

NIHON KOHDEN REPORT 2024

Illuminating Medicine for Humanity

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Nihon Kohden's Value

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

VALUE

Management Philosophy

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



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



Founder Yoshio Ogino

ME (Medical Electronics or Medical Engineering) is the union of medicine and engineering.

ME is a common abbreviation in recent years but the founders of Nihon Kohden began working in medical electronics around 1945, long before this phrase was born.

The neuromuscular tissue of a small bird was the impetus behind the founding of Nihon Kohden.

The late Dr. Yoshio Ogino, founder of Nihon Kohden, was doing research in electrical engineering when one day he happened to see an experiment involving stimulation of the neuromuscular tissue of a small bird. He was struck by the wonder of biology and remarked that “to measure part of a living body requires several hundred times the sensitivity and at least two decimal places more than the equipment developed by the leading electrical engineering experts in Japan.”

He wondered if it might be possible to apply a higher level of engineering to the subtleties of biology and study the human body.

And furthermore, if this union of medicine and engineering could be used for saving human life. With this powerful inspiration, he studied medicine and in August 1951 founded Nihon Kohden.

With the unshakable conviction that “curing disease is something that transcends politics and national borders, and we will never have any regret putting all our energy into this goal.”

Nihon Kohden produced a number of state-of-the-art medical electronic equipment.

As medicine evolved, Nihon Kohden’s products branched out into many areas. However, the original vision did not change and it still inspires the Company’s engineers.

Medical electronic equipment developed by the Company has been used in clinical practice in more than 120 countries and saved a lot of lives of patients.

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

Trajectory of Nihon Kohden

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

December 1951
Launched the **world's first** all AC-powered direct-writing electroencephalograph, the ME-1D

Birth of an electroencephalograph driven by a battery-less AC power source that changed the world

Most of the EEG devices in use in Japan at that time were imported devices powered by a battery to avoid interference from AC noise. These products had problems with battery exhaustion during patient examinations causing the interruption of recording and failure to record important EEG phenomenon. Maintenance of the battery was also another problem. The ME-1D, featuring reduced noise interference and improved operability, enabled more effective EEG testing and contributed to reduction of the burden on patients/medical staff.



April 1967
Launched **Japan's first** intensive care monitor, the ICU-80

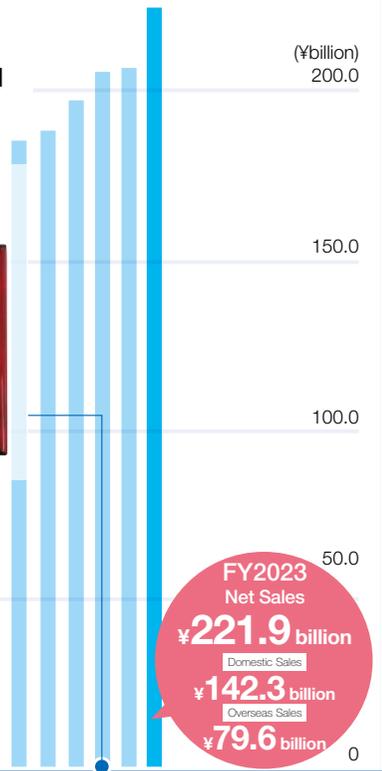
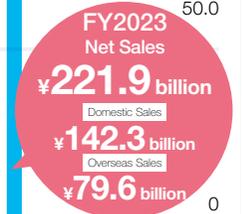
Central patient monitoring system for monitoring vital signs of multiple patients

The intensive care monitor allowed medical staff to centrally monitor the EEG, ECG, blood pressure, heart rate, respiration rate and body temperature of up to 8 patients. This monitoring system consists of a central monitor at the nurse station and bedside monitors in patient rooms. As a result, medical staff became able to notice changes in a patient's condition and record vital signs at the nurse station, which has contributed to improving the quality and safety of medical care and reducing the burden on medical staff.



October 2021
Takuo Aoyagi, PhD, received American Society of Anesthesiologists Honorary Member Award

Nihon Kohden engineer, the late Takuo Aoyagi, PhD, received the Honorary Member Award from the American Society of Anesthesiologists (ASA). The award celebrates a physician, scientist, or eligible member, who has attained outstanding eminence in anesthesiology or related fields. The award has been presented to seven individuals over the past 40 years, and Dr. Aoyagi is the first Japanese person to receive this award.



Year	Product / Milestone	Image
1950	March 1952: Launched the world's first electric ophthalmodynamometer, the MOB-1.	
1950	June 1955: Launched the world's first electrocardiograph with electronic recording, the MC-1C.	
1960	September 1960: Launched Japan's first multi-purpose monitoring recorder (polygraph), the RM-150.	
1960	August 1965: Launched Japan's first battery-powered defibrillator, the MDV-1.	
1970	March 1974: Applied for patent in Japan for the world's first pulse oximetry.	
1970	November 1976: Launched the world's first telemetry systems, the WEP-6000.	
1980	February 1984: Launched the world's first all telemetry fetal monitor, the OMF-7201.	
1980	April 1985: Launched the world's first combined respiration monitor, the OMR-7101.	
1990	December 1990: Launched Japan's first digital ECG telemetry monitor, the WEP-8430/8440.	
1990	March 1991: Launched the world's first digital multi-parameter telemetry bedside monitor, the BSM-8502.	
2000	May 2003: Launched the world's first mainstream-method CO ₂ sensor to be used for non-intubated patients.	
2000	June 2009: Launched the Japan's first automated external defibrillator, the AED-2100.	
2010	August 2018: Launched the world's first mid-range bedside monitor that can display echo images by connecting an ultrasound probe, the CSM-1700.	
2010	June / September 2019: Launched the Company's first ventilators, the NKV-330 and NKV-550.	
2020	July 2023: Launched the Japan's first syringe pump control software for assisting with total intravenous anesthesia, the ROP-1680, AsisTIVA.	
2020	January 2024: Launched the next-generation automated chest compression device, the RMU series, in Japan.	

Introduction of Nihon Kohden's Business

Nihon Kohden is a manufacturer of medical equipment.

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



Station, airport, gym, large commercial facility, etc.



AED

Ward, ICU, Operating room



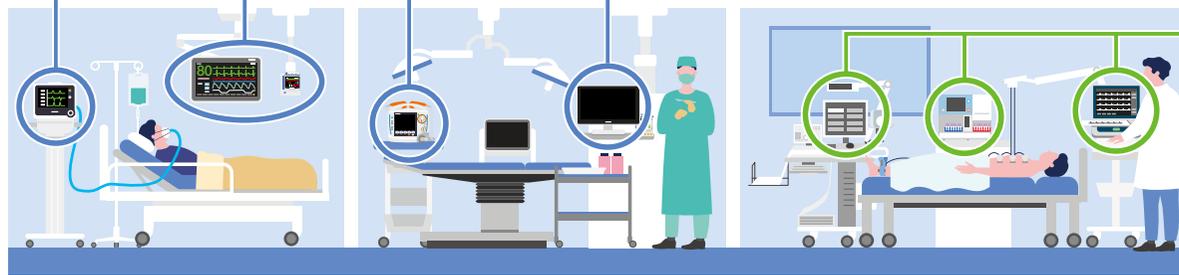
Ventilator
Patient monitor
Defibrillator



Nurse station



Patient monitor



Laboratory



Electroencephalograph
Electrocardiograph
Hematology analyzer

Emergency room



Patient monitor
Defibrillator



Waiting room



AED



Main Products of Nihon Kohden

AEDs

An AED delivers an electric shock to the heart when ventricular fibrillation is occurring to restore it to its normal rhythm. Nihon Kohden provides the only AEDs developed and manufactured in Japan*. Nihon Kohden is working to realize a society in which everybody can use an AED without hesitation and so increase the lifesaving rate.

* As of March 2024



Patient monitors

Patient monitors continuously display vital signs such as ECG (electrocardiogram), body temperature, SpO₂ (arterial oxygen saturation), and NIBP (non-invasive blood pressure). These devices are deployed in various medical settings such as operating rooms, intensive care units, and general wards. Nihon Kohden offers a wide range of patient monitors, from simple monitors for family doctors to in-hospital transport monitors and advanced monitoring systems with centralized monitoring functions.



Electroencephalographs

The electroencephalograph is indispensable for diagnosing epilepsy, cerebrovascular accidents, sleep disorders, and other neurological conditions. Nihon Kohden's electroencephalographs have a high market share worldwide. One product attracting attention is an EEG headset that can easily measure brain waves even in challenging environments, such as in intensive treatment or in emergencies. It enables rapid diagnosis and treatment and is an important tool to improve survival rates and prognosis of patients.



Electrocardiographs

The electrocardiograph, the most common testing equipment for diagnosing heart disease, is widely used in various medical settings. Nihon Kohden supports medical professionals in the diagnosis of heart disease with equipment designed for ease of handling and capable of customization according to site and test specific requirements. Nihon Kohden's electrocardiographs provide users with digitized examination data and a variety of analytic information based on our unique technology.

Ventilators

Our first in-house ventilators were launched in 2019. Through unique technologies and a variety of ventilation modes, these devices provide safe artificial respiration management suitable for various medical settings. We also develop our original masks which fit the skeletal structure of patients. These masks aim at improving quality of life (QOL) for patients by improving the fit with the face and patient comfort.



Pulse oximeters

An SpO₂ probe continuously measures the oxygen saturation (SpO₂) of arterial blood without blood sampling. The principle was invented in 1974 by the late Dr. Takuo Aoyagi, who passed away in 2020, a Nihon Kohden engineer. This revolutionary technology that enables painless and continuous measurement in real time is now indispensable for monitoring patient conditions in clinical settings around the world.



CO₂ sensors **cap-ONE**

cap-ONE is a CO₂ sensor developed for safer respiratory management which measures the amount of CO₂ in expiration. Weighing only 4 g, this ultra-compact and lightweight sensor can also be used with newborn babies. In addition, we have developed a mask that permits CO₂ measurement while supplying oxygen, which reduces the burden on patients and contributes in reducing medical costs.



Hematology Instruments

In the IVD field, we have developed Hematology analyzer and devices that measure HbA_{1c}^{*1}, an indicator of diabetes, as well as CRP^{**2}, which indicate the degree of inflammation in the body. We pursue to explore unique technologies that enable accurate measurement with a small amount of blood, as well as operability and functionality that support medical professionals. We also develop and produce various in-house reagents.

*1 HbA_{1c}: Hemoglobin A_{1c}.

**2 CRP: C-reactive Protein.



Corporate Value Creation Model

Through its business activities 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.

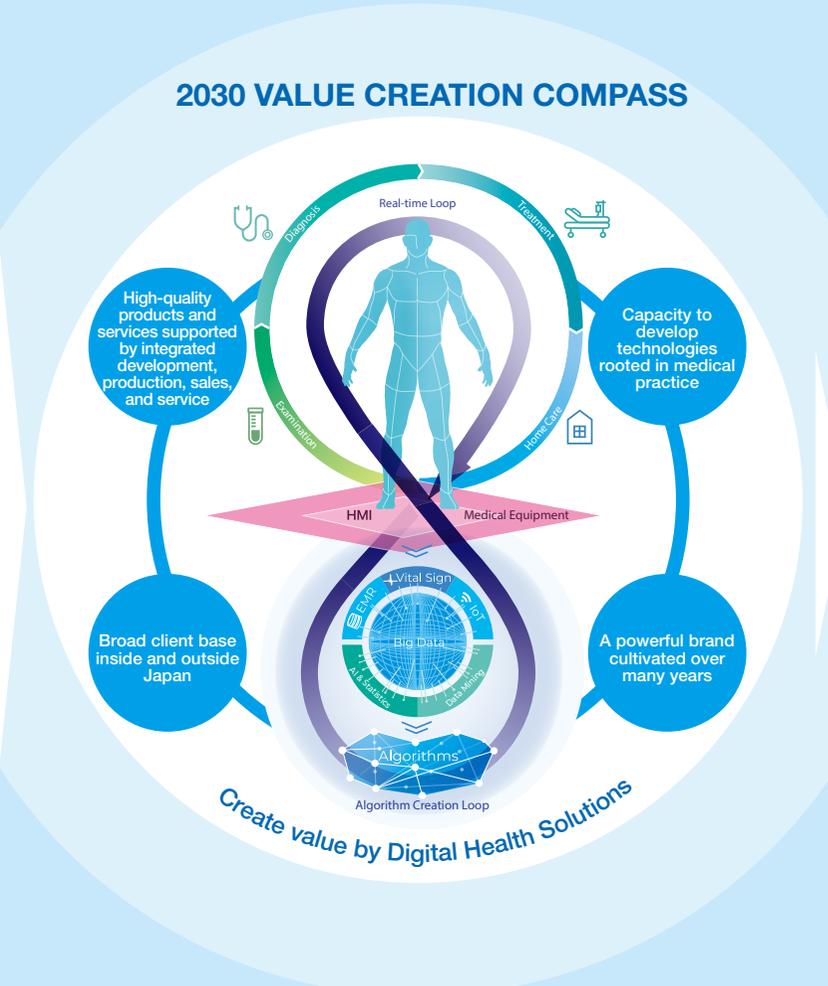
Realization of the Company's Management Philosophy

Long-term Vision
Illuminating Medicine for Humanity

Operating Margin	Overseas Sales Ratio
15%	45%

- Changes in the external environment of healthcare that Nihon Kohden Focuses On**
- Social Issues**
- Demographic changes
 - Changes in structure of diseases
 - Climate change/Natural disasters
- Medical Issues**
- Sustainability of health service provision
 - Ensuring quality of medical care
 - Shortage of medical staff and review of work style
 - Correction of healthcare disparities
- Trends in the Medical Device Industry**
- Promoting digital transformation (DX) in healthcare
 - Increase in supply chain risks
 - Promotion of well-being
 - Tightening of laws/regulations

INPUT	
Main Investment Capital	
Financial Capital	
• Sound financial structure	
Current ratio	369% <small>(FY2023)</small>
Human Capital	
• Diverse employees	
Number of employees	5,891
Of which, Overseas	<small>1,690 people (As of March 31, 2024)</small>
Intellectual Capital	
• Proactive R&D investment	
R&D costs	¥6.9 billion <small>(FY2023)</small>
• Innovative technological development capabilities	
Number of new products released	7 items <small>(FY2023)</small>
Manufacturing Capital/Social Capital	
Number of bases in Japan and overseas	
In Japan	114 sales offices
Overseas	26 group companies
Areas in which products deployed	Over 120 countries <small>(As of March 31, 2024)</small>
Natural Capital	
CO ₂ Emissions per unit of sales	4.69 t-CO₂/¥100 million <small>(FY2023)</small>
Recycling rate	95.5% <small>(FY2023)</small>



OUTPUT	
Targets of the Three-year Business Plan	
FY2026 ending March 2027	
Sales	¥256 billion
Domestic Sales	¥157 billion
Overseas Sales (Overseas Sales Ratio)	¥99 billion (38.7%)
Operating income (Operating income margin)	¥38.5 billion (15%)
Net income	¥25 billion
ROE	12%
Results in FY2023	
Physiological Measuring Equipment	
Net Sales	¥46.5 billion
Composition ratio	21.0%
ECG-3250 Electrocardiograph	
Patient Monitors	
Net Sales	¥84.1 billion
Composition ratio	37.9%
CNS-2101 Central Monitor	
Treatment Equipment	
Net Sales	¥51.6 billion
Composition ratio	23.3%
AED-3250 Automated External Defibrillator	
Other Medical Equipment	
Net Sales	¥39.6 billion
Composition ratio	17.8%
MEK-9200 Automated Hematology Analyzer	

- | OUTCOME | |
|--|--|
| Creating Social Value | |
| Financial Capital | |
| • Investment funds for sustainable growth | |
| • Return to shareholders | |
| Human Capital | |
| • Human resources who take pride in their contribution to healthcare | |
| • Respect for human rights | |
| • Improving well-being | |
| Intellectual Capital | |
| • Technologies such as AI and green technology, that are the source of value co-creation | |
| Social Capital | |
| • Improve patient outcomes | |
| • Reduce medical incidents | |
| • Ease medical staff workload | |
| • Improve economics of medical care | |
| Natural Capital | |
| • Realize carbon neutrality | |
| • Promote circular economy | |
| Production Capital | |
| • Value chain which pursues the highest level of quality in the world | |

Long-term Vision BEACON 2030 Illuminating Medicine for Humanity

Based on its Management Philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, in 2020, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next 10 years to 2030. The Company aims to create a better future for people and healthcare by solving global medical issues.

In its Long-term Vision toward 2030, Nihon Kohden has set three transformations to be realized as a company-wide management policy. We promote these transformations divided into three phases of three years.

Positioning of Management Philosophy, Long-term Vision, Three-year Business Plan, and Core Values



Three Transformations to realize its Long-term Vision

1 Transform into a global company creating high added value

- Promote overseas business strategies emphasizing high growth and improved profitability
- Develop sophisticated value propositions and cultivate new businesses areas in domestic business
- Create new business models by utilizing our global business foundation

2 Create a solution business providing superior customer value

- Create a business model that helps solve medical issues
- Realize a value creation model that creates value from data, by utilizing our core strength in Human Machine Interface* technology

3 Establish a global organization founded on Operational Excellence

- Establish an organizational and governance system in line with our corporate strategy
- Establish a development, production and sales system based on Global Supply Chain Management
- Strengthen global business deployment capabilities by establishing a Center of Excellence

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

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

Value Creation Compass toward 2030

■ Toward Better Patient Outcomes and Improving the Economy of Medical Care

The Value Creation Compass is our new value creation model that represents how Nihon Kohden will work to solve medical and social issues by 2030. Nihon Kohden will combine our original technologies and clinical expertise with advanced technology in collaboration with global partners, to create valuable solutions that help solve issues in clinical sites.

● Patient outcomes and economy of medical care

We aim to create value that addresses global medical issues of achieving better patient outcomes and improving the economy of medical care.

● Suitable solutions for each disease and clinical site

We aim to provide the optimal care cycle solution for each patient, from examination, diagnosis, and treatment to home care.

● HMI technology and medical equipment

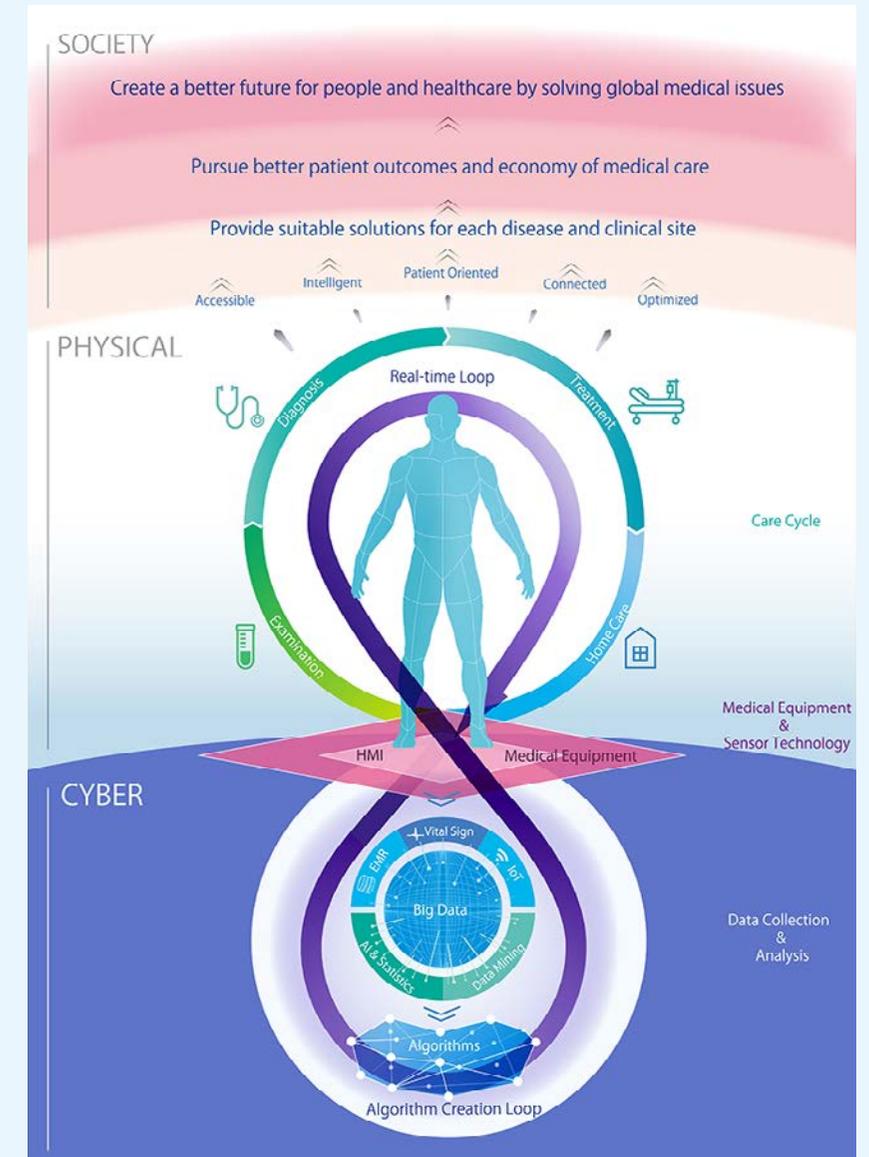
HMI technology is one of our core strengths and serves as an important touchpoint with patients throughout their clinical journey. HMI technology and medical equipment give us access to patients and clinical sites which enable us to create value.

● Value creation from data gathered through clinical sites

Nihon Kohden will develop a data integration platform and pioneer algorithms to create new value from information. Vital sign data, IoT data and EMR information will be integrated as a big data. Algorithms for clinical prediction models will be developed using AI and data analysis.

● Real time loop to respond to clinical needs

By combining HMI technology and medical equipment used in the medical field, and new algorithms created from big data analysis, we provide solutions that can respond to clinical needs in real time.



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

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

Vision towards 2030 for the Future

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



How do we bridge the final distance between AEDs and people to save every life possible?

We have been working to widely deploy AEDs to improve the survival rate.

But still we have challenges to address; training for first responders, reducing fears about AED use, sensing technology for early detection of cardiac arrest, a mobile app-based volunteer first responder network, and utilization of on-scene data and vital signs. We aim for a future in which the number of sudden cardiac deaths is one-third of the current level, through step by step efforts to reduce the psychological and physical barriers to AED use.

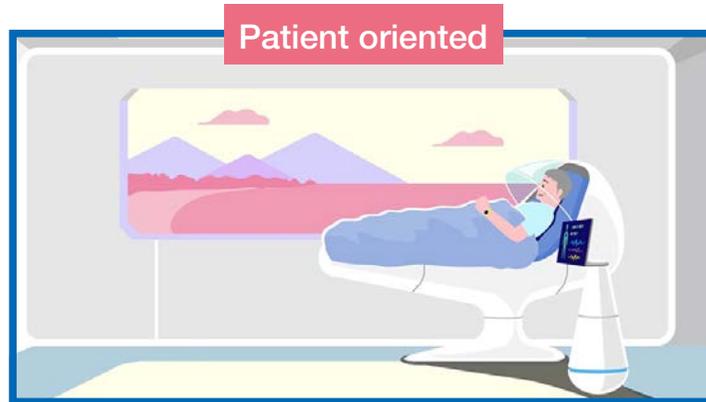
We are working hard to achieve a future where everyone can use AEDs without hesitation.



Can we eliminate human error in operating rooms with advances in technology?

Surgery is a beacon of hope for patients who want to live. However, human error in operating rooms is still a cause of death. Especially in emerging countries, the mortality rates due to human error are estimated to be 100 to 1,000 times higher than in developed countries. We believe we will be able to solve this serious issue. Utilization of patients' vital signs and stable anesthetic management may be able to reduce the mortality rate due to human error to one-hundredth of the current level. Our aim is improving the safety of surgery by developing advances in technology and delivering these technologies beyond national borders to patients all over the world.

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



How do we design ICUs where patients can recover in peace and with dignity?

ICUs are intended to save patients' lives and help them make an early recovery. However, can patients really recover in peace, surrounded by a lot of machines and tubes?

Our ideal room offers patients a place to rest not only their bodies but also their mind. The changes in patients' conditions can be appropriately monitored to provide treatment at early stages. The temperature of the bed and the room brightness can also be comfortably adjusted according to the patients' conditions. We aim to design such an optimal environment for each patient and realize ICUs that are friendly to patients, families, and medical workers.



Can we connect medicine and life, so that people can enjoy their time wherever they desire?

Patients feel anxious even when they want to go home; "My condition may get worse because I won't be able to receive the same treatment as when I was in hospital." or "Emergency situations may cause a burden for my family." Providing homecare with the same quality as hospital care will enable the early prediction and prevention of deteriorative conditions such as heart failure. Since many people live with illnesses in aging population, we aim to reduce the burden on patients, their families and hospitals by reducing readmission rates. We will continue to watch over the daily lives of people recovering from illness to help them enjoy their time wherever they desire.



How can we create a medical system with both quality and efficiency so that patients, families, and healthcare professionals all thrive?

Hospitals are working on improving their productivity and management. Medical workers want to spend as much time as possible for patients. Our goal is a "Win-Win" relationship in which everyone is happy. We collect and utilize the data from medical devices deployed in hospitals to allocate resources appropriately and optimize operation of the devices. This will enable medical workers to concentrate on patients and improve patient outcomes. As a result, patients can smoothly return to their daily lives after a short hospital stay. We aim to increase the "satisfaction with medical care" of all stakeholders by helping hospitals improve efficiency.

Message from Management



**We start a new
Three-year Business Plan,
BEACON 2030 Phase II.
We will implement the reform
of the profit structure and make
investments in growth areas.**

Representative Director,
President and Chief Executive Officer

Introduction

We would like to express our sincere gratitude for your continued understanding and support of the corporate activities of the Nihon Kohden Group. Reflecting on the past three years, we have overcome numerous challenges as a unified company, including soaring component prices due to semiconductor supply shortage, and the tightening of regulations on medical equipment, all within an ever-changing and harsh business environment. I strongly feel that our global organizational capabilities and business promotion power have significantly improved. Going forward, while we anticipate dramatic changes in the environment surrounding the Company, we will continue to expand our unique clinical value globally centered around our core technology, Human Machine Interface (HMI)*. Simultaneously, we will promote critical initiatives within the new Three-year Business Plan, BEACON 2030 Phase II, persistently striving towards our transformation into a global MedTech company.

* HMI: Human Machine Interface is the user interface that connects humans and machines.
For Nihon Kohden, this refers to sensor technology, signal processing technology, and data analysis technology.

Review of the Previous Three-year Business Plan, BEACON 2030 Phase I

Over the past three years, with the theme of “Strengthen foundation,” we have promoted key strategies from the perspectives of management, business, and organization, and worked to transform our operations into a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more.

In the promotion of sustainability, we held Sustainability Discussions (31 sessions with over 4,000 participants in Japan and internationally) to foster a sense of contribution to society through our business. Additionally, we have promoted measures for water resource protection and started the “Green Product Label” certification structure, which strengthens efforts towards environmentally friendly products.

From a management perspective, we have focused on strict compliance as our top priority. With a firm commitment to never repeat incidents like those in 2021, we have implemented and executed all recurrence prevention measures and continue to monitor their effectiveness.

Message from Management

From a business perspective, we launched a series of the Company's first new high-value-added products such as a fully automatic AED, syringe pump control software for assisting with total intravenous anesthesia and a mid-range ventilator. Additionally, we acquired AMP3D, LLC in the U.S. and Software Team Srl in Italy, further accelerating our Digital Health Solutions (DHS) initiatives. From an organizational perspective, we started to introduce PLM/MES*1 systems and promoted the establishment of a global Supply Chain Management (SCM) framework. Additionally, we introduced a new role-based (job-based) personnel system for both management positions and general employees. As an action on cost of capital-conscious management, we adopted NPV and IRR* as investment decision criteria to achieve ROE target of 10%, and started evaluating new investment projects. Regarding our management targets, in addition to actual sales in North America and China falling short of its target, the gross profit margin declined due to an increase in devaluation of inventories, as well as increased SG&A expenses due to the strengthening of human resources, wage increase, and inflation. Thus, unfortunately, operating income and operating income margin for the final year did not achieve the targets, and improvement of profitability remains an issue. Furthermore, the increase in inventories to respond to the tight supply of semiconductors has led to a longer cash conversion cycle (CCC). Under the new Three-year Business Plan, BEACON 2030 Phase II, we will steadily implement the reform of the profit structure and work on improving capital efficiency.

*1 PLM: Product Life-cycle Management, MES: Manufacturing Execution System

*2 NPV: Net Present Value, IRR: Internal Rate of Return



AED-3250,
Fully automatic AED



NKV-440,
Ventilator

AsisTIVA



ROP-1680, Syringe pump control software for assisting with total intravenous anesthesia

Targets and Results of the Previous Three-year Business Plan

	FY2023 Targets	FY2023 Results
	¥102 to the U.S. dollar, ¥124 to the euro	¥143.9 to the U.S. dollar, ¥156.8 to the euro
Net Sales	¥197.0 bil	¥221.9 bil
Domestic Sales	¥134.0 bil	¥142.3 bil
Overseas Sales (Overseas Sales Ratio)	¥63.0 bil (32.0%)	¥79.6 bil (35.9%)
Consumables and Services Sales Ratio	48% or more	47.9%
Gross Profit Margin	50% or more	50.2%
Operating Income (Operating Income Margin)	¥20.0 bil (10.2%)	¥19.5 bil (8.8%)
Income Attributable to Owners of Parent	¥13.8 bil	¥17.0 bil
ROE	10%	9.8%

Results and Issues for the Previous Three-year Business Plan

Results	1. Launched a series of Nihon Kohden's first products	Fully automatic AED, resuscitation monitor for neonate, mid-range ventilator, and syringe pump control software for assisting with total intravenous anesthesia.
	2. Promoted digital health solutions	Acquired AMP3D, LLC in the U.S. and Software Team Srl in Italy.
	3. Strengthened overseas business structure	Reorganized the U.S. subsidiaries into a holding company structure, established a sales branch in the Philippines, and established a new reagent factory in India.
	4. Embraced sustainability	Established an Advisory Board and strengthened our efforts to achieve material issues and KPIs.
Issues	1. Lower sales growth of overseas business	In North America and China, sales fell short of expectations and profitability deteriorated.
	2. Enhancement of product competitiveness	Development of new products was delayed as man-hours were allocated for responding to the tight supply of components as well as to complying with laws and regulations related to medical devices.
	3. Improvement of profitability in the entire Group	SG&A ratio increased due to the strengthening of human resources, wage increases, and inflation. This was also because actual overseas sales fell short of the target.
	4. Reduction of cash conversion cycle	To respond to the tight supply of electronic components such as semiconductors, the Company has increased inventories of finished goods and parts. This has resulted in a longer cash conversion cycle.

Message from Management

New Three-year Business Plan, BEACON 2030 Phase II

Based on its Management Philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, Nihon Kohden set out its Long-term Vision, BEACON 2030, for the next 10 years to 2030, and aims to create a better future for people and healthcare by solving global medical issues. The new Three-year Business Plan, BEACON 2030 Phase II, which started from FY2024, is the second phase of its Long-term Vision. Based on the results and issues of the previous Three-year Business Plan, we will implement the reform of the profit structure and make investments in growth areas, while strengthening the establishment of new business models and collaboration with existing businesses.

Three Phases of BEACON 2030



The business environment surrounding the Company is in the midst of a rapidly changing global situation. There are moves toward protectionism and higher geopolitical risks, as well as moves to prefer domestically produced products and tightening of laws and regulations related to medical equipment. Medical institutions' financial situation has worsened due to inflation and tight monetary policy. Other issues include higher cybersecurity risks and the spread of AI. Furthermore, there are some changes in the business environment which were not expected when the Company formulated its Long-term Vision in 2020: tight supply of components and increased inventories resulting from supply chain disruptions after the COVID-19 pandemic and increase in the cost of goods sold and SG&A expenses due to inflation.

On the other hand, global demand for developing healthcare infrastructure remains steady. Especially, digital transformation (DX) in medical fields is accelerating. New business opportunities are emerging as medical institutions look for solutions that contribute to improving their operational efficiency and profitability. Nihon Kohden will work to solve global medical issues by providing digital health solutions (DHS) that utilize data obtained from medical equipment as well as creating new clinical value based on the Company's core Human Machine Interface technology.

Based on the recognition of this business environment, in BEACON 2030 Phase II, we will implement the reform of the profit structure, make investments in growth areas, and accelerate our transformation into a global MedTech company. We have set three indicators, which consist of Growth, Profitability, and Capital efficiency, and aim to achieve each target: sales CAGR of 5%, operating income margin of 15%, and ROE of 12% by implementing six key measures such as "Enhance product competitiveness," "Focus on growth of North America Business," and "Implement the reform of the profit structure." We will also practice sustainability management and foster an organizational culture that works on solving medical, environmental, and social issues as the essence of our business activities.



