





# NIHON KOHDEN REPORT 2021

Illuminating Medicine for Humanity

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# Nihon Kohden's Value

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

VALUE

## Management Philosophy

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

With the unshakable belief that **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 aims to resolve healthcare issues by innovative medical electronic equipment with high quality and realize its management philosophy. Medical electronic equipment developed by the Company has been used in clinical practice in more than 120 countries and saved a lot of lives of patients.



At the time of founding  
Nihon Kohden started with only twelve staff



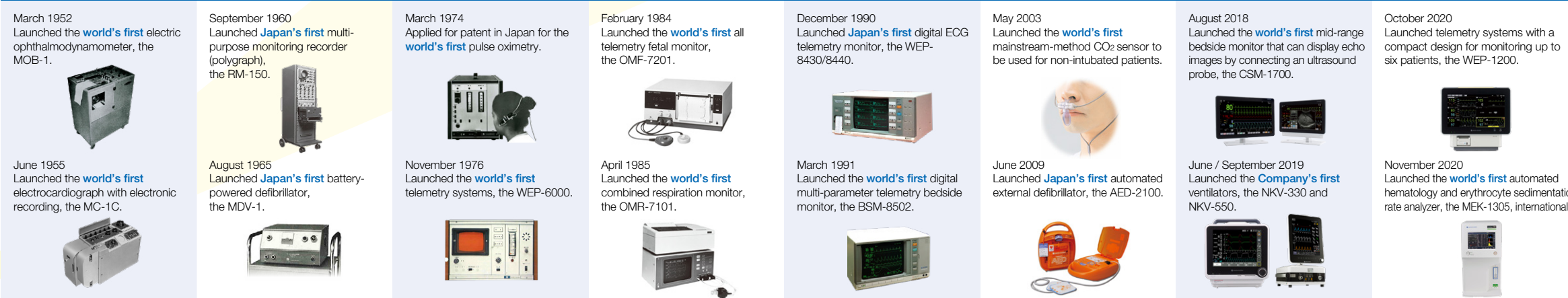
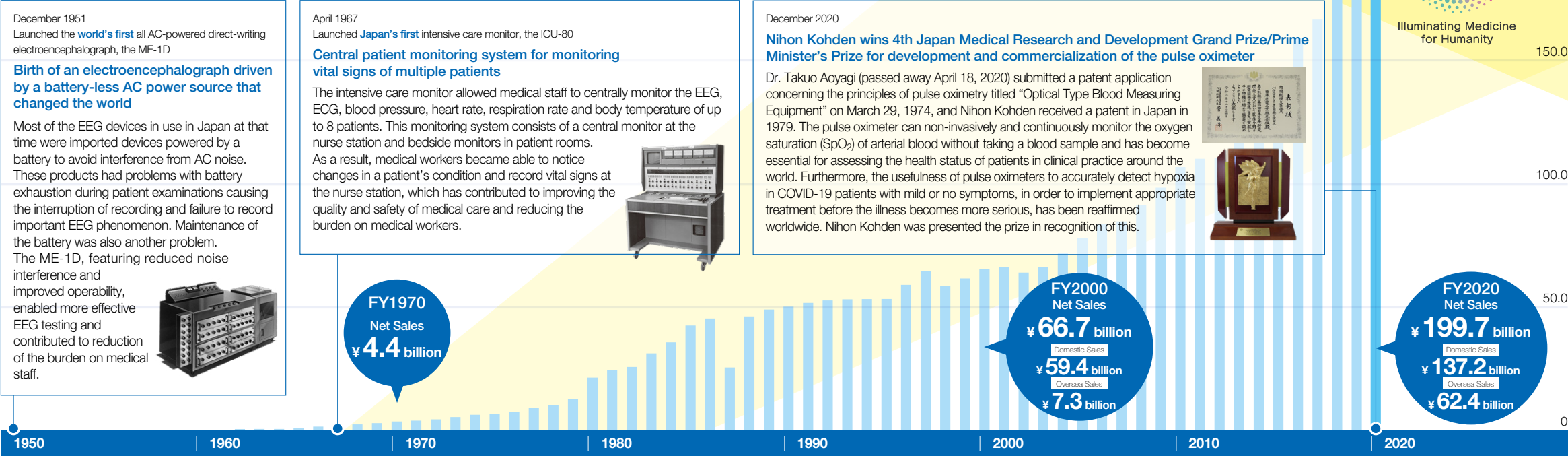
Founder Yoshio Ogino

Nihon Kohden, which celebrates the 70th anniversary of its founding in August 2021, continues to leverage its core strengths: **capacity to develop technologies rooted in medical practice; broad client base inside and outside Japan; high-quality products and services, and development, production, sales, and service systems to support them; and powerful brand cultivated over many years**. Moving forward, the Company will continue to create and provide value for patients and medical professionals, contributing to the world by fighting disease and improving health with advanced technology.



# Trajectory of Nihon Kohden

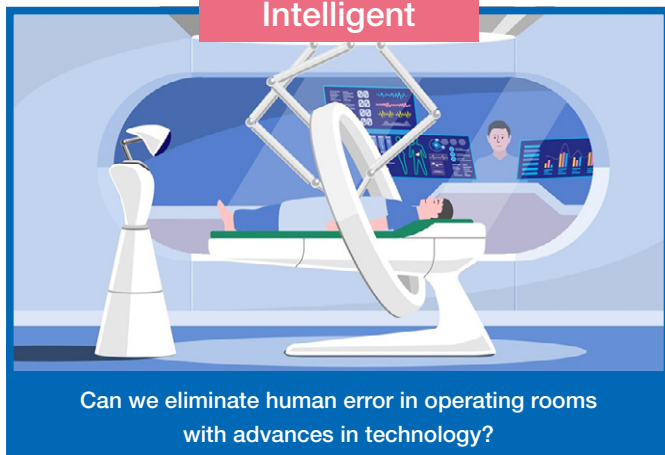
Since its foundation in 1951, Nihon Kohden has grown steadily by tackling healthcare issues and contributing to society through the development, production, sales, and service of medical devices.



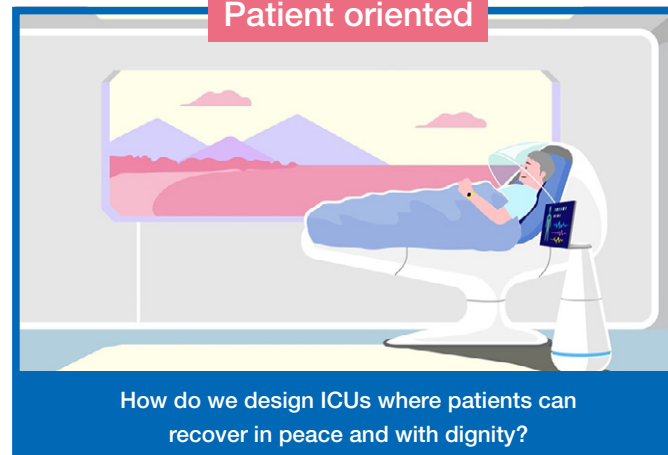
## Vision towards 2030 for the Future

Nihon Kohden will combine our original technologies and clinical expertise with advanced technology in collaboration with global partners, to create valuable solutions that help solve issues in clinical sites.

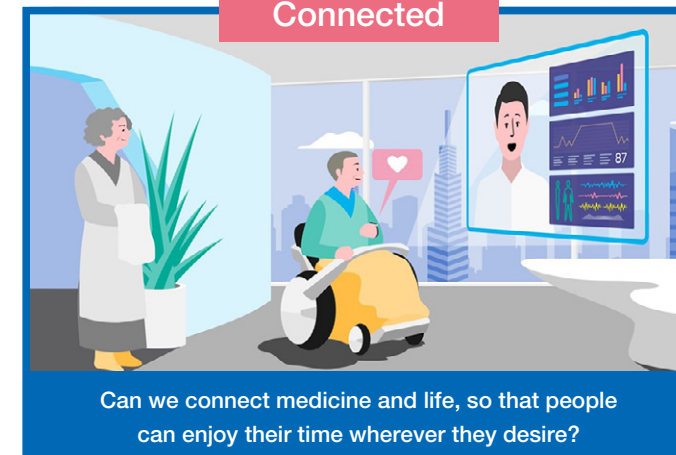
### Intelligent



### Patient oriented



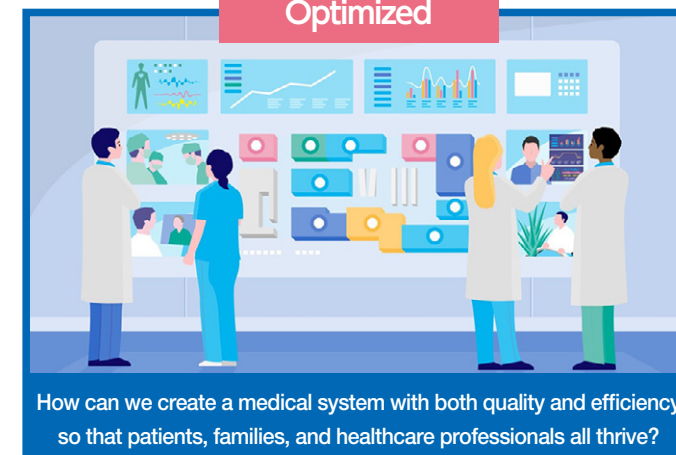
### Connected



### Accessible




### Optimized



# Corporate Value Creation Model

Through its business activities based on its Management Philosophy, Nihon Kohden is working to address social issues and offer values to society as well as attain sustainable development and enhance the corporate value of the Group.

## Realization of the Company's Management Philosophy



**Long-Term Vision**  
Illuminating Medicine for Humanity

Operating margin  
**15%**

Overseas sales ratio  
**45%**

Social and Medical Issues Addressed by Nihon Kohden

Social issues

- Demographic changes
- Changes in structure of diseases
- Climate change/Natural disasters

Medical issues

- Increases in medical expenses
- Disparities in quality of healthcare

Trends in Medical Device Industry

- Accelerating digitalization
- Changes in logistics environment
- Response to new work-styles
- Tighten laws/regulations

INPUT

Main Investment Capital

Financial Capital

- Sound financial structure
  - Current ratio **309%** (FY2020)

Human Capital

- Diverse employees
  - Number of employees **5,531**
  - Of which, Overseas 1,576 people (As of March 31, 2021)

Intellectual Capital

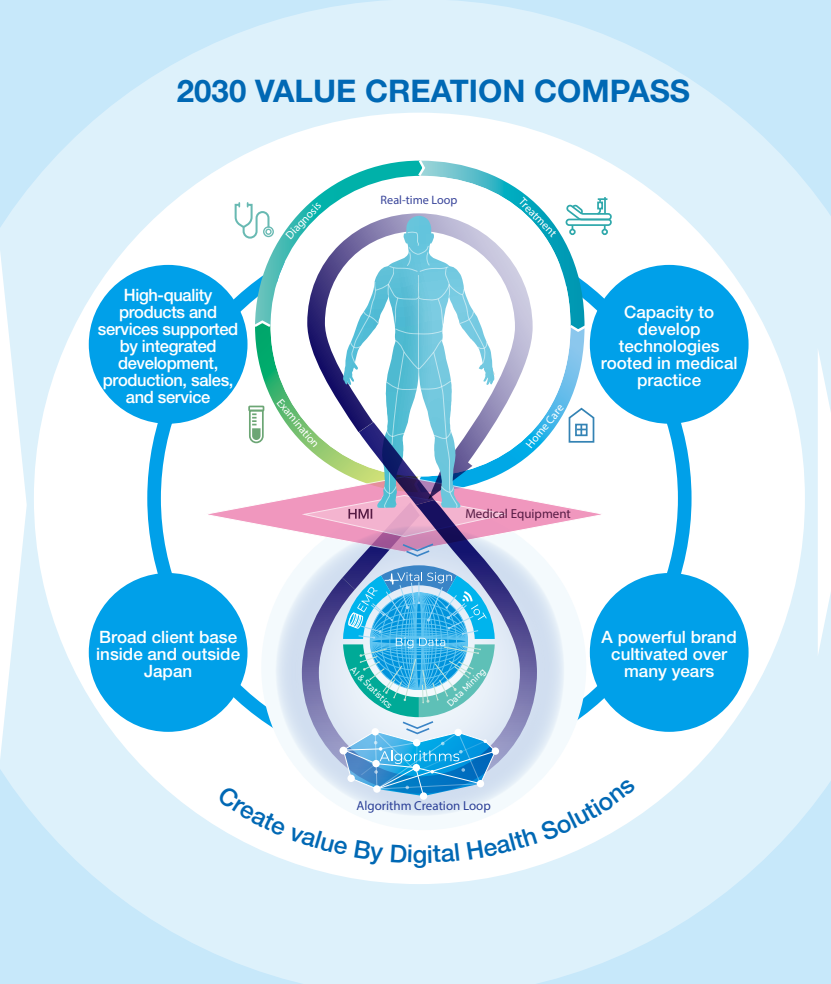
- Proactive R&D investment
  - R&D costs **¥6.3 billion** (FY2020)
- Innovative technological development capabilities
  - Number of new products released **9 items** (FY2020)

Manufacturing Capital/  
Social Capital

- Number of bases in Japan and overseas
  - In Japan **117** sales offices
  - Overseas **24** group companies
- Areas in which products deployed Over **120** countries (As of March 31, 2021)

Natural Capital

- CO<sub>2</sub> Emissions per unit of sales **7.49** t-CO<sub>2</sub>/¥100 million (FY2020)
- Recycling rate **96.9%** (FY2020)



OUTPUT

Targets of the three-year business plan

FY2023 ending March 2024

Sales	¥197 billion
Domestic Sales	¥134 billion
Overseas Sales (Overseas Sales Ratio)	¥63 billion (32.0%)
Operating income (Operating income margin)	¥20 billion (10.2%)
Net income	¥13.8 billion
ROE	10%

Results in FY2020

Physiological Measuring Equipment

- Net Sales **¥37.5 billion**
- Composition ratio **18.8%**
- ECG-3350 Electrocardiograph

Patient Monitors

- Net Sales **¥78.8 billion**
- Composition ratio **39.5%**
- WEP-1200 Telemetry system

Treatment Equipment

- Net Sales **¥45.1 billion**
- Composition ratio **22.6%**
- NKV-330 Ventilator

Other Medical Equipment

- Net Sales **¥38.1 billion**
- Composition ratio **19.1%**
- MEK-1305 Automated hematology and ESR analyzer

OUTCOME

Creating social value

Financial Capital

- Investment funds for sustainable growth
- Return to shareholders

Human Capital

- Job creation
- Fostering a corporate culture in which employees take pride in contribution to healthcare and to our mission

Intellectual Capital

- Technology such as AI and green technology, that is the source of value co-creation

Social Capital

- Improving quality of life (QOL) for patients
- Improving resuscitation rates by expanding access to AEDs

Natural Capital

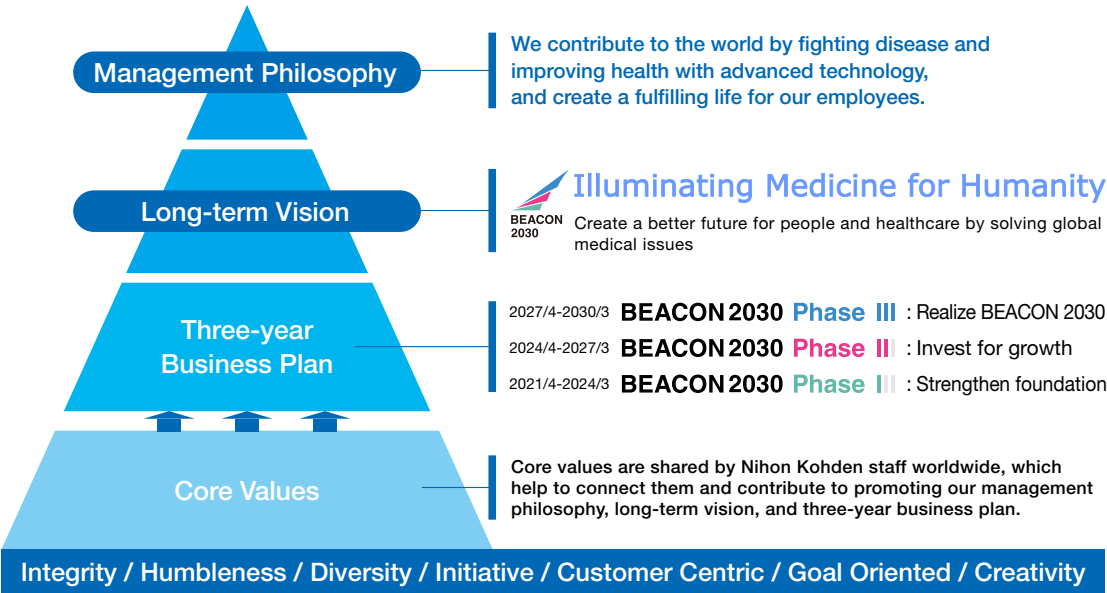
- Contribution to realizing a carbon-free society

Production Capital

- Value chain which pursues the highest level of quality in the world

# Long-term Vision and Three-year Business Plan

In accordance with its management philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, in September 2020, Nihon Kohden announced its long-term vision, BEACON 2030, for the period until 2030 with the aims of achieving a sustainable society and enhancing the corporate value of the Company. Nihon Kohden aims to create a better future for people and healthcare by solving global medical issues.



We announced our long-term vision for 2030.  
Under the three-year business plan, which is the first phase of the long-term vision, the Company will work on improving the profitability of existing businesses and cultivating new business areas and business models.

## Vision Statement

### Illuminating Medicine for Humanity

Create a better future for people and healthcare by solving global medical issues

- 1 Illuminate the future of medicine through our understanding of humanity**  
We will seek better patient outcomes and economy of medical care by remaining a close partner with healthcare professionals and patients around the world, and by leveraging our problem-solving capabilities rooted in clinical expertise.
- 2 Illuminate the lives of many by co-creating unprecedented value**  
We will realize the optimal care cycle for each patient, by utilizing our core strength in Human Machine Interface\* technology with advanced digital technology and data collected from medical sites.
- 3 Illuminate the potential of our people and organization by embracing new challenges**  
We will build an open-minded and creative team of individuals around the world who take pride in their contribution to healthcare and their mission to solve global medical issues facing humankind.

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



## Long-term Vision and Three-year Business Plan

### The Road to Developing the Long-Term Vision

In an ever-changing medical environment, we will strive to become the beacon that lights the path forward to the future of people and healthcare with the philosophy we have upheld since our founding. With strong passion in our hearts, the 2030 PROJECT launched in November 2018. The management team and the next generation leaders gathered for two-days of intensive workshops. We also conducted a survey of all employees to identify challenges that we should address and determine what kind of company and organization we want to become. We then held panel discussions on the future of Nihon Kohden with employees from all divisions and subsidiaries (a total of 34 sessions were held with approx. 3,000 employees participating). The long-term vision, BEACON 2030, was drafted primarily by the next generation leaders, and by adopting a bottom-up approach that involved discussions with the current management team. As a result, all employees felt a sense of ownership, and a shared and feasible vision was created.



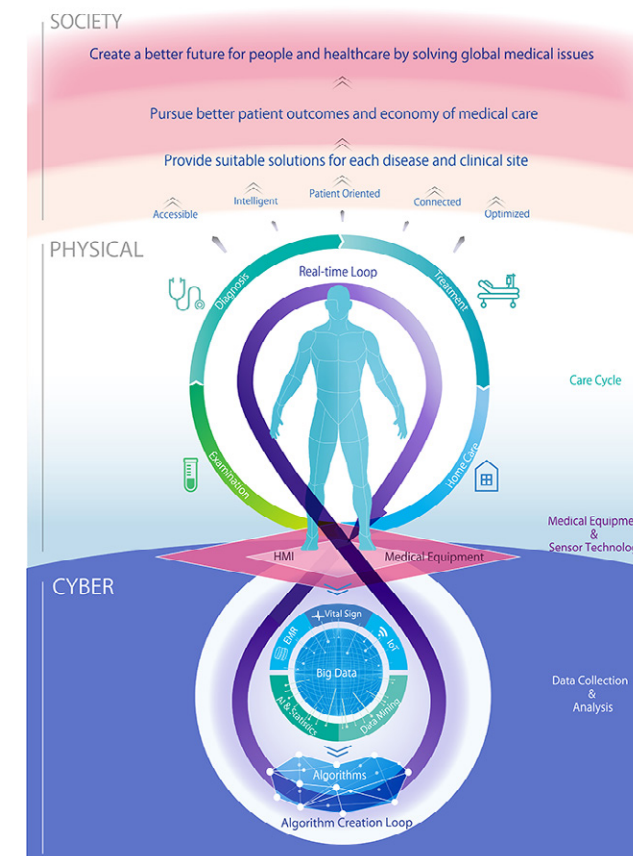
Operating officers and next generation leaders



Keywords gathered in all employee hearings

### Value Creation Compass

Our value creation compass is the new value-creation model that Nihon Kohden will pursue during the period until 2030. We will combine the original technologies and clinical expertise we have cultivated over many years with advanced technologies in collaboration with global partners, to continuously create valuable solutions that help solve issues in clinical sites.



