

Consolidated Financial Highlights for the First Half of FY2024

(From April 1, 2024 to September 30, 2024)

1. Consolidated Financial Results
for the First Half of FY2024
2. Forecast for FY2024
3. Business Strategy

NIHON KOHDEN CORPORATION

(Ticker Code: 6849)
November 11, 2024

Fighting Disease with Electronics



NIHON KOHDEN

1 Consolidated Financial Results for the First Half of FY2024

1) Consolidated Financial Results for the 1st Half of FY2024

	First half FY2023	First half FY2024			YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 2	Actual	
Sales	103,536	104,000	102,000	102,784	-0.7
Domestic Sales	65,708	-	-	66,243	0.8
Overseas Sales	37,828	-	-	36,541	-3.4
Gross Profit (Gross Profit Margin)	52,005 50.2%	-	-	51,906 50.5%	-0.2
Operating Income (Operating Income Margin)	7,491 7.2%	7,000 6.7%	3,000 2.9%	5,114 5.0%	-31.7
Ordinary Income	12,546	7,000	3,000	2,139	-82.9
Income Attributable to Owners of Parent	7,997	4,500	1,500	463	-94.2

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

-12% on a local currency basis
(-6% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023 1H*)

In-house sales ratio: FY2023 1H 72.9% → FY2024 1H 71.5%

SG&A: ¥44.5 bil → ¥46.7 bil
SG&A Ratio: 43.0% → 45.5%

Foreign exchange gains/losses:
¥4,866 mil gains → ¥3,327 mil losses

Extraordinary losses:
Business restructuring costs
¥182 mil

Average exchange rate	First half FY2023
1 US Dollar	139.6 yen
1 EURO	153.3 yen

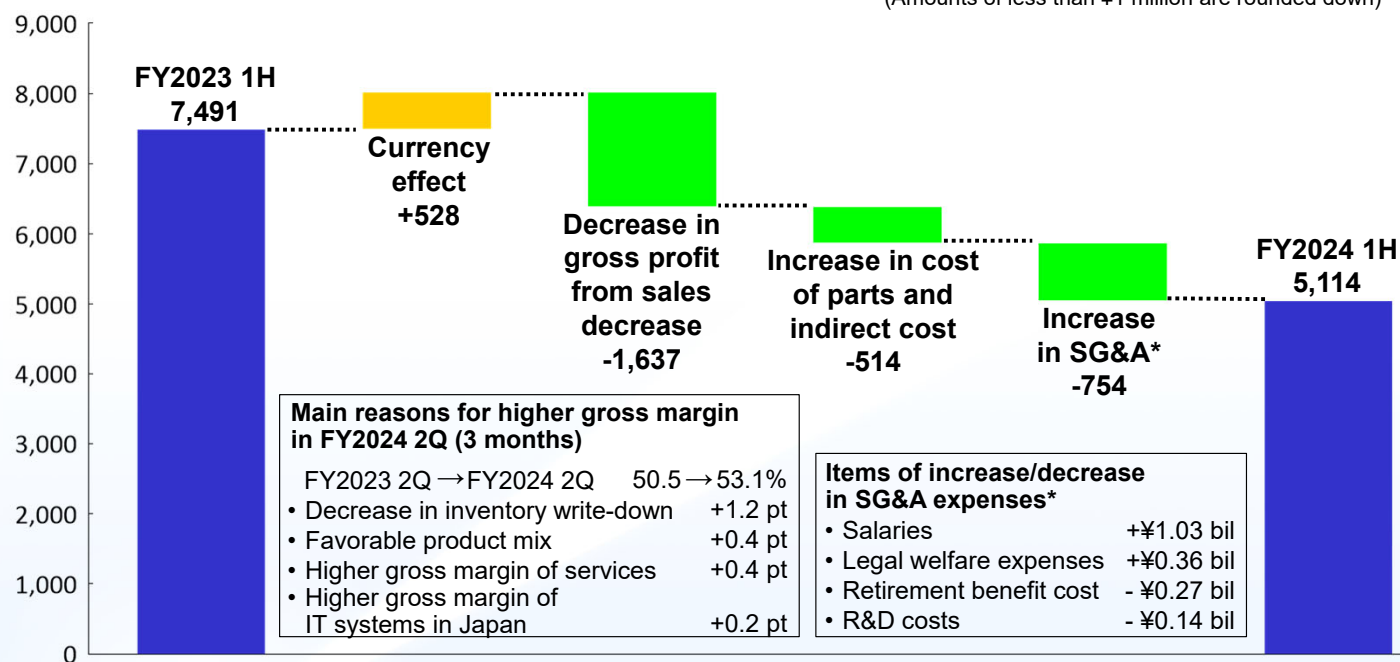
First half FY2024
153.6 yen
166.3 yen

*In the previous fiscal year, Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to the reorganization of U.S. subsidiaries. In FY2023 1H ended September 30, 2023, Nihon Kohden consolidated the 9 months of Defibtech's operating results from January 1, 2023 to September 30, 2023.

- Overall sales decreased 0.7% over the 1st half of FY2023 to ¥102.7 billion. Domestic sales increased 0.8% to ¥66.2 billion. Overseas sales decreased 3.4% to ¥36.5 billion, a 12% decline on a local currency basis, and a 6% decline on a local currency basis excluding the impact of the change in the fiscal term of Defibtech, LLC in the 1st half of FY2023.
- Operating income decreased 31.7% to ¥5.1 billion. Ordinary income decreased 82.9% to ¥2.1 billion, reflecting foreign exchange losses compared to gains in the 1st half of FY2023. Income attributable to owners of parent decreased 94.2% to ¥0.4 billion over the 1st half of FY2023, as the Company posted extraordinary losses such as business restructuring costs in Shanghai Kohden Medical Electronic Instrument Corp. due to lower demand for medical equipment in China.
- Overall sales exceeded the Company's revised forecast by ¥0.7 billion, because sales of AEDs, and consumables and services increased favorably in Japan, while sales in Asia & Other were lower than its expectations. Operating income exceeded its revised forecast by ¥2.1 billion, due to the increase in sales and higher gross profit margin compared to the forecast.

2) Breakdown of Operating Income

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



*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect.
Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

