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# Annual Securities Report

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The 72<sup>nd</sup> Fiscal Year (April 1, 2022 to March 31, 2023)

NIHON KOHDEN CORPORATION

72<sup>nd</sup> Annual Securities Report

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Audit Report

[Cover]

Documents to be filed:	Annual Securities Report
Provisions to base upon:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director General of the Kanto Local Finance Bureau
Date of filing:	June 29, 2023
Business year:	72 <sup>nd</sup> fiscal year (from April 1, 2022 to March 31, 2023)
Company name (Japanese):	日本光電工業株式会社 (Nihon Kohden Kogyo Kabushiki Kaisha)
Company name (English):	NIHON KOHDEN CORPORATION
Title and name of representative:	Hirokazu Ogino, Representative Director and President
Location of head office:	31-4, Nishiochiai 1-chome, Shinjuku-ku, Tokyo, Japan
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Telephone number:	+81-3-5996-8011
Contact person:	Tadashi Hasegawa, Corporate Director, Executive Operating Officer
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

## Part. I Company Information

### I. Overview of the Group

#### 1. Trends in Principal Management Benchmarks

##### (1) Management Benchmarks (Consolidated)

Term	68 <sup>th</sup> term	69 <sup>th</sup> term	70 <sup>th</sup> term	71 <sup>st</sup> term	72 <sup>nd</sup> term
Accounting period	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023
Net sales (Millions of yen)	178,799	185,007	199,727	205,129	206,603
Ordinary income (Millions of yen)	15,867	14,846	28,374	34,563	24,122
Net income (Millions of yen)	11,191	9,854	18,243	23,435	17,110
Comprehensive income (Millions of yen)	9,714	9,405	20,143	24,750	18,626
Net assets (Millions of yen)	116,087	121,774	138,986	156,381	167,604
Total assets (Millions of yen)	169,717	167,786	193,030	210,201	216,728
Net assets per share (Yen)	1,363.24	1,430.02	1,631.88	1,852.39	1,992.30
Net income per share (Yen)	131.43	115.72	214.21	276.51	203.28
Diluted net income per share (Yen)	—	—	—	—	—
Equity ratio (%)	68.4	72.6	72.0	74.4	77.3
Return on equity (%)	9.9	8.3	14.0	15.9	10.6
Price earnings ratio (Times)	25.0	35.1	15.1	10.7	17.7
Net cash flows from operating activities (Millions of yen)	9,819	9,217	13,945	25,699	(2,513)
Net cash flows from investing activities (Millions of yen)	(3,258)	(4,607)	(2,946)	(4,303)	(7,647)
Net cash flows from financing activities (Millions of yen)	(3,074)	(3,054)	(3,007)	(7,300)	(7,485)
Cash and cash equivalents at the end of the year (Millions of yen)	34,697	35,913	44,356	60,095	43,988
Number of employees [Separately, average number of temporary employees] (Persons)	5,169 [613]	5,357 [594]	5,531 [584]	5,639 [577]	5,751 [574]

##### Notes:

1. Diluted net income per share is not stated as there are no dilutive potential shares.
2. The number of employees indicates the number of full-time employees.
3. “The Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the 71<sup>st</sup> fiscal year, and the key management benchmarks for the 71<sup>st</sup> fiscal year and subsequent fiscal years are those after the application of these accounting standards.

## (2) Management Benchmarks (Filing company)

Term	68 <sup>th</sup> term	69 <sup>th</sup> term	70 <sup>th</sup> term	71 <sup>st</sup> term	72 <sup>nd</sup> term
Accounting period	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023
Net sales (Millions of yen)	149,744	154,352	164,235	161,976	159,415
Ordinary income (Millions of yen)	14,355	14,505	24,059	31,977	26,313
Net income (Millions of yen)	10,632	10,265	11,444	21,295	19,865
Capital stock (Millions of yen)	7,544	7,544	7,544	7,544	7,544
Number of shares outstanding (Shares)	88,730,980	88,730,980	88,730,980	88,730,980	88,230,980
Net assets (Millions of yen)	109,082	116,581	125,280	139,262	152,654
Total assets (Millions of yen)	157,398	155,556	173,288	186,622	193,538
Net assets per share (Yen)	1,280.98	1,369.04	1,470.96	1,649.61	1,814.59
Total dividend per share [Total interim dividend per share] (Yen)	35.0 [17.0]	35.0 [17.0]	55.0 [17.0]	67.0 [19.0]	61.0 [20.0]
Net income per share (Yen)	124.86	120.55	134.38	251.25	236.01
Diluted net income per share (Yen)	—	—	—	—	—
Equity ratio (%)	69.3	74.9	72.3	74.6	78.9
Return on equity (%)	10.1	9.1	9.5	16.1	13.6
Price earnings ratio (Times)	26.3	33.7	24.0	11.7	15.2
Dividend payout ratio (%)	28.0	29.0	40.9	26.7	25.8
Number of employees [Separately, average number of temporary employees] (Persons)	3,382 [72]	3,451 [73]	3,482 [71]	3,539 [69]	3,623 [68]
Total shareholder return [Comparative indicator: Dividend-included TOPIX] (%)	135.0 [110.0]	167.3 [99.6]	136.2 [141.5]	127.7 [144.3]	129.8 [131.8]
Highest share price (Yen)	3,875	4,515	4,045	4,145	3,650
Lowest share price (Yen)	2,741	2,556	2,853	2,898	2,762

## Notes:

- Diluted net income per share is not stated as there are no dilutive potential shares.
- The number of employees indicates the number of full-time employees.
- The highest and lowest share prices are on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.
- The dividend per share of ¥55 for the 70<sup>th</sup> term includes a special dividend of ¥20.
- “The Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31 2020), etc. have been applied from the beginning of the 71<sup>st</sup> fiscal year, and the key management benchmarks for the 71<sup>st</sup> fiscal year and subsequent fiscal years are those after the application of these accounting standards.
- The dividend per share of ¥67 for the 71<sup>st</sup> term includes a special dividend of ¥15 and 70<sup>th</sup> anniversary dividend of ¥13.

## 2. History

- Aug. 1951 Nihon Kohden was founded at Komagome Sakashita-cho, Bunkyo-ku, Tokyo with the goal of combining medicine and engineering.
- Jul. 1952 Moved head office and factory to Nishi-Ochiai, Shinjuku-ku, Tokyo.
- Nov. 1961 Listed on the 2<sup>nd</sup> Section of the Tokyo Stock Exchange.
- May 1962 Established Tomioka factory (Nihon Kohden Tomioka Corporation).
- Nov. 1979 Established Nihon Kohden America near Los Angeles in the U.S.
- Jun. 1981 Established Tsurugashima factory (Tsurugashima Office) in Tsurugashima City, Saitama Prefecture.
- Jan. 1982 Listed on the 1<sup>st</sup> Section of the Tokyo Stock Exchange.
- Feb. 1985 Established Nihon Kohden Europe near Frankfurt in Germany.
- Feb. 1990 Established Shanghai Kohden as a joint company in Shanghai, China. (Became a wholly owned subsidiary in December 2008).
- May 1992 Decided the nominal designation of Nihon Kohden.
- May 1994 Established Kawamoto Factory (currently Kawamoto Office) in Fukaya City, Saitama Prefecture.
- Feb. 1996 Established Nihon Kohden Singapore in Raffles Place, Singapore (Currently moved to Harbor front).
- Dec. 1997 Established new factory building at Tomioka Factory (Nihon Kohden Tomioka Corporation).
- Sep. 1999 Established NKUS Labs (Currently Nihon Kohden Digital Health Solutions) near Los Angeles in the U.S.
- Feb. 2001 Established Nihon Kohden Italia in Bergamo, Italy.
- Sep. 2002 Established Medinet Kohden Shanghai in Shanghai, China.
- Dec. 2002 Established Nihon Kohden Iberica in Madrid, Spain.
- Apr. 2004 Established Nihon Kohden Korea in Seoul, Korea.
- Nov. 2004 Established Nihon Kohden France near Paris in France.
- Apr. 2006 Established Nihon Kohden Firenze in Florence, Italy.
- May 2006 Acquired Beneficks.
- Apr. 2008 Established Nihon Kohden Trading (Shanghai) in Shanghai, China.
- Apr. 2008 Acquired Nippon Bio-test Laboratories.
- Sep. 2008 Established Span Nihon Kohden Diagnostics as a joint company, in Surat, India.
- Nov. 2008 Established second factory building at Tomioka Factory (Nihon Kohden Tomioka Corporation).
- Dec. 2008 Acquired Neurotronics in Gainesville, the U.S.
- Sep. 2010 Established Nihon Kohden UK in Surrey, U.K.
- Mar. 2011 Established Nihon Kohden India in Gurgaon, India.
- Jan. 2012 Established Nihon Kohden Brasil in Sao Paulo, Brazil.
- Jul. 2012 Merged Nihon Kohden Trading (Shanghai) and Medinet Kohden (Shanghai) with Shanghai Kohden to integrate development, production and sales functions.
- Sep. 2012 Established Nihon Kohden Middle East in Dubai, United Arab Emirates.
- Oct. 2012 Established Resuscitation Solution in Wilmington, the U.S. (Dissolved in April 2023)
- Nov. 2012 Acquired Defibtech in Guilford, the U.S.
- Oct. 2013 Established NKS Bangkok (Currently Nihon Kohden (Thailand)) in Bangkok, Thailand.
- Nov. 2013 Established Nihon Kohden Latin America in Bogota, Colombia.
- Mar. 2014 Established Nihon Kohden Malaysia in Kuala Lumpur, Malaysia.
- Sep. 2014 Established Nihon Kohden Innovation Center in Cambridge, the U.S. and started operation.
- Apr. 2015 Established Tomioka Production Center (Nihon Kohden Tomioka Corporation).
- Apr. 2015 Established OrangeMed (Currently Nihon Kohden OrangeMed) near Los Angeles in the U.S.
- Oct. 2015 Established Nihon Kohden Deutschland near Frankfurt in Germany.
- Jan. 2016 Established Nihon Kohden Mexico in Mexico City, Mexico.
- Oct. 2016 Established Advanced Technology Center in Tokorozawa City, Saitama Prefecture.
- Apr. 2017 Merged 11 domestic sales subsidiaries.
- May 2017 Merged Span Nihon Kohden Diagnostics into Nihon Kohden India.
- Nov. 2019 Established Eastern Japan Logistics Center in Sakado City, Saitama Prefecture, and started full-scale operations
- Aug. 2021 Acquired Advanced Medical Predictive Devices, Diagnostics and Displays in Charlottesville, the U.S.
- Apr. 2022 Moved to the Prime Market of the Tokyo Stock Exchange.
- Nov. 2022 Acquired Software Team in Milan, Italy.
- Apr. 2023 Reorganized its U.S. subsidiaries into a holding company structure.

### 3. Outline of Business

As of March 31, 2023, the Nihon Kohden Group consists of 32 companies including the Company and 31 subsidiaries. Nihon Kohden's primary business is research & development, production, sales, and repair and maintenance of medical electronic equipment. The Company acquired Software Team in this fiscal year.

The positioning of the Nihon Kohden Group's businesses is as follows.

In Japan, the Company and Nihon Kohden Tomioka are engaged in research & development and production of medical electronic equipment. Nippon Bio-test Laboratories is engaged in development, production and sales of immunochemical products. Benefics is engaged in production and sales of medical information systems.

Internationally, Shanghai Kohden is engaged in development, production, and sales of medical electronic equipment. Defibtech is engaged in development, production, and sales of resuscitation equipment. Nihon Kohden OrangeMed is engaged in development, production and sales of ventilators. Nihon Kohden Malaysia is engaged in production, sales, and sales promotions of medical electronic equipment. Nihon Kohden India and Nihon Kohden Middle East are engaged in sales of medical electronic equipment, and production and sales of reagents. Nihon Kohden Firenze is engaged in production and sales of reagents. Software Team, which the Company acquired in November 2022, is engaged in development and sales of software for medical electronic equipment. Nihon Kohden Digital Health Solutions, Advanced Medical Predictive Devices, Diagnostics and Displays, Neurotronics, and Nihon Kohden Innovation Center are engaged in research & development of medical electronic equipment and software.

Domestic sales are handled by the Company's 12 branch offices.

Overseas sales and sales promotions are handled by four companies including Nihon Kohden America in the Americas, six companies including Nihon Kohden Europe in Europe, and four companies including Nihon Kohden Singapore in Asia.

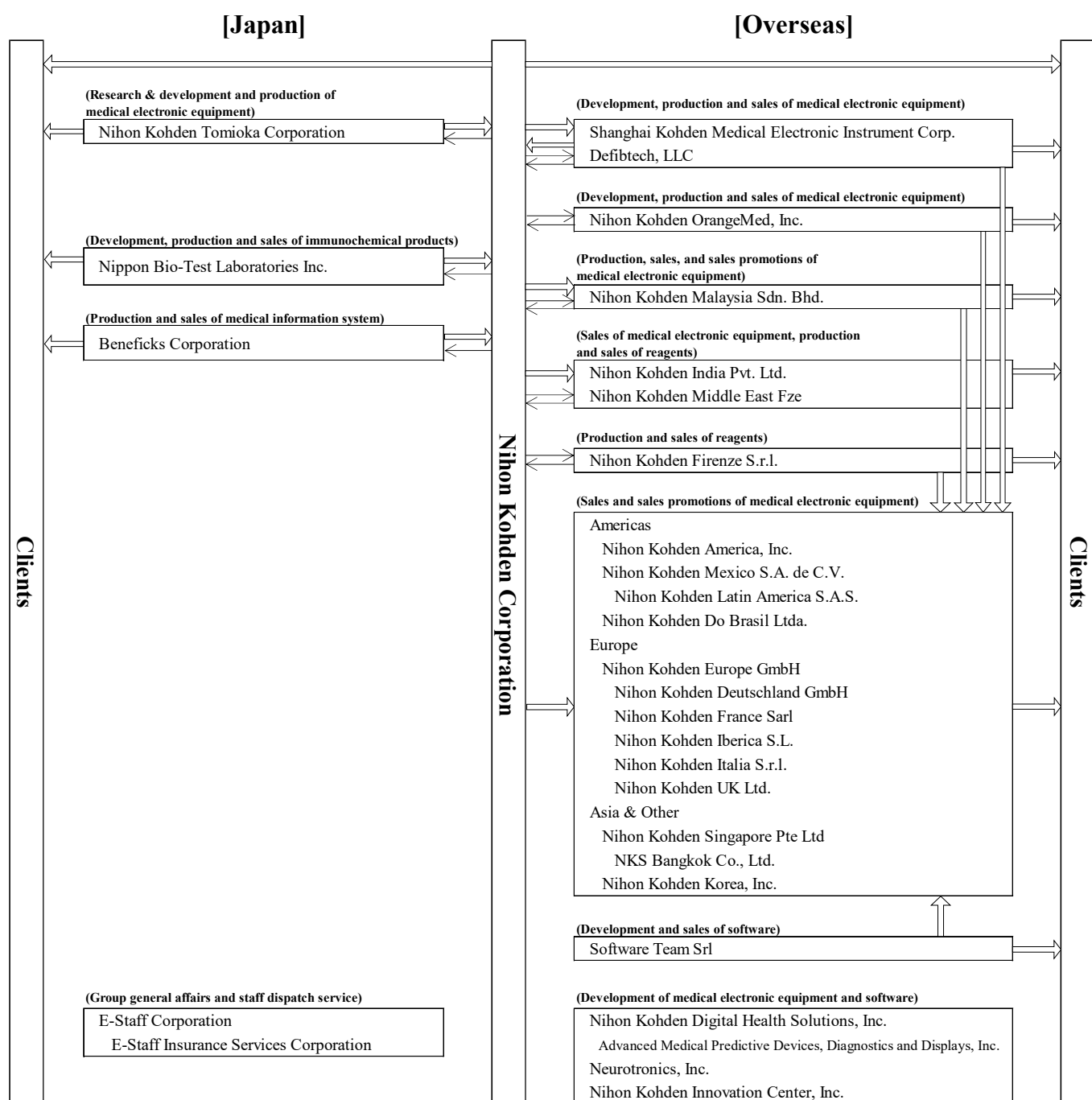
E-Staff Corporation provides the Nihon Kohden Group's general affairs and temporary staffing services.

The Nihon Kohden Group's business consists of a single segment, medical electronic equipment-related business. Because the Nihon Kohden Group is internally divided into functions such as development, manufacturing, and sales, it is difficult to divide each company neatly into separate business divisions. As a result, descriptions of the business of each business division are not shown in this report.

In April 2023, the Company reorganized its U.S. subsidiaries into a holding company structure. Nihon Kohden OrangeMed became a holding company for all other U.S. subsidiaries. Nihon Kohden America, Neurotronics, Nihon Kohden Digital Health Solutions, Advanced Medical Predictive Devices, Diagnostics and Displays, and Nihon Kohden Innovation Center converted from corporations to limited liability companies in each applicable U.S. jurisdiction. The Company also dissolved Resuscitation Solution. Additionally, NKS Bangkok changed its name to Nihon Kohden (Thailand).

A chart of the Company's business structure is as follows:

As of March 31, 2023



\*In April 2023, the Company reorganized its U.S. subsidiaries into a holding company structure. Nihon Kohden OrangeMed became a holding company for all other U.S. subsidiaries. Nihon Kohden America, Neurotronics, Nihon Kohden Digital Health Solutions, Advanced Medical Predictive Devices, Diagnostics and Displays, and Nihon Kohden Innovation Center converted from corporations to limited liability companies, in each applicable U.S. jurisdiction. The Company also dissolved Resuscitation Solution. Additionally, NKS Bangkok, Co., Ltd. changed its name to Nihon Kohden (Thailand) Co., Ltd.



#### 4. Status of Subsidiaries and Associates

Name	Address	Capital (Millions of yen)	Principal business	Holding rate of voting rights (held)		Relationship					
				Holding rate (%)	Rate of share held (%)	Interlocking of officers		Financial assistance	Business relationship	Facility leasing	
						Officer of the Company	Employee of the Company				
(Consolidated subsidiaries)											
Nihon Kohden Tomioka Corporation *1	Shinjuku-ku, Tokyo	496	Manufacture of medical electronic equipment	100	—	—	4	Lending working capital	Manufacture of medical electronic equipment of the Company	Leasing a part of the factory land	
Nippon Bio-Test Laboratories Inc.	Asaka City, Saitama	10	Development, manufacturing and sales of immunochemical products	100	—	—	3	Same as above	Development, manufacturing and sales of immunochemi- cal products of the Company	Leasing land and buildings	
Beneficks Corporation	Taito-ku, Tokyo	20	Manufacturing and sale of medical information system products	100	—	—	3	—	Manufacturing and sale of medical information system products of the Company	—	
E-Staff Corporation	Shinjuku-ku, Tokyo	20	Group general affairs-related and temporary staffing services	100	—	—	—	—	Outsourcing	Leasing a part of the buildings	
E-Staff Insurance Services Corporation *3	Shinjuku-ku, Tokyo	7	Group insurance related services	100 (100)	—	—	—	—	Insurance brokerage	Same as above	
Nihon Kohden America, Inc. *2*5	Irvine, CA., U.S.A.	Thousands of USD 4,741	Sales of medical electronic equipment	100	—	3	1	Lending working capital	Sales of medical electronic equipment of the Company	—	
Nihon Kohden Mexico S.A. de C.V.	Benito Juarez, Mexico	Millions of MXN 20	Same as above	100	—	1	1	Same as above	Same as above	—	
Nihon Kohden Latin America S.A.S. *3	Bogota D.C., Colombia	Millions of COP 400	Sales promotion of medical electronic equipment	100 (100)	—	—	1	—	Outsourcing of sales promotion of the Companies' products	—	
Nihon Kohden Do Brasil Ltda.	Sao Paulo., Brasil	Thousands of BRL 16,728	Sales of medical electronic equipment	100	—	1	1	Lending working capital	Sales of medical electronic equipment of the Company	—	
Nihon Kohden Europe GmbH	Rosbach, Germany	Thousands of EUR 2,500	Same as above	100	—	1	2	Same as above	Same as above	—	
Nihon Kohden Deutschland GmbH *3	Rosbach, Germany	Thousands of EUR 1,500	Same as above	100 (100)	—	—	—	—	Same as above	—	
Nihon Kohden France Sarl *3	LE Plessis Robinson, France	Thousands of EUR 1,000	Same as above	100 (100)	—	—	—	—	Same as above	—	
Nihon Kohden Iberica S.L. *3	Madrid, Spain	Thousands of EUR 250	Same as above	100 (100)	—	—	—	—	Same as above	—	
Nihon Kohden Italia S.r.l. *3	Bergamo, Italy	Thousands of EUR 25	Same as above	100 (100)	—	—	—	—	Same as above	—	
Nihon Kohden UK Ltd. *3	Surrey, UK	Thousands of GBP 100	Same as above	100 (100)	—	—	—	—	Same as above	—	
Nihon Kohden Singapore Pte Ltd	Maritime Square, Singapore	Millions of SGD 1	Same as above	100	—	—	2	—	Same as above	—	
NKS Bangkok Co., Ltd. *3*7	Bangkok province, Thailand	Millions of TBH 2	Sales promotion of medical electronic equipment	100 (100)	—	—	2	—	Outsourcing of sales promotion of the Companies' products	—	

Name	Address	Capital (Millions of yen)	Principal business	Holding rate of voting rights (held)		Relationship				
				Holding rate (%)	Rate of share held (%)	Interlocking of officers		Financial assistance	Business relationship	Facility leasing
						Officer of the Company	Employee of the Company			
Nihon Kohden Malaysia Sdn. Bhd. *3	Kuala Lumpur, Malaysia	Thousands of MYR 500	Manufacturing and sales promotion of medical electronic equipment	100 (100)	—	—	3	—	Manufacturing and sales promotion of medical electronic equipment of the Company	—
Nihon Kohden India Pvt. Ltd.	Gurgaon, Haryana, India	Millions of INR 111	Sales of medical electronic equipment and sales and manufacturing of reagent	100	—	—	4	—	Sales of medical electronic equipment of the Company	—
Nihon Kohden Middle East FZE	Dubai, U.A.E	Millions of AED 600	Same as above	100	—	—	3	—	Same as above	—
Nihon Kohden Korea, Inc.	Seoul city, South Korea	Millions of KRW 800	Sales of medical electronic equipment	100	—	—	2	—	Same as above	—
Shanghai Kohden Medical Electronic Instrument Corp. *1	Shanghai, China	Thousands of USD 6,669	Development, manufacturing and sales of medical electronic equipment	100	—	2	3	—	Development, manufacturing and sales of medical electronic equipment of the Company	—
Defibtech, LLC *3	Guilford, CT., U.S.A.	Thousands of USD 3,072	Same as above	100 (100)	—	2	2	—	—	—
Nihon Kohden Firenze S.r.l. *3	Firenze, Italy	Thousands of EUR 1,200	Manufacturing and sales of reagent	100 (100)	—	—	1	—	Technology licensing	—
Nihon Kohden Digital Health Solutions, Inc. *1*5	Irvine, CA., U.S.A.	Thousands of USD 12,500	Development of medical electronic equipment	100	—	1	3	—	Development of medical electronic equipment for the Company	—
Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. *3*5	Charlottesville, VA., U.S.A.	Thousands of USD 1,031	Development of software for medical electronic equipment	100 (100)	—	1	3	—	—	—
Neurotronics, Inc. *5	Gainesville, FL., U.S.A.	Thousands of USD 100	Same as above	100	—	2	2	—	Development of software for medical electronic equipment of the Company	—
Software Team Srl	Milano, Italy	Thousands of EUR 46	Same as above	100	—	—	2	Lending working capital	—	—
Nihon Kohden Innovation Center, Inc. *5	Cambridge, MA., U.S.A.	Thousands of USD 1,000	Research and development of medical electronic equipment	100	—	1	3	—	Research and development of medical electronic equipment of the Company	—
Nihon Kohden OrangeMed, Inc. *1	Santa Ana, CA., U.S.A.	Thousands of USD 21,000	Development, manufacturing and sales of medical electronic equipment	100	—	4	2	Lending working capital	Same as above	—
Resuscitation Solution, Inc. *1*6	Wilmington, DE., U.S.A.	Millions of USD 50.5	Acquisition and holding of investments in associated companies	100	—	2	1	—	—	—

Notes:

\*1. Nihon Kohden Tomioka Corporation, Shanghai Kohden Medical Electronic Instrument Corp., Nihon Kohden Digital Health Solutions, Inc. Nihon Kohden OrangeMed, Inc. and Resuscitation Solution, Inc. are classified as specified subsidiaries.

\*2. The profit and loss information of the above subsidiaries, whose sales (excluding inter-company sales) account for more than 10% of consolidated sales, is as follows:

Company name	(Millions of yen)				
	Net sales	Ordinary loss	Net loss	Net assets	Total assets
Nihon Kohden America, Inc.	26,960	(1,371)	(1,015)	334	23,246

\*3. Figures in ( ) in the Holding rate are indirect holdings and are included in the figures.

4. No company has filed a securities registration statement or annual securities report.
- \*5. Nihon Kohden America, Nihon Kohden Digital Health Solutions, Advanced Medical Predictive Devices, Diagnostics and Displays, Neurotronics and Nihon Kohden Innovation Center reorganized from Kabushiki Kaisha to LLC in April 2023.
- \*6. Resuscitation Solution, Inc. was dissolved in April 2023.
- \*7. NKS Bangkok Co., Ltd. has changed its company name to Nihon Kohden Thailand Co., Ltd. in April 2023.

## 5. Status of Employees

### (1) Consolidated Companies

As of March 31, 2023

Classification	Number of employees (Persons)
Domestic companies	4,110[529]
Overseas companies	1,641[45]
Total	5,751[574]

Notes:

- The number of employees is the number of full-time employees (excluding employees transferred from our group to outside our group and including employees transferred from outside our group).
- The figures in [ ] in the "Number of employees" column indicate the annual average number of temporary employees (part-time contract employees, temporary employees, and part-time employees).

### (2) Filing Company (The Company)

As of March 31, 2023

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
3,623[68]	42.0	15.3	8,997,441

Notes:

- The number of employees is the number of full-time employees.
- Average annual salary includes bonuses and substandard wages.
- The figures in [ ] in the "Number of employees" column refer to the annual average number of temporary employees (part-time contractors, temporary employees and part-timers).

### (3) Status of Labor Union

The Group's trade unions include the Nihon Kohden Kogyo Labor Union (organized in April 1959) in Shinjuku-ku, Tokyo, and the Kohden Labor Union (organized in September 1968) in Tomioka, Gunma Prefecture, which have made sound progress and have stable labor-management relations. As of March 31, 2023, the number of members in the Nihon Kohden Kogyo Labor Union and the Kohden Labor Union were 300 and 104 members, respectively.

### (4) Ratio of Female Managers, Male Employees Taking Childcare Leave and Differences in Wages between Male and Female Workers

#### (i) The Company

Current fiscal year					Supplementary explanation
The ratio of female managers (%) *1	The ratio of male employees taking childcare leave (%) *2	Differences in wages between male and female			
		Total workers	Permanent employees	Part-time and fixed-term contract employees	
8.6	38.9	69.8	74.7	91.2	There are no gender differences in the Company's wage structure or system. However, there are differences between men and women in terms of job classifications and management ratios, resulting in differences in wages. In order to realize the Company's goal of "an organization where each individual can maximize their potential and fully demonstrate his/her full potential," we will work on measures to promote diversity, such as increasing the ratio of female managers.

Notes:

- \*1. The figure is calculated in accordance with the provisions of the “Act on the promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
- \*2. The figure is ratio of employees taking childcare leave, etc. as stipulated in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No.25 of 1991) and is calculated in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures of the Welfare of Workers Caring for Children or Other Family Members” (Act No.76 of 1991).

