



NIHON KOHDEN
REPORT
2017

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

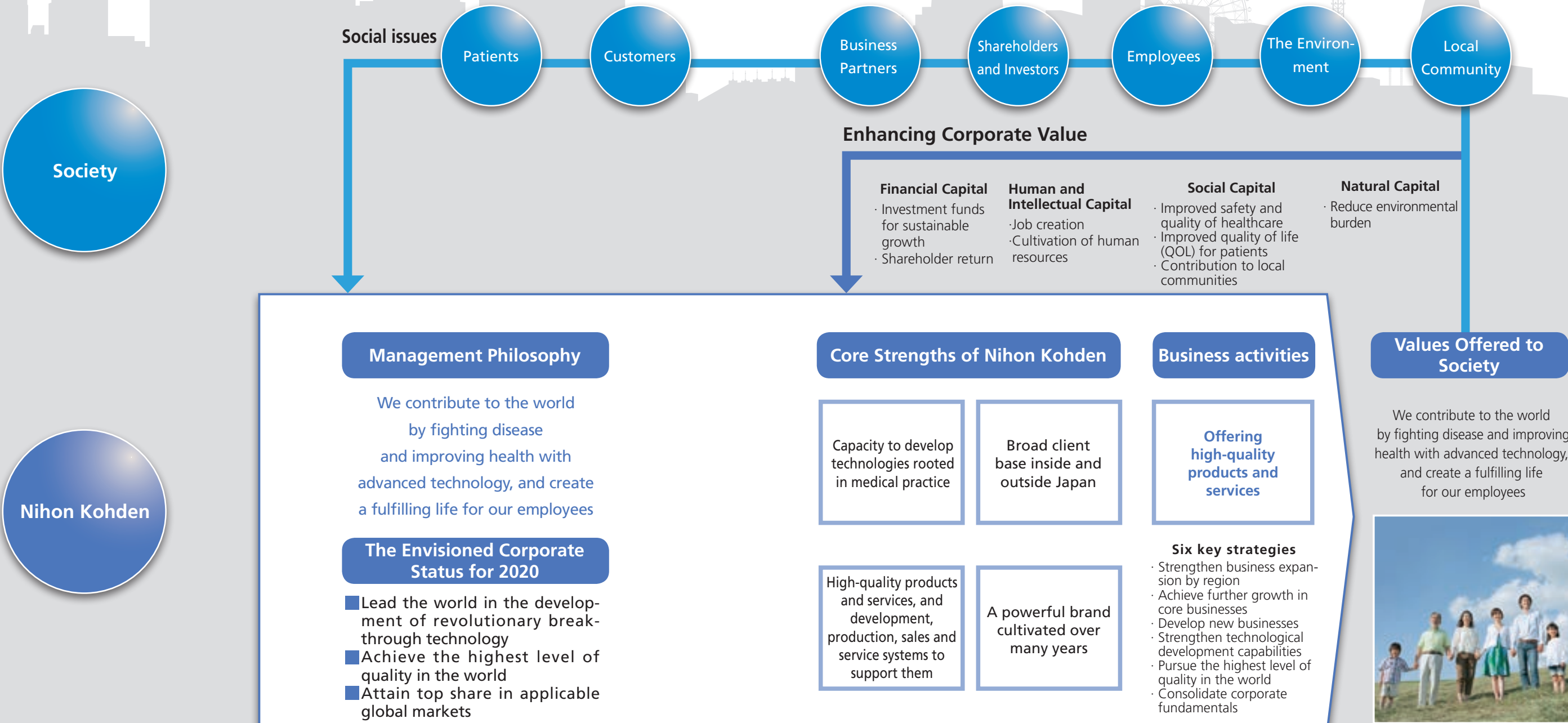
Throughout our history Nihon Kohden has always pursued solutions to healthcare challenges through innovative and high-quality medical devices with the aim of realizing its Management Philosophy of “We contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.”

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 clientele 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.

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Since its foundation in 1951, Nihon Kohden has grown steadily by fighting disease and improving health with advanced technology to offer value to society.

August **1951**



Established with the goal of combining medicine and engineering with just 12 employees

Established Nihon Kohden Corporation

Founder Yoshio Ogino established Nihon Kohden driven by the strong desire to save lives by researching the connection between medicine and engineering. Under the 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.

March **1974**



Pulse oximetry utilized in medical practice around the world

Applied for national patent for the principle of pulse oximetry

In 1974, Nihon Kohden 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, and launched the world's first product the next year. This breakthrough technology, which enables pain-free, real-time and continuous measurement, is now actively utilized around the world in various settings including accident prevention during surgery and in the care of newborns.

1950s

1960s

1970s

1980s

1990s

2000s

2010s

2017

Founder Yoshio Ogino



● **December 1951**

Launched the world's first 8-channel all AC-powered direct-writing electroencephalograph, the ME-1D.



● **June 1955**

Launched the world's first electrocardiograph with electronic recording, the MC-1C.



● **September 1960**

Launched Japan's first multi-purpose monitoring recorder (polygraph), the RM-150.



● **November 1961**

Nihon Kohden's shares were listed on the Second Section of the Tokyo Stock Exchange.

● **August 1965**

Launched Japan's first battery-powered defibrillator, the MDV-1.



● **April 1967**

Launched Japan's first intensive care monitor, the ICU-80.



● **March 1972**

Launched the MEK-1100 automated hematology analyzer.



● **November 1979**

Established Nihon Kohden America, Inc. in the United States.

● **February 1984**

Launched the world's first all telemetry fetal monitor, the OMF-7201.



● **February 1985**

Established Nihon Kohden Europe GmbH in Germany.

● **April 1985**

Launched the world's first combined respiration monitor, the OMR-7101.

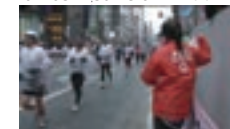


F Y
1970
4.4
billion yen

Sales Trend

● **February 2007**

Nihon Kohden has supported the Tokyo Marathon by offering AEDs every year since it was first held in 2007.



F Y
2016
166.2
billion yen

June **2009**

As the sole manufacturer of domestically-produced AEDs*, Nihon Kohden has been dedicated to the promotion of CPR and installation of AEDs



Launched Japan's first automated external defibrillator, the AED-2100. Nihon Kohden began offering CPR and AED workshops to the public since the use of AEDs by the general public was authorized in Japan in July 2004. The number of our AEDs shipped has exceeded 400,000 units. The number of people saved by a defibrillator has been steadily increasing.

*AED: automated external defibrillator, which delivers an electrical shock to restore a normal heart rhythm to a heart which has lost the ability to pump blood due to convulsions (ventricular fibrillation)

● **January 1995**

Obtained ISO9001 certification.

● **February 1996**

Established Nihon Kohden Singapore Pte Ltd in Singapore.

● **February 2003**

Obtained ISO13485 certification.

● **July 2013**

Launched the CHM-4100, a clinical chemical analyzer which measures HbA1c and C-reactive protein.



● **February 1990**

Established joint venture Shanghai Kohden Medical Electronic Instrument Corp. in China.

● **October 2001**

Tomioka Factory obtained ISO14001 certification.

● **July 2004**

Launched the world's first transmitter, the ZS-940P, which enabled wireless monitoring of ECG, respiration, SpO₂ and NIBP.

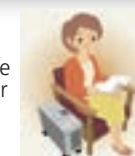


● **June 1992**

The Company's common name was defined as "Nihon Kohden."

● **May 2014**

Launched the TMU-1100, a magnetic stimulator, to alleviate symptoms of overactive bladder with urinary incontinence (for adult female patients).



● **November 2012**

Acquired equity interest in Defibtech, LLC in the United States to make it a subsidiary.



April **2010**

The CHANGE 2020 -The Global Leader of Medical Solutions-

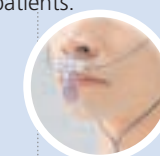
Nihon Kohden established the Long-term Vision for 2020 in which the envisioned corporate status for 2020 is to i) lead the world in the development of revolutionary breakthrough technology, ii) achieve the highest level of quality in the world, and iii) attain the top share in applicable global markets.

● **May 2003**

Launched the world's first mainstream-method CO₂ sensor to be used for non-intubated patients.

● **July 2016**

Launched the AE-120A, a telemetry EEG headset, for prompt EEG measurement especially in emergency care.



Nihon Kohden's business and products are highly regarded as providing total support for medical practice including emergency situations, testing, diagnosis, treatment, rehabilitation and home care.

Prehospital

Contributing to an improved life-saving rate with medical devices adaptable to emergency care where every second counts
Equipment used for prehospital emergency care including ground and air ambulances



Monitor installed in ambulance



Defibrillator

Testing and Diagnosis

Highly accurate, "painless and less invasive" testing devices produced through sophisticated technologies
Devices used in hospital laboratories including EEGs and ECGs



EEG



ECG

Surgery and Treatment

Developing and introducing medical devices essential for surgery and treatment utilizing advanced medical care
Devices used in surgery and treatment in hospitals



Defibrillator



Ventilator

ICU and Ward

Supporting the safety and security of patients in the ICU and wards
Devices used in hospital wards including patient rooms and nurse stations



Patient monitor



Vital sign telemeter

Home Care

Contributing to improved health through health management and testing in daily life
Devices used at home or home-visit nursing offices outside medical institutions



Long-term ECG recorder



Telecare system



AEDs (automated external defibrillators) and CPR enable ordinary people to save lives in train stations, schools and other public places

Core Strengths of Nihon Kohden

Nihon Kohden has many products with the top domestic market share

Nihon Kohden has produced a number of innovative medical devices and technologies with its technological development capabilities rooted in medical practice. Nihon Kohden has many products with top market share.

• EEGs

Nihon Kohden is a global EEG manufacturer with an overwhelming domestic market share of 80%.



• Patient monitors

Nihon Kohden is the top manufacturer of patient monitors in Japan, contributing to medical safety.



• AEDs

Nihon Kohden is the only company that develops and manufactures AEDs in Japan with top market share.



• Pulse oximetry

Nihon Kohden developed the world's first technology that enabled the measurement of blood oxygen saturation (SpO₂) with just a sensor placed on the fingertip.



Core Strengths of Nihon Kohden

Nihon Kohden is highly regarded by customers

Nihon Kohden's quality policy "to have the customers feel continuous satisfaction with their purchase of Nihon Kohden products" is shared among all employees. Nihon Kohden has responded to customers' trust by performing all of its activities in-house – from R&D, production and sales to after-sales service – to ensure high quality and safety. Our products are used in medical practice in more than 120 countries, and are highly regarded by customers all over the world.

Top rating in customer satisfaction surveys for 10 consecutive years in the U.S.

In a patient monitor customer satisfaction survey conducted in the fiscal year ended December 31, 2016 (Q4) by U.S.-based market research firm MD Buyline, our U.S. subsidiary Nihon Kohden America earned the top rank for the tenth year running.



To realize its Management Philosophy and Long-term Vision, Nihon Kohden aims to offer value to society as well as attain sustainable development and enhance corporate value of the Group through the promotion of the Mid-term Business Plan.

Management Philosophy

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

Long-term Vision

The CHANGE 2020

—The Global Leader of Medical Solutions—

The Envisioned Corporate Status for 2020

Lead the world in the development of revolutionary breakthrough technology

Achieve the highest level of quality in the world

Attain top share in applicable global markets

Mid-term Business Plan

TRANSFORM 2020

Basic Policies

- 1 Create high customer value
- 2 Improve productivity within the organization

Six Key Strategies

Strengthen business expansion by region

Achieve further growth in core businesses

Develop new businesses

Strengthen technological development capabilities

Pursue the highest level of quality in the world

Consolidate corporate fundamentals

Human Resource Development and Corporate Culture Reform

Mid-term CSR Plan

Sustainable Growth 2020

Healthcare

Policy 1

Fighting disease and contributing to the advancement of healthcare through products and services

Environment

Policy 2

Conserve the global environment and make improvements through all corporate activities

Corporate Activities

Policy 3

Strengthen the foundation of CSR activities in all areas of corporate activities

Advanced Technology Center

Started Operations in October 2016



The product chronology



The roof garden



Cafeteria

We aim at developing innovative technologies and products at a “creative place for cultivating dreams and innovation.”

To achieve the goals envisioned in our Long-term Vision, i.e., i) to lead the world in the development of revolutionary breakthrough technology, ii) achieve the highest level of quality in the world, and iii) attain the top share in applicable global markets, we launched the Advanced Technology Center in Tokorozawa, Saitama in October 2016, where product development departments which had formerly been dispersed across Tokyo and Saitama were transferred and centralized.

At the Advanced Technology Center, we aim to further improve development efficiency and enhance cooperation among respective development departments by establishing places for easy communication among engineers, in addition to testing facilities necessary for product development.

To produce innovative technologies and products with cross-divisional and flexible ideas as a “creative place for cultivating dreams and innovation,” we will continuously revitalize the development environment, further enhance our strength in technological capabilities and develop products that satisfy medical professionals and patients in the future.

The product chronology is placed on the wall of the slope of the development laboratory on the ground floor, and future products to be developed at the Advanced Technology Center will be added on the right-hand (back) side of the wall.

Furthermore, the roof garden and cafeteria are provided as places to facilitate communication.

New Products

AE-120A, EEG headset for EEG measurement in emergency care

Good Design Award 2017



AE-120A EEG headset

There has been a growing need for EEG measurement for patients in a state of consciousness disorder of unknown cause or non-convulsive status epilepticus in recent years, whereas the challenge has been the need for skilled medical professionals in such situations due to the complicated nature of the installation of electrodes, and other factors. In response to such challenges in medical practice, Nihon Kohden has developed an EEG headset by which even an emergency physician who provides initial treatment can measure EEG easily and quickly to detect non-convulsive status epilepticus at an earlier stage. Nihon Kohden is committed to contributing to the improvement of patients' prognosis and the shortening of the hospitalization period by enabling quick diagnosis and treatment.

