

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.

Basic Concept Relating to 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 purpose of Japan's Corporate Governance Code.

[Corporate Governance Guideline](http://www.nikon.com/about/ir/governance/organization/guideline/)
<http://www.nikon.com/about/ir/governance/organization/guideline/>

System

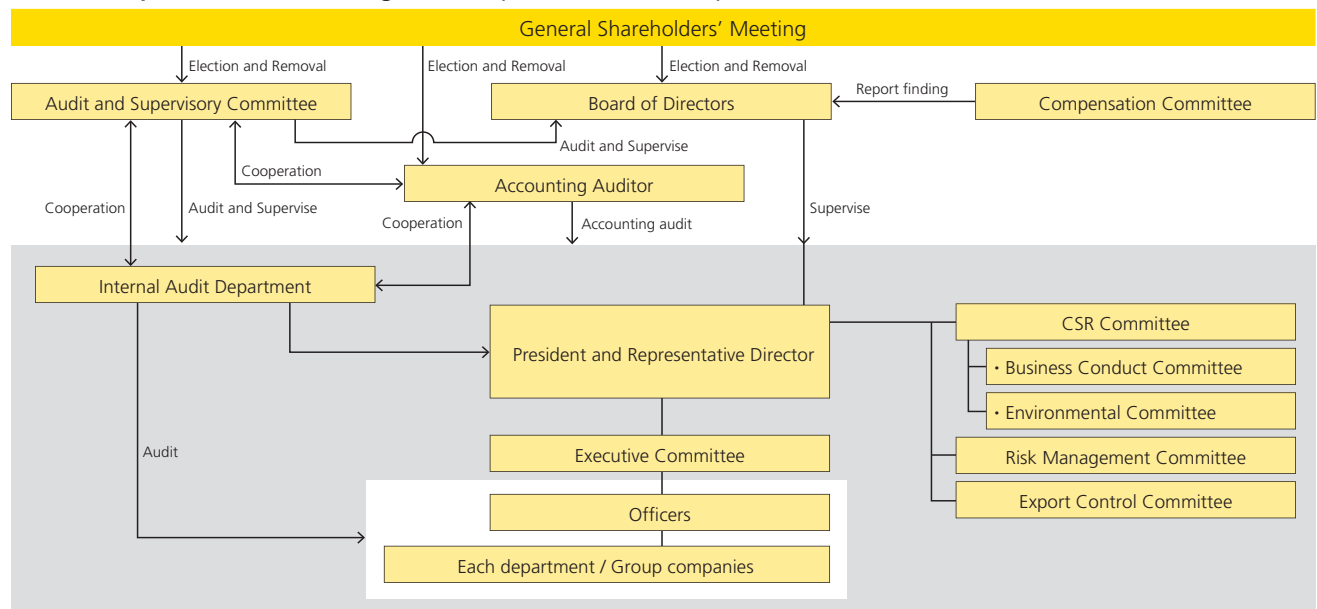
Aiming to further enhance corporate governance, Nikon adopted a company with an Audit and Supervisory Committee. This position further strengthens the supervisory function of the Board of Directors as it strives to streamline decision-making and clarify management responsibility arising through delegation of authority.

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. Moreover, in order to further strengthen the supervisory function of the Board of Directors, the Company has appointed four independent external directors (including three Audit and Supervisory Committee members).

Nikon's Corporate Governance Organization (As of June 29, 2017)



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■ 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. In addition, to further enhance independence and neutrality of the audit system, the Audit and Supervisory Committee shall consist of five Audit and Supervisory Committee members including three independent external directors.

■ Compensation Committee

The Company establishes the Compensation Committee which consists of representative directors, external directors and external experts. The Compensation Committee deliberates and makes proposals for policy regarding executive compensation as well as various related systems so as to ensure objectivity, transparency and linkage with performance in the process of determining executive compensation.

■ Executive Committee

The Executive Committee, as the highest decision-making body of the management, swiftly and decisively makes decisions on individual major management issues delegated by the Board of Directors, in accordance with basic management policies, etc. as determined by the Board of Directors.

External Director

In the appointment of its external directors, the Company attaches importance to ensuring their independence. The Company appoints external director candidates from among those with either a wealth of knowledge and experience, etc., as executives of other companies, or those with expertise and experience, etc., as specialists such as attorneys and certified public accountants, who are qualified to take part in a management supervision function from a fair and objective standpoint independent from management.