(ii) Consolidated Subsidiaries

Current fiscal year								Supplementary explanation
Name	The ratio of female managers (%) *1	The ratio of male employees taking childcare leave (%) *2			Differences in wages between male and female			
		Total workers	Permanent employees	Part-time and fixed-term contract employees	Total workers	Permanent employees	Part-time and fixed-term contract employees	
Nihon Kohden Tomioka Corporation	18.0	57.1	—	—	46.8	80.2	62.8	Same as above

Notes:

- \*1. The figure is calculated in accordance with the provisions of the “Act on the promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).
- \*2. The figure is ratio of employees taking childcare leave, etc. as stipulated in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No.25 of 1991) and is calculated in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures of the Welfare of Workers Caring for Children or Other Family Members” (Act No.76 of 1991).

## II. Business Results

### 1. Management Policy, Management Environment, and Issues to be Addressed

The forward-looking statements in the text are based on the judgment of the Nihon Kohden Group as of the end of this fiscal year.

#### (1) Basic policies for corporate management

Nihon Kohden's Management Philosophy as a medical electronics manufacturer is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. To realize its Management Philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, service, technology, financial strength, and the quality of its employees.

In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aimed at improving the soundness, transparency, and efficiency of management, is an important management issue. In FY2022, the Board of Directors consists of 12 directors (including four outside directors) and independent outside directors comprise one-third of the Board. Considering the issues of gender and international diversity, one female outside director and two female operating officers were appointed.

The Company has adopted a Company with Audit & Supervisory Committee for strengthening supervisory functions, improving management transparency and soundness, and speeding up decision-making. At the same time, the Company has established a Nomination & Remuneration Committee, which is composed of three independent outside directors and the committee chair is also an independent outside director.

#### (2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 10%, which exceeds its cost of capital, in its Three-year Business Plan, BEACON 2030 Phase I. The Company currently estimates that its cost of capital is around 5%, which figure is reviewed every year.

In order to achieve the target, the Company will focus on improving its profitability by implementing its Three-year Business plan. The Company will also improve working capital by reducing cash conversion cycle, including measures such as reduction of inventories and faster debt collection, as well as establishing investment decision criteria and enhancing shareholder return.

To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, the Company has increased inventories of finished goods and parts. It has resulted in a longer cash conversion cycle, 235 days in FY2022. In FY2023, the Company will enhance inventory control and aim at 190 days, a similar level to FY2021, because the shortage of semiconductors is expected to be resolved.

To increase corporate value through investment necessary for future business expansion, the Company has adopted Net Present Value (NPV) and Internal Rate of Return (IRR) as investment decision criteria and started evaluating new investment projects in FY2022. The Company sets its target IRR at 10%, which exceeds its cost of capital as hurdle rate. The Board of Directors will verify the progress and effectiveness of investment projects beyond a certain amount every year.

### (3) Management Environment

During the term under review (April 1, 2022 to March 31, 2023), the overall global economy showed signs of recovery due to the Living with COVID-19 policies taken by each country. However, the global economic outlook remained uncertain due to higher prices of components and resources, supply chain disruption, and tight monetary policy in the U.S. and Europe. In Japan, the burden on medical institutions fluctuated in accordance with the number of COVID-19 patients. Changes to the healthcare system to respond to emerging infectious diseases and work style reforms for medical staff were also implemented in conjunction with the medical treatment fee revision that occurred in April 2022. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workload remained steady amid the growing shortage of nurses especially in the U.S. and the U.K.

The global economic outlook shows economies facing high uncertainty, due to tight monetary policy to reduce inflation in the U.S. and Europe, the protracted crisis in Ukraine, higher prices of components and resources, and complications in the supply chain, in addition to the recent financial system instability. In Japan, each prefecture has revised the healthcare system in accordance with the change of COVID-19's category to class 5 infectious disease from May 2023. As work style reforms for medical staff are scheduled to take effect in 2024, task shift and operational efficiency are further required in medical institutions. Each prefecture will also discuss a regional vision of the healthcare system in 2040. Internationally, the shortage of nurses and higher interest rates have caused business deterioration of medical institutions in the U.S. and Europe. In some emerging countries, there are the move towards protectionism and regulatory tightening for medical device applications and registrations. Medical equipment companies are expected to face a severe business environment because they are required to react to such changes in the market environment promptly and flexibly and to meet the needs of medical institutions for solutions which contribute to improve quality and efficiency of medical care.

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

In 2020, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next 10 years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues. The Company has also set three transformations to be achieved: Transforming into a global company creating high added value, Creating a solution business providing superior customer value, and Establishing a global organization founded on Operational Excellence.

#### •Three-year Business Plan, BEACON 2030 Phase I, covering the fiscal years 2021 to 2023

The Company's Three-year Business Plan, BEACON 2030 Phase I is the stage to strengthen its business foundation toward realizing its Long-term Vision. The Company works on improving the profitability of existing businesses and cultivating new business areas and business models.

#### 1. Basic policy

- Embrace sustainability across business and corporate activities
- [Management] Ensure strict compliance and strengthen group governance
- [Business] Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth
- [Operations] Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

#### 2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the SDGs. In our business activities, we will address eight issues aimed at realizing the five visions for the

future (Accessible/Intelligent/Patient oriented/Connected/Optimized) which we designated in BEACON 2030. In corporate activities, we will address four issues of Human rights/Human resources, Quality, Governance, and Environment.

### 3. Six key strategies

#### (1) [Management] Ensure strict compliance and strengthen group governance

The Company will establish and promote global management policy as well as strengthening internal control over domestic sales.

#### (2) [Business] Improve the profitability of existing businesses

The Company aims to improve the profitability of existing businesses through creating high customer value, enhancing productivity, and timely launch of new products.

#### (3) [Business] Strengthen strategies in global business

The Company will focus on Japan, the U.S., and China, and establishes Global Quad-Polar Organization together with Europe & Emerging markets. The Company strengthens strategies in each region.

#### (4) [Business] Create new customer value by digital health solutions

The Company will establish a vital sign data platform for integration and analysis of data and develop clinical support applications for improving patient outcomes and economy of medical care.

#### (5) [Operations] Promote corporate digital transformation

The Company will establish a global information system and communication system in order to promote work-style reforms and improve operating efficiency.

#### (6) [Operations] Establish global supply chain management

The Company will realize supply chain data visualization by DX and reform its operational processes in procurement, production, and logistics.

### 4. Human resource development and corporate culture reform

In accordance with its Core Values (Integrity / Humbleness / Diversity / Initiative / Customer Centric / Goal Oriented / Creativity), Nihon Kohden is introducing a new personnel system and enhancing its global human resource development programs to foster a corporate culture in which employees take pride in contribution to healthcare and mission.

### 5. BEACON 2030 Phase I targets for FY2023 ending March 2024 (consolidated)

¥100 million	Target in FY2023
Sales	1,970
Domestic Sales	1,340
Overseas Sales	630
Operating Income	200
Operating Income Margin	10.2%
ROE	10%

## 2. Views and Initiatives regarding Sustainability

The views and initiatives regarding sustainability of the Nihon Kohden Group are as follows.

The forward-looking statements in the text are based on the judgment of the Nihon Kohden Group as of the end of this fiscal year.

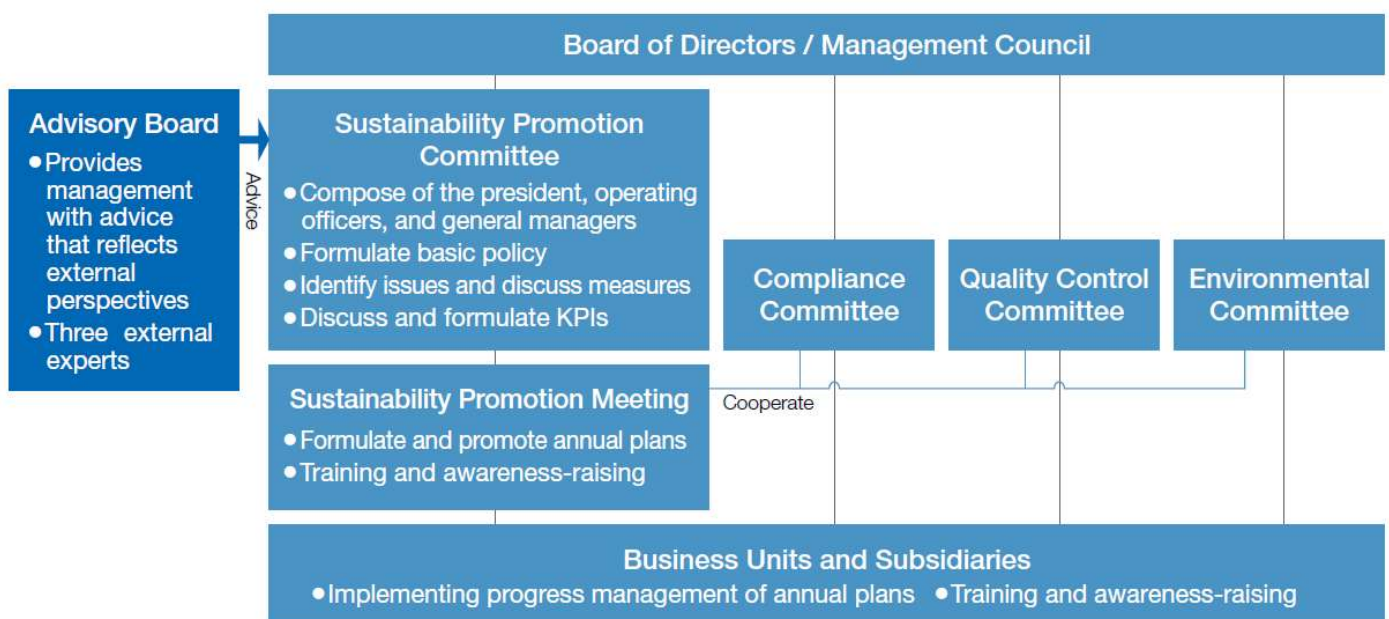
### (1) Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee, composed of the president, operating officers, and general managers, and Sustainability Promotion Meeting, composed of the representatives of 17 divisions. The Company has also established the Advisory Board consisting of three external experts to incorporate outside perspectives on sustainability activities.

The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions. The president, who is the chairman of the Sustainability Promotion Committee, has the authority to evaluate and manage measures to embrace sustainability, and regularly reports to the Board of Directors about the progress and evaluation of the annual plan. The Board of Directors supervise measures on sustainability. The Sustainability Promotion Meeting is held four times a year to establish and promote annual plans based on the policies and directions formulated by the Sustainability Promotion Committee and reports on the progress of those plans to the Sustainability Promotion Committee. Based on its Three-year Business Plan, Nihon Kohden’s management has set material issues and KPIs related to sustainability and assigned departments for each materiality. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each materiality, report on the progress of sustainability activities and exchange opinions with other members at regular meetings. The Company strives to implement sustainability activities in its daily business operations, in close coordination with the Compliance Committee, Quality Control Committee, and Environmental Committee. The Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion.

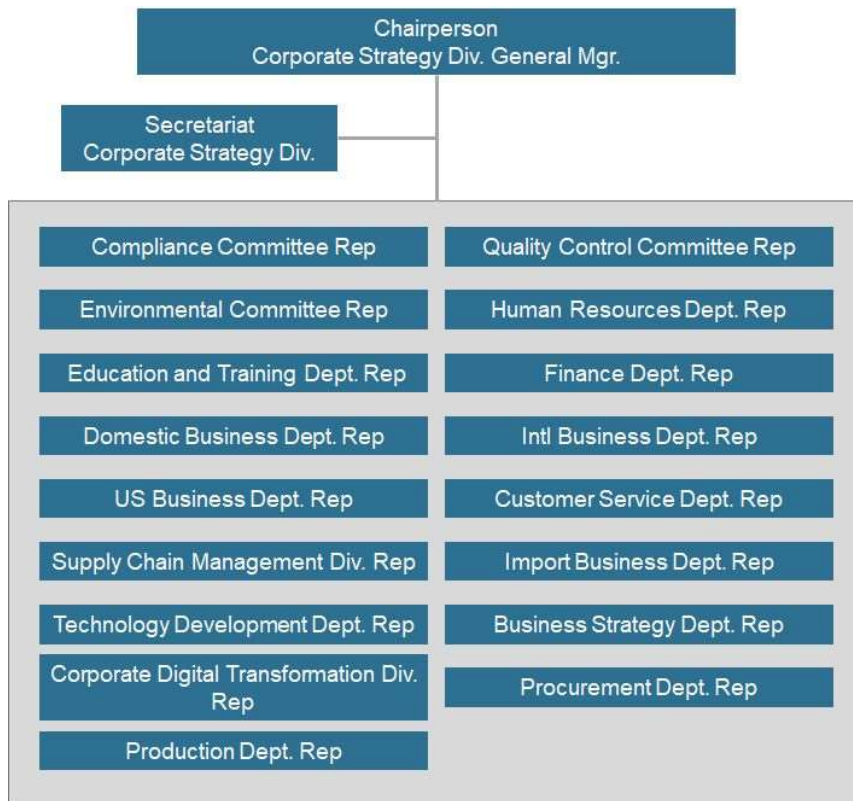
Furthermore, in order to raise awareness of the SDGs within the Company, we take actions such as educating employees in Japan and overseas through webinars and discussions on sustainability.

### Sustainability Promotion Structure





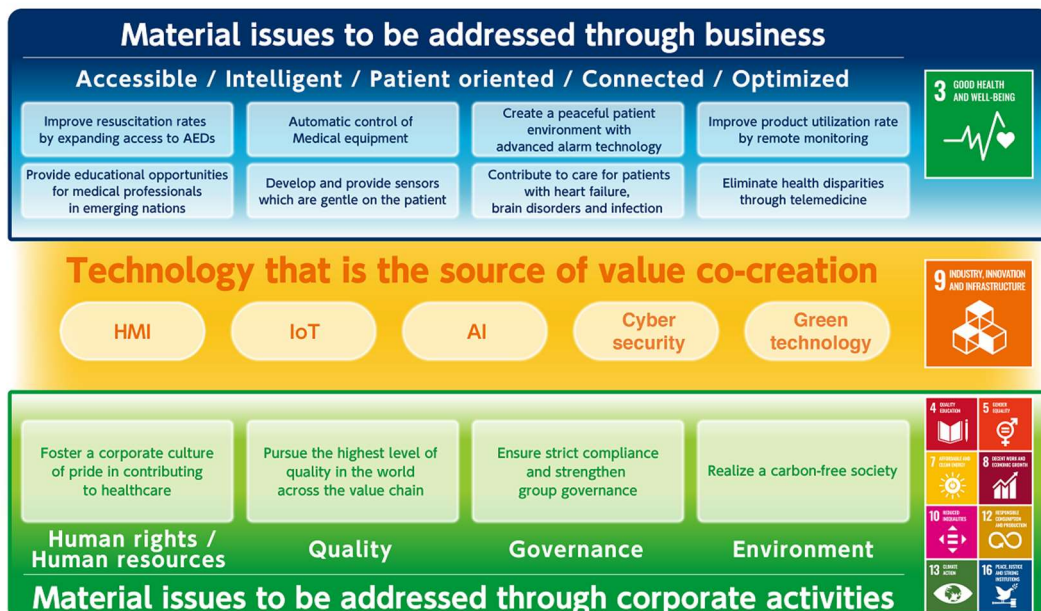
## Sustainability Promotion Meeting Organizational Structure



### (2) Strategy

In FY2021, Nihon Kohden defined 12 sustainability key issues (material issues) to be addressed through business and corporate activities. The Company also incorporated these nonfinancial targets into its Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs. Nihon Kohden’s management has set KPIs (Key Performance Indicators) and assigned departments for each materiality. The Company aims to realize a sustainable society and increase its corporate value by further strengthening the coordination between business strategy and sustainability strategy, and creating both economic and social value.

In its business activities, Nihon Kohden is addressing eight issues aimed at realizing the five visions for the future (Accessible/Intelligent/Patient oriented/Connected/Optimized), which the Company designated in its Long-term Vision, BEACON 2030. In corporate activities, the Company is addressing four issues of Human rights/Human resources, Quality, Governance, and Environment.



As addressing climate change is one of the most critical social issues facing global society and one of the most significant management issues for the Company. Nihon Kohden expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 and disclosed information on climate change on the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets in July 2022. The Company continues to address climate change with integrity to realize a carbon-free society as stated in our material issues and disclose information in line with the TCFD recommendations. For further details, please refer to the Company website:

[https://www.nihonkohden.com/sustainability/csr\\_environment.html#TCFD](https://www.nihonkohden.com/sustainability/csr_environment.html#TCFD)

The policies for human resource development and internal environment development to ensure diversity of the Nihon Kohden Group are as follows.

<Policies for ensuring diversity>

By respecting diversity and creating a workplace environment in which each individual can demonstrate his/her full potential, Nihon Kohden seeks to improve job fulfillment, create new value, invigorate the organization, and enhance corporate value. The Company has traditionally hired and promoted employees based on their abilities and performance, regardless of gender, nationality, or work history.

As part of its efforts to promote diversity, the Company has formulated a Plan of Action under the Act on Promotion of Women's Participation and Career Advancement in the Workplace. By advancing the development of a workplace where women can play an active role and realizing comfortable and creating fulfilling workplaces for not just women but all employees of Nihon Kohden, the Company is implementing concrete measures to ensure that each employee can demonstrate their abilities to the fullest.

<Policies for human resource development and internal environment development to ensure diversity>

Nihon Kohden promotes the development of human resources that embody the Core Values that serve as the guidelines for the Group's actions. The Company also aims to create a globally consistent and coherent human resource management system, including human resource development and personnel systems. In its Three-year Business Plan, Nihon Kohden identified 'Fostering a Corporate Culture of Pride in Contributing to Healthcare' as one of our material issues for sustainability, and set 'Developing Human Resources who can Succeed Globally' as a KPI. The Company also sets a target of more than 45 cumulative hours of education for each employee over three years. The results in FY2021 and FY2022 were 18.6 hours and 18.2 hours per person, respectively.

In addition, considering the changing values of work and the penetration of new work styles, the Company promotes initiatives to ensure that employees are highly motivated and can realize various career paths and work styles.

For more information about its Core Values, please refer to the Company website:

<https://www.nihonkohden.com/company/beacon2030.html>

### (3) Risk Management

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. The Risk Management Divisions provide training and support to operating units with regard to their assigned risk types, and report the system improvement and promotion status to the Risk Management Supervisory Division. The Risk-Related Committees report to the Board of Directors and the Management Council on matters including assessments of management system appropriateness, validity, and effectiveness for related risk types. In addition, a cross-organizational TCFD response project was initiated and has been operated since October 2021 to identify and assess climate change risks affecting the

Nihon Kohden Group. Climate change risks and response measures identified have been discussed and approved by the Sustainability Promotion Committee and its progress has been managed and reported to the Board of Directors.

For further details on climate change risks, please refer to “3. Business Risks (7) Climate change and natural disasters” and the Company website:

[https://www.nihonkohden.com/sustainability/csr\\_environment.html#TCFD](https://www.nihonkohden.com/sustainability/csr_environment.html#TCFD)

#### (4) Metrics and Targets

Nihon Kohden has set KPIs (Key Performance Indicators) for 12 sustainability key issues (material issues), respectively. For KPI progress reports, please refer to the Material issues and KPIs section of the Company website. The results in FY2022 will be updated in July 2023.

[https://www.nihonkohden.com/sustainability/csr\\_management.html#materiality](https://www.nihonkohden.com/sustainability/csr_management.html#materiality)

Material Issues in Sustainability			KPI
Material issues to be addressed through business	Accessible	Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world Utilization rate of AEDs in Japan and the US
		Provide educational opportunities for medical professionals in emerging nations	Promote training in epilepsy diagnosis in Indonesia Number of educational seminars held, hosting countries, participants (including online programs)
	Intelligent	Automatic control of Medical equipment	R&D investment in a robotic anesthesia system R&D investment in closed loop control of ventilators
		Patient oriented	Develop and provide sensors which are gentle on the patient
	Connected		Create a peaceful patient environment with advanced alarm technology
		Optimized	Contribute to care for patients with heart failure, brain disorders and infection
			Improve product utilization rate by remote monitoring
			Eliminate health disparities through telemedicine
Material issues to be addressed through corporate activities	Human rights / Human resources	Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction Develop human resources who can succeed globally
	Quality	Pursue the highest level of quality in the world across the value chain	Net Promoter Scores Number of recalls
	Governance	Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group Establish and promote global management policy in overseas subsidiaries Strengthen internal control over domestic sales
	Environment	Realize a carbon-free society	CO <sub>2</sub> emissions Number of models and sales ratio of environment-friendly products Amount of waste from disposal of products and parts

<Targets and results for ensuring diversity in core human resources>

The Nihon Kohden Group has implemented concrete measures based on its policies for human resource development and internal environment development to ensure diversity. As these measures are not implemented by all subsidiaries in the Nihon Kohden Group, the targets and results for items indicated by \*1 and \*2 in the following table are the numbers of the filing company (Nihon Kohden Corporation), which operates the main business of the Nihon Kohden Group.

	Current status (As of March 31, 2023)	Target	Achievement period
The ratio of female managers*1	8.6%	12% or more	April 2026
The ratio of male employees taking childcare leave*1	38.9%	30% or more	Maintain the current status
Appointment of female directors and operating officers*2	One female director, Two female operating officers	Four persons or more	April 2026
The ratio of foreign nationals in CXO*3 or higher positions at overseas subsidiaries	53.3%	50% or more	Maintain the current status
The ratio of mid-career hires in management positions*1	42.6%	40% or more	Maintain the current status

\*1 The figure is the number of employees at the filing company.

\*2 The figure is the number of directors and operating officers at the filing company.

\*3 C-suite such as CEO, COO, CTO, CFO.

The results for the ratio of female managers, the ratio of male employees taking childcare leave, and the differences in wages between male and female workers are stated in “I. Overview of the Group 5. Status of Employees (4) Ratio of Female Managers, Male Employees Taking Childcare Leave, and Differences in Wages between Male and Female Workers”.

### 3. Business Risks

Business risks related to business conditions, financial status in this report that may potentially have significant influence on investor decisions include the following. Particularly important risks are those related to regulatory approval and quality issues for medical devices.

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. The Risk Management Divisions provide training and support to operating units with regard to their assigned risk types, and report the system improvement and promotion status to the Risk Management Supervisory Division. The Risk-Related Committees report to the Board of Directors and the Management Council on matters including assessments of management system appropriateness, validity, and effectiveness for related risk types.

Forward-looking statements are based on the judgement of the Company as of the submission date of this report.

#### (1) Regulatory approval for medical devices

The production and sales of medical devices is subject to laws and regulations in each country and region, including the Pharmaceuticals and Medical Devices Act in Japan and regulations of the U.S. Food and Drug Administration (FDA) in the U.S. Recently, we have been required to respond to the following regulations: the Medical Device Regulation (MDR) effective in May 2021 and the In Vitro Diagnostic Medical Device Regulation (IVDR) effective in May 2022 in Europe, as well as the FDA Cybersecurity Guidance published in October 2018 and the Draft Guidance for AI-enabled medical devices published in April 2023 in the U.S. If these laws and regulations are revised or abolished or new laws and regulations are established in the future, the Company may change its review system for receiving regulatory approval and need to conduct additional testing. If there are any consequences such as a delay in the launch of new products, it could have an impact on the operating results and financial conditions of the Nihon Kohden Group. However, risks that could have a significant impact are reduced because the Nihon Kohden Group's products are high-mix and low-volume, and new products are introduced in each product cycle.

#### (2) Quality issues

Since medical devices are required to have an extremely high level of quality, the Company has established and operates a quality management system based on standards such as those of the International Organization for Standardization (ISO). The Company has set Group-wide targets based on its group policy and continually strives to ensure quality and enhance customer satisfaction in all processes, from development to production, sales, and after-sales services. The Company also focuses on managing the risk of its products leading to medical accidents. In addition to the rules for normal operation, the Company has stipulated the rules and reporting line in case of an accident. In order to prevent an accident and communicate quickly when an accident takes place, the Company has established a system to collect a broad range of information from clinical practice quickly and accurately as well as a framework for disseminating information. However, in the event of a quality issue, the Company may take measures such as suspending sales or conducting a voluntary recall for the product. In addition, if a lawsuit were to be filed against the Company seeking liability for damages due to a medical accident, or if the incident were to be widely publicized, it could have an impact on the operating results and financial condition of the Nihon Kohden Group, regardless of whether the facts are true or false.

In this fiscal year, two recalls occurred in Japan and overseas, and the Company took measures to improve software quality and worked on reducing human errors in design and production. The provision for product warranties at the end of this fiscal year was ¥1,361 million. The provision for product warranties includes costs related to free-of-charge repairs

during the warranty period and costs related to future voluntary recalls.

### (3) Trends in domestic and overseas markets

The Nihon Kohden Group aims at sustainable growth in Japan and strong growth internationally by strengthening its business structure in the U.S. and emerging countries including China. In Japan, the Government is working on healthcare system reform with the aim of reducing the increase of medical costs and improving the quality of medical care. As a result of the widespread installation of AEDs, the Nihon Kohden Group's customer base has expanded beyond medical institutions to private companies that are vulnerable to economic trends. Domestic sales are approx. 70% of its consolidated sales, which are affected by healthcare system reform and economic trends. The Nihon Kohden Group also supplies products to countries around the world via its overseas subsidiaries and distributors. As public hospitals account for a high percentage of the healthcare system in emerging countries and a large part of their healthcare infrastructure is procured by tender, the Nihon Kohden Group is affected by the timing of elections and budget execution. In a mid- to long-term perspective, the Company may need to handle assembling production in emerging countries where there is a move to prefer domestically produced products. If economic recessions in various countries resulting in demand declines, political and social unrest, and changes in laws and regulations could have an impact on operating results and financial conditions of the Nihon Kohden Group.

### (4) Laws and regulations

In order to practice fair and legitimate business activities with high ethics, the Nihon Kohden Group has introduced a Global Compliance Program and is fully committed to a program of sound ethics and rigorous legal compliance. Under the Global Compliance Program, the Company has established the Nihon Kohden Charter of Conduct and the Nihon Kohden Code of Ethics and Conduct, which sets forth the basic policies and rules for compliance, and the Compliance Promotion Regulations, which set forth the basic matters for the structure and operational methods to ensure thorough compliance. The Compliance Committee is responsible for responding to laws and regulations, conducting education and training, operating the Internal Reporting Hotline and monitoring compliance status. In addition, the Company is strengthening its supervision of the development and operation of risk management systems for overseas subsidiaries.

The Nihon Kohden Group's business activities are subject to a wide range of laws and regulations both in Japan and in each country and region overseas: laws and regulations related to the production and sales of medical devices such as the Pharmaceutical and Medical Device Act, the Companies Act, the Financial Instruments and Exchange Act, tax laws, labor laws, the Antimonopoly Act, trade-related laws, and environment-related laws in Japan. Despite its efforts to ensure compliance, in the event of any violation of applicable laws and regulations, the Company may receive penalties, disciplinary actions, or other sanctions. The Company may also incur damage to its social credibility and corporate image. These items could have an impact on operating results and financial conditions of the Nihon Kohden Group.

### (5) Important litigation

There are currently no lawsuits that could have a significant impact on the operating results or financial condition of the Nihon Kohden Group. However, the Nihon Kohden Group's domestic and overseas business activities may be subject to future significant litigation or other legal action related to product liability, quality issues, intellectual property rights, labor issues, violations of laws and regulations, or some other claim or dispute, which could have an impact on the operating results and financial condition of the Nihon Kohden Group.