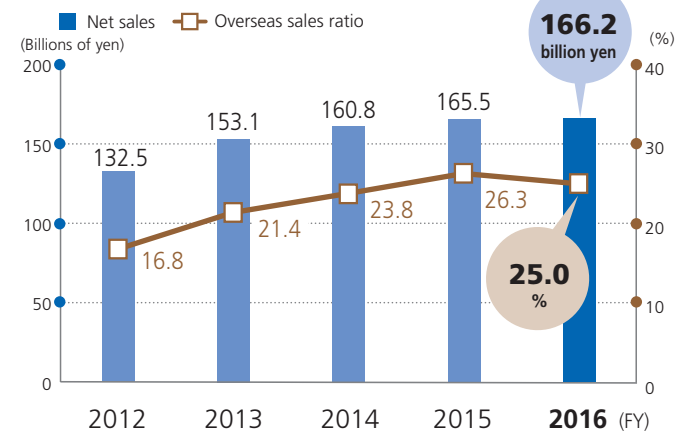
* Non-convulsive status epilepticus (NCSE): a consciousness disorder of unknown cause for which it is hard to detect a seizure as no convulsions are observed; early diagnosis and treatment are essential.

Fiscal year	2006	2007	2008	2009
Business results				
Net sales	96,679	104,825	109,123	107,013
Operating income	7,973	9,817	8,106	9,321
Income attributable to owners of parent (*1)	5,052	5,631	4,610	5,917
Financial position				
Current assets	58,908	63,718	61,470	69,685
Current liabilities	26,376	28,242	26,277	29,722
Total assets	75,894	80,630	80,479	88,000
Net assets	48,864	51,814	53,569	57,949
Cash flows				
Cash flows from operating activities	5,882	8,621	4,123	10,679
Cash flows from investing activities	(3,050)	(2,857)	(5,968)	(2,810)
Free cash flow	2,832	5,764	(1,844)	7,869
Cash flow from financing activities	(2,591)	(2,887)	(601)	(2,850)
Cash and cash equivalents	11,027	13,797	11,197	16,331
Per share information				
Net income (Yen) (*2)	114.12	128.01	104.94	134.68
Dividends (Yen) (*3)	30.0	37.0	37.0	37.0
Other				
R&D costs	4,756	4,662	4,656	4,418
Number of employees (Persons)	3,120	3,367	3,552	3,588
Number of shares outstanding at end of year (Thousands of shares) (*4)	45,765	45,765	45,765	45,765
Key performance indicators				
ROE (%)	10.7	11.3	8.8	10.6
Operating income margin (%)	8.2	9.4	7.4	8.7
Dividend payout ratio (%)	26.3	28.9	35.3	27.5

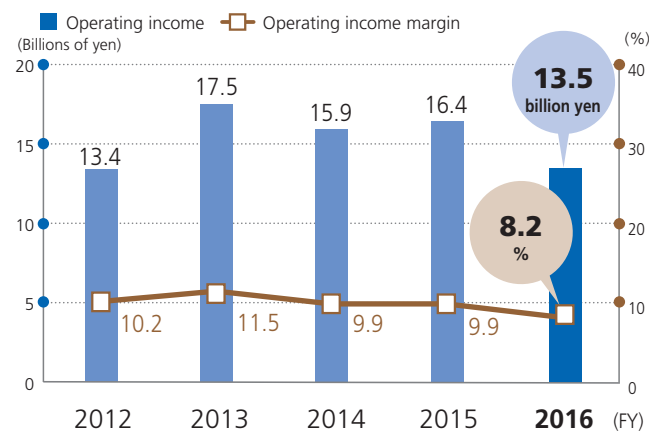
*1 The figures for FY2014 or earlier periods represent net income.
*2 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.
*3 Effective April 1, 2015,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

						Millions of yen unless otherwise stated
2010	2011	2012	2013	2014	2015	2016
113,380	120,718	132,538	153,194	160,803	165,522	166,285
10,598	12,027	13,484	17,547	15,921	16,438	13,585
6,573	7,621	9,151	12,346	11,142	10,516	9,149
75,366	82,742	95,181	106,515	118,389	112,929	119,235
29,673	30,714	39,028	41,248	45,654	42,901	45,006
92,495	99,403	116,800	130,917	146,755	144,270	152,806
62,294	67,911	76,256	88,512	99,304	97,671	103,887
5,892	7,559	13,189	9,383	12,505	10,765	11,356
(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)
4,018	5,220	6,229	4,962	7,815	2,962	5,011
(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)
18,808	21,304	26,683	28,808	34,113	27,283	28,560
149.62	173.49	208.31	281.03	126.83	120.12	106.81
44.0	44.0	52.0	70.0	70.0	35.0	35.0
5,105	5,583	6,424	7,108	5,745	5,910	6,466
3,776	4,057	4,360	4,495	4,616	4,776	4,934
45,765	45,765	45,765	45,765	45,765	89,730	89,730
10.9	11.7	12.7	15.0	11.9	10.7	9.1
9.3	10.0	10.2	11.5	9.9	9.9	8.2
29.4	25.4	25.0	24.9	27.6	29.1	32.8

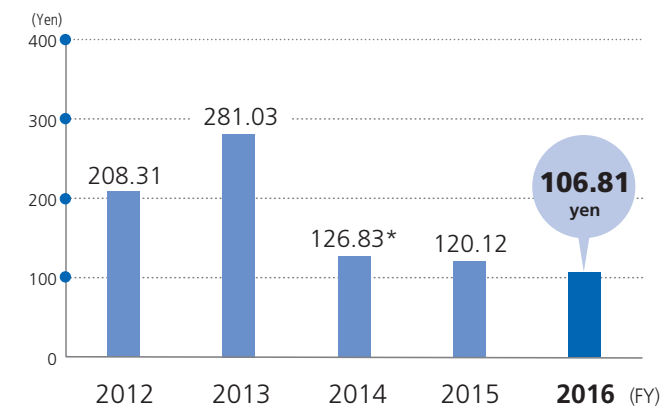
Net Sales/Overseas Sales Ratio



Operating Income/Operating Income Margin

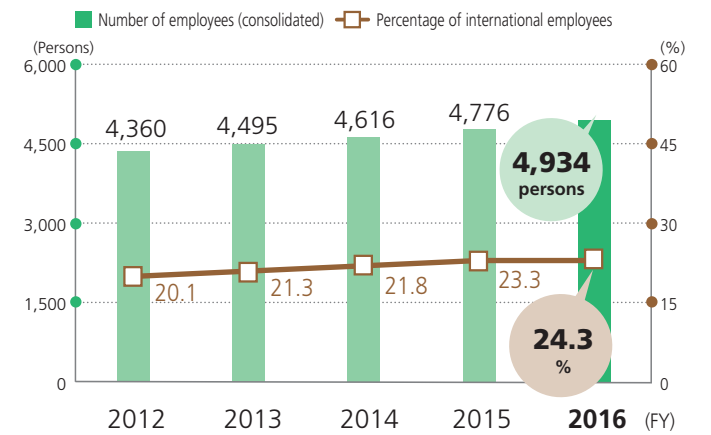


Net Income per Share

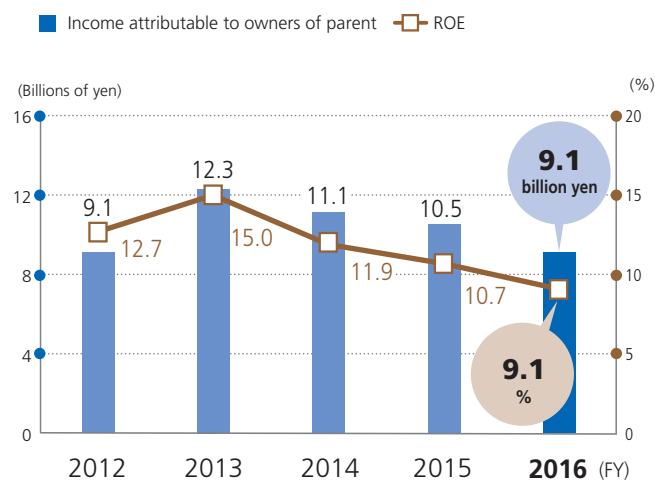


*Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Number of Employees/Percentage of International Employees

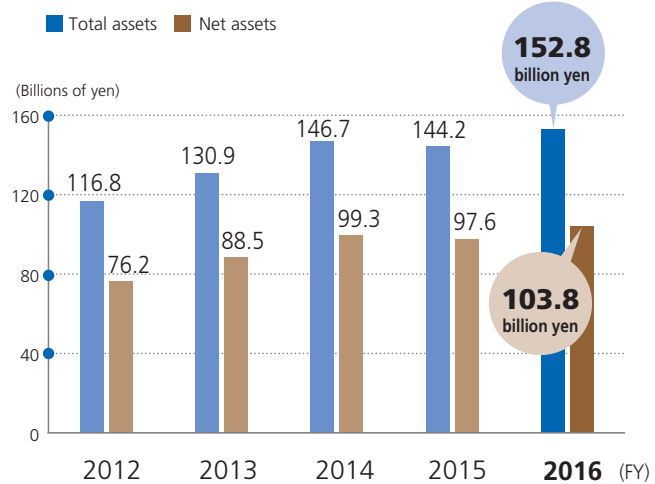
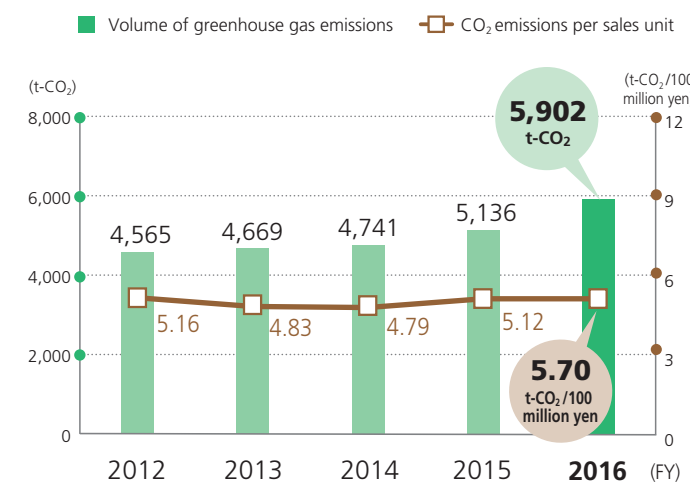


Income Attributable to Owners of Parent/ROE

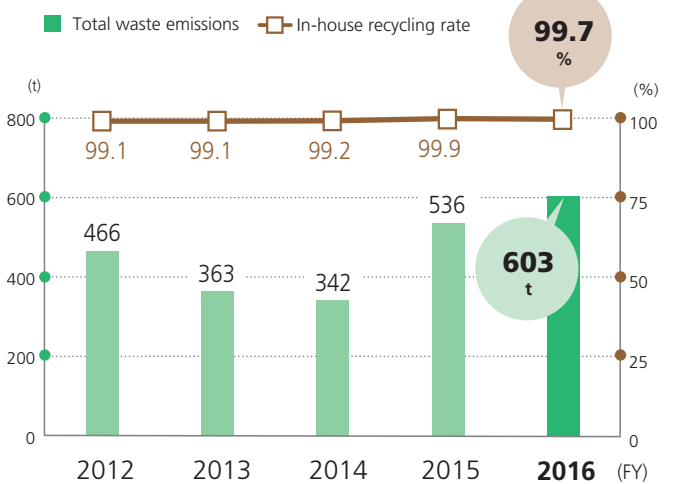


*The figures for FY2014 or earlier periods represent net income.

