

Priority Issue 10 Strengthening Compliance



Reason for Priority

Increasing public attention has been drawn to corporate social responsibility over time. Amidst this, there have been a number of scandals that have even threatened the survival of major companies in an instant due to the materialization of risk of loss of credibility accompanying misconduct. By focusing on international guidelines and rules, Nikon and other companies must not only prevent scandals before they occur, but also in a broader sense strengthen their compliance system and contribute to the sustainable development of society, playing a role in the realization of a better society.

Commitment

The Nikon Code of Conduct sets the standards for all Nikon Group employees to fully recognize the importance of compliance, abide by laws and regulations, company rules, and social norms, make ethical decisions, and take appropriate actions with integrity in day-to-day business activities. The Nikon Code of Conduct also represents our foundation for strengthening global governance and responding to the expectations of the international community. Acting according to the Nikon Code of Conduct will ensure Nikon fulfills its social responsibilities and contributes to the sustainable development of society.

I will continue to put the Nikon Code of Conduct into practice also to crystallize our corporate philosophy “Trustworthiness and Creativity” and management vision of “Unlock the future with the power of light.”

Takumi Odajima
Representative Director and Executive Vice President
General Manager of Human Resources & Administration Division
Chairperson of the Business Conduct Committee

Activity Policies

- Nikon Code of Conduct
- Nikon Anti-Bribery Policy

System

- Business Conduct Committee

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 in 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. The booklet of the Nikon Code of Conduct has been issued in 16 languages and distributed to all employees in and outside Japan.

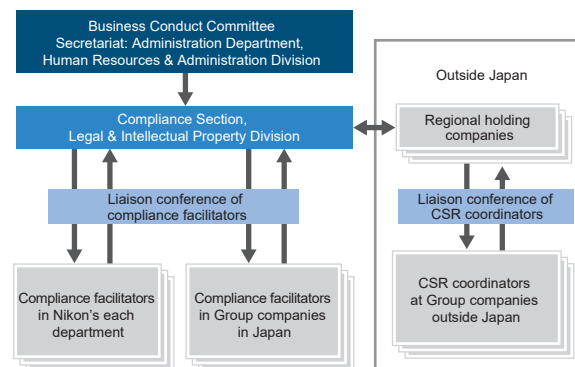
[Nikon Code of Conduct](https://www.nikon.com/about/sustainability/nikon-csr/codeofconduct/)
<https://www.nikon.com/about/sustainability/nikon-csr/codeofconduct/>

Compliance Promotion System

The Nikon Group has established the Business Conduct Committee for deliberating and making decisions on important issues regarding promotion of compliance. The committee is chaired by the Representative Director, Executive Vice President, and General Manager of Human

Resources and Administration Division of Nikon. The Administration Department of Nikon's Human Resources and Administration Division serves as the secretariat of the committee. For the promotion of compliance, the Compliance Section of the Legal and Intellectual Property Division spearheads activities. In Japan, we collaborate with the compliance facilitators at each of Nikon's departments and the Group companies to undertake compliance promotion activities. Furthermore, the Nikon Group organizes liaison conferences with compliance facilitators in order to achieve highly efficient activities. The Nikon Group also cooperates with its Group companies outside Japan, mainly with the regional holding companies, in order to address the risk of violating laws unknowingly since laws differ in each country. Furthermore, we take up the opinions of each Group company and reinforce global activities by sharing their knowledge of cultures, customs and regulation in each country and region.

Compliance Promotion Structure Diagram (As of July 1, 2020)

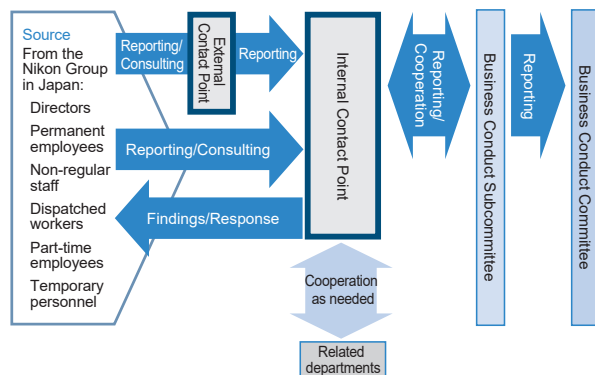


Code of Conduct Hotline (Reporting and Consulting System)

The Nikon Group has included provisions regarding a reporting and consulting system in the Nikon Code of Conduct and has established such systems 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 and are being operated 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, 2020, we established and commenced operations of an external contact point by a specialist firm in Asia, excluding China and South Korea. Consultations can be made anonymously. For each case received through the system, investigations 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.

