

## CSR Policy

Beginning with its corporate philosophy of "Trustworthiness and Creativity," the Nikon Group has structured policies to fulfill this philosophy, shares them with all employees, and works to put them into practice.

### Our Aspirations

Meeting needs. Exceeding expectations.

- Providing customers with new value that exceeds their expectations
- Sustaining growth through a break with the past and a passionate commitment by one and all
- Maximizing our understanding of light to lead the way towards transformation and a new future
- Maintaining integrity in order to contribute to social prosperity

### Our Commitments

Be proactive: Alertness, Decisiveness, Strategic planning, Initiative

- Be broad-minded and well-informed in order to act quickly and resolutely

Communicate well: Dialog, Understanding, Team solidarity, Sensitivity

- Harmonize diverse skills by thinking out of the box and communicating effectively with others

Seek new knowledge: Research, Leadership, Innovation, Creativity

- Pioneer new potential through self-study and insatiable curiosity

Display integrity: Self-discipline, Fairness, Honesty, Respect

- Work with diligence and sincerity as a responsible individual

### Ten Principles of the UN Global Compact

(Human Rights)

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and  
Principle 2: Make sure that they are not complicit in human rights abuses.

(Labor Standards)

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
Principle 4: The elimination of all forms of forced and compulsory labor;  
Principle 5: The effective abolition of child labor; and  
Principle 6: The elimination of discrimination in respect of employment and occupation.

(The Environment)

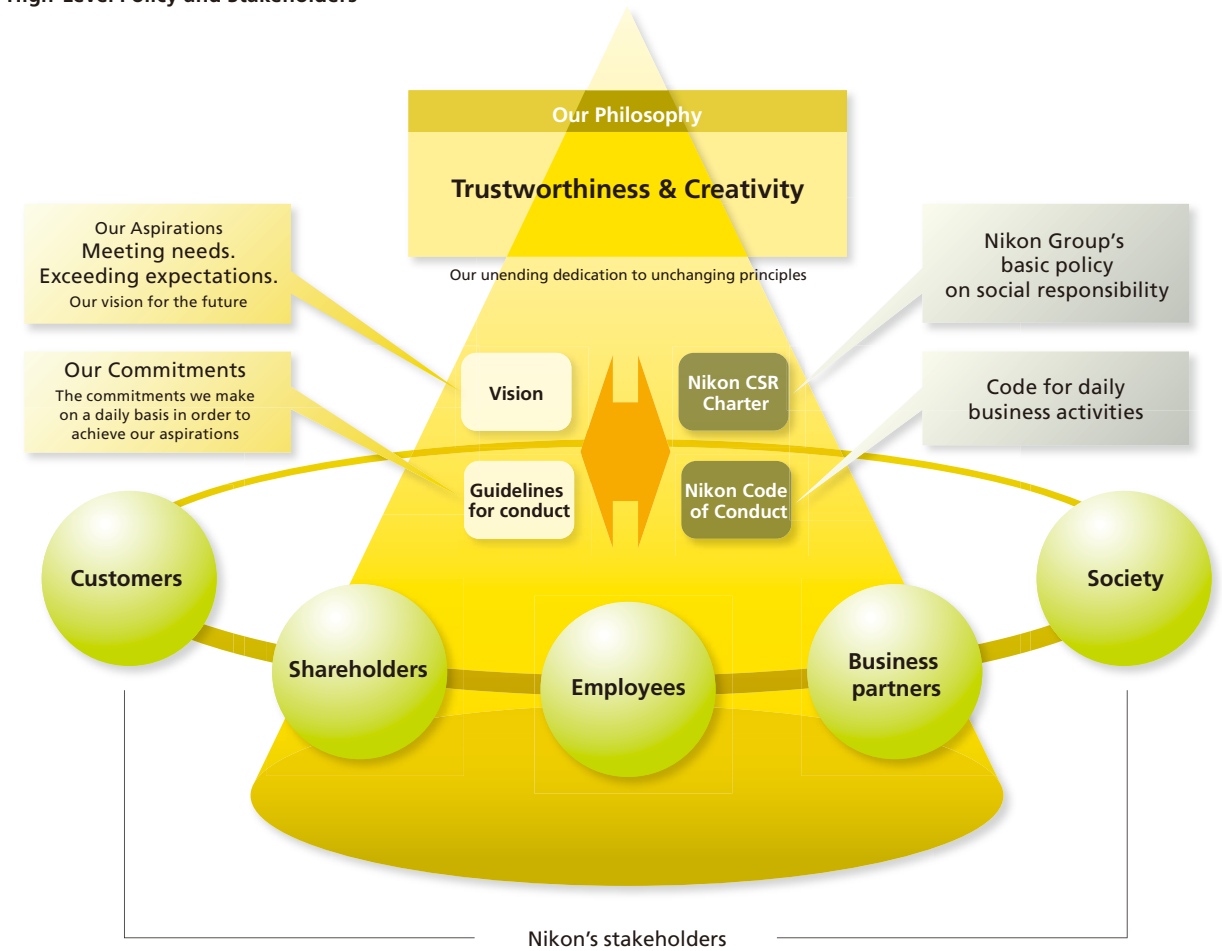
Principle 7: Businesses should support a precautionary approach to environmental challenges;  
Principle 8: Undertake initiatives to promote greater environmental responsibility; and  
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

(Anti-Corruption)

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



### Nikon High-Level Policy and Stakeholders



### Nikon Corporate Social Responsibility (CSR) Charter Established April 27, 2007, Revised December 1, 2009

#### 1. Sound corporate activities

The Nikon Group endeavors to comply with international regulations, related laws, and internal rules, exercise sound and fair corporate practices, earn the trust of stakeholders such as customers, shareholders, employees, business partners, and society. The Group will maintain constructive relationships with administrative bodies, remaining politically neutral and complying with laws, and will not engage in relationships with individuals or groups that threaten social order or safety.

