



2018

Nikon SUSTAINABILITY REPORT



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Nikon Sustainability Report

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About Sustainability Report 2018

Editorial Policy

The Nikon Group aspires to be a company that can grow its business while contributing to the sustainable development of society. We hope to build strong relationships with stakeholders by sharing information about our basic approaches and initiatives proactively. The PDF version of Sustainability Report 2018 references GRI guidelines and other items from outside the company including ESG surveys. The report is organized according to Nikon's CSR Priority Issues to make the materiality of the Nikon Group's activities and progress clearer to readers. Certain data has also received third-party assurance in order to enhance its credibility (relevant data are marked with ★).

* This PDF file uses indexing to enhance searchability. Be sure to utilize this useful function.

* For information regarding the Group's policies on sustainability and other matters, please visit our company website.

* Nikon's company website contains additional information on community contribution activities that does not appear in this report.

* Nikon's management and financial information are disclosed in the Nikon Report and on the company's Investor Relations web page (<https://www.nikon.com/about/ir/>).

[Link to the company's Sustainability web page:
https://www.nikon.com/about/sustainability/](https://www.nikon.com/about/sustainability/)

■ Reporting Period and Boundary

Reporting Period

April 1, 2017 to March 31, 2018
(Information includes some activities in April 2018 and afterwards)

Boundary

Nikon: Refers to the Nikon brand or Nikon Corporation only

Group companies: Nikon's 81 consolidated subsidiaries

Nikon Group: Nikon Corporation and its consolidated subsidiaries

* The boundary for environmental data is defined in the Nikon Group's Environmental Management Systems and Environmental Performance Data Boundary (P 44). In other cases where a specific boundary is defined, details are clearly specified in each respective section.

* Unless otherwise stated, the term "employees" includes Nikon Group executive officers, permanent and non-regular staff, contract workers, contract workers from staffing agencies, part-time employees, and temporary personnel.

■ References

- GRI Standards (Global Reporting Initiative)

■ Department Responsible for the Report and Contact Information

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Nikon Corporation

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[> Message from the President](#)

We are committed to creating a Sustainable Future with Optical Technologies

*Kazuo Ushida***Kazuo Ushida**

President
Representative Director
Chairperson of the CSR Committee
Nikon Corporation

Looking Back on the Year Ended March 31, 2018

On July 25, 2017, Nikon celebrated its centennial anniversary.

We have paved the way for the development of pioneering optical technologies ever since our company was first founded with the ambition of establishing this field in Japan.

On this occasion of the company's 100th anniversary, we set a new management vision in which Nikon will aim to continuously create new values by applying its long-standing technologies to a variety of fields.

“Unlock the future with the power of light”

The new vision “Unlock the future with the power of light” is meant to demonstrate our commitment for the next 100 years to contribute to society using light and grow together with society.

For Nikon, the year ended March 31, 2018 was a year when we devoted ourselves to redefining, reorganizing and restructuring. The Nikon Group positions the time up to the March 2019 as a period of restructuring, and we have been undertaking a number of measures for creating a corporate structure that can enhance corporate value sustainably over the next 100 years. The successful implementation of these measures helped us to achieve operating income that exceeded the target specified in the plan for the year ended March 31, 2018. I believe we are on a good track to building a foundation for our future growth.

Meanwhile, looking around the world in terms of sustainability, we observe increasing attention and interests from society towards companies' ESG activities,

[> Message from the President](#)

following the Paris Agreement of 2015 and the Sustainable Development Goals (SDGs). Through portfolio-oriented management, the Nikon Group will work to increase management efficiencies, such as ROE, while also undertaking corporate activities with an eye on how we can contribute to a variety of social issues.

Policy on Sustainability

Given this circumstance, the Nikon Group re-examined how it should address sustainability, an area of growing importance for the future. We are determined to renew our commitment to further reinforce the “integration of management and CSR.” In light of this commitment, we reviewed CSR priority issues and arrived at the three focus areas: “Contributing to society through business activities,” “Responding to environmental issues” and “Strengthening CSR foundation.”

“Contributing to society through business activities” means we will aim to broaden our efforts to tackle challenges which society and industry face, mainly by harnessing our long-standing optical technologies.

In the era of rapid evolution of technologies such as AI, robotics and IoT, optical technologies play a role as the “eyes” needed by industry and people in various fields, and the scope of use of these technologies is expected to grow rapidly.

The Nikon Group sees this as a new business opportunity. We have established a structure that will enable us to address a variety of current global issues and global needs through the provision of our optical technologies and other core technologies. Our recent consolidation of optical engineering functions and optical component manufacturing sites which used to be scattered about Group companies and business departments as well as the establishment of the Precision Components & Modules Business Unit in April 2018 are all intended to meet such expectations.

Optical machining systems, which we are currently developing as part of our challenge toward light-driven innovation, have a capability to process various types of machining for myriad materials using lasers, with application of the optical technologies we had elaborated through lithography equipment development. These systems carry with them great potential because they are contact-less, highly precise, and capable of machining shapes that until now have been impossible. We will pursue maximum use of the potential of light by focusing on innovative products and solutions that use these optical technologies.

Another focus area “Responding to environmental issues” stems from our observation of growing risks associated with climate change and resources such as water as well as increasingly tightened regulations on chemical substances. We will continue to focus on environmental management in order to fulfill our Long-term Environmental Vision, which was formulated in 2016 to contribute to more sustainable society, and to achieve our Medium-term Environmental Goals based on this vision.

In order to realize low carbon society for instance, I believe it is important that we strive not only to work on conserving energy within the Group but also to make processes more efficient at the plants of our customers with Nikon’s products and services capitalizing on our strengths.

As for “Strengthening CSR foundation,” we will engage stakeholders inside and outside the company to address the core issues of sustainability, including governance, compliance, supply chain, diverse workforce, more productive and efficient work styles, and respect for human rights.

In May 2018, Nikon joined the Responsible Business Alliance (RBA). We hope this will help us to further reinforce our activities for the environment and create a more robust CSR foundation on a global scale. We will

continue to abide by the UN Global Compact and strive to ensure that our entire supply chain complies with the RBA Code of Conduct.

Nikon Group’s Collective Efforts

I plan to share a variety of messages with all employees of the Nikon Group with a focus on the word “sustainability.”

In order for us to promote our activities towards newly defined CSR priority issues and to help the world to become more sustainable using our optical technologies, I will take the lead in getting the message out to Nikon employees around the world about the fundamental meaning of Nikon’s existence and what sort of future Nikon envisages with light. It is critical that each one of us understands Nikon’s approach to sustainability and the measures taken based on this. I firmly believe this will enhance employee motivation and become a source of pride.

We will continue our efforts in getting the message through and creating a work environment where all Nikon Group employees can maximize their expertise and creativity and work together in order to live up to the expectations of stakeholders and to fulfill our social responsibilities, including contributing to the SDGs.

Nikon will continue to contribute to the sustainable development of society through its business activities. We must make our utmost effort to crystallize our corporate philosophy “Trustworthiness and Creativity” as a company that brings value to people around the world for the next 100 years. With ceaseless technological innovations taking place around us, we will aim to serve as “new eyes for people and industry” through our optical technologies.

Each and every one of us at the Nikon Group will work as one to “Unlock the future with the power of light.” We hope that you will be looking forward to the vision of the future that we have outlined, and we ask for your continued support to realize this vision.

> Nikon Group Profile

Nikon Group Profile

Corporate Information

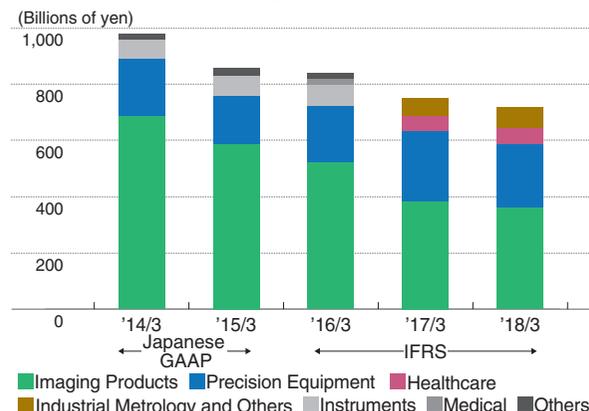
Name NIKON CORPORATION
Head Office Shinagawa Intercity Tower C, 2-15-3, Konan, Minato-ku, Tokyo 108-6290, Japan
 Tel.: +81-3-6433-3600
Representative Kazuo Ushida, President and Representative Director
Established July 25, 1917
Capital ¥65,476 million (as of March 31, 2018)
Revenue Consolidated: ¥717,078 million (for the year ended March 31, 2018, International Financial Reporting Standards (IFRS))
Employees Consolidated: 21,029 (as of March 31, 2018)
 * Permanent and non-regular employees of the Nikon Group, director of Group companies.
 Non-consolidated: 4,444 (as of March 31, 2018)
 * Permanent and non-regular employees, not including Nikon's employees temporarily assigned to other companies, etc.

Number of Group Companies by Region (Consolidated) (as of March 31, 2018)

Japan (excluding Nikon): 18 companies
 Europe: 24 companies
 Asia/Oceania: 25 companies
 Americas: 14 companies

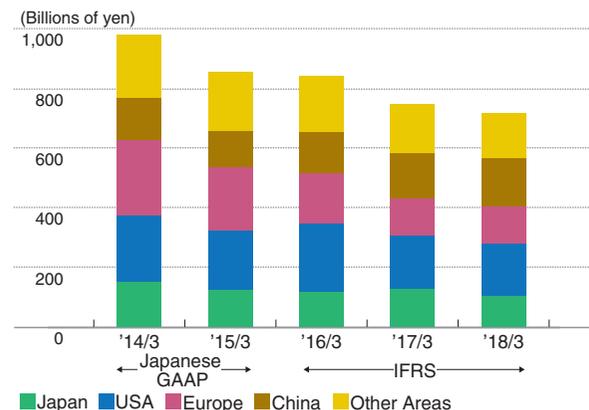
Main Financial Data

Revenue by Industry Segment (Consolidated)



* Revenue by industry segment comprise revenue for outside customers.
 * March 31, 2015 and prior are prepared in accordance with Japanese GAAP. Figures for the year ended March 31, 2016 and forward are prepared in accordance with IFRS.
 * Business segments have been changed from June 29, 2017. For details, please refer to the relevant news on June 29, 2017.

Revenue in Japan and Export Revenue by Region (Consolidated)



* March 31, 2015 and prior are prepared in accordance with Japanese GAAP. Figures for the year ended March 31, 2016 and forward are prepared in accordance with IFRS.

Business Domains

Since the company was established in 1917, the Nikon Group provides a wide range of technologies, products and services globally by harnessing our advanced technologies, the core of which encompasses opto-electronics and precision technologies.

Imaging Products Business

Main products: Digital cameras, film cameras, interchangeable lenses, speedlights, accessories, software, sport optics

Precision Equipment Business

Main products: FPD lithography systems, semiconductor lithography systems

Healthcare Business

Main products: Biological microscopes, cell culture observation system, ultra-wide field retinal imaging device

Industrial Metrology Business and Others

Main products:
 Industrial Metrology Business:
 Industrial microscopes, Measuring instruments, X-ray/CT inspection systems
 Customized Products Business: Customized equipment
 Glass Business: Photomask substrates for FPD

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[Our Philosophy](#)

Trustworthiness and Creativity

[Our Vision](#)

Unlock the future with the power of light

Unleashing the limitless possibilities of light.
Striving to brighten the human experience.
Focused, with purpose, on a better future for all.
THIS IS THE ESSENCE OF NIKON.

[Our Qualities
of Mind](#)

Curiosity

We show our passion for progress through a wide range of interests to cultivate fresh ideas.

Acceptance

We warmly embrace diverse ideas and delight in differences among people and cultures.

Inspirational Power

We share our ideas with infectious enthusiasm to effect positive change in the world.

[Code
of Conduct](#)

Nikon Code of Conduct

Our Approach to Sustainability

The Nikon Group stands committed to realizing a sustainable society under its corporate philosophy of Trustworthiness and Creativity.

Nikon CSR and Sustainability

The Nikon Group's corporate social responsibility (CSR) making its corporate philosophy of "Trustworthiness and Creativity" a reality through its business activities and contributing to the sustainable development of society. Today, the world faces a number of serious issues, including environmental issues such as depletion of natural resources and climate change as well as labor and human rights issues in the supply chain. Companies will play an ever more important role in helping to resolve these issues. The Sustainable Development Goals (SDGs) established by the United Nations call on companies to exhibit creativity and innovation in resolving the issues facing our world. Looking forward, the Nikon Group will utilize Nikon's technical prowess to satisfy the expectations of society, fulfill its social responsibilities, and contribute to the sustainable development of society.

■ Revision of the Nikon Code of Conduct

In January 2018, the Nikon Group established the new Nikon Code of Conduct, by merging the Nikon CSR Charter, which embodied Nikon's basic approach to CSR, with the existing code of conduct, which laid down standards for employees to follow based on the CSR Charter. The new Nikon Code of Conduct has been revised so that its content and positioning reflect the new Our Vision and Our Qualities of Mind that have been established to mark the 100th anniversary of the founding of Nikon. Another objective of the revision is to raise the guiding principles that underpin the Nikon Group's CSR activities to a level that goes beyond merely satisfying regulatory requirements and reflects the increasingly high expectations of stakeholders within the global community in

regard to human rights, taxation, etc.

The new Nikon Code of Conduct also applies to those Group companies that had already formulated their own individual codes of conduct, and will thus constitute a unified standard for the whole Nikon Group. While strengthening our global governance by requiring all employees to comply with the Nikon Code of Conduct, we will also be making an even greater effort to fulfill our corporate social responsibilities.

[Nikon Code of Conduct](https://www.nikon.com/about/sustainability/nikon-csr/codeofconduct/)
<https://www.nikon.com/about/sustainability/nikon-csr/codeofconduct/>

Nikon Code of Conduct (Summary)

Introduction

Scope

1. Responsibility
2. Respect for Human Rights
3. Sound Working Environment
4. Protection of the Natural Environment
5. Operation Practices
 - (1) Anti-bribery and Corruption
 - (2) Relationship with Suppliers and Business Partners
 - (3) Social Responsibility in the Supply Chain
 - (4) Entertainment and Gifts
 - (5) Lobbying and Political Donations
 - (6) Fair Competition and Business Transactions
- (7) Import and Export Control
- (8) Taxation
- (9) Insider Trading Prevention
- (10) Proper Use and Management of Nikon Property
- (11) Protection of Intellectual Property Rights
- (12) Sound Communication
- (13) Appropriate Information Management
6. Factual Information and Disclosure
7. Provision of Valuable Products and Services
8. Community Relations

Reporting/Consulting System, Consequences of Violation
Code of Conduct Administration

* The Nikon Code of Conduct has been drawn up in English, and published in 16 languages.

CSR Promotion System

We are carrying out initiatives to achieve a sustainable society by fulfilling the corporate social responsibilities of the entire Nikon Group using a system centered on the CSR Committee.

The Nikon Group's CSR Promotion System

The Nikon Group has established the CSR Committee, which is chaired by the president and has members drawn from the Executive Committee, to promote sustainability initiatives across the Group. The CSR Committee convenes twice a year to set goals relating to CSR Priority Issues, receive progress reports on activities, issue directions for improvement as required, and make overarching decisions about sustainability activities. The Business Conduct Committee, the Environmental Committee, and the Supply Chain Subcommittee have also been established as subcommittees under the CSR Committee.

The CSR Committee reports to the Board of Directors, and the Board of Directors monitors the effectiveness of Environmental, Social and corporate Governance (ESG) related measures from a managerial standpoint.

Column

ESG Seminar for Senior Managers

Nikon holds seminars to enhance the Environmental, Social and corporate Governance (ESG) knowledge of the executive management team and of department managers that are closely involved with CSR activities. In the year ended March 31, 2018, an ESG Seminar was held following the meeting of the CSR Committee in November 2017. Mr. Toshio Arima, a board member of the United Nations Global Compact, gave a talk on the evolution of CSR from a managerial perspective, and on the SDGs. Participants listened with great interest to Mr. Arima's comments regarding how "In the future, there will be a need for further development, taking advantage of the opportunity presented by the SDGs to develop CSR that approaches business management from the perspective of addressing social issues." The Q&A session provided an opportunity for an exchange of views between the senior managers attending the Seminar and Mr. Arima. The Seminar

was extremely valuable in terms of strengthening ESG knowledge. In the future, Nikon will continue to provide opportunities for senior managers to learn about international trends in ESG directly from external experts, and to foster communication in this area.

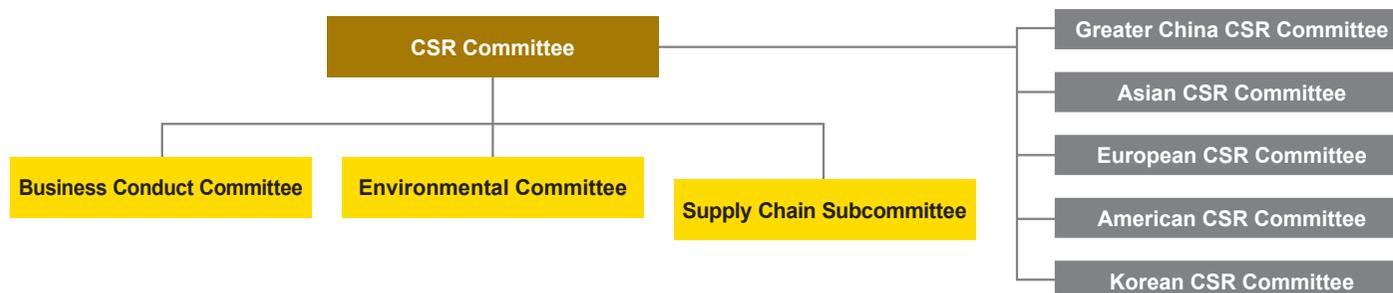


Mr. Toshio Arima



ESG Seminar in progress

CSR Promotion Organization (As of April 1, 2018)



> Our Approach to Sustainability > CSR Promotion System > CSR Priority Issues > Stakeholder Engagement

■ CSR Promotion at Group Companies Outside Japan

We have assigned the supervision and promotion of CSR to each holding company outside of Japan, taking into account the characteristics of each region, including culture, customs and language, so as to advance uniform and consistent sustainability initiatives across the Nikon Group. We divide the geographic areas where we operate into five regions (excluding Japan). CSR Committees consisting of Group company directors are established in each region, and CSR Communication Meetings consisting of CSR coordinators at each company. In addition, a CSR Global Communication Meeting is held once a year. This Meeting brings together representatives of the CSR departments in each regional holding company to share information about and discuss social trends in each region, the progress made in CSR activities, issues that need to be addressed, etc.

■ Raising Employees' Awareness About CSR

The Nikon Group publishes a quarterly CSR newsletter to raise the level of employees' CSR awareness. The newsletter is published in 15 languages, providing Nikon Group employees all over the world with information about activities related to the SDGs and about the latest CSR news, both within and outside the Nikon Group. In the year ended March 31, 2018, an additional special issue of the CSR newsletter was published to accompany the revision of the Nikon Code of Conduct.



CSR Newsletter

■ Reviewing Management and Measures for Improving ESG Performance

The Nikon Group adopts a proactive approach towards ESG assessment, with the aim of supporting our transformation into an enterprise that makes a significant positive contribution towards the sustainable growth of society. In the year ended March 31, 2018, referencing questions from ESG rating agencies, the weaknesses in the Nikon Group's CSR efforts were identified; information about these weaknesses was shared across departments, and improvement measures were implemented.

As a result of the Group's efforts, Nikon has been included in the international FTSE4Good Index since 2004. Within Japan, Nikon is included in all three ESG indexes adopted by the Government Pension Investment Fund (GPIF): the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index.

[▶ Stakeholder Engagement \(P17\)](#)

■ Participation in the RBA

With the aim of enhancing the overall level of CSR both within the Nikon Group and in the supply chain, Nikon joined the Responsible Business Alliance (RBA) in May 2018. The RBA (formerly the Electronic Industry Citizenship Coalition, or EICC) is a global entity that aims to bring about ongoing improvements in the areas of labor, environment, ethics, and health and safety, for the workers and societies that are impacted by the supply chains of the participating enterprises, most of which are in the electronics sector. In the future, the Nikon Group will be integrating the RBA code of conduct into Group activities, so as to enhance the overall level of CSR activities.

> Our Approach to Sustainability > [CSR Promotion System](#) > CSR Priority Issues > Stakeholder Engagement

Initiatives under the UN Global Compact

Nikon became a signatory to the UN Global Compact in 2007. We respect the ten principles covering the four areas of human rights, labor, environment and anti-corruption.



Main Achievements for the Year Ended March 31, 2018 in relation to the Ten Principles of the UN Global Compact

	Policy	Jurisdiction	Achievements
Human rights/ Labor	Nikon CSR Procurement Standards	Supply Chain Subcommittee	Conducted surveys of procurement partners based on the Nikon CSR Procurement Standards, carried out audits based on the results, and requested submission of improvement plans/ Provided support for improvements by procurement partners that were asked to implement improvements in the previous year, and verified the results of improvement efforts.
	Policy on Conflict Minerals		Conducted surveys on conflict minerals covering procurement partners
Environment	Nikon Long-term Environmental Vision	Environmental Committee	Expanded coverage of the environmental management system to the entire Nikon Group, and implemented activities in accordance with the Environmental Action Plan
	Nikon Green Procurement Standards	Supply Chain Subcommittee	Conducted surveys and audits of procurement partners related to their environmental management systems
Anticorruption	Nikon Anti-Bribery Policy	Business Conduct Committee	Provided training on, and implemented, the guidelines formulated in each region

CSR Priority Issues

In addition to selecting CSR priority issues, the Nikon Group also establishes annual targets for each priority issue, and manages and promotes Group-wide CSR activities.

Re-selection of CSR Priority Issues

In order to ensure the efficient, steady implementation of CSR measures, the Nikon Group identifies CSR priority issues to focus on. The responsible departments then set targets for each priority issue. The measures adopted in relation to each target are reported on every six months to high-level management committees (that have senior managers as either the committee chairperson or as committee members), including the CSR Committee, and are evaluated by them. In this way, the Nikon Group is able to monitor the progress made in CSR activities and the results achieved, implementing a PDCA (Plan - Do - Check - Act) process that ensures that necessary action is taken.

To mark the 100th anniversary of the company's founding, Nikon has formulated a new management vision that looks ahead to the next 100 years, and which embodies the Nikon Group's determination to "Unlock the future with the power of light." To ensure that this vision and this determination are reflected in our CSR activities, in the year ended March 31, 2018, we embarked on a revision of the Nikon Group's CSR priority issues.

The Process to Identify Priority Issues

The Nikon Group uses the following process to identify CSR priority issues.

Step 1 Identification of social issues

Significant social issues are identified from the GRI Guidelines, ISO 26000, the United Nations Global Compact, the Sustainable Development Goals (SDGs), etc. Those issues that are of particular relevance to the Nikon Group are then extracted, on the basis of value chain analysis.

Step 2 Assessment of importance from a stakeholder perspective

By examining the issues that ESG investment evaluation organizations prioritize, through communication with NGOs and other internal and external stakeholders, and through benchmarking with respect to other enterprises that have already brought CSR to a particularly high level, we assess the relative importance of the identified social issues from a stakeholder perspective.

Step 3 Assessment of priority order from the Nikon Group's point of view

We evaluate which issues the Nikon Group needs to address, and what priority order these should be placed in, on the basis of the Group's vision and business strategy, etc.

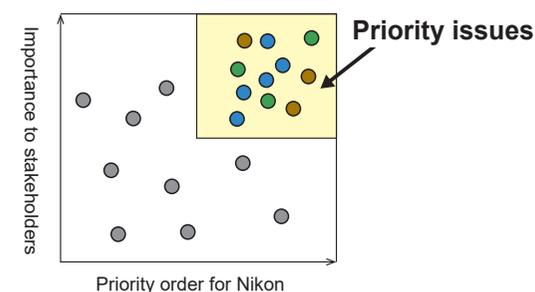
Step 4 Identification and determination of priority issues

On the basis of the results of review by those departments for which each issue is particularly relevant, we identify the CSR priority issues, with the final review and determination being made by the CSR Committee.

Step 5 Setting of targets for each priority issue

For each of the CSR priority issues that has been selected, we specify the issues for which measures must be taken in the medium term (i.e. in the next 3–5 years), set Group-wide annual targets for each of these issues, and then set targets for individual related departments.

Schematic Diagram Showing the Approach Used in the Selection of CSR Priority Issues



Nikon's CSR Priority Issues

On the basis of the process for identifying priority issues, in the year ended March 31, 2018, the Nikon Group identified 11 CSR Priority Issues falling within the three key areas of "Contributing to society through business activities," "Responding to environmental issues," and "Strengthening CSR foundation."

The issues within the "Responding to environmental issues" area are being tackled in coordination with the Nikon Long-term Environmental Vision that was formulated in 2016. Through the "Strengthening CSR foundation" approach, we will maintain and develop the activities that have constituted the foundations of Nikon's CSR management in the past. The single most important aspect

of the revised CSR Priority Issues is the goal of "Solving social issues by using opto-electronics technology" in line with Nikon's new vision, as part of "Contributing to society through business activities."

In the past, the Nikon Group has continued to bring the world industry-leading cameras, lithography equipment etc., creating the new value that each era required. Cameras provide joy and move people by making it possible to save and share beautiful images easily, while lithography equipment has contributed to the IT revolution by supporting the dramatic evolution of semiconductors and displays; today, this equipment is playing an important role in the development of Internet of Things (IoT) and Artificial Intelligence (AI) technology.

In the future, the Nikon Group will continue to undertake business activities that aim to help solve a wide variety

of social issues by applying Nikon's opto-electronics technologies etc. to different fields.

Forms of Engagement with Stakeholders

We recognize the importance of listening to the views of external experts and undertaking communication with stakeholders on an ongoing basis, and of making effective use of what we learn from these in our CSR activities. In line with this approach, the Nikon Group canvasses stakeholders' views on the CSR Priority Issues, and makes adjustments as necessary.

In the year ended March 31, 2018, we engaged in dialogue with two external experts regarding the selected CSR Priority Issues, to verify the appropriateness of the Priority Issues.

Nikon Group's CSR Priority Issues

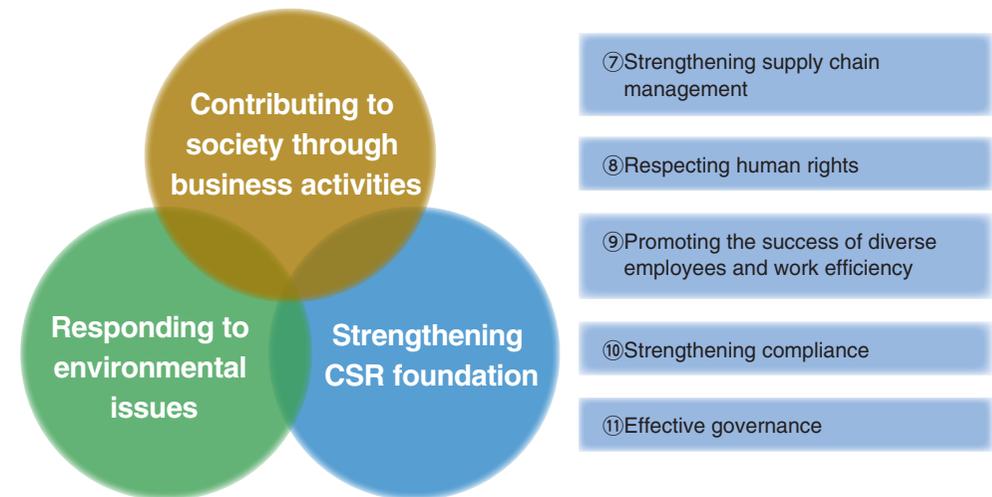
Previous CSR Priority Issues

- Promotion of information security
- Implementation of compliance activities
- Ensure product quality and safety
- Expansion and promotion of environmental management
- Respect for human rights and labor practices, and promotion of diversity in the employees
- Promotion of CSR activities in the supply chain
- Promotion of community contribution activities



- ① Solving social issues by using opto-electronics technology
- ② Challenging toward innovation
- ③ Improving products/service quality
- ④ Promoting low carbon society
- ⑤ Promoting resource circulation
- ⑥ Contributing to a healthy and environmentally-safe society

New CSR Priority Issues (11 issues in 3 areas)



- ⑦ Strengthening supply chain management
- ⑧ Respecting human rights
- ⑨ Promoting the success of diverse employees and work efficiency
- ⑩ Strengthening compliance
- ⑪ Effective governance

Dialogue with External Experts

The Nikon Group has engaged in dialogue with external experts regarding the selected CSR Priority Issues. The experts' views have been reported to the CSR Committee, and will be referenced in future CSR activities.

Date of dialogue implementation:

Thursday, March 15, 2018

Purpose:

- To confirm the appropriateness of the CSR Priority Issues.
- To receive advice regarding the progress made in relation to the targets and measures for each Priority Issue.

Participants:

Professor Katsuhiko Kokubu, Professor, Graduate School of Business Administration, Kobe University,

Ms. Makiko Akabane, Director, CSR Asia Japan Office,

Kenji Yoshikawa, Deputy General Manager, Corporate Strategy Division, Nikon,

Michiko Seki, Department Manager, CSR Department, Nikon, and six other Nikon staff members



Professor Katsuhiko Kokubu

Structural reform requiring CSR

Overview: To develop a business, it is vitally important to adopt a wide-ranging perspective; it is fair to say that considering social issues and CSR is one of the most effective ways to achieve this. In the case of measures that are unlikely to generate profit in the short term, when one adds in the CSR perspective, it may be possible to see how a given measure can create value over the long term. It is important that CSR activities are organized systematically, with a clear division between those measures that are compulsory and those that are undertaken to create value.

CSR Priority Issues 1–3: It is important for CSR to be positioned properly within the company's overall business strategy, and integrated into the medium-term business plan. If the company's business targets include CSR targets as well as financial targets, then this will create a standard that allows CSR implementation to continue effectively regardless of changes in senior management, and will also make the company's CSR efforts more convincing.

CSR Priority Issues 4–6: The implementation of low-carbon solutions throughout the whole of the supply chain is an important point. Science-based targets (SBTs) and life-cycle assessment (LCA) are certainly significant, but they are after all only methods; the important thing is how the use of these methods to drive CSR activities is visualized, and how it leads to carbon reductions etc. In regard to resource circulation, because the most important thing is to achieve reductions, it would probably be a good idea to incorporate that perspective.

CSR Priority Issues 7–11: New measures are needed in order to bring out Nikon's unique characteristics. With regard to labor, there will be a change in the future away from workers being expected to work for specific periods of time towards them being expected to provide specific results. I think it would be a good idea to incorporate that aspect into the approach taken, and to promote the adoption of diverse working styles.



Ms. Makiko Akabane

Using CSR to strengthen employee motivation

Overview: Linking CSR with corporate significance can help to boost employees' morale. As a high percentage of Nikon's workforce is located overseas, the question of how to share CSR principles is particularly important. It would also seem that it should be possible to use CSR to canvass the views of employees in different parts of the world.

CSR Priority Issues 1–3: The content of these Priority Issues is very exciting. I hope that these ideas can be linked directly with concrete social value. To realize this, it is important to have a framework in place for collecting information on society's needs.

CSR Priority Issues 4–6: The long-term environmental vision is too abstract. I think Nikon needs to take a more proactive approach towards disclosing the specific numerical targets that have been established internally. In today's environment of intense international competition, this may involve focusing more on ESG assessment.

CSR Priority Issues 7–11: In regard to the supply chain, supplier ownership is an important keyword. I think it would be advisable for Nikon to incorporate this approach. Fostering employee diversity and diverse working styles is an area where Japan has so far not been very successful. This is a very important issue, and given that Nikon has so many overseas employees, it is also important that Nikon adopt a global perspective. With regard to governance, the percentage of directors that are women is a key issue. Another point that is attracting a great deal of attention at the moment is whether or not the board of directors has an adequate self-checking function.

> Our Approach to Sustainability > CSR Promotion System > **CSR Priority Issues** > Stakeholder Engagement

CSR Priority Issues – Targets and Results

The Nikon Group establishes concrete targets in relation to the CSR Priority issues, and manages the implementation of the measures adopted to realize these targets.

Results for the Year Ended March 31, 2018 [Summary]

Priority Issues	Targets for the Year Ended March 31, 2018	Results	Self-evaluation	Corresponding page
Development of a CSR infrastructure	Review management and measures for improving ESG performance and increase rating in main external ESG evaluations	Nikon is included in all three of the indexes that were newly adopted by the GPIF in July 2017.	○	P9
Promotion of information security	Request in writing contractors handling important information of the Nikon Group secure our information security	Based on our flow through the legal information management system, 114 written requests were sent to relevant contractors.	○	P105
Implementation of compliance activities	Evaluate risks on a global basis by taking into account business fields, business formats and regional risks and then conduct anti-bribery training for business divisions found to have high potential risks	Anti-bribery risk assessment was performed on a global basis, and anti-bribery training was implemented at 23 companies that were found to have a relatively high risk.	○	P95
	Continue to provide education annually on a global basis, and ensure that competition law training takes root in the Nikon Group	Competition law training was implemented on a global basis at 53 companies so that this training would take root in the Nikon Group.	○	P96
Ensure product quality and safety	Number of serious product accidents* ¹ related to safety: 0	Number of serious product accidents* ¹ related to safety: 0	○	P33
Expansion and promotion of environmental management	* For environment-related targets, please refer to the Environmental Action Plan Target for the Year Ending March 31, 2018 [Summary].			P40
Respect for human rights and labor practices, and promotion of diversity in the employees	Increase the female ratio in management positions at Nikon to 7% of the total by March 31, 2020* ²	The female ratio in management positions at Nikon stood at 5.8% as of March 31, 2018. This was approximately 0.1 percentage points higher than when the target was first established.	○	P85
	Ensure the female ratio hired in regular recruitment during the year ending March 31, 2018 is at least 25% (regular recruitment for 2018)	The female ratio hired in regular recruitment during the year ended March 31, 2018 was 29% (regular recruitment for 2018).	○	P85
Promotion of CSR activities in the supply chain	[Green procurement] Total number of certified environmental partners: 415 companies	Total number of certified environmental partners: 450 companies	○	P66
	[CSR procurement] • Assist suppliers requested to take corrective action following the CSR survey in the year ended March 31, 2017 • Review and make improvements to all processes of surveys and assessments about CSR risk	• Corrective action was completed at 3 companies at which audits were performed and at 10 companies that had been asked to draw up improvement plans. • Activities were adjusted and improvements made.	○	P74
	[Conflict minerals] Expand scope of surveys	With respect to Nikon Metrology, conflict minerals awareness-raising was implemented, along with risk evaluation and implementation of minerals surveys targeting suppliers.	○	P75
Promotion of community contribution activities	Increase the ratio of participation in community contribution activities compared to the trailing three year average	Over the past three years (from the year ended March 31, 2016 through to the year ended March 31, 2018), the participation rate has averaged 15.9%. This represents an increase of 2.3% points compared to the base value of 13.6% (which was the average participate rate over the period from the year ended March 31, 2015 through to the year ended March 31, 2017).	○	P110
	Implementation ratio of self-evaluations to encourage activities following the community contribution activity plan: 90%	Self-evaluation implementation rate: 91.8%	○	P109

*¹ Serious product accidents related to safety: pursuant to the definition of serious product accident stipulated in the Consumer Product Safety Act.

*² 5.7% at the time the target was set on March 31, 2017

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Targets for the Year Ending March 31, 2019 [Summary]

Priority issues	Relevant SDGs	What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Contributing to society through business activities	① Solving social issues by using opto-electronics technology   	Development of optics technology and improvement of production systems to respond to all social needs	(In accordance with the business plan)	Nikon Group
		Development of imaging products and services for people's pleasure		
		Contribution to the innovation of two main devices (semiconductor and FPD)		
		Promotional drives for applications in healthcare business segment		
	② Challenging toward innovation  	Promotion of open innovation	Create business plans and support for start-ups through the Nikon Intrapreneur Program	Nikon
		Creating new business	Screening of venture companies with synergies with Nikon, review of business plans and investment from funds	Nikon
		Creation of a framework to develop core technologies and to utilize them across all businesses (effective research and development)	Establish businesses that are able to meet new needs for optical devices and precision components	Nikon Group
	③ Improving products/service quality 	Improvement of the quality management system	Number of serious product accidents related to safety*1: 0	Nikon Group
		Improvement of the communication system with customers	Strengthen systems by actively listening to customers	Nikon Group
		Enhancement of employees' knowledge and skills training	Build a new quality management education system that strengthens the connection between employees' roles and work	Nikon Group in Japan
Responding to environmental issues	④ Promoting low carbon society  	Promotion of low-carbon technology for production facilities and production processes	Reduce business facility CO ₂ emissions by at least 14.4% compared to the year ended March 31, 2014	Nikon Group in Japan / Group manufacturing companies outside Japan
		Promotion of renewable energy adoption	Implement survey of renewable energy initiatives	Nikon Group in Japan / Group manufacturing companies outside Japan
		Implementation of measures aimed at realization of Science-based Targets (SBTs)	Set science-based targets (SBTs)	Nikon Group
		Reduction of CO ₂ emissions over the product lifecycle through visualizing products' environmental impact	Promote environmental impact assessment that uses the LCA methodology	Nikon Group
	⑤ Promoting resource circulation  	Promotion of the recycling of waste	Nikon and Group manufacturing companies in Japan: Maintain level S Group manufacturing companies in China: Maintain level 1	Nikon / Group manufacturing companies in Japan / Group manufacturing companies in China
			Implement measures to recycle chemical substances	Nikon Group in Japan / Group manufacturing companies outside Japan
		Promotional measures to foster the cyclical utilization of water resources that are suited to local needs	Formulate targets for enhancing water use efficiency in line with the level of water risk in each region	Nikon Group in Japan / Group manufacturing companies outside Japan
		Promotion of the "3Rs" (Reduction, Reuse, and Recycling) with respect to products and parts	Promote the recycling of products, parts and materials	Nikon Group

*1 Based on the definition of serious product accidents used in the Consumer Product Safety Act.*1 Based on the definition of serious product accidents used in the Consumer Product Safety Act.

