

Materiality 12

Strengthening Risk Management

Reason for Priority

Risk management involves accurate risk identification and proactive measures to minimize risk impacts. The importance of risk management is intensifying as the risks surrounding companies diversify, including increasing geopolitical risks, digital transformation, and climate change.

In addition, making necessary preparations and arrangements helps to minimize damage and reduce risks. Such preparations and arrangements include those for large-scale disasters, such as earthquakes directly under the Tokyo metropolitan area or massive Nankai megathrust earthquakes, international conflicts and wars, and pandemics.

Identifying various changing risks from a medium- to long-term perspective, and establishing countermeasures based on the resulting impacts to the economy, environment, and society, will lead to sustainable corporate growth.

Commitment

The risks facing companies are growing more diverse and complex due to changes in the business environment, the rapid evolution of technology, and global socioeconomic changes. Failure to respond to such risks appropriately could result in the loss of trust among stakeholders such as customers and shareholders and may lead to damages that affect the continuity of a company. For this reason, the development of an effective risk management system is becoming increasingly more important.

The Nikon Group develops human resources and systems to strengthen our three lines of defense in risk management. These lines consist mainly of business divisions, administrative divisions, and internal audit divisions, respectively. Furthermore, we strengthen group governance and develop a global compliance system to improve our ability to respond to global risks, while taking into account changes in management environments and business structures.

Muneaki Tokunari
Representative Director and President
CRO

[Policy for Activities]

- Nikon Group Information Security Policy
- Nikon Group Personal Information Protection Policy

[Organizations]

- Risk Management Committee
- Quality Committee
- Export Control Committee
- Compliance Committee

Risk Management

Basic Approach

The Nikon Group has implemented a risk management system in order to deal appropriately with all risks that may have a significant impact on corporate management with the aim of sustainable growth for Nikon and Group companies.

Strategy

Risk

Our business environment is heavily influenced by external factors such as geopolitical risks, rising policy interest rates to control inflation in various countries, and the weak yen. From a medium- to long-term perspective, we must take appropriate measures to address risks arising from climate change and other changes in the business environment that cause extensive damage.

Nikon selects critical management risks through the Risk Management Committee. We take measures to mitigate important risks, taking into account the measures and progress of relevant departments to such risks.

Opportunity

We strive to maintain and develop sound relationships with our stakeholders through two-way communication, accurately identifying and prioritizing critical management risks in our company in response to changes in social conditions and the environment.

Strategy

We conduct an annual risk identification survey targeting general managers and above, as well as presidents of Group companies inside and outside Japan. We then select critical management risks after deliberation on survey results, risks from a management perspective, and risks not apparent from the survey. Upon deliberation, we take appropriate measures to address such risks, taking into account the current situation and other factors. In this way, we implement appropriate risk management.

Related Information

Financial statements contain additional information about business activity and other risks within analysis of management performance and financial conditions.



Consolidated Financial Results (for the Year Ended March 31, 2024, P9 to P12)

https://www.nikon.com/company/ir/ir_library/result/pdf/2024/24_4qf_c_e.pdf

Governance

To properly respond to risks that might critically impact corporate management, the Nikon Group has set up the Risk Management Committee. The Committee is chaired by the Representative Director and CRO and made up of Executive Committee members, with the Administration Department and Planning Section of Group Governance & Administration Division serving as Secretariats. The committee met twice in fiscal year 2023, once in October

2023, and again in March 2024.

In order to respond more effectively to major risks, we have established a system that enables continuous monitoring and flexible support for priority target risks. In fiscal year 2024, we plan to strengthen group governance and develop a global compliance system for subsidiaries acquired through M&A that are high-risk.

While the Risk Management Committee has jurisdiction over all risks, committees under the Risk Management Committee respond to risks that require specialized measures. From a sustainability perspective, the Sustainability Committee also monitors risks with a focus on materialities, collaborates with the Risk Management Committee, and addresses risks related to the environment, society, and labor.