Furthermore, the Nikon Group makes employees aware of this system through the booklet on the Nikon Code of Conduct handed out to all employees and relevant training programs.

Diagram of the Reporting and Consulting System in Japan



Use of Reporting and Consulting System (Fiscal year ended March 31, 2020)

(cases)

	Cases
Group companies in Japan	36
of which human rights-related matters (harassments, labor, etc.)	32
Group companies outside Japan	11
of which human rights-related matters (harassments, labor, etc.)	5

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 classroom training sessions by compliance facilitators at each department and the Group company in and outside Japan.

In the fiscal year ended March 31, 2020, the Nikon Group used classroom training and e-learning in each region to provide training on human rights and the reporting and consulting system, in an effort to further penetrate the Nikon Code of Conduct within the Nikon Group. We also held training on topics unique to each region. At the Nikon Group companies in Japan, training focused on the common theme of points to consider in terms of the private use of social media and the elective themes of anger management, quality fraud, and diverse employment status (dispatched and contract workers). At the Group companies in Europe, the Americas and China, training was conducted related to the Anti-Bribery Guidelines. Further, in the Nikon Group's CSR newsletter for all of its 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)

The Nikon Group conducts monitoring through an awareness survey of its employees at the Group companies in and outside Japan every one or two years. Through this, the Nikon Group intends to understand the penetration of compliance awareness and employees' confidence in the reporting and consulting system as well as current situations of the Code of Conduct training, whose results are reflected in improvements to the Nikon Group's promotional activities.

In the fiscal year ended March 31, 2020, we conducted an awareness survey for the Nikon Group in Japan in October, with 10,743 employees responding (response rate of 95.4%). The results were reported during the meeting of the Business Conduct Committee while also providing a comparison of overtime. The results of the survey are also 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.

Efforts to Prevent Bribery

The Nikon Group enacted the Nikon Anti-Bribery Policy to reiterate its long-standing commitment to the prevention of bribery.

In addition, led by the Compliance Section, holding companies outside Japan have each formulated their region-specific Anti-Bribery Guidelines. These guidelines put together business approaches, precautions and operational procedures, etc., on areas such as entertainment, gifts, donations, facilitation payment and management of third parties, and reflect regional characteristics, in order to comply with the Nikon Anti-Bribery Policy. Regarding management of third parties, the guidelines require further checks using a checklist in case of high-risk situations. 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, 2020, we revised the guidelines for the Group companies in Europe and China to define specific procedures following the unique situation of each region. We also conducted training to make revisions to the guidelines known to all. In South Korea, we began work on revisions.

Through these initiatives, the Nikon Group has never been the subject of investigation on bribery by the authorities in any country.

[Nikon Anti-Bribery Policy](#)

https://www.nikon.com/about/sustainability/csr-management/compliance/anti-bribery_policy.pdf

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 compliance with competition laws, requiring more stringent efforts to comply with these 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 Nikon 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 prepares a curriculum and provides education with the assistance of local law offices as necessary. One of the goals regarding compliance activities in the fiscal year ended March 31, 2020, was to "Continue to provide education for penetration and instilment of competition law education." Under this goal, in Japan we conducted e-learning following the legal revisions, and overseas we provide education based on the risks due to the nature of each company's business operations. In the fiscal year ended March 31, 2020, competition law training was held for 5,289 employees at 36 companies, including non-consolidated companies Nikon Latin America, S.A. (Panama) and Nikon Optical U.S.A. Inc. (the United States) (as of March 31, 2020; training results for Europe not included due to the impacts of COVID-19). Going forward, we plan to further 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.

Responding to Misconduct

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, 2020, there were four disciplinary actions for misconduct against a party or supervisor (13 persons) including one related to a procurement partner or business partner, one related to export/import control, and two related the appropriate use and management of company assets. There were five disciplinary actions at the Group companies in Japan for misconduct (five persons). At the Group companies outside Japan, six persons received disciplinary action for misconduct concerning one of the cases related to the appropriate use and management of company assets at Nikon.

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