

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

# 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

### ■ Nikon Group Corporate Governance Guideline

The Nikon Group's basic policies and views on corporate governance are defined in the Corporate Governance Guideline.

#### Nikon Group Corporate Governance Guideline

Revised on June 29, 2016

#### Nikon's Philosophy

The Nikon Group aims to contribute to sustainable development of society founded on its corporate philosophy "Trustworthiness & Creativity," an everlasting theme of the Group.

#### Basic views on corporate governance

- Based on its corporate philosophy, the Nikon Group will carry out highly transparent management through fulfilling its fiduciary responsibilities towards shareholders as well as responsibilities towards stakeholders including customers, employees, business partners and society, etc., with a sincere and diligent attitude.
- The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium-to-long term, through improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purposes of Japan's Corporate Governance Code.

#### 1. Ensuring the interest and equal treatment of shareholders

##### (1) Respect for the rights of shareholders

While respecting legitimate exercise of shareholder's rights, the Company ensures effective equality among shareholders. In addition, the Company recognizes the exercise of voting rights at the General Shareholders' Meetings as important rights of shareholders, and will develop an appropriate environment for the exercise of rights at the General Shareholders' Meetings.

##### (2) Basic capital policy

The Company will continue its investments in the medium-to-long term growth strategies, while maintaining its financial soundness by generating operating cash flow and carrying out optimal financing. For the purpose of shareholder return, the Company will distribute dividends linked to the

corporate financial performance, based on the basic concept of long term and stable return of profits to shareholders, while ensuring sufficient internal reserves for the future business development.

#### (3) Policy on cross-shareholdings

For the purpose of smooth operation of business, reinforcement and maintenance of business relationships, facilitation of financial activities, etc., the Company may conduct cross-shareholdings within the extent necessary for enhancing its corporate value from a medium-to-long term perspective. With respect to major cross-shareholdings, results of verification of their economic rationality including dividends as well as future prospect, shall be reported to and discussed at the Board of Directors on a regular basis.

The voting rights associated with such cross-shareholding shall be appropriately exercised based on the perspective of whether it will contribute to the Company's shareholder value as well as enhancement of the investee's corporate value over the medium-to-long term.

#### 2. Appropriate cooperation with stakeholders other than shareholders

Under the corporate philosophy, the Nikon Group will strive to appropriately cooperate with stakeholders including employees and other corporate personnel, customers, business partners, creditors and local communities.

Under the Nikon Corporate Social Responsibility (CSR) Charter, which represents the basic views towards the Nikon Group's corporate social responsibility, the Nikon Group will strive to engage in sound and fair corporate activities, in order to gain the trust of stakeholders. The Group will also strive to penetrate and establish awareness of corporate ethics among the officers and employees of the Nikon Group by clarifying the standards of behavior under the Nikon Code of Conduct, so that officers and employees of the Nikon Group may act sensibly in compliance with laws and regulations as well as the internal rules and with a high sense of ethics.

The CSR Committee is established for the purpose of development, education and enlightenment as well as monitoring

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

of CSR awareness, under which the Business Conduct Committee engages in the activities for ensuring compliance, fairness and soundness of the corporate behavior on a regular basis. In addition, the Nikon Basic Environmental Management Policy is established and the Environmental Committee will promote environmental protection activities in order to pass down a sound environment to the next generation and to enable sustainable development of society.

Reporting/consulting hotlines such as the "Code of Conduct Hotline" will be established and operated to ensure compliance across the Nikon Group, through preventing and rectifying acts which violate social norms and/or corporate ethics. Persons who provided information via the reporting/consulting hotlines will not be subject to any disadvantageous treatment because of such reporting.

### 3. Full disclosure

The Company, under its corporate philosophy "Trustworthiness & Creativity," makes it a basic stance to carry out active and fair disclosure of its corporate information. The Company will promote activities to further enhance understanding about the Nikon Group among shareholders and investors, by widely providing information on its management stance and business activities, as well as products and technologies, while complying with the timely disclosure regulations of the Tokyo Stock Exchange.

### 4. Responsibilities of the Board of Directors, etc.

#### (1) Board of Directors

##### i) Roles of the Board of Directors

The Board of Directors supervises management by directors and assumes the decision-making functions on the matters prescribed under laws and regulations, and the Articles of Incorporation of the Company, as well as the important matters concerning the Nikon Group.

For the purpose of clarifying the scope of delegation to the executive directors and officers while ensuring prompt decision-making and management by the executive directors and officers, the Company specifically sets out the matters subject to deliberation at the Board of Directors in the criteria for matters subject to deliberation and report at the Board of Directors. For example, the Board of Directors makes decisions on matters concerning important management, including the basic management policies, the Medium Term Management Plan, the annual plan, the Basic Policy on Internal Control System, and investments and loans exceeding a certain amount.

##### ii) Composition and the size of the Board of Directors

The Board of Directors maintains adequate number of members to ensure its effectiveness. The composition will be well-balanced overall by including directors with diverse knowledge and experience in the areas such as finance, accounting and legal compliance, as well as directors with in-depth knowledge about the business of the Nikon Group.

In addition, two or more independent external directors are appointed in order to further strengthen the supervisory function of the Board of Directors.

#### iii) System for operating, gathering information, and supporting the Board of Directors

The Company strives to provide appropriate and necessary information to directors for effectively fulfilling their roles and responsibilities. Meanwhile, at the meetings of the Board of Directors, the Company carries out prior distribution of relevant materials to the attendees of the meetings of the Board of Directors, and advance briefing to external directors as necessary, to ensure constructive discussion and exchange of opinions.

#### iv) Analysis of effectiveness of the Board of Directors

The Company has been carrying out reviews as appropriate with a view to enhancing the overall effectiveness of the Board of Directors, while receiving useful suggestions from external officers. For further enhancement of the effectiveness, the Company will continue to carry out reviews on the methods, etc., for effective analysis and evaluation.

#### (2) Audit and Supervisory Committee

##### i) Roles of the Audit and Supervisory Committee

The Audit and Supervisory Committee audits and supervises the status of management by directors other than those who are Audit and Supervisory Committee members, and officers. For such purpose, Audit and Supervisory Committee members regularly attend the important meetings such as the meetings of the Board of Directors and the Executive Committee, and conducts audits and supervision over the management and directors.

##### ii) Composition and the size of the Audit and Supervisory Committee

The Audit and Supervisory Committee shall maintain an adequate number of members, within five members as prescribed in the Articles of Incorporation, to ensure highly effective audits and supervision. In addition, for the purpose of further enhancing independence and neutrality of the audit system, the majority of the Audit and Supervisory Committee shall be comprised of independent external directors.

#### (3) Policies and procedures for appointing officers

##### i) Policies for appointment

The Company appoints candidates for directors from among those who understand the management environment of the Company and who can contribute to sustainable growth of the Nikon Group and the enhancement of corporate value over the medium-to-long term from a sophisticated and global viewpoint, while also being qualified to meet the trust of society as members of the Board of Directors. Furthermore, the Company appoints external director candidates from among those with either wealth of

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

knowledge and experience, etc., as executives of other companies, or expertise and experience, etc., as specialists such as attorneys and certified public accountants, and who are qualified to take part in management supervision function from a fair and objective standpoint independent from management.

The Company appoints officer candidates from among those with a broad perspective, wealth of experience, leadership, and capabilities to promote reforms in their respective area of responsibilities, while possessing the ability to strategically fulfill their capabilities to contribute to the improvement of business performance.

#### ii) Criteria for determining independence of external directors

In addition to the requirement for external directors under the Companies Act, the Company judges that an external director candidate is independent if he/she does not fall into any of the following requirements.

- a) The candidate serves or had served the Group in the past.
- b) The candidate is a "major client or supplier\*" of the Company or an executive thereof.
- c) The candidate is a major shareholder of the Company or an executive of the said major shareholder.
- d) The candidate had served in the past at a company whose directors are concurrently serving as the Company's external director and vice versa.
- e) The candidate is a person who belongs to a company or organization that receives a donation from the Company or a person who had served in the past at said company or organization.
- f) The candidate's relative within the second degree of kinship serves as an important executive of a "major client or supplier" of the Group or the Company.

\* "Major client or supplier" refers to a client or supplier that fall into either of the following.

- (1) A client or supplier with whom the Company has transaction that falls into the following, in any of the past three years
  - a party which receives payment from the Company equivalent to 2% of the party's consolidated net sales or 100.0 million yen, whichever the greater
  - a party which makes payments to the Company equivalent to 2% of the Company's consolidated net sales or 100.0 million yen, whichever the greater
- (2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of 10.0 million yen per year (average over the past three fiscal years)

#### iii) Procedures for appointment

Nomination of director candidates, as well as appointment of officers are decided, after making detailed explanation about the career profile, expertise, etc., of each candidate at the Board of Directors, followed by careful deliberation with independent external directors. Nomination of candidates for directors who are Audit and Supervisory Committee members is subject to the prior consent of the Audit and Supervisory Committee.

