

ANNUAL REPORT

2020

April 2019 – March 2020



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, M.D.

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.

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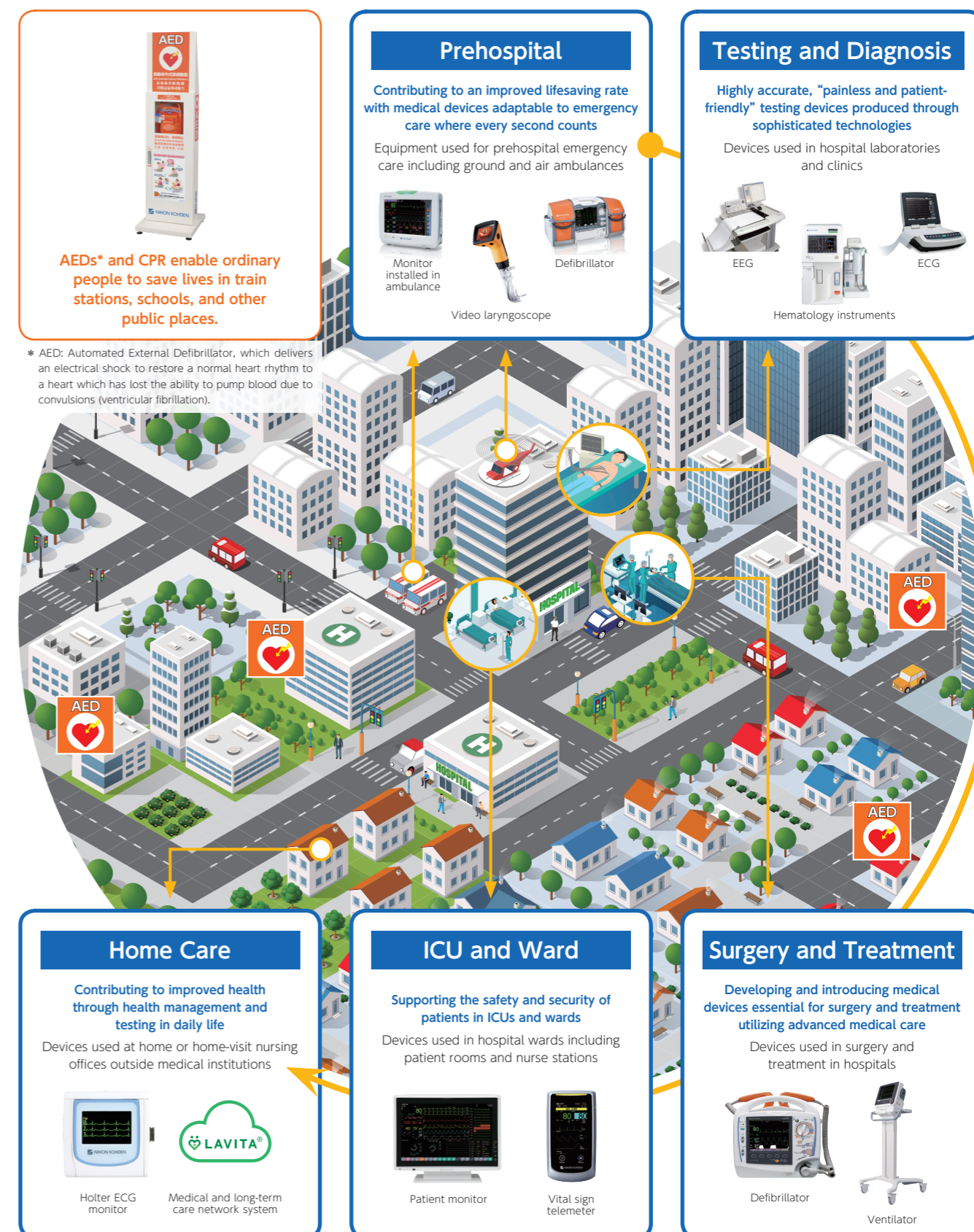
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Nihon Kohden's business and products are continuing to provide safety and security because of their total support for medical practice, including emergency care, testing, diagnosis, treatment, rehabilitation, and home care.



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.

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

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

(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

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

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

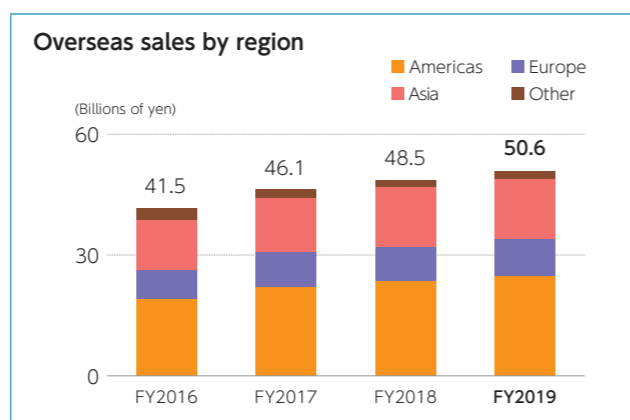
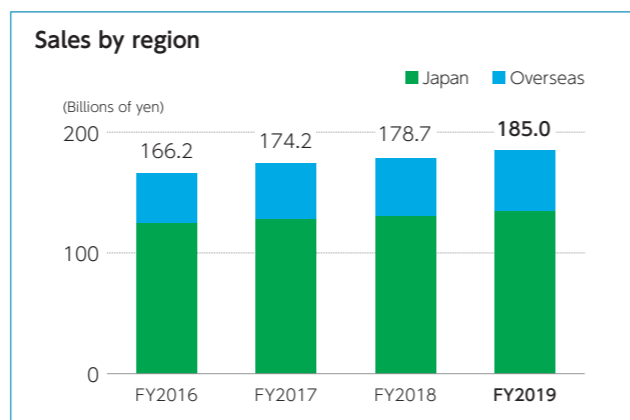
In response to the changing business environment we will start building a foundation for sustainable growth for the next ten years

●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.



●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 anti-corruption, 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

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 function, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors which 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 the matters pursuant to the Companies Act and makes decisions on the execution 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 execution of operations on the other.

