Message from Management



**With strong determination,
Nihon Kohden will pursue our transformation
into a global MedTech company
toward the final year of the Three-year Business Plan,
BEACON 2030 Phase II.**

Representative Director,
President and Chief Executive Officer

Introduction

We would like to express our sincere gratitude for your continued understanding and support of the corporate activities of the Nihon Kohden Group.
Although BEACON 2030 Phase II, our Three-year Business Plan, has entered its final year, we will steadily implement the reform of the profit structure, invest in growth areas, and advance toward the realization of our Long-term Vision toward 2030.
With strong determination, we will pursue our transformation into a global MedTech company to create a better future for people and healthcare by solving global medical issues.

The global economic outlook is expected to remain uncertain due to geopolitical risks, as well as higher oil prices and difficulties in procuring parts and components. As a medical equipment manufacturer, we have a social responsibility to ensure the stable supply of high-quality medical equipment around the world. In response to the significant changes in global SCM*1 since the COVID-19 pandemic, we have strengthened procurement by negotiating prices with suppliers and reviewing our supply chain. We are also pursuing VA/VE*2 initiatives, including product redesign and manufacturing process improvements, to reduce costs. In April 2026, we established the Production & Logistics Operations to integrate our production and logistics functions. Through this integration, we will further strengthen our global SCM, optimize inventory control, and focus on ensuring a stable supply of products.

*1 SCM: Supply Chain Management.
*2 VA/VE: Value Analysis/Value Engineering.

Review of FY2025

In FY2025, the 2nd year of our Three-year Business Plan, our business performance reflected higher net sales but lower operating income. In Japan, sales of third-party products decreased, while sales of in-house products increased. Overseas sales achieved double-digit growth, as sales in all regions increased favorably. On the profit side, operating income decreased, as domestic sales decreased and SG&A expenses increased. Overseas sales ratio, consumables and services sales ratio, and in-house sales ratio were above the Company's target, mainly due to the impact of the consolidation of Ad-Tech. Meanwhile, improving profitability through top-line growth remained an issue, as SG&A ratio increased due to sales falling short of forecasts.

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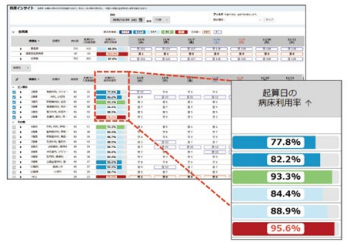
The shortage of healthcare professionals and the deteriorating financial condition of medical institutions are common issues worldwide. As a result, interest in and investment in medical DX*3 are increasing to improve operational efficiency and economics of medical care. One of our key strengths lies in our HMI*4 technology, and we are striving to realize a value creation model that creates value from data, by utilizing our core strength in HMI technology. By building a data platform that integrates data acquired from medical equipment and enables its utilization as big data, and by providing clinical support applications, we will strengthen our solution offerings that contribute to improving patient outcomes and economics of medical care.

In FY2025, we launched several DHS*5 products in Japan and overseas, including the QP-841N on-site alarm analytics software, the QP-842N admission and discharge management software, and an alarm solution, AlarmSense. As we steadily build our solution business toward 2030, we will accelerate our transition to solution-based business models that contribute to medical safety, patient outcomes, and operational efficiency.

*3 DX: Digital Transformation.
*4 HMI: 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.
*5 DHS: Digital Health Solutions.



QP-841N
On-site alarm analytics software



QP-842N
Admission and discharge management software



AlarmSense
Alarm solution

Progress of the Three-year Business Plan, BEACON 2030 Phase II (Key Initiatives and Results in FY2025)

In the Three-year Business Plan, BEACON 2030 Phase II, we are implementing the reform of the profit structure and making investments in growth areas, and working on our transformation into a global MedTech company. In FY2025, we implemented six key measures to achieve the three indicators outlined in Phase II.

3 Indicators and 6 Key Measures

1 Growth

Sales CAGR FY2023 - FY2026 **5%**

- Enhance product competitiveness
- Focus on growth of North America Business

2 Profitability

Operating margin in FY2026 **15%**

- Implement the reform of the profit structure
- Advance global supply chain management

3 Capital efficiency

ROE in FY2026 **12%**

- Introduce Nihon Kohden's own ROIC formula
- Reduce cash conversion cycle

Practice of Sustainability Management — Medical issues | Environmental issues | Social issues

1 Growth

Sales growth **4.3%** in FY2025

From a growth perspective, our ventilator business achieved remarkable growth overseas. In North America, we secured the leading market share in mask-type ventilators. Although we experienced temporary lost sales opportunities, mainly in Asia & Other, due to delays in complying with laws and regulations, these issues have now been largely resolved. We also decided to discontinue providing Abbott products, whose profitability was an issue, effective on December 31, 2026. To strengthen our business structure overseas, we established Nihon Kohden Advanced Technology Center, India in September 2025,

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and one of our sales subsidiaries started operations in Saudi Arabia in January 2026. We consolidated DOWELL Co., Ltd., which has continued R&D and sales of IT systems to support medical staff, as one of our subsidiaries in February 2026. There is a high affinity between its systems and our Solution Business (ITS+DHS)*6. Nihon Kohden aims to develop next-generation perioperative solutions by combining both companies' extensive clinical expertise and experience with advanced digital technologies.

*6 ITS: IT Solution, DHS: Digital Health Solution.