#### iv) Successor of chief executive officer, etc.

The Company recognizes the systematic training for the successors of its chief executive officer, etc., as a task with utmost importance in achieving its sustainable growth. The training is carried out responsibly by the President and Representative Director under the supervision of the Board of Directors including external directors.

#### (4) Policies on the training of directors

In order to promote further understanding about the roles and responsibilities of directors, as well as to contribute to their advancement through acquiring the necessary knowledge and updating it as appropriate, the Company organizes study sessions inviting external experts such as attorneys, as lecturers on a regular and continuous basis.

Furthermore, the Company regularly implements review sessions on its important issues and reports on the business status of the Company, in order to promote effective utilization of the expertise of external directors as well as free and constructive deliberation. Through these measures, the Company supports external directors in further enhancing their understanding about the business, finance, organization, etc., of the Company, in order to receive appropriate advice from them.

#### (5) Related party transactions

Upon conducting transactions with related parties, the Company will follow appropriate procedures in advance as listed below, to avoid harming the common interest of the Company and its shareholders.

- Make resolutions at the meetings of the Board of Directors as appropriate, in consideration of the importance, etc., of a transaction.
- Exclude officers, etc., with special interest from resolution.
- Verify whether a transaction is carried out under common terms and conditions.
- Seek opinions from external directors, etc., as appropriate.

#### (6) Compensation system

Compensation system is based on the following policies and procedures.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

#### i) Basic policies

Executive compensation will be determined to satisfy the following basic matters.

- Executive compensation should motivate executives to sustainably improve values of companies and shareholders, as well as enhance willingness and morale
- Executive compensation should keep, cultivate and reward excellent personnel
- The decision process for the compensation system should be objective and transparent

#### ii) Compensation system and performance-based structure

a) The compensation system for full-time directors (excluding directors who are Audit and Supervisory Committee members; hereinafter the same shall apply) and officers is comprised of the following items. The distribution ratio for compensation is determined by changing the percentages of fixed monthly compensation and performance-based compensation according to positions and duties.

- "Fixed monthly compensation"

Monetary compensation not based on performance.

- "Bonuses"

This monetary compensation is based on the degree of accomplishment and qualitative assessment of the consolidated net sales and consolidated operating income of the Group as a whole and departments in charge on a single-year basis, and is determined within the range of 0 to 200% of the standard payment. Furthermore, if the target value of the consolidated operating income is below a certain level, the amount of the standard payment is adjusted downward.

- "Performance-based stock compensation"

Stock compensation is determined within the range of 0% to 150% in accordance with achievement of consolidated net sales and consolidated operating income, etc. for the final fiscal year of the Medium Term Management Plan to be resolved per each three fiscal years with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of medium- and long-term performance.

- "Subscription rights to shares granted as stock-related compensation"

Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of long-term performance, within the range not exceeding 5% of the share dilution ratio.

b) The compensation system for non-full-time directors and external directors consists only of "fixed monthly compensation."

#### iii) Method for determining compensation level and amount

The Compensation Committee discusses and advises on related systems in order to determine the level and system appropriate to the duties on account of compensation levels of major Japanese companies that globally develop their businesses so as to determine the compensation amount consistent with the performance of the Group and its business scale.

The Compensation Committee consists of the representative directors, external directors and external experts, and discusses on establishment of executive compensation policies, consideration of the compensation system and specific calculation method. Based on the results of the discussions, compensation of directors who are not Audit and Supervisory Committee members is determined by a resolution of the Board of Directors, and compensation of directors who are Audit and Supervisory Committee members is determined by consultation at the Audit and Supervisory Committee.

### 5. Dialogue with shareholders

#### (1) Constructive dialogue with shareholders

The Company aims to hold constructive dialogue with shareholders, and appoints an officer in charge of this initiative, while collecting and sharing information through cooperation among relative departments within the Company as appropriate. For the purpose of dialogue with shareholders, senior management or responsible officers of the Company will attend meetings with shareholders, as far as reasonably practicable, and opinions, etc., obtained from such occasion will be shared among the senior management. Any insider information will not be expressed in said meetings, in accordance with the internal rules of the Company.

The Company will also enhance information sharing through such means other than meetings, including briefing sessions for institutional investors and individual investors, and provision of information through the Company's website, etc.

#### (2) Formulation and announcement of management strategies and management plans

The Company formulates the Medium Term Management Plan, clarifying the earnings projection, basic capital policy and priority measures, etc., with the aim of increasing its corporate value over the medium-to-long term, which is explained in detail at the briefing sessions for investors as well as on the Company's website, etc.

### 6. Revision and abolition of the Guidelines

Revision and abolition of the Guidelines will be made subject to the resolution of the Board of Directors.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

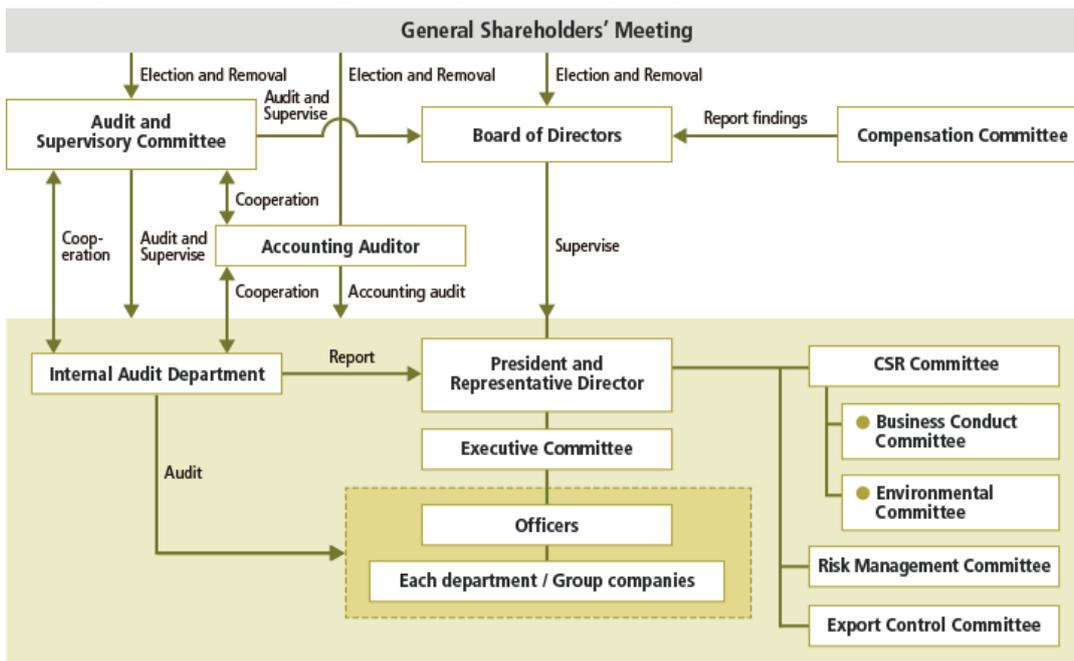
## ■ Management System

In an aim to further enhance corporate governance, the Company transitioned to a company with an Audit and Supervisory Committee, subsequent to the approval at the 152nd Annual General Shareholders' Meeting held on June 29, 2016. Through this transition, the Company will strive to clarify management responsibility and streamline decision-making by delegation of authority, while further strengthening the supervisory function of the Board of Directors.

### Number of Directors (As of June 29, 2016)

Category	Number
Directors, other than those who are Audit and Supervisory Committee members	9 (including 1 external director)
Directors, and Audit and Supervisory Committee members	5 (including 3 external directors)

### Nikon's Corporate Governance Organization (As of June 29, 2016)



Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## ■ Compensation for Directors and Corporate Auditors (Year ended March 31, 2016)

Category	Monthly compensation		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)
Directors (External directors out of all directors)	11 (2)	319 (20)	8 (—)	108	7 (—)	65 (—)	11 (2)	493 (20)
Corporate auditors (External corporate auditors out of all corporate auditors)	5 (2)	71 (20)	—	—	—	—	5 (2)	71 (20)
Total	16	390	8	108	7	65	16	564

\* The number of persons shown above includes one director (excluding external directors) and one corporate auditor (excluding external corporate auditor) who retired at the conclusion of the 151th Annual General Shareholders' Meeting held on June 26, 2015.

\* The issued amount of stock-related compensation above is the amount of recorded expenses for that fiscal year of compensation related to the subscription rights to shares assigned to directors (excluding non-full time and external directors).

## ■ Amount of remuneration, etc. for Accounting Auditor (Year ended March 31, 2016)

Accounting Auditor	Category	Payment amount
Deloitte Touche Tohmatsu LLC	Total amount of remuneration, etc. of Accounting Auditor during the fiscal year under review	93 million yen
	Total amount of money and other properties which the Company and its subsidiaries should pay in remuneration of Accounting Auditor for their services to the Company and its subsidiaries during the fiscal year under review	282 million yen

## ■ Appointment of Females and Non-Japanese to Directors and Officers (As of the end of March 2016)

Category	Number of female	Number of non-Japanese
Nikon Corporation	0	0
Group companies*	3	35

\* The breakdown of the number of directors is given below. Cases of directors or officers serving in concurrent posts are included in the number of directors but not in the number of officers.