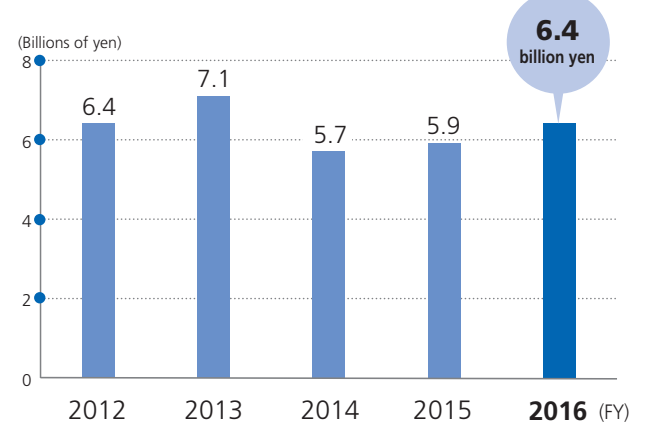
Total Assets/Net Assets

Volume of Greenhouse Gas Emissions/CO₂ Emissions per Sales Unit

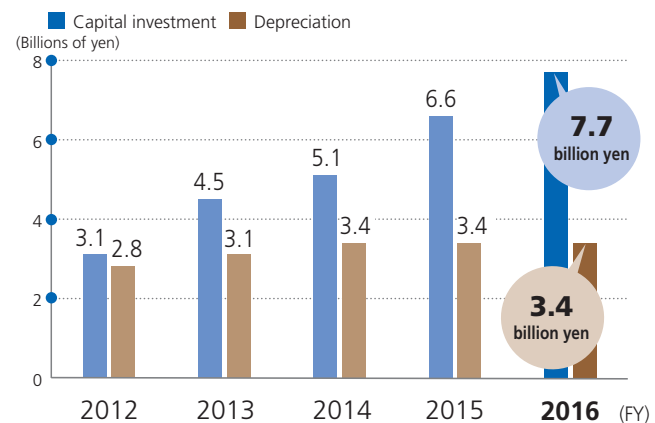
Total Waste Emissions/In-house Recycling Rate



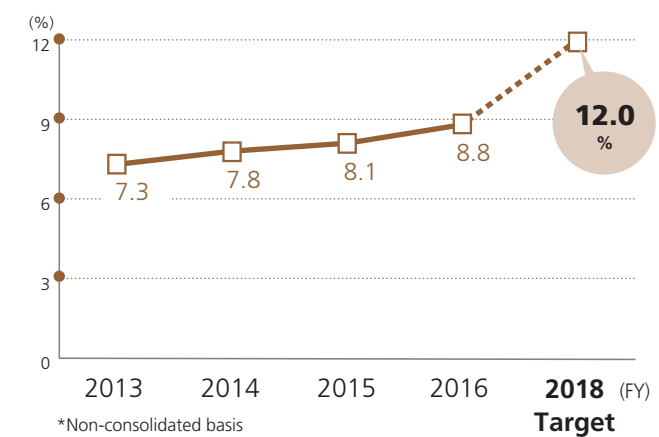
R&D Costs



Capital Investment/Depreciation

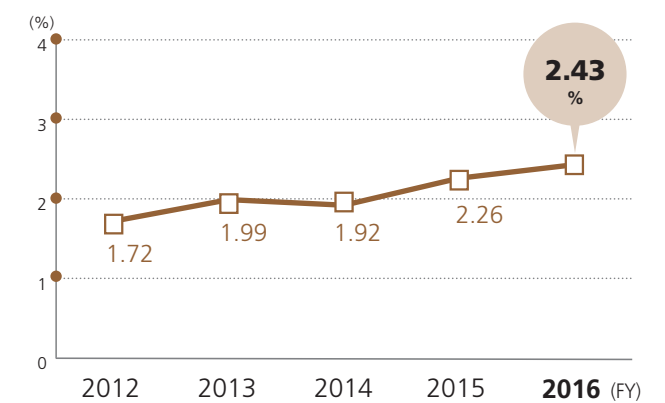


Percentage of Female Managers - Results and Target*



*Non-consolidated basis

Employment Rate of Persons with Disabilities



The new Mid-term Business Plan, TRANSFORM 2020, has been launched. In it, we aim to transform our operations to achieve a highly profitable structure.

Hirokazu Ogino
President and CEO

Q. Please elaborate on the progress of the Long-term Vision.

Nihon Kohden is currently working toward fulfilling its Long-term Vision, The CHANGE 2020 –The Global Leader of Medical Solutions–, which concludes in the fiscal year ending March 2020. Under this vision, we aim to i) lead the world in the development of revolutionary breakthrough technology, ii) achieve the highest level of quality in the world, and iii) attain top share in applicable global markets as the envisioned corporate status for 2020.

Long-term Vision



To achieve this goal, we worked on the 4-year Mid-term Business Plan, Strong Growth 2017, from April 2013 to March 2017 as the second stage of the Long-term Vision. Under this plan, we saw favorable business results during the first 2 years. However, I regret to say that we did not meet the numerical targets due to the greater-than-expected impact of the progress of healthcare reform in Japan and the deterioration of the market environment in some emerging countries during the last 2 years. The improvement of profitability remains as an outstanding issue to be dealt with. Nevertheless, I believe that we achieved significant results from each of the key strategies such as strengthening our technological development capabilities, strengthening our business expansion in each region, and consolidating our corporate fundamentals.

Q. Please highlight the major accomplishments of Strong Growth 2017.

We enhanced our R&D capabilities and infrastructure for the development of advanced technologies by opening the R&D office in Boston, the U.S. for industry-university collaboration, establishing the Advanced Technology Center in Tokorozawa, Saitama, and establishing a new facility in Asaka, Saitama, to which the immunochemical department has been relocated. In terms of strengthening our business expansion by region, we reorganized our domestic sales structure to respond to the government’s healthcare reforms. The sales structure was changed from a geographic region basis to a hospital/clinic market basis. The Company absorbed and merged 11 domestic sales subsidiaries. Internationally, we established 5 sales offices in the past 4 years and strengthened our sales and R&D functions in the U.S. to respond promptly to market needs.

With respect to the consolidation of corporate fundamentals, the Tomioka Production Center started operations in May 2015 for the purpose of undertaking initiatives to improve production efficiency. We also enhanced the efficiency of our business operations by utilizing IT; for example, through a company-wide introduction of TV conference systems.



Q. Please introduce the new Mid-term Business Plan, TRANSFORM 2020.

Under the 3-year Mid-term Business Plan, TRANSFORM 2020, starting from April 2017, we are transitioning from the investment phase to the phase of improving profitability by fully leveraging the business foundation established back in Strong Growth 2017. Furthermore, this truly represents a period of transformation in which initiatives to achieve sustainable growth in 2020 and thereafter should be undertaken concurrently.

We aim to achieve the transformation to a highly profitable structure through the implementation of two basic policies under the new plan. One of the basic policies is to create high customer value. We will focus on developing proprietary products and consumables such as sensors with high customer value by leveraging our core Human Machine Interface* technologies. We also aim to expand value-added services and establish a global sales and service network that draws on high levels of expertise.

* Human Machine Interface is the user interface that connects human and machine. For Nihon Kohden, HMI indicates sensor technology, signal processing technology, and data analysis technology.

Mid-term Business Plan



The other basic policy is to improve productivity within the organization. We will strengthen our global supply chain and improve production and logistical efficiency primarily at the Tomioka Production Center in response to expanding overseas business. At the Advanced Technology Center, we will improve development efficiency by utilizing the fully-equipped testing facilities as well as strengthening the support from process management, quality management, and production technology. We are also undertaking to improve operational efficiency across the entire organization through IT utilization and reform of work processes.

We are aiming at numerical targets of 190 billion yen in sales, 20 billion yen in operating income and 12.0% in ROE in the final fiscal year ending March 2020.

Q. Please tell us about your CSR approach.

We are now facing a major transitional phase globally where-in we are required to respond to a variety of changes such as climate change and other increasingly serious environmental issues, declining birthrates and aging populations in developed nations and intensified global competition. In this situation, the Company is advancing the Mid-term CSR Plan, Sustainable Growth 2020, to continuously pursue sustainable growth even in such rapidly changing times.

Under the Mid-term CSR Plan, we are deploying various initiatives to address issues which have been identified in the areas of Healthcare, Environment and Corporate Activities. These wide-ranging initiatives include: contribution to healthcare using our proprietary sensor technologies and the dissemination of AEDs (automated external defibrillators) in the healthcare area; provision of environmentally-friendly products and energy-saving initiatives in the environment area; and the enhancement of corporate governance, the promotion and implementation of compliance, the reinforcement of risk management and the promotion of diversity in the area of corporate activities.

In July 2015, we signed on to the United Nations Global Compact to rekindle our commitment to contribute to a sustainable society through the promotion of initiatives in accordance with the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, the environment and anticorruption.

The Company has also been selected for the first time as a constituent of the FTSE4Good Index Series, a global index for socially responsible investing. We are honored to be selected because we have been actively engaging in business activities and information disclosure with relation to environmental, social and corporate governance (ESG) criteria.

Q. Please give your message to the stakeholders.

To realize its management philosophy as a manufacturer of medical electronic equipment to “contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for its employees,” Nihon Kohden’s basic management policy is to be a company that earns the trust of shareholders, business partners and society, as well as customers. In implementing this basic management policy and enhancing the mid- to long-term corporate value of the Nihon Kohden Group, an important management issue to address is improving the soundness, transparency and efficiency of our management through the enhancement of corporate governance.

To improve our corporate governance and increase the soundness and transparency of our management, the Company has already transited to a company with audit and supervisory committees as well as implementing other initiatives such as the appointment of four independent outside directors and the establishment of a Nomination and Compensation Committee. In the future, we intend to continue working to improve our corporate governance on an ongoing basis.

While most of our direct customers are medical institutions such as hospitals and clinics, I always bear in mind that our end customers are patients and their families. By providing better healthcare through our advanced technologies, we contribute to improving the safety and quality of life in local communities everywhere, and this in turn leads to sustainable growth and the enhancement of corporate value. We sincerely appreciate your kind understanding of our business and further support going forward.


Mid-term CSR Plan Sustainable Growth 2020


Healthcare


Policy 1


Fighting disease and contributing to the advancement of healthcare 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


Environment


Policy 2

Conserve the global environment and make improvements through all corporate activities

— Priority Issues 2 —

Provide environmentally-friendly products

Promote energy conservation and waste reduction in business activities


Adhere to environment-related regulations and protocols


Corporate Activities


Policy 3


Strengthen the foundation of CSR activities in all areas of corporate activities


— Priority Issues 3 —

Improve corporate governance

Respect human rights and promote appropriate work practices

Facilitate active involvement and growth of diverse talents

Promote fair sales and purchase activities

Promote social contribution activities

UN Global Compact

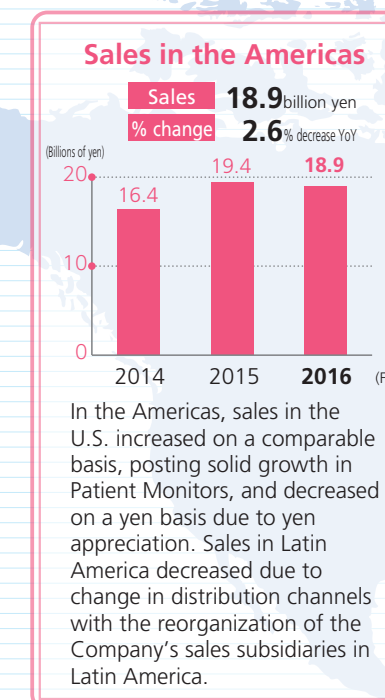
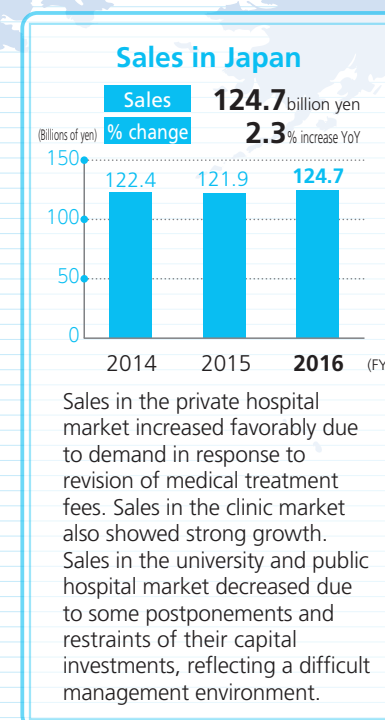
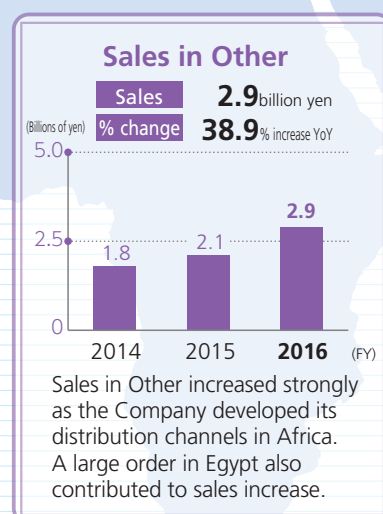
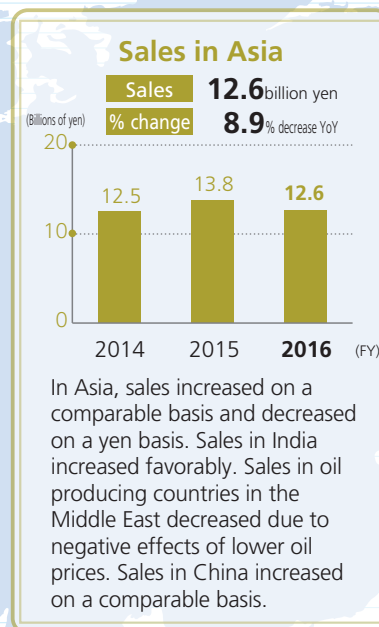
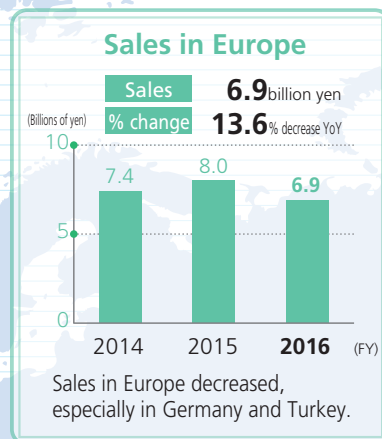
In July 2015, Nihon Kohden signed on to the United Nations Global Compact. By engaging in corporate activities that adhere to the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, the environment and anticorruption, Nihon Kohden seeks to earn the trust of society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

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.

NIHON KOHDEN CORPORATION 16

The products Nihon Kohden has developed so far are exported to more than 120 countries and used in medical practice all over the world.



