

# NIHON KOHDEN REPORT 2022

Illuminating Medicine for Humanity



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# Nihon Kohden's Value

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

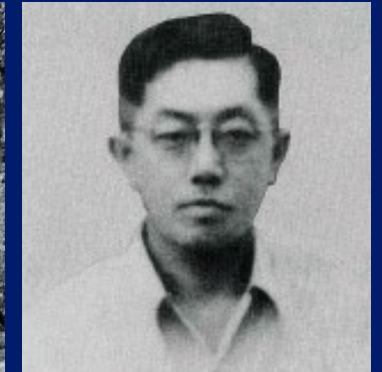
# VALUE

## Management Philosophy

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



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



Founder Yoshio Ogino

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

Nihon Kohden, which celebrates the 70th anniversary of its founding in August 2021, continues to leverage its core strengths: **capacity to develop technologies rooted in medical practice; broad client base inside and outside Japan; high-quality products and services, and development, production, sales, and service systems to support them; and powerful brand cultivated over many years**. Moving forward, the Company will continue to create and provide value for patients and medical professionals, contributing to the world by fighting disease and improving health with advanced technology.

# Trajectory of Nihon Kohden

Since its foundation in August 1951, Nihon Kohden has grown steadily by tackling healthcare issues and contributing to society through the development, production, sales, and service of medical devices.

December 1951  
Launched the **world's first** all AC-powered direct-writing electroencephalograph, the ME-1D

## Birth of an electroencephalograph driven by a battery-less AC power source that changed the world

Most of the EEG devices in use in Japan at that time were imported devices powered by a battery to avoid interference from AC noise. These products had problems with battery exhaustion during patient examinations causing the interruption of recording and failure to record important EEG phenomenon. Maintenance of the battery was also another problem. The ME-1D, featuring reduced noise interference and improved operability, enabled more effective EEG testing and contributed to reduction of the burden on medical staff.



April 1967  
Launched **Japan's first** intensive care monitor, the ICU-80

## Central patient monitoring system for monitoring vital signs of multiple patients

The intensive care monitor allowed medical staff to centrally monitor the EEG, ECG, blood pressure, heart rate, respiration rate and body temperature of up to 8 patients. This monitoring system consists of a central monitor at the nurse station and bedside monitors in patient rooms.

As a result, medical workers became able to notice changes in a patient's condition and record vital signs at the nurse station, which has contributed to improving the quality and safety of medical care and reducing the burden on medical workers.



October 2021  
**Takuo Aoyagi, PhD, received American Society of Anesthesiologists Honorary Member Award**

In October 2021, Nihon Kohden engineer, the late Takuo Aoyagi, PhD, received the Honorary Member Award from the American Society of Anesthesiologists (ASA). The award celebrates a physician, scientist, or eligible member, who has attained outstanding eminence in anesthesiology or related fields. The award has been presented to seven individuals over the past 40 years, and Dr. Aoyagi is the first Japanese person to receive this award.



FY1970  
Net Sales  
¥4.4 billion

FY2000  
Net Sales  
¥66.7 billion  
Domestic Sales  
¥59.4 billion  
Overseas Sales  
¥7.3 billion

FY2021  
Net Sales  
¥205.1 billion  
Domestic Sales  
¥136.3 billion  
Overseas Sales  
¥68.8 billion



March 1952  
Launched the **world's first** electric ophthalmodynamometer, the MOB-1.



June 1955  
Launched the **world's first** electrocardiograph with electronic recording, the MC-1C.



September 1960  
Launched **Japan's first** multi-purpose monitoring recorder (polygraph), the RM-150.



August 1965  
Launched **Japan's first** battery-powered defibrillator, the MDV-1.



March 1974  
Applied for patent in Japan for the **world's first** pulse oximetry.



November 1976  
Launched the **world's first** telemetry systems, the WEP-6000.



February 1984  
Launched the **world's first** all telemetry fetal monitor, the OMF-7201.



April 1985  
Launched the **world's first** combined respiration monitor, the OMR-7101.



December 1990  
Launched **Japan's first** digital ECG telemetry monitor, the WEP-8430/8440.



March 1991  
Launched the **world's first** digital multi-parameter telemetry bedside monitor, the BSM-8502.



May 2003  
Launched the **world's first** mainstream-method CO<sub>2</sub> sensor to be used for non-intubated patients.



June 2009  
Launched the **Japan's first** automated external defibrillator, the AED-2100.



August 2018  
Launched the **world's first** mid-range bedside monitor that can display echo images by connecting an ultrasound probe, the CSM-1700.



June / September 2019  
Launched the **Company's first** ventilators, the NKV-330 and NKV-550.



November 2020  
Launched the **world's first** automated hematology and erythrocyte sedimentation rate analyzer, the MEK-1305, internationally



February 2022  
Launched the **Japan's first** fully automatic automated external defibrillator produced in Japan, the AED-3250.



## Nihon Kohden's Strengths – Aspiration of Persons in Charge of Developing New Products

Nihon Kohden is engaged in solving issues in the medical field with cutting-edge technology. We introduce the ingenuity of employees in charge of new products launched in FY2021 and their enthusiasm for contributing to medical care.

### The Company's First Automated Hematology Analyzer with Reticulocyte Measurement, the MEK-9200

A hematology analyzer is a medical device that counts the blood cells, including red blood cells, white blood cells, and platelets, in a sample of the patient's blood. The results of this count are helpful to detect the presence of various diseases. The MEK-9200 incorporates our first reticulocyte measurement using a blue semiconductor laser and nucleic acid staining reagent. Reticulocytes are new red blood cells released from the bone marrow into the peripheral blood and are measured to evaluate anemia and other conditions. We expect to expand our installed base and increase reagent sales in the future, since the number of reticulocyte tests is large especially in the overseas market.



### Voice of the Engineer

#### Expectations for Fluorescence Measurement Technology Inherited from Senior Engineers

The MEK-9200 separates and measures red blood cells and reticulocytes by staining RNA (ribonucleic acid) remaining in reticulocytes using a blue semiconductor laser and nucleic acid staining reagent. This was achieved through simultaneous analysis of RNA and DNA (deoxyribonucleic acid) using the RNP method\*, our unique fluorescence measurement technology.

This technology has a history of more than 20 years of research by our senior engineers. Although there were various challenges in the development of this product, we successfully commercialized it thanks to our past research achievements and the efforts of all members of the development team. In the future, we will pursue further development of our unique technologies and parameter. In addition, the MEK-9200 utilizes the same platform as the existing MEK-9100 model, providing uniform operability and ease of use. With the launch of this product, we aim to further develop our IVD business.

\* RNP method: A method for fractionating red cells (erythrocytes), nucleated cells such as leukocytes, and platelets by measuring blood cell size and fluorescence.



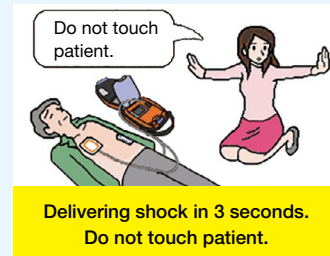
**Naoki Shigaki**  
Manager of Section 1,  
Engineering Department 2,  
IVD Technology Development Division,  
Technology Development Operations

## Nihon Kohden's Strengths – Aspiration of Persons in Charge of Developing New Products

### The First Fully Automatic AED Produced in Japan, the AED-3250

An AED (automated external defibrillator) is a medical device that delivers an electrical shock to restore a normal heart rhythm to a heart which has lost the ability to pump blood due to convulsions (ventricular fibrillation). Fully Automatic AEDs are expected to reduce the psychological burden on rescuers and improve usage rates because they automatically deliver electrical shocks without the need for rescuers to press a shock button. We also aim to further improve resuscitation rates by reducing the time to deliver electrical shocks.

We are focusing on raising awareness of how to use AEDs through training sessions in accordance with the goal of improving resuscitation rates by expanding access to AEDs, which is one of our material issues for sustainability.



### Voice of the Engineer

#### Aiming to Further Improve Survival Rates

The road to commercialization of the fully automatic AED, which automatically delivers an electrical shock without the need to press a shock button and had never been available in Japan before, was a very difficult one. As its operation procedure was different from conventional AEDs, with an emphasis on safety, we decided quickly that it incorporates a screen which displays operating instructions with illustrations and messages. However, the content and timing of the instructions, sound and voice prompts, and other aspects of the display went through numerous prototypes, with no compromises made on safety and usability from the customer's perspective.

As a result, we successfully launched our product in the early emerging market for fully automatic AEDs, paying attention to every detail as the sole AED manufacturer in Japan, and creating a product that we would want to have if we were the user.

We hope that the penetration and recognition of fully automatic AEDs throughout Japan will further improve the survival and rehabilitation rates, and contribute to improving the quality of life of all people, including those who have the courage to engage in rescue operations.

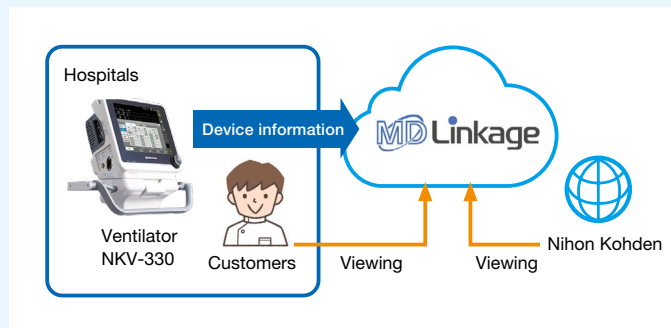


**Hiroyuki Nishiyama**  
Manager of Section 1, Emergency Resuscitation Products Department, Medical Instruments Technology Development Division, Technology Development Operations

## Nihon Kohden's Strengths – Aspiration of Persons in Charge of Developing New Products

### Medical Device Remote Monitoring System, the MD Linkage, for Remote Monitoring the Operating Status of Ventilators

With many ventilators being installed in medical institutions due to the spread of COVID-19, a medical device remote monitoring system, the MD Linkage, for our NKV-330 ventilator, was initiated in Japan. We expect this service to reduce our customers' workloads by automatically sending the results of ventilator inspections to the cloud server. We also expect it to help ensure medical safety including infection prevention by remotely confirming the operating status. One of our material issues for sustainability is to improve product availability by remote monitoring, and with this in mind we will continue to expand the number of models and units connected to the MD Linkage.



### Voice of the Planner

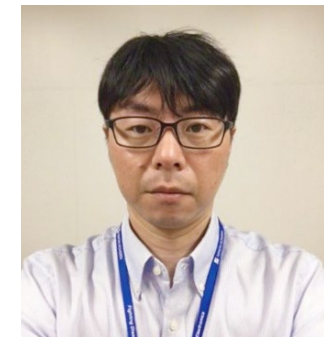
#### Providing Customer Value through the Use of Product Data

The most difficult task for me as a planner during development was identifying in detail what kind of customer value can be provided by utilizing the device information and anonymously processed patient vital sign data sent from the ventilator to the MD Linkage, and how our service can improve the workflow of medical professionals.

To this end, we divided the services to be provided into three stages, clearly defining the themes of Operational support, Operational improvement, and Failure response, for each stage, and promoted development steadily in stages. I believe that we have achieved this data linkage, which leads to the provision of customer value, because the ventilator was developed based on the opinions of medical professionals, in addition to the relationship of trust with the medical field that we have cultivated through our patient monitoring business.

We believe that by utilizing the device information and vital sign data sent to the cloud server, we can continue to expand the functionality of our medical device remote monitoring system for ventilators to provide services that lead to more customer value.

I look forward to the day when we can work together with our customers to create and provide services that connect not only ventilators but also other medical devices as well.



**Kiyoshi Takeda**


Leader of Ventilation & Anesthesia  
Product Section, Patient Monitoring  
Products Marketing & Business  
Development, Business Planning  
Division, Business Strategy Operations



# Vision towards 2030 for the Future

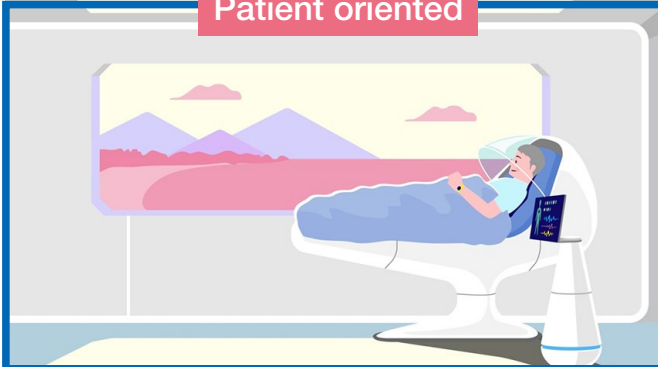
Nihon Kohden will combine our original technologies and clinical expertise with advanced technology in collaboration with global partners, to create valuable solutions that help solve issues in clinical sites.

**Intelligent**



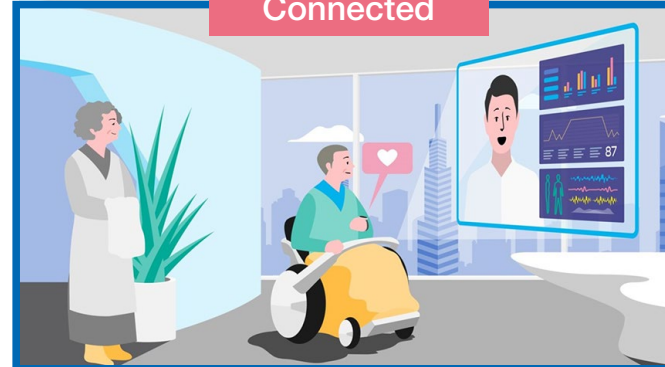
Can we eliminate human error in operating rooms with advances in technology?

**Patient oriented**



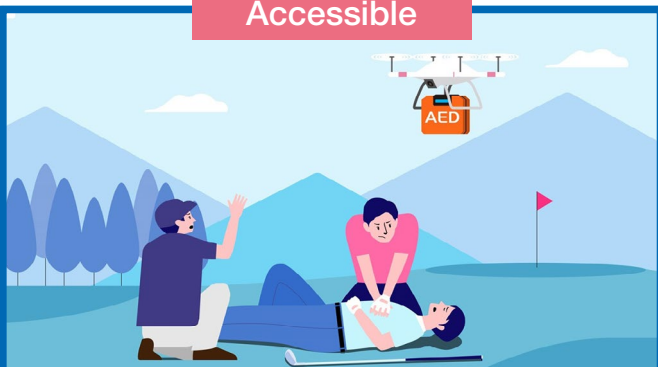
How do we design ICUs where patients can recover in peace and with dignity?

**Connected**



Can we connect medicine and life, so that people can enjoy their time wherever they desire?

**Accessible**



How do we bridge the final distance between AEDs and people to save every life possible?



**Optimized**



How can we create a medical system with both quality and efficiency so that patients, families, and healthcare professionals all thrive?

# Corporate Value Creation Model

Through its business activities based on its Management Philosophy, Nihon Kohden is working to address social issues and offer value to society as well as attain sustainable development and enhance the corporate value of the Group.

## Realization of the Company's Management Philosophy

**Long-Term Vision**  
 Illuminating Medicine for Humanity

Operating margin	<b>15%</b>	Overseas sales ratio	<b>45%</b>
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- Social and Medical Issues Addressed by Nihon Kohden**
- Social Issues**
- Demographic changes
  - Changes in structure of diseases
  - Climate change/Natural disasters
- Medical Issues**
- Increases in medical expenses
  - Ensuring quality of medical care
- Trends in Medical Device Industry**
- Accelerating digitalization
  - Changes in logistics environment
  - Response to new work-styles
  - Tighten laws/regulations

### INPUT

**Main Investment Capital**

**Financial Capital**

- **Sound financial structure**  
Current ratio **338%** (FY2021)

**Human Capital**

- **Diverse employees**  
Number of employees **5,639**  
Of which, Overseas 1,603 people (As of March 31, 2022)

**Intellectual Capital**

- **Proactive R&D investment**  
R&D costs **¥5.7 billion** (FY2021)
- **Innovative technological development capabilities**  
Number of new products released **8 items** (FY2021)

**Manufacturing Capital/  
Social Capital**

Number of bases in Japan and overseas

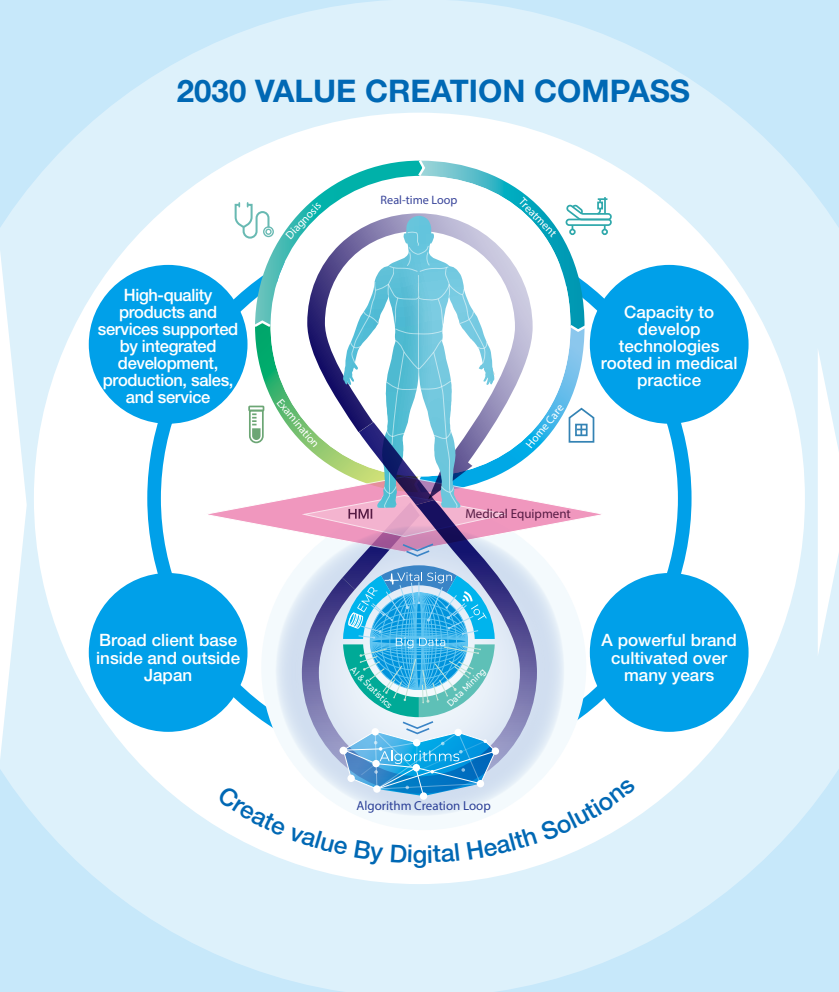
In Japan	<b>116</b> sales offices
Overseas	<b>25</b> group companies

Areas in which products deployed Over **120** countries (As of March 31, 2022)

**Natural Capital**

CO<sub>2</sub> Emissions per unit of sales **6.59** t-CO<sub>2</sub>/¥100 million (FY2021)

Recycling rate **97.3%** (FY2021)



### OUTPUT

**Targets of the Three-year Business Plan**

FY2023 ending March 2024

Sales	<b>¥197 billion</b>
Domestic Sales	<b>¥134 billion</b>
Overseas Sales (Overseas Sales Ratio)	<b>¥63 billion (32.0%)</b>
Operating income (Operating income margin)	<b>¥20 billion (10.2%)</b>
Net income	<b>¥13.8 billion</b>
ROE	<b>10%</b>

Results in FY2021

<b>Physiological Measuring Equipment</b>	Net Sales <b>¥39.6 billion</b>	Composition ratio <b>19.3%</b>	
<b>Patient Monitors</b>	Net Sales <b>¥84.8 billion</b>	Composition ratio <b>41.4%</b>	
<b>Treatment Equipment</b>	Net Sales <b>¥43.3 billion</b>	Composition ratio <b>21.2%</b>	
<b>Other Medical Equipment</b>	Net Sales <b>¥37.1 billion</b>	Composition ratio <b>18.1%</b>	

### OUTCOME

**Creating social value**

**Financial Capital**

- Investment funds for sustainable growth
- Return to shareholders

**Human Capital**

- Job creation
- Fostering a corporate culture in which employees take pride in contribution to healthcare and to our mission

**Intellectual Capital**

- Technology such as AI and green technology, that is the source of value co-creation

**Social Capital**

- Improving quality of life (QOL) for patients
- Improving resuscitation rates by expanding access to AEDs

**Natural Capital**

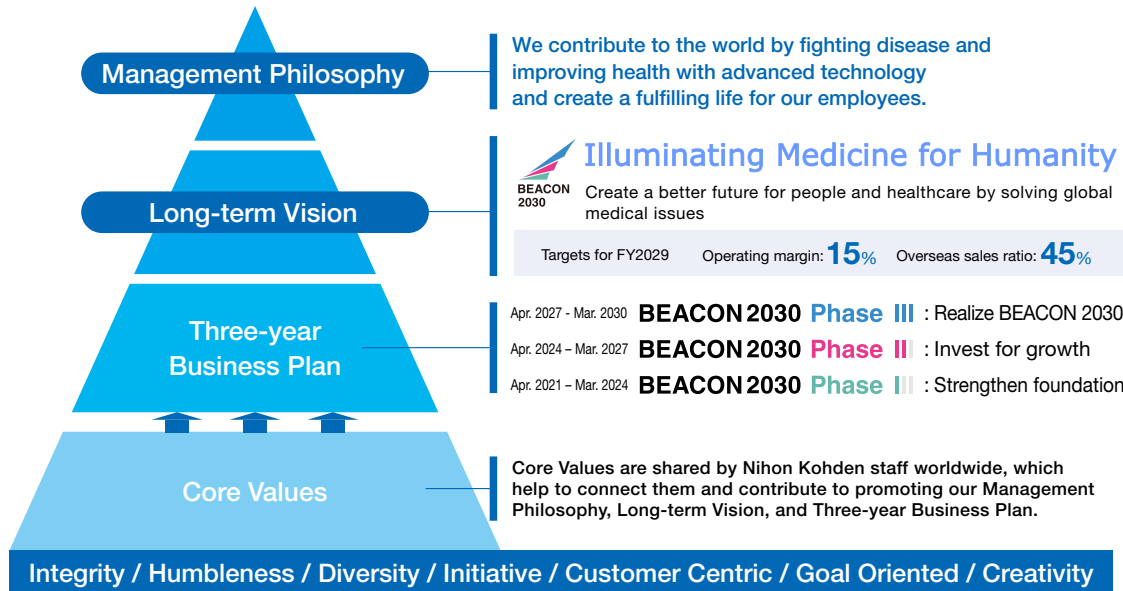
- Realizing a carbon-free society

**Production Capital**

- Value chain which pursues the highest level of quality in the world

# Progress on Three-year Business Plan

In April 2021, Nihon Kohden started its Three-year Business Plan, BEACON 2030 Phase I, which is the first stage to strengthen its business foundation toward realizing its Long-term Vision BEACON 2030. To embrace sustainability across business and corporate activities, which is the basic policy of BEACON 2030 Phase I, we are working to ensure compliance and further strengthen group governance, improve the profitability of existing businesses and make strategic upfront investments, and establish global supply chain management and strengthen core functions. The following is an overview of the progress of FY2021, which was the first year of the Three-year Business Plan.



## Basic Policy in Three-year Business Plan

### Embrace sustainability across business and corporate activities

- Management** Ensure strict compliance and strengthen group governance to reinforce the management structure
- Business** Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth
- Operations** Establish global supply chain management and strengthen core functions of operations to lay a foundation for global growth

## Targets for FY2023 ending March 2024 (consolidated)

Sales	¥ <b>197</b> billion	Domestic sales	¥ <b>134</b> billion	Overseas sales	¥ <b>63</b> billion
Operating income (Operating income margin)	¥ <b>20</b> billion (10.2%)	ROE		<b>10%</b>	

## Review of the Progress in FY2021

### Review of the Progress in FY2021

In FY2021, demand for certain products and consumables recovered both in Japan and internationally from the previous fiscal year when demand was weak due to the COVID-19 pandemic. Demand for medical devices including patient monitors and ventilators to treat COVID-19 patients exceeded our initial expectation due to the spread of the variants.

Under these circumstances, Nihon Kohden Group has worked on its supply chain management reforms, and continued to supply products globally to respond to the shortage of semiconductors around the world. As a result, we posted record highs both in sales and profits. In Japan, we strengthened its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. The Company strived to sell in-house products which resulted in improved gross profit margin reflecting favorable product mix. As a result, the Company achieved a highly profitable structure. Internationally, the Company focused on consumables and services business by leveraging its increased product installations such as patient monitors. The

Company also strengthened its business structure in the U.S. and Asia. The ratio of overseas sales, the ratio of sales of consumables and services, and the gross profit margin all exceeded those of the previous fiscal year, leading to improved profitability.

