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(Securities code: 6849)
June 7, 2023

To Shareholders with Voting Rights

Hirokazu Ogino
Representative Director, President and CEO
NIHON KOHDEN CORPORATION
31-4, Nishiochiai 1-chome, Shinjuku-ku,
Tokyo, Japan

NOTICE OF THE 72ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby announce that the 72nd Ordinary General Meeting of Shareholders of NIHON KOHDEN CORPORATION (the "Company") will be held as described below.

In convening this General Meeting of Shareholders, the Company has taken measures to provide you with the materials for the General Meeting of Shareholders electronically and posted matters to be provided electronically on the following website.

The Company's website:

<https://www.nihonkohden.co.jp/ir/info/soukai.html>

In addition, the matters to be provided electronically have also been posted on the following website:

Website of the Tokyo Stock Exchange:

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(Please refer to the information by entering either the Company's name or securities code, and selecting "Basic information" and "Documents for public inspection/PR information".)

If you are unable to attend the meeting, you may exercise your voting rights via the Internet, etc. or in writing. We would appreciate it if you could review the Reference Documents for the General Meeting of Shareholders (described hereinafter) and **exercise your voting rights by no later than 5:10 p.m. on Tuesday, June 27, 2023 (JST), via the internet, etc. or by posting the enclosed Voting Rights Exercise Form with indications of your vote for or against the Company's proposals.**

- 1. Date and Time:** Wednesday, June 28, 2023 at 10:00 a.m. (JST)
- 2. Venue:** Fourth floor hall, No. 1 building of the Company's head office, 31-4, Nishiochiai 1-chome, Shinjuku-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 72nd Fiscal Year (from April 1, 2022 to March 31, 2023), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Committee
 2. Non-Consolidated Financial Statements for the Company's 72nd Fiscal Year (from April 1, 2022 to March 31, 2023)

Proposals to be resolved:

Proposal No.1: Distribution of Surplus

Proposal No.2: Election of Eight Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)

Proposal No.3: Election of One Director Serving as Audit & Supervisory Committee Member

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk for the General Meeting of Shareholders.
 - Any correction or update of the materials for the General Meeting of Shareholders (the matters to be provided electronically), will be posted on the websites mentioned above.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Distribution of Surplus

The Company recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks.

Based on this policy, the Company hereby proposes the distribution of surplus as follows.

1. Matters related to the year-end dividend:

(1) Matters concerning allotment of dividend property to shareholders and total amount

41yen per share of the Company's common stock

Total amount: 3,449,181,088 yen

Note: Combined with the interim dividend (20 yen per share), the total annual dividend for the fiscal year ended March 31, 2023 will be 61 yen per share.

(2) Effective date of distribution of surplus

June 29, 2023

2. Other matters related to distribution of surplus:

(1) Item of surplus increased and amount

General reserve 15,000,000,000 yen

(2) Item of surplus decreased and amount

Retained earnings brought forward 15,000,000,000 yen

Proposal No.2: Election of Eight Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)

The terms of office for all (nine) Directors (excluding Directors serving as Audit & Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of eight Directors (excluding Directors serving as Audit & Supervisory Committee Members) is proposed.

The nomination of candidates for the Directors (excluding Directors serving as Audit & Supervisory Committee Members) was resolved by the Board of Directors, after deliberation by the Nominating & Compensation Committee, which has been established for the purpose of securing transparency and objectivity of the management as an optional advisory body for the Board of Directors, which consists of three Outside Directors and which is chaired by one of such Outside Directors.

The candidates are as follows:

No.	Name	Current Position at the Company	Years served as Director
1	Hirokazu Ogino (Male) (Reappointment)	Representative Director	11 years
2	Takashi Tamura (Male) (Reappointment)	Representative Director	15 years
3	Tadashi Hasegawa (Male) (Reappointment)	Corporate Director	8 years
4	Eiichi Tanaka (Male) (Reappointment)	Corporate Director	6 years
5	Yasuhiro Yoshitake (Male) (Reappointment)	Corporate Director	6 years
6	Hiroyuki Satake (Male) (Reappointment)	Corporate Director	1 year
7	Kanako Muraoka (Female) (Reappointment) Outside Director/ Independent Director	Outside Director	3 years
8	Hidemitsu Sasaya (Male) (Reappointment) Outside Director/ Independent Director	Outside Director	1 year

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	Hirokazu Ogino (May 28, 1970) (Male) (Reappointment)	April 1995 April 2007 April 2011 June 2011 June 2012 April 2013 June 2013 October 2013 June 2015 June 2017	Joined the Company President of Nihon Kohden Europe GmbH General Manager of Marketing Strategy Department Operating Officer Corporate Director and Operating Officer General Manager of International Operations Corporate Director and Senior Operating Officer CEO of Nihon Kohden America, Inc. Representative Director, President and COO Representative Director, President and CEO (current position)	41,833 shares
(Reasons for nomination of the candidate for Director) Mr. Hirokazu Ogino has abundant experience and achievements acquired through his career in the Company and its group companies, including the President of foreign sales subsidiaries and the General Manager of Marketing Strategy and International Operations. In addition, he has been responsible for management of the Company since 2015 as the President and been devoted to increasing the corporate value through creating the Company's long-term vision and implementing the Company's mid-term business plan. We anticipate that he will make the most of his expertise and experience of management he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.				
2	Takashi Tamura (March 22, 1959) (Male) (Reappointment)	April 1983 April 2003 April 2007 June 2007 June 2008 April 2011 April 2013 April 2014 June 2015 April 2016 June 2017	Joined the Company President of Nihon Kohden Kansai Corporation General Manager of Sales Operations Operating Officer Corporate Director and Operating Officer General Manager of International Operations General Manager of Service Business Division General Manager of Customer Service Operations Corporate Director and Senior Operating Officer General Manager of Sales Operations Representative Director and Executive Operating Officer (current position) [In Charge of Domestic Operations]	30,534 shares
(Reasons for nomination of the candidate for Director) Mr. Takashi Tamura is currently in charge of Domestic Operations after serving as the President of domestic sales subsidiaries and the General Manager of Domestic Operations, International Operations and Customer Service and has abundant experience and achievements. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.				

