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70th

ANNIVERSARY
- Thank you -

 NIHON KOHDEN



ANNUAL REPORT 2021

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 because of their 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.

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



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

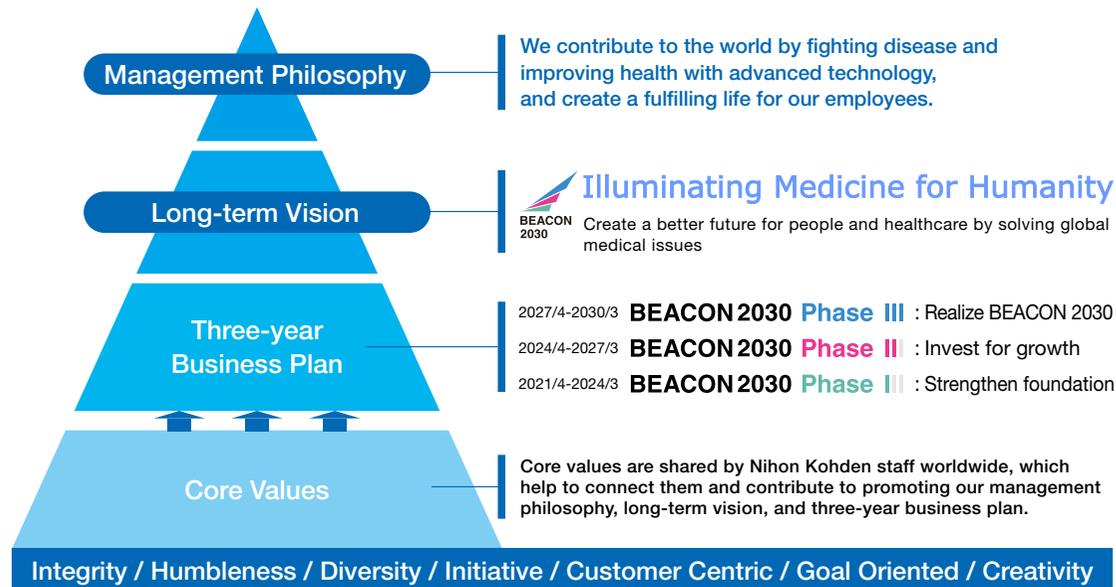


Founder Yoshio Ogino

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

Long-term Vision and Three-year Business Plan

In accordance with its management philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, in September 2020, Nihon Kohden announced its long-term vision, BEACON 2030, for the period until 2030 with the aims of achieving a sustainable society and enhancing the corporate value of the Company. Nihon Kohden aims to create a better future for people and healthcare by solving global medical issues.



We announced our long-term vision for 2030.

Under the three-year business plan, which is the first phase of the long-term vision, the Company will work on improving the profitability of existing businesses and cultivating new business areas and business models.

Vision Statement

Illuminating Medicine for Humanity

Create a better future for people and healthcare by solving global medical issues

1 Illuminate the future of medicine through our understanding of humanity

We will seek better patient outcomes and economy of medical care by remaining a close partner with healthcare professionals and patients around the world, and by leveraging our problem-solving capabilities rooted in clinical expertise.

2 Illuminate the lives of many by co-creating unprecedented value

We will realize the optimal care cycle for each patient, by utilizing our core strength in Human Machine Interface technology with advanced digital technology and data collected from medical sites.

3 Illuminate the potential of our people and organization by embracing new challenges

We will build an open-minded and creative team of individuals around the world who take pride in their contribution to healthcare and their mission to solve global medical issues facing humankind.

Long-term Vision and Three-year Business Plan

Three Phases and Management Index for Achieving Long-term Vision

Nihon Kohden has set three phases for the period until March 2030. Nihon Kohden will realize its long-term vision by implementing transformations and steadily achieving the themes in each phase. We set the operating income margin and overseas sales ratio as management indicators with the aim of becoming a global company that creates high added value.



The target levels in the fiscal year ending March 2030

Operating margin **15%** Overseas sales ratio **45%**

Established Core Values of Nihon Kohden

In conjunction with the long-term vision, Nihon Kohden has established Core Values of the Company, which will be shared by and help connect Nihon Kohden staff worldwide. Nihon Kohden aims at realizing its management philosophy based on the Core Values of the Company.

• Integrity

We work with duty and pride to save the lives of many.

• Humbleness

We are humble in the face of challenges and act proactively to solve them.

• Diversity

We are able to reach our potential by leveraging diversity with trust and understanding.

• Initiative

We think and act autonomously with leadership.

• Customer Centric

We take every action to improve the experience of our customers and patients.

• Goal Oriented

We think of how we can achieve our goals, rather than dwell on what we cannot do.

• Creativity

We are not bound by the past, but instead we innovate to create unprecedented value.

Long-term Vision and Three-year Business Plan

Review of FY2020

As the business environment had changed significantly due to the COVID-19 pandemic, Nihon Kohden conducted its business activities in FY2020 in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company. The Company also ramped up production of patient monitors and ventilators at the Tomioka Production Center, Shanghai Kohden (China), and Nihon Kohden OrangeMed (U.S.) to meet demand, which was boosted by the growing number of COVID-19 patients. As a result, the Company was able to acquire a new customer base. One of the greatest achievements is that the ventilator business has grown to a certain scale driven by the Company's two types of in-house ventilators launched in FY2019. In Japan, the Company strived to sell in-house products for creating customer value. The Company also focused on the following proposals: a solution that enables medical staff to view patients' conditions remotely on mobile terminals from out of ward, the cloud-based service named LAVITA that enables management of medical data for COVID-19 patients in accommodation facilities, and disposable consumables. Internationally, the Company has positioned the U.S. and China as growth markets and established the US Operations and the China Operations headquarters in April 2020. In the U.S., the Company strengthened its business operations and enhanced the collaboration among its six subsidiaries. The Company also started a program to respond to COVID-19, NK-HealthProtect. In China, the Company enhanced its local R&D and production capabilities to meet the local customer needs.

Furthermore, the Company has continued to give top priority to the support of medical workers by maintaining supply of products and services, while implementing thorough measures to prevent infection in all regions. The Company also started providing online seminars and training programs. As a result of these developments, the Company posted record highs both in sales and profits in FY2020.

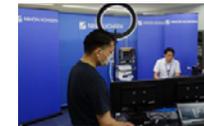
Measures Implemented in FY2020

COVID-19 infection control measures

- Maintained supply of products and services, while implementing thorough measures to prevent infection



- Provided and expanded online seminars and training programs



Measures to ramp-up production

- Continued ramping up production until the end of FY2020 to meet domestic and overseas demand increase



- Unit sales of in-house ventilators (FY2020)

NKV-330: approx. 1,000 units
NKV-550: approx. 2,000 units



Results

- Continued support of medical workers in clinical practice by fulfilling our responsibility as a medical device manufacturer to supply products
- Expanded installation base of patient monitors and ventilators

Long-term Vision and Three-year Business Plan

Measures to Strengthen Foundation during BEACON 2030 Phase I

The three-year business plan, BEACON 2030 Phase I starting from April 2021 is the stage in which the Company strengthens its business foundation to support the realization of its long-term vision. In this stage, the Company will work on improving the profitability of existing businesses and cultivating new business areas and business models. To embrace sustainability across business and corporate activities, we will ensure strict compliance and strengthen group governance, improve the profitability of existing businesses and make upfront strategic investments, and establish global supply chain management and strengthen the core functions of our operations.

We will also promote key strategies from three standpoints: management, business, and operations. From the management standpoint, we will work on ensuring strict compliance and strengthening group governance. We will also establish and promote a global management policy and strengthen the internal control over domestic sales. From the business standpoint, we will improve the profitability of existing businesses. We will also build a data platform to integrate and analyze vital sign data and provide clinical support applications to improve patient outcomes and the economy of medical care in order to create new customer value by digital health solutions. From the operation standpoint, to encourage corporate digital transformation (DX) and enhance global supply chain management (GSCM), we will establish a global information system and a communication system. We will also promote work-style reforms and higher business efficiency.

Targets for FY2023 ending March 2024 (consolidated)

The numerical targets for FY2023 are shown in the table on the right. Consolidated financial results for FY2020 exceeded the targets of the three-year business plan. However, the Company reaffirms the targets for FY2023, because there is no change in the assumptions regarding the market environment from the time the plan was formulated. There is also no impact on the basic policy and key strategies for the three-year business plan. We will strive to minimize the reactionary decline of special demand related to COVID-19. We also aim to achieve 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.

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

Basic policy

Embrace sustainability across business and corporate activities

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

Six key strategies

Management	Ensure strict compliance and strengthen group governance
Business	Improve the profitability of existing businesses
Business	Strengthen strategies in global business
Business	Create new customer value by digital health solutions
Operations	Promote corporate digital transformation
Operations	Establish global supply chain management

Targets for FY2023 ending March 2024 (consolidated)

Sales	197 Billions of yen	Domestic sales	134 Billions of yen	Overseas sales	63 Billions of yen
	Operating income (Operating income margin)	20 Billions of yen (10.2%)		ROE	10%

Message from Management



**Striving to rebuild trust
with all stakeholders through review
of the compliance program
and steady implementation
of the three-year business plan**

Representative Director
President and CEO



Introduction

In regard to the incident where three former employees in Japan were arrested and indicted for prosecution on suspicion of bribery, I sincerely apologize to our customers, business partners, shareholders, and all related parties for all of the inconvenience and concerns this may have caused. We set up an Investigation Committee, including two independent outside directors and two outside lawyers, to clarify the facts of this matter. We received a report stating that no fact of systematic misconduct by the Company as an organization was confirmed and that no facts were found of any matters that could be considered as similar cases. The persons concerned, including myself, were dealt with severely. We deeply regret the fact that our checks during the discount approval process and confirmation of domestic dealers' compliance were insufficient, as well as the fact that sales targets were emphasized in the management of the sales process and the compliance was not thoroughly enforced.

In accordance with the recommendations of the Investigation Committee, we have established a Committee for Implementation and Management of Recurrence Prevention Measures to implement appropriate measures quickly and reliably, and prevent similar matters from occurring again. To strengthen our corporate governance, we are reviewing our organizational structure. We will introduce a donation website and establish a review organization that is independent of the sales divisions. To strengthen internal controls, we will apply IT controls to pre-order processes such as price discounting. As part of the process of strengthening mutual check procedures with dealers, a whistle-blowing channel for third parties will be established. Furthermore, we will review the employee performance evaluation system, provide thorough compliance education, and establish a system to monitor the implementation of recurrence prevention measures.

I sincerely pledge that each executive and employee will carry out open and honest corporate activities, with a high sense of ethics, and to ensure that we have established our Ethical Company Declaration. Under our Management Philosophy, we will enhance our awareness of doing what is ethically right and foster a corporate culture that values compliance above all else.

Here and now, once more, I firmly pledge that we will return to our roots as a medical device manufacturer, and diligently apply ourselves to our business, to become a company that is trusted by its stakeholders more than ever before.

Message from Management

Fulfilling Our Responsibilities as a Medical Device Manufacturer and Posting Record Highs

In FY2020, we focused on our response to the changing business environment due to the COVID-19 pandemic. We implemented thorough measures to prevent infection, while striving to continue to increase production and provide products and services to support clinical practice. As a result, by being able to respond to the rapidly expanding demand for patient monitors and ventilators in Japan and internationally, we were able to achieve record highs both in sales and profits. In addition, we hope that the significant expansion of product installation bases will lead to growth in our consumables and services business in the future.

