

# **Consolidated Financial Highlights for the First Half of FY2024**

(From April 1, 2024 to September 30, 2024)

- 1. Consolidated Financial Results  
for the First Half of FY2024**
- 2. Forecast for FY2024**
- 3. Business Strategy**

**NIHON KOHDEN CORPORATION**

(Ticker Code: 6849)

November 11, 2024

*Fighting Disease with Electronics*



# **1 Consolidated Financial Results for the First Half of FY2024**

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# 1) Consolidated Financial Results for the 1<sup>st</sup> Half of FY2024

	First half FY2023	First half FY2024			YoY (%)
		Original forecast announced May 13	Revised forecast announced Aug 2	Actual	
<b>Sales</b>	103,536	104,000	102,000	<b>102,784</b>	-0.7
<b>Domestic Sales</b>	65,708	-	-	<b>66,243</b>	0.8
<b>Overseas Sales</b>	37,828	-	-	<b>36,541</b>	-3.4
<b>Gross Profit</b> (Gross Profit Margin)	52,005 50.2%	-	-	<b>51,906</b> 50.5%	-0.2
<b>Operating Income</b> (Operating Income Margin)	7,491 7.2%	7,000 6.7%	3,000 2.9%	<b>5,114</b> 5.0%	-31.7
<b>Ordinary Income</b>	12,546	7,000	3,000	<b>2,139</b>	-82.9
<b>Income Attributable to Owners of Parent</b>	7,997	4,500	1,500	<b>463</b>	-94.2

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

**-12% on a local currency basis**  
(-6% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023 1H\*)

**In-house sales ratio:** FY2023 1H 72.9% → FY2024 1H 71.5%

**SG&A:** ¥44.5 bil → ¥46.7 bil  
**SG&A Ratio:** 43.0% → 45.5%

**Foreign exchange gains/losses:**  
¥4,866 mil gains → ¥3,327 mil losses

**Extraordinary losses:**  
**Business restructuring costs**  
¥182 mil

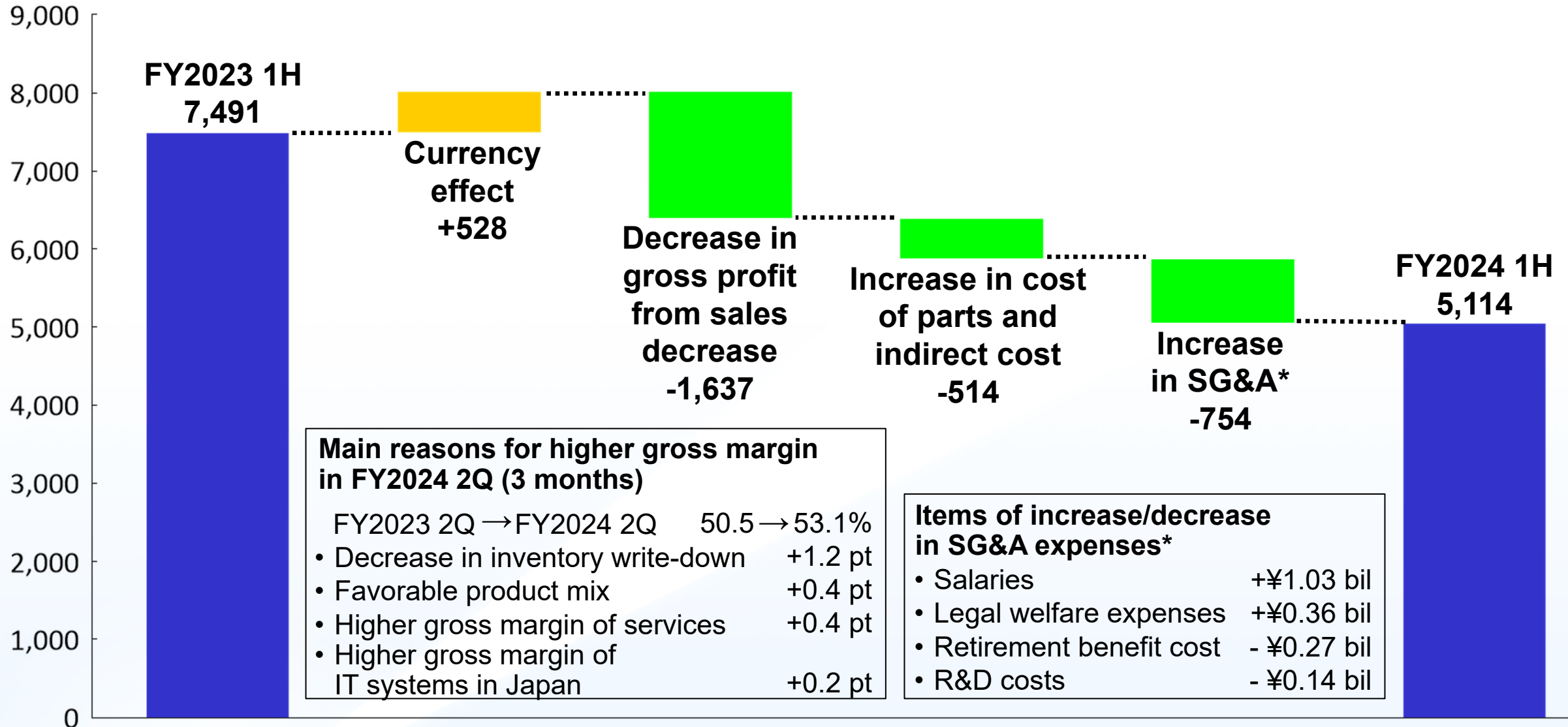
Average exchange rate	First half FY2023
1 US Dollar	139.6 yen
1 EURO	153.3 yen

First half FY2024
<b>153.6 yen</b>
<b>166.3 yen</b>

\*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 FY2023 1H ended September 30, 2023, Nihon Kohden consolidated the 9 months of Defibtech's operating results from January 1, 2023 to September 30, 2023.

