line-up of ventilators and strengthen sales activities. We also plan to expand our portfolio of resuscitation products to promote solution proposals in the pre-hospital market.

## 2) Strengthen strategies in global business

### < China >

**Maximize customer value by utilizing local R&D, production, and sales functions**

- ✓ **Strengthen local R&D and production functions to respond to the needs of the Chinese market**
  - Focus on ECGs, defibrillators, AEDs, and hematology instruments
- ✓ **Promote solution proposals by enhancing marketing capabilities**



### < Europe & Emerging markets >

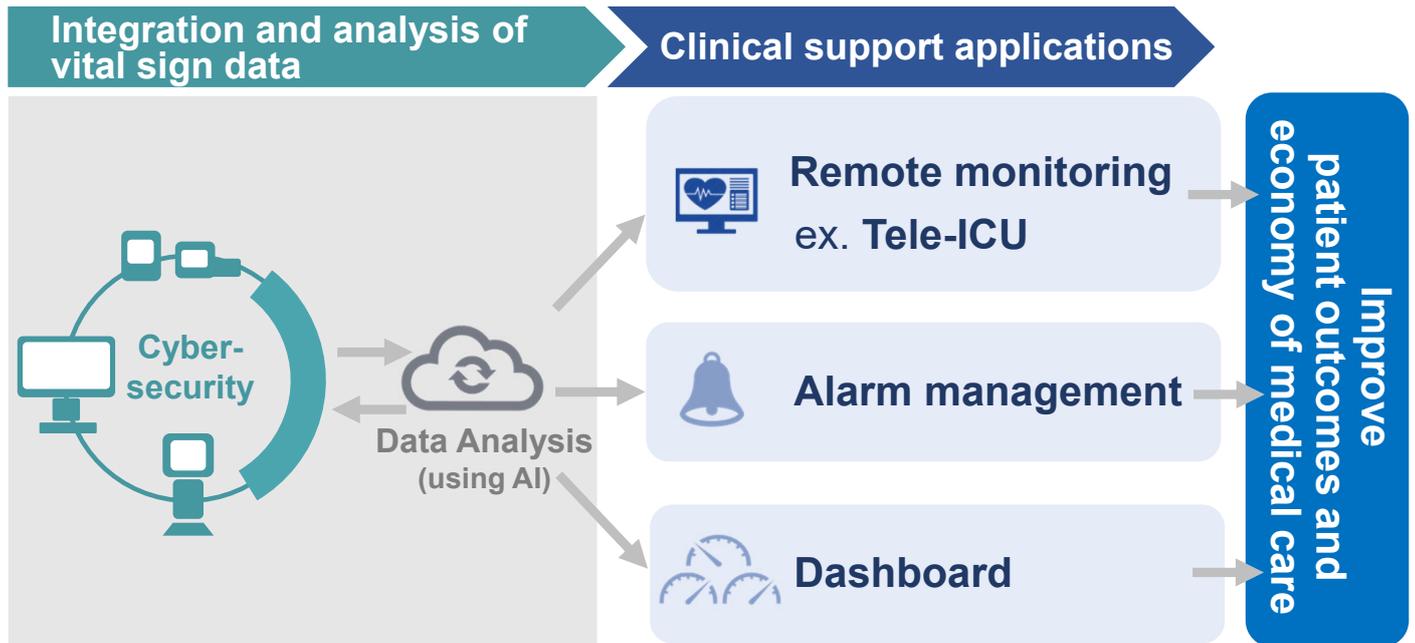
**Expand sales to new customer base and promote solution proposals**

- ✓ **Expand sales of consumables and services**
- ✓ **Propose establishment of medical care system suitable for future needs after COVID-19**
- ✓ **Promote data linkage by collaborating with local IT system vendors**



- In China, where market growth can be expected, we aim to further strengthen our local R&D and production functions to respond to the changes in local needs in a timely manner. We will also enhance our marketing capabilities, increase the expertise of sales and service personnel, and drive a transformation toward solution proposals.
- In Europe and emerging markets, we will strengthen our Consumables and Services Business especially for our new customer base. We will promote solution proposals in the establishment of medical care system suitable for future needs after COVID-19. We will also collaborate with local IT system vendors to meet requirements such as data linkage with hospital information systems.

### 3) Create new customer value by digital health solutions



- We will promote the digital health solutions initiatives by building a data platform to integrate vital sign data from medical fields and analyze that data by using technology such as AI. By utilizing the real-time data obtained from this platform, we aim to provide clinical support applications such as remote monitoring, alarm management, and dashboard functions. Through these measures, we will create solutions that contribute to the improvement of patient outcomes and the economy of medical care. This is the initiative to create new customer value by digital health solutions.

