

# Strengthening Corporate Governance

## Reasons for Priority

Corporate governance is the cornerstone of business activities. In order to ensure fair and transparent management, businesses must continue to improve 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 implemented initiatives to improve the effectiveness of the Board of Directors further and otherwise strengthen governance. These initiatives include enhancing cooperation among the Nominating Committee, the Compensation Committee, and the Board of Directors and enhancing diversity further.

In fiscal year 2024, 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.

Shiro Hiruta  
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

# Corporate Governance

## Basic Approach

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 enhance 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.



Web

Corporate Governance Guidelines

<https://www.nikon.com/company/ir/governance/organization/guideline/>

## Strategy

### Risk

A governance system that fails to ensure fair and transparent management will lead to a decline in stakeholder confidence. At the same time, this type of failure reduces the effectiveness of the Board of Directors. The resulting environment is not conducive to appropriate risk-taking, which may result in lost business opportunities and may impede a company's sustainable growth.

### Opportunity

Effective, fair, and transparent governance strengthens a company's resilience, maintains and enhances stakeholder trust, and creates an environment that supports appropriate risk-taking. Supported in this way, a company captures and expands business opportunities. The resulting environment is stable management and sustainable growth of the company in question.

### Strategy

The basic approach at Nikon is to fulfill our responsibilities to stakeholders and implement highly transparent management, while improving management efficiency and transparency, and further strengthening the supervisory function over management for sustainable growth and enhanced corporate value over the medium to long term. To reach higher levels of supervisory functions, the Company continues to evaluate the effectiveness of the Board of Directors, resolving issues raised in said evaluations.

We also enhance the effectiveness of the Board of Directors by increasing diversity and improving the executive compensation system. Through these efforts, we achieve the goal of strengthening our management base as described in our Medium-Term Management Plan.

● A History of Strengthening Corporate Governance

		FY2019	FY2020	FY2021	FY2022	FY2023
Increase of Board of Directors' diversity	% of external directors	42% (5 out of 12)	45% (5 out of 11)	45% (5 out of 11)	45% (5 out of 11)	50% (6 out of 12)
	o/w % of those from major shareholders, etc.	60% (3 out of 5)	40% (2 out of 5)	40% (2 out of 5)	0%	0%
	% of female directors	0%	9% (1 out of 11)	9% (1 out of 11)	9% (1 out of 11)	17% (2 out of 12)
Improve the effectiveness of the Board of Directors	Chairman of the Board	Separation from the position of officer	Separation from the representative director (strengthening of supervisory function over management)	—————→		
	Committees	<ul style="list-style-type: none"> <li>Establishment of Nominating Committee (chaired by external director)</li> <li>Appointment of external director as chairperson of Compensation Committee</li> </ul>	—————→			
	Independent External Directors' Meeting	—	—	—	Establishment	—————→
	Effectiveness evaluation	Continuation of consideration and implementation cycles for improvement measure based on the results of the evaluation of Board of Directors' effectiveness conducted in the previous year			—————→	
Nominating	Succession Planning for President	Formulation of the plan	Commencement of implementation	Full-scale implementation	—————→	
Compensation	Performance-based stock remuneration	Resumption of officer compensation system linked to the Medium-Term Management Plan	—————→		Decision of KPI based on the new Medium-Term Management Plan	—————→



Corporate Governance Enhancement Initiatives

[https://www.nikon.com/company/ir/management/nikon-report/initiatives\\_cg/](https://www.nikon.com/company/ir/management/nikon-report/initiatives_cg/)

## System

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/company/ir/governance/organization/>

## Related Information



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/)