## 2) Breakdown of Operating Income

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

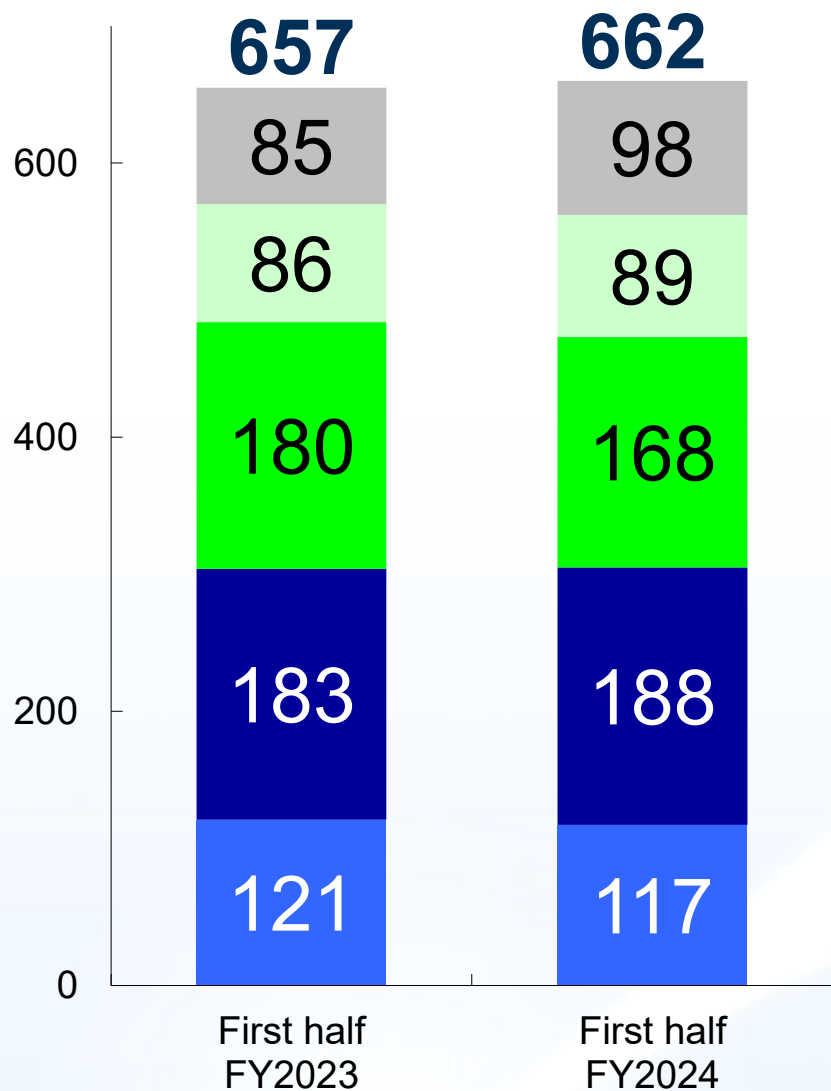


\*Increase in SG&A indicates the amount as a factor of increase/decrease of operating income excluding the currency effect.  
Items of increase/decrease in SG&A expenses indicate major components of increased/decreased SG&A expenses on a yen basis.

# 3) Domestic Sales

## Sales by market

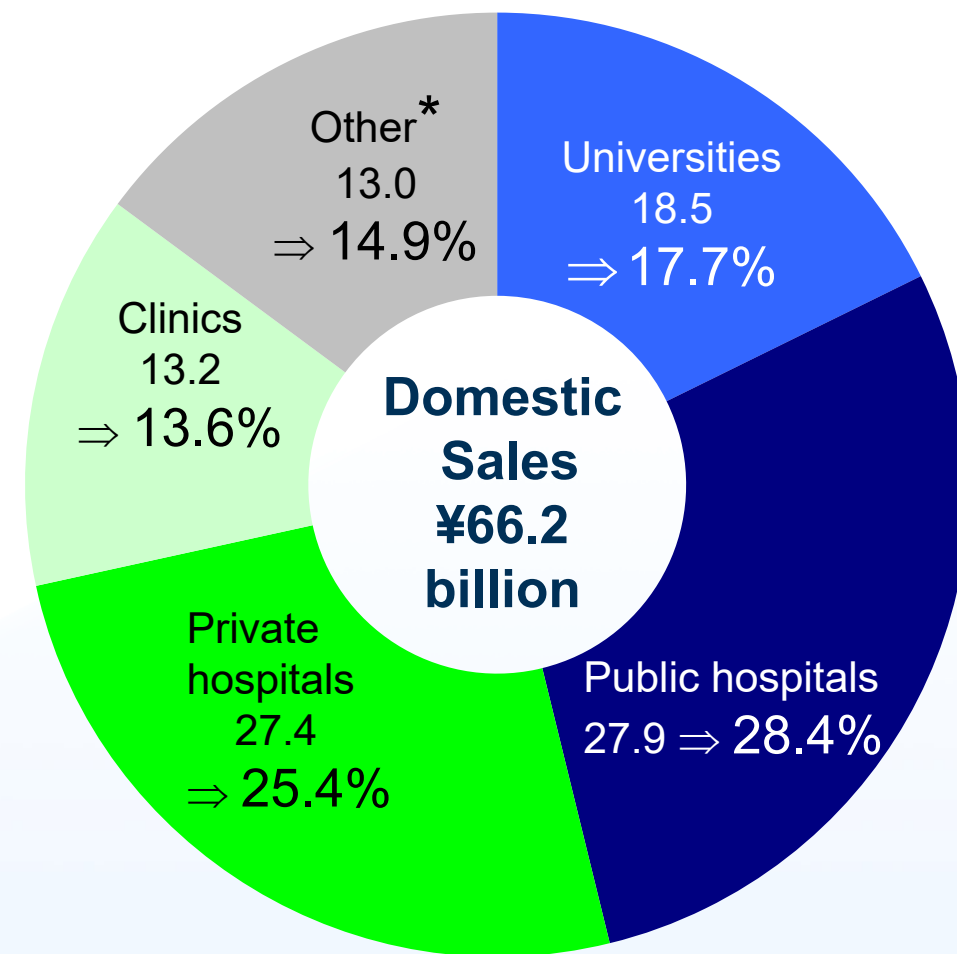
(¥100 million)



- Other
- Clinics
- Private hospitals
- Public hospitals
- Universities

## Sales composition by market

(FY2023 1H ⇒ FY2024 1H)

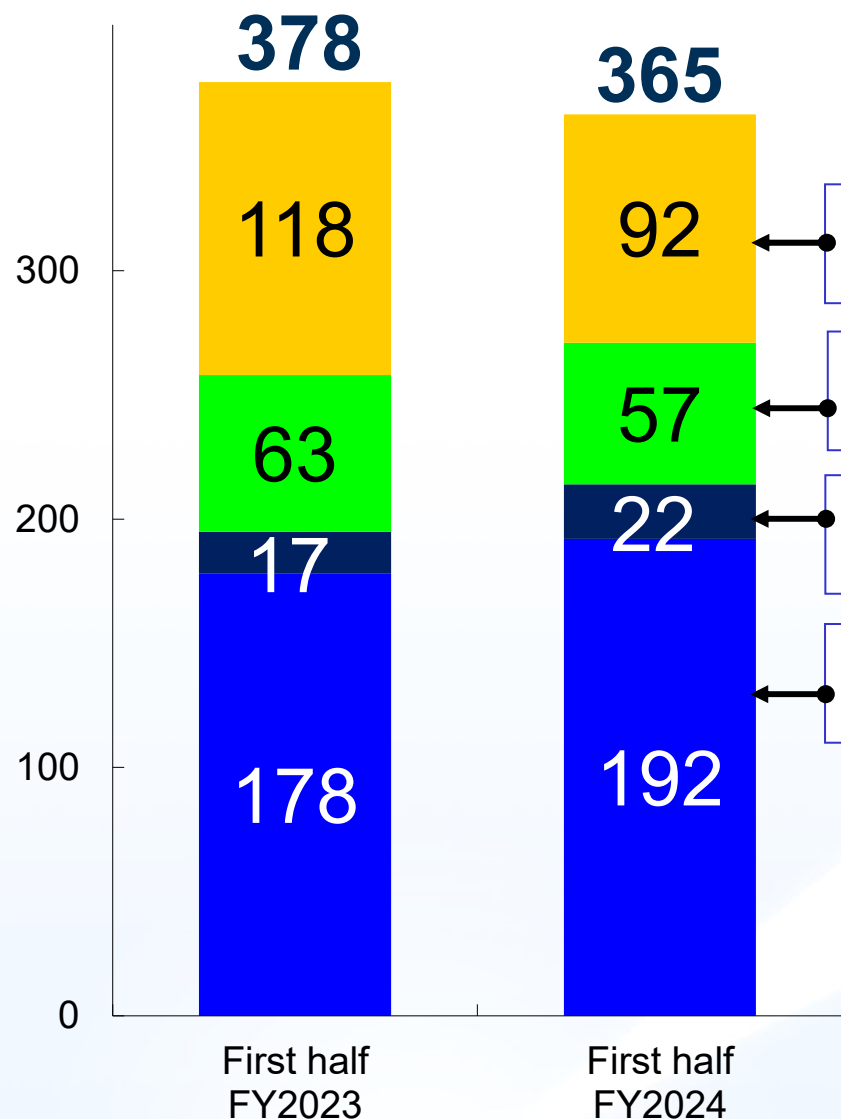


\*Other includes laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

# 4) Overseas Sales

(¥100 million)

## Geographic segments



**Overseas sales: YoY -3%**  
 (on a local currency basis: -12%,  
 on a local currency basis excluding  
 impact of change in fiscal term of  
 Defibtech in FY2023 1H: -6%)