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
3	Tadashi Hasegawa (June 17, 1959) (Male) (Reappointment)	April 1983 June 2009 June 2011 June 2013 March 2014 April 2014 June 2014 June 2015 April 2017 April 2020 April 2022	Joined Saitama Bank Ltd. Operating Officer of Saitama Resona Bank Limited Senior Operating Officer of Saitama Resona Bank Limited Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited Joined the Company Operating Officer (responsible for Internal Auditing Department) Corporate Director and Senior Operating Officer Chief Compliance Officer (current position) General Manager of Global Corporate Administration Operations (current position) Corporate Director and Executive Operating Officer (current position)	19,586 shares
(Reasons for nomination of the candidate for Director) Mr. Tadashi Hasegawa has plenty of knowledge of finance and accounting acquired through his abundant experience in banking institutions. After he joined the Company, he served as the Director responsible for Internal Auditing Department and he is currently the General Manager of Global Corporate Administration Department and the Director responsible for Finance, Legal Affairs, Compliance, Human Resources, General Affairs and Information Systems. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.				
4	Eiichi Tanaka (July 15, 1962) (Male) (Reappointment)	April 1985 April 2002 October 2003 April 2008 June 2008 April 2011 April 2013 April 2014 April 2017 June 2017 April 2019 April 2020 April 2022	Joined the Company General Manager of Marketing & Business Development Department President of Nihon Kohden America, Inc. General Manager of General Affairs and Human Resources Department Operating Officer General Manager of Accessories & Consumables Business Operations Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation President of Nihon Kohden Tomioka Corporation General Manager of Import Business Operations Corporate Director and Operating Officer General Manager of Corporate Strategy Division General Manager of US Operations (current position) Corporate Director and Senior Operating Officer (current position)	9,490 shares
(Reasons for nomination of the candidate for Director) Mr. Eiichi Tanaka is currently the General Manager of US Operations after serving as the General Manager of Marketing & Business Development, General Affairs & Human Resources, Import Business Operations and Corporate Strategy and the President of a foreign and domestic sales subsidiary and a domestic manufacturing subsidiary and has abundant experience and achievements. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.				

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
5	Yasuhiro Yoshitake (March 20, 1966) (Male) (Reappointment)	April 1988	Joined the Company	7,560 shares
		October 2003	President of Nihon Kohden Europe GmbH	
		April 2007	General Manager of Sales Promotion Division, International Operations	
		April 2008	Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.	
		April 2011	General Manager, China Operations	
		June 2011	Operating Officer	
		April 2013	General Manager, Asia and Middle East Operations	
		April 2015	General Manager of International Operations (current position)	
		June 2017	Corporate Director and Operating Officer	
		February 2019	President and CEO of Nihon Kohden America, Inc.	
		April 2022	Corporate Director and Senior Operating Officer (current position)	
	(Reasons for nomination of the candidate for Director)			
	<p>Mr. Yasuhiro Yoshitake is currently the General Manager of International Operations after serving as the President of foreign sales subsidiaries and the General Manager of Asia and Middle East Operations and has abundant experience and achievements. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.</p>			
6	Hiroyuki Satake (April 22, 1958) (Male) (Reappointment)	April 1984	Joined the Company	4,147 shares
		April 2009	General Manager of Engineering Department 2 of Biomedical Instrument Technology Center	
		April 2014	General Manager of Engineering Department 2 of Biomedical Instrument Business Operations	
		October 2016	CTO of Defibtech, LLC	
		April 2017	General Manager of Biomedical Instrument Business Operations	
		June 2017	Operating Officer	
		April 2020	Senior Operating Officer (current position)	
			General Manager of Technology Development Operations	
		April 2022	General Manager of Strategic Technology Operations	
		June 2022	Corporate Director (current position) [In Charge of Strategic Technology Operations, Technology Development Operations, R&D, and Regulatory Affairs]	
	(Reasons for nomination of the candidate for Director)			
	<p>Mr. Hiroyuki Satake has been mainly engaged in the product development of neurological equipment and the establishment of R&D infrastructure for AED and ventilators. He is currently overseeing the Company's technology development as the director in charge of Strategic Technology Operations, Technology Development Operations, R&D, and Regulatory Affairs, and has abundant experience and achievements. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be elected as Director continuously.</p>			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	Kanako Muraoka (April 26, 1965) (Female) (Reappointment) Candidate for Outside Director / Independent Director	April 1988 Joined Mitsubishi Corporation April 1993 Registered as an attorney (Daini Tokyo Bar Association) Joined Anderson & Mōri (currently Anderson Mōri & Tomotsune) October 1999 Joined Mori Sogo (currently Mori Hamada & Matsu- moto) April 2020 Joined Kowa Law Office (current position) June 2020 Outside Director (current position) March 2021 Outside Director of FUJIYA CO., LTD. (current posi- tion)	0 shares
7	(Reasons for nomination of the candidate for Director and overview of expected roles) Ms. Kanako Muraoka is a candidate for Outside Director. (1) Although Ms. Kanako Muraoka has not been engaged in corporate management in any capacity other than as an Outside Director, she is closely acquainted with corporate legal affairs as an attorney. We anticipate that she will make the most of the expertise and experience she has accumulated to date for providing objective and neutral advice to and for independent supervisory of the Company's management. Accordingly, we propose that she be elected as an Outside Director continuously. She will have been in office as an Outside Director of the Company for three years at the conclusion of this General Meeting of Shareholders. (2) The Company has concluded a liability limitation agreement with Ms. Kanako Muraoka to limit her liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If her election is approved, we will continue the liability limitation agreement with her. (3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Ms. Kanako Muraoka is an Independent Director as provided by the Exchange, because she satisfies the requirements therefor. If her re-election is approved, the Company will notify the Tokyo Stock Exchange again that she is an Independent Director. No material conflict of interest exists between the Company and Kowa Law Office and FUJIYA CO., LTD. where she holds the significant concurrent position.		