Message from Management

Implementing Sustainability Management

Nihon Kohden firstly worked on embracing sustainability as one of the basic policies in Phase I, our Three-year Business Plan. We worked to raise awareness of sustainability throughout the entire Group. In Phase II, we will move into the phase of the practice of sustainability management. Based on the results and issues in Phase I, we have partially reviewed our material issues and KPIs. We will also work on solving medical, environmental, and social issues through embracing sustainability as the essence of our business activities.

resources and DX human resources. We continue to foster a corporate culture of pride in contributing to healthcare.

In terms of governance, to further strengthen group governance, we will improve the diversity of the Board of Directors. The ratio of outside directors and the ratio of female directors became 50% and 16%, respectively, with the approval at the General Meeting of Shareholders in June 2024. By introducing a CxO framework, we will clarify Management Operating Officers' roles and responsibilities for functional, business, and regional axes to speed up decision-making and strengthen global governance. We have also reviewed the remuneration for executives with the aim of encouraging shared value with shareholders. The evaluation items for Performance-linked Post-delivery Restricted stock Remuneration Plan include consolidated operating income margin, ROE, and relative TSR.

Continue to Pay Stable Dividends over the Long Term

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. We have also revised the indicator and target for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.

The Company decided to pay a year-end dividend of 31 yen per share. As a result, the full-year dividend was 61 yen per share, including the interim dividend of 30 yen per share. Including the ¥1.1 billion share buyback conducted in February of this year, the consolidated total return ratio was 36.7%. Additionally, effective July 1, 2024, we implemented a split of each share of common stock into two shares pursuant. Furthermore, from August 5, 2024 to the end of March, 2025, we plan to acquire own shares with an upper limit of ¥10 billion. I appreciate your continued support.

Human Resource Development and Corporate Culture Reform

Foster a corporate culture of pride in contributing to healthcare



In terms of human resources, we will work to develop human resources that support all of our corporate activities and to reform our organizational culture. We will thoroughly implement a new role-based personnel system based on our Core Values and improve personnel productivity by business process reforms and improvements to health management practices. In addition to promoting diversity & inclusion, we will enhance career support for developing global human

New Three-year Business Plan, BEACON 2030 Phase II

3 Indicators and 6 Key Measures

Implement the reform of the profit structure and make investments in growth areas, and accelerate our transformation into a global MedTech company

<p>1 Growth</p> <p>Sales CAGR FY2023 - FY2026 5%</p> <ul style="list-style-type: none"> Enhance product competitiveness Focus on growth of North America Business 	<p>2 Profitability</p> <p>Operating income margin in FY2026 15%</p> <ul style="list-style-type: none"> Implement the reform of the profit structure Advance global supply chain management 	<p>3 Capital efficiency</p> <p>ROE in FY2026 12%</p> <ul style="list-style-type: none"> Introduce Nihon Kohden's own ROIC formula Reduce cash conversion cycle
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Practice of Sustainability Management

- Medical issues
- Environmental issues
- Social issues

	FY2026 Targets
Net Sales	¥256.0 bil
Domestic Sales	¥157.0 bil
Overseas Sales (Overseas Sales Ratio)	¥99.0 bil (38.7%)
Gross Profit Margin	53%
Operating Income (Operating Income Margin)	¥38.5 bil (15%)
Income Attributable to Owners of Parent	¥25.0 bil
ROIC	12%
ROE	12%

1 Growth

Enhance product competitiveness

- Focusing on strengthening our core Patient Monitoring Business, expanding Treatment Equipment Business including ventilators which are expected to grow rapidly, as well as Consumables and Services Business and Solutions Business including digital health solutions
- Focusing on strengthening technological capabilities and shortening the development time for new products

Focus on growth of North America Business

- Nihon Kohden will focus on its market strategy in three regions: Japan, North America, Rest of World [Japan] Strengthen customer base and achieve sustainable growth by enhancing customer value proposition [North America] Strengthen ties with the major IDN/GPO & DoD/VA* and improve brand awareness and profitability [Rest of World] Comply with laws and regulations related to medical equipment and strengthen local R&D, production, sales, and service capabilities

* IDN: Integrated Delivery Network, GPO; Group Purchase Organization, DoD: Department of Defense, VA: Veterans Affairs

Sales targets by region and product category for FY2026 ending March 2027

Sales targets		Breakdown of sales by region/product category and growth drivers		
		FY2023-26 CAGR		
<p>FY2023 Results: ¥221.9 billion FY2026 Target: ¥256.0 billion FY2023-26 CAGR: 5%</p>	Region			
	Japan	¥157.0 billion	3%	Sustains stable growth
	North America	¥50.0 billion	11%	Positioned as a growth driver
	Latin America	¥6.0 billion	0%	
	Europe	¥14.0 billion	2%	
	Asia & Other	¥29.0 billion	7%	
	Product category			
	Physiological Measuring Equipment	¥53.0 billion	4%	
	Patient Monitors	¥98.0 billion	5%	Focusing on as core business
	Treatment Equipment	¥63.0 billion	7%	Expanding ventilator business
	Other Medical Equipment	¥42.0 billion	2%	
	Consumables and Services			Mid-single digit
	Solutions			Mid-single digit

* Exchange rate assumptions: ¥140 to the U.S. dollar, ¥150 to the euro.

New Three-year Business Plan, BEACON 2030 Phase II

2 Profitability

Implement the reform of the profit structure

- Implement several measures to improve product mix, productivity, and supply chains

Area	Theme	Details of measures	FY2026 Target
Product mix	Sale pricing	✓ Reviewing pricing policies both in Japan and overseas	Apx. 2%
	Review of product lineup	✓ Reviewing and optimizing the number of products ✓ Increasing in-house sales ratio	
Productivity	Improving personnel productivity, including by utilizing generative AI	✓ Improving operational efficiency by introducing generative AI: 1.4 mil hours per year ✓ Focusing on core jobs and reallocating resources: 900 k hours per year ✓ Reducing the increase of personnel and overtime hours	Apx. 2%
	Reducing other expenses	✓ Reducing infrastructure costs such as utility costs, rent expenses, and communication expenses, and reviewing traveling costs	
Supply chain	Optimizing parts procurement	✓ Refining price negotiations with suppliers ✓ Promoting Value Analysis/Value Engineering	Apx. 1%

Advance global supply chain management

- Enhance PSI (Production, Sales, Inventory) Management, strengthen global QMS (Quality Management System), and promote multi-plant production

3 Capital efficiency

Introduce Nihon Kohden's own ROIC formula

- Improve profitability and strengthen monitoring of return on investment

- Manage Nihon Kohden's own ROIC formula in each subsidiary/division, as our business consists of a single segment, medical electronic equipment-related business
- Measure effectiveness from a mid-to long-term perspective, as R&D costs and personnel expenses in last three years, which are not included B/S, are considered as future investments
- Figure out ROIC in each subsidiary and promote penetration of NK's ROIC in the Group

Nihon Kohden's own ROIC calculation formula

Operating income

Invested capital
(future investment* + accounts receivable + inventory + property, plant and equipment - accounts payable)

* R&D costs and personnel expenses in last three years

Fiscal Year	ROIC (%)
FY2019	9.3%
FY2020	13.0%
FY2021	12.9%
FY2022	8.0%
FY2023	4.0%
FY2026 Target	12%

Set cost of capital at 7% conservatively, target of IRR at 12% in Phase II

Reduce cash conversion cycle

- Strengthen procurement and production management functions mainly at the newly established Production Operations, Collect debt faster

Three-year Business Plan Phase II target

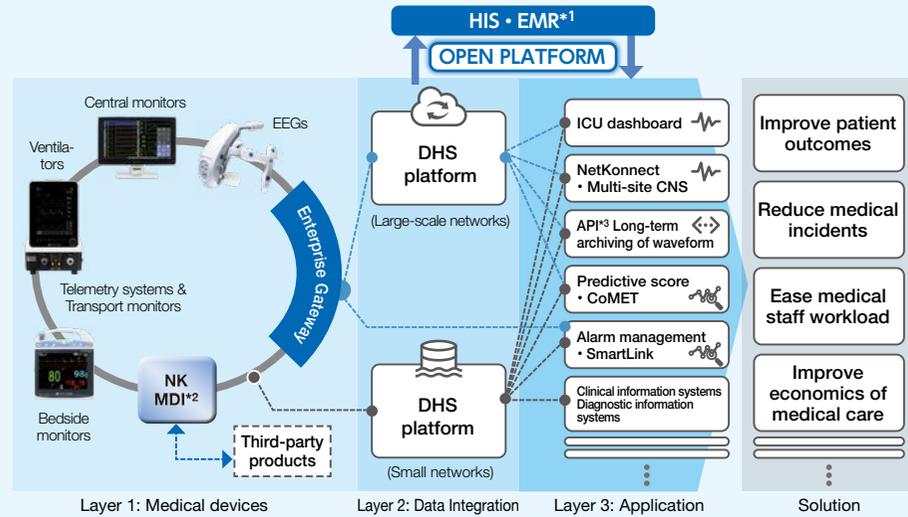
CCC ~175 days

Cash Conversion Cycle

Mid-term target

CCC ~150 days

Development of Our Digital Health Solutions (DHS) Vision



Overview of our DHS Vision (as of May 2024)

*1 HIS: Hospital Information System, EMR: Electronic Medical Record
 *2 MDI: Medical Device Integration
 *3 API: Application Programming Interface



Forecast of market size for DHS in North America

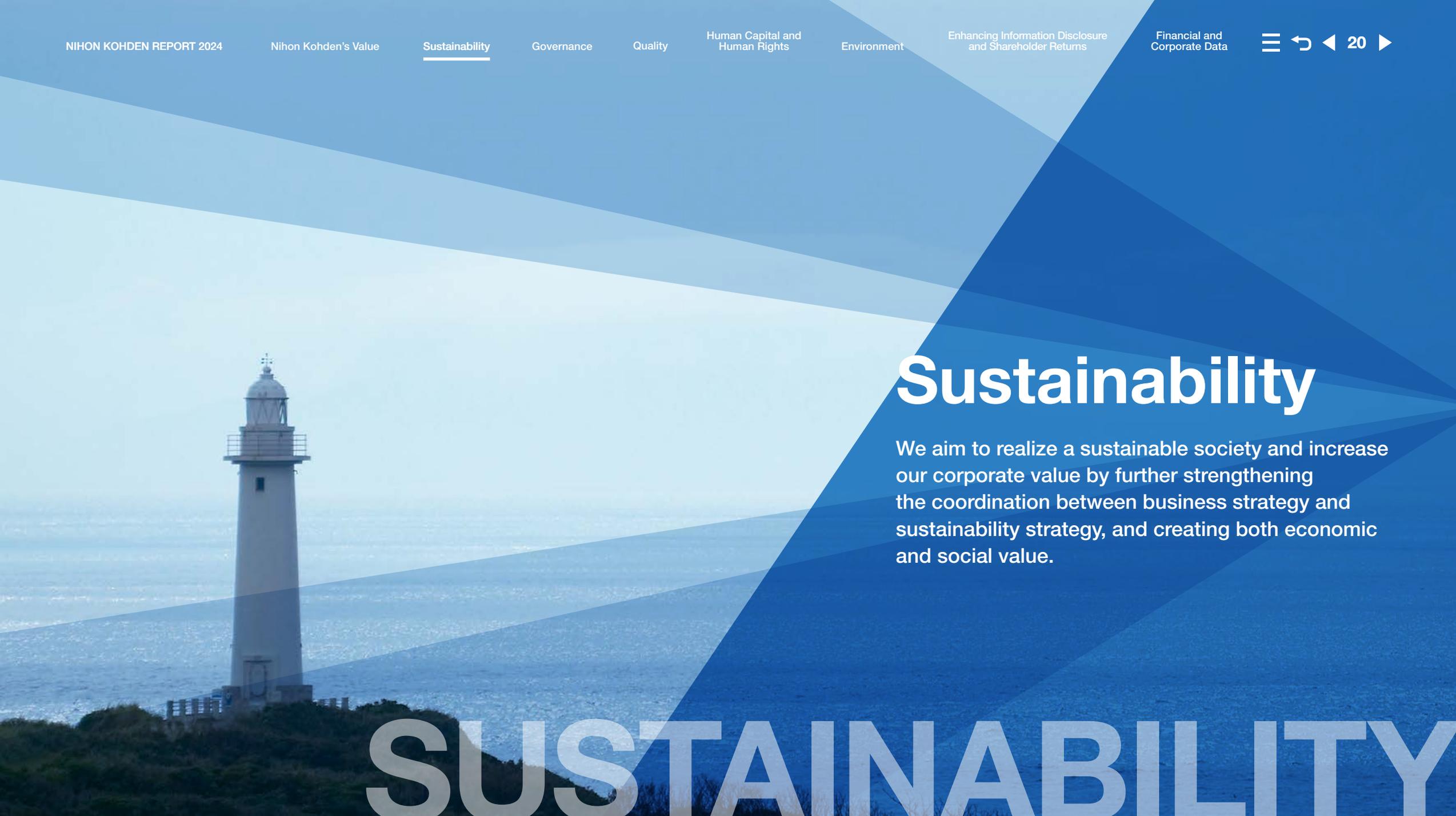
Sources: The Company's estimate based on Markets and Markets's report: CLINICAL RISK GROUPING SOLUTIONS MARKET BY PRODUCT (2017-2024), CLINICAL ALARM MANAGEMENT MARKET BY COMPONENT (2016-2023), and Mordor Intelligence's report: GLOBAL TELE INTENSIVE CARE UNIT MARKET (2021-2026).

Nihon Kohden is promoting the DHS (digital health solutions) Vision to realize its Long-term Vision toward 2030, BEACON 2030. During BEACON 2030 Phase I (FY2021-2023), we focused on developing the foundational platform of DHS Vision for data integration and enhancing the technological capabilities to create applications as content. These efforts were driven and strengthened at our R&D centers in North America and Japan, where we also began implementation and validation in clinical settings within each country.

We acquired AMP3D, LLC in the U.S. in FY2021, which conducts research and development of algorithms and software for predicting patient condition changes. This acquisition has strengthened our technological development capabilities in the DHS domain and accelerated the development of innovative analytical algorithms. In 2022, we acquired Software Team Srl in Italy, which develops and sells software that transfers alarm information obtained from medical devices such as patient monitors and ventilators to medical staff's smartphones. This acquisition focuses on enhancing alarm management. By reducing false alarms in clinical practice and providing prompt and appropriate treatment to patients, we aim to improve the quality of medical care.

Nihon Kohden's core technology is the Human Machine Interface, which is its unique data acquisition technology and the basis for utilizing data such as patients' vital signs. In Phase I, in addition to our traditionally developed data collection capabilities, we have strengthened our ability to create analytical technologies and algorithms, expanding the foundational platform for data integration, and enhancing network technologies. These efforts have steadily built the technological foundation for our DHS Vision. Our open platform concept, which emphasizes the utilization of data in hospitals, has received high praise, particularly among medical institutions in North America.

In the Three-year Business Plan, BEACON 2030 Phase II, which started in FY2024, we will launch new applications and services utilizing these technologies into the market. We will provide a data platform that integrates data obtained from medical devices for use as big data. Additionally, we plan to offer clinical support applications, including remote monitoring functions for ICUs, alarm management, and early warning scores and dashboard to predict patient condition changes. Through the provision of these solutions, we aim to contribute to improving patient outcomes and the economics of medical care. In particular, the market for DHS is expanding in North America, and we expect high growth in this area moving forward.



Sustainability

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

SUSTAINABILITY

Sustainability Policy

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

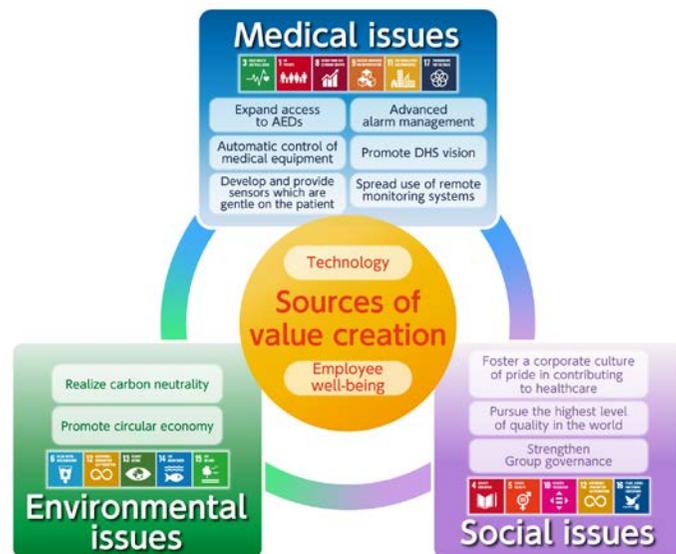
Sustainability at Nihon Kohden

In recent years, activities aimed at achieving the UN Sustainable Development Goals (SDGs) have been promoted in order to respond to various cross-border social issues. The medical care we are involved in is becoming more and more complex due to various problems such as the aging society in developed countries, rising medical costs, lack of basic medical care in emerging countries, and widening medical disparities, and companies, as members of society, are expected to contribute to solving these issues. Under these circumstances, Nihon Kohden formulated its Long-term Vision, BEACON 2030 in 2020, and aim to contribute to solving global social issues and achieving the SDGs through its business and corporate activities. Under the Three-year Business plan, BEACON 2030 Phase I, which started from FY 2021, Nihon Kohden has incorporated sustainability into its basic policy for the first time. The Company

has identified a total of 12 non-financial material issues related to the SDGs and has worked on addressing these issues.

In FY2024, we started the new Three-year Business Plan, BEACON 2030 Phase II, moving into the phase of the practice of sustainability management. We partially reviewed our material issues and KPIs based on the results and issues in Phase I. We will also work on solving medical, environmental, and social issues through embracing sustainability as the essence of our business activities.

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



	Material Issues	KPIs	Impact		
Solving medical issues	Accessible	Expand access to AEDs	Number of AEDs sold Number of AED training sessions and participants	Increase AED utilization rate	Improve patient outcomes
		Automatic control of medical equipment	Number of hospitals that have introduced AsisTIVA	Spread robotic anesthesia systems	
	Intelligent	Develop and provide sensors which are gentle on the patient	Number of products sold that are equipped with unique technologies	Spread minimally invasive monitoring technologies	Ease medical staff workload
		Advanced alarm management	Number of products sold that are equipped with alarm reduction algorithms Number of newly contracted hospitals that utilize alarm reports	Reduce unnecessary alarms	
	Connected	Promote DHS vision	Number of hospitals that have introduced remote ICU systems	Spread medical DX	
		Spread use of remote monitoring systems	Number of cloud service-enabled products sold Number of connections to MD Linkage sold and number of connected models	Spread remote maintenance	

	Material Issues	KPIs	Impact				
Solving environmental issues	Energy	Realize carbon neutrality	Group-wide CO ₂ emissions Number of models and sales ratio of environmentally friendly products	Reduce CO ₂ emissions in corporate activities	Protect the global environment		
		Resource	Promote circular economy	Product recycling rate Amount of waste from disposal of products and parts Number of electronic operation manuals and online product updates Amount of water consumption and use of the water cycle		Reduce raw materials and waste Protect water resources	
	Solving social issues	Human Rights / Human Resources	Foster a corporate culture of pride in contributing to healthcare	Percentage of employees receiving human rights education Learning and Education hours Number of mental/physical health seminars for employees		Prevent human rights risks Strengthen employee engagement	Respect human rights Increase the value of human capital
			Quality	Pursue the highest level of quality in the world		Number of recalls Number of quality control training sessions for employees Number of facilities with maintenance contracts	Improve product utilization rate Improve NPS
	Governance	Strengthen Group governance	Number of management education sessions at overseas subsidiaries Rate of participation in risk management education Number of internal audit findings at overseas subsidiaries	Raise awareness of governance Strengthen compliance systems at Group companies	Achieve sustainable corporate growth		

Sustainability Policy

ESG	Seven core subjects	Issues	Materiality	KPI	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS				
S	Fair Operating Practices	Social issues	Pursue the highest level of quality in the world	Number of recalls			3.4									12.4									
				Improve product utilization rate*			3.8																		
				Number of quality control training sessions for employees				4.4											12.8						
				Number of facilities with maintenance contracts*			3.2												12.4						
				Improve NPS			3.4																		
G	Organizational Governance	Social issues	Strengthen Group governance	Number of management education sessions at overseas subsidiaries																		16.5			
				Rate of participation in risk management education			3.3	4.7	5.1	6.3		8.4	9.4	10.2	11.6	12.2	13.1	14.1				16.1	17.17		
				Raise awareness of governance			3.9			6.6		8.7		10.3	11.7	12.5	13.2						16.2		
				Number of internal audit findings at overseas subsidiaries*													12.6	13.3					16.5		
				Strengthen compliance systems at Group companies																				16.5	

*Figures are not disclosed.

Sustainability Policy

Material Issues and KPIs of the Previous Three-year Business Plan

The results and achievements for each KPI over the past two years are shown in the table below.

For further details on the results in FY2021, please refer to our website.

<https://www.nihonkohden.com/ir/library/ar/main/0110/teaserItems3/02/linkList/04/link/NKreport2023E6.pdf>



Achievement Rates: ✓✓✓ 100% achievement ✓✓ At least 80% achievement ✓ Less than 80% achievement

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Improve resuscitation rates by expanding access to AEDs	Number of AEDs sold in the world	[Target] Cumulative number of products sold for 3 years worldwide: Over 350k units	Number of AEDs sold: 119k units Japan 50k units Overseas 69k units [Cumulative number] 219k units Japan 101k units Overseas 118k units (Rate of progress 62%)	Number of AEDs sold: 105k units Japan 46k units Overseas 59k units [Cumulative number] 324k units Japan 147k units Overseas 177k units (Rate of progress 92%)	✓✓
	Utilization rate of AEDs in Japan and the U.S.	[Actual] Actual utilization rate of AEDs in Japan and the U.S. for 3 years (No numerical target (follow-up item)) <small>* Utilization rate is the rate of out-of-hospital cardiac arrests responded to by laypersons using AEDs (all AEDs, including our products). Data cited from: Fire and Disaster Management Agency of the Japan Ministry of Internal Affairs and Communications website, U.S. AHA journals, etc.</small>	Utilization rate in CY2022: Japan 4.1% U.S. 10.2%	Utilization rate in CY2023: Japan 4.2% U.S. 11.3%	
Provide educational opportunities for medical professionals in emerging countries	Promote training in epilepsy diagnosis in Indonesia	[Target] Start operations at 4 local education centers by the end of FY2023	Started operations: 0 centers Conducted the first 6 lectures out of a total of 23 lectures as a measure during the COVID-19 pandemic. Continue discussions to educate 4 physicians.	Started operations: 0 centers Conducted a total 23 lectures as a measure during the COVID-19 pandemic. Completed education for local physicians by Japanese.	✓

Sustainability Policy

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Provide educational opportunities for medical professionals in emerging countries	Number of educational seminars held, hosting countries, participants (including online programs)	<p>[Target]</p> <ul style="list-style-type: none"> Cumulative number of hosting countries for 3 years: Over 5 countries (North America, Latin America, Europe, Asia, Middle East) Cumulative number of participants for 3 years: Over 100k 	<ul style="list-style-type: none"> Number of hosting countries: 4 countries (U.K., China, Jordan, U.S.) Number of participants: 57k <p>[Cumulative number]</p> <ul style="list-style-type: none"> Number of hosting countries: 6 countries (Rate of progress 120%) Number of participants: 86k (Rate of progress 86%) 	<ul style="list-style-type: none"> Number of hosting countries: 5 countries (Thailand, Philippines, Malaysia, Korea, U.S.) Number of participants: 95k <p>[Cumulative number]</p> <ul style="list-style-type: none"> Number of hosting countries: 10 countries (Rate of progress 200%) Number of participants: 181k (Rate of progress 181%) 	<p>Number of hosting countries: ✓ ✓ ✓</p> <p>Number of participants: ✓ ✓ ✓</p>
Automatic control of medical equipment	R&D investment in a robotic anesthesia system	(*)			
	R&D investment in closed-loop control of ventilators	(*)			
Develop and provide sensors which are gentle on the patient	R&D investment in new sensors	(*)			
	Number of products sold that have esCCO*1, synECi18*2, and iNIBP*3 installed	<p>[Target]</p> <p>Cumulative number of products sold for 3 years worldwide: Over 85k units</p>	<p>Number of products sold: 30k units</p> <p>Japan 13k units Overseas 17k units</p> <p>[Cumulative number] 64k units</p> <p>Japan 28k units Overseas 36k units</p> <p>(Rates of progress 75%)</p>	<p>Number of products sold: 31k units</p> <p>Japan 13k units Overseas 18k units</p> <p>[Cumulative number] 95k units</p> <p>Japan 41k units Overseas 54k units</p> <p>(Rates of progress 112%)</p>	<p>✓ ✓ ✓</p>

Sustainability Policy

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Create a peaceful patient environment with advanced alarm technology	R&D investment in improved alarm algorithms for patient monitors	(*)			
	Number of hospitals that utilize alarm reports*4 for improving workflow in Japan and the U.S.	[Target] Cumulative number of new contract hospitals for 3 years: Japan Over 240 hospitals U.S. Over 25 hospitals	Number of new contract hospitals: Japan 179 hospitals U.S. 0 hospitals [Cumulative number] Japan 263 hospitals (Rate of progress 110%) U.S. 2 hospitals (Rate of progress 8%)	Number of new contract hospitals: Japan 168 hospitals U.S. 0 hospitals [Cumulative number] Japan 431 hospitals (Rate of progress 180%) U.S. 2 hospitals (Rate of progress 8%)	Japan: ✓ ✓ ✓ U.S.: ✓
Contribute to care for patients with heart failure, brain disorders, and infection	R&D investment in early warning scores	(*)			
	R&D investment in new parameters and algorithms for heart failure care	(*)			
Improve product utilization rate by remote monitoring	Number of MD Linkage*5 sold and number of connected models	[Target] • Cumulative number of connected models for 3 years worldwide: Over 7 models • Cumulative number of connected units for 3 years worldwide: Over 5k units	• Number of connected models: 1 model*7 (NKV-330) • Number of newly connected units: 675 units [Cumulative number] • Number of connected models: 3 models (Rate of progress 43%) • Number of newly connected units: 1,241 units (Rate of progress 25%)	• Number of connected models: 0 model • Number of newly connected units: 670 units [Cumulative number] • Number of connected models: 3 models (Rate of progress 43%) • Number of newly connected units: 1,911 units (Rate of progress 38%)	Number of connected models: ✓ Number of connected units: ✓

Sustainability Policy

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Improve product utilization rate by remote monitoring	Number of advance notifications before trouble with products occurs	[Actual] Cumulative number of notifications for 3 years (No numerical target (follow-up item)) *Only in Japan	Number of notifications: 686 cases [Cumulative number] 2,659 cases	Number of notifications: 548 cases [Cumulative number] 3,207 cases	
Eliminate health disparities through telemedicine	Number of network-oriented products sold like LAVITA*6	[Target] Cumulative number of contract hospitals for 3 years: Over 600 hospitals *Only in Japan	Number of contract hospitals: 166 hospitals [Cumulative number] 315 hospitals (Rate of progress 53%)	Number of contract hospitals: 194 hospitals [Cumulative number] 509 hospitals (Rate of progress 85%)	✓ ✓
	R&D investment in realization of remote support for ICUs	(*)			
Foster a corporate culture of pride in contributing to healthcare	Employee satisfaction	[Target] FY2021: Establish operational policy and start survey (Only in Japan) FY2022~: Publication of survey results and subsequent implementation of ongoing surveys	Improved 1.4 point compared to FY2021	Improved 2.4 point compared to FY2022	✓ ✓ ✓
	Develop human resources who can succeed globally	[Target] Cumulative hours of education for 3 years: Over 45 hours per person * Hours of education by job level provided by the Phoenix Academy (Human Resources Development Center). This training content will enable new employees and managers to acquire the knowledge and skills required for each level.	Education hours per person: 18.2 hours [Cumulative number] 36.8 hours (Rate of progress 82%)	Education hours per person: 24.4 hours [Cumulative number] 61.2 hours (Rate of progress 136%)	✓ ✓ ✓

Sustainability Policy

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Pursue the highest level of quality in the world across the value chain	Net Promoter Scores	<p>[Target]</p> <ul style="list-style-type: none"> Japan FY2021: Set up a system and start the survey FY2022: 1. Conducted the second survey with more detailed and expanded items to be surveyed 2. Maintain and improve scores FY2023: Conducted survey, Maintain and improve scores U.S. Strive to achieve a 1 point improvement every year 	<ul style="list-style-type: none"> Japan 1. Conducted the second survey with more detailed and expanded items to be surveyed 2. Improved 1.3 points compared to FY2021 U.S. Improved 12 points compared to FY2021 	<ul style="list-style-type: none"> Japan Decreased by 4.4 points compared to FY2022 U.S. Improved 64 points compared to FY2022 	<p>Japan: ✓✓</p> <p>U.S.: ✓✓✓</p>
	Number of recalls	<p>[Actual]</p> <p>Cumulative number of products recalled for 3 years (No numerical target (follow-up item))</p> <p><small>* We have set and are working on achieving a quality target of "zero recalls for 200 days or more."</small></p>	<p>Number of recalls: 2 cases [Cumulative number] 8 cases</p>	<p>Number of recalls: 2 cases [Cumulative number] 10 cases</p>	
Ensure strict compliance and strengthen group governance	Establish and strengthen compliance programs of the Group	<p>[Target]</p> <p>Zero occurrence of serious incidents of non-compliance</p>	<p>Number of incidents of non-compliance: 0 cases</p>	<p>Number of incidents of non-compliance: 0 cases</p>	<p>✓ 1 case (FY2021, Japan)</p>
	Establish and promote the Global Business Management Policy in overseas subsidiaries	<p>[Actual]</p> <p>Monitoring implementation of the Global Business Management Policy for managers of all overseas subsidiaries over the next 3 years (No numerical target (follow-up item))</p>	<p>Continued implementation of various measures</p>	<p>Confirmed operation status and guidance for improvement for overseas subsidiaries that have already introduced the Policy</p>	
	Strengthen internal control over domestic sales	<p>[Actual]</p> <p>Introduce system controls for pre-order processes and monitor their application (No numerical target (follow-up item))</p>	<p>Continued implementation of the global compliance program measures</p>	<p>Introduced domestic policy for Nippon Bio-Test Laboratories Inc. and Beneficks Corporation</p>	

Sustainability Policy

Materiality	KPI	Target/Actual	Results in FY2022	Results in FY2023	Rate of achievement
Realize a carbon-free society	CO ₂ emissions	<p>[Target]</p> <ul style="list-style-type: none"> FY2023: 15.2% reduction compared to FY2020 per unit of sales (ISO 14001 certified sites, Scope 1, 2) Collect and disclose CO₂ emissions for the whole group by end of FY2023 (Scope 1, 2, 3) 	<ul style="list-style-type: none"> CO₂ emissions: 38.7% reduction compared to FY2020 Collect and disclose CO₂ emissions: Preparing for third-party verification, including system implementation 	<ul style="list-style-type: none"> CO₂ emissions: 45.8% reduction compared to FY2020 Collect and disclose CO₂ emissions: Completed third-party verification of Scope 1, 2 in Japan 	<ul style="list-style-type: none"> CO₂ emissions: ✓ ✓ ✓ Collect and disclose CO₂ emissions: ✓ ✓
	Number of models and sales ratio of environment-friendly products	<p>[Actual]</p> <ul style="list-style-type: none"> Number of models in next 3 years (No numerical target (follow-up item)) <p>[Target]</p> <ul style="list-style-type: none"> Cumulative sales ratio of products for 3 years worldwide: Over 20% 	<ul style="list-style-type: none"> Number of models: 75 series Sales ratio of environment-friendly products: 19.1% 	<ul style="list-style-type: none"> Number of models: 79 series Sales ratio of environment-friendly products: 20.1% [Cumulative number] Cumulative sales ratio of environment-friendly products: 19.4% 	<ul style="list-style-type: none"> Cumulative sales ratio of environment-friendly products for 3 years: ✓ ✓
	Amount of waste from disposal of products and parts	<p>[Target]</p> <p>FY2023: 8% reduction of products and parts retirement compared to FY2020</p>	0.7% reduction compared to FY2020	10.0% increase compared to FY2020	✓

*1. esCCO (estimated Continuous Cardiac Output): Nihon Kohden's unique technology which can estimate cardiac output continuously based on ECG and pulse waves obtained from pulse oximetry. Previously, cardiac output could not be measured without inserting a catheter into the pulmonary artery. But now, with routinely monitored parameters, non-invasive and continuous estimates can be made without pain or strain on the patient.

*2. Synthesized 18-lead ECG: Synthesized 18-lead ECG uses the 12-lead ECG waveforms to mathematically derive the waveforms of the right chest leads (V3R, V4R, V5R) and back (V7, V8, V9). The measurement procedure is the same as the standard 12-lead ECG but more information can be obtained. 18-lead synthesized ECG is expected to be useful in detecting right ventricular infarction and posterior infarction.

*3. iNIBP (non-invasive blood pressure measurement algorithm): Nihon Kohden's unique non-invasive blood pressure measurement algorithm using a linear inflation technology that completes the measurement while the cuff is inflating. This algorithm was developed with the concept of reducing the burden and stress of patients and medical personnel involved in blood pressure measurement as much as possible. Compared to previous measurement methods, it can measure faster and does not apply more pressure than necessary, reducing the burden and stress on the patient.

