Sustainability Policy

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

Sustainability at Nihon Kohden

In recent years, activities aimed at achieving the UN Sustainable Development Goals (SDGs) have been promoted in order to respond to various cross-border social issues. The medical care we are involved in is becoming more and more complex due to various problems such as the aging society in developed countries, rising medical costs, lack of basic medical care in emerging countries, and widening medical disparities.
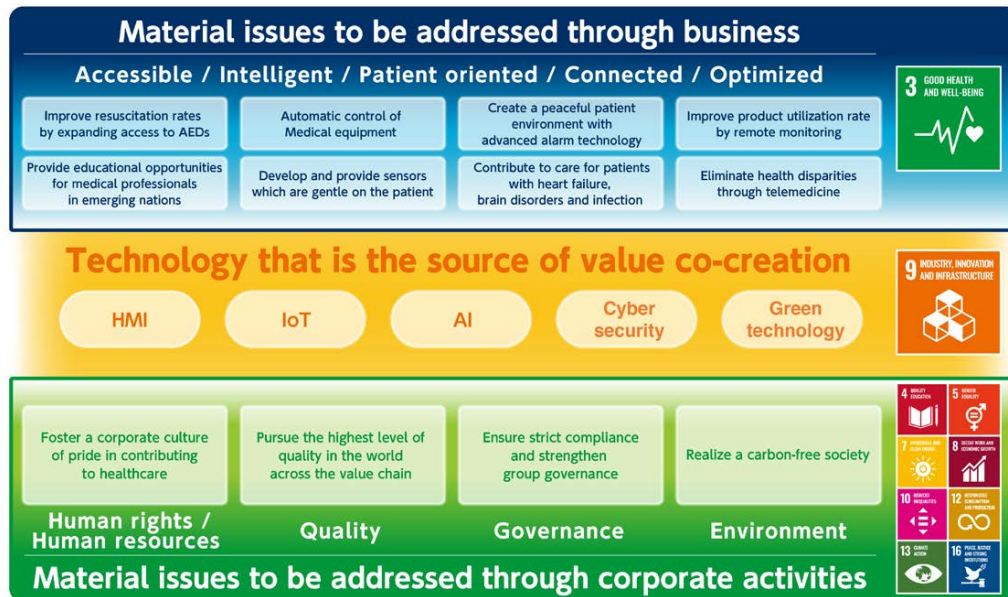
Under these circumstances, Nihon Kohden defined 12 sustainability key issues (material issues) to be addressed through business and corporate activities. The Company also incorporated these nonfinancial targets into its Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs.

Nihon Kohden's management has set KPIs (Key Performance Indicators) and assigned departments for each materiality. We aim to realize a sustainable society and increase our corporate value by further strengthening the coordination between business strategy and sustainability strategy, and creating both economic and social value.

The Process of Defining Material Issues

For further details on the process of defining 12 material issues, please refer to our website.

https://www.nihonkohden.com/sustainability/nk_sustainability/policy.html#process_materiality

Sustainability Policy

Material Issues and KPIs

The targets, results, and rates of progress for each KPI are shown in the table below.

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world	[Target] Cumulative number of products sold for 3 years worldwide: Over 350k units	—	Number of AEDs sold: 100k units (Rate of progress 29%) Japan 51k units Overseas 49k units	Number of AEDs sold: 119k units (Rate of progress 62%) Japan 50k units Overseas 69k units
	Utilization rate of AEDs in Japan and the U.S.	[Actual] Actual utilization rate of AEDs in Japan and the U.S. for 3 years (No numerical target (follow-up item))	Utilization rate is the rate of out-of-hospital cardiac arrests responded to by laypersons using AEDs (all AEDs, including our products). Data cited from: Fire and Disaster Management Agency of the Japan Ministry of Internal Affairs and Communications website, U.S. AHA journals, etc.	Utilization rate in CY2021: Japan 4.2% U.S. 9.0%	Utilization rate in CY2022: Japan 4.1% U.S. 10.2%
Provide educational opportunities for medical professionals in emerging countries	Promote training in epilepsy diagnosis in Indonesia	[Target] Start operations at four local education centers by the end of FY2023	—	Started operations: 0 centers	Started operations: 0 centers Conducted six out of the total 23 lectures. Continue discussions to educate 4 physicians.
	Number of educational seminars held, hosting countries, participants (including online programs)	[Target] • Cumulative number of hosting countries for 3 years: Over 5 countries (North America, Latin America, Europe, Asia, Middle East) • Cumulative number of participants for 3 years: Over 100k	—	• Number of hosting countries: 3 countries (Rate of progress 60%) • Number of participants: 28k (Rate of progress 28%)	• Number of hosting countries: 4 countries (Rate of progress 100%) • Number of participants: 57k (Rate of progress 86%)