■ **Asia & Other: YoY -21%**  
 (on a local currency basis: -28%)

■ **Europe: YoY -10%**  
 (on a local currency basis: -17%)

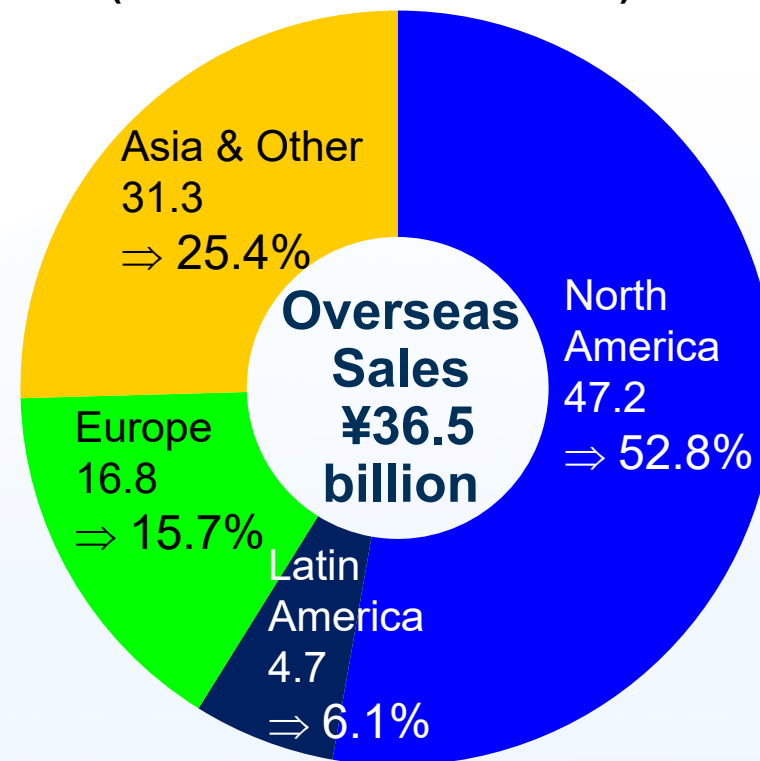
■ **Latin America: YoY +24%**  
 (on a local currency basis: +11%)

■ **North America: YoY +8%**  
 (on a local currency basis: -2%)

## Percentage of overseas sales to consolidated sales

First half FY2023	First half FY2024
36.5%	35.6%

## Geographic Segments (FY2023 1H ⇒ FY2024 1H)



# 5) Sales by Product Category

(Sales, millions of yen)

	First half FY2023	First half FY2024	YoY (%)
Physiological Measuring Equipment	22,329 (45%)	<b>21,474</b> (40%)	-3.8
Patient Monitors	37,989 (62%)	<b>38,478</b> (64%)	1.3
Treatment Equipment	25,367 (43%)	<b>24,444</b> (42%)	-3.6
Other Medical Equipment	17,849 (44%)	<b>18,387</b> (46%)	3.0
<b>Total</b>	<b>103,536</b> (50%)	<b>102,784</b> (51%)	-0.7

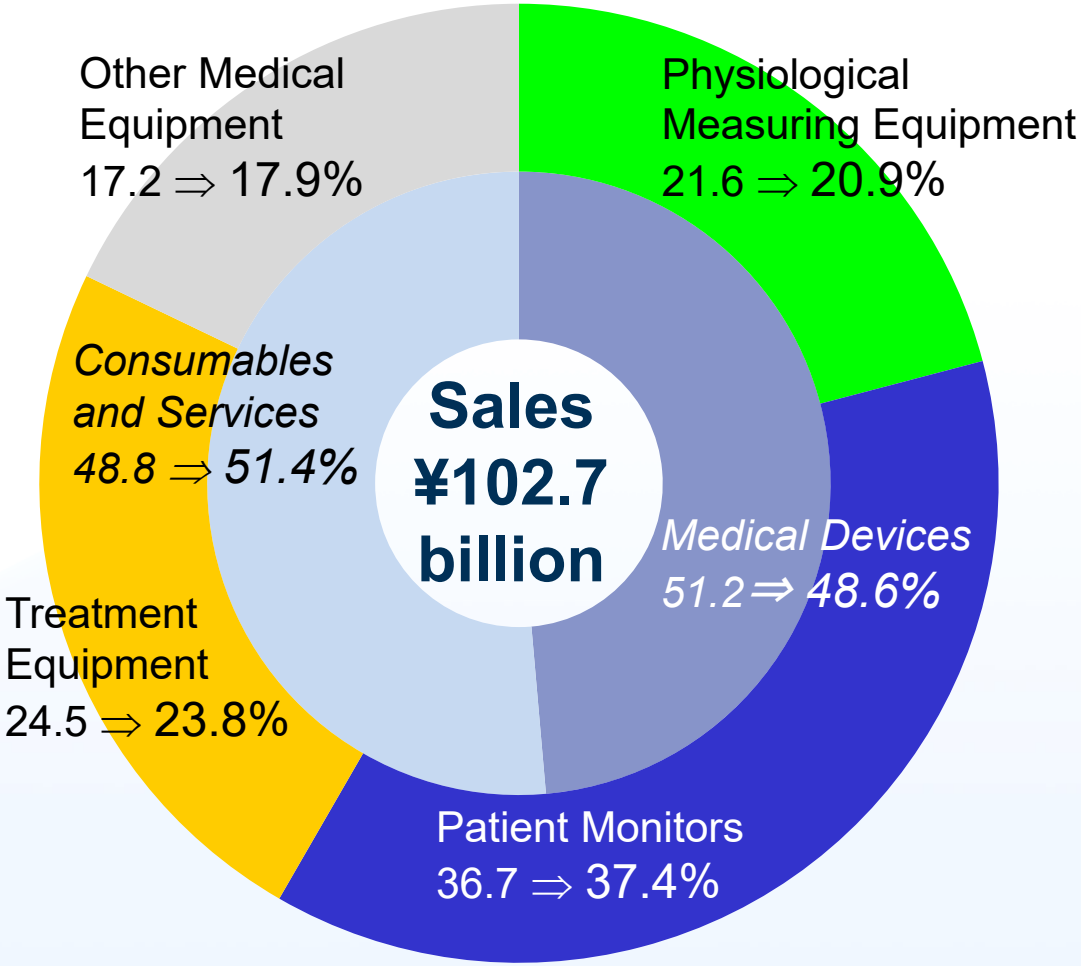
(Reference)

Medical Devices	52,989 (51%)	<b>49,966</b> (52%)	-5.7
Consumables and Services	50,547 (50%)	<b>52,818</b> (50%)	4.5

\*The figures in parentheses in the table are gross profit margins.

## Sales composition by product category

(FY2023 1H ⇒ FY2024 1H)



# 5.1) Physiological Measuring Equipment

	First half FY2023	First half FY2024	YoY (%)
Electroencephalographs	4,915	4,760	-3.1
Electrocardiographs	3,156	3,025	-4.2
Polygraphs for Cath Lab	8,521	8,690	2.0
Diagnostic Information Systems	3,056	2,296	-24.9
Other Physiological Measuring Equipment *	2,679	2,701	0.8
<b>Physiological Measuring Equipment</b>	<b>22,329</b>	<b>21,474</b>	<b>-3.8</b>
<b>Domestic Sales</b>	16,924	16,659	-1.6
<b>Overseas Sales</b>	5,405	4,814	-10.9

(Sales, millions of yen)

Sales of diagnostic information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1H. Sales of EEGs achieved double-digit growth and sales of ECGs increased favorably. Sales of polygraphs for cath lab also increased.

Sales both of EEGs and ECGs decreased in Asia & Other, mainly in China.

\*Includes products of other companies.