For further details, please refer to our website.

<https://www.nihonkohden.com/company/beacon2030.html>



# Long-term Vision and Three-year Business Plan

## Three Phases and Management Index for Achieving Long-term Vision

Nihon Kohden has set three phases for the period until March 2030. Nihon Kohden will realize its long-term vision by implementing transformations and steadily achieving the themes in each phase. We set the operating income margin and overseas sales ratio as management indicators with the aim of becoming a global company that creates high added value.



The target levels in the fiscal year ending March 2030

Operating margin **15%** Overseas sales ratio **45%**

## Established Core Values of Nihon Kohden

In conjunction with the long-term vision, Nihon Kohden has established Core Values of the Company, which will be shared by and help connect Nihon Kohden staff worldwide. Nihon Kohden aims at realizing its management philosophy based on the Core Values of the Company.

- **Integrity**  
We work with duty and pride to save the lives of many.
- **Humbleness**  
We are humble in the face of challenges and act proactively to solve them.
- **Diversity**  
We are able to reach our potential by leveraging diversity with trust and understanding.
- **Initiative**  
We think and act autonomously with leadership.
- **Customer Centric**  
We take every action to improve the experience of our customers and patients.
- **Goal Oriented**  
We think of how we can achieve our goals, rather than dwell on what we cannot do.
- **Creativity**  
We are not bound by the past, but instead we innovate to create unprecedented value.

## Long-term Vision and Three-year Business Plan

### Review of FY2020

As the business environment had changed significantly due to the COVID-19 pandemic, Nihon Kohden conducted its business activities in FY2020 in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority, (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company. The Company also ramped up production of patient monitors and ventilators at the Tomioka Production Center, Shanghai Kohden (China), and Nihon Kohden OrangeMed (U.S.) to meet demand, which was boosted by the growing number of COVID-19 patients. As a result, the Company was able to acquire a new customer base. One of the greatest achievements is that the ventilator business has grown to a certain scale driven by the Company's two types of in-house ventilators launched in FY2019. In Japan, the Company strived to sell in-house products for creating customer value. The Company also focused on the following proposals: a solution that enables medical staff to view patients' conditions remotely on mobile terminals from out of ward, the cloud-based service named LAVITA that enables management of medical data for COVID-19 patients in accommodation facilities, and disposable consumables. Internationally, the Company has positioned the U.S. and China as growth markets and established the US Operations and the China Operations headquarters in April 2020. In the U.S., the Company strengthened its business operations and enhanced the collaboration among its six subsidiaries. The Company also started a program to respond to COVID-19, NK-HealthProtect. In China, the Company enhanced its local R&D and production capabilities to meet the local customer needs.

Furthermore, the Company has continued to give top priority to the support of medical workers by maintaining supply of products and services, while implementing thorough measures to prevent infection in all regions. The Company also started providing online seminars and training programs. As a result of these developments, the Company posted record highs both in sales and profits in FY2020.

### Measures Implemented in FY2020

#### COVID-19 infection control measures

- Maintained supply of products and services, while implementing thorough measures to prevent infection



- Provided and expanded online seminars and training programs



#### Measures to ramp-up production

- Continued ramping up production until the end of FY2020 to meet domestic and overseas demand increase



- Unit sales of in-house ventilators (FY2020)

NKV-330: approx. 1,000 units  
NKV-550: approx. 2,000 units



#### Results

- Continued support of medical workers in clinical practice by fulfilling our responsibility as a medical device manufacturer to supply products
- Expanded installation base of patient monitors and ventilators

## Long-term Vision and Three-year Business Plan

### Measures to Strengthen Foundation during BEACON 2030 Phase I

The three-year business plan, BEACON 2030 Phase I starting from April 2021 is the stage in which the Company strengthens its business foundation to support the realization of its long-term vision. In this stage, the Company will work on improving the profitability of existing businesses and cultivating new business areas and business models. To embrace sustainability across business and corporate activities, we will ensure strict compliance and strengthen group governance, improve the profitability of existing businesses and make upfront strategic investments, and establish global supply chain management (GSCM) and strengthen the core functions of our operations.

We will also promote key strategies from three standpoints: management, business, and operations. From the management standpoint, we will work on ensuring strict compliance and strengthening group governance. We will also establish and promote a global management policy and strengthen the internal control over domestic sales. From the business standpoint, we will improve the profitability of existing businesses. We will also build a data platform to integrate and analyze vital sign data and provide clinical support applications to improve patient outcomes and the economy of medical care in order to create new customer value by digital health solutions. From the operation standpoint, to encourage corporate digital transformation (DX) and enhance global supply chain management, we will establish a global information system and a communication system. We will also promote work-style reforms and higher business efficiency.

### Targets for FY2023 ending March 2024 (consolidated)

The numerical targets for FY2023 are shown in the table on the right. Consolidated financial results for FY2020 exceeded the targets of the three-year business plan. However, the Company reaffirms the targets for FY2023, because there is no change in the assumptions regarding the market environment from the time the plan was formulated. There is also no impact on the basic policy and key strategies for the three-year business plan. We will strive to minimize the reactionary decline of special demand related to COVID-19. We also aim to achieve a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.

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

Basic policy	
Embrace sustainability across business and corporate activities	
Management	Ensure strict compliance and strengthen group governance
Business	Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth
Operations	Establish global supply chain management and strengthen core functions of operations to lay a foundation for global growth
Six key strategies	
Management	Ensure strict compliance and strengthen group governance
Business	Improve the profitability of existing businesses
	Strengthen strategies in global business
Operations	Create new customer value by digital health solutions
	Promote corporate digital transformation
	Establish global supply chain management

### Targets for FY2023 ending March 2024 (consolidated)

Sales	197 Billions of yen	Domestic sales	134 Billions of yen	Overseas sales	63 Billions of yen
Operating income (Operating income margin)			20 Billions of yen (10.2%)	ROE 10%	



## Message from Management



**Striving to rebuild trust  
with all stakeholders through review  
of the compliance program  
and steady implementation  
of the three-year business plan**

Representative Director  
President and CEO

### Introduction

In regard to the incident where three former employees in Japan were arrested and indicted for prosecution on suspicion of bribery, I sincerely apologize to our customers, business partners, shareholders, and all related parties for all of the inconvenience and concerns this may have caused. We set up an Investigation Committee, including two independent outside directors and two outside lawyers, to clarify the facts of this matter. We received a report stating that no fact of systematic misconduct by the Company as an organization was confirmed and that no facts were found of any matters that could be considered as similar cases. The persons concerned, including myself, were dealt with severely. We deeply regret the fact that our checks during the discount approval process and confirmation of domestic dealers' compliance were insufficient, as well as the fact that sales targets were emphasized in the management of the sales process and the compliance was not thoroughly enforced.

In accordance with the recommendations of the Investigation Committee, we have established a Committee for Implementation and Management of Recurrence Prevention Measures to implement appropriate measures quickly and reliably, and prevent similar matters from occurring again. To strengthen our corporate governance, we are reviewing our organizational structure. We will introduce a donation website and establish a review organization that is independent of the sales divisions. To strengthen internal controls, we will apply IT controls to pre-order processes such as price discounting. As part of the process of strengthening mutual check procedures with dealers, a whistle-blowing channel for third parties will be established. Furthermore, we will review the employee performance evaluation system, provide thorough compliance education, and establish a system to monitor the implementation of recurrence prevention measures.

I sincerely pledge that each executive and employee will carry out open and honest corporate activities, with a high sense of ethics, and to ensure that we have established our Ethical Company Declaration. Under our Management Philosophy, we will enhance our awareness of doing what is ethically right and foster a corporate culture that values compliance above all else.

Here and now, once more, I firmly pledge that we will return to our roots as a medical device manufacturer, and diligently apply ourselves to our business, to become a company that is trusted by its stakeholders more than ever before.

Message from Management

Fulfilling Our Responsibilities as a Medical Device Manufacturer and Posting Record Highs

In FY2020, we focused on our response to the changing business environment due to the COVID-19 pandemic. We implemented thorough measures to prevent infection, while striving to continue to increase production and provide products and services to support clinical practice. As a result, by being able to respond to the rapidly expanding demand for patient monitors and ventilators in Japan and internationally, we were able to achieve record highs both in sales and profits. In addition, we hope that the significant expansion of product installation bases will lead to growth in our consumables and services business in the future.

We received the following message from an employee in Brazil: “By delivering products to customers, we contribute to medical care, which leads to saving patient lives. It makes me proud to work at Nihon Kohden.” The fact that we were able to achieve strong results amid tough conditions is the result of the dedicated efforts of each of our employees worldwide to fulfill our responsibilities as a medical device manufacturer. I sincerely thank all our employees, and feel pride in their dedicated conduct.

Furthermore, in the midst of the COVID-19 crisis, the usefulness of the pulse oximeter to accurately detect hypoxia in patients with mild or no symptoms, in order to implement appropriate treatment before the illness becomes more serious, has been reaffirmed worldwide. In 1974, the principle of pulse oximetry was invented by Dr. Aoyagi, one of engineers of Nihon Kohden. Dr. Aoyagi passed away in April 2020, but his significant contribution to medical care safety worldwide has been recognized, and Nihon Kohden was awarded the 4th Japan Medical Research and Development



Medical workers and our employees who delivered patient monitors to a hospital accepting COVID-19 patients in Brazil in March 2021.

Grand Prize / Prime Minister’s Award in December 2020 for the development and practical application of the pulse oximeter. Encouraged by this award, we will continue our efforts in the research and development of outstanding medical technology.



Announced Long-term Vision BEACON 2030 and Three-year Business Plan BEACON 2030 Phase I

Create a better future for people and healthcare by solving global medical issues

The long-term vision BEACON 2030 is a vision statement of where we want Nihon Kohden to be in 2030. It incorporates the hope of all our employees that, in the ever-changing medical environment, we work for patients and their families, with healthcare professionals, and our business partners and colleagues around the world to save the lives of more patients, and to become the beacon that lights the path forward to the future of people and healthcare.

The three-year business plan, BEACON 2030 Phase I, which started in April 2021, is the first phase toward the realization of the long-term vision, BEACON 2030. In this phase, we will strengthen our foundation supporting sustainable growth, and cultivate new business areas and business models. In the three-year business plan, we will implement key strategies based on the basic policy of embracing sustainability across business and corporate activities.

Message from Management

Nihon Kohden's First Targets in Sustainability

To embrace sustainability, the Nihon Kohden Group defined and set goals for 12 material issues. As a technology company, Nihon Kohden will embrace sustainability across business and corporate activities based on five technologies, including Human Machine Interface technologies, which will be a source of value creation, and green technologies to reduce our environmental footprint. In business activities, we will address 8 issues aimed at realizing the 5 visions for the future which we designated in our long-term vision: Accessible, Intelligent, Patient oriented, Connected, and Optimized. In corporate activities, we will address 4 issues of Human rights / Human resources, Quality, Governance, and Environment.

One example of five visions of the future: Accessible



Mobile AED



AED for home



One of the medical issues to be addressed through our business is to improve resuscitation rates by expanding access to AEDs. Currently approx. 600k units of AEDs have been installed in Japan, but their utilization rate still remains low. Increasing not only the installation of AEDs but also their utilization rate is the key to saving many lives. We promote the deployment of mobile AEDs and home AEDs in locations where AEDs are currently not used. We also aim at improving resuscitation rates by further increasing the level of awareness of AEDs in society, including holding CPR training and AED workshops. One more issue is to contribute to care for patients with heart failure, brain disorders, and infection. The number of patients suffering heart failure and brain disorders is increasing not only in Japan but also in other countries where the population is aging. Meanwhile, the COVID-19 pandemic has raised awareness of the importance of infectious disease care. In response to these medical care issues, Nihon Kohden's technologies will enable rapid testing, diagnosis, and treatment, allowing healthcare professionals to deliver advanced medical care while also implementing infection countermeasures, and allowing us to actively contribute to improving the quality of medical care.

Message from Management

Strengthening our Foundation from Three Standpoints

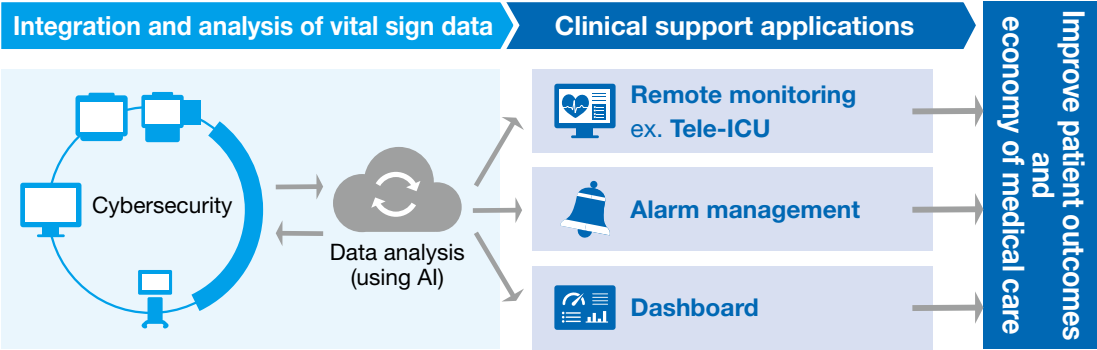
The three-year business plan is positioned as Phase I to strengthen our foundation for realizing sustainable growth. We will promote key strategies from the standpoints of management, business, and operations.

First of all, from the standpoint of management, we will ensure strict compliance and strengthen group governance as our most important key strategy. We believe that strengthening group governance will in itself become a driving force for global growth of the business.

Next, the first key strategy from the standpoint of business is to improve the profitability of existing businesses. We aim at transforming each existing business into a highly profitable structure through implementation of the following common measures across all businesses: creating high customer value, improving productivity within the organization, and timely launches of new products.

The second key strategy is to strengthen strategies in our global business. In Japan, we will enhance solution proposals that contribute to improving the quality of medical care and addressing medical issues. In the U.S., we will further strengthen our business structure by functional integration and unification of six local subsidiaries. In China, we will maximize customer value by utilizing our local R&D, production, and sales functions. In Europe and Emerging markets, we will expand sales to our new customer base and promote solution proposals. In this way, Nihon Kohden will strengthen its strategies in each regional market.

The third key strategy is to create new customer value by digital health solutions (DHS). Due to the global COVID-19 pandemic, the digital transformation in medical care, such as remote monitoring and telemedicine, will be accelerated. Nihon Kohden has designated digital health solutions (DHS) as a new business to develop and will work to expand our business in this field. With Human Machine Interface technology as one of our core technologies, we will build a data platform to consolidate patients' vital sign data from medical equipment and analyze that data using technologies such as AI. We will also provide clinical support applications such as tele-ICU, alarm management to notify of changes in patient condition, and dashboard functions for viewing hospital-wide data. Through these measures, we will contribute to improving patient outcomes and economy of medical care. In April 2021, NKUS Lab was rebranded as Nihon Kohden Digital Health Solutions, Inc. in order to accelerate the realization of the DHS concept.



Next, from an operational standpoint, we aim to establish a global supply chain management (GSCM) and strengthen the core functions of our operations. The key to achieving this is the construction of a common digital platform by promoting corporate digital transformation (CDX). We will enhance group-wide cybersecurity as well as focus on establishing a global information and communication system, in order to improve productivity within the organization and strengthen corporate functions including risk management.

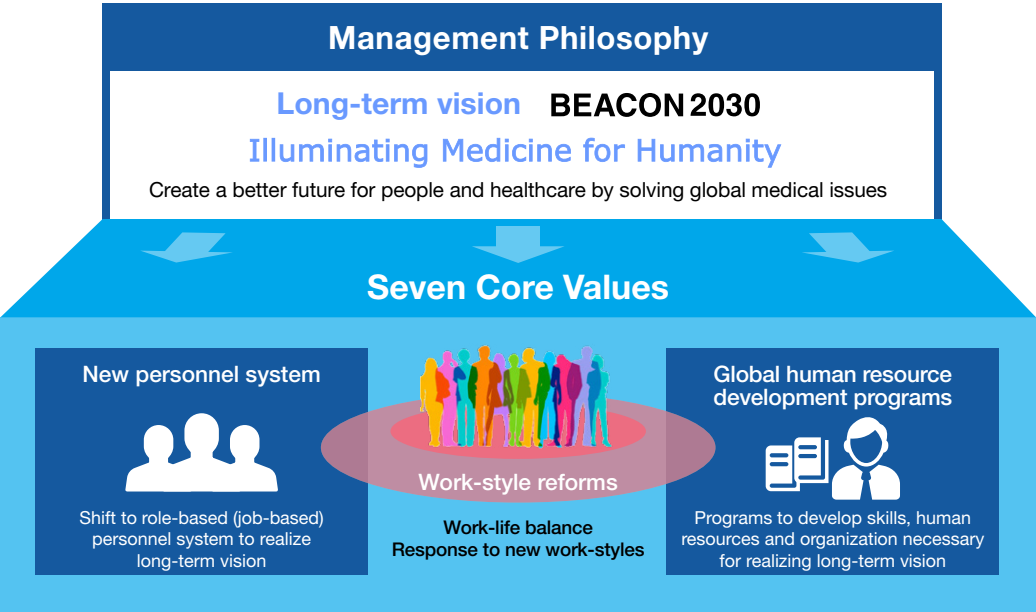
In addition, we will visualize all data in our supply chain by consolidating information from production sites expanded around the world. By leveraging the information collected, we will implement reforms to our operational processes in procurement, production, and logistics, including the standardization of production processes and realization of optimal local production.

Finally, it is most important to develop human resources to promote these key strategies. Nihon Kohden actively strives to foster a corporate culture in which employees take pride in their contribution to healthcare and to our mission, as mentioned among our material issues for embracing sustainability. The Seven Core Values newly established along with our long-term vision, BEACON 2030, provide the foundation for this. Based on these Core Values, the Company will introduce a new role-based/duty-type personnel system, enhance global human resource development programs, and promote work-style reforms adapted to the COVID-19 era.



Message from Management

Foster a Corporate Culture in which Employees Take Pride  
in their Contribution to Healthcare and to Our Mission



Special Dividend and Share Buybacks

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

As the business performance in FY2020 was favorable, as a return to shareholders, we decided to pay a special dividend of 20 yen per share in addition to the ordinary year-end dividend of 18 yen per share. As a result, the full-year dividend for FY2020 was 55 yen per share, including the interim dividend of 17 yen per share. We also implemented share buybacks up to 1.5 billion yen. The full-year dividend for FY2021 will be 39 yen per share (interim dividend of 19 yen per share and year-end dividend of 20 yen per share).

Marking Our 70th Anniversary and Looking Forward to Further Growth Together

Since Nihon Kohden was founded in 1951, we have continued our business activities under its management philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. This August marked our 70th anniversary. We wish to express our sincere gratitude once again to our shareholders and all stakeholders for their continued support over the long years since our founding.

Under its long-term vision, BEACON 2030, Nihon Kohden will grow into a company that can create a better future for people and healthcare by solving global medical issues, where each of our employees take pride in contribution to healthcare and to our mission, and where we work closely with patients and healthcare professionals around the world.

We ask for your continued guidance and encouragement in the future.

# Sustainability

We aim to realize a sustainable society and increase our corporate value by further strengthening the coordination between business strategy and sustainability strategy, and creating both economic and social value.