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	<p>Hidemitsu Sasaya (May 24, 1953)</p> <p>(Male)</p> <p>(Reappointment) Candidate for Outside Director / Independent Director</p>	<p>April 1977 Joined the Ministry of Agriculture and Forestry (currently Ministry of Agriculture, Forestry and Fisheries)</p> <p>July 2005 Councillor, Minister's Secretariat, the Ministry of the Environment</p> <p>August 2006 Councillor, Minister's Secretariat, the Ministry of Agriculture, Forestry and Fisheries</p> <p>July 2007 Director-General of the Kanto Regional Forest Office</p> <p>March 2008 Retired the Ministry of Agriculture, Forestry and Fisheries</p> <p>May 2008 Joined ITO EN, LTD.</p> <p>July 2010 Corporate Director of ITO EN, LTD.</p> <p>July 2014 Managing Executive Officer of ITO EN, LTD.</p> <p>December 2018 Representative Director of Office Sasaya Co., Ltd. (current position)</p> <p>April 2019 Retired as Advisor of ITO EN, LTD.</p> <p>April 2019 Visiting Professor at the Graduate School of Information & Communication (currently the Graduate School of Social Design)</p> <p>April 2020 Professor at Platform for Arts and Science, Chiba University of Commerce (current position)</p> <p>June 2022 Outside Director (current position)</p>	<p>0 shares</p>
8	<p>(Reasons for nomination of the candidate for Director and overview of expected roles)</p> <p>Mr. Hidemitsu Sasaya is a candidate for Outside Director.</p> <p>(1) Mr. Hidemitsu Sasaya had been engaged in corporate management as a corporate director and an executive officer and had mainly promoted ESG/SDGs after holding important positions in the area of public administration of agriculture, forestry and fisheries and environment. He is currently a professor at a university specializing in policy research on SDGs, etc. We anticipate that he will make the most of his expertise and insight in the public and private sectors as well as academia for improving the role and function of the Board of Directors in promoting sustainability and providing objective and neutral advice to and for independent supervisory of the Company's management. Accordingly, we propose that he be elected as an Outside Director continuously. He will have been in office as an Outside Director of the Company for one year at the conclusion of this General Meeting of Shareholders.</p> <p>(2) The Company has concluded a liability limitation agreement with Mr. Hidemitsu Sasaya to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If his election is approved, we will continue the liability limitation agreement with him.</p> <p>(3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Hidemitsu Sasaya is an Independent Director as provided by the Exchange, because he satisfies the requirements therefor. If his re-election is approved, the Company will notify the Tokyo Stock Exchange again that he is an Independent Director. He is currently a professor at Platform for Arts and Science, Chiba University of Commerce and the Company and the university have a business relationship, but there is no transaction amount in the 72nd fiscal year. He is also the Representative Director of Office Sasaya Co., Ltd., which delivered lectures on sustainability to executive officers and employees of the Company, but the amount of remuneration paid to Office Sasaya Co., Ltd. in the 72nd fiscal year was less than 10 million yen.</p>		

Notes:

1. No material conflict of interest exists between the Company and each candidate.
2. Current responsibilities at the Company are described in [].
3. The Company has concluded a directors and officers liability insurance agreement as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The summary of the insurance agreement is described in “4. Directors and Operating Officers, (3) Summary of Directors and Officers (D&O) Liability Insurance Agreement” of the Business Report. If the candidates assume office as Director, they will be included in the insured persons under the insurance agreement. The Company intends to renew the insurance agreement with the same terms at the time of the next renewal.

*Opinions of Audit & Supervisory Committee

As for the election and the compensation of Directors (excluding Directors serving as Audit & Supervisory Committee Members), two Outside Directors who are Audit and Supervisory Committee Members and concurrently serving as the chairman and a member of the Nominating & Compensation Committee reported the result of deliberation on the matter by the Nominating & Compensation Committee to the Audit & Supervisory Committee. And as the result of review on it by the Audit & Supervisory Committee, the Audit & Supervisory Committee has reached the conclusion that it has no opinion on the election and the compensation of Directors (excluding Directors serving as Audit & Supervisory Committee Members) to state at this General Meeting of Shareholders in accordance with the Companies Act.

Proposal No.3: Election of One Director Serving as Audit & Supervisory Committee Member

Of the three Directors serving as Audit & Supervisory Committee Members, the terms of office for Mr. Shigeru Hirata will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of One Director serving as Audit & Supervisory Committee Member is proposed.

The Audit & Supervisory Committee has consented to this proposal.

The candidate is as follows:

Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
<p>Shigeru Hirata (May12, 1961) (Male) (Reappointment)</p>	<p>April 1985 Joined the Company April 2011 General Manager of General Affairs & Human Resources Department June 2011 Operating Officer April 2014 General Manager of Human Resources Department April 2016 General Manager of Finance Department June 2017 Operating Officer April 2020 Deputy General Manager of Global Corporate Administration Operations and General Manager of Finance Department June 2021 Director serving as Audit & Supervisory Committee Member (current position)</p>	<p>25,760 shares</p>
<p>(Reason for candidacy as a Director serving as an Audit & Supervisory Committee Member, etc.)</p> <p>Mr. Shigeru Hirata, engaged primarily in finance, accounting, and human resources including his previous role as the General Manager of General Affairs & Human Resources Department, the General Manager of Human Resources and the General Manager of Financial Department, has abundant experience within the Company and plenty of knowledge of finance and accounting. We anticipate that he will make the most of his expertise and experience he has accumulated to date for supervision of the Company’s management from the view point of non-managing Director. Accordingly, we propose that he be nominated as a Director serving as an Audit & Supervisory Committee Member continuously.</p>		

Notes:

1. No material conflict of interest exists between the Company and Mr. Shigeru Hirata.
2. The Company has concluded a directors and officers liability insurance agreement as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The summary of the insurance agreement is described in “4. Directors and Operating Officers, (3) Summary of Directors and Officers (D&O) Liability Insurance Agreement” of the Business Report. If Mr. Shigeru Hirata assumes office as Director, he will be included in the insured persons under the insurance agreement. The Company intends to renew the insurance agreement with the same terms at the time of the next renewal.

【Reference】 Skill Matrix (Scheduled for after this Ordinary General Meeting of Shareholders)

The Board of Directors consists of eleven members including four independent outside directors with expertise. We strive to ensure diversity by appointing one female independent outside director at the Ordinary General Meeting of Shareholders held in 2020. Directors utilize their knowledge, experience, and abilities to make decisions and supervise the business executions in order to realize the long-term vision and the three-year business plan.

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

Name	Position	Corporate Management	Global Experience	Sales/ Marketing	Production/ Technology/ R&D	Legal/ Risk Management	Finance/ Accounting/ M&A	HR/ HR Development	ESG/ SDGs
Hirokazu Ogino	Representative Director President and CEO	●	●	●			●		●
Takashi Tamura	Representative Director & Executive Operating Officer	●		●					
Tadashi Hasegawa	Corporate Director & Executive Operating Officer		●			●	●	●	●
Eiichi Tanaka	Corporate Director & Senior Operating Officer	●	●	●	●			●	
Yasuhiro Yoshitake	Corporate Director & Senior Operating Officer	●	●	●					
Hiroyuki Satake	Corporate Director & Senior Operating Officer				●				
Kanako Muraoka	Outside Director Nomination & Remuneration Committee Member		●			●	●		
Hidemitsu Sasaya	Outside Director		●						●
Shigeru Hirata	Corporate Director Full-time Audit & Supervisory Com mittee Member			●			●	●	
Shigeru Kawatsuhara	Outside Director Audit & Supervisory Committee Me mber Nomination & Remuneration Committee Member	●	●	●					
Kazuo Shimizu	Outside Director Audit & Supervisory Committee Me mber Nomination & Remuneration Comm ittee Member					●	●		

Business Report

1. Overview of the Nihon Kohden Group Business Activities

(1) Review of Operations and Results

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

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

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

[Sales by region]

Japan: Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on consumables and services business as well as strengthening its marketing and service capabilities, creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency. Domestic sales decreased due to a reactionary decline in demand for patient monitors and ventilators,

large numbers of which had been installed to treat COVID-19 patients in the previous fiscal year. On the other hand, sales of Physiological Measuring Equipment and hematology instruments increased favorably as the number of testing and surgical procedures showed a recovery trend and capital expenditure by medical institutions resumed. Sales in the university and clinic market increased, while sales in the public hospital and private hospital markets decreased. Sales of AEDs in the PAD markets also decreased. As a result, domestic sales decreased 0.4% over FY2021 to ¥135,734 million.

