

NIHON KOHDEN REPORT 2023

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

ME (Medical Electronics or Medical Engineering) is the union of medicine and engineering.

ME is a common abbreviation in recent years but the founders of Nihon Kohden began working in medical electronics around 1945, long before this phrase was born.

The neuromuscular tissue of a small bird was the impetus behind the founding of Nihon Kohden.

The late Dr. Yoshio Ogino, founder of Nihon Kohden, was doing research in electrical engineering when one day he happened to see an experiment involving stimulation of the neuromuscular tissue of a small bird. He was struck by the wonder of biology and remarked that “to measure part of a living body requires several hundred times the sensitivity and at least two decimal places more than the equipment developed by the leading electrical engineering experts in Japan.”

He wondered if it might be possible to apply a higher level of engineering to the subtleties of biology and study the human body.

And furthermore, if this union of medicine and engineering could be used for saving human life. With this powerful inspiration, he studied medicine and in August 1951 founded Nihon Kohden.

With the unshakable conviction 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 produced a number of state-of-the-art medical electronic equipment.

As medicine evolved, Nihon Kohden’s products branched out into many areas. However, the original vision did not change and it still inspires the Company’s engineers.

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.

We continue 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 patients/medical staff.



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

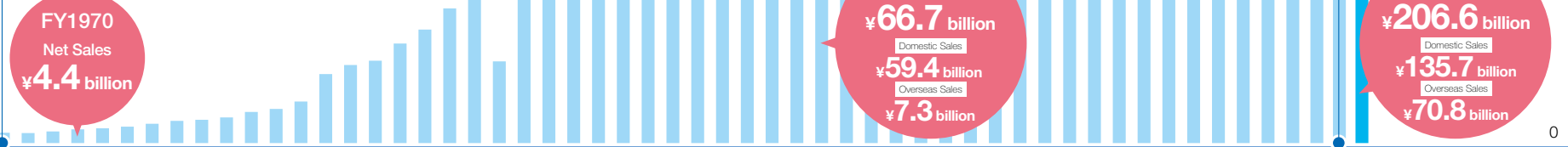
Central patient monitoring system for monitoring vital signs of multiple patients

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.



1950 1960 1970 1980 1990 2000 2010 2020

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 CO₂ 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.



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



July 2022
Launched the **Company's first** patient monitor specialized for neonatal resuscitation, the NRM-1300 BreathCue, in Japan.



Introduction of Nihon Kohden's Business

Nihon Kohden is a manufacturer of medical equipment.

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.




Station, airport, gym, large commercial facility, etc.



AED

Ward, ICU, Operating room




Patient monitor

Ventilator

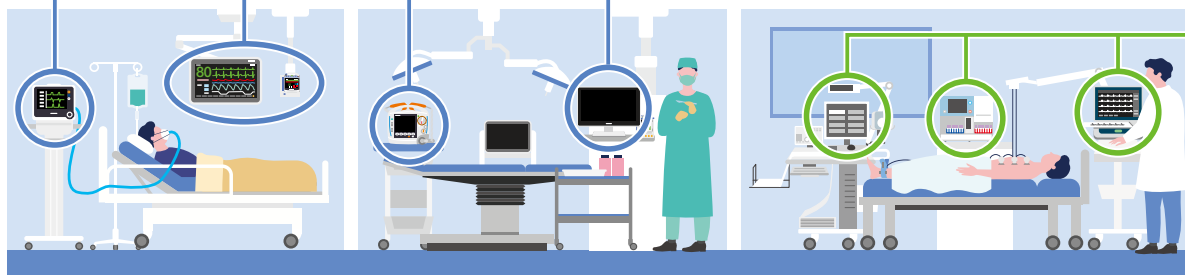
Defibrillator




Nurse station



Patient monitor



Laboratory




Electroencephalograph

Electrocardiograph

Hematology analyzer

Emergency room




Patient monitor

Defibrillator



Waiting room



AED



Main Products of Nihon Kohden

AEDs

An AED delivers an electric shock to the heart when ventricular fibrillation is occurring to restore it to its normal rhythm. Nihon Kohden provides the only AEDs developed and manufactured in Japan*. Nihon Kohden is working to realize a society in which everybody can use an AED without hesitation and so increase the lifesaving rate.

* As of March 2023



Bedside monitors

Bedside monitors continuously display vital signs such as ECG (electrocardiogram), body temperature, SpO₂ (arterial oxygen saturation), and NIBP (non-invasive blood pressure). These devices are deployed in various medical settings such as operating rooms, intensive care units, and general wards. Nihon Kohden offers a wide range of bedside monitors, from simple monitors for family doctors to in-hospital transport monitors and advanced monitoring systems with centralized monitoring functions.



Electroencephalographs

The electroencephalograph is indispensable for diagnosing epilepsy, cerebrovascular accidents, sleep disorders, and other neurological conditions. Nihon Kohden's electroencephalographs have a high market share worldwide. One product attracting attention is an EEG headset that can easily measure brain waves even in challenging environments, such as in intensive treatment or in emergencies. It enables rapid diagnosis and treatment and is an important tool to improve survival rates and prognosis of patients.



Electrocardiographs

The electrocardiograph, the most common testing equipment for diagnosing heart disease, is widely used in various medical settings. Nihon Kohden supports medical professionals in the diagnosis of heart disease with equipment designed for ease of handling and capable of customization according to site and test specific requirements. Nihon Kohden's electrocardiographs provide users with digitized examination data and a variety of analytic information based on our unique technology.

Ventilators

Our first in-house ventilators were launched in 2019. Through unique technologies and a variety of ventilation modes, these devices provide safe artificial respiration management suitable for various medical settings. We also develop our original masks which fit the skeletal structure of patients. These masks aim at improving quality of life (QOL) for patients by improving the fit with the face and patient comfort.



Pulse oximeters

An SpO₂ probe continuously measures the oxygen saturation (SpO₂) of arterial blood without blood sampling. The principle was invented in 1974 by the late Dr. Takuo Aoyagi, who passed away in 2020, a Nihon Kohden engineer. This revolutionary technology that enables painless and continuous measurement in real time is now indispensable for monitoring patient conditions in clinical settings around the world.



CO₂ sensors **cap-ONE**

cap-ONE is a CO₂ sensor developed for safer respiratory management which measures the amount of CO₂ in expiration. Weighing only 4 g, this ultra-compact and lightweight sensor can also be used with newborn babies. In addition, we have developed a mask that permits CO₂ measurement while supplying oxygen, which reduces the burden on patients and contributes in reducing medical costs.



In-vitro diagnostic equipment

In the IVD field, we have developed blood cell counters and devices that measure HbA1c, an indicator of diabetes, as well as CRP*¹ and ESR*², which indicate the degree of inflammation in the body. We also develop and produce various in-house reagents. We will continue to explore unique technologies that enable accurate measurement with a small amount of blood, as well as operability and functionality that support medical professionals.

*1 CRP: C-reactive Protein.
*2 ESR: Erythrocyte Sedimentation Rate.



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 **15%**

Overseas sales ratio **45%**

- 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 **370%** (FY2022)

Human Capital

- **Diverse employees**
Number of employees **5,751**
Of which, Overseas 1,641 people (As of March 31, 2023)

Intellectual Capital

- **Proactive R&D investment**
R&D costs **¥6.2 billion** (FY2022)
- **Innovative technological development capabilities**
Number of new products released **13 items** (FY2022)

**Manufacturing Capital/
Social Capital**

Number of bases in Japan and overseas

In Japan	114 sales offices
Overseas	26 group companies

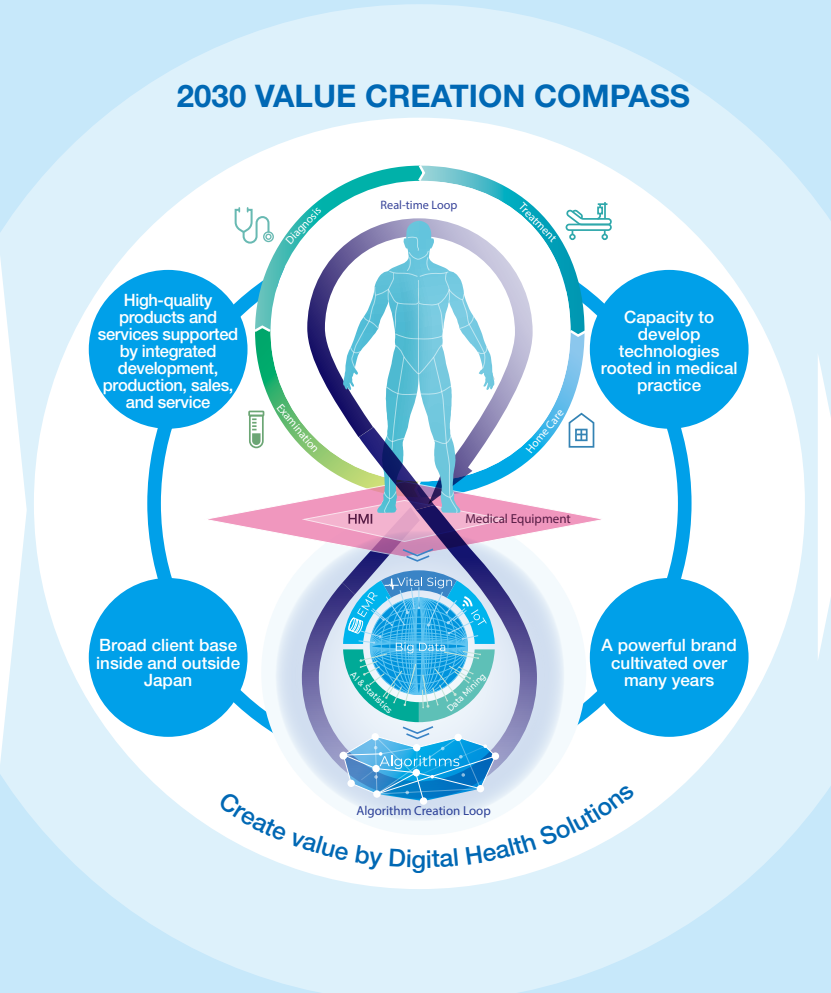
Areas in which products deployed

Over **120** countries (As of March 31, 2023)

Natural Capital

CO₂ Emissions per unit of sales **5.88** t-CO₂/¥100 million (FY2022)

Recycling rate **97.4%** (FY2022)



OUTPUT

Targets of the Three-year Business Plan

FY2023 ending March 2024

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

Results in FY2022

Physiological Measuring Equipment		
Net Sales	Composition ratio	
¥43.2 billion	21.0%	The ECG-3250 Electrocardiograph
Patient Monitors		
Net Sales	Composition ratio	
¥80.8 billion	39.1%	The CNS-2101 Central Monitor
Treatment Equipment		
Net Sales	Composition ratio	
¥44.4 billion	21.5%	The AED-3250 Automated External Defibrillator
Other Medical Equipment		
Net Sales	Composition ratio	
¥38.0 billion	18.4%	The MEK-9200 Automated Hematology Analyzer

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

Value Creation Compass toward 2030

Toward Better Patient Outcomes and Improving the Economy of Medical Care

The Value Creation Compass is our new value creation model that represents how Nihon Kohden will work to solve medical and social issues by 2030. 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.

- **Patient outcomes and economy of medical care**

We aim to create value that addresses global medical issues of achieving better patient outcomes and improving the economy of medical care.

- **Suitable solutions for each disease and clinical site**

We aim to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to home care.

- **HMI technology and medical equipment**

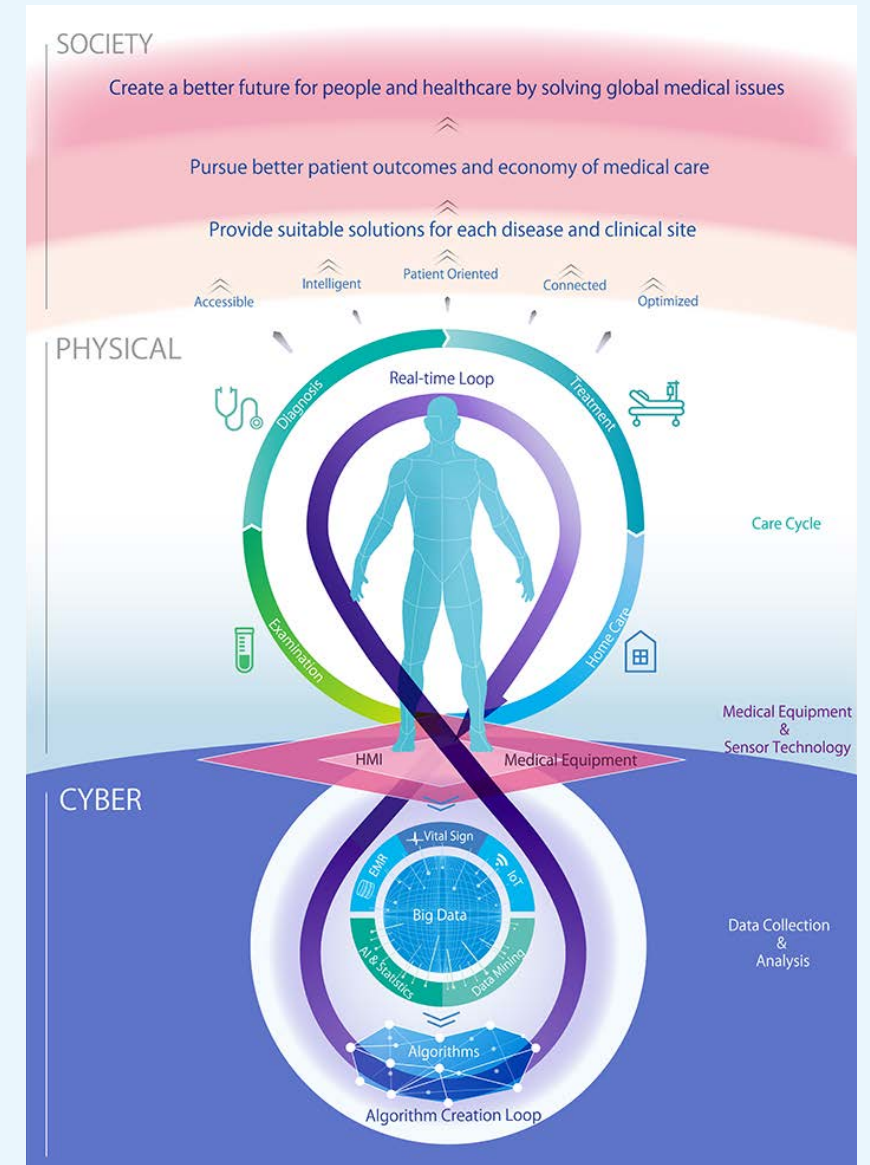
HMI technology is one of our core strengths and serves as an important touchpoint with patients throughout their clinical journey. HMI technology and medical equipment give us access to patients and clinical sites which enable us to create value.

- **Value creation from data gathered through clinical sites**

Nihon Kohden will develop a data integration platform and pioneer algorithms to create new value from information. Vital sign data, IoT data and EMR information will be integrated as a big data. Algorithms for clinical prediction models will be developed using AI and data analysis.

- **Real time loop to respond to clinical needs**

By combining HMI technology and medical equipment used in the medical field, and new algorithms created from big data analysis, we provide solutions that can respond to clinical needs in real time.



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.

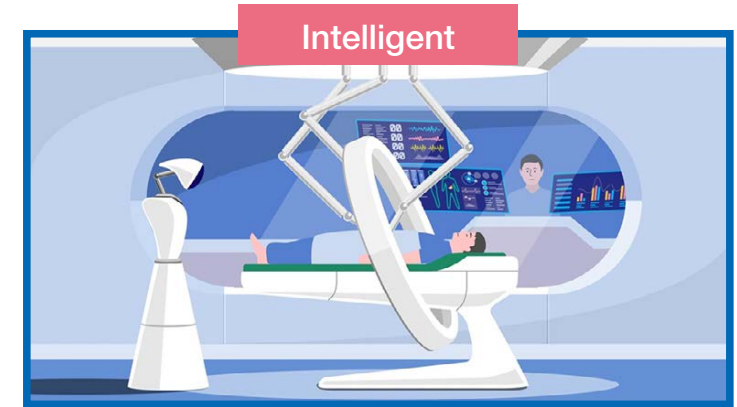


How do we bridge the final distance between AEDs and people to save every life possible?

We have been working to widely deploy AEDs to improve the survival rate.

But still we have challenges to address; training for first responders, reducing fears about AED use, sensing technology for early detection of cardiac arrest, a mobile app-based volunteer first responder network, and utilization of on-scene data and vital signs. We aim for a future in which the number of sudden cardiac deaths is one-third of the current level, through step by step efforts to reduce the psychological and physical barriers to AED use.

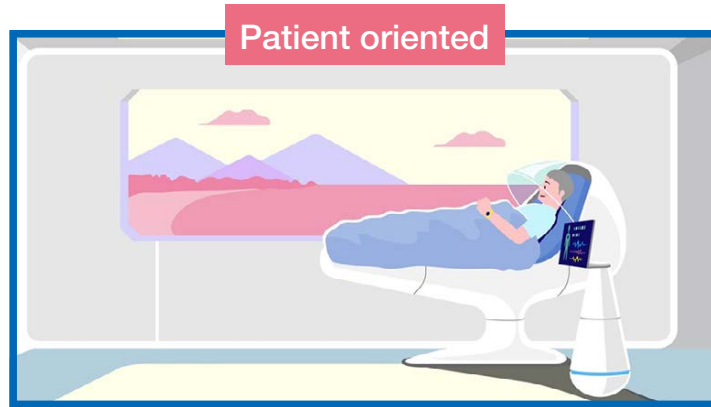
We are working hard to achieve a future where everyone can use AEDs without hesitation.



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

Surgery is a beacon of hope for patients who want to live. However, human error in operating rooms is still a cause of death. Especially in emerging countries, the mortality rates due to human error are estimated to be 100 to 1,000 times higher than in developed countries. We believe we will be able to solve this serious issue. Utilization of patients' vital signs and stable anesthetic management may be able to reduce the mortality rate due to human error to one-hundredth of the current level. Our aim is improving the safety of surgery by developing advances in technology and delivering these technologies beyond national borders to patients all over the world.

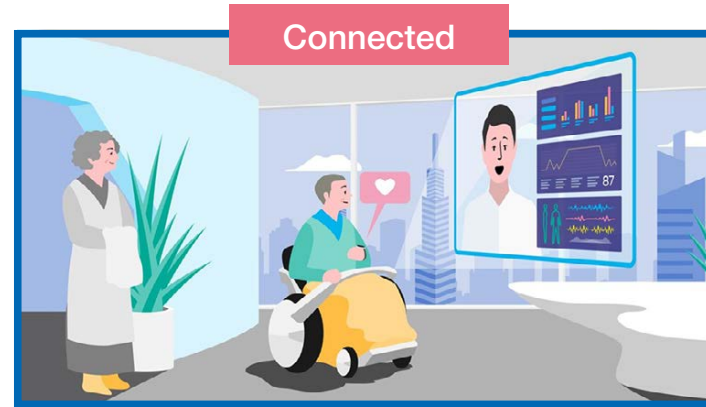
Vision towards 2030 for the Future



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

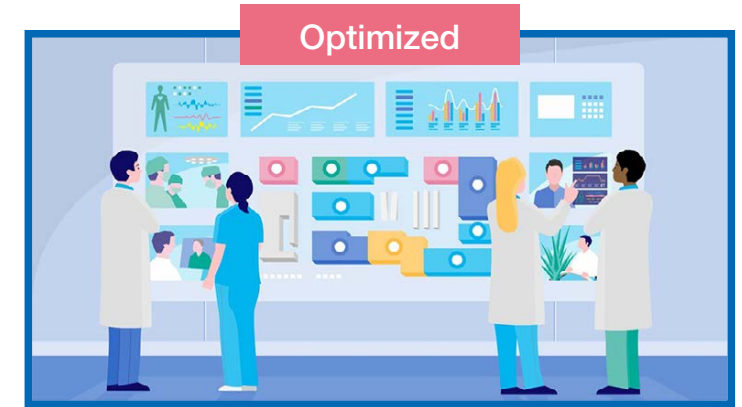
ICUs are intended to save patients' lives and help them make an early recovery. However, can patients really recover in peace, surrounded by a lot of machines and tubes?

Our ideal room offers patients a place to rest not only their bodies but also their mind. The changes in patients' conditions can be appropriately monitored to provide treatment at early stages. The temperature of the bed and the room brightness can also be comfortably adjusted according to the patients' conditions. We aim to design such an optimal environment for each patient and realize ICUs that are friendly to patients, families, and medical workers.



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

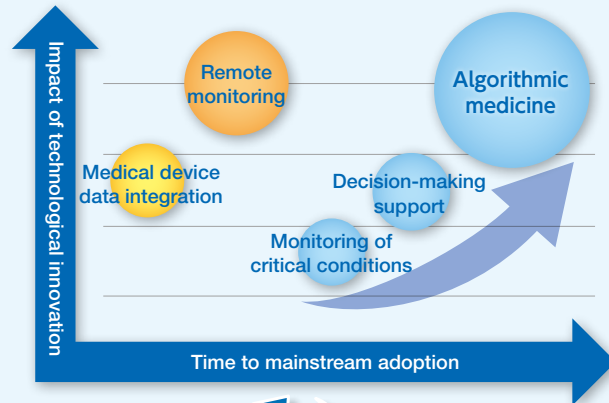
Patients feel anxious even when they want to go home; "My condition may get worse because I won't be able to receive the same treatment as when I was in hospital." or "Emergency situations may cause a burden for my family." Providing homecare with the same quality as hospital care will enable the early prediction and prevention of deteriorative conditions such as heart failure. Since many people live with illnesses in aging population, we aim to reduce the burden on patients, their families and hospitals by reducing readmission rates. We will continue to watch over the daily lives of people recovering from illness to help them enjoy their time wherever they desire.



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

Hospitals are working on improving their productivity and management. Medical workers want to spend as much time as possible for patients. Our goal is a "Win-Win" relationship in which everyone is happy. We collect and utilize the data from medical devices deployed in hospitals to allocate resources appropriately and optimize operation of the devices. This will enable medical workers to concentrate on patients and improve patient outcomes. As a result, patients can smoothly return to their daily lives after a short hospital stay. We aim to increase the "satisfaction with medical care" of all stakeholders by helping hospitals improve efficiency.

Nihon Kohden's DHS (Digital Health Solutions) Vision



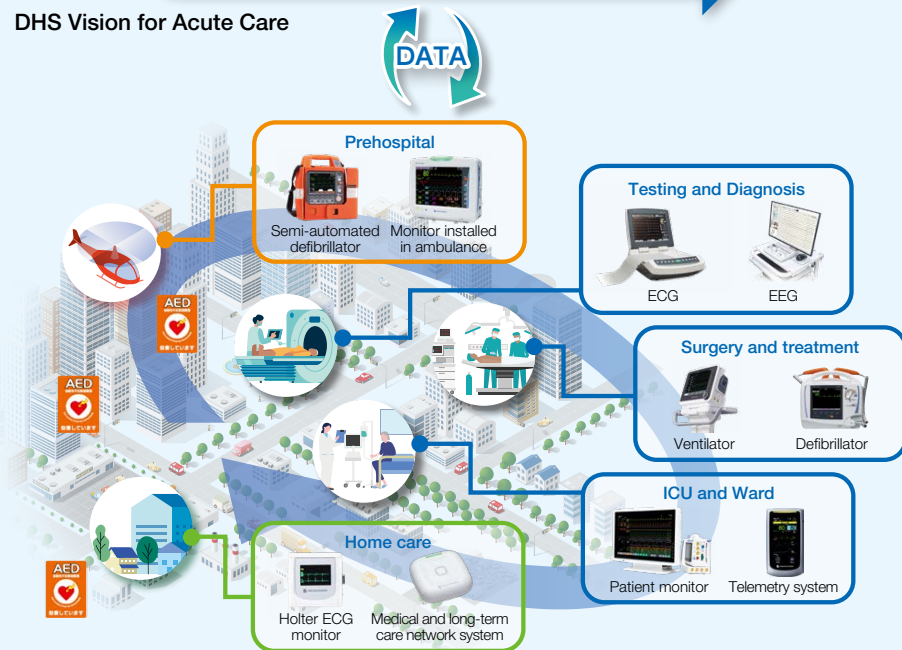
Nihon Kohden is promoting the DHS (digital health solutions) Vision to realize its Long-term Vision toward 2030, BEACON 2030. Currently, we are investigating the creation of new customer value to solve specific issues in two areas: DHS Vision for Acute Care and DHS Vision for Regional Medical Care.