**NEW!**



**Electro-encephalograph**  
EEG-1290

**EMG/EP measuring system**  
MEB-2300

**Electro-cardiograph**  
ECG-3250

**Holter ECG monitor**  
RAC-5000

**Polygraphs for Cath Lab**  
RMC-5000



**Medical and long-term care network system**  
LAV-1000

**Consumables**  
EMG electrode for neuromuscular monitoring  
NM-34 series



# 5.2) Patient Monitors

	First half FY2023	First half FY2024	YoY (%)
<b>Patient Monitors</b>	37,989	<b>38,478</b>	1.3
<b>Clinical Information Systems</b>	2,955	<b>1,822</b>	-38.3
<b>Domestic Sales</b>	21,412	<b>20,630</b>	-3.7
<b>Overseas Sales</b>	16,577	<b>17,847</b>	7.7

(Sales, millions of yen)

Sales of clinical information systems decreased due to a reactionary decline compared to the strong growth in FY2023 1H. Sales of bedside monitors also decreased. Sales of telemetry systems and transmitters increased favorably.

Sales in North America, Latin America, and Europe achieved double-digit growth. In Asia & Other, sales decreased mainly in China, where sales showed strong growth in FY2023 1H.



# 5.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2023	First half FY2024	YoY (%)
<b>Defibrillators (for Hospital and Ambulance)</b>	3,690	<b>3,890</b>	5.4
<b>AEDs (Automated External Defibrillator)</b>	14,174	<b>11,495</b>	-18.9
<b>Pacemakers / ICDs</b>	1,258	<b>1,258</b>	0.0
<b>Ventilators</b>	2,597	<b>3,769</b>	45.1
<b>Other Treatment Equipment</b>	3,646	<b>4,030</b>	10.5
<b>Treatment Equipment</b>	25,367	<b>24,444</b>	-3.6
<b>Domestic Sales</b>	12,981	<b>14,648</b>	12.8
<b>Overseas Sales</b>	12,385	<b>9,795</b>	-20.9
<b>(Ref.) AED Unit Sales</b>	81,700	<b>54,700</b>	-33.0
<b>Domestic Unit Sales</b>	24,200	<b>29,500</b>	21.9

**Domestic:** Sales increased favorably thanks to replacement demand in fire departments.  
**International:** Sales in Latin America and Europe increased.

**Domestic:** Sales achieved double-digit growth, as replacement demand recovered and sales of consumables increased favorably.  
**International:** Sales decreased due to the impact of a change in the fiscal term of Defibtech in FY2023 1H, and inventory adjustment at distributors in each region.

**Domestic:** Sales of consumables and services increased.  
**International:** Sales of ventilators increased significantly, especially for a mask-type ventilator in North America. Sales in Asia & Other also increased favorably.

**Domestic:** Sales of ablation catheters showed strong growth.



**Defibrillator**  
EMS-1052



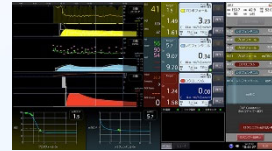
**Fully automatic AED**  
AED-3250



**Pacemaker**  
Zenex MRI



**Ventilator**  
NKV-550/440/330



**AsisTIVA**  
Syringe pump control software for assisting with total intravenous anesthesia  
ROP-1680

**NEW!**



**Automated chest compression device**  
ARM XR ACC

# 5.4) Other Medical Equipment

	First half FY2023	First half FY2024	YoY (%)
Hematology Instruments	6,122	6,516	6.4
Imaging Systems and Others *	11,727	11,871	1.2
<b>Other Medical Equipment</b>	17,849	18,387	3.0
<b>Domestic Sales</b>	14,389	14,304	-0.6
<b>Overseas Sales</b>	3,459	4,083	18.0

(Sales, millions of yen)

Sales of locally purchased products decreased. Sales of maintenance services for medical devices increased favorably and sales of hematology instruments and reagents also increased.

Sales of hematology instruments and reagents achieved double-digit growth in Europe and Latin America.

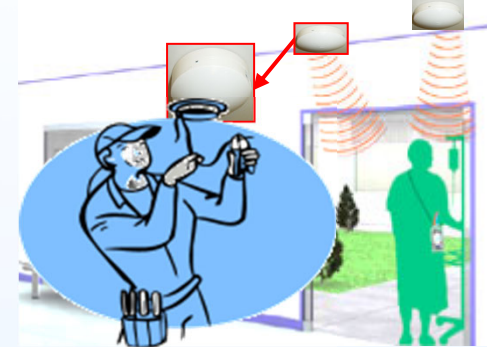
\*Includes consumables, installation and maintenance services which are not part of other categories.



**Automated hematology analyzer**  
MEK-9200



**Automated hematology and ESR analyzer**  
MEK-1305



**Installation and maintenance services**

## 6) Financial Condition

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

	FY2023	First half FY2024	Change		FY2023	First half FY2024	Change
Current Assets	184,333	<b>167,891</b>	-16,442	Current Liabilities	49,901	<b>40,092</b>	-9,809
Inventories	57,787	<b>55,950</b>	-1,836	Interest-bearing Debt	579	<b>477</b>	-102
Property, Plant & Equipment	25,418	<b>25,960</b>	541	Non-current Liabilities	2,249	<b>2,122</b>	-126
Intangible Assets	4,852	<b>5,203</b>	351	Net Assets	181,082	<b>176,385</b>	-4,697
Investments & Other Assets	18,628	<b>19,545</b>	916				
<b>Total Assets</b>	<b>233,233</b>	<b>218,600</b>	<b>-14,633</b>	<b>Total Liabilities &amp; Net Assets</b>	<b>233,233</b>	<b>218,600</b>	<b>-14,633</b>

Inventory Turnover	6.3 months	<b>6.1months</b>		Equity Ratio	77.6%	<b>80.7%</b>	
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### [Reasons for the decrease of current assets]

Notes and accounts receivable	-¥14.7 bil
Cash and deposits	-¥2 bil

### [Reasons for the decrease of current liabilities]

Notes and accounts payable	-¥3 bil
Accrued income taxes	-¥2.6 bil
Accounts payable	-¥1.9 bil

# 7) Cash Flows

	First half FY2023	First half FY2024	Change	(Amounts of less than ¥1 million are rounded down)																								
<b>I . Cash flows from operating activities</b>	9,488	<b>7,888</b>	-1,600	<table border="1"> <thead> <tr> <th></th> <th>FY2023 1H</th> <th>FY2024 1H</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td><b>Income before income taxes</b></td> <td>12,545</td> <td>1,908</td> <td>-10,637</td> </tr> <tr> <td><b>Foreign exchange losses (gains)</b></td> <td>-3,152</td> <td>2,346</td> <td>+5,499</td> </tr> <tr> <td><b>Decrease (increase) in accounts receivable</b></td> <td>9,445</td> <td>14,143</td> <td>+4,698</td> </tr> <tr> <td><b>Increase (decrease) in accounts payable</b></td> <td>-6,635</td> <td>-2,337</td> <td>+4,298</td> </tr> <tr> <td><b>Income taxes paid</b></td> <td>-2,829</td> <td>-5,362</td> <td>-2,532</td> </tr> </tbody> </table>		FY2023 1H	FY2024 1H	Change	<b>Income before income taxes</b>	12,545	1,908	-10,637	<b>Foreign exchange losses (gains)</b>	-3,152	2,346	+5,499	<b>Decrease (increase) in accounts receivable</b>	9,445	14,143	+4,698	<b>Increase (decrease) in accounts payable</b>	-6,635	-2,337	+4,298	<b>Income taxes paid</b>	-2,829	-5,362	-2,532
	FY2023 1H	FY2024 1H	Change																									
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<b>Income taxes paid</b>	-2,829	-5,362	-2,532																									
<b>II . Cash flows from investing activities</b>	-2,874	<b>-3,366</b>	-491																									
<b>Free cash flows</b>	6,614	<b>4,521</b>	-2,092																									
<b>III . Cash flows from financing activities</b>	-3,553	<b>-5,034</b>	-1,481																									
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,114	<b>-672</b>	-2,786	<table border="1"> <thead> <tr> <th></th> <th>FY2023 1H</th> <th>FY2024 1H</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td><b>Purchase of treasury shares</b></td> <td>-0</td> <td>-2,306</td> <td>-2,305</td> </tr> <tr> <td><b>Cash dividends paid</b></td> <td>-3,445</td> <td>-2,602</td> <td>+843</td> </tr> </tbody> </table>		FY2023 1H	FY2024 1H	Change	<b>Purchase of treasury shares</b>	-0	-2,306	-2,305	<b>Cash dividends paid</b>	-3,445	-2,602	+843												
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<b>Purchase of treasury shares</b>	-0	-2,306	-2,305																									
<b>Cash dividends paid</b>	-3,445	-2,602	+843																									
<b>Net increase (decrease) in cash and cash equivalents</b>	5,175	<b>-1,185</b>	-6,360																									
<b>Cash and cash equivalents at end of period</b>	49,163	<b>48,692</b>	-471																									