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

[Sales by product category]

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

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

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

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

(2) Challenges to be Addressed

1) Management Philosophy and Mid-to Long-term Management Strategy

Nihon Kohden's Management Philosophy is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. The Company aims at the continuous growth of the Nihon Kohden Group and increasing the value of the Company, through deploying permanently its business activities under its Management Philosophy.

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

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

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

1. Basic policy

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

2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the SDGs. In our business activities, we will address 8 issues aimed at realizing the 5 visions for the future (Accessible/Intelligent/Patient oriented/Connected/Optimized) which we designated in BEACON 2030. In corporate activities, we will address 4 issues of Human rights/Human resources, Quality, Governance, and Environment.

3. Six key strategies

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

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

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

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

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

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

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

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

(5) [Operations] Promote corporate digital transformation

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

(6) [Operations] Establish global supply chain management

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

4. Human resource development and corporate culture reform

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

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

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

• The progress of BEACON 2030 Phase I

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

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

(3) Capital Investment

In FY2022, a total amount of ¥8,294 million was spent in capital investment. Main expenditures included a new plant site, products for demonstration, metal molds, measuring equipment, mechanical equipment, IT equipment and business application.

(4) Financing

The Company's cash on hand was allocated for necessary funds including capital investments.

(5) Consolidated Financial Statements

(Millions of yen)	FY2019 Ended March 31, 2020	FY2020 Ended March 31, 2021	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023 (Current fiscal year)
Net sales	185,007	199,727	205,129	206,603
Operating income	15,503	27,094	30,992	21,120
Ordinary income	14,846	28,374	34,563	24,122
Income attributable to owners of parent	9,854	18,243	23,435	17,110
Net income per share (yen)	115.72	214.21	276.51	203.28
Total assets	167,786	193,030	210,201	216,728
Net assets	121,774	138,986	156,381	167,604
Net assets per share (yen)	1,430.02	1,631.88	1,852.39	1,992.30
ROE (%)	8.3	14.0	15.9	10.6

Notes:

- 1) In FY2019, both domestic and overseas sales increased. Operating income also increased. Ordinary income and net income decreased, reflecting foreign exchange losses and extraordinary losses.
- 2) In FY2020, both domestic and overseas sales increased. Income also increased.
- 3) In FY2021, both sales and income increased, because overseas sales increased favorably, while domestic sales decreased slightly.
- 4) In FY2022, results are provided in (1) Review of Operations and Results.
- 5) Since the beginning of FY2021, the Company has applied the Accounting Standards for Revenue Recognition (ASBJ No. 29, March 31, 2020). These accounting standards apply to figures in the Consolidated Financial Statements for FY2021 and beyond.

(6) Principal Subsidiaries

1) Principal Subsidiaries

Name	Capital	Parent's voting rights (%)	Principal business
Nihon Kohden America, Inc.	USD 4,741K	100	Sales of medical electronic equipment
Nihon Kohden Europe GmbH	EUR 2,500K	100	Sales of medical electronic equipment
Nihon Kohden India Pvt. Ltd.	INR 111M	100	Sales of medical electronic equipment
Nihon Kohden Do Brasil Ltda.	BRL 16,728K	100	Sales of medical electronic equipment
Nihon Kohden Mexico S.A. de C.V.	MXN 20M	100	Sales of medical electronic equipment
Nihon Kohden Singapore Pte Ltd	SGD 1M	100	Sales of medical electronic equipment
Nihon Kohden Middle East FZE	AED 6M	100	Sales of medical electronic equipment
Nihon Kohden Korea, Inc.	KRW 800M	100	Sales of medical electronic equipment
NIHON KOHDEN TOMIOKA CORPORATION	JPY 496M	100	Production of medical electronic equipment, and storage and transportation of the Company's products
BENEFICKS CORPORATION	JPY 20M	100	Production and sales of medical information system
NIPPON BIO-TEST LABORATORIES INC.	JPY 10M	100	Development, production and sales of immunochemical products
Shanghai Kohden Medical Electronic Instrument Corp.	USD 6,669K	100	Development, production and sales of medical electronic equipment
Nihon Kohden Digital Health Solutions, Inc.	USD 12,500K	100	Development of medical electronic equipment
Neurotronics, Inc.	USD 100K	100	Development of software for medical electronic equipment
RESUSCITATION SOLUTION, INC.	USD 50.5M	100	Acquisition and holding of equity interests in an affiliated company
Defibtech, LLC	USD 3,072K	(100)	Development, production and sales of medical electronic equipment
Nihon Kohden Innovation Center, Inc.	USD 1,000K	100	Research and development of medical electronic equipment
Nihon Kohden OrangeMed, Inc.	USD 21,000K	100	Development, production and sales of medical electronic equipment
E-STAFF CORPORATION	JPY 20M	100	Group general affairs and staff dispatch service

Notes:

- 1) The percentage in parenthesis in "Parent's voting rights" indicates the percentage of voting rights which the parent company holds indirectly.
- 2) Nihon Kohden OrangeMed, Inc. increased a capital by USD 20M in February 2023.
- 3) In April 2023, Nihon Kohden made a contribution in kind of all shares of five subsidiaries: (i) Nihon Kohden America, Inc., (ii) Neurotronics, Inc., (iii) Nihon Kohden Digital Health Solutions, Inc., (iv) Nihon Kohden Innovation Center, Inc. and (v) Resuscitation Solution, Inc., to Nihon Kohden OrangeMed, Inc.
- 4) Nihon Kohden America, Inc., Neurotronics, Inc., Nihon Kohden Digital Health Solutions, Inc., and Nihon Kohden Innovation Center, Inc. converted from corporations to limited liability companies in each applicable U.S. jurisdiction in April 2023.
- 5) Resuscitation Solution, Inc. was dissolved in April 2023.