Under the DHS vision for acute care, we aim to provide application and services that utilize patients' vital sign data and medical device information in step with technological advances. In the area of medical device data integration, we will develop a platform for data input, including the use of new technologies such as medical device connectivity and wearable devices to obtain patients' vital sign data. In the area of remote monitoring, we will contribute to the development of telemedicine by enabling medical professionals to recognize, judge, and intervene with patients at a distance, in line with the progress of network technology and cloud computing. We plan to utilize the information acquired using the technologies of medical device data integration and remote monitoring to gradually develop solutions that only Nihon Kohden can provide.

Nihon Kohden's core technology is the Human Machine Interface, which is its unique data acquisition technology and the basis for utilizing data such as patients' vital signs. Going forward, we will create solutions that contribute to improving patient outcomes and economy of medical care by enhancing our data collection capabilities, strengthening our data analysis technologies and our ability to create algorithms, and integrating the HMI technology and medical equipment with network technologies such as remote monitoring.

Under the DHS vision for regional medical care, given Japan's declining birthrate and aging population, there is a growing need for a system that accepts high-risk patients from acute care hospitals to second line hospitals and convalescent hospitals. We aim to realize our DHS vision to support regional medical care by providing an IT system platform that links regional medical care support hospitals and general practitioners, leading to early detection and intervention for diseases.

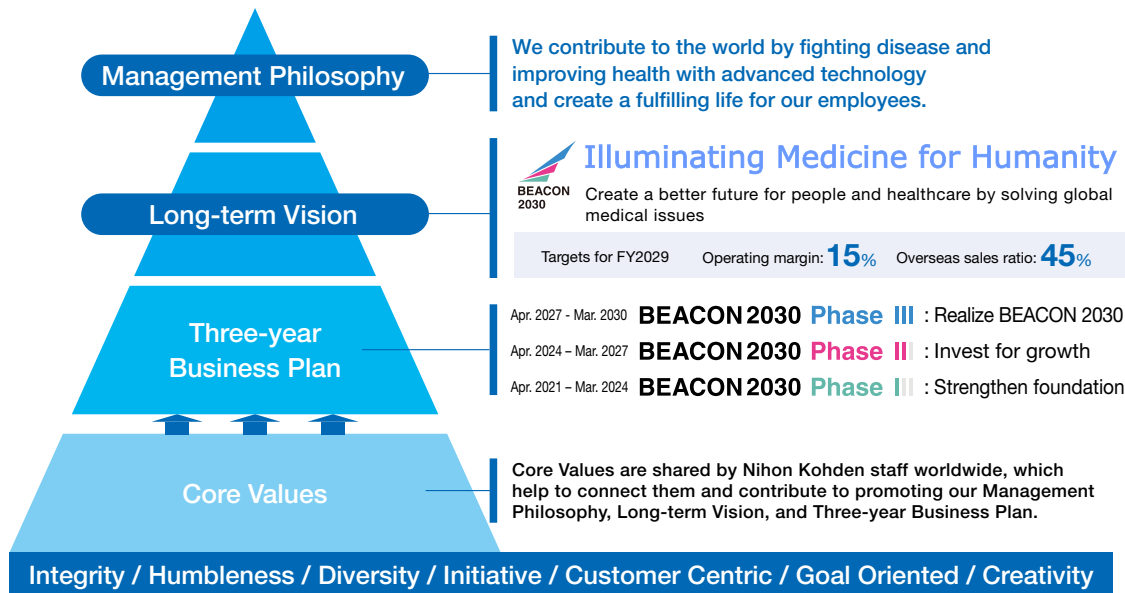
DHS Vision for Acute Care



DHS Vision for Regional Medical Care

Progress of Three-year Business Plan

In its Three-year Business Plan, BEACON 2030 Phase I, which started in April 2021, Nihon Kohden strengthens 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 strict compliance and strengthen group governance, improve the profitability of existing businesses and make strategic upfront investments, and establish global supply chain management and strengthen core functions of operations. The following is an overview of the progress of FY2022, which was the second year of this 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	¥ 197 billion	Domestic sales	¥ 134 billion	Overseas sales	¥ 63 billion
Operating income (Operating income margin)	¥ 20 billion (10.2%)			ROE	10%

Progress of Three-year Business Plan

Review of Progress in FY2022

In FY2022, we worked on continuing to supply products globally by implementing reforms to its supply chain management to respond to the product supply issues due to the shortage of semiconductors and the Shanghai lockdown. As a result, Nihon Kohden posted record highs in sales in FY2022. Operating income exceeded its original forecast. Domestic sales decreased due to a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in FY2021. On the other hand, sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Internationally, there were loss of business opportunities and delays in supplying new models due to the product supply issues in the first half of FY2022. In the second half of FY2022, sales recovered thanks to the launch of new mid-range bedside monitors and a mask-type ventilator in the U.S. and yen depreciation.

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

Embracing Sustainability across Business and Corporate Activities

To foster an organizational culture that promotes sustainability as the essence of our business, we have held a total of 28 Sustainability Discussions globally since October 2022 in which approx. 3,000 employees have participated. In addition, we disclosed information in accordance with the TCFD recommendations and identified key human rights issues.

For further details, please refer to **the Sustainability page**.

**The Company posted record highs in sales.
Operating income also exceeded its original forecast.**

Sales **¥206.6** billion

Operating income **¥21.1** billion

	FY2020	FY2021		FY2022	FY2023 Targets
Overseas Sales Ratio	31.3%	33.5%	<ul style="list-style-type: none"> Favorable currency effects Sales increased on a comparable basis, excluding the reactionary decline of COVID-19-related demand and impact of product supply issues 	34.3%	32.0%
Consumables and Services Sales Ratio	43.0%	44.2%		<ul style="list-style-type: none"> Sales of catheters and sensors increased, as the number of testing and surgical procedures showed a recovery trend 	47.3%
Gross Profit Margin	51.2%	53.2%	<ul style="list-style-type: none"> Higher prices of components Unfavorable product mix 	51.3%	50% or more
(Reference) In-house sales ratio	69.5%	72.7%		72.4%	

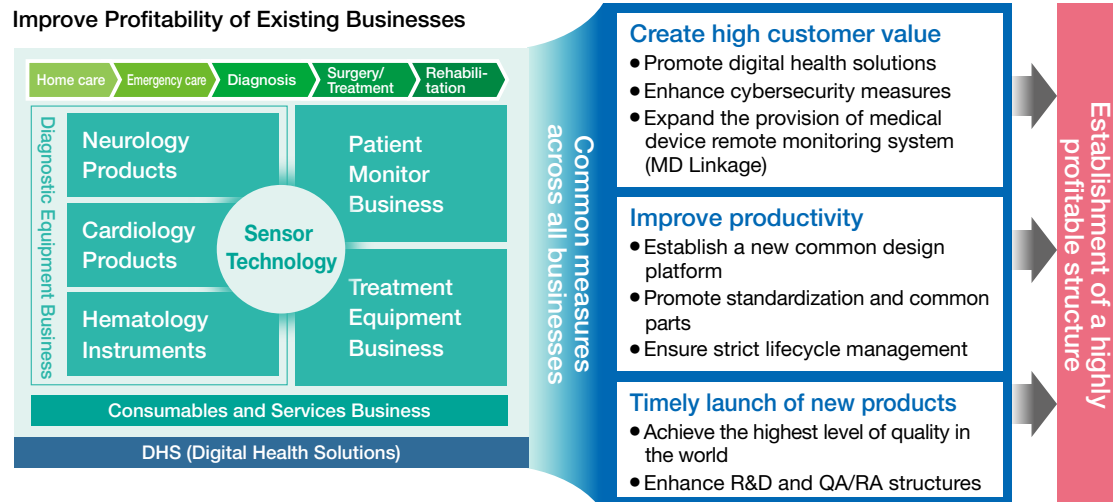
Progress of Three-year Business Plan

Management: Ensure Strict Compliance and Strengthen Group Governance

To ensure strict compliance, we have implemented recurrence prevention measures in response to the compliance matter that occurred in Japan in January 2021 and will continue to monitor the progress of their implementation. To strengthen our group governance, we promoted implementation of the Global Business Management Policy and started to develop a sophisticated company-wide risk management framework. 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 launch of new products. In FY2022, we introduced a patient monitor specialized for neonatal resuscitation and an EEG amplifier with enhanced network capabilities in Japan, and an ECG with built-in wireless LAN both in Japan and internationally. In the U.S., we launched mid-range bedside monitors and a mask-type ventilator. In certain overseas markets, we also introduced a mid-range ventilator developed by Nihon Kohden OrangeMed, Inc., in the U.S. Internationally, the Company strengthened its business structure. The Company decided to reorganize its U.S. subsidiaries into a holding company structure, and acquired Software Team Srl in Italy, a software development and sales company which collects data and alarms from medical devices such as patient monitors and forwards to mobile phones.

New Products Introduced in FY2022



Acquired Software Team Srl, Italy in November 2022



Progress of Three-year Business Plan

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

As part of our efforts to establish global supply chain management, we started construction of a new reagent factory in India in September 2022. In March 2023, we acquired a new plant site in Tsurugashima City, Saitama Prefecture. The site is located close to the Advanced Technology Center (Tokorozawa City, Saitama Prefecture) and the Eastern Japan Logistics Center (Sakado City, Saitama Prefecture). We will strengthen collaboration between the R&D, production, and logistics departments. To establish a global information system, we completed the linkage of backbone systems in overseas subsidiaries to the head office network. As part of our corporate digital transformation (CDX), we started introducing PLM/MES*1 systems.

We also strengthened compliance with the latest laws and regulations for medical devices as well as establishing a PSIRT*2 to enhance the security of our products and services and strengthen our response to security incidents.

*1 PLM: Product Life-cycle Management,
MES: Manufacturing Execution System
*2 PSIRT: Product Security Incident Response Team

Establish Global Supply Chain Management

- Establish global information system**
 - Completed linkage of backbone systems in overseas subsidiaries to head office network
- Started introducing PLM/MES systems**
 - Reduce workload and costs by promoting DX in R&D and production departments

- Construction of a new reagent factory plant in India**

(Construction: Started in September 2022 and planned to be completed in Summer 2023, Operation: Planned to start in Summer 2024)
- Acquired a new plant site in Tsurugashima City, Saitama Prefecture**


(Acquired a new plant site in March 2023, Construction: Planned to start in Spring 2024 and be completed in Spring 2025, Operation: Planned to start in 2026)

 - Manufacturing consumables such as sensors and R&D of automated production technology

Strengthen Core Functions of Operations

- Enhance cybersecurity of the internal IT infrastructure**
 - Unified groupware globally

- Strengthen compliance with the latest laws and regulations throughout the product life cycle**
 - Received IVDR* certification in Europe in August 2022
 - Post-market surveillance
- Established PSIRT**
 - Enhance cyber security of products and services, and strengthen our response to security incidents



* IVDR: In Vitro Diagnostic Medical Device Regulation

Message from Management



Entering the final stage of BEACON 2030 Phase I, we will continue to steadily strengthen our foundation to realize our Long-term Vision.

Representative Director
President and CEO

Introduction –To all stakeholders –

We would like to express our sincere gratitude to your continued understanding and support of the corporate activities of the Nihon Kohden Group. The world is entering a new period of turmoil, with the protracted situation in Ukraine and heightened geopolitical risks. Because we live in such an era, I have reaffirmed that our social mission as a medical equipment manufacturer is stable supply of high-quality and high-performance medical equipment that protect patients' lives around the world as well as contributing to the realization of a society in which everyone can live with peace of mind. "Curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal." These words from our founder reflect his strong desire to be a cornerstone in building a peaceful world by taking on the challenge of overcoming disease, as commonly desired by all humanity in the chaotic postwar world of 70 years ago. Based on our Management Philosophy inherited from the time the Company was founded, we aim to realize a sustainable society and enhance corporate value of the Company by working together with all stakeholders to create a better future for people and healthcare by solving global medical issues.

Review of FY2022

In FY2022, in response to product supply issues caused by the shortage of semiconductors and the Shanghai lockdown, all employees worked together to continue product supply by changing designs using alternative components and temporarily increasing product and component inventories. As a result, consolidated net sales reached a record high and operating income exceeded the initial plan. Although there was a reactionary decline in COVID-19-related demand from FY2021 both in Japan and internationally, demand for our products, consumables and services remained steady in Japan due to the establishment of healthcare systems to respond to emerging infectious diseases, and the promotion of work style reforms for medical staff. Internationally, there are moves toward the development of post-COVID-19 healthcare systems in each country, and demand for medical equipment that contributes to improving the quality and efficiency of medical care remains steady.

Message from Management

Progress of the Three-year Business Plan (Major Initiatives and Results for FY2022)

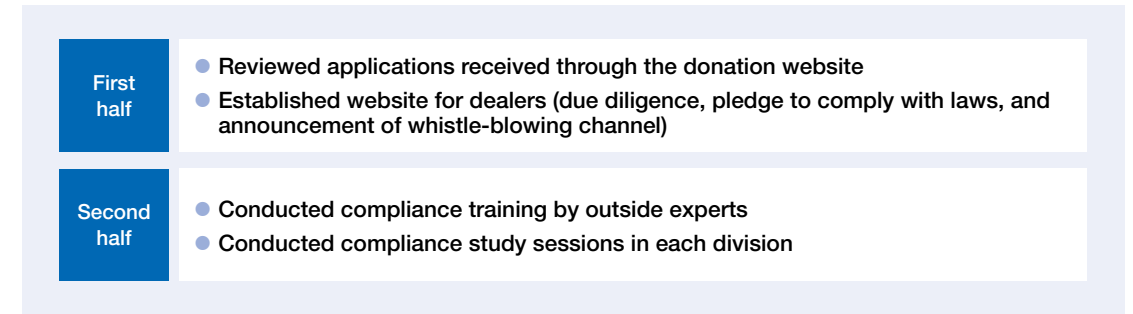
■ Basic Policy in Three-year Business Plan, BEACON 2030 Phase I



In FY2022, the second year of our Three-year Business Plan, we worked toward strengthening our business foundation by promoting measures from the three standpoints of management, business, and operations to realize our Long-term Vision.

[Management] Focus on thorough compliance as a top priority

In response to the compliance matter that occurred in 2021, we have worked over the past two years to introduce the recurrence prevention measures, based on our firm pledge to never allow a similar incident to occur. All recurrence prevention measures, such as a donation website and website for dealers, have been introduced and implemented. We will continue implementing recurrence prevention measures and monitoring the progress of their implementation. In accordance with the Ethical Company Declaration, we will foster an organizational culture that values ethical behavior above all else and strive to grow into a company that is trusted by society.



[Business] Introduce new products with high customer value

To improve the profitability of existing businesses, we worked to strengthen the ventilator business, which led to an increase in our presence during the COVID-19 pandemic. In FY2022, we started production and sales of a mask-type ventilator, the NKV-330, in the U.S. and launched a new mid-range ventilator, the NKV-440, in Thailand. The first two types of in-house ventilators, the NKV-330/550, were widely installed in clinical practice around the world during the COVID-19 pandemic, contributing to the treatment of many patients.

In our patient monitoring business, we launched mid-range bedside monitors, the CSM-1500/1700

Message from Management

series, with enhanced cyber security functions in the U.S. market. Our first resuscitation monitor for neonates, the NRM-1300, was also introduced in Japan. This monitor was developed in the project which supports R&D of medical devices/systems and healthcare by the Japan Agency for Medical Research and Development (AMED). It assists to support appropriate bag valve mask ventilation for a newborn infant who is not breathing.

In the creation of new businesses, we are working to expand our product portfolio in the area of digital health solutions (DHS) amid the accelerating DX in medical fields. In November 2022, we acquired Software Team Srl, Italy, a provider of alarm management solutions. In April 2023, we reorganized our U.S. subsidiaries into a holding company structure to strengthen our governance structure and operations in the U.S. business, which is driving our growth.

[Operations] Promote business process reform in R&D, production, and logistics departments

A groupware was introduced throughout Group companies as part of efforts to improve the efficiency of Group-wide operations and strengthen the security of internal IT systems. To supply highly competitive products in a timely manner, we started introducing PLM/MES* systems and are working to build a system to centrally manage information related to the product lifecycle from R&D, production, and post-market response after shipment.

To strengthen our global supply chain management (SCM), we acquired a site for a new plant for consumables in Tsurugashima City, Saitama Prefecture, in March 2023. The plant will be used as a production site for consumables such as sensors, for which demand is expected to further increase in the future, and as an R&D center for automated production technology. Tsurugashima City is located close to the Advanced Technology Center (Tokorozawa City, Saitama Prefecture) and the Eastern Japan Logistics Center (Sakado City, Saitama Prefecture); therefore, our R&D, production, and logistics departments will work together to expand and upgrade the production and supply system.

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

Toward FY2023, the final year of the Three-year Business Plan

FY2023 is the final year of the Three-year Business Plan, BEACON 2030 Phase I. We will promote strengthening our foundation, the theme of Phase I, improve the profitability of existing businesses, and cultivate new business areas.

In April 2023, the Company newly established the Corporate Quality Management Operations by integrating the Quality Control Division, Global Quality Management Division, and Product Quality Control Division. We will establish a system of supervision and instructions in quality management and build a consistent quality management system throughout the Group, from quality measures to post-marketing monitoring. In addition, the Strategic Technology Division was newly established under the Strategic Technology Operations, and the Production Engineering Division was incorporated into the Strategic Technology Operations. To address increasingly complex supply chain issues, it is important to develop strategic design concepts such as promoting standardization and common parts at the design stage. Therefore, we will strengthen cross-divisional functions in common technology, production technology, regulatory affairs, and cyber security measures.

We are also actively engaged in human capital management. In April 2023, we introduced a new role-based personnel system for general employees. We will utilize a personnel evaluation system and human resource development program based on our globally shared Core Values to improve the engagement of each employee. In addition, a talent management system will be implemented to build a foundation for utilizing human capital information. Given current concerns about higher prices of components and utility costs as well as the business deterioration of medical institutions due to a shortage of medical professionals and higher interest rates, demand for solutions that contribute to improving the quality and efficiency of medical care is increasing around the world. We will strengthen our foundation by improving



Message from Management

organizational productivity, expanding our product portfolio, and enhancing our solution proposals. We also promote 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.

Foster a Corporate Culture that Promotes Sustainability as the Essence of Our Business

In FY2022, the newly established Sustainability Promotion Team played a central role in various activities. I have facilitated the Sustainability Discussions for all employees, which have been held 28 times and attended by more than 3,000 employees. I was very impressed by the high level of awareness of sustainability among employees around the world and their strong desire to contribute to local communities through our corporate activities. Through the panel discussion, we gained an awareness of issues common to all companies from the three perspectives of education, healthcare, and environment. For example, from an environmental perspective, the participants in the Sustainability Discussions expressed opinions that in order to provide customers with solutions that lead to environmental measures, we should develop products that take the environment and sustainability into consideration from the design stage as well as creating an ecosystem that includes used product collection and recycling. In particular, hundreds of thousands of AEDs are installed around the world each year, many of which are discarded at the end of their service life without ever being used. I believe that if many of our employees are keenly aware of this issue and we can create an ecosystem that not only supplies products but also collects them for reuse or recycling, we can further increase the customer value of our AEDs.

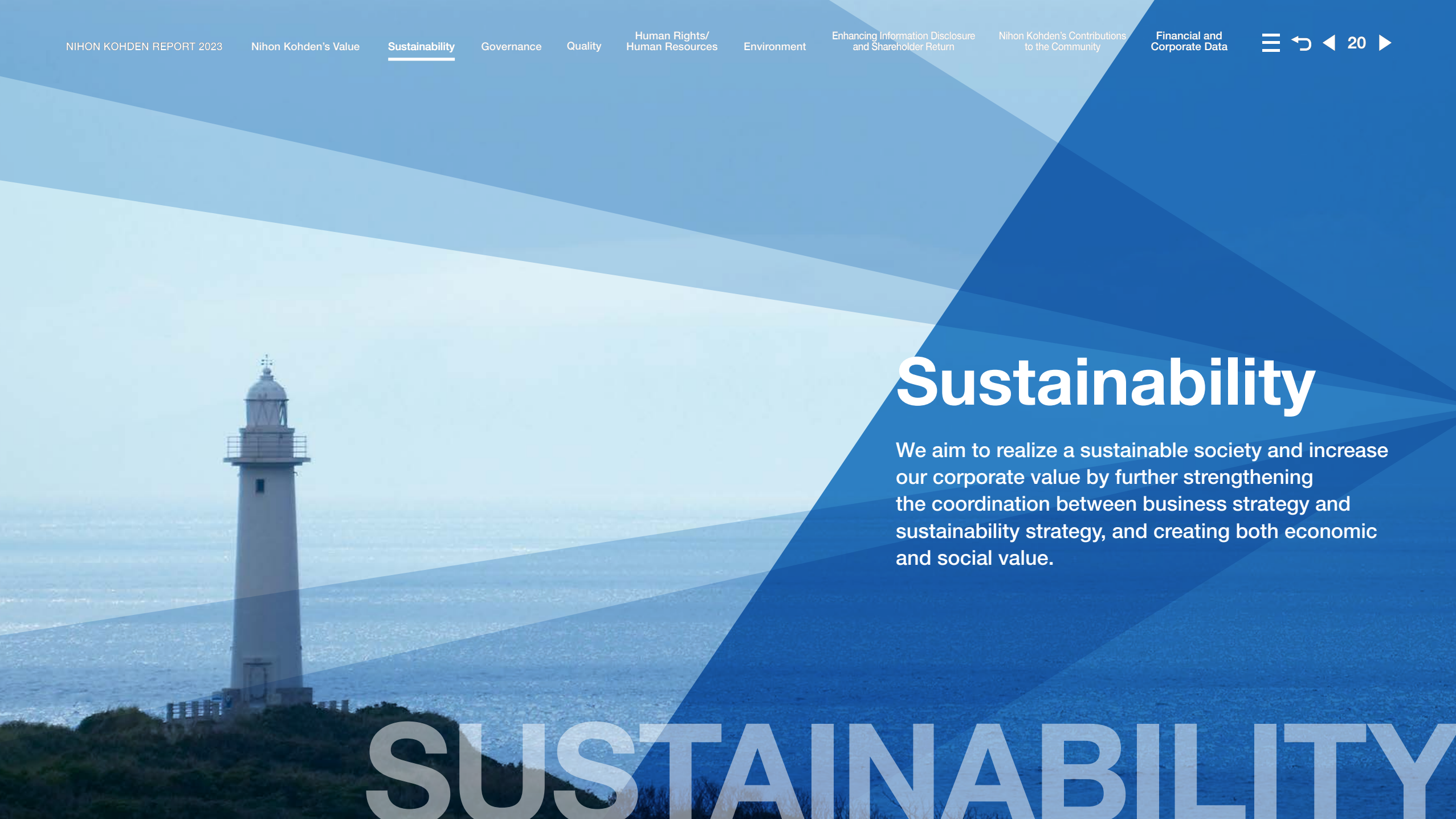
We plan to develop our awareness of these issues into specific action plans, which will be reflected in the sustainability promotion targets in the next Medium-term Business Plan.