# SUSTAINABILITY

Sustainability Policy

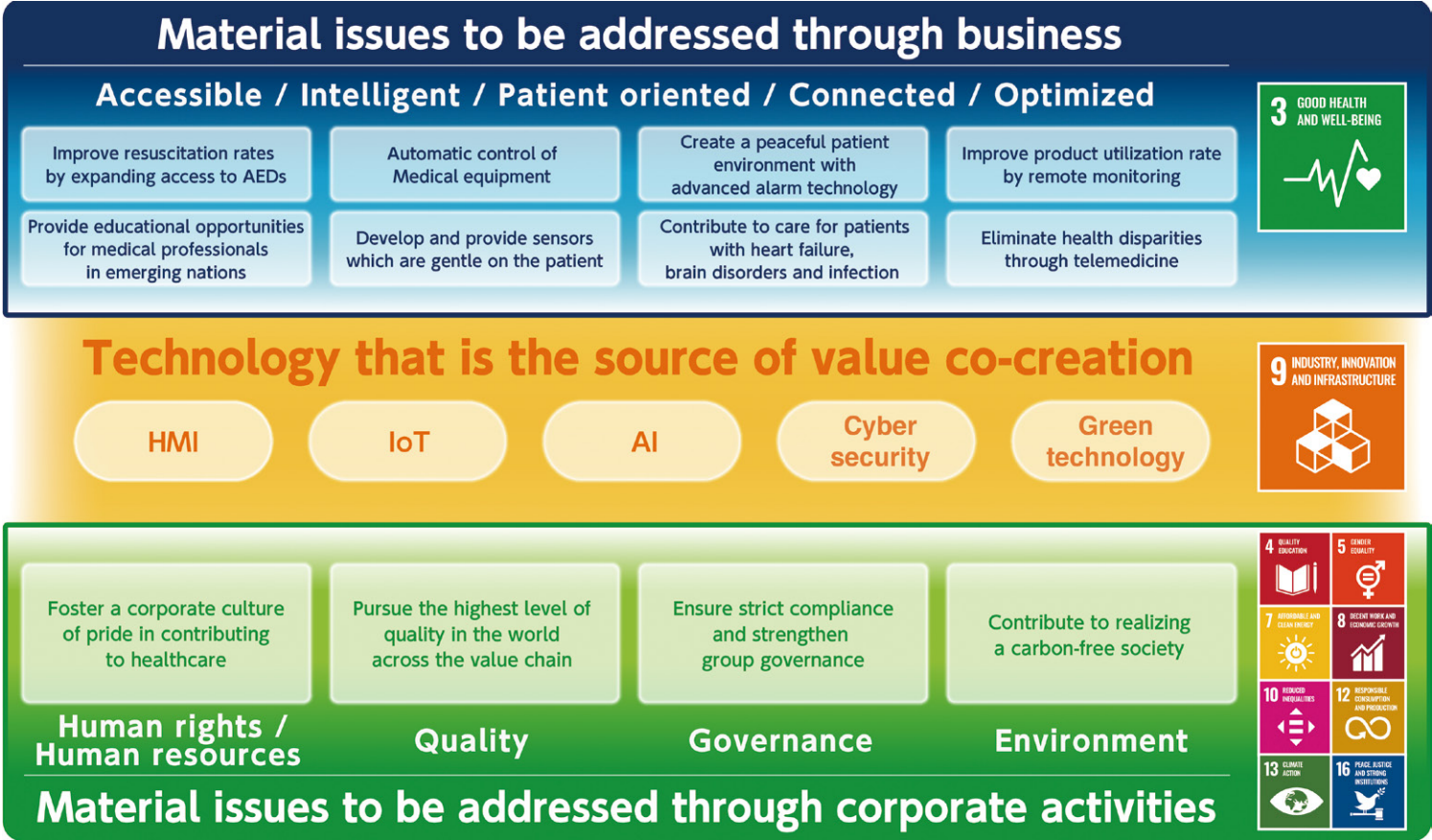
As a manufacturer specializing in medical equipment, Nihon Kohden vigorously strives to contribute to a sustainable society and enhance its corporate value. The Company does this through its business and corporate activities by taking on the challenges of solving a range of social issues such as fighting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

Sustainability at Nihon Kohden

In recent years, activities aimed at achieving the UN Sustainable Development Goals have been promoted in order to respond to various cross-border social issues. The medical care we are involved in is becoming more and more complex due to various problems such as the aging society in developed countries, rising medical costs, lack of basic medical care in emerging countries, and widening medical disparities.

Under these circumstances, Nihon Kohden defined 12 material issues to be addressed through business and corporate activities. The Company also incorporated these non-financial targets into its three-year business plan, BEACON 2030 Phase I, in order to contribute to global social issues and SDGs.

We aim to realize a sustainable society and increase our corporate value by further strengthening the coordination between business strategy and sustainability strategy, and creating both economic and social value.



Foster a corporate culture of pride in contributing to healthcare

Pursue the highest level of quality in the world across the value chain

Ensure strict compliance and strengthen group governance

Contribute to realizing a carbon-free society

Human rights / Human resources

Quality

Governance

Environment

Material issues to be addressed through corporate activities

4 QUALITY EDUCATION

7 AFFORDABLE AND CLEAN ENERGY

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

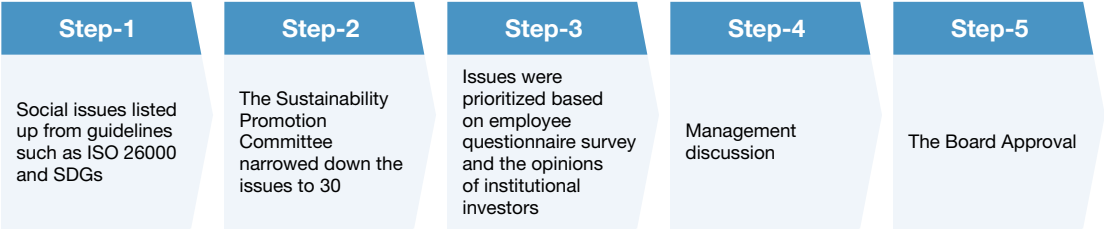


# Sustainability Policy

## The Process of Defining Material Issues

We generated a comprehensive list of social issues by considering the sustainable growth of Nihon Kohden and referencing international guidelines. Following this, the Sustainability Promotion Committee, which consists of members selected from 11 departments in charge of compliance, development, production, and sales, selected the list of prospective material issues.

Based on questionnaires with all employees and the opinions of institutional investors, the identified 20 social issues were prioritized. Nihon Kohden’s management discussed these issues several times and defined the material issues to be addressed. Finally, the Board of Directors approved twelve material issues.

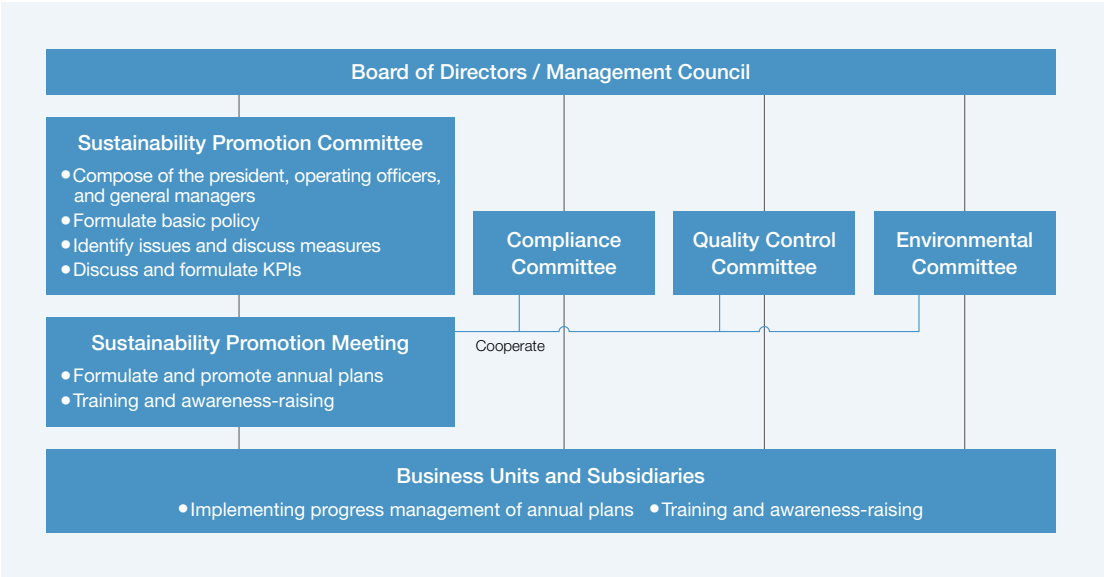


## Sustainability Promotion Structure

Nihon Kohden has established the Sustainability Promotion Committee, composed of the president, operating officers, and general managers, to deliberate and decide the direction of sustainability activities and the Sustainability Promotion Meeting, composed of representatives of 17 divisions, to establish and promote annual plans based on the policies and directions formulated by the Committee.

The Company strives to implement sustainability activities in the daily business operations, in close coordination with the Compliance Committee, Quality Control Committee, and Environmental Committee.

Furthermore, an Advisory Board will be established to incorporate outside perspectives within FY2021.





## Sustainability Policy

### Material Issues and KPIs

In order to review the progress of sustainability activities, Nihon Kohden's management has set KPIs (Key Performance Indicators) and assigned departments for each materiality. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each materiality, report on the progress of sustainability activities and exchange opinions with other members at regular meetings.

We will disclose the results each year in the Nihon Kohden Report and our website.

For further details on KPIs and targets, please refer to our website.  
[https://www.nihonkohden.com/sustainability/csr\\_management.html#materiality](https://www.nihonkohden.com/sustainability/csr_management.html#materiality)



### Material Issues in Sustainability

### KPI

Material issues to be addressed through business	Accessible		KPI
	Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world Utilization rate of AEDs in Japan and the US	
	Provide educational opportunities for medical professionals in emerging nations	Promote training in epilepsy diagnosis in Indonesia Number of educational seminars held, hosting countries, participants (including online programs)	
	Automatic control of Medical equipment	R&D investment in a robotic anesthesia system R&D investment in closed loop control of ventilators	
	Intelligent	Develop and provide sensors which are gentle on the patient	R&D investment in new sensors Number of products sold that have esCCO, synECi18, and iNIBP installed
		Create a peaceful patient environment with advanced alarm technology	R&D investment in improved alarm algorithms for patient monitors Number of hospitals that utilize alarm reports for improving workflow in Japan and the US
	Patient oriented	Contribute to care for patients with heart failure, brain disorders and infection	R&D investment in early warning scores R&D investment in new parameters and algorithms for heart failure care
		Improve product utilization rate by remote monitoring	Number of MD Linkage sold and number of connected models Number of advance notifications before trouble with products occurs
	Connected	Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA R&D investment in realization of remote support for ICUs
		Optimized	
Material issues to be addressed through corporate activities	Human rights / Human resources	Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction Develop human resources who can succeed globally
	Quality	Pursue the highest level of quality in the world across the value chain	Net Promoter Scores Number of recalls
	Governance	Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group Establish and promote global management policy in overseas subsidiaries Strengthen internal control over domestic sales
	Environment	Contribute to realizing a carbon-free society	CO <sub>2</sub> emissions Number of models and sales ratio of environment-friendly products Amount of waste from disposal of products and parts

## Sustainability Policy

### Join UN Global Compact

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



### External Evaluation

#### ■ MSCI Japan ESG Select Leaders Index

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

2021 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

#### ■ MSCI Japan Empowering Women Index (WIN)

The MSCI Japan Empowering Women Index (WIN) is a stock price index created by MSCI and is composed of companies that promote high level of gender diversity and women's participation and advancement in the workforce.

Nihon Kohden has been selected as constituent of the MSCI Japan Empowering Women Index (WIN) since 2020.

2021 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

#### ■ ISS ESG Corporate Rating

The ISS ESG Corporate Rating is a sustainability rating by ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc., a world's leading proxy advisory firm. The rating is based on ESG (Environment, Social, and Governance) factors.

In 2021, Nihon Kohden is rated as "Prime" in the Health Care Equipment & Supplies industry sector.



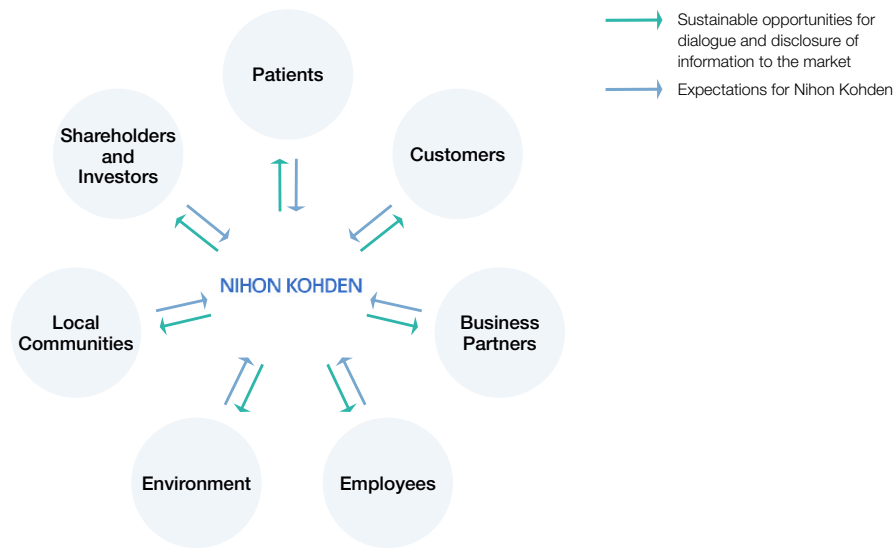
Stakeholder Engagement

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

Growing as a company and establishing trust

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

Mutual understanding through dialogue with our stakeholders



Nihon Kohden’s Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	<ul style="list-style-type: none"><li>Daily sales activities</li><li>Call center</li><li>Customer satisfaction survey</li><li>Academic seminars</li><li>ME (medical electronics) workshops</li></ul>	<ul style="list-style-type: none"><li>Offer of products and services with safety and security</li><li>Enhancement of customer satisfaction</li><li>Response to customer complaints</li><li>Disclosure and offer of adequate information of products and services</li></ul>
Business Partners	<ul style="list-style-type: none"><li>Daily procurement activities</li><li>Questionnaire of sustainable procurement</li></ul>	<ul style="list-style-type: none"><li>Open and fair trade</li><li>Promotion of sustainable procurement</li></ul>
Shareholders and Investors	<ul style="list-style-type: none"><li>General shareholders meetings</li><li>Earnings presentations</li><li>Company briefings</li><li>Events for individual investors</li><li>Website for investors</li></ul>	<ul style="list-style-type: none"><li>Enhancement of corporate value</li><li>Appropriate shareholder returns</li><li>Timely and appropriate disclosure</li><li>Response to Social Responsible Investment</li></ul>
Employees	<ul style="list-style-type: none"><li>Self-enumeration system</li><li>Level-specific training sessions</li><li>Labor-management council meetings</li><li>Consultation counter</li><li>Company newsletters and intranet</li></ul>	<ul style="list-style-type: none"><li>Respect for human rights and promotion of proper labor practices</li><li>Development and utilization of human resources</li><li>Securement of occupational health and safety</li><li>Respect for diversity of human resources and work style</li></ul>
Local Communities	<ul style="list-style-type: none"><li>Volunteer activities in local communities</li><li>Participation in local events</li></ul>	<ul style="list-style-type: none"><li>Participation and contribution to local communities</li></ul>



# Governance

We enhance corporate governance, by establishing a management structure aiming at improving the soundness, transparency, and efficiency of management.

# GOVERNANCE



Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. Aside from being the “right” thing to do, these principles ensure that Nihon Kohden does not lose one of its most valued assets—the trust of its customers, business partners, and stakeholders.

Nihon Kohden’s commitment to ethical and responsible actions is embodied by its Code of Ethics and Conduct. The Code requires all executives, employees, part-time employees, temporary employees, etc. to comply with all laws, regulations, and Company policies.

Compliance Organizational Framework

The Company has a global compliance program effective in all regions in which it conducts business. In order to ensure thorough compliance, the Company has created the following Compliance Organizational Framework:



The Compliance Committee is an organization consisting of directors, officers, and senior managers designated by the Board of Directors. The Compliance Committee ensures and enhances compliance by the followings:

- (i) Establishing and amending the Company’s compliance policies;
- (ii) Supervising, evaluating, assessing, reviewing, and continuously improving the compliance program of the Company;
- (iii) Coping with important compliance issues; and
- (iv) Studying, assessing, addressing, and implementation of responses to other compliance matters.

The Chief Compliance Officer (CCO) is responsible for management, operation, and implementation of the compliance program throughout the Company. The Divisional and Local Compliance Officers are empowered and authorized to implement, ensure, and enhance the compliance program in each division or subsidiary. The CCO carefully selects these individuals and regularly communicates with them to verify that global policies are implemented.

## Ensuring Thorough Compliance

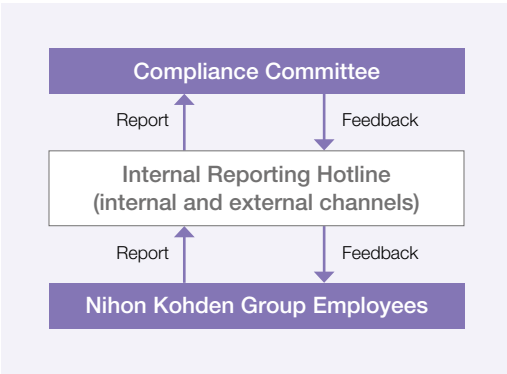
### Compliance Training

The Company conducts annual compliance training for all executives and employees at the workplace level in each of our departments and subsidiaries in Japan and internationally (Approximately 5,400 persons in FY2020). Each employee first studies the predefined material on his/her own and then confirms his/her level of understanding. Next, we read the material and discussing it with colleagues in order to deepen employees' understanding of compliance. As necessary, Local Compliance Officers in overseas subsidiaries provide additional training in accordance with local laws, regulations, and policies in each country. In addition, compliance study sessions are held in each division according to business such as harassment, Pharmaceutical and Medical Device Act, and sales activities.

### Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports in good faith. However, to alleviate any concerns on the part of the employees making reports, the Company accepts anonymous reports.

Internal Reporting Hotline



### Preventing Corruption

The Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery or corrupt act towards 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 laws 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 Policies, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto. The Company also asks business partners including overseas distributors to understand and cooperate with Nihon Kohden's anti-corruption efforts and provides them with the Nihon Kohden Code of Ethics and Conduct and educational materials related to anti-corruption.

### Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in 2017 and is working to ensure thorough compliance throughout the entire Group, including overseas sales subsidiaries. In FY2020, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers, and issued a newsletter. We also conducted risk assessments for all overseas subsidiaries to confirm the status of implementation of the Global Compliance Program and future areas of focus. In the Three-year Business Plan, we will establish more robust compliance structure by addressing the following initiatives; to ensure strict compliance and strengthen group governance and to strengthen internal control over domestic sales.

For further details, please refer to our website.

<https://www.nihonkohden.com/sustainability/compliance.html>



# Ensuring Thorough Compliance

## Results of Investigation of the Compliance Matter

We sincerely apologize to our customers, business partners, shareholders, and all related parties for all of the inconvenience and concerns caused by the incident that three former employees in Japan were arrested and indicted for prosecution on suspicion of bribery in January 2021. We received an investigation report from the Investigation Committee and have dealt strictly with all involved persons.

### Summary of the Investigation Report from the Investigation Committee Concerning the Compliance Matter

#### Investigation Results

- No fact of systematic misconduct by the Company as an organization
- No facts were found that are considered as similar cases

#### Analysis of the Cause of the Case

- [Opportunities] An environment in which provision of benefits is induced, and a system in which it is easy to come up with the funds to do so
- This distinctive characteristic of medical devices industry produces an environment where manufacturers and dealers end to solicit business improperly by providing medical institutions with benefits or advantages
  - The method of approving price estimates and of managing documents in domestic sales branch offices were not completely unified, and there were incomplete points in the Company concerning standardization of operation and the use of IT systems
  - There is a lack of the rules for the relationships with domestic dealers

[Motives] Desire to close immediate deal

[Justifications] Defects in the compliance system, and lack of understanding of the true nature of issues

#### Recommendation of Recurrence Prevention Measures

- 1 Strengthening of Governance (Review of the organization, Review of the procedures for considering donations, Strengthening of internal control, and Mutual check with dealers)
- 2 Review of the Employee Performance Evaluation System
- 3 Thorough Compliance Education
- 4 Monitoring the establishment of anti-corruption/misconduct programs listed in 1 through 3 above as well as the implementation status of such programs

## Recurrence Prevention Measures

A Committee for Implementation and Management of Recurrence Prevention Measures was established on April 28, 2021 in accordance with the recommendations of the Investigation Committee. The following measures will be implemented quickly and reliably.

### 1. Strengthening of Governance

#### (1) Review of the organization

- Established the Compliance & Legal Department in the Global Corporate Administration Operations (April 2021)
- Established the Compliance Department in the Sales Operations in Japan (April 2021)
- Domestic sales branch offices
  - Strengthen administrative functions
  - Strengthen reporting lines to the Chief Compliance Officer

#### (2) Review of the procedures for considering donations

- Introduce a donation website. Establish a review organization that is independent of sales divisions

#### (3) Strengthening of internal controls

- Application of IT controls to preorder processes

#### (4) Establish mutual check procedures with dealers

- Mutual pledge to comply with laws
- Periodic questionnaires
- Establish whistle-blowing channel for third parties

### 2. Review of the Employee Performance Evaluation System

- Include compliance in evaluation items for performance evaluation

### 3. Thorough Compliance Education

- Domestic sales branch offices
  - Improve education programs for managers
  - Increase the amount of specific and practical training contents

### 4. Monitoring

- Periodic internal compliance awareness surveys
- Ensure that all employees are aware of the internal reporting hotline

# 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 Management 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 an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory functions, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has four independent outside directors, who comprise one-third of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, the Internal Auditing Department, and the Accounting Auditor. The Company believes the management monitoring functions work sufficiently.