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Targets for the Year Ending March 31, 2019 [Summary]

Priority issues	Relevant SDGs	What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope	
Responding to environmental issues	⑥ Contributing to a Healthy and Environmentally-safe Society   	Appropriate management of the chemical substances used in production	Implement activities based on the Nikon Group's chemical substance management guidelines	Nikon Group in Japan / Group manufacturing companies outside Japan	
		Appropriate management of chemical substances contained in products throughout the supply chain	Maintain compliance with the hazardous chemical substance laws of each country (RoHS, REACH, etc.) Begin full-scale use of chemSHERPA Improve the efficiency of Nikon Green Procurement auditing operations with respect to procurement partners	Nikon Group Nikon Group Supply chain	
		Implementation of activities aimed at safeguarding biodiversity	Promote FSC-certified paper use for newly-printed paper items with the Nikon logo	Nikon Group	
		Monitoring of the supply chain	Build a system for managing information of procurement partners of all the Nikon Group in Japan at a single location	Nikon Group in Japan	
Strengthening CSR foundation	⑦ Strengthening supply chain management  	Dealing with important issues in the supply chain	Decide on CSR risk management indicators for procurement partners Establish a mechanism for using RBA capacity building tool	Nikon Nikon	
		Country-of-origin surveys and due diligence for conflict minerals	Expand scope of surveys to products subject to European regulations	Supply chain	
		Identification of human rights risks	Create action plan on human rights due diligence	Nikon	
	⑧ Respecting human rights  	⑨ Promoting the success of diverse employees and work efficiency  	Making diversity and inclusion a core pillar of human resource development	Achieve a female ratio of management positions of 5% by March 31, 2023*2 Attain a 25% or higher female ratio in regular recruitment at Nikon Formulate activity plans to increase the percentage of employees with disabilities at each Nikon Group in Japan to at least 2.3% of by June 1, 2021, and implement the first phase of this plan	Nikon Nikon Nikon Group in Japan
			Productivity enhancement and work-life balance improvement through measures including support for diverse working styles	Increase the percentage of employee taking at least 14 days of annual paid leave to at least 70% Reduce the number of employees working excessive overtime** 60 hours or more per month (on a monthly average basis)- to "0"	Nikon Nikon
			Promotion of health and safety	Reduce occupational accidents in all the Nikon Group in Japan attributed/ related to work**4 to less than 40	Nikon Group in Japan
			Dissemination of the Nikon Code of Conduct	Implement the training on the new Nikon Code of Conduct (revised in January 2018) at Nikon and all of the Group companies	Nikon Group
	⑩ Strengthening compliance 	⑪ Effective governance	Improvement of the reporting and consulting system	Collect and analyze information related to the introduction of the external contact points handled by a specialist firm in the Asian region	Nikon Holding Hong Kong Limited / Group companies in Asia and Oceania
			Implementation of measures based on the results of the evaluation of the Board of Directors' effectiveness	Consider the establishment of a voluntary nominating committee 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	Nikon Nikon
			Strengthening of risk awareness and management	Implement risk analysis covering the entire Nikon Group and ensure linkage between related departments	Nikon Group

*2 The numerical targets were adjusted in order to revise the definition of "management positions" accompanying the revision of the HR management system that was implemented in April 2018.

*3 Overtime is defined as the number of hours obtained by deducting the statutory working hours per month (i.e. 40 hours × the number of days in the month ÷ 7) from the total number of hours worked per month (including work performed on weekends and public holidays etc., but excluding annual paid leave, absence without leave, and compensatory days off).

*4 Excluding traffic accidents while traveling on business, and excluding accidents involving falls etc. where the accident was mainly due to individual carelessness.

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Stakeholder Engagement

The Nikon Group fosters two-way communication with its stakeholders through various methods and opportunities.

Main Forms of Engagement with Stakeholders

Stakeholder	Methods of engagement
Customers	<ul style="list-style-type: none"> - Call centers and service counters - Responses to customers by departments in charge of sales / services - Sharing of information via the website and other methods - Exhibitions / events, etc. - News releases via mass media and other methods
Shareholders and Investors	<ul style="list-style-type: none"> - General meetings of shareholders - Publishing of various types of printed materials including NIKON REPORT, and interim / annual reports - Sharing of information via the website and other methods - ESG investment results briefings - Addressing ESG institutional investors and researchers, etc.
Employees	<ul style="list-style-type: none"> - Sharing of information via company newsletter, the intranet, and other methods - Labor and management conferences, and conferences with employee-elected representatives - Reporting / Consulting System - Monitoring of Group companies and conducting of employee awareness surveys in relation to human rights/labor practices, etc.
Business partners	<ul style="list-style-type: none"> - Dialogue through everyday business activities - Meetings with procurement partners - Presentations for, and surveys and monitoring of, procurement partners in relation to CSR-aware procurement - Confirming the establishment of environmental management systems (surveys/audits), etc.
Society	<ul style="list-style-type: none"> - Participation in local events - Cooperation with NGOs / NPOs in social contribution and other activities - Participation in economic and industry organizations - Consultations with governmental agencies, etc.

List of Main Affiliated Organizations Related to CSR (As of May 31, 2018)

Organization Name
Business for Social Responsibility (BSR) Human Rights Working Group
Japan Business Council in Europe (JBCE) CSR Committee and Environmental Committee
Responsible Business Alliance (RBA)
Responsible Minerals Initiative (RMI)
Joint Article Management Promotion-consortium (JAMP)
Global Compact Network Japan
Business Ethics Research Center (BERC)
Japan Electronics and Information Technology Industries Association (JEITA) CSR Committee, Environment Committee, and Responsible Minerals Trade Working Group
Keidanren (Japan Business Federation) Committee on Corporate Behavior & Social Responsibility
Council for Better Corporate Citizenship (CBCC)
Japan NGO Center for International Cooperation (JANIC)
Japan Machinery Center for Trade and Investment (JMC)

List of Main Donations and Beneficiaries in Social Contribution Activities (As of March 31, 2018)

Organization Name	Organization Name
Chiba University	EU-Japan Fest Japan Committee
Toyo Bunko	Shanti Volunteer Association
University of Tokyo	Japan Professional Photographers Society
Japanese Foundation for Cancer Research	EDF-Japan
The Mitsubishi Foundation	The Nature Conservation Society of Japan
The Mitsubishi Economic Research Institute	The Seikado Foundation
Japan Student Services Organization (JASSO)	Japan Association for the World Food Programme
Museum of Astronomical Telescope	Japan International Cooperation Agency
OISCA	United Nations Information Centre (UNIC TOKYO)

* Organizations receiving the largest donations

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Evaluations from Stakeholders

As a business enterprise that adopts a proactive stance

towards CSR activities, the Nikon Group has received very positive evaluations from a variety of external organizations.

Other Evaluation Results (Year Ended March 31, 2018)

- In February 2018, Nikon Sustainability Report 2017 won the Excellence Award in the Environmental Reporting section in Japan's Environmental Communication Awards.

Inclusion in ESG Investment Indexes (As of May 31, 2018)

ESG Investment Index	Selected/Overview
FTSE4Good Index Series  FTSE4Good	Selected: Since 2004 The FTSE4Good Index Series is designed by FTSE Russell, wholly owned by London Stock Exchange Group, to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.
Morningstar Socially Responsible Investment Index (MS-SRI) 	Selected: Since 2010 The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.
ECPI Ethical Index Global 	Selected: Since 2011 ECPI is a company based in Italy and Luxembourg, and produces research, ratings and indices on companies' ESG performance.
SOMPO JAPAN SNAM Sustainability Index 	Selected: Since 2013 The SOMPO JAPAN SNAM Sustainability Index is a socially-responsible investment product that enables pension funds and other institutional investors to invest broadly in companies with high evaluations for ESG.

Rating Evaluation (As of March 31, 2018)

Rating	Evaluation/Overview
DBJ Environmental Ratings 	Evaluated: Since 2016 Nikon acquired the highest certification level of the environmental ratings given out by the Development Bank of Japan and received financing based on this assessment. Additionally, Nikon was recognized with a special award for its excellence. The DBJ Environmental Ratings evaluate environmental management based on a rating system developed by the DBJ to select leading companies and provides the world's first financing plans that implement a specialized method of environmental rating to set financing terms according to the rating.

ESG Investment Index	Selected/Overview
MSCI ESG Leaders Indexes	Selected: Since 2014 The MSCI ESG Leaders Indexes comprise companies with high ESG ratings in their industry sectors.
FTSE Blossom Japan Index* ¹ 	Selected: Since 2017 FTSE Blossom Japan Index is designed to reflect the performance of Japanese companies with excellent track records in terms of ESG.
MSCI Japan ESG Select Leaders Index* ¹	Selected: Since 2017 MSCI Japan ESG Select Leaders Index selects companies from various sectors with excellent ESG practices from among the top 500 Japanese stocks in terms of market capitalization.
MSCI Japan Empowering Women Index* ¹	Selected: Since 2017 MSCI Japan Empowering Women Index selects companies from various sectors with excellent gender diversity from among the top 500 Japanese stocks in terms of market capitalization.
Euronext Vigeo Eiris Index World 120 	Selected: Since 2018 The Euronext Vigeo Eiris Index World 120 is a sustainability index created by NYSE Euronext, which operates several stock exchanges in the U.S.A. and in Europe, and ESG (Environmental, Social and corporate Governance) research firm Vigeo Eiris; the Euronext Vigeo Eiris Index World 120 includes 120 companies in Europe, North America and the Asia Pacific Region that have demonstrated outstanding performance in terms of ESG.

*¹ A newly developed index that has been selected as an investment target by the Government Pension Investment Fund, or GPIF.

Contributing to Society through Business Activities

Based on its new management vision, the Nikon Group will create new value that contributes to the sustainable development of society through Nikon's core technologies including opto-electronics technology.

Priority Issues

- 1 Solving Social Issues by Using Opto-electronics Technology [▶P19](#)
- 2 Challenging toward Innovation [▶P24](#)
- 3 Improving Products/Service Quality [▶P30](#)

Priority Issue 1

Solving Social Issues by Using Opto-electronics Technology



Background

Companies are considered public institutions. Now that environmental and social issues are becoming ever more serious, companies are required to solve these issues through business and contribute to the realization of a sustainable society.

The Nikon Approach

The Nikon celebrated its 100th anniversary in 2017 and established its vision to "Unlock the future with the power of light". Based on this belief we aim to solve social issues and further growth by improving core technologies with a focus on opto-electronics technology, which has so far produced cameras and lithography systems, widely utilizing them beyond conventional fields. With regards to opto-electronics technology in particular, and in addition to efforts to expand the scope of each business, we have concentrated the Group's optics development and design functions, as well as its optical component production functions, to create synergistic effects, and have established a system that accurately and quickly addresses new demands.

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Development of optics technology and improvement of production systems to respond to all social needs	(In accordance with the business plan)	Nikon Group
Development of imaging products and services for people's pleasure		
Contribution to the innovation of two main devices (semiconductor and FPD)		
Promotional drives for applications in healthcare business segment		
Development of new industrial machinery needs in line with the evolution of the Internet of Things (IoT)		

Continuing to Expand the Possibilities of Imaging (Imaging Products Business)

A Range of Imaging Possibilities around the World

In 1950, David Douglas Duncan (1916–2018), a photographer from the American magazine Life, was taken amazed by the incredible performance of NIKKOR lenses, after seeing some photographs taken by his colleague with a NIKKOR lens, and subsequently visited Nikon's Oi headquarters plant and bought two lenses. David Duncan then went on to cover the Korean war with his lenses, and had one outstanding photo after another published in Life magazine. Following this, The New York Times published a feature article praising the brilliance of Nikon and its NIKKOR lenses, which consequently gave Nikon worldwide recognition.

From then until now, Nikon cameras and NIKKOR lenses have received broad support from professional photographers, such as those in news organizations, as well as amateur photographers due to their high image quality and reliability in capturing history and memories in one shot. The D850 digital SLR camera released in 2017 has been widely supported by users for its superb performance and usability, and has received numerous awards internationally. In the same year, in commemoration of Nikon's 100th anniversary, Nikon, for the first time ever, held fan events in 7 different cities in Japan, deepening ties with many Nikon enthusiasts from around the world.

In recent years, in order to expand the possibilities of imaging, Nikon merged the robotics technology of the UK company Mark Roberts Motion Control Limited (MRMC), which became a Nikon subsidiary in 2016, with Nikon's imaging equipment technology, and now offers unprecedented dynamic images in the fields of sports and movie production. Nikon will continue to pursue the possibilities of imaging.



The D850 Digital SLR Camera



MRMC's remote control camera for stadiums



A commemorative photo of fans and staff at the NIKON 100TH ANNIVERSARY FAN MEETING in Tokyo, August 2017

[▶ Related article: Customer Satisfaction \(P34\)](#)

Nikon in Space

In 2017, Nikon received orders for 53 D5 digital SLR cameras from NASA, which were duly delivered. The cameras are planned to be used as photography equip-

ment for astronaut training as well as for onboard and outside the International Space Station (ISS). NASA did not request any special modifications to the product's hardware. All of the cameras supplied were commercially available D5 digital SLR cameras. Proof that Nikon's durability and reliability is good enough to withstand even the most extreme environments. Nikon will continue to support space research and Antarctic exploration with its superior reliability.

Contributions to Photographic Culture

As an activity to enhance and expand photographic culture, Nikon established the Nikkor Club, providing opportunities for users of Nikon products to appreciate photography even more. Additionally, the Nikon Salon was created as an exhibition space for both professional and amateur photographers to display their works. Nikon also supports junior and senior high school photo clubs with magazines, and the Nikon Photo Contest, which enthusiasts from around the world participate in. For the 36th Nikon Photo Contest 2016-2017, Nikon established the Next Generation division, with the aim of discovering young talent, as well as a division to commemorate the centennial of our founding. Nikon will continue to contribute to the development of culture of photography.

Supporting Advances in IT

(Precision Equipment Business)

Semiconductor Lithography Systems Supporting Advances in AI and IoT

AI (Artificial Intelligence) and IoT (the Internet of Things), said to be the fourth industrial revolution, have made great strides in recent years. It is the advances in semiconductors which support these changes.

The first IC (integrated circuit) when created in 1959 contained only a few components. Since then, in keeping with Moore's law which states that the number of transistors in an integrated circuit doubles about every 18 to 24 months, advances in semiconductors have continued unabated. And now, the most state-of-the-art IC contains billions of components.

This advancement in semiconductors has driven the IT revolution and created huge changes from the state of industry to personal lifestyles. This wave of change unremittingly continues to this day.

Semiconductor lithography systems, said to be the most precise machines in history, are responsible for the most important processes in semiconductor manufacturing. IC circuits are formed by reducing and projecting the original circuit board of the IC and superimposing it several tens of times onto a silicon wafer. The latest NSR-S631E ArF immersion scanner has an accuracy approaching approximately 2 nm (1 nanometer = 1 billionth of a meter). Nikon's opto-electronics technology, and precision technology, etc. are put together at the highest levels. In 2017 Nikon released the Litho Booster, a new product which incorporates the function to precisely measure wafers without compromising productivity by taking advantage of proprietary state-of-the-art semiconductor lithography

system technology. High-speed and high-precision wafer measurements lead to large improvements in exposure accuracy resulting in better customer product yields and capital investment efficiencies.

By continuing to manufacture semiconductors Nikon is making efforts towards a better society and improvements in opto-electronics technology.



The NSR-S631E
semiconductor lithography
system



The FX-103SFPD
lithography system

FPD Lithography Systems, Making Advances toward Larger and Higher Definition FPDs

Flat-panel displays (FPD) are being used all around us, in the office and at home. They are getting thinner and

larger each year enabling us to more easily enjoy clearer and higher definition images. Nikon's FPD lithography systems are contributing significantly to this evolution. The FPD lithography system produces a thin film transistor (TFT) circuit by projecting and exposing the original circuit board of a TFT onto a glass plate. This TFT circuit controls three primary colors to display high resolution images.

Nikon's FPD lithography systems promote larger size and higher definition FPDs through its proprietary multi-lens system that arranges several rows of lenses that function like one.

Larger sized TVs and higher definition in smartphones and tablets give people significantly more beautiful images and a range of communication tools.

With FPDs in recent years high definition has advanced from Full Hi-Vision to 4K and 8K UHD (ultra-high-definition). As well as providing more beautiful images, high-definition displays are also being used in the medical field such as with surgical monitors and remote diagnosis. And along with the creation of displays other than in the standard square shape, we could see more widespread use in automotive instrument panels and center displays as well as in uniquely designed smart devices completely different to anything we have seen before.

Nikon will continue to respond to new demands and will contribute to the evolution of displays that make life and business easier and more prosperous.

Improving People's Quality of Life (Healthcare Business)

Aiming for a Society without Blindness

Diabetic retinopathy caused by diabetes is the biggest cause of blindness. Because it progresses without any noticeable symptoms it is not uncommon to get blind or have some kind of visual impairment even after receiving a diagnosis when symptoms do appear.

In 2015, Nikon acquired Optos Plc, a leading company in the retinal imaging product market, as a wholly owned subsidiary, then jointly developed state-of-the-art retinal diagnostic imaging equipment such as ultra-wide field retinal imaging devices. Symptoms caused by eye disorders appear not only in the central area of the fundus of the eye but also in the periphery. The ultra-wide field retinal imaging device capture a 200° wide view of the fundus of the eye covering the periphery too. It therefore contributes to earlier detection of lesions on the retina. And in 2016, Nikon signed a strategic alliance with the American company Verily Life Sciences LLC (an umbrella company of Google Inc. parent company, Alphabet Inc.) in the field of machine learning-enabled retinal imaging. By combining the strengths of the three companies, Nikon believes it can provide innovative solutions, including diagnosis of eye disorders such as retinal detachment and diabetic retinopathy and diagnosis of systemic disorders in the future.

Nikon will work on the development of medical care by strategically combining the technologies developed to date, including opto-electronics technologies, with the world's finest technologies.



An ultra-wide field retinal imaging device



Contract development and manufacturing service for cell culture for regenerative medicine

Aiming for the Early Development of Regenerative Medicine

With the revised Japanese Pharmaceutical Law having come into effect in November 2014, Japan is expected to put into practice the use of regenerative medicine at an early stage.

In 2015, Nikon partnered with Lonza of Switzerland, the

world's largest contract manufacturer for regenerative medicine, and established a wholly owned subsidiary, Nikon CeLL innovation.

The company entered into a manufacturing services agreement with the American firm, Athersys, Inc. in 2017 to commercialize the somatic stem cell regenerative medicine drug MultiStem®, which is undergoing clinical trials in Japan for the treatment of strokes. Therapeutic treatment with MultiStem may extend the time for effective treatment after a stroke from the current 4.5 hours to 36 hours and may also meaningfully enhance patient recovery. The extension of the treatment window will enable many more stroke patients to receive treatment than the current standard of care.

Nikon CeLL innovation offers a wide range of contract development and manufacturing services, from pre-clinical trials to product launch for regenerative medicine in cell and gene therapy. Furthermore, Nikon has begun a new business that utilizes its core technologies of optics technology and image analysis technology to provide cell quality assessments as a solution that has already been adopted at a number of sites.

Regenerative medicine is a field that is expected to provide new treatments for people throughout the world suffering from intractable diseases. Initiatives for product development and practical use are now underway and the regenerative medicine market is expected to increase further in the near future.

By participating in the early development of practical uses of regenerative medicine in Japan, Nikon will contribute to improving people's quality of life.

Supporting Reliable Manufacturing (Industrial Metrology Business and Others)

Industrial Metrology Supporting Advanced Manufacturing

From its diverse lineup of measuring and inspection tools, including industrial microscopes, measuring instruments and non-destructive, non-contact inspection systems, the Industrial Metrology Business Unit provides an indispensable and exhaustive quality control solution for sophisticated manufacturing processes, like those employed for electronic components, automotive and aerospace. The Laser Radar, which quickly and accurately measures the size of especially large objects, and X-ray/CT inspection systems, which can check the inner structure of objects non-destructively, have been gaining attention in the automotive and aerospace manufacturing processes, where further advances and safety are necessary requirements. In the year ended March 31, 2018, Nikon worked towards quality improvement by providing systems to more customers in these industries.

Furthermore, in the field of construction and surveying, Nikon-Trimble Co., Ltd., a joint venture between Nikon and the American company Trimble Inc., delivers high-precision surveying solutions that boost productivity.

Customized Products in Space

The Customized Products Business Unit addresses those needs that require specialized and advanced technology by capitalizing on state-of-the-art technologies like Nikon's opto-electronics technology and precision technology. Numerous achievements have been made in the fields of space exploration and astronomical observation, including optical systems for Japan's Venus Climate Orbiter Akatsuki project and observation systems for the Subaru large-scale optical-infrared telescope.



XT H 450 X-ray and CT inspection system



An image of Akatsuki taking shots of Venus
(Courtesy of the Japan Aerospace Exploration Agency)

Glass Business Providing Optical Materials to a Wide Range of Fields

The Glass Business Unit is one of the few manufacturers in the world that integrally produces high quality optical glass for lenses and photomask substrates for FPD, from the manufacturing of materials through to final processing. Technologies cultivated from the high performance lenses of semiconductor lithography systems are utilized not only for Nikon products but also in a wide range of optical components for customers outside the company, including components for lasers.

In the year ended March 31, 2018, Nikon developed and invested with the aim of gaining the leading position in the FPD photomask substrate business, and made efforts to expand the supply capacity.

Looking ahead Nikon will leverage these investments and further increase sales outside the company promoting the broad use of Nikon's high-grade optical glass technology.

Encoders that contribute to the evolution of Robotic Technology.

The encoder is a sensor which is a key part for controlling a robot and a machine tool. The encoder detects the rotation angle and rotation speed and realizes accurate and smooth movement. Using Nikon's proprietary technology, the Encoder Business Unit sells absolute encoders compatible with miniaturization and high reliability. They are highly regarded as standard products in the industry. In the year ended March 31, 2018, we contributed to the evolution of robots and machine tools and improved our business results.

Priority Issue 2

Challenging toward Innovation



Background

Innovation is essential for solving a range of social issues including SDGs. Also, constantly creating new technologies, products and services is essential for companies to survive and develop. As new technologies such as AI and IoT rapidly evolve, so too does innovation need to keep up more than ever before.

Responsible Officer's Message

Under its corporate philosophy of Trustworthiness and Creativity, the Nikon Group will address a wider range of social issues and needs while further strengthening the opto-electronics technologies created so far. Since optics technology and image analysis technology give the ability of sight to AI, it is predicted the required fields will expand extremely quickly. Additionally, the cycle of innovation has rapidly shortened since the IT revolution. Promoting open innovation is essential in order to respond to such speed.

Based on social and market trends, Nikon will proactively pursue initiatives to create new products and services by combining technology assets cultivated over many years within the Group with technologies and business opportunities outside the Group.

Toshikazu Umatate,

Senior Vice President, General Manager of Semiconductor Lithography Business Unit,
Chairperson of the Technology Strategy Committee

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Promotion of open innovation	Create business plans and support for start-ups through the Nikon Intrapreneur Program	Nikon
	Screening of venture companies with synergies with Nikon, review of business plans and investment from funds	
Creating new business	Establish businesses that are able to meet new needs for optical devices and precision components	Nikon
Creation of a framework to develop core technologies and to utilize them across all businesses (effective research and development)	Establish a technical information management system that can be used throughout the entire Nikon Group	Nikon Group

Promotion of Open Innovation

In order for companies to continue to develop and contribute to society it is essential that they continually innovate. Nikon is actively trying to respond to new demands by utilizing opto-electronics technology and precision technology cultivated over many years in combination with ideas and knowledge from both inside and outside the company.

The Open Innovation Approach

In today's world of rapidly diversifying needs and technological innovation, companies need to strategically find a way to bring about innovation. In the Open Innovation initiative advocated by Nikon, each business unit collaborates with various partners with the aim of expanding existing business areas.

Furthermore, Nikon will formulate medium and long-term technology strategies for the entire group, and through strategic alliances and M&A with suitable partners Nikon will endeavor to branch out into new business areas. Additionally, innovation is often born from a strong will to solve social problems.

By operating an effective program to support venture companies and employees who hold such strong intent and ideas to develop firm business plans, Nikon will continually achieve innovation while solving and improving on issues in society.

Building Open Innovation

■ CVC

Nikon started its Corporate Venture Capital (CVC) initiative in 2015. And today Nikon is building a global venture capital network. As a result, Nikon acquires cutting-edge technical information which venture companies in every region around the world work on, and uses this to assess funding and strategic alliances.

■ Nikon-SBI Innovation Fund

In July 2016, Nikon, in collaboration with SBI Investment, established a private fund, the Nikon-SBI Innovation Fund. The fund aims to invest directly in Nikon's existing business fields and venture companies involved in the latest technologies and services such as IoT, AI and robotics. The maximum size of the fund is expected to be 10 billion yen with seed (companies in the preparation stage) and early (start-up) businesses being the target for investment.

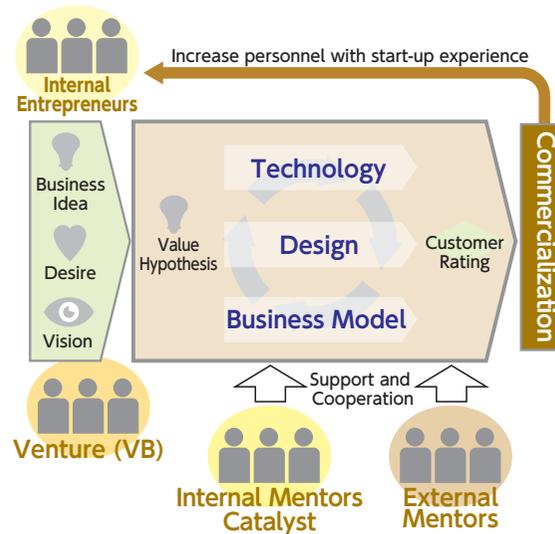
■ CAP

Nikon runs a Corporate Accelerator Program (CAP) that provides funds, assists and fosters venture companies with technological strength and promising business plans, as well as teams inside the company who are still in the R&D phase.

Venture Support Program

By Nikon working together with venture companies, the initiative leads to the creation of contact points with markets and customers that previously didn't exist, and helps to support innovative employees in the company.

How CAP Works



In the program, a Nikon member, known as a Catalyst, is chosen to look after the venture company and support its business development. Catalysts set targets according to the vision and mission for both the venture company and Nikon, and help drive forward business development. For those companies awarded with CAP Best Awards and Excellence Awards in 2017, Catalysts accompanied the venture companies on their visits to customers and discussed commercialization ideas for about half a year. It is through these activities that Nikon hopes to build a relationship that enables Catalysts to contribute to one another's business over the medium to long term by establishing a strong relationship of trust with venture entrepreneurs.

Nikon will continue to promote innovation in the commercialization process and the creation of new businesses through the Venture Support Program.



A CAP awards ceremony for business winners in 2017

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The Nikon Intrapreneur Program

In the year ended March 31, 2018, Nikon launched a new program for employees called the Nikon Intrapreneur Program (NIP). This is the first challenge for Nikon with a program that will give employees a chance to learn and grow, and help foster entrepreneurs within the company. In order to launch a business, it is necessary to involve all kinds of people both inside and outside the company with there being many cases where know-how and experience play an important role. However, the NIP gives opportunities to those with no entrepreneurial experience or history with preparing business plans provided that they have a strong desire to succeed.

The program has a system that allows employees to receive support at any time from internal Catalysts, or advisors, and from experienced experts from outside the company who can consult on business plans. Through the program Nikon will work towards supporting employees to take on new challenges with business in the company and further stimulate innovation.



The 3rd NIP workshop. Approximately 100 people participated over two days.



There were plenty of opportunities for employees to talk with each other in the NIP workshop

■ Collaboration with Universities, Companies and External Organizations

Nikon is actively working with outside parties with the CVC, cooperation of private funds and venture capital firms, as well as with the Corporate Accelerator Program and the Nikon Intrapreneur Program.

For example, Nikon is carrying out a joint research project in the field of regenerative medicine with the Center for iPS Cell Research and Application, Kyoto University. And furthermore, Nikon is engaged in a business and capital tie-up with Healios K.K., notably with the Smart Cell Processing Project to establish a technology for quality evaluation of cells.

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Creating New Business

In order to respond to new markets and customer's needs, Nikon is making efforts to create new business through systems maintenance that further strengthens and improves efficiency of Nikon's core technologies.

Business Development Division Initiatives

Nikon has established the Business Development Division as an organization responsible for the creation and development of new businesses. This Business Development Division is currently working on the creation of new businesses that will lead to the resolution of social issues while taking into consideration core technologies, market trends, market needs and other factors. Speed is essential to create new business. The basic policy of the division is to assess and select the viability of commercialization at an early stage while at the same time promoting various projects. Additionally, the Business Development Division is promoting the seamless utilization of the technologies, human resources, and customer bases of the business and R&D departments in order to accelerate the process of commercialization.

Creating a System to Accelerate the Development of New Business

Optical components become the eyes of various devices and systems, and with the development of AI and IoT, demand is expected to increase rapidly in the future. For this reason Nikon is improving corporate systems to enhance efficiency and strengthen development and production related to Nikon's core optical technology. Nikon consolidated the optical component production

functions of Nikon and its Group companies into Tochigi Nikon Corporation and started operations in February, 2017.

Additionally, in April 2017 Nikon integrated the optical design functions, which had until then been carried out across each business unit, and established the Optical Engineering Division.

The Optical Engineering Division is an organization that consolidates lens design, mechanical design, and systems design related to optical equipment and optical solutions. By bringing together and developing all the best technologies and knowledge on optical design that were until now harbored within each business unit into the Optical Engineering Division, Nikon is aiming to develop optical products that create new value. In April

2018, Nikon established the Precision Components & Modules Business Unit.

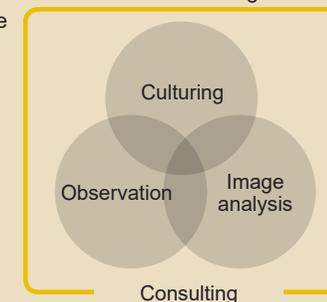
As a result, Nikon has widely utilized, in its products and further afield, precision technologies cultivated through a diverse range of products such as semiconductor lithography systems, said to be the most precise machinery in history, and optics technologies enhanced through development and production systems, and established a system to respond to new markets and customer needs. By continuing to strengthen these core technologies of precision technology and opto-electronics technology, utilizing as far as possible its businesses and products, and exploring the various needs of society and responding to them accurately, Nikon will aim to grow together with society.

Column

Useful Solutions for iPS Cell Drug Discovery

iPS cell drug discovery makes it possible to evaluate medicines through reproducing a patient's disease in a test tube using iPS cells made from the patient's skin. Within this backdrop, Nikon has started providing solutions that are useful for the drug discovery using iPS cells, specifically targeting neurological diseases which are particularly difficult to treat and develop appropriate medication for. Specifically, by bringing together Nikon's culturing, observation, and image analysis technologies into a comprehensive consultation service, Nikon supports more efficient experiments and accurate drug evaluations. This business was achieved through joint research with research institutes such as with universities both inside and outside Japan. In the future, Nikon intends to expand its business activities in new domains by combining its unique core technologies with technologies from outside the Nikon Group.

[▶ Providing solutions for iPS cell-based drug discovery](https://www.nikon.com/about/sustainability/highlight/1803_ips/)
https://www.nikon.com/about/sustainability/highlight/1803_ips/



Effective Research and Development

Since its founding Nikon has been advancing its research and development with a focus on opto-electronics technology and precision technology. Looking to the future too, Nikon will create new value by applying and developing technologies cultivated in various fields to become “the eyes for people and industry”.

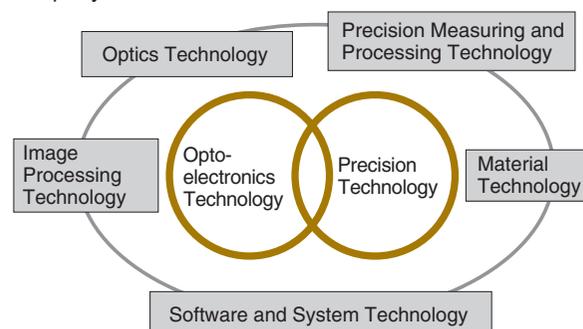
Basic Approach to Research and Development

Nikon carries out research and development in a wide range of fields including optics technology, precision measuring and processing technology, image processing technology, material technology, software and system technology, based on its core technologies of opto-electronics technology and precision technology. In particular, Nikon will work on establishing and maintaining state-of-the-art technology within its core technology of opto-electronics technology. At the same time Nikon will also explore new fields of technology based on its long-term strategy for technology.

Research and Development System

At Nikon, research and development is carried out within relevant Divisions (such as Research and Development Division) and Business Units (such as Imaging Business Unit).

In the relevant Divisions, research and development is carried out on technologies common to multiple business units and future technologies. For example, with respect to optics technology, Nikon’s core technology, research and development is conducted on a series of technologies from theory, design to production. On the other hand, the Business Units are engaged in specialized types of research and development on projects to achieve specific product specifications. Furthermore, Nikon is actively conducting research through joint research projects with universities and partnerships with venture companies as well as within the company.



Technology Hub

Nikon is promoting its Technology Hub. This is an effort to bridge the organizational structures of the R&D-related Divisions and business units, and to share technologies across the whole company. Through the Technology Hub Nikon is also playing the role of linking needs with seeds while reinforcing Nikon’s collective strength in technology. A concrete example is Nikon’s Technology Forum where all departments at Nikon connected with development can come together, share and present ideas on different themes. Nikon also runs a group portal site as a place where technical information from both inside and outside the company can be shared on a daily basis. Furthermore, employees with advanced technical knowledge are working on linking up parties inside and outside the company as well as internal organizations based around specific topics. Internal and external coordination such as this leads to open innovation. In the year ending March 31, 2019, Nikon will also work on building a technical information management system aimed at making effective use of seeds throughout the entire Nikon Group.

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Research and Development Initiatives

Nikon's research and development is focusing on information processing technology, including AI which has developed rapidly, especially in recent years. Nikon is promoting research and development so that AI can be used not only in products but also within the production process.

In the year ended March 31, 2018, Nikon established a platform structure to enable the Nikon Group to efficiently and effectively utilize AI. In the future, we plan to promote environmental improvements and technology developments based on this platform.

In addition, Nikon is promoting the research and development of roll-to-roll* display materials, which gained particular attention when announced in September 2017. In the presentation we made proposals for materials that can be used for flexible displays and sensor devices.

* The process of creating electronic devices on a roll-shaped flexible substrate.

Establish Technology Strategy Committee

The Technology Strategy Committee, overseen by the company president, was established in Nikon in November 2017.

After exploring and confirming Nikon's core competence and taking into account the future trends of society and markets, Nikon is aiming to build a medium to long-term technology strategy for developing new target areas and improving the competitiveness of existing businesses.

The technology strategy will also attempt to promote effective and efficient research and development from the viewpoint of management strategy by linking with the medium to long-term business plan.

Priority Issue 3

Improving Products/Service Quality



Background

No matter how good a product is, Nikon cannot contribute to the sustainable development of society unless the product is a safe one. As IoT rapidly advances, it is essential to ensure quality including safety in software and solutions as well as to address changes in people's lifestyles and values.

Responsible Officer's Message

The Nikon Group believes that its mission is to contribute to the sound development of society through creative and efficient manufacturing. For that purpose, the Nikon Group established the Production Technology Division in June 2017 and is working on innovating its manufacturing throughout the company. In particular, the most overriding theme is to ensure quality, including safety and environmental considerations. The Nikon Group is strengthening its quality assurance system, including its development of human resources with a focus on the newly established Quality Committee in September 2017. The Nikon Group will also place an emphasis on customer communication. In order to address the diversifying and sophisticated needs of customers it is essential to strategically incorporate the opinions of customers, and of society, into the business. The Nikon Group will endeavor to provide products that meet these needs through customer-focused manufacturing.

Jun Nagatsuka, Corporate Vice President,
General Manager of Production Technology Division

Nikon Manufacturing

The Nikon Group provides products and services based upon the concepts of Customer Focus and Quality First.