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Automatic control of medical equipment	R&D investment in a robotic anesthesia system	(*)	—		
	R&D investment in closed-loop control of ventilators	(*)	—		
Develop and provide sensors which are gentle on the patient	R&D investment in new sensors	(*)	—		
	Number of products sold that have esCCO*1, synECi18*2, and iNIBP*3 installed	**[Target]** Cumulative number of products sales for 3 years worldwide: Over 85k units	—	Number of products sold: 34k units (Rates of progress 40%) Japan 15k units Overseas 18k units	Number of products sold: 30k units (Rate of progress 75%) Japan 13k units Overseas 17k units
Create a peaceful patient environment with advanced alarm technology	R&D investment in improved alarm algorithms for patient monitors	(*)	—		
	Number of hospitals that utilize alarm reports*4 for improving workflow in Japan and the U.S.	**[Target]** Cumulative number of new contract hospitals for 3 years: Japan Over 240 hospitals U.S. Over 25 hospitals	—	Number of new contract hospitals: 86 hospitals Japan 84 hospitals (Rate of progress 35%) U.S. 2 hospitals (Rate of progress 8%)	Number of new contract hospitals: 179 hospitals Japan 179 hospitals (Rate of progress 100%) U.S. 0 hospitals (Rate of progress 8%)
Contribute to care for patients with heart failure, brain disorders, and infection	R&D investment in early warning scores	(*)	—		
	R&D investment in new parameters and algorithms for heart failure care	(*)	—		

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Improve product utilization rate by remote monitoring	Number of MD Linkage*5 sold and connected models	**[Target]** • Cumulative number of connected models for 3 years worldwide: Over 7 models • Cumulative number of connected units for 3 years worldwide: Over 5k units	—	• Number of connected models: 5 models (Rate of progress 71%) (MEK-1301/02/03, MEK-91/9200) • Number of newly connected units: 566 units (Rate of progress 11%)	• Number of connected models: 6 models (Rate of progress 86%) (MEK-1301/02/03, MEK-91/9200, NKV-330) • Number of newly connected units: 675 units (Rate of progress 25%)
	Number of advance notifications before trouble with products occurs	**[Actual]** Actual cumulative number of notifications for 3 years (No numerical target (follow-up item))	Only in Japan	Number of notifications: 1,973 cases	Number of notifications: 686 cases
Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA*6	**[Target]** Cumulative number of contract hospitals for 3 years: Over 600 hospitals	Only in Japan	Number of contract hospitals: 149 hospitals (Rate of progress 25%)	Number of contract hospitals: 166 hospitals (Rate of progress 53%)
	R&D investment in realization of remote support for ICUs	(*)	—		
Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction	**[Target]** FY2021: Establish operational policy and start survey (Only in Japan) FY2022: Publication of survey results and subsequent implementation of ongoing surveys	—	Conducted survey of approximately 4,400 all employees in Japan	Improved 1.4 point compared to FY2021
	Develop human resources who can succeed globally	**[Target]** Cumulative hours of education for 3 years: Over 45 hours per person	House of education by job level provided by the Phoenix Academy (Human Resources Development Center). This training content will enable new employees and managers to acquire the knowledge and skills required for each level.	Education hours per person: 18.6 hours (Rate of progress 41%)	Education hours per person: 18.2 hours (Rate of progress 82%)