# Key Strategy: (3) Operations

**Basic Policy**

Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

## 1) Promote corporate digital transformation



- ✓ Enhance cybersecurity
- ✓ Establish global information system

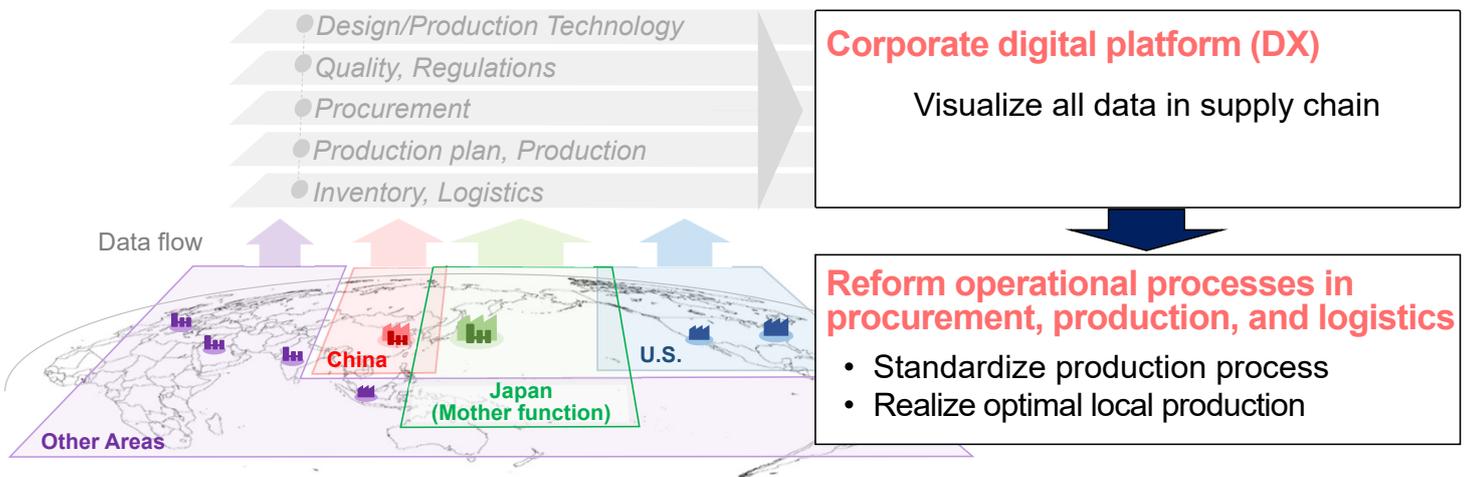
- ✓ Establish communication system

- From the operations standpoint, we aim to establish a global SCM and strengthen core functions to lay a foundation for global growth.
- The key to achieving this is the promotion of corporate digital transformation. As the 1<sup>st</sup> stage toward DX, we will make concentrated efforts in the following: enhance group-wide cybersecurity, establish a global information system, and establish a communication system.
- By utilizing these systems, we will improve productivity within the organization, strengthen governance such as risk management, and promote work-style reforms.

# Key Strategy: (3) Operations



## 2) Establish global supply chain management



- A common digital platform will be essential to establish a global supply chain management structure. First, we will visualize all data in supply chain by integrating information from production sites scattered globally.
- By utilizing the platform, we will reform operational processes in procurement, production, and logistics, such as the standardization of production process and realization of optimal local production.

# 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

Seven Core Values

New personnel system



Shift to role-based (job-based) personnel system to realize long-term vision



Work-style reforms

**Work-life balance**  
**Response to new work-styles**

Global human resource development programs



Programs to develop skills, human resources and organization necessary for realizing long-term vision

- We will focus on human resource development and corporate culture reform, which support all our corporate activities.
- Based on the seven core values, we will promote the following: introduction of a new role-based personnel system, work-style reforms that respond to the new lifestyle, and enhancement of the global human resource development programs.
- Through these activities, we will foster corporate culture in which employees take pride in their contribution to healthcare and our mission.