Education	Raise awareness throughout the community by providing sustainability education opportunities not only to employees, but also to medical institutions, distributors, and suppliers.
Healthcare	Contribute to the promotion of sustainability of medical institutions and healthcare systems by providing technologies and services in addition to solving medical issues through our business.
Environment	Strive to solve environmental issues by developing environmentally friendly products and building an ecosystem that includes product collection and recycling.

Continue to Pay Stable Dividends over the Long Term

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. Based on the business performance in FY2022, the Company decided to increase the ordinary year-end dividend by 21 yen from the previous forecast of 20 yen per share to 41 yen per share. As a result, the full-year dividend for FY2022 was 61 yen per share, including the interim dividend of 20 yen per share.

In consideration of business performance, the full-year dividend for FY2023 will be 61 yen per share. I appreciate your continued support.



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.

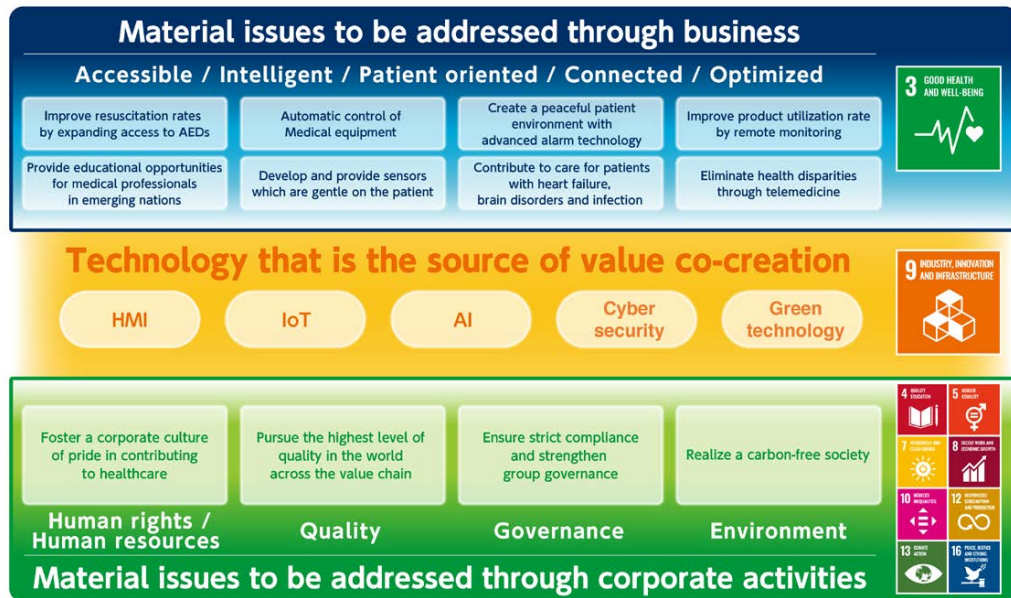
Under these circumstances, Nihon Kohden defined 12 sustainability key issues (material issues) to be addressed through business and corporate activities. The Company also incorporated these nonfinancial targets into its Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs.

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

The Process of Defining Material Issues

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

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



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	
	Connected	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 ₂ emissions Number of models and sales ratio of environment-friendly products Amount of waste from disposal of products and parts	

Sustainability Policy

Material Issues and KPIs

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

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

Sustainability Policy

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

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Improve product utilization rate by remote monitoring	Number of MD Linkage* ⁵ sold and connected models	[Target] <ul style="list-style-type: none"> Cumulative number of connected models for 3 years worldwide: Over 7 models Cumulative number of connected units for 3 years worldwide: Over 5k units 	—	<ul style="list-style-type: none"> Number of connected models: 5 models (Rate of progress 71%) (MEK-1301/02/03, MEK-91/9200) Number of newly connected units: 566 units (Rate of progress 11%) 	<ul style="list-style-type: none"> Number of connected models: 6 models (Rate of progress 86%) (MEK-1301/02/03, MEK-91/9200, NKV-330) Number of newly connected units: 675 units (Rate of progress 25%)
	Number of advance notifications before trouble with products occurs	[Actual] Actual cumulative number of notifications for 3 years (No numerical target (follow-up item))	Only in Japan	Number of notifications: 1,973 cases	Number of notifications: 686 cases
Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA* ⁶	[Target] Cumulative number of contract hospitals for 3 years: Over 600 hospitals	Only in Japan	Number of contract hospitals: 149 hospitals (Rate of progress 25%)	Number of contract hospitals: 166 hospitals (Rate of progress 53%)
	R&D investment in realization of remote support for ICUs	(*)	—		
Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction	[Target] FY2021: Establish operational policy and start survey (Only in Japan) FY2022: Publication of survey results and subsequent implementation of ongoing surveys	—	Conducted survey of approximately 4,400 all employees in Japan	Improved 1.4 point compared to FY2021
	Develop human resources who can succeed globally	[Target] Cumulative hours of education for 3 years: Over 45 hours per person	House of education by job level provided by the Phoenix Academy (Human Resources Development Center). This training content will enable new employees and managers to acquire the knowledge and skills required for each level.	Education hours per person: 18.6 hours (Rate of progress 41%)	Education hours per person: 18.2 hours (Rate of progress 82%)

Sustainability Policy

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

Sustainability Policy

Materiality	KPI	Target	Note	Results in FY2021	Results in FY2022
Realize a carbon-free society	CO ₂ emissions	[Target] <ul style="list-style-type: none"> FY2023: 15.2% reduction compared to FY2020 per unit of sales (ISO 14001 certified sites, Scope 1, 2) Collect and disclose CO₂ emissions for the whole group by end of FY2023 (Scope 1, 2, 3) 	—	<ul style="list-style-type: none"> CO₂ emissions: 34.1% reduction compared to FY2020 Collect and disclose CO₂ emissions: Preparing for third-party verification 	<ul style="list-style-type: none"> CO₂ emissions: 38.7% reduction compared to FY2020 Collect and disclose CO₂ emissions: Preparing for third-party verification, including system implementation
	Number of models and sales ratio of environment-friendly products	[Actual] <ul style="list-style-type: none"> Number of models in next 3 years (No numerical target (follow-up item)) [Target] <ul style="list-style-type: none"> Cumulative sales ratio of products for 3 years worldwide: Over 20% 	—	<ul style="list-style-type: none"> Number of models: 63 series Sales ratio of environment-friendly products: 19.9% 	<ul style="list-style-type: none"> Number of models: 75 series Sales ratio of environment-friendly products: 19.1%
	Amount of waste from disposal of products and parts	[Target] <ul style="list-style-type: none"> FY2023: 8% reduction of products and parts retirement compared to FY2020 	—	FY2021: 21.3% reduction compared to FY2020	FY2022: 0.7% reduction compared to FY2020

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

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

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

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

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

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

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

Sustainability Policy

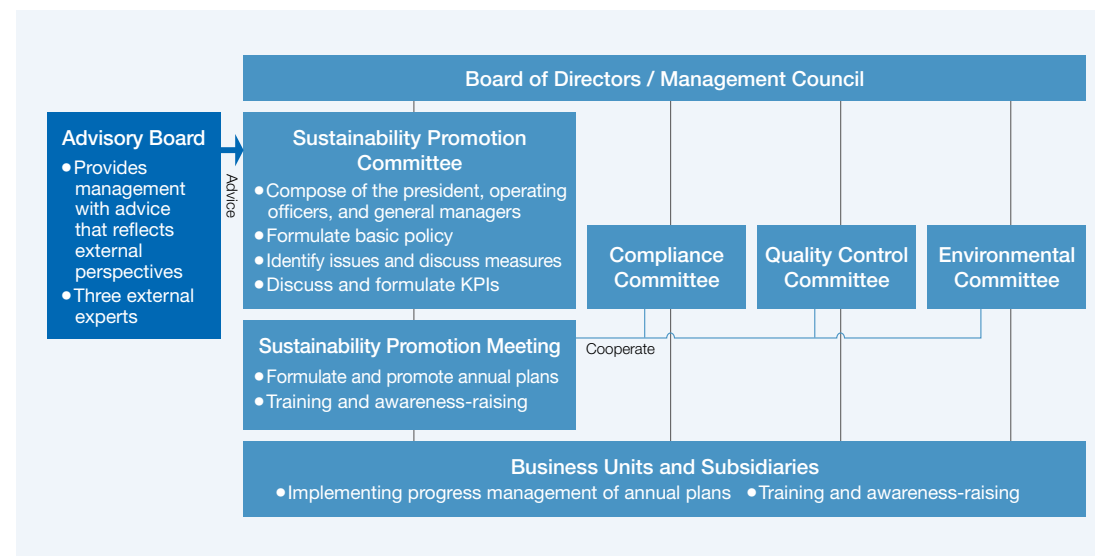
Sustainability Promotion Structure

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee, composed of the president, operating officers, and general managers, and Sustainability Promotion Meeting, composed of the representatives of 17 divisions. In July 2021, Nihon Kohden also established the Advisory Board consisting of three external experts to incorporate outside perspectives on sustainability activities.

The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions. The Sustainability Promotion Meeting is held four times a year to establish and promote annual plans based on the policies and directions formulated by the Sustainability Promotion Committee and reports on the progress of those plans to the Sustainability Promotion Committee. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each materiality, report on the progress of sustainability activities and exchange opinions with other members at regular meetings. The Company strives to implement sustainability activities in its daily business operations, in close coordination with the Compliance Committee, Quality Control Committee, and Environmental Committee. The Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion.

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

Sustainability Promotion Structure Chart



External Sustainability Advisors



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



Kuniko Shoji
Professor
School of Health Innovation
Kanagawa University of Human
Services



Mika Takaoka
Professor
Head of Department of Business
College of Business
RIKKYO UNIVERSITY

Sustainability Policy

Holding Advisory Board Meetings

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

Holding Sustainability Discussions

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

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

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



Discussion in Tokyo



Discussion in Mexico

Providing Opportunities for Education and Training on Sustainability

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

Joined UN Global Compact

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



Stakeholder Engagement

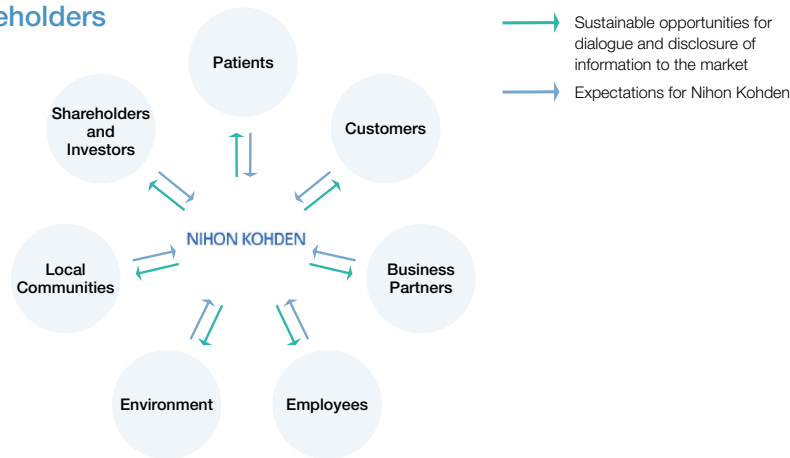
Nihon Kohden operates its business that places importance on all the Company's stakeholders. The Company also aims to maintain and develop a sound relationship with stakeholders by proactive communication.

Growing as a Company and Establishing Trust

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

In April 2023, Nihon Kohden established a Multi-Stakeholder Policy to govern our efforts regarding returns to employees and consideration for our business partners.

Mutual Understanding through Dialogue with Our Stakeholders



Nihon Kohden's Stakeholder Engagement Initiatives

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

Message from Operating Officer

As the operating officer in charge of strengthening governance and promoting the development of a risk management framework, I believe that my role is to build a management structure that aims to improve the soundness, transparency, and efficiency of management, and to prevent the occurrence of fraud and reduce risk by continuously strengthening corporate governance.

I will also work to realize a sustainable society and enhance mid- to long-term corporate value of the Company by strengthening dialogue with our stakeholders and building a solid and trusting relationship with them.

It is important for us to continue to raise compliance awareness, upgrade our risk management framework, and strengthen internal controls. We will continue to make company-wide efforts to transform ourselves into a global organization centered on operational excellence*.

We appreciate your continued support.



Fumio Izumida
Operating Officer,
General Manager of Corporate
Strategy Division

* Operational excellence: Building and thoroughly refining a company's competitive advantage by increasing the effectiveness and efficiency of business activities to create 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 over 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.

Enhancing Corporate Governance

■ Board of Directors

The Board consists of a total of eleven directors (including one female director), eight 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 duties by directors 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 sixteen operating officers (including two female operating officers) who are not serving concurrently as directors.

■ Nomination & Remuneration Committee

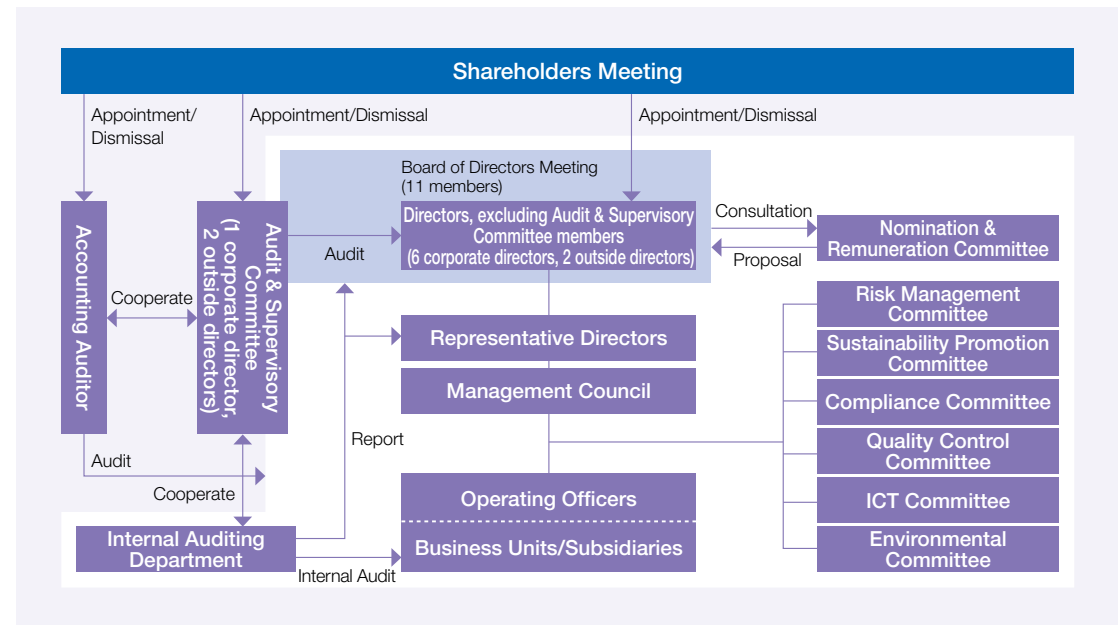
The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure the transparency and objectivity of the management. All three committee members and the committee chair are appointed from outside directors. The Nomination & Remuneration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

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

https://www.nihonkohden.com/information/philosophy/governance/governance_structure.html



Corporate Organization and Internal Control System



Enhancing Corporate Governance

Board of Directors Evaluation

Nihon Kohden conducted self-evaluations of all 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 of the evaluation, 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 discussions.

In FY2022, based on the results of the FY2021 evaluation results, the Company reviewed its operation methods of Meetings and has held Meetings of the Management Council and the Board of Directors on different dates to ensure sufficient time for deliberation at the Board. The Company also strengthened support for outside directors by increasing the number of free discussion meetings for the exchange of opinions among outside directors. At the same time, the Board members shared the following issues: the need for further discussion on corporate governance, risk management, and succession planning as well as further reinforcement of the support systems for outside directors.

In addition to continuing past improvement measures, the Company will continue to consider appointing female and foreign directors on the Board. Based on FY2022 evaluation results, the Company will develop a company-wide sophisticated risk management framework in FY2023. The Board of Directors will discuss important risks and response policies which will be identified by the newly established Risk Management Committee. The Company will also strengthen support for outside directors by enhancing and improving provision of information such as product and business presentations. In addition, the Company will strengthen its implementation of sustainability management and disclose of 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.

Audit & Supervisory Committee Evaluation

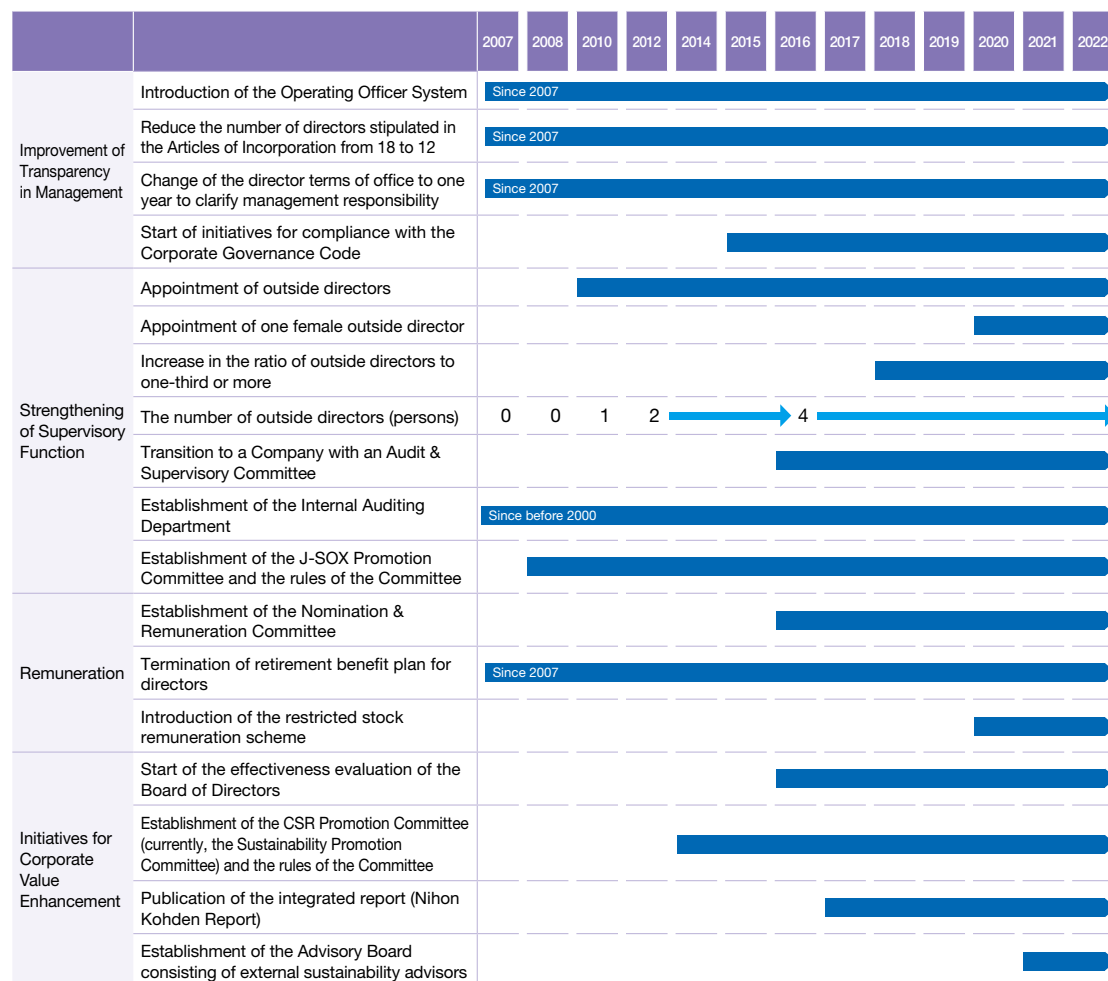
To improve the reliability and quality of the Audit & Supervisory Committee's activities, Nihon Kohden started analyzing and evaluating the overall effectiveness of the Committee in FY2022. The aim is to identify issues and areas for improvement, leading to initiatives to improve the Committee's effectiveness. A summary of the results of the first year's evaluation is as follows. The results confirm that the Committee has been effective overall.

After the items and contents of the evaluation were explained to all directors serving as Audit & Supervisory Committee members, their evaluations and opinions were collected through discussions, and they discussed the evaluation of the Committee's effectiveness, as well as any other issues and future improvement measures.

As a result of the evaluation, it was confirmed that the structures necessary for the appropriate performance of the Audit & Supervisory Committee's functions have been established, in terms of the size, composition, and operations of the Committee, and also that the effectiveness of audits has been ensured. It was also concluded that the Audit & Supervisory Committee operates effectively, with an open atmosphere that enables inside and outside members to engage in candid discussions. On the other hand, regarding audits of the effectiveness of IT governance and information systems, while it was observed that the full-time Audit & Supervisory Committee member participates in important meetings such as ICT Committee meetings and conduct monitoring through reports at Board of Directors meetings, the Committee has not fully verified company-wide IT strategies, investment plans, or measurements of the effectiveness of investment results. Therefore, the Committee members shared the need to deepen the Committee's involvement in strengthening IT governance as an issue going forward. In FY2023, based on the FY2022 evaluation results, the Committee will consider taking actions such as conducting interviews with divisions in charge of IT systems and information security, verifying the risk management framework and the status of IT investments and their effects. The Company will make ongoing efforts to improve the overall effectiveness of the Audit & Supervisory Committee to enhance audit reliability and audit quality with the goal of continuously increasing corporate value and strengthening corporate governance.

Enhancing Corporate Governance

Changes in Corporate Governance Structure



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 the 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.

Enhancing Corporate Governance

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.

■ 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 Audit & Supervisory Committee member is determined by consultation among the Audit & Supervisory Committee members.

Enhancing Corporate Governance

Total Amount of Remuneration of Directors in FY2022

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)	340	221	84	35	8
Directors (Audit & Supervisory Committee members excluding outside directors)	25	25	—	—	1
Outside directors	43	43	—	—	5

(Note) 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 directors serving as 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.

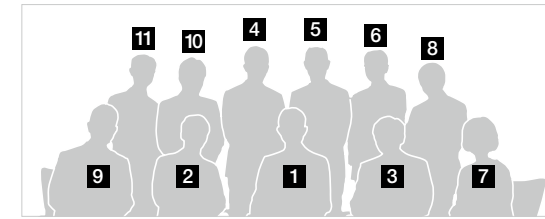
Director Skills Matrix

All eleven 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		●			●	●	●	●
Eichi 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					●	●		

Board of Directors



1 Hirokazu Ogino

Representative Director
President and CEO

Served as Director for 11 years
Attendance at Board Meetings 18/18 (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 15 years
Attendance at Board Meetings 18/18 (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 8 years
Attendance at Board Meetings 18/18 (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 Eiichi Tanaka

Corporate Director
Senior Operating Officer,
General Manager of US Operations

Served as Director for 6 years
Attendance at Board Meetings 18/18 (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 Tomioka Corporation
Apr. 2008 General Manager of General Affairs and Human Resources Department
Jun. 2008 Operating Officer
Apr. 2011 General Manager of Accessories & Consumables Business Operations
Apr. 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation
Apr. 2014 President of Nihon Kohden Tomioka Corporation
Apr. 2017 General Manager of Import Business Operations
Jun. 2017 Corporate Director and Operating Officer
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)

5 Yasuhiro Yoshitake

Corporate Director

Senior Operating Officer,
General Manager of International Business Operations

Served as Director for 6 years

Attendance at Board Meetings 18/18 (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 Operations

Apr. 2008 Managing Director of Nihon Kohden Trading
(Shanghai) Co., Ltd.

