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NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange

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Notice of the Transition to a Company with an Audit and Supervisory Committee

Nihon Kohden today announced that its Board of Directors resolved at the meeting held on today to transition to a Company with an Audit and Supervisory Committee, a governance structure newly established under the revised Companies Act enforced on May 1, 2015. The transaction is subject to the approval at the 65th Annual General Meeting of Shareholders to be held in June 2016. Details are as follows.

1. Background of the transition

The Company has continued its efforts to strengthen corporate governance by the introduction of the operating officer system and appointments of two independent outside directors and two independent outside audit and supervisory board members. The Company decided the transition to a Company with an Audit and Supervisory Committee because it enables the Company to further enhance corporate governance. The Company also recognizes that this governance structure would be well accepted from foreign stakeholders.

2. Reasons for the transition

- (1) Strengthen supervisory functions through Audit and Supervisory Committee members who have voting right of the Board of Directors.
- (2) Improve management transparency and soundness by increasing the percentage of outside directors
- (3) Speed up decision-making because it will be possible to delegate execution of duties

3. Timing of the transition

The Company plans to make the transition to a Company with an Audit and Supervisory Committee after the necessary amendment of the Articles of Incorporation are approved at the 65th Annual General Meeting of Shareholders to be held in June 2016.

4. Other

The proposals to amend the Articles of Incorporation and candidates of directors will be disclosed as soon as decided.