Developing a Company-wide Risk Management Framework

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

Message from Operating Officer



Eri Watanabe
Operating Officer, General Manager of Corporate Strategy Division

We recognize that appropriately assessing risks from a company-wide perspective and implementing response measures that consider their impact and risk-taking are critical for Nihon Kohden to continue operating soundly and smoothly while contributing to society. Today, the risks surrounding a company include natural disasters, geopolitical risks, innovation in digital technologies such as generative AI, and sophisticated cyberattacks, which have become more diverse and complex, further increasing the importance of risk management.

Nihon Kohden's Risk Management Committee focuses on visualizing potential risks and examining response measures. In FY2025, the Risk Management Committee, held twice a year, conducted deliberations and reviewed response measures for significant risks requiring company-wide responses, thereby developing a sophisticated company-wide risk management framework.

Going forward, we continue to strengthen and continuously improve the group-wide risk management framework to build a resilient management foundation capable of responding appropriately to changes in the environment, aiming to establish a sustainable corporate structure.

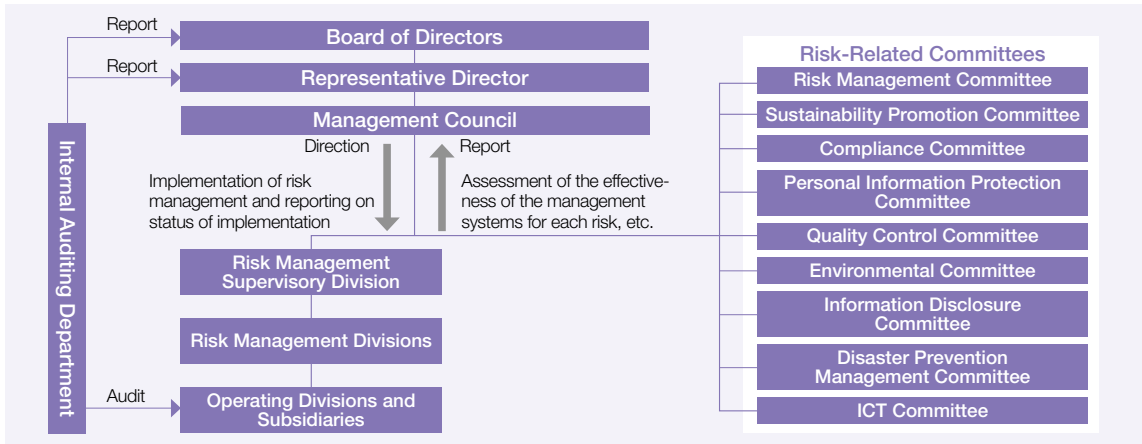
Approach to Risk Management

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 the overall Group business operations and ascertaining the improvement and promotion status of the Group-wide risk management framework. The Risk Management Supervisory Division is tasked with improving and promoting the overall risk management system of the Nihon Kohden Group. The risks present in the execution of business activities have been classified into nine types, and the Risk Management Divisions and Risk-Related Committees have been assigned to each risk type. The Risk Management Divisions provide training and support to operating 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. Additionally, focusing on significant risks identified by the Risk Management Committee, we collaborate with risk management officers in each department to periodically evaluate risks and review response measures. The Internal Auditing Department reports to the Representative Director and the Board of Directors on risks discovered during audits.

Risk Management Framework



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Promoting 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 assessment results 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 FY2025, as in FY2024, the Risk Management Committee reported significant risks identified to the Board of Directors and continued its efforts to enhance the company-wide risk management framework. For the identification of significant risks, we have evaluated the degree of impact on management and frequency of occurrence for each risk scenario by using risk maps. We have also identified severe risks based on risk assessment sheets prepared by each department and formulated response policies for each significant risk. 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. Nihon Kohden ensures the thorough dissemination of the Nihon Kohden Code of Ethics and Conduct and the practice of compliance.

Status of Response to Significant Risks

The Risk Management Committee has identified significant risks. The Committee has also appointed the relevant departments for risk management and response, and formulated action plans to address each risk. The progress of these action plans is regularly reviewed and reported to the Board of Directors.

In FY2025, we have added M&A risks, risks associated with the use of AI, and human rights risks as new significant risks and implemented measures to address them. We have also enhanced security at our overseas offices and have developed a Factory Security Incident Response Team (FSIRT). In response to supply chain risks, we are working on optimizing inventory management and maintaining a stable supply system. With regard to the Business Continuity Plan (BCP), we have reviewed the structure of the Emergency Response Headquarters established at the head office and conducted regular trainings so that we can respond quickly and appropriately in the event of an emergency. Through these measures, the Company has strengthened its ability to respond to risks such as natural disasters and has established a system that balances business continuity with the safety of employees.

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 table below.

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 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

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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.

Disaster Risk Management

■ **Basic Approach**

Medical equipment on which people's lives depend needs to be supplied continually and stably even in the event of a large-scale disaster. To fulfill our responsibilities as a medical equipment manufacturer, Nihon Kohden has established a system to ensure the continued supply of products and services while ensuring the safety of employees and their families in the event of a disaster.

As part of this effort, Nihon Kohden has formulated a Business Continuity Plan (BCP) and conducted periodic company-wide education and training. In FY2025, the Company conducted evacuation drills, safety confirmation drills, as well as online joint training and review at domestic sales branch offices to ensure that employees can take appropriate action in the event of an emergency in accordance with the Disaster First Response Manual.

