

The Nikon Group, in a global business environment, is strengthening corporate governance, improving its internal control systems and solidifying its relationship of trust with stakeholders by enhancing management efficiency and transparency.

Corporate Governance Organization Management System

Nikon manages its business through an in-house company system that provides an integrated business structure incorporating the Group companies. Nikon adopted the Operating Officer system to allow management to be more responsive to changes in the business environment. A performance evaluation system was also brought in to conduct a results-based evaluation and to strengthen the relationship between performance and remuneration.

The 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 have been invited to sit on the Board in order to further strengthen the supervisory function.

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.

Corporate Auditors and the 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 the 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 corporate auditors from outside the Company have been invited to sit on the Board.

Internal Control System

Nikon acknowledges that the consideration for effective and efficient business processes and the achievement of the accuracy of financial reports, the compliance with relevant laws and regulations, and the preservation of Company assets are the management's responsibility. Accordingly, Nikon is continually working to develop the organizational structures and systems necessary to achieve these objectives. Steps taken to date to enable us to maintain and reinforce our sustainable internal control system include revision of rules for the delegation of authority, establishment of the Internal Audit Department to be operated independently from other operational departments, strengthening the management of information resources of the entire Nikon Group and establishment of the Internal Control Section to ensure compliance with the Financial Instruments and Exchange Law (J-SOX).

With business expansion in China and other areas of Asia, an Internal Audit Section was established in August 2010 at the Chinese/Asian regional headquarters in Hong Kong, to enhance the internal auditing functions at overseas Group companies. During the fiscal year ending March 2012, Nikon plans to establish an Internal Audit Section for the Americas at the holding company in North America in order to create an internal auditing structure covering four regions (Japan, Europe, China/Asia and the Americas) in the world.

