

# Priority Issue 10 Strengthening Compliance



## Reason for Priority

There is no end to the number of corporate scandals in major companies, leading to loss of trust. Increasing public attention has been drawn to corporate principles and corporate social responsibility. These scandals, in many cases, have even threaten the survival of major companies in an instant due to the materialization of reputational risk accompanying misconduct. Companies must meet the expectations of society not only by focusing on international guidelines and rules but also by understanding diverse values in a broad range of perspectives.

## Commitment

The Nikon Code of Conduct, which we revised last year, sets the standards for all Nikon employees to fully recognize the importance of compliance, comply with laws and regulations, company rules, and social norms, make ethical decisions, and take appropriate actions with integrity in day-to-day business activities.

I believe that it is important not only to understand what is written in the Nikon Code of Conduct, but also to put it into practice. Going forward, I will continue to convey my thought to all employees with the simple message of “Do Right!”.

Masashi Oka

Representative Director, Senior Executive Vice President and CFO  
Chairperson of the Business Conduct Committee

## Activity Policies

- Nikon Code of Conduct
- Nikon Anti-Bribery Policy

## System

- Business Conduct Committee

What We Intend to Achieve in 3 to 5 Years	Targets for the Fiscal Year Ended March 31, 2019	Results	Scope
Dissemination of the Nikon Code of Conduct	Implement the training on the new Nikon Code of Conduct (revised in January 2018) at Nikon and all of the Group companies	Implemented training for all employees at Nikon and all Group companies to disseminate the revised Nikon Code of Conduct	Nikon Group
Improvement of the reporting and consulting system	Collect and analyze information related to the introduction of the external contact points handled by a specialist firm in the Asian region	Reviewed the framework of the reporting and consulting system, and collected and analyzed information on the contact points handled by specialist hotline firms in the Asian region	Nikon Holding Hong Kong Limited / Group companies in Asia and Oceania

# Compliance

The Nikon Group has established a group-wide compliance promotion system, in order to engage honestly with the trustworthiness placed in us by society.

Under this system, we are striving to ensure compliance throughout the entire Nikon Group.

## Nikon Code of Conduct

The Nikon Code of Conduct is a specific set of standards for each and every employee to understand in depth, and implement, the concept of compliance. In January 2018, we revised this code of conduct to address the latest requirements of the global community.

Specifically, the revision included adding descriptions on such topics as human rights, taxation, import control and social responsibilities of the supply chain, and standardized this code of conduct as the common rule for all Group companies both inside and outside Japan. To ensure thorough compliance with the code of conduct in the Nikon Group, the head of each department at Nikon and above, and the president of each Group company make a pledge each year to take responsibility in complying with the code of conduct in the organizations that they are in charge. In the fiscal year ended March 31, 2019, the booklet of the code of conduct was issued in 16 languages and distributed to all employees inside and outside Japan.

[▶ Nikon Code of Conduct](#)

<https://www.nikon.com/about/sustainability/nikon-csr/codeofconduct/>

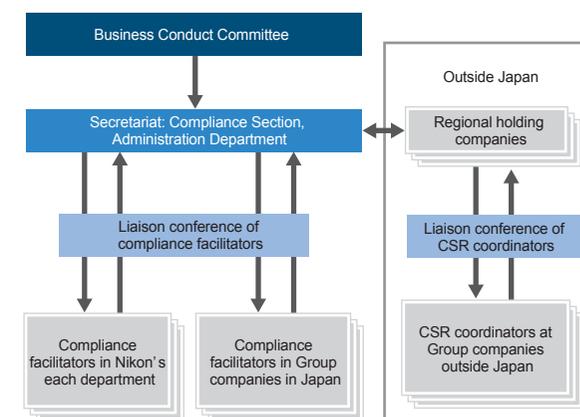
## Compliance Promotion System

The Business Conduct Committee, chaired by the Representative Director, Senior Executive Vice President and CFO of Nikon, serves as a forum for deliberating and making decisions on important issues regarding promotion of compliance. The Compliance Section of Nikon's Administration Department serves as the secretariat of this Business Conduct Committee. In Japan, we collaborate with the compliance facilitators at each of Nikon's departments and the Group companies to undertake compliance promotion activities.

Moreover, we hold compliance facilitator liaison conferences to carry out highly-effective compliance promotion activities.

Outside Japan, the regional holding companies take the initiatives in reinforcing global activities by gathering opinions of the Group companies and sharing their knowledge of cultures, customs and regulations in each country and region.