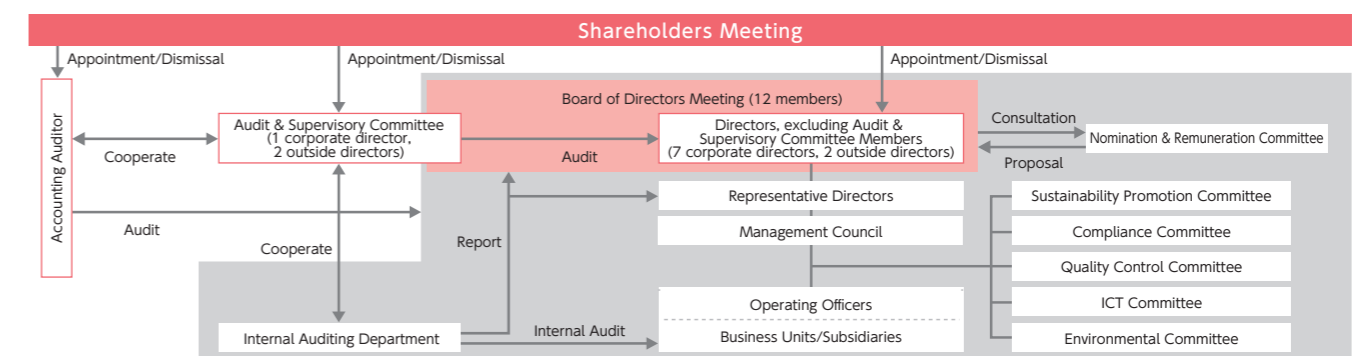
●Nomination & Remuneration Committee

The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure 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>

Corporate Organization and Internal Control System




Enhancing Corporate Governance

●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 &

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 |

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 at 100 million yen per year. This is separated from the remuneration to directors (excluding directors serving as Audit & Supervisory Committee members), of which 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 constitution of the Board, and the operation of the Board. 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 the monitoring for the maintenance and operation of the risk management system of overseas subsidiaries. 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 the time for discussion at the Board Meetings and to strengthen the supervision 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 the 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 overall effectiveness of the Board aiming at sustained growth of corporate value and for an enhancement of corporate governance.

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)

Management Team

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

Outside Director
Independent Director
Newly appointed Director

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) June 2020
Outside Director of the Company (current position)

Shigeru Kawatsuhara
Audit & Supervisory Committee Member

Outside Director
Independent Director

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)

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

Outside Director
Independent Director

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)

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

Outside Director
Independent Director
Newly appointed Director

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)

Message from Outside Director

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 science and technology, and do my utmost to 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 "outside directors based on virtual intelligence" in the future. We offer unrivalled expertise and quality as real-life outside directors, and make a continuous commitment with a strong sense of responsibility 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 novel coronavirus 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 guidelines 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 through analysis and investigation is trying to move to a new stage based on a policy of selection and concentration.

I will focus on 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.

Financial Summary

| Fiscal year | April 2010 to March 2020 | | | | | April 2013 | | | | | April 2017 | | |
|--|--------------------------|---------|---------|---------|---------|------------|---------|---------|---------|---------|------------|---------|--|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | | | | | | | | | |
| Millions of yen unless otherwise stated | | | | | | | | | | | | | |
| Business results | | | | | | | | | | | | | |
| Net sales | 109,123 | 107,013 | 113,380 | 120,718 | 132,538 | 153,194 | 160,803 | 165,522 | 166,285 | 174,249 | 178,799 | 185,007 | |
| Operating income | 8,106 | 9,321 | 10,598 | 12,027 | 13,484 | 17,547 | 15,921 | 16,438 | 13,585 | 14,517 | 15,044 | 15,503 | |
| Income attributable to owners of parent*1 | 4,610 | 5,917 | 6,573 | 7,621 | 9,151 | 12,346 | 11,142 | 10,516 | 9,149 | 9,154 | 11,191 | 9,854 | |
| Financial position | | | | | | | | | | | | | |
| Current assets*2 | 61,470 | 69,685 | 75,366 | 82,742 | 95,181 | 106,515 | 118,389 | 112,929 | 119,235 | 120,687 | 132,211 | 129,020 | |
| Current liabilities*2 | 26,277 | 29,722 | 29,673 | 30,714 | 39,028 | 41,248 | 45,654 | 42,901 | 45,006 | 44,601 | 48,346 | 40,319 | |
| Total assets*2 | 80,479 | 88,000 | 92,495 | 99,403 | 116,800 | 130,917 | 146,755 | 144,270 | 152,806 | 157,910 | 169,717 | 167,786 | |
| Net assets | 53,569 | 57,949 | 62,294 | 67,911 | 76,256 | 88,512 | 99,304 | 97,671 | 103,887 | 109,355 | 116,087 | 121,774 | |
| Cash flows | | | | | | | | | | | | | |
| Cash flows from operating activities | 4,123 | 10,679 | 5,892 | 7,559 | 13,189 | 9,383 | 12,505 | 10,765 | 11,356 | 10,843 | 9,819 | 9,217 | |
| Cash flows from investing activities | (5,968) | (2,810) | (1,874) | (2,338) | (6,959) | (4,421) | (4,689) | (7,802) | (6,344) | (3,346) | (3,258) | (4,607) | |
| Free cash flow | (1,844) | 7,869 | 4,018 | 5,220 | 6,229 | 4,962 | 7,815 | 2,962 | 5,011 | 7,497 | 6,561 | 4,609 | |
| Cash flows from financing activities | (601) | (2,850) | (1,536) | (2,726) | (1,174) | (3,436) | (3,267) | (9,488) | (3,517) | (4,628) | (3,074) | (3,054) | |
| Cash and cash equivalents | 11,197 | 16,331 | 18,808 | 21,304 | 26,683 | 28,808 | 34,113 | 27,283 | 28,560 | 31,285 | 34,697 | 35,913 | |
| Per share information | | | | | | | | | | | | | |
| Net income (Yen)*3 | 104.94 | 134.68 | 149.62 | 173.49 | 208.31 | 281.03 | 126.83 | 120.12 | 106.81 | 106.92 | 131.43 | 115.72 | |
| Dividends (Yen)*4 | 37.0 | 37.0 | 44.0 | 44.0 | 52.0 | 70.0 | 70.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | |
| Other | | | | | | | | | | | | | |
| R&D costs | 4,656 | 4,418 | 5,105 | 5,583 | 6,424 | 7,108 | 5,745 | 5,910 | 6,466 | 7,226 | 7,243 | 6,731 | |
| Number of employees (Persons) | 3,552 | 3,588 | 3,776 | 4,057 | 4,360 | 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 | 45,765 | 45,765 | 45,765 | 45,765 | 45,765 | 89,730 | 89,730 | 89,730 | 88,730 | 88,730 | |
| Key performance indicators | | | | | | | | | | | | | |
| ROE (%) | 8.8 | 10.6 | 10.9 | 11.7 | 12.7 | 15.0 | 11.9 | 10.7 | 9.1 | 8.6 | 9.9 | 8.3 | |
| Operating income margin (%) | 7.4 | 8.7 | 9.3 | 10.0 | 10.2 | 11.5 | 9.9 | 9.9 | 8.2 | 8.3 | 8.4 | 8.4 | |
| Dividend payout ratio (%) | 35.3 | 27.5 | 29.4 | 25.4 | 25.0 | 24.9 | 27.6 | 29.1 | 32.8 | 32.7 | 26.6 | 30.2 | |

*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.