Our risk management system features three lines of defense. These lines consist of business divisions, administrative divisions, and internal audit divisions, respectively. Business divisions that make up our first line of defense establish various regulations and report lines, creating an autonomous risk control system that also covers relevant Group companies. The head administration division and the overseas site supervisory functions of our second line of defense support first-line risk control, assessment, etc. The Internal Audit Department of our third line of defense conducts objective audits, independent of business execution divisions, evaluates if internal controls of the first and second lines are functioning, and gives advice.

Main Activity Topics of the Risk Management Committee in the Fiscal Year 2023

- Strengthen risk management (Establish export control system and review BCM)
- Strengthen internal controls
- Establish and monitor controls for key companies to be monitored
- Report on results of litigation survey
- Respond to information security

● Main Specialist Committees Involved in Risk Management

Committees	Principal Risks
Risk Management Committee	Risks
Quality Committee*	Quality
Export Control Committee*	Prevention of the Foreign Exchange Law Violations and Security Risk Management
Compliance Committee*	Compliance
Sustainability Committee	Sustainability in general, especially environmental (climate change, chemical management, water, etc.), social and labor (human rights, etc.)
Bioethics Review Committee	Bioethics

*Committees under the Risk Management Committee

Risk Management

The Nikon Group conducts a risk identification survey to identify risks facing the Group. This survey is administered to Nikon's general managers and above, as well as

presidents of Group companies in and outside Japan. We select critical risks based on the results of this survey, in addition to risks from a management perspective and risks not apparent from the survey.

In response to selected critical risks, we develop risk management systems and mitigate risks by stipulating such risks in the Risk Management Committee Policy for Activities, etc., for improvement, based on measures and progress of relevant departments to such risks.

Indicators and Targets

Indicators and Targets (Target Fiscal Year)

Progress in identifying important risks and implementing measures based on risk assessments: 100% (every fiscal year)

▶ FY2023

Plan

1. Support optimization of export control system
2. BCM Review

Results

1. Established an export control system to ensure compliance with local laws and regulations and implement measures related to foreign exchange law related matters
2. Decided on assumptions for each business unit on core businesses, target recovery time, and critical operations for BCM. Organized our enterprise system

▶ FY2024

Plan

1. Support the optimization of export control systems in Group companies

2. Implement measures to improve the effectiveness of BCP for large-scale disasters and BCM for international conflict contingencies (familiarization and training, continuous updates).

Major Initiatives

Risk Management Education

We established the Nikon Global Operating Standard to provide guidance for business units and Group companies to ensure efficient and sound operations. The standards outline 40 items to be considered in business management.

With the issuance of Nikon Global Operating Standard in fiscal year 2023, we held a briefing session for presidents and administrative division managers of all Group companies on how to use these standards. In fiscal year 2024, we will continue to explain internal controls and the Nikon Global Operating Standard to newly appointed presidents of Group companies.

BCM*1 Activities Measures

The Nikon Group has formulated BCPs*2 in preparation for large-scale disasters and other emergencies, including pandemics, and reviews them every year.

In fiscal year 2023, we prepared initial response plans for international conflict contingencies, such as those in Taiwan and the Korean Peninsula. We also reviewed and updated BCPs for major business divisions to ensure business continuity in preparation for earthquakes

directly under the Tokyo metropolitan area and other such large-scale disasters.

The Nikon Group in Japan taught e-learning sessions on actions to be taken during major disasters and conducted various simulation drills, including drills on communications during disasters. These efforts are in preparation for large-scale earthquakes, including earthquakes directly under the Tokyo metropolitan area and Nankai megathrust earthquakes, both of which are assumed to be highly probable.

*1 Business Continuity Management (BCM)

Typical management activities such as BCP formulation, updates, and maintenance, as well as the implementation of proactive measures, education, trainings, inspections, and continuous improvements.

*2 Business Continuity Plan (BCP)

A plan describing the policy, systems, procedures, etc., by which corporations can avoid suspension of critical business activities, or can restore critical business quickly if it is interrupted, even when unforeseen contingencies arise, including natural disasters such as major earthquakes, pandemics, etc.

Risk Management for Information Assets and Cybersecurity

Basic Approach

At the Nikon Group, the management and security of information assets is conducted in accordance with the Nikon Group Information Security Policy. The Nikon Group Information Management Rules and other internal rules have been established based on the Policy, to ensure optimal and efficient business conduct while properly protecting information assets according to the circumstances in each country and region. These rules are posted on the internal portal site for employees to access anytime.



