

Corporate Governance

To enhance the relationship of trust it enjoys with its stakeholders amid continued globalization of the business environment, the Nikon Group aims to increase management efficiency and transparency by bolstering corporate governance and improving its internal control system.

Corporate Governance Organization

■ Board of Directors

Ten members of the Board of Directors, including two from outside the company (as of March 31, 2009), make prompt decisions on matters of importance to the Nikon Group and monitor the exercise of duties by directors.

■ Executive Committee

Comprising ten standing directors, the Executive Committee deliberates on and resolves major issues regarding the general operation of company business, internal controls and management, in accordance with basic management policies as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

■ Board of Corporate Auditors

Five corporate auditors, including three from outside the company (as of March 31, 2009), periodically attend important meetings such as those of the Board of Directors and Executive Committee in order to supervise the execution of duties by the directors, and to perform monitoring and auditing of corporate management and directors.

■ Management System

In October 1999, Nikon introduced an in-house company system featuring decentralized management, with an integrated system and responsibilities established for each product sector, including subsidiaries. A results-based evaluation system was also brought in to strengthen the relationship between performance and remuneration. In 2001, Nikon installed an operating officer system and reduced the number of directors, while shortening the term for directors from two years to one in 2003 in order to consolidate a management system that can respond swiftly to changes in the business environment.

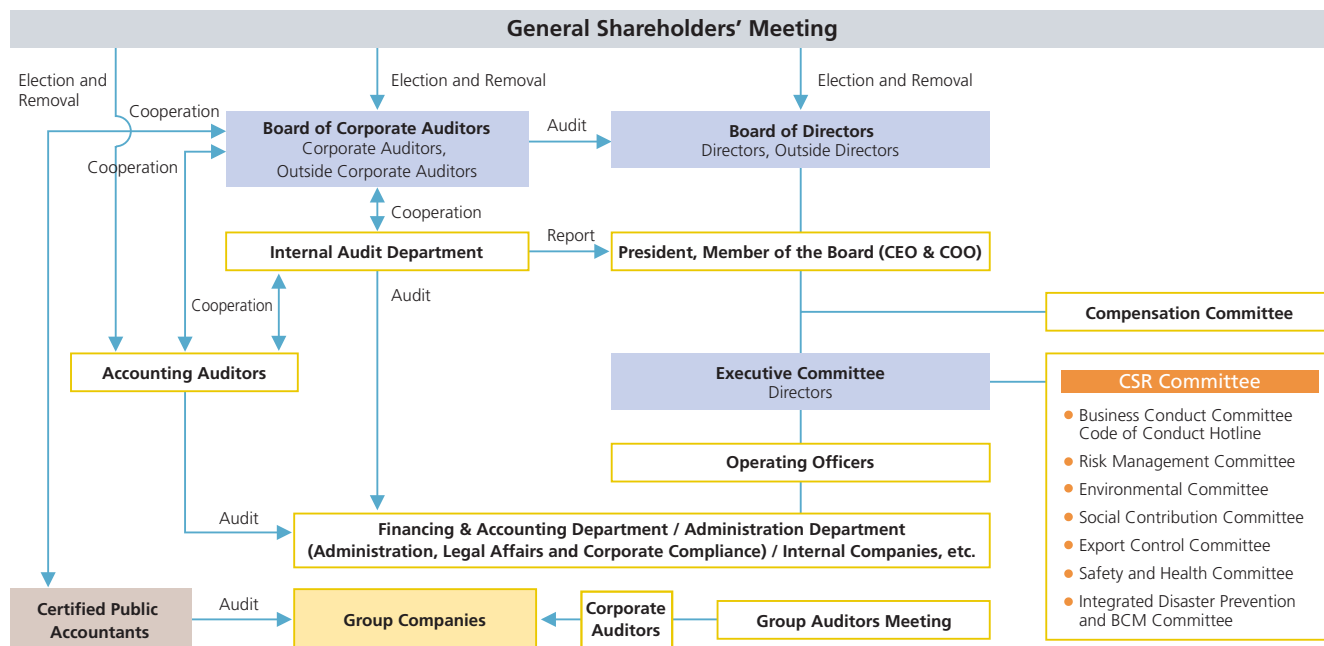
Additionally, in 2007 a review/revision of regulations pertaining to the preexisting operating officer system was conducted to further enhance internal controls.

