

# Priority Issue 11 Ensuring Effective Governance

## Reason for Priority

Engaging in business activities globally requires that we forecast and respond to the various risks and opportunities from a medium- to long-term perspective. The ability to respond to the various requests of stakeholders is also required. It is essential that we strengthen governance based on these perspectives.

## Commitment

Strengthening governance is one of the important challenges for a company, and it is necessary to build a corporate governance system that ensures transparency and discipline to become a company that is trusted not only by investors but also by diverse stakeholders. Nikon has implemented initiatives aimed at strengthening governance, including transitioning to a company with an audit and supervisory committee structure and increasing the number of external directors on the Board to more than one-third. In the fiscal year ending March 31, 2020, we will work to strengthen the supervisory functions of the independent external directors and the secretariat functions of the Board of Directors, in addition to establishing a Nominating Committee.

Kazuo Ushida  
Representative Director and Chairman of the Board

## Activity Policies

- Corporate Governance Guidelines
- Basic Policy on Internal Control System
- Nikon Global Tax Policy
- Nikon Group Information Security Policy
- Nikon Group Personal Data Processing Rules
- Nikon Group Basic Intellectual Property Policy

## System

- General Shareholders' Meeting
- Board of Directors
- Audit and Supervisory Committee
- Nominating Committee
- Compensation Committee
- Executive Committee
- Risk Management Committee
- Export Control Committee

What We Intend to Achieve in 3 to 5 Years	Targets for the Fiscal Year Ended March 31, 2019	Results	Scope
Implementation of measures based on the results of the evaluation of the effectiveness of the Board of Directors	Consider the establishment of a voluntary nominating committee	Established a Nominating Committee in May 2019 to make the process of election and removal of directors and officers, including the President, more transparent	Nikon
	Further expand the activities of the Board of Directors, including having the Board discuss the Medium-Term Management Plan from the draft plan formulation stage	Further expanded the activities of the Board of Directors, including having the Board discuss the Medium-Term Management Plan continuously from the draft plan formulation stage and engage in environmental analysis utilizing external knowledge from time to time	Nikon
Strengthening of risk awareness and management	Implement risk analysis covering the entire Nikon Group and ensure linkage between related departments	Implemented risk visualization using different perspectives than those used in the past, such as risk maps for each division. Provided prompt feedback to related departments after completion of reporting to the Risk Management Committee	Nikon Group

# Corporate Governance

Amid continued globalization of the business environment, the Nikon Group is working to enhance the relationships 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 by fulfilling its fiduciary responsibilities toward shareholders as well as its responsibilities toward all stakeholders, including customers, employees, business partners, and society, with a sincere and diligent attitude.

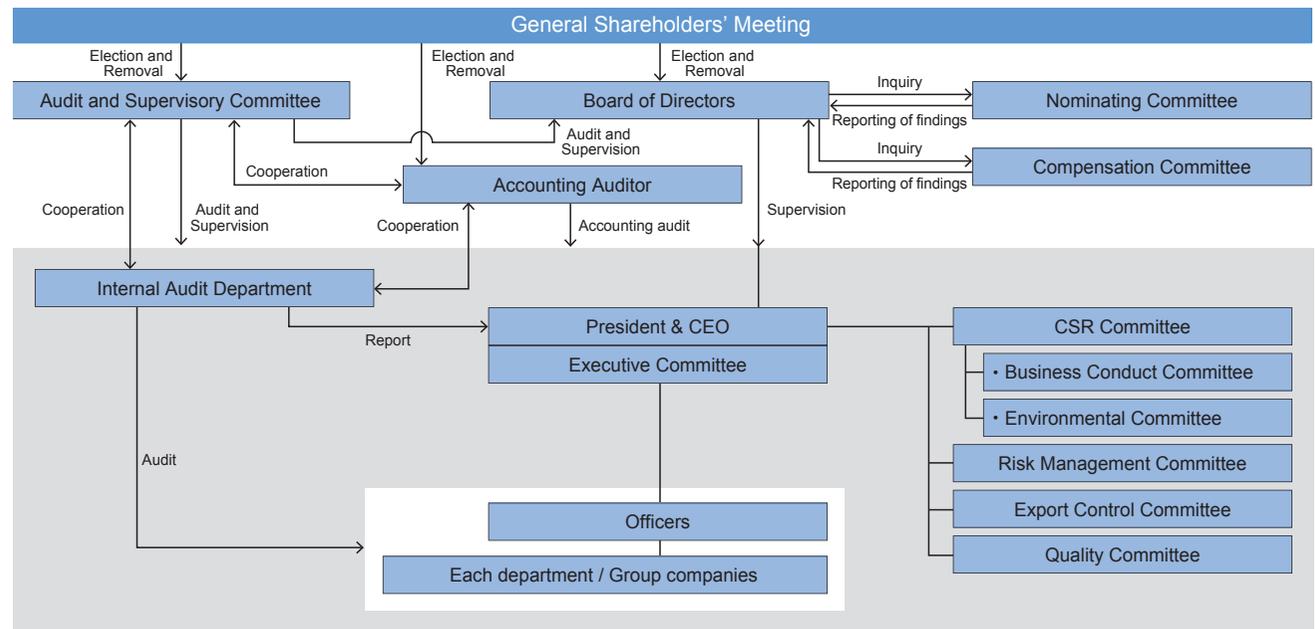
The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium- to long-term, by improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purpose of Japan's Corporate Governance Code.