Compliance Promotion Structure Diagram



## Reporting and Consulting System (Code of Conduct Hotline)

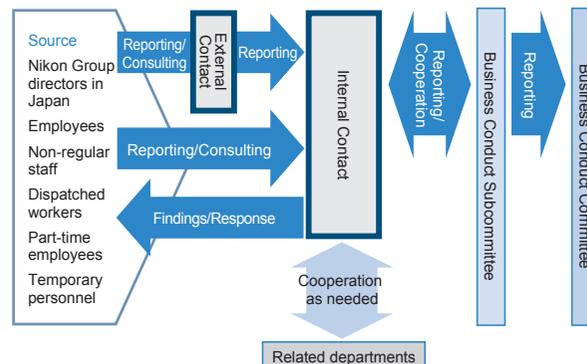
The Nikon Group has established a reporting and consulting system at all Group companies in and outside Japan in order to respond to reports of violations or potential violations of the Nikon Code of Conduct. "Code of Conduct Hotline," a common reporting/consulting channel for employees of the Nikon Group in Japan (including non-consolidated Group companies), consists of an internal contact point and an external contact point which is handled by an external specialist firm.

Outside Japan, as a general rule, each Group company has established its own internal contact point. In addition, the contact points handled by external specialist firms have been set up in Europe and the Americas. In regard to the Group companies in China, multiple contact points are accessible at the regional holding company, Nikon's headquarters and the external specialist firms (limited to some subsidiaries only) in addition to those set up at these companies themselves.

In the fiscal year ended March 31, 2019, we collected and analyzed information on external specialist firms for the Group companies in Asia. We aim to establish external contact points based on our findings in the fiscal year ending March 31, 2020.

For each case received through the system, we collect information from the reporter and persons relevant to the matter to understand the issue objectively. And then, we work together with relevant departments to resolve the case and follow up as necessary. We treat each case with utmost care by respecting human rights, which includes keeping the matter in strict confidence, protecting privacy, ensuring anonymity, and preventing any disadvantages for using the system.

### Diagram of the Reporting and Consulting System in Japan



### Use of Reporting and Consulting System (Fiscal Year Ended March 31, 2019)

(Unit: cases)

	Cases
Group companies in Japan	40
of which human rights-related matters (harassments, labor, etc.)	33
Group companies outside Japan	4
of which human rights-related matters (harassments, labor, etc.)	3

## Compliance Promotion Activities

### Compliance Training for All Employees at Nikon Group

The Nikon Group aims to disseminate the awareness of compliance in every person at the Nikon Group, from our top management to each employee. To this end, we hold compliance seminars for officers as well, which are delivered by attorneys who specialize in this field on the occasion of the Business Conduct Committee meetings. We provide e-learning training programs and conduct face-to-face training sessions by compliance facilitators at each department and the Group company inside and outside Japan.

In the fiscal year ended March 31, 2019, we carried out training globally to disseminate the revised code of conduct, and 23,865 employees inside and outside Japan attended (attendance rate: 99.8%). We will also continue to provide training on the code of conduct to newly hired employees. In addition, at the Nikon Group in Japan, compliance training was also conducted focusing on the prevention of bribery and the prevention of harassment prescribed by the code of conduct. Outside Japan, regional holding companies take the lead in conducting training activities with regional characteristics, for employees of the Group companies. Further, in our CSR newsletter for all Nikon Group employees, we introduce compliance related news that are reported in the world and explain the Nikon Group's view on compliance.

## Global Awareness Survey (Monitoring)

As a general rule, the Nikon Group conducts monitoring through awareness survey of employees inside and outside Japan every two years. Through this, the Nikon Group intends to understand the dissemination of compliance awareness and employees' confidence in the reporting and consulting system as well as current situations of compliance training, whose results are reflected on improving the Nikon Group's promotional activities.

In the fiscal year ended March 31, 2019, we conducted the awareness survey for the entire Nikon Group in September and October 2018. The results were reported at the meeting of the Business Conduct Committee held in December 2018 together with comparisons between regions and over time.

The results of the survey were fed back to all departments at Nikon and the Group companies with requests for improvements, and each company strives to make improvements on the basis of this.

Through such efforts, the Nikon Group has established a PDCA cycle for promoting compliance in all regions where we conduct business activities.

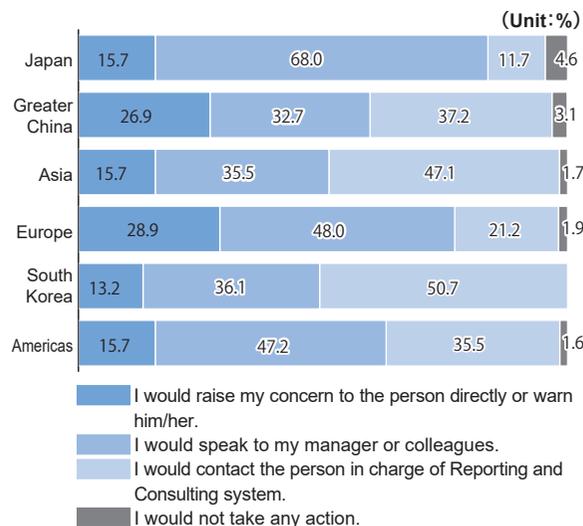
### Overview of Employee Awareness Survey

Country/Region	No. of times implemented (Times)	Most recent implementation	No. of respondents (People)
Japan	12	October 2018	11,087
Greater China	7	October 2018	865
Asia	5	October 2018	2,117
Europe	5	October 2018	1,298
South Korea	4	September 2018	219
Americas	4	October 2018	526
Total			16,112

\* Surveys at overseas Group manufacturing companies were only conducted for employees with PCs.