\* For overseas Group companies, all local positions equivalent to director, corporate auditor, and officer are included in the total.

Females Directors: 1; corporate auditors: 1; officers: 1

Non-Japanese Directors: 28; corporate auditors: 3; officers: 4

## ■ Attendance at Meetings of the Board of Directors and Board of Corporate Auditors by External Directors and External Corporate Auditors (Year ended March 31, 2016)

Category	Name	Board of Directors Attendance	Board of Corporate Auditors Attendance
External directors	Kenji Matsuo	12 of 13	—
	Koukei Higuchi	9 of 13	—
External corporate auditors	Haruya Uehara	13 of 13	11 of 11
	Hiroshi Hataguchi	13 of 13	11 of 11

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## Internal Control System

### ■ Basic Policy on Internal Control System

The Nikon Group's basic policy on its internal control system was established based on Japan's Companies Act and its Ordinance for Enforcement (enacted May 2006) as a structure for ensuring appropriate business operations.

#### Basic Policy

Revised on June 29, 2016

We believe that the reinforcement of our company's corporate governance plays a pivotal role in achieving "a fair and transparent management deserving of stakeholders' confidence", and we intend to increase its effectiveness by improving the quality of our internal controls. We acknowledge that the achievement of effective and efficient business processes, the credibility of financial reports, the compliance with relevant laws and regulations, and the preservation of company's assets at our company and its subsidiaries (hereinafter the "Group") are the management's responsibility. Accordingly, we will prepare and refine a framework, including our internal regulations as well as our organization, to ensure fair business activity in compliance with the Japanese Companies Act and implementing regulations of the said Act.

#### 1. A framework to ensure that performance of duties of directors, etc. and employees of the Group is in compliance with relevant laws and regulations as well as the articles of incorporation

- (1) We have established the "Nikon CSR Charter", which shows the Group's basic stance on corporate social responsibility. Additionally, the "Nikon Code of Conduct" defines the standards of behavior to ensure sensible conduct by directors and employees of the Group, based on a high level of morality, pursuant to relevant laws and regulations as well as internal regulations. Through the "Nikon Code of Conduct" and "Nikon CSR Charter", we aim to permeate and establish awareness of corporate ethics among directors and employees of the Group.
- (2) Putting special emphasis on a social responsibility-oriented management, we established the "CSR Committee", which aims at fostering, educating as well as disseminating CSR awareness. Established as its sub-committee, the "Business Conduct Committee" regularly performs its function to ensure legitimate, fair, and sound corporate behavior. Finally, CSR Department integrates and promotes activities pertaining to CSR of the Group, while Administration Department

integrates and promotes activities pertaining to corporate compliance.

- (3) Regarding elimination of anti-social forces and groups, we have defined our basic policy and standards in the "Nikon CSR Charter" and the "Nikon Code of Conduct". Additionally, we are establishing a system to liaison with attorneys and police forces, to take steadfast action as an organization.
- (4) The "Basic Policy on internal control over financial reporting" has been established to ensure credibility of financial reporting by the Group. Frameworks to enable the foregoing are being prepared and improved.
- (5) Internal Audit Department has been established as an independent organization, reporting directly to the President. This Department examines whether operations within the Group are conducted in compliance with relevant laws and regulations as well as internal rules, and when necessary, makes recommendations as to how such operations can be improved.
- (6) Structures are established and administered at the each Group company in order to fully implement compliance within the Group and prevent or correct behaviors that violate social rules or corporate ethics. The "Code of Conduct Hotline" is being created as the report/consultation system in this respect.

#### 2. A framework to ensure an efficient performance of duties, etc. by directors of the Group

- (1) At our company and domestic subsidiaries, the executive officer system provides a clear definition of the authority and responsibility in performance of an officer's duty, resulting in quick decision-making as well as an efficient performance of the officer's duty.
- (2) Rules of authority clearly define the scope of authority and responsibility for each post as well as each organization within the Group, to ensure organized and efficient performance of duties.
- (3) Organizations such as the "Executive Committee", the "Conference for Business Issues", as well as other committees and meeting bodies are established at our

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

company to enable efficient decision-making and performance of duties for the Group by directors of our company. Among such organizations, the Executive Committee primarily consists of full-time directors, deliberates about and resolves major issues regarding management, general internal controls, and guidelines about general operations of the company's business, in accordance with the basic direction of management as determined by the Board of Directors. Major issues are reported to the Executive Committee by each department.

- (4) In accordance with our corporate philosophy of "Trustworthiness & Creativity", management targets of the Group are defined within annual plans as well as within the Medium Term Management Plans, and implemented as specific measures. In order to achieve annual targets, management of operations is carried out through divisional organization. The regularly held "Conference for Business Issues" examines business issues and responses to them. The achievement level of annual targets is evaluated and validated based on the "Achievement Evaluation System".

### 3.A framework aimed at preservation and control of information relating to the performance of duties by directors of our company

- (1) Information regarding resolutions, decisions, and reports pertaining to performance duties by directors of our company are preserved in documentary format and until such time as provided in the "Rules of the Board of Directors", the "Rules of the Executive Committee", and the "Nikon Group Information Management Rules". The information control system is designed to allow access, when needed, from directors, as well as accounting auditors.
- (2) As for security of information, Information Security Division has been established as an organization reporting directly to the President. The Division controls centralized management for information management within the Group and manages coordination and reinforcement of an information management framework within the Group. Further, the common rules in the Group are being established and these rules intend to make definitions of the access level per category and relevance, password control, measures for preventing leaks, manipulations and destructions of proprietary information and other matters generally and thoroughly known by employees and directors within the Group.

### 4.A framework including rules concerning risk of the Group loss management

- (1) In accordance with our recognition of identification, assessment, and control of risk factors potentially affecting operations and business continuity as critical issues, we have established the "Risk Management Committee" and are developing a

framework to appropriately control risks surrounding the Group.

- (2) We have prepared and implemented manuals and rules pertaining to fields such as corporate ethics, protection of personal information, environmental control, quality control, export control, insider trading prevention, and disaster prevention, which reinforce the management framework concerning prevention of loss within the Group.
- (3) A framework is in place whereby Internal Audit Department audits the Group about its risk management, evaluates its effectiveness, and reports to the Board of Directors through the representative director when necessary, so that corrective measures can be implemented.

### 5. A framework regarding reporting to our company of matters related to performance of duties by directors of subsidiaries

A framework is being placed for important matters at subsidiaries to be reported and decided upon by our company.

### 6. Implementation of matters concerning employees assisting the Audit and Supervisory Committee of our company, matters concerning these employees' independence from other directors (excluding directors who are Audit and Supervisory Committee members), and a framework to ensure effectiveness of instructions given to these employees by the Audit and Supervisory Committee

- (1) Several employees, acting under supervision and orders of the Audit and Supervisory Committee of our company, are appointed as dedicated assistants to the Audit and Supervisory Committee, in order to ensure an efficient procedure of the Audit and Supervisory Committee as well as to ensure the increased effectiveness of the audit.
- (2) Transfer of the assistants or evaluation of the assistants' performance requires prior agreement by the Audit and Supervisory Committee, to ensure independence of such employees from other officers.

### 7. A reporting framework for directors of the Group to the Audit and Supervisory Committee of our company, for other reporting to the Audit and Supervisory Committee of our company, and to ensure that reporting parties do not receive negative treatment as a result of such reports

- (1) An Audit and Supervisory Committee member of our company has the authority to attend major meetings. This ensures that the Audit and Supervisory Committee members have opportunities to constantly understand the status of operations and the decision-making process of the Group.
- (2) A framework is being developed to ensure appropriate and effective reporting to the Audit and Supervisory Committee of our company regarding facts that can potentially cause damage to our company, information obtained through the

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

reporting/consultation system concerning corporate compliance, or items to be reported at the Audit and Supervisory Committee as previously agreed with directors.

- (3) Internal Audit Department reports the status of internal audit as well as the results of the audit to the Audit and Supervisory Committee of our company. The Audit and Supervisory Committee of our company requests, if necessary, further investigations by Internal Audit Department.
- (4) We ensure that parties who make reports to the Audit and Supervisory Committee of our company do not receive negative treatment, including rules in place within the "confidentiality rules of the Code of Conduct Hotline" to forbid retaliation against parties that make reports to the "Code of Conduct Hotline", the report/consultation system.

**8. Matters regarding policies related to processing expenses or liabilities arising from performance of duties by Audit and Supervisory Committee members of our company (limited to performance of duties regarding the Audit and Supervisory**

**Committee)**

Audit expenses for Audit and Supervisory Committee members of our company are budgeted annually to a certain amount, and for necessary audit expenses, our company makes payments that are in excess of the budget, pursuant to laws and regulations. Additionally, our company also makes payments, as required, for expenses required to appoint outside specialists.

**9.A framework to ensure effective audit by the Audit and Supervisory Committee of our company**

- (1) While ensuring independence of the Audit and Supervisory Committee of our company from management functions, this framework enables Audit and Supervisory Committee members of our company to hold regular meetings with the representative director in order to exchange opinions regarding issues to be dealt with by the company, or important tasks pertaining to audits, and to make necessary requests, consequently deepening the mutual understanding between them.