In FY2022, which is the second year of the Three-year Business Plan, Nihon Kohden continues to focus on the stable supply of products by implementing supply chain management reforms, as there are many uncertainties such as the ongoing shortage of semiconductors, Ukraine crisis, and Shanghai lockdown. The Company also 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.

### Embracing Sustainability across Business and Corporate Activities

To further strengthen the promotion of sustainability, Nihon Kohden established an Advisory Board consisting of outside experts in July 2021. At the meetings of the Advisory Board, we received specific advice on speeding up our response to sustainability issues such as accelerating climate change-related disclosure and conducting human rights due diligence earlier.

For further details, please refer to [the Sustainability page](#).

#### Posted record highs in both sales and profits following the previous fiscal year

	FY2019	FY2020		FY2021	FY2023 Targets
Overseas Sales Ratio	27.4%	31.3%	■ Sales growth driven by the U.S. patient monitoring business and India	33.5%	32.0%
Consumables and Services Sales Ratio	45.5%	43.0%	■ Demand for consumables increased, as the number of patient monitors installed has increased	44.2%	48% or more
Gross Profit Margin	48.3%	51.2%	■ Higher overseas sales ratio ■ Sales of in-house products increased in Japan	53.2%	50% or more
(Reference) In-house sales ratio	65.6%	69.5%		72.7%	

Net sales ¥ **205.1** billion

Operating income ¥ **30.9** billion

## Review of the Progress in FY2021

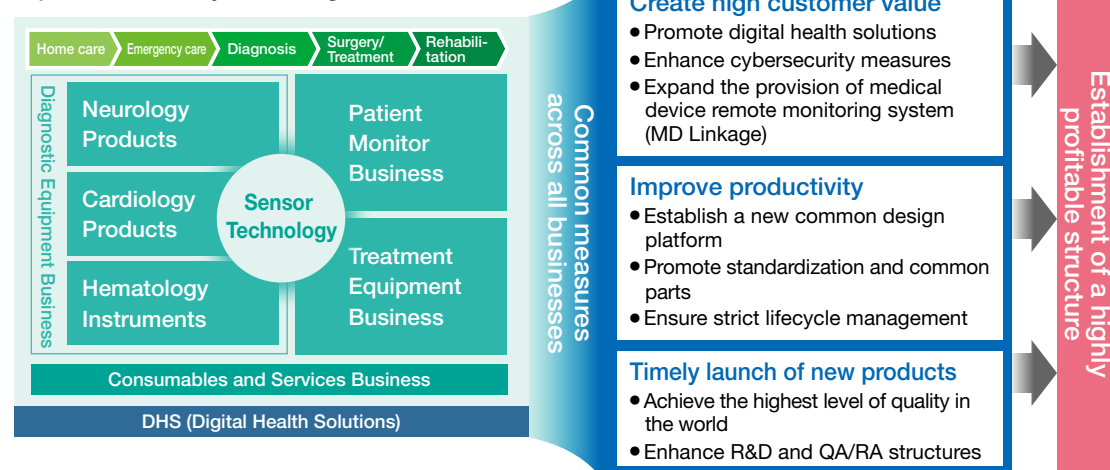
### Management: Ensure Strict Compliance and Strengthen Group Governance

To ensure strict compliance, we formulated and implemented recurrence prevention measures in response to the bribery matter that occurred in Japan in January 2021. In addition, to further strengthen Group governance, we introduced a Global Business Management Policy and started implementation in overseas subsidiaries. For further details, please refer to **the Ensuring Thorough Compliance page**.

### Business: Improve the Profitability of Existing Businesses and Obtain the Resources to Invest Strategically

To improve the profitability of existing businesses, we introduced in-house products and services with high customer value. As a common policy across all businesses, we aim to realize a highly profitable structure through the creation of high customer value, improvement of productivity, and the timely

#### Improve Profitability of Existing Businesses



launch of new products. In FY2021, we introduced our first hematology analyzer with reticulocyte measurement both in Japan and internationally. We also launched a central monitor which enhanced the linkage with IT systems and our first fully automatic AED in Japan. In addition, a medical device remote monitoring system for ventilators was initiated in Japan. Internationally, we strengthened our business structure through starting operation of the reagent factory in Dubai, UAE, and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc., which conducts research and development of algorithms and software for patient condition management in the U.S.

#### New Products Introduced in FY2021



The MEK-9200, Automated Hematology Analyzer



The CNS-2101 (Japan only), Central Monitor

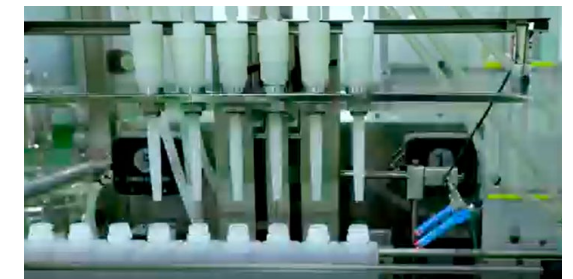


The AED-3250 (Japan only), Fully Automatic AED



Medical Device Remote Monitoring System for Ventilators (Japan only)

#### Reagent Factory in Dubai Started Production in April 2021



## Review of the Progress in FY2021

### Operations: Establish Global Supply Chain Management and Strengthen Core Functions of Operations

Amid the global supply chain disruption, we worked to reduce loss of business opportunities, especially overseas, by establishing our global information system, and worked on properly inventory management. To deal with tight supply of components, we prioritize securing inventory of parts by pre-ordering of components and purchasing from multiple suppliers. In addition, as part of our efforts to promote global supply chain management reforms and corporate digital transformation (CDX), we started introducing PLM/MES\* systems.

We also enhanced the cybersecurity of our internal IT infrastructure, following a cyber-attack on our European subsidiary in June 2021. In addition, we have strengthened our business structure to ensure our compliance with the latest laws and regulations throughout the entire product life cycle. In particular, we have focused on compliance with environmental regulations and strengthening post-marketing surveillance.

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

### Establish Global Supply Chain Management

- ☑ **Establish global information system**
  - Reducing loss of business opportunities
  - Proper inventory management

- ☑ **Response to tight supply of components**
  - Pre-ordering of components
  - Purchasing from multiple suppliers

- ☑ **Start introducing PLM/MES systems**

### Strengthen Core Functions of Operations

- ☑ **Enhance cybersecurity of the internal IT infrastructure**

- ☑ **Strengthen compliance with the latest laws and regulations throughout the product life cycle**
  - Compliance with environmental regulations
  - Post-market surveillance

# Message from Management



**Based on the results and issues of the first year of BEACON 2030 Phase I, we will continue steadily strengthening the foundations of our business to realize our Long-term Vision.**

Representative Director  
President and CEO

## Introduction

I would like to express our deepest condolences to all the victims of the ongoing crisis in Ukraine. The Nihon Kohden Group has donated relief funds and medical equipment for humanitarian aid. “Curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal.” I am reminded of these words of our founder and renew our determination to fulfill our mission as a medical equipment manufacturer. We will continue to respect human life above all else and do our best to support patients and medical workers.

## Achieved over ¥200 Billion in Sales for the First Time since the Company's Founding together with Record Profits

In FY2021, which is the first year of the Three-year Business Plan, BEACON 2030 Phase I, we steadily promoted key strategies, based on our basic policy, while addressing issues such as the spread of the coronavirus variants and the shortage of electronic components due to the tight supply and demand situation in semiconductors.

In terms of sales, demand for certain products and consumables recovered from the previous fiscal year when demand was weak due to the COVID-19 pandemic. Demand for medical devices to treat COVID-19 patients exceeded the initial expectations in Japan and some overseas regions due to the spread of the variants. The strengthening of consumables and services business also contributed to increased sales, as the number of patient monitors and ventilators installed expanded through dealing with demand caused by COVID-19 over the past two years.

In the overseas business, which is a key growth driver, the patient monitoring business in the U.S., where we have focused on expanding our market share, made a particularly strong contribution to sales. The success of the installation of our patient monitoring system at the new pavilion of the hospital of the university of Pennsylvania, the first medical school in the U.S., is proof that our products and services are highly evaluated in overseas markets as well, and we expect this to lead to further enhancement of our brand recognition. In emerging countries, our presence was enhanced as we received an order from Hospital Israelita Albert Einstein in Brazil, for ICU patient monitoring

## Message from Management

system. We also received orders for patient monitors from some major hospital groups in India. In addition, while the tight supply of components was a major issue throughout the year, all divisions, including the R&D and production divisions, worked together on implementing reforms to the supply chain management to meet the request from the medical field and to continue supplying products. In improving profitability, the ratio of overseas sales, the ratio of sales of consumables and services, and the ratio of sales of in-house products all exceeded those of the previous fiscal year. We have steadily progressed to strengthen the business foundation to support mid- to long-term growth, and we aim to achieve our numerical targets for FY2023 ending March 2024.

### Our goal for the fiscal year ending March 2024

**Transformation into 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**

- 1** Increase the ratio of overseas sales
- 2** Increase the ratio of sales of consumables and services
- 3** Increase the ratio of sales of in-house products

## Three-year Business Plan, BEACON 2030 Phase I: Strengthening Our Foundation Progress in the First Year and Our Key Initiatives for FY2022

**We have focused on promoting sustainability activities in the areas of environment, quality, and human rights/human resources.**

In FY2021, we set KPIs (Key Performance Indicators) for 12 material issues for sustainability and promoted measures to address them.

In April 2021, we established the Sustainability Promotion Committee, and I myself chair it as the President, to strengthen the Sustainability Promotion Structure. In July 2021, we also established the Advisory Board, consisting of four external experts.\*1 The Advisory Board Meeting pointed out the importance of initiatives in the areas of environment, quality, and human rights/human resources in particular, and an action plan was developed.

On the environmental front, we disclosed information on climate change in line with the TCFD recommendations.\*2 As part of our initiatives for water resources, we have conducted water-stressed areas assessment at all Group sites and disclosed information on water intake/discharge on our website. In the future, to strengthen our efforts to reduce CO<sub>2</sub> emissions, including throughout the supply chain, we will focus on the development of environmentally friendly products with a lower environmental impact than before, and contribute to efforts to reduce CO<sub>2</sub> emissions not only by us and our suppliers, but also by our customers who use our products.

\* 1 As one of external experts was appointed as outside director in June 2022, the Advisory Board currently consists of three members.

\* 2 TCFD: Task Force on Climate-related Financial Disclosures which was established under the auspices of the Financial Stability Board.





## Message from Management

In terms of quality, we conducted a Net Promoter Score survey, an index to measure customer attachment (loyalty) to our products or services, and received responses from over 1,000 customers. We appreciate our customers' cooperation with the survey. We will continue to analyze the results of the survey and strive to improve customer's satisfaction levels.

On the human rights/human resources front, we conducted our first human rights due diligence and employee satisfaction survey.

Human rights due diligence inspections were conducted at each company of the Nihon Kohden Group in Japan and overseas, as well as at our key suppliers, all of which were found to have a high

awareness of the working environment. Going forward, we will conduct further investigations to assess human rights risks, identify human rights issues, and promote countermeasures.

Although the employee satisfaction survey in Japan showed a high level of satisfaction, there were variations in responses by age and type of job. Based on the survey results, we aim to create a fulfilling work environment in which all employees can work enthusiastically and enjoy job satisfaction.

For further details, please refer to **the Environment, Quality, and Human Rights/Human Resources pages.**



Net Promoter Score survey screen

### [Management] We have focused on measures to ensure strict compliance and strengthened governance

The compliance matter that occurred in Japan in January 2021 caused great concern to all our stakeholders, including our customers and shareholders. To prevent a similar incident from happening again, I myself became the chairperson of the Committee for Implementation and Management of Recurrence Prevention Measures and implemented recurrence prevention measures

and reforms to our organizational culture.

Through the implementation of these measures, we have steadily improved our awareness of compliance, but we have discovered in November 2021 that a former employee in Japan was involved in acts of misconduct. We take seriously the fact that we still have a long way to go to ensure strict compliance and will work to further strengthen governance.

As part of this effort, we reorganized the Sales Operations, which oversees domestic sales, into the Domestic Business Operations in April 2022. In addition to clearly separating the administration function from the sales management functions, we have strengthened the administration department of each sales branch office and the defense lines in our internal controls.

As President, I will continue to practice thorough compliance through my own words and actions while striving to foster an organizational culture that values ethical behavior above all else.

<p><b>Introduced a donation website</b> September 2021</p>	<p>Establishment of a system in which sales staff are not involved in processing donations</p>
<p><b>Strengthened application of IT controls to pre-order processes</b> November 2021</p>	<p>Transparency of quotation and other processes; prevention of opportunities for fraud</p>
<p><b>Conducted questionnaire survey to domestic dealers</b> From January 2022 <b>Established whistle-blowing channel for third parties</b> From January 2022</p>	<p>Establish mutual check procedures with dealers</p>
<p><b>Conducted compliance training by outside experts</b> October 2021 <b>Compliance included as an item in performance reviews</b> Management positions in June 2021, general employees in October 2021</p>	<p>Raising compliance awareness of each employee</p>

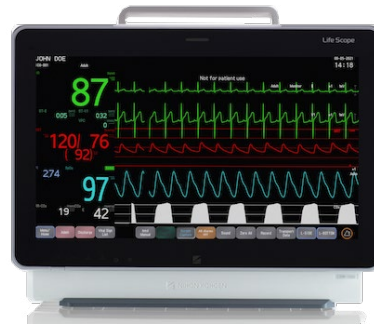
## Message from Management

### [Business] In addition to the launch of new products, we made progress in our efforts to create new businesses.

In improving the profitability of existing businesses, we launched two new value-added products: our first automated hematology analyzer with reticulocyte measurement and fully automatic AED.

In the U.S., we have also received FDA approval for a mid-range bedside monitors with enhanced cyber security features. The product was launched in April 2022, and we expect it to further increase our market share in the U.S.

In the area of creating new businesses, to realize the Digital Health Solution (DHS) vision, we have developed an information platform to manage vital sign data obtained from medical devices such as patient monitors and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc., AMP3D, a U.S. company that conducts research and development of algorithms and software for patient condition management. As the digitization of healthcare accelerates due to the COVID-19 pandemic, we aim to transform ourselves into a solution-oriented business model that leverages data to solve our customers' issues.



Bedside Monitors with FDA Approval in the U.S.,  
The CSM-1500 Series



CoMET® Continuous Monitoring of Event Trajectories,  
Software developed by Advanced Medical Predictive  
Devices, Diagnostics and Displays, Inc.

### [Operations] We have embarked on a fundamental reform of our supply chain.

In FY2021, we launched the Supply Chain Management Innovation Project. To adapt to the new business environment, we have promoted reforms to minimize loss of business opportunities and maximize throughput with a view to restructuring our global production and logistics system. Supply chain management has become increasingly important as a business risk due to the supply chain disruption caused by COVID-19, the shortage of semiconductors, and the Ukraine crisis and Shanghai lockdown. In FY2022, we will redesign our supply chain management system based on the results of an analysis to ensure both stable product supply and proper inventory management. In addition, as part of the corporate digital transformation (CDX), PLM/MES\* systems will be introduced to improve productivity.

On the human resources side, to foster a global corporate culture, we held a conference bringing together human resources managers from Japan and overseas. We promoted the formulation of a human resources development program based on the Management Philosophy training and Core Values.

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

## Message from Management

### We Decided 70th Anniversary Commemorative Dividend, Special Dividend, and Share Buyback

Nihon Kohden recognizes that the returning profits to shareholders is as one of management's most important tasks and has a basic policy of maintaining stable and continuous dividend payments over the long term. As we celebrated our 70th anniversary in last August and our business performance was favorable, we decided to pay a year-end dividend of 48 yen for FY2021, consisting of an ordinary dividend of 20 yen, a 70th anniversary commemorative dividend of 13 yen, and a special dividend of 15 yen, to express our gratitude for the support of our shareholders. As a result, the full-year dividend for FY2021 was 67 yen per share, including the interim dividend of 19 yen per share. In addition, the Company acquired 280k shares of own shares in February 2022 and 320k shares in May and June 2022. The full-year dividend for FY2022 will be 40 yen (interim dividend of 20 yen and year-end dividend of 20 yen).



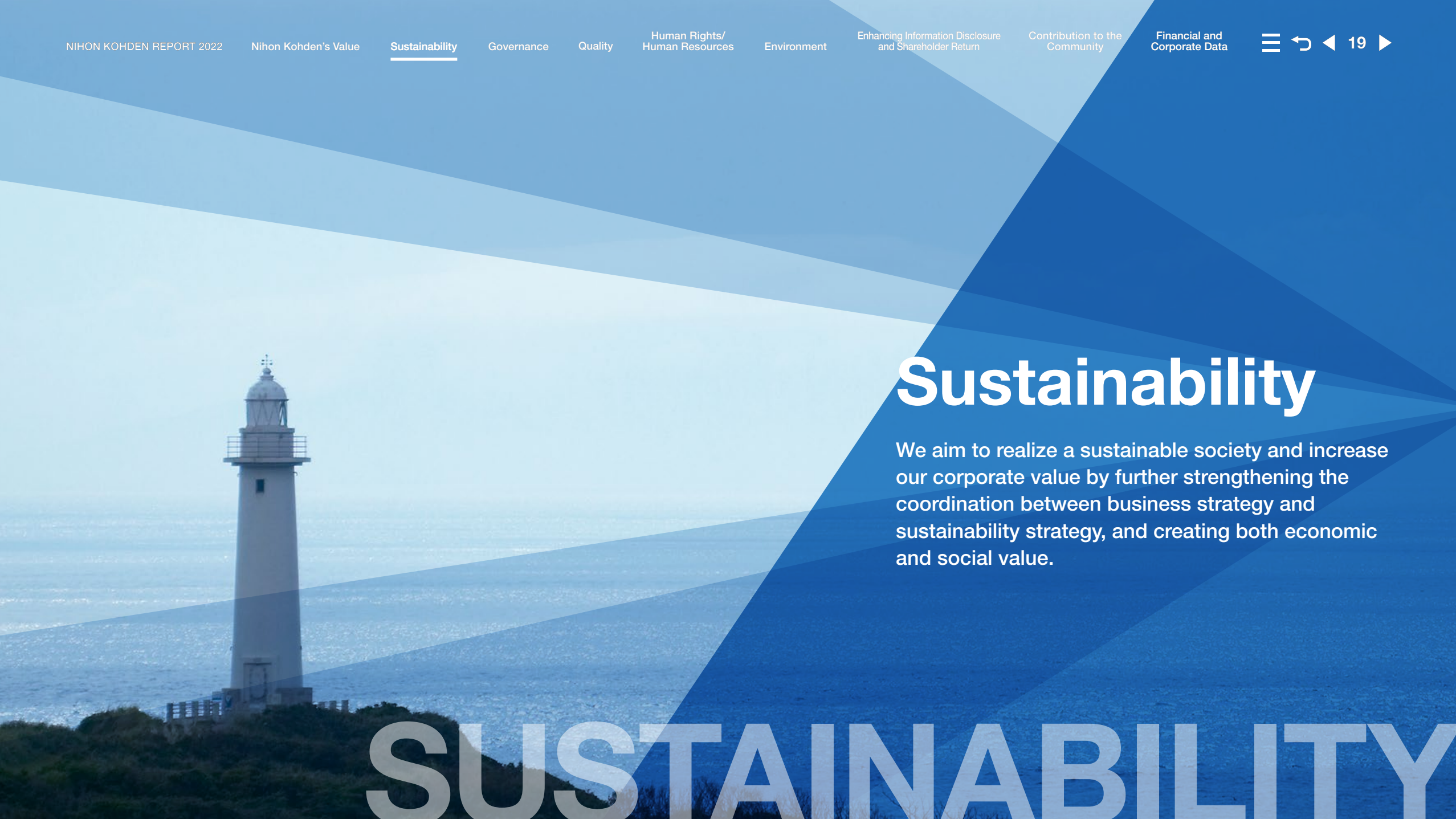
### We Will Continue to Work Together with All of You.

In 2021, Nihon Kohden celebrated its 70th anniversary. We would like to express our sincere gratitude to our customers, shareholders, and all stakeholders for their support. The message of our Long-term Vision is to create a better future for people and healthcare by solving global medical issues, and I believe this is our purpose, which is the meaning of our existence, and our mission as a medical equipment manufacturer. We aim to realize a sustainable society and enhance corporate value of the Company by striving for the realization of our Long-term Vision and the achievement of our Three-year Business Plan. We look forward to the continued support and encouragement of our shareholders.



#### About the Name of the Long-term Vision

Nihon Kohden named its Long-term Vision **BEACON 2030** as the keyword in the Vision Statement is "Illuminating" and Nihon Kohden's Logo graphically expresses the light beaming from a lighthouse. The name conveys our spirit that we will be the light offering hope to people suffering from illness.



# Sustainability

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.

# SUSTAINABILITY

# 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

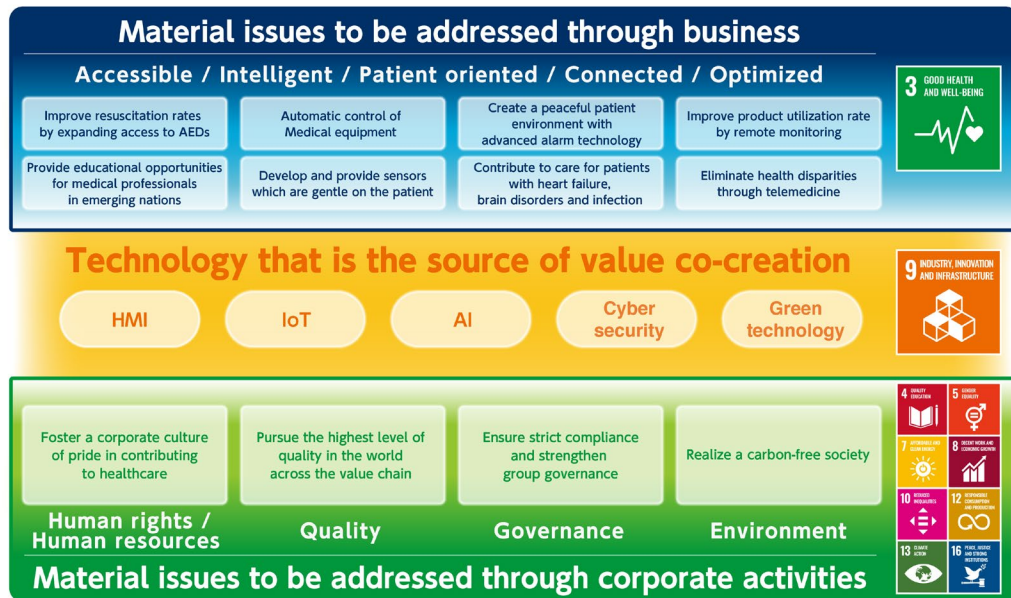
In recent years, activities aimed at achieving the UN Sustainable Development Goals (SDGs) have been promoted in order to respond to various cross-border social issues. The medical care we are involved in is becoming more and more complex due to various problems such as the aging society in developed 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 non-financial 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.

For further details on KPIs and targets, please refer to our website.

[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
		Develop and provide sensors which are gentle on the patient	R&D investment in new sensors Number of products sold that have esCCO, synECI18, and iNIBP installed
	Patient oriented	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 for improving workflow in Japan and the US
		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
Optimized	Improve product utilization rate by remote monitoring	Number of MD Linkage sold and number of connected models Number of advance notifications before trouble with products occurs	
	Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA R&D investment in realization of remote support for ICUs	
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

## Sustainability Policy

### Sustainability Promotion Structure

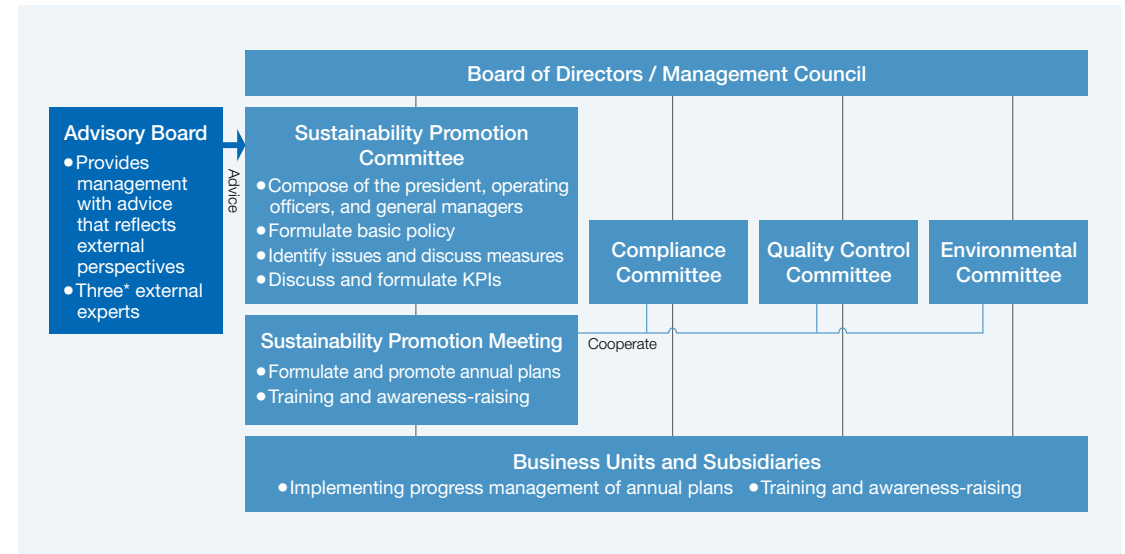
To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee, composed of the president, operating officers, and general managers, and Sustainability Promotion Meeting, composed of the representatives of 17 divisions. In July 2021, Nihon Kohden also established the Advisory Board consisting of four\* 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.