At present, the chairperson of the Board of Directors also serves as chief executive officer to ensure prompt decision making and business enforcement.

■ Compensation Committee

The Compensation Committee, which includes prominent figures from outside the Nikon Group, was set up in July 2003 to raise the objectivity and transparency of matters related to directors' compensation and to ensure that decisions on remuneration are linked to the corporate financial results. The obligations of this committee include examining and proposing guidelines for directors' compensation and other related systems.

Nikon's Corporate Governance Organization



■ Systematization of Responsibility and Authority

Nikon Corporation has formulated its Rules of Organization and Authority with the aim of clearly defining the scope of authority and responsibility for each body and each post within the company. Additionally, each group company implements full control and guidance based on the Authorization Standards for Subsidiaries. This ensures organized and efficient business execution across the board.

► [For more on Nikon's corporate governance, see:](http://www.nikon.com/about/csr/governance/)

<http://www.nikon.com/about/csr/governance/>

Measures to Enhance the Internal Control System

■ Strengthened system for deliberation, resolution, communication and reporting.

In 2005, the Nikon Group further overhauled the structure of the management committees engaged in the deliberation, resolution, communication, and reporting of business matters, and revised the rules related to the delegation of authority in divisions in order to further enhance the Group's internal controls.

■ Internal auditing

- Major achievement in the year ended March 31, 2009**
- Established an internal audit section in Nikon Holdings Europe B.V.
- Major target for the year ending March 31, 2010**
- Further enhance internal audits outside Japan.

The Internal Audit Department operates independently of other operations departments and is under the direct control of the president of Nikon Corporation. Based on annual auditing plans, it audits the operations of each department in the Nikon Group to see if they are being appropriately controlled in compliance with laws, company rules, and other regulations, and makes recommendations for improvement.

In the year ended March 31, 2009, in addition to conducting audits on the themes listed in its audit plan, the Internal Audit Department evaluated both the company-level and process-level internal controls of Nikon Corporation and Group companies under the J-SOX Law, as an independent evaluation department.

Moreover, in order to enhance internal controls in overseas Group companies, an internal audit section was established within Nikon Holdings Europe B.V. in September 2008. This section is to conduct internal audits on Group companies in the Europe region.

*J-SOX Law: Informal name given to the Japanese version of the U.S. Sarbanes-Oxley Act (SOX). The importance of internal controls had been highlighted following a series of fraudulent financial reports and other incidents of corporate misconduct in recent years. In order to secure reliability in financial reporting by companies, the Financial Instruments and Exchange Act was enacted in June 2006 in Japan, requiring the evaluation and audit of internal controls over financial reporting. Known as J-SOX, this legislation came into force in April 2008.

■ Information resources management

Based on the Information Security Improvement Plan, information management is being further strengthened, while access control and security pertaining to the Group's internal network was further tightened from April 2007.

Also, Guidelines for Confidentiality Classifications were instituted in February 2006 to specify and clarify different types of restricted data. These guidelines have been used as a basis for continued efforts to increase the effectiveness of Nikon's information management.

■ J-SOX compliance

Major achievements in the year ended March 31, 2009

- Evaluated progress with regard to internal controls and conducted improvement activities.
- Evaluated the operation of the internal control system.

Major target for the year ending March 31, 2010

- Implement measures to establish a sustainable internal control structure.

The so-called J-SOX Law came into force in April 2008. To ensure compliance with this law, the Nikon Group has been implementing measures to build an internal control system mainly through its J-SOX Establishment Project Team founded in January 2007.

In the year ended March 31, 2009, Nikon Corporation presented to consolidated Group companies the internal control improvement criteria to be met by Group companies by the end of the term, and subsequently checked the progress made by each of the companies.