*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.

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)

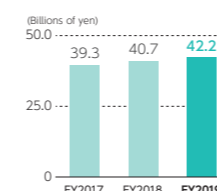
Physiological Measuring Equipment

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.

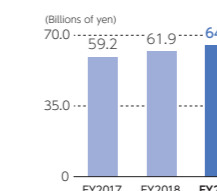
Patient Monitors

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%

FY2019 Sales by Product Category

Consumables and Maintenance Services 45.5%

Medical Devices 54.5%

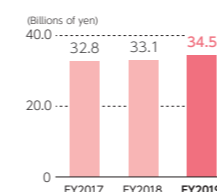
Treatment Equipment

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.

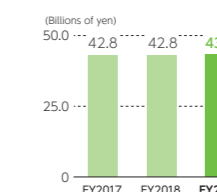
Other Medical Equipment

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.

Consolidated Balance Sheet

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020

| Assets | Millions of yen | |
|---|-----------------|-----------|
| | 2020 | 2019 |
| Current assets: | | |
| Cash and deposits (note 2) | ¥ 20,967 | ¥ 18,811 |
| Trade notes and accounts receivable | 60,871 | 66,889 |
| Short-term investments (note 3) | 15,000 | 16,000 |
| Inventories | 29,249 | 28,599 |
| Other current assets | 3,160 | 2,083 |
| Less allowance for doubtful receivables | 228 | 171 |
| Total current assets | 129,020 | 132,211 |
| Property, plant and equipment, net of accumulated depreciation; ¥30,064 million in 2020 and ¥28,633 million in 2019: | | |
| Buildings and structures | 11,461 | 11,631 |
| Machinery, equipment and vehicles | 1,121 | 776 |
| Tools, furniture and fixtures | 3,201 | 2,809 |
| Land | 3,514 | 3,514 |
| Leased assets | 49 | 27 |
| Construction in progress | 654 | 1,185 |
| Net property, plant and equipment | 20,003 | 19,945 |
| Intangible assets, net: | | |
| Goodwill | 1,773 | 1,938 |
| Other intangible assets | 2,376 | 2,624 |
| Total intangible assets | 4,149 | 4,563 |
| Investments and other assets: | | |
| Investments in securities (note 3) | 6,377 | 5,235 |
| Deferred tax assets (note 6) | 6,044 | 5,664 |
| Other investments and other assets | 2,347 | 2,277 |
| Less allowance for doubtful receivables | 156 | 180 |
| Total investments and other assets | 14,612 | 12,997 |
| Total non-current assets | 38,766 | 37,505 |
| Total assets | ¥ 167,786 | ¥ 169,717 |

See accompanying notes to consolidated financial statements.

| Liabilities and Net Assets | Millions of yen | |
|--|-----------------|-----------|
| | 2020 | 2019 |
| Current liabilities: | | |
| Trade notes and accounts payable | ¥ 23,755 | ¥ 32,645 |
| Short-term debt (note 4) | 350 | 406 |
| Other payables | 3,402 | 2,113 |
| Accrued income taxes (note 6) | 2,339 | 3,649 |
| Accrued expenses | 2,851 | 3,179 |
| Accrued bonuses | 3,263 | 3,098 |
| Provision for loss on litigation | - | 285 |
| Other current liabilities (note 4) | 4,355 | 2,966 |
| Total current liabilities | 40,319 | 48,346 |
| Non-current liabilities: | | |
| Liabilities for retirement benefits (note 5) | 4,225 | 3,827 |
| Deferred tax liabilities (note 6) | 2 | 2 |
| Other non-current liabilities (note 4) | 1,464 | 1,452 |
| Total non-current liabilities | 5,692 | 5,282 |
| Total liabilities | 46,011 | 53,629 |
| Stockholders' equity: | | |
| Common stock (note 7): | 7,544 | 7,544 |
| Authorized 197,972,000 shares; issued 88,730,980 shares and 88,730,980 shares in 2020 and 2019 | | |
| Additional paid-in capital (note 7) | 10,414 | 10,414 |
| Retained earnings (note 8) | 108,533 | 102,397 |
| Treasury stock, at cost; 3,575,164 shares in 2020 and 3,574,898 shares in 2019 | (6,992) | (6,991) |
| Total stockholders' equity | 119,500 | 113,365 |
| Accumulated other comprehensive income (loss): | | |
| Net unrealized gain on other securities (note 3) | 1,972 | 1,758 |
| Foreign currency translation adjustments | 983 | 1,443 |
| Remeasurements of defined benefit plans (note 5) | (681) | (479) |
| Total accumulated other comprehensive income | 2,273 | 2,722 |
| Total net assets | 121,774 | 116,087 |
| Commitments and contingencies | | |
| Total liabilities and net assets | ¥ 167,786 | ¥ 169,717 |

Consolidated Statement of Income

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020

| | Millions of yen | |
|--|------------------|-----------|
| | 2020 | 2019 |
| Net sales | ¥ 185,007 | ¥ 178,799 |
| Cost of sales (note 10) | 95,682 | 92,811 |
| Gross profit | 89,325 | 85,987 |
| Selling, general and administrative expenses (notes 9 and 10) | 73,821 | 70,943 |
| Operating income | 15,503 | 15,044 |
| Other income (deductions): | | |
| Interest income | 102 | 67 |
| Dividend income | 110 | 103 |
| Interest expenses | (10) | (9) |
| Foreign exchange gain (loss) | (973) | 85 |
| Subsidy income | 122 | 298 |
| Gain on sale of investments in securities (note 3) | - | 31 |
| Loss on sale/disposal of property, plant and equipment | (22) | (93) |
| Gain (loss) on valuation of investments in securities (note 3) | (64) | 60 |
| Demolition cost | (135) | - |
| Office transfer cost | (188) | - |
| Settlement package | (520) | - |
| Provision for loss on litigation | - | (285) |
| Other, net | 54 | 215 |
| | (1,523) | 474 |
| Income before income taxes | 13,980 | 15,519 |
| Income taxes (note 6): | | |
| Current | 4,531 | 5,197 |
| Deferred | (405) | (870) |
| | 4,126 | 4,327 |
| Net income | 9,854 | 11,191 |
| Income attributable to owners of parent | ¥ 9,854 | ¥ 11,191 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020

| | Millions of yen | |
|---|-----------------|----------|
| | 2020 | 2019 |
| Net income | ¥ 9,854 | ¥ 11,191 |
| Other comprehensive income (loss) arising during the year (note 11): | | |
| Net unrealized gain (loss) on other securities (note 3) | 214 | (324) |
| Foreign currency translation adjustments | (460) | (431) |
| Remeasurements of defined benefit plans (note 5) | (202) | (720) |
| Total other comprehensive income arising during the year | (448) | (1,477) |
| Comprehensive income | ¥ 9,405 | ¥ 9,714 |
| Comprehensive income attributable to: | | |
| Owners of parent | ¥ 9,405 | ¥ 9,714 |
| Non-controlling interests | - | - |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020