Manufacturing Reform

The Nikon Group manufactures a wide range of products from digital cameras to lithography systems. Until now Nikon had been pursuing a kind of manufacturing tailored towards special characteristics, but in order to create products with a higher level of added value further efficiencies and advancements of the manufacturing system are required. Therefore, in June 2017, the Nikon Group established a Production Technology Division that presides over manufacturing for the entire group and which goes beyond each individual business. Centered on this Production Technology Division, Nikon is promoting various reforms with respect to production systems, supply, and quality control, as well as production technology, with a view to streamlining the Group.

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Improvement of the quality management system	Number of serious product accidents related to safety*: 0	Nikon Group
Improvement of the communication system with customers	Strengthen systems by actively listening to customers	Nikon Group
Enhancement of employees' knowledge and skills training	Build a new quality management education system that strengthens the connection between employees' roles and work	Nikon Group in Japan

* Based on the definition of serious product accidents used in the Consumer Product Safety Act.

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■ Developing Human Resources to Foster Good Manufacturing Skills

The Nikon Group is carrying out employee training in relation to work roles and experience, including skill specific education by field for new recruits, to achieve a more advanced level of manufacturing. Nikon has cultivated talented people with the necessary skills and knowledge through long-term programs ranging from several months to one year. For example, Nikon has traditionally carried out skills training for new recruits to acquire basic manufacturing skills, and basic training courses for development designers who experience the whole manufacturing process from start to finish. In the year ended March 31, 2018, Nikon also implemented a new training course for key designers to understand manufacturing in general so as to improve their capabilities as designers. Furthermore, Nikon has long been training optic designers in order to maintain and improve its optics technology, one of Nikon's core technologies. As well as basic knowledge, which includes theory, skills unique to the company and transferable skills are also covered in this training. In the year ended March 31, 2018, Nikon worked to further strengthen optics technologies and improve quality, such as holding short-term optical training courses for employees who are not optical designers. In the year ending March 31, 2019, in addition to the above, Nikon will completely renew its quality management education and improve, more than ever before, its ability to solve problems from the viewpoint of quality first.

Product Quality Control

■ Our Policy on Quality Control

The Nikon Group has established a Basic Quality Policy with the idea to contribute to the healthy development of society by supplying goods (products and services) that go beyond our customers' expectations. Additionally, in order to carry through on this policy we have drawn up a Quality Control Directive (QCD). For each business unit (including Group companies), we have created a Quality Manual (QM) based on the QCD. This QCD encompasses most of the requirements of ISO 9001* accreditation, and we are implementing swift and appropriate revisions in response to changes such as with trends and situations happening in the world. In the year ended March 31, 2018, Nikon included new items to review, such as design reviews, etc. so as to meet the required levels of quality.

* ISO 9001
An international standard of quality management system established by the International Organization for Standardization (ISO). The ISO 9000 series is a quality management system for organizations to maintain and manage quality. ISO 9001 certification can be obtained from an officially recognized body.

Basic Quality Policy

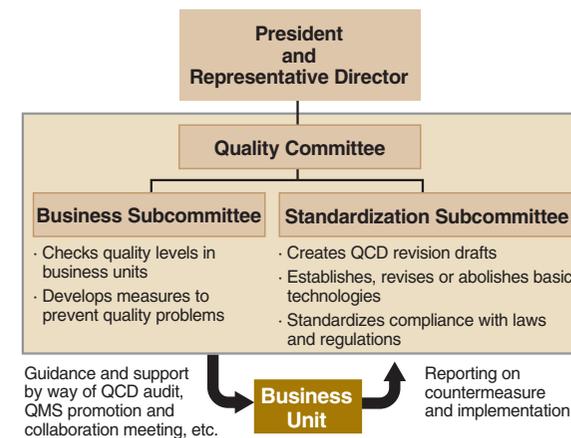
Based on its corporate philosophy of "Trustworthiness and Creativity," Nikon has established the following Basic Quality Policy. It aims to provide products that exceed the expectations of customers and contribute to the healthy development of society.

- (1) Through creative and efficient manufacturing, enhance brand value and provide high-quality distinctive products to the market in a timely manner.
- (2) Provide safe and environmentally friendly products to earn the trust of customers and society.

■ Quality Management System

The Nikon Group established a Quality Committee in the year ended March 31, 2018 as an organization that deliberates and decides important matters related to quality control throughout the entire group. The committee is chaired by a director and executive officer, with division managers from each business unit serving as standing committee members. Additionally, there are two organizations, the Business Subcommittee and the Standardization Subcommittee which reside under the Quality Committee. Through these subcommittees Nikon will make efforts to strengthen its prevention of quality problems, compliance with regulations, and ensure security. Nikon will also further any relevant skills in each organization. Decisions made at the Quality Committee are shared at the QMS Promotion Conference which is held twice a year as a forum for exchanging information among all the business units. Based on this, each business unit puts decisions made at the Quality Committee into its business, revising each QM where necessary, thereby strengthening the Quality Management System.

Image Diagram of Quality Management System



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■ Working with our Business Partners

Cooperation from business partners is essential in order to promote efforts towards the idea of quality first. For that reason, based on their understanding of the Nikon Group's philosophy of 'Quality First,' the Nikon Group has concluded a quality assurance agreement with its partners working together on supply and product development.

■ Small Group Activities

The Nikon Group believes it is essential that each and every employee holds a sense of awareness and that they look for ways to make improvements in their daily work in order to ensure a high level of quality. Because of this Nikon has been promoting small group activities since 1979. These types of activities have lasted for many years and have become embedded within the Nikon Group. In the year ended March 31, 2018, about 750 groups and 5,500 people worked in this way at Nikon Group in and outside Japan.

Furthermore, every year in July the Nikon Group holds select small group activity presentation meetings presided over by the company president, where the best activity groups from each region get together to talk and educate each other. In 2017, more than 130 employees participated in these meetings giving some wonderful presentations and activity ideas to improve activities in every region.



A Nikon Group select small group activity presentation in progress

■ Quality Training and Raising Awareness

The Nikon Group believes it is imperative that each and every employee acquires the relevant knowledge and skills in quality control. Based on this idea Nikon is actively conducting in-house training and awareness programs with regards to quality.

More specifically, the Quality Management Section of the Production Technology Division regularly holds over 40 programs each year. Approximately 1,000 employees are participating in this program. Specialty training related to their specific area of business is carried out in each business unit.

In addition, in the year ended March 31, 2018, Nikon revised the contents of its training related to QC and quality engineering and organized it into an educational program that enables comprehensive learning on general statistical methods. This will improve the quality of design and development at the forefront of the manufacturing process, leading to the prevention of defective products. Furthermore, every year in November (Quality Month, organized by the Union of Japanese Scientists and Engineers), Nikon hosts the Quality Month Lecture where it invites lecturers who are knowledgeable about quality. In the year ended March 31, 2018, Nikon hosted a lecture on the theme of The Power of Discovery where 57 Nikon Group directors and employees, and 58 business partners attended.

■ Implementation of Quality Control Audits

The Nikon Group conducts a QCD audit, which is a company-wide quality control audit based on the QCD, and investigates, confirms and evaluates the operational status of quality management throughout the entire group.

These audits are overseen by the Quality Committee's Business Subcommittee Chairperson (the director in charge of quality) who promptly acts to implement measures to rectify and improve upon any improper situations should they arise, thereby maintaining and improving activities related to quality control. Additionally, important findings are reported to the Executive Committee and reflected in internal controls.

In the year ended March 31, 2018, Nikon conducted an audit of three major Group Companies using separate audit check sheets according to the circumstances of the audited organization. Nikon also makes continuous reviews in order to further enhance the effectiveness and efficiency of these audits.

Quality Education Programs for Employees

Programs in Japan:

- Basic Quality Control Course: Fundamental QC Class, CS Class
- Quality Improvement Activity Course: QC Leaders Class
- Technical Course: Quality Engineering Class

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Ensuring Safety of Products and Services

The Nikon Group gives due consideration to the safety of products and services from the planning stage right through the entire life cycle of the product.

The number of serious product accidents relating to safety* for the year ended March 31, 2018 was 0.

* Serious product accidents related to safety; pursuant to the definition of serious product accident stipulated in the Consumer Product Safety Act

Views and Management Structure Regarding the Safety of Products and Services

When it comes to quality, the Nikon Group understands that safety is an essential component for products and services, and believes that the most important task is to provide customers with safe products. Based on this idea, Ensuring Safety is clearly stated as a key feature of the Basic Quality Policy. This is also incorporated into the QCD and regulations of every business unit and fully adhered to.

In addition, Nikon is obliged to conduct safety assessments for all of its products. In line with the established Safety Design Principles which are based on international standards etc., we are carrying out safety designs to pin point and eliminate any potential risks and dangers. Nikon ensures safety through design reviews and checks in the manufacturing process and also obtains safety accreditation from third party certification bodies where necessary.

Safety Training on Products and Services

To ensure the safety of products and services the Nikon Group conducts safety training programs (general and specialized) for its employees through the Production Technology Division's Quality Control Office.

Approximately 10 specialized training programs are regularly held throughout the year consisting of Safety Design Principles (General, EMC, and Laser Radiation), Product Liability Law, and Electrical Appliance and Material Safety Law, etc. Participant's knowledge is tested through questionnaires, etc., and we are constantly updating and improving the content of these specialized training programs while making efforts to incorporate specific content.

About 300 employees from the Nikon Group participated in the specialized training programs in the year ended March 31, 2018.

In addition, each business unit also conducts training on safety rules and regulations, and encourages participation in external training on safety design technology.

Procedure in Case of an Accident

The Nikon Group carries out planning, design, manufacturing, quality assurance, sales, logistics, and services with sufficient consideration to product safety.

However, in the unlikely event that a safety-related problem should occur, we would immediately collaborate with relevant departments to confirm the facts. We would then promptly take necessary measures in line with the response procedure and disclose all information to prevent any similar incidents from happening again. We will respond promptly and accurately by specifying and following escalation rules in times of quality accidents.

Flowchart outlining communication after accidents occur



Quality Problems that Occurred in the Year Ended March, 31, 2018

Tuesday, December 26, 2017

▶ [To customers using Nikon biological, stereo, measuring and industrial microscopes](https://www.nikon.com/products/microscope-solutions/support/information/news1226_01.htm)

https://www.nikon.com/products/microscope-solutions/support/information/news1226_01.htm

▶ [Related Article: Reducing Hazardous Chemical Substances in Products \(P64\)](#)

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Information for Using our Products Safely

The Nikon Group carries out various initiatives to ensure that customers use its products and services safely. For example, information on correct usage and information to help safeguard against accidents due to misuse or carelessness is provided directly on the products themselves and in instruction manuals. Information which needs to be disclosed is stipulated in the Safety Design Principles, and its suitability is confirmed through product risk assessments and safety evaluations.

Additionally, certification marks are displayed properly in accordance with the laws and regulations of each country or region where the product is on sale. For example, products with built-in wireless LAN show symbols which are specified by the radio laws of each country; and batteries, chargers, AC adapters, etc. all comply with national safety regulations.

In the year ended March 31, 2018, there were no violations of any laws or self-regulations with regards to displaying safety information.



Displayed on the Nikon FX Format Digital SLR Camera D5



Displayed on the Li-ion Rechargeable Battery EN-EL15

Column

Warning Concerning Accidents Caused by Counterfeit Batteries

Counterfeit items such as Li-ion rechargeable batteries for Nikon digital cameras, battery chargers, AC adapters, etc. are appearing in the marketplace. These counterfeit products are not fitted with any safety mechanisms or safeguards. Therefore, these products not only compromise camera performance when used, but may also lead to excessive battery heat, leakage, explosion, and fire, etc. Furthermore, the camera may become damaged, and in worst case scenarios there is a danger customers may be burned or otherwise injured.

In order to prevent such accidents the Nikon Group provides warnings with regards to counterfeit products. Since 2007 we have been making it easy for consumers to distinguish between counterfeit goods and genuine products through our website, and we are continually working hard to create an environment where customers can use our products safely and without incident.



An example of a genuine Li-ion Rechargeable Battery EN-EL12 (left) and a counterfeit (right)

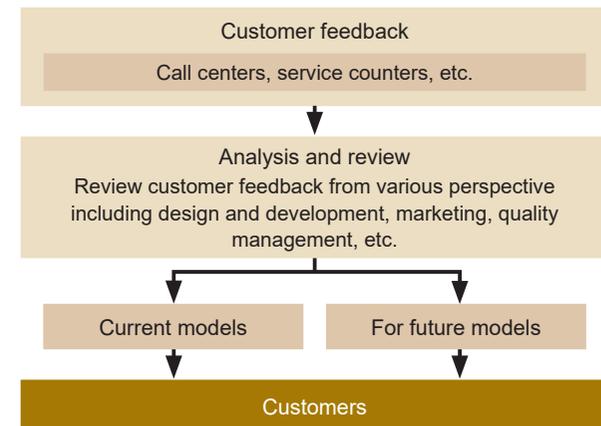
Customer Satisfaction

The Nikon Group strives to improve customer satisfaction and trust by providing products and services that are of the highest quality and safety, and which are beneficial to society. Nikon has previously built a system to incorporate customer feedback into its products and services, such as by increasing opportunities to contact customers directly, and it will endeavor to further improve this system.

Product Development Utilizing Customer Feedback in the Imaging Products Business

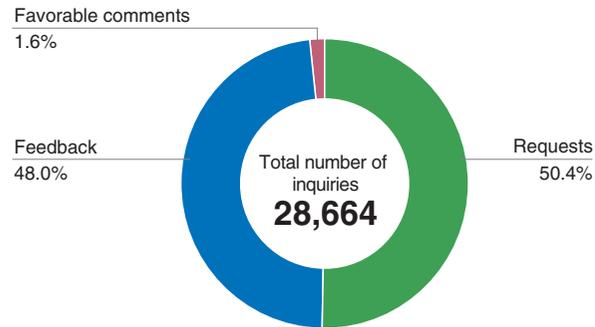
At the Nikon Imaging Products Business, feedback is received from general and professional users worldwide through call centers and service counters. After careful analysis, customer feedback is examined from a range of different perspectives including from the product development and design department, the marketing department, and the quality assurance department. The results are reflected in our products and services leading to improved customer satisfaction.

Customer feedback flowchart (Imaging Products Business)



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Analysis and Review Breakdown of Call Center Inquiries (Japan / Year ended March 31, 2018)

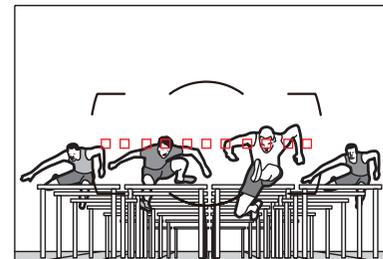
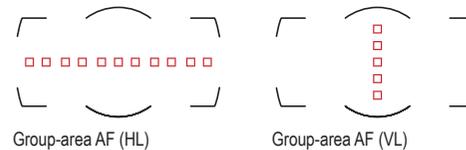


* This breakdown is the number of inquiries received, out of a total number of 130,000 inquiries to the call center, used for analysis and review in product development etc., excluding questions about dealers and how to use the products.

How Customer Feedback is Utilized in the Imaging Products Business

A Request for a Function that Focuses on Subjects Aligned Horizontally or Vertically

Nikon received a request from a customer to include an effective auto-focus function for when subjects like sprint or hurdle athletes are lining up across the track. To achieve this, Nikon released a Group-area AF (HL) / (VL) firmware for the Nikon D5 SLR digital camera and made it available on its website in July 2017. This function allows the autofocus to focus on the subject closest to the front from the focus points selected by the photographer in the horizontal or vertical axis. The function has been highly praised by many professional photographers.



Athletes in a hurdles race

Initiatives to Improve Services in the Imaging Products Business

Nikon is always conscious of a 'Customer First' attitude in the imaging business and aims to provide an after sales service that will have customers saying "I'm glad I went with Nikon!". In order to make this a reality Nikon has created a Service Division at the Nikon Head Office. As of the end of January 2018, we have an organization that can provide consistent service quality to more than 300 repair service facilities centers and direct touch points (customer service counters) in 70 countries and regions around the world.

Based on this organization, Nikon established a set of key performance indicators (KPI) directly linked to customer satisfaction levels such as repair turnaround times and quality of repair, etc. in order to improve our service. By centrally managing this in the Service Division, Nikon is able to provide the same high quality service in any country and region.

Furthermore, in order to improve our level of service, we hold service center meetings where service managers discuss from various places around the world each year. Common tasks and progress on measures, as well as all the latest information are shared at these meetings. Additionally we provided a maintenance service (at a fee) for old manual focus products at the Nikon Plazas located in Shinjuku, Ginza, Nagoya and Osaka for a limited time from December 1, 2017 to March 31, 2018. This new initiative, not carried out before, is a special maintenance service of older products for which official service period is already finished. The service was utilized a total of 2,827 times and received a number of favorable comments from customers to the effect of "The kind of great service we have come to expect from Nikon."

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Two-Way Communication with Customers through Fan Meetings

In commemoration of Nikon's 100th anniversary in 2017, Nikon Imaging Japan hosted the NIKON 100TH ANNIVERSARY FAN MEETING 2017 for the first time in seven cities in Japan including Tokyo and Osaka. Many events were held at these meetings including displays of old cameras, seminars from professional photographers and Nikon developers, interviews, model shoot workshops, and sales of original products. A total of 12,000 fans over 10 days attended the events created with the help of many who love Nikon and Nikon's passionate staff.

The Nikon Group values these opportunities to make direct contact with its customers. As well as at its service centers, events like these are an important place for Nikon to talk with its customers. These meetings are not only a great opportunity for us to convey our thoughts about our products but it is also a chance for us to hear customers' expectations and requests about Nikon and our products. For example, we set up message boards at the venues nationwide and collected messages from over 1,600 Nikon fans. We put those messages on display at the Nikon Shinagawa Head Office and made it possible for all the Nikon Group employees to see them. We also analyzed more than 7,800 tweets (as of December 2017) that were made about the event.

The Nikon Group will continue to use customers' opinions obtained through such opportunities to improve future product development and service.



Message boards at one of the venues

User Experience Design Initiatives

UX refers to user experience. It seems like a new concept but at Nikon it is an idea that has been incorporated naturally into the design process.

In today's society flooded with materialistic things and diversifying customer values, Nikon places great importance not only on the design of things, or products, but also on the experience derived from those designs. For this reason, Nikon is breaking down the manufacturing process of its products and services while repeatedly carrying out hypothesis testing. Its main objective being to keep in close communication with its users to get at the heart of their experience through the products themselves.

Nikon reorganized the structure of the Imaging Business Unit to help strengthen UX design. And in the Design Department Nikon holds UX related study seminars and internal workshops inviting leading experts in field of UX. Nikon is working hard to learn each and every day from events and projects such as workshops held with external UX specialist design firms.

> Solving Social Issues by Using Opto-electronics Technology > Challenging toward Innovation > [Improving Products/Service Quality](#)

■ Examples of Products Actively Developed with a UX Approach

Example 1: COOLPIX W100 - Compact Digital Camera

This camera was developed not only to take pictures, but also to promote communication between parents and their children while also providing an experience beyond the users' expectation. The main product features are as follows:

- The story continues on the opening screen depending on the number of times pictures are taken with the camera so that users can enjoy feedback from the camera when unique scenes appear on screen
- Favorite stamps and frames can be added to photos creating a deeper connection between parent and child through the pictures taken by the child
- Great times can be enjoyed over and over again along with fun characters on the slideshow
- Simple operating system that children can use with confidence and secure waterproof/shock resistant design



The tree grows in the opening screen as more photos are taken



Stamps help to increase communication between parent and child

Example 2: D5 Digital Single-Lens Reflex Camera

Nikon has always placed great importance on research into users' experience of its professional single lens reflex cameras and has traditionally been doing so even before the UX term was coined.

A specific initiative Nikon launched consisted of an analysis of VOP (Voice of professional) opinions along with an interview survey of target users, determined by the designers themselves. By talking directly with customers Nikon is able to better understand the feelings of users who might not always be so forthcoming. Furthermore, by doing photographic work with professional photographers Nikon is able to isolate any problems in the workflow and benefit from them in subsequent designs.

For example, the following measures have been implemented based on information obtained from interview surveys and observations regarding holding properties of the D5.

- Ascertained that in most cases the lens is fixed to the camera and the camera is carried around in one hand
- Improved how the camera can be held when carrying it around, not just when taking photos
- Various parts, such as the thumb rest on the back and the rounding of the grip, have been adjusted in increments of 0.1 mm

- The right shape has been created through numerous prototypes to fit all hand sizes



Prototypes are made and tested over and over again



Holding performance is tailored towards how the camera is carried as well as when photos are taken

Responding to Environmental Issues

The Nikon Group believes that co-existence and co-prosperity with the environment is one of management's most important tasks, and strives to make a positive contribution towards the building of a sustainable society.

Priority Issues

- 4 Promoting Low Carbon Society [▶P51](#)
- 5 Promoting Resource Circulation [▶P57](#)
- 6 Contributing to a Healthy and Environmentally-safe Society [▶P64](#)

Background

Recently, there has been growing recognition that climate change and other environmental issues constitute urgent problems for the world as a whole. A number of international frameworks aimed at building a sustainable society have been put into place, such as the SDGs and the COP 21 Paris Agreement. As a result, companies are expected to play a much bigger role than ever before in terms of their environmental management.

Responsible Officer's Message

The Nikon Group positions the realization of a low-carbon society, a resource-circulating society, and a healthy and environmentally-safe society as the Group's Long-term Environmental Vision, and promotes various activities aimed at the realization of this Vision. Besides reducing the carbon dioxide emissions generated by manufacturing facilities, Nikon is also working to reduce the environmental impact of its operations by utilizing Nikon's technology capabilities to make development and production processes more efficient, to enhance the efficient utilization of energy and other resources, and to reduce the amount of waste generated. Striving to contribute to the realization of the "2°C target" (which aims to keep the rise in average global temperature down to below two degrees centigrade compared to the situation prior to the Industrial Revolution), Nikon is implementing measures that include the setting of science-based targets (SBTs) and the effective utilization of low carbon electric power and other forms of low carbon energy (including renewable energy).

Takumi Odajima,

Senior Vice President and Director, General Manager of Human Resources & Administration Division, Chairperson of the Environmental Committee

Nikon Environmental Management

The Nikon Group is conducting environmental activities in order to pass on a sustainable and healthy planet to future generations.

Basic Approach to Environmental Management Activities

The Nikon Group conducts environmental activities aiming for the development of a sustainable society. We have formulated the Nikon Long-term Environmental Vision, the Medium-term Environmental Goals, the Nikon Three-year Environmental Plan and the Environmental Action Plan and conduct our environmental activities systematically. We clarify the relationship between the environment and our business activities in order to make an accurate assessment of the impacts and risks posed to the environment and develop environmental goals and plans based on these priorities.

Environmental Risks and Our Response

The Nikon Group works to identify environment-related risks and opportunities from a product and service life-cycle perspective. The identified risks and opportunities are then reflected in the Group's environmental goals, and concrete measures are implemented based on these goals. Nikon also implements the "Plan - Do - Check - Act" (PDCA) cycle by verifying and following up on the progress made on a regular basis.

We have identified the following two categories of environment-related risks, and is taking steps to manage these risks.

Risk Deriving from Climate Change, and Nikon’s Response

When environmental disasters such as floods and droughts that are caused by climate change bring serious damage to the R&D and manufacturing facilities of the Nikon Group and of our suppliers, this can lead to production stoppages and cause delays in production and shipment. Where this results in a fall in sales or necessitates the spending of large amounts of money to get facilities operating normally again, this may have a negative impact on the Group’s profits and its financial position.

To reduce the level of risk associated with climate change, the Nikon Group is taking steps to achieve greater dispersion in terms of the locations of its manufacturing facilities and suppliers, etc.

Risk Deriving from Environmental Regulation, and Nikon’s Response

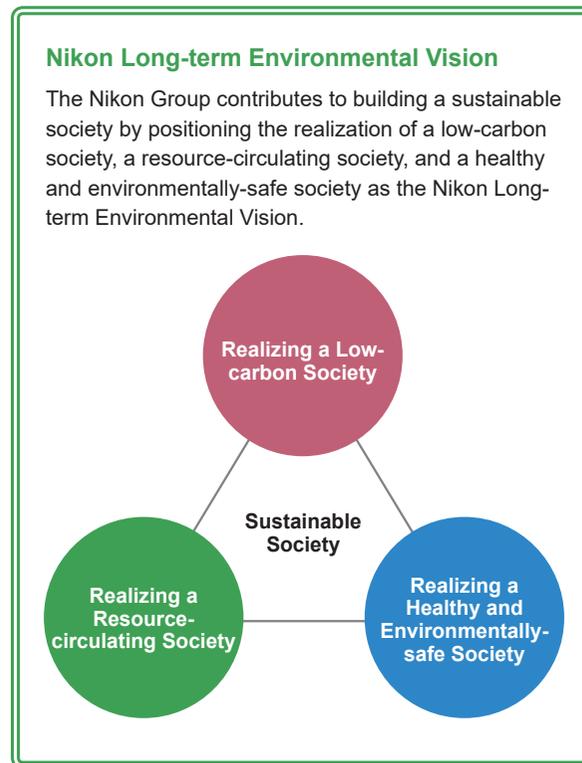
There is a risk that violations of laws and regulations relating to energy, greenhouse gases, the atmosphere, water quality, soil, chemical substances and waste may result in business suspension orders or the need to spend large sums of money on remediation work, which in turn could have a negative impact on company valuation and affect the operations of the Nikon Group as a whole. There is a possibility that regulation may become even more restrictive in the future; if ensuring compliance results in a high level of expenditure, this could negatively impact the Nikon Group’s financial health.

In order to be prepared for these risks, the Nikon Group establishes and revises relevant internal rules, works to strengthen the Group’s management systems, and implements education and training for relevant employees, etc. In addition, we are working to prevent environmental pollution by establishing voluntary, self-directed standards that are more rigorous than each region’s statutory requirements.

Formulation of Long-term Environmental Vision and Medium-term Goals

To proactively address environmental risks and regulations, in April 2016, we formulated the Nikon Long-term Environmental Vision, which looks ahead to the next several decades.

The Nikon Long-term Environmental Vision comprises three pillars believed to be particularly important given the situation globally and considering the characteristics of Nikon’s business, which uses limited resources to manufacture and sell products.



Medium-term Environmental Goals

The Nikon Group has defined its initiatives up until 2030 in the Nikon Medium-term Environmental Goals to realize the Nikon Long-term Environmental Vision. The targets laid out for each individual pillar are presented below.

Medium-term targets for realizing a low-carbon society

- Reduce CO₂ emissions throughout the entire supply chain by 26% compared with the fiscal 2013 level
- Strive for technological development that is conducive to climate change measures

Medium-term targets for realizing a resource-circulating society

- Make efforts throughout the product life cycle to achieve a resource-circulating society, taking into account the impacts that products have on the environment from the initial planning stage onwards
- Work to further increase resource efficiency and strive to reduce waste by increasing the usage of resources with fewer environmental impacts during business activities

Medium-term targets for realizing a healthy and environmentally-safe society

- Aim to maintain the natural environment of communities and provide a comfortable living environment
- Comply with the laws, ordinances and regulations of the countries and regions where we operate and also establish our own voluntary targets to ensure the appropriate management of the use of chemical substances

■ Nikon Three-year Environmental Plan and the Environmental Action Plan

The Nikon Group has formulated the Nikon Environmental Activity Policy, the detailed content of which is specified in the Nikon Three-year Environmental Plan, with the goal of achieving the Group's medium-term environmental targets. We have positioned the first year of this three-year plan as our Environmental Action Plan and are implementing this plan across the entire Nikon Group.

The Environmental Committee deliberates the self-evaluation of the performance and then approves them. We review our activities for the following years based on the issues that are identified by the Committee.

▶ [Environmental Activity Policy](#)
http://www.nikon.com/about/sustainability/environment/environment_policy.pdf

Environmental Action Plan Results for the Year Ended March 31, 2018 [Summary]

Self-evaluation ○: Achieved △: Measures started but not yet achieved

Priority Activity Themes		Targets for the Year Ended March 31, 2018	Results	Self-evaluation	Corresponding page
Low-carbon society					
Business facility environment	Greenhouse gas reduction (CO ₂ emissions from energy consumption)	· Carry out activities to reduce GHG emissions by 5.85% or more compared to the year ended March 31, 2014 by the year ending March 31, 2020	· Achieved the target ahead of schedule, with a 13.4% reduction compared to the year ended March 31, 2014	○	P53
Product environment	Reduction of the environmental impact from products (Improvement of resource efficiency)	· Promote environmental impact assessment that uses the LCA methodology · Reduce CO ₂ emissions in the product life cycle (reduction targets to be established by each business unit)	· Expanded the range of product models to which the LCA methodology is applied · Promoted measures to reduce CO ₂ emissions at the largest environmental impact stage of products in each business unit.	○	P48
	Measures for logistics	· Expand the scope of visualization of CO ₂ emissions · Improve the loading ratio of international logistics and promote modal shifts · Increase the efficiency of logistics routes in Japan	· Collected the data needed to calculate CO ₂ emissions · Increased the shipping delivery rate compared to the previous year · Continued measures targeting logistics in Japan	○	P56
Resource-circulating society					
Business facility environment	Waste reduction (Zero emissions)	· Nikon and Group manufacturing companies in Japan: Maintain level S · Group manufacturing companies in China: Maintain level 1	· Level S was maintained · Level 1 was maintained	○	P60
	Waste reduction (excluding valuable resources)	· Nikon and Group manufacturing companies in Japan: Not exceed the amount of waste generated in the previous fiscal year	· The amount of waste generated was 3,187 tons, representing a reduction of -5.2% compared to the total of 3,363 tons of waste generated in the year ended March 31, 2017	○	P60
Product environment	Conservation of forest resources	· Promote FSC-certified paper use for newly-printed paper items with the Nikon logo	· Product catalogs: With the exception of special paper, FSC-certified paper was used for 100% of all newly-printed catalogs in Japan · User manuals: There was a steady shift over to using FSC-certified paper, starting with newly-printed user manuals in Japan	○	P61
Healthy and environmentally-safe society					
Business facility environment	Local environmental activities	· Improve the participation ratio in local environmental activities · Carry out biodiversity conservation activities based on the plan established in the year ended March 31, 2017	· The participation ratio in local environmental activities by Nikon employees was 16.6% (compared to 12% in the year ended March 31, 2017) · Implemented surveys of biodiversity conservation activities and the related plans for the following year and after in each area	○	P68
Product environment	Reduction of hazardous chemical substances etc.	· Maintain compliance to hazardous chemical substance laws and regulations of each country (RoHS, REACH, etc.)	· In response to non-conformity with the RoHS Directive of products manufactured by a Group company outside Japan, measures were implemented through the whole Group to prevent re-occurrence	△	P65

Environmental Action Plan Targets for the Year Ending March 31, 2019 [Summary]

Priority Activity Themes			Targets for the Year Ending March 31, 2019
Low-carbon society	Business facility environment	Greenhouse gas reduction (CO ₂ emissions from energy consumption)	<ul style="list-style-type: none"> Reduce business facility CO₂ emissions by at least 14.4% compared to the year ended March 31, 2014★ Implement survey of renewable energy initiatives★ Set science-based targets (SBTs)★
	Product environment	Reduction of the environmental impact from products (Improvement of resource efficiency)	<ul style="list-style-type: none"> Promote environmental impact assessment that uses the LCA methodology★ Create Eco-friendly Products
		Reducing the environmental impact of transportation	<ul style="list-style-type: none"> Implement continuous monitoring of CO₂ emissions Improve the loading ratio of international logistics and promote modal shifts Increase the efficiency of logistics routes in Japan
Resource-circulating society	Business facility environment	Zero emissions	<ul style="list-style-type: none"> Nikon and Group manufacturing companies in Japan: Maintain level S★ Group manufacturing companies in China: Maintain level 1★
		Waste reduction (excluding valuable resources)	<ul style="list-style-type: none"> Nikon and Group manufacturing companies in Japan: Not exceed the amount of previous fiscal year Implement measures to recycle chemical substances★
		Promoting the appropriate use and effective utilization of water	<ul style="list-style-type: none"> Formulation of targets for enhancing water use efficiency in line with the level of water risk in each region★
	Product environment	Promotion of reduce, reuse and recycling	<ul style="list-style-type: none"> Promote the reuse and recycling of products, parts and materials★
Healthy and environmentally-safe society	Business facility environment	Activities to reduce the environmental impact of chemical substances	<ul style="list-style-type: none"> Implementation of activities based on the Nikon Group Chemical Substance Management Guidelines★
		Regional activities etc.	<ul style="list-style-type: none"> Implementation of activities that make a contribution to the local community, taking into account biodiversity (in line with business activities and local needs)
	Product environment	Reduction of hazardous chemical substances etc.	<ul style="list-style-type: none"> Maintain compliance with the hazardous chemical substances laws and regulations of each country (RoHS, REACH, etc.)★ Start full-scale operation of chemSHERPA★
		Implementation of activities aimed at biodiversity conservation	<ul style="list-style-type: none"> Promote FSC-certified paper use for newly-printed paper items with the Nikon logo★
		Green procurement	<ul style="list-style-type: none"> Improve the efficiency of Nikon Green Procurement auditing operations with respect to procurement partners★

★ denotes that this is a single-year target corresponding to what we intend to achieve in 3 to 5 years for the relevant CSR priority activity theme.

Environmental Management Promotion System

We clarify the relationship between our businesses and the environment, as well as the effects on biodiversity, and carry out business activities that are environmentally friendly based on our Environmental Committee-centered Environmental Management System.

Environmental Management System

The Nikon Group has rolled out its environmental management system across every one of its companies. Matters relating to Group's environmental management such as environmental issues, strategies, objectives and performance in regard to environmental activities, are reported to, reviewed and decided by the Environmental

Committee, which is chaired by Senior Vice President and Director.

In the case of important matters, the Environmental Committee reports its deliberations to the CSR Committee, which in turn reports to the Board of Directors. In the year ended March 31, 2018, we were given no fines and no sanctions for violation of environmental laws anywhere in the world, and we received no complaints regarding environmental impacts.

■ Utilization of ISO 14001 Certification

The Nikon Group conducts environmental management that utilizes ISO 14001 and encourages the acquisition of ISO 14001 certification, particularly for all Nikon Group manufacturing facilities. In the year ended March 31, 2018, we obtained ISO 14001: 2015 certification, the newly-revised standard introduced in 2015.

The Nikon Group will continue to use the ISO 14001 system and promote environmental management by introducing mechanisms for mitigating environmental impacts while clarifying both the internal and external circumstances. Optos plc implemented activities aimed at obtaining ISO 14001 certification in the year ending March 31, 2019.

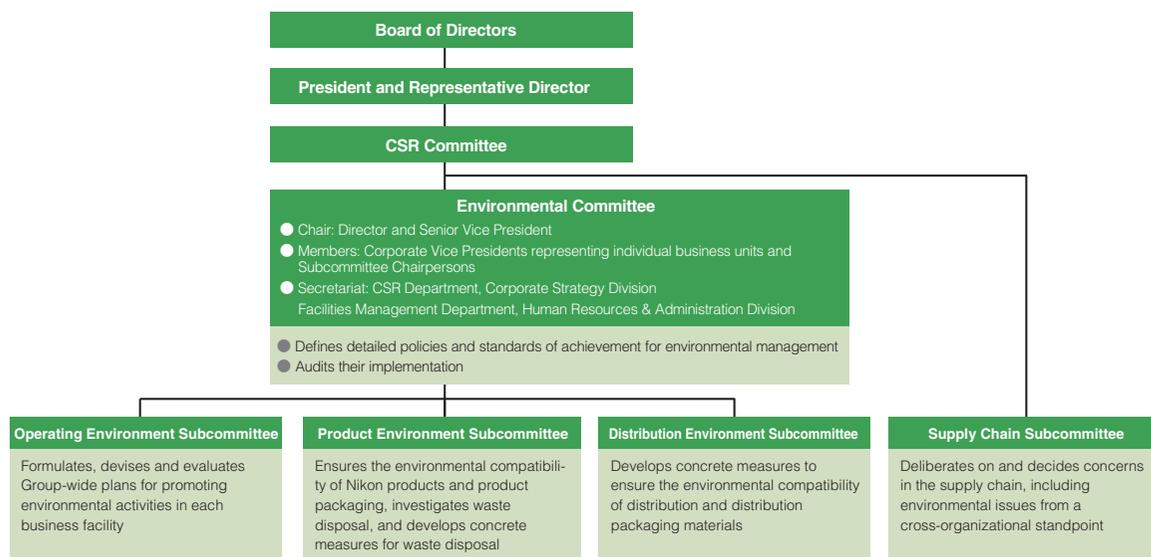
■ Performing Internal Audits

We regularly conduct internal audits, at least once a year, to verify conformity with ISO 14001, and improvements in performance, etc., for each division and department within the Nikon Group.

In the event that problems are identified during the audit process, the departments involved take corrective measures and promote improvements. We have also established a training program with the purpose of cultivating internal auditors to maintain and improve the quality of our internal audits.

