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NIHON KOHDEN

May 13, 2025

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: Prime Market, Tokyo Stock Exchange
Head Office: Tokyo
Representative: Hirokazu Ogino, Representative Director, President and Chief Executive Officer
Contact: Fumio Izumida, Operating Officer, General Manager of Corporate Strategy Division
Phone: +81 / 3 - 5996 - 8003 （URL https://www.nihonkohden.co.jp）

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2024 (From April 1, 2024 to March 31, 2025)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024	**225,424**	**1.5**	**20,713**	**5.7**	**20,373**	**-20.4**	**14,098**	**-17.2**
FY2023	221,986	7.4	19,591	-7.2	25,589	6.1	17,026	-0.5

Note: Comprehensive income: FY2024: 13,503 million yen (-34.1%) FY2023: 20,497 million yen (10.0%)

	Net income per share - Basic	Net income per share - Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2024	**84.88**	**—**	**7.8**	**8.3**	**9.2**
FY2023	101.23	—	9.8	11.4	8.8

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net income per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2024	**257,239**	**181,294**	**69.8**	**1,101.11**
FY2023	233,233	181,082	77.6	1,079.20

Reference: Equity capital: FY2024: 179,552 million yen FY2023: 181,082 million yen

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2024	**15,286**	**-25,138**	**2,550**	**43,061**
FY2023	15,607	-5,208	-6,968	49,877

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
FY2023	—	30.00	—	31.00	61.00	5,125	30.1	2.9
FY2024	—	15.00	—	16.00	31.00	5,108	36.2	2.8
FY2025 (Forecast)	—	16.00	—	16.00	32.00	—	34.8	—

Note: Effective July 1, 2024, each share of common stock was split into two shares. For the fiscal year ended March 31, 2024, the actual dividend amount before the stock split is shown. For the fiscal year ended March 31, 2025 and the fiscal year ending March 31, 2026 (forecast), the amount after the stock split is shown.

3. Consolidated Forecast for FY2025 (From April 1, 2025 to March 31, 2026)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	240,000	6.5	24,000	15.9	24,000	17.8	15,000	6.4	91.99

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 3 3 companies (Nihon Kohden Vietnam Company Limited) (NeuroAdvanced Corp.) (Ad-Tech Medical Instrument Corporation)

Excluded: - Companies (-)

Note: For details, please refer to "4. Consolicated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Basic of Presentation of the Consolidated Financial Statements)" on page 19 of the attachment.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

FY2024	170,961,960	shares
FY2023	176,461,960	shares

(ii) Number of treasury shares at the end of the period

FY2024	7,897,392	shares
FY2023	8,668,532	shares

(iii) Average number of shares outstanding during the period

FY2024	166,108,746	shares
FY2023	168,204,132	shares

Note: Effective July 1, 2024, each share of common stock was split into two shares. "Total number of issued shares at the end of the period", "Number of treasury shares at the end of the period", and "Average number of shares outstanding during the period" are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2024 (From April 1, 2024 to March 31, 2025)

(1) Non-Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024	**171,999**	**3.0**	**21,538**	**-0.4**	**25,103**	**-17.6**	**16,761**	**-10.8**
FY2023	167,006	4.8	21,620	2.4	30,476	15.8	18,781	-5.5

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2024	**100.91**	**—**
FY2023	111.66	—

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net income per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2024	**229,456**	**164,856**	**71.8**	**1,010.99**
FY2023	204,803	164,836	80.5	982.38

Reference: Equity capital: FY2025: 164,856 million yen FY2024: 164,836 million yen

Note: Effective July 1, 2024, each share of common stock was split into two shares. Net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

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1. Overview of Financial Results

(1) Review of Operations

During the term under review (April 1, 2024 to March 31, 2025), the global economic outlook remained uncertain due to higher geopolitical risks, while tight monetary policy eased in the U.S. and Europe. In Japan, each medical institution strove to implement task shifting and improve its operational efficiency, as work style reforms for medical staff took effect in April 2024 and medical treatment fees were revised in June 2024. However, business sentiment in medical institutions declined due to price and wage inflation. Internationally, hospital capital expenditure in China was still cautious due to the impacts of the anti-corruption campaign and economic slowdown. In the U.S., hospital finance showed a trend of improvement as the number of testing and surgical procedures increased. Medical institutions both in Japan and internationally have promoted medical digital transformation, which includes data health, telemedicine, and utilization of AI and ICT, because they need to urgently improve the quality and efficiency of medical care.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase II, which started from FY2024. The Company aims to achieve targets for three indicators: growth, profitability, and capital efficiency, by implementing six key measures including “Enhance product competitiveness”, “Focus on growth of North America Business”, and “Implement the reform of the profit structure”. The Company launched a series of its new high-value-added products and services such as mid-to low-end bedside monitors and defibrillators for hospitals both in Japan and internationally, as well as dashboard software for monitoring patient condition and clinical assistant service for small and mid-sized hospitals in Japan. The Company also started to provide a locally developed remote ICU solution in the U.S. The Company strengthened its overseas business structure through establishing Nihon Kohden Vietnam Company Limited in May 2024, starting full operation of a new reagent factory in India in September 2024, and acquiring 71.4% shares of a parent company of Ad-Tech Medical Instrument Corporation in November 2024.

As a result, overall sales during the term under review increased 1.5% over FY2023 to ¥225,424 million. Operating income increased 5.7% to ¥20,713 million, as gross profit margin improved due to decrease in inventory devaluation, higher selling prices, and favorable product mix. On the other hand, ordinary income decreased 20.4% to ¥20,373 million, reflecting foreign exchange losses compared to gains in FY2023. Income attributable to owners of parent decreased 17.2% to ¥14,098 million, as gain on sales of investment securities and loss on devaluation of investment securities were recorded as extraordinary income and extraordinary losses, respectively.

[Sales by region]

Japan: Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, domestic sales increased. Sales of AEDs increased favorably in the PAD (public access defibrillation) market. Sales in the university and clinic markets increased, while sales in the public hospital market remained flat. Sales in the private hospital market decreased compared to the strong growth due to large orders in FY2023. Sales of Treatment Equipment achieved double-digit growth and sales of Physiological Measuring Equipment also increased. Sales of Patient Monitors and Other Medical Equipment decreased. As a result, domestic sales increased 2.0% over FY2023 to ¥145,237 million.

International: Overseas sales increased on a yen basis due to currency effect. Sales on a local currency basis decreased due to lower sales in Asia & Other and Latin America, as well as the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. in FY2023. In North America, sales of patient monitors, ventilators, and neurology products achieved double-digit growth, while sales of AEDs decreased. Sales in Latin America decreased mainly in Costa Rica and Columbia compared to the strong performance in FY2023, while sales in Brazil increased favorably. Sales in Europe decreased, mainly in the U.K. and the Netherlands, although sales in Germany and Italy increased. Sales in Asia & Other decreased, mainly in China. Sales in the Middle East & Africa also decreased compared to the strong growth due to large orders in Morocco in FY2023. Sales of Other Medical Equipment increased favorably and sales of Patient Monitors also increased. Sales of Treatment Equipment and Physiological Measuring Equipment decreased. As a result, international sales increased 0.7% over FY2023 to ¥80,187 million.