*4. Alarm report: This is a report that objectively evaluates the type and frequency of alarms based on alarm information from telemetry systems and central monitors. This report is expected to contribute to improving the medical environment by reducing the occurrence of false alarms.

*5. MD Linkage (Medical device remote monitoring system): This is a network system that automatically sends error messages and self-test information generated by medical devices to our server via a remote terminal. By automatically detecting equipment abnormalities and failures and notifying us, we can respond quickly and contribute to reducing product downtime.

*6. LAVITA (Medical and nursing care network system): This is a network system that can easily collect patient vital data, automatically send it to a cloud server, and share information in real time with various people such as medical workers and social workers. By collaborating with various medical institutions through LAVITA, it is possible to provide the support needed for comprehensive community care.

*7. Results were reviewed and revised.

(*) We have not set individual investment target figures for each KPI. The cumulative three-year (FY2021-2023) investment for the whole Nihon Kohden Group was ¥18.9 billion, compared to a target of approximately ¥20 billion.

Sustainability Policy

Sustainability Promotion Structure

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee, composed of the president, management operating officers, operating officers, and general managers, and Sustainability Promotion Meeting, composed of the representatives of 18 divisions. Nihon Kohden has also established the Advisory Board consisting of three external experts to incorporate outside perspectives on sustainability activities.

The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions. The Sustainability Promotion Meeting is held four times a year to establish and promote annual plans based on the policies and directions formulated by the Sustainability Promotion Committee and reports on the progress of those plans to the Sustainability Promotion Committee. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each materiality, report on the progress of sustainability activities and exchange opinions with other members at regular meetings. The Company strives to implement sustainability activities in its daily business operations, in close coordination with the Risk Management Committee, Compliance Committee, Quality Control Committee, and Environmental Committee. The Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion.

Furthermore, in order to raise awareness of the SDGs within the Company, we take actions such as educating employees in Japan and overseas through webinars.

External Sustainability Advisors



Hikaru Kobayashi
Adviser
Research Center for Advanced Science and Technology
The University of Tokyo

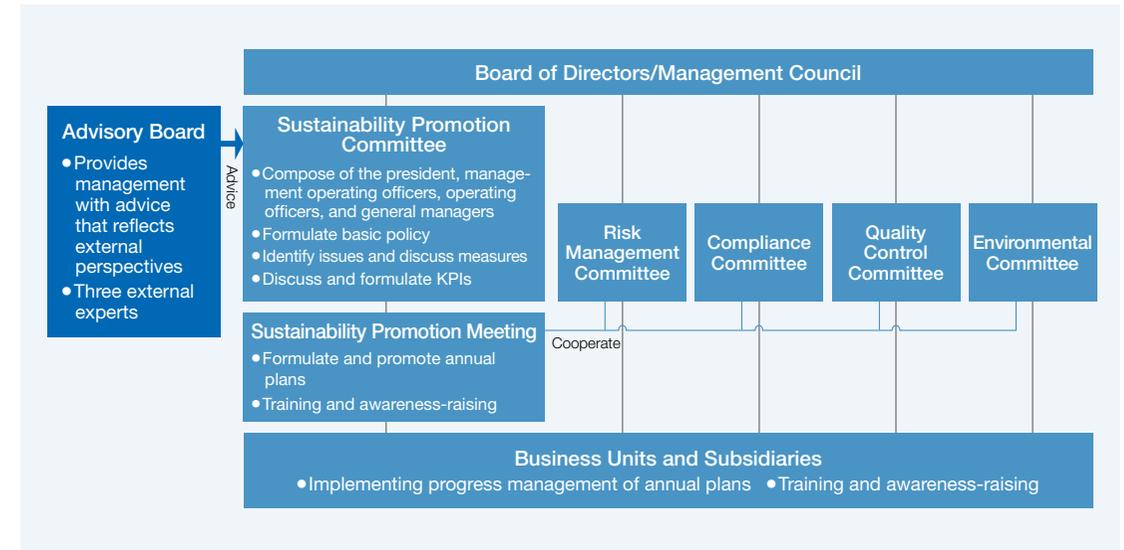


Kuniko Shoji
Senior Fellow
Kanagawa University of Human Services



Mika Takaoka
Professor
College of Business
RIKKYO UNIVERSITY

Sustainability Promotion Structure Chart



Joined UN Global Compact

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



Sustainability Policy

Holding Sustainability Discussions

To foster a corporate culture in which sustainability is the core of its business activities, Nihon Kohden held the Sustainability Discussions for all employees (total 31 sessions with over 4,000 participants in Japan and internationally from October 2022 to October 2023). We aim to quickly build a structure in which every employee has a sense of ownership and commitment to promote sustainability toward the achievement our Long-term Vision, BEACON 2030.

Several employees who expressed positive opinions on sustainability in a preliminary questionnaire were selected as panelists, regardless of position or age. The president himself served as a facilitator to exchange opinions on sustainability, including how Nihon Kohden can contribute to the sustainability of its customers.

Participating employees commented: “Thinking about sustainability from various angles made me realize many things,” and “I realized the importance of making further contributions to society through my daily work.” The opinions obtained from these discussions, along with external opinions and the external environment, were reflected in the material issues of the new Three-year Business Plan, BEACON 2030 Phase II.

We will continue to accelerate our efforts to promote sustainability.



Sustainability Discussions

Education	Raise awareness throughout the community by providing sustainability education opportunities not only to employees, but also to medical institutions, distributors, and suppliers.
Healthcare	Contribute to the promotion of sustainability in medical institutions and healthcare systems by providing technologies and services in addition to solving medical issues through our business.
Environment	Strive to solve environmental issues by developing environmentally friendly products and building an ecosystem that includes product collection and recycling.

Examples of the opinions raised in the discussions

Governance

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

GOVERNANCE

Enhancing Corporate Governance

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

Message from Operating Officer

Nihon Kohden is committed to fulfilling its continuous social responsibility through sound business activities. To achieve this, we have focused on improving the soundness, transparency, and efficiency of management while strengthening corporate governance. In the Three-year Business Plan, BEACON 2030 Phase I, Ensure strict compliance and strengthen group governance is one of our key initiatives. In FY2023, we made steady progress in enhancing our overseas business foundation, including reorganizing our U.S. subsidiaries, transitioning to a holding company structure, implementing and establishing the Global Business Management Policy. We consider these efforts crucial for building trust with our stakeholders and transforming and developing Nihon Kohden as a global company.

Going forward, we will continue to manage our business with a focus on sustainability, striving to enhance corporate value while working towards realizing our Management Philosophy and Long-term Vision.



Fumio Izumida
Operating Officer,
General Manager of Corporate
Strategy Division

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, suppliers, and society in all aspects including products, sales, service, technology, financial strength, quality of employees, and other points.

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

Corporate Governance Structure

Nihon Kohden has adopted a Company with an Audit & Supervisory Committee structure to achieve the following: enhancement of supervisory functions, improvement of soundness and transparency of management, and acceleration of management decision making. The Company currently has six independent outside directors, who comprise 50% of the Board of Directors. The Company takes measures such as appointment of independent outside directors and introduction of an operating officer system as well as cooperation among the Audit & Supervisory Committee, the Internal Auditing Department, and the Accounting Auditor. The Company believes the management monitoring functions work sufficiently.

The Company registered six 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 as necessary. They also provide opinions from an objective and neutral standpoint if necessary and supervise the Company's management.

Enhancing Corporate Governance

■ Board of Directors

The Board consists of a total of twelve directors (including two female directors and one foreign director); nine directors excluding Audit & Supervisory Committee members (including four 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 make decisions on the execution of important business for the Nihon Kohden Group as well as supervise 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 conducts audit activities in accordance with the audit policy, audit plan, and division of duties which were formulated by the Audit & Supervisory Committee. 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 by investigating the conduct of business operations and status of assets at the Company's main offices through office visits or web meetings as well as by investigating reports on audit results from the Internal Auditing Department. The Audit & Supervisory Committee cooperates with the Accounting Auditor and the Internal Auditing Department. The full-time member of the Audit & Supervisory Committee has many years of experience in finance and accounting departments and possesses a considerable degree of knowledge about finance and accounting.

■ Management Council

Meetings of the Management Council, at which directors, management operating officers, and operating officers attend, are held once or twice a month in order to undertake the management activities based on the policy approved by the Board as well as aiming at prompt decision making and flexible business operation. The Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other, and there are sixteen management operating officers and operating officers (including two female operating officers) who are not serving concurrently as directors.

■ Nomination & Remuneration Committee

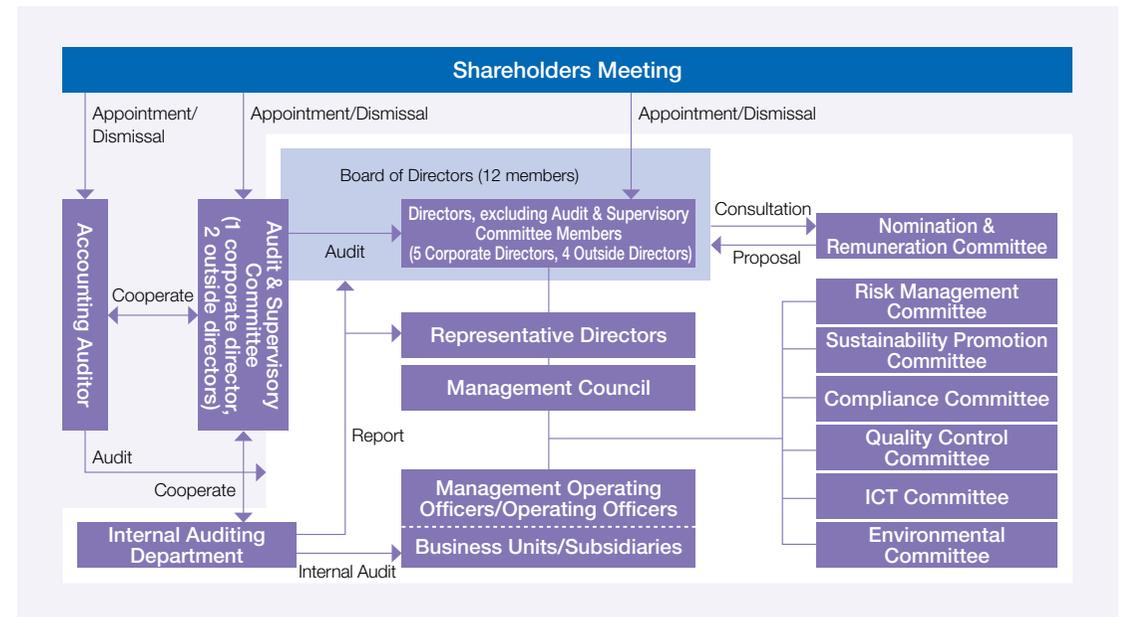
The Company has established a Nomination & Remuneration Committee, which is a voluntary advisory committee under the Board, to ensure the transparency and objectivity of the management. The Committee consists of three outside directors and the committee chair is also appointed from outside directors.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

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

https://www.nihonkohden.com/information/philosophy/governance/governance_structure.html



Corporate Organization and Internal Control System



Enhancing Corporate Governance

Board of Directors Evaluation

Nihon Kohden conducted self-evaluations of all directors in an anonymous survey related to the size, constitution, and operation of the Board. The Board discussed the results of evaluations and issues for further improvements.

As a result of the evaluation, in terms of size, composition, and operations of the Board, the ratio of outside directors increased in FY2023, and it was confirmed that the structures necessary to enable appropriate performance of the Board's supervisory functions have been established. It was also concluded that the Board operates effectively with an open atmosphere that enables inside and outside directors to engage in candid discussion.

In FY2023, based on the FY2022 evaluation results, the Company promoted to develop a sophisticated company-wide risk management framework through newly establishing a Risk Management Committee and conducting risk assessments. The Company also strengthened support for outside directors by conducting hospital tours and product study sessions. At the same time, the Board members shared the following issues: the need for further discussion on initiatives to enhance deliberations at the Board and the Company's risk management, as well as further reinforcing the support systems for outside directors.

In FY2024, in order to ensure the diversity and internationality of the Board of Directors, two female outside directors and one foreign outside director were appointed at the Ordinary General Meeting of Shareholders in June 2024. As the ratio of outside directors became 50%, the Company will further enhance the supervisory functions of the Board of Directors. In addition to continuing past improvement measures, based on FY2023 evaluation results, the Company will further develop a sophisticated company-wide risk management framework. The Board of Directors will discuss response policies for important risks which were identified by the Risk Management Committee in FY2023. The Company will also strengthen support for outside directors by regularly providing opportunities to acquire knowledge about the Company's business, such as factory tours and business presentations.

The Company will practice sustainability management, as well as continuing to improve overall effectiveness of the Board aiming at the growth of corporate value and for an enhancement of corporate governance.

Audit & Supervisory Committee Evaluation

Nihon Kohden has evaluated and analyzed the effectiveness of the Audit & Supervisory Committee since FY2022, and discussed issues and future improvement measures with the aim of improving the reliability and quality of the committee's activities and enhancing the effectiveness of audits.

In FY2023, after the items and contents of the evaluation were explained to all directors serving as Audit & Supervisory Committee members, their evaluations and opinions were collected through discussions, and they discussed the evaluation of the Committee's effectiveness, as well as any other issues and future improvement measures.

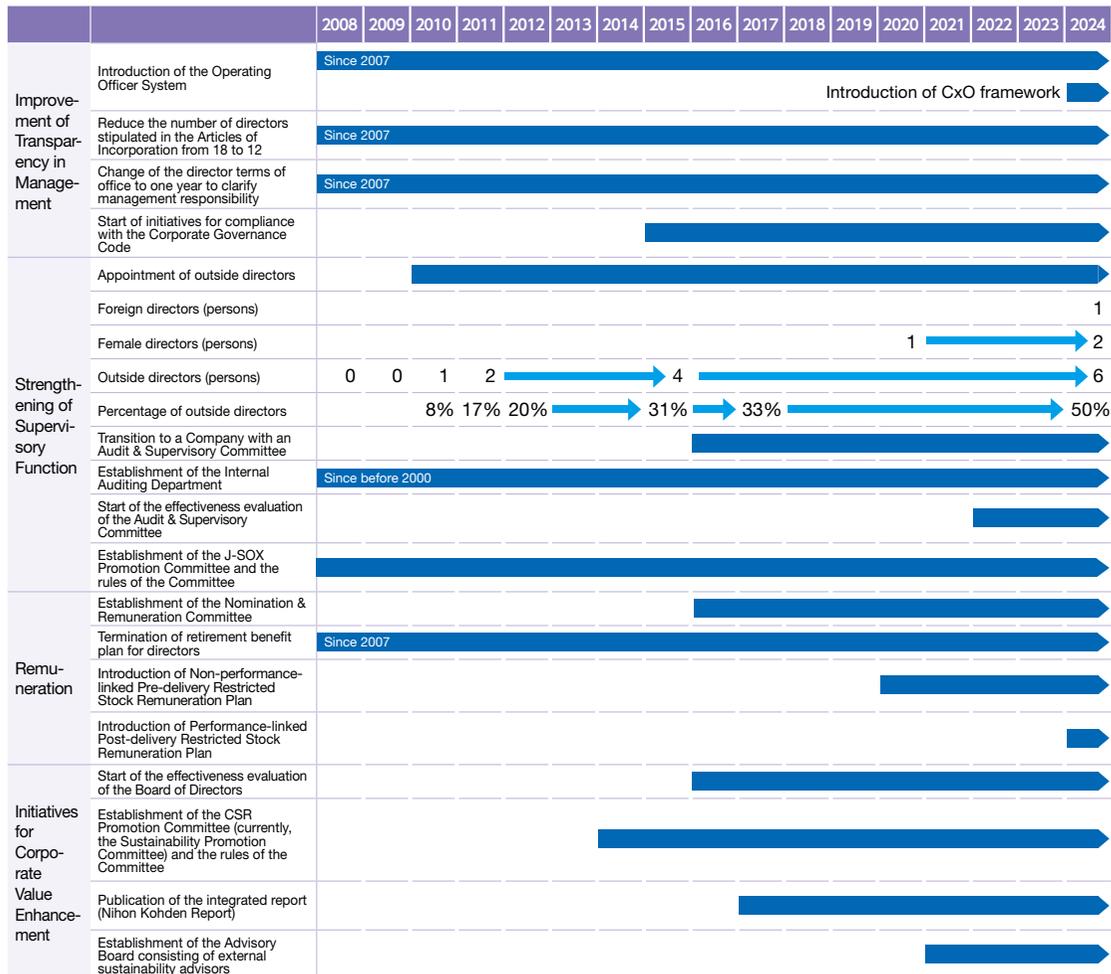
As a result of the evaluation, it was confirmed that the Audit & Supervisory Committee operates effectively, in each of the items such as the size, composition, and operations of the Committee, and that the overall effectiveness of the Committee activities is ensured with an open atmosphere that enables inside and outside members to engage in candid discussions.

In FY2023, based on the FY2022 evaluation results, the Committee conducted hearings with the Information Systems Department regarding the current state of information security and future measures, as part of its efforts to strengthen the confirmation of the effectiveness of IT governance and information systems. Thus, we confirmed that specific actions were taken to address the issues identified in the previous fiscal year.

On the other hand, enhanced monitoring of the risk management system was identified as a key issue for us to focus on moving forward. The Audit & Supervisory Committee has traditionally monitored the risk management system. However, given that the Board of Directors and the Risk Management Committee are promoting the enhancement of the company-wide risk management framework, it was mutually confirmed that in FY2024, the Committee has to strengthen the monitoring of the promotion process and various initiatives related to the countermeasures for significant risks identified in FY2023. The Company will make ongoing efforts to improve the overall effectiveness of the Audit & Supervisory Committee to enhance audit reliability and audit quality with the goal of continuously increasing corporate value and strengthening corporate governance.

Enhancing Corporate Governance

Changes in Corporate Governance Structure



Nomination of Outside Directors

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

Mr. Shigeru Kawatsuhara has abundant knowledge and broad experience as a management of a global company. The Company has appointed him as an outside director anticipating he will provide objective and neutral advice, and supervise management from an independent standpoint by applying the expertise and experience he has accumulated to date.

Mr. Hidemitsu Sasaya has abundant knowledge and broad experience in industry, government and academia. The Company has appointed him as an outside director anticipating he will strengthen the role and function of the Board of Directors in the promotion of sustainability, and provide objective and neutral advice and supervise management from an independent standpoint by applying the expertise and experience he has accumulated to date.

Ms. Sumie Morita has abundant knowledge and broad experience in corporate management from a global perspective as a corporate executive and information engineering specialist. The Company has appointed her as an outside director anticipating she will provide objective and neutral advice, and supervise management from an independent standpoint by applying the expertise and experience she has accumulated to date.

Mr. Danny Risberg has abundant knowledge and broad experience as a management of a global company and through activities in industry associations. The Company has appointed him as an outside director anticipating he will provide objective and neutral advice, and supervise management from an independent standpoint by applying the expertise and experience as a global business executive he has accumulated to date.

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 the expertise and experience he has accumulated to date.

Ms. Ikumi Sato is closely acquainted with corporate legal affairs as an attorney. The Company has appointed her as an outside director anticipating her management audit and supervision from an independent standpoint by applying the expertise and experience she has accumulated to date.

Enhancing Corporate Governance

Remuneration of Directors

To increase business performance and shareholder value, as well as improving management transparency and increasing mid-to long-term growth and profitability, the Company has established a policy for determining the amounts and methods of calculation of Directors' remuneration as follows. The Decision Policy was determined by a resolution of the Board of Directors after receiving a report from the Nomination & Remuneration Committee, a voluntary advisory committee under the Board.

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

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

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

Remuneration to Directors

(excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors)

Name	Type	Content/Calculation Method	Payment Method
Base salary by position	Fixed compensation	<ul style="list-style-type: none"> Determined based on the Director's position, responsibilities, and years served as a Director, comprehensively taking into consideration the levels of other companies, the Company's business performance, and the level of employee salaries. 	Paid monthly
Annual bonuses	Performance-linked compensation	<ul style="list-style-type: none"> Payment rate is determined based on the result of the Company's business performance and individual evaluation of a previous fiscal year Calculated based on a variable payment rate of 0% to 200% Performance indicators for the Company's business performance: <ul style="list-style-type: none"> Consolidated operating income Performance Indicators for individual evaluation: <ul style="list-style-type: none"> Degree of Achievement of annual business performance targets, mid-to long-term strategies, and ESG targets 	Paid annually
Mid- to long-term incentive	Fixed compensation	<ul style="list-style-type: none"> Non-performance-linked Pre-delivery Restricted Stock Remuneration Allotted the number of shares of the Company's common stock, which is determined based on the Director's position. 	Paid annually
	Performance-linked compensation	<ul style="list-style-type: none"> Performance-linked Post-delivery Restricted Stock Remuneration Incentives to strengthen remuneration governance and further improve corporate value to achieve Three-year Business Plan, BEACON 2030 Phase II. Calculated in accordance with the payment rate determined based on consolidated operating income margin, consolidated ROE, and relative TSR. Payment rate varies from 0% to 200% Evaluation weight: consolidated operating income margin 30% + consolidated ROE 30% + relative TSR 40% 	Paid annually

Enhancing Corporate Governance

■ The fixed monthly compensation

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

■ Performance-linked compensation

Performance-linked compensation shall consist of bonuses and restricted stock (performance-linked post-delivery type) that reflect key performance indicators (KPI) to raise awareness of the need to improve the Company's business performance in each fiscal year. As regards bonuses, the target performance indicators and their values shall be in line with the Medium-term Business Plan and set at the time of the formulation of the plan. The target values shall be reviewed as appropriate in accordance with the report of the Nomination & Remuneration Committee in response to environmental changes. The degree of achievement of the target values shall be used as a common evaluation index for all directors. Individual evaluations shall be conducted according to each director's area of responsibility. The amount of bonuses shall be calculated based on a variable payment rate of 0% to 200% and the bonuses shall be paid at a fixed time each year. As regards restricted stock remuneration (performance-linked post-delivery type), the performance indicators and their values shall be in line with the Medium-term Business Plan and set at the time of the formulation of the plan. The target values shall be reviewed as appropriate in accordance with the report of the Nomination & Remuneration Committee in response to the environmental changes. The degree of achievement of target values shall be used as a common evaluation index for all directors. The number of shares to be allotted shall be calculated based on a variable payment rate of 0% to 200%, and the shares shall be allotted annually at a fixed time each year.

The method of determining performance evaluation indicators and payout ratio for FY2024 to FY2026 in the event that the plan is introduced is as shown on the right. Provided, however, that if the consolidated operating income margin for the period is less than 10%, the payout ratio in the period will be 0%.

The Method of Determining Payout Ratio of Performance-linked Post-delivery Restricted Stock Remuneration

	Valuation weight	Performance evaluation indicators
Financial target evaluation	30%	Consolidated operating income margin
	30%	Consolidated ROE
Corporate value evaluation	40%	Relative TSR*

* (Total shareholder return of the Company at the end of the relevant fiscal year) ÷ (Average of total shareholder return of other companies in the same industry for the period corresponding to the calculation period of total shareholder return of the Company)

■ Restricted Stock Remuneration

As regards restricted stock remuneration (non-performance-linked pre-delivery type and performance-linked post-delivery type), the Company shall, in principle, allot shares of the Company's common stock every year, after concluding an agreement on allotting restricted stock between the Company and each director (excluding Audit & Supervisory Committee members and outside directors). As regards non-performance-linked pre-delivery type, the Company shall allot the number of shares of the Company's common stock determined based on the position of the allottee. As regards performance-linked post-delivery type, the Company shall allot the number of shares of the Company's common stock determined based on the degree of achievement of numerical targets for business performance. For both of non-performance-linked pre-delivery type and performance-linked post-delivery type, to encourage the sharing of value with shareholders over the mid- to long-term, the transfer restriction period shall be from the grant date of the restricted stock to the date when each director retires from the position of director or operating officer.

Enhancing Corporate Governance

■ The ratio by types of compensation for directors (excluding Audit & Supervisory Committee members and outside directors)

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

■ The remuneration of Audit & Supervisory Committee members

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

The Total Amount of Remuneration of Directors in FY2023

Category	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Number of directors (persons)
		Fixed monthly compensation	Performance-linked compensation	Restricted stock remuneration	
Directors (excluding Audit & Supervisory Committee members and outside directors)	293	205	53	34	7
Directors serving as Audit & Supervisory Committee members (excluding outside directors)	25	25	—	—	1
Outside directors	43	43	—	—	4

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

The 65th general shareholders meeting held on June 28, 2016 approved the following:

- i) with respect to the amount of remuneration to directors of the Company excluding directors serving as Audit & Supervisory Committee members, total amount shall be within the limit of 400 million yen (including the amount of remuneration to outside directors which shall be within the limit of 80 million yen, which was revised by the resolution of the 73rd general shareholders meeting held on June 26, 2024),
- ii) with respect to the amount of remuneration to Audit & Supervisory Committee members, total amount shall be within the limit of 80 million yen.

The 69th general shareholders meeting held on June 25, 2020 approved the following:

- The maximum amount of monetary compensation receivables to be paid to directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) in respect of restricted stock (non-performance-linked pre-delivery type) shall be within the limit of 100 million yen.

The 73rd general shareholders meeting held on June 26, 2024 approved the following:

- The maximum amount of monetary compensation receivables to be paid to directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) in respect of restricted stock (performance-linked post-delivery type) shall be within the limit of 300 million yen.

Board of Directors



Hirokazu Ogino

Representative Director
President and Chief Executive Officer

Served as Director for 12 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: May 28, 1970
Apr. 1995 Joined the Company
Apr. 2007 President of Nihon Kohden Europe GmbH
Apr. 2011 General Manager of Marketing Strategy Department
Jun. 2011 Operating Officer
Jun. 2012 Corporate Director and Operating Officer
Apr. 2013 General Manager of International Operations

Jun. 2013 Corporate Director and Senior Operating Officer
Oct. 2013 CEO of Nihon Kohden America, Inc.
Jun. 2015 Representative Director, President and COO
Jun. 2017 Representative Director, President and Chief Executive Officer (current position)



Tadashi Hasegawa

Corporate Director
Executive Operating Officer,
Chief Administrative Officer,
General Manager of Corporate Administration Operations, Chief Compliance Officer

Served as Director for 9 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: June 17, 1959
Apr. 1983 Joined Saitama Bank Ltd.
Jun. 2009 Operating Officer of Saitama Resona Bank Limited
Jun. 2011 Senior Operating Officer of Saitama Resona Bank Limited
Jun. 2013 Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
Mar. 2014 Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited
Apr. 2014 Joined the Company
Jun. 2014 Operating Officer (responsible for Internal Auditing Department)

Jun. 2015 Corporate Director and Senior Operating Officer
Apr. 2017 Chief Compliance Officer (current position)
Apr. 2020 General Manager of Global Corporate Administration Operations
Apr. 2022 Corporate Director and Executive Operating Officer (current position)
Apr. 2024 Chief Administrative Officer, General Manager of Corporate Administration Operations (current position)



Takashi Tamura

Representative Director

Served as Director for 16 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: March 22, 1959
Apr. 1983 Joined the Company
Apr. 2003 President of Nihon Kohden Kansai Corporation
Apr. 2007 General Manager of Sales Operations
Jun. 2007 Operating Officer
Jun. 2008 Corporate Director and Operating Officer
Apr. 2011 General Manager of International Operations
Apr. 2013 General Manager of Service Business Division

Apr. 2014 General Manager of Customer Service Operations
Jun. 2015 Corporate Director and Senior Operating Officer
Apr. 2016 General Manager of Sales Operations
Jun. 2017 Representative Director and Executive Operating Officer
Apr. 2024 Representative Director (current position)



Eiichi Tanaka

Corporate Director
Senior Operating Officer,
Chief Regional Officer - North America,
General Manager of North America Business Operations,
President of Nihon Kohden North America, Inc.

Served as Director for 7 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: July 15, 1962
Apr. 1985 Joined the Company
Apr. 2002 General Manager of Marketing & Business Development Department
Oct. 2003 President of Nihon Kohden America, Inc.
Apr. 2008 General Manager of General Affairs and Human Resources Department
Jun. 2008 Operating Officer
Apr. 2011 General Manager of Accessories & Consumables Business Operations
Apr. 2013 Corporate Director & Senior Operating Officer of Nihon Kohden Tomioka Corporation
Apr. 2014 President of Nihon Kohden Tomioka Corporation
Apr. 2017 General Manager of Import Business Operations

Jun. 2017 Corporate Director and Operating Officer
Apr. 2019 General Manager of Corporate Strategy Division
Apr. 2020 General Manager of US Operations
Apr. 2022 Corporate Director and Senior Operating Officer (current position)
Jan. 2024 President of Nihon Kohden North America, Inc. (current position)
Apr. 2024 Chief Regional Officer - North America, General Manager of North America Business Operations (current position)

Board of Directors



Yasuhiro Yoshitake

Corporate Director
Senior Operating Officer,
Chief Regional Officer - International,
General Manager of International Business Operations

Served as Director for 7 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: March 20, 1966	Apr. 2015	General Manager of International Business Operations (current position)	
Apr. 1988	Joined the Company		
Oct. 2003	President of Nihon Kohden Europe GmbH		
Apr. 2007	General Manager of Sales Promotion Division, International Operations	Jun. 2017	Corporate Director and Operating Officer
Apr. 2008	Managing Director of Nihon Kohden Trading (Shanghai) Co., Ltd.	Feb. 2019	President and CEO of Nihon Kohden America, Inc.
Apr. 2011	General Manager of China Operations	Apr. 2022	Corporate Director and Senior Operating Officer (current position)
Jun. 2011	Operating Officer	Apr. 2024	Chief Regional Officer - International (current position)
Apr. 2013	General Manager of Asia and Middle East Operations		



Hidemitsu Sasaya

Outside Director
Independent Director

Served as Director for 2 years
Attendance at Board Meetings 16/16 (100%)

Date of birth: May 24, 1953	Dec. 2018	Representative Director of Office Sasaya Co., Ltd. (current position)	
Apr. 1977	Joined the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries)	Apr. 2019	Retired as Advisor of ITO EN, LTD.
Jul. 2005	Councillor, the Ministry of the Environment	Apr. 2019	Visiting Professor at the Graduate School of Information & Communication (currently the Graduate School of Social Design)
Aug. 2006	Minister's Secretariat, the Ministry of Agriculture, Forestry and Fisheries	Apr. 2020	Professor at Platform for Arts and Science, Chiba University of Commerce
Jul. 2007	Director-General of the Kanto Regional Forest Office	Jun. 2022	Outside Director of the Company (current position)
Mar. 2008	Retired the Ministry of Agriculture, Forestry and Fisheries	Apr. 2024	Visiting Professor at Chiba University of Commerce (current position)
May 2008	Joined ITO EN, LTD.		
Jul. 2010	Corporate Director of ITO EN, LTD.		
Jul. 2014	Managing Executive Officer of ITO EN, LTD.		



