

Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

Message from Operating Officer

Under the Management Philosophy, Nihon Kohden has established the Nihon Kohden Charter of Conduct, the Nihon Kohden Code of Ethics and Conduct, and the Compliance Promotion Policies. Since FY2017, we have also added the Anti-Corruption Policies and implemented the Global Compliance Program, ensuring thorough compliance across the entire Group, including overseas subsidiaries. As part of this program, I have served as the Chief Compliance Officer (CCO) since the same year.

As Chief Compliance Officer, I am responsible for managing, operating, and executing Nihon Kohden's compliance promotion framework, which includes developing the organizational structure, employee training, and fostering a corporate culture that emphasizes compliance. As part of the organizational structure, we have appointed Divisional/Local Compliance Officers in each domestic and international department and subsidiary, which ensures the promotion and strict enforcement of compliance within each department and subsidiary. Additionally, as the Chief Compliance Officer, I regularly disseminate messages and information related to compliance, and we have established a system for direct reporting from Divisional/Local Compliance Officers, ensuring close collaboration and effective management of compliance-related activities.



Tadashi Hasegawa
Executive Operating Officer,
Chief Administrative Officer,
General Manager of Corporate
Administration Operations,
Chief Compliance Officer

In FY2023, the final year of the previous Three-year Business Plan, BEACON 2030 Phase I, we undertook various initiatives to ensure thorough compliance at domestic sites and overseas subsidiaries.

Starting in FY2024, the new Three-year Business Plan, BEACON 2030 Phase II has commenced. We are in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era, where the environment is rapidly changing and unpredictable. In such a context, merely adhering to traditional rules is insufficient and we must also be flexible and responsive to environmental changes regarding compliance. Therefore, it is important to establish fundamental principles and adopt a principle-based approach. We will emphasize “Integrity (honesty, sincerity, and high ethical standards),” one of our Core Values, as a core principle, and work to ensure that compliance is more deeply ingrained among all executives and employees than ever before.

To ensure that Nihon Kohden remains a trusted company in society, we remain firmly committed to realizing our Management Philosophy and enhancing corporate value.

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Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. This effort helps protect the trust of our most valuable assets: our customers, business partners, and other stakeholders. Nihon Kohden's commitment to ethical and responsible actions is embodied by its Charter of Conduct and Code of Ethics and Conduct.

Compliance Organizational Framework

The Company has a global compliance program effective in all regions in which it conducts business. In order to ensure thorough compliance, the Company has created the Compliance Organizational Framework as shown in the figure on the right:



The Compliance Committee is an organization consisting of directors, officers, and senior managers designated by the Board of Directors. The Compliance Committee ensures and enhances compliance by the followings:

- (i) Establishing and amending the Company's compliance policies;
- (ii) Supervising, evaluating, assessing, reviewing, and continuously improving the compliance program of the Company;
- (iii) Coping with important compliance issues; and
- (iv) Assessing and implementing responses to other compliance matters.

The Chief Compliance Officer (CCO) is responsible for management, operation, and implementation of the compliance program throughout the Company. The Divisional/Local Compliance Officers are empowered and authorized to implement, ensure, and enhance the compliance program in each division or subsidiary. The CCO carefully selects these individuals and regularly communicates with them to verify that global policies are implemented.

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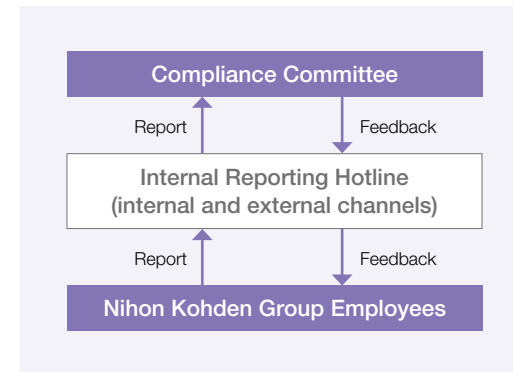
Compliance Training

Every year, the Company conducts compliance training for all executives and employees at the workplace level in each division and subsidiary in Japan and overseas (Approximately 5,700 participants in FY2023). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Next, they read the materials and discuss it with colleagues in order to deepen their understanding of compliance. As necessary, Local Compliance Officers in overseas subsidiaries provide additional training in accordance with local laws, regulations, and policies in each country. In addition, compliance study sessions are held in each division according to business such as harassment, Pharmaceutical and Medical Device Act, and sales activities. Furthermore, since FY2021, we have conducted training sessions led by external experts for all managers of branch offices and Domestic Business Operations, focusing on high-priority compliance risks.

Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports through their supervisors or an internal hotline service in good faith. Additionally, to alleviate any concerns on the part of the employees making reports, the Company accepts anonymous reports. In response to the revised Whistleblower Protection Act, which took effect in Japan in June 2022, the Company has established new rules to strengthen the protection of whistleblowers and further enhance its internal reporting system.

Internal Reporting Hotline



Preventing Corruption

The Nihon Kohden Code of Ethics and Conduct prohibits any act of illegal bribery or corrupt act towards Japanese and foreign public officials and ensures compliance with laws and regulations preventing corruption in every region in which Nihon Kohden engages in business, including bribery- and corruption-related laws in Japan, the Foreign Corrupt Practices Act (FCPA) in the United States, and the Bribery Act in the United Kingdom. Furthermore, Nihon Kohden has established the Anti-Corruption Policies, which prescribe detailed rules and procedures to prevent bribery, and ensures thorough adherence thereto. The Company also asks business partners, including overseas distributors, to understand and cooperate with Nihon Kohden's anti-corruption efforts and provides them with the Nihon Kohden Code of Ethics and Conduct and educational materials related to anti-corruption.

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Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in FY2017 and is working to ensure thorough compliance throughout the Group, including overseas sales subsidiaries. In FY2023, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers, issued newsletters, and conducted risk assessments for all overseas subsidiaries. Additionally, we have introduced a new system where we identify categories with high compliance risk for each overseas subsidiary and set action plans to mitigate these risks. We have jointly monitored the progress of these plans with the headquarters and the subsidiaries.

For further details regarding compliance, please refer to our website.

<https://www.nihonkohden.com/sustainability/governance/compliance.html>



Formulated the Global Business Management Policy

As the role of our overseas subsidiaries has become more important under transforming into a global high-value-added company, we have worked to strengthen the organizational risk management capabilities of each company. In October 2021, we formulated the Global Business Management Policy to support risk management related to finance and accounting, personnel and labor affairs, compliance, and internal information security, with the aim of preventing occurrence and recurrence of fraud and misconduct, and started implementation in 24 overseas subsidiaries of the Company. We will periodically review and enhance the contents of the Policy and work closely with each company to ensure its effective application.

Formulate and Implement Measures to Prevent Recurrence of Bribery Case

In response to the bribery case involving former employees of the Company that occurred in Japan in January 2021, Nihon Kohden has formulated extensive recurrence prevention measures. These include strengthening of governance, reviewing of employee performance evaluation system through compliance education, and enhancing monitoring efforts. We have completed the introduction and the implementation of these measures, and we have moved into the execution stage. The Compliance Committee regularly monitors these measures to ensure their firm establishment and execution.

1. Strengthening of Governance

(1) Review of the organization

- Established the Compliance & Legal Department in the Global Corporate Administration Operations (Currently Corporate Administration Operations) (April 2021)
- Established the Compliance Department in the Sales Operations in Japan (Currently Domestic Business Operations) (April 2021)
- Domestic sales branch offices
 - Strengthened administrative functions (Sequential implementation in progress)
 - Strengthened reporting lines to the Chief Compliance Officer (Compliance Officers' meeting: held semi-annually)

(2) Review of the procedures for considering donations

- Applications received through the donation website were reviewed by an organization that is independent of sales divisions (Conducted quarterly)

(3) Strengthening of internal controls

- Application of IT controls to pre-order processes (Introduced in November 2021/Now operating successfully)

(4) Establish mutual check procedures with dealers

(Completed in October 2022)

- Mutual pledge to comply with laws
- Periodic questionnaires
- Establish a whistle-blowing channel for third parties

2. Review of the Employee Performance Evaluation System

- Included compliance in evaluation items for performance evaluation (Management positions: June 2021/General employees: October 2021)

3. Thorough Compliance Education

- Domestic sales branch offices
 - Improved education programs for managers (Training by outside experts: held once a year)
 - Increased the amount of specific and practical training contents (Continued to implement)

4. Monitoring

- Periodic internal compliance awareness surveys (February 2021, February 2022, February 2023, February 2024)
- Ensure that all employees are aware of the internal reporting hotline (Newly established lawyer hotline: February 2022)