| | Millions of yen | | | | | | | | | |
|---|-----------------------|-------------------------------------|----------------------------|----------------|---|--|--|--|---------|------------------|
| | Stockholders' equity | | | | Accumulated other comprehensive income (loss) | | | | | |
| | Common stock (note 7) | Additional paid-in capital (note 7) | Retained earnings (note 8) | Treasury stock | Total | Net unrealized gain on other securities (note 3) | Foreign currency translation adjustments | Remeasurements of defined benefit plans (note 5) | Total | Total net assets |
| Balance at March 31, 2018 | ¥7,544 | ¥10,414 | ¥96,141 | ¥(8,945) | ¥105,155 | ¥2,082 | ¥1,875 | ¥241 | ¥4,199 | ¥109,355 |
| Changes arising during year: | | | | | | | | | | |
| Cash dividends | | | (2,980) | | (2,980) | | | | | (2,980) |
| Income attributable to owners of parent | | | 11,191 | | 11,191 | | | | | 11,191 |
| Purchase of treasury stock | | | | (1) | (1) | | | | | (1) |
| Disposition of treasury stock | | (0) | - | 0 | 0 | | | | | 0 |
| Cancellation of treasury stock | | | (1,955) | 1,955 | - | | | | | - |
| Net changes other than stockholders' equity | | | | | | (324) | (431) | (720) | (1,477) | (1,477) |
| Total changes during the year | - | (0) | 6,256 | 1,953 | 8,209 | (324) | (431) | (720) | (1,477) | 6,732 |
| Balance at March 31, 2019 | 7,544 | 10,414 | 102,397 | (6,991) | 113,365 | 1,758 | 1,443 | (479) | 2,722 | 116,087 |
| Cumulative effects of accounting changes | | | (737) | | (737) | | | | | (737) |
| Adjusted balance at April 1, 2019 | 7,544 | 10,414 | 101,660 | (6,991) | 112,627 | 1,758 | 1,443 | (479) | 2,722 | 115,350 |
| Changes arising during year: | | | | | | | | | | |
| Cash dividends | | | (2,980) | | (2,980) | | | | | (2,980) |
| Income attributable to owners of parent | | | 9,854 | | 9,854 | | | | | 9,854 |
| Purchase of treasury stock | | | | (0) | (0) | | | | | (0) |
| Net changes other than stockholders' equity | | | | | | 214 | (460) | (202) | (448) | (448) |
| Total changes during the year | - | - | 6,873 | (0) | 6,872 | 214 | (460) | (202) | (448) | 6,423 |
| Balance at March 31, 2020 | ¥7,544 | ¥10,414 | ¥108,533 | ¥(6,992) | ¥119,500 | ¥1,972 | ¥983 | ¥(681) | ¥2,273 | ¥121,774 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020

| | Millions of yen | |
|---|-----------------|-----------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Income before income taxes | ¥ 13,980 | ¥ 15,519 |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,746 | 3,692 |
| Loss on sale/disposal of property, plant and equipment | 18 | 93 |
| Loss on sale/disposal of intangible assets | 3 | 0 |
| Increase in allowance for doubtful receivables | 50 | 37 |
| Increase in accrued bonuses | 168 | 155 |
| Increase (decrease) in provision for loss on litigation | (280) | 285 |
| Decrease in liabilities for retirement and severance benefits | 105 | 223 |
| Interest and dividend income | (213) | (171) |
| Interest expenses | 10 | 9 |
| (Gain) loss on valuation of investments in securities | 64 | (60) |
| Gain on sale of investments in securities | - | (31) |
| (Increase) decrease in trade notes and accounts receivable | 6,925 | (2,114) |
| Increase in inventories | (982) | (5,602) |
| Increase (decrease) in trade notes and accounts payable | (8,429) | 2,905 |
| Other, net | 832 | (1,600) |
| Sub total | 16,000 | 13,341 |
| Interest and dividend received | 209 | 178 |
| Interest paid | (9) | (12) |
| Income taxes paid | (6,222) | (3,687) |
| Settlement package paid | (761) | - |
| Net cash provided by operating activities | 9,217 | 9,819 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments in securities | 67 | 164 |
| Purchase of investments in securities | (965) | (44) |
| Capital expenditures | (3,106) | (2,794) |
| Purchase of intangible assets | (485) | (456) |
| Other, net | (118) | (125) |
| Net cash used in investing activities | (4,607) | (3,258) |
| Cash flows from financing activities: | | |
| Decrease in short-term debt | (55) | (75) |
| Purchase of treasury stock | (0) | (1) |
| Dividends paid to stockholders | (2,980) | (2,983) |
| Other, net | (17) | (14) |
| Net cash used in financing activities | (3,054) | (3,074) |
| Effect of exchange rate changes on cash and cash equivalents | (339) | (74) |
| Net increase in cash and cash equivalents | 1,215 | 3,412 |
| Cash and cash equivalents at beginning of year | 34,697 | 31,285 |
| Cash and cash equivalents at end of year (note 2) | ¥ 35,913 | ¥ 34,697 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020
Amounts are rounded down to the nearest million yen.

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Nihon Kohden Corporation (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 29 subsidiaries.

All significant intercompany accounts and transactions have been eliminated in consolidation.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is amortized within 20 years, or if the amount is immaterial, it is charged to income in the year of investments.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories - "trading securities", "held-to-maturity securities", "investments in affiliates" and "other securities". Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of net assets. Realized gains and losses on the other securities are computed using the moving-average cost. Debt securities classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Holding securities of the Company are classified as other securities.

(e) Inventories

Inventories are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Finished goods, merchandises, semi-finished goods, raw materials and supplies are determined principally by the moving average method. Work in process is determined principally by the specific identification method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. The Company and its domestic subsidiaries provided depreciation principally by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016, which are depreciated based on the straight-line method. Its foreign subsidiaries provided depreciation principally by the straight-line method.

The estimated useful lives are as follows:

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

(g) Intangible Assets

Intangible assets are carried at cost less amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (mainly 5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

Notes to Consolidated Financial Statements

(h) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(i) Provision for loss on litigation

Provision for loss on litigation is provided at an amount of estimate possible future losses to prepare for loss against lawsuits.

(j) Retirement and Severance Benefits

The Company and its consolidated subsidiaries have retirement benefit plans covering substantially all employees. Liabilities for retirement benefits have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans. The retirement benefit obligation is attributed to each period by the benefit formula basis. Actuarial gain or loss is amortized in the subsequent year that it occurs by the declining-balance method within the average remaining years of service of the employees (5 years).

