

Materiality 11

Strengthening Corporate Governance

Reason for Priority

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, including monitoring the strengthening of internal controls and risk management systems, and enhancing collaboration between the Nominating Committee and Compensation Committee and the Board of Directors.

In the fiscal year ending March 2023, we will work to strengthen governance by further enhancing the effectiveness of the Board of Directors by increasing its independence and diversity.

Kazuo Ushida
Chairman of the Board

[Policy for Activities]

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

[System]

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

Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Goals for the fiscal year ended March 2022	Scope	Results
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	—	Effectively implement a cycle that involves implementing third-party evaluation of the effectiveness of the Board of Directors, identifying issues, and formulating and implementing response strategies	Nikon	Planning and execution of various measures to strengthen effectiveness
	Review the effectiveness of the separation between the management function and the supervisory function		Aim to further strengthen the supervisory function by reviewing the composition of the Board of Directors from the next term onwards	Nikon	Conducted an assessment of effectiveness for the fiscal year ended March 2022 Skills Matrix developed by the Board of Directors and published
	Enhance the flexibility of the management function				
	Enhance the effectiveness of internal controls and auditing				


Corporate Governance

Basic Approach

Approach and Policy

Based on our Corporate Philosophy, the Nikon Group will conduct operations in a highly transparent manner in order to fulfill its fiduciary responsibilities to shareholders as well as its responsibilities to all stakeholders, including customers, employees, business partners, and society, with a sincere and diligent attitude.


The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium to long term by improving management efficiency and transparency, and further strengthening the supervisory function over management in light of the purpose behind Japan's Corporate Governance Code.

 Corporate Governance Guidelines
<https://www.nikon.com/about/ir/governance/organization/guideline/>


System

System and Framework

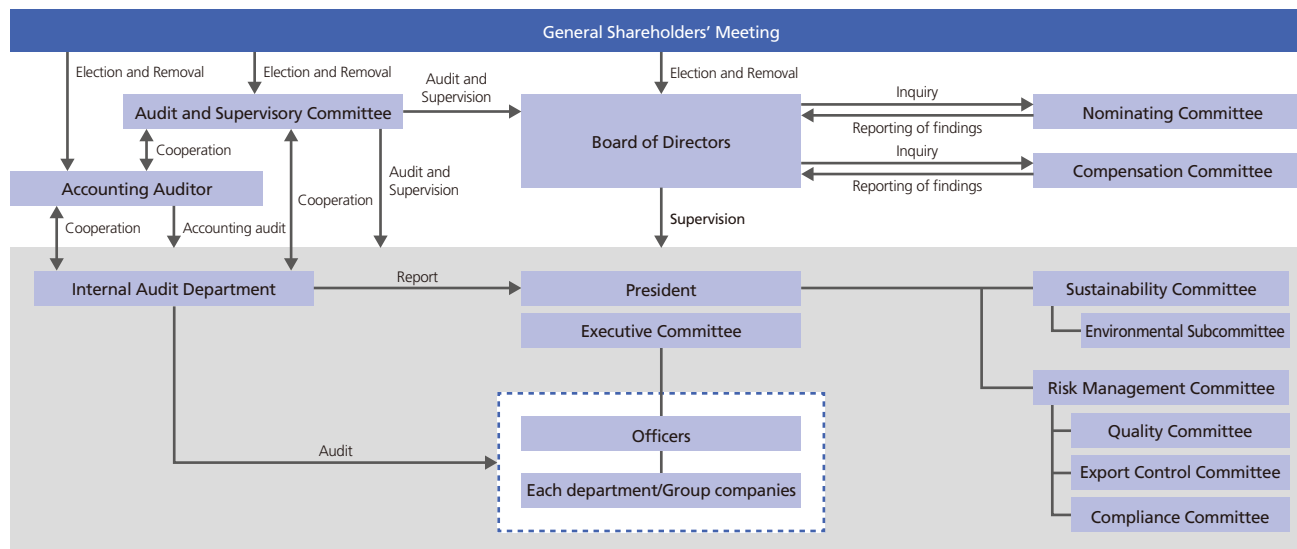
Aiming to further enhance corporate governance, Nikon adopted a company with an Audit and Supervisory Committee. This position further strengthens the supervisory function of the Board of Directors as it strives to streamline decision-making and clarify management responsibility arising through delegation of authority.

 Corporate Governance Organization
<https://www.nikon.com/about/ir/governance/organization/>

Related Information

 Internal Control System
<https://www.nikon.com/about/ir/governance/internal-control/>
 Basic Policy on Internal Control System
<https://www.nikon.com/about/ir/governance/internal-control/policy/>
 General Shareholders' Meeting
https://www.nikon.com/about/ir/stock_info/meeting/

● Nikon's Corporate Governance Organization (as of June 29, 2022)



Column

Transition to Prime Market

We have selected the Prime Market for our new market classification on the Tokyo Stock Exchange after April 4, 2022. We have determined that the Prime Market is the most suitable of the various market segments to achieve growth and sustainable improvements in enterprise over the medium to long term while maintaining a constructive dialogue with investors. With the transition to the Prime Market, we will work toward compliance with (implementing) all items of the revised version of Japan's Corporate Governance Code and aim to further enhance governance.

Taxation

Approach and Policy | System and Framework


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. Each regional headquarters manages tax compliance for their respective region, while tax management and compliance for the entire Nikon Group is the responsibility of the tax team at 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	-22
USA	1,033
Europe	966
China	849
Other Areas	2,995
Total	5,821

Participants (fiscal year ended March 2021)

 Global Tax Policy
https://www.nikon.com/about/sustainability/governance/corporate-governance/tax_policy.pdf