**Internal Audits**

We have established the Internal Audit Department as an internal audit function, which is independent from any business or operations departments. The Internal Audit Department reports directly to the President and, based on audit plans for each fiscal year that have been reported to the Executive Committee after approval by the President, audits the systems and their operational status of the Nikon Group (including non-consolidated subsidiaries), examining whether the operations of each department are conducted in compliance with relevant laws and internal rules, as well as whether risks are being appropriately managed. It also makes recommendations as to how such operations can be improved. In the year ended March 31, 2016, four theme audits and subsidiary audits covering the entire operation processes have been performed.

The Internal Audit Department also supervises the entire evaluation of "the Internal Control Reporting System" (J-SOX) stipulated under the Japanese Financial Instruments and Exchange Act as well as conducts assessments of the effectiveness of the internal control system from the perspective of the Companies Act.

In addition, for auditing the overseas group companies, internal audit sections have been established at each of the regional holding companies in Europe (Netherlands), the Americas (United States), and the Asia and Oceania region (Hong Kong). Each of these sections performs audits and J-SOX evaluations of their local companies from an independent standpoint, supervised by the Internal Audit Department of Nikon Corporation. Under this globalized internal audit system, which covers four world regions including Japan, we work to implement even more effective audits on a global scale.

The results of the internal audits for the Nikon Group are all submitted to the President and the directors concerned and follow-up or additional surveys are to be conducted as appropriate. A summary of the results of the annual audit activities is submitted to the Executive Committee and the Board of Directors.

A close cooperation is also established with the Audit and Supervisory Committee to share the result of internal audits and have periodic meetings.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## ■ Implementation of an Internal Control Reporting System

An Internal Control Reporting System based on the Financial Instruments and Exchange Act, was introduced as of April 2008 with the aim of ensuring the credibility of financial reporting. The Nikon Group 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, we are evaluating the effectiveness of the design and operation of company-level internal controls at all consolidated subsidiaries of the Nikon Group as well as equity-method affiliates. 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 and outside Japan, as required by the law. We annually review our business operations based on the evaluation results.

We have prepared early responses at companies that are part of our consolidation due to M&A as well as new companies that are established, and performed evaluation of company-level design and operation control effectiveness for ensuring the credibility of financial reporting as of the year ended March 31, 2016.

We continued to work toward the simplification for the higher efficiency in assessments in the year ended March 31, 2016 while maintaining the validity of financial reporting and the effectiveness of internal control in main business processes for our assessment methods. We will keep aiming to establish an optimized business method.

Moreover, the Nikon Group has established an internal evaluation qualification certification system required for the internal control of business process evaluators since the year ended March 31, 2014 in order to build a sustainable internal control system. We also worked to cultivate more trust and human resource education by implementing education for new candidates of the Nikon Group in Japan as well as performing certifications for evaluators that achieved the designated standard in year ending March 31, 2016 for replacements of evaluators.

# Risk Management

We carry out comprehensive risk management and implement measures for the continuous advancement of the Nikon Group.

## Risk Management System

To properly respond to risks that might critically impact corporate management, the Nikon Group has created the Risk Management Committee, which is chaired by a senior executive vice president, made up of Executive Committee members, and served by Administration Department as the secretariat, as a supervising body of risk management. For the year ended March 31, 2016, total of two Committee meetings were held, one in October 2015 and the other in March 2016. In addition, the Risk Management Committee is managing all risks, but specialist subcommittees are in charge of risks requiring technical support and devise detailed responses. Business-specific risks are responded to at the respective business division level.

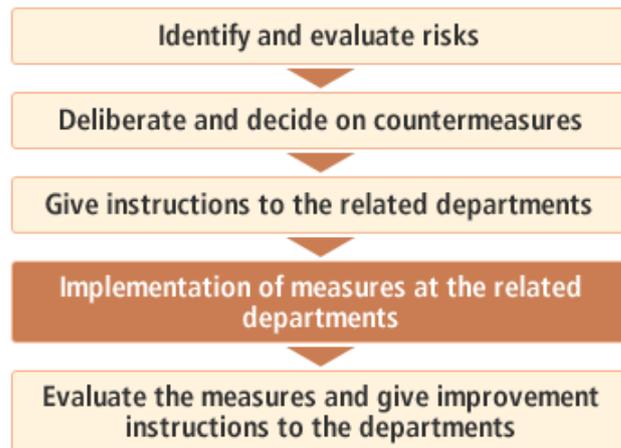
### Main Activity Themes of the Risk Management Committee in the year ended March 31, 2016

- Promotion of information security
- Competition Law Training
- BCM rule revision

### Main Specialist Committees Involved in Risk Management

Committee	Main risks handled
Risk Management Committee	Risk in general
CSR Committee	CSR in general
Business Conduct Committee	Anti-bribery
Environmental Committee	Environmental issues in general (climate change, chemical substances management, supply chain)
Export Inspection Committee	Avoid violation of Foreign Exchange Law, security risk management
Bioethics Review Committee	Bioethics

### Risk Management Flow of the Risk Management Committee



### Risk Assessment

The Nikon Group conducts risk identification surveys to gain an overall insight into the risks potentially affecting the Group. In the year ended March 31, 2016, the Nikon Group continued to conduct a survey targeting not only equivalent to department manager level or above and presidents of domestic and overseas Group companies, who had been surveyed, but also Nikon Corporation personnel at section manager level. Taking a companywide perspective, a risk assessment is then performed to identify, analyze and evaluate the replies collected after compilation and adjustment, to create a risk map that shows the level of influence and probability of each risk.

With regard to cases evaluated as high risk, we study measures for mitigating those risks. The risk map is also continually updated and the subsequent changes visualized. In addition, we have implemented analyses for recognizing the differences in awareness of risks in different employment levels in the year ended March 31, 2016. The results are reported to the Risk Management Committee.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## BCM\*<sup>1</sup> Activities Measures

The Nikon Group has formulated BCPs\*<sup>2</sup> in preparation for large-scale disasters and other emergencies and is reviewing those BCPs every year.

Our emergency response capabilities, including the installation of emergency power generators at the Nikon head office, have been reinforced and emergency goods have also been stockpiled for a growing workforce in the year ended March 31, 2016. Furthermore, we examined the flow of actions in emergencies that corresponds to various disasters by primarily reviewing our initial response, including actions for regular employees while re-evaluating the standard actions of emergency personnel to increase the viability of the BCM standards at the Nikon Group.

We are also furthering our production of English guidance for the purpose of building awareness and sharing emergency response and the basic philosophy of BCM activities throughout the entire Group, including companies overseas.

\*1 BCM (Business Continuity Management)

Management activities in normal times such as the establishment, maintenance and revision of a BCP, implementation of proactive measures, education and training, inspections and continual improvement.

\*2 BCP (Business Continuity Plan)

A plan describing the policy, systems, procedures, etc. by which enterprises can avoid suspension of their critical business or can recover the critical business quickly if it is interrupted, even when contingencies arise, including natural disasters such as major earthquakes, communicable disease pandemics, etc. or they can recover business quickly if their business is interrupted.

## Risk Management for Information Assets

We have built a sophisticated information management system to meet the status of the countries and regions where we operate our business. We protect our information assets from risks such as cyber attacks, leakages or disasters.

### ■ Information Assets Management Policies

We have established the “Nikon Group Information Security Policy”.

Group companies in Japan have applied the “Nikon Group Information Management Rules” according to it.

Group companies overseas have also established their own rules complying with the policy and they are implementing concrete measures.

 Nikon Group Information Security Policy (PDF: 39KB)

[http://www.nikon.com/about/sustainability/management/security\\_policy.pdf](http://www.nikon.com/about/sustainability/management/security_policy.pdf)

### ■ Information Management System

We have placed President of Nikon as the superintendent of information management and established the Information Security Division to propose measures toward information management throughout the entire Group and work to implement as well as maintain these systems. Specifically, we have set up organizations to promote and control information management at each division of Nikon, the headquarters, and each Group company. We have assigned the heads of each organization as the supervisor of information management. They should strive for comprehensive and appropriate information management based on the guidance of the Information Security Division.

### ■ Protection of personal information

The Nikon Group has established the “Nikon Group Privacy Protection Policy” based on the belief that dealing with personal information in a proper manner is an important social responsibility. We provide education to all of our employees, dispatched workers and contractors while implementing necessary and appropriate safety control measures based on

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

this policy and other rules related to information management. Nikon Imaging Japan Inc., which deals with a lot of personal information from customers, has obtained certification under the “PrivacyMark System”<sup>\*1</sup> in Japan. In the United States, Nikon Inc. has obtained certification for the “Payment Card Industry Data Security Standards (PCI DSS)”<sup>\*2</sup>.

