

NIHON KOHDEN REPORT 2019



Profile

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

Management Philosophy

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

Throughout our history, Nihon Kohden has always pursued solutions to healthcare challenges through innovative and high-quality medical devices with the aim of realizing our Management Philosophy.

Our medical devices developed so far have been used in medical practice in more than 120 countries around the world to save many patients.

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

Long-Term Vision

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

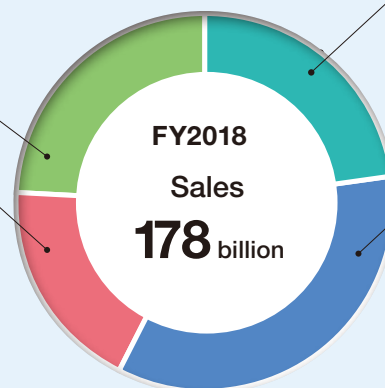
Nihon Kohden has produced a number of innovative medical devices and technologies with its technological development capabilities rooted in medical practice. In part because of the strength of the Nihon Kohden brand, which we have built up over many years, Nihon Kohden has many products with the top market share in Japan.

Other

Treatment Equipment

AEDs

Nihon Kohden is the only company that develops and manufactures AEDs in Japan, holding the largest domestic market share.



Physiological Measuring Equipment

EEGs

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



Patient Monitors

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



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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.



Nihon Kohden Technologies

Nihon Kohden is aiming to solve issues in medical practice through innovation based on its strengths in sensor technology.

By means of advanced technological development capabilities that address medical practice needs, Nihon Kohden has created a large number of products and has been contributing to resolving the healthcare issues that surround Japan and other countries across the world.

In particular, Nihon Kohden places a high value on the **Human Machine Interface**, the user interface that connects human and machine in technological development.

Pulse Oximetry

Pulse oximetry used in medical practice around the world

In 1974, Nihon Kohden first developed the principle of pulse oximetry that enables the measurement of arterial blood oxygen saturation (SpO₂) with just a sensor placed on the fingertip or earlobe.

Previously, SpO₂ could not be measured without taking a sample of arterial blood, which besides causing the patient some pain, took time before the results of the tests were known. The invention of the pulse oximeter could realize **pain-free, real-time, and continuous measurement**.

Capable of quickly detecting changes in a patient's condition, pulse oximeters are installed in many medical devices, such as bedside monitors. They are now also actively utilized around the world for various scenes of medical practice, including prevention of intraoperative adverse events and in neonatal care.



esCCO

Enables non-invasive, continuous measurement of cardiac output

Nihon Kohden's unique technology, esCCO can measure estimated continuous cardiac output non-invasively based on an electrocardiogram (ECG) and the pulse wave obtained from pulse oximetry.

Traditionally, cardiac output was measured by inserting a catheter into the pulmonary artery, but esCCO technology **enables the measurement of cardiac output simply without causing the patient pain or stress**.

Sales started in Europe in 2011, and esCCO is penetrating in emerging countries, having received high evaluation from Instituto do Coração do Hospital das Clínicas (Incor), Universidade de São Paulo, the Brazil's top hospital.



Human Machine Interface – User Interface that Connects Human and Machine –

CO₂ SensorCO₂ sensor for patient safety first

A CO₂ sensor measures the amount of carbon dioxide contained in exhaled breath. Since the measurement of CO₂ rapidly detects changes in a patient's condition and leads to treatment at an early stage, its usefulness as an effective respiratory management method is known.

Aiming for safer respiratory management for patients, Nihon Kohden successfully developed cap-ONE, the world's first ultra-compact and lightweight CO₂ sensor weighing only 4g. In addition to its strong shock resistance and excellent measurement performance, cap-ONE improves issues in medical practice, such as being able to measure CO₂ during oxygen administration. cap-ONE realizes **easier handling and safer respiratory management**.



iNIBP

Realizes faster and easier measurement of blood pressure

iNIBP is Nihon Kohden's original non-invasive blood pressure measurement algorithm using linear inflation technology, which is patient-friendly and realizes the needs of medical staff who want to know measurement results quickly.

The iNIBP-compatible YAWARA CUFF 2 has a **structure that reduces the risk of subcutaneous bleeding caused by measuring blood pressure**.

The iNIBP measurement **time is shorter and target inflation pressure is lower** as compared to the conventional method, thus, speedy and gentle measurement gives less stress to both patients and medical staff.



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.

(Billions of yen)
150



JUNE 2009 Launched Japan's first automated external defibrillator, the AED-2100.

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



Nihon Kohden began offering CPR and AED workshops to the public when the use of AEDs by the general public was authorized in Japan in July 2004.

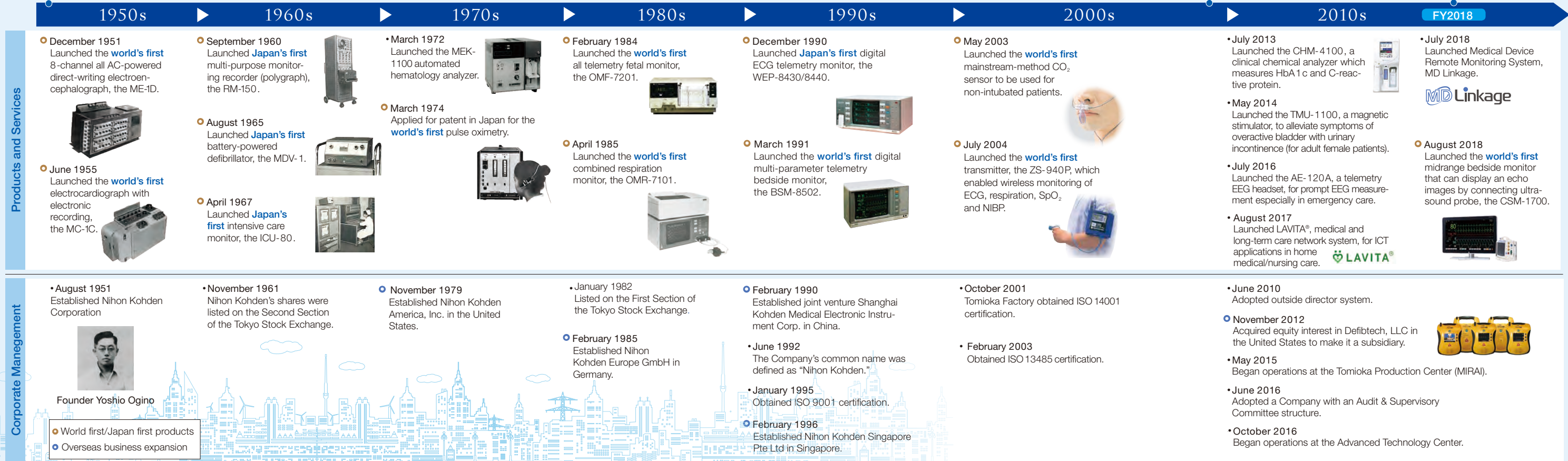
The number of lives saved by members of the general public using AEDs has been steadily increasing, totaling 1,260* cases in 2017. Nihon Kohden is working to promote cardiopulmonary resuscitation (CPR) and the accessibility of AEDs so that as many people as possible can use an AED in the event of an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

- Number of AEDs shipped by Nihon Kohden: more than 500K units
- Number of AED workshops and participants (in FY2018 in Japan): 264 workshops, 4,745 participants
- AEDs have been set up at all offices in Japan, and all employees attend CPR training and AED workshops.

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

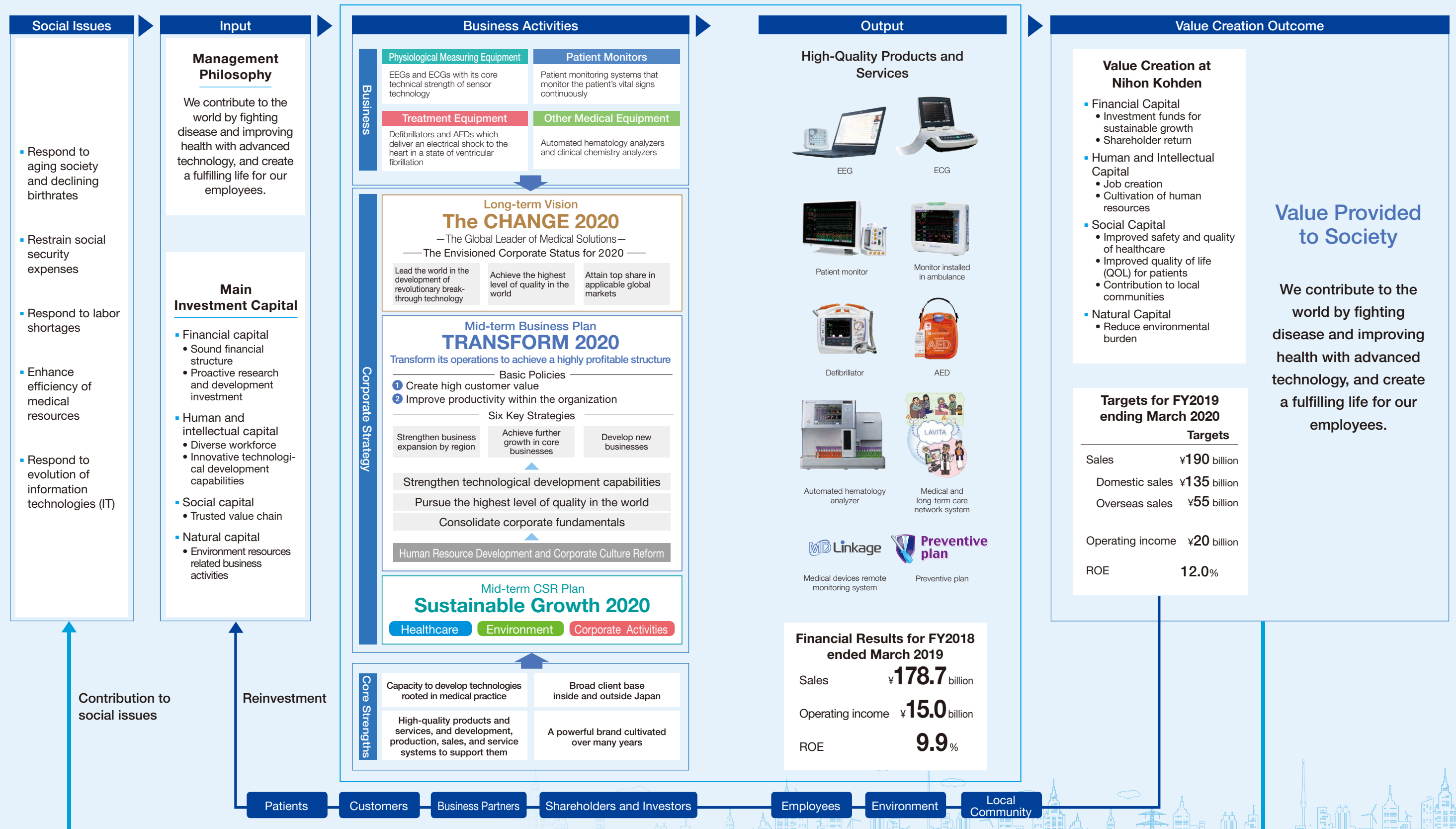
Scale of Business (as of March 31, 2019)