We received the following message from an employee in Brazil: “By delivering products to customers, we contribute to medical care, which leads to saving patient lives. It makes me proud to work at Nihon Kohden.” The fact that we were able to achieve strong results amid tough conditions is the result of the dedicated efforts of each of our employees worldwide to fulfill our responsibilities as a medical device manufacturer. I sincerely thank all our employees, and feel pride in their dedicated conduct.

Furthermore, in the midst of the COVID-19 crisis, the usefulness of the pulse oximeter to accurately detect hypoxia in patients with mild or no symptoms, in order to implement appropriate treatment before the illness becomes more serious, has been reaffirmed worldwide. In 1974, the principle of pulse oximetry was invented by Dr. Aoyagi, one of engineers of Nihon Kohden. Dr. Aoyagi passed away in April 2020, but his significant contribution to medical care safety worldwide has been recognized, and Nihon Kohden was awarded the 4th Japan Medical Research and Development



Medical workers and our employees who delivered patient monitors to a hospital accepting COVID-19 patients in Brazil in March 2021.

Grand Prize / Prime Minister's Award in December 2020 for the development and practical application of the pulse oximeter. Encouraged by this award, we will continue our efforts in the research and development of outstanding medical technology.



Announced Long-term Vision BEACON 2030 and Three-year Business Plan BEACON 2030 Phase I

Create a better future for people and healthcare by solving global medical issues

The long-term vision BEACON 2030 is a vision statement of where we want Nihon Kohden to be in 2030. It incorporates the hope of all our employees that, in the ever-changing medical environment, we work for patients and their families, with healthcare professionals, and our business partners and colleagues around the world to save the lives of more patients, and to become the beacon that lights the path forward to the future of people and healthcare.

The three-year business plan, BEACON 2030 Phase I, which started in April 2021, is the first phase toward the realization of the long-term vision, BEACON 2030. In this phase, we will strengthen our foundation supporting sustainable growth, and cultivate new business areas and business models. In the three-year business plan, we will implement key strategies based on the basic policy of embracing sustainability across business and corporate activities.

Message from Management

Nihon Kohden's First Targets in Sustainability

To embrace sustainability, the Nihon Kohden Group defined and set goals for 12 material issues. As a technology company, Nihon Kohden will embrace sustainability across business and corporate activities based on five technologies, including Human Machine Interface technologies, which will be a source of value creation, and green technologies to reduce our environmental footprint. In business activities, we will address 8 issues aimed at realizing the 5 visions for the future which we designated in our long-term vision: Accessible, Intelligent, Patient oriented, Connected, and Optimized. In corporate activities, we will address 4 issues of Human rights / Human resources, Quality, Governance, and Environment.

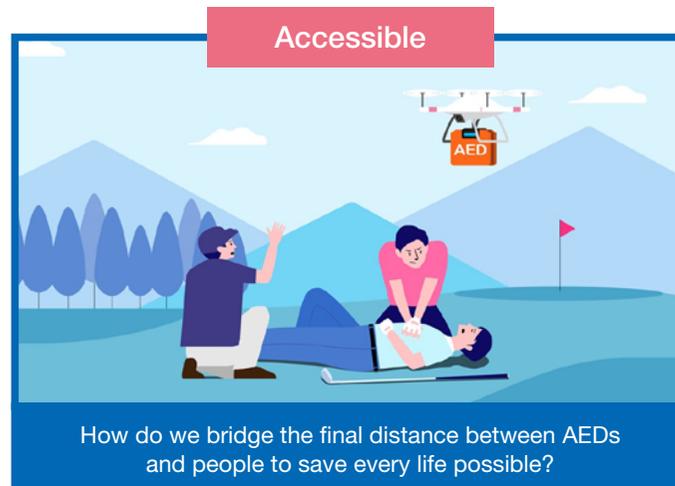
One example of five visions of the future: Accessible



Mobile AED



AED for home



One of the medical issues to be addressed through our business is to improve resuscitation rates by expanding access to AEDs. Currently approx. 600k units of AEDs have been installed in Japan, but their utilization rate still remains low. Increasing not only the installation of AEDs but also their utilization rate is the key to saving many lives. We promote the deployment of mobile AEDs and home AEDs in locations where AEDs are currently not used. We also aim at improving resuscitation rates by further increasing the level of awareness of AEDs in society, including holding CPR training and AED workshops. One more issue is to contribute to care for patients with heart failure, brain disorders, and infection. The number of patients suffering heart failure and brain disorders is increasing not only in Japan but also in other countries where the population is aging. Meanwhile, the COVID-19 pandemic has raised awareness of the importance of infectious disease care. In response to these medical care issues, Nihon Kohden's technologies will enable rapid testing, diagnosis, and treatment, allowing healthcare professionals to deliver advanced medical care while also implementing infection countermeasures, and allowing us to actively contribute to improving the quality of medical care.

Message from Management

Strengthening our Foundation from Three Standpoints

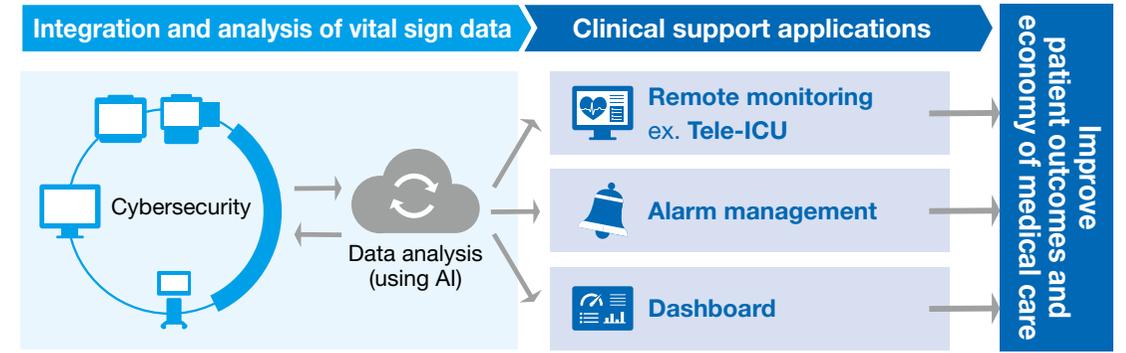
The three-year business plan is positioned as Phase I to strengthen our foundation for realizing sustainable growth. We will promote key strategies from the standpoints of management, business, and operations.

First of all, from the standpoint of management, we will ensure strict compliance and strengthen group governance as our most important key strategy. We believe that strengthening group governance will in itself become a driving force for global growth of the business.

Next, the first key strategy from the standpoint of business is to improve the profitability of existing businesses. We aim at transforming each existing business into a highly profitable structure through implementation of the following common measures across all businesses: creating high customer value, improving productivity within the organization, and timely launches of new products.

The second key strategy is to strengthen strategies in our global business. In Japan, we will enhance solution proposals that contribute to improving the quality of medical care and addressing medical issues. In the U.S., we will further strengthen our business structure by functional integration and unification of six local subsidiaries. In China, we will maximize customer value by utilizing our local R&D, production, and sales functions. In Europe and Emerging markets, we will expand sales to our new customer base and promote solution proposals. In this way, Nihon Kohden will strengthen its strategies in each regional market.

The third key strategy is to create new customer value by digital health solutions (DHS). Due to the global COVID-19 pandemic, the digital transformation in medical care, such as remote monitoring and telemedicine, will be accelerated. Nihon Kohden has designated digital health solutions (DHS) as a new business to develop and will work to expand our business in this field. With HMI technology as one of our core technologies, we will build a data platform to consolidate patients' vital sign data from medical equipment and analyze that data using technologies such as AI. We will also provide clinical support applications such as tele-ICU, alarm management to notify of changes in patient condition, and dashboard functions for viewing hospital-wide data. Through these measures, we will contribute to improving patient outcomes and economy of medical care. In April 2021, NKUS Lab was rebranded as Nihon Kohden Digital Health Solutions, Inc. in order to accelerate the realization of the DHS concept.

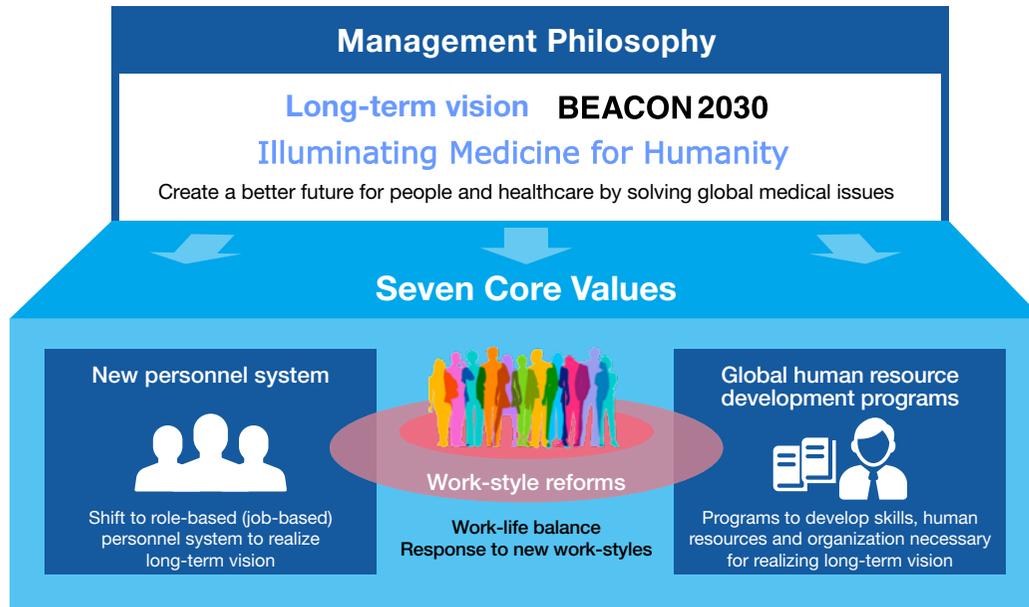


Next, from an operational standpoint, we aim to establish a global supply chain management (GSCM) and strengthen the core functions of our operations. The key to achieving this is the construction of a common digital platform by promoting corporate digital transformation (CDX). We will enhance group-wide cybersecurity as well as focus on establishing a global information and communication system, in order to improve productivity within the organization and strengthen corporate functions including risk management.

In addition, we will visualize all data in our supply chain by consolidating information from production sites expanded around the world. By leveraging the information collected, we will implement reforms to our operational processes in procurement, production, and logistics, including the standardization of production processes and realization of optimal local production.

Finally, it is most important to develop human resources to promote these key strategies. Nihon Kohden actively strives to foster a corporate culture in which employees take pride in their contribution to healthcare and to our mission, as mentioned among our material issues for embracing sustainability. The Core Values newly established along with our long-term vision, BEACON 2030, provide the foundation for this. Based on these Core Values, the Company will introduce a new role-based personnel system, enhance global human resource development programs, and promote work-style reforms adapted to the COVID-19 era.

Foster a Corporate Culture in which Employees Take Pride in Their Contribution to Healthcare and to Our Mission



Special Dividend and Share Buybacks

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.

As the business performance in FY2020 was favorable, as a return to shareholders, we decided to pay a special dividend of 20 yen per share in addition to the ordinary year-end dividend of 18 yen per share. As a result, the full-year dividend for FY2020 was 55 yen per share, including the interim dividend of 17 yen per share. We also implemented share buybacks up to 1.5 billion yen. The full-year dividend for FY2021 will be 39 yen per share (interim dividend of 19 yen per share and year-end dividend of 20 yen per share).