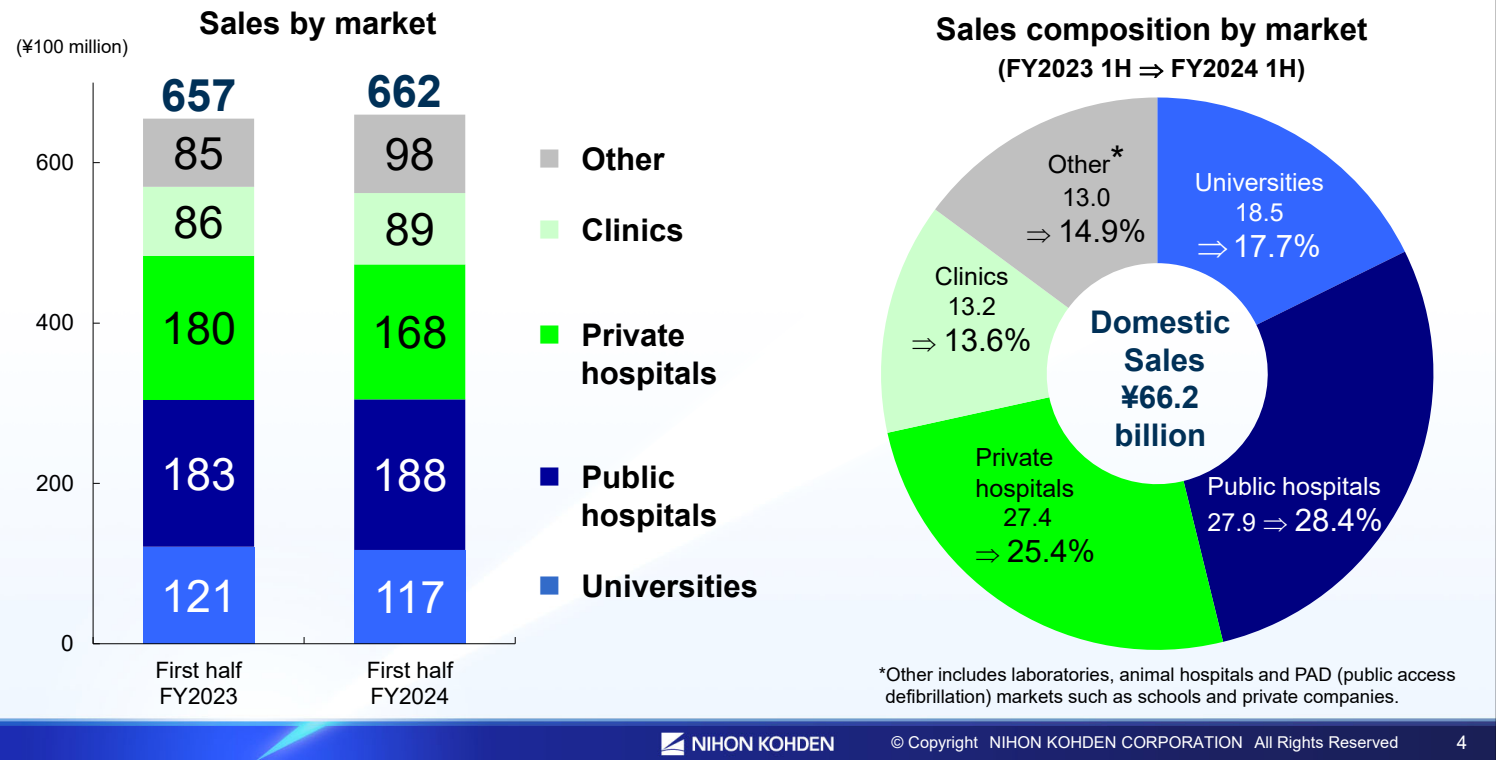
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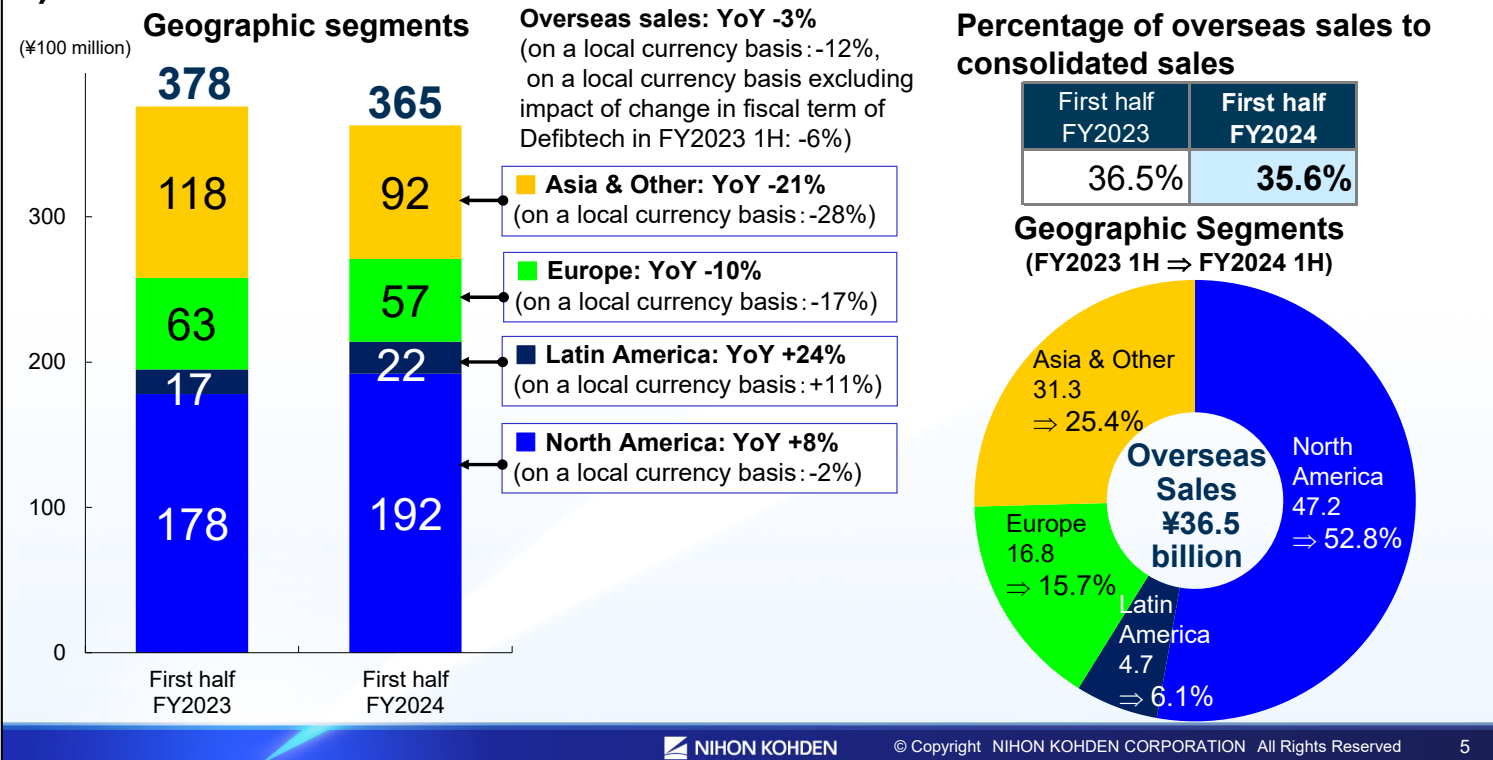
- In the 1st half of FY2024, operating income decreased to ¥5.1 billion from ¥7.4 billion in the 1st half of FY2023.
- Currency effect had a positive impact of ¥0.5 billion.
- The decrease in gross profit from sales decrease was ¥1.6 billion.
- The increase in cost of purchased products and parts as well as indirect costs were a negative factor worth ¥0.5 billion.
- SG&A expenses were a negative factor worth ¥0.7 billion due to strengthening of human resources and wage increases.
- In the 2nd quarter (three months), gross profit margin improved due to decrease in inventory write-down and favorable product mix.

3) Domestic Sales



- Domestic sales increased by ¥0.5 billion to ¥66.2 billion.
- Sales of consumables and services increased, while there was a reactionary decline in sales of IT systems compared to the strong growth due to large orders in the 1st half of FY2023.
- Sales in the public hospital and clinic markets increased, while sales in the university and private hospital markets decreased. Sales of AEDs also increased favorably in the PAD (public access defibrillation) market.

4) Overseas Sales



- Overseas sales decreased by ¥1.3 billion to ¥36.5 billion, due to the impact of the change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. in the 1st half of FY2023. Another reason was that sales in Asia & Other decreased, mainly in China.
- Sales in North America increased by ¥1.4 billion to ¥19.2 billion, a 2% decline on a local currency basis. Sales of patient monitors and ventilators increased favorably, while sales of AEDs decreased.
- Sales in Latin America increased by ¥0.5 billion to ¥2.2 billion, an 11% growth on a local currency basis, as sales in Mexico and Brazil achieved double-digit growth.
- Sales in Europe decreased by ¥0.6 billion to ¥5.7 billion, a 17% decline on a local currency basis, as sales of AEDs decreased mainly in the Netherlands and the U.K., while sales in Germany and Turkey increased.
- Sales in Asia & Other decreased by ¥2.6 billion to ¥9.2 billion, a 28% decline on a local currency basis, as sales in China and the Middle East & Africa decreased compared to the strong growth in the 1st half of FY2023.

5) Sales by Product Category

(Sales, millions of yen)

	First half FY2023	First half FY2024	YoY (%)
Physiological Measuring Equipment	22,329 (45%)	21,474 (40%)	-3.8
Patient Monitors	37,989 (62%)	38,478 (64%)	1.3
Treatment Equipment	25,367 (43%)	24,444 (42%)	-3.6
Other Medical Equipment	17,849 (44%)	18,387 (46%)	3.0
Total	103,536 (50%)	102,784 (51%)	-0.7

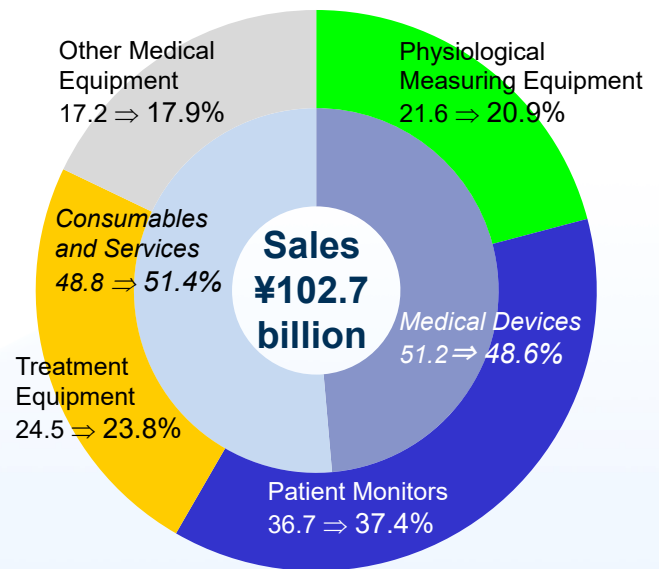
(Reference)

Medical Devices	52,989 (51%)	49,966 (52%)	-5.7
Consumables and Services	50,547 (50%)	52,818 (50%)	4.5

*The figures in parentheses in the table are gross profit margins.

