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Corporate Governance Report

Last Update: December 21, 2015

NIHON KOHDEN CORPORATION

Representative: Hirokazu Ogino, President and COO

Contact: Takashi Seo, Operating Officer, General Manager, Corporate Planning Dept.

Securities Code: 6849

<http://www.nihonkohden.com/>

The corporate governance of NIHON KOHDEN CORPORATION (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Nihon Kohden’s corporate philosophy is “we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees.” as a medical electronics manufacturer.

To realize its corporate philosophy, the Company 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 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.

As part of the Company’s commitment to better corporate governance, the Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on directors and the execution of operations on operating officers. The Company also appoints highly independent outside directors and outside *Kansayaku* to strengthen the management supervisory functions at the Board.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

The Company will comply with all principles of the Corporate Governance Code and work on the following principles in future.

[Supplementary Principles 1-2-2 Disclosure of the convening notice on the website before sending, 1-2-4 Use of the Electronic Voting Platform]

From the next shareholder meeting, the Company will disclose the convening notice through TDnet and on the Company’s website during the period between the Board approval of convening the general shareholder meeting and sending the convening notice. The Company will also take step for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform for the next shareholder meeting.

[Principle 1.4 Cross-Shareholdings]

The Board will examine the objective and economic rationale of cross-shareholdings in the future.

[Principle 2.5 Whistleblowing][Supplementary Principle 2-5-1 Establish a point of contact that is independent of the management]

The Company has already established a compliance hotline and a hotline for consultations about harassment. The Company will establish a point of contact that is independent of the management. Operation of each hotline will be reported to the Board in the future.

[Principle 3.1 Full Disclosure]

v) Explanations with respect to the individual appointments and nominations

The Company has already explained the reasons for the individual appointments of outside directors and outside *Kansayaku* in the convening notice. The Company will explain the reasons for the individual appointments of inside directors and inside *Kansayaku* in the convening notice of the next shareholder meeting.

[Supplementary Principles 3-1-2 English language disclosures]

The Company has already provided English language disclosures such as annual reports, financial results, and presentation materials. The Company will provide English translation of Corporate Governance Report in the future.

[Supplementary Principles 4-1-3 Succession planning for the CEO and other top executives]

The Company will consider the establishment of a nominations and remuneration committee as optional advisory committees under the Board. The committee will discuss succession planning for the CEO and report to the Board on a regular basis.

[Supplementary Principles 4-8-1 Exchange information and develop a shared awareness among outside directors]

The Company will have regular meetings consisting solely of independent outside directors and independent outside *Kansayaku* in future in order to exchange information and develop a shared awareness among themselves.

[Principles 4-10 Use of Optional Approach][Supplementary Principles 4-10-1]

The Company will consider the establishment of optional advisory committees under the Board to which outside directors contribute in order to strengthen the transparency and objectivity on the matters of nomination and remuneration of directors.

[Supplementary Principles 4-11-3 Board evaluation]

The Company will start annual evaluation of the board effectiveness in FY2015. The evaluation will consist of evaluation questionnaires to all directors. The Board will analyze and evaluate the results and consider changes for improving its effectiveness if necessary. A summary of the results will be disclosed in 2016.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

[Principle 1.4 Cross-Shareholdings]

Policy with respect to cross-shareholdings:

Nihon Kohden group holds shares of companies when the Group determines the development of close business relations with them contribute to increase corporate value over the mid- to long-term. The Board examines the objective and the economic rationale of cross-shareholdings on an annual basis.

Standards with respect to voting rights:

While respecting the management policies and strategies of investees, the Company reviews agendas, dialogues with investees if necessary, and exercises voting rights based on the judgment criteria of whether improvement of investee's corporate value in the mid- to long-term can be expected and the Company will not suffer a disadvantage as a shareholder.

[Principle 1.7 Related Party Transactions]

The company establishes the following procedures with respect to related party transactions, in order

to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders.

- When the Company engages in transactions with its directors or corporations whose representatives are its directors (excluding its wholly owned subsidiaries), the Company shall obtain approval of the Board in accordance with the Board of Directors Rules as well as complying with laws.
- The Company monitors related party transactions regularly by requiring directors, *Kansayaku*, and operating officers to submit the written confirmation regarding related party transactions.

