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(Securities code: 6849)  
June 5, 2024

## To Shareholders with Voting Rights

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

## NOTICE OF THE 73RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby announce that the 73rd 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/stock/meeting.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 25, 2024 (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 26, 2024 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 73rd Fiscal Year (from April 1, 2023 to March 31, 2024), 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 73rd Fiscal Year (from April 1, 2023 to March 31, 2024)

**Proposals to be resolved:**

- Proposal No.1:** Distribution of Surplus
- Proposal No.2:** Election of Nine Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)
- Proposal No.3:** Election of Two Directors Serving as Audit & Supervisory Committee Members
- Proposal No.4:** Election of One Substitute Director Serving as Audit & Supervisory Committee Member
- Proposal No.5:** Revision of the Amount of Remuneration to Outside Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)
- Proposal No.6:** Determination of Remuneration to Directors (Excluding Directors Serving as Audit & Supervisory Committee Members and Outside Directors) for Allotment of Performance-linked Post-delivery Restricted Stock

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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 make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. 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, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. The Company has revised the indicators and targets for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.

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

31 yen per share of the Company's common stock

Total amount: 2,600,798,134yen

Note: Combined with the interim dividend (30 yen per share), the total annual dividend for the fiscal year ended March 31, 2024 will be 61 yen per share.

##### (2) Effective date of distribution of surplus

June 27, 2024

#### 2. Other matters related to distribution of surplus:

To enable to realize flexible capital policies, including shareholder returns, that respond to changes in the future business environment, the Company hereby proposes a partial reversal of general reserve as follows.

##### (1) Item of surplus decreased and amount

General reserve	3,000,000,000 yen
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##### (2) Item of surplus increased and amount

Retained earnings brought forward	3,000,000,000 yen
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**Proposal No.2: Election of Nine Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)**

The terms of office for all (eight) Directors (excluding Directors serving as Audit & Supervisory Committee Members) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, in order to further reinforce the management structure of the Company, an increase in the number of Directors by one and the election of nine 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	<b>Hirokazu Ogino</b> (Male) (Reappointment)	Representative Director	12years
2	<b>Takashi Tamura</b> (Male) (Reappointment)	Representative Director	16years
3	<b>Tadashi Hasegawa</b> (Male) (Reappointment)	Corporate Director	9years
4	<b>Eiichi Tanaka</b> (Male) (Reappointment)	Corporate Director	7years
5	<b>Yasuhiro Yoshitake</b> (Male) (Reappointment)	Corporate Director	7years
6	<b>Shigeru Kawatsuhara</b> (Male) (New Appointment) Outside Director/ Independent Director	Outside Director (serving as an Audit & Supervisory Committee Member)	8years
7	<b>Hidemitsu Sasaya</b> (Male) (Reappointment) Outside Director/ Independent Director	Outside Director	2years
8	<b>Sumie Morita</b> (Female) (New Appointment) Outside Director/ Independent Director	—	—
9	<b>Danny Risberg</b> (Male) (New Appointment) Outside Director/ Independent Director	—	—

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	<b>Hirokazu Ogino</b> (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 Chief Executive Officer (current position)	44,443 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 Three-year 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 nominated in the position of Director continuously.				
2	<b>Takashi Tamura</b> (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 April 2024	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 Representative Director (current position)	32,890 shares
(Reasons for nomination of the candidate for Director)  Mr. Takashi Tamura has served 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 nominated in the position of Director continuously.				

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	<p><b>Tadashi Hasegawa</b> (June 17, 1959)</p> <p>(Male)</p> <p>(Reappointment)</p>	<p>April 1983      Joined Saitama Bank Ltd.</p> <p>June 2009      Operating Officer of Saitama Resona Bank Limited</p> <p>June 2011      Senior Operating Officer of Saitama Resona Bank Limited</p> <p>June 2013      Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited</p> <p>March 2014     Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited</p> <p>April 2014      Joined the Company</p> <p>June 2014      Operating Officer (responsible for Internal Auditing Department)</p> <p>June 2015      Corporate Director and Senior Operating Officer</p> <p>April 2017      Chief Compliance Officer (current position)</p> <p>April 2020      General Manager of Global Corporate Administration Operations</p> <p>April 2022      Corporate Director and Executive Operating Officer</p> <p>April 2024      Corporate Director, Executive Operating Officer, Chief Administrative Officer, General Manager of Corporate Administration Operations (current position)</p>	<p>23,242 shares</p>
<p>(Reasons for nomination of the candidate for Director)</p> <p>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 Corporate Administration Operations and the Director responsible for Finance, Legal Affairs, Compliance, 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 nominated in the position of Director continuously.</p>			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	<p><b>Eiichi Tanaka</b> (July 15, 1962)</p> <p>(Male)</p> <p>(Reappointment)</p>	<p>April 1985      Joined the Company</p> <p>April 2002      General Manager of Marketing &amp; Business Development Department</p> <p>October 2003    President of Nihon Kohden America, Inc.</p> <p>April 2008      General Manager of General Affairs and Human Re- sources Department</p> <p>June 2008      Operating Officer</p> <p>April 2011      General Manager of Accessories &amp; Consumables Busi- ness Operations</p> <p>April 2013      Corporate Director &amp; Senior Operating Officer of Nihon Kohden Tomioka Corporation</p> <p>April 2014      President of Nihon Kohden Tomioka Corporation</p> <p>April 2017      General Manager of Import Business Operations</p> <p>June 2017      Corporate Director and Operating Officer</p> <p>April 2019      General Manager of Corporate Strategy Division</p> <p>April 2020      General Manager of US Operations</p> <p>April 2022      Corporate Director and Senior Operating Officer</p> <p>January 2024    President of Nihon Kohden North America, Inc. (current position)</p> <p>April 2024      Corporate Director, Senior Operating Officer, Chief Re- gional Officer - North America, General Manager of North America Business Operations (current position)</p>	11,917shares
<p>(Reasons for nomination of the candidate for Director)</p> <p>Mr. Eiichi Tanaka is currently the General Manager of North America Business Operations after serving as the General Manager of Marketing &amp; Business Development, General Affairs &amp; Human Resources, Import Business Operations and Corporate Strategy as well as 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 nominated in the position of Director continuously.</p>			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	<b>Yasuhiro Yoshitake</b> (March 20, 1966)  (Male)  (Reappointment)	April 1988    Joined the Company 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 Business 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) April 2024    Chief Regional Officer - International (current position)	8,989 shares
(Reasons for nomination of the candidate for Director)  Mr. Yasuhiro Yoshitake is currently the General Manager of International Business 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 nominated in the position of Director continuously.			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	<b>Shigeru Kawatsuhara</b> (February 14, 1952)  (Male)  (New Appointment)  Candidate for Outside Director / Independent Director	April 1975    Joined Toko, Inc. April 2002    Senior Manager of Sales Department 1, Sales Operations, Toko, Inc. April 2004    General Manager of Sales Center, Toko, Inc. June 2005    Corporate Director and General Manager of Sales Center, Toko, Inc. April 2008    President of Toko, Inc. May 2014    Chairman of Toko, Inc. March 2015    Senior Advisor of Toko, Inc. April 2016    Part-time Advisor of Toko, Inc. June 2016    Outside Director (serving as an Audit & Supervisory Committee Member) (current position)	          0 shares
6	(Reason for nomination of the candidate for Outside Director and overview of expected roles)  Mr. Shigeru Kawatsuhara is a candidate for Outside Director. (1) We anticipate that he will make the most of his excellent expertise and abundant experience of the management of a company acquired through his carrier as a global business executive for providing objective and neutral advice and independent supervision of the Company's management. Accordingly, we propose that he be nominated in the position of Outside Director. He will have been in office as Outside Director serving as an Audit & Supervisory Committee Member of the Company for eight years at the conclusion of this General Meeting of Shareholder. (2) The Company has concluded a liability limitation agreement with Mr. Shigeru Kawatsuhara 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. (3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Shigeru Kawatsuhara is an independent director as provided by the Exchange, because he satisfies the requirements therefor. If his election is approved, the Company will notify the Tokyo Stock Exchange again that he is an Independent Director.		