Apr. 2011 General Manager of China Operations

Jun. 2011 Operating Officer

Apr. 2013 General Manager of Asia and Middle East Operations

Apr. 2015 General Manager of International 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)

9 Shigeru Hirata

Corporate Director

(Full-time Audit & Supervisory Committee Member)

Served as Director for 2 years

Attendance at Board Meetings 18/18 (100%)

Attendance at Audit & Supervisory Committee Meetings 22/22 (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

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

6 Hiroyuki Satake

Corporate Director

Senior Operating Officer, In charge of Strategic Technology Operations,
Technology Development Operations, R&D, and Regulatory Affairs

Served as Director for 1 year

Attendance at Board Meetings 13/13 (100%)

Date of birth April 22, 1958

Apr. 1984 Joined the Company

Apr. 2009 General Manager of Engineering Department 2 of
Biomedical Instrument Technology Center

Apr. 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 and General Manager of
Technology Development Operations

Apr. 2022 General Manager of Strategic Technology Operations

Jun. 2022 Corporate Director and Senior Operating Officer
(current position)

10 Shigeru Kawatsuhara

Outside Director Independent Director

Audit & Supervisory Committee Member

Served as Director for 7 years

Attendance at Board Meetings 18/18 (100%)

Attendance at Audit & Supervisory Committee Meetings 22/22 (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)

7 Kanako Muraoka

Outside Director Independent Director

Served as Director for 3 years

Attendance at Board Meetings 18/18 (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)

11 Kazuo Shimizu

Outside Director Independent Director

Audit & Supervisory Committee Member

Served as Director for 3 years

Attendance at Board Meetings 18/18 (100%)

Attendance at Audit & Supervisory Committee Meetings 22/22 (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)

8 Hidemitsu Sasaya

Outside Director Independent Director

Served as Director for 1 year

Attendance at Board Meetings 13/13 (100%)

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)

Message from Outside Directors

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



I will strive to create a structure that enhances governance and compliance to improve corporate value and support global expansion of the Company.

Kanako Muraoka

Outside Director
Kowa Law Office



I will contribute to the Company as a sustainability expert so that management can respond appropriately to accelerating changes.

Hidemitsu Sasaya

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

Faced with the difficulties posed by a changing economic environment, including the uncertain global situation and higher prices of components and resources, in FY2023, Nihon Kohden entered the final year of its Three-year Business Plan, BEACON 2030 Phase I. Regarding one of the key strategies outlined in the Three-year Business Plan, “Ensure strict compliance and strengthen group governance,” we continue to be required to address a range of issues in line with the globalization of management. From an attorney’s perspective, I will strive to help Nihon Kohden make further progress through discussions at the Board of Directors meetings while constantly reviewing governance and compliance from an external standpoint. Moreover, M&A is an effective tool in global business development. I will leverage my experience of involvement in several M&As to consider each deal as a director of Nihon Kohden and support its global expansion.

Due to the need to coexist with COVID-19, full-scale Green Transformation (GX), and the Ukraine crisis, people’s awareness of health, the environment, and safety is changing dramatically. In these times of drastic and accelerating changes, it is becoming increasingly important for companies to respond appropriately to the rules and regulations regarding sustainability that are fast becoming mainstream. We need to accurately address ESG and the SDGs, through measures such as business and human rights initiatives and ensuring compliance in our domestic and international supply chains, as well as TCFD and human capital-related disclosures. Everybody in Nihon Kohden needs to work together to ensure we address both sides of an issue: searching for opportunities and avoiding various risks. As a sustainability expert, I will use my knowledge and experience to meet the demands of a wide range of stakeholders, including investors.

Message from Outside Directors



Management competence will be tested in the post-COVID-19 world. As an outside director, I will work diligently to supervise the management and provide appropriate advice covering compliance, the environment, and other matters.

Shigeru Kawatsuhara

Outside Director
(Audit & Supervisory Committee Member)



I will supervise risk-taking by executive management and contribute to enhancing the corporate value of the Company.

Kazuo Shimizu

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

FY2023 is the final year for strengthening the foundation in the Three-year Business Plan, BEACON 2030 Phase I. In the past few years, COVID-19-related demand and the weak yen have had a positive impact on the Company's sales and income. On the other hand, the increased inventories to respond to the shortage of parts and the Ukraine crisis, as well as higher prices of components and logistics costs, have scarred the Company. I believe that this year, in the post-COVID-19 world, management competence will be tested more than ever before. We expect our recurring business to increase due to the increased installations of medical equipment. However, while it is essential to respond to tightening regulations on medical equipment in various countries, keep a close eye on the political situation, and manage risks, we need to achieve the goals of the Three-year Business Plan and strengthen the foundation for the next phase. To achieve those goals, I will work diligently to supervise the management and provide appropriate advice covering compliance, the environment, and other matters, as an outside director.

In FY2022, as the Company flexibly responded to the shortage of parts and higher prices of resources due to Russia's prolonged invasion of Ukraine, Nihon Kohden achieved operating results that exceeded its plan. Meanwhile, we have shifted our U.S. subsidiaries into a holding company structure and are steadily developing overseas markets, reforming supply chain management, and enhancing management efficiency and group governance. During this period of change, it is especially important to identify and manage risks from a global perspective. As a member of the Audit & Supervisory Committee, I will supervise the soundness of the directors' execution of their duties and keep a close eye on the effective functioning of the compliance and governance structure both in Japan and internationally. I will also make recommendations to ensure that executives take appropriate risks, contribute to healthcare and society through technology, and increase the corporate value of the Company.

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.

<p>Aims</p>	<p>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.</p>
<p>Members</p>	<p>Four independent outside directors, including two members of the Audit & Supervisory Committee</p>
<p>Dates for Meetings</p>	<p>In FY2022, two meetings were held in May and December.</p>
<p>Agenda</p>	<p>May. The results of the evaluation of the effectiveness of the Board of Directors Dec. Update on the progress in improving the Board's effectiveness</p>

■ Content of Meetings

Regarding the main agenda item, "The results of the evaluation of the effectiveness of the Board of Directors," the board members exchanged their opinions on the following topics.

FY2022

- Review of the term of office of outside directors
- Establishment of a structure to promote foreign nationals to executive positions
- Enhancement of briefings to outside directors
- Consideration of the Nomination & Remuneration Committee's reporting to the Board of Directors

In addition, since FY2021, we have held free discussions, to exchange opinions without setting limits on themes. Three discussions were held in FY2022, and discussions are also scheduled to be held three times in FY2023. 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 globalization of human resources, and the effectiveness of the Corporate Governance Code.



Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

Message from Operating Officer

Since 2017, as the Chief Compliance Officer, I have focused on developing a compliance promotion structure, employee training, and fostering a corporate culture.

We regularly send compliance-related messages and information to Divisional/Local Compliance Officers in each division and subsidiary in Japan and internationally. I have also established channels to receive direct reports from these officers, working closely with them to promote and ensure compliance. To realize our Management Philosophy and Long-term Vision, we have established Integrity, a higher-level concept of compliance, as one of our Core Values, which are the common standards that connect our employees around the world. Through various training programs, we are working to raise awareness of and promote thorough compliance in the execution of our business activities. Furthermore, compliance has been added to personnel evaluation items to enhance the effectiveness of our compliance efforts.

For fostering a corporate culture, President Ogino stated, "No violation of compliance is acceptable in Nihon Kohden Group. When faced with making a choice between unlawful act for profits and ethical choices in compliance with laws in our daily business activities, I believe we will choose compliance without question and hesitation." With this clear message, we strive to foster a corporate culture that places the highest importance on compliance.

In FY2022, we achieved our target of zero occurrence of serious incidents of non-compliance to ensure strict compliance and strengthen group governance, a basic policy of our Three-year Business Plan and one of our key material issues for sustainability. In addition to not allowing any serious compliance violations to occur, we will continuously work resolutely to ensure that Nihon Kohden comprehensively adheres to compliance requirements and continues to be a company widely trusted by society, thereby enhancing the corporate value of the Company.



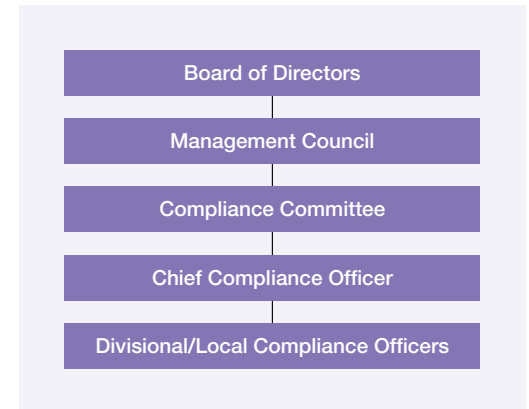
Tadashi Hasegawa
Corporate Director,
Executive Operating Officer,
General Manager of Global
Corporate Administration
Operations,
Chief Compliance Officer

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 customers, business partners, and stakeholders. Nihon Kohden's commitment to ethical and responsible actions is embodied by its Charter of Conduct and Code of Ethics and Conduct.

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) Assessing and implementing responses to other compliance matters.

Ensuring Thorough Compliance

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

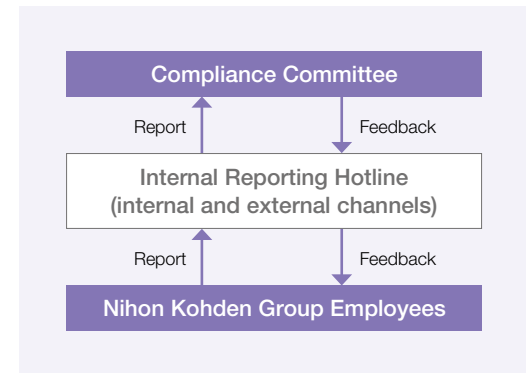
Compliance Training

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 5,600 participants in FY2022). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Next, we read the materials and discuss it with colleagues in order to deepen their 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, since FY2021, compliance training by outside experts has been held on selected compliance risk topics of high importance for all executives such as managers of domestic branch offices and domestic business operations.

Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports through their supervisors or an internal hotline service 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 the Anti-Corruption Policies, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto. The Company also asks business partners, including overseas distributors, to understand and cooperate with Nihon Kohden's anti-corruption efforts and provides them with the Nihon Kohden Code of Ethics and Conduct and educational materials related to anti-corruption.

Ensuring Thorough Compliance

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 FY2022, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers and issued newsletters. We also conducted risk assessments for all overseas subsidiaries to confirm the status of implementation of the Global Compliance Program and identify risks to be addressed in the future, in order to achieve zero occurrence of serious incidents of non-compliance. 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/governance/compliance.html>



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 the Policy and work closely with each company to ensure its effective application.

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 ten times. All recommendations of the Investigation Committee have been introduced and implemented. From FY2023, the Compliance Committee will replace the Committee for Implementation and Management of Recurrence Prevention Measures in monitoring the status of the establishment and implementation of preventive measures and ensuring 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: held semi-annually)

(2) Review of the procedures for considering donations

- Applications received through the donation website were reviewed by an organization that is independent of sales divisions (Conducted quarterly)

(3) Strengthening of internal controls

- Application of IT controls to pre-order processes (Introduced in November 2021/Now operating successfully)

(4) Establish mutual check procedures with dealers

(Completed in October 2022)

- Mutual pledge to comply with laws
- Periodic questionnaires
- Establish a 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: held once a year)
 - Increased the amount of specific and practical training contents (Continued to implement)

4. Monitoring

- Periodic internal compliance awareness surveys (February 2021, February 2022, February 2023)
- Ensure that all employees are aware of the internal reporting hotline (Newly established lawyer hotline: February 2022)

Strengthening Risk Management

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

Message from Operating Officer

I believe that my role as the operating officer in charge of risk management is to visualize as much as possible the risks that could become obstacles to Nihon Kohden's sustainable growth and enhancement of corporate value, and develop and implement countermeasures before the risks become apparent, as well as building and strengthening an advanced company-wide risk management structure to minimize losses.

The risks a company faces are not only those inherent within the company, but nowadays are also more broadly defined, including cyber risks and geopolitical risks. I will actively supervise the Risk Management Divisions and the Risk-Related Committees to control the manifestation of risks and conduct various drills to ensure that we can take appropriate actions against external risks such as geopolitical risks in accordance with the Business Continuity Plan (BCP).

Through these activities, we aim to ensure the smooth conduct of our business activities and contribute to realizing our Long-term Vision and achieving the targets of the Three-year Business Plan. We appreciate your continued support in these endeavors.



Fumio Izumida
Operating Officer,
General Manager of Corporate
Strategy Division

Approach to Risk Management

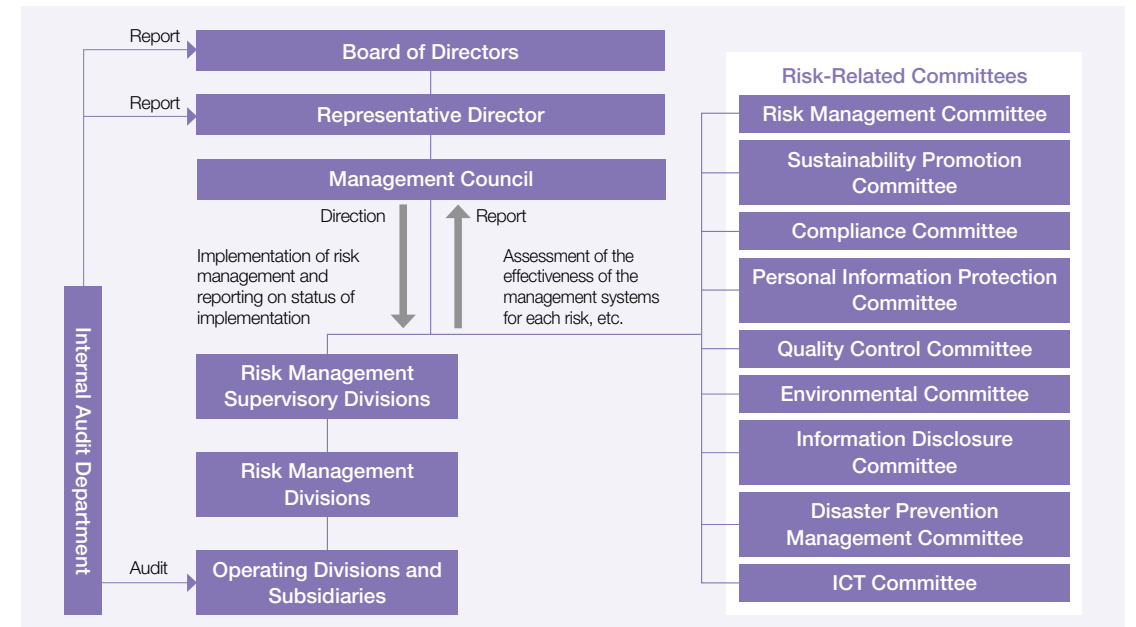
To ensure the sound and smooth operation of business, Nihon Kohden has established a management framework to prevent risks in overall business operations and has prescribed methods for dealing with risks when they occur.

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 Divisions are 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. The Internal Audit Department reports to the Representative Directors and the Board of Directors on risks discovered during audits. In FY2023, the Company will develop a company-wide sophisticated risk management framework. The Board of Directors will discuss the important risks and response policies identified by the newly established Risk Management Committee.

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 FY2022, we introduced groupware and a security monitoring environment equivalent to that of the head office to our overseas subsidiaries in Asia and the Middle East. We also strengthened measures against system risks by conducting targeted attack training emails and information security education for overseas employees. Additionally, as a countermeasure to human rights risks, we analyzed the results of the questionnaire survey on human rights and related issues conducted in FY2021 using an outside consultant, identified human rights risks in the Company, and formulated measures to reduce those risks. We will systematically reduce risks by continuing to conduct monitoring of Group companies and suppliers in Japan and internationally.

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"> • 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. • Risk of losses due to inappropriate accounting practices
Information Disclosure Risks	Risk of losses due to inappropriate disclosure of information
Strategic Risks	Risk of losses due to incorrect business strategies
Human Rights Risks	Risk of being liable for compensatory damages or decrease in its corporate value due to human rights violations by the Company or its business partners

Strengthening Risk Management

Disaster Risk Management

■ Basic Approach

Medical equipment on which people's lives depend needs to be supplied continually and smoothly even in the event of a large-scale disaster. As a medical equipment 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.

In FY2022, the Company conducted evacuation drills, safety confirmation drills, as well as desktop exercises (online joint training and review) at domestic sales branch offices, to ensure that employees take appropriate action in the event of an emergency in accordance with the Disaster First Response Manual.

The Nihon Kohden Group operates its business activities throughout Japan and around the world. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, or the spread of infectious diseases in each region, the procurement of parts, the supply of products, and sales and service activities may be disrupted, which could have an impact on the operating results and financial condition of the Nihon Kohden Group. The Company procures raw materials and parts used for its products not only in Japan but also around the world. In the event of a supply issue at a supplier, the Company takes measures, including the consideration of alternative parts, to ensure that the production of its products is not affected.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/governance/disaster_management.html



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. We also aim to foster a corporate culture of pride in contributing to healthcare, one of our key material issues for sustainability. As part of these efforts, in order to conduct corporate activities with greater consideration for human rights risks in accordance with the Human Rights Policy, we have worked to implement human rights due diligence and build a structure for its implementation. The newly established Human Rights Due Diligence Implementation Project has conducted a human rights risk assessment questionnaire within the Company and for our suppliers. Based on the results of the FY2022 questionnaire, we conducted a human rights risk assessment considering the impact on management of human rights issues and identified key human rights issues and human rights risks. As a result of the assessment of the impact of human rights issues, we will periodically reevaluate the important human rights issues identified to prevent or mitigate negative impacts.

For further details, please refer to **the human rights and human resources pages** and our website.

<https://www.nihonkohden.com/sustainability/social/rights.html>



Strengthening Risk Management

Information System Risk Management

■ Basic Approach

The Nihon Kohden Group utilizes various IT systems in its overall business and strives to manage information by implementing security and backup measures, and preventing the leakage of confidential and personal information. The Company also takes various security measures to protect its products and services that use communication networks. To enhance the security of its products and services and strengthen its response to security incidents, the Company established a PSIRT (Product Security Incident Response Team) in April 2022. The Company has also established and implemented a Product Security Policy in May 2023.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/governance/info_management.html



■ Obtaining Third-Party Certification

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



Nihon Kohden Corporation obtained PrivacyMark certification from JIPDEC.



Strengthening Risk Management

■ Product Security Policy

To realize our quality policy: "To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products", Nihon Kohden has established and is implementing a basic policy to ensure cyber security throughout the total product life cycle from development to production, sales, and after-sales service.

1. Compliance with Laws and Regulations

Nihon Kohden complies with all applicable laws and regulations of each country and region.

2. Structure

Nihon Kohden has established a product security structure and takes appropriate actions including providing necessary information and alerts to our customers and all other stakeholders.

3. Education

Nihon Kohden provides education and training on product security to all executive officers and employees throughout the Nihon Kohden Group in a timely manner, with the goal of increasing their awareness of product security.

4. Product Development

Nihon Kohden develops plans for ensuring security throughout the total product life cycle of each product. We also design and manufacture our products to minimize cybersecurity risk.

5. Post-market response

Nihon Kohden collects information on security vulnerabilities affecting our products in a timely manner as well as implementing risk management and other appropriate measures to evaluate, eliminate, and control cybersecurity risk and other risks.

6. Information Sharing and Disclosure

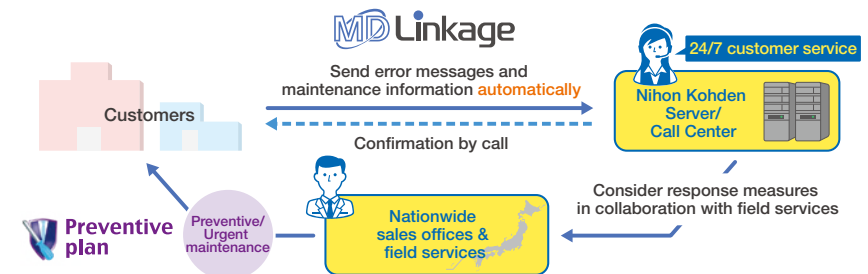
Nihon Kohden shares security information required by our customers as appropriate, including information about end of life of medical equipment, the status of our response to vulnerabilities, recovery procedures, and mitigation and remedial measures. We also provide coordinated disclosure of security vulnerability information in a secure manner by cooperating with government agencies and Information Sharing Analysis Organizations (ISAOs) as necessary.

The measures in this security policy by themselves are not sufficient to protect patients' and customers' information and financial assets from cybersecurity threats. In addition to the above measures, Nihon Kohden asks our customers for their cooperation in taking their own measures to ensure product security. A comprehensive and multi-layered security strategy including Nihon Kohden's contributions as part of its own security measures is required to protect patients' and customers' information and financial assets from cybersecurity threats.

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.





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.

Message from Operating Officer

The role of the Operating Officer in charge of Quality Management is to provide safe and effective medical equipment and services to customers by supporting and providing guidance to individual departments, such as R&D, production, sales, and maintenance, based on the Quality Management System (QMS) required of medical equipment manufacturers by laws and regulations related to medical equipment in each country.

To ensure that the world envisioned in Nihon Kohden's Long-term Vision, BEACON 2030, underpins and realizes "high quality as a matter of course," I will develop a system that enables the Group to maximize its functions. As shown in our QMS, in Corporate Quality Management Operations, which was newly established in April 2023, three divisions share the duty to "maintain and enhance the QMS," "build quality into medical equipment and services," and "contribute cross-functional QMS of the Group companies," while mutually sharing information and providing feedback to management. All employees of the Nihon Kohden Group work to achieve the quality targets set by each department based on our Management Philosophy. Minimizing the number of repairs and recalls will help provide customers with safety and peace of mind when using our medical equipment and services. Unfortunately, two software recalls were conducted in FY2022. Although the recalls did not result in the replacement or disposal of products or parts, I realize that quality improvement is also a sustainability promotion activity that contributes to reducing CO₂ emissions. We will continue our efforts to realize our Long-term Vision through sophisticated quality activities throughout the entire Nihon Kohden Group.



Yoshiyuki Fujita
Operating Officer,
General Manager of Corporate
Quality Management Operations

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 FY2022, Nihon Kohden conducted two 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 FY2023, we will take actions to achieve the following quality targets.

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

In response to the increasing demand for high-quality medical devices at the global level, Nihon Kohden has strengthened its regulatory compliance in each country where its products are sold, improved its global post-marketing monitoring, and enhanced its QMS in April 2023. Under the new structure, we will thoroughly collect and deploy information on medical device-related laws and regulations in each country to shorten the time required for global product registration and ensure the timely supply of products. We will also continue to improve our post-marketing monitoring system and use the information obtained to improve internal processes and provide feedback to design teams to improve the quality of our products and services more rapidly.

Cyber-attacks on medical institutions have been increasing in recent years and are posing a growing threat. In addition to cyber-risk mitigation measures and the early detection of security incidents, we have established a PSIRT (Product Security Incident Response Team) to provide appropriate support for early recovery in the event of a security incident. We will continue to strengthen our cyber security response.

Improving Safety and Reliability

(2) We will improve customer service as well as software and manufacturing quality to pursue customer value.

To enhance services for our customers, we will work to improve daily operations, increase efficiency and speed, and respond to customer feedback in an appropriate and timely manner. In addition to third-party evaluations of software design, we will work to reduce product failures after shipment by analyzing problems in the product manufacturing process and taking measures to prevent their recurrence.

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 Audit 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 program to realize a single survey on the compliance and validity of QMS surveys introduced by medical device regulatory authorities in five countries: U.S., Canada, Brazil, Australia, and Japan.

(3) We will work to shorten downtime and reduce failure rates to achieve high product availability.

To increase the utilization rates of products used by our customers, we will work to reduce the failure and re-repair rates. We will also promote the prompt provision of replacement devices in the event of malfunctions and the reduction of delivery times of repair parts and repair times.