[Principle 3.1 Full Disclosure]

i) Corporate Philosophy, business strategies and business plans

Under the corporate philosophy of “we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees,” Nihon Kohden has established and aimed at realizing a long-term vision for 2020, The CHANGE 2020 – The Global Leader of Medical Solutions. The Company will steadily promote its four-year mid-term business plan, Strong Growth 2017, started from FY2013, in order to sustain growth and enhance corporate value. Please check the Company’s website for more information: <http://www.nihonkohden.co.jp/>

ii) Basic views and guidelines on corporate governance

Please check 1. Basic Views in this report.

iii) Board policies and procedures in determining the remuneration of directors

Policy

Please check [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods in this report.

Procedure

In accordance with the policy above, director remuneration is proposed by representative directors and approved by the Board. The Company will consider the establishment of optional advisory committees under the Board to which outside directors contribute in order to strengthen the transparency and objectivity on the matters of director remuneration.

iv) Board policies and procedures in the nomination of directors and *Kansayaku* candidates

Directors:

Policy

Director nomination is considered based on the following matters: the Board is well balanced in knowledge, experience as a whole; the Board can make appropriate and quick decisions; and individual directors have excellent character and insight, and high ethical standards.

Procedure

In accordance with the policy above, director nomination is proposed by representative directors and approved by the Board. The Company will consider the establishment of optional advisory committees under the Board to which outside directors contribute in order to strengthen the transparency and objectivity on the matters of director nomination.

Kansayaku:

Kansayaku nomination is considered based on the following matters: Individuals have excellent character and insight, and high ethical standard; *Kansayaku* Board is well balanced by the combination of persons with abundant knowledge of the Company’s business, persons who have appropriate expertise on finance and accounting, and persons who have wealth of knowledge and experience in their fields. In accordance with the policy above, *Kansayaku* nomination is proposed by representative directors and approved by the Board with the consent of the *Kansayaku* Board.

v) Explanations with respect to the individual appointments and nominations

The Company has explained the reasons for the individual appointments of outside directors and outside *Kansayaku* in the convening notice. The Company has disclosed careers of inside directors and inside *Kansayaku* in the convening notice.

Please check the Company’s website for more information:

<http://www.nihonkohden.co.jp/ir/info/soukai.html>

[Supplementary Principles 4-1-1 Scope of the matters delegated to the management]

The Board resolves the matters pursuant to the Companies Act and makes a decision on the execution of important business for the Nihon Kohden group as well as supervising directors' performance of their duties in accordance with Board of Directors Rules and Standards for Procedures for Requesting Deliberations and Making Decisions. Content of the matters delegated to the management council, CEO, COO and operating officers are clearly specified in Standards for Procedures for Requesting Deliberations and Making Decisions.

[Principle 4-8 Effective Use of Independent Directors]

The Company appoints two independent outside directors.

[Principle 4-9 Independence Standards and Qualification for Independent Directors]

The Company appoints two independent outside directors in order to enhance transparency and soundness of the management. The Company appoints outside directors who meet the independence criteria set by Tokyo stock exchange, have wealth of knowledge and experience in their fields, and can provide advice and supervisor the management from their objective and neutral position.

[Supplementary Principles 4-11-1 Balance, diversity, and size of the Board as a whole]

The Board consists of directors from diverse backgrounds in expertise and experience. The Company keeps an appropriate number of directors, no more than 12 in accordance with Articles of Incorporation, so that the Board can operate efficiently and effectively, taking into consideration company size and business characteristics.

The Company enhances transparency and soundness of the management by appointing several independent outside directors.

[Supplementary Principles 4-11-2 Concurrent positions]

The Company discloses where directors and *Kansayaku* and their candidates hold concurrent positions each year in the convening notice and the annual securities report. Current directors and *Kansayaku* don't hold concurrent positions.

[Supplementary Principles 4-14-2 Training policy for directors and *Kansayaku*]

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

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

Information Disclosure Policy:

The Company has established the Information Disclosure Policy in order to maintain appropriate, timely and fair information disclosure and has operated the information disclosure structure in accordance with the Information Disclosure Rules.

Please check V. Other in this report.

Organizational structures of IR:

The Company has appointed representative directors, director in charge of corporate planning department, and general manager of corporate planning department as persons in charge of information disclosure in accordance with the Information Disclosure Rules in order to ensure the consistency and transparency of the information disclosure. Corporate planning department, which bears responsibility for IR activities, endeavors to realize constructive dialogue with shareholders and enhance information disclosure by collecting necessary information in cooperation with relevant departments such as finance, sales operations, and R&D.