#### (6) Information security

The Nihon Kohden Group utilizes various IT systems in its overall business and strives to manage information by implementing security and backup measures, and preventing the leakage of confidential and personal information. The Company also takes various security measures for its products and services that use communication networks. To enhance the security of its products and services and strengthen its response to security incidents, the Company has established PSIRT (Product Security Incident Response Team) in April 2022. The Company has also established and implemented the Product Security Policy in May 2023. However, in the event of IT system outages, interruptions in providing services, and information leaks due to natural disasters, cyber-attacks, infection by new types of computer viruses, and communication network failures, the Company may incur damage to its social credibility and corporate image, which could have an impact on the operating results and financial condition of the Nihon Kohden Group.

#### (7) Climate change and natural disasters

The Nihon Kohden Group operates its business activities throughout Japan and around the world. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, or the spread of infectious diseases in each region, the procurement of parts, the supply of products, and sales and service activities may be disrupted, which could have an impact on the operating results and financial condition of the Nihon Kohden Group.

The Company procures raw materials and parts used for its products not only in Japan but also around the world. In the event of a supply issue at a supplier, the Company takes measures, including the consideration of alternative parts, to ensure that the production of its products is not affected. In addition, the Company has formulated a Business Continuity Plan (BCP) and conducts periodic company-wide education and training to ensure the continued supply of products and services in the event of a large-scale disaster.

Although uncertainty has continued due to the Ukraine crisis, the impact of Ukraine crisis on consolidated results will be minor, as sales in Russia and Ukraine are less than 10% of sales in Europe and less than 1% of overall sales.

As addressing climate change is one of the most critical social issues facing global society and one of the most significant management issues for the Company, Nihon Kohden expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 and disclosed information on climate change on the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets in July 2022. The Company continues to address climate change with integrity to realize a carbon-free society as stated in our material issues and disclose information in line with the TCFD recommendations.

#### (8) Pandemics

The COVID-19 pandemic is gradually coming under control, with the declaration of the end of the Global Public Health Emergency, due to the progress of vaccination and the Living with COVID-19 policies taken by each country. However, in the event of a pandemic caused by a new variant or an emerging infectious disease, delays in or suspension of manufacturing are anticipated due to the difficulty in procuring parts and components as well as restrictions on sales and service activities caused by lockdowns. These items could have an impact on operating results and financial conditions of the Nihon Kohden Group.

## 4. Management's Discussion and Analysis of Financial Conditions, Operating Results, and Cash Flows

### (1) Overview of operating results

The summary of financial conditions, operating results, and cash flows of the Nihon Kohden Group (the Company and its consolidated subsidiaries) for this fiscal year is as follows.

#### (i) Review of Operations

During the term under review (April 1, 2022 to March 31, 2023), the overall global economy showed signs of recovery due to the Living with COVID-19 policies taken by each country. However, the global economic outlook remained uncertain due to higher prices of components and resources, supply chain disruption, and tight monetary policy in the U.S. and Europe. In Japan, the burden on medical institutions fluctuated in accordance with the number of COVID-19 patients. Changes to the healthcare system to respond to emerging infectious diseases and work style reforms for medical staff were also implemented in conjunction with the medical treatment fee revision that occurred in April 2022. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workload remained steady amid the growing shortage of nurses especially in the U.S. and the U.K.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I. The Company formulated the basic policies of the plan as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and making strategic upfront investments, and iv) Establishing global SCM and strengthening core functions of operations. The Company introduced a patient monitor specialized for neonatal resuscitation and an EEG amplifier with enhanced network capabilities in Japan, and an ECG with built-in wireless LAN both in Japan and internationally. In the U.S., the Company launched mid-range bedside monitors and a mask-type ventilator. In certain overseas markets, the Company also introduced a mid-range ventilator developed by Nihon Kohden OrangeMed, Inc, in the U.S. Internationally, Nihon Kohden strengthened its business structure. The Company decided to reorganize its U.S. subsidiaries into a holding company structure, and acquired Software Team Srl in Italy, a software development company which collects data and alarms from medical devices such as patient monitors and forwards to mobile phones.

As a result, overall sales during the term under review increased 0.7% over FY2021 to ¥206,603 million. Operating income decreased 31.9% to ¥21,120 million because of a lower gross profit margin due to higher prices of components and an unfavorable product mix, as well as increased SG&A expenses, mainly due to the strengthening of human resources and the normalization of sales and service activities. Ordinary income decreased 30.2% to ¥24,122 million and income attributable to owners of parent decreased 27.0% to ¥17,110 million.

[Sales by region]

**Japan:** Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency. Domestic sales decreased due to a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in the previous fiscal year. On the other hand, sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the university and clinic market increased, while sales in the public hospital and private hospital markets decreased. Sales of AEDs in the PAD markets also decreased. As a result, domestic sales decreased 0.4% over FY2021 to ¥135,734 million.



**International:** Sales increased on a yen basis due to yen depreciation, while sales in all regions decreased on a comparable basis. It was affected by a reactionary decline in sales of Patient Monitors and ventilators compared to strong demand in the previous fiscal year in regions where the spread of COVID-19 had resurged, as well as the Shanghai lockdown from the end of March to the end of May 2022. In the Americas, sales in the U.S. increased on a yen basis. Sales in Latin America decreased, mainly in Mexico and Chile. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in France and Spain decreased, while sales in Germany and the U.K. increased favorably. Sales in Asia & Other decreased due to the reactionary decline in Egypt, India, and Vietnam where sales showed strong growth in the previous fiscal year. Sales also decreased in China, where patient monitors were installed due to the COVID-19 resurgence in December 2022, but not enough to cover the impact from the Shanghai lockdown. As a result, international sales increased 3.0% over FY2021 to ¥70,869 million.

[Sales by product category]

**Physiological Measuring Equipment:** In Japan, sales of polygraphs for cath lab and EEGs achieved double-digit growth and sales of ECGs also increased, while sales of diagnostic information systems decreased. Internationally, sales of EEGs increased favorably, while sales of ECGs decreased in all regions because there was an impact on local production due to the lockdown in Shanghai. Overall, sales increased 9.1% over the previous fiscal year to ¥43,287 million.

**Patient Monitors:** In Japan, sales decreased due to a reactionary decline of transmitters and telemetry systems compared to the previous fiscal year when demand increased. Sales of clinical information systems increased favorably and sales of consumables such as sensors also increased. Internationally, sales decreased compared to the previous fiscal year when demand increased. Sales in all regions decreased on a comparable basis but sales in the Americas and Europe increased on a yen basis. Overall, sales decreased 4.8% over the previous fiscal year to ¥80,815 million.

**Treatment Equipment:** In Japan, sales decreased due to lower sales of ventilators and AEDs. Demand for ventilators to treat COVID-19 patients has settled down and replacement demand for AEDs was in trough. Sales of defibrillators, and sales of ablation catheters in other treatment equipment increased favorably. Internationally, sales increased favorably, as sales of AEDs showed strong growth in all regions, supported by steady demand. Sales of ventilators and defibrillators decreased, as demand to treat COVID-19 patients has settled down. Overall, sales increased 2.5% over the previous fiscal year to ¥44,463 million.

**Other Medical Equipment:** In Japan, sales of installation and maintenance services for medical devices and hematology instruments increased favorably, while sales of locally purchased products decreased. Internationally, sales of hematology analyzers and reagents increased significantly in Latin America and Europe. Overall, sales increased 2.3% over the previous fiscal year to ¥38,036 million.

#### Consolidated Sales Results by Product Category

	(Millions of yen)	
	FY2022	
	Amount	Growth rate (%)
Physiological Measuring Equipment	43,287	+ 9.1
Patient Monitors	80,815	(4.8)
Treatment Equipment	44,463	+ 2.5
Other Medical Equipment	38,036	+ 2.3
Total	206,603	+ 0.7
Products	108,904	(4.9)
Consumables and Services	97,699	+ 7.9

(Reference) Sales by Region	Amount	Growth rate (%)
Domestic Sales	135,734	(0.4)
Overseas Sales	70,869	+ 3.0
Americas	36,818	+ 10.1
Europe	12,349	+ 7.9
Asia & Other	21,701	(9.3)

Product category	Principal products
Physiological Measuring Equipment	Electroencephalographs (EEG), evoked potential and electromyogram measuring systems, electrocardiographs (ECG), polygraphs for cath lab, diagnostic information systems, related consumables such as recording paper, electrodes and EP catheters, and maintenance services.
Patient Monitors	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.
Treatment Equipment	Defibrillators, AEDs (Automated External Defibrillators), ventilators, pacemakers, anesthesia machines, cochlear implants, related consumables such as AED pads, batteries and ablation catheters, and maintenance services.
Other Medical Equipment	Hematology analyzers, clinical chemistry analyzers, ultrasound diagnostic equipment and others, consumables such as test reagents, and installation and maintenance services.

## (ii) Financial Position

Total assets at the end of the current fiscal year increased by ¥6,527 million compared to the end of the previous fiscal year to ¥216,728 million.

Current assets increased by ¥624 million to ¥172,500 million compared with the end of the previous fiscal year. This was mainly due to a decrease in securities (negotiable certificates of deposit) resulting from the purchase of inventories and fixed assets, as well as an increase in inventories of raw materials and products to ensure a stable supply.

Fixed assets increased by ¥5,902 million to ¥44,228 million compared with the end of the previous fiscal year. This was mainly due to an increase in land and construction in progress for the acquisition of land for a new Tsurugashima plant and construction of a new plant at Nihon Kohden India Pvt. Ltd.

Total liabilities at the end of the current fiscal year decreased by ¥4,696 million compared to the end of the previous fiscal year to ¥49,124 million. This was mainly due to a decrease in accrued income taxes.

Total net assets at the end of the current fiscal year increased by ¥11,223 million compared to the end of the previous fiscal year to ¥167,604 million. This was mainly due to an increase in retained earnings.

As a result, net assets per share increased by ¥139.91 to ¥1,992.30 and the equity ratio increased by 2.9 percentage points from 74.4% at the end of the previous fiscal year to 77.3%.

## (iii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “funds”) on a consolidated basis at the end of the current fiscal year decreased by ¥16,107 million compared to the end of the previous fiscal year to ¥43,988 million.

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

### (Cash flows from operating activities)

Funds used in operating activities totaled ¥2,513 million (revenue of ¥25,699 million in the previous year). This is mainly due to income before income taxes of ¥24,716 million, an increase in inventories of ¥8,590 million, an increase in trade receivables of ¥4,753 million, a decrease in trade payables of ¥2,465 and income tax payments of ¥10,322 million.

(Cash flows from investing activities)

Funds used in investing activities increased by ¥3,344 million year-on-year to ¥7,647 million. This is mainly due to the purchase of land, property, plant and equipment such as promotional products, amounting to ¥7,458 million.

(Cash flows from financing activities)

Funds used in financing activities increased by ¥184 million year-on-year to ¥7,485 million. This is mainly due to cash dividends paid of ¥5,733 million and purchase of treasury shares of ¥1,001 million.

(iv) Results of Production, Orders Received and Sales

Results by segment are omitted as the Group operates in a single segment of medical electronics-related business.

The following tables show results of production, orders and sales performance by product group in the current fiscal year.

The amounts in the tables are based on sales prices.

(a) Production results

Classification	Amounts (Millions of yen)	Year-on-year change (%)
Physiological Measuring Equipment	45,465	108.4
Patient Monitors	82,268	98.9
Treatment Equipment	47,919	112.4
Other Medical Equipment	39,427	101.6
Total	215,080	104.1

Note: The above amounts include purchases of goods totaling ¥56,128 million.

(b) Orders received

Not applicable, as the Group's products are produced on a forecast basis based on demand forecasts.

(c) Sales performance

Classification	Amounts (Millions of yen)	Year-on-year change (%)
Physiological Measuring Equipment	43,287	109.1
Patient Monitors	80,815	95.2
Treatment Equipment	44,463	102.5
Other Medical Equipment	38,036	102.3
Total	206,603	100.7

## (2) Management's Discussion and Analysis of Operating Results

The following is a description of the recognition, analysis and discussion of the Nihon Kohden Group's operating results from the management's viewpoint. As the Nihon Kohden Group's business segment is a single segment of medical electronic equipment-related business, the results of operations by segment are abbreviated.

Forward-looking statements in the text are based on judgments made as of the end of this fiscal year.

### (i) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with Generally Accepted Accounting Principle in Japan. In preparing these consolidated financial statements, estimates affecting the reported figures of assets and liabilities at the balance sheet date and revenues and expenses during the reporting period are mainly allowance for doubtful accounts, provision for bonuses and retirement benefit liabilities, and the estimates and judgements/evaluations are based on past performance and factors considered reasonable under the circumstances.

Details are stated in “V. Accounting (1) Consolidated Financial Statements [Notes to the Consolidated Financial Statements] (Basis of Presentation of the Consolidated Financial Statements)”.

### (ii) Recognition, analyses and examinations of operating results for the current consolidated fiscal year

#### (a) Overview of operating results for this fiscal year and the progress of BEACON 2030 Phase I

In this fiscal year, the Company worked on continuing to supply products globally by implementing reforms to its supply chain management and promoting collaboration across all divisions such as R&D, procurement, production, logistics, and sales, to respond to product supply issues due to the shortage of semiconductors and the Shanghai lockdown. In Japan, demand for medical devices, that had decreased over the past two years due to the COVID-19 pandemic, recovered. Demand for consumables also increased favorably as the number of testing and surgical procedures recovered. Domestic sales decreased due to a reactionary decline of COVID-19-related demand but exceeded its original forecast, because the Company focused on consumables and services business as well as creating customer value propositions. Internationally, there were loss of business opportunities and delays in supplying new models due to the product supply issues in the first half of FY2022. In the second half of FY2022, sales recovered thanks to the launch of new mid-range beside monitors and a mask-type ventilator in the U.S. and yen depreciation. The Company also received orders related to strengthening healthcare system especially in Europe, Latin America, and India. Compared to its original forecast, full-year sales exceeded on a yen basis but were behind on a comparable basis, because of the negative impact of delays in supplying new models in the U.S. and the Shanghai lockdown. As a result, Nihon Kohden posted record highs in sales in FY2022.

Sales of Physiological Measuring Equipment increased 9.1% over FY2021 because sales of polygraphs for cath lab and EEGs increased favorably in Japan and sales of EEGs also increased favorably internationally. Sales exceeded the forecast because the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed in Japan. Internationally, there was an impact on local production due to the lockdown in Shanghai. Sales of Patient Monitors decreased 4.8% over FY2021 due to the reactionary decline of COVID-19-related demand both in Japan and internationally. Sales of Patient Monitors greatly exceeded the forecast, because sales of clinical information systems increased favorably and sales of consumables such as sensors also increased in Japan. Sales of Treatment Equipment increased 2.5% over FY2021, as overseas sales of AEDs showed strong growth in all regions, supported by steady demand. In Japan, sales of ventilators and AEDs decreased. Sales of Treatment Equipment exceeded the forecast because sales of defibrillators and ablation catheters increased favorably in Japan. Sales of Other Medical Equipment increased 2.3% over FY2021 and exceeded the forecast because sales of installation and maintenance services for medical devices and hematology instruments increased favorably in Japan and sales of hematology instruments and reagents

increased internationally.

Operating income exceeded its original forecast, due to the increase in sales and higher gross profit margin compared to its forecast.

In FY2023, which is the final year of the plan, Nihon Kohden continues to execute the six key strategies. The Company aims at achieving a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more. As higher prices of components, utility costs, and personnel expenses are expected, the Company will implement reforms to its supply chain management and optimize its selling prices.

(b) Analyses and examinations of cash flow position, as well as capital resources and liquidity of funds

Analyses and examinations of cash flows for the current consolidated fiscal year are provided in “(1) Business Results (iii) Cash Flows”.

Regarding the allocation of resources to the business, the highest priority is given to investments that contribute to sales and profit growth through the introduction of new products, while at the same time ensuring stable and continuous allocation of resources necessary for future corporate growth, including R&D, capital expenditure, M&A and alliances, and human capital development. Capital investments and R&D costs are planned to be approximately ¥5.0 billion and ¥7.2 billion, respectively.

The Company recognizes that returning profits to shareholder is one of management’s most important tasks. The priority for distribution of profits is i) investment for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments. The Company sets a target consolidated dividend payout ratio of 30% or more.

With regard to fundraising, the Group uses its own funds as the Group's main source of working capital and capital expenditure, and when fundraising becomes necessary, such as for M&A or new businesses, the Group will consider borrowing as an effective means of raising funds, while observing the balance between supply and demand for funds, and optimizing the weighted average cost of capital, which also takes into account the cost of debt.

The Group also strives to improve the efficiency of its funds and ensure the liquidity of its funds with the aim of achieving sustainable growth and increasing corporate value while maintaining financial soundness. With regard to the efficiency of funds, the Group uses the cash conversion cycle as an indicator to improve the efficiency of working capital by accelerating the collection of trade receivables and optimizing inventories. In order to increase the efficiency of funds within the group, the Company operates a system whereby funds are concentrated in the Company and allocated to group companies that are short of funds. The Group assume that the level of cash and deposits on hand necessary for stable operations is approximately three months of monthly sales. In the current fiscal year, although the Group made significant cash out for growth investments, such as building up inventories to deal with difficulties in procuring raw materials and acquiring land for a new plant, the Group were able to maintain the required level of funds throughout the year. In order to ensure the liquidity of funds, the Group has overdraft agreements with several correspondent financial institutions.

(c) Analysis of management benchmarks

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 10%, which exceeds its cost of capital, in its Three-year Business Plan, BEACON 2030 Phase I. The Company currently estimates that its cost of capital is around 5%, which figure is reviewed every year.

In order to achieve the target, the Company will focus on improving its profitability by implementing its Three-year Business Plan. The Company will also improve working capital by reducing cash conversion cycle, including measures such as reduction of inventories and faster debt collection, as well as establishing investment decision criteria and enhancing shareholder return.

The consolidated ROE for the current fiscal year was 10.6%, remaining above 10%.

To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, the Company has increased inventories of finished goods and parts. It has resulted in a longer cash conversion cycle, 235 days in FY2022. In FY2023, the Company will enhance inventory control and aim at 190 days, a similar level to FY2021, because the shortage of semiconductors is expected to be resolved.

To increase corporate value through investment necessary for future business expansion, the Company has adopted Net Present Value (NPV) and Internal Rate of Return (IRR) as investment decision criteria and started evaluating new investment projects in FY2022. The Company sets its target IRR at 10%, which exceeds its cost of capital as hurdle rate. The Board of Directors will verify the progress and effectiveness of investment projects beyond a certain amount.

## **5. Significant contracts for management**

Not applicable.

## **6. Research and Development**

The Nihon Kohden Group conducts research and development of medical electronic equipment with the aim of fighting disease and improving health with advanced technology. In addition to the Company, the Nihon Kohden Group's research and development activities are carried out by Shanghai Kohden, Defibtech, and Nihon Kohden OrangeMed.

In the Company, the Ogino Memorial Laboratory is engaged in research with a relatively long-term perspective such as research into new measurement methods, research on less invasive and more effective treatment methods, and joint research with the government or other medical research institutions. Each development division is engaged in the improvement of medical electronic equipment and the development of related new products and peripherals.

In its subsidiaries, Shanghai Kohden is engaged in development of medical electronic equipment for emerging markets, Defibtech is engaged in development of resuscitation equipment, and Nihon Kohden OrangeMed is engaged in development for ventilators.

R&D costs for the Nihon Kohden Group were to ¥6,200 million (3.0% of net sales) in this fiscal year.

As the Nihon Kohden Group's business segment is a single segment of medical electronic equipment-related business, the description of each segment is abbreviated. In this fiscal year, the Company introduced a patient monitor specialized for neonatal resuscitation and an EEG amplifier with enhanced network capabilities in Japan, and an ECG with built-in wireless LAN both in Japan and internationally. In certain overseas markets, the Company also introduced a mid-range ventilator developed by Nihon Kohden OrangeMed in the U.S.

### III. Facilities

#### 1. Outline of Capital Expenditures

Total capital expenditures in the current fiscal year amounted to ¥8,294 million. This mainly consisted of investments in new factory sites, sales promotion equipment, product molds, measuring instruments, machinery and equipment, IT equipment, and business software. There were no other new installations, sales or removals of equipment that would have a significant impact on production capacity. As stated in “I. Overview of the Group, 3. Outline of Business”, no description is given in relation to business divisions, etc., as it is difficult to distinguish between business divisions, etc.

#### 2. Main Facilities

##### (1) Filing Company

Office and factory name (Location)	Description	Book value (Millions of yen)						Number of employees [Temporary employees] (Persons)
		Buildings and structures	Machinery, equipment and vehicles	Land (Size in thousands of m <sup>2</sup> )	Leases Assets	Other	Total	
Head office (Shinjuku, Tokyo)	Other facilities	1,041	39	2,092 ( 4)	—	466	3,640	263 [ 13]
Advanced Technology Center, etc. (Tokorozawa, Saitama)	R&D and other facilities	5,381	10	— ( —)	—	1,286	6,678	1,515 [ 18]
Tsurugashima Office (Tsurugashima, Saitama)	R&D, maintenance and other facilities	306	17	276 ( 9)	—	669	1,270	89 [ 10]
Area service (Bunkyo, Tokyo, etc.)	Maintenance and service-related facilities	19	—	— ( —)	—	204	224	365 [ 2]
East Japan Logistics Center (Sakado, Saitama)	Logistics facilities	128	70	— ( —)	—	35	234	22 [ 9]
Rental facilities (Tomioka, Gunma)	Manufacturing facilities and molds	74	5	318 ( 13)	—	123	521	39 [ 7]
Rental facilities (Fukaya, Saitama)	Manufacturing and other facilities	269	2	240 ( 10)	—	66	578	14 [ 1]
Rental facilities (Asaka, Saitama)	Development and manufacturing facilities	745	1	360 ( 1)	—	2	1,109	3 [ —]
New factory site (Tsurugashima, Saitama)	Land for manufacturing	—	—	2,339 ( 34)	—	—	2,339	— [ —]
Branch offices (Bunkyo, Tokyo, etc.)	Other facilities	310	0	37 ( 0)	7	400	756	1,311 [ 4]

Notes:

1. Book values do not include amounts in construction in progress and software in progress.
2. Other includes software.
3. In addition to the above, there is an annual rental of assets, mainly buildings and structures, of ¥2,434 million.

## (2) Domestic Subsidiaries

Company name	Office and factory name (Location)	Description	Book value (Millions of yen)					Number of employees [Temporary employees] (Persons)	
			Buildings and structures	Machinery, equipment and vehicles	Land (Size in thousands of m <sup>2</sup> )	Leases Assets	Other		Total
Nihon Kohden Tomioka Corporation	Head office (Gunma, Japan)	Manufacturing facilities and molds	1,467	643	1,068 (102)	—	330	3,510	403 [459]

Notes:

1. Book values do not include amounts in construction in progress and software in progress.
2. Other includes software.

## (3) Foreign Subsidiaries

Company name	Office and factory name (Location)	Description	Book value (Millions of yen)					Number of employees [Temporary employees] (Persons)	
			Buildings and structures	Machinery, equipment and vehicles	Land (Size in thousands of m <sup>2</sup> )	Leases Assets	Other		Total
Shanghai Kohden Medical Electronic Instrument Corp.	Head office (Shanghai, China, etc.)	Manufacturing facilities and molds	—	1	— (—)	—	102	104	390 [2]
Nihon Kohden India Pvt. Ltd.	Head office (Haryana)	Manufacturing facilities and molds	8	23	339 (16)	—	86	458	149 [35]

Notes:

1. Book values do not include amounts in construction in progress and software in progress.
2. Other includes software.
3. In addition to the above, Shanghai Kohden Medical Electronic Instrument Corp. rent assets, mainly land and buildings, amounting to ¥283 million per year and Nihon Kohden India Pvt. Ltd. rent assets, mainly buildings, amounting to ¥36million per year.

## 3. Plans for New Installation and Retirement of Facilities

### (1) New Installation of major facilities, etc.

Company name	Name of establishment (Location)	Equipment	Estimated amounts of capital expenditure		Funding	Date of launch	Scheduled completion Month and Year
			Total amounts (Millions of yen)	Amounts already paid (Millions of yen)			
Filing Company	Head office (Shinjuku, Tokyo).	Other facilities	318	—	Internally generated funds	April, 2023	March, 2024
	Advanced Technology Center, etc. (Tokorozawa, Saitama).	R&D and other facilities	1,759	—	Same as above	Same as above	Same as above
	Tsurugashima office (Tsurugashima, Saitama).	R&D, maintenance and other facilities	521	—	Same as above	Same as above	Same as above
	Area service (Bunkyo, Tokyo, etc.)	Maintenance and service-related facilities	168	—	Same as above	Same as above	Same as above
	East Japan Logistics Center (Sakado, Saitama).	Logistics facilities	5	—	Same as above	Same as above	Same as above
	Rental facilities (Tomioka, Gunma)	Manufacturing facilities and molds	408	—	Same as above	Same as above	Same as above
	Rental facilities (Fukaya, Saitama).	Manufacturing and other facilities	73	—	Same as above	Same as above	Same as above
	Branch office (Bunkyo, Tokyo, etc.)	Other facilities	420	—	Same as above	Same as above	Same as above



Company name	Name of establishment (Location)	Equipment	Estimated amounts of capital expenditure		Funding	Date of launch	Scheduled completion Month and Year
			Total amounts (Millions of yen)	Amounts already paid (Millions of yen)			
Nihon Kohden Tomioka Corporation	Head office (Tomioka, Gunma)	Manufacturing and other facilities	503	—	Internally generated funds	April, 2023	March, 2024
Nihon Kohden India Pvt. Ltd.	Head office (Haryana)	Manufacturing and other facilities	1,155	1,006	Internally generated funds	April, 2023	March, 2024

Notes:

1. In addition to the above, a new plant is scheduled to be constructed in Tsurugashima-shi, Saitama to manufacture consumables and conduct R&D on automated production technology. (Construction is scheduled to begin in the spring of 2024, completion in the spring of 2025, and start of operation in 2026). The new plant is not on above list since details have not yet been determined.

(2) Retirement of major facilities, etc.

There are no plans to retire facilities that will have a significant impact on production capacity.

## IV. Filing Company

### 1. Information on the Company's Shares

(1) Total Number of Shares authorized, etc.

(i) Total number of shares authorized

Class	Total number of shares authorized (Shares)
Ordinary shares	197,972,000
Total	197,972,000

(ii) Number of shares issued

Class	Number of shares issued (Shares) (March 31, 2023)	Number of shares issued at the date of filing (Shares) (June 29, 2023)	Name of financial securities exchange or name of authorized financial securities dealers association	Details
Ordinary shares	88,230,980	88,230,980	Tokyo Stock Exchange Prime Market	Share trading unit is 100 shares
Total	88,230,980	88,230,980	—	—

(2) Status of Subscription Rights to Shares

(i) Stock options

Not applicable.

(ii) Rights plan

Not applicable.

(iii) Other status of subscription rights to shares

Not applicable.

(3) Exercise of Bond Certificates with Subscription Rights to Shares with Exercise Price Amendment Clause

Not applicable.

(4) Trends in Total Number of Shares Issued and Capital stock

Date	Fluctuation in the total number of shares issued (Thousands of shares)	Total number of shares outstanding (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital surplus (Millions of yen)	Balance of capital surplus (Millions of yen)
May 21, 2018	*1 (1,000)	88,730	—	7,544	—	10,482
June 10, 2022	*2 (500)	88,230	—	7,544	—	10,482

Notes:

\*1. In accordance with a resolution of the Board of Directors' meeting held on May 10, 2018, treasury shares were cancelled on May 21, 2018. As a result, the total number of shares issued decreased by 1,000 thousand shares.