Areas in which products deployed	Number of subsidiaries	Number of domestic sales offices	Number of employees
More than 120 countries	Japan 5 bases Overseas 24 bases	More than 120 offices	5,169 Japan 3,803 Overseas 1,366



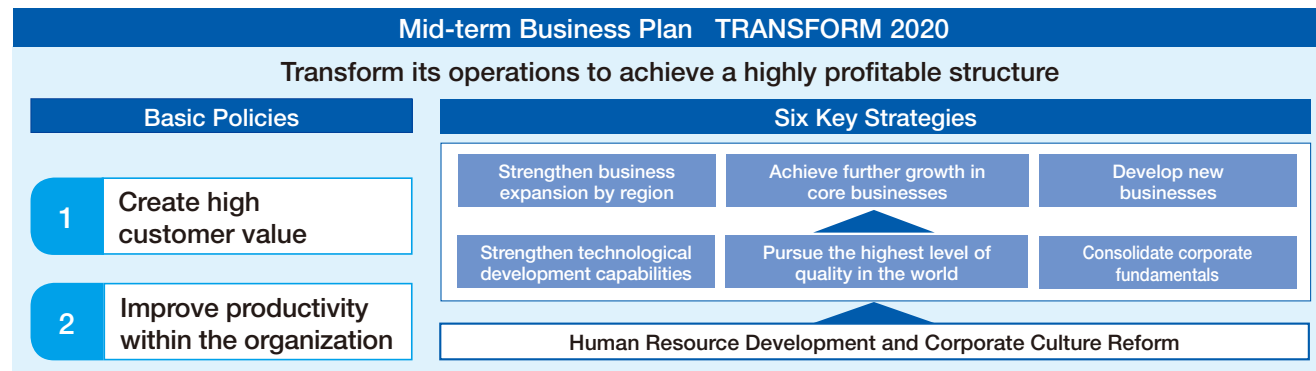
Corporate Value Creation Model

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



Mid-term Business Plan TRANSFORM 2020

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



1 Create high customer value

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

In our consumables and services business, we released MD Linkage, a medical device remote monitoring system that is a value-added service making use of IoT. Having started with the MEK-1303, an automated hematology analyzer and clinical chemistry analyzer, we plan to expand the lineup of applicable devices. As a result of focusing on both the domestic and overseas markets, the sales ratio for the consumables and services business has risen to 44.3%, which has led to a stable revenue base.



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

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

2 Improve productivity within the organization

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

In the Group as a whole, following on from the U.S., Europe and China, we have introduced ERP systems in the Middle East and South Korea, while making progress with the construction of a global supply chain. We are working on ICT-driven business process reform to streamline operations between the headquarters and sales branches in Japan.

Strengthen Technological Development Capabilities

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

For the CSM-1701/1702 bedside monitors that were launched in 2018, we extended the functions of the monitor and realized a new solution by integrating diagnostic equipment technologies such as electroencephalography (EEG) and ultrasound.

Bedside monitor CSM-1701/1702 Extend functions by integrating our core technologies in order to realize easy and prompt diagnosis

EEG Monitoring

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

Collaboration of CSM-1700 bedside monitors and EEG headset



Point of Care Ultrasound

In a world first for patient monitors, the CSM-1701/1702 bedside monitors have a built-in function that enables the connection of an ultrasound probe and the display of an echo image. This function assists prompt ultrasound tests for trauma patients in emergency rooms. The ultrasound probe can also be used as a portable echography unit because it can be connected not only with a bedside monitor but also with a dedicated tablet computer.

Connect probe to the CSM-1700 bedside monitors



Portable echography can be achieved by connecting the ultrasound probe to a dedicated tablet computer



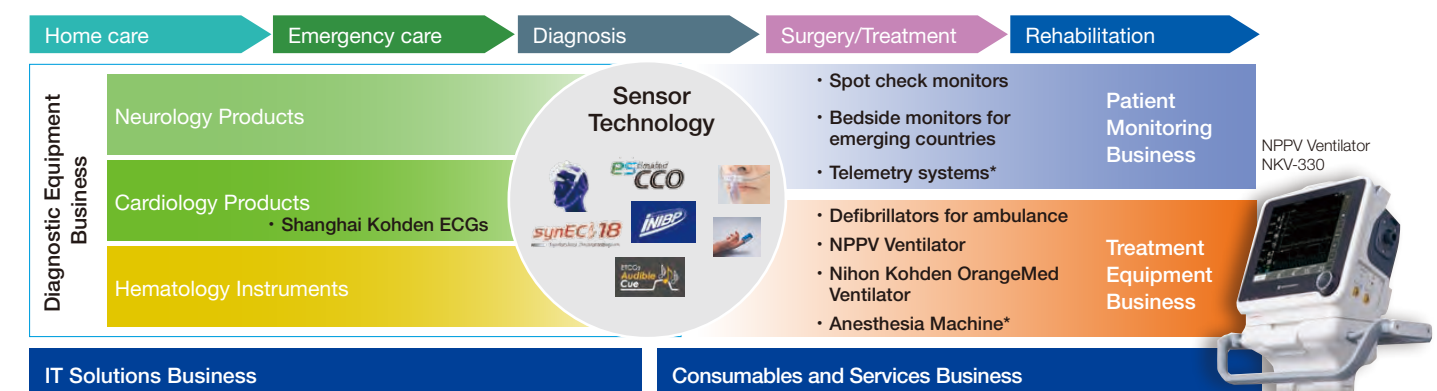
Achieve Further Growth in Core Businesses

Focusing on our unique sensor technology, we are expanding in five core business areas. In the fiscal year ending March 2020, we plan to introduce new products to our cardiology lineup as well as to our patient monitoring and treatment equipment businesses. Expected to generate new business in particular are the Company's first two in-house manufactured ventilators. NPPV* ventilators are developed by leveraging our base technologies in patient monitors and

our unique sensor technology. We are aiming to realize respiratory management that is unique to Nihon Kohden and provides greater safety and less burden on patients. Since ventilators are used in conjunction with our mainstay patient monitors in both intensive care units and general wards, synergistic effects are also expected.

*NPPV (Noninvasive Positive Pressure Ventilation): Artificial respiratory management that does not require intratracheal intubation and tracheotomy

Major new products expected to be introduced in FY2019



* It will be launched only in Japan



Mid-term Business Plan TRANSFORM 2020

■ Strengthen Business Expansion by Region

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

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

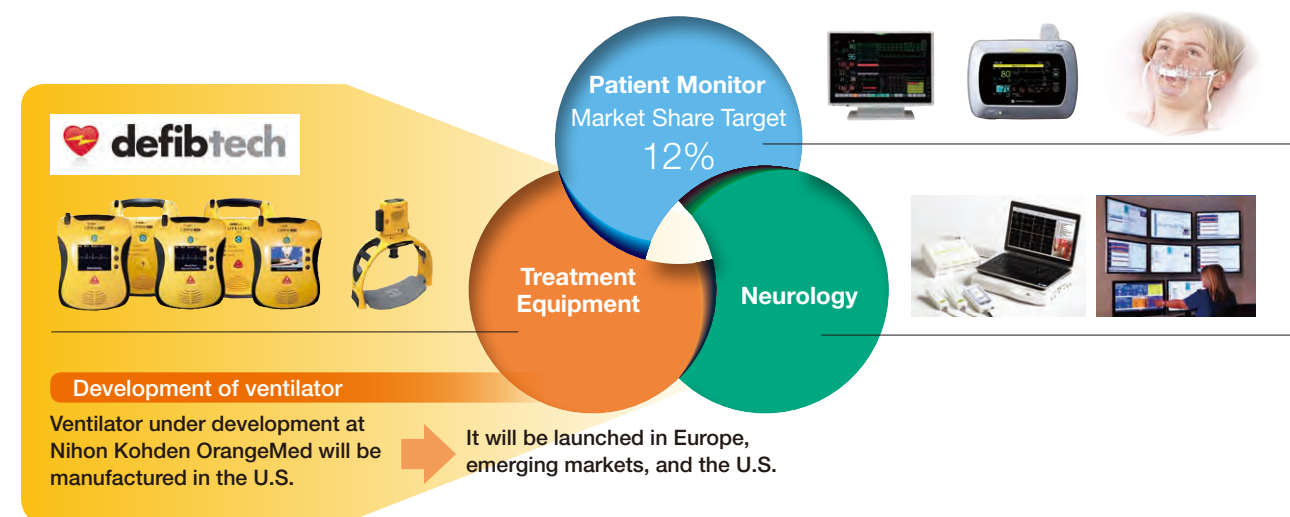
Strengthening Nihon Kohden's business structure in the United States

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

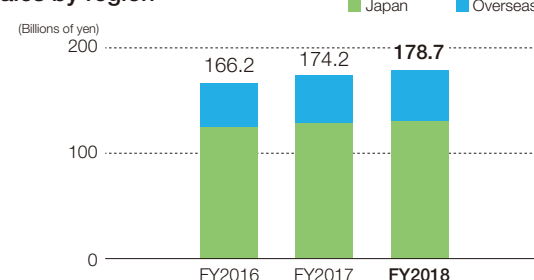
We are focusing on expanding our Patient Monitoring business, and sales of patient monitors have increased favorably as a result of the enhancement of our local sales and service networks. Our brand awareness is increasing as our patient monitoring systems have been introduced in leading U.S. hospitals. We estimate our current market share is around 9%. In FY2019, we plan to introduce our first spot check monitors as well as midrange bedside monitors. By introduc-

ing spot check monitors, we aim at providing comprehensive patient monitoring solutions which enable the centralized management of all patients' data in the hospital.

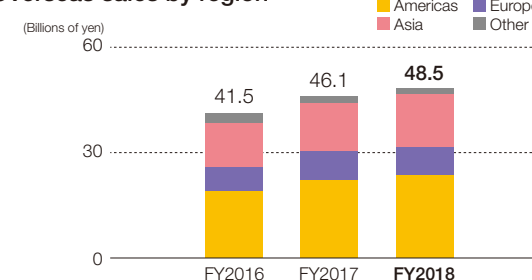
In Treatment Equipment, we entered the AED market in the United States by acquiring Defibtech, a U.S. manufacturer of resuscitation equipment in 2012. Currently, we are developing a ventilator at Nihon Kohden OrangeMed, which was established in 2015, and plan to launch this ventilator in Europe, emerging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



Sales by region



Overseas sales by region



Management Interview



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

Hirokazu Ogino
Representative Director, President and CEO

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

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

In the overseas markets, demand for capital investment remains robust in the U.S., where progress is being made in the expansion of integrated delivery networks (IDNs) that extend from large hospitals to clinics and nursing care faci-

ties. In order to work in such an environment, medical devices now require advanced network technology, and with cyber security becoming a key point in the selection of patient monitors. I believe our progress in improving performance in these areas allows us to increase our competitive advantages in the market. While demand for medical devices appears likely to expand as the population increases in many emerging markets, there is also a growing protectionism in some countries and it is therefore important for the Company to manage risks associated with changing political and economic conditions.