The Nihon Kohden Group conducts its business activities not only in Japan but also around the world. In the event of natural disasters and shortages of water or other resources associated with climate change, terrorism, war, the spread of infectious diseases, or cyberattacks and other unforeseen circumstances 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.
Disaster Risk Management

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, Nihon Kohden 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 promoting corporate activities with consideration for human rights risks in accordance with the Policy.

As part of these efforts, the Human Rights Due Diligence Implementation Project has been established to develop a framework for identifying and assessing human rights risks, conducting human rights risk assessment questionnaires for Group companies and all suppliers in Japan and overseas. Through these surveys, we have identified human rights issues and risks throughout the supply chain. We have made proposals to business partners identified as having high risks for future countermeasures and improvements through additional surveys and interviews. In FY2025, to strengthen our response to human rights risks, we revised the questionnaire items to make them easier to understand and identified particularly high-risk items, thereby improving the accuracy of our assessments. Moving forward, we will continue to work together with our business partners to prevent and mitigate risks.

For further details, please refer to our website.
Respect for Human Rights

Information 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 established the guideline on the use of generative AI in February 2025 and has provided education and training to all executives and employees. 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

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has established the Product Security Incident Response Team (PSIRT) in April 2022. The Company has also established and implemented the Product Security Policy in May 2023. Furthermore, in October 2024, we have publicly disclosed our product security initiatives. Moving forward, we will continue these efforts to ensure that customers can use our products and services with confidence.

For further details, please refer to our website.

Information System Risk Management

■ Obtaining Third-Party Certification

To further strengthen its information security framework, Nihon Kohden has obtained third-party certifications. In July 2005, the Company obtained PrivacyMark certification. In January 2015, Nihon Kohden also obtained certification under JIS Q 27001 (ISO/IEC 27001) for its Information Security Management System (ISMS). The initial scope of ISMS certification covered the provision of remote services for certain system products sold by the Nihon Kohden Group in Japan. In 2025, the scope of ISMS certification was expanded in a phased manner to include the design and development of cloud-based medical information systems such as the PrimePartner and PrimeBridge, as well as the maintenance and support of the cloud environment.

Nihon Kohden Corporation obtained PrivacyMark certification from JIPDEC.

■ 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 cybersecurity throughout the total product life cycle from development to production, sales, and after sales service.

For further details, please refer to our website.

Product Security Policy

Nihon Kohden Product Security Framework

■ Information and Cybersecurity Policy and Framework

Nihon Kohden's basic policy on information and cybersecurity is to establish a secure, reliable, and future-ready IT infrastructure to ensure business continuity and maintain and enhance the trust of customers and society. Under this policy, the Infrastructure & Cybersecurity Department of the Corporate Digital Transformation Division is responsible for formulating security policies and planning and promoting various measures, in collaboration with the ICT Committee, which consists of executives and general managers of key divisions. By establishing a governance framework led by management, we strengthen company-wide and cross-organizational security management.

Led by the ICT Committee chair and the Corporate Digital Transformation Division, we also build a global security framework covering Japan and the U.S. In collaboration with the Computer Security Incident Response Teams (CSIRTs) in each country, we work to establish a consistent level of security in Japan and overseas while continuously strengthening our rapid incident response capabilities and proactive security measures.

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■ **Information and Cybersecurity Initiatives**

Through close collaboration between the IT departments at our offices in the U.S., Europe, and Japan and the headquarters departments, we promote security assessments and measures based on globally consistent standards and shared understanding. Taking into account the evaluation criteria of the Cybersecurity Measures Evaluation System for Strengthening Supply Chains, which is scheduled to be introduced by the Ministry of Economy, Trade and Industry in Japan at the end of FY2026, we have built a cross-functional system to assess internal security measures and have steadily implemented specific measures to mitigate risks.

In cooperation with an external Security Operations Center (SOC) service provider, we have also established a 24/7 risk monitoring system in Japan and overseas, thereby maintaining the capability to detect and respond to cyberattacks and suspicious activities at an early stage. Through the establishment of our security framework and ongoing efforts, we have experienced no major information security incidents during the past three years. Going forward, we continue to strengthen our proactive measures and monitoring system.

■ **Information and Cybersecurity Education**

We have provided annual e-learning training on information and cybersecurity for all executives and employees, including those at overseas sites. The training has been provided to all employees who use the groupware (excluding certain subsidiaries in Europe and the U.S.), with a participation rate of 95% in Japan and 100% overseas. To enable employees to acquire and review fundamental security knowledge at any time, we have made a security handbook available on our intranet, thereby creating an environment for day-to-day learning.

We have also conducted exercises simulating targeted email attacks every other month (six times in each country in FY2025) to foster practical cybersecurity awareness. Through these exercises, we have reinforced awareness of the signs of cyberattacks and appropriate initial action. Employees who inadvertently opened simulated emails have received additional individual training to prevent recurrence and improve their cybersecurity literacy on a practical and ongoing basis.

Through these initiatives, we continue to enhance the effectiveness of governance and prevent risks related to information and cybersecurity.

Response as a Medical Equipment Manufacturer

As a medical equipment manufacturer, Nihon Kohden focuses on product and service risk control to avoid accidents related to its products and services. 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 operated a reporting system to promptly implement countermeasures and minimize damage or harm.

Furthermore, to enable both prevention and rapid response, we have established and operated a system to collect information quickly and accurately from clinical practice, as well as a framework for appropriately disseminating necessary information.