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

**Nikon's Corporate Governance Organization (As of June 27, 2019)**



Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)**Directors and Officers (As of March 31, 2019)**

	Directors		Officers*	Unit
		of whom, Audit and Supervisory Committee members		
Number of persons	Internal	7	2	21 persons
	External	4	3	
Ratio of Women		0	0	0 %
Ratio of non-Japanese		0	0	0 %
Attendance at Meetings of the Board of Directors	Internal	100	100	— %
	External	96	95	
Term of office		Less than 1 year	Less than 2 years	Less than 1 year —

\* Includes five directors serving concurrently as officer

**Number of Women and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2019)**  
(Unit: persons)

Category	Women	Non-Japanese
Directors, officers, and corporate auditors	3	28

\* Local equivalent to director, officer, and corporate auditor included in the head count. Cases of directors or officers serving in concurrent posts are counted as one individual.

**Board of Directors**

The Board of Directors supervises management by directors and assumes the decision-making functions regarding matters prescribed under laws and regulations, 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 executive directors and officers while ensuring prompt decision-making and management by executive directors and officers, the Company specifically sets out the matters subject to deliberation at Board of Directors' meetings in the criteria for matters subject to deliberation and reporting at Board of Directors' meetings. For example, the Board of Directors makes decisions on matters concerning important management issues, 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 five independent external directors (including three Audit and Supervisory Committee members). Meetings of the Board of Directors are presided at by the Chairman of the Board, who does not serve concurrently as an officer.

**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 as an independent body. For such a purpose, Audit and Supervisory Committee members regularly attend meetings of the Board of Directors as well as important meetings such as the Executive Committee, and conducts audits and supervision over management and directors. In addition, to further enhance the 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.

**Nominating Committee**

The Company has a Nominating Committee as a voluntary advisory body to the Board of Directors. External directors comprise a majority of the members, and an external director chairs the Committee.

The Nominating Committee primarily formulates criteria for the election and removal of the president and directors, nominates candidates, considers the composition of the Board of Directors, and oversees evaluation and assignment of officers so as to ensure that decisions on the election and removal of directors and officers are transparent and objective.

**Compensation Committee**

The Company has a Compensation Committee as a voluntary advisory body to the Board of Directors. External directors and external experts comprise a majority of its members, and an external director chairs the Committee. 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 management, swiftly and decisively makes decisions on individual major management issues delegated by the Board of Directors, in accordance with basic management and other policies, as determined by the Board of Directors.

## Nomination and Selection of Directors and Officers

### Policies for Appointment

Nikon appoints director candidates from among those who understand the management environment of the Company and who can contribute to the 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 earn the trust of society as members of the Board of Directors.