Sales composition by product category

(FY2023 1H ⇒ FY2024 1H)



- Sales by product category are shown above.
- Sales of Treatment Equipment and Physiological Measuring Equipment decreased, while sales of Patient Monitors and Other Medical Equipment increased.
- Sales of Consumables and Services increased 4.5% to ¥52.8 billion. Sales increased favorably both in Japan and internationally, as the Company focused on its consumables and services business.
- Gross profit margins by product category are shown above.

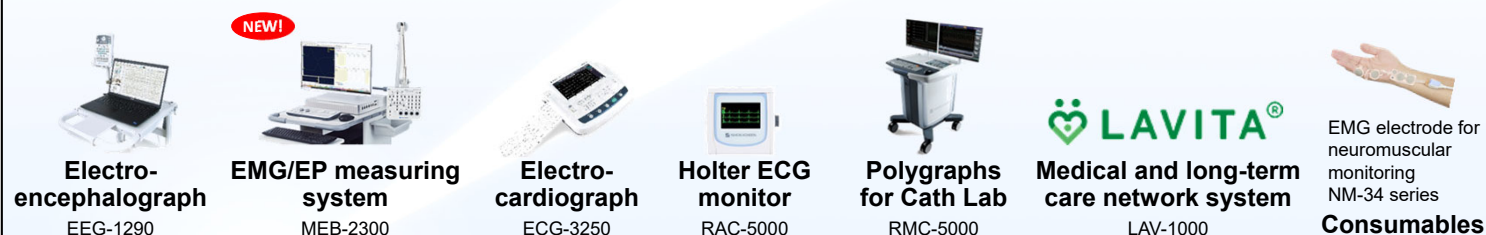
5.1) Physiological Measuring Equipment

	First half FY2023	First half FY2024	YoY (%)	(Sales, millions of yen)
Electroencephalographs	4,915	4,760	-3.1	
Electrocardiographs	3,156	3,025	-4.2	
Polygraphs for Cath Lab	8,521	8,690	2.0	
Diagnostic Information Systems	3,056	2,296	-24.9	
Other Physiological Measuring Equipment *	2,679	2,701	0.8	
Physiological Measuring Equipment	22,329	21,474	-3.8	
Domestic Sales	16,924	16,659	-1.6	
Overseas Sales	5,405	4,814	-10.9	

*Includes products of other companies.

Sales of diagnostic information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1H. Sales of EEGs achieved double-digit growth and sales of ECGs increased favorably. Sales of polygraphs for cath lab also increased.

Sales both of EEGs and ECGs decreased in Asia & Other, mainly in China.



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- Sales of Physiological Measuring Equipment decreased 3.8% to ¥21.4 billion.
- Domestic sales decreased 1.6% to ¥16.6 billion. Sales of diagnostic information systems decreased due to a reactionary decline compared to the strong growth in the 1st half of FY2023. Sales of EEGs achieved double-digit growth driven by EMG electrodes for neuromuscular monitoring. Sales of ECGs increased favorably and sales of polygraphs for cath lab also increased.
- Overseas sales decreased 10.9% to ¥4.8 billion. Sales of both EEGs and ECGs decreased in Asia & Other, mainly in China.

5.2) Patient Monitors

	First half FY2023	First half FY2024	YoY (%)	(Sales, millions of yen)
Patient Monitors	37,989	38,478	1.3	
Clinical Information Systems	2,955	1,822	-38.3	Sales of clinical information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1H. Sales of bedside monitors also decreased. Sales of telemetry systems and transmitters increased favorably.
Domestic Sales	21,412	20,630	-3.7	
Overseas Sales	16,577	17,847	7.7	Sales in North America, Latin America, and Europe achieved double-digit growth. In Asia & Other, sales decreased mainly in China, where sales showed strong growth in FY2023 1H.



Bedside monitors
 CSM-1501 CSM-1502 CSM-1701 CSM-1702
 CSM-1500/1700

NEW!
Bedside monitor
 BSM-2500

Telemetry system
 WEP-1600

Central monitor
 CNS-2101

Consumables
 SpO₂ probe for esCCO measurement, cap-ONE mask, ECG Electrodes

- Sales of Patient Monitors increased 1.3% to ¥38.4 billion.
- Domestic sales decreased 3.7% to ¥20.6 billion. Sales of clinical information systems decreased compared to the strong growth in the 1st half of FY2023. Sales of bedside monitors also decreased, while sales of telemetry systems and transmitters increased favorably.
- Overseas sales increased 7.7% to ¥17.8 billion. Sales in North America, Latin America, and Europe achieved double-digit growth. Sales in Asia & Other decreased, mainly in China, where sales had shown strong growth in the 1st half of FY2023.

5.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2023	First half FY2024	YoY (%)
Defibrillators (for Hospital and Ambulance)	3,690	3,890	5.4
AEDs (Automated External Defibrillator)	14,174	11,495	-18.9
Pacemakers / ICDs	1,258	1,258	0.0
Ventilators	2,597	3,769	45.1
Other Treatment Equipment	3,646	4,030	10.5
Treatment Equipment	25,367	24,444	-3.6
Domestic Sales	12,981	14,648	12.8
Overseas Sales	12,385	9,795	-20.9
(Ref.) AED Unit Sales	81,700	54,700	-33.0
Domestic Unit Sales	24,200	29,500	21.9

Domestic: Sales increased favorably thanks to replacement demand in fire departments.
International: Sales in Latin America and Europe increased.

Domestic: Sales achieved double-digit growth, as replacement demand recovered and sales of consumables increased favorably.
International: Sales decreased due to the impact of a change in the fiscal term of Defibtech in FY2023 1H, and inventory adjustment at distributors in each region.

Domestic: Sales of consumables and services increased.
International: Sales of ventilators increased significantly, especially for a mask-type ventilator in North America. Sales in Asia & Other also increased favorably.

Domestic: Sales of ablation catheters showed strong growth.



Defibrillator
EMS-1052



Fully automatic AED
AED-3250



Pacemaker
Zenex MRI



Ventilator
NKV-550/440/330

AsisTIVA
Syringe pump control software for assisting
with total intravenous anesthesia
ROP-1680



Automated chest
compression device
ARM XR ACC

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- Sales of Treatment Equipment decreased 3.6% to ¥24.4 billion. Domestic sales increased 12.8% to ¥14.6 billion. Overseas sales decreased 20.9% to ¥9.7 billion.
- Sales of defibrillators increased 5.4% to ¥3.8 billion. Domestic sales increased favorably thanks to replacement demand in fire departments. Overseas sales in Latin America and Europe also increased.
- The overall sales volume of AEDs was 54,700 units, and sales decreased 18.9% to ¥11.4 billion. Domestic sales achieved double-digit growth, as replacement demand recovered and sales of consumables increased favorably. Overseas sales decreased due to the impact of the change in the fiscal term of Defibtech, LLC in the 1st half of FY2023, and inventory adjustment at distributors in each region.
- Sales of ventilators increased 45.1% to ¥3.7 billion. In Japan, sales of consumables and services increased. Overseas sales increased significantly, especially for a mask-type ventilator in North America. Sales in Asia & Other also increased favorably.
- Sales of other treatment equipment increased 10.5% to ¥4.0 billion as sales of ablation catheters increased favorably.

5.4) Other Medical Equipment

	First half FY2023	First half FY2024	YoY (%)	(Sales, millions of yen)
Hematology Instruments	6,122	6,516	6.4	
Imaging Systems and Others *	11,727	11,871	1.2	
Other Medical Equipment	17,849	18,387	3.0	
Domestic Sales	14,389	14,304	-0.6	
Overseas Sales	3,459	4,083	18.0	

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

Sales of locally purchased products decreased. Sales of maintenance services for medical devices increased favorably and sales of hematology instruments and reagents also increased.

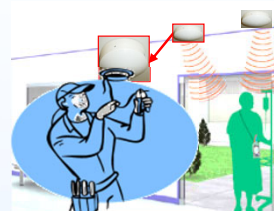
Sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.



**Automated hematology
analyzer**
MEK-9200



**Automated hematology
and ESR analyzer**
MEK-1305



**Installation and
maintenance services**

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- Sales of Other Medical Equipment increased 3% to ¥18.3 billion.
- Domestic sales decreased 0.6% to ¥14.3 billion. Sales of locally purchased products decreased as the Company focused on selling in-house products. Sales of maintenance services for medical devices increased favorably and sales of hematology instruments and reagents also increased.
- Overseas sales increased 18% to ¥4.0 billion. Sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.