(4) We will work on human resource development to achieve quality targets and pursue customer value.

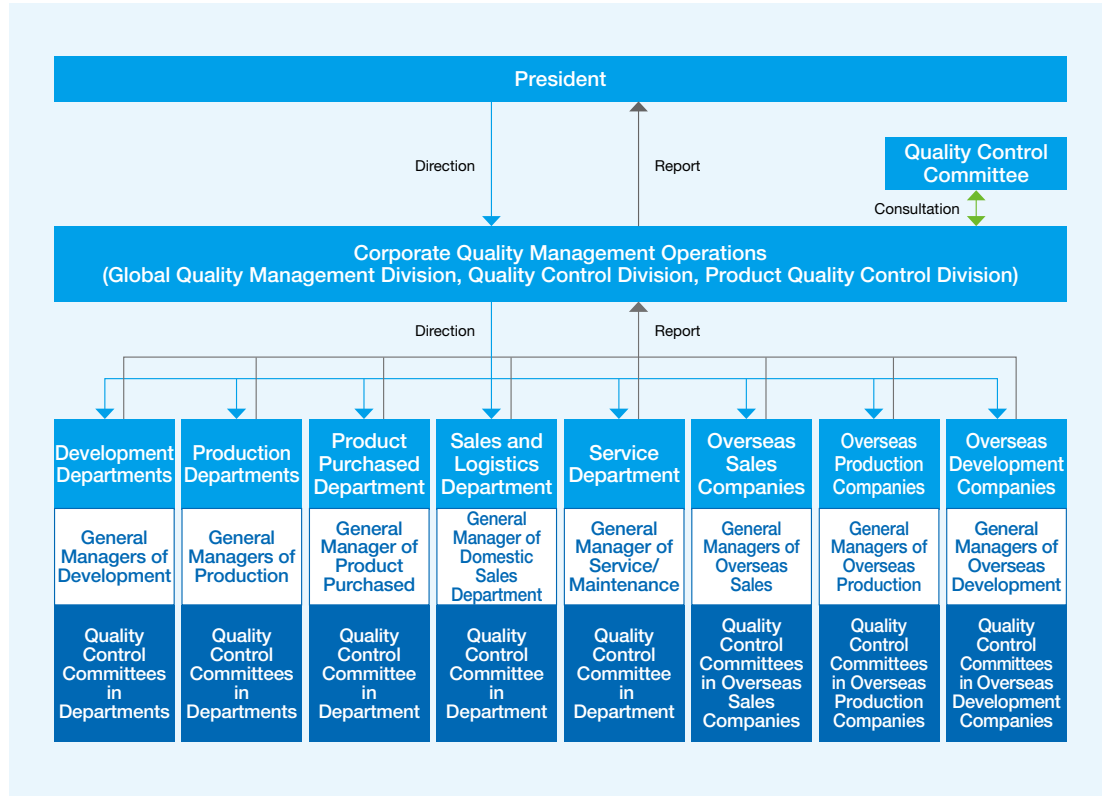
To achieve the above quality targets and pursue customer value, we will develop human resources by providing practical training across all Nihon Kohden departments.

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 OrangeMed, Inc.	-	June 2019
Nihon Kohden America, LLC	-	March 2016
Defibtech, LLC	-	February 2004
Neurotronics, LLC	-	October 2009
Nihon Kohden Digital Health Solutions, LLC	-	June 2022
Nihon Kohden Europe GmbH	November 1995	November 1995
Nihon Kohden Firenze S.r.l.	December 1995	December 1999
Software Team Srl	July 2013	July 2013
Shanghai Kohden Medical Electronic Instrument Corp.	December 1995	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

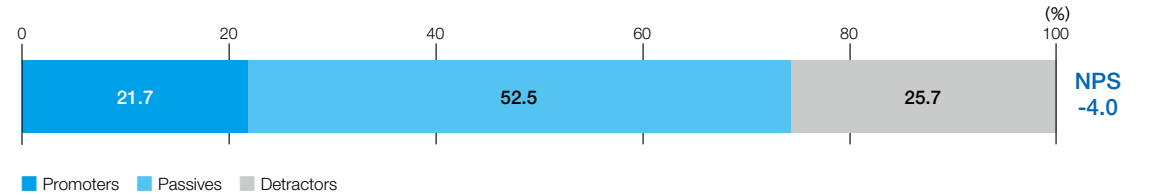
Net Promoter Score (NPS) Surveys

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 FY2022, we conducted the second survey. The overall NPS survey score in FY2022 improved by 1.3 points to -4.0 from -5.3 points in FY2021.

In terms of individual scores, the score for Contribution to Operational Efficiency improved by 0.1 points and the score for Cost-effectiveness of After-sales Service worsened by 0.2 points, indicating that improvement is needed. Through the NPS survey, we will make continuous improvements by analyzing areas that need improvement and taking measures to address them, including those areas that have been highly evaluated by our customers. As a partner to medical institutions and medical professionals, we will continue to work together with them to solve healthcare issues.

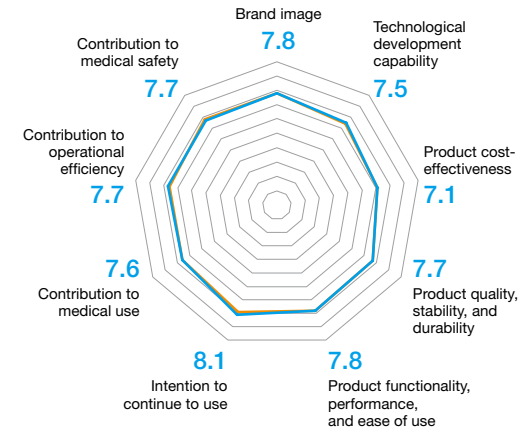
* The NPS® survey is conducted to quantify the degree of attachment to and trust in a company or brand, which has traditionally been difficult to measure, in order to evaluate the customer's experience at the point of contact with the company and apply it to improvements through future business activities. 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 FY2022 (Overall Score)

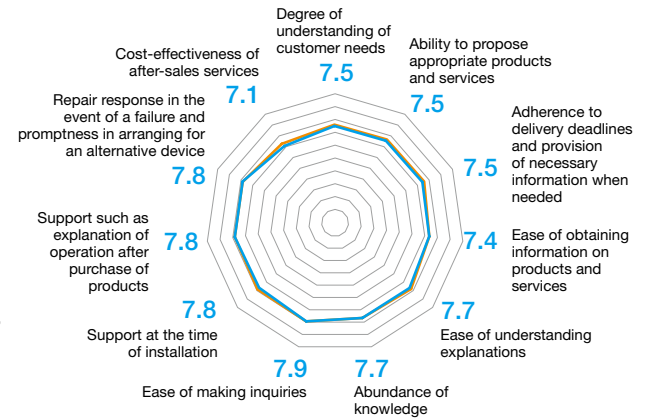


NPS Survey Results in FY2022 (Individual Scores) * 10-point scale for each item

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 FY2022, 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.

(FY2022 results: 716 workshops, educational materials provided to 261 facilities)

Main workshop topics

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

* 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 regarding infection prevention raising. Company vehicles used by employees are equipped with collision avoidance assist systems, lane departure warning systems, automatic high-beam switching systems, and drive recorders as standard equipment, and studless tires are provided as needed. In addition, for employees who work in areas subject to severe cold weather, we promote the reduction of traffic accidents by arranging for cold-weather-specification vehicles. In response to the introduction of mandatory pre- and post-driving alcohol checks and record-keeping, all of our domestic sales offices use alcohol checkers to check and record alcohol consumption.

Ensuring Fair Trade Practices

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

Message from Operating Officer

Nihon Kohden's mission is to sustainably provide much-needed medical equipment to customers around the world. To this end, a stable supply of parts and components from all suppliers is essential.

While the procurement of electronic components such as semiconductors has been difficult due to the COVID-19 pandemic, we have been able to continue to procure parts and components thanks to the exceptional consideration and cooperation of many of our suppliers. This has allowed us to continue to provide much-needed medical equipment to medical facilities worldwide. I would like to express my sincere appreciation to our suppliers.

We also ask our suppliers to cooperate with our annual questionnaire survey to deepen their understanding of the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards. Going forward, based on the survey results, we will further deepen our mutual understanding with our suppliers and build strong relationships of trust with them, while continuing to develop and provide superior products, thereby contributing to the support of medical professionals and the healthcare system.

We, Nihon Kohden, promise to continue to grow and develop together with our business partners.



Yutaka Inano
Operating Officer,
President of Nihon Kohden
Tomioka Corporation

Approach to Sustainable Procurement

Nihon Kohden strives to practice sound and fair purchasing and achieve fair trade across the value chain including 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

We have formulated the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards for the purpose of widely disseminating and instilling our stance on procurement both internally and externally. The Nihon Kohden Procurement Policy represents our basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards indicate items that we expect our business partners to observe with regard to sustainability, and we aim to build a good relationship with our business partners and realize a truly affluent and sustainable society. In April 2023, we made a Partnership Building Declaration to build new partnerships by promoting collaboration, coexistence, and co-prosperity with business partners in our supply chain and other value-creating businesses partners.

For further details, please refer to our website.

<https://www.nihonkohden.com/sustainability/engagement/suppliers/fairness.html>



Ensuring Fair Trade Practices

Adherence to the Nihon Kohden Sustainable Procurement Standards

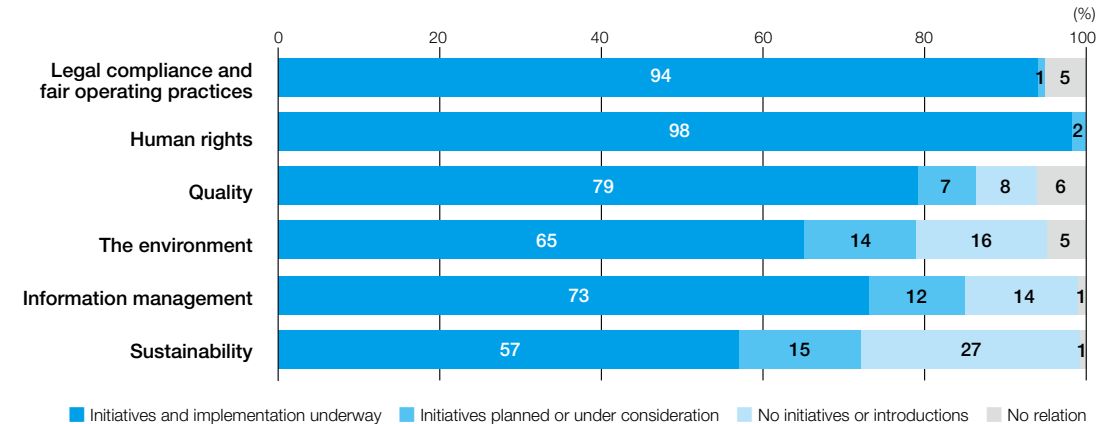
Nihon Kohden provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2022, 58 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 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.



■ Results of the Sustainability Questionnaire in FY2022

In FY2022, we asked 100 of our business partners to answer our Sustainability Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 22 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. We continue to work with our business partners to deepen mutual understanding of our sustainable procurement standards and ensure fair trade practices.



Ensuring 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 FY2022

In FY2022, we conducted a Supplier Questionnaire for approx. 76 suppliers both in Japan and internationally and got responses.

The results of the survey revealed significant differences in the status of initiatives among suppliers. While many suppliers are working to build systems and implement various measures in the areas of Human rights, Quality, and Governance, many are facing challenges in the area of the Environment, such as climate change response initiatives and environmental data acquisition.

■ Measures to reduce risks

For suppliers with low scores, we are considering taking actions such as providing feedback on the survey results and requesting improvements. Additionally, several suppliers have reported events in the areas of Health and Safety and Information Security that have the potential to develop into serious incidents or accidents. In those cases we will promptly confirm the facts and support the supplier in taking appropriate corrective measures.

Supplier Questionnaire Content

Theme	Question
Sustainability Promotion	<ol style="list-style-type: none"> 1. Basic policy on sustainability promotion 2. Promotion system for sustainability 3. Signing and participating in sustainability-related organizations or initiatives
Environment	<ol style="list-style-type: none"> 1. Establishment and operation of environmental management systems as the basic policy on environmental initiatives 2. Appropriate management in place to ensure compliance with environmental laws and regulations 3. Identification of cases of non-compliance 4. Reduction of Green House Gas emissions 5. Reduction of chemical substances specified by laws and regulations in manufacturing processes and products 6. Initiatives for waste reduction activities 7. Sustainable and efficient use of resources (energy, water, raw materials, etc.) 8. Management of wastewater and exhaust and reduction of air, soil, and water pollution 9. Initiatives to reduce water consumption 10. Initiatives for biodiversity conservation
Human Rights	<ol style="list-style-type: none"> 1. Basic policy on human rights 2. Promotion system for respect for human rights 3. Identification of cases of non-compliance 4. Identification and assessment of risks regarding respect for human rights in operations 5. Prohibition of forced labor practices or acts and hiring of underage children 6. Management of night work and hazardous work 7. Appropriate management of foreign workers 8. Prohibition and appropriate management of discrimination and harassment 9. Prohibition and appropriate management of discrimination in employment 10. Appropriate management of employment of persons with disabilities 11. Proper wage payment and compliance with laws and regulations 12. Appropriate management of working hours 13. Appropriate measures regarding the right to organize, collective bargaining, and collective action 14. Establishment of consultation and reporting channel for human rights

Ensuring Fair Trade Practices

Theme	Question
Quality	<ol style="list-style-type: none"> 1. Establishment and operation of quality management systems as the basic approach to quality and safety of products and services 2. Identification of cases of non-compliance 3. Compliance with the safety standards specified by laws and regulations 4. Responsible marketing and advertising 5. Supplier's responsibility for the supply chain 6. Advance measures and response procedures for responding to emergency situations 7. Advance measures and response procedures for handling a recall or complaint
Health and Safety	<ol style="list-style-type: none"> 1. Establishment of policy on health and safety 2. Promotion system for health and safety 3. Identification of occupational accidents and illnesses 4. Identification of cases of non-compliance 5. Appropriate management and the implementation of necessary safety measures in workplace 6. Assumption of emergency situations such as disasters and accidents, and necessary responses 7. Implementation of health management
Governance	<ol style="list-style-type: none"> 1. Building internal control system 2. Board of Directors Evaluation
Compliance	<ol style="list-style-type: none"> 1. Compliance with applicable laws and regulations 2. Identification of cases of non-compliance 3. Establishment of reporting channel for misconduct 4. Appropriate management to avoid inappropriate behavior toward antisocial forces 5. Appropriate management to avoid improper actions against intellectual property rights

Theme	Question
Information Security	<ol style="list-style-type: none"> 1. Promotion system for information security 2. Identification of cases of non-compliance 3. Initiatives to protect personal information 4. Defensive measures including protection against cyber-attacks

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/engagement/suppliers/nk_procurement.html





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.

Message from Operating Officer

My role as the operating officer in charge of human resources is to achieve sustainable growth for Nihon Kohden by realizing diversity in employees and work styles.

To achieve this goal, we need to create comfortable and fulfilling workplaces, and I am focusing on the following four initiatives.

- Promoting work style reforms through increased engagement
- Promoting diversity & inclusion
- Implementing human rights due diligence
- Promoting anti-harassment measures and restraining misconduct



Kenji Furukawa

Operating Officer,
Deputy General Manager of
Global Corporate Administration
Operations,
General Manager of Human
Resources Department

Under the Three-year Business Plan, BEACON 2030 Phase I, we are working to foster a corporate culture of pride in contributing to healthcare, by introducing a new personnel system and expanding our international training program based on the Core Values of the Company. In terms of sustainability promotion, we have identified human rights and human resources as one of 12 material issues to be addressed and are working to resolve these issues through our corporate activities.

Regarding human rights due diligence, we have developed an internal structure to identify, prevent, and mitigate negative impacts on human rights. In FY2021, we conducted a questionnaire survey at each company of the Nihon Kohden Group in Japan and overseas, as well as at our suppliers. In FY2022, we have created a risk map based on the questionnaire survey results to evaluate and identify human rights risks at Nihon Kohden. We will continue our efforts to reduce human rights risks, establish internal and external reporting channels and response processes and structures, conduct ongoing questionnaire surveys at Group companies and suppliers in Japan and overseas, and provide internal awareness training.

We conduct employee satisfaction surveys 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. The FY2021 survey was conducted for approximately 4,400 employees in Japan. The ratio of positive respondents was higher for Empathy with Vision and Value, while the ratio of positive respondents was relatively lower for Career Support. We conducted a similar survey in FY2022 as well as holding meetings by department to explain the survey results and implementing measures to improve satisfaction levels in each department. In addition to continuing the survey, we plan to promote group-wide initiatives, introduce case studies on efforts to improve satisfaction in each department, and initiate surveys at overseas subsidiaries. We are committed to creating a work environment that is comfortable and rewarding.

Respect for Human Rights

Basic Approach to Respect for Human Rights

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.

For further details on the Nihon Kohden Group Human Rights Policy, please refer to our website.

<https://www.nihonkohden.com/sustainability/social/rights.html>



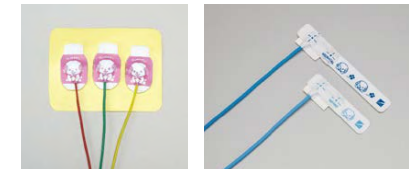
■ Basic Approach to the Rights of the Child

As children are socially vulnerable and their rights are easily violated, special protection and care must be prepared for them. It is important that the entire society supports them by recognizing that they have the same rights as adults so that they can expand their future possibilities and grow up healthy. In support of the UN and ILO conventions* on children's rights, Nihon Kohden respects the rights of children by not allowing child labor. The Nihon Kohden Group Human Rights Policy defines our basic approach to respecting the human rights of all people, including children. The Nihon Kohden Sustainable Procurement Standards explicitly state that we pledge not to engage in child labor, and we are working to prevent the labor of anyone under the minimum working age throughout our value chain, including our business partners.

In addition to supporting the Children's Rights and Business Principles (CRBP), Nihon Kohden provides products and services that contribute to the protection of children's rights and ensure their safety through its business activities. To protect the right to life under the Convention on the Rights of the Child, we have developed and provide electrodes and sensors that are gentle enough for the delicate skin of low-birth-weight infants to support their health and growth.

We will continue our efforts to protect children's rights by providing electrodes with friendly designs that reduce the anxiety of children suffering from diseases and by promoting the adoption of our resuscitation monitor for neonate to reduce the mortality rate and serious sequela of newborn babies.

* The United Nations Global Compact, the Convention on the Rights of the Child, the Children's Rights and Business Principles, the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor (ILO Convention No. 182), etc.



The Vitrode N, Disposable Electrode
The TL-273T/274T, Disposable SpO₂ probe



The NRM-1300, Resuscitation monitor for neonate,
BreathCue

Respect for 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.

In FY2022, based on the results of the questionnaire survey, we evaluated human rights risks and identified key human rights issues, taking into account their impact on our business.

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.

■ Human Rights Impact Assessment/Human Rights Risk Assessment

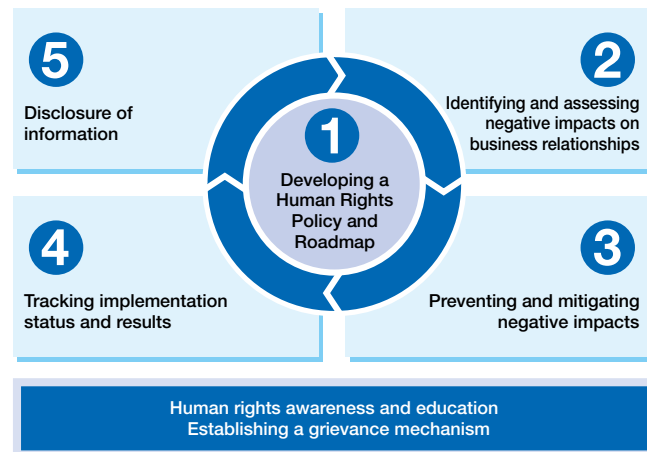
In promoting sustainability initiatives, Nihon Kohden engages with all of its stakeholders, including customers, shareholders and investors, business partners, local communities, and employees. Therefore, human rights risks are also expected to include a wide variety of issues such as discrimination or harassment based on race or gender, overwork, child labor, the leak of personal information, and environmental pollution.

We focused on approximately 30 human rights issues for impact assessment based on the United Nations Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work, the Stakeholder Engagement Program of the Caux Round Table Japan Committee, and the Handbook for Management that Respects Human Rights formulated by the Japan Business Federation (KEIDANREN). In the FY2022 analysis, we evaluated these 30 human rights issues by stakeholder on two axes, severity*1 and likelihood of occurrence*2, based on the results of past questionnaire surveys.

*1 Severity: Evaluates the extent of the impact of a human rights risk when it occurs, and the time and cost required to remediate the risk after it occurs.

*2 Likelihood of occurrence: Evaluates the likelihood that a human rights risk will occur.

Overview of Our Human Rights Due Diligence

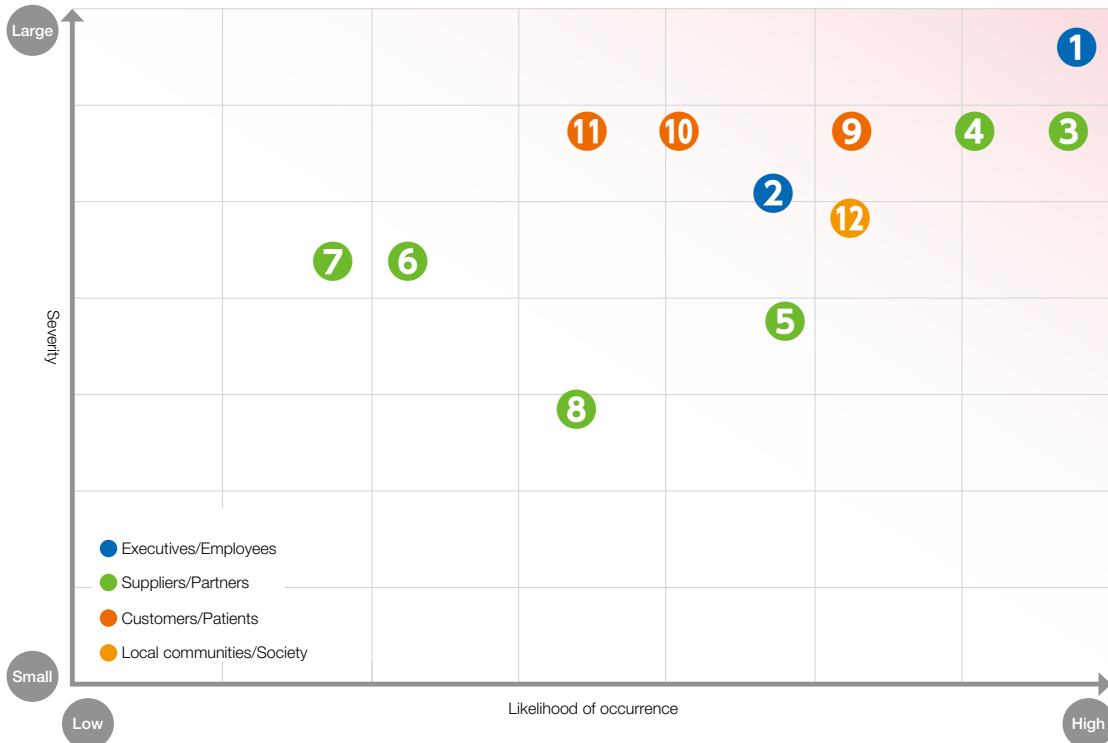


Respect for Human Rights

■ Identification of human rights risks

As a result of the evaluation of the impact of approximately 30 human rights issues, we have identified “Excessive and unreasonable working hours” as well as “Sexual harassment, power harassment, and harassment related to pregnancy, childcare, and nursing care, etc.” as the Group’s key human rights issues. We will regularly reevaluate these critical human rights issues to prevent or mitigate negative impacts.

