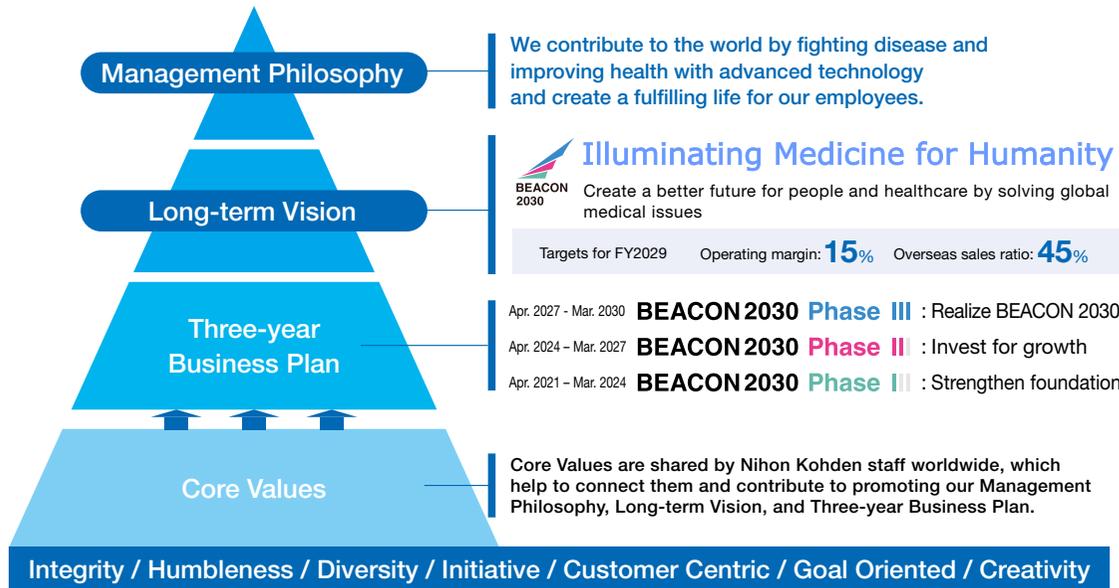


# Progress on Three-year Business Plan

In April 2021, Nihon Kohden started its Three-year Business Plan, BEACON 2030 Phase I, which is the first stage to strengthen its business foundation toward realizing its Long-term Vision BEACON 2030. To embrace sustainability across business and corporate activities, which is the basic policy of BEACON 2030 Phase I, we are working to ensure compliance and further strengthen group governance, improve the profitability of existing businesses and make strategic upfront investments, and establish global supply chain management and strengthen core functions. The following is an overview of the progress of FY2021, which was the first year of the Three-year Business Plan.



## Basic Policy in Three-year Business Plan

### 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 supply chain management and strengthen core functions of operations to lay a foundation for global growth

## Targets for FY2023 ending March 2024 (consolidated)

Sales	¥ <b>197</b> billion	Domestic sales	¥ <b>134</b> billion	Overseas sales	¥ <b>63</b> billion
Operating income (Operating income margin)	¥ <b>20</b> billion (10.2%)	ROE		<b>10%</b>	

## Review of the Progress in FY2021

### Review of the Progress in FY2021

In FY2021, demand for certain products and consumables recovered both in Japan and internationally from the previous fiscal year when demand was weak due to the COVID-19 pandemic. Demand for medical devices including patient monitors and ventilators to treat COVID-19 patients exceeded our initial expectation due to the spread of the variants.

Under these circumstances, Nihon Kohden Group has worked on its supply chain management reforms, and continued to supply products globally to respond to the shortage of semiconductors around the world. As a result, we posted record highs both in sales and profits. In Japan, we strengthened its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. The Company strived to sell in-house products which resulted in improved gross profit margin reflecting favorable product mix. As a result, the Company achieved a highly profitable structure. Internationally, the Company focused on consumables and services business by leveraging its increased product installations such as patient monitors. The

Company also strengthened its business structure in the U.S. and Asia. The ratio of overseas sales, the ratio of sales of consumables and services, and the gross profit margin all exceeded those of the previous fiscal year, leading to improved profitability.

In FY2022, which is the second year of the Three-year Business Plan, Nihon Kohden continues to focus on the stable supply of products by implementing supply chain management reforms, as there are many uncertainties such as the ongoing shortage of semiconductors, Ukraine crisis, and Shanghai lockdown. The Company also aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.

### Embracing Sustainability across Business and Corporate Activities

To further strengthen the promotion of sustainability, Nihon Kohden established an Advisory Board consisting of outside experts in July 2021. At the meetings of the Advisory Board, we received specific advice on speeding up our response to sustainability issues such as accelerating climate change-related disclosure and conducting human rights due diligence earlier.

For further details, please refer to [the Sustainability page](#).