\*1 PrivacyMark System

This is a registered trademark recognized by the Japan Information Processing Development Center (JIPDEC), given to companies that meet the fixed requirements concerning personal information protection

\*2 PCI DSS (Payment Card Industry Data Security Standards)

This is the credit card industry's security standards made by the five major credit card companies (American Express, Discover, JCB, Master Card, VISA)

### ■ Information security education

The Nikon Group promotes awareness and effectiveness among employees by not only knowledge of the policies and rules but specific examples in our education programs. We have distributed the “Nikon Group Information Security Handbook” to employees to make sure that every one of them understands the importance of information asset management and complies with the rules with strong awareness. We also continue providing e-Learning to each department and Group company.

We provided e-Learning around the theme of learning from cases of information security accidents for employees (including employees of contractors) of the Nikon Group in Japan in the year ended March 31, 2016. This was also started to be expanded to Group companies in Asia in April 2016. In addition, we are planning training that uses e-Learning and quarterly journals in Europe and the Americas.



Information-security e-learning 2016

### ■ Information security audit

The Nikon Group periodically conducts internal audits to improve information security level. We have conducted audits of 20 departments in Nikon and 11 Group companies in Japan under the theme of personal information. We confirmed related issues such as education of the person in charge and management of outsourcing contractors. We plan to conduct audits focusing on external storage media and “My Number (like Social Security Number)” management in the year ending March 31, 2017.

## Responses to Country-specific Risks

As the Nikon Group expands its business on a global scale, its employees work in many different countries. The number of employees who are working outside Japan is increasing, as is the number of group company employees in each country who are transferred abroad or taking overseas business trips. Accordingly, we are localizing our risk management systems so that we can appropriately manage the risks specific to each country and region.

### ■ Crisis Management for Terror Threats

We are further strengthening initiatives to respond to terrorism at the Nikon Group in response to incidents such as the large-scale terrorist attacks on Paris in November of 2015. Nikon is building awareness by sending informational emails for warnings about terrorism to overseas risk management supervisors and introducing visual education about terrorism at crisis management seminars for employees scheduled to be appointed overseas.

### ■ Risk management for employees dispatched to foreign countries

In 2008, the Nikon Group formulated risk management rules for employees dispatched to foreign countries to ensure the safety of employees, whether they are dispatched from Japan or from another country. Specifically, we collect risk information from experts on country-specific risks, from the Japanese Ministry of Foreign

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

Affairs, and from our local Group companies in each country. For countries with high potential risks, including emerging economies and politically unstable regions, we actually visit the areas to collect the latest information, which is then provided to relevant employees. We also set and update security levels for each country in light of local situations, based on which we regulate employee business trips and give evacuation orders. In addition, we are advancing the introduction of systems for checking the safety of people on overseas business travel. We began the operation of a system for the centralized management of information about employees on business trips at Nikon Group companies in Japan. We are also further developing systems for checking the safety of people on overseas business trips at our overseas Group companies.

**■ Crisis Management Courses**

Nikon holds crisis management seminars for all employees scheduled for appointment overseas, which we tailor to each individual in order to provide the necessary local knowledge. Furthermore, we implemented measures to combat terrorism through specialized external organizations to increase knowledge about crisis management of the Crisis Management Secretariat of the Human Resource Department in the year ended March 31, 2016.

**Efforts for Security and Export Control**

Japan and other major countries conclude international treaties and establish international framework (export control regime) to maintain international peace and security. Nikon implements its export control in cooperation with the international society.

**■ Basic Policy**

The Nikon Group is committed to security and export control, not only for the sake of compliance with laws and regulations, but also for the purpose of maintaining international peace and security. Nikon Corporation and Group companies in Japan have established internal compliance program on export control with the following basic policy on security and export control. Our Group companies outside Japan comply with the relevant country's laws and regulations on export control.

1. For the export of controlled goods, the provision of controlled technologies, the brokerage of goods and the brokerage of

technology, we shall not engage in any conduct that violates the Foreign Exchange and Foreign Trade Act or any laws, regulations, ordinances or official notices based on this Act (hereinafter referred to as "Foreign Exchange Laws, etc.").

2. For the purpose of complying with Foreign Exchange Laws, etc. and conducting appropriate export control, we shall designate a person responsible for security and export control, and we shall develop and enhance our systems for export control.

**Efforts for Security and Export Control**



**■ Security and Export Control Operations**

Technical experts entrusted with duties internally determine whether the goods fall under controlled goods based on basic policies and internal regulations at the Nikon Group companies that are involved in operations such as export from Japan.

We confirm that aspects such as whether the goods can be used for the development of weapons of mass destruction or conventional weapons even if goods do not correspond with those regulated by law.

We apply for approval in cases approval by the Minister of Economy, Trade and Industry is necessary, following the necessary internal procedures for exports.

We formulate internal regulations that follow the laws and ordinances of each country and common Nikon Group rules even at overseas group companies conducting operations such as exporting. We strive to prevent these exports from becoming round-about export or part of dealings with customers of concern.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## ■ Utilization of AEO Program\*

In 2007, Nikon was certified as an AEO exporter under the Authorized Economic Operator (AEO) Program\*. Certification of AEO exporter is given by the Japanese Customs to enterprises with excellent security control and compliance systems to ensure security in international trade while facilitating international trade operations.



The official logo of the AEO Program

### \* Authorized Economic Operator (AEO) Program

It is a program under which customs authorities in individual countries approve those operators equipped with cargo security management and compliance systems to facilitate and simplify their customs procedures. The World Customs Organization (WCO) adopted an international framework of standards to secure and facilitate global trade ("SAFE framework") that prescribes guidelines for introduction and construction of the program.

## ■ Management of Security Risks in International Trade

In the year ended March 2016, we conducted trainings for all the Nikon Group employees (28 training courses with 538 participants in total) to improve employees' knowledge and understanding of export control.

We maintained and strengthened our export control system by formulating the export control rules for Group company in Australia that began to export controlled goods in addition to implementing export control audits at 17 divisions of Nikon as well as 14 Group companies in and outside of Japan. Furthermore, we confirmed management is appropriate for controlled goods (machine tools, etc.) at each overseas production site.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

# Compliance

In order to engage honestly with society's trust, we established a cross-Group promotion structure based on our corporate philosophy "Trustworthiness and Creativity," and we are striving to make the entire Nikon Group aware of compliance.

## Our Concept of Compliance

The Nikon Group defines compliance as meeting the expectations of stakeholders and earning their trust by not only complying with laws and regulations, but also conducting sound and fair business activities that conform to corporate rules and social norms.

We recognize that it is the foundation of Nikon's CSR promotion for every employee to deeply understand and implement the concept of compliance.

### ■ Nikon Code of Conduct

The Nikon Code of Conduct sets the standards of behavior to ensure that each and every individual at Nikon can make proper judgments and act ethically and in accordance with Nikon's rules and with laws and regulations, reflecting an awareness of compliance in his or her regular business activities.

Since its establishment in 2001, the Nikon Code of Conduct has been revised several times to respond with flexibility to the changing time. During the revision in April 2011, we put more emphasis on global CSR perspectives, and compiled issues

such as fair transactions, human rights, CSR procurement, and anti-corruption in an easily understandable manner, based on ISO26000, the international standards regarding social responsibility. Currently, the Nikon Code of Conduct is available in 19 languages and is distributed to employees as the unified code of conduct of the Nikon Group companies all over the world.



Educational booklet distributed in Japan

## Nikon Code of Conduct

(Established May 1, 2001, revised April 4, 2011)

### Introduction

#### - What is the Nikon Code of Conduct?

The Nikon Code of Conduct sets the standards of behavior for Company directors and employees. By following the code, we conduct activities in compliance with all applicable laws and other standards of ethical conduct to practice the Nikon Corporate Social Responsibility (CSR) Charter.

While the Nikon Corporate Social Responsibility (CSR) Charter describes Nikon's basic policy on social responsibility, implementation of the Nikon Code of Conduct by everyone will help to promote our social responsibilities.

#### - Scope

The Nikon Code of Conduct applies to all directors and employees of Nikon, as described below. "Nikon" as mentioned herein refers to Nikon Corporation and both its domestic and international subsidiaries, and "we" refers to all directors and employees of Nikon. Other affiliate companies are recommended to apply the Nikon Code of Conduct itself or its contents.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## 1. Sound corporate activities

### (1) Compliance

- ① We will make every effort to understand and comply with corporate rules, and applicable laws and regulations, governing the conduct of our business in various countries.
- ② We constantly endeavor to understand applicable laws related to our business and, when necessary, consult with relevant corporate departments, specialists, administrative authorities, etc.

### (2) Integrity

- ① We will make every effort to comply with applicable rules, operate in a sincere appropriate manner, and strengthen our corporate competencies.
- ② We try to control and manage company assets including facilities, equipment, funds, information, intellectual properties and software appropriately to prevent misplacement, theft, damage, etc. We will not use company assets for private or fraudulent purposes.
- ③ We will not engage in any activities that damage Nikon's reputation or financial interests in order to benefit ourselves or third parties.
- ④ We cooperate in maintaining social order, and will not engage in antisocial, disruptive activities.