Furthermore, Nikon appoints external director candidates from among those with a wealth of knowledge and experience as executives of other companies or with expertise and experience as specialists such as attorneys and certified public accountants, and who are qualified to take part in the management supervision function from a fair and objective standpoint independent of management.

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

### Criteria for Determining Independence of External Directors

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

- a) The candidate serves or 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 said major shareholder.
- d) The candidate served in the past at a company whose directors are concurrently serving as external directors of the Company 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 served in the past at such a 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 falls into either of the following.

- (1) A client or supplier with whom the Company has a transaction that falls into the following, in any of the past three years
  - a party that receives payment from the Company equivalent to 2% of the party’s consolidated net sales or 100.0 million yen, whichever is greater
  - a party that makes payments to the Company equivalent to 2% of the Company’s consolidated net sales or 100.0 million yen, whichever is 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)

### Procedures for Appointment

The Nominating Committee deliberates on the nomination of candidates for president and director, and the nomination of candidates is determined by resolution of the Board of Directors based on the results of these deliberations.

The appointment of officers is determined by resolution of the Board of Directors after the Nominating Committee confirms the appropriateness of such appointments.

The nomination of candidates for director who is an Audit and Supervisory Committee member is subject to the prior consent of the Audit and Supervisory Committee.

#### Reasons for Appointment

Please refer to pages 6 through 11 in the Notice of the 155th Annual General Shareholders’ Meeting for the reasons for the appointments of directors other than members of the Audit and Supervisory Committee. For directors who are also members of the Audit and Supervisory Committee, please see page 13 in the Notice of the 155th Annual General Shareholders’ Meeting for the reasons for the appointment of Takaharu Honda, and pages 12 through 15 in the Notice of the 154th Annual General Shareholders’ Meeting for the reasons for the appointments of Atsushi Tsurumi, Haruya Uehara, Hiroshi Hataguchi, and Kunio Ishihara.

▶ [Notice of the 155th Annual General Shareholders’ Meeting](https://www.nikon.com/about/ir/stock_info/meeting/pdf/155/notice.pdf)  
[https://www.nikon.com/about/ir/stock\\_info/meeting/pdf/155/notice.pdf](https://www.nikon.com/about/ir/stock_info/meeting/pdf/155/notice.pdf)

▶ [Notice of the 154th Annual General Shareholders’ Meeting](https://www.nikon.com/about/ir/stock_info/meeting/pdf/154/notice.pdf)  
[https://www.nikon.com/about/ir/stock\\_info/meeting/pdf/154/notice.pdf](https://www.nikon.com/about/ir/stock_info/meeting/pdf/154/notice.pdf)

## Training of Directors

When new directors take office, Nikon offers training opportunities for them to fully understand the roles and responsibilities they are expected to fulfill. In addition, even after taking office, Nikon offers opportunities for these directors to attend training sessions, including study sessions with external experts, such as attorneys, as lecturers and seminars hosted by external organizations, in order to promote further understanding about the roles and responsibilities of directors.

Furthermore, Nikon holds meetings attended by external directors and representative directors, in order to promote effective utilization of the expertise of external directors as well as free and constructive deliberation. In this way, Nikon supports external directors in further enhancing their understanding about the Company's businesses, finances, organizational structure, and other aspects, with the aim of receiving appropriate advice from them.

In the fiscal year ended March 31, 2019, Nikon held the following training sessions.

- Product briefings at Board of Directors' meetings to deepen understanding of the Company's products, etc.
- Seminars on corporate ethics led by attorneys
- Dissemination of information via e-learning and e-mail, etc.

## Evaluation of the Board of Directors' Effectiveness

Nikon asks a third-party organization to analyze and evaluate the effectiveness of its Board of Directors in order to further improve its functions.

The efforts to address issues identified through the previous evaluation (for the fiscal year ended March 31, 2018) as well as the issues identified in this evaluation (for the fiscal year ended March 31, 2019) and the future responses are outlined below.

### <Evaluation Method>

- A third-party organization conducted a survey and individual interviews of all directors on general matters related to the Board of Directors, its composition, prior preparations, and details of deliberations, among others, to evaluate Board effectiveness and identify issues.
- Based on the evaluation results, discussions were held at a meeting of the Board of Directors on how to improve its functions.