Measures to promote opportunities for dialogue:

Dialogue with individual investors

The Company holds meetings for individual investors, which speakers are general manager of corporate planning department or a person in charge of IR, and participates in IR Festa in order to give investors a more in-depth understanding of our operations and strategies. There were 13 meetings in

FY2014. The Company endeavors to enhance information disclosure by explaining company overview, financial results, and company history on its web site for individual investors. In terms of dialogue with individual shareholders, the Company conducts a shareholder survey every year and uses feedback from shareholders as a reference for our future IR activities. The Company endeavors easy-to-understand presentation by using a projector in the annual shareholders meeting

Dialogue with institutional investors

The president, general manager of corporate planning department, and persons in charge of IR have meetings with institutional investors in Japan and overseas by making periodic visits to investors, accepting visits as requested, and by phone. The Company holds briefings to explain financial results to institutional investors and analysts, which speaker is the president, in the 2nd quarter and 4th quarter as well as holding conference calls, which speaker is general manager of corporate planning department, in the 1st quarter and 3rd quarter. Furthermore, business strategy meetings and facility tours are held aiming at realizing constructive dialogue.

Relay investor feedback to management:

Corporate planning department, which bears responsibility for IR activities, relays the views of shareholders and investors through dialogue to the management and relevant departments for sharing and using information.

Control insider information:

The Company has adopted a quiet period in which it will not respond to comments or questions in order to prevent information leaks of financial information and to ensure fairness in its information disclosure practices in accordance with the Information Disclosure Policy. Measures to control insider information when engaging in dialogue are provided in the Information Disclosure Rules and thoroughly notified to the management and employees.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
State Street Bank and Trust Company 505223	8,502,101	9.48
The Master Trust Bank of Japan, Ltd. (trust account)	5,437,600	6.06
Saitama Resona Bank, Ltd.	4,193,750	4.67
Toshiba Medical Systems Corporation	3,980,000	4.44
STATE STREET BANK AND TRUST, BOSTON AS TRUSTEE FOR MAWER INVESTMENT MANAGEMENT LTD.	3,090,316	3.44
The Bank of New York Non-Treaty JASDEC Account	2,182,200	2.43
Japan Trustee Service Bank, Ltd. (trust account 9)	1,933,700	2.15
Fujitsu Ltd.	1,857,758	2.07
Japan Trustee Service Bank, Ltd. (trust account)	1,798,300	2.00
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	1,723,200	1.92

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

[Status of Major Shareholders] above is as of September 30, 2015. Reports of Possession of Large Volume with respect to the Company's shares were submitted as follows. However, they are not included in [Status of Major Shareholders] above because the number of actual shares that they hold as of September 30, 2015 cannot be confirmed.

1. Company Name: Resona Bank, Limited and other. (as of March 31, 2014)
Number of Shares Held : 2,244 thousand shares, Shareholding Ratio : 4.90%
2. Company Name: FIL Investments (Japan) Limited (as of March 31, 2014)
Number of Shares Held : 2,689 thousand shares, Shareholding Ratio : 5.88%
3. Company Name: Mawer Investment Management Ltd. (as of April 10, 2014)
Number of Shares Held : 2,289 thousand shares, Shareholding Ratio : 5.00%
4. Company Name: Sumitomo Mitsui Trust Bank, Limited and two others. (as of October 15, 2014)
Number of Shares Held : 1,994 thousand shares, Shareholding Ratio : 4.36%
5. Company Name: Massachusetts Financial Services Company and other. (as of September 24, 2015)
Number of Shares Held : 11,073 thousand shares, Shareholding Ratio : 12.34%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion /
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson
Number of Directors	10
Appointment of Outside Directors	Independent Directors have been appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	G	h	i	j	k
Masaya Yamauchi	Lawyer											
Minoru Obara	Scholar								○		○	

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masaya Yamauchi	○		Although Mr. Masaya Yamauchi has not been engaged in corporate management, he is closely