Nikon Corporation and major domestic and overseas Group companies have been making efforts to build and improve process-level internal controls, including those for sales, procurement, production, accounting, and IT processes, since the foundation of the aforementioned project team. In the first year of the enforcement of the J-SOX Law, these companies evaluated their own progress with regard to the process-level internal controls as well as operation of the internal controls.

In the year ending March 31, 2010, we will make further progress in internal controls based on the results of internal control evaluations for the previous fiscal year. We will move forward to establish a sustainable internal control structure by implementing measures to stabilize the quality of internal controls over financial reporting and major business processes and to reduce the time and cost required for internal controls.

Compliance

As one of its important policies, the Nikon Group is committed to making all its employees aware of the importance of compliance, thereby ensuring that each individual employee is able to take the appropriate action.

Compliance Promotion System

In the Nikon Group, the Nikon Business Conduct Committee, which is chaired by the executive vice president of Nikon Corporation, formulates the Group policies on compliance. In accordance with the policies thus formulated, the Compliance Section of Nikon Corporation fosters compliance-related activities in cooperation with the Code of Conduct Coordinators stationed in the departments of the company and in the Group companies within Japan.

Nikon Code of Conduct

The Nikon Code of Conduct lays out the basic policies and gives guidance on matters closely related to daily business operations, including human rights, information management, entertainment and gifts, accounting practices, and workplace management (see page 18). Every employee is expected to base their decision making on these rules.

While Nikon Group companies within Japan all apply the same Nikon Code of Conduct, overseas Group companies have their own codes of conduct in place, which have been formulated based on the Nikon Code of Conduct.

All employees of Nikon Group companies within Japan are

Message from the director responsible for compliance

Implementing more measures to ensure compliance

For the Nikon Group, “compliance” does not simply mean complying with laws and corporate rules. It also involves carrying out sound and fair corporate activities in line with ethical rules and social norms, thereby winning the trust of stakeholders.

In the year ended March 31, 2009, we provided training and education at all of our workplaces mainly focusing on the Nikon Code of Conduct and also held seminars to prevent power harassment* (workplace bullying), targeting managers of Nikon Group companies within Japan.

In order to meet our corporate philosophy of “Trustworthiness & Creativity,” we will further implement measures to make all employees of the Nikon Group aware of the importance of compliance.

Ichiro Terato
Chairman of the Nikon Business Conduct Committee
Representative Director
Executive Vice President and CFO



*Power harassment (workplace bullying)

In Japan, “power harassment” is defined as abuse of power/authority in the workplace, including training and education. Power harassment can lead to victims feeling anxious about their job security and, in serious cases, can infringe upon their human rights.

provided with a wallet card that lists the Nikon Rules of Action, together with a brochure outlining the Nikon Code of Conduct. The card is intended to be used by employees as a self-check list when they are in doubt about the application of the Code of Conduct.

In addition, to ensure a full understanding of the Nikon Code of Conduct, employees can view Nikon Code of Conduct Case Studies on the company intranet as a collection of practical examples that explain clearly how to apply the rules in their daily business operations.



Upper left: Nikon Code of Conduct (applied alike by all Nikon Group companies within Japan)

Upper right: Nikon Code of Conduct Case Studies

Lower right: Wallet card that lists the Nikon Rules of Action

Compliance Promotion Measures

Major achievements in the year ended March 31, 2009

- Conducted educational and awareness raising activities for the Nikon Code of Conduct.
- Conducted an awareness survey and fed back the results for further improvements.
- Held seminars targeting managers to prevent power harassment (workplace bullying)

Major targets for the year ending March 31, 2010

- Raise employees’ compliance awareness even more across the entire Nikon Group.
- Promote PDCA incorporating the results of the awareness survey.
- Increase employee awareness of the Code of Conduct Hotline.

At each workplace, educational activities that promote compliance are conducted mainly through the Code of Conduct Coordinators stationed in the departments of Nikon Corporation and Group companies within Japan. Illustrative slides, quizzes, case studies, news magazines, and other tools prepared by the Compliance Section are used in educational seminars held from time to time in the workplace; these include collective education and discussions.