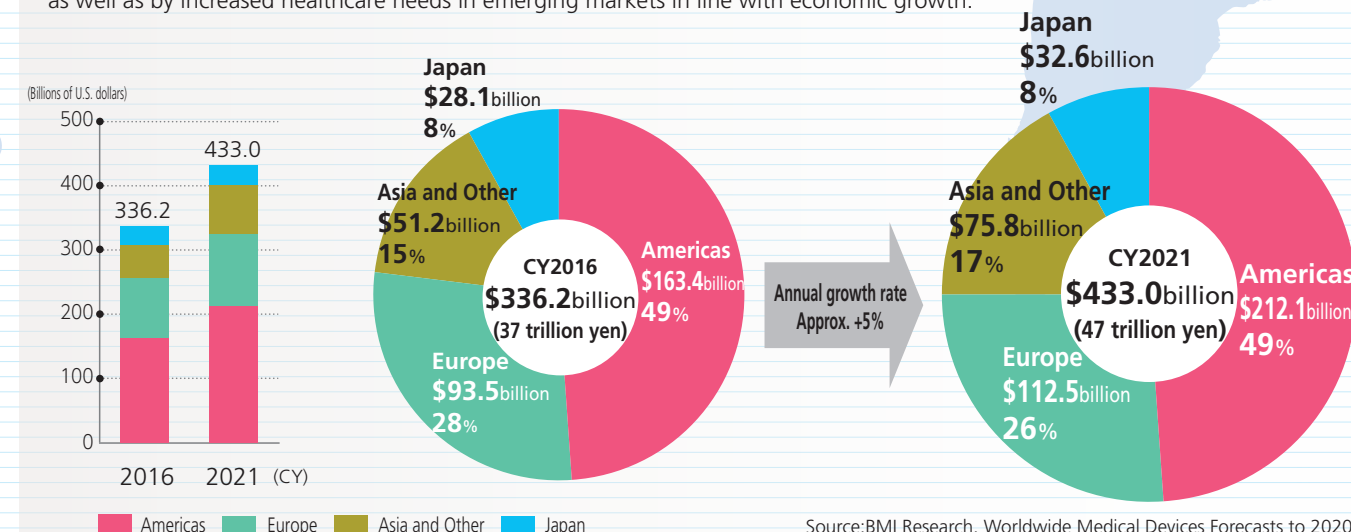
Expanding overseas business mainly in the U.S. and emerging markets

To further enhance our business base in the U.S., the largest and most advanced healthcare market in the world, and to offer solutions which contribute to improved healthcare quality and efficiency, Nihon Kohden aims to facilitate collaboration between the three business areas, i.e., patient monitors, EEGs and emergency care, and undertake product line enhancement and strategic M&As. Moreover, we will further reinforce our development, sales and service structure to meet market needs more promptly and attain even higher customer satisfaction.

In emerging markets, we will develop our business strategically to meet medical needs in the respective regions. In China, we plan to further enhance our development and production structure to expand our product line-up of affordable models for emerging markets. In India, Southeast Asia and Latin America, we will drive local production and enhance our service structure.

Global Medical Device Market

The global medical device market is expected to grow by around +5% per year toward 2021 driven by the aging population, as well as by increased healthcare needs in emerging markets in line with economic growth.



Source: BMI Research, Worldwide Medical Devices Forecasts to 2020
*Converted at the rate of \$1=110 yen

Physiological Measuring Equipment

Sales by
Product
Category
[FY2016]

22.6%

ECG-2400 series
Electrocardiograph

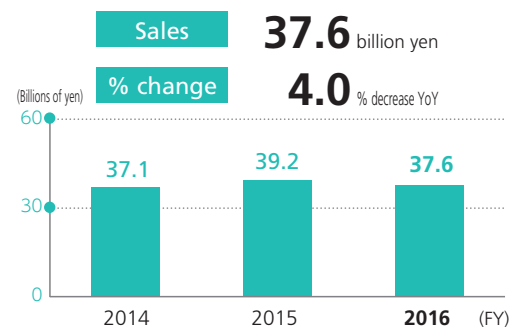
By drawing upon its core technological strength of sensor technology, Nihon Kohden continues to provide excellent physiological measuring equipment that can detect the faint signals produced by the human body. Our main products include EEGs, ECGs, evoked potential/EMG measuring instruments, and polygraphs for cath-labs. 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.

Japan

Sales of EEGs, ECGs and diagnostic information systems decreased year on year, while sales of polygraphs for cath-labs increased.

International

Sales of both EEGs and ECGs decreased in all areas.



Patient Monitors

Sales by
Product
Category
[FY2016]

33.7%

WEP-5250 series
Telemetry central monitor

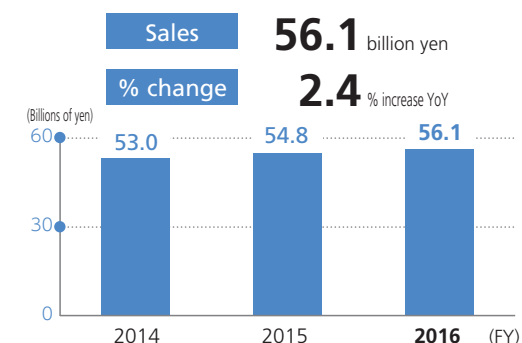
Patient monitors, which continually monitor the patient's vital signs such as ECG, temperature, SpO₂ (blood oxygen saturation) and NIBP (noninvasive blood pressure), are used in various types of medical practice including intensive care (ICU/CCU), operating rooms and general wards. Nihon Kohden undertakes product development based on our wide range of expertise from simpler monitoring systems for family doctors to transport monitors used in hospitals and sophisticated monitoring systems with intensive monitoring functions.

Japan

Sales of transmitters, telemetry central monitors and bedside monitors increased favorably, reflecting demand for differentiating and strengthening medical institution functions. Consumables such as sensors also contributed to sales increase.

International

Sales in Other showed strong growth and sales in the Americas increased, while sales in Asia and Europe decreased.



Treatment Equipment

Sales by
Product
Category
[FY2016]

17.9%

AED-3100
Automated external
defibrillator

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. Nihon Kohden develops and manufactures defibrillators, which are used in hospitals and emergency practice, and AEDs, which can be handled by the general public.

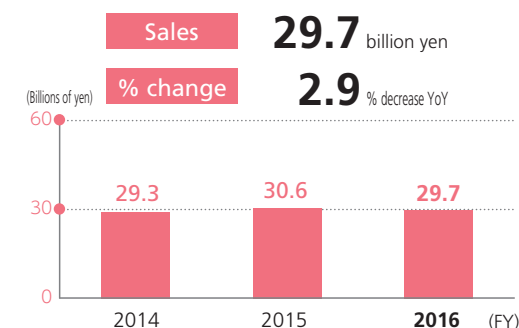
We also concentrate our resources on the introduction and sale of world-leading overseas products including implantable pacemakers, ventilators and anesthesia machines.

Japan

Sales of defibrillators were weak and sales of AEDs also decreased due to slow replacement demand. Sales of ventilators, pacemakers and ICDs increased.

International

Sales of defibrillators decreased in all areas. Sales of AEDs decreased in the Americas and Europe, while sales in Asia and Other increased favorably.



Other Medical Equipment

Sales by
Product
Category
[FY2016]

25.8%

MEK-9100
Automated hematology
analyzer

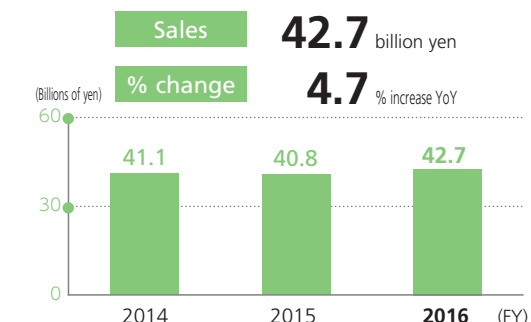
In the hematology testing area, Nihon Kohden develops and produces hematology analyzers for the measurement of blood cell count in the blood and reagents for laboratory blood testing, and has continuously improved measurement precision. Nihon Kohden also offers instruments for clinical chemical analysis to measure HbA1c, which is used as a diagnosis indicator of diabetes, and C-reactive protein (CRP). Furthermore, Nihon Kohden develops laboratory equipment used for basic medical research in-house, and is dedicated to improving their performance.

Japan

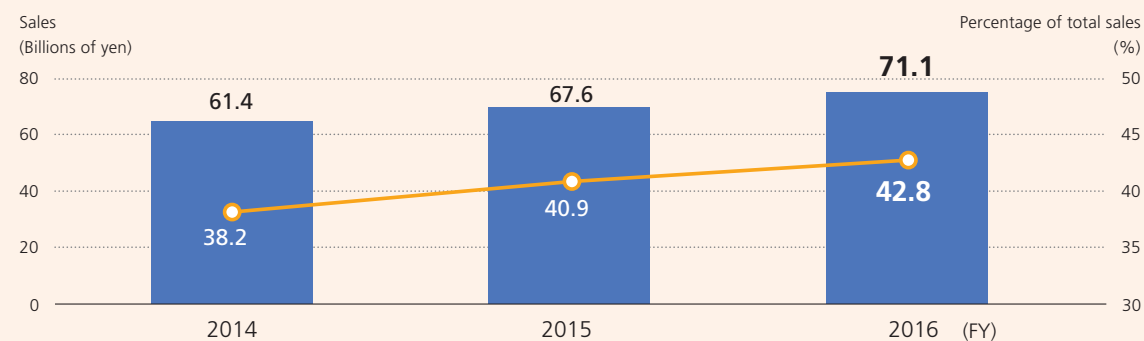
Sales of hematology instruments increased. Sales of locally purchased products also increased.

International

Sales of locally purchased products increased, while sales of hematology analyzers slightly decreased.



Sales of Consumables and Maintenance Services



Medical devices produced by Nihon Kohden require the supply of consumables, such as electrodes and sensors for use with individual patients, after purchase. Nihon Kohden offers maintenance services as well, so that customers can use our products without worry. Sales of consumables and maintenance services serve as a stable source of revenues less affected by economic conditions. In the Mid-term Business Plan, we aim to attain a sales composition of 45% from consumables and maintenance services by improving the competitive advantage of our consumables including sensors, by leveraging our proprietary technologies, and also by enhancing services that contribute to medical efficiency and patient welfare.



Disposable electrodes

SpO₂ Probe

Disposable AED pads



Reagent for Hematology Analyzer

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's quality policy is "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.

- 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

■ ISO 9001 Certificate, ISO 13485 Certificate



*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.

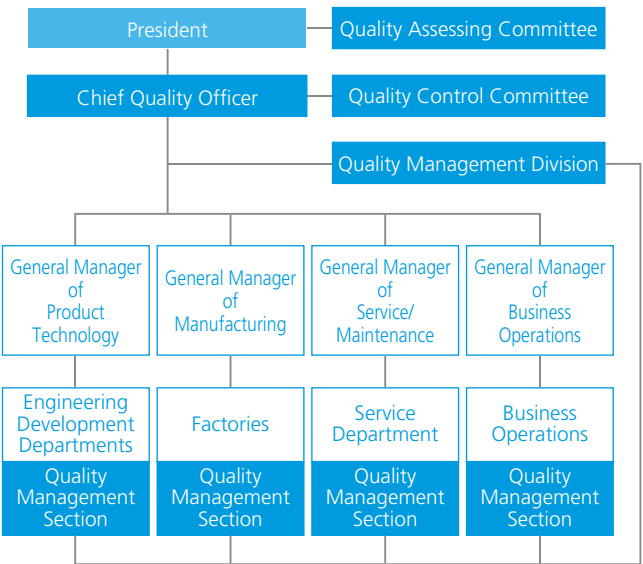
with the medical device regulations of each country and was one of the first in the industry to ensure that its quality management systems conform to global standards. This ensures the ability to develop and manufacture medical devices with high quality and safety. Nihon Kohden has received ISO 9001 quality management system certification and ISO 13485 certification for the medical devices sector, as well as ISO13485:2016 ahead of the competitors. Our Reliability Center, which carries out product evaluation, has received ISO 17025 for testing and calibration labs.

◆ 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 promotes 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. We held 1,754 workshops in FY2016.

■ Quality Management System



Improving Quality, Accessibility and Efficiency of Healthcare

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

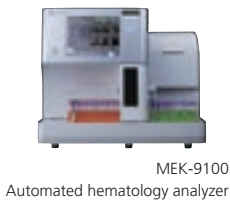


◆ Improving Healthcare Efficiency

Faced with a rapidly aging population, mainly in developed countries, the healthcare systems in those countries are required to provide optimum solutions accordingly. In Japan where the population is aging much faster than in other countries, the development of a comprehensive regional care system is underway, led by the Ministry of Health, Labour and Welfare and targeting completion in 2025. 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.

• Contributing to Efficient Clinical Testing: MEK-9100 Automated Hematology Analyzer

A hematology analyzer is a medical device that measures the number of blood cells such as red blood cells, white blood cells and platelets contained in the patient's blood. This device detects the various diseases such as anemia, leukemia, thrombocytopenia, bacterial infection and virus infection. It is now possible for an examiner to identify the necessary sample in a swifter and more reliable manner with the Smart ColoRac Match System, in which racks for placing containers containing patient's samples (blood) are classified into eight colors and linked with software that indicates the position of the sample. We contribute to the improved efficiency of medical practice by providing more user-friendly and economical products.



MEK-9100 Automated hematology analyzer

• Supporting Medical Safety and Improved Operating Efficiency: GZ-140P Vital Sign Telemeter

The vital sign telemeter is a portable patient monitor with a wireless LAN communication function. This device enables the patient's vital signs such as electrocardiogram, SpO₂ (blood oxygen saturation), blood pressure and respiration to be continuously measured to sound an alarm in case of changes in patient condition.

This device, while compact and portable, has an enhanced monitoring function to ensure the patient's safety, including the detection of apnea and analysis of arrhythmia. When carried by patients, it is expected to improve the safety of patients during cardiac rehabilitation or in-hospital transfer. In addition, this device ensures improved operating efficiency for medical staff since a patient's vital signs and alarm settings can be checked on the central monitor in hospitals by two-way communication through wireless LAN.