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange at the balance sheet date, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange at the balance sheet date and revenues and expenses into yen at the average rate of exchange prevailing during the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" in a component of accumulated other comprehensive income.

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax. The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used as of and for the year ended March 31, 2020.

(o) New accounting pronouncements not yet adopted

Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and Implementation Guidance on Accounting Standards for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020) are comprehensive accounting standards for revenue recognition and revenues are recognized based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

The Company scheduled to adopt these standards from the year ending March 31, 2022 and is currently assessing the impact of adoption on these standards on consolidated financial statements.

2. Cash and Cash Equivalents

Reconciliation between "Cash and deposits" in the accompanying consolidated balance sheet and "Cash and cash equivalents" in the accompanying consolidated statement of cash flows at March 31, 2020 and 2019 is follows:

| | Millions of yen | |
|---|-----------------|----------|
| | 2020 | 2019 |
| Cash and deposits | ¥ 20,967 | ¥ 18,811 |
| Short-term investments that have maturities of three months or less | 15,000 | 16,000 |
| Time deposits with maturities of over three months | (54) | (113) |
| Cash and cash equivalents | ¥ 35,913 | ¥ 34,697 |

3. Short-term Investments and Investments in Securities

Balance sheet amount, acquisition cost, gross unrealized gain and gross unrealized loss of other securities with fair value at March 31, 2020 and 2019 are summarized as follows:

| | Millions of yen | | | |
|-------------------|----------------------|-----------------------|-----------------------|------------------|
| | Balance sheet amount | Gross unrealized gain | Gross unrealized loss | Acquisition cost |
| March 31, 2020 | | | | |
| Equity securities | ¥ 4,969 | ¥ 2,976 | ¥(75) | ¥ 2,068 |
| March 31, 2019 | | | | |
| Equity securities | ¥ 4,616 | ¥ 2,564 | ¥(17) | ¥ 2,068 |

The Company recognized proceeds from the sale of other securities of nil million and ¥164 million, gross realized gains of nil and ¥31 million for the years ended March 31, 2020 and 2019, respectively. There was no gross realized losses for the years ended March 31, 2020 and 2019.

There was no impairment loss on other securities for the year ended March 31, 2020 and 2019.

Notes to Consolidated Financial Statements

4.Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rates of short-term debt are 0.6% and 1.1% at March 31, 2020 and 2019, respectively.

Lease liabilities at March 31, 2020 and 2019 is summarized as follows:

| | Millions of yen | |
|---|-----------------|------|
| | 2020 | 2019 |
| Lease liabilities maturing in installments through 2024 | ¥ 51 | ¥ 29 |
| Less current installments | 9 | 12 |
| | ¥ 42 | ¥ 17 |

The aggregate annual maturities of lease liabilities after March 31, 2020 are as follows:

| Year ending March 31: | Millions of yen | |
|-----------------------|-----------------|------|
| | 2020 | 2019 |
| 2022 | | ¥19 |
| 2023 | | 20 |
| 2024 | | 1 |
| 2025 | | — |

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the bank.

5.Retirement and Severance Benefits

The Company and consolidated subsidiaries have funded and unfunded defined benefit and defined contribution retirement and pension plans for covering retirement benefits for employees.

Under the defined benefit corporate pension plans, benefits are provided in a form of lump-sum payment or pension payment based on the salary and length of services.

The Company and certain consolidated subsidiaries had enrolled in Japanese Welfare Pension Fund as a multi-employer plan which was terminated during the year ended March 31, 2018. Because the Company's proportion of plan assets corresponding to Company's contribution cannot be reasonably estimated, the contribution is accounted for as defined contribution plans.

Defined benefit plans

Followings are the information for the Company's and the consolidated subsidiaries' defined benefit plans at March 31, 2020 and 2019 and for the years then ended.

(1) Reconciliation of changes in retirement benefit obligation

| | Millions of yen | |
|--|-----------------|----------|
| | 2020 | 2019 |
| Retirement benefit obligation at beginning of year | ¥ 24,376 | ¥ 22,475 |
| Service cost | 1,492 | 1,416 |
| Interest cost | 46 | 83 |
| Actuarial gains or losses | (59) | 1,075 |
| Benefits paid | (838) | (673) |
| Retirement benefit obligation at end of year | ¥ 25,017 | ¥ 24,376 |

(2)Reconciliation of changes in plan assets

| | Millions of yen | |
|----------------------------------|-----------------|----------|
| | 2020 | 2019 |
| Plan assets at beginning of year | ¥ 20,672 | ¥ 20,004 |
| Expected return on plan assets | 39 | 70 |
| Actuarial gains or losses | (606) | 164 |
| Employer contributions | 1,667 | 1,101 |
| Benefits paid | (827) | (668) |
| Plan assets at end of year | ¥ 20,945 | ¥ 20,672 |

(3)Reconciliation between retirement benefit obligation and plan assets and liabilities for retirement benefits and assets for retirement benefits recognized in consolidated balance sheet

| | Millions of yen | |
|--|-----------------|----------|
| | 2020 | 2019 |
| Funded retirement benefit obligation | ¥ 25,017 | ¥ 24,376 |
| Plan assets | (20,945) | (20,672) |
| | 4,071 | 3,704 |
| Unfunded retirement benefit obligation | 153 | 123 |
| Net liabilities for retirement benefits recognized in consolidated balance sheet | ¥ 4,225 | ¥ 3,827 |
| Liabilities for retirement benefits | ¥ 4,225 | ¥ 3,827 |
| Net liabilities for retirement benefits recognized in consolidated balance sheet | ¥ 4,225 | ¥ 3,827 |

(4)The components of retirement benefit expenses

| | Millions of yen | |
|--|-----------------|---------|
| | 2020 | 2019 |
| Service cost | ¥ 1,492 | ¥ 1,416 |
| Interest cost | 46 | 83 |
| Expected return on plan assets | (39) | (70) |
| Amortization of actuarial gain or loss | 254 | (128) |
| Retirement benefit expenses | ¥ 1,754 | ¥ 1,300 |

(5)Remeasurements of retirement benefit plans before related tax effects

| | Millions of yen | |
|------------------------|-----------------|---------|
| | 2020 | 2019 |
| Actuarial gain or loss | ¥ 292 | ¥ 1,038 |
| Total | ¥ 292 | ¥ 1,038 |

(6)Accumulated remeasurements of retirement benefit plans before related tax effects

| | Millions of yen | |
|-------------------------------------|-----------------|-------|
| | 2020 | 2019 |
| Unrecognized actuarial gain or loss | ¥ 982 | ¥ 690 |
| Total | ¥ 982 | ¥ 690 |

Notes to Consolidated Financial Statements

(7) Plan assets

(a) Percentage by major category of plan assets

| | 2020 | 2019 |
|------------------------|--------|--------|
| Debt securities | 28.3% | 26.1% |
| Equity securities | 23.0 | 27.4 |
| Short-term investments | 20.4 | 19.5 |
| General account | 27.1 | 26.2 |
| Other | 1.2 | 0.8 |
| Total | 100.0% | 100.0% |

(b) Determination procedure for long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Company considers the current and projected asset allocation, as well as current and future long-term rate of returns for various categories of the plan assets.