			<p>acquainted with corporate legal affairs as a lawyer. The Company anticipates that in his work with our management systems he will make the most of the expertise and experience he has accumulated to date.</p> <p>The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an Independent Director.</p>
Minoru Obara	○	<p>Mr. Minoru Obara serves as the Professor Emeritus of Keio University, and there have been transaction between the Company and Keio University, and the Company made donations to Keio University. Disclosure is omitted because the Company considers that the size and nature of these transactions and donations are unlikely to affect the judgment of shareholders and investors. The Company sets immateriality standards relating to attribute information that the amount of business transactions (h) accounts for less than 1 percent of the Company's consolidated revenue for the current fiscal year and donation (j) amounts less than ¥10 million for the current fiscal year.</p>	<p>Although Mr. Minoru Obara has not been engaged in corporate management, the Company anticipates that in his work with our management system he will make the most of his knowledge and experience as a university professor specialized in electronics engineering and laser medical treatment.</p> <p>The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an Independent Director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

<p>• Cooperation between <i>Kansayaku</i> and Accounting Auditor</p> <p><i>Kansayaku</i> and the Accounting Auditor endeavor to conduct efficient audits by coordinating closely through</p>
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regular meetings (quarterly) and other means, and actively exchanging opinions and information regarding the audit plan and the implementation of audits. *Kansayaku* also attends accounting audits for domestic and foreign subsidiaries conducted by the Accounting Auditor as necessary and receives explanation regarding audit results from the Accounting Auditor.

• Cooperation between *Kansayaku* and Internal Audit Department

Kansayaku meets regularly with internal auditing department (8 members), an organization under the direct supervision of the president, twelve times a year for exchanging information and enhancing cooperation. Internal auditing department conducts regular audits for compliance, the appropriateness and efficiency of business executions at the head office and subsidiaries. Internal auditing department works with *Kansayaku* to strengthen monitoring of accounting and business executions. It provides the president and *Kansayaku* with timely reports regarding internal audit results. Internal audit results and progress of the improvements are reported to directors, *Kansayaku*, and operating officers quarterly in the management councils.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Osamu Kato	Scholar										○		○	
Masahiro Kawamura	CPA													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any off, g, or h) (the *kansayaku* himself/herself only)

k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)

m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Kato	○	Mr. Osamu Kato serves as the Professor Emeritus of Keio University, and there have been transaction between the Company and Keio University, and the Company made donations to Keio University. However, the Company considers that the size and nature of these transactions and donations are unlikely to affect the judgment of shareholders and investors. The Company sets immateriality standards relating to attribute information that the amount of business transactions (j) accounts for less than 1 percent of the Company's consolidated revenue for the current fiscal year and donation (l) amounts less than ¥10 million for the current fiscal year.	Although Mr. Osamu Kato has not been engaged in corporate management, he is closely acquainted with corporate legal affairs as a university professor and lawyer. The Company expects him to utilize this knowledge and experience in order to audit the management of the Company, and so has appointed him as outside auditor. The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an Independent Director.
Masahiro Kawamura	○		Although Mr. Masahiro Kawamura has not been engaged in corporate management, he has abundant knowledge and broad experience about financial accounting. The Company expects him to utilize this knowledge and experience in order to audit the management of the Company, and so has appointed him as outside auditor. The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an Independent Director.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*

4

Matters relating to Independent Directors/*Kansayaku*

[Incentives]

Incentive Policies for Directors	Other
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Supplementary Explanation

A certain percentage of monthly compensation of directors (excluding outside directors) is allotted to purchasing shares of the Company for reflecting mid- to long-term business results. Directors shall hold the shares during the period served as directors.

Recipients of Stock Options	None
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The amount paid to directors was 341 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established the policy on determining director remuneration which would further link with performance and shareholder value as well as aiming at the transparency of management and ensuring growth and profitability in mid- to long-term. Director remuneration consists of monthly compensations and bonuses. Bonuses are determined taking into consideration their contribution and the Company's business performance every fiscal year. A certain percentage of monthly compensation of directors (excluding outside directors) is allotted to purchasing shares of the Company for reflecting mid- to long-term business results. Directors shall hold the shares during the period served as directors. The amount of director remuneration is within the limits set forth by the resolution of the shareholders meeting.