Management Interview

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

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

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

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

We are also actively working to improve efficiency in development. At the Advanced Technology Center, formed through the consolidation of our R&D divisions, we promote enhanced cooperation among the divisions and the integra-

tion of core technologies in order to develop new products featuring high customer value.

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

Mid-term Business Plan



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

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

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

One of our key issues for FY2019 is the establishment of a global supply chain management system, centered on the Tomioka Production Center. We intend to bolster our production and supply systems in the U.S., China and Malaysia. The Eastern Japan Logistics Center, which is now under construction, starts operations within the year. We also plan to establish a reagent factory in Dubai to supply to the

Middle East and Africa, where the installation of hematology analyzers has been increasing. In terms of business process reforms, we are gradually introducing enterprise resource planning (ERP) to the overseas sales subsidiaries as part of our effort to improve operational efficiency and centrally manage information.

Q Please outline your efforts to create a sustainable society.

We are currently promoting our Mid-term CSR Plan, Sustainable Growth 2020 and are taking a wide range of initiatives to address social issues, focusing on three key fields: Healthcare, Environment and Corporate Activities.

First, in the Healthcare field, we continue to provide the high-quality products and services that contribute to improve quality and efficiency of medical care, and patient safety. This will be achieved through product development from the customer's perspective and innovative technologies that enhance clinical value. In addition, as the only AED manufacturer in Japan, we are also working to spread basic life support using AEDs in and outside Japan. Therefore, it can be said that our business activities themselves contribute to the realization of a sustainable society.

In the Environment field, we have set long-term environmental targets for reducing CO₂ emissions in line with the Paris Agreement, and are further strengthening our efforts in this area. More specifically, in addition to emissions from corporate activities (scopes 1 and 2), we have started to calculate

emissions from activities of suppliers and customers (scope 3) since 2016, aiming to reduce CO₂ emissions across the entire supply chain.

In Corporate Activities, in addition to further strengthening our global governance system, we are actively working on the promotion of global compliance programs and working style reforms to improve productivity. By signing the United Nations Global Compact in July 2015, we have clarified our stance on contributing to the creation of a sustainable society by promoting efforts in ten areas in four fields: human rights, labor, the environment, and anti-corruption.

Along with significant changes in the social environment, our business model is shifting from mainly selling products to providing solutions by using technology that solves various social issues such as realizing medical systems suitable for super-aging society in Japan and improving standards of medical care in emerging economies. Going forward we will work to further strengthen efforts in this direction.

Q Do you have any final words to stakeholders?

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

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

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

ESG Summary

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

Mid-term CSR Plan

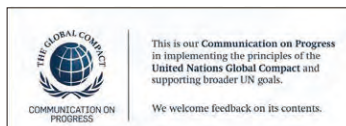
To increase corporate value, and contribute to the creation of a sustainable society, Nihon Kohden believes that it is important to resolve social issues through our business activities. As a means to achieve this, the Company established its Mid-term CSR Plan, Sustainable Growth 2020 that runs through FY2019. In three areas of Healthcare,

Environment, and Corporate Activities, Nihon Kohden establishes targets and solutions to address priority issues. The Company aims to solve these issues through its daily business activities by establishing prescribed activities based on clear goals.



Join UN Global Compact

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



External Evaluation

FTSE4Good Index Series

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



MSCI Japan ESG Select Leaders Index

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



Stakeholder Engagement

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

Growing as a company and establishing trust

Nihon Kohden's planning and implementation of CSR initiatives are predicated on harmony achieved with all of its stakeholders. Nihon Kohden is committed to establishing trust with its stakeholders and achieving growth accepted by its stakeholders in all aspects of its business, from product development, production and sales to after-sales services,

the Company's financial standing, and human resource development efforts. In addition to its citizenship activities and information disclosure through its business activities, Nihon Kohden also leverages the opinions and requests of stakeholders in its future business activities as part of its efforts to be a trusted member of society.

Mutual understanding through dialogue with our stakeholders

- Sustainable opportunities for dialogue and disclosure of information to the market
- Expectations for Nihon Kohden



Initiatives towards Sustainable Development Goals (SDGs)

Nihon Kohden is currently working to define targets for the Sustainable Development Goals (SDGs) we have prioritized. We have also implemented measures such as carrying a series of articles about SDGs in the Company Newsletter and holding an SDGs seminar for executives in order to raise awareness of the SDGs in the Company.



Seminar for executives

Nihon Kohden's Stakeholder Engagement Initiatives

Stakeholder	Main Communication Method	Main Responsibility and Issues
Customers	- Daily sales activities - Call center - Customer satisfaction survey - Academic seminars - ME (medical electronics) workshops	Offer of products and services with safety and security Enhancement of customer satisfaction Response to customer complaints Disclosure and offer of adequate information of products and services
Business Partners	- Daily procurement activities - Questionnaire of CSR procurement	Open and fair trade Promotion of CSR procurement
Shareholders and Investors	- General shareholders meetings - Earnings presentations - Company briefings - Events for individual investors - Website for investors	Enhancement of corporate value Appropriate shareholder returns Timely and appropriate disclosure Response to Social Responsible Investment
Employees	- Self-enumeration system - Level-specific training sessions - Labor-management council meetings - Consultation counter - Company newsletters and intranet	Development and utilization of human resources Securement of occupational health and safety Respect for diversity of human resources and work style
Local Communities	- Volunteer activities in local communities - Participation in local events	Participation and contribution to local communities

Healthcare Improving Safety and Security

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

Quality Policy and Quality Targets

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

Quality Policy

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

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

Quality targets

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

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

Nihon Kohden complies with the medical device regulations of each country and was one of the first in the industry to ensure that its quality management systems conform to global standards. This ensures the ability to develop and manufacture medical devices with high quality and safety. Nihon Kohden has received ISO 9001:2015 quality management system certification and ISO 13485:2016 certification

ISO 9001 Certificate



ISO 13485 Certificate



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

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



Machine testing room

Support Systems to Ensure Safety

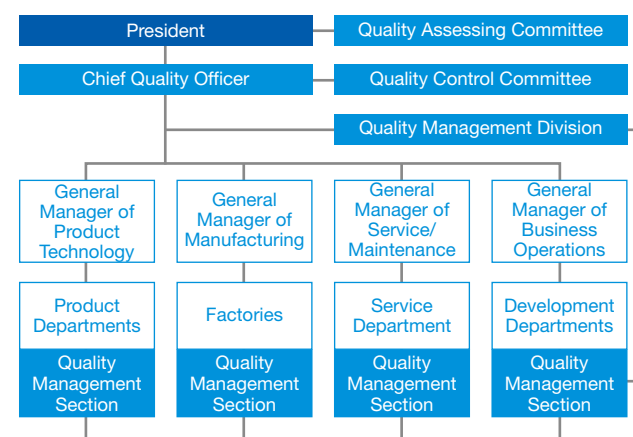
Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers in safety management and disseminates medical technology to help ensure safety after delivery of the product.

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

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

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

Quality Management System



Healthcare Improving Quality, Accessibility, and Efficiency of Healthcare

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

Improving Healthcare Efficiency

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

throughout the care cycle from preventive care and diagnosis to treatment and rehabilitation.

Providing Environmentally Friendly Products

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

CSM-1701/1702, Bedside Monitors



CSM-1701/1702 Bedside Monitors

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

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

In addition, by using the AE-920P neuro unit, the electroencephalograph data measured by the AE-120A EEG headset can be displayed on the CSM-1500/1700 series of monitors, allowing the quick and easy EEG monitoring in emergency and intensive care.

Environmental Considerations

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



MEK-1303, Automated Hematology Analyzer and Clinical Chemistry Analyzer



Allows testing without taking off the cap of the blood collection tube

The MEK-1303 is Nihon Kohden's first automated hematology analyzer and clinical chemistry analyzer. The MEK-1303 is the first point of care testing (POCT)* analyzer in Japan that can measure CBC (complete blood count, including white blood cells, red blood cells, and platelets), CRP (C-reactive proteins, which increase when inflammation is present in the body), and HbA1c (Hemoglobin A1c, an indicator for controlling blood sugar and in the diagnosis of diabetes). In addition to shortening the testing time, the MEK-1303 reduces the blood infection risk among medical staff by allowing measurement without taking off the cap of the blood collection tube.

Environmental Considerations

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

POCT: Medical test that is performed at the place of patient diagnosis and treatment such as clinics, homes, and examination and operating rooms.

SAS-2200, Portable Sleep Apnea Testing Equipment



The SAS-2200 is used for sleep apnea testing at home. Just one press of a button allows the testing of air flow (pressure), SpO₂ (arterial blood oxygen saturation), snoring volume, as well as the measurement of body positions and movement.

As its air flow measurement is in accordance with the AASM Scoring Manual*, it can lead to more accurate measurement of sleep apnea. Depending on the type of testing being performed, the patient can easily attach the equipment to either their wrist or abdomen.

Environmental Considerations

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

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

AED-3100 Series, Automated External Defibrillators, Cardiolife (AED-3150/3151)

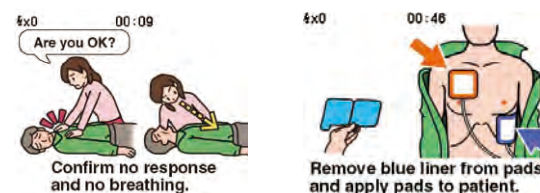


AEDs (automated external defibrillators) deliver an electrical shock to a heart which has gone into life-threatening cardiac arrhythmia such as ventricular fibrillation in order to restore a normal heart rhythm.

The AED-3150/3151 are equipped with larger color displays that are easy to see, even in outdoor situations. In addition to clear voice prompts, the easy-to-understand instructions by texts and illustrations on the display support saving of lives by persons who have never used an AED, as well as those have difficulty in hearing and under environment with difficulty hearing the voice prompts. The instructions including the voice prompts, texts, and illustrations are available in Japanese/English bilingual.

Environmental Considerations

In addition to the product being smaller, lighter, and lower power consumption than existing models, the amount of packing material was also reduced.



