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



Fumio Izumida
Operating Officer, General Manager of Corporate Strategy Division

Appropriately assessing risks from a company-wide perspective and formulating 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 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 established the Risk Management Committee in FY2023, appointing an operating officer as its chair to initiate activities. The Committee primarily focuses on visualizing potential risks and examining response measures. In FY2024, to identify and address potential risks as early as possible, we conducted individual hearings with department heads. The results were reviewed at the Risk Management Committee, held twice a year, to identify new significant risks requiring company-wide responses and to formulate corresponding measures, thereby developing a sophisticated company-wide risk management framework. To achieve the goals of the Three-year Business Plan, BEACON 2030 Phase II, and realize our Long-term Vision, we will continue to strengthen these efforts and strive to further reduce risks.

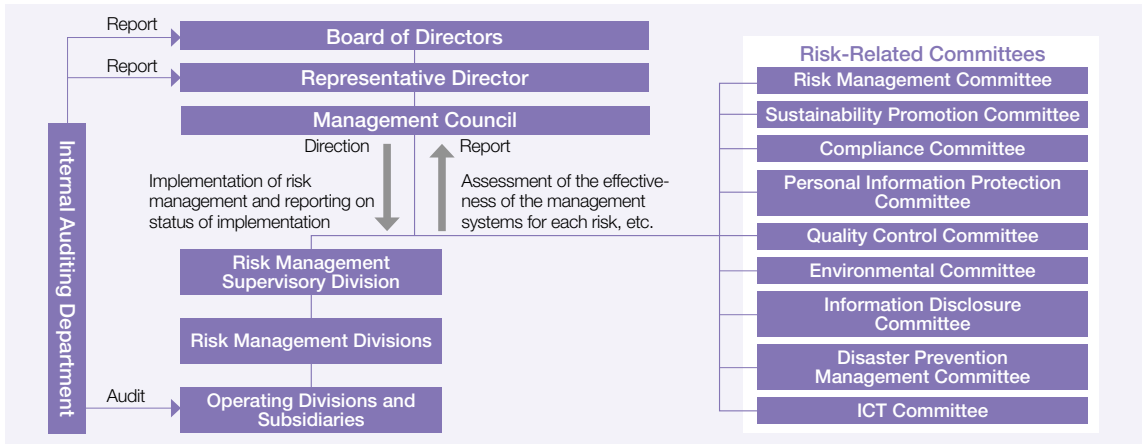
Approach to Risk Management

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 Directors 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 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 FY2024, as in FY2023, 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 practice of compliance by thoroughly disseminating the Nihon Kohden Code of Ethics and Conduct, which serves as the Group's behavioral standard.

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.
We have established a global quality management system to address quality risks and a Computer Security Incident Response Team (CSIRT) to tackle information security risks, respectively. To mitigate compliance risks, we are enhancing employees' awareness and knowledge through compliance training.
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.

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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 which 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

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 FY2024, the Company conducted evacuation drills, safety confirmation drills, as well as training of the disaster response at the head quarters, 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, 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.
Disaster Risk Management

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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 greater consideration for human rights risks in accordance with the Human Rights Policy.

As part of these efforts, the Human Rights Due Diligence Implementation Project has been established to build and operate the framework, conducting human rights risk assessment questionnaires 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. Furthermore, in FY2024, we expanded the scope of the supplier questionnaire to include all domestic and international suppliers, striving to gain a broader understanding of human rights risks. 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 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. Furthermore, in October 2024, we 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 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 of ISMS certification covers remote service operations for certain system products sold in Japan by the Nihon Kohden Group.

Nihon Kohden Corporation obtained PrivacyMark certification from JIPDEC.

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■ **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.

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 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.