2 Profitability

Operating margin **8.0%** in FY2025

■ **Implement the reform of the profit structure**

FY2026 Target
OPM improvement **5%pt**

✓ Improvement: 80 bps in FY2024 ⇒ 300 bps (YoY +220 bps) in FY2025
✓ Expected 450 bps (YoY +150 bps) in FY2026
✓ Continuing to implement measures in three key areas to improve profitability

Area	Theme	Measures in FY2026	FY2026 Target
Product mix	Sale pricing	•Reviewing pricing policies such as raising selling prices in Japan and internationally	Apx. 2 %
	Review of product line-up	•Reviewing product line-up	
Productivity	Improving personnel productivity, including by utilizing generative AI	•Restraining increase of headcount through improving productivity by utilizing generative AI Improved operational efficiency: 380k hours/year in FY24 ⇒ 1,990k hours/year in FY25 Target: over 2.5 mil hours/year in FY26	Apx. 2 %
	Reducing other expenses	• Introducing new CRM*7 / Enhancing call center functions to improve productivity • Reviewing license fees, contracts for company vehicles and parking facilities	
Supply chain	Optimizing parts procurement	• Continuing price negotiations and reviewing suppliers under inflation • Promoting Value Engineering at factories in Japan, U.S., and China	Apx. 1 %

*7 CRM: Customer Relationship Management including Sales Force Automation function

From a profitability perspective, the effects of raising selling prices in Japan have begun to materialize. Productivity improvements through the use of generative AI have also progressed, reducing workload by approximately 3,600 hours per month in the translation of technical documents for licensing applications in each country. Cost reductions are also being achieved through measures such as the relocation or consolidation of offices and the review of various contracts. Although the reform of the profit structure has delivered certain results, the SG&A ratio remains at a high level due to factors such as sales falling short of forecasts, higher raw material prices, and wage increases.

3 Capital efficiency

ROE **8.1%** in FY2025

From a capital efficiency perspective, we are promoting the internal adoption of Nihon Kohden's own Return on Invested Capital (ROIC) formula and will strengthen monitoring at subsidiaries in North America. Inventory levels remain high, as inventories temporarily increased in preparation for the start of operations of PLM/MES*8 systems and the Tsurugashima Production Center. We need to secure inventories of parts and components to continue the supply of in-house products and consumables, due to shortages of memory components, higher oil prices, and difficulties in procuring parts and components caused by conflicts in the Middle East. Nevertheless, we will strengthen initiatives to optimize inventory levels.

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

Implementing Sustainability Management

Practice of Sustainability Management — Medical issues | Environmental issues | Social issues

In Phase II, the phase of the practice of sustainability management, we are embracing sustainability as the essence of our business activities and are working on solving medical, environmental, and social issues. To contribute to solving medical issues, as part of our efforts to expand access to AEDs, we launched affordable models of fully automatic AEDs in Japan. At Expo 2025 Osaka, Kansai, Japan, we provided medical equipment such as electrocardiographs and defibrillators, and supported AED installation, training programs, and an emergency transport assistance system.

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In addition, we engaged in awareness-raising activities through publications by SHOGAKUKAN Inc. and KODANSHA Ltd. A supplementary educational material that we supported in its editorial supervision received the Gold Prize in the "Media-Integrated Advertising Category" of the Japan Magazine Advertising Awards. Furthermore, we have been accelerating initiatives to promote AED awareness and improve survival rates, including our sponsorship as a premium partner of the rugby team SAYAMA SECOM RUGGUTs, with the aim of realizing a society in which anyone can use an AED without hesitation.
To contribute to solving environmental issues, we newly certified six products under the Green Product Label. These products are expected to contribute to reducing energy consumption and CO_2 emissions in medical institutions. At the Tsurugashima Production Center, which began operations in March 2026, we are implementing circular environmental initiatives such as the use of renewable energy and rainwater utilization to achieve a manufacturing facility with reduced environmental impact.
To contribute to solving social issues, as stated in our Management Philosophy, "We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees," we have positioned human resources as the foundation of the Company since our founding. We are focusing on developing human resources with a deep understanding of clinical practice through the establishment of multi-layered career development programs. We have also formulated the Core Values, which systematizes the values that all employees around the world should uphold in their daily work. Through our corporate philosophy education, we are fostering a unified organizational culture in which all employees, including foreign employees, work together as one team.
In Japan, following the discontinuation of providing Abbott products, effective on December 31, 2026, we implemented the Career Change Support and Next Career Support Programs. This initiative has not only created opportunities for employees to pursue new careers and life paths, but has also fostered a greater willingness to take on new challenges in a changing era, thereby contributing to further strengthening organizational capabilities.

Toward the Final Year of Our Three-year Business Plan, BEACON 2030 Phase II

While we have been steadily strengthening our business structure for mid- to long-term growth, there are gaps between our actual performance and our numerical targets for all three indicators: growth, profitability, and capital efficiency. In FY2026, which is the final year of this plan, we will implement our six key measures. We will focus on selling in-house products, consumables, and services. However, overall sales are expected to decline due to the discontinuation of Abbott products. We will improve our profitability by focusing on the growth of our North America Business and the reform of the profit structure. In response to rapid changes in the business environment that were not anticipated at the time of planning, we will pursue further business growth and improve our profit structure. We will also strengthen our organizational structure and capabilities in preparation for the final year of Phase II and the next Three-year Business Plan.

Continue Stable Dividends over the Long-Term

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy is to make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation.
The Company decided to pay a year-end dividend of 16 yen per share. As a result, the full-year dividend for FY2025 increased by 1 yen to 32 yen per share, including the interim dividend of 16 yen per share. As the Company also acquired 5 billion yen of its own shares, the consolidated total return ratio was 70% in FY2025. The full-year dividend for FY2026 will be increased 1 yen to 33 yen per share.
From FY2026, we have introduced the Business Unit Structure based on a matrix organization that integrates business and functional axes. By delivering products that respond promptly to market needs, we will strengthen our global competitive advantage while accelerating our transition to solution-based business models. Through these initiatives, we aim to achieve sustainable growth and enhance corporate value.
We appreciate your continued support.

