Nihon Kohden’s business and products are continuing to provide safety and security because of their total support for medical practice, including emergency care, testing, diagnosis, treatment, rehabilitation, and home care.

Profile
Nihon Kohden continues to create value for society by fighting disease and improving health with advanced technology.

Management Philosophy
We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.

Throughout our history, Nihon Kohden has always pursued solutions to healthcare challenges through innovative and high-quality medical devices with the aim of realizing our Management Philosophy. Our medical devices developed so far have been used in medical practice in more than 120 countries around the world to save many patients.

Now and in future, Nihon Kohden will continue to provide this value to medical professionals and patients by leveraging our core strengths of (i) the capacity to develop technologies rooted in medical practice, (ii) a broad client base inside and outside Japan, (iii) high-quality products and services, and the development, production, sales, and service systems to support them, and (iv) the strength of a brand cultivated over many years.

In 2010, Nihon Kohden established a long-term vision, The CHANGE 2020 - The Global Leader of Medical Solutions, for the next ten years to 2020. The envisioned corporate status for 2020 is to (1) lead the world in the development of revolutionary breakthrough technology, (2) achieve the highest level of quality in the world, and (3) attain the top share of applicable global markets.

Nihon Kohden has produced a number of innovative medical devices and technologies with its technological development capabilities rooted in medical practice. In part because of the strength of the Nihon Kohden brand, which we have built up over many years, Nihon Kohden has many products with the top market share in Japan.
Nihon Kohden is aiming to solve issues in medical practice through innovation based on its strengths in sensor technology.

By means of advanced technological development capabilities that address medical practice needs, Nihon Kohden has created a large number of products and has been contributing to resolving the healthcare issues that surround Japan and other countries across the world. In particular, Nihon Kohden places a high value on the Human Machine Interface, the user interface that connects human and machine in technological development.

Pulse Oximetry

Pulse oximetry used in medical practice around the world

In 1974, Nihon Kohden first developed the principle of pulse oximetry that enables the measurement of arterial blood oxygen saturation (SpO2) with just a sensor placed on the fingertip or earlobe. Previously, SpO2 could not be measured without taking a sample of arterial blood, which besides causing the patient some pain, took time before the results of the tests were known. The invention of the pulse oximeter could realize pain-free, real-time, and continuous measurement. Capable of quickly detecting changes in a patient’s condition, pulse oximeters are installed in many medical devices, such as bedside monitors. They are now also actively utilized around the world for various scenes of medical practice, including prevention of intraoperative adverse events and in neonatal care.

CO2 Sensor

CO2 sensor for patient safety first

A CO2 sensor measures the amount of carbon dioxide contained in exhaled breath. Since the measurement of CO2 rapidly detects changes in a patient’s condition and leads to treatment at an early stage, its usefulness as an effective respiratory management method is known. Aiming for safer respiratory management for patients, Nihon Kohden successfully developed cap-ONE, the world’s first ultra-compact and lightweight CO2 sensor weighing only 4g. In addition to its strong shock resistance and excellent measurement performance, cap-ONE improves issues in medical practice, such as being able to measure CO2 during oxygen administration. cap-ONE realizes easier handling and safer respiratory management.

esCCO

Enables non-invasive, continuous measurement of cardiac output

Nihon Kohden’s unique technology, esCCO can measure estimated continuous cardiac output non-invasively based on an electrocardiogram (ECG) and the pulse wave obtained from pulse oximetry. Traditionally, cardiac output was measured by inserting a catheter into the pulmonary artery, but esCCO technology enables the measurement of cardiac output simply without causing the patient pain or stress. Sales started in Europe in 2011, and esCCO is penetrating in emerging countries, having received high evaluation from Instituto do Coração do Hospital das Clínicas (Incor), Universidade de São Paulo, the Brazil’s top hospital.

Human Machine Interface — User Interface that Connects Human and Machine —

Important in ensuring that we are able to see invisible faint signals in the body—the vital signs—are not only medical devices but also sensors and electrodes that connect patients to these devices. Nihon Kohden has engaged in the in-house development and production of such parts that connect with patients and created new sensors, algorithms, and parameters useful for medical care which realize high clinical value and reliability.
The Nihon Kohden Corporation was established in 1951 with the goal of combining medicine and engineering with just 12 employees. Founder Yoshio Ogino established Nihon Kohden driven by the strong desire to save lives by researching the connection between medicine and engineering. Under the unshakable founding philosophy “curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal,” Nihon Kohden remains committed to technological development rooted in medical practice and continues to create leading technologies for medical electronics.

As the sole manufacturer of domestically produced AEDs, Nihon Kohden has been dedicated to the promotion of CPR and installation of AEDs. The number of lives saved by members of the general public using AEDs has been steadily increasing, totaling 1,260* cases in 2017. Nihon Kohden is working to promote cardiopulmonary resuscitation (CPR) and the accessibility of AEDs so that as many people as possible can use an AED in the event of an emergency.

- Number of AEDs shipped by Nihon Kohden: more than 50,000 units
- Number of AED workshops and participants in FY 2018 in Japan: 264 workshops and 4,745 participants
- AEDs have been set up at all offices in Japan, and all employees attend CPR training and AED workshops.

* From 2018 edition of Current Emergency/Rescue Situation (Ministry of Internal Affairs and Communications)

As of March 31, 2019

- Net Sales ¥178.7 billion
- Domestic Sales ¥130.2 billion
- Overseas Sales ¥48.5 billion

Nihon Kohden has been active in Europe since 1982 and entered China in 2005. It has operations in 120 countries with 120 offices.

- FY2000
  - Net Sales ¥67.6 billion
  - Domestic Sales ¥59.4 billion
  - Overseas Sales ¥7.3 billion

- FY2018
  - Net Sales ¥178.7 billion
  - Domestic Sales ¥130.2 billion
  - Overseas Sales ¥48.5 billion

Nihon Kohden was listed on the First Section of the Tokyo Stock Exchange in November 1961. Nihon Kohden’s shares were listed on the American Stock Exchange in 1979.

- FY2018
  - More than 120 offices
  - Overseas: 24 bases
  - $24 bases
  - Number of employees: 3,803

- FY2016
  - Number of overseas sales offices: 1,366

Nihon Kohden’s shares were listed on the American Stock Exchange in 1979.

- FY2018
  - More than 120 countries

NIHON KOHDEN REPORT 2019
Corporate Value Creation Model

Through its business activities, which are based on its Management Philosophy, Nihon Kohden is working to address social issues and offer value to society as well as attain sustainable development and enhance the corporate value of the Group.
Mid-term Business Plan  TRANSFORM 2020

Under TRANSFORM 2020, its three-year Mid-term Business Plan, Nihon Kohden is promoting two basic policies, create high customer value and improve productivity with the organization, with the aim of transforming its operations to achieve a highly profitable structure. Together with a report on the progress made on those policies, here we present overviews about three of the Plan’s six key strategies, strengthen technological development capabilities, achieve further growth in core businesses, and strengthen business expansion by region.

<table>
<thead>
<tr>
<th>Mid-term Business Plan  TRANSFORM 2020</th>
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<tbody>
<tr>
<td>Transform its operations to achieve a highly profitable structure</td>
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<th>Basic Policies</th>
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<tr>
<td>Create high customer value</td>
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<tr>
<td>Improve productivity within the organization</td>
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<tr>
<th>Six Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen business expansion by region</td>
</tr>
<tr>
<td>Achieve further growth in core businesses</td>
</tr>
<tr>
<td>Develop new businesses</td>
</tr>
<tr>
<td>Strengthen technological development capabilities</td>
</tr>
<tr>
<td>Put the highest level of quality in manufactured products</td>
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<tr>
<td>Consolidate corporate systems</td>
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</tbody>
</table>

Launching in-house products with high customer value - New products introduced in FY2017 - FY2018

- Diagnostic Equipment Business: MEK-1303 + HbA1c chemistry analyzer, Automated hematol-ogy analyzer and clinical chemistry analyzer MK-1000 + MK-1000T
- Patient Monitoring Business: CSM-1500/1700 series, MDR-5000, AED with color display AED-3101
- Treatment Equipment Business: PrimePartner, LAVITA
- IT Solutions Business: Linkage

Expand sales of consumables and services business • Sales ratio FY2016 42.8% • FY2018 44.3%

*CSM-1500/1700 were launched in Japan and internationally. Others were launched only in Japan.

1. Create high customer value

Since April 2017, Nihon Kohden has been launching many products with high customer value, such as CSM-1500/1700 series, midrange bedside monitors. In its IT solutions business, the Company released LAVITA, a medical and long-term care network system that enables the utilization of information and communications technologies (ICTs) in home medical care and nursing care. LAVITA is our first monthly subscription service to utilize a cloud server and a new business model for which future growth is anticipated.

2. Improve productivity within the organization

By consolidating the R&D divisions at the Advanced Technology Center, we are working on cost reductions from the development stage by promoting the common use of parts and sharing of design assets. At the Tomioka Production Center, we are working to improve production efficiency, and per capita production has improved at an annual rate of more than 5% since the start of operations in 2015.

3. Strengthen Technological Development Capabilities

To combine our core technologies and create new clinical value that is completely unique, we consolidated R&D divisions at the Advanced Technology Center that was built in 2016 and facilitated collaboration within each research area.

Bedside monitor CSM-1701/1702

EEG Monitoring

Due to the aging population, incidences of epilepsy in the elderly are increasing. Elderly people with epilepsy rarely have convulsions, instead they suddenly become confused, or stare into space, or can’t answer questions. Treatment may be delayed by the symptoms having been mistaken for dementia. By connecting an EEG headset, which can quickly measure EEG with a simple attachment, the CSM-1701/1702 bedside monitors have enabled early screening for nonconvulsive status epilepticus (NCSE) in emergency rooms and intensive care units.

