

Compliance and risk management

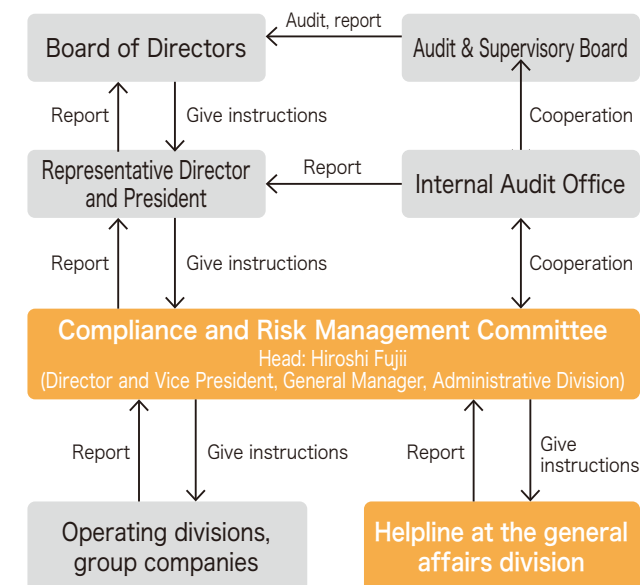
The Nikko Group believes that it is important to clarify management responsibility, accelerate the speed of execution of duties, increase the transparency of managerial decision-making, and strengthen compliance to secure soundness of management, and has been driving forward development of a system and measures for ensuring compliance in the Group.

The Code of Conduct of Nikko Group lists compliance as the top priority and all employees share it as their identity. In addition, the Group has been striving to practice fair, transparent, and sensible corporate activities conscious of social norms and company rules in addition to legal compliance.

Nikko Group's Code of Conduct

- 1 Compliance**
We shall act according to our conscience, comply with laws, social norms, and internal rules, shall not commit any wrongdoings, and engage in fair and transparent corporate activities.
- 2 Provision of better products and services**
We shall enhance research and technology development to offer safe and high-quality products and services to customers.
- 3 Communication with society**
We shall strive to communicate with customers, shareholders, business partners, and local communities, ensure transparency of management, and fulfill accountability.
- 4 In search of safety, comfort and affluence**
We shall strive to give priority to safety, improve workplace environment and labor conditions so that each and every employee can feel comfort and affluence.
- 5 Environmental preservation**
We shall promote initiatives for environmental preservation and contribute to creation of a good environment.
- 6 Elimination of anti-social forces**
We shall not have any relationship with anti-social forces and organizations that pose a threat to the safety and security of civil society.

Legal compliance promotion structure



Operation of the corporate ethics helpline

The group companies in Japan have in place a whistleblower system that is compliant with the revised Whistleblower Protection Act and are disseminating the information to directors, executive officers, and other employees.

Main information disseminated regarding the operation of helpline

- 1** In many cases, we recognize that officers and employees commit misconducts, which affect a company's existence, for the benefit of the company and organization rather than to gain unfair profits for themselves without being aware of their illegality.
- 2** It is important that departments with specialized knowhow are available for consultation at any time so that officers and employees would not make wrong judgments.
- 3** A whistleblowing system would put psychological pressure on the employees and act as a deterrent to commit fraud.
- 4** It is necessary to develop a mechanism where a misconduct always comes to light → Thorough compliance awareness
- 5** Whistleblowers are protected by the Whistleblower Protection Act (Act No. 122 of 2004) enacted on April 1, 2006.
- 6** Issues related to employee treatment such as transfer and promotion or defamation are not included in the system.
- 7** The user can report the issue through a letter or via the portal or email using his or her own name or anonymously, and those involved in receiving the report have the duty of confidentiality.
- 8** Upon responding to whistleblowers, the investigation policy and schedule are disclosed first, and a promise is made to provide a reply within a certain period of time.

The number of reports to the helpline

