

NIHON KOHDEN REPORT

2020



Profile

Management Philosophy

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



At the time of founding
Nihon Kohden started with only twelve staff



Founder Yoshio Ogino

With the unshakable belief that **curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal**, Nihon Kohden aims to resolve healthcare issues by innovative medical electronic equipment with high quality and realize its management philosophy. Medical electronic equipment developed by the Company has been used in clinical practice in more than 120 countries and saved a lot of lives of patients.

Nihon Kohden continues to create and provide values for patients and medical workers by leveraging the following core strengths: **1) capacity to develop technologies rooted in medical practice, 2) broad client base inside and outside Japan, 3) high-quality products and services, and development, production, sales, and service systems to support them, and 4) a powerful brand cultivated over many years.**

The Company contributes to the world by fighting disease and improving health with advanced technology.

Contents

Nihon Kohden's Value

- P1 Profile
- P3 Trajectory of Nihon Kohden
- P5 Nihon Kohden's Strengths (Pulse Oximeter)
- P7 Nihon Kohden's Strengths (Ventilator)
- P9 Corporate Value Creation Model

Strategies Generating Value

- P11 Review of Previous Medium-term Business Plan and FY2020 Key Initiatives
- P14 Message from Management

Measures to Realize Sustainability

- P17 ESG Summary
- P18 Stakeholder Engagement

Healthcare

- P19 Improving Safety and Security
- P20 Improving Quality, Accessibility, and Efficiency of Healthcare

Environment

- P22 Environmental Philosophy and Policy

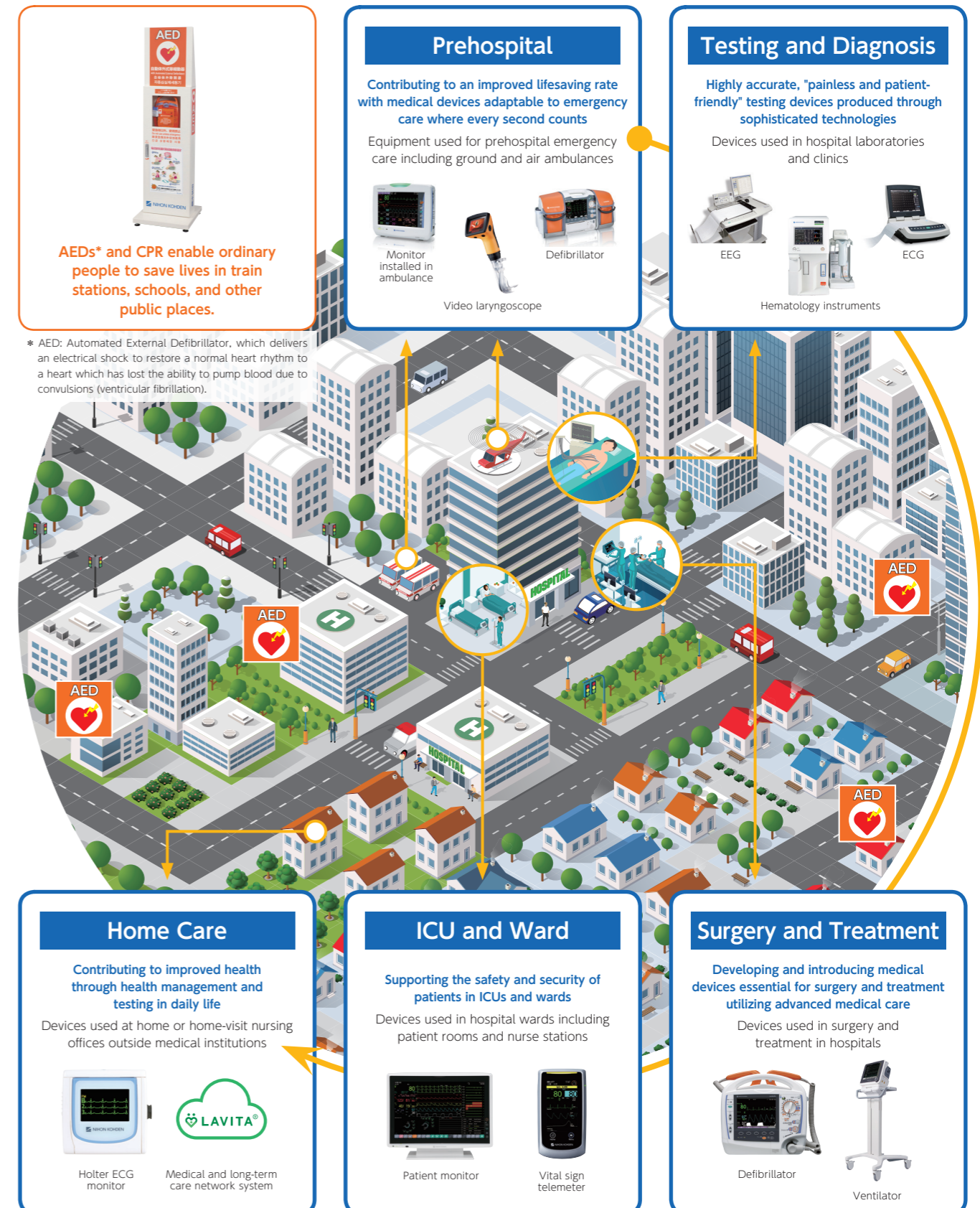
Corporate Activities

- P24 Ensuring Thorough Compliance
- P25 Enhancing Corporate Governance
- P27 Management Team
- P29 Message from Outside Directors
- P31 Strengthening Risk Management
- P33 Ensuring Fair Trade Practices
- P34 Nihon Kohden's Contributions to the Community
- P35 Achieving a Fulfilling Workplace
- P37 Enhancing Information Disclosure and Shareholder Return

Financial and Corporate Data

- P39 Financial and Non-Financial Summary
- P42 Management's Discussion and Analysis
- P43 Overview by Product Category (Consolidated)
- P44 Company Information

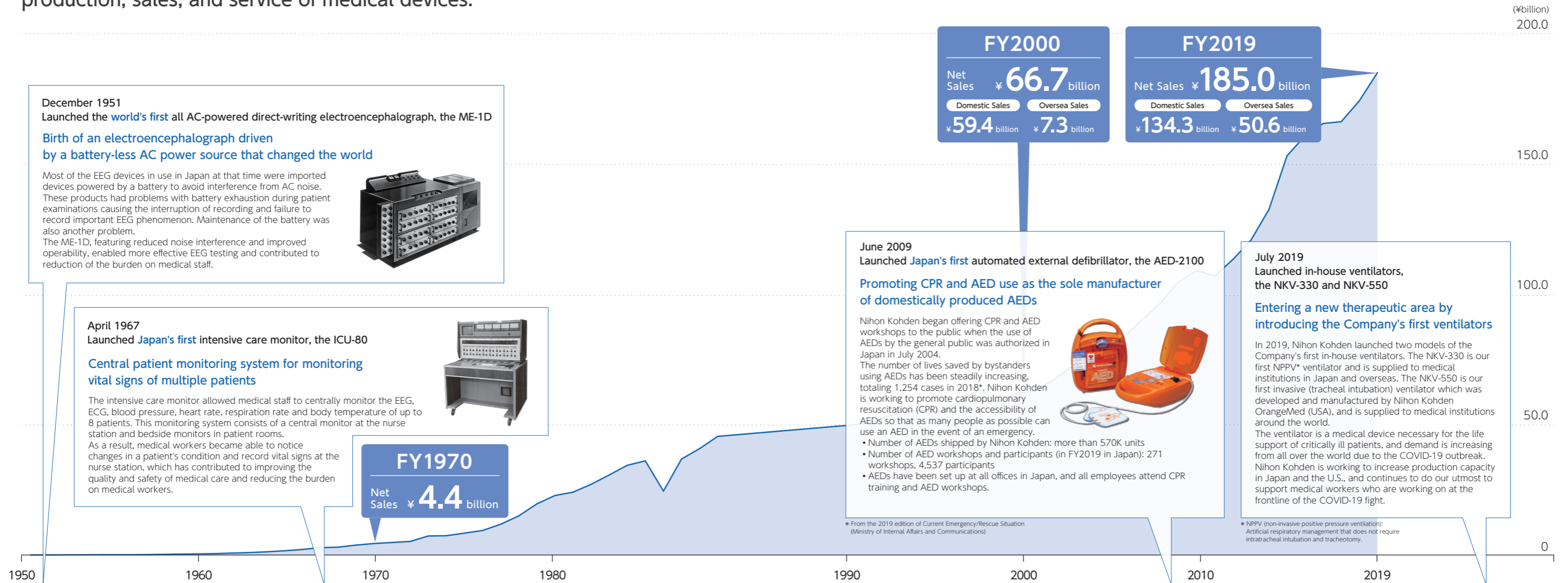
Nihon Kohden's business and products are continuing to provide safety and security because of their total support for medical practice, including emergency care, testing, diagnosis, treatment, rehabilitation, and home care.



Trajectory of Nihon Kohden

Since its foundation in 1951, Nihon Kohden has grown steadily by tackling production, sales, and service of medical devices.

healthcare issues and contributing to society through the development,



1950	1960	1970	1980	1990	2000	2010	2019
<p>March 1952 Launched the world's first electric ophthalmodynamometer, the MOB-1.</p>	<p>September 1960 Launched Japan's first multi-purpose monitoring recorder (polygraph), the RM-150.</p>	<p>March 1974 Applied for patent in Japan for the world's first pulse oximetry.</p>	<p>February 1984 Launched the world's first all telemetry fetal monitor, the OMF-7201.</p>	<p>December 1990 Launched Japan's first digital ECG telemetry monitor, the WEP-8430/8440.</p>	<p>May 2003 Launched the world's first mainstream-method CO₂ sensor to be used for non-intubated patients.</p>	<p>July 2016 Launched the AE-120A, a telemetry EEG headset, for prompt EEG measurement especially in emergency care.</p>	<p>June 2019 Launched the Company's first NPPV ventilator, the NKV-330.</p>
<p>June 1955 Launched the world's first electrocardiograph with electronic recording, the MC-1C.</p>	<p>August 1965 Launched Japan's first battery-powered defibrillator, the MDV-1.</p>	<p>November 1976 Launched the world's first telemetry systems, the WEP-6000.</p>	<p>April 1985 Launched the world's first combined respiration monitor, the OMR-7101.</p>	<p>March 1991 Launched the world's first digital multi-parameter telemetry bedside monitor, the BSM-8502.</p>	<p>July 2004 Launched the world's first transmitter, the ZS-940P, which enabled wireless monitoring of ECG, respiration, SpO₂ and NIBP.</p>	<p>August 2018 Launched the world's first midrange bedside monitor that can display echo images by connecting ultrasound probe, the CSM-1700.</p>	<p>September 2019 Launched the Company's first invasive (tracheal intubation) ventilator, the NKV-550.</p>

Nihon Kohden's Strengths (Pulse Oximeter)

Response to COVID-19 through developing and providing medical equipment – 1 Invented the principle of pulse oximetry



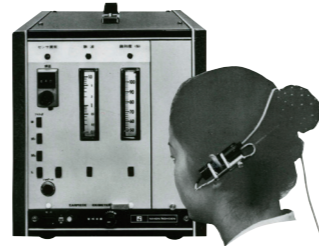
Takuo Aoyagi

February 1936
Born in Niigata Prefecture
March 1958
Graduated from Niigata University with a degree in electrical engineering
July 1993
Received a doctoral degree in engineering from the University of Tokyo
April 1958
Joined Shimadzu Corporation
February 1971
Joined Nihon Kohden Corporation
September 1975
Deputy Senior Manager of Engineering Department
August 1979
Deputy Senior Manager of Development Department
August 1983
Deputy General Manager of Engineering Department
April 1990
General Manager of Development Department
April 1991
Chief Manager of Aoyagi Research Laboratory
April 2020
Passing away

Takuo Aoyagi and Pulse Oximeter

The pulse oximeter measures the oxygen saturation in arterial blood (SpO₂), and is indispensable for assessing the patient condition in clinical practice around the world. The importance of pulse oximeters is being recognized again as it has become a critical tool to detect early deterioration of patients with COVID-19.

Approximately 50 years ago, Mr. Takuo Aoyagi, the engineer of Nihon Kohden, invented the principle of pulse oximetry.

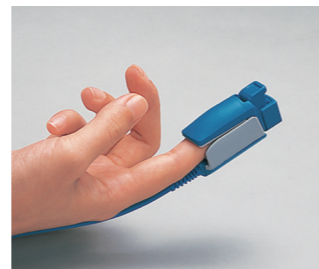


What is a Pulse Oximeter?

The pulse oximeter continuously measures the oxygen saturation in arterial blood (how much hemoglobin is bound to oxygen) without blood sampling.

Hemoglobin turns bright red when bound to oxygen, and dark red when unbound. The oxygen saturation of arterial blood is calculated by utilizing the different spectra of light absorption by oxygenated and de-oxygenated hemoglobin. The pulse oximeter shines two wavelengths of light through a fingertip and measures the intensity of the light which is transmitted through to the other side.

As the pulse oximeter is noninvasive and painless, clinicians can monitor a patient's oxygen saturation in real time.



Catalyst for Invention

In 1972, when Mr. Aoyagi tried to measure cardiac output using a method known as dye dilution, he discovered the principle of pulse oximetry. Mr. Aoyagi later commented on this finding, "It was hard to believe that such a good discovery was waiting for us in such a convenient place." After continuing research and developing prototype devices, Mr. Aoyagi presented this principle at a conference in 1974. As some participants showed positive responses such as "I think it was an interesting study" and some showed negative ones, this presentation received less attention.

Widespread Use of the Pulse Oximeter

In the early 1980s, as incidents of patients dying under anesthesia during surgery due to inadequate oxygen were a frequent occurrence in the United States, the pulse oximeter attracted attention as an important monitoring tool during surgery. With many companies competing to further improve and market compact pulse oximeters incorporating new technologies such as LEDs, photodiodes, and microcomputers, the use of pulse oximeters had increased rapidly. In the late 1980s, the Japanese makers reentered the pulse oximeter market and Nihon Kohden also resumed its research and development. In April 1988, we released new products, the OLV-1100 and OLV-1200 pulse oximeters.

Mr. Aoyagi did not publish the principle of the pulse oximeter in English. Dr. Severinghaus, a world authority on anesthesia who knew of Mr. Aoyagi's discovery of pulse oximetry visited Japan in 1987 to meet Mr. Aoyagi. Because Dr. Severinghaus introduced him in his subsequent paper, Mr. Aoyagi became known worldwide as the inventor of the pulse oximeter.

Major Awards

The pioneering invention of the pulse oximeter was recognized for its significant contribution to improving the quality of medical care. Mr. Aoyagi received the Medal with Purple Ribbon in 2002 and the Institute of Electrical and Electronics Engineers awarded him its IEEE Medal for Innovations in Health Care Technology in 2015. He was the first Japanese person to receive the award.

Passing of Mr. Aoyagi

In mid-April 2020, while the COVID-19 pandemic raged across the world, Mr. Aoyagi died at the age of 84 due to old age.

Half a century after the discovery of the principle, the pulse oximeter has become a common practice in a variety of clinical situations, dramatically improving the safety of anesthesia care, and saving the lives of many patients around the world. Indeed, it can be said with confidence that the invention of the pulse oximeter was a significant achievement in global medical history. The news of his passing was not only reported in Japan, but also in the U.S. by the New York Times, the Washington Post, and the Wall Street Journal, demonstrating once again the significant contribution of pulse oximeters to clinical practice around the world.

Continuing his Passion

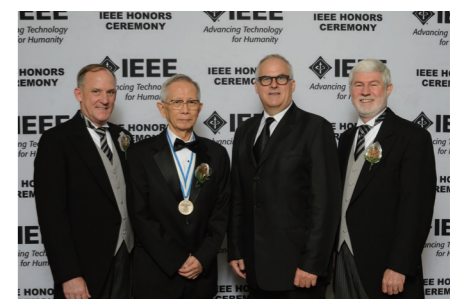
Even after the pulse oximeter had penetrated all over the world, Mr. Aoyagi continued his research until his later years, with the belief that he wanted to develop medical equipment useful for clinical practice. We will carry on Mr. Aoyagi's passion and continue to challenge ourselves to develop new technologies and equipment.



1987 with Dr. Severinghaus



2002 Medal with Purple Ribbon



2015 IEEE Honors Ceremony at the venue



WEC-7201

For further details,
please refer to our website.

<https://www.nihonkohden.com/topics/aoyagi.html>



Click here for smartphones.

Nihon Kohden's Strengths (Ventilator)

Response to COVID-19 through developing and providing medical equipment – 2
We have started offering two models of in-house ventilators

Mask-type ventilator utilizing the technology of Nihon Kohden's patient monitors

NKV-330



The NKV-330, the Company's first NPPV*1 ventilator, utilizes the Company's patient monitoring technology to enable monitoring of CO₂ and SpO₂, which are evaluation indices of oxygenation and ventilation, during NPPV therapy. It provides safe respiratory management and reduces the burden on the patient.



cap-ONE mask with CO₂ monitoring



SpO₂ probe

The Company's original mask is designed to fit any facial shape with minimal patient discomfort to improve the patient's quality of life.



The NKV-330 is compact, lightweight and equipped with a battery. The availability of three types of ventilation modes such as high-flow therapy (O₂ Therapy)*2 allows the NKV-330 to provide appropriate respiratory management in various clinical settings and to reduce the burden on medical workers.