[Supporting System for Outside Directors and/or *Kansayaku*]

Corporate planning department is in charge of supporting outside directors and outside *Kansayaku* by assisting their duties and communicating with. The Company provides periodic information such as monthly business reports of departments and group companies to outside directors and outside *Kansayaku*. When the Company holds the Board of Directors meeting or the management council, corporate planning department delivers related materials to them, and if necessary, explains agenda items of the meetings to them in advance.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

i) Overview of Current System

The Board consists of 10 directors, including 2 outside directors, have monthly meeting in order to resolve the matters pursuant to the Companies Act and make a decision on the execution of important business for the Nihon Kohden group as well as supervise directors' performance of their duties. Meetings of the management council, which consists of all directors and operating officers, are held three times a month in order to

undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation.

The Company sets the number of directors at 12 or less for the purpose of prompt decision making and the term of office of directors at one year for the purpose of clarifying managerial responsibility of each fiscal year. The Company appoints two independent outside directors in order to enhance transparency and soundness of the management. As part of the Company's commitment to better Corporate Governance, the Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other.

The Company has adopted an auditor system. *Kansayaku* Board consists of 2 outside *Kansayaku* and 2 inside *Kansayaku*. Each *Kansayaku* attends the meetings of the Board and management council and commented on agenda items of the meetings as necessary. Each *Kansayaku* audits the assets or the performance of the directors' duties under the audit plan for the term under review approved by *Kansayaku* Board.

The Company has designated two outside directors and two outside *Kansayaku* as independent directors/auditors because they satisfy the requirements therefor and filed them with the Tokyo Stock Exchange, accordingly. Outside directors and outside *Kansayaku* attend not only the meetings of the Board, but also the meetings of management council. They provide advice in the meetings and supervisor the management from their objective and neutral position.

The Company also strengthens the function of its internal audit for enhancing the internal control system.

ii) Measures to strengthen the function of *Kansayaku*

Please check [*Kansayaku*] above in this report

iii) Accounting auditor

The Company has appointed BDO Toyo & Co. as an accounting auditor. Engagement partners of the firm are Mr. Nakano and Ms. Suzuki. An appropriate number of certified public accountants in the firm assist the auditing of the Company.

3. Reasons for Adoption of Current Corporate Governance System

As described above, the Company has appointed independent outside directors/*Kansayaku*. The Company takes measures such as introduction of an operating officer system as well as cooperation among *Kansayaku*, internal auditing department and accounting auditor. The Company believes the management monitoring functions work sufficiently.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company strives to send notices as early as possible by streamlining related work. The Company sent convocation notices regarding the 64th Ordinary General Meeting of Shareholders 4 days earlier than the statutory due date.
Scheduling AGMs Avoiding the Peak Day	The 64th Ordinary General Meeting of Shareholders was held on June 25, 2015.
Providing Convocation Notice in English	The Convocation Notice in English (summary) has been posted on the Company corporate website.
Other	The convocation notices and extraordinary reports (the results of the exercise of the voting rights on the items for resolution) have been posted on the Company corporate website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Disclosure policy has been established and disclosed on the Company corporate website.	
Regular Investor Briefings for Individual Investors	The Company holds company briefings organized by securities companies and explains its management strategy and business operations. The meeting presentation materials have been posted on the Company corporate website for enhancing information disclosure.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings to explain financial results to institutional investors and analysts, which speaker is the president, in the 2nd quarter and 4th quarter. The Company also organizes conference calls in the 1st quarter and 3rd quarter.	Yes
Regular Investor Briefings for Overseas Investors	The Company visits overseas shareholders and institutional investors to explain the financial results and its management strategy.	Yes
Posting of IR Materials on Website	The Company corporate website (http://www.nihonkohden.co.jp/) carries a host of information, including earnings releases, timely disclosure materials, annual securities reports, presentation materials of financial results, convocation notices, reports for shareholders, overview of corporate governance, and English annual reports.	
Establishment of Department and/or Manager in Charge of IR	Corporate planning department is in charge of IR. General manager of corporate planning department has been appointed as person in charge of information disclosure.	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is stated in Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws.
Implementation of Environmental Activities, CSR Activities etc.	Nihon Kohden's corporate philosophy is "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees" as a medical electronics manufacturer. Nihon Kohden's CSR activities are based on realizing its philosophy and the implementation of Nihon Kohden Charter of Conduct. CSR Activities have been posted on the Company corporate website.
Development of Policies on Information Provision to Stakeholders	It is stated in Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws.
Other	The Company promotes diversity activities for developing a corporate culture which accepts diversity, encouraging women's career development, and supporting the work-life balance. A section in charge of diversity development in human resources department is promoting the diversity management such as introducing a mentor program in order to encourage women's career development. A program for providing opportunities to communicate with current female managers will be started in 2016. The Company has developed an environment where employees can balance