Value Story



Perioperative Management Seminar in Vietnam



Practical training at the Omori Medical Center, Toho University

Initiatives for Promoting Noninvasive (esCCO) Monitors in Vietnam

The project for promoting the use of noninvasive monitors in perioperative medical care was adopted as a three-year project under the FY2016 project to promote international medical development by the Ministry of Health, Labour and Welfare. The project involves educational activities to increase utilization of noninvasive monitors (esCCO*) with the goal of providing medical care safety and improving anesthesia techniques in Vietnam, where a shortage of anesthesiologists is a problem.

In addition to Japanese doctors giving seminars on perioperative management at the Vietnam Society of Anaesthesiologists and major hospitals in the country, the project provides educational support for the skill practice of 20 Vietnamese interns in perioperative management at the Omori Medical Center, Toho University. We will continue to engage in activities aimed at contributing to higher quality and safer perioperative management in Vietnam.

*esCCO: estimated Continuous Cardiac Output

A technology which can measure estimated continuous cardiac output non-invasively based on an electrocardiogram and the pulse waves obtained from pulse oximetry.



Environmental Philosophy and Policy

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

Environmental Philosophy

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

Established: September 1, 2015

Environmental Policy

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

1. Provide environmentally friendly products

In carrying out development 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.

Established: April 1, 2017

*3 Rs: Reduce, reuse, and recycle

Mid- to Long-term Environmental Targets

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

Established: April 1, 2017

Environmental Targets for FY2019

Environmental Targets for FY2019	1. Enhance production efficiency and reduce environmental impact by improving operational efficiency 2. Reduce environmental impact and prevent pollution in our business activities 3. Continuously reduce energy consumption and CO₂ emissions in our business activities in order to realize a decarbonized society 4. Contribute to creating a recycling-oriented society
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Established: April 1, 2019

Certifications and Signed Commitments

ISO 14001

The Tomioka Factory obtained ISO 14001:1996 certification in October 2001, and underwent a transitional review for ISO 14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007.

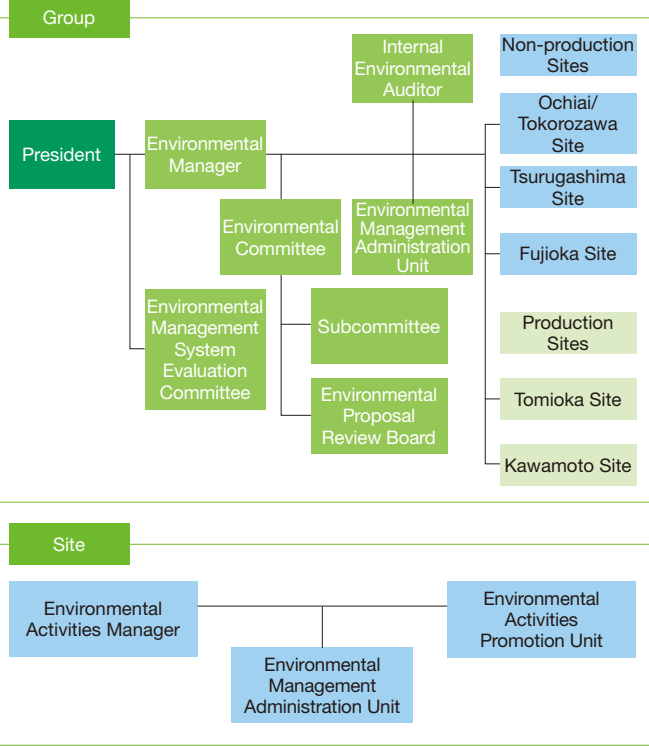
Environmental Philosophy and Policy

In 2017, we completed transition to ISO 14001:2015, and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory. In 2018, renewal inspections were completed.

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



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

Requests to our suppliers

To uphold our green procurement policy, the Nihon Kohden Group asks its suppliers to practice environmental conservation in their business activities and supply products, parts, and materials that have a low environmental impact. We also ask them to provide an RoHS Declaration of Conformity and participate in various surveys.

Supplier-side environmental conservation

We ask all our suppliers to take measures for effective environmental conservation such as establishing an environmental policy, maintaining systems, and implementing education.

Supplying low environmental impact products, parts, and materials

To manage the chemicals that are used in our procured products, we request the following.

- 1. Create a control system for chemical substances used in products
- 2. Reduce toxic substances and implement green procurement of parts and materials that have low environmental impact

Chemical substance content inspection

To evaluate the chemical substances in procured goods, we request all our suppliers respond to investigations of chemical substances in the goods. We require suppliers to provide certificates of compliance for materials used in RoHS compliant products.

Acquiring CASBEE “S” Rank Certification at the Advanced Technology Center

The Advanced Technology Center, which started its operations in October 2016, was designed to harmonize with the surrounding natural environment and reduce the overall environmental impact of the facility itself. The Advanced Technology Center was given “S” rank CASBEE* certification, the standard for environmental performance over the life cycle of a building.

*CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for comprehensively evaluating the quality of buildings. It evaluates and ranks the environmental performance of a building in regard to environmental concerns such as energy-saving performance and the amount of green materials used, as well as the comfort of the interior and scenery.

Targets and Results of the Environmental Management Program

Environmental Target	FY2018 Target	Result
1. Reducing the environmental impact and improving productivity through enhanced operational efficiency	• Set specific targets and raise productivity in each business activity	Attainment Rate: ✓✓ More efficient activities were implemented generally at each site and we managed to maintain reductions in environmental impact.
2. Reduce environmental impact and prevent pollution in business activities	2-1. Reduce CO ₂ emissions throughout the product life cycle through providing environmentally friendly products 2-2. Promote the development of environmentally friendly products and reduce the environmental impact of all newly developed products by an average of 5% compared to existing products 2-3. Reduce the first-month defect rate by 3% compared to FY2017 2-4. Keep the repair failure rate for repaired goods to 0.20% or less	Attainment Rate: ✓ We reached our goals in three of the four target areas, but 2-3 target was not achieved.
3. Continuously reduce energy consumption and CO ₂ emissions to realize a low-carbon society through our business activities	3-1. Improve energy use by 1% on a per unit basis compared to FY2017 3-2. Improve reduction in CO ₂ output by 1% on a per unit basis compared to FY2017	Attainment Rate: ✓✓✓ The energy consumption reduction target was attained on a per-unit basis. By switching to PPS (Power Producer & Supplier), we were able to reduce CO ₂ emissions by 1.7% on a per unit basis.
4. Contribute to a recycling-oriented society	• Limit the YoY increase of total waste emissions by 3.8% or less due to the increase of waste in line with the sales increase and reduce by 0.4% on a per unit basis by promoting Reduction/Reuse/Recycling	Attainment Rate: ✓ We could not reach our goal due to waste generation from office realignments.

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

In-House Environmental Awareness Training Program

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

Voice



Atsushi Kamikawaji
Manager,
Environmental Management Office,
General Affairs Department

We work on reducing the environmental load through our business activities.

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

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

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

Board of Directors

The Board consists of a total of twelve directors, nine directors excluding Audit & Supervisory Committee members (including two outside directors) and three Audit & Supervisory Committee members (including two outside directors). The Board has monthly meetings to resolve the

matters pursuant to the Companies Act and makes decisions on the execution of important business for the Nihon Kohden Group as well as supervises directors' performance of their duties.

Audit & Supervisory Committee

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

Management Council

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

Nomination and Remuneration Committee

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

Currently, committee members consist of a total of five members selected through a resolution of the Board of Directors: Masahiro Kawamura who is the committee chair, Hirokazu Ogino, Takashi Tamura, Masaya Yamauchi, and Shigeru Kawatsuhara. The Nomination and Remuneration Committee deliberates on the proposal of the candidates,

remuneration of directors, and succession plans in response to requests from the Board, and submits the proposals to the Board. A total of eight meetings were held in FY2018, and the attendance rate was 100% for all members.

Nomination and Dismissal of 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. In accordance with the policy above, nominations and dismissals of directors are proposed by the Nomination and Remuneration Committee and are approved by the Board.

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.

Remuneration of Directors

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

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

ing Audit & Supervisory Committee members consists of monthly fixed compensations. Remuneration of directors excluding Audit & Supervisory Committee members is reviewed at the Nomination and Remuneration Committee and is presented as a proposal to the Board of Directors. Remuneration of Audit & Supervisory Committee members consists of monthly fixed compensations and is determined after consultation between Audit & Supervisory Committee members.

Cooperation with Accounting Auditor and Internal Auditing Department

The Audit & Supervisory Committee cooperates closely with the Accounting Auditor by receiving explanation of auditing plans and quarterly audit results, exchanging opinions, and attending accounting audits for main offices and subsidiaries conducted by the Accounting Auditor.

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

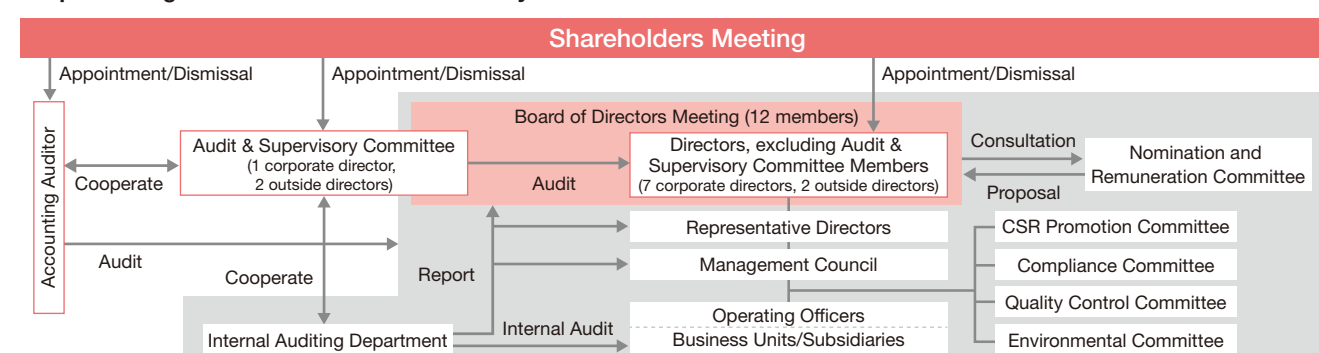
Board Evaluation

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

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

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

Corporate Organization and Internal Control System



The Total Amount of Remuneration of Directors in FY 2018

Millions of yen	Total amount	Total amount by type of compensation			Number of directors
		Fixed compensation	Performance-based compensation	Retirement benefits	
Directors (excluding Audit & Supervisory Committee members and outside directors)	246	174	48	23	9
Directors serving as Audit & Supervisory Committee members (excluding outside directors)	21	21	—	—	1
Outside Directors	37	37	—	—	4

Management Team

Shigeru
KawatsuharaEiichi
TanakaMasahiro
KawamuraTakashi
TamuraKazuteru
YanagiharaKazuhiko
IkutaHirokazu
OginoFumio
HiroseMasaya
YamauchiTadashi
HasegawaYasuhiro
YoshitakeMinoru
Obara

Hirokazu Ogino **Representative Director** President and CEO

Date of birth May 28, 1970

April 1995 Joined the Company

April 2007 President of Nihon Kohden Europe GmbH

April 2011 General Manager of Marketing Strategy Department

June 2011 Operating Officer

June 2012

Corporate Director and Operating Officer

April 2013

General Manager of International Operations

June 2013

Corporate Director and Senior Operating Officer

Served as Director for 7 years
Attendance at Board Meetings 25/25 (100%)

October 2013 CEO of Nihon Kohden America, Inc.

