

Consolidated Financial Highlights for the Third Quarter of FY2024 (From April 1, 2024 to December 31, 2024)

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NIHON KOHDEN CORPORATION

(Ticker Code: 6849)

February 5, 2025

Fighting Disease with Electronics



1) Consolidated Financial Results for the 3rd Quarter of FY2024

	FY2023 3Q 9 months	FY2024 3Q 9 months	YoY (%)	(Amounts of less than ¥1 million are rounded down)
Net Sales	156,169	158,476	1.5	
Domestic Sales	98,598	101,153	2.6	
Overseas Sales	57,571	57,323	-0.4	<div> -6% on a local currency basis (-3% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023*) </div>
Gross Profit (Gross Profit Margin)	78,282 50.1%	82,431 52.0%	5.3	<div> In-house sales ratio: FY2023 3Q 72.8% → FY2024 3Q 72.5% </div>
Operating Income (Operating Income Margin)	10,515 6.7%	10,935 6.9%	4.0	<div> SG&A: ¥67.7 bil → ¥71.4 bil SG&A Ratio: 43.4% → 45.1% </div>
Ordinary Income	13,258	13,506	1.9	<div> Foreign exchange gains: ¥2,354 mil → ¥2,052 mil </div>
Income Attributable to Owners of Parent	7,926	8,137	2.7	
Average Exchange Rate	(2023/12)	(2024/12)		
1 US Dollar	142.4 yen	152.0 yen		
1 EURO	155.7 yen	164.7 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 the nine months of FY2023 ended December 31, 2023, Nihon Kohden consolidated the 12 months of Defibtech's operating results from January 1, 2023 to December 31, 2023.

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- Overall sales increased 1.5% to ¥158.4 billion.
- Domestic sales increased 2.6% to ¥101.1 billion, because the Company focused on its consumables and services business. Sales of AEDs increased favorably in the PAD (public access defibrillation) market, while sales of locally purchased products decreased.
- Overseas sales decreased 0.4% to ¥57.3 billion, a 6% decline on a local currency basis, and a 3% decline on a local currency basis excluding the impact of the change in the fiscal term of Defibtech, LLC in FY2023.
- Operating income increased 4% to ¥10.9 billion, as gross profit margin increased to 52%.
- Ordinary income increased 1.9% to ¥13.5 billion and income attributable to owners of parent increased 2.7% to ¥8.1 billion.
- In the 3rd quarter (three months), domestic sales exceeded our expectation, as sales of AEDs increased favorably and there was a last-minute surge in demand before the increase in the selling prices of consumables. Internationally, sales in North America were higher than our expectation due to delivery of patient monitors moving ahead of schedule, while sales in Asia & Other were lower than expected. Operating income exceeded our plan due to greater-than-expected gross profit margin.

2) Highlights of FY2024 3Q (9 months)

Net Sales : +1.5%

- **Japan**: Sales increased, because the Company focused on its consumables and services business. Sales of AEDs also increased favorably in the PAD (public access defibrillation) market. Sales of locally purchased products decreased as the Company focused on selling in-house products.
- **International**: Sales decreased, due to lower sales in Asia & Other and Latin America, as well as the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. in FY2023.