#### 2. Provision of valuable goods and services for society

The Nikon Group will provide valuable products and services to society, endeavoring to increase the satisfaction and trust of our customers and contributing to the healthy development of society.

#### 3. Respect for human beings

The Nikon Group will respect diversity and individual human rights and provide a healthy and safe labor environment in which all persons receive fair treatment without discrimination. It will also oppose enforced labor and child labor and respect fundamental human rights as well as workers' rights.

#### 4. Protection of the natural environment

The Nikon Group will proactively engage in environmental efforts and work to protect the natural environment, as these are common issues for all of humankind.

#### 5. Responsibility to society as a corporate citizen

The Nikon Group will carry out corporate activities that take into account the cultures and practices of each country and region and proactively engage in activities that contribute to society as a good corporate citizen.

#### 6. Transparent operating activities

The Nikon Group will communicate extensively with customers, shareholders, employees, business partners, and society and disclose business information in a timely and fair manner. It will also conduct reliable financial reporting through accurate accounting processes.

#### 7. Responsibility of top management

Top management and employees in managerial positions within each department must understand that they play an essential role in fulfilling the spirit of this Charter and thus, in addition to leading by example, they must ensure that this information is disseminated to everyone in the Group and all related parties. Management must always strive to understand the opinions of those both inside and outside of Nikon to develop a sound internal framework that ensures that the spirit of this Charter is upheld. If any incident occurs that violates this Charter, top management will demonstrate, internally and externally, their determination to solve the problem and strive to identify the cause and prevent its recurrence. Furthermore, they will uphold information disclosure and accountability obligations. They will clarify the authority and responsibility of each manager and employee and deal rigorously and objectively with all people involved in the matter, including top management.

### The Nikon Group's Approach to CSR

For the Nikon Group, fulfilling CSR means embodying its corporate philosophy: "Trustworthiness and Creativity." We are aiming to contribute to sustainable development by living up to the trust we are given by society, and also by creating more value than expected.

In 2007, the Nikon Group celebrated the 90th anniversary of its foundation and established "Our Aspirations," the Group's desired vision for its 100th anniversary. We have also structured policies such as the Nikon CSR Charter and Nikon Code of Conduct—as well as "Our Commitments," which describes our daily commitment to realizing this vision—and are working to make all employees aware of these things. Furthermore, we participate in the UN Global Compact, and support its Ten Principles regarding human rights, labor standards, the environment, and anti-corruption.

We will continue working in a steady way to implement CSR activities in order to remain being a corporation that is trusted by society.

### Voice

#### Deepen understanding of and empathy for CSR policies

Through the CSR Website on the Nikon Group Intranet, we are working to share our CSR policies and increase employee awareness. Up until now we have also used our blog to convey information about our CSR and environmental activities, activities related to diversity, and social trends. During the year ended March 31, 2011, we opened a new blog entitled "One Nikon: diversity management" to introduce the CSR activities of each company (focused mainly on overseas Group companies), as well as send messages of support to Group companies in Japan that were devastated by the Great East Japan Earthquake. We hope to further enhance this blog in the future as a tool that goes beyond the boundaries of businesses and regions to deepen understanding of and empathy for the Group's overall CSR policies and activities.

#### Miki Nakajo

CSR Section  
CSR Department  
Corporate Planning Headquarters  
Nikon Corporation



## Priority Issues Set Forth in the CSR Medium Term Plan

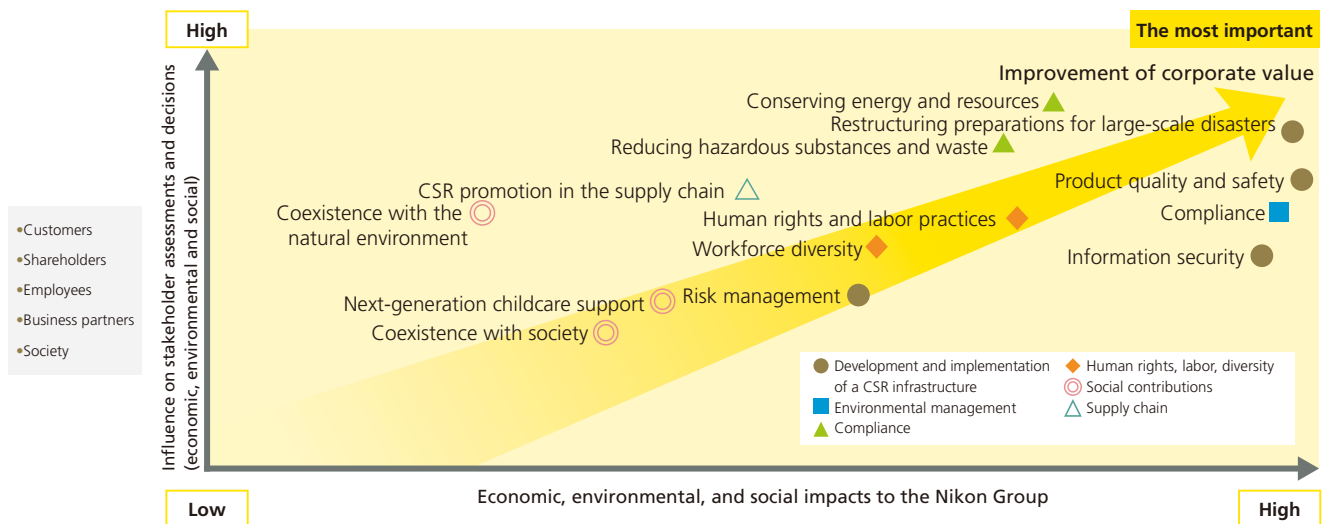
The Nikon Group believes that CSR is a process to embody its corporate philosophy of "Trustworthiness and Creativity," and upholds "CSR-oriented management" as one of its priority management issues. For CSR promotion activities, we work to identify priority issues, set the medium term plans for each issue and carry out initiatives according to the plan.