## [Planned to acquire own shares]

Acquisition period: From August 5, 2024, to March 31, 2025  
 Total amount of share acquisition costs: Up to ¥10 billion

# 8) Capital Investments and R&D Costs

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

	First half FY2023	First half FY2024	FY2023 Actual	FY2024	
				Original forecast announced May 13	Revised forecast announced Nov 7
<b>Capital Investments</b>	2,006	<b>3,341</b>	4,978	10,300	10,300
<b>Depreciation</b>	1,684	<b>1,925</b>	3,704	4,500	4,400
<b>R&amp;D costs</b>	3,327	<b>3,186</b>	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



\*Image

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

2

# Forecast for FY2024

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# 1) Business Environment

The global economic outlook remained uncertain due to higher geopolitical risks, while tight monetary policy eased in the U.S. and Europe. The impact of inflation and higher personnel expenses on the business of medical institutions should be monitored carefully.

## Japan

**Secure medical staff and promote their work style reforms.**

- Medical service fees rose by 0.88% in June 2024. Higher basic fees for wage increase, promoting DX in medical fields, infection control measures, and task shifting.

**Deepen integrated community care systems. Differentiate medical institution functions and strengthen collaboration.**

- Funds for securing comprehensive medical and long-term care in the community: FY2024 budget ¥102.9 bil for medical care

As work style reforms took effect in FY2024, business sentiment in medical institutions deteriorated due to difficulties in securing medical professionals.

## International

### U.S. and Europe

- In the U.S., medical institutions' finance showed a trend of improvement, leading to signs of recovery in their capital expenditure in medical equipment.
- DX in medical fields has accelerated.
- Withdrawal of foreign companies from ventilator market.

### Emerging Markets

- Impact of the anti-corruption campaign and economic slowdown in China.
- Moves to protectionism in each country.
- Regulatory tightening for medical devices.



## 2) Forecast for FY2024

	FY2023	FY2024 Forecast		YoY (%)
	Actual	Original forecast announced May 13	Revised forecast announced Nov 7	
<b>Sales</b>	221,986	229,000	227,000	2.3
<b>Domestic Sales</b>	142,370	147,000	147,000	3.3
<b>Overseas Sales</b>	79,615	82,000	80,000	0.5
<b>Gross Profit</b> (Gross Profit Margin)	111,346 50.2%	118,000 51.5%	116,300 51.2%	4.4
<b>Operating Income</b> (Operating Income Margin)	19,591 8.8%	23,000 10.0%	20,500 9.0%	4.6
<b>Ordinary Income</b>	25,589	23,000	18,000	-29.7
<b>Income Attributable to Owners of Parent</b>	17,026	16,000	12,000	-29.5
<b>Percentage of overseas sales</b>	35.9%	35.8%	35.2%	

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

-3% on a local currency basis  
±0% on a local currency basis excluding impact of change in fiscal term of Defibtech in FY2023

### Breakdown of overseas sales by region

	FY2023	FY2024 Forecast		YoY (%)
	Actual	Original forecast announced May 13	Revised forecast announced Nov 7	
<b>North America</b>	37,058	38,100	40,400	9.0
<b>Latin America</b>	6,039	5,200	5,200	-13.9
<b>Europe</b>	13,104	12,400	12,000	-8.4
<b>Asia &amp; Other</b>	23,413	26,300	22,400	-4.3
<b>Total</b>	79,615	82,000	80,000	0.5

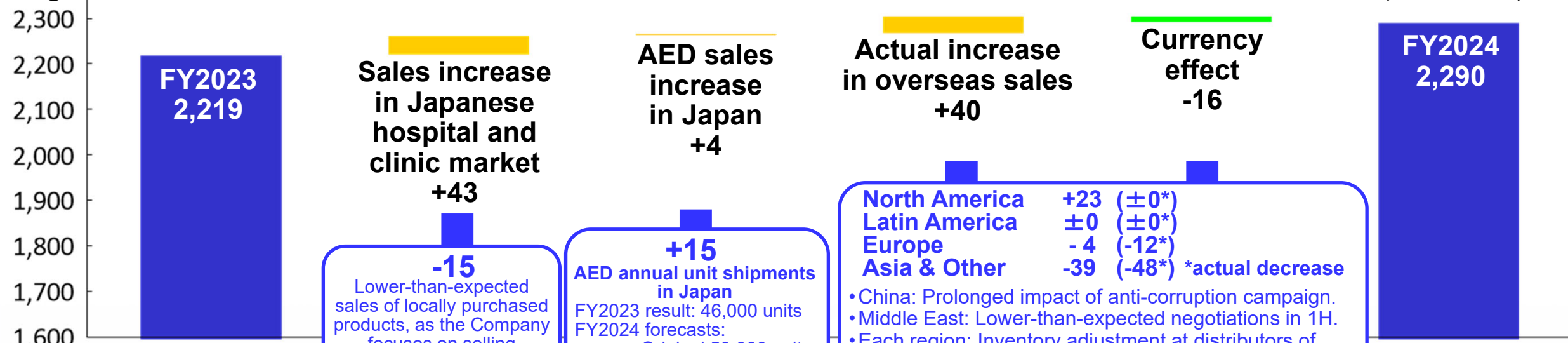
### Average exchange rate

1 US Dollar	143.9 yen	140 yen	149 yen	FY2024 2H 145 yen
1 EURO	156.8 yen	150 yen	160 yen	155 yen

# 3) Analysis of FY2024 Sales Forecast

## Original forecast

(¥100 million)



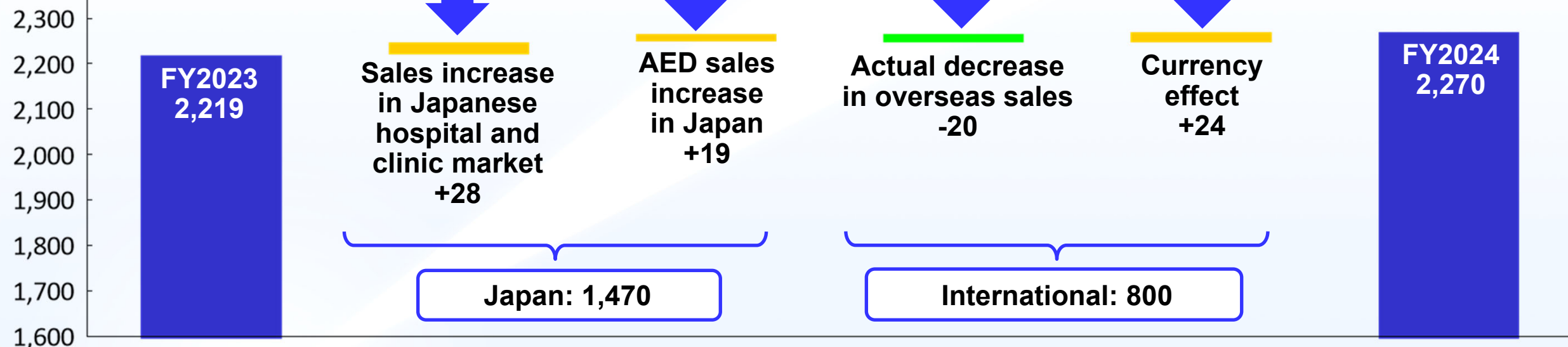
**-15**  
Lower-than-expected sales of locally purchased products, as the Company focuses on selling in-house products.