\*2. In accordance with a resolution of the Board of Directors' meeting held on May 13, 2022, treasury shares were cancelled on June 10, 2022. As a result, the total number of shares issued decreased by 500 thousand shares.

## (5) Status by owner

As of March 31, 2023

Classification	Shareholder composition (100 shares in one share unit)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments dealers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	—	35	22	72	310	13	5,233	5,685	—
Number of shares held (Units)	—	306,786	7,172	27,369	400,513	42	139,990	881,872	43,780
Holding rate of shares(%)	—	34.79	0.81	3.10	45.42	0.00	15.88	100.00	—

Note: The Company holds 4,104,612 treasury shares, of which 41,046 units are included in “Individuals and others” and 12 shares are included in “Shares less than one unit”.

## (6) Status of Major Shareholders

As of March 31, 2023

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	13,480	16.02
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,567	5.42
Saitama Resona Bank, Ltd.	4-1, Tokiwa 7-chome, Urawa-ku, Saitama-shi, Saitama	4,193	4.98
State Street Bank and Trust Company 505103 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	2,887	3.43
JP Morgan Chase Bank 385151 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	2,341	2.78
JP Morgan Chase Bank 380055 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	1,998	2.37
AVI Global Trust PLC (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	51 NEW NORTH ROAD EXETER DEVON EX4 4EP UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	1,771	2.10
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	7TH FLOOR, 155 WELLINGTON STREET WEST TORONTO, ONTARIO, CANADA, M5V 3L3 (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	1,523	1.81
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,325	1.57
Nihon Kohden Employee Shareholding Association	31-4, Nishiochiai 1-chome, Shinjuku-ku, Tokyo	1,272	1.51
Total	—	35,359	42.03

Notes:

1. The Company holds 4,104 thousand treasury shares (shareholding ratio of 4.65%), but is excluded from the major shareholders listed above.

2. Of the above, the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account), Custody Bank of Japan, Ltd. (Trust Account) are all related to trust operations.

3. In a change report on large shareholdings that is available for public on December 4, 2020, Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Trust Asset Management Co. and Nikko Asset Management Co. are listed as owning the following shares, however as the Company is unable to verify its substantial shareholding as at March 31, 2023, it is not included in the above list of major shareholders.

The contents of the said change report are as follows:

Name, address, number of shares held and percentage of shares held in relation to the total number of shares issued (As of November 30, 2020)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,200	1.35
Sumitomo Mitsui Trust Asset Management Co.	1-1, Shiba-Koen 1-chome, Minato-ku, Tokyo	3,487	3.93
Nikko Asset Management Co.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	1,584	1.79
Total	—	6,271	7.07

4. In a change report on large shareholdings that is available for public on May 16, 2022, Sprucegrove Investment Management Ltd. is listed as owning the following shares, however as the Company is unable to verify its substantial shareholding as at March 31, 2023, it is not included in the above list of major shareholders.

The contents of the said change report are as follows:

Name, address, number of shares held and percentage of shares held in relation to the total number of shares issued (As of May 12, 2022)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (%)
Sprucegrove Investment Management Ltd.	181 University Avenue Suite 1300 Toronto, Ontario Canada M5H 3M7	9,294	10.47
Total	—	9,294	10.47

\* Sprucegrove Investment Management Ltd. became a major shareholder of the Company during the current fiscal year.

5. In a change report on large shareholdings that is available for public on July 22, 2022, Massachusetts Financial Services Company is listed as owning the following shares, however as the Company is unable to verify its substantial shareholding as at March 31, 2023, it is not included in the above list of major shareholders.

The contents of the said change report are as follows:

Name, address, number of shares held and percentage of shares held in relation to the total number of shares issued (As of July 15, 2022)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (%)
Massachusetts Financial Services Company	111 Huntington Avenue, Boston, Massachusetts, 02199 U.S.A.	3,910	4.43
Total	—	3,910	4.43

6. In a change report on large shareholdings that is available for public on September 20, 2022, Mitsubishi UFJ Trust and Banking Corporation is listed as owning the following shares, however as the Company is unable to verify its substantial shareholding as at March 31, 2023, it is not included in the above list of major shareholders.

The contents of the said change report are as follows:

Name, address, number of shares held and percentage of shares held in relation to the total number of shares issued (As of September 12, 2022)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,325	1.50
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	2,414	2.74
Mitsubishi UFJ International Investment Trust Co.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	672	0.76
Mitsubishi UFJ Morgan Stanley Securities Co.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	98	0.11
Total	—	4,510	5.11

7. In a change report on large shareholdings that is available for public on April 7, 2023, Resona Asset Management Co., Ltd. is listed as owning the following shares, however as the Company is unable to verify its substantial shareholding as at March 31, 2023, it is not included in the above list of major shareholders.

The contents of the said change report are as follows:

Name, address, number of shares held and percentage of shares held in relation to the total number of shares issued (As of March 31, 2023)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (%)
Resona Asset Management Co., Ltd.	5-65, Kiba 1-chome, Koto-ku, Tokyo	1,846	2.09
Saitama Resona Bank, Ltd.	4-1, Tokiwa 7-chome, Urawa-ku, Saitama-shi, Saitama	4,193	4.75
Total	—	6,040	6.85

## (7) Status of Voting Rights

## (i) Number of shares issued

As of March 31, 2023

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares)	(Treasury shares) Ordinary shares 4,104,600	—	—
Shares with full voting rights (Other)	Ordinary shares 84,082,600	840,826	—
Shares less than one unit	Ordinary shares 43,780	—	100 shares for one unit
Total number of shares issued	88,230,980	—	—
Total number of voting rights	—	840,826	—

Note: "Shares less than one unit" include 12 treasury shares owned by the Company.

## (ii) Treasury shares

As of March 31, 2023

Name	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
(Shares held in treasury) Nihon Kohden Corporation	31-4, Nishiochiai 1-chome, Shinjuku-ku, Tokyo	4,104,600	—	4,104,600	4.65
Total	—	4,104,600	—	4,104,600	4.65

## 2. Acquisition of Treasury Shares

[Class of shares] Acquisition of ordinary shares falling under item 3 and item 7 of Article 155 of the Companies Act

### (1) Acquisition by Resolution of the General Meeting of Shareholders

Not applicable.

### (2) Acquisition by Resolution of the Board of Directors

Classification	Number of shares (Shares)	Total value (Yen)
Resolutions by the Board of Directors (May 13, 2022) (Acquisition period May 16, 2022 ~ June 30, 2022)	350,000	1,000,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired in the current fiscal year	322,500	999,957,000
Total number and value of remaining resolution shares	27,500	43,000
Percentage unexercised as at the end of the current fiscal year (%)	7.85	0.00
Treasury shares acquired during the period	—	—
Percentage unexercised as at date of filing (%)	7.85	0.00

### (3) Acquisition Not Based on Resolution of the General Meeting of Shareholders or the Board of Directors

Acquired pursuant to item 7 of Article 155 of the Companies Act

Classification	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired in the current fiscal year	206	632,036
Treasury shares acquired during the period	—	—

Note: The figure for treasury shares acquired during the period does not include the number of shares less than one unit from June 1, 2023 until the filing date of this Annual Securities Report.

### (4) Status of Disposal and Ownership of Acquired Treasury Shares

Classification	Current fiscal year		During the period	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal Value (Yen)
Acquired treasury shares offered for subscription	—	—	—	—
Acquired treasury shares that were cancelled	500,000	1,115,205,000	—	—
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	—	—	—	—
Other (Sales resulting from requests for sale of shares less than one unit)	—	—	—	—
Other (Exercise of subscription rights to shares)	27,620	83,550,500	—	—
Treasury shares held	4,104,612	—	4,104,612	—

Note: Other (Sales resulting from requests for sale of shares less than one unit) in the period does not include shares sold from June 1, 2023 to the date of filing of this Annual Securities Report. The number of treasury shares held during the period does not include purchase or sales of shares less than one unit from June 1, 2023 to the date of filing of this Annual Securities Report.

### 3. Dividend Policy

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plan, retained earnings, and stock price level.

The Company's basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making bodies for these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends as of the record date set on September 30 of each year.

Based on its business performance in FY2022, the Company decided to increase the ordinary year-end dividend by 21 yen from the previous forecast of 20 yen per share to 41 yen per share. As a result, the full-year dividend for FY2022 was 61 yen per share, including the interim dividend of 20 yen per share. Additionally, the Company acquired ¥999 million of treasury shares between May 16, 2022 and June 2, 2022 and cancelled 500 thousand shares of treasury shares on June 10, 2022 pursuant to the resolution of the Board of Directors held on May 13, 2022.

Internal reserves will be used effectively for future business expansion and consolidating corporate fundamentals in accordance with the above basic policy on distribution of profits and dividends.

Note: Distribution of surplus in this fiscal year was as follows.

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors on November 9, 2022	1,682	20.0
Ordinary General Meeting of Shareholders on June 28, 2023	3,449	41.0



## 4. Corporate Governance

### (1) Overview of corporate governance

#### (i) Basic views on corporate governance

Nihon Kohden's management philosophy is "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees" as a medical electronics manufacturer. To realize its management philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients and society in all aspects including products, service, technology, financial strength, 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.

#### (ii) Corporate organizational structure

##### <Summary and reasons for adopting structure>

Nihon Kohden has adopted a company with the Audit & Supervisory Committee structure to achieve enhancement of supervisory function, improvement of soundness and transparency of the management, and acceleration of the management decision-making. The Company has also established a Nomination & Remuneration Committee voluntarily to ensure a higher level of fairness, objectivity and transparency.

As of the submission date of this report, the Board of Directors consists of a total of 11 directors; eight directors excluding Audit & Supervisory Committee members (including two outside directors) and three Audit & Supervisory Committee members (including two outside directors). The members are Representative Director Hirokazu Ogino, Representative Director Takashi Tamura, Corporate Director Tadashi Hasegawa, Corporate Director Eiichi Tanaka, Corporate Director Yasuhiro Yoshitake, Corporate Director Hiroyuki Satake, Outside Director Kanako Muraoka, Outside Director Hidemitsu Sasaya, Corporate Director serving as Full-time Audit & Supervisory Committee Member Shigeru Hirata, Outside Director serving as Audit & Supervisory Committee Member Shigeru Kawatsuhara, Outside Director serving as Audit & Supervisory Committee Member Kazuo Shimizu. The chairperson of the Board is Representative Director Hirokazu Ogino. Four independent outside directors (including one female director) comprise over one-third of the Board. The Board has monthly meetings in order 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 supervise directors' performance of their duties.

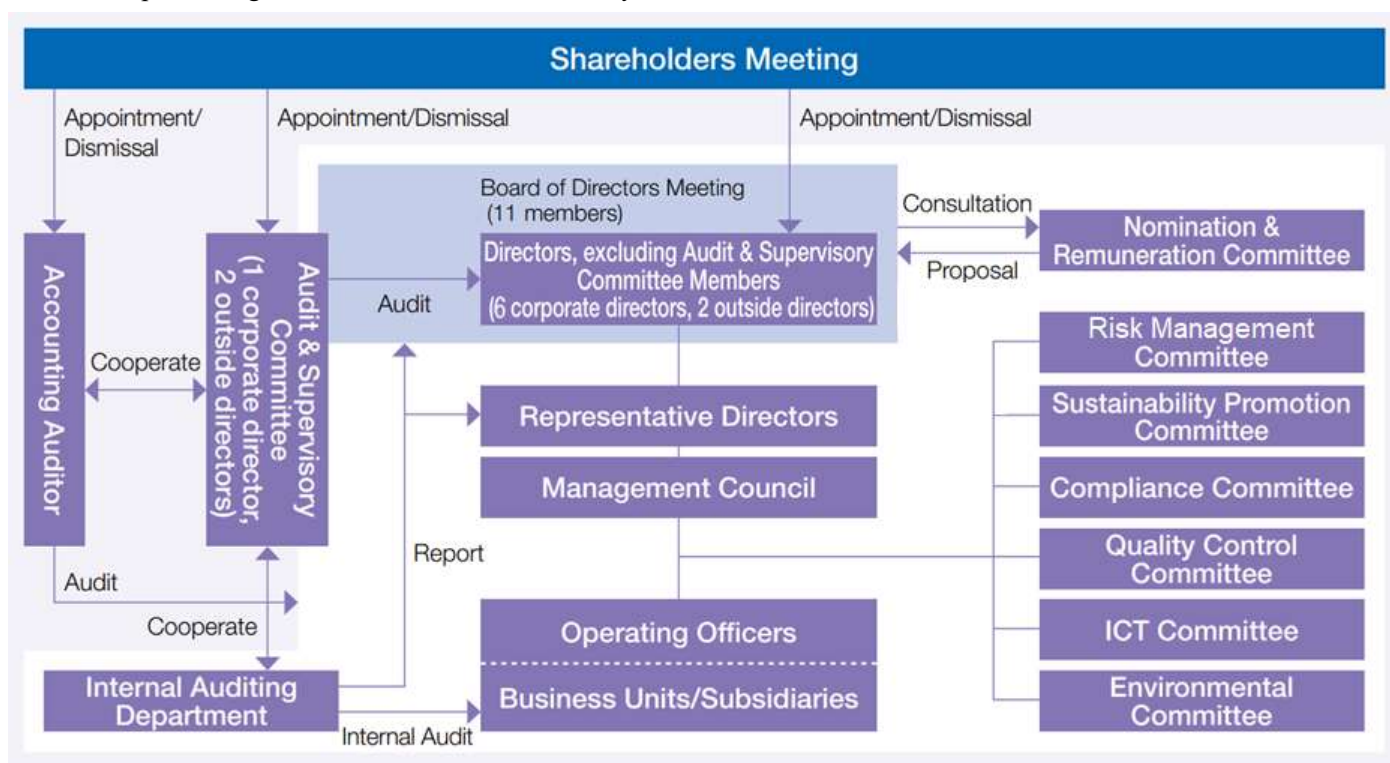
In addition, to promote management activities based on the basic policies decided by the Board of Directors, Meetings of the Management Council are held once or twice a month in principle to ensure prompt decision-making and flexible business execution. The Management Council consists of a total of 22 directors and operating officers (Representative Director and President and CEO Hirokazu Ogino, Representative Director and Executive Operating Officer Takashi Tamura, Corporate Director and Executive Operating Officer Tadashi Hasegawa, Corporate Director and Senior Operating Officer Eiichi Tanaka, Corporate Director and Senior Operating Officer Yasuhiro Yoshitake, Corporate Director and Senior Operating Officer Hiroyuki Satake, Operating Officer Kazuomi Shimoda, Operating Officer Kenji Furukawa, Operating Officer Kaoru Imajo, Operating Officer Yoshiyuki Fujita, Operating Officer Toshihiko Hiraoka, Operating Officer Shuhei Morinaga, Operating Officer Masahiko Kumakura, Operating Officer Shuichi Kurita, Operating Officer Yutaka Inano, Operating Officer Yoshinori Obara, Operating Officer Eri Watanabe, Operating Officer Hiroko Hagiwara, Operating Officer Fumio Izumida, Operating Officer Hirohiko Ikeya, Operating Officer Tsutomu Wakabayashi, Operating Officer Seiji Miyazaki). The chairperson is Hirokazu Ogino, Representative Director, President and CEO. Four outside directors and a

full-time Audit & Supervisory member also attend meetings of the Management Council as necessary. Considering the issues of gender and international diversity, two female operating officers are appointed.

The Audit & Supervisory Committee consists of three directors (Corporate Director Shigeru Hirata, Outside Director Shigeru Kawatsuhara, Outside Director Kazuo Shimizu). Corporate Director Shigeru Hirata is the committee chair and is appointed as a full-time Audit & Supervisory Committee member. Each Audit & Supervisory Committee member conducts audit activities in accordance with the audit policy, audit plan, and division of duties which were formulated by the Audit & Supervisory Committee. 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 by investigating the conduct of business operations and status of assets at the Company's main offices through office visits as well as by investigating reports on audit results from the Internal Auditing Department. The Audit & Supervisory Committee cooperates 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.

The Nomination & Remuneration Committee consists of three outside directors (Shigeru Kawatsuhara, Kanako Muraoka, Kazuo Shimizu). Outside Director Shigeru Kawatsuhara is the committee chair. The Nomination & Remuneration Committee deliberates the proposal of the candidates, the remuneration of directors and submits the proposals to the Board.

The Corporate Organization and Internal Control System is as follows.



<Other Matters>

•System to Ensure the Appropriateness of Business

The Company is promoting the development of internal control systems in accordance with the following basic policy for the establishment of internal control systems.

(i) System to Ensure Compliance by Directors and Employees of the Company Group with Laws and the Articles of Incorporation in the Execution of Their Duties

In order to ensure fair and appropriate corporate activities, the Company has thoroughly notified Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws, to directors and employees by

training and promotion activities. The Compliance Committee and compliance officers at departments and Group companies promote the implementation of compliance. The Company has established an internal compliance hotline for reporting and consultation in order to find and cure unfair practices as early as possible. The Company stands against antisocial forces that threaten the order and safety of civil society, and has no relationship with them.

(ii) System for Storing and Managing Information Related to the Execution of Duties by Directors

Information related to the execution of duties by directors are stored and managed appropriately during the storage period set for each information in accordance with Standards for Procedures for Requesting Deliberations and Making Decisions. Documents are stored and made available for inspection depending on recording media.

(iii) Risk Management of Possible Losses

The Company has established the risk management system for managing risks associated with overall operations of the Company Group in accordance with Risk Management Rules in order to ensure the sound and appropriate business operations. The Company shall work to improve the effectiveness of the system. The risk management department implements group-wide risk management, assigning responsibility for each risk associated with operational execution to specific departments. In the event of an emergency, such as a natural disaster, emergency response measures shall be implemented with regard to internal rules such as BCP.

(iv) System to Ensure Efficient Business Execution by Directors

Meetings of the Management Council, at which consists of all directors and operating officers attend, are held once or twice a month 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. The Company will endeavor to ensure the effective business execution by establishing internal rules to clarify the allocation of duties, authority, responsibility and execution procedures of each director, operating officer and council.

(v) System to Ensure Proper Business Execution of the Company Group

The Company has established the management system to ensure the proper business execution of the Company Group in accordance with the internal rules, assigning responsibility for the appropriate management of each Group company to specific departments, receiving the periodic report regarding the business performance and other important matters from each Group company, and requiring Group companies to obtain prior approval from the Company before conducting important matters. The Internal Auditing Department is in charge of auditing the Company and Group companies. The Company has established the internal control system to ensure the reliability of financial statements under the Financial Instruments and Exchange Act and will assess and improve the system continuously.

(vi) Matters concerning directors and employees assisting the Audit & Supervisory Committee, the independence of such directors and employees from other directors, excluding Audit & Supervisory Committee Members, and ensuring the effectiveness of instructions from the Audit & Supervisory Committee to such directors and employees

The Audit & Supervisory Committee Secretariat assists with the Audit & Supervisory Committee's duties when the Audit & Supervisory Committee requests or instructs.

Personnel changes of the Audit & Supervisory Committee Secretariat shall require prior consent of the Audit & Supervisory Committee.

The Audit & Supervisory Committee Secretariat is independent from the directors', excluding Audit & Supervisory Committee Members, line of command when they work under the instruction of the Audit & Supervisory Committee.

(vii) System for Reporting to the Audit & Supervisory Committee by Directors, excluding Audit & Supervisory Committee Members, and Employees of the Company Group

Directors, excluding Audit & Supervisory Committee Members, and employees of the Company Group shall promptly report to the Audit & Supervisory Committee concerning matters that may cause serious damage to the Company Group, material violations of laws and the Articles of Incorporation, unfair practices as well as results of internal audit. The Audit & Supervisory Committee may request reports of directors, excluding Audit & Supervisory Committee Members, and employees of the Company Group as necessary. Directors, excluding Audit & Supervisory Committee Members, or employees who report to the Audit & Supervisory Committee will not be subjected to disadvantageous treatment because of such report. The Audit & Supervisory Committee audits the performance of the directors, excluding Audit & Supervisory Committee Members, duties by attending the important meetings such as the Management Council.

(viii) System to Ensure Effective Audit by the Audit & Supervisory Committee

Representative Directors have periodic meetings with the Audit & Supervisory Committee and exchange opinions regarding challenges that the Company should deal with, the audit environment of the Audit & Supervisory Committee, and other important audit issues. The Audit & Supervisory Committee shall maintain close contact and share information with the Accounting Auditor and Internal Auditing Department in order to ensure effective audit of the Company and Group companies.

The Company will promptly reimburse expenses invoiced by Audit & Supervisory Committee Members that are deemed necessary for the execution of their duties in accordance with Auditing Standards Conducted by the Audit & Supervisory Committee.

• Status of Risk Management System

In accordance with the Risk Management Regulations, the Risk Management Supervisory Division improves and promotes a cross-organizational risk management system of the Nihon Kohden Group, and the specialized committees and divisions set for each risk are responsible for the individual risks associated with the execution of business. Each committee such as the Quality Control Committee holds meetings regularly to evaluate and report on the effectiveness of each risk management framework, and reports to the Board of Directors on the progress of the Nihon Kohden Group's overall risk management system. The Company also provides e-learning on risk management including information security to executive officers and employees. The Company also ensures and enhances compliance globally. The Company works on ensuring that all employees are familiar with the Nihon Kohden Code of Ethics and Conduct, which is the code of conduct for the Nihon Kohden Group, and on implementing compliance through compliance training at the workplace level in each of our departments and subsidiaries in Japan and internationally. The Company has also strengthened its compliance structure by steadily implementing measures to prevent recurrence of the bribery case involving a former employee of the Company in 2021 under the supervision of the Committee for Implementation and Management of Recurrence Prevention Measures. As a medical equipment manufacturer, the Company focuses on managing the risk of its products leading to medical accidents. In addition to the rules for normal operation, the Company has stipulated the rules and reporting line in case of an accident. In order to prevent accidents and communicate quickly when an accident takes place, the Company has established a system to collect a broad range of information from clinical practice quickly and accurately as well as a framework for disseminating that information. The Company also improves the system to continue the smooth supply of

products and services while ensuring the safety of employees and their families in the event of an emergency such as a large-scale natural disaster. The Company conducts evacuation drills, safety confirmation drills, as well as desktop exercises at domestic sales branch offices, to ensure that employees take appropriate action in the event of an emergency in accordance with the Disaster First Response Manual and the Business Continuity Plan. In addition, to appropriately manage human rights risks, the Company has established a system for human rights due diligence in addition to establishing the Nihon Kohden Group Human Rights Policy and Human Rights Policy Rules. The Company has conducted human rights impact/risk assessments to enable it to identify key human rights issues and take measures to reduce human rights risks. The Company has also newly established the Risk Management Committee in April 2023 and aims to develop a sophisticated company-wide risk management framework.

#### <Risk Types>

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

#### ▪System to Ensure Proper Business Execution of the Company Group

The Company has established the management system to ensure the proper business execution of the Company Group in accordance with the internal rules, assigning responsibility for the appropriate management of each Group company to specific departments, receiving the periodic report regarding the business performance and other important matters from each Group company, and requiring Group companies to obtain prior approval from the Company before conducting important matters. The Internal Auditing Department is in charge of auditing the Company and Group companies.

#### (iii) Other Matters for Corporate Governance

##### ▪Outline of liability limitation contracts

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a liability limitation agreement with each Outside Director to limit his/her liability under the provisions of Article 423, Paragraph 1 of the same Act. The minimum liability amount is the amount stipulated by law. These limitations of liability are limited to situations when the outside director has performed his/her duties in good faith and without gross negligence.

##### ▪Outline of directors and officers liability insurance contracts

The Company has concluded a directors and officers liability insurance agreement as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insurance agreement covers damages incurred by directors (legal damage compensation and legal expenses) due to claims for damage compensation during the insurance period arising from acts or omissions of the insured persons in the execution of duties as a Director of the Company. Provided, there are certain exemptions that exclude coverage for liability arising from certain acts by the insured persons, such as intentional behavior, provision of unlawful personal profit and criminal acts. All the insurance premiums under the insurance agreement are borne by the Company.

(iv) Activities of the Board of Directors

The Board of Directors was held eighteen times during this fiscal year. Each director's attendance is as follows.

Title	Name	Attendance rate
Representative Director, President and CEO	Hirokazu Ogino	100% 18 out of 18 meetings
Representative Director, Executive Operating Officer	Takashi Tamura	100% 18 out of 18 meetings
Corporate Director, Executive Operating Officer	Tadashi Hasegawa	100% 18 out of 18 meetings
Corporate Director, Senior Operating Officer	Fumio Hirose	100% 18 out of 18 meetings
Corporate Director, Senior Operating Officer	Eiichi Tanaka	100% 18 out of 18 meetings
Corporate Director, Senior Operating Officer	Yasuhiro Yoshitake	100% 18 out of 18 meetings
Corporate Director, Senior Operating Officer	Hiroyuki Satake	100% 13 out of 13 meetings (after appointment as a director on June 28, 2022)
Outside Director	Kanako Muraoka	100% 18 out of 18 meetings
Outside Director	Hidemitsu Sasaya	100% 13 out of 13 meetings (after appointment as a director on June 28, 2022)
Corporate Director, Full-time Audit & Supervisory Committee Member	Shigeru Hirata	100% 18 out of 18 meetings
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara	100% 18 out of 18 meetings
Outside Director, Audit & Supervisory Committee Member	Kazuo Shimizu	100% 18 out of 18 meetings

The Board has monthly meetings in order 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 supervise directors' performance of their duties. The directors receive reports at meetings of the Board of Directors from the Audit & Supervisory Committee and Internal Audit Department on the results of audits and accounting audits and the progress of items to be improved, as well as reports on the development and operation of internal control systems, the progress of the Group's overall risk management system, and dialogue with shareholders.

In this fiscal year, for the purpose of achieving the Company's Three-year Business Plan, BEACON 2030 Phase I, covering the fiscal years 2021 to 2023, the Board of Directors reviewed the progress of key strategies and exchanged questions and opinions in relation to them during the status reports from each director on the execution of business. To embrace sustainability, the Board of Directors also reviewed the results of sustainability activities in the previous fiscal year and plans for this fiscal year, which include disclosure of information in line with TCFD recommendations, and exchanged questions and opinions about them. In addition, the Board of Directors deliberated investment projects such as introducing PLM/MES systems, establishment of a new reagent factory in India, acquisition of shares of Software Team Srl, and acquisition of a new plant site in Tsurugashima City, Saitama Prefecture, as well as reorganization of the Company's U.S. subsidiaries into a holding company structure.

(v) Activities of the Nomination & Remuneration Committee

The Nomination & Remuneration Committee was held eight times during this fiscal year. Each Nomination & Remuneration Committee member's attendance is as follows.

Title	Name	Attendance rate
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara	100% 8 out of 8 meetings
Outside Director	Kanako Muraoka	100% 8 out of 8 meetings
Outside Director, Audit & Supervisory Committee Member	Kazuo Shimizu	100% 8 out of 8 meetings

The Nomination & Remuneration Committee deliberates the proposal of the candidates, the remuneration of directors and the succession plan in response to requests from the Board, and submits the proposals to the Board.

In this fiscal year, the Company evaluated the effectiveness of the Nomination & Remuneration Committee.

(vi) Matters Related to Directors

• Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 12 directors who are not serving as Audit & Supervisory Committee members and no more than five directors serving as Audit & Supervisory Committee members.

• Requirements for Resolution for Election of Directors

The Company's Articles of Incorporation stipulate that resolutions for election of directors shall be adopted by a majority of the votes cast at a meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that cumulative voting shall not be used.

