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September 12, 2024

## **NIHON KOHDEN CORPORATION (6849)**

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### **Notice regarding Acquisition of Shares of NeuroAdvanced Corp. (U.S. Company)**

Nihon Kohden today announced that on September 12, 2024, its Board of Directors passed a resolution to acquire 71.4% shares of NeuroAdvanced Corp. (“NAC”), which is the parent company of Ad-Tech Medical Instrument Corporation (“Ad-Tech”) in the U.S. NAC and Ad-Tech will become consolidated and specified subsidiaries of Nihon Kohden as their capital will be equivalent to 10% or more of Nihon Kohden’s capital, respectively.

Nihon Kohden today concludes a stock purchase agreement with NeuroNewCo, LP (“NNC-LP”), a fund that owns 100% shares of NAC. The Company will also conclude a shareholders agreement with NNC-LP regarding Ad-Tech’s business operations under the new capital structure (Nihon Kohden: 71.4%, NNC-LP: 28.6%) and future acquisition of shares of NAC by Nihon Kohden.

#### **1. Reason for Acquisition of Shares**

Nihon Kohden aims to create a better future for people and healthcare by solving global medical issues in its Long-term Vision, BEACON 2030. In its Three-year Business Plan, BEACON 2030 Phase II, starting from April 2024, the Company focuses on enhancing product competitiveness and expanding consumables and services business. In North America, the Company also aims to grow its business by prioritizing allocation of resources.

Since its founding in 1951, Nihon Kohden has continued R&D, production, and sales of EEGs used for the examination and diagnosis of brain diseases such as epilepsy, resulting in gaining a high reputation and market share globally. Ad-Tech has also continued R&D, production, and sales of intracranial electrodes such as depth electrodes and subdural electrodes, which are used for surgical treatment of drug-resistant epilepsy, since its founding in 1983. They have gained an excellent reputation among neurosurgeons in 60 or more countries around the world. For more than 30 years, Nihon Kohden has provided Ad-Tech products with exclusive distribution rights to medical institutions in Japan.

Both Nihon Kohden and NNC-LP reached an agreement on this transaction because there is a high affinity between the Company’s neurology products and Ad-Tech’s intracranial electrodes, and because the Company expects to further strengthen its core human machine interface (HMI) technology by acquiring Ad-Tech’s know-how for technology and production of consumables used in invasive testing and treatment. The Company also expects that the expansion of its consumable portfolio will lead to a stable and consistent revenue base and growth.

Globally, it is estimated that there are 50 million patients with epilepsy, of which patients with drug-resistant are 15 million and surgical treatment is required for 5 million patients. In the U.S., as cutting-edge research on diagnosis and treatment of epilepsy is conducted, Nihon Kohden will strengthen collaboration with not only Ad-Tech but also medical institutions and research institutions. Nihon Kohden aims to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to prognosis in neurology area.

## 2. Outline of Shareholders Agreement

NNC-LP, a counterparty to the acquisition of shares, is one of the Limited Partnership Funds advised by ARCHIMED SAS (“ARCHIMED”), which is a global leading investment firm specializing in the healthcare industry. Since acquiring Ad-Tech in 2020, ARCHIMED has contributed to strengthening Ad-Tech’s business foundation and sustainable growth by deep involvement in their management, including the appointment of Brian Smith as CEO. Nihon Kohden highly appreciates the management capabilities of Ad-Tech by ARCHIMED over the past few years.

Under the shareholders agreement to be concluded between the Company and NNC-LP, in anticipation of the possibility of changes in the management structure of Ad-Tech in the future, a put option (NNC-LP has the right to sell NAC shares to the Company) will be included. If this option is exercised, NAC will become a 100% subsidiary of the Company by Nihon Kohden’s acquiring an additional 28.6% shares of NAC. The shareholders agreement will also include an earn-out clause based on the achievement of Ad-Tech’s performance targets, which is subject to the exercise of this put option.

### 3.1 NAC’s Profile

(1)	Name	NeuroAdvanced Corp.	
(2)	Location	251 Little Falls Drive, Wilmington, DE 19808, U.S.A.	
(3)	Name and title of representative	Brian P. Smith, CEO	
(4)	Business	Holding company of companies that are engaged in R&D, production, and sales of medical equipment	
(5)	Capital	\$29.7 million	
(6)	Date of establishment	October 12, 2020	
(7)	Major shareholders and ownership ratios	NeuroAdvanced Corp. is wholly owned by NeuroNewCo, LP.	
(8)	Relationship between Nihon Kohden and NAC	Capital	There is no significant relationship between Nihon Kohden and NAC.
		Personnel	There is no significant relationship between Nihon Kohden and NAC.
		Business	Nihon Kohden has exclusive distribution rights in Japan for products of Ad-Tech, a 100% subsidiary of NAC.