**+15**  
**AED annual unit shipments in Japan**  
FY2023 result: 46,000 units  
FY2024 forecasts:  
Original 50,000 units  
→ Revised 60,000 units

North America	+23	(±0*)
Latin America	±0	(±0*)
Europe	-4	(-12*)
Asia & Other	-39	(-48*) *actual decrease

• China: Prolonged impact of anti-corruption campaign.  
• Middle East: Lower-than-expected negotiations in 1H.  
• Each region: Inventory adjustment at distributors of Defibtech's AEDs.

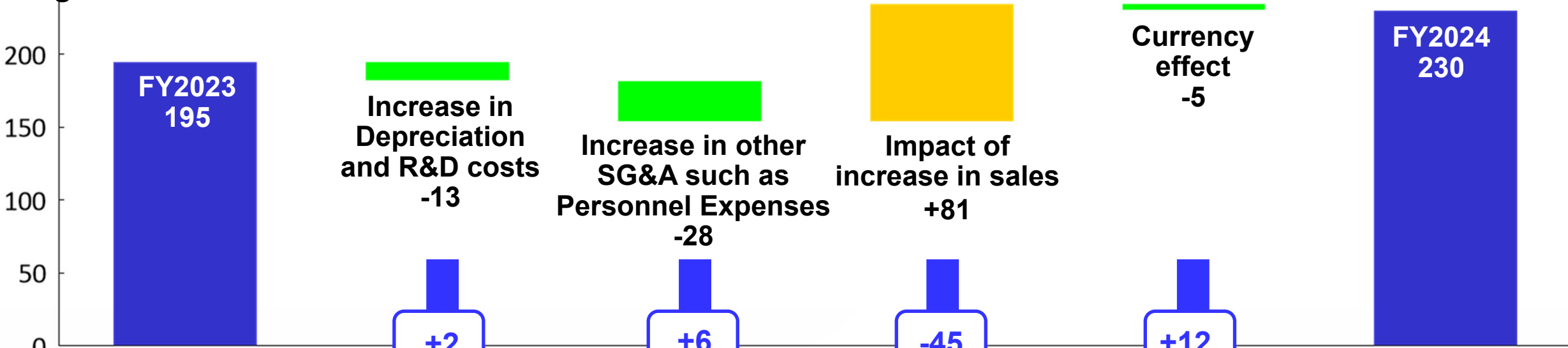
## Revised forecast



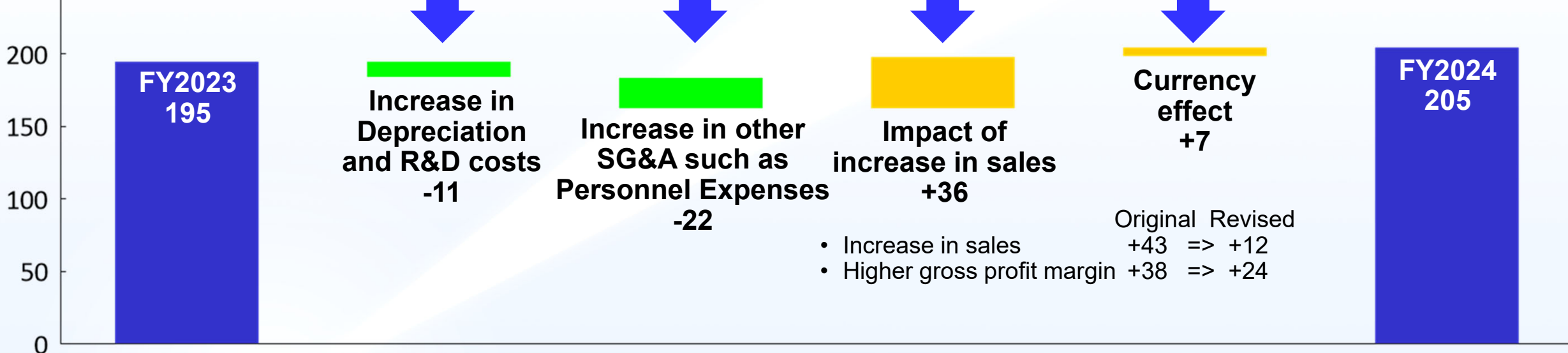
# 4) Analysis of FY2024 Operating Income Forecast

(¥100 million)

Original forecast



Revised forecast



# (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
<b>Total</b>	<b>221,986</b>	<b>229,000</b>	<b>227,000</b>	<b>100.0</b>	<b>2.3</b>

(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

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# Business Strategy

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# Long-term Vision and Three-year Business Plan

We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.



## Illuminating Medicine for Humanity

Create a better future for people and healthcare by solving global medical issues

Targets for  
FY2029

Operating  
Margin

15%

Overseas  
Sales Ratio

45%

Management  
Philosophy

Long-term  
Vision

Three-year  
Business Plan

Core Values

Apr. 2027 - Mar. 2030 **BEACON 2030** Phase III: Realize BEACON 2030

Apr. 2024 - Mar. 2027 **BEACON 2030** Phase II: Invest for growth

Apr. 2021 - Mar. 2024 **BEACON 2030** Phase I: Strengthen foundation

Core values are shared by Nihon Kohden staff worldwide, helping to connect them and contributing to the promotion of our Management Philosophy, Long-term Vision, and Three-year Business Plan.

Integrity / Humbleness / Diversity / Initiative / Customer Centric / Goal Oriented / Creativity

# BEACON 2030 Phase II 3 Indicators and 6 Key Measures

Implement the reform of the profit structure and make investments in growth areas, and accelerate our transformation into a global MedTech company

## 1) Growth

Sales CAGR  
FY2023 - FY2026

**5%**

Enhance product  
competitiveness

Focus on growth of  
North America Business

## 2) Profitability

Operating income 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

## New products launched in FY2024

## Patient Monitoring Business

Central monitor  
CNS-2101

Launched in Japan in FY2021 3Q  
 Launched in the U.S. in FY2023 3Q  
**Planned to launch in Europe  
 and emerging markets in FY2024**

Mid-to low-end bedside  
monitors BSM-5700

**Launched in Europe and emerging  
 markets in FY2024 3Q**  
**Planned to launch in Japan in FY2024 3Q**

- ✓ Successors to BSM-3000
- ✓ For ORs in small- to mid-sized hospitals
- ✓ Storage 5-waveform review data for 120 hours



## Treatment Equipment Business

Ventilator  
NKV-440U.S. R&D  
production

Launched in some emerging  
 countries in FY2022 4Q  
**Launched in the U.S.  
 in FY2024 2Q**

Defibrillators for hospitals  
TEC-1000

**Launched in Japan  
 and emerging markets in FY2024 2Q**

- ✓ Enhanced vital sign monitoring functions
- ✓ Contributes to easing workloads for equipment maintenance and management



## Solution Business (ITS+DHS)

Remote ICU solution  
RemoteSense

U.S. R&amp;D

**Launched in the U.S. in FY2024 1Q**  
**Added functions in FY2024 2Q**

- ✓ Refer to vital signs of patients at several hospitals via a web browser
- ✓ Monthly subscription model

Dashboard software for  
monitoring patient condition  
QH-101N

**Launched in Japan in FY2024 2Q**

- ✓ Planning to introduce monthly subscription model from January 2025
- ✓ Calculation and display of early warning scores from vital signs
- ✓ Support for RRS\*1 in hospital



\* The actual launch dates varied in accordance with the examination period for regulatory approval in each country.