Critically ill patients

NPPV

HFNC*3

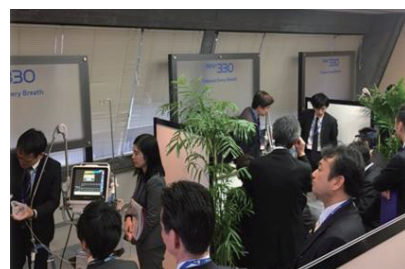
Mildly ill patients

O₂ therapy

*1 NPPV (non-invasive positive pressure ventilation): Artificial respiratory management that does not require intratracheal intubation and tracheotomy.
*2 High-flow therapy: A respiratory support method that delivers a high flow rate (30 to 60 L/min) and a high concentration (21 to 100%) of oxygen to patients through a nasal cannula.
*3 HFNC: High-flow nasal cannula oxygen therapy.

Customer feedback

- Since several modes from NPPV to high flow therapy are available, it is economical and improves work efficiency.
- Mask has a comfortable fit and patient-friendly.
- Compact size allows easy to use for intra-hospital transport and rehabilitation.
- CO₂ monitoring is useful for safe respiratory management.



Ventilator for seamless care: every patient, every breath

NKV-550



The NKV-550, our first invasive (tracheal intubation) ventilator, is developed and manufactured by Nihon Kohden OrangeMed (California, USA). It is a comprehensive neonatal through adult ventilator and designed for seamless care of patients with mild, moderate or severe illness.

Because of the importance of lung protection, we requested advice from leading physicians in the field of respiratory care as consultants to help us develop the Gentle Lung™ Suite, which is the suite of lung protection applications available on the NKV-550.



Gentle Lung™



Our patient monitoring technology is utilized to make CO₂ and SpO₂ monitoring available during respiration, providing safe respiratory management while reducing the burden on the patient.



CO₂ sensor



SpO₂ probe

The Protective Control feature allows clinicians to operate the ventilator through a second user interface placed outside of the isolated patient's room. This is to help reduce the risk of infection for clinicians.



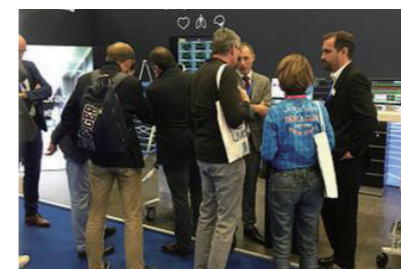
Protective Control™

The NKV-550 interface uses an intuitive App-based concept, familiar to anyone who uses a smartphone or tablet. This interface makes it easy to customize the window layout and improves work efficiency. The NKV-550 also offers connectivity with hospital information systems.



Customer feedback

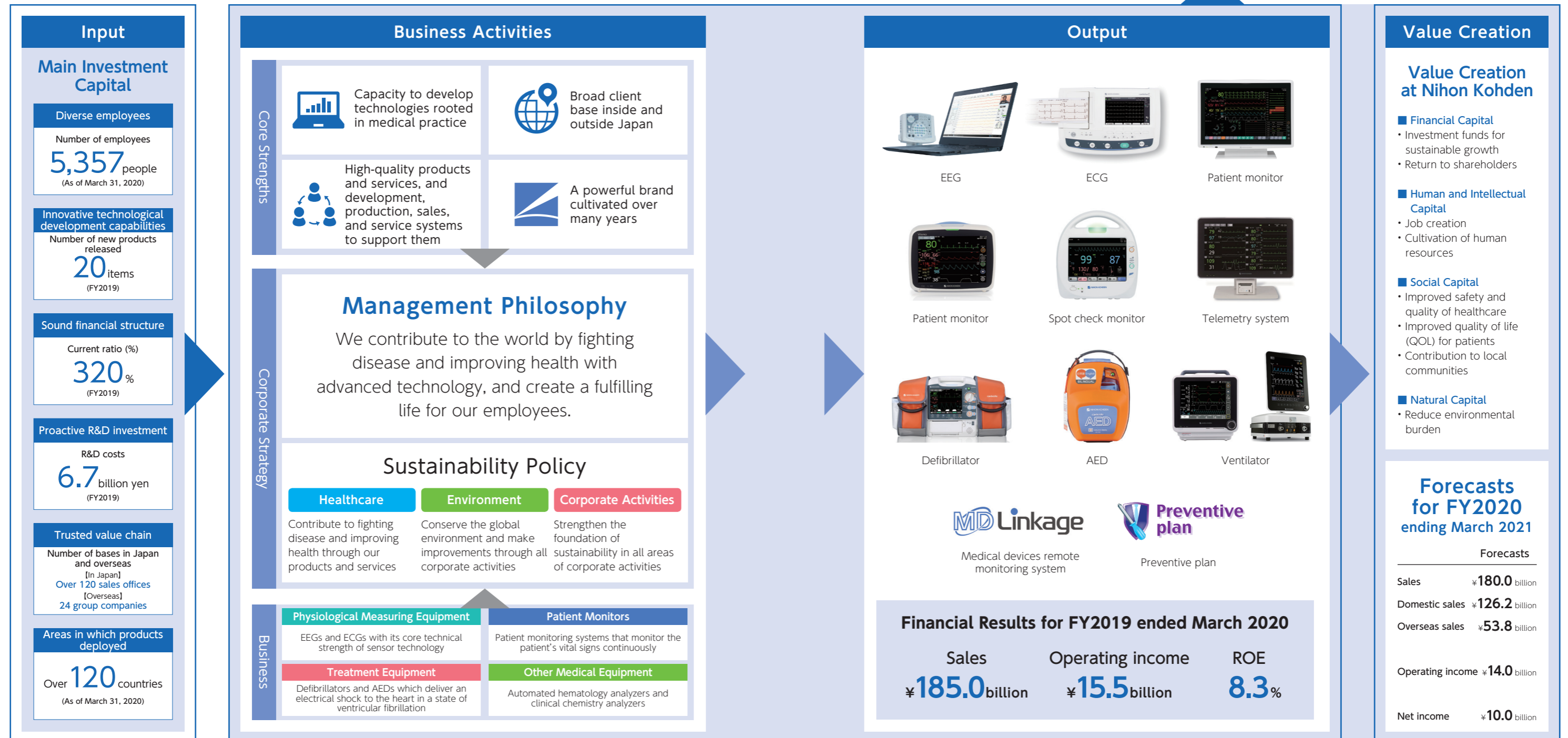
- I like the ease of use because I can easily customize the layout with additional settings using the expansion button.
- The intuitive and customizable screen configuration will help us optimize our workflow.
- Gentle Lung™ helps us establish protocols for lung-protective ventilation according to the patient's condition.
- Protective Control™ allows us to respond quickly to changing patient conditions and it can be expected to reduce the infection risk of clinicians.



Corporate Value Creation Model

Through its business activities, which are based on its Management Philosophy, well as attain sustainable development and enhance the corporate value of the

Nihon Kohden is working to address social issues and offer value to society as Group.



Review of Previous Medium-term Business Plan and

Under TRANSFORM 2020, the Medium-term Business Plan covering the fiscal years 2017 to 2019, Nihon Kohden promoted two basic policies: creating high customer value and improving productivity within the organization—with the goal of transforming to a highly profitable structure. Here we report on the progress of TRANSFORM 2020 and introduce some future key initiatives.



1 Create high customer value

Since April 2017, Nihon Kohden has launched a series of in-house products with high customer value, such as our first ultrasound probe and spot check monitors. We believe our greatest achievement was the much-anticipated introduction of the Company's first two types of in-house ventilators. The NKV-330 is a mask-type ventilator for mildly ill patients and the NKV-550 is a tracheal intubation ventilator for critically ill patients. We also started offering LAVITA®, a medical and nursing care network system, which is the Company's first cloud-based business model for home medical care. We have also started providing MD Linkage, a medical device remote monitoring system that is a value-added service making use of IoT. We plan to increase the line-up of medical devices connected to MD Linkage in the future.

As a result of initiatives to create high customer value, the in-house sales ratio increased to 65.6% and sales ratio of consumables and services increased to 45.5%, leading to an improvement in the gross profit margin.

	FY2016	FY2019	
In-house sales ratio	63.1%	65.6%	
Sales ratio of Consumables and Services	42.8%	Target 45%	Actual 45.5%

Launch in-house products with high customer value Main new products introduced in FY2017 - FY2019*1

Diagnostic Equipment Business

Ultrasound probe TUP-C035J
Automated hematology analyzer and clinical chemistry analyzer MEK-1303 + HbA1c

Patient Monitoring Business

Mid-range bedside monitor CSM-1500/1700 series
Bedside monitor PVM-4000
Spot check monitor*2 SVM-7200

Treatment Equipment Business

AED for home use AED-3101
AED with color display AED-3150
Mask-type ventilator NKV-330
Tracheal intubation ventilator NKV-550

IT Solutions Business

PrimePartner® LAVITA®

Consumables and Services Business

MD Linkage

*1 CSM-1500/1700, PVM-4000, SVM-7200, and NKV-330 were launched in Japan and overseas. NKV-550 was launched only internationally and the other products were launched only in Japan.
*2 Launched only as a continuous monitor in Japan.

FY2020 Key Initiatives

2 Improve productivity within the organization

While working on improving production efficiency at the Tomioka Production Center, Nihon Kohden established the Eastern Japan Logistics Center in 2019 and reorganized its domestic logistics system to ensure timely product supply and to reduce distribution costs. In the entire Group, we furthered the establishment of the global supply chain by introducing enterprise resource planning (ERP) systems into subsidiaries in the Middle East, South Korea, India, and Mexico, after the introduction in the U.S., Europe, and China. We have also reformed business processes using ICT to streamline operations between the headquarters and domestic sales branches.

●Review of TRANSFORM 2020

In FY2019, the final year of the plan, domestic sales were almost in line with the target, but overseas sales fell short of the targets in the Americas and Asia. It was due to the delays of new product launches. The reorganization of the sales structure in Southeast Asia, and the rapid response to tenders with short delivery times in emerging countries also remain as issues to be solved. Operating income and ROE also fell short of the targets due to the upfront investment burden of the Eastern Japan Logistics Center. Our initiatives over the past three years have produced certain results, but we need to take further actions to improve profitability.

●Initiatives in FY2020

The COVID-19 outbreak adversely affects national healthcare systems in each country and has caused sharp economic slowdowns both in Japan and overseas, making the business environment more difficult. While continuing to give top priority to maintaining the health and safety of employees at work, Nihon Kohden will promote business activities to fulfill its responsibility to supply products and services as a medical equipment manufacturer. The Company also continues to improve its profitability. In addition, we will further consolidate corporate

Established the Eastern Japan Logistics Center

Full-scale operation starts in November 2019



Reduce logistics costs by shipping medical devices and consumables as a package

(Billions of yen)

	Results for FY2019 ended March 2020	Targets for FY2019 ended March 2020
Sales	185.0	190.0
Domestic sales	134.3	135.0
Overseas sales	50.6	55.0
Operating income	15.5	20.0
ROE	8.3%	12.0%

fundamentals to protect the continuity of our business and employment even in this challenging environment where there is a real fear of the first global economic crisis since the 2008 financial crisis. We had planned to announce our Long-term Vision toward 2030 and Medium-term Business Plan in May 2020, but first we will review the changes in the market environment brought about by the COVID-19 outbreak. We expect to release our Long-term Vision and Medium-term Business Plan in the next six months to one year.

Basic Policies to address COVID-19

1. Health and safety of employees at work and their families as the top priority
2. Fulfilling our responsibility to supply products and services to maintain the medical care system

Initiatives in FY2020

Improve profitability of existing businesses

- Launch new products on schedule
- Achieve further growth in overseas business
- Enhance customer value proposition in domestic business

Consolidate corporate fundamentals to grow as a global company

- Strengthen governance and business management structure
- Improve supply chain management using IT

Review of Previous Medium-term Business Plan and FY2020 Key Initiatives

●Address Global Medical Issues

Nihon Kohden works to increase production capacity at the Tomioka Production Center as demand for patient monitors and ventilators is increasing more than ever due to COVID-19 outbreak. We go ahead with the production of NKV-550 series ventilators at the Tomioka Production Center, as we received speedy and prioritized approval for production and marketing of the NKV-550 series in Japan in late April. NKV-550 is a tracheal intubation ventilator for critically ill patients, which was launched in overseas markets in FY2019. We are increasing Increased

Production of Patient Monitors and Ventilators production of NKV-550 series ventilators at Nihon Kohden OrangeMed in the U. S. Never have our products been in such high demand around the world. We consider it our duty to support medical workers who are committed to treating patients on the front line of medical care. The entire Company will work together to solve global medical issues, such as establishing healthcare systems in the midst of the COVID-19.

Increased Production of Patient Monitors and Ventilators



As a medical equipment manufacturer, we will do our best to support medical workers on the front line of medical care NKV-550 ventilator delivered to hospital in Spain in April 2020

In Europe, the COVID-19 outbreak expanded in March, bringing about the near collapse of healthcare systems, especially in Italy and Spain. In order to support frontline medical workers who are committed to treating patients, our staff in those countries took full precautions against the coronavirus, wearing masks and gloves to deliver ventilators. A Nihon Kohden manager in Spain explained as follows: "The NKV-550 ventilators delivered by our salespeople to overstretched medical institutions were soon used on patients. The thanks we received from customers encouraged all of us."



NKV-550 ventilator delivered to hospital in Spain in April 2020



NKV-330 ventilator delivered to hospital in London in June 2020



NKV-550 ventilator delivered to hospital in Scotland in June 2020

Message from Management

We will move energetically forward with initiatives to fulfill our social responsibilities as a medical device manufacturer and increase corporate value

Hirokazu Ogino
Representative Director, President and CEO



●Response to COVID-19 Pandemic

First of all, I would like to express my deepest condolences to those who passed away due to COVID-19. I also extend my sympathies to those who have fallen ill and their families as well as praying for their speedy recovery. At Nihon Kohden, a total of seven cases of infection among employees have been confirmed in Japan, leading to the suspension of production at the Tomioka Production Center. We would like to make a heartfelt apology to the local community and to our stakeholders in the region for the great concern which this caused. In its response to the spread of COVID-19, the Nihon Kohden Group conducts business in accordance with the basic policies of ensuring the health and safety of

employees at work and their families as our top priority and fulfilling our responsibility to supply products and services to maintain the medical care system. As part of this approach, we are working to increase production of in-house ventilators in response to the unprecedented increase in worldwide demand. As ventilators are involved in preserving patient lives and are required to meet very high levels of quality, it is not a simple matter to increase production. However, we believe that the social responsibilities of Nihon Kohden is to support medical workers at the frontline of medical care who are working dedicatedly to treat patients every day, and we are therefore doing our utmost to build up our production and supply system.

Message from Management

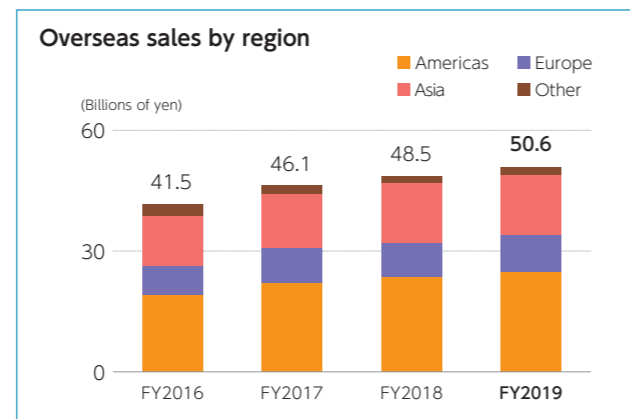
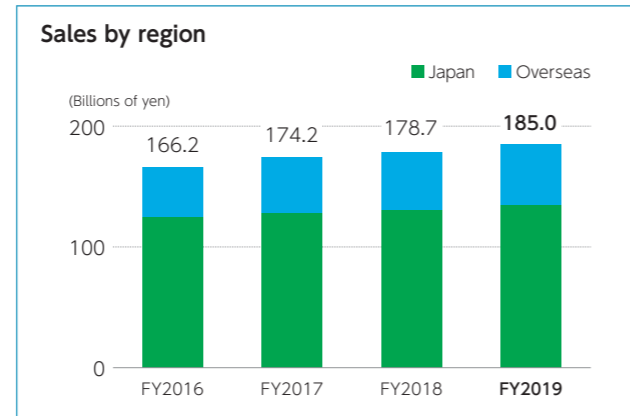
In response to the changing business environment we will start building a foundation for sustainable growth for the next ten years

●FY2019: Growth in Both Sales and Profits

In FY2019, Nihon Kohden posted growth in both sales and operating income compared to the previous fiscal year. In Japan, we began to reap the benefits from the switch to a sales approach based on creating customer value. The last-minute increase in demand preceding the consumption tax increase in October 2019 was mostly offset by a corresponding decrease in the second half of the fiscal year. Internationally, supported by steady demand for medical equipment, the enhancement of R&D, marketing and service capabilities in the U.S. began to show positive results.

●In Transition to a Highly Profitable Structure

FY2019 was the final year of our Medium-term Business Plan, TRANSFORM 2020, which set targets of ¥190 billion for sales and ¥20 billion for operating income. Sales increased nearly in line with the target, but operating income fell far short. As part of the management team, I am keenly aware that we still have a long way to go before achieving an improvement in profitability. We were unable to meet the target for improving gross profit margin due to delays in the launch of new products. The improvement of production efficiency also remains as an issue to be solved. A further factor was the impact of upfront investment required to build the Eastern Japan Logistics Center and strengthen overseas sales and service structures, which overshot the original plan. While achieving certain results from these initiatives to date, in FY2020 we will continue to focus on further improving profitability.