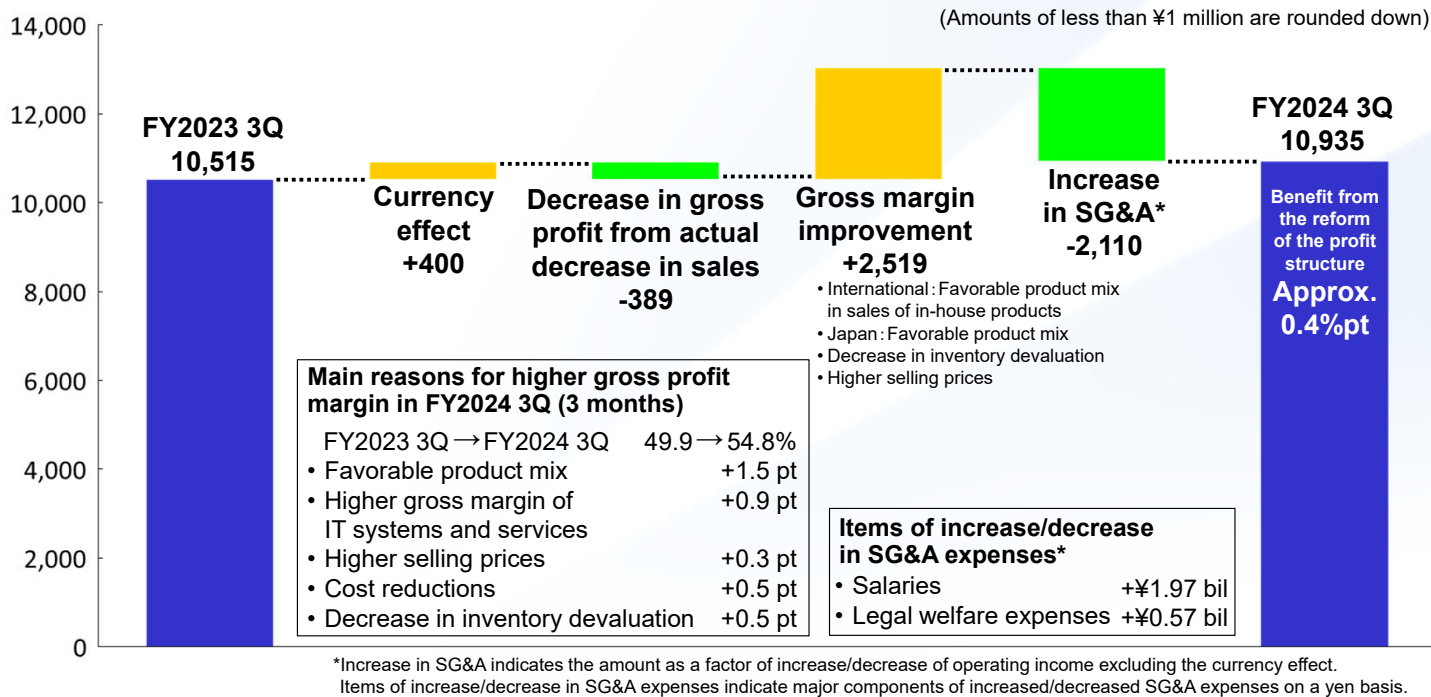
Operating Income : +4.0%

- Gross profit margin increased due to favorable product mix in overseas sales of in-house products as well as favorable product mix in Japan. There was also a positive impact from the decrease in inventory devaluation and higher selling prices.
- SG&A expenses increased due to the strengthening of human resources and wage increases.

Ordinary Income : +1.9%

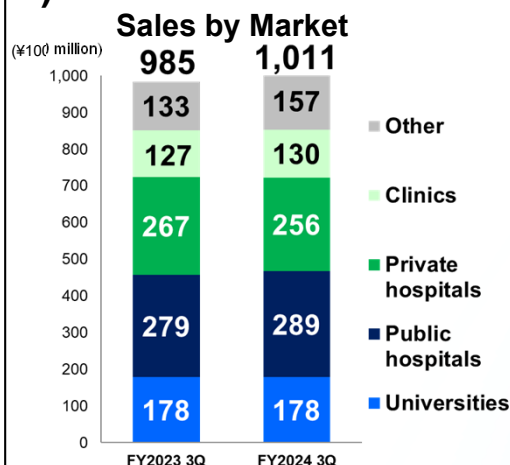
- Foreign exchange gains were recorded.

3) Breakdown of Operating Income



- In the nine months of FY2024, operating income increased to ¥10.9 billion from ¥10.5 billion in the same period of FY2023.
- Currency effect had a positive impact of ¥0.4 billion.
- The decrease in gross profit from actual decrease in sales was ¥0.3 billion.
- Gross margin improvement was a positive factor worth ¥2.5 billion. While in-house sales ratio decreased due to the impact of a change in the fiscal term of Defibtech in FY2023, gross margin improved due to favorable product mix in overseas sales of in-house products as well as favorable product mix in Japan. There was also a positive impact from the decrease in inventory devaluation and higher selling prices.
- SG&A expenses were a negative factor worth ¥2.1 billion due to strengthening of human resources and wage increases.
- In the 3rd quarter (three months), gross profit margin was 54.8% due to a favorable product mix, improved gross profit margin of IT systems and services, and higher selling prices. The increase in production volumes at the Tomioka Production Center and Nihon Kohden OrangeMed led to a reduction in manufacturing costs as well as a decrease in inventory devaluation.