GZ-140P Vital Sign Telemeter

◆ Improving Accessibility of Medical Care

CPR-1100 CPR* Assist is a product that supports proper sternal compression upon cardiopulmonary resuscitation, and is expected to improve the probability of resuscitation and rehabilitation. When conducting emergency resuscitation, sternal compression is vital along with the use of defibrillators and AEDs. This product measures the frequency, depth and inclination of sternal compression and indicates with LED signals and voice guidance whether sternal compression is being performed appropriately.



CPR-1100 CPR Assist

*CPR: cardio pulmonary resuscitation

Topics

Initiatives for Promoting CPR and AED

Adopted as JICA's Collaboration Program with the Private Sector for Disseminating Japanese Technology for Mexico

The AED Promotion Project proposed by Nihon Kohden was adopted as a Collaboration Program with the Private Sector for Disseminating Japanese Technology for the Social and Economic Development of Developing Countries in the second round of publicly-invited contests organized by the Japan International Cooperation Agency (JICA) in FY2015. Electro-shocks given through the defibrillator is the only method for treating ventricular fibrillation, one of the causes of sudden cardiac death. This project is intended to widely disseminate BLS*¹ using AED, an effective method for improving the resuscitation rate, in order to prevent sudden cardiac death caused by acute myocardial infarction, which is increasing in Mexico. This project is intended to enhance the technological capabilities and knowledge of medical professionals and improve the quality of lifesaving measures with the cooperation of the National Autonomous University of Mexico. Along with the spread of AEDs, we will also expand the coverage of BLS education from medical professionals to the general public for the promotion of PAD*² in order to reduce sudden cardiac death in Mexico.

*1 BLS (basic life support): an initial lifesaving measure carried out by those present out on site with a potential cardiac-respiratory arrest patient before the arrival of an emergency squad or a doctor
*2 PAD (public access defibrillation): defibrillation using an AED by the general public



Environmental Philosophy and Policy



We strive to realize our environmental philosophy through our business activities and the actions of our employees.

Environmental Philosophy

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

Established: September 1, 2015

Environmental Policy

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

1. Provide environmentally-friendly products

In carrying out development, production, sales, maintenance and support services for electronic medical devices, we provide environmentally-friendly products and services. We contribute to the reduction of greenhouse gas emissions and the sustainable use of limited resources by realizing energy and resource conservation and elimination of hazardous substances throughout our product life cycle.

2. Promote energy conservation and reduce waste in business activities

In cooperation with all of our business activities and the supply chain, we aim at energy conservation, waste reduction through implementation of the 3 Rs*, the reduction of greenhouse gas emissions in the mid- to long-term, and the prevention of environmental pollution through the continuous introduction of low-carbon and high-efficiency technologies.

3. Adhere to environment-related laws, regulations and agreements

In all business activities as a global company, we adhere to all Japanese and overseas environment-related laws, regulations and ordinances, as well as all agreements we have entered into, and meet expectations from stakeholders to carry out our environmental responsibilities through actions to respond to environmental issues such as climate change, the protection of water resources and the conservation of biodiversity.

4. Promote environmental education

In regard to environmental issues, Nihon Kohden provides appropriate education and awareness-raising activities. We also promote education in order to lead enhancement of individual productivity to environmental improvement activities.

Established: April 1, 2017

*3 Rs: Reduce, reuse and recycle

Environmental Targets

Environmental target for FY2050	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 80% from the level of FY2013 by providing environmentally-friendly products and cooperating with the supply chain.
Environmental target for FY2030	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 26% from the level of FY2013 by providing environmentally-friendly products and cooperating with the supply chain.
Environmental target for FY2020	1. We aim to reduce greenhouse gas emissions throughout the product life cycle by 12% from the level of FY2013 by providing environmentally-friendly products and cooperating with the supply chain.

Established: April 1, 2017

Certifications and Signed Commitments

ISO 14001

The Tomioka Factory obtained ISO 14001:1996 certification in October 2001, and underwent a transitional review for ISO 14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007. Certification renewal inspections were completed in January 2010, January 2013 and January 2016. Upon relocation to the Tokorozawa Office, we underwent an expansion inspection and completed registration in 2016.

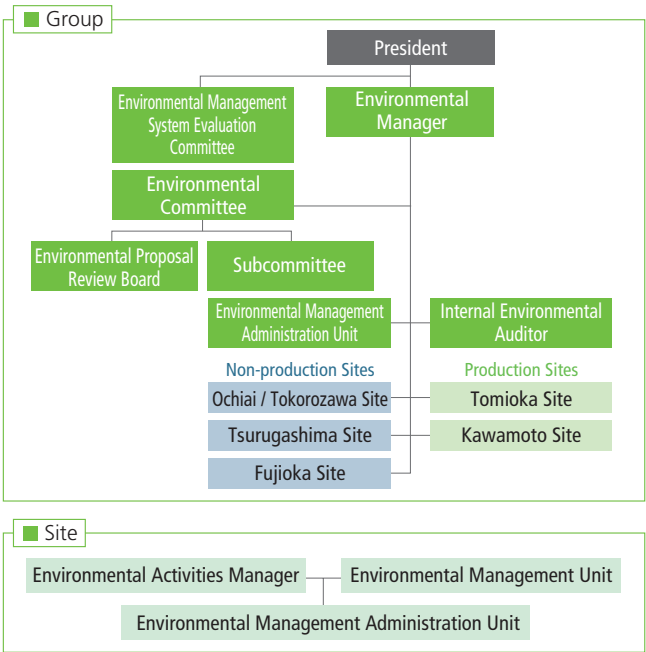
Currently, we conduct business activities at five sites, i.e., Ochiai/Tokorozawa Site: head office and development department; Tsurugashima Site: sales and shipping of ME consumables; Kawamoto Site: development of ME consumables and safety/reliability testing of ME devices; Fujioka Site: repair and maintenance; and Tomioka Site: manufacturing and shipping.



The United Nations Global Compact

In line with the principles of the United Nations Global Compact which Nihon Kohden signed in July 2015, we are driving activities to incorporate elements into its environmental targets, including preventative approaches to environmental issues, leadership in taking responsibility for the environment, as well as the development and widespread adoption of environmentally friendly technologies.

Environmental Management System (EMS)



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).

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.

Goals, Targets and Results of the Environmental Management Program

Environmental Goals	FY2016 Target	Result
1. Reduce environmental impact and prevent pollution in business activities	<ul style="list-style-type: none">• Implement reforms to increase the efficiency of our business processes• Promote the development of environmentally-friendly products, and reduce the environmental impact of all newly developed products by an average of 5% compared with existing products• Reduce the first-month defect rate by 3% on average compared with FY2015• Keep the repair failure rate for repaired goods to 0.20% or less	Attainment Rate: ✓✓ Activities were implemented in a largely smooth fashion at each site, and we managed to maintain reductions in environmental impact.
2. Ongoing energy use reduction to reduce carbon footprint	<ul style="list-style-type: none">• Improve by 1% from FY2016 projection per unit of energy consumed	Attainment Rate: ✓✓✓ The target was attained both per unit and on a volume basis.
3. Contribute to a recycling-oriented society	<ul style="list-style-type: none">• Promote Reduction/Reuse/Recycling of waste, and maintain the level of waste for landfill and incineration per unit at that of FY2015	Attainment Rate: ✓ The volume of waste increased due to office relocation, etc.

Attainment Rates
✓✓✓ 100% attainment
✓✓ At least 80% attainment
✓ Less than 80% attainment

In-House Environmental Awareness Training Program

Introductory Training	This program is held for all employees upon 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 (in even-numbered years). Employees learn about environmental policies, 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 Environment Day on which we make known to all employees the need for environmental activities.

Environmentally-Friendly Products

Nihon Kohden undertakes the development of environmentally-friendly products as part of its efforts to contribute to society through its business activities. Nihon Kohden launched 14 environmentally-friendly products (items) in FY2016.



ECG-2400 series Electrocardiograph

This product is smaller and lighter while incorporating all the functionality of existing products. Packaging materials were reviewed to contribute to waste reduction. The printed circuit board is lead-free to comply with the RoHS Directive.



AE-120A EEG headset for emergency electroencephalograph measurement

This product enables simple and speedy wireless (Bluetooth) EEG measurement in emergency care or intensive care free from time-consuming and complicated attachment of EEG electrodes. Lead-free solder is adopted to comply with the RoHS Directive.



MEK-9100 Automated hematology analyzer

This product enables improved measurement accuracy and prompt information supply with our unique blood cell measurement and white blood cell classification technology. We pursued ease-of-use in its features, such as high-speed processing of up to 90 samples per hour (in the case of automatic measurement) and the Smart ColoRac Match System, which will improve testing efficiency. The weight increase has been kept to a minimum despite functional improvements.



GZ-140P Vital Sign Telemeter

In addition to a larger display, this product contains enhanced functions as a patient monitoring system, including the addition of iNIBP as a measurement parameter and the installation of an arrhythmia analysis algorithm (eC1). This product is smaller in size compared with existing products, and lead-free solder is adopted to comply with the RoHS Directive.



OLG-3800 CO₂ monitor

This CO₂ monitor is adaptable to both intubated and non-intubated patients for safer respiratory care. Compared with existing products, the OLG-3800 has a larger display and incorporates functional improvements including the ability to connect to a patient monitor network. The increase in the total weight and volume is kept to a minimum despite the increased number of components. Lead-free solder is adopted to comply with the RoHS Directive.



Oxypal R OLV-4000 series Pulse oximetry

This SpO₂ monitor can be connected to a network. In addition to the basic functions such as algorithms contained in existing products, this product has an enhanced filtering function to remove artifacts from pulse waves. Improved functions as a monitor include waveform display, storage and review functions. Communication with other patient monitors is also available through connection to a patient monitor network. Lead-free solder is adopted to comply with the RoHS Directive.



MEE-2000 Neuromaster G1 Intraoperative monitoring system

This product is dedicated to intraoperative neurological monitoring to support safer and more reliable surgery. Functional improvements, including a high-voltage stimulation device, built-in speaker unit and a larger display, are incorporated to improve the safety and reliability of intraoperative neurological monitoring. This product is lead-free and reduced waste through the decreased weight of packaging material.



CPR-1100 CPR Assist

Designed to provide high-quality sternal compression, this product measures the depth, rhythm, and interruption of sternal compression and informs a rescuer of the status by the LED color signals and voice guidance. As this product enables the storage and output of the waveform of sternal compression, it is also useful for ex-post verification. Lead-free solder is adopted to comply with the RoHS Directive.



TRN-3100 Training unit

This training unit is the same size as the AED-3100 automated external defibrillator. This product enables training closer to reality with the same shape, operation method and voice guidance as those of an actual AED. This product has a smaller and lighter body compared with existing products, despite the additional new functions including demonstration mode.



Ensuring Fair Trade Practices

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



◆ 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 the compliance items Nihon Kohden expects its business partners to observe.

Nihon Kohden Procurement Policy

As part of its corporate social responsibility efforts to become a more global company, the Nihon Kohden Group values its partnerships with its business partners and engages in procurement activities in good faith following the policy outlined below.

- 1 Comply with relevant laws and ordinances and social norms in business transactions.
- 2 Properly manage and protect confidential information and personal information obtained through business transactions.
- 3 Build relationships of trust. Practice fair, equitable procurement.
- 4 Practice proper quality, cost and delivery for customer needs.
- 5 Reduce our impact on the environment and practice procurement according to separately stipulated green procurement guidelines (*see page 24).

◆ Adherence to the Nihon Kohden CSR Procurement Standards

In addition to efforts to facilitate employee understanding of and compliance with the Fair Competition Code, the Act against Delay in Payment of Subcontract Proceeds and other relevant laws through the compliance training provided to all employees, Nihon Kohden also endeavors to ensure that its business partners understand and adhere to the Nihon Kohden CSR Procurement Standards through mutual communication. 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.

Nihon Kohden CSR Procurement Standards

1. Legal compliance/fair business practices

- 1 Comply with applicable laws, ordinances, and government circulars such as the Companies Act, Anti-Monopoly Act, Act against Delay in Payment of Subcontract Proceeds, and relevant labor and environmental laws and regulations.
- 2 Comply with relevant import/export laws and regulations and the laws of countries and regions where we operate.
- 3 Do not infringe upon intellectual properties, including patent rights, copyrights, and trademarks, etc.
- 4 Do not give or receive inappropriate personal benefits.
- 5 Do not do business with anti-social persons or groups.

2. Human rights

- 6 Respect the human rights of all people and not discriminate against employees in their benefits or employment.
- 7 Do not use child labor or forced labor.

3. Quality

- 8 Comply with safety standards and regulations of all countries and regions.
- 9 Strive to maintain and enhance quality and build a quality assurance system that meets our standards to meet customer needs.

4. Environment

- 10 Promote environmentally aware green procurement. Strive to reduce the impact of our products on the environment during their life cycle.

5. Information management

- 11 Properly manage and protect confidential information and personal information obtained through business transactions.

◆ Initiatives to Maintain and Improve Quality

To respond to customer needs, we strive to maintain and improve the quality of the components and materials we procure. We have new business partners cooperate with audits to confirm the appropriate operation of quality management systems, and have existing business partners cooperate with periodic reviews of operation and quality audits based on the quality of delivered components. We strive to further enhance quality by getting business partners themselves to understand that the quality of delivered components can have a significant impact on the quality of our end products.

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.



◆ Nihon Kohden America Volunteer Day

As part of its social contribution activities, Nihon Kohden America organizes an opportunity for its employees to participate in local NPO activities. More than 100 employees attended a volunteer day held in October 2016 to participate in volunteer activities of three regional NPOs (Blind Children Organization, American Heart Association and Second Harvest FoodBank).