June 2015 Representative Director, President and COO

June 2017 Representative Director, President and CEO (current position)

Takashi Tamura **Representative Director** Executive Operating Officer, General Manager of Sales Operations

Date of birth March 22, 1959

April 1983 Joined the Company

April 2003 President of Nihon Kohden Kansai Corporation

April 2007 General Manager of Sales Operations

June 2007 Operating Officer

June 2008 Corporate Director and Operating Officer

April 2011

General Manager of International Operations

April 2013

General Manager of Service Business Division

April 2014

General Manager of Customer Service Operations

Served as Director for 11 years
Attendance at Board Meetings 25/25 (100%)

June 2015 Corporate Director and Senior Operating Officer

April 2016 General Manager of Sales Operations (current position)

June 2017 Representative Director and Executive Operating Officer (current position)

Tadashi Hasegawa **Director** Senior Operating Officer, Responsible for Finance, Legal Affairs, Compliance, Human Resources, General Affairs, and Information Systems

Date of birth June 17, 1959

April 1983 Joined The Saitama Bank Ltd.

June 2009 Operating Officer of Saitama Resona Bank Limited

June 2011 Senior Operating Officer of Saitama Resona Bank Limited

June 2013

Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited

March 2014

Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited

Served as Director for 4 years
Attendance at Board Meetings 25/25 (100%)

April 2014 Joined the Company

June 2014 Operating Officer and Responsible for Internal Auditing Department

June 2015 Corporate Director and Senior Operating Officer (current position)

Kazuteru Yanagihara **Director** Senior Operating Officer, General Manager of Strategic Technology Operations

Date of birth January 22, 1957

April 1980 Joined the Company

April 2009 Deputy General Manager of Biomedical Instrument Technology Center

April 2011 General Manager of Technology Promotion Center

June 2011

Deputy General Manager of Biomedical Instrument Technology Center

April 2012

General Manager of Biomedical Instrument Technology Center

June 2012

Operating Officer

Served as Director for 4 years
Attendance at Board Meetings 25/25 (100%)

April 2014 General Manager of Strategic Technology Operations (current position)

June 2015 Corporate Director and Operating Officer

June 2017 Corporate Director and Senior Operating Officer (current position)

Fumio Hirose **Director** Senior Operating Officer, General Manager of IVD Business Operations

Date of birth March 2, 1960

April 1982 Joined the Company

April 2003 President of Nihon Kohden Chushikoku Corporation

April 2006 Chief Manager of Global Marketing Operations

April 2009 General Manager of Corporate Planning Department

June 2009 Operating Officer

April 2013 General Manager of Ventilator & Anesthesia Device Business Operations

Served as Director for 4 years
Attendance at Board Meetings 24/25 (96%)

June 2015 Corporate Director and Operating Officer

June 2017 Corporate Director and Senior Operating Officer (current position)

April 2018 General Manager of IVD Business Operations (current position)

Eiichi Tanaka **Director** Operating Officer, General Manager of Corporate Strategy Division and Import Business Operations

Date of birth July 15, 1962

April 1985 Joined the Company

April 2002 General Manager of Marketing & Business Development Department

October 2003 President of Nihon Kohden America, Inc.

April 2008 General Manager of General Affairs and Human Resources Department

June 2008 Operating Officer

April 2011 General Manager of Accessories & Consumables Business Operations

April 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation

April 2014 President of Nihon Kohden Tomioka Corporation

Served as Director for 2 years
Attendance at Board Meetings 23/25 (92%)

April 2017 General Manager of Import Business Operations (current position)

June 2017 Corporate Director and Operating Officer (current position)

April 2019 General Manager of Corporate Strategy Division (current position)

Yasuhiro Yoshitake **Director** Operating Officer, General Manager of International Operations, President and CEO of Nihon Kohden America, Inc.

Date of birth March 20, 1966

April 1988 Joined the Company

October 2003 President of Nihon Kohden Europe GmbH

April 2007 General Manager of Sales Promotion Division, International Operations

April 2008 Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.

April 2011 General Manager of China Operations

June 2011 Operating Officer

April 2013 General Manager of Asia and Middle East Operations

Served as Director for 2 years
Attendance at Board Meetings 23/25 (92%)

April 2015 General Manager of International Operations (current position)

June 2017 Corporate Director and Operating Officer (current position)

February 2019 President and CEO of Nihon Kohden America, Inc. (current position)

Masaya Yamauchi **Outside Director** Independent Director

Date of birth March 20, 1960

April 1988 Registered as an attorney (Tokyo Bar Association)

September 1993 Established Nakagawa & Yamauchi Law Office

August 2001 Integrated into Hibiki-Sogo Law Office (current position)

Served as Director for 9 years
Attendance at Board Meetings 25/25 (100%)

June 2010 Outside Director of the Company (current position)

Minoru Obara **Outside Director** Independent Director

Date of birth September 29, 1947

April 1986 Associate Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University

April 1993 Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University

June 2012 Outside Director of the Company (current position)

Served as Director for 7 years
Attendance at Board Meetings 25/25 (100%)

April 2013 Professor Emeritus at Keio University (current position)

Kazuhiko Ikuta **Director (Full-time Audit & Supervisory Committee Member)**

Date of birth May 29, 1956

April 1980 Joined the Company

April 2006 Senior Manager of Finance Department, General Administrative Division

April 2009 General Manager of Finance Department

June 2009 Operating Officer

Served as Director for 3 years
Attendance at Board Meetings 25/25 (100%)
Attendance at Audit & Supervisory Committee Meetings 30/30 (100%)

June 2016 Director (Full-time Audit & Supervisory Committee Member) (current position)

Masahiro Kawamura **Outside Director (Audit & Supervisory Committee Member)** Independent Director

Date of birth August 19, 1949

June 1977 Registered as a Tax Accountant

March 1979 Registered as a Certified Public Accountant

August 1979 Joined Kawamura Tax Accounting Office (current position)

June 2010 Outside Audit & Supervisory Board Member of the Company

Served as Director for 3 years
Attendance at Board Meetings 25/25 (100%)
Attendance at Audit & Supervisory Committee Meetings 30/30 (100%)

June 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)
Outside Director (Audit & Supervisory Committee Member) of Daitogyorui Co., Ltd. (current position)

* Masahiro Kawamura served as an Outside Audit & Supervisory Board Member of the Company for six years before he became Outside Director.

Shigeru Kawatsuhara **Outside Director (Audit & Supervisory Committee Member)** Independent Director

Date of birth February 14, 1952

April 1975 Joined Toko, Inc.

April 2002 Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.

April 2004 General Manager of Sales Center, Toko, Inc.

June 2005 Corporate Director and General Manager of Sales Center, Toko, Inc.

April 2008 President of Toko, Inc.

May 2014 Chairman of Toko, Inc.

March 2015 Senior Advisor of Toko, Inc.

Served as Director for 3 years
Attendance at Board Meetings 25/25 (100%)
Attendance at Audit & Supervisory Committee Meetings 30/30 (100%)

April 2016 Part-time Advisor of Toko, Inc.

June 2016 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Message from Outside Directors

Masaya Yamauchi **Outside Director** Hibiki-Sogo Law Office



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

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

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

Minoru Obara **Outside Director** Professor Emeritus at Keio University



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

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



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

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

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



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

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

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

Meetings for the Exchange of Opinions by Outside Directors



Overview

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

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

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

[Members] Four independent outside directors, including two members of the Audit and Supervisory Committee

[FY2018 meetings] May and December

[Meeting content] May: Evaluation of the effectiveness of the Board of Directors

December: Improvements in conditions since the meeting in May and the Company's business

Ensuring Thorough Compliance

We practice fair and legitimate business activities with high ethics.

Basic Approach to Compliance

Nihon Kohden Charter of Conduct states that "we comply with applicable laws, regulations, restrictions, and company internal and external rules as well as ethical standards, and conduct fair and legitimate business activities."

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

Nihon Kohden Code of Ethics and Conduct

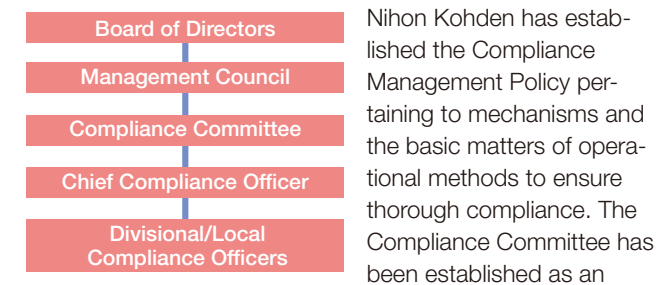
The basic compliance rules that Nihon Kohden employees must adhere to are set forth in Nihon Kohden Code of Ethics and Conduct.

For further details on Nihon Kohden Code of Ethics and Conduct, please refer to our website.



<https://www.nihonkohden.com/sustainability/pdf/conduct.pdf>

Compliance Organizational Framework



organization for ensuring and enhancing compliance based on the Compliance Management Policy. The committee establishes rules and systems and provides operational support to ensure that compliance is observed in business activities. Its functions include complying with laws and regulations, providing compliance education and training to employees, and monitoring the state of compliance. In 2017, the Company introduced a global compliance program throughout the entire Group.

In addition, the Chief Compliance Officer appoints Divisional/Local Compliance Officers at respective divisions and subsidiaries. Each Divisional/Local Compliance Officer is responsible for ensuring and enhancing compliance at each division or subsidiary of Nihon Kohden.

Compliance Training

To ensure that all employees understand compliance and are able to easily confirm and put it into practice on a day-to-day basis, Nihon Kohden has prepared the Compliance Handbook that contains the necessary policies and guidelines for compliance, and it is distributed to all employees. In addition, we conduct compliance training every year at the workplace level in each of our depart-

ments and subsidiaries. Each employee first studies the predefined material on his/her own and then confirms his/her level of understanding. Next, by reading the material and discussing it with colleagues, we work to deepen employees' understanding of compliance.

By continuing these compliance training activities, Nihon Kohden aims to prevent compliance violations and continue to take the initiative in raising the awareness and level of knowledge about compliance.

Internal Reporting System

Nihon Kohden has established internal reporting hotlines for reporting compliance matters.