### (3) Fair Competitions and Transactions

- ① Based on the principle of fair and open competition, we promote competing vigorously in the marketplace, but it is our policy to do so by fully complying with all antitrust and other competition laws of governments in applicable countries.
- ② We may not enter directly or indirectly into any formal or informal agreement with competitors that fixes prices, allocates markets, eliminates competition, or otherwise unreasonably restrains trade.
- ③ We exchange legitimate contracts with our customers, suppliers, etc., and adhere to those contracts.

### (4) Appropriate Purchasing/Procurement with Suppliers

- ① We select our suppliers appropriately and fairly. We base our supplier relationships on lawful, efficient and fair practices.
- ② We will not exploit our position in business relationships to force onto our suppliers certain unethical conditions or disadvantages, engage in fraudulent activities, or seek personal gain.

- ③ We also expect our suppliers to adhere to compliance, business ethics, product quality and safety, human rights protection, fair labor practices, health and safety, environmental preservation, information security, etc., and promote socially responsible behavior within our supply chains.

### (5) Information Management

- ① We manage business information including personal information appropriately in accordance with their degree of confidentiality to avoid loss and unauthorized disclosure.
- ② We take every reasonable precaution to keep confidential information confidential. The obligation to protect our confidential information continues even after employment terminates. We will not use such information for our own purposes.
- ③ We obtain personal information only for legitimate business needs. We will not use obtained personal information for any other purpose other than as originally specified.

### (6) Protection of Intellectual Property Rights

- ① We respect the intellectual property rights of third parties. We obtain intellectual property information from third parties using legitimate and appropriate methods. We consult with specialist or other designated section concerning necessary licenses or approvals to use such intellectual property.
- ② We cooperate in establishing, protecting and utilizing corporate rights in all Nikon intellectual property assets.

### (7) Export Control

- ① We conduct international transactions which are subject to export control laws and regulations.
- ② We need to know, understand and comply with related export control laws and regulations, as well as corporate rules, upon export of hardware (such as products and components), and upon transfer of technical information controlled by export regulations.

### (8) Insider Trading Prevention

We will not engage in insider trading of securities based on confidential information not available to the general public.

### (9) Entertainment and Gifts

- ① We comply with related laws and regulations regarding provision/receipt of entertainment and gifts to/from our customers, suppliers, etc., and engage in such practice to the extent necessary and reasonable under social norms. We will not provide or receive entertainment and gifts within the Nikon group.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

- ② We will not provide entertainment and gifts to a supplier, vendor, customer, or any other person in exchange for assistance or influence, or upon the understanding that such assistance or influence has been or will be rendered, in connection with any business transaction affecting the company. Similarly, we will not accept entertainment and gifts from suppliers, vendors, customers or other persons under circumstances which may be interpreted as potentially influencing a decision involving a business transaction.
- ③ We will report to our superiors on all provision/receipt of entertainment and gifts, except for gifts of nominal value that are normal and customary given the business circumstances.

**(10) Relationships with public authorities**

- ① We are committed to maintain sound and sincere relationships with domestic and international public authorities and public service personnel, to comply with related laws and regulations, and to strive to avoid corruption. Should the possibility of violation of related laws or regulations arise, we will immediately report the situation to our superiors and take appropriate measures.
- ② We take every care to avoid behavior that might raise suspicions of bribery.

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

**(1) Understanding Expectations and Demands**

- ① We contribute to society by actively communicating with our stakeholders to understand their expectations and demands, and by providing to society useful products and services reflecting such expectations and demands.
- ② We try to respond to inquiries and requests fairly and promptly. We are committed to providing useful and accurate information in an easy-to-understand form to stakeholders to enable them to make sound decisions and judgments.

**(2) Safety and Security**

- ① We take the utmost care in the quality and safety of our products and services.
- ② We provide user-friendly instructions and other information so that our products and services may be used safely. Should safety issues arise, we will follow prescribed rules to promptly implement appropriate measures such as product recalls, and simultaneously make efforts to prevent recurrence.

**3. Respect for Human Beings**

**(1) Respect for Human Rights**

- ① We are dedicated to equal employment opportunity. We are committed to compliance with applicable employment laws everywhere we operate, including applicable international human rights laws and regulations. We do not tolerate unlawful harassment and discrimination, but respect the unique individuality of each and every person.
- ② We will not engage in any forced labor or child labor and request our suppliers to follow suit.

**(2) Comfortable and Safe Working Environment**

- ① We mutually accept different opinions and values, provided they do not unlawfully infringe on the rights of others, and work together as one to create a working environment where we can all perform at our best.
- ② We comply with laws and regulations related to labor as well as health and safety to ensure a comfortable and safe work environment.

**4. Protection of the Natural Environment**

- ① We conduct environment-oriented business operations, and work to increase environmental awareness in order to contribute to a sustainable society.
- ② We strive to reduce environmental burdens in all stages of our business operations—from procurement of raw materials to development, manufacturing, logistics, sales, use, services, and finally disposal—and provide environmentally friendly products and services.
- ③ We not only comply with environmental laws and regulations, but also actively strive for appropriate use and management of chemical substances, waste reduction, etc. We also make assertive efforts to reduce CO<sub>2</sub> emissions, such as implementing energy-efficient facilities and energy conservation.
- ④ We strive for resource conservation, efficient use, re-use and recycling so as to realize sustainable use of limited resources.

**5. Responsibility to Society as a Corporate Citizen**

- ① As members of Nikon, we try to understand and respect the cultures and customs of each country and region in which we do business.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

- ② We understand and actively cooperate with Nikon's basic philosophy on social contribution activities.

#### 6. Transparent Operating Activities

- ① We promote fair and open communication with our stakeholders. We try to disclose useful and proper information in a timely manner to further the interests of the parties.
- ② We follow appropriate accounting practices based on facts to realize timely and proper information disclosure. We will not engage in inappropriate accounting practices to secure profits, achieve sales budgets, fulfill budgeted expenses, or for any other reason.

#### 7. Responsibility of Top Management

- ① Executives and organization supervisors will take the initiative in complying with this Code, and strive for thorough compliance with this Code, within its pertinent organizations.
- ② Executives and organization supervisors will operate pertinent organizations objectively and fairly, and actively promote communication among its members.
- ③ Should violations or potential violations of this Code be reported to the company, executives and the organization supervisors will immediately investigate the facts, resolve, as appropriate, and take measures to prevent recurrence.

#### Closing

##### - Consequences of Violation

Violation of the Nikon Code of Conduct may result in disciplinary actions by the company, up to and including termination of employment and/or in proceedings by government authorities, etc.

##### - Reporting/Consulting System

If you become aware of a violation or a potential violation of the Nikon Code of Conduct, please report it immediately to or consult with your immediate superior. When reporting to or consulting with your superior is difficult, please report to the Reporting/Consulting Office or designated section/person of your company.

Personal information of the reporting or consulting individual will be managed appropriately, and the individual will receive neither disadvantageous treatment nor retaliation because of the reporting or consulting.

##### - Establishment, Revision, Discontinuance

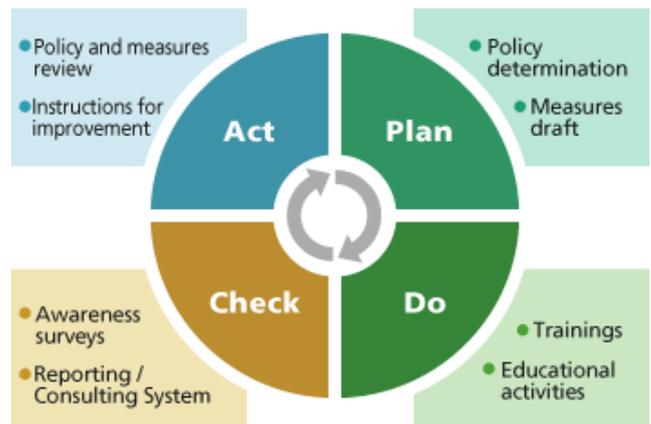
Establishment, revision and discontinuance of the Nikon Code of Conduct shall take place first with a proposition from the chair of the Business Conduct Committee, next an application to the Executive Committee of Nikon Corporation, and then a final decision. Minor changes will be decided by the Business Conduct Committee chair.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