(vii) Matters that may be resolved at the General Meeting of Shareholders to be resolved by the Board of Directors

• Acquisition of Own Shares

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc. by a resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act. This is intended to enable the Company to implement a more flexible capital policy in response to changes in the business environment.

• Interim Dividends

In order to enable the flexible return of profits to shareholders, the Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends as of the record date set on September 30 of each year by resolution of the Board of Directors in accordance with Article 454, Paragraph 5 of the Companies Act.

• Immunity for Directors

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, grant directors (including persons who were directors) immunity from their liabilities for damages under the provisions of Article 423, Paragraph 1 of the Companies Act, within the limits permitted by law. The purpose of this provision is to enable directors to fully fulfill their expected roles by introducing a system that allows them to be partially exempted from liability by a resolution of the Board of Directors to the extent permitted by law.

(viii) Requirements for Special Resolution by General Meeting of Shareholders

For the purpose of ensuring the smooth operation of the General Meeting of Shareholders, the Company's Articles of Incorporation stipulate that the special resolution of the General Meeting of Shareholders, pursuant to Article 309, Paragraph 2 of the Companies Act, shall be adopted by not less than two-thirds (2/3) of the votes of the shareholders with voting rights; provided that not less than one-third (1/3) of the total shareholders with voting rights are in attendance.

## (2) Directors Profile

## (i) Directors

Number of Male is 10 and Number of Female is 1 (Ratio of female directors is 9.1%).

Title	Name /Date of birth	Profile		Years	Number of shares (Thousands)
Representative Director, President and CEO	Hirokazu Ogino /May 28, 1970	April 1995 April 2007 April 2011  June 2011 June 2012 April 2013  June 2013  October 2013 June 2015  June 2017	Joined the Company President of Nihon Kohden Europe GmbH General Manager of Marketing Strategy Department Operating Officer Corporate Director and Operating Officer General Manager of International Operations Corporate Director and Senior Operating Officer CEO of Nihon Kohden America, Inc. Representative Director, President and COO Representative Director, President and CEO (current position)	Note:3	41
Representative Director, Executive Operating Officer  In charge of Domestic Business Operations	Takashi Tamura /March 22, 1959	April 1983 April 2003  April 2007 June 2007 June 2008 April 2011  April 2013  April 2014  June 2015  April 2016 June 2017	Joined the Company President of Nihon Kohden Kansai Corporation General Manager of Sales Operations Operating Officer Corporate Director and Operating Officer General Manager of International Operations General Manager of Service Business Division General Manager of Customer Service Operations Corporate Director and Senior Operating Officer General Manager of Sales Operations Representative Director and Executive Operating Officer (current position)	Note:3	30
Corporate Director, Executive Operating Officer  General Manager of Global Corporate Administration Operations, Chief Compliance Officer	Tadashi Hasegawa /June 17, 1959	April 1983 June 2009  June 2011  June 2013  March 2014  April 2014 June 2014  June 2015  April 2017 April 2020  April 2022	Joined The Saitama Bank Ltd. Operating Officer of Saitama Resona Bank Limited Senior Operating Officer of Saitama Resona Bank Limited Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited Joined the Company Operating Officer (responsible for Internal Auditing Department) Corporate Director and Senior Operating Officer Chief Compliance Officer (current position) General Manager of Global Corporate Administration Operations (current position) Corporate Director and Executive Operating Officer (current position)	Note:3	19
Corporate Director, Senior Operating Officer  General Manager of US Operations	Eiichi Tanaka /July 15, 1962	April 1985 April 2002  October 2003 April 2008  June 2008 April 2011  April 2013  April 2014	Joined the Company General Manager of Marketing & Business Development Department President of Nihon Kohden America, Inc. General Manager of General Affairs and Human Resources Department Operating Officer General Manager of Accessories & Consumables Business Operations Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation President of Nihon Kohden Tomioka Corporation	Note:3	9



Title	Name /Date of birth		Profile	Years	Number of shares (Thousands)
		April 2017 June 2017 April 2019 April 2020 April 2022	General Manager of Import Business Operations Corporate Director and Operating Officer General Manager of Corporate Strategy Division General Manager of US Operations (current position) Corporate Director and Senior Operating Officer (current position)		
Corporate Director, Senior Operating Officer  General Manager of International Business Operations	Yasuhiro Yoshitake  /March 20, 1966	April 1988 October 2003 April 2007  April 2008  April 2011 June 2011 April 2013  April 2015  June 2017 February 2019  April 2022	Joined the Company President of Nihon Kohden Europe GmbH General Manager of Sales Promotion Division, International Operations Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd. General Manager of China Operations Operating Officer General Manager of Asia and Middle East Operations General Manager of International Business Operations (current position) Corporate Director and Operating Officer President and CEO of Nihon Kohden America, Inc. Corporate Director and Senior Operating Officer (current position)	Note:3	7
Corporate Director, Senior Operating Officer  In charge of Strategic Technology Operations, Technology Development Operations, R&D, and Regulatory Affairs	Hiroyuki Satake  /April 22, 1958	April 1984 April 2009  April 2014  October 2016 April 2017  June 2017 April 2020  April 2022  June 2022	Joined the Company General Manager of Engineering Department 2 of Biomedical Instrument Technology Center General Manager of Engineering Department 2 of Biomedical Instrument Business Operations CTO of Defibtech, LLC General Manager of Biomedical Instrument Business Operations Operating Officer Senior Operating Officer and General Manager of Technology Development Operations General Manager of Strategic Technology Operations Corporate Director and Senior Operating Officer (current position)	Note:3	4
Outside Director	Kanako Muraoka  /April 26, 1965	April 1988 April 1993  October 1999  April 2020 June 2020  March 2021	Joined Mitsubishi Corporation Registered as an attorney (Daini Tokyo Bar Association) Joined Anderson & Mōri (currently Anderson Mōri & Tomotsune) Joined Mori Sogo (currently Mori Hamada & Matsumoto) Joined Kowa Law Office (to present) Outside Director of the Company (current position) Outside Director of FUJIYA CO., LTD. (current position)	Note:3	-
Outside Director	Hidemitsu Sasaya  /May 24, 1953	April 1977  July 2005 August 2006  July 2007  March 2008  May 2008 July 2010 July 2014  December 2018	Joined the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries) Councillor, the Ministry of the Environment Minister's Secretariat, the Ministry of Agriculture, Forestry and Fisheries Director-General of the Kanto Regional Forest Office Retired the Ministry of Agriculture, Forestry and Fisheries Joined ITO EN, LTD. Corporate Director of ITO EN, LTD. Managing Executive Officer of ITO EN, LTD. Representative Director of Office Sasaya Co., Ltd. (current position)	Note:3	-

Title	Name /Date of birth	Profile		Years	Number of shares (Thousands)
		April 2019	Retired as Advisor of ITO EN, LTD. Visiting Professor at the Graduate School of Information & Communication (currently the Graduate School of Social Design)		
		April 2020	Professor at Platform for Arts and Science, Chiba University of Commerce (current position)		
		June 2022	Outside Director of the Company (current position)		
Corporate Director, Full-time Audit & Supervisory Committee Member	Shigeru Hirata /May 12, 1961	April 1985 April 2011	Joined the Company General Manager of General Affairs & Human Resources Department	Note:4	25
		June 2011 April 2014	Operating Officer General Manager of Human Resources Department		
		April 2016 April 2020	General Manager of Finance Department Deputy General Manager of Global Corporate Administration Operations and General Manager of Finance Department		
		June 2021	Corporate Director (Full-time Audit & Supervisory Committee Member) (current position)		
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara /February 14, 1952	April 1975 April 2002	Joined Toko, Inc. Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.	Note:4	-
		April 2004	General Manager of Sales Center, Toko, Inc.		
		June 2005	Corporate Director and General Manager of Sales Center, Toko, Inc.		
		April 2008	President of Toko, Inc.		
		May 2014	Chairman of Toko, Inc.		
		March 2015 April 2016 June 2016	Senior Advisor of Toko, Inc. Part-time Advisor of Toko, Inc. Outside Director (Audit & Supervisory Committee Member) of the Company (current position)		
Outside Director, Audit & Supervisory Committee Member	Kazuo Shimizu /May 16, 1959	April 1983 October 1989	Joined Nippon Yusen Kabushiki Kaisha Joined Asahi Audit Corporation (currently KPMG AZSA LLC)	Note:4	-
		October 1992	Joined Shimizu Susumu Certified Tax Accountant Office		
		March 1993	Registered as a certified public accountant		
		May 1994	Registered as a certified tax accountant		
		January 2003	Joined Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.)		
		September 2013	Joined Shimizu Accounting Office (to present)		
		June 2020	Representative Partner of Ryoh-koh Audit Corporation (current position) Outside Director (Audit & Supervisory Committee Member) of the Company (current position)		
Total					138

Note:

- Ms. Kanako Muraoka, Mr. Hidemitsu Sasaya, Mr. Shigeru Kawatsuhara, and Mr. Kazuo Shimizu are Outside Directors.
- The members of the Audit & Supervisory Committee are as follows:  
Chairperson Shigeru Hirata, Member Shigeru Kawatsuhara, Member Kazuo Shimizu
- The term of office for directors excluding Audit & Supervisory Committee members is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.
- The term of office for directors serving as Audit & Supervisory Committee members, Shigeru Kawatsuhara and Kazuo Shimizu, is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2022 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024. The term of office for a director serving as an Audit & Supervisory member, Shigeru Hirata, is from the close of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.
- The Company has appointed one substitute director serving as an Audit & Supervisory Committee member as stipulated in Article 329, Paragraph 3 of the Companies Act in order to prepare for the contingency that the number of directors serving as Audit & Supervisory Committee members falls below the required number stipulated by laws and regulations. The career of the newly appointed substitute director is as follows:

Name/Date of birth	Profile		Number of shares (Thousands)
Sumio Moriwaki /March 3, 1957	April 1981 April 1991 June 2007 June 2011 June 2016 June 2017 March 2023	Registered as an attorney (Daini Tokyo Bar Association) Joined Ishii Law Office Partner, Ishii Law Office (current position) Member of the Independent Committee of the Company Substitute Audit & Supervisory Board Member of the Company Substitute Director (serving as an Audit & Supervisory Committee Member) of the Company (current position) Outside Audit & Supervisory Board Member of JSR Corporation Outside Director of Topy Industries, Ltd. Outside Audit & Supervisory Board Member of KOBAYASHI PHARMACEUTICAL CO., LTD. (current position)	-

6. 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. In addition to the above six operating officers who serve as directors, the Company has appointed the following 16 operating officers.

Title	Name	Responsibility
Operating Officer	Kazuomi Shimoda	General Manager of Import Business Operations
Operating Officer	Kenji Furukawa	Deputy General Manager of Global Corporate Administration Operations, General Manager of Human Resources Department
Operating Officer	Kaoru Imajo	General Manager of Technology Development Operations
Operating Officer	Yoshiyuki Fujita	General Manager of Corporate Quality Management Operations
Operating Officer	Toshihiko Hiraoka	General Manager of Domestic Business Operations
Operating Officer	Shuhei Morinaga	Deputy General Manager of US Operations
Operating Officer	Masahiko Kumakura	General Manager of Customer Service Operations
Operating Officer	Shuichi Kurita	General Manager of Business Strategy Operations
Operating Officer	Yutaka Inano	President of Nihon Kohden Tomioka Corporation
Operating Officer	Yoshinori Obara	Regional Manager of Tokyo Regional Office
Operating Officer	Eri Watanabe	Deputy General Manager of Global Corporate Administration Operations, General Manager of Finance Department
Operating Officer	Hiroko Hagiwara	General Manager of Clinical Development & Regulatory Affairs Division
Operating Officer	Fumio Izumida	General Manager of Corporate Strategy Division
Operating Officer	Hirohiko Ikeya	Deputy General Manager of Technology Development Operations
Operating Officer	Tsutomu Wakabayashi	Deputy General Manager of Strategic Technology Operations
Operating Officer	Seiji Miyazaki	General Manager of China Operations

## (ii) Relationship with Outside Directors

There are no personal, capital, business, or other important interests to be disclosed between the Company and the four outside directors.

The Company appoints outside directors who meet the independence criteria set by the Tokyo Stock Exchange and have a wealth of knowledge and experience in their fields, and can provide advice and supervise the management from their objective and neutral position. The Company has registered four outside directors as independent directors with the Tokyo Stock Exchange.

Ms. Kanako Muraoka is closely acquainted with corporate legal affairs as an attorney. The Company has appointed her as an outside director anticipating her objective and neutral advice, and her management supervision from an independent standpoint by applying her expertise and experience she has accumulated to date.

Mr. Hidemitsu Sasaya has abundant knowledge and broad experience in industry, government and academia. The Company has appointed him as an outside director anticipating he will strengthen the role and function of the Board of Directors in the promotion of sustainability, and provide objective and neutral advice and supervision of management from an independent standpoint by applying his expertise and experience he has accumulated to date.

Mr. Shigeru Kawatsuhara has abundant knowledge and broad experience as a management of a company. The Company has appointed him as an outside director serving as an Audit & Supervisory Committee member anticipating his management audit and supervision from an independent standpoint by applying his expertise and experience he has accumulated to date.

Mr. Kazuo Shimizu has abundant knowledge and broad experience of finance and accounting as a Certified Public Accountant. The Company has appointed him as an outside director serving as an Audit & Supervisory Committee member anticipating his management audit and supervision from an independent standpoint by applying his expertise and experience he has accumulated to date.

Outside directors receive reports at meetings of the Board of Directors from the Audit & Supervisory Committee and Internal Audit Department on the results of audits and accounting audits and the progress of items to be improved, as well as reports on the development and operation of internal control systems. In addition to attending important meetings such as the Management Council as necessary, outside directors regularly exchange opinions and share information with each other. Outside directors serving as Audit & Supervisory Committee members work closely with the Accounting Auditors and attend accounting audits of main offices and subsidiaries conducted by the Accounting Auditor as necessary. Outside directors also work closely with the Internal Audit Department and cooperate with them in conducting financial and management audits, as well as receiving reports on the results of internal audits each time an internal audit is conducted. The Corporate Strategy Division and Audit & Supervisory Committee Secretariat are in charge of supporting outside directors by assisting in their duties and with their communications. The Company also provides periodic information such as monthly business reports of departments and Group companies to outside directors. When the Company holds meetings of the Board of Directors or the Management Council, the Corporate Strategy Division delivers related materials to the outside directors and explains the agenda items of the meetings to them in advance.

### (3) Status of Audits

#### (i) Status of Audits by the Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, one full-time member and two outside directors. Meetings of the Audit & Supervisory Committee are held after the Board of Directors, and also as needed. The career of each Audit & Supervisory Committee member and the attendance rate at meetings of the Audit & Supervisory Committee held during the fiscal year under review are as follows.

Title & Name	Career	Attendance rate
Shigeru Hirata Corporate Director, Full-time Audit & Supervisory Committee Member	He has many years of experience in finance, accounting, and human resources such as serving as General Manager of Human Resources and General Manager of Financial Department, and possesses a considerable degree of knowledge about finance and accounting.	100% 22 out of 22 meetings
Shigeru Kawatsuhara Outside Director, Audit & Supervisory Committee Member	He has abundant knowledge and broad experience as a management of a company	100% 22 out of 22 meetings
Kazuo Shimizu Outside Director, Audit & Supervisory Committee Member	He has abundant knowledge and broad experience of finance and accounting as a Certified Public Accountant and Tax Accountant.	100% 22 out of 22 meetings

The meetings of the Audit & Supervisory Committee mainly deliberated on the audit policy, audit plan, division of duties, audit results of the internal control system, evaluation and reappointment or non-reappointment of the Accounting Auditor, and the draft of the Auditor's report. The status of audit activities was also reported on by the full-time Audit & Supervisory Committee member at meeting. The Audit & Supervisory Committee formed opinions on the nomination and remuneration of directors who are not serving as Audit & Supervisory Committee members. The Audit & Supervisory Committee also revised the Auditing Standards Conducted by the Audit & Supervisory Committee. In this fiscal year, in addition to its existing annual review of audit activities, the Audit & Supervisory Committee started to evaluate the effectiveness of the Committee itself, and considered issues to be addressed and measures to be taken in the future to further improve the quality of its audits.

Each Audit & Supervisory Committee member conducts audit activities in accordance with the audit policy, audit plan, and division of duties which were formulated by the Audit & Supervisory Committee. Each Audit & Supervisory

Committee member attends important meetings such as the Management Council. Each Audit & Supervisory Committee member audits the performance of the directors' duties by investigating the conduct of business operations and status of assets at the Company's main offices through office visits as well as by investigating monthly reports on audit results from the Internal Audit Department. The full-time employees in the Audit & Supervisory Committee Secretariat assist with the Audit & Supervisory Committee's duties.

The Audit & Supervisory Committee cooperates closely with the Accounting Auditor by receiving explanation of auditing plans and quarterly audit results, exchanging opinions, and attending audits for main domestic and overseas offices and subsidiaries and accounting audits for overseas subsidiaries conducted by the Accounting Auditor. The Audit & Supervisory Committee also shared information and exchanged opinions with the Accounting Auditors in the process of selecting the Company's key audit matters (KAM), and reviewed the KAM as necessary.

The major activities during the fiscal year under review are as follows.

	Audit Method	Full-time Audit & Supervisory Committee Member	Outside Audit & Supervisory Committee Member
Operational Audit	Regular meetings with representative directors	○	○
	Attendance at important meetings		
	•Board of Directors, Management Council	○	○
	•Nomination & Remuneration Committee (Chairperson and members are outside directors and full-time Audit & Supervisory members also attend)	○	○
	•Products & Services Development Council	○	○
	•Domestic and overseas sales managers meeting	○	○
	•Committee for Implementation and Management of Recurrence Prevention Measures	○	○
	•Compliance Committee, etc.	○	
	Reviewing and confirming of important approval documents such as applications for president's approval and important contract documents	○	
	Audits for main offices and subsidiaries with the Accounting Auditors	○	○
Hearing reports on audit results from the Internal Audit Department	○	○	
Accounting Audit	Hearing audit plans, the status of quality control systems, and audit reports from the Accounting Auditor	○	○
	Audits for main offices and overseas subsidiaries and attendance at accounting audits	○	○
	Attendance at inventory inspection by Accounting Auditors	○	○
	Review of financial statements	○	○
	Sharing information and exchanging opinions during KAM selection process	○	○

## (ii) Internal Audit

The Internal Auditing Department, consisting of 11 members, regularly verifies and evaluates the status of compliance, effectiveness and appropriateness of business operations as well as evaluating the effectiveness of internal control over financial reporting at the Company and its subsidiaries. The Internal Auditing Department also verifies and evaluates management systems to identify and prevent situations in which fraud or errors may occur. The Internal Auditing Department makes recommendations for improvement, suggestions, and advice to the audited departments as necessary and reports the internal audit results to the president and the Audit & Supervisory Committee each time an internal audit is conducted. Internal audit results and progress of improvements are reported to directors and operating officers at the Board of Directors Meetings every quarter.

(iii) Implementation status of accounting audit

(a) Name of auditing firm

Crowe Toyo & Co.

(b) Continuous audit period

47 Years

(c) Certified public accountants

Yuko Suzuki

Takashi Miura

(d) Assistants for the audit work

Assistants for the audit work for the Company's accounting audit are 8 Certified public accountants and 5 others.

(e) Policy and reasons for selecting the Independent Auditor

The Company's policy on reappointment, dismissal, non-reappointment and appointment of independent auditors is as follows.

The Audit & Supervisory Committee selects the independent auditor based on the Audit Standards for Audit & Supervisory Committee and the Practical Guidelines for Auditors and Others on Developing Standards for the Evaluation and Selection of Independent Auditor issued by Japan Audit & Supervisory Board Members Association. If the independent auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee dismisses the independent auditor with the unanimous consent of all Audit Committee members, and if it determines that the independent auditor's performance of its duties is impaired, the Audit & Supervisory Committee decided the content of the proposal to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the independent auditor.

The Audit & Supervisory Committee carried out the procedures for evaluating audit firms described in the following section and, on a comprehensive basis, decided that it was appropriate to reappoint Crowe & Toyo Audit Co. as the independent auditor.

(f) Evaluation of the Independent Auditor by the Audit Committee

The Audit & Supervisory Committee confirms the existence of any disqualification of the independent auditor as stipulated in Article 337, Paragraph 3 of the Companies Act and the existence of any facts falling under the grounds for dismissal as stipulated in Article 340, Paragraph 1 of the Companies Act. In addition to evaluating the audit firm's quality control, maintenance of independence, audit team, appropriateness of audit fees, communication with members of the Audit & Supervisory Committee, relationship with management and others, group audits, and response to fraud risk, the Audit & Supervisory Committee also evaluated by checking the audit firm's compliance with the Code of Governance and exchanging opinions with the executive directors.

(iv) Audit fees

(a) Audit fees paid to certified public accountants

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit attestation services (Millions of yen)	Fees for non-audit Services (Millions of yen)	Fees for audit attestation services (Millions of yen)	Fees for non-audit Services (Millions of yen)
Filing company	45	—	49	—
Consolidated subsidiaries	—	—	—	—
Total	45	—	49	—

(b) Audit fees paid to certified public accountants and organizations that belong to the same network (excluding (a))

Omitted due to insignificant in terms of amounts.

(c) Other significant fees

Not applicable.

(d) Policy for determining the audit fees

Audit fees for the Company's audit certified public accountants, etc., is subject to final approval by the Representative Director, based on the Practical Guidelines on Cooperation with Independent Auditor issued by Japan Audit & Supervisory Board Members Association, and after considering the details of the independent auditors' audit plan, the basis for calculating the fee estimate and the performance of duties in the past years, and after consent is given by the Audit & Supervisory Committee.

(e) Reasons for the Audit Committee's approval on compensation to the independent auditor

The Audit & Supervisory Committee has decided that the fee proposed by the director in charge of accounting is appropriate after considering the details of the independent auditors' audit plan, the basis for calculating the fee estimate and the performance of duties in the past years, based on the Practical Guidelines on Cooperation with Independent Auditor issued by Japan Audit & Supervisory Board Members Association and the Audit & Supervisory Committee has given its consent to the fees of the independent auditors in accordance with Article 399, Paragraphs 1 and 3 of the Companies Act.

(4) Remuneration to Directors

(i) Policy for Determining the Amounts and Calculation Methods of Remuneration to Directors

To increase business performance and shareholder value, as well as improving management transparency and increasing mid-to long-term growth and profitability, the Company has established a policy ("The Decision Policy") for determining the amounts and methods of calculation of Directors' remuneration. The Decision Policy was determined by a resolution of the Board of Directors after receiving a report from the Nomination & Remuneration Committee, a voluntary advisory committee under the Board.

A summary of the Decision Policy is as follows.

Remuneration of Directors shall be linked to shareholder value so as to function effectively as an incentive for continuously improving the Company's corporate value. Remuneration of each Director shall be determined at an appropriate level based on their respective responsibilities.

Remuneration of Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors) shall consist of a base salary as fixed monthly compensation, bonuses as performance-based compensation reflecting short-term business performance, and restricted stock remuneration as an incentive to continuously improve the Company's corporate value over the mid- to long-term. Remuneration of Audit & Supervisory Committee Members and Outside Directors, who are responsible for supervisory functions, shall consist of the fixed monthly compensation only.

The fixed monthly compensation shall be determined based on the Director's position, responsibilities, and years served as Director, comprehensively taking into consideration the level of other companies, the Company's business performance, and the level of employee salaries.

Performance-based bonuses shall reflect key performance indicators (KPI) to raise awareness of the need to improve the Company's business performance in each fiscal year. The target performance indicators and their values shall be in line with the medium-term business plan and set at the time of the formulation of the plan. The target values shall be reviewed as appropriate in accordance with the report of the Nomination & Remuneration Committee in response to environmental changes. The degree of achievement of the target values shall be used as a common evaluation index for all Directors. Individual evaluations shall be conducted according to each Director's area of responsibility. The amount of bonuses shall be calculated based on a variable payment rate of 0% to 200% and the bonuses shall be paid at a fixed time each year.

As regards restricted stock remuneration, the Company shall, in principle, allot shares of the Company's common stock every year, after concluding an agreement on allotting restricted stock between the Company and each Director (excluding Audit & Supervisory Members and Outside Directors). The number of shares of restricted stock to be allotted shall be determined based on the position of the allottee. To encourage the sharing of value with shareholders over the mid- to long-term, the transfer restriction period shall be from the grant date of the restricted stock to the date when each Director retires from the position of Director or Operating Officer.

The ratio by types of compensation for Directors (excluding Audit & Supervisory Committee Members and Outside Directors) shall be reviewed by the Nomination & Remuneration Committee, based on the remuneration levels of benchmark companies whose business scale is similar to the Company. The weighting of performance-based compensation shall be higher for the higher positions. While respecting the report by the Nomination & Remuneration Committee, the Board of Directors shall determine the details of remuneration for each Director within the range of the ratio by types of compensation indicated in the report. The amount of remuneration shall be determined by resolution of the Board of Directors, which shall have the authority to determine the amount of basic salaries for each Director as well as the evaluation and allocation of performance-based compensation based on the performance of the business for which each Director is responsible. The Board of Directors shall consult the Nomination & Remuneration Committee on the draft remuneration plan and obtain a report from the Committee to ensure that the Board exercises its authority appropriately. The Board of Directors shall also resolve the number of shares to be allocated to each Director as restricted stock remuneration based on the report of the Nomination & Remuneration Committee.

In determining the content of remuneration for each Director (excluding Audit & Supervisory Committee Members), the Nomination & Remuneration Committee shall conduct a multifaceted review of the draft remuneration plan, including consistency with the Decision Policy. As a general rule, the Board of Directors shall defer to the report of the Nomination & Remuneration Committee and determine that the proposed remuneration complies with the Decision Policy.

The remuneration of Audit & Supervisory Committee Members shall consist of fixed monthly compensation only from the perspective of placing importance on the independence and objectivity of management. The amount of remuneration for each Director is determined by consultation among the Audit & Supervisory Committee Members.



(a) Dates and Resolutions of the General Meeting of Shareholders on Remuneration to Directors

The 65<sup>th</sup> general shareholders meeting held on June 28, 2016 approved the following: i) with respect to the amount of remuneration to Directors excluding Audit & Supervisory Committee Members, the total amount shall be within the limit of ¥400 million (including the total amount of remuneration to Outside Directors, which shall be within the limit of ¥30 million, but not including other Directors' salaries as employees of the Company), ii) with respect to the amount of remuneration to Audit & Supervisory Committee Members, the total amount shall be within the limit of ¥80 million. At the time of the resolution, the number of Directors excluding Audit & Supervisory Committee Members was 10 (including two Outside Directors) and the number of Audit & Supervisory Committee Members was three (including two Outside Directors).

Separately from the above remuneration, the 69<sup>th</sup> general shareholders meeting held on June 25, 2020 approved the following: The maximum amount of monetary compensation receivables to be paid to Directors (excluding Audit & Supervisory Committee Members and Outside Directors) in respect of restricted stock shall be within the limit of ¥100 million. At the time of the resolution, the number of Directors (excluding Audit & Supervisory Committee Members and Outside Directors) was seven.

(b) Method for Determining the Amounts and Calculation Methods of Remuneration to Directors

As of the date of submission of this report, the Nomination & Remuneration Committee consists of three outside directors (Mr. Shigeru Kawatsuhara, Ms. Kanako Muraoka, and Mr. Kazuo Shimizu) and the chairperson is Outside Director Shigeru Kawatsuhara. The Nomination & Remuneration Committee deliberates on the policies for determining the amounts and the calculation method of remuneration to each director. In terms of the level of remuneration to directors, the level of the Company's major financial data (sales, operating income, ROE, number of employees, market capitalization value, etc.) are compared to the corresponding data in an external research organization's annual survey of executive compensation, as a reference.