\*1 RRS (Rapid Response System) is designed to respond to patients by warning of deterioration in patient condition.



## Japan: Strengthen the customer base and achieve sustainable growth by enhancing customer value propositions

- ✓ Lifted limitation of sales destination for fully automatic AEDs. Sponsored the event celebrating the 20<sup>th</sup> anniversary of AEDs. Produced a supplement to the “Kindergarten” magazine published by SHOGAKUKAN Inc.
- ✓ Launched **the TEC-1000 defibrillators**, as well as **the QH-101N dashboard software for monitoring patient condition**, one of our DHS products.
- ✓ Revised service fees in June 2024 and plan to revise selling prices of products and consumables in FY2024 2H.

## North America: Strengthen ties with the major IDN/GPO & DoD/VA\*<sup>1</sup> and improve brand awareness and profitability

- ✓ Neurology products: **Announced the acquisition of Ad-Tech as a subsidiary** (September 2024, Planned to transfer share in November 2024)
- ✓ Patient monitors: Started providing **the RemoteSense, a remote ICU solution**, one of our DHS products, as a subscription model
- ✓ Ventilators: Launched the NKV-440, a mid-range ventilator. Received a significant order for NKV-330 from one of large IDNs. **Obtained ATO\*<sup>2</sup> from DoD** by meeting cybersecurity requirements (August 2024)

## Rest of world: Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities

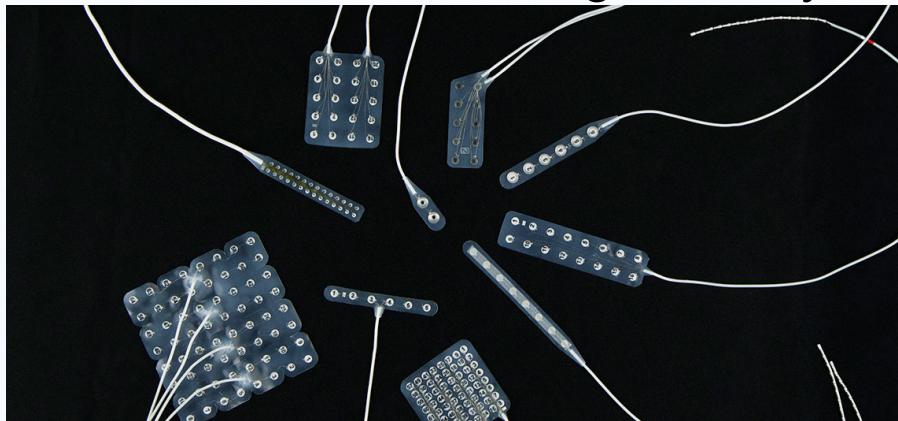
- ✓ China: Reorganized sales and service structure due to weak demand for medical equipment (September 2024)
- ✓ India: **Started full operation of new reagent factory** (September 2024), Started preparation for production of medical equipment
- ✓ South East Asia: **Established sales subsidiary in Vietnam** (May 2024), Promoted the acquisition of in-house sales licenses in the Philippines and Thailand

\*1 IDN: Integrated Delivery Network, GPO: Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs. \*2 ATO: Authority to Operate.

**Concluded an agreement for acquiring 71.4% shares of NeuroAdvanced Corp., which is the parent company of Ad-Tech Medical Instrument Corporation in the U.S.** (Planned to transfer share in November 2024)

## Ad-Tech Medical Instrument Corporation

- Head office: Wisconsin, U.S.A.
- Establishment: 1983
- Representative: Brian P. Smith (CEO)
- Business: R&D, production, and sales of medical equipment
- Sales: \$28M, OP:\$2.8M in FY2023
- Acquisition costs: Approx. ¥16.0 bil (estimated amount including advisory fees)



- Main products (consumables): **Intracranial electrodes such as depth electrodes and subdural electrodes** used for surgical treatment of drug-resistant epilepsy.
- Relationship: We have distributed Ad-Tech's products for more than 30 years with exclusive distribution rights in Japan.

- **High affinity with our neurology products**
- **Strengthening HMI\* technology** with Ad-Tech's technological know-how and production of consumables used in invasive testing and treatment
- **Stable and consistent revenue base and growth**

\* 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.

# Implement the reform of the profit structure

Area	Theme	Details of measures	FY2026 Target	Progress in FY2024 1H
Product mix	Sale pricing	<ul style="list-style-type: none"> <li>✓ Reviewing pricing policies both in Japan and overseas</li> </ul>	Apx. 2%	<ul style="list-style-type: none"> <li>✓ Reviewed selling prices of products and consumables in Japan in FY2024 2H</li> <li>✓ Discontinued sales of mainly in-house consumables with low shipment volume</li> </ul>
	Review of product line-up	<ul style="list-style-type: none"> <li>✓ Reviewing and optimizing the number of products</li> <li>✓ Increasing in-house sales ratio</li> </ul>		
Productivity	Improving personnel productivity, including by utilizing generative AI	<ul style="list-style-type: none"> <li>✓ Improving operational efficiency by introducing generative AI: 1.4 mil hours per year</li> <li>✓ Focusing on core jobs and reallocating resources: 900 k hours per year</li> <li>✓ Reducing the increase of personnel and overtime hours</li> </ul>	Apx. 2%	<ul style="list-style-type: none"> <li>✓ Installed 2,000 licenses of generative AI</li> <li>✓ Started operation of QA chatbot for products</li> <li>✓ Introduced energy management system at the Advanced Technology Center</li> <li>✓ Reviewed contracts for company vehicles, multifunction printers, and telecommunications equipment</li> </ul>
	Reducing other expenses	<ul style="list-style-type: none"> <li>✓ Reducing infrastructure costs such as utility costs, rent, and communication expenses, and reviewing traveling costs</li> </ul>		
Supply chain	Optimizing parts procurement	<ul style="list-style-type: none"> <li>✓ Refining price negotiations with suppliers</li> <li>✓ Promoting Value Analysis/Value Engineering</li> </ul>	Apx. 1%	<ul style="list-style-type: none"> <li>✓ Continued price negotiations under the impact of inflation</li> </ul>

# Advance global supply chain management

- ✓ Promoted introducing PLM/MES\* systems (Planned to start operation in FY2025)
- ✓ **Started full operation of new reagent factory in India** (September 2024)
- ✓ Establishment of new plant in Tsurugashima City  
(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.



New reagent factory in India

# Introduce Nihon Kohden's own ROIC formula

✓ Held ROIC training for executives/division managers and streamed the video (FY2024 2Q)

- Manage Nihon Kohden's own ROIC formula in each subsidiary/division, as our business consists of a single segment, medical electronic equipment-related business.
- Measure effectiveness from a mid-to long-term perspective, as R&D costs and personnel expenses in last three years, which are not included in B/S, are considered as future investments.
- Figure out ROIC in each subsidiary and promote penetration of NK's ROIC in the Group

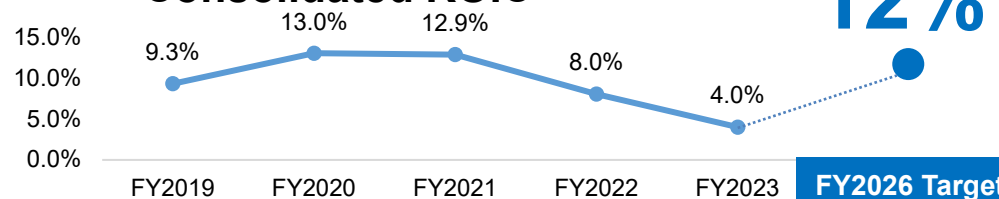
## Nihon Kohden's own ROIC calculation formula

Operating income

Invested capital (future investment\* + accounts receivable + inventory + property, plant and equipment - accounts payable)