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

### ■Board of Directors

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

### ■Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three directors, including two outside directors and one full-time member. Each Audit & Supervisory Committee member attends the important meetings such as the Management Council. Each Audit & Supervisory Committee member audits the performance of the directors' duties through the investigation of business execution and assets of the Company and its subsidiaries. Those activities shall be in accordance with the audit policy and plan for the term which is decided at the Audit & Supervisory Committee. The Audit & Supervisory Committee cooperates closely with the Accounting Auditor and the 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, at which all directors and operating officers attend, 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, and there are fifteen operating officers (including two female operating officers) who are not serving concurrently as directors.



## Enhancing Corporate Governance

### ■ Nomination & Remuneration Committee

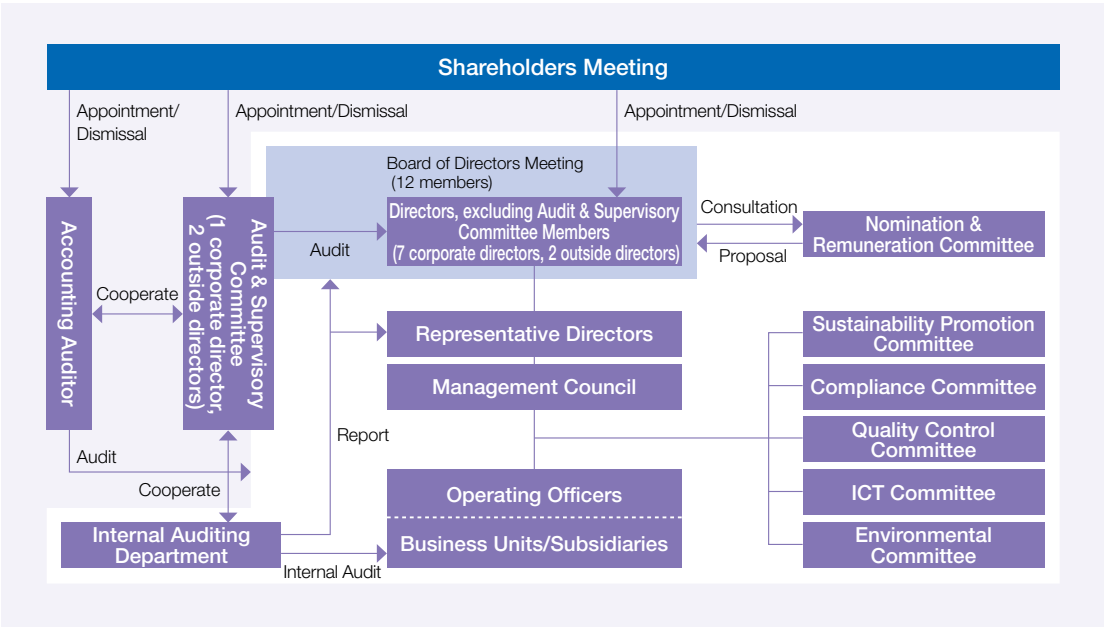
The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure the transparency and objectivity of the management. All four committee members and the committee chair are appointed from outside directors. The Nomination & Remuneration Committee deliberates on the proposal of the candidates, remuneration of directors, and succession plans in response to requests from the Board, and submits the proposals to the Board.

For further details on the corporate governance, please refer to our website.

<https://www.nihonkohden.com/company/governance.html>



### Corporate Organization and Internal Control System



### Process of Nominating and Dismissing Directors

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

### Nomination and Dismissal of Directors

In accordance with the policy above, nominations and dismissals of directors, which are submitted to a general shareholders meeting, are proposed by the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, and are approved by the Board.

### Nomination of Outside Directors

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

## Enhancing Corporate Governance

### Remuneration of Directors

Nihon Kohden has established the policy on determining the amounts and methods of calculation of directors' 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. The method for determining the policy is established through resolution by the Board of Directors based on a report of the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board.

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

**Remuneration of directors (excluding Audit & Supervisory Committee members and outside directors)** shall consist of a base salary as fixed monthly compensation, bonuses as performance-based compensation reflecting short-term business performance, and restricted stock remuneration as an incentive to continuously improve the Company's corporate value over the mid- to long-term.

**Remuneration of Audit & Supervisory Committee members and outside directors**, who are responsible for supervisory functions, shall consist of the fixed monthly compensation only.

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

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

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

**The ratio by types of compensation for directors (excluding Audit & Supervisory Committee members and outside directors)** shall be reviewed by the Nomination & Remuneration Committee, based on the remuneration levels of benchmark companies whose business scale is similar to the Company. The weighting of performance-based compensation shall be higher for the higher positions. While respecting the report by the Nomination & Remuneration Committee, the Board of Directors shall determine the details of remuneration for each director within the range of the ratio by types of compensation indicated in the report. The amount of remuneration shall be determined by resolution of the Board of Directors, which shall have the authority to determine the amount of basic salaries for each director as well as the evaluation and allocation of performance-based compensation based on the performance of the business for which each director is responsible. The Board of Directors shall consult the Nomination & Remuneration Committee on the draft remuneration plan and obtain a report from the Committee to ensure that the Board exercises its authority appropriately. The Board of Directors shall also resolve the number of shares to be allocated to each director as restricted stock remuneration based on the report of the Nomination & Remuneration Committee.

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

Enhancing Corporate Governance

Total Amount of Remuneration of Directors in FY2020

Millions of yen	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of directors (persons)
		Fixed monthly compensation	Performance-based compensation	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee members)	299	167	108	24	7
Directors (Audit & Supervisory Committee members)	22	22	—	—	1
Outside directors	39	39	—	—	6

(Note) The amount above does not include 42 million yen which is the directors' salary as employees of the Company.

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

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 69th general shareholders meeting held on June 25, 2020 approved the following: The maximum amount of monetary compensation receivables to be paid to directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) in respect of restricted stock shall be within the limit of 100 million yen.

Board of Directors Evaluation

Nihon Kohden conducted self-evaluations of all twelve directors in an anonymous survey related to the size and composition of the Board and its operations. The Company also discussed the results of evaluation and issues for further improvements.

As a result, it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory functions have been established in terms of size, composition, and operations of the Board. It was also concluded that the Board operates effectively with an open atmosphere that enables inside and outside directors to engage in candid discussion.

In FY2020, based on the FY2019 evaluation results, the Company improved operational methods to ensure adequate time for deliberation by the Board. In addition, the Board of Directors and the Nomination & Remuneration Committees, which is a voluntary advisory committee under the Board, have become more active in discussing the fostering of successors to the Chief Executive Officer and other executives. On the other hand, the Board members shared the following issues: the need for further discussion on compliance, internal controls, and risk management as well as reinforcing the support systems for outside directors.

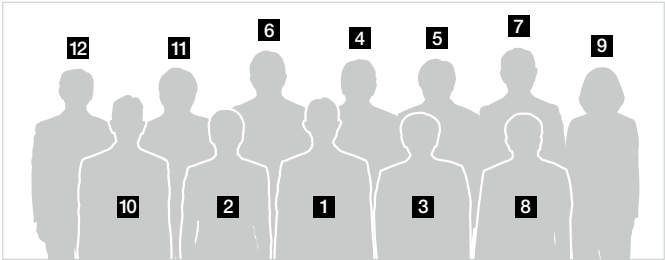
In addition to continuing past improvement measures, the Company will strengthen organizational functions to facilitate deeper discussion by the Board on compliance, internal controls, and risk management based on FY2020 evaluation results.

The Company will continue to improve the overall effectiveness of the Board with the aim of achieving sustained growth of corporate value and enhancement of corporate governance.

# Management Team



To prevent the infection of COVID-19, we process the image which was taken while keeping a social distancing from each other.



## 1 Hirokazu Ogino

Representative Director  
President and CEO

Served as Director for 9 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth May 28, 1970  
Apr. 1995 Joined the Company  
Apr. 2007 President of Nihon Kohden Europe GmbH  
Apr. 2011 General Manager of Marketing Strategy Department  
Jun. 2011 Operating Officer  
Jun. 2012 Corporate Director and Operating Officer  
Apr. 2013 General Manager of International Operations  
Jun. 2013 Corporate Director and Senior Operating Officer  
Oct. 2013 CEO of Nihon Kohden America, Inc.  
Jun. 2015 Representative Director, President and COO  
Jun. 2017 Representative Director, President and CEO (current position)

## 2 Takashi Tamura

Representative Director  
Executive Operating Officer, In Charge of Domestic Operations

Served as Director for 13 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth March 22, 1959  
Apr. 1983 Joined the Company  
Apr. 2003 President of Nihon Kohden Kansai Corporation  
Apr. 2007 General Manager of Sales Operations  
Jun. 2007 Operating Officer  
Jun. 2008 Corporate Director and Operating Officer  
Apr. 2011 General Manager of International Operations  
Apr. 2013 General Manager of Service Business Division  
Apr. 2014 General Manager of Customer Service Operations  
Jun. 2015 Corporate Director and Senior Operating Officer  
Apr. 2016 General Manager of Sales Operations  
Jun. 2017 Representative Director and Executive Operating Officer (current position)

## 3 Tadashi Hasegawa

Director  
Senior Operating Officer, General Manager of Global Corporate Administration Operations, Chief Compliance Officer

Served as Director for 6 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth June 17, 1959  
Apr. 1983 Joined The Saitama Bank Ltd.  
Jun. 2009 Operating Officer of Saitama Resona Bank Limited  
Jun. 2011 Senior Operating Officer of Saitama Resona Bank Limited  
Jun. 2013 Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited  
Mar. 2014 Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited  
Apr. 2014 Joined the Company  
Jun. 2014 Operating Officer and Responsible for Internal Auditing Department  
Jun. 2015 Corporate Director and Senior Operating Officer (current position)  
Apr. 2017 Chief Compliance Officer (current position)  
Apr. 2020 General Manager of Global Corporate Administration Operations (current position)

## 4 Kazuteru Yanagihara

Director  
Senior Operating Officer, General Manager of Strategic Technology Operations

Served as Director for 6 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth January 22, 1957  
Apr. 1980 Joined the Company  
Apr. 2009 Deputy General Manager of Biomedical Instrument Technology Center  
Apr. 2011 General Manager of Technology Promotion Center  
Jun. 2011 Deputy General Manager of Biomedical Instrument Technology Center  
Apr. 2012 General Manager of Biomedical Instrument Technology Center  
Jun. 2012 Operating Officer  
Apr. 2014 General Manager of Strategic Technology Operations (current position)  
Jun. 2015 Corporate Director and Operating Officer  
Jun. 2017 Corporate Director and Senior Operating Officer (current position)



5 Fumio Hirose

Director  
Senior Operating Officer, General Manager of Business Strategy Operations

Served as Director for 6 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth March 2, 1960  
Apr. 1982 Joined the Company  
Apr. 2003 President of Nihon Kohden Chushikoku Corporation  
Apr. 2006 Chief Manager of Global Marketing Operations  
Apr. 2009 General Manager of Corporate Planning Department  
Jun. 2009 Operating Officer  
Apr. 2013 General Manager of Ventilator & Anesthesia Device Business Operations  
Jun. 2015 Corporate Director and Operating Officer  
Jun. 2017 Corporate Director and Senior Operating Officer (current position)  
Apr. 2018 General Manager of IVD Business Operations  
Apr. 2020 General Manager of Business Strategy Operations (current position)

9 Kanako Muraoka

Outside Director Independent Director

Served as Director for 1 year  
Attendance at Board Meetings 13/13 (100%)  
  
Date of birth April 26, 1965  
Apr. 1988 Joined Mitsubishi Corporation  
Apr. 1993 Registered as an attorney (Daini Tokyo Bar Association),  
Joined Anderson & Mōri (currently Anderson Mōri & Tomotsune)  
Oct. 1999 Joined Mori Sogo (currently Mori Hamada & Matsumoto)  
Jun. 2019 Established Mars Law Office  
Apr. 2020 Joined Kowa Law Office (to present)  
Jun. 2020 Outside Director of the Company (current position)  
Mar. 2021 Outside Director of FUJIYA CO., LTD. (current position)

6 Eiichi Tanaka

Director  
Operating Officer, General Manager of US Operations

Served as Director for 4 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth July 15, 1962  
Apr. 1985 Joined the Company  
Apr. 2002 General Manager of Marketing & Business Development Department  
Oct. 2003 President of Nihon Kohden America, Inc.  
Apr. 2008 General Manager of General Affairs and Human Resources Department  
Jun. 2008 Operating Officer  
Apr. 2011 General Manager of Accessories & Consumables Business Operations  
Apr. 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation  
Apr. 2014 President of Nihon Kohden Tomioka Corporation  
Apr. 2017 General Manager of Import Business Operations  
Jun. 2017 Corporate Director and Operating Officer (current position)  
Apr. 2019 General Manager of Corporate Strategy Division  
Apr. 2020 General Manager of US Operations (current position)

10 Shigeru Hirata

Newly appointed Director  
Full-time Audit & Supervisory Committee Member

Date of birth May 12, 1961  
Apr. 1985 Joined the Company  
Apr. 2011 General Manager of General Affairs & Human Resources Department  
Jun. 2011 Operating Officer  
Apr. 2014 General Manager of Human Resources Department  
Apr. 2016 General Manager of Finance Department  
Apr. 2020 Deputy General Manager of Global Corporate Administration Operations and General Manager of Finance Department  
Apr. 2021 Operating Officer in charge of Internal Auditing  
Jun. 2021 Corporate Director (Full-time Audit & Supervisory Committee Member) (current position)

7 Yasuhiro Yoshitake

Director  
Operating Officer, General Manager of International Operations

Served as Director for 4 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth March 20, 1966  
Apr. 1988 Joined the Company  
Oct. 2003 President of Nihon Kohden Europe GmbH  
Apr. 2007 General Manager of Sales Promotion Division, International Operations  
Apr. 2008 Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.  
Apr. 2011 General Manager of China Operations  
Jun. 2011 Operating Officer  
Apr. 2013 General Manager of Asia and Middle East Operations  
Apr. 2015 General Manager of International Operations (current position)  
Jun. 2017 Corporate Director and Operating Officer (current position)  
Feb. 2019 President and CEO of Nihon Kohden America, Inc.

11 Shigeru Kawatsuhara

Outside Director Independent Director  
Audit & Supervisory Committee Member

Served as Director for 5 years  
Attendance at Board Meetings 20/20 (100%)  
Attendance at Audit & Supervisory Committee Meetings 25/25 (100%)  
Date of birth February 14, 1952  
Apr. 1975 Joined Toko, Inc.  
Apr. 2002 Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.  
Apr. 2004 General Manager of Sales Center, Toko, Inc.  
Jun. 2005 Corporate Director and General Manager of Sales Center, Toko, Inc.  
Apr. 2008 President of Toko, Inc.  
May 2014 Chairman of Toko, Inc.  
Mar. 2015 Senior Advisor of Toko, Inc.  
Apr. 2016 Part-time Advisor of Toko, Inc.  
Jun. 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

8 Minoru Obara

Outside Director Independent Director  
  
Served as Director for 9 years  
Attendance at Board Meetings 20/20 (100%)  
Date of birth September 29, 1947  
Apr. 1986 Associate Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University  
Apr. 1993 Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University  
Jun. 2012 Outside Director of the Company (current position)  
Apr. 2013 Professor Emeritus at Keio University (current position)

12 Kazuo Shimizu

Outside Director Independent Director  
Audit & Supervisory Committee Member

Served as Director for 1 year  
Attendance at Board Meetings 13/13 (100%)  
Attendance at Audit & Supervisory Committee Meetings 15/15 (100%)  
Date of birth May 16, 1959  
Apr. 1983 Joined Nippon Yusen Kabushiki Kaisha  
Oct. 1989 Joined Asahi Audit Corporation (currently KPMG AZSA LLC)  
Oct. 1992 Joined Shimizu Susumu Certified Tax Accountant Office  
Mar. 1993 Registered as a Certified Public Accountant  
May 1994 Registered as a Certified Tax Accountant  
Jan. 2003 Joined Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.)  
Sep. 2013 Joined Shimizu Accounting Office (to present) Representative Partner of Ryoh-koh Audit Corporation (current position)  
Jun. 2020 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

## Message from Outside Directors

The following are messages from the four outside directors.



**I intend to proactively contribute to the Company as a real-life outside director, with extensive expert knowledge transcending the capabilities of AI.**

**Minoru Obara**

Outside Director  
Professor Emeritus at Keio University

As a neutral outside director, I will endeavor to promote sustainable business development including ESG (Environment, Social, Governance), taking into account the perspectives of all stakeholders, from shareholders to employees. To increase my value as an outside director, I am dedicated to going beyond the expertise I cultivated in the past to also identify and understand rapidly evolving areas of science and technology, and become able to accurately envision the future of the medical industry. The rapid worldwide spread of Corporate Digital Transformation (CDX) and DX due to the ability to analyze and synthesize big data at ultra-high speeds and with high precision is bringing about major discontinuous changes in global business. In the future, we may see the appearance of virtual outside directors based on artificial intelligence, but meanwhile, I will continue to work tirelessly with a sense of responsibility to proactively contribute to the Company as a real-life outside director, an expert with extensive knowledge transcending the capabilities of AI.



**We will strive for the rebirth of a new Nihon Kohden.**

**Kanako Muraoka**

Outside Director  
Kowa Law Office

In FY2020, Nihon Kohden mobilized all of its resources to counter the global spread of the COVID-19 pandemic, making a strong impression of the Company's value to society. I want to pay my deep respect to all of our employees, who, despite the challenging circumstances, worked tirelessly to continue production, sales, and maintenance services and deliver medical equipment to facilities in the front line of medical care worldwide, helping to save the lives of many patients. While it may still be some time before we see the resolution of the pandemic, I hope that Nihon Kohden can play an even greater role both in Japan and overseas. Furthermore, because compliance is receiving greater attention owing to the bribery case that occurred in the previous fiscal year, I hope that in this fiscal year we will take all possible measures to prevent any recurrence, and achieve the rebirth of a new Nihon Kohden.

## Message from Outside Directors



**I will contribute to the enhancement of corporate value by focusing on measures to achieve solid growth and win back the trust of our stakeholders.**

**Shigeru Kawatsuhara**

Outside Director (Audit & Supervisory Committee Member)

I believe that analysis and development of extensive medical cases, vital data, AI, algorithms, and robots offer a bright future for medical care, but infection control measures have been delayed to the extent where there is talk of the collapse of healthcare systems. Financial results for FY2020 were extremely favorable as a result of the Company-wide efforts to fulfill our responsibility to develop, manufacture, and supply medical equipment related to the COVID-19 pandemic. On the other hand, the occurrence of the compliance matter caused great concern to all of our stakeholders. With the dramatic changes in the business environment in recent years, the Company is required to effect a speedy transformation of its operations, including the establishment of a more effective governance system. I will focus on measures to achieve solid growth and win back the trust of our stakeholders. I will also provide appropriate advice based on my experience and from my perspective as outside director, to contribute to the enhancement of corporate value.



**I intend to contribute to Nihon Kohden's growth strategy by exercising my supervisory functions from the perspective of stakeholders.**

**Kazuo Shimizu**

Outside Director (Audit & Supervisory Committee Member)  
Shimizu Accounting Office, Ryoh-koh Audit Corporation

Nihon Kohden has a firmly rooted corporate culture of social contribution that supports people's lives and health. The recent occurrence of a compliance incident at a company with such lofty intentions has had a significant impact on society. To regain the trust of the public, we need to make a concerted and ongoing effort to raise the compliance awareness of all employees. I will verify that the systems and structures needed to prevent recurrence are in place, and that those controls are functioning effectively. On a different note, I believe that a work environment is steadily becoming established where talented women can play their active roles. Moving forward, I believe we must also leverage the contributions of foreign and external experts and promote enhancement of governance at overseas subsidiaries. At the same time, in view of the opportunities in the COVID-19 pandemic, I hope to provide advice on the effectiveness of integration from a financial perspective at strategic meetings for M&A. Furthermore, in my role as a member of the Board of Directors I intend to contribute to Nihon Kohden's growth strategy by exercising my supervisory functions from the perspective of stakeholders.

# Meetings of Outside Directors to Exchange Opinions

■Overview

Nihon Kohden has been holding regular meetings for outside directors to exchange opinions and build a common understanding since FY2016.