Shigeru Kawatsuhara

New
Outside Director
Independent Director

Served as Director for 8 years
Attendance at Board Meetings 16/16 (100%)
Attendance at Audit & Supervisory Committee Meetings 20/20 (100%)

Date of birth: February 14, 1952	Apr. 2008	President of Toko, Inc.	
Apr. 1975	Joined Toko, Inc.	May 2014	Chairman of Toko, Inc.
Apr. 2002	Senior Manager of Sales Department 1, Sales Operations, Toko, Inc.	Mar. 2015	Senior Advisor of Toko, Inc.
Apr. 2004	General Manager of Sales Center, Toko, Inc.	Apr. 2016	Part-time Advisor of Toko, Inc.
Jun. 2005	Corporate Director and General Manager of Sales Center, Toko, Inc.	Jun. 2016	Outside Director (Audit & Supervisory Committee Member) of the Company
		Jun. 2024	Outside Director of the Company (current position)



Sumie Morita

New
Outside Director
Independent Director

Date of birth: May 8, 1960	Nov. 2015	Chief Research Officer of Software Research Laboratory of Fujitsu Laboratories Ltd.	
Apr. 1983	Joined Fujitsu Limited		
Jul. 2005	Project Manager of SEI CMMI L3 Certification Project Promotion Department, Communications Division, Fujitsu Limited	Jan. 2018	Joined Fujitsu General Limited, Chief Manager of Air Conditioning System Development Department
Sep. 2006	General Manager of Next Generation Network BT21CN Project Promotion Department, Fujitsu Limited	Apr. 2019	Corporate Executive of Fujitsu General Limited (in charge of Air Conditioning System Development)
Oct. 2008	Project General Manager of Network Product Global Product Planning Department, Fujitsu Limited	Apr. 2022	Professor at Department of Information and Computer Science, Faculty of Systems Science and Technology, Akita Prefectural University (current position)
Oct. 2010	General Manger of Department of Network Product Software Development for North America, Fujitsu Limited	Mar. 2023	Outside Director of Sumitomo Heavy Industries, Ltd. (current position)
Apr. 2014	Chief Research Officer of Manufacturing Technology Laboratory of Fujitsu Laboratories Ltd.	Jun. 2024	Outside Director of the Company (current position)

Board of Directors



Danny Risberg

New Outside Director Independent Director

Date of birth: November 20, 1962
 Jul. 1995 Established Suruga Inc.
 Aug. 1996 Established Metran America Inc.
 Jul. 1999 Joined Respirationics Inc., as Director APAC responsible for overseeing Asia-Pacific and International Division
 Apr. 2005 Joined Fuji Respirationics Co. Ltd., President and CEO, with responsibility for overseeing Asia-Pacific and International Division
 May 2009 Executive Officer of the Healthcare Business Division and COO of Philips Electronics Japan, Ltd.
 Jan. 2010 President and CEO, Chairman and CEO of Philips Electronics Japan, Ltd
 Apr. 2010 Chairman of Medical Devices and IVD Committee at the European Business Council in Japan
 Jun. 2010 Director of Japan Medical Imaging and Radiological Systems Industries Association
 Jun. 2012 Vice Chairman of Japan Medical Imaging and Radiological Systems Industries Association
 Feb. 2014 Chairman of the European Business Council in Japan
 Mar. 2017 Chairman and Director of Philips Electronics Japan, Ltd
 Mar. 2018 Retired as Chairman and Director of Philips Japan, Ltd
 May 2018 Deputy Co-Chair of EU-Japan Business Round Table
 Sep. 2018 President and Representative Director of Baxter Limited
 Oct. 2018 Director of American Medical Devices and Diagnostics Manufacturers' Association
 Dec. 2022 Retired as President and Representative Director of Baxter Limited
 Jun. 2024 Outside Director of the Company (current position)



Kazuo Shimizu

Outside Director Independent Director

Audit & Supervisory Committee Member

Served as Director for 4 years
 Attendance at Board Meetings 16/16 (100%)
 Attendance at Audit & Supervisory Committee Meetings 20/20 (100%)

Date of birth: May 16, 1959
 Apr. 1983 Joined Nippon Yusen Kabushiki Kaisha
 Oct. 1989 Joined Asahi Audit Corporation (currently KPMG AZSA LLC)
 Oct. 1992 Joined Shimizu Susumu Certified Tax Accountant Office
 Mar. 1993 Registered as a certified public accountant
 May 1994 Registered as a certified tax accountant
 Jan. 2003 Joined Ernst & Young Shinnihon Tax (currently Ernst & Young Tax Co.)
 Sep. 2013 Joined Shimizu Accounting Office (to present), Representative Partner of Ryoh-koh Audit Corporation (current position)
 Jun. 2020 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)



Shigeru Hirata

Corporate Director (Full-time Audit & Supervisory Committee Member)

Served as Director for 3 years
 Attendance at Board Meetings 16/16 (100%)
 Attendance at Audit & Supervisory Committee Meetings 20/20 (100%)

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



Ikumi Sato

New Outside Director Independent Director

Audit & Supervisory Committee Member

Date of birth: December 25, 1963
 Apr. 1990 Joined Aizawa Kenji Law Office, Registered as an attorney (Tokyo Bar Association)
 Mar. 1992 Cancelled registration in Tokyo Bar Association for travel to the U.S.
 Sep. 1995 Joined Miki & Yoshida Law and Patent Office, Registered as an attorney, State of New York, USA, Re-registered as an attorney (Daini Tokyo Bar Association)
 Jan. 2011 Joined Sanders & Dempsey L.L.P. (currently Squire Patton Boggs (US) L.L.P.) (Tokyo Office)
 Mar. 2013 Joined Yabuki Law Offices
 Apr. 2017 Deputy Chair of Daini Tokyo Bar Association
 Apr. 2018 Executive Governor of Japan Federation of Bar Associations
 Apr. 2019 Member of Information Disclosure and Personal Information Protection Commission, the Ministry of Internal Affairs and Communications (current position)
 Jun. 2019 Director of Japan Aerobic Federation (current position)
 Outside Audit & Supervisory Board Member of DAI-DAN CO., LTD.
 Jan. 2021 Joined Nozomi Sogo Attorneys at Law (current position)
 Apr. 2021 Executive Governor of Japan Attorneys National Pension Fund (current position)
 Councilor to Asset Management Committee of National Pension Fund Association
 Jun. 2021 Outside Director of DAI-DAN CO., LTD. (current position)
 Jun. 2022 Outside Audit & Supervisory Board Member of TAIYO HOLDINGS CO., LTD. (current position)
 Jun. 2024 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Board of Directors

Director Skills Matrix

The Board of Directors consists of twelve members including six independent outside directors with expertise. Directors utilize their knowledge, experience, and abilities to make decisions and supervise the business executions in order to realize the Long-term Vision and the Three-year Business Plan.

In addition to the expertise and experience of each director, all directors are engaged in management from the perspective of sustainability. The Company continues its efforts to further strengthen sustainability.

Name	Position	Corporate Management	Global Experience	Sales/Marketing	Production/Technology/R&D	Legal/Risk Management	Finance/Accounting/M&A	Human Resources/Human Resources Development	ESG/SDGs
Hirokazu Ogino	Representative Director, President and Chief Executive Officer	●	●	●			●		●
Takashi Tamura	Representative Director	●		●					
Tadashi Hasegawa	Corporate Director, Executive Operating Officer		●			●	●	●	●
Eiichi Tanaka	Corporate Director, Senior Operating Officer	●	●	●	●			●	
Yasuhiro Yoshitake	Corporate Director, Senior Operating Officer	●	●	●					
Shigeru Kawatsuhara	Outside Director, Nomination & Remuneration Committee Member	●	●	●					
Hidemitsu Sasaya	Outside Director		●						●
Sumie Morita	Outside Director		●		●				●
Danny Risberg	Outside Director	●	●	●					
Shigeru Hirata	Corporate Director, Full-time Audit & Supervisory Committee Member			●			●	●	
Kazuo Shimizu	Outside Director, Audit & Supervisory Committee Member, Nomination & Remuneration Committee Member					●	●		
Ikumi Sato	Outside Director, Audit & Supervisory Committee Member, Nomination & Remuneration Committee Member		●			●		●	●

Definition of Skills Matrix

Skills	Definition of Skills
Corporate Management	Experience as president or equivalent at other companies or group subsidiaries
Global Experience	Global business experience including overseas assignments
Sales/Marketing	Business experience and management experience in sales and marketing
Production/Technology/R&D	Business experience, management experience and possession of expertise in production, technology, and R&D
Legal/Risk Management	Business experience in legal and risk management, Attorney
Finance/Accounting/M&A	Business experience in finance, accounting, and M&A, Certified Public Accountant, CFO experience
Human Resources/Human Resources Development	Business experience, management experience, and possession of expertise in human resources and human resources development
ESG/SDGs	Business experience, management experience, and possession of expertise in sustainability including ESG and SDGs

Messages from Outside Directors

The following are messages from the six outside directors and the overview of meetings of outside directors to exchange opinions.



Key factors are North America Business, revenue growth and the reform of the profit structure.

Shigeru Kawatsuhara

Outside Director



The importance of the new Three-year Business Plan and Sustainability Management in the VUCA era.

Hidemitsu Sasaya

Outside Director

Representative Director of Office Sasaya Co., Ltd.

Visiting Professor at Chiba University of Commerce

The final year of BEACON 2030 Phase I, the 73rd fiscal year, yielded disappointing results in terms of profits. The shortfall in actual sales, excluding the impact of foreign exchange rates overseas, combined with the increased inventory and write-downs due to extended lead times for components, and the rise in indirect costs such as personnel expenses, are considered the leading causes.

In response, the Three-year Business Plan, BEACON 2030 Phase II, starting this fiscal year, sets ambitious targets. Although it may sound cliché, we are committed to working as one company across all departments including development, manufacturing, sales, services, administration, and logistics, to achieve these goals. Mainly, our North America Business, revenue growth, and the reform of the profit structure are key factors in achieving the goals, and we are closely monitoring these areas.

We anticipate that political conditions, economic trends, and market environments will present significant challenges to our management. However, I am committed to diligently monitoring these factors and providing recommendations, ensuring a sincere and proactive approach.

As we enter an era described as VUCA (Volatility, Uncertainty, Complexity, Ambiguity), uncertainty and complexity are increasing. People's awareness of health, the environment, safety, and the business environment are undergoing significant changes. As times change rapidly and accelerate, it is becoming increasingly important for companies to accurately respond to prevailing sustainability rules and disclosure requirements throughout the supply chain. In this context, Nihon Kohden formulated a new Three-year Business Plan, marking the stage for the practice of Sustainability Management. The Plan includes revising the materiality and KPIs to address medical, environmental, and social issues, as well as human resource development and corporate culture reform, and further strengthening group governance.

As a company, it is essential to seek opportunities while mitigating various risks and demonstrate our competitiveness on both fronts. This requires a united effort from the entire organization. I will leverage my expertise and experience as a sustainability professional to strive to meet the demands of various stakeholders, including investors.

Messages from Outside Directors



Future scenarios for a global high-value-added company.

Sumie Morita

Outside Director

Professor at Department of Information and Computer Science,
Faculty of Systems Science and Technology,
Akita Prefectural University

Starting this term, I have joined as an outside director. My expertise lies in “Information Networks” and “Management Information Systems,” and I guide the younger generation in enhancing their communication skills to succeed on a global stage. On the other hand, the World Digital Competitiveness Ranking issued by the International Institute for Management Development (IMD) in Switzerland evaluates countries based on nine elements and 54 factors concerning knowledge, technology, and future readiness. Unfortunately, Japan ranks last globally in the utilization of big data. Given this reality, I believe that creating future scenarios resilient to environmental changes is crucial to become a global high-value-added enterprise like Nihon Kohden. In the newly announced Three-year Business Plan, BEACON 2030 Phase II, I am committed to contributing effectively from my position as an outside director by helping to envision future scenarios that will benefit the Company's growth. I look forward to working with you all to achieve our ambitious goals.



Growing with Nihon Kohden.

Danny Risberg

Outside Director

It is an honor to join Nihon Kohden as an independent director. I look forward to contributing to the implementation, strategy refinement, and execution of BEACON 2030, our Long-term Vision. Understanding the evolving needs of patients, the medical community, and our business partners is critical. I am committed to prioritizing these needs in our strategic decisions while driving innovation and growth. In today's world, we must ensure the future of our organization while addressing the fundamental needs of today. I am dedicated to the highest standards of compliance, managing through the evolving regulatory environment and ethical considerations. My approach is guided not only by rules, but also by honesty and intent. True compliance embodies a commitment to integrity and ethical conduct across all of our activities. Thank you for entrusting me with this responsibility.

Messages from Outside Directors



I will monitor and supervise the realization of the indicators of the the Three-year Business Plan, BEACON 2030 Phase II from an investor's perspective.

Kazuo Shimizu

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

The next three years mark the second phase of the Long-term Vision, BEACON 2030, focused on investments for growth. For the Company, improving profitability in North America Business Operations and actively investing in growth areas are essential. We must also improve personnel productivity, advance global supply chain management (SCM), and strengthen compliance with international regulations related to medical equipment. On the other hand, I feel that sustainability management is being successfully practiced from the perspectives of environment, human rights, and governance. Going forward, the Company is expected to pursue ESG integration, including overseas subsidiaries and business partners, to lead to sustainable growth.

As an Audit & Supervisory Committee Member, I will provide recommendations from an investor's perspective and supervise the execution by the management team to ensure that the three indicators set in the Three-year Business Plan are steadily achieved.



I will do my best to realize our Management Philosophy and to ensure that the Group continues to be recognized by customers, shareholders, business partners, employees, and society.

Ikumi Sato

Outside Director (Audit & Supervisory Committee Member)
Nozomi Sogo Attorneys at Law

The Company's Management Philosophy is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. To help as many people as possible overcome diseases, it is crucial to continuously develop advanced technologies. To develop cutting-edge technologies and consistently provide them to our customers, I believe that improving the soundness, transparency, and efficiency of our management is necessary. Based on this belief, I will strive to supervise and provide advice on the governance and management of the Group. Additionally, leveraging my experiences in challenging various fields as an attorney, I will work to contribute to the Group's further growth and enhancement of trustworthiness.

Messages from Outside Directors

Meetings of Outside Directors to Exchange Opinions

■ Overview

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

Aims	With a membership composed entirely of independent outside directors, these meetings are held on a regular basis and are designed to exchange opinions and build common understanding from an independent and objective standpoint. The meetings aim at encouraging outside directors to engage in lively discussions at the Board Meetings.
Members	Four independent outside directors, including two members of the Audit & Supervisory Committee
Dates for Meetings	In FY2023, two meetings were held in May 2023 and January 2024.
Agenda	<p>May The results of the evaluation of the effectiveness of the Board of Directors</p> <p>Jan. Update on the progress in improving the Board's effectiveness</p>

■ Content of Meetings

Regarding the main agenda item, the results of the evaluation of the effectiveness of the Board of Directors, the board members exchanged their opinions on the following topics.

FY2023

- Necessity of discussion on the ratio of outside directors on the Board of Directors
- Improvement of the operation regarding the prior explanation of Board Meeting agenda to outside directors
- Providing opportunities for outside directors to acquire knowledge on an ongoing basis

In addition, since FY2021, we have held free discussions, to exchange opinions without setting limits on themes. Two discussions were held in FY2023, and discussions are also scheduled to be held two to three times in FY2024. The meetings are very meaningful as they allow outside directors to freely debate and share each other's recognition on various topics such as Nihon Kohden's corporate culture, the globalization of human resources, and the effectiveness of the Corporate Governance Code.



Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

Message from Operating Officer

Under the Management Philosophy, Nihon Kohden has established the Nihon Kohden Charter of Conduct, the Nihon Kohden Code of Ethics and Conduct, and the Compliance Promotion Policies. Since FY2017, we have also added the Anti-Corruption Policies and implemented the Global Compliance Program, ensuring thorough compliance across the entire Group, including overseas subsidiaries. As part of this program, I have served as the Chief Compliance Officer (CCO) since the same year.

As Chief Compliance Officer, I am responsible for managing, operating, and executing Nihon Kohden's compliance promotion framework, which includes developing the organizational structure, employee training, and fostering a corporate culture that emphasizes compliance. As part of the organizational structure, we have appointed Divisional/Local Compliance Officers in each domestic and international department and subsidiary, which ensures the promotion and strict enforcement of compliance within each department and subsidiary. Additionally, as the Chief Compliance Officer, I regularly disseminate messages and information related to compliance, and we have established a system for direct reporting from Divisional/Local Compliance Officers, ensuring close collaboration and effective management of compliance-related activities.



Tadashi Hasegawa
Executive Operating Officer,
Chief Administrative Officer,
General Manager of Corporate
Administration Operations,
Chief Compliance Officer

In FY2023, the final year of the previous Three-year Business Plan, BEACON 2030 Phase I, we undertook various initiatives to ensure thorough compliance at domestic sites and overseas subsidiaries.

Starting in FY2024, the new Three-year Business Plan, BEACON 2030 Phase II has commenced. We are in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era, where the environment is rapidly changing and unpredictable. In such a context, merely adhering to traditional rules is insufficient and we must also be flexible and responsive to environmental changes regarding compliance. Therefore, it is important to establish fundamental principles and adopt a principle-based approach. We will emphasize “Integrity (honesty, sincerity, and high ethical standards),” one of our Core Values, as a core principle, and work to ensure that compliance is more deeply ingrained among all executives and employees than ever before.

To ensure that Nihon Kohden remains a trusted company in society, we remain firmly committed to realizing our Management Philosophy and enhancing corporate value.

Ensuring Thorough Compliance

Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. This effort helps protect the trust of our most valuable assets: our customers, business partners, and other stakeholders. Nihon Kohden's commitment to ethical and responsible actions is embodied by its Charter of Conduct and Code of Ethics and Conduct.

Compliance Organizational Framework

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



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

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

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

Ensuring Thorough Compliance

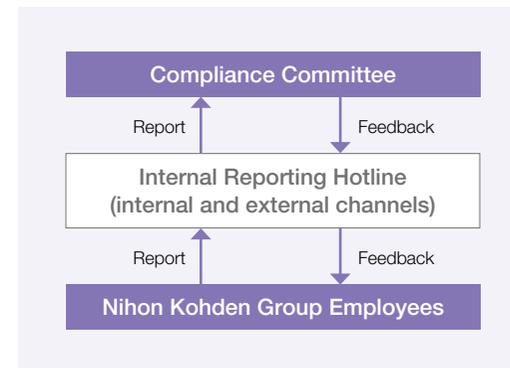
Compliance Training

Every year, the Company conducts compliance training for all executives and employees at the workplace level in each division and subsidiary in Japan and overseas (Approximately 5,700 participants in FY2023). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Next, they read the materials and discuss it with colleagues in order to deepen their understanding of compliance. As necessary, Local Compliance Officers in overseas subsidiaries provide additional training in accordance with local laws, regulations, and policies in each country. In addition, compliance study sessions are held in each division according to business such as harassment, Pharmaceutical and Medical Device Act, and sales activities. Furthermore, since FY2021, we have conducted training sessions led by external experts for all managers of branch offices and Domestic Business Operations, focusing on high-priority compliance risks.

Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports through their supervisors or an internal hotline service in good faith. Additionally, to alleviate any concerns on the part of the employees making reports, the Company accepts anonymous reports. In response to the revised Whistleblower Protection Act, which took effect in Japan in June 2022, the Company has established new rules to strengthen the protection of whistleblowers and further enhance its internal reporting system.

Internal Reporting Hotline



Preventing Corruption

The Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery or corrupt act towards Japanese and foreign public officials and ensures compliance with laws and regulations preventing corruption in every region in which Nihon Kohden engages in business, including bribery- and corruption-related laws in Japan, the Foreign Corrupt Practices Act (FCPA) in the United States, and the Bribery Act in the United Kingdom. Furthermore, Nihon Kohden has established the Anti-Corruption Policies, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto. The Company also asks business partners, including overseas distributors, to understand and cooperate with Nihon Kohden's anti-corruption efforts and provides them with the Nihon Kohden Code of Ethics and Conduct and educational materials related to anti-corruption.

Ensuring Thorough Compliance

Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in FY2017 and is working to ensure thorough compliance throughout the Group, including overseas sales subsidiaries. In FY2023, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers, issued newsletters, and conducted risk assessments for all overseas subsidiaries. Additionally, we have introduced a new system where we identify categories with high compliance risk for each overseas subsidiary and set action plans to mitigate these risks. We have jointly monitored the progress of these plans with the headquarters and the subsidiaries.

For further details regarding compliance, please refer to our website.

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



Formulated the Global Business Management Policy

As the role of our overseas subsidiaries has become more important under transforming into a global high-value-added company, we have worked to strengthen the organizational risk management capabilities of each company. In October 2021, we formulated the Global Business Management Policy to support risk management related to finance and accounting, personnel and labor affairs, compliance, and internal information security, with the aim of preventing occurrence and recurrence of fraud and misconduct, and started implementation in 24 overseas subsidiaries of the Company. We will periodically review and enhance the contents of the Policy and work closely with each company to ensure its effective application.

Formulate and Implement Measures to Prevent Recurrence of Bribery Case

In response to the bribery case involving former employees of the Company that occurred in Japan in January 2021, Nihon Kohden has formulated extensive recurrence prevention measures. These include strengthening of governance, reviewing of employee performance evaluation system through compliance education, and enhancing monitoring efforts. We have completed the introduction and the implementation of these measures, and we have moved into the execution stage. The Compliance Committee regularly monitors these measures to ensure their firm establishment and execution.

1. Strengthening of Governance

(1) Review of the organization

- Established the Compliance & Legal Department in the Global Corporate Administration Operations (Currently Corporate Administration Operations) (April 2021)
- Established the Compliance Department in the Sales Operations in Japan (Currently Domestic Business Operations) (April 2021)
- Domestic sales branch offices
 - Strengthened administrative functions (Sequential implementation in progress)
 - Strengthened reporting lines to the Chief Compliance Officer (Compliance Officers' meeting: held semi-annually)

(2) Review of the procedures for considering donations

- Applications received through the donation website were reviewed by an organization that is independent of sales divisions (Conducted quarterly)

(3) Strengthening of internal controls

- Application of IT controls to pre-order processes (Introduced in November 2021/Now operating successfully)

(4) Establish mutual check procedures with dealers

(Completed in October 2022)

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

2. Review of the Employee Performance Evaluation System

- Included compliance in evaluation items for performance evaluation (Management positions: June 2021/General employees: October 2021)

3. Thorough Compliance Education

- Domestic sales branch offices
 - Improved education programs for managers (Training by outside experts: held once a year)
 - Increased the amount of specific and practical training contents (Continued to implement)

4. Monitoring

- Periodic internal compliance awareness surveys (February 2021, February 2022, February 2023, February 2024)
- Ensure that all employees are aware of the internal reporting hotline (Newly established lawyer hotline: February 2022)

Developing a Company-wide Risk Management Framework

We aim to build a cross-functional and integrated risk management framework under the newly established Risk Management Committee.

Message from Operating Officer

To ensure that Nihon Kohden continues to operate soundly and smoothly while contributing to society, it is crucial to visualize potential risks and prevent them proactively. The risks surrounding a company are not only internal but also include natural disasters, cyber-attacks, geopolitical risks, and other emerging threats that have become more diverse and complex with the advancement of the economy and technology.

Nihon Kohden has established the Risk Management Divisions and Risk-Related Committees to prevent risks from materializing. The Company has also developed a Business Continuity Plan (BCP) and conducted company-wide education and training to ensure appropriate actions can be taken in case of emergencies. In FY2023, to identify and address risks as early as possible before they materialize, we established the Risk Management Committee and worked on enhancing company-wide risk management framework. Moving forward, we will continue to strengthen these efforts and strive to further reduce risks.



Fumio Izumida
Operating Officer,
General Manager of Corporate
Strategy Division

Approach to Risk Management

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

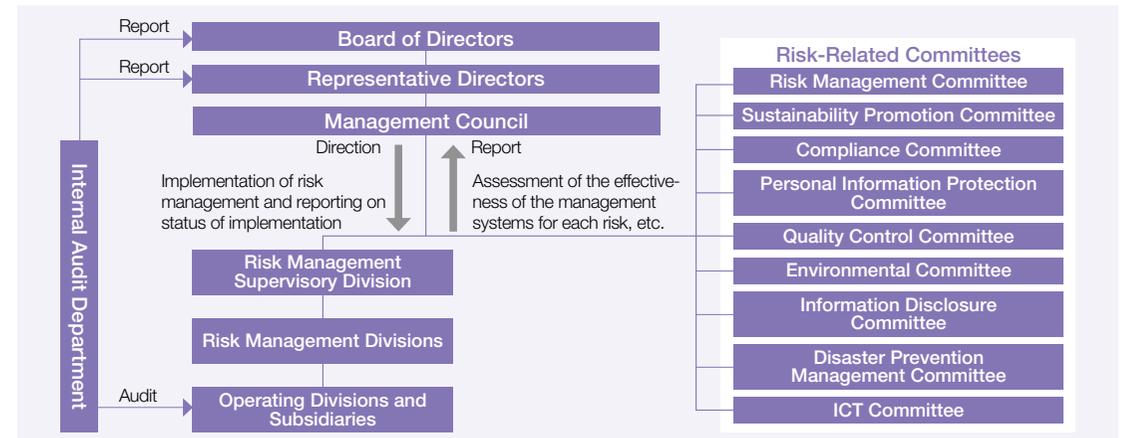
Risk Management Framework

The Board of Directors is responsible for establishing basic policies concerning risk management in overall Group business operations, and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Divisions are tasked with improving and promoting the overall risk management system of the Nihon Kohden Group.

The risks present in the execution of business activities have been classified into nine types, and the Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. The Risk Management Divisions provide training and support to operating divisions and subsidiaries with regard to their assigned risk types, and report the system improvement and promotion status to the Risk Management Supervisory Division. The Risk-Related Committees report to the Board of Directors and Management Council on matters including assessments of management system appropriateness, validity, and effectiveness for related risk types. The Internal Audit Department reports to the Representative Directors and the Board of Directors on risks discovered during audits.

In FY2023, the Company established the Risk Management Committee and conducted risk assessments, working towards building a company-wide risk management framework.

Risk Management Framework



Developing a Company-wide Risk Management Framework

Self-Assessment of Risk Management

Nihon Kohden's offices, subsidiaries, and the departments in the head office conduct self-assessment of risk management regarding compliance and others using divisional inspection sheets. The Risk Management Supervisory Division verifies the progress of risk management system implementation and future responses, and reports the results of the self-assessment to the Board of Directors. Overseas subsidiaries also report to the Board of Directors on the development and progress of their risk management systems and measures to strengthen the implementation.

In FY2023, the Risk Management Committee reported significant risks identified to the Board of Directors and promoted enhancing the company-wide risk management system. The identification of significant risks involved deliberations using risk maps and other tools and evaluating each risk scenario based on its impact on management and frequency of occurrence. Additionally, e-learning on risk management, including information security, was conducted for the group's executives and employees. Regarding compliance, we made efforts to strengthen the global compliance system, and workplace study sessions were held in each department and subsidiary of the group to thoroughly disseminate the Nihon Kohden Code of Ethics and Conduct, which serves as the group's behavioral standard, and to ensure the practice of compliance.

Risk Types

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

Response in the Event of a Risk

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

Risk Types

Risk	Description
Compliance Risks	Risk of losses due to failure to comply with laws and regulations, etc.
Quality Control Risks	Risk of losses due to problems related to the safety or reliability of our products or services
System Risks	Risk of losses due to failure, malfunction or unauthorized use of networks and computer systems which are used in internal IT infrastructure, products and services
Disaster and Accident Risks	Risk of losses due to interruption of business operations caused by disasters or accidents
Environmental Risks	Risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution
Financial and Accounting Risks	Risk of losses due to change in value of assets held or inappropriate accounting practices
Information Disclosure Risks	Risk of losses due to inappropriate disclosure of information
Strategic Risks	Risk of losses due to incorrect business strategies
Human Rights Risks	Risk of being liable for compensatory damages or decrease in its corporate value due to human rights violations by the Company or its business partners

Developing a Company-wide Risk Management Framework

Disaster Risk Management

■ Basic Approach

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

In FY2023, the Company conducted evacuation drills, safety confirmation drills, as well as desktop exercises (online joint training and review) and satellite phone call drills at domestic sales branch offices, to ensure that employees take appropriate action in the event of an emergency in accordance with the Disaster First Response Manual.

The Nihon Kohden Group operates its business activities throughout Japan and around the world. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, or the spread of infectious diseases in each region, the procurement of parts, the supply of products, and sales and service activities may be disrupted, which could have an impact on the operating results and financial condition of the Nihon Kohden Group. The Company procures raw materials and parts used for its products not only in Japan but also around the world. In the event of a supply issue at a supplier, the Company takes measures, including the consideration of alternative parts, to ensure that the production of its products is not affected.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/governance/disaster_management.html



Human Rights Risk Management

■ Basic Approach

To appropriately manage human rights risks, such as unfair discrimination or harassment, poor working environments, unfair wages, excessive work, slave labor, forced labor, and child labor, we established the Nihon Kohden Group Human Rights Policy and Human Rights Policy Rules in December 2020. To realize one of our key material issues for sustainability, which is to foster a corporate culture of pride in contributing to healthcare, we have been working to implement human rights due diligence, build a structure for its implementation, and conduct corporate activities with greater consideration for human rights risks in accordance with the Human Rights Policy. Specifically, the newly established Human Rights Due Diligence Implementation Project has conducted a human rights risk assessment questionnaire within the Company and for our suppliers. In FY2022, based on the results of the questionnaire, we conducted a human rights risk assessment considering the impact on management of human rights issues and identified key human rights issues and risks. In FY2023, we confirmed and proposed future countermeasures for business partners with high human rights risks through additional fact-finding surveys and interviews. Moving forward, we will continue to work together with our business partners to prevent and mitigate any risks.

For further details, please refer to the **Human Capital and Human Rights** and our website.

<https://www.nihonkohden.com/sustainability/social/rights.html>



Developing a Company-wide Risk Management Framework

Information System Risk Management

■ Basic Approach

The Nihon Kohden Group utilizes various IT systems in its overall business and strives to manage information by implementing security and backup measures, and preventing the leakage of confidential and personal information. The Company also takes various security measures to protect its products and services that use communication networks. To enhance the security of its products and services as well as strengthen its response to security incidents, the Company established a Product Security Incident Response Team (PSIRT) in April 2022. The Company has also established and implemented a Product Security Policy in May 2023.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/governance/info_management.html



■ Obtaining Third-Party Certification

To further enhance information security, Nihon Kohden has also obtained outside certification. We obtained PrivacyMark certification in July 2005 and Information Security Management System (ISMS) JIS Q 27001 (ISO/IEC 27001) certification in January 2015; the scope includes management and operation of remote service facilities for Nihon Kohden Group system products.



Nihon Kohden Corporation obtained PrivacyMark certification from JIPDEC.



Developing a Company-wide Risk Management Framework

■ Product Security Policy

To realize our Quality Policy: “Maintaining high customer satisfaction with the purchase of a Nihon Kohden product through its entire life cycle,” Nihon Kohden has established and is implementing a basic policy to ensure cyber security throughout the total product life cycle from development to production, sales, and after sales service.

1. Compliance with Laws and Regulations

Nihon Kohden complies with all applicable laws and regulations of each country and region.

2. Structure

Nihon Kohden has established a product security structure and takes appropriate actions including providing necessary information and alerts to our customers and all other stakeholders.

3. Education

Nihon Kohden provides education and training on product security to all executive officers and employees throughout the Nihon Kohden Group in a timely manner, with the goal of increasing their awareness of product security.

4. Product Development

Nihon Kohden develops plans for ensuring security throughout the total product life cycle of each product. We also design and manufacture our products to minimize cybersecurity risk.

5. Post-market Response

Nihon Kohden collects information on security vulnerabilities affecting our products in a timely manner as well as implementing risk management and other appropriate measures to evaluate, eliminate, and control cybersecurity risk and other risks.

6. Information Sharing and Disclosure

Nihon Kohden shares security information required by our customers as appropriate, including information about end of life of medical equipment, the status of our response to vulnerabilities, recovery procedures, and mitigation and remedial measures. We also provide coordinated disclosure of security vulnerability information in a secure manner by cooperating with government agencies and Information Sharing Analysis Organizations (ISAOs) as necessary.

The measures in this security policy by themselves are not sufficient to protect patients' and customers' information and financial assets from cybersecurity threats. In addition to product security measures, we can protect the assets of patients and customers from threats such as cyber risks only by implementing comprehensive and multi-layered security measures.

Response as a Medical Equipment Manufacturer

As a medical equipment manufacturer, Nihon Kohden focuses on product risk control to avoid accidents related to its products. In the event of accidents, troubles, or emergencies occurring at our customers, business partners, or any of the Nihon Kohden Group's business locations, we have established and operate a reporting system to promptly take measures and minimize damage or harm. In order to prevent an accident and communicate quickly when an accident takes place, we have established a system to collect a broad range of information from clinical practice quickly and accurately as well as a framework for disseminating information.





Quality

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

QUALITY

Quality Management

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

Message from Operating Officer

As the Operating Officer in charge of quality management and regulatory compliance at Nihon Kohden, my role is to ensure that our medical devices and services continue to be provided smoothly on a global scale by promptly adhering to the laws and regulations related to medical equipment in each country without delay, which includes maintaining the quality of safe and effective medical equipment, services, and solutions in healthcare. We support the R&D, production, sales, and maintenance departments through our Quality Management System (QMS), to achieve this.

In the previous Three-year Business Plan, BEACON 2030 Phase I, we restructured the organization of the departments involved in quality management and established the Corporate Quality Management Operations. This reorganization has enhanced the exchange of information and personnel, allowing us to build an organization capable of rapid analysis and decision-making. Three supervisory divisions are responsible for Maintenance and improvement of QMS, Quality improvement of medical equipment and services, and Collaboration with Group companies based on QMS. We coordinate with the departments involved in the realization of products and services, striving to collect information on global laws as well as regulations and establishing a system that prompts us to respond without delay.

The Nihon Kohden Group employees, guided by our Management Philosophy, are actively working towards achieving the quality goals set by their respective departments. This dedication is reflected in the quality of our products and services. Corporate Quality Management Operations members adhere to the Core Values and incorporate perspectives from quality engineering. They drive improvements in product development and customer service based on the analysis and judgment of laws, regulations, and post-market information.

In the new Three-year Business Plan, BEACON 2030 Phase II, while advancing the quality improvement of in-house products, we will further concretize the structure of Nihon Kohden's QMS, aiming to achieve the highest quality standards in the world.



Yoshiyuki Fujita

Operating Officer,
Chief Quality & Regulatory
Officer,
General Manager of Corporate
Quality Management
Operations

Quality Policy

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

Quality Policy

Maintaining high customer satisfaction with the purchase of a Nihon Kohden product through its entire life cycle.

Quality Management

Quality Targets

In FY2023, Nihon Kohden conducted two recalls for products introduced to the domestic market, causing inconvenience to medical professionals. We set the “Zero Recall Days” goal at over 200 days, but we only achieved 76 days.