Remuneration to directors excluding Audit & Supervisory Committee members during the fiscal year under review consisted of a fixed monthly compensation, bonuses as performance-based compensation, and restricted stock remuneration. After the Nomination & Remuneration Committee deliberated in consultation with the Board of Directors and resolved that the content was in line with the decision policy, the Board of Directors held on June 8, 2021, April 7, 2022, April 28, 2022, June 7, 2022 and April 28, 2023 resolved to adopt the proposal. The forecast and actual results of operating income, which is an indicator related to bonuses as performance-based compensation, are as follows.

Billions of yen	FY2022		FY2023	
	Forecast	Actual	Target	Forecast
Operating income	16.5	21.1	20.0	21.5

The details of restricted stock remuneration delivered during this fiscal year are as follows.

The Company paid monetary compensation receivables as remuneration to the six specified Eligible Directors and allocated 12,756 shares of the Company's common shares as specified restricted shares paid for by the Allottees using the entire amount of the monetary compensation receivables as contributed assets. The shares allotted as restricted stock remuneration are awarded to Eligible Directors for the period from the 71<sup>st</sup> Ordinary General Meeting of Shareholders until the 72<sup>nd</sup> Ordinary General Meeting of Shareholders. The amount of the monetary compensation receivables granted to each Eligible Director was determined by comprehensively taking into consideration a wide range of factors, such as the extent of the contribution of each Eligible Director to the Company. The monetary compensation receivables were also granted on the condition that each Eligible Director enter into a Restricted Stock Allotment Agreement with the Company.

	Number of shares (Shares)	Number of allottees (Persons)
Directors, excluding Audit & Supervisory Committee Members and Outside Directors	12,756	6
Outside Directors, excluding Audit & Supervisory Committee Members	—	—
Audit & Supervisory Committee Members	—	—

Remuneration to directors serving as Audit & Supervisory Committee members during the fiscal year under review was discussed by the Audit & Supervisory Committee members after the 71<sup>st</sup> general shareholders meeting held on June 28, 2022 and decided with the consent of all members.

(ii) Remuneration for Members of the Board of the filing company

(a) Total amounts of remuneration by category of executives, category of remuneration and number of eligible executives

Category	Total amounts of remuneration (Millions of yen)	Total amounts of remuneration by type (Millions of yen)			Number of directors (Persons)
		Fixed monthly compensation	Performance-based compensation	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee members) (excluding outside directors)	340	221	84	35	8
Directors (Audit & Supervisory Committee members) (excluding outside directors)	25	25	—	—	1
Outside directors	43	43	—	—	5

Notes:

1. The number of directors receiving restricted stock remuneration is six (one non-resident of Japan is not eligible for payment).

(b) Total amounts of consolidated remuneration to individual executives of the Company

Not stated as there were no individual executives whose total amounts of consolidated remuneration is ¥100 million or more.

## (5) Share Ownership

### (i) Basic concept and criteria for investment stock category

The Company categorizes stocks that are held for the purpose of profiting through fluctuations in share prices or from the receipt of dividends as “investment stocks held purely for the purpose of financial investment” and in addition to those purposes, the stocks that are expected to contribute to the realization of sustainable growth over the medium and long term as “investment stocks held purely for the purpose other than financial investment”.

### (ii) Investment stocks held purely for the purpose other than financial investment

#### (a) Shareholding policy, methods used to verify the reasonableness of shareholdings, and details of verification by the Board of Directors, etc. in relation to the suitability of holding individual issues

In order to achieve sustainable growth over the medium and long term, the Company needs to cooperate with various companies in all processes of R&D, manufacturing, distribution, sales, service, and fundraising. From this perspective, the Company holds policy-purpose shares based on comprehensive consideration of business relationships and business strategies. The Company reviews the significance of holding individual issues from time to time based on the perspective of improving asset efficiency, avoiding the risk of stock price volatility, and the need for collaboration, in light of the Company’s cost of capital and the appropriateness of holdings is verified annually by the Board of Directors. When this verification indicates that the significance of holding these stocks is not sufficient, the Company will proceed with the downsizing of the stocks. In the current fiscal year, the Board of Directors decided to sell all of one stock as a result of individual verification at its July 2022 meetings.

#### (b) Number of issues and balance sheet amounts

	Number of issues (Issue)	Balance sheet amounts (Millions of yen)
Unlisted stocks	11	1,122
Stocks other than unlisted stocks	11	4,977

#### (Issues for which the number of shares increased during the current fiscal year)

	Number of issues (Issue)	Total acquisition cost associated with the increase in the number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted stocks	1	258	To promote smooth operations in the expansion of domestic IT solution business
Stocks other than unlisted stocks	—	—	—

#### (Issues for which the number of shares decreased during the current fiscal year)

	Number of issues (Issue)	Total sales proceeds associated with the decrease in number of shares (Millions of yen)
Unlisted stocks	—	—
Stocks other than unlisted stocks	1	2

(c) Information related to number of shares for each specified investment stock and stock deemed to be held, and balance sheet amounts, etc.

Specified investment stocks

Issue	Current fiscal year	Previous fiscal year	Purpose of the shareholding, quantitative effects of the shareholding, and the reason for increase	Share of the Company held
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amounts (Millions of yen)	Balance sheet amounts (Millions of yen)		
Eisai Co., Ltd.	231,508	231,508	The Company holds the shares to facilitate smooth operations in research and development related to drug discovery support. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	1,737	1,312		
ABBOT LABORATORIES, INC.	107,346	107,346	The Company holds the shares to facilitate smooth operations in the sale of products in the cardiovascular field. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	1,451	1,555		
Ono Pharmaceutical Co., Ltd.	275,000	275,000	The Company holds the shares to facilitate smooth operations in the sale of products. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	760	843		
Nikkiso Co., Ltd.	337,000	337,000	The Company holds the shares to facilitate smooth operations in the sale of products in the dialysis field. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	316	308		
AGS Corporation	280,000	280,000	The Company holds the shares for the purpose of promoting smooth operations by supporting our core support system, etc. Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	194	222		

Issue	Current fiscal year	Previous fiscal year	Purpose of the shareholding, quantitative effects of the shareholding, and the reason for increase	Share of the Company held
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amounts (Millions of yen)	Balance sheet amounts (Millions of yen)		
Shibaura Electronics Co., Ltd.	30,613	30,613	The Company holds the shares to facilitate smooth operations in the sale of products. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	180	234		
Resona Holdings, Inc.	195,000	195,000	The Company holds the shares to facilitate smooth operations in financial transactions, management of defined contribution pension plans, and collection of real estate information. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	124	102		
Mitsubishi UFJ Financial Group, Inc.	146,180	146,180	The Company holds the shares to facilitate smooth operations in financial transactions, remittance services to overseas subsidiaries, and the collection of financial information. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	123	111		
Sumitomo Mitsui Financial Group, Inc.	10,800	10,800	The Company holds the shares to facilitate smooth operations in financial transactions, remittance services to overseas subsidiaries, and the collection of financial information. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	57	42		
SOMPO Holdings, Inc.	3,800	3,800	The Company holds the shares to facilitate smooth operations in insurance transactions. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but the Company sold a portion of the shares based on the above policy.	Yes
	19	20		

Issue	Current fiscal year	Previous fiscal year	Purpose of the shareholding, quantitative effects of the shareholding, and the reason for increase	Share of the Company held
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amounts (Millions of yen)	Balance sheet amounts (Millions of yen)		
Sumitomo Mitsui Trust Holdings, Inc.	2,530	2,530	The Company holds the shares to facilitate smooth operations in the outsourcing of transfer agency services and the collection of real estate information. The Company makes a comprehensive judgment of its shareholdings based on cost of capital, dividend and transaction amounts, as well as importance in terms of management strategy and business relationships. Quantitative retention effects are not described due to the judgment that they are trade secrets with our business partners, but we believe that the quantitative effects are sufficient based on the above policy.	Yes
	11	10		
The Gunma Bank, Ltd.	—	6,621	—	—
	—	2		

Note: In respect of the following issues, the subsidiaries of respective Holdings and Group hold shares of the Company.  
Resona Holdings, Inc., Mitsubishi UFJ Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc., SOMPO Holdings, Inc., Sumitomo Mitsui Trust Holdings, Inc.

Stocks deemed to be held

Not applicable.

## **V. Accounting**

### **1. Preparation Policy of the Consolidated and Non-consolidated Financial Statements**

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59, of 1963).

### **2. Audit Certification**

In accordance with the provisions of Article 193-2 (1) of the Financial Instruments and Exchange Act, the consolidated financial statements and the non-consolidated financial statements for the fiscal and business year (from April 1, 2022 to March 31, 2023) were audited by Crowe Toyo & Co.

### **3. Special Effort to Ensure the Appropriateness of Consolidated Financial Statements, etc.**

The Company is making special effort to ensure the appropriateness of the consolidated financial statements. Specifically, the Company has been a member of the Financial Accounting Standards Foundation and participated in seminars in order to ensure that the content of accounting standards is properly understood and that changes in accounting standards can be properly addressed.

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
<b>ASSETS</b>		
Current assets		
Cash and deposits	28,925	33,459
Notes receivable – trade	5,354	2,401
Electronically recorded monetary claims – trade	—	2,669
Accounts receivable – trade	53,027	59,934
Securities	32,000	11,000
Merchandise and finished goods	30,243	33,337
Work in process	3,495	4,045
Raw materials and supplies	14,628	21,406
Other current assets	4,409	4,424
Allowance for doubtful accounts	(208)	(179)
<b>Total current assets</b>	<b>171,875</b>	<b>172,500</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,964	10,788
Machinery, equipment and vehicles, net	1,321	1,260
Tools, furniture and fixtures, net	3,623	3,632
Land	3,423	7,074
Leased assets, net	33	41
Construction in progress	553	1,648
<b>Total property, plant and equipment</b>	<b>*1 19,920</b>	<b>*1 24,446</b>
Intangible assets		
Goodwill	794	1,044
Other intangible assets	2,942	3,177
<b>Total intangible assets</b>	<b>3,737</b>	<b>4,221</b>
Investments and other assets		
Investment securities	6,225	6,713
Deferred tax assets	6,264	6,561
Other investments and other assets	2,387	2,415
Allowance for doubtful accounts	(210)	(129)
<b>Total investments and other assets</b>	<b>14,667</b>	<b>15,560</b>
<b>Total non-current assets</b>	<b>38,325</b>	<b>44,228</b>
<b>Total assets</b>	<b>210,201</b>	<b>216,728</b>



	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	24,045	22,940
Short-term loans payable	325	403
Accounts payable – other	4,408	3,161
Lease obligations	10	21
Accrued income taxes	5,669	3,178
Accrued expenses	4,132	4,474
Provision for bonuses	5,013	4,320
Provision for product warranties	1,245	1,361
Other current liabilities	*2 5,953	*2 6,706
Total current liabilities	50,804	46,568
Non-current liabilities		
Lease obligations	24	17
Deferred tax liabilities	272	275
Net defined benefit liability	1,073	669
Other non-current liabilities	1,646	1,592
Total non-current liabilities	3,016	2,555
Total liabilities	53,820	49,124
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	7,544	7,544
Capital surplus	10,455	9,685
Retained earnings	142,224	152,525
Treasury shares	(9,331)	(9,155)
Total shareholders' equity	150,893	160,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,199	2,377
Foreign currency translation adjustment	2,387	4,003
Remeasurements of defined benefit plans	900	623
Total accumulated other comprehensive income	5,487	7,003
Total net assets	156,381	167,604
Total liabilities and net assets	210,201	216,728

## (ii) Consolidated Statements of Income and Consolidated statements of Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Net Sales	*1 205,129	*1 206,603
Cost of sales	*3 96,043	*3 100,677
Gross profit	109,085	105,926
Selling, general and administrative expenses	*2, *3 78,093	*2, *3 84,805
Operating income	30,992	21,120
Non-operating income		
Interest income	132	194
Dividend income	107	119
Foreign exchange gains	3,175	2,386
Subsidy income	63	52
Gain on valuation of investment securities	—	33
Other non-operating income	393	442
Total non-operating income	3,872	3,230
Non-operating expenses		
Interest expenses	11	10
Loss on valuation of investment securities	80	—
Other non-operating expenses	209	217
Total non-operating expenses	301	228
Ordinary income	34,563	24,122
Extraordinary income		
Gain on sale of non-current assets	*4 18	*4 699
Gain on sale of investment securities	6	3
Total extraordinary income	25	702
Extraordinary losses		
Loss on sales of non-current assets	*5 0	*5 0
Loss on disposal of non-current assets	*6 58	*6 29
Loss on valuation of investment securities	265	80
Total extraordinary losses	324	109
Income before income taxes	34,263	24,716
Income taxes – current	11,135	7,785
Income taxes – deferred	(308)	(178)
Total income taxes	10,827	7,606
Net income	23,435	17,110
Income attributable to owners of the parent	23,435	17,110

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Net income	23,435	17,110
Other comprehensive income		
Valuation difference on available-for-sale securities	41	177
Foreign currency translation adjustments	1,301	1,616
Remeasurements of defined benefit plans, net of tax	(28)	(277)
Total other comprehensive income	*1 1,314	*1 1,516
Comprehensive income	24,750	18,626
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,750	18,626
Comprehensive income attributable to non-controlling interests	—	—

## (iii) Consolidated Statements of Changes in Equity

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2021	7,544	10,437	123,796	(6,966)	134,812
Cumulative effects of accounting changes			(162)		(162)
Restated balance at April 1, 2021	7,544	10,437	123,634	(6,966)	134,650
Changes arising during year					
Cash dividends			(4,845)		(4,845)
Net income attributable to owners of parent			23,435		23,435
Purchase of treasury share				(2,399)	(2,399)
Disposal of treasury share		17		34	52
Change in ownership interest of parent due to transactions with non-controlling interests		—			—
Net changes other than stockholders' equity					
Total changes during the year	—	17	18,590	(2,364)	16,243
Balance at March 31, 2022	7,544	10,455	142,224	(9,331)	150,893

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2021	2,158	1,085	929	4,173	138,986
Cumulative effects of accounting changes					(162)
Restated balance at April 1, 2021	2,158	1,085	929	4,173	138,823
Changes arising during year					
Cash dividends					(4,845)
Net income attributable to owners of parent					23,435
Purchase of treasury share					(2,399)
Disposal of treasury share					52
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes other than stockholders' equity	41	1,301	(28)	1,314	1,314
Total changes during the year	41	1,301	(28)	1,314	17,557
Balance at March 31, 2022	2,199	2,387	900	5,487	156,381

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2022	7,544	10,455	142,224	(9,331)	150,893
Cumulative effects of accounting changes			—		—
Restated balance at April 1, 2022	7,544	10,455	142,224	(9,331)	150,893
Changes arising during year					
Cash dividends			(5,734)		(5,734)
Net income attributable to owners of parent			17,110		17,110
Purchase of treasury share				(1,000)	(1,000)
Disposal of treasury share		(19)	(1,074)	1,176	83
Change in ownership interest of parent due to transactions with non-controlling interests		(750)			(750)
Net changes other than stockholders' equity					
Total changes during the year	—	(769)	10,301	176	9,707
Balance at March 31, 2023	7,544	9,685	152,525	(9,155)	160,600

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at April 1, 2022	2,199	2,387	900	5,487	156,381
Cumulative effects of accounting changes					—
Restated balance at April 1, 2022	2,199	2,387	900	5,487	156,381
Changes arising during year					
Cash dividends					(5,734)
Net income attributable to owners of parent					17,110
Purchase of treasury share					(1,000)
Disposal of treasury share					83
Change in ownership interest of parent due to transactions with non-controlling interests					(750)
Net changes other than stockholders' equity	177	1,616	(277)	1,516	1,516
Total changes during the year	177	1,616	(277)	1,516	11,223
Balance at March 31, 2023	2,377	4,003	623	7,003	167,604

## (iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
<b>Cash flows from operating activities</b>		
Income before income taxes	34,263	24,716
Depreciation and amortization	3,422	3,675
Amortization of goodwill	68	116
Loss (gain) on sales and retirement of property, plant and equipment	33	(669)
Loss (gain) on sales and retirement of intangible assets	8	—
Increase (decrease) in allowance for doubtful accounts	(11)	(149)
Increase (decrease) in provision for bonuses	284	(742)
Increase (decrease) in provision for product warranties	47	24
Increase (decrease) in net defined benefit liability	(820)	(802)
Interest and dividend income	(239)	(314)
Interest expenses	11	10
Foreign exchange losses (gains)	(2,076)	(1,868)
Loss (gain) on valuation of investment securities	345	46
Loss (gain) on sales of investment securities	(6)	(3)
Decrease (increase) in notes and accounts receivable - trade	12,506	(4,753)
Decrease (increase) in inventories	(7,557)	(8,590)
Increase (decrease) in notes and accounts payable - trade	(1,768)	(2,465)
Increase (decrease) in accrued consumption taxes	(24)	(975)
Other, net	(131)	199
Subtotal	38,355	7,451
Interest and dividends income received	213	359
Interest expenses paid	(2)	(2)
Income taxes paid	(12,868)	(10,322)
Net cash flows from operating activities	25,699	(2,513)
<b>Cash flows from investing activities</b>		
Proceeds from sales of investment securities	14	85
Purchase of investment securities	(86)	(359)
Proceeds from sales of property, plant and equipment	75	828
Purchase of property, plant and equipment	(2,450)	(7,458)
Purchase of intangible assets	(484)	(798)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (929)	*2 (108)
Other, net	(442)	163
Net cash flows from investing activities	(4,303)	(7,647)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(25)	30
Purchase of treasury shares	(2,400)	(1,001)
Cash dividends paid	(4,842)	(5,733)
Repayments of lease obligations	(31)	(30)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	—	(750)
Net cash flows from financing activities	(7,300)	(7,485)
Effect of exchange rate change on cash and cash equivalents	1,643	1,539
Net increase (decrease) in cash and cash equivalents	15,739	(16,107)
Cash and cash equivalents at beginning of period	44,356	60,095
Cash and cash equivalents at end of period	*1 60,095	*1 43,988

[Notes to the Consolidated Financial Statements]

(Assumption of Going Concern)

Not applicable.

(Basis of Presentation of the Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 31 companies

Nihon Kohden Tomioka Corporation

Nihon Kohden America, Inc.

Nihon Kohden Europe GmbH and other 28 companies

Software Team Srl is included in the scope of consolidation.

2. Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year end of Shanghai Kohden Medical Electronic Instrument Corp., Nihon Kohden Do Brasil Ltda., Resuscitation Solution, Inc., Defibtech, LLC, Nihon Kohden Latin America S.A.S., Nihon Kohden Mexico S.A. de C.V. and Software Team Srl is December 31 and the difference with the fiscal year end of the consolidated financial statements (March 31) does not exceed three months, so the financial statements of these companies as of the fiscal year end are used, and necessary adjustments for consolidation are made when there are significant transactions between the fiscal year end of these companies and the fiscal year end of consolidated financial statements.

Previously, the financial statements of Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. (hereinafter refer to as “AMP3D”), a consolidated subsidiary whose fiscal year end was December 31, were used and necessary adjustments for consolidation were made when there were significant transactions that occurred between its fiscal year end date and the consolidated fiscal year end date. However, since AMP3D changed its fiscal year end to March 31, the 15-month period from January 1, 2022 to March 31, 2023 was consolidated in the current fiscal year.

3. Significant accounting principles

(1) Valuation standards and methodology for material assets

(i) Securities

Available-for-sale-securities

-Securities other than for which there are no fair value:

Stated at fair value based on the quoted market price at the fiscal year end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)

-Securities for which there are no fair value:

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at fair value

(iii) Inventories

Stated at cost (balance sheet amounts are measured at the lower of cost or net selling value), valuation methodology for each category of inventories is as follows:

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

(2) Depreciation and amortization methods for material depreciable assets

(i) Property, plant and equipment (excluding lease assets)

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

The estimated useful lives are as follows:

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

(ii) Intangible assets (excluding lease assets)

Straight-line method is applied.

Straight-line method over the useful lives (mainly 5 years) is applied for software.

(iii) Lease assets

Lease assets related to finance lease transaction without transfer of ownership

Lease assets are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

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

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

(4) Basis of material allowances

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(iii) Provision for product warranties

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

(5) Accounting treatment for retirement benefits

(i) The method of attributing expected retirement benefit

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



(ii) The method of amortizing actuarial gains and losses

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

(6) Recognition criteria for significant revenues and expenses

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

(i) Sales of products

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

(ii) Repair, maintenance and other services

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

(7) Significant method of hedge accounting

(i) Hedge accounting

Deferral hedge accounting is applied.

(ii) Hedge methods and hedged items

Hedge methods      Derivative transactions (forward exchange contract)

Hedged items      Planned trading transactions that are denominated in foreign currencies

(iii) Hedge policy

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

(iv) Evaluation of hedge effectiveness

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

(8) Goodwill amortization and amortization period

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

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

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

## (Significant Accounting Estimates)

### Evaluation of goodwill and other intangible assets

(1) The amounts recorded in the consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Goodwill	794	1,044
Intangible assets	2,942	3,177

(2) Information on the nature of significant accounting estimates for identified items

The Group recognizes the excess earning capacity of the target company at the time of acquisition as goodwill and intangible assets and, in principle, groups assets by target company. As AMP3D is engaged in the digital health solution business together with its holding company, Nihon Kohden Digital Health Solutions, Inc., the both companies are grouped as one asset group together with goodwill and intangible assets.

As of the end of current fiscal year, goodwill of ¥545 million and intangible assets of ¥1,066 million were recognized with respect to AMP3D.

With regard to goodwill and intangible assets, indication of impairment is identified when the profit or loss from operating activities is continuously negative or when the actual results are less than the original business plan. If there are indication of impairment, the Company determines whether to recognize impairment losses by comparing the total undiscounted future cash flows from the asset group with the carrying amount of fixed assets.

The Company has determined that there is no indication of impairment in the current fiscal year. However, business plans and undiscounted future cash flows are subject to uncertainty, and if they need to be revised due to uncertain future changes in economic conditions, impairment losses may occur in the following fiscal year or later.

## (Changes in Accounting Policies)

(Application of “Accounting Standards for Fair Value Measurement”, etc.)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter as “Implementation Guidance on Accounting Standard for Fair Value Measurement”) is applied from the beginning of the current fiscal year and the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement is to be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the consolidated financial statements.

(Additional Information)

(Reorganization of Subsidiaries)

At the Board of Directors meeting held on March 7, 2023, the Company resolved to reorganize a total of its 8 100% owned subsidiaries in the U.S. and to make an in-kind contribution of shares of 5 U.S. subsidiaries held by the Company to Nihon Kohden OrangeMed, Inc., which will become an intermediate holding company on April 1, 2023, and the Company has implemented this resolution.

## 1. Objectives

The transition to a holding company structure and the accompanying reorganization of subsidiaries will further strengthen competitiveness and create synergies by leveraging local development, production, and sales functions, aiming to further expand the U.S. business, while strengthening governance and improving operational efficiency.

## 2. Summary

- (1) Nihon Kohden OrangeMed, Inc. was made an intermediate holding company to oversee the U.S. business. For the time being, the current company name will be retained and the existing ventilator business will continue.
- (2) Five U.S. subsidiaries (Nihon Kohden America, Inc., Neurotronics, Inc., Nihon Kohden Digital Health Solutions, Inc., Nihon Kohden Innovation Center, Inc., Resuscitation Solution, Inc.) were made subsidiaries of Nihon Kohden OrangeMed, Inc., an intermediate holding company. The Company made an investment in kind in Nihon Kohden OrangeMed, Inc. from the shares of five subsidiaries held by the Company.
- (3) Nihon Kohden America, Neurotronics, Nihon Kohden Digital Health Solutions, AMP3D, Nihon Kohden Innovation Center were converted from corporations to limited liability companies.
- (4) Resuscitation Solution, Inc. was established to acquire and hold an equity interest in Defibtech, LLC in 2012. Resuscitation Solution, Inc. was dissolved as a result of this reorganization and Defibtech, LLC became a subsidiary of Nihon Kohden OrangeMed, Inc.
- (5) With regard to Defibtech, LLC, a consolidated subsidiary whose fiscal year end was previously December 31, its fiscal year end will be changed to March 31 in accordance with the reorganization, and the 15-month period from January 1, 2023 to March 31, 2024 will be consolidated in the next fiscal year.

## (Notes to the Consolidated Balance Sheets)

### \*1 Accumulated depreciation of property, plant and equipment

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Accumulated depreciation of property, plant and equipment	¥32,747 million	¥34,765 million

### \*2 Contractual liabilities, which included in other, are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Contractual liabilities	¥5,513 million	¥6,313 million

## (Notes to the Consolidated Statements of Income)

### \*1 Revenue arising from contracts with customers

Net sales are not presented separately for revenues arising from contracts with customers and other revenue. The amounts of revenue arising from contracts with customers is presented in the notes to the consolidated financial statements “Revenue Recognition” “1. Information on disaggregation of Revenue arising from contracts with customers”.

### \*2 Major accounts and amounts of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
1 Salaries and allowances	¥31,315 million	¥34,437 million
2 Provision for bonuses	¥4,314 million	¥3,542 million
3 Retirement benefit expenses	¥1,911 million	¥2,045 million
4 Depreciation	¥2,358 million	¥2,661 million
5 Legal welfare expenses	¥6,571 million	¥7,043 million
6 Travel and transportation expenses	¥2,411 million	¥3,152 million
7 Research and development expenses	¥5,711 million	¥6,200 million
8 Freight and packing costs	¥2,514 million	¥2,581 million

### \*3 Research and development expenses included in general and administrative expenses and manufacturing costs for the year are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
	¥5,711 million	¥6,200 million

### \*4 Breakdown of gain on sales of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Machinery, equipment and vehicles	¥0 million	¥4 million
Tools, furniture and fixtures	¥0 million	¥15 million
Land	— million	¥678 million
Other	¥17 million	¥— million
Total	¥18 million	¥699 million

\*5 Breakdown of loss on sales of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Machinery, equipment and vehicles	¥0 million	— million
Tools, furniture and fixtures	¥0 million	¥0 million
Total	¥0 million	¥0 million

\*6 Breakdown of loss on disposal of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Buildings and structures	¥2 million	¥5 million
Machinery, equipment and vehicles	¥0 million	¥6 million
Tools, furniture and fixtures	¥9 million	¥4 million
Other	¥45 million	¥12 million
Total	¥58 million	¥29 million

## (Notes to the Consolidated Statements of Comprehensive Income)

\*1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Valuation difference on available-for-sale securities		
Arising during the year	¥(14) million	¥292 million
Reclassification adjustment	¥73 million	¥(36) million
Before tax effect adjustment	¥59 million	¥255 million
Tax effect	¥(18) million	¥(78) million
Valuation difference on available-for-sale securities	¥41 million	¥177 million
Foreign currency translation adjustment		
Arising during the year	¥1,301 million	¥1,616 million
Remeasurements of defined benefit plans, net of tax		
Arising during the year	¥453 million	¥79 million
Reclassification adjustment	¥(494) million	¥(479) million
Before tax effect adjustment	¥(41) million	¥(399) million
Tax effect	¥12 million	¥122 million
Remeasurements of defined benefit plans, net of tax	¥(28) million	¥(277) million
Total other comprehensive income	¥1,314 million	¥1,516 million

(Notes to the Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1 Type and number of issued shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	Number of shares at the end of the year
Common Stock (Shares)	88,730,980	—	—	88,730,980

2 Type and number of treasury shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	Number of shares at the end of the year
Common Stock (Shares)	3,561,589	764,392	16,455	4,309,526

(Summary of reasons for increase/decrease)

Breakdown of the increase is as follows:

Increase due to purchase of treasury shares based on the resolution of the Board of Directors	473,900 shares
Increase due to off-floor purchase (ToSTNet-3) of treasury shares	289,800 shares
Increase due to purchase of shares less than one unit	692 shares

Breakdown of the decrease is as follows:

Decrease due to disposal of treasury shares as restricted stock compensation	16,455 shares
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3 Dividends

(1) Dividends paid

Resolution	Type of share	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 25, 2021 The Ordinary General Meeting of Shareholders	Common Stock	3,236	38.0	March 31, 2021	June 28, 2021
November 8 2021 The Board of Directors	Common Stock	1,609	19.0	September 30, 2021	November 29, 2021

Note: Dividend per share based on the resolution of the Ordinary General Meeting of Shareholders on June 25, 2021 includes a special dividend of ¥20.