Nikon Group Information Security Policy

https://www.nikon.com/company/sustainability/governance/risk-management/security_policy.pdf

Strategy

Risk

We recognize risks to the trust of the Nikon Group, including business activity delays or suspensions due to cyberattacks, as well as theft or leakage of confidential or personal information.

Opportunity

We strive to reduce risk and enhance trust in the Nikon Group by implementing information security measures and appropriate information asset management.

Strategy

Based on the Medium-Term Management Plan, we avoid financial loss or damage to our reputation through the sound operation and management of IT infrastructure and the implementation of cybersecurity and personal information protection measures.

We discuss risk maps for priority measures on an annual basis with relevant departments to determine areas of resource concentration. We also take measures using the Zero Trust model, review Endpoint Detection and Response (EDR), and pursue the global integration of monitoring platforms, including those in Europe and the United States. We also strengthened email security monitoring.

Governance

The Nikon Group has appointed the Representative Director and President as the head of information management, including personal information protection. We have also established operating processes in accordance with Information Security Management Systems (ISMS). In terms of operating processes, under the leadership of the Representative Director (officer in charge of the Information Security Department), the Information Security Department carries out management and supervision of activities across the entire Nikon Group. This includes formulating measures regarding information security, including responses to cyberattacks, as well as establishing and maintaining systems.

In addition, the head of each organization of Nikon's business units, divisions, and Group companies are designated

as information managers. By working with the Information Security Department, these individuals are establishing an information security management system compatible with the situation in each country and region, while comprehensively managing the entire Nikon Group. Material matters involving information asset risks are reviewed by the Risk Management Committee, which includes members of the Executive Committee and others.

In the Healthcare Business, Nikon works to expand business in information services centered on digitalization, including support for network-based remote diagnosis and services that store and manage cloud-based pathology images. As business expands, we will be faced with handling more personal medical information for subjects and patients, which requires strict management at medical institutions. Given these circumstances, Nikon works to ensure thorough information security management. We not only increased the number of organizations subject to ISO27001 in December 2023, but we also obtained ISO27017 certification (a code of practice in information security management for cloud services) and launched operations.

* ISMS: Information Security Management System

Risk Management

The Information Security Department determines areas to concentrate resources by discussing risk maps with relevant departments. Such risk maps take into account the comprehensive situation of social trends, the Nikon Group, and other factors.

Indicators and Targets

Indicators and Targets (Target Fiscal Year)

Progress in identifying important risks and implementing measures based on risk assessments: 100% (every fiscal year)

► FY2023

Plan

Continue compliance with applicable personal information protection laws and regulations in various countries

Results

We took necessary measures to comply with the applicable personal information protection laws and regulations of various countries

► FY2024

Plan

Strengthen cybersecurity systems and comply with laws and regulations in each country that require product cybersecurity measures.

Major Initiatives

Response to Information Security Incidents

When an information security incident occurs at the Nikon Group, the site where the incident occurred is obligated to report it immediately to the Information Security Department. The Information Security Department works with relevant departments to establish a system and procedures for minimizing damage and impact, and processes for promptly resuming business. Serious cases

are promptly reported to the director in charge by the Information Security Department.

There have been no major information security incidents involving the payment of fines or compensation in the past three years.

Information Security Education

The Nikon Group conducts information security e-learning education programs as part of new employee training, etc., in order to raise employee awareness and improve the effectiveness of information security. Within this education program, we include not only information about the policies and rules related to information management, but also provide specific examples as well.

In addition, the Nikon Group Information Security Handbook, an educational document that provides easy-to-understand explanations of the information security measures that are disseminated through internal regulations and bulletins, is posted on the portal site for all employees to refer to at any time. This handbook is used in regular training to make sure that every one of the employees understands the importance of information asset management and complies with the rules with strong awareness.

In the fiscal year 2023, as in previous years, we designated February as Information Security Awareness Month, raising awareness through in-house newsletters and conducting an e-learning program for domestic Group companies. We also conducted an e-mail drill to improve proficiency in handling suspicious e-mails.