We are making company-wide efforts to prevent any reoccurrence and pursue the highest level of quality in the world across the value chain.

In FY2024, we will take actions to achieve the following quality targets.

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

In response to the increasing demand for high-quality medical devices at the global level, Nihon Kohden has established its QMS that has strengthened regulatory compliance and post-marketing monitoring in each country or region where its products are sold. We will continue to thoroughly collect and deploy information on medical device-related laws and regulations in each country/region to shorten the time required for global product registration and ensure the timely supply of products. We will also further upgrade our post-marketing monitoring system and provide feedback on the information obtained for the improvement of internal processes and products to improve the quality of our products and services more rapidly.

Cyber-attacks on medical institutions have been increasing in recent years and are posing a growing threat. In addition to cyber-risk mitigation measures and the early detection of security incidents, we have established a Product Security Incident Response Team (PSIRT) to provide appropriate support for early recovery in the event of a security incident. We will continue to strengthen our cyber security response.

(2) We will improve customer service as well as software and manufacturing quality to pursue customer value.

To enhance services for our customers, we will work to improve daily operations, increase efficiency as well as speed, and respond to customer feedback in an appropriate and timely manner. In addition to third-party evaluations of software design, we will continue to work to reduce product failures after shipment by analyzing problems in the product manufacturing process and taking measures to prevent their recurrence.

Nihon Kohden has obtained ISO 9001:2015 certification for its quality management system and ISO 13485:2016 certification for its medical devices and in vitro diagnostics. The Company has also obtained numerous certifications and accreditations including the Medical Device Single Audit Program (MDSAP)* certification. Our Reliability Center has obtained laboratory accreditation in accordance with ISO 17025:2017. In addition, the Company has responded to the Medical Device Regulation (MDR) effective in May 2021 and the In Vitro Diagnostic Medical Device Regulation (IVDR) effective in May 2022 in Europe.

* MDSAP is a program to realize a single survey on the compliance and validity of QMS surveys introduced by medical device regulatory authorities in five countries: the U.S., Canada, Brazil, Australia, and Japan.

(3) We will work to shorten downtime and reduce failure rates to achieve high product availability.

To increase the utilization rates of products used by our customers, we will continue to work to reduce the failure and re-repair rates. We will also promote the prompt provision of replacement devices in the event of malfunctions and the reduction of delivery times of repair parts and repair times.

(4) We will work on human resource development to achieve quality targets and pursue customer value.

To achieve the above quality targets and pursue customer value, we will develop human resources by providing practical training across all Nihon Kohden departments.

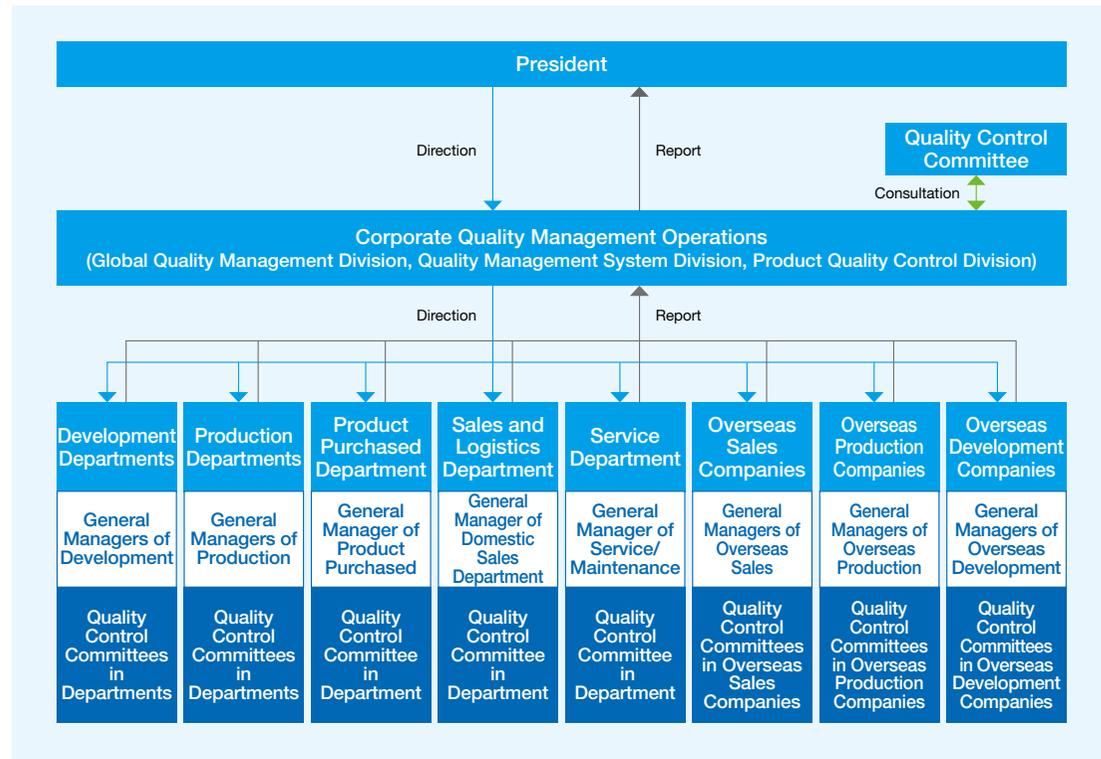
Quality Management

Management System

■ Strengthen Our Global Quality Management System

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

Quality Management System



ISO 9001/ISO 13485 Certification in the Nihon Kohden Group

	ISO 9001 Quality Management System	ISO 13485 Medical Device Sector Standard
	Certification Date	Certification Date
Nihon Kohden Corporation*	January 1995	February 2003
Nippon Bio-Test Laboratories Inc.	May 2014	-
Nihon Kohden America, LLC	-	March 2016
Defibtech, LLC	-	February 2004
Nihon Kohden OrangeMed, LLC	-	June 2019
Neurotronics, LLC	-	October 2009
Nihon Kohden Digital Health Solutions, LLC	-	June 2022
Nihon Kohden Europe GmbH	November 1995	November 1995
Nihon Kohden Firenze S.r.l.	December 1995	December 1999
Software Team Srl	July 2013	July 2013
Shanghai Kohden Medical Electronic Instrument Corp.	December 1995	December 2003
Nihon Kohden Malaysia Sdn. Bhd.	-	April 2015
Nihon Kohden India Pvt. Ltd.	August 2018	August 2018
Nihon Kohden Middle East FZE	July 2020	June 2020

* Including Nihon Kohden Tomioka in the scope of certification.

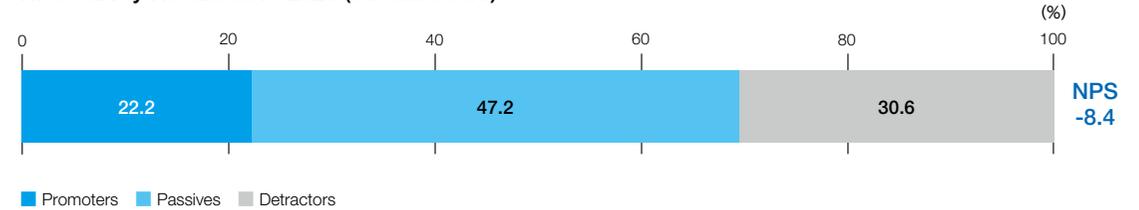
Quality Management

Net Promoter Score (NPS) Surveys

Nihon Kohden had set one of the material issues in the previous Three-year Business Plan, BEACON 2030 Phase I, as “Pursue the highest level of quality in the world across the value chain,” and established the Net Promoter Score* as a KPI, beginning surveys in FY2021. In FY2023, we conducted the third survey. The overall NPS survey score was -5.3 points in FY2021, and -4.0 points in FY2022 but decreased to -8.4 points in FY2023. The evaluation of individual scores showed a decrease of more than 0.5 points in Technological development capability and Product cost-effectiveness in the corporate image, indicating that improvement is needed. Through the NPS survey, we will continue to enhance the points that are highly evaluated by our customers and actively improve the points that need improvement. As a partner to medical professionals, we will continue to work together with them to solve healthcare issues.

* The NPS® survey is conducted to quantify the degree of attachment to and trust in a company or brand, which has traditionally been difficult to measure, in order to evaluate the customer’s experience at the point of contact with the company and apply it to improvements through future business activities. Since the NPS® survey has a high correlation with business growth rates, it is used by listed companies in the U.S. and Europe and is attracting attention in Japan as a new indicator alongside customer satisfaction. NPS® is calculated by the following method. Customers were asked to rate the service on a 10-point scale, with 9 to 10 being “promoters,” 7 to 8 being “passives,” and 0 to 6 being “detractors.” The percentage of promoters (%) to the total number of respondents was subtracted from the percentage of detractors (%), and the resulting number is the NPS value, which is expressed between -100 and +100. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems (now NICE). Net Promoter System, Bain & Company’s Website <https://www.bain.com/consulting-services/customer-strategy-and-marketing/customer-loyalty/>

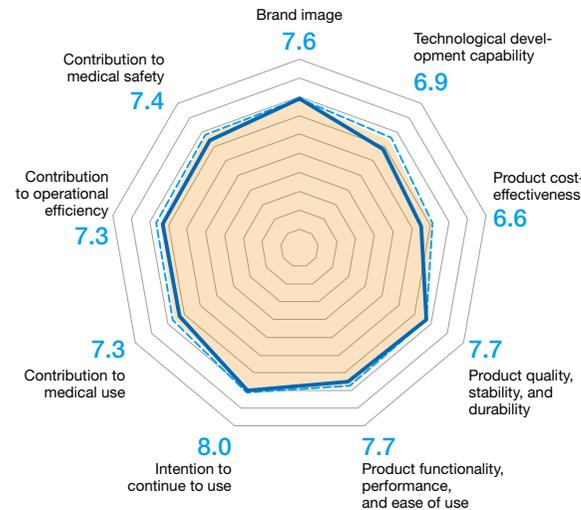
NPS Survey Results in FY2023 (Overall Score)



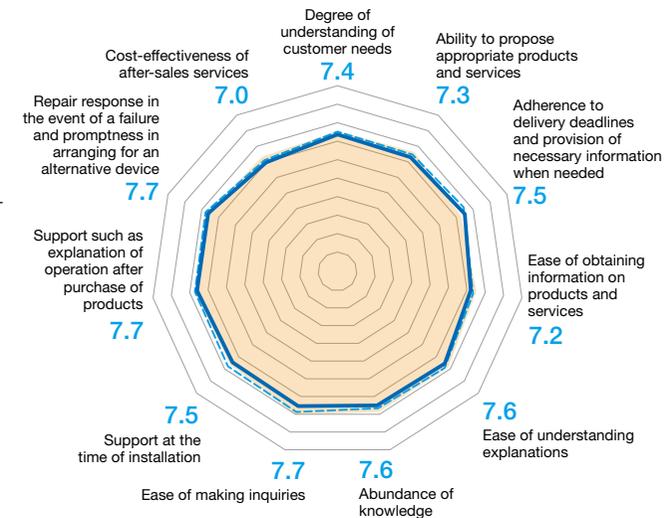
NPS Survey Results in FY2023 (Individual Scores)

* 10-point scale for each item

Corporate Image and Contribution to Customer Value



Satisfaction with Sales and Services



Quality Management

Support for Customers' Safety Management

Nihon Kohden not only strives to improve the quality and safety of its products, but also supports customers' safety management and helps spread medical technologies, to ensure safety after delivery of the product.

In Japan, Nihon Kohden deploys specialized Medical Equipment Safety Advisers (MESA) nationwide who have received accreditation as Medical Device Information Communicators (MDIC).* We also organize safety workshops to ensure that customers use our products correctly.

In FY2023, following the reclassification of COVID-19 to Category 5, we had more opportunities for in-person training sessions. However, there was still significant demand for educational content such as online training and slide materials with audio that were introduced during the pandemic. To meet these needs, we provided essential safety information to numerous medical facilities and healthcare professionals.

FY2023 Results

1,253 sessions
(In-person training: 998 times,
providing materials (including video files): 240 times,
web-based training sessions: 15 times)

28,661 participants
(In-person training: 18,118 participants,
non-in-person training: 10,543 participants)
561 facilities

Main workshop topics

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

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

Employee Safety

Nihon Kohden has established the Safety and Health Committee to promote accident prevention and the development of a healthy environment in compliance with the Labor Standards Act and the Industrial Safety and Health Act. At monthly meetings, the Safety and Health Committee deliberates on health and safety proposals submitted by each department as well as activities for safety and health improvement. In addition to the Safety and Health Committee, the Company has also established the Infectious Disease Prevention Committee to facilitate activities to prevent infectious diseases. The Infectious Disease Prevention Committee has executed employee training, surveys, discussions, and awareness raising regarding infection prevention. Company vehicles used by employees are equipped with collision avoidance assist systems, lane departure warning systems, automatic high-beam switching systems, and drive recorders as standard equipment, and studless tires are provided as needed. In addition, for employees who work in areas subject to severe cold weather, we promote the reduction of traffic accidents by arranging for cold-weather-specification vehicles. In response to the revision of the Road Traffic Act enforcement regulations, which mandates alcohol checks using breathalyzers before and after driving from December 2023, we have implemented a vehicle management system at all domestic business sites. This system ensures the proper operation of driver's license verification, record-keeping, and pre- and post-driving alcohol checks.

Ensuring Fair Trade Practices

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

Message from Operating Officer

To sustainably provide medical equipment to its customers worldwide, Nihon Kohden is committed to stable procurement of parts and materials through communication with its business partners. We request our business partners cooperate with our questionnaire survey to ensure they understand and comply with the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards. In particular, we conduct "Supplier Questionnaire" for key partners to ensure sustainable transactions and strengthen collaboration. We sincerely appreciate their continued cooperation.

Recently, there has been an increasing social demand for sustainability initiatives in collaboration with the supply chain. Going forward, we believe that strengthening partnerships with our business partners will become even more crucial. Starting in April 2024, Nihon Kohden has strengthened the collaboration between the production and SCM (Supply Chain Management) departments. This enhancement aims to establish a comprehensive global supply chain management system integrating procurement, production, logistics, and inventory management. Under this system, we strive to build strong, trusting relationships with our business partners and continue to develop and provide superior products. This will support healthcare professionals and contribute to maintaining a robust healthcare delivery system.



Yutaka Inano
Operating Officer,
Chief Manufacturing Officer,
General Manager of Production
Operations,
General Manager of Supply
Chain Management Division,
President of Nihon Kohden
Tomiooka Corporation

Approach to Sustainable Procurement

Nihon Kohden strives to practice sound and fair purchasing as well as achieve fair trade across the value chain including our business partners. To further reinforce sustainability in procurement and strengthen our collaboration with our business partners, we have conducted in-house training on sustainable procurement and disseminated the concept to our business partners for gaining their cooperation.

Procurement Policy and Procurement Standards

We have formulated the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards for the purpose of widely disseminating and instilling our stance on procurement both internally and externally. The Nihon Kohden Procurement Policy represents our basic policy on procurement. The Nihon Kohden Sustainable Procurement Standards indicate items that we expect our business partners to observe with regard to sustainability, and we aim to build a good relationship with our business partners and realize a truly affluent and sustainable society. In April 2023, we made a Partnership Building Declaration to build new partnerships by promoting collaboration, coexistence, and co-prosperity with business partners in our supply chain and other value-creating businesses partners.

For further details for Procurement Policy and Procurement Standards, please refer to our website.

<https://www.nihonkohden.com/sustainability/engagement/suppliers/fairness.html>



Ensuring Fair Trade Practices

Adherence to the Nihon Kohden Sustainable Procurement Standards

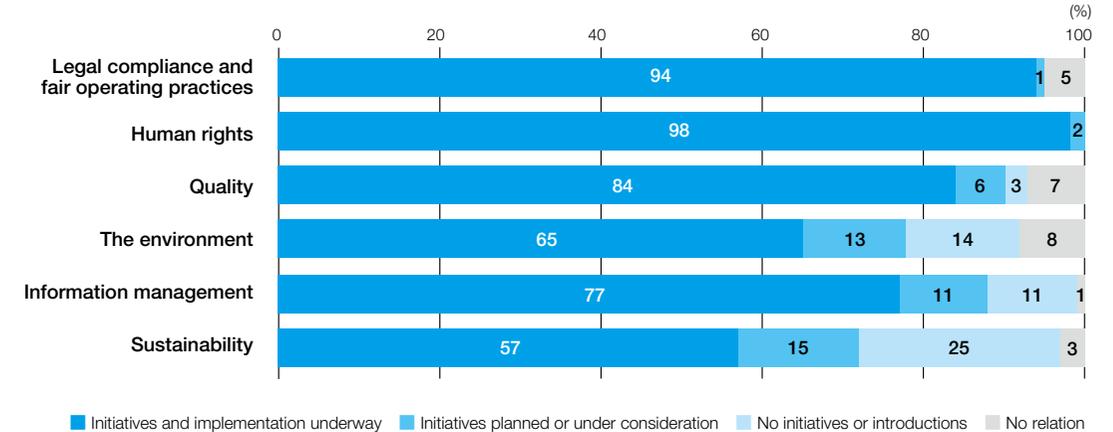
Nihon Kohden provides regular compliance training to all of its employees to ensure they have correct understanding and awareness of sound and fair business practices. Departments involved in procurement provide annual training on specific laws and regulations affecting their operations, such as the Fair Competition Code and the Act against Delay in Payment of Subcontract Proceeds. In FY2023, 60 people attended these training sessions.

We are also asking our business partners to understand and comply with the Nihon Kohden Sustainable Procurement Standards while maintaining mutual communication. Nihon Kohden requests its business partners to conduct self-assessments on their environmental and quality activities, as well as checks business partners' understanding of and adherence to the Nihon Kohden Sustainable Procurement Standards through their answers to the Sustainability Questionnaire conducted every year. Opinions expressed through the Questionnaire are fed back to procurement departments and utilized to realize fair and responsible procurement.



■ Results of the Sustainability Questionnaire in FY2023

In FY2023, we asked 107 of our business partners to answer our Sustainability Questionnaire and were grateful to receive cooperation from all of them. The questionnaire consisted of 22 questions in six areas: Legal compliance and fair operating practices, Human rights, Quality, The environment, Information management, and Sustainability. In terms of questions about Legal compliance and fair operating practices, and Human rights, Initiatives and implementation were underway, planned or under consideration in more than 90% of our business partners. In previous questionnaires, multiple business partners reported that they have engaged in social contribution initiatives. We continue to work with our business partners to deepen mutual understanding of our sustainable procurement standards and ensure fair trade practices.



Ensuring Fair Trade Practices

Identification of Key Suppliers

Nihon Kohden has identified the following suppliers as key suppliers: suppliers of orders with large purchase amounts, suppliers who provide parts for major and strategic models, and suppliers who provide non-substitutable parts.

■ Results of the Supplier Questionnaire in FY2023

In FY2023, out of 137 key suppliers domestically and internationally, 117 responded to the Supplier Questionnaire, resulting in a response rate of 85.4%.

As in FY2022, the results of the survey revealed significant differences in the status of initiatives among suppliers. While many suppliers are working to build systems and implement various measures in the areas of Human rights, Quality, and Governance, many are facing issues in the area of the Environment, such as climate change response initiatives and environmental data acquisition. We will continue to discuss countermeasures and assist suppliers in reducing risks.

■ Measures to Reduce Risks

For suppliers with low scores and high risks, we continued to conduct additional fact-finding investigations, interviews, and provided feedback on the survey results. Additionally, for suppliers reported as having potential for serious incidents or accidents in the areas of Environment, Health and Safety, and Compliance, we promptly verified the facts and discussed appropriate corrective actions.

For further details of the Supplier Questionnaire, please refer to our website.

https://www.nihonkohden.com/sustainability/engagement/suppliers/nk_procurement.html#supplier_questionnaire





Human Capital and Human Rights

We respect the human rights of all stakeholders and strive to foster a corporate culture of pride in contributing to healthcare

PEOPLE

Initiatives to Enhance the Value of Human Capital

We believe that each employee's ability to maximize their potential and fully demonstrate their capabilities leads to sustainable personal and organizational growth. We will foster an organizational culture in which diverse human resources can play an active role.

Message from Operating Officer

As stated in our Management Philosophy, "we create a fulfilling life for our employees," Nihon Kohden values the people working within its organization as essential assets, considering them "human resources." Therefore, I believe it is my role to foster a corporate culture where each employee can maximize their potential, fully utilize their abilities, and grow into individuals who take pride in contributing to healthcare.

In FY2023, we introduced a role-based personnel system for general employees, establishing a foundation where each employee can actively engage in their work towards their career goals and be appropriately evaluated. Additionally, we strengthened our efforts in talent development and fostering organizational culture based on the Core Values, which represent the shared values of all employees worldwide and are fundamental to achieving our Long-term Vision.

By further strengthening our efforts, we will build a foundation for the Nihon Kohden Group to achieve sustainable development and competitiveness. Together, we will strive to achieve our Management Philosophy and Long-term Vision.



Kenji Furukawa

Senior Operating Officer,
Chief Human Capital Officer,
General Manager of Human
Resources Development
Operations,
General Manager of Human
Resources Department

Basic Approach to Human Resource Development

In an ever-changing medical environment, Nihon Kohden strives to become the beacon that lights the path forward to the future of people and healthcare around the world through creating new values with the philosophy we have upheld since our founding. With strong passion in our hearts, Nihon Kohden aims at realizing our Long-term Vision for 2030. Human resources are essential for realizing our Long-term Vision and the source of value creation for Nihon Kohden. We will recruit human resources who share Nihon Kohden's Management Philosophy and Long-term Vision, and embody its Core Values (Integrity, Humbleness, Diversity, Initiative, Customer centric, Goal oriented, Creativity). We will also endeavor to create environments that foster employees with high ethical standards, ambition, curiosity, and empathy who can autonomously and continuously grow and undertake the challenges of new value creation.

The Core Values Award in FY2023 provided opportunities to relate Core Values to individual tasks. When we solicited episodes embodying the Core Values in business operations, we received numerous stories that revealed activities conscious of these Core Values across all areas of work, including customer interactions, product development efforts, and production sites. These episodes have become valuable examples showing how employees incorporate value standards into their daily tasks.

One of material issues for sustainability to realize our Long-term Vision is to "Foster a corporate culture of pride in contributing to healthcare," and we have set "Develop human resources who can succeed globally" as a KPI for this in the previous Three-year Business Plan. We set the target at 45 hours or more of education per person for a cumulative total of 3 years. The results in FY2021, FY2022 and FY2023 were 18.6 hours, 18.2 hours and 24.4 hours per person, respectively and 61.2 hours of education per person for a cumulative total of 3 years. A total of 538* people attended leadership training in FY2023.

* Total of participants in training for senior managers, managers, assistant managers, candidates for manager

Initiatives to Enhance the Value of Human Capital

Human Resource Management System

With the introduction of the CxO framework in April 2024, Nihon Kohden appointed a Chief Human Capital Officer to oversee human resource development across the entire Nihon Kohden Group and established the Human Resources Development Operations, which comprises the General Affairs Department, the Human Resources Department, the Phoenix Academy (Human Resource Development Center), and E-STAFF CORPORATION. The Human Resources Department is responsible for comprehensive talent strategies and specific initiatives for diversity and inclusion. The Phoenix Academy (Human Resource Development Center) handles the dissemination of our Core Values and overall employee education. In promoting health management of employees, the General Affairs Department, the Human Resources Department, and E-STAFF CORPORATION collaborate closely.

Structure of Human Resource Management Promotion System



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

<https://www.nihonkohden.com/sustainability/engagement/employees.html>



Targets and Results for Ensuring Diversity in Core Human Resources

	Current status (As of March 31, 2024)	Target	Achievement period
The ratio of female managers*1	8.1%	12% or more	April 2026
The ratio of male employees taking childcare leave*1	51.4%	30% or more	Maintain the current status
Appointment of female directors, management operating officers, and operating officers*2	2 female directors,*4 2 female operating officers	4 persons or more	Maintain the current status
The ratio of female directors, management operating officers, and operating officers*2	14.3% *4	30% or more	End of June 2030
The ratio of foreign nationals in CxO*3 or higher positions at overseas subsidiaries	51.6%	50% or more	Maintain the current status
The ratio of mid-career hires in management positions*1	45.7%	40% or more	Maintain the current status

*1 Employees at the parent company and domestic sales branches.

*2 Directors, management operating officers, and operating officers at the parent company.

*3 C-suite such as CEO, COO, CTO, CFO.

*4 As of June 30, 2024.

Differences in Wages between Male and Female Workers

Ratio of Women's Wages to Men's Wages in FY2023

Total workers	71.1%
Permanent employees	73.7%
Part-time and fixed-term contract employees	100.0%

* Parent company only. The figure is calculated in accordance with the provisions of the "Act on the Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of 2015).

There are no gender differences in the Company's wage structure or system. However, there are differences between men and women in terms of job classifications and management ratios, resulting in differences in wages. In order to realize the Company's goal of "an organization where each individual can maximize their potential and fully demonstrate his/her full potential," we will work on measures to promote diversity & inclusion, such as increasing the ratio of female managers.

Initiatives to Enhance the Value of Human Capital

International Training Program

The International Training Program is a program designed to provide employees with the experience, knowledge, and adaptability they will need to be successful globally. Through the program, we provide employees with the opportunities for long-term study at overseas language schools, on-the-job training at overseas offices, practical training at overseas research institutions or companies, and study at overseas universities or research institutions. Due to the COVID-19 pandemic, the program was not implemented temporarily, but resumed in FY2022. In FY2023, five employees studied at overseas language schools or received on-the-job training at overseas offices for about 9 months.

As of March 2024, 24 foreign employees work at offices in Japan, and 46 Japanese employees* work at overseas offices.

We will continue to expand and enhance this program to develop more global human resources with even more advanced skills.

*Excluding Japanese employees hired locally.

Voice

Nihon Kohden's contribution to global medical care I experienced through the International Training Program (Overseas Challenge Program)

I joined Nihon Kohden with the desire to deliver technologically advanced products with global competitiveness to as many people as possible. While working in sales for IT system products in Japan, I learned the importance of not only understanding the products but also grasping their operation and potential needs at the customer's site and proposing solutions in collaboration with them. This experience inspired me to apply for the training to support promotional activities in overseas markets.

During my training at Nihon Kohden Europe, I experienced firsthand the diverse needs arising from European laws, regulations, language, and cultural differences. I deepened my understanding of how we can solve problems with our overseas customers through our products. Additionally, I realized the importance of creating a conducive work environment and providing appropriate support for local staff.

With a constant focus on what Nihon Kohden can achieve as a medical equipment manufacturer, I will continue to work diligently to contribute to solving the medical issues faced by many of our customers.



Misuzu Hamano
Nihon Kohden Europe
GmbH

Initiatives to Enhance the Value of Human Capital

■ Spread of Management Philosophy and Core Values at Overseas Subsidiaries

We believe that it is important for employees of the Nihon Kohden Group with different backgrounds from various cultures and languages around the world to act in accordance with common goals and Core Values. Nihon Kohden provided educational materials to the entire Group and started an education program about its Management Philosophy throughout the Group in 2019. By systematically learning about the history of the company's foundation and Management Philosophy, it provides an opportunity to deepen their understanding and appreciation of the Company culture and recognize the value and meaning of their jobs. To promote the understanding and implementation of the newly established Core Values, Nihon Kohden has developed various unique measures in each country since 2021, aiming to instill Nihon Kohden's DNA.

The Global HR meeting has also been held biannually, bringing together human resources and education managers from each Group company to share each country's unique measures for spreading the Management Philosophy and Core Values, as well as to discuss new employee training, the fostering of corporate culture, measures to improve employee engagement and other issues. In December 2022, Nihon Kohden established the Core Values Promotion Project in Japan through an internal open recruitment system. The project members from various divisions and job categories studied "how to help employees around the world understand and practice the Core Values," and developed measures to achieve this goal. Globally, we have produced and distributed videos featuring executives and employees sharing episodes that embody the Core Values. Additionally, we conducted questionnaire surveys and distributed new dissemination tools to further embed the Core Values within the companies.



Videos sharing episodes that embody the Core Values

As a measure to strengthen governance in terms of human resources, we formulated the Global Human Resources Management Guidelines in March 2022. All Group companies follow the same policies and standards for personnel management to avoid personnel management risks. The Human Resources Department at the Nihon Kohden Head Office and the human resource managers of each Group company hold individual meetings so that each HR department can function effectively as a partner for the development of business activities. In addition to making improvements in areas that do not conform to these Guidelines, we will establish a structure for each HR department to collaborate on a global basis through regular communication.

■ Core Values



Initiatives to Enhance the Value of Human Capital

Diversity & Inclusion Promotion

Policy

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

Nihon Kohden has established Diversity as one of its Core Values and promotes diversity & inclusion to realize its Long-term Vision, BEACON 2030. We develop the new potential of our teams by leveraging diversity based on empathy and trust. We respect the individuality of each person and strive to create workplace environment where a diverse range of people can work with vigor and enthusiasm, regardless of gender, age, disability, nationality, race, other diverse attributes, values, or work styles.



■ Promotion of Women's Participation and Career Advancement

In accordance with Act on the Promotion of Women's Active Engagement in Professional Life, Nihon Kohden has formulated an action plan and promoted the development of a workplace environment in which women can play an active role. Nihon Kohden has also promoted initiatives to realize a comfortable and fulfilling work environment for not just women but all employees of Nihon Kohden, so that each employee can demonstrate their abilities to the fullest. We obtained the Women's Participation Promotion Act certification mark called Eruboshi from the Minister of Health, Labour and Welfare in 2021.



We formulated an action plan for 5 years from April 1, 2021 to March 31, 2026 and set a target of increasing the ratio of female managers to at least 12% and the ratio of male employees taking childcare leave to at least 30%.

With the new role-based (job-based) personnel system, we reviewed the role grades of managerial positions, primarily in the sales and service departments. As a result, the ratio of female managers in FY2023 was 8.1% in the parent company, which was a decrease of 0.5 points from the previous fiscal year. Female executives account for 14.3% of all executives, increased by 2.8 percentage points from the previous fiscal year (2 female outside directors and 2 female operating officers as of June 30, 2024). To encourage male employees taking childcare leave, in addition to awareness raising activities by utilizing the Company Newsletter, we have formulated and distributed a guidebook for male employees to help them balance childcare and work. We have also conducted individual consultations regarding childcare leave. Moreover, partial wage support is provided for the first month after the start of childcare leave from FY2022 to alleviate financial concerns during childcare leave. As a result of these efforts, the ratio of male employees taking childcare leave in FY2023 was 51.4%, far exceeding the Company's target. Additionally, we have introduced a spousal maternity leave system as our unique system to support male childcare, and the combined take-up rate of this system with childcare leave was 87.4%. We will continue to develop an environment where any employee who wishes to take childcare leave can do so, regardless of their workplace or job category.

Initiatives to Enhance the Value of Human Capital

■ Women's Activity Promotion Program

To achieve a 12% ratio of female managers, in FY2023, we continued to implement the Women's Activity Promotion Program which started in FY2022. For female employees at the leadership level who are candidates for management positions, the program is designed to help think about their career development, including the option of management positions, by addressing time and physical factors related to childcare and other responsibilities and psychological factors related to job experiences and work environment. In FY2023, we expanded this program to include younger employees, aiming to help them balance work and personal life while developing their unique careers and leadership skills. For both programs, the guidance was also provided to the supervisors of the participants to actively involve them in supporting the career development of their subordinates.

■ Networking Events

In FY2021, we have established the Beacon Terrace, an employee exchange meeting led by female employees who volunteered to participate. By connecting employees across divisions, the Group aims to expand and improve their perspectives and strengthen their company network as well as co-create value in their respective work while fostering an organizational culture that encourages the active participation of diverse human resources.

In FY2023, we organized and held a total of four exchanges meetings, divided into two themes: "Products" and "Careers and Work Styles." In the exchange meetings themed around "Products," female employees from development, sales, and service roles shared their unique perspectives on product utilization and specifications, discussing potential new customer value the Company could offer. The meetings themed around "Career and Work Styles" provided opportunities for cross-functional understanding of various roles and for exchanging information on future career development within the same job categories.

In FY2024, we will continue to hold exchange meetings themed around "Products." The exchange meetings themed around "Career" will be partially integrated into a career education program for all employees.



A view of Beacon Terrace

■ Mentor System

Since FY2015, Nihon Kohden has established a mentoring program covering mainly newly appointed managers and other female employees in mid-career. Mentors with extensive knowledge and industry experience help them resolve career development issues and support their personal growth. The program aims to help expand female employees' horizons and strengthen their internal networks through dialogue with mentors, as well as develop their humanity, judgment, and leadership skills, and motivate them to set themselves more ambitious goals. The program has been expanded to include male employees since FY2021 to support the career development of a larger number of human resources.

Initiatives to Enhance the Value of Human Capital

Improving Employee Engagement (Working Style Reforms and Career Support)

To realize one of material issues for sustainability outlined in the Three-year Business Plan, “Foster a corporate culture of pride in contributing to healthcare,” Nihon Kohden is working to improve employee engagement. Results from the employee satisfaction surveys, which the Company started from FY2021, have identified Workplace Environment and Career Support as areas needing improvement.