We also conducted training on laws and regulations related to the environment for all employees in Japan. Furthermore, we are organizing extra training at the request of local environmental subcommittees. These courses are given by qualified in-house lecturers.

Environmental Management Organization Chart (As of March 31, 2018)



■ Nikon Eco Program

We have also introduced the Nikon Eco Program (NEP) for our non-manufacturing facilities inside and outside Japan that have low environmental impacts. There are two levels (standard and basic) in the Nikon Eco Program, which makes it possible for the facilities to implement environmental activities more easily.

The Nikon Eco Program Standard (NEPS) is designed for relatively large non-manufacturing facilities. The standard level requires goals to be set for the reduction of environmental impacts, efforts to achieve those goals, and improvement and enhancement of activities while repeating the PDCA cycle. The Nikon Eco Program Basic (NEPB), which is designed for relatively small non-manufacturing facilities, involves visualization of environmental impacts and conducting activities related to the environment.

NEPS has already been adopted at all 5 applicable business facilities. At all other business facilities, the basic level has been introduced to steadily visualize environmental performance data.

Nikon Environmental Management Tools

Environmental Management Tools		ISO 14001	Nikon Eco Program Standard (NEPS)	Nikon Eco Program Basic (NEPB)
Business facilities where in use		Manufacturing facilities and certain non-manufacturing facilities	Relatively large non-manufacturing facilities	Small non-manufacturing facilities
Details of activities	<ul style="list-style-type: none"> · Environmental impact assessment · Compliance assessment · Internal audits · Corrective actions · Preventive actions · Management review etc. 	○	—	—
	<ul style="list-style-type: none"> · Setting of environmental targets · PDCA 	○	○	—
	<ul style="list-style-type: none"> · Environmental education activities · Collection of environmental impact data 	○	○	○

> Nikon Environmental Management > [Environmental Management Promotion System](#) > Promoting Low Carbon Society > Promoting Resource Circulation > Contributing to a Healthy and Environmentally-safe Society

Boundary of the Nikon Group's Environmental Management Systems and Environmental Performance Data (Year Ended March 31, 2018)

	Company	Classification for Tabulating Environmental Performance Data	Environmental Management System
I	Nikon Corporation	A *5	ISO 14001
	Tochigi Nikon Corporation		
	Tochigi Nikon Precision Co., Ltd.		
	Sendai Nikon Corporation		
	Miyagi Nikon Precision Co., Ltd.		
	Hikari Glass Co., Ltd.		
	TNI Industry		
	Nikon Engineering Co., Ltd.		
II	Nikon Tec Corporation		
	Nikon Instech Co., Ltd.		
	Nikon Systems Inc.		
	Nikon Business Service Co., Ltd.		
	Nikon Staff Service Corporation		
	Nikon Imaging Systems Inc. *1		
III	Nikon Vision Co., Ltd.		
	Nikon Imaging Japan Inc.		
	Nikon Imaging (China) Co., Ltd. *2		
	Hikari Glass (Changzhou) Optics Co., Ltd.		
	Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.		
	Nikon (Thailand) Co., Ltd.		
IV	Nikon Lao Co., Ltd.		
	Nikon Metrology UK Ltd. *3		
	X-Tek Systems Ltd.		
	Optos plc. *4		
V	Nikon Imaging (China) Sales Co., Ltd.	B	Nikon Eco Program Standard (NEPS)
	Nikon Holdings Europe B.V. (all of the head office building including Nikon Europe B.V., Nikon Instruments Europe B.V., and Nikon GmbH Netherlands Branch Office)		
	Nikon Inc. (NI) (all of NI head office building including Nikon Americas Inc. and Nikon Instruments Inc.)		
	Nikon Precision Inc. (NPI) (all of the NPI head office building including Nikon Research Corporation of America and Nikon Ventures Corporation)		
	Nikon Precision Korea Ltd.		
Nikon Precision Taiwan Ltd.			

I Group manufacturing companies in Japan / II Group non-manufacturing companies in Japan / III Group manufacturing companies outside Japan / III, IV, V Group companies outside Japan

*1 Nikon Imaging Systems Inc. was dissolved in April 2018.

*2 Nikon Imaging (China) Co., Ltd. ceased operations on October 30, 2017.

*3 Nikon Metrology UK Ltd.'s CMM business was sold off on February 8, 2018 (the CMM (Coordinate Measuring Machines) business was engaged in the development, manufacturing and sale of contact-type three-dimensional measuring machines).

*4 Optos plc. is undertaking the preparatory work for obtaining ISO 14001 certification.

*5 The employees of the companies included in this group represent around 80% of all employees in the Nikon Group.

Classification "A" may also include data generated by subcontractors carrying out operations on the premises or small-scale special subsidiaries in addition to the above.

Note: Partial revisions were made to environmental performance data for past years to reflect boundary expansion etc.

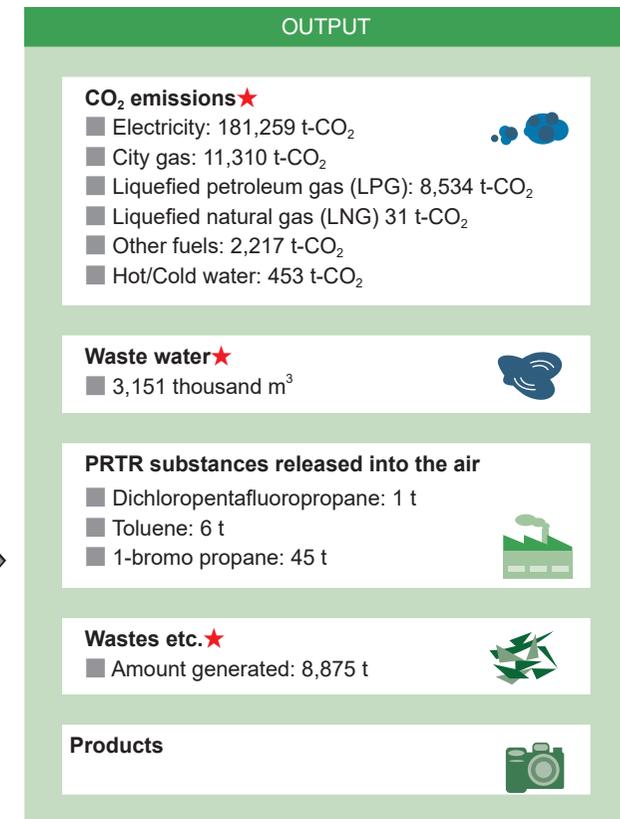
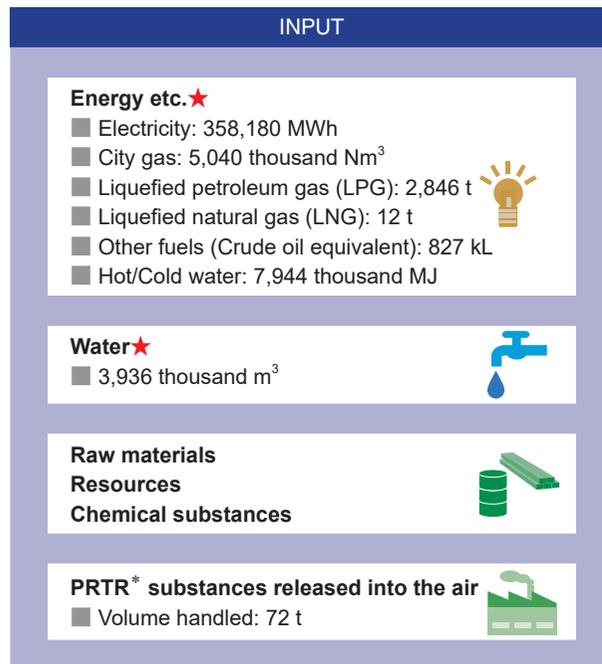
Business Activities and the Environment

The Nikon Group aspires to be a company that contributes to the sustainable development of society. We clarify the relationship between the environment and our business activities in order to make an accurate assessment

of the impacts and risks posed to the environment. We attach great importance to the development of environmental activities based on goals set in accordance with the prior order determined through this assessment of impacts and risks.

Therefore, we are actively advancing the collection of environmental data covering electricity and other forms of energy, waste, and water, etc., both inside and outside of Japan.

Relationship between Nikon Group Businesses and the Environment



* Figures indicate performance data for the entire Nikon Group. See page 46 for a detailed breakdown of this data for Nikon as well as its Group companies inside Japan and Group manufacturing companies outside Japan.

* Pollutant Release and Transfer Register (PRTR)

In Japan, the PRTR system is used by the government to collect, tabulate, and disclose data on chemical substances that might have harmful effects on human health and ecosystems. Companies identify and report emissions of these substances into the environment to the government on an annual basis.

> Nikon Environmental Management > [Environmental Management Promotion System](#) > Promoting Low Carbon Society > Promoting Resource Circulation > Contributing to a Healthy and Environmentally-safe Society

Nikon Group's Main Environmental Impacts (Year Ended March 31, 2018)

INPUT		Nikon	Group companies in Japan (I, II)	Group manufacturing companies outside Japan (III)	Unit
Energy etc. ★	Electricity	156,295	94,807	107,077	MWh
	City gas	4,037	1,003	0	thousand Nm ³
	Liquefied petroleum gas (LPG)	464	2,174	208	t
	Liquefied natural gas (LNG)	0	0	12	t
	Other fuels * ¹	8	804	15	kL
	Hot/Cold water	7,944	0	0	thousand MJ
Water ★	Water	1,774	1,184	978	thousand m ³
PRTR * ² substances	Volume handled	72		—	t

OUTPUT		Nikon	Group companies in Japan (I, II)	Group manufacturing companies outside Japan (III)	Unit
CO ₂ emissions ★	Electricity	75,960	45,286	60,013	t- CO ₂
	City gas	9,060	2,251	0	t- CO ₂
	Liquefied petroleum gas (LPG)	1,390	6,520	624	t- CO ₂
	Liquefied natural gas (LNG)	0	0	31	t- CO ₂
	Other fuels	21	2,157	39	t- CO ₂
	Hot/Cold water	453	0	0	t- CO ₂
Water ★	Water	1,375	1,051	725	thousand m ³
PRTR substances released into the air * ²		53		—	t
Wastes etc.	Amount generated ★	2,639	3,720	2,515	t
	Amount of landfill disposal	2	1	—	t

*1 Calculated as crude oil equivalent.

*2 Group companies in Japan refer to Group manufacturing companies in Japan.

Approach to Biodiversity

The Nikon Group obtains materials for its products from ecosystems and causes impacts on ecosystems from its business activities such as emission of chemical substances and CO₂. At the same time, we believe that we can contribute to biodiversity conservation through products in the fields of nature observation, research and education.

The Nikon Group recognizes the need to biodiversity conservation in order to realize the objective of “Aim to maintain the natural environment of communities and provide a comfortable living environment” which forms part of the Nikon Medium-term Environmental Goals, and is implementing related activities.

Initiatives for Biodiversity Conservation

The Nikon Group constantly works to reduce the CO₂ emissions of its business divisions and the use of hazardous chemical substances, including those stipulated in the RoHS Directive*¹. We also strive to reduce the amount of waste we generate, so as to achieve zero emissions*². These activities contribute to the conservation of biodiversity.

We also work closely with our stakeholders. For example, in the research work undertaken for the AKAYA Project, a project aimed at restoring the biodiversity of national forests in Japan, cameras and binoculars donated by Nikon are used for record keeping and monitoring.

The Nikon Group participates in a biodiversity working group formed by four electrical and electronic industry associations*³ for the purpose of supporting the promotion of biodiversity conservation. This working group undertakes various activities, including the making available for public use of a database of case-studies of biodiversity conservation work undertaken by the associations’ member companies.

In addition, Nikon Instruments Inc. has organized the “Nikon’s Small World” photomicrography and video

competition, with the aim of showcasing the beauty and complexity of life on Earth.

Nikon’s Yokohama Plant has organized an educational event to promote biodiversity for the employees in collaboration with Yokohama City Government. The employees participated in practical activities to remove invasive species.

[▶ Supporting the AKAYA Project in Japan \(P68\)](#)

*1 RoHS directive
EU legislation restricting the use of hazardous substances in electrical and electronic equipment.

*2 Zero emissions
The concept of zero emissions was first advocated by the United Nations University in 1994. It takes a view to reducing waste from the whole of society to zero by recycling waste from one industry for use as resources by other industries.

*3 Four electrical and electronic industry associations
The following four industry associations are working together for the purpose of global environmental protection.
JEMA: The Japan Electrical Manufacturers’ Association
JEITA: Japan Electronics and Information Technology Industries Association
CIAJ: Communications and Information Network Association of Japan
JBMA: Japan Business Machine and Information System Industries Association



Removing invasive species (Nikon Yokohama Plant)

Relationship between Ecosystem Services, Business Activities and Environmental Activities

Ecosystem services on which the Nikon Group has a high dependence and/or impact	Specific examples	Major initiatives	Relevant environmental activities and community contribution activities
Provisioning services	Wood materials and fibers	Use of paper as product materials (manuals, catalogs, packaging materials, etc.) Use of paper in business activities (copy paper, etc.)	Conservation of Forest Resources (P61) Green Purchasing (P61)
	Freshwater	Use of water in business activities	Protection of Water Resources (P62)
Regulating services	Maintenance of air quality	Emissions of chemical substances in business activities	Reducing Hazardous Chemical Substances in Products (P64) Promoting Green Procurement (P65) Management and Reduction of Hazardous Chemical Substances (P67)
	Regulation of climate	GHG emissions in business activities	Initiatives to Reduce CO₂ Emissions in the Supply Chain (P51) Measures Taken by the Nikon Group to Reduce CO₂ Emissions (P53) Reducing CO₂ Emissions in Distribution (P56)
	Water purification and waste treatment	Generation of waste, including wastewater in business activities	Initiatives Aimed at Reducing Waste etc. (P60) Protection of Water Resources (P62) Prevention of Air, Water and Soil Pollution (P68)
Cultural services	Ethical values	Use of products for educational and research purposes	Supporting the AKAYA Project in Japan (P68)
		Community Contribution Activities	Environmental Awareness-raising Activities for Children (P69)

Eco-friendly Products Development

The Nikon Group works to develop eco-friendly products by taking into account environmental impacts starting from the planning and design stage of products following the Eco-friendly Product Development Flow noted at right.

Nikon Product Assessment

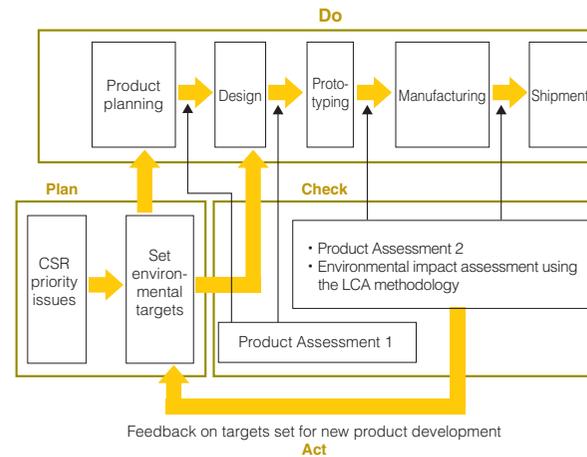
The Nikon Group formulated Nikon Product Assessment in 1995 for carrying out assessments that thoroughly consider the characteristics of Nikon products and their environmental impact; since then, Nikon Product Assessment has been applied to all newly-developed products. According to circumstances, we are revising the assessment items and criteria. Assessment 1 is carried out in the planning or design stage, followed by Assessment 2 in the prototype or manufacturing stage. In this way, we strive to reduce the environmental impacts of our products through the entire life cycle.

We assess environmental impacts by LCA (Life Cycle Assessment) methodology and calculate CO₂ emissions at each stage of the life cycle for some products including our representative models. For imaging products, the raw material procurement stage accounts for a particularly large share of CO₂ emissions, whereas for FPD/semi-conductors and industrial equipment, use stage accounts for the largest share of CO₂ emissions. We believe it is important to make improvement at these stages, and provide feedback for new product development.

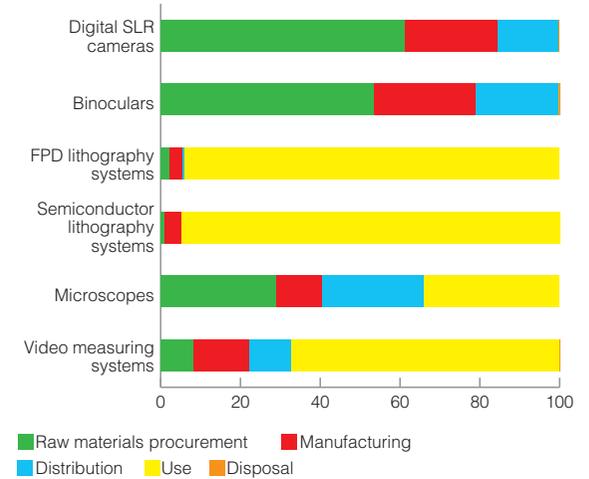
In the past, all products that had been developed by implementing product assessment were classed as eco-friendly products. However, we reviewed these definition and systems, and starting from the year ended March 31, 2018, we established a new system whereby those products that conform to more rigorous standards

in product assessment are classed as either Eco-friendly Products or Super Eco-friendly Products. In the year ended March 31, 2018, approximately 40% of new products were classed as Eco-friendly Products.

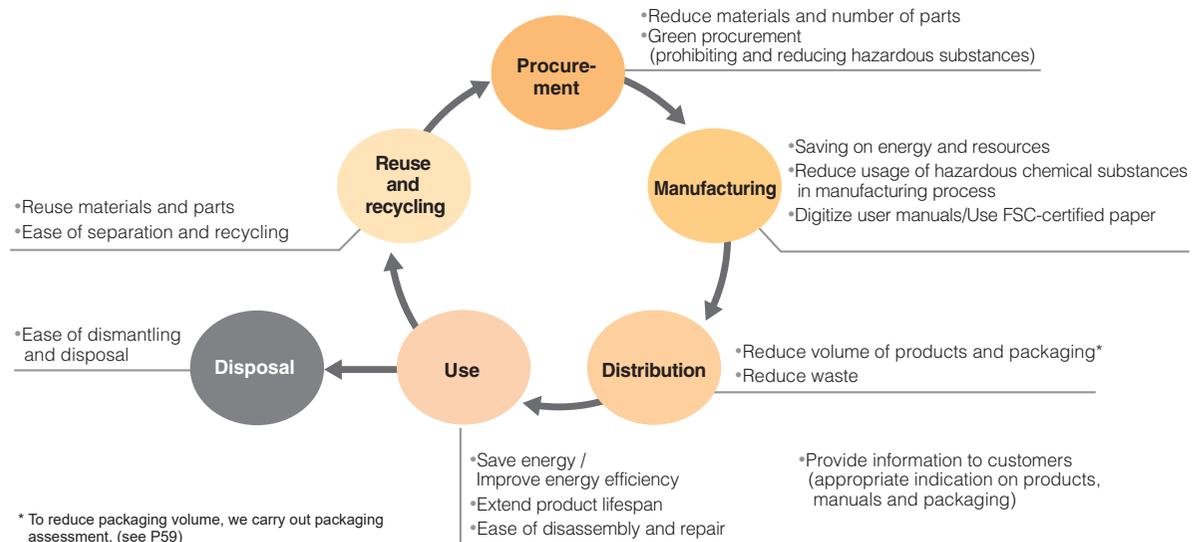
Eco-friendly Product Development Flow



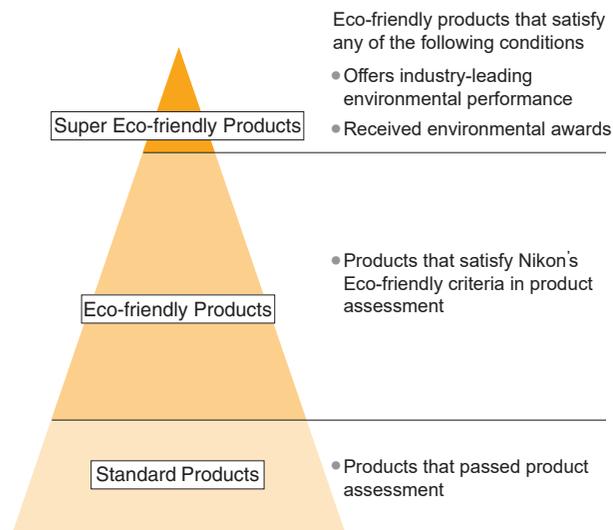
Percentage of CO₂ Emission throughout the Product Lifecycle for Major Nikon Products



Assessment Items of Nikon Product Assessment



Eco-friendly Products System



Eco-friendly Products Common Specifications

Reduction of hazardous chemical substances	Compliant with the hazardous chemical laws and regulations of each country such as RoHS Directive.
Use of lead-free solder	All solder used for the mounting boards of electronics is lead-free
Use of lead- and arsenic-free glass	Lead- and arsenic-free glass is used for all glass parts (with the exception of certain industrial products)
Surface treatment for plating, etc.	Elimination of all heavy metals (hexavalent chromium, lead, cadmium, and mercury)
Waste recycling	Compliant with WEEE Directive and the waste laws and regulations of each country

Eco-friendliness of Main Products

The following provides several examples of the Eco-friendly Products that we announced or released during the year ended March 31, 2018.

[Imaging Products Business]

D850 Digital SLR Camera

(launched on September 8, 2017)

The D850 digital SLR camera has 45.75 effective megapixels and ISO sensitivity of 64 to 25,600; it supports high-speed continuous shooting at up to approximately 9 fps. Compared to the previous D810 model, this new model uses 5.6% less power and has a battery life (in terms of the number of photographs that can be taken) that is approximately 53% longer.



AF-P DX NIKKOR 10-20mm f/4.5-5.6G Lens

(launched on June 30, 2017)

This ultra-wide-angle zoom lens is ideal for use with one of Nikon's compact, lightweight Nikon DX format Digital SLR cameras, providing a light, compact body that can be carried around easily. Compared to the previous AF-S DX 10-24/3.5-4.5G model, the new model is around 50% lighter and has approximately 14% fewer component parts.



[Healthcare Business]

N-SIM S Super Resolution Microscope

(announced on March 19, 2018)

The N-SIM S super resolution microscope employs a newly-developed structured illumination system to achieve high-speed live cell imaging with acquisition

speeds of up to 15 fps. Compared to the previous N-SIM 1.6 model, the new model is around 25% lighter and has approximately 22% fewer component parts. The amount of heat generated by the motor is kept to a minimum, which reduces power consumption by around 6% when the device is in use, and by around 30% when on standby.



LV-LL LED Lamphouse

(launched on February 15, 2018)

The LV-LL is an LED lamphouse for use with microscopes. By comparison with the conventional halogen lamphouses, it has achieved a significant reduction in size and weight, power saving, and a longer product life. Compared to the previous LV-LH50PC model, the new model is around 31% lighter, approximately 55% smaller in size, and has roughly an 88% reduction on the electric power consumption.



[Other]

NES2W-i10 MEMS Stepper

(launched on June 30, 2017)

The NES2W-i10 is a wide-field lithography equipment designed to support next-generation MEMS FOWLP (Fan Out Wafer Level Package). The projection lens, core element in the device, has approximately 15% fewer components than conventional projection lenses, and overall product lifespan is improved by around 20%.



Environmental Education and Awareness Raising Activities

The Nikon Group believes that the awareness and understanding of employees who are the foundation of its activities are vital to furthering its environmental activities and increasing its standards. Therefore, we have introduced various environmental education and awareness raising activities for our employees, to promote understanding and awareness of our environmental activities. In Japan, the Nikon Group provides employees with education matched to their position, their group affiliation, and the business facility and department to which they are assigned, based on the educational training plan for the environmental management system.

■ Environment Month

The month of June - which has been designated as Environment Month by the Ministry of the Environment in Japan - is Nikon Environment Month, during which time various activities are held to strengthen employees' environmental awareness in the Nikon Group. During Nikon Environment Month, awareness-raising posters are displayed throughout the Nikon Group to demonstrate our attitude of tackling environmental issues on a Group-wide basis. For Nikon Environment Month in the year ended March 31, 2018, a Nikon environmental photo contest was held, open to all Nikon Group employees. A total of 218 entries were submitted by Nikon Group employees from all over the world. In Japan, for the Nikon Environment Month seminar, Mr. Keisuke Takegahara of the Development Bank of Japan, Inc., was invited to give a lecture. Mr. Takegahara's talk covered ESG investing, which has become mainstream in Europe and North America since the global financial crisis of 2008, and the latest trends in this area, as well the current state of adoption of ESG investing in Japan,



and the solving of social problems through business activities. Approximately 90 Nikon employees attended the seminar.

Nikon Environment Month poster for the year ended March 31, 2018



Environment Month Seminar

■ Environmental Commendation Program

To invigorate measures aimed at protecting the environment, the Nikon Group has introduced the Nikon Environmental Commendation Program. Every year, this program commends and awards outstanding initiatives implemented by workplaces, groups or individuals who have consistently made efforts to protect the environment.

In the year ended March 31, 2018, we presented three Outstanding Environmental Contribution Awards and four Environmental Contribution Awards. This year, Nikon Lao Co., Ltd. (in Laos) was selected to receive one of the Outstanding Environmental Contribution Awards for its water discharge treatment measures. The water discharge treatment system adopted by Nikon Lao Co., Ltd. made it possible for all domestic-type waste water

to be reused for flushing toilets, or for sprinkling in the gardens; this has significantly reduced the amount of water discharged by the plant. The area where the Nikon Lao Co., Ltd. plant is located suffers from inadequate water supply infrastructure, leading to reliance on underground water and on water storage reservoirs built by individual private-sector companies. The decision to present this award to the company was also influenced by the fact that their system is also very beneficial from the point of view of water supply.



Environmental Commendation ceremony

■ Participating in Earth Hour

The Nikon Group has participated in Earth Hour* every year since 2010. This event provides an opportunity to raise environmental awareness by actively encouraging employees in each region around the world to participate. In the year ended March 31, 2018, 60 companies from the Nikon Group inside and outside Japan participated by switching off billboards or lighting, and posted photographs of their efforts to various social media.

* Earth Hour
A worldwide environmental campaign organized by the World Wildlife Fund (WWF). People around the world show their desire to stop global warming and protect the global environment by switching off the lights at the same time on the same day.



Example of the photographs posted on various social media sites

Priority Issue 4

Promoting Low Carbon Society



What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Promotion of low-carbon technology for manufacturing facilities and production processes	Reduce business facility CO ₂ emissions by at least 14.4% compared to the year ended March 31, 2014	Nikon Group in Japan / Group manufacturing companies outside Japan
Promotion of renewable energy adoption	Implement survey of renewable energy initiatives	Nikon Group in Japan / Group manufacturing companies outside Japan
Implementation of measures aimed at realization of Science-based Targets (SBTs)	Set science-based targets (SBTs)	Nikon Group
Reduction of CO ₂ emissions over the product lifecycle through visualizing products' environmental impact	Promote environmental impact assessment that uses the LCA methodology	Nikon Group

Realizing a Low-carbon Society

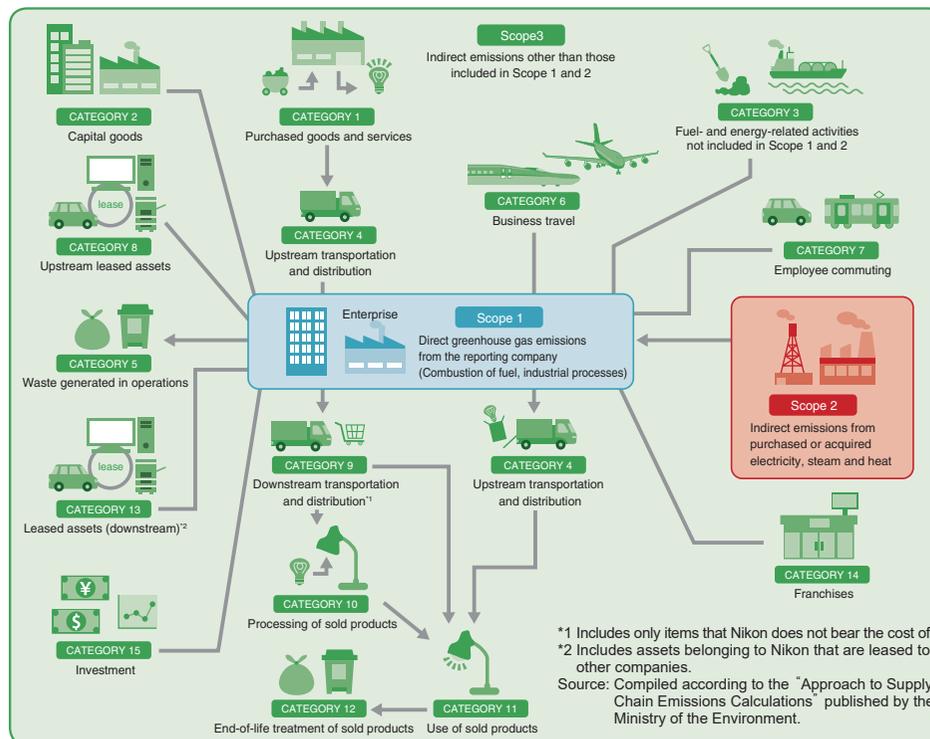
The Nikon Group recognizes that, in order to realize the goal of building a low-carbon society, it is important to implement measures not just within the Nikon Group, but in the supply chain as well. Based on this approach, we are formulating strategies for a wide range of different production processes to reduce carbon dioxide (CO₂) emissions throughout the product lifecycle.

Initiatives to Reduce CO₂ Emissions in the Supply Chain

When calculating greenhouse gas emissions, the Nikon Group has gone beyond the conventional approach of calculating direct emissions (Scope 1^{*1}) and indirect

emissions deriving from energy consumption (Scope 2^{*2}) by also calculating indirect emissions related to business activity in the supply chain (Scope 3^{*3}). In this way, we are able to assess the environmental load in the supply chain, and we are endeavoring to implement suitable response strategies on the basis of these assessments.

*1 Scope 1
Direct greenhouse gas emissions due to the use of fuel on site.
*2 Scope 2
Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam.
*3 Scope 3
Indirect greenhouse gas emissions related to business activities in the supply chain (excluding emissions already included in Scope 1 and 2).



> Nikon Environmental Management > Environmental Management Promotion System > [Promoting Low Carbon Society](#) > Promoting Resource Circulation > Contributing to a Healthy and Environmentally-safe Society

■ Assessing Emission Volume

On the basis of the Scope 3 emissions estimation results, it was determined that Category 1 (purchased goods and services) accounted for the largest share of emissions. In the future, while working to further refine the precision of our estimates, we will also be implementing measures to reduce CO₂ emissions, giving priority to those categories that have the highest emissions volume.

▶ [Reducing CO₂ Emissions in Distribution \(Scope 3\) \(P56\)](#)

▶ [Measures Taken by the Nikon Group to Reduce CO₂ Emissions \(Scope 1, 2\) \(P53\)](#)

CO₂ Emissions List Breakdown by Scope and Category

(Unit: t-CO₂)

Scope/Category	Scope of application	CO ₂ emissions	
Scope 1★	Nikon Group companies in Japan Group manufacturing companies outside Japan	CO ₂ emissions from energy consumption	22,092
	Nikon Group companies in Japan	CO ₂ emissions from non-energy consumption	6,894
Scope 2★	Nikon Group companies in Japan Group manufacturing companies outside Japan	Market-based criteria	181,712
		Location-based criteria	189,030
Scope 3 (individual categories within Scope 3 listed below)			
1. Purchased goods and services	Imaging Products Business and Precision Equipment Business		979,346
2. Capital goods	The entire Nikon Group		97,598
3. Fuel- and energy-related activities not included in Scope 1 and 2	Nikon Group companies in Japan Group manufacturing companies outside Japan		16,964
4. Upstream transportation and distribution	The entire Nikon Group		50,065
5. Waste generated in operations	Nikon (excluding the headquarters) Group companies in Japan Group manufacturing companies outside Japan		2,267
6. Business travel	Nikon		6,208
7. Employee commuting	Nikon		2,354
8. Upstream leased assets (included in Scope 2)	Calculation included in Scope 2		—
9. Downstream transportation and distribution	Excluded (because the amount is very small)		—
10. Processing of sold products (excluded)	Excluded (because the amount is very small)		—
11. Use of sold products★	Imaging Products Business and Precision Equipment Business		228,378
12. End-of-life treatment of sold products	Imaging Products Business and Precision Equipment Business		4,223
13. Leased assets (downstream) (excluded)	Excluded (because the amount is very small)		—
14. Franchises (out of scope)	Out of scope		—
15. Investments (out of scope)	Out of scope		—

* Scope 2
For the calculation of CO₂ emissions according to market-based criteria, the CO₂ conversion factors given in the note to "Changes in CO₂ emissions from energy consumption" on P53 were used. For the calculation of CO₂ emissions according to location-based criteria, the CO₂ conversion factor for electric power used in Japan was changed to the average value for electric power companies in Japan (as a substitute value for the "List of Emissions Factors by Electric Power Utility" specified in the 2018 revision of the Act on Promotion of Global Warming Countermeasures); for other emissions, a CO₂ conversion factor corresponding to market-based criteria was used.

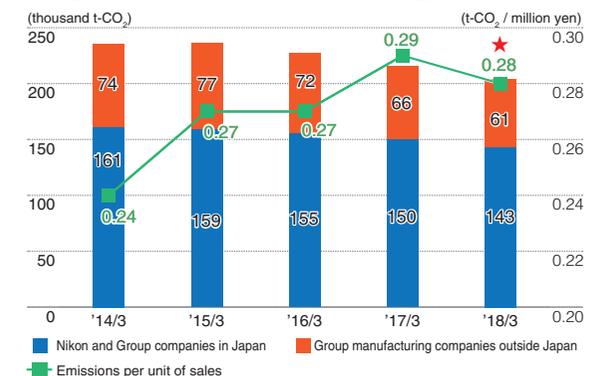
Measures Taken by the Nikon Group to Reduce CO₂ Emissions

The Operating Environmental Subcommittee plays a central role in the planning and evaluation of environmental protection activities within the Nikon Group, formulating action plans for CO₂ emission reduction for each business facility and each Group company. Individual units use these plans as a basis for the implementation of CO₂ reduction activities, and efforts are also made to promote the visualization of environmental data, to facilitate the achievement of the goals that have been set.

Changes in CO₂ Emissions from Energy Consumption and in Energy Consumption

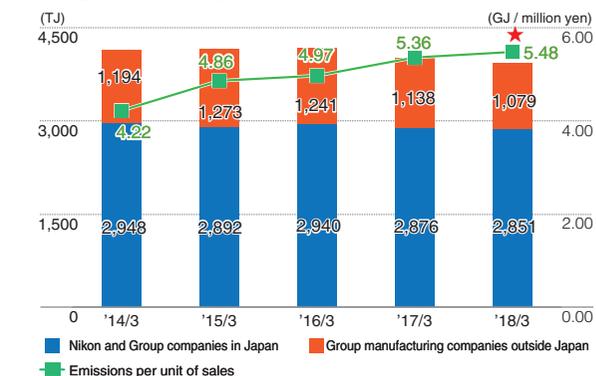
In the year ended March 31, 2018, CO₂ emissions from energy consumption from Nikon and Group companies were 13.4% lower than in the year ended March 31, 2014. The Nikon Group thus achieved the target of Nikon Environmental Action Plan which was to reduce emissions by at least 5.85% compared to the level in the year ended March 31, 2014 by the year ending March 31, 2020 ahead of schedule.

Changes in CO₂ Emissions from Energy Consumption



* The following values were used for CO₂ conversion factors.
Electric power
 In Japan: The CO₂ conversion factors without adjustment for each electric power utility noted in the "List of Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures.
 Outside Japan: International Energy Agency (IEA) factors. The FY2015 IEA factors were used for the year ended March 31, 2017 and 2018; the Thailand factors were used for Laos.
City gas
 The gas company eigenvalues noted in the guidance document for Periodic Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act) were multiplied by the values given in Appended Table 2 of the "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures, and by 44/12.
Heat and other fuels
 The values noted in the "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures.
 * The above factors were also used for the calculation of CO₂ emissions according to market-based criteria for Scope 1 and Scope 2 on P52.
 * Please note that the CO₂ emissions reduction effect associated with the Green Heat Certificates referred to on P54 has not been deducted from the figures used in the above graph.

Changes in Energy Consumption



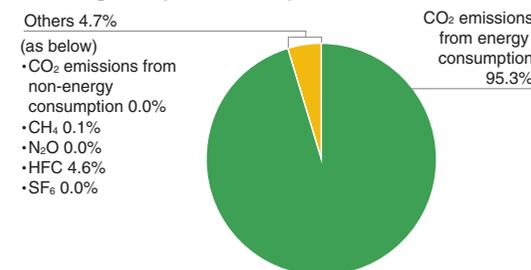
* The following values were used for calorific-value conversion factors.
Electric power: The values given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).
City gas: The gas company eigenvalues noted in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).
Heat and other fuels: The values given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).

CO₂ Emissions from Non-energy Consumption

CO₂ emissions from energy consumption account for by far the largest share of the total greenhouse gas emissions from Nikon and Group manufacturing companies in Japan. The rest of the greenhouse gas emissions are from non-energy consumption*, which account for 4.7% of the total. There were no emission of PFCs and NF₃ in the year ended March 31, 2018.