■ 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)

■ Reasons for Appointment

Reasons for Appointment of External Director, except Audit and Supervisory Committee Members

Name	Reasons for Appointment
Akio Negishi	Akio Negishi serves as President, Representative Executive Officer of Meiji Yasuda Life Insurance Company, and possesses many years of management experience and exceptional knowledge, and we believe that he will be able to contribute to our management overall from a big-picture perspective.

Reasons for Appointment of External Directors and Audit and Supervisory Committee Members

Name	Reasons for Appointment
Haruya Uehara	Haruya Uehara has a career as President of Mitsubishi UFJ Trust and Banking Corporation and possesses many years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.
Hiroshi Hataguchi	Hiroshi Hataguchi has expertise and experience concerning compliance, etc., as an attorney at law, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.
Kunio Ishihara	Kunio Ishihara has a career as President of Tokio Marine & Nichido Fire Insurance Co., Ltd., etc., and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.

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Attendance at Meetings of the Board of Directors, Audit and Supervisory Committee, and Board of Corporate Auditors (Year ended March 31, 2017)

Name	Category	Board of Directors	Audit and Supervisory committee	Board of Corporate auditors
Akio Negishi	Director	11 of 12	-	-
Haruya Uehara	Director (Audit and Supervisory committee member)	11 of 12	6 of 7	-
	Corporate auditor	2 of 3	-	3 of 3
Hiroshi Hataguchi	Director (Audit and Supervisory committee member)	12 of 12	7 of 7	-
	Corporate auditor	3 of 3	-	3 of 3
Kunio Ishihara	Director (Audit and Supervisory committee member)	11 of 12	6 of 7	-

* Subsequent to approval at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Accordingly, the number of meetings held and attended refer to meetings of the respective organization before and after the transition.

* As both Akio Negishi and Kunio Ishihara were newly elected at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the number of times the meetings were held and attended after their appointment is presented.

Compensation of Directors and Officers

Compensation for Directors and Corporate Auditors (Year ended March 31, 2017)

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 other than those who are Audit and Supervisory committee members (of which External directors)	12 (3)	294 (13)	8 (—)	117 (—)	— (—)	— (—)	12 (3)	411 (13)
Directors who are Audit and Supervisory committee members (of which External directors)	5 (3)	62 (24)	—	—	—	—	5 (3)	62 (24)
Corporate auditors (of which External corporate auditors)	4 (2)	18 (5)	—	—	—	—	4 (2)	18 (5)
Total	21	374	8	117	—	—	21	491

* Subsequent to approval at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Accordingly, the amount of compensation for Corporate Auditors shown above indicates the amount paid prior to this date, while the amount of compensation for Directors who are Audit and Supervisory Committee Members indicates the amount paid after this date.

* The number of persons pertaining to Directors other than those who are Audit and Supervisory Committee Members shown above includes three Directors (two of whom are External Directors) who retired at the conclusion of the 152nd Annual General Shareholders' Meeting held on June 29, 2016.

* The amount of subscription rights to shares granted as stock-related compensation shown above indicates the amount of compensation, etc. concerning subscription rights to shares granted to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) recorded as expenses during the fiscal year.

Compensation System

Basic policies regarding compensation	<p>Executive compensation will be determined to satisfy the following basic matters.</p> <ul style="list-style-type: none"> - 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.
Compensation system and performance-based structure	<p>A) The compensation system for executive directors 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.</p> <ul style="list-style-type: none"> - "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 capital efficiency and profitability 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 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. <p>B) The compensation system for non- executive directors consists only of "fixed monthly compensation."</p>
Method for determining compensation level and amount	<p>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.</p> <p>The Compensation Committee consists of the representative directors, external directors, and external experts, and discusses the establishment of executive compensation policies, consideration of the compensation system, and specific calculation method. Based on the results of the discussions, compensation for directors other than those who are Audit and Supervisory Committee members is determined by a resolution of the Board of Directors, and compensation for directors who are Audit and Supervisory Committee members is determined by consultation among directors on the Audit and Supervisory Committee.</p>

Number of Females and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2017)

(Unit: persons)

Category		Number of female	Number of non-Japanese
Nikon		0	0
Group companies*	Directors Officers	2	36
	Corporate auditors	1	3

* Cases of directors or officers serving in concurrent posts are counted as one individual. For overseas Group companies, all local positions equivalent to director, corporate auditor, and officer are included in the total.