### ► Identifying Priority Issues for CSR

The Nikon Group identifies significant issues to focus on CSR promotion activities, by examining social trends and the expectations of our stakeholders,<sup>1)</sup> and carries out activities after setting the medium term plans for each issue. When defining

materiality, the secretariat of the CSR Committee makes analyses by referring to sources including the reporting Principle of Materiality in the GRI Guidelines<sup>2)</sup> and the seven core subjects of ISO 26000.<sup>3)</sup> And the selected issues through these processes are approved by the CSR committee as material issues applicable through the entire Group.

#### Nikon Group CSR Materiality Map



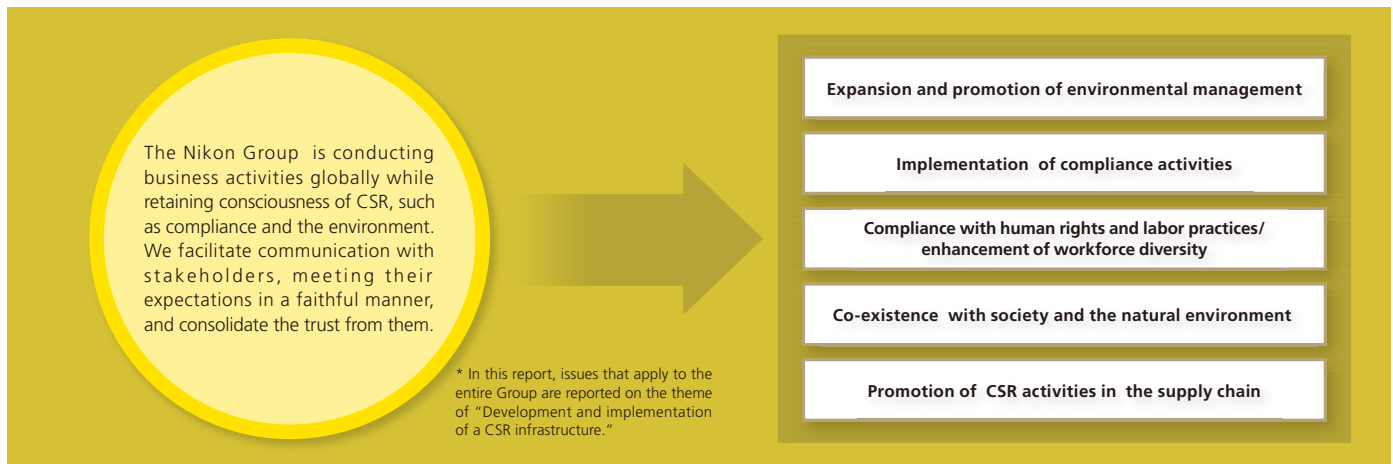
### ► Priority Issues Set Forth in the CSR Medium Term Plan

In a survey given to randomly selected Group employees during the year ended March 31, 2011, we heard many opinions that the

priority issues in the CSR Medium Term Plan were difficult to understand. For that reason we have reviewed these issues and reorganized the previous eight items into five. For each of the newly-defined material issues, a medium term plan is established.

#### Common Priority Issues in the CSR Medium Term Plan for the Entire Group

(from the year ending March 31, 2012 to the year ending March 31, 2014)



## Dialogue with Stakeholders

In our everyday activities as well, the Nikon Group works to carry out bi-directional communication with our stakeholders through various methods and opportunities. Through communication, we strengthen relationships of trust by reflecting the expectations of our stakeholders in our business and CSR activities.

### Communication with Major Nikon Group Stakeholders

Stakeholders	Communication methods
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Call center and service counter (Details on "Cycle to incorporate customer opinions" at Imaging Company: see p. 9 of Feature Article 1)</li> <li>• Responses to customers by the departments in charge of sales and services</li> <li>• Sharing information via our website and other methods</li> <li>• Exhibitions, events, etc.</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• General shareholders' meetings</li> <li>• News releases and public announcements via mass media and other methods</li> <li>• Publishing various types of printed material including fact books, annual reports, and interim/yearly reports</li> <li>• Sharing information via our website and other methods</li> <li>• Financial Results briefings</li> <li>• Socially responsible investment, etc.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Sharing information via the in-house magazine, the intranet, and other methods</li> <li>• Labor and management conferences, conferences with employee-elected representatives</li> <li>• Code of Conduct Hotline</li> <li>• Monitoring of Group companies and employee awareness surveys</li> <li>• CSR Report employee surveys, etc.</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• Dialogues through everyday business activities</li> <li>• Interviews and feedback when visiting procurement partners</li> <li>• Briefings and questionnaire surveys for procurement partners</li> <li>• Confirming the construction of environmental management systems (surveys/audits), etc.</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>• Participation in local events</li> <li>• Cooperation with NGOs and NPOs, such as social contribution activities</li> <li>• Participation in economic and industry organizations</li> <li>• Consultations with government offices, etc.</li> </ul>