■ Initiatives to Improve the Workplace Environment and Work-life Balance

Nihon Kohden is undertaking Working Style Reforms aimed at improving the work environment by enhancing operational efficiency and promoting flexible work styles. This initiative seeks to achieve maximum results without relying on long working hours, while also realizing a better work-life balance. We have established various systems such as the Flextime System and Teleworking System to promote flexible work styles. In FY2023, the annual paid leave usage rate was 51.6% (10.6 days taken per employee). In addition to legally mandated paid leave, Nihon Kohden offers its unique paid leave program such as Accumulated Paid Leave Program and Special Paid Leave Program. In FY2023, the number of non-mandated paid leave days taken per employee was 2.7 days.

The Good Job Award, which gathers examples of initiatives that lead to improved productivity and work-life balance in each department, has been held annually since FY2019, and we have continuously improved productivity throughout the Company. There were many applications in FY2023 as well, and the initiatives such as the automatic generation of documents for development and the installation of an electronic authentication system were highly evaluated. Additionally, we established a new individual award category to ensure that each employee works with enthusiasm and vitality. By sharing not only the details of productivity improvement initiatives but also the attitudes towards these initiatives and the sense of fulfillment and enjoyment experienced during the process, we are helping to raise awareness across the entire Company.



Joint ceremony for the Good Job Award and the Core Values Award

Initiatives to Enhance the Value of Human Capital

■ Career Support Initiatives

In order to achieve the KPIs of improving “Employee satisfaction” and “Develop human resources who can succeed globally,” we established the NK Career Support system starting from the fiscal year 2023. In November 2023, we launched an e-learning course to provide opportunities to learn about career development, with over 2,000 employees completing the course.

Additionally, we have organized our employee career support measures and created plans. We have published the “NK Job Encyclopedia,” which organizes internal job roles to help employees understand their career paths and build their career plans.

As we move forward, we will continue to develop training programs and systems that support employees in shaping their own careers. We aim to support employees in taking charge of their own careers, and strive to create a workplace environment where each individual can engage in rewarding work and thrive with enthusiasm.

■ Launching the Management Position Challenge Training

Starting in FY2023, we introduced a new role-based (job-based) personnel system for general employees, shifting to a grading system based on the significance of expected roles in their work. To support the implementation of this new system, we launched the Management Position (Manager) Challenge Training for employees who are not yet in management positions in FY2023. The training program is designed to help employees develop the necessary knowledge, skills, and mindset required for senior positions, enabling them to proactively enhance their abilities for promotion. The number of applications significantly exceeded the available slots, demonstrating a high growth ambition among employees. Additionally, the post-training survey results showed high satisfaction levels, with many positive comments such as “I now understand what the roles required for management positions specifically entail” and “I want to approach problem-solving from a multifaceted perspective.” Moving forward, we will continue to offer talent development programs that support employees’ self-fulfillment and contribute to the Company's sustainable growth.



大分類	中分類	小分類	小分類
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	03	経理	003 経理
	04	経理	004 経理
B. 技術職	05	技術職	005 技術職
	06	技術職	006 技術職
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	08	技術職	008 技術職
C. 総合職	09	総合職	009 総合職
	10	総合職	010 総合職
	11	総合職	011 総合職
	12	総合職	012 総合職
D. コーポレート	13	コーポレート	013 コーポレート
	14	コーポレート	014 コーポレート
	15	コーポレート	015 コーポレート
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Image of NK Job Encyclopedia

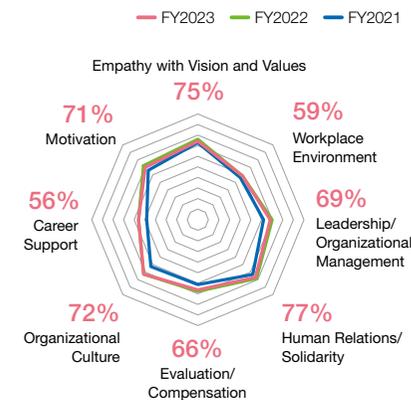
Initiatives to Enhance the Value of Human Capital

Employee Wellbeing

■ Employee Satisfaction Survey

Nihon Kohden has set employee satisfaction as a KPI in order to foster a corporate culture of pride in contributing to healthcare, which is one of material issues for sustainability in the Three-year Business Plan. In FY2023, as in FY2021 and FY2022, an employee satisfaction survey was conducted for all 4,400 employees of the Nihon Kohden Group in Japan. The ratio of positive responses was calculated for all 46 items in eight categories. Company-wide and departmental measures have been implemented based on the results of the FY2022 survey. However, these efforts have yet to yield visible results, and in FY2023, the ratio of positive responses remained at roughly the same levels as in FY2022 in all eight categories. In particular, “Empathy with Vision and Values” and “Human Relations/Solidarity” continued to show higher levels of satisfaction. On the other hand, the ratio of positive respondents for “Career Support” and “Workplace Environment” was still relatively lower. We will share the survey results and employee opinions with all executives, and continue to implement related measures on both a company-wide and departmental basis.

■ The Ratio of Positive Respondents



Health Management of Employees

■ Concept

The Nihon Kohden Group aims to address social issues through its Management Philosophy, and we believe that the health of each employee, which forms the foundation of our management, is crucial. In our Long-term Vision, we aim to create a better future for people and healthcare by solving global medical issues. To ensure that each employee takes pride in their contribution to healthcare and continuously tackles global medical issues, we will actively participate in health management initiatives and embody the Long-term Vision ourselves. By demonstrating our commitment to society, we will implement our Management Philosophy and foster a culture of health.

The Nihon Kohden Group Health Management Declaration

The Nihon Kohden Group, under the Management Philosophy that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees, aims to create a better future for people and healthcare by solving global medical issues in its Long-term Vision, BEACON 2030. In order to address medical, environmental and social issues through the promotion of sustainability, the health and wellbeing of each and every employee, which is the source of our business activities and value creation, is of utmost importance. We are committed to practicing health management and fostering a culture of health so that each employee can take pride in contributing to healthcare and create a better future for people and healthcare.

Hirokazu Ogino
Representative Director
President and Chief Executive Officer
Nihon Kohden Corporation

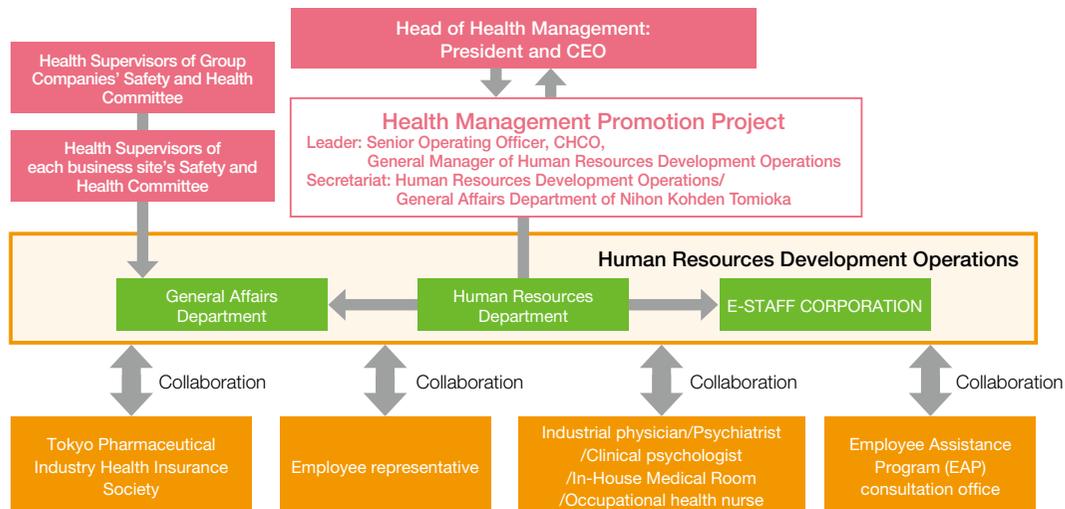
Initiatives to Enhance the Value of Human Capital

■ Establishment of Health Management Promotion Project

We are implementing various initiatives based on our annual goals and plans to promote employee health. Based on the reports on the content and progress of these initiatives, we have established a Health Management Promotion System led by the CEO and CHCO and launched the Health Management Promotion Project in May 2024, to advance cross-company activities.

The domestic departments responsible for health management collaborate with industrial physicians, nursing professionals such as public health nurses, counselors, occupational health staff, and the Health Insurance Society to provide detailed health management services tailored to each employee. Additionally, we are working across the organization to prevent and improve lifestyle-related diseases, reduce smoking rates, enhance the activity (productivity) index by improving presenteeism, and hold health seminars.

Health Management Promotion System



■ Physical Health

Introduction of health support payment

For employees of domestic Group companies, we provide access to a proper support system that can quickly detect potential health risks, including regular health exams and an on-site medical clinic staffed by an industrial physician.

With the aim of further improving the health of employees and their families, we have increased the amount of partial coverage of expenses for optional tests during annual health examinations (health support payment*) since FY2021, added temporary employees to the list of eligible employees, and expanded the scope of coverage to include family health examinations for dependents of employees.

* Examples of eligible health support payment

Various cancer examinations, stomach examinations, osteoporosis examinations, hepatitis virus examinations, abdominal ultrasound examinations, brain examinations, dental examinations, comprehensive medical examinations, smoking cessation outpatient services, etc.

Initiatives to promote non-smoking efforts

In April 2019, Nihon Kohden joined the Consortium of Companies Promoting Non-Smoking Efforts, which was established by companies based in Tokyo, and has been implementing non-smoking promotion activities. The employee smoking rate in the May 2023 survey was 19.1%, down 0.2 percentage points from the previous survey.

Our efforts to promote non-smoking activities are primarily for the benefit of our employees and their families, and also respond to the demand for advancing measures against passive smoking. We will continue to encourage initiatives to realize a healthy society, such as offering company-paid outpatient visits to smoking cessation clinics as optional health examinations.

Holding health seminar

With the cooperation of the Tokyo Pharmaceutical Industry Health Insurance Society, we held an online Health Seminar for employees presented by occupational health staff in March 2024. A total of 133 employees participated in the seminar.

The seminar was designed to explain the Company's health trends based on health check-up data, provided by specialized staffs, to help improve our lifestyle habits and enhance each employee's awareness of health maintenance. We plan to continue holding seminars on the theme of health, led by specialized staff.

Initiatives to Enhance the Value of Human Capital

Introduction of Refresh Day

Nihon Kohden has been promoting work-life balance by setting two days a week (Wednesdays and Fridays) as days for leaving work on time (no overtime days). With the introduction of the Flextime System, we replaced such no overtime days with Refresh Day in January 2023 to promote more flexible working styles. This new system is designed to help employees make effective use of their time before and after work hours, with the aim of refreshing both their mind and body.

We encourage employees to spend more time with their families, engage in self-improvement, create opportunities for exercise, read, dine with friends, and refresh both mind and body, thereby promoting a conscious work-life balance.

■ Mental Health

Support for mental health

In collaboration with industrial physicians specializing in mental health, we conduct stress management tests (stress checks) and work on early detection and prevention of mental health issues through both self-care and line care. We have established a system where employees can consult with in-house counselors (clinical psychologists) at any time. We also conduct group analysis of the stress check results and provide feedback and training based on workplace trends. This helps us improve the work environment and support employees' mental health care.

For employees experiencing mental health issues, we have established a system that includes consultations with industrial physicians upon their return to work and a rehabilitation work program.

We also provide ongoing follow-up with regular consultations with industrial physicians, tailored to the individual's situation.

In addition, we provide appropriate mental health care training, including self-care and line care as part of training for new managers and new employees.

Harassment Prevention Initiatives

Nihon Kohden aims to contribute to the world by fighting disease and improving health with advanced technology and to continue to be an ethical company that is widely trusted by society. To this end, in its Ethical Company Declaration, the Company declares that Nihon Kohden respects the human rights of all people, and do not discriminate or commit any acts which infringe on the personality or dignity of an individual. The Company also strives to prevent harassment by clearly prohibiting it in the Nihon Kohden Code of Ethics and Conduct, Nihon Kohden Group Human Rights Policy, and Employment Regulations. In order to prevent harassment and quickly resolve it when it occurs, we have established an internal consultation counter as well as an external consultation counter which anyone can feel free to consult, and we respond appropriately to consultations. At the time of consultation, we make every effort to ensure that the privacy of the consultees and actors is strictly observed, and that they are informed that they will not be treated unfavorably in any way for reasons such as the content of the consultation or their cooperation in confirming the facts, so that they can feel secure in seeking advice. In FY2023, there were 16 harassment consultations and 11 grievance consultations.

In response to the enforcement of the Power Harassment Prevention Law in June 2020, we have also conducted e-learning programs regularly for both general employees and managers to ensure a proper understanding of the revised law and harassment. We continued to implement the e-learning programs in FY2023, with 4,188 participants (100% participation rate). We also conduct harassment training for newly appointed managers to ensure a proper understanding of harassment and its prevention, aiming to create a comfortable workplace environment.

Respect for Human Rights

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

Basic Approach to Respect for Human Rights

The Nihon Kohden Charter of Conduct, which the Company and its executive officers and employees have a duty to abide by, states that we have respect for human rights at all times. The Nihon Kohden Code of Ethics and Conduct sets out the ethical and responsible actions we will take to guarantee respect for human rights. In July 2015, Nihon Kohden signed the UN Global Compact. We are committed to contributing to a sustainable society through promoting initiatives in accordance with the Ten Principles of the UN Global Compact in the four areas of human rights, labor, the environment, and anti-corruption.

In recent years, the globalization of corporate activities has increased public interest in corporate human rights initiatives. At Nihon Kohden, we consider it extremely important to respect the human rights of our stakeholders, and in December 2020 we established the Nihon Kohden Group Human Rights Policy. By following the policy and promoting initiatives to respect human rights, we will contribute to the realization of a sustainable society.

For further details on the Nihon Kohden Group Human Rights Policy, please refer to our website.



<https://www.nihonkohden.com/sustainability/social/rights.html>

■ Basic Approach to the Rights of Children

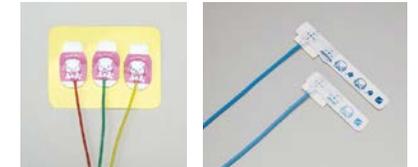
As children are socially vulnerable and their rights are easily violated, special protection and care must be prepared for them. It is important that the entire society supports them by recognizing that they have the same rights as adults so that they can expand their future possibilities and grow up healthy.

In support of the UN and ILO conventions* on children's rights, Nihon Kohden respects the rights of children by not allowing child labor. The Nihon Kohden Group Human Rights Policy defines our basic approach to respecting the human rights of all people, including children. The Nihon Kohden Sustainable Procurement Standards explicitly state that we pledge not to engage in child labor, and we are working to prevent the labor of anyone under the minimum working age throughout our value chain, including our business partners.

In addition to supporting the Children's Rights and Business Principles (CRBP), Nihon Kohden provides products and services that contribute to the protection of children's rights and ensure their safety through its business activities. To protect the right to life under the Convention on the Rights of the Child, we have developed and provided electrodes and sensors that are gentle enough for the delicate skin of low-birth-weight infants to support their health and growth.

We will continue our efforts to protect children's rights by providing electrodes with friendly designs that reduce the anxiety of children suffering from illness and by promoting the adoption of our resuscitation monitor for neonates to reduce the mortality rate and incidence of serious sequela in newborn babies.

* The United Nations Global Compact, the Convention on the Rights of the Child, the Children's Rights and Business Principles, the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor (ILO Convention No. 182), etc.



Vitrode N, Disposable Electrode
TL-273T/274T, Disposable SpO₂ probe



NRM-1300
Resuscitation monitor for neonate, BreathCue

Respect for Human Rights

Human Rights Due Diligence

Nihon Kohden has established a human rights due diligence structure to identify, prevent, and mitigate negative impacts on human rights. In FY2022, based on the results of a questionnaire survey about the environment, human rights, quality, and governance conducted at Nihon Kohden Group companies in Japan and overseas, as well as at our suppliers, we evaluated human rights risks and identified key human rights issues, taking into account their impact on our business.

In FY2023, based on the survey results, we conducted additional fact-finding investigations and interviews with suppliers identified as having high human rights risks. Through these efforts, we confirmed future measures and proposed strategies to mitigate these risks. Additionally, we established a human rights consultation hotline for our suppliers and customers to receive consultation on human rights issues in the supply chain. Furthermore, we developed a roadmap for the next three years and set key performance indicators (KPIs) to guide our efforts.

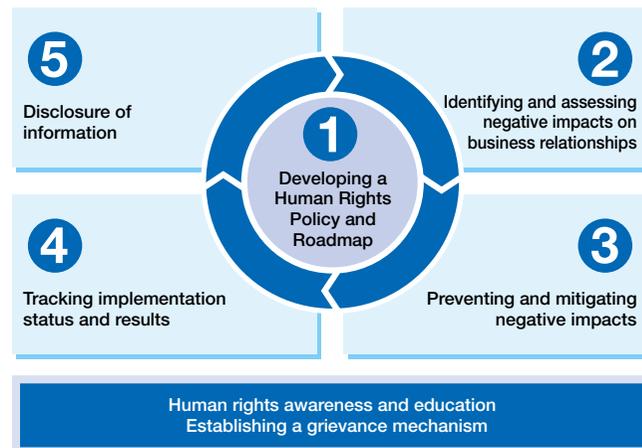
Human Rights Risk Assessment

Nihon Kohden promotes sustainability initiatives through our business activities by closely engaging with all stakeholders, including customers, shareholders and investors, business partners, local communities, and employees. Consequently, we anticipate a wide range of human rights risks, such as discrimination and harassment based on race or gender, excessive working hours, child labor, leakage of personal information, and environmental pollution.

We focused on approximately 30 human rights issues for impact assessment based on the United Nations Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work, the Stakeholder Engagement Program of the Caux Round Table Japan Committee, and the Handbook for Management that Respects Human Rights formulated by the Japan Business Federation (KEIDANREN). In the FY2022 analysis, we evaluated these 30 human rights issues by stakeholder on two axes, severity*1 and likelihood of occurrence*2, based on the results of past questionnaire surveys.

*1 Severity: Evaluates the extent of the impact of a human rights risk when it occurs, and the time and cost required to remediate the risk after it occurs.
 *2 Likelihood of occurrence: Evaluates the likelihood that a human rights risk will occur.

Overview of Our Human Rights Due Diligence



For further details of the identification and assessment of human rights risks, please refer to our websites.

https://www.nihonkohden.com/sustainability/social/rights.html#human_rghts_impact_assessment



■ Measures to Reduce Risks

As measures to reduce and mitigate human rights risks, we continue to monitor domestic and overseas Group companies and suppliers, as well as systematically work to reduce risks.

At domestic and overseas Group companies, we have promoted risk reduction efforts concerning “Excessive and unreasonable working hours” and “Sexual harassment, power harassment, and harassment related to pregnancy, childcare, and nursing care, etc.,” which we have identified as key human rights issues. We have conducted additional fact-finding investigations and interviews for suppliers identified as having high risks to confirm future measures and proposed strategies to mitigate the risks.

Risk	Measure
Excessive and unreasonable working hours	To reduce excessive and unreasonable working hours, such as long working hours and continuous work, we started full-scale operation of the Flextime System and Teleworking System in January 2023 to promote flexible work styles and improve productivity. We also monitor monthly overtime hours and continuously implement necessary measures to reduce the risk of long working hours, such as issuing reminders and guidance to departments that exceed the standards related to the long working hours.
Sexual harassment, power harassment, harassment related to pregnancy, childcare, and nursing care, etc.	In addition to conducting harassment education through e-learning for all executives and employees, we provide harassment training on how to handle harassment reporting and consultation annually for all newly appointed managers. By continuing these training programs, we will reduce the risk of harassment.

■ Monitoring by Questionnaire Survey

As a measure to reduce and mitigate human rights risks, Nihon Kohden has conducted annual questionnaire survey and monitoring of Group companies and suppliers in Japan and overseas. In FY2023, we identified suppliers with high risks based on the key human rights issues identified in FY2022 and the results of each questionnaire. We also have conducted additional fact-finding investigations and interviews with such suppliers, provide feedback on the results of the surveys, and discussed remedial measures to assist them in reducing risks.

For further details on the results of the Supplier Questionnaire in FY2023, please refer to the **Ensuring Fair Trade Practices page**.

Respect for Human Rights

Initiatives to Respect Human Rights

In accordance with the Nihon Kohden Group Human Rights Policy, we are working to prevent all forms of discrimination and harassment.

In FY2023, no human rights violations or harassment leading to disciplinary dismissal from employment occurred.

■ Structure

Nihon Kohden's human rights initiatives are discussed by the Sustainability Promotion Committee, which is chaired by the president, and the results of the discussions are reported to the Board of Directors. The Corporate Strategy Division and the Human Resources Department play a central role in the implementation of human rights initiatives within the Company.

Deliberative body	Sustainability Promotion Committee (Key human rights-related matters discussed by the Committee are submitted to and reported to the Board of Directors in accordance with the Standards for Procedures for Requesting Deliberations and Making Decisions.)
Secretariat	Corporate Strategy Division, Human Resources Department

■ Consultation Counter and Internal Reporting System

Nihon Kohden has established a harassment consultation counter and internal reporting system to provide consultation on human rights issues, including sexual harassment, power harassment, maternity harassment, and labor issues for sexual minorities, including LGBT and foreign employees. Employees can use the consultation counter and reporting system anonymously, and the privacy of the person requesting the consultation is handled strictly and discreetly to protect them from any unfavorable treatment. In addition, in order to provide relief to the person requesting the consultation, we conduct fact-finding investigations with the consent of the person requesting the consultation themselves. If the facts are confirmed, we will take remedial measures, such as instructing the parties involved to remediate the situation and to improve the work environment, and providing education to prevent a recurrence. The information is also shared at quarterly meetings of the Compliance Committee, where countermeasures are discussed.

Additionally, we established a human rights consultation hotline for our suppliers and customers in October 2023 to receive consultation on human rights in the supply chain.

■ Human Rights Education and Training for Employees

Nihon Kohden has been conducting e-learning education for all executives and employees to prevent harassment and ensure compliance with labor-related laws and regulations. In FY2023, the numbers of executives and employees who have participated in harassment education and in human rights training were 4,188 and 4,105 respectively. In addition, we promote understanding of human rights risks and human rights policies and deepen understanding of LGBT people and other sexual minorities, aiming to eliminate discrimination based on gender identity and sexual orientation.

We also strive to prevent human rights abuses through training for newly appointed managers that includes a lecture on preventing harassment as well as procedures for responding to harassment reports and consultations.

■ Considerations for Social Minorities

Nihon Kohden is committed to eliminating discrimination against LGBT people, sexual minorities, and other social minorities as well as realizing a comfortable and fulfilling work environment that recognizes diversity.

Respect for Human Rights

Initiatives throughout the Supply Chain

Nihon Kohden is committed to respecting human rights throughout the supply chain, including our business partners. We created the Nihon Kohden Procurement Policy and the Nihon Kohden Sustainable Procurement Standards and request our business partners to prohibit child labor and forced labor.

In order to ensure the compliance with our Nihon Kohden Sustainable Procurement Standards, we strive to communicate with our business partners. We also ask all our business partners every three years to answer our Sustainability Questionnaire that consists of 22 questions in six areas, including human rights. By their answers to these questions, we have confirmed their awareness and compliance with the Nihon Kohden Sustainable Procurement Standards. Opinions expressed through the Questionnaire are fed back to our procurement departments and utilized to realize fair and responsible procurement.

Initiatives through Product Development

Aiming to create an environment in which anyone can save a life by using an AED, Nihon Kohden has developed AEDs that can be used by people with hearing impairment or deafness, and people whose native language is not Japanese.

We have obtained the Ear Mark certification from the All Japan Association of Hard of Hearing and Late-Deafened People (Zennancho) for our AEDs with color screens that display illustrations and messages so that they can be used by people with hearing impairment or deafness. Our AEDs are specified for use in schools for the deaf and hearing support schools, and we are also promoting their installation in municipalities and other institutions.

In Japan, where globalization is rapidly progressing, we have worked to promote the adoption of bilingual AEDs with voice prompts both in Japanese and English, and to create an environment in which foreign nationals can also use an AED to save a life in case of emergency.

The AED-3100 is optionally available in 17 languages* and provides voice prompts alternately in Japanese and other languages. This AED is being increasingly adopted by companies that employ a large number of people whose native language is not English.

* Languages supported: English, Chinese, Korean, Taiwanese, Danish, German, French, Italian, Spanish, Brazilian Portuguese, Turkish, Russian, Dutch, Indonesian, Vietnamese, Arabic, and Thai.





Environment

We strive to realize our environmental philosophy and a carbon-free society through our business activities and the actions of our employees.

ENVIRONMENT

Environmental Philosophy and Policy

We are strengthening our environmental activities through our business activities and the actions of employees to realize a sustainable and carbon-free society.

Message from Operating Officer

My role as the Operating Officer in charge of environmental affairs is to ensure that our business activities consider the global environment, thereby realizing Nihon Kohden's commitment to coexisting with the environment as stated in our Sustainability Philosophy. Under this Philosophy, we aim to contribute to human lives and all life on Earth through our business activities and social contribution efforts. Nihon Kohden's business is to develop, produce, sell, and maintain medical devices and other equipment used in the field of healthcare. However, our business activities inevitably have some negative impacts on the natural environment. I believe it is crucial for each employee to fully recognize this fact and take responsible actions to protect the global environment and improve quality in all aspects of our business activities. We have addressed "Realize a carbon-free society" as one of the material issues for sustainability in the previous Three-year Business Plan, BEACON 2030 Phase I.

In FY2023, as part of our efforts to promote environmental activities through product development, we launched the Green Product Label certification system, which evaluates and certifies environmental considerations throughout the entire lifecycle of our products and services. Additionally, to improve the reliability of our environmental performance data and to achieve Science Based Targets (SBT) certification, we obtained third-party verification of our greenhouse gas emissions.



Kenji Furukawa
Senior Operating Officer,
Chief Human Capital Officer,
General Manager of Human
Resources Development
Operations,
General Manager of Human
Resources Department

In the new Three-year Business Plan, BEACON 2030 Phase II, which started from FY2024, we have set various KPIs and target values to address material issues for sustainability, "Realize carbon neutrality" and "Promote circular economy." The entire group will continue to engage in business activities that are sensitive to the global environment.


No. 1811004571

Greenhouse Gas Emissions Verification Report

To: NIHON KOHDEN CORPORATION

1. Objective and Scope
Japan Quality Assurance Organization (hereafter "JQA") was engaged by NIHON KOHDEN CORPORATION (hereafter "the Company") to provide an independent verification on "FY2021 Calculation report of GHG emissions" (hereafter "the Report"). The content of our verification was to express our conclusion, based on our verification procedures, on whether the statement of information regarding GHG emissions in the Report was correctly measured and calculated, in accordance with the "GHG emissions calculation rules (Scope1.2)" established by the Company (hereafter "the Rule"). The purpose of the verification is to evaluate the Report objectively and to enhance the credibility of the Report.
*The fiscal year of the Company ended on March 31, 2022.

2. Procedures Performed
JQA conducted verification in accordance with "ISO 14064-3". The scope of this verification assignment covers energy-derived CO2 emissions from Scope 1 & 2. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent of the total emissions in the Report. The organizational boundaries of this verification cover 5 domestic production sites and 103 domestic non-production sites of the Company.
Our verification procedures included:

- Performing validation of integrated functions to check the Rule at the Tokorozawa Office of the Company.
- Holding on-site verification at four sites: the Advanced Technology Center of the Company and the Yokohama Office of Minami Kanto Branch Office of the Company, as well as the Tomioka Production Center of NIHON KOHDEN TOMIOKA CORPORATION and the Kawamoto Production Center of NIHON KOHDEN TOMIOKA CORPORATION. The sampling sites for on-site assessment were selected by the Company.
- On-site assessment to check the Report boundaries, GHG sources, monitoring points, monitoring and calculation system and its controls.
- Vouching: Cross-checking the GHG emissions data against evidence.

3. Conclusion
Based on the procedures described above, nothing has come to our attention that has caused us to believe that the information regarding the Company's FY2021 GHG emissions in the Report, is not materially correct, or has not been prepared in accordance with the Rule.

4. Considerations
The Company was responsible for preparing the Report, and JQA's responsibility was to conduct verification of GHG emissions in the Report only. There is no conflict of interest between the Company and JQA.


 Sumio Asada, Board Director
 For and on behalf of Japan Quality Assurance Organization
 1-25, Kandasudacho, Chiyoda-ku, Tokyo, Japan
 March 18, 2024

Greenhouse Gas Emissions Verification Report by Japan Quality Assurance (JQA) Organization

Environmental Philosophy and Policy

Environmental Philosophy

Established: September 1, 2015

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

Environmental Policy

Established: April 1, 2017

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

The environmental policies are as follows:

1. Provide environmentally friendly products

In carrying out development, manufacturing, marketing, after sales service, and support for medical electronic devices, we provide environmentally friendly products and services. We contribute to reduction of greenhouse gas emissions and to 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.

Environmental Management System Certification

■ ISO 14001

The Tomioka Factory obtained ISO 14001:1996 certification in October 2001 and underwent a transitional review for ISO 14001:2004 in October 2005. Our head office and production department were integrated and registered for joint certification in January 2007. In 2017, we completed the transition to ISO 14001:2015 and underwent expansion inspections at the Advanced Technology Center and the Tomioka Second Factory.

The Asaka Office and the Eastern Japan Logistics Center obtained new certification in 2019 and in January 2022, respectively.

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

Environmental Management

Medium- to Long-term Environmental Targets <The entire Nihon Kohden Group> Established: April 1, 2024

Nihon Kohden has set environmental targets for FY2050, FY2030, and FY2024. We are working to reduce greenhouse gas emissions and minimize our environmental impact, aiming to achieve carbon neutrality by 2050.

Environmental Target for FY2050

- We aim at zero greenhouse gas emissions throughout the entire product life cycle (carbon neutrality by 2050) by reducing greenhouse gas emissions from business activities, providing environmentally friendly products, and cooperating with business partners in the supply chain.

Environmental Target for FY2030

- We will set environmental targets for FY2030 based on SBT*1 and take action to achieve them with the aim of realizing carbon neutrality by 2050. (These targets will be revised when the target values based on SBT are finalized.) (We are aiming at a 46% reduction compared to FY2013 within the scope of ISO 14001 certification.)
- As a response to water resource protection, we will set and achieve targets based on an understanding of the water usage of the entire Nihon Kohden Group.
- We will evaluate the impact of our business and corporate activities on biodiversity and promote initiatives that consider biodiversity conservation and sustainable use of resources.

*1 Science Based Targets are greenhouse gas emissions reduction targets set by each company for 5 to 10 years in the future in line with the levels sought under the Paris Agreement.

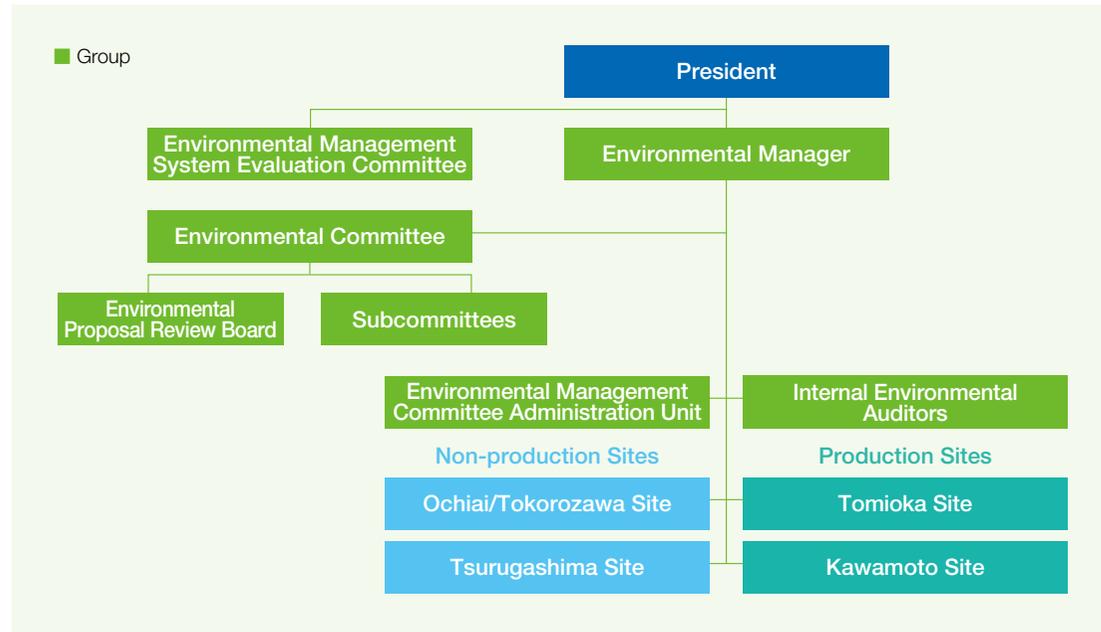
Environmental Targets for FY2024

- 1. Enhance production efficiency and reduce environmental impact by improving operational efficiency**
Reduce environmental impact, including energy use, CO₂ emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3*2), by setting specific targets in line with the operations of each site and division and raising productivity.
- 2. Reduce environmental impact and prevent pollution in our business activities**
 - 2-1. Promote the development of environmentally friendly products and achieve targets based on product assessment plans and evaluation tables for all newly developed products.
 - 2-2. Reduce defect rates and reduce CO₂ emissions in production processes. (Target values are based on environmental targets at the Tomioka and Kawamoto sites.)
 - 2-3. Manage water usage linked to production volume to reduce the volume of water consumed in the production process. (Tomioka site)
- 3. Continuously reduce energy consumption and CO₂ emissions in our business activities to realize a carbon-free society**
In consideration of the increase due to growth in sales and production, as well as the decrease due to the conversion of crude oil and changes in CO₂ emission factors, reduce the energy usage on a per unit basis by 12.3% and the CO₂ emissions on a per unit basis by 12.5%, year-on-year.
- 4. Contribute to creating a recycling-oriented society**
Promote the 3R's of reduce/reuse/recycle and achieve the following: In consideration of the increase in sales and production, limit the year-on-year increase in total waste emissions to 2.3%, limit the year-on-year rise in waste emissions on a per unit basis to 0.1%, and achieve a recycling rate of 95.1% or more.