Achieve Further Growth in Core Businesses

Focusing on our unique sensor technology, we are expanding in five core business areas. In the fiscal year ending March 2020, we plan to introduce new products to our cardiology line as well as to our patient monitoring and treatment equipment businesses. Expected to generate new business in particular are the Company’s first two in-house manufactured ventilators, NPPV*. Ventilators are developed by leveraging our base technologies in patient monitors and our unique sensor technology. We are aiming to realize respiratory management that is unique to Nihon Kohden and provides greater safety and less burden on patients. Since ventilators are used in conjunction with our mainstay patient monitors in both intensive care units and general wards, synergistic effects are also expected.

Major new products expected to be introduced in FY2019

- Neurology Products
- Cardiology Products
- Hematology Instruments
- IT Solutions Business
- Consumables and Services Business

* It will be launched only in Japan.
Mid-term Business Plan TRANSFORM 2020

**Strengthen Business Expansion by Region**

Nihon Kohden has reinforced its business development in Japan, developed countries, and emerging markets to achieve sustainable growth in Japan and strong growth internationally.

- Japan: Establish the business foundation for future growth to meet medical needs in an aging society
- Strengthen its business structure in the United States which is the world’s largest market and a center of leading-edge medical care
- Conduct strategic business expansion to meet medical needs in high-growth emerging markets

Strengthening Nihon Kohden’s business structure in the United States

In the United States, we have three business pillars: Patient Monitors, Neurology such as EEGs, and Treatment Equipment that includes AEDs.

We are focusing on expanding our Patient Monitoring business, and sales of patient monitors have increased favorably as a result of the enhancement of our local sales and service networks. Our brand awareness is increasing as our patient monitoring systems have been introduced in leading U.S. hospitals. We estimate our current market share is around 9%. In FY2019, we plan to introduce our first spot check monitors as well as midrange bedside monitors. By introducing spot check monitors, we aim at providing comprehensive patient monitoring solutions which enable the centralized management of all patients’ data in the hospital.

In Treatment Equipment, we entered the AED market in the United States by acquiring Defibtech, a U.S. manufacturer of resuscitation equipment in 2012. Currently, we are developing a ventilator at Nihon Kohden OrangeMed, which was established in 2015, and plan to launch this ventilator in Europe, emerging markets, and the United States.

**TRANSFORM 2020 moves into its final stage. Further promoting initiatives targeting a highly profitable structure and establishing a strong business foundation.**

**Q** Please outline the Japanese and overseas market environment for Nihon Kohden.

In Japan, healthcare reform aimed at realizing the government’s vision for the future of medical/long-term care services in 2025 is progressing rapidly, and the integration and restructuring of medical institutions and functions will be accelerated in line with regional healthcare plans. We realize the importance of capturing the demand of acute care hospitals that will be updating their medical devices.

In the overseas markets, demand for capital investment remains robust in the U.S., where progress is being made in the expansion of integrated delivery networks (IDNs) that extend from large hospitals to clinics and nursing care facilities. In order to work in such an environment, medical devices now require advanced network technology, and with cyber security becoming a key point in the selection of patient monitors. I believe our progress in improving performance in these areas allows us to increase our competitive advantages in the market. While demand for medical devices appears likely to expand as the population increases in many emerging markets, there is also a growing protectionism in some countries and it is therefore important for the Company to manage risks associated with changing political and economic conditions.
Management Interview

Q Can you update us on progress in the TRANSFORM 2020 Mid-term Business Plan?

FY2018 marked the second of three years in the Mid-term Business Plan, TRANSFORM 2020 and we continued to make progress in transforming to a highly profitable structure toward 2020 and thereafter, through creating high customer value and improving productivity within the organization.

First, to create high customer value, we consider it essential to develop high-value-added products. As an example, in FY2018 we launched the CSM-1700 series, the key midrange bedside monitors, which we expect to serve as growth drivers for the Company alongside the CSM-1500 series. In the consumables and services business, FY2018 saw the launch of MD Linkage, a medical device remote monitoring system, as a value-added service by utilizing the Internet of things (IoT) technologies. We are proud to say that this service has been very well received. MD Linkage is a system that remotely monitors medical equipment to prevent malfunctions. The system was initiated with hematology analyzers and we intend to expand its application to other medical equipment moving forward.

Second, to improve productivity within the organization, we are promoting the reforms of the Company’s global production and distribution system for expanding overseas business. We are working to further strengthen the global supply chain by making the most of IT to improve the forecast accuracy and reduce cost by increasing production efficiency at the Tomioka Production Center.

We are also actively working to improve efficiency in development. At the Advanced Technology Center, formed through the consolidation of our R&D divisions, we promote enhanced cooperation among the divisions and the integration of core technologies in order to develop new products featuring high customer value.

In order to further strengthen our corporate structure, we are not only pursuing workstyle reforms, including introducing a flextime system and a work at home system, but also bolstering compliance among local employees overseas, through the launch of a global compliance program.

Q Please outline your efforts to create a sustainable society.

One of our key issues for FY2019 is the establishment of a global supply chain management system, centered on the Tomioka Production Center. We intend to bolster our production and supply systems in the U.S., China and Malaysia. The Eastern Japan Logistics Center, which is now under construction, starts operations within the year. We also plan to establish a reagent factory in Dubai to supply to the Middle East and Africa, where the installation of hematology analyzers has been increasing. In terms of business process reforms, we are gradually introducing enterprise resource planning (ERP) to the overseas sales subsidiaries as part of our effort to improve operational efficiency and centrally manage information.

Q Could you tell us about your key initiatives for FY2019, the last year in the TRANSFORM 2020 Mid-term Business Plan?

With the second year of the plan complete, there is only one year left in the TRANSFORM 2020 Mid-term Business Plan. Our aim in the final year is to further strengthen our efforts to transform to a highly profitable structure and build a solid business foundation for growth from 2020. We believe it vital to return to our manufacturing roots and to adapt to not only changes in society and the competitive environment, but also the rapid advancement of technology.

With this in mind, we will bring a number of strategic products to market in FY2019. Our first ventilator was launched in Japan in June 2019 and will be launched sequentially in overseas countries. We will also introduce spot check monitors and bedside monitors for emerging markets, which we expect to act as drivers for growth in overseas markets. We will also release defibrillators for ambulance during the year.

Q Do you have any final words to stakeholders?

As a medical electronics manufacturer, we have worked toward realizing our Management Philosophy, “We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.” In this way, we are working toward establishing a relationship of trust as a company that is highly evaluated by its customers, shareholders, business partners and society.

Based on this basic policy, we will further improve the soundness, transparency and efficiency of management and grow into a company that is chosen by society. We do this to improve corporate value and realize a sustainable society.

We sincerely appreciate your kind understanding of our business and further support going forward.
ESG Summary

As a manufacturer specializing in medical equipment, Nihon Kohden vigorously strives to enhance its corporate value and contribute to a sustainable society. The Company does this through its business activities by taking on the challenges of solving a range of social issues such as fighting disease and improving health.

Mid-term CSR Plan

To increase corporate value, and contribute to the creation of a sustainable society, Nihon Kohden believes that it is important to resolve social issues through our business activities. As a means to achieve this, the Company established its Mid-term CSR Plan, Sustainable Growth 2020 that runs through FY2019. In three areas of Healthcare, Environment, and Corporate Activities, Nihon Kohden establishes targets and solutions to address priority issues. The Company aims to solve these issues through its daily business activities by establishing prescribed activities based on clear goals.

Join UN Global Compact

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

Mid-term CSR Plan

Sustainable Growth 2020

| Policy 1 | Contribute to fighting disease and improving health through our products and services |
| Priority Issues 1 | Improve efficacy and accessibility of diagnosis and treatment |
| Improve quality of care throughout the care cycle |
| Improve safety and security of patients and users |
| Improve customer satisfaction |

| Policy 2 | Conserve the global environment and make improvements through all corporate activities |
| Priority Issues 2 | Promote environmentally friendly products |
| Promote energy conservation and waste reduction in business activities |
| Adhere to environment-related regulations and protocols |

| Policy 3 | Strengthen the foundation of CSR activities in all areas of corporate activities |
| Priority Issues 3 | Promote fair sales and purchase activities |
| Promote social contribution activities |

External Evaluation

FTSE4Good Index Series

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell confirms that Nihon Kohden has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series for three consecutive years since 2017.

MSCI Japan ESG Select Leaders Index

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

Stakeholder Engagement

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

Growing as a company and establishing trust

Nihon Kohden’s planning and implementation of CSR initiatives are predicated on harmony achieved with all of its stakeholders. Nihon Kohden is committed to establishing trust with its stakeholders and achieving growth accepted by its stakeholders in all aspects of its business, from product development, production and sales to after-sales services, the Company’s financial standing, and human resource development efforts. In addition to its citizenship activities and information disclosure through its business activities, Nihon Kohden also leverages the opinions and requests of stakeholders in its future business activities as part of its efforts to be a trusted member of society.

Mutual understanding through dialogue with our stakeholders

Nihon Kohden’s Stakeholder Engagement Initiatives

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Main Communication Method</th>
<th>Main Responsibility and Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>• Daily sales activities</td>
<td></td>
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<td>• Call center</td>
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<td>• Customer satisfaction survey</td>
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<td>• Academic seminars</td>
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<td>• ME (medical electronics) workshops</td>
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<tr>
<td>Business Partners</td>
<td>• Daily procurement activities</td>
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<td>• General shareholders meetings</td>
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<td>• Earnings presentations</td>
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<td></td>
<td>• Company briefings</td>
<td></td>
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<td></td>
<td>• Events for individual investors</td>
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<td>• Website for investors</td>
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<td>Shareholders and Investors</td>
<td>• Self-enumeration system</td>
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<td></td>
<td>• Level-specific training sessions</td>
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<tr>
<td></td>
<td>• Labor-management council meetings</td>
<td></td>
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<td></td>
<td>• Consultation counter</td>
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<td></td>
<td>• Company newsletters and intranet</td>
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<tr>
<td>Employees</td>
<td>• Volunteer activities in local communities</td>
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<td>• Participation in local events</td>
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<tr>
<td>Local Communities</td>
<td>• Participation in local events</td>
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Nihon Kohden also leverages the opinions and requests of stakeholders in order to raise awareness of the SDGs in the Company. In order to create a stock price index designed to measure the performance of companies demonstrating strong ESG practices, Nihon Kohden has been a constituent of the FTSE4Good Index Series.
Improving Safety and Security

As a maker of medical devices which affect lives, we aim to provide products and services that give the customer safety and security.