\* R&D costs and personnel expenses in last three years

## Consolidated ROIC

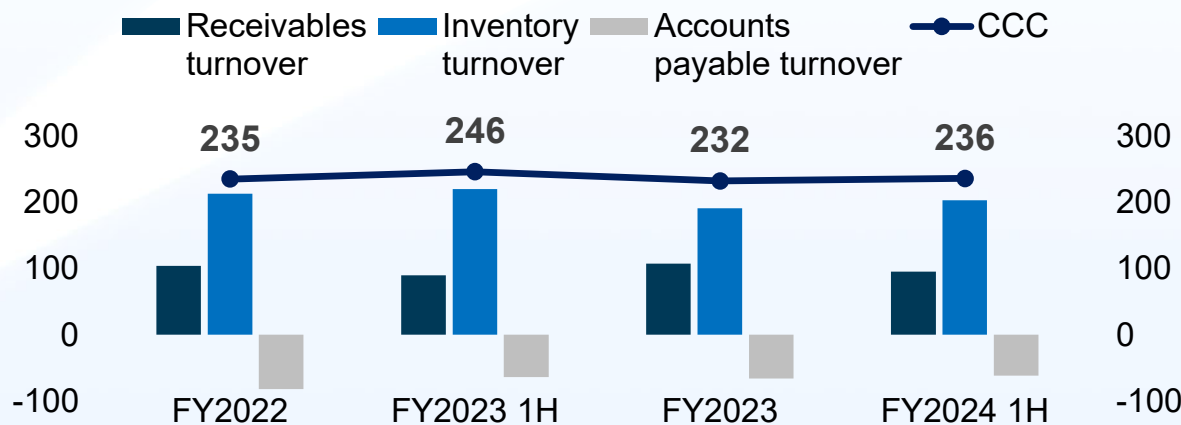


Consolidated ROIC =  $\text{NOPAT} \div \text{Invested capital}$   
 \* Invested capital = interest-bearing liabilities + shareholders' equity

Set cost of capital at 7% conservatively, target of IRR at 12% in Phase II

# Reduce cash conversion cycle

- ✓ Strengthen procurement and production management functions mainly at the newly established Production Operations (April 2024)
- ✓ Reduce inventory levels of finished goods and parts in line with our expectations by enhancing PSI (Production, Sales, Inventory) Management
- ✓ Collect debt faster



FY2024 target

~190 days





Phase II target

~175 days

Mid-term target

~150 days

**Disclosure of material issues and results for KPIs in Phase I** (end of August 2024)  
**Promote practice of Sustainability Management by partially reviewing material issues and KPIs in Phase II**

Cumulative targets for Three-year Business Plan Phase I	Results for three years
 <b>AED: Cumulative number of products sold:</b> Over 350k units (worldwide, for 3 years)	324k units (achievement rate: 92%)
 <b>Cumulative number of products sold:</b> Over 85k units (worldwide, for 3 years)	95k units (achievement rate: 112%)
 <b>Cumulative number of</b> - <b>Connected models:</b> Over 7 - <b>Connected units:</b> Over 5k (worldwide, for 3 years)	3 models (achievement rate: 43%) 1,911 units (achievement rate: 38%) Note: The calculation method was reviewed.
 <b>Cumulative sales ratio of environment-friendly products:</b> Over 20% (for 3 years)	19.4%
<b>CO<sub>2</sub> emissions in FY2023:</b> 15.2% reduction compared to FY2020 per unit of sales (ISO 14001 certified sites, Scope 1, 2)	45.8% reduction (compared to FY2020)

[https://www.nihonkohden.com/sustainability/nk\\_sustainability/materiality.html](https://www.nihonkohden.com/sustainability/nk_sustainability/materiality.html)

Medical issues

- ✓ Invited local doctors to Japan, aiming to **improve neonatal resuscitation rates in Indonesia** (July 2024)

Environmental issues

- ✓ Started **the Green Product Label** certification structure (March 2024)
- ✓ **Added a business impact assessment** to the disclosure based on TCFD recommendations (October 2024)



Social issues

- ✓ Formulated and released **our Tax Policy** (September 2024)
- ✓ Opened **the Product Security Portal** (October 2024)

# Targets for FY2026 ending March 2027

**Aiming at sales CAGR of 5%, operating income margin of 15%, ROE of 12%**

	FY2023 Actual	FY2026 Target
<b>Net Sales</b>	¥221.9 bil	¥256.0 bil
<b>Domestic Sales</b>	¥142.3 bil	¥157.0 bil
<b>Overseas Sales</b> (Overseas Sales Ratio)	¥79.6 bil (35.9%)	¥99.0 bil (38.7%)
<b>Consumables and Services Sales Ratio</b>	47.9%	50%
<b>In-house Sales Ratio</b>	73.5%	75%
<b>Solution Sales Ratio</b>	11%	11%
<b>Gross Profit Margin</b>	50.2%	53%
<b>Operating Income</b> (Operating Income Margin)	¥19.5 bil (8.8%)	¥38.5 bil (15%)
<b>Income Attributable to Owners of Parent</b>	¥17.0 bil	¥25.0 bil
<b>ROIC</b>	4.0%	12%
<b>ROE</b>	9.8%	12%

\* Solution business, software/program, and maintenance services are included.

<b>Sales by Region</b>			
	Net Sales		CAGR
	FY2023 Actual	FY2026 Target	
Japan	¥142.3 bil	¥157.0 bil	3%
North America	¥37.0 bil	¥50.0 bil	11%
Latin America	¥6.0 bil	¥6.0 bil	0%
Europe	¥13.1 bil	¥14.0 bil	2%
Asia & Other	¥23.4 bil	¥29.0 bil	7%

<b>Sales by Product Category</b>			
	Net Sales		CAGR
	FY2023 Actual	FY2026 Target	
Physiological Measuring Equipment	¥46.5 bil	¥53.0 bil	4%
Patient Monitors	¥84.1 bil	¥98.0 bil	5%
Treatment Equipment	¥51.6 bil	¥63.0 bil	7%
Other Medical Equipment	¥39.6 bil	¥42.0 bil	2%

<b>Investment Plans</b>		
	Phase I Actual	Phase II Target
Capital investments	¥16.2 bil	Apx. ¥25.0 bil
R&D investments	¥18.9 bil	Apx. ¥23.5 bil

\* Exchange rate assumptions: ¥140 to the U.S dollar, ¥150 to the euro

# Capital Policy

**Make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation.**

## 1) Investment necessary for future business expansion

Phase II :  
 R&D investments Apx. ¥23.5 bil  
 Capital investments Apx. ¥25.0 bil  
 Growth investments  
 M&A ¥30 bil or more

- R&D investments in patient monitors, ventilators, and Digital Health Solutions
- Capital investments for establishing a new plant in Tsurugashima, promoting corporate digital transformation such as PLM/MES systems and generative AI, and enhancing global supply chain management

R&D Investments



Capital Investments



M&A and Alliance



Human Resource development



## 2) Enhancement of shareholder returns

Phase II :  
 ¥28 bil or more  
 \*Considering additional shareholder returns depending on the progress of future investment plans

Dividends

Increase dividends in a stable manner in line with growth in business performance

**Full-year dividends**  
**FY2024: 31 yen** (Forecast)  
 (Consolidated dividend payout ratio: 43.0%)

Share buyback

Consider in a flexible manner, taking into account comprehensively our future business deployment, investment plans, retained earnings, and stock price level

**Share buybacks:**  
**¥2.3 bil** (~Sep. 2024)  
 out of **¥10.0 bil** (~Mar. 2025)

**Target: Consolidated Total Return Ratio of 35% or more**

**Number of treasury stock:**  
**4,330k shares**  
 (2.5% as of end Sep. 2024)

## 3) Sound financial foundation

Maintain a strong financial foundation to ensure a stable supply of medical equipment

## Disclaimer:

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