### Awards Won in the Year Ended March 31, 2011

<b>April 2010</b>	Nikon CSR Report 2009 recognized as Good Practice by the UN Global Compact  Japan Network
<b>May 2010</b>	Nikon Imaging (China) Co., Ltd. recognized as an "Excellent Company for CSR in WND (Wuxi New District) " by the Wuxi New District Administrative Committee for the second consecutive year
<b>June 2010</b>	Nikon Corporation's Sagami-hara Plant and Sendai Nikon awarded the Minister's awards from Japan's Ministry of Health Labor and Welfare
<b>July 2010</b>	Received the highest ranking in the digital camera category of the "2010 After-sale Service Satisfaction Ranking" in Nikkei Business
<b>August 2010</b>	Nikon CSR Report 2009 has received as Notable COP  by the UN Global Compact for the second consecutive year
<b>October 2010</b>	Ranked in eighth place in the Nippon Foundation's selection of 100 admirable CSR-oriented Japanese companies
<b>November 2010</b>	Nikon Salon awarded the Photographer Smile Award in the Mecenat Grand Prize category of the 2010 Mecenat Awards

# CSR Promoting System and Our Approach to UN Global Compact

In order to promote CSR in a more effective and efficient way in the Nikon Group, specialized subcommittees on each CSR-related issue are established under the CSR Committee. They are cross-functional and reinforce cooperation in the group.

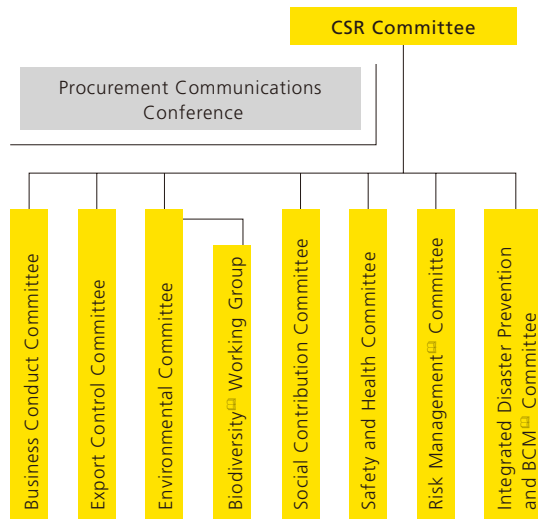
## ► CSR Promotion Organization

Under the CSR committee, seven subordinate committees are organized. Besides these, we have Procurement Communication Conference in place. Under this system, we drive the penetration and enrooting of CSR activities throughout the entire Group.

During the year ended March 31, 2011 we have started preparations to reinforce CSR promotion in China/Asia region in a integrated way. To start with, we appointed a staff member exclusively in charge of CSR at the holding company in Hong Kong that was established in August 2010 as the regional headquarters.

During the year ended March 31, 2012 we will establish a CSR promotion organization for Group companies in the China/Hong Kong region.

### CSR Promotion Organization







### Secretariats and Chairpersons of CSR-related Committees

Committee	Chairperson	Secretariat
CSR Committee	Chairman	CSR Section, CSR Department
Business Conduct Committee	Executive Vice President	Compliance Section, CSR Department
Export Control Committee		
Environmental Committee	President of Business Administration Center	Environmental Administration Section, Environmental & Technical Administration Department
Social Contribution Committee	Executive Vice President	Social Contribution Section, CSR Department
Safety and Health Committee	President of Business Administration Center	Safety and Health Welfare Section, Human Resources Department
Risk Management Committee	Executive Vice President	Corporate Planning Department, Administration Department, Information System Planning Department, Human Resources Department
Integrated Disaster Prevention and BCM Committee		BCM Section, Corporate Planning Department
Procurement Communications Conference	General Manager of the Procurement & Facilities Management Department	Procurement Planning Section, Procurement & Facilities Management Department

## ► The Nikon Group's Initiatives Regarding the Ten Principles of the UN Global Compact

The Nikon Group participates in the UN Global Compact, and has declared its support for the Ten Principles, and is promoting activities related to these principles.

### Major Achievements During the Year Ended March 31, 2011 Related to the Ten Principles

	Policies	Jurisdictions	Achievements (activities and/or monitoring)
Common	CSR Charter	CSR Committee	Implemented education related to the Ten Principles of the UN Global Compact throughout the entire Nikon Group Group CSR questionnaires, establishment of a CSR promotion organization in China
	Procurement Partner Guidelines	Procurement Communications Conference	Promoted CSR-oriented procurement 
Human rights / Labor	CSR Charter	CSR Committee	Conducted Group surveys for yearly confirmation of the situation regarding Group human rights and labor. Confirmed no forced or child labor
			Confirmed regular quantitative female employees' level of participation and responsibility through activities to support women in the workplace
			Began work to decide upon a Group human resources vision Promoted CSR-oriented procurement, briefings for overseas procurement partners
Environment	Basic Environmental Management Policy	Environmental Committee	Accordance with and implementation of the Environmental Action Plan
	Environmental Action Plan		Management through the environmental management system (ISO 14001) 
	Green Procurement 		Audited green procurement for suppliers
Anti-corruption	Code of Conduct	Business Conduct Committee	Implemented compliance  education for the entire Nikon Group
			Identified issues through awareness surveys at Group companies in Japan

### Recognition as Notable Communications on Progress (Notable COP)

For two successive years, the Nikon CSR Report 2008 and Nikon CSR Report 2009 were selected by the UN as Notable COP. In addition, the Nikon CSR Report 2009 was recognized as Best Practice by the Global Compact Japan Network, which is comprised of Japanese corporations that endorse the UN Global Compact.