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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 on Internal Control System](#)

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

Structuring of Responsibility and Authority

Nikon has created Rules Governing the Authority of the Organization and Personnel, which clearly define the structure of authority for each post and organization. Furthermore, by implementing control and guidance of all Group companies in line with the Decision and Reporting Rules for Subsidiaries and the Decision Standard for Subsidiaries, we strive to perform duties efficiently and in an organized manner.

Internal Auditing

Nikon has designed systems for enabling the Internal Audit Department to fully perform its functions, including securing the independence from operational divisions. Based on the annual audit plan reported to the Executive Committee subsequent to the president's approval, the Internal Audit Department audits whether or not each division conducts their operations in accordance with laws and regulations and internal rules, manages risks adequately, and so on to evaluate the appropriateness of the internal control systems and implemented operations at Nikon Group (including non-consolidated subsidiaries), and presents them with proposals for improvements. Furthermore, the Internal Audit Department conducts the assessments of the company to be made for the Internal Control Report System specified by the Financial Instruments and Exchange Act (J-SOX), and also evaluates the effectiveness of the internal control system from the standpoint of observing the Companies Act. Internal audit sections established at regional holding companies in Europe (the Netherlands), the Americas (the United States), and the Asia and Oceania region (Hong Kong) conduct audit engagements and J-SOX evaluations for subsidiaries in each region from perspectives independent of business operations. The Internal Audit Department of Nikon supervises these internal audit activities to be conducted at each internal audit section to strive for performing effective audits on a global scale. All of the internal audit results are reported to the president and the directors concerned, and follow-ups are implemented with proper timing. Also, an overview of annual audit activities is reported to the board of directors and the Executive Committee. Internal audit results are also shared with the Audit and Supervisory Committee, and regularly scheduled

meetings are held between the Internal Audit Department and the Audit and Supervisory Committee to ensure their close cooperation.

Risk Management

The Nikon Group manages the comprehensive risks and implements measures for its continuous growth.

Risk Management System

The Nikon Group set up the Risk Management Committee to deal with the risks appropriately that may have significant impacts on corporate management. This committee covers the entire risk of Nikon Group. It is chaired by the Senior Executive Vice President of Nikon and made up of Executive Committee members, with the Administration Department serving as secretariat. For the year ended March 31, 2017, the committee was held in August 2016 and in February 2017.

The Risk Management Committee supervises the risks as a whole, and specialist committees set up to cover risks requiring specialized knowledge. These subcommittees also handle the detailed matters. Business-specific risks are tackled by the respective business division.

Main Activity Themes of Risk Management Committee in the year ended March 31, 2017

- Revisions to BCM rules
- Review of emergency communications equipment
- Survey on litigation
- Company-wide risk identification survey for the year ended March 31, 2017
- Information security

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	Compliance in general
Environmental Committee	Environmental issues in general (climate change, management of chemical substances)
Export Inspection Committee	- Prevention of the Foreign Exchange Law Violation - Security risk management
Bioethics Review Committee	Bioethics

Risk Assessment

The Nikon Group conducts risk identification surveys to gain overall insight into the risks affecting the Group. In the year ended March 31, 2017, the Nikon Group conducted a survey targeting managerial staff at the general manager level and above as well as presidents of Group companies around the world. After tabulation and adjusting survey responses, a risk assessment conducted from a company-wide perspective to identify, analyze and evaluate risks. Next, a risk map indicating the impacts and probability of each risk was prepared to compare the risk awareness of executive officers. This risk map is continuously updated and reported to the Risk Management Committee to shed light on changes taking place year to year. In addition, we have provided training to Group compa-

nies on competition laws to address the risk of potential anti-trust violations outside of Japan. This training has proved to be effective in limiting this risk and also raising awareness about crisis management.

Related Information

Financial results contain more information about business and other risks within analysis on management performance and financial condition.

▶ [Financial Results \(Year Ended March 31, 2017, P9 to P12\)](http://www.nikon.com/about/ir/ir_library/result/pdf/2017/17_4qf_c_e.pdf)
http://www.nikon.com/about/ir/ir_library/result/pdf/2017/17_4qf_c_e.pdf

BCM*1 Activities Measures

The Nikon Group has formulated BCPs*2 in preparation for large-scale disasters and other emergencies and reviews them every year.