	<p>work with childcare and it obtained the right to use the next-generation certification mark by Minister of Health, Labour and Welfare called Kurumin in recognition of its efforts to support employees' childcare needs. The Company continues to focus on work-life balance initiatives that help realize a workplace environment where employees can fully leverage their skills and talents.</p> <p>The Company is promoting the establishment of a workplace environment that is easy for employees to work in, such as a part-time and shift work system for employees with children up to the sixth grade of elementary school. The work return rate after childcare leave is an approximately 100%. The Company also plans to introduce a work at home system to facilitate the smooth return to work of employees who have taken childcare leave.</p> <p>The number of female managers doubled in 5 years as a result of encouraging women's career development in related seminars and training courses. The ratio of female managers is 6.6% in 13 domestic group companies. The Company will proactively promote efforts to appoint female executives, although there is currently no female executive. The Company will actively promote to recruit female in career-track positions and plan to increase the ratio of newly recruited female to twice its present level.</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company shall work to improve the effectiveness of the internal control system by reviewing the system and the operation as needed. Basic policy for establishment of internal control system is as follows:

- System to Ensure Compliance by Directors and Employees of the Company group with Laws and the Articles of Incorporation in the Execution of Their Duties

In order to ensure fair and appropriate corporate activities, the Company has thoroughly notified Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws, to directors and employees by training and promotion activities.

Compliance committee and compliance facilitators at departments and group companies promote the implementation of compliance.

The Company has established a compliance hotline for reporting and consultation in order to find and cure unfair practices as early as possible.

The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them.

- System for Storing and Managing Information Related to the Execution of Duties by Directors

Information related to the execution of duties by directors are stored and managed appropriately during the storage period set for each information in accordance with Standards for Procedures for Requesting Deliberations and Making Decisions. Documents are stored and made available for inspection depending on recording media.

- Risk Management of Possible Losses

The Company has established the risk management system for managing risks associated with overall operations of the Company group in accordance with Risk Management Rules in order to ensure the sound and appropriate business operations. The Company shall work to improve the effectiveness of the system.

The risk management department implements group-wide risk management, assigning responsibility for each risk associated with operational execution to specific departments.

In the event of an emergency, such as a natural disaster, emergency response measures shall be implemented with regard to internal rules such as BCP.

- System to Ensure Efficient Business Execution by Directors

Meetings of the management council, which consists of all directors and operating officers, are held three times a month aiming at prompt decision making and flexible business operation.

The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other.

The Company will endeavor to ensure the effective business execution by establishing internal rules to clarify the allocation of duties, authority, responsibility and execution procedures of each director, operating officer and council.

- System to Ensure Proper Business Execution of the Company Group

The Company has established the management system to ensure the proper business execution of the Company group in accordance with the internal rules, assigning responsibility for the appropriate management of each group company to specific departments, receiving the periodic report regarding the business performance and other important matters from each group company, and requiring group companies to obtain prior approval from the Company before conducting important matters.

Internal auditing department is in charge of auditing the Company and group companies.

The Company has established the internal control system to ensure the reliability of financial statements under the Financial Instruments and Exchange Act and will assess and improve the system continuously.

- Matters concerning employees assisting *Kansayaku*, the independence of such employees from directors, and ensuring the effectiveness of instructions from *Kansayaku* to such employees

Kansayaku Board secretariat assists with *Kansayaku's* duties when *Kansayaku* Board requests or instructs.

Personnel changes assisting *Kansayaku* shall require prior consent of *Kansayaku* Board.

Kansayaku Board secretariat is independent from the directors' line of command when they work under the instruction of *Kansayaku*.

- System for Reporting to *Kansayaku* by Directors and Employees of the Company Group

Directors and employees of the Company group shall promptly report to *Kansayaku* Board concerning matters that may cause serious damage to the Company group, material violations of laws and the Articles of Incorporation, unfair practices as well as results of internal audit.

Kansayaku may request reports of directors and employees of the Company group as necessary.

Directors or employees who report to *Kansayaku* will not be subjected to disadvantageous treatment because of such report.