Initiatives in FY2020

Improve profitability of existing businesses

- Launch new products on schedule
- Achieve further growth in overseas business
- Enhance customer value proposition in domestic business

Consolidate corporate fundamentals to grow as a global company

- Strengthen governance and business management structure
- Improve supply chain management using IT

●Organizational Restructuring for Integration and Unification

With the COVID-19 pandemic causing significant changes in market conditions, we have decided to suspend the announcement of our Long-term Vision toward 2030 and Medium-term Business Plan.

However, that does not mean that we have ceased responding to the issues. A major theme for the next three years will be Integration and Unification. Up to FY2019, we had adopted a structure of different business divisions, each promoting its own separate product category, but there are aspects of this structure that stand in the way of development across divisional boundaries and reinforcement of the shared technology base. Looking ahead over the next ten years, I think that new value can be created through Integration and Unification of our technology base across different product categories. With this in mind, FY2020 will see a major restructuring of our organizational structure from a business-based to a function-based organization. These changes will further strengthen our ability—fundamental for a manufacturer—to bring highly competitive products to market in a timely manner. At our head office, we will strengthen our global management structure and corporate governance system by unifying departmental functions including accounting, legal affairs, and human resources. We will build a global IT infrastructure to promote effective data utilization, and enhance corporate cybersecurity management. In overseas markets, meanwhile, we will strengthen our business foundation, with the U. S. and China identified as growth markets.

In the U.S., the world's largest market and a center of leading-edge medical care, where we have six subsidiaries with distinct roles ranging from R&D to production and sales, we will strengthen local collaboration between these subsidiaries to strengthen our business foundation. To gain market share in China, where population is over one billion, we will strengthen the local development, production, and sales functions and expand our product line-up of affordable models which are expected to have high unit sales volumes.

●More Intensive Promotion of Sustainability

In order to realize sustainability, we will intensify management-level initiatives in the areas of Healthcare, Environment, and Corporate Activities. In the Healthcare field, we contribute to society through our core business of the manufacture and sales of medical equipment. Through increasing production and supply of patient monitors and ventilators, we are working specifically now to support medical institutions in the midst of COVID-19. In the Environment field, we are working not only on the development and supply of environmentally friendly

products, but also on reduction of waste emissions and promotion of the three Rs: reduce, reuse, and recycle. In CO₂ reduction initiatives undertaken as part of these activities, our target of a 12% reduction by FY2020 compared to 2013 was achieved one year ahead of plan. We are committed to further efforts to reduce CO₂ emissions going forward.

In the Corporate Activities field, work style reforms are important issues. We are creating a positive work environment through measures such as flextime, teleworking, and opportunities for female and senior employees.

During the state of emergency declared by the Japanese government in response to the COVID-19 pandemic, we continued to operate with employees working from home as far as possible. Workplace attendance was restricted to the minimum necessary staffing level for operations where on-site presence was essential to business continuity, with stringent measures in place to prevent infection. Meanwhile, to strengthen our corporate governance in preparation for global business expansion, Nihon Kohden signed the United Nations Global Compact in 2015, and has taken initiatives in the four areas of human rights, labor, the environment, and anti-corruption. In addition, we are focusing on improving the soundness and transparency of corporate activities through introducing global compliance programs.

●Maintain Long-term Stable Dividends

Our basic policy on shareholder return will continue to be maintaining stable and continuous dividend payments. The year-end dividend for FY2019 was 18 yen per share. Combined with the interim dividend of 17 yen per share, the full-year dividend was 35 yen per share. Full year dividends for FY2020 will be 35 yen per share.

●In Response to Your Support

Since its foundation in 1951, Nihon Kohden has been engaged in its corporate activities under its Management Philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. In 2021, we will mark the 70th anniversary of our foundation. Our achievement of this milestone has depended entirely on the support of our shareholders and all our other stakeholders, to whom we express our sincere gratitude. To realize a sustainable society and achieve further increase its corporate value, Nihon Kohden will continue working to develop new innovative technology and thereby contribute to solving global medical issues. We appreciate the continued support from our stakeholders.

*3Rs: Reduce, Reuse, and Recycle

ESG Summary

As a manufacturer specializing in medical equipment, Nihon Kohden vigorously strives to contribute to a sustainable society and enhance its corporate value. The Company does this through its business activities by taking on the challenges of solving a range of social issues such as fighting disease and improving health.

●Sustainability Policy

To contribute to the building a sustainable society and increase corporate value, Nihon Kohden believes that it is important to resolve social issues through our business activities. As a means to achieve this, the Company is promoting its Sustainability Policy.

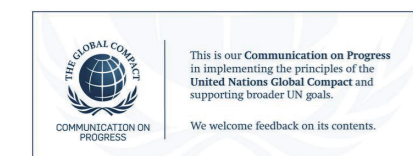
Currently, Nihon Kohden is reviewing its materiality in three areas of Healthcare, Environment, and Corporate Activities and plans to reflect the materiality in its next Medium-term Business Plan. The Company aims to solve these issues through its daily business activities.

Sustainability Policy

Healthcare	Environment	Corporate Activities
Contribute to fighting disease and improving health through our products and services	Conserve the global environment and make improvements through all corporate activities	Strengthen the foundation of sustainability in all areas of corporate activities
		

●Join UN Global Compact

In July 2015, Nihon Kohden signed on to the United Nations Global Compact. By engaging in corporate activities that adhere to the Ten Principles of the United Nations Global Compact in four areas of human rights, labor, the environment, and anticorruption, Nihon Kohden seeks to earn the trust of society and to contribute to a sustainable society.



●External Evaluation

FTSE4Good Index Series

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell confirms that Nihon Kohden has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series for four consecutive years since 2017.



MSCI Japan ESG Select Leaders Index

The MSCI Japan ESG Select Leaders Index is a stock price index created by MSCI and is composed of companies with excellent ESG (Environment, Social, and Governance) ratings. Nihon Kohden has been a constituent of the MSCI Japan Select Leaders Index for four consecutive years since 2017.

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Stakeholder Engagement

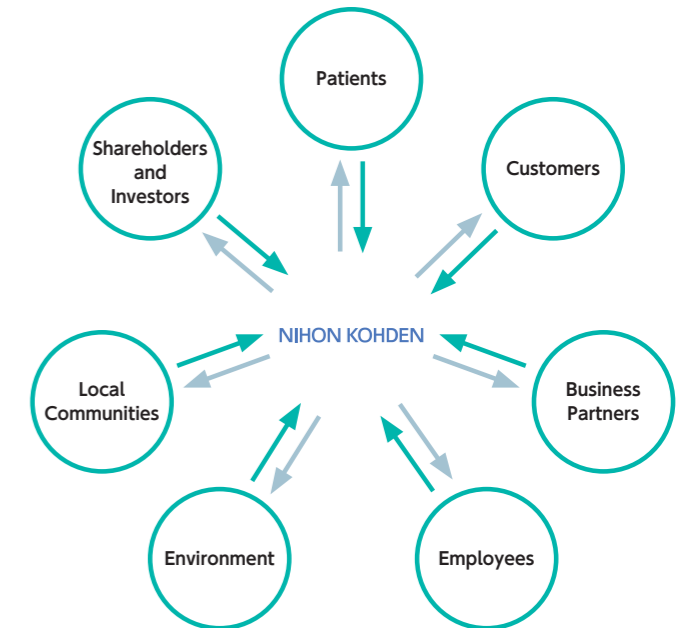
Nihon Kohden operates its business that places importance on all the Company's stakeholders. The Company also aims to maintain and develop a sound relationship with stakeholders by proactive communication.

●Growing as a company and establishing trust

Nihon Kohden's planning and implementation of sustainability initiatives are predicated on harmony achieved with all of its stakeholders. Nihon Kohden is committed to establishing trust with its stakeholders and achieving growth accepted by its stakeholders in all aspects of its business, from product development, production and sales to after-sales services, the Company's financial standing, and human resource development efforts. In addition to its citizenship activities and information disclosure through its business activities, Nihon Kohden also leverages the opinions and requests of stakeholders in its future business activities as part of its efforts to be a trusted member of society.

●Mutual understanding through dialogue with our stakeholders

- Sustainable opportunities for dialogue and disclosure of information to the market
- Expectations for Nihon Kohden



Nihon Kohden's Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	<ul style="list-style-type: none"> ●Daily sales activities ●Call center ●Customer satisfaction survey ●Academic seminars ●ME (medical electronics) workshops 	Offer of products and services with safety and security Enhancement of customer satisfaction Response to customer complaints Disclosure and offer of adequate information of products and services
Business Partners	<ul style="list-style-type: none"> ●Daily procurement activities ●Questionnaire of sustainable procurement 	Open and fair trade Promotion of sustainable procurement
Shareholders and Investors	<ul style="list-style-type: none"> ●General shareholders meetings ●Earnings presentations ●Company briefings ●Events for individual investors ●Website for investors 	Enhancement of corporate value Appropriate shareholder returns Timely and appropriate disclosure Response to Social Responsible Investment
Employees	<ul style="list-style-type: none"> ●Self-enumeration system ●Level-specific training sessions ●Labor-management council meetings ●Consultation counter ●Company newsletters and intranet 	Respect for human rights and promotion of proper labor practices Development and utilization of human resources Securement of occupational health and safety Respect for diversity of human resources and work style
Local Communities	<ul style="list-style-type: none"> ●Volunteer activities in local communities ●Participation in local events 	Participation and contribution to local communities

Healthcare Improving Safety and Reliability

As a maker of medical devices which are responsible for saving lives, we aim to supply products and services that provide customers with safety and peace of mind.

Quality Policy and Quality Targets

Medical devices used in advanced medical care require the highest level of quality and safety. Nihon Kohden set the following quality policy.

Quality Policy

To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products.

We have been working on quality improvement activities with the following three quality targets.

1) "Risk Zero" design and production

For the safety and security of our customers, Nihon Kohden believes that it is important to keep risk as close to zero as possible and continue to promote quality improvement. Our development, production and service departments work together to carry out design and production work intended to eliminate risk. We have established a framework to review risk management activities, prevent recurrence, take measures against human errors, assess risks from the customer's perspective, and provide feedback to new product development.

2) Achieve a high utilization rate by users

Nihon Kohden is designing and manufacturing medical devices that breakdown less often, with the goal of ensuring customer satisfaction long after the purchase of products. We use the utilization rate as a metric and review it regularly together with continuing our efforts to deliver loaner devices in a timely manner and return products in a short period of time if they should fail.

3) Achieve excellent usability

To achieve higher usability, Nihon Kohden has built a usability evaluation room for the purpose of developing products based on a deep understanding of customers' needs and clinical environment. Our design has been highly evaluated and received the Good Design Award (G Mark) by the Japan Institute of Design Promotion for seven consecutive years from FY2013 to FY2019.

New Quality Targets

- 1) Build a global quality management system to strengthen regulatory compliance and post-marketing monitoring in each country
- 2) Establish a product supply and service system that results in greater customer satisfaction
- 3) Achieve high rate of utilization by customers

Nihon Kohden has obtained ISO 9001:2015 certification for its quality management system and ISO 13485:2016

certification for its medical devices. The Company has also obtained numerous certifications and accreditations including the Medical Device Single Survey Program (MDSAP)* certification. Our Reliability Center has obtained laboratory accreditation in accordance with ISO 17025.

*MDSAP is a third party Auditing Organization's program to conduct a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements.

Support Systems for Safety

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers' safety management and helps spread medical technologies, to ensure safety after delivery of the product. In Japan, Nihon Kohden deploys specialized safety managers nationwide who have received accreditation as Medical Device Information Communicators (MDIC)*. We also organize safety workshops to ensure that customers use our products correctly. (Number of workshops and participants in FY2019: 1,192 workshops and about 39,000 participants.)

The main theme of the workshop

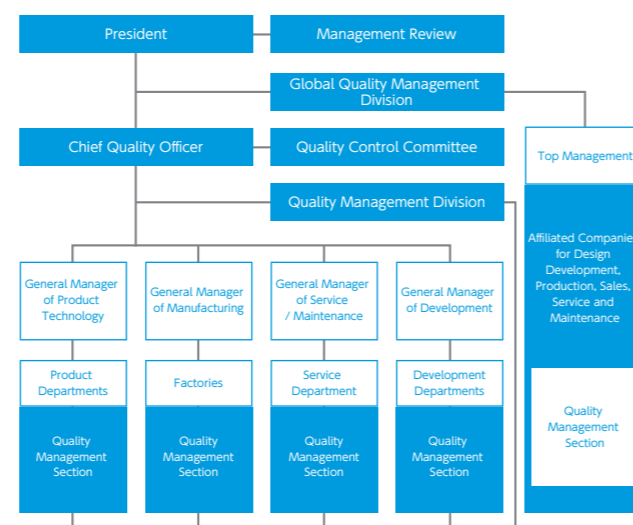
- Safety workshop for use of patient monitors, defibrillators, and ventilators
- Safety workshop for electrical safety and safety management of medical equipment

*MDIC is an accreditation program established by the Japan Society of Medical Instrumentation (JSMI) to cultivate personnel who can contribute to patient safety and the improvement of healthcare quality.

Strengthen our Global Quality Management System

Nihon Kohden is working to strengthen its quality management system and regulatory affairs functions for obtaining approval in each country in order to supply products globally in a timely manner.

Quality Management System



Healthcare Improving Quality, Accessibility, and Efficiency of Healthcare

We aim to achieve higher quality, accessibility, and efficiency of healthcare through innovative technology and customer-oriented product development.

Improving Quality, Accessibility and Efficiency of Healthcare

During the current COVID-19 pandemic, hospitals on the front lines of the fight against the coronavirus are facing unprecedented challenges everywhere around the world. We need a solution to reduce the excessive workloads of health workers in overstretched medical institutions. Based on its management philosophy, Nihon Kohden, as a medical equipment manufacturer, is doing its utmost to reduce the burden on medical institutions by providing medical equipment which contributes to improving the quality, accessibility and efficiency of healthcare. For example, the WEP-1000 series launched in FY2019,

contributes to reducing nursing workloads by improving the accuracy of alarms that alert caregivers to changes in patient condition and by providing ease of operation through its intuitive design.

Providing Environmentally Friendly Products

Nihon Kohden is engaged in the development of environmentally friendly products to reduce environmental impact as a social contribution through our business. We launched ten new environmentally friendly products in FY2019.

WEP-1000 Series, Telemetry Systems



The WEP-1000 series are telemetry systems for monitoring multi patients' vital signs continuously at a nurse station. They receive vital signs data such as ECG and blood pressure sent from multiple transmitters wirelessly. This nurse oriented patient monitoring system was developed to aim at contributing to improved operating efficiency and patient safety in clinical practice by reducing false alarms. The WEP-1000 series main unit is integrated with a thin display that can be installed on a board or be hung on a wall, enabling versatile installation. The user interface uses an intuitive concept reminiscent of a smartphone and makes it easy to customize the layout depending on the number of patients. As a next-generation telemetry system, the WEP-1000 series supports medical safety and high-quality nursing care.

Environmental Considerations

24.2% weight reduction of packaging materials compared to the existing models contributes to reduction of waste. Lead-free solder is adopted to comply with the European Union RoHS directive.

SVM-7200 Series, Patient Monitors



The SVM-7200 series are compact sized spot check monitors that measure vital signs such as NIBP, SpO₂ and pulse rate (It was launched only as a continuous monitor in Japan). In the U.S., nurses make rounds of general wards with a spot check monitor and measure SpO₂, blood pressure and temperature (optional) of every patient on the spot. The SVM-7200 series offer versatility of converting easily to continuous vital signs monitoring mode for at-risk patients. It will also help healthcare practitioners screen patients for COVID-19 as it measures key vital signs: SpO₂ and temperature.

Environmental Considerations

It is 10.0% smaller and lighter than the existing models and contributes to reduction of waste. Lead-free solder is adopted to comply with the RoHS directive.

PVM-4000 Series, Bedside Monitors



The PVM-4000 series are compact sized bedside monitors which monitor vital signs such as ECG and blood pressure continuously. This nurse oriented patient monitoring system offers an easy-to-understand menu and on screen operation guide. The flat-panel display is easier to clean. The measurement algorithm is same as Nihon Kohden's high-end monitors. It also provides indicators such as rate pressure product (RPP) and shock index (SI) for safer monitoring.

Environmental Considerations

It is 5.7% smaller and lighter than the existing models and contributes to reduction of waste. Lead-free solder is adopted to comply with the RoHS directive.



Illustrated guide to responding to alarms

Improving Quality, Accessibility, and Efficiency of Healthcare

EMS-1052, Defibrillator cardiolife EMS



Defibrillators deliver an electrical shock to a heart which has gone into life-threatening cardiac arrhythmia such as ventricular fibrillation in order to restore a normal heart rhythm. The EMS-1052 was developed to support further advanced life-saving treatment in prehospital emergency care. This defibrillator has enhanced the functionality for monitoring ECG, blood pressure, SpO₂, temperature, and CO₂. The EMS-1052, the smallest and lightest defibrillator in its class, realizes continuous VF/VT analysis and quick charging. It can work in harsh environments with a wide operating temperature range from -20°C to +50°C.

Environmental Considerations

The increase in product volume is minimized and weight of packaging materials was reduced by 28.6% compared to the existing models, contributing to reduction of waste.

MEB-9000 Series, EMG/EP Measuring System, MEB-9600



The MEB-9600 is used for electromyography (EMG), testing by stimulating arms or legs to detect nerve disorders or muscle disorders, as well as evoked potential (EP) testing to measure how the brain, spinal cord or nerves respond to stimulation of eyes, ears, wrists or ankles. Based on a "faster and simpler" design concept, the MEB-9600 has an improved examination guide. The guide enables medical workers who are not familiar with using this device to perform an examination smoothly. A diagnostic report also helps explain the severity level of diabetic neuropathy to patients.