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	<p><b>Hidemitsu Sasaya</b> (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 &amp; Communication (currently the Graduate School of Social Design)</p> <p>April 2020    Professor at Platform for Arts and Science, Chiba University of Commerce</p> <p>June 2022    Outside Director (current position)</p> <p>April 2024    Visiting Professor at Chiba University of Commerce (current position)</p>	<p>0 shares</p>
7	<p>(Reasons for nomination of the candidate for Outside 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 and independent supervision of the Company's management. Accordingly, we propose that he be nominated in the position of Outside Director continuously. He will have been in office as an Outside Director of the Company for two years 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. No material conflict of interest exists between the Company and Chiba University of Commerce where he holds the significant concurrent position. He is the Representative Director of Office Sasaya Co., Ltd., which delivered a lecture on sustainability to executive officers and employees of the Company, but the amount of remuneration paid to Office Sasaya Co., Ltd. in the 73rd fiscal year is less than 10 million yen.</p>		

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
8	<p><b>Sumie Morita</b> (May 8, 1960)</p> <p>(Female)</p> <p>(New Appointment)</p> <p>Candidate for Outside Director / Independent Director</p>	<p>April 1983      Joined Fujitsu Limited</p> <p>July 2005      Project Manager of SEI CMMI L3 Certification Project Promotion Department, Communications Division, Fu- jitsu Limited</p> <p>September 2006      General Manager of Next Generation Network BT21CN Project Promotion Department, Fujitsu Limited</p> <p>October 2008      Project General Manager of Network Product Global Product Planning Department, Fujitsu Limited</p> <p>October 2010      General Manger of Department of Network Product Soft- ware Development for Transmission Device for North America, Fujitsu Limited</p> <p>April 2014      Chief Research Officer of Manufacturing Technology La- boratory of Fujitsu Laboratories Ltd.</p> <p>November 2015      Chief Research Officer of Software Research Laboratory of Fujitsu Laboratories Ltd. Senior Director of Common Software Technology De- partment, Fujitsu Limited</p> <p>January 2018      Joined Fujitsu General Limited, Chief Manager of Air Conditioning System Development Department</p> <p>April 2019      Corporate Executive of Fujitsu General Limited (in charge of Air Conditioning System Development)</p> <p>April 2022      Professor at Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University (current position)</p> <p>March 2023      Outside Director of Sumitomo Heavy Industries, Ltd. (current position)</p>	<p>0 shares</p>
<p>(Reason for nomination of the candidate for Outside Director and overview of expected roles)</p> <p>Ms. Sumie Morita is a candidate for Outside Director.</p> <p>(1) Ms. Sumie Morita, after many years of working primarily on product development in the fields of telecommunications and information networks for overseas markets, had been engaged in corporate management from a global perspective as a corporate executive. She is currently a university professor specializing in information engineering. We anticipate that she will make the most of her expertise and abundant experience for providing objective and neutral advice and independent supervision of the Company's management. Accordingly, we propose that she be nominated in the position of Outside Director.</p> <p>(2) If her election is approved, the Company will conclude a liability limitation agreement with Ms. Sumie Morita 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.</p> <p>(3) The Company will file with the Tokyo Stock Exchange a notification to establish that Ms. Sumie Morita is an Independent Director as provided by the Exchange, because she satisfies the requirements therefor. No material conflict of interest exists between the Company and Akita Prefectural University and Sumitomo Heavy Industries, Ltd. where she holds the significant concurrent position.</p>			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
9	<p><b>Danny Risberg</b> (November 20, 1962)</p> <p>(Male)</p> <p>(New Appointment) Candidate for Outside Director / Independent Director</p>	<p>July 1995 Established Suruga Inc. August 1996 Established Metran America Inc. July 1999 Joined Respiroics Inc., as Director APAC responsible for overseeing Asia-Pacific and International Division April 2005 Joined Fuji Respiroics Co. Ltd., President and CEO, with responsibility for overseeing Asia-Pacific and International Division May 2009 Executive Officer of the Healthcare Business Division and COO of Philips Electronics Japan, Ltd. January 2010 President and CEO, Chairman and CEO of Philips Electronics Japan, Ltd April 2010 Chairman of Medical Devices and IVD Committee at the European Business Council in Japan June 2010 Director of Japan Medical Imaging and Radiological Systems Industries Association June 2012 Vice Chairman of Japan Medical Imaging and Radiological Systems Industries Association February 2014 Chairman of the European Business Council in Japan March 2017 Chairman and Director of Philips Electronics Japan, Ltd March 2018 Retired as Chairman and Director of Philips Japan, Ltd May 2018 Deputy Co-Chair of EU-Japan Business Round Table September 2018 President and Representative Director of Baxter Limited October 2018 Director of American Medical Devices and Diagnostics Manufacturers' Association December 2022 Retired as President and Representative Director of Baxter Limited</p>	0 shares
<p>(Reasons for nomination of the candidate for Outside Director and overview of expected roles)</p> <p>Mr. Danny Risberg is a candidate for Outside Director.</p> <p>(1) Mr. Danny Risberg has entrepreneurial experience and had been engaged in corporate management, primarily in the medical device industry, for many years. He is also well-versed in activities as a representative of industry associations. We anticipate that he will make the most of his extensive expertise and insight as a global business executive for providing objective and neutral advice and independent supervision of the Company's management. Accordingly, we propose that he be nominated in the position of Outside Director.</p> <p>(2) If his election is approved, the Company will conclude a liability limitation agreement with Mr. Danny Risberg 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.</p> <p>(3) The Company will file with the Tokyo Stock Exchange a notification to establish that Mr. Danny Risberg is an Independent Director as provided by the Exchange, because he satisfies the requirements therefor.</p>			

Notes:

1. No material conflict of interest exists between the Company and each candidate.
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 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 Nomination & Remuneration Committee reported the result of deliberation on the matter by the Nomination & Remuneration 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 Two Directors Serving as Audit & Supervisory Committee Members**

Of the three Directors serving as Audit & Supervisory Committee Members, the terms of office for Mr. Shigeru Kawatsuhara and Kazuo Shimizu will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of two Directors serving as Audit & Supervisory Committee Members is proposed.

The Audit & Supervisory Committee has consented to this proposal.