(2) Dividends for which the record date came during the fiscal year but for which the effective date came during the following fiscal year

Resolution	Type of share	Source of dividends	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 28, 2022 The Ordinary General Meeting of Shareholders	Common Stock	Retained earnings	4,052	48.0	March 31, 2022	June 29, 2022

Note: Dividend per share includes a special dividend of ¥15 and 70<sup>th</sup> anniversary dividend of ¥13.

Current fiscal year (From April 1, 2022 to March 31, 2023)

### 1 Type and number of issued shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	Number of shares at the end of the year
Common Stock (Shares)	88,730,980	—	500,000	88,230,980

(Summary of reasons for decrease)

Breakdown of the decrease is as follows:

Decrease due of cancellation of treasury shares 500,000 shares

### 2 Type and number of treasury shares

Type of share	Number of shares at the beginning of the year	Increase	Decrease	Number of shares at the end of the year
Common Stock (Shares)	4,309,526	322,706	527,620	4,104,612

(Summary of reasons for increase/decrease)

Breakdown of the increase is as follows:

Increase due to purchase of treasury shares based on the resolution of the Board of Directors 322,500 shares

Increase due to purchase of shares less than one unit 206 shares

Breakdown of the decrease is as follows:

Decrease due of cancellation of treasury shares 500,000 shares

Decrease due to disposal of treasury shares as restricted stock compensation 27,620 shares

### 3 Dividends

#### (1) Dividends paid

Resolution	Type of share	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 28, 2022 The Ordinary General Meeting of Shareholders	Common Stock	4,052	48.0	March 31, 2022	June 29, 2022
November 9 2022 The Board of Directors	Common Stock	1,682	20.0	September 30, 2022	November 30, 2022

Note: Dividend per share based on the resolution of the Ordinary General Meeting of Shareholders on June 28, 2022 includes a special dividend of ¥15 and 70<sup>th</sup> anniversary dividend of ¥13.

#### (2) Dividends for which the record date came during the fiscal year but for which the effective date came during the following fiscal year

Resolution	Type of share	Source of dividends	Total dividends to be paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 28, 2023 The Ordinary General Meeting of Shareholders	Common Stock	Retained earnings	3,449	41.0	March 31, 2023	June 29, 2023

## (Notes to the Consolidated Statements of Cash Flows)

\*1 The reconciliation between cash and cash equivalents at the end of fiscal year and amounts stated in the consolidated balance sheets

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Cash and deposits	¥28,925 million	¥33,459 million
Securities	¥32,000 million	¥11,000 million
Time deposits with maturities of more than three months	¥(829) million	¥(471) million
Cash and cash equivalents	¥60,095 million	¥43,988 million

\*2 Major breakdown of assets and liabilities of the Company newly consolidated as a result of acquisition of shares

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Breakdown of assets and liabilities at the time of consolidation due to new consolidation as a result of acquisition of shares, and reconciliation between the acquisition cost and the net proceeds (net amount) and considerations (net amount) from the acquisition are as follows:

Advanced Medical Predictive Devices, Diagnostics and Displays, Inc.

Current Assets	¥37 million
Non-current Assets	¥0 million
Technology related assets	¥956 million
Software	¥114 million
Goodwill	¥413 million
Current liabilities	¥(281) million
Non-current liabilities	¥(275) million
Acquisition cost	¥964 million
Cash and cash equivalents	¥(35) million
Consideration for acquisition	¥929 million

Current fiscal year (From April 1, 2022 to March 31, 2023)

Omitted due to insignificant in terms of amounts.

### (Lease Transaction)

#### 1. Finance leases

##### (i) Details of the lease assets

Property, plant and equipment

Mainly vehicles (machinery, equipment and vehicles) for domestic and overseas sales operations

##### (ii) Depreciation and amortization of the lease assets

Depreciation and amortization of the lease assets are stated in “3. Significant accounting principles (2) Depreciation and amortization methods for material depreciable assets”.



## 2. Operating leases

### Future minimum lease commitments under non-cancelable operating lease

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Due within one year	¥12 million	¥19 million
Due after one year	¥8 million	¥14 million
Total	¥21 million	¥34 million

## (Financial Instruments)

### 1. Status of financial instruments

#### (1) Policies on financial instruments

The Group has a policy to invest in sound and highly safe financial instruments. The Group uses internally generated funds for business, and when a temporary shortfall of the working capital the Group raises 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) Description of financial instruments and related risk of financial instruments

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 raises necessary funds through short-term bank loans when a temporary shortfall of the working capital.

#### (3) Risk management system relates to financial instruments

##### (i) Credit risk (risk related to counterparties' default, etc.) management

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.

##### (ii) Market risk (risk of fluctuations in foreign exchange rates, interest rates, etc.) management

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 probable 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.

##### (iii) Liquidity risk (risk of failure to make payments at due date) management related to funding

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 by incorporating variable factors, and the fair value might differ if different assumptions and other factors are used.

## 2. Fair value of financial instruments, etc.

Carrying amount in the consolidated balance sheets, fair values and differences are as follows:

Previous fiscal year (As of March 31, 2022)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Differences (Millions of yen)
(i) Investment securities			
Available-for-sale securities			
Equity securities	4,768	4,768	—

Notes:

1. “Cash and deposits”, “Notes receivable - trade”, “Accounts receivable - trade”, “Securities”, “Notes and accounts payable - trade” and “Short-term loans payable” are omitted because they are cash or the items of which fair values approximate their carrying amount due to their short maturities.

2. Equity securities without market value, etc. are not included in “(i) Investments in securities - Available-for-sale securities - Equity securities”.

The carrying amount of such financial instruments are as follow:

Classification	Previous fiscal year (March 31, 2022)
Unlisted equity securities	¥889 million

3. Investments in partnerships and other similar entities in which the net amount of shareholding is recognized in the consolidated balance sheets are not included in “(i) Investments in securities - Available-for-sale securities - Stocks”. The carrying amount of such financial instruments are as follow:

Classification	Previous fiscal year (March 31, 2022)
Investments in limited partnership and similar partnership	¥567 million

## 4. Projected future redemption of monetary claim and securities with maturities after the end of the fiscal year

Classification	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	28,925	—	—	—
Notes receivable - trade	5,354	—	—	—
Accounts receivable - trade	53,027	—	—	—
Securities	32,000	—	—	—

## 5. Repayments schedule of bonds, long-term loans payable, lease obligations and other interest-bearing liabilities after the end of the fiscal year

Not applicable for bonds and long-term loans payable.

	Due within one year (Millions of yen)	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Short-term loans payable	325	—	—	—	—
Lease obligations	10	9	12	2	0
Total	335	9	12	2	0

Current fiscal year (As of March 31, 2023)

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Differences (Millions of yen)
(i) Investment securities			
Available-for-sale securities			
Equity securities	4,977	4,977	—

Notes:

- “Cash and deposits”, “Notes receivable - trade”, “Accounts receivable - trade”, “Securities”, “Notes and accounts payable - trade” and “Short-term loans payable” are omitted because they are cash or the items of which fair values approximate their carrying amount due to their short maturities.
- Equity securities without market value, etc. are not included in “(i) Investments in securities - Available-for-sale securities - Equity securities”. The carrying amount of such financial instruments are as follow:

Classification	Current fiscal year (March 31, 2023)
Unlisted equity securities	¥1,126 million

- Investments in partnerships and other similar entities in which the net amount of shareholding is recognized in the consolidated balance sheets are not included in “(i) Investments in securities - Available-for-sale securities - Stocks”. The carrying amount of such financial instruments are as follow:

Classification	Current fiscal year (March 31, 2023)
Investments in limited partnership and similar partnership	¥609 million

4. Projected future redemption of monetary claim and securities with maturities after the end of the fiscal year

Classification	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	33,459	—	—	—
Notes receivable - trade	2,401	—	—	—
Accounts receivable - trade	59,934	—	—	—
Securities	11,000	—	—	—

- Repayments schedule of bonds, long-term loans payable, lease obligations and other interest-bearing liabilities after the end of the fiscal year  
Not applicable for bonds and long-term loans payable.

	Due within one year (Millions of yen)	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Short-term loans payable	403	—	—	—	—
Lease obligations	21	14	2	0	—
Total	425	14	2	0	—

3. Breakdown of financial instruments by each fair value level

The fair value of financial instruments is classified into the following three levels, depending on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair value based on quoted market prices for assets or liabilities that are the subject of the calculation of such fair value in an active market amongst the inputs to the measurement of observable fair value

Level 2: Fair value measured using inputs for the calculation of fair value other than Level 1 inputs amongst the inputs to the measurement of observable fair value

Level 3: Fair value measured using unobservable inputs for fair value calculations

Fair value is classified at the lowest priority level in the measurement of fair value among the levels to which each of those inputs belong where multiple inputs are used that have a significant impact on the measurement of fair value.

(1) Financial instruments that are stated at fair value in the accompanying consolidated financial statements

Previous fiscal year (As of March 31, 2022)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	4,768	—	—	4,768
Assets total	4,768	—	—	4,768

Current fiscal year (As of March 31, 2023)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	4,977	—	—	4,977
Assets total	4,977	—	—	4,977

(2) Financial instruments other than that are stated at fair value in the accompanying consolidated financial statements

Previous fiscal year (As of March 31, 2022)

Not applicable.

Current fiscal year (As of March 31, 2023)

Not applicable.

Notes: Information on valuation models and inputs that are used to determine fair value

Investment securities

Fair value of listed shares is determined using quoted market prices. Fair value of listed shares is classified as Level 1 as listed shares are traded in active markets.

## (Securities)

Previous fiscal year (As of March 31, 2022)

### 1. Held-to-maturity debt securities with market value

Not applicable.

### 2. Available-for-sale securities with market value

Classification	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost			
Equity securities	4,666	1,646	3,020
Subtotal	4,666	1,646	3,020
Securities whose carrying value does not exceed their acquisition cost			
Equity securities	102	111	(8)
Subtotal	102	111	(8)
Total	4,768	1,757	3,011

### 3. Available-for-sale securities sold during the fiscal year (From April 1, 2021 to March 31, 2022)

Classification	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Equity securities	14	6	—

### 4. Available-for-sale securities impaired during the fiscal year (From April 1, 2021 to March 31, 2022)

In the current fiscal year, the Group recognized impairment loss of ¥265 million on investment securities.

Current fiscal year (As of March 31, 2023)

### 1. Held-to-maturity debt securities with market value

Not applicable.

### 2. Available-for-sale securities with market value

Classification	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost			
Equity securities	4,977	1,754	3,223
Subtotal	4,977	1,754	3,223
Securities whose carrying value does not exceed their acquisition cost			
Equity securities	—	—	—
Subtotal	—	—	—
Total	4,977	1,754	3,223

### 3. Available-for-sale securities sold during the fiscal year (From April 1, 2022 to March 31, 2023)

Classification	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Equity securities	85	3	—

### 4. Available-for-sale securities impaired during the fiscal year (From April 1, 2022 to March 31, 2023)

In the current fiscal year, the Group recognized impairment loss of ¥80 million on investment securities.

#### (Derivative Transactions)

Not applicable, as the Group does not use derivative transactions.

#### (Retirement Benefits)

##### 1. Outline of retirement benefit plans

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.

##### 2. Defined benefit plan

###### (1) Reconciliation of beginning and ending balance of retirement benefit obligation

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Retirement benefit obligation at the beginning of year	¥25,376 million	¥25,473 million
Service cost	¥1,507 million	¥1,476 million
Interest expense	¥86 million	¥129 million
Actuarial gains or losses	¥(534) million	¥(676) million
Benefits paid	¥(962) million	¥(1,021) million
Retirement benefit obligation at the end of year	¥25,473 million	¥25,381 million

###### (2) Reconciliation of beginning and ending balance of plan assets

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Plan assets at the beginning of year	¥23,668 million	¥24,499 million
Expected return on plan assets	¥134 million	¥129 million
Actuarial gains or losses	¥(81) million	¥(596) million
Employer contributions	¥1,739 million	¥1,798 million
Benefits paid	¥(962) million	¥(1,021) million
Plan assets at the end of year	¥24,499 million	¥24,809 million

(3) Reconciliation of retirement benefit obligations and plan assets at the end of the year to retirement benefit liabilities and retirement benefit assets recognized in the consolidated balance sheet

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Funded retirement benefit obligation	¥25,473 million	¥25,381 million
Plan assets	¥(24,499) million	¥(24,809) million
	¥973 million	¥571 million
Unfunded retirement benefit obligation	¥99 million	¥97 million
Net liabilities for retirement benefits recognized in consolidated balance sheet	¥1,073 million	¥669 million
Liabilities for retirement benefits	¥1,073 million	¥669 million
Net liabilities for retirement benefits recognized in consolidated balance sheet	¥1,073 million	¥669 million

(4) The components of retirement benefit expenses

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Service cost	¥1,507 million	¥1,476 million
Interest cost	¥86 million	¥129 million
Expected return on plan assets	¥(134) million	¥(129) million
Amortization of actuarial gain or loss	¥(494) million	¥(479) million
Retirement benefit expenses	¥964 million	¥997 million

(5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Actuarial gain or loss	¥41 million	¥399 million
Total	¥41 million	¥399 million

(6) Accumulated remeasurements of retirement benefit plans

Accumulated remeasurements of retirement benefit plans (before tax effects) are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Unrecognized actuarial gain or loss	¥(1,298) million	¥(898) million
Total	¥(1,298) million	¥(898) million

(7) Plan assets

(i) Breakdown of major plan assets

The percentages of total plan assets by major classification are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Debt securities	47.3%	42.1%
Equity securities	12.1%	14.0%
Short-term investments	14.4%	16.5%
General account of life insurance	24.8%	25.4%
Other	1.4%	2.0%
Total	100.0%	100.0%

(ii) Method for setting long-term expected rate of return

The current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise the pension assets are considered when determining the long-term expected rate of return on pension assets.

(8) Basic items for calculating actuarial differences

Major actuarial basis (stated as a weighted average) are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Discount rate	0.5%	0.8%
Long-term expected rate of return	0.5%	0.8%

3. Defined contribution plans

The amount to be paid by the Company and the consolidated subsidiaries to the defined contribution plans was ¥1,057 million and ¥1,123 million for the years ended March 31, 2022 and 2023, respectively.



## (Tax Effect Accounting)

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax assets:		
Valuation loss for inventories	¥1,492 million	¥1,756 million
Accrued business tax	¥273 million	¥133 million
Provision for bonuses	¥1,400 million	¥1,175 million
Liabilities for retirement benefits	¥343 million	¥216 million
Provision for product warranties	¥149 million	¥164 million
Depreciation and amortization	¥2,096 million	¥2,013 million
Intercompany profits on inventories, and property, plant and equipment	¥1,701 million	¥1,953 million
Intangible assets	¥406 million	¥389 million
Asset retirement obligations	¥263 million	¥266 million
Tax loss carryforwards (Note)	¥2,073 million	¥3,272 million
Other	¥1,958 million	¥2,171 million
Subtotal of deferred tax assets	¥12,158 million	¥13,511 million
Valuation allowance for tax loss carryforwards (Note)	¥(1,994) million	¥(2,749) million
Valuation allowance for deductible temporary differences	¥(1,168) million	¥(1,329) million
Total valuation allowance	¥(3,163) million	¥(4,079) million
Total deferred tax assets	¥8,995 million	¥9,432 million
Deferred tax liabilities:		
Asset retirement obligations	¥(211) million	¥(205) million
Net unrealized gain on available-for-sale securities	¥(955) million	¥(1,033) million
Valuation difference	¥(372) million	¥(355) million
Undistributed retained earnings of foreign subsidiaries	¥(948) million	¥(1,018) million
Other	¥(513) million	¥(532) million
Total deferred tax liabilities	¥(3,002) million	¥(3,146) million
Net deferred tax assets	¥5,992 million	¥6,286 million

Note: Amounts of tax loss carryforwards and related valuation allowance

Previous fiscal year (As of March 31, 2022)

	Due within one year (Millions of yen)	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards (a)	—	—	—	—	—	2,073	2,073
Valuation allowance	—	—	—	—	—	(1,994)	(1,994)
Deferred tax assets	—	—	—	—	—	78	78

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

Current fiscal year (As of March 31, 2023)

	Due within one year (Millions of yen)	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards (a)	—	—	—	—	121	3,150	3,272
Valuation allowance	—	—	—	—	—	(2,749)	(2,749)
Deferred tax assets	—	—	—	—	121	401	522

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

2. The reconciliation of the statutory tax rate and the effective tax rate when there is a significant difference

Previous fiscal year (As of March 31, 2022)

The reconciliation of the statutory tax rate and the effective tax rate is not subject to disclosure because the difference between the rates does not exceed 5% of the statutory tax rate.

Current fiscal year (As of March 31, 2023)

The reconciliation of the statutory tax rate and the effective tax rate is not subject to disclosure because the difference between the rates does not exceed 5% of the statutory tax rate.

## (Revenue Recognition)

### 1. Information on disaggregation of revenue arising from contracts with customers

Information on disaggregation of revenue arising from contracts with major customers by category of products are as follows:

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment	Total
	Medical Electronic Equipment	
Physiological Measuring Equipment	39,681	39,681
Patient Monitors	84,860	84,860
Treatment Equipment	43,388	43,388
Other Medical Equipment	37,198	37,198
Revenue arising from contracts with customers	205,129	205,129
Other revenue	—	—
Net Sales to external customers	205,129	205,129

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reporting segment	Total
	Medical Electronic Equipment	
Physiological Measuring Equipment	43,287	43,287
Patient Monitors	80,815	80,815
Treatment Equipment	44,463	44,463
Other Medical Equipment	38,036	38,036
Revenue arising from contracts with customers	206,603	206,603
Other revenue	—	—
Net Sales to external customers	206,603	206,603

### 2. Information on the basis for understanding revenues arising from contracts with customers

Information on the basis for understanding revenues is stated in “(Basis of Presentation of the Consolidated Financial Statements) 3. Significant accounting principles (6) Recognition criteria for significant revenues and expenses”.

3. Information on the relationship between the satisfaction of performance obligations under contracts with customers and the cash flows arising from such contracts, and the amounts and timing of revenue expected to be recognized from contracts with customers that exist at the end of the current fiscal year

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(1) Remaining Contract Liabilities, etc.

(Millions of yen)

	Current fiscal year
Receivables from Contracts with Customers (Beginning Balance)	68,612
Receivables from Contracts with Customers (Ending Balance)	58,381
Contract Liabilities (Beginning Balance)	4,035
Contract Liabilities (Ending Balance)	5,513

Contract liabilities mainly relate to advances received from customers based on payment terms, which are reversed upon revenue recognition.

The amounts of revenue recognized in the current fiscal year that were included in the contract liabilities at the beginning of the year were ¥2,508 million.

(2) Allocation of transaction price to residual performance obligation

Total amounts of transaction price which allocated to residual performance obligation and the period in which revenue is expected to be recognized are as follows:

(Millions of yen)

	Current fiscal year
Within one year	14,431
More than one year	4,008
Total	18,440

Current fiscal year (From April 1, 2022 to March 31, 2023)

(1) Remaining Contract Liabilities, etc.

(Millions of yen)

	Current fiscal year
Receivables from Contracts with Customers (Beginning Balance)	58,381
Receivables from Contracts with Customers (Ending Balance)	65,005
Contract Liabilities (Beginning Balance)	5,513
Contract Liabilities (Ending Balance)	6,313

Contract liabilities mainly relate to advances received from customers based on payment terms, which are reversed upon revenue recognition.

The amounts of revenue recognized in the current fiscal year that were included in the contract liabilities at the beginning of the year were ¥3,524 million.

(2) Allocation of transaction price to residual performance obligation

Total amounts of transaction price which allocated to residual performance obligation and the period in which revenue is expected to be recognized are as follows:

(Millions of yen)

	Current fiscal year
Within one year	16,449
More than one year	3,554
Total	20,004

## (Segment Information)

[Segment information]

Because the Company and consolidated subsidiaries operate in one operating segment, medical electronic equipment business, the segment information is not disclosed.

[Related information]

Previous fiscal year (From April 1, 2021 to March 31, 2022)

### 1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	39,681	84,860	43,388	37,198	205,129

### 2. Geographic information

#### (1) Net sales

(Millions of yen)

Japan	Americas	Europe	Asia and other	Total
136,321	33,436	11,449	23,921	205,129

Notes: Net sales are based on the location of customers and are classified by country or region.

#### (2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Europe	Asia and other	Total
18,400	760	234	525	19,920

### 3. Information by major customers

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

Current fiscal year (From April 1, 2022 to March 31, 2023)

### 1. Information by products and services

(Millions of yen)

	Physiological Measuring Equipment	Patient Monitors	Treatment Equipment	Other Medical Equipment	Total
Net sales to external customers	43,287	80,815	44,463	38,036	206,603

### 2. Geographic information

#### (1) Net sales

(Millions of yen)

Japan	Americas	Europe	Asia and other	Total
135,734	36,818	12,349	21,701	206,603

Note: Net sales are based on the location of customers and are classified by country or region.

#### (2) Property, plant and equipment

(Millions of yen)

Japan	Americas	Europe	Asia and other	Total
21,682	1,047	264	1,451	24,446

Note: This item is disclosed because property, plant and equipment located outside Japan exceeded 10% of the total property, plant and equipment on the consolidated balance sheet from the current fiscal year. The amounts for previous fiscal year are disclosed based on the same regional classification as the current fiscal year, although this item was not disclosed in the previous fiscal year because more than 90% of property, plant and equipment in the consolidated balance sheet were located in Japan.

### 3. Information by major customers

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

[Information of impairment losses on fixed assets by reported segments]

Not applicable.

[Amortization and unamortized balance of goodwill by reported segments]

Because the Group operates only one reportable segment, medical electronic devices related business, the segment information is not disclosed.

[Negative goodwill incurred by reported segments]

Not applicable.

[Business transactions with related parties]

There are no significant transactions to be disclosed.

## (Per Share Information)

Item	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Net assets per share	¥1,852.39	¥1,992.30
Net income per share	¥276.51	¥203.28

Notes:

1. Diluted net income per share for the previous and current fiscal year are not stated as there are no potential shares that have dilutive effect.
2. The basis for calculating net income per share and net assets per share is as follows:

### (1) Net income per share

Item	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Income attributable to owners of parent (Millions of yen)	23,435	17,110
Income not applicable to common stockholders (Millions of yen)	—	—
Income attributable to owners of parent applicable to common stockholders (Millions of yen)	23,435	17,110
Weighted average number of shares outstanding (Thousands of shares)	84,757	84,170

### (2) Net assets per share

Item	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total net assets (Millions of yen)	156,381	167,604
Amounts deducted from total net assets (Millions of yen)	—	—
Net assets applicable to common stockholders (Millions of yen)	156,381	167,604
Number of shares outstanding at the end of year on which net assets per share is calculated (Thousands of shares)	84,421	84,126

## (Subsequent Events)

Not applicable.

(v) Supplementary Consolidated Statements

[Detailed schedule of bonds]

Not applicable.

[Detailed schedule of interest-bearing debts]

Category	Balance at the beginning of the year (Millions of yen)	Balance at the end of the year (Millions of yen)	Average interest rate (%)	Maturity date
Short-term loans payable	325	403	1.190	—
Long-term loans payable due within one year	—	—	—	—
Lease obligations due within one year	10	21	—	—
Long-term loans payable (excluding the one with due within one year)	—	—	—	—
Lease obligations (excluding the one with due within one year)	24	17	—	From 2024 To 2027
Other interest-bearing debts	—	—	—	—
Total	360	443	—	—

Notes:

1. Average interest rate is the weighted average interest rate of loans at the end of the fiscal year.

However, the average interest rate is not stated for lease obligations because they are recorded on the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease payments.

2. The schedule of lease obligations (excluding the one with due within one year) within five years from the end of the current fiscal year is as follows:

Category	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Lease obligations	14	2	0	—

[Detailed schedule of asset retirement obligations]

Omitted as the amounts of asset retirement obligation at the beginning and end of the current fiscal year are less than 1/100 of the total liabilities and net assets at the beginning and end of the current fiscal year, respectively.



## (2) Other

Quarterly information for the current fiscal year, etc.

