Corporate Governance Report

Last Update: July 1, 2020
NIHON KOHDEN CORPORATION
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Securities Code: 6849
https://www.nihonkohden.com/

The corporate governance of NIHON KOHDEN CORPORATION is described below.

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

1. Basic Views

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

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

In order to realize this 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.

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

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

[Principle 4.11 Prerequisites for Board Effectiveness] international diversity
The Company set the maximum number of directors at seventeen and appoints several independent outside directors. The Board consists of directors from diverse backgrounds in expertise and experience. Currently, one out of twelve directors is female, and the Company doesn't appoint for foreign directors but continue to work on achieving the international diversity in view of its appropriate size of the Board and the size of its overseas business.

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

[Principle 1.4 Cross-Shareholdings]
Policy with respect to cross-shareholdings:
To realize its mid- to long-term sustainable growth, Nihon Kohden considers that the collaboration with various companies is necessary during the course of R&D, production, logistics, sales, services and financing. From this standpoint, Nihon Kohden Group holds shares of companies in the comprehensive view of the business relationship and business strategy. The Board examines the objective of cross-shareholdings of each share on an annual basis from the following perspectives: i) increasing asset efficiency, ii) avoiding the risk of share price fluctuations based on its capital cost, and iii) the necessity of the collaboration with the Company.

The Company will reduce shareholdings when the Board determines the objective of cross-shareholdings is inadequate.
Standards with respect to voting rights:
The Company exercises voting rights based on the judgment criteria of whether investee's sustainable growth and improvement of mid- to long-term corporate value as well as the Company's and the Company shareholders' economic return in the mid- to long-term can be expected. The Company will vote against a relevant resolution when an adverse effect on investee's financial strength can be expected or an illegal activity is discovered. The Company also exercises voting rights appropriately through the dialogue with investee if needed.

[Principle 1.7 Related Party Transactions]
The company establishes the following procedures with respect to related party transactions, in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders.
・When the Company engages in transactions with its directors or corporations whose representatives are its directors (excluding its wholly owned subsidiaries), the Company shall obtain approval of the Board in accordance with the Board of Directors Rules as well as complying with laws.
・The Company monitors related party transactions regularly by requiring directors and operating officers to submit the written confirmation regarding related party transactions.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
To make sure that the Company performs the role as the asset owners by increasing the investment management expertise, the Company sets the basic policy for pension asset management and establishes the Pension Asset Management Committee which includes qualified persons such as general managers of financial and human resource department.

[Principle 3.1 Full Disclosure]
i) Management Philosophy, business strategies and business plans
Under the management philosophy of "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees," Nihon Kohden strives to achieve its sustainable growth and enhance its corporate value. In FY2020, the Company will conduct its business activities in accordance of its basic policies: (1) Health and safety of employees as the top priority. (2) Fulfilling its responsibility as a medical device maker. The Company will announce its new long-term vision toward 2030 and new medium-term business plan within six months to one year after reviewing the changes in the market environment due to the COVID-19 outbreaks.

ii) Basic views and guidelines on corporate governance
Please check 1. Basic Views in this report.

iii) Board policies and procedures in determining the remuneration of directors
Please check [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods in this report.

iv) Board policies and procedures in the appointment/dismissal of directors
Policy
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.
Procedure
-In accordance with the policy above, nominations and dismissals of directors, which are submitted to a general shareholders meeting, are proposed by the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, and are approved by the Board.

v) Explanations with respect to the individual appointments and dismissals
When the Company proposes the appointments or dismissals of the directors as an agenda at a general shareholders meeting, the Company discloses the reasons for the individual appointments and dismissals of directors in the Convocation Notice.
Please check the Company website for more information:
https://www.nihonkohden.com/ir/stock/meeting.html

[Supplementary Principles 4-1-1 Scope of the matters delegated to the management]
The Board resolves the matters pursuant to the Companies Act and makes a decision on the execution of important business for the Nihon Kohden Group as well as supervising directors' performance of their duties in accordance with Board of Directors Rules and Standards for Procedures for Requesting Deliberations and Making Decisions. Content of the matters delegated to the Management Council, president and operating officers are clearly specified in Standards for Procedures for Requesting Deliberations and Making Decisions.

[Principle 4-9 Independence Standards and Qualification for Independent Directors]
The Company appoints four independent outside directors in order to enhance transparency and soundness of the management. The Company appoints outside directors who meet the independence criteria set by 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.