Testing results with charts

Environmental Considerations

20.1% weight reduction of packaging materials compared to the existing models contributes to reduction of waste. Lead-free solder is adopted to comply with the RoHS directive.

Value Story

Initiatives for Promoting Advanced Perioperative Medical Care in Vietnam



Special Lecture in Vietnam



Participants Listening Intently

Promoting perioperative medical care*1 equivalent to Japanese medical services in emerging countries will have a significant effect on improving cure rates. The project for promoting the use of Nihon Kohden's noninvasive monitor in perioperative medical care was adopted as a three-year project under the FY2016 project to promote international medical development by the Ministry of Health, Labor and Welfare. Nihon Kohden aims to improve the quality of medical care by spreading its own technology to Vietnam. As Vietnam is aging faster than Japan and the number of patients with acute myocardial infarction and intracerebral hemorrhage is increasing, noninvasive monitors (esCCO**2) have attracted a great interest. About 1,200 people, including anesthesiologists and clinical engineers, attended the special lecture by Japanese doctors held at the conference of the Vietnam Society of Anaesthesiologists in Vietnam. We will continue to engage in activities aimed at contributing to safe and high quality perioperative management in Vietnam.

*1 Perioperative medical care: integrated care across the full patient pathway before, during and after surgery.
 *2 esCCO: estimated Continuous Cardiac Output
 A technology which can calculate estimated continuous cardiac output non-invasively based on an electrocardiogram and the pulse waves obtained from pulse oximetry.

Environment Environmental Philosophy and Policy

We strive to realize our Environmental Philosophy through our business activities and the actions of our employees.

Environmental Philosophy

In its business activities and the actions of its employees, Nihon Kohden works towards the conservation and qualitative improvement of the earth's priceless environment so that all people can enjoy a healthy environment.

Established: September 1, 2015

Environmental Policy

Based on its Management Philosophy and the Environmental Philosophy, Nihon Kohden will continuously improve its environmental management systems to enhance its environmental performance.

Established: April 1, 2017

1. Provide environmentally friendly products

In carrying out development manufacturing, marketing, after sales service, and support for electronic medical devices, we contribute to reduction of greenhouse gas emissions and sustainable use of limited resources by realizing energy and resource savings, and eliminating the use of hazardous substances throughout the product life cycle.

2. Promote energy conservation and reduction of waste in business activities

In all of our business activities, we continually work together with our supply chain to introduce low-carbon and high-efficiency technologies, and improvement activities, strive to promote energy conservation, reduce waste through the 3R's of reduce/reuse/recycle, reduce greenhouse gas emissions over the medium to long term, and prevent environmental pollution.

3. Comply with environmental laws, regulations, ordinances, and agreements

In all of our business activities, we comply with all laws, regulations, ordinances, and agreements that concern the environment in Japan and overseas, and carry out our responsibilities to stakeholders such as responding to issues such as climate change, water resource protection and conservation of biodiversity as a global company.

4. Promote environmental education

In regard to environmental issues, we promote appropriate education and educational activities to deepen the insight of our employees and stakeholders and enable individual productivity improvements to be linked to environmental improvement activities.

Medium to Long-term Environmental Targets

Environmental Target for FY2050	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 80% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.
Environmental Target for FY2030	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 26% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.
Environmental Target for FY2020	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 12% from the level of FY2013 by providing environmentally friendly products and cooperating with the supply chain.

Established: April 1, 2017

Environmental Targets for FY2020

Environmental Targets for FY2020	<ol style="list-style-type: none"> 1. Enhance production efficiency and reduce environmental impact by improving operational efficiency 2. Reduce environmental impact and prevent pollution in our business activities 3. Continuously reduce energy consumption and CO₂ emissions in our business activities in order to realize a decarbonized society 4. Contribute to creating a recycling-oriented society
----------------------------------	---

Established: April 1, 2020

Certification

ISO 14001

The Tomioka Factory obtained ISO 14001:1996 certification in October 2001, and underwent a transitional review for ISO 14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007.

In 2017, we completed the transition to ISO 14001:2015, and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory. In 2019, the Asaka Office obtained new certification and joined the Ochiai/Tokorozawa site.

Currently, we conduct business activities at five sites, i.e., Ochiai/Tokorozawa Site: head office and development department; Tsurugashima Site: sales and shipping of ME consumables; Kawamoto Site: development of ME consumables and safety/reliability testing of ME devices; Fujioka Site: repair and maintenance; and Tomioka Site: manufacturing and shipping.

Environmental Management System (EMS)

For further details on EMS, please refer to our website.

 https://www.nihonkohden.com/sustainability/csr_environment.html

Green procurement

As part of our efforts to provide eco-conscious products to the market, we promote procurement of parts, materials, and finished products which have a low environmental impact according to the following policy (green procurement).

1. Prioritize purchasing from suppliers conducting ambitious environmental conservation activities while also excelling in areas that include quality, pricing, delivery times, and services
2. Prioritize the purchase of toxic substance-free products

For further details on requests to our suppliers, environmental conservation, and evaluation of chemical substances, please refer to our website.

 https://www.nihonkohden.com/sustainability/csr_environment.html

Environmental Philosophy and Policy

Targets and Results of the Environmental Management Program

Environmental Target	FY2019 Target	Result
1. Reducing the environmental impact and improving productivity through enhanced operational efficiency	Set specific targets and raise productivity in each business activity	Attainment Rate: ✓✓ More efficient activities were implemented generally at each site (Ochiai/Tokorozawa, Tomioka, Fujioka, Kawamoto, and Tsurugashima) and we managed to achieve further reductions in environmental impact.
2. Reduce environmental impact and prevent pollution in business activities	2-1. Reduce CO ₂ emissions by 8% throughout the product life cycle through providing environmentally friendly products 2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to existing products 2-3. Reduce the first-month defect rate by 3% compared to the previous fiscal year 2-4. Keep the repair failure rate for repaired goods to 0.20% or less	Attainment Rate: ✓ We reached our goals in three of the four target areas, but 2-1 target was not achieved. CO ₂ emissions were only reduced by 1.8% because the difference between the existing products and newly developed products was smaller. We continue to promote the development and sales of environmentally friendly products to further reduce CO ₂ emissions.
3. Continuously reduce energy consumption and CO ₂ emissions to realize a low-carbon society through our business activities	3-1. Improve energy use by 1% on a per unit basis compared to the previous fiscal year 3-2. Improve reduction in CO ₂ output by 1% on a per unit basis compared to the previous fiscal year 3-3. Start collecting data on energy consumption and CO ₂ emissions at the Eastern Japan Logistics Center 3-4. Collect energy and input resource data from three major overseas Group companies (Nihon Kohden America, Nihon Kohden Europe, and Shanghai Kohden) in FY2019	Attainment Rate: ✓✓✓ The targets for energy consumption and CO ₂ emissions were attained on a per-unit basis by improving the operation of air conditioning systems and production equipment at each site in response to the Cool Biz and Warm Biz campaigns as well as by renovating facilities in accordance with our medium-to long-term plan. We acquired resource input and waste data for the Eastern Japan Logistics Center to obtain ISO 14001 certification. We will continue to expand the scope of data acquisition at overseas Group companies to set Science Based Targets.
4. Contribute to a recycling-oriented society	4-1. Reduce total waste emissions excluding waste from office realignments by 0.8% and improve it by 6.0% on a per unit basis compared to the previous fiscal year by promoting Reduce/Reuse/Recycling 4-2. Reduce the final disposal rate of general waste at the Asaka Office to 1.8% or less (recycling rate of 98.2% or more) by promoting waste separation	Attainment Rate: ✓✓ We were able to reduce waste emissions by 1.8% compared to the previous fiscal year, but the improvement on a per unit basis was only 5.1%. Going forward, we will work to reduce waste at Production Sites, where the amount of waste is larger. At the Asaka Office, the recycling rate was 100% and achieved the target through waste sorting.

* Five ISO 14001 certified sites Attainment Rates: ✓✓✓ 100% attainment ✓✓ At least 80% attainment ✓ Less than 80% attainment

Topics

Nihon Kohden considers the following items to be the Company's business risks: Disruption of the supply chain due to natural disasters caused by climate change, and production delays due to insufficient water resources. Going forward, we will continue to reduce Scope 3* CO₂ emissions through providing environmentally friendly products. We will also disclose the amount of water consumption and Scope 1 & 2* emissions and set reduction targets by monitoring the amount of input resources and energy used in the entire Group. In FY2020, we will start environmental activities at the Eastern Japan Logistic Center, which started operation in FY2019, to obtain ISO 14001 certification.

* Scope 1: All direct emissions from the Company's use of fuel, Scope 2: Indirect emissions from the use of energy (mainly electricity) produced by other companies, Scope 3: Other indirect emissions in the Company's supply chain.

Ensuring Thorough Compliance

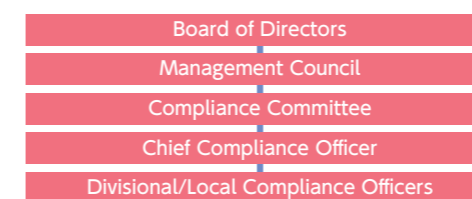
We practice fair and legitimate businesses activities with high ethics.

●Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. Aside from being the "right" thing to do, these principles ensure that Nihon Kohden does not lose one of its most valued assets—the trust of its customers, business partners, and stakeholders. Nihon Kohden's commitment to ethical and responsible actions is embodied by its Code of Ethics and Conduct. The Code requires all executives, employees, part-time employees, temporary employees, etc. to comply with all laws, regulations, and Company policies.

●Compliance Organizational Framework

The Company has a global compliance program effective in all regions in which it conducts business. In order to ensure thorough compliance, the Company has created the following Compliance Organizational Framework:



The Compliance Committee is an organization consisting of directors, officers, and senior managers designated by the Board of Directors. The Compliance Committee ensures and enhances compliance by

- (i) establishing and amending the Company's compliance policies;
- (ii) supervising, evaluating, assessing, reviewing, and continuously improving the compliance program of the Company;
- (iii) coping with important compliance issues; and
- (iv) studying, assessing, addressing, and implementation of responses to other compliance matters.

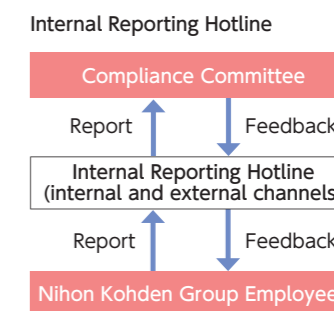
The Chief Compliance Officer (CCO) is responsible for management, operation, and implementation of the compliance program throughout the Company. The Divisional and Local Compliance Officers are empowered and authorized to implement, ensure, and enhance the compliance program in each division or subsidiary. The CCO carefully selects these individuals and regularly communicates with them to verify that global policies are implemented.

●Compliance Training

The Company conducts annual compliance training for all executives and employees at the workplace level in each of our departments and subsidiaries. Each employee first studies the predefined material on his/her own and then confirms his/her level of understanding. Next, we read the material and discussing it with colleagues in order to deepen employees' understanding of compliance. As necessary, Local Compliance Officers in overseas subsidiaries provide additional training in accordance with local laws, regulations, and policies in each country.

●Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports in good faith. However, to alleviate any concerns on the part of the employees making reports, the Company accepts anonymous reports.



●Preventing Corruption

Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery or corrupt act towards Japanese and foreign public officials, and ensures compliance with laws and regulations preventing corruption in every region in which Nihon Kohden engages in business, including bribery and corruption-related laws in Japan, the Foreign Corrupt Practices Act (FCPA) in the United States, and the Bribery Act in the United Kingdom. Furthermore, Nihon Kohden has established the Anti-Corruption Policies, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto. The Company also asks business partners including overseas distributors to understand and cooperate with Nihon Kohden's anti-corruption efforts and provides them with the Nihon Kohden Code of Ethics and Conduct and educational materials related to anti-corruption.

●Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in 2017 and is working to ensure thorough compliance throughout the entire Group, including overseas sales subsidiaries. In FY2019, we held training for managers of overseas sales subsidiaries and online meetings for Local Compliance Officers, and issued a newsletter twice a year to further enhance our global compliance system.

For further details, please refer to our website.

 <https://www.nihonkohden.com/sustainability/compliance.html>

Enhancing Corporate Governance

Nihon Kohden strives to strengthen its corporate governance with the aim of continually enhancing its corporate value.

●Basic Views on Corporate Governance

To realize the Company's Management Philosophy, Nihon Kohden 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, quality of employees, and other points. In order to realize this management basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency, and efficiency of management, is an important management issue.

●Corporate Governance Structure

Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory functions, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors, who comprise one-third of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, Internal Auditing Department, and the Accounting Auditor. The Company believes the management monitoring functions work sufficiently. The Company registered four outside directors as independent directors, who have no conflict of interest between general shareholders and them, to the Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council. They provide opinions from an objective and neutral standpoint if necessary and supervise the Company's management.

◎Board of Directors

The Board consists of a total of twelve directors, nine directors excluding Audit & Supervisory Committee members (including two outside directors) and three Audit & Supervisory Committee members (including two outside directors). The Board has monthly meetings to resolve matters pursuant to the Companies Act and makes decisions on the conduct of important business for the Nihon Kohden Group as well as supervises directors' performance of their duties.

◎Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, including two outside directors and one full-time member. Each Audit & Supervisory Committee member attends the important meetings such as the Management Council. Each Audit & Supervisory Committee member audits the performance of the directors' duties through the investigation of business execution and assets of the Company and its subsidiaries. Those activities shall be in accordance with the audit policy and plan for the term which is decided at the Audit & Supervisory Committee. The Audit & Supervisory Committee cooperates closely with the Accounting Auditor and the Internal Auditing Department. The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

◎Management Council

Meetings of the Management Council, at which all directors and operating officers attend, are held three times a month in order to undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the conduct of operations on the other.

◎Nomination & Remuneration Committee

The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure the transparency and objectivity of the management. All four committee members and the committee chair are appointed from outside directors. The Nomination & Remuneration Committee deliberates on the proposal of the candidates, remuneration of directors, and succession plans in response to requests from the Board, and submits the proposals to the Board.


For further details on the corporate governance, please refer to our website.

 <https://www.nihonkohden.com/company/governance.html>

●Nomination and Dismissal of Directors

Director nomination is considered based on the following matters: the Board is well balanced in knowledge, experience, and abilities as a whole; the Board can make appropriate and quick decisions; and individual directors have excellent character, insight, and high ethical standards. The nomination policy of directors (excluding Audit & Supervisory Committee members) is stipulated in the Corporate Governance Guideline and of Audit & Supervisory Committee members is stipulated in Auditing Standards conducted by the Audit & Supervisory Committee. The dismissal policy of directors is stipulated in the Corporate Governance Guideline.

For further details for the nomination and dismissal of directors, please refer to our website.

 https://www.nihonkohden.com/company/governance_nomination.html

●Remuneration of Directors

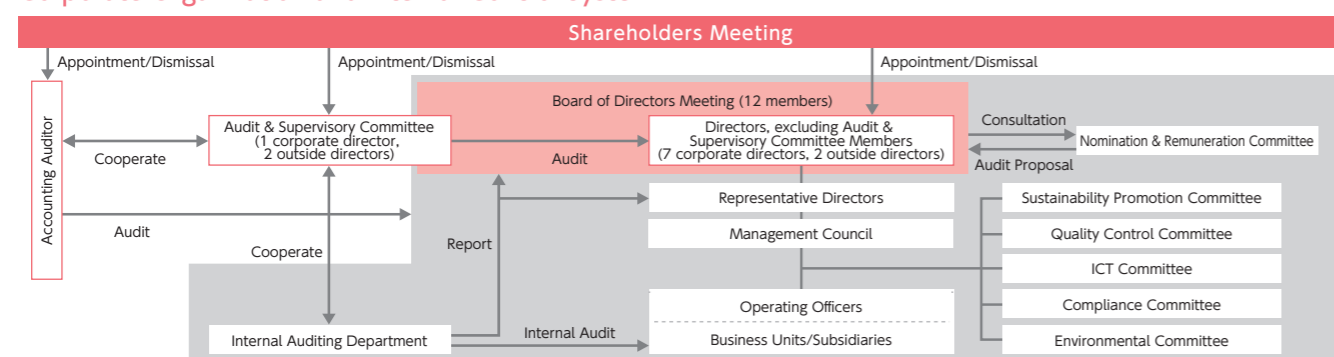
Nihon Kohden has established the policy on determining the amount or calculation method of director remuneration which would further link with performance and shareholder value as well as aiming at the transparency of management and ensuring growth and profitability in mid- to long-term. Remuneration of directors (excluding Audit & Supervisory Committee members and outside directors) consists of monthly fixed compensations and bonuses as a performance-based compensation. The monthly fixed compensations are determined based on the size of the role and the range of responsibilities of each position. Bonuses as a performance-based compensation are determined in consideration of their contributions, the Company's business performance, and full-year dividend per share every fiscal year. A certain percentage of monthly fixed compensation is allotted to purchasing shares of the Company for reflecting mid-to long-term business results. Directors shall hold the shares during the period served as directors. The purchase ratio for the Company's shares is determined based on each director's position. Remuneration of outside directors excluding Audit & Supervisory Committee members consists of monthly fixed compensations. Remuneration of directors excluding Audit & Supervisory Committee members is reviewed at the

Nomination & Remuneration Committee and is presented as a proposal to the Board of Directors. Remuneration of Audit & Supervisory Committee members consists of monthly fixed compensations and is determined after consultation between Audit & Supervisory Committee members. The introduction of restricted stock remuneration plan ("Plan") was resolved at the Ordinary General Meeting of Shareholders held on June 25, 2020. The Company introduces the Plan in order to provide incentives for directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) to continuously improve the Company's corporate value, as well as to facilitate their sense of sharing value with shareholders. The maximum amount of the monetary compensation receivables in respect of restricted stock to be paid is set at 100 million yen per year. This is separate from the remuneration to directors (excluding directors serving as Audit & Supervisory Committee members), of which the total amount shall be within the limit of 400 million yen per year.