Employees are required to make reports through the hotline when they are unable to do so through their superior or reporting

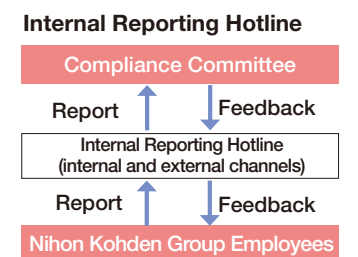
to their superior is deemed inappropriate or ineffective. The Company also accepts anonymous reporting to protect the person who makes a report from any unfavorable treatment due to such reporting.

Preventing Corruption

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.

Initiatives Concerning Transparency with Medical Institutions

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



Ensuring Fair Trade Practices

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

Basic Approach

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

Procurement Policy and Procurement Standards

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

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



https://www.nihonkohden.com/sustainability/csr_partners.html

Adherence to the Nihon Kohden CSR Procurement Standards

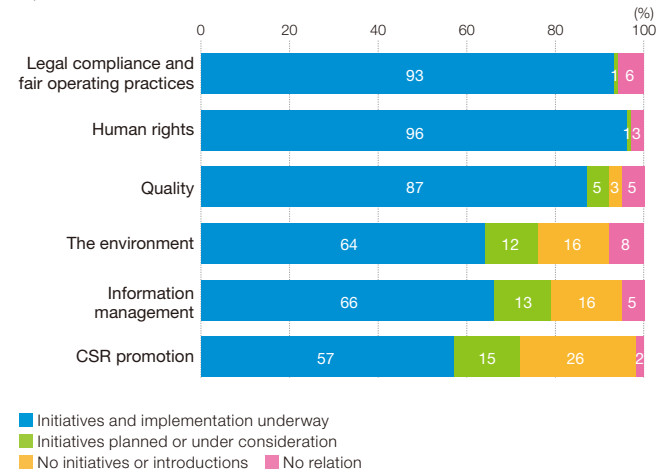
The Nihon Kohden Group provides regular compliance training to all employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the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

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

Results of the CSR Activity Questionnaire in FY2018

In FY2018, we asked 99 of our business partners to answer our CSR Activity Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 20 questions in six areas: legal compliance and fair operating practices, human rights, quality, the environment, information management, and CSR promotion. In terms of questions about CSR promotion, more than 90% of our business partners responded that a corporate philosophy and corporate guidelines for action had been established, were planned, or were under consideration. We continue to work with our business partners to deepen mutual understanding of our CSR procurement standards and ensure fair trade practices.

Questionnaire results in FY2018



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.

Nihon Kohden's Contributions to the Community

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

Social Contribution

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

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

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

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



AED virtual training experience



Tomioka Production Center Receives Factory Greening Award

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

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

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



Tomioka Production Center



Award ceremony

Topics



Donated EEG system

EEG Donated to Anutapura Hospital in Indonesia

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

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

Achieving a Fulfilling Workplace

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

Basic Approach

Strong growth and the development of each employee lead to corporate competitiveness. Nihon Kohden's basic policy on human resource development consists of four elements, i.e., i) autonomy, ii) professionalism, iii) leadership, and iv) global competency.

Human Resource Development Policy

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

Education and Training Structure

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

International Training Program

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

Policy for Diversity Promotion Activities

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



Mentor Program

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

The Senior Advisor System

With the goal of improving productivity, revitalizing the workplace, and motivating individual employees, the Nihon Kohden Group introduced in 2016 a Senior Advisor System that enables post-retirement senior employees to pass on the rich experience and skills they have cultivated over the years to younger workers.

Moreover, we have introduced a variety of the workstyles and successes achieved by our senior employees in the Company Newsletter, creating opportunities for all employees to think about how they might like to work as a senior employee in the future.

Seminar Promoting the Employment and Greater Understanding of Persons with Disabilities

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



Seminar promoting the employment and greater understanding of persons with disabilities

Reforming Working Styles

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

Kurumin Certification

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



Programs to Support Work-life Balance

1 Childcare Leave

Leave Period: Until an employee's child reaches the age of two.

2 Family Care Leave

Leave Period: Up to two years of leave can be taken.

3 Reduced Working Hours

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

4 Shifted Working Hours

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

5 Work at Home System

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

6 Leave to Provide Nursing Care for Children

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

Voice



Masahiro Kogiso

Leader, Export Regulation Group,
Legal Department

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

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

Topics

Holding a Management Seminar on Gender Differences in the Brain

As part of its effort to advance diversity, Nihon Kohden held a management seminar on gender differences in December 2018. The seminar targeted managers with female employees, noting that promoting advancement of female employees in the Company requires not only effort on the part of the women themselves, but also a greater understanding by supervisors with female employees as subordinates. Based on a theme comparing the differences between men's and women's brains, the goals of the program are for participants to learn more about possible differences in thinking and perception between men and women. The program also seeks for participants to acquire communication skills that can be used in the workplace and leveraged in management situations to make the best use of those differences.

In the program, the lecturer explained how men and women may think differently, including in regard to what motivates them and how they prefer to engage in dialogue. The program appears to have been positively received by the participants, who have engaged in lively exchanges of opinions during group work activities involving case studies.

Nihon Kohden will continue to develop training programs aimed at promoting diversity moving forward.



Seminar venue

Enhancing Information Disclosure and Shareholder Return

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

Shareholder Returns Policy

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

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

Information Disclosure Policy

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

Shareholder and Investor Engagement

General shareholders meeting

We hold our general shareholders meeting on a date that does not conflict with those of other companies to ensure that shareholders can attend. For foreign shareholders, convocation notices, notice of resolutions, and voting results are translated into English and posted on our website.

We also hold exhibitions of Nihon Kohden medical devices to explain their features and other information to shareholders. At our general shareholders meeting held on June 2019, we introduced new products and services such as an automated hematology analyzer and clinical chemistry analyzer, midrange bedside monitors, an AED for home use, our first in-house ventilator, and a medical device remote monitoring system.



Showcases of our products to attending shareholders at the booth near the venue

Earnings presentations

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

Company briefings and events for individual investors

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

Questions and comments from individual investors

- We are looking forward to the Company's business expansion in the future.
- AED training was very helpful.
- We would like to ask for the development of new products for use in homes.
- Do you plan to increase the dividend?
- Who are the Company's major competitors?
- How is the progress toward developing overseas business? Do you have factories in the U.S. or China?
- How many people are on the R&D staff?



Tokyo Stock Exchange IR Festa 2019

Company briefing at Kawaguchi Branch, Daiwa Securities

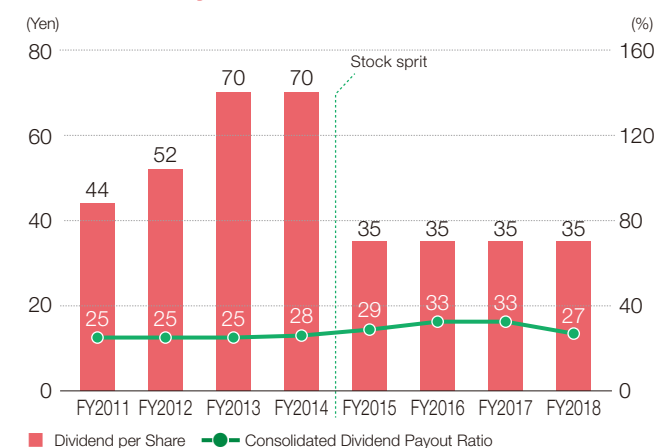
FY2018: Briefings at securities companies and IR events

May 2018	Kawaguchi Branch, Daiwa Securities
June 2018	Urawa Branch, SMBC Nikko Securities
September 2018	Tachikawa Branch, SMBC Nikko Securities
October 2018	Kawasaki Branch, Daiwa Securities
February 2019	Tokyo Stock Exchange IR Festa 2019

Investor relations page

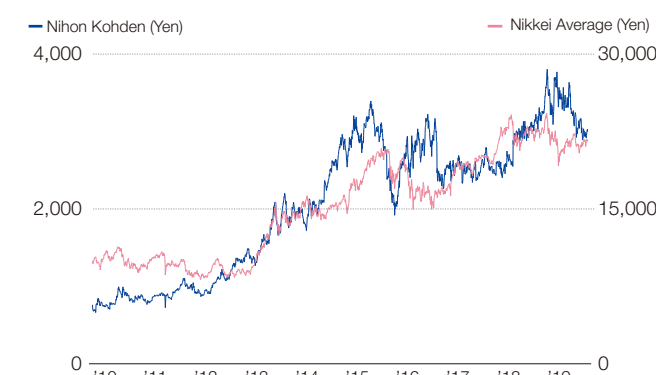
Our website publishes key information needed by shareholders and investors, such as management policy, financial and performance highlights, dividend information, and various disclosure documents. Information about the Company's Long-term Vision, Mid-term Business Plan, business segments, and products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

Change in Dividend per Share and Consolidated Dividend Payout Ratio



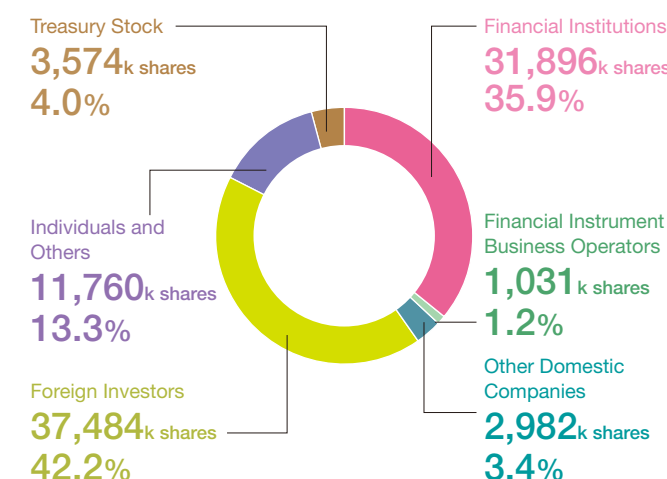
* Effective as of April 1, 2015, each share of common stock was split into two shares. Figures up to FY2014 list the actual dividend amounts paid before the stock split.

Change in Share Price



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

Ownership Breakdown (as of March 31, 2019)



Major Shareholders (as of March 31, 2019)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
State Street Bank and Trust Company 505223	9,230	10.83
The Master Trust Bank of Japan, Ltd. (trust account)	5,986	7.02
Saitama Resona Bank, Ltd.	4,193	4.92
Japan Trustee Service Bank, Ltd. (trust account)	3,753	4.40
State Street Bank and Trust Company 505103	1,780	2.09
Japan Trustee Service Bank, Ltd (trust account 5)	1,729	2.03
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	1,527	1.79
Japan Trustee Service Bank, Ltd. (trust account 9)	1,442	1.69
SSBTC CLIENT OMNIBUS ACCOUNT	1,428	1.67
MUFG Bank, Ltd.	1,325	1.55

* The above list excludes Nihon Kohden's treasury stock of 3,574 thousand shares (shareholding ratio of 4.02%). Each shareholding ratio is calculated excluding treasury stock.

Topics



In December 2018, Nihon Kohden was selected for the first time as the highest AAA grade for its website in the "2018 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 3,785 listed companies and was announced as a ranking.