4) Domestic Sales



Sales by Product Category

(Sales, millions of yen)

	FY2023 3Q 9 months	FY2024 3Q 9 months	YoY (%)
Physiological Measuring Equipment	25,228	25,383	0.6
Patient Monitors	32,028	32,087	0.2
Treatment Equipment	19,900	22,375	12.4
Other Medical Equipment	21,440	21,306	-0.6
Total Sales	98,598	101,153	2.6

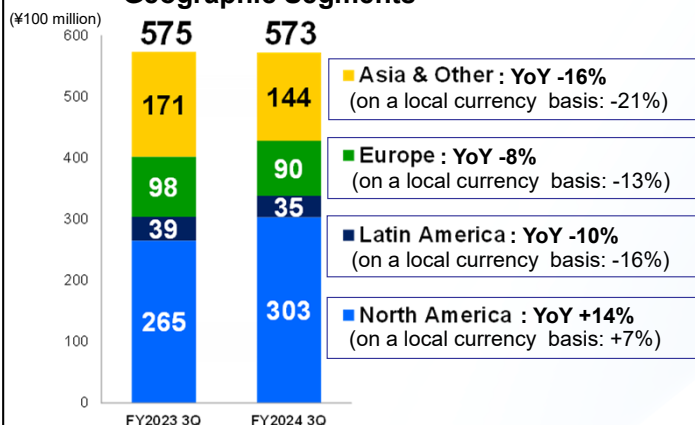
[Markets] Sales of AEDs increased favorably in the PAD (public access defibrillation) market. Sales in the public hospital and clinic markets increased, while sales in the university market remained flat. Sales in the private hospital market decreased compared to the strong growth due to large orders in FY2023 3Q.

[Products] **Physiological Measuring Equipment:** Sales of EEGs achieved double-digit growth and sales of ECGs increased favorably. Sales of polygraphs for cath lab also increased. Sales of diagnostic information systems decreased compared to the strong growth in FY2023 3Q. **Patient Monitors:** Sales of telemetry systems and transmitters increased favorably. Sales of consumables such as sensors also increased. Sales of clinical information systems decreased compared to the strong growth in FY2023 3Q. **Treatment Equipment:** Sales of AEDs achieved double-digit growth. Sales of ventilators and defibrillators also increased. **Other Medical Equipment:** Sales of locally purchased products decreased. Sales of hematology instruments and reagents, and maintenance services for medical devices increased favorably.

- Domestic sales increased by ¥2.6 billion to ¥101.1 billion, as the Company focused on its consumables and services business. Sales of AEDs also increased favorably due to the increasing demand.
- Sales in the public hospital and clinic markets increased, while sales in the university market remained flat. Sales in the private hospital market decreased compared to the strong growth due to large orders in the same period of FY2023.
- Sales of Treatment Equipment increased favorably and sales of Physiological Measuring Equipment also increased, while sales of Patient Monitors remained flat. Sales of Other Medical Equipment decreased.
- In Physiological Measuring Equipment, sales of EEGs achieved double-digit growth and sales of ECGs increased favorably. Sales of polygraphs for cath lab also increased. Sales of diagnostic information systems decreased compared to the strong growth in the same period of FY2023.
- In Patient Monitors, sales of telemetry systems and transmitters increased favorably and sales of consumables such as sensors also increased. Sales of clinical information systems decreased compared to the strong growth in the same period of FY2023.
- In Treatment Equipment, sales of AEDs achieved double-digit growth. Sales of ventilators and defibrillators also increased.
- In Other Medical Equipment, sales of locally purchased products decreased as the Company focused on selling in-house products. Sales of hematology instruments and reagents, and maintenance services for medical devices increased favorably.