### <Evaluation Results>

#### Summary

- Certain progress has been observed with regard to "comprehensive restructuring and realization of growth strategies," such as increasing the opportunities for discussion at meetings of the Board of Directors.
- At the same time, there is room for improvement in efforts to address other issues identified in the fiscal year ended March 31, 2018, while the governance system needs to be further strengthened.

#### Efforts to Address Issues Identified in Previous Evaluation

##### • Strengthening of secretariat function of the Board of Directors

Although improvements in the materials distributed before meetings were observed, necessary to reinforce

collaboration between the secretariat and the executive departments for fuller deliberations.

##### • Comprehensive restructuring and realization of growth strategies

Progressed toward realization of growth strategies, including carrying out discussions from the early draft stages of the Medium-Term Management Plan released in May 2019.

##### • Enhancement of the Board of Directors and its complementary functions

In addition to holding meetings attended by external directors and representative directors and setting up systems for receiving appropriate advice, engaged in repeated considerations aimed at establishing a voluntary nominating committee (Nominating Committee established in May 2019).

#### <Main Issues Identified in This Evaluation and Future Response>

##### • Initiate governance reforms

Establishment of Nominating Committee in May 2019 and commencement of activities.

##### • Strengthen supervisory functions of independent external directors

Further strengthening of the supervisory function of the Board of Directors, including review of composition of independent external directors.

##### • Strengthening of secretariat function of the Board of Directors

Provision of support aimed at enhancement of deliberations of the Board of Directors through stronger collaboration between the secretariat and executive departments.

Taking into account the issues raised by this evaluation, Nikon plans to continue implementing measures to further enhance Board effectiveness going forward.

Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)

## Compensation of Directors and Officers

### Compensation System

#### Basic Policies on Compensation

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

- Executive compensation should motivate executives to sustainably improve corporate and shareholder value, as well as enhance their willingness and morale.
- Executive compensation should help, keep, cultivate, and reward excellent personnel.
- The decision-making process for the compensation system should be objective and transparent.

#### Compensation System and Performance-based Structure

a) The compensation system for executive directors and officers comprises the following components. The distribution ratio for compensation is determined by changing the proportion of performance-based compensation and stock compensation to fixed compensation according to position and duties.

#### <Fixed Compensation>

##### • Fixed monthly compensation

This monetary compensation is not based on performance.

#### <Performance-based Compensation>

##### • 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.

##### • Performance-based stock remuneration

Stock compensation is determined within the range of 0% to 150% in accordance with achievement of the Company's overall capital efficiency and other financial performance indicators, in the final fiscal year of the Medium-Term Management Plan to be resolved every three fiscal years, with the aims of sharing value with shareholders and enhancing willingness and morale for improving medium- to long-term performance.

#### <Stock Compensation>

##### • 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 improving long-term performance, within the range not exceeding 5% of the share dilution ratio.

b) The compensation system for non-executive directors consists only of fixed compensation ("fixed monthly compensation").

\* In the event that a director or officer is found to be in serious breach of duties, the Company may claim total or partial reimbursement of compensation.

#### 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 also considers the formulation and establishment of policy for compensation for directors and officers and deliberates on the specific method of calculation. Based on the results of those deliberations, the compensation for directors other than members of the Audit and Supervisory Committee is determined by resolution of the Board of Directors, and the compensation for directors who are members of the Audit and Supervisory Committee is determined by consultation with the directors who are members of the Audit and Supervisory Committee.

Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)

## Compensation

### Total Compensation Amount

Category	Fixed compensation		Performance-based compensation		Stock compensation		Total	
	Fixed monthly compensation		Bonuses		Subscription rights to shares granted as stock-related compensation			
	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 whom, external directors)	6 (1)	253 (13)	5 (—)	133 (—)	5 (—)	85 (—)	6 (1)	472 (13)
Directors who are Audit and Supervisory Committee members (of whom, external directors)	6 (3)	93 (40)	—	—	—	—	6 (3)	93 (40)
Total	12	346	5	133	5	85	12	564

\* The above number of directors who are Audit and Supervisory Committee members includes one director who is an Audit and Supervisory Committee member (none of whom are external directors) who retired at the conclusion of the 154th Annual General Shareholders' Meeting held on June 28, 2018. Furthermore, the compensation for the retired director is included in the amount of compensation listed above.