* 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 ended March 31, 2024, Nihon Kohden consolidated the fifteen months of Defibtech’s operating results from January 1, 2023 to March 31, 2024.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of EEGs achieved double-digit growth. Sales of polygraphs for cath lab and ECGs also increased. Sales of diagnostic information systems decreased compared to the strong growth in FY2023. Internationally, sales of EEGs and ECGs decreased in Asia & Other, especially in China. Overall, sales increased 0.8% over the previous fiscal year to ¥46,874 million.

Patient Monitors: In Japan, sales of clinical information systems decreased compared to the strong growth in FY2023, while sales of consumables such as sensors increased. Internationally, sales in North America achieved double-digit growth and sales in Europe also increased. Sales in Asia & Other and Latin America decreased. Overall, sales increased 1.0% over the previous fiscal year to ¥84,965 million.
Treatment Equipment: In Japan, sales of AEDs showed double-digit growth, as replacement demand for AEDs recovered. Sales of ventilators also achieved double-digit growth driven by a mask-type ventilator. Internationally, sales of Defibtech AEDs decreased due to inventory adjustment at distributors as well as the impact from the change in the fiscal term. Sales of ventilators increased significantly in North America in addition to favorable sales in Asia & Other and Latin America. Overall, sales increased 2.9% over the previous fiscal year to ¥53,184 million.
Other Medical Equipment: In Japan, sales of locally purchased products decreased, while sales of hematology instruments and reagents, and maintenance services for medical devices increased favorably. Internationally, sales of hematology instruments and reagents achieved double-digit grwoth in Europe and Latin America. Overall, sales increased 1.8% over the previous fiscal year to ¥40,400 million.

(Consolidated Sales Results by Product Category)

(Millions of yen)

	FY2024	
	Amount	Growth rate (%)
Physiological Measuring Equipment	46,874	+0.8
Patient Monitors	84,965	+1.0
Treatment Equipment	53,184	+2.9
Other Medical Equipment	40,400	+1.8
Total	225,424	+1.5
Products	113,304	-2.0
Consumables and Services	112,119	+5.4
(Reference) Sales by Region		
Domestic Sales	145,237	+2.0
Overseas Sales	80,187	+0.7
North America	41,900	+13.1
Europe	12,554	-4.2
Asia & Other	20,344	-13.1

(Operating Results by Reporting Segments)
Japan: Sales increased 1.8% to ¥146,525 million and segment income increased 6.4% to ¥21,926 million in FY2024.
North America: Sales increased 6.9% to ¥44,899 million and segment loss was ¥941 million in FY2024 (Segment loss of ¥2,203 million in FY2023).
Rest of World: Sales decreased 5.7% to ¥33,999 million and segment income decreased 19.1% to ¥1,869 million in FY2024.

(2) Financial Position

Total assets at the end of the current fiscal year increased by ¥24,005 million compared to the end of the previous fiscal year to ¥257,239 million.

Current assets decreased by ¥1,248 million to ¥183,085 million compared with the end of the previous fiscal year. This was mainly due to a decrease in inventory.

Fixed assets increased by ¥25,254 million to ¥74,154 million compared with the end of the previous fiscal year. This was mainly due to an increase in goodwill and other intangible assets resulting from the acquisition of NeuroAdvanced Corp., as well as an increase in construction in progress for the construction of a new plant in Tsurugashima, while investment securities decreased due to the sale of shares.

Total liabilities at the end of the current fiscal year increased by ¥23,793 million compared to the end of the previous fiscal year to ¥75,944 million. This was mainly due to a decrease in accrued income taxes and an increase in short-term loans to acquire shares of NeuroAdvanced Corp.

Total net assets at the end of the current fiscal year increased by ¥212 million compared to the end of the previous fiscal year to ¥181,294 million. This was due to an increase in retained earnings, acquisition of treasury shares, etc.

As a result, net assets per share increased by ¥21.91 to ¥1,101.11 and the equity ratio decreased by 7.8 percentage points from 77.6% at the end of the previous fiscal year to 69.8%.

(3) Cash Flows

Amounts (Millions of yen)

Classification	FY2023	FY2024
Cash and cash equivalents at beginning of period	43,988	49,877
Cash flows from operating activities	15,607	15,286
Cash flows from investing activities	-5,208	-25,138
Cash flows from financing activities	-6,968	2,550
Effect of exchange rate change on cash and cash equivalents	2,458	485
Net increase (decrease) in cash and cash equivalents	5,889	-6,816
Cash and cash equivalents at end of period	49,877	43,061

Cash and cash equivalents (hereinafter referred to as "funds") on a consolidated basis at the end of the current consolidated fiscal year decreased by ¥6,816 million to ¥43,061 million compared with the end of the previous fiscal year.

The status of each cash flow and their factors in the current consolidated fiscal year are as follows.

(Cash Flows from Operating Activities)

Funds obtained as a result of operating activities decreased by ¥321 million year-on-year to ¥15,286 million. This is mainly due to income before income taxes of ¥21,570 million, a decrease in inventories of ¥2,452 million, a decrease in notes and accounts receivables of ¥716 million, and a decrease in notes and accounts payables of ¥271 million.

(Cash Flows from Investing Activities)

Funds used in investing activities increased by ¥19,930 million year-on-year to ¥25,138 million. This is mainly due to the purchase of property, plant and equipment of ¥7,126 million, the purchase of intangible assets of ¥1,583 million, and the purchase of shares of subsidiaries resulting in a change in the scope of consolidation of ¥18,869 million yen (payment of consideration for the acquisition of shares of ¥15,995 million, repayment of loans of the new consolidated subsidiary resulting from the acquisition of ¥3,236 million, and an increase in cash and cash equivalents of the new consolidated subsidiary of ¥362 million).

(Cash Flows from Financing Activities)

Funds obtained as a result of financing activities amounted to ¥2,550 million (expenditure of ¥6,968 million in the previous fiscal year). This is mainly due to an increase in short-term loans of ¥25,374 million, purchase of treasury shares of ¥10,001 million, and cash dividends paid of ¥5,100 million.

(Reference) Trends in Cash Flow-Related Indices

	FY2020	FY2021	FY2022	FY2023	FY2024
Equity ratio (%)	72.0	74.4	77.3	77.6	69.8
Market cap-based equity ratio (%)	142.5	118.5	139.4	144.0	127.0
Interest-bearing debt to cash flow ratio (%)	2.9	1.4	-17.6	4.2	170.6
Interest coverage ratio (x)	6,826.2	12,712.9	-1,089.0	773.6	166.8

Equity ratio: Total net assets / Total assets
Market cap-based equity ratio: Total market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Total interest payments
*All of the above is calculated on a consolidated basis.
*Market capitalization is based on the total number of shares outstanding excluding treasury shares.
*The cash flow above is the cash flow from operating activities as stated in the consolidated statements of cash flows.
*The interest-bearing debt includes all liabilities posted in the consolidated balance sheets on which the company pays interest.

(4) Basic Policy on Distribution of Profits and Dividends

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. The indicator and target for shareholder returns is a consolidated total return ratio of 35% or more.

The Company decided to pay the year-end dividend of 16 yen per share. As a result, the full-year dividend for FY2024 will be 31 yen per share, including the interim dividend of 15 yen per share. The Company also acquired ¥9,999 million of own shares in FY2024, pursuant to the Board of Directors' resolution of May 13, 2024. The consolidated total return ratio will be 107% in FY2024. Effective July 1, 2024, each share of common stock was split into two shares. The Company also cancelled 5.5 million shares of its treasury shares on July 19, 2024.