*1 Greenhouse gases from non-energy consumption
 Greenhouse gases excluding CO₂ emissions from energy consumption. Specifically, this term is used to refer to CH₄, N₂O, HFC compounds, PFC compounds, SF₆, NF₃, and non-energy CO₂ emissions.

Breakdown of CO₂ Emissions from Nikon and Group Manufacturing Companies in Japan★



■ Utilizing Renewable Energy

The Nikon Group is working to promote the use of renewable energy.

• Nikon Kumagaya Plant

The Kumagaya Plant has been operating a solar power generation system at full capacity since 2010. The system generates approximately 100 MWh of electric power per year, reducing annual CO₂ emissions by around 50 t-CO₂.

• Nikon Yokohama Plant

The Yokohama Plant installed solar power generating equipment on the walls of a building that was completed in 2013. The system generates approximately 30 MWh of electric power per year, reducing annual CO₂ emissions by around 15 t-CO₂. The Yokohama Plant also cosponsored Yokohama City's project for wind power generation as a Y (Yokohama) Green Partner Company over the 10-year period that ended on March 31, 2017, purchasing Green Power Certificates.

• Sendai Nikon Corporation

Sendai Nikon Corporation is working to reduce its CO₂ emissions; in March 2018, the company purchased Green Heat Certificates amounting to 1,686.4 GJ, representing a CO₂ emissions reduction effect of 124 t-CO₂.

• Nikon India Private Limited (India)

Nikon India installed a solar power generation system in July 2017. In the year ended March 31, 2018, the system generated electricity totaling 16.6 MWh, and reduced annual CO₂ emissions by 8 t-CO₂. The annual generating capacity of the system is 23 MWh, which represents an annual CO₂ emissions reduction effect of 11 t-CO₂.



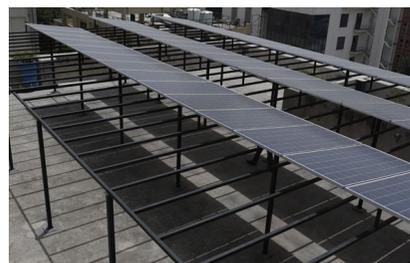
Monitor showing the amount of power generated in real time at the Kumagaya Plant



Solar power generation panel at the Kumagaya Plant



Solar power generating equipment on the wall of a building of the Yokohama Plant



Solar panels installed at Nikon India Private Limited

Changes in CO₂ Emissions Reduction through the Use of Renewable Energy



* The CO₂ emissions reduction effect from the use of solar power is calculated using the values specified in the Japan Photovoltaic Energy Association (JPEA) guidelines. CO₂ emissions from manufacturing of solar cells (which varies by solar cell material) are deducted from the average CO₂ emissions factor for electric power utilities in Japan (the substitute value for the "List of Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures).

* The CO₂ emissions conversion factors for Green Power Certificates and Green Heat Certificates were determined by referencing the "Rules for the Management of Green Energy CO₂ Emissions Reduction Equivalent Certification Systems."

> Nikon Environmental Management > Environmental Management Promotion System > **Promoting Low Carbon Society** > Promoting Resource Circulation > Contributing to a Healthy and Environmentally-safe Society

■ Examples of CO₂ Emissions Reduction Measures Implemented by the Nikon Group

Reducing CO₂ Emissions by Making Product Development More Efficient

By continuing to strive for further improvement and evolution in the core technologies that underpin our manufacturing operations, the Nikon Group is able not only to enhance the efficiency of development and production operations and raise quality standards, but also to reduce the environmental impact by achieving reductions in energy consumption and the generation of waste.

Hikari Glass Co., Ltd., a Group company of Nikon that develops and manufactures optical glass for use in cameras, microscopes etc., starts by small-scale testing to determine production conditions, before going on to testing with full-scale volume production equipment. However, sometimes the volume-production testing does not go smoothly; not only does this lead to delays in ramping up production, it also involves considerable expenditure of energy for heating glass, and generates large amounts of waste glass.

To address this issue, Hikari Glass's development division set to work, in collaboration with Nikon, to improve efficiency. As a result of their combined efforts, the quality of existing products has been improved, new products can now be developed within a shorter space of time, and annual CO₂ emissions have been reduced by approximately 429 tons because of the substantial reduction in the percentage of non-conforming product in volume production.

Conserving Energy at Plants

The measures taken at Nikon's Kumagaya Plant to reduce electric power usage, improve the efficiency of air conditioning units, etc., has won recognition in the awarding of the 2017 Outstanding Performance Award by the Kanto Region Electric Power Usage Rationalization Committee. The measures implemented at the Kumagaya Plant were as follows:

1) Within the plant interior

The Kumagaya Plant has decreased interior lighting used, switched off unnecessary outdoor lighting, ensured that interior lights are switched off when not required, and



Solar-powered water heater at Hikari Glass (Changzhou) Optics Co, Ltd.

reduced the amount of electric power wasted by keeping equipment on standby.

2) Power receiving and transforming equipment

When replacing six transformers, the Plant opted to replace them with highly-efficient models that will reduce the amount of electric power consumed.

3) Adoption of inverters for plant equipment

The Plant has installed inverters on seven pumps used for production equipment and air conditioning, thereby realizing a reduction in electric power usage.

4) Adjustment of air-conditioner operating time

- Air conditioning in office areas is, in principle, switched off after the normal working hours, and on weekends and public holidays, which has led to reduction of electric power consumption.

- The air conditioning is switched off at night in clean-room areas where possible, so that electric power usage can be reduced without negatively impacting product quality. Nikon's Oi Plant has achieved a substantial reduction in electric power consumption by replacing conventional fluorescent lights with LED lighting and by making improvements to the operation of the air conditioning systems. At Hikari Glass (Changzhou) Optics Co., Ltd., a solar-powered water heater has been installed to heat water which is used for employees' showers (used by around 70 employees per day), which has contributed to the reduction of CO₂ emissions.

Conserving Energy at Offices

All Nikon Group business facilities are switching over to highly efficient lighting, adopting motion sensor-equipped lighting, and working to make air conditioning equipment and office machinery more efficient.

Nikon India Private Limited has been implementing



An office at Nikon India Private Limited, where LED lights are now used for almost all the lighting

energy-saving measures for some years now; almost all conventional light-bulbs in the company's offices have been replaced with LED lighting. In the year ended March 31, 2018, Nikon India Private Limited began using a new solar power generation system. The electric power generated by this system is being used to provide power for the offices.

Measures Adopted in Regard to Commuting and Company Vehicles

All Nikon Group business facilities are making efforts to adopt fuel-efficient vehicles such as hybrid cars, and other environmentally-friendly cars, as company cars. Some business facilities are also encouraging employees to use commuting methods that have a low environmental impact. Nikon Precision Inc., in the U.S.A., has installed electric vehicle charging stations on company premises. This measure has helped to spread awareness of the company's environmentally-friendly stance among employees, and the number of employees using electric vehicles to get to work has increased.



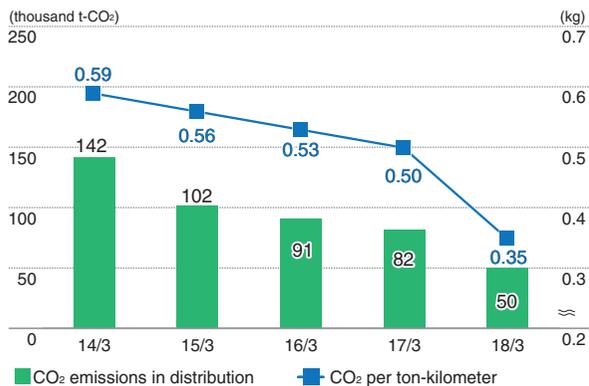
Electric vehicle charging station at Nikon Precision Inc.

Reducing CO₂ Emissions in Distribution

As the products of the Nikon Group are manufactured in facilities located mainly in Asia and distributed worldwide, Nikon has identified the distribution routes, including those used by Group manufacturing companies in Japan, and obtained numerical data on transportation volumes and CO₂ emissions, and we are working to reduce CO₂ emissions during transport. We calculate CO₂ emissions resulting from distribution by using a Greenhouse Gas Protocol (GHGP) tool.

In the year ended March 31, 2018, CO₂ emissions amounted to 1,710 t-CO₂ for distribution in Japan and 50,000 t-CO₂ for international shipment and distribution outside Japan.

CO₂ Emissions from Distribution in Japan, International Shipment and Distribution Outside Japan



Promotion of Modal Shifts

The Nikon Group promotes modal shifts* in order to reduce environmental impact. We are shifting the main modes of delivery from airplane to ship, and from truck to railway.

For example, we are considering measures to realize rail transport from China to Europe. This shift from air to rail can reduce distribution-related CO₂ emissions to around

one-seventieth. Besides products, a similar shift is being promoted with respect to the supply of packaging materials to procurement partners, as well as the transportation of delivery cases, installation tools, etc.

* Modal shift:
This term is normally used to refer to a shift to a different method of transport, in order to reduce the impact on the environment.

Environmentally-friendly Transportation

Besides gradually shifting over to the use of environmentally-friendly vehicles with low fuel consumption for both company cars and delivery trucks, the Nikon Group is also implementing measures to promote eco-driving (fuel-efficient driving). Nikon Business Service Co., Ltd., which provides logistics and transportation services for the Nikon Group, requires all of its drivers in Japan to undergo regular eco-driving training courses.

The Nikon Group is also implementing measures to improve transportation efficiency. For transport between Nikon's Kumagaya Plant and Narita Airport, a shift from having delivery vehicles depart on an "as-needed" basis to a system of regular scheduled deliveries has led to a dramatic improvement in efficiency. Measures are also being taken to reduce delivery distances, by adjusting transportation routes for international logistics.

In order to realize more efficient transportation, measures that target the upstream segment of the product life-cycle are very important. Since the year ended March 31, 2018, the Nikon Group has involved not only logistics departments but also the planning departments of each division to promote the transportation efficiency. The specifications for the size, materials and shape of the packaging boxes that Nikon products are packaged in, and for the types of user manual that are utilized, are being designed in such a way that the volume occupied by products during transportation is taken into account right from the initial product design stage. Other steps are also being taken to further enhance Nikon's environmentally-friendly logistics, such as doing away with the need for outer packing cases by shifting away from container transport to pallet transport, etc.

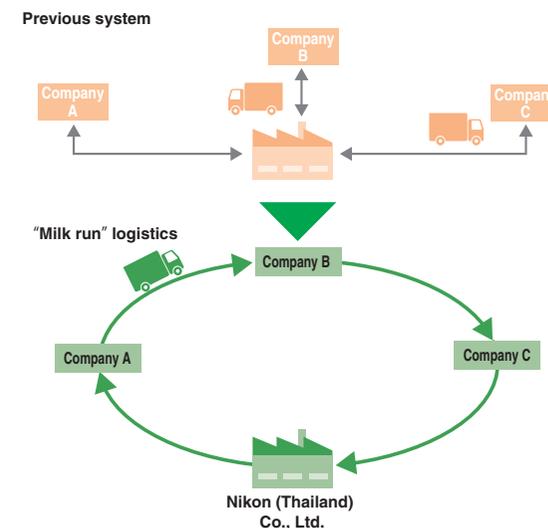
Case study: Streamlining delivery with milk run method

Nikon (Thailand) Co., Ltd. used to deliver to each partner company individually, but has now switched over to using milk run logistics in which a single vehicle may make deliveries to several different firms located within the same region. Specifically, Nikon (Thailand) has joined up with 11 partner companies to establish four routes for deliveries of parts, tools and packaging materials within the Ayutthaya, Saraburi, Chachoengsao and Korat regions.

Nikon (Thailand) has also switched over to using full trailers in order to be able to make deliveries to both Nikon Lao Co., Ltd. (which is located in the Savannakhet region of Laos) and partner companies on the same trip. By restructuring deliveries so that each truck movement involves deliveries to at least two different firms, Nikon (Thailand) has succeeded in reducing expenditure on fuel for transportation purposes by 12.5%.

The adoption of "milk run" logistics by Nikon (Thailand) has cut transportation-related CO₂ emissions by around 50%.

The "milk run" logistics model adopted by Nikon (Thailand) Co., Ltd.



Priority Issue 5

Promoting Resource Circulation



What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Promotion of the recycling of waste	Nikon and Group manufacturing companies in Japan: Maintain level S Group manufacturing companies in China: Maintain level 1	Nikon / Group manufacturing companies in Japan / Group manufacturing companies in China
	Implement measures to recycle chemical substances	Nikon Group in Japan / Group manufacturing companies outside Japan
Promotional measures to foster the cyclical utilization of water resources that are suited to local needs	Formulate targets for enhancing water use efficiency in line with the level of water risk in each region	Nikon Group in Japan / Group manufacturing companies outside Japan
Promotion of the "3Rs" (Reduction, Reuse, and Recycling) with respect to products and parts	Promote the recycling of products, parts and materials	Nikon Group

Realizing a Resource-circulating Society

The Nikon Group is focusing on initiatives implemented through its business activities, such as waste reduction and the effective use of water resources, while also striving to save resources through efforts such as reducing the size and weight of products and the volume and weight of packaging.

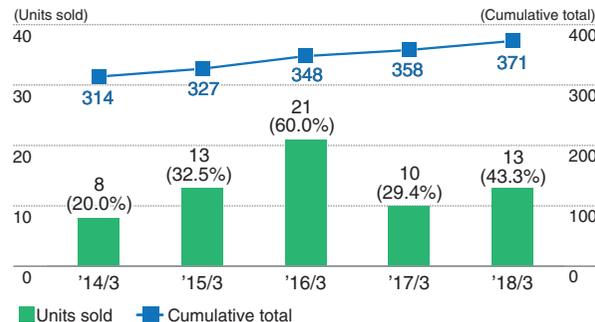
Product Reuse and Recycling

As a supplier of products to countries all over the world, the Nikon Group is working tirelessly to reduce the total environmental impact of its products and services by reuse and recycling used products.

Sales of Refurbished Steppers and Scanners

In the year ended March 31, 2001, the Nikon Group launched a commercial service for collecting used Nikon steppers and scanners from customers, reconditioning them, replacing parts, reconfiguring them, and installing them for new customers in and outside Japan. This business is an example of Nikon's practice of reusing its own products. As of the year ended March 31, 2018,

Sales Trends of Refurbished Steppers & Scanners (for IC)



* Number shown in () denotes the percentage of total units sold.

Nikon had sold a cumulative total of 371 refurbished steppers and scanners.

Battery Recycling

In Japan, Nikon has been collecting and recycling end-of-life rechargeable batteries used in Nikon digital cameras from users via JBRC* since 2001.

* Japan Portable Rechargeable Battery Recycling Center (JBRC)
JBRC is an organization that promotes the recycling of small rechargeable batteries in accordance with the provisions of the Act on the Promotion of Effective Utilization of Resources.



Battery recycling mark

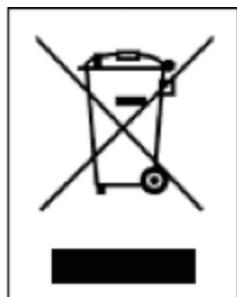
■ Recycling and Reuse of Used Nikon Products

Under the WEEE Directive*1, European countries have been developing national laws in relation to the collection and recycling of used electrical and electronic equipment. In response to these laws, we have been working to fulfill our responsibility for the collection and recycling of Nikon digital cameras and other products.

We have registered with local collection organizations in more than 30 countries, and have established collection and recycling networks in each country.

We are also implementing assessments at the design stage of products and promoting easy-to-disassemble design, a reduction in the number of types of raw materials used, and extensive utilization of recycled resources, to comply with the provisions of the Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment*2 in Japan.

As to reuse, in the U.S. we have a service whereby digital cameras returned by customers are repaired and then sold as refurbished cameras.



EU recycling symbol

*1 WEEE Directive (Waste Electrical and Electronic Equipment): Under legislation enacted in the EU in 2003 (and revised in 2012), Member States are required to collect and recycle waste electrical and electronic equipment.
 *2 Act on Promotion of Recycling of Small Waste Electrical and Electronic Equipment: Enacted on April 1, 2013, this legislation stipulates the responsibilities of various entities, including the national and local public bodies, business operators and manufacturers, with respect to the promotion of recycling of small waste electrical and electronic equipment such as digital cameras and game devices, etc.

■ Recycling of Packaging Materials

The Nikon Group promotes the recycling of packaging materials for Nikon products including digital cameras in Japan by outsourcing the task to the Japan Containers and Packaging Recycling Association.

In Europe, under the EU Packaging and Packaging Waste Directive, each country has developed a packaging waste collection and recycling system in accordance with its national laws. Many of these frameworks have adopted the Green Dot system*. In the EU, the Nikon Group pays collection and recycling fees to recycling

organizations in each country, and displays the Green Dot symbol on its product packaging. In this way, the Nikon Group cooperates in the promotion of the collection and recycling of packaging materials.



® Green Dot symbol

* Green Dot System: A collection and recycling system for packaging waste adopted by domestic legislation in EU Member States in accordance with the 1994 EU Packaging and Packaging Waste Directive.

Column

Recycling at Nikon Tsubasa Inc.

Nikon Tsubasa Inc. is a special subsidiary established in 2000 in accordance with the Act on Employment Promotion etc. of Persons with Disabilities. It undertakes the disassembly and recycling of items such as prototypes, products used at exhibitions, and PC hard drives etc. that are no longer needed, for the Nikon Group. We previously paid waste disposal companies to dispose of such items as waste; now, by implementing separation and disassembly, we are able to transform this waste into items of economic value that can be sold. Furthermore, disposing of such items within the Group has profound significance from the perspective of information security (including confidentiality, etc.). The Nikon Group will continue to promote this type of activity in the future.

Total Quantity of Materials Collected through Disassembly (Year Ended March 31, 2018)

Material category	Quantity of material collected
Crude iron (ferrous metals)	308.8 kg
Nonferrous metals (copper/aluminum, etc.)	620.6 kg
Plastic	2,001.2 kg



After products have been received, the operatives disassemble the products down to the smallest possible units by hand, and separate the parts into 15 different types of materials (including glass, metal, plastic, etc.). In the case of complex products, it can take more than one day to disassemble a single unit.



Before the operatives start work, an instructor shows them how to implement the disassembly for that particular product. The instructor also performs final inspection to check that products have been properly disassembled. Careful attention is paid to operatives' safety; for example, protective glasses and gloves must be worn while working.

For more information about Nikon Tsubasa Inc., see: Success of Diverse Employees > Supporting People with Disabilities (P87)

▶ [Nikon Tsubasa Inc. \(in Japanese\)](http://www.nikon-tsubasa.co.jp/)
<http://www.nikon-tsubasa.co.jp/>

> Nikon Environmental Management > Environmental Management Promotion System > Promoting Low Carbon Society > Promoting Resource Circulation > Contributing to a Healthy and Environmentally-safe Society

Measures Relating to Packaging and Bundled Items

Promoting the Use of Environmentally-friendly Packaging

The Nikon Group makes efforts to improve recyclability by reducing the use of hazardous substance, as well as seeking to save resources by downsizing and lightening of packaging.

We formulated the Nikon Packaging Assessment in 2001 for improving the environmental compatibility of our packaging. Based on this, we evaluate and confirm the following items during design review and production of packaging when developing new products in each business unit. Moreover, this assessment has been revised as appropriate in accordance with trends in relevant laws and regulations.

In the year ended March 31, 2018, we reviewed assessment items and criteria significantly.

Primary Assessment Items

- Restriction of hazardous substances
- Clear identification of materials
- Reduction of volume and weight
- Easy sorting and separation (recyclability)
- Improvement of transport efficiency (standardization of shape, etc.)

Downsizing/Lightening of Packaging Boxes

- D850 Digital SLR Camera: 6% reduction in size, 10% reduction in weight
- COOLSHOT PRO STABILIZED Laser Rangefinder: 10% reduction in size
- N-SIMS Microscope: 60% reduction in size, 58% reduction in weight



Laser rangefinder packaging box

Reduction in the Amount of Paper Used in the Production of User Manuals, etc.

Digitalization of User Manuals for Semiconductor Lithography Systems

Semiconductor lithography systems have complex structures and need complicated operations; they also require a great deal of adjustment. As a result, the user manuals for these devices can contain a very large number of pages. A model released in 1990 had a set of user manuals with around 3,100 pages, and since then the volume of manuals has continued to increase as these products became ever more advanced.

The Nikon Group began digitalizing user manuals and distributing them in the form of CD-ROMs in 2008. This allows us to save approximately 100,000 sheets of paper each year.

In addition, checking and revising documents on screen rather than in paper format during the manual compilation process makes it possible to save even more paper than just the paper used in the finished manuals. We are now taking this resource-saving initiative even further by extending the same approach to the compilation of user manuals for FPD lithography systems.



Bringing together over 6,000 pages of information on a single CD

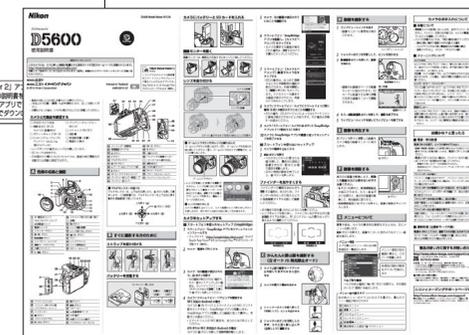
Resource-saving in Material in Digital Camera Packaging

The Nikon Group is expanding the scope of resource-saving to include the user manuals, packaging etc. that are bundled with Nikon digital cameras.

Two types of user manual are provided: a concise manual in booklet form, and a more detailed manual in electronic form. Only the concise manual is bundled with the camera; the more detailed electronic manual can be downloaded from the Nikon website. Reducing the number of pages in the manual that is bundled with the camera not only saves resources, it also contributes to a reduction in the CO₂ emissions generated when cameras are being shipped. In addition, switching over from booklets to folded sheets for the user manuals for digital SLR cameras has made it possible to achieve a substantial reduction in the amount of paper used. To make this change possible, the user manual content has been condensed to a considerable degree. More specifically, for all languages, what used to be a user manual equivalent to 140 pages of A6 paper has been condensed to a single sheet of A2 paper printed on both sides, equivalent to 32 pages of A6 paper. With future models, Nikon will continue to reduce the size of the printed materials bundled with the products, thereby reducing the environmental impact.



(Left) The user manual bundled with the D5500: 164 pages
(Right) The user manual bundled with later models: One sheet of paper, printed on both sides



Initiatives Aimed at Reducing Waste etc.

While working to reduce the amount of waste generated, the Nikon Group is also taking steps to improve resource efficiency by defining level-specific targets for zero emissions.

Towards Zero Emissions

The Nikon Group introduced level-specific targets into its zero emissions initiatives, starting from the year ended March 31, 2009.

Nikon and Group manufacturing companies in Japan had all achieved Level S by the year ended March 31, 2016. Nikon and Group companies in Japan maintained Level S in the year ended March 31, 2018. Outside Japan, Hikari Glass (Changzhou) Optics Co., Ltd. and Nanjing Nikon Jiangnan Optical Instrument Co., Ltd. also maintained Level 1. The Nikon Group promotes further zero emissions measures.

Zero Emissions Level-specific Targets

- Level S: Final landfill disposal rate of less than 0.5% (from the year ended March 31, 2014)
- Level 1: Final landfill disposal rate of less than 1%
- Level 2: Final landfill disposal rate of less than 5%
- Level 3: Final landfill disposal rate of less than 10%
- Level 4: Final landfill disposal rate of less than 20%

Zero Emissions Level Achievement (Year Ended March 31, 2018)

Level	Company name
Level S	Nikon (All six plants)
	Tochigi Nikon Corporation / Tochigi Nikon Precision Co., Ltd.
	Sendai Nikon Corporation
	Miyagi Nikon Precision Co., Ltd.
	TNI Industry Co., Ltd.
	Hikari Glass Co., Ltd.
Level 1	Hikari Glass (Changzhou) Optics Co., Ltd.
	Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.

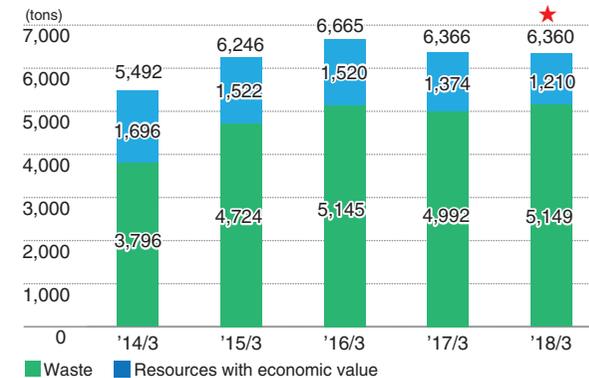
Waste Reduction Performance

The amount of waste (excluding resources with economic value) generated by Nikon during the year ended March 31, 2018 was 2,118 tons, while the total for Group companies in Japan was 3,031 tons. The total amount of landfilled waste generated by Nikon and Group companies in Japan was 3 tons, with 5,146 tons of waste being recycled. Together, Nikon and Group companies in Japan achieved their target of reducing the amount of waste generated to below the level in the year ended March 31, 2017.*1

The total amount of waste generated by Nikon Group manufacturing companies outside Japan was 2,515 tons*2★.

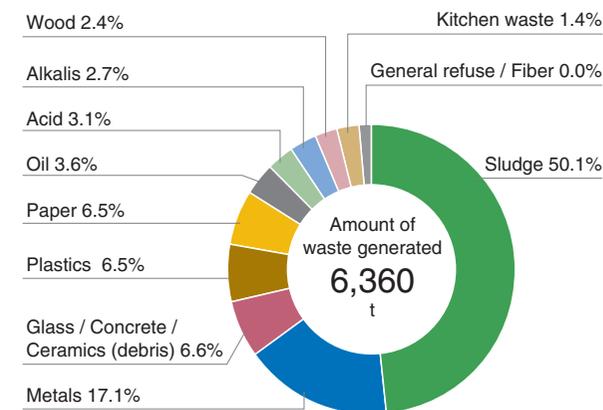
*1 Waste generated in the relocation of the Head Office and in other relocations relating to organizational restructuring is classed as "special disposal" and is not included in the target values.
 *2 Waste from Nikon Lao Co., Ltd. and some Nikon (Thailand) Co., Ltd. facilities is not included in the data.
 Includes waste generated by Nikon Imaging (China) Co., Ltd. up until October 2017.

Changes in the Amount of Waste etc. (Waste plus Resources with Economic Value) Generated by Nikon and Group Companies in Japan



* Data include special disposal.
 * Boundaries have been expanded since the year ended March 2017.

Breakdown (by Category) of Waste etc. (Waste plus Resources with Economic Value) Generated by Nikon and Group Companies in Japan (Year Ended March 31, 2018) ★



■ Measures Implemented at Non-manufacturing Facilities

In order to save resources, non-manufacturing Group facilities outside Japan endeavor to reduce the use of paper cups and other disposable tableware, and to reduce the quantity of documents that are printed out in paper form. Efforts are also made to promote waste separation and to raise awareness of the need for resource recycling.

Nikon Instruments (Shanghai) Co., Ltd. (China) and Nikon International Trading (Shenzhen) Co., Ltd. (China) have changed the settings of multifunction devices and introduced new software, which reduces the amount of paper used by allowing confirmation before accidental or unnecessary copying. Nikon India Private Limited uses a service that recycles used paper from the office, turning it into notebooks, which are then once again used in the office.



Paper recycling box (left) and notebook made from recycled paper (right) at Nikon India Private Limited

Green Purchasing

The Nikon Group has adopted an environmentally-friendly approach by promoting “Green Purchasing” of indirect materials (auxiliary materials), which include a wide range of items utilized in the Group’s operations, from ballpoint pens to PCs.

In concrete terms, besides formulating the Basic Policy

for the Promotion of Green Purchasing and the Green Purchasing Promotion Regulations, the environmental goals laid down in the Environmental Action Plan have been used as the basis for setting targets at the level of business facilities, with management based on the setting of Green Purchasing rates for each workplace.

In the year ended March 31, 2018, as in the previous year, the Green Purchasing rate was 100%.

Within Japan, 12 Group companies have harmonized their criteria for determining whether products can be classed as Eco-friendly Products, and their method for calculating the Green Purchasing compliance rate, with Nikon. The results of a survey conducted in the previous year targeting three Group companies in China showed that it would be difficult for these companies to adopt a Group-wide unified standard; it was decided that they would implement self-directed activities tailored to local conditions.

In Europe and North America, Green Purchasing presentations were held at Nikon Americas Inc. (in the U.S.A.) and at Nikon Holdings Europe B.V. (in the Netherlands). Surveys of local conditions were begun in these regions, to determine whether implementation of Green Purchasing is feasible in light of local laws and regulations.

▶ [Basic Policy for the Promotion of Green Purchasing](https://www.nikon.com/about/sustainability/environment/resource-circulating/green_purchasing_policy.pdf)
https://www.nikon.com/about/sustainability/environment/resource-circulating/green_purchasing_policy.pdf

Green Purchasing Ratio (Year Ended March 31, 2018, based on Nikon criteria)

Nikon	100%
Group companies in Japan	99.2%

Conservation of Forest Resources

As part of our forest resource conservation efforts, the Nikon Group is committed to reducing the amount of paper that we use.

Furthermore, with respect to the paper resources that we do use, we encourage employees to switch over to using paper sourced from sustainable forests, in accordance with the Group’s Paper Procurement Policy, which was drawn up in 2013.

▶ [Paper Procurement Policy](https://www.nikon.com/about/sustainability/environment/resource-circulating/paper_procurement_policy.pdf)
https://www.nikon.com/about/sustainability/environment/resource-circulating/paper_procurement_policy.pdf

■ Conversion to Using FSC-certified Paper*

In accordance with the Nikon Group’s Paper Procurement Policy, we are switching over to the use of FSC-certified paper. We are giving priority initially to usages that involve particularly large quantities of paper and which therefore have a major impact on society.

Within Japan, we are using FSC-certified paper for all Imaging Products Business catalogs and for printed materials, corporate envelopes, name-cards etc. issued or used by Nikon’s administration departments.

Starting from the year ended March 31, 2017, we have been implementing measures to promote the shift over to using FSC-certified paper for the paper used by our business units; in the year ended March 31, 2018, FSC-certified paper was used for 100% of all product catalogs issued in Japan (with the exception of those printed on special types of paper). In the future, we will expand the scope of implementation of these measures to encourage a shift over to using FSC-certified paper for the user manuals etc. that are bundled with our products.

* FSC-certified paper
Paper that is certified as being made using timber from appropriately managed forests.

■ Participation in the Consortium for Sustainable Paper Use

Through its participation in the Consortium for Sustainable Paper Use (CSPU)*, Nikon is able to strengthen its own initiatives in this area through the exchange of information and ideas with other CSPU member companies, while also contributing to the spreading of awareness of the importance of appropriate paper usage within society as a whole.

* Consortium for Sustainable Paper Use (CSPU)

The Consortium for Sustainable Paper Use is a consortium established in 2013 by a group of corporations that are playing a leading role in promoting sustainable paper use in Japan, the World Wide Fund for Nature (WWF) Japan (a major international environmental NGO), and Response Ability, Inc., a company that is working to promote sustainability in the corporate sector.



Consortium for Sustainable Paper Use

CSPU's logo

■ Protection of Water Resources

The Nikon Group recognizes the vital importance of water resources, and is making serious efforts to help safeguard them. Water resource risk varies from region to region, so the Nikon Group seeks to identify how much water is used at each business facility and each Group manufacturing company and how this water is used, and utilizes this information as a basis for appropriate management aimed at reducing water usage.

The Nikon Group implements water risk assessment as needed with respect to business site (in and outside Japan) that are considered to have relatively high water risk. The most recent assessment showed that the overall level of water risk was not excessively high.

Among the Nikon products, optical components require particularly large quantities of water in the production process. The business facilities and Group companies which manufacture optical components therefore pay special attention to proper treatment of wastewater generated in the production process, and promote water reuse and recycling. In addition, water conservation activities are implemented thoroughly to reduce overall water consumption.

In the year ended March 31, 2018, the total amount of water resources used by Nikon and Group companies in Japan was 2,958 thousand m³★, and the total amount of water resources used by Group manufacturing companies outside Japan was 978 thousand m³★.

The total amount of wastewater discharged by Nikon and Group companies in Japan in the year ended March 31, 2018 was 2,426 thousand m³★ of which 1,036 thousand m³★ was discharged into rivers etc. and 1,390 thousand m³★ was discharged into sewers; the total amount of wastewater discharged by Group manufacturing companies outside Japan was 725 thousand m³★, of which 12 thousand m³★ was discharged into rivers etc. and 713 thousand m³★ was discharged into sewers. The

total quantity of water resources recycled and reused by Nikon and Group companies in Japan was 2,663 m³; the total quantity of water resources recycled and reused by Group manufacturing companies outside Japan was 15 thousand m³.

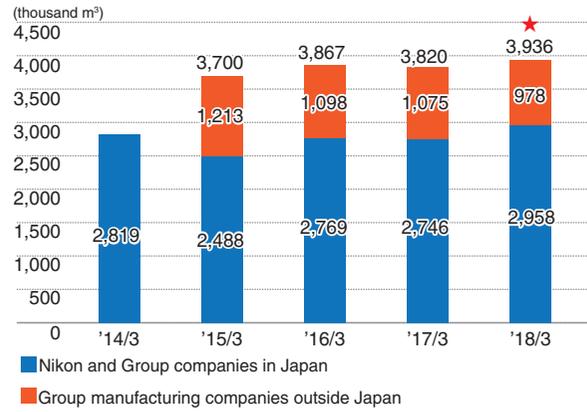
■ Examples of Water Recycling

Nikon's Sagamihara Plant implements an integrated process covering every stage from optical glass materials manufacturing through to component processing, and as a result uses large amounts of water resources; the Plant accounts for around half of all water used by the Nikon Group in Japan. The waste gas cleaning process uses the largest amount of water. The process uses water as an adsorbent to remove acid components contained in gas left over from the glass manufacturing process. The Sagamihara Plant recovers and treats the water used in the waste gas cleaning process and approximately 60% of it is reused.

At Hikari Glass Co., Ltd., which manufactures optical glass and optical glass components, around 30% of the water used in the finishing processes is circulated. Nikon Lao Co., Ltd. (Laos) is located in a district with basic water supply infrastructure, and has been actively implementing measures to improve water resource efficiency. The company has already been using purified sewage water for flushing toilets and for garden sprinkler systems; starting from February 2018, it also began using purified sewage water as cooling water.

In Thailand, Nikon (Thailand) Co., Ltd. has been implementing water resource recycling for some years now, utilizing the reverse osmosis (RO) water purification process to recycle concentrated wastewater. In the year ended March 31, 2018, the company installed additional wastewater processing equipment, so that wastewater from production processes can also be recycled and used for utilities, toilet flushing, etc. It is anticipated that these measures will allow approximately 120 thousand m³ of water per year to be recycled.

Nikon Group's Water Use



* Boundaries (both in and outside Japan) have been expanded since the year ended March 31, 2016.

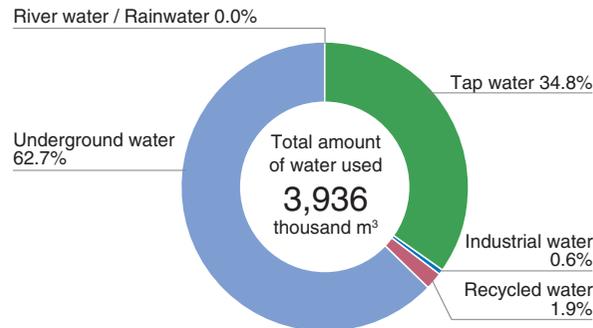


Wastewater treatment system at Nikon Lao Co., Ltd.



Wastewater processing plant at Nikon (Thailand) Co., Ltd.

**Breakdown of Water Use by Nikon Group★
(Year Ended March 31, 2018)**



Priority Issue 6

Contributing to a Healthy and Environmentally-safe Society



What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Appropriate management of the chemical substances used in production	Implement activities based on the Nikon Group's chemical substance management guidelines	Nikon Group in Japan / Group manufacturing companies outside Japan
Appropriate management of chemical substances contained in products throughout the supply chain	Maintain compliance with the hazardous chemical substance laws of each country (RoHS, REACH, etc.)	Nikon Group
	Start full-scale operation of chemSHERPA	Nikon Group
Implementation of activities aimed at safeguarding biodiversity	Improve the efficiency of Nikon Green Procurement auditing operations with respect to procurement partners	Supply chain
	Promote FSC-certified paper use for newly-printed paper items with the Nikon logo	Nikon Group

Realizing a Healthy and Environmentally-safe Society

With the aim of realizing a healthy, safe society, the Nikon Group implements chemical substance management for the purpose of manufacturing environmentally-safe products, as well as making a positive contribution towards maintaining the natural environment in the local community. We set environmental targets addressing products and business facilities, and we work steadily towards the realization of these targets.

Reducing Hazardous Chemical Substances in Products

The Nikon Group has formulated a range of measures for all of our products, to reduce hazardous substances and ensure compliance with international laws and regulations on hazardous chemical substances.