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

Environmental Management

Environmental Management System (EMS)



Green Procurement

As part of our efforts to provide environmentally friendly products to the market based on the Environmental Philosophy of the Nihon Kohden Group, we promote procurement of products, parts, and materials which have a low environmental impact according to the following policy.

1. Prioritize purchasing from suppliers conducting ambitious environmental conservation activities while also excelling in areas that include quality, pricing, delivery times, and services
2. Prioritize the purchase of toxic substance-free products

For further details on green procurement, please refer to our websites.

<https://www.nihonkohden.com/sustainability/environment/green.html>



Environmental Management

Targets and Results of the Environmental Management Program

* Four ISO 14001 certified sites (Ochiai/Tokorozawa, Tomioka, Kawamoto, Tsurugashima). Rate of achievement: ✓✓✓100% achievement ✓✓At least 80% achievement ✓ Less than 80% achievement

Environmental Goal	FY2023 Targets	Rate of achievement	Result
1. Enhance production efficiency and reduce environmental impact by improving operational efficiency	Reduce environmental impact, including energy use, CO ₂ emissions, and waste emissions generated throughout the product life cycle (Scope 1, 2, and 3), by setting specific targets in line with the operations of each site and division and raising productivity.	✓✓✓	At each site (Ochiai/Tokorozawa, Tomioka, Kawamoto, and Tsurugashima), we worked to improve productivity based on operational targets and promoted reduction in environmental impact.
2. Reduce environmental impact and prevent pollution in our business activities	2-1. Establish calculation standards in order to achieve third-party certification of CO ₂ emissions (Scope 3). 2-2. Promote the development of environmentally friendly products and achieve targets based on product assessment plans and evaluation tables for all newly developed products. 2-3. Reduce defect rates and reduce CO ₂ emissions in the production process. 2-4. Maintain and manage water usage in the production process in proportion to production volume.	✓✓✓	2-1. We established Scope 3 calculation standards in conjunction with introducing a new system to manage environmental data and achieved our targets. 2-2. We worked on developing new environmentally friendly products, focusing on resource conservation, energy efficiency, and resource recycling, and achieved the targets based on product assessment plans and evaluation sheets. 2-3. We reduced defect rates and achieved our targets at the Tomioka and Kawamoto sites. 2-4. At the Tomioka site, we maintained and managed water usage proportionately to production volume and achieved our targets.
3. Continuously reduce energy consumption and CO ₂ emissions in our business activities to realize a carbon free society	3-1. In consideration of the increase in sales and production, limit the year-on-year increase in energy use on a per unit basis and CO ₂ emissions on a per unit basis to 1.6% and 2.0%, respectively. 3-2. Establish an operational structure utilizing an environmental information management system to improve the accuracy of data on energy use and resource inputs by the Nihon Kohden Group and set base data for SBT certification.	✓✓✓	3-1. We reduced the energy consumption intensity by 7.5% and the CO ₂ emission intensity by 11.7% compared to the previous fiscal year. CO ₂ emissions were reduced by improving the operation of air conditioning and production facilities at each business site, implementing facility renovations based on medium- and long-term plans, using renewable energy, and starting to supply electricity from solar power generation at leased buildings. 3-2. We completed the construction of an environmental data management system and commenced its operation. Additionally, we completed third-party verification of domestic Scope 1 and 2 data for FY2021.
4. Contribute to creating a recycling-oriented society	Promote the 3R's of reduce/reuse/recycle and achieve the following: in accordance with the revision of the waste calculation method, limit the year-on-year increase in total waste emissions and waste emissions on a per unit basis to 20.1% and 12.0%, respectively, and achieve a recycling rate of 95.1% or more. * In February 2024, to improve the accuracy of waste management, we revised our waste aggregation method from in-house measurements to official measurements based on the Waste Management Law. Consequently, we have revised our initial targets."In consideration of the increase in sales and production, limit the year-on-year increase in total waste emissions to 0.8%, improve waste emissions on a per unit basis by 2.0% year-on-year, and achieve a recycling rate of 97.2% or more.	✓✓✓	Due to the revision of the waste aggregation method, the total waste emissions increased compared to the previous fiscal year. However, compared to the target, which reflects a review of the aggregation method, the total waste emissions were reduced by 6.3%, the waste emissions on a per unit basis decreased by 6.5%, and the recycling rate was 95.5%, achieving the target.

Disclosure Based on TCFD Recommendations

Endorsement of TCFD Recommendations

Nihon Kohden defined sustainability key issues (material issues) to be addressed through business and corporate activities. The Company also incorporated these non-financial targets into the previous Three-year Business Plan, BEACON 2030 Phase I, in order to contribute to addressing global social issues and the SDGs. As addressing climate change is one of the most critical social issues facing global society and one of the most significant management issues for us, Nihon Kohden expressed its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022 and disclosed related information in July 2022. Going forward, we will continue to promote climate change measures aimed at achieving the material issues for sustainability outlined in the new Three-year Business Plan, BEACON 2030 Phase II, including “Realize carbon neutrality” and “Promote circular economy.” Additionally, we will work on expanding information disclosure in line with the TCFD recommendations.

For the full text of the Nihon Kohden Group's disclosure in line with the TCFD recommendations, please refer to our website.

<https://www.nihonkohden.com/sustainability/environment/tcfd.html>



Notice regarding disclosure of information in line with TCFD recommendations (press release)

<https://www.nihonkohden.com/news/22071202.html>



Governance

To promote sustainability, Nihon Kohden has established the Sustainability Promotion Committee and Sustainability Promotion Meeting. In July 2021, Nihon Kohden also established the Advisory Board consisting of external experts to incorporate outside perspectives on sustainability activities including measures to address climate change. The Sustainability Promotion Committee holds a meeting twice a year and formulates the policies and directions including measures on climate change. The president, who is the chairman of the Sustainability Promotion Committee, has the authority to evaluate and manage measures to mitigate climate change, and regularly reports to the Board of Directors about the progress and evaluation of the annual plan. The Board of Directors supervises the Company's measures on climate

change. The Sustainability Promotion Meeting is held four times a year to establish and promote annual plans based on the policies and directions formulated by the Sustainability Promotion Committee and reports on the progress of those plans to the Sustainability Promotion Committee. Based on its Three-year Business Plan, Nihon Kohden's management has set material issues and KPIs related to sustainability and assigned departments for each materiality. Members of the Sustainability Promotion Meeting, who represent the departments in charge of each material issues, report on the progress of material issues and KPIs activities and exchange opinions with other members at regular meetings.

The Advisory Board Meeting is held twice a year to discuss and advise on overall sustainability promotion, including actions on climate change.

Strategy

To understand the impact of climate change on business activities in Japan and internationally, Nihon Kohden has analyzed risks and opportunities mainly by management and members of the Sustainability Promotion Committee and Sustainability Promotion Meeting. Based on analysis of a 1.5°C and 2°C scenario as well as a 4°C scenario, we have identified transitional and physical risks and opportunities over the short-term to FY2023, medium-term to FY2026, and long-term to FY2029.* We have also examined the business impact and possible countermeasures.

* 2°C scenario is to limit the global average temperature increase to 2°C above pre-industrial levels.

1.5°C scenario is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

4°C scenario estimates the global average temperature increase to be 4°C above pre-industrial levels.

For further details of 1.5°C to 2°C scenario and 4°C scenario, please refer to our website.

https://www.nihonkohden.com/sustainability/environment/tcfd.html#tcfd_strategy



Disclosure Based on TCFD Recommendations

Risk Management

For details on the overall risk management of the Nihon Kohden Group's operations, please refer to **Developing a Company-wide Risk Management Framework page**.

A cross-organizational TCFD response project was initiated and has been operated since October 2021 to identify and assess climate change risks affecting the Nihon Kohden Group. Climate change risks and response measures identified in the TCFD response project have been discussed and approved by the Sustainability Promotion Committee and its progress has been managed and reported to the Board of Directors.

Nihon Kohden considers the risk of losses due to interruption of operations caused by disasters or accidents and the risk of losses due to occurrence of environmental pollution, etc., caused by insufficiency in reduction of environmental impact or prevention of environmental pollution to be its business risks. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, or the spread of infectious diseases in each region, the procurement of parts, the supply of products, and sales and service activities may be disrupted, which could have an impact on the operating results and financial condition of the Nihon Kohden Group. We procure raw materials and parts used for our products not only in Japan but also around the world. In the event of a supply issue at a supplier, we take measures, including the consideration of alternative parts, to ensure that the production of our products is not affected. In addition, we have formulated a Business Continuity Plan (BCP) and conduct periodic company-wide education and training to ensure the continued supply of products and services in the event of a large-scale earthquake.

Financial Impact Assessment

Metrics and Targets

In the previous Three-year Business Plan, BEACON 2030 Phase I, to realize a carbon-free society, which is one of material issues in the environment for sustainability, we set KPIs for CO₂ emissions, the number of models and sales ratio of environment-friendly products, and the amount of waste from disposal of products and parts.

To reduce CO₂ emissions, We aimed to achieve a 15.2% reduction compared to FY2020 per unit of sales (Scope 1, 2 within ISO 14001 certified sites) in FY2023. We successfully reduced CO₂ emissions per unit of sales by 45.8% and total emission by 39.8% compared to FY2020, achieving our target. We are committed to efficient energy use at each business site by switching to energy-saving equipment, changing the operation of production equipment, and raising awareness among employees. Additionally, we have been gradually switching to renewable energy sources since FY2017, at those of our major offices with high-voltage power contracts. In FY2023, approximately 46% of domestic operations used renewable energy. We aim to switch to 100% renewable energy sources at all of our domestic offices by 2030.

To address flood risk at our offices and improve energy efficiency, we relocated five domestic offices in FY2023. We will also set the targets and promote strengthening measures to improve water use efficiency at our production sites.

As part of our social contribution through business activities, we are engaged in developing energy-saving, compact, and lightweight products that are environmentally friendly, aiming for a cumulative sales ratio of over 20% for environmentally friendly products over three years. In FY2023, we achieved a sales ratio of 20.1% for environmentally friendly products. Regarding the amount of waste from disposal of products and parts, we aimed to reduce the product and parts retirement by 8% compared to FY2020 in FY2023. However, in response to increased demand due to the COVID-19 pandemic and the shortage of semiconductors, we have increased inventories of finished goods and parts, resulting in a 10% increase compared to FY2020.

We will continue to provide environmentally friendly products, collaborate with our supply chain, and set SBT (Science-Based Targets) to identify and address our environmental issues.

Disclosure Based on TCFD Recommendations

		FY2021	FY2022	FY2023
Global Warming Prevention	Scope 1 (t-CO ₂)	4,817	4,539	4,250
	Scope 2 (t-CO ₂)	5,354	4,828	3,644
	Greenhouse gas emissions (t-CO ₂)	10,171	9,367	7,894
Energy Saving	Total input energies (GJ)	250,596	240,393	214,220
Waste Reduction	Total waste emissions (t)	759.4	732.5	824.2
	In-house recycling rate (%)	97.3	97.4	95.5
Environmentally Friendly Products	New registration of environmentally friendly products (registrations)	4	4	1

The figures for Global Warming Prevention and Energy Saving are the combined totals for the Scope of ISO14001 certification, including the parent company, and domestic sales branches.

Scope 1 and Scope 2 for FY2021 have received third-party verification. In conjunction with the verification, we have revised the figures for Scope 1 and 2 and the total energy input in FY2021.

The figures for Waste Reductions are for the scope of ISO 14001 certification, including the parent company.

The figures for Environmentally Friendly Products are the number of product series launched in that fiscal year.

* Scope of ISO 14001 certification: Ochiai and Tokorozawa site, Tomioka site, Tsurugashima site, Kawamoto site.

Water Intake (m ³)	FY2021	FY2022	FY2023
Water supply	60,858	62,657	62,545
Surface water of rivers and lakes	0	0	0
Other (such as rainwater, seawater, well water, spring water)	0	0	0
Total amount	60,858	62,657	62,545
Water Discharge (m ³)	FY2021	FY2022	FY2023
Sewerage	37,265	39,738	44,433
Rivers	9,007	8,186	8,085
Other (such as watering the ground surface)	0	0	0
Total amount	46,272	47,923	52,518

The figures for Water Intake and Water Discharge are the combined total for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.

Enhancement of Environmentally Friendly Products

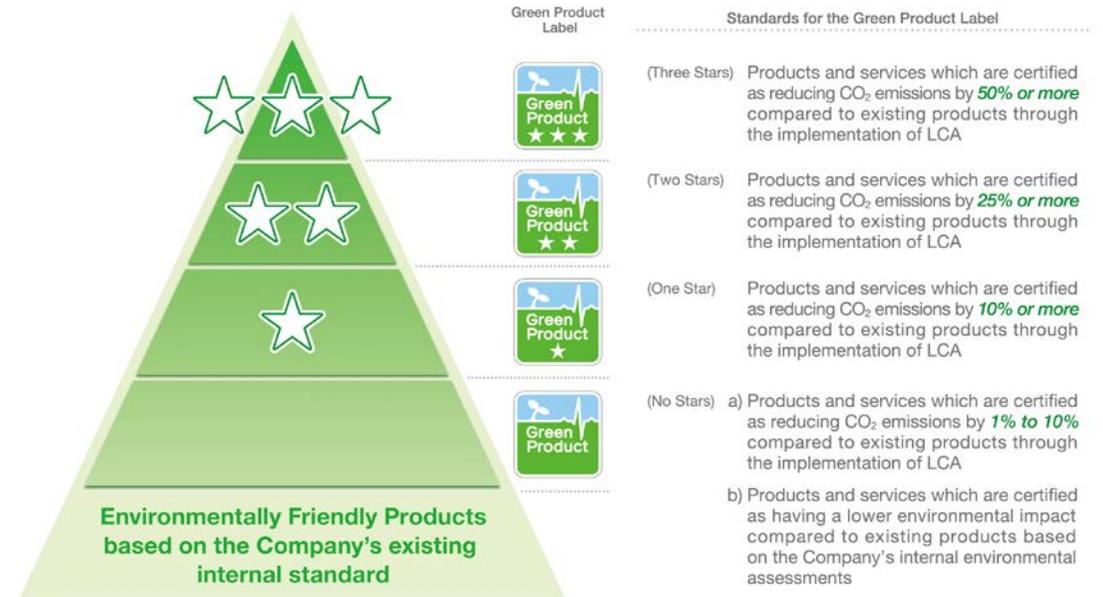
Nihon Kohden has developed and provided Environmentally Friendly Products that take the global environment into consideration, as one of our efforts to contribute to society through our business activities.

Green Product Label Certification Structure

In March 2024, to further strengthen its initiatives, the Company reviewed its standards for assessing environmental impact throughout the lifecycle of its products and services, and started to certify its products and services that meet the standards with the Green Product Label (ISO 14021 Type II environmental labelling for self-declared environmental claims). The Green Product Label certifies the Company's products and services that meet its standards based on a four-tier assessment ranking in terms of contribution to reducing environmental impact such as CO₂ emissions compared to existing products and services, following the implementation of LCA* and environmental assessments, as well as a review and approval process.

* LCA (Life Cycle Assessment) is a method for quantitatively assessing the environmental impact of products or services during their entire lifecycle, from raw material extraction and processing to manufacturing, distribution, usage and disposal of products.

Green Product Label Rating Ranking



For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/environment/green_product.html



Water Resource Conservation

Initiatives for Using Water Resources in Water-stressed Areas

Nihon Kohden has identified water-stressed areas in each region in which the Company operates and evaluated risks accordingly. We utilized the Aqueduct Water Risk Atlas published by the World Resources Institute (WRI) and have confirmed that total 13 sites are in relatively water-stressed areas compared to other regions. Although no water-related issues have occurred in water-stressed areas at this time, we will continue to appropriately comply with local regulations and work on proper and efficient use and safe supply of water.

We are currently collecting data at some overseas non-production sales subsidiaries where we have not been able to obtain actual values.

Americas	U.S., Mexico (4 sites)
Europe	Spain (1 site)
Asia and others	India, U.A.E. China, Kenya (8 sites)

Water Management Plan

Nihon Kohden's mother factory, Nihon Kohden Tomioka, which produces reagents for hematology analyzers, accounts for 38% of the Company's total water intake. Nihon Kohden Tomioka strives to make effective use of water resources by setting annual environmental targets based on projected water consumption for the entire Tomioka Site, as well as monitoring water intake and water discharge and properly managing them.

Initiatives of the Water Resources Protection Activity Team

Nihon Kohden has set "Promote circular economy" as one of its material issues for sustainability and is strengthening its efforts by setting the amount of water consumption and use of the water cycle as one of its KPIs.

Nihon Kohden Tomioka has implemented water resource measures at its domestic and international reagent manufacturing plants and Tomioka Production Center.

Measures at Domestic and International Reagent Plants

In addition to Tomioka, Nihon Kohden manufactures reagents in Shanghai (China), Florence (Italy), Surat (India), and Dubai (U.A.E.). Maintaining the quality level of reagents requires a large amount of water during the purified water production stage and the reagent washing stage of the pipeline. Water usage and wastewater volumes vary depending on the specifications and scale of each plant's equipment. Therefore, we investigated the water usage at each stage, from water intake to purification, RO concentration*, shipment, in-plant line cleaning, and wastewater, as well as the ratio of reagent shipment volume and wastewater volume to water intake volume for each plant.

Next, we clarified the cleaning procedures at each plant to identify the appropriate amount of purified water used for cleaning. By comparing and verifying usage and cleaning procedures, we consider reducing each plant's target values (KPIs).

*RO (Reverse Osmosis) Concentration: Removing impurities from water using an RO membrane to increase the concentration of residual substances.

Water Resource Conservation

■ RO Membrane* Replacement at the Dubai Reagent Plant

Through multiple discussions between production personnel in Dubai and Tomioka, we found that the ratio of tap water usage to purified water had been over target by 20% at the Dubai reagent plant, leading to the replacement of the RO membrane. Continued investigation of usage allowed us to set appropriate replacement times for the RO membrane.

■ Review of Cleaning Procedures at the India Reagent Plant

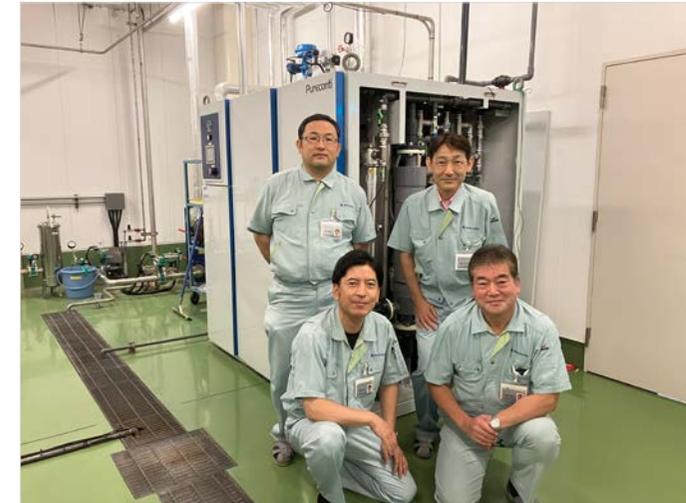
With the increase in production volume at the India reagent plant, production and development employees at India and Tomioka collaborated to review the cleaning procedures. This review contributed to the effective use of water resources by reducing water usage and lowering the wastewater ratio to intake water by 4.6%, while maintaining the quality level of the reagents. This initiative marked an essential step towards achieving production efficiency with maintained quality and environmental protection.

■ Collaboration with Partner Companies

At the Tomioka reagent plant, we have advanced the visualization of water intake and wastewater volumes as well as promoted water resource measures in collaboration with partner companies. By working together to produce RO water efficiently, we reduced water usage for purified water production by approximately 10%.

Although reagent manufacturing facilities differ in each country, we will continue to consider expanding the successful cases of water usage reduction from the Tomioka reagent plant to other overseas reagent plants.

* RO (Reverse Osmosis) Membrane: It is an ultra-fine filter with pores measuring 0.001 to 0.002 microns. Water treated with an RO membrane is referred to as RO water.



Members working on water resource measures at the Tomioka reagent plant

Water Resource Conservation

Measures at the Tomioka Production Center

The team to reduce water usage and discharge has continued efforts throughout the Tomioka Production Center.

They continuously investigated water intake and discharge volumes, replaced aging water supply pipes, and implemented leak prevention measures.

Additionally, in the Tomioka Production Center, which has many employees, the team has been considering using rainwater for toilet flushing since FY2022. They measured the amount of potable water used in toilets and calculated the cost of installing a new rainwater tank. Although the cost of installing a new rainwater tank and water supply pipes, in addition to existing facilities, and the annual maintenance costs exceeded the budget plan. Therefore, we decided not to proceed with this investment in a rainwater tank. However, these considerations provided an excellent opportunity to share information within the company and think about what can be done to reduce water usage. The new Tsurugashima plant, which started construction in July 2024, includes the use of rainwater for toilets in its design plan. Furthermore, to reduce water usage, the team compared and verified nine types of toilet paper over two months to identify water-saving toilet paper. As a result, they switched to toilet paper that does not cause pipe blockages and achieves water-saving effects, realizing a water-saving impact of approximately 30 m³/month.

The team will continue to promote efforts to solve environmental issues through our business activities.



Members working on water resource measures at the Tomioka Production Center

Enhancing Information Disclosure and Shareholder Returns

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

DISCLOSURE OF INFORMATION

Enhancing Information Disclosure and Shareholder Returns

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

Shareholder Returns Policy

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. The priority for distribution of profits is: i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, and ii) shareholder returns. In terms of shareholder returns, the Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. We have revised the indicator and target for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more.

For FY2023, the full-year dividend was 61 yen, resulting in a consolidated total return ratio of 36.7%, including the acquisition of treasury shares of 1,123 million yen implemented in February 2024.

In FY2024, each share of common stock was split into two shares effective on July 1, and the Company cancelled 5.5 million shares of its treasury shares on July 19. In addition, the Company will acquire up to 10 billion yen of its own shares from August 2024 to March 2025.

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. On the day of the meeting, we exhibit medical devices and explain the features to shareholders. At the shareholders' meeting held in June 2024, we exhibited a fully automatic AED, an AED for home use, an automated chest compression device, a telemetry system, and syringe pump control software for assisting with total intravenous anesthesia. We have posted a video of the presentation by the Chairman on the day on our website. For foreign shareholders, convocation notices (including a business report), notice of resolutions, and voting results are translated into English and posted on the external website.

■ Earnings presentations / Business strategy briefing

Nihon Kohden holds financial results briefings (interim and full-year results) for securities analysts and institutional investors and organizes online conferences (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. From May 2020, all financial results briefings have been held by conference calls or online. The Company held a meeting for FY2023 financial results and its new Three-year Business Plan in a hybrid manner of in-person and online, in May 2024. In March 2024, the Company also held its first small meeting about sustainability initiatives in a hybrid manner.

Enhancing Information Disclosure and Shareholder Returns

■ Company briefings and events for individual investors

We hold Company briefings for individual investors so that they can see our management strategy and business operations and extend their long-term support. In FY2023, we held one in-person meeting and two online meetings. We have also revamped our website.



In-person meeting held in Tokyo with the cooperation of the Securities Analysts Association of Japan



Online meeting distributed by Daiwa Investor Relations

■ Relationship with Shareholders and 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 visits to investors, accepting visits as requested, and by phone.

Status of Dialogue with Shareholders

In FY2023, the Company had approx. 330 meetings with institutional investors, including approx. 150 meetings with shareholders. The topics of the dialogues were quarterly financial results and forecasts, as well as mid- to long-term growth strategies, including the direction of the Company's next Three-year Business Plan starting from FY2024, capital policies, and initiatives to strengthen corporate governance and embrace sustainability.

Relay Investor Feedback to Management

The Corporate Strategy Division, which bears responsibility for IR activities, relays the views of shareholders and investors acquired through dialogue to the management (Directors, Management Operating Officers, and Operating Officers) and relevant departments for sharing and using information.

For further details on the status of dialogue with shareholders and institutional investors, please refer to our website.

<https://www.nihonkohden.com/sustainability/engagement/investors/communication.html>



Topics

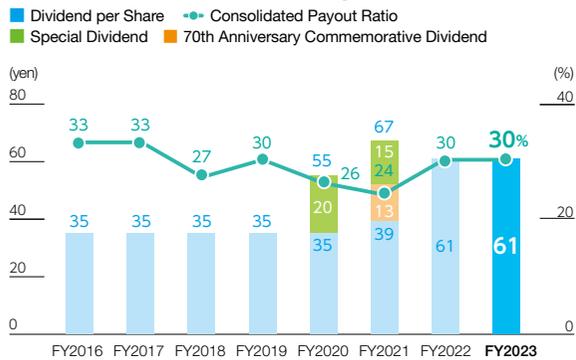
Comments from individual shareholders

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

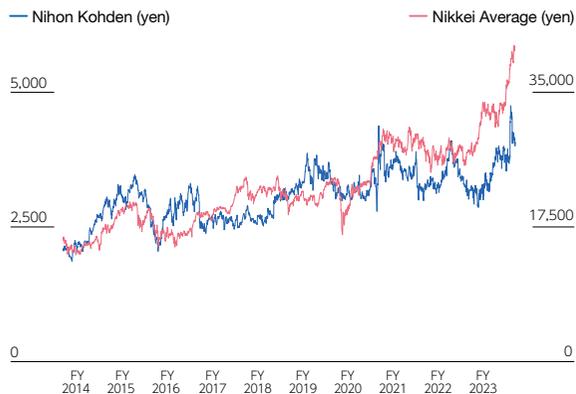
- I have been using the Company's products and wanted to support it. I look forward to seeing further contributions to healthcare.
- I hope that the Company will focus on R&D with an eye on the future.
- I expect the Company to secure earnings and pay stable dividends.
- I hope that the Company will aim to be an environmentally friendly enterprise.
- The Company's shareholder newsletters concisely summarize the business content and are easy to understand.

Enhancing Information Disclosure and Shareholder Returns

Change in Dividend per Share and Consolidated Dividend Payout Ratio



Change in Share Price

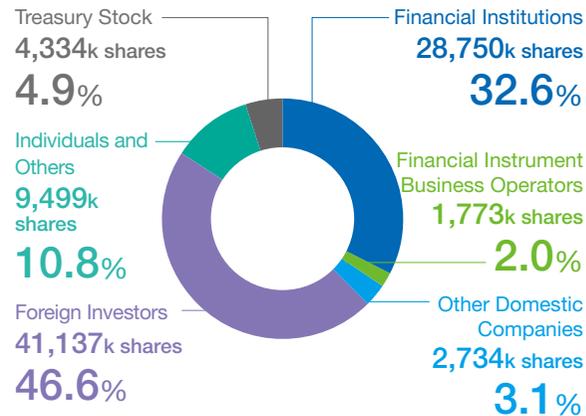


* Effective April 1, 2015, each share of common stock was split into two shares. For the above share prices, trading values before the split date have also been adjusted retroactively.

Number of Dialogues with Institutional and Individual Investors in FY2023

- Meetings with institutional investors and securities analysts: **Approx. 330 meetings including approx. 150 meetings with shareholders**
- Number of responses to annual shareholder survey (Postcard/WEB): **440**
- Company briefings for individual investors (3 sessions):
Live viewing: Approx. 640 viewers,
In-person: Approx. 45 attendees
On-demand viewing: Approx. 2,300 viewers
- Nihon Kohden's introduction video series for individual investors:
Approx. 1,650 views

Ownership Breakdown (as of March 31, 2024)



Major Shareholders (as of March 31, 2024)

Shareholders	Number of Shares (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	12,606	15.02
CGML PB CLIENT ACCOUNT/COLLATERAL	4,371	5.21
Saitama Resona Bank, Ltd.	4,178	4.98
Custody Bank of Japan, Ltd. (trust account)	3,753	4.47
State Street Bank and Trust Company 505103	2,867	3.41
JP Morgan Chase Bank 380055	2,551	3.04
JP Morgan Chase Bank 385151	2,324	2.77
GOVERNMENT OF NORWAY	1,842	2.19
State Street Bank and Trust Company 505103	1,750	2.08
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,382	1.64

(Note) The above list excludes Nihon Kohden's treasury stock of 4,334 thousand shares. Each shareholding ratio is calculated excluding treasury stock.

Topics

In December 2023, Nihon Kohden was selected as the highest AAA grade for its website in the 2023 All Japanese Listed Companies' Website Ranking Survey by Nikko Investor Relations Co., Ltd. In this survey, Nikko Investor Relations evaluated 164 items from the following three points of view: understandability, usability/accessibility, and variety of information. The survey targeted the websites of all 3,970 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.



External Evaluation

We are working to enhance our corporate value by strengthening our efforts to promote sustainability and enhancing information disclosure.

External Evaluation

■ FTSE4Good Index Series, FTSE Blossom Japan, FTSE Blossom Japan Sector Relative Index*1

Created by the global index provider FTSE Russell, the FTSE4Good Index Series, FTSE Blossom Japan, and FTSE Blossom Japan Sector Relative Index are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Russell evaluates companies in the areas of corporate governance, health and safety, anticorruption, and climate change, and its constituent companies meet various criteria related to environment, society, and corporate governance.

Nihon Kohden, as a result of assessment according to the FTSE Russell ESG rating criteria, has been a constituent of the FTSE4Good Index Series and the FTSE Blossom Japan for four consecutive years since 2017 and for three consecutive years since 2022.

The Company has also become a constituent of the FTSE Blossom Japan Sector Relative Index for three consecutive years since 2022, which is designed by FTSE Russell to measure the performance of Japanese companies demonstrating relatively excellent ESG practices in each sector.

■ MSCI Nihonkabu ESG Select Leaders Index*2

The MSCI Nihonkabu ESG Select Leaders Index are ESG comprehensive index created by MSCI and designed to represent the performance of companies that have high Environmental, Social and Governance (“ESG”) ratings relative to their sector peers.

Nihon Kohden has been selected as a constituent of the MSCI Nihonkabu ESG Select Leaders Index in 2024.



FTSE4Good



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

■ MSCI Japan Empowering Women (WIN) Select Index*2

The MSCI Japan Empowering Women (WIN) Select Index is a stock price index created by MSCI and is composed of companies that promote high level of gender diversity and women’s participation and advancement in the workforce. Nihon Kohden has been selected as a constituent of the MSCI Japan Empowering Women (WIN) Select Index for five consecutive years since 2020.

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

■ ISS ESG Corporate Rating

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

Nihon Kohden has been rated as “Prime” in the Health Care Equipment & Supplies industry in 2021 and 2024.



■ CDP Rating in the Areas of Climate Change and Water Security

In February 2024, Nihon Kohden received a B rating in the areas of Climate Change and B- rating in those of Water Security from the Carbon Disclosure Project (CDP), a non-governmental organization that works internationally to disclose information on environmental assessments.



*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Nihon Kohden Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series, FTSE Blossom Japan and FTSE Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE4Good Index Series, FTSE Blossom Japan and FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible funds and other products.

*2 The inclusion of NIHON KOHDEN CORPORATION in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIHON KOHDEN CORPORATION by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Financial and Corporate Data

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

FINANCIAL INFORMATION

Message from Director Responsible for Accounting (Chief Administrative Officer)

Review of the Previous Three-year Business Plan

In FY2023, the final year of the previous Three-year Business Plan, BEACON 2030 Phase I, we faced several issues, including actual overseas sales falling short of the target in North America and China, increases in the cost ratio due to an increase in devaluation of inventories, increases in SG&A expenses due to the strengthening of human resources, wage increases, and inflation. Consequently, our operating income was ¥19.5 billion, with an operating income margin of 8.8% and ROE of 9.8%. These figures fell short of our targets of ¥20 billion in operating income, a 10.2% operating income margin, and a 10% ROE. Additionally, due to increased finished goods and parts, the cash conversion cycle was extended to 232 days, falling short of our target to reduce it to 190 days. As a result, sales growth, especially in the North American market, and the improvement of company-wide profitability, remain the financial issues for the future.