Kansayaku audits the performance of the directors' duties by attending the meetings of the Board and management council.

- System to Ensure Effective Audit by *Kansayaku*

Representative directors have periodic meetings with *Kansayaku* and exchange opinions regarding challenges that the Company should deal with, the audit environment of *Kansayaku*, and other important audit issues.

Kansayaku shall maintain close contact and share information with accounting auditor and internal auditing department in order to ensure effective audit of the Company and group companies.

The Company will promptly reimburse expenses invoiced by *Kansayaku* that are deemed necessary for the execution of their duties in accordance with Auditing Standards Conducted by *Kansayaku*.

2. Basic Views on Eliminating Anti-Social Forces

i) Basic Views on Eliminating Anti-Social Forces

The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them as described in basic policy for establishment of internal control system.

ii) Status of Eliminating Any Relationships with Anti-Social Forces

The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them. This is stipulated in Nihon Kohden Charter of Conduct and thoroughly notified to the management and employees. General affairs department is in charge of handling of anti-social forces and assigns a person responsible for preventing undue claims and collecting relevant information from police and companies in community. The Company has also built a system to take prompt action in cooperation with police, attorneys and other outside expert organizations if such cases occur.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation

i) Basic Principles on Control of the Company

The Company believes that persons involved in financial and operational decision-making processes should demonstrate an adequate understanding of the Company's corporate philosophy, the diversity of sources of corporate value, and the importance of maintaining the trust and confidence of the many stakeholders who constitute the foundations of the Company, and should also have the ability and capacity to enhance the corporate value of the Company and in turn the common interests of the shareholders over the medium to long term.

The Company believes that its shareholders should make the final decision as to whether to accept a Large-Scale Purchase. The Company does not necessarily reject Large-Scale Purchases if they would contribute to the corporate value and the common interests of the shareholders. However, the Company cannot rule out the possibility of an inappropriate Large-Scale Purchase that may harm corporate value and benefits for all shareholders. Some examples are those with a purpose that would apparently harms corporate value and common interests of the shareholders; those with the potential to practically coerce shareholders to sell shares; or those that do not provide sufficient disclosure of information on the proposal given to and sufficient time allowed for the Board of Directors and shareholders to review the proposal.

A person who proposes a Large-Scale Purchase or equivalent undertaking that would not contribute to the corporate value of the Company or the common interests of the shareholders shall be deemed unsuitable for involvement in the financial and operational decisions of the Company. A necessary and appropriate response shall be applied to the actions of such persons in order to preserve the corporate value and common interests of the shareholders.

ii) Policy toward Large-Scale Purchases of the Company's Shares

The Company resolved at the Board of Directors meeting held on May 8, 2013 to partially revise and renew the policy toward large-scale purchases of the Company's shares (hereinafter referred to as the "Basic Rule") and obtained approval at the 62nd general shareholders' meeting held on June 26, 2013.

Based on the perspective of protecting and increasing corporate value and benefits for all shareholders, the purpose of the Basic Rule is, (a) to clarify the procedures that should be taken by a Large-Scale Purchaser, (b) to ensure necessary and sufficient information and time that allow shareholders to make appropriate judgment, and (c) to ensure opportunity to the Company to negotiate with the Large-Scale Purchaser and offer shareholders alternative plans.

The Large-Scale Purchaser, intending to conduct a purchase that would result in the holding ratio amounting to 20% or more of the Company's shares, is required to submit a proposal of Large-Scale Purchase which includes necessary and sufficient information and a written statement containing a pledge to comply with the Basic Rule in accordance with the Basic Rule. The Independent Committee, that consists of outside directors, outside *Kansayaku*, and independent outside advisors, shall review and examine the contents of the Statement of Intent of Purchase and alternative plans submitted by the Board of Directors. The Committee shall submit an opinion as regards to whether Defense Measures should be triggered to the Board of Directors. The Independent Committee may, if it is uncertain whether the Large-Scale Purchase will fall into the specific categories, recommend the implementation of Defense Measures subject to the approval of a General Meeting of Shareholders in advance (hereinafter referred to as the "Shareholders' Meeting"). When The Board of Directors adjudges that the Large-Scale Purchase falls into the specific categories such as i) if the Large-Scale Purchaser Group does not comply with the Basic Rule; ii) Cases in which it is clear that the relevant Large-Scale Purchase damages common interests of shareholders of the Company, it makes the decision as to whether Defense Measures in the form of gratis allotment of stock acquisition rights should be triggered, fully respecting the opinion of the Independent Committee (where a Shareholders' Meeting is held, in which case the decision of the Board of Directors shall be based on the resolution adopted at the Meeting). The Company shall provide information in a timely and appropriate manner regarding the Statement of Intent of Purchase as well as opinions of the Board of Directors, recommendations provided by the Independent Committee, and trigger of Defense Measures. Effective term of the Basic Rule is 3 years from the introduction.

