

Priority Issue 11 Ensuring Effective Governance

Reason for Priority

Corporate governance is the cornerstone of business activities. In order to ensure fair and transparent management, businesses must continue to improve on the system of governance. In addition, the governing body should forecast and respond to the various ever-changing risks and opportunities from a medium- to long-term perspective. As such, it is essential for us to respond to the various requests of stakeholders.

Commitment

Strengthening governance is one of the important challenges for a company, and it is necessary to build a corporate governance organization 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, establishing the Compensation Committee and Nominating Committee, and increasing the number of external directors on the Board of Directors to more than one-third.

In the fiscal year ending March 31, 2021, we will continue to enhance corporate governance, including officially launching the President's succession plan, and more.

Kazuo Ushida
Director and Chairman of the Board

Activity Policies

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

System

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

Corporate Governance

Amid continued globalization of the business environment, the Nikon Group is working to enhance our trustworthiness with stakeholders by increasing management efficiency and transparency and enhancing its corporate governance organization.

Basic Views

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.

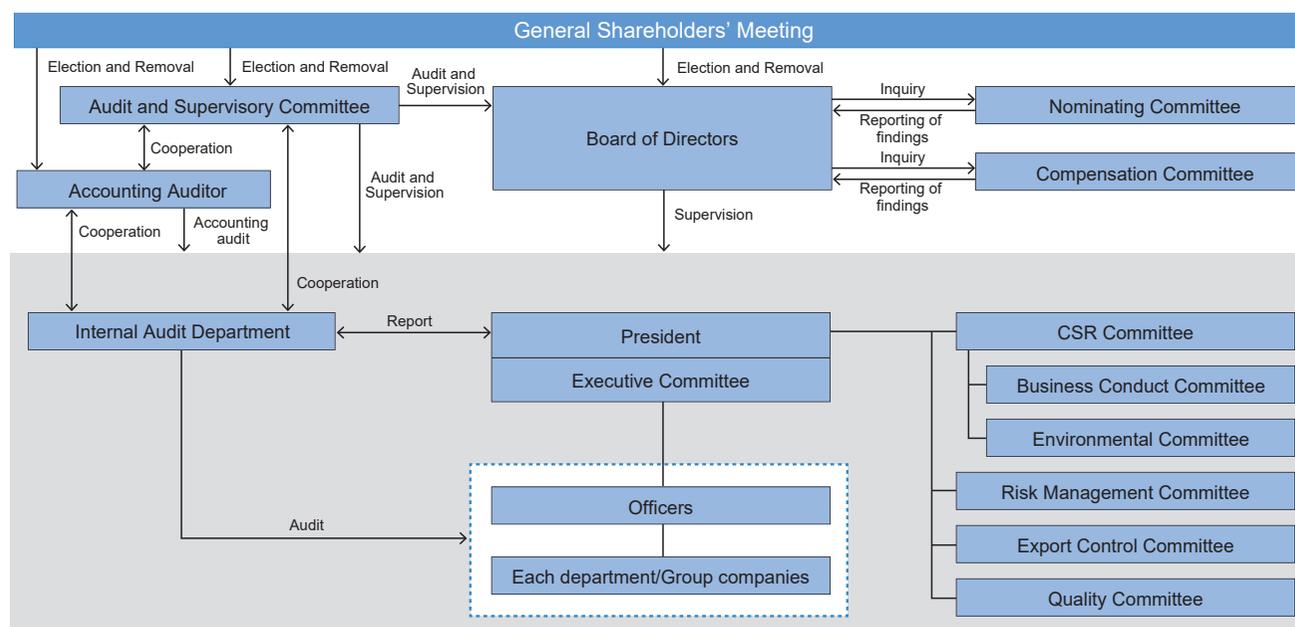
▶ [Corporate Governance Guideline](https://www.nikon.com/about/ir/governance/organization/guideline/)
<https://www.nikon.com/about/ir/governance/organization/guideline/>

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.