The candidate is as follows:

No.	Name	Current Position at the Company	Years served as Director
1	<b>Kazuo Shimizu</b> (Male) (Reappointment) Candidate for Outside Director /Independent Director	Outside Director (serving as an Audit & Supervisory Committee Member)	4years
2	<b>Ikumi Sato</b> (Female) (New appointment) Candidate for Outside Director /Independent Director	—	—

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	<b>Kazuo Shimizu</b> (May 16, 1959)  (Male)  (Reappointment)  Candidate for Outside Director / Independent Director	April 1983    Joined Nippon Yusen Kabushiki Kaisha October 1989    Joined Asahi Audit Corporation (currently KPMG AZSA LLC) October 1992    Joined Shimizu Susumu Certified Tax Accountant Office March 1993    Registered as a certified public accountant May 1994    Registered as a certified tax accountant January 2003    Joined Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.) September 2013    Joined Shimizu Accounting Office (to present) Representative Partner of Ryoh-koh Audit Corporation (current position) June 2020    Outside Director (serving as an Audit & Supervisory Committee Member) (current position)	0 shares
2	<p>(Reason for nomination of the candidate for Outside Director serving as an Audit &amp; Supervisory Committee Member and overview of expected roles)</p> <p>Mr. Kazuo Shimizu is a candidate for Outside Director.</p> <p>(1) Although Mr. Kazuo Shimizu has not been engaged in corporate management in any capacity other than as an Outside Director or Outside Audit &amp; Supervisory Board Member, we anticipate that in his work with the Company's audit system he will make the most of his excellent expertise and abundant experience acquired through his career as a certified public accountant and a certified tax accountant for independent audit and supervision of the Company's management. Accordingly, we propose that he be nominated in the position of Outside Director serving as an Audit &amp; Supervisory Committee Member continuously. He will have been in office as Outside Director serving as an Audit &amp; Supervisory Committee Member of the Company for four years at the conclusion of this General Meeting of Shareholder.</p> <p>(2) The Company has concluded a liability limitation agreement with Mr. Kazuo Shimizu 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 re-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. Kazuo Shimizu 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. No material conflict of interest exists between the Company and Shimizu Accounting Office and Ryoh-koh Audit Corporation where he holds the significant concurrent position.</p>		

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	<p><b>Ikumi Sato</b> (December 25, 1963)</p> <p>(Female)</p> <p>(New Appointment)</p> <p>Candidate for Outside Director / Independent Director</p>	<p>April 1990      Joined Aizawa Kenji Law Office Registered as an attorney (Tokyo Bar Association)</p> <p>March 1992      Cancelled registration in Tokyo Bar Association for travel to the U.S.</p> <p>September 1995      Joined Miki &amp; Yoshida Law and Patent Office Registered as an attorney, State of New York, USA Re-registered as an attorney (Daini Tokyo Bar Associa- tion)</p> <p>January 2011      Joined Sanders &amp; Dempsey L.L.P. (currently Squire Pat- ton Boggs (US) L.L.P.) (Tokyo Office)</p> <p>March 2013      Joined Yabuki Law Offices</p> <p>April 2017      Deputy Chair of Daini Tokyo Bar Association</p> <p>April 2018      Executive Governor of Japan Federation of Bar Associa- tions</p> <p>April 2019      Member of Information Disclosure and Personal Infor- mation Protection Commission, the Ministry of Internal Affairs and Communications (current position)</p> <p>June 2019      Director of Japan Aerobic Federation (current position) Outside Audit &amp; Supervisory Board Member of DAI- DAN CO., LTD.</p> <p>January 2021      Joined Nozomi Sogo Attorneys at Law (current position)</p> <p>April 2021      Executive Governor of Japan Attorneys National Pension Fund Councilor to Asset Management Committee of National Pension Fund Association</p> <p>June 2021      Outside Director of DAI-DAN CO., LTD. (current posi- tion)</p> <p>June 2022      Outside Audit &amp; Supervisory Board Member of TAIYO HOLDINGS CO., LTD. (current position)</p>	0 shares
<p>(Reason for nomination of the candidate for Outside Director serving as an Audit &amp; Supervisory Committee Member, etc. and overview of expected roles)</p> <p>Ms. Ikumi Sato is a candidate for Outside Director.</p> <p>(1) Although Ms. Ikumi Sato has not been engaged in corporate management in any capacity other than as an Outside Director or Outside Audit &amp; Supervisory Board Member, she is closely acquainted with corporate legal affairs as an attorney. We anticipate that she will make the most of her expertise and abundant experience acquired through her career as an attorney for independent audit and supervision of the Company's management. Accordingly, we propose that she be nominated in the position of Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>(2) If her election is approved, the Company will conclude a liability limitation agreement with Ms. Ikumi Sato 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.</p> <p>(3) The Company will file with the Tokyo Stock Exchange a notification to establish that Ms. Ikumi Sato is an Independent Director as provided by the Exchange, because she satisfies the requirements therefor. No material conflict of interest exists between the Company and DAI-DAN CO., LTD. and TAIYO HOLDINGS CO., LTD. where she holds the significant concurrent position. Although Nozomi Sogo Attorneys at Law is contracted to handle the Company's internal reporting hotline and to conduct employee compliance surveys, the amount of remuneration paid to Nozomi Sogo Attorneys at Law in the 73rd fiscal year is less than 10 million yen.</p>			

Notes:

1. No material conflict of interest exists between the Company and each candidate.
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 the candidates assume office as Director serving as Audit & Supervisory Committee Members, 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 next renewal.

**Proposal No. 4: Election of One Substitute Director Serving as an Audit & Supervisory Committee Member**

The election of One Substitute Director serving as an Audit & Supervisory Committee Member is proposed in order to prepare for the contingency that the number of Directors serving as Audit & Supervisory Committee Members falls below the required number stipulated by laws and regulations.

If this election is approved, the effectiveness of the election may be cancelled by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee only before the newly elected Substitute Director serving as an Audit & Supervisory Committee Member assumes office as Director serving as an Audit & Supervisory Committee Member.

The Audit & Supervisory Committee has consented to this proposal.

The candidate is as follow:

Name (Date of birth)	Career summaries, positions, and significant concurrent positions		Number of shares of the Company held
<b>Sumio Moriwaki</b> (March 3, 1957)  (Male)  Candidate for Outside Director/ Independent Director	April 1981	Registered as an attorney (Daini Tokyo Bar Association) Joined Ishii Law Office	0 shares
	April 1991	Partner, Ishii Law Office (current position)	
	June 2007	Member of the Independent Committee of the Company	
	June 2011	Outside Substitute Audit & Supervisory Board Member	
	June 2016	Outside Substitute Director (serving as an Audit & Supervisory Committee Member) (current position)	
	June 2017	Outside Audit & Supervisory Board Member of JSR Corporation	
	March 2023	Outside Director of Topy Industries, Limited Outside Audit & Supervisory Board Member of Kobayashi Pharmaceutical Co., Ltd. (current position)	

(Reason for nomination of the candidate for Substitute Outside Director serving as an Audit & Supervisory Committee Member, etc. and overview of expected roles)

Mr. Sumio Moriwaki is a candidate for Substitute Outside Director serving as an Audit & Supervisory Committee Member.

- (1) Although Mr. Sumio Moriwaki has not been engaged in corporate management in any capacity other than an Outside Director or Outside Audit & Supervisory Board Member, he is closely acquainted with corporate legal affairs as an attorney. We anticipate that in his work with the Company's audit system he will make the most of the expertise and experience he has accumulated to date for independent supervision of the Company's management. Accordingly, we propose that he be nominated in the position of Substitute Outside Director serving as an Audit & Supervisory Committee Member.
- (2) If Mr. Sumio Moriwaki assumes office as Outside Director serving as an Audit & Supervisory Committee Member, the Company intends to conclude a liability limitation agreement with him 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.
- (3) If Mr. Sumio Moriwaki assumes office as Outside Director serving as an Audit & Supervisory Committee Member, the Company will file with the Tokyo Stock Exchange a notification to establish that Mr. Sumio Moriwaki is an Independent Director as provided by the Exchange because he satisfies the requirements therefor. No material conflict of interest exists between the Company and Ishii Law Office and Kobayashi Pharmaceutical Co., Ltd. where he holds the significant concurrent position.