\* As one of the Advisory Board members was appointed as an outside director in June 2022, the Advisory Board currently consists of three members.

### Sustainability Promotion Structure Chart



### External Sustainability Advisors



Hikaru Kobayashi  
Adviser  
Research Center for Advanced  
Science and Technology  
the University of Tokyo



Hidemitsu Sasaya  
ESG/SDGs Consultant  
Appointed as Outside Director of the  
Company in June 2022



Kuniko Shoji  
Professor  
Vice-Dean  
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 first Advisory Board Meeting held in September 2021, we shared the contents of Nihon Kohden's sustainability key issues (material issues) and KPIs in relation to sustainability, and our progress in implementing them. In response, we received the advice to strengthen our efforts to address the environmental, quality and human rights issues.



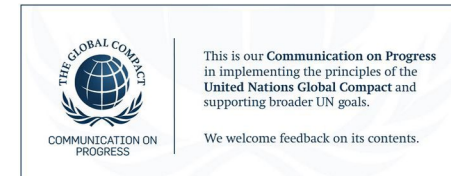
Scene at the Advisory Board Meeting

### Initiatives to Promote Understanding of Sustainability among Employees

To raise internal awareness of sustainability, Nihon Kohden conducts executive training and published feature articles in the Company Newsletter, as well as providing employee education for both domestic and international employees, with 3,937 participants in webinars and 545 participants in paper-based materials in FY2021.

### 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.



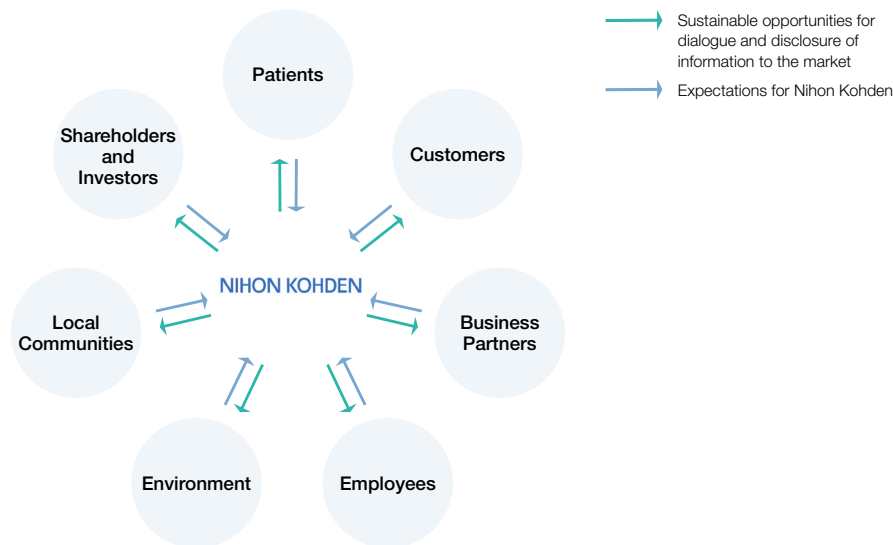
# Stakeholder Engagement

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

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

## Mutual Understanding through Dialogue with Our Stakeholders



## Nihon Kohden's Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	<ul style="list-style-type: none"> <li>● Daily sales activities</li> <li>● Call center</li> <li>● Net promoter score survey</li> <li>● Customer satisfaction survey</li> <li>● Academic seminars</li> <li>● ME (medical electronics) workshops</li> </ul>	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	<ul style="list-style-type: none"> <li>● Daily procurement activities</li> <li>● Human rights due diligence</li> <li>● Questionnaire of sustainable procurement</li> </ul>	Open and fair trade Identification of human rights risks in business transactions Promotion of sustainable procurement
Shareholders and Investors	<ul style="list-style-type: none"> <li>● General shareholders meetings</li> <li>● Earnings presentations</li> <li>● Company briefings</li> <li>● Events for individual investors</li> <li>● Website for investors</li> </ul>	Enhancement of corporate value Appropriate shareholder returns Timely and appropriate disclosure Response to Social Responsible Investment
Employees	<ul style="list-style-type: none"> <li>● Self-enumeration system</li> <li>● Level-specific training sessions</li> <li>● Labor-management council meetings</li> <li>● Consultation counter</li> <li>● Employee satisfaction survey</li> <li>● Company newsletters and intranet</li> </ul>	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	<ul style="list-style-type: none"> <li>● Volunteer activities in local communities</li> <li>● Participation in local events</li> </ul>	Participation and contribution to local communities



# Governance

We enhance corporate governance by establishing a management structure aiming at improving the soundness, transparency, and efficiency of management.

# GOVERNANCE

# Enhancing Corporate Governance

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

## Basic Views on Corporate Governance

To realize the Company's Management Philosophy, Nihon Kohden aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients, and society in all aspects including products, sales, service, technology, financial strength, quality of employees, and other points. In order to realize this management basic policy and increase corporate value over the mid- to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency, and efficiency of management, is an important management issue.

## Corporate Governance Structure

Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory functions, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors, who comprise one-third of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, the Internal Auditing Department, and the Accounting Auditor. The Company believes the management monitoring functions work sufficiently.

The Company registered four outside directors as independent directors, who have no conflict of interest between general shareholders and them, to the Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council as necessary. They also provide opinions from an objective and neutral standpoint if necessary and supervise the Company's management.

### ■ Board of Directors

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

### ■ Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, including two outside directors and one full-time member. Each Audit & Supervisory Committee member conducts audit activities in accordance with the audit policy, audit plan, and division of duties established by the Audit & Supervisory Committee. Each Audit & Supervisory Committee member attends the important meetings such as the Management Council. And, audits the performance of the directors' duties by investigating the conduct of business operations and status of assets at the Company's main offices as well as 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.

### ■ Management Council

The Management Council, at which directors and operating officers attend, are held once or twice a month in order to undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other, and there are fifteen operating officers (including two female operating officers) who are not serving concurrently as directors.



## Enhancing Corporate Governance

### Process of Nominating and Dismissing Directors

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

### Nomination and Dismissal of Directors

In accordance with the policy above, nominations and dismissals of directors, which are submitted to a general shareholders meeting, are proposed by the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, and are approved by the Board.

### Nomination of 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.

### Remuneration of Directors

Nihon Kohden has established the policy on determining the amounts and methods of calculation of directors' remuneration which would further link with performance and shareholder value as well as aiming at the transparency in management and ensuring growth and profitability in mid- to long-term. The method for determining the policy is established through resolution by the Board of Directors based on a report of the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board. 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 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

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

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.

## Enhancing Corporate Governance

### ■ Restricted stock remuneration

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 Committee 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)

The ratio by types of compensation for 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.

### ■ The remuneration of Audit & Supervisory Committee members

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.

### Total Amount of Remuneration of Directors in FY2021

Category	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of directors (persons)
		Fixed monthly compensation	Performance-based compensation	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	320	162	135	22	7
Directors (Audit & Supervisory Committee members and outside directors)	22	22	—	—	2
Outside directors	41	41	—	—	4

(Note) The amount above does not include 42 million yen which is the directors' salary as employees of the Company.

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

The 65th general shareholders meeting held on June 28, 2016 approved the following:

- i) with respect to the amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members, total amount shall be within the limit of 400 million yen (including the amount of remuneration to outside directors which shall be within the limit of 30 million yen),
- ii) with respect to the amount of remuneration to Audit & Supervisory Committee members, total amount shall be within the limit of 80 million yen.

The 69th general shareholders meeting held on June 25, 2020 approved the following:

- The maximum amount of monetary compensation receivables to be paid to directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) in respect of restricted stock shall be within the limit of 100 million yen.

## Enhancing Corporate Governance

### Board of Directors Evaluation

Nihon Kohden conducted self-evaluations of all twelve directors in an anonymous survey related to the size and composition of the Board and its operations. The Company also discussed the results of evaluation and issues for further improvements.

As a result, it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory functions have been established in terms of size, composition, and operations of the Board. It was also concluded that the Board operates effectively with an open atmosphere that enables inside and outside directors to engage in candid discussion.

In FY2021, based on the results of the FY2020 evaluation results, the Company reviewed operational methods to ensure adequate time for deliberation by the Board, and revised the Standards for Procedures for Requesting Deliberations and Making Decisions. The Company also strengthened support for outside directors by holding free discussion meetings to exchange opinions among outside directors. On the other hand, the Board members shared the following issues: the need for further discussion on compliance, internal controls, and risk management as well as further reinforcing the support systems for outside directors.

In addition to continuing past improvement efforts, the Company will continue to consider appointing female and foreign directors on the Board, based on FY2021 evaluation results. The Company will also strengthen to promote sustainability management and disclose information to further enhance dialogue with each stakeholder.

The Company will continue to improve overall effectiveness of the Board aiming at sustained growth of corporate value and for an enhancement of corporate governance.

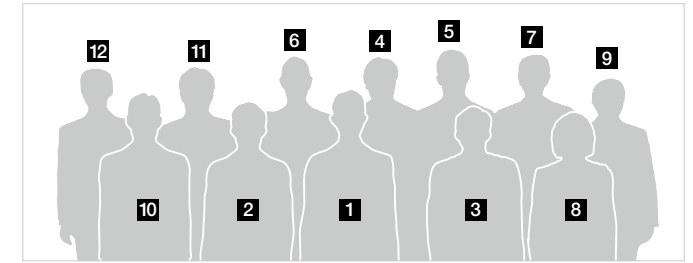
### Director Skills Matrix

All twelve directors utilize their knowledge, experience, and abilities to make decisions and supervise the business executions in order to realize the Long-term Vision and the Three-year Business Plan.

In addition to the expertise and experience of each director, all directors are engaged in management from the perspective of sustainability. The Company will continue its efforts to further strengthen sustainability.

Name	Title	Corporate Management	Global Experience	Sales/ Marketing	Production R&D	Legal/Risk Management	Finance/ Accounting/ M&A	Human Resources/ Human Resource Development	ESG/SDGs
Hirokazu Ogino	Representative Director, President and CEO	●	●	●			●		●
Takashi Tamura	Representative Director, Executive Operating Officer	●		●					
Tadashi Hasegawa	Corporate Director, Executive Operating Officer		●			●	●	●	●
Fumio Hirose	Corporate Director, Senior Operating Officer	●		●	●				
Eiichi Tanaka	Corporate Director, Senior Operating Officer	●	●	●	●			●	
Yasuhiro Yoshitake	Corporate Director, Senior Operating Officer	●	●	●					
Hiroyuki Satake	Corporate Director, Senior Operating Officer				●				
Kanako Muraoka	Outside Director, Nomination & Remuneration Committee Member		●			●	●		
Hidemitsu Sasaya	Outside Director		●						●
Shigeru Hirata	Corporate Director, Full-time Audit & Supervisory Committee Member			●			●	●	
Shigeru Kawatsuhara	Outside Director, Audit & Supervisory Committee Member, Nomination & Remuneration Committee Member	●	●	●					
Kazuo Shimizu	Outside Director, Audit & Supervisory Committee Member, Nomination & Remuneration Committee Member					●	●		

# Management Team



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

## 1 Hirokazu Ogino

Representative Director  
President and CEO

Served as Director for 10 years  
Attendance at Board Meetings 22/22 (100%)  
Date of birth May 28, 1970  
Apr. 1995 Joined the Company  
Apr. 2007 President of Nihon Kohden Europe GmbH  
Apr. 2011 General Manager of Marketing Strategy  
Department  
Jun. 2011 Operating Officer  
Jun. 2012 Corporate Director and Operating Officer  
Apr. 2013 General Manager of International Operations  
Jun. 2013 Corporate Director and Senior Operating Officer  
Oct. 2013 CEO of Nihon Kohden America, Inc.  
Jun. 2015 Representative Director, President and COO  
Jun. 2017 Representative Director, President and CEO  
(current position)

## 2 Takashi Tamura

Representative Director  
Executive Operating Officer,  
In Charge of Domestic Business Operations

Served as Director for 14 years  
Attendance at Board Meetings 22/22 (100%)  
Date of birth March 22, 1959  
Apr. 1983 Joined the Company  
Apr. 2003 President of Nihon Kohden Kansai Corporation  
Apr. 2007 General Manager of Sales Operations  
Jun. 2007 Operating Officer  
Jun. 2008 Corporate Director and Operating Officer  
Apr. 2011 General Manager of International Operations  
Apr. 2013 General Manager of Service Business Division  
Apr. 2014 General Manager of Customer Service Operations  
Jun. 2015 Corporate Director and Senior Operating Officer  
Apr. 2016 General Manager of Sales Operations  
Jun. 2017 Representative Director and Executive Operating  
Officer (current position)

## 3 Tadashi Hasegawa

Corporate Director  
Executive Operating Officer,  
General Manager of Global Corporate Administration Operations, Chief Compliance Officer

Served as Director for 7 years  
Attendance at Board Meetings 22/22 (100%)  
Date of birth June 17, 1959  
Apr. 1983 Joined The Saitama Bank Ltd.  
Jun. 2009 Operating Officer of Saitama Resona Bank Limited  
Jun. 2011 Senior Operating Officer of Saitama Resona Bank Limited  
Jun. 2013 Corporate Director and Senior Operating Officer of  
Saitama Resona Bank Limited  
Mar. 2014 Retired as Corporate Director and Senior Operating Officer of  
Saitama Resona Bank Limited  
Apr. 2014 Joined the Company  
Jun. 2014 Operating Officer and Responsible for Internal Auditing Department  
Jun. 2015 Corporate Director and Senior Operating Officer  
Apr. 2017 Chief Compliance Officer (current position)  
Apr. 2020 General Manager of Global Corporate Administration Operations  
(current position)  
Apr. 2022 Corporate Director and Executive Operating Officer (current position)

## 4 Fumio Hirose

Corporate Director  
Senior Operating Officer,  
General Manager of Business Strategy Operations

Served as Director for 7 years  
Attendance at Board Meetings 22/22 (100%)  
Date of birth March 2, 1960  
Apr. 1982 Joined the Company  
Apr. 2003 President of Nihon Kohden Chushikoku Corporation  
Apr. 2006 Chief Manager of Global Marketing Operations  
Apr. 2009 General Manager of Corporate Planning Department  
Jun. 2009 Operating Officer  
Apr. 2013 General Manager of Ventilator & Anesthesia Device  
Business Operations  
Jun. 2015 Corporate Director and Operating Officer  
Jun. 2017 Corporate Director and Senior Operating Officer  
(current position)  
Apr. 2018 General Manager of IVD Business Operations  
Apr. 2020 General Manager of Business Strategy Operations  
(current position)

**5 Eiichi Tanaka****Corporate Director**

Senior Operating Officer, General Manager of US Operations

Served as Director for 5 years

Attendance at Board Meetings 22/22 (100%)

Date of birth July 15, 1962

Apr. 1985 Joined the Company

Apr. 2002 General Manager of Marketing & Business  
Development Department

Oct. 2003 President of Nihon Kohden America, Inc.

Apr. 2008 General Manager of General Affairs and Human  
Resources Department

Jun. 2008 Operating Officer

Apr. 2011 General Manager of Accessories & Consumables  
Business OperationsApr. 2013 Corporate Director & Senior Operating Officer of  
Nihon Kohden Tomioka Corporation

Apr. 2014 President of Nihon Kohden Tomioka Corporation

Apr. 2017 General Manager of Import Business Operations

Jun. 2017 Corporate Director and Operating Officer

Apr. 2019 General Manager of Corporate Strategy Division

Apr. 2020 General Manager of US Operations (current position)

Apr. 2022 Corporate Director and Senior Operating Officer  
(current position)**9 Hidemitsu Sasaya**

Newly appointed Director Outside Director Independent Director

Date of birth May 24, 1953

Apr. 1977 Joined the Ministry of Agriculture and Forestry  
(currently the Ministry of Agriculture, Forestry and  
Fisheries)

Jul. 2005 Councillor, the Ministry of the Environment

Aug. 2006 Minister's Secretariat, the Ministry of Agriculture,  
Forestry and Fisheries

Jul. 2007 Director-General of the Kanto Regional Forest Office

Mar. 2008 Retired the Ministry of Agriculture, Forestry and Fisheries

May 2008 Joined ITO EN, LTD.

Jul. 2010 Corporate Director of ITO EN, LTD.

Jul. 2014 Managing Executive Officer of ITO EN, LTD.

Dec. 2018 Representative Director of Office Sasaya Co., Ltd.  
(current position)

Apr. 2019 Retired as Advisor of ITO EN, LTD.

Apr. 2019 Visiting Professor at the Graduate School of Information  
& Communication (currently the Graduate School of  
Social Design)Apr. 2020 Professor at Platform for Arts and Science,  
Chiba University of Commerce (current position)

Jun. 2022 Outside Director of the Company (current position)

**6 Yasuhiro Yoshitake****Corporate Director**Senior Operating Officer,  
General Manager of International Business Operations

Served as Director for 5 years

Attendance at Board Meetings 22/22 (100%)

Date of birth March 20, 1966

Apr. 1988 Joined the Company

Oct. 2003 President of Nihon Kohden Europe GmbH

Apr. 2007 General Manager of Sales Promotion Division,  
International OperationsApr. 2008 Managing Director of Nihon Kohden Trading  
(Shanghai) Co., Ltd.

Apr. 2011 General Manager of China Operations

Jun. 2011 Operating Officer

Apr. 2013 General Manager of Asia and Middle East Operations

Apr. 2015 General Manager of International Business  
Operations (current position)

Jun. 2017 Corporate Director and Operating Officer

Feb. 2019 President and CEO of Nihon Kohden America, Inc.

Apr. 2022 Corporate Director and Senior Operating Officer  
(current position)**10 Shigeru Hirata****Corporate Director**

(Full-time Audit &amp; Supervisory Committee Member)

Served as Director for 1 year

Attendance at Board Meetings 15/15 (100%)

Attendance at Audit &amp; Supervisory Committee Meetings 14/14 (100%)

Date of birth May 12, 1961

Apr. 1985 Joined the Company

Apr. 2011 General Manager of General Affairs & Human  
Resources Department

Jun. 2011 Operating Officer

Apr. 2014 General Manager of Human Resources Department

Apr. 2016 General Manager of Finance Department

Apr. 2020 Deputy General Manager of Global Corporate  
Administration Operations and General Manager of  
Finance Department

Apr. 2021 Operating Officer in charge of Internal Auditing

Jun. 2021 Corporate Director (Full-time Audit & Supervisory  
Committee Member) (current position)**7 Hiroyuki Satake**

Newly appointed Director

**Corporate Director**Senior Operating Officer, General Manager of Technology Development Operations,  
General Manager of Strategic Technology Operations

Date of birth April 22, 1958

Apr. 1984 Joined the Company

Apr. 2009 General Manager of Engineering Department 2 of  
Biomedical Instrument Technology CenterApr. 2014 General Manager of Engineering Department 2 of  
Biomedical Instrument Business Operations

Oct. 2016 CTO of Defibtech, LLC

Apr. 2017 General Manager of Biomedical Instrument Business  
Operations

Jun. 2017 Operating Officer

Apr. 2020 Senior Operating Officer, General Manager of  
Technology Development Operations  
(current position)Apr. 2022 General Manager of Strategic Technology Operations  
(current position)

Jun. 2022 Corporate Director (current position)

**11 Shigeru Kawatsuhara**

Outside Director Independent Director

Audit &amp; Supervisory Committee Member

Served as Director for 6 years

Attendance at Board Meetings 22/22 (100%)

Attendance at Audit &amp; Supervisory Committee Meetings 23/23 (100%)

Date of birth February 14, 1952

Apr. 1975 Joined Toko, Inc.

Apr. 2002 Senior Manager of Sales Department 1, Sales  
Operations, Toko, Inc.

Apr. 2004 General Manager of Sales Center, Toko, Inc.

Jun. 2005 Corporate Director and General Manager of Sales  
Center, Toko, Inc.

Apr. 2008 President of Toko, Inc.

May 2014 Chairman of Toko, Inc.

Mar. 2015 Senior Advisor of Toko, Inc.

Apr. 2016 Part-time Advisor of Toko, Inc.

Jun. 2016 Outside Director (Audit & Supervisory Committee  
Member) of the Company (current position)**8 Kanako Muraoka**

Outside Director Independent Director

Served as Director for 2 years

Attendance at Board Meetings 22/22 (100%)

Date of birth April 26, 1965

Apr. 1988 Joined Mitsubishi Corporation

Apr. 1993 Registered as an attorney (Daini Tokyo Bar  
Association), Joined Anderson & Mōri (currently  
Anderson Mōri & Tomotsune)Oct. 1999 Joined Mori Sogo  
(currently Mori Hamada & Matsumoto)

Apr. 2020 Joined Kowa Law Office (to present)

Jun. 2020 Outside Director of the Company (current position)

Mar. 2021 Outside Director of FUJIYA CO., LTD.  
(current position)**12 Kazuo Shimizu**

Outside Director Independent Director

Audit &amp; Supervisory Committee Member

Served as Director for 2 years

Attendance at Board Meetings 22/22 (100%)

Attendance at Audit &amp; Supervisory Committee Meetings 23/23 (100%)

Date of birth May 16, 1959

Apr. 1983 Joined Nippon Yusen Kabushiki Kaisha

Oct. 1989 Joined Asahi Audit Corporation  
(currently KPMG AZSA LLC)Oct. 1992 Joined Shimizu Susumu Certified Tax Accountant  
Office

Mar. 1993 Registered as a certified public accountant

May 1994 Registered as a certified tax accountant

Jan. 2003 Joined Ernst & Young Shinnihon Tax  
(currently Ernst & Young Tax Co.)Sep. 2013 Joined Shimizu Accounting Office (to present)  
Representative Partner of Ryoh-koh Audit Corporation  
(current position)Jun. 2020 Outside Director (Audit & Supervisory Committee  
Member) of the Company (current position)



## Message from Outside Directors

The following are messages from the four outside directors and the overview of meetings of outside directors to exchange opinions.



**A year of strengthening our global foundation.**

**Kanako Muraoka**  
Outside Director  
Kowa Law Office

This is my third year as an outside director of the Company. Although it has been difficult to meet as many people within the Company as I would like, due to the COVID-19 pandemic which occurred since I took up the post, I have learned about Nihon Kohden in depth through meetings of the Board of Directors, the Nomination & Remuneration Committee, the Investigation Committee and the Committee for Implementation and Management of Recurrence Prevention Measures for the compliance matter, the Compliance Committee, the Management Council and other opportunities, and I have often used my knowledge as an attorney during these two years. I would like to thank all those who responded. Although I will not attend the Management Council, which I had participated as necessary, from this fiscal year, I will continue to monitor governance and compliance as an outside director, and I hope to support Nihon Kohden in its efforts to strengthen its global foundation in this year.



**I will contribute to corporate management as a sustainability expert in the era of the Great Reset.**

**Hidemitsu Sasaya**  
Outside Director  
Representative Director of Office Sasaya Co., Ltd.  
Professor at Platform for Arts and Science, Chiba University of Commerce

Times are changing rapidly, with the COVID-19 pandemic, worsening climate change, and the Ukraine crisis. A “Great Reset” (a major transformation) is required for a new future. As a paradigm shift is underway, we can say that all companies are entering a new phase of survival competition. In this context, it is necessary to accurately respond to ESG and SDGs, including supply chain management and compliance with business and human rights, as well as to seek opportunities and avoid various risks as a company. For that reason, I will use my knowledge and experience as a sustainability expert so that the Company can meet the demands of a wide range of stakeholders, including investors.

## Message from Outside Directors



I will supervise the management and provide appropriate advice to ensure that the Company responds speedily and flexibly to the difficult issues that remain unsolved and steadily achieves its Long-term Vision and Three-year Business Plan.

**Shigeru Kawatsuhara**

Outside Director (Audit & Supervisory Committee Member)

We have been a Prime Market member since April 2022, having met the following criteria: market capitalization (liquidity), high level of governance, constructive dialogue with investors, and commitment to sustainable growth and medium- to long-term growth in corporate value. There is a wide variety of other criteria by which companies are evaluated, including sustainability, compliance, TCFD, and the environment. However, these are issues that we take for granted, and we believe that our mission is to respond speedily and flexibly to the many difficult issues, such as post-COVID-19, the Ukraine crisis, and difficulties in procuring parts. We also believe that it is most important to steadily achieve our Long-term Vision and Three-year Business Plan. As an outside director, I will work sincerely to supervise the management and provide appropriate advice to achieve these goals.