●Board Evaluation

Nihon Kohden conducted self-evaluations of all twelve directors in an anonymous survey related to the size and composition of the Board, and its operations. As a result, it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory function have been established in terms of the size, constitution and operations of the Board. It was also concluded that the Board operates effectively with an open atmosphere around the boardroom table allowing inside and outside directors to engage in lively discussions. In FY2019, based on the FY2018 evaluation results, the Company started to strengthen its supervision of its overseas subsidiaries. After considering the appointment of female outside directors, one female outside director was elected at the Ordinary General Meeting of Shareholders held on June 25, 2020. In addition, the Nomination & Remuneration Committee discussed the nomination and remuneration of management executives more actively. On the other hand, the Board members shared the following issues: to ensure time for discussion at the Board Meetings and to strengthen the supervision of the process of nurturing successors to senior management of the Company, including the CEO. The Company will continue existing improvement initiatives. In accordance with the FY2019 evaluation results, the Company will look to introduce more efficient methods of conducting Board Meetings to ensure sufficient time for discussion. The Board of Directors and the Nomination & Remuneration Committee will also continue to hold in-depth discussions on nurturing successors to the senior management of the Company, including the CEO, and the Board will strengthen its supervision of this process. The Company will continue to improve the overall effectiveness of the Board with the aim of achieving sustained growth of corporate value and the enhancement of corporate governance.

Corporate Organization and Internal Control System



The Total Amount of Remuneration of Directors in FY2019

Millions of yen	Total amount	Total amount by type of compensation		Number of directors
		Fixed compensation	Performance-based compensation	
Directors (excluding Audit & Supervisory Committee members and outside directors)	217	180	36	7
Directors serving as Audit & Supervisory Committee members (excluding outside directors)	21	21	—	1
Outside Directors	37	37	—	4

Corporate Activities Management Team



In consideration of COVID-19, we process the image which was taken while keeping a social distancing from each other.

Kazuo Shimizu	Shigeru Kawatsuhara	Eiichi Tanaka	Kazuteru Yanagihara	Fumio Hirose	Yasuhiro Yoshitake	Kanako Muraoka
	Kazuhiko Ikuta	Takashi Tamura	Hirokazu Ogino	Tadashi Hasegawa	Minoru Obara	

Hirokazu Ogino Representative Director
President and CEO

Served as Director for 8 years
Attendance at Board Meetings 22/22 (100%)
Date of birth May 28, 1970

- Apr. 1995 Joined the Company
- Apr. 2007 President of Nihon Kohden Europe GmbH
- Apr. 2011 General Manager of Marketing Strategy Department
- Jun. 2011 Operating Officer
- Jun. 2012 Corporate Director and Operating Officer
- Apr. 2013 General Manager of International Operations
- Jun. 2013 Corporate Director and Senior Operating Officer
- Oct. 2013 CEO of Nihon Kohden America, Inc.
- Jun. 2015 Representative Director, President and COO
- Jun. 2017 Representative Director, President and CEO (current position)

Takashi Tamura Representative Director
Executive Operating Officer, In Charge of Domestic Operations

Served as Director for 12 years
Attendance at Board Meetings 22/22 (100%)
Date of birth March 22, 1959

- Apr. 1983 Joined the Company
- Apr. 2003 President of Nihon Kohden Kansai Corporation
- Apr. 2007 General Manager of Sales Operations
- Jun. 2007 Operating Officer
- Jun. 2008 Corporate Director and Operating Officer
- Apr. 2011 General Manager of International Operations
- Apr. 2013 General Manager of Service Business Division
- Apr. 2014 General Manager of Customer Service Operations
- Jun. 2015 Corporate Director and Senior Operating Officer
- Apr. 2016 General Manager of Sales Operations
- Jun. 2017 Representative Director and Executive Operating Officer (current position)

Tadashi Hasegawa Director
Senior Operating Officer, General Manager of Global Corporate Administration Operations

Served as Director for 5 years
Attendance at Board Meetings 22/22 (100%)
Date of birth June 17, 1959

- Apr. 1983 Joined The Saitama Bank Ltd.
- Jun. 2009 Operating Officer of Saitama Resona Bank Limited
- Jun. 2011 Senior Operating Officer of Saitama Resona Bank Limited
- Jun. 2013 Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
- Mar. 2014 Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
- Apr. 2014 Joined the Company
- Jun. 2014 Operating Officer and Responsible for Internal Auditing Department
- Jun. 2015 Corporate Director and Senior Operating Officer (current position)
- Apr. 2020 General Manager of Global Corporate Administration Operations (current position)

Kazuteru Yanagihara Director
Senior Operating Officer, General Manager of Strategic Technology Operations

Served as Director for 5 years
Attendance at Board Meetings 22/22 (100%)
Date of birth January 22, 1957

- Apr. 1980 Joined the Company
- Apr. 2009 Deputy General Manager of Biomedical Instrument Technology Center
- Apr. 2011 General Manager of Technology Promotion Center
- Jun. 2011 Deputy General Manager of Biomedical Instrument Technology Center
- Apr. 2012 General Manager of Biomedical Instrument Technology Center
- Jun. 2012 Operating Officer
- Apr. 2014 General Manager of Strategic Technology Operations (current position)
- Jun. 2015 Corporate Director and Operating Officer
- Jun. 2017 Corporate Director and Senior Operating Officer (current position)

Fumio Hirose Director
Senior Operating Officer, General Manager of Business Strategy Operations

Served as Director for 5 years
Attendance at Board Meetings 22/22 (100%)
Date of birth March 2, 1960

- Apr. 1982 Joined the Company
- Apr. 2003 President of Nihon Kohden Chushikoku Corporation
- Apr. 2006 Chief Manager of Global Marketing Operations
- Apr. 2009 General Manager of Corporate Planning Department
- Jun. 2009 Operating Officer
- Apr. 2013 General Manager of Ventilator & Anesthesia Device Business Operations
- Jun. 2015 Corporate Director and Operating Officer
- Jun. 2017 Corporate Director and Senior Operating Officer (current position)
- Apr. 2018 General Manager of IVD Business Operations
- Apr. 2020 General Manager of Business Strategy Operations (current position)

Yasuhiro Yoshitake Director
Operating Officer, General Manager of International Operations

Served as Director for 3 years
Attendance at Board Meetings 19/22 (86%)
Date of birth March 20, 1966

- Apr. 1988 Joined the Company
- Oct. 2003 President of Nihon Kohden Europe GmbH
- Apr. 2007 General Manager of Sales Promotion Division, International Operations
- Apr. 2008 Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.
- Apr. 2011 General Manager of China Operations
- Jun. 2011 Operating Officer
- Apr. 2013 General Manager of Asia and Middle East Operations
- Apr. 2015 General Manager of International Operations (current position)
- Jun. 2017 Corporate Director and Operating Officer (current position)
- Feb. 2019 President and CEO of Nihon Kohden America, Inc.

Kanako Muraoka

Date of birth April 26, 1965

- Apr. 1988 Joined Mitsubishi Corporation
- Apr. 1993 Registered as an attorney (Daini Tokyo Bar Association) Joined Anderson & Mōri (currently Anderson Mōri & Tomotsune)
- Oct. 1999 Joined Mori Sogo (currently Mori Hamada & Matsumoto)
- Jun. 2019 Established Mars Law Office
- Apr. 2020 Joined Kowa Law Office (to present)
- Jun. 2020 Outside Director of the Company (current position)

Outside Director
Independent Director
Newly appointed Director

Shigeru Kawatsuhara
Audit & Supervisory Committee Member

Served as Director for 4 years
Attendance at Board Meetings 22/22 (100%)
Attendance at Audit & Supervisory Committee Meetings 25/25 (100%)
Date of birth February 14, 1952

- Apr. 1975 Joined Toko, Inc.
- Apr. 2002 Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.
- Apr. 2004 General Manager of Sales Center, Toko, Inc.
- Jun. 2005 Corporate Director and General Manager of Sales Center, Toko, Inc.
- Apr. 2008 President of Toko, Inc.
- May 2014 Chairman of Toko, Inc.
- Mar. 2015 Senior Advisor of Toko, Inc.
- Apr. 2016 Part-time Advisor of Toko, Inc.
- Jun. 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Outside Director
Independent Director

Eiichi Tanaka Director
Operating Officer, General Manager of US Operations

Served as Director for 3 years
Attendance at Board Meetings 22/22 (100%)
Date of birth July 15, 1962

- Apr. 1985 Joined the Company
- Apr. 2002 General Manager of Marketing & Business Development Department
- Oct. 2003 President of Nihon Kohden America, Inc.
- Apr. 2008 General Manager of General Affairs and Human Resources Department
- Jun. 2008 Operating Officer
- Apr. 2011 General Manager of Accessories & Consumables Business Operations
- Apr. 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation
- Apr. 2014 President of Nihon Kohden Tomioka Corporation
- Apr. 2017 General Manager of Import Business Operations
- Jun. 2017 Corporate Director and Operating Officer (current position)
- Apr. 2019 General Manager of Corporate Strategy Division
- Apr. 2020 General Manager of US Operations (current position)

Minoru Obara

Served as Director for 8 years
Attendance at Board Meetings 22/22 (100%)
Date of birth September 29, 1947

- Apr. 1986 Associate Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University
- Apr. 1993 Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University
- Jun. 2012 Outside Director of the Company (current position)
- Apr. 2013 Professor Emeritus at Keio University (current position)

Outside Director
Independent Director

Kazuhiko Ikuta Director (Full-time Audit & Supervisory Committee Member)

Served as Director for 4 years
Attendance at Board Meetings 22/22 (100%)
Attendance at Audit & Supervisory Committee Meetings 25/25 (100%)
Date of birth May 29, 1956

- Apr. 1980 Joined the Company
- Apr. 2006 Senior Manager of Finance Department, General Administrative Division
- Apr. 2009 General Manager of Finance Department
- Jun. 2009 Operating Officer
- Jun. 2016 Director (Full-time Audit & Supervisory Committee Member) (current position)

Kazuo Shimizu
Audit & Supervisory Committee Member

Date of birth May 16, 1959

- Apr. 1983 Joined Nippon Yusen Kabushiki Kaisha
- Oct. 1989 Joined Asahi Audit Corporation (currently KPMG AZSA LLC)
- Oct. 1992 Joined Shimizu Susumu Certified Tax Accountant Office
- Mar. 1993 Registered as a Certified Public Accountant
- May 1994 Registered as a Certified Tax Accountant
- Jan. 2003 Joined Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.)
- Sep. 2013 Joined Shimizu Accounting Office (to present) Representative Partner of Ryoh-koh Audit Corporation (current position)
- Jun. 2020 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Outside Director
Independent Director
Newly appointed Director

Message from Outside Director

The following are messages from the four outside directors including the two newly appointed directors and details of meetings of outside directors to exchange opinions.

Minoru Obara Outside Director Professor Emeritus at Keio University



As an outside director from a neutral stand point, my aim is to help drive the sustainable growth of business, including ESG (Environment, Social, Governance), taking into account the perspectives of all stakeholders, from shareholders to employees. The quality of outside directors is under the spotlight nowadays, and as such, I am dedicated to going beyond the expertise I cultivated in the past to also identify and understand rapidly evolving areas of science and technology, and become able to accurately envision the future of the medical industry. Information and communications technology (ICT) has exploded onto the scene and penetrated many aspects of our lives, enabling the fast and accurate analysis and synthesis of big data. This has laid the platform for the possibility of "virtual outside directors based on artificial intelligence" in the future. We offer unrivalled expertise and quality as real-life outside directors, and I feel a strong sense of responsibility to make every effort possible to actively contribute to the Company.

Kanako Muraoka Outside Director Kowa Law Office



Nihon Kohden is playing an increasingly important role in society in the face of such difficult issues as the COVID-19 pandemic as well as the declining birthrate and aging population. The Company is required not only to produce and sell exceptional products but also to be vigilant with compliance and take into account the standpoint of diverse stakeholders while contributing to global medical care and achieving sustainable growth. I will leverage my experience dealing with M&A and corporate legal affairs as an attorney to support decision-making from a legal perspective in Board of Directors meetings. When required, I will take on the role of discouraging or encouraging management decisions, and from an independent viewpoint make sure that the various internal processes are being implemented appropriately. By doing so, I believe I can help Nihon Kohden to grow even further.

Shigeru Kawatsuhara Outside Director (Audit & Supervisory Committee Member)



The coronavirus pandemic sweeping the world is set to have a major impact on the future of the medical industry. While demand has increased in some markets, it is down significantly in others, with the huge variation making it difficult to accurately forecast the hereafter. On the other hand, COVID-19 has also ushered in new ways of working like telework and pointed to important directions for the future of the medical industry in such areas as home medical care and infectious disease response. Nihon Kohden is taking a comprehensive and serious approach to these changes, and is trying to respond to the pandemic crisis and prepare for the "next normal" through the selection and consolidation of effective measures. I will focus on a broad range of different measures that ensure Nihon Kohden stays strong in these trying times and continues as a company that can look forward to further growth going forward. I will provide appropriate advice based on my experience and from my perspective as outside director, and look closely at business execution so that I can help further boost corporate value.

Kazuo Shimizu Outside Director (Audit & Supervisory Committee Member) Shimizu Accounting Office, Ryoh-koh Audit Corporation



Listed companies are now expected to greatly accelerate their corporate governance efforts and take the initiative in its management. In order to ensure that this is effectively put into practice, outside directors must play a role in guaranteeing proper governance by supervising the business execution of directors and providing advice on management strategy. The role of an Audit & Supervisory Committee Member is to enable two-way communication with both the Accounting Auditor and Internal Auditing Department, and make sure that the execution side and the supervision side of operations work together to contribute to the soundness of management. I will ensure that information is being readily exchanged between the members of the aforementioned three-pronged auditing framework, and utilize my knowledge as a certified public accountant and tax accountant to provide advice from an independent standpoint in terms of risk management and auditing. I aim to contribute to the sustainable growth of Nihon Kohden by focusing on transparency and fairness in management decisions while encouraging bold decision-making. I will do what I can to live up to the expectations of shareholders.

Meetings of Outside Directors to Exchange Opinions



Overview

Nihon Kohden has been holding regular meetings for outside directors to exchange opinions and build a common understanding since FY2016.

Aims	With a membership composed entirely of independent outside directors, these meetings are held on a regular basis and are designed to exchange opinions and build common understanding from an independent and objective standpoint. The meetings aim at encouraging outside directors to engage in lively discussions at the Board Meetings.
Members	Four independent outside directors, including two members of the Audit and Supervisory Committee
Dates for Meetings	Bi-annual meetings scheduled for around May and November, with additional meetings when required
Agenda	May Evaluation of the effectiveness of the Board of Directors Dec. Update on the progress in improving the Board's effectiveness and the Company's business operations

Meetings Held

FY2016	May	The results of the evaluation of the effectiveness of the Board of Directors
	Nov.	Update on progress in improving the Board's effectiveness Lecture on the healthcare industry, the Ministry of Health, Labor and Welfare policies, and Nihon Kohden's strategy
	Feb.	Lecture on Nihon Kohden products and the competitive environment
FY2017	Jun.	The results of the evaluation of the effectiveness of the Board of Directors
	Nov.	Update on the progress in improving the Board's effectiveness Report activities of the Marketing Strategy Department
FY2018	May	The results of the evaluation of the effectiveness of the Board of Directors
	Dec.	Update on the progress in improving the Board's effectiveness Report on Patient Monitoring Business
FY2019	Jun.	The results of the evaluation of the effectiveness of the Board of Directors Report the progress in creating next Long-term Vision and Medium-term Business Plan
	Dec.	Update on the progress in improving the Board's effectiveness Report on Ventilator and Anesthesia Business
FY2020	May	The results of the evaluation of the effectiveness of the Board of Directors

Content of Meetings

To date, we have held a total of ten meetings and active discussion took place in each meeting. In FY2019, we shared the progress in creating the next Long-term Vision for 2030 and the next Medium-term Business Plan. Various discussions were held from an outside perspective and participants were assisted in forming a common understanding of their ideal image for the Company's future. They also exchanged their opinions on the importance of diversity in the Board of Directors and the strengthening of supervision of overseas subsidiaries in order to enhance the effectiveness of the Board.

Strengthening Risk Management

Nihon Kohden strives to make improvements to risk management to ensure it can respond appropriately to various business risks.


● Approach to Risk Management

To ensure the sound and smooth operation of business, Nihon Kohden has established a management framework to prevent risks in overall business operations and has prescribed methods for dealing with risks when they occur.

● Risk Management Framework

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group. Risk Management Divisions and Risk-Related Committees have been assigned to each risk type.