Notes:

1. No material conflict of interest exists between the Company and Mr. Sumio Moriwaki.
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. Sumio Moriwaki assumes office as Director serving as Audit & Supervisory Committee Member, 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 next renewal.

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

The Board of Directors consists of twelve members including six independent outside directors with expertise. 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 Chief Executive Officer	●	●	●			●		●
Takashi Tamura	Representative Director	●		●					
Tadashi Hasegawa	Corporate Director & Executive Operating Officer		●			●	●	●	●
Eiichi Tanaka	Corporate Director & Senior Operating Officer	●	●	●	●			●	
Yasuhiro Yoshitake	Corporate Director & Senior Operating Officer	●	●	●					
Shigeru Kawatsuhara	Outside Director Nomination & Remuneration Committee Member	●	●	●					
Hidemitsu Sasaya	Outside Director		●						●
Sumie Morita	Outside Director		●		●				●
Danny Risberg	Outside Director	●	●	●					
Shigeru Hirata	Corporate Director Full-time Audit & Supervisory Committee Member			●			●	●	
Kazuo Shimizu	Outside Director Audit & Supervisory Committee Member Nomination & Remuneration Committee Member					●	●		
Ikumi Sato	Outside Director Audit & Supervisory Committee Member Nomination & Remuneration Committee Member		●			●		●	●

**Proposal No.5: Revision of the Amount of Remuneration to Outside Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)**

With respect to the amount of Remuneration to Directors (in this Proposal No.5, such term “Directors” excludes Directors serving as Audit & Supervisory Committee Members), it was approved at the 65th Ordinary General Meeting of Shareholders held on June 28, 2016, that the total amount shall be within the limit of 400 million yen per year (including the total amount of remuneration to Outside Directors, which shall be within the limit of 30 million yen per year) and has remained unchanged up to the present day.

In light of various circumstances, including the enhancement of corporate governance, and to respond to the changes in the environment surrounding Outside Directors, we propose to revise only the portion of the Remuneration to Outside Directors to be within the limit of 80 million yen per year, without changing the total amount of Remuneration to Directors (within the limit of 400 million yen per year). As before, the total amount does not include portions of the Directors’ salary as employees of the Company.

This proposal was decided by the resolution of the Board of Directors, after deliberations by the Nomination & Remuneration Committee, by comprehensively taking into consideration the Company’s business scale, Directors’ remuneration system and payment levels, the current number of Directors, and future trends. The Company considers that this proposal is appropriate in light of the “Policy for Determining the Amounts and Calculation Methods of Remuneration to Directors” (as described at the end of Proposal No.6, Reference 3).

For reference, currently, the Company has eight Directors (excluding Directors serving as Audit & Supervisory Committee Members and including two Outside Directors). If the Proposal No.2 is approved as proposed, the Company will have nine Directors (excluding Directors serving as Audit & Supervisory Committee Members and including four Outside Directors).

## **Proposal No.6: Determination of Remuneration to Directors (Excluding Directors Serving as Audit & Supervisory Committee Members and Outside Directors) for Allotment of Performance-linked Post-delivery Restricted Stock**

It was previously approved at the Company's 65th Ordinary General Meeting of Shareholders held on June 28, 2016 that the total amount of remuneration to Directors (excluding Directors serving as Audit & Supervisory Committee Members) be limited to within the limit of 400 million yen per year (including the maximum amount of Remuneration to Outside Directors, within the limit of 30 million yen per year, which will be within the limit of 80 million yen per year if the Proposal No.5 is approved, but excluding the total amount of the Directors' salaries as employees of the Company). It was also previously approved at the Company's 69th Ordinary General Meeting of Shareholders held on June 25, 2020 that 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 be limited to within 100 million yen per year.

To provide incentives for Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors; "Eligible Directors") to strengthen its remuneration governance and further improve the Company's corporate value to achieve its Three-year Business Plan, BEACON 2030 Phase II, starting from FY2024, the Company hereby proposes to introduce a plan ("Performance-linked Post-delivery Restricted Stock Remuneration Plan") to allot a number of shares of restricted stock ("Performance Stock") based on the degree of achievement of numerical targets for business performance during the relevant performance evaluation period, which is each fiscal year, to Eligible Directors.

Therefore, the Company hereby proposes to set the maximum amount of monetary compensation receivables that may be issued in respect of Performance Stock within the limit of 300 million yen for each period (defined in (1) below), separate from the above Director's remuneration and the total amount of monetary compensation receivables provided as remuneration related to existing restricted stock.

The Company considers the allotment of Performance Stock appropriate, given that it will be determined in accordance with the degree of achievement of numerical targets for business performance set by the Board of Directors for the relevant performance evaluation period and dilution rate is minimal as the maximum number of shares of Performance Stock for each period, combined with the previously determined maximum number of existing restricted stock, accounts for approximately 0.35% (approximately 3.5% if the maximum number of shares of Performance Stock and existing restricted stock is issued over ten years).

In revising the Company's stock remuneration plan, the Board of Directors resolved on May 21, 2024, to amend the "Policy for Determining the Amounts and Calculation Methods of Remuneration to Directors", subject to the approval of this Proposal No.6. The amended "Policy for Determining the Amounts and Calculation Methods of Remuneration to Directors" is described in Reference 3 below.

For reference, currently, the Company has eight Directors (excluding Directors serving as Audit & Supervisory Committee Members and including two Outside Directors). If the Proposal No.2 is approved as proposed, the Company will have nine Directors (excluding Directors serving as Audit & Supervisory Committee Members and including four Outside Directors).

### **Overview of Performance-linked Post-delivery Restricted Stock Remuneration Plan**

#### **(1) Allotment and Payment of Performance Stock**

The Company will grant monetary compensation receivables to grant Performance Stock to Eligible Directors in accordance with the degree of achievement of numerical targets for business performance, which are determined by the Board of Directors of the Company in each fiscal year, the performance evaluation period ("period"). Each Eligible Director will receive Performance Stock by making an in-kind contribution of all monetary compensation receivables.

Therefore, at the beginning of the period, it is not determined whether or not monetary compensation receivables will be paid and the number of shares of Performance Stock to be allotted to each Eligible Director ("number of allotted shares") is also not determined.

The above monetary compensation receivables will be granted to Eligible Directors on the condition that they agree to the above in-kind contribution and that they have concluded with the Company an agreement on allotting Performance-linked Post-delivery Restricted Stock containing the terms stipulated in (6) below.

The initial period is the 74<sup>th</sup> fiscal year (April 1, 2024 to March 31, 2025) and each fiscal year thereafter shall be a new period for allotting Performance Stock.

**(2) Total Number of Shares of Performance Stock**

The maximum number of shares of Performance Stock to be allotted to Eligible Directors will be 150,000 shares per fiscal year.

However, if a share split of the Company’s common stock (including allotment of the Company’s common stock without contribution), a share consolidation of the Company’s common stock, or any other event occurs that requires an adjustment of the total number of shares of Performance Stock to be allotted to Eligible Directors after the day of the resolution of this proposal, the Company may reasonably adjust the total number of shares of Performance Stock.

**(3) Calculation Method of Number of Allotted Shares**

The performance evaluation indicators such as numerical targets, which are necessary for calculating the specific number of shares of Performance Stock to be allotted, shall be determined by the Board of Directors of the Company based on indicators in its Three-year Business Plan. (As shown in Reference 1 below, in FY2024 to FY2026, it is planned that these will be the target of each indicator in its Three-year Business Plan, such as consolidated operating income margin, consolidated ROE, and relative TSR.)