#### Posted record highs in both sales and profits following the previous fiscal year

	FY2019	FY2020		FY2021	FY2023 Targets
Overseas Sales Ratio	27.4%	31.3%	■ Sales growth driven by the U.S. patient monitoring business and India	33.5%	32.0%
Consumables and Services Sales Ratio	45.5%	43.0%	■ Demand for consumables increased, as the number of patient monitors installed has increased	44.2%	48% or more
Gross Profit Margin	48.3%	51.2%	■ Higher overseas sales ratio ■ Sales of in-house products increased in Japan	53.2%	50% or more
(Reference) In-house sales ratio	65.6%	69.5%		72.7%	

Net sales ¥ **205.1** billion

Operating income ¥ **30.9** billion

## Review of the Progress in FY2021

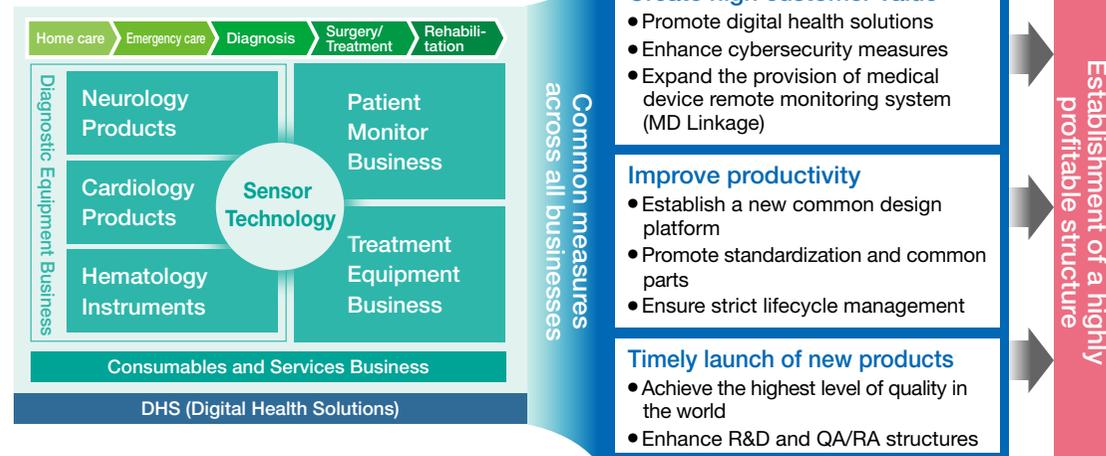
### Management: Ensure Strict Compliance and Strengthen Group Governance

To ensure strict compliance, we formulated and implemented recurrence prevention measures in response to the bribery matter that occurred in Japan in January 2021. In addition, to further strengthen Group governance, we introduced a Global Business Management Policy and started implementation in overseas subsidiaries. For further details, please refer to **the Ensuring Thorough Compliance page**.

### Business: Improve the Profitability of Existing Businesses and Obtain the Resources to Invest Strategically

To improve the profitability of existing businesses, we introduced in-house products and services with high customer value. As a common policy across all businesses, we aim to realize a highly profitable structure through the creation of high customer value, improvement of productivity, and the timely

#### Improve Profitability of Existing Businesses



launch of new products. In FY2021, we introduced our first hematology analyzer with reticulocyte measurement both in Japan and internationally. We also launched a central monitor which enhanced the linkage with IT systems and our first fully automatic AED in Japan. In addition, a medical device remote monitoring system for ventilators was initiated in Japan. Internationally, we strengthened our business structure through starting operation of the reagent factory in Dubai, UAE, and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc., which conducts research and development of algorithms and software for patient condition management in the U.S.

#### New Products Introduced in FY2021



The MEK-9200, Automated Hematology Analyzer



The CNS-2101 (Japan only), Central Monitor

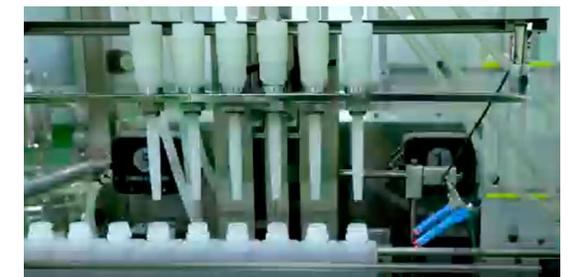


The AED-3250 (Japan only), Fully Automatic AED



Medical Device Remote Monitoring System for Ventilators (Japan only)

#### Reagent Factory in Dubai Started Production in April 2021



## Review of the Progress in FY2021

### Operations: Establish Global Supply Chain Management and Strengthen Core Functions of Operations

Amid the global supply chain disruption, we worked to reduce loss of business opportunities, especially overseas, by establishing our global information system, and worked on properly inventory management. To deal with tight supply of components, we prioritize securing inventory of parts by pre-ordering of components and purchasing from multiple suppliers. In addition, as part of our efforts to promote global supply chain management reforms and corporate digital transformation (CDX), we started introducing PLM/MES\* systems.

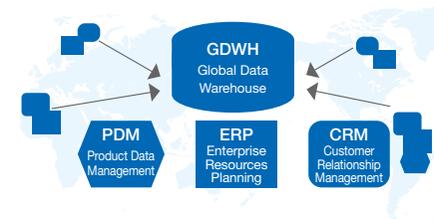
We also enhanced the cybersecurity of our internal IT infrastructure, following a cyber-attack on our European subsidiary in June 2021. In addition, we have strengthened our business structure to ensure our compliance with the latest laws and regulations throughout the entire product life cycle. In particular, we have focused on compliance with environmental regulations and strengthening post-marketing surveillance.

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

#### Establish Global Supply Chain Management

☑ Establish global information system

- Reducing loss of business opportunities
- Proper inventory management



☑ Response to tight supply of components

- Pre-ordering of components
- Purchasing from multiple suppliers



☑ Start introducing PLM/MES systems

#### Strengthen Core Functions of Operations

☑ Enhance cybersecurity of the internal IT infrastructure



☑ Strengthen compliance with the latest laws and regulations throughout the product life cycle

- Compliance with environmental regulations
- Post-market surveillance