2. Other Matters Concerning to Corporate Governance System

The status of the company system for the timely disclosure of corporate information of the Company is as follows:

i) Basic stance on information disclosure

The Company Group stands committed to broadly engaging its shareholders as well as society as a whole. In this regard, the company discloses corporate information in a responsible and fair manner and adheres to highly transparent management practices as outlined in the Nihon Kohden Charter of Conduct. In accordance with this commitment and as stated in its Information Disclosure Policy, information related to the Nihon Kohden Group is disclosed in a timely, responsible, fair and clear manner in order to deepen the understanding and trust of all stakeholders, including customers, shareholders and local communities, and to attain a reasonable valuation from financial markets.

ii) Internal system for timely disclosure

1) The Company conducts timely disclosure in accordance with the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Securities and the Like" set out by the Tokyo Stock Exchange and its "Information Disclosure Rules". The Company has established an information disclosure committee as well as rules and systems for timely disclosure, which it properly oversees and manages.

2) General manager of corporate planning department has been appointed as person in charge of information disclosure. Corporate planning department controls material information when a decision or event that affects investment judgments occurs. Accounting department controls financial information. Both departments has always cooperated to control related information.

3) Timely disclosure information is released by person in charge of information disclosure after it is approved by the Board or the management council or confirmed by representative directors.

The Board convenes once a month to fulfill its managerial decision making and supervisory functions. The management council is held three times a month to decide important issues relating to business executions based on the policy approved by the Board. An extraordinary meeting is held as needed in the board meeting or management council.

4) Information is released to the public through the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange. Information made public through TDnet is also posted on the Company corporate website promptly and distributed to the press club as necessary.

Information Disclosure Policy

i) Basic Policy

The Company Group stands committed to broadly engaging its shareholders as well as society as a whole. In this regard, the company discloses corporate information in a responsible and fair manner and adheres to highly transparent management practices as outlined in the Nihon Kohden Charter of Conduct. In accordance with this commitment, information related to the Nihon Kohden Group is disclosed in a timely, responsible, fair and clear manner in order to deepen the understanding and trust of all stakeholders, including customers, shareholders and local communities, and to attain a reasonable valuation from financial markets.

ii) Information Disclosure

The Company discloses information in compliance with Japan's Companies Act, Financial Instruments and Exchange Act, other related laws, and the disclosure rules of the Tokyo Stock Exchange. Information that is beneficial to fostering greater understanding of Nihon Kohden, but which is not subject to these laws and rules, is also proactively and fairly disclosed to every extent possible.

iii) Internal Framework

The Company has established an Information Disclosure Committee as well as rules and systems for timely disclosure, which it properly oversees and manages.

iv) Information Disclosure Methods

Information which is subject to timely disclosure rules is released to the public through the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange. Information made public through TDnet is also promptly posted on the Company corporate website. Information that is deemed important but which is not

subject to timely disclosure rules is also disclosed in a timely, responsible and fair manner through press releases issued to media outlets and publications on the Company corporate website.

v) Forward-Looking Statements

Information provided by the Company may contain future outlooks and strategies, such as earnings forecasts appearing in financial statements released in accordance with timely disclosure rules. Actual performance may differ from initial forecasts because this information contains uncertainties and risks related to economic trends, industry trends and exchange rates, among other factors.

vi) Quiet Period

The Company has adopted a quiet period in which it will not respond to comments or questions from the day after the closure of its accounting period to the date it presents its financial statements in order to prevent information leaks of financial information (including both annual and quarterly) and to ensure fairness in its information disclosure practices. However, in the event that the Company's earnings forecast is found to greatly deviate from initial projections during this quiet period, the company will disclose such information in compliance with timely disclosure rules.