5) Overseas Sales

Geographic Segments



Percentage of overseas sales to consolidated sales

FY2023 3Q 9 months	FY2024 3Q 9 months
36.9%	36.2%

Sales by Product Category

	FY2023 3Q 9 months	FY2024 3Q 9 months	YoY (%)
Physiological Measuring Equipment	7,792	7,569	-2.9
Patient Monitors	25,879	28,491	10.1
Treatment Equipment	18,358	15,162	-17.4
Other Medical Equipment	5,540	6,099	10.1
Total Sales	57,571	57,323	-0.4

-6% on a local currency basis
(-3% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023)

- [Region]** **North America:** Sales of patient monitors and ventilators achieved double-digit growth, while sales of AEDs decreased.
Latin America: Sales decreased mainly in Costa Rica and Columbia compared to the strong performance in FY2023 3Q. Sales in Mexico increased favorably.
Europe: Sales decreased, as sales of AEDs decreased mainly in the U.K. and the Netherlands, while sales in Germany and Turkey increased.
Asia & Other: Sales in China decreased. Sales in the Middle East & Africa also decreased compared to the strong growth due to large orders in Morocco in FY2023 3Q.
- [Products]** **Physiological Measuring Equipment:** Sales of both EEGs and ECGs decreased in Asia & Other, mainly in China. Sales of EEGs in Latin America and Europe achieved double-digit growth. Sales of ECGs in Europe also showed double-digit growth.
Patient Monitors: Sales in North America achieved double-digit growth. Sales in Europe also increased. Sales in Asia & Other and Latin America decreased.
Treatment Equipment: Sales of AEDs decreased due to the impact of a change in the fiscal term of Defibtech in FY2023, and inventory adjustments at distributors in each region. Sales of ventilators increased significantly in North America and Asia & Other.
Other Medical Equipment: Sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.

- Overseas sales decreased by ¥0.2 billion to ¥57.3 billion, a 6% decline on a local currency basis, due to lower sales in Asia & Other and Latin America, as well as the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. in FY2023. Overseas sales decreased 3% on a local currency basis excluding the impact of a change in the fiscal term of Defibtech, LLC. The overseas sales ratio was 36.2%.
- In North America, sales of patient monitors and ventilators achieved double-digit growth, while sales of AEDs decreased.
- In Latin America, sales decreased mainly in Costa Rica and Columbia compared to the strong performance in the same period of FY2023, while sales in Mexico increased favorably.
- Sales in Europe decreased, as sales of AEDs decreased mainly in the U.K. and the Netherlands, while sales in Germany and Turkey increased.
- In Asia & Other, sales in China decreased. Sales in the Middle East & Africa also decreased compared to the strong growth due to large orders in Morocco in the same period of FY2023. The fiscal year-end of our subsidiary in China is December 31. Sales in China for the full year of FY2024 are expected to result in a double-digit decline both on a local currency basis and on a yen basis.
- Sales of Treatment Equipment and Physiological Measuring Equipment decreased, while sales of Patient Monitors and Other Medical Equipment increased.
 In Physiological Measuring Equipment, sales of both EEGs and ECGs decreased in Asia & Other, mainly in China. Sales of EEGs in Latin America and Europe achieved double-digit growth and sales of ECGs in Europe also showed double-digit growth. In Patient Monitors, sales in North America achieved double-digit growth and sales in Europe also increased. Sales in Asia & Other and Latin America decreased. In Treatment Equipment, sales of AEDs decreased due to the impact of a change in the fiscal term of Defibtech in FY2023, and inventory adjustments at distributors in each region. Sales of ventilators increased significantly in North America and Asia & Other. In Other Medical Equipment, sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.