Furthermore, employees of Nihon Kohden America and NKUS Lab participated in charity activities hosted by Boys and Girls Club of Orange County, a regional NPO, in December 2016 to present bicycles assembled by employees to children living in low-income or crime-ridden areas.

Nihon Kohden, with the awareness of its responsibility as a corporate citizen in the international community, as well as respect for the culture and customs of each country and region, believes that it is one of its corporate social responsibilities to undertake social contribution activities. Going forward, we will continue to actively undertake initiatives for a better society.



Charity activities hosted by Boys and Girls Club of Orange County

◆ Social Contribution by Employees

• Employee Assistance Programs

We actively undertake social contribution activities as a company, as well as individuals, including the work leave system for employees who donate bone marrow or participate in volunteer activities as well as the support system for employees to participate in the Japan Overseas Cooperation Volunteer programs.

• Regional Cleanup Activities

Nihon Kohden Tomioka is engaged in various social contribution activities including cleanup of the streets and fallen leaves around its 3 factory sites, in addition to trash collection volunteer initiatives. The cleanup activities are planned six times a year and performed using 1 hour before the start of work hours in the morning. We also participate in cleanup volunteer initiatives at the Tomioka Silk Mill, a world heritage site. Nihon Kohden received words of appreciation such as: "It is really helpful for us, since all of our maintenance activities are performed manually, as we refrain from the use of herbicides in consideration of allergies." We also actively participate in regional events to encourage communication with local residents.



Cleanup activities at the Tomioka Silk Mill



Tomioka Donto Festival

Achieving a Fulfilling Workplace

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



◆ Human Resource Development

• 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 4 elements, i.e., i) autonomy, ii) professionalism, iii) leadership and iv) 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 employee need to be: 1) Autonomous; 2) Professional; and 3) Leader 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.

Policy for Diversity Promotion Activities

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



Diversity and Inclusion

◆ Career Development Support for Female Employees • Mentor Program

We run a mentor program for newly appointed female managers. Corporate officer-level mentors and female mentors in managerial positions with extensive knowledge and industry experience act as mentors to newly appointed female managers, helping them to resolve career development issues and providing opportunities to support their personal growth.

Through dialogue, we also broaden outlooks, establish social awareness, and support the strengthening of internal networks, and seek to develop capabilities of judgment and leadership in female employees, while helping them to set ambitious goals.

• Networking Events for Female Employees across Different Business Sites

To establish an employment environment that further facilitates the active involvement of women, we host networking events for female employees with the aim of formulating an in-house female network, follow up support for female managers and awareness-raising for the next generation.



◆ Supporting a Work-life Balance

• Reforming Working Styles

Nihon Kohden practices "Work Style Reform." We encourage individuals to transform their mindsets, improve the way they do business, and look at things from a different perspective. This brings innovation to the job and also enhances creativity and productivity.

We promote "Health Management" so that our employees can lead healthy and enriched lives. 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.

• 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.



Programs to Support Work-life Balance

- 1 Childcare Leave**
Leave Period: Until an employee's child reaches the age of two.
- 2 Family Care Leave**
Leave Period: Up to two years of leave can be taken.
- 3 Reduced Working Hours**
Details: Daily working hours can be reduced by up to one hour (this system is available when certain conditions are met while the child of an employee is an elementary school student or younger).
- 4 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 while the child of an employee is an elementary school student or younger).

VOICE

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



Koichi Funada
International Operations
ICT Solutions, ICT Department

I decided to take on the challenge of this program as I felt through my engagement in product development in Japan as an engineer that I needed to understand the overseas market in order to offer Nihon Kohden's products to more patients and customers who need them in medical practice.

Through the program, I learned communication skills to promote business with people with different cultures or mindsets, and moreover, had an opportunity to renew my recognition through hospital visits in Europe that Nihon Kohden's products actually contribute to improved quality of medicine for patients and customers.

I will always strive to provide medical solutions putting patient benefits and true customer needs first. With my eyes on overseas markets, I will undertake my tasks in cooperation with my colleagues around the world.

Topics

Hosting the Family Visit to the Advanced Technology Center

In August 2017, we hosted the Family Visit to the Advanced Technology Center, which started its operations in October 2016, to help employees' families learn more about the Company. A total of 17 families, or 47 people, participated in the visit. Participants took part in a luncheon in the staff cafeteria, visited the workplace, attended the AED workshop and experienced the measurement of vital signs using vital diagnostic devices (including electrocardiogram, SpO₂ (blood oxygen saturation) and blood pressure), among other activities. Participants' comments included "the AED workshop was informative," "the meal was delicious," and "it was nice to see my father's workplace." Going forward, the Nihon Kohden Group is committed to undertaking various initiatives aiming to realize an even more fulfilling workplace for employees.



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 longterm 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.

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 ease-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 result are prepared in English and posted to our website.

We also hold exhibitions of Nihon Kohden medical devices to explain their features and other information to shareholders.



Earnings presentations

Nihon Kohden hosts earnings presentations (interim and full year results) for securities analysts and institutional investors and organizes teleconferences (1st and 3rd quarter) where we discuss the Company's performance and strategy. Videos of the presentations, materials, and Q&A summary are posted to 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.



Company presentation at TSE IR Festa 2017

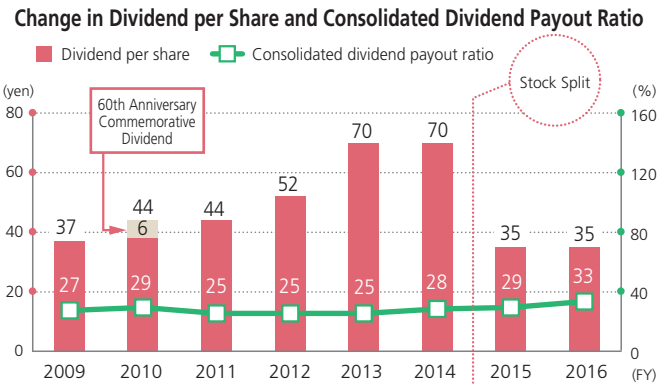
Company presentations at branch offices of securities companies in FY2016

April 2016	Urawa Branch, Daiwa Securities
June 2016	Shibuya Branch, Nomura Securities
July 2016	Funabashi Branch, Daiwa Securities
September 2016	Takasaki Branch, SMBC Nikko Securities
November 2016	Mito Branch, Daiwa Securities
December 2016	Shinjuku Branch, Nomura Securities
December 2016	Nagoya-ekimae Branch, SMBC Nikko Securities
March 2017	Tokorozawa Branch, SMBC Nikko Securities

Investor relations page

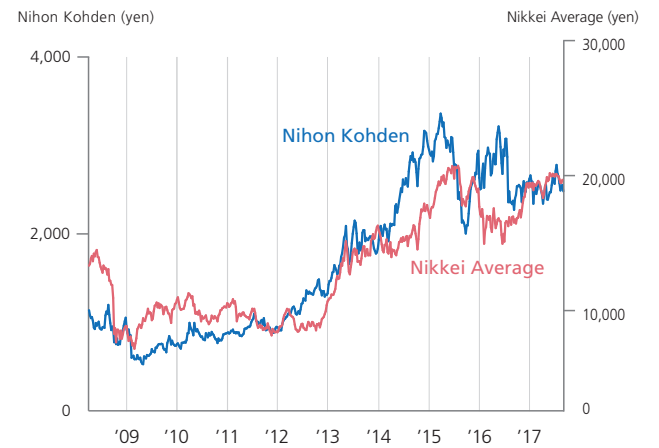
Our website publishes key information needed by shareholders and investors, such as management policy, financial and performance highlights, dividend information and various disclosure documents. Information about the company's long-term vision, mid-term business plan, business segments and products is also published.

Stock Information



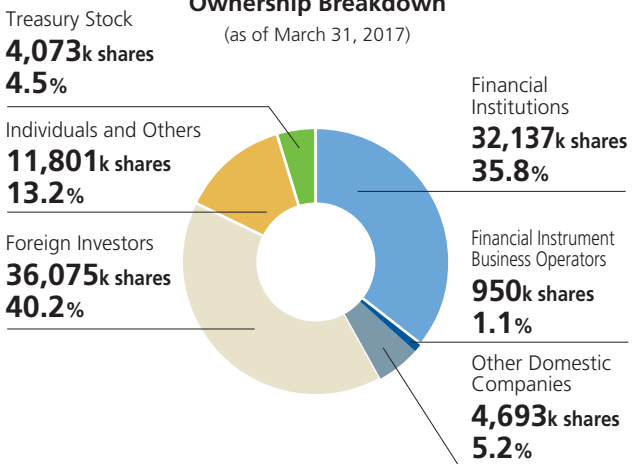
* Effective as of April 1, 2015, each share of common stock was split into two shares. Figures up to FY2014 list the actual dividend amounts paid before the stock split.

Change in Share Price



* Effective as of April 1, 2015, Nihon Kohden Corporation carried out a stock split, with each share of common stock split into two shares. For the above share prices, trading values before the stock split date have also been adjusted retroactively.

Ownership Breakdown (as of March 31, 2017)



Major Shareholders (as of March 31, 2017)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	9,667	10.77
The Master Trust Bank of Japan, Ltd. (trust account)	5,978	6.66
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	4,454	4.96
Saitama Resona Bank, Limited	4,193	4.67
Japan Trustee Services Bank, Ltd. (trust account 9)	2,806	3.12
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	2,790	3.10
Japan Trustee Services Bank, Ltd. (trust account)	2,337	2.60
FUJITSU LIMITED	1,857	2.07
Japan Trustee Services Bank, Ltd. (trust account 5)	1,535	1.71
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	1,330	1.48

* The above list excludes Nihon Kohden's treasury stock of 4,073 thousand shares (shareholding ratio of 4.53%).

Topics

Nihon Kohden receives award for excellence in Daiwa Investor Relations 2016 Internet IR Awards

Nihon Kohden received an award for excellence in the Daiwa Investor Relations 2016 Internet IR Awards in November 2016. Daiwa Investor Relations Co., Ltd. evaluated and scored the IR sites of all 3,698 publicly-listed companies in Japan according to its independent standards and selected 130 companies with exceptional IR sites that are actively utilized for information disclosure and engagement.



Nihon Kohden listed in JPX-Nikkei Index 400

Nihon Kohden has been listed in the JPX-Nikkei Index 400 since its disclosure in January 2014. This is a share index of "companies that are highly attractive investments for investors" and meet global investment standards, such as efficient capital utilization and management that recognizes investors.



Management Team



Eiichi Tanaka Shigeru Kawatsuhara Masahiro Kawamura Kazuhiko Ikuta Masaya Yamauchi Minoru Obara Yasuhiro Yoshitake
Kazuteru Yanagihara Yoshito Tsukahara Hirokazu Ogino Fumio Suzuki Takashi Tamura Tadashi Hasegawa Fumio Hirose

Representative Director

Fumio Suzuki
Chairman of the Board
Date of birth November 3, 1948
April 1973 Joined the Company
April 1994 Director and President of Nihon Kohden America, Inc.
April 1998 General Manager of Corporate Planning Department
April 1999 General Manager of Human Resources Department
June 1999 Director
June 2003 Managing Director
April 2005 General Manager of System Business Operations
April 2006 General Manager of Biomedical Instrument Technology Center
April 2007 General Manager of General Affairs and Human Resources Department
June 2007 Corporate Director and Executive Operating Officer
June 2008 Representative Director and President
June 2015 Representative Director, Chairman and CEO
June 2017 Representative Director, Chairman of the Board (current position)

Representative Director

Hirokazu Ogino
President and CEO
Date of birth May 28, 1970
April 1995 Joined the Company
April 2007 President of Nihon Kohden Europe GmbH
April 2011 General Manager of Marketing Strategy Department
June 2011 Operating Officer
June 2012 Corporate Director and Operating Officer
April 2013 General Manager of International Operations
June 2013 Corporate Director and Senior Operating Officer
October 2013 CEO of Nihon Kohden America, Inc.
June 2015 Representative Director, President and COO
June 2017 Representative Director, President and CEO (current position)

Representative Director

Takashi Tamura
Executive Operating Officer
Responsible for Customer Service
General Manager, Sales Operations
Date of birth March 22, 1959
April 1983 Joined the Company
April 2003 President of Nihon Kohden Kansai Corporation
April 2007 General Manager of Sales Operations
June 2007 Operating Officer
June 2008 Corporate Director and Operating Officer
April 2011 General Manager of International Operations
April 2013 General Manager of Service Business Division
April 2014 General Manager of Customer Service Operations
June 2015 Corporate Director and Senior Operating Officer
April 2016 General Manager of Sales Operations (current position)
June 2017 Representative Director and Executive Operating Officer (current position)

Director

Yoshito Tsukahara
Senior Operating Officer, General Manager, Recurring Business Division
Date of birth December 25, 1952
July 1980 Joined the Company
April 1999 President of Nihon Kohden Kita Kanto Corporation
April 2002 President of Nihon Kohden Mebiko Higashi Hanbai Corporation
April 2003 President of Nihon Kohden Tokyo Corporation
June 2007 Operating Officer
June 2008 Corporate Director and Operating Officer
April 2011 General Manager of Sales Operations
June 2013 Corporate Director and Senior Operating Officer (current position)
April 2014 General Manager of Wellcare Business Division
April 2016 General Manager of Recurring Business Division (current position)

Director

Tadashi Hasegawa
Senior Operating Officer, Responsible for finance, legal affairs, compliance, human resources, and information systems
Date of birth June 17, 1959
April 1983 Joined The Saitama Bank Ltd.
June 2009 Operating Officer of Saitama Resona Bank Limited
June 2011 Senior Operating Officer of Saitama Resona Bank Limited
June 2013 Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
March 2014 Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
April 2014 Joined the Company
June 2014 Operating Officer
June 2015 Corporate Director and Senior Operating Officer (current position)