In the year ended March 31, 2017, the Nikon reconsidered its stockpiling criteria and reexamined some



items for emergency supply

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of the items for emergency supply. In addition, the Nikon worked with the CSR Department about supplies approaching their expiry date, and without the need for disposal, donated them to non-profit organizations. Furthermore, the Nikon reviewed the BCM Operating Procedures continued from the previous term and revised them with a focus on the realities and effectiveness of disaster situations. After these revisions, we encouraged our main Nikon Group in Japan to prepare or update an initial response manual for disasters. This work had been completed by more than half of our Nikon Group in Japan during the year ended March 31, 2017.

*1 Business Continuity Management (BCM)

Management activities carried out in normal times, such as the formulation, updating and maintenance of the BCP, implementation of proactive measures, education and training, checking and continual improvement.

*2 Business Continuity Plan (BCP)

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

Risk Management for Information Assets

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

Information Assets Management Policy

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.

The Nikon Group Information Security Policy

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 Nikon 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, and each Group company. We have assigned the heads of each of 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. In the year ended March 31, 2017, in preparation for compliance with the EU General Data Protection Regulation, which will be enforced from May 2018, we have been discussing with relevant departments regarding the safety of customer data and improving the information management system.

Information Management of Contractors

We are aware that our indifference to the contractor’s information management regarding disclosed our information will lead to serious information risks. Therefore, some divisions of Nikon have been implementing distribution of handy card requesting for ensuring information security to related contractor’s workers. In the year ended March 31, 2017, we established measures according to importance of information disclosed to contractor for expansion of this approach to other divisions of Nikon and Group companies in Japan. In the year ending March 31, 2018,



The handy card

we set a goal to request in writing contractors, disclosed important information of Nikon Group in Japan, to ensure information security and will expand this approach in series.

Protection of Personal Information

We have 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 this policy and other rules related to information management. Nikon Imaging Japan Inc., which handles a lot of customer’s personal information, has obtained certification under PrivacyMark System*1 in Japan, and Nikon Inc. (United States) has obtained certification for the PCI DSS*2.

*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).

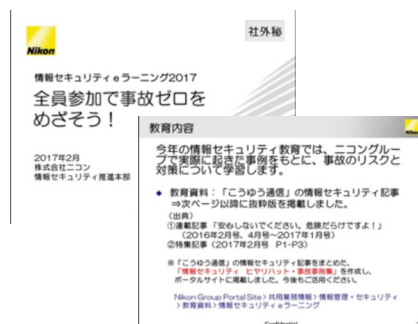
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Information Security Education

We promote 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 of Group companies in Japan and Asia to make sure that every one of them understands the importance of information asset management and complies with the rules with strong awareness.

In the year ended March 31, 2017, we provided e-Learning around the theme of “achievement zero-accidents by all employees” to employees of Group companies in Japan. We also provided training using e-Learning and quarterly journals in Europe and the Americas.



Information Security e-Learning 2017

Information Security Audit

We periodically conduct internal audits to improve information security level.

In the year ended March 31, 2017, we have conducted audits of 2 departments in Nikon and 25 Group companies in Japan, which handling employees' individual numbers as nicknamed “My Number” (like Social Security Number), and confirmed the management status of dedicated computers to handle employees' My Numbers. In addition, we called Group companies' attention to their web site vulnerabilities.

We plan to conduct audits focusing on personal information management, etc. in the year ending March 31, 2018.

Responses to Country-specific Risks

The Nikon Group operates globally with employees working in countries all over the world. As the number of Group employees stationed and traveling outside of their home countries increases, we are developing a risk management system for each country which can manage risks that are specific to each region in an appropriate way.

Risk Management for Employees Dispatched to Foreign Countries

In 2008, the Nikon Group enacted management regulations for expatriated personnel, striving to ensure the safety of business travelers, transferees, and accompanying family members, working outside of their home country. Specifically, a designated Overseas Risks Chief Manager and Officer are stationed within every Nikon Group. The Nikon Human Resources Department, as the Office of Management for Overseas Risks, sets and conveys the Security Level for specific regions, as well as communicates all necessary risk information, and maintains an emergency contact system.