Marking Our 70th Anniversary and Looking Forward to Further Growth Together

Since Nihon Kohden was founded in 1951, we have continued our business activities under its management philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. This August marks our 70th anniversary. We wish to express our sincere gratitude once again to our shareholders and all stakeholders for their continued support over the long years since our founding.

Under its long-term vision, BEACON 2030, Nihon Kohden will grow into a company that can create a better future for people and healthcare by solving global medical issues, where each of our employees take pride in contribution to healthcare and to our mission, and where we work closely with patients and healthcare professionals around the world.

We ask for your continued guidance and encouragement in the future.

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



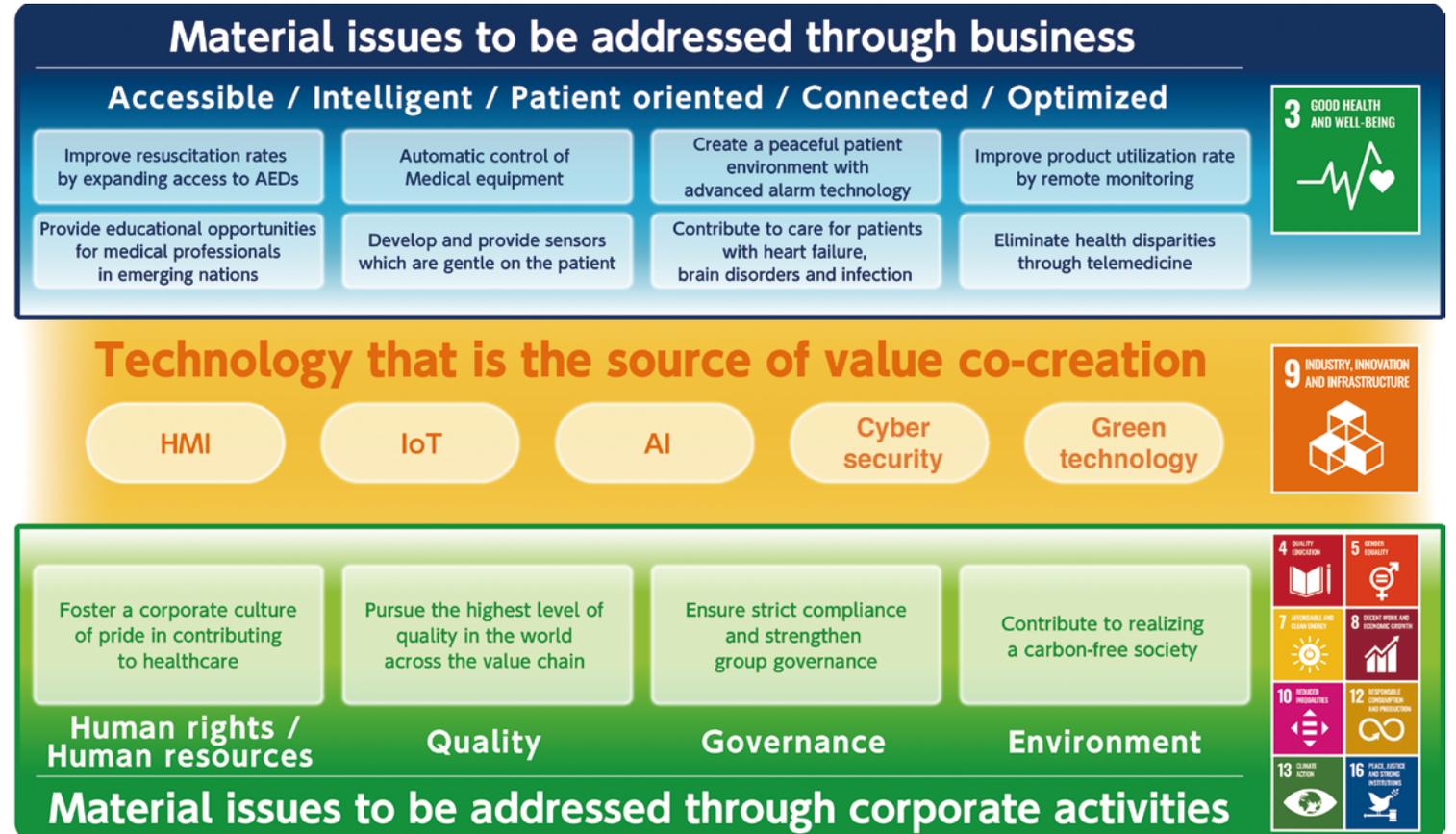
Sustainability Policy

To realize its management philosophy, Nihon Kohden strives to earn the trust of our customers, shareholders, business partners, and society in all aspects of products, services, technology, financial position, and employee quality.

Sustainability at Nihon Kohden

In recent years, activities aimed at achieving the UN Sustainable Development Goals 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 material issues to be addressed through business and corporate activities. The Company also incorporated these non-financial targets into its three-year business plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs. 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 Policy

Join UN Global Compact

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



External Evaluation

■ MSCI Japan ESG Select Leaders Index

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

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

■ MSCI Japan Empowering Women Index (WIN)

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 constituent of the MSCI Japan Empowering Women Index (WIN) since 2020.

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

■ 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.

In 2021, Nihon Kohden is rated as "Prime" in the Health Care Equipment & Supplies industry sector.



Governance

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

GOVERNANCE

Enhancing Corporate Governance

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

Basic Views on Corporate Governance

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

Corporate Governance Structure

Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory functions, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors, who comprise one-third of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, the Internal Auditing Department, and the Accounting Auditor. The Company believes the management monitoring functions work sufficiently. The Company registered four outside directors as independent directors, who have no conflict of interest between general shareholders and them, to the Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council. They provide opinions from an objective and neutral standpoint if necessary and supervise the Company's management.

■ Board of Directors

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

■ Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, including two outside directors and one full-time member. Each Audit & Supervisory Committee member attends the important meetings such as the Management Council. Each Audit & Supervisory Committee member audits the performance of the directors' duties through the investigation of business execution and assets of the Company and its subsidiaries. Those activities shall be in accordance with the audit policy and plan for the term which is decided at the Audit & Supervisory Committee. The Audit & Supervisory Committee cooperates closely with the Accounting Auditor and the Internal Auditing Department. The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

■ Management Council

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

Enhancing Corporate Governance

■ Nomination & Remuneration Committee

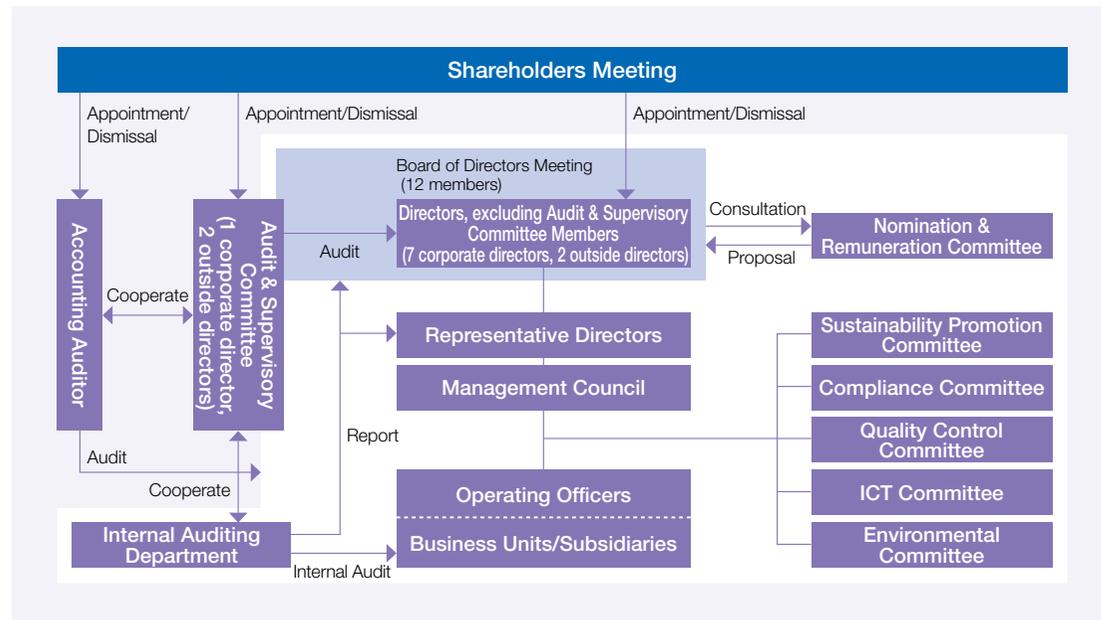
The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure the transparency and objectivity of the management. All four committee members and the committee chair are appointed from outside directors. The Nomination & Remuneration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

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

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



Corporate Organization and Internal Control System



Process of Nominating and Dismissing Directors

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

Nomination and Dismissal of Directors

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

Nomination of Outside Directors

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

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

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

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

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

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

Enhancing Corporate Governance

Total Amount of Remuneration of Directors in FY2020

Millions of yen	Total amount of remuneration	Total amount of remuneration by type			Number of directors
		Fixed monthly compensation	Performance-based compensation	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee members)	299	167	108	24	7
Directors (Audit & Supervisory Committee members)	22	22	—	—	1
Outside directors	39	39	—	—	6

(Note) The amount above does not include 42 million yen which is the directors' salary as employees of the Company. The number of directors receiving restricted stock remuneration is six. (One non-resident of Japan is not eligible for payment). The 65th general shareholders meeting held on June 28, 2016 approved the following: i) with respect to the amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members, total amount shall be within the limit of 400 million yen (including the amount of remuneration to outside directors which shall be within the limit of 30 million yen), ii) with respect to the amount of remuneration to Audit & Supervisory Committee members, total amount shall be within the limit of 80 million yen. The 69th general shareholders meeting held on June 25, 2020 approved the following: The maximum amount of monetary compensation receivables to be paid to directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) in respect of restricted stock shall be within the limit of 100 million yen.

Board of Directors Evaluation

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

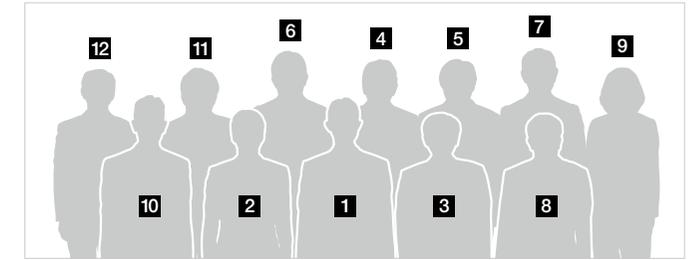
As a result, it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory functions have been established in terms of size, composition, and operations of the Board. It was also concluded that the Board operates effectively with an open atmosphere that enables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

In FY2020, based on the FY2019 evaluation results, the Company improved operational methods to ensure adequate time for deliberation by the Board. In addition, the Board of Directors and the Nomination & Remuneration Committees, which is a voluntary advisory committee under the Board, have become more active in discussing the fostering of successors to the Chief Executive Officer and other executives. On the other hand, the Board members shared the following issues: the need for further discussion on compliance, internal controls, and risk management as well as reinforcing the support systems for outside directors.

In addition to continuing past improvement measures, the Company will strengthen organizational functions to facilitate deeper discussion by the Board on compliance, internal controls, and risk management based on FY2020 evaluation results.

The Company will continue to improve the overall effectiveness of the Board with the aim of achieving sustained growth of corporate value and enhancement of corporate governance.