I will oversee Nihon Kohden's efforts to address social issues and contribute to the further enhancement of economic and social value of the Company.

**Kazuo Shimizu**

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

In the fiscal year ended March 2022, Nihon Kohden achieved record highs in sales and profits by enhancing customer value propositions under the advent of the digital society and the pandemic. I would like to commend all employees for their tremendous efforts and achievements. With regard to internal controls in Japan, after vigorous discussions, the Company has established a system and structure to prevent the recurrence of misconduct. As a member of the Audit & Supervisory Committee, I will continue to monitor the effective implementation of the various measures that have been established and the establishment and propagation of management controls on a global basis. In addition, we have expressed the support for the TCFD's recommendation to disclose information on climate change, and we have worked on green transformation. I will oversee the Board of Directors to address these social issues and contribute to the further enhancement of the Company's economic and social value.

## Message from Outside Directors

### Meetings of Outside Directors to Exchange Opinions

#### ■ Overview

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

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

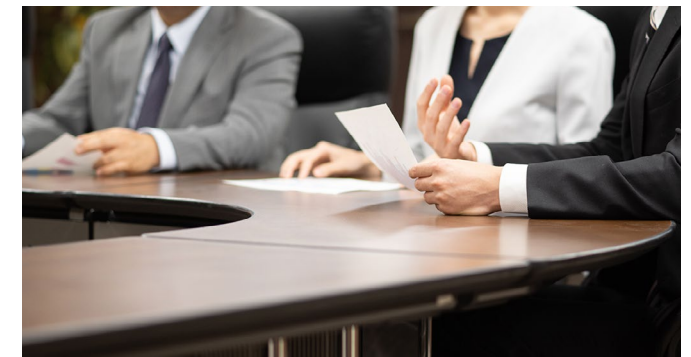
#### ■ Meetings Held

<b>FY2016</b>	<p><b>May</b> The results of the evaluation of the effectiveness of the Board of Directors</p> <p><b>Nov.</b> Update on the progress in improving the Board's effectiveness Lecture on the healthcare industry, the Ministry of Health, Labor, and Welfare policies, and Nihon Kohden's strategy</p> <p><b>Feb.</b> Lecture on Nihon Kohden products and the competitive environment</p>
<b>FY2017</b>	<p><b>Jun.</b> The results of the evaluation of the effectiveness of the Board of Directors</p> <p><b>Nov.</b> Update on the progress in improving the Board's effectiveness Report on activities of the Marketing Strategy Department</p>
<b>FY2018</b>	<p><b>May</b> The results of the evaluation of the effectiveness of the Board of Directors</p> <p><b>Dec.</b> Update on the progress in improving the Board's effectiveness Report on the Patient Monitoring Business</p>
<b>FY2019</b>	<p><b>Jun.</b> The results of the evaluation of the effectiveness of the Board of Directors Report on the progress in creating next Long-term Vision and Three-year Business Plan</p> <p><b>Dec.</b> Update on the progress in improving the Board's effectiveness Report on the Ventilator and Anesthesia Business</p>
<b>FY2020</b>	<p><b>May</b> The results of the evaluation of the effectiveness of the Board of Directors</p> <p><b>Dec.</b> Update on the progress in improving the Board's effectiveness Report on the IT Solutions Business</p>
<b>FY2021</b>	<p><b>May</b> The results of the evaluation of the effectiveness of the Board of Directors</p> <p><b>Jul.</b> Discuss freely</p> <p><b>Dec.</b> Update on the progress in improving the Board's effectiveness Report on the production structure of the Group Discuss freely</p>
<b>FY2022</b>	<p><b>May</b> Update on the progress in improving the Board's effectiveness Discuss freely</p> <p><b>Jul.</b> Discuss freely</p>

#### ■ Content of Meetings

To date, we have held a total of sixteen meetings and active discussion took place in each meeting. In FY2021, the meetings were again held online due to the COVID-19 pandemic. They exchanged their opinions on the importance of securing sufficient deliberation time at the Board of Directors and the fostering of successors for the Chief Executive Officer and other executives, to enhance the effectiveness of the Board of Directors.

In addition, since FY2021, we have held free discussions, to exchange opinions without setting limits on themes. The meetings are very meaningful as they allow outside directors to freely debate and share each other's recognition on various topics such as Nihon Kohden's corporate culture, the internationalization of human resources, and the effectiveness of the Corporate Governance Code.



# Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

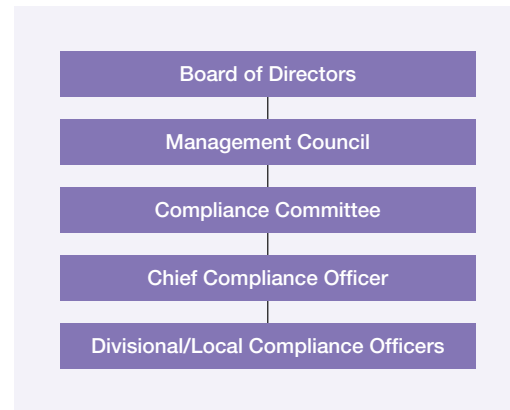
## Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. Aside from being the “right” thing to do, these principles ensure that Nihon Kohden does not lose one of its most valued assets—the trust of its customers, business partners, and stakeholders.

Nihon Kohden’s commitment to ethical and responsible actions is embodied by its Code of Ethics and Conduct. The Code requires all executives, employees, part-time employees, temporary employees, etc. to comply with all laws, regulations, and Company policies.

## Compliance Organizational Framework

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



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

- (i) Establishing and amending the Company’s compliance policies;
- (ii) Supervising, evaluating, assessing, reviewing, and continuously improving the compliance program of the Company;
- (iii) Coping with important compliance issues; and
- (iv) Studying, assessing, addressing, and implementation of responses to other compliance matters.

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

## Ensuring Thorough Compliance

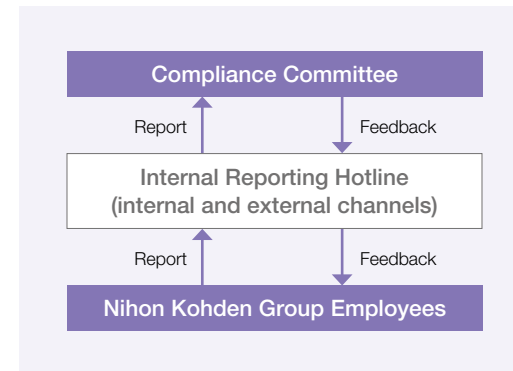
### Compliance Training

Every year, the Company conducts compliance training for all executives and employees at the workplace level in each division and subsidiary in Japan and overseas (Approximately 5,500 participants in FY2021). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Next, we read the materials and discussing it with colleagues in order to deepen employees' understanding of compliance. As necessary, Local Compliance Officers in overseas subsidiaries provide additional training in accordance with local laws, regulations, and policies in each country. In addition, compliance study sessions are held in each division according to business such as harassment, Pharmaceutical and Medical Device Act, and sales activities. Furthermore, from FY2021, training on anti-corruption is conducted by outside experts for all executives such as office managers of domestic branch offices and domestic business operations.

### Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports in good faith. However, to alleviate any concerns on the part of the employees making reports, the Company accepts anonymous reports. In response to the revised Whistleblower Protection Act, which took effect in Japan on June 1, 2022, the Company has established new rules to strengthen the protection of whistleblowers and further enhance its internal reporting system.

#### Internal Reporting Hotline



### Preventing Corruption

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

### Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in 2017 and is working to ensure thorough compliance throughout the Group, including overseas sales subsidiaries. In FY2021, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers, and issued a newsletter. We also conducted risk assessments for all overseas subsidiaries to confirm the status of implementation of the Global Compliance Program and future areas of focus. In the Three-year Business Plan, we will establish more robust compliance structure by addressing the following initiatives; to ensure strict compliance and strengthen group governance and to strengthen internal control over domestic sales.

For further details regarding compliance, please refer to our website.

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



## Ensuring Thorough Compliance

### Formulate and Implement Measures to Prevent Recurrence of Bribery Case

In response to the bribery case involving a former employee of the Company that occurred in Japan in January 2021, meetings of the Committee for Implementation and Management of Recurrence Prevention Measures, which includes outside members of the Investigation Committee, were held seven times. All recommendations of the Investigation Committee have been implemented in FY2021. In FY2022, we will continue our monitoring efforts to ensure strict compliance.

#### 1. Strengthening of Governance

##### (1) Review of the organization

- Established the Compliance & Legal Department in the Global Corporate Administration Operations (April 2021)
- Established the Compliance Department in the Sales Operations in Japan (Currently Domestic Business Operations) (April 2021)
- Domestic sales branch offices
  - Strengthened administrative functions (Sequential implementation in progress)
  - Strengthened reporting lines to the Chief Compliance Officer (Compliance Officers' meeting: November 2021)

##### (2) Review of the procedures for considering donations

- Introduced a donation website. Established a review organization that is independent of sales divisions (September 2021)

##### (3) Strengthening of internal controls

- Application of IT controls to pre-order processes (November 2021)

##### (4) Establish mutual check procedures with dealers

(From January 2022)

- Mutual pledge to comply with laws
- Periodic questionnaires
- Establish whistle-blowing channel for third parties

#### 2. Review of the Employee Performance Evaluation System

- Included compliance in evaluation items for performance evaluation (Management positions: June 2021 / General employees: October 2021)

#### 3. Thorough Compliance Education

- Domestic sales branch offices
  - Improved education programs for managers (Training by outside experts: October 2021)
  - Increased the amount of specific and practical training contents (Continued to implement)

#### 4. Monitoring

- Periodic internal compliance awareness surveys (February 2021 and February 2022)
- Ensure that all employees are aware of the internal reporting hotline (Newly established lawyer hotline: February 2022)

### Formulated the Global Business Management Policy

As the role of our overseas subsidiaries has become more important under transforming into a global high-value-added company, we have worked to strengthen the organizational risk management capabilities of each company. In October 2021, we formulated the Global Business Management Policy to support risk management related to finance and accounting, personnel and labor affairs, compliance, and internal information security, with the aim of preventing occurrence and recurrence of fraud and misconduct, and started implementation in 24 overseas subsidiaries of the Company. We will periodically review and enhance the contents of this policy and work closely with each company to ensure its effective application.

# Strengthening Risk Management

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

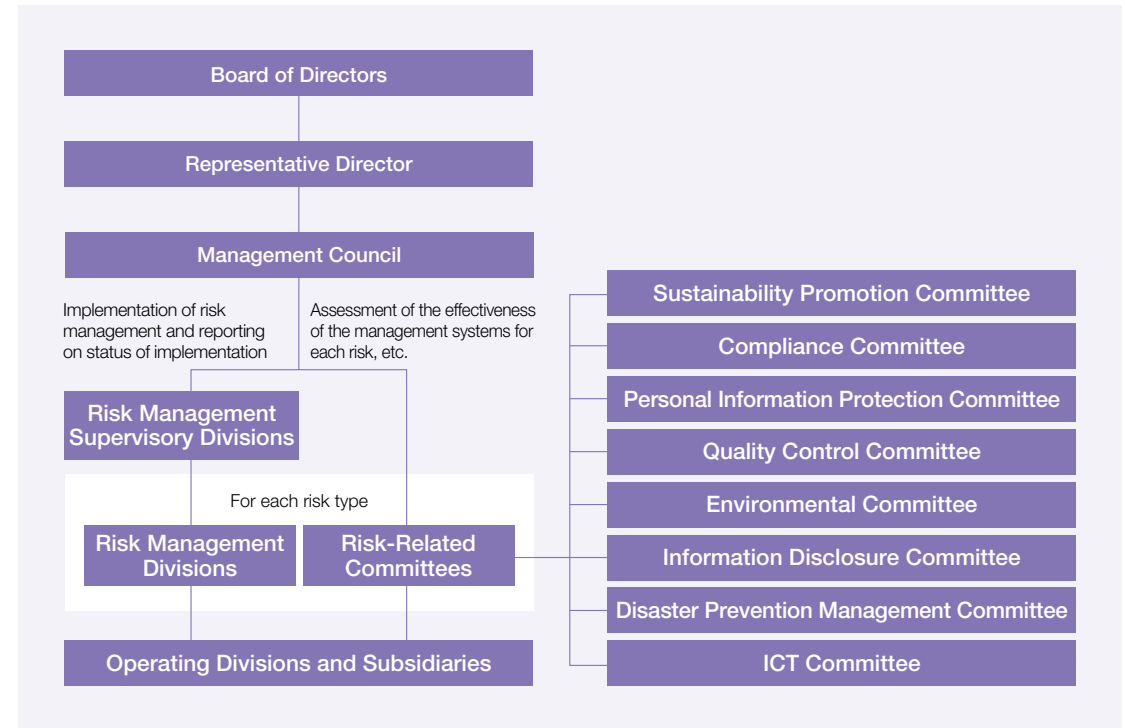
## Approach to Risk Management

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

## Risk Management Framework

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group. The risks present in the execution of business activities have been classified into nine types, and 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 divisions and subsidiaries 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 Management Council on matters including assessments of management system appropriateness, validity, and effectiveness for related risk types. In addition, the Internal Auditing Department report to the president on risks discovered during audits.

Risk Management Framework



## Strengthening Risk Management

### Self-Assessment of Risk Management

Nihon Kohden's offices, subsidiaries, and the departments in the head office conduct self-assessment of risk management regarding compliance and others using divisional inspection sheets. The Risk Management Supervisory Division verifies the progress of risk management system implementation and future responses, and reports the results of the self-assessment to the Board of Directors. Overseas subsidiaries also report to the Board of Directors on the development and progress of their risk management systems and measures to strengthen the implementation. In addition, the Company provides education on risk management to its executives and employees to ensure that they are fully aware of the importance of risk management.

In FY2021, in light of the cyber-attack against our European subsidiary, we worked to strengthen information security for the entire Group by establishing a ransomware/malware countermeasure and monitoring system, as well as conducting targeted email attack response training and e-learning for employees. In addition, we have strengthened our response to compliance risks by clarifying standards for business partner due diligence at overseas subsidiaries and hiring compliance specialists qualified as attorneys in Europe and the U.S. as Local Compliance Officers.

### Risk Types

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

### Response in the Event of a Risk

The response to be taken when a risk occurs has been set forth in the regulations established for each risk type.

### 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 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	<ul style="list-style-type: none"> <li>• Risk of losses due to change in value of assets held, which is caused by changes in market environment and credit standing of business partners, etc.</li> <li>• Risk of losses due to inappropriate accounting practices</li> </ul>
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



## Strengthening Risk Management

### Disaster Risk Management

#### ■Basic Approach

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

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_corporate\\_governance.html#disaster\\_risk](https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#disaster_risk)



### Human Rights Risk Management

#### ■Basic Approach

To appropriately manage human rights risks, such as unfair discrimination or harassment, poor working environments, unfair wages, excessive work, slave labor, forced labor, and child labor, we established the Nihon Kohden Group Human Rights Policy and Human Rights Policy Rules in December 2020. In FY2021, as part of our efforts to strengthen the promotion of sustainability management, we conducted a questionnaire survey on the environment, human rights, quality, and governance at each company of the Nihon Kohden Group, as well as among our suppliers in Japan and internationally. We also confirmed the status of human rights efforts, identified relevant issues, and formulated a three-year road map.

For further details, please refer to the [human rights and human resources pages](#) and our website.

[https://www.nihonkohden.com/sustainability/human\\_rights.html](https://www.nihonkohden.com/sustainability/human_rights.html)



### Information System Risk Management

#### ■Basic Approach

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

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_corporate\\_governance.html#information\\_risk](https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#information_risk)



#### ■Obtaining Third-Party Certification

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



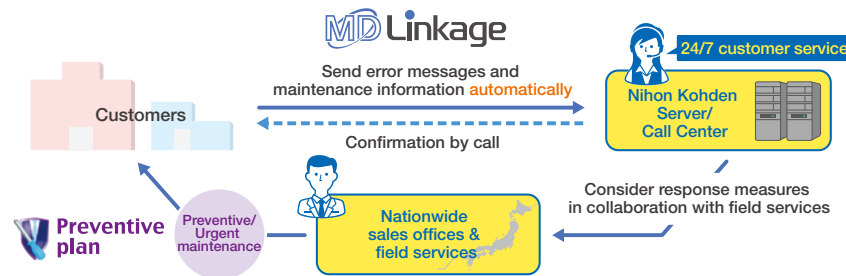
Nihon Kohden Corporation obtained PrivacyMark certification from the Japan Institute for the Promotion of Digital Economy and Community (JIPDEC).



## Strengthening Risk Management

### Response as a Medical Equipment Manufacturer

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



### Response to COVID-19 Pandemic

Nihon Kohden has established a response headquarters to address COVID-19, and has been conducting business in accordance with the basic policies: (1) Ensuring health and safety of employees at work and their families. (2) Fulfilling our responsibility to supply products and services to maintain the medical system. In accordance with the Ministry of Health, Labor and Welfare's "new lifestyle" and with the Keidanren (Japan Business Federation)'s Guidelines for Preventing the Spread of COVID-19, we have established a set of behavioral guidelines ("Guidelines"). The main contents of the Guidelines are as follows:

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

As the policies and guidelines of the national/local governments are expected to change as appropriate, depending on the status of the COVID-19 pandemic in the future, we will review the Guidelines as necessary.

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



# Quality

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

# QUALITY

# Improving Safety and Reliability

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

## Quality Policy and Quality Targets

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

### Quality Policy

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

In FY2021, Nihon Kohden conducted six product recalls, causing inconvenience to those in clinical practice. We are making company-wide efforts to prevent any reoccurrence and are pursuing the world's highest quality levels throughout the entire value chain.

In FY2022, we will take actions to achieve the following quality targets.

### (1) Build a global quality management system to strengthen regulatory compliance and post-marketing monitoring in each country.

Healthcare systems in every country are being overwhelmed as a result of the COVID-19 pandemic, and demand for high-quality medical devices is rising worldwide. Nihon Kohden is gathering information on medical device related laws and regulations in each country and comprehensively disseminating it within the Company, reducing global product registration times, and achieving timely launch of products to global markets. We are also improving post-marketing monitoring systems and using the acquired information to enhance internal processes and provide feedback that is useful for products, leading to higher product quality.

### (2) Establish a product supply and service system that results in greater customer satisfaction, and achieve high rates of utilization by customers

To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products, we are continuing our efforts to design and manufacture products with low failure rates. To achieve this goal, we set quantitative targets for utilization rates, periodically review them, and provide feedback for use in design, production and service activities. In addition, we employ new technologies for remotely monitoring the status of product utilization rates, which lead to the prevention of failures. We are also working to reduce the time from receipt of products for repair to the provision of loaner devices as well as reducing repair times.

Nihon Kohden has obtained ISO 9001:2015 certification for its quality management system and ISO 13485:2016 certification for its medical devices and in vitro diagnostics. The Company has also obtained numerous certifications and accreditations including the Medical Device Single Survey Program (MDSAP)\* certification. Our Reliability Center has obtained laboratory accreditation in accordance with ISO 17025:2017. In addition, the Company has responded to the Medical Device Regulation (MDR) effective in May 2021 and the In Vitro Diagnostic Medical Device Regulation (IVDR) effective in May 2022 in Europe.

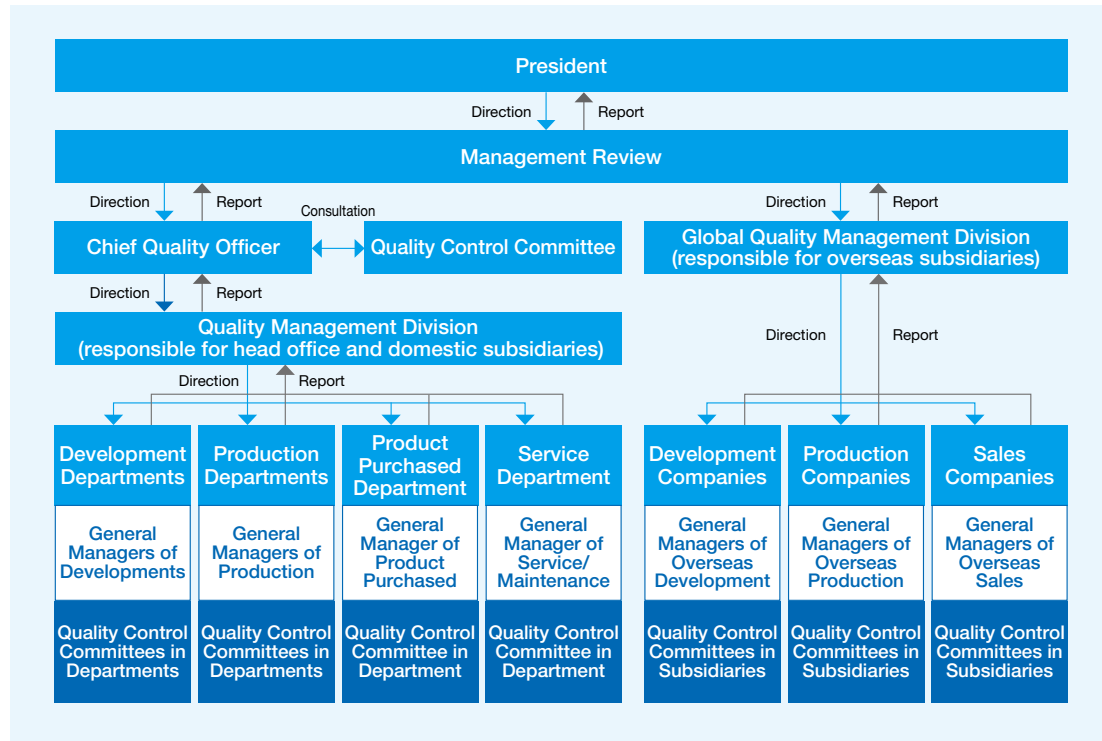
\* MDSAP is a third party Auditing Organization's program for conducting a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements.

## Improving Safety and Reliability

### Strengthen Our Global Quality Management System

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

#### Quality Management System



### ISO 9001/ISO 13485 Certification in the Nihon Kohden Group

	ISO 9001 Quality Management System	ISO 13485 Medical Device Sector Standard
	Certification Date	Certification Date
Nihon Kohden Corporation*	January 1995	February 2003
Nippon Bio-test Laboratories Inc.	May 2014	-
Nihon Kohden America, Inc.	-	March 2016
Defibtech, LLC	-	February 2004
Neurotronics, Inc.	-	October 2009
Nihon Kohden OrangeMed, Inc.	-	June 2019
Nihon Kohden Digital Health Solutions, Inc.	-	June 2022
Nihon Kohden Europe GmbH	November 1995	November 1995
Nihon Kohden Firenze S.r.l.	December 1995	December 1999
Shanghai Kohden Medical Electronic Instrument Corp.	December 2003	December 2003
Nihon Kohden Malaysia Sdn. Bhd.	-	April 2015
Nihon Kohden India Pvt. Ltd.	August 2018	August 2018
Nihon Kohden Middle East FZE	July 2020	June 2020

\* Including Nihon Kohden Tomioka in the scope of certification.

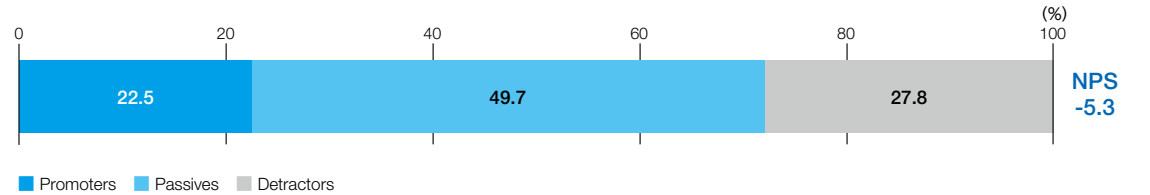
## Improving Safety and Reliability

### Net Promoter Score (NPS) Surveys

One of the material issues in sustainability at Nihon Kohden is to pursue the highest level of quality in the world across the value chain. We set Net Promoter Score\* as a KPI and started the survey in FY2021. In the 2021 NPS survey, the overall score was -5.3 points. Individual scores averaged 7.6 points for Corporate Image and Contribution and 7.7 points for Satisfaction with Sales and Service. Through this NPS survey, we hope to understand and analyze what our customer value and what we need to improve in order to further enhance our quality and continue to be a partner with medical institutions and medical professionals, working together to solve the issues facing healthcare.