(Cumulative period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (Millions of yen)	44,363	94,349	144,557	206,603
Income before income taxes (Millions of yen)	5,483	12,975	13,890	24,716
Income attributable to owners of parent (Millions of yen)	3,679	8,541	8,860	17,110
Net income per share (Yen)	43.66	101.43	105.25	203.28

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	43.66	57.79	3.80	98.06

## 2. Non-consolidated Financial Statements

### (1) Non-consolidated Financial Statements

#### (i) Non-consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
<b>ASSETS</b>		
Current assets		
Cash and deposits	9,615	12,405
Notes receivable – trade	5,276	2,351
Electronically recorded monetary claims – trade	—	2,669
Accounts receivable – trade	*1 52,679	*1 56,739
Securities	32,000	11,000
Merchandise and finished goods	16,039	19,066
Work in process	1,416	1,920
Raw materials and supplies	442	588
Prepaid expenses	684	739
Accrued income	96	415
Short-term loans receivable from subsidiaries and associates	25,150	36,435
Accounts receivable – other	*1 11,595	*1 10,123
Advances paid	13	52
Other current assets	70	34
Allowance for doubtful accounts	(5,089)	(4,775)
Total current assets	149,992	149,767
Non-current assets		
Property, plant and equipment		
Buildings	14,342	14,522
Accumulated depreciation	(5,285)	(5,611)
Buildings, net	9,057	8,911
Structures	210	196
Accumulated depreciation	(167)	(169)
Structures, net	42	27
Machinery and equipment	1,052	663
Accumulated depreciation	(701)	(517)
Machinery and equipment, net	350	146
Vehicles	5	5
Accumulated depreciation	(5)	(5)
Vehicles, net	0	0
Tools, furniture and fixtures	19,480	20,267
Accumulated depreciation	(16,968)	(17,760)
Tools, furniture and fixtures, net	2,512	2,507
Land	2,355	5,666
Lease assets	45	26
Accumulated depreciation	(33)	(18)
Lease assets, net	12	7
Construction in progress	352	661
Total property, plant and equipment	14,683	17,928

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
<b>Intangible assets</b>		
Goodwill	93	87
Patent right	7	5
Software	868	1,155
Telephone subscription right	56	55
Other intangible assets	11	13
<b>Total intangible assets</b>	<b>1,037</b>	<b>1,317</b>
<b>Investments and other assets</b>		
Investment securities	6,213	6,710
Shares of subsidiaries and associates	5,834	9,204
Investments in capital of subsidiaries and associates	2,665	2,832
Long-term loans receivable from employees	2	2
Deferred tax assets	4,437	3,918
Other investments and other assets	1,832	1,933
Allowance for doubtful accounts	(77)	(77)
<b>Total investments and other assets</b>	<b>20,909</b>	<b>24,524</b>
<b>Non-current assets</b>	<b>36,630</b>	<b>43,770</b>
<b>Total assets</b>	<b>186,622</b>	<b>193,538</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable – trade	*1 26,329	*1 24,543
Short-term loans payable	275	250
Accounts payable – other	*1 2,437	*1 1,154
Accrued income taxes	5,069	2,902
Accrued expenses	2,455	2,293
Contract liabilities	2,977	3,354
Deposits received	247	264
Provision for bonuses	4,063	3,408
Provision for product warranties	352	319
Other current liabilities	5	3
<b>Total current liabilities</b>	<b>44,212</b>	<b>38,496</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	2,261	1,502
Asset retirement obligations	861	869
Other non-current liabilities	25	15
<b>Total non-current liabilities</b>	<b>3,148</b>	<b>2,387</b>
<b>Total liabilities</b>	<b>47,360</b>	<b>40,884</b>

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	7,544	7,544
Capital surplus		
Legal capital surplus	10,482	10,482
Other capital surplus	41	21
Total capital surplus	10,523	10,504
Retained earnings		
Legal retained earnings	1,149	1,149
Other retained earnings		
General reserve	104,460	118,460
Retained earnings brought forward	22,717	21,774
Total retained earnings	128,327	141,383
Treasury shares	(9,331)	(9,155)
Total shareholders' equity	137,063	150,277
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,198	2,377
Total valuation and translation adjustments	2,198	2,377
Total net assets	139,262	152,654
Total liabilities and net assets	186,622	193,538

## (ii) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 To March 31, 2022)		Current fiscal year (From April 1, 2022 To March 31, 2023)	
<b>Net Sales</b>				
Net sales of finished goods	*1	116,212	*1	113,025
Net sales of merchandise	*1	45,764	*1	46,390
Total net sales		161,976		159,415
<b>Cost of sales</b>				
Beginning merchandise and finished goods		15,521		15,721
Cost of products manufactured	*1	364	*1	352
Purchase of finished goods	*1	46,889	*1	48,520
Purchase of merchandise	*1	34,521	*1	35,840
Total		97,297		100,434
Ending merchandise and finished goods		15,721		18,693
Total cost of sales		81,576		81,741
Gross profit		80,400		77,674
Selling, general and administrative expenses	*2	54,749	*2	56,564
Operating income		25,650		21,109
<b>Non-operating income</b>				
Interest income	*1	201	*1	824
Dividend income	*1	2,649	*1	1,618
Subsidy income		61		44
Foreign exchange gains		3,193		2,390
Rental income from land and buildings	*1	166	*1	169
Gain on valuation of investment securities		—		33
Other non-operating income	*1	239	*1	161
Total non-operating income		6,511		5,241
<b>Non-operating expenses</b>				
Interest expenses	*1	1	*1	1
Loss on valuation of investment securities		80		—
Other non-operating expenses		101		36
Total non-operating expenses		184		37
Ordinary income		31,977		26,313
<b>Extraordinary income</b>				
Gain on sale of non-current assets	*3	17	*3	692
Gain on sale of investment securities		6		1
Reversal of provision of allowance for doubtful accounts for subsidiaries and associates		—		308
Total extraordinary income		24		1,002
<b>Extraordinary losses</b>				
Loss on sales of non-current assets	*4	0	*4	0
Loss on disposal of non-current assets	*5	48	*5	17
Loss on valuation of investment securities		—		72
Provision of allowance for doubtful accounts for subsidiaries and associates		1,535		—
Total extraordinary losses		1,584		90
Income before income taxes		30,418		27,225
Income taxes – current		8,936		6,919
Income taxes – deferred		186		440
Total income taxes		9,122		7,359
Net income		21,295		19,865

(iii) Non-consolidated Statements of Changes in Equity  
 Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at April 1, 2021	7,544	10,482	23	10,505	1,149	98,960	11,930	112,040
Cumulative effects of accounting changes							(162)	(162)
Restated balance at April 1, 2021	7,544	10,482	23	10,505	1,149	98,960	11,768	111,877
Changes arising during year								
Cash dividends							(4,845)	(4,845)
Net income							21,295	21,295
Provision of general reserve						5,500	(5,500)	—
Purchase of treasury share								
Disposal of treasury share			17	17				
Net changes other than stockholders' equity								
Total changes during the year	—	—	17	17	—	5,500	10,949	16,449
Balance at March 31, 2022	7,544	10,482	41	10,523	1,149	104,460	22,717	128,327

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2021	(6,966)	123,123	2,156	2,156	125,280
Cumulative effects of accounting changes		(162)			(162)
Restated balance at April 1, 2021	(6,966)	122,961	2,156	2,156	125,118
Changes arising during year					
Cash dividends		(4,845)			(4,845)
Net income		21,295			21,295
Provision of general reserve		—			—
Purchase of treasury share	(2,399)	(2,399)			(2,399)
Disposal of treasury share	34	52			52
Net changes other than stockholders' equity			41	41	41
Total changes during the year	(2,364)	14,102	41	41	14,144
Balance at March 31, 2022	(9,331)	137,063	2,198	2,198	139,262

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2022	7,544	10,482	41	10,523	1,149	104,460	22,717	128,327
Cumulative effects of accounting changes							—	—
Restated balance at April 1, 2022	7,544	10,482	41	10,523	1,149	104,460	22,717	128,327
Changes arising during year								
Cash dividends							(5,734)	(5,734)
Net income							19,865	19,865
Provision of general reserve						14,000	(14,000)	—
Purchase of treasury share								
Disposal of treasury share			(19)	(19)			(1,074)	(1,074)
Net changes other than stockholders' equity								
Total changes during the year	—	—	(19)	(19)	—	14,000	(943)	13,056
Balance at March 31, 2023	7,544	10,482	21	10,504	1,149	118,460	21,774	141,383

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2022	(9,331)	137,063	2,198	2,198	139,262
Cumulative effects of accounting changes		—			—
Restated balance at April 1, 2022	(9,331)	137,063	2,198	2,198	139,262
Changes arising during year					
Cash dividends		(5,734)			(5,734)
Net income		19,865			19,865
Provision of general reserve		—			—
Purchase of treasury share	(1,000)	(1,000)			(1,000)
Disposal of treasury share	1,176	83			83
Net changes other than stockholders' equity			178	178	178
Total changes during the year	176	13,213	178	178	13,392
Balance at March 31, 2023	(9,155)	150,277	2,377	2,377	152,654

[Notes to the Non-consolidated Financial Statements]

(Assumption of Going Concern)

Not applicable.

(Significant Accounting Principles)

1 Valuation standards and methodology for securities

(1) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(2) Available-for-sale securities

-Securities other than for which there are no fair value:

Stated at fair value based on the quoted market price at the fiscal year end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)

-Securities for which there are no fair value:

Stated at cost determined by the moving average method

2 Valuation standards and methodology for derivatives

Derivatives (forward exchange contracts)

Stated at fair value

3 Valuation standards and methodology for inventories

Valuation standard is stated at cost (balance sheet amounts are measured at the lower of either cost or net selling value)

Valuation methodology for each category of inventories is as follows:

Finished goods, Merchandise, semiprocessed goods : moving average method

Work in process : specific identification method

Raw materials, supplies : moving average method

4 Depreciation and amortization methods for depreciable assets

(1) Property, plant and equipment (excluding lease assets) : declining-balance method

Straight-line method is applied 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.

The estimated useful lives are as follows:

Buildings and structures 3-50 years

Machinery, equipment and vehicles 2-15 years

(2) Intangible assets (excluding lease assets) : straight-line method

Straight-line method over the useful lives (mainly 5 years) is applied for software.

(3) Lease assets

Lease assets related to finance lease transaction without transfer of ownership

Lease assets are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.



## 5 Policy on translation of major assets and liabilities denominated in foreign currency into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange at the balance sheet date and the translation differences are treated as gains and losses.

## 6 Basis of material allowances

### (1) Allowance for doubtful accounts

In preparation for losses due to bad debt, allowance for doubtful accounts is measured at estimated recoverable amount. For general receivables, the recoverable amounts are estimated by historical write-off ratio and for individual receivables such as receivables with default risk, the recoverable amounts are estimated on an individual basis.

### (2) Provision for bonuses

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

### (3) Provision for retirement benefits

Provided in preparation for the payment of retirement benefits to employees is based on the estimated retirement benefit obligations and fair value of plan assets at the end of the current fiscal year.

#### (i) The method of attributing expected retirement benefit

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

#### (ii) The method of amortizing actuarial gains and losses

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

The treatment of unrecognized actuarial differences related to retirement benefits in the non-consolidated balance sheets differs from the one in the consolidated balance sheets.

### (4) Provision for product warranties

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

## 7 Recognition criteria for revenues and expenses

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

### (i) Sales of products

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

### (ii) Repair, maintenance and other services

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

## 8 Method of hedge accounting

### (1) Hedge accounting

Deferral hedge accounting is applied.

### (2) Hedge methods and hedged items

Hedge methods      Derivative transactions (forward exchange contract)

Hedged items      Planned trading transactions that are denominated in foreign currencies

### (3) Hedge policy

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

### (4) Evaluation of hedge effectiveness

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

## 9 Goodwill amortization and amortization period

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

## (Significant Accounting Estimates)

### Recoverability of deferred tax assets

#### (1) The amounts recorded in the non-consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax assets	4,437	3,918

#### (2) Information on the nature of significant accounting estimates for identified items

The Company recognizes deferred tax assets for deductible temporary differences that are determined to be recoverable based on estimates of future taxable income and tax planning. Future taxable income is based on future business plans, the primary assumptions of which are estimated sales, cost of sales, and selling, general and administrative expenses based on market trends and other factors. However, the estimation is subject to uncertainty, and if they need to be revised due to uncertain future changes in economic conditions, the amount of deferred tax assets may be materially affected in the following fiscal year or later.

## (Changes in Accounting Policies)

### (Application of “Accounting Standards for Fair Value Measurement”, etc.)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter as “Implementation Guidance on Accounting Standard for Fair Value Measurement”) is applied from the beginning of the current fiscal year and the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement is to be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the financial statements.

## (Notes to the Non-consolidated Balance Sheets)

### \*1 Assets and liabilities to related companies

Major items included in each account other than those presented separately are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Accounts receivable – trade	¥12,817 million	¥12,643 million
Accounts receivable – other	¥11,443 million	¥9,927 million
Accounts payable – trade	¥5,269 million	¥5,139 million
Accounts payable – other	¥286 million	¥296 million

## (Notes to the Non-consolidated Statements of Income)

### \*1 Transactions with related companies

Major transactions with related companies included in each account are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Net sales of finished goods and Merchandise	¥24,317 million	¥24,193 million
Purchases of finished goods, Merchandise and raw materials	¥42,520 million	¥43,169 million
Interest income	¥200 million	¥811 million
Dividend income	¥2,542 million	¥1,498 million
Rental income from land and buildings	¥154 million	¥158 million
Other (non-operating income)	¥21 million	¥16 million
Interest expenses	¥0 million	¥0 million

### \*2 Major accounts and amounts of selling, general and administrative expenses are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
1 Salaries and allowances	¥16,506 million	¥17,543 million
2 Bonuses	¥3,420 million	¥3,513 million
3 Legal welfare expenses	¥4,235 million	¥4,287 million
4 Retirement benefit expenses	¥1,712 million	¥1,778 million
5 Provision for bonuses	¥4,063 million	¥3,408 million
6 Depreciation	¥1,735 million	¥1,841 million
7 Research and development expenses	¥3,954 million	¥3,764 million
8 Freight and packing costs	¥2,036 million	¥2,055 million
Approximate composition		
Selling expenses	41 %	41 %
General and administrative expenses	59 %	59 %

### \*3 Breakdown of gain on sales of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Tools, furniture and fixtures	¥—million	¥13million
Land	¥—million	¥678million
Other	¥17 million	¥— million
Total	¥17 million	¥692 million

\*4 Breakdown of loss on sales of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Machinery, equipment and vehicles	¥0 million	¥— million
Tools, furniture and fixtures	¥— million	¥0 million
Total	¥0 million	¥0 million

\*5 Breakdown of loss on retirement of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Current fiscal year (From April 1, 2022 To March 31, 2023)
Buildings and structures	¥1 million	¥1 million
Machinery, equipment and vehicles	¥0 million	¥5 million
Tools, furniture and fixtures	¥3 million	¥3 million
Other	¥43 million	¥6 million
Total	¥48 million	¥17 million

### (Securities)

Previous fiscal year (As of March 31, 2022)

Shares of subsidiaries and associates (the amount of ¥5,834 million stated in the non-consolidated balance sheet for the fiscal year is shares of subsidiaries) are not stated because they are securities with no market price.

Current fiscal year (As of March 31, 2023)

Shares of subsidiaries and associates (the amount of ¥9,204 million stated in the non-consolidated balance sheet for the fiscal year is shares of subsidiaries) are not stated because they are securities with no market price.

## (Tax Effect Accounting)

1. The principal components of deferred tax assets and deferred tax liabilities are as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax assets:		
Valuation loss for inventories	¥255 million	¥399 million
Provision for bonuses	¥1,244 million	¥1,043 million
Provision for retirement benefits	¥692 million	¥460 million
Provision for product warranties	¥107 million	¥97 million
Allowance for doubtful accounts	¥1,584 million	¥1,485 million
Loss on valuation of shares of subsidiaries and associates	¥928 million	¥928 million
Depreciation and amortization	¥2,068 million	¥1,969 million
Asset retirement obligations	¥263 million	¥266 million
Other	¥1,345 million	¥1,302 million
Subtotal of deferred tax assets	¥8,491 million	¥7,953 million
Valuation allowance for tax loss carryforwards	¥— million	¥— million
Valuation allowance for deductible temporary differences	¥(2,890) million	¥(2,798) million
Total valuation allowance	¥(2,890) million	¥(2,798) million
Total deferred tax assets	¥5,600 million	¥5,154 million
Deferred tax liabilities:		
Asset retirement obligations	¥(208) million	¥(202) million
Net unrealized gain on available-for-sale securities	¥(955) million	¥(1,033) million
Total deferred tax liabilities	¥(1,163) million	¥(1,236) million
Net deferred tax assets	¥4,437 million	¥3,918 million

2. The reconciliation of the statutory tax rate and the effective tax rate when there is a significant difference

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Statutory tax rate		30.6 %
(Reconciliation)		
Change in valuation allowance of deferred tax assets	The reconciliation of the statutory tax rate and the effective tax rate is not subject to disclosure because the difference between the rates does not exceed 5% of the statutory tax rate.	(0.3) %
Expenses not deductible for tax purposes such as entertainment expenses		0.2 %
Permanent not taxable such as dividend income		(1.6) %
Per capita tax		0.4 %
Tax credits primarily for research and development costs		(2.0) %
Other		(0.3) %
Effective tax rate after tax effect accounting		27.0 %

## (Revenue Recognition)

Information on the basis for understanding revenues arising from the Company's contracts with its customers is stated in "(Significant Accounting Principles) 7 Recognition criteria for revenues and expenses".

## (Subsequent Event)

Not applicable.

## (iv) Supplementary Non-consolidated Statements

## [Detailed schedule of property, plant and equipment and others]

Type of assets	Balance at the beginning of current year (Millions of yen)	Increase during the year (Millions of yen)	Decrease during the year (Millions of yen)	Balance at the end of current year (Millions of yen)	Accumulated depreciation or amortization at the end of current year (Millions of yen)	Depreciation or amortization during current year (Millions of yen)	Balance after deductions at the end of current year (Millions of yen)
Property, plant and equipment							
Buildings	14,342	197	17	14,522	5,611	342	8,911
Structures	210	0	14	196	169	6	27
Machinery and equipment	1,052	40	428	663	517	87	146
Vehicles	5	—	—	5	5	0	0
Tools, furniture and fixtures	19,480	1,449	661	20,267	17,760	1,448	2,507
Land	2,355	3,425	114	5,666	—	—	5,666
Lease assets	45	0	19	26	18	5	7
Construction in progress	352	580	271	661	—	—	661
Total property, plant and equipment	37,844	5,693	1,527	42,010	24,081	1,889	17,928
Intangible assets							
Goodwill	120	—	—	120	33	6	87
Patent right	17	—	4	13	7	1	5
Software	1,829	588	228	2,189	1,033	301	1,155
Telephone subscription right	56	—	1	55	—	—	55
Other	17	4	1	20	7	1	13
Total intangible assets	2,041	593	235	2,399	1,081	309	1,317

Note: Major components of increase during the year are as follows:

Tools, furniture and fixtures	Increase	Tools for sales promotion	¥699 million
		Measuring tools for development and production tools	¥298 million
		Molds	¥273 million
Land	Increase	Tsurugashima new factory site	¥2,339 million
		Land at Nishiochiai	¥1,085 million

## [Derailed schedule of allowances]

Category	Balance at the beginning of current year (Millions of yen)	Increase during the year (Millions of yen)	Decrease during the year (Used as intended) (Millions of yen)	Decrease during the year (Other) (Millions of yen)	Balance at the end of current year (Millions of yen)
Allowance for doubtful accounts	5,166	3	0	316	4,852
Provision for bonuses	4,063	3,408	4,063	—	3,408
Provision for product warranties	352	319	352	—	319

Notes:

- The “Decrease during the year (Other)” for allowance for doubtful accounts is mainly the amount reversed in consideration of the financial position of Nihon Kohden OrangeMed, Inc., a consolidated subsidiary of the Company.

(2) Major assets and liabilities

Omitted due to the preparation of consolidated financial statements.

(3) Other

Not applicable.

## VI. Outline of Filing Company's Business Concerning Shares

Fiscal year	From April 1, to March 31
Ordinary General Meeting of Shareholders	Within June
Record date	March 31
Record dates for dividends from surplus	September 30, March 31
Share unit	100 shares
Purchase of shares less than one unit:	
Handling office	(Special accounts) 4-1, Marunouchi 1-chome, Chiyoda, Tokyo Sumitomo Mitsui Trust Bank, Limited. Stock Transfer Agency Business Planning Dept.
Custodian of shareholder register	(Special accounts) 4-1, Marunouchi 1-chome, Chiyoda, Tokyo Sumitomo Mitsui Trust Bank, Limited.
Forwarding office	—
Handling charge	No charge
Method of public notice	Public notices will be disclosed by electronic public notice. However, if the Company is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper. The URL of public notice for the Company is as follows: <a href="https://www.nihonkohden.co.jp/ir/koukoku/index.html">https://www.nihonkohden.co.jp/ir/koukoku/index.html</a>
Special benefits for shareholders	Not applicable.

Notes: Pursuant to the Company's Articles of Incorporation, shareholders holding shares of less than one unit may not exercise any rights other than the following rights

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act
- (2) Right to make requests pursuant to Article 166, Paragraph 1 of the Companies Act
- (3) Right to receive allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by shareholders
- (4) Right to request the sale of the number of shares that, together with the number of shares less than one unit held by the shareholder, will constitute one unit of shares



## VII. Reference Information of the Filing Company

### 1. Information on the parent company of the filing company

The filing company has no parent company as stipulated in Article 24-7, Paragraph 1, of Financial Instruments and Exchange Act.

### 2. Other reference information

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the Japanese version of this Securities Report.

(1) Securities Report and Appendices, and Confirmation Letters	Fiscal Term (71 <sup>st</sup> Term)	From April 1, 2021 To March 31, 2022	Submitted to Director, Kanto Local Finance Bureau on June 29, 2022
(2) Internal Control Report and Appendices			Submitted to Director, Kanto Local Finance Bureau on June 29, 2022
(3) Quarterly Securities Report and Confirmation Letters	1 <sup>st</sup> Quarter of 72 <sup>nd</sup> Term	From April 1, 2022 To June 30, 2022	Submitted to Director, Kanto Local Finance Bureau on August 10, 2022
	2 <sup>nd</sup> Quarter of 72 <sup>nd</sup> Term	From July 1, 2022 To September 30, 2022	Submitted to Director, Kanto Local Finance Bureau on November 14, 2022
	3 <sup>rd</sup> Quarter of 72 <sup>nd</sup> Term	From October 1, 2022 To December 31, 2022	Submitted to Director, Kanto Local Finance Bureau on February 13, 2023
(4) Extraordinary Report			
Extraordinary report according to the provision of Article 19, Paragraph 2, Item 9-2, “Outcome of the Exercise of Voting Rights at General Meetings of Shareholders” of the Cabinet Office Regulations, regarding the disclosure of corporate information			Submitted to Director, Kanto Local Finance Bureau on June 30, 2022
Extraordinary report according to the provision of Article 19, Paragraph 3, Item 4, “Changes in Specified Subsidiaries” of the Cabinet Office Regulations, regarding the disclosure of corporate information			Submitted to Director, Kanto Local Finance Bureau on March 7, 2023
(5) Report on Status on Purchase of Treasury shares	Reported Period	From June 1, 2022 To June 30, 2022	Submitted to Director, Kanto Local Finance Bureau on July 6, 2022

## **Part II. Information on Guarantor for the Filing Company**

Not applicable.



**Crowe Toyo & Co.**

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(English Translation)  
Independent Auditor's Report

June 29, 2023

To the Board of Directors  
Nihon Kohden Corporation

Crowe Toyo & Co.  
Tokyo office

Yuko Suzuki, CPA  
Designated Partner,  
Engagement Partner

Takashi Miura, CPA  
Designated Partner,  
Engagement Partner

**<Financial Statements Audit>**

**Opinion**

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Nihon Kohden Corporation and its consolidated subsidiaries (the "Group") included in "Financial Information" for the fiscal year from April 1, 2022 to March 31, 2023, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets, and cash flows, significant accounting policies, other related notes, and the consolidated supplemental schedules.

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, 2023, 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 that are relevant to our audit of the consolidated financial statements 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Determination of indication of impairment of goodwill and intangible assets related to AMP3D	
Key audit matter	How the scope of our audit addressed the key audit matter
<p>The Company recognized ¥ 1,044 million of goodwill and ¥ 3,177 million of other intangible assets in the consolidated balance sheet for the current fiscal year. As stated in the notes to the consolidated financial statements (Significant Accounting Estimates), 1,612 million of this amount (of which ¥ 545 million is goodwill and ¥ 1,066 million is intangible assets) is related to AMP3D.</p> <p>As AMP3D conducts the digital health solutions business together with Nihon Kohden Digital Health Solutions Co., Ltd., the holding company of AMP3D, the Company groups both companies, including the goodwill and intangible fixed assets, as one asset group for the digital health solutions business and determines the indication of impairment.</p> <p>Even if the profit or loss from operating activities of the digital health solution business is not continuously negative, if a significant deterioration in the business environment, which was the premise of the medium-term business plan prepared at the time of the acquisition of AMP3D, is recognized or is expected, the Company may identify an indication of impairment of the assets of the digital health solution business including goodwill and intangible fixed assets and may need to recognize impairment losses. The company determined that there was no indication of impairment in the current fiscal year.</p> <p>The medium-term business plan at the time of acquisition used to determine an indication of impairment of goodwill and intangible assets is based on management's significant judgments and estimates.</p> <p>Based on the above, we concluded that the determination regarding the indication of impairment of goodwill and intangible assets recognized as a result of the acquisition of AMP3D was particularly significant in our audit of the consolidated financial statements for the current fiscal year and identified it as a key audit matter.</p>	<p>We primarily performed the following audit procedures to verify the Company's determination regarding the indication of impairment of goodwill and intangible assets.</p> <p>(1) Evaluation of internal control Evaluate the design and operation effectiveness of the internal control over the impairment of goodwill and intangible assets.</p> <p>(2) Determination of existence of indication of impairment</p> <ul style="list-style-type: none"> <li>• Continuously communicate with the auditors of AMP3D through meetings, etc.</li> <li>• Evaluate an audit result performed by the auditors of AMP3D regarding financial statement of AMP3D.</li> <li>• Verify the consistency of the medium-term business plan prepared at the time of the acquisition of AMP3D and impairment review documents.</li> <li>• Examine whether any circumstances suggest a significant deterioration in the business environment of AMP3D by ascertaining the achievement of the mid-term business plan based on a comparative analysis of the medium-term business plan and actual results of AMP3D.</li> </ul>

**Other Information**

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon.

Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Management's and the Audit Committee's Responsibilities for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the duties of executive officers and directors in 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 from an independent standpoint. 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:

- 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within 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 Committee 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 Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements 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.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **<Internal control audit>**

##### **Opinion**

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2023 of Nihon Kohden Corporation. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2023 of Nihon Kohden Corporation. is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

##### **Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

**Management's and the Audit Committee's Responsibilities for Management's Report**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

**Auditor's Responsibilities for the Audit of Internal Control**

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

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

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies. We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control 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.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Readers of Independent Auditor's Report**

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(English Translation)  
Independent Auditor's Report

June 29, 2023

To the Board of Directors  
Nihon Kohden Corporation

Crowe Toyo & Co.  
Tokyo office

Yuko Suzuki, CPA  
Designated Partner,  
Engagement Partner

Takashi Miura, CPA  
Designated Partner,  
Engagement Partner

### Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying non-consolidated financial statements of Nihon Kohden Corporation (the "Company") included in "Financial Information" for the 72nd fiscal year from April 1, 2022 to March 31, 2023, which comprise the non-consolidated balance sheet, the non-consolidated statements of income and changes in net assets, significant accounting policies, other related notes, and the non-consolidated supplemental schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2023, and its non-consolidated financial performance 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 Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.



The recoverability of deferred tax assets	
Key audit matter	How the scope of our audit addressed the key audit matter
<p>As stated in the notes to the non-consolidated financial statements (Significant Accounting Estimates),the Company recognized deferred tax assets of ¥ 3,918 million.</p> <p>The recoverability of deferred tax assets is determined by considering the appropriateness of company classification as indicated in the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26), projected future taxable income for deductible temporary differences, and tax planning strategy.</p> <p>Future taxable income is based on future business plans, the primary assumptions of which are estimated sales, cost of sales, and selling, general and administrative expenses based on market trends and other factors.</p> <p>Based on the above, we concluded that the determination regarding the recoverability of deferred tax assets is particularly significant in our audit of the non-consolidated financial statements for the current fiscal year and identified it as a key audit matter.</p>	<p>We primarily performed the following audit procedures to verify the Company's determination regarding the recoverability of deferred tax assets.</p> <p>(1) Evaluation of internal controls Evaluate the design and operating effectiveness of the internal control over the recoverability of deferred tax assets.</p> <p>(2) Evaluation of reasonableness of estimation for the future taxable income</p> <ul style="list-style-type: none"> <li>• Understand the external environment such as market and economic trends, which are important assumptions included in future business plans by interviewing management in order to verify the appropriateness of the company's classification based on the "Guidance on Recoverability of Deferred Tax Assets," particularly with respect to ascertain whether significant changes in the business environment are expected in the near future.</li> <li>• Evaluate the reasonableness regarding the scheduling of future reversals of deductible temporary differences by inspection of the relevant internal documents, vouching, and inquiry.</li> <li>• Review the achievement of the future business plan based on a comparative analysis of business plans and actual results in prior periods to evaluate the</li> </ul>

	key assumptions included in future business plans, such as s estimated sales, cost of sales, and selling, general and administrative expenses.
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**Other Information**

The other information comprises the information included in Yukashoken-Houkokusho but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the entity's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Management's and the Audit Committee's Responsibilities for the Non-Consolidated Financial Statements**

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the duties of executive officers and directors in designing and operating the financial reporting process.

**Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-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 from an independent standpoint. 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 non-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:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company'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 Company'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 non-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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit Committee 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 Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements 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.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.