### 3.2 Ad-Tech’s Profile

(1)	Name	Ad-Tech Medical Instrument Corporation
(2)	Location	Registration: 251 Little Falls Drive, Wilmington, DE 19808, U.S.A. R&D, production, sales: 400 West Oakview Parkway, Oak Creek, WI 53154, U.S.A.
(3)	Name and title of representative	Brian P. Smith, CEO

(4) Business	R&D, production, and sales of medical equipment		
(5) Capital	\$29.7 million		
(6) Date of establishment	August 10, 1983		
(7) Major shareholders and ownership ratios	Ad-Tech is wholly owned by NeuroAdvanced Corp.		
(8) Relationship between Nihon Kohden and Ad-Tech	Capital	There is no significant relationship between Nihon Kohden and Ad-Tech.	
	Personnel	There is no significant relationship between Nihon Kohden and Ad-Tech.	
	Business	Nihon Kohden has exclusive distribution rights in Japan for products of Ad-Tech.	
(9) Operating results and financial conditions for the last three years*	(Millions of dollars)		
As of fiscal years ended	December 31, 2021	December 31, 2022	December 31, 2023
Net assets	\$24.4	\$24.0	\$24.5
Total assets	\$53.8	\$55.0	\$52.8
Net sales	\$21.2	\$24.5	\$28.0
Operating income (loss)	(\$0.2)	(\$1.2)	\$2.8
Ordinary income (loss)	(\$1.1)	(\$2.8)	\$0.4
Income (loss) attributable to owners of parent	(\$0.4)	(\$1.9)	\$0.4

\* There are two special purpose companies (SPCs) between NAC and Ad-Tech. The above numbers are the consolidated financial statements of the two SPCs and Ad-Tech.

#### 4 NNC-LP's Profile

(1) Name	NeuroNewCo, LP	
(2) Location	Carnegie Hall Tower 152 W. 57th Street, Floor 57 New York, NY 10019, U.S.A.	
(3) Basis of establishment	A Limited Partnership Fund under the Delaware LPs Act	
(4) Purpose of formation	Formed by ARCHIMED SAS, a French investment firm, to invest in MedTech industry, which is one of their investment sectors	
(9) Relationship between Nihon Kohden and NNC-LP	Relationship between Nihon Kohden and NNC-LP	N/A
	Relationship between Nihon Kohden and NNC-LP's operating partners	N/A
	Relationship between Nihon Kohden and NNC-LP's Japanese agents	N/A

#### 5. Number of shares to be acquired, acquisition costs, and shareholding before and after acquisition

(1) Number of shares held before the change	0 shares (Number of voting rights: 0 units) (Ratio of voting rights held: 0%)
(2) Number of shares to be acquired	227.766 shares (Number of voting rights: 227.766 units)
(3) Acquisition costs	Approx. ¥16.0 billion (estimated amount including advisory fees, etc.) * Based on an exchange rate of 145 yen to the U.S. dollar.
(4) Number of shares to be held after the change	227.766 shares (Number of voting rights: 227.766 units) (Ratio of voting rights held: 71.4%)

\* With respect to the acquisition price, appropriate due diligence has been conducted by third party organizations and sufficient procedures have been implemented to verify the appropriateness of the price. The funds required for the share acquisition are expected to be provided by cash on hand and debts from financial institutions.

## 6. Schedule

(1) Date of resolution at the meeting of the Board of Directors	September 12, 2024
(2) Date of conclusion of the agreement	September 12, 2024
(3) Date of share transfer	November 29, 2024 (scheduled)*

\* The execution of the share transfer is subject to the fulfillment of the preconditions stipulated in the stock purchase agreement as well as regulatory approval under the antitrust law in the U.S. The Company plans to conclude a shareholders agreement with NNC-LP by the date of the share transfer.

## 7. Effect on Operating Results of Nihon Kohden

The effect of this share transfer on the consolidated results for the fiscal year ending March 31, 2025 is currently under review. If an event which is required to be disclosed arises, the Company will immediately announce such event.

(Reference) Consolidated forecast for FY2024 announced on May 13, 2024 and FY2023 result (Millions of yen)

	Net sales	Operating income	Ordinary income	Income attributable to owners of parent
Forecast for fiscal year ending March 31, 2025	229,000	23,000	23,000	16,000
Result for fiscal year ended March 31, 2024	221,986	19,591	25,589	17,026