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Risk Management

Basic Approach

External risks have increased in recent years due to geopolitical risks, expanding information security threats driven by digital innovation, climate change, and other factors.

Our business environment also faces significant impacts from broader societal and economic conditions, including rising policy interest rates aimed at curbing inflation in various countries, higher tariffs, the weak yen, and major market changes. Failure to respond appropriately to risks arising from these factors could result in the loss of trust among customers, shareholders, and other stakeholders, and may lead to damages that affect the continuity of our company.

On the other hand, managing risks not only minimizes the impact of issues like fraud or accidents but also supports risk-taking as a means of executing business strategy.

The Nikon Group manages increasingly diverse risks while also addressing internal factors related to those risks, including failure to achieve targets under the Medium-Term Management Plan. In doing so, we accurately identify and prioritize key management risks, avoid and mitigate risks, and pursue appropriate risk-taking. Through these efforts, the Nikon Group supports business development aligned with management strategies while driving sustainable growth and ensuring long-term profitability.

Strategy

The Nikon Group surveys risks identified internally and risks perceived externally to understand the risks facing the Group and identify key risks requiring close attention in business operations (including key strategic risks and key operational risks). Business units and administration departments identify key risks that have a significant impact on their respective operations under the Medium-Term Management Plan and incorporate these risks into their respective targets and measures.

Related Information

Our Consolidated Financial Results contains additional information about business and other risks within analysis of management performance and financial conditions.

 [Annual Securities Report \(in Japanese only\)](#)

Governance

Risk Management and Compliance Committee

To properly respond to risks that might critically impact corporate management, the Nikon Group established the Risk Management and Compliance Committee. The committee is chaired by an officer serving as chief risk management officer (CRO), while the Group Governance & Administration Department and Compliance Department serve as the secretariat and committee members include members of the Executive Committee. The Risk Management and Compliance Committee meets twice a year and strives to build a framework to monitor priority risks and provide prompt support. In April 2026, Nikon also established the Information Security Committee under the Risk Management and Compliance Committee.

- Main Agenda Items at the Risk Management and Compliance Committee Meeting in FY2025
- Strengthened risk management and Group governance
 - Identification of key risks for the next Medium-Term Management Plan and communication of those risks to each unit
 - Identify key unit-level risks and establish countermeasures as part of the development of the next Medium-Term Management Plan
 - Implement measures to strengthen second-line functions at the Head Office and Regional Headquarters
 - Enhanced information security
 - Isolated critical assets and migrated privileged administrators to strong authentication as part of identity protection measures
 - Enhanced product security and establish processes to address regulatory requirements, including the EU Cyber Resilience Act
 - Introduced information security training tools for employees
 - Established security management for critical suppliers

Risk Management Framework

The Nikon Group implements our risk management framework through three lines of defense. These lines consist of business divisions, administration departments, and internal audit divisions, respectively.

The first line consists of departments responsible for conducting business with customers and managing business operations. These departments maintain risk ownership, manage operational risks, and assume responsibility.

The first line identifies risks arising from day-to-day business processes (i.e., internal misconduct, system errors, human error, and external factors), evaluates impact on the business, and determines countermeasures. This line identifies and evaluates risks associated with the development of new products and services and entry into new markets and determines countermeasures in the same manner as for day-to-day operations.

Risk response at this level includes the design and implementation of controls embedded in business processes to maintain risks within acceptable levels. Other risk prevention and mitigation methods include implementing training and procedural manuals.

When risks arise, the first line reports and escalates information appropriately on the status of the risk and control measures to the second line of defense (the Risk Management Department).

The second line identifies and monitors key risks that could threaten the maximization of corporate value and sustainable growth through the Risk Management and Compliance Committee. Each second-line department evaluates the company-wide impact of these risks, as well as the impact on business units, and establishes organizational rules and policies. The second line also monitors compliance with these rules, policies, and external laws and regulations on a continuous basis. Furthermore, the second line supports first-line risk controls and assessments while working to prevent incidents and minimize damage.

The third line of defense conducts audits from a position independent of business execution divisions and objectively

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evaluates the effectiveness of internal controls implemented by the first and second lines. Audit plans are formulated by the third line based on the Group's risk profile using a risk-based approach and covers key areas that include internal controls over financial reporting. Audit activities include verifying business processes, evaluating the effectiveness of controls, making recommendations for improvements, and conducting regular follow-up. The third line also promptly escalates significant unresolved issues and reports audit results and recommendations for improvements directly to the president and the Audit and Supervisory Committee, which oversees audits from the stand point of non-executive directors. While maintaining independence, this line also works with the first and second lines as necessary to confirm the effectiveness of corrective actions.

Cooperation With Related Committees

While the Risk Management and Compliance Committee has jurisdiction over all risks, the committee works in coordination with subordinate committees, the Sustainability Committee, and other relevant committees and subcommittees to address risk that require specialized responses.