[Supplementary Principles 4-11-1 Balance, diversity, and size of the Board as a whole]
The Board consists of directors from diverse backgrounds in expertise and experience. The Company keeps an appropriate number of directors, no more than seventeen in accordance with Articles of Incorporation, so that the Board can operate efficiently and effectively, taking into consideration company size and business characteristics.
The Company enhances transparency and soundness of the management by appointing several independent outside directors.

[Supplementary Principles 4-11-2 Concurrent positions]
The Company discloses where candidates of directors hold concurrent positions each year in the Convocation Notice and the Annual Securities Report.

[Supplementary Principles 4-11-3 Board Evaluation]
The Company analyzed and evaluated the effectiveness of the Board for FY2019 to clarify issues and improvement of the Board and further improve the function of the Board. The Company concluded that overall effectiveness of the Board was ensured based on the results below.
The method of the Board evaluation:
The Company conducted self-evaluations of all directors including an Audit & Supervisory Committee members in an anonymous survey related to (1) the size and constitution of the Board, (2) the operation of the Board, (3) the supporting system for outside directors, (4) the decision-making process of the Board, and (5) the communication with shareholders and stakeholders. The Board discussed the results of evaluations and issues for further improvements.
The results of the Board evaluation:
In terms of the size, constitution and operations of the Board, it was confirmed that the structures necessary to enable appropriate performance of the Board’s supervisory function have been established. It was also concluded that the Board operates effectively with an open atmosphere around the boardroom table allowing inside and outside directors to engage in lively discussions. In FY2019, based on the FY2018 evaluation results, the Company started to strengthen the monitoring for the maintenance and operation of the risk management system of overseas subsidiaries. As a result of considering the appointment of female outside directors, one female director was elected at the Ordinary General Meeting of Shareholders held on June 25, 2020. In addition, the Nomination & Remuneration Committee discussed the nomination and remuneration of management executives more actively. On the other hand, the Board members shared that the following issues: to ensure the time for discussion at the Board Meetings and to strengthen the supervision of nurturing successors to the senior management of the Company, including the CEO.

Measures to improve the effectiveness of the Board:
The Company will continue existing improvement initiatives. In accordance with the FY2019 evaluation results, the Company will look to introduce more efficient methods of conducting the Board Meetings to ensure sufficient time for discussion. The Board of Directors and the Nomination & Remuneration Committee will also continue to hold in-depth discussions on nurturing successors to the senior management of the Company, including the CEO, and the Board will strengthen its supervision of this process. 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.

[Supplementary Principles 4-14-2 Training policy for directors (including Audit & Supervisory Committee members)]
The Company provides directors with training opportunities for acquiring necessary knowledge and skills as well as understanding the roles and responsibilities. Training opportunities are provided when they are appointed and thereafter at the Company's expense. In-house training and facility tours for acquiring necessary knowledge on the Company's business are included.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]
Information Disclosure Policy:
The Company has established the Information Disclosure Policy in order to maintain appropriate, timely and fair information disclosure and has operated the information disclosure structure in accordance with the Information Disclosure Rules.
Please check V. Other in this report and the Company website for more information:
https://www.nihonkohden.com/ir/policy.html

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

Measures to promote opportunities for dialogue:
Dialogue with individual investors
The Company holds meetings for individual investors, which speakers are general manager of the Corporate Strategy Division or a person in charge of IR in order to give investors a more in-depth understanding of our operations and strategies. There were four meetings in FY2019. The Company endeavors to enhance information disclosure by explaining company overview, financial results, and company history on its website for individual investors. In terms of dialogue with individual shareholders, the Company conducts a shareholder survey every year and uses feedback from shareholders as a reference for our future IR activities. The Company enhanced the explanation of its management strategy and changed the font size larger in its renewed FY2019 shareholder newsletter.
Dialogue with institutional investors
The president, general manager of the Corporate Strategy Division, and persons in charge of IR have meetings with institutional investors in Japan and overseas by making periodic visits to investors, accepting visits as requested, and by phone. The Company holds briefings to explain financial results to institutional investors and analysts, which speaker is the president, in the 2nd quarter and 4th quarter as well as holding conference calls, which speaker is the general manager of the Corporate Strategy Division, in the 1st quarter and 3rd quarter. In May 2020, the FY2019 financial results briefing was held by conference calls in order to prevent the spread of COVID-19.