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Pursue the highest level of quality in the world across the value chain	Net Promoter Scores	**[Target]** Japan FY2021: Set up a system and start the survey FY2022: 1. Conducted the second survey with more detailed and expanded items to be surveyed 2. Maintain and improve scores U.S. Strive to achieve a 1-point improvement every year	—	Japan: Started the survey U.S. Improved 12 points compared to FY2020	Japan 1. Conducted the second survey with more detailed and expanded items to be surveyed 2. Improved 1.3 points compared to FY2021 U.S. Improved 12 points compared to FY2021
	Number of recalls	**[Actual]** Cumulative number of products recalled for 3 years (No numerical target (follow-up item))	We have set and are working on achieving a quality target of "zero recalls for 200 days or more."	6 cases	2 cases
Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group	**[Target]** Zero occurrence of serious incidents of non-compliance	—	1 case (Japan)	0 case
	Establish and promote the Global Business Management Policy in overseas subsidiaries	**[Actual]** Monitoring implementation of the Global Business Management Policy for managers of all overseas subsidiaries over the next 3 years (No numerical target (follow-up item))	—	Established and started operating the Global Business Management Policy	Continued implementation of various measures
	Strengthen internal control over domestic sales	**[Actual]** Introduce system controls for pre-order processes and monitor their application (No numerical target (follow-up item))	—	Introduced and started operating the system controls	Continued implementation of the global compliance program measures

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Realize a carbon-free society	CO_2 emissions	**[Target]** • FY2023: 15.2% reduction compared to FY2020 per unit of sales (ISO 14001 certified sites, Scope 1, 2) • Collect and disclose CO_2 emissions for the whole group by end of FY2023 (Scope 1, 2, 3)	—	• CO_2 emissions: 34.1% reduction compared to FY2020 • Collect and disclose CO_2 emissions: Preparing for third-party verification	• CO_2 emissions: 38.7% reduction compared to FY2020 • Collect and disclose CO_2 emissions: Preparing for third-party verification, including system implementation
	Number of models and sales ratio of environment-friendly products	**[Actual]** • Number of models in next 3 years (No numerical target (follow-up item)) **[Target]** • Cumulative sales ratio of products for 3 years worldwide: Over 20%	—	• Number of models: 63 series • Sales ratio of environment-friendly products: 19.9%	• Number of models: 75 series • Sales ratio of environment-friendly products: 19.1%
	Amount of waste from disposal of products and parts	**[Target]** FY2023: 8% reduction of products and parts retirement compared to FY2020	—	FY2021: 21.3% reduction compared to FY2020	FY2022: 0.7% reduction compared to FY2020

*1. esCCO (estimated Continuous Cardiac Output): Nihon Kohden's unique technology which can estimate cardiac output continuously based on ECG and pulse waves obtained from pulse oximetry. Previously, cardiac output could not be measured without inserting a catheter into the pulmonary artery. But now, with routinely monitored parameters, non-invasive and continuous estimates can be made without pain or strain on the patient.

*2. Synthesized 18-lead ECG: Synthesized 18-lead ECG uses the 12-lead ECG waveforms to mathematically derive the waveforms of the right chest leads (V3R, V4R, V5R) and back (V7, V8, V9). The measurement procedure is the same as the standard 12-lead ECG but more information can be obtained. 18-lead synthesized ECG is expected to be useful in detecting right ventricular infarction and posterior infarction.

*3. iNIBP (non-invasive blood pressure measurement algorithm): Nihon Kohden's unique non-invasive blood pressure measurement algorithm using a linear inflation technology that completes the measurement while the cuff is inflating. This algorithm was developed with the concept of reducing the burden and stress of patients and medical personnel involved in blood pressure measurement as much as possible. Compared to previous measurement methods, it can measure faster and does not apply more pressure than necessary, reducing the burden and stress on the patient.

*4. Alarm report: This is a report that objectively evaluates the type and frequency of alarms based on alarm information from telemetry systems and central monitors. This report is expected to contribute to improving the medical environment by reducing the occurrence of false alarms.

*5. MD Linkage (Medical device remote monitoring system): This is a network system that automatically sends error messages and self-test information generated by medical devices to our server via a remote terminal. By automatically detecting equipment abnormalities and failures and notifying us, we can respond quickly and contribute to reducing product downtime.

*6. LAVITA (Medical and nursing care network system): This is a network system that can easily collect patient vital data, automatically send it to a cloud server, and share information in real time with various people such as medical workers and social workers. By collaborating with various medical institutions through LAVITA, it is possible to provide the support needed for comprehensive community care.