For the period from August to September 2008, we invited external speakers to give seminars on preventing power harassment (workplace bullying). A total of 508 (or 83%) of all managers and Code of Conduct Coordinators from Japan

invited to participate in the seminars actually participated in them. Participants comments on the seminars include: "The definition of power harassment has become clearer to me," and "The message that anyone could do power harassment has made me reflect upon my daily behavior."



Seminar held to prevent power harassment (workplace bullying)

Educational activities in the year ended March 31, 2009

Audience	Activity	Number of participants
New Nikon employees	Basic compliance education	336
Code of Conduct Coordinators	Education/training sessions for coordinators	106
Employees in each company or department	Education/training sessions by coordinators	—
Newly appointed directors in domestic group companies	Legal compliance training	10
Managers of Nikon Group companies within Japan Code of Conduct Coordinators	Seminars to prevent power harassment (workplace bullying)	508
Managers of Group companies in China	Study meeting for CSR and compliance	38

Measures against Violations

Based on the relevant in-house rules and after investigating and confirming the facts, the Nikon Group strictly punishes violations of the working regulations of each Nikon Group company and the Nikon Code of Conduct. In the year ended March 31, 2009, Nikon Corporation took disciplinary action against two cases of violation. In order to prevent the recurrence of similar problems, the company discloses internally the cases and the basic details of the disciplinary action.

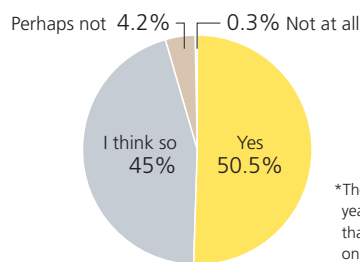
Compliance Awareness Survey (Monitoring)

The Nikon Group has designated October as its compliance promotion month and encourages every employee to increase their awareness of compliance during this month. In the year ended March 31, 2008, we began conducting a compliance awareness survey targeting all employees of Nikon Group companies within Japan. In the second survey conducted in the year ended

March 31, 2009, we received replies from 10,862 employees (76% of the targeted employees). Individual survey results are fed back to the relevant departments to alert them to areas that need improvement as well as to further promote compliance and PDCA.

Compliance awareness survey results

Q. Do you always try to make decisions that are appropriate from the viewpoint of compliance?

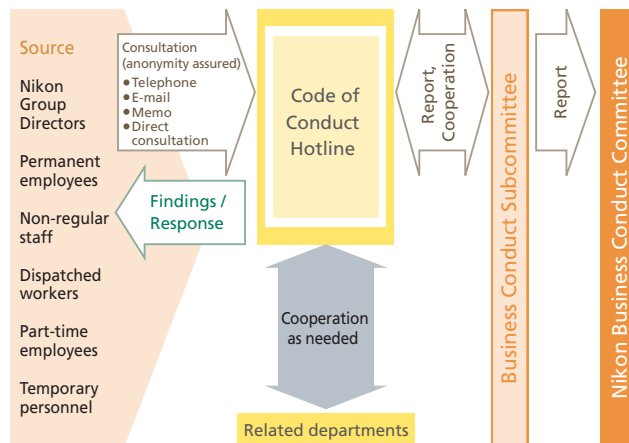


*The result is encouraging as with last year: most respondents (95%) replied that they try to make decisions based on compliance.

Code of Conduct Hotline (Internal Consulting Service)

In 2001, the Nikon Group established its Code of Conduct Hotline to provide employees of Group companies within Japan with a central consulting service for violations of the Nikon Code of Conduct, including legal noncompliance and violations of human rights. We ensure that the privacy of employees who use this hotline is strictly protected and that they will receive no prejudicial treatment, including dismissal and demotion if they use the hotline. In the year ended March 31, 2009, a total of 29 problems were reported via the hotline, and these are now being solved with cooperation from the relevant departments.

Code of Conduct Hotline flow diagram



Risk Management

The Nikon Group established its Risk Management Committee and Integrated Disaster Prevention and BCM Committee to comprehensively manage potential risks to the Group with the aim of achieving sustainable growth. We are also committed to responding to new risks, such as pandemic influenza, in a prompt manner.