Relay investor feedback to management:
The Corporate Strategy Division, which bears responsibility for IR activities, relays the views of shareholders and investors through dialogue to the management and relevant departments for sharing and using information.

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

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage
State Street Bank and Trust Company 505223	9,011,922	10.58%
The Master Trust Bank of Japan, Ltd. (trust account)	6,404,000	7.52%
Japan Trustee Service Bank, Ltd. (trust account)	4,416,900	5.18%
Saitama Resona Bank, Ltd.	4,193,750	4.92%
State Street Bank and Trust Company 505103	1,878,841	2.20%
Japan Trustee Service Bank, Ltd. (trust account 5)	1,685,500	1.97%
Japan Trustee Service Bank, Ltd. (trust account 7)	1,633,400	1.91%
SSBTC CLIENT OMNIBUS ACCOUNT	1,462,746	1.71%
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	1,389,600	1.63%
State Street Bank and Trust Company 505103	1,389,071	1.63%

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

Supplementary Explanation Updated

[Status of Major Shareholders] Above is as of March 31, 2020. The Company holds 3,575 thousands shares of treasury stock in addition to those listed above. Each shareholding ratio is calculated excluding treasury stock. Reports of Possession of Large Volume with respect to the Company's shares were submitted as follows. However, they are not included in [Status of Major Shareholders] above because the number of actual shares that they hold as of March 31, 2020 cannot be confirmed.

1. Company Name: Sprucegrove Investment Management Ltd. (as of November 17, 2017)
   Number of Shares Held： 4,537 thousand shares, Shareholding Ratio：5.06%
2. Company Name: Massachusetts Financial Services Company and other. (as of March 15, 2018)
   Number of Shares Held：11,982 thousand shares, Shareholding Ratio：13.35%
3. Company Name: Sumitomo Mitsui Trust Bank, Limited and two others. (as of July 31, 2019)
   Number of Shares Held：5,446 thousand shares, Shareholding Ratio：6.14%
4. Company Name: MUFG Bank, Ltd. and three others. (as of August 12, 2019)
   Number of Shares Held：4,555 thousand shares, Shareholding Ratio：5.13%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with an audit and supervisory committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Minoru Obara	Scholar								○		○	
Kanako Muraoka	Lawyer											
Shigeru Kawatsuhara	From another company											
Kazuo Shimizu	CPA											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

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

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

Outside Directors' Relationship with the Company (2) Updated

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Minoru Obara		○	Mr. Minoru Obara serves as the Professor Emeritus of Keio University, and there have been transaction between the Company and Keio University, and the Company made donations to Keio University. Disclosure is omitted because the Company considers that the size and nature of these transactions and donations are unlikely to affect the judgment of shareholders and investors.	Mr. Minoru Obara is a university professor specialized in electronics engineering, information engineering and medical treatment. The Company has appointed him as an outside director anticipating his objective and neutral advice, and his management supervision from an independent standpoint by applying his expertise and experience he has accumulated to date. The Company judged that there's no conflict of interest between general shareholders

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
			The Company sets immateriality standards relating to attribute information that the amount of business transactions (h) accounts for less than 1 percent of the Company's consolidated revenue for the current fiscal year and donation (j) amounts less than ¥10 million for the current fiscal year.	and him, so that the Company has designated him as an independent director.
Kanako Muraoka		○	―	Ms. Kanako Muraoka is closely acquainted with corporate legal affairs as a lawyer. The Company has appointed her as an outside director anticipating her objective and neutral advice, and her management supervision from an independent standpoint by applying her expertise and experience she has accumulated to date. The Company judged that there's no conflict of interest between general shareholders and her, so that the Company has designated her as an independent director.
Shigeru Kawatsuhara	○	○	―	Mr. Shigeru Kawatsuhara has abundant knowledge and broad experience as a management of a company. The Company has appointed him as an outside director serving as an Audit & Supervisory Committee member anticipating his management audit and supervision from an independent standpoint by applying his expertise and experience he has accumulated to date. The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an independent director.

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazuo Shimizu	○	○	—	Mr. Kazuo Shimizu has abundant knowledge and broad experience of finance and accounting as a Certified Public Accountant. The Company has appointed him as an outside director serving as an Audit & Supervisory Committee member anticipating his management audit and supervision from an independent standpoint by applying his expertise and experience he has accumulated to date. The Company judged that there's no conflict of interest between general shareholders and him, so that the Company has designated him as an independent director.

[Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

Full-time employees in the Audit & Supervisory Committee Secretariat assist with Audit & Supervisory Committee's duties. Based on its basic policy of internal control, personnel changes of the Audit & Supervisory Committee Secretariat shall require the consent of the Audit & Supervisory Committee. The Audit & Supervisory Committee Secretariat is independent from the directors' (excluding Audit & Supervisory Committee members) line of command when they work under the instruction of the Audit & Supervisory Committee.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments Updated

- Cooperation between the Audit & Supervisory Committee & Accounting Auditor
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.

- Cooperation between the Audit & Supervisory Committee and Internal Auditing Department
The Audit & Supervisory Committee meets regularly with the Internal Auditing Department (seven 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 function 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.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Committee	Nomination & Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	0	0
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation Updated

The Company established a Nomination & Remuneration Committee voluntarily which has equivalent function to a Nomination Committee and a Remuneration Committee. Currently, committee members consist of four members: Mr. Minoru Obara, Ms. Kanako Muraoka, Mr. Shigeru Kawatsuhara and Mr. Kazuo Shimizu. Mr. Shigeru Kawatsuhara is the committee chair. The Nomination & Remuneration Committee deliberates the proposal of the candidates, the remuneration of directors and the succession plan in response to requests from the Board, and submits the proposals to the Board. In FY2019, the Nomination & Remuneration Committee was held nine times and the attendance rate of all members was 100%. The Committee Secretariat is the Human Resources Department.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

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

[Incentives]

Incentive Policies for Directors	Introduction of a performance-based compensation system, Other

Supplementary Explanation	Updated

The bonuses are paid as a short-term incentive and performance-based compensation, based on their contribution and the Company's business performance such as revenue, operating income, ordinary income and net income, as well as full-year dividend per share every fiscal year. A certain percentage of monthly fixed compensation of directors (excluding Audit & Supervisory Committee members and outside directors) is allotted to purchasing shares of the Company for reflecting mid- to long-term business results. Directors shall hold the shares during the period served as directors. The Company introduced a restricted stock remuneration plan with the approval of the Ordinary General Meeting of Shareholders held on June 25, 2020.

Recipients of Stock Options	None

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation	Updated

The Company discloses the total amount of the directors' remuneration in the Convocation Notice and the Annual Securities Report.

The amount paid to seven directors excluding directors serving as Audit & Supervisory Committee members and outside directors was 217 million yen (fixed compensations of 180 million yen and performance-based compensations of 36 million yen).
The amount paid to one director serving as an Audit & Supervisory Committee member excluding outside directors was 21 million yen.
The amount paid to four outside directors was 37 million yen.

- The amount above does not include 37 million yen which is the portion of the Directors' salary as employees of the Company.
- The 65th general shareholders meeting held on June 28, 2016 approved the following: i) with respect to the amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members, total amount shall be within the limit of 400 million yen (including the amount of remuneration to outside directors which shall be within the limit of 30 million yen), ii) with respect to the amount of remuneration to Audit & Supervisory Committee members, total amount shall be within the limit of 80 million yen.
- With the approval of the Ordinary General Meeting of Shareholders held on June 25, 2020, separately from the above remuneration, the Company set the maximum amount of the monetary compensation receivables in respect of the restricted stock to be paid to directors (excluding Audit & Supervisory Committee members and outside directors) at 100 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company 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. Monthly fixed compensations are determined based on the size of the role and range of responsibilities of each position. Bonuses as a performance-based compensation are determined in consideration of their contribution and the Company's business performance such as revenue, operating income, ordinary income and net income, as well as full-year dividend per share every fiscal year. These indicators are adopted because the Company discloses the annual plan inside and outside the Company and manage its progress. 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 percentage of compensation which is allotted to purchasing shares of the Company is determined based on each director's position. Restricted stock remuneration plan was introduced with the approval of the Ordinary General Meeting of Shareholders held on June 25, 2020.

Remuneration of outside directors excluding Audit & Supervisory Committee members consists of monthly fixed compensations only.
Remuneration of directors excluding Audit & Supervisory Committee members is reviewed at the Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, and is proposed to the Board.