Nihon Kohden will continue to enhance the Company IR site and work to improve IR activities by disclosing timely and easy-to-understand information to shareholders and investors.

Financial and Non-Financial Summary

April 2010 to March 2020

Mid-term Business Plan	Long-term Vision										
	April 2007					April 2010					April 2017
	SPEED UP II					SPEED UP III					TRANSFORM 2020
Fiscal year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business results											
Net sales	109,123	107,013	113,380	120,718	132,538	153,194	160,803	165,522	166,285	174,249	178,799
Operating income	8,106	9,321	10,598	12,027	13,484	17,547	15,921	16,438	13,585	14,517	15,044
Income attributable to owners of parent ¹	4,610	5,917	6,573	7,621	9,151	12,346	11,142	10,516	9,149	9,154	11,191
Financial position											
Current assets ²	61,470	69,685	75,366	82,742	95,181	106,515	118,389	112,929	119,235	120,687	132,211
Current liabilities ²	26,277	29,722	29,673	30,714	39,028	41,248	45,654	42,901	45,006	44,601	48,346
Total assets ²	80,479	88,000	92,495	99,403	116,800	130,917	146,755	144,270	152,806	157,910	169,717
Net assets	53,569	57,949	62,294	67,911	76,256	88,512	99,304	97,671	103,887	109,355	116,087
Cash flows											
Cash flows from operating activities	4,123	10,679	5,892	7,559	13,189	9,383	12,505	10,765	11,356	10,843	9,819
Cash flows from investing activities	(5,968)	(2,810)	(1,874)	(2,338)	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)
Free cash flow	(1,844)	7,869	4,018	5,220	6,229	4,962	7,815	2,962	5,011	7,497	6,561
Cash flows from financing activities	(601)	(2,850)	(1,536)	(2,726)	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)
Cash and cash equivalents	11,197	16,331	18,808	21,304	26,683	28,808	34,113	27,283	28,560	31,285	34,697
Per share information											
Net income (Yen) ³	104.94	134.68	149.62	173.49	208.31	281.03	126.83	120.12	106.81	106.92	131.43
Dividends (Yen) ⁴	37.0	37.0	44.0	44.0	52.0	70.0	70.0	35.0	35.0	35.0	35.0
Other											
R&D costs	4,656	4,418	5,105	5,583	6,424	7,108	5,745	5,910	6,466	7,226	7,243
Number of employees (Persons)	3,552	3,588	3,776	4,057	4,360	4,495	4,616	4,776	4,934	5,031	5,169
Number of shares issued at end of year (Thousands of shares) ⁵	45,765	45,765	45,765	45,765	45,765	45,765	45,765	89,730	89,730	89,730	88,730
Key performance indicators											
ROE (%)	8.8	10.6	10.9	11.7	12.7	15.0	11.9	10.7	9.1	8.6	9.9
Operating income margin (%)	7.4	8.7	9.3	10.0	10.2	11.5	9.9	9.9	8.2	8.3	8.4
Dividend payout ratio (%)	35.3	27.5	29.4	25.4	25.0	24.9	27.6	29.1	32.8	32.7	26.6

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

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

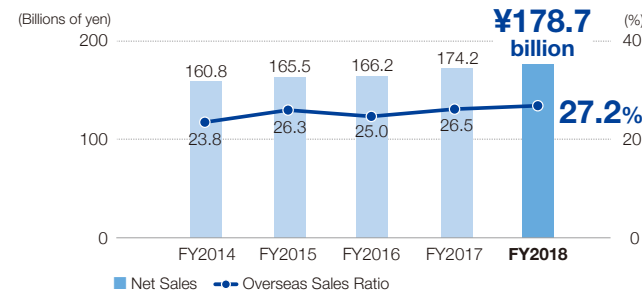
*3 Effective April 1, 2015, each share of common stock was split into two shares. The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

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

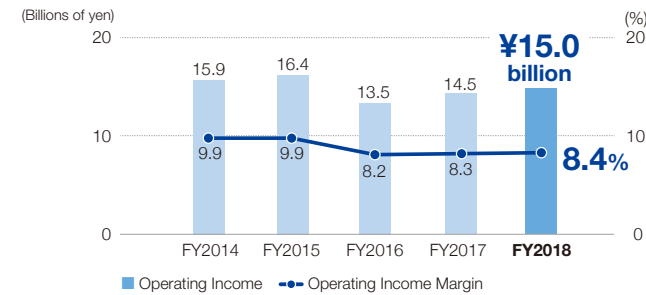
*5 Effective April 1, 2015, each share of common stock was split into two shares.

Financial and Non-Financial Summary

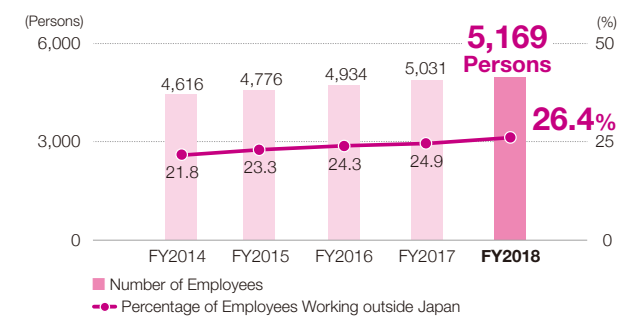
Net Sales/Overseas Sales Ratio



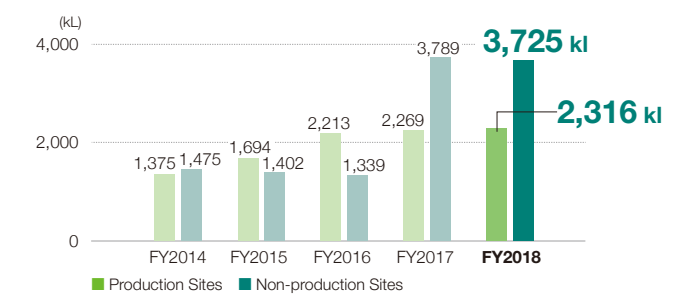
Operating Income/Operating Income Margin



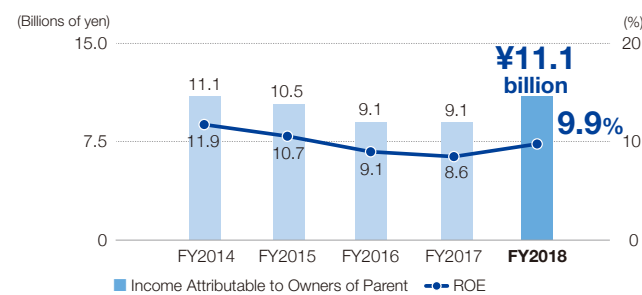
Number of Employees/Percentage of Employees Working Outside Japan



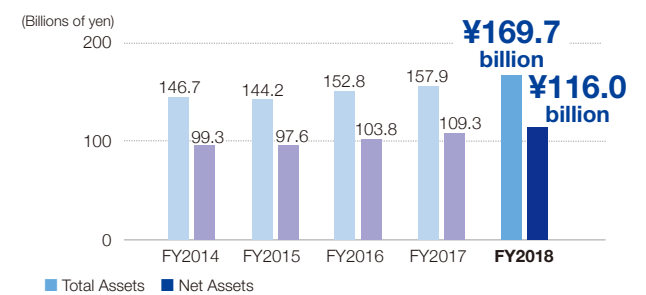
Total Energy Consumption (Barrels of oil equivalent (BOE))



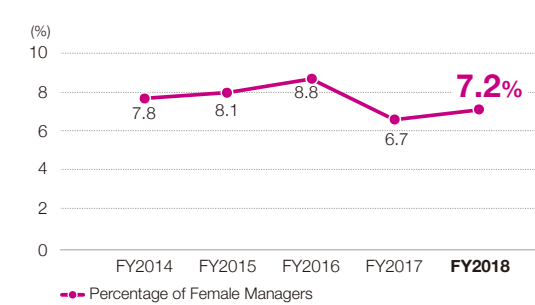
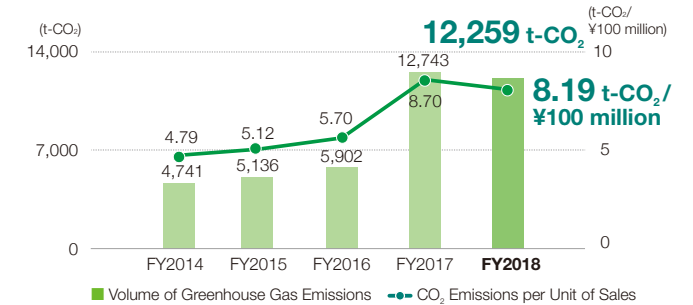
Income Attributable to Owners of Parent/ROE