6) Financial Condition

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

	FY2023	First half FY2024	Change		FY2023	First half FY2024	Change
Current Assets	184,333	167,891	-16,442	Current Liabilities	49,901	40,092	-9,809
Inventories	57,787	55,950	-1,836	Interest-bearing Debt	579	477	-102
Property, Plant & Equipment	25,418	25,960	541	Non-current Liabilities	2,249	2,122	-126
Intangible Assets	4,852	5,203	351	Net Assets	181,082	176,385	-4,697
Investments & Other Assets	18,628	19,545	916				
Total Assets	233,233	218,600	-14,633	Total Liabilities & Net Assets	233,233	218,600	-14,633
Inventory Turnover	6.3 months	6.1 months		Equity Ratio	77.6%	80.7%	

[Reasons for the decrease of current assets]

Notes and accounts receivable -¥14.7 bil
Cash and deposits -¥2 bil

[Reasons for the decrease of current liabilities]

Notes and accounts payable -¥3 bil
Accrued income taxes -¥2.6 bil
Accounts payable -¥1.9 bil

- Total assets decreased by ¥14.6 billion to ¥218.6 billion due to a decrease in notes and accounts receivable.
- Inventory turnover was 6.1 months, as the Company has promoted inventory control.

7) Cash Flows

	First half FY2023	First half FY2024	Change	(Amounts of less than ¥1 million are rounded down)																							
I . Cash flows from operating activities	9,488	7,888	-1,600	<table><tr><th>FY2023 1H</th><th>FY2024 1H</th><th>Change</th></tr><tr><td>Income before income taxes</td><td>12,545</td><td>1,908</td><td>-10,637</td></tr><tr><td>Foreign exchange losses (gains)</td><td>-3,152</td><td>2,346</td><td>+5,499</td></tr><tr><td>Decrease (increase) in accounts receivable</td><td>9,445</td><td>14,143</td><td>+4,698</td></tr><tr><td>Increase (decrease) in accounts payable</td><td>-6,635</td><td>-2,337</td><td>+4,298</td></tr><tr><td>Income taxes paid</td><td>-2,829</td><td>-5,362</td><td>-2,532</td></tr></table>	FY2023 1H	FY2024 1H	Change	Income before income taxes	12,545	1,908	-10,637	Foreign exchange losses (gains)	-3,152	2,346	+5,499	Decrease (increase) in accounts receivable	9,445	14,143	+4,698	Increase (decrease) in accounts payable	-6,635	-2,337	+4,298	Income taxes paid	-2,829	-5,362	-2,532
FY2023 1H	FY2024 1H	Change																									
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Income taxes paid	-2,829	-5,362	-2,532																								
II . Cash flows from investing activities	-2,874	-3,366	-491																								
Free cash flows	6,614	4,521	-2,092																								
III . Cash flows from financing activities	-3,553	-5,034	-1,481																								
Effect of exchange rate change on cash and cash equivalents	2,114	-672	-2,786	<table><tr><th>FY2023 1H</th><th>FY2024 1H</th><th>Change</th></tr><tr><td>Purchase of treasury shares</td><td>-0</td><td>-2,306</td><td>-2,305</td></tr><tr><td>Cash dividends paid</td><td>-3,445</td><td>-2,602</td><td>+843</td></tr></table>	FY2023 1H	FY2024 1H	Change	Purchase of treasury shares	-0	-2,306	-2,305	Cash dividends paid	-3,445	-2,602	+843												
FY2023 1H	FY2024 1H	Change																									
Purchase of treasury shares	-0	-2,306	-2,305																								
Cash dividends paid	-3,445	-2,602	+843																								
Net increase (decrease) in cash and cash equivalents	5,175	-1,185	-6,360																								
Cash and cash equivalents at end of period	49,163	48,692	-471																								

[Planned to acquire own shares]

Acquisition period: From August 5, 2024, to March 31, 2025
Total amount of share acquisition costs: Up to ¥10 billion

- Cash and cash equivalents at the end of the period decreased by ¥1.1 billion to ¥48.6 billion.
- The Company plans to acquire up to ¥10 billion of its own shares in FY2024. The total amount of acquisition costs was ¥2.3 billion as of the end of September 2024.

8) Capital Investments and R&D Costs

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

	First half FY2023	First half FY2024	FY2023 Actual	FY2024	
				Original forecast announced May 13	Revised forecast announced Nov 7
Capital Investments	2,006	3,341	4,978	10,300	10,300
Depreciation	1,684	1,925	3,704	4,500	4,400
R&D costs	3,327	3,186	6,996	7,500	7,400

● FY2024 capital investments plan

Molds for new products, measuring equipment and jigs, products for demonstration, and production equipment

Introduction of PLM/MES* systems

Capital Investments: approx. ¥3.0 bil < **FY2022: ¥0.3 bil, FY2023: ¥0.5 bil**
FY2024: ¥1.1 bil, FY2025: ¥1.1 bil

PLM/MES:

Planned to start operation in FY2025

Establishment of new plant in Tsurugashima City

Total investments: approx. ¥11.0 bil < **FY2022: ¥2.3 bil**
(Acquisition of the site)
~FY2024: ¥4.1 bil, FY2025~: ¥4.6 bil
(Building and facilities)

Construction: **Started in July 2024** and
will be completed at end of 2025

Operation: Planned to start in 2026



*Image

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

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- Capital investments, depreciation, and R&D costs were ¥3.3 billion, ¥1.9 billion, and ¥3.1 billion, respectively.
- There is no change to our forecast for full-year capital investments. The forecasts for depreciation and R&D costs were revised to ¥4.4 billion and ¥7.4 billion, respectively, reflecting the progress made during the 1st half of FY2024.

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Forecast for FY2024

1) Business Environment

The global economic outlook remained uncertain due to higher geopolitical risks, while tight monetary policy eased in the U.S. and Europe. The impact of inflation and higher personnel expenses on the business of medical institutions should be monitored carefully.

Japan

Secure medical staff and promote their work style reforms.

- Medical service fees rose by 0.88% in June 2024. Higher basic fees for wage increase, promoting DX in medical fields, infection control measures, and task shifting.

Deepen integrated community care systems. Differentiate medical institution functions and strengthen collaboration.

- Funds for securing comprehensive medical and long-term care in the community: FY2024 budget ¥102.9 bil for medical care

As work style reforms took effect in FY2024, business sentiment in medical institutions deteriorated due to difficulties in securing medical professionals.

International

U.S. and Europe

- In the U.S., medical institutions' finance showed a trend of improvement, leading to signs of recovery in their capital expenditure in medical equipment.
- DX in medical fields has accelerated.
- Withdrawal of foreign companies from ventilator market.

Emerging Markets

- Impact of the anti-corruption campaign and economic slowdown in China.
- Moves to protectionism in each country.
- Regulatory tightening for medical devices.

- The global economic outlook remained uncertain due to higher geopolitical risks, while tight monetary policy eased in the U.S. and Europe.
- As work style reforms took effect in April 2024 and medical treatment fees were revised in June 2024, business sentiment in medical institutions deteriorated due to difficulties in securing medical professionals.
- Internationally, in the U.S., medical institutions' finance showed a trend of improvement, leading to signs of recovery in their capital expenditure in medical equipment. On the other hand, in China, the impact of the prolonged anti-corruption campaign and economic slowdown should be monitored carefully.