Identified human rights risks



We recognize that items that were not identified as key human rights issues are also human rights issues that need to be monitored on an ongoing basis.

We also evaluated the impact of human rights issues on Customers/Patients, Local communities/Society, and Suppliers/Partners, and identified key human rights issues affecting these groups.

● Executives/ Employees	① Sexual harassment, power harassment, and harassment related to pregnancy, childcare, and nursing care, etc.
	② Excessive and unreasonable working hours
● Suppliers/Partners	③ Sexual harassment, power harassment, and harassment related to pregnancy, childcare, and nursing care, etc.
	④ Discrimination regarding age, nationality, race, religion, ideology, creed, disability, gender, sexual orientation, gender identity, etc.
	⑤ Excessive and unreasonable working hours
	⑥ Forced labor of foreign and immigrant workers, etc.
	⑦ Child labor, night work for young workers, and hazardous work
	⑧ Unfair working conditions and wages
	⑨ Inappropriate management of personal information
	⑩ Lack of safety of products and services due to inadequate quality checks and inspections
● Customers/Patients	⑪ Accidents and health hazards due to the misuse of products
	⑫ Environmental pollution and adverse effects on the living environment

Respect for Human Rights

■ Measures to reduce risks

As measures to reduce and mitigate human rights risks, we will continue to monitor domestic and overseas Group companies and suppliers, and systematically work to reduce risks.

At domestic and overseas Group companies, we will promote risk reduction efforts concerning excessive and unreasonable working hours and sexual harassment, power harassment, and harassment related to pregnancy, childcare, and nursing care, etc., which we have identified as key human rights issues.

Risk	Measure
Excessive and unreasonable working hours	To reduce excessive and unreasonable working hours, such as long working hours and continuous work, we started full-scale operation of the Flextime System and Teleworking System in January 2023 to promote flexible work styles and improve productivity. We also monitor monthly overtime hours and continuously implement necessary measures to reduce the risk of long working hours, such as issuing reminders and guidance to departments that exceed the standards related to the long working hours.
Sexual harassment, power harassment, harassment related to pregnancy, childcare, and nursing care, etc.	In addition to conducting harassment education through e-learning for all executives and employees, we provide harassment training on how to handle harassment reporting and consultation is conducted annually for all newly appointed managers. By continuing these training programs, we will reduce the risk of harassment.

■ Monitoring by questionnaire survey

As a measure to reduce and mitigate human rights risks, Nihon Kohden has conducted annual questionnaire survey and monitoring of Group companies and suppliers in Japan and overseas. Going forward, we will identify domestic and overseas Group companies as well as suppliers with high levels of risk based on the key human rights issues identified in FY2022 and the results of each questionnaire. We will also conduct on-site audits and provide feedback on the results of the surveys and collaborate to create remediation plans to systematically reduce risks.

For further details on the results of the Supplier Survey in FY2022, please refer to the [Ensuring Fair Trade Practices page](#).

Respect for Human Rights

Initiatives to Respect Human Rights

In accordance with the Nihon Kohden Group Human Rights Policy, we are working to prevent all forms of discrimination and harassment.

In FY2022, no human rights violations or harassment leading to disciplinary dismissal from employment occurred.

■ Structure

Nihon Kohden's human rights initiatives are discussed by the Sustainability Promotion Committee, which is chaired by the President, and the results of the discussions are reported to the Board of Directors. The Corporate Strategy Division and the Human Resources Department play a central role in the implementation of human rights initiatives within the Company.

Deliberative body	Sustainability Promotion Committee (Key human rights-related matters discussed by the Committee are submitted to and reported to the Board of Directors in accordance with the Standards for Procedures for Requesting Deliberations and Making Decisions.)
Secretariat	Corporate Strategy Division, Human Resources Department

■ 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 Sexual minorities, including 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 addition, in order to provide relief to the person requesting the consultation, we conduct fact-finding investigations with the consent of the person requesting the consultation themselves. If the facts are confirmed, we take remedial measures, such as instructing the parties involved to remediate the situation and to improve the work environment, and providing 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.

■ Human rights Education and Training for Employees

Nihon Kohden has conducted workplace training and e-learning education for all executives and employees to prevent harassment and ensure compliance with labor-related laws and regulations, as well as to promote understanding of human rights risks and human rights policies.

We also strive to prevent human rights abuses through training for newly appointed managers that includes a lecture on preventing harassment as well as procedures for responding to harassment reports and consultations. In addition, we 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 FY2022 was 4,485.

■ 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.

Respect for Human Rights

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 three years to answer our Sustainability Questionnaire that consists of 22 questions in six areas, including human rights. By their answers to 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.

■ Initiatives through Product Development

Aiming to create an environment in which anyone can save a life by using an AED, Nihon Kohden has developed AEDs that can be used by people with hearing impairment or deafness, and people whose native language is not Japanese.

We have obtained the Ear Mark certification from the All Japan Association of Hard of Hearing and Late-Deafened People (Zennancho) for our AEDs with color screens that display illustrations and messages so that they can be used by people with hearing impairment or deafness. Our AEDs are designated as models in schools for the deaf and deployed at municipal facilities. In Japan, where globalization is rapidly progressing, we have worked to promote the adoption of bilingual AEDs with voice prompts both in Japanese and English, and to create an environment in which foreign nationals can also use an AED to save a life in case of emergency.

The AED-3100 is optionally available in 17 languages* and provides voice prompts alternately in Japanese and other languages. This AED is being increasingly adopted by companies that employ a large number of people whose native language is not English.

* Languages supported: English, Chinese, Korean, Taiwanese, Danish, German, French, Italian, Spanish, Brazilian Portuguese, Turkish, Russian, Dutch, Indonesian, Vietnamese, Arabic, and Thai.



Initiatives to Enhance the Value of Human Capital

We believe that each employee's ability to maximize their potential and fully demonstrate their capabilities leads to sustainable personal and organizational growth. We will foster an organizational culture in which diverse human resources can play an active role.

In its Management Philosophy, Nihon Kohden aims to create a fulfilling life for our employees. We believe that each employee's ability to maximize their potential and fully demonstrate their capabilities leads to sustainable personal and organizational growth. We will foster an organizational culture in which diverse human resources can play an active role. We aim to promote the sustainable growth of individuals and organizations, improve productivity, and create new value through human resource investments including human resource development and workplace environment improvement. To realize the Long-term Vision, BEACON 2030, it is important for employees working at Nihon Kohden to have a sense of satisfaction and pride in contributing to healthcare, to act autonomously, and to continue to take on new challenges. As a foundation for the Company and employees to meet each other's expectations, we introduced a new personnel system, human resources development programs, and various systems to realize flexible work styles, to increase employee engagement and foster an organizational culture that leads to more challenges and growth.

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 new values 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.

In April 2023, we also introduced a new personnel system for general employees. Through a role grading system based on the size of the work roles expected of each employee, we will create opportunities for ambitious and skilled employees to actively take on challenges and grow themselves. Along with the introduction of a new personnel system for general employees, we also extended the retirement age to 65 in stages and revised the reemployment system.

Initiatives to Enhance the Value of Human Capital

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 45 hours or more of education per person for a cumulative total of 3 years. The results in FY2021 and FY2022 were 18.6 hours and 18.2 hours per person, respectively. A total of 393 people attended leadership training in FY2022.

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. Due to the COVID-19 pandemic, the program was not implemented in FY2020 and FY2021. In FY2022, for the first time in three years, four employees studied abroad for approximately one year.

As of April 2023, 22 foreign employees work at offices in Japan, and 47 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.

Voice

Nihon Kohden's contribution to global medical care I realized through the International Training Program (Overseas Challenge Program)

I have been in charge of Regulatory Affairs (RA), which involve product registration and compliance with the laws and regulations in various countries to provide medical equipment internationally. I applied for this training program because I thought it was essential to have a good grasp of the worldwide situation and to improve my own abilities to comply with regulations, which are becoming stricter every year, and register products promptly. During the training, I was involved in RA operations and product registration applications in the U.S. While discussing and reviewing the U.S. laws and regulations as well as streamlining business processes with local staff, I learned that information sharing and close communication between Japan and the U.S. are of the utmost importance. I also learned firsthand that providing the safer and more secure medical equipment required by the market will lead to a better future for people and healthcare and the creation of value.

By utilizing the knowledge and experience gained from this training program, I will fulfill my responsibilities to register products as soon as possible and accurately disseminate information within the Company on regulatory trends in various countries. I also aim at contributing to medical care and creating value for Nihon Kohden.



Yuki Ono

Global Regulatory Strategy
Section,
Regulatory Affairs
Administration Department,
Clinical Development &
Regulatory Affairs Division

Initiatives to Enhance the Value of Human Capital

■ 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 throughout the Group 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. In addition to the education program about its Management Philosophy, Nihon Kohden has also developed various unique measures in each country to promote understanding of its Core Values and instill Nihon Kohden's DNA.

The Global HR meeting has been held biannually since FY2021, bringing together human resources and education managers from each Group company to share each country's unique measures for spreading the Management Philosophy and Core Values, as well as to discuss new employee training and the fostering of corporate culture. In December 2022, Nihon Kohden established the Core Values Promotion Project in Japan through an internal open recruitment system. The project members from various divisions and job categories are studying "how to help employees around the world understand and practice the Core Values," and are creating and developing measures to achieve this goal.



Core Value Awards held in Brazil



Online Global HR Meetings

As a measure to strengthen governance in terms of human resources, we formulated the Global Human Resources Management Guidelines in March 2022. All Group companies follow the same policies and standards for personnel management to avoid personnel management risks. The Human Resources Department at the Nihon Kohden Head Office and the human resource managers of each Group company hold individual meetings so that each HR department can function effectively as a partner for the development of business activities. In addition to making improvements in areas that do not conform to these guidelines, we will establish a structure for each HR department to collaborate on a global basis through regular communication.

■ Core Values



Initiatives to Enhance the Value of Human Capital

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.

Nihon Kohden has established Diversity as one of its Core Values and promotes diversity & inclusion to realize its Long-term Vision, BEACON 2030. 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, race, other diverse attributes, values, or work styles.



■ Promotion of Women's Participation and Career Advancement

In accordance with Act on the Promotion of Women's Active Engagement in Professional Life, 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. We obtained the Women's Participation Promotion Act certification mark called Eruboshi from the Minister of Health, Labour and Welfare in 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%.

The ratio of female managers in FY2022 was 8.6% in the parent company, which was an increase of 0.7 points from the previous fiscal year. Female executives account for 11.1% of all executives (1 female outside director and 2 female operating officers).

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. In addition, we have formulated a new guidebook for male employees to help them balance childcare and work. We have also decided to subsidize a part of an employee's wage for the first month of childcare leave starting from FY2022. As a result of these efforts, the ratio of male employees taking childcare leave in FY2022 was 38.9%, exceeding the Company's target. Additionally, we have introduced a spousal maternity leave system as our unique system to support male childcare, and the combined take-up rate of this system with childcare leave was 81.4%. We will continue to develop an environment where any employee who wishes to take childcare leave can do so, regardless of their workplace or job category.

Initiatives to Enhance the Value of Human Capital

■ Women's Activity Promotion Program

To achieve a 12% ratio of female managers, in FY2022, we started the Women's Activity Promotion Program for female employees at the leadership level who are candidates for management positions. The program is designed to help female employees think about their career development, including the option of management positions, by addressing time and physical factors related to childcare and other responsibilities and psychological factors related to job experiences and work environment. First, guidance for supervisors of female employees was provided by the Human Resources Department and an external expert so that they could talk about their expectations for the target participants in their own words, effectively support their growth, and follow up on any concerns about their work. Then, the training program for the target participants are provided three times by the external expert and they discussed each other on the themes of career design, improvement of management skills, and life design.

■ Mentor System

Since FY2015, Nihon Kohden has established a mentoring program covering mainly newly appointed managers and other female employees in mid-career. Mentors with extensive knowledge and industry experience help them resolve career development issues and support their personal growth. The program aims to help expand female employees' horizons and strengthen their internal networks through dialogue with mentors, as well as develop their humanity, judgment, and leadership skills, and motivate them to set themselves more ambitious goals. 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

In FY2021, we have established the Beacon Terrace, an employee exchange meeting led by female employees who volunteered to participate. By connecting employees across divisions, the group aims to expand and improve their perspectives and strengthen their company network as well as co-create value in their respective work while fostering an organizational culture that encourages the active participation of diverse human resources.

In FY2022, five exchange meetings were held, each on a different theme, such as Job Satisfaction, Women in Management, and Balancing Work and Childcare. A total of 105 people participated. We plan to continue to hold these meetings for the free and vigorous exchange of opinions.



Exchange of opinions on the theme of balancing childcare and work

Initiatives to Enhance the Value of Human Capital

Topics

Holding a Seminar on Unconscious Bias Management

In October 2022, Nihon Kohden held a diversity promotion seminar for supervisors entitled Unconscious Bias Management. The seminar has been held three times for the managers of domestic sales branches and area services. For the first time, this fourth seminar was attended by 115 managers in each R&D department. Through a lecture and work on the impact of unconscious bias on people and organizations, participants were able to confront their own unconscious bias. It also provided an opportunity for managers who do not normally interact with each other to share their workplace situations.

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



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

<https://www.nihonkohden.com/sustainability/engagement/employees.html>

Targets and Results for Ensuring Diversity in Core Human Resources

	Current status (As of March 31, 2023)	Target	Achievement period
The ratio of female managers*1	8.6%	12% or more	April 2026
Appointment of female directors and operating officers*2	1 female director, 2 female operating officers	4 persons or more	April 2026
The ratio of female directors and operating officers	11.5%*4	30% or more	End of June 2030
The ratio of foreign nationals in CXO*3 or higher positions at overseas subsidiaries	53.3%	50% or more	Maintain the current status
The ratio of mid-career hires in management positions*1	42.6%	40% or more	Maintain the current status

*1 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.

*4 As of June 30, 2023.

Differences in Wages between Male and Female Workers

Ratio of Women's Wages to Men's Wages in FY2022

Total workers	69.8%
Permanent employees	74.7%
Part-time and fixed-term contract employees	91.2%

* Parent company only. The figure is calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

There are no gender differences in the Company's wage structure or system. However, there are differences between men and women in terms of job classifications and management ratios, resulting in differences in wages. In order to realize the Company's goal of "an organization where each individual can maximize their potential and fully demonstrate his/her full potential," we will work on measures to promote diversity & inclusion, such as increasing the ratio of female managers.

Initiatives to Enhance the Value of Human Capital

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 FY2022, the annual paid leave usage rate was 49.6%. In addition to legally mandated paid leave, Nihon Kohden offers its unique paid leave program such as Accumulated Paid Leave Program and Special Paid Leave Program. In FY2022, the number of non-mandated paid leave days taken per employee was 2.8 days.

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, and we have continuously improved productivity throughout the Company. There were many applications in FY2022 as well, and the efforts to revitalize the organization and improve operational efficiency by using the groupware were highly evaluated. As a new initiative to enhance employee engagement, we also collected episodes of satisfaction and pride in contributing to healthcare and shared them with all employees as an opportunity to reaffirm the significance of working for Nihon Kohden. Many episodes were received, including episodes in which an employee reaffirmed the significance of working for the Company when they encountered our products in use at a medical institution where the employee or their family were receiving treatment.



Trophies for the Good Job Award



Good Job Award ceremony

Programs to Support Work-life Balance

In FY2022, with a view to new ways of working in the post-COVID-19 world, we expanded various systems such as the Flextime System and Teleworking System to promote flexible work styles. We have also introduced a system where the Company subsidizes a part of an employee's wages for the first month of childcare leave. We focus on promoting the use of childcare leave by employees, including male employees. We are also reviewing various allowances in accordance with the introduction of the new personnel system.

Newly Established and Revised Systems in FY2022

Systems and Initiatives	Content
Flextime System	A system where employees can manage their own daily working hours. Employees can be exempted from working core hours depending on business necessity.
Teleworking System	A system where employees can work at home or a place similar to home regardless of the reason. This system is available for all employees. The previous Work at Home System, which was applicable only for specific reasons, was abolished.
Refresh Day	The program aims to encourage employees to make effective use of the time before and after work for personal relaxation, by setting aside days with shorter working hours.
Abolition of designated Casual Days	The previous Casual Days (Wednesdays and Fridays) were abolished to allow employees to work in workplace appropriate attire regardless of the day of the week.
Wage Subsidies during Childcare Leave	A system where the Company subsidizes a part of an employee's wages for the first month of childcare leave, in addition to the childcare leave benefits from unemployment insurance.

For further details on programs to support work-life balance, please refer to our website.

<https://www.nihonkohden.com/sustainability/engagement/employees/reform.html>

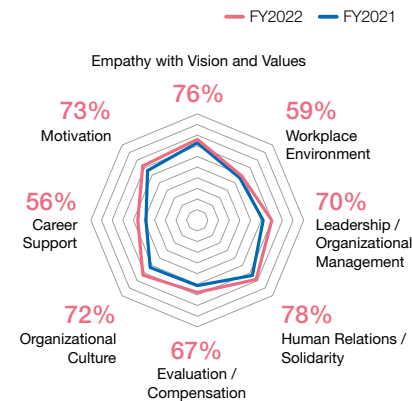


Initiatives to Enhance the Value of Human Capital

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 FY2022, as the survey in FY2021, an employee satisfaction survey was conducted for all 4,400 employees of the Nihon Kohden Group in Japan. The ratio of positive responses was calculated for all 46 items in eight categories. As a result of company-wide and departmental measures implemented based on the results of the FY2021 survey, we surpassed the FY2021 levels in all eight categories in FY2022. In particular, Empathy with Vision and Values and Human Relations/Solidarity continued to show higher levels of satisfaction. On the other hand, the ratio of positive respondents for Career Support and Workplace Environment was still relatively lower, albeit higher than in FY2021. We will share the survey results and employee opinions with all executives, and continue to implement related measures on both a company-wide and departmental basis.

■ The Ratio of Positive Respondents



Health Management of Employees

To help our employees realize an optimal work-life balance, we have introduced a regular health examination system, established a medical office staffed by industrial physicians, and implemented a stress management testing to ensure that employees can engage in their work in a mentally and physically healthy way. We are working to build a system that allows us to identify employee health risks early and provide appropriate support. 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.

We will continue to promote initiatives to realize a healthy society. The employee absence rate was 0.5% in FY2022.

Examples of health support payment

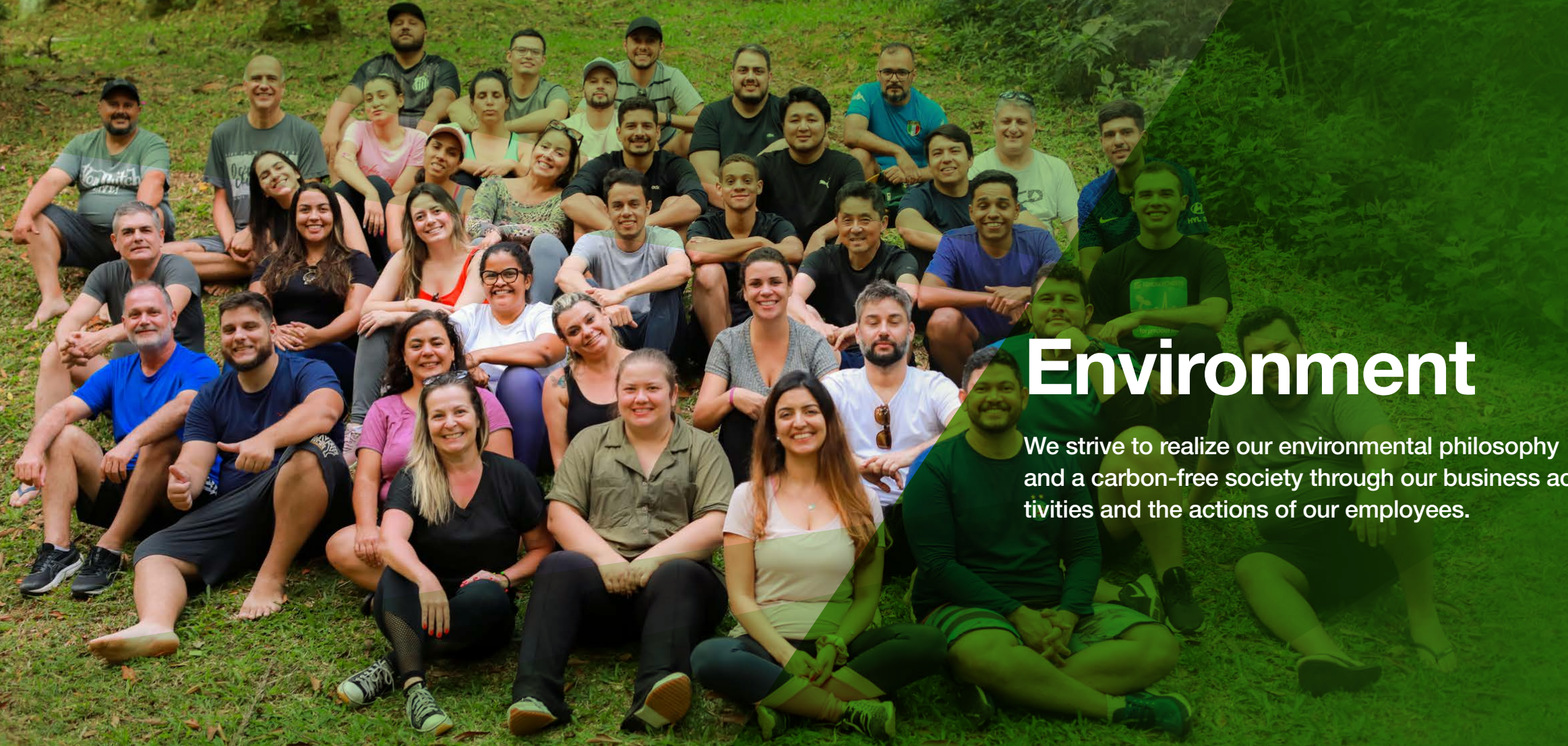
Various cancer examinations, stomach examinations, osteoporosis examinations, hepatitis virus examinations, abdominal ultrasound examinations, brain examinations, dental examinations, comprehensive medical examinations, smoking cessation outpatient services, etc.

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 Nihon Kohden respects 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 FY2022, there were 11 harassment consultations and 16 grievance consultations.

In response to the enforcement of the Power Harassment Prevention Law in June 2020, we have also conducted regular e-learning programs regularly for both general employees and managers to ensure a proper understanding of the revised law and harassment.

We will continue to implement e-learning in FY2023 and aim to complete 100% implementation by strengthening progress checks. Harassment training is also provided 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 our business activities and the actions of employees to realize a sustainable and carbon-free society.

Message from Operating Officer

My role as the Operating Officer in charge of environmental affairs is to strengthen our environmental activities through our business and corporate activities and our employees' actions to realize a sustainable and carbon-free society. As efforts to achieve a carbon-free society expand, the environmental issues that companies must address are becoming increasingly important. In light of the global movement toward carbon neutrality and the Japanese Government's declaration that it plans to achieve carbon neutrality by 2050, we have set realization of a carbon-free society as one of material issues for sustainability in our Three-year Business Plan. We have also set medium- to long-term environmental targets. We are committed to solving environmental issues by leveraging technologies gained through development and production of medical equipment and by strengthening our decarbonization efforts.



Kenji Furukawa

Operating Officer,
Deputy General Manager of
Global Corporate Administration
Operations,
General Manager of Human
Resources Department

■ Acquisition of SBT Certification

In preparation for obtaining Science Based Targets (SBT) certification, we developed procedures for calculating our CO₂ emissions and made preparations for third-party verification in FY2022. In addition to promoting energy conservation in our business activities, we have worked to reduce CO₂ emissions throughout our supply chain by providing environmentally friendly products and cooperating with our business partners in the supply chain.