▶ [Corporate Governance Organization](https://www.nikon.com/about/ir/governance/organization/)
<https://www.nikon.com/about/ir/governance/organization/>

Nikon's Corporate Governance Organization (As of June 26, 2020)



Related Information

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

▶ [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/>

▶ [NIKON REPORT/Annual Report](https://www.nikon.com/about/ir/library/ar/)
<https://www.nikon.com/about/ir/library/ar/>

▶ [Shareholders' Meeting](https://www.nikon.com/about/ir/stock_info/meeting/)
https://www.nikon.com/about/ir/stock_info/meeting/

Risk Management

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

Risk Management System

To properly respond to risks that might critically impact corporate management, the Nikon Group has set up the Risk Management Committee, which is chaired by the Officer responsible for Risk Management and made up of Executive Committee members, with the Administration Department serving as secretariat. For the fiscal year ended March 31, 2020, the committee was held in August 2019 and in February 2020.

The Risk Management Committee supervises the risks overall, and specialist committees are in charge of risks requiring specialized support and handle detailed matters. Business-specific risks are tackled at the respective business unit level.

Main Activity Themes of Risk Management Committee in the Fiscal Year Ended March 31, 2020

- Report of results of survey on litigation
- Company-wide risk identification survey, incident report
- Enforcement and response to EU General Data Protection Regulation (GDPR)

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, water, etc.)
Export Control Committee	Prevention of the Foreign Exchange Law Violation and security risk management
Quality Committee	Quality in general
Bioethics Review Committee	Bioethics in general

Risk Assessment

The Nikon Group conducts risk identification surveys to gain an overall insight into the risks potentially affecting the Group. In the fiscal year ended March 31, 2020, risk identification surveys were conducted among department manager level or higher at Nikon Corporation as well as among presidents of the Group companies in and outside Japan. A risk assessment was conducted to identify, analyze, and evaluate risks from a company-wide perspective. 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 unit basis. Countermeasures for the risks identified were confirmed with each business unit and reported to the Risk Management Committee.

Furthermore, all business units are subject to surveys concerning incidents with large impact for the Nikon Group to gain an overall insight into the risks affecting the Group. Summary of the committee report, including the risk map, was fed back from the secretariat to each business unit 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.

[Consolidated Financial Results \(Fiscal year ended March 31, 2020, P8 to 10\)](#)
https://www.nikon.com/about/ir/ir_library/result/pdf/2020/20_4qf_c_e.pdf



>Strengthening Supply Chain Management >Respecting Human Rights >Promoting the Success of Diverse Employees >Strengthening Compliance >[Ensuring Effective Governance](#)

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 fiscal year ended March 31, 2020, the Nikon Group carried out e-learning on the topic of “Considerations of emergency response based on natural disasters in 2018” based on the increased probability of large-scale earthquakes to occur such as a Tokyo Inland Earthquake or a Nankai megathrust earthquake, as well as due to intensified natural disasters including typhoon and flood in recent years. Training on natural disasters such as flood, typhoon, and earthquakes was provided to employees of the Group companies in Japan. We also provided communications training in the event of an emergency in conjunction with the disaster prevention training at Nikon plants. In addition, we conducted initial emergency response training in January 2020 for key personnel of the crisis management headquarters, which will be set up following a large-scale disaster.

As with large-scale earthquakes, the Pandemic Management Manual was developed in July 2019 (headquarters region) that defines the emergency structure and handling procedures for infectious diseases such as novel influenza that require emergency response. In order to address the COVID-19 epidemic, a crisis management headquarters was set up in February 2020 based on this manual and Nikon's basic BCM principles. Moreover, in order to prevent the spread of infectious disease caused by the novel coronavirus, e-learning on the topic of COVID-19 was conducted for one month started in May 2020, in aims to permeate knowledge on how to prevent spread of the infection among every employee.

*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

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.

Under this system, we protect our information assets from risks such as cyber attacks, leakages or disasters.

Information Assets Management Policy

At the Nikon Group, the management and security of information assets are implemented based on the Nikon Group Information Security Policy. Furthermore, the Nikon Group Information Management Rules are established based on the policy to ensure optimal and efficient business conducts while properly protecting the information assets in line with the circumstances in each country and region. These rules are posted on the internal portal site for employees to access anytime.

▶ [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 has placed the President of Nikon as the superintendent of information management. In April 2020, Nikon underwent structural reorganization in aiming to accelerate the decision-making process. The Information Security Department has been established with the Representative Director and Executive Vice President serving as the director in charge, 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 Department. For example, we conduct security assessment on the website platform and applications so as to ensure the secure management of personal information in accordance with enhanced laws and regulations.