The Nikon Group continues to work to put the Ten Principles into practice and strive that it takes root in the minds of all employees.

# CSR Achievements for the Year Ended March 31, 2011, and Future Targets

The Nikon Group evaluates the results of its CSR activities every fiscal year, in order to ensure efficiency and effectiveness, and sets targets for the next year that reflect both the achievements made and problems identified with existing activities. We conduct these activities in communication with our stakeholders.

## Priority Issues and Targets and Results for the Year Ended March 31, 2011 (April 1, 2010 to March 31, 2011)

○: Achieved △: Measures started but not yet achieved ×: Not started

Priority issue	Target	Results	Self evaluation
CSR fulfillment by conducting business while protecting the global environment and ensuring compliance <sup>□</sup> <a href="#">see p. 17</a>	Cooperation with staff in charge of CSR at each in-house company	Cooperated with three in-house companies and responded to CSR-related matters from customers	○
	Give support to Group companies in China for the promotion of CSR activities and to Group companies in Europe for building a promotion organization	During the year ended March 31, 2011, special efforts were made in China, where we completed preparations to build a necessary system. Changed our policy, and we will now wait to see our results in China before beginning efforts in Europe.	△
	Give feedback regarding the results of e-learning sessions conducted at Group companies in Japan in the fiscal year ended March 31, 2010	The results were posted on our in-house CSR blog, and made public to all employees of Group companies in Japan	○
Expansion and promotion of environmental management <sup>□</sup> <a href="#">see p. 27</a>	Reduce CO <sub>2</sub> emissions		○
	Strengthen measures for hazardous chemical substances (to comply with the REACH Regulation, <sup>□</sup> the revised RoHS Directive, <sup>□</sup> and others)	*For results related to the environment, please refer to "Environmental Action Plan" (see p. 33).	○
	Formulate policies on biodiversity, <sup>□</sup> make environmental assessments, and educate employees on these items		○
Global Promotion of compliance activities <sup>□</sup> <a href="#">see p. 47</a>	Thoroughly implement measures to promote global compliance	Revised the Group Code of Conduct to promote more global activities	○
	Conduct an awareness survey to employees of Group companies in Japan and execute a PDCA cycle based on the results	Conducted awareness surveys, shared the results, and provided support for activities in departments that are working to energetically implement activities	○
	Provide education on important themes	Implemented education that was in line with each Group company and department's situation, such as that regarding the Code of Conduct, ethics, etc.	○
Implementation of a risk management <sup>□</sup> PDCA cycle <sup>□</sup> <a href="#">see p. 49</a>	Encourage awareness of basic rules for information management at overseas Group Companies, and see those rules upheld	After re-organizing the items for adherence during information management, promoted awareness of these items at overseas Group companies	○
	Continuously implement education and audits in Japan	Continually implemented information management audits and education such as e-learning sessions in Japan	○
	Expand the emergency contact system to employees of overseas Group companies	Inspected safety confirmation system use; expanded the usage scope of the support desk	○
	Enhance overseas risk management training and continue providing relevant drill	Conducted prior and management training for employees to be dispatched overseas, and emergency drills for them	○
	Revise the action plan based on experience of pandemic influenza (H1N1)	Let the entire Nikon Group know the revised Code of Conduct	○
	Hold e-learning sessions on export control of technology and software for Nikon Corporation employees	Increased awareness of export control of technology and software through e-learning sessions, and thoroughly implemented the control focused on Precision Equipment Company	○
	Make regular audits on export control at Nikon Corporation and Group companies in Japan	Performed audits on export control at Nikon Corporation and 12 Group companies	○
Global management of issues related to human rights and the labor environment <sup>□</sup> <a href="#">see p. 51</a>	Analyze the results of monitoring at the Nikon Group, identify issues, and consider countermeasures	There were no significant problems; considered methods of dealing with issues	○
	Give e-learning sessions on the Ten Principles of the UN Global Compact <sup>□</sup> to employees in Japan and promote the Compact to overseas Group Companies	Completed e-learning sessions in Japan and carried out educational activities through staff overseas	○
	Implement ISO 26000 <sup>□</sup> into corporate activities	Enhanced support and education, and applied ISO 26000 to the revised version of the Group Code of Conduct	○
	Enhance education and expand support for employees in charge of health and safety at Group companies in Japan	Improved the health and safety management levels of Group companies in Japan	○
Promotion of diversity <sup>□</sup> activities <sup>□</sup> <a href="#">see p. 54</a>	Develop a global human resources training system for emerging economies and start to use it	Introduced system and members of the inaugural class completed their study abroad in emerging economies	○
	Build a training system to support employees' career development and start implementing it on a trial basis	Held five career training sessions for people who are 30 years old, and held training session for people who are 40 and 50 years old on a trial basis	○
	Construct a system of diverse working styles	Introduced hour-based vacations, partially implemented telecommuting, expanded reemployment for seniors	○
	Conducted diversity training for managers on a trial basis	Completed training for managers on a trial basis	○
	Improve the percentage of women employed through regular recruitment to at least 20% and the percentage of women employed as engineers to at least 10%	Held recruitment seminars for women seeking jobs in the technical field, but targets were not met	△
	Place more orders with Nikon Tsubasa Inc. (a special subsidiary)	Expanded orders for "paperless" (data digitization) work	○
Expansion of social contribution activities worldwide <sup>□</sup> <a href="#">see p. 57</a>	Manage the Thai scholarship program	150 junior high and high school students, 24 university students, and 4 Japanese international students (including 2 Masters program graduates)	○
	Plan and carry out educational activities for young people regarding biodiversity	Held nature observation events, as well as environmental events and conferences	○
	Implement TABLE FOR TWO program in areas other than Ohi Plant	Completed implementation at all Nikon Corporation plants	○
Expansion of CSR-oriented procurement <sup>□</sup> <a href="#">see p. 59</a>	Gather feedback from procurement partners in Japan and examine and implement necessary measures	Based on the feedback results in the first half of the year, expand the number of object partners to 37 companies	○
	Hold briefings for overseas Group manufacturing companies in Asia	Held briefings at three overseas Group manufacturing companies, as well as education in the Nikon Group	△
	Hold briefings for procurement partners of overseas Group companies	Held briefings and conducted surveys for the procurement partners of two Group companies in China (imaging companies)	○
Promotion of communication with stakeholders <sup>□</sup> <a href="#">see p. 5, p. 61</a>	Expand the target of green procurement <sup>□</sup> audits to procurement partners of overseas Group companies and improve the proficiency of auditors	Conducted audits of 33 procurement partners, including one overseas company, and conducted education for auditors	○
	Continually update the CSR website	Posted data that wouldn't fit in CSR reports and made updates as needed	○
	Improve the CSR Report and publish the digest of the report	Conducted surveys for Group companies and employees within and outside Japan, and reflected the content in this report	○
	Foster communication with external stakeholders	Carried out dialogues with stakeholders (and included them in this report)	○