Management Team



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

1 Hirokazu Ogino

Representative Director
President and CEO

Served as Director for 9 years
Attendance at Board Meetings 20/20 (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 Operations

Served as Director for 13 years
Attendance at Board Meetings 20/20 (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

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

Served as Director for 6 years
Attendance at Board Meetings 20/20 (100%)
Date of birth June 17, 1959
Apr. 1983 Joined The Saitama Bank Ltd.
Jun. 2009 Operating Officer of Saitama Resona Bank Limited
Jun. 2011 Senior Operating Officer of Saitama Resona Bank Limited
Jun. 2013 Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
Mar. 2014 Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
Apr. 2014 Joined the Company
Jun. 2014 Operating Officer and Responsible for Internal Auditing Department
Jun. 2015 Corporate Director and Senior Operating Officer (current position)
Apr. 2017 Chief Compliance Officer (current position)
Apr. 2020 General Manager of Global Corporate Administration Operations (current position)

4 Kazuteru Yanagihara

Director
Senior Operating Officer, General Manager of Strategic Technology Operations

Served as Director for 6 years
Attendance at Board Meetings 20/20 (100%)
Date of birth January 22, 1957
Apr. 1980 Joined the Company
Apr. 2009 Deputy General Manager of Biomedical Instrument Technology Center
Apr. 2011 General Manager of Technology Promotion Center
Jun. 2011 Deputy General Manager of Biomedical Instrument Technology Center
Apr. 2012 General Manager of Biomedical Instrument Technology Center
Jun. 2012 Operating Officer
Apr. 2014 General Manager of Strategic Technology Operations (current position)
Jun. 2015 Corporate Director and Operating Officer
Jun. 2017 Corporate Director and Senior Operating Officer (current position)

5 Fumio Hirose

Director

Senior Operating Officer, General Manager of Business Strategy Operations

Served as Director for 6 years

Attendance at Board Meetings 20/20 (100%)

Date of birth March 2, 1960

Apr. 1982 Joined the Company

Apr. 2003 President of Nihon Kohden Chushikoku Corporation

Apr. 2006 Chief Manager of Global Marketing Operations

Apr. 2009 General Manager of Corporate Planning Department

Jun. 2009 Operating Officer

Apr. 2013 General Manager of Ventilator & Anesthesia Device Business Operations

Jun. 2015 Corporate Director and Operating Officer

Jun. 2017 Corporate Director and Senior Operating Officer (current position)

Apr. 2018 General Manager of IVD Business Operations

Apr. 2020 General Manager of Business Strategy Operations (current position)

9 Kanako Muraoka

Outside Director Independent Director

Served as Director for 1 year

Attendance at Board Meetings 13/13 (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)

Jun. 2019 Established Mars Law Office

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)

6 Eiichi Tanaka

Director

Operating Officer, General Manager of US Operations

Served as Director for 4 years

Attendance at Board Meetings 20/20 (100%)

Date of birth July 15, 1962

Apr. 1985 Joined the Company

Apr. 2002 General Manager of Marketing & Business Development Department

Oct. 2003 President of Nihon Kohden America, Inc.

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

Jun. 2008 Operating Officer

Apr. 2011 General Manager of Accessories & Consumables Business Operations

Apr. 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation

Apr. 2014 President of Nihon Kohden Tomioka Corporation

Apr. 2017 General Manager of Import Business Operations

Jun. 2017 Corporate Director and Operating Officer (current position)

Apr. 2019 General Manager of Corporate Strategy Division

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

10 Shigeru Hirata

Newly appointed Director

Full-time Audit & Supervisory Committee Member

Date of birth May 12, 1961

Apr. 1985 Joined the Company

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

Jun. 2011 Operating Officer

Apr. 2014 General Manager of Human Resources Department

Apr. 2016 General Manager of Finance Department

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

Apr. 2021 Operating Officer in charge of Internal Auditing

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

7 Yasuhiro Yoshitake

Director

Operating Officer, General Manager of International Operations

Served as Director for 4 years

Attendance at Board Meetings 20/20 (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 Operations
(current position)

Jun. 2017 Corporate Director and Operating Officer
(current position)

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

11 Shigeru Kawatsuhara

Outside Director Independent Director

Audit & Supervisory Committee Member

Served as Director for 5 years

Attendance at Board Meetings 20/20 (100%)

Attendance at Audit & Supervisory Committee Meetings 25/25 (100%)

Date of birth February 14, 1952

Apr. 1975 Joined Toko, Inc.

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

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

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

Apr. 2008 President of Toko, Inc.

May 2014 Chairman of Toko, Inc.

Mar. 2015 Senior Advisor of Toko, Inc.

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

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

8 Minoru Obara

Outside Director Independent Director

Served as Director for 9 years

Attendance at Board Meetings 20/20 (100%)

Date of birth September 29, 1947

Apr. 1986 Associate Professor at Dept. of Electrical Engineering,
Faculty of Science and Technology, Keio University

Apr. 1993 Professor at Dept. of Electrical Engineering
(current Dept. of Electronics and Electrical Engineering),
Faculty of Science and Technology, Keio University

Jun. 2012 Outside Director of the Company (current position)

Apr. 2013 Professor Emeritus at Keio University
(current position)

12 Kazuo Shimizu

Outside Director Independent Director

Audit & Supervisory Committee Member

Served as Director for 1 year

Attendance at Board Meetings 13/13 (100%)

Attendance at Audit & Supervisory Committee Meetings 15/15 (100%)

Date of birth May 16, 1959

Apr. 1983 Joined Nippon Yusen Kabushiki Kaisha

Oct. 1989 Joined Asahi Audit Corporation
(currently KPMG AZSA LLC)

Oct. 1992 Joined Shimizu Susumu Certified Tax Accountant Office

Mar. 1993 Registered as a Certified Public Accountant

May 1994 Registered as a Certified Tax Accountant

Jan. 2003 Joined Ernst & Young Shinnihon Tax
(currently Ernst & Young Tax Co.)

Sep. 2013 Joined Shimizu Accounting Office (to present)
Representative Partner of Ryoh-koh Audit Corporation
(current position)

Jun. 2020 Outside Director
(Audit & Supervisory Committee Member)
of the Company (current position)

Message from Outside Directors

The following are messages from the four outside directors.



I intend to proactively contribute to the Company as a real-life outside director, with extensive expert knowledge transcending the capabilities of AI.

Minoru Obara

Outside Director
Professor Emeritus at Keio University

As a neutral outside director, I will endeavor to promote sustainable business development including ESG (Environment, Social, Governance), taking into account the perspectives of all stakeholders, from shareholders to employees. To increase my value as an outside director, I am dedicated to going beyond the expertise I cultivated in the past to also identify and understand rapidly evolving areas of science and technology, and become able to accurately envision the future of the medical industry. The rapid worldwide spread of Corporate Digital Transformation (CDX) and DX due to the ability to analyze and synthesize big data at ultra-high speeds and with high precision is bringing about major discontinuous changes in global business. In the future, we may see the appearance of virtual outside directors based on artificial intelligence, but meanwhile, I will continue to work tirelessly with a sense of responsibility to proactively contribute to the Company as a real-life outside director, an expert with extensive knowledge transcending the capabilities of AI.



We will strive for the rebirth of a new Nihon Kohden.

Kanako Muraoka

Outside Director
Kowa Law Office

In FY2020, Nihon Kohden mobilized all of its resources to counter the global spread of the COVID-19 pandemic, making a strong impression of the Company's value to society. I want to pay my deep respect to all of our employees, who, despite the challenging circumstances, worked tirelessly to continue production, sales, and maintenance services and deliver medical equipment to facilities in the front line of medical care worldwide, helping to save the lives of many patients. While it may still be some time before we see the resolution of the pandemic, I hope that Nihon Kohden can play an even greater role both in Japan and overseas. Furthermore, because compliance is receiving greater attention owing to the bribery case that occurred in the previous fiscal year, I hope that in this fiscal year we will take all possible measures to prevent any recurrence, and achieve the rebirth of a new Nihon Kohden.

Message from Outside Directors



I will contribute to the enhancement of corporate value by focusing on measures to achieve solid growth and win back the trust of our stakeholders.

Shigeru Kawatsuhara

Outside Director (Audit & Supervisory Committee Member)

I believe that analysis and development of extensive medical cases, vital data, AI, algorithms, and robots offer a bright future for medical care, but infection control measures have been delayed to the extent where there is talk of the collapse of healthcare systems. Financial results for FY2020 were extremely favorable as a result of the Company-wide efforts to fulfill our responsibility to develop, manufacture, and supply medical equipment related to the COVID-19 pandemic. On the other hand, the occurrence of the compliance matter caused great concern to all of our stakeholders. With the dramatic changes in the business environment in recent years, the Company is required to effect a speedy transformation of its operations, including the establishment of a more effective governance system. I will focus on measures to achieve solid growth and win back the trust of our stakeholders. I will also provide appropriate advice based on my experience and from my perspective as outside director, to contribute to the enhancement of corporate value.



I intend to contribute to Nihon Kohden's growth strategy by exercising my supervisory functions from the perspective of stakeholders.

Kazuo Shimizu

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

Nihon Kohden has a firmly rooted corporate culture of social contribution that supports people's lives and health. The recent occurrence of a compliance incident at a company with such lofty intentions has had a significant impact on society. To regain the trust of the public, we need to make a concerted and ongoing effort to raise the compliance awareness of all employees. I will verify that the systems and structures needed to prevent recurrence are in place, and that those controls are functioning effectively. On a different note, I believe that a work environment is steadily becoming established where talented women can play their active roles. Moving forward, I believe we must also leverage the contributions of foreign and external experts and promote enhancement of governance at overseas subsidiaries. At the same time, in view of the opportunities in the COVID-19 pandemic, I hope to provide advice on the effectiveness of integration from a financial perspective at strategic meetings for M&A. Furthermore, in my role as a member of the Board of Directors I intend to contribute to Nihon Kohden's growth strategy by exercising my supervisory functions from the perspective of stakeholders.

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18
1,822																	
3,680																	
1,062																	
485																	
8,549																	
6,602																	
890	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18
6,280																	
2,436																	

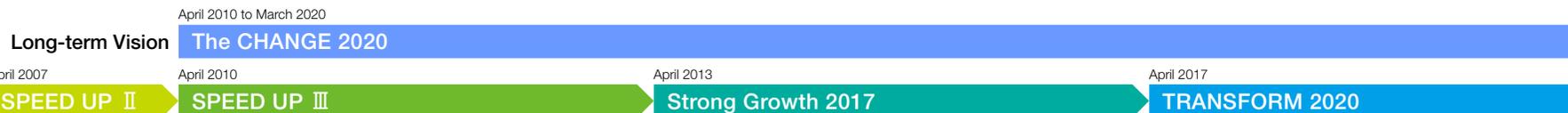
Financial and Corporate Data

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

FINANCIAL INFORMATION



Financial Summary



Millions of yen unless otherwise stated

Fiscal year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business results												
Net sales	107,013	113,380	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727
Operating income	9,321	10,598	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094
Income attributable to owners of parent*1	5,917	6,573	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243
Financial position												
Current assets*2	69,685	75,366	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140
Current liabilities*2	29,722	29,673	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608
Total assets*2	88,000	92,495	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030
Net assets	57,949	62,294	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986
Cash flows												
Cash flows from operating activities	10,679	5,892	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945
Cash flows from investing activities	(2,810)	(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)
Free cash flow	7,869	4,018	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999
Cash flows from financing activities	(2,850)	(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)
Cash and cash equivalents	16,331	18,808	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356
Per share information												
Net income (Yen)*3	134.68	149.62	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21
Dividends (Yen)*4	37.0	44.0	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0
Other												
R&D costs	4,418	5,105	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357
Number of employees (Persons)	3,588	3,776	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730
Key performance indicators												
ROE (%)	10.6	10.9	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0
Operating income margin (%)	8.7	9.3	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6
Dividend payout ratio (%)	27.5	29.4	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7

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

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

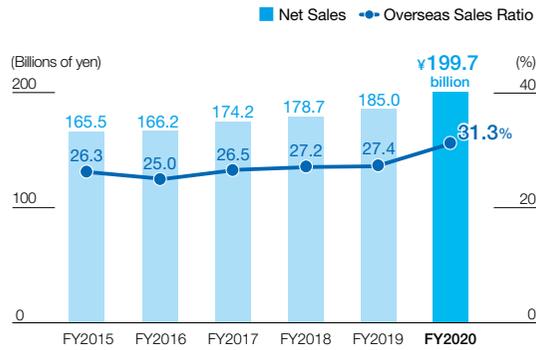
*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

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

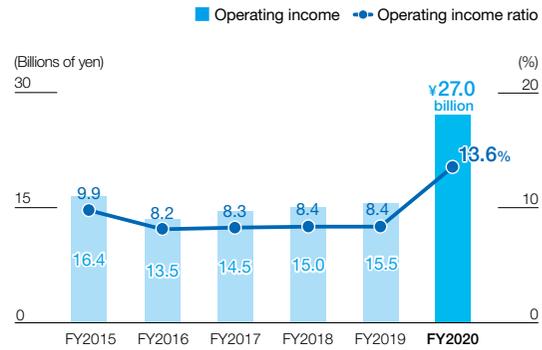
*5 Effective April 1, 2015, each share of common stock was split into two shares.