In consideration of business performance, the full-year dividend for FY2025 will be 32 yen per share, which consists of interim dividend of 16 yen and year-end dividend of 16 yen.

(5) Consolidated Forecast for FY2025

The global economic outlook is expected to be increasingly uncertain due to the U.S. tariff policies as well as geopolitical risks. In Japan, business sentiment in medical institutions has declined due to price and wage inflation, while the Japanese Government has implemented urgent support for medical institutions. Each prefecture will also discuss a regional vision of the healthcare system in 2040. Internationally, supply chain disruptions are expected due to reciprocal tariffs. There will be further moves towards protectionism and tightening of regulatory requirements for medical devices in emerging countries, while demand for medical equipment will remain steady, mainly in North America, Latin America, and Southeast Asia. Medical equipment companies are expected to face a severe business environment because they are required to react to such changes in the market environment promptly and flexibly and to meet the needs of medical institutions for solutions which contribute to improving the quality and efficiency of medical care.

Under these circumstances, Nihon Kohden will continue to implement its Three-year Business Plan, BEACON 2030 Phase II, which started from FY2024. The Company aims to achieve targets for three indicators: growth, profitability, and capital efficiency, by implementing six key measures including "Enhance product competitiveness", "Focus on growth of North America Business", and "Implement the reform of the profit structure".

In Japan, Nihon Kohden will concentrate on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company will also focus on consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contribute to improving medical safety, patient outcomes, and operating efficiency. Demand for medical equipment and services which contribute to improving the quality and efficiency of medical care is expected to remain steady, especially for patient monitors and IT solutions. The Company continues to review its pricing policies, such as by raising selling prices of products and consumables. Sales of IT solutions are expected to recover compared to double-digit decline in FY2024, while sales of catheters are expected to decline due to the impact of new devices launched by competitors.

Internationally, sales are expected to record double-digit growth on a comparable basis excluding the currency effect and the impact of consolidating Ad-Tech Medical Instrument Corporation. In North America, demand for AEDs is expected to recover compared to lower sales due to inventory adjustment at distributors in FY2024. The Company will focus on expanding sales of ventilators, for which demand is increasing, as well as neurology products, which are expected to benefit from synergy effects with Ad-Tech. The Company will also enhance its proposals for patient monitors by adding digital health solutions. In the Rest of World, demand for medical equipment will remain steady in Latin America and Southeast Asia. In China, the Company aims at sales growth on a comparable basis by focusing on early market penetration of new products and restructuring distributor network. In Southeast Asia, the Company will change its product registration from local distributors to its subsidiaries. The Company also plans to start operations at a sales subsidiary in Saudi Arabia. In India, the Company will prepare for manufacturing medical devices and establish an offshore development center. The Company will strengthen its business structure and increase sales by meeting the needs of medical institutions.

Gross profit margin is expected to improve as the Company continues to review its pricing policies both in Japan and internationally. SG&A expenses are expected to increase due to wage increases. The Company will focus on improving personnel productivity through the reform of the profit structure of the entire Group. Nihon Kohden will undertake capital investments such as a new production facility for consumables in Tsurugashima City, Saitama Prefecture, Japan, which started construction in July 2024, will complete construction at the end of 2025, and will start operation in 2026. To further the implementation of corporate DX, the Company will start operation of PLM/MES* systems.

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

The Company forecasts its overall sales, operating income, ordinary income, and income attributable to owners of parent for FY2025 to be ¥240,000 million, ¥24,000 million, ¥24,000 million, and ¥15,000 million, respectively. The Company's forecast for FY2025 is based on an exchange rate of 140 yen to the U.S. dollar and 156 yen to the euro.

In terms of the impact of the U.S. tariff policies, the Company incorporates a negative factor worth around ¥2.5 billion as a direct tariff burden into its forecasts for income. On the other hand, the Company does not incorporate the effect of measures such as price transfers and change of production locations, or the impact of the tariffs on capital expenditure by medical institutions. The Company will immediately announce forecast revisions if necessary.

(Consolidated Forecast for FY2025 by Product Category)

(Millions of yen)

	FY2025 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	53,200	+13.5
Patient Monitors	89,000	+4.7
Treatment Equipment	56,600	+6.4
Other Medical Equipment	41,200	+2.0
Total	240,000	+6.5
Products	120,800	+6.6
Consumables and Services	119,200	+6.3
(Reference) Sales by Region		
Domestic Sales	149,800	+3.1
Overseas Sales	90,200	+12.5
North America	47,500	+13.4
Latin America	5,900	+9.5
Asia & Other	23,400	+15.0

2. Management Policy

(1) Basic policies for corporate management

Nihon Kohden's Management Philosophy as a medical electronics manufacturer is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. To realize its Management Philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, service, technology, financial strength, and the quality of its employees. In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aimed at improving the soundness, transparency, and efficiency of management, is an important management issue. In FY2024, considering the issues of gender and international diversity, the Company has appointed two female directors and one foreign director. The proportion of independent outside directors on the Board of Directors is 50% and this is expected to rise to over half, subject to approval at the 74th Ordinary General Meeting of Shareholders to be held on June 26, 2025. The Company has adopted a Company with Audit & Supervisory Committee structure for strengthening supervisory functions, improving management transparency and soundness, and speeding up decision-making. At the same time, the Company has established a Nomination & Remuneration Committee, which is composed of three independent outside directors and the committee chair is also an independent outside director.

(2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 12%, which exceeds its cost of capital, in its Three-year Business Plan, BEACON 2030 Phase II, which started from April 2024. The Company currently estimates that its cost of capital is around 8%, which are reviewed every year.

In order to achieve the target, the Company will focus on improving its profitability by implementing its Three-year Business Plan. The Company will also improve working capital by introducing Nihon Kohden's own ROIC formula and reducing the cash conversion cycle through measures such as reduction of inventories and faster debt collection, as well as establishing investment decision criteria and enhancing shareholder return. In FY2024, the cash conversion cycle was 225 days compared to the target of 190 days, while inventories of finished goods and parts, which had been on an increasing trend since FY2020, decreased. In FY2025, the Company will aim at 190 days, a similar level to FY2021, through further inventory control by improving the accuracy of demand forecast to optimize supply and demand balance, as well as by faster debt collection.

To increase corporate value through investment in future business expansion, the Company has adopted Net Present Value (NPV) and Internal Rate of Return (IRR) as investment decision criteria and started evaluating new investment projects in FY2022. In Phase II, the Company sets its target IRR at 12%, which exceeds its cost of capital. The Board of Directors verifies the progress and effectiveness of investment projects beyond a certain amount every year.

(3) Challenges to be addressed and mid-to long-term management strategy

In 2020, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next ten years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues. The Company has also set three transformations to be achieved: Transforming into a global company creating high added value, Creating a solution business providing superior customer value, and Establishing a global organization founded on Operational Excellence.

<Three-year Business Plan, BEACON 2030 Phase II, covering FY2024 to FY2026>

Faced with a rapidly changing global situation and a difficult business environment, in BEACON 2030 Phase II, Nihon Kohden implements the reform of the profit structure, makes investments in growth areas, and establishes collaborations between new business models and existing businesses, based on the results and issues of the previous Three-year Business Plan.

1. Three Indicators and Six Key Measures

Nihon Kohden will strengthen its growth, profitability, and capital efficiency, as well as the practice of Sustainability Management.

