

CORPORATE GOVERNANCE AND CSR INITIATIVES

Corporate Governance

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.

• 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.

• 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 monitor and audit corporate management and the directors. Three independent corporate auditors from outside the Company have been invited to sit on the Board.

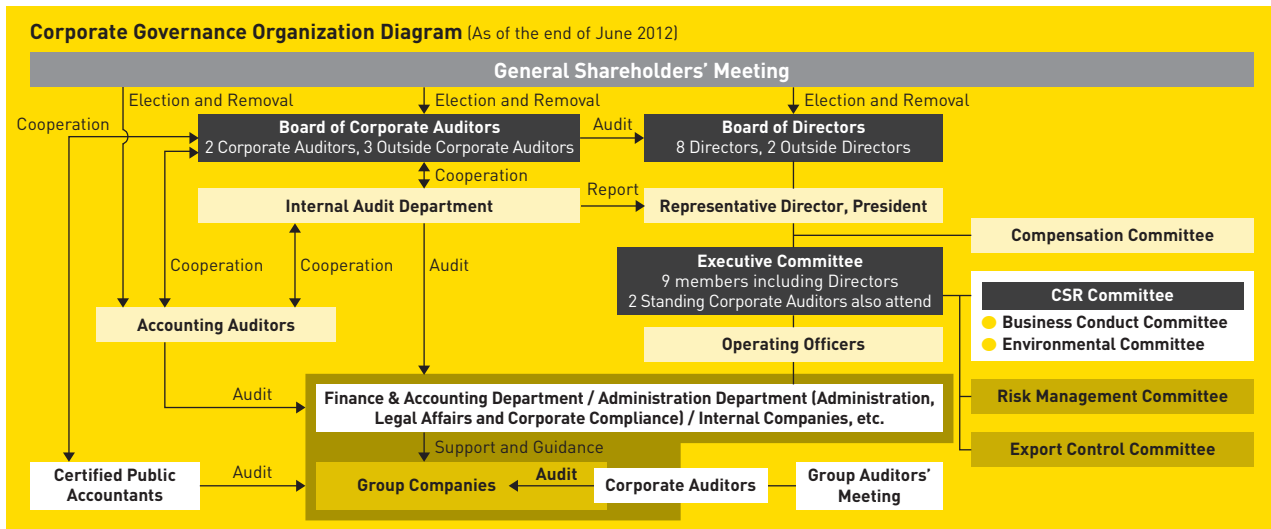
Internal Control System

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.

The Internal Control Reporting System, based on the Japanese Financial Instruments and Exchange Law (J-SOX), was introduced in April 2008 with the aim of ensuring the credibility of financial reports. In accordance with this law, Nikon has established and implemented internal controls, to ensure the reliability of financial reporting, that complies with the basic internal control framework specified by the Standards of the Financial Services Agency and other criteria.

The Internal Audit Department, independent from other operational departments and under the direct control of the president, conducts separate evaluations based on J-SOX, as well as audits of the Nikon Group's systems and their operational status, such as whether departments are conducting operations in accordance with laws, internal regulations and other rules, and whether risks are effectively managed. The department then submits proposals for improvement.

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 Nikon's internal audit sections coordinate these activities. 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, Asia-Oceania and the Americas.



CSR Initiatives

The Nikon Group emphasizes CSR-oriented management in its business conduct, in the belief that the proper conduct of corporate social responsibility (CSR) will allow us to realize our corporate philosophy of “Trustworthiness and Creativity.”

The CSR Medium Term Plan

The Nikon Group has actively promoted the concept of CSR since 2006, when “CSR-oriented management” was adopted as a goal of its Medium Term Management Plan. Since then, Nikon has implemented a number of measures to achieve this goal, including the establishment of the CSR Committee, formulation of the Nikon CSR Charter, development of a medium-term plan for CSR and participation in the United Nations Global Compact initiative.

In this three-year plan (April 2012 to March 2015), we have set five priority issues that are common to the entire Nikon Group: 1) Expansion and promotion of environmental management; 2) Implementation of compliance activities; 3) Respect for human rights and work environments, and promoting diversity in the workforce; 4) Coexistence with society and the natural environment; and 5) Promotion of CSR activities in the supply chain. We have developed a medium term plan based on these priorities, and will implement measures to achieve them. Nikon will deploy its CSR-oriented business activities globally in order to meet the expectations of stakeholders, and be sincerely deserving of their trust.

CSR Structure

Nikon has established a CSR Committee, which is headed by the president. This committee determines CSR promotion policies and monitors CSR activities. In the fiscal year ended March 2012, as part of our review of decision-making processes we reexamined the purpose and functions of the CSR subcommittees, and streamlined the organizational

structure. The number of subcommittees was reduced from seven to two, the Business Conduct Committee and the Environmental Committee. The Risk Management Committee was reorganized to enhance its functions, and made an independent organization separate from the CSR Committee. We also put in place a structure to promote CSR at Group companies in the China and Hong Kong region, and held the first meeting of the China CSR Committee.