Aims	With a membership composed entirely of independent outside directors, these meetings are held on a regular basis and are designed to exchange opinions and build common understanding from an independent and objective standpoint. The meetings aim at encouraging outside directors to engage in lively discussions at the Board Meetings.
Members	Four independent outside directors, including two members of the Audit & Supervisory Committee
Dates for Meetings	Bi-annual meetings scheduled for around May and November, with additional meetings when required
Agenda	<div>May. Evaluation of the effectiveness of the Board of Directors</div> <div>Nov. Update on the progress in improving the Board's effectiveness and the Company's business operations</div>

■Meetings Held

FY2016	<div>May. The results of the evaluation of the effectiveness of the Board of Directors</div> <div>Nov. Update on the progress in improving the Board's effectiveness Lecture on the healthcare industry, the Ministry of Health, Labor and Welfare policies, and Nihon Kohden's strategy</div> <div>Feb. Lecture on Nihon Kohden products and the competitive environment</div>
FY2017	<div>Jun. The results of the evaluation of the effectiveness of the Board of Directors</div> <div>Nov. Update on the progress in improving the Board's effectiveness Report activities of the Marketing Strategy Department</div>
FY2018	<div>May. The results of the evaluation of the effectiveness of the Board of Directors</div> <div>Dec. Update on the progress in improving the Board's effectiveness Report on Patient Monitoring Business</div>
FY2019	<div>Jun. The results of the evaluation of the effectiveness of the Board of Directors Report the progress in creating next Long-term Vision and Medium-term Business Plan</div> <div>Dec. Update on the progress in improving the Board's effectiveness Report on Ventilator and Anesthesia Business</div>
FY2020	<div>May. The results of the evaluation of the effectiveness of the Board of Directors</div> <div>Dec. Update on the progress in improving the Board's effectiveness Report on IT Solutions Business</div>
FY2021	<div>May. The results of the evaluation of the effectiveness of the Board of Directors</div>

■Content of Meetings

To date, we have held a total of twelve meetings and active discussion took place in each meeting. In FY2020, the meeting was held online due to the COVID-19 pandemic. When the meeting took place in December 2020, we welcomed two newly appointed outside directors, and discussed various matters, which helped to enhance their understanding of Nihon Kohden. They also exchanged their opinions on the importance of securing sufficient deliberation time at the Board of Directors and the fostering of successors for the Chief Executive Officer and other executives, to enhance the effectiveness of the Board of Directors.





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

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

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group. The risks present in the execution of business activities have been classified into nine types, and the Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. The 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.

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graph TD
    Board[Board of Directors] --> RepDir[Representative Director]
    RepDir --> ManC[Management Council]
    ManC --> Impl[Implementation of risk management and reporting on status of implementation]
    ManC --> Assess[Assessment of the effectiveness of the management systems for each risk, etc.]
    Impl --> RiskSup[Risk Management Supervisory Divisions]
    Assess --> RiskSup
    RiskSup --> RiskDiv[Risk Management Divisions]
    RiskSup --> RiskRel[Risk-Related Committees]
    RiskDiv --> ForRisk[For each risk type]
    RiskRel --> ForRisk
    ForRisk --> OpDiv[Operating Divisions and Subsidiaries]
    RiskRel --- Committees[Sustainability Promotion Committee  
Compliance Committee  
Personal Information Protection Committee  
Quality Control Committee  
Environmental Committee  
Information Disclosure Committee  
Disaster Prevention Management Committee  
ICT Committee]
  
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Board of Directors

Representative Director

Management Council

Implementation of risk management and reporting on status of implementation

Assessment of the effectiveness of the management systems for each risk, etc.

Risk Management Supervisory Divisions

Risk Management Divisions

Risk-Related Committees

For each risk type

Operating Divisions and Subsidiaries

Sustainability Promotion Committee

Compliance Committee

Personal Information Protection Committee

Quality Control Committee

Environmental Committee

Information Disclosure Committee

Disaster Prevention Management Committee

ICT Committee

## Strengthening Risk Management

### Self-Assessment of Risk Management

Nihon Kohden’s offices, subsidiaries, and the departments in the head office conduct self-assessment of risk management regarding compliance and other using divisional inspection sheets. The Risk Management Supervisory Division verifies the progress of risk management system implementation and future responses, and reports the results of self-assessments to the Board of Directors. In FY2020, we continue to report the progress in developing and strengthening risk management system for overseas subsidiaries, as in FY2019. In addition, Nihon Kohden is conducting education in relation to risk management for executives and employees to ensure a broad awareness of risk management.

### Risk Types

The Risk Management Regulations, which set forth the basic policies for risk management, classify risks into the nine types of risk shown in the right table.

### Response in the Event of a Risk

The response to be taken when a risk occurs have been set forth in the regulations established for each risk type.

Risk Types

Risk	Description
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 the safety or reliability of our products or services
System Risks	Risk of losses due to failure, malfunction or unauthorized use of networks and computer systems which used in internal IT infrastructure, products and services
Disaster and Accident Risks	Risk of losses due to interruption of business operations caused by disasters or accidents
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
Financial and Accounting Risks	Risk of losses due to change in value of assets held or inappropriate accounting practices
Information Disclosure Risks	Risk of losses due to inappropriate disclosure of information
Strategic Risks	Risk of losses due to incorrect business strategies
Human Rights Risks	Risk of being liable for compensatory damages or decrease in its corporate value due to human rights violations by the Company or its business partners

# Strengthening Risk Management

## Disaster Risk Management

### ■Basic Approach

Medical devices on which people’s lives depend need to be supplied continually and smoothly even in the event of a large-scale disaster. As a medical device manufacturer, Nihon Kohden has formulated a Business Continuity Plan (BCP) to ensure the continued supply of products and services while ensuring the safety of employees and their families in the event of a large-scale disaster. We also conduct periodic company-wide education and training in relation to disaster preparedness and the BCP.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_corporate\\_governance.html#disaster\\_risk](https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#disaster_risk)



## Human Rights Risk Management

### ■Basic Approach

To appropriately manage human rights risks, such as unfair discrimination or harassment, poor working environments, unfair wages, excessive work, slave labor, forced labor, and child labor, we established the Nihon Kohden Group Human Rights Policy and Human Rights Policy Rules in December 2020. In FY2021, we plan to conduct human rights due diligence.

For further details, refer to the human rights and human resources pages and our website.

[https://www.nihonkohden.com/sustainability/human\\_rights.html](https://www.nihonkohden.com/sustainability/human_rights.html)



## Information System Risk Management

### ■Basic Approach

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

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_corporate\\_governance.html#information\\_risk](https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#information_risk)



### ■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).



# Strengthening Risk Management

## Response as a Medical Equipment Manufacturer

As a medical equipment manufacturer, Nihon Kohden focuses on product quality control to avoid accidents related to its products. In addition to the rules for normal operation, we have stipulated the rules and reporting line in case of an accident. In order to prevent an accident and communicate quickly when an accident takes place, we have established a system to collect a broad range of information from clinical practice quickly and accurately as well as a framework for disseminating information.

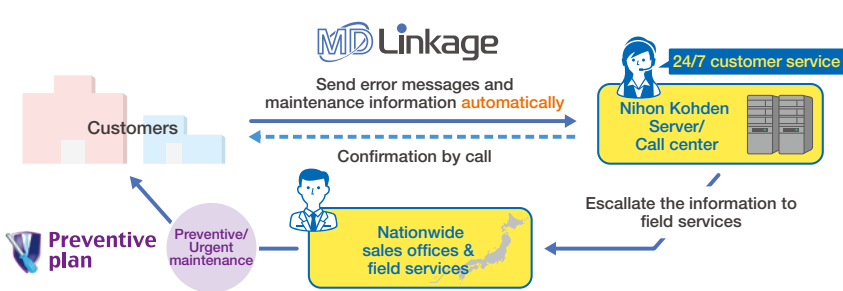


## Response to COVID-19 Crisis

Nihon Kohden has established a response headquarters to address COVID-19, and has been conducting business in accordance with the basic policies: (1) Ensuring health and safety of employees at work and their families. (2) Fulfilling our responsibility to supply products and services to maintain the medical system. In accordance with the Ministry of Health, Labor and Welfare’s “new lifestyle” and with the Keidanren (Japan Business Federation)’s Guidelines for Preventing the Spread of COVID-19, we have established a set of behavioral guidelines (“Guidelines”). The main contents of the Guidelines are as follows:

- Protect the health and safety of employees by requiring daily temperature measuring, mask wearing, frequent hand-washing, gargling and disinfection.
- Continue to promote staggered commuting and telecommuting (work from home at least 3 days a week under a declared state of emergency).
- Recommend holding meetings, events and training online.
- Secure social distancing and refresh the air at fixed intervals.
- Limit domestic business trips to only under unavoidable circumstances. Refrain from international business trips for the time being.
- Continue to adhere to the Company’s activity manual when visiting medical institutions for sales, service activities and IT systems delivery and when lending/repairing medical devices.

As it will take time for the end of COVID-19 pandemic, we will review the Guidelines as necessary. Nihon Kohden continues to prioritize the prevention of infection inside and outside the Company and safety of employees and their families, and will continue to ensure the stable supply of medical devices and services needed by patients and healthcare professionals around the world as a medical device manufacturer.





# Quality

As a maker of medical devices which are responsible for saving lives, we aim to supply products and services that provide customers with safety and peace of mind.

# QUALITY

Improving Safety and Reliability

As a maker of medical devices which are responsible for saving lives, we aim to supply products and services that provide customers with safety and peace of mind.

Quality Policy and Quality Targets

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

Quality Policy

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

In FY2020, Nihon Kohden conducted six product recalls, causing inconvenience to those in clinical practice. We are making companywide efforts to prevent any reoccurrence and are pursuing the world's highest quality levels throughout the entire value chain.  
In FY2021, we will take actions to achieve the following quality targets.

(1) Build a global quality management system to strengthen regulatory compliance and post-marketing monitoring in each country.

Healthcare systems in every country are being overwhelmed as a result of the COVID-19 pandemic, and demand for high-quality medical devices is rising worldwide. Nihon Kohden is gathering information on medical device related laws and regulations in each country and comprehensively disseminating it within the Company, reducing global product registration times, and achieving timely launch of products to global markets. We are also improving post-marketing monitoring systems and using the acquired information to enhance internal processes and provide feedback that is useful for products, leading to higher product quality.

(2) Establish a product supply and service system that results in greater customer satisfaction, and achieve high rates of utilization by customers

To have the customers feel continuous satisfaction with their purchase of Nihon Kohden products, we are continuing our efforts to design and manufacture products with low failure rates.  
To achieve this goal, we set quantitative targets for utilization rates, periodically review them, and provide feedback for use in design, production and service activities. In addition, we employ new technologies for remotely monitoring the status of product utilization rates, which lead to the prevention of failures. We are also working to reduce the time from receipt of products for repair to the provision of loaner devices as well as reducing repair times.

Nihon Kohden has obtained ISO 9001:2015 certification for its quality management system and ISO 13485:2016 certification for its medical devices and in vitro diagnostics. The Company has also obtained numerous certifications and accreditations including the Medical Device Single Survey Program (MDSAP)\* certification. Our Reliability Center has obtained laboratory accreditation in accordance with ISO 17025.

\* MDSAP is a third party Auditing Organization's program for conducting a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements.

## Improving Safety and Reliability

### Support Systems for Safety

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers' safety management and helps spread medical technologies, to ensure safety after delivery of the product. In Japan, Nihon Kohden deploys specialized safety managers nationwide who have received accreditation as Medical Device Information Communicators (MDIC)\*. We also organize safety workshops to ensure that customers use our products correctly. In FY2020, it remained difficult to hold face-to-face workshops in the midst of the COVID-19 pandemic, but we transitioned to remote workshops and provided safety information needed in clinical practice using educational materials such as DVDs and slide presentations with voice-overs.

(FY2020 results: 301 workshops, educational materials provided to 213 facilities)

#### Main workshop topics

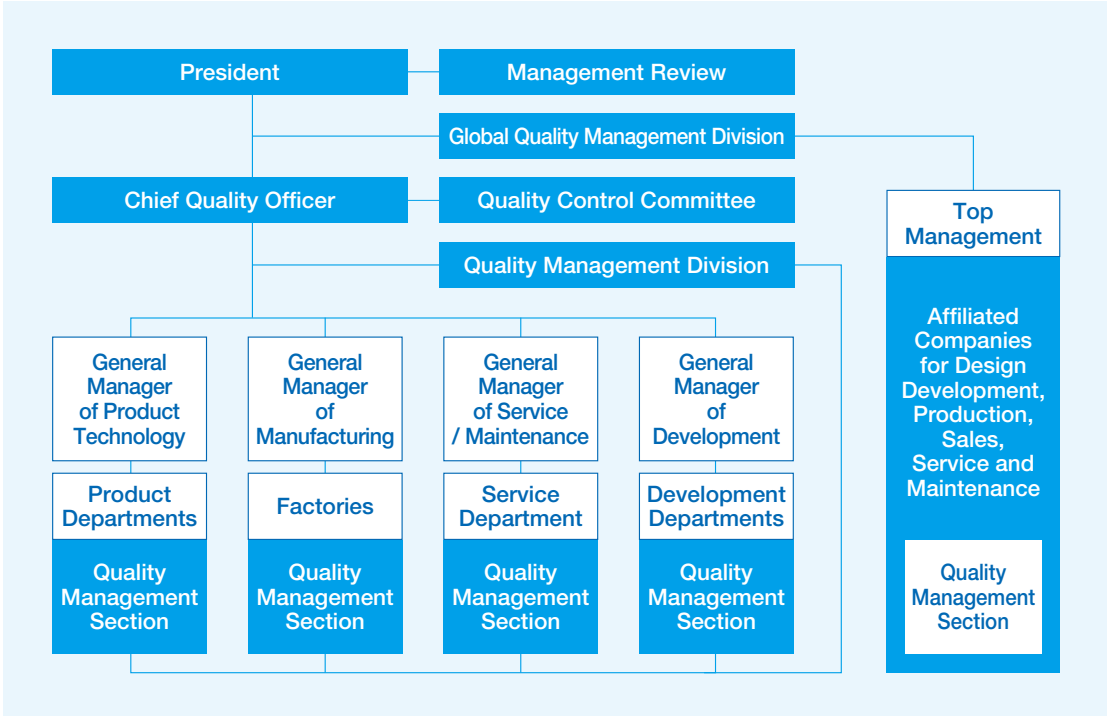
- Safety workshops for use of patient monitors, defibrillators, and ventilators
- Safety workshops for electrical safety and safety management of medical devices

\* 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.

### Strengthen our Global Quality Management System

Nihon Kohden is working to strengthen its quality management system and regulatory affairs functions for obtaining approval in each country in order to supply products globally in a timely manner.

#### Quality Management System



Ensuring Fair Trade Practices

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

Approach to Sustainable Procurement

Nihon Kohden strives to practice sound and fair purchasing and achieve fair trade across the value chain including at our business partners. We also promote sustainability while giving due consideration to the environment and society. To further reinforce sustainability in procurement, we conduct in-house training on sustainable procurement and disseminate the concept to our business partners for gaining their cooperation.

Procurement Policy and Procurement Standards

To disseminate our stance on procurement 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. (Name changed to the Nihon Kohden Sustainable Procurement Standards from FY2020.) The Nihon Kohden Procurement Policy represents Nihon Kohden's basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards, which represent the compliance items Nihon Kohden expects its business partners to observe, are intended to build good relationships with business partners and aim at realizing a truly prosperous and sustainable society.

For further details, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_partners.html#procurementpolicy](https://www.nihonkohden.com/sustainability/csr_partners.html#procurementpolicy)



Adherence to the Nihon Kohden Sustainable Procurement Standards

Nihon Kohden provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2020, 56 people attended these training sessions. Nihon Kohden requests business partners to conduct self-assessment on their environmental and quality activities, and, moreover, checks business partners' understanding of and adherence to the Nihon Kohden's Sustainable Procurement Standards through their answers to the Sustainability Questionnaire conducted every year. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.

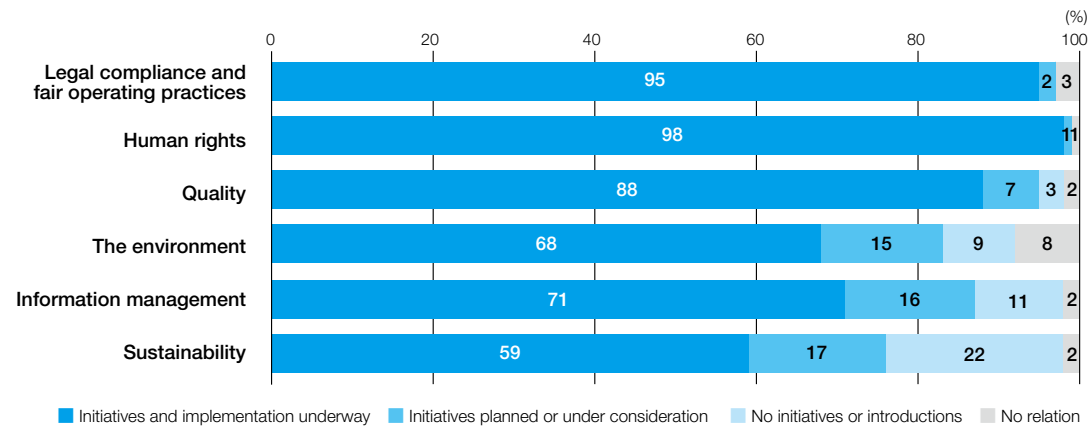




## Improving Safety and Reliability

### ■Results of Sustainability Questionnaire in FY2020

In FY2020, we asked 103 of our business partners to answer our Sustainability Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, the environment, information management, and sustainability. In terms of questions about legal compliance and fair operating practices, human rights, and quality, initiatives and implementation were underway, planned or under consideration in more than 90% of our business partners. In previous questionnaires, multiple business partners reported that they engage in social contribution initiatives by signing the UN Global Compact or participating in the UN World Food Programme. We continue to work with our business partners to deepen mutual understanding of our sustainable procurement standards and ensure fair trade practices.



### 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 operations 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.

### Special Thanks for Continued Supports to Increasing Production due to COVID-19 Pandemic

The COVID-19 continues to spread in Japan and overseas. Due to the growing demand for patient monitors and ventilators, we ramped up production at the Tomioka Production Center (Gunma Prefecture), Shanghai Kohden (China) and Nihon Kohden OrangeMed (USA) in FY2020. We are deeply grateful to our many suppliers for their cooperation with urgent parts orders and priority supply. We received tremendous cooperation from many partners including Honda Motor Co., Ltd., which supplied 1,000 carts for use with ventilators, and the TPS (Toyota Production System) Support Team, which provided guidance on improving production processes, enabling us to increase production capacity.

# Human Rights/ Human Resources

We respect the human rights of all stakeholders and strive to foster a corporate culture in which employees take pride in their contribution to healthcare and to our mission.

PEOPLE

# Respect for Human Rights

We strive to contribute to a sustainable society by promoting respect for human rights.

## Basic Approach

The Nihon Kohden Charter of Conduct, which the Company and its executive officers and employees have a duty to abide by, states that we have respect for human rights at all times. The Nihon Kohden Code of Ethics and Conduct sets out the ethical and responsible actions we will take to guarantee respect for human rights.

In July 2015, Nihon Kohden signed the UN Global Compact. We are committed to contributing to a sustainable society through promoting initiatives in accordance with the Ten Principles of the UN Global Compact in the four areas of human rights, labor, the environment, and anti-corruption.

Recently, society is paying more attention to corporate responsibility and respect for human rights in accordance with the globalization of corporate activities. As it is essential for Nihon Kohden to respect the human rights of stakeholders, we established the Nihon Kohden Group Human Rights Policy in December 2020. Nihon Kohden strives to contribute to a sustainable society by promoting efforts to respect human rights based on this policy.

### Nihon Kohden Group Human Rights Policy

1. We respect international standards related to human rights such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We support the Ten Principles of the UN Global Compact as one of the signatories of it.
2. We respect human rights of all people and do not engage in unfair discrimination or harassment, and pledge not to infringe the personality and dignity of individuals in all aspects of our business activities.
3. We ensure a safe and comfortable working environment, minimum wages, responsible labor practices including appropriate control of working hours, and shall respect freedom of association and the right to collective bargaining.
4. We pledge not to engage in forced labor, child labor, nor any form of modern slavery including human trafficking.
5. This Policy will apply to all executive officers and employees of the Nihon Kohden Group. We strive to encourage all business partners including our supply chain to promote respect for human rights.

## Key Initiatives

### ■Human Rights Education and Training

Nihon Kohden conducts workplace training and e-learning education to all executives and employees on prevention of harassment and compliance of labor laws. Nihon Kohden also strives to prevent human rights abuses, for instance, by providing a lecture on preventing harassment, as part of the training for newly appointed managers. We also prohibit discrimination on the basis of gender identity and sexual orientation, and deepen employees' understanding of LGBT people through the Company Newsletter.

### ■Consultation Counter and Internal Reporting system

Nihon Kohden has established a harassment consultation counter and internal reporting system to address various consultations including harassment and labor issues. Employees can use the consultation counter and reporting system anonymously to protect them from any unfavorable treatment. The Compliance Committee, which is held quarterly and more when necessary, discusses countermeasures when cases of consultations are reported.