In the specific calculation, the number of shares to be allotted to each Eligible Director shall be calculated based on the following formula (provided, however, that if a fraction of less than one share occurs, it shall be rounded down).

In the event that the total number of shares of Performance Stock to be allotted to each Eligible Director exceeds the above maximum number of shares to be allotted to Eligible Directors or the total amount of monetary compensation receivables to be granted to Eligible Directors by allotting shares of Performance Stock in accordance with the following formula, the number of shares to be allotted to each Eligible Director and the amount of monetary compensation receivables to be granted to each Eligible Director shall be adjusted to the extent that they do not exceed the total number of shares of Performance Stock to be allotted to Eligible Directors or the amount of monetary compensation receivables to be granted to Eligible Directors. Adjustments shall be made in a reasonable manner, such as proportional allotment, which is determined by the Board of Directors of the Company.

Number of shares allotted to each Eligible Director: number of stock points (\*1) x payout ratio (\*2)

\*1 Determined by the Board of Directors of the Company according to the position and responsibilities of each Eligible Director.

\*2 Determined by the Board of Directors of the Company in the range of 0 to 200% according to the achievement rate of each numerical target for each period.

(Reference 1)

The method of determining performance evaluation indicators and payout ratio for FY2024 to FY2026 in the event that the plan is introduced is as follows.

Provided, however, that if the consolidated operating income margin for the period is less than 10%, the payout ratio in the period will be 0%.

	Valuation weight	Performance evaluation indicators
Financial target evaluation	30%	Consolidated operating income margin
	30%	Consolidated ROE
Corporate value evaluation	40%	Relative TSR*

\* (Total shareholder return of the Company at the end of the relevant fiscal year) ÷ (Average of total shareholder return of other companies in the same industry for the period corresponding to the calculation period of total shareholder return of the Company)

Payment ratio = (Coefficient linked to the degree of achievement of the consolidated operating income margin target x 30%) + (Coefficient linked to the degree of achievement of the consolidated ROE target x 30%) + (Coefficient linked to the degree of achievement of the relative TSR target x 40%)

**(4) Requirements for Allotting of Performance Stock**

In the event that the period expires, and that each Eligible Director meets the following grant requirements, the Company will grant monetary compensation receivables to each Eligible Director. Each Eligible Director will receive Performance Stock by making an in-kind contribution of all monetary compensation receivables.

The allotment of Performance Stock shall be made by the disposal of treasury shares of the Company. The payment amount shall be determined at the Board of Directors of the Company to the extent that the

amount is not particularly favorable value to each Eligible Director, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding to the date of the resolution regarding the allotment of Performance Stock at the Board of Directors of the Company (or the closing price on the immediately preceding trading day if the transaction is not concluded on the same day).

#### Grant Requirements

- (a) The Eligible Director has continuously held the position of Director or Operating Officer of the Company for the entire period.
- (b) The Eligible Director has not conducted certain violations stipulated by the Board of Directors of the Company.
- (c) The Eligible Director has satisfied other requirements deemed necessary by the Board of Directors of the Company.

Provided, however, that notwithstanding (a) above, if there are any Eligible Directors newly appointed during the period, the number of shares to be allotted to each Eligible Director shall be adjusted as necessary.

If an Eligible Director retires from both the position of Director or Operating Officer of the Company due to the expiration of the term of office or any other reasons, such as death, deemed justifiable by the Board of Directors of the Company during the period, the amount of money reasonably calculated by the Board of Directors of the Company as an equivalent amount in lieu of the allotment of Performance Stock shall be within the range of 300 million yen for each period. Payments (including payments to heirs who will succeed in the event of death) may be made within a certain period from the date of such retirement.

### **(5) Treatment in the Event of Reorganization**

Before the grant date of Performance Stock, if proposals relating to a merger agreement in which the Company is the dissolving company, share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or other reorganization, are approved at a General Meeting of Shareholders of the Company (or if approval at a General Meeting of Shareholders of the Company is not required in relation to the reorganization in question, approval by the Board of Directors of the Company), before the date on which the reorganization becomes effective, the Company may pay an amount of money reasonably calculated by the Board of Directors of the Company based on the period served as a Director or Operating Officer as an equivalent amount in lieu of the allotment of Performance Stock within the range of 300 million yen for each period.

### **(6) Details of the Agreement on Allotting Performance-linked Post-delivery Restricted Stock**

The agreement on allotting Performance-linked Post-delivery Restricted Stock to be concluded between the Company and Eligible Directors who receive an allotment of Performance Stock based on a resolution of the Board of Directors of the Company shall contain the following terms.

- (a) Details of the restriction on the transfer of shares

Eligible Directors to whom Performance Stock is allotted may not transfer to a third-party, create a pledge or mortgage by transfer on, make an advancement, make a bequest, or otherwise dispose of Performance Stock allotted to them ("Allotted Stock") during the period from the grant date of the Performance Stock to the date when the Eligible Director retires from the position of Director or Operating Officer of the Company ("Transfer Restriction Period").

- (b) Acquisition of Performance Stock without compensation

If an Eligible Director who receives an allotment of Performance Stock retires from both the position of Director and Operating Officer of the Company, all of his or her Allotted Stock will automatically be acquired by the Company without consideration except in the case that the Board of Directors of the Company deems that the reason for the resignation is valid.

The Company will automatically acquire all Allotted Stock without consideration if the restriction on transfer of the Allotted Stock has not been lifted at the expiration of the Transfer Restriction Period in (a) above based on the terms provided in (c) "Lifting of transfer restriction" below.

- (c) Lifting of transfer restriction

The Company will lift the restriction on transfer of all of his or her Allotted Stock that an Eligible Director to whom Performance Stock was allotted holds at that time when the Transfer Restriction Period expires.

- (d) Treatment in the event of reorganization

During the Transfer Restriction Period, if proposals relating to a merger agreement in which the Company is the dissolving company, share exchange agreement or share transfer plan in which the Company

becomes a wholly-owned subsidiary, or other reorganization, are approved at a General Meeting of Shareholders of the Company (or if approval at a General Meeting of Shareholders of the Company is not required in relation to the reorganization in question, approval by the Board of Directors of the Company), the Company may lift the transfer restriction before the date on which the reorganization becomes effective for all of Eligible Directors' Allotted Stock by the resolution of the Board of Directors of the Company.

(e) Malus and clawback clause

The Company will automatically acquire all or any part of the Allotted Stock allotted to an Eligible Director, or the Company's common stock, for which the transfer restriction has been lifted, if the Board of Directors of the Company determines that the Eligible Director has violated laws and regulations or internal rules in a material respect during or after the Transfer Restriction Period, or if certain events including serious improper accounting or massive losses have occurred, as determined by the Board of Directors of the Company.

If these shares are disposed of, the Company will be able to claim payment of money from the Eligible Director equivalent to the value of the shares at the time of disposal.

(Reference 2)

The Company will also allot Performance Stock described above to Operating Officers of the Company.

(Reference 3)

**“Policy for Determining the Amounts and Calculation Methods of Remuneration to Directors”**

**1. Basic Policy**

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.

Specifically, 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-linked 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 only of the fixed monthly compensation in consideration of their duties.