[Supporting System for Outside Directors]

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

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Kazuo Ogino	Honorary Chairman	External business activity (not involved in management)	Full time with compensation	June 25, 2015	One year (one year contract at the time of renewal)

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1

Others

The date when former role of Kazuo Ogino ended is the date of retirement of the Representative Director and Chairman of the Board.

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

i) Overview of Current System

The Board of Directors :

The Board consists of 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 in order 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 supervise directors' performance of their duties. The Board of Directors was held twenty two times in FY2019. Each director's attendance is as follows:

Hirokazu Ogino 22/22 (100%)
Takashi Tamura 22/22 (100%)
Tadashi Hasegawa 22/22 (100%)
Kazuteru Yanagihara 22/22 (100%)
Fumio Hirose 22/22 (100%)
Eiichi Tanaka 22/22 (100%)
Yasuhiro Yoshitake 19/22 (86%)
Masaya Yamauchi 22/22 (100%)
Minoru Obara 22/22 (100%)
Kazuhiko Ikuta 22/22 (100%)
Masahiro Kawamura 22/22 (100%)
Shigeru Kawatsuhara 22/22 (100%)

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 the audit plan for the term which is decided at the Audit & Supervisory Committee. The Audit & Supervisory Committee cooperates with the Accounting Auditor and the Internal Auditing Department as described in the [Supervisory Committee] section in this report. The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

Management Council:

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

Nomination & Remuneration Committee:

The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure transparency and objectivity of the management. The Committee consists of four outside directors and the committee chair is also appointed from outside directors.

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.

ii) Measures to strengthen the function of Audit & Supervisory Committee

Please check [Supervisory Committee] above in this report

iii) Accounting auditor The Company has appointed Crowe Toyo & Co. as an Accounting Auditor. The continuous audit period is forty four years. Engagement partners of the firm are Ms. Yuko Suzuki and Mr. Osamu Shimizutani. Nine certified public accountants, two successful candidates who passed the CPA examination and two other persons in the firm assist the auditing of the Company.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted a Company with Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory function through possession of voting rights at the meeting of the Board by Audit & Supervisory Committee members, improvement of soundness and transparency of management by increasing ratio of outside directors, and acceleration of management decision making by having options to delegate the authorities for the business execution. 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.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

Updated

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The Company strives to send notices as early as possible by streamlining related work. The Company sent Convocation Notice regarding the 69th Ordinary General Meeting of Shareholders four days earlier than the statutory due date. The Company disclosed Convocation Notice electronically on Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange and the Company website on May 27, 2020.
Scheduling AGMs Avoiding the Peak Day	The 69th Ordinary General Meeting of Shareholders was held on June 25, 2020.
Allowing Electronic Exercise of Voting Rights	The Company adopted electronic exercise of voting rights since the 65th Ordinary General Meeting of Shareholders held on June 28, 2016.
Participation in Electronic Voting Platform	The Company adopted electronic voting platform since the 65th Ordinary General Meeting of Shareholders held on June 28, 2016.
Providing Convocation Notice in English	The Convocation Notice in English (summary) has been posted on Timely Disclosure Network (TDnet) and the Company website.
Other	The Convocation Notice and extraordinary reports (the results of the exercise of the voting rights on the items for resolution) have been posted on the Company website.

2. IR Activities Updated

	Supplementary Explanations	Explanations by representative directors
Preparation and Publication of Disclosure Policy	Disclosure policy has been established and disclosed on the Company website: https://www.nihonkohden.com/ir/policy.html	
Regular Investor Briefings for Individual Investors	The Company holds company briefings organized by securities companies and explains its management strategy and business operations. The meeting presentation materials and summary of Q&A have been posted on the Company website for enhancing information disclosure.	No