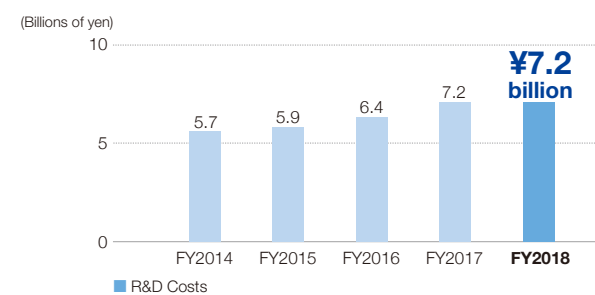
Total Assets/Net Assets



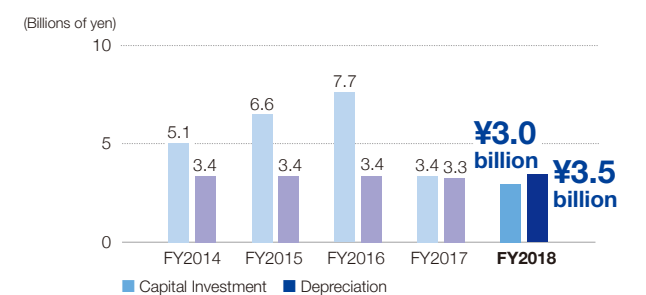
Percentage of Female Managers

Volume of Greenhouse Gas Emissions/CO₂ Emissions per Unit of Sales

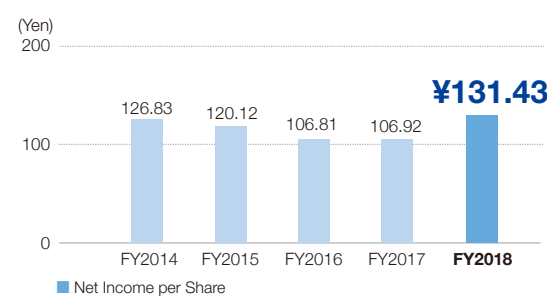
R&D Costs



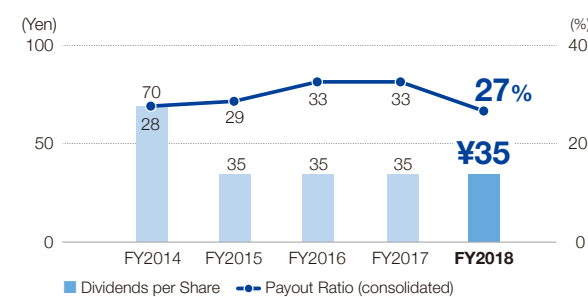
Capital Investment/Depreciation



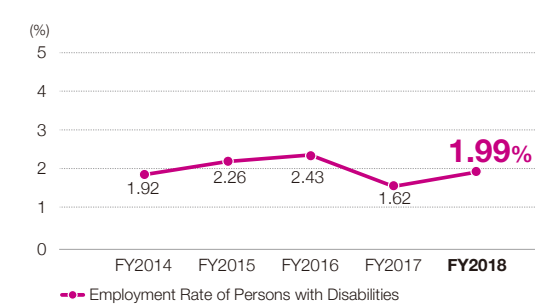
Net Income per Share



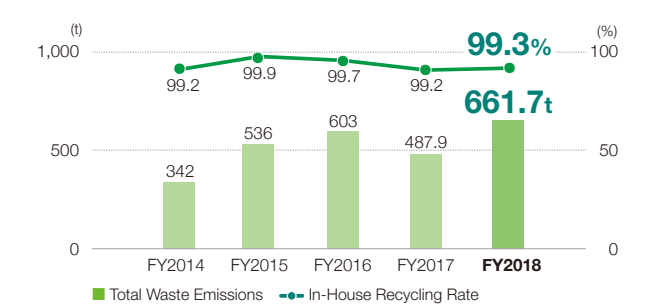
Dividends per Share and Payout Ratio (consolidated)



Employment Rate of Persons with Disabilities



Total Waste Emissions/In-House Recycling Rate



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

* As for net income per share, each share of common stock was split into two shares, effective April 1, 2015.

The Company calculates net income per share on the assumption that the stock split was conducted at the beginning of FY2014.

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

* 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.

* Beginning with FY2017, the figures for total energy consumption and volume of greenhouse gas emissions/CO₂ emissions per unit of sales include five sites that have obtained ISO 14001 certification, twelve sales branches, and Group companies in Japan.

* Total waste emissions/in-house recycling rate include five sites that have obtained ISO 14001 certification.

Management's Discussion and Analysis

Market Environment

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

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

Review of Operations

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

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

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

Sales by Region

Japan

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

International

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

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

Cost of sales amounted to ¥92,811 million. The gross profit margin improved 60 basis points to 48.1%, as the Company focused on selling in-house products both in Japan and inter-

nationally in addition to cost reduction in its factory. Gross profit on sales increased 3.9% over the previous fiscal year to ¥85,987 million.

Selling, general and administrative expenses rose on enhanced human resource capabilities and other factors. The ratio of SGA expenses to sales increased 50 basis points to 39.7%. Research and development costs rose ¥17 million year on year to ¥7,243 million (4.1% of sales).

As a result, operating income increased 3.6% over FY2017 to ¥15,044 million. Income attributable to owners of parent increased 22.3% year on year, to ¥11,191 million. Contributing factors included the posting of provision for loss on litigation, meanwhile, tax expenses decreased in reaction to the impact of tax reform in the U.S. in the previous fiscal year.

Assets, Liabilities and Equity

Assets

At the end of FY2018, total assets increased ¥11,807 million from the end of the previous fiscal year. Current assets were up ¥11,524 million from the previous fiscal year end owing to increases in merchandise and finished goods, and trade notes and accounts receivable. Non-current assets increased ¥282 million compared to the end of the previous fiscal year on account of higher deferred tax assets and other factors.

Liabilities and Equity

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

Cash Flows

Net cash provided by operating activities fell ¥1,024 million from the previous fiscal year to ¥9,819 million. This includes ¥15,519 million of income before income taxes, ¥3,542 million of depreciation and amortization, and ¥3,687 million of income taxes paid.

Net cash used in investing activities decreased ¥88 million from the previous fiscal year to ¥3,258 million. We used ¥2,794 million for capital expenditures.

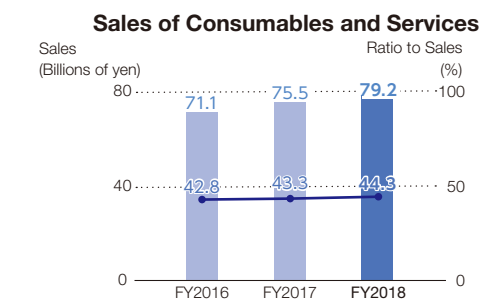
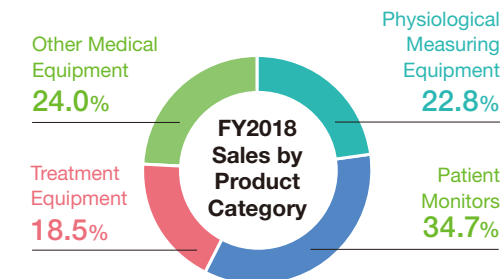
Net cash used in financing activities amounted to ¥3,074 million, a decline of ¥1,553 million from the previous fiscal year. We paid ¥2,983 million for shareholders dividends.

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

ROE

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

Overview by Product Category (Consolidated)



Review of FY2018

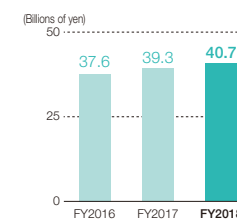
Physiological Measuring Equipment



EEG-1290
Electroencephalograph

By drawing upon its core technological strength of sensor technology, Nihon Kohden continues to provide excellent physiological measuring equipment that can detect the faint signals produced by the human body. Our main products include EEGs, ECGs, evoked potential/EMG measuring instruments, and polygraphs for cath labs. In particular, our EEG, an indispensable device for the diagnosis of epilepsy, sleep disorders, and other conditions, maintains a strong market share around the world.

Sales ¥40.7billion
% change YoY **+3.7%**



Japan
Sales of polygraphs for cath labs and diagnostic information systems increased favorably. Sales of EEGs and ECGs decreased.

International
Sales of EEGs increased favorably, while sales of ECGs decreased.

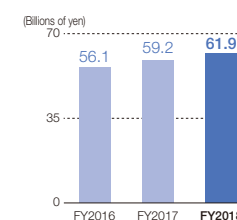
Patient Monitors



CSM-1702
Bedside monitor

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

Sales ¥61.9billion
% change YoY **+4.6%**



Japan
Sales of clinical information systems increased favorably. Consumables such as sensors also contributed to increased sales.

International
Sales in the Americas and Asia showed strong growth. Sales in Europe remained flat, and sales in Other decreased.

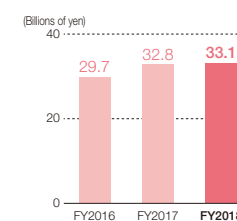
Treatment Equipment



AED-3101
Automated external defibrillator

The defibrillator for resuscitation delivers an electrical shock to a heart in a state of ventricular fibrillation in order to restore a normal heart rhythm. Nihon Kohden develops and manufactures defibrillators, which are used in hospitals and emergency practice, and AEDs, which can be handled by the general public. We also concentrate our resources on the import and sale of world-leading overseas products, including implantable pacemakers, ventilators, and anesthesia machines.

Sales ¥33.1billion
% change YoY **+0.8%**



Japan
Sales remained flat. Sales of AEDs and ventilators increased favorably, while sales of locally purchased products decreased.

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

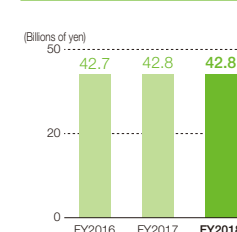
Other Medical Equipment



MEK-1303
Automated hematology analyzer and clinical chemistry analyzer

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

Sales ¥42.8billion
% change YoY **+0.2%**



Japan
The launch of an automated hematology analyzer and clinical chemistry analyzer for the clinic market contributed to the sales increase. Sales of installation services and maintenance services for medical devices also increased favorably.

International
Sales of locally purchased products decreased, while sales of hematology analyzers increased in Latin America and Asia.

Company Information

■ Company Overview (as of March 31, 2019)

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

Stock Overview (as of March 31, 2019)

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

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

Sales and Promotion

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

Development, Manufacturing, Sales, and Sales Promotion

Nihon Kohden Tomioka Corporation
Nippon Bio-Test Laboratories Inc.
Beneficks Corporation
Shanghai Kohden Medical Electronic Instrument Corp.

Defibtech, LLC
Nihon Kohden India Pvt. Ltd.
Nihon Kohden Malaysia Sdn. Bhd.
Nihon Kohden Firenze S.r.l.

Development of Medical Electronic Equipment and Software

NKUS Lab
Neurotronics, Inc.
Nihon Kohden Innovation Center, Inc.
Nihon Kohden OrangeMed, Inc.

Group General Affairs and Staffing

E-Staff Corporation
E-Staff Insurance Services Corporation

Other

RESUSCITATION SOLUTION, INC.

Editorial Policy

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

Scope of Report

Organization: This report covers 30 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 29 consolidated subsidiaries (as of March 31, 2019).

Period: from April 1, 2018 to March 31, 2019*

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

Nihon Kohden Website

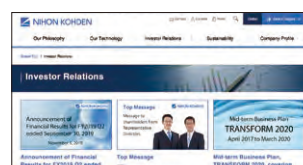
Global Site Top

<https://www.nihonkohden.com/index.html>



IR Information

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



Integrated Reports

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

CSR Data

https://www.nihonkohden.com/sustainability/csr_data.html

Disclaimer

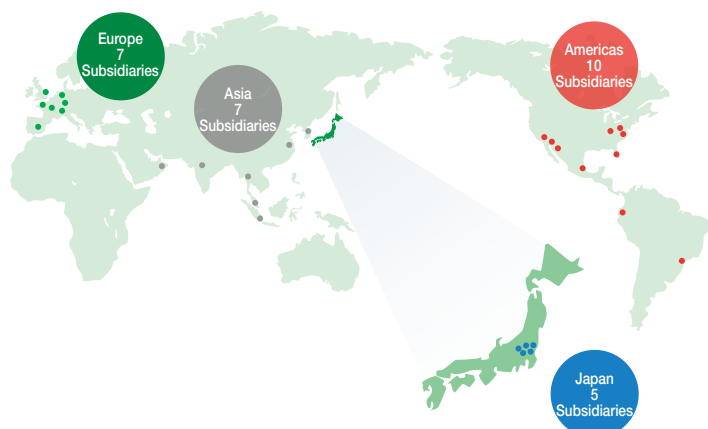
This report contains not only past or present facts related to Nihon Kohden, but also forward-looking statements including plans and forecasts as of the time of publication. Forward-looking statements are assumptions or determinations based on information available at the time such statements were made.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