

Message from Management



Based on the results and issues of the first year of BEACON 2030 Phase I, we will continue steadily strengthening the foundations of our business to realize our Long-term Vision.

Representative Director
President and CEO

Introduction

I would like to express our deepest condolences to all the victims of the ongoing crisis in Ukraine. The Nihon Kohden Group has donated relief funds and medical equipment for humanitarian aid. “Curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal.” I am reminded of these words of our founder and renew our determination to fulfill our mission as a medical equipment manufacturer. We will continue to respect human life above all else and do our best to support patients and medical workers.

Achieved over ¥200 Billion in Sales for the First Time since the Company's Founding together with Record Profits

In FY2021, which is the first year of the Three-year Business Plan, BEACON 2030 Phase I, we steadily promoted key strategies, based on our basic policy, while addressing issues such as the spread of the coronavirus variants and the shortage of electronic components due to the tight supply and demand situation in semiconductors.

In terms of sales, demand for certain products and consumables recovered from the previous fiscal year when demand was weak due to the COVID-19 pandemic. Demand for medical devices to treat COVID-19 patients exceeded the initial expectations in Japan and some overseas regions due to the spread of the variants. The strengthening of consumables and services business also contributed to increased sales, as the number of patient monitors and ventilators installed expanded through dealing with demand caused by COVID-19 over the past two years.

In the overseas business, which is a key growth driver, the patient monitoring business in the U.S., where we have focused on expanding our market share, made a particularly strong contribution to sales. The success of the installation of our patient monitoring system at the new pavilion of the hospital of the university of Pennsylvania, the first medical school in the U.S., is proof that our products and services are highly evaluated in overseas markets as well, and we expect this to lead to further enhancement of our brand recognition. In emerging countries, our presence was enhanced as we received an order from Hospital Israelita Albert Einstein in Brazil, for ICU patient monitoring

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system. We also received orders for patient monitors from some major hospital groups in India. In addition, while the tight supply of components was a major issue throughout the year, all divisions, including the R&D and production divisions, worked together on implementing reforms to the supply chain management to meet the request from the medical field and to continue supplying products. In improving profitability, the ratio of overseas sales, the ratio of sales of consumables and services, and the ratio of sales of in-house products all exceeded those of the previous fiscal year. We have steadily progressed to strengthen the business foundation to support mid- to long-term growth, and we aim to achieve our numerical targets for FY2023 ending March 2024.

Our goal for the fiscal year ending March 2024

Transformation into 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

- 1** Increase the ratio of overseas sales
- 2** Increase the ratio of sales of consumables and services
- 3** Increase the ratio of sales of in-house products

Three-year Business Plan, BEACON 2030 Phase I: Strengthening Our Foundation Progress in the First Year and Our Key Initiatives for FY2022

We have focused on promoting sustainability activities in the areas of environment, quality, and human rights/human resources.

In FY2021, we set KPIs (Key Performance Indicators) for 12 material issues for sustainability and promoted measures to address them.

In April 2021, we established the Sustainability Promotion Committee, and I myself chair it as the President, to strengthen the Sustainability Promotion Structure. In July 2021, we also established the Advisory Board, consisting of four external experts.*1 The Advisory Board Meeting pointed out the importance of initiatives in the areas of environment, quality, and human rights/human resources in particular, and an action plan was developed.

On the environmental front, we disclosed information on climate change in line with the TCFD recommendations.*2 As part of our initiatives for water resources, we have conducted water-stressed areas assessment at all Group sites and disclosed information on water intake/discharge on our website. In the future, to strengthen our efforts to reduce CO₂ emissions, including throughout the supply chain, we will focus on the development of environmentally friendly products with a lower environmental impact than before, and contribute to efforts to reduce CO₂ emissions not only by us and our suppliers, but also by our customers who use our products.

* 1 As one of external experts was appointed as outside director in June 2022, the Advisory Board currently consists of three members.

* 2 TCFD: Task Force on Climate-related Financial Disclosures which was established under the auspices of the Financial Stability Board.



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In terms of quality, we conducted a Net Promoter Score survey, an index to measure customer attachment (loyalty) to our products or services, and received responses from over 1,000 customers. We appreciate our customers' cooperation with the survey. We will continue to analyze the results of the survey and strive to improve customer's satisfaction levels.

On the human rights/human resources front, we conducted our first human rights due diligence and employee satisfaction survey.

Human rights due diligence inspections were conducted at each company of the Nihon Kohden Group in Japan and overseas, as well as at our key suppliers, all of which were found to have a high

awareness of the working environment. Going forward, we will conduct further investigations to assess human rights risks, identify human rights issues, and promote countermeasures.

Although the employee satisfaction survey in Japan showed a high level of satisfaction, there were variations in responses by age and type of job. Based on the survey results, we aim to create a fulfilling work environment in which all employees can work enthusiastically and enjoy job satisfaction.

For further details, please refer to **the Environment, Quality, and Human Rights/Human Resources pages.**



Net Promoter Score survey screen

[Management] We have focused on measures to ensure strict compliance and strengthened governance

The compliance matter that occurred in Japan in January 2021 caused great concern to all our stakeholders, including our customers and shareholders. To prevent a similar incident from happening again, I myself became the chairperson of the Committee for Implementation and Management of Recurrence Prevention Measures and implemented recurrence prevention measures

and reforms to our organizational culture.