Business Conduct (Compliance)

Maintaining strict compliance with legal regulations while carrying out business activities is a matter of fundamental importance to the Nikon Group. As a global company, we are expected to achieve a particularly high level of awareness of compliance issues, not only in Japan but also in other countries where cultural differences must be taken into account.

In April 2011, Nikon revised the Nikon Code of Conduct, which establishes the proper standards of behavior that all employees should observe in the conduct of their everyday business activities, thus creating a consistent version applicable both in Japan and overseas. In the fiscal year ended March 2012, we implemented measures to firmly establish this revised code across the corporate Group, with the aim of fostering a common global awareness. Specifically, the Compliance Section, the dedicated organization for compliance, conducted a wide range of educational and awareness training activities in cooperation with those in charge of promoting compliance both within the Company and at Group companies. We will continue to implement measures to instill compliance.

Risk Management

To ensure the sustainable development of the Nikon Group, Nikon established the Risk Management Committee and takes steps to manage and address risks in a comprehensive manner. The committee identifies risks, formulates countermeasures, implements a range of measures to minimize damage that could be caused if a risk emerges, performs constant monitoring and manages the risks by implementing a PDCA cycle. In April 2012 the Risk Management Committee was launched under a new framework independent from the CSR Committee. As a result, the issues the committee handles have been expanded from a previously scope to overall risk in general, and the committee has been given new functions, including detecting latent risks and conducting risk assessments (prioritizing).

We consider business continuity to be fundamental to social responsibility, and have formulated Business Continuity Plans (BCPs) assuming large-scale disasters or other disruptions. During the fiscal year ended March 2012, in light of the Great East Japan Earthquake we revised our BCPs to include preparations for an earthquake directly under Tokyo. We conduct training and drills to enhance our risk management capabilities, and are building a business continuity management (BCM) framework to improve our BCPs.

Environmental Conservation

The Nikon Group formulated its Nikon Basic Environmental Management Policy in 1992, and enacted a major revision in 2002. This policy is designed to help the Group achieve its goal of becoming an environment-friendly company that is able to achieve business growth while preserving the environment. Under this policy, Nikon carries out effective environmental conservation activities through its environmental management system. Specifically, we formulated the three-year Nikon Environmental Action Plan and set environmental targets that are being implemented throughout the Group.

Respect for Human Rights and Work Environments, and Promoting Diversity in the Workforce

The Nikon Group has begun building a global management structure for such issues of high social concern as human rights and work environments, and continually conducts monitoring to understand the current situation and issues

faced throughout the Group. Our basic stance is to respect the diversity and human rights of employees with different backgrounds and treat them fairly, so that they can apply themselves to their work, utilize their abilities, and produce results as a team. Our current efforts for diversity promotion are focused on activities in Japan, such as supporting the progress of women in the workplace and on assisting people with disabilities.

Coexistence with Society and the Natural Environment (Social Contribution Programs)

The Nikon Group's business activities extend to a wide range of countries and regions, and through our social contribution programs we are working to maintain communication with these local communities.

In the fiscal year ended March 2012, as part of a long-term effort to provide aid and assist with the recovery from the Great East Japan Earthquake, we adopted the slogan "Assisting Reconstruction through Photography." One of the measures implemented under this slogan was the photo book project for junior high school students. Nikon provided digital cameras to three junior high schools in the disaster area. Photo books were made for each school, using photos taken and selected by the students, and finally presented to them. By expanding the program to other junior high schools, we will continue this project to support students who are heading for recovery.

Nikon is also continuing existing social contribution programs, including co-sponsoring the UN International Children's Painting Competition on the Environment, the Nikon scholarship programs in Thailand, and the Mt. Fuji reforestation project.

CSR in the Supply Chain

The Nikon Group, in accordance with the Nikon Basic Procurement Policy, has formulated the Nikon Procurement Partners' CSR Guidelines to promote CSR in the supply chain overall, as well as the Nikon Basic Green Procurement Policy to procure environment-friendly parts and materials.

In the fiscal year ended March 2012, to address the issue of conflict minerals, we revised the Nikon Procurement Partners' CSR Guidelines to incorporate measures in response to the issue, and conducted a survey of 1,243 procurement partners in Japan regarding their use of conflict minerals.

External Evaluation

SRI Index Listings

(As of March 31, 2012)

Nikon has been selected for inclusion in the following SRI indices, which represents high evaluation by these ratings institutions.



For more information on the Nikon Group's corporate governance and CSR activities, please visit www.nikon.com/about/csr/.
For Nikon's most recent CSR report, please go to www.nikon.com/about/csr/report/.