[Growth] Sales CAGR of 5% (FY2023-FY2026)

Enhance product competitiveness, Focus on growth of North America Business

[Profitability] Operating income margin of 15% (FY2026)

Implement the reform of the profit structure of the entire Group, Advance global supply chain management

[Capital efficiency] ROE of 12% (FY2026)

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

(1) [Growth] Enhance product competitiveness

Nihon Kohden will focus on strengthening its core Patient Monitoring Business and expanding Treatment Equipment Business including ventilators which are expected to grow rapidly as well as Consumables and Services Business and Solution Business including digital health solutions.

The Company will establish a common design platform and multi-plant design, refine cybersecurity measures, and strengthen QA/RA structures. The Company will also shorten the development time for new products by promoting R&D process reforms in addition to the introduction of PLM/MES systems.

* QA: Quality Assurance, RA: Regulatory Affairs, PLM: Product Life-cycle Management, MES: Manufacturing Execution System.

(2) [Growth] Focus on growth of North America Business

Nihon Kohden will focus on the market strategy in three regions: Japan, North America, Rest of World. In North America, which is expected to high growth, the Company aims to expand its market share and improve its profitability by prioritizing allocation of resources.

[Japan] Strengthen customer base and achieve sustainable growth by enhancing customer value proposition

[North America] Strengthen ties with the major IDN/GPO & DoD/VA and improve brand awareness and profitability

[Rest of World] Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities

* IDN: Integrated Delivery Network, GPO: Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs.

(3) [Profitability] Implement the reform of the profit structure of the entire Group

Implement several measures to improve product mix, productivity, and supply chains

(4) [Profitability] Advance global supply chain management

Enhance PSI (Production, Sales, Inventory) Management, Strengthen global QMS (Quality Management System), Promote multi-plant production

(5) [Capital Efficiency] Introduce Nihon Koden's own ROIC formula

Improve operating margins, Strengthen monitoring of return on investment

(6) [Capital Efficiency] Reduce Cash Conversion Cycle

Strengthen procurement and production management capabilities mainly at the newly established Production Operations, Collect debt faster

2. Sustainability Management

To promote its practice of Sustainability Management, Nihon Kohden partially reviewed its material issues and KPIs, which were set out in the Phase I. The Company will work on solving medical, environmental, and social issues. Based on its Core Values, Nihon Kohden will disseminate the BEACON personnel system introduced in the Phase I and strengthen its operation. The Company will also work on work style reforms and improve personnel productivity. In addition to promoting Diversity and Inclusion, the Company will foster a corporate culture of pride in contributing to healthcare by enhancing career support such as the development of global/DX human resources. To further strengthen its Group governance, Nihon Kohden will ensure the diversity of the Board of Directors and speed up decision-making by introducing a CxO framework. With the aim of encouraging the sharing of value with shareholders, the Company will also review the remuneration structure for directors.

3. Target for FY2026 ending March 2027 (consolidated)

¥100 million	Target for FY2026
Sales	2,560
Domestic Sales	1,570
Overseas Sales	990
Operating Income	385
Operating Income Margin	15%
Income attributable to owners of parent	250
ROIC	12%
ROE	12%

<The progress of BEACON 2030 Phase II>

In FY2024, which was the first year of this plan, sales of consumables and services as well as AEDs in Japan exceeded the Company's expectations. The Company also focused on selling in-house products and restrained sales of locally purchased products. Internationally, sales were lower than its expectations, because demand for medical equipment was sluggish in China due to the prolonged anti-corruption campaign and economic slowdown. This was also because of slower business deals and intensified competition in the Middle East & Africa and inventory adjustment at AED distributors in each country. Under these circumstances, the Nihon Kohden Group has implemented the reform of the profit structure and accelerated its transformation into a global MedTech company. The Company worked on decreasing inventory devaluation and reviewed pricing policies both in Japan and internationally. The Company also restrained sales of locally purchased products in Japan and strived to sell patient monitors and ventilators in North America, which resulted in improved gross profit margin. The Company made steady progress in transformation into a highly profitable structure. SG&A expenses increased due to wage increases, but remained within the Company's expectations excluding currency effect. The improvement of personnel productivity remains as an issue. As a result of these developments, Nihon Kohden posted record high sales, supported by yen depreciation, and operating income increased.

In FY2025, which is the second year of this plan, Nihon Kohden aims at achieving its numerical targets by focusing on the growth of North America Business and the reform of the profit structure, while the global economic outlook is expected to be increasingly uncertain due to the U.S. tariff policies as well as geopolitical risks.

(4) Other Significant Matters for Corporate Management

Not applicable

3. Basic Approach to Selection of Accounting Standards

The Company is preparing for the future application of IFRS by analyzing the impact on the consolidated financial statements associated with its application and examining the specific work required thereafter.

4. Consolicated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2024	March 31, 2025
ASSETS		
Current assets:		
Cash and deposits	36,132	28,428
Notes receivable - trade	1,408	554
Electronically recorded monetary claims - operating	3,744	3,923
Accounts receivable - trade	66,606	66,708
Securities	14,300	15,000
Merchandise and finished goods	33,223	32,879
Work in process	3,258	4,475
Raw materials and supplies	21,305	18,819
Other current assets	4,865	12,801
Allowance for doubtful accounts	-511	-505
Total current assets	184,333	183,085
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	11,441	11,111
Machinery, equipment and vehicles, net	1,252	1,136
Tools, furniture and fixtures, net	4,262	4,467
Land	7,114	7,099
Lease assets, net	75	49
Construction in progress	1,274	5,406
Total property, plant and equipment	25,418	29,270
Intangible assets		
Goodwill	893	12,938
Other intangible assets	3,958	14,715
Total intangible assets	4,852	27,653
Investments and other assets		
Investment securities	7,283	4,117
Deferred tax assets	2,782	3,219
Net defined benefit asset	5,970	7,251
Other investments and other assets	2,727	2,771
Allowance for doubtful accounts	-134	-129
Total investments and other assets	18,628	17,229
Total non-current assets	48,899	74,154
Total assets	233,233	257,239

(Millions of yen)

	March 31, 2024	March 31, 2025
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	20,143	19,786
Short-term loans payable	579	26,030
Accounts payable - other	4,943	4,190
Lease obligations	36	8
Accrued income taxes	5,597	2,794
Accrued expenses	5,126	4,512
Provision for product warranties	1,648	1,750
Other current liabilities	7,583	7,600
Total current liabilities	49,901	71,259
Non-current liabilities:		
Lease obligations	39	38
Deferred tax liabilities	265	2,462
Other non-current liabilities	1,943	2,184
Total non-current liabilities	2,249	4,685
Total liabilities	52,151	75,944
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	9,718	9,663
Retained earnings	163,578	166,171
Treasury shares	-10,233	-13,707
Total shareholders' equity	170,608	169,672
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,796	1,089
Foreign currency translation adjustment	5,772	6,711
Remeasurements of defined benefit plans	1,905	2,079
Total accumulated other comprehensive income	10,474	9,879
Non-controlling interests	—	1,742
Total net assets	181,082	181,294
Total Liabilities and Net Assets	233,233	257,239