Responding to Regulations on Hazardous Chemical Substances

To safeguard human health and reduce environmental risks, the Nikon Group strives to implement rigorous chemical substance management that adheres to international regulatory frameworks. More specifically, we respond appropriately to international environmental laws and regulations that include the EU's RoHS directive*1 and REACH regulation*2.

As Nikon products are made from a very large number of materials and components, we work closely with our procurement partners to reduce the use and discharge of hazardous substances in the supply chain.

*1 RoHS directive
→ See P47
*2 REACH regulation
An EU regulation on chemical substances that came into effect in 2007. REACH stands for "Registration, Evaluation, Authorisation and Restriction of Chemicals." Under this regulation, manufacturers and importers of chemical substances are required to register information on the safety and use of these substances.

Main Measures for Chemical Substance Management

1. Researching on recent global trends in related laws and regulations
 - Collecting information from external committees, etc.
2. Implementing surveys of hazardous chemical substances in products
 - Conducting surveys via the supply chain
 - Making effective use of IT to realize efficient data management
 - Implementing chemical analysis, etc.
3. Discussing countermeasures of the Nikon Group
 - Utilizing the relevant internal environment-related systems (committees, etc.)
4. Communicating countermeasures, both internally and externally, in a timely manner
 - Providing instructions regarding reduction or switching over to alternatives to hazardous chemical substances, etc.
 - Formulating and updating the Nikon Green Procurement Standards
5. Confirming appropriate response to laws and regulations
 - Implementing assessments
6. Confirming the chemical management implementation status of procurement partners, and helping them to upgrade it
 - Auditing procurement partners' chemical substance management systems
 - Providing support to help procurement partners establish chemical substance management systems

[▶ Nikon's REACH Compliance statement](https://www.nikon.com/about/sustainability/environment/safety/Nikon_REACH.pdf)
https://www.nikon.com/about/sustainability/environment/safety/Nikon_REACH.pdf

■ Discontinuing the Use of All Ozone-layer-depleting Substances

The Nikon Group has been gradually decreasing the use of ozone-layer-depleting hydrochlorofluorocarbons (HCFCs), which were used as refrigerants needed to regulate the temperature in semiconductor and flat-panel display (FPD) lithography systems, and finally discontinued their use in all Nikon products for equipment shipped in and after the year ended March 31, 2009. With regard to devices sold in the past that used HCFCs as the refrigerant, Nikon is developing new types of air cooling unit that do not use HCFCs, and which can be installed in these older devices. With the production of HCFCs scheduled to be terminated in 2020, these measures by Nikon are helping not only to reduce HCFC usage but also to extend the product lifespan of older devices.

■ Adoption of Technology that Does Not Use Hazardous Substances

The Nikon Group has worked to develop technology that does not use hazardous substances.

Development of lead- and arsenic-free glass

In the 1990s the Nikon Group developed lead- and arsenic-free glass*, as we recognized that the lead and arsenic used in most optical glass at that time had a serious environmental impact.

Across-the-board Adoption of Lead-free Solder Technology

The Nikon Group has adopted a thorough-going approach to the adoption of lead-free solder. Today, the ratio of lead- and arsenic-free glass, and lead-free solder, in new designs is 100%, with the exception of certain products with special specifications for industrial use.

Adoption of Hexavalent Chromium-free Technology for Surface Treatment Processes

We have formulated rigorous technical standards in order to discontinue the use of heavy metals (hexavalent chromium, lead, cadmium, and mercury) in all surface

treatment processes, including plating, and we ensure that these standards are followed by providing individual technical support for our procurement partners contracted to perform surface treatment processes, and by implementing chemical analysis of finished products.

* Lead- and arsenic-free glass
For the optical glass used in the lenses and prisms of optical instruments, Nikon has developed a new type of glass that contains absolutely no lead or arsenic. The ratio of lead- and arsenic-free glass is 100% used now in almost all Nikon product lines.

■ Containing Use of Substances Specified in the RoHS Directive*

Nikon's in-house inspection has reported that certain parts of the main bodies and accessories of our biological, stereo, measuring and industrial microscopes contain lead and hexavalent chromium which exceed the standard value specified in the RoHS Directive.

Our guidance and control to our supplier for implementing RoHS Directive was not sufficiently thorough.

We are taking this issue very seriously; re-inspection has been implemented, targeting all business units, with the Quality Committee and Environmental Committee playing a central role.

We have also been working to prevent re-occurrence by implementing measures to ensure thorough management and guidance, including re-training and strengthening of inspection processes, etc.

* RoHS directive
→ See P47

Promoting Green Procurement

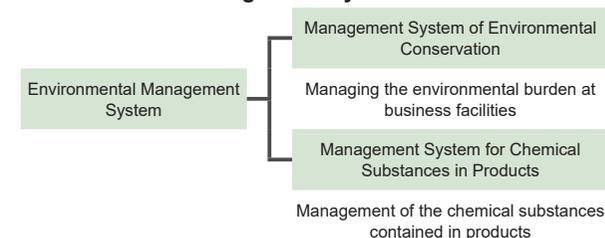
Working in collaboration with our procurement partners, the Nikon Group works to realize Green Procurement in the supply chain.

■ Approach to Green Procurement

Nikon has formulated the Nikon Basic Green Procurement Policy. The Nikon Group's fundamental approach to Green Procurement, based on the Policy, is to give priority to the purchase of items produced while taking environmental issues into consideration and to purchasing from procurement partners who are proactive in caring for and conserving the environment. More specifically, we have drawn up the Nikon Green Procurement Standards, and we require procurement partners to establish and properly utilize an environmental management system (comprising both a management system for safeguarding the environment and a management system for chemical substances in products). With regard to management of chemical substances in products, the "Separate Volume – Corresponding Chemical Substance List" compiled as an annex to the Nikon Green Procurement Standards specifies which chemical substances are prohibited and which must be specially managed, and procurement partners are expected to follow these requirements. Both the Standards and the List are revised and updated regularly in line with domestic and international laws and regulations.

▶ [Nikon Green Procurement Standards](https://www.nikon.com/about/corporate/procurement/green/)
<https://www.nikon.com/about/corporate/procurement/green/>

Environmental Management System



■ Green Procurement Promotion System

The Nikon Group has established the Green Procurement Promotion Conference (the members of which comprise mainly section managers who are involved in the practical aspects of green procurement) under the Supply Chain Subcommittee to formulate concrete activity plans and discuss and implement relevant measures.

■ Auditing of Procurement Partners' Environmental Management Systems, and Nikon Environmental Partner Certification

To verify that the environmental management systems specified by the Nikon Green Procurement Standards are being properly established and utilized, the Nikon Group has selected approximately 550 manufacturing-related procurement partners to be the targets of environmental management system audits, taking into account the risk of the procurement partner being involved in a violation of environment-related laws and regulations; a plan has been formulated for completing the auditing of the selected companies by the year ending March 31, 2021. If the audit results show any nonconformities in the environmental management system, the procurement partner in question will be required to remedy the situation. In the case of procurement partners that have not yet put an environmental management system in place, depending on the circumstances the Nikon Group may provide support to help them establish their own system. Where the audit results show that a procurement partner meets the environmental management system requirements specified by the Nikon Green Procurement Standards, that procurement partner will be certified as a Nikon Environmental Partner.

In the year ended March 31, 2018, 32 of the 43 companies that were newly certified as Nikon Environmental Partners were asked to implement corrective action, which they proceeded to do. In addition, the Nikon Group provided support to help a further 5 procurement partners establish their own environmental management systems. The corrective action mainly involved cases where a procurement partner had failed to verify the chemical substance management systems of its own suppliers, or had failed to

ensure that suppliers provided updated information. In the year ended March 31, 2018, additional 43 procurement partners were certified as Nikon Environmental Partners, exceeding the cumulative target of 415 firms, and bringing the cumulative total of Nikon Environmental Partners to 450 firms. For the year ending March 31, 2019, a target has been set of bringing the cumulative total of Nikon Environmental Partners up to 470.

■ Environmental Partner Certification Renewal

The period of validity of Nikon Environmental Partner certification is set at three years. Every three years, Nikon Environmental Partners are required to submit updated information. If there have been any substantial changes to production locations or management systems, then the procurement partner in question will be required to undergo a full audit, otherwise a documentary audit will be implemented. In the year ended March 31, 2018, we conducted certification renewal audits on 91 companies.

Nikon Group Audit and Certification Performance

(Unit: companies)

Category	Year ended March 31, 2018	
Environmental Partner Certification Performance * Certification target: 415	Performance in the year ended March 31, 2018	Cumulative total
	43 (of which 32 required corrective action, and 5 received support for environmental management system establishment)	450
Renewal Audit Performance	91	

■ Cultivation of Environmental Management System Auditors

To ensure that we are able to implement environmental management system audits to a high standard both in and outside Japan, the Nikon Group strives to cultivate and maintain first-rate auditing personnel. More specifically, personnel working in the quality assurance departments and procurement departments of individual business units undergo lecture relating to procurement partner environmental audits, and are tested; those who pass the tests are registered as

environmental management system auditors.

In the year ended March 31, 2018, two new auditors were appointed at Nanjing Nikon Jiangnan Optical Instrument Co., Ltd. However, because of the suspension of operations of Nikon Imaging (China) Co., Ltd., the overall number of overseas auditors fell.

To support the cultivation of audit team leaders, who play a particularly important role in auditing work, an Environmental Management System Audit Team Leader Requirements Checklist (Version 2) has been drawn up. Besides using this checklist to drive improvements in audit content, efficiency is being enhanced by shifting the main focus of auditing activities to the business unit level.

Status of Environmental Management System Auditors (Year Ended March 31, 2018)

	Personnel undergoing training	Auditors
In Japan	5	107
Outside Japan	2	11
Total	7	118

■ Future Issues

The peak period for new certification audits has already passed, and certification renewal audits are starting to account for the largest share of audits performed. As renewal audits involve re-verification of procurement partners that have already put environmental management systems in place, there is a need for efficient audits focused on verifying operational status; Nikon's Green Procurement Promotion Conference is already considering approaches for realizing this goal.

In addition, as the scope of application of the Nikon Green Procurement Standards is being expanded from items procured by production divisions (which have been prioritized in the past) to also include items procured by sales divisions, surveys are being implemented to determine the current status in regard to the sales divisions. These efforts to make audits more efficient and to expand the scope of auditing to include items procured by sales divisions will be the main issues addressed in the year ending March 31, 2019.

Management and Reduction of Hazardous Chemical Substances

The Nikon Group formulated a new set of Nikon Group Chemical Substance Management Guidelines in February 2018, and has begun implementing activities in relation to these Guidelines. Under the new Guidelines, chemical substances used in production processes that are associated with environmental or health risks are classified in one of three ranks as either “Prohibited” level substances, “Reduced” level substances, or “Managed” level substances. For each level, standards have been set regarding the transition to substitute products, reduction in quantity used, or implementation of appropriate management, etc. Through the utilization of the Guidelines, the Nikon Group is striving to ensure the proper management of chemical substances and to reduce the use of hazardous chemical substances. We also report and disclose information following the relevant laws and regulations, relevant laws and regulations, as well as in relation to the Guidelines.

Besides complying with relevant laws and regulations, the Nikon Group also implement various measures to prevent air pollution, water pollution and soil contamination caused by the emission of hazardous chemical substances. We promote measures such as signing of agreements between business facilities and local groups, and the adoption of voluntary standards.

Control and Reduction of Chemical Substances in Manufacturing

The Nikon Group implements measures aimed at preventing the occurrence of environmental pollution. In concrete terms, the Nikon Group continues to strive to reduce the risk of environmental pollution as close as possible to zero, by implementing environmentally-friend-

ly management of chemical substances from purchase and use through to disposal. When any new chemical substance is purchased for the first time, the Nikon Group always obtains a safety data sheet (SDS)*, and the workplace where the substance will be used conducts a prior assessment of the risks associated with that substance. The measures implemented based on the assessment are then checked and confirmed by the environment, safety and health department from an expert’s perspective. In addition, to ensure compliance with the Nikon Group Chemical Substance Management Guidelines, we have established a cross-division chemical substance risk response team. This team aims to realize the implementation of research on safer substitute products and reduction in the use of harmful substances, etc., based on shared, Group-wide targets.

* Safety Data Sheet (SDS)

To promote improvements in the appropriate management of chemical substances by business enterprises, when a chemical substance specified by the Chemical Substances Control Law (CSCL), or a product containing such a substance, is transferred or supplied from one enterprise to another, the transferring or supplying enterprise is required to provide, in advance, a safety data sheet (SDS) noting information about the characteristics of the chemical substance and how it should be handled.

The Nikon Group’s PRTR and VOCs

The Nikon Group in Japan implement appropriate management of the chemical substances used in each business facility in accordance with the Nikon PRTR Guide which was compiled in March 2000. The Guide content covers quantitative management at every stage from purchase through use to disposal, handling in accordance with safety data sheets (SDSs), and safe management of waste. The Guide is revised as necessary to reflect recent changes in relevant laws and regulations. The Nikon Group’s efforts to make cleaning equipment more airtight – a self-directed measure aimed at reducing emissions of volatile organic compounds (VOCs) - succeeded in reducing VOC emissions to 149 tons in the year ended March 31, 2018.

PRTR Survey Results for Nikon and Group Manufacturing Companies in Japan (Year Ended March 31, 2018)

(Unit: t)

Substance no.	Substance name	Amount released				Amount transferred		Volume handled (Amount released and amount transferred)	Amount recycled (Handled as valuable resources)
		Air	Public water	Soil	Amount in on-site landfill	Sewage	Waste		
20	2-amino ethanol	0.00	0.00	0.00	0.00	0.00	3.50	3.50	0.00
185	Dichloropentafluoropropane	1.50	0.00	0.00	0.00	0.00	0.00	1.50	0.11
300	Toluene	5.76	0.00	0.00	0.00	0.00	1.97	7.74	0.00
305	Lead compounds	0.01	0.00	0.00	0.00	0.00	9.08	9.09	0.00
384	1-bromo propane	45.25	0.00	0.00	0.00	0.00	0.53	45.79	5.95
405	Boron compounds	0.03	0.00	0.00	0.00	0.00	4.38	4.42	0.00
Total		52.55	0.00	0.00	0.00	0.00	19.47	72.03	6.06

* The figures given for total volume handled may vary slightly from the subtotals due to rounding.

* Pollutant Release and Transfer Register (PRTR)

In Japan, the PRTR system is used by the government to collect, tabulate, and disclose data on chemical substances that might have harmful effects on human health and ecosystems. Companies identify and report these substances to the government on an annual basis.

■ Control and Disposal of Polychlorinated Biphenyl (PCB) Waste

The Nikon Group observes stringent safekeeping and notification practices for waste and in-use electrical equipment containing polychlorinated biphenyl (PCB), which can be harmful to the environment, in compliance with relevant laws and regulations.

The business facilities that possess the types of equipment in question include three Nikon plants and three Group manufacturing companies in Japan. The main types of equipment involved are capacitors (creating high-density PCB waste) and transformers (creating low-density PCB waste).

Besides the high-density PCB waste that has already been disposed of properly, we also plan to dispose of the remaining PCB-containing waste and electrical equipment. This will be carried out so as to meet the deadline specified in the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law)*, in cooperation with Japan Environmental Storage & Safety Corporation (JESCO) for high-density PCB waste and with a government-certified waste disposal operator for low-density PCB waste.

* Low Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes
The Low Concerning Special Measures for Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Law) is a special measures law aimed at promoting the appropriate processing of polychlorinated biphenyl (PCB) waste. Under this law, business operators that had PCBs in storage were required to properly dispose of them by July 2016; following a partial revision of the Act in December 2012, this deadline was extended to March 2027.

■ Prevention of Air, Water and Soil Pollution

Neither Nikon nor any Group manufacturing company in Japan emitted regulated substances into the air or into wastewater at levels exceeding those permitted by the relevant standards in the year ended March 31, 2018.

Community Contribution Activities in the Environmental Field

Recognizing that the need to resolve environmental problems is a pressing issue that is shared by all countries throughout the world, the Nikon Group provides support for environmental conservation activities undertaken by NPOs and NGOs, and implements activities aimed at spreading environmental awareness among the next generation. We are also undertaking environmental conservation activities rooted in local communities at business facilities and Group companies.

■ Supporting the AKAYA Project in Japan

Since 2005, the Nikon Group in Japan has been supporting the AKAYA Project, which aims to restore biodiversity and build a sustainable regional community.

The focus of this project is the Akaya Forest, a 10,000-hectare National Forest that is located mainly within Minakami Township in Gunma prefecture, but extends into Niigata prefecture. The project uses scientific and empirical forest-restoration techniques to restore biodiversity. Activities are being implemented jointly by the government, local residents and The Nature Conservation Society of Japan.

Starting in 2014 measures have been implemented to improve the habitat of the critically-endangered Japanese Golden Eagle. The Nikon Group has donated binoculars and digital cameras which are being used for monitoring the behavior of the Golden Eagle.

Furthermore, from the year ended March 31, 2018, employees began volunteer work to restore the natural forests. In addition, Nikon has started new tests utilizing Nikon Group's image analysis technology.



Volunteers undertaking improvement cutting work in the Akaya Forest (November 2017)

■ Supporting the Children's Forest Program in Thailand

Since 2012, Nikon has been supporting the Children's Forest Program in Thailand, an international program organized by The Organization for Industrial, Spiritual and Cultural Advancement - International (OISCA). The program is a global project that seeks to expand the world's forests through awareness-raising activities aimed at children and through tree-planting activities.

The project has focused mainly on northern Thailand, where there is an urgent need to strengthen forests' watershed protection function; activities are being implemented to raise awareness of the importance of forest conservation among local residents and their children, and to promote tree-planting near schools.

Since 2015, tree-planting activities have been carried out in Maekpaklae Village in northern Thailand as a pilot project. In the year ended March 31, 2018, local residents and their children planted a total of around 8,100 trees on 6.5 hectares of land.



Tree planting in Chiang Kong (photo courtesy of OISCA Thailand)

■ Environmental Awareness-raising Activities for Children

The Nikon undertakes a range of environmental awareness-raising activities, including the holding of workshops and the distribution of booklets, aimed at enhancing children’s awareness of the importance of forests and the need to safeguard biodiversity.

One of these activities is the “Forest Castanets” workshop, held in collaboration with the Nature Conservation Society of Japan (NACS-J). At this workshop, children enjoy a Kamishibai performance (a traditional Japanese children’s entertainment that combines storytelling with pictures that illustrate the stories) featuring animals such as bears and Japanese Golden Eagles that live in the forest, and the children also have the opportunity to decorate wooden castanets that are made from timber sustainably harvested from beech trees and Yamazakura cherry trees planted to regenerate the Akaya Forest. In the year ended March 31, 2018, this workshop was held at the Nikon Mito Plant booth at the Mito City Environmental Fair, and at a Minato Eco-Conscious Consortium event held in the Minato District of Tokyo. Nikon has also created the “AKAYA NOTE” booklet, a learning tool with the Akaya Forest as its topic that provides a fun way for children to learn about biodiversity; this brochure is distributed free of charge to schools etc. To date, a total of around 7,000 copies have been printed and distributed, and these brochures are now being extensively used by schools and at nature study sessions, etc.



A workshop being held at a Minato Eco-Conscious Consortium event

■ Community Cleaning Activities

Each business site belonging to Nikon and to Group companies in Japan regularly conducts activities such as cleaning and cutting grass in the area around the facility, contributing to the upkeep of the natural environment in the local community. We also actively participates in and cooperates on environmental conservation and various events held in the community.

In the year ended March 31, 2018, a total of around 1,107 Nikon business employees participated in these types of activities.

For example, the Mito Plant and the Sagami-hara Plant have both collaborated on environmental events organized by the respective municipal governments, creating opportunities for Nikon’s employees to think about the environment together with local people. In addition, the Mito Plant has received a “Special Achievement Award” for its contribution towards improving the water quality in Lake Hinuma.



Clean-up activity in the area around a Yokohama Plant

■ Collaboration on the Tokyo 2020 Medal Project: Towards an Innovative Future for All

In March 2018, the Oi Plant collaborated on the Tokyo 2020 Medal Project: Towards an Innovative Future for All* by collecting consumer electronics such as used mobile phones.

* Tokyo 2020 Medal Project: Towards an Innovative Future for All (Organized by the Tokyo 2020 Organizing Committee) Through this project, approximately 5,000 gold, silver and bronze medals for the Olympic and Paralympic Games will be manufactured from recycled metals from consumer electronics with the help of people from across Japan.



Flags and collection boxes installed on company premises

■ Mangrove Tree Planting

In March 2018, Nikon (Thailand) Co., Ltd. participated in the Mangrove Natural School project, a mangrove forest restoration project run by an NPO in Bang Kaeo district, with the aim of contributing to environmental preservation and strengthening employees’ environmental awareness. Mangrove trees were planted in Samut Songkram State in Thailand. Participants planted 2,000 mangrove trees and listened to talks by a lecturer from the Mangrove Natural School on the connection between the mangroves and coastal ecosystems, the importance of reviving the mangroves, and the protection of Thailand’s mangrove forests. Approximately 120 Nikon (Thailand) employees took part in this activity.



Nikon (Thailand) Co., Ltd. employees planting mangrove trees

Strengthening CSR Foundation

We will live up to the trust placed in us by stakeholders through corporate management with an eye of sustainability.

Priority Issues

- 7 Strengthening Supply Chain Management [▶P70](#)
- 8 Respecting Human Rights [▶P77](#)
- 9 Promoting the Success of Diverse Employees and Work Efficiency [▶P80](#)
- 10 Strengthening Compliance [▶P93](#)
- 11 Effective Governance [▶P97](#)

Priority Issue 7

Strengthening Supply Chain Management



Background

In recent years, the impacts that corporate activities have on social issues, such as slave labor, conflict minerals and environmental problems, are in the spotlight. Today, companies need to manage their activities and strategies with an eye on these impacts and their entire supply chain. To make a lasting contribution toward solutions to social issues, companies also need to expand the scope of sustainable procurement from their own procurement partners to those of the Group as well as those of other business partners.

Responsible Officer's Message

The Nikon Group considers suppliers to be key partners in its efforts to help develop a sustainable society. We strive to procure materials in an honest and fair manner based on mutual understanding and trust. We carry out CSR surveys, CSR audits and conflict minerals surveys with the cooperation of procurement partners in order to achieve sustainable procurement. We are also promoting collaboration and dialogue with member companies through our membership in RBA, and then working actively on solutions to social issues. These activities promote dialogue and capacity building with procurement partners, which in turn should yield understanding and improvement of supply chain issues. As a result, we will be able to contribute to the development of a sustainable society and further solidify the procurement system of the Nikon Group.

Jun Nagatsuka
Corporate Vice President,
General Manager of Production Technology Division, Chairperson of the Supply Chain Subcommittee

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Monitoring of the supply chain	Build a system for managing information of procurement partners of all the Nikon Group in Japan at a single location	Nikon Group in Japan
Dealing with important issues in the supply chain	Decide on CSR risk management indicators for procurement partners	Nikon
	Establish a mechanism for using RBA capacity building tool	Nikon
Country-of-origin surveys and due diligence for conflict minerals	Expand scope of surveys to products subject to European regulations	Supply chain

Nikon's Supply Chain Management

Nikon considers its suppliers to be an important partner that help create and provide products and solutions useful for the world. Based on this belief, we strive to deepen mutual understanding and build trust with procurement partners, and aim for the co-existence and co-prosperity of both parties.

Basic Policy for Procurement

A company working to build a better society and global environment as well as realize sustainable growth, we have established the Nikon Basic Procurement Policy to continually supply the world with useful products and solutions. Under this plan, the Nikon Group carries our procurement activities in an honest and fair manner. We revised the Nikon Basic Procurement Policy in March 2018 following changes made to the Nikon Code of Conduct. The newly revised policy clarifies the stance of our initiatives to address social issues across the entire supply chain.

Nikon Basic Procurement Policy (Summary)

Procurement based on the concept of partnership

1. Sustainable corporate activities
2. Open-door procurement
3. Procurement based on the concept of fair competition

[Nikon Basic Procurement Policy](http://www.nikon.com/about/corporate/procurement/policy/)
<http://www.nikon.com/about/corporate/procurement/policy/>

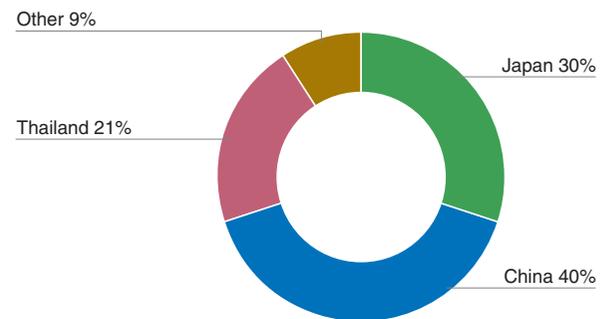
The Nikon Group's Supply Chain

We manufacture and assemble nearly all products within the Nikon Group. The procurement partners we use for raw materials and parts operate in a number of different sectors. These partners are located around the world and number approximately 1,700. When viewed by country, more than 90% of our procurement partners are located in Japan, China and Thailand, where the Nikon Group operates its main manufacturing facilities. To ensure a high degree of quality, cost and delivery (QCD), we actively procure raw materials and parts from the countries and regions where we manufacture our products. This also helps us to contribute to local economic development.

Strengthening Management Methodology of Procurement Partners

At the Nikon Group, we carry out procurement activities based on a comprehensive view toward not only a procurement partner's quality, economics, delivery and technology, but also their trustworthiness as a company, including their CSR and environmental initiatives. In the year ended March 31, 2018, we began building a common Group-wide platform for managing procurement partner information in order to carry out procurement activities more efficiently and effectively.

Transactional Value with Major Procurement Partners by Country (as of the year ended March 31, 2018)



Engaging Procurement Partners

We believe in the importance of two-way communication with our procurement partners. Every year we host a meeting that involves around 300 representatives from our main procurement partners, including representatives from the Japan branches of overseas procurement partners. During this meeting, we inform procurement partners about our business environment, while the president also delivers a message.

We also host briefings on our stance regarding CSR procurement and conflict minerals compliance as venues for sharing Nikon's approach to CSR with procurement partners inside and outside Japan.



Second part of the meeting of procurement partners (networking session)

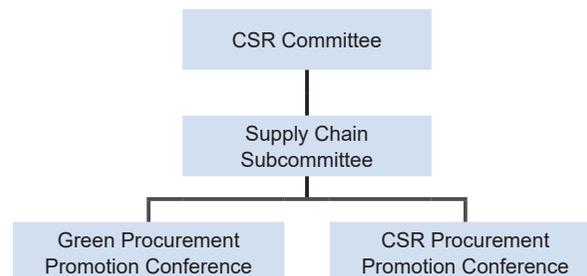
Nikon's Supply Chain Management System

We have established the Supply Chain Subcommittee, which meets twice a year, to report activities related to responsible procurement and carry out deliberations on plans for subsequent years involving the entire Nikon Group. This subcommittee is chaired by the executive officer of Nikon in charge of procurement and comprises members including the heads of quality assurance and procurement from each business division and the presidents of Group manufacturing companies inside and outside Japan. Under this subcommittee, we have established the Green Procurement Promotion Conference as well as the CSR Procurement Promotion Conference, which promotes general CSR procurement, including compliance with conflict minerals regulations.

The Green Procurement Conference is comprised of managers from each procurement and quality assurance related department. The CSR Procurement Conference is comprised of managers from each procurement related department. Both conferences are held to discuss specific activities and measures as well as monitor progress of efforts.

[Promoting Green Procurement \(P65\)](#)

Outline of Supply Chain Management System



Promoting CSR Procurement

The Nikon Group engages in CSR procurement with the cooperation of its procurement partners to contribute to the sustainable development of society.

Basic Approach to CSR Procurement

To contribute to a sustainable society, companies must fulfill their social responsibilities across the entire supply chain. With this in mind, we have established the Nikon CSR Procurement Standards compliant with the Code of Conduct of RBA*.

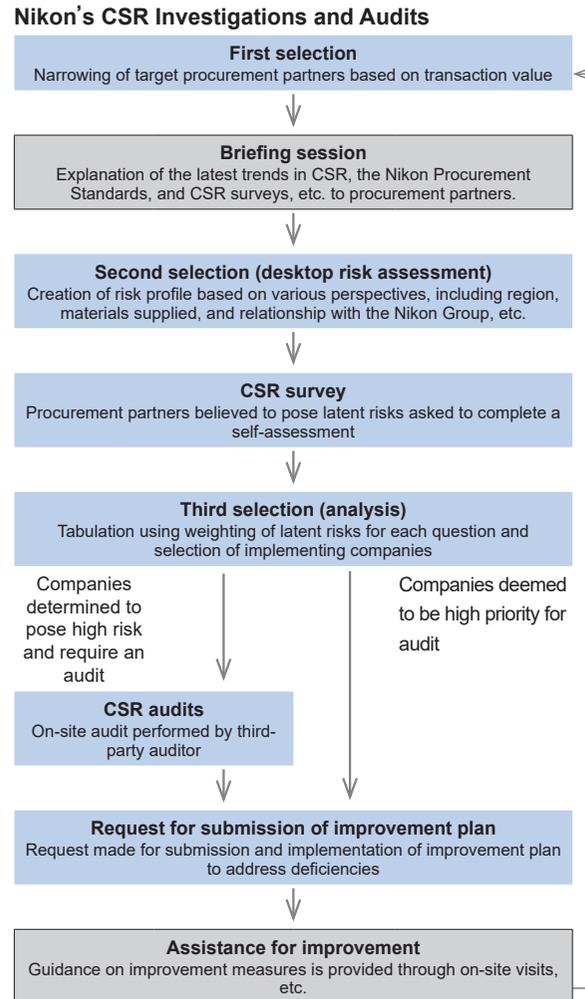
We also request that procurement partners ensure their suppliers (tier 2 and beyond suppliers) act responsibly.

* Responsible Business Alliance (RBA)
An international coalition dedicated to supply chain responsibility (labor, health and safety, environment and ethics). RBA's member companies began with European and North American companies in the electronics industry. Today, Asian companies have also joined, and the represented industries have expanded to automobiles, toys and retail, among others. RBA was formerly the Electronic Industry Citizenship Coalition (EICC).

[Nikon CSR Procurement Standards](https://www.nikon.com/about/corporate/procurement/csr/)
<https://www.nikon.com/about/corporate/procurement/csr/>

Investigations and Audits on CSR Procurement

The Nikon Group carried out CSR investigations and audits every year in order to mitigate risks in the supply chain. Based on our approach to risk assessment, we assign priority to procurement partners, carry out investigations and audits, and request fixes or improvements. Through this approach, our procurement partners' rate of compliance with the Nikon CSR Procurement Standards has increased.



First Selection

We select major procurement partners that account for the top 80% of transaction volume of each business department.

In the year ended March 31, 2018, we selected 661 procurement partners, which include Asia, the existing site of our manufacturing facilities, as well as Group companies in Europe that newly joined the Nikon Group.

■ CSR Briefing Sessions and E-learning

We conduct regional briefing sessions and e-learning programs for persons in charge of procurement at the Nikon Group in an effort to promote understanding of the Nikon CSR Procurement Standards. By providing briefings on CSR procurement and e-learning programs to our procurement partners, we are working to raise awareness of and compliance with the Nikon CSR Procurement Standards. In the year ended March 31, 2018, briefing sessions were held for persons in charge of procurement in Japan, China and Thailand, while e-learning programs were provided to those in the Netherlands, UK, and Belgium. Through these opportunities, we shared the latest information about Nikon's CSR procurement activities, commentary on the Nikon CSR Procurement Standards, and focus areas of improvement. For our procurement partners, we held briefing sessions in Japan, China and Thailand and offered e-learning programs in Europe via the Nikon Group. These activities serve as an opportunity for procurement partners to understand the Nikon CSR Procurement Standards and recognize the importance of compliance, by highlighting social issues related to human rights in the supply chain, such as forced labor and child labor, and the expectations that society places in company efforts to address these issues.



CSR briefing session in progress

CSR Briefing Sessions for Procurement Partners (Year Ended March 31, 2018)

Location	Number of times	Participating companies	Participants
In Japan	3 times	398 companies	431 people
Outside Japan	4 times	253 companies	407 people
E-learning	-	20 companies	20 people

■ Second Selection (Desktop Risk Assessment)

At the Nikon Group, we carry out multifaceted evaluations from the perspectives of business and stakeholders in order to identify procurement partners that pose a particularly high risk from among the major procurement partners chosen in the first selection. In the year ended March 31, 2018, we selected 209 companies, excluding those subject to a previous investigation based on the evaluation results.

■ CSR Survey

We carry out CSR surveys of procurement partners identified in the second selection to check their compliance with the five areas of the Nikon CSR Procurement Standards (labor, health and safety, environmental, ethics, and management system). In the year ended March 31, 2018, we conducted investigations on 209 companies.

■ Third Selection (Analysis)

In the third selection, procurement partners are selected to undergo an on-site CSR audit by a third-party auditor or requested to submit an improvement plan, based on the results of the CSR survey, size of the company, and transaction value, among other factors. This selection focuses on human rights issues in the spotlight internationally such as modern slavery, including forced labor and child labor, and issues related to dangers posed to human life.

In the year ended March 31, 2018, 3 procurement partners underwent a CSR audit and 10 were requested to submit an improvement plan.

■ CSR Audits and Requests for Submission of Improvement Plan

Procurement partners subject to CSR audits are required to make improvements based on items for correction found in the audit. Procurement partners requested to submit an improvement plan are required to make improvements to non-conformities found in CSR survey. The improvement process involves showing procurement partners improvement methods and case studies from the Nikon Group, and support is provided so that effective measures are taken promptly. In the year ended March 31, 2018, 13 procurement partners were requested to submit an improvement plan. All 13 of the companies required to make improvements in the year ended March 31, 2017 completed their improvements.

Main Items for Correction Found in CSR Audits

	Main items for correction	Status
Audits in the year ended March 31, 2017	<ul style="list-style-type: none"> ·Prolonged working hours ·Managers not recording overtime ·Employees working seven or more consecutive days ·Special health exams not provided to employees handling solvents ·Insufficient break time 	Completed
Audits in the year ended March 31, 2018	<ul style="list-style-type: none"> ·Prolonged working hours ·Employees working many days in a row ·Payment rate for weekend/holiday work below required amount in domestic laws ·Failure to refund recruitment fees ·Some emergency exits closed/ blocked 	Improvements underway

**Results of CSR Survey and CSR Audits
(Year Ended March 31, 2018)**

	Applicable companies
CSR survey	209 companies (response rate: 100%)
CSR audits	3 companies (2 in China and 1 in Thailand)
Request for submission of improvement plan	13 companies (3 in China, 3 in Thailand and 7 in Japan)

Future Issues

In the year ended March 31, 2018, we received a proposal from an outside expert on activities for mitigating risk in a more effective and efficient manner. We incorporated the findings of this proposal into specific measures and established an action plan.

In the year ending March 31, 2019, we will incorporate CSR procurement investigations into the procurement partner selection process, and have procurement partners dispatch staff to attend RBA's capacity building training. In addition, we will establish response procedures for the entire Nikon Group concerning external findings with regard to CSR in the supply chain.

Nikon became a member of RBA in May 2018. Going forward, we will complete our planned measures by the year ending March 31, 2020, by utilizing RBA's data and tools for investigations and audits.

Dealing with the Issue of Conflict Minerals

Basic Approach to Conflict Minerals

In recent years, social issues such as human rights and environmental problems are attracting global attention. One such issue, the problem of conflict minerals affecting the Democratic Republic of the Congo and its neighboring countries, has become one of the most serious social issues the world faces. According to Section 1502 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act, companies listed on US stock exchanges are required to conduct and disclose investigations into the subject. The law went into effect in January 2013. Moreover, in April 2017, the European Union established its own regulatory law on conflict minerals, and detailed bylaws are under preparation for 2021, including an expansion of coverage to the entire globe. There are also moves to add cobalt and other substances to the existing list of four affected minerals, and the question of how corporations will resolve this issue is attracting close attention.

The Nikon Group will continue to practice responsible procurement, regardless of country, region, or type of mineral, and, taking into account the threat this issue poses to the day-to-day activities of law-abiding businesses and individuals in the affected countries, will carry out the due diligence necessary to resolve it.

Policy on Conflict Minerals

https://www.nikon.com/about/sustainability/csr-management/supply-chain/conflict_minerals_policy.pdf

■ Survey of the Current Status of Conflict Mineral Usage and Due Diligence

To ensure that procurement is conducted in accordance with the Policy on Conflict Minerals, since 2013 the Nikon Group has carried out due diligence in collaboration with our procurement partners. In 2016, the Nikon Group formulated related internal rules in line with the OECD Due Diligence Guidance*1. Following these rules, we have implemented Reasonable Country of Origin Inquiry (RCOI), and have used this risk assessment as the basis for implementing suitable response measures.

In the year ended March 31, 2018, we carried out briefing sessions on the background and importance of this issue for members in procurement-related divisions at Group companies in Europe in order to expand the scope of the survey to products intended for Europe. At the same time, we identified applicable products and began surveys of procurement partners that deliver components to Nikon for these products. In the future, we will further expand the survey of products intended for Europe and promote activities to ensure that we eliminate the use of conflict minerals.