**Quality Policy and Quality Targets**

Medical devices used in advanced medical care require the highest level of quality and safety. Nihon Kohden set the following quality policy.

**Quality Policy**

To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products.

Our Long-term Vision for 2020 includes the goal of “achieving the highest level of quality in the world.” In pursuit of product and service quality, we set three targets for daily quality improvement activities.

**Quality targets**

1. “Risk Zero” design and production
2. Achieve a high utilization rate by users
3. Achieve excellent usability

To achieve this quality policy and Long-term Vision, Nihon Kohden set Group quality targets and continually strives to ensure customer satisfaction and quality in all processes from development to production, sales, and after-sales service.

Nihon Kohden complies with the medical device regulations of each country and was one of the first in the industry to ensure customer satisfaction and quality in all processes from development to production, sales, and after-sales service.

Nihon Kohden has received ISO 9001:2015 quality management system certification and ISO 13485:2016 certification for the medical devices sector, as well as receiving Medical Device Single Audit Program (MDSAP*) certification ahead of other manufacturers. Our Reliability Center, which carries out product evaluation, has received ISO 17025 for testing and calibration labs.

* MDSAP is a third-party Auditing Organization’s program to conduct a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements.

**Support Systems to Ensure Safety**

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers in safety management and disseminates medical technology to help ensure safety after delivery of the product.

In Japan, Nihon Kohden deploys specialized personnel who have accreditations such as Medical Device Information Communicators (MDIC*). We also organize safety workshops for users to ensure that they use our products correctly.

(Number of workshops and participants in FY2018: 1,230 workshops and about 41,000 participants.)

* MDIC is an accreditation program established by the Japan Society of Medical Instrumentation (JSMI) to cultivate personnel who can contribute to patient safety and the improvement of healthcare quality.

Improving Quality, Accessibility, and Efficiency of Healthcare

We aim for higher quality, accessibility, and efficiency of healthcare by innovative technology and customer-oriented product development.

**Improving Healthcare Efficiency**

Faced with a rapidly aging population, mainly in developed countries, the healthcare systems in those countries are required to provide optimum solutions. In Japan, healthcare reform has been implemented to realize the future vision of medical/long-term care services in 2025. The needs for improving the quality and efficiency of medical care are increasing. Nihon Kohden develops products and systems not only for large hospitals that provide acute phase treatment and clinics serving as family doctors, but also for home care, enabling us to provide comprehensive solutions throughout the care cycle from preventive care and diagnosis to treatment and rehabilitation.

**Providing Environmentally Friendly Products**

Nihon Kohden’s social contributions through its business activities include measures aimed at creating environmentally friendly products and ongoing efforts to reduce our environmental impact. We launched five new products in FY2018.

**CSM-1701/1702, Bedside Monitors**

The CSM-1701/1702 midrange bedside monitors were developed based on a concept to provide monitoring solutions for the next generation of medical care.

As the world’s first patient monitor, the CSM-1701/1702 bedside monitors have a built-in function that enables the connection of an ultrasound probe and the display of an echo image. This function allows rapid examination for bleeding in trauma patients’ body in emergency rooms.

In addition, by using the AE-920P neuro unit, the electroencephalograph data measured by the AE-120A EEG headset can be displayed on the CSM-1701/1702 series of monitors, allowing the quick and easy EEG monitoring in emergency and intensive care.

**Environmental Considerations**

In addition to reducing product dimension and using recyclable paper as a packaging material, lead-free solder is adopted to comply with the RoHS directive.

**MEK-1303, Automated Hematology Analyzer and Clinical Chemistry Analyzer**

The MEK-1303 is Nihon Kohden’s first automated hematology analyzer and clinical chemistry analyzer. The MEK-1303 is the first point of care testing (POCT) analyzer in Japan that can measure CBC (complete blood count, including white blood cells, red blood cells, and platelets), CRP (C-reactive proteins, which increase when inflammation is present in the body), and HbA1c (Hemoglobin A1c, an indicator for controlling blood sugar and in the diagnosis of diabetes).

In addition to shortening the testing time, the MEK-1303 reduces the blood injection risk among medical staff by allowing measurement without taking off the cap of the blood collection tube.

**Environmental Considerations**

It was developed under consideration for energy saving. The amount of packaging material was reduced by lowering product dimension and quantity, contributing to reduction in waste. Additionally, lead-free solder is adopted to comply with the RoHS directive.

**AE-920P Neuro Unit**

The AE-920P Neuro Unit facilitates quick and easy EEG monitoring in emergency and intensive care.
The SAS-2200 is used for sleep apnea testing at home. Just one press of a button allows the testing of air flow (pressure), SpO2 (arterial blood oxygen saturation), snoring volume, as well as the measurement of body positions and movement. As its air flow measurement is in accordance with the AASM Scoring Manual*, it can lead to more accurate measurement of sleep apnea. Depending on the type of testing being performed, the patient can easily attach the equipment to either their wrist or abdomen.

Environmental Considerations
The product dimension was reduced compared to previous products. The amount of packing material was also reduced.

* AASM Scoring Manual: The internationally recognized American Academy of Sleep Medicine’s Manual for the Scoring of Sleep and Associated Events

Environmental Philosophy
In its business activities and the actions of its employees, Nihon Koden works towards the conservation and qualitative improvement of the earth's priceless environment so that all people can enjoy a healthy environment.

Environmental Policy
Based on its Management Philosophy and the Environmental Philosophy, Nihon Koden will continuously improve its environmental management systems to enhance its environmental performance.

1. Provide environmentally friendly products
In carrying out development, manufacturing, marketing, after-sales service, and support for electronic medical devices, we contribute to reduction of greenhouse gas emissions and sustainable use of limited resources by realizing energy and resource savings, and eliminating the use of hazardous substances throughout the product life cycle.

2. Promote energy conservation and reduction of waste in business activities
In all of our business activities, we continually work together with our supply chain to introduce low-carbon and high-efficiency technologies, and improvement activities, strive to promote energy conservation, reduce waste through the 3R's of reduce/reuse/recycle, reduce greenhouse gas emissions over the medium to long term, and prevent environmental pollution.

3. Comply with environmental laws, regulations, ordinances, and agreements
In all of our business activities, we comply with all laws, regulations, ordinances, and agreements that concern the environment in Japan and overseas, and carry out our responsibilities to stakeholders such as responding to issues such as climate change, water resource protection and conservation of biodiversity as a global company.

4. Promote environmental education
In regard to environmental issues, we promote appropriate education and educational activities to deepen the insight of our employees and stakeholders and enable individual productivity improvements to be linked to environmental improvement activities.

Environmental Targets for FY2019

1. Enhance production efficiency and reduce environmental impact by improving operational efficiency
2. Reduce environmental impact and prevent pollution in our business activities
3. Continuously reduce energy consumption and CO2 emissions in our business activities in order to realize a decarbonized society
4. Contribute to creating a recycling-oriented society

Certifications and Signed Commitments
ISO 14001
Environmental Philosophy and Policy

In 2017, we completed transition to ISO 14001:2015, and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory. In 2018, renewal inspections were completed. Currently, we conduct business activities at five sites, i.e., Ochiai/Tokorozawa Site: head office and development department; Tsurugashima Site: sales and shipping of ME consumables; Kawamoto Site: development of ME consumables; and safety/reliability testing of ME devices; Fujikura Site: repair and maintenance; and Tomioka Site: manufacturing and shipping.

1. Prioritize purchasing from suppliers conducting ambitious environmental conservation activities while also excelling in areas that include quality, pricing, delivery times, and services.
2. Prioritize the purchase of toxic substance-free products.

- **Requests to our suppliers**
  - To uphold our green procurement policy, the Nihon Kohden Group asks its suppliers to practice environmental conservation in their business activities and supply products, parts, and materials that have a low environmental impact. We also ask them to provide an RoHS Declaration of Conformity and participate in various surveys.
  - **Supplier-side environmental conservation**
    - We ask all our suppliers to take measures for effective environmental conservation such as establishing an environmental policy, maintaining systems, and implementing education.
  - **Supplying low environmental impact products, parts, and materials**
    - To manage the chemicals that are used in our procured products, we request the following:
      1. Create a control system for chemical substances used in products.
      2. Reduce toxic substances and implement green procurement of parts and materials that have low environmental impact.
  - **Chemical substance content inspection**
    - To evaluate the chemical substances in procured goods, we request all our suppliers respond to investigations of chemical substances in the goods. We require suppliers to provide certificates of compliance for materials used in RoHS compliant products.

- **Acquiring CASBEE “S” Rank Certification at the Advanced Technology Center**
  - The Advanced Technology Center, which started its operations in October 2016, was designed to harmonize with the surrounding natural environment and reduce the overall environmental impact of the facility itself. The Advanced Technology Center was given “S” rank CASBEE certification, the standard for environmental performance over the life cycle of a building.
  - CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for comprehensively evaluating the quality of buildings. It evaluates and ranks the environmental performance of a building in regard to environmental concerns such as energy-saving performance and the amount of green materials used, as well as the comfort of the interior and scenery.

- **Green Procurement**
  - As part of our efforts to provide eco-conscious products to the market, we promote procurement of parts, materials, and finished products which have a low environmental impact according to the following policy (green procurement).