Creating Fulfilling Workplaces

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

Basic approach to human resource development

In an ever-changing medical environment, Nihon Kohden strives to become the beacon that lights the path forward to the future of people and healthcare around the world through creating a new value with the philosophy we have upheld since our founding. With strong passion in our hearts, Nihon Kohden aims at realizing our long-term vision for 2030. Human resources are essential for realizing our long-term vision and the source of value creation for Nihon Kohden. We will recruit human resources who share Nihon Kohden’s management philosophy and long-term vision, and embody its seven core values (integrity, humbleness, diversity, initiative, customer centric, goal oriented, creativity). We will also endeavor to create environments that foster employees with high ethical standards, ambition, curiosity, and empathy who can autonomously and continuously grow and undertake the challenges of new value creation.

Introduced a New Personnel System

Since April 2021, Nihon Kohden has shifted to a new role-based (job-based) personnel system for management positions in order to foster human resources who can personify the management philosophy, long-term vision, and seven core values. In addition to developing management level employees through management courses, we facilitate the promotion of highly specialized personnel through expert courses. We will also create opportunities for ambitious and skilled employees to actively take on challenges and succeed.

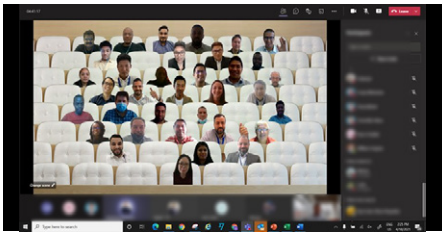
International Training Program

The International Training Program is a program designed to provide employees with the experience, knowledge, and adaptability they will need to be successful globally. The Company continues to develop human resources who can work anywhere in the world. Through the program, we provide employees with the opportunities for long-term study at overseas language schools, on-the-job training at overseas offices, practical training at overseas research institutions or companies, and study at overseas universities or research institutions. As of April 2021, 22 foreign employees work at offices in Japan and 46 Japanese employees\* work at overseas offices. We will continue to expand and enhance this program to develop more global human resources with even more advanced skills.

\* Excluding Japanese employees hired locally.

■Management Philosophy Training at Overseas Subsidiaries

We believe that it is important for employees of the Nihon Kohden Group with different backgrounds from various cultures and languages around the world to act in accordance with common goals and core values. Nihon Kohden provided educational materials to the entire group and started an education program about its management philosophy through group-work study at its overseas subsidiaries in 2019. Each employee can systematically learn about the history of the Company’s foundation, management philosophy, and core values. The program provides an opportunity for employees to deepen their understanding of the company culture and recognize the value and meaning of their jobs. In the future, we will expand this education program globally to promote understanding of the seven core values and support the diffusion of Nihon Kohden’s DNA around the world.



Online training in the Middle East and Africa



Online training in Brazil



Creating Fulfilling Workplaces

Voice

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

“Bringing Japanese healthcare to the world.”

When I was working in domestic sales offices, I experienced firsthand this strong expectation of customers toward the Nihon Kohden Group. I enthusiastically applied for overseas training in order to meet their expectations, and was given the opportunity to undergo practical training at Nihon Kohden Middle East (UAE), which is responsible for the Middle East and African regions. When I arrived, COVID-19 was just starting to spread in each country around the world, and it was a time of confusing information. I wanted to contribute to clinical practice by providing Nihon Kohden’s solutions, so I made proposals to distributors in each country in line with papers and guidelines on infection control and treatment. During this process, I received feedback from a local medical institution that our remote monitoring technology had contributed to infection control measures. This renewed my sense that our business activities have social significance.

I hope to make use of this experience and will work hard every day to become a human resource who can contribute to providing the excellence of Japanese healthcare to the world and solving the many medical issues we are facing.




Corporate Strategy Group  
Corporate Strategy Department  
Corporate Strategy Division  
**Ken Toritsuka**

Diversity

**Policy**

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

As a part of our efforts to promote diversity, we are implementing a mentoring program. Mentors with extensive knowledge and industry experience act help employees to resolve career development issues and support their personal growth. In addition, a senior advisor program that enables senior employees who have reached mandatory retirement age to pass on their extensive experience and skills to their successors leads to higher productivity and more energetic workplaces. We have also held seminars to encourage hiring and understanding of persons with disabilities and strive to create workplace environments where the individuality of each employee is respected and all personnel can work enthusiastically and to the best of their abilities. We also promote women’s participation and career advancement in the workplace. One female outside director was appointed in June 2020, and two female operating officers were appointed in April 2021. The ratio of female managers in FY2020 was 7.6% in the parent company, which was an increase of 30 basis points from the previous fiscal year. The ratio of new female recruits was 28% in April 2021.



## Creating Fulfilling Workplaces

### Reforming Working Styles

Nihon Kohden has been implementing Working Style Reforms to enable greater flexibility in work styles, improve the work-life balance of employees, and maximize results without relying on long working hours. In FY2020, the annual paid leave usage rate was 43.3%.

In FY2020, we greatly expanded the departments eligible for the flextime system. We are encouraging flexible working styles in conjunction with encouraging teleworking and staggered commuting to prevent the spread of COVID-19. In order to reduce employee stress and maintain and raise productivity in conjunction with the rapid advancement of new working styles, we engaged outside instructors and held a seminar on teleworking skills with self-management for general employees and a management update seminar for managers.

The Working Style Reform Promotion Project, which consists of members from various workplaces, conducted repeated discussion on work methods tailored to new lifestyles without decreasing labor productivity and distributed within the company a list of tips for teleworking (Smart Telework). In the Good Job Award, which gathers examples of initiatives by each division to implement the Working Style Reforms, initiatives based on the COVID-19 infection control measures were well received.



Trophies for the Good Job Award



Award ceremony held online

### Health Management of Employees

The employee smoking rate was 22.6% in the internal survey conducted in FY2019. In April 2019, Nihon Kohden joined the consortium of companies promoting non-smoking efforts, which was established by Tokyo-based companies. We started smoking cessation programs to contribute to achieving the Government's goal of reducing the smoking rate to 12% by FY2022.

In order to further improve the health of employees and their families, we expanded partial coverage of expenses for optional tests during annual health examinations to temporary employees. Also, partial payment for regular health examination fees when a dependence registered under the Company's health insurance takes a family medical checkup is also included in the scope of the Company's health support payments. We continue to provide health management to realize a healthy and fulfilling life for every employee by increasing health awareness through the Company Newsletter.



## Creating Fulfilling Workplaces

### Programs to Support Work-life Balance

Nihon Kohden reviews existing programs including Childcare Leave, Family Care Leave, Reduced Working Hours, Shifted Working Hours, and Work at Home System as necessary. In FY2019, we expanded the scope of application of Accumulated Paid Leave. In FY2021, we expanded the scope of Reduced Working Hours.

■Accumulated Paid Leave

Annual paid leave that has expired due to prescription can be accumulated separately. In addition to the injury or illness of the employee or his/her family, employees are able to take leave when they need to care for a child during temporary closure of the child's school or suspension of classes at the school (subject to meeting certain criteria).

■Reduced Working Hours

This program allows employees to reduce their daily working hours up to a maximum of two hours (starting in FY2021; previously, the maximum was one hour). From FY2021, employees also can take advantage of the Flextime System at the same time. The program is available for employees who meet certain criteria such as having a child in the sixth grade of elementary school or younger.

■Action Plan for the Act on the Promotion of Women's Participation and Career Advancement in the Workplace

Nihon Kohden established an action plan based on the Act on Promotion of Women's Participation and Career Advancement in the Workplace for the period from April 1, 2021 to March 31, 2026. We set a target of increasing the ratio of female managers to at least 12% and the ratio of male employees taking childcare leave to at least 30% by March 31, 2026.

By advancing the development of a workplace where women can play an active role and realizing a comfortable and fulfilling work environment for not just women but all employees of Nihon Kohden, we are implementing concrete measures to ensure that each employee can demonstrate their abilities to the fullest.

Topics


### Holding a Seminar on Unconscious Bias Management

In January 2021, Nihon Kohden held a diversity promotion seminar for supervisors entitled “Unconscious Bias Management Training.”

The seminar, which was second time, was attended by sixty office managers of sales branches and area services in Japan, who are responsible for managing diverse personnel.

In the seminar, there was a lecture on the impacts of unconscious bias on individuals and organizations, and through considerable effort, the participants were able to confront their own unconscious biases. To prevent the spread of COVID-19, the seminar was held online, but it served as a forum for an active exchange of opinions among participants in remote locations.

We will continue to hold training programs to promote diversity and aim to create an environment where each and every employee can play an active role in the workplace.



Online Training

For further details on human resource development, diversity promotion, and work-life balance, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_employees.html](https://www.nihonkohden.com/sustainability/csr_employees.html)





# Environment

We strive to realize our Environmental Philosophy through our business activities and the actions of our employees.

# ENVIRONMENT



Environmental Philosophy and Policy

We strive to realize our Environmental Philosophy through our business activities and the actions of our employees.

Environmental Philosophy

Established: September 1, 2015

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.

Environmental Policy

Established: April 1, 2017

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, manufacturing, marketing, after sales service, and support for electronic medical devices, we contribute to reduction of greenhouse gas emissions and sustainable use of limited resources by realizing energy and resource savings, and eliminating the use of hazardous substances throughout the product life cycle.
2. Promote energy conservation and reduction of waste in business activities
- In all of our business activities, we continually work together with our supply chain to introduce low-carbon and high efficiency technologies, and improvement activities, strive to promote energy conservation, reduce waste through the 3R's of reduce/reuse/recycle, reduce greenhouse gas emissions over the medium- to long-term, and prevent environmental pollution.
3. Comply with environmental laws, regulations, ordinances, and agreements
- In all of our business activities, we comply with all laws, regulations, ordinances, and agreements that concern the environment in Japan and overseas, and carry out our responsibilities to stakeholders such as responding to issues such as climate change, water resource protection and conservation of biodiversity as a global company.

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

Medium to Long-term Environmental Targets: The entire Nihon Kohden Group

Established: April 1, 2021

In conjunction with the Japanese Government's declaration that it will pursue carbon neutrality by 2050, the Environmental Targets for FY2050 and for FY2030 were revised.

- Environmental Target for FY2050
- We aim at zero greenhouse gas emissions throughout the entire product life cycle (carbon neutrality by 2050) by reducing greenhouse gas emissions from business activities, providing environmentally friendly products, and cooperating with business partners in the supply chain.
- Environmental Target for FY2030
- We have set environmental targets for FY2030 based on SBT\* and are taking action to achieve them with the aim of realizing carbon neutrality by 2050.  
(These targets will be revised when the target values based on SBT are finalized.)
- (We are aiming at a 26% reduction compared to FY2013 within the scope of ISO 14001 certified sites.)

\* Science Based Targets are greenhouse gas emissions reduction targets set by each company for 5 to 15 years in the future in line with the levels sought under the Paris Agreement.

# Environmental Philosophy and Policy

Environmental Targets for FY2021 <ISO 14001 Certified Sites Only>

Established: April 1, 2021

1. Enhance production efficiency and reduce environmental impact by improving operational efficiency

Reduce environmental impact including energy use, CO<sub>2</sub> emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3\*) by setting specific targets in line with the operations of each site and division and raising productivity.

2. Reduce environmental impact and prevent pollution in our business activities

- 2-1. Establish calculation standards in order to achieve third-party certification of CO<sub>2</sub> emissions from the provision of environmentally friendly products (Scope 3).
- 2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to earlier products.
- 2-3. Reduce defect rates and reduce CO<sub>2</sub> emissions in production processes.  
(Target values are based on environmental targets at the Tomioka Site and Kawamoto Site.)

3. Continuously reduce energy consumption and CO<sub>2</sub> emissions in our business activities in order to realize a decarbonized society

- 3-1. In consideration of higher production volumes, limit the increase in energy use on a per unit basis to 11.2% compared to the previous fiscal year and improve CO<sub>2</sub> emissions on a per unit basis by 14.5% compared to the previous fiscal year.
- 3-2. Collect data on energy use and resource inputs by overseas Group companies and set base data for SBT certification.

4. Contribute to creating a recycling-oriented society

Promote the 3R's of reduce/reuse/recycle and achieve the following.  
In consideration of higher production and shipment volumes, limit the year-on-year increase in total waste emissions to 11.9%, limit the year-on-year increase in waste emissions on a per unit basis to 20.5%, and achieve a recycling rate of 96.0% or more.

\* Scope 1: All direct emissions from the Company's use of fuel  
Scope 2: Indirect emissions from the use of energy (mainly electricity) produced by other companies  
Scope 3: Other indirect emissions in the Company's supply chain

## Certification

■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.

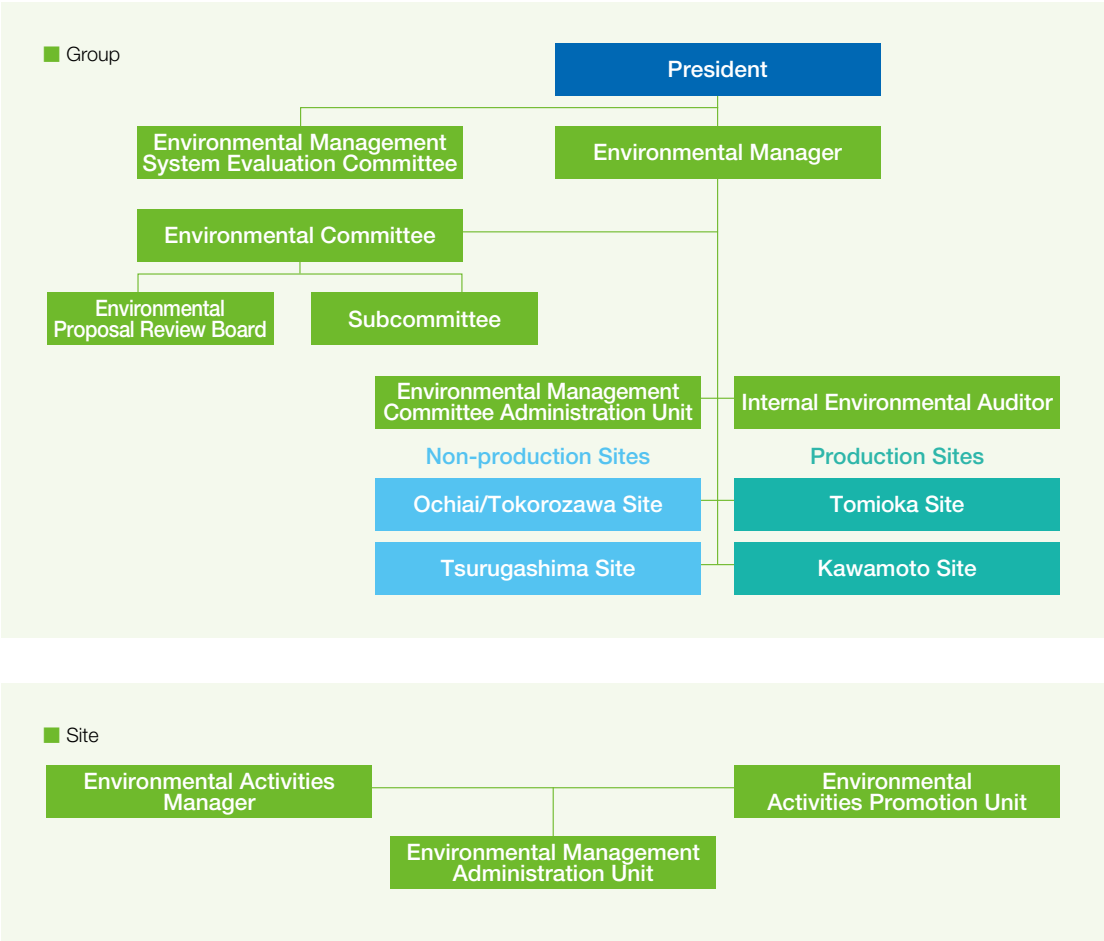
In 2017, we completed the transition to ISO 14001:2015, and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory. In 2019, the Asaka Office obtained new certification and joined the Ochiai/Tokorozawa site.

In FY2021, we are working towards the acquisition of certification at the Eastern Japan Logistics Center in FY2021. In May 2021, the Fujioka Site was closed and related departments were relocated to the Tsurugashima Site and the Tomioka Site. We plan to discontinue environmental activities at this site.

In FY2021, we conduct business activities at the Ochiai/Tokorozawa Site: head office and development divisions; Tsurugashima Site: distribution of consumables and repair and maintenance of medical electronic equipment; Kawamoto Site: development of consumables and safety/reliability testing of medical electronic equipment; and Tomioka Site: manufacturing and spare parts supply.

# Environmental Philosophy and Policy

## 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

For further details on requests to our suppliers, environmental conservation, and evaluation of chemical substances, please refer to our website.

[https://www.nihonkohden.com/sustainability/csr\\_environment.html#green\\_procurement](https://www.nihonkohden.com/sustainability/csr_environment.html#green_procurement)



## Topics

Nihon Kohden considers the following items to be the Company's business risks: Disruption of the supply chain due to natural disasters caused by climate change, and production delays due to insufficient water resources.

We revised our medium- to long-term environmental targets, as the Japanese Government declared a target of achieving carbon neutrality by 2050. In order to contribute to realizing a carbon-free society, we also set KPI for the reduction of CO<sub>2</sub> emissions in the three-year business plan, BEACON 2030 Phase I, which started in FY2021.

We will continue our efforts to reduce Scope 3 CO<sub>2</sub> emissions by providing environmentally friendly products and cooperating with our business partners in the supply chain. We will also identify and take action to resolve the Group's environmental issues by monitoring resource inputs and energy use in the entire Group, disclosing water usage and Scope 1 and 2 CO<sub>2</sub> emissions data, and setting science based targets (SBT).

## Environmental Philosophy and Policy

### Targets and Results of the Environmental Management Program

\* Five ISO 14001 certified sites (Ochiai/Tokorozawa, Tomioka, Fujioka, Kawamoto, Tsurugashima in FY2020). Attainment Rates: ✓✓✓ 100% attainment ✓✓ At least 80% attainment ✓ Less than 80% attainment

Environmental Goal	FY2020 Targets	Attainment Rate	Result
1. Enhance production efficiency and reduce environmental impact by improving operational efficiency	Set specific targets and raise productivity in each business activity.	✓ ✓	More efficient activities were implemented generally at each site (Ochiai/Tokorozawa, Tomioka, Fujioka, Kawamoto, and Tsurugashima) and we managed to achieve further reductions in environmental impact.
2. Reduce environmental impact and prevent pollution in business activities	2-1. Regarding the reduction rate of CO <sub>2</sub> emissions throughout the product life cycle compared to FY2013, we raised our target from 12%, which was set as the medium- to long-term target previously, to 16.8% by providing environmentally friendly products. 2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to existing products. 2-3. Reduce the first-month defect rate by 4% compared to the previous fiscal year. 2-4. Keep the repair failure rate for repaired goods to 0.20% or less.	✓	We reached our goals in one of the four issues. We will work to reduce CO <sub>2</sub> emissions even further in the future by promoting the development and sale of environmentally friendly products. 2-1. The target for FY2020 was a 16.8% reduction compared to FY2013, but due to higher shipment volumes, only an 8.7% reduction was achieved. 2-2. The target was achieved, as the average reduction in environmental impact was 6.6%. 2-3, 2-4. The targets were not achieved, as the first-month defect rate was the same level as the previous fiscal year and the repair failure rate was 0.21%. We will analyze the causes of the failure to achieve these targets and prevent reoccurrence by working with quality control divisions and partner companies.
3. Continuously reduce energy consumption and CO <sub>2</sub> emissions to realize a low-carbon society through our business activities	3-1. Improve energy use and CO <sub>2</sub> emissions on a per unit basis by 1% compared to the previous fiscal year at the five sites with ISO 14001 certification. 3-2. Improve energy use and CO <sub>2</sub> emissions on a per unit basis by at least 1% compared to the previous fiscal year at the Asaka Office. 3-3. Continue data collection on energy use and CO <sub>2</sub> emissions at the Eastern Japan Logistics Center and set base data for next fiscal year's targets. 3-4. Collect data on energy use and resource inputs at the three main sites and manufacturing sites of overseas Group companies. Three main sites: Nihon Kohden America, Nihon Kohden Europe, and Shanghai Kohden Manufacturing sites: Defibtech, Nihon Kohden OrangeMed, and reagent production sites (India and Dubai)	✓ ✓	In order to respond to the increase in energy consumption, mainly electricity, due to increased production, we changed electric power suppliers and took measures to reduce CO <sub>2</sub> emissions, mainly at production sites. We also improved the operation of air conditioning systems and production equipment at each business site in response to the Cool Biz and Warm Biz campaigns, as well as renovating facilities in accordance with our medium- to long-term plan. As a result, we achieved the targets for energy use and CO <sub>2</sub> emissions on a per unit basis set in 3-1 and 3-2. 3-3. We collected data on energy use and CO <sub>2</sub> emissions at the Eastern Japan Logistics Center and will use that data to set FY2021 targets. 3-4. We collected data at overseas Group Companies in order to set science based targets.
4. Contribute to a recycling-oriented society	Promote the 3R's of reduce/reuse/recycle and achieve the following. 4-1. Limit the year-on-year increase in total waste emissions at the five sites with ISO 14001 certification, excluding waste from office reorganizations, to 5.5%, limit the year-on-year increase on a per unit basis to 8.4%, and achieve a recycling rate of at least 99.0%. 4-2. Improve the total waste emissions on a per unit basis at the Asaka Office by at least 3.8% compared to the previous fiscal year. 4-3. Continue collecting data on waste at the Eastern Japan Logistics Center and set base data for next fiscal year's targets.	✓ ✓ ✓	4-1, 4-2. An increase in waste emissions was anticipated due to increased production, but we worked to reduce waste at Production Sites. As a result, the targets for both total waste emissions and waste on a per unit basis were achieved. 4-3. We collected data on waste at the Eastern Japan Logistics Center and will use that data to set FY2021 targets.