(*) We have not set individual investment target figures for each KPI, but the cumulative three-year investment target for the whole Nihon Kohden Group is expected to be approximately 20 billion yen.
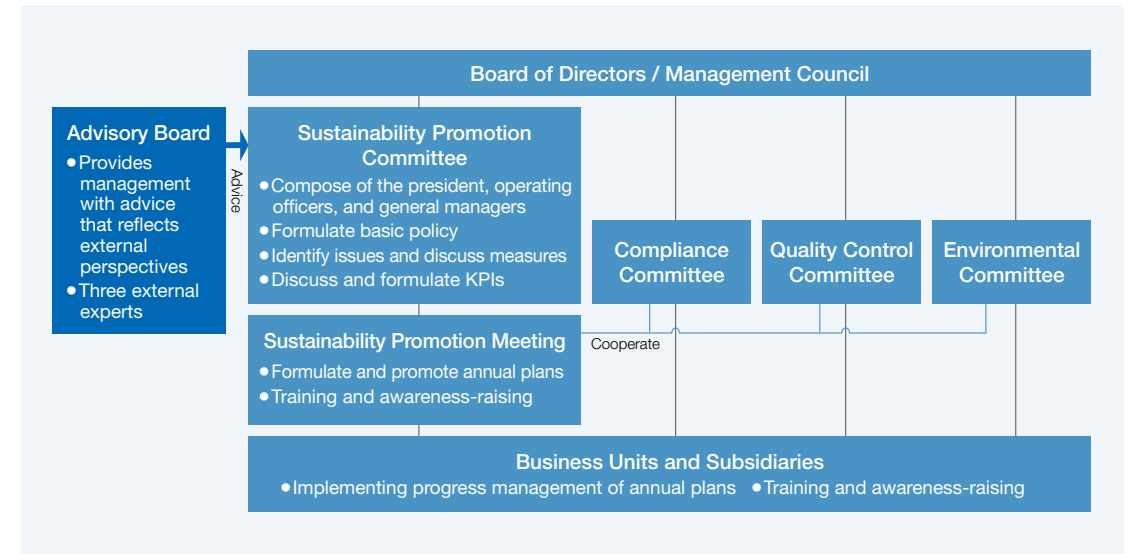
Sustainability Policy

Sustainability Promotion Structure

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. In July 2021, Nihon Kohden 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 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. 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.

Sustainability Promotion Structure Chart

Board of Directors / Management Council

Advisory Board
- Provides management with advice that reflects external perspectives
- Three external experts

Advice →

Sustainability Promotion Committee
- Compose of the president, operating officers, and general managers
- Formulate basic policy
- Identify issues and discuss measures
- Discuss and formulate KPIs

Compliance Committee

Quality Control Committee

Environmental Committee

Sustainability Promotion Meeting
- Formulate and promote annual plans
- Training and awareness-raising

Cooperate

Business Units and Subsidiaries
- Implementing progress management of annual plans • Training and awareness-raising

External Sustainability Advisors

Hikaru Kobayashi

Adviser
Research Center for Advanced Science and Technology
The University of Tokyo

Kuniko Shoji

Professor
School of Health Innovation
Kanagawa University of Human Services

Mika Takaoka

Professor
Head of Department of Business
College of Business
RIKKYO UNIVERSITY

Sustainability Policy

Holding Advisory Board Meetings

At the third Advisory Board Meeting held in December 2022, we received advice on the environment and human rights at Nihon Kohden, as well as measures to promote sustainability and raise awareness among employees. In particular, our Sustainability Discussions, held for all employees both in Japan and internationally, were highly evaluated for their effectiveness and originality.

Holding Sustainability Discussions

To foster a corporate culture in which sustainability is the core of its business activities, Nihon Kohden has held the Sustainability Discussions for all employees (28 sessions with over 3,000 participants in Japan and internationally from October 2022 to March 2023). We aim to quickly build a structure in which every employee has a sense of ownership and commitment to promote sustainability toward creating a better future for people and healthcare, as stated in our Long-term Vision, BEACON 2030.

Several employees who expressed positive opinions on sustainability in a preliminary questionnaire were selected as panelists, regardless of position or age. The President himself served as a facilitator to exchange opinions on sustainability, including how Nihon Kohden can contribute to the sustainability of its customers.