2) Progress of Business Combination

The Company acquired Software Team Srl. Nihon Kohden OrangeMed, Inc. became a wholly owned subsidiary.

3) Results of Business Combination

The Nihon Kohden Group has 31 consolidated subsidiaries. Overview of consolidated financial results is provided in (1) Review of Operations and Results.

4) Status of Specified Wholly Owned Subsidiaries as of the End of FY2022

The Company does not have any subsidiaries that qualify as specified wholly-owned subsidiaries.

(7) Principal Businesses

Nihon Kohden's primary business is research & development, production, sales, and repair and maintenance services of medical electronic equipment.

Product category	Principal products
Physiological Measuring Equipment	Electroencephalographs (EEG), evoked potential and electromyogram measuring systems, electrocardiographs (ECG), polygraphs for cath lab, diagnostic information systems, related consumables such as recording paper, electrodes and EP-catheters, and maintenance services
Patient Monitors	Patient monitors for continuous monitoring of patients' vital signs such as electrocardiogram, respiration, SpO ₂ (blood oxygen saturation), NIBP (noninvasive blood pressure), clinical information systems, related consumables such as electrodes and sensors, and maintenance services
Treatment Equipment	Defibrillators, AEDs (Automated External Defibrillator), ventilators, pacemakers, anesthesia machine, cochlear implants, related consumables such as AED pads, batteries and ablation catheters, and maintenance services
Other Medical Equipment	Hematology analyzers, clinical chemistry analyzers, ultrasound diagnostic equipment and others, consumables such as test reagents, and installation and maintenance services

(8) Principal Sales Offices and Factories

Japan	Headquarters	Shinjuku-ku, Tokyo
	Offices	Nishiochiai Office (Shinjuku-ku, Tokyo), Tokorozawa Office (Tokorozawa City, Saitama Pref.), Tomioka Office (Tomioka City, Gunma Pref.), Kawamoto Office (Fukaya City, Saitama Pref.), Tsurugashima Office (Tsurugashima City, Saitama Pref.), Asaka Office (Asaka City, Saitama Pref.), Eastern Japan Logistics Center (Sakado City, Saitama Pref.)
	Branch Offices	Hokkaido Branch (Sapporo City, Hokkaido Pref.), Tohoku Branch (Sendai City, Miyagi Pref.), Higashi Kanto Branch (Chiba City, Chiba Pref.), Kita Kanto Branch (Saitama City, Saitama Pref.), Tokyo Regional Office (Bunkyo-ku, Tokyo), Capital Area GP Branch (Bunkyo-ku, Tokyo), Minami Kanto Branch (Yokohama City, Kanagawa Pref.), Chubu Branch (Nagoya City, Aichi Pref.), Kansai Regional Office (Osaka City, Osaka Pref.), Chugoku Branch (Hiroshima City, Hiroshima Pref.), Shikoku Branch (Matsuyama City, Ehime Pref.), Kyushu Branch (Fukuoka City, Fukuoka Pref.)
Overseas	Americas	Nihon Kohden America, Inc. Nihon Kohden Mexico S.A. de C.V. Nihon Kohden Latin America S.A.S. Nihon Kohden Do Brasil Ltda. Defibtech, LLC, Nihon Kohden OrangeMed, Inc.

	Europe	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 Firenze S.r.l.
	Asia & other regions	Shanghai Kohden Medical Electronic Instrument Corp. Nihon Kohden Singapore Pte Ltd NKS Bangkok Co., Ltd. Nihon Kohden Malaysia Sdn. Bhd. Nihon Kohden India Pvt. Ltd. Nihon Kohden Middle East FZE Nihon Kohden Korea, Inc.

Note: In April 2023, the Company reorganized its subsidiaries in the U.S. into a holding company structure.

Nihon Kohden OrangeMed, Inc. became a holding company for all other U.S. subsidiaries. Nihon Kohden America, Inc. converted from a corporation to a limited liability company in applicable U.S. jurisdiction. Additionally, NKS Bangkok, Co., Ltd. changed its name to Nihon Kohden (Thailand) Co., Ltd.

(9) Employees

	Number of employees	Increase/decrease from the end of the previous fiscal year
Japan	4,110 [529]	+74
Overseas	1,641 [45]	+38
Total	5,751 [574]	+112

Notes:

- 1) The number of employees indicates full time employees which exclude people assigned by the Nihon Kohden Group to work outside the Nihon Kohden Group and include people assigned from outside the Nihon Kohden Group to work within the Nihon Kohden Group.
- 2) The [Number of employees] column indicates the average number of temporary employees (part-time fixed-time, temporary and part-time employees) employed during the fiscal year.

(10) Major Lenders

Lender	Balance of borrowing
Saitama Resona Bank, Ltd.	100 million yen

2. Stock Information (As of March 31, 2023)

- (1) **Total Number of Issuable Shares** 197,972,000 shares
- (2) **Total Number of Shares Issued** 88,230,980 shares (including 4,104,612 shares of treasury stock)
- (3) **Number of Shareholders** 6,326 (Decrease by 1,194 compared to the end of the previous fiscal year)

(4) Major Shareholders

Shareholders	Number of shares	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	13,480,500	16.02
Custody Bank of Japan, Ltd. (trust account)	4,567,000	5.42
Saitama Resona Bank, Ltd.	4,193,750	4.98
State Street Bank and Trust Company 505103	2,887,100	3.43
JP Morgan Chase Bank 385151	2,341,300	2.78
JP Morgan Chase Bank 380055	1,998,000	2.37
AVI Global Trust PLC	1,771,000	2.10
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,523,420	1.81
MUFG Bank, Ltd.	1,325,130	1.57
Nihon Kohden Employee Shareholding Association	1,272,092	1.51

Note: The above list excludes Nihon Kohden's treasury stock of 4,104,612 shares. Each shareholding ratio is calculated excluding treasury stock.

(5) Shares Allotted to Directors as Remuneration for the Execution of their Duties during FY2022

The details of stock-based remuneration delivered during FY2022 are as follows.

- Total number of shares allotted to directors and other board members by category

	Number of shares	Number of allottees
Directors, excluding Audit & Supervisory Committee Members and Outside Directors	12,756 shares	6 persons
Outside Directors, excluding Audit & Supervisory Committee Members	—	—
Audit & Supervisory Committee Members	—	—

(6) Other Essential Matters regarding Stock

The Company acquired 322,500 own shares from May 16, 2022 to June 2, 2022 pursuant to the resolution of the Board of Directors held on May 13, 2022.