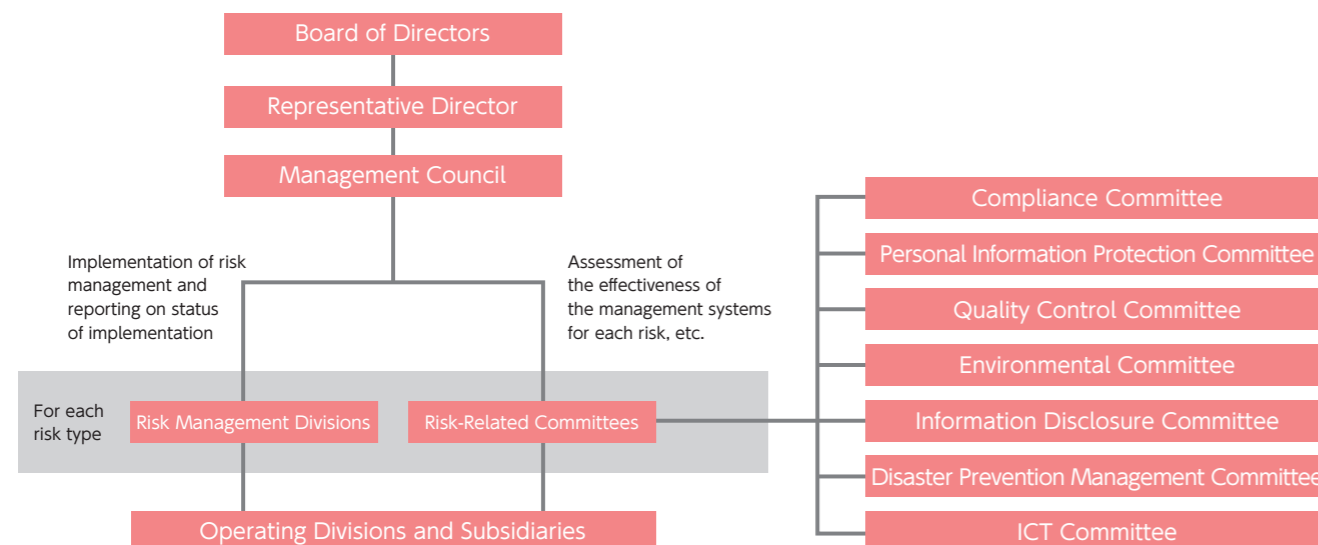
For further details on our Risk Management Framework, please refer to our website.

 https://www.nihonkohden.com/sustainability/csr_corporate_governance.html

● Self-Assessment of Risk Management

Nihon Kohden's offices, subsidiaries, and the departments in the head office conduct self-assessment of risk management using divisional inspection sheets. The Risk Management Supervisory Division verifies the progress of risk management system implementation and future responses, and reports the results of self-assessments to the Board of Directors. In addition, Nihon Kohden is conducting education in relation to risk management for executives and employees to ensure a broad awareness of risk management.

Risk Management Framework



● Risk Types

The Risk Management Regulations, which set forth the basic policies for risk management, classify risks into the eight types of risk shown in the following table.

Risk Types

Risk	Description
Compliance Risks	Risk of losses due to failure to comply with laws and regulations, etc.
Quality Control Risks	Risk of losses due to problems related to the safety or reliability of our products or services
System Risks	Risk of losses due to failure, malfunction or unauthorized use of networks and computer systems which used in internal IT infrastructure, products and services
Disaster and Accident Risks	Risk of losses due to interruption of business operations caused by disasters or accidents
Environmental Risks	Risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution
Financial and Accounting Risks	Risk of losses due to change in value of assets held or inappropriate accounting practices
Information Disclosure Risks	Risk of losses due to inappropriate disclosure of information
Strategic Risks	Risk of losses due to incorrect business strategies

● Response in the Event of a Risk

Regulations have been established for each risk type. Regulations related to each risk type governing the response to be taken when a risk occurs have also been set forth.

● Response as a Medical Equipment Manufacturer

As a medical equipment manufacturer, Nihon Kohden focuses on product quality control to avoid accidents related to its products. In addition to the rules for normal operation, we have stipulated the rules and reporting line in case of an accident. In order to prevent an accident and communicate quickly when an accident takes place, we have established a system to collect a broad range of information from clinical practice quickly and accurately as well as a framework for disseminating information.

● Response to COVID-19 Crisis

Nihon Kohden has established a response headquarters to address COVID-19, and has been conducting business in accordance with the basic policies: (1) Ensuring health and safety of employees at work and their families. (2) Fulfilling our responsibility to supply products and services to maintain the medical system.

In accordance with the Ministry of Health, Labor and Welfare's "new lifestyle" and with the Keidanren (Japan Business Federation)'s Guidelines for Preventing the Spread of COVID-19, we have established a new set of behavioral guidelines ("Guidelines") after the lifting of the state of emergency. The main contents of the Guidelines are as follows:

- Protect the health and safety of employees by requiring daily temperature measuring, mask wearing, frequent hand-washing, gargling and disinfection.
- Continue to promote staggered commuting and telecommuting (Lift the commuting restrictions and allow employees to go to the office 2 or 3 days a week).
- Recommend holding meetings, events and training online.
- Secure social distancing and refresh the air at fixed intervals.
- Limit domestic business trips to only under unavoidable circumstances. Refrain from international business trips for the time being.
- Continue to adhere to the Company's activity manual when visiting medical institutions for sales, service activities and IT systems delivery and when lending/repairing medical devices.

As it will take time for the end of COVID-19 pandemic, we will review the Guidelines as necessary.


Nihon Kohden continues to prioritize the prevention of infection inside and outside the Company and safety of employees and their families, and will continue to ensure the stable supply of medical devices and services needed by patients and healthcare professionals around the world as a medical device manufacturer.

● Disaster Risk Management

◎ Basic Approach

Medical devices on which people's lives depend need to be supplied continually and smoothly in the event of a large-scale disaster. As a medical device manufacturer, Nihon Kohden has formulated a business continuity plan to ensure the unbroken supply of products and services while ensuring the safety of employees and their families even in the event of a large-scale disaster. We also conduct periodic company-wide education and training in relation to disaster preparedness and the BCP.

For further details, please refer to our website.


 https://www.nihonkohden.com/sustainability/csr_corporate_governance.html

● Information Risk Management

◎ Basic Policy

Information-related technologies and environments are continually changing. New ways of using information along with new risks emerge on a daily basis. While we promote the utilization of highly convenient information technology to improve business efficiency, we also undertake various measures in response to changing conditions to safeguard confidential company information and personal information from leaks.

For further details, please refer to our website.

 https://www.nihonkohden.com/sustainability/csr_corporate_governance.html

◎ Obtaining Third-Party Certification

To further enhance information security, Nihon Kohden has also obtained outside certification. We obtained PrivacyMark certification in July 2005, and obtained Information Security Management System (ISMS) JIS Q 27001 (ISO / IEC 27001) certification in January 2015; the scope includes management and operation of remote service facilities for Nihon Kohden Group system products.



Nihon Kohden Corporation obtained PrivacyMark certification from the Japan Institute for the Promotion of Digital Economy and Community (JIPDEC).



IS 617365 / JIS Q 27001

Corporate Activities **Ensuring Fair Trade Practices**

We aim to achieve fair business practices across the entire value chain including our business partners as full participants.

●Basic Approach

We strive to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. Our efforts to achieve fair trade include holding in-house training and the strengthening of relationships with our business partners.

●Procurement Policy and Procurement Standards

To disseminate our stance on procurement both inside and outside the Company and ensure that our commitment will take root, we created the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards in 2013. (Name changed to the Nihon Kohden Sustainable Procurement Standards from FY2020.) The Nihon Kohden Procurement Policy represents Nihon Kohden's basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards represent the compliance items Nihon Kohden expects its business partners to observe.

For further details, please refer to our website.

 https://www.nihonkohden.com/sustainability/csr_partners.html

●Adherence to the Nihon Kohden Sustainable Procurement Standards

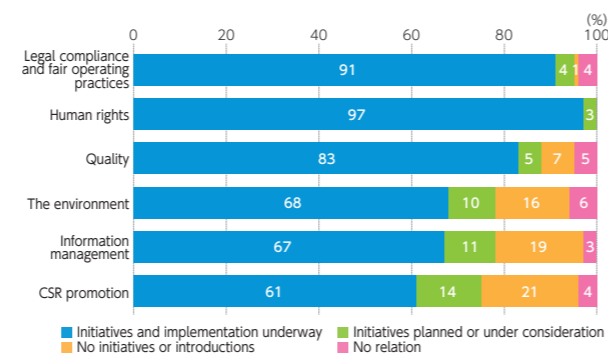
The Nihon Kohden Group provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2019, 56 people attended these training sessions. Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners' understanding of and adherence to Nihon Kohden's Sustainable Procurement Standards through their answers to the CSR Activity Questionnaire conducted every year. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.

◎Results of CSR Activity Questionnaire in FY2019

In FY2019, we asked 118 of our business partners to answer our Activity Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, and fair operating practices, human rights, quality, the

environment, information management, and CSR promotion. In terms of questions about CSR promotion, more than 90% of our business partners responded that a corporate philosophy and corporate guidelines for action had been established, were planned, or were under consideration. Some of business partners reported that they engage in social contribution initiatives by signing the UN Global Compact or participating in the UN World Food Programme. We continue to work with our business partners to deepen mutual understanding of our Sustainable procurement standards and ensure fair trade practices.

Questionnaire results in FY2019



●Initiatives to Maintain and Improve Quality

To respond to customer needs, we strive to maintain and improve the quality of the components and materials we procure. We have new business partners cooperate with audits to confirm the appropriate operation of quality management systems, and have existing business partners cooperate with periodic reviews of operations and quality audits based on the quality of delivered components. We strive to further enhance quality by getting business partners themselves to understand that the quality of delivered components can have a significant impact on the quality of our end products.

●Special Thanks for Your Support for Increasing Production due to COVID-19 pandemic

In response to the increasing demand for ventilators and patient monitors due to the growing number of COVID-19 patients, Nihon Kohden has been increasing production at the Tomioka Production Center (Gunma Prefecture) and Nihon Kohden OrangeMed (USA). We would like to express our sincere appreciation to our many suppliers for their cooperation in priority supply for our urgent orders.

Corporate Activities **Nihon Kohden's Contributions to the Community**

We strive to be a good corporate citizen respecting all cultures and customs through active contribution to the community.

●Social Contributions

◎Employees save two lives by quick actions and use of AEDs

In May and December 2019, two employees saved lives by using our AEDs (automated external defibrillators), and were awarded certificates of appreciation from the local fire departments. The employees commented, "I knew I had to do something and I just reacted on instinct", "I felt relieved when the orange Nihon Kohden AED arrived", and "I feel an even stronger sense of pride and responsibility as an employee of Japan's only AED manufacturer." At Nihon Kohden, all employees participate in training in cardiopulmonary resuscitation (CPR) and how to use an AED, so that they can act quickly at the scene of an emergency. As a manufacturer of resuscitation equipment, we will continue to promote CPR education and the widespread use of AEDs with the aim of improving the survival rate.



Commendation from the Chief of the Tokyo Fire Department



Commendation from Funabashi City Chuo Fire Station

◎Bone marrow donor seminars for new employees

Nihon Kohden introduced leave for bone marrow donors in 2015 and we continue to hold seminars to increase awareness of bone marrow bank donor registration and bone marrow and peripheral blood stem cell transplants. In May 2019, we held a bone marrow donor seminar for 70 new employees. On the day of the event, a representative from the Japan Marrow Donor Program gave a presentation. The participants commented, "My image that donating bone marrow was painful has been erased", and "I would like to seriously consider registering with a bone marrow bank, because I know our actions could save lives and the Company supports donors". Nihon Kohden hopes that the leave for bone marrow donors will help boost awareness of donor registration and lead to a deeper understanding for donor candidates in the workplace. At Nihon Kohden, we recognize our responsibility as a good corporate citizen and are working to contribute to society from the dual perspectives of a company and as individuals.



At the seminar for new employees

Topics

Supporting COVID-19 responses in China



In March 2020, we donated medical devices to medical institutions in Wuhan and Shanghai to support measures to respond to the COVID-19 outbreak in China.

- (Wuhan) China Primary Health Care Foundation
Patient monitors 30 units Defibrillators 20 units
Wuhan Puren Hospital
Ventilators 2 units
- (Shanghai) Shanghai Minhang District Health Commission
Patient monitors 21 units
Huashan Hospital Fudan University
Patient monitors 12 units

*The value of the donations was ¥136 million.



Receiving the message of thanks for the donation

We have received the following message from Huashan Hospital, Fudan University, one of recipients of our donations. They said, "Huashan hospital is a designated hospital for COVID-19. When the number of COVID-19 patients increased rapidly, we were able to save more lives thanks to the donation of patient monitors by Nihon Kohden. We know that a lot of Japanese institutions and people have donated masks and protective clothing not only to us but also to other regions throughout China. We would like to express our cordial gratitude to Japan." As a medical equipment manufacturer, Nihon Kohden is doing our best to support medical workers in fighting the COVID-19 outbreak.

Achieving a Fulfilling Workplace

We believe that each employee demonstrating his/her skills and abilities will lead to company growth. Therefore, we strive to develop a workplace where diverse human resources can flourish.

●Basic approach to human resource development

Strong growth and the development of each employee lead to corporate competitiveness. Nihon Kohden's basic policy on human resource development consists of four elements, i.e., i) autonomy, ii) professionalism, iii) leadership, and iv) global competency.

Human Resource Development Policy

- Strengthen the development of autonomous employees, professionals, and leaders, and accelerate the cultivation of employees who can be successful globally.
- Enhance the ability to develop employees in the workplace, bolster personal growth, and boost organizational strength by enhancing awareness of employee development on the part of all employees.

◎Education about Nihon Kohden's management philosophy at overseas subsidiaries

We believe that it is important for employees of the Nihon Kohden Group with different backgrounds from various cultures and languages around the world to act in accordance with common goals and core values. Nihon Kohden provided educational materials for the entire group and started an education program about its management philosophy based on small-group learning at its overseas subsidiaries in 2019. Each employee can systematically learn about the history of the Company's foundation, its management philosophy, and Nihon Kohden's values. The program provides an opportunity for employees to deepen their understanding of the company



Training in Shanghai, China



Training in Brazil

culture and feel a sense of value and worth in their job. In the future, we will promote the diffusion of Nihon Kohden's DNA around the world by expanding this education program globally.

●Diversity

Policy

By respecting diversity and creating a workplace environment in which each individual can demonstrate his/her full potential, we seek to improve job fulfillment, create new value, invigorate the organization, and enhance corporate value.

◎Mentor Program

We are implementing a mentoring program covering mainly newly appointed female managers. Corporate officers and female managers with extensive knowledge and industry experience act as mentors to newly appointed female managers and others in mid-career to help them to resolve career development issues and support their personal growth.

◎The Senior Advisor Program

With the goal of improving productivity, revitalizing the workplace, and motivating individual employees, the Nihon Kohden Group introduced in 2016 a Senior Advisor Program that enables postretirement senior employees to pass on the rich experience and skills they have cultivated over the years to younger workers.

◎Seminar for Promoting the Employment and Greater Understanding of Persons with Disabilities

Nihon Kohden has held seminars aimed at promoting the employment and a greater understanding of persons with disabilities. Our aim is to facilitate the creation of a working environment in which each employee's individuality is respected, disability or not, and where they can work enthusiastically and to the best of their abilities.

●Reforming Working Styles

Nihon Kohden has been implementing Working Style Reforms to enable greater flexibility in work styles, improve the work-life balance of employees, and maximize results without relying on long working hours, since 2017.

In 2018, we introduced a work at home system and an approval system for a second job. We also started a large-scale trial of flextime. In 2019, we started the Good Job Award Project, in which we gather examples of initiatives by each division to implement the Working Style Reforms. The successful initiatives are deployed in other divisions. We also started a pilot program for new working styles to improve work productivity and work-life balance in our domestic sales division.

Currently, to prevent the spread of COVID-19, we are temporarily expanding teleworking, staggered commuting, and the use of special leave. We will use this experience in our Working Style Reforms to expand flexible work styles in the future.

●Health Management of Employees

In April 2019, we joined the Consortium of companies promoting non-smoking efforts, which was established by Tokyo-based companies. We are promoting anti-smoking efforts to contribute to achieving the goal of reducing the smoking rate to 12% by 2022.

In order to further improve employees' health, we have reviewed some options for annual health examinations and full medical checkups. Part of the cost of optional tests during annual health examinations, and the transportation expenses and time expended at the time of a complete medical checkup are compensated by the Company. We continue to promote health management to realize a healthy and fulfilling life for every employee by increasing health awareness through the Company Newsletter.

Programs to Support Work-life Balance

Nihon Kohden provides various types of flexible working arrangements including Childcare Leave, Family Care leave, Reduced Working Hours, Shifted Working Hours, and the Work at Home System. In FY2019, we expanded the scope of application of the Accumulated Paid Leave System to include when an employee needs to care for a child during temporary closure of the child's school or suspension of classes at the school.

Accumulated Paid Leave Program

Annual paid leave that has expired due to prescription can be accumulated separately. In addition to the injury or illness of the employee or his/her family, employees are able to take leave when they need to care for a child during temporary closure of the child's school or suspension of classes at the school (subject to meeting certain criteria).

For further details on human resource development, diversity promotion and work-life balance, please refer to our website.



https://www.nihonkohden.com/sustainability/csr_employees.html

Voice



Masafumi Nagasawa
ECG Analysis Section 1,
Technology Standardization
Department,
Production & Technology Development
Division,
Technology Development Operations

Witnessing Nihon Kohden's Global Healthcare Contributions through the International Training Program (Overseas Challenge Program)

Since I joined the company, I have been responsible for developing algorithm for ECG analysis which is embedded within patient monitors. Recently, advanced technologies such as AI and machine learning, as well as new technologies created by the combination of multi parameters, are required. I applied for this training program because I thought it was necessary for our team to enhance development activities in the U.S. as well. During the training, working with the local staff of Nihon Kohden America and NKUS Lab, I learned firsthand about the differences in user requirements between U.S. and Japan, and the speed of business development in the U.S. market. Due to the COVID-19 outbreak during my stay in the U.S., I and some of the local staff were temporarily assigned to Nihon Kohden OrangeMed to produce ventilators. I was reminded of the Nihon Kohden Group's solidarity and our contribution to global healthcare.