The Information Security Department is working with each company in implementing a Group-wide integrated management while developing information security management systems in line with the circumstances in each country and region. Furthermore, important cases in information asset risks are reviewed by the Risk Management Committee consisting of Executive Committee members.

In the fiscal year ending March 31, 2021, we will continue to improve our information management system through collaboration with relevant departments.

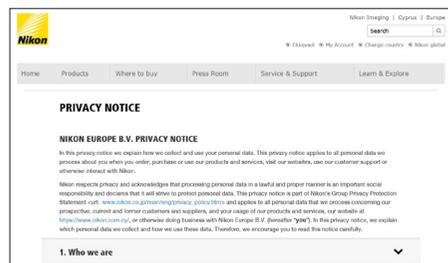
Incident Response

When an incident occurs at the Nikon Group, the site where the incident occurred is obligated to report it immediately to the Information Security Department. The Information Security Department works with relevant departments to establish a system for minimizing damage and impact, and processes for promptly resuming business. Serious cases are promptly reported to the director in charge by the Information Security Department. In addition, members of the Information Security Department 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.

Protection of Personal Information

The Nikon Group has established the Nikon Group Privacy Protection Statement as it believes the respect of privacy as well as lawful and appropriate handling of personal information are important social responsibilities. Based on the Statement, Nikon enforces the Nikon Group Personal Data Processing Rules. We are making the Statement and the Rules well known within the Nikon 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 continue to maintain and update the records 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.

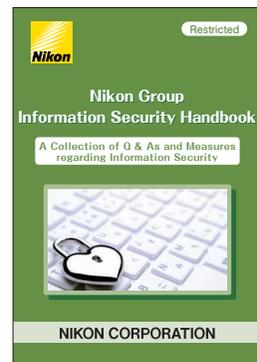


Privacy Notice of Nikon Europe B.V. in accordance with General Data Protection Regulation (GDPR) in EU (excerpt)

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 the 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 April 2020, the Information Security Handbook was revised. In the fiscal year ended March 31, 2020, we provided training on information security, for example, e-learning and periodical journals, for the Nikon Group employees outside Japan, including Europe and the United States.



Nikon Group Information Security Handbook

Information Security Check

The Nikon Group periodically conducts internal checks to improve our information security level. In the fiscal year ended March 31, 2020, we distributed a checklist to departments at the Nikon Group in Japan (approximately 140) as part of a check on the status of information management systems, management of computers, file servers, etc., and handling of suspicious emails. In addition, we conducted checks of five departments in Nikon and six 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 plans to conduct internal checks focusing on the presence of appropriate information security measures in the fiscal year ending March 31, 2021.

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 dialog 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. At the Nikon Group, officers at finance and accounting departments are responsible for tax governance. Each regional headquarters manages tax compliance for their respective region, while tax management and compliance for the entire Nikon Group is the responsibility of the tax team at Nikon's Finance and Accounting Division.

Each regional headquarters conducts quarterly monitoring of the Group companies in its region and implements appropriate countermeasures in response to regional tax risks and making this policy known to all. The tax team of Nikon's Finance and Accounting Division receives reports from each regional headquarters, based on which it provides supervision and support as well as addresses issues that cross regional lines.

Looking ahead, the Nikon Group endeavor to respond appropriately to changes in conditions and tax risks pertaining to tax governance in and outside Japan.

[Global Tax Policy](https://www.nikon.com/about/sustainability/csr-management/governance/tax_policy.pdf)
https://www.nikon.com/about/sustainability/csr-management/governance/tax_policy.pdf

Contents / Editorial Policy	Message from the President	Nikon Group Profile	Nikon CSR	Contributing to Society through Business Activities	Responding to Environmental Issues	Strengthening CSR Foundations	Corporate Citizenship Activities
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>Strengthening Supply Chain Management >Respecting Human Rights >Promoting the Success of Diverse Employees >Strengthening Compliance >[Ensuring Effective Governance](#)

Tax Payments by Region

(million yen)

Region	Tax payment
Japan	7,029
United States	2,514
Europe	1,329
China	1,838
Other	1,225
Total	13,935

* Results for the fiscal year ended March 31, 2019.