(8) Basis for calculation of actuarial assumptions

| | 2020 | 2019 |
|-----------------------------------|------|------|
| Discount rate | 0.2% | 0.2% |
| Long-term expected rate of return | 0.3 | 0.2 |

Defined contribution plans

The amount to be paid by the consolidated subsidiaries to the defined contribution plans was ¥976 million and ¥960 million for the years ended March 31, 2020 and 2019, respectively.

Multi-employer pension plan

The amount to be paid by the Company to the Welfare Pension Fund under multi-employer pension plan was nil and ¥31 million for the years ended March 31, 2020 and 2019, respectively.

Because the Welfare Pension Fund is in the process of settlement, the information for the year ended March 31, 2020 and 2019 are not disclosed.

6. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income.

The reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and non-controlling interests for the years ended March 31, 2019 is as follows:

| | 2019 |
|--|-------|
| Statutory tax rate | 30.6% |
| Change in valuation allowance | 1.6 |
| Expenses not deductible for tax purposes | 0.2 |
| Income not credited for tax purposes | (0.0) |
| Per capita tax | 0.7 |
| Difference in statutory tax rates of subsidiaries | (1.2) |
| Tax credits primarily for research and development costs | (3.0) |
| Change in tax rates | — |
| Other | (1.0) |
| Effective tax rate | 27.9% |

The reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2020 is not subject to disclosure because the difference between the rates does not exceed 5% of the statutory tax rate.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 are as follows:

| | Millions of yen | |
|--|-----------------|---------|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Valuation loss for inventories | ¥ 1,005 | ¥ 972 |
| Accrued business tax | 115 | 182 |
| Accrued bonuses | 934 | 901 |
| Liabilities for retirement benefits | 1,297 | 1,174 |
| Accrued warranty expenses | 98 | 101 |
| Allowance for doubtful receivables | 45 | 48 |
| Depreciation and amortization | 2,055 | 1,851 |
| Intercompany profits on inventories, and property, plant and equipment | 1,255 | 1,059 |
| Intangible assets | 518 | 591 |
| Asset retirement obligations | 251 | 255 |
| Tax loss carryforwards | 1,258 | 766 |
| Other | 1,149 | 1,269 |
| | 9,986 | 9,175 |
| Valuation allowance for tax loss carryforwards | (1,124) | (766) |
| Valuation allowance for deductible temporary differences | (678) | (700) |
| Total valuation allowance | (1,802) | (1,466) |
| | 8,184 | 7,709 |
| Deferred tax liabilities: | | |
| Asset retirement obligations | (215) | (210) |
| Net unrealized gain on other securities | (855) | (760) |
| Valuation difference | (229) | (264) |
| Undistributed retained earnings of foreign subsidiaries | (803) | (768) |
| Other | (37) | (42) |
| | (2,141) | (2,046) |
| Net deferred tax assets | ¥ 6,042 | ¥ 5,662 |

Amounts of tax loss carryforwards and related valuation allowance for the year ended March 31, 2020 are as follows:

| | Millions of yen | | | | | |
|--|---------------------|--------------------------------------|---|--|---|----------------------|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Tax loss carryforwards | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 1,258 |
| Valuation allowance for tax loss carryforwards | — | — | — | — | — | (1,124) |
| Deferred tax asset | — | — | — | — | — | 134 |

Figures for tax loss carryforwards are the amounts multiplied by effective statutory tax rate.

Amounts of tax loss carryforwards and related valuation allowance for the year ended March 31, 2019 are as follows:

| | Millions of yen | | | | | |
|--|---------------------|--------------------------------------|---|--|---|----------------------|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Tax loss carryforwards | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 766 |
| Valuation allowance for tax loss carryforwards | — | — | — | — | — | (766) |
| Deferred tax asset | — | — | — | — | — | — |

Figures for tax loss carryforwards are the amounts multiplied by effective statutory tax rate.

Notes to Consolidated Financial Statements

7.Common Stock

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

8.Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet. Cash dividends charged to retained earnings for the years ended March 31, 2020 and 2019 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

(a)Dividends paid during the year ended March 31, 2019

The following was approved by the general meeting of stockholders held on June 27, 2018.

| | |
|------------------------------------|-----------------|
| (a)Total dividends | ¥ 1,532 million |
| (b)Cash dividends per common share | ¥ 18 |
| (c)Record date | March 31, 2018 |
| (d)Effective date | June 28, 2018 |

The following was approved by the Board of Directors held on November 2, 2018.

| | |
|------------------------------------|--------------------|
| (a)Total dividends | ¥ 1,447 million |
| (b)Cash dividends per common share | ¥ 17 |
| (c)Record date | September 30, 2018 |
| (d)Effective date | November 27, 2018 |

(b)Dividends paid during the year ended March 31, 2020

The following was approved by the general meeting of stockholders held on June 26, 2019.

| | |
|------------------------------------|-----------------|
| (a)Total dividends | ¥ 1,532 million |
| (b)Cash dividends per common share | ¥ 18 |
| (c)Record date | March 31, 2019 |
| (d)Effective date | June 27, 2019 |

The following was approved by the Board of Directors held on November 5, 2019.

| | |
|------------------------------------|--------------------|
| (a)Total dividends | ¥ 1,447 million |
| (b)Cash dividends per common share | ¥ 17 |
| (c)Record date | September 30, 2019 |
| (d)Effective date | November 27, 2019 |

(c)Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2020

The following was approved by the general meeting of stockholders held on June 25, 2020.

| | |
|------------------------------------|-------------------|
| (a)Total dividends | ¥ 1,532 million |
| (b)Dividend source | Retained earnings |
| (c)Cash dividends per common share | ¥ 18 |
| (d)Record date | March 31, 2020 |
| (e)Effective date | June 26, 2020 |

9.Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

| | Millions of yen | |
|-----------------------------|-----------------|----------|
| | 2020 | 2019 |
| Salaries | ¥ 28,992 | ¥ 27,520 |
| Retirement benefit expenses | 2,561 | 2,135 |
| Depreciation | 2,372 | 2,331 |
| Legal welfare | 5,789 | 5,167 |
| Traveling | 3,198 | 3,151 |

10.Research and Development Costs

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are ¥6,731 million and ¥7,243 million, respectively.

