

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

Dealing with the Issue of Conflict Minerals

The Nikon Group strives to realize procurement of mineral resources that are responsible.

The problem of conflict minerals in the Democratic Republic of Congo and its neighboring countries has become one of the most serious social issues the world faces. According to article 1502 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act, companies listed on US stock exchanges are required to conduct and disclose investigations into the subject. The law went into effect in January 2013. While this law does not pertain to Nikon, we have established the policy of not using conflict minerals mined or intermediated by armed forces violating the human rights in the area, and have been conducting surveys in our supply chain since 2011 specifically on this issue.

Design of Conflict Minerals Response

The conflict minerals response of Nikon is designed based on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This guidance helps to respect human rights and avoid mineral procurement attributed to conflict as an optimal guidebook for handling conflict minerals. The Nikon minerals reports are structured based on a five-step framework for due diligence according to risk in the mineral supply chain defined in the Annex I of this guidance. Moreover, as Nikon is a company downstream in the supply chain and do not directly purchase from smelters, the results of this report is based on information provided from primary procurement partners.

* "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas"

 Ministry of Economy, Trade and Industry | OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
http://www.meti.go.jp/policy/trade_policy/oecd/html/guidance.html

Execution of Due Diligence

1. Establish strong company management systems

CSR Procurement Standards

We are also working to increase CSR awareness in the company through the Nikon CSR Charter, which stipulates Nikon Group's basic policy on social responsibility, and the Nikon Code of Conduct, which guides our behavior in daily business activities. At the same time, we have formulated the Nikon CSR Procurement Standards based on "Socially responsible behavior within the supply chain" in the Nikon Corporate Social Responsibility Charter in August 2015 as a guide for promoting our approach towards CSR in the supply chain and request procurement partners to comply to them. This standard complies with the code of conduct of Electronic Industry Citizenship Coalition (EICC), which is a global standard in the electronic industry, and includes item on conflict minerals. We requested our procurement partners comply with Nikon policies and policy formulation inside of their own companies through explanatory sessions and other efforts.

 Nikon CSR Procurement Standards

<http://www.nikon.com/about/corporate/procurement/csr/index.htm>

- We explained the content of these standards and requested compliance to Procurement Partners both inside and outside of Japan from August to September of 2015. Additionally, we held explanatory sessions for the members in procurement-related divisions both within and outside Japan in Nikon.
- We also conducted surveys to confirm the compliance status to these standards from October to November of 2015.
- Based on the results, we undertook efforts that included carrying out audits and requesting submission of improvement plans to our high-value procurement partners from January to March of 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

Policy on Conflict Minerals

Established November 1, 2011, revised February 1, 2013
Revised July 1, 2014

In view of the situation that four minerals (conflict minerals: tantalum, tin, tungsten and gold) mined in the Democratic Republic of the Congo and its neighboring countries are used to finance armed groups, aggravating conflicts, human rights abuses and environmental destruction, Nikon shall not, with the cooperation of our Procurement Partners, use conflict minerals mined or intermediated by armed groups.

Operation Policy

Nikon will conduct and continue surveys in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We request our Procurement Partners to understand and agree to cooperate with our Policy on Conflict Minerals. Our Procurement Partners are also encouraged to cooperate with the surveys and audits conducted by Nikon and to perform responsible procurement of mineral resources within its supply chain.

Internal promotion framework

Based on our Policy on Conflict Minerals, we formed in January 2013, a cross-departmental project team in the company led by a Director, Member of the Board. To ensure addressing conflict minerals is a continuous commitment, we established a standing Conference for Conflict Minerals consisting from representatives selected from related departments in 2014. We have also established the Supply Chain Subcommittee that deliberate and decide concerns from cross-organizational standpoint as a higher tier body, which is chaired by the executive in charge of the procurement department. The Subcommittee also makes decisions and gives approvals related to this matter as well. Furthermore, final approval on significant matters deliberated and decided are made by the Executive Committee which the CEO participates in.

Outline of Organizational Chart for Conflict Minerals (As of June 30, 2016)



Clarification of Roles, Responsibilities, and Operations

Nikon created the Basic Conflict Minerals Rules as the basic policies for the purpose of clarifying the roles, responsibilities and operations of related members in addition to the Conflict Minerals Response Manual that includes more detailed information to continually conduct conflict minerals response activities. In the 2016 survey, these rules were put into operation as a manual and conducted the appropriate response in these matters.