<table>
<thead>
<tr>
<th>Environmental Management System (EMS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
</tr>
<tr>
<td>President</td>
</tr>
<tr>
<td>President Manager</td>
</tr>
<tr>
<td>Environmental Manager</td>
</tr>
<tr>
<td>Environmental Committee</td>
</tr>
<tr>
<td>Environmental Management Administration Unit</td>
</tr>
<tr>
<td>Ochiai/Tokorozawa Site</td>
</tr>
<tr>
<td>Tsurugashima Site</td>
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<tr>
<td>Fujikura Site</td>
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<tr>
<td>Tomioka Site</td>
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<tr>
<td>Kawamoto Site</td>
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<tr>
<td>Non-production Sites</td>
</tr>
<tr>
<td>Internal Environmental Audit</td>
</tr>
<tr>
<td>Environmental Activities Manager</td>
</tr>
</tbody>
</table>

- **In-House Environmental Awareness Training Program**
  - **Introductory Training**
    - This program is held for all employees joining the Company. This program facilitates their awareness and understanding of general environmental issues, regulatory and legal compliance, ISO 14001 mechanisms, and the initiatives pursued by Nihon Kohden, as well as our Environmental Philosophy and Environmental Policy, details of targets, specific examples, and the need for full participation of all employees.
  - **Training in Alternate Years**
    - Training is conducted for all employees every other year. Employees are educated about Environmental Policy, goals, and targets, including changes to the situation around them, and gain an understanding of the activities underway in each division.
  - **Awareness-Raising Activities**
    - In FY2016, we established an annual Environmental Day on which we make known to all employees the need for environmental activities.

- **Voice**
  - We work on reducing the environmental load through our business activities.
  - Each year since the signing of the Paris Agreement has seen growing interest in addressing the issues brought on by climate change.
  - Nihon Kohden engages in reducing CO2 emissions through setting environmental targets in each department based on improving productivity and optimizing operations on an overall basis.
  - We aim at reducing energy use and waste by providing environmentally friendly products. By explaining proper method for using and providing maintenance services for safe use to customers, we also aim at reducing energy use and waste by improving the operational efficiency of our customers.

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<table>
<thead>
<tr>
<th>Targets and Results of the Environmental Management Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Target</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
</tbody>
</table>
| 1. Reducing the environmental impact and improving productivity through enhanced operational efficiency | Set specific targets and raise productivity in each business activity | Atainment Rate: ✓✓✓
| 2. Reduce environmental impact and prevent pollution in business activities | 2-1. Reduce CO2 emissions throughout the product life cycle through providing environmentally friendly products 2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to existing products 2-3. Reduce the first-month defect rate by 3% compared to FY2017 2-4. Keep the repair failure rate for repaired goods to 0.20% or less | Atainment Rate: ✓✓
| 3. Continuously reduce energy consumption and CO2 emissions to realize a low-carbon society through our business activities | 3-1. Improve energy use by 1% on a per unit basis compared to FY2017 3-2. Reduce improvement in CO2 output by 1% on a per unit basis compared to FY2017 | Atainment Rate: ✓
| 4. Contribute to a recycling-oriented society | *Limit the YoY increase of total waste emissions by 3.8% or less due to the increase of waste in line with the sales increase and reduce by 0.4% on a per unit basis by promoting Reduction/Reuse/Recycling* | Atainment Rate: ✓✓✓

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<table>
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<tr>
<th>In-House Environmental Awareness Training Program</th>
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</tr>
</tbody>
</table>
Nihon Kohden strives to strengthen its corporate governance with the aim of continually enhancing its corporate value.

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

**Corporate Governance Structure**
Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory function, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors which comprise one-third of the Board of Directors. The Company takes measures in independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, Internal Auditing Department, and Accounting Auditor. The Company believes the management monitoring functions work sufficiently.

The Company registered four outside directors as independent directors, who have no conflict of interest between general shareholders and them, to the Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council. They provide opinions from an objective and neutral standpoint if necessary and supervise the Company’s management.

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

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

**Management Council**
Meetings of the Management Council, which consists of all directors and operating officers, are held three times a month in order to undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between management decision making and supervisory functions on the one hand and the execution of operations on the other.

**Nomination and Remuneration Committee**
The Company has established a Nomination and Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure transparency and objectivity of the management. A majority of the committee members and the committee chair are appointed from outside directors.

Currently, committee members consist of a total of five members selected through a resolution of the Board of Directors: Masahiro Kawamura, the committee chair, Hiroko Ogino, Takashi Tamura, Masaya Yamachi, and Shigenori Kawatsuhara. The Nomination and Remuneration Committee deliberates on the proposal of the candidates, remuneration of directors, and succession plans in response to requests from the Board, and submits the proposals to the Board. A total of eight meetings were held in FY2018, and the attendance rate was 100% for all members.

**Remuneration of Directors**
Nihon Kohden has established the policy on determining the amount or calculation method of director remuneration which would further link with performance and shareholder value as well as taking into account the transparency of management and ensuring growth and profitability in mid-to-long term.

Remuneration of directors (excluding Audit & Supervisory Committee members and outside directors) consists of monthly fixed compensations and bonuses as a performance-based compensation. The monthly fixed compensations are determined based on the size of the role and the range of responsibilities of each position. Bonuses as a performance-based compensation are determined in consideration of their contributions, the Company’s business performance, and full-year dividend per share every fiscal year. A certain percentage of monthly fixed compensation is allotted to purchasing shares of the Company for reflecting mid-to-long term business results. Directors shall hold the shares during the period served as directors. The purchase ratio for the Company’s shares is determined based on each director’s position. Remuneration of outside directors excludingAudit & Supervisory Committee members consists of monthly fixed compensations. Remuneration of directors excluding Audit & Supervisory Committee members is reviewed at the Nomination and Remuneration Committee and is presented as a proposal to the Board of Directors. Remuneration of Audit & Supervisory Committee members consists of monthly fixed compensations and is determined after consultation between Audit & Supervisory Committee members.

**Cooperation with Accounting Auditor and Internal Auditing Department**
The Audit & Supervisory Committee cooperates closely with the Accounting Auditor by receiving explanation of auditing plans and quarterly audit results and attending auditing audits for main offices and subsidiaries conducted by the Accounting Auditor.

The Audit & Supervisory Committee meets regularly with the Internal Auditing Department (nine members), an organization under the direct supervision of the president, for exchanging information and enhancing cooperation. The Internal Auditing Department conducts regular internal audits of the Company and its subsidiaries regarding compliance, and effectiveness and appropriateness of business executions. The Internal Auditing Department cooperates with Audit & Supervisory Committee members to enhance monitoring functions on accounting and business executions. The Internal Auditing Department reports the internal audit results to the president and the Audit & Supervisory Committee each time the internal audit is conducted. Internal audit results and progress of improvements are reported to directors and operating officers at the Board of Directors Meetings every quarter.

**Board Evaluation**
Nihon Kohden analyzes and evaluates the effectiveness of the Board to clarify issues and improvement of the Board and further improve the functions of the Board. The Company conducted self-evaluations of all directors including Audit & Supervisory Committee members in an anonymous way related to (1) the size and constitution of the Board, (2) the operation of the Board, (3) the supporting system for outside directors including Audit & Supervisory Committee members, (4) the Audit & Supervisory Committee, (5) the communication with shareholders and stakeholders.

In FY2018, based on the FY2017 evaluation results, the Company reviewed the range of matters which require a resolution by the Board. On the other hand, the Board members shared that the following issues need further discussion: gender and international diversity, and the risk management of overseas subsidiaries.

The Company will continue existing improvement initiatives. In accordance with the FY2018 evaluation results, the Company continues to consider the appointment of women and non-Japanese as members of the Board, and strengthen the monitoring of the risk management system of overseas subsidiaries. The Company will continue to improve overall effectiveness of the Board aiming at sustained growth of corporate value and for an enhancement of corporate governance.
**Hirokazu Ogino**

Representative Director, President and CEO

**Date of birth**: January 22, 1957

**Position**: Representative Director, President and CEO

**Activities**

- General Manager of Marketing & Consumer Business Operations
- General Manager of Corporate Strategy Division
- General Manager of International Operations

**Date of birth**: February 14, 1952

**Position**: Corporate Director (Audit & Supervisory Committee Member)

**Date of birth**: April 29, 1957

**Position**: Independent Director

**Date of birth**: May 29, 1956

**Position**: Independent Director

**Date of birth**: June 20, 1958

**Position**: Independent Director

**Date of birth**: June 20, 1956

**Position**: Independent Director

**Date of birth**: June 25, 1958

**Position**: Independent Director

**Date of birth**: October 15, 1956

**Position**: Independent Director

**Date of birth**: October 15, 1956

**Position**: Independent Director

**Date of birth**: February 15, 1962

**Position**: Independent Director

**Date of birth**: March 15, 1956

**Position**: Independent Director

**Date of birth**: May 22, 1957

**Position**: Independent Director

**Date of birth**: November 21, 1957

**Position**: Independent Director

**Date of birth**: December 12, 1956

**Position**: Independent Director

**Date of birth**: December 12, 1956

**Position**: Independent Director

**Date of birth**: December 5, 1956

**Position**: Independent Director

**Date of birth**: December 15, 1956

**Position**: Independent Director

**Date of birth**: December 15, 1956

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**Date of birth**: December 15, 1956

**Position**: Independent Director
Masaya Yamauchi  Outside Director, Hōki-Sogo Law Office

I believe the role expected of outside directors is to provide a different perspective on management decisions and corporate governance, based on our external independent position, and thereby enhance corporate value.

Nihon Kohden continues to take the initiative of proactively enhancing its corporate governance and facilitating active discussion from multidimensional perspectives at Board Meetings. I am actively committed to further fulfilling my role in monitoring, based on generally accepted social norms from an external perspective and as a lawyer.

I will sincerely perform my duties going forward to contribute to the further enhancement of the Nihon Kohden Group’s corporate value by faithfully undertaking the role mentioned above to the best of my abilities.