In order to make this policy easier to understand, we revised part of it in the year ended March 31, 2017 and reclassified overseas workers as “expatriate employees and their families sent to work in regions other than their home country.” Additionally, we clarified measures to be taken in the occurrence of situations where the lives or well-being of expatriated employees are threatened, such as in the case of terrorism, as well as measures to be taken to minimize any harm. Furthermore, we issued an English version of this policy in addition to the Japanese version.

Training Relating to Nikon's Expatriated Employees Risk Management (as of Year Ended March 31, 2017)

- Implementing crisis management guidance relating to terrorism, including video education, and an e-learning program for all Nikon employees dispatched overseas
- Training for members of the Office of Management for Overseas Risks provided by external specialist organizations to help prepare for emergency situations where employees have been affected by terrorism

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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. In cooperation with the international community, Nikon not only complies with laws and regulations but is also continuously conscious of fulfilling its social responsibilities as well as conducting rigorous control of EXPORT*.

* EXPORT: For the export of goods (including domestic trade resulting in export) and provision of technologies.

Security and Export Control Operations

Based on basic policies and internal regulations at the Nikon Group in Japan that are involved in EXPORT, technical experts entrusted with duties internally determine whether the goods fall under controlled goods. We confirm 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 EXPORT.

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

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

The Nikon Group conducts an education program for employees aimed at improving employees' knowledge and understanding of export control. In the year ended March 31, 2017, we held training sessions (23 times with a total of 315 participants) for Nikon Group employees in Japan. Additionally, as well conducting an export control audit for 15 Nikon departments and 15 Group companies in Japan and overseas, we began an education program for expatriate executives to improve export control at Group companies outside Japan. And furthermore, Optos, joined the Nikon Group in the year ended March 31, 2016. We have endeavored to improve its regulations and establish a management system so that it can perform export control according to the standards of the Nikon Group.

Intellectual Property Management

The Nikon Group protects its advanced technologies, designs, and trademarks, created through research and development activities, by engaging in various efforts related to intellectual property, and supports the brand value of Nikon products in the marketplace.

Intellectual Property Policy

Intellectual property is recognized as an extremely valuable asset to the Nikon Group because it is a driving force behind the long-term and stable continuation of business and contributes to shaping Nikon's brand value to make it trusted by our customers.

In the event that a third party infringes the intellectual property rights assigned to the Nikon Group, we will take strict action and strive to prevent any harm from impacting not only our customers and all of our stakeholders but also ourselves.

Furthermore, the Nikon Group's fundamental position is to respect the rights of third parties, and we will obtain information on intellectual property through lawful and fair means.

Intellectual Property System

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

Furthermore, Nikon, and its Group companies in Japan and overseas, have established the Nikon Group Basic Intellectual Property Policy to ensure a strategic response through worldwide cooperation and coordination on the acquisition, maintenance, and utilization of intellectual

property rights as well as the handling of intellectual property disputes and other matters. Additionally, Nikon provides training on intellectual property to new employees, research and development staff, etc. to ensure their proper understanding and handling of intellectual property.

Data on Nikon's Intellectual Property

Item	Results from 2016
Number of Japanese published patent applications	510
Number of United States patent registrations	219

Column

Measures against Infringements on Trademark Rights and Design Rights

From the perspective of brand protection and consumer protection, in cooperation with all of its Group companies, Nikon is continuously working on countermeasures against infringements on trademark rights and design rights. In the event where infringed goods are not dealt with, quality and safety problems may cause unexpected damage to consumers, and there is a possibility that it will become a source of revenue for organized crime. The Nikon Group regards countermeasures against product infringements as a socially important policy, and, as soon as any trends towards the infringement of rights are perceived, we will take all effective measures against them.

Nikon's Measures against Product Infringements	Main Results as of the Year Ended March 31, 2017
Government raids in cooperation with government agencies in each country	According to the findings of research conducted by Nikon, government raids on overseas factories which produce and sell counterfeit products seized approximately 4,100 fake Nikon camera batteries
Criminal investigations in cooperation with police agencies	
Customs injunctions in cooperation with customs offices in each country	Seizure of annually approximately 130,000 counterfeit items, such as spectacle lenses
Detection of counterfeit items on e-commerce sites and take-down of those sites	Approximately 9,200 counterfeit items, mainly camera batteries and chargers, are deleted annually



Raid on counterfeit items by enforcement agencies



Seized counterfeit items

Compliance

Nikon has established a cross-Group promotion system based on our corporate philosophy of “Trustworthiness and Creativity.” We are striving to ensure complete compliance throughout the entire Nikon Group so that we can live up to the expectations placed on us by society.