■ Disclosure based on TCFD recommendations

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 Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 and disclosed climate-related financial information in July 2022. Nihon Kohden 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.

To realize a carbon-free society, we have set "CO₂ emissions," "Number of models and sales ratio of environment-friendly products," and "Amount of waste from disposal of products and parts," as KPIs. We will continue to provide environmentally friendly products and cooperate with our business partners in the supply chain. We will also identify environmental issues and work on countermeasures through the establishment of SBT targets.

Environmental Philosophy and Policy

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 to 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 in 2019 and in January 2022, respectively. 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, 2023

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 CO₂ 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*¹ 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.

*¹ Science Based Targets are greenhouse gas emissions reduction targets set by each company for 5 to 10 years in the future in line with the levels sought under the Paris Agreement.

Environmental Targets for FY2023

Established: April 1, 2023

<The entire Nihon Kohden Group>

1. As a response to climate change, the following targets have been set based on material issues and KPIs for sustainability:
 - 1) Reduce CO₂ emissions per unit of sales by 15.2% compared to FY2020.
<Target: Scope 1 and 2*² within the scope of ISO 14001 certification>
 - 2) Measure and disclose CO₂ emissions for the entire Group by FY2023. <Target: Scope 1, 2, and 3*²>
2. As a response to water resource protection, we will work on the effective use of water resources.

<The scope of ISO 14001 Certification Only>

1. **Enhance production efficiency and reduce environmental impact by improving operational efficiency**
Reduce environmental impact, including energy use, CO₂ emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3*²), 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 CO₂ emissions (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 CO₂ emissions in production processes. (Target values are based on environmental targets at the Tomioka and Kawamoto sites.)
 - 2-4. Manage water usage linked to production volume to reduce the volume of water consumed in the production process. (Tomioka site)
3. **Continuously reduce energy consumption and CO₂ emissions in our business activities to realize a carbon-free society**
 - 3-1. In consideration of the increase in sales and production, limit the year-on-year increase in energy use on a per unit basis and CO₂ emissions on a per unit basis to 1.6% and 2.0%, respectively.
 - 3-2. Establish an operational structure utilizing an environmental information management system to improve the accuracy of data on energy use and resource inputs by the Nihon Kohden Group 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 increase in sales and production, limit the year-on-year increase in total waste emissions to 0.8%, improve waste emissions on a per unit basis by 2.0% year-on-year, and achieve a recycling rate of 97.2% or more.

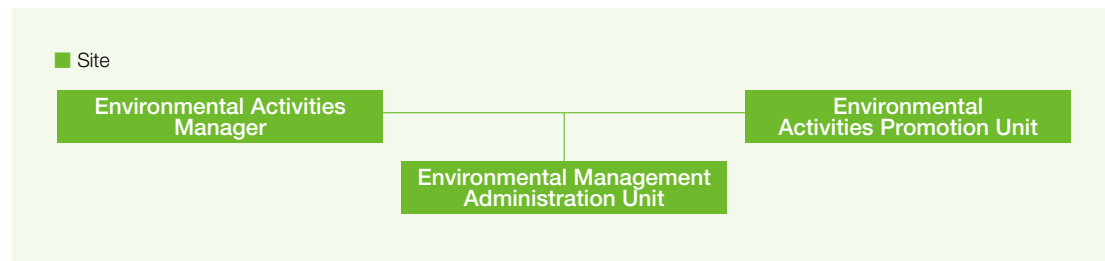
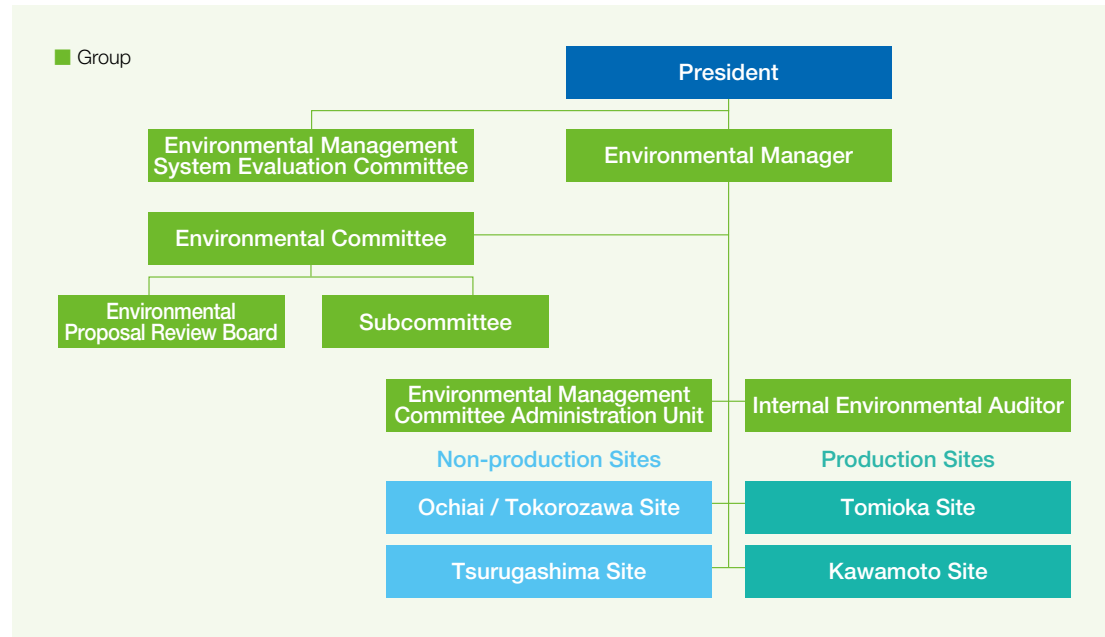
*² Scope 1: All direct emissions from the Company's use of fuel.

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 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/environment/green.html>



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	FY2022 Targets	Attainment Rate	Result
1. Enhance production efficiency and reduce environmental impact by improving operational efficiency	Reduce environmental impact including energy use, CO ₂ 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.
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 ₂ 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 CO ₂ emissions in production processes. 2-4. Manage water usage linked to production volume to reduce the volume of water consumed in the production process.	✓	We achieved the targets in three of the four themes. 2-1. We established calculation rules for third-party certification of CO ₂ emissions. We have also been reviewing the evaluation criteria for environmentally friendly products based on life cycle assessment. 2-2. We achieved the targets established based on the product assessment plans and evaluation tables through our efforts to develop new environmentally friendly products that conserve resources, save energy, and recycle resources. 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. 2-4. We are setting annual targets for the amount of water required for reagent production, as well as monitoring water intake and water discharge and properly managing them so that they do not exceed the planned amounts at the Tomioka site.
3. Continuously reduce energy consumption and CO ₂ emissions in our business activities to realize a carbon-free society	3-1. In consideration of the increase in production of some specific consumables such as reagents and electrode pads, limit the year-on-year increase in energy use on a per unit basis to 2.3% and improve CO ₂ emissions on a per unit basis by 0.6% year-on-year. 3-2. Collect data on energy use and resource inputs by overseas Group companies and set base data for SBT certification.	✓ ✓	3-1. We promoted the expanded use of renewable energy sources to reduce CO ₂ emissions. 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 renovated facilities in accordance with our medium- to long-term plan. We achieved the targets, reflecting a 3.3% reduction in energy use on a per unit basis and a 6.9% reduction in CO ₂ emissions on a per unit basis compared to the previous fiscal year. 3-2. We have completed collecting energy and input resource data from overseas Group companies. In order to set science-based targets, we are in the process of finalizing the basic data.
4. Contribute to creating a recycling-oriented society	Promote the 3R's of reduce/reuse/recycle and achieve the following: In consideration of 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 2.5% and 1.1%, respectively, and achieve a recycling rate of 97.1% or more.	✓ ✓ ✓	We achieved the targets. The total waste emissions decreased by 3.6% and the waste emissions on a per unit basis decreased by 4.2% compared to the previous fiscal year due to improved production efficiency and reuse of resources, and the recycling rate was 97.4%.

Disclosure Based on TCFD Recommendations

Endorsement of TCFD Recommendations

Nihon Kohden defined 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 addressing 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 and disclosed related information in July 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/environment/tcfid.html>

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



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

Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee and Sustainability Promotion Meeting. In July 2021, Nihon Kohden has also established the Advisory Board consisting of 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 the Company's 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 and Sustainability Promotion Meeting. 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 FY2029.* We have also examined the business impact and possible countermeasures.

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

A 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.

A 4°C scenario estimates the global average temperature increase to be 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 CO₂ 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 control. 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 CO₂ 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>Introduction of carbon tax and emissions trading</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"> Use of renewable energy to reduce CO₂ emissions Adoption of energy-efficient production facilities
<p>Increase in demand for environmentally friendly products</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"> Strengthening the development of environmentally friendly products Selection of low environmental impact parts and delivery methods
<p>Increase in demand for digital health solutions with low environmental impact</p> <p>Risk: Increase in investment costs for R&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"> Reduction of CO₂ emissions through promotion of telemedicine and tele-ICU Creation of business opportunities through new initiatives such as automatic control of medical equipment
<p>Higher prices for raw materials such as resin used in product housings</p> <p>Risk: Higher production costs</p>	→	Short- to long-term	<ul style="list-style-type: none"> Adoption of common platforms in product development and production processes Cost reduction by reducing part counts and optimizing components
<p>Stakeholder assessment</p> <p>Risk: Deterioration of financing conditions and divestment by financial institutions and investors</p>	→	Medium-term	<ul style="list-style-type: none"> Establishment of environmental targets such as CO₂ emissions reduction Improvement of evaluation by external organizations through enhanced information disclosure

4°C scenario

↗: Gradual increase in impact →: Not changing much

Major Risks and Opportunities	Business Impact	Time horizon	Proposed Countermeasures
<p>Extreme natural disasters such as torrential rains and floods</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"> Business Continuity Plan (BCP) for the entire supply chain Reducing risks by securing raw material suppliers, supply systems, and transportation routes; providing support to suppliers; and purchasing from multiple suppliers Relocation of offices with high flood risk
<p>Insufficient supply of water and other resources</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"> Reuse of water resources discharged in the production of hematology reagents Development and provision of products that use less water resources
<p>Increase in infectious diseases</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"> Expansion of product supply, sales and service structures Focus on medical equipment and DX in medical fields Promotion of multi-plant operation

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 of 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 CO₂ 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 CO₂ 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. In FY2022, we changed the electricity contracts for all buildings at the Nishiochiai Office as well as the Advanced Technology Center, the Kawamoto Office, the Asaka Office, and 53 domestic sales branch offices. 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 three domestic offices in FY2022 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 for three years. In FY2022, we achieved a sales ratio of 18.2% 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. In FY2022, we reduced them by 0.7% compared to FY2020.

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

		FY2020	FY2021	FY2022
Global Warming Prevention	Scope 1 (t-CO ₂)	4,684	4,797	4,539
	Scope 2 (t-CO ₂)	7,610	5,874	4,828
	Greenhouse gas emissions (t-CO ₂)	12,294	10,672	9,367
Energy Saving	Total input energies (GJ)	246,771	245,486	240,393
Waste Reduction	Total waste emissions (t)	710.5	759.4	732.5
	In-house recycling rate (%)	96.9	97.3	97.4
Environmentally Friendly Products	New registration of environmentally friendly products (registrations)	7	4	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 are for the scope of ISO 14001 certification, including the parent company. 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 Eastern Japan Logistics Center from FY2021.)

Water Intake (m ³)		FY2020	FY2021	FY2022
Water supply		57,811	60,858	62,657
Surface water of rivers and lakes		0	0	0
Other (such as rainwater, seawater, well water, spring water)		0	0	0
Total amount		57,811	60,858	62,657
Water Discharge (m ³)		FY2020	FY2021	FY2022
Sewerage		38,406	37,265	39,738
Rivers		8,775	9,007	8,186
Other (such as watering the ground surface)		0	0	0
Total amount		47,181	46,272	47,923

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.

Water Resource Conservation

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 18 sites are in relatively water-stressed areas compared to other regions. Although no water-related issues have occurred in water-stressed areas at this time, we will continue to appropriately comply with local regulations and work on proper and efficient use and safe supply of water.

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

Americas	U.S., Mexico, Brazil (6 sites)
Europe	Germany, Italy, U.K., Spain (5 sites)
Asia	India, UAE, South Korea, China (7 sites)

Water Management Plan

Nihon Kohden's mother factory, Nihon Kohden Tomioka, which produces reagents for hematology analyzers, accounts for 46% of the Company's total water intake. Nihon Kohden Tomioka strives to make effective use of water resources by setting annual targets for the amount of water required for reagent production, as well as monitoring water intake and water discharge and properly managing them so that they do not exceed the planned amounts.

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 solve this issue, we are working to improve productivity in each business process, promote energy conservation measures, expand the introduction of renewable energy, and replace company vehicles with hybrid vehicles. We aim to achieve a sales ratio of 20% or more for environmentally friendly products, and we achieved 18.2% in FY2022. We will continue to provide environmentally friendly products, recycle existing products, and develop new products that are easy to recycle. By introducing a new system to manage energy data and other environmental information at domestic and overseas sites as well as cooperating with our business partners in the supply chain, we will continue to reduce CO₂ 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.

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 FY2022.

■ The NRM-1300, Resuscitation Monitor for Neonate, BreathCue

The NRM-1300 is a medical equipment that monitors parameters specific to neonatal resuscitation, such as electrocardiogram (ECG), arterial blood oxygen saturation (SpO₂), and respiratory flow (Flow)/ airway pressure (Paw). It provides visual supports to medical professionals with flashing LED lights to ensure proper positive pressure ventilation and assistance in breathing for newborns in suspended animation who cannot breathe spontaneously immediately after birth. As this product is compact, lightweight, and powered by batteries that are universally available regardless of the power supply conditions in each country, it can be used in a wide variety of installation and operating environments. Through the widespread use of this product, we aim to reduce neonatal mortality and serious aftereffects, thereby contributing to the achievement of the SDGs.



Environmental Considerations

The NRM-1300 is 90.7% smaller and 64.6% lighter per unit compared to earlier models. The number of parts used was reduced by 72.8%. Power consumption was also reduced by 3.3%, resulting in energy conservation. Lead-free solder was adopted to comply with the RoHS Directive.

■ The ORG-2100, Wireless Central Unit

The ORG-2100 is a medical equipment that wirelessly receives vital signs such as ECG and blood pressure of up to 16 patients in a single unit and transmits them to a central monitor. This product analyzes vital signs received to determine if an alarm is necessary and transmits alarm information to the central monitor. It supports medical institutions to improve operational efficiency by linking with hospital information system, and sharing vital signs and alarm information on a network.



Environmental Considerations

The ORG-2100 is 92.1% smaller and 88.6% lighter per unit compared to earlier models. By reviewing the raw materials used, the recyclability rate of the product increased to 82.6% from 60.0% for the earlier model. Lead-free solder was adopted to comply with the RoHS Directive.

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 shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is: i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively future business deployment, investment plan, retained earnings, and stock price level. Based on its business performance in FY2022, the Company decided to increase the full-year dividend by 21 yen from the previous forecast to 61 yen. Additionally, the Company 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. On the day of the meeting, we exhibit medical devices and explain the features to shareholders. At the shareholders' meeting held in June 2023, we exhibited a fully automatic AED, a resuscitation monitor for neonate, and a mask-type ventilator. We have posted a video of the presentation by the Chairman on the day on our website. For foreign shareholders, convocation notices (including a business report), notice of resolutions, and voting results are translated into English and posted on the external website.

■ Earnings presentations / Business strategy briefing

Nihon Kohden holds financial results briefings (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. From May 2020, all financial results briefings were held by conference calls or online in order to prevent the spread of COVID-19. In March 2023, the Company held a small online meeting with an officer and persons in charge of the ventilator 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 FY2022, we held one in-person meeting and two online meetings while taking into account the status of COVID-19. We also updated Nihon Kohden's video series on our website.



In-person meeting held in Osaka with the cooperation of the Securities Analysts Association of Japan



Online meeting distributed by Nikko Investor Relations

■ Relationship with Shareholders and Institutional Investors

The President, general manager of the Corporate Strategy Division, and persons in charge of IR have meetings with institutional investors in Japan and overseas by making visits to investors, accepting visits as requested, and by phone.

Status of Dialogue with Shareholders

In FY2022, the Company had around 250 meetings with institutional investors, including around 100 meetings with shareholders. The topics of the dialogues were quarterly financial results and forecasts, as well as medium- to long-term growth strategies, capital policies, and initiatives to strengthen corporate governance and embrace sustainability.

Relay Investor Feedback to Management

The Corporate Strategy Division, which bears responsibility for IR activities, relays the views of shareholders and investors through dialogue to the management and relevant departments for sharing and using information.

For further details on the status of dialogue with shareholders and institutional investors, please refer to our website.

<https://www.nihonkohden.com/sustainability/engagement/investors/communication.html>



Topics

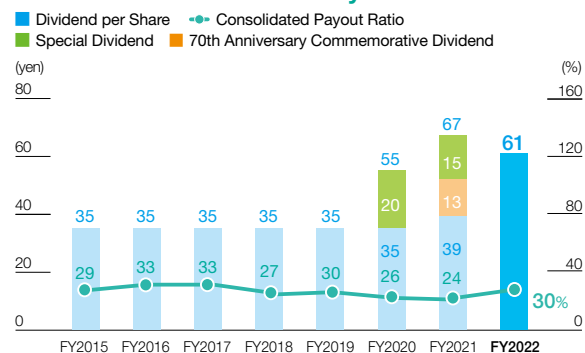
Comments from individual shareholders

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:

- Although the global situation is severe, I hope that all employees will make a concerted effort to support the development of the Company.
- As the Company that invented the pulse oximeter, I look forward to the Company's contribution to society and medicine.
- I hope the Company will accelerate the expansion of its business globally.
- I expect the Company to secure earnings and pay stable dividends.
- The shareholder newsletters are simple and easy to read.
- New products were well explained with pictures for better understanding.

Enhancing Information Disclosure and Shareholder Return

Change in Dividend per Share and Consolidated Dividend Payout Ratio



Number of Dialogues with Institutional and Individual Investors in FY2022

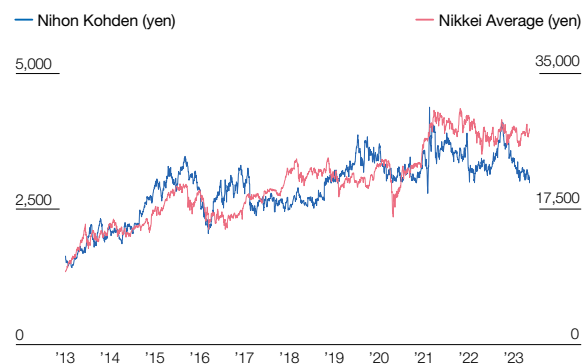
- Meetings with institutional investors and securities analysts: **Approx. 250 meetings including approx. 100 meetings with shareholders**
- Number of responses to annual shareholder survey: **572**
- Company briefings for individual investors (3 sessions): **Live viewing: Approx. 280 viewers, In-person: Approx. 80 attendees**
- Nihon Kohden's introduction video series for individual investors: **Approx. 700 views**

Major Shareholders (as of March 31, 2023)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	13,480	16.02
Custody Bank of Japan, Ltd. (trust account)	4,567	5.42
Saitama Resona Bank, Ltd.	4,193	4.98
State Street Bank and Trust Company 505103	2,887	3.43
JP Morgan Chase Bank 385151	2,341	2.78
JP Morgan Chase Bank 380055	1,998	2.37
AVI Global Trust PLC	1,771	2.10
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,523	1.81
MUFG Bank, Ltd	1,325	1.57
Nihon Kohden Employee Shareholding Association	1,272	1.51

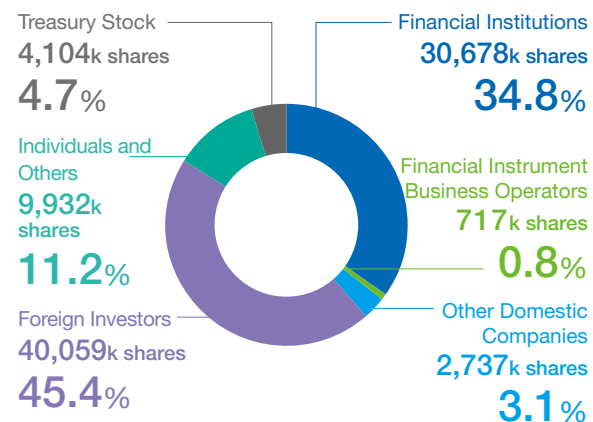
(Note) The above list excludes Nihon Kohden's treasury stock of 4,104 thousand shares. Each shareholding ratio is calculated excluding treasury stock.

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.

Ownership Breakdown (as of March 31, 2023)



Topics

In December 2022, Nihon Kohden was selected as the highest AAA grade for its website in the 2022 All Japanese Listed Companies' Website Ranking Survey by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 169 items from the following three points of view: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,926 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, anticorruption, 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 for two consecutive years since 2022, respectively.

The Company has also become a constituent of the FTSE Blossom Japan Sector Relative Index for two consecutive years since 2022, which is designed by FTSE Russell to measure the performance of Japanese companies demonstrating relatively excellent ESG practices in each sector.

■ MSCI ESG Leaders Indexes*2

The MSCI ESG Leaders Indexes are ESG comprehensive index created by MSCI and designed to represent the performance of companies that have high Environmental, Social and Governance (“ESG”) ratings relative to their sector peers.

Nihon Kohden has been selected as a constituent of the MSCI ESG Leaders Indexes for eight consecutive years since 2016.



FTSE4Good



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index



■ The MSCI Japan Empowering Women (WIN) Select Index*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 (WIN) Select Index for four consecutive years since 2020.



■ 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 in 2021.



■ CDP Rating in the Areas of Climate Change and Water Security

In December 2022, Nihon Kohden received a B rating from the Carbon Disclosure Project (CDP), a non-governmental organization that works internationally to disclose information on environmental assessments, in the areas of Climate Change and Water Security.



*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
자동심실제세동기

ドアを開けると
アラーム音が鳴ります!

AED

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

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 Contribution to Local Communities

■ Greening Promotion Activities in Brazil

Nihon Kohden Brazil has designated every August as Sustainability Month. In FY2022, they distributed tree seeds of various species native to Brazil to all employees and business partners in Brazil. The President of Nihon Kohden Brazil commented, "With deforestation in the Amazon becoming an issue, it is necessary for all people to work together to protect the Amazon forests and achieve sustainability. Therefore, we wanted to share the importance of environmental protection not only with our employees but also with our business partners. This little green initiative has also given us a sense of peace of mind."

The Nihon Kohden Group will continue to promote environmental conservation activities as part of our contribution to society.



Tree seeds of Brazilian were origin distributed



Business partners helping to grow the seeds that were distributed

■ Donations to Support Earthquake Victims in Turkey and Syria

Nihon Kohden Group extends its deepest sympathies and condolences to all those who have suffered devastation in Turkey and Syria due to the earthquake in February 2023.

Nihon Kohden Group donated ¥5 million through the Japan Committee for UNICEF to support the victims of the earthquake.

We sincerely hope for swift recovery of the people and areas affected by the disaster.

■ Received the Medal with the Dark Blue Ribbon for Our Support in Response to the Situation in Ukraine

In October 2022, Nihon Kohden received a Medal with Dark Blue Ribbon from the Japanese Government for its donation to the Japan Committee for UNICEF (United Nations Children's Fund) in March 2022.

This donation was to support the humanitarian crisis in Ukraine*. The Medal with Dark Blue Ribbon is awarded to individuals and corporations who have donated private funds for the public good, and was received through the Committee in December 2022.