Risk Management System

The Nikon Group established its Risk Management Committee in April 2006. This committee identifies and assesses risks within the Group and formulates measures against risks that could impact the Group's operations. It also provides education and training to minimize damage in the event of a risk materializing, regularly monitors risks, and implements a PDCA cycle for risk management. At present, the committee is also conducting activities for information security, management of risks for employees assigned overseas, and, a new theme—pandemic influenza—as well.

In July 2007, as a step in establishing a BCM system, we also founded an Integrated Disaster Prevention and BCM Committee to deal with risks that could have a major impact on the entire Group. This committee has been engaged in formulating BCPs* to prepare for major earthquakes and fires. In the year ended March 31, 2009, the committee also began preparations to formulate a BCP against pandemic influenza.

*BCP: Business Continuity Plan

Maintaining and Improving the BCM System

Major achievement in the year ended March 31, 2009

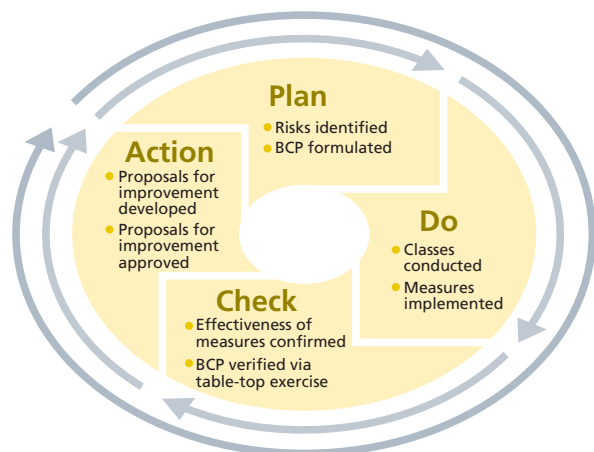
- Maintained and improved the effectiveness of the BCM system through implementation of a PDCA cycle.

Major target for the year ending March 31, 2010

- Implement preventive measures and formulate a BCP against pandemic influenza.

The Nikon Group regards it as part of its social responsibility to ensure business continuity and has therefore created a BCM system to prepare for major earthquakes and fires covering core operational areas of the Precision Equipment business and the Imaging business as well as the Head Office

PDCA cycle for BCM



functions that support their operations—not only for Japan but also for overseas manufacturing bases in Thailand and China. In addition, we are conducting activities to raise the effectiveness of our BCPs through a PDCA cycle.

Also, for pandemic influenza, we are making preparations to formulate a BCP to combat the spread of the disease and to prevent a pandemic.

Risk Management for Employees Assigned Overseas

As the Nikon Group expands its business on a global scale, the number of employees who are assigned to various regions in the world, including those on business trips, has been increasing year by year. In response, we have established an overseas risk management system for regionally specific risks, including accidents, incidents, disasters and illnesses. Under this system, we are implementing measures to reduce the risks, including creating emergency manuals, providing education to relevant employees, and ensuring that the safety of employees can be easily confirmed in emergencies.

Creating the Nikon Group Insider Trading Rules

We reviewed our conventional Insider Trading Guidelines and established new Nikon Group Insider Trading Rules in March 2009. Based on the rules, we have built a system to promptly and centrally identify all important information about the Nikon Group, thereby ensuring appropriate information management and compliance. We have thus further enhanced our anti-insider trading system to comply with laws and to maintain social trust.

Information Resources Risk Management

Major achievements in the year ended March 31, 2009

- Revised Nikon Corporation information management rules and made them applicable to the entire group.
- Conducted information management audits at each Nikon Group companies in Japan.
- Provided employees of Nikon Group companies in Japan with information security training.

Major targets for the year ending March 31, 2010

- Expand the target of information security training to include employees of overseas Group companies.
- Enhance measures to prevent information leaks at Nikon Group companies.