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

		Year ended March 31, 2024		Year ended March 31, 2025
Net sales		221,986		225,424
Cost of sales	*2	110,639	*2	108,266
Gross profit		111,346		117,157
Selling, general and administrative expenses	*1, *2	91,755	*1, *2	96,444
Operating income		19,591		20,713
Non-operating income				
Interest income		289		428
Dividend income		130		144
Foreign exchange gains		5,370		—
Subsidy income		175		159
Other non-operating income		297		339
Total non-operating income		6,263		1,072
Non-operating expenses				
Interest expenses		24		144
Loss on valuation of investment securities		103		67
Foreign exchange losses		—		951
Other non-operating expenses		137		249
Total non-operating expenses		265		1,412
Ordinary income		25,589		20,373
Extraordinary income				
Gain on sales of non-current assets		4		4
Gain on sales of investment securities		11	*3	2,027
Gain on revision of retirement benefit plan		4,038		—
Total extraordinary income		4,054		2,031
Extraordinary losses				
Loss on sales of non-current assets		0		5
Loss on retirement of non-current assets		20		59
Business restructuring costs		—		182
Impairment losses		168	*4	75
Loss on valuation of inventories		85		—
Loss on valuation of investment securities		—	*5	510
Total extraordinary losses		274		833
Income before income taxes		29,369		21,570
Income taxes - current		9,213		7,262
Income taxes - deferred		3,129		208
Total income taxes		12,342		7,471
Net income		17,026		14,098
Income attributable to owners of parent		17,026		14,098

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net income	17,026	14,098
Other comprehensive income		
Valuation difference on available-for-sale securities	419	-1,706
Foreign currency translation adjustment	1,769	938
Remeasurements of defined benefit plans, net of tax	1,282	173
Total other comprehensive income	3,470	-594
Comprehensive income	20,497	13,503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,497	13,403
Comprehensive income attributable to non-controlling interests	—	100

(3) Consolidated Statements of Changes in Equity

Year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2023	7,544	9,685	152,525	-9,155	160,600
Changes arising during year					
Cash dividends			-5,973		-5,973
Net income attributable to owners of parent			17,026		17,026
Purchase of treasury share				-1,124	-1,124
Disposal of treasury share		33		46	79
Cancellation of treasury stock					—
Net changes other than stockholders' equity					—
Total changes during the year	—	33	11,053	-1,078	10,007
Balance at March 31, 2024	7,544	9,718	163,578	-10,233	170,608

	Accumulated other comprehensive income				Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2023	2,377	4,003	623	7,003	—	167,604
Changes arising during year						
Cash dividends						-5,973
Net income attributable to owners of parent						17,026
Purchase of treasury share						-1,124
Disposal of treasury share						79
Cancellation of treasury stock						—
Net changes other than stockholders' equity	419	1,769	1,282	3,470		3,470
Total changes during the year	419	1,769	1,282	3,470	—	13,478
Balance at March 31, 2024	2,796	5,772	1,905	10,474	—	181,082

Year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2024	7,544	9,718	163,578	-10,233	170,608
Changes arising during year					
Cash dividends			-5,100		-5,100
Net income attributable to owners of parent			14,098		14,098
Purchase of treasury share				-10,001	-10,001
Disposal of treasury share		32		34	67
Cancellation of treasury stock		-88	-6,405	6,493	—
Net changes other than stockholders' equity					—
Total changes during the year	—	-55	2,593	-3,473	-935
Balance at March 31, 2025	7,544	9,663	166,171	-13,707	169,672

	Accumulated other comprehensive income				Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2024	2,796	5,772	1,905	10,474	—	181,082
Changes arising during year						
Cash dividends						-5,100
Net income attributable to owners of parent						14,098
Purchase of treasury share						-10,001
Disposal of treasury share						67
Cancellation of treasury stock						—
Net changes other than stockholders' equity	-1,706	938	173	-594	1,742	1,147
Total changes during the year	-1,706	938	173	-594	1,742	212
Balance at March 31, 2025	1,089	6,711	2,079	9,879	1,742	181,294

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Cash flows from operating activities		
Income before income taxes	29,369	21,570
Depreciation and amortization	3,704	4,066
Amortization of goodwill	149	124
Impairment loss	168	75
Loss (gain) on sales and retirement of property, plant and equipment	12	23
Loss (gain) on sales and retirement of intangible assets	4	37
Increase (decrease) in allowance for doubtful accounts	281	-0
Increase (decrease) in provision for bonuses	-151	340
Increase (decrease) in provision for product warranties	139	120
Increase (decrease) in net defined benefit asset or liability	-4,792	-1,044
Interest and dividend income	-419	-573
Interest expenses	24	144
Foreign exchange losses (gains)	-3,626	702
Loss (gain) on valuation of investment securities	103	578
Loss (gain) on sales of investment securities	-11	-2,027
Decrease (increase) in notes and accounts receivable - trade	-4,088	716
Decrease (increase) in inventories	3,859	2,452
Increase (decrease) in notes and accounts payable - trade	-4,933	-271
Increase (decrease) in accrued consumption taxes	1,765	-676
Other, net	174	-1,618
Subtotal	21,732	24,741
Interest and dividends income received	390	386
Interest expenses paid	-20	-91
Income taxes paid	-6,495	-9,749
Net cash flows from operating activities	15,607	15,286
Cash flows from investing activities		
Proceeds from sales of investment securities	16	2,222
Purchase of investment securities	-72	-60
Proceeds from sales of property, plant and equipment	6	1
Purchase of property, plant and equipment	-3,626	-7,126
Purchase of intangible assets	-1,160	-1,583
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-18,869
Other, net	-371	277
Net cash flows from investing activities	-5,208	-25,138
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	161	25,374
Purchase of treasury shares	-1,124	-10,001
Cash dividends paid	-5,968	-5,100
Repayments of lease obligations	-36	-34
Decrease (increase) in deposit paid	—	-7,687
Net cash flows from financing activities	-6,968	2,550
Effect of exchange rate change on cash and cash equivalents	2,458	485
Net increase (decrease) in cash and cash equivalents	5,889	-6,816
Cash and cash equivalents at beginning of period	43,988	49,877
Cash and cash equivalents at end of period	49,877	43,061

(5) Notes to the Consolidated Financial Statements

(Assumption of Going Concern)
Not applicable.

(Basis of Presentation of the Consolidated Financial Statements)
1. Scope of consolidation
Number of consolidated subsidiaries: 36 companies
Nihon Kohden Tomioka Corporation,
Nihon Kohden America, LLC,
Nihon Kohden Europe GmbH and other 33 companies
Note: NeuroAdvanced Corp., Ad-Tech Medical Instrument Corporation, and two special purpose companies were included in the scope of consolidation through a business combination by acquisition, and Nihon Kohden Vietnam Company Limited was included in the scope of consolidation as a newly established company. In addition, the newly established Nihon Kohden Arabia RHQ LLC is not included in the scope of consolidation because the payment of capital has not been completed as end of March 31, 2025.

2. Accounting periods of consolidated subsidiaries
Of the consolidated subsidiaries, the fiscal year end of Shanghai Kohden Medical Electronic Instrument Corp., Nihon Kohden Do Brasil Ltda., Nihon Kohden Latin America S.A.S., Nihon Kohden Mexico S.A. de C.V. and Software Team Srl, NeuroAdvanced Corp., Ad-Tech Medical Instrument Corporation and two special purpose companies, is December 31 and the difference with the fiscal year end of the consolidated financial statements (March 31) does not exceed three months, so the financial statements of these companies as of the fiscal year end are used, and necessary adjustments for consolidation are made when there are significant transactions between the fiscal year end of these companies and the fiscal year end of consolidated financial statements.