Participating employees commented: "Thinking about sustainability from various angles made me realize many things," and "I realized the importance of making further contributions to society through my daily work." We will continue to accelerate our efforts to promote sustainability.

Discussion in Tokyo

Discussion in Mexico

Providing Opportunities for Education and Training on Sustainability

To foster awareness of sustainability promotion among all employees, Nihon Kohden provides training on sustainability when employees join the Company. In FY2022, one training session for new employees and two training sessions for mid-career hires were held, with a total of 194 employees attending. We also conduct e-learning education on sustainability to all executives and employees once a year in Japan. In FY2022, an educational video by outside director Hidemitsu Sasaya, a professor at Platform for Arts and Science, Chiba University of Commerce, was distributed to further promote understanding. In FY2022, 4,051 participants took the course through webinars and 497 participants with paper-based materials.

Joined UN Global Compact

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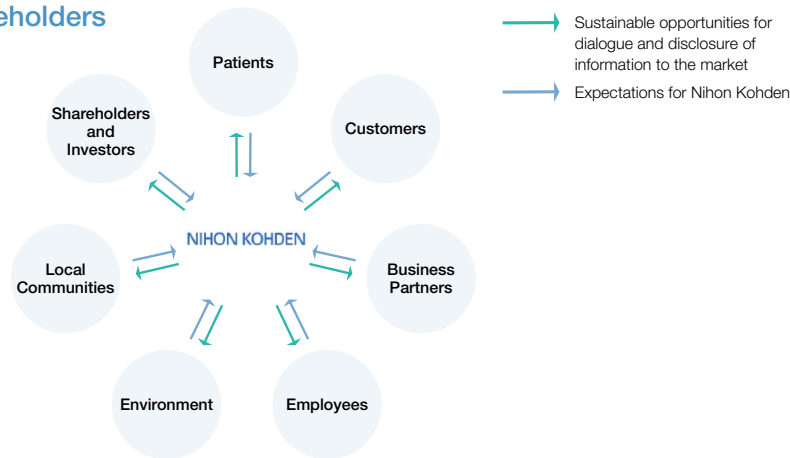
Stakeholder Engagement

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

Growing as a Company and Establishing Trust

To realize the Company's Management Philosophy, Nihon Kohden is committed to creating value with all stakeholders, including customers, shareholders, investors, business partners, local communities, and employees, in all aspects of our business, such as products, services, technology, financial strength, quality of employees, and other points. In planning and promoting sustainability initiatives, we also work to grow as a company that establishes trust and be well recognized by all our stakeholders. In addition to its citizenship activities and information disclosure through its business activities, Nihon Kohden also leverages the opinions and requests of stakeholders in its future business activities as part of its efforts to be a trusted member of society.
In April 2023, Nihon Kohden established a Multi-Stakeholder Policy to govern our efforts regarding returns to employees and consideration for our business partners.

Mutual Understanding through Dialogue with Our Stakeholders

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

Nihon Kohden's Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	● Daily sales activities ● Call center ● Net promoter score survey ● Customer satisfaction survey ● Academic seminars ● ME (medical electronics) workshops	Offer of products and services with safety and security Quality improvement of products and services Enhancement of customer satisfaction Response to customer complaints Disclosure and offer of adequate information of products and services
Business Partners	● Daily procurement activities ● Human rights due diligence ● Questionnaire of sustainable procurement	Open and fair trade Identification of human rights risks in business transactions Promotion of sustainable procurement
Shareholders and Investors	● General shareholders meetings ● Earnings presentations ● Company briefings ● Events for individual investors ● Website for investors	Enhancement of corporate value Appropriate shareholder returns Timely and appropriate disclosure Response to Social Responsible Investment
Employees	● Self-enumeration system ● Level-specific training sessions ● Labor-management council meetings ● Consultation counter ● Employee satisfaction survey ● Company newsletters and intranet	Respect for human rights and promotion of proper labor practices Development and utilization of human resources Securement of occupational health and safety Increase in job satisfaction Respect for diversity of human resources and work style
Local Communities	● Volunteer activities in local communities ● Participation in local events	Participation and contribution to local communities