# Providing Environmentally Friendly Products

Nihon Kohden is engaged in the development of environmentally friendly products to reduce environmental impact as a social contribution through our business activities. We launched 7 new environmentally friendly products in FY2020.

## ■WEP-1000 Series (WEP-1200), Telemetry System

The WEP-1200 is a telemetry system for monitoring up to 6 patients' vital signs continuously at a nurse station. The telemetry system receives vital sign data such as ECG and blood pressure sent from transmitters wirelessly worn by patients. We realized a thin and compact design to enable versatile installation. To safely monitor patients, the number of false alarms has been reduced. We adopted a display with intuitive operation with the aim of contributing to improved work efficiency in clinical practice. The telemetry system can also be used with ventilators for safe respiration management. The WEP-1200 is a next-generation telemetry system that supports medical safety and high-quality nursing care.



### Environmental Considerations

The WEP-1200 is 35.0% smaller and lighter per unit compared to earlier models. Packaging was changed to recyclable materials and reduced by 11.8% compared to earlier products, contributing to a reduction in waste. Lead-free solder was adopted to comply with the European Union RoHS directive.

## ■VA-201R, Neuromuscular Display Unit

The VA-201R is a medical device that monitors patients' neuromuscular response in the perioperative period for safe anesthesia management. The VA-201R employs an acceleration method that quantifies muscle contraction force acceleration and an electromyogram method that measures and quantifies action potential of muscle contraction force to monitor neuromuscular response. The electromyogram method uses exclusive electrodes that are easily placed on patients, enabling speedy anesthetization and a fast start to surgery.



### Environmental Considerations

The VA-201R is 46.6% smaller and lighter per unit compared to earlier models, which contributes to reduction of waste. Electric power consumption was reduced by 55.6%. Lead-free solder was adopted to comply with the RoHS Directive and REACH Regulation.

## ■PLS-1100, Pulse Checker

The PLS-1100 is a product for citizen rescuers who are anxious about the use of AEDs and performing CPR. It encourages use of AEDs and performing of CPR by detecting the presence or absence of a pulse in a victim. It was developed as an accessory to AEDs. Today in Japan, the AED use rate is limited to only around 5%.\* Members of the general public are hesitant to perform live-saving measures on victims of cardiac arrest. The PLS-1100 displays the next life-saving procedure, encouraging early use of AEDs and early performance of CPR, and is expected to improve the life-saving rate.



### Environmental Considerations

The PLS-1100 is 68.3% smaller and lighter per unit compared to earlier models, contributing to reduction of waste. Electric power consumption was reduced by 53.3%. Lead-free solder was adopted to comply with the RoHS Directive.

\* The Current Status of Emergency and Rescue 2020 Edition (Ministry of Internal Affairs and Communication, Fire and Disaster Management Agency).

# 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.

# DISCLOSURE OF INFORMATION

## 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

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

As the business performance in FY2020 was favorable, we provided shareholder returns in the form of a full-year dividend of 55 yen per share including a special dividend of 20 yen and acquired treasury stock up to 1.5 billion yen.

### Information Disclosure Policy

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

### Shareholder and Investor Engagement

#### ■General shareholders meeting

We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website. Starting in FY2020, we also post an English business report. To prevent the spread of COVID-19 and safeguard the health of our shareholders, in FY2021 we again request that shareholders to exercise their voting rights in writing or via the Internet, etc., and to refrain from attending the meeting in person. We have also canceled the showcases of our products. As an alternative, we have posted a video of the presentation by the Chairman on our website. We sincerely appreciate your cooperation.

#### ■Earnings presentations

Nihon Kohden hosts earnings presentations (interim and full-year results) for securities analysts and institutional investors and organizes teleconferences (1st and 3rd quarters) where we discuss the Company's performance and strategy. Videos of the presentations, materials, and Q&A summaries are posted on our website and made available to all shareholders and investors. Since May 2020, all earnings presentations have been held by conference call to prevent the spread of COVID-19.



## Enhancing Information Disclosure and Shareholder Return

### ■ 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.

In FY2020, we suspended briefings to prevent the spread of COVID-19 but have posted a factory tour, company outline, and a glossary on the Company's website.

**動画で知る 日本光電**

 <p>会社概要</p> <p>2020年9月30日 掲載</p>	 <p>事業構成と 主要製品</p> <p>2020年10月30日 掲載</p>	 <p>日本光電の強み</p> <p>2020年12月23日 掲載</p>
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We will examine the possibility of holding these seminars in FY2021, depending on the state of the COVID-19 outbreak. We will post details on our website when the date of a seminar has been set.





For the glossary, please refer to our website.

<https://www.nihonkohden.com/ir/glossary.html>



### ■ 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.

 <b>Philosophy&amp;Strategy</b>	 <b>Financial Data</b>	 <b>Reports&amp;Presentations</b>	 <b>Stock Information</b>
<ul style="list-style-type: none"> <li>&gt; Top Message</li> <li>&gt; Corporate Philosophy</li> <li>&gt; Vision &amp; Strategy</li> <li>&gt; Corporate Governance</li> <li>&gt; Business Area and Products</li> <li>&gt; Core Strength</li> <li>&gt; History</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Latest Financial Results</li> <li>&gt; Five-year Overview</li> <li>&gt; Overview by Product Category</li> <li>&gt; Overview by Region</li> <li>&gt; Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Financial Results</li> <li>&gt; Presentations</li> <li>&gt; Integrated Report / Annual Report</li> <li>&gt; Fact Book</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Stock Overview</li> <li>&gt; Dividend</li> <li>&gt; Shareholders' Meeting</li> <li>&gt; Analyst Coverage</li> <li>&gt; Share Price</li> </ul>

## Topics

### Comments from individual shareholders

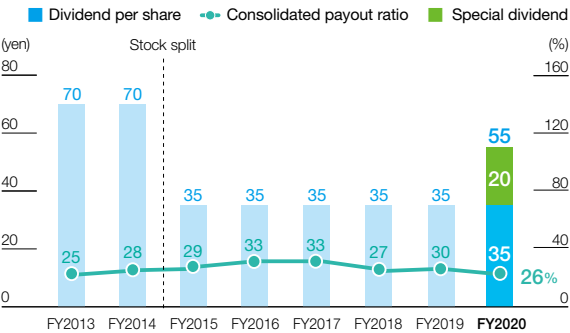
Nihon Kohden conducts an annual shareholder survey with the aim of improving communications with shareholders and bolstering our IR activities. Some of the comments we received in the latest survey are as follows:

- The business environment has been extremely difficult during the COVID-19 pandemic, but I would like employees to all work together to overcome this adversity.
- I would like the company to focus on research and development that looks towards the future and develop products that will contribute to society.
- I have high expectations for shareholder returns from improving the profitability.
- When the COVID-19 pandemic is brought under control, I would like plant tours for shareholders or company briefings to be conducted in Kansai.



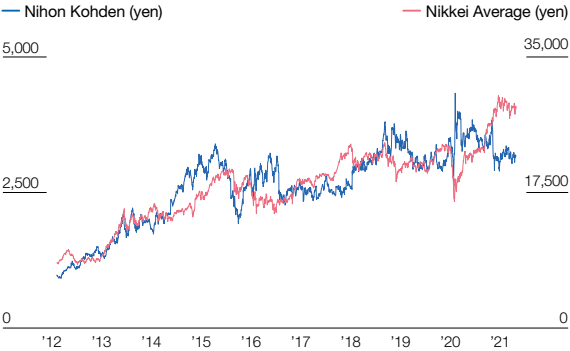
Enhancing Information Disclosure and Shareholder Return

Change in Dividend per Share and Consolidated Dividend Payout Ratio



\* Effective 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

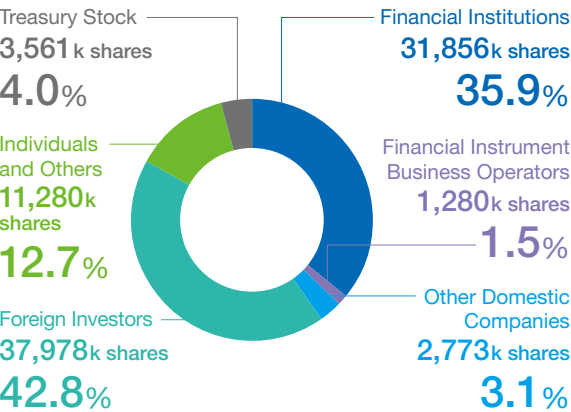


\* Effective April 1, 2015, each share of common stock was split into two shares. For the above share prices, trading values before the split date have also been adjusted retroactively.

Number of Dialogues with Institutional and Individual Investors in FY2020

- Meetings with institutional investors and securities analysts:  
**Approx. 340 meetings**
- The on-site factory tour corner in the 2020 online festa by STOCKVOICE:  
**Approx. 1,000 viewers**
- Nihon Kohden's introduction video series for individual investors:  
**Approx. 1,650 views**

Ownership Breakdown (as of March 31, 2021)



Major Shareholders (as of March 31, 2021)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	8,773	10.30
The Master Trust Bank of Japan, Ltd. (trust account)	7,039	8.26
Saitama Resona Bank, Ltd.	4,193	4.92
Custody Bank of Japan, Ltd. (trust account)	3,833	4.50
State Street Bank and Trust Company 505103	1,631	1.91
Custody Bank of Japan, Ltd. (trust account 7)	1,555	1.82
State Street Bank and Trust Company 505103	1,481	1.73
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,399	1.64
MUFG Bank, Ltd.	1,325	1.55
Custody Bank of Japan, Ltd. (trust account 5)	1,269	1.49

(Note) The above list excludes Nihon Kohden's treasury stock of 3,561 thousand shares (shareholding ratio of 4.0%). Each shareholding ratio is calculated excluding treasury stock.

Topics

In January 2021, Nihon Kohden was selected as the highest AAA grade for its website in the 2020 All Japanese Listed Companies' Website Ranking Survey by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 163 items from the following three points: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,844 listed companies and was announced as a ranking. Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.

# Nihon Kohden's Contributions to the Community

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

# REGIONAL CONTRIBUTION



**AED**

**自動体外式除細動器**  
AED (Automated External Defibrillator)  
**自动体外除颤器**  
**자동심장제세동기**

トアを開けると  
アラーム音が鳴ります！

**AED**

緊急時以外、使用禁止  
Do not use unless emergency  
除緊急情况下切勿使用  
긴급 상황에만 사용

私たちの行動で救える命があります

**NIHON KOHDEN**



## Nihon Kohden's Contributions to the Community

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

### Social Contributions

#### ■Supervision of Gashapon Miniature AEDs for AED Promotion and Education

Nihon Kohden was involved in supervision of Gashapon Miniature AEDs, capsule toys developed by BANDAI CO., LTD.

The use of AEDs by the general public who are not medical workers was authorized in Japan in July 2004. Approx. 600k units of AEDs have been installed in Japan. However, the usage rate of those AEDs remains low as about 5% in 2021.\* Nihon Kohden became involved in supervision of the capsule toys from an educational perspective—providing people who have never seen the contents of an AED and never touched one with an easy opportunity to get close to and learn about AEDs. The Gashapon Miniature AEDs enable a wide range of people from children to adults who ordinarily do not have contact with AEDs to experience firsthand their method of use. The capsule toy user manual also explains the actual way to use an AED.

Nihon Kohden, as the sole manufacturer of AEDs in Japan, strives to develop and supply medical devices needed for emergency care and contributes to improving the awareness and usage rate of AEDs by its active educational measures in relation to methods of use.

\* The number of AEDs installed is an estimate by Nihon Kohden based on an FY2016 Health and Labor Sciences Research Grants research report entitled "Study on the Effective Use of AEDs by the General Public to Improve Life and Functional Prognosis in Cases of Sudden Cardiac Arrest" (research representative: Tetsuya Sakamoto, Professor, Department of Emergency Medicine, Teikyo University). The AED usage rate is estimated by Nihon Kohden based on the Current Status of Emergency and Rescue 2020 Edition (Ministry of Internal Affairs and Communication, Fire and Disaster Management Agency).

#### ■Cooperation with the Blood Program of the Japan Red Cross Society

Blood donors have decreased in the midst of the COVID-19 pandemic, and securing blood needed for transfusions has become an urgent issue. To respond to this social demand, the Saitama Red Cross Blood Center held a blood drive at the Tokorozawa Office of Nihon Kohden in June 2020.

On the day of the event, adequate measures to prevent the spread of COVID-19 were taken including air ventilation, disinfection, and providing adequate space between donors. Despite restrictions on office attendance, 53 employees (out of 57 applicants) donated blood.

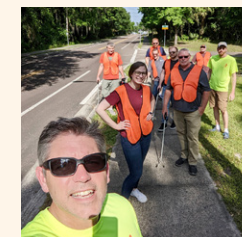
In recognition of our blood donation efforts, we received a certificate of appreciation from the Saitama Red Cross Blood Center in August 2020. We plan to continue blood drives in the future, with due consideration for COVID-19 conditions. At Nihon Kohden, we recognize our responsibility as a good corporate citizen and are working to contribute to society from the dual perspectives of a company and individuals.



### Topics

Neurotronics, Inc. (Florida, USA) conducts cleanup activities in the vicinity of its office every other month as a part of its social contribution programs.

These activities were suspended in FY2020 due to the COVID-19 pandemic, but they resumed in May 2021. We will continue to promote environmental preservation and social contribution through cleanup activities in the future.



	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18
1,822																		
3,680																		
1,042																		
485																		
8,549																		
6,602																		
890	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	
6,280																		
2,436																		

# Financial and Corporate Data

We aim at further growth while maintaining and strengthening our stable financial base, even in the changing business environment.



# Financial Summary

	<div> <div>April 2010 to March 2020</div> <div>Long-term Vision</div> <div>The CHANGE 2020</div> </div>											
	<div> <div>April 2007</div> <div>Medium-term Business Plan</div> <div>SPEED UP II</div> <div>April 2010</div> <div>SPEED UP III</div> <div>April 2013</div> <div>Strong Growth 2017</div> <div>April 2017</div> <div>TRANSFORM 2020</div> </div>											
Millions of yen unless otherwise stated												
Fiscal year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Business results</b>												
Net sales	107,013	113,380	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727
Operating income	9,321	10,598	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094
Income attributable to owners of parent*1	5,917	6,573	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243
<b>Financial position</b>												
Current assets*2	69,685	75,366	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140
Current liabilities*2	29,722	29,673	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608
Total assets*2	88,000	92,495	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030
Net assets	57,949	62,294	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986
<b>Cash flows</b>												
Cash flows from operating activities	10,679	5,892	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945
Cash flows from investing activities	(2,810)	(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)
Free cash flow	7,869	4,018	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999
Cash flows from financing activities	(2,850)	(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)
Cash and cash equivalents	16,331	18,808	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356
<b>Per share information</b>												
Net income (Yen)*3	134.68	149.62	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21
Dividends (Yen)*4	37.0	44.0	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0
<b>Other</b>												
R&D costs	4,418	5,105	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357
Number of employees (Persons)	3,588	3,776	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730
<b>Key performance indicators</b>												
ROE (%)	10.6	10.9	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0
Operating income margin (%)	8.7	9.3	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6
Dividend payout ratio (%)	27.5	29.4	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7

\*1 The figures for FY2014 or earlier periods represent net income.

\*2 Since the beginning of FY2018 ended March 31, 2019, the Company has applied the partial amendments to the Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018). These accounting standards apply to FY2017 figures retrospectively.

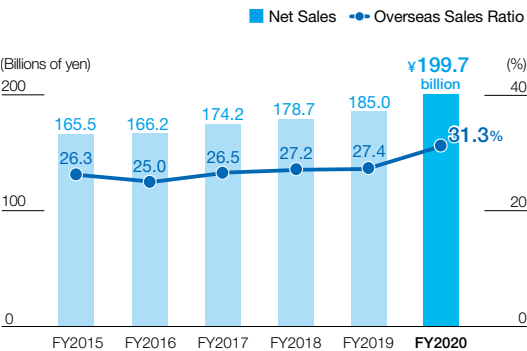
\*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

\*4 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.

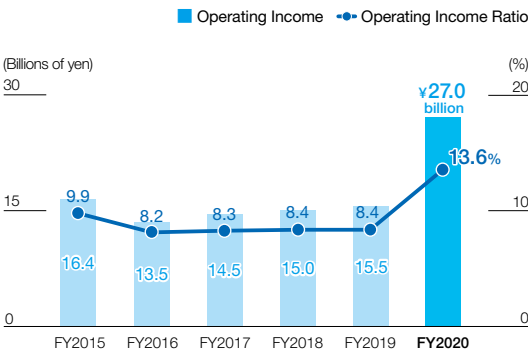
\*5 Effective April 1, 2015, each share of common stock was split into two shares.

