

# Strengthening Corporate Governance

## Reason for Prioritization

Corporate governance is the cornerstone of business activities. In order to ensure fair and transparent management, businesses must continue to improve on their systems of governance.

In addition, the governing body should forecast and respond to the various and ever-changing risks and opportunities from a medium- to long-term perspective and implement countermeasures accordingly. As such, it is essential for us to respond to the various requests of stakeholders.

## Commitment

Strengthening governance is one of the principal challenges for a company, and it is necessary to build a corporate governance structure that ensures transparency and discipline in order to become a company that is trusted not only by investors but also by a diverse group of stakeholders. Nikon has been implementing initiatives to strengthen governance, such as Enhancement of cooperation between the Nominating Committee and Compensation Committee and the Board of Directors, and further enhancing diversity.

In fiscal year 2023, we will work to strengthen governance by further enhancing the effectiveness of the Board of Directors by addressing issues through evaluations of the Board of Directors' effectiveness.

Kazuo Ushida  
Chairman of the Board

## 【Activity Policies】

- Corporate Governance Guideline
- Basic Policy on Internal Control System
- Global Tax Policy

## 【Organizations】

- General Shareholders' Meeting
- Board of Directors
- Audit and Supervisory Committee
- Nominating Committee
- Compensation Committee
- Executive Committee

● Fiscal Year 2022 Materiality Goals and Results

Self-evaluation ○: Achieved △: Measures started but not yet achieved

Goals for Fiscal Year 2030	What Nikon Needs to Do	Related SDGs	Scope	Goals for Fiscal Year 2022	Results for Fiscal Year 2022	Self-Evaluation
Building a governance system that promotes the sustainable creation of value for the company and for society	Enhance the effectiveness of the Board of Directors	—	Nikon	Consider optimal composition of the Board of Directors using the skills matrix to further enhance its functions	Two new external directors appointed Steady progress in considering candidates for next year and beyond	○
	Review the effectiveness of the separation between business execution functions and supervisory functions		Nikon	General Shareholders' Meeting resolution for new stock compensation to ensure the appropriateness of executive compensation levels, strengthen incentives, and incorporate ESG into the compensation structure	Introduced a new stock compensation system	○
	Enhance the agility of management decision-making and execution functions		Nikon	Select candidates for the next president and management team and conduct systematic training	Full-scale implementation of succession plan	○
	Enhance the effectiveness of internal controls and auditing		Nikon Group	Establish an internal control promotion function to strengthen group governance and risk management	Management standards: A document focusing on 7 priority issues that are frequently identified in audits was issued in December 2022, and a more comprehensive version covering 40 items was completed in March 2023 System establishment: An Internal Control Promotion Section was established in the Group Governance & Administrative Division in April 2023	○



## Related Information



Web

Internal Control System

<https://www.nikon.com/company/ir/governance/internal-control/>

Basic Policy on Internal Control System

<https://www.nikon.com/company/ir/governance/internal-control/policy/>

General Shareholders' Meeting

[https://www.nikon.com/company/ir/stock\\_info/meeting/](https://www.nikon.com/company/ir/stock_info/meeting/)

## Taxation

Taxes have a significant impact on the development of local communities, and proper payment of taxes is an important corporate social obligation. In its Nikon Code of Conduct, the Nikon Group stipulates conduct that is in compliance with applicable tax laws and regulations as well as open and honest dialog with tax authorities. We have also established the Global Tax Policy, which has been approved by the Board of Directors, in order to improve tax compliance and strengthen governance.

Based on this policy, the Nikon Group will implement tax compliance measures that are aligned with management policy and management of taxation that is consistent across the Group. At the Nikon Group, the CFO, who also serves as a director, is responsible for tax governance. Tax compliance is delegated to the tax department within each Group company, and each regional headquarters is responsible for managing their respective region. Tax management and compliance for the entire Nikon Group is the responsibility of the tax department within Nikon's Finance & Accounting Division.

Each regional headquarters conducts quarterly monitoring of Group companies in its region and implements appropriate countermeasures in response to regional tax risks and in order to effect awareness of and compliance with this policy. Furthermore, the tax team at Nikon's Finance & Accounting Division receives reports from each regional headquarters, based on which it provides supervision and support and addresses issues that cross regional lines.

The tax team at Nikon's Finance & Accounting Division also regularly reports to the CFO on the status of tax governance. In addition, the CFO these reports to the Board of Directors as appropriate.

Looking ahead, the Nikon Group endeavors to respond appropriately to changes in conditions and tax risks pertaining to tax governance in and outside Japan.

\* CFO: Chief Financial Officer

### ● Tax Payments by Region

(million yen)

Region	Tax payment
Japan	629
USA	1,445
Europe	1,091
China	999
Other Areas	1,121
Total	5,285

\*Results for fiscal year 2021



Web

Global Tax Policy

[https://www.nikon.com/company/sustainability/governance/corporate-governance/tax\\_policy.pdf](https://www.nikon.com/company/sustainability/governance/corporate-governance/tax_policy.pdf)