\* 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 Amount for Each Director

(Unit: million yen)

Name	Total amount of compensation on a consolidated basis	Officer category	Fixed compensation	Performance-based compensation	Stock compensation
			Fixed monthly compensation	Bonuses	Subscription rights to shares granted as stock-related compensation
Kazuo Ushida	146	Director	74	44	28
Masaki Oka	130	Director	64	42	24

\* Only persons with total compensation, etc., over 100 million yen are shown.

Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)

## Internal Control System

### Basic Policy on Internal Control System

The Nikon Group's Basic Policy on Internal Control System was established based on Japan's Companies Act and its Ordinance for Enforcement (enacted in May 2006) as a structure for ensuring appropriate business operations.

[▶ Basic Policy on Internal Control System](https://www.nikon.com/about/ir/governance/internal-control/policy/)  
<https://www.nikon.com/about/ir/governance/internal-control/policy/>

### Structuring of Responsibility and Authority

Nikon has created and operates its Rules Governing the Authority of the Organization and Personnel, which clearly define the structure of authority for each post and organization. Furthermore, by implementing management 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 and the Board of Directors 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 the 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 Executive Committee and the Board of Directors.

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.

## Taxation

Taxes have a significant impact on the development of local communities, and proper payment of taxes is an important social obligation for companies.

The Nikon Group stipulates conduct in compliance with applicable tax laws and regulations and open and honest dialogue with tax authorities in the Nikon Code of Conduct. We also established the Nikon Global Tax Policy in March 2019 in order to improve tax compliance and strengthen governance.

Based on this policy, the Nikon Group will implement tax compliance that is aligned with management policy and management of taxation that is consistent across the Group to respond appropriately to changes in the operating environment regarding tax governance inside and outside of Japan and tax risks.

# Risk Management

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

## Basic Approach to Risk Management

The Nikon Group has implemented a risk management system in order to deal appropriately with all risks that may have a significant impact on corporate management with the aim of constant growth for Nikon and the Group companies.

## Risk Management System

The Nikon Group has the Risk Management Committee to deal appropriately with risks that may have significant impacts on corporate management in order to secure future growth. This committee covers the entire risk of the Nikon Group. It is chaired by the Officer in Charge of Risk Management and made up of Executive Committee members, with the Administration Department serving as secretariat. For the fiscal year ended March 31, 2019, the committee was held in August 2018 and in February 2019. The Risk Management Committee supervises the risks as a whole, and specialist committees have been set up to cover risks requiring specialized knowledge. These subcommittees also handle detailed matters. Business-specific risks are tackled by the respective business division.

### Main Activity Themes of Risk Management Committee in the Fiscal Year Ended March 31, 2019

- Report of results of survey on litigation
- Report on the company-wide risk identification survey for the fiscal year ended March 31, 2019
- Enforcement and response to EU General Data Protection Regulation (GDPR)
- China Cybersecurity Law-related activities

### 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 Control Committee	Prevention of the Foreign Exchange Law Violation and security risk management
Quality Committee	Quality in general
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 fiscal year ended March 31, 2019, the Nikon Group conducted a survey targeting managerial staff at the general manager level and above as well as presidents of the Group companies around the world. After tabulation, a risk assessment was conducted from a company-wide perspective to identify, analyze and evaluate risks. Based on this risk map, risks caused by the changes taking place over the past five years were identified on a company-wide and business division basis and reported to the Risk Management Committee.

Summary of the committee report materials, including the risk map, was fed back from the secretariat to each department that responded to the survey to share awareness of company-wide risks.