\*The targets in the CSR Report 2010 have been organized before inclusion (such as duplicate parts).




# Nikon's CSR Foundation

## Priority Issues and Targets for the Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

The Nikon Group is conducting business activities globally while retaining consciousness of CSR, such as compliance and the environment. We facilitate communication with stakeholders, meeting their expectations in a faithful manner, and consolidate the trust from them.

Priority issues	Target
<b>Development and implementation of a CSR infrastructure</b> <a href="#">see p. 17</a> <a href="#">see p. 49</a>	Reflect on responses to the Great East Japan Earthquake, revise BCPs to prepare for a Tokyo Metropolitan Earthquake, improve crisis management abilities through drills
	Thorough conservation of electricity (strengthen policies and monitoring, respond to requests from the Government of Japan)
	Establish CSR coordinating functions at a holding company in China and Asia by the end of this fiscal year; create a CSR promotion organization in China
	Implement education for all Nikon Corporation employees to create continual and consistent awareness of export control of technology and software for export management
	Thorough export control at overseas Group companies
	Continual countermeasures against highly virulent influenza (information gathering, table-top drill, sufficient emergency stores, etc.)
	Maintain an environment to provide latest risk information for employees on overseas business travel, create a centralized Group management system for business traveler information
<b>Expansion and promotion of environmental management</b> <a href="#">see p. 27</a>	*For targets related to the environment, please refer to "Environmental Action Plan" (see p. 34).
<b>Implementation of compliance activities</b> <a href="#">see p. 47</a>	Improve Nikon Group employee awareness of compliance by making all employees thoroughly informed of the revised version of the Nikon Code of Conduct, which is consistent for the entire Group
	Implement awareness surveys of Group employees in Japan, giving feedback about results, supporting the activities of departments that are working to energetically implement activities
	Make employees thoroughly aware of the in-house reporting/consulting system, as well as its sound operation
<b>Compliance with human rights and labor practices/enhancement of workforce diversity</b> <a href="#">see p. 51</a> <a href="#">see p. 54</a>	Expand implementation of diversity training for managers, with the target of 100 people who attend five training sessions each year (in Japan)
	Proactive employment activities for female employees (raise the percentage of women employed to at least 10% by March 2013)
	Conduct Group surveys on human rights and labor, identify problems, and draft policies
	Collect basic health and safety data of the Group, and provide necessary assistance
<b>Co-existence with society and the natural environment</b> <a href="#">see p. 57</a>	Implement training and expand target countries to develop global human resources for emerging economies
	Carry out support activities for the victims and areas affected by the Great East Japan Earthquake
<b>Promotion of CSR activities in the supply chain</b> <a href="#">see p. 59</a>	Organize issues and propose promotion plans for Group companies which have not yet implemented social contribution activities
	Revise the Green Procurement Standard. Begin examining the integration of Nikon Procurement Partners' CSR Guidelines and Nikon Green Procurement Standards.
	Clarify confirmation standards, and consider an implementation system to confirm the activities of procurement partners through visits (including overseas)
	Continual EMS audits of procurement partners, auditor education, enhancing the audit system

# Corporate Governance

Amid continued globalization of the business environment, the Nikon Group is working to enhance the relationship of trust it enjoys with its stakeholders  by increasing management efficiency and transparency and strengthening its corporate governance organization.


## ► Corporate Governance Organization

### Management System

The Nikon Group carries out business through an integrated in-house company system where responsibilities are established for each product sector, including Group companies. We have also established a management system that can respond swiftly to changes in the business environment through our operating officer system. Furthermore, we evaluate and confirm performance under a results-based evaluation system, thereby strengthening the relationship between performance and remuneration.

### Board of Directors and Executive Committee

The Board of Directors makes prompt decisions on matters of importance to the Nikon Group and monitors the exercise of duties by directors. Two independent outside directors also sit on the board to strengthen supervisory functions.