	Supplementary Explanations	Explanations by representative directors
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings to explain financial results to institutional investors and analysts, which speaker is the president, in the 2nd quarter and 4th quarter. The Company also organizes conference calls in the 1st quarter and 3rd quarter, which speaker is the general manager of the Corporate Strategy Division. In May 2020, the FY2019 financial results briefing was held by conference calls in order to prevent the spread of COVID-19.	Yes
Regular Investor Briefings for Overseas Investors	The Company visits overseas shareholders and institutional investors to explain the financial results and its management strategy.	Yes
Posting of IR Materials on Website	The Company website (https://www.nihonkohden.co.jp/) carries a host of information, including earnings releases, timely disclosure materials, the Annual Securities Reports, presentation materials of financial results, Convocation Notice, reports for shareholders, overview of corporate governance, English Annual Reports and Integrated Report. English translation of summary of quarterly financial results, presentations of earnings calls, corporate governance report, convocation notice (including business report), results of exercise of voting rights at Shareholders Meeting and other materials are also available on the website.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Strategy Division is in charge of IR. The general manager of the Corporate Strategy Division has been appointed as person in charge of information disclosure.	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is stated in Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws.
Implementation of Environmental Activities, CSR Activities etc.	Nihon Kohden's management philosophy is "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees" as a medical electronics manufacturer. Nihon Kohden's sustainability activities are based on realizing its philosophy and the implementation of Nihon Kohden Charter of Conduct. The Company's sustainability activities have been posted on its website and described in Integrated Report.
Development of Policies on Information Provision to Stakeholders	It is stated in Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws.
Other	A section in charge of diversity development in the Human Resources Department is supporting the development of a corporate culture which accepts diversity. In order to encourage women's career development, we are providing a mentor program, trainee program which provides short-term experience of work in other departments, exchange meetings for female employees, and a seminar for managers. These initiatives will provide opportunities to support female managers, build female employee networks, and raise awareness of female participation for the next generation. As a result of encouraging

	women's career development in related seminars and training courses, the ratio of female managers was 7.5% in parent company as of April 2020. The Company has also appointed one female outside director since FY2020. The Company will promote to recruit female and aim at achieving the target ratio of newly recruited female, 25% in April 2021. The Company has developed an environment where employees can balance work with childcare and it obtained the right to use the next-generation certification mark by Minister of Health, Labour and Welfare called Kurumin in recognition of its efforts to support employees' childcare needs. The Company continues to focus on work-life balance initiatives that help realize a workplace environment where employees can fully leverage their skills and talents. The Company is promoting the establishment of a workplace environment that is easy for employees to work in, such as reduced working hours, shifted working hours, work at home system, and leave for nursing care for employees who have members in need of nursing care or children up to the sixth grade of elementary school. The work return rate after childcare leave is an approximately 100%. As a result of establishment of these various childcare support systems regardless of gender, 10% of employees who took childcare leave in FY2019 were male.

IV. Matters Related to the Internal Control System Updated

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

The Company shall work to improve the internal control system in accordance with the following basic policy for establishment of internal control system.

1. System to Ensure Compliance by Directors and Employees of the Company Group with Laws and the Articles of Incorporation in the Execution of Their Duties

In order to ensure fair and appropriate corporate activities, the Company has thoroughly notified Nihon Kohden Charter of Conduct, which codifies the basic criteria for business conduct, and Nihon Kohden Code of Ethics and Conduct, which stipulates the way of conduct to be observed from the point of view of compliance with laws, to directors and employees by training and promotion activities.
The Compliance Committee and compliance officers at departments and Group companies promote the implementation of compliance.
The Company has established an internal compliance hotline for reporting and consultation in order to find and cure unfair practices as early as possible.
The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them.

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

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

3. Risk Management of Possible Losses

The Company has established the risk management system for managing risks associated with overall operations of the Company Group in accordance with Risk Management Rules in order to ensure the sound and appropriate business operations. The Company shall work to improve the effectiveness of the system.
The risk management department implements group-wide risk management, assigning responsibility for each risk associated with operational execution to specific departments.
In the event of an emergency, such as a natural disaster, emergency response measures shall be implemented with regard to internal rules such as BCP.

4. System to Ensure Efficient Business Execution by Directors

Meetings of the Management Council, at which directors and operating officers attend, are held three times a month aiming at prompt decision making and flexible business operation.
The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other.
The Company will endeavor to ensure the effective business execution by establishing internal rules to clarify the allocation of duties, authority, responsibility and execution procedures of each director, operating officer and council.

5. System to Ensure Proper Business Execution of the Company Group

The Company has established the management system to ensure the proper business execution of the Company Group in accordance with the internal rules, assigning responsibility for the appropriate management of each Group company to specific departments, receiving the periodic report regarding the business performance and other important matters from each Group company, and requiring Group companies to obtain prior approval from the Company before conducting important matters.
The Internal Auditing Department is in charge of auditing the Company and Group companies.
The Company has established the internal control system to ensure the reliability of financial statements under the Financial Instruments and Exchange Act and will assess and improve the system continuously.