11.Other Comprehensive Income (Loss)

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of yen | |
|---|-----------------|----------|
| | 2020 | 2019 |
| Net unrealized gain (loss) on other securities: | | |
| Arising during the year | ¥ 244 | ¥(436) |
| Reclassification adjustment | 64 | (31) |
| Before tax amount | 308 | (467) |
| Tax expense | (94) | 143 |
| Net-of-tax amount | 214 | (324) |
| Foreign currency translation adjustments: | | |
| Arising during the year | (460) | (431) |
| Remeasurements of defined benefit plans: | | |
| Arising during the year | (547) | (910) |
| Reclassification adjustment | 254 | (128) |
| Before tax amount | (292) | (1,038) |
| Tax expense | 89 | 318 |
| Net-of-tax amount | (202) | (720) |
| Total other comprehensive income | ¥(448) | ¥(1,477) |

12.Per Share Information**(a)Net Income per Share**

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2020 and 2019 are as follows:

| | Yen | |
|----------------------------|----------|----------|
| | 2020 | 2019 |
| Basic net income per share | ¥ 115.72 | ¥ 131.43 |

| | Millions of yen | |
|---|-----------------|----------|
| | 2020 | 2019 |
| Income attributable to owners of parent | ¥ 9,854 | ¥ 11,191 |
| Income not applicable to common stockholders | — | — |
| Income attributable to owners of parent applicable to common stockholders | ¥ 9,854 | ¥ 11,191 |

| | Number of shares (Thousands) | |
|---|------------------------------|--------|
| | 2020 | 2019 |
| Weighted average number of shares outstanding on which basic net income per share is calculated | 85,155 | 85,156 |

(b)Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at March 31, 2020 and 2019 are as follows:

| | Yen | |
|----------------------|------------|------------|
| | 2020 | 2019 |
| Net assets per share | ¥ 1,430.02 | ¥ 1,363.24 |

Notes to Consolidated Financial Statements

| | Millions of yen | |
|--|-----------------|-----------|
| | 2020 | 2019 |
| Total net assets | ¥ 121,774 | ¥ 116,087 |
| Amount deducted from total net assets | — | — |
| Net assets applicable to common stockholders | ¥ 121,774 | ¥ 116,087 |

| | Number of shares (Thousands) | |
|---|------------------------------|--------|
| | 2020 | 2019 |
| Number of shares outstanding at end of year on which net assets per share is calculated | 85,155 | 85,156 |

13. Leases

The Company leases mainly certain vehicles under finance leases.

Future minimum payments required under noncancellable operating leases at March 31, 2020 and 2019 are as follows:

| | Millions of yen | |
|-----------------|-----------------|------|
| | 2020 | 2019 |
| Within one year | ¥ 25 | ¥ 26 |
| Over one year | 11 | 23 |
| | ¥ 37 | ¥ 49 |

14. Financial Instruments**Conditions of financial instruments****(1) Management policy**

The Company and subsidiaries (the "Group") has a policy to invest in sound and highly safe financial instruments. The Group uses its own resources for business, and when a temporary shortfall of the operating funds the Group finances funds through bank loans. Surplus funds are invested in highly safe financial instruments.

The Group uses derivatives to hedge future fluctuation of foreign exchange rates and does not enter into derivatives for speculative purposes.

(2) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Trade receivables and loans receivable denominated in foreign currency are exposed to fluctuation risk of foreign exchange rates. Investment securities are exposed to market fluctuation risk.

Maturities of trade notes and accounts payable are within one year. Trade payables denominated in foreign currency are exposed to fluctuation risk of foreign exchange rates. The Group finances necessary funds through short-term bank loans when a temporary shortfall of the operating funds.

(3) Financial instruments risk management**1) Credit risk**

The Group performs due date controls and monitors major customers' credit status, rapidly understands the collectability issues to mitigate customers' credit risk of notes and accounts receivable.

To mitigate the counterparty risk, the counterparties to derivative transactions are limited to financial institutions with high credit ratings.

2) Market risk

To mitigate the foreign currency fluctuation risk categorized by currency, the Group uses a foreign exchange forward contract for hedging the cash flow fluctuation risk associated with trade receivables and payables and loans receivable denominated in foreign currencies. Foreign exchange forward contracts entered into by the Group are limited to the extent of existing foreign trade receivables and payables and loans receivable or a highly probably forecasted transaction.

The Group regularly monitors a stock price, an issuer's financial status and a market condition, and continuously considers whether the Group holds the stock.

3) Liquidity risk

The Group prepares and updates a funds management plan on a monthly basis in order to control liquidity risk.

(4) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

Fair value of financial instruments

The carrying amounts on the consolidated balance sheet, fair value, and differences at March 31, 2020 and 2019 are as follows. Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "<2> Financial instruments of which the fair value is extremely difficult to measure")

| | Millions of yen | | | | | |
|--|-----------------|------------|-------------|----------------|------------|-------------|
| | March 31, 2020 | | | March 31, 2019 | | |
| | Carrying value | Fair value | Differences | Carrying value | Fair value | Differences |
| (1) Cash and deposits | ¥ 20,967 | ¥ 20,967 | ¥ — | ¥ 18,811 | ¥ 18,811 | ¥ — |
| (2) Trade notes and accounts receivable | 60,871 | 60,871 | — | 66,889 | 66,889 | — |
| (3) Short-term investments | 15,000 | 15,000 | — | 16,000 | 16,000 | — |
| (4) Investments in securities—Other securities | 4,969 | 4,969 | — | 4,616 | 4,616 | — |
| (5) Trade notes and accounts payable | 23,755 | 23,755 | — | 32,645 | 32,645 | — |
| (6) Short-term debt | 350 | 350 | — | 406 | 406 | — |

<1> Fair value measurement of financial instruments

Assets and liabilities:

(1) Cash and deposits, (2) Trade notes and accounts receivable, (3) Short-term investments

The fair value approximates the carrying value because of the short maturity of these instruments.

(4) Investments in securities- Other securities

The fair value is calculated by quoted market price.

(5) Trade notes and accounts payable and (6) Short-term debt

The fair value approximates the carrying value because of the short maturity of these instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

| | Millions of yen | |
|--|-----------------|-------|
| | 2020 | 2019 |
| Unlisted equity securities | ¥ 1,000 | ¥ 237 |
| Investments in limited partnership and similar partnership | 407 | 381 |

Above are not included in "(4) Investments in securities - other securities" because there is no market value and future cash flows cannot be estimated, therefore it is extremely difficult to measure the fair value.

<3> Projected future redemption of monetary claim and securities with maturities at March 31, 2020

| | Millions of yen | | | |
|---|---------------------|---------------------------------------|--|---------------------|
| | Due within one year | Due after one year through five years | Due after five years through ten years | Due after ten years |
| (1) Cash and deposits | ¥ 20,967 | ¥ — | ¥ — | ¥ — |
| (2) Trade notes and accounts receivable | 60,871 | — | — | — |
| (3) Short-term investments | 15,000 | — | — | — |

<4> The annual maturities of the long-term debt

Please see note (4) Short-term and Long-term Debt.