Tadashi Hasegawa
Executive Operating Officer,
Chief Administrative Officer,
General Manager of Corporate
Administration Operations,
Chief Compliance Officer

Initiatives in the New Three-year Business Plan

In the new Three-year Business Plan, BEACON 2030 Phase II, based on the issues remaining from the previous plan, we have set three indicators and six key measures. We aim to achieve each target: a sales CAGR of 5% for “Growth,” an operating income margin of 15% for “Profitability,” and ROE of 12% for “Capital efficiency.” To achieve these targets, we will implement six key measures, including “Implement the reform of the profit structure,” “Introduce Nihon Kohden's own ROIC formula,” and “Reduce cash conversion cycle.”

1. Implement the Reform of the Profit Structure

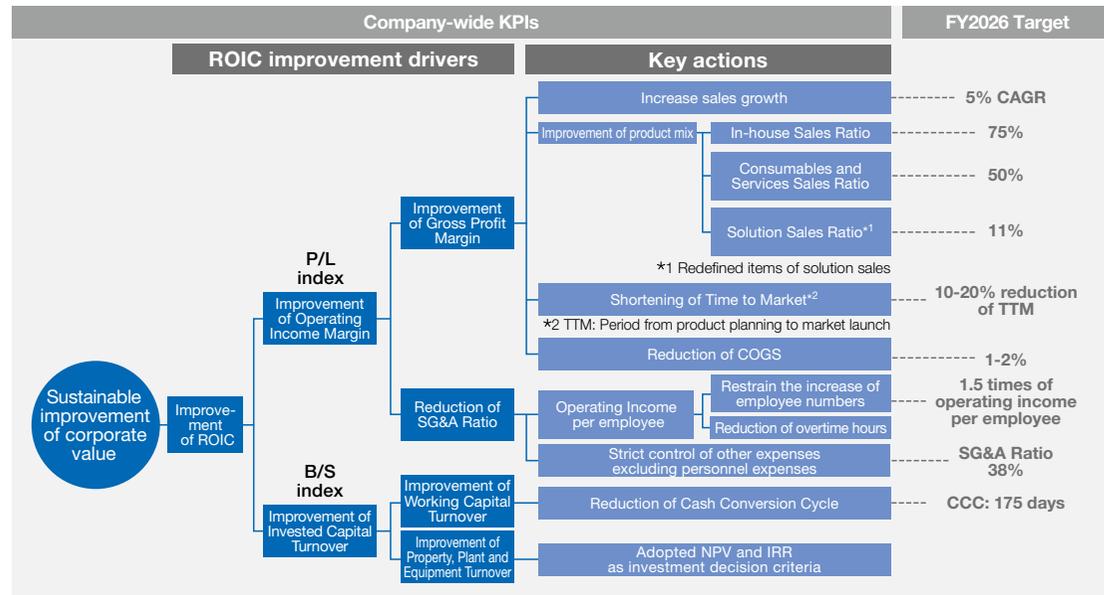
In implementing the reform of the profit structure, we aim to improve the operating income margin by approximately +2% through product mix, approximately +2% through productivity improvement, and approximately +1% through the supply chain. In the area of improving the product mix, we will improve gross profit margin by reviewing pricing policies and product line-up. In terms of productivity improvement, we will enhance operational efficiency by utilizing technologies such as AI, reflect the reduction in working hours in our personnel planning to restrain the increase in personnel. In the supply chain, we will also work to reduce the costs of goods sold by refining price negotiations with suppliers and strengthening value engineering.

Message from Director Responsible for Accounting (Chief Administrative Officer)

2. Introduce Nihon Kohden's Own ROIC Formula

To achieve the cost of capital-conscious management, we will start introducing Nihon Kohden's own Return on Invested Capital (ROIC) formula. Aiming to improve profitability in P/L as well as capital efficiency in B/S, we will introduce and promote ROIC for each subsidiary/division in the Group. Phase II is the stage of investing for growth, and we aim at achieving the targets of ROIC of 12% and ROE of 12% by focusing on improving working capital, selecting investments per investment decision criteria and managing their progress, and enhancing shareholder returns.

Planned to set KPIs in each subsidiary/division to penetrate Nihon Kohden's ROIC



3. Reduce Cash Conversion Cycle

To reduce the cash conversion cycle, we aim at reducing it from 232 days to 175 days within the term of the new Three-year Business Plan through further inventory control mainly at the Production Operations, which was newly established in April 2024. Furthermore, looking beyond that, our mid-term target is 150 days.

Capital Policy

In our capital policy, Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to make investments for future business expansion and enhance shareholder returns as well as securing a sound financial foundation. The specific priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, and ii) shareholder returns. We have revised the indicator and target for shareholder returns from a consolidated dividend payout ratio of 30% or more to a consolidated total return ratio of 35% or more. The Company will increase dividends in a stable manner in line with growth in business performance. Share buybacks are conducted in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plans, retained earnings, and stock price level. In accordance with this policy, the Company announced in May 2024 its decision to acquire its own shares up to 10 billion yen (Acquisition period: From August 5, 2024, to March 31, 2025).

Message from Director Responsible for Accounting (Chief Administrative Officer)

Introduction of the Stock Remuneration Plan

To provide incentives to strengthen its remuneration governance and further improve the Company's corporate value to achieve the targets of the Three-year Business Plan, the Company started a new performance-linked stock remuneration plan in FY2024. Eligible persons of this plan are the Company's Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors) and Management Operating Officers/Operating Officers. The allotment of the shares will be determined based on the achievement of the financial target of the Three-year Business Plan, BEACON 2030 Phase II: consolidated operating income margin, consolidated return on equity (ROE), and relative total shareholder return (TSR). By allotting the shares based on the degree of achievement of targets, we aim to share the Company's corporate value with our shareholders and motivate the Company's executives to contribute to stock price appreciation.

Cash Allocation Policy

We have publicly announced our cash allocation policy for the first time. The total operating cash flow is expected to be ¥80 billion or more over the next three years. Growth investment including M&A is planned to be ¥30 billion or more. This includes accelerated investment in areas such as DHS which have synergies with existing businesses. Capital investments are planned to be around ¥25 billion for establishing a new plant in Tsurugashima City, Saitama Prefecture, as well as promoting corporate digital transformation (corporate DX) through the introduction of PLM/MES systems. The Company plans shareholder returns of ¥28 billion or more over three years and will consider additional shareholder returns depending on the progress of its future investment plans.

Resilience & Sustainability

During the previous Three-year Business Plan, BEACON 2030 Phase I, we encountered numerous unforeseen events, including the resurgence of COVID-19, shortages in semiconductor and electronic component supplies, rising raw material costs, the Russia-Ukraine conflict, and changing market conditions in the United States and China. Faced with these unprecedented circumstances, we have reaffirmed the need for a solid financial foundation that can respond quickly and appropriately to changes in the environment and ensure a stable supply of medical devices - in other words, the importance of increasing our financial resilience.

In BEACON 2030 Phase II, while ensuring resilience, we will make proactive investments for future growth, and at the same time, position the return of profits to shareholders as our most important policy. We will strike an optimal balance between the two objectives. The Company aims to enhance corporate value through sustainable management. To meet the expectations of all stakeholders, our executives and employees will unite and commit fully to these efforts. We appreciate your continued support.

Financial/Non Financial Summary



(Millions of yen unless otherwise stated)

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Business results												
Net sales	132,538	153,194	160,803	165,522	166,285	174,249	178,799	185,007	199,727	205,129	206,603	221,986
Operating income	13,484	17,547	15,921	16,438	13,585	14,517	15,044	15,503	27,094	30,992	21,120	19,591
Income attributable to owners of parent*1	9,151	12,346	11,142	10,516	9,149	9,154	11,191	9,854	18,243	23,435	17,110	17,026
Financial position												
Current assets*2	95,181	106,515	118,389	112,929	119,235	120,687	132,211	129,020	156,140	171,875	172,500	184,333
Current liabilities*2	39,028	41,248	45,654	42,901	45,006	44,601	48,346	40,319	50,608	50,804	46,568	49,901
Total assets*2	116,800	130,917	146,755	144,270	152,806	157,910	169,717	167,786	193,030	210,201	216,728	233,233
Net assets	76,256	88,512	99,304	97,671	103,887	109,355	116,087	121,774	138,986	156,381	167,604	181,082
Cash flows												
Cash flows from operating activities	13,189	9,383	12,505	10,765	11,356	10,843	9,819	9,217	13,945	25,699	(2,513)	15,607
Cash flows from investing activities	(6,959)	(4,421)	(4,689)	(7,802)	(6,344)	(3,346)	(3,258)	(4,607)	(2,946)	(4,303)	(7,647)	(5,208)
Free cash flow	6,229	4,962	7,815	2,962	5,011	7,497	6,561	4,609	10,999	21,396	(10,161)	10,398
Cash flows from financing activities	(1,174)	(3,436)	(3,267)	(9,488)	(3,517)	(4,628)	(3,074)	(3,054)	(3,007)	(7,300)	(7,485)	(6,968)
Cash and cash equivalents	26,683	28,808	34,113	27,283	28,560	31,285	34,697	35,913	44,356	60,095	43,988	49,877
Per share information												
Net income (Yen)*3	208.31	281.03	126.83	120.12	106.81	106.92	131.43	115.72	214.21	276.51	203.28	202.45
Dividends (Yen)*4	52.0	70.0	70.0	35.0	35.0	35.0	35.0	35.0	55.0	67.0	61.0	61.0
Other												
R&D costs	6,424	7,108	5,745	5,910	6,466	7,226	7,243	6,731	6,357	5,711	6,200	6,996
Number of employees (Persons)	4,360	4,495	4,616	4,776	4,934	5,031	5,169	5,357	5,531	5,639	5,751	5,891
Number of shares issued at end of year (Thousands of shares)*5	45,765	45,765	45,765	89,730	89,730	89,730	88,730	88,730	88,730	88,730	88,230	88,230
Common Stock Price (fiscal year-end) (Yen)*6	3,280	4,115	3,275	2,798	2,489	2,961	3,290	4,060	3,230	2,951	3,590	4,004
Price Book Value Ratio (times)	1.89	2.04	2.90	2.45	2.05	2.31	2.41	2.84	1.98	1.59	1.80	1.86
Key performance indicators												
ROE (%)	12.7	15.0	11.9	10.7	9.1	8.6	9.9	8.3	14.0	15.9	10.6	9.8
Operating income margin (%)	10.2	11.5	9.9	9.9	8.2	8.3	8.4	8.4	13.6	15.1	10.2	8.8
Dividend payout ratio (%)	25.0	24.9	27.6	29.1	32.8	32.7	26.6	30.2	25.7	24.2	30.0	30.1

*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.

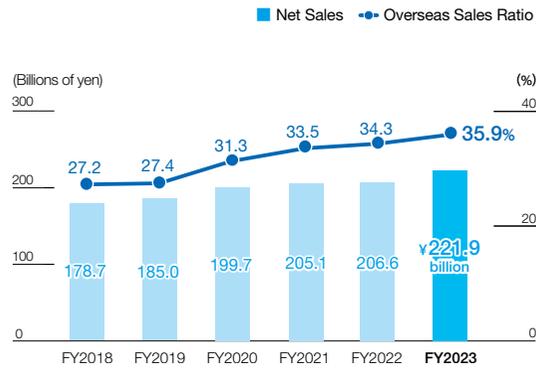
*4 Effective April 1, 2015, each share of common stock was split into two shares. The figures for FY2014 or earlier periods represent dividends per share based on the number of shares before the said stock split.

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

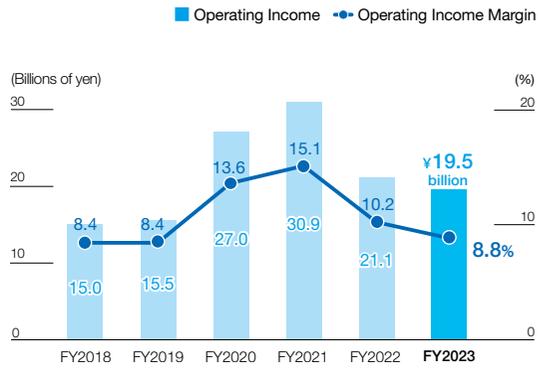
*6 Stock price at the end of FY2014 is ex-stock split.

Financial/Non Financial Summary

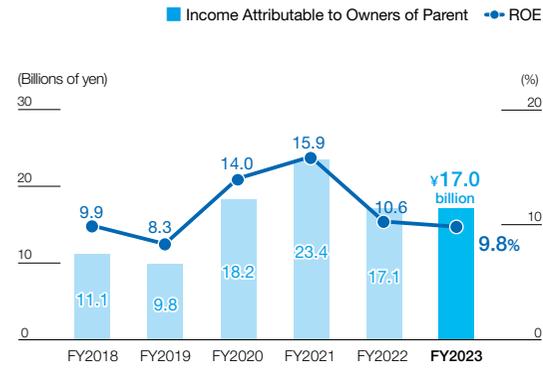
Net Sales/Overseas Sales Ratio



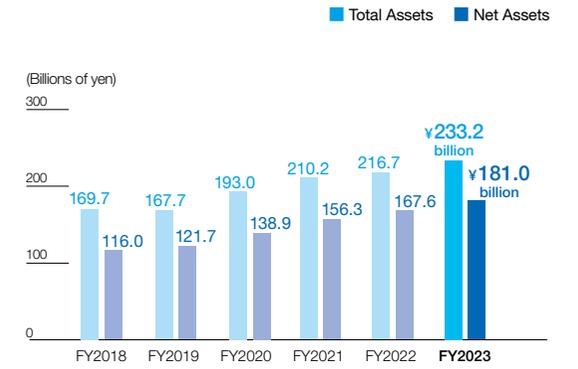
Operating Income/Operating Income Margin



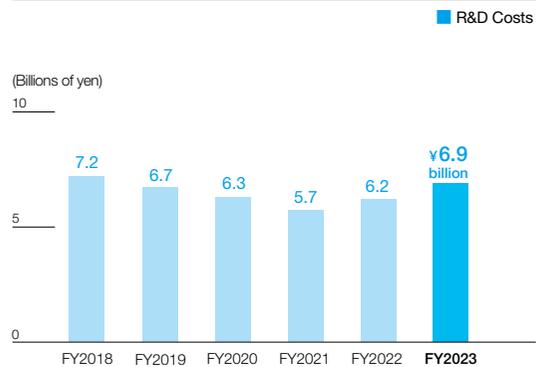
Income Attributable to Owners of Parent/ROE



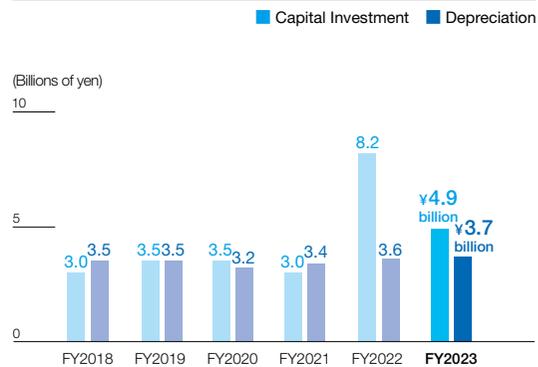
Total Assets/Net Assets



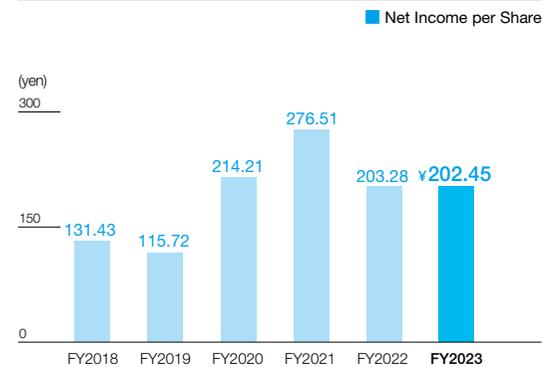
R&D Costs



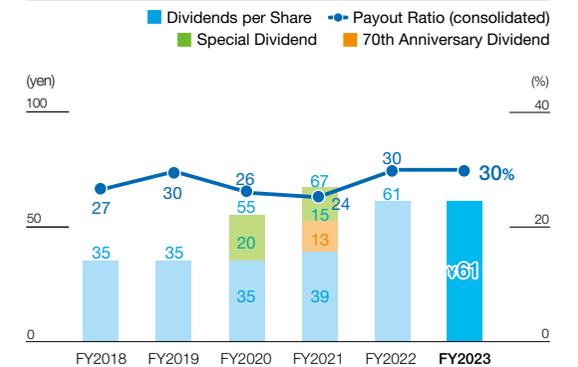
Capital Investment/Depreciation



Net Income per Share

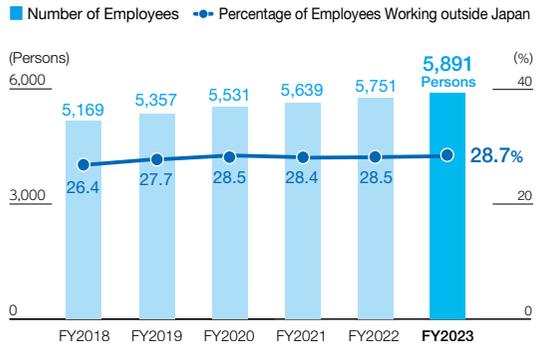


Dividends per Share/Payout Ratio (consolidated)

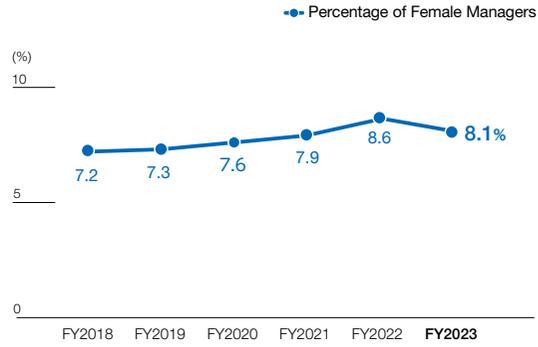


Financial/Non Financial Summary

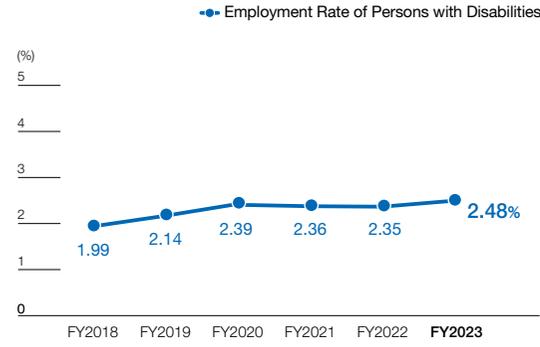
Number of Employees (Consolidated)/ Percentage of Employees Working outside Japan



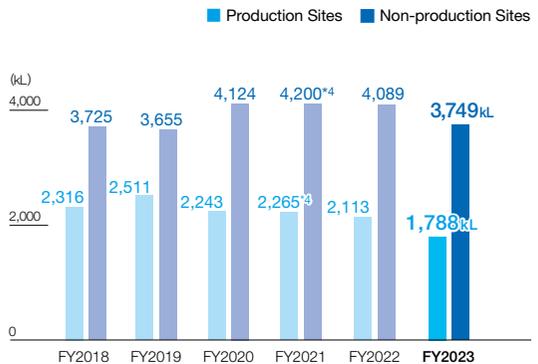
Percentage of Female Managers*1



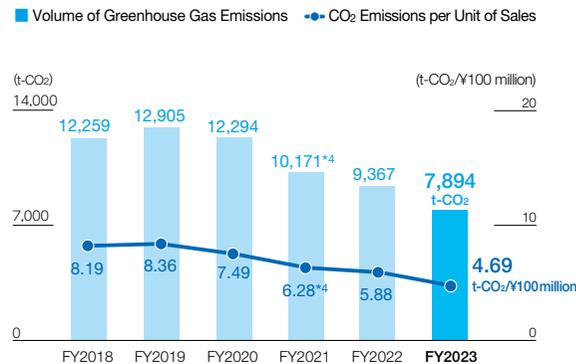
Employment Rate of Persons with Disabilities*1



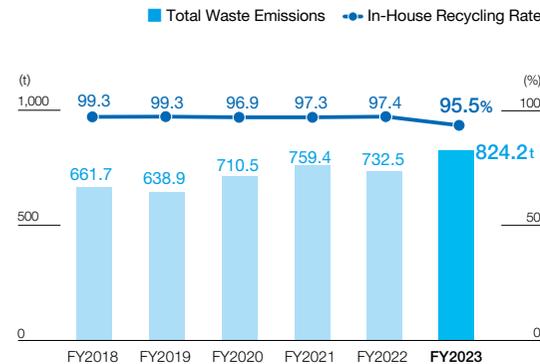
Total Energy Consumption (Barrels of Oil Equivalent (BOE))*2



Volume of Greenhouse Gas Emissions/ CO2 Emissions per Unit of Sales*2



Total Waste Emissions/ In-House Recycling Rate*3



*1 The percentage of female managers and employment rate of person with disabilities are the combined totals for the parent company and the domestic sales branches.
 *2 The figures for total energy consumption and volume of greenhouse gas emissions/CO2 emissions per unit of sales are the combined totals for the scope of ISO 14001 certification, including the parent company, and the domestic sales branches.
 *3 The total waste emissions/in-house recycling rate for FY2020 are combined totals for the scope of ISO 14001 certification, including the parent company, and the Eastern Japan Logistics Center.
 *4 The figures were revised from the previous year's report following third-party verification.

Business Report

Overview by Product Category (Consolidated)

Physiological Measuring Equipment

Sales ¥46.5 billion **+7.5%** % change YoY

Japan: Sales of diagnostic information systems and EEGs achieved double-digit growth. Sales of polygraphs for cath lab increased favorably and sales of ECGs also increased.

International: Sales of EEGs increased favorably in Europe and Asia & Other, while sales of ECGs decreased in Asia & Other and Europe.

EEG-1260 Electroencephalograph

Treatment Equipment

Sales ¥51.6 billion **+16.2%** % change YoY

Japan: Sales of pacemakers and ICDs, ablation cathete, and defibrillators increased favorably. Sales of AEDs also increased.

International: Sales of Defibtech AEDs and mask-type ventilators increased significantly.

AED-3250 Automated External Defibrillator

FY2023 Sales by Product Category

Patient Monitors

Sales ¥84.1 billion **+4.1%** % change YoY

Japan: Sales of clinical information systems increased significantly and sales of consumables such as sensors also increased. Sales of transmitters and bedside monitors decreased.

International: Sales in Latin America increased significantly thanks to large orders. Sales in Europe and Asia & Other decreased on a local currency basis. Sales in North America decreased.

CNS-2101 Central Monitor

Other Medical Equipment

Sales ¥39.6 billion **+4.3%** % change YoY

Japan: Sales of installation and maintenance services for medical devices as well as sales of hematology instruments and reagents increased favorably. Sales of locally purchased products decreased.

International: Sales of hematology instruments and reagents increased favorably in Asia & Other.

MEK-9200 Automated Hematology Analyzer

Management's Discussion and Analysis

Business Environment

In FY2023, the global economic outlook remained uncertain due to tight monetary policy in the U.S. and Europe as well as higher geopolitical risks. In Japan, each prefecture revised its healthcare system, and task shifting and operational efficiency were further required in medical institutions, because work style reforms for medical staff took effect in April 2024. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care. Internationally, overall demand for medical equipment which contributes to easing medical staff workload remained steady, while the shortage of nurses and inflation of prices in the U.S. and Europe as well as the economic slowdown and anti-corruption campaign in China continued to have a negative impact.

Review of Operations

In FY2023, Nihon Kohden implemented its Three-year Business Plan, BEACON 2030 Phase I, which sets FY2023 as its final year. The Company formulated the basic policies of the plan as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and making strategic upfront investments, and iv) Establishing global SCM and strengthening core functions of operations. The Company introduced its first syringe pump control software for assisting with total intravenous anesthesia in Japan. The Company also launched a home sleep recorder and a next-generation automated chest compression device, both of which were developed in North America, as well as affordable models of bedside monitors developed in Shanghai. The Company strengthened its overseas business structure through reorganizing its U.S. subsidiaries into a holding company structure in April 2023 and completing the transition in January 2024. As a result, overall sales for FY2023 increased 7.4% over FY2022 to ¥221.9 billion.

Sales by Region

■ Japan

Nihon Kohden concentrated on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company also focused on its consumables and services business as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, sales in all markets and all product categories increased. Sales in the public hospital and private hospital markets increased favorably driven by IT system solutions. Sales in the clinic market increased favorably and sales in the university market also increased. Sales of Physiological Measuring Equipment and Treatment Equipment increased favorably. Sales of Patient Monitors and Other Medical Equipment also increased. As a result, domestic sales increased 4.9% over FY2022 to ¥142.3 billion.

■ International

Overseas sales showed double-digit growth due to yen depreciation and the impact of a change in the fiscal term of Defibtech, LLC* according to the reorganization of subsidiaries in the U.S. In the Americas, sales in North America and Latin America showed double-digit growth. In North America, sales of Treatment Equipment increased significantly, while sales of Patient Monitors decreased. In Latin America, a large order in Costa Rica contributed to the sales increase. Sales in Mexico and Columbia also showed strong growth. Sales in Europe decreased on a comparable basis and increased on a yen basis. Sales in Germany and Russia decreased, while sales in Netherlands and Italy increased favorably. In Asia & Other, sales in the Middle East and Africa increased significantly, thanks to a large order in Morocco. Sales in Taiwan and Vietnam also increased favorably. Sales in China decreased due to the impact of the anti-corruption campaign from the third quarter of FY2023. As a result, overseas sales increased 12.3% over FY2022 to ¥79.6 billion.

* Defibtech, LLC changed its fiscal term from end on December 31 to end on March 31, according to Nihon Kohden's reorganization of its U.S. subsidiaries. In FY2023 ended March 31, 2024, Nihon Kohden consolidated the 15 months of Defibtech's operating results from January 1, 2023 to March 31, 2024.

Management's Discussion and Analysis

Operating Results by Reporting Segments

Japan	Sales increased 5.2% to ¥143.9 billion and segment income decreased 8.4% to ¥20.6 billion in FY2023.
North America	Sales increased 19.2% to ¥41.9 billion and segment loss was ¥2.2 billion in FY2023 (Segment loss of ¥1.1 billion in FY2022).
Rest of World	Sales increased 4.3% to ¥36.0 billion and segment income increased 57.0% to ¥2.3 billion in FY2023.

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

Cost of sales increased 9.9% over FY2022 to ¥110.6 billion. The gross profit margin decreased by 1.1 percentage points to 50.2% due to an increase in devaluation of inventories, and the gross profit on sales increased by 5.1% over FY2022 to ¥111.3 billion. SGA expenses increased 8.2% over FY2022 to ¥91.7 billion due to the strengthening of human resources and R&D investment. The ratio of SGA expenses rose 0.3 percentage points to 41.4%. R&D costs increased ¥0.7 billion year on year to ¥6.9 billion. The ratio of R&D costs to sales increased 0.2 percentage points to 3.2%. As a result, operating income decreased 7.2% to ¥19.5 billion. Ordinary income increased 6.1% to ¥25.5 billion, reflecting foreign exchange gains. Income attributable to owners of parent decreased 0.5% to ¥17.0 billion because of an increase in the tax burden ratio due to an impact of losses before income taxes in some subsidiaries of the Company, while gain on revision of retirement benefit plan was recorded as extraordinary income.

Assets, Liabilities, and Equity

■ Assets

Total assets at the end of FY2023 increased by ¥16.5 billion compared to the end of the previous fiscal year. Current assets increased by ¥11.8 billion compared with the end of the previous fiscal year. This

was mainly due to an increase in cash and deposits, accounts receivable (trade), securities (negotiable certificates of deposit) resulting from increasing the sales. Fixed assets increased by ¥4.6 billion compared with the end of the previous fiscal year. This was mainly due to a decrease in deferred tax assets, as well as an increase in net defined benefit asset resulting from the influence of the revision of retirement benefit plans.

■ Liabilities and Equity

Total liabilities increased by ¥3.0 billion compared to the end of the previous fiscal year, mainly due to an increase in accrued income taxes. Total net assets increased by ¥13.4 billion compared to the end of the previous fiscal year, mainly due to an increase in retained earnings. Equity ratio increased by 0.3 percentage points to 77.6%.

■ Cash Flows

Funds provided by operating activities totaled ¥15.6 billion (expenditure of ¥2.5 billion in the previous year). This is mainly due to income before income taxes of ¥29.3 billion, a decrease in inventories of ¥3.8 billion, an increase in trade receivables of ¥4.0 billion, a decrease in trade payables of ¥4.9 billion. Funds used in investing activities decreased by ¥2.4 billion year-on-year to ¥5.2 billion. This is mainly due to the purchase of property, plant and equipment, amounting to ¥3.6 billion, and the purchase of intangible assets such as PLM/MES systems, amounting to ¥1.1 billion. Funds used in financing activities decreased by ¥0.5 billion year-on-year to ¥6.9 billion. This is mainly due to cash dividends paid of ¥5.9 billion and purchase of treasury shares of ¥1.1 billion. Cash and cash equivalents at the end of FY2023 increased by ¥5.8 billion compared to the end of the previous fiscal year to ¥49.8 billion.

■ ROE

ROE in FY2023 was 9.8%, below the target of 10%. This was due to a decline in the net profit margin.

Company Information

Company Overview (as of March 31, 2024)

Common Name	NIHON KOHDEN
Official Name	NIHON KOHDEN CORPORATION
Incorporated	August 7, 1951
Capital Stock	¥7,544 million
Net Sales (Consolidated)	¥221.9 billion (Fiscal year ended March 31, 2024)
Type of Business	Development, production, and sales of medical electronic equipment
Employees (Consolidated)	5,891 persons

Stock Overview (as of March 31, 2024)

Number of Shares Authorized	197,972,000 shares
Number of Shares Issued	88,230,980 shares
Number of Shareholders	5,668 persons

Subsidiaries: 31 companies (as of March 31, 2024)

Management and Control of Subsidiaries in the U.S.

Nihon Kohden North America, Inc.

Sales and Promotion

Nihon Kohden America, LLC
 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
 Nihon Kohden (Thailand) Co., Ltd.
 Nihon Kohden Korea, Inc.

Development, Production, 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 OrangeMed, LLC
 Nihon Kohden Malaysia Sdn. Bhd.
 Nihon Kohden India Pvt. Ltd.
 Nihon Kohden Middle East FZE
 Nihon Kohden Firenze S.r.l.

Development of Medical Electronic Equipment and Software

Nihon Kohden Digital Health Solutions, LLC
 Advanced Medical Predictive Devices, Diagnostics and Displays, LLC
 Neurotronics, LLC
 Nihon Kohden Innovation Center, LLC
 Software Team Srl

Group General Affairs and Staffing

E-Staff Corporation
 E-Staff Insurance Services Corporation



* In April 2023, the Company reorganized its subsidiaries in the U.S. into a holding company structure. Nihon Kohden OrangeMed, Inc. became a holding company for all other U.S. subsidiaries. Nihon Kohden America, Inc. converted from a corporation to a limited liability company in applicable U.S. jurisdiction. After transitioning to a holding company in January 2024, Nihon Kohden OrangeMed, Inc. changed its name to Nihon Kohden North America, Inc. Nihon Kohden OrangeMed, Inc. also transferred its ventilator business to Nihon Kohden OrangeMed, LLC. NKS Bangkok, Co., Ltd. also changed its name to Nihon Kohden (Thailand) Co., Ltd. in April 2023.

Company Information

Editorial Policy

Nihon Kohden issues the integrated report with the aim of clearly communicating our efforts towards achieving a sustainable society through our business activities and enhancing the sustainable corporate value of our group to our stakeholders, thereby creating new opportunities for dialogue.

Scope of Report

Organization This report covers 32 companies of the Nihon Kohden Group, i.e., Nihon Kohden Corporation and its 31 consolidated subsidiaries (as of March 31, 2024).

Period From April 1, 2023 to March 31, 2024*

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

Nihon Kohden Website

Corporate Website

Please visit the following website for corporate information about Nihon Kohden.

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



Sustainability Page

Please visit the following website for Nihon Kohden's various activities to promote sustainability.

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



Integrated Report

Please visit the following website for past Nihon Kohden Reports, CSR Reports, and Environmental Reports.

<https://www.nihonkohden.com/sustainability/report-library.html>



Disclaimer

This report includes not only past and present facts about Nihon Kohden but also future projections such as plans and outlooks as of the publication date. These future projections are based on assumptions and judgments made from information available at the time of writing, and actual results or events in future business activities may differ from these projections due to changes in various conditions. We kindly ask readers to understand this.

Publication Date

September 2024

(next publication: expected to be issued in September 2025)

How to Publish

Nihon Kohden has limited the publication of this report to its website since the FY2021, in light of the progress in digitalization and environmental protection considerations.

Published by

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