6. Matters concerning directors and employees assisting the Audit & Supervisory Committee, the independence of such directors and employees from other directors, excluding Audit & Supervisory Committee members, and ensuring the effectiveness of instructions from the Audit & Supervisory Committee to such directors and employees.

The Audit & Supervisory Committee Secretariat assists with the Audit & Supervisory Committee's duties when the Audit & Supervisory Committee requests or instructs.
Personnel changes of the Audit & Supervisory Committee Secretariat shall require prior consent of the Audit & Supervisory Committee.
The Audit & Supervisory Committee Secretariat is independent from the directors', excluding Audit & Supervisory Committee members, line of command when they work under the instruction of the Audit & Supervisory Committee.

7. System for Reporting to the Audit & Supervisory Committee by Directors, excluding Audit & Supervisory Committee members, and Employees of the Company Group

Directors, excluding Audit & Supervisory Committee members, and employees of the Company Group shall promptly report to the Audit & Supervisory Committee concerning matters that may cause serious damage to the Company Group, material violations of laws and the Articles of Incorporation, unfair practices as well as results of internal audit.
The Audit & Supervisory Committee may request reports of directors, excluding Audit & Supervisory Committee members, and employees of the Company Group as necessary.
Directors, excluding Audit & Supervisory Committee members, or employees who report to the Audit & Supervisory Committee will not be subjected to disadvantageous treatment because of such report.
The Audit & Supervisory Committee audits the performance of the directors', excluding Audit & Supervisory Committee members, duties by attending the important meetings such as the Management Council.

8. System to Ensure Effective Audit by the Audit & Supervisory Committee

Representative directors have periodic meetings with the Audit & Supervisory Committee and exchange opinions regarding challenges that the Company should deal with, the audit environment of the Audit & Supervisory Committee, and other important audit issues.
The Audit & Supervisory Committee shall maintain close contact and share information with the Accounting Auditor and Internal Auditing Department in order to ensure effective audit of the Company and Group companies.
The Company will promptly reimburse expenses invoiced by Audit & Supervisory Committee members that are deemed necessary for the execution of their duties in accordance with Auditing Standards Conducted by the Audit & Supervisory Committee.

2. Basic Views on Eliminating Anti-Social Forces

i) Basic Views on Eliminating Anti-Social Forces
The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them as described in basic policy for establishment of internal control system.
ii) Status of Eliminating Any Relationships with Anti-Social Forces
The Company stands against antisocial forces that threaten the order and safety of civil society, and have no relationship with them. This is stipulated in Nihon Kohden Charter of Conduct and thoroughly notified to the management and employees. The General Affairs Department is in charge of handling of anti-social forces and assigns a person responsible for preventing undue claims and collecting relevant information from police and companies in community. The Company has also built a system to take prompt action in cooperation with police, attorneys and other outside expert organizations if such cases occur.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System

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

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

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

3) Timely disclosure information is released by person in charge of information disclosure after it is approved by the Board or the Management Council or confirmed by the president.
The Board convenes once a month to fulfill its managerial decision making and supervisory functions. The Management Council is held three times a month to decide important issues relating to business executions based on the policy approved by the Board. An extraordinary meeting is held as needed in the Board Meeting or Management Council.