**Remuneration to Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors)**

Name	Type	Content/Calculation Method	Payment Method
Base salary by position	Monetary compensation	Fixed compensation ●Determined based on the Director's position, responsibilities, and years served as a Director, comprehensively taking into consideration the levels of other companies, the Company's business performance, and the level of employee salaries.	Paid monthly
Annual bonuses		Performance-linked compensation ●Payment rate is determined based on the result of the Company's business performance and individual evaluation of a previous fiscal year Calculated based on a variable payment rate of 0% to 200% Performance indicators for the Company's business performance: Consolidated operating income margin Performance Indicators for individual evaluation: Degree of Achievement of annual business performance targets, mid-to long-term strategies, and ESG targets	Paid annually
Mid-to long-term incentive	Non-monetary compensation	Fixed compensation ●Non-performance-linked Pre-delivery Restricted Stock Remuneration Allotted the number of shares of the Company's common stock, which is determined based on the Director's position.	Paid annually
		Performance-linked compensation ●Performance-linked Post-delivery Restricted Stock Remuneration Incentives to strengthen remuneration governance and further improve corporate value to achieve Three-year Business Plan, BEACON 2030 Phase II. Calculated in accordance with the payment rate determined based on consolidated operating income margin, consolidated ROE, and relative TSR. Payment rate varies from 0% to 200% Evaluation weight: consolidated operating income margin 30%+ consolidated ROE 30% + relative TSR 40%	Paid annually

**2. Policy for Determining the Amounts of individual Base Salary (Monetary Compensation), Including the Timing or Conditions for Providing Such Remuneration**

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

**3. Policy for Determining the Contents and Amounts or Numbers, and Calculation Methods of Performance-linked and Non-monetary compensation, Including the Timing or Conditions for Providing Such Remuneration**

Performance-linked compensation shall consist of cash compensation and restricted stock (performance-linked post-delivery type) that reflect key performance indicators (KPI) to raise awareness of the need to improve the Company's business performance in each fiscal year. As regards cash compensation, 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 (performance-linked post-delivery type), the 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 the environmental changes. The degree of achievement of target values shall be used as a common evaluation index for all Directors. The number of shares to be allotted shall be calculated based on a variable payment rate of 0% to 200%, and the shares shall be allotted annually at a fixed time each year.

Non-monetary compensation shall consist of non-performance-linked pre-delivery type restricted stock and performance-linked post-delivery type restricted stock. In principle, the Company shall allot shares of the Company's common stock every year, after concluding an agreement on allotting restricted stock between the Company and each Director (excluding Audit & Supervisory Committee Members and Outside Directors). As regards non-performance-linked pre-delivery type, the Company shall allot the number of shares of the Company's common stock determined based on the position of the allottee. As regards performance-linked post-delivery type, the Company shall allot the number of shares of the Company's common stock determined based on the degree of achievement of numerical targets for business performance. To encourage the sharing of value with shareholders over there, the transfer restriction period for both non-performance-linked pre-delivery type restricted stock and performance-linked post-delivery type restricted stock 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.

**4. Policy for Determining the Ratios of the Amounts of Monetary Compensation, Performance-linked Compensation, and Non-monetary Compensation for Each Director**

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-linked 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.

**5. Matters Relating to Determining the Content of Remuneration for Each Director**

The amount of remuneration shall be determined by resolution of the Board of Directors, which shall have the authority to determine the amount of base 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.

# Business Report

## 1. Overview of the Nihon Kohden Group Business Activities

### (1) Review of Operations and Results

During the term under review (April 1, 2023 to March 31, 2024), the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe as well as higher geopolitical risks. In Japan, each prefecture revised its healthcare system, and task shifting and operational efficiency were further required in medical institutions, because work style reforms for medical staff took effect in April 2024. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workloads remained steady, while the shortage of nurses and inflation of prices in the U.S. and Europe as well as the economic slowdown and anti-corruption campaign in China continued to have a negative impact.

Under these circumstances, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I, which sets FY2023 as its final year. 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 its first syringe pump control software for assisting with total intravenous anesthesia in Japan. The Company also launched a home sleep recorder and a next-generation automated chest compression device, both of which were developed in North America, as well as affordable models of bedside monitors developed in Shanghai. The Company strengthened its overseas business structure through reorganizing its U.S. subsidiaries into a holding company structure in April 2023 and completing the transition in January 2024.

As a result, overall sales during the term under review increased 7.4% over FY2022 to ¥221,986 million. Operating income decreased 7.2% to ¥19,591 million because of increases in the cost of goods sold due to an increase in devaluation of inventories, as well as increased SG&A expenses due to the strengthening of human resources and R&D investment. Ordinary income increased 6.1% to ¥25,589 million, reflecting foreign exchange gains. Income attributable to owners of parent decreased 0.5% to ¥17,026 million because of an increase in the tax burden ratio due to an impact of losses before income taxes in some subsidiaries of the Company, while gain on revision of retirement benefit plan was recorded as extraordinary income.

#### [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 its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, sales in all markets and all product categories increased. Sales in the public hospital and private hospital markets increased favorably driven by IT system solutions. Sales in the clinic market increased favorably and sales in the university market also increased. Sales of Physiological Measuring Equipment and Treatment Equipment increased favorably. Sales of Patient Monitors and Other Medical Equipment

also increased. As a result, domestic sales increased 4.9% over FY2022 to ¥142,370 million.

**International:** Overseas sales showed double-digit growth due to yen depreciation and the impact of a change in the fiscal term of Defibtech, LLC according to the reorganization of subsidiaries in the U.S. In the Americas, sales in North America and Latin America showed double-digit growth. In North America, sales of Treatment Equipment increased significantly, while sales of Patient Monitors decreased. In Latin America, a large order in Costa Rica contributed to the sales increase. Sales in Mexico and Columbia also showed strong growth. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in Germany and Russia decreased, while sales in Netherlands and Italy increased favorably. In Asia & Other, sales in the Middle East and Africa increased significantly, thanks to a large order in Morocco. Sales in Taiwan and Vietnam also increased favorably. Sales in China decreased due to the impact of the anti-corruption campaign from the third quarter of FY2023. As a result of the above developments, overseas sales increased 12.3% over FY2022 to ¥79,615 million.

\* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to Nihon Kohden's reorganization of its U.S. subsidiaries. In FY2023 ended March 31, 2024, Nihon Kohden consolidated the 15 months of Defibtech's operating results from January 1, 2023 to March 31, 2024.

#### [Sales by product category]

**Physiological Measuring Equipment:** In Japan, sales of diagnostic information systems and EEGs achieved double-digit growth. Sales of polygraphs for cath lab increased favorably and sales of ECGs also increased. Internationally, sales of EEGs increased favorably in Europe and Asia & Other, while sales of ECGs decreased in Asia & Other and Europe. Overall, sales increased 7.5% over the previous fiscal year to ¥46,517 million.

**Patient Monitors:** In Japan, sales of clinical information systems increased significantly and sales of consumables such as sensors also increased. Sales of transmitters and bedside monitors decreased. Internationally, sales in Latin America increased significantly thanks to large orders. Sales in Europe and Asia & Other decreased on a comparable basis and increased on a yen basis. Sales in North America decreased. Overall, sales increased 4.1% over the previous fiscal year to ¥84,130 million.

**Treatment Equipment:** In Japan, sales of pacemakers and ICDs, ablation catheters in other treatment equipment, and defibrillators increased favorably. Sales of AEDs also increased. Internationally, sales of Defibtech AEDs and a mask-type ventilator increased significantly. Overall, sales increased 16.2% over the previous fiscal year to ¥51,665 million.