Our Concept of Compliance and Nikon Code of Conduct

The Nikon Group believes that compliance is not only about complying with laws and regulations, but also about conducting sound and fair business activities that conform to corporate rules and social norms, to meet the expectations of stakeholders and earn their trust. The Nikon Code of Conduct is a specific set of criteria for each employee to deeply understand and implement the concept of compliance. It is currently issued in 19 languages and is distributed to employees around the world.

[Nikon Code of Conduct](http://www.nikon.com/about/sustainability/management/code_of_conduct.pdf)
http://www.nikon.com/about/sustainability/management/code_of_conduct.pdf

Compliance Promotion System

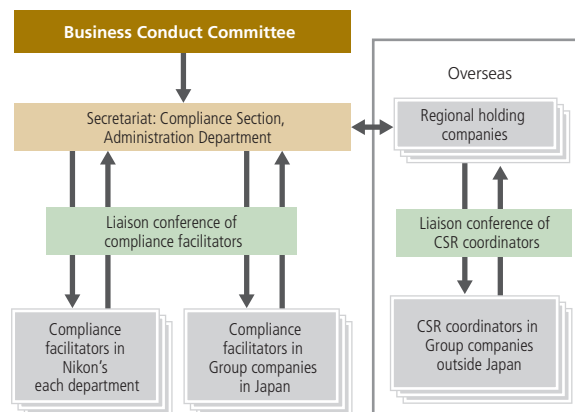
The Business Conduct Committee, chaired by the Senior Executive Vice President of Nikon, has been established, and performs the functions of deliberation and decision-making concerning important issues for the promotion of compliance. The Compliance Section of Nikon’s Administration Department, the secretariat of the Business Conduct Committee, collaborates with CSR sections of each regional holding company to design and develop measures in accordance with promotional situations and issues in each region.

Moreover, we hold CSR coordinator liaison conferences in order to implement highly effective compliance promotion activities. In addition, we have been taking on-board the opinions of regional holding companies, and we are promoting global efforts such as sharing understanding of cultures, customs and regulations in each country and each region.

Code of Conduct Hotline (Reporting / Consulting System)

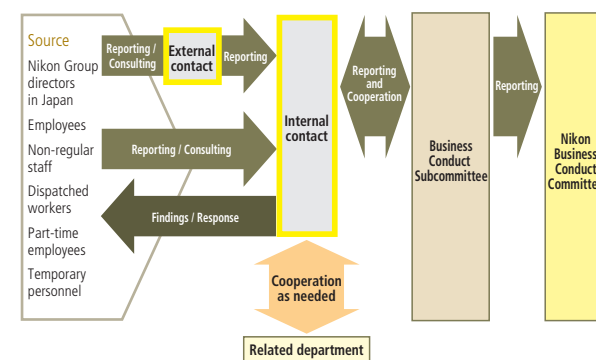
In relation to the Nikon Code of Conduct, the Nikon Group has established a Code of Conduct Hotline as a central system for employees of the Nikon Group in Japan (including non-consolidated Group companies). The Hotline has been set up with an internal point of contact, and an external point of contact through an external specialist firm.

Compliance Promotion Structure Diagram



The same contact points have been set up and are run by external specialists in Europe and the Americas. During the year ended March 31, 2017, 26 consultations were held at Nikon Group in Japan and 12 were held at Group companies outside Japan. Of these consultations, 22 cases in the Nikon Group in Japan and 6 cases in Group companies outside Japan were related to human rights, harassment and labor issues. As a general rule, the Hotline collects information from consulters as well as from people concerned, and develops solutions by working together with relevant departments and conducting follow-up as necessary after objectively understanding the issues relating to each case. In dealing with such problems, we are also especially careful to consider human rights, such as protecting privacy and preventing any disadvantage resulting from these consultations.

Code of Conduct Hotline Diagram



Compliance Promotion Activities

Compliance Training for all Group Employees

In order to ensure compliance of top management and all employees, we are holding seminars by professional lawyers, group training programs by compliance facilitators of all departments and companies in and outside Japan, as well as conducting training sessions through e-learning. Specific educational activities abroad focus on regional characteristics and are spearheaded by the regional holding companies outside Japan.

In the year ended March 31, 2017, we conducted anti-bribery training at 81 Nikon Group worldwide.