The Company canceled 500,000 own shares on June 10, 2022 pursuant to the resolution of the Board of Directors held on May 13, 2022.

3. Corporate Governance

(1) Basic Policy on Corporate Governance

To realize its Management Philosophy as a medical electronics manufacturer, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by customers, shareholders, clients and society in all aspects including products, sales, service, technology, financial strength, quality of employees and other point.

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.

(2) Corporate Governance System

The Company has adopted a company with Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory function, improvement of soundness and transparency of the management, and acceleration of the management decision making. In addition, The Company has established the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure transparency and objectivity of the management. The Committee consists of three independent outside directors and the committee chair is also appointed from outside directors.

The Board resolves the matters pursuant to the Companies Act and make decisions on the execution of important business for the entire group as well as supervises directors' performance of their duties. In addition, Meetings of the Management Council, at which all directors and operating officers attend, are held to ensure prompt decision making and flexible business operation.

4. Directors and Operating Officers

(1) Names and Other Information of Directors

Title	Name	Areas of Responsibility and Significant Concurrent Positions
Representative Director, President and CEO	Hirokazu Ogino (Male)	Management
Representative Director, Executive Operating Officer	Takashi Tamura (Male)	In charge of Domestic Operations
Corporate Director, Executive Operating Officer	Tadashi Hasegawa (Male)	General Manager of Global Corporate Administration Operations, Chief Compliance Officer
Corporate Director, Senior Operating Officer	Fumio Hirose (Male)	General Manager of Business Strategy Operations
Corporate Director, Senior Operating Officer	Eiichi Tanaka (Male)	General Manager of US Operations
Corporate Director, Senior Operating Officer	Yasuhiro Yoshitake (Male)	General Manager of International Operations
Corporate Director, Senior Operating Officer	Hiroyuki Satake (Male)	General Manager of Technology Development Operations, General Manager of Strategic Technology Operations
Outside Director	Kanako Muraoka (Female)	Attorney, Kowa Law Office, Outside Director of Fujiya Co., Ltd.
Outside Director	Hidemitsu Sasaya (Male)	Professor at Platform for Arts and Science, Chiba University of Commerce, Representative Director of Office Sasaya Co., Ltd.
Corporate Director, Full-time Audit & Supervisory Committee Member	Shigeru Hirata (Male)	
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara (Male)	
Outside Director, Audit & Supervisory Committee Member	Kazuo Shimizu (Male)	Certified Public Accountants and Tax Accountants, Shimizu Accounting Office, Representative partner of Ryoh-koh Audit Corporation

Notes:

- Ms. Kanako Muraoka, Mr. Hidemitsu Sasaya, Mr. Shigeru Kawatsuhara, and Mr. Kazuo Shimizu are Outside Directors. The Company has filed with the Tokyo Stock Exchange a notification to establish that

they are independent directors.

- 2) The Company appoints a full-time Audit & Supervisory Committee Member to ensure the effectiveness of audits by routinely monitoring the establishment and operation of the internal control system and the maintenance of the environment for the collection of internal information and audits.
- 3) Mr. Hiroyuki Satake and Mr. Hidemitsu Sasaya are newly elected and appointed at the 71th Ordinary General Meeting of Shareholders held on June 28, 2022.
- 4) Mr. Kazuo Shimizu, an Audit & Supervisory Committee Member, is a Certified Public Accountant and Tax Accountant, and possesses a considerable degree of knowledge about finance and accounting.
- 5) Director who retired during the fiscal year under review is as follows.
Retired on June 28, 2022 due to the expiration of term of office

Corporate Director, Senior Operating Officer	Kazuteru Yanagihara
Outside Director	Minoru Obara
- 6) In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a liability limitation agreement with each Outside Director to limit his/her liability under the provisions of Article 423, Paragraph 1 of the same Act. The minimum liability amount is the amount stipulated by law.
- 7) Outside Director Kanako Muraoka, Outside Director Shigeru Kawatsuhara, and Outside Director Kazuo Shimizu are the Nomination & Remuneration Committee Members. Mr. Shigeru Kawatsuhara is serving as the chairperson.
- 8) The Company has introduced an operating officer system. The operating officers who do not serve as Directors are as follows as of March 31, 2023.

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

(2) Remuneration to Directors

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

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

A summary of the Decision Policy is as follows.

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

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

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

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

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

The ratio by types of compensation for Directors (excluding Audit & Supervisory Committee Members and Outside Directors) shall be reviewed by the Nomination & Remuneration Committee, based on the remuneration levels of benchmark companies whose business scale is similar to the Company. The weighting of performance-based compensation shall be higher for the higher positions. While respecting the report by the

Nomination & Remuneration Committee, the Board of Directors shall determine the details of remuneration for each Director within the range of the ratio by types of compensation indicated in the report. The amount of remuneration shall be determined by resolution of the Board of Directors, which shall have the authority to determine the amount of basic salaries for each Director as well as the evaluation and allocation of performance-based compensation based on the performance of the business for which each Director is responsible. The Board of Directors shall consult the Nomination & Remuneration Committee on the draft remuneration plan and obtain a report from the Committee to ensure that the Board exercises its authority appropriately. The Board of Directors shall also resolve the number of shares to be allocated to each Director as restricted stock remuneration based on the report of the Nomination & Remuneration Committee.

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

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

2) Resolutions of the General Meeting of Shareholders on Remuneration to Directors

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

Separately from the above remuneration, 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 Audit & Supervisory Committee Members and Outside Directors) in respect of restricted stock shall be within the limit of 100 million yen. At the time of the resolution, the number of Directors (excluding Audit & Supervisory Committee Members and Outside Directors) was seven.

3) The Total Amount of Remuneration to Directors

Million 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)	361	242	84	35	11
[Outside Directors]	[21]	[21]	[-]	[-]	[3]
Directors (Audit & Supervisory Committee Members)	47	47	-	-	3
[Outside Directors]	[22]	[22]			[2]
Total	408	289	84	35	14

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

4) Performance-based Compensation

The Company pays bonuses to Directors (excluding Audit & Supervisory Members and Outside Directors) as performance-based compensation to further increase Directors' morale and motivation to improve its business performance and generate sustainable increases in its corporate value.

The FY2022 performance indicator selected as the basis for calculating the amount of performance-based compensation is operating income. This is because operating income is the profit earned from the Company's core businesses as well as reflecting the creation of high customer value and improvement of productivity within the organization. An increase in operating income also leads to a sustainable increase in the Company's corporate value. Amounts of performance-based compensation are calculated based on the degree of achievement of the operating income target as well as individual evaluation according to each Director's area of responsibility, and the variable payment rate is 0% to 200%.