Financial Summary

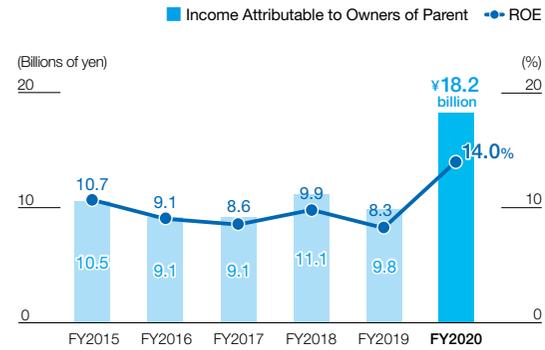
Net Sales/Overseas Sales Ratio



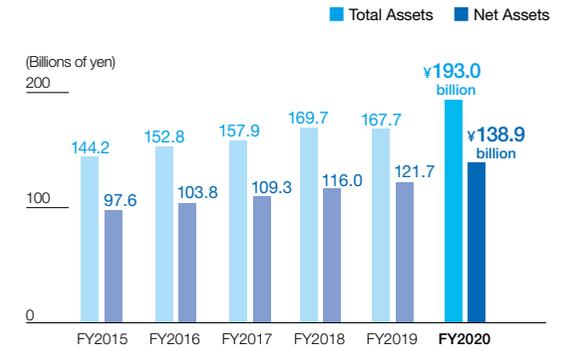
Operating income/Operating income ratio



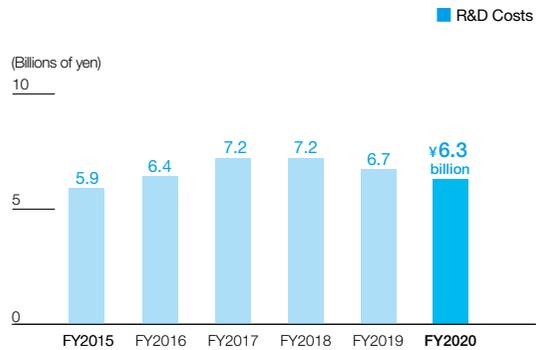
Income Attributable to Owners of Parent/ROE



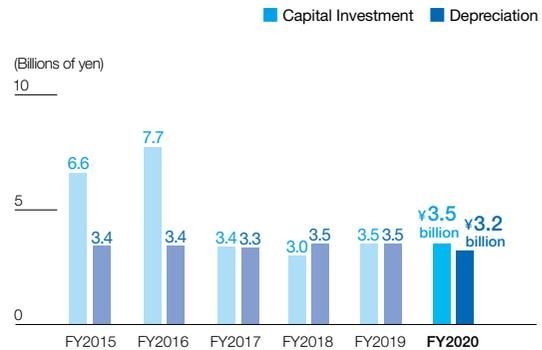
Total Assets/Net Assets



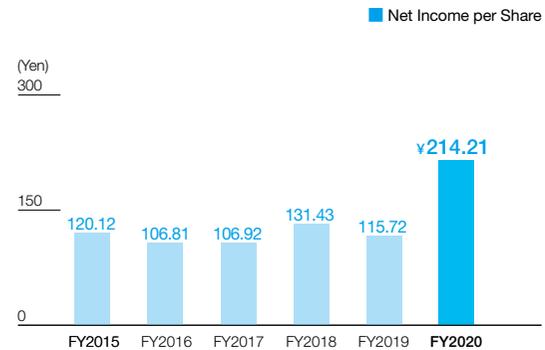
R&D Costs



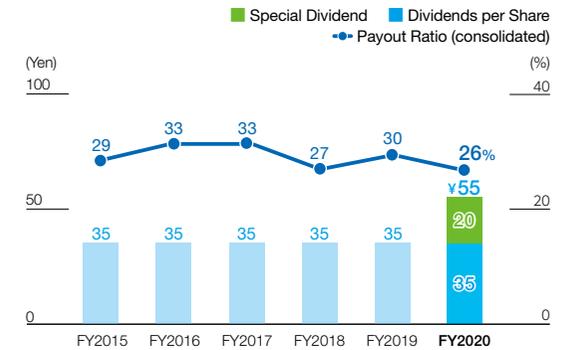
Capital Investment/Depreciation



Net Income per Share



Dividends per Share/Payout Ratio (consolidated)



Management's Discussion and Analysis

Business Environment

The COVID-19 pandemic adversely affected national healthcare systems in every country. In Japan, the government implemented measures to support the healthcare system in the midst of the COVID-19 crisis by enacting a FY2020 supplementary budget and special measures in relation to medical treatment fees. There were concerns that medical institutions were facing financial challenges because COVID-19 caused people to avoid visiting hospitals and clinics, leading to a reduction in the number of surgical procedures and inpatient admissions.

Internationally, medical equipment to treat COVID-19 patients was installed by medical facilities in regions where the spread of infection has continued.

Review of Operations

Nihon Kohden conducted its business activities in FY2020 in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company.

The Company introduced its unique technology called esCCO in Japan. The Company also launched the world's first automated hematology and ESR analyzer internationally, telemetry systems in Japan, and an ECG developed and manufactured at Shanghai Kohden.

As a result, overall sales in FY2020 increased 8.0% over FY2019 to ¥199.7 billion.

Sales by Region

■Japan

Domestic sales increased, as the ability of healthcare systems for accepting COVID-19 patients was enhanced towards the end of FY2020, while medical institutions reduced the number of testing and surgical procedures and postponed or froze their purchase budget. Sales in the public hospital and private hospital markets increased favorably. Sales of AEDs in the PAD market also showed strong growth. In the university hospital market, there was a reactionary decline compared to FY2019 when sales were strong due to large orders related to construction of new hospitals. Sales in the clinic market also decreased. As a result, domestic sales increased 2.2% over FY2019 to ¥137.2 billion.

■International

Sales in all regions achieved double-digit growth because demand for patient monitors, ventilators, and defibrillators increased due to the spread of COVID-19. In the Americas, sales in both the U.S. and Latin America showed double-digit growth. Especially, sales in Mexico and Colombia achieved 200% growth. In Europe, sales both in Western Europe and Eastern Europe showed strong growth, supported by 200% growth in Italy and Poland. Sales in Asia & Other regions also increased favorably, thanks to large orders in Israel and Indonesia. Sales in China increased steadily as the impact of COVID-19 had ended. As a result, international sales increased 23.3% over FY2019 to ¥62.4 billion.

Management's Discussion and Analysis

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

Cost of sales increased 1.9% over FY2019 to ¥97.4 billion. The gross profit margin improved 290 basis points to 51.2%, thanks to a favorable product mix. It was also due to the Company's efforts to improve productivity and maintain sales prices. Gross profit on sales increased 14.5% over FY2019 to ¥102.2 billion.

The ratio of SGA expenses decreased 230 basis points to 37.6%, as traveling expenses decreased.

Variable selling expenses and personnel expenses such as bonuses increased. Research and development costs decreased ¥0.3 billion year on year to ¥6.3 billion (3.2% of sales).

As a result, operating income increased 74.8% over FY2019 to ¥27.0 billion. Income attributable to owners of the parent increased 85.1% year on year, to ¥18.2 billion. The Company posted extraordinary losses such as amortization of goodwill of Defibtech, LLC.

Assets, Liabilities and Equity

■Assets

At the end of FY2020, total assets increased ¥25.2 billion from the end of the previous fiscal year. Current assets were up ¥27.1 billion from the previous fiscal year end owing to increases in cash and accounts receivable, and inventories of finished goods and parts to respond to the special demand related to COVID-19. Non-current assets decreased ¥1.8 billion compared to the end of the previous fiscal year on account of decline in goodwill and other factors.

■Liabilities and Equity

Liabilities increased ¥8.0 billion from the end of the previous fiscal year on account of increases in accrued income taxes and other factors. Net assets increased ¥17.2 billion compared to the end of the previous fiscal year due to the recording of income attributable to owners of parent and other factors. The shareholders' equity ratio fell 60 basis points to 72.0%.

■Cash Flows

Net cash provided by operating activities rose ¥4.7 billion from the previous fiscal year to ¥13.9 billion. This includes ¥27.1 billion of income before income taxes, ¥7.1 billion of increase in notes and accounts receivable, and ¥4.4 billion of income taxes paid.

Net cash used in investing activities decreased ¥1.6 billion from the previous fiscal year to ¥2.9 billion. This includes ¥2.9 billion of purchase of property, plant and equipment, such as production equipment and products for demonstration.