Notes to Consolidated Financial Statements

15. Segment Information

Because the Company and consolidated subsidiaries operate in one operating segment, medical electronic equipment business, the segment information is not disclosed for the years ended March 31, 2020 and 2019.

Related Information**(a) Information by products and services**

Sales by products and services for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of yen | |
|-----------------------------------|-----------------|-----------|
| | 2020 | 2019 |
| Physiological measuring equipment | ¥ 42,273 | ¥ 40,773 |
| Patient monitors | 64,966 | 61,978 |
| Treatment equipment | 34,512 | 33,149 |
| Other | 43,254 | 42,898 |
| | ¥ 185,007 | ¥ 178,799 |

(b) Geographic information

(1) Geographical sales for the years ended March 31, 2020 and 2019 are as follows:

| | Millions of yen | |
|----------|-----------------|-----------|
| | 2020 | 2019 |
| Japan | ¥ 134,355 | ¥ 130,223 |
| Americas | 24,731 | 23,508 |
| Europe | 9,044 | 8,167 |
| Asia | 14,899 | 15,096 |
| Other | 1,976 | 1,802 |
| | ¥ 185,007 | ¥ 178,799 |

(2) Because property, plant and equipment located in Japan are over 90% of property, plant and equipment in the consolidated balance sheet, the geographic information of property, plant and equipment is not disclosed for the years ended March 31, 2020 and 2019.

(c) Information by major customers

Because no particular third party whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed for the years ended March 31, 2020 and 2019.

Information of impairment loss on fixed assets by reported segments

The information is not applicable for the years ended March 31, 2020 and 2019.

Goodwill by reported segments

The information is not applicable for the years ended March 31, 2020 and 2019.

Negative goodwill incurred by reported segments

The information is not applicable for the years ended March 31, 2020 and 2019.

16. Subsequent Event

The information is not applicable for the years ended March 31, 2020.

Independent Auditor's Report

Nihon Kohden Corporation and Consolidated Subsidiaries
March 31, 2020



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Independent Auditor's Report

To the Board of Directors of
Nihon Kohden Corporation

Opinion

We have audited the consolidated financial statements of Nihon Kohden Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Committee and its Members

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee and its Members are responsible for overseeing the execution of the duties of Directors related to designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee and its Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee and its Members with a statement that we have complied with relevant ethical requirements regarding independence in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Crowe Toyo & Co.

Crowe Toyo & Co.
Tokyo, Japan
June 26, 2020

Company Information

●Company Overview (as of March 31, 2020)

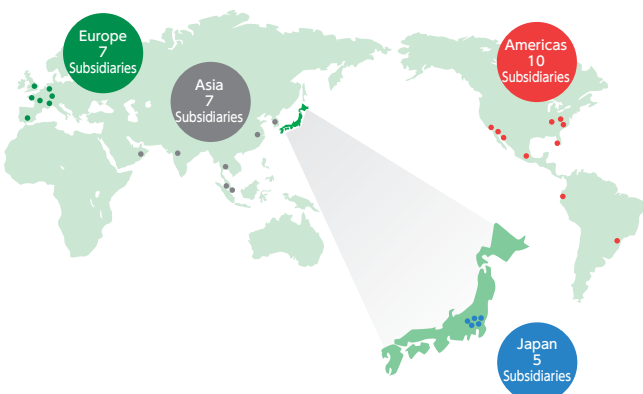
| | |
|-------------------------|---|
| Common Name | NIHON KOHDEN |
| Official Name | NIHON KOHDEN CORPORATION |
| Incorporated | August 7, 1951 |
| Capital Stock | ¥7,544 million |
| Net Sales | (Consolidated) ¥185.0 billion (fiscal year ended March 31, 2020) |
| Type of Business | Development, production,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

●Stock Overview (as of March 31, 2020)

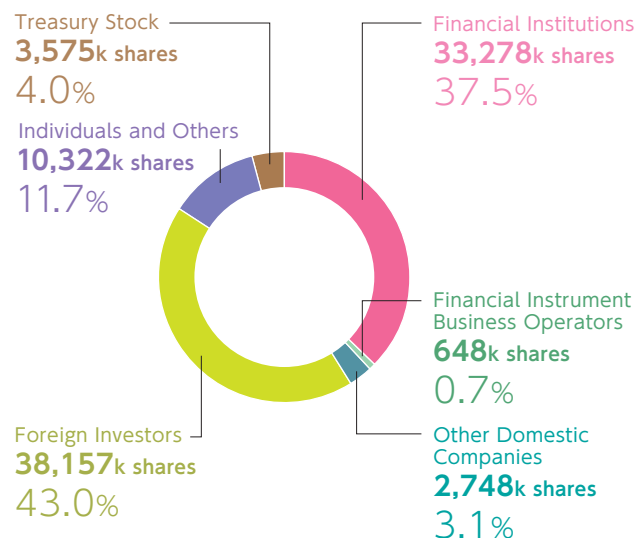
| | |
|------------------------------------|--------------------|
| Number of Shares Authorized | 197,972,000 shares |
| Number of Shares Issued | 88,730,980 shares |
| Number of Shareholders | 5,956 persons |

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

| | |
|---|---|
| Sales and Promotion | Shanghai Kohden Medical Electronic Instrument Corp. |
| Nihon Kohden America, Inc. | Defibtech, LLC |
| Nihon Kohden Mexico S.A. de C.V. | Nihon Kohden OrangeMed, Inc. |
| Nihon Kohden Latin America S.A.S. | Nihon Kohden India Pvt. Ltd. |
| Nihon Kohden Do Brasil Ltda. | Nihon Kohden Malaysia Sdn. Bhd. |
| Nihon Kohden Europe GmbH | Nihon Kohden Firenze S.r.l. |
| Nihon Kohden Deutschland GmbH | |
| Nihon Kohden France Sarl | |
| Nihon Kohden Iberica S.L. | Development of Medical Electronic Equipment and Software |
| Nihon Kohden Italia S.r.l. | NKUS Lab |
| Nihon Kohden UK Ltd. | Neurotronics, Inc. |
| Nihon Kohden Singapore Pte Ltd. | Nihon Kohden Innovation Center, Inc. |
| NKS Bangkok Co., Ltd. | |
| Nihon Kohden Middle East FZE | |
| Nihon Kohden Korea, Inc. | |
| | Group General Affairs and Staffing |
| Development, Manufacturing, Sales, and Sales Promotion | E-Staff Corporation |
| Nihon Kohden Tomioka Corporation | E-Staff Insurance Services Corporation |
| Nippon Bio-Test Laboratories Inc. | |
| Beneficks Corporation | Other |
| | RESUSCITATION SOLUTION, INC. |



●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 (shareholding ratio of 4.03%). Each shareholding ratio is calculated excluding treasury stock.

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.

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