The results for operating income in FY2022 are described in 1. (5) Consolidated Financial Statements.

5) Restricted Stock Remuneration

The Company allots restricted stock to Directors (excluding Audit & Supervisory Committee Members and Outside Directors) to encourage them to continuously improve the Company's corporate value, as well as to facilitate their sense of sharing value with shareholders.

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

The status of allocation of restricted stock remuneration is described in 2. (5) Shares Allotted to Directors as Remuneration for the Execution of their Duties during FY2022.

(3) Summary of Directors and Officers (D&O) Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The Company intends to renew the insurance agreement in June 2023.

1) Coverage of the Insured Persons

Directors of the Company (including Directors serving as Audit & Supervisory Committee Members), Operating Officers of the Company, and Officers of subsidiaries.

2) Substantial Premium Burden Ratio of the Insured Persons

All the insurance premiums under the insurance agreement is borne by the Company.

3) Summary of Insurance Accidents covered by Insurance

The insurance agreement covers damages incurred by the Officers (legal damage compensation and legal expenses) due to claims for damage compensation during the insurance period arising from acts or omissions of the insured persons in the execution of duties as an Officer of the Company.

4) Measures to Ensure the Appropriateness of the Execution of Duties by Officers is maintained

There are certain exemptions that exclude coverage for liability arising from certain acts by the insured persons, such as intentional behavior, provision of unlawful personal profit and criminal acts.

(4) Outside Directors

The Company appoints independent outside directors in order to enhance transparency and soundness of the management. 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.

1) Significant Concurrent Positions of Outside Directors

Classification	Name	Concurrent position and organization	Relationship of organization they have concurrent position
Outside Director	Kanako Muraoka	Attorney, Kowa Law Office, Outside Director of Fujiya Co., Ltd.	There is no special relationship between the Company and each organization.
	Hidemitsu Sasaya	Professor at Platform for Arts and Science, Chiba University of Commerce, Representative Director of Office Sasaya Co., Ltd.	Chiba University of Commerce and the Company have business transactions, but there was no transaction amount in FY2022. He is also the Representative Director of Office Sasaya Co., Ltd., which delivered lectures on sustainability to executive officers and employees of the Company, but the amount of remuneration paid to Office Sasaya Co., Ltd. in FY2022 was less than 10 million yen.

Classification	Name	Concurrent position and organization	Relationship of organization they have concurrent position
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara	There are no applicable items.	
	Kazuo Shimizu	Certified Public Accountants and Tax Accountants, Shimizu Accounting Office, Representative Partner of Ryoh-koh Audit Corporation	There is no special relationship between the Company and each organization.

2) Major Activities of Outside Directors during FY2022

Classification	Name	Attendance at Board Meetings	Attendance at Audit & Supervisory Committee Meetings	Main Activities
Outside Director	Kanako Muraoka	18/18	-	She made appropriate and necessary statements from her professional perspective as an attorney, and supervised the Company's management from an independent standpoint. As a member of the Nomination & Remuneration Committee, she attended all eight meetings held in FY2022. She attended discussions and resolutions about the drafts of both nomination and remuneration of directors, which was submitted to the Board of Directors by the Nomination & Remuneration Committee.
	Hidemitsu Sasaya	13/13 (after the appointment on June 28, 2022)	-	He made appropriate and necessary statements from his abundant knowledge and broad experience in industry, government and academia. He also strengthened the role and function of the Board of Directors in the promotion of sustainability and provided objective and neutral advice and supervision of management from an independent standpoint. He also delivered lectures on sustainability to executive officers and employees of the Company to promote a further understanding of sustainability.
Outside Director, Audit & Supervisory Committee Member	Shigeru Kawatsuhara	18/18	22/22	He made appropriate and necessary statements based on his experience in the management of a company and supervised the Company's management from an independent standpoint. As a Chairperson of the Nomination & Remuneration Committee, he attended all eight meetings held in FY2022 while taking the initiative in discussions and resolutions about the drafts of both nomination and remuneration of directors, which were submitted to the Board of Directors by the Nomination & Remuneration Committee.

Classification	Name	Attendance at Board Meetings	Attendance at Audit & Supervisory Committee Meetings	Main Activities
	Kazuo Shimizu	18/18	22/22	He made appropriate and necessary statements from his professional perspective as a Certified Public Accountant and Tax Accountant and supervised the Company's management from an independent standpoint. As a member of the Nomination & Remuneration Committee, he attended all eight meetings held in FY2022. He attended discussions and resolutions about the drafts of both nomination and remuneration of directors, which was submitted to the Board of Directors by the Nomination & Remuneration Committee.

5. Accounting Auditor

(1) Name of Accounting Auditor

Crowe Toyo & Co.

(2) Amount of Remuneration to the Accounting Auditor for FY2022

Total amount of remuneration to the accounting auditor for FY2022	49 million yen
Total amount of money and other property benefits to be paid by the Company and its subsidiaries to the accounting auditor	49 million yen

Notes:

- 1) Based on the "Practical Guidelines for Collaboration with Accounting Auditors" published by the Japan Corporate Auditors Association, the Audit & Supervisory Committee agreed to the accounting auditor's remuneration under Article 399, Paragraphs 1 and 3 of the Companies Act after reviewing the details of the accounting auditor's audit plan, the basis for calculating the estimated remuneration, and the performance of duties in previous years.
- 2) The audit contract between the Company and the accounting auditor does not distinguish between audit fees based on the Companies Act and audit fees based on the Financial Instruments and Exchange Act, so the above amounts include audit fees based on the Financial Instruments and Exchange Act.
- 3) Some of the Company's significant overseas subsidiaries are audited by auditing firms other than the Company's accounting auditor.

(3) Policy on Dismissal or Non-reappointment of the Accounting Auditor

If the accounting auditor is found to fall under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee shall dismiss the accounting auditor with the consent of all Audit & Supervisory Committee Members.

In addition, the Audit & Supervisory Committee will determine the content of the agenda for the General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor when it is deemed necessary, such as when the performance of the accounting auditor's duties is impeded.

6. Corporate Structure and Policy

(1) System to Ensure the Appropriateness of Business

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

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

In order to ensure fair and appropriate corporate activities, the Company has thoroughly notified Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws, to directors and employees by training and promotion activities. The Compliance Committee and compliance officers at departments and Group companies promote the implementation of compliance. The Company has established an internal compliance hotline for reporting and consultation in order to find and cure unfair practices as early as possible. The Company stands against antisocial forces that threaten the order and safety of civil society, and has no relationship with them.