2) Forecast for FY2024

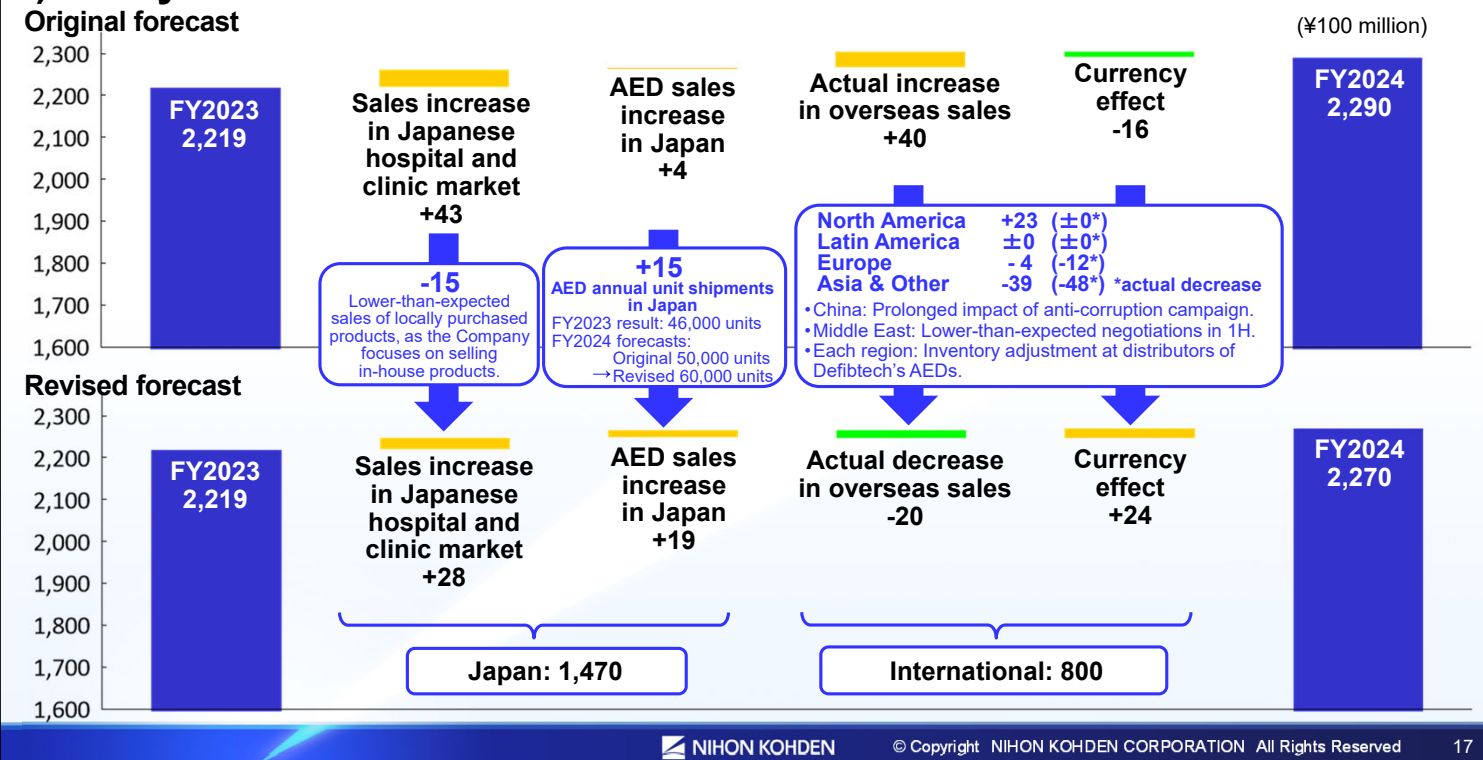
	FY2023 Actual	FY2024 Forecast		YoY (%)	(Amounts of less than ¥1 million are rounded down)
		Original forecast announced May 13	Revised forecast announced Nov 7		
Sales	221,986	229,000	227,000	2.3	
Domestic Sales	142,370	147,000	147,000	3.3	-3% on a local currency basis ±0% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023
Overseas Sales	79,615	82,000	80,000	0.5	
Gross Profit (Gross Profit Margin)	111,346 50.2%	118,000 51.5%	116,300 51.2%	4.4	
Operating Income (Operating Income Margin)	19,591 8.8%	23,000 10.0%	20,500 9.0%	4.6	
Ordinary Income	25,589	23,000	18,000	-29.7	
Income Attributable to Owners of Parent	17,026	16,000	12,000	-29.5	
Percentage of overseas sales	35.9%	35.8%	35.2%		
Average exchange rate					
1 US Dollar	143.9 yen	140 yen	149 yen		FY2024 2H 145 yen
1 EURO	156.8 yen	150 yen	160 yen		155 yen

Breakdown of overseas sales by region

	FY2023 Actual	FY2024 Forecast		YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 7	
North America	37,058	38,100	40,400	9.0
Latin America	6,039	5,200	5,200	-13.9
Europe	13,104	12,400	12,000	-8.4
Asia & Other	23,413	26,300	22,400	-4.3
Total	79,615	82,000	80,000	0.5

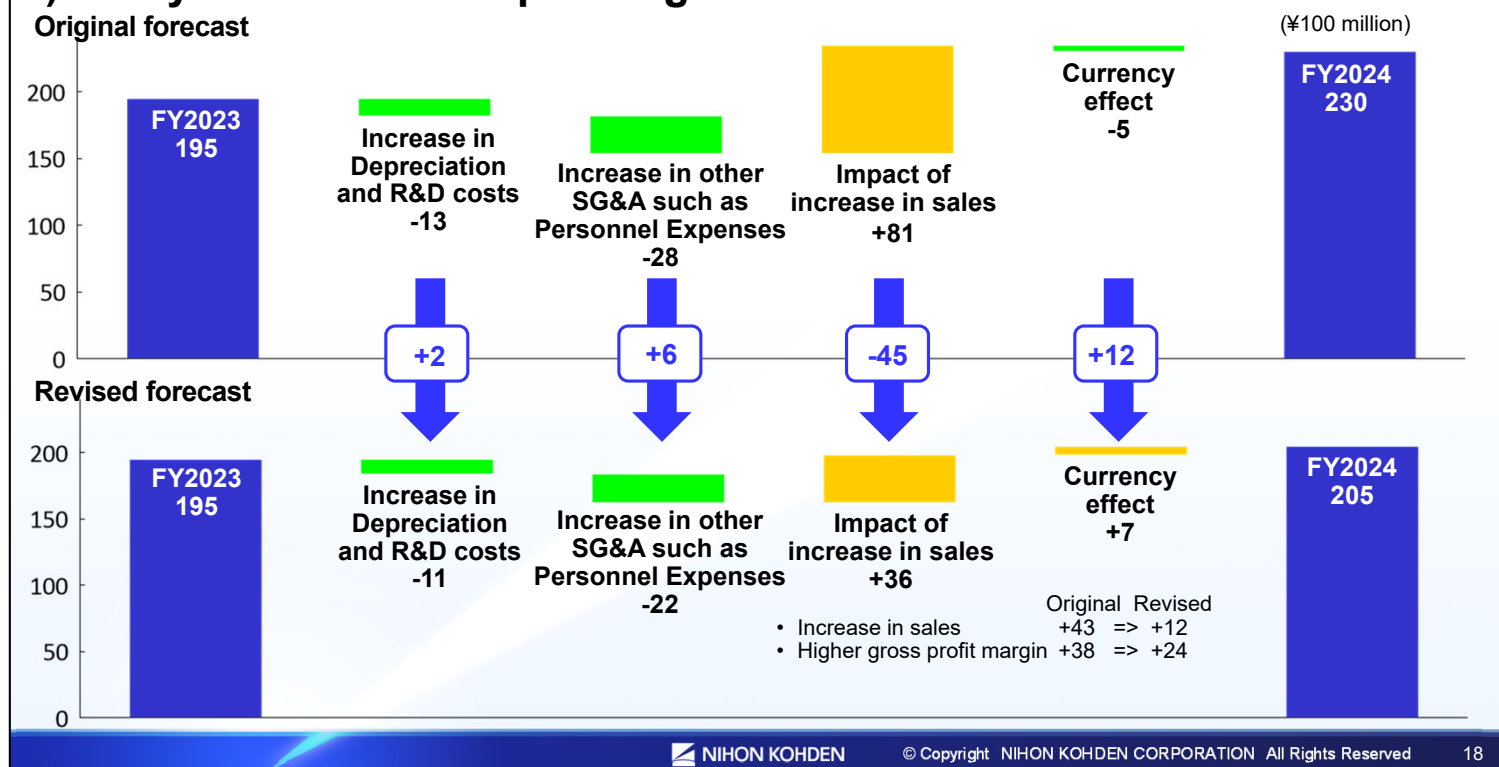
- Based on the results for the 1st half of FY2024 and recent performance trends, the Company revised its forecast for FY2024.
- Overall sales are expected to increase 2.3% over FY2023 to ¥227 billion and domestic sales are expected to increase 3.3% to ¥147 billion. Overseas sales are expected to increase 0.5% to ¥80 billion, remaining flat on a local currency basis excluding the impact of the change in the fiscal term of Defibtech, LLC in FY2023.
- Domestic sales reaffirmed the original forecast and overseas sales are expected to fall short of its original forecast by ¥2 billion.
- Operating income is expected to increase 4.6% to ¥20.5 billion, downward by ¥2.5 billion from the original forecast. Ordinary income and income attributable to owners of parents are as shown above.
- The Company anticipates a recovery in both sales and income in the 2nd half of FY2024, but the recovery is not expected to offset the falls in the 1st half.
- The assumed exchange rates for the 2nd half are 145 yen to the U.S. dollar and 155 yen to the euro.