The Executive Committee deliberates on and resolves major issues regarding the general operation of company business, internal controls  and management, in accordance with the basic management policies as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

### Compensation Committee

The Compensation Committee, which includes prominent figures from outside the Nikon Group, was set up to raise the objectivity and transparency of matters related to directors' compensation and to ensure that decisions on remuneration are linked to the corporate financial results. The obligations of this committee include examining and proposing guidelines for directors' compensation and other related systems.

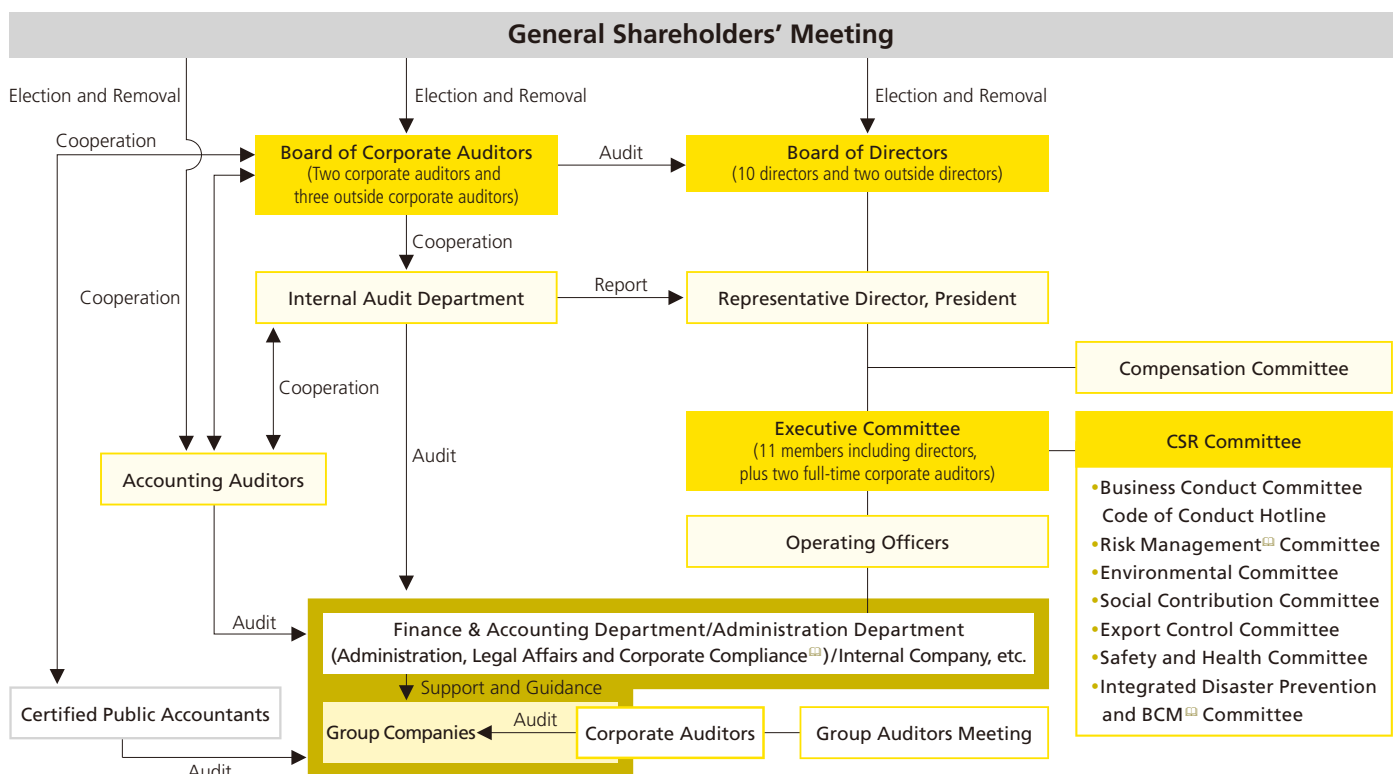
### Board of Corporate Auditors

The members of the Board of Corporate Auditors periodically attend important meetings such as those of the Board of Directors and Executive Committee in order to supervise the execution of duties by the directors, and to perform monitoring and auditing of corporate management and directors. Three independent outside corporate auditors are also invited to these meetings.

**Web** Corporate Governance:

<http://www.nikon.com/about/csr/governance/>

**Nikon's Corporate Governance Organization** (as of June 30, 2011)





## ▶ Internal Control System

### Basic Policy on Internal Control System

The Nikon Group's basic policy on its internal control system was established in accordance with Japan's Corporate Law and its enforcement regulations, enacted in May 2006, in order to create a structure for ensuring appropriate business operations.

**Web** Basic Policy on Internal Control System:


<http://www.nikon.com/about/csr/governance/internal-control/policy/>

### Structuring of Responsibility and Authority

Nikon Corporation has established the "Rules Governing the Authority of the Organization and Personnel," which provide a clear definition of the structure of responsibility and authority for each post as well as each organization. Furthermore, thorough control and guidance for Group companies both in Japan and overseas to conform with the "Decision Standard for Domestic and Overseas Subsidiaries" ensures the organized and efficient performance of duties.

### Internal Audits

An internal audit department has been created as an independent organization that reports directly to the president. Based on audit plans for each fiscal year that have been approved by the president, this department audits the Nikon Group's systems and their usage situation, examining whether the operations of each department are conducted in compliance with relevant laws and internal rules, as well as whether risks are being effectively managed. It also makes recommendations as to how such operations can be improved.