Minoru Obara  Outside Director, Professor Emeritus at Keio University

With the management team and the outside directors maintaining a moderately tense but non-confrontational relationship, I hope to contribute to the sustained growth of Nihon Kohden. Nihon Kohden is a leading company in the medical device industry and contributes to society by continually providing medical devices and services of the highest quality to medical industry customers. The Internet has allowed humanity to be globally connected for the first time in its history, while also bringing fast-paced and chaotic change. In such an environment, it will be vital for companies to quickly and accurately analyze and synthesize big data, avoid becoming over-reliant on AI, carefully monitor and manage future expectations, and formulate management strategies to act quickly. I would like to proactively contribute to the further enhancement of corporate value as an outside director through tireless effort and the promotion of constructive dialogue, and by fulfilling my supervisory function with a strong sense of responsibility.

Masahiro Kawamura  Outside Director (Audit & Supervisory Committee Member) Kawanura Tax Accounting Office

Most major companies compete to appoint outside directors following the introduction of the Corporate Governance Code. It sometimes seems like most companies are just trying to meet the set number of Directors. However, at the time I was appointed as an outside Audit & Supervisory Board member nine years ago, Nihon Kohden had already had four outside directors. One could say, in that sense, that the Company has been focused on the necessity and effective utilization of outside directors well ahead of other companies.

Going forward, I am committed to fulfilling the duties entrusted by shareholders substantively and as an outside director by openly stating my opinions at not only meetings of the Board of Directors and Management Council but also at meetings of the Nomination and Remuneration Committee from a neutral and independent perspective, as well as based on my professional knowledge and experience as a certified public accountant and tax accountant.

Shigeru Katsumatohara  Outside Director (Audit & Supervisory Committee Member)

I believe Audit and Supervisory Committee members, independent officers, and outside directors must always act responsibly, not only by providing oversight and checks on the system, and eliminating illegal activity, including even the appearance of improper behavior, but also by contributing to sustainable growth at the company and the improvement of corporate value over the medium to long term.

Directors at Nihon Kohden have benefited from a substantial number of reports regarding the execution of business at the Company, which has been actively engaged in the exchange of opinions. I believe stakeholders take at my past experience in management and expect me to provide advice based on an objective understanding of the issues and provide support for management that balances safety and risk-taking as it pursues future growth.

I intend to be fully engaged in activities focused on these issues moving forward.

Overview
Nihon Kohden has been holding regular meetings for outside directors to exchange opinions and build a shared sense of awareness since FY2016, the year ended March 31, 2017.

[Aims] With the membership composed entirely of independent outside directors, these meetings are held on a regular basis and are designed to produce an environment for the following matters by encouraging outside directors to exchange opinions and build a shared awareness from an independent and objective standpoint.

- Independent Outside Directors actively contributing to Board of Directors discussions
- Independent Outside Directors (Audit & Supervisory Committee Members) freely asking questions and stating opinions to the Board of Directors

[Members] Four independent outside directors, including two members of the Audit and Supervisory Committee (FY2018 meetings) May and December

[Meeting content] May: Evaluation of the effectiveness of the Board of Directors. December: Improvements in conditions since the meeting in May and the Company’s business
Strengthening Risk Management

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

**Approach to Risk Management**

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

**Risk Management Framework**

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group.

The risks present in the execution of business activities have been classified into eight types, and Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. Risk Management Divisions provide training and support to operating units with regard to their assigned risk types, and report the system improvement and promotion status to the Board of Directors and the Risk Management Supervisory Division. The Risk-Related Committees report to the Board of Directors and the Management Council on matters including assessments of management system appropriateness, validity, and effectiveness for related risk types.

In addition, risks discovered during audits conducted by the Internal Auditing Department are reported to the president.

**Risk Types**

<table>
<thead>
<tr>
<th>Risk Types</th>
<th>Risk Description</th>
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</thead>
<tbody>
<tr>
<td>Financial and Accounting Risks</td>
<td>Risk of losses due to change in value of assets held or inappropriate accounting practices</td>
</tr>
<tr>
<td>Compliance Risks</td>
<td>Risk of losses due to failure to comply with laws and regulations, etc.</td>
</tr>
<tr>
<td>Quality Control Risks</td>
<td>Risk of losses due to problems related to safety or reliability of our products or services</td>
</tr>
<tr>
<td>Environmental Risks</td>
<td>Risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution</td>
</tr>
<tr>
<td>Information Disclosure Risks</td>
<td>Risk of losses due to inappropriate disclosure of information</td>
</tr>
<tr>
<td>Disaster and Accident Risks</td>
<td>Risk of losses due to hindrance to business operations caused by disaster or accident</td>
</tr>
<tr>
<td>System Risks</td>
<td>Risk of losses due to failure, malfunction, unauthorized use in networks and systems for internal IT infrastructure or products and services.</td>
</tr>
<tr>
<td>Strategic Risks</td>
<td>Risk of losses due to misleading business strategies</td>
</tr>
</tbody>
</table>

**Self-Assessment of Risk Management**

Nihon Kohden’s offices, subsidiaries, and the departments in the head office conduct self-assessment of risk management using divisional inspection sheets. The Risk Management Supervisory Division verifies the progress of risk management system implementation and future responses, and reports the results of self-assessments to the Board of Directors.

In addition, Nihon Kohden is conducting education in relation to risk management for executives and employees to ensure a broad awareness of risk management.

**Response in the Event of a Risk**

Regulations have been established for each risk type. Regulations related to each risk type govern the response to be taken when a risk occurs have also been set forth.

**Disaster Risk Management**

- **Basic Approach**
  Medical devices on which people’s lives depend need to be supplied continually and smoothly in the event of a major disaster. As a medical device manufacturer, Nihon Kohden takes measures to ensure the safety of employees and their families in a disaster and respond to disaster risks to ensure the unbroken support of products and services.

- **Business Continuity Plan (BCP)**
  In March 2015, Nihon Kohden devised a business continuity plan to ensure that even if the Company suffers damages and losses due to a major earthquake, the provision of products and services can continue or be quickly restored. The BCP sets forth organizational charts, initial response manuals in the event of a disaster, subsequent restoration plans following an initial response, operational procedures, and disaster mitigation measures to be taken under normal conditions for each business site.

- **Business Continuity Management (BCM)**
  To ensure that the business continuity plan will function effectively during a disaster, Nihon Kohden sets the BCP Operating Regulations and established the BCP Operation and Management Committee tasked with operating and managing the BCP. To ensure the effectiveness of the BCP during a disaster, the Committee conducts periodic Company-wide education and training. In addition, the BCP is reviewed periodically to make ongoing improvements.

**Information Risk Management**

- **Basic Policy**
  Information-related technologies and environments are continually changing. New ways of using information along with new risks emerge on a daily basis. While we promote the utilization of highly convenient information technology to improve business efficiency, we also undertake various measures in response to changing conditions to safeguard confidential company information and personal information from leaks.

- **Initiatives to Ensure Information Security**
  To protect the personal information and important confidential information of all stakeholders including customers, patients, business partners, and employees, we have established regulations concerning personal information and IT utilization.

An IT Safety Measures Committee prescribes the rules concerning IT utilization. We have also deployed members of the Network Utilization Promotion Committee in operating divisions and subsidiaries to disseminate rules to employees, as well as to provide guidance and support.

**Employee Education**

Nihon Kohden conducts periodic training for employees to disseminate information on rules concerning IT utilization and ensure that compliance with the Act on the Protection of Personal Information has taken root and that internal rules are widely known and taken root.

**Obtaining Third-Party Certification**

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

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

Basic Approach

We strive to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. Our efforts to achieve fair trade include the running of in-house training and the strengthening of relationships with our business partners.

Procurement Policy and Procurement Standards

To disseminate our stance on procurement to both inside and outside the Company and ensure that our commitment will take root, we created the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards in 2013. The Nihon Kohden Procurement Policy represents Nihon Kohden’s basic policy on procurement. The Nihon Kohden CSR Procurement Standards represent thecompliance items Nihon Kohden expects its business partners to observe.

For further details on the Nihon Kohden Procurement Policy and Nihon Kohden CSR Procurement Standards please refer to our website.

https://www.nihonkohden.com/sustainability_CSR_partners.html

Adherence to the Nihon Kohden CSR Procurement Standards

The Nihon Kohden Group provides regular compliance training to all employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2018, 54 people attended these training sessions.

Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners’ understanding of and adherence to Nihon Kohden’s CSR Procurement Standards through their answers to the CSR Activity Questionnaire conducted every three years containing questions on items such as legal compliance and fair business practices, human rights, quality, the environment, information management, and CSR promotion. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.

Results of the CSR Activity Questionnaire in FY2018

In FY2018, we asked 98 of our business partners to answer our CSR Activity Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, the environment, information management, and CSR promotion. In terms of questions about CSR promotion, more than 90% of our business partners responded that a corporate philosophy and corporate guidelines for action had been established, were planned, or were under consideration. We continue to work with our business partners to deepen mutual understanding of our CSR procurement standards and ensure fair trade practices.

Questionnaire results in FY2018

<table>
<thead>
<tr>
<th>Topic</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Legal compliance and fair operating practices</td>
<td>95%</td>
</tr>
<tr>
<td>Human rights</td>
<td>95%</td>
</tr>
<tr>
<td>Quality</td>
<td>96%</td>
</tr>
<tr>
<td>The environment</td>
<td>87%</td>
</tr>
<tr>
<td>Information management</td>
<td>72%</td>
</tr>
<tr>
<td>CSR promotion</td>
<td>72%</td>
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</tbody>
</table>

Nihon Kohden’s Contributions to the Community

We strive to be a good corporate citizen respecting culture and customs through active contribution to the community.

Social Contribution

• Support for Kick-off Event for Inochi Student Forum 2019 Kanto

The Inochi Student Forum 2019 Kanto is a voluntary project for students to consider the importance of life and the future, and take action. A kick-off event for the project was held in June 2019 at Nihon Kohden’s Human Resource Development Center.

The project theme in FY2019 was Sudden Cardiac Death that we can reduce. Seven high school and university students toured a model operating room, listened to a lecture on advancements in AEDs and Nihon Kohden’s initiatives. They experienced a realistic, virtual AED training using a large screen to simulate rescue situation at roadides, train stations, and airports. The students commented that the event was a valuable experience and very educational, and that they wanted to consider ways to reduce sudden cardiac death.