3) Analysis of FY2024 Sales Forecast



- We revised the figure of sales increase in Japanese hospital and clinic market to ¥2.8 billion, due to lower-than-expected sales of locally purchased products as the Company continues to focus on selling in-house products. We revised the full-year sales of AEDs to increase by ¥1.9 billion and the volume of sales to 60,000 units, due to strong demand.
- As for overseas sales, the actual decrease in sales and positive currency effect will be ¥2 billion and ¥2.4 billion, respectively. We expect that sales in North America will exceed the original forecasts by ¥2.3 billion. Sales in Europe and Asia & Other are expected to be lower than the original forecasts by ¥0.4 billion and ¥3.9 billion, respectively.
- On a comparable basis excluding currency effects, we revised downward our sales forecasts in China and the Middle East & Africa, as well as our sales forecasts for Defibtech's AEDs. On the other hand, in North America, sales of patient monitors and ventilators are expected to exceed our original expectations.

4) Analysis of FY2024 Operating Income Forecast



- Depreciation and R&D costs were revised to an increase of ¥1.1 billion, and other SG&A such as personnel expenses were revised to an increase of ¥2.2 billion.
- The positive impact of the increase in sales was revised to ¥3.6 billion as overall sales will be lower than its original forecast. The Company will continue to focus on selling in-house products and strive to reform the profit structure of the entire Group.
- Currency effect will have a positive impact of ¥0.7 billion.

(Ref.) Consolidated Forecast for FY2024 by Product Category/ Effect of Exchange Rates

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

	FY2023 Actual	FY2024 Forecast			YoY (%)
		Original forecast announced May 13	Revised forecast announced Nov 7	Composition ratio (%)	
Physiological Measuring Equipment	46,517	47,900	46,900	20.7	0.8
Patient Monitors	84,130	87,200	86,900	38.3	3.3
Treatment Equipment	51,665	53,200	53,200	23.4	3.0
Other Medical Equipment	39,673	40,700	40,000	17.6	0.8
Total	221,986	229,000	227,000	100.0	2.3

(Reference)

Medical Devices	115,638	117,900	114,700	50.5	-0.8
Consumables and Services	106,347	111,100	112,300	49.5	5.6

Estimated Exchange Rate Fluctuations for Full Fiscal Year

	Sales	Operating Income
US Dollar	0.39 bil yen	0.12 bil yen
EURO	0.06 bil yen	0.02 bil yen

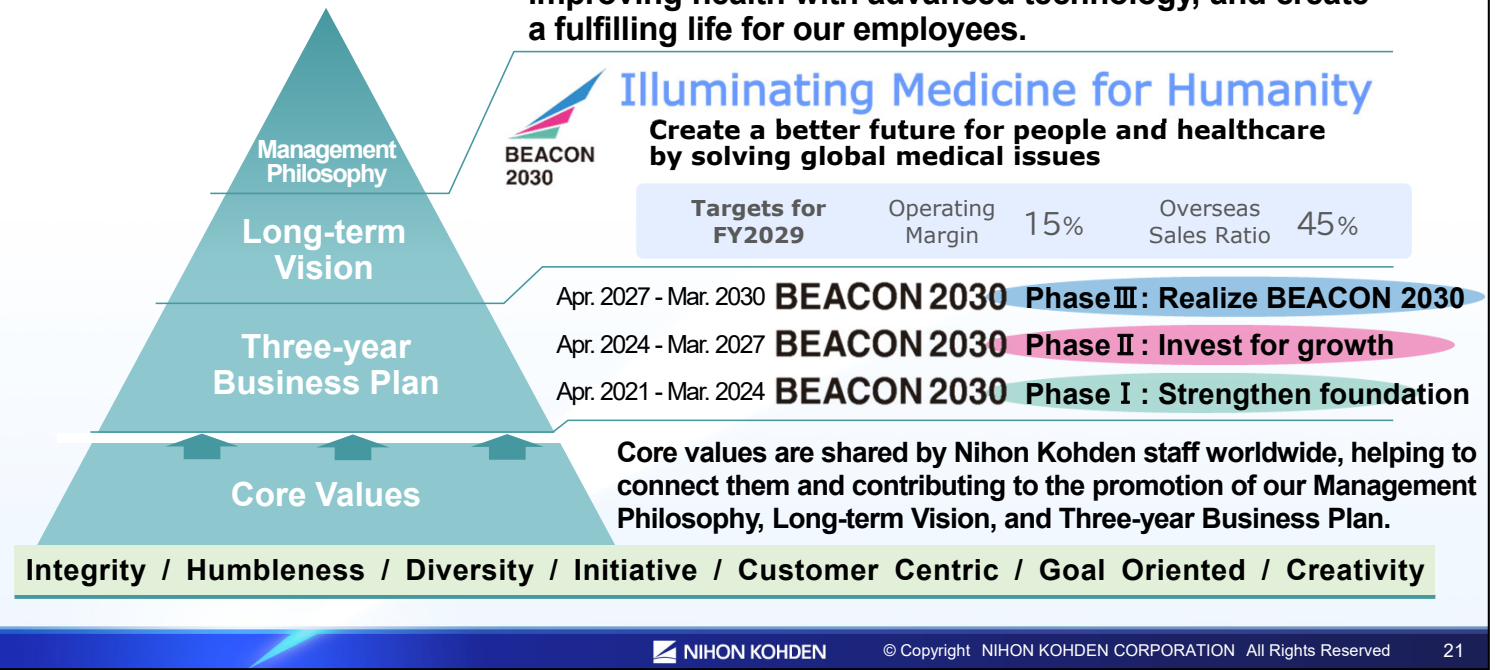
- The consolidated sales forecast by product category has been revised based on the 1st-half results.
- We will continue to strengthen our offerings of consumables and services both in Japan and internationally.
- The sensitivity to foreign exchange rates is as shown above.

3

Business Strategy

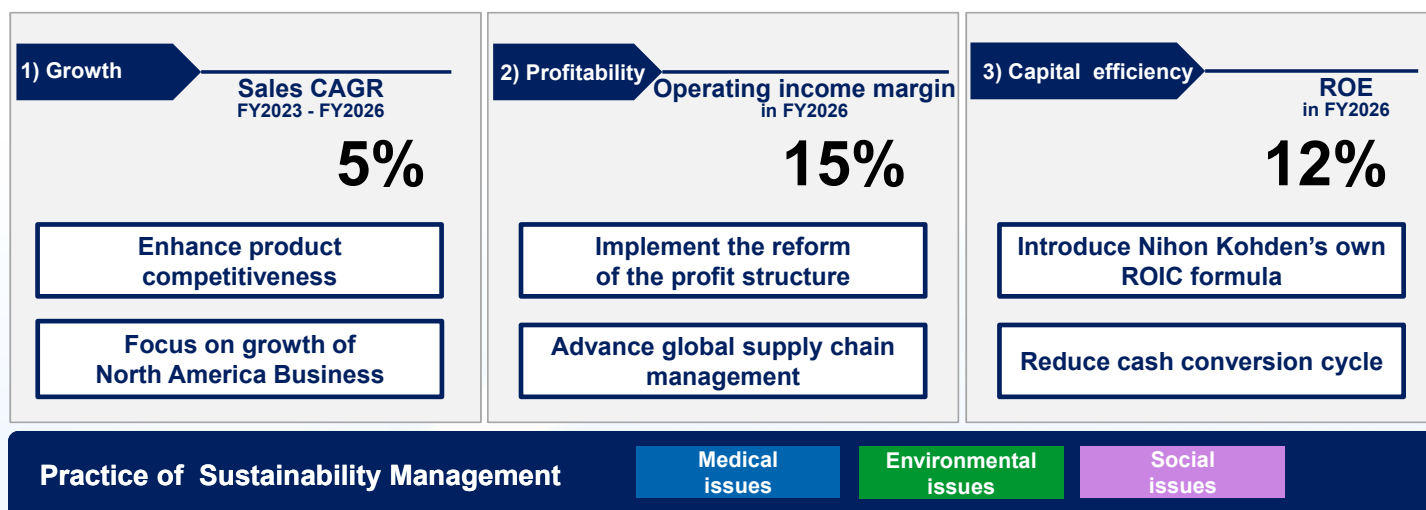
Long-term Vision and Three-year Business Plan

We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.



- In its Long-term Vision, BEACON 2030, Nihon Kohden aims to create a better future for people and healthcare by solving global medical issues.
- The Three-year Business Plan, which started from FY2024, is the 2nd phase in realizing our Long-term Vision.