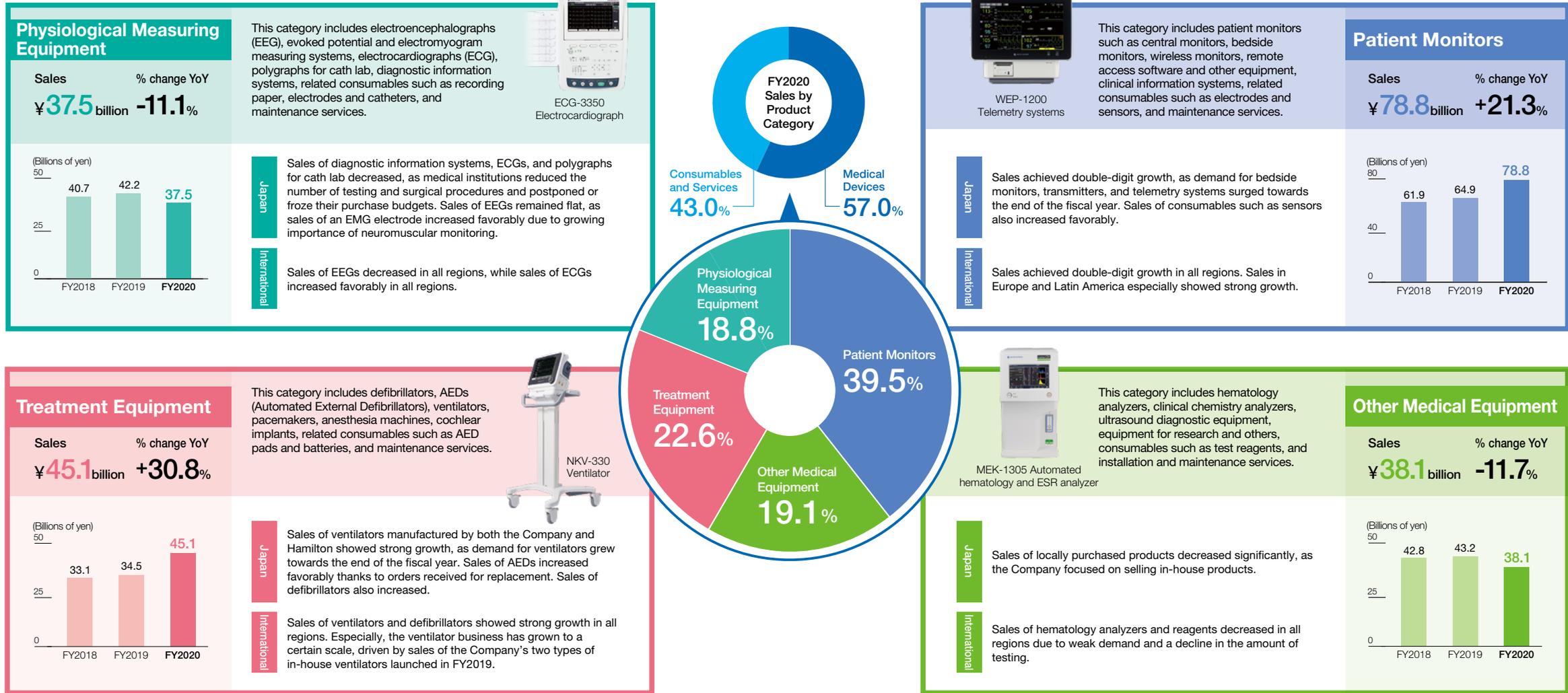
Net cash used in financing activities amounted to ¥3.0 billion, a decline of ¥46 million from the previous fiscal year. We paid ¥2.9 billion for shareholders dividends.

As a result, cash and cash equivalents as of March 31, 2021 increased ¥8.4 billion from the end of the previous fiscal year to ¥44.3 billion.

■ROE

ROE in FY2020 increased significantly to 14.0% from 8.3% in FY2019, because the ratio of net income to sales increased.

Overview by Product Category (Consolidated)





Consolidated Balance Sheet

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

	Millions of yen	
Assets	2021	2020
Current assets:		
Cash and deposits (note 2)	¥30,609	¥20,967
Trade notes and accounts receivable	68,612	60,871
Short-term investments (note 3)	14,000	15,000
Inventories	38,887	29,249
Other current assets	4,256	3,160
Less allowance for doubtful receivables	225	228
Total current assets	156,140	129,020
Property, plant and equipment, net of accumulated depreciation; ¥31,043 million in 2021 and ¥30,064 million in 2020:		
Buildings and structures	11,342	11,461
Machinery, equipment and vehicles	1,443	1,121
Tools, furniture and fixtures	3,238	3,201
Land	3,479	3,514
Leased assets	52	49
Construction in progress	637	654
Net property, plant and equipment	20,193	20,003
Intangible assets, net:		
Goodwill	431	1,773
Other intangible assets	1,898	2,376
Total intangible assets	2,329	4,149
Investments and other assets:		
Investments in securities (note 3)	6,418	6,377
Deferred tax assets (note 6)	5,758	6,044
Other investments and other assets	2,353	2,347
Less allowance for doubtful receivables	165	156
Total investments and other assets	14,366	14,612
Total non-current assets	36,889	38,766
Total assets	¥193,030	¥167,786

See accompanying notes to consolidated financial statements.

	Millions of yen	
Liabilities and Net Assets	2021	2020
Current liabilities:		
Trade notes and accounts payable	¥24,412	¥23,755
Short-term debt (note 4)	350	350
Other payables	3,721	3,402
Accrued income taxes (note 6)	7,915	2,339
Accrued expenses	3,876	2,851
Accrued bonuses	4,691	3,263
Other current liabilities (note 4)	5,639	4,355
Total current liabilities	50,608	40,319
Non-current liabilities:		
Liabilities for retirement benefits (note 5)	1,852	4,225
Deferred tax liabilities (note 6)	1	2
Other non-current liabilities (note 4)	1,581	1,464
Total non-current liabilities	3,436	5,692
Total liabilities	54,044	46,011
Stockholders' equity:		
Common stock (note 7):	7,544	7,544
Authorized 197,972,000 shares; issued 88,730,980 shares in 2021 and 2020		
Additional paid-in capital (note 7)	10,437	10,414
Retained earnings (note 8)	123,796	108,533
Treasury stock, at cost; 3,561,589 shares in 2021 and 3,575,164 shares in 2020	(6,966)	(6,992)
Total stockholders' equity	134,812	119,500
Accumulated other comprehensive income (loss):		
Net unrealized gain on other securities (note 3)	2,158	1,972
Foreign currency translation adjustments	1,085	983
Remeasurements of defined benefit plans (note 5)	929	(681)
Total accumulated other comprehensive income	4,173	2,273
Total net assets	138,986	121,774
Commitments and contingencies		
Total liabilities and net assets	¥193,030	¥167,786

Consolidated Statement of Income

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

	Millions of yen	
	2021	2020
Net sales	¥199,727	¥185,007
Cost of sales (note 10)	97,493	95,682
Gross profit	102,233	89,325
Selling, general and administrative expenses (notes 9 and 10)	75,138	73,821
Operating income	27,094	15,503
Other income (deductions):		
Interest income	86	102
Dividend income	112	110
Interest expenses	(8)	(10)
Foreign exchange gain (loss)	472	(973)
Subsidy income	514	122
Gain on sale of investments in securities (note 3)	464	-
Gain on termination of retirement benefit plan	132	-
Loss on sale/disposal of property, plant and equipment	(70)	(22)
Gain (loss) on valuation of investments in securities (note 3)	3	(64)
Impairment losses (note 11)	(388)	-
Amortization of goodwill (note 12)	(1,185)	-
Demolition cost	-	(135)
Office transfer cost	(161)	(188)
Settlement package	-	(520)
Other, net	97	54
	71	(1,523)
Income before income taxes	27,166	13,980
Income taxes (note 6):		
Current	9,470	4,531
Deferred	(547)	(405)
	8,922	4,126
Net income	18,243	9,854
Income attributable to owners of parent	¥18,243	¥9,854

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

	Millions of yen	
	2021	2020
Net income	¥18,243	¥9,854
Other comprehensive income (loss) arising during the year (note 13):		
Net unrealized gain (loss) on other securities (note 3)	186	214
Foreign currency translation adjustments	102	(460)
Remeasurements of defined benefit plans (note 5)	1,611	(202)
Total other comprehensive income arising during the year	1,899	(448)
Comprehensive income	¥20,143	¥9,405
Comprehensive income attributable to:		
Owners of parent	¥20,143	¥9,405
Non-controlling interests	-	-

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

Millions of yen

	Stockholders' equity				Total	Accumulated other comprehensive income (loss)				Total net assets
	Common stock (note 7)	Additional paid-in capital (note 7)	Retained earnings (note 8)	Treasury stock		Net unrealized gain on other securities (note 3)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (note 5)	Total	
Balance at March 31, 2019	¥7,544	¥10,414	¥102,397	¥(6,991)	¥113,365	¥1,758	¥1,443	¥(479)	¥2,722	¥116,087
Cumulative effects of accounting changes			(737)		(737)					(737)
Adjusted balance at April 1, 2019	7,544	10,414	101,660	(6,991)	112,627	1,758	1,443	(479)	2,722	115,350
Changes arising during year:										
Cash dividends			(2,980)		(2,980)					(2,980)
Income attributable to owners of parent			9,854		9,854					9,854
Purchase of treasury stock				(0)	(0)					(0)
Net changes other than stockholders' equity						214	(460)	(202)	(448)	(448)
Total changes during the year	-	-	6,873	(0)	6,872	214	(460)	(202)	(448)	6,423
Balance at March 31, 2020	7,544	10,414	108,533	(6,992)	119,500	1,972	983	(681)	2,273	121,774
Changes arising during year:										
Cash dividends			(2,980)		(2,980)					(2,980)
Income attributable to owners of parent			18,243		18,243					18,243
Purchase of treasury stock				(1)	(1)					(1)
Disposition of treasury stock		23		27	50					50
Net changes other than stockholders' equity						186	102	1,611	1,899	1,899
Total changes during the year	-	23	15,262	25	15,312	186	102	1,611	1,899	17,211
Balance at March 31, 2021	¥7,544	¥10,437	¥123,796	¥(6,966)	¥134,812	¥2,158	¥1,085	¥929	¥4,173	¥138,986

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

	Millions of yen	
	2021	2020
Cash flows from operating activities:		
Income before income taxes	¥27,166	¥13,980
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	3,236	3,597
Amortization of goodwill	1,307	148
Impairment losses	388	–
Loss on sale/disposal of property, plant and equipment	70	18
Loss on sale/disposal of intangible assets	0	3
Increase in allowance for doubtful receivables	3	50
Increase in accrued bonuses	1,416	168
Increase (decrease) in provision for loss on litigation	–	(280)
(Increase) decrease in liabilities for retirement and severance benefits	(50)	105
Interest and dividend income	(199)	(213)
Interest expenses	8	10
(Gain) loss on valuation of investments in securities	(3)	64
Gain on sale of investments in securities	(464)	–
(Increase) decrease in trade notes and accounts receivable	(7,170)	6,925
Increase in inventories	(9,313)	(982)
Increase (decrease) in trade notes and accounts payable	430	(8,429)
Other, net	1,450	832
Sub total	18,275	16,000
Interest and dividend received	165	209
Interest paid	(2)	(9)
Income taxes paid	(4,493)	(6,222)
Settlement package paid	–	(761)
Net cash provided by operating activities	13,945	9,217
Cash flows from investing activities:		
Proceeds from sale of investments in securities	841	67
Purchase of investments in securities	(159)	(965)
Capital expenditures	(2,923)	(3,106)
Purchase of intangible assets	(461)	(485)
Other, net	(242)	(118)
Net cash used in investing activities	(2,946)	(4,607)

	Millions of yen	
	2021	2020
Cash flows from financing activities:		
Decrease in short-term debt	–	(55)
Purchase of treasury stock	(1)	(0)
Dividends paid to stockholders	(2,979)	(2,980)
Other, net	(26)	(17)
Net cash used in financing activities	(3,007)	(3,054)
Effect of exchange rate changes on cash and cash equivalents	451	(339)
Net increase in cash and cash equivalents	8,442	1,215
Cash and cash equivalents at beginning of year	35,913	34,697
Cash and cash equivalents at end of year (note 2)	¥44,356	¥35,913

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021

Amounts are rounded down to the nearest million yen.

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

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

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 29 subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

(c) Cash and Cash Equivalents

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

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – "trading securities", "held-to-maturity securities", "investments in affiliates" and "other securities". Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as

"held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of net assets. Realized gains and losses on the other securities are computed using the moving-average cost. Debt securities classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Holding securities of the Company are classified as other securities.

(e) Inventories

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

(f) Property, Plant and Equipment

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

The estimated useful lives are as follows:

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

(g) Intangible Assets

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

(h) Allowance for Doubtful Receivables

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

(i) Retirement and Severance Benefits

The Company and its consolidated subsidiaries have retirement benefit plans covering substantially all employees.