**Other Medical Equipment:** In Japan, sales of installation and maintenance services for medical devices as well as sales of hematology instruments and reagents increased favorably. Sales of locally purchased products decreased. Internationally, sales of hematology instruments and reagents increased favorably in Asia & Other. Overall, sales increased 4.3% over the previous fiscal year to ¥39,673 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) Review of Three-year Business Plan, BEACON 2030 Phase I, covering FY2021 to FY2023**

In Japan, the Company promoted creating customer value propositions that contributed to improving medical safety, patient outcomes, and operating efficiency, as healthcare systems to respond to emerging infectious diseases were established and work style reforms for medical staff were implemented. Internationally, while the shortage of nurses and inflation of prices continued to have a negative impact, the Company focused on proposing medical equipment which contributed to easing medical staff workloads and enhancing its business foundation in the U.S. and emerging markets. The Company launched a series of its first new high-value-added products such as a fully automatic AED, a resuscitation monitor for neonates, syringe pump control software for assisting with total intravenous anesthesia, and a mid-range ventilator developed by Nihon Kohden OrangeMed, LLC in the U.S. Internationally, Nihon Kohden strengthened its business structure. The Company acquired AMP3D, LLC in the U.S. and Software Team Srl in Italy. The Company also reorganized its U.S. subsidiaries into a holding company structure. As a result, in FY2023 ended March 2024, which was the final year of BEACON 2030 Phase I, domestic sales increased favorably. Overseas sales fell short of the Company's target on a comparable basis excluding the impact of foreign exchange rates, due to changes in the market environment mainly in the U.S. and China, which the Company has focused on. In addition to actual overseas sales falling short of its target, operating income margin fell short of its target because of increases in the cost of goods sold due to an increase in devaluation of inventories, as well as increased SG&A expenses due to the strengthening of human resources, wage increase, and inflation. Thus, improvement of profitability remains as an issue. Additionally, the increased inventories of finished goods and parts due to the shortage of semiconductors led to a longer cash conversion cycle, while the Company promoted supply chain management reforms and continued to supply products globally.

## **3) Three-year Business Plan, BEACON 2030 Phase II, covering FY2024 to FY2026**

Faced with a rapidly changing global situation and a difficult business environment, in BEACON 2030 Phase II, Nihon Kohden will implement the reform of the profit structure, make investments in growth areas, and establish collaborations between new business models and existing businesses, based on the results and issues of the previous Three-year Business Plan.

### **1. Three Indicators and Six Key Measures**

Nihon Kohden will strengthen its growth, profitability, and capital efficiency, as well as the practice of Sustainability Management.

- [Growth] Sales CAGR of 5% (FY2023-FY2026)

Enhance product competitiveness, Focus on growth of North America Business

- [Profitability] Operating income margin of 15% (FY2026)  
Implement the reform of the profit structure of the entire Group, Advance global supply chain management
  - [Capital efficiency] ROE of 12% (FY2026)  
Introduce Nihon Kohden's own ROIC formula, Reduce cash conversion cycle
- (1) [Growth] Enhance product competitiveness  
Nihon Kohden will focus on strengthening its core Patient Monitoring Business and expanding Treatment Equipment Business including ventilators which are expected to grow rapidly as well as Consumables and Services Business and Solution Business including digital health solutions.  
The Company will establish a common design platform and multi-plant design, refine cybersecurity measures, and strengthen QA/RA structures. The Company will also shorten the development time for new products by promoting R&D process reforms in addition to the introduction of PLM/MES systems.  
\* QA: Quality Assurance, RA: Regulatory Affairs, PLM: Product Life-cycle Management, MES: Manufacturing Execution System.
  - (2) [Growth] Focus on growth of North America Business  
Nihon Kohden will focus on the market strategy in three regions: Japan, North America, Rest of World. In North America, which is expected to high growth, the Company aims to expand its market share and improve its profitability by prioritizing allocation of resources.  
[Japan] Strengthen customer base and achieve sustainable growth by enhancing customer value proposition  
[North America] Strengthen ties with the major IDN/GPO & DoD/VA and improve brand awareness and profitability  
[Rest of World] Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities  
\* IDN: Integrated Delivery Network, GPO: Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs.
  - (3) [Profitability] Implement the reform of the profit structure of the entire Group  
Implement several measures to improve product mix, productivity, and supply chains
  - (4) [Profitability] Advance global supply chain management  
Enhance PSI (Production, Sales, Inventory) Management, Strengthen global QMS (Quality Management System), Promote multi-plant production
  - (5) [Capital Efficiency] Introduce Nihon Koden's own ROIC formula  
Improve operating margins, Strengthen monitoring of return on investment
  - (6) [Capital Efficiency] Reduce Cash Conversion Cycle  
Strengthen procurement and production management capabilities mainly at the newly established Production Operations, Collect debt faster

## 2. Sustainability Management

To promote its practice of Sustainability Management, Nihon Kohden will partially review its material issues and KPIs, which were set out in the Phase I. The Company will also work on solving medical, environmental, and social issues.

Based on its Core Values, Nihon Kohden will disseminate the BEACON personnel system introduced in the Phase I and strengthen its operation. The Company will also work on work style reforms and improve personnel productivity. In addition to promoting Diversity and Inclusion, the Company will foster a corporate

culture of pride in contributing to healthcare by enhancing career support such as the development of global/DX human resources.

To further strengthen its Group governance, Nihon Kohden will ensure the diversity of the Board of Directors and speed up decision-making by introducing a CxO framework. With the aim of encouraging the sharing of value with shareholders, the Company will also review the remuneration structure for directors.

### 3. BEACON 2030 Phase II targets for FY2026 ending March 2027 (consolidated)

¥100 million	Target for FY2026
Sales	2,560
Domestic Sales	1,570
Overseas Sales	990
Operating Income	385
Operating Income Margin	15%
Income attributable to owners of parent	250
ROE	12%

### (3) Capital Investment

In FY2023, a total amount of ¥4,978 million was spent in capital investment. Main expenditures included buildings and structures, 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)	FY2020 Ended March 31, 2021	FY2021 Ended March 31, 2022	FY2022 Ended March 31, 2023	FY2023 Ended March 31, 2024 (Current fiscal year)
Net sales	199,727	205,129	206,603	221,986
Operating income	27,094	30,992	21,120	19,591
Ordinary income	28,374	34,563	24,122	25,589
Income attributable to owners of parent	18,243	23,435	17,110	17,026
Net income per share (yen)	214.21	276.51	203.28	202.45
Total assets	193,030	210,201	216,728	233,233
Net assets	138,986	156,381	167,604	181,082
Net assets per share (yen)	1,631.88	1,852.39	1,992.30	2,158.40
ROE (%)	14.0	15.9	10.6	9.8

Notes:

- 1) In FY2020, both domestic and overseas sales increased. Income also increased.
- 2) In FY2021, both sales and income increased, because overseas sales increased favorably, while domestic sales decreased slightly.
- 3) In FY2022, domestic sales decreased slightly and overseas sales increased on a yen basis. Income decreased due to actual decrease in sales, a lower gross profit margin, and increased SG&A expenses.
- 4) In FY2023, 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 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
E-STAFF CORPORATION	JPY 20M	100	Group general affairs and staff dispatch service
Nihon Kohden North America, Inc.	USD 78,514K	100	Management control for subsidiaries in the U.S.
Nihon Kohden America, LLC	USD 4,741K	(100)	Sales of medical electronic equipment
Defibtech, LLC	USD 3,072K	(100)	Development, production and sales of medical electronic equipment
Nihon Kohden OrangeMed, LLC	USD 21,000K	(100)	Development, production and sales of medical electronic equipment
Neurotronics, LLC	USD 100K	(100)	Development of software for medical electronic equipment
Nihon Kohden Digital Health Solutions, LLC	USD 12,500K	(100)	Development of medical electronic equipment
Nihon Kohden Innovation Center, LLC	USD 1,000K	(100)	Research and development of medical electronic equipment
Nihon Kohden Europe GmbH	EUR 2,500K	100	Sales of medical electronic equipment
Shanghai Kohden Medical Electronic Instrument Corp.	USD 6,669K	100	Development, production and sales of medical electronic equipment
Nihon Kohden Singapore Pte Ltd	SGD 1M	100	Sales of medical electronic equipment
Nihon Kohden India Pvt. Ltd.	INR 111M	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 Mexico S.A. de C.V.	MXN 20M	100	Sales of medical electronic equipment
Nihon Kohden Do Brasil Ltda.	BRL 16,728K	100	Sales of medical electronic equipment

Note: The percentage in parenthesis in "Parent's voting rights" indicates the percentage of voting rights which the parent company holds indirectly.