In addition, the Nikon Group in Japan conducted training once again on basic issues relating to compliance.

And in the CSR newsletter, which is distributed to all Nikon Group employees, we take up compliance related news reported around the world and explain Nikon Group's view on compliance.

Global Awareness Survey (Monitoring)

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 current situations of compliance education. The results are then reflected in the development of promotional activities.

At a Business Conduct Committee meeting held in December 2016, a report was published on the results of awareness surveys such as inter-regional and yearly comparisons. Group companies outside Japan received feedback on their results from regional holding companies.

Survey Outline

Country/Region	Frequency	Implementation Period	Number of Respondents
Japan	10th	October 2016	11,463
Greater China	6th	October 2016	1,391
Asia	4th	October 2016	2,201
Europe	4th	June 2016	974
Korea	3rd	Aug.–Sep. 2016	217
Americas	3rd	October 2016	643
Total			16,889

Efforts to Prevent Bribery

Nikon Group enacted the Nikon Anti-Bribery Policy in order to reiterate its long-standing commitment to prevent corruption both inside and outside of the company.

In addition, holding companies in Asia, Europe, and the Americas formulated Regional Anti-Bribery Guidelines that summarize business concepts, precautions, and operational procedures, etc. necessary to comply with this policy, and they have been implementing training sessions to raise the awareness of the guidelines. At the end of the fiscal year, all group companies reviewed their implementation of these anti-bribery guidelines through self-check sheets to reflect the results to improvement in the next fiscal year.

Furthermore, in order to further ensure prevention of bribery, we held a bribery prevention seminar by a specialist lawyer at the Business Conduct Committee in December 2016 to promote the understanding of top management.

Thanks to these initiatives, the Nikon Group has never been the subject of investigation into corruption by the authorities in any country.

▶ [Nikon Anti-Bribery Policy](http://www.nikon.com/about/sustainability/management/anti-bribery_policy.pdf)
http://www.nikon.com/about/sustainability/management/anti-bribery_policy.pdf

Efforts to Prevent Competition Law Violations

As set out in the Nikon Code of Conduct, the Nikon Group's fundamental position is to carry out fair competition and business dealings which comply with the competition laws of each country. As attention from the international community over competition laws has increased in recent years, and more stringent efforts are required, the Nikon Group has established a framework of communication between legal departments in an effort to strengthen its legal functions while continuing to promote education throughout the Group. Nikon AG, a company within the Nikon Group, was ruled against by the Swiss Federal Competition Committee in 2011 in breach of competition laws. In September of 2016, the administrative court of the country made a decision to support this ruling and Nikon AG paid a settlement of approximately 12 million Swiss francs.

In view of these circumstances, we are continuing to promote education and strengthen our legal functions in a bid to prevent any recurrence. Other than this fine there have been no sanctions or penalties to date.

Furthering Education around Competition Law

The Nikon Group made a global effort to educate employees with respect to competition law during the year ended March 31, 2016 through to the year ended March 31, 2017. The education program was carried out for all Nikon businesses reflecting the contents of the latest laws and business environment in last year's educational materials. As of the end of March 2017, 50 companies of Nikon Group (including non-consolidated Group companies) and 2,236 employees have taken part in this education program.

We plan to continue education program on competition law in the future.

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Responding to Fraud

In the event of violations of employment rules or the Nikon Code of Conduct, the Nikon Group takes strict action in accordance with internal regulations after investigating all related matters.

In Nikon in the year ended March 31, 2017, there were five disciplinary actions for fraud against a party or supervisor (nine people), and one disciplinary action (one person) at a Group company in Japan.

In order to prevent a recurrence, details of the cases, including the level of disciplinary action taken, are disclosed internally to each company.

Bioethics

Nikon established regulations for the Bioethics Review Committee in June 2014 to conduct research and product development with due consideration to human dignity and human rights in business development in the field of life science, and in September of the same year we established the Bioethics Review Committee.

The committee is composed of members, and experts in the humanities, social sciences and natural sciences, and deliberates over research and development conducted in the Nikon Group in Japan. The committee met twice in the year ended March 31, 2017 deliberating on the validity of each research and development based on ethical and scientific perspectives.

Additionally, the Nikon Group conducts ethics education every year for employees involved in medical research and development which utilizes e-learning materials that are widely used by other companies and universities.

There were 180 participants for the year ended March 31, 2017.