Liabilities for retirement benefits have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans.

The retirement benefit obligation is attributed to each period by the benefit formula basis.

Actuarial gain or loss is amortized in the subsequent year that it occurs by the declining-balance method within the average remaining years of service of the employees (5 years).

Notes to Consolidated Financial Statements

(j) Leases

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

(k) Foreign Currency Translation

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

(l) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

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

(m) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used as of and for the year ended March 31, 2021.

(n) New accounting pronouncements not yet adopted

Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and Implementation Guidance on Accounting Standards for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) are comprehensive accounting standards for revenue recognition and revenues are recognized based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

(o) Significant Accounting Estimates

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the end of the fiscal year ended March 31, 2021 and disclosed significant accounting estimates for the consolidated financial statements.

However, in accordance with the transitional treatment set forth in the proviso to paragraph 11 of the accounting standard, the contents of the previous fiscal year are not disclosed in the note.

Impairment of goodwill

(i) The amounts recorded in the consolidated financial statements for the year ended March 31, 2021

	Millions of yen
Goodwill	¥431
Amortization of goodwill	¥1,185

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

The Company and subsidiaries (the "Group") identifies indication of impairment and recognizes and measures impairment losses on goodwill on a larger unit basis, which is the sum of the multiple assets or asset groups with goodwill. If there is indication of impairment, the Company determines whether to recognize impairment loss by comparing the carrying amount before deduction of impairment loss for each asset group without goodwill, plus the carrying amount of goodwill, with the total undiscounted future cash flows. In the event that the carrying amount of shares in affiliated companies is written off in the Company's financial statements, the need for lump-sum amortization of goodwill is considered.

During this fiscal year, the Company recognized lump-sum amortization of goodwill as the Company had reviewed the future business plan of Defibtech LLC and treated the valuation difference between the carrying amount and the actual value as impairment loss in the Company's financial statements in response to the decrease in overseas demand for AEDs due to the spread of the new coronavirus.

As undiscounted future cash flows and business plans are subject to uncertainties, additional losses may be incurred in subsequent fiscal years if revisions become necessary due to changes in uncertain economic conditions in the future.

2. Cash and Cash Equivalents

Reconciliation between "Cash and deposits" in the accompanying consolidated balance sheet and "Cash and cash equivalents" in the accompanying consolidated statement of cash flows at March 31, 2021 and 2020 is follows:

	Millions of yen	
	2021	2020
Cash and deposits	¥30,609	¥20,967
Short-term investments that have maturities of three months or less	14,000	15,000
Time deposits with maturities of over three months	(253)	(54)
Cash and cash equivalents	¥44,356	¥35,913

Notes to Consolidated Financial Statements

3. Short-term Investments and Investments in Securities

Balance sheet amount, acquisition cost, gross unrealized gain and gross unrealized loss of other securities with fair value at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2021				
Equity securities	¥4,926	¥3,185	¥ (20)	¥1,761
March 31, 2020				
Equity securities	¥4,969	¥2,976	¥ (75)	¥2,068

The Company recognized proceeds from the sale of other securities of ¥841 million and nil, gross realized gains of ¥464 million and nil for the years ended March 31, 2021 and 2020, respectively.

There were no gross realized losses for the years ended March 31, 2021 and 2020.

There were no impairment losses on other securities for the year ended March 31, 2021 and 2020.

4. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rates of short-term debt are 0.6% at March 31, 2021 and 2020.

Lease liabilities at March 31, 2021 and 2020 is summarized as follows:

	Millions of yen	
	2021	2020
Lease liabilities maturing in installments through 2025	¥54	¥51
Less current installments	11	9
	¥43	¥42

The aggregate annual maturities of lease liabilities after March 31, 2021 are as follows:

Year ending March 31:	Millions of yen	
	2021	2020
2023		¥11
2024		27
2025		3
2026		0

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

5. Retirement and Severance Benefits

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

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

The Company and certain consolidated subsidiaries had enrolled in Japanese Welfare Pension Fund as a multi-employer plan, which was terminated during the year ended March 31, 2018 under the approval of the Minister of Health, Labor and Welfare. After that, the amount of residual assets to be delivered was determined in the year ended March 31, 2021 and liquidation procedures were completed as of February 18, 2021. As a result, at the end of the current fiscal year, ¥186 million of the retirement benefit obligation recorded as liabilities for retirement benefits was reversed and the difference between the amount of the reversal and the confirmed payment was recorded as Gain on termination of retirement benefit plan of ¥132 million under other income.

Defined benefit plans

Followings are the information for the Company's and the consolidated subsidiaries' defined benefit plans at March 31, 2021 and 2020 and for the years then ended.

(1) Reconciliation of changes in retirement benefit obligation

	Millions of yen	
	2021	2020
Retirement benefit obligation at beginning of year	¥25,017	¥24,376
Service cost	1,507	1,492
Interest cost	55	46
Actuarial gains or losses	(99)	(59)
Benefits paid	(918)	(838)
Other	(186)	–
Retirement benefit obligation at end of year	¥25,376	¥25,017

(2) Reconciliation of changes in plan assets

	Millions of yen	
	2021	2020
Plan assets at beginning of year	¥20,945	¥20,672
Expected return on plan assets	60	39
Actuarial gains or losses	1,860	(606)
Employer contributions	1,714	1,667
Benefits paid	(912)	(827)
Plan assets at end of year	¥23,668	¥20,945

Notes to Consolidated Financial Statements

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

	Millions of yen	
	2021	2020
Funded retirement benefit obligation	¥25,376	¥25,017
Plan assets	(23,668)	(20,945)
	1,707	4,071
Unfunded retirement benefit obligation	145	153
Net liabilities for retirement benefits recognized in consolidated balance sheet	¥1,852	¥4,225
Liabilities for retirement benefits	¥1,852	¥4,225
Net liabilities for retirement benefits recognized in consolidated balance sheet	¥1,852	¥4,225

- (4) The components of retirement benefit expenses

	Millions of yen	
	2021	2020
Service cost	1,507	¥1,492
Interest cost	55	46
Expected return on plan assets	(60)	(39)
Amortization of actuarial gain or loss	362	254
Retirement benefit expenses	¥1,864	¥1,754

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

	Millions of yen	
	2021	2020
Actuarial gain or loss	¥(2,322)	¥292
Total	¥(2,322)	¥292

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

	Millions of yen	
	2021	2020
Unrecognized actuarial gain or loss	¥(1,339)	¥982
Total	¥(1,339)	¥982

- (7) Plan assets

- (a) Percentage by major category of plan assets

	2021	2020
Debt securities	28.2%	28.3%
Equity securities	16.0	23.0
Short-term investments	12.8	20.4
General account	25.0	27.1
Other	18.0	1.2
Total	100.0%	100.0%

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

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

- (8) Basis for calculation of actuarial assumptions

	2021	2020
Discount rate	0.3%	0.2%
Long-term expected rate of return	0.6	0.3

Defined contribution plans

The amount to be paid by the consolidated subsidiaries to the defined contribution plans was ¥1,002 million and ¥976 million for the years ended March 31, 2021 and 2020, respectively.



Notes to Consolidated Financial Statements

6. Income Taxes

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

The reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and non-controlling interests for the years ended March 31, 2021 is as follows:

	2021
Statutory tax rate	30.6%
Change in valuation allowance	1.7
Expenses not deductible for tax purposes	0.2
Income not credited for tax purposes	(0.0)
Per capita tax	0.4
Difference in statutory tax rates of subsidiaries	(0.6)
Tax credits primarily for research and development costs	(1.0)
Other	1.5
Effective tax rate	32.8%

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

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Deferred tax assets:		
Valuation loss for inventories	¥1,044	¥1,005
Accrued business tax	395	115
Accrued bonuses	1,326	934
Liabilities for retirement benefits	587	1,297
Accrued warranty expenses	216	98
Depreciation and amortization	2,113	2,055
Intercompany profits on inventories, and property, plant and equipment	1,651	1,255
Intangible assets	490	518
Asset retirement obligations	261	251
Tax loss carryforwards	1,284	1,258
Other	750	1,195
	10,121	9,986
Valuation allowance for tax loss carryforwards	(1,193)	(1,124)
Valuation allowance for deductible temporary differences	(1,069)	(678)
Total valuation allowance	(2,262)	(1,802)
	7,858	8,184
Deferred tax liabilities:		
Asset retirement obligations	(217)	(215)
Net unrealized gain on other securities	(937)	(855)
Valuation difference	(121)	(229)
Undistributed retained earnings of foreign subsidiaries	(808)	(803)
Other	(15)	(37)
	(2,101)	(2,141)
Net deferred tax assets	¥5,757	¥6,042

Notes to Consolidated Financial Statements

Amounts of tax loss carryforwards and related valuation allowance for the year ended March 31, 2021 are as follows:

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Tax loss carryforwards	¥-	¥-	¥-	¥-	¥6	¥1,278
Valuation allowance for tax loss carryforwards	-	-	-	-	-	(1,193)
Deferred tax asset	-	-	-	-	6	84

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

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

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

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

7. Common Stock

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

8. Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2021 and 2020 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

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

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

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

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

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

(b) Dividends paid during the year ended March 31, 2021

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

(a) Total dividends	¥1,532 million
(b) Cash dividends per common share	¥18
(c) Record date	March 31, 2020
(d) Effective date	June 26, 2020

The following was approved by the Board of Directors held on November 6, 2020.

(a) Total dividends	¥1,447 million
(b) Cash dividends per common share	¥17
(c) Record date	September 30, 2020
(d) Effective date	November 27, 2020

Notes to Consolidated Financial Statements

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2021

The following was approved by the general meeting of stockholders held on June 25, 2021.

(a) Total dividends	¥3,236 million
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥38
(d) Record date	March 31, 2021
(e) Effective date	June 28, 2021

9. Selling, General and Administrative Expenses

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

	Millions of yen	
	2021	2020
Salaries	¥29,894	¥28,992
Retirement benefit expenses	2,701	2,561
Depreciation	2,186	2,372
Legal welfare	6,048	5,789
Traveling	1,850	3,198

10. Research and Development Costs

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2021 and 2020 are ¥6,357 million and ¥6,731 million, respectively.

11. Impairment losses

Impairment losses were recognized for the following assets for the year ended March 31, 2021

			Millions of yen
Location	Usage	Item	Impairment losses
United States	Idle assets	Technology-related assets	¥318
Fujioka City, Gunma Prefecture	Idle assets	Buildings and structures, Land	39
Mito City, Ibaraki Prefecture	Idle assets	Buildings and structures, Land	30

The Group's business assets are grouped based on management accounting categories. Idle assets are grouped by individual asset.

Due to decline in the marketability of a part of the technology-related assets which were recorded at the time of the acquisition of shares of Defibtech LLC, a consolidated subsidiary, the entire unamortized balance of these technology-related assets of ¥318 million has been recorded as impairment losses.

The recoverable amount of such assets is measured by value in use.

As for Buildings and structures, and Land in Fujioka City and Mito City, the book value has been reduced to the recoverable amount due to the decision on policy of relocation and sale of the offices. The recoverable amount of such assets is measured based on their net sales value, which is calculated based on the appraisal value by real estate appraiser.

12. Amortization of goodwill

Amortization of goodwill recorded under other deductions is amortized due to impairment of the investment in Defibtech LLC, a consolidated subsidiary in accordance with Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No.7, February 16, 2018).