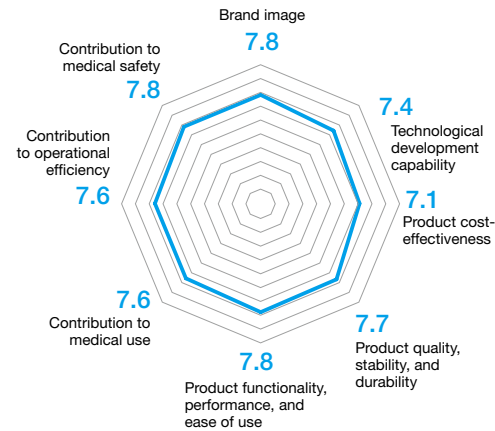
\* The NPS® survey is conducted to quantify the degree of attachment to and trust in a company or brand, which has traditionally been difficult to measure, in order to evaluate the customer's experience at the point of contact with the company and apply it to improvements through future business activities. Since the NPS® survey has a high correlation with business growth rates, it is used by listed companies in the U.S. and Europe and is attracting attention in Japan as a new indicator alongside customer satisfaction. NPS® is calculated by the following method. Customers were asked to rate the service on a 10-point scale, with 9 to 10 being "promoters," 7 to 8 being "passives," and 0 to 6 being "detractors." The percentage of promoters (%) to the total number of respondents was subtracted from the percentage of detractors (%), and the resulting number is the NPS value, which is expressed between -100 and +100. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems (now NICE). Net Promoter System, Bain & Company's Website <https://www.bain.com/consulting-services/customer-strategy-and-marketing/customer-loyalty/>

NPS Survey Results in FY2021 (Overall Score)

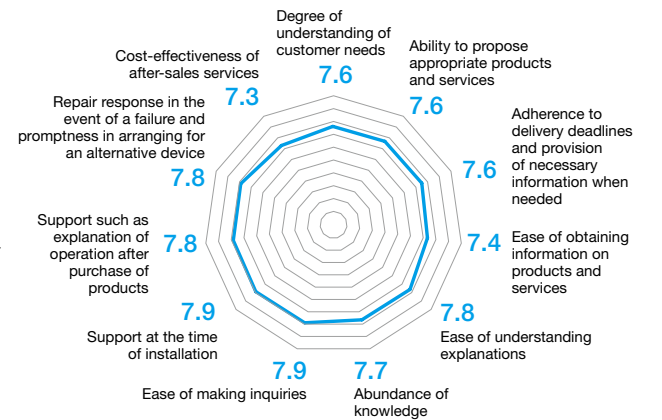


NPS Survey Results in FY2021 (Individual Scores) \* 10-point scale for each item

#### Corporate Image and Contribution to Customer Value



#### Satisfaction with Sales and Services



## Improving Safety and Reliability

### Support for Customers' Safety Management

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers' safety management and helps spread medical technologies, to ensure safety after delivery of the product. In Japan, Nihon Kohden deploys specialized safety managers nationwide who have received accreditation as Medical Device Information Communicators (MDIC)\*. We also organize safety workshops to ensure that customers use our products correctly. In FY2021, as in the previous fiscal year, it remained difficult to hold face-to-face workshops in the resurgence of the COVID-19. We held remote workshops and provided safety information needed in clinical practice using educational materials such as DVDs and slide presentations with voice-overs.

(FY2021 results: 610 workshops, educational materials provided to 290 facilities)

#### Main workshop topics

- Safety workshops for use of patient monitors, defibrillators, and ventilators
- Safety workshops for electrical safety and safety management of medical devices

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

### Employee Safety

Nihon Kohden has established the Safety and Health Committee to promote accident prevention and the development of a healthy environment in compliance with the Labor Standards Act and the Industrial Safety and Health Act. At monthly meetings, the Safety and Health Committee deliberates on health and safety proposals submitted by each department as well as activities for safety and health improvement. In addition to the Safety and Health Committee, the Company has also established the Infectious Disease Prevention Committee to facilitate activities to prevent infectious diseases. The Infectious Disease Prevention Committee has executed employee training, surveys, discussions, and awareness raising. The Company has promoted reduction of traffic accidents by providing sales and services personnel with company vehicles equipped with collision avoidance support systems, lane departure warning systems, automatic high-beam switching systems and drive recorders as standard equipment, and studded tires as required. Vehicles equipped with cold weather specification are also provided for employees working in extremely cold areas to promote reduction of traffic accidents. In addition, due to the revision of the enforcement regulations of the Road Traffic Act in Japan that is effective from April 2022, it becomes mandatory to check the influence of alcohol before and after driving and keep a record of the check. Nihon Kohden is working to establish operation systems to respond to this regulation at all domestic offices.

# Ensuring Fair Trade Practices

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

## Approach to Sustainable Procurement

Nihon Kohden strives to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. We also promote sustainability while giving due consideration to the environment and society. To further reinforce sustainability in procurement, we conduct in-house training on sustainable procurement and disseminate the concept to our business partners for gaining their cooperation.

## Procurement Policy and Procurement Standards

To disseminate our stance on procurement both inside and outside the Company and ensure that our commitment will take root, we created the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards in 2013. (Name changed to the Nihon Kohden Sustainable Procurement Standards from FY2020.) The Nihon Kohden Procurement Policy represents Nihon Kohden's basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards, which represent the compliance items Nihon Kohden expects its business partners to observe, are intended to build good relationships with business partners and aim at realizing a truly prosperous and sustainable society.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_partners.html#procurementpolicy](https://www.nihonkohden.com/sustainability/csr_partners.html#procurementpolicy)



## Adherence to the Nihon Kohden Sustainable Procurement Standards

Nihon Kohden provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2021, 57 people attended these training sessions. Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners' understanding of and adherence to the Nihon Kohden's Sustainable Procurement Standards through their answers to the Sustainability Questionnaire conducted every year. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.

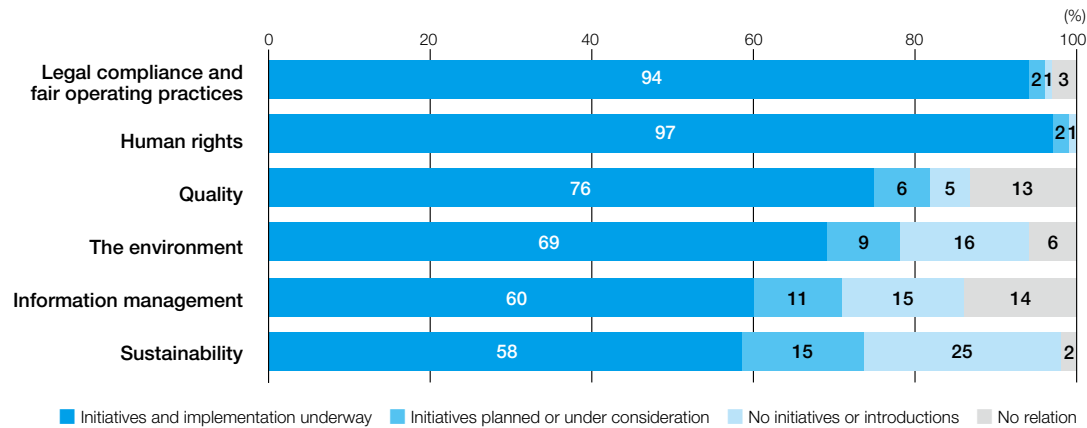




## Ensuring Fair Trade Practices

### ■Results of the Sustainability Questionnaire in FY2021

In FY2021, we asked 82 of our business partners to answer our Sustainability Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, the environment, information management, and sustainability. In terms of questions about legal compliance and fair operating practices, and human rights, initiatives and implementation were underway, planned or under consideration in more than 90% of our business partners. In previous questionnaires, multiple business partners reported that they have engaged in social contribution initiatives and have signed the UN Global Compact. We continue to work with our business partners to deepen mutual understanding of our sustainable procurement standards and ensure fair trade practices.



### Identification of Key Suppliers

Nihon Kohden has identified the following suppliers as key suppliers: suppliers of orders with large purchase amounts, suppliers who provide parts for major and strategic models, and suppliers who provide non-substitutable parts.

### ■Results of the Supplier Questionnaire in FY2021

In FY2021, we conducted a Supplier Questionnaire for approx. 60 suppliers both in Japan and internationally.

The survey consisted of four items: the environment, human rights, quality, and governance.

**Environment:** Approx. 62% of suppliers surveyed answered that they have established an environment management system, but the ratio of suppliers who are actively working to address climate change is only approx. 8%. We will strengthen our efforts to mitigate climate change together with suppliers, because the reduction of Greenhouse Gas emissions including Scope 3 emissions is necessary to address this issue.

**Human rights:** The ratio of suppliers who have established a human rights policy is approx. 42% and only 12% of suppliers have conducted human rights due diligence. We will continue to provide them with education, support, and monitoring of human rights, as any human-rights violations by them may affect the Nihon Kohden Group.

**Quality:** We confirm that approx. 34% of suppliers have conducted risk assessments due to outbreaks of infectious diseases and other health issues. In addition, 10 suppliers have conducted voluntary recalls. We will further strengthen our efforts to prevent recurrence of recalls and improve quality throughout the supply chain.

**Governance:** We will continue to ensure thorough compliance with laws and regulations.

We will assess risks based on the results of the Supplier Questionnaire and promote communication with suppliers.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_partners.html](https://www.nihonkohden.com/sustainability/csr_partners.html)



\* Scope 3: Other indirect emissions in the Company's supply chain.

# Human Rights/ Human Resources

We respect the human rights of all stakeholders and strive to foster a corporate culture in which employees take pride in their contribution to healthcare and to our mission.

# PEOPLE

# Respect for Human Rights

We strive to contribute to a sustainable society by promoting respect for human rights.

## Basic Approach

The Nihon Kohden Charter of Conduct, which the Company and its executive officers and employees have a duty to abide by, states that we have respect for human rights at all times. The Nihon Kohden Code of Ethics and Conduct sets out the ethical and responsible actions we will take to guarantee respect for human rights.

In July 2015, Nihon Kohden signed the UN Global Compact. We are committed to contributing to a sustainable society through promoting initiatives in accordance with the Ten Principles of the UN Global Compact in the four areas of human rights, labor, the environment, and anti-corruption. Recently, society is paying more attention to corporate responsibility and respect for human rights in accordance with the globalization of corporate activities. As it is essential for Nihon Kohden to respect the human rights of stakeholders, we established the Nihon Kohden Group Human Rights Policy in December 2020. Nihon Kohden strives to contribute to a sustainable society by promoting efforts to respect human rights based on this policy.

## Nihon Kohden Group Human Rights Policy

1. We respect international standards related to human rights such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We support the Ten Principles of the UN Global Compact as one of the signatories of it.
2. We respect human rights of all people and do not engage in unfair discrimination or harassment, and pledge not to infringe the personality and dignity of individuals in all aspects of our business activities.
3. We ensure a safe and comfortable working environment, minimum wages, responsible labor practices including appropriate control of working hours, and shall respect freedom of association and the right to collective bargaining.
4. We pledge not to engage in forced labor, child labor, nor any form of modern slavery including human trafficking.
5. This Policy will apply to all executive officers and employees of the Nihon Kohden Group. We strive to encourage all business partners including our supply chain to promote respect for human rights.

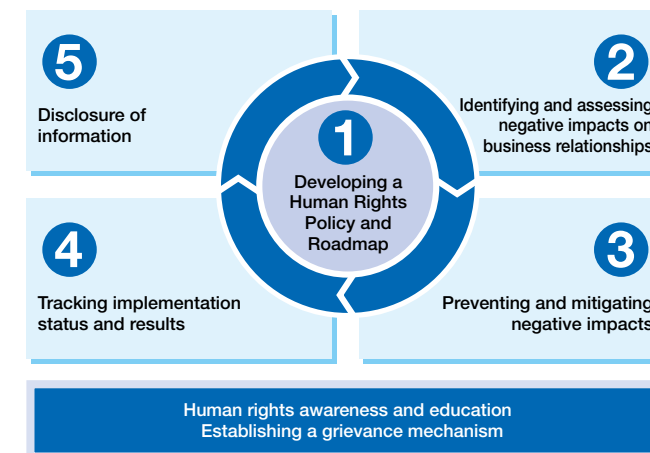
## Initiatives to Respect Human Rights

### ■Human Rights Due Diligence

Nihon Kohden has established a human rights due diligence structure to identify, prevent, and mitigate negative impacts on human rights.

In FY2021, as part of our efforts to strengthen the promotion of sustainability management, we conducted a questionnaire survey about the environment, human rights, quality, and governance at each company of the Nihon Kohden Group in Japan and overseas, as well as at our suppliers. We have also confirmed the status of human rights-related efforts, identified relevant issues, and formulated a three-year road map. Going forward, based on the results of the Supplier Questionnaire, we will conduct a human rights risk assessment and identify important human rights issues, taking into account their impact on management. Since the situation surrounding human rights is constantly changing, we will continue our efforts to obtain the latest human rights information and standards, and periodically review our procedures and our prioritization of issues related to human rights as necessary.

### Overview of our human rights due diligence



## Respect for Human Rights

### ■Human Rights Education and Training

Nihon Kohden conducts workplace training and e-learning education for all executives and employees on the prevention of harassment and compliance with labor laws. Nihon Kohden also strives to prevent human rights abuses, for instance, by providing a lecture on preventing harassment, as part of the training for newly appointed managers. We also prohibit discrimination on the basis of gender identity and sexual orientation and deepen employees' understanding of LGBT people and other sexual minorities through the Company Newsletter.

The number of executives and employees who have participated in human rights training in FY2021 is 4,493.

### ■Consultation Counter and Internal Reporting System

Nihon Kohden has established a harassment consultation counter and internal reporting system to provide consultation on human rights issues, including sexual harassment, power harassment, maternity harassment, and labor issues for LGBT and foreign employees. Employees can use the consultation counter and reporting system anonymously, and the privacy of the person requesting the consultation is handled strictly and discreetly to protect them from any unfavorable treatment. In cases where the consent of the person concerned is obtained, we will investigate the facts of the situation, and if the facts are confirmed, we will remedy the situation, alert the parties involved to improve the work environment, and provide education to prevent a recurrence. The information is also shared at quarterly meetings of the Compliance Committee, where countermeasures are discussed.

In addition, we are discussing the establishment of a consultation counter for customers and suppliers.

### ■Considerations for Social Minorities

Nihon Kohden is committed to eliminating discrimination against LGBT people (sexual minorities) and other social minorities as well as realizing a comfortable and fulfilling work environment that recognizes diversity.

#### Main Items under Consideration

- Family allowance for same-sex partners
- Enhancement of in-house training

### In the Supply Chain

Nihon Kohden is committed to respecting human rights throughout the supply chain, including our business partners. We created the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards and request our business partners to prohibit child labor and forced labor. In order to ensure the compliance with our Nihon Kohden Sustainable Procurement Standards, we strive to communicate with our business partners. We also ask all our suppliers every 3 years to answer our Sustainability Questionnaire that consists of 20 questions in six areas, including human rights. By answering these questions, we have confirmed their awareness and compliance with the Nihon Kohden Sustainable Procurement Standards. Opinions expressed through the Questionnaire are fed back to our procurement departments and utilized to realize fair and responsible procurement.

## Creating Fulfilling Workplaces

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

### Basic Approach to Human Resource Development

In an ever-changing medical environment, Nihon Kohden strives to become the beacon that lights the path forward to the future of people and healthcare around the world through creating a new value with the philosophy we have upheld since our founding. With strong passion in our hearts, Nihon Kohden aims at realizing our Long-term Vision for 2030. Human resources are essential for realizing our Long-term Vision and the source of value creation for Nihon Kohden. We will recruit human resources who share Nihon Kohden's Management Philosophy and Long-term Vision, and embody its Core Values (Integrity / Humbleness / Diversity / Initiative / Customer centric / Goal oriented / Creativity). We will also endeavor to create environments that foster employees with high ethical standards, ambition, curiosity, and empathy who can autonomously and continuously grow and undertake the challenges of new value creation.

### Introduced a New Personnel System

With a view toward realizing our Long-term Vision for 2030, we are promoting the development of human resources who embody our Management Philosophy, Long-term Vision, and Core Values as well as aiming to establish a human resource management system that is globally consistent and coherent.

In April 2021, we introduced a new role-based personnel system for managers and established an expert course to facilitate the promotion of highly skilled persons, in addition to a management course to develop management level employees.

A new personnel system for general employees is also to be put in place in April 2023, and this will create opportunities for motivated and capable employees to actively challenge themselves and grow.

Along with the introduction of a new personnel system for general employees, we plan to revise the retirement benefit system, extend the retirement age, and revise the reemployment system.

### International Training Program

One of material issues for sustainability to realize our Long-term Vision is to “Foster a corporate culture of pride in contributing to healthcare,” and we have set “Development of human resources who can succeed globally” as a KPI for this in the Three-year Business Plan. The target is set at over 45 hours of education per person for a cumulative total of 3 years, and actual results in FY2021 was 18.6 hours per person.

The International Training Program is a program designed to provide employees with the experience, knowledge, and adaptability they will need to be successful globally. Through the program, we provide employees with the opportunities for long-term study at overseas language schools, on-the-job training at overseas offices, practical training at overseas research institutions or companies, and study at overseas universities or research institutions. As of April 2022, 23 foreign employees work at offices in Japan, and 46 Japanese employees\* work at overseas offices. We will continue to expand and enhance this program to develop more global human resources with even more advanced skills.

\* Excluding Japanese employees hired locally.

## Creating Fulfilling Workplaces

### ■ Management Philosophy Training at Overseas Subsidiaries

We believe that it is important for employees of the Nihon Kohden Group with different backgrounds from various cultures and languages around the world to act in accordance with common goals and Core Values. Nihon Kohden provided educational materials to the entire group and started an education program about its Management Philosophy through group-work study at its overseas subsidiaries in 2019. Each employee can systematically learn about the history of the Company's foundation, Management Philosophy, and Core Values. The program provides an opportunity for employees to deepen their understanding of the Company culture and recognize the value and meaning of their jobs.

Nihon Kohden has also developed training programs on a global scale to promote understanding of its Core Values and instill Nihon Kohden's DNA.

In FY2021, the Human Resources Department and the Phoenix Academy (Human Resource Development Center) took the lead in organizing the Global HR meeting. With the common goal of understanding the essence of the Core Values, each personnel manager gave a presentation on the initiatives they have proactively implemented in each country and how they have instilled the Nihon Kohden's DNA in their workplaces. This was the first step toward creating a forum for sharing knowledge and case studies globally and discussing the Company culture and climate on a global scale.



Management Philosophy Training in Malaysia



Online Global HR Meetings

## Diversity & Inclusion Promotion

### Policy

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

As indicated in the Core Values, the Nihon Kohden Group promotes diversity & inclusion throughout the organization. We develop the new potential of our teams by leveraging diversity based on empathy and trust. We respect the individuality of each person and strive to create workplace environment where a diverse range of people can work with vigor and enthusiasm, regardless of gender, age, disability, nationality, or race.



## Creating Fulfilling Workplaces

### ■Promotion of Women's Participation and Career Advancement

In accordance with the Act on Promotion of Women's Participation and Career Advancement in the Workplace, Nihon Kohden has formulated an action plan and promoted the development of a workplace environment in which women can play an active role. Nihon Kohden has also promoted initiatives to realize a comfortable and fulfilling work environment for not just women but all employees of Nihon Kohden, so that each employee can demonstrate their abilities to the fullest.

As a result, we obtained the Women's Participation Promotion Act certification mark called Eruboshi from the Minister of Health, Labour and Welfare in October 2021.



We formulated an action plan for 5 years from April 1, 2021 to March 31, 2026 and set a target of increasing the ratio of female managers to at least 12% and the ratio of male employees taking childcare leave to at least 30%.

One female outside director was appointed in June 2020, and two female operating officers were appointed in April 2021. The ratio of female managers in FY2021 was 7.9% in the parent company, which was an increase of 30 basis points from the previous fiscal year. The ratio of new female recruits was 23.7% in April 2022. To encourage male employees taking childcare leave, prior to the revised Child Care and Family Care Leave Law which is being enforced in stages from April 2022, we worked to raise awareness within the Company by publishing information on the rate of childcare leave taken in the Company Newsletter, together with interviews with male employees who have taken childcare leave and an overview of the law revision.

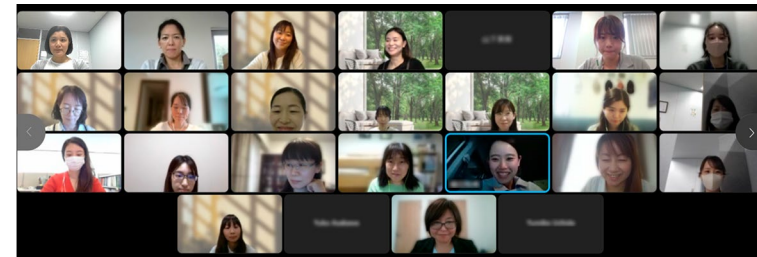
### ■Mentor System

Since FY2015, Nihon Kohden has established a mentoring program covering mainly newly appointed female managers and others in mid-career. Mentors with extensive knowledge and industry experience help them resolve career development issues and support their personal growth. The program has been expanded to include male employees since FY2021 to support the career development of a larger number of human resources.

### ■Networking Events

Networking events especially for female employees started in FY2016. We have held 5 events so far, with a total of 92 employees participating.

In FY2021, the Beacon Terrace, an employee exchange meeting for all employees, was established from the idea of the Nadeshiko PJ, a network of female employees mainly in sales positions. One exchange meeting was held with 35 participants in FY2021 and we plan to hold a total of 5 exchange meetings in FY2022.



Meeting of the Beacon Terrace

## Creating Fulfilling Workplaces

### Topics

#### Holding a Seminar on Unconscious Bias Management

In November 2021, Nihon Kohden held a diversity promotion seminar for supervisors entitled Unconscious Bias Management.

This third seminar was attended by 61 senior managers from sales branch offices and area services in Japan, who were the supervisors of the previous participants. Through a lecture on the impact of unconscious bias on people and organizations and a lot of work, participants were able to confront their own unconscious bias. Although the event was held online to prevent the spread of COVID-19, small-group discussions provided an opportunity for the active exchange of opinions among participants who work in distant locations.

We will continue to implement training programs to promote diversity & inclusion, aiming to realize a workplace environment where each and every employee can play an active role freely and vigorously without being constrained by unconscious bias or prejudice.



Unconscious Bias Management Training

#### ■Targets and Results for Ensuring Diversity in Core Human Resources

	Results in March 2022	Targets for April 2026
The ratio of female managers*1	7.9%	12% or more
Appointment of female directors and operating officers*2	1 female director, 2 female operating officers	4 persons or more
The ratio of foreign nationals in CXO*3 or higher positions at overseas subsidiaries	46.4%	50% or more
The ratio of mid-career hires in management positions*1	42.2%	40% or more

\*1 Employees at the parent company and domestic sales branches.

\*2 Directors and operating officers at the parent company.

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

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

[https://www.nihonkohden.com/sustainability/csr\\_employees.html](https://www.nihonkohden.com/sustainability/csr_employees.html)





## Creating Fulfilling Workplaces

### Reforming Working Styles

Nihon Kohden has been implementing Working Style Reforms to enable greater flexibility in work styles, improve the work-life balance of employees, and maximize results without relying on long working hours. In FY2021, the annual paid leave usage rate was 46.5%.

The Good Job Award, which gathers examples of initiatives that lead to improved productivity and work-life balance in each department, has been held annually since FY2019. There were many applications in FY2021 as well, and the efforts to share information across departments and the effective use of the newly introduced groupware were highly evaluated.

Teleworking has been encouraged since FY2020 to prevent the spread of COVID-19. We have changed the teleworking allowance in FY2021.

These new ways of working have been making rapid progress and we will consider constantly adopting them after the end of the pandemic.



Trophies for the Good Job Award



Good Job Award ceremony

### Programs to Support Work-life Balance

Nihon Kohden reviews existing programs including Childcare Leave, Family Care Leave, Reduced Working Hours, Shifted Working Hours, and Work at Home System as necessary. In FY2021, we improved and expanded some systems such as the Reduced Working Hours, Work at Home System, and Flextime System to promote flexible working styles.