For regular new employees, we conduct training led by instructors, and for mid-career hires, we provide

e-learning programs. Group companies outside Japan also conducted information security education through e-learning or other methods as appropriate.

Through these training programs, we ensure that our employees are thoroughly familiar with information security. In the event that an employee violates the relevant rules and causes an incident such as information leakage of personal information, etc., the employee may be subject to disciplinary action in accordance with the employment regulations of the company to which the employee belongs.

Information Security Audit

The Nikon Group periodically conducts internal audits pursuant to the Nikon Group Information Management Rules to improve the level of our information security.

In the fiscal year 2023, we conducted a paper audit (on the management of personal information, etc.) on all divisions of the Nikon Group in Japan. On-site audits were carried out on selected organizations based on key topics. The results of these audits indicate there were no significant risks. The Nikon Group plans to conduct internal audits focusing on the presence of appropriate information security measures in the fiscal year 2023.

Personal Information Protection

The Nikon Group has established the Nikon Group Privacy Protection Statement based on its respect for privacy and acknowledgment that processing personal data in a lawful and proper manner is an important social responsibility. Additionally, under this Statement, we

established the Nikon Group Personal Data Processing Rules as a common set of rules covering the entire Group. We are now working to make these rules known within the Group and ensuring that personal data is handled in accordance with these rules under the information management system.

Furthermore, we established the Personal Data Protection Subcommittee under the Risk Management Committee comprised of members from the Executive Committee and other organizations. The subcommittee carries out risk management concerning privacy and personal information covering the entire Nikon Group.

Our specific initiatives include posting privacy notices on the website of each Nikon Group company in accordance with relevant laws and regulations, and notifying customers of contact information for support regarding privacy and individual rights. This includes the purpose of use of personal information and how to delete their personal information.

In addition, we request that procurement partners follow the Nikon CSR Procurement Standards in order to maintain information security, including privacy protection.



Nikon Group Privacy Protection Statement

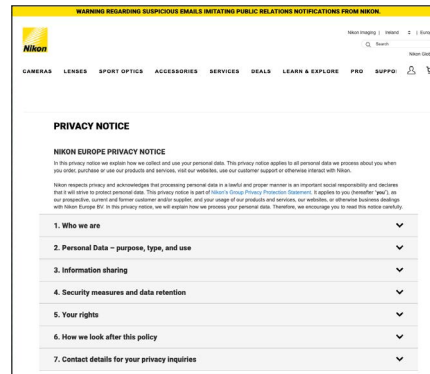
<https://www.nikon.com/privacy/group/>

Privacy Notice of Nikon Europe B.V. in accordance with the EU General Data Protection Regulation (GDPR)

https://www.nikon.ie/en_IE/footers/privacy_policy.page

Nikon CSR Procurement Standards

<https://www.nikon.com/company/corporate/procurement/csr/>



Privacy Notice of Nikon Europe B.V. in accordance with the EU General Data Protection Regulation (GDPR) (excerpt)

Response to the Personal Information Protection Laws of Each Country

The Nikon Group complies with the personal information protection laws of each country where it operates, including the General Data Protection Regulation (GDPR) in the EU. We are also working to develop a system to prevent violations in order to achieve appropriate management of personal information under an information security management system.

In fiscal year 2023, we amended our privacy policy in accordance with the California Consumer Privacy Act and relevant sub-regulations. We continuously collect information on legislation and revision trends of personal information protection-related laws and regulations in other countries and regions.

In fiscal year 2024, we will continue to take necessary actions in line with the enactment or revision of personal information protection-related laws and regulations in each country and region.

Improving Cybersecurity Infrastructure and Processes

In order to maintain a high level of defense against increasingly sophisticated and stealthy cyberattacks, the Nikon Group is improving and strengthening its operational system to collectively monitor and respond to cyberattacks on a global basis. This includes enhancing early detection and early response capabilities. We also operate a system deployed to filter out phishing scams and other suspicious e-mails.

Furthermore, we work to continuously improve our existing operating processes. For example, we conduct periodic checks on the vulnerability of our corporate website, which could become an entry point for cyberattacks. We also conduct training for designers on information security rules for the product development process.