3. Significant accounting principles
(1) Valuation standards and methodology for material assets
(i) Securities
Available-for-sale-securities
-Securities other than for which there are no fair value:
Stated at fair value based on the quoted market price at the fiscal year end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)
-Securities for which there are no fair value:
Stated at cost determined by the moving average method
(ii) Derivatives
Stated at fair value
(iii) Inventories
Stated at cost (balance sheet amounts are measured at the lower of cost or net selling value), valuation methodology for each category of inventories is as follows:

Finished goods, Merchandise, semiprocessed goods	: moving average method
Work in process	: specific identification method
Raw materials, supplies	: moving average method

(2) Depreciation and amortization methods for material depreciable assets
(i) Property, plant and equipment (excluding lease assets)
The Company and its domestic subsidiaries provided depreciation principally by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016, which are depreciated based on the straight-line method. Its foreign subsidiaries provided depreciation principally by the straight-line method.
The estimated useful lives are as follows:

Buildings and structures	3-50 years
Machinery, equipment and vehicles	2-15 years

(ii) Intangible assets (excluding lease assets)
Straight-line method is applied.
Straight-line method over the useful lives (mainly 5 years) is applied for software.
(iii) Lease assets
Lease assets related to finance lease transaction without transfer of ownership
Lease assets are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

(3)Policy on translation of major assets and liabilities denominated in foreign currency into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange at the balance sheet date. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange at the balance sheet date and revenues and expenses into yen at the average rate of exchange prevailing during the year, and a comprehensive adjustment resulting from translation is presented as “Foreign currency translation adjustment” in Net Assets.

(4) Basis of material allowances

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is measured at estimated recoverable amounts. For general receivables, the recoverable amounts are estimated by historical write-off ratio and for individual receivables such as receivables with default risk, the recoverable amounts are estimated individual basis.

(ii) Provision for bonuses

Provision for bonuses is measured based on estimated amount of payment for employee bonuses.

(iii) Provision for product warranties

Provision for product warranties is measured at estimated repair expenses based on ratio of the expenses incurred to sales and individual estimates to provide for the cost of repairs to be made free of charge after shipment of the products.

(5) Accounting treatment for retirement benefits

(i) The method of attributing expected retirement benefit

For calculating benefit obligation, the method of attributing expected retirement benefit to periods up to the end of current fiscal year is the benefit formula basis.

(ii) The method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized using the declining balance method within over average remaining years of service of the employees (5 years) from the following year in which the gains or losses are recognized.

(6) Recognition criteria for significant revenues and expenses

With respect to revenues arising from the Group’s contracts with its customers, major performance obligations in the principal business and usual point in time that a performance obligation is satisfied (usual point in time to recognize revenues) are as follows:

(i)Sales of products

Revenue is recognized at the time of delivery to the customer or at the time of acceptance upon inspection. For products such as consumables that do not require installation, revenue is recognized at the time of shipment.

(ii)Repair, maintenance and other services

Repair, maintenance and other services includes revenues related to repair, inspection, maintenance and other services mainly related to products. Revenue for repair and inspection is recognized at the time of completion of service provision and for maintenance and other services, revenue is recognized over the period in which the services are rendered as performance obligations are deemed to be satisfied over time.

(7) Significant method of hedge accounting

(i) Hedge accounting

Deferral hedge accounting is applied.

(ii) Hedge methods and hedged items

Hedge methods	Derivative transactions (forward exchange contract)
Hedged items	Planned trading transactions that are denominated in foreign currencies

(iii) Hedge policy

The Group carries out forward exchange contract for hedging the risk of foreign exchange fluctuation of planned trading transactions that are denominated in foreign currencies.

(iv) Evaluation of hedge effectiveness

Evaluation of hedge effectiveness of planned trading transactions as hedge items and forward exchange contracts as hedge methods are omitted as their principal conditions are the same.

(8) Goodwill amortization and amortization period

Goodwill is amortized using the straight-line method over estimated duration of the effect (within 20 years). However, when the amount of goodwill is immaterial, it is amortized in total when it is recognized.

(9) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(Notes to the Consolidated Statements of Income)
*1 Major accounts and amounts of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
1 Salaries and allowances	¥39,094 million	¥40,883 million
2 Provision for bonuses	¥3,313 million	¥3,765 million
3 Retirement benefit expenses	¥2,227 million	¥1,580 million
4 Depreciation	¥2,779 million	¥2,860 million
5 Legal welfare expenses	¥7,737 million	¥8,512 million
6 Travel and transportation expenses	¥3,554 million	¥3,649 million
7 Research and development expenses	¥6,996 million	¥6,826 million
8 Freight and packing costs	¥2,158 million	¥2,226 million

*2 Research and development expenses included in general and administrative expenses and manufacturing costs for the year are as follows:

Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
¥6,996 million	¥6,826 million

*3 Gain on sale of investment securities
The increase was caused by the sale of a portion of investment securities (two listed stocks) held by the Company.

*4 Impairment losses
In the current fiscal year, as a result of reviewing the business plan of goodwill related to Shanghai Kohden Medical Electronic Instrument Corp., a consolidated subsidiary, the carrying amount was reduced to the recoverable value, and an impairment loss of ¥75 million was recorded as an extraordinary losses. Recoverable value is measured in terms of use value, but is calculated at zero because future cash flows are not forecasted.

*5 Loss on valuation of investment securities
The Company has impaired a portion of its investment securities (one unlisted stock) due to a significant decline in recoverable value.

(Business combinations)
(Business combination through Acquisition)
At the Board of Directors of the Company held on September 12, 2024, the Company resolved 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. The Company concluded a stock purchase agreement with NeuroNewCo, LP ("NNC-LP"), a fund that owns 100% shares of NAC, on the same day. As a result of the completion of the acquisition of 71.4% of the shares on November 9, 2024, NAC and Ad-Tech, as well as the two special purpose companies (SPCs) between the two companies, became consolidated subsidiaries of the Company.

(1) Outline of business combination
1) Name of acquired company and its business description
Name of acquired company: NeuroAdvanced Corp.
Business description: Holding company of companies that are engaged in R&D, production, and sales of medical equipment

2) Main reasons for the business combination
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.

3) Date of the business combination
November 9, 2024

4) Legal form of the business combination
Acquisition of shares for cash

5) Name of the company after combination
No change

6) Ratio of voting rights acquired
71.4%

7) Main reason for determining the acquiring company
The Company acquired the shares for cash.

(2) Period of the acquired company's results included in the consolidated financial statements
Since the deemed acquisition date is December 31, 2024, only the balance sheet is consolidated and the consolidated statement of income for the current fiscal year does not include the results of the acquired company.

(3) Acquisition cost of the acquired company and breakdown by type of consideration
Consideration for acquisition: Cash ¥15,995 million
Acquisition cost: ¥15,995 million

(4) Description and amount of major acquisition-related expenses
Fees and commissions for advisory services ¥149 million

(5) Details of the contingent consideration stipulated in the business combination agreement and future accounting policy
1) Details of contingent consideration
The Company has adopted a clause to pay an additional amount depending on certain conditions, such as the level of performance of the acquired company after the acquisition, which has not been finalized at this time.