Through the implementation of these measures, we have steadily improved our awareness of compliance, but we have discovered in November 2021 that a former employee in Japan was involved in acts of misconduct. We take seriously the fact that we still have a long way to go to ensure strict compliance and will work to further strengthen governance.

As part of this effort, we reorganized the Sales Operations, which oversees domestic sales, into the Domestic Business Operations in April 2022. In addition to clearly separating the administration function from the sales management functions, we have strengthened the administration department of each sales branch office and the defense lines in our internal controls.

As President, I will continue to practice thorough compliance through my own words and actions while striving to foster an organizational culture that values ethical behavior above all else.

<p>Introduced a donation website September 2021</p>	<p>Establishment of a system in which sales staff are not involved in processing donations</p>
<p>Strengthened application of IT controls to pre-order processes November 2021</p>	<p>Transparency of quotation and other processes; prevention of opportunities for fraud</p>
<p>Conducted questionnaire survey to domestic dealers From January 2022 Established whistle-blowing channel for third parties From January 2022</p>	<p>Establish mutual check procedures with dealers</p>
<p>Conducted compliance training by outside experts October 2021 Compliance included as an item in performance reviews Management positions in June 2021, general employees in October 2021</p>	<p>Raising compliance awareness of each employee</p>

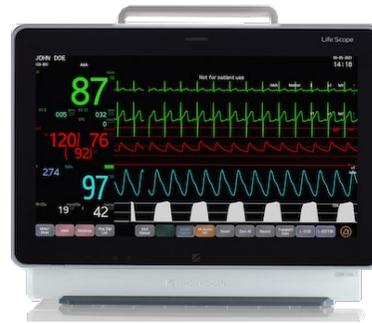
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[Business] In addition to the launch of new products, we made progress in our efforts to create new businesses.

In improving the profitability of existing businesses, we launched two new value-added products: our first automated hematology analyzer with reticulocyte measurement and fully automatic AED.

In the U.S., we have also received FDA approval for a mid-range bedside monitors with enhanced cyber security features. The product was launched in April 2022, and we expect it to further increase our market share in the U.S.

In the area of creating new businesses, to realize the Digital Health Solution (DHS) vision, we have developed an information platform to manage vital sign data obtained from medical devices such as patient monitors and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc., AMP3D, a U.S. company that conducts research and development of algorithms and software for patient condition management. As the digitization of healthcare accelerates due to the COVID-19 pandemic, we aim to transform ourselves into a solution-oriented business model that leverages data to solve our customers' issues.



Bedside Monitors with FDA Approval in the U.S.,
The CSM-1500 Series



CoMET® Continuous Monitoring of Event Trajectories,
Software developed by Advanced Medical Predictive
Devices, Diagnostics and Displays, Inc.

[Operations] We have embarked on a fundamental reform of our supply chain.

In FY2021, we launched the Supply Chain Management Innovation Project. To adapt to the new business environment, we have promoted reforms to minimize loss of business opportunities and maximize throughput with a view to restructuring our global production and logistics system. Supply chain management has become increasingly important as a business risk due to the supply chain disruption caused by COVID-19, the shortage of semiconductors, and the Ukraine crisis and Shanghai lockdown. In FY2022, we will redesign our supply chain management system based on the results of an analysis to ensure both stable product supply and proper inventory management. In addition, as part of the corporate digital transformation (CDX), PLM/MES* systems will be introduced to improve productivity.

On the human resources side, to foster a global corporate culture, we held a conference bringing together human resources managers from Japan and overseas. We promoted the formulation of a human resources development program based on the Management Philosophy training and Core Values.

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

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We Decided 70th Anniversary Commemorative Dividend, Special Dividend, and Share Buyback

Nihon Kohden recognizes that the returning profits to shareholders is as one of management's most important tasks and has a basic policy of maintaining stable and continuous dividend payments over the long term. As we celebrated our 70th anniversary in last August and our business performance was favorable, we decided to pay a year-end dividend of 48 yen for FY2021, consisting of an ordinary dividend of 20 yen, a 70th anniversary commemorative dividend of 13 yen, and a special dividend of 15 yen, to express our gratitude for the support of our shareholders. As a result, the full-year dividend for FY2021 was 67 yen per share, including the interim dividend of 19 yen per share. In addition, the Company acquired 280k shares of own shares in February 2022 and 320k shares in May and June 2022. The full-year dividend for FY2022 will be 40 yen (interim dividend of 20 yen and year-end dividend of 20 yen).



We Will Continue to Work Together with All of You.

In 2021, Nihon Kohden celebrated its 70th anniversary. We would like to express our sincere gratitude to our customers, shareholders, and all stakeholders for their support. The message of our Long-term Vision is to create a better future for people and healthcare by solving global medical issues, and I believe this is our purpose, which is the meaning of our existence, and our mission as a medical equipment manufacturer. We aim to realize a sustainable society and enhance corporate value of the Company by striving for the realization of our Long-term Vision and the achievement of our Three-year Business Plan. We look forward to the continued support and encouragement of our shareholders.



About the Name of the Long-term Vision

Nihon Kohden named its Long-term Vision **BEACON 2030** as the keyword in the Vision Statement is "Illuminating" and Nihon Kohden's Logo graphically expresses the light beaming from a lighthouse. The name conveys our spirit that we will be the light offering hope to people suffering from illness.