

Ensuring Thorough Compliance

We practice fair and legitimate businesses activities with high ethics.

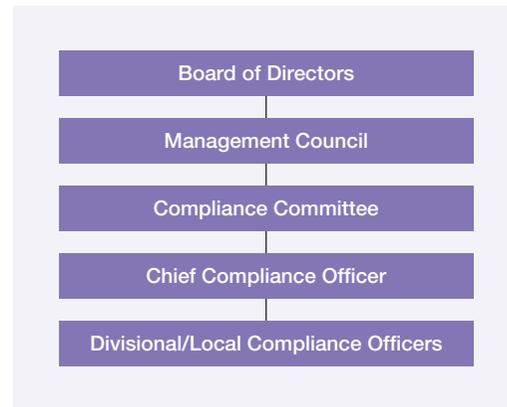
Our Compliance Policies

Nihon Kohden and all of its subsidiaries are fully committed to a program of sound ethics and rigorous legal compliance. Aside from being the “right” thing to do, these principles ensure that Nihon Kohden does not lose one of its most valued assets—the trust of its customers, business partners, and stakeholders.

Nihon Kohden’s commitment to ethical and responsible actions is embodied by its Code of Ethics and Conduct. The Code requires all executives, employees, part-time employees, temporary employees, etc. to comply with all laws, regulations, and Company policies.

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 and 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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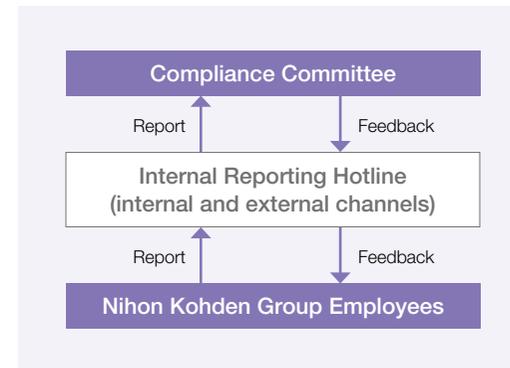
Compliance Training

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 5,500 participants in FY2021). Executives and employees first conduct self-study using prescribed materials to check their level of understanding. Next, we read the materials and discussing it with colleagues in order to deepen employees' 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, from FY2021, training on anti-corruption is conducted by outside experts for all executives such as office managers of domestic branch offices and domestic business operations.

Internal Reporting System

Nihon Kohden forbids all forms of retaliation against individuals who make reports in good faith. However, 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 on June 1, 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 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.

Initiatives for Global Compliance

Nihon Kohden introduced the Global Compliance Program in 2017 and is working to ensure thorough compliance throughout the Group, including overseas sales subsidiaries. In FY2021, we held training for managers of overseas sales subsidiaries and quarterly online meetings for Local Compliance Officers, and issued a newsletter. We also conducted risk assessments for all overseas subsidiaries to confirm the status of implementation of the Global Compliance Program and future areas of focus. In the Three-year Business Plan, we will establish more robust compliance structure by addressing the following initiatives; to ensure strict compliance and strengthen group governance and to strengthen internal control over domestic sales.

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

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



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Formulate and Implement Measures to Prevent Recurrence of Bribery Case

In response to the bribery case involving a former employee of the Company that occurred in Japan in January 2021, meetings of the Committee for Implementation and Management of Recurrence Prevention Measures, which includes outside members of the Investigation Committee, were held seven times. All recommendations of the Investigation Committee have been implemented in FY2021. In FY2022, we will continue our monitoring efforts to ensure strict compliance.

1. Strengthening of Governance

(1) Review of the organization

- Established the Compliance & Legal Department in the Global 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: November 2021)

(2) Review of the procedures for considering donations

- Introduced a donation website. Established a review organization that is independent of sales divisions (September 2021)

(3) Strengthening of internal controls

- Application of IT controls to pre-order processes (November 2021)

(4) Establish mutual check procedures with dealers

(From January 2022)

- Mutual pledge to comply with laws
- Periodic questionnaires
- Establish 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: October 2021)
 - Increased the amount of specific and practical training contents (Continued to implement)

4. Monitoring

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

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 this policy and work closely with each company to ensure its effective application.