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. I have served as Chief Compliance Officer (CCO), a position established as part of this program, since FY2025. 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 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.



Kazuhiro Kato
Corporate Director, Senior Operating Officer, Chief Administrative Officer, General Manager of Corporate Administration Operations, Chief Compliance Officer

In the Three-year Business Plan, BEACON 2030 Phase II, which started in FY2024, we have set a target of "zero occurrence of major compliance incidents." We have focused on reducing potential risks through measures such as employee training for high-priority compliance risks both in Japan and internationally. We will continue these efforts in FY2025. We are in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era, where the environment is rapidly changing and unpredictable. In such a context, with regard to compliance as well, merely adhering to traditional rules is insufficient. 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" including 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.

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.

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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) Studying, assessing, addressing, and implementation of 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.

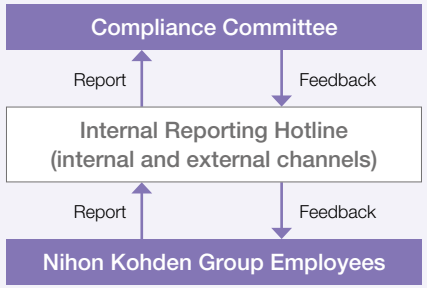
Compliance Training

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 (approx. 5,900 participants in FY2024). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Subsequently, they read the materials and discuss them 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, the 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 mandates that executives and employees report any compliance-related issues they engage in, witness, or suspect through their chain of command. If reporting through regular channels is difficult, they are required to report through the internal reporting system. The Company has established internal and external reporting channels, including a hotline operated by external lawyers. Individuals who make reports in good faith through the internal reporting system will not face any form of retaliation, sanctions, or other disadvantages. 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



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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.

In response to the bribery case involving former employees of the Company that occurred in Japan in January 2021, Nihon Kohden has strengthened internal controls by reviewing the procedures for considering donations and implementing IT controls to pre-order processes.

The Company has also conducted regular monitoring through compliance awareness surveys targeting all employees. Additionally, the Company has established mutual pledge to compliance with dealers and conducted periodic questionnaires. The Company has also established a whistle-blowing channel for third-parties to ensure thorough compliance.

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 FY2024, we held training for managers of overseas sales subsidiaries, quarterly online meetings for Local Compliance Officers, and conducted risk assessments for all overseas subsidiaries. Additionally, continuing from the previous year, we identified categories with high compliance risk for each overseas subsidiary and set action plans to mitigate these risks, jointly monitoring their progress with the headquarters and the subsidiaries.

For further details, please refer to our website.
Our Commitment to Compliance

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. This Policy was first implemented in 24 overseas subsidiaries and is now applied to 26 subsidiaries of the Company. To further strengthen each company's risk management capabilities, we not only periodically review and enhance the contents of the Policy but also review the status of risk management implementation at each subsidiary's board of directors to ensure its effective application. We work closely with each company to ensure the Policy's effective adoption through these initiatives.