Also, we have carried out the survey using the supply chain transparency system in order to conduct the survey efficiently. This system increases the efficiency of the survey and enhances the reliability of responses.

The results obtained in this survey and due diligence showed that, as with last year, within the scope of smelt-

ers identified in the survey, all of the smelters involved in processing the four minerals used in Nikon's Glass Division products were registered as RMI-compliant smelters*2. The survey results also showed that, for 85.1% of the Nikon Group's imaging products and 70 to 80% of products from other divisions, smelters supplying the tantalum were RMI-compliant smelters. As for Non RMI-compliant smelters, we conducted due diligence with the cooperation of not only individual companies but also other companies and industry organizations as well. We requested third-party audits carried out by RMI.

Within the scope of the 2017 survey, it was not possible to state conclusively that the four minerals used in products targeted by the survey did not directly or indirectly finance armed conflict. The Nikon Group will carry out responsible procurement in the future, too, by carrying out due diligence on procurement partners and smelters. Both the survey results and the due diligence results have been made public in Nikon's Conflict Minerals Report.

[▶ Conflict Minerals Report \(2017 Survey Results\)
https://www.nikon.com/sustainability/csr-management/
supply-chain/Conflict_Minerals_Report-2017.pdf](https://www.nikon.com/sustainability/csr-management/supply-chain/Conflict_Minerals_Report-2017.pdf)

*1: OECD Due Diligence Guidance
This refers to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

*2: RMI-compliant smelters
Conflict-free compliant smelters registered by the RMI.

■ Participation in External Organizations

With the aim of participating in a range of measures to address the conflict minerals issue, Nikon has joined the Japan Electronics and Information Technology Industries Association (JEITA) Responsible Minerals Trade Working Group, and has been involved in the Working Group's activities aimed at eliminating the use of conflict minerals. Nikon is also a member of the Responsible Minerals Initiative (RMI), an international organization which has formulated guidelines relating to conflict minerals. In 2018, Nikon joined the RBA (Responsible Business Alliance), formed from companies in the electronics and electrical machinery industry in Europe and the United States as well as the automotive, toy, aerospace and other industries they supply to. Through our membership, we aim to further promote issues relating to CSR in the supply chain including conflict minerals, and cooperate with member companies in progressing our activities in order to solve the issue.



Formerly the
Conflict-Free Sourcing Initiative

Priority Issue 8

Respecting Human Rights



Background

There are still many human rights issues in the world today, including forced labor, child labor, and workers forced to work in deplorable conditions. To address this serious and complex social issue, the Guiding Principles on Business and Human Rights require that companies carry out human rights due diligence.

Responsible Officer's Message

As a company with global operations, the Nikon Group is deeply aware of the importance of respecting human rights in its business activities. One of our many responsibilities to society is addressing human rights issues sincerely. In recent years, the issues of modern slavery and child labor have been in the spotlight internationally. Recognizing that these issues represent high human rights risk, the Nikon Group is committed to ensuring that it does not violate human rights nor is complicit in the human rights violations of others during the course of its business activities. We will continue to raise awareness among employees through human rights education, and we will monitor the situation within our supply chain through surveys and audits and make continual improvements.

Kazuo Ushida

President, Representative Director, Chairperson of the CSR Committee

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Identification of human rights risks	Create action plan on human rights due diligence	Nikon

Human Rights Initiatives

The Nikon Group respects human rights. We strive neither to be engaged in human rights abuse by ourselves nor to be involved in any such activities in complicity with others.

Basic Policy

Through our business activities, the Nikon Group is directly and indirectly involved in the human rights of a variety of stakeholders, including our customers, employees, and the people who live in the communities around our business facilities. In order to respect the basic human rights of all people and eliminate all forms of discrimination and harassment based on race, ethnicity, gender, nationality, age and religion, forced and child labor, and human trafficking, the Nikon Group engages in initiatives centering around human rights advisory committees and departments in charge of human rights. In the international community, awareness of the high risk of the violation of the human rights of workers in supply chains has increased. Understanding this, we have established the Nikon CSR Procurement Standards based on the Code of Conduct of the Responsible Business Alliance (RBA) to ensure we address human rights and labor issues in our supply chain. Further, as regards conflict minerals, a cause of serious human rights violations, we have established our own Policy on Conflict Minerals and are continuously engaged in the issue.

Human Rights Promotion System

At the Nikon Group, the CSR Department takes the lead in identifying that latest international trends in terms of human rights and works with relevant departments when necessary to address newly emerging issues. For the year ending March 31, 2019, we plan to create an action plan on human rights due diligence.

The Nikon Group has also established an ethics hotline (Reporting and Consultation System) for employees, which they can use to report and discuss violations of the Nikon Code of Conduct (including human rights issues). We also have a dedicated hotline in place for conflict minerals issues.

[▶ Code of Conduct Hotline \(Reporting and Consultation System\) \(P94\)](#)

[▶ Conflict Minerals Hotline
https://www.uw.nikon.com/form/com/cmh/form.php](https://www.uw.nikon.com/form/com/cmh/form.php)

Main Committees and Departments in Charge of Human Rights and Handling Themes

Committees and departments in charge	Main handling themes
CSR Committee	General human rights
Human Resources Department	Employee employment, treatment, promotions, health and safety, etc.
Information Security Department	Protection of personal information
Bioethics Review Committee	Bioethics
Supply Chain Subcommittee	Supply chain human rights (conflict minerals, modern slavery, etc.)

Initiatives for Preventing Human Rights Violations

Initiatives within Nikon Group

Internal human rights and labor investigations are conducted annually within the Nikon Group. These investigations examine whether incidents of discrimination and other serious matters have taken place. The results are reported to the CSR Committee, which orders additional investigations or corrections be made as necessary in an effort to stop and prevent recurrences.

In recent years, the large number of cases involving slave labor of technical intern trainees in Japan and migrant workers in Asian countries outside Japan is viewed as a serious problem. Recognizing the importance of this problem, the Nikon Group carried out an investigation of technical intern trainees and migrant workers at its manufacturing subsidiaries in Japan and Asia during the year ended March 31, 2018.

Initiatives outside Nikon Group

Within the Nikon CSR Procurement Standards, we require that procurement partners respect the human rights of workers. The term workers used here refers to temporary, migrant, student, contract, directly employed, and all other types of employees. Procurement partners are expected to comply with laws, regulations and social standards (such as bans on child and forced labor, issues related to the problem of conflict minerals) on human rights and labor. In addition, self-implemented CSR surveys and on-site audits are conducted at our major procurement partners to aid in our understanding of their

compliance with the Nikon CSR Procurement Standards. In the year ended March 31, 2018, investigations were conducted at 209 companies and audits at 3, which helped to aid our understanding of the actual situation and request improvements in terms of human rights and labor.

Moreover, as regards the problem of conflict minerals, investigations regarding the source countries of conflict minerals and due diligence are conducted by the Nikon Group annually. Investigations conducted in the year ended March 31, 2017 did not identify the use of any minerals which were related to conflicts.

[▶ Promoting CSR Procurement \(P73\)](#)

[▶ Dealing with the Issue of Conflict Minerals \(P75\)](#)

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Human Rights Education

The Nikon Group publishes a CSR newsletter aimed at all Group employees, part of the purpose of which is to provide them with information on and educate them about human rights. In addition, education on the Nikon CSR Procurement Standards is provided to persons in charge of procurement in Japan, China, Thailand and Europe, with human rights covered as part of this education.

In the year ended March 31, 2018, we conducted an e-learning program in Japan on human rights. The program is for senior management, all employees of Nikon and employees of Group companies involved in work deeply correlated to human rights issues (human resources or procurement, etc.). A total of 90.2% of the 7,088 eligible persons completed the program.

We also held information sessions and e-learning programs regarding our CSR Procurement Standards and conflict mineral investigations for our procurement partners. Through this, we aim to deepen their understanding of the importance of tackling human rights issues and the Nikon Group's respect for human rights.

[▶ Promoting CSR Procurement \(P73\)](#)

Compliance with the UK Modern Slavery Act

The Modern Slavery Act came into effect in the United Kingdom in October 2015. The Nikon Group has released a statement on its website in accordance with the act.

[▶ Nikon Corporation Slavery and Human Trafficking Statement for the fiscal year ended March 2017](#)
<https://www.nikon.com/about/sustainability/csr-management/human-rights/uk-modern-slavery2017.pdf>

Labor Relations

Nikon supports the principles of the UN Global Compact and respects basic labor rights.

The Nikon Labor Union is a member of the Japanese Association of Metal, Machinery, and Manufacturing Workers [JAM], mostly made up of employees of SMEs in the metal and machine industries. As of March 31, 2018, the Nikon Labor Union had 3,966 members. The company and unions discuss various issues related to the labor environment, hold joint study meetings, and exchange opinions as necessary.

At Group companies in Japan, Nikon Labor Union chapters and employee-elected representatives serve the same role.

At Group companies outside Japan, issues are discussed either by the company's in-house union or through consultations with an outside labor union to which employees belong. At companies where there is no labor union, we hold briefings for all employees, dialogue with employee groups, and face-to-face meetings with individual employees.

As a result, currently, labor and management maintain generally good relations.

Whenever a substantial change is made to the job description and work location of a Nikon Group employee, the matter is discussed with his or her union or employee representative in advance to obtain their approval, ensuring adequate time is taken to communicate the change to the employee.

Priority Issue 9

Promoting the Success of Diverse Employees and Work Efficiency



Background

Modern companies with global business operations have employees from differing social backgrounds and customs. Companies today are required to provide decent work for employees along with a workplace environment where individuals can thrive professionally.

Responsible Officer's Message

Nikon marked its 100th anniversary in 2017. To maintain a growth trajectory for the next 100 years, it is essential that we foster a dynamic corporate culture and develop the talent who will drive innovation. Toward this end, it is important that we provide workplaces that embrace diversity and where our employee can contribute their skills. I believe this represents one of the Nikon Group's most important social responsibilities. Specifically, we design and implement a variety of fair HR programs that emphasize pay for performance and strive to manage employee health and safety rigorously for a greater sense of security. In addition, we believe that utilizing women in the workplace in Japan is a particularly important issue to address. We will continue to establish a workplace environment where women working at the Nikon Group can play an active role.

Takumi Odajima

Senior Vice President, Director, General Manager of Human Resources & Administration Division

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Making diversity and inclusion a core pillar of human resource development	Achieve a female ratio of management positions of 5% by March 31, 2023*1	Nikon
	Attain a 25% or higher female ratio in regular recruitment at Nikon	Nikon
Productivity enhancement and work-life balance improvement through measures including support for diverse working styles	Formulate activity plans to increase the percentage of employees with disabilities at each Nikon Group in Japan to at least 2.3% of by June 1, 2021, and implement the first phase of this plan	Nikon Group in Japan
	Increase the percentage of employee taking at least 14 days of annual paid leave to at least 70%	Nikon
Promotion of health and safety	Reduce the number of employees working excessive overtime*2 60 hours or more per month (on a monthly average basis)- to "0"	Nikon
	Reduce occupational accidents in all the Nikon Group in Japan attributed/related to work*3 to less than 40	Nikon Group in Japan

Fair Treatment and HR Development

The Nikon Group recognizes HR management as a key measure for accomplishing its corporate management policy. We strive to provide a working environment that empowers the personal and professional growth of each and every employee.

Human Resources Management System

Each Group company of the Nikon Group has established its own HR management system focused on providing a work environment that enables each employee to get the most out of their skill set. We provide fair treatment based on individual roles and responsibilities, and offer opportunities for all of our employee to play an active role, regardless of age or gender.

Nikon is also in the process of a restructuring plan aimed at improving its profitability and transforming its management culture. To realize these structural improvements, it is important to implement initiatives that further draw our employees' skills and capabilities.

As part of this, we fundamentally reviewed our HR management system and transitioned to a new system in April 2018 that focuses more on job accountability and achievements.

*1 The numerical targets were adjusted in order to revise the definition of "management positions" accompanying the revision of the HR management system that was implemented in April 2018.

*2 Overtime is defined as the number of hours obtained by deducting the statutory working hours per month (i.e. 40 hours × the number of days in the month ÷ 7) from the total number of hours worked per month (including work performed on weekends and public holidays etc., but excluding annual paid leave, absence without leave, and compensatory days off).

*3 Excluding traffic accidents while traveling on business, and excluding accidents involving falls etc. where the accident was mainly due to individual carelessness.

■ Main Systems for Career Development (Nikon)

Self-Reporting System

Employees meet with their supervisors as necessary, while considering their future aspirations on an annual basis, to connect to their future career.

Career Counseling

We have established offices where employees can consult about improving their skills and advancing their careers if they so desire.

Open Recruitment System

The open recruitment system enables employees to apply for open recruitment when a new employee is required by a department, such as when launching new projects or expanding businesses.

Career Matching Support System (FA System)

This support system matches the desires and competency of employees with the HR needs of each department.

■ Human Resource Development

At the Nikon Group, we offer training and educational programs linked with the HR systems of Group companies. Nikon provides training and educational programs based on employees' roles and responsibilities. For example, employees newly promoted to management positions receive training to foster understanding about their new role. We also support employees looking to enhance their own employability.

In the year ended March 31, 2018, we conducted training for evaluators to ensure appropriate evaluations are carried out under the new HR management system introduced at Nikon in April 2018. All evaluators of the Nikon Group take part in this training (approximately 700 in Japan and approximately 80 outside Japan).

As training and education geared toward all employees, Nikon held a total of 335 training courses organized by departments specializing in education, which were attended by a total of 10,626 employees (including attendees of training for evaluators).

On average, Nikon employees spent 2.09 days undergoing training during the year. Training participants are given a questionnaire on their training course to complete, which is then used to assess training curriculum and make continual improvements.

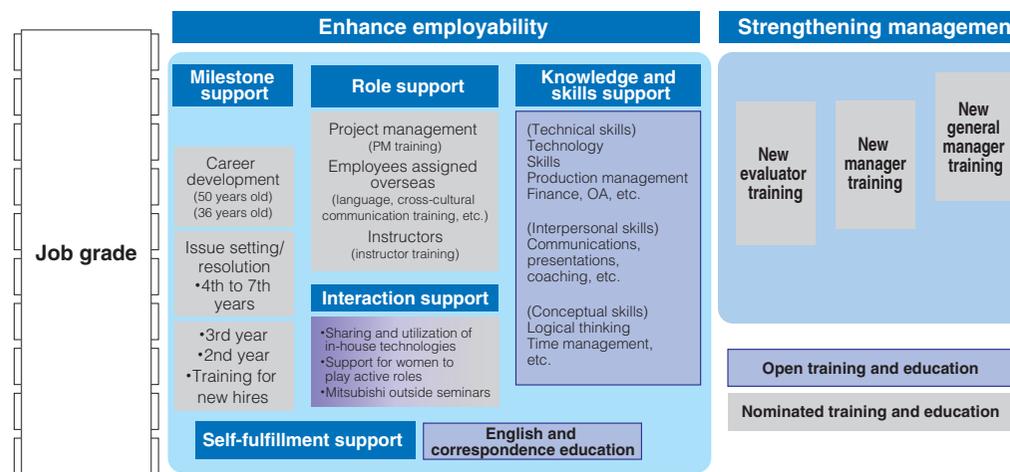
Employees of the Group companies in Japan can also

take part in training courses offered by Nikon. Each Group company in Japan provides employees with its own human resource development and training programs. In this manner, we provide access to finely tuned training and educational opportunities.

Examples of Training Offered by Nikon

- Training to foster understanding about new roles, such as when employees are newly promoted to management positions
- HR training and education carried out systematically for several years from the first year of joining the company
- Career development training at certain milestones
- Targeted training for women and managerial candidates
- Application-based training for improving skills and knowledge through independent initiative
- Support for employees wanting to improve their English proficiency

Training Programs based on the New HR Management System (April 2018 onward)



Success of Diverse Employees

The Nikon Group respects the diversity and human rights of employees that come from various backgrounds. We actively strive to build an environment allowing success by maximizing the skills of each and every employee.

Respect for Diversity

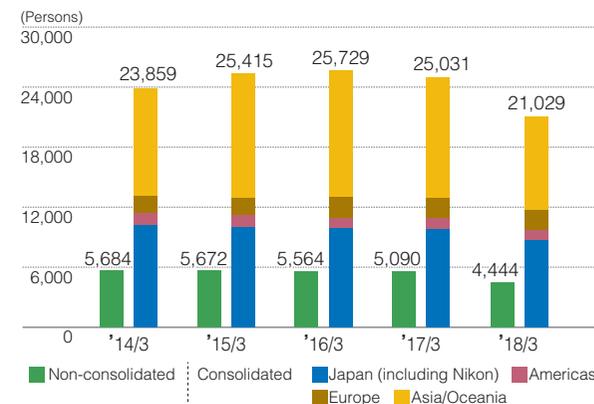
The Nikon Group takes rigorous steps to respect the diverse and human rights of employees, and provide fair treatment. Our goal is to provide a workplace where our employees can thrive professionally as a team utilizing their individual skills and talents. Specifically, we respect the individuality and human rights of our people and provide them with workplaces where they can be highly motivated, regardless of race, beliefs, gender, educational background, nationality, religion, or age.

In addition, our approach emphasizes diversity in our corporate culture by positioning the ability to accept diversity as one of the competencies of the Nikon Group. Currently, in Japan Nikon's Human Resources Department is heading up activities focused on such initiatives as women's empowerment and supporting persons with disabilities. In turn, the results of these activities are reported regularly to the CSR Committee.

Nikon's training programs for newly promoted managers (95 employees participated in the year ended March 31, 2018) include a session to review the promotion of diversity. Furthermore, we cover work-style innovation for taking diversity efforts, including women, to the next level as well as next generation education support policies,

within information on HR policies and other information periodically communicated to managers. In terms of career development support, we offer career development training focused on future work styles and approaches to living to employees that are 50 years old. Through this training, participants are able to broaden their horizons by interacting with various other employees of a similar age working at different departments.

Changes in the Number of Employees by Region



* Consolidated figures include permanent employees and non-regular staff of the Nikon Group and executive officers of Group companies. For regional percentages, employees of Nikon who are temporarily assigned to Group companies are included in the region to which they are assigned. Employees of Nikon Metrology NV and its subsidiary group companies are included in the European figures.

Employee Composition

	'14/3	'15/3	'16/3	'17/3	'18/3
Total	23,859	25,415	25,729	25,031	21,029
Nikon	5,684	5,672	5,564	5,090	4,444
Japan (including Nikon)	10,168	10,035	9,870	9,835	8,725
Europe	1,695	1,626	2,011	2,040	2,017
Americas	1,273	1,198	1,103	1,010	989
Asia/Oceania	10,723	12,556	12,745	12,146	9,298

* Consolidated figures include permanent employees and non-regular staff of the Nikon Group and executive officers of Group companies. For regional figures, employees of Nikon who are temporarily assigned to Group companies are included in the region to which they are assigned. Employees of Nikon Metrology NV and its subsidiaries are included in the figures for Europe.

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Number of New Hires

(Unit: persons)

		'18/3	Total
Nikon	Men	95	124
	Women	29	
Group companies in Japan	Men	65	86
	Women	21	
Group companies in Europe	Men	172	265
	Women	93	
Group companies in the Americas	Men	50	91
	Women	41	
Group companies in Asia/Oceania	Men	124	621
	Women	497	

* Permanent employees and non-regular staff of the Nikon Group (consolidated).

* Group companies in Asia/Oceania exclude Nikon Imaging (China) Co., Ltd.

Average Age

(Unit: years old)

		'14/3	'15/3	'16/3	'17/3	'18/3
Men	Nikon	44.7	44.3	45.5	45.9	45.2
	Group companies in Japan	42.4	42.9	43.4	42.4	43.8
	Group companies in Europe					44.4
	Group companies in the Americas	37.2	37.4	38.8	39.0	47.5
	Group companies in Asia/Oceania					36.2
Women	Nikon	39.3	39.0	40.2	40.7	40.4
	Group companies in Japan	43.2	44.0	44.2	44.3	44.5
	Group companies in Europe					41.8
	Group companies in the Americas	32.6	32.0	32.6	33.9	46.0
	Group companies in Asia/Oceania					34.3

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

Average Years of Service

(Unit: years)

		'14/3	'15/3	'16/3	'17/3	'18/3
Men	Nikon	20.1	20.3	20.5	20.8	19.7
	Group companies in Japan	15.5	15.9	16.4	16.0	16.4
	Group companies in Europe					9.2
	Group companies in the Americas	8.4	8.9	9.1	9.5	13.6
	Group companies in Asia/Oceania					10.4
Women	Nikon	14.8	15.1	15.5	15.9	14.9
	Group companies in Japan	16.9	17.3	18.1	17.2	17.7
	Group companies in Europe					7.8
	Group companies in the Americas	7.1	6.9	7.7	8.7	11.5
	Group companies in Asia/Oceania					10.3

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

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Turnover

(Unit: persons)

		'14/3		'15/3		'16/3		'17/3		'18/3	
		Retirees	Others								
Men	Nikon	28	102	37	142	41	205	32	908	3	147
	Group companies in Japan	38	61	47	93	66	107	31	269	4	93
	Group companies in Europe									5	165
	Group companies in the Americas	11	221	26	304	14	320	39	465	3	68
	Group companies in Asia/Oceania									8	184
Women	Nikon	2	9	3	18	1	20	1	82	0	24
	Group companies in Japan	8	20	10	25	8	34	4	90	0	13
	Group companies in Europe									5	98
	Group companies in the Americas	13	131	14	192	13	220	5	261	2	33
	Group companies in Asia/Oceania									7	703

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

* The period from the year ended March 31, 2014 to the year ended March 31, 2017 excludes Nikon (Thailand) Co., Ltd., Nikon Lao Co., Ltd., Nikon Imaging (China) Co., Ltd., Hikari Glass (Changzhou) Optics Co., Ltd. The year ended March 31, 2018 excludes Nikon Imaging (China) Co., Ltd. only.

* The year ended March 31, 2017 includes 1,087 employees who accepted voluntary retirement.

Women in the Workplace

The Nikon Group conducts the same hiring and treatment of employees regardless of gender. In recent years, we are working to promote the more active involvement of female employees in Japan.

Specifically, this involves our response to the Act on Promotion of Women's Participation and Advancement in the Workplace enacted in April of 2016. In terms of the low number of female employees and females in management positions, we have established an action plan and are now making efforts to achieve the targets set forth therein.

In May 2016, we obtained Eruboshi* (level 2) certification for our efforts in promoting the active involvement of women in the workplace.



* Eruboshi

The nickname given to a certification mark established under the Act on Promotion of Women's Participation and Advancement in the Workplace that is awarded to companies and corporations with an excellent track record in women's empowerment by the Minister of Health, Labor and Welfare. There are three levels of certification based on the number of items cleared.

■ Increasing the Number of Female Employees

The ratio of female employees at Nikon as of the end of March 2018 was 11.5%. We have set a target to reach a ratio of 25% or more females during regular hiring between the year ended March 31, 2017 and the year ending March 31, 2020 to further increase the ratio of women working at Nikon.

We participated in several joint job fairs for women and also held events such as informal gatherings with our female engineers aimed at the above target. As a result, the ratio of females during regular hiring in the year ended March 31, 2018 was 29%. Looking forward, we will continue to actively expand hiring activities such as enhancing employment events for female students studying the sciences, among other efforts.

■ Increasing the Ratio of Females in Management Positions

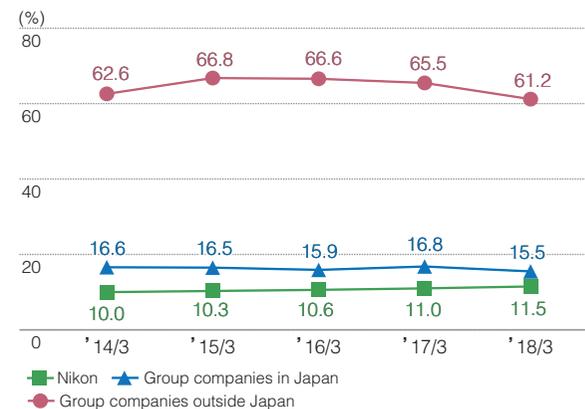
We have established the target to have 110 of Nikon's management positions (7%) occupied by women by the end of March 2020. We are actively supporting both career development and work-life balance aimed at reaching this target.

As of the end of March 2018, there were 75 females in management positions at Nikon for a ratio of 5.8% compared to just 55 at the end of March 2015 and 5.7% at the end of March 2017 when we set the target, indicating we are making steady progress. Of this figure, the proportion of females in management positions at Nikon who are general manager and above is 4.8%, and 2.5% at Group companies in Japan, while 3.9% are section managers at Nikon, and 4.3% at Group companies in Japan.

In addition, we have set a new target to achieve a ratio of females in management positions of 5% by the end of March 2023, following a review of our previous target in conjunction with changes in the definition of manager resulting from revisions to our HR management system in April 2018.

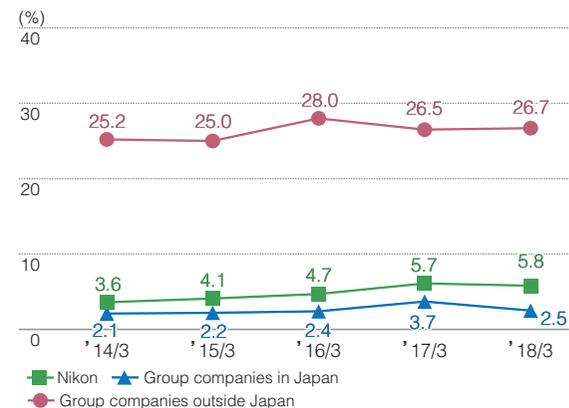
We are focusing on ongoing career development support and building employee-friendly workplaces.

Ratio of Female Employees



* Permanent employees and non-regular staff of the Nikon Group (consolidated). Those assigned to affiliates are counted as employees of the affiliates.

Ratio of Females in Management Positions



* Permanent employees and non-regular staff of the Nikon Group (consolidated). Those assigned to affiliates are counted as employees of the affiliates.

* Managers includes those who have yet to assume their assignment.

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■ Career Development Support

Nikon has introduced a mentor program for promoting women's career development. In the year ended March 31, 2018, mentoring was provided for six months involving 22 people (11 mentor-mentee pairs), with executive officers and managers serving as mentors. In addition, we have continued to offer self-fulfillment seminars to help female employees develop their skills and build networks since the year ended March 31, 2009. In the year ended March 31, 2018, 15 female employees from the Nikon Group participated.

Driven by the above efforts, in the year ended March 31, 2017, a total of three female employees were specially selected to take part in PMC training. This year marked the third time it was held. This training was first introduced in the year ended March 31, 2015 and targets managerial level employees. It spans eight months and offers opportunities for cross-industry exchanges, provides knowledge and fosters the mindset required of leaders of the next generation.



Self-fulfillment seminar

Utilizing a Diverse Workforce

Nikon aims to achieve true globalization and workplace diversity as a way to further enhance corporate value. We actively pursue diversity in our recruitment activities in order to continue to provide all employees with a workplace where individuals with different values and experiences can draw inspiration from each other and generate synergies, regardless of gender, nationality, religion or age.

■ Globally-minded Hiring

In the year ended March 31, 2012, Nikon took part for the first time in an employment forum for international students held in Boston, United States, to recruit foreign national students studying abroad with a desire to work for Japanese companies after graduation. At this forum, we recruit Japanese nationals and foreign national students studying abroad, and we participate in job fairs for foreign national students studying abroad in Japan. Nikon also hires new graduates in the fall (October), in addition to April, for a flexible approach to hiring in line with employment systems in Japan and overseas.

The proportion of Japanese national and foreign national study abroad students hired as part of our regular recruitment for 2018 was about 10% of all hires.

Through these initiatives, Nikon is aiming to provide a work environment that embraces and stimulates people of diverse backgrounds.

■ Reemployment System for Retirees

The Nikon Group in Japan provides employment opportunities to employees who have reached the mandatory retirement age of 60, if they so desire. Nikon reemploys all workers of mandatory retirement age who so request it and satisfy the requirements. In the year ended March 31, 2018, we reemployed about 80% of all workers of mandatory retirement age, and these employees are now playing an active role within the Nikon Group. A Life Plan Seminar for post-retirement living is also held for employees who will reach mandatory retirement age in the following year. In the year ended March 31, 2018, 158 employees attended this seminar.

■ Supporting People with Disabilities

The Nikon Group is working to establish an environment that enables each and every employee to make the most of his or her individuality and abilities regardless of any disability.

As an initiative to achieve this, in the year 2000 we established Nikon Tsubasa Inc., a special subsidiary of Nikon. Supported by experienced staff and instructors, a total of 42 employees worked for the company as of March 31, 2018. One of the company's principles is helping employees to become independent members of society.

Nikon Tsubasa fulfills work orders from the Nikon Group. In addition to parts processing, assembly, and packaging, Nikon Tsubasa employees engage in document digitization, disassembly of cameras for recycling, erasing magnetic media, inspection of finished glass products, acquisition of simple device data, and calibration of measurement equipment. The Nikon Group is now striving to give Nikon Tsubasa more work orders.

Japan has a legal requirement in terms of the percentage of employees with disabilities. Nikon, Nikon Tsubasa Inc., Nikon Systems Inc., and Nikon Business Service Co., Ltd. have obtained government approval to calculate the rate as a group, and have achieved the required standard. As for other Group companies in Japan, all of them met this standard, with the exception of seven companies. Group companies in Japan will strive to meet and improve their compliance with the standard by employing more people with disabilities with the help of public and private employment agencies and by establishing a venue to share information on people with disabilities with all Group companies.

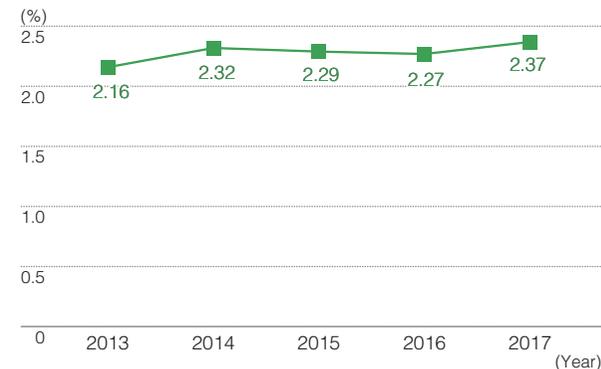
To gain greater public understanding about the work done by people with disabilities, Nikon Tsubasa accepts tours of its workplace. A total of 435 people from 114 organizations, schools, and support institutions took part in the year ended March 31, 2018. Many employees from the Nikon Group also participated in these tours. Furthermore, Nikon Tsubasa supports the social inclusion and work of people with disabilities by accepting 15 trainees from welfare facilities and schools for the disabled.

[▶ Nikon Tsubasa Inc. \(in Japanese\)
http://www.nikon-tsubasa.co.jp/](http://www.nikon-tsubasa.co.jp/)



A workplace at Nikon Tsubasa

Changes in Employment of People with Disabilities under Group Certification



* The rates are as of June 1 of each year.

Supporting Diverse Work Styles

The Nikon Group carefully manages the working hours of its employees and has a basic policy on work-life balance policy in place that calls for the creation of an environment for employees to make the most of their abilities and produce results as a team by developing systems and measures empowering them to work with greater peace of mind.

Supporting Balance Care for Children and Other Family Members

Nikon helps employees balance care for children and other family members with their work. This is made possible through childcare leave, the use of a program that allows employees to take childcare or family care leave together with staggered working hours and reduced working hours as well as hourly leave.

Following revisions to the Act on Childcare Leave and Caregiver Leave made in October 2017, we reviewed our childcare leave system in the year ended March 31, 2018. The new law allows childcare leave to be taken until the child reaches the age of two under special circumstances. In response, Nikon has made it possible for employees to take childcare leave until the child reaches the age of two regardless of reason.

One male and 19 female employees used staggered working hours, while nine male employees and 96 female employees took advantage of reduced working hours in the year ended March 31, 2018.

Also, Nikon introduced an entry system to provide opportunities to rejoin the company for former employees with specialized skills or extensive work experience who

left the company for child care, family care, a spouse's job transfer or other unavoidable reasons.

We have obtained the Next-Generation Childcare Support Certification Mark (Kurumin mark for childcare support) for three consecutive terms in 2008, 2011 and 2015. In June 2018, we obtained the Platinum Kurumin mark*.



* Platinum Kurumin
This certification by the Minister of Health, Labour, and Welfare recognizes companies that have introduced a higher level of work-life balance assistance measures, from among those companies receiving the Kurumin mark after establishing an action plan pursuant to the Act on Advancement of Measures to Support Raising Next Generation Children.

Column

Providing a Workplace Environment where Pregnant Employees can Continue Working with Peace of Mind

About 80% of the workforce at Nikon (Thailand) Co., Ltd. is female. NTC has carried out various initiatives so that pregnant workers can continue working during their pregnancy with peace of mind.

For example, pregnant employees working on the camera assembly line are reassigned to office or management of indirect materials so that they can sit during work. Also, they are allowed to take breaks five minutes earlier than other workers to avoid congestion. In addition, pregnant employees are reassigned to workplaces closer to where they live and prohibited from working late nights and overtime. In addition, a mother's room has been set up for employees returning from childcare leave so that they can pump breast milk at any time and store it in a refrigerator or read magazines about childcare.

Nikon Lao Co., Ltd. (NLC) also has a large number of women in its workforce, as more than 90% of its employees are women. Leveraging NTC's know-how, since its founding NLC has been working to establish a work environment with minimal physical burden placed on pregnant employees, including reassigning these employees to work not directly involved in manufacturing.

In the year ended March 31, 2018, a total of 122 pregnant employees at NTC and 105 at NLC were accommodated as described above.

The Nikon Group is committed to developing work environments where employees can work with security and peace of mind.



Work room for pregnant employees (NLC)

Number of Employees Taking Childcare Leave

(Unit: persons)

		'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	Men	3	9	6	7	11
	Women	22	21	27	35	24
Group companies in Japan	Men	1	1	1	2	2
	Women	32	12	16	19	21

* Permanent employees and non-regular staff

Percentage of Employees Returning to Work after Childcare Leave and Retention Rate

(Unit: %)

		'15/3	'16/3	'17/3	'18/3	
		Return-to-work rate	Return-to-work rate	Return-to-work rate	Return-to-work rate	Retention rate
Nikon	Men	100	100	90	100	100
	Women				98	86
Group companies in Japan	Men	93	100	100	100	100
	Women				99	83

* Permanent employees and non-regular staff

* The retention rate for the year ended March 31, 2018 is the proportion of employees returning to work from childcare leave in the year ended March 31, 2017 that were still with the company at least 12 months after returning to work.

Number of Employees Taking Maternity Leave

(Unit: persons)

		'14/3	'15/3	'16/3	'17/3	'18/3
Nikon		23	13	32	32	28
Group companies in Japan		22	15	13	17	18

* Permanent employees and non-regular staff

Number of Employees Taking Family Care Leave

(Unit: persons)

		'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	Men	2	2	0	3	2
	Women	0	1	1	2	1
Group companies in Japan	Men	0	0	2	0	2
	Women	2	1	0	0	1

* Permanent employees and non-regular staff

Working on Reducing Working Hours

The Nikon Group is working to reduce working hours. Specifically, we have initiated various measures, including establishing plans for taking annual paid leave, the introduction of flextime, requiring preapproval for overtime work, and the implementation of a no overtime day. In December 2017, Nikon reviewed the Cooling System which is intended to prevent certain individuals from taking on excessive overtime and the standards for health exams covering excessive overtime work. Meetings are also held at workplaces with long working hours to provide instructions on how to remedy the situation. With regards to annual paid leave, we encourage the creation of plans for taking annual paid leave and ask that paid leave is taken systematically. We push those employees and supervisors who had a low rate of using annual paid leave to take personal leave throughout the year. Our target for the year ending March 31, 2019 is to reduce the number of employees working excessive overtime of 60 hours on a monthly average basis to "0" and reach a consumption rate of annual paid leave of 70% or more.

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Telecommuting

Nikon has established a telecommuting system. Originally, this system was reserved for only certain departments, but from April 2016 the scope of eligible employees was expanded so that employees from any department who meet the requirements can take advantage of this system. Moreover, in December 2017 we eased procedural requirements for to enable employees to use the system more flexibly. Also, employees can now telecommute in half-day increments. As a result, some 74 departments and 113 employees used the system as of March 31, 2018.

Through this initiative, Nikon is working to improve productivity and promote work-life balance through the more concentrated and efficient execution of operations.

Employees' Health and Safety

We recognize a workplace environment that enables employees to work safely and actively, both physically and mentally, leads to the improvement of workplace vitality and productivity as well as personal life. Based on this idea, we are working on strict safety management and health promotion activities.

Health and Safety Activity Policies in Japan

Nikon has established the Nikon Group Health and Safety Activity Policies. These policies are used to ensure the health and safety of employees—who are the foundation of corporate activities—and to promote improved productivity and work-life balance.

Nikon Group Health and Safety Activity Policies for the Year Ended March 31, 2018

Target:

Promote work-life balance for each and every employee by carrying out rigorous health and safety risk management.