### Related Information

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

[▶ Financial Results \(Fiscal Year Ended March 31, 2019, P10 to 13\)](https://www.nikon.com/about/ir/ir_library/result/pdf/2019/19_4qf_c_e.pdf)  
[https://www.nikon.com/about/ir/ir\\_library/result/pdf/2019/19\\_4qf\\_c\\_e.pdf](https://www.nikon.com/about/ir/ir_library/result/pdf/2019/19_4qf_c_e.pdf)

Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)

## 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 reviews them every year.

In the fiscal year ended March 31, 2019, we carried out e-learning for employees of the Group companies in Japan (including directors) on action and preparation in the event of major earthquakes, given that the probability of major earthquakes, such as a Tokyo Inland Earthquake or a Nankai megathrust earthquake, has increased in the past few years. We also provided communications training using a scenario where mobile telephones, emails and other forms of communication are shut off due to a major disaster in conjunction with disaster prevention training at Nikon plants. The training involved using a mobile application that is not as easily affected by communications systems as voice communication for emergency communication connecting Nikon head office with each plant.

We prepared an English language version of the BCM Standards, which we formulated in 2016, for the Group companies outside Japan overseas in our efforts to communicate Nikon's basic BCM principles and the head office system in the event of disasters in Japan.



Items for emergency supply

### \*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.

## Column

### Nikon Certified as Tokyo Simultaneous Going Home Restraint Promotion Enterprise

Tokyo Metropolitan Government certifies companies that are taking active initiatives to stop people returning home all at once in the event of a disaster as the Tokyo Simultaneous Going Home Restraint Promotion Enterprise under the Tokyo simultaneous going home restraint promotion enterprise authorization system established in fiscal 2018. In December 2018, Nikon was certified as a promotion company.



Promotion enterprise authorization mark

## Risk Management for Information Assets

The Nikon Group has built a high level 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. Significant information asset risks are reviewed by the Risk Management Committee composed of members including Executive Committee members.

### Information Assets Management Policy

The Nikon Group has established information security management systems in line with the circumstances in each country and region based on the "Nikon Group Information Security Policy" and the "Nikon Group Information Management Rules."

These rules are posted on the internal portal site so that employees are able to check them.

▶ [Nikon Group Information Security Policy](#)

[https://www.nikon.com/about/sustainability/csr-management/governance/security\\_policy.pdf](https://www.nikon.com/about/sustainability/csr-management/governance/security_policy.pdf)

## Information Management System

The Nikon Group have placed the 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 assigned the heads of each organization at the department and division level of Nikon, and at each Group company as the supervisor of information management. They should strive for comprehensive and appropriate information management based on the guidance of Information Security Division. For example, we conduct security assessment on the website platform and the applications so as to ensure the secure management of personal information. In the fiscal year ending March 31, 2020, we will continue to improve our information management system through careful discussions with relevant departments in order to manage customer data in a secure manner.

## Incident Response

When an incident occurs at the Nikon Group, the site where the incident occurred is obligated to report it immediately to the Information Security Division. The Information Security Division works with relevant departments to establish a system for minimizing damage and impact, and processes for promptly resuming business. In addition, members of the Information Security Division attend incident response training courses run regularly by security vendors. There have been no major information security incidents involving the payment of fines or compensation in the past three years.

## Information Management of Contractors

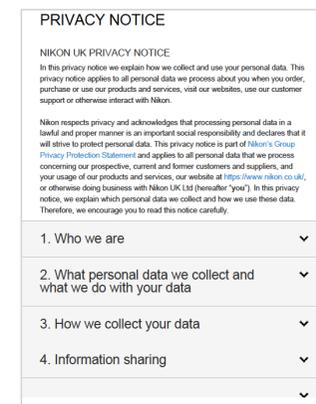
The Nikon Group is aware that our indifference to the contractor's information management regarding disclosure of our information, such as personal information and confidential information, will lead to serious information security risks. Therefore, in the fiscal year ended March 31, 2019, we distributed around 300 handy cards requesting that information security be ensured to workers at contractors working on behalf of the Nikon Group. We also distributed approximately 1,200 copies of Information Security Report (a pamphlet for contractors). We will continue striving to improve information management at contractors.