● Main Specialist Committees Involved in Risk Management (Since April 2026)

Committees	Principal Risks
Risk Management and Compliance Committee	General risks and compliance
Quality Committee	Quality
Export Control Committee	Prevention of foreign exchange law violations and security risk management
Sustainability Committee	Sustainability in general, especially environmental (climate change, chemical management, water, etc.), social and labor (human rights, etc.)
Bioethics Review Committee	Bioethics
Information Security Committee*	Information security, cybersecurity

* Subordinate committee of the Risk Management and Compliance Committee

Risk Management

The Nikon Group conducts a risk identification survey each year to assess and understand risks facing the Group. We conduct this survey with Nikon department managers and presidents of Group companies in and outside Japan to identify, analyze, and evaluate company-wide key risks and monitor response status.

We then analyze risk identification surveys with high response volume or significant impact based on the results and incorporate external perspectives to create a risk correlation map and identify key risks. The Risk Management and Compliance Committee determines which issues require stronger action.

Management takes the lead in addressing identified key risks related to company-wide strategies, while each business unit takes the lead in addressing risks related to individual businesses.

Identified key risks represent those that have a continuous, significant impact on management and a medium to high frequency or impact in day-to-day operations.

The Risk Management and Compliance Committee identifies top-priority risks that require specialized responses from a management perspective based on information from the Sustainability Committee, the Quality Committee, and the Export Control Committee, a subordinate committee under the Risk Management and Compliance Committee. The Risk Management and Compliance Committee then issues directions for action and manages progress of these risks.

The Board of Directors receives these reports and supervises Nikon Group risk and risk management overall. Furthermore, teams that include at least one qualified auditor and that the Internal Audit Department assigns to conduct annual internal audits verify the appropriateness of risk management based on the Global Internal Audit Standards issued by The Institute of Internal Auditors.

We will incorporate responses to identified key risks into the new Medium-Term Management Plan. Based on the measures and progress within relevant departments, we will define policies for the Risk Management and Compliance Committee and strengthen the risk management framework while working to mitigate risks.

Main Initiatives

Risk Management Education

Ensuring that each employee maintains appropriate risk literacy and pursues sound risk-taking is essential for companies. The Nikon Group believes that managers and senior employees in particular must maintain strong risk awareness and risk identification and management skills to avoid and mitigate management risks and pursue appropriate risk-taking.

With this belief in mind, the Nikon Group uses the annual Enterprise Risk Assessment Survey, conducted with Nikon department managers and presidents of Group companies in and outside of Japan, as an opportunity to raise awareness and understanding of risks. The Nikon Group also provide all employees with training on individual risk areas, including information security, competition law, foreign exchange and foreign trade laws, personal information protection laws, the Code of Conduct, insider trading regulations, and corporate tax calculations and tax compliance. We also incorporate compliance seminars for executives. In addition, the Nikon Group organizes regulations applicable to Nikon and Group companies, enters into management agreements to ensure compliance, and shares educational materials on our portal site to deepen understanding among responsible personnel.

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BCM* Activities Measures

The Nikon Group establishes BCM* implementation guidelines and initial response manuals in preparation for large-scale disasters, infectious disease outbreaks, and other emergencies. We review these guidelines regularly.

We also review coordination systems among business units, plants, and subsidiaries on an ongoing basis to strengthen initial response and recovery capabilities during emergencies.

* 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.
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.

Responding to Emerging Risks

The Nikon Group works to prevent incidents and minimize damage through early detection, analysis, evaluation, and response to emerging risks that newly arise or rapidly increase in importance due to rapid environmental changes as part of our risk management activities.

Emerging Risk: Cybersecurity

Risks arising from cyberattacks are escalating due to the malicious use of AI, increasingly sophisticated automated attacks, and the expansion of connected products and supply chains. Against this backdrop, the Nikon Group faces an urgent need to strengthen our security response system, while our key customers also demand stronger security measures with clearly defined accountability. In addition, Nikon products now require stronger security measures in response to tighter European regulations, creating an emerging risk driven by external factors that traditional operations alone cannot adequately control.

Failure to implement appropriate countermeasures against this risk could result in the following impacts.

- Lower revenues and higher costs resulting from production

- shutdowns, as well as delivery delays and recovery expenses caused by IT/OT disruptions
- Loss of market share resulting from fewer orders and contract cancellations caused by confidential information leaks and loss of trust
- Increased penalty and litigation risks, product modification costs, and system enhancement costs resulting from regulatory violations

The Nikon Group strengthens measures in the following three areas to address these risks.

- Strengthening company-wide controls and resilience: Establish a global management system and prepare for business interruption risks
- Establishing reliable defenses and strengthening supplier management: Transition to new connectivity frameworks, ensure product reliability, and strengthen supplier management
- Improving operational efficiency and expanding workforce capabilities: Sharpen AI-driven defenses and strengthen human risk assessment capabilities