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

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

3) Risk Management of Possible Losses

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

4) System to Ensure Efficient Business Execution by Directors

Meetings of the Management Council, at which directors and operating officers attend, are held once or twice a month aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other. The Company will endeavor to ensure the effective business execution by establishing internal rules to clarify the allocation of duties, authority, responsibility and execution procedures of each director, operating officer and council.

5) System to Ensure Proper Business Execution of the Company Group

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

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

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

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

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

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

Directors, excluding Audit & Supervisory Committee Members, and employees of the Company Group shall promptly report to the Audit & Supervisory Committee concerning matters that may cause serious damage to the Company Group, material violations of laws and the Articles of Incorporation, unfair practices as well as results of internal audit. The Audit & Supervisory Committee may request reports of directors, excluding Audit & Supervisory Committee Members, and employees of the Company Group as necessary.

Directors, excluding Audit & Supervisory Committee Members, or employees who report to the Audit & Supervisory Committee will not be subjected to disadvantageous treatment because of such report. The Audit & Supervisory Committee audits the performance of the directors', excluding Audit & Supervisory Committee Members, duties by attending the important meetings such as the Management Council.

8) System to Ensure Effective Audit by the Audit & Supervisory Committee

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

ensure effective audit of the Company and Group companies.

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

(2) Overview of the Operation of the System to Ensure the Appropriateness of Business

The following is a summary of the results of operations for FY2022.

1) Compliance

The Company ensures thorough compliance by distributing the Compliance Handbook to all executive officers and employees of the Group and conducting compliance training at the workplace level to ensure that they are fully aware of the Nihon Kohden Charter of Conduct and the Nihon Kohden Code of Ethical Conduct. In FY2022, the Compliance Committee was held six times to continuously supervise, evaluate and improve the Group's compliance system and to confirm its operation of compliance-related consultations and reports. The Company has also strengthened its compliance structure by steadily implementing measures to prevent recurrence of the bribery case involving a former employee of the Company in 2021 under the supervision of the Committee for Implementation and Management of Recurrence Prevention Measures.

2) Risk Management System

In accordance with the Risk Management Regulations, the Risk Management Supervisory Division improves and promotes a cross-organizational risk management system of the Nihon Kohden Group, and the specialized committees and divisions set for each risk are responsible for the individual risks associated with the execution of business. In FY2022, each committee such as the Quality Control Committee held regularly to evaluate and report on the effectiveness of each risk management framework, and reported to the Board of Directors on the progress of the Group's overall risk management system. The Company also provided e-learning on risk management including information security to executive officers and employees.

As a medical equipment manufacturer, the Company improved the system to continue the smooth supply of products and services while ensuring the safety of employees and their families in the event of an emergency such as a large-scale natural disaster. In FY2022, the Company conducted evacuation drills and safety confirmation drills, as well as desktop exercises at domestic sales branch offices, to ensure that employees take appropriate action in the event of an emergency in accordance with the Disaster First Response Manual and the Business Continuity Plan.

The Company has also established a response headquarters to address COVID-19 and distributed masks and disinfectants to ensure the safety of employees as well as improved the system and environment so that employees can work at home. Additionally, the Company has established a response headquarters to address procurement risks due to the global shortage of parts including semiconductors. The Company strives to fulfill its responsibility as a medical device manufacturer to supply products and deliver services to customers.

3) Execution of Duties by Directors

In accordance with the Board of Directors Rules and the Standards for Procedures for Requesting Deliberations and Making Decisions, the Board of Directors was held eighteen times in FY2022, and resolved the matters pursuant to the laws, made decisions on the execution of important business for the Nihon Kohden Group, as well as supervised directors' performance of their duties. The Management Council, at which Directors and Operating Officers attend, was held seventeen times to ensure prompt decision-making and flexible business operation. Outside Directors attended the important meetings such as the Management Council as necessary and provided their opinions from an objective and neutral standpoint if necessary and supervise the Company's management. In addition, the Board of Directors' supervisory function was strengthened by reviewing the Standards for Requesting Deliberations and Making Decisions. In order to ensure sufficient time for deliberations at the Board of Directors Meetings, the Company reviewed its operation methods of Meetings and has held Meetings of the Management Council and the Board of Directors on different dates since FY2022.

The Company has introduced an operating officer system. The number of Operating Officers who do not serve as Directors is fifteen. This system clarifies the role of the business execution functions and strengthens its functions. In addition, the Company endeavors to ensure the effective business execution by establishing internal rules to clarify the allocation of duties, authority, responsibility and execution procedures of each director, operating officer and council.

4) Group Management System

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

In FY2022, after deliberation about strengthening the governance of its overseas subsidiaries, the Company has implemented measures and has reported the progress to the Board of Directors once every six months to enhance governance functions in each subsidiary as the 1st defense, in each administrative department such as finance, legal, human resources, and quality control as the 2nd defense, and in the Internal Audit Department as the 3rd defense. The Company also confirmed the operational and improvement status of the Global Business Management Policy, operation of which started in FY2021 so that the managers of overseas subsidiaries can strengthen risk management related to accounting, human resources, legal, and information security.

The Internal Audit Department conducted internal audits of the Company and its subsidiaries regarding compliance, and effectiveness and appropriateness of business executions, and reported the internal audit results to the President and the Audit & Supervisory Committee each time the internal audit is conducted. In addition, the internal audit results and progress of improvements were reported to Directors and Operating Officers at the Board of Directors Meetings every quarter.

The final assessment of internal control system for financial statements was conducted at the time of

closing and was confirmed to be effective. In FY2022, the Company conducted J-SOX training (e-learning) for newly recruited employees, mid-career employees, and newly appointed managers. The Company also conducted J-SOX training (e-learning) for all employees at domestic sales branch offices to ensure understanding and awareness of J-SOX.

5) Execution of Duties by the 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 by investigating the conduct of business operations and status of assets at the Company's main offices and subsidiaries through office visits in addition to reports on audit results from the Internal Audit Department. Those activities shall be in accordance with the audit policy and the audit plan for the term which is decided at the Audit & Supervisory Committee. In FY2022, the Audit & Supervisory Committee was held twenty-two times. The Audit & Supervisory Committee and the Internal Audit Department shared information and exchanged opinions on a monthly basis on the operation of the internal control system as well as on the method of audits, the content of audits, and audit results. The Audit & Supervisory Committee had two meetings with representative directors, nine meetings with the Accounting Auditor, and other meetings with directors on an irregular basis, in order to share information and exchange opinions on the operation of the internal control system and audit results.

(3) Basic Policy on Distribution of Profits and Dividends

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