2) Future accounting treatment
In the event of additional payment of contingent consideration, the acquisition cost is adjusted as if it had occurred at the time of acquisition, and the amount of goodwill and amortization of goodwill are adjusted as if they had occurred at the time of acquisition.

(6) Amount, causes, amortization method and amortization period of goodwill incurred

1) Amount of goodwill incurred

¥12,251 million

2) Causes of goodwill incurred

Since the cost of acquisition exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recorded as goodwill.

3) Amortization method and amortization period of goodwill incurred

Equal depreciation over 12 years

(7) Amounts of assets acquired and liabilities assumed on the date of combination and major breakdown

Current assets	¥1,827 million
Non-current asset	¥661 million
Total assets	¥2,489 million
Current liabilities	¥313 million
Non-current liabilities	¥3,142 million
Total liabilities	¥3,455 million

(8) Amounts distributed to intangible assets other than goodwill and their breakdown by major types, as well as overall weighted average amortization period

Customer-related assets	¥8,139 million, Amortization period: 15 years
Technology-related assets	¥1,357 million, Amortization period: 20 years
Total intangible assets other than goodwill	¥9,497 million, Weighted average amortization period: 15 years

(Significant Changes in Shareholders' Equity)

(Acquisition of Own Shares)

At the Board of Directors of the Company held on May 13, 2024, the Company has resolved to acquire its own shares pursuant the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act, and acquired its own shares of 4,757,400 shares. As a result, treasury shares at the end of the current fiscal year increased by ¥9,999 million.

(Cancellation of Treasury Shares)

At the Board of Directors of the Company held on May 13, 2024, the Company has resolved to cancel treasury shares pursuant to Article 178 of the Companies Act, and cancelled treasury shares of 5,500,000 shares, ¥6,493 million on July 19, 2024. As a result, capital surplus decreased by ¥88 million, retained earnings decreased by ¥6,405 million, and treasury shares decreased by ¥6,493 million at the end of the current fiscal year.

As a result, capital surplus amounted to ¥9,663 million, retained earnings amounted to ¥166,171 million, and treasury shares amounted to ¥13,707 million at the end of the current fiscal period.

(Segment Information)

1. Sales and Income by Reporting Segment

Year ended March 31, 2024 (Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	143,939	41,996	36,050	221,986	—	221,986
Other revenue	—	—	—	—	—	—
Net sales to external customers	143,939	41,996	36,050	221,986	—	221,986
Intersegment sales	25,077	1,803	1,035	27,916	- 27,916	—
Total sales	169,016	43,800	37,086	249,903	- 27,916	221,986
Segment income (loss)	20,605	- 2,203	2,309	20,711	- 1,120	19,591

Notes:
1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥1,120 million include negative ¥558 million for the unrealized gains on inventories and negative ¥363 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

Year ended March 31, 2025 (Millions of yen)

	Reporting Segment			Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Japan	North America	Rest of World			
Sales						
Revenue arising from contract with customers	146,525	44,899	33,999	225,424	—	225,424
Other revenue	—	—	—	—	—	—
Net sales to external customers	146,525	44,899	33,999	225,424	—	225,424
Intersegment sales	27,944	2,626	715	31,286	- 31,286	—
Total sales	174,470	47,525	34,715	256,710	- 31,286	225,424
Segment income (loss)	21,926	- 941	1,869	22,854	- 2,140	20,713

Notes:
1. The amounts are aggregated by region, based on the location of the Company or its consolidated subsidiaries.
2. Segment income (loss) adjustments of negative ¥2,140 million include negative ¥1,849 million for the unrealized gains on inventories and negative ¥315 million for amortization of goodwill and intangible asset.
3. Segment income (loss) is adjusted to coincide with operating income in the Consolidated Statement of Income.

[Related information]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	46,517	84,130	51,665	39,673	221,986

2. Geographic information

(1) Net sales

(Millions of yen)

Japan	North America	Latin America	Europe	Asia & Other	Total
142,370	37,058	6,039	13,104	23,413	221,986

Notes: 1. Net sales are based on the location of customers and are classified by country or region.
2. Effective from the previous fiscal year, the Americas have been reclassified into "North America" and "Latin America."
3. Net sales to North America include net sales of ¥36,645 million in the U.S., which represents more than 10% of sales in the consolidated statements of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Latin America	Europe	Asia & Other	Total
21,918	1,206	84	286	1,923	25,418

3. Information by major customers

Because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed.

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	46,874	84,965	53,184	40,400	225,424

2. Geographic information

(1) Net sales

(Millions of yen)

Japan	North America	Latin America	Europe	Asia & Other	Total
145,237	41,900	5,388	12,554	20,344	225,424

Note: 1. Net sales are based on the location of customers and are classified by country or region.
2. Net sales to North America include net sales of ¥41,591 million in the U.S., which represents more than 10% of sales in the consolidated statements of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Latin America	Europe	Asia & Other	Total
25,497	1,571	74	235	1,891	29,270

3. Information by major customers

Because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed.

(Per Share Information)

Item	Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
Net assets per share	¥1,079.20	¥1,101.11
Net income per share	¥101.23	¥84.88

Notes:

1. Diluted net income per share for the previous and current fiscal year are not stated as there are no potential shares that have dilutive effect.
2. Effective July 1, 2024, each share of common stock was split into two shares. Net assets per share and net income per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.
3. The basis for calculating net income per share and net assets per share is as follows:

(1) Net income per share

Item	Previous fiscal year (From April 1, 2023 To March 31, 2024)	Current fiscal year (From April 1, 2024 To March 31, 2025)
Income attributable to owners of parent (Millions of yen)	17,026	14,098
Income not applicable to common stockholders (Millions of yen)	—	—
Income attributable to owners of parent applicable to common stock (Millions of yen)	17,026	14,098
Weighted average number of shares outstanding (Thousands of shares)	168,204	166,108

Notes:

Effective July 1, 2024, each share of common stock was split into two shares. Weighted average number of shares outstanding is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

Item	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Amounts deducted from total net assets (Millions of yen)	—	1,742
Net assets applicable to common stock (Millions of yen)	181,082	179,552
Number of shares outstanding at the end of year on which net assets per share is calculated (Thousands of shares)	167,793	163,064

Notes:

Effective July 1, 2024, each share of common stock was split into two shares. Number of shares outstanding at the end of year on which net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2024.

(Subsequent Event)

(Determination of Details of Employee Stock Ownership Plan and Disposal of Treasury Stock through Third-Party Allotment)

Nihon Kohden resolved at its meeting of the Board of Directors held on December 3, 2024 to introduce an Employee Stock Ownership Plan (“Plan”) as an incentive plan for employees of Nihon Kohden and a part of consolidated subsidiaries of the Company.