Establishment of Conflict Mineral Hotline

Nikon Corporation has established the Conflict Mineral Hotline in order to receive reports from our stakeholders if there are contrary acts to or concerns about the Nikon Policy on Conflict Minerals. We properly investigate the information obtained through the Hotline, and take corrective actions as necessary so that we can respond quickly to our conflict minerals related risks in our supply chain.

 Conflict Mineral Hotline

<https://www.uw.nikon.com/form/com/cmh/form.php>

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. Identify and assess risk in the supply chain

Almost all Nikon products have electronic components and circuits, and tantalum, tin, tungsten, or gold may be contained in them. Additionally, the number of procurement partners that are arranging components used in these products exceeds 1,700 companies. The subjects of our survey were procurement partners that deliver products (main products: cameras/interchangeable lenses) handled by the Imaging Business Unit, which make up about 70% of the sales, and components related to products to incorporate in products of SEC listed companies. We identified and evaluated risk by conducting the survey.

Awareness of Survey Policy and Methods

From August through September 2015, we also held the same meetings for staff in 528 procurement partners (819 participants) both domestically and overseas, explaining Nikon policies, asking cooperation to policies, and providing instruction on filling out CFSI conflict minerals report template* (CFSI template). Additionally, we did explanatory sessions for the members in procurement-related divisions both within and outside Japan in Nikon.

* CFSI conflict minerals report template

Official name: Conflict Minerals Reporting Template (CMRT). This is the publicly available survey template from CFSI, which is an initiative of European and US electronics industry organizations Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI).

 CMRT

<http://www.conflictreesourcing.org/conflict-minerals-reporting-template/>



Explanatory Session in China

Reasonable Country of Origin Inquiry

Survey outline

- Survey was conducted using the CFSI template.
- We confirmed CFSI-acknowledged smelters/CFSP-compliant smelters with smelter information included in the CFSI template received from procurement partners by collating the latest versions of the CFSI-acknowledged list as well as the CFSP-compliant smelter list*¹ that publishes the Conflict Free Smelter Program (CFSP)*² lead by EICC/GeSI.

*1 CFSP

CFSP: Auditing program for smelters/refineries introduced by the CFSI

*2 CFSI-acknowledged list as well as the CFSP-compliant smelter

Lists of CFSI-acknowledged smelters (smelters acknowledged as smelters by the CFSP) and CFS-compliant smelters (conflict-free compliant smelters registered by the CFSP). Nikon collates with the latest versions (revision 4.01b: published November 16, 2015).

Survey results

- We conducted a survey at 1,027 primary procurement partners and had a 100% retrieval rate.
- We encourage the use of answer error confirmation tools released by JAMA*³ to procurement partners, and we further re-confirm answers using the same tools on surveys that are collected for the purpose of increasing accuracy of answers. We request procurement partners to take the survey again if there were any inconsistencies in answers. Additionally, we conducted automated aggregation of analysis data for more efficient aggregation operations.

*3 JAMA

Japan Automobile Manufacturers Association. Association of Japan automobile manufacturers.

Risk Assessment

We determined that there were 223 CFSP-compliant smelters of the 316 CFSI-acknowledged smelters. There were procurement partners that had no entries on the smelters or undisclosed but we actively approach those partners to disclose the information. In addition, smelters that have mine in DRC or a neighboring country were mostly CFSP-compliant smelters. We conduct due diligence for smelters that we couldn't confirm as conflict free.

 CFSP-compliant smelter/CFSI-acknowledged list in Nikon's supply chain (PDF:166KB)

http://www.nikon.com/about/sustainability/supply-chain/cfsi_list_2016.pdf

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. Design and implementation of a strategy to respond to identified risks

Response to identified risks in 2015 survey

Identified risks are to be addressed by priority. And, strategies decided were reported to the Executive Committee and approved.

1. The location of the mine is DRC or a neighboring country and not a CFSP-compliant smelter

Procurement partners that have these smelters conducts due diligence.

2. Smelter does not match any CFSI-acknowledged smelters

This smelter is being reviewed to identify the smelter.

3. Smelter is CFSI-acknowledged, but is not CFSP-compliant

Nikon participates in the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association, and promoted participation in CFSP with a joint endorsement from JEITA for smelters in Indonesia and China.

In addition, we visited one smelter in Japan and exchanged opinions about conflict-free issues for smelters as one effort in our conflict-free smelter activities for the JEITA Responsible Minerals Trade Working Group.