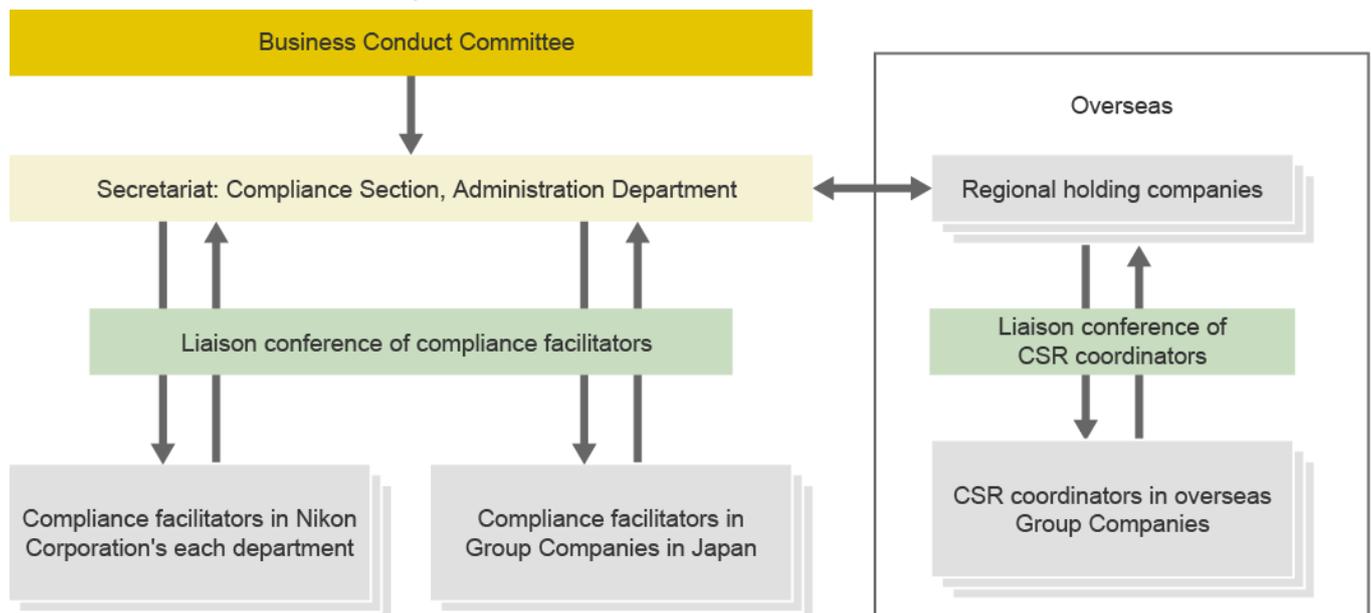
## Compliance Promotion

The Business Conduct Committee, chaired by the Senior Executive Vice President of Nikon Corporation, performs the functions of deliberation and decision-making regarding measures on important issues for compliance promotion. The Compliance Section of Nikon Corporation's Administration Department, designs and develops the measures based on regional promotion situations and issues, in cooperation with CSR sections of each regional holding company. Moreover, in order to implement highly effective compliance promotion activities, we periodically hold CSR coordinators liaison conferences. During these conferences, we reinforce global activities by hearing CSR coordinators' opinions directly and sharing the knowledge of culture business, customs and regulations of each country and region. We have consolidated the compliance promotion PDCA both in and outside Japan.

### PDCA Cycle of Compliance Promotion



### Compliance Promotion Structure Diagram



Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## ■ Reporting/Consulting System

The Nikon Group has established the Code of Conduct Hotline as a central system for employees of the Nikon Group in Japan (including three non-consolidated Group companies). The Code of Conduct Hotline is installed as a contact window through internal (Compliance Section) and external specialist firms.

Group companies outside Japan also have their own reporting/consulting hotlines. In the Americas, an external hotline has also been established with the help of an external specialist firm. In addition, we have completed the implementation of a unified contact window through an external specialist firm in Europe and conducted awareness raising and education activities for this new contact point in the year ended March 31, 2016.

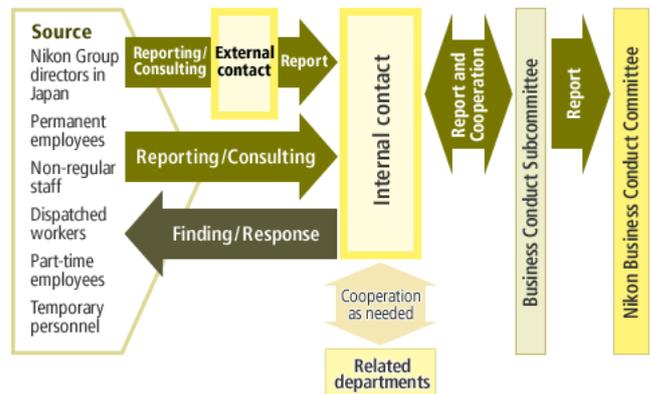
The Hotline received 42 inquiries from Nikon Group companies in Japan and 6 inquiries from overseas Group Companies. These included 25 consultations from Nikon Group companies in Japan and 5 consultations from overseas Group Companies concerning human rights, harassment, and labor issues.

As a general rule, the Hotline collects information from consulters as well as persons concerned, and develops solutions by linking to the relevant departments and conducting follow-up as necessary after objectively understanding the issues.

This hotline is operated to be fully in-line with human rights, such as protecting privacy and preventing disadvantages resulting from consulting.

We are gaining trust for our systems to connect to a greater number of consultations both inside and outside of Japan by implementing and clearly operating an in-house consulting system. Furthermore, we are putting systems in place to understand every detail, conduct our own response, and solve the issues even for inequitable conduct inside of the Nikon Group.

## Code of Conduct Hotline Diagram



## Compliance Promotion Activities

At the Nikon Group, in order to implement highly effective compliance promotion activities, we conduct consistent Group activities, while taking into account regional characteristics, in cooperation with persons responsible for compliance promotion of each company and with CSR sections of the regional holding companies.

### ■ Providing All Group Employees with Compliance Education

In order to ensure compliance of top management and all employees, we are implementing training sessions through e-learning as well as group training conducted by facilitators of all departments and companies in and outside Japan. Specific overseas education activities emphasize local characteristics and regional holding companies overseas are taking the lead.

We conducted education with harassment as the theme at all of our Group companies in Japan in the year ended March 31, 2016. We have held education in the past about harassment, but we have created and revised our education materials by referring to the overall information site for power harassment measures created by the Ministry of Health, Labour and Welfare. We plan to introduce further education for basic issue of compliance in the year ending March 31, 2017.

The awareness about harassment issues differs according to each region including overseas. We have researched whether materials exist in each country and the content of those materials because globally consistent education is difficult. As a result, we have confirmed harassment prevention education

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

material that reflect the culture and laws of each region are prepared. In the future, we will continue education in each country and region by using the applicable education materials. We are also distributing a CSR newsletter to all employees of the Nikon Group in fifteen languages. It takes up compliance related news reported around the world and explains the thinking on compliance in the Nikon Group. Also, the members of the Compliance Section at the Administration Department and members of the CSR sections at regional holding companies participated in external seminars to improve their understanding and take in the latest information about compliance.



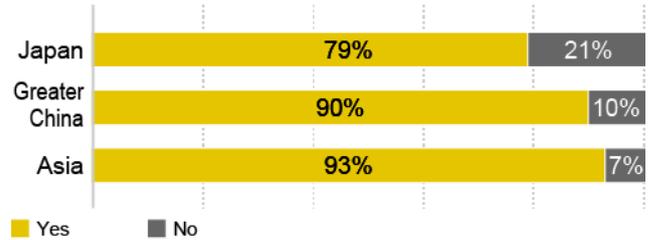
CSR newsletter

### ■ Global Awareness Survey

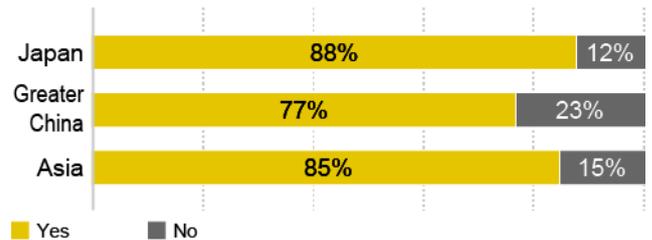
The Nikon Group conducts monitoring on a global scale through awareness surveys among its employees to understand the degree of penetration of our Corporate Philosophy and awareness of the Code of Conduct, as well as the implementation of compliance education. The results are then reflected in the development of promotional activities. At a Business Conduct Committee meeting in December 2015, the awareness survey's results were reported, including inter-regional and interannual comparison. All companies outside Japan received feedback on their results from regional holding companies to establish a compliance promotion PDCA cycle in all regions.

### Results of the Employees Awareness Survey

Q. Do you know the Nikon Anti-Bribery Policy?



Q. Heavy fines are given to corporations that violate the competition law but did you know that resale price maintenance is prohibited by the competition act?



### Survey outline

Country/region	Frequency	Implementation period	Number of respondents
Japan	9 times	October 2015	11,445
Greater China	5 times	September 2015	1,431
Asia	3 times	September 2015	2,217

\* Paper-based survey for some manufacturing plants of manufacturing subsidiaries in Japan.

\* Surveys at manufacturing companies outside Japan limited to employees with computer access

\* Surveys were not implemented in Europe, the Americas, and Korea in the year ended March 31, 2016 to make the implementation period for global awareness surveys consistent.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## Efforts for Bribery Prevention

The Nikon Group has clarified its zero tolerance approach toward bribery in the Nikon Corporate Social Responsibility (CSR) Charter and the Nikon Code of Conduct. In addition, we endorse the United Nations Global Compact and continued to tackling the issue of eradicating all kinds of corruption. Furthermore, in order to reiterate our anti-bribery commitment both in and outside the company, Nikon established the Nikon Anti-Bribery Policy in 2014.

We have begun the creation of guidelines gathering together business concepts, points of caution, and operational procedures necessary to comply with these policies in the year ended March 31, 2015. We formulated the Nikon Anti-bribery Guidelines that reflect the actual situation in each region with the regional holding company at the heart.