6) Sales by Product Category

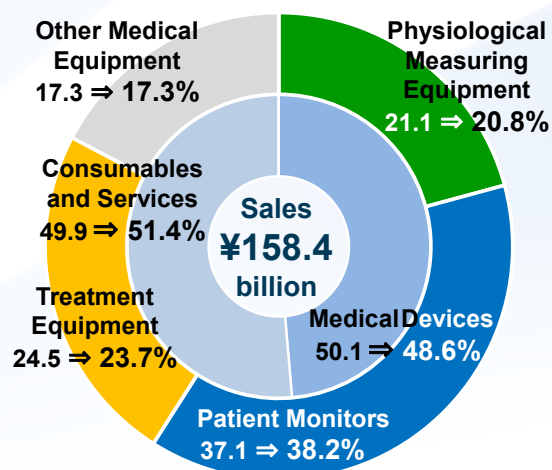
(Sales, millions of yen)

	FY2023 3Q 9 months	FY2024 3Q 9 months	YoY (%)
Physiological Measuring Equipment	33,021	32,953	-0.2
Patient Monitors	57,908	60,579	4.6
Treatment Equipment	38,258	37,538	-1.9
Other Medical Equipment	26,980	27,405	1.6
Total Sales	156,169	158,476	1.5

(Reference)

Medical Devices	78,302	77,046	-1.6
Consumables and Services	77,866	81,430	4.6

**Sales composition
by product category**
(FY2023 3Q ⇒ FY2024 3Q)



- Sales of Physiological Measuring Equipment decreased 0.2% to ¥32.9 billion.
- Sales of Patient Monitors increased 4.6% to ¥60.5 billion.
- Sales of Treatment Equipment decreased 1.9% to ¥37.5 billion.
- Sales of Other Medical Equipment increased 1.6% to ¥27.4 billion.
- Sales of Consumables and Services increased 4.6% to ¥81.4 billion.
Sales increased both in Japan and internationally, as the Company focused on its consumables and services business.

(Ref.) Breakdown of Sales by Product Category

(Billions of yen)

Physiological Measuring Equipment	FY2023 3Q 9 months	FY2024 3Q 9 months
Electroencephalographs	7.0	7.4
Electrocardiographs	4.6	4.5
Polygraphs for Cath Lab	12.9	13.1
Diagnostic Information Systems	4.4	3.5
Other Physiological Measuring Equipment *	3.8	4.1

*Includes products of other companies.

Patient Monitors	FY2023 3Q 9 months	FY2024 3Q 9 months
Patient Monitors	57.9	60.5
Clinical Information Systems	3.8	2.9

Treatment Equipment	FY2023 3Q 9 months	FY2024 3Q 9 months
Defibrillators (for Hospital and Ambulance)	6.0	5.8
AEDs (Automated External Defibrillator)	19.7	17.1
Pacemakers / ICDs	1.9	1.8
Ventilators	4.7	6.4
Other Treatment Equipment	5.8	6.2

Other Medical Equipment	FY2023 3Q 9 months	FY2024 3Q 9 months
Hematology Instruments	8.9	9.5
Imaging Systems and Others *	18.0	17.8

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

- A breakdown of sales by product category is shown above.

7) Financial Condition

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

	FY2023	FY2024 3Q 9 months	Change		FY2023	FY2024 3Q 9 months	Change
Current Assets	184,333	176,535	-7,798	Current Liabilities	49,901	66,327	16,425
Inventories	57,787	60,993	3,206	Interest-bearing Debt	579	25,957	25,377
Property, Plant & Equipment	25,418	26,648	1,229	Non-current Liabilities	2,249	2,263	14
Intangible Assets	4,852	23,019	18,167	Net Assets	181,082	177,694	-3,388
Investments & Other Assets	18,628	20,083	1,454				
Total Assets	233,233	246,286	13,052	Total Liabilities & Net Assets	233,233	246,286	13,052
Inventory Turnover	6.3 months	6.7 months		Equity Ratio	77.6%	72.1%	

[Reasons for the decrease of current assets]
Notes and accounts receivable -¥9.2 bil
[Reasons for the increase of intangible assets]
Goodwill +¥17.4 bil

[Reasons for the increase of current liabilities]
Interest-bearing debt (short-term loans payable)
 +¥25.3 bil

- Total assets increased by ¥13 billion to ¥246.2 billion.
Goodwill and short-term loans payable increased due to the consolidation of Ad-Tech Medical Instrument Corporation as a subsidiary of the Company in November 2024.
- Inventory turnover was 6.7 months, as inventories increased due to the consolidation of Ad-Tech. The Company will continue to enhance inventory control.