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



- In the Three-year Business Plan, the Company will implement the reform of the profit structure and make investments in growth areas, and accelerate our transformation into a global MedTech company.
- The Company aims to achieve targets for three indicators: growth, profitability, and capital efficiency, by conducting six key measures including "Enhance product competitiveness", "Focus on growth of North America Business", and "Implement the reform of the profit structure".

New products launched in FY2024

Patient Monitoring Business

**Central monitor
CNS-2101**

Launched in Japan in FY2021 3Q
 Launched in the U.S. in FY2023 3Q
**Planned to launch in Europe
 and emerging markets in FY2024**

**Mid-to low-end bedside
monitors BSM-5700**

**Launched in Europe and emerging
 markets in FY2024 3Q**
Planned to launch in Japan in FY2024 3Q

- ✓ Successors to BSM-3000
- ✓ For ORs in small- to mid-sized hospitals
- ✓ Storage 5-waveform review data for 120 hours



Treatment Equipment Business

**Ventilator
NKV-440**

**U.S. R&D
 production**

Launched in some emerging
 countries in FY2022 4Q
**Launched in the U.S.
 in FY2024 2Q**

**Defibrillators for hospitals
TEC-1000**

**Launched in Japan
 and emerging markets in FY2024 2Q**

- ✓ Enhanced vital sign monitoring functions
- ✓ Contributes to easing workloads for equipment maintenance and management



Solution Business (ITS+DHS)

**Remote ICU solution
RemoteSense**

U.S. R&D

Launched in the U.S. in FY2024 1Q
Added functions in FY2024 2Q

- ✓ Refer to vital signs of patients at several hospitals via a web browser
- ✓ Monthly subscription model

**Dashboard software for
monitoring patient condition
QH-101N**

Launched in Japan in FY2024 2Q

- ✓ Planning to introduce monthly subscription model from January 2025
- ✓ Calculation and display of early warning scores from vital signs
- ✓ Support for RRS*1 in hospital



* The actual launch dates varied in accordance with the examination period for regulatory approval in each country.

*1 RRS (Rapid Response System) is designed to respond to patients by warning of deterioration in patient condition.

- To enhance product competitiveness, we launched a series of new products as shown above.
- In Patient Monitoring Business, we launched mid-to low-end bedside monitors in Europe and emerging markets.
- In Treatment Equipment Business, we have strengthened our sales activities in the U.S., because we have a line-up of three models by launching a mid-range ventilator. We also launched new models of defibrillators for hospitals in Japan and emerging markets.
- In Solutions Business, we launched a remote ICU solution in the U.S., which allows users to refer vital signs of patients at several hospitals via a web browser. This solution is provided as a monthly subscription model and has already been adopted at several facilities.
- In Japan, we will introduce dashboard software for monitoring patient condition using a monthly subscription model from January 2025. We expect this solution to contribute to improving medical safety and operational efficiency in clinical practice by enabling medical professionals to respond quickly to deterioration in patient condition.

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

- ✓ Lifted limitation of sales destination for fully automatic AEDs. Sponsored the event celebrating the 20th anniversary of AEDs. Produced a supplement to the "Kindergarten" magazine published by SHOGAKUKAN Inc.
- ✓ Launched **the TEC-1000 defibrillators**, as well as **the QH-101N dashboard software for monitoring patient condition**, one of our DHS products.
- ✓ Revised service fees in June 2024 and plan to revise selling prices of products and consumables in FY2024 2H.

North America: Strengthen ties with the major IDN/GPO & DoD/VA*¹ and improve brand awareness and profitability

- ✓ Neurology products: **Announced the acquisition of Ad-Tech as a subsidiary** (September 2024, Planned to transfer share in November 2024)
- ✓ Patient monitors: Started providing **the RemoteSense, a remote ICU solution**, one of our DHS products, as a subscription model
- ✓ Ventilators: Launched the NKV-440, a mid-range ventilator. Received a significant order for NKV-330 from one of large IDNs. **Obtained ATO*² from DoD** by meeting cybersecurity requirements (August 2024)

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

- ✓ China: Reorganized sales and service structure due to weak demand for medical equipment (September 2024)
- ✓ India: **Started full operation of new reagent factory** (September 2024), Started preparation for production of medical equipment
- ✓ South East Asia: **Established sales subsidiary in Vietnam** (May 2024), Promoted the acquisition of in-house sales licenses in the Philippines and Thailand

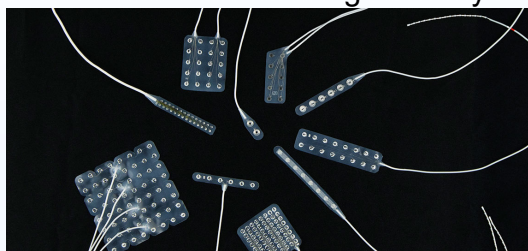
*1 IDN: Integrated Delivery Network, GPO: Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs. *2 ATO: Authority to Operate.

- In Japan, demand for AEDs increased as we lifted the limitation on sales destinations for fully automatic AEDs in July 2024. It was also because the 20th anniversary of AEDs in Japan has led to renewed awareness of the importance of AEDs. In addition to the introduction of new products as shown above, we have revised our service fees from June 2024. We will also revise selling prices of our products and consumables in the 2nd half of FY2024.
- In North America, in September 2024, we announced our plans to consolidate Ad-Tech as a subsidiary of Nihon Kohden. As for ventilators, for which demand is surging, we received a significant order for the NKV-330 from one of the major IDNs. We also obtained an ATO from the DoD by meeting cybersecurity requirements. We look forward to expanding business opportunities in the future.
- In Rest of World, we have reorganized our sales and service structure in China due to weak demand for medical equipment. In India, we started full operation of a new reagent factory. We also work to prepare for production of medical devices. In Southeast Asia, we have established a sales subsidiary in Vietnam. We are also in the process of acquiring in-house sales licenses in the Philippines and Thailand.

Concluded an agreement for acquiring 71.4% shares of NeuroAdvanced Corp., which is the parent company of Ad-Tech Medical Instrument Corporation in the U.S. (Planned to transfer share in November 2024)

Ad-Tech Medical Instrument Corporation

- Head office: Wisconsin, U.S.A.
- Establishment: 1983
- Representative: Brian P. Smith (CEO)
- Business: R&D, production, and sales of medical equipment
- Sales: \$28M, OP:\$2.8M in FY2023
- Acquisition costs: Approx. ¥16.0 bil (estimated amount including advisory fees)





- Main products (consumables):
Intracranial electrodes such as depth electrodes and subdural electrodes used for surgical treatment of drug-resistant epilepsy.
- Relationship: We have distributed Ad-Tech's products for more than 30 years with exclusive distribution rights in Japan.

- **High affinity with our neurology products**
- **Strengthening HMI* technology** with Ad-Tech's technological know-how and production of consumables used in invasive testing and treatment
- **Stable and consistent revenue base and growth**

* 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.

- Ad-Tech, a U.S. company, provides intracranial electrodes used in the surgical treatment of intractable epilepsy to more than 60 countries around the world. We have distributed Ad-Tech's products for more than 30 years with exclusive distribution rights in Japan.
- We will strengthen our Human Machine Interface technology by acquiring their technological know-how and production of electrodes, which have a high affinity with our neurology products and are used for invasive testing and treatment. We also expect that the expansion of our consumable portfolio will lead to growth in sales and a stable and consistent revenue base.
- The acquisition is scheduled in November 2024.

Profitability		Implement the reform of the profit structure		
Area	Theme	Details of measures	FY2026 Target	Progress in FY2024 1H
Product mix	Sale pricing	✓ Reviewing pricing policies both in Japan and overseas	Apx. 2%	✓ Reviewed selling prices of products and consumables in Japan in FY2024 2H ✓ Discontinued sales of mainly in-house consumables with low shipment volume
	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%	✓ Installed 2,000 licenses of generative AI ✓ Started operation of QA chatbot for products ✓ Introduced energy management system at the Advanced Technology Center ✓ Reviewed contracts for company vehicles, multifunction printers, and telecommunications equipment
	Reducing other expenses	✓ Reducing infrastructure costs such as utility costs, rent, and communication expenses, and reviewing traveling costs		
Supply chain	Optimizing parts procurement	✓ Refining price negotiations with suppliers ✓ Promoting Value Analysis/Value Engineering	Apx. 1%	✓ Continued price negotiations under the impact of inflation
Profitability		Advance global supply chain management		
		✓ Promoted introducing PLM/MES* systems (Planned to start operation in FY2025) ✓ Started full operation of new reagent factory in India (September 2024) ✓ Establishment of new plant in Tsurugashima City (Construction: Started in July 2024 and will be completed at end of 2025, Operation: Planned to start in 2026) * PLM: Product Life-cycle Management, MES: Manufacturing Execution System.		
		  New reagent factory in India		

- To implement the reform of the profit structure, we are working on each measure in three areas as shown above.
- In the area of product mix, we have reviewed selling prices of products and consumables in Japan in the 2nd half of FY2024. We have also reviewed the number of products, such as by discontinuing sales of in-house consumables with lower shipment volumes.
- In terms of productivity, we have introduced 2,000 licenses of generative AI and launched a product QA chatbot. To reduce other expenses, we have also introduced an energy management system and have reviewed contracts for company vehicles, multifunction printers, and telecommunication equipment.
- In terms of supply chains, we continue to negotiate purchasing prices of parts with our suppliers in the face of rising inflation.
- To advance our global supply chain management, we are in the process of introducing PLM/MES systems. The construction of the new plant in Tsurugashima started in July 2024, which is in line with our schedule for starting operations in 2026.