Details of Plan were decided at the Board of Directors meeting held on May 13, 2025. For details of the decision, please refer to the "Notice regarding Determination of Details of Employee Stock Ownership Plan and Disposal of Treasury Stock through Third-Party Allotmentt" announced on May 13, 2025.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	March 31, 2024	March 31, 2025
ASSETS		
Current assets:		
Cash and deposits	16,285	12,768
Notes receivable - trade	1,346	481
Electronically recorded monetary claims - operating	3,744	3,923
Accounts receivable - trade	62,231	64,935
Securities	14,300	15,000
Merchandise and finished goods	16,888	15,534
Work in process	1,001	1,255
Raw materials and supplies	654	581
Prepaid expenses	831	1,278
Accrued income	658	783
Short-term loans receivable from subsidiaries and associates	42,417	39,582
Accounts receivable – other	8,155	9,795
Advances paid	38	51
Other current assets	68	8,220
Allowance for doubtful accounts	-2,939	-5,539
	165,683	168,653
Non-current assets:		
Property, plant and equipment		
Buildings	14,737	14,762
Accumulated depreciation	-5,939	-6,291
Buildings, net	8,798	8,470
Structures	209	209
Accumulated depreciation	-172	-176
Structures, net	36	32
Machinery and equipment	683	678
Accumulated depreciation	-545	-565
Machinery and equipment, net	137	113
Vehicles	5	5
Accumulated depreciation	-5	-5
Vehicles, net	0	0
Tools, furniture and fixtures	21,209	22,252
Accumulated depreciation	-18,414	-19,333
Tools, furniture and fixtures, net	2,794	2,918
Land	5,666	5,666
Lease assets	27	26
Accumulated depreciation	-9	-11
Lease assets, net	17	14
Construction in progress	863	4,763
Total property, plant and equipment	18,315	21,980

(Millions of yen)

	March 31, 2024	March 31, 2025
Intangible assets		
Goodwill	81	75
Patent right	10	7
Software	1,916	3,200
Telephone subscription right	51	51
Other intangible assets	24	328
Total intangible assets	2,084	3,663
Investments and other assets		
Investment securities	7,272	4,106
Shares of subsidiaries and associates	1,340	17,486
Investments in capital of subsidiaries and associates	2,905	2,905
Long-term loans receivable from employees	9	9
Long-term loans receivable from subsidiaries and associates	—	2,736
Prepaid pension costs	2,938	3,905
Deferred tax assets	2,210	1,976
Other investments and other assets	2,120	2,109
Allowance for doubtful accounts	-77	-76
Total investments and other assets	18,719	35,159
Total non-current assets	39,119	60,802
Total assets	204,803	229,456
LIABILITIES		
Current liabilities:		
Accounts payable - trade	20,866	21,060
Short-term loans payable	250	25,750
Accounts payable - other	3,135	3,258
Accrued income taxes	5,149	2,362
Accrued expenses	2,200	2,793
Contract liabilities	3,664	4,084
Deposits received	277	295
Provision for bonuses	3,135	3,636
Provision for product warranties	348	337
Other current liabilities	6	8
Total current liabilities	39,034	63,587
Non-current liabilities:		
Asset retirement obligations	909	918
Other non-current liabilities	23	93
Total non-current liabilities	933	1,011
Total liabilities	39,967	64,599

(Millions of yen)

	March 31, 2024	March 31, 2025
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus		
Legal capital surplus	10,482	10,482
Other capital surplus	55	—
Total capital surplus	10,537	10,482
Retained earnings		
Legal retained earnings	1,149	1,149
Other retained earnings		
General reserve	133,460	130,460
Retained earnings brought forward	19,582	27,838
Total retained earnings	154,191	159,448
Treasury shares	-10,233	-13,707
Total shareholders' equity	162,039	163,767
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	2,796	1,089
Total valuation and translation adjustments	2,796	1,089
Total net assets	164,836	164,856
Total Liabilities and Net Assets	204,803	229,456

(2) Non-Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net sales		
Net sales of finished goods	119,514	123,970
Net sales of merchandise	47,492	48,028
Total net sales	167,006	171,999
Cost of sales		
Beginning merchandise and finished goods	18,693	16,505
Cost of products manufactured	226	485
Purchase of finished goods	47,305	49,467
Purchase of merchandise	37,061	38,028
Total	103,286	104,486
Ending merchandise and finished goods	16,505	15,161
Total cost of sales	86,781	89,325
Gross profit	80,225	82,673
Selling, general and administrative expenses	58,605	61,134
Operating income	21,620	21,538
Non-operating income		
Interest income	1,684	1,780
Dividend income	1,795	2,376
Subsidy income	174	156
Foreign exchange gains	5,060	—
Rental income from land and buildings	166	155
Other non-operating income	136	139
Total non-operating income	9,018	4,608
Non-operating expenses		
Interest expenses	1	80
Foreign exchange losses	—	869
Loss on valuation of investment securities	103	67
Other non-operating expenses	57	25
Total non-operating expenses	162	1,043
Ordinary income	30,476	25,103
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	11	2,027
Reversal of provision of allowance for doubtful accounts for subsidiaries and associates	2,100	—
Gain on revision of retirement benefit plan	3,749	—
Total extraordinary income	5,861	2,027
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	13	46
Loss on valuation of investment securities	—	510
Loss on valuation of shares of subsidiaries and associates	7,790	—
Provision for doubtful accounts of subsidiaries and associates	—	2,598
Total extraordinary losses	7,804	3,155
Income before income taxes	28,533	23,974
Income taxes - current	8,228	6,226
Income taxes - deferred	1,522	987
Total income taxes	9,751	7,213
Net income	18,781	16,761

(3) Non-Consolidated Statements of Changes in Equity

Year ended March 31, 2024

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2023	7,544	10,482	21	10,504	1,149	118,460	21,774	141,383
Changes arising during year								
Cash dividends							-5,973	-5,973
Net income							18,781	18,781
Provision of general reserve						15,000	-15,000	—
Purchase of treasury share								—
Disposal of treasury share			33	33				—
Cancellation of treasury stock								
Net changes other than stockholders' equity								—
Total changes during the year	—	—	33	33	—	15,000	-2,191	12,808
Balance at March 31, 2024	7,544	10,482	55	10,537	1,149	133,460	19,582	154,191

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale	Total valuation and translation adjustments	
Balance at April 1, 2023	-9,155	150,277	2,377	2,377	152,654
Changes arising during year					
Cash dividends		-5,973			-5,973
Net income		18,781			18,781
Provision of general reserve		—			—
Purchase of treasury share	-1,124	-1,124			-1,124
Disposal of treasury share	46	79			79
Cancellation of treasury stock					
Net changes other than stockholders' equity			419	419	419
Total changes during the year	-1,078	11,762	419	419	12,181
Balance at March 31, 2024	-10,233	162,039	2,796	2,796	164,836

Year ended March 31, 2025

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2024	7,544	10,482	55	10,537	1,149	133,460	19,582	154,191
Changes arising during year								
Cash dividends							-5,100	-5,100
Net income							16,761	16,761
Provision of general reserve						-3,000	3,000	—
Purchase of treasury share								—
Disposal of treasury share			32	32				—
Cancellation of treasury stock			-88	-88			-6,405	-6,405
Net changes other than stockholders' equity								—
Total changes during the year	—	—	-55	-55	—	-3,000	8,256	5,256
Balance at March 31, 2025	7,544	10,482	—	10,482	1,149	130,460	27,838	159,448

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2024	-10,233	162,039	2,796	2,796	164,836
Changes arising during year					
Cash dividends		-5,100			-5,100
Net income		16,761			16,761
Provision of general reserve		—			—
Purchase of treasury share	-10,001	-10,001			-10,001
Disposal of treasury share	34	67			67
Cancellation of treasury stock	6,493	—			—
Net changes other than stockholders' equity			-1,706	-1,706	-1,706
Total changes during the year	-3,473	1,727	-1,706	-1,706	20
Balance at March 31, 2025	-13,707	163,767	1,089	1,089	164,856