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

Information Disclosure Policy

i) Basic Policy

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

ii) Information Disclosure

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

iii) Internal Framework

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

iv) Information Disclosure Methods

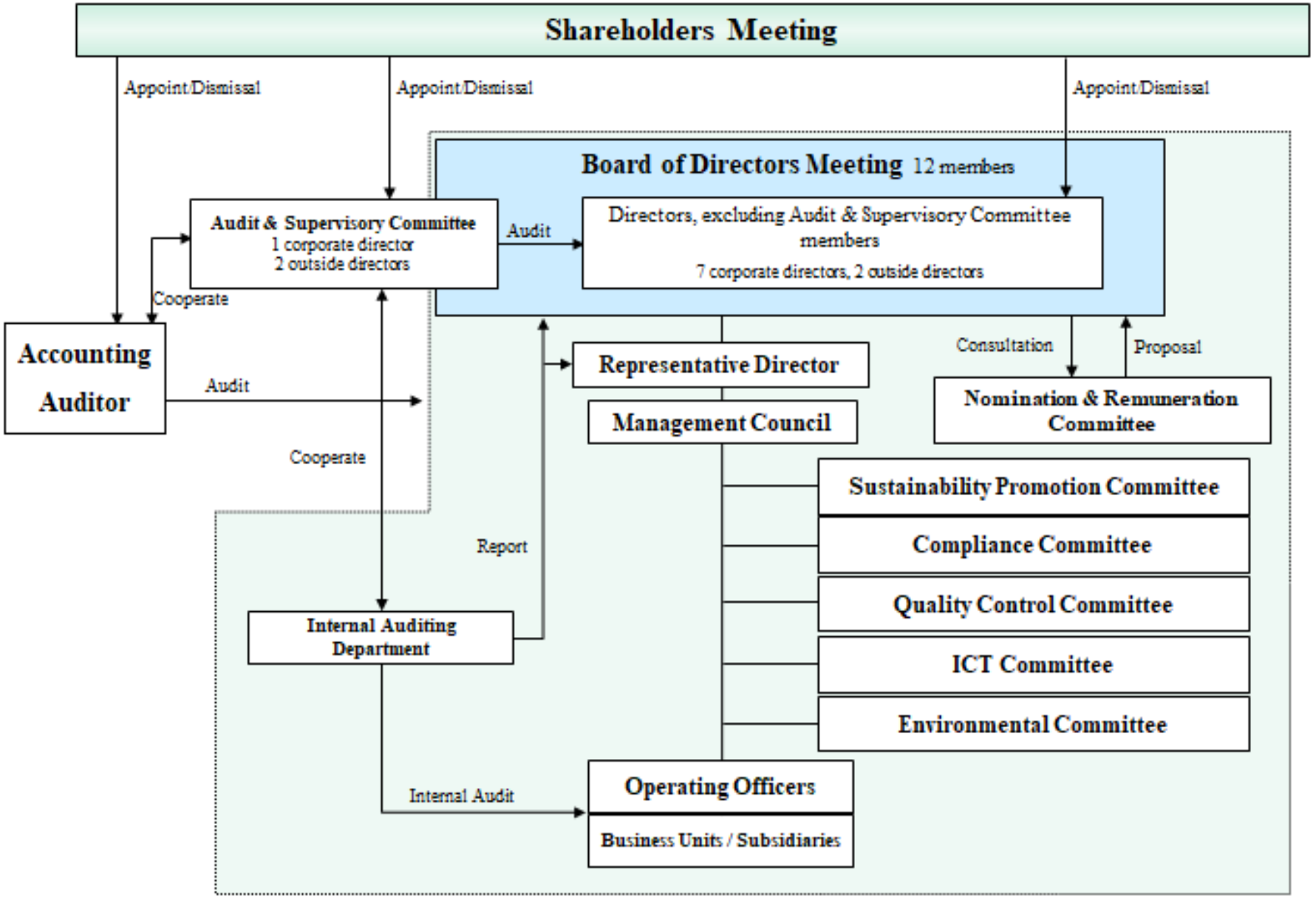
Information which is subject to timely disclosure rules is released to the public through the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange. Information made public through TDnet is also promptly posted on the Company website. Information that is deemed important but which is not subject to timely disclosure rules is also disclosed in a timely, responsible and fair manner through press releases issued to media outlets and publications on the Company website. If the Company determines that its director or employee has unintentionally disclosed material, nonpublic information to a securities market professional, such information is promptly disclosed on the Company website (If such information is deemed to be subject to timely disclosure rules, public disclosure will be made through TDnet). If the Company determines that it is not appropriate to disclose such information, the Company may take action such as withholding public disclosure on condition that the party who received such information agrees to bear obligations of confidentiality and non-trading of the Company's shares until such information can be publicly disclosed.

v) Forward-Looking Statements

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

vi) Quiet Period

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


Shareholders Meeting
Appoint/Dismissal
Appoint/Dismissal
Appoint/Dismissal
Board of Directors Meeting 12 members
Audit & Supervisory Committee
1 corporate director
2 outside directors
Audit
Directors, excluding Audit & Supervisory Committee members
7 corporate directors, 2 outside directors
Cooperate
Accounting Auditor
Audit
Cooperate
Representative Director
Management Council
Consultation
Proposal
Nomination & Remuneration Committee
Sustainability Promotion Committee
Compliance Committee
Quality Control Committee
ICT Committee
Environmental Committee
Report
Internal Auditing Department
Internal Audit
Operating Officers
Business Units / Subsidiaries