### ■ Development and Education of the Regional Guidelines

We formulated and issued Guidelines in Japan, China, and Europe in the year ended March 31, 2015 and in the Americas, Asia, and Korea in the year ended March 31, 2016 to fully implement these guidelines in all of the necessary regions.

We have undertaken actions such as confirming the laws of each country, shared common business practices, and existing rules at each company centered upon regional holding companies overseas to formulate viable guidelines. We also interviewed local representatives as part of our risk evaluation process.

Compliance requires understanding of the guidelines to compressively conduct anti-bribery prevention. Therefore, we held awareness and implementation education of guidelines in each region around the regional holding companies in Asia, Europe, and the Americas in the year ended March 31, 2016 (introduced in Japan in the year ended March 31, 2015).

We are proud that the Nikon Group has never been the subject of investigation by any competent authority for corrupt practices due to these initiatives.

\* United Nations Global Compact

The UN Global Compact was announced by the then UN Secretary-General Kofi Annan at the World Economic Forum (Davos Conference) in 1999, and was officially launched at the UN headquarters in New-York in 2000. It is composed of ten principles in the areas of human rights, labor, environment and anti-corruption, and supportive companies are requested to embrace and implement these principles.

### Nikon Anti-Bribery Policy

(Established April 21, 2014)

Nikon proves worthy of the trust given by society under its corporate philosophy "Trustworthiness and Creativity", and has clarified its zero tolerance approach against bribery in Nikon Corporate Social Responsibility (CSR) Charter and Nikon Code of Conduct.

By establishing this policy, Nikon will fulfill its group-wide commitment to the prevention of bribery in all countries and areas where it conducts business, to enhance the relationship of trust with society.

#### - Scope

This policy applies to all directors and employees of Nikon ("Employees"). Nikon mentioned herein refers to Nikon Corporation and its subsidiaries.

#### - Responsibility

Responsibility for compliance with this policy is with top management who will immediately investigate the facts, and take appropriate actions, should any violations or potential violations of this policy occur.

#### 1. Prohibition of Bribery

Nikon prohibits the providing, offering or promising of money, benefit or other advantage ("Benefit"), directly or indirectly, to another person or entity, for the purpose of securing an improper advantage. Nikon also prohibits the accepting or requesting of improper Benefit.

#### 2. Dealing with Public Officials

Nikon will never provide, offer or promise bribes to public and quasi-public officials (including but not limited to officers or staff of national or local governments, government-controlled enterprises, government-controlled hospitals, political parties, etc., "Public Officials"). Nikon will conduct its business activities in compliance with applicable anti-bribery laws and regulations of relevant countries.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

### 3. Dealing with Third Parties

Nikon will never provide, offer or promise bribes to Public Officials through third parties such as agents and / or consultants. Nikon will select and assess the third parties from the perspective of anti-bribery compliance before starting business transactions, and requests their pledges against bribery when necessary. When undertaking investment activities, Nikon will perform due diligence including evaluation of bribery risks, of target companies in merger and acquisition transactions or prospective joint venture partners.

### 4. Accurate Record-Keeping

Nikon will keep accounting books accurately based on facts and maintain related vouchers appropriately, under its sound internal control system, to demonstrate its compliance with this policy and applicable anti-bribery laws and regulations of relevant countries.

### 5. Risk Assessment and Guidelines

Nikon will assess the bribery risks facing its business as appropriate, and review this policy when necessary. In addition, regional or individual company guidelines will be established by relevant group companies based on this policy.

### 6. Training and Reporting

Nikon will communicate this policy and applicable guidelines to Employees through education and training, and will require Employees to comply with them. Nikon will develop a reporting framework in order to prevent or correct any violations of this policy or applicable guidelines.

### 7. Consequences of Violation

Violation of this policy and / or applicable anti-bribery laws and regulations of relevant countries may result in disciplinary actions by the relevant Nikon group company, and may also result in such other action, including legal action, by appropriate government authorities.

### 8. Revision or Discontinuance

This policy is drafted by the chairperson of the Nikon Business Conduct Committee and approved by the Executive Committee.

## Measures to Prevent Competition Laws Infringements

At the Nikon Group, pledges for fair competitions and transactions as set forth in the Nikon Code of Conduct and our basic stance is to conduct fair competitions and transactions by complying with each country's competitions laws. The enforcement on global companies affected by Competition Law has been rigorous in recent years. The Nikon Group has established a communication framework among legal departments to strengthen our legal functions while continuing to promote education as a unified Group because even stricter measures are required.

However, the Vienna branch of Nikon GmbH, which is a subsidiary of Nikon, was informed of a violation to the Competition Law related to the resale price maintenance of the cameras. Thereafter, we have cooperated in all aspects of the investigation to reach an agreement with the authorities through the payment of 170,000 Euros in surcharges in October 2015. We are continuing the education and strengthening our legal

functions to prevent any recurrences as a response to this situation.

### ■ Expansion of the Competition Law training

At the Nikon Group, we developed our employees' training regarding Competition Law globally during the year ended March 31, 2015 and continued this effort in the year ended March 31, 2016. We introduced education to not only our imaging business, which has a relatively high risk of violating the Competition Law and our microscope solutions business but also our semiconductor device business and glass business by responding to the latest laws and business environments in our education materials of the last fiscal year. We are completing education for 61 companies and approximately 2,000 employees, including non-consolidated Group companies as of the end of March 2016.

We plan to consistently implement education related to the Competition Law in the future.

Contents / Editorial policy	Nikon Group Profile	Message from the Top Management	Feature Articles 2016	Nikon CSR	Management System
Environmental Management	Supply Chain Management	Respect for Human Rights	Labor Practices	Product Responsibility	Community Contribution Activities

## Actions Taken against Violations

The Nikon Group takes strict action against all violations of the work regulations and the Nikon Code of Conduct based on its in-house disciplinary rules after investigating the facts. In the year ended March 31, 2016, disciplinary action against the offender (and their managers/supervisors) was taken in three cases at Nikon Corporation and four cases at Group companies in Japan. In order to prevent the recurrence of similar problems, details of the cases, including the level of disciplinary action, are disclosed internally.

## Bioethics

The Nikon Group has established Bioethics Review Committee in September 2014 upon entering the medial field business to fully consider human dignity and human rights when conducting research and developing products. In prior to this, we have formulated Bioethics Review Committee Standards in June 2014 to ensure that the Committee manage human tissue research comply with the ethical standards of the Declaration of Helsinki and various related ethical guidelines, laws and regulations.

The Committee consists from human and social sciences and natural science experts. In the year ended March 31, 2016, two meetings were held to discuss the validity of each research from ethical and scientific standpoints.

# Intellectual Property Management

The Nikon Group protects the revolutionary technology, design, and trademarks as well as supports the brand value of products in the market by striving in various efforts related to intellectual property.

## Intellectual Property Policy

We recognize that our intellectual properties are the driving force that supports long-term and stable continuation of business and extremely valuable assets of the Nikon Group that contributes to shaping Nikon's brand value that are trusted by our customers.

The Nikon Group also takes actions against any third party who infringes our intellectual property rights to prevent any harm from impacting not only our customers and stakeholders but also ourselves.

Furthermore, the Nikon Group considers that respecting third parties' rights constitutes one of the basic approaches of respecting intellectual property. The Nikon Code of Conduct states that information has to be obtained through legal and fair means.

## Intellectual Property System

The Nikon Group has set up the Intellectual Property Division within Nikon Corporation. It works together with the business divisions and the R&D divisions to carry out various activities concerning intellectual property.

Furthermore, we have established the Nikon Group Intellectual Property Policy to execute strategic responses through cooperation and coordination between Nikon and Group companies both inside and outside of Japan in the acquisition, maintenance, and utilization of intellectual property as well as handling of intellectual property disputes.

In addition, the Nikon Group provides training to its employees and researchers to ensure their proper understanding and operations on intellectual property.

## Column

### Received the Intellectual Property Achievement Award from the Commissioner of the Japan Patent Office

Nikon was selected as an excellent design use company for the Intellectual Property Achievement Award from the Commissioner of the Japan Patent Office in April 2015. The Intellectual Property Achievement Award is an award established for the purpose of celebrating individuals and companies that contributed to the growth of intellectual property right regulations.

Design rights are an intellectual property right to protect designs that are extremely important as assets to manufacturers such as Nikon. We have built a powerful design line-up by working to efficiently file, acquire, and actively use design rights. In addition, we are striving in a wide-range of measures to prevent infringement of our design rights such as the infringement by counterfeit products overseas.

This award is proof of the high praise of efforts Nikon undertakes in its intellectual property activities and connects to further growth by accumulating and using intellectual property rights effectively in the future.



Director and Senior Vice President Hiroshi Ohki (left) accepting the award from Parliamentary Secretary Yoshihiro Seki for Economy, Trade and Industry

## Data on Nikon's Intellectual Property

Item	2015 achievements
Number of published patent applications in Japan	1,086 27th →35th
Number of patent registrations in the United States	250 150th →137th