* Our support in response to the situation in Ukraine (Donation of relief fund) (Press release)

<https://www.nihonkohden.com/news/22033001.html>



Certificate of Merit for the Medal with Dark Blue Ribbon



We received the Medal with Dark Blue Ribbon through the Japan Committee for UNICEF.

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

Message from Director Responsible for Accounting

Role of 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.

Aiming to further strengthen group governance throughout the entire Nihon Kohden Group, I have promoted implementation of the Global Business Management Policy and started to develop a sophisticated company-wide risk management framework. In addition, through the promotion of corporate digital transformation (CDX), we will reinforce the business structure 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

Corporate 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. The year-end dividend per share for FY2022 increased by 21 yen from the initial forecast of 20 yen to 41 yen. As a result, the full-year dividend was 61 yen per share, including the interim dividend of 20 yen.

Additionally, the Company implemented share buybacks amounting to ¥999 million from May to June 2022 and cancelled 500 thousand shares of treasury shares in 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. The ROE for FY2022 was 10.6%.

To practice cost-conscious management, we have adopted NPV and IRR as investment decision criteria and started evaluating new investment projects in FY2022. We set our target IRR at 10%, which exceeds our cost of capital. The Board of Directors will verify the progress and effectiveness of investment projects. To respond to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, we have increased inventories of finished goods and parts. It has resulted in a longer cash conversion cycle, 235 days in FY2022. In FY2023, we will optimize the inventory level and aim at 190 days, a similar level to FY2021. The medium-term target is 150 days, considering uncertainties in the global business environment.

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

Financial / Non Financial Summary



(Millions of yen unless otherwise stated)

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business results												
Net sales	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727	205,129	206,603
Operating income	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094	30,992	21,120
Income attributable to owners of parent*1	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243	23,435	17,110
Financial position												
Current assets*2	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140	171,875	172,500
Current liabilities*2	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608	50,804	46,568
Total assets*2	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030	210,201	216,728
Net assets	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986	156,381	167,604
Cash flows												
Cash flows from operating activities	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945	25,699	(2,513)
Cash flows from investing activities	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)	(4,303)	(7,647)
Free cash flow	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999	21,396	(10,161)
Cash flows from financing activities	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)	(7,300)	(7,485)
Cash and cash equivalents	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356	60,095	43,988
Per share information												
Net income (Yen)*3	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21	276.51	203.28
Dividends (Yen)*4	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0	67.0	61.0
Other												
R&D costs	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357	5,711	6,200
Number of employees (Persons)	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531	5,639	5,751
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730	88,730	88,230
Key performance indicators												
ROE (%)	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0	15.9	10.6
Operating income margin (%)	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6	15.1	10.2
Dividend payout ratio (%)	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7	24.2	30.0

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

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

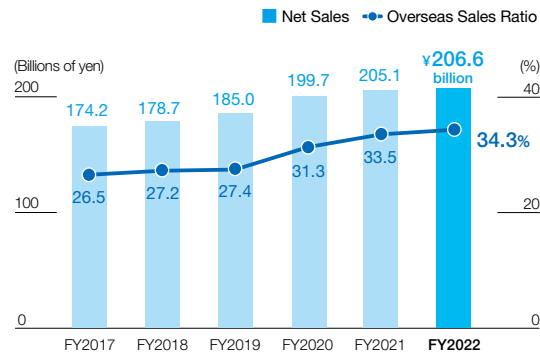
*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

*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.

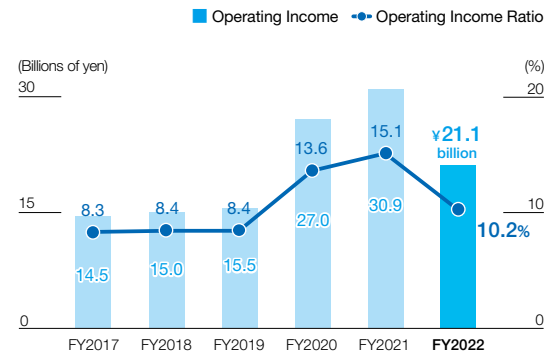
*5 Effective April 1, 2015, each share of common stock was split into two shares.

Financial / Non Financial Summary

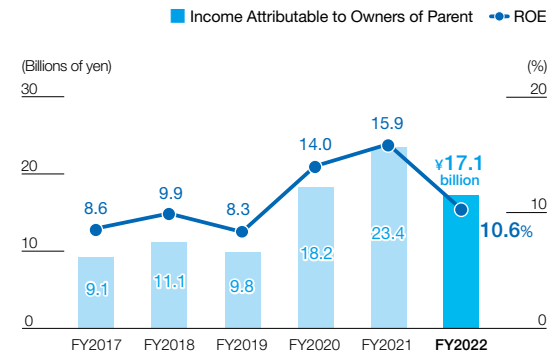
Net Sales/Overseas Sales Ratio



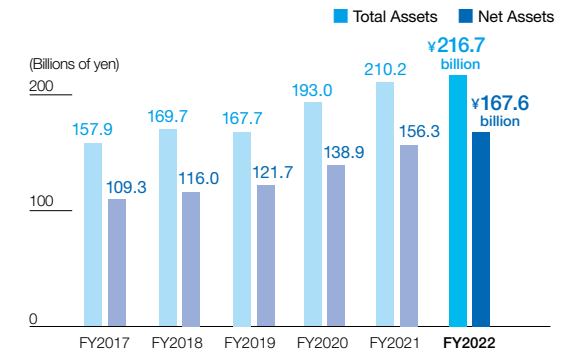
Operating Income/Operating Income Margin



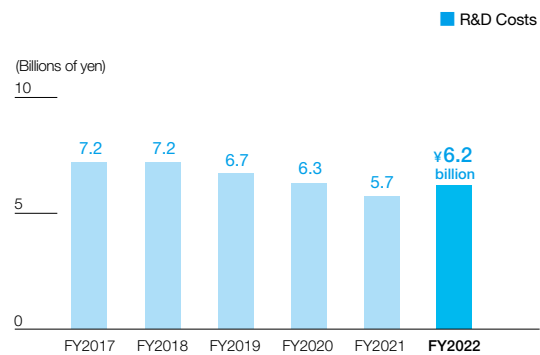
Income Attributable to Owners of Parent/ROE



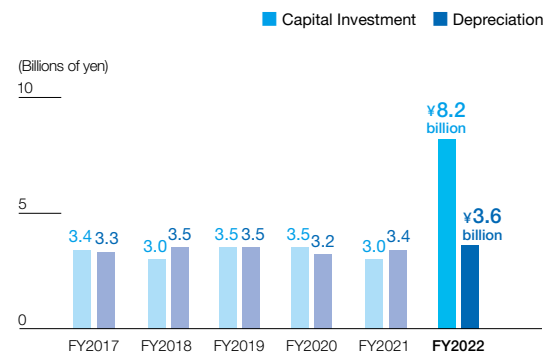
Total Assets/Net Assets



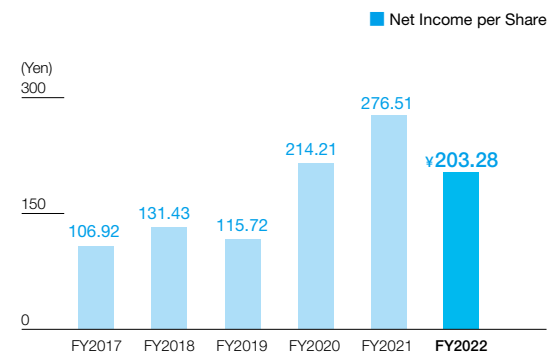
R&D Costs



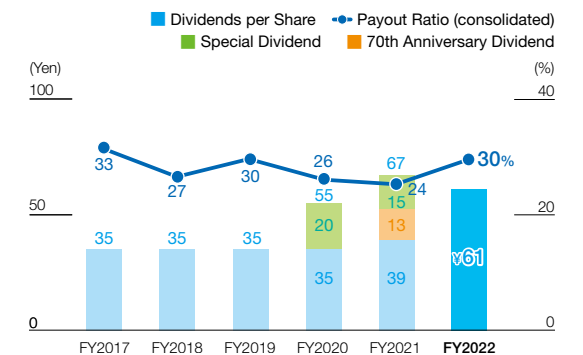
Capital Investment/Depreciation



Net Income per Share

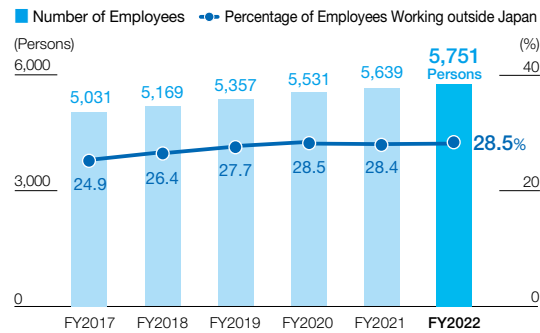


Dividends per Share/Payout Ratio (consolidated)

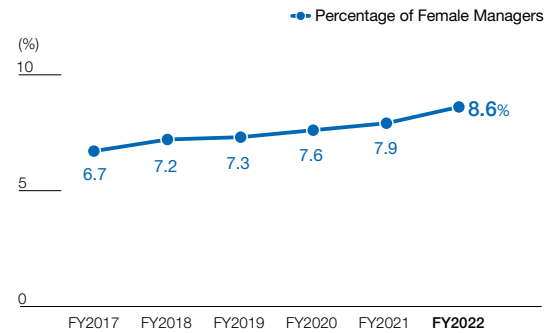


Financial / Non Financial Summary

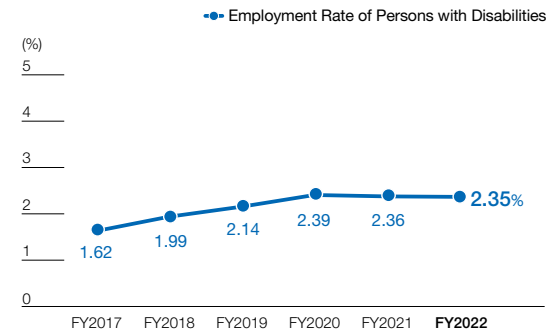
Number of Employees (Consolidated)/Percentage of Employees Working outside Japan



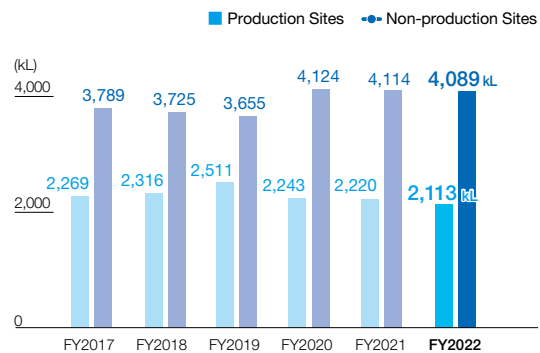
Percentage of Female Managers*1



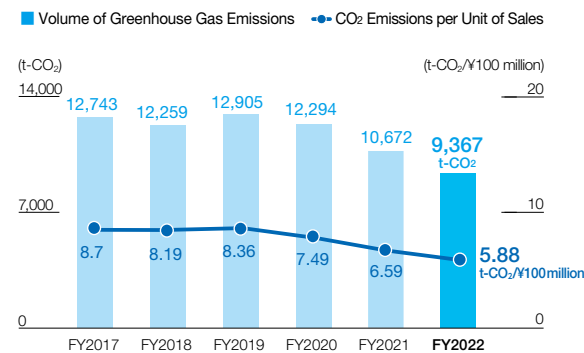
Employment Rate of Persons with Disabilities*1



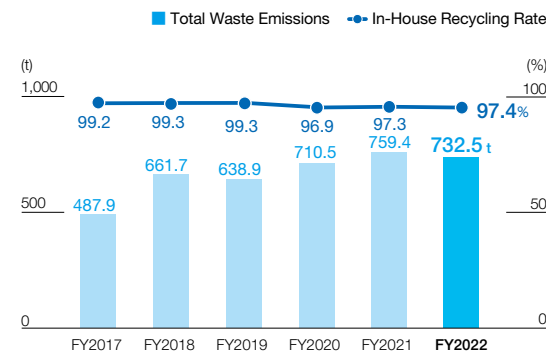
Total Energy Consumption (Barrels of Oil Equivalent (BOE))*2



Volume of Greenhouse Gas Emissions/CO₂ Emissions per Unit of Sales*2



Total Waste Emissions/In-House Recycling Rate*3

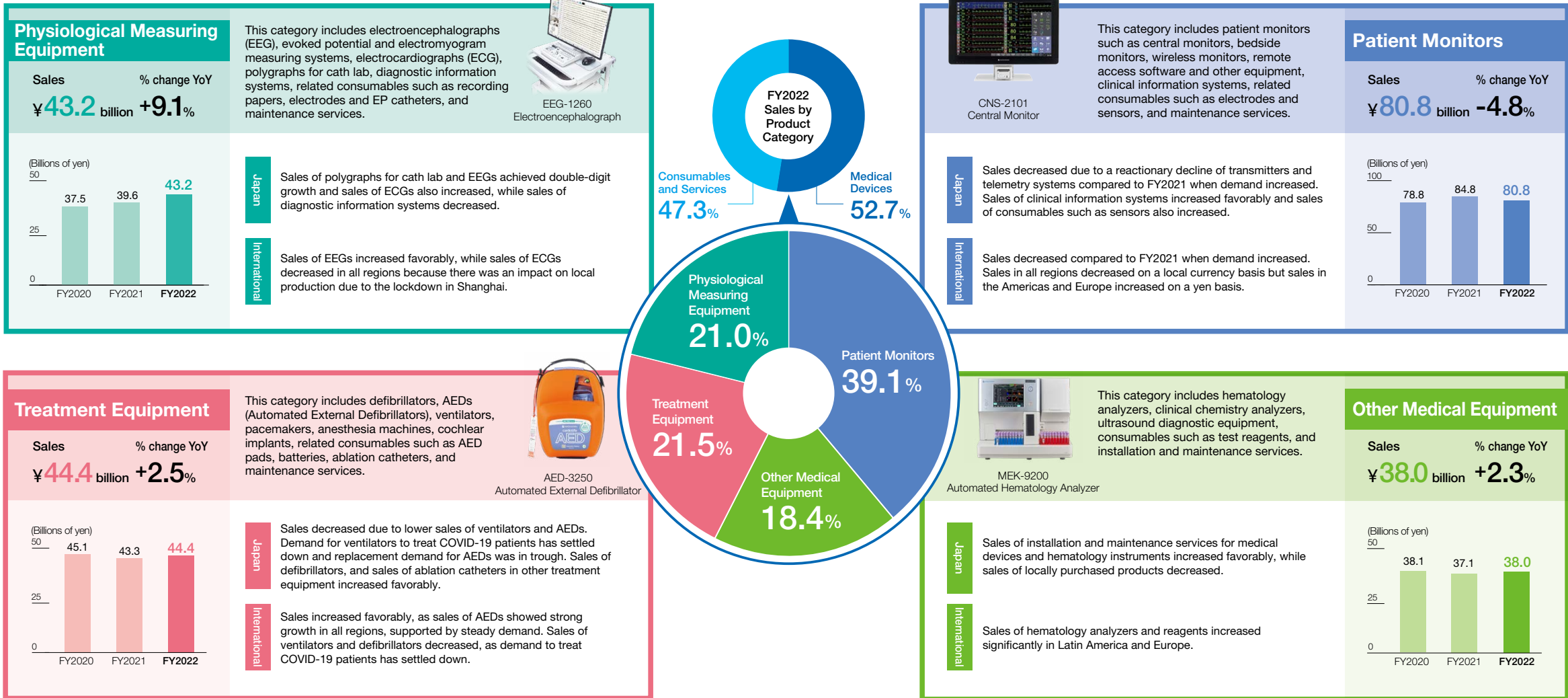


*1 The percentage of female managers and employment rate of person with disabilities are the combined totals for the parent company and the domestic sales branches.

*2 The figures for total energy consumption and volume of greenhouse gas emissions/CO₂ 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

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

Review of Operations

FY2022 was the second year of the Three-year Business Plan, BEACON 2030 Phase I. The Company formulated the basic policies of the plan as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and making strategic upfront investments, and iv) Establishing global SCM and strengthening core functions of operations.

The Company introduced a patient monitor specialized for neonatal resuscitation and an EEG amplifier with enhanced network capabilities in Japan, and an ECG with built-in wireless LAN both in Japan and internationally. In the U.S., the Company launched mid-range bedside monitors and a mask-type ventilator. In certain overseas markets, the Company also introduced a mid-range ventilator developed by Nihon Kohden OrangeMed, Inc, in the U.S. Internationally, Nihon Kohden strengthened its business structure. The Company decided to reorganize its U.S. subsidiaries into a holding company structure, and acquired Software Team Srl in Italy, a software development company which collects data and alarms from medical devices such as patient monitors and forwards to mobile phones. As a result of these measures, overall sales for FY2022 increased 0.7% over FY2021 to ¥206.6 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 as well as strengthening its marketing and service capabilities, creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency. Domestic sales decreased due to a reactionary decline in demand for patient monitors and ventilators, large numbers of which had been installed to treat COVID-19 patients in FY2021. On the other hand, sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the university and clinic market increased, while sales in the public hospital and private hospital markets decreased. Sales of AEDs in the PAD markets also decreased. As a result, domestic sales decreased 0.4% over FY2021 to ¥135.7 billion.

■ International

Sales increased on a yen basis due to yen depreciation, while sales in all regions decreased on a comparable basis. It was affected by a reactionary decline in sales of Patient Monitors and ventilators compared to strong demand in FY2021 in regions where the spread of COVID-19 had resurged, as well as the Shanghai lockdown from the end of March to the end of May 2022. In the Americas, sales in the U.S. increased on a yen basis. Sales in Latin America decreased, mainly in Mexico and Chile. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in France and Spain decreased, while sales in Germany and the U.K. increased favorably. Sales in Asia & Other decreased due to the reactionary decline in Egypt, India, and Vietnam where sales showed strong growth in FY2021. Sales also decreased in China, where patient monitors were installed due to the COVID-19 resurgence in December 2022, but not enough to cover the impact from the Shanghai lockdown. As a result, international sales increased 3.0% over FY2021 to ¥70.8 billion.

Management's Discussion and Analysis

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

Cost of sales increased 4.8% over FY2021 to ¥100.6 billion. The gross profit margin deteriorated by 1.9 percentage points to 51.3% due to higher material and component prices and a change in the sales mix, gross profit on sales decreased 2.9% over FY2021 to ¥105.9 billion. SGA expenses increased 8.6% over FY2021 to ¥84.8 billion due to the strengthening of human resources, as well as an increase in traveling expenses resulting from the normalization of sales and service activities. The ratio of SGA expenses rose 3.0 percentage points to 41.1%. R&D costs increased ¥0.5 billion year on year to ¥6.2 billion. The ratio of R&D costs to sales increased 0.2 percentage points to 3.0%. As a result, operating income decreased 31.9% over FY2021 to ¥21.1 billion. Income attributable to owners of parent decreased 27.0% over FY2021 to ¥17.1 billion.

Assets, Liabilities, and Equity

■ Assets

Total assets at the end of FY2022 increased by ¥6.5 billion compared to the end of the previous fiscal year. Current assets increased by ¥0.6 billion from the end of the previous fiscal year, mainly due to a decrease in securities (negotiable certificates of deposit) resulting from the purchase of inventories and fixed assets, as well as an increase in inventories of raw materials and products to ensure a stable supply. Fixed assets increased by ¥5.9 billion compared with the end of the previous fiscal year, mainly due to an increase in land and construction in progress for the acquisition of land for a new Tsurugashima plant and construction of a new plant at Nihon Kohden India Pvt. Ltd.

■ Liabilities and Equity

Total liabilities decreased by ¥4.6 billion compared to the end of the previous fiscal year, mainly due to a decrease in accrued income taxes. Total net assets increased by ¥11.2 billion compared to the end of the previous fiscal year, mainly due to an increase in retained earnings. Equity ratio increased by 2.9 percentage points to 77.3%.

■ Cash Flows

Funds used in operating activities totaled ¥2.5 billion (revenue of ¥25.6 billion in the previous fiscal year). This is mainly due to income before income taxes of ¥24.7 billion, an increase in inventories of ¥8.5 billion, an increase in trade receivables of ¥4.7 billion, a decrease in trade payables of ¥2.4 billion, and income tax payments of ¥10.3 billion. Funds used in investing activities increased by ¥3.3 billion year-on-year to ¥7.6 billion. This is mainly due to the purchase of land, property, plant and equipment such as promotional products, amounting to ¥7.4 billion. Funds used in financing activities increased by ¥0.1 billion year-on-year to ¥7.4 billion. This is mainly due to cash dividends paid of ¥5.7 billion and purchase of treasury shares of ¥1.0 billion. Cash and cash equivalents at the end of FY2022 were ¥43.9 billion, down ¥16.1 billion from the end of the previous fiscal year.

■ ROE

ROE in FY2022 was 10.6%, remaining above the target of 10%. The decrease from 15.9% in the previous fiscal year was due to a decline in the net profit margin as a result of lower operating income.

Company Information

Company Overview (as of March 31, 2023)

Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales <small>(Consolidated)</small>	¥206.6 billion <small>(Fiscal year ended March 31, 2023)</small>
Type of Business	Development, production, and sales of medical electronic equipment
Employees <small>(Consolidated)</small>	5,751 persons

Stock Overview (as of March 31, 2023)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	88,230,980 shares
Number of Shareholders	6,326 persons

Subsidiaries: 31 companies (as of March 31, 2023)

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. *
- Software Team Srl

Group General Affairs and Staffing

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

Other

- RESUSCITATION SOLUTION, INC *



* In April 2023, Nihon Kohden America, Neurotronics, Nihon Kohden Digital Health Solutions, Advanced Medical Predictive Devices, Diagnostics and Displays, and Nihon Kohden Innovation Center converted from corporations to limited liability companies in each applicable U.S. jurisdiction. The Company also dissolved Resuscitation Solution. Additionally, NKS Bangkok changed its name to Nihon Kohden (Thailand).

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 32 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 31 consolidated subsidiaries (as of March 31, 2023).

Period from April 1, 2022 to March 31, 2023*

* 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/index.html>



Sustainability Page

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

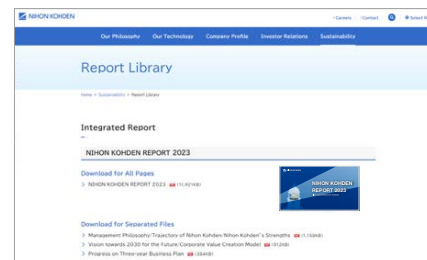
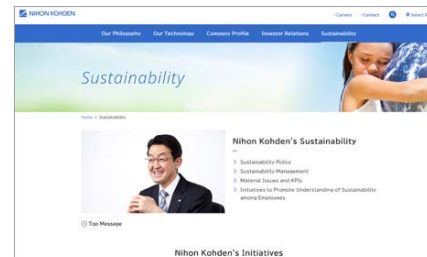
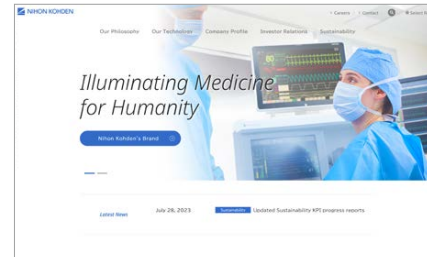
<https://www.nihonkohden.com/sustainability.html>



Integrated Report

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

<https://www.nihonkohden.com/sustainability/report-library.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 2023

(next publication: expected to be issued in September 2024)

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 CO₂ emissions during delivery and transportation.

Published by

Corporate Strategy Division, Nihon Kohden Corporation