In the future, I aim at contributing to healthcare by developing innovative parameter analysis algorithms using advanced technologies.

Topics



Seminar venue

Holding a Seminar on Unconscious Bias Management

In December 2019, Nihon Kohden held a diversity promotion seminar "Unconscious Bias Management Training" for supervisors.

When a supervisor manages diverse members, it is important that each staff can play an active role and his/her team can realize the organizational growth. The seminar was held with the aim of learning about Unconscious Bias. Around 50 supervisors participated in the seminar recognized they are all subject to Unconscious Bias and learned how they can tackle it.

The lecturer spoke about the impact of Unconscious Bias on people and organizations, and participants were able to confront their own Unconscious Bias through a series of activities. Nihon Kohden will continue to hold training programs to promote diversity and aims to create an environment where each and every employee can play an active role in the workplace.

Enhancing Information Disclosure and Shareholder Return

Our management is highly transparent through appropriate information disclosure and we strive for stable long-term returns to shareholders.

●Shareholder Returns Policy

Delivering shareholder returns is one of our most important management tasks. Our basic policy is to continually provide a stable long-term dividend to shareholders with a target consolidated dividend payout ratio of 30% or more, while securing necessary retained earnings for future growth in areas such as R&D investment, capital investment, M&A, and human resource development. Share buybacks are considered in a flexible manner, taking into account comprehensively the Company's future business developments, investment plans, retained earnings, and stock price level. In FY2019, the full-year dividend was 35 yen per share and the consolidated dividend payout ratio was 30%.

●Information Disclosure Policy

The Nihon Kohden Corporate Charter of Conduct requires that we aim for highly transparent management by fair and proper disclosure of corporate information to shareholders and society. We disclose Nihon Kohden Group related information in a timely, appropriate, fair, and ease-to-understand manner. We seek to deepen understanding and trust from all stakeholders and gain appropriate evaluation of the Company.

●Shareholder and Investor Engagement

◎General shareholders meeting

We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website. Starting in FY2020, we also post an English business report. To prevent the spread of COVID-19 and safeguard the health of our shareholders, we ask for shareholders to exercise their voting rights in writing or via the Internet, etc., and to refrain from attending the meeting in person. We have also canceled the showcases of our products. We sincerely appreciate your cooperation.

◎Earnings presentations

Nihon Kohden hosts earnings presentations (interim and full-year results) for securities analysts and institutional investors and organizes teleconferences (1st and 3rd quarters) where we discuss the Company's performance and strategy. Videos of the presentations, materials, and Q&A summaries are posted on our website and made available to all shareholders and investors. The earnings presentation for FY2019 was held by conference call to prevent the spread of COVID-19.

◎Company briefings and events for individual investors

We hold company briefings so individual investors across Japan can see our management strategy and business operations and extend their long-term support.

FY2019: Briefings at securities companies

August 2019	Seijo Branch, Daiwa Securities
October 2019	Kashiwa Branch, SMBC Nikko Securities
December 2019	Shin Marunouchi Building, SMBC Nikko Securities
January 2020	Niigata Branch, Daiwa Securities

An IR seminar was scheduled at Omiya Branch, SMBC Nikko Securities in March 2020. A seminar for individual investors held by the Securities Analysts Association of Japan was also scheduled at the Osaka Bankers Association main building in March 2020. However, these events were suspended due to the COVID-19 outbreak. We will examine the possibility of holding these seminars in FY2020, depending on the state of the COVID-19 outbreak. We will post details on our website when the date of a seminar has been set.

<https://www.nihonkohden.co.jp/ir/investor/index.html>



Shin Marunouchi Building, SMBC Nikko Securities



Niigata Branch, Daiwa Securities

◎Investor relations page

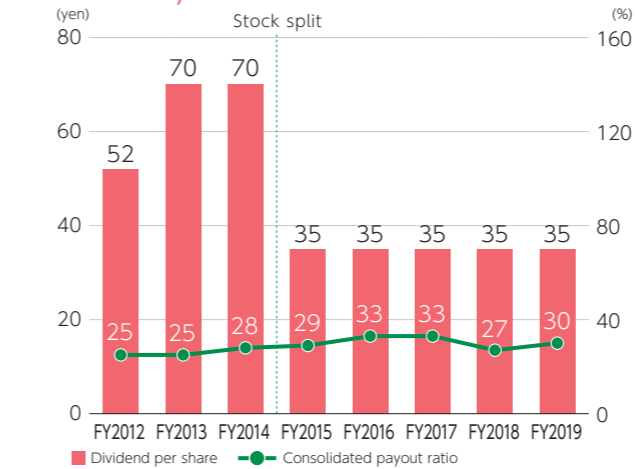
Our website publishes key information needed by shareholders and investors, such as management policy, financial and performance highlights, dividend information, and various disclosure documents.

Comments from individual shareholders

Nihon Kohden conducts an annual shareholder survey with the aim of improving communications with shareholders and bolstering our IR activities. Some of the comments we received in the latest survey are as follows:

- It would be great if Nihon Kohden held briefings for individual investors in Kansai as well.
- Please consider holding tours of the Tomioka Production Center and Advanced Technology Center.
- I'm looking forward to seeing the further development of new products and the expansion of business globally.
- Please do your best to increase sales/profit and provide a stable dividend.

●Change in Dividend per Share and Consolidated Dividend Payout Ratio



* Effective April 1, 2015, each share of common stock was split into two shares. Figures up to FY2014 list the actual dividend amounts paid before the stock split.

●Change in Share Price

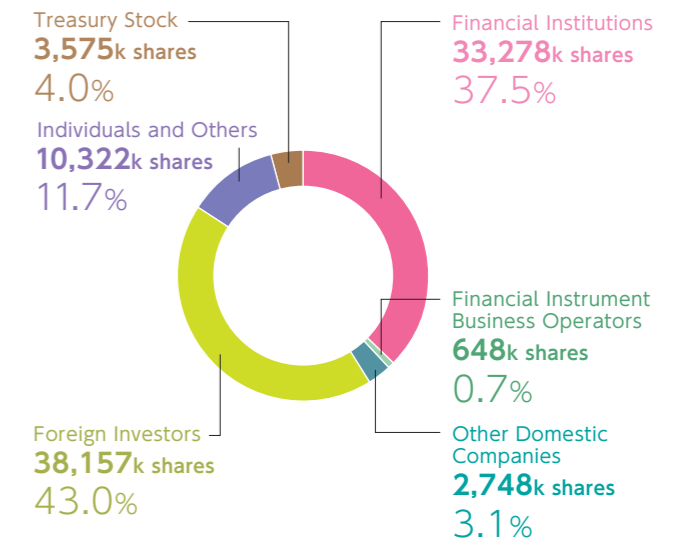


* Effective April 1, 2015, each share of common stock was split into two shares. For the above share prices, trading values before the split date have also been adjusted retroactively.

●Number of dialogues with institutional and individual investors in FY2019

- Meetings with institutional investors and securities analysts: Approx. 260 meetings
- Participants of company briefings for individual investors: Approx. 230 participants

●Ownership Breakdown (as of March 31, 2020)



●Major Shareholders (as of March 31, 2020)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	9,011	10.58
The Master Trust Bank of Japan, Ltd. (trust account)	6,404	7.52
Japan Trustee Service Bank, Ltd (trust account)	4,416	5.18
Saitama Resona Bank, Ltd.	4,193	4.92
State Street Bank and Trust Company 505103	1,878	2.20
Japan Trustee Service Bank, Ltd. (trust account 5)	1,685	1.97
Japan Trustee Service Bank, Ltd. (trust account 7)	1,633	1.91
SSBTC CLIENT OMNIBUS ACCOUNT	1,462	1.71
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	1,389	1.63
State Street Bank and Trust Company 505103	1,389	1.63

* The above list excludes Nihon Kohden's treasury stock of 3,575 thousand shares. Each shareholding ratio is calculated excluding treasury stock.

Topics



In December 2019, Nihon Kohden was selected as the highest AAA grade for its website in the 2019 All Japanese Listed Companies' Website Ranking Survey by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 163 items from the following three points: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,807 listed companies and was announced as a ranking. Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.

Financial Summary



Millions of yen unless otherwise stated

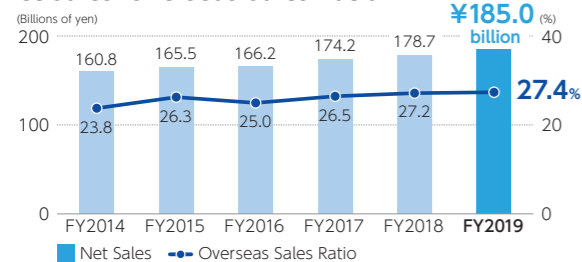
Fiscal year	2008	2009	2010	2011	2012
Business results					
Net sales	109,123	107,013	113,380	120,718	132,538
Operating income	8,106	9,321	10,598	12,027	13,484
Income attributable to owners of parent ^{*1}	4,610	5,917	6,573	7,621	9,151
Financial position					
Current assets ^{*2}	61,470	69,685	75,366	82,742	95,181
Current liabilities ^{*2}	26,277	29,722	29,673	30,714	39,028
Total assets ^{*2}	80,479	88,000	92,495	99,403	116,800
Net assets	53,569	57,949	62,294	67,911	76,256
Cash flows					
Cash flows from operating activities	4,123	10,679	5,892	7,559	13,189
Cash flows from investing activities	(5,968)	(2,810)	(1,874)	(2,338)	(6,959)
Free cash flow	(1,844)	7,869	4,018	5,220	6,229
Cash flows from financing activities	(601)	(2,850)	(1,536)	(2,726)	(1,174)
Cash and cash equivalents	11,197	16,331	18,808	21,304	26,683
Per share information					
Net income (Yen) ^{*3}	104.94	134.68	149.62	173.49	208.31
Dividends (Yen) ^{*4}	37.0	37.0	44.0	44.0	52.0
Other					
R&D costs	4,656	4,418	5,105	5,583	6,424
Number of employees (Persons)	3,552	3,588	3,776	4,057	4,360
Number of shares issued at end of year (Thousands of shares) ^{*5}	45,765	45,765	45,765	45,765	45,765
Key performance indicators					
ROE (%)	8.8	10.6	10.9	11.7	12.7
Operating income margin (%)	7.4	8.7	9.3	10.0	10.2
Dividend payout ratio (%)	35.3	27.5	29.4	25.4	25.0

*1 The figures for FY2014 or earlier periods represent net income.
 *2 Since the beginning of FY2018 ended March 31, 2019, the Company has applied the partial amendments to the Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018). These accounting standards apply to FY2017 figures retrospectively.

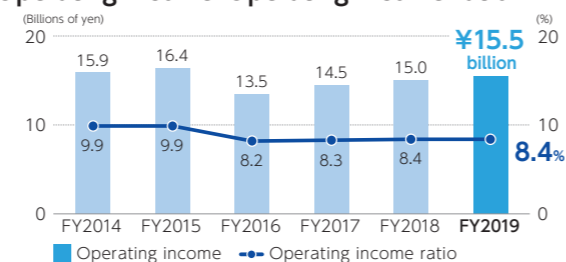
	2013	2014	2015	2016	2017	2018	2019
Net sales	153,194	160,803	165,522	166,285	174,249	178,799	185,007
Operating income	17,547	15,921	16,438	13,585	14,517	15,044	15,503
Income attributable to owners of parent ^{*1}	12,346	11,142	10,516	9,149	9,154	11,191	9,854
Current assets ^{*2}	106,515	118,389	112,929	119,235	120,687	132,211	129,020
Current liabilities ^{*2}	41,248	45,654	42,901	45,006	44,601	48,346	40,319
Total assets ^{*2}	130,917	146,755	144,270	152,806	157,910	169,717	167,786
Net assets	88,512	99,304	97,671	103,887	109,355	116,087	121,774
Cash flows from operating activities	9,383	12,505	10,765	11,356	10,843	9,819	9,217
Cash flows from investing activities	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)
Free cash flow	4,962	7,815	2,962	5,011	7,497	6,561	4,609
Cash flows from financing activities	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)
Cash and cash equivalents	28,808	34,113	27,283	28,560	31,285	34,697	35,913
Net income (Yen) ^{*3}	281.03	126.83	120.12	106.81	106.92	131.43	115.72
Dividends (Yen) ^{*4}	70.0	70.0	35.0	35.0	35.0	35.0	35.0
R&D costs	7,108	5,745	5,910	6,466	7,226	7,243	6,731
Number of employees (Persons)	4,495	4,616	4,776	4,934	5,031	5,169	5,357
Number of shares issued at end of year (Thousands of shares) ^{*5}	45,765	45,765	89,730	89,730	89,730	88,730	88,730
ROE (%)	15.0	11.9	10.7	9.1	8.6	9.9	8.3
Operating income margin (%)	11.5	9.9	9.9	8.2	8.3	8.4	8.4
Dividend payout ratio (%)	24.9	27.6	29.1	32.8	32.7	26.6	30.2

*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.
 *4 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.
 *5 Effective April 1, 2015, each share of common stock was split into two shares.

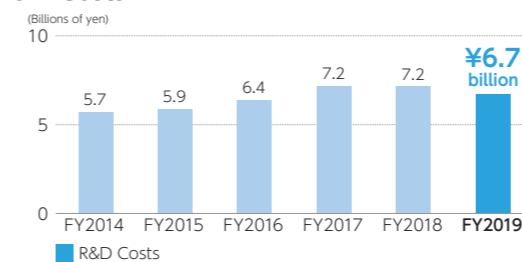
Net Sales/Overseas Sales Ratio



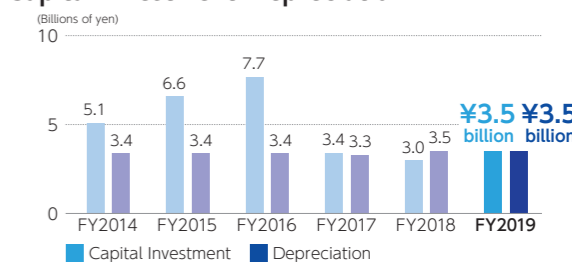
Operating income/Operating income ratio



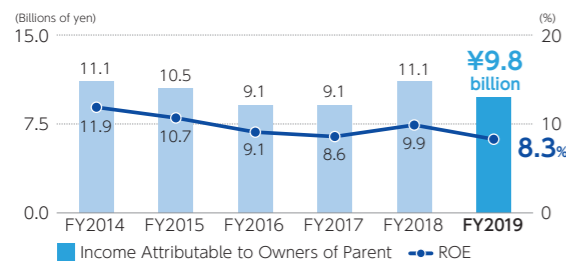
R&D Costs



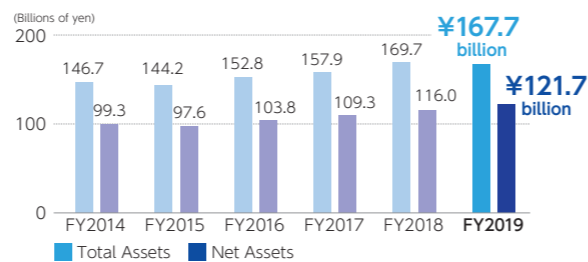
Capital Investment/Depreciation



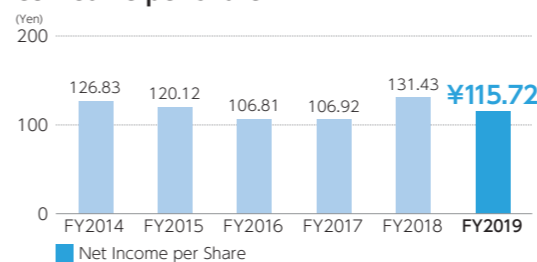
Income Attributable to Owners of Parent/ROE



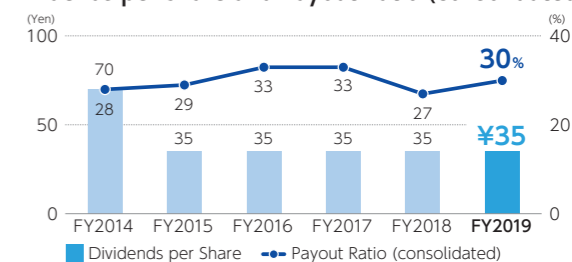
Total Assets/Net Assets



Net Income per Share



Dividends per Share and Payout Ratio (consolidated)

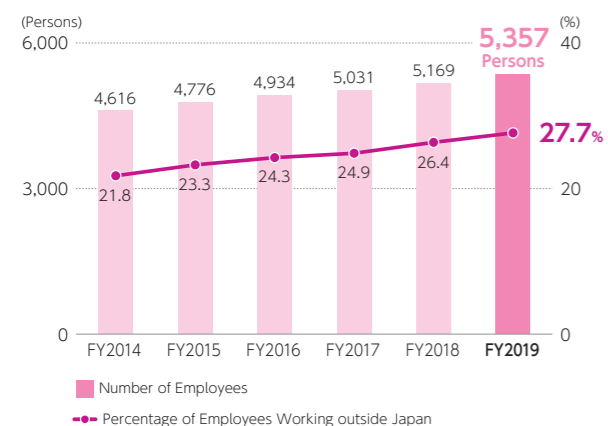


* Net income per share attributable to owners of parent in FY2014 represent net income.