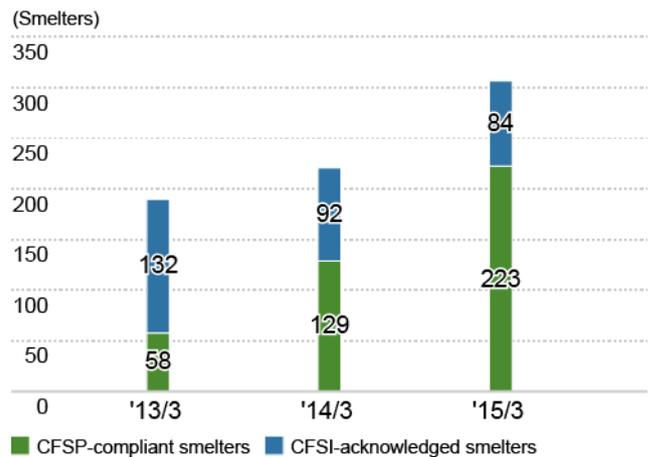
We are striving toward CFS compliance for smelters that are identified while collecting even more highly accurate smelter information based on cooperation with procurement partners in the future as well.

Conclusion

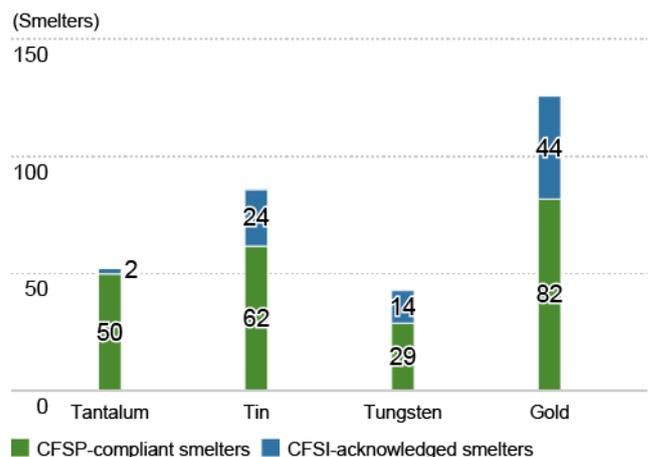
More Conflict-free Products

- We were also able to confirm the smelters used for the Glass Division products were all CFSP-compliant smelters this year.
- The number of CFS-compliant smelters in all of the smelter information has increased each year from 58 (2013) to 129 (2014), and 223 (2015), showing increase of conflict-free smelters. Additionally, we can see the advancement of conflict-free tantalum when looking by mineral as the order has become 96% (tantalum), 72% (tin), 67% (tungsten), and 65% (gold).

Trends of CFS-compliant smelter numbers



CFS-compliant smelter numbers by mineral



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

Future measures to reduce risks

- CFS-compliant smelters are increasing each year, but there are still many existing smelters that are not CFSI-acknowledged. We will endeavor toward greater visualization of smelter information and use of conflict free minerals in the future.
- We will continue to promote CFSI-acknowledged smelters to transition to CFSP-compliant smelters through supporting activities by JEITA and CFSI.
- Letter of agreement requesting complying with our Policy on Conflict Minerals and cooperating with survey and audit are sent to promote this matter in corporation with primary procurement partners.

4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain

Nikon is tackling this issue in cooperation with industry organizations and others. In November 2012, we participated in the study group "Responsible Minerals Trade Working Group" established by the Japan Electronics and Information Technology Industries Association (JEITA) to collect more information. We have engaged in industry group activities since then.

One of the essential steps in promoting conflict-free products is to increase the number of smelters around the world that are confirmed as having no connection with armed forces. That is why we joined the Conflict-Free Sourcing Initiative (CFSI; headquartered in Washington, D.C.), which is establishing the CFS Program in April 2014.



-  Japan Electronics and Information Technology Industries Association | Responsible Minerals Trade Working Group
http://home.jeita.or.jp/mineral/eng/index_e.html
-  Conflict-Free Sourcing Initiative
<http://www.conflictreesourcing.org/>

5. Report on supply chain due diligence

We disclose our supply chain due diligence both on our website and the NIKON REPORT.

Relative Information

-  [Nikon Corporation Slavery and Human Trafficking Statement for the fiscal year ended March 2016 \(P113\)](#)