As Japan’s only AED manufacturer, Nihon Kohden will continue to promote the widespread placement of AEDs and CPR education, aiming at improving the survival rate.

• Tomioka Production Center Receives Factory Greening Award

The Tomioka Production Center received the Chairperson’s Award of the Japan Greenery Research and Development Center at the commendation ceremony for the 37th National Assembly of Factory Greening Promotion Initiatives held in October 2018. This event is hosted by the Japan Greenery Research and Development Center with support from Japan’s Ministry of Economy, Trade and Industry (METI), and factories throughout Japan with exceptional greening initiatives are eligible for the awards.

The Tomioka Production Center received this award in recognition for such factors as having much of its green areas located along the site boundary, the exceptional views of the greenery including 210 Somet-yoshino cherry trees planted in three-way U-shaped configuration, and the good communication with local residents.

Nihon Kohden Tomioka will continue to maintain its green areas and enhance its environmental activities, as well as work to contribute to the local society with the aim of being a business with deep roots in the community.

Topics

EEG Donated to Anutapura Hospital in Indonesia

In September 2018, a major earthquake and tsunami in Sulawesi, Indonesia caused widespread damage, including the collapse of hospitals and many other structures in the provincial capital Palu, which was near the epicenter.

At the congress of the Japan Epilepsy Society held in Yokohama in October 2018, local doctors from Anutapura Hospital, the core epilepsy hospital in Sulawesi, reported that they were no longer able to treat epilepsy patients. In response to this issue, Nihon Kohden donated to Anutapura Hospital a paperless electroencephalograph (EEG) system with video camera, with the aim of supporting the immediate resumption of epilepsy care in Sulawesi.

Tomioka Production Center Receives Factory Greening Award

Award ceremony

EEG Donated to Anutapura Hospital in Indonesia

Donated EEG system
Achieving a Fulfilling Workplace

We believe that each employee demonstrating his/her skills and abilities will lead to company growth. Therefore, we strive to develop a workplace where diverse human resources can flourish.

**Basic Approach**

Strong growth and the development of each employee lead to corporate competitiveness. Nihon Kohden’s basic policy on human resource development consists of four elements, i.e., 1) autonomy, 2) professionalism, 3) leadership, and 4) global competency.

**Human Resource Development Policy**

- Strengthen the development of autonomous employees, professionals, and leaders, and accelerate the cultivation of employees who can be successful globally.
- Enhance the ability to develop employees in the workplace, bolster personal growth, and boost organizational strength by enhancing awareness of employee development on the part of all employees.

**Education and Training Structure**

Nihon Kohden aims to cultivate employees who can adapt globally. To realize that, we believe employees need to be: 1) Autonomous; 2) Professional; and 3) Leaders who can foster the development of their subordinates. We have worked to establish education and training systems and a personnel system designed to develop and strengthen employees equipped with these three qualities.

**International Training Program**

The International Training Program is a program designed to give employees the experience, knowledge, and adaptability they will need to be successful globally. Through the program, we provide employees with opportunities for long-term study abroad at language schools, on-the-job training at overseas offices, practical training at overseas research institutions and companies, and study at overseas universities and research institutes.

- Mentor Program
  We are implementing a mentoring system covering mainly newly appointed female managers. Corporate officers and female managers with extensive knowledge and industry experience act as mentors to newly appointed female managers and others to help them to resolve career development issues and support their personal growth. Through dialogue, we also support the broadening outlooks and the strengthening of internal networks, and seek to develop capabilities of judgment and leadership in female employees, while helping them to set ambitious goals.

- The Senior Advisor System
  With the goal of improving productivity, revitalizing the workplace, and motivating individual employees, the Nihon Kohden Group introduced in 2016 a Senior Advisor System that enables post-retirement senior employees to pass on the rich experience and skills they have cultivated over the years to younger workers. Moreover, we have introduced a variety of the workstyles and successes achieved by our senior employees in the Company Newsletter, creating opportunities for all employees to think about how they might like to work as a senior employee in the future.

**Policy for Diversity Promotion Activities**

By respecting diversity and creating a workplace environment in which each individual can demonstrate his/her full potential, we seek to improve job fulfillment, create new value, invigorate the organization, and enhance corporate value.

**Reforming Working Styles**

Nihon Kohden is implementing Working Style Reforms to enable greater flexibility in work styles, improve the work-life balance of employees, and maximize results without relying on long working hours. Since 2017, we established the Work Style Reform Promotion Project and are examining, with our members from a range of workplaces, work improvement activities and the creation of working systems that are easy to work in. In 2018, we started a flextime system, work at home system, and an approval system for a second job. In addition, we introduced an annual paid leave system, where entitlements are based on units of time worked, to deliver a more flexible working style. By thoroughly enforcing days with fixed work departure times and encouraging employees to take annual leave with pay, we promote improved business efficiency aimed at a healthy work-life balance, encourage greater creativity, reduce working hours, and create more time for private activities. This allows employees to make more effective use of their time to invest in themselves, engage in self-improvement, form personal networks, take care of their health, spend time with their families, and engage in interests or volunteer activities.

**Voice**

Witnessing Nihon Kohden’s Global Healthcare Contributions through the International Training Program (Overseas Challenge Program)

Masahiro Kogiso
Leader, Export Regulation Group, Legal Department

After joining Nihon Kohden, I have worked continually in the field of legal matters, and amid an ongoing increase in emails with overseas subsidiaries and the number of contracts in English I check, I decided to take on the challenge of this training program in line with my growing interest in having a direct experience in our global business. The training exposed me to differences in cultures, religions, as well as ways of thinking and methods of business, while also allowing me to experience a broad range of work outside of the legal sphere, including presentations at distributor meetings and the collection of data and other information. I was also able to hear local opinions regarding Nihon Kohden products, which not only served to reaffirm that Nihon Kohden is a technology company, but provided the opportunity for me to consider potential issues and challenges moving forward. I look forward to using the knowledge and connections provided to me through the training to support Nihon Kohden’s contributions and challenges to a global healthcare.

**Topics**

**Holding a Management Seminar on Gender Differences in the Brain**

As part of its effort to advance diversity, Nihon Kohden held a management seminar on gender differences in December 2018. The seminar targeted managers with female employees, noting that promoting advancement of female employees in the Company requires not only effort on the part of the women themselves, but also a greater understanding by supervisors with female employees as subordinates. Based on a theme comparing the differences between men’s and women’s brains, the goals of the program are for participants to learn about possible differences in thinking and perception between men and women. The program also seeks for participants to acquire communication skills that can be used in the workplace and leveraged in management situations to make the best use of those differences. In the program, the lecture explained how men and women may think differently, including in regard to what motivates them and how they prefer to engage in dialogue. The program appears to have been positively received by the participants, who have engaged in lively exchanges of opinions during group work activities involving case studies. Nihon Kohden will continue to develop training programs aimed at promoting diversity moving forward.

**Programs to Support Work-life Balance**

- **Childcare Leave**
  Leave Period: Until an employee’s child reaches the age of two.

- **Family Care Leave**
  Leave Period: Up to two years of leave can be taken.

- **Reduced Working Hours**
  Details: Daily working hours can be reduced by up to one hour (this system is available when certain conditions are met including the child of an employee is in the sixth grade of elementary school student or younger).

- **Shifted Working Hours**
  Details: The hours worked can be shifted by up to one hour without changing the daily working hours (this system is available when certain conditions are met including the child of an employee is in the sixth grade of elementary school student or younger).

- **Work at Home System**
  Employees who are pregnant, or responsible for providing childcare or nursing care are able to work at home (subject to meeting certain criteria).

- **Leave to Provide Nursing Care for Children**
  Details: Up to five days (10 days when there are two or more children) leave per year can be taken when a child up to the sixth grade of elementary school requires nursing care.

**Seminar Promoting the Employment and Greater Understanding of Persons with Disabilities**

Nihon Kohden has held seminars aimed at promoting the employment and a greater understanding of persons with disabilities. Our aim is to facilitate the creation of a working environment in which each employee’s individuality is respected, disability or not, and where they can work enthusiastically and to the best of their abilities.

**Seminar promoting the employment and greater understanding of persons with disabilities**

**Kurumin Certification**

Nihon Kohden promotes an improved environment to help employees strike a balance between work and child-rearing. As recognition of this, we obtained the “Kurumin” certification mark from the Ministry of Health, Labour and Welfare in March 2011 and renewed in 2016.
Enhancing Information Disclosure and Shareholder Return

Our management is highly transparent through appropriate information disclosure and we strive for stable long-term returns to shareholders.

Shareholder Returns Policy
Delivering shareholder returns is one of our most important management tasks. Our basic policy is to continually provide a stable long-term dividend to shareholders with a target consolidated dividend payout ratio of 30% or more, while securing necessary retained earnings for future growth in areas such as R&D investment, capital investment, M&A, and human resource development. Share buybacks are considered in a flexible manner, taking into account comprehensively the Company’s future business developments, investment plans, retained earnings, and stock price level.

In FY2018, the full-year dividend was 35 yen per share and the consolidated dividend payout ratio was 27%.

Information Disclosure Policy
The Nihon Kohden Corporate Charter of Conduct requires that we aim for highly transparent management by fair and proper disclosure of corporate information to shareholders and society. We disclose Nihon Kohden Group related information in a timely, appropriate, fair, and easy-to-understand manner. We seek to deepen understanding and trust from all stakeholders and gain appropriate evaluation of the Company.

Shareholder and Investor Engagement
• General shareholders meeting
We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website. We also hold exhibitions of Nihon Kohden medical devices that the general public can see Nihon Kohden's products.

FY2018: Briefings at securities companies and IR events
Tokyo Stock Exchange IR Festa 2019
Company briefing at Kawaguchi Branch
Daiswa Securities

* Effective as of April 1, 2015, each share of common stock was split into two shares. Figures up to FY2014 list the actual dividend amounts paid before the stock split.

