

Strengthening Risk Management

Nihon Kohden strives to make improvements to risk management to ensure it can respond appropriately to various business risks.

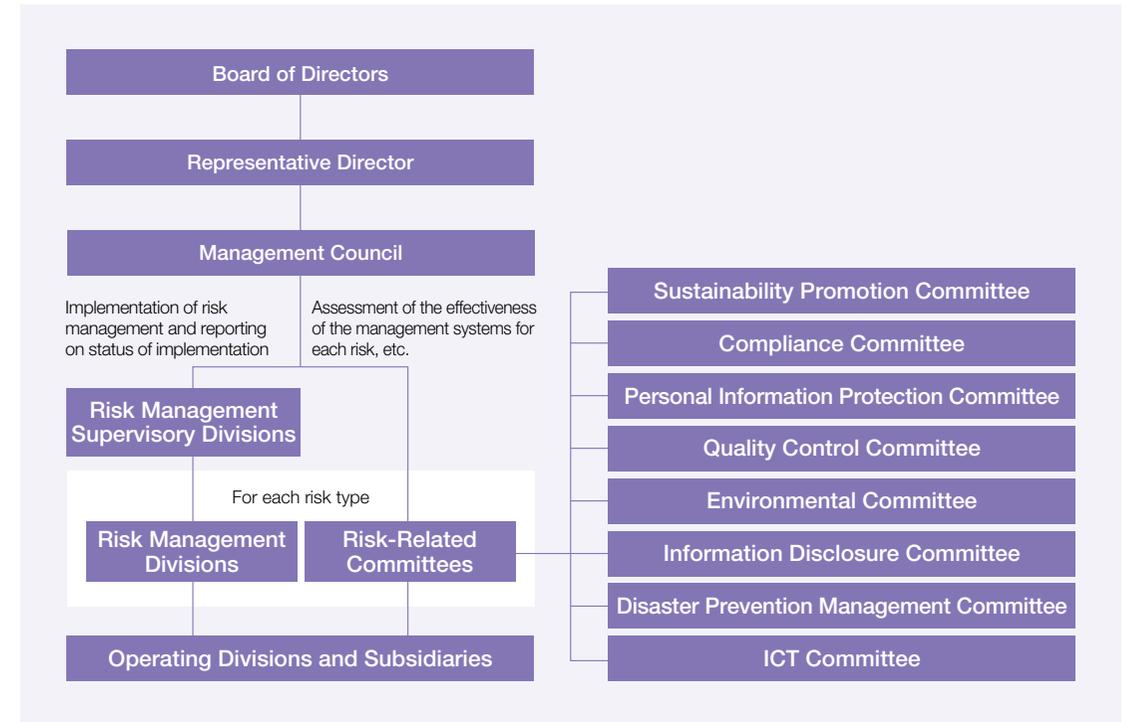
Approach to Risk Management

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 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. In addition, the Internal Auditing Department report to the president on risks discovered during audits.

Risk Management Framework



Strengthening Risk Management

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 addition, the Company provides education on risk management to its executives and employees to ensure that they are fully aware of the importance of risk management.

In FY2021, in light of the cyber-attack against our European subsidiary, we worked to strengthen information security for the entire Group by establishing a ransomware/malware countermeasure and monitoring system, as well as conducting targeted email attack response training and e-learning for employees. In addition, we have strengthened our response to compliance risks by clarifying standards for business partner due diligence at overseas subsidiaries and hiring compliance specialists qualified as attorneys in Europe and the U.S. as Local Compliance Officers.

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 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	<ul style="list-style-type: none"> • Risk of losses due to change in value of assets held, which is caused by changes in market environment and credit standing of business partners, etc. • Risk of losses due to 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

Strengthening Risk Management

Disaster Risk Management

■Basic Approach

Medical devices on which people's lives depend need to be supplied continually and smoothly even in the event of a large-scale disaster. As a medical device 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.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#disaster_risk



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. In FY2021, as part of our efforts to strengthen the promotion of sustainability management, we conducted a questionnaire survey on the environment, human rights, quality, and governance at each company of the Nihon Kohden Group, as well as among our suppliers in Japan and internationally. We also confirmed the status of human rights efforts, identified relevant issues, and formulated a three-year road map.

For further details, please refer to the [human rights and human resources pages](#) and our website.

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



Information System Risk Management

■Basic Approach

Information-related technologies and environments are continually changing. New ways of using information along with new risks emerge on a daily basis. While we promote the utilization of highly convenient information technology to improve business efficiency, we also undertake various measures in response to changing conditions to safeguard confidential company information and personal information from leaks.

For further details, please refer to our website.

https://www.nihonkohden.com/sustainability/csr_corporate_governance.html#information_risk



■Obtaining Third-Party Certification

To further enhance information security, Nihon Kohden has also obtained outside certification. We obtained PrivacyMark certification in July 2005, and obtained 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 the Japan Institute for the Promotion of Digital Economy and Community (JIPDEC).



Strengthening Risk Management

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 addition to the rules for normal operation, we have stipulated the rules and reporting line in case of an accident. 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.



Response to COVID-19 Pandemic

Nihon Kohden has established a response headquarters to address COVID-19, and has been conducting business in accordance with the basic policies: (1) Ensuring health and safety of employees at work and their families. (2) Fulfilling our responsibility to supply products and services to maintain the medical system. In accordance with the Ministry of Health, Labor and Welfare's "new lifestyle" and with the Keidanren (Japan Business Federation)'s Guidelines for Preventing the Spread of COVID-19, we have established a set of behavioral guidelines ("Guidelines"). The main contents of the Guidelines are as follows:

- Protect the health and safety of employees by requiring daily temperature measuring, mask wearing, frequent hand-washing, gargling and disinfection.
- Continue to promote staggered commuting and telecommuting (work from home at least 3 days a week under a declared state of emergency).
- Recommend holding meetings, events and training online.
- Secure social distancing and refresh the air at fixed intervals.
- Limit domestic/overseas business trips to under unavoidable circumstances only. Refrain from private international trips for the time being.
- Continue to adhere to the Company's activity manual when visiting medical institutions for sales, service activities and IT systems delivery and when lending/repairing medical devices.

As the policies and guidelines of the national/local governments are expected to change as appropriate, depending on the status of the COVID-19 pandemic in the future, we will review the Guidelines as necessary.

Nihon Kohden continues to prioritize the prevention of infection inside and outside the Company and safety of employees and their families, and will continue to ensure the stable supply of medical devices and services needed by patients and healthcare professionals around the world as a medical device manufacturer.