8) Cash Flows

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

	FY2023 3Q 9 months	FY2024 3Q 9 months	Change
I . Cash flows from operating activities	7,768	6,291	-1,476
II . Cash flows from investing activities	-3,217	-23,233	-20,015
Free cash flows	4,550	-16,941	-21,491
III . Cash flows from financing activities	-5,965	4,585	10,551
Effect of exchange rate change on cash and cash equivalents	1,562	536	-1,026
Net increase (decrease) in cash and cash equivalents	148	-11,818	-11,967
Cash and cash equivalents at end of period	44,136	38,058	-6,077

	FY2023 3Q	FY2024 3Q	Change
Income before income taxes	13,255	13,274	+18
Decrease (increase) in inventories	-2,498	-1,184	+1,314
Income taxes paid	-6,503	-9,654	-3,151

	FY2023 3Q	FY2024 3Q	Change
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-18,869	-18,869

	FY2023 3Q	FY2024 3Q	Change
Net increase (decrease) in short-term borrowings	25	25,290	+25,265
Purchase of treasury shares	-0	-6,359	-6,358
Decrease (increase) in deposits paid	—	-7,687	-7,687

[Planned to acquire own shares]

Acquisition period : From August 5, 2024 to March 31, 2025

Total amount of share acquisition costs as of December 31, 2024 :

¥6.3 billion out of the upper limit of ¥10 billion

- Cash and cash equivalents at the end of the period decreased by ¥11.8 billion to ¥38 billion.
- The purchase of shares according to the consolidation of Ad-Tech as a subsidiary amounted to ¥18.8 billion. Additionally, a deposit paid in preparation for the future acquisition of the remaining 28.6% shares was of ¥7.6 billion.
- The Company plans to acquire up to ¥10 billion of its own shares in FY2024. The total amount of acquisition costs was ¥6.3 billion as of the end of December 2024.

9) Capital Investments and R&D Costs

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

	FY2023 3Q 9 months	FY2024 3Q 9 months	Change	FY2023 Actual	FY2024	
					Original forecast announced May 13	Revised forecast announced Nov 7
Capital Investments	3,202	4,984	1,782	4,978	10,300	10,300
Depreciation	2,649	2,959	310	3,704	4,500	4,400
R&D costs	5,011	4,948	-62	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

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

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*Image

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- Capital investments, depreciation, and R&D costs were ¥4.9 billion, ¥2.9 billion, and ¥4.9 billion, respectively.

The construction of the new plant in Tsurugashima City started in July 2024 and is progressing generally as planned. R&D costs were below the costs for the same period of FY2023 and below the Company's forecasts, as a part of development resources was allocated for upgrading recently launched products and adding new functions.

- There are no changes to our forecasts for full-year capital investments of ¥10.3 billion, depreciation of ¥4.4 billion, and R&D costs of ¥7.4 billion, respectively.

10) 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	
Overseas Sales	79,615	82,000	80,000	0.5	-3% on a local currency basis ±0% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023
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
1 EURO	156.8 yen	150 yen	160 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

*The assumed exchange rates for FY2024 4Q are 152 yen to the U.S. dollar and 164 yen to the euro.