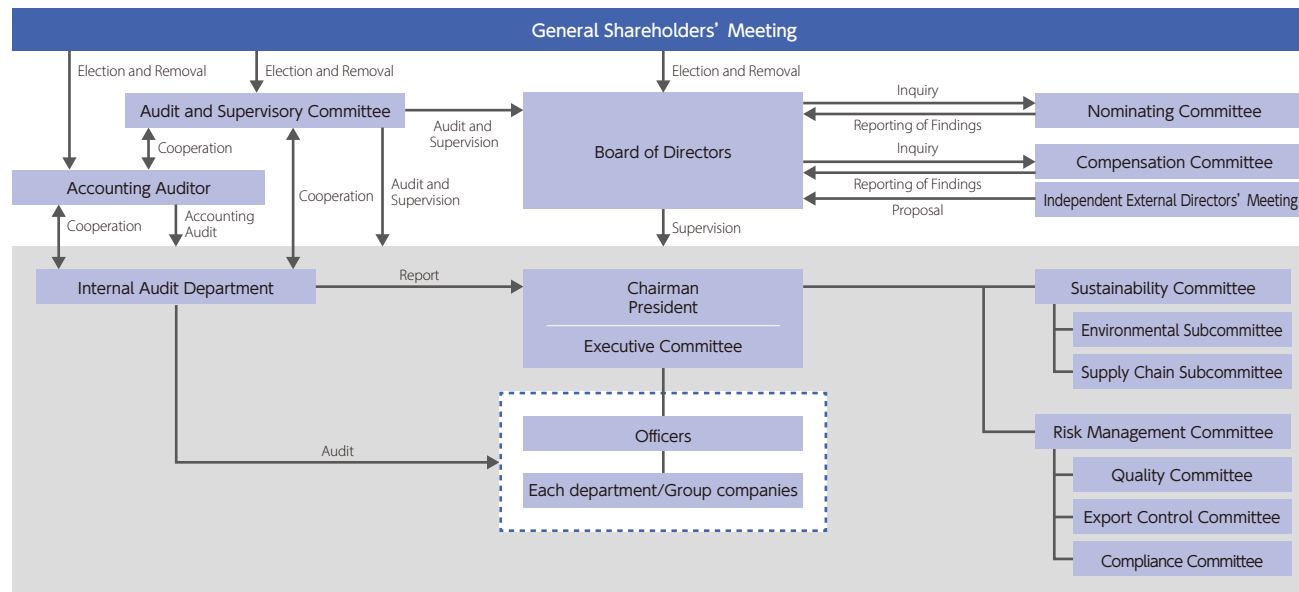
## Risk Management

Nikon established the Audit and Supervisory Committee as an independent body to audit and supervise the execution of operations by Directors and Executive Officers who are not members of the Audit and Supervisory Committee. Nikon also established the Nominating Committee and the Compensation Committee. The purpose of the Nominating Committee (chaired by an External Director) is to consider the Board of Directors, as well as to supervise the appointments of executive officers, etc. The purpose of the Compensation Committee (chaired by an External Director) is to deliberate and make recommendations on policies and systems for executive compensation. The Board of Directors consists of a majority of External Directors (as of April 1, 2024). The Company identifies governance issues by striving to increase diversity and transparency in this way. At the same time, these committees and the Board of Directors examine issues, strengthening management over governance-related risks.



Corporate Governance Organization  
<https://www.nikon.com/company/ir/governance/organization/>  
 Evaluation of the Board of Directors' Effectiveness  
<https://www.nikon.com/company/ir/governance/organization/>

### ● Nikon's Corporate Governance Organization (As of June 24, 2024)



## Indicators and Targets

### Indicators and Targets (Target Fiscal Year)

Evaluating Board effectiveness and addressing key issues: 100% (every fiscal year)

#### ► FY2023

##### Plan

1. Discussions on and action addressing issues identified in fiscal year 2022 by the Board of Directors
2. Evaluation via advance questionnaires and individual interviews
3. Preparation of evaluation reports

##### Results

Board of Directors discusses and decides on policies to address issues identified in the effectiveness evaluations, taking corrective action

#### ► FY2024

##### Plan

Discussions on and action addressing issues identified by the Board of Directors in the fiscal year 2023 effectiveness evaluation. Conduct evaluation based on preliminary questionnaire and individual interview evaluations, prepare evaluation reports

### Indicators and Targets (Target Fiscal Year)

Board of Director Diversity: Optimizing the composition of the Board of Directors to meet stakeholder demands (every fiscal year)

#### ► FY2023

##### Plan

Consideration of the optimal composition of the Board of Directors

### Results

One new External Director appointed (two women on the Board; External Directors account for half of the Board of Directors).

Ongoing consideration of structure in the next fiscal year and beyond

#### ► FY2024

##### Plan

Consideration of the optimal composition of the Board of Directors

## Major Initiatives

### Evaluation of the Board of Directors' Effectiveness

We took the following actions in response to the issues identified in the third-party effectiveness evaluation conducted in fiscal year 2022.

#### ● **Monitoring of progress of Medium-Term Management Plan and growth strategies**

Continued regular monitoring of progress in Medium-Term Management Plan and growth strategies by the Board of Directors and discussed the necessity of partial modification of the strategies to adapt to environmental changes

#### ● **Reinforcement and monitoring of internal control and risk management systems**

The Board of Directors received regular reports on internal control and risk management systems and their implementation and conducted monitoring with a focus on important matters

#### ● **Enhancement of coordination between Nominating Committee and Board of Directors**

Deepened discussions on the succession plan of President at Board of Directors' meetings by promoting the sharing of information on progress in deliberation by the Nominating Committee with the Board of Directors

Refer to the Company's website for information on the third-party effectiveness evaluation conducted in fiscal year 2023.



Evaluating the effectiveness of the Board of Directors  
<https://www.nikon.com/company/ir/governance/organization/>

### Independent External Directors' Meeting

The Company established the Independent External Directors' Meeting in October 2022. The meeting consists solely of external directors and serves as a forum for external directors to exchange and discuss views freely. The meeting exchanges opinions and makes recommendations from an independent and objective standpoint to the Board of Directors on issues and matters up for deliberation. In this way, the Board engages in more meaningful discussions during meetings.



Corporate Governance Enhancement Initiatives  
[https://www.nikon.com/company/ir/management/nikon-report/initiatives\\_cg/](https://www.nikon.com/company/ir/management/nikon-report/initiatives_cg/)

### 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 submits 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

### ● Fiscal Year 2022 Tax Payments by Region

(million yen)

Region	Tax payment
Japan	4,871
USA	2,788
Europe	1,578
China	982
Other Areas	2,252
Total	12,471



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)

### Details on Corporate Governance

Refer to our website for more information on corporate governance.



Corporate Governance

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