✓ Held ROIC training for executives/division managers and streamed the video (FY2024 2Q)

- 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 in B/S, are considered as future investments.
- Figure out ROIC in each subsidiary and promote penetration of NK's ROIC in the Group

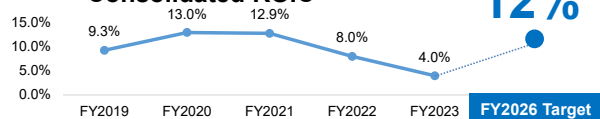
Nihon Kohden's own ROIC
calculation formula

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



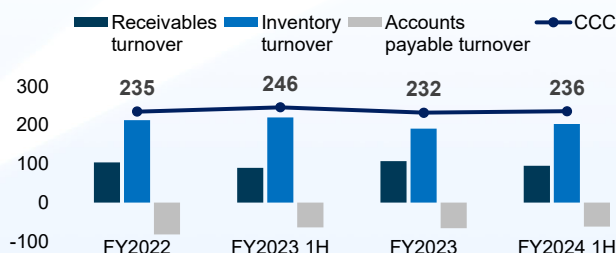
Consolidated ROIC = NOPAT ÷ Invested capital

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

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

Reduce cash conversion cycle

- ✓ Strengthen procurement and production management functions mainly at the newly established Production Operations (April 2024)
- ✓ Reduce inventory levels of finished goods and parts in line with our expectations by enhancing PSI (Production, Sales, Inventory) Management
- ✓ Collect debt faster



FY2024 target

~190 days







Phase II target

~175 days

Mid-term target

~150 days

- As an action to implement cost of capital-conscious management, we started introducing Nihon Kohden's own ROIC formula. We need to improve capital efficiency in B/S in addition to improving profitability in P/L. To figure out the ROIC of each subsidiary and promote penetration of ROIC formula in the Group, we held a ROIC training for executives and division managers.
- To reduce the cash conversion cycle, we are strengthening inventory management, mainly at Production Operations, which was newly established in April 2024. The inventory levels of finished goods and parts are on a downward trend as planned by enhancing PSI (Production, Sales, Inventory) Management. We continue to focus on inventory reduction and faster debt collection.

Cumulative targets for Three-year Business Plan Phase I	Results for three years
 AED: Cumulative number of products sold: Over 350k units (worldwide, for 3 years)	324k units (achievement rate: 92%)
   Cumulative number of products sold: Over 85k units (worldwide, for 3 years)	95k units (achievement rate: 112%)
 Cumulative number of - Connected models: Over 7 - Connected units: Over 5k (worldwide, for 3 years)	3 models (achievement rate: 43%) 1,911 units (achievement rate: 38%) Note: The calculation method was reviewed.
 Cumulative sales ratio of environment-friendly products: Over 20% (for 3 years)	19.4%
CO₂ emissions in FY2023: 15.2% reduction compared to FY2020 per unit of sales (ISO 14001 certified sites, Scope 1, 2)	45.8% reduction (compared to FY2020)

https://www.nihonkohden.com/sustainability/nk_sustainability/materiality.html

Medical issues

- ✓ Invited local doctors to Japan, aiming to **improve neonatal resuscitation rates in Indonesia** (July 2024)

Environmental issues

- ✓ Started **the Green Product Label** certification structure (March 2024)
- ✓ **Added a business impact assessment** to the disclosure based on TCFD recommendations (October 2024)



Social issues

- ✓ Formulated and released **our Tax Policy** (September 2024)
- ✓ Opened **the Product Security Portal** (October 2024)

- To practice Sustainability Management, we disclosed material issues and results for KPIs in Phase I as shown above.
- To contribute to solving medical issues, we cooperated with related organizations by inviting local doctors to training sessions in Japan to improve the neonatal resuscitation rate in Indonesia.
- To contribute to solving environmental issues, we started certifying our products and services with the Green Product Labels. We also added a business impact assessment to the disclosure based on the TCFD recommendations.
- To contribute to solving social issues, we released our Tax Policy and opened the Product Security Portal.

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%

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

Sales by Region			
	Net Sales		CAGR
	FY2023 Actual	FY2026 Target	
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		CAGR
	FY2023 Actual	FY2026 Target	
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%

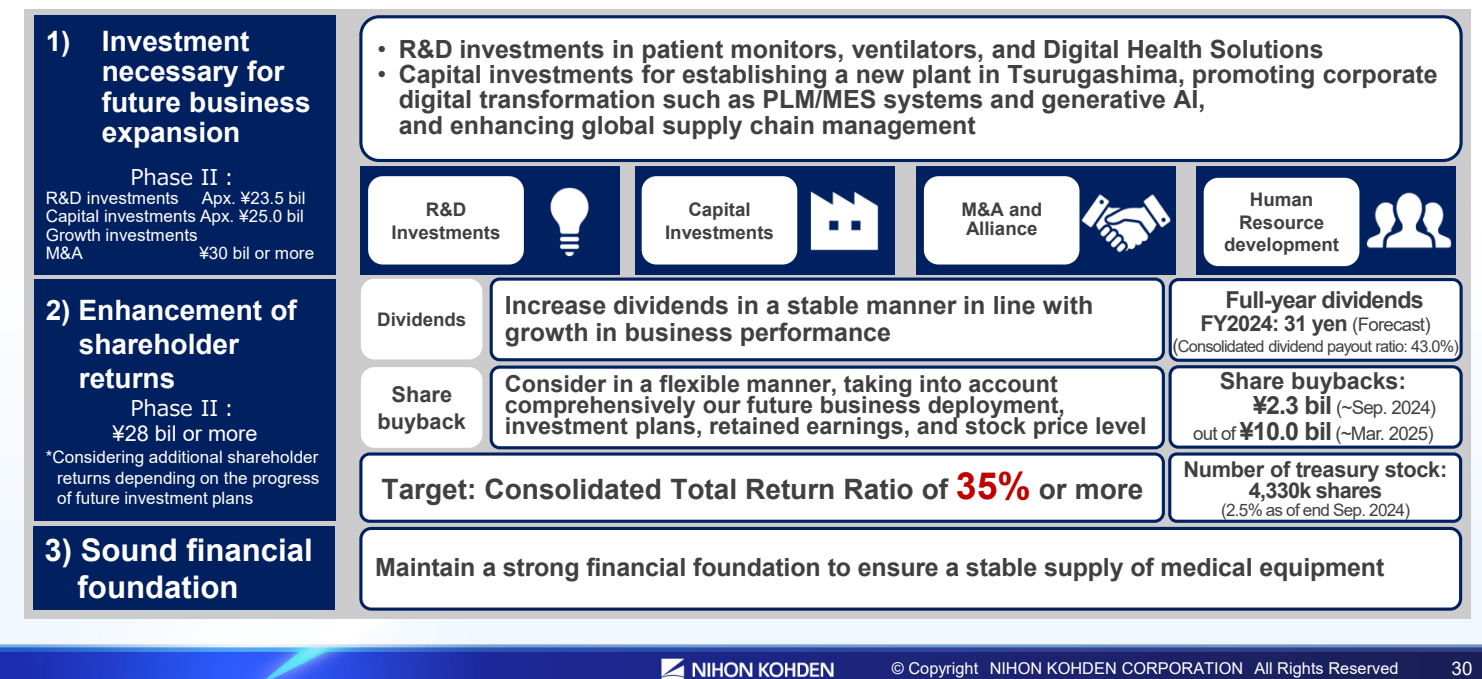
Investment Plans		
	Phase I Actual	Phase II Target
Capital investments	¥16.2 bil	Apx. ¥25.0 bil
R&D investments	¥18.9 bil	Apx. ¥23.5 bil

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

- Management targets for FY2026 are shown above.

Capital Policy

Make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation.



- 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.
- The target for shareholder returns is a consolidated total return ratio of 35% or more. 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.

Disclaimer:

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