Director

Kazuteru Yanagihara
Senior Operating Officer
General Manager, Strategic Technology Operations
Date of birth January 22, 1957
April 1980 Joined the Company
April 2009 Deputy General Manager of Biomedical Instrument Technology Center
April 2011 General Manager of Technology Promotion Center
June 2011 Deputy General Manager of Biomedical Instrument Technology Center
April 2012 General Manager of Biomedical Instrument Technology Center
June 2012 Operating Officer
April 2014 General Manager of Strategic Technology Operations (current position)
June 2015 Corporate Director and Operating Officer
June 2017 Corporate Director and Senior Operating Officer (current position)

Director

Fumio Hirose
Senior Operating Officer, Responsible for Marketing Strategy
General Manager, Ventilator & Anesthesia Device Business Operations
Date of birth March 2, 1960
April 1982 Joined the Company
April 2003 President of Nihon Kohden Chushikoku Corporation
April 2006 Chief Manager of Global Marketing Operations
April 2009 General Manager of Corporate Planning Department
June 2009 Operating Officer
April 2013 General Manager of Ventilator & Anesthesia Device Business Operations (current position)
June 2015 Corporate Director and Operating Officer
June 2017 Corporate Director and Senior Operating Officer (current position)

Director

Eiichi Tanaka
Operating Officer, General Manager, Import Business Operations
Date of birth July 15, 1962
April 1985 Joined the Company
April 2002 General Manager of Marketing & Business Development Department
October 2003 President of Nihon Kohden America, Inc.
April 2008 General Manager of General Affairs and Human Resources Department
June 2008 Operating Officer
April 2011 General Manager of Accessories & Consumables Business Operations
April 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation
April 2014 President of Nihon Kohden Tomioka Corporation
April 2017 General Manager of Import Business Operations (current position)
June 2017 Corporate Director and Operating Officer (current position)

Director

Yasuhiro Yoshitake
Operating Officer, General Manager, International Operations
Date of birth March 20, 1966
April 1988 Joined the Company
October 2003 President of Nihon Kohden Europe GmbH
April 2007 General Manager of Sales Promotion Division, International Operations
April 2008 Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.
April 2011 General Manager of China Operations
June 2011 Operating Officer
April 2013 General Manager of Asia and Middle East Operations
April 2015 General Manager of International Operations (current position)
June 2017 Corporate Director and Operating Officer (current position)

Outside Director

Masaya Yamauchi
Independent Director
Date of birth March 20, 1960
April 1988 Registered as an attorney (Tokyo Bar Association)
September 1993 Established Nakagawa & Yamauchi Law Office
August 2001 Integrated into Hibiki-Sogo Law Office (current position)
June 2010 Outside Director of the Company (current position)
Term of office 7 years
Attendance at Board Meetings 28/28

Outside Director

Minoru Obara
Independent Director
Date of birth September 29, 1947
April 1986 Associate Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University
April 1993 Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University
June 2012 Outside Director of the Company (current position)
April 2013 Professor Emeritus at Keio University (current position)
Term of office 5 years
Attendance at Board Meetings 27/28

Director (Full-time Audit & Supervisory Committee Member)

Kazuhiko Ikuta
Date of birth May 29, 1956
April 1980 Joined the Company
April 2006 Senior Manager of Finance Department, General Administrative Division
April 2009 General Manager of Finance Department
June 2009 Operating Officer
June 2016 Director (Full-time Audit & Supervisory Committee Member) (current position)

Outside Director (Audit & Supervisory Committee Member)

Masahiro Kawamura
Independent Director
Date of birth August 19, 1949
June 1977 Registered as a Tax Account
March 1979 Registered as a Certified Public Accountant
August 1979 Joined Kawamura Tax Accounting Office (current position)
June 2010 Outside Audit & Supervisory Board Member of the Company
June 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
Outside Director (Audit & Supervisory Committee Member) of Daitogyorui Co., Ltd (current position)
Term of office (including Outside Audit and Supervisory Board Member) 7 years
Attendance at Board Meetings 28/28
Attendance at Audit & Supervisory Board Meetings and Audit & Supervisory Committee Meetings 30/30

Outside Director (Audit & Supervisory Committee Member)

Shigeru Kawatsuhara
Independent Director
Date of birth February 14, 1952
April 1975 Joined Toko, Inc.
April 2002 Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.
April 2004 General Manager of Sales Center, Toko, Inc.
June 2005 Corporate Director and General Manager of Sales Center, Toko, Inc.
April 2008 President of Toko, Inc.
May 2014 Chairman of Toko, Inc.
March 2015 Senior Advisor of Toko, Inc.
April 2016 Part-time Advisor of Toko, Inc.
June 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
Term of office 1 year
Attendance at Board Meetings 20/20
Attendance at Audit & Supervisory Committee Meetings 21/21

Message from Outside Directors



Masaya Yamauchi,
Outside Director, Hibiki-Sogo Law Office

I believe outside directors are expected to reflect a different perspective from their external independent position on corporate governance so that a company does not become confined to a sense of value or discussion accepted only within the organization.

While Nihon Kohden takes the initiative of proactively enhancing its corporate governance and facilitates active discussion from multi-dimensional perspectives within the organization, I am 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 abovementioned role to the best of my abilities.



Minoru Obara,
Outside Director, Professor Emeritus at Keio University

The role of outside directors is becoming recognized as significantly important in three years since the introduction of the Corporate Governance Codes. I would like to make a contribution to sustainable growth while the management team and outside directors maintain a moderate degree of tension without confrontation.

Nihon Kohden, as a leading company in the medical device industry, contributes to society by always providing medical devices and services of the finest quality to customers in the medical industry. For the further enhancement of corporate value, it is necessary to develop a series of new products and services with a sense of speed which will grow into the global core business in the future, as well as to further enhance the current core business. Under the recent environment where the world changes rapidly and chaotically, it is essential to analyze global big data in a swift and correct manner, predict the future based on the data composition, and develop and implement corporate strategies. Essential in this action process is the active involvement of global talent, diverse talent and self-disciplined talent. I would like to proactively contribute to the further enhancement of corporate value as an outside director by making ceaseless efforts and constructive dialogue continuously, and also by fulfilling the supervisory function with a strong sense of responsibility.



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

Most major companies have appointed outside directors following the introduction of the Corporate Governance Codes. It sometimes seems like most companies are just trying to meet the set number of directors, whereas Nihon Kohden had already appointed 1 outside director and 3 outside Audit & Supervisory Board members for as early as 7 years ago, when I was appointed as an outside Audit & Supervisory Board member. One could say, in that sense, that the Company has been focused on the necessity and effective utilization of outside officers ahead of other companies.

Going forward, I am committed to meeting the entrustment from shareholders substantively and as a better-prepared outside director than ever by openly stating my opinions at the Board Meetings, Management Council meetings, Nomination and Compensation Committee meetings, etc., from a neutral and independent perspective, as well as based on my experience as a certified public accountant and tax accountant, as indicated in the Corporate Governance Codes.



Shigeru Kawatsuhara,
Outside Director (Audit & Supervisory Committee Member)

I believe what audit & supervisory committee members, independent officers and outside directors are required to do is to provide advice, etc., concerning management policies or issues for improvement based on their knowledge, fulfill their roles and duties for contributing to a company's sustainable growth and the mid- to long-term enhancement of corporate value and reflect stakeholders' opinions on the Board, rather than making a decision on individual business execution.

Directors of the Company have a number of opportunities to receive detailed reporting on business execution, and also actively exchange opinions with each other. I think my role here is to capture issues objectively, consider the balance between risk-taking and safety, and provide advice, etc., reflecting my experience. I am committed to be engaged in activities to contribute to the further enhancement of corporate value going forward.

Enhancing Corporate Governance



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

Basic Views on Corporate Governance

To realize the Company's corporate philosophy, Nihon Kohden aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients and society in all aspects including products, service, technology, financial strength, quality of employees, and other points.

In order to realize this management basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency and efficiency of management, is an important management issue.

Corporate Governance Structure

Nihon Kohden has adopted a company with Audit & Supervisory Committee structure to achieve followings: enhancement of supervisory function through possession of voting rights at the meeting of the Board by Audit & Supervisory Committee members, improvement of soundness and transparency of the management by increasing ratio of outside directors, and acceleration of the management decision-making by having options to delegate the authorities for the business execution. The Company takes measures such as introduction of an operating officer system as well as cooperation among 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 has no conflict of interest between general shareholders and them, to Tokyo Stock Exchange. Outside directors attend the important meetings such as the Management Council. They provide opinions from objective and neutral standpoint if necessary and supervise the Company's management.

The Board of Directors

The Board consists of 11 directors excluding Audit & Supervisory Committee members (including 2 outside directors) and 3 Audit &

Supervisory Committee members (including 2 outside directors). The Board have monthly meeting in order to resolve the matters pursuant to the Companies Act and make a decision on the execution of important business for the Nihon Kohden group as well as supervise directors' performance of their duties.

Audit & Supervisory Committee

Audit & Supervisory Committee consists of 3 directors, including 2 outside directors and 1 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 plan for the term which is decided at Audit & Supervisory Committee. Audit & Supervisory Committee cooperates with accounting auditor and Internal Auditing Department.

The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

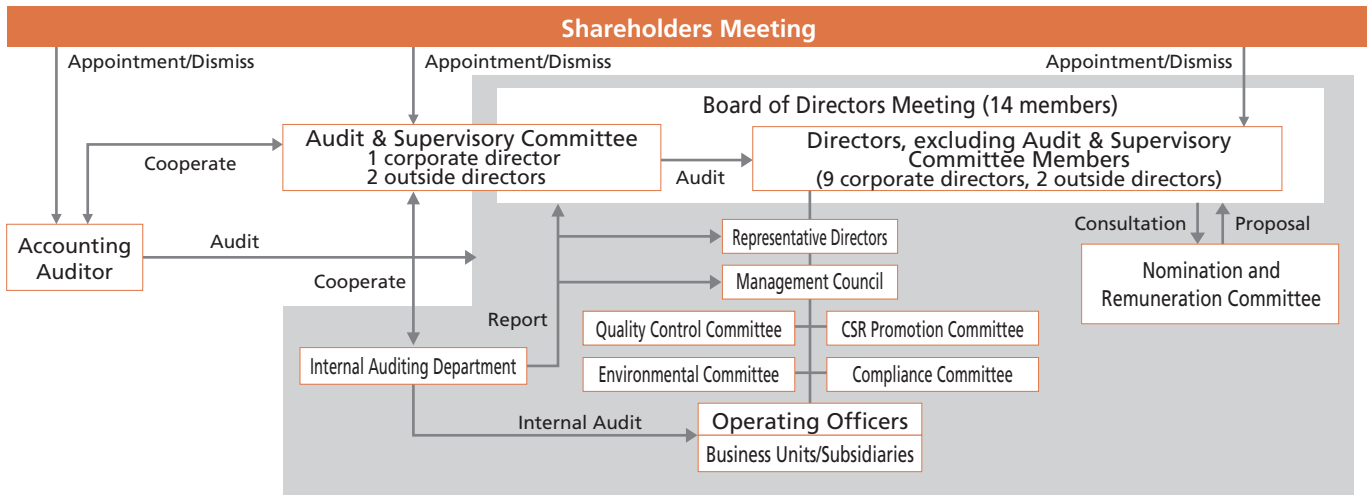
Management Council

Meetings of the Management Council, 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 managerial 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 Nomination and Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure transparency and objectivity of the management. Majority of the committee members and the committee chair are appointed from outside directors.

Corporate Organization and Internal Control System



◆ Nomination of Directors Candidates

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

In accordance with the policy above, nominations of directors (excluding Audit & Supervisory Committee members) are proposed by Nomination and Remuneration Committee and are approved by the Board. Nominations of Audit & Supervisory Committee members are proposed by Nomination and Remuneration Committee and are approved by the Board after the review and consent of Audit & Supervisory Committee.

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

◆ 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 aiming at 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 compensations and bonuses. Monthly compensations are determined based on the size of role and range of responsibilities of each position. Bonuses are determined taking into consideration their contribution and the Company's business performance every fiscal year. A certain percentage of monthly 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. Remuneration of outside directors excluding Audit & Supervisory Committee members consists of monthly compensations. Remuneration of directors excluding Audit & Supervisory Committee members are reviewed at Nomination and Remuneration Committee and are proposed to the Board. Remuneration of Audit & Supervisory Committee members consists of monthly compensations only and is determined after the consultation at Audit & Supervisory Committee.

The 65th general shareholders meeting held on June 28, 2016 approved the following: i) with respect to the amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members, total amount shall be within the limit of 400 million yen (including the amount of remuneration to outside directors which shall be within the limit of 30 million yen), ii) with respect to the amount of remuneration to Audit & Supervisory Committee members, total amount shall be within the limit of 80 million yen.

● The total amount of remuneration of directors in FY2016 ended March 31, 2017

	Number of Members	Total Amount
Directors excluding Audit & Supervisory Committee members (Outside Directors)	10 (2)	¥277 million (¥ 16 million)
Audit & Supervisory Committee members (Outside Directors)	3 (2)	¥30 million (¥ 14 million)
Audit & Supervisory Board members (Outside members)	4 (2)	¥13 million (¥ 3 million)
Total	17 persons	¥321 million

◆ Supporting System for Outside Directors

Corporate Strategy Department and Audit & Supervisory Committee Secretariat are in charge of supporting outside directors by assisting their duties and communicating with. The Company provides periodic information such as monthly business reports of departments and group companies to outside directors. When the Company holds the meeting of the Board or the Management Council, Corporate Strategy Department delivers related materials to them and explains agenda items of the meetings to them in advance.