Information Security Report

## Protection of Personal Information

On April 1, 2018, the Nikon Group enforced the “Nikon Group Personal Data Processing Rules”, which are based on the “Nikon Group Privacy Protection Statement” and apply throughout the Nikon Group. We are making the Statement and the Rules well known within the Group through education and awareness raising activities. Moreover, we conduct internal audits and voluntary inspections to check that personal information is handled lawfully and properly. Furthermore, we will prepare a record of processing activities of personal information based on the Rules. The Nikon Group presents customers with a privacy notice in accordance with the relevant laws and regulations of each country with regard to personal information received from customers.



Privacy Notice of Nikon UK in accordance with GDPR (Excerpt)

Contents /  
Editorial PolicyMessage from the  
President

Nikon Group Profile

Nikon CSR

Contributing to Society  
through Business ActivitiesResponding to  
Environmental IssuesStrengthening CSR  
FoundationCorporate Citizenship  
Activities

Data Index

&gt; Strengthening Supply Chain Management

&gt; Respecting Human Rights

&gt; Promoting the Success of Diverse Employees

&gt; Strengthening Compliance

> [Ensuring Effective Governance](#)

## Information Security Education

The Nikon Group strives to promote awareness and effectiveness of information security among employees. Specifically, we have posted the “Nikon Group Information Security Policy” and the “Nikon Group Information Management Rules” on the internal portal site, and we provide regular education on information security. Within this education program, we include not only knowledge of the statement and the rules but specific examples. We have distributed the “Nikon Group Information Security Handbook” to employees of Group companies in Japan and Asia. This handbook is used in regular training to make sure that every one of the employees understands the importance of information asset management and complies with the rules with strong awareness. In the fiscal year ended March 31, 2019, we provided e-Learning around the theme of “potential password risks” to employees of Group companies in Japan. We also provide training using e-Learning and quarterly journals in Europe, the Americas and Asia.



Information Security e-Learning 2019

## Information Security Check

The Nikon Group periodically conducts internal checks to improve our information security level. In the fiscal year ended March 31, 2019, we distributed a checklist to all departments at the Nikon Group in Japan (approximately 140) as part of a check on the status of information management at contractors, information management systems and the management of personal information. In addition, we conducted checks of five departments in Nikon and three Group companies in Japan on the important themes of the workplace where there has been major organizational change, the possibility of retaining personal information and changes in individual numbers as nicknamed My Number (like Social Security Number) related operations. The Nikon Group plan to conduct internal checks focusing on the control on information access, etc. in the fiscal year ending March 31, 2020.

## Responses to Country-specific Risks

The Nikon Group operates globally with employees working in countries all over the world, with most of its production and sales activities taking place outside Japan. There are many risks posed by doing business internationally, including changes in political system and business climate, social unrest caused by riots, terrorism, war, or infectious diseases, damages to infrastructure, such as water, electricity and telecommunications, and logistics functions from disasters, and difficulty hiring or an exodus of talent, among others. 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

The Nikon Group has management regulations in place for expatriated personnel, striving to ensure the safety of business travelers, transferees, and accompanying family members, working outside of their home country. Specifically, the General Manager of the Human Resources & Administration Division establishes basic policies and security levels for specific regions as the Overseas Risks Chief Officer. The Nikon Human Resources Department, as the Office of Management for Overseas Risks, carries out risk management activities. We are also working on the development of an emergency contact system containing risk information for the Nikon Group. A designated Overseas Risks Chief Manager and Officer are stationed within every unit of Nikon and at each Group company. Under this system, risk information is conveyed internally, safety checks are carried out during emergencies, and reports are made to the Office of Management for Overseas Risks.

### Risk Management Activities Carried Out by the Office of Management for Overseas Risks

The main activities of the Office of Management for Overseas Risks are as follows.

1. Collection and dissemination of information on risk management
2. Development of emergency contact system in preparation for safety confirmation and initial response
3. Region-specific risk surveys
4. Information gathering and service procurement in collaboration with external security companies and medical assistance companies

## Making Risk Information Known and Risk Management Education

Nikon makes risk information known and provides risk management education in order to ensure the safety of expatriated employees and raise their awareness about security.