- The Company reaffirmed its FY2024 full-year forecasts.
- The domestic sales forecast remains at ¥147 billion. The Company continues to focus on its consumables and services business. Sales of AEDs are expected to increase favorably. The Company is working to deliver and install medical devices including IT system solutions by the end of the fiscal year.
- The overseas sales forecast also remains at ¥80.0 billion. In the 3rd quarter of FY2024, overseas sales were generally in line with the Company's expectations, as the delivery of patient monitors in North America was ahead of schedule, while sales in Asia & Other such as the Middle East & Africa were lower than expected. In the 4th quarter of FY2024, sales in North America are expected to increase due to a recovery in demand for AEDs, while there is an impact of delivery of patient monitors moving ahead of schedule. Sales in Asia & Other are expected to increase as demand in Southeast Asia is showing a recovery trend, while sales in China will decrease in line with expectations. In the Middle East & Africa and Europe, the schedule for budgetary execution of hospitals is uncertain, so we will engage in sales activities with the goal of receiving orders by the end of the fiscal year.
- The operating income forecast remains at ¥20.5 billion. As gross profit margin in the 4th quarter of FY2024 is expected to be around 52%, which is the same as in the nine months of FY2024, the FY2024 full-year gross profit margin may be above 51.2%. As SG&A expenses are expected to be affected by yen depreciation, the Company focuses on the reform of the profit structure of the entire Nihon Kohden Group by restraining the increase of SG&A expenses such as personnel expenses and other expenses.

(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 Company also reaffirms its forecast for FY2024 by product category.

11) Topics - Implement the reform of the profit structure

FY2026
Target

OPM
improvement
5%pt

- ✓ Expect 50 bps improvement in profit margin as planned in FY2024, benefitting from the reform.
- ✓ Completed development of most of the measures and current estimates suggest 70% of the target is expected to be realized by the end of FY2026.
- ✓ Further accelerate implementing measures in three key areas to improve profitability.

Area	Theme	Details of measures	OPM improvement targets/estimations*	Progress as of FY2024 3Q
Product mix	Sale pricing	✓ Reviewing pricing policies both in Japan and overseas	<p>Apx. 2%</p>	<ul style="list-style-type: none"> ✓ Japan: Raised selling prices of products in Oct. 2024 and consumables in Jan. 2025. Anticipated benefits generally align with the plan ✓ International: Started raising selling prices of products in certain regions ✓ Reviewed product line-ups and discontinued selling some in-house consumables with low shipment volumes
	Review of product line-up	<ul style="list-style-type: none"> ✓ Reviewing and optimizing the number of products ✓ Increasing in-house sales ratio 		
Productivity	Improving personnel productivity, including by utilizing generative AI	<ul style="list-style-type: none"> ✓ 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 headcount and overtime hours 	<p>Apx. 2%</p>	<ul style="list-style-type: none"> ✓ Set targets and managed to reduce overtime hours ✓ Upfront investments such as installing licenses of generative AI in FY2024 is expected to contribute to improved productivity from FY2025 by restraining the increase of headcount ✓ Continued a zero-based cost management
	Reducing other expenses	<ul style="list-style-type: none"> ✓ Reducing infrastructure costs such as utility costs, rent, and communication expenses, and reviewing traveling costs 		
Supply chain	Optimizing parts procurement	<ul style="list-style-type: none"> ✓ Refining price negotiations with suppliers ✓ Promoting Value Analysis/Value Engineering 	<p>Apx. 1%</p>	<ul style="list-style-type: none"> ✓ Continued price negotiations under inflation ✓ Additional cost reduction measures are under consideration

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* Image of estimated margin improvement as of FY2024 3Q. FY2025 forecasts are currently under review and will be announced in May 2025.

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- The progress of the reform of the profit structure is shown above.
- We aim at improving operating income margin by 500 bps by FY2026 ending March 2027 through implementing the reform of the profit structure. In FY2024, we expect around 50 bps improvement as planned, benefitting from the reform. We have completed development of most of the measures and current estimates suggest around 70% of the targets is expected to be realized. We will further accelerate the implementation of measures in three key areas to improve profitability.
- In the area of the product mix, we raised selling prices for products in October 2024 and consumables in January 2025. Anticipated benefits generally align with the plan. Internationally, we also started raising selling prices of products in certain regions. As for product line-up, we continue to review product line-ups and discontinued selling some in-house consumables with low shipment volumes.
- In terms of productivity, upfront investments such as installing licenses of generative AI in FY2024 is expected to contribute to improved productivity from FY2025 by restraining the increase of headcount. We also continue zero-based cost management of other expenses.
- In terms of supply chain, we are continuing to negotiate the purchasing prices of parts with our suppliers. Additional cost reduction measures are under consideration, as it will take time to reach an agreement under inflationary conditions.

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