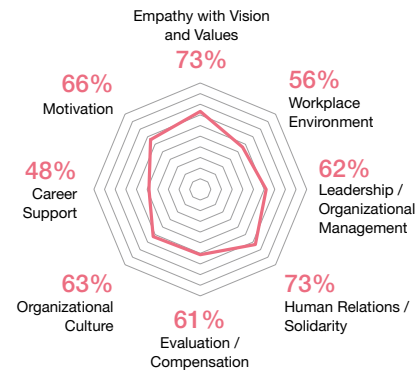
Programs	Content
Childcare Leave	A system that allows employees to take leave until the child of an employee reaches the age of two.
Family Care Leave	A system that allows employees who have members in need of nursing care to take leave of up to two years.
Reduced Working Hours	A system that allows applicants to reduce their daily working hours by up to a maximum of two hours (starting in FY2021; previously, the maximum was one hour). From FY2021, employees also can take advantage of the Flextime System at the same time. The program is available for employees who meet certain criteria such as having a child in the sixth grade of elementary school or younger.
Shifted Working Hours	A system that allows applicants to shift their working hours by up to one hour without changing the daily working hours. This system is available when certain conditions are met while the child of an employee is an elementary school student or younger.
Work at Home System	A system that allows applicants who are pregnant, or responsible for providing childcare or nursing care to work at home. This system is available when certain criteria are met. Currently, to prevent the spread of COVID-19, all employees can use the system.
Leave to Provide Nursing Care for Children	A system that allows applicants to take leave of up to five days per year (ten days when there are two or more children), when a child up to the sixth grade of elementary school requires nursing care.
Flextime System	Employees can manage their own daily working hours within the predetermined total working hours for a certain period.
Side Job Permission System	A system that allows applicants to have side jobs outside of working hours. This system is available when certain criteria are met.
Accumulated Paid Leave Program	Annual paid leave that has expired due to prescription can be accumulated separately. In addition to the injury or illness of the employee or his/her family, employees are able to take leave when they need to care for a child during temporary closure of the child's school or suspension of classes at the school. This system is available when certain criteria are met.

## Creating Fulfilling Workplaces

### Employee Satisfaction Survey

Nihon Kohden has set Employee satisfaction as a KPI in order to Foster a corporate culture of pride in contributing to healthcare, which is one of material issues for sustainability in the Three-year Business Plan. In FY2021, an employee satisfaction survey was conducted for the first time among all 4,400 employees of the Nihon Kohden Group in Japan. Among all 46 items in 8 categories, we found that the ratio of positive respondents was higher for the Long-term Vision and Core Values (Empathy with Vision and Values). On the other hand, the ratio of positive respondents was relatively lower for the Company's support system for strengthening employees' expertise and developing their career (Career Support). We will share the survey results and employee opinions with all executives and managers, and evaluate and implement related measures on both a company-wide and departmental basis.

#### ■The Ratio of Positive Respondents



### Health Management of Employees

With the aim of further improving the health of employees and their families, we have increased the amount of partial coverage of expenses for optional tests during annual health examinations (health support payment) since FY2021, added temporary employees to the list of eligible employees, and expanded the scope of coverage to include family health examinations for dependents of employees. In April 2019, Nihon Kohden joined the consortium of companies promoting non-smoking efforts, which was established by Tokyo-based companies. We started smoking cessation programs to contribute to achieving the Government's goal of reducing the smoking rate to 12% by FY2022. The employee smoking rate in the FY2021 survey was 19.3%, down 3.3 percentage points from the previous FY2019 survey. Our activities to promote non-smoking are above all for the benefit of our employees and their families, as well as in response to requests to promote measures against passive smoking. We will continue to promote initiatives to realize a healthy society, such as company-paid outpatient visits to smoking cessation clinics as an optional health examinations.

### Harassment Prevention Initiatives

Nihon Kohden aims to contribute to the world by fighting disease and improving health with advanced technology and to continue to be an ethical company that is widely trusted by society. In its Ethical Company Declaration, the Company declares that we respect the human rights of all people, and do not discriminate or commit any acts which infringe on the personality or dignity of an individual. The Company also strives to prevent harassment by clearly prohibiting it in the Nihon Kohden Code of Ethics and Conduct, Nihon Kohden Group Human Rights Policy, and Employment Regulations. In order to prevent harassment and quickly resolve it when it occurs, we have established an internal consultation counter as well as an external consultation counter which anyone can feel free to consult, and we respond appropriately to consultations. At the time of consultation, we make every effort to ensure that the privacy of the consultees and actors is strictly observed, and that they are informed that they will not be treated unfavorably in any way for reasons such as the content of the consultation or their cooperation in confirming the facts. In response to the enforcement of the Power Harassment Prevention Law in June 2020, we have also conducted annual e-learning programs for both general employees and managers to ensure a proper understanding of the revised law and harassment (FY2021 results: 2,964 general employees, 95% participation rate; 1,544 managers, 95% participation rate). Harassment training has been provided also to newly appointed managers to ensure proper understanding of harassment and to prevent its occurrence.

# Environment

We strive to realize our environmental philosophy and a carbon-free society through our business activities and the actions of our employees.

# ENVIRONMENT

# Environmental Philosophy and Policy

We enhance the environmental activities through the business activities and the actions of employees to realize a sustainable and carbon-free society.

## Environmental Philosophy

Established: September 1, 2015

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

## Environmental Policy

Established: April 1, 2017

Based on its Management Philosophy and the Environmental Philosophy, Nihon Kohden will continuously improve its environmental management systems to enhance its environmental performance. The environmental policies are as follows:

### 1. Provide environmentally friendly products

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

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

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

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

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

### 4. Promote environmental education

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

## Environmental Management System Certification

### ■ISO 14001

The Tomioka Factory obtained ISO 14001:1996 certification in October 2001 and underwent a transitional review for ISO 14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007. In 2017, we completed the transition to ISO 14001:2015 and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory.

The Asaka Office and the Eastern Japan Logistics Center obtained new certification and joined the Ochiai/Tokorozawa Site in 2019 and in January 2022, respectively. The Fujioka Site was excluded from the scope of ISO 14001 certification due to the closure of the office in May 2021.

Currently, we conduct environmental activities at the Ochiai/Tokorozawa Site: head office and development divisions; Tsurugashima Site: distribution of consumables and repair and maintenance of medical electronic equipment; Kawamoto Site: development of consumables and safety/reliability testing of medical electronic equipment; and Tomioka Site: manufacturing and spare parts supply.

# Environmental Management

## Medium- to Long-term Environmental Targets <The entire Nihon Kohden Group>

Established: April 1, 2022

In conjunction with the Japanese Government's declaration that it will pursue carbon neutrality by 2050, we have set environmental targets for FY2023, FY2030, and FY2050.

We work to realize a carbon-free society by reducing CO<sub>2</sub> emissions in our business activities and providing environmentally friendly products.

### Environmental Target for FY2050

- We aim at zero greenhouse gas emissions throughout the entire product life cycle (carbon neutrality by 2050) by reducing greenhouse gas emissions from business activities, providing environmentally friendly products, and cooperating with business partners in the supply chain.

### Environmental Target for FY2030

- We will set environmental targets for FY2030 based on SBT\*<sup>1</sup> and take action to achieve them with the aim of realizing carbon neutrality by 2050. (These targets will be revised when the target values based on SBT are finalized.)

(We are aiming at a 46% reduction compared to FY2013 within the scope of ISO 14001 certification.)

- As a response to water resource protection, we will set and achieve targets based on an understanding of water usage of the entire Nihon Kohden Group.

### Environmental Target for FY2023

- As a response to climate change, the following targets have been set based on material issues and KPIs for sustainability:
  - (1) Reduce CO<sub>2</sub> emissions per unit of sales by 15.2% compared to FY2020. <Target: Scope 1 and 2\*<sup>2</sup> within the scope of ISO14001 certification>
  - (2) Measure and disclose CO<sub>2</sub> emissions for the entire Group by FY2023. <Target: Scope 1, 2, and 3\*<sup>2</sup>>
- As a response to water resource protection, we will work on the effective use of water resources.

\*1: Science Based Targets are greenhouse gas emissions reduction targets set by each company for 5 to 15 years in the future in line with the levels sought under the Paris Agreement.

\*2: Scope 1: All direct emissions from the Company's use of fuel.

Scope 2: Indirect emissions from the use of energy (mainly electricity) produced by other companies.

Scope 3: Other indirect emissions in the Company's supply chain.

## Environmental Targets for FY2022 <The scope of ISO 14001 Certification Only>

Established: April 1, 2022

### 1. Enhance production efficiency and reduce environmental impact by improving operational efficiency

Reduce environmental impact, including energy use, CO<sub>2</sub> emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3), by setting specific targets in line with the operations of each site and division and raising productivity.

### 2. Reduce environmental impact and prevent pollution in our business activities

- 2-1. Establish calculation standards in order to achieve third-party certification of CO<sub>2</sub> emissions from the provision of environmentally friendly products (Scope 3).
- 2-2. Promote the development of environmentally friendly products and achieve targets based on product assessment plans and evaluation tables for all newly developed products.
- 2-3. Reduce defect rates and reduce CO<sub>2</sub> emissions in production processes. (Target values are based on environmental targets at the Tomioka and Kawamoto sites.)
- 2-4. Manage water usage to reduce the volume of water consumed in the production process. (Tomioka site)

### 3. Continuously reduce energy consumption and CO<sub>2</sub> emissions in our business activities to realize a carbon-free society

- 3-1. In consideration of the decrease in sales forecast for FY2022, limit the year-on-year increase in energy use on a per unit basis and CO<sub>2</sub> emissions on a per unit basis to 7.5% and 7.7%, respectively, which targets will be reviewed after the production plan is finalized.
- 3-2. Collect data on energy use and resource inputs by overseas Group companies and set base data for SBT certification.

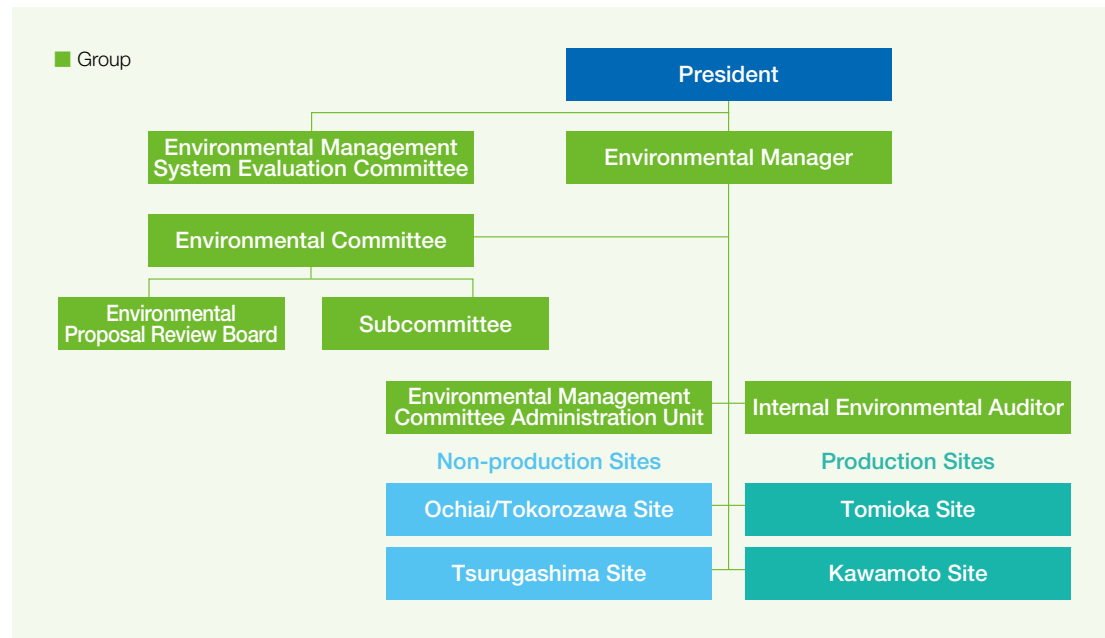
### 4. Contribute to creating a recycling-oriented society

Promote the 3R's of reduce/reuse/recycle and achieve the following:

In consideration of the decrease in sales forecast for FY2022 and the increase in production of some specific consumables such as reagents and electrode pads, limit the year-on-year increase in total waste emissions and waste emissions on a per unit basis to 8.8% and 13.8%, respectively, and achieve a recycling rate of 97.8% or more, which targets will be reviewed after the production plan is finalized.

## Environmental Management

### Environmental Management System (EMS)



### Green Procurement

As part of our efforts to provide environmentally friendly products to the market based on the Environmental Philosophy of the Nihon Kohden Group, we promote procurement of parts, materials, and finished products which have a low environmental impact according to the following policy (green procurement).

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

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

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



## Environmental Management

### Initiatives for Using Water Resources in Water-stressed Areas

Nihon Kohden has identified water-stressed areas in each region in which the Company operates and evaluated risks accordingly. We utilized the Aqueduct Water Risk Atlas published by the World Resources Institute (WRI) and have confirmed that the following regions are relatively water-stressed areas compared to other regions: The U.S. and Mexico in the Americas, Germany and Italy in Europe, and India, UAE, and South Korea in Asia. Although no water-related issues have occurred in water-stressed areas at this time, we will continue to work on proper and efficient use and safe supply of water.

We are currently collecting data at some overseas subsidiaries where we have not been able to obtain actual values.

### Providing Products with Lower Impact on Water Resources

Since the launch of its first hematology product in 1972, Nihon Kohden has developed and marketed hematology analyzers that are compact and easy to use. The latest models currently available provide improved safety, speed, convenience, and accuracy in blood testing. The product maintenance systems have also been improved. In addition, the amount of reagents used for diluting blood during testing and for cleaning the inside of the device has been reduced by approx. 20%\* per year, resulting in a reduction in waste fluid discharge.

\* Results of comparison between our latest models; the MEK-1300 series automated hematology analyzers and the MEK-1303 automated hematology analyzer and clinical chemistry analyzer, and conventional models; the MEK-6500 series automated hematology analyzers, with 10 tests performed using each model per day.



The MEK-1303  
Automated hematology  
analyzer and clinical  
chemistry analyzer

### Topics

Nihon Kohden has set the realization of a carbon-free society as one of material issues for sustainability in its Three-year Business Plan and strengthened its efforts to achieve this goal. We are working to improve productivity in each business process, promote energy conservation measures, and expand the introduction of renewable energy. To foster environmental awareness within the Company, we also plan to replace all company vehicles in Japan with hybrid vehicles by 2026. We aim to achieve a sales ratio of 20% or more for environmentally friendly products, and we achieved 19.9% in FY2021. By providing environmentally friendly products and cooperating with our business partners in the supply chain, we will continue to reduce CO<sub>2</sub> emissions over the entire life cycle of our products. We will also further promote measures to solve environmental issues such as climate change and resource recycling.

## Environmental Management

### Targets and Results of the Environmental Management Program

\* Four ISO 14001 certified sites (Ochiai/Tokorozawa, Tomioka, Kawamoto, Tsurugashima). Attainment Rates: ✓✓✓ 100% attainment ✓✓ At least 80% attainment ✓ Less than 80% attainment

Environmental Goal	FY2021 Targets	Attainment Rate	Result
<b>1. Enhance production efficiency and reduce environmental impact by improving operational efficiency</b>	Reduce environmental impact including energy use, CO <sub>2</sub> emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3) by setting specific targets in line with the operations of each site and division and raising productivity.	✓ ✓	At each site (Ochiai/Tokorozawa, Tomioka, Kawamoto, and Tsurugashima), we worked to improve productivity based on operational targets and promoted reduction in environmental impact.
<b>2. Reduce environmental impact and prevent pollution in business activities</b>	<p>2-1. Establish calculation standards in order to achieve third-party certification of CO<sub>2</sub> emissions from the provision of environmentally friendly products (Scope 3).</p> <p>2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to earlier products.</p> <p>2-3. Reduce defect rates and CO<sub>2</sub> emissions in production processes.</p>	✓	<p>We achieved the targets in two of the three themes.</p> <p>2-1. We established a new CO<sub>2</sub> Reduction Measures Standard and calculation criteria are being finalized for third-party certification. We have also reviewed the evaluation criteria for environmentally friendly products based on life cycle assessment, which will be continued in FY2022.</p> <p>2-2. We achieved the target of reducing environmental impact by 11.5% compared to earlier products through our efforts to develop new environmentally friendly products that conserve resources, save energy, and recycle resources.</p> <p>2-3. We achieved the target. The initial failure rate was lower than the previous fiscal year at both the Tomioka site and the Kawamoto site.</p>
<b>3. Continuously reduce energy consumption and CO<sub>2</sub> emissions in our business activities to realize a carbon-free society</b>	<p>3-1. In consideration of higher production volumes, limit the increase in energy use on a per unit basis to 11.2% compared to the previous fiscal year and improve CO<sub>2</sub> emissions on a per unit basis by 14.5% compared to the previous fiscal year.</p> <p>3-2. Collect data on energy use and resource inputs by overseas Group companies and set base data for SBT certification.</p>	✓ ✓	<p>3-1. In order to respond to the increased consumption of energy, mainly electricity due to increased production, we promoted the expanded use of renewable energy sources, to reduce CO<sub>2</sub> emissions, mainly at production sites. We also improved the operation of air conditioning systems and production equipment at each business site in response to the Cool Biz and Warm Biz campaigns as well as renovating facilities in accordance with our medium- to long-term plan. We achieved the targets, reflecting a 4.0% reduction in energy use on a per unit basis and a 34.1% reduction in CO<sub>2</sub> emissions on a per unit basis compared to the previous fiscal year.</p> <p>3-2. In order to set science-based targets, we have proceeded to collect data from overseas Group companies. We have also worked to establish a system to centrally manage data across the entire Group.</p>
<b>4. Contribute to a recycling-oriented society</b>	Promote the 3R's of reduce/reuse/recycle and achieve the following: In consideration of higher production and shipment volumes, limit the year-on-year increase in total waste emissions to 11.9%, limit the year-on-year increase in waste emissions on a per unit basis to 20.5%, and achieve a recycling rate of 96.0% or more.	✓ ✓ ✓	The total waste emissions increased by only 6.9% and the waste emissions on a per unit basis increased by only 4.1% compared to the previous fiscal year due to improved production efficiency and reuse of resources, while the recycling rate was 97.3%.



# Disclosure Based on TCFD Recommendations

## Endorsement of TCFD Recommendations

Nihon Kohden defined 12 material issues to be addressed through business and corporate activities. The Company also incorporated these non-financial targets into its Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs. As addressing climate change is one of the most critical social issues facing global society and one of the most significant management issues for us, Nihon Kohden expressed its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022. We will 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 the full text of the Nihon Kohden Group's disclosure in line with the TCFD recommendations, please refer to our website.

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



Notice regarding disclosure of information in line with TCFD recommendations (press release)

<https://www.nihonkohden.com/news/pr/22071202.html>



## Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee and Sustainability Promotion Meeting. In July 2021, Nihon Kohden also established the Advisory Board consisting of four\*<sup>1</sup> external experts to incorporate outside perspectives on sustainability activities including measures to address climate change.

The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions including measures on climate change. The president, who is the chairman of the Sustainability Promotion Committee, has the authority to evaluate and manage measures to mitigate climate change, and regularly reports to the Board of Directors about the progress and evaluation of the annual plan. The Board of Directors supervise measures on climate change. 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 Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion, including actions on climate change.

## Strategy

To understand the impact of climate change on business activities in Japan and internationally, Nihon Kohden has analyzed risks and opportunities mainly by management and members of the Sustainability Promotion Committee. Based on analysis of a 1.5°C and 2°C scenario as well as a 4°C scenario, we have identified transitional and physical risks and opportunities over the short-term to FY2023, medium-term to FY2026, and long-term to 2029.\*<sup>2</sup> We have also examined the business impact and possible countermeasures.

\*1: As one of external experts was appointed as outside director in June 2022, the Advisory Board currently consists of three members.

\*2: 2°C scenario is to limit the global average temperature increase to 2°C above pre-industrial levels.

1.5°C scenario is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

4°C scenario estimates the global average temperature increase is to 4°C above pre-industrial levels.

## Disclosure based on TCFD recommendations

■ **The outlook with a 1.5°C to 2°C scenario - Potential impact of climate change on our business**  
 In the medical industry, demand for environmentally friendly products and digital health solutions will increase because of strengthening laws and regulations and increasing customer awareness of the need to realize a carbon-free society. Costs are expected to increase as a result of the need to meet this demand, but further business opportunities are expected if our response is handled properly.

In our analysis of the 1.5°C to 2°C scenario, we made assumptions about how the strengthening of carbon-free policies in each country and region in response to climate change would affect the industries we are involved with. With the development of a carbon-free society, we can expect tighter regulations in each country and region, including carbon taxes and emissions trading. Since our medical equipment manufacturing is mainly assembly line production, we do not emit a large amount of greenhouse gases (GHG) on our own, but our suppliers do emit a certain amount of GHG in their parts manufacturing process. If carbon pricing and environmental labeling, including parts, become mandatory in the future, and the impact of such labeling expands, there is a risk that it will become difficult to provide medical equipment to customers at stable prices. In particular, the intensification of these initiatives in Europe may affect our ability to achieve the 45% overseas sales ratio targeted in our Long-term Vision, BEACON 2030.

In addition, as we work to reduce CO<sub>2</sub> emissions, we plan to introduce equipment and technologies using renewable energy and energy conservation, as well as relocate to high-efficiency offices. We expect the corresponding costs to continue to increase. On the business front, we expect an increase in R&D and capital investment to realize digital health solutions with low environmental impact, as well as higher prices for raw materials such as resins used in product housings and restrictions on the use of certain substances. In addition, there is a risk of lost sales opportunities if the development of environmentally friendly products, for which demand is expected to grow in the future, is delayed, or if we are unable to meet the conditions for tender on medical equipment from an environmental perspective.

On the other hand, the increase in the cost of dealing with a carbon-free society is expected to be temporary, and therefore costs are expected to decrease in the long-term perspective. For example, cost reductions from reducing part counts, optimizing components, improving productivity and shortening lead times can all be expected. As one of material issues and KPIs for sustainability, we have set a target of the sales ratio of environmentally friendly products to be 20% or more (cumulative total for three years from FY2021), and are strengthening development of environmentally friendly products. We believe that by expanding our efforts to realize a carbon-free society, we can avoid worsening financing conditions and divestment by financial institutions and investors.

■ **The outlook with a 4°C scenario – Potential impact on our business due to climate change**  
 In a society where carbon-free policies are not progressing well and extreme natural disasters are intensifying, it is expected that the healthcare system will need to be strengthened, especially in the areas of disaster medicine and emergency medicine. On the other hand, the procurement of parts, the supply of products, and sales and service activities may be disrupted significantly.

In our analysis of the 4°C scenario, it is assumed that carbon-free policies will not be strengthened in each country and region in response to climate change, average temperatures will continue to rise, and physical risks will increase as natural disasters become more severe.

The Nihon Kohden Group operates its business activities throughout Japan and around the world. In the event of natural disasters and shortage of water or other resources associated with climate change, 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 a profound impact on the operating results and financial condition of the Nihon Kohden Group.

On the other hand, in the medical field where we provide our products and services, the importance of disaster medicine and emergency medicine is likely to increase even further due to the increase in natural disasters and infectious diseases caused by climate change. Society demands that medical equipment, which is vital to human life, continue to be supplied smoothly and operate stably even in the event of a large-scale disaster. We have contributed to enhancing healthcare systems around the world by providing defibrillators that are robust and durable even in times of disaster, telemetry systems and ventilators that contribute to infection prevention. In recent years, by providing IT system solutions and promoting the Digital Health Solution vision, we have been working to improve productivity in clinical practice and reduce indirect CO<sub>2</sub> emissions through the effective use of medical resources.