◆ Cooperation with the Accounting Auditor and the Internal Auditing Department

Audit & Supervisory Committee cooperates closely with accounting auditor by receiving explanation of auditing plan and quarter audit results, exchanging opinions, and attending accounting audits for domestic and foreign subsidiaries conducted by the accounting auditor.

Audit & Supervisory Committee meets regularly with Internal Auditing Department (8 members), an organization under the direct supervision of the president for exchanging information and enhancing cooperation. Internal Auditing Department conducts regular internal audits of the Company and its subsidiaries regarding compliance, and effectiveness and appropriateness of business executions. Internal Auditing Department cooperates with Audit & Supervisory Committee members to enhance monitoring function on accounting and business executions. Internal Auditing Department reports the internal audit results to the president and 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.

◆ Training Policy for Directors

Nihon Kohden provides directors with training opportunities for acquiring necessary knowledge and skills as well as understanding the roles and responsibilities. Training opportunities are provided when they are appointed and thereafter at the Company's expenses. In-house training and facility tour for acquiring necessary knowledge on the Company's business are included.

◆ Board Evaluation

Nihon Kohden analyzed and evaluated the effectiveness of the Board for FY2016 to clarify issues and improvement of the Board and further improve the function of the Board. The Company conducted self-evaluations of all directors including an Audit & Supervisory Committee members in an anonymous survey related to (1) the size and constitution of the Board, (2) the operation of the Board, (3) the supporting system for outside directors, (4) the decision making process of the Board, and (5) the communication with shareholders and stakeholders. The Board discussed about the results of evaluation and issues for further improvements as follows:

In terms of the size, constitution and operations of the Board, it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory function have been established. It was also concluded that the Board operates effectively with an open atmosphere around the boardroom table allowing inside and outside directors to engage in lively discussions. In FY2016, based on the FY2015 evaluation results, the Company improved the materials provided to directors at Board Meetings by adding annotations for technical terms in order to enable outside directors to understand technical discussions more easily. The discussion at Board Meetings was further invigorated as the Company adhered to a policy of distributing the materials in advance, allowing every director to sufficiently prepare. On the other hand, some concerns were shared with the Board Members as follows: care needs to be taken to ensure sufficient meeting time as the number of matters to be reported to the Board increases and the discussions at Board Meetings become more active, and rules for monitoring execution of matters resolved by the Board should be established in order to further enhance its supervisory function.

With regard to those issues, the Board has already resolved and started necessary actions.

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.

Ensuring Thorough Compliance

We practice fair and legitimate business activities with high ethics.




◆ Basic Approach to Compliance

The Nihon Kohden Charter of Conduct states that “we comply with applicable laws, regulations, restrictions and company internal and external rules as well as social norms, and conduct fair and legitimate business activities.”

To ensure this, Nihon Kohden has established regulations related to compliance and conducts employee training to ensure that these rules take root and are thoroughly observed.

◆ Nihon Kohden Code of Ethics and Conduct

To ensure that Nihon Kohden employees embrace the spirit of the Management Philosophy and Nihon Kohden Charter of Conduct, the behavior to be observed from the perspective of compliance is set forth in the Nihon Kohden Code of Ethics and Conduct.

 <http://www.nihonkohden.co.jp/information/pdf/conduct.pdf>

◆ Compliance Promotion Framework

Nihon Kohden has established Compliance Promotion Rules pertaining to mechanisms and the basic matters of operational methods to ensure thorough compliance. The Compliance Committee has been established as an organization for promoting compliance based on the Compliance Promotion Rules. The committee establishes rules and systems and provides operational support

to ensure that compliance is observed in business activities. Its functions include complying with laws and regulations, providing compliance education and training to employees and monitoring the state of compliance.

In addition, the Chief Compliance Officer appoints Compliance Administrators at the respective group companies and departments. The Compliance Administrators are responsible for the promotion and thorough implementation of the compliance framework at the respective group companies and departments they cover.

◆ Compliance Training

Nihon Kohden has produced a Compliance Handbook that contains the rules, approaches, conduct standards and other information that employees need in order to understand and ensure daily compliance. The handbook is distributed to all employees as part of ongoing efforts to enhance awareness and knowledge regarding compliance.

Workplace-level compliance workshops are also conducted at each Group company and business division on a yearly basis. To prevent compliance violations on the part of employees, all employees are given ongoing instruction on related laws and regulations. To ensure that a compliance culture takes root, employees are required to self-study or read through designated learning.

■ Compliance Promotion Framework

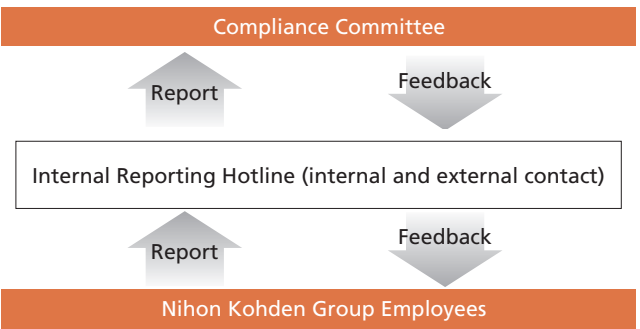


The Compliance Handbook is distributed to all employees.

◆ Internal Reporting System

Nihon Kohden has established an internal reporting hotline as a point of contact for reporting on compliance matters. Employees are required to make reports through the hotline when they are unable to do so through their superior or reporting to their superior is deemed inappropriate or ineffective. The Company also accepts anonymous reporting to protect the person who makes a report from any unfavorable treatment due to such reporting.

Internal Reporting Hotline



◆ Preventing Corruption

The Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery of Japanese and foreign public officials, and ensures compliance with laws and regulations preventing corruption in every region in which Nihon Kohden engages in business, including bribery and corruption-related legislation in Japan, the Foreign Corrupt Practices Act (FCPA) in the United States and the Bribery Act in the United Kingdom. Furthermore, Nihon Kohden has established the Anti-corruption Rules, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto.

◆ Initiatives Concerning Transparency with Medical Institutions

In response to the Transparency Guidelines for the Medical Device Industry and its Relationships with Medical Institutions and Other Organizations established by the Japan Federation of Medical Devices Associations, which stipulates disclosure of information on funding paid to medical institutions and other organizations as part of business activities, Nihon Kohden has established “Guidelines on Transparency Regarding Relationships between Nihon Kohden and Medical Institutions, etc.” Since April 1, 2013, Nihon Kohden has published on its website information regarding funding paid to medical institutions and medical professionals.



Mai Hasegawa
Legal Group
Legal Department

As a manufacturer of medical devices which affect human life, I believe trust from customers, business partners and other stakeholders is a matter of top priority.

Such trust may be lost instantly by just one case of noncompliance.

Based on this awareness, the Legal Department provides compliance training for employees and raises the awareness of each

employee regarding compliance by distributing the Compliance Handbook and hosting workshops at all Nihon Kohden offices and factories every year.

We are also committed to the reinforcement of the compliance framework, including the establishment of the Anti-corruption Rules and the enhancement of the internal reporting hotline.

Strengthening Risk Management

Nihon Kohden strives to make improvements to 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 Groupwide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group, and reporting to the Board of Directors and the Management Council on the improvement and promotion status of the risk management system.

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 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.

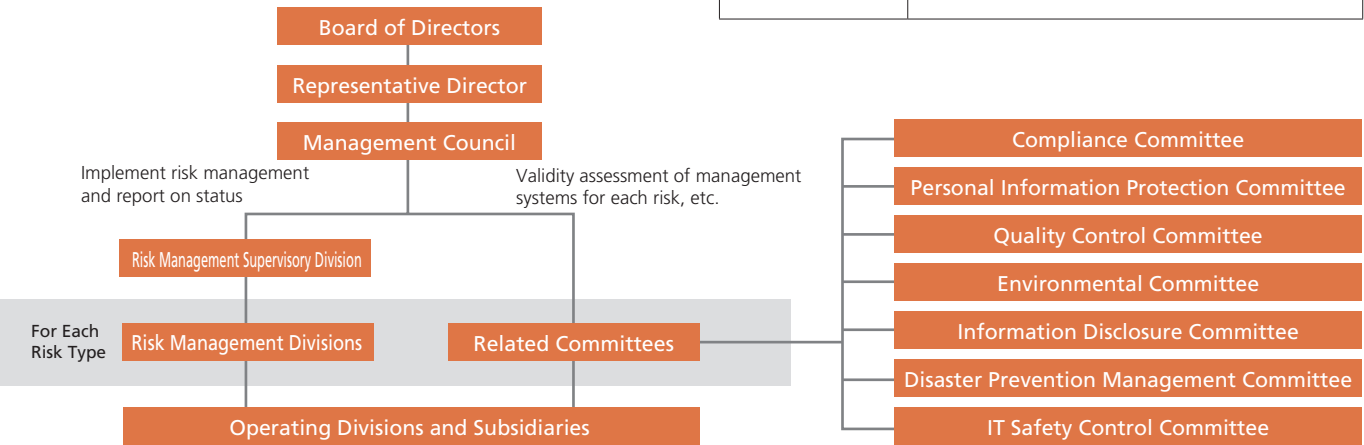
◆ Risk Types

The Risk Management Regulations, which set forth the basic policies for risk management, classify risks into eight types: Financial and Accounting Risks, Compliance Risks, Quality Control Risks, Environmental Risks, Information Disclosure Risks, Disaster and Accident Risks, System Risks, and Strategic Risks.

Risk Types

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

Risk Management Framework



◆ Self-Assessment of Risk Management

Nihon Kohden subsidiaries and the departments in head office conduct self-assessment of risk management using check sheets and 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 and the Management Council.

◆ Response in the Event of a Risk

Regulations have been established for each risk type. Regulations related to each risk type governing 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, we take 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 functions effectively during a disaster, we have established a BCP Operation and Management Committee tasked with operating and managing the BCP. The committee conducts regular company-wide education and training to ensure the effectiveness of the BCP during a disaster. In addition, the BCP is periodically reviewed in order to make ongoing improvements.

Nihon Kohden's Basic BCP Policy

- 1 Protect employment while placing a priority on the lives and health of employees and their families
- 2 Fulfill our responsibility to supply products and deliver services to customers, and endeavor to maintain a healthcare structure
- 3 Support customers and contribute to local communities
- 4 Maintain close coordination with affiliate companies and minimize the impact on the management of other parties

◆ 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 and work 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 these 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 and internal rules is 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.



Nihon Kohden Corporation obtained PrivacyMark certification from the Japan Institute for the Promotion of Digital Economy and Community (JIPDEC).



IS 617365 / JIS Q 27001

Company Overview (as of March 31, 2017)

Common Name	Nihon Kohden
Official Name	Nihon Kohden Corporation
Incorporated	August 7, 1951
Capital Stock	7,544 million yen
Net Sales (Consolidated)	166.2 billion yen (fiscal year ended March 31, 2017)
Type of Business	Development, production, and sales of medical electronic devices
Employees (Consolidated)	4,934 persons

Stock Overview (as of March 31, 2017)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	89,730,980 shares
Number of Shareholders	6,872 persons

Subsidiaries: 28 companies (as of June 30, 2017)

Sales and Promotion

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

Development, Manufacturing, Sales and Promotion

Nihon Kohden Tomioka Corporation
Nippon Bio-Test Laboratories Inc.
Beneficks Corporation
Shanghai Kohden Medical Electronic Instrument Corp.
Defibtech, LLC
Nihon Kohden India Pvt. Ltd.
Nihon Kohden Malaysia Sdn. Bhd.
Nihon Kohden Firenze S.r.l.
Development of Medical Electronic Equipment and Software
NKUS Lab
Neurotronics, Inc.
Nihon Kohden Innovation Center, Inc.
OrangeMed, Inc.
Group General Affairs and Staffing
E-Staff 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 29 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 28 consolidated subsidiaries (as of June 30, 2017).
Period: from April 1, 2016 to March 31, 2017*
*Partly including information on our activities performed before or after the aforementioned period

Disclaimer

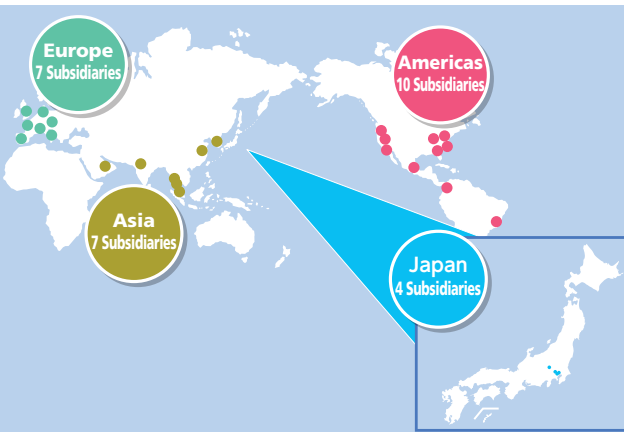
This report contains not only past or present facts related to Nihon Kohden, but also forward-looking statements including plans and forecasts as of the time of publication. Forward-looking statements are assumptions or determinations based on information available at the time such statements were made. 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

[] 2017 (next publication: expected to be issued in [] 2018)

Published by

Corporate Strategy Department, Nihon Kohden Corporation



Introduction of Our Website

Page for Sustainability . . .



Enhanced web contents for stakeholders
Simpler and more user-friendly

IR information page . . .





NIHON KOHDEN CORPORATION

1-31-4 Nishiochiai, Shinjuku-ku, Tokyo 161-8560, Japan
Phone +81(3)5996-8000
<http://www.nihonkohden.com/>