13. Other Comprehensive Income (Loss)

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Net unrealized gain (loss) on other securities:		
Arising during the year	¥736	¥244
Reclassification adjustment	(468)	64
Before tax amount	268	308
Tax expense	(82)	(94)
Net-of-tax amount	186	214
Foreign currency translation adjustments:		
Arising during the year	102	(460)
Remeasurements of defined benefit plans:		
Arising during the year	1,959	(547)
Reclassification adjustment	362	254
Before tax amount	2,322	(292)
Tax expense	(710)	89
Net-of-tax amount	1,611	(202)
Total other comprehensive income	¥1,899	¥(448)

Notes to Consolidated Financial Statements

14. Per Share Information

(a) Net Income per Share

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2021 and 2020 are as follows:

	Yen	
	2021	2020
Basic net income per share	¥214.21	¥115.72

	Millions of yen	
	2021	2020
Income attributable to owners of parent	¥18,243	¥9,854
Income not applicable to common stockholders	–	–
Income attributable to owners of parent applicable to common stockholders	¥18,243	¥9,854

	Number of shares (Thousands)	
	2021	2020
Weighted average number of shares outstanding on which basic net income per share is calculated	85,165	85,155

(b) Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at March 31, 2021 and 2020 are as follows:

	Yen	
	2021	2020
Net assets per share	¥1,631.88	¥1,430.02

	Millions of yen	
	2021	2020
Total net assets	¥138,986	121,774
Amount deducted from total net assets	–	–
Net assets applicable to common stockholders	¥138,986	121,774

	Number of shares (Thousands)	
	2021	2020
Number of shares outstanding at end of year on which net assets per share is calculated	85,169	85,155

15. Leases

The Company leases mainly certain vehicles under finance leases.

Future minimum payments required under noncancellable operating leases at March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Within one year	¥15	¥25
Over one year	8	11
	¥24	¥37

16. Financial Instruments

Conditions of financial instruments

(1) Management policy

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

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

(2) Financial instruments and risks

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

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

(3) Financial instruments risk management

1) Credit risk

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

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

Notes to Consolidated Financial Statements

2) Market risk

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

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

3) Liquidity risk

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

(4) Supplemental explanation regarding fair value of financial instruments

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

Fair value of financial instruments

The carrying amounts on the consolidated balance sheet, fair value, and differences at March 31, 2021 and 2020 are as follows. Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "<2> Financial instruments of which the fair value is extremely difficult to measure")

	Millions of yen					
	March 31, 2021			March 31, 2020		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
(1) Cash and deposits	¥30,609	¥30,609	-	¥20,967	¥20,967	-
(2) Trade notes and accounts receivable	68,612	68,612	-	60,871	60,871	-
(3) Short-term investments	14,000	14,000	-	15,000	15,000	-
(4) Investments in securities: Other securities	4,926	4,926	-	4,969	4,969	-
(5) Trade notes and accounts payable	24,412	24,412	-	23,755	23,755	-
(6) Short-term debt	350	350	-	350	350	-

<1> Fair value measurement of financial instruments

Assets and liabilities:

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

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

(4) Investments in securities- Other securities The fair value is calculated by quoted market price.

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

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

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

	Millions of yen	
	2021	2020
Unlisted equity securities	¥1,081	¥1,000
Investments in limited partnership and similar partnership	410	407

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

<3> Projected future redemption of monetary claim and securities with maturities at March 31, 2021

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥30,609	¥-	¥-	¥-
(2) Trade notes and accounts receivable	68,612	-	-	-
(3) Short-term investments	14,000	-	-	-

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

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

Notes to Consolidated Financial Statements

17. Segment Information

Because the Company and consolidated subsidiaries operate in one operating segment, medical electronic equipment business, the segment information is not disclosed for the years ended March 31, 2021 and 2020.

Related Information

(a) Information by products and services

Sales by products and services for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Physiological measuring equipment	¥37,586	¥42,273
Patient monitors	78,818	64,966
Treatment equipment	45,126	34,512
Other	38,196	43,254
	¥199,727	¥185,007

(b) Geographic information

(1) Geographical sales for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Japan	¥137,274	¥134,355
Americas	30,288	24,731
Europe	13,139	9,044
Asia and other	19,024	16,876
	¥199,727	¥185,007

(2) Because property, plant and equipment located in Japan are over 90% of property, plant and equipment in the consolidated balance sheet, the geographic information of property, plant and equipment is not disclosed for the years ended March 31, 2021 and 2020.

(c) Information by major customers

Because no particular third party whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed for the years ended March 31, 2021 and 2020.

Information of impairment loss on fixed assets by reported segments

Because the Group operates only one reportable segment, medical electronic devices related business, the segment information is not disclosed for the year ended March 31, 2021. The information is not applicable for the years ended March 31, 2020.

Goodwill by reported segments

Because the Group operates only one reportable segment, medical electronic devices related business, the segment information is not disclosed for the years ended March 31, 2021 and 2020.

Negative goodwill incurred by reported segments

The information is not applicable for the years ended March 31, 2021 and 2020.

18. Subsequent Event

Acquisition of treasury stocks

The Company acquired treasury stocks pursuant to the provisions of Article 165 Paragraph 3 of the Companies Act by replacing the provisions stipulated in Article 156 of the same Act in accordance with the resolution of the Board of Directors held on May 13, 2021.

(a) Reasons for the acquisition of treasury stocks

In order to further improvement of capital efficiency and returns for shareholders

(b) Details of the acquisition of treasury stocks

- (1) Type of shares to be acquired: Common stocks
- (2) Number of shares to be acquired: 500,000 shares (Upper limit)
(0.59% of total number of shares issued (excluding treasury stocks))
- (3) Total acquisition costs: ¥1.5 billion (Upper limit)
- (4) Acquisition period: From May 14, 2021 to June 30, 2021
- (5) Acquisition method: Market purchase on the Tokyo Stock Exchange

(Supplementary information)

Status of treasury stock holdings as of April 30, 2021

Number of shares issued (excluding treasury stocks): 85,169,391 shares

Number of Treasury stocks: 3,561,589 shares

Independent Auditor's Report

Nihon Kohden Corporation and Consolidated Subsidiaries March 31, 2021



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Independent Auditor's Report

To the Board of Directors of
Nihon Kohden Corporation

Opinion

We have audited the consolidated financial statements of Nihon Kohden Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of goodwill</p> <p>As described in Note 12 to the consolidated financial statements, the Group fully amortized goodwill recognized associated with the acquisition of its consolidated subsidiary, Defibtech LLC and recorded lump sum amortization of goodwill of JPY 1,185 million. Considering reduction of demand for AED from overseas due to spread of Covid-19, the future business plan for Defibtech LLC was reassessed. As a result, the book value of investment recognized under Nihon Kohden Corporation stand-alone financial statements got lower than investment attributable to parent recognized under consolidated financial statements, and the Group fully amortized the remaining balance of goodwill pursuant to Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No.7, February 16, 2018). We determined the amount of amortization of goodwill associated with the acquisition of Defibtech LLC to be significant for our audit of consolidated financial statements for the current fiscal year and identified as a key audit matter.</p>	<p>We performed mainly the following audit procedures in order to verify the amount of amortization of goodwill associated with the acquisition of Defibtech LLC.</p> <ul style="list-style-type: none"> Assessment of the future business plan prepared by the Group, including assessment of accuracy of estimates based on achievement of past business plans. Comparative analysis between the business plan at the time of acquisition and actual result. Communication with the auditor of Defibtech LLC including periodical meeting, and evaluation of audit result to determine if sufficient appropriate audit evidence was obtained. Understanding and evaluation of audit procedures and conclusion provided by the auditor of Defibtech LLC.



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

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

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

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

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

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

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

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



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

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

Crowe Toyo & Co.
Tokyo, Japan
June 28, 2021

Crowe Toyo & Co.

Message from Director Responsible for Accounting

Role of the Director Responsible for Accounting

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

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

In addition, I will ensure that we establish a global management policy that is applied to persons responsible for management of overseas subsidiaries, and continue to monitor the state of its implementation, with the aim of strengthening governance throughout the entire Nihon Kohden Group.

Through the promotion of corporate digital transformation (CDX), we will reinforce the business structure of the Nihon Kohden Group from a financial perspective, and will further strive in management to improve corporate value through sustainable growth. I hope to enjoy your continued support in the future.



Tadashi Hasegawa
 Director
 Senior 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.

Due to our favorable business results, the FY2020 year-end dividend was 38 yen per share, including an additional special dividend of 20 yen. Consequently, the full-year dividend was 55 yen per share, including the interim dividend of 17 yen. In addition, we implemented share buybacks of up to 1.5 billion yen.

Setting of Financial Indicators

Nihon Kohden has set consolidated return on equity (ROE) as one of its management indicators in order to maximize corporate value and shareholder value. ROE reached 14.0% in FY2020 with the increase in demand due to the COVID-19 pandemic, and under the three-year business plan, BEACON 2030 Phase I, which started in FY2021, we aim to maintain this at 10%.

While prioritizing the improvement of profitability through the implementation of this three-year business plan, we also aim to achieve our management targets by raising asset efficiency through measures such as inventory reduction, and by increasing shareholder returns.

Company Information

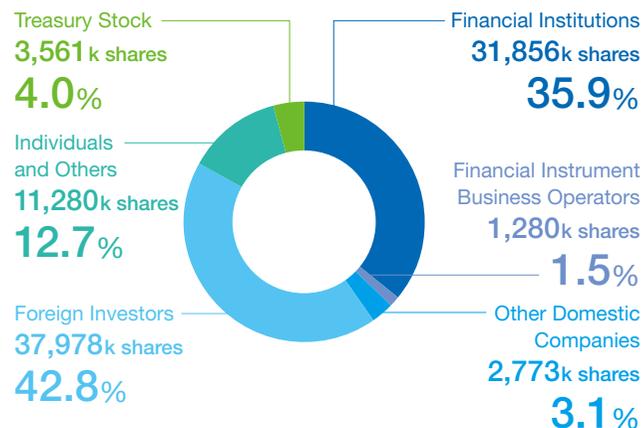
Company Overview (as of March 31, 2021)

Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales (Consolidated)	¥199.7 billion (fiscal year ended March 31, 2021)
Type of Business	Development, production, and sales of medical electronic devices
Employees (Consolidated)	5,531 persons

Stock Overview (as of March 31, 2021)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	88,730,980 shares
Number of Shareholders	9,717 persons

Ownership Breakdown (as of March 31, 2021)



Major Shareholders (as of March 31, 2021)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	8,773	10.30
The Master Trust Bank of Japan, Ltd. (trust account)	7,039	8.26
Saitama Resona Bank, Ltd.	4,193	4.92
Custody Bank of Japan, Ltd. (trust account)	3,833	4.50
State Street Bank and Trust Company 505103	1,631	1.91
Custody Bank of Japan, Ltd. (trust account 7)	1,555	1.82
State Street Bank and Trust Company 505103	1,481	1.73
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,399	1.64
MUFG Bank, Ltd.	1,325	1.55
Custody Bank of Japan, Ltd. (trust account 5)	1,269	1.49

(Note) The above list excludes Nihon Kohden's treasury stock of 3,561 thousand shares (shareholding ratio of 4.0%). Each shareholding ratio is calculated excluding treasury stock.

Company Information

Subsidiaries: 29 companies (as of April 1, 2021)

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, Manufacturing, 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.
 Neurotronics, Inc.
 Nihon Kohden Innovation Center, Inc.

Group General Affairs and Staffing

E-Staff Corporation
 E-Staff Insurance Services Corporation

Other

RESUSCITATION SOLUTION, INC.



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

July 2021

(next publication: expected to be issued in July 2022)

Published by

Corporate Strategy Division, Nihon Kohden Corporation