Assumptions for each scenario analysis	1.5°C to 2°C scenario	4°C scenario
Social dimensions	We assume that social changes, as part of a global carbon-free initiative which limits the average temperature increase to 1.5 to 2°C, will result in changes in laws and regulations, and technological innovation, affecting our business.	We assume that extreme disasters and infectious diseases will increase and affect our business due to a 4°C increase in the average temperature, even though the Paris Agreement and various policies to reduce greenhouse gases will be implemented.
Reference	Transition risks: IEA (International Energy Agency): STEPS (The Stated Policies Scenario), NZE (Net Zero Emissions by 2050), SDS (Sustainable Development Scenario) Physical risks: IPCC (Intergovernmental Panel on Climate Change), SSP2 (Shared Socioeconomic Pathways), RCP4.5, RCP6.0, RCP8.5 (Time period is 2030 to 2050)	

## Disclosure based on TCFD recommendations

### 1.5°C to 2°C scenario

Major Risks and Opportunities	Business Impact	Time horizon	Proposed Countermeasures
<p><b>Introduction of carbon tax and emissions trading</b></p> <p>Risk: Loss of sales opportunities in environmentally developed markets</p> <p>Risk: Deterioration in earnings due to higher carbon prices</p> <p>Risk: Legislation for use of renewable energy and reduction of electricity use</p>	↗	Long-term	<ul style="list-style-type: none"> <li>Use of renewable energy to reduce CO<sub>2</sub> emissions</li> <li>Adoption of energy-efficient production facilities</li> </ul>
<p><b>Increase in demand for environmentally friendly products</b></p> <p>Risk: Loss of sales opportunities due to not meeting customer requirements</p> <p>Opportunity: Sales opportunities due to increased demand for relevant products</p>	↗	Short-term	<ul style="list-style-type: none"> <li>Strengthening the development of environmentally friendly products</li> <li>Selection of low environmental impact parts and delivery methods</li> </ul>
<p><b>Increase in demand for digital health solutions with low environmental impact</b></p> <p>Risk: Increase in investment costs for R&amp;D and capital equipment</p> <p>Risk: Decrease in competitiveness when companies with superior climate change solutions enter the market</p> <p>Opportunity: Business opportunities through integration and analysis of vital sign data and clinical support applications</p>	↗	Short- to Medium-term	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions through promotion of telemedicine and tele-ICU</li> <li>Creation of business opportunities through new initiatives such as automatic control of medical equipment</li> </ul>
<p><b>Higher prices for raw materials such as resin used in product housings</b></p> <p>Risk: Higher production costs</p>	→	Short- to Long-term	<ul style="list-style-type: none"> <li>Adoption of common platforms in product development and production processes</li> <li>Cost reduction by reducing part counts and optimizing components</li> </ul>
<p><b>Stakeholder assessment</b></p> <p>Risk: Deterioration of financing conditions and divestment by financial institutions and investors</p>	→	Medium-term	<ul style="list-style-type: none"> <li>Establishment of environmental targets such as CO<sub>2</sub> emissions reduction</li> <li>Improvement of evaluation by external organizations through enhanced information disclosure</li> </ul>

### 4°C scenario

↗ : Gradual increasing in impact    → : Not changing much

Major Risks and Opportunities	Business Impact	Time horizon	Proposed Countermeasures
<p><b>Extreme natural disasters such as torrential rains and floods</b></p> <p>Risk: Significant disruption to product supply, sales and service activities</p> <p>Risk: Disruption to health and safety of employees and their families</p>	↗	Short- to Long-term	<ul style="list-style-type: none"> <li>Business Continuity Plan (BCP) for the entire supply chain</li> <li>Reducing risks by securing raw material suppliers, supply systems, and transportation routes; providing support to suppliers; and purchasing from multiple suppliers</li> <li>Relocation of offices with high flood risk</li> </ul>
<p><b>Insufficient supply of water and other resources</b></p> <p>Risk: Stagnation in production of products and consumables that use water and other resources</p>	↗	Short- to Long-term	<ul style="list-style-type: none"> <li>Reuse of water resources discharged in the production of hematology reagents</li> <li>Development and provision of products that use less water resources</li> </ul>
<p><b>Increase in infectious diseases</b></p> <p>Risk: Suspension of production, delays in supply chain, disruption of healthcare systems</p> <p>Opportunity: Enhancement of healthcare systems for disasters and emergencies</p>	↗	Short-term	<ul style="list-style-type: none"> <li>Expansion of product supply, sales and service structures</li> <li>Focus on medical equipment and DX in medical fields</li> <li>Promotion of multi-plant operation</li> </ul>

## Disclosure based on TCFD recommendations

### Risk Management

For further details on the overall risk management of the Nihon Kohden Group's operations, please refer to **the Strengthening Risk Management page**.

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 in the TCFD response project have been discussed and approved by the Sustainability Promotion Committee and its progress has been managed and reported to the Board of Directors.

Nihon Kohden considers the risk of losses due to interruption operations caused by disasters or accidents and the risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution to be its business risks. 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. We procure raw materials and parts used for our products not only in Japan but also around the world. In the event of a supply issue at a supplier, we take measures, including the consideration of alternative parts, to ensure that the production of our products is not affected. In addition, we have formulated a Business Continuity Plan (BCP) and conduct periodic company-wide education and training to ensure the continued supply of products and services in the event of a large-scale earthquake.

### Metrics and Targets

To realize a carbon-free society, which is one of material issues in the environment for sustainability, we set KPIs for CO<sub>2</sub> emissions, the number of models of environmentally friendly products and the sales ratio of such products, and the amount of waste from disposal of products and parts.

To reduce CO<sub>2</sub> emissions, we have set **Medium- to Long-term Environmental Targets** and are promoting initiatives to achieve them. Furthermore, as part of our efforts to promote energy conservation in our business activities, we have been gradually switching to renewable energy sources since FY2017, at those of our major offices with high-voltage power contracts; and we aim to switch to 100% renewable energy sources at all of our domestic offices to by 2030.

To address the risk of flooding at our offices and improve energy efficiency, we relocated four domestic offices in FY2021 and plan to relocate 10 domestic offices by FY2023. We will also set the targets and promote to strengthen measures to improve water use efficiency at our production sites.

In addition, as a contribution to society through its business activities, Nihon Kohden focuses on manufacturing environmentally friendly products, such as energy-saving, compact and lightweight products, and aims to achieve a cumulative sales ratio of 20% or more for environmentally friendly products over the next three years. In FY2021, we achieved a sales ratio of 19.9% for environmentally friendly products.

In terms of the amount of waste from disposal of products and parts, we aim at 8% reduction of products and parts retirement in FY2023 compared to FY2020. 21.3% reduction was achieved in FY2021.

We will continue to provide environmentally friendly products and cooperate with business partners in the supply chain to clarify our environmental issues and promote measures through the establishment of SBT targets.

## Disclosure based on TCFD recommendations

		FY2019	FY2020	FY2021
Global Warming Prevention	Scope 1 (t-CO <sub>2</sub> )	4,821	4,684	4,797
	Scope 2 (t-CO <sub>2</sub> )	8,084	7,610	5,874
	Greenhouse gas emissions (t-CO <sub>2</sub> )	12,905	12,294	10,672
Energy Saving	Total input energies (GJ)	238,991	246,771	245,486
Waste Emissions	Total waste emissions (t)	638.9	710.5	759.4
	In-house recycling rate (%)	99.3	96.9	97.3
Environmentally Friendly Products	New registration of environmentally friendly products (registrations)	10	7	4

The figures for Global Warming Prevention and Energy Saving are the combined totals for the Scope of ISO 14001 certification, including the parent company, and domestic sales branches.

The figures for Waste Emissions for FY2020 are for the scope of ISO 14001 certification, including the parent company, and the Eastern Japan Logistics Center.

The figures for Environmentally Friendly Products are the number of product series launched in that fiscal year.

\* Scope of ISO 14001 certification: Ochiai and Tokorozawa site, Tomioka site, Tsurugashima site, Kawamoto site, Fujioka site.

(The Fujioka site was excluded from the scope of ISO 14001 certification in FY2021 due to the closure of the office.)

(The Ochiai and Tokorozawa site includes the Asaka Office from FY2019 and the Eastern Japan Logistics Center from FY2021.)

Water Intake (m <sup>3</sup> )	FY2019	FY2020	FY2021
Water supply	64,635	57,811	60,858
Surface water of rivers and lakes	0	0	0
Other (such as rainwater, seawater, well water, spring water)	0	0	0
Total amount	64,635	57,811	60,858
Water Discharge (m <sup>3</sup> )	FY2019	FY2020	FY2021
Sewerage	45,022	38,406	37,265
Rivers	9,418	8,775	9,007
Other (such as watering the ground surface)	0	0	0
Total amount	54,440	47,181	46,272

The figures for Water Intake and Water Discharge are the combined total for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.

# Providing Environmentally Friendly Products

As part of its contribution to society through its business activities, Nihon Kohden is committed to reducing our environmental impact by developing environmentally friendly products. We launched 4 new environmentally friendly products in FY2021.

## ■ MEK-9200, Automated Hematology Analyzer

The MEK-9200 is a medical device equipped with Nihon Kohden's unique technology that stains RNA (ribonucleic acid) remaining in reticulocytes by using a blue semiconductor laser and nucleic acid staining reagent, enabling accurate separation of red blood cells and reticulocytes. It is possible to simultaneously analyze RNA as well as intracellular DNA (deoxyribonucleic acid). Reticulocytes are new red blood cells released from the bone marrow into the peripheral blood and are also used to evaluate anemia in patients. This new product will meet the expectations of worldwide clinics and laboratories, especially those with a high number of tests.

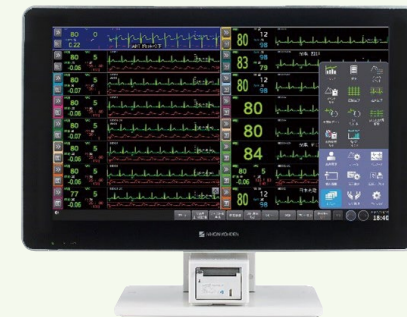


### Environmental Considerations

Although the MEK-9200 is 26.6% larger in volume and 15.2% heavier per unit compare to earlier models, the packaging method has been changed from packing the product in two boxes to packing in a single box, resulting in remaining a 10% heavier in the weight of the packaging materials. Lead-free solder was adopted to comply with the RoHS Directive.

## ■ CNS-2101, Central Monitor

The CNS-2101 is a medical device to simultaneously monitor vital signs such as ECG and blood pressure of multiple patients. Based on the concept of Defensive Monitoring for Patient Care to safely monitor patients, the CNS-2101 was developed. Nihon Kohden aims to improve the quality of medical care and operational efficiency by streamlining access to necessary information for medical professionals and supporting the detection of changes in patient conditions. Data from bedside monitors and transmitters can be linked to diagnostic information systems and holter ECG analyzers as well as clinical information systems. The system also supports improved operational efficiency through networked information sharing, such as transmission of alarm information to nurse call systems and linkage with hospital information systems.



### Environmental Considerations

The CNS-2101 is 23.8% smaller and lighter per unit compared to earlier models, contributing to waste reduction. Power consumption was also reduced by 40.0%. It complies with the RoHS II Directive and REACH Regulation.

# Enhancing Information Disclosure and Shareholder Return

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

# DISCLOSURE OF INFORMATION

# Enhancing Information Disclosure and Shareholder Return

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

## Shareholder Returns Policy

Nihon Kohden recognizes that returning profits to shareholder 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 future business deployment, investment plan, retained earnings, and stock price level.

Because Nihon Kohden celebrated its 70th anniversary of its founding and the business performance in FY2021 was favorable, the Company provided an annual dividend of 67 yen including a commemorative dividend of 13 yen and a special dividend of 15 yen, as a return to shareholders. Additionally, the Company acquired ¥896 million of own shares in February 2022. The Company also acquired ¥999 million of own shares in May and June 2022 and cancelled 500 thousand shares of treasury shares in June 2022.

## Information Disclosure Policy

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

## Shareholder and Investor Engagement

### ■ General shareholders' meeting

We hold our general shareholders' meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on the external website. We have also posted a business report in English since FY2020.

In order to prevent the spread of COVID-19 and to ensure the safety of our shareholders, in FY2022 we continuously requested them to consider refraining from attending the meeting by exercising voting rights in writing or via the Internet, etc., and cancelled the showcases of our products. As an alternative, we have posted a video of the presentation by the Chairman on the day on our website. We sincerely appreciate your cooperation.

### ■ Earnings presentations / Business strategy briefing

Nihon Kohden hosts earnings presentations (interim and full-year results) for securities analysts and institutional investors and organizes teleconferences (1st and 3rd quarters) where we discuss the Company's performance and strategy. Videos of the presentations, materials, and Q&A summaries are posted on our website and made available to all shareholders and investors. All earnings presentations continued to be held by conference call in FY2021 to prevent the spread of COVID-19. In addition, in March 2022, the Company held an online small meeting with officers in charge of the U.S. business.



## Enhancing Information Disclosure and Shareholder Return

### ■ Company briefings and events for individual investors

We hold Company briefings for individual investors so that they can see our management strategy and business operations and extend their long-term support.

In FY2021, we held online meetings to prevent the spread of COVID-19. In March 2022, we held our first live-streamed meeting with the president. The president answered questions received prior to and on the day of the meeting.

In addition, we added Nihon Kohden's video series on our website.



Please watch the video on Nihon Kohden's special page on the Rakuten Securities' website.

<https://www.rakuten-sec.co.jp/web/special/nihonkohden/>



We will examine the possibility of holding these seminars in FY2022, depending on the convergence of COVID-19. We will post details on our website when the date of a seminar is set.

### ■ Investor relations page

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

Philosophy&Strategy	Financial Data	Reports&Presentations	Stock Information
<ul style="list-style-type: none"> <li>&gt; Top Message</li> <li>&gt; Corporate Philosophy</li> <li>&gt; Vision &amp; Strategy</li> <li>&gt; Corporate Governance</li> <li>&gt; Business Area and Products</li> <li>&gt; Core Strength</li> <li>&gt; History</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Latest Financial Results</li> <li>&gt; Five-year Overview</li> <li>&gt; Overview by Product Category</li> <li>&gt; Overview by Region</li> <li>&gt; Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Financial Results</li> <li>&gt; Presentations</li> <li>&gt; Integrated Report / Annual Securities Report</li> <li>&gt; Fact Book</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Stock Overview</li> <li>&gt; Dividend</li> <li>&gt; Shareholders' Meeting</li> <li>&gt; Analyst Coverage</li> <li>&gt; Share Price</li> </ul>

### Topics

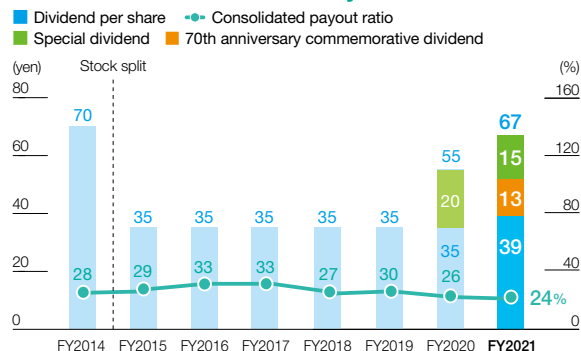
#### Comments from individual shareholders

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

- I would like you to push forward to achieve the Long-term Vision and Three-year Business Plan.
- I expect further expanding the business in overseas markets.
- I hope that you will focus on research and development and produce one-of-a-kind products that contribute to medical care.
- I hope that you will promote the development of environmentally friendly products and consumables (i.e., no plastics).

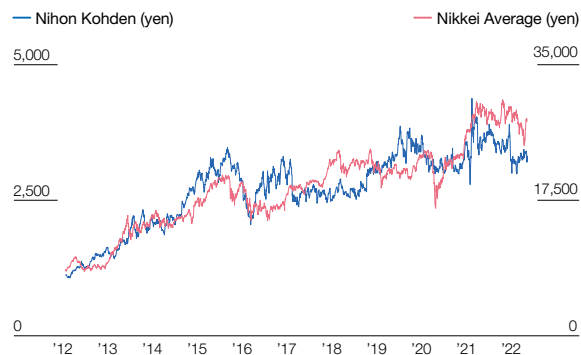
## Enhancing Information Disclosure and Shareholder Return

### Change in Dividend per Share and Consolidated Dividend Payout Ratio



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

### Change in Share Price

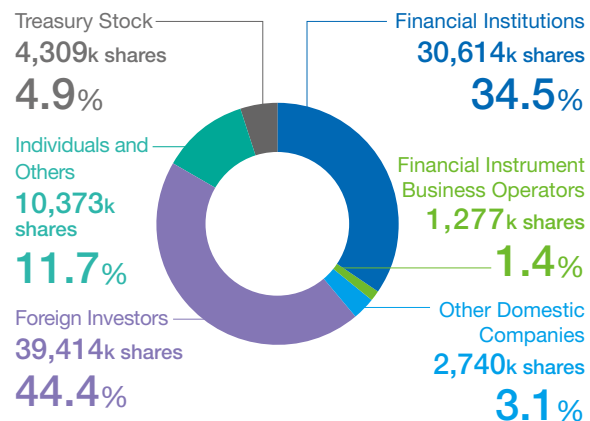


\* Effective April 1, 2015, each share of common stock was split into two shares. For the above share prices, trading values before the split date have also been adjusted retroactively.

### Number of Dialogues with Institutional and Individual Investors in FY2021

- Meetings with institutional investors and securities analysts: **Approx. 300 meetings**
- Nikko Web IR Day Video Streaming by SMBC Nikko Securities: **Approx. 1,850 views**
- Online Company Briefing at Rakuten Securities: **Live viewing: Approx. 100 viewers**  
**Video streaming: Approx. 1,450 views**
- Nihon Kohden's introduction video series for individual investors: **Approx. 1,350 views**

### Ownership Breakdown (as of March 31, 2022)



### Major Shareholders (as of March 31, 2022)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	13,209	15.64
State Street Bank and Trust Company 505223	4,549	5.38
Saitama Resona Bank, Ltd.	4,193	4.96
Custody Bank of Japan, Ltd. (trust account)	4,037	4.78
State Street Bank and Trust Company 505103	2,698	3.19
JP Morgan Chase Bank 385151	1,759	2.08
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,583	1.87
MUFG Bank, Ltd.	1,325	1.56
State Street Bank and Trust Company 505103	1,319	1.56
Sumitomo Mitsui Trust Bank, Limited	1,200	1.42

(Note) The above list excludes Nihon Kohden's treasury stock of 4,309 thousand shares. Each shareholding ratio is calculated excluding treasury stock.

### Topics

In December 2021, Nihon Kohden was selected as the highest AAA grade for its website in the 2021 All Japanese Listed Companies' Website Ranking Survey by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 162 items from the following three points of view: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,888 listed companies and was announced as a ranking. Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.



# External Evaluation

We are working to enhance our corporate value by strengthening our efforts to promote sustainability and enhancing information disclosure.

## External Evaluation

### ■FTSE4Good Index Series, FTSE Blossom Japan, and FTSE Blossom Japan Sector Relative Index\*1

Created by the global index provider FTSE Russell, the FTSE4Good Index Series, FTSE Blossom Japan, and FTSE Blossom Japan Sector Relative Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell evaluates companies in the areas of corporate governance, health and safety, anti-corruption, and climate change, and its constituent companies meet various criteria related to environment, society, and corporate governance. Nihon Kohden, as a result of assessment according to the FTSE Russell ESG rating criteria, has been a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan for four consecutive years since 2017, and in 2022. The Company also has become a constituent of the FTSE Blossom Japan Sector Relative Index in 2022, which is designed by FTSE Russell to measure the performance of Japanese companies demonstrating relatively excellent ESG practices in each sector.



FTSE4Good



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

### ■MSCI Japan ESG Select Leaders Index\*2

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

2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

### ■MSCI Japan Empowering Women Index (WIN)\*2

The MSCI Japan Empowering Women Index (WIN) is a stock price index created by MSCI and is composed of companies that promote high level of gender diversity and women's participation and advancement in the workforce.

Nihon Kohden has been selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for three consecutive years since 2020.

2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

### ■ISS ESG Corporate Rating

The ISS ESG Corporate Rating is a sustainability rating by ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc., a world's leading proxy advisory firm. The rating is based on ESG (Environment, Social, and Governance) factors. Nihon Kohden has been rated as "Prime" in the Health Care Equipment & Supplies industry since 2021.



\*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Nihon Kohden Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series, FTSE Blossom Japan and FTSE Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE4Good Index Series, FTSE Blossom Japan and FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible funds and other products.

\*2 The inclusion of NIHON KOHDEN CORPORATION in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIHON KOHDEN CORPORATION by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

**AED**

自動体外式除細動器  
AED (Automated External Defibrillator)  
自动体外除颤器  
자동심장제세동기

ドアを開けると  
アラームが鳴ります!

NIHON KOHDEN  
cardlife  
AED

緊急時以外、使用禁止  
Do not use unless emergency  
除紧急情况外切勿使用  
긴급 상황에만 사용

※ PUSH

私たちの行動で救える命があります

NIHON KOHDEN

# Nihon Kohden's Contributions to the Community

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

# REGIONAL CONTRIBUTION

# Nihon Kohden's Contributions to the Community

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

## Social Contributions

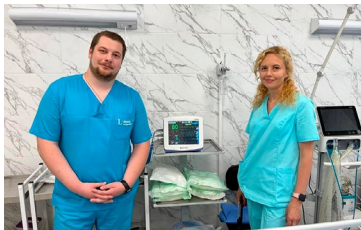
### Our support in response to the situation in Ukraine

In March 2022, we donated total amount of ¥30 million (approx. 220 thousand euros) to the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Children's Fund (UNICEF) to support those who are affected by the humanitarian crisis in Ukraine and those who have been evacuated to the surrounding areas. We received a letter of appreciation from UNICEF. In June 2022, at the request of the Embassy of Ukraine in Japan, we donated patient monitors and ventilators to medical institutions in Ukraine through Nihon Kohden Europe GmbH. Donated medical equipment: Patient monitors 20 units, Ventilators 10 units



Letter of Appreciation from the United Nations Children's Fund (UNICEF)

As a manufacturer of medical equipment, the Nihon Kohden Group will continue to work together as a group to provide the necessary support and cooperation. We will also do our best to support patients and medical workers.



Eight patient monitors have been installed in five medical institutions in Ukraine by July 2022. The remaining patient monitors and ventilators will be installed in each medical institution sequentially.

### Saving lives through rapid lifesaving activities using AEDs

In July 2021, three employees at sales office in Shizuoka received a letter of appreciation from the fire department for their lifesaving activities using Nihon Kohden's AED. Three employees commented, "I believed that if I acted calmly, the patient should be resuscitated," "As the only AED manufacturer in Japan, I was able to help save lives," and "Using the AED in front of me made me realize once again how amazing AEDs are, and I am glad that our AED was successful in saving lives." On this occasion, the patient collapsed in front of our office, which is equipped with an AED, so the instant use of the AED and the quick response of the three employees was led to saving the patient's life. At Nihon Kohden, all employees participate in training in cardiopulmonary resuscitation (CPR) and how to use an AED to ensure prompt lifesaving activities. In addition, Nihon Kohden has placed AEDs at all of our approx. 100 business sites in Japan to provide the safety and security for nearby residents. As a manufacturer of resuscitation equipment, we will continue to promote CPR education and the widespread use of AEDs with the aim of improving the survival rates.



Commendation by the Chief of Chiyoda Fire Station, Shizuoka City Fire Department



# Financial and Corporate Data

We aim at further growth while maintaining and strengthening our stable financial base, even in the changing business environment.

FINANCIAL INFORMATION

ck | #452858152

# Financial Summary



Millions of yen unless otherwise stated

Fiscal year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Business results</b>												
Net sales	113,380	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727	205,129
Operating income	10,598	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094	30,992
Income attributable to owners of parent*1	6,573	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243	23,435
<b>Financial position</b>												
Current assets*2	75,366	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140	171,875
Current liabilities*2	29,673	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608	50,804
Total assets*2	92,495	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030	210,201
Net assets	62,294	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986	156,381
<b>Cash flows</b>												
Cash flows from operating activities	5,892	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945	25,699
Cash flows from investing activities	(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)	(4,303)
Free cash flow	4,018	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999	21,396
Cash flows from financing activities	(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)	(7,300)
Cash and cash equivalents	18,808	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356	60,095
<b>Per share information</b>												
Net income (Yen)*3	149.62	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21	276.51
Dividends (Yen)*4	44.0	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0	67.0
<b>Other</b>												
R&D costs	5,105	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357	5,711
Number of employees (Persons)	3,776	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531	5,639
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730	88,730
<b>Key performance indicators</b>												
ROE (%)	10.9	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0	15.9
Operating income margin (%)	9.3	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6	15.1
Dividend payout ratio (%)	29.4	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7	24.2

\*1 The figures for FY2014 or earlier periods represent net income.

\*2 Since the beginning of FY2018 ended March 31, 2019, the Company has applied the partial amendments to the Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018). These accounting standards apply to FY2017 figures retrospectively.

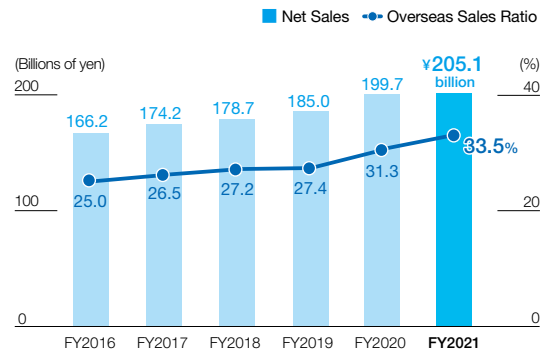
\*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

\*4 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.

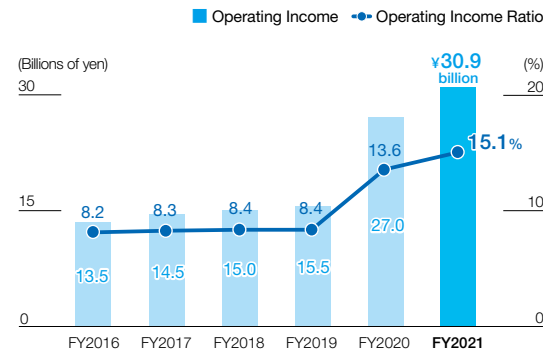
\*5 Effective April 1, 2015, each share of common stock was split into two shares.