In the fiscal year ended March 31, 2019, we reviewed the risk level quarterly and made it known to the Nikon Group given the growing threat of terrorism and other risks around the world.

In addition, we set up an overseas safety information page on our internal website to make information from external securities companies and government agencies known.

## Efforts for Security Export Control

### Basic Concept Relating to Security Export Control

Japan and other major countries conclude international treaties and establish international frameworks (export control regime) to maintain international peace and security. In cooperation with the international community, the Nikon Group not only complies with laws and regulations but is also continuously conscious of fulfilling its social responsibilities. To that end, we conduct rigorous control of EXPORT\*.

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

### Basic Policy on Security Export Control (Summary)

1. The Nikon Group does not engage in acts that violate Foreign Exchange and Foreign Trade Act.
2. The Nikon Group designates persons in charge of security export control in order to establish and enhance a security export control system.

### ▶ Basic Policy on Security Export Control

<https://www.nikon.com/about/sustainability/csr-management/governance/enhancing-export/>

### Security Export Control System

Based on basic policies and internal regulations, a system of security export control has been established at the Nikon Group in Japan that are involved in EXPORT. Under this system, we have assigned the Senior Executive Vice President of Nikon and presidents of the Group companies in Japan as CECO (Chief Export Control Officer), and technical experts internally entrusted with duties to determine whether the goods fall under controlled goods.

Even if the goods are not controlled goods by law, we verify that the goods will not be used for the development of Mass destruction or conventional weapons. (Transaction Screening)

We apply for approval in cases that 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 the Nikon Group rules even at the Group companies outside Japan conducting EXPORT. Based on these regulations, we strive not to engage in 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.

Through this certification, Nikon is able 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 fiscal year ended March 31, 2019, we held training sessions (30 times with a total of 476 participants) for Nikon Group employees in Japan.

Additionally, we conducted export control audits of 13 Nikon departments and 12 Group companies in and outside Japan.

We have endeavored to maintain and improve our export control system, including the commencement of the partial operation of transactional guidelines for the Group companies outside Japan and will progressively expand the operation of the guidelines.

## Intellectual Property Management

The Nikon Group protects its advanced technologies, designs, and trademarks, by engaging in various efforts related to intellectual property, and support the brand value of the 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. In the event that a third party infringes upon 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 an 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, including regular reviews of invention value based on changes in the business climate. Furthermore, we have established the Nikon Group Basic Intellectual Property Policy. Based on this policy, Nikon and its Group companies inside and outside Japan carry out 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** (Unit: cases)

Item	Results from 2018
Number of Japanese published patent applications	667
Number of United States patent registrations	231

### Protection of Intellectual Properties

The Nikon Group carries out various initiatives for the protection of intellectual properties and their increased use internally.

#### Patent Infringement Suit Concerning Semiconductor Lithography Systems

Nikon initiated a series of legal actions in April 2017 in the Netherlands, Germany and Japan to halt the infringement of Nikon's patents by ASML Holding N.V., a Dutch manufacturer of semiconductor lithography systems, and its affiliates, as well as Carl Zeiss SMT GmbH, a German supplier of optical components to these companies. With regards to this series of actions, Nikon, ASML, and Carl Zeiss all entered into comprehensive reconciliation for all legal actions related to lithography systems and digital camera patents and concluded a final cross-licensing agreement on February 18, 2019. Under the agreement, ASML and Carl Zeiss will pay Nikon a total of EUR150 million (approximately ¥19.0 billion\*), and it also includes an agreement to the effect that both companies will pay

an licensing fee in an amount that corresponds to 0.8% of annual net sales of immersion lithography systems for a period of 10 years starting from the date of conclusion of the final agreement.

\* Calculated using EUR1=JPY125

#### Measures 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, including safety issues due to poor quality. The Nikon Group regards countermeasures against product infringements as a socially important policy. 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

#### Nikon's Measures against Product Infringements

- Government raids in cooperation with government agencies in each country
- Criminal investigations in cooperation with police agencies
- Customs injunctions in cooperation with customs offices in each country
- Detection of counterfeit items on e-commerce sites and takedown of those sites