Questions and comments from individual investors
We are looking forward to the Company’s business expansion in the future.
AED training was very helpful.
We would like to see the development of new products for sale in homes.
Do you plan to increase the dividend?
Who are the Company’s major competitors?
How is the progress toward developing overseas business? Do you have facilities in the U.S. or China?
How many people are on the R&D staff?

Investor relations page
Our website publishes key information needed by shareholders and investors, such as management policy, financial and performance highlights, dividend information, and various disclosure documents. Information about the Company’s Long-term Vision, Mid-term Business Plan, business segments, and products is also published.

Ownership Breakdown (as of March 31, 2018)
Financial Institutions 31,896 shares 35.9%
Individuals and Others 11,760 shares 13.3%
Foreign Investors 37,484 shares 42.2%

Major Shareholders (as of March 31, 2019)
State Street Bank and Trust Company 505,223,000,000,000 shares 10.83%
The Master Trust Bank of Japan, Ltd. (trust account) 5,986,000,000,000,000 shares 7.02%
Salzma Resona Bank, Ltd. 41,193,000,000,000,000 shares 4.92%
Japan Trustee Service Bank, Ltd. (trust account) 3,753,000,000,000,000 shares 4.49%
State Street Bank and Trust Company 505,193,000,000,000 shares 2.39%
Japan Trustee Service Bank, Ltd. (trust account 5) 1,790,000,000,000,000 shares 2.03%

Change in Share Price
Nihon Kohden (円)
4,000
10,000
20,000
30,000

Change in Dividend per Share and Consolidated Dividend Payout Ratio
Dividend per Share
80
70
60
50
40
30
20
10
0
100
200
300
400
500
600
700
800

Change in Share Price
Nihon Kohden (円)
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700
800

Questions and comments from individual investors

• Earnings presentations
Nihon Kohden hosts earnings presentations (interim and full-year results for securities analysts and institutional investors) and organizes teleconferences (1st and 3rd quarters) where we discuss the Company’s performance and strategy. Videos of the presentations, materials, and Q&A summaries are posted on our website and made available to all shareholders and investors.

• Company briefings and events for individual investors
We hold company briefings so individual investors across Japan can see our management strategy and business operations and extend their long-term support. We also have booths at investor relations events for individual investors, so the general public can see Nihon Kohden’s products.

• General shareholders meeting
We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website. We also hold exhibitions of Nihon Kohden medical devices that the general public can see Nihon Kohden's products.

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We hold company briefings so individual investors across Japan can see our management strategy and business operations and extend their long-term support. We also have booths at investor relations events for individual investors, so the general public can see Nihon Kohden’s products.

• In-house ventilator, and a medical device remote monitoring system.

In December 2018, Nihon Kohden was selected for the first time as the highest AAA grade for its IR activities in the “2018 All Japanese Listed Companies’ Website Ranking Survey” by Nikko Investor Relations Co., Ltd. This survey evaluated 163 items from the following three points: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,785 listed companies and was announced as a ranking. Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.

...
### Financial and Non-Financial Summary

#### Business results

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</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>8,106</td>
<td>9,321</td>
<td>10,598</td>
<td>12,027</td>
<td>13,484</td>
<td>17,547</td>
<td>15,921</td>
<td>16,438</td>
<td>13,585</td>
<td>14,517</td>
<td>15,044</td>
</tr>
<tr>
<td>Income attributable to owners of parent</td>
<td>4,610</td>
<td>5,917</td>
<td>6,573</td>
<td>7,621</td>
<td>9,151</td>
<td>12,346</td>
<td>11,142</td>
<td>10,516</td>
<td>9,149</td>
<td>9,154</td>
<td>11,191</td>
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#### Financial position

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<tbody>
<tr>
<td>Current assets</td>
<td>61,470</td>
<td>69,685</td>
<td>75,366</td>
<td>82,742</td>
<td>95,181</td>
<td>106,515</td>
<td>118,389</td>
<td>112,929</td>
<td>119,235</td>
<td>120,687</td>
<td>132,211</td>
</tr>
<tr>
<td>Total assets</td>
<td>80,479</td>
<td>88,000</td>
<td>92,495</td>
<td>99,403</td>
<td>116,800</td>
<td>130,917</td>
<td>146,755</td>
<td>144,270</td>
<td>152,806</td>
<td>157,910</td>
<td>169,717</td>
</tr>
<tr>
<td>Net assets</td>
<td>53,569</td>
<td>57,949</td>
<td>62,294</td>
<td>67,911</td>
<td>76,256</td>
<td>88,512</td>
<td>99,304</td>
<td>97,671</td>
<td>103,887</td>
<td>109,355</td>
<td>116,087</td>
</tr>
</tbody>
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#### Cash flows

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</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>4,123</td>
<td>10,679</td>
<td>5,892</td>
<td>7,559</td>
<td>13,189</td>
<td>9,383</td>
<td>12,505</td>
<td>10,765</td>
<td>11,356</td>
<td>10,843</td>
<td>9,819</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(5,968)</td>
<td>(2,810)</td>
<td>(1,874)</td>
<td>(2,338)</td>
<td>(6,069)</td>
<td>(4,421)</td>
<td>(4,689)</td>
<td>(7,602)</td>
<td>(8,344)</td>
<td>(3,346)</td>
<td>(3,258)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(1,844)</td>
<td>7,869</td>
<td>4,018</td>
<td>5,220</td>
<td>6,229</td>
<td>4,962</td>
<td>7,815</td>
<td>2,062</td>
<td>5,011</td>
<td>7,497</td>
<td>6,561</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(601)</td>
<td>(2,850)</td>
<td>(1,530)</td>
<td>(2,726)</td>
<td>(1,174)</td>
<td>(3,436)</td>
<td>(3,267)</td>
<td>(9,488)</td>
<td>(2,517)</td>
<td>(4,629)</td>
<td>(3,074)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11,197</td>
<td>16,331</td>
<td>18,808</td>
<td>21,304</td>
<td>26,863</td>
<td>28,808</td>
<td>34,113</td>
<td>27,283</td>
<td>28,560</td>
<td>31,285</td>
<td>34,697</td>
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#### Per share information

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</thead>
<tbody>
<tr>
<td>Net income (Yen)</td>
<td>104.94</td>
<td>134.68</td>
<td>149.62</td>
<td>173.49</td>
<td>208.31</td>
<td>126.83</td>
<td>120.12</td>
<td>106.81</td>
<td>106.92</td>
<td>131.43</td>
<td>135.0</td>
</tr>
<tr>
<td>Dividends (Yen)</td>
<td>37.0</td>
<td>134.68</td>
<td>149.62</td>
<td>173.49</td>
<td>208.31</td>
<td>126.83</td>
<td>120.12</td>
<td>106.81</td>
<td>106.92</td>
<td>131.43</td>
<td>135.0</td>
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#### Key performance indicators

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<tbody>
<tr>
<td>ROE (%)</td>
<td>8.8</td>
<td>10.6</td>
<td>10.9</td>
<td>11.7</td>
<td>12.7</td>
<td>15.0</td>
<td>11.9</td>
<td>10.7</td>
<td>9.1</td>
<td>8.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Operating income margin (%)</td>
<td>7.4</td>
<td>8.7</td>
<td>9.3</td>
<td>10.0</td>
<td>10.2</td>
<td>11.5</td>
<td>9.9</td>
<td>9.9</td>
<td>8.2</td>
<td>8.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>35.3</td>
<td>27.5</td>
<td>29.4</td>
<td>25.4</td>
<td>25.0</td>
<td>24.9</td>
<td>27.6</td>
<td>29.1</td>
<td>32.8</td>
<td>32.7</td>
<td>26.6</td>
</tr>
</tbody>
</table>

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1. The figures for FY2014 or earlier periods represent net income.
2. Since the beginning of FY2018 ended March 31, 2019, the Company has applied the partial amendments to the Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018). These accounting standards apply to FY2017 figures retrospectively.
3. Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.
4. Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.
5. Effective April 1, 2015, each share of common stock was split into two shares.

---
**Financial and Non-Financial Summary**

### Net Sales/Overseas Sales Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Overseas Sales Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>160.3</td>
<td>100%</td>
</tr>
<tr>
<td>FY2015</td>
<td>165.5</td>
<td>100%</td>
</tr>
<tr>
<td>FY2016</td>
<td>165.3</td>
<td>100%</td>
</tr>
<tr>
<td>FY2017</td>
<td>174.2</td>
<td>100%</td>
</tr>
<tr>
<td>FY2018</td>
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</tbody>
</table>

### Operating Income/Operating Income Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Operating Income Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>15.3</td>
<td>10%</td>
</tr>
<tr>
<td>FY2015</td>
<td>16.4</td>
<td>10%</td>
</tr>
<tr>
<td>FY2016</td>
<td>13.5</td>
<td>10%</td>
</tr>
<tr>
<td>FY2017</td>
<td>14.5</td>
<td>10%</td>
</tr>
<tr>
<td>FY2018</td>
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</tbody>
</table>

### Income Attributable to Owners of Parent/ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>Income Attributable to Owners of Parent</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>11.1 billion</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2015</td>
<td>10.5 billion</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2016</td>
<td>9.1 billion</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2017</td>
<td>8.4 billion</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2018</td>
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</tbody>
</table>

### Capital Investment/Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Investment</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>146.7 billion</td>
<td>7.7 billion</td>
</tr>
<tr>
<td>FY2015</td>
<td>144.2 billion</td>
<td>7.7 billion</td>
</tr>
<tr>
<td>FY2016</td>
<td>152.8 billion</td>
<td>7.7 billion</td>
</tr>
<tr>
<td>FY2017</td>
<td>157.9 billion</td>
<td>7.7 billion</td>
</tr>
<tr>
<td>FY2018</td>
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</table>

### Net Income per Share

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>126.83</td>
</tr>
<tr>
<td>FY2015</td>
<td>125.12</td>
</tr>
<tr>
<td>FY2016</td>
<td>106.81</td>
</tr>
<tr>
<td>FY2017</td>
<td>106.92</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
</tr>
</tbody>
</table>

### Dividends per Share and Payout Ratio (consolidated)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per Share</th>
<th>Payout Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>70</td>
<td>27%</td>
</tr>
<tr>
<td>FY2015</td>
<td>70</td>
<td>27%</td>
</tr>
<tr>
<td>FY2016</td>
<td>70</td>
<td>27%</td>
</tr>
<tr>
<td>FY2017</td>
<td>70</td>
<td>27%</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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* Net income per share attributable to owners of parent in FY2014 represent net income.