### 2) Progress of Business Combination

Resuscitation Solution, Inc. was liquidated. Nihon Kohden OrangeMed, LLC was newly established.

### 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 FY2023

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 <sub>2</sub> (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 North America, Inc. Nihon Kohden America, LLC Defibtech, LLC Nihon Kohden OrangeMed, LLC Nihon Kohden Mexico S.A. de C.V. Nihon Kohden Latin America S.A.S. Nihon Kohden Do Brasil Ltda.
	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	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.
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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. As the transition to a holding company was completed in January 2024, Nihon Kohden OrangeMed, Inc. changed the name to Nihon Kohden North America, Inc., meanwhile Nihon Kohden OrangeMed, Inc. also transferred its ventilator business to Nihon Kohden OrangeMed, LLC. 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	4,201 [511]	+91
North America	773 [5]	+51
Rest of World	917 [55]	-2
Total	5,891 [571]	+140

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, 2024)

- (1) **Total Number of Issuable Shares** 197,972,000 shares
- (2) **Total Number of Shares Issued** 88,230,980 shares (including 4,334,266 shares of treasury stock)
- (3) **Number of Shareholders** 5,668 (Decrease by 658 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)	12,606,400	15.02
CGML PB CLIENT ACCOUNT / COLLATERAL	4,371,400	5.21
Saitama Resona Bank, Ltd.	4,178,750	4.98
Custody Bank of Japan, Ltd. (trust account)	3,753,800	4.47
State Street Bank and Trust Company 505103	2,867,500	3.41
JP Morgan Chase Bank 380055	2,551,140	3.04
JP Morgan Chase Bank 385151	2,324,100	2.77
GOVERNMENT OF NORWAY	1,842,614	2.19
State Street Bank and Trust Company 505103	1,750,512	2.08
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,382,219	1.64

Note: The above list excludes Nihon Kohden's treasury stock of 4,334,266 shares. Each shareholding ratio is calculated excluding treasury stock.

#### (5) Shares Allotted to Directors as Remuneration for the Execution of their Duties during FY2023

The details of stock-based remuneration delivered during FY2023 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	8,784 shares	5 persons
Outside Directors, excluding Audit & Supervisory Committee Members	—	—
Audit & Supervisory Committee Members	—	—

#### (6) Other Essential Matters regarding Stock

The Company acquired 250,000 own shares on February 5, 2024 pursuant to the resolution of the Board of Directors held on February 2, 2024.

### 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	Eiichi Tanaka (Male)	General Manager of US Operations, President of Nihon Kohden North America, Inc.
Corporate Director, Senior Operating Officer	Yasuhiro Yoshitake (Male)	General Manager of International Business Operations
Corporate Director, Senior Operating Officer	Hiroyuki Satake (Male)	In Charge of Strategic Technology Operations, Technology Development Operations, R&D, and Regulatory Affairs
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:

- 1) 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. 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.

4) Director who retired during the fiscal year under review is as follows.

Retired on June 28, 2023 due to the expiration of term of office

Corporate Director, Senior Operating Officer Fumio Hirose

- 5) 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.
- 6) 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.
- 7) The Company has introduced an operating officer system. The operating officers who do not serve as Directors are as follows as of March 31, 2024.

Title	Name	Responsibility
Operating Officer	Kazuomi Shimoda	General Manager of Import Business Operations
Operating Officer	Kenji Furukawa	Deputy General Manager of Global Corporate Administration Operations, General Manager of Human Resources Department
Operating Officer	Kaoru Imajo	General Manager of Technology Development Operations
Operating Officer	Yoshiyuki Fujita	General Manager of Quality Management Division
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	General Manager of Business Strategy Operations
Operating Officer	Yutaka Inano	President of Nihon Kohden Tomioka Corporation
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	General Manager of Strategic Technology Operations
Operating Officer	Seiji Miyazaki	General Manager of China 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 65<sup>th</sup> 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 69<sup>th</sup> 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)	314	226	53	34	9
[Outside Directors]	[21]	[21]	[-]	[-]	[2]
Directors (Audit & Supervisory Committee Members)	48	48	-	-	3
[Outside Directors]	[22]	[22]			[2]
Total	362	274	53	34	12

Note: The number of Directors receiving restricted stock remuneration is five. (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 FY2023 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 FY2023 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 five specified Eligible Directors and allocated 8,784 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 72<sup>nd</sup> Ordinary General Meeting of Shareholders until the 73<sup>rd</sup> 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 FY2023.

### **(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 2024.

#### **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.	She served as a chairman of the Investigation Committee for a bribery case involving former employees that occurred in Japan in 2021. In FY2023, the Company paid legal remuneration and the amount of remuneration paid was less than 10 million yen. There is no special relationship between the Company and Fujiya Co., Ltd.
	Hidemitsu Sasaya	Professor at Platform for Arts and Science, Chiba University of Commerce, Representative Director of Office Sasaya Co., Ltd.	He is 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 FY2023 was less than 10 million yen. There is no special relationship between the Company and Chiba University of Commerce.
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 FY2023

Classification	Name	Attendance at Board Meetings	Attendance at Audit & Supervisory Committee Meetings	Main Activities
Outside Director	Kanako Muraoka	16/16	-	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 13 times meetings held in FY2023. 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	16/16	-	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	16/16	20/20	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 13 times meetings held in FY2023 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. He also worked on increasing the understanding of the Company's governance through dialogues with an institutional investor.
	Kazuo Shimizu	16/16	20/20	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 13 times meetings held in FY2023. 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 FY2023

Total amount of remuneration to the accounting auditor for FY2023	48 million yen
Total amount of money and other property benefits to be paid by the Company and its subsidiaries to the accounting auditor	48 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 FY2023.

### **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 FY2023, the Compliance Committee was held five 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 former employees of the Company in Japan in 2021 under the Compliance Committee.

## **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 FY2023, 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 Risk Management Committee reported the identified significant risks to the Board of Directors as well as promoting to develop a sophisticated company-wide risk management framework. 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 FY2023, 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.

## **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 16 times in FY2023, 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 14 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 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 16. 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 FY2023, 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 1<sup>st</sup> defense, in each administrative department such as finance, legal, human resources, and quality control as the 2<sup>nd</sup> defense, and in the Internal Audit Department as the 3<sup>rd</sup> defense. The Company also revised and 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 FY2023, the Company conducted J-SOX training (e-learning) for newly recruited employees, mid-career employees, and newly appointed managers. The Company also conducted online J-SOX training for administrative staff in 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 FY2023, the Audit & Supervisory Committee was held 20 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, seven 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 make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. 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, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. The Company has revised the indicators and targets for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.