The internal audit department also functions as an independent department to monitor implementation of the Internal Control Reporting System stipulated under the Japanese Financial Instruments and Exchange Law (J-SOX), and evaluates Company-level controls and Process-level controls of the Nikon Group. Furthermore, from the viewpoint of the Corporate Law the department also evaluates the effectiveness of corporate ethics structures and risk management  structures ("a framework including rules concerning risk of loss management" under the law) as an internal audit function for internal control systems.

In addition, internal audit sections have been established for each region to audit overseas Group companies. These sections perform internal audits and J-SOX evaluations of their local companies from an independent position, while the head office's internal audit sections coordinates these activities.

The results of these audits are submitted to corporate auditors for the purpose of close cooperation and to share information.

As the Nikon Group works to expand the scale of its business operations in China and other Asian countries, an internal audit section was established at the regional headquarters in Hong Kong in August 2010 to enhance auditing functions.

In order to further improve the quality of internal audits of overseas Group companies, we also established an internal audit section for the Americas in a North American holding company in June 2011. In this way we are making efforts to construct an internal audit system that covers all four regions worldwide, namely Japan, Europe, China/Asia, and America.

## Implementation of an Internal Control Reporting System

Our internal control reporting system, based on the Financial Instruments and Exchange Law, was introduced in April 2008 with the aim of ensuring the credibility of financial reporting.

Nikon Corporation conforms to the fundamental framework for internal controls indicated by the standards of the Financial Services Agency in order to implement this system, and has established and applied internal controls related to the credibility of financial reporting.

Specifically, evaluations are performed regarding the effectiveness of the design and operation of company-level internal controls at Nikon Group at the end of each fiscal year. Based on the same system, the effectiveness of process-level internal controls (including sales, purchasing, manufacturing, accounting, and IT) is also evaluated for Nikon Corporation and major Group companies both in Japan and overseas.

The fiscal year ending March 31, 2012 marks the fourth year since the application of this internal control reporting system. We are revising our business operations based on efforts to make internal control structures stronger and more efficient over the past three years, as well as evaluations of effectiveness during the fiscal year ended March 31, 2011. We are also working to establish a more sustainable internal control system by creating efficient application techniques, such as reducing costs and ensuring the quality and stability of major process-level internal controls and financial reporting.



## Quality Control for Nikon Products

The basic stance of the Nikon Group is to make social and economic contributions through activities that provide products and services useful for society. Every effort is being made at each Nikon in-house company to create a business structure that best meets customer needs.

### ►Quality Control for Products and Services

The Nikon Group supplies products and services with an emphasis on its customers, giving priority to Nikon quality, which includes safety, environmental protection, functionality, performance, and reliability. This inclusive concept pervades daily production activities and related business operations and is key to our efforts to make products of ever better quality.

#### Policies and systems for quality control

The Nikon CSR Charter declares that the Nikon Group will supply products and services that excel in quality and safety and are useful to society. To achieve this, the "Quality Control Directive" (QCD) has been established as a set of basic regulations for quality control. In this way information on basic policies and practical operations which is required for accomplishing quality control in each stage including product planning, research and development, production, sales, after-sale services, and disposal—is conveyed throughout the entire Nikon Group.

#### Quality Control Committee

Based on the corporate philosophy and the Nikon CSR Charter, the Quality Control Committee deliberates and makes decisions on fundamental policies related to quality control and important matters involved with implementation. Also, the committee strives to improve the quality control systems and conducts prompt reviews of the systems to ensure that they are working effectively.

#### ISO 9001 Certification and consistent compliance with the "Quality First" Policy

The Nikon Group is conducting business operations in line with its ISO 9001 Quality Manual created based on the QCD, and all the business segments of Nikon Corporation and major Group companies have acquired ISO 9001 certification.

We also conclude quality assurance agreements with our business partners based on their understanding of the Nikon Group's "Quality First" policy. Moreover, every November, which is designated as "Quality Month" in Japan, we hold lectures inviting external experts so that employees of both Nikon Group companies

and their partner companies can improve their quality-related skills.

During the fiscal year ended March 31, 2011, a lecturer from Mitsubishi Motors Corporation was invited to Nikon Corporation's Ohi Plant to speak about the development of electric vehicle. Approximately 170 people attended the lecture.

#### Quality control audits

In the Nikon Group, quality control audits are conducted by a top executive based on the QCD. Specifically, the executive inspects, checks, and evaluates the quality control activities conducted at Nikon Group companies to help them improve the quality of business operations, as well as the quality of products created through these business operations. The audited companies are required to make corrections and improvements to any shortcomings found in the audits, which help them conduct quality control activities in a more consistent manner. Important findings are reported to the Executive Committee and are also used to improve internal controls.

Quality control audits were performed at two departments of Nikon Corporation, and at six major Group companies, during the fiscal year ended March 31, 2011.

#### Product safety assurance

The Nikon Group gives due consideration to the safety of its products throughout their lifecycle, from the initial planning stage. Specifically, we design our products in line with the "Safety Design Principle" that we have formulated based on relevant international standards, and then confirm their safety through measures such as design reviews and inspections carried out during the production process. We also obtain safety certification from third-party certification bodies as necessary. Furthermore, our Product Safety Test Room ensures that only safe products reach our customers. This testing group has passed the stringent certification criteria based on international standards of TÜV SÜD Product Service GmbH, Germany, a certification body for testing laboratories in Europe.

In the fiscal year ended March 31, 2011, we published 43 test reports gathering the results of the various tests that were conducted.

No problems related to product quality or safety occurred during that year.



Lecture on quality attended by staff from partner companies