Financial Summary

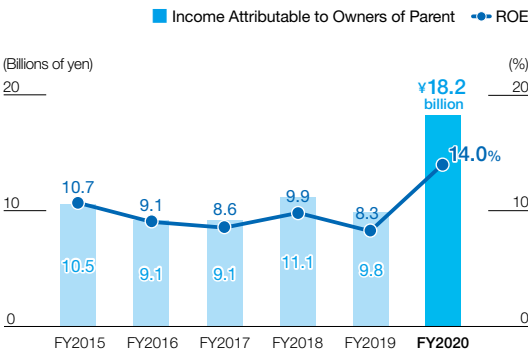
Net Sales/Overseas Sales Ratio



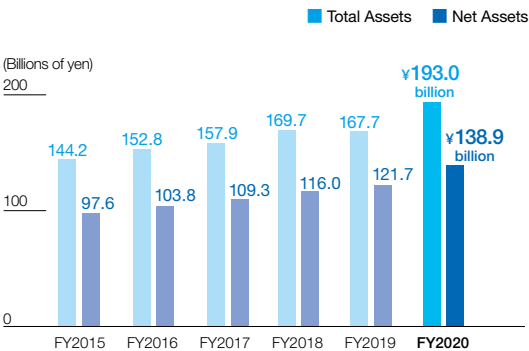
Operating Income/Operating Income Ratio



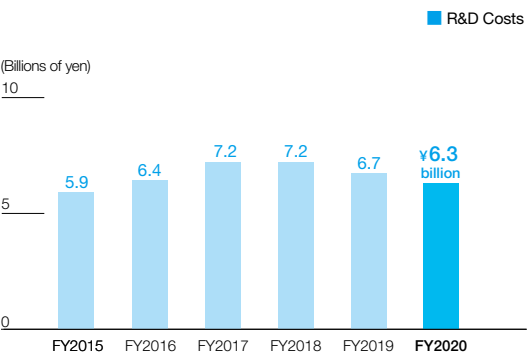
Income Attributable to Owners of Parent/ROE



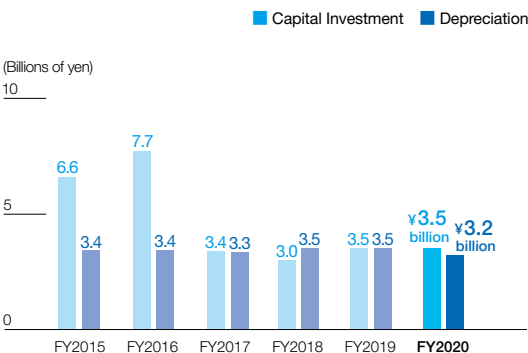
Total Assets/Net Assets



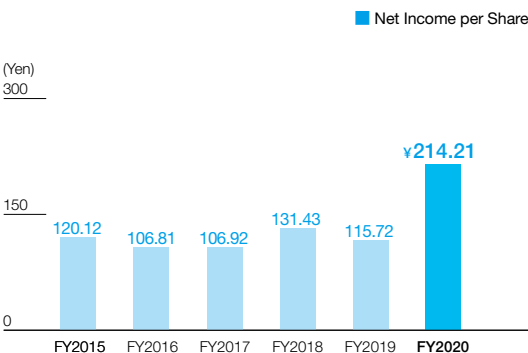
R&D Costs



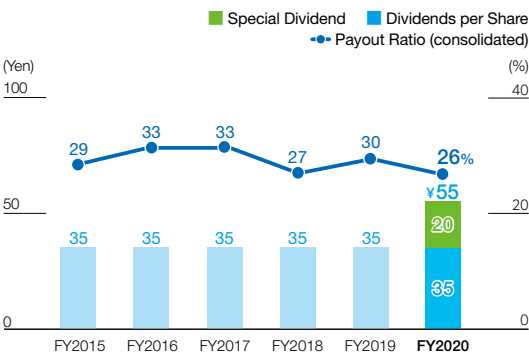
Capital Investment/Depreciation



Net Income per Share

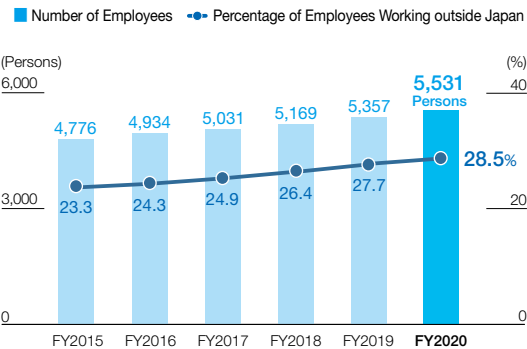


Dividends per Share/Payout Ratio (consolidated)

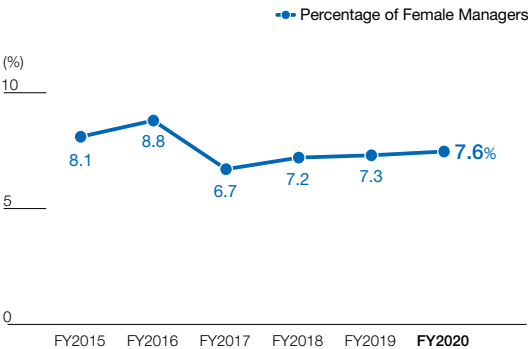


Non-Financial Summary

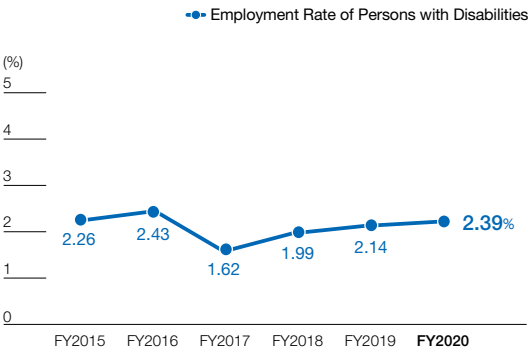
Number of Employees/Percentage of Employees Working outside Japan



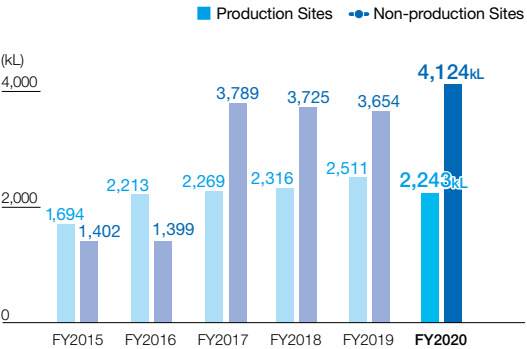
Percentage of Female Managers\*1



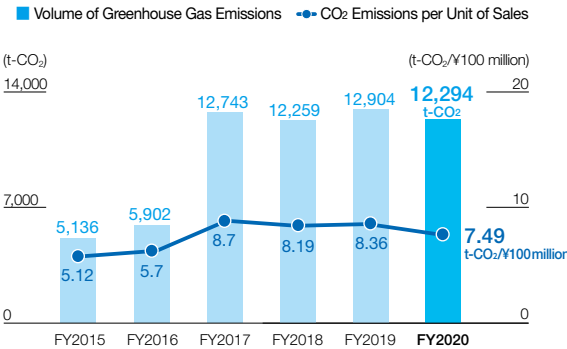
Employment Rate of Persons with Disabilities\*1



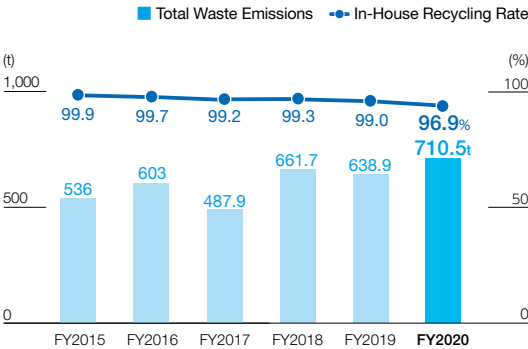
Total Energy Consumption (Barrels of Oil Equivalent (BOE))



Volume of Greenhouse Gas Emissions/CO<sub>2</sub> Emissions per Unit of Sales\*2



Total Waste Emissions/In-House Recycling Rate\*3

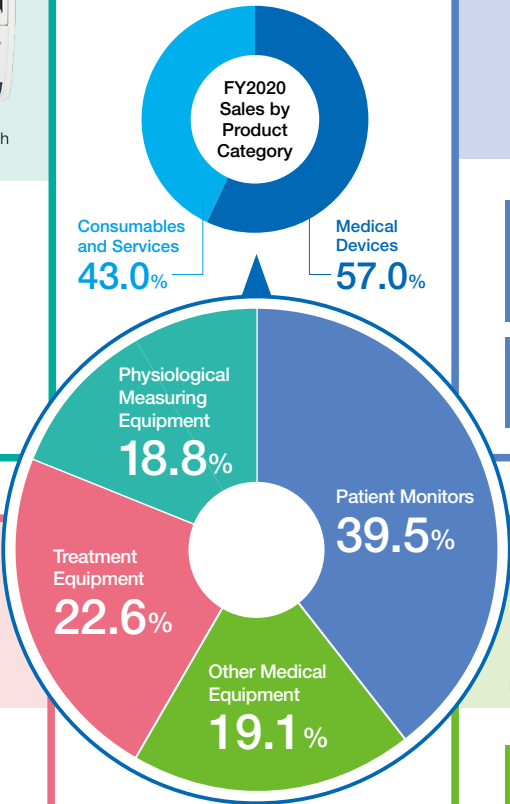
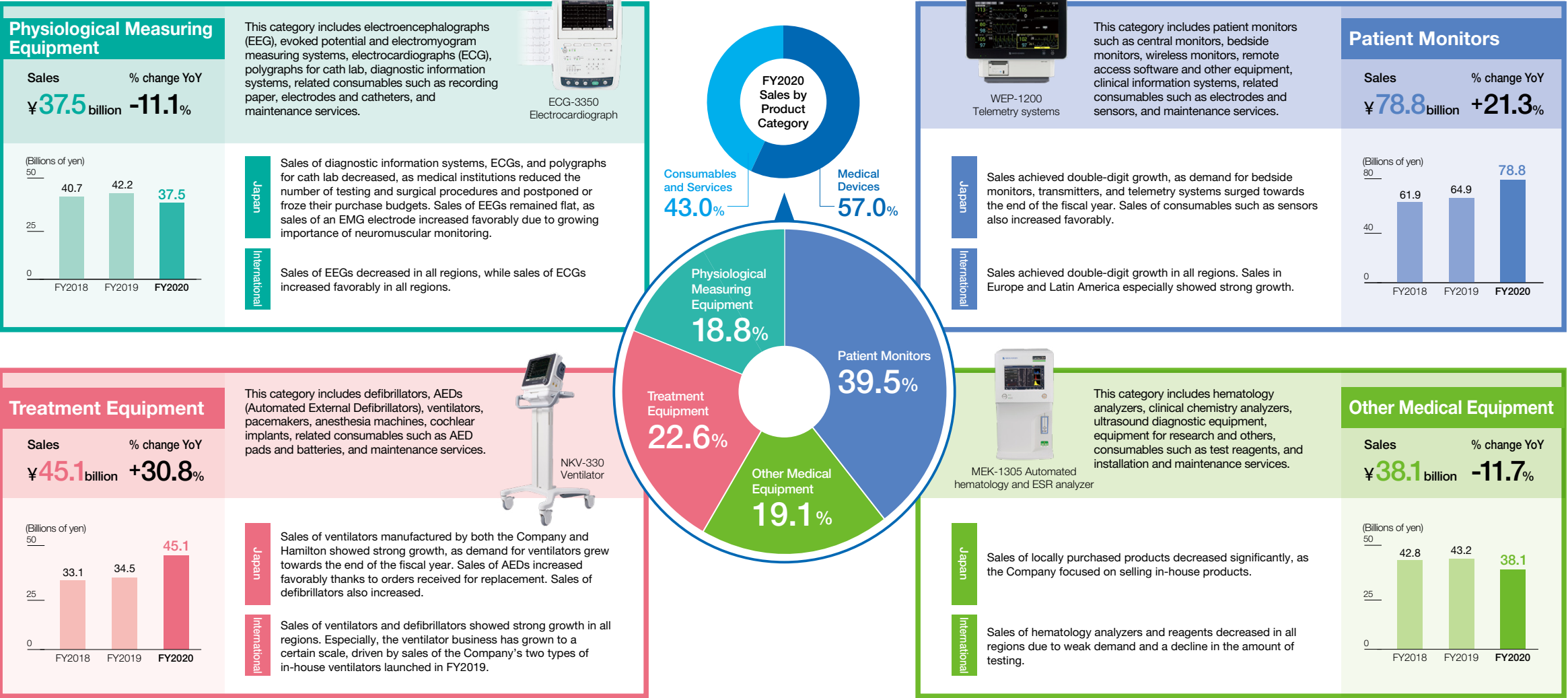


\*1 The percentage of female managers and employment rate of persons with disabilities are non-consolidated Nihon Kohden figures. Nihon Kohden absorbed and merged 11 domestic sales subsidiaries in April 2017.

\*2 Beginning with FY2017, the figures for total energy consumption and volume of greenhouse gas emissions/CO<sub>2</sub> emissions per unit of sales include five sites that have obtained ISO 14001 certification, twelve sales branches, and Group companies in Japan.

\*3 Beginning with FY2020, total waste emissions/in-house recycling rate include the numerical value of five sites that have obtained ISO 14001 certification and the East Japan Logistics Center.

# Overview by Product Category (Consolidated)





# Management's Discussion and Analysis

## Business Environment

The COVID-19 pandemic adversely affected national healthcare systems in every country. In Japan, the government implemented measures to support the healthcare system in the midst of the COVID-19 crisis by enacting a FY2020 supplementary budget and special measures in relation to medical treatment fees. There were concerns that medical institutions were facing financial challenges because COVID-19 caused people to avoid visiting hospitals and clinics, leading to a reduction in the number of surgical procedures and inpatient admissions.

Internationally, medical equipment to treat COVID-19 patients was installed by medical facilities in regions where the spread of infection has continued.

## Review of Operations

Nihon Kohden conducted its business activities in FY2020 in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company.

The Company introduced its unique technology called esCCO in Japan. The Company also launched the world's first automated hematology and ESR analyzer internationally, telemetry systems in Japan, and an ECG developed and manufactured at Shanghai Kohden.

As a result, overall sales in FY2020 increased 8.0% over FY2019 to ¥199.7 billion.

## Sales by Region

### ■Japan

Domestic sales increased, as the ability of healthcare systems for accepting COVID-19 patients was enhanced towards the end of FY2020, while medical institutions reduced the number of testing and surgical procedures and postponed or froze their purchase budget. Sales in the public hospital and private hospital markets increased favorably. Sales of AEDs in the PAD market also showed strong growth. In the university hospital market, there was a reactionary decline compared to FY2019 when sales were strong due to large orders related to construction of new hospitals. Sales in the clinic market also decreased. As a result, domestic sales increased 2.2% over FY2019 to ¥137.2 billion.

### ■International

Sales in all regions achieved double-digit growth because demand for patient monitors, ventilators, and defibrillators increased due to the spread of COVID-19. In the Americas, sales in both the U.S. and Latin America showed double-digit growth. Especially, sales in Mexico and Colombia achieved 200% growth. In Europe, sales both in Western Europe and Eastern Europe showed strong growth, supported by 200% growth in Italy and Poland. Sales in Asia & Other regions also increased favorably, thanks to large orders in Israel and Indonesia. Sales in China increased steadily as the impact of COVID-19 had ended. As a result, international sales increased 23.3% over FY2019 to ¥62.4 billion.

## Management's Discussion and Analysis

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

Cost of sales increased 1.9% over FY2019 to ¥97.4 billion. The gross profit margin improved 290 basis points to 51.2%, thanks to a favorable product mix. It was also due to the Company's efforts to improve productivity and maintain sales prices. Gross profit on sales increased 14.5% over FY2019 to ¥102.2 billion.

The ratio of SGA expenses decreased 230 basis points to 37.6%, as traveling expenses decreased.

Variable selling expenses and personnel expenses such as bonuses increased. Research and development costs decreased ¥0.3 billion year on year to ¥6.3 billion (3.2% of sales).

As a result, operating income increased 74.8% over FY2019 to ¥27.0 billion. Income attributable to owners of the parent increased 85.1% year on year, to ¥18.2 billion. The Company posted extraordinary losses such as amortization of goodwill of Defibtech, LLC.

### Assets, Liabilities and Equity

#### ■Assets

At the end of FY2020, total assets increased ¥25.2 billion from the end of the previous fiscal year. Current assets were up ¥27.1 billion from the previous fiscal year end owing to increases in cash and accounts receivable, and inventories of finished goods and parts to respond to the special demand related to COVID-19. Non-current assets decreased ¥1.8 billion compared to the end of the previous fiscal year on account of decline in goodwill and other factors.

#### ■Liabilities and Equity

Liabilities increased ¥8.0 billion from the end of the previous fiscal year on account of increases in accrued income taxes and other factors. Net assets increased ¥17.2 billion compared to the end of the previous fiscal year due to the recording of income attributable to owners of parent and other factors. The shareholders' equity ratio fell 60 basis points to 72.0%.

#### ■Cash Flows

Net cash provided by operating activities rose ¥4.7 billion from the previous fiscal year to ¥13.9 billion. This includes ¥27.1 billion of income before income taxes, ¥7.1 billion of increase in notes and accounts receivable, and ¥4.4 billion of income taxes paid.

Net cash used in investing activities decreased ¥1.6 billion from the previous fiscal year to ¥2.9 billion. This includes ¥2.9 billion of purchase of property, plant and equipment, such as production equipment and products for demonstration.

Net cash used in financing activities amounted to ¥3.0 billion, a decline of ¥46 million from the previous fiscal year. We paid ¥2.9 billion for shareholders dividends.

As a result, cash and cash equivalents as of March 31, 2021 increased ¥8.4 billion from the end of the previous fiscal year to ¥44.3 billion.

#### ■ROE

ROE in FY2020 increased significantly to 14.0% from 8.3% in FY2019, because the ratio of net income to sales increased.

## Message from Director Responsible for Accounting

### Role of the Director Responsible for Accounting

I believe that my role as the Director responsible for Accounting is to continuously enhance the corporate value of Nihon Kohden from a financial perspective. The Director responsible for Accounting is also in charge of maintaining an appropriate balance between growth strategy and a solid financial foundation while supporting the operation of risk management and internal controls.

In the mid-to long-term, I also aim to increase corporate value and realize a company that can regularly achieve an operating income margin of 10% or more through improving the profitability of existing businesses and investment for growth by such improved cash.

In addition, I will ensure that we establish a global management policy that is applied to persons responsible for management of overseas subsidiaries, and continue to monitor the state of its implementation, with the aim of strengthening governance throughout the entire Nihon Kohden Group.

Through the promotion of corporate digital transformation (CDX), we will reinforce the business structure of the Nihon Kohden Group from a financial perspective, and will further strive in management to improve corporate value through sustainable growth. I hope to enjoy your continued support in the future.



**Tadashi Hasegawa**  
Director  
Senior Operating Officer,  
General Manager of Global Corporate  
Administration Operations,  
Chief Compliance Officer

### Approach to Cash Use and Profit Distribution Results

Nihon Kohden recognizes the return to shareholders of cash generated through its business activities as one of its most important management policies. Regarding the distribution of cash, our basic policy is to maintain stable and continuous dividends for all shareholders over the long term, bearing in mind the securing of internal reserves necessary for future business expansion. Our priorities are i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. We aim for a consolidated dividend payout ratio of 30% or more. Also, our fundamental policy is to flexibly consider buybacks of the company's shares, comprehensively taking into account factors such as future business expansion, investment plans, the level of cash held in reserve internally, and share price trends.

Due to our favorable business results, the FY2020 year-end dividend was 38 yen per share, including an additional special dividend of 20 yen. Consequently, the full-year dividend was 55 yen per share, including the interim dividend of 17 yen. In addition, we implemented share buybacks of up to 1.5 billion yen.

### Setting of Financial Indicators

Nihon Kohden has set consolidated return on equity (ROE) as one of its management indicators in order to maximize corporate value and shareholder value. ROE reached 14.0% in FY2020 with the increase in demand due to the COVID-19 pandemic, and under the three-year business plan, BEACON 2030 Phase I, which started in FY2021, we aim to maintain this at 10%.

While prioritizing the improvement of profitability through the implementation of this three-year business plan, we also aim to achieve our management targets by raising asset efficiency through measures such as inventory reduction, and by increasing shareholder returns.

# Company Information

## Company Overview (as of March 31, 2021)

Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales <small>(Consolidated)</small>	¥199.7 billion <small>(fiscal year ended March 31, 2021)</small>
Type of Business	Development, production, and sales of medical electronic devices
Employees <small>(Consolidated)</small>	5,531 persons

## Stock Overview (as of March 31, 2021)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	88,730,980 shares
Number of Shareholders	9,717 persons

## Subsidiaries: 29 companies (as of April 1, 2021)

<b>Sales and Promotion</b> 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 Korea, Inc.
<b>Development, Manufacturing, Sales, and Sales Promotion</b> Nihon Kohden Tomioka Corporation Nippon Bio-Test Laboratories Inc. Beneficks Corporation Shanghai Kohden Medical Electronic Instrument Corp. Defibtech, LLC Nihon Kohden OrangeMed, Inc. Nihon Kohden Malaysia Sdn. Bhd. Nihon Kohden India Pvt. Ltd. Nihon Kohden Middle East FZE Nihon Kohden Firenze S.r.l.
<b>Development of Medical Electronic Equipment and Software</b> Nihon Kohden Digital Health Solutions, Inc. Neurotronics, Inc. Nihon Kohden Innovation Center, Inc.

<b>Group General Affairs and Staffing</b> E-Staff Corporation E-Staff Insurance Services Corporation
<b>Other</b> RESUSCITATION SOLUTION, INC.





Company Information

Editorial Policy

Nihon Kohden issues the integrated report in order to communicate to stakeholders in a reader friendly format. The Company aims at achieving a sustainable society and enhancing its corporate value through its business activities. The integrated report is edited taking the following matters into consideration.

Scope of Report

**Organization** This report covers 30 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 29 consolidated subsidiaries (as of March 31, 2021).

**Period** from April 1, 2020 to March 31, 2021\*

\* Partly including information on our activities performed before or after the aforementioned period

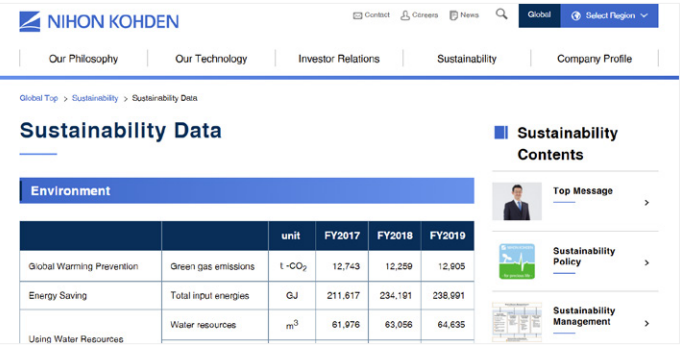
Nihon Kohden Website

Integrated Reports  
<https://www.nihonkohden.com/ir/library/ar.html>



Sustainability Data

[https://www.nihonkohden.com/sustainability/csr\\_data.html](https://www.nihonkohden.com/sustainability/csr_data.html)



Disclaimer

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

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How to publish

Nihon Kohden has abolished the conventional production of bound printed matter and limited it to publication on its website. This is because, based on the current IT environment with the Internet in place, we examined how to publish this report from the perspective of protecting limited paper resources and reducing CO<sub>2</sub> emissions during delivery and transportation.

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