## Results of Employee Awareness Survey (Awareness of Violations)

■ Question: What action would you take if you witnessed an act at the Nikon office which might be a compliance violation?



## Efforts to Prevent Bribery

The Nikon Group enacted the Nikon Anti-Bribery Policy to reiterate its long-standing commitment to prevent corruption.

In addition, led by the Compliance Section, holding companies outside Japan have each formulated their region-specific Anti-Bribery Guidelines. These guidelines put together basic concepts, precautions and operational procedures, etc., on areas such as entertainment, gifts, donations, and facilitation payment, and reflect regional characteristics, in order to comply with the Nikon Anti-Bribery Policy. Each regional holding company also leads the training sessions that are continually held to raise the awareness of the guidelines.

Further, at the end of the fiscal year, Nikon and each of the Group companies reviewed their implementation of these anti-bribery guidelines through self-assessment checklists with the aim of making improvement in the next fiscal year. In the fiscal year ended March 31, 2019, we revised the guidelines for the Group companies in Japan to clarify the procedures on inviting public officials to give a lecture. Thanks to these initiatives, the Nikon Group has never been the subject of investigation on corruption by the authorities in any country.

[▶ Nikon Anti-Bribery Policy](https://www.nikon.com/about/sustainability/csr-management/compliance/anti-bribery_policy.pdf)  
[https://www.nikon.com/about/sustainability/csr-management/compliance/anti-bribery\\_policy.pdf](https://www.nikon.com/about/sustainability/csr-management/compliance/anti-bribery_policy.pdf)

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## Efforts to Prevent Competition Law Violations

As set out in the Nikon Code of Conduct, the Nikon Group's fundamental position is to carry out fair competition and engage in business deals that comply with the competition laws of each country.

In recent years, the international community has increased its focus on competition laws, requiring more stringent efforts to comply with the laws. The Nikon Group has established a framework of communication between legal departments in an effort to strengthen its legal functions while continuing to promote education throughout the group. Through this education, we strive to promote and disseminate the awareness of legal compliance across the entire group as well as prevent the recurrence of competition law violations.

## Furthering Education on Competition Law

The Nikon Group has been making global efforts to educate employees with respect to competition law that are in line with the laws and regulations of each country. Specifically, the Legal Department of Nikon's headquarter takes the lead in providing competition law education for the entire Nikon Group. The legal department of each business operational site and each Group company prepare a curriculum and provide education with the assistance of local law offices as necessary. One of the goals regarding compliance activities in the fiscal year ended March 31, 2019, was to "Continue to provide education annually on a global basis, and ensure that competition law training takes root in the Nikon Group." Under this goal, we conducted competition law training around the world, while, in Japan, we strove to increase the number of participants of the training by using e-learning. In the fiscal year ended March 31, 2019, competition law training was conducted at 43 companies which account for 6,107 employees of the Nikon Group (including non-consolidated Group companies) who are considered to be at a relatively high risk of violating competition law. Going forward, we plan to strengthen collaboration between the Legal Department of Nikon's headquarters and legal department of each business operational site, and consider methods to check the level of understanding of competition law so that we can provide more effective education.

## Bioethics

Nikon conducts the research and product development giving full consideration to human dignity and human rights for the business development in the life science industry. To intensify our effort for the bioethics, we established the regulations for the Bioethics Review Committee in June 2014 and we formed the Bioethics Review Committee in September of the same year. The committee is composed of experts in the humanities, the social sciences and the natural sciences who can provide opinions of the general public including the viewpoints of research subjects, and its review scope is the research and development in life science area conducted by the Nikon Group in Japan. The committee called a meeting once in the fiscal year ended March 31, 2019, where the validity of each research and development was reviewed based on the ethical and scientific perspectives. Additionally, the Nikon Group provides the annual education to the employees of the research and development section involved in the life science research, using the e-learning curriculum of the Association for the Promotion of Research Integrity that covers proper ethics as well as examples of unethical research and ways to prevent it. Through these educational opportunities, we strive to conduct a fair research and development in accordance with the laws, ordinances and guidelines. 120 employees received the education in the fiscal year ended March 31, 2019.

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## Responding to Fraud

In the event of violations of employment rules or the Nikon Code of Conduct, the Nikon Group takes strict action in accordance with internal regulations after investigating all related matters.

At Nikon in the fiscal year ended March 31, 2019, there were two disciplinary actions for fraud against a party or supervisor (two persons), and zero disciplinary actions at the Group companies in Japan. The disciplinary actions at Nikon were both due to illegal or unethical conduct outside of business.

At the Group companies outside Japan, there were 14 cases of serious disciplinary action involving fraud.

Nikon continually provides education for employees through the CSR newsletter, e-learning and other means in order to prevent the recurrence of fraud.