In light of the need to have rules that regulate information management across the whole of the Nikon Group, we revised the Nikon Information Management Rules and transformed it to the Nikon Group Information Management Rules in April 2008, modifying the rules and their subordinate rules so that they apply directly to all Nikon Group companies. Furthermore in February 2009, we revised the Nikon

Information Security Regulations and transformed it to the Nikon Group Information Security Regulations, and positioned it as subordinate rules under the Nikon Group Information Management Rules with an eye to enhancing our information security measures.

In September 2008, we conducted information management audits on documentation and onsite, mainly on the management of classified information and personal information targeting Nikon Group companies. In February 2009, which was the second "Information Security Month" for the Nikon Group, we distributed copies of the revised *Nikon Group Information Security Handbook* to employees of Nikon Group companies in Japan and provided them with e-learning sessions on information security. In addition, we created an English version of the handbook and distributed copies to overseas Group companies.

The Information Security Subcommittee have been active in enhancing information security measures, including those for management of computer logs (trail management) and the archiving of emails, according to the Information Security Improvement Plan.

Protection of Personal Information

■ Nikon Group Privacy Protection Policy

In order to establish a high standard for its Nikon Group's personal information management system while complying with laws and regulations concerning the protection of personal information, the Nikon Group has formulated the Nikon Group Privacy Protection Policy and published it in the name of the President of Nikon Corporation, who is also the personal information officer, the representative director, CEO, and COO of the company. On their websites, Nikon Group companies state that they treat personal information appropriately based on this privacy protection policy and give details of how personal information is treated.

▶ [For more on Nikon and privacy protection, see:](http://www.nikon.com/privacy/)

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■ Appropriate management of personal information

The Nikon Group expresses how it handles personal information in the Nikon Group Information Management Rules and the Nikon Group Information Security Regulations, which were both revised in the year ended March 31, 2009 to cover all Nikon Group companies. Specifically, these rules and regulations, in reference to the Guidelines Targeting Economic and Industrial Sectors Pertaining to the Act on the Protection of Personal Information formulated by Ministry of Economy, Trade and Industry, state (a) the need to clearly state the intended use of personal information at the time the information is acquired, and (b) the procedures to be followed to ensure the security control of personal information used and stored by the Nikon Group.

We are ensuring that all employees of Nikon Group companies in Japan are well aware of the details of this privacy policy by distributing copies of the *Nikon Group Information Security Handbook* to them. In addition, the Information System Planning Department and the Administration Department, which together comprise the Group's Office of Information Security Management, carry out information management audits periodically and receive inquiries on specific applications of the privacy policy at any time.

Nikon Imaging Japan Inc., which carries the largest amount of personal information within the Nikon Group, has acquired a PrivacyMark certification, which is granted to organizations that are recognized as handling personal information appropriately, in January 2007. Subsequently in December 2008, the company also received a PrivacyMark certification based on the new JIS standards, indicating its management of personal information is best practice.

Enhancing Export Controls

Nikon Corporation has a section exclusively engaged in export controls at each of its in-house companies. In line with increasing globalization, however, it has become essential for us to implement export control measures for the entire Nikon Group. At present, each domestic Nikon Group company engaged in export operations has their own export control rules and manages export operations based on the internal rules. Some overseas Nikon Group companies, however, have not yet established the necessary management systems. In the year ended March 31, 2009, six companies belonging to the Precision Equipment Company and two belonging to the Imaging Company formulated and established their own export control rules. In the year ending March 31, 2010, we will encourage more overseas Nikon Group companies to establish their own rules.

Nikon Corporation is approved as an authorized exporter by Tokyo Customs, but in a post-export audit conducted in 2008 by the AEO Center of Tokyo Customs, the Center pointed out that some of the security measures implemented by the company need to be improved. In response, we will enhance our security measures, including the enhancement of entry/exit controls at our buildings through the use of IC cards and the installation of more security cameras.

Measures against Pandemic Influenza

In preparation for an outbreak of pandemic influenza, which is regarded as a new risk, we have established a subcommittee to plan measures to deal with the infectious disease within the Risk Management Committee. In response to the actual outbreak of pandemic influenza in April 2009, we established an emergency headquarters headed by the president of Nikon Corporation to prevent the spread of infection among employees.