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

* Dividends per share for FY2014 were the actual payment amounts before the stock split.

---

### Employment Rate of Persons with Disabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Rate of Persons with Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>1.92%</td>
</tr>
<tr>
<td>FY2015</td>
<td>2.26%</td>
</tr>
<tr>
<td>FY2016</td>
<td>2.43%</td>
</tr>
<tr>
<td>FY2017</td>
<td>2.49%</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
</tr>
</tbody>
</table>
Management’s Discussion and Analysis

Market Environment

In Japan, reorganization of medical institution functions and enhancement of medical coordination, with an eye toward 2025, were promoted in order to establish integrated community care systems. Medical equipment companies were also further pressed to provide solutions which would contribute to improving the quality and efficiency of medical care and enhancing regional medical care coordination.

Internationally, overall demand for medical equipment remained steady, although there was concern about the impact of protectionist trade policies in the U.S. and weakness of emerging-market currencies.

Review of Operations

Niigon Kohden implemented its three-year Mid-term Business Plan, TRANSFORM 2020, aiming to achieve transformation to a highly profitable structure through creating high customer value and improving productivity within the organization. In line with this plan, the Company undertook key strategies including strengthening business expansion by region and achieving further growth in its core businesses.

The Company has continued to introduce new products: midrange bedside monitors for the acute care hospital market, a hematology analyzer and clinical chemistry analyzer, EEGs, an AED for home use, and an AED with color display. The Company also initiated a medical device remote monitoring service.

As a result, overall sales during the term under review increased 2.6% over the previous fiscal year to ¥178,799 million.

Sales by Region

Sales of AEDs in the PAD market increased favorably, and sales in the public hospital market also increased as the Company received orders related to replacement of diagnostic information systems and clinical information systems. Sales in the university and private hospital market remained flat, while sales in the clinic market decreased as sales of locally purchased products fell in accordance with the Company’s initiative to expand in-house products. As a result, domestic sales increased 1.6% over FY2017 to ¥130,223 million.

International

In the Americas, sales in the U.S. increased favorably as the Company expanded its patient monitoring business and reorganized the sales structure for EEGs. Sales in Latin America decreased due to weak sales in Chile and Colombia, discounting strong sales in Brazil and Mexico. Sales in Europe fell as sales in Russia and Turkey declined, despite strong sales in France and the U.K. In Asia, sales were favorable in China and Thailand, and sales recovered in India. Sales in Other decreased due to weak sales in Ethiopia and other African countries. As a result of these factors, international sales increased 5.4% over the previous fiscal year to ¥48,575 million.

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

Cost of sales amounted to ¥92,811 million. The gross profit margin improved 60 basis points to 48.1%, as the Company focused on selling in-house products both in Japan and internationally in addition to cost reduction in its factory. Gross profit on sales increased 3.9% over the previous fiscal year to ¥85,987 million.

Selling, general and administrative expenses rose on enhanced human resource capabilities and other factors. The ratio of SGA expenses to sales increased 50 basis points to 39.7%. Research and development costs rose ¥17 million year on year to ¥7,043 million (4.1% of sales).

As a result, operating income increased 3.6% over FY2017 to ¥15,044 million. Income attributable to owners of parent increased 22.3% year on year, to ¥11,191 million.

Contributing factors included the posting of provision for loss on litigation, namely, tax expenses decreased in reaction to the impact of tax reform in the U.S. in the previous fiscal year.

Assets, Liabilities and Equity

Sales of EEGs increased favorably, while sales of EGDS decreased.

Liabilities increased ¥5,074 million from the end of the previous fiscal year on account of increases in trade notes and accounts payable, and accrued income taxes paid. Net assets decreased ¥6,732 million compared to the end of the previous fiscal year due to the recording of income attributable to owners of parent and other factors. The shareholders’ equity ratio fell 90 basis points, from 69.3% to 68.4%.

Cash Flows

Net cash provided by operating activities fell ¥1,054 million from the previous fiscal year to ¥9,819 million. This includes ¥15,519 million of income before income taxes, ¥3,542 million of depreciation and amortization, and ¥6,687 million of income taxes paid.

Net cash used in investing activities amounted to ¥298 million from the previous fiscal year to ¥2,784 million for capital expenditures.

Net cash used in financing activities amounted to ¥3,074 million, a decline of ¥1,053 million from the previous fiscal year.

We paid ¥2,983 million for shareholders dividends.

As a result, cash and cash equivalents as of March 31, 2019 increased ¥3,412 million from the end of the previous fiscal year to ¥34,697 million.

ROE

ROE in FY2018 increased to 9.9% from 8.6% in FY2017 because the ratio of net income to sales increased as a result of the increase in income before income taxes. This was also due to the decline in tax expenses compared to the previous fiscal year, in which income taxes increased due to the tax reform in the U.S.

Other Medical Equipment

In the hematology testing area, Niigon Kohden develops and produces hematology analyzers for the measurement of blood cell count in the blood and reagents for laboratory blood testing, and has continuously improved measurement precision. Niigon Kohden also offers instruments for clinical chemical analysis to measure HbA1c, which is used as a diabetes indicator of diabetics, and C-reactive protein (CRP).

Sales of EEGs increased favorably, while sales of EGDS decreased.

Niigon Kohden continues to provide excellent physiological measuring equipment that can detect the faint signals produced by the human body. Our main products include EEGs, EGDS, avoidance potential/ERG measuring instruments, and polysomnography systems for cat lab. In particular, our EEG, an indispensable device for the diagnosis of epilepsy, sleep disorders, and other conditions, maintains a strong market share around the world.

Other Medical Equipment

The defibrillator for resuscitation delivers an electrical shock to a heart in a state of ventricular fibrillation in order to restore a normal heart rhythm. Niigon Kohden develops and manufactures defibrillators, which are used in hospitals and emergency practice, and AEDs, which can be handled by the general public.

We also contribute our resources on the import and sale of world-leading overseas products, including implantable pacemakers, ventilators, and anesthesia machines.

Sales of AEDs increased, while sales of defibrillators decreased in reaction to the strong performance in the previous fiscal year.

Financial and Corporate Data

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Company Information

■ Company Overview (as of March 31, 2019)

<table>
<thead>
<tr>
<th>Common Name</th>
<th>NIHON KOHDEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Name</td>
<td>NIHON KOHDEN CORPORATION</td>
</tr>
<tr>
<td>Incorporated</td>
<td>August 7, 1951</td>
</tr>
<tr>
<td>Capital Stock</td>
<td>¥7,544 million</td>
</tr>
<tr>
<td>Net Sales</td>
<td>(Consolidated) ¥178.7 billion (fiscal year ended March 31, 2019)</td>
</tr>
<tr>
<td>Type of Business</td>
<td>Development, production, and sales of medical electronic devices</td>
</tr>
<tr>
<td>Employees</td>
<td>(Consolidated) 5,169 persons</td>
</tr>
</tbody>
</table>

■ Stock Overview (as of March 31, 2019)

| Number of Shares Authorized | 197,972,000 shares |
| Number of Shares Issued     | 88,730,980 shares |
| Number of Shareholders      | 6,965 persons |

■ Subsidiaries: 29 companies (as of March 31, 2019)

Sales and Promotion
Nihon Kohden America, Inc.
Nihon Kohden Mexico S.A. de C.V.
Nihon Kohden Latin America S.A.S.
Nihon Kohden Do Brasil Ltda.
Nihon Kohden Europe GmbH
Nihon Kohden Deutschland GmbH
Nihon Kohden France Sarl
Nihon Kohden Iberica S.L.
Nihon Kohden Italia S.r.l.
Nihon Kohden Singapore Pte Ltd.
NKS Bangkok Co., Ltd.
Nihon Kohden Middle East FZE
Nihon Kohden Korea, Inc.

Development, Manufacturing, Sales, and Sales Promotion
Nihon Kohden Tomioka Corporation
Nippon Bio-Test Laboratories Inc.
Beneficks Corporation
Shanghai Kohden Medical Electronic Instrument Corp.

Development of Medical Electronic Equipment and Software
Defibtech, LLC
Nihon Kohden India Pvt. Ltd.
Nihon Kohden Malaysia Sdn. Bhd.
Nihon Kohden Firenze S.r.l.
NKUS Lab
Neurotronics, Inc.
Nihon Kohden Innovation Center, Inc.
Nihon Kohden OrangeMed, Inc.

Group General Affairs and Staffing
E-Staff Corporation
E-Staff Insurance Services Corporation

Other
RESUSCITATION SOLUTION, INC.

Editorial Policy
Nihon Kohden issues the integrated report in order to communicate to stakeholders in a reader friendly format the Company’s approach to corporate social responsibility (CSR) through its business activities and its actions intended to contribute to a sustainable society. The integrated report is edited taking the following matters into consideration.

Scope of Report
Organization: This report covers 30 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 29 consolidated subsidiaries (as of March 31, 2019).
Period: from April 1, 2018 to March 31, 2019*  
* Partly including information on our activities performed before or after the aforementioned period

Nihon Kohden Website
Global Site Top
https://www.nihonkohden.com/index.html

IR Information
https://www.nihonkohden.com/ir/index.html

Integrated Reports

CSR Data
https://www.nihonkohden.com/sustainability/hsa.html

Disclaimer
This report contains not only past or present facts related to Nihon Kohden, but also forward-looking statements including plans and forecasts as of the time of publication. Forward-looking statements are assumptions or determinations based on information available at the time such statements were made. Due to changes in various conditions, the results of future business activities or events may differ from those described in such statements. We appreciate your kind understanding.

Publication Date
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