# Targets for FY2023 ending March 2024

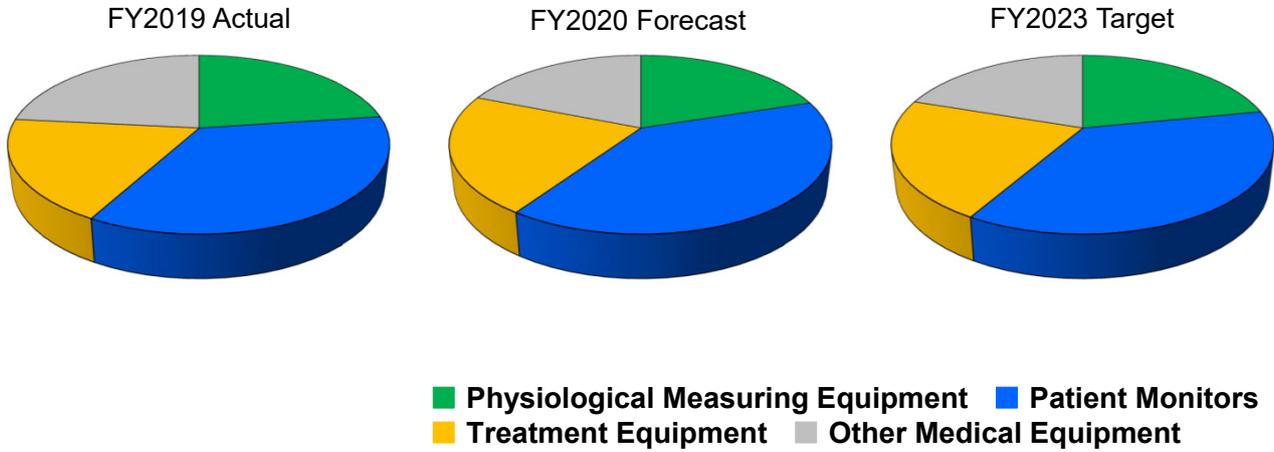
<b>Net Sales</b>	¥197.0 bil							
<b>Domestic Sales</b>	¥134.0 bil							
<b>Overseas Sales</b> (Overseas Sales Ratio)	¥63.0 bil (32.0%)	<b>Breakdown of overseas sales by region</b> <table border="1"> <tr> <td><b>Americas</b></td> <td>¥32.0 bil</td> </tr> <tr> <td><b>Europe</b></td> <td>¥10.0 bil</td> </tr> <tr> <td><b>Asia &amp; Others</b></td> <td>¥21.0 bil</td> </tr> </table>	<b>Americas</b>	¥32.0 bil	<b>Europe</b>	¥10.0 bil	<b>Asia &amp; Others</b>	¥21.0 bil
<b>Americas</b>	¥32.0 bil							
<b>Europe</b>	¥10.0 bil							
<b>Asia &amp; Others</b>	¥21.0 bil							
<b>Consumables and Services Sales Ratio</b>	48% or more							
<b>Gross Profit Margin</b>	50% or more							
<b>Operating Income</b> (Operating Income Margin)	¥20.0 bil (10.2%)							
<b>Income Attributable to Owners of Parent</b>	¥13.8 bil							
<b>ROE</b>	10%							

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

- Our numerical targets for FY2023 are shown above.
- We focus on the overseas sales ratio, consumables and services sales ratio, and gross profit margin, aiming at achieving the transformation to a highly profitable structure.

# Image of Sales by Product Category

**Focus on expanding Patient Monitors and Treatment Equipment Businesses**



- We continue to focus on expanding Patient Monitors and Treatment Equipment Businesses as growth drivers.

# Investment Plan

- Completed development of major models of patient monitors and ventilators in previous medium-term business plan
- Plan to actively undertake R&D investments for developing digital health solutions which the Company defines as new business
- Plan to undertake capital investments for promoting corporate digital transformation and establishing global SCM

	Previous Medium-term Business Plan (Three-year Actual)	BEACON 2030 Phase II (Three-year Plan)
<b>R&amp;D investments</b>	¥21.2 bil	About ¥20.0 bil
<b>Capital investments</b>	¥10.0 bil	About ¥14.0 bil

- Our investment plan is shown above.
- The total amount of R&D costs and capital investments are planned to be about ¥20.0 billion and ¥14.0 billion respectively over three years. We will undertake R&D investments for developing DHS which we define as a new business and capital investments for promoting corporate digital transformation and establishing global SCM.

# Basic Policy on Distribution of Profits and Dividends

**Priorities: 1) Investment necessary for future business expansion  
2) Dividends 3) Share buybacks**



- We apply a basic policy on distribution of profits and dividends that prioritizes i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks.
- With stable and continuous dividends as its basic policy, the Company sets a target consolidated dividend payout ratio of 30% or more.
- Share buybacks are considered in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings, and stock price level.

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.

- We consider the next three years to be a crucial transformative period to overcome the COVID-19 pandemic, adapt to the new market environment, and strengthen our foundation for sustainable growth.
- By ensuring strict compliance and strengthening group governance, we will do our best to rebuild trust with all stakeholders. At the same time, we will make company-wide efforts toward achieving a sustainable society.