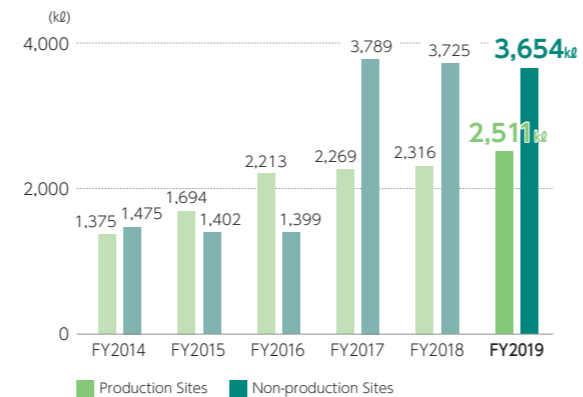
* As for net income per share, each share of common stock was split into two shares, effective April 1, 2015. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.
 * Dividends per share for FY2014 were the actual payment amounts before the stock split.

Non-Financial Summary

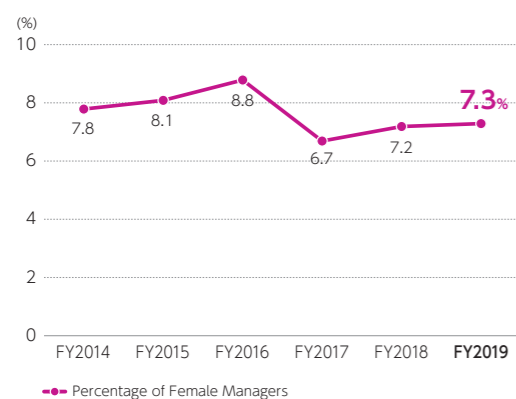
Number of Employees/Percentage of Employees Working outside Japan



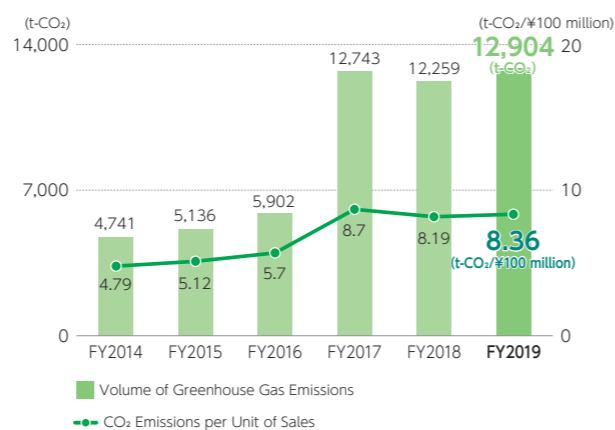
Total Energy Consumption (Barrels of oil equivalent (BOE))



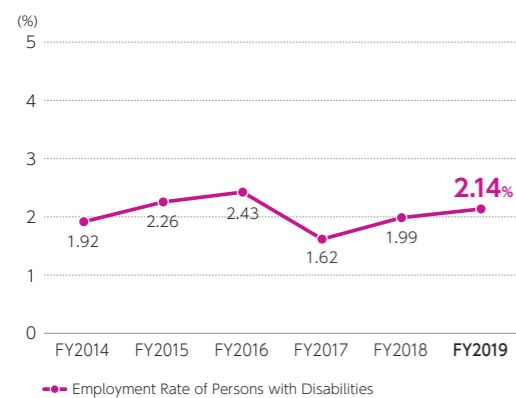
Percentage of Female Managers



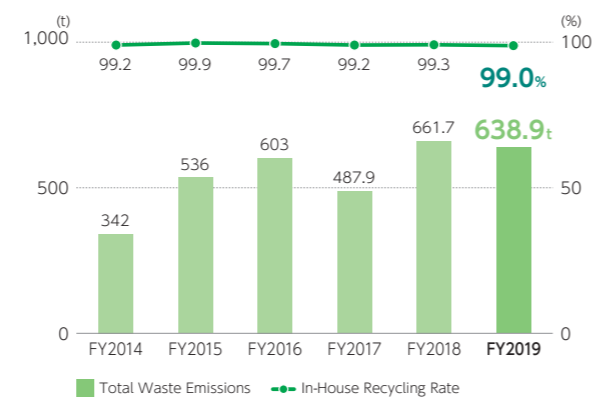
Volume of Greenhouse Gas Emissions/CO₂ Emissions per Unit of Sales



Employment Rate of Persons with Disabilities



Total Waste Emissions/In-House Recycling Rate



* The percentage of female managers and employment rate of persons with disabilities are non-consolidated Nihon Kohden figures. Nihon Kohden absorbed and merged 11 domestic sales subsidiaries in April 2017.
 * Beginning with FY2017, the figures for total energy consumption and volume of greenhouse gas emissions/CO₂ emissions per unit of sales include five sites that have obtained ISO 14001 certification, twelve sales branches, and Group companies in Japan.
 * Total waste emissions/in-house recycling rate include five sites that have obtained ISO 14001 certification.

Management's Discussion and Analysis

Market Environment

In Japan, the Japanese government promoted differentiation of medical institution functions and enhancement of medical coordination in order to realize the regional visions of the health care system in 2025 created by each prefecture. The government also discussed reforms to the work style of medical workers and the reduction of the burden on physicians. Towards the end of the fiscal year, medical workers were put on the front line of the COVID-19 fight. Internationally, overall demand for medical equipment remained steady, however, the COVID-19 outbreak adversely affected national healthcare systems and containment measures on economic activity led to heightened uncertainty in the global economy.

Review of Operations

Nihon Kohden implemented its three-year medium-term business plan, TRANSFORM 2020 that set FY2019 as its final year, with the aim of achieving the transformation to a highly profitable structure through creating high customer value and improving productivity within the organization. In line with this plan, the Company implemented key strategies such as strengthening business expansion by region and achieving further growth in core businesses.

The Company launched a series of new value-added products: spot check monitors, bedside monitors for emerging markets, telemetry systems, defibrillators for ambulance, and the Company's first two types of ventilators. The Company also established the Eastern Japan Logistics Center in Sakado City, Saitama Prefecture, aiming at the timely supply of products and the reduction of logistics costs.

As a result, overall sales during the term under review increased 3.5% over the previous fiscal year to ¥185.0 billion.

Sales by Region

Japan

Sales increased as the Company introduced new products and strengthened its marketing and service capabilities, creating customer value. Sales in the university hospital market increased favorably as a result of large orders received in relation to construction of new hospitals. Sales in the public and private hospital markets also increased. Sales in the clinic market slightly declined and sales of AEDs in the PAD market slowed down because the Company refrained from nonessential visits to customers in response to the COVID-19 outbreak. As a result, domestic sales increased 3.2% over FY2018 to ¥134.3 billion.

International

In the Americas, sales in both the U.S. and Latin America increased favorably as the Company enhanced sales and service activities, and expanded its product line-up. Sales in Europe showed double-digit growth, driven in particular by strong sales in Germany and Italy as demand for medical products such as patient monitors increased due to the growing number of COVID-19 patients. In Asia, sales in India and the Middle East increased favorably, while sales in Southeast Asia were weak. Sales in China increased favorably on a local currency basis and remained flat on a yen basis. Sales in

Other markets increased due to sales recovery in Africa, particularly in South Africa and Egypt. As a result, international sales increased 4.3% over FY2018 to ¥50.6 billion.

Cost of Sales, SGA Expenses, Operating Income, and Income Attributable to Owners of Parent

Cost of sales increased 3.1% over FY2018 to ¥95.6 billion. The gross profit margin improved 20 basis points to 48.3%, as the Company focused on selling in-house products both in Japan and overseas. Gross profit on sales increased 3.9% over FY2018 to ¥89.3 billion. Selling, general and administrative expenses rose on enhanced human resource capabilities and other factors. The ratio of SGA expenses to sales increased 20 basis points to 39.9%. Research and development costs decreased ¥0.5 billion year on year to ¥6.7 billion (3.6% of sales). As a result, operating income increased 3.1% over FY2018 to ¥15.5 billion. Income attributable to owners of parent decreased 12.0% year on year, to ¥9.8 billion due to foreign exchange losses and extraordinary losses.

Assets, Liabilities and Equity

Assets

At the end of FY2019, total assets decreased ¥1.9 billion from the end of the previous fiscal year. Current assets were down ¥3.1 billion from the previous fiscal year end owing to decreases in trade notes and accounts receivable. Non-current assets increased ¥1.2 billion compared to the end of the previous fiscal year on account of higher investment securities.

Liabilities and Equity

Liabilities decreased ¥7.6 billion from the end of the previous fiscal year on account of decreases in trade notes and accounts payable and other factors. Net assets increased ¥5.6 billion compared to the end of the previous fiscal year due to the recording of income attributable to owners of parent and other factors. The shareholders' equity ratio rose 420 basis points to 72.6%.

Cash Flows

Net cash provided by operating activities fell ¥0.6 billion from the previous fiscal year to ¥9.2 billion. This includes ¥13.9 billion of income before income taxes, ¥6.9 billion of decrease in notes and accounts receivable, ¥8.4 billion of decrease in notes and accounts payable, and ¥6.2 billion of income taxes paid. Net cash used in investing activities increased ¥1.3 billion from the previous fiscal year to ¥4.6 billion. This includes ¥3.1 billion of purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥3.0 billion, a decline of ¥20 million from the previous fiscal year. We paid ¥2.9 billion for shareholders dividends. As a result, cash and cash equivalents as of March 31, 2020 increased ¥1.2 billion from the end of the previous fiscal year to ¥35.9 billion.

ROE

ROE in FY2019 decreased to 8.3% from 9.9% in FY2018, because the ratio of net income to sales decreased due to foreign exchange losses and extraordinary losses, while operating income increased.

Overview by Product Category (Consolidated)

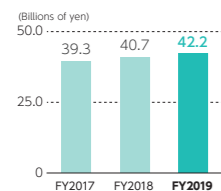
Physiological Measuring Equipment

This category includes electroencephalographs (EEG), evoked potential and electromyogram measuring systems, electrocardiographs (ECG), polygraphs for cath labs, diagnostic information systems, related consumables such as recording paper, electrodes and catheters, and maintenance services.



ECG-3150 Electrocardiograph

Sales **¥42.2 billion** % change YoY **+3.7%**



Japan Sales of polygraphs for cath lab increased favorably, while sales of EEGs decreased. Sales of ECGs remained flat.

International Sales of EEGs increased favorably, while sales of ECGs decreased.

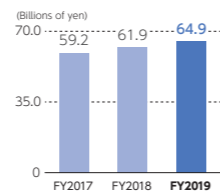
Patient Monitors

This category includes patient monitors such as central monitors, bedside monitors, wireless monitors, remote access software and other equipment, clinical information systems, related consumables such as electrodes and sensors, and maintenance services.



SVM-7200 Patient Monitor

Sales **¥64.9 billion** % change YoY **+4.8%**



Japan New products such as bedside monitors and telemetry systems contributed to increased sales. Sales of value-added accessories such as ultrasound probe and neuromuscular monitoring module also increased favorably.

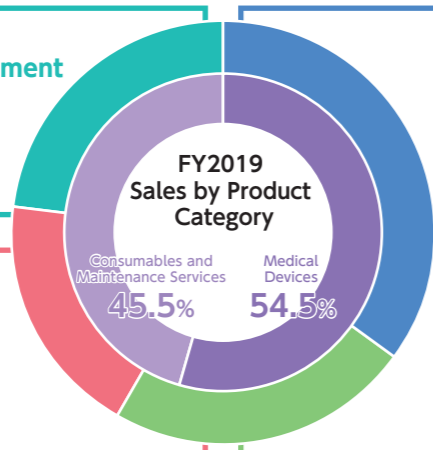
International Sales in the Americas, Europe and Asia all increased. Sales in Europe especially showed strong growth.

Physiological Measuring Equipment

22.8%

Patient Monitors

35.1%



Treatment Equipment

18.7%

Other Medical Equipment

23.4%

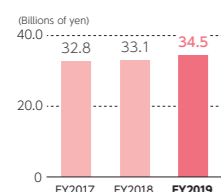
Treatment Equipment

This category includes defibrillators, AEDs (Automated External Defibrillators), ventilators, pacemakers, anesthesia machines, cochlear implants, related consumables such as AED pads and batteries, and maintenance services.



NKV-330 Ventilator

Sales **¥34.5 billion** % change YoY **+4.1%**



Japan Sales of defibrillators and ventilators showed strong growth because the Company received large orders and launched new products. Sales of AEDs were weak reflecting decreased unit sales of AEDs.

International Sales of defibrillators decreased, while sales of AEDs increased. The Company's first ventilators were launched internationally after receiving regulatory approvals in the relevant countries and have gradually started contributing to sales.

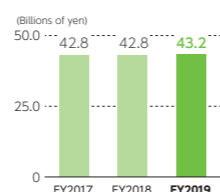
Other Medical Equipment

This category includes hematology analyzers, clinical chemistry analyzers, ultrasound diagnostic equipment, equipment for research and others, consumables such as test reagents, and installation and maintenance services.



MEK-1303 Automated hematology analyzer and clinical chemistry analyzer

Sales **¥43.2 billion** % change YoY **+0.8%**



Japan Sales decreased as sales of locally purchased products decreased. Sales of hematology instruments for the clinic market increased favorably. Sales of installation and maintenance services for medical devices also increased favorably.

International Sales of hematology analyzers increased in Latin America, Europe and Africa. Sales of installation and maintenance services for medical devices also increased favorably in the U.S.

Company Information

Company Overview (as of March 31, 2020)

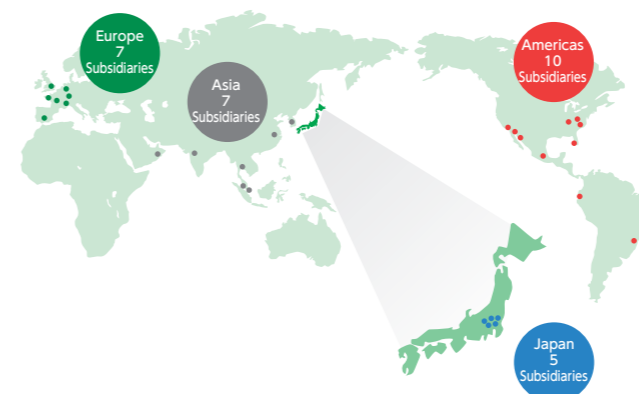
Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales	(Consolidated) ¥185.0 billion (fiscal year ended March 31, 2020)
Type of Business	Development, production, and sales of medical electronic devices
Employees	(Consolidated) 5,357 persons

Stock Overview (as of March 31, 2020)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	88,730,980 shares
Number of Shareholders	5,956 persons

Subsidiaries: 29 companies (as of March 31, 2020)

Category	Subsidiaries
Sales and Promotion	Nihon Kohden America, Inc.
	Nihon Kohden Mexico S.A. de C.V.
	Nihon Kohden Latin America S.A.S.
	Nihon Kohden Do Brasil Ltda.
	Nihon Kohden Europe GmbH
	Nihon Kohden Deutschland GmbH
	Nihon Kohden France Sarl
	Nihon Kohden Iberica S.L.
	Nihon Kohden Italia S.r.l.
	Nihon Kohden UK Ltd.
	Nihon Kohden Singapore Pte Ltd.
	NKS Bangkok Co., Ltd.
	Nihon Kohden Middle East FZE
	Nihon Kohden Korea, Inc.
Development of Medical Electronic Equipment and Software	Shanghai Kohden Medical Electronic Instrument Corp.
	Defibtech, LLC
	Nihon Kohden OrangeMed, Inc.
	Nihon Kohden India Pvt. Ltd.
Group General Affairs and Staffing	Nihon Kohden Malaysia Sdn. Bhd.
	Nihon Kohden Firenze S.r.l.
	Nihon Kohden Firenze S.r.l.
Other	Development of Medical Electronic Equipment and Software
	RESUSCITATION SOLUTION, INC.



Editorial Policy

Nihon Kohden issues the integrated report in order to communicate to stakeholders in a reader friendly format. The Company aims at achieving a sustainable society and enhancing its corporate value through its business activities. The integrated report is edited taking the following matters into consideration.

Scope of Report

Organization This report covers 30 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 29 consolidated subsidiaries (as of March 31, 2020).

Period from April 1, 2019 to March 31, 2020*

* Partly including information on our activities performed before or after the aforementioned period

Nihon Kohden Website

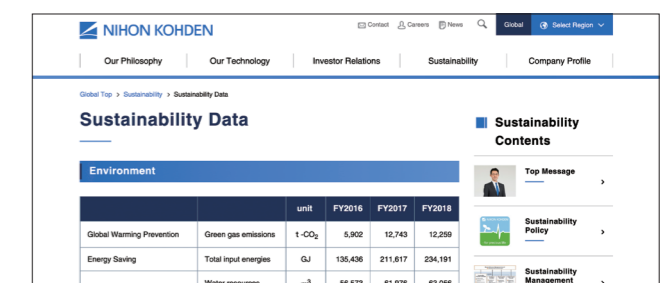
Integrated Reports

<https://www.nihonkohden.com/ir/library/ar.html>



Sustainability data

https://www.nihonkohden.com/sustainability/csr_data.html



Disclaimer

This report contains not only past or present facts related to Nihon Kohden, but also forward-looking statements including plans and forecasts as of the time of publication. Forward-looking statements are assumptions or determinations based on information available at the time such statements were made. Due to changes in various conditions, the results of future business activities or events may differ from those described in such statements. We appreciate your kind understanding.

Publication Date

September 2020
(next publication: expected to be issued in September 2021)

Published by

Corporate Strategy Division, Nihon Kohden Corporation



NIHON KOHDEN CORPORATION

1-31-4 Nishiochiai, Shinjuku-ku,
Tokyo 161-8560, Japan
Phone +81(3)5996-8000
<https://www.nihonkohden.com/>

Printed in Japan