## Financial Summary

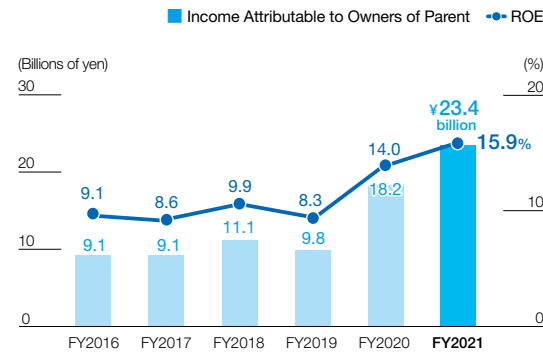
### Net Sales/Overseas Sales Ratio



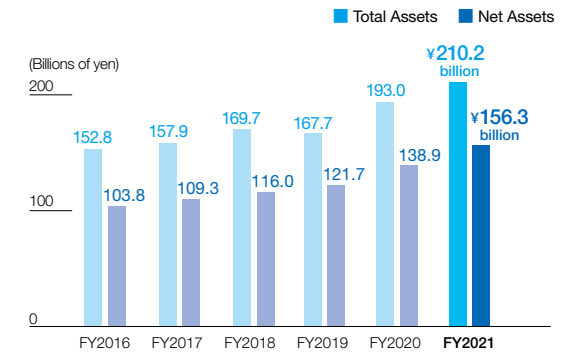
### Operating Income/Operating Income Ratio



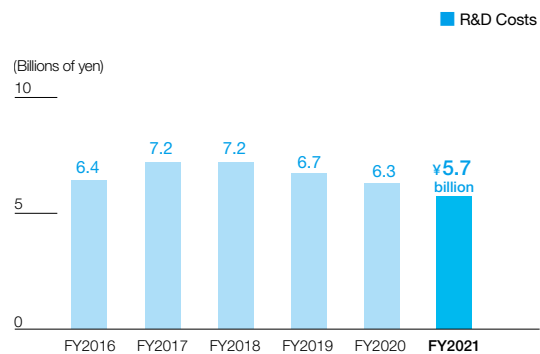
### Income Attributable to Owners of Parent/ROE



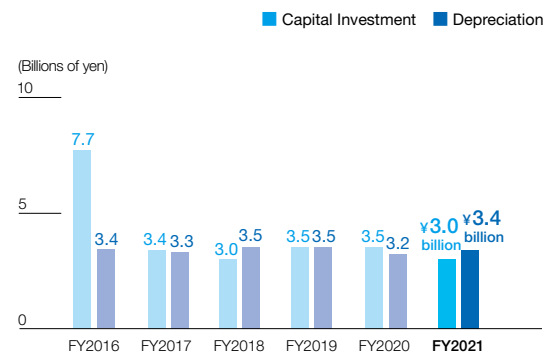
### Total Assets/Net Assets



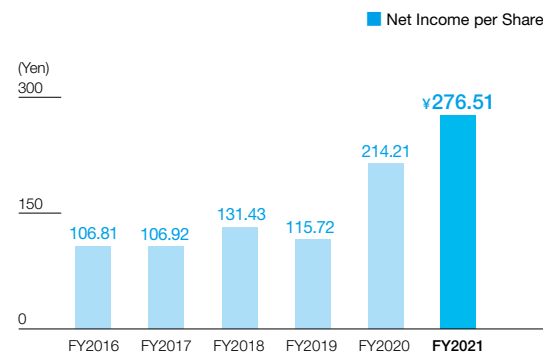
### R&D Costs



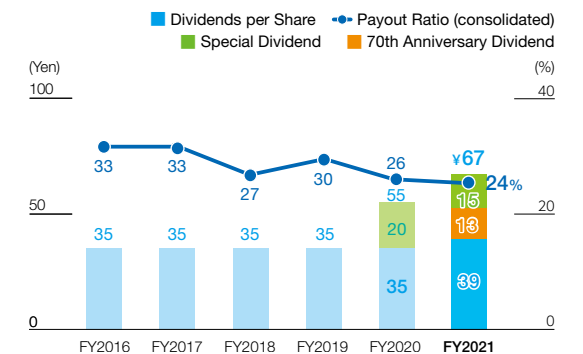
### Capital Investment/Depreciation



### Net Income per Share



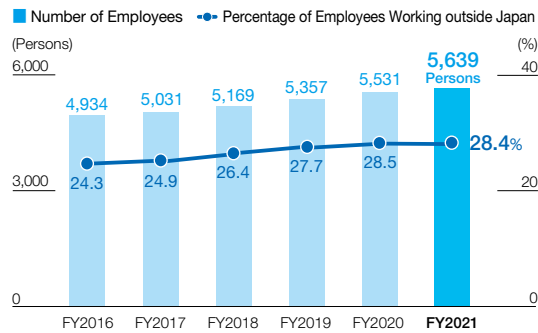
### Dividends per Share/Payout Ratio (consolidated)



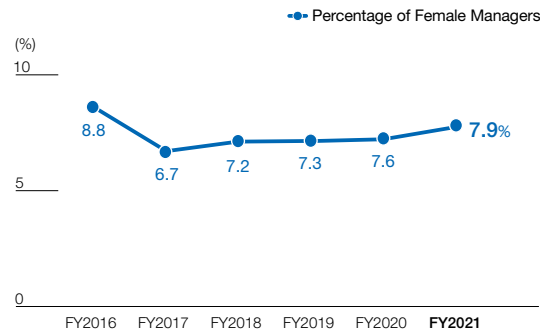


## Non-Financial Summary

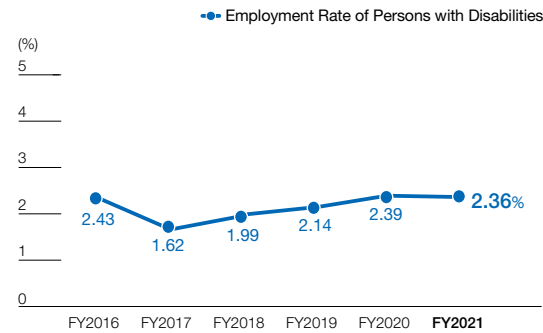
### Number of Employees/Percentage of Employees Working outside Japan



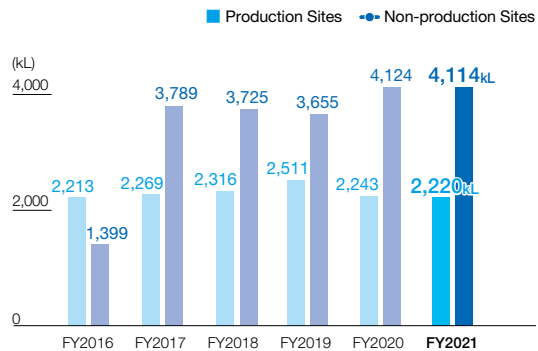
### Percentage of Female Managers\*1



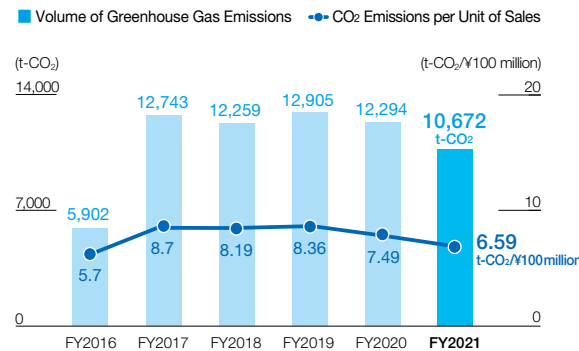
### Employment Rate of Persons with Disabilities\*1



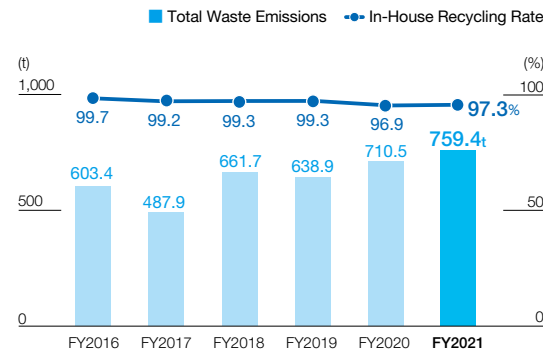
### Total Energy Consumption (Barrels of Oil Equivalent (BOE))\*2



### Volume of Greenhouse Gas Emissions/CO<sub>2</sub> Emissions per Unit of Sales\*2



### Total Waste Emissions/In-House Recycling Rate\*3

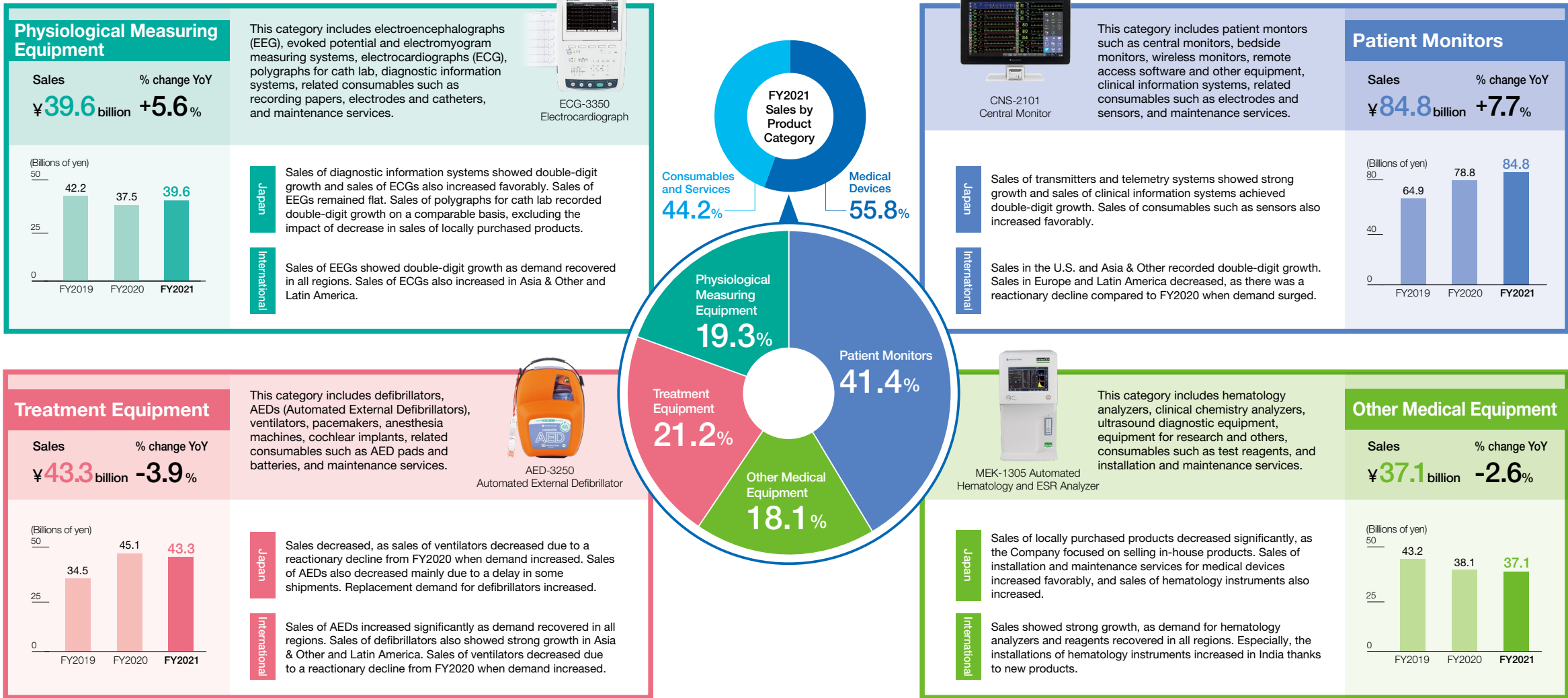


\*1 Beginning with FY2017, the percentage of female managers and employment rate of person with disabilities are the combined totals for the parent company and the domestic sales branches.

\*2 Beginning with FY2017, the figures for total energy consumption and volume of greenhouse gas emissions/CO<sub>2</sub> emissions per unit of sales are the combined totals for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.

\*3 The total waste emissions/in-house recycling rate for FY2020 are combined totals for the scope of ISO 14001 certification, including the parent company, and the Eastern Japan Logistics Center.

# Overview by Product Category (Consolidated)



# Management's Discussion and Analysis

## Business Environment

Social and economic activity showed signs of recovery due to the benefits of economic measures taken by each country and the progress of COVID-19 vaccination. However, the global economic outlook remained uncertain due to the spread of the Omicron variant from the end of 2021, higher resource prices, the semiconductor shortage, and the Ukraine crisis. In Japan, the number of testing and surgical procedures in medical institutions showed a recovery trend, although depending on the wave of COVID-19 infection, and the healthcare system continued to respond to COVID-19 patients. Internationally, overall demand for medical equipment was steady as medical devices to treat COVID-19 patients were installed by medical facilities and demand for non-COVID-19-related medical devices has also shown signs of recovery.

## Review of Operations

Nihon Kohden started its Three-year Business Plan, BEACON 2030 Phase I, in April 2021. The Company formulated the basic policies 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 its first hematology analyzer with reticulocyte measurement both in Japan and internationally. The Company also launched a central monitor which enhanced the linkage with IT systems and its first fully automatic AED in Japan. In addition, a medical device remote monitoring system for ventilators was initiated in Japan.

Internationally, Nihon Kohden strengthened its business structure. The Company started operation of its reagent factory in Dubai, UAE, and acquired Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. in the U.S. As a result, overall sales for FY2021 increased 2.7% over FY2020 to ¥205.1 billion.

## 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. Sales of Patient Monitors increased favorably and demand for certain products which had slumped in the previous fiscal year recovered. The resumption of business negotiations related to IT system solutions also contributed to sales. Sales of locally purchased products decreased significantly as the Company focused on selling in-house products. Sales in the private hospital and clinic markets increased and sales in the university hospital market remained flat. Sales in the public hospital and other markets decreased. As a result, domestic sales decreased 0.7% over FY2020 to ¥136.3 billion.

### ■International

Sales of all product categories increased as the Company succeeded in strengthening its business structure in the U.S. and emerging countries. In the Americas, sales in the U.S. increased favorably. Sales in Latin America decreased due to a reactionary decline in Columbia where sales doubled in the previous fiscal year. Sales decreased in Europe, where demand for certain products recovered, but not enough to cover the reactionary decline compared to the strong growth in the previous fiscal year. In Asia & Other, sales in India, Thailand, Malaysia, and Egypt doubled, and sales in China and Vietnam also increased favorably. As a result, international sales increased 10.2% over FY2020 to ¥68.8 billion.

## Management's Discussion and Analysis

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

Cost of sales decreased 1.5% over FY2020 to ¥96.0 billion. The gross profit margin improved by 2 percentage points to 53.2% thanks to a favorable product mix. It was also due to the Company's efforts to maintain sales prices and improve its profitability. Gross profit on sales increased 6.7% over FY2020 to ¥109.0 billion.

The ratio of SGA expenses rose 0.5 percentage points to 38.1% due to an increase in personnel expenses, as well as an increase in traveling and variable selling expenses. R&D costs decreased ¥0.6 billion year on year to ¥5.7 billion (2.8% of sales).

As a result, operating income increased 14.4% over FY2020 to ¥30.9 billion. Income attributable to owners of parent increased 28.5% over FY2020 to ¥23.4 billion.

### Assets, Liabilities, and Equity

#### ■ Assets

Total assets at the end of FY2021 increased by ¥17.1 billion compared to the end of the previous fiscal year. Current assets increased by ¥15.7 billion compared with the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable due to the collection of trade receivables at the end of the previous fiscal year and an increase in securities, and an increase in raw material inventories due to the advance purchase of some components in response to the tight supply-demand balance of semiconductors. Fixed assets increased by ¥1.4 billion compared with the end of the previous fiscal year. This was mainly due to an increase in intangible assets and goodwill as a result of the acquisition of Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. in the U.S.

#### ■ Liabilities and Equity

Liabilities decreased by ¥0.2 billion compared to the end of the previous fiscal year, mainly due to a decrease in accrued income taxes. Total net assets increased by ¥17.3 billion compared to the end of the previous fiscal year, mainly due to an increase in retained earnings. Equity ratio increased by 2.4 percentage points to 74.4%.

#### ■ Cash Flows

Net cash provided by operating activities amounted to ¥25.6 billion, up ¥11.7 billion from the previous fiscal year. This includes income before income taxes and minority interests of ¥34.2 billion, a decrease in trade receivables of ¥12.5 billion due to progress in the collection of trade receivables at the end of the previous fiscal year, and income tax payments of ¥12.8 billion.

Funds used in investing activities amounted to ¥4.3 billion, up ¥1.3 billion from the previous fiscal year. This includes ¥2.4 billion for the purchase of property, plant and equipment such as production facilities and promotional products and ¥0.9 billion for the purchase of investments in subsidiaries (Advanced Medical Predictive Devices, Diagnostics and Displays, Inc. in the U.S.).

Net cash used in financing activities amounted to ¥7.3 billion, up ¥4.2 billion from the previous fiscal year. This includes ¥4.8 billion of cash dividends paid and ¥2.4 billion in purchase of treasury shares. Cash and cash equivalents at the end of FY2021 were ¥60.0 billion, up ¥15.7 billion from the end of the previous fiscal year.

#### ■ ROE

ROE in FY2021 increased to 15.9% from 14.0% in the previous fiscal year. In addition to the effect of increased revenues, the net profit margin improved as a result of an improved gross profit margin due to a change in the sales mix.

# Message from Director Responsible for Accounting

## Role of the Director Responsible for Accounting

I believe that my role as the Director responsible for Accounting is to continuously enhance the corporate value of Nihon Kohden from a financial perspective. The Director responsible for Accounting is also in charge of maintaining an appropriate balance between growth strategy and a solid financial foundation while supporting the operation of risk management and internal controls.

In the mid-to long-term, I also aim to increase corporate value and realize a company that can regularly achieve an operating income margin of 10% or more through improving the profitability of existing businesses and investment for growth by such improved cash.

In addition, we have established a Global Business Management Policy that is applied to persons responsible for management of overseas subsidiaries, and continue to monitor the state of its implementation, with the aim of strengthening governance throughout the entire Nihon Kohden Group.

Furthermore, through the promotion of corporate digital transformation (CDX), we will reinforce the business structure of the Nihon Kohden Group from a financial perspective, and further strive in management to improve corporate value through sustainable growth.

I hope to enjoy your continued support in the future.



**Tadashi Hasegawa**  
Director,  
Executive Operating Officer,  
General Manager of Global Corporate  
Administration Operations,  
Chief Compliance Officer

## Approach to Cash Use and Profit Distribution Results

Nihon Kohden recognizes the return to shareholders of cash generated through its business activities as one of its most important management policies. Regarding the distribution of cash, our basic policy is to maintain stable and continuous dividends for all shareholders over the long term, bearing in mind the securing of internal reserves necessary for future business expansion. Our priorities are 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. We aim for a consolidated dividend payout ratio of 30% or more. Also, our fundamental policy is to flexibly consider buybacks of the Company's shares, comprehensively taking into account factors such as future business expansion, investment plans, the level of cash held in reserve internally, and share price trends. For the FY2021 dividend per share, we have decided to pay 48 yen per share, consisting of a ordinary dividend of 20 yen, a 70th anniversary commemorative dividend of 13 yen, and a special dividend of 15 yen, as we celebrated the 70th anniversary of our founding in last August and the business performance in FY2021 was favorable. As a result, the full-year dividend was 67 yen per share, including the interim dividend of 19 yen. In addition, the Company implemented share buybacks amounting to ¥896 million in February 2022 and ¥999 million from May to June 2022.

## Setting of Financial Indicators

We use consolidated return on equity (ROE) as one of its management indicators to maximize corporate value and shareholder value, and have set a target of 10% in our Three-year Business Plan, BEACON 2030 Phase I. In FY2021, the ratio improved to 15.9% from 14.0% in the previous fiscal year. This improvement was due to the positive effect of increased revenues and an improved gross profit margin resulting from a change in the sales mix, which resulted in an improved net profit margin on sales. We will continue to place the highest priority on improving profitability through the implementation of the Three-year Business Plan, while aiming to achieve management targets by improving asset efficiency through measures such as inventory reduction, and by enhancing shareholder returns.

# Company Information

## Company Overview (as of March 31, 2022)

<b>Common Name</b>	NIHON KOHDEN
<b>Official Name</b>	NIHON KOHDEN CORPORATION
<b>Incorporated</b>	August 7, 1951
<b>Capital Stock</b>	¥7,544 million
<b>Net Sales</b> <small>(Consolidated)</small>	¥205.1 billion <small>(Fiscal year ended March 31, 2022)</small>
<b>Type of Business</b>	Development, production, and sales of medical electronic equipment
<b>Employees</b> <small>(Consolidated)</small>	5,639 persons

## Stock Overview (as of March 31, 2022)

<b>Number of Shares Authorized</b>	197,972,000 shares
<b>Number of Shares Issued*</b>	88,730,980 shares
<b>Number of Shareholders</b>	7,520 persons

\* The Company cancelled its treasury shares of 500,000 shares on June 10, 2022. The total number of shares issued after the cancellation is 88,230,980 shares.

## Subsidiaries: 30 companies (as of March 31, 2022)

### Sales and Promotion

- Nihon Kohden America, Inc.
- Nihon Kohden Mexico S.A. de C.V.
- Nihon Kohden Latin America S.A.S.
- Nihon Kohden Do Brasil Ltda.
- Nihon Kohden Europe GmbH
- Nihon Kohden Deutschland GmbH
- Nihon Kohden France Sarl
- Nihon Kohden Iberica S.L.
- Nihon Kohden Italia S.r.l.
- Nihon Kohden UK Ltd.
- Nihon Kohden Singapore Pte Ltd
- NKS Bangkok Co., Ltd.
- Nihon Kohden Korea, Inc.

### Development, Production, Sales, and Sales Promotion

- Nihon Kohden Tomioka Corporation
- Nippon Bio-Test Laboratories Inc.
- Beneficks Corporation
- Shanghai Kohden Medical Electronic Instrument Corp.
- Defibtech, LLC
- Nihon Kohden OrangeMed, Inc.
- Nihon Kohden Malaysia Sdn. Bhd.
- Nihon Kohden India Pvt. Ltd.
- Nihon Kohden Middle East FZE
- Nihon Kohden Firenze S.r.l.

### Development of Medical Electronic Equipment and Software

- Nihon Kohden Digital Health Solutions, Inc.
- Advanced Medical Predictive Devices, Diagnostics and Displays, Inc.
- Neurotronics, Inc.
- Nihon Kohden Innovation Center, Inc.

### Group General Affairs and Staffing

- E-Staff Corporation
- E-Staff Insurance Services Corporation

### Other

- RESUSCITATION SOLUTION, INC.



## Company Information

### Editorial Policy

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

### Scope of Report

**Organization** This report covers 31 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 30 consolidated subsidiaries (as of March 31, 2022).

**Period** from April 1, 2021 to March 31, 2022\*

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

### Nihon Kohden Website

#### Corporate Website

Please visit the following website for corporate information about Nihon Kohden.

<https://www.nihonkohden.com/>



#### Sustainability Page

Please visit the following website for Nihon Kohden's various activities to promote sustainability.

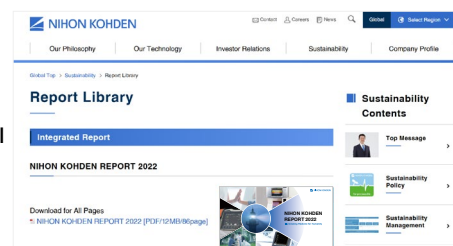
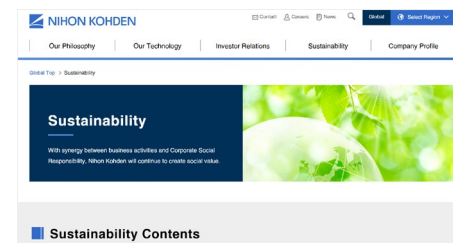
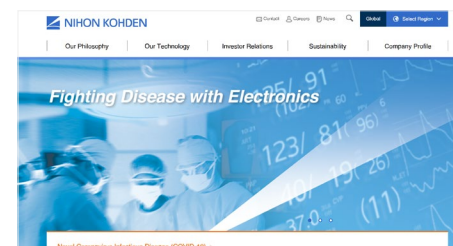
<https://www.nihonkohden.com/sustainability/index.html>



#### Integrated Report

Please visit the following website for past Nihon Kohden Reports, CSR Reports, and Environmental Reports.

[https://www.nihonkohden.com/sustainability/csr\\_downloads.html](https://www.nihonkohden.com/sustainability/csr_downloads.html)



### Disclaimer

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

### Publication Date

September 2022

(next publication: expected to be issued in September 2023)

### How to publish

Nihon Kohden has abolished the conventional production of bound printed matter and limited it to publication on its website since 2021. This is because, based on the current IT environment with the Internet in place, we examined how to publish this report from the perspective of protecting limited paper resources and reducing CO<sub>2</sub> emissions during delivery and transportation.

### Published by

Corporate Strategy Division, Nihon Kohden Corporation