Three Policies:

- 1) Improve total mental health by effectively performing and implementing stress checks for mental health care
- 2) Manage risks associated with chemical substances using an enhanced management structure and management system
- 3) Mitigate risks of occupational accidents through compliance with laws and ordinances and health and safety education

Health and Safety Management System

The Nikon Group Health and Safety Activity Policies are established by the Central Health and Safety Committee. This committee is different from the mandatory Health and Safety Committee. It is made up of representatives from both labor and management and chaired by a director and senior vice president. The presidents of major Group companies in Japan also participate as observers. The Central Health and Safety Committee assesses and monitors regular health exams, stress checks, and occupational accidents at the Nikon Group in Japan. Based on this, it also incorporates measures to be implemented in the future into the Nikon Group Health and Safety Activity Policies for the subsequent fiscal year.

Raising Health and Safety Management Standards

Nikon provides health and safety training during orientations for new hires and managerial training. Also, we provide health and safety training at Group companies in Japan that had a large number of occupational accidents in the previous fiscal year.

These activities have helped the Nikon Group in Japan to reduce the number of occupational accidents. However, in the

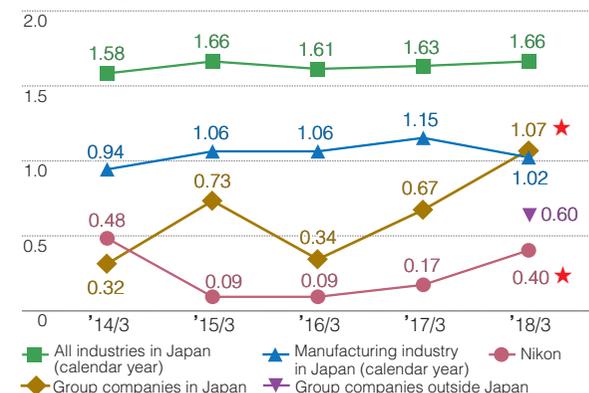
year ended March 31, 2018, the total number of occupational accidents decreased, but the number of lost time accidents increased, causing the frequency rate to increase. As a result, we established measures to prevent reoccurrences of lost work time accidents as an issue to resolve.

We have established a goal for the year ending March 31, 2019 to reduce occupational accidents at the Nikon Group in Japan attributed/related to work*2 to less than 40.

As for occupational accidents at Nikon Group outside Japan, we monitor the situation at each company by conducting a survey at the end of every fiscal year. We also strive to share information with and raise awareness at Group companies.

*1 Frequency rate
The number of deaths and injuries resulting from occupational accidents per million hours worked, which is used as an index for the frequency of occupational accidents.
*2 Excluding traffic accidents while traveling on business, and excluding accidents involving falls etc. where the accident was mainly due to individual carelessness.

Frequency Rates of Lost Time Accidents



* Group companies in Japan include non-consolidated group companies (26 companies in the year ended March 31, 2018).

Severity Rate of Lost Time Accidents*1

	'14/3	'15/3	'16/3	'17/3	'18/3
All industries in Japan	0.10	0.09	0.07	0.10	0.09
Manufacturing industry in Japan	0.10	0.09	0.06	0.07	0.08
Nikon	0.01	0.00	0.00	0.00	0.01★
Group companies in Japan	0.00	0.01	0.01	0.01	0.01★
Group companies in Europe	—	—	—	—	0.06
Group companies in the Americas	—	—	—	—	0.00
Group companies in Asia/Oceania	—	—	—	—	0.01

*1 Severity rate

The number of work days lost per 1,000 hours worked, which is used as an index for the severity of occupational accidents.

* 0.00 indicates a rate of less than 0.005.

* Group companies in Japan include non-consolidated companies (26 companies in the year ended March 31, 2018).

Lost Time Accidents (1 or more days) and Fatalities (Year Ended March 2018)

	Accidents requiring time off (persons)	Lost days (days)	Fatalities (persons)
Nikon	4	84	0
Group companies in Japan	14	106	0
Group companies in Europe	6	213	0
Group companies in the Americas	1	7	0
Group companies in Asia/Oceania	8	104	0

* Lost days: The number of missed work days in the past multiplied by 300/365 (rounded to the nearest whole number).

Types of Occupational Injuries at Nikon Group in Japan (year ended March 31, 2018)

Type of injury	Cases
Back pain, etc.	9
Broken bone	5
Sprain	4
Cut wound	4

Supporting the Health of Employees Assigned from Japan to Group Companies outside Japan

Nikon is working to enhance health support for employees that are assigned from Japan to Group companies outside Japan. Specifically, we are expanding pre-departure training, conducting a regular health checkup during assignments and establishing an applicable follow-up system based on the results of checkups.

We also provide support to these employees in response to local medical risks through coordination with international medical assistance services and other measures.

Mental Health Care

Based on its stress check system, Nikon is making efforts to improve the work environment through interviews with high stress individuals and group analysis of entire workplaces. We also conduct health promotion events with the aim of helping employees to maintain and improve their health.

Priority Issue 10

Strengthening Compliance



Background

The social and ethical responsibilities of companies are undergoing great changes. As society grows more diverse, there are a growing number of issues in various fields that companies must face and address, including compliance with competition laws and anti-bribery regulations. Companies must meet the expectations of society not only by focusing on international guidelines and rules but also by understanding diverse values in a broad range of perspectives.

Responsible Officer's Message

While the Nikon Group is undergoing a major transformation through restructuring, the one thing that remains unchanged is our corporate philosophy of "Trustworthiness and Creativity." The foundation of this philosophy is compliance. At the Nikon Group, we understand that compliance is more than just abiding by laws and regulations; it is a broad concept that also takes into account corporate social responsibility and corporate ethics. We strive to ensure that each and every employee engages in his or her daily work with a strong sense of ethics and mission. I request that all employees always keep compliance obligations in mind with the simple message of "Do Right!" In light of the recent circumstances pertaining to corporate social responsibility and corporate ethics, we made major changes to the Nikon Code of Conduct in January 2018, which serves as the standard principles for the actions of Nikon Group employees. I will continue to use the phrase, "Do right!" to ensure that our employees understand and adhere to the new code of conduct.

Masashi Oka

Senior Executive Vice President, Representative Director, CFO,
Chairperson of the Business Conduct Committee

Compliance

The Nikon Group has established a compliance promotion system that is implemented across the entire Nikon Group to be faithful to the trustworthiness placed in us by society. Under this system, we are striving to ensure compliance throughout the entire Nikon Group.

Nikon Code of Conduct

The Nikon Code of Conduct is a specific set of standards for each and every employee to understand in depth, and implement, the concept of compliance. In January 2018, we revised this code of conduct to address the latest requirements of the global community. Specifically, the revision included adding descriptions on such topics as human rights, tax, import control and social responsibilities of the supply chain, and standardized this code of conduct as the common rule for all Group companies both inside and outside Japan. To ensure that the Nikon Group is in compliance with this code of conduct, the head of each department at Nikon and above, and the presidents of the Nikon Group have made a new pledge to take responsibility in ensuring that the organizations that they are in charge of is in compliance with the code of conduct. In the year ending March 31, 2019, the booklet of the code of conduct will be issued in 16 languages and distributed to all employees around the world, and training will be implemented to familiarize them with the code of conduct.

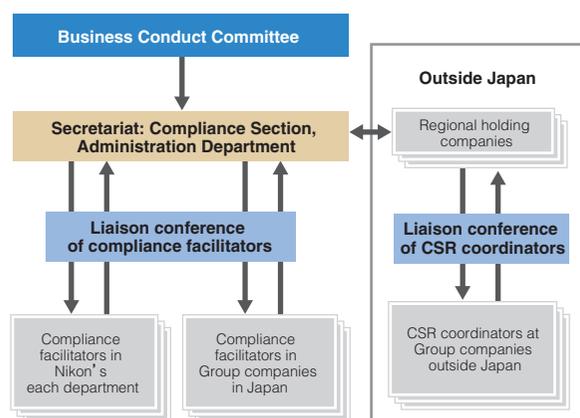
[▶ Nikon Code of Conduct \(P7\)](#)

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Dissemination of the Nikon Code of Conduct	Implement the training on the new Nikon Code of Conduct (revised in January 2018) at Nikon and all of the Group companies	Nikon Group
Improvement of the reporting and consulting system	Collect and analyze information related to the introduction of the external contact points handled by a specialist firm in the Asian region	Nikon Holding Hong Kong Limited / Group companies in Asia and Oceania

Compliance Promotion System

The Business Conduct Committee, chaired by the Senior Executive Vice President of Nikon, serves as a forum for deliberating and making decisions on important issues regarding promotion of compliance. The Compliance Section of Nikon's Administration Department serves as the secretariat of this Business Conduct Committee. In Japan, we collaborate with the compliance facilitators at each of Nikon's departments and the Group companies to undertake compliance promotion activities. Moreover, we hold compliance facilitator liaison conferences to carry out highly-effective compliance promotion activities. Outside Japan, the Business Conduct Committee has been making global efforts such as gathering opinions of the regional holding companies in the Nikon Group and sharing the understanding of cultures, customs and regulations in each country and region.

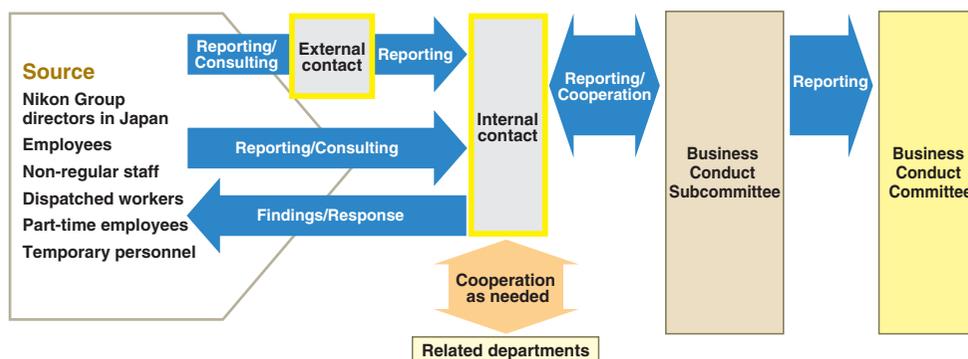
Compliance Promotion Structure Diagram



Code of Conduct Hotline (Reporting and Consulting System)

In relation to the Nikon Code of Conduct, the Nikon Group has established a Code of Conduct Hotline (the "Hotline") as a common reporting/consulting system for employees of the Nikon Group in Japan (including non-consolidated Group companies). The Hotline consists of an internal contact point and an external contact point which is handled by an external specialist firm. Outside Japan, as a general rule, each subsidiary has established its own internal contact point. In addition, the contact points handled by external specialist firms have been set up in Europe and the Americas. In regard to the Group companies in China, multiple contact points are accessible at the regional holding company, Nikon's headquarters and the external specialist firms (limited to some subsidiaries only) in addition to those set up at these companies themselves. In the year ending March 31, 2019, we will gather and analyze information to examine establishment of contact points handled by an external specialist firm in the Asian region.

Diagram of the Code of Conduct Hotline in Japan



During the year ended March 31, 2018, there were 21 consultations in Japan and 10 consultations outside Japan at the Nikon Group, out of which 18 consultations and 5 consultations, respectively, were related to human rights, harassment and labor issues. For each case brought for consultation through the Hotline, we collect information from person who require consultation and persons who are relevant to the matter to understand the matter objectively. And then, we work together with relevant departments to resolve the matter and follow-up as necessary. We treat each consultation case with utmost care respecting human rights, which includes keeping the matter in strict confidence, paying special attention to issues protecting privacy, respecting anonymity, preventing any disadvantages by seeking consultation.

Compliance Promotion Activities

Compliance Training for all Employees at Nikon Group

The Nikon Group aims to disseminate the awareness of compliance in every person at the Nikon Group: from our top management to each employee. To this end, we hold seminars for the top management delivered by attorneys who specialize in this field on the occasion of the Business Conduct Committee meeting. We provide e-learning training programs and conduct face-to-face training sessions by compliance facilitators at each department and company inside and outside Japan.

At the Nikon Group in Japan, compliance trainings were conducted on the prevention of harassment, information management, import control and other topics. Outside Japan, specific training activities at the Group companies overseas focus on regional characteristics, and are led by their regional holding companies.

Further, in our CSR newsletter for all Nikon Group employees, we introduce compliance related news that are reported in the world and explain the Nikon Group's view on compliance.

Global Awareness Survey (Monitoring)

As a general rule, the Nikon Group conducts monitoring on a global scale through awareness survey of the employees every two years. Through this, the Nikon Group intends to understand the degree of dissemination of the corporate philosophy and awareness of the Code of Conduct as well as current situations of compliance training, whose results are reflected on improving the Nikon Group's promotional activities.

In October 2017, we conducted the 11th Awareness Survey targeting only the Nikon Group in Japan, and received 10,130 responses in total. The results of this survey including a comparison of past results were reported at the Business Conduct Committee meeting held in December 2017.

Efforts to Prevent Bribery

The Nikon Group enacted the Nikon Anti-Bribery Policy to reiterate its long-standing commitment to prevent corruption.

In addition, led by the Compliance Section, holding companies outside Japan have each formulated their region-specific Anti-Bribery Guidelines. These guidelines reflect and put together basic concepts, precautions and operational procedures, etc., unique to each region that are necessary to comply with the Nikon Anti-Bribery Policy. Each regional holding company also leads the training sessions that are continually held to raise the awareness of the guidelines.

Further, at the end of the fiscal year, Nikon and each of the Group companies reviewed their implementation of these anti-bribery guidelines through self-assessment checklists with the aim of making improvement in the next fiscal year.

In the year ended March 31, 2018, the Compliance Section and regional holding companies carried out on a global scale a risk assessment of the Nikon Group. The 23 companies found to pose a relatively high risk by this risk assessment, and the Nikon Group conducted a risk-based approach anti-bribery training on these 23 companies.

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

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

Efforts to Prevent Competition Law Violations

As set out in the Nikon Code of Conduct, the Nikon Group's fundamental position is to carry out fair competition and engage in business deals that comply with the competition laws of each country.

In recent years, the international community has increased its focus on competition laws, requiring more stringent efforts to comply with the laws. The Nikon Group has established a framework of communication between legal departments in an effort to strengthen its legal functions while continuing to promote education throughout the group. Through this education, we strive to promote and disseminate the awareness of legal compliance across the entire group as well as prevent the recurrence of competition law violations.

■ Furthering Education on Competition Law

The Nikon Group has been making global efforts to educate employees with respect to competition law that are in line with the laws and regulations of each country. Specifically, the Legal Department of Nikon's headquarter takes the lead in providing competition law education for the entire Nikon Group. The legal department of each business operational site and each local subsidiary prepare a curriculum and provide education with the assistance of local law offices as necessary.

One of the goals regarding compliance activities in the year ended March 31, 2018, was to "Continue to provide education annually on a global basis, and ensure that competition law training takes root in the Nikon Group." Under this goal, we conducted competition law training around the

world, while, in Japan, we strove to increase the number of participants of the training by using e-learning. As a result, the number of participants dramatically increased in the year ended March 31, 2018. As of the end of March 2018, competition law training was conducted on 53 companies which account for 8,416 employees of the Nikon Group (including non-consolidated Group companies) who are considered to be subject to a relatively high risk of violating competition law.

We plan to continue providing our competition law education programs in the future.

Bioethics

Nikon has conducted the research and product development giving full consideration to human dignity and human rights for the business development in the life science industry. To intensify our effort for the bioethics, we established the regulations for the Bioethics Review Committee in June 2014 and we formed the Bioethics Review Committee in September of the same year.

The committee is composed of experts in the humanities, the social sciences and the natural sciences fields and member who can provide opinions of the general public including viewpoints of research subjects, and its review scope is the research and development in life science area conducted by the Nikon Group in Japan.

The committee has called a meeting twice in the year ended March 31, 2018, where the validity of each research and development was reviewed based on the ethical and scientific perspectives.

Additionally, the Nikon Group provides the annual education to the employees of the research and development section involved in the life science research, using

e-learning curriculum of the Association for the Promotion of Research Integrity that covers proper ethics as well as examples of unethical research and ways to prevent it. Through these educational opportunities, we strive to conduct a fair research and development in accordance with the laws, ordinances and guidelines. 170 employees received the education in the year ended March 31, 2018.

Responding to Fraud

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

At Nikon in the year ended March 31, 2018, there were two disciplinary actions for fraud against a party or supervisor (10 people), and two disciplinary actions (two persons) at a Group company in Japan. At Group companies outside Japan, there were four cases of serious disciplinary action involving fraud.

Priority Issue 11

Effective Governance

Background

Engaging in business activities globally requires that we respond to the various requests of stakeholders while carefully managing various risks. Taking into account these perspectives, Nikon is working to strengthen governance and striving to enhance corporate value.

Responsible Officer's Message

I believe that growing interest in society toward companies' ESG will rigorously call into question the sustainability efforts of companies. To achieve sustainability management, it is critical that constant checks be performed to make sure that governance, the key to this management, is functioning effectively and appropriately. With this in mind, Nikon has made a number of changes, including transitioning to company with an Audit and Supervisory Committee and increasing the number of External Directors to more than one-third of the Board. Taking into account the results of the evaluation of the effectiveness of the Board of Directors conducted by a third-party organization in the year ended March 31, 2018, we will work on issues such as whether to establish a voluntary nominating committee. Nikon is committed to steadily enhancing governance going forward.

Kazuo Ushida
President
Representative Director

What We Intend to Achieve in 3 to 5 Years	Targets for the Year Ending March 31, 2019	Scope
Implementation of measures based on the results of the evaluation of the Board of Directors' effectiveness	Consider the establishment of a voluntary nominating committee	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	Nikon
Strengthening of risk awareness and management	Implement risk analysis covering the entire Nikon Group and ensure linkage between related departments	Nikon Group

Corporate Governance

Amid continued globalization of the business environment, the Nikon Group is working to enhance the relationship of trust it enjoys with its stakeholders by increasing management efficiency and transparency and strengthening its corporate governance organization.

Basic Concept Relating to Corporate Governance

Based on its corporate philosophy, the Nikon Group will carry out highly transparent management through fulfilling its fiduciary responsibilities towards shareholders as well as responsibilities towards stakeholders including customers, employees, business partners, and society, etc., with a sincere and diligent attitude.

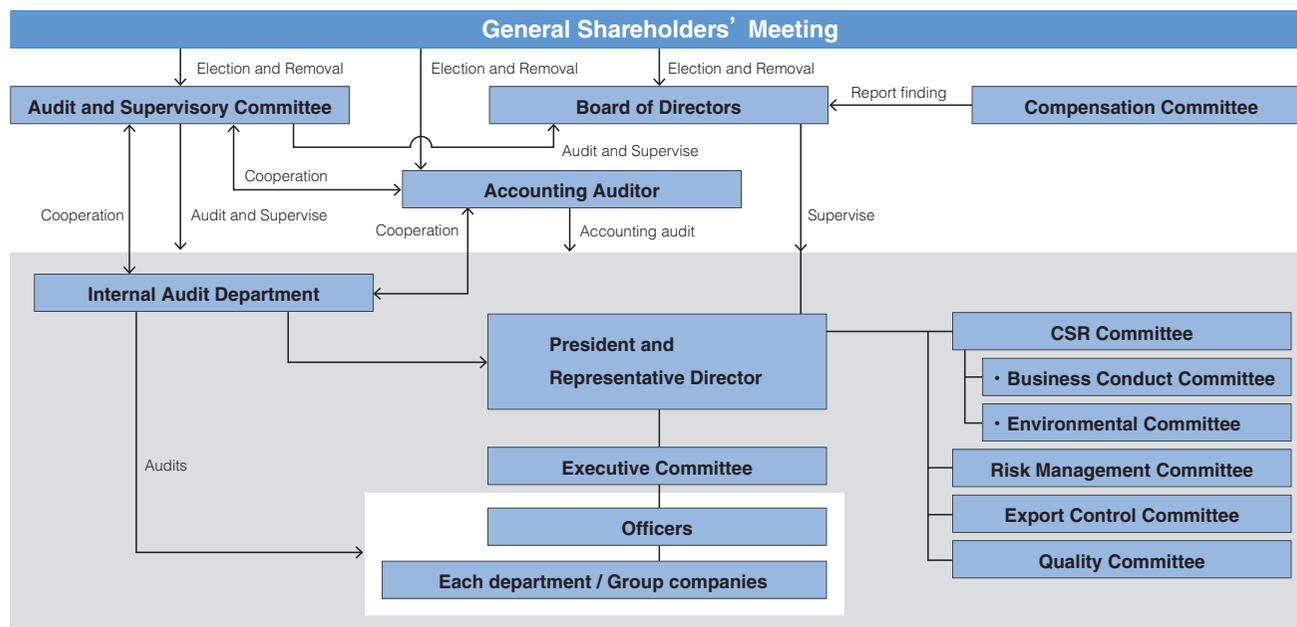
The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium to long term, through improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purpose of Japan's Corporate Governance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

▶ [Corporate Governance Guideline](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 28, 2018)



Directors and Officers (As of March 31, 2018)

	Directors		Officers*	Unit
		of which Audit and Supervisory Committee Members		
Persons	Internal	7	2	20 persons
	External	4	3	
Ratio of female		0	0	0 %
Ratio of non-Japanese		0	0	0 %
Attendance at Meetings of the Board of Directors	Internal	100	—	— %
	External	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 Females and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2018)

(Unit: persons)

Category	Female	Non-Japanese
Directors, Officers and Corporate auditors	4	30

* Local equivalent to director, officer, and corporate auditor included in the 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 on the matters prescribed under laws and regulations, and the Articles of Incorporation of the Company, as well as the important matters concerning the Nikon Group. For the purpose of clarifying the scope of delegation to the executive directors and officers while ensuring prompt decision-making and management by the executive directors and officers, the Company specifically sets out the matters subject to deliberation at the Board of Directors in the criteria for matters subject to deliberation and report at the Board of Directors. For example, the Board of Directors makes decisions on matters concerning important management, including the basic management policies, the Medium Term Management Plan, the annual plan, the Basic Policy on Internal Control System, and investments and loans exceeding a certain amount. Moreover, in order to further strengthen the supervisory function of the Board of Directors, the Company has appointed four independent external directors (including three Audit and Supervisory Committee members).

■ 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 purpose, Audit and Supervisory Committee members regularly attend the important meetings such as the meetings of the Board of Directors and the Executive Committee, and conducts audits and supervision over the management and directors. In addition, to further enhance independence and neutrality of the audit system, the Audit and Supervisory Committee shall consist of five Audit and Supervisory Committee members including three independent external directors.

■ Compensation Committee

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

■ Executive Committee

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

Nomination and Selection of Directors and Officers

■ Policies for Appointment

Nikon appoints candidates for directors from among those who understand the management environment of the Company and who can contribute to 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 meet the trust of society as members of the Board of Directors. Furthermore, Nikon appoints external director candidates from among those with either wealth of knowledge and experience, etc., as executives of other companies, or expertise and experience, etc., as specialists such as attorneys and certified public accountants, and who are qualified to take part in management supervision function from a fair and objective standpoint independent from management.

Nikon appoints officer candidates from among those with a broad perspective, wealth of experience, leadership, and capabilities to promote reforms in their respective area of responsibilities, 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 requirement for external directors under the Companies Act, the Company judges that an external director candidate is independent if he/she does not fall into any of the following requirements.

- a) The candidate serves or had served the Group in the past.
- b) The candidate is a “major client or supplier*” of the Company or an executive thereof.
- c) The candidate is a major shareholder of the Company or an executive of the said major shareholder.
- d) The candidate had served in the past at a company whose directors are concurrently serving as the Company’s external director and vice versa.
- e) The candidate is a person who belongs to a company or organization that receives a donation from the Company or a person who had served in the past at said company or organization.
- f) The candidate’s relative within the second degree of kinship serves as an important executive of a “major client or supplier” of the Group or the Company.

* “Major client or supplier” refers to a client or supplier that fall into either of the following.

- (1) A client or supplier with whom the Company has transaction that falls into the following, in any of the past three years
 - a party which receives payment from the Company equivalent to 2% of the party’s consolidated net sales or 100.0 million yen, whichever the greater
 - a party which makes payments to the Company equivalent to 2% of the Company’s consolidated net sales or 100.0 million yen, whichever the greater
- (2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of 10.0 million yen per year (average over the past three fiscal years)

■ Procedures for Appointment

Nomination of director candidates, as well as appointment of officers are decided, after making detailed explanation about the career profile, expertise, etc., of each candidate at the Board of Directors, followed by careful deliberation with independent external directors. Nomination of candidates for directors who are Audit and Supervisory Committee members is subject to the prior consent of the Audit and Supervisory Committee.

▶ [Reasons for Appointment \(External Directors\)](https://www.nikon.com/about/ir/governance/organization/)
<https://www.nikon.com/about/ir/governance/organization/>

■ 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 to attend trainings including study sessions inviting 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 regularly implements review sessions on its important issues and reports on the business status of the Company, in order to promote effective utilization of the expertise of external directors as well as free and constructive deliberation. Through these measures, Nikon supports external directors in further enhancing their understanding about the business, finance, organization, etc., of the Company, in order to receive appropriate advice from them.

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. A summary of this evaluation for the year ended March 31, 2018 is provided 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, composition, prior preparations and details of deliberations, etc., 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>

- Significant improvements in the functions of the Board of Directors have been made following discussions of the “restructuring” announced in November 2016, and board effectiveness is steadily increasing
- The “restructuring” led by senior management is progressing steadily and forward progress is being made in “management reforms” by the executive directors and officers, indicating that the Board of Directors is fulfilling appropriate supervising functions
- At the same time, reforms of the Board of Directors have only just begun, and the governance system needs to be further strengthened

<Main Issues and Future Response>

- Strengthening of secretariat function: reinforce the functions of the secretariat and executive departments supporting the Board of Directors

- Comprehensive restructuring and realization of growth strategy: seek to further invigorate the Board of Directors, by carrying out discussions from the early draft stages of the medium term management plan
- Enhancement of the Board of Directors and its complementary functions: consider establishment of a voluntary nominating committee

Taking into account the issues raised by this evaluation, Nikon plans on implementing measures to further enhance board effectiveness going forward by enhancing deliberations by the Board of Directors.

Compensation of Directors and Officers

■ Compensation System

Basic Policies

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

- Executive compensation should motivate executives to sustainably improve values of companies and shareholders, as well as enhance willingness and morale
- Executive compensation should keep, cultivate and reward excellent personnel
- The decision process for the compensation system should be highly objective and transparent

Compensation System and Performance-based Structure

a) The compensation system for executive directors and officers is comprised of the following items. The distribution ratio for compensation is determined by changing the percentages of fixed monthly compensation and performance-based compensation according to positions and duties.

Fixed monthly compensation	Monetary compensation not based on performance.
Bonuses	This monetary compensation is based on the degree of accomplishment and qualitative assessment of the capital efficiency and profitability of the Group as a whole and departments in charge on a single-year basis, and is determined within the range of 0% to 200% of the standard payment.
Performance-based stock compensation	Stock compensation is determined within the range of 0% to 150% in accordance with achievement of consolidated operating income, etc. for the final fiscal year of the Medium Term Management Plan to be resolved per each three fiscal years with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of medium- and long-term performance.
Subscription rights to shares granted as stock-related compensation	Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of long-term performance, within the range not exceeding 5% of the share dilution ratio.

b) The compensation system for non- executive directors consists only of “fixed monthly 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 consists of the representative directors as well as external directors

and external experts who comprise a majority, and discusses the establishment of executive compensation policies, consideration of the compensation system, and specific calculation method. Based on the results of the discussions, compensation for directors other than those who are Audit and Supervisory Committee members is determined by a resolution of the Board of Directors, and compensation for directors who are Audit and Supervisory Committee members is determined by consultation among directors on the Audit and Supervisory Committee.

■ Compensation**Total Compensation Amount**

Category	Monthly compensation (yearly amount)		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)
Directors other than those who are Audit and Supervisory committee members (of which External directors)	11 (1)	247 (11)	9 (—)	94 (—)	5 (—)	132 (—)	11 (1)	473 (11)
Directors who are Audit and Supervisory committee members (of which External directors)	6 (3)	83 (32)	—	—	—	—	6 (3)	83 (32)
Total	17	330	9	94	5	132	17	556

* The above number of Directors other than those who are Audit and Supervisory Committee Members includes five Directors other than those who are Audit and Supervisory Committee Members (none of whom are External Directors) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017.

* 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 is External Director) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017.

* 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	Category	Total amount of compensation on a consolidated basis	Amount of compensation by type on a consolidated basis		
			Monthly compensation (yearly amount)	Subscription rights to shares granted as stock-related compensation	Bonuses
Kazuo Ushida	Director	137	66	27	44
Masashi Oka	Director	121	55	24	42

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

Internal Control System

Basic Policy on Internal Control System

The Nikon Group's basic policy on its internal control system was established based on Japan's Companies Act and its Ordinance for Enforcement (enacted May 2006) as a structure for ensuring appropriate business operations.

▶ [Basic Policy on Internal Control System](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 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.

Risk Management

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

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 Senior Executive Vice President of Nikon and made up of Executive Committee members, with the Administration Department serving as secretariat. For the year ended March 31, 2018, the committee was held in August 2017 and in February 2018.

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

Main Activity Themes of Risk Management Committee in the year ended March 31, 2018

- Report of results of disaster risk survey at the plants, etc.
- Report of results of survey on litigation
- Information security
- Report on the company-wide risk identification survey for the year ended March 31, 2018

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 year ended March 31, 2018, the Nikon Group conducted a survey targeting managerial staff at the general manager level and above as well as presidents of Group companies around the world. After tabulation and adjusting survey responses, a risk assessment was conducted from a company-wide perspective to identify, analyze and evaluate risks. Next, a risk map indicating the impacts and probability of each risk was prepared based on the results of the assessment to compare the

risk awareness of executive officers.

This risk map is continuously updated and reported to the Risk Management Committee to shed light on changes taking place year to year.

In addition, we have provided training to Group companies outside Japan on competition laws to address the risk of potential anti-trust violations outside of Japan. This training has proved to be effective in limiting this risk and also raising awareness about crisis management.

Related Information

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

▶ [Financial Results \(Year Ended March 31, 2018, P9 to 12\)](https://www.nikon.com/about/ir/ir_library/result/pdf/2018/18_4qf_c_e.pdf)
https://www.nikon.com/about/ir/ir_library/result/pdf/2018/18_4qf_c_e.pdf

BCM*1 Activities Measures

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

In the year ended March 31, 2018, Nikon carried out a number of initiatives in preparation for a major earthquake striking Japan. One of these initiatives was initial response training at the time of disasters provided to members of the Emergency Management Headquarters. This training used a scenario where mobile telephones, emails and other forms of communication are cut off. The training involved communications during an emergency using a mobile application that is not as easily affected by communication systems as voice communication. Furthermore, Nikon reconsidered its stockpiling criteria and reexamined some of the items for emergency supply. For supplies approaching their expiry date, we made efforts to use them effectively without the need for disposal, such as passing them out for employees or donating them to non-profit organizations.

*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.



Items for emergency supply

Risk Management for Information Assets

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

Information Assets Management Policy

We have established the “Nikon Group Information Security Policy”. Group companies in Japan have applied the “Nikon Group Information Management Rules” according to it. Group companies outside Japan have also established their own rules complying with the policy and they are implementing concrete measures.

▶ [The 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

We 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.

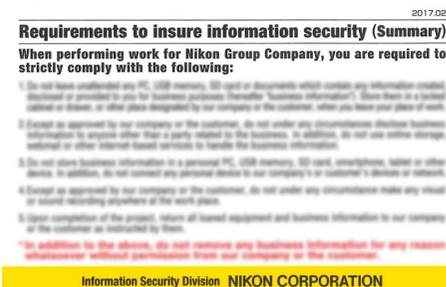
Specifically, we have assigned the heads of each organization at the department and division level of Nikon, and at each Group company as the supervisor of information management. They should strive for comprehensive and appropriate information management based on the guidance of Information Security Division.

In the year ending March 31, 2019, 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.

Information Management of Contractors

We are aware that our indifference to the contractor’s information management regarding disclosed our information will lead to serious information security risks. Therefore, in the year ended March 31, 2018, we distributed around 1,100 handy cards requesting for ensuring information security to the related contractor’s workers to some 100 contractors working on behalf of the Nikon Group.

In the year ending March 31, 2019, as a new measure we will publish Information Security Report (a pamphlet for contractors). We will strive to improve information management at contractors through the handy card and this pamphlet.



The handy card

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■ Protection of Personal Information

Amid growing social awareness of personal information, the revision of Japanese privacy law, Act on the Protection of Personal Information was enforced in Japan in May 2017 and the EU General Data Protection Regulation (GDPR) was enforced in May 2018. In this manner, a number of related laws and regulations are being established and revised in countries around the world.

Given this, we amended the “Nikon Group Privacy Protection Statement” on April 1, 2018 in order to comply with the laws and regulations on personal information in each country. Furthermore, we newly established the “Nikon Group Personal Data Processing Rules” as common rules throughout the Nikon Group.

We handle personal information in a lawful and proper manner in compliance with relevant laws and regulations on personal information as well as the aforementioned statement and rules.

■ Information Security Education

We provide education programs on information security to promote awareness and effectiveness among employees. 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 employees understands the importance of information asset management and complies with the rules with strong awareness.

In the year ended March 31, 2018, we provided e-Learning around the theme of “precautions about the Internet use” 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 2018

■ Information Security Check

We periodically conduct internal checks to improve information security level.

In the year ended March 31, 2018, we distributed a checklist to all departments (approximately 130) as part of a check on the management of confidential information and the status of information management at contractors. In addition, we conducted checks of 6 departments in Nikon and 2 Group companies in Japan on the important themes of the possibility of retaining special care-required personal information and changes in individual numbers as nicknamed My Number (like Social Security Number) related operations.

We plan to conduct checks focusing on personal information management, etc. in the year ending March 31, 2019.

Additionally, we carried out self-risk assessments of some Group companies outside Japan.

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 inside and 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

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 year ended March 31, 2018, 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 so that employees of the Nikon Group in Japan can gather information about other countries on a regular basis.

Furthermore, guidance by external specialists highly knowledgeable in each region was provided to employees assigned to regions determined to have a particularly high risk level based on the results of the risk survey.

Efforts for 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, Nikon not only complies with laws and regulations but is also continuously conscious of fulfilling its social responsibilities as well as conducting rigorous control of EXPORT*.

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

■ Security 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 Group companies in Japan as CECO (Chief Export Control Officer), and technical experts entrusted with duties internally 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 approval by the Minister of Economy, Trade and Industry is necessary, following the necessary internal procedures for EXPORT.

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

■ Utilization of AEO Program*

In 2007, Nikon was certified as an AEO exporter under the Authorized Economic Operator (AEO) Program. 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 year ended March 31, 2018, we held training sessions (29 times with a total of 362 participants) for Nikon Group employees in Japan.

Additionally, we conducted export control audits of 11 Nikon departments and 15 Group companies in Japan and overseas.

We have endeavored to maintain and improve our export control system, including establishing transactional guidelines for Group companies outside Japan along with further clarifying transaction screening standards based on changes in the business climate.

Intellectual Property Management

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

Intellectual Property Policy

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

Item	Results from 2017
Number of Japanese published patent applications	728
Number of United States patent registrations	224

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 system

Nikon initiated a series of legal actions on April 24, 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.

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

Corporate Citizenship Activities

As a good corporate citizen, the Nikon Group aims to face society and communities with sincerity and engage in community citizenship activities to grow together and develop sustainably.

Nikon Community Contribution Activities Policy

The Nikon Group has made the priority CSR issues of 'Contributing to Society through Business Activities' and 'Corporate Citizenship Activities' as its contributions to society and revised the Nikon Community Contribution Activities Policy in May 2018.

Based on this policy, the Nikon Group shares its aim with all business facilities and Group companies and engages in community citizenship activities in each area.

Nikon's Community Contribution



Nikon Community Contribution Activities Policy

Revised on May 29, 2018

The Nikon Group aims to contribute to society through its businesses by providing products and services of genuine quality, challenging innovation, and helping solve social issues through such things as optical technologies, and set this as its basic management policy. With the strong desire to be a good corporate citizen, Nikon will carry out corporate citizen activities based on the following policy in order to build good relationships as a member of society, and of the community, contributing to sustainable development.

1. We will set Environment, Education, Art and Science, and Health as priority areas for global activities, while taking into consideration the societal needs of each country and region.
2. We will effectively utilize resources such as the technologies and know-how that Nikon possesses.
3. We will place importance on partnerships with organizations (NGOs and NPOs, international organizations, governments, etc.) that strive to tackle the issues of society and the community to enhance the positive impact of our activities.
4. We will value active participation of our employees, and devise ways to create opportunities and activities which are easy for employees to engage in.

Community Contribution Activity Promotion System

The Nikon Group has introduced and developed a self-check tool which is used before the start of any corporate citizenship activity with the aim of promoting activities in line with the Community Contribution Activities Policy. In the year ending March 31, 2018, Nikon set a self-check implementation target of 90% and communicated this to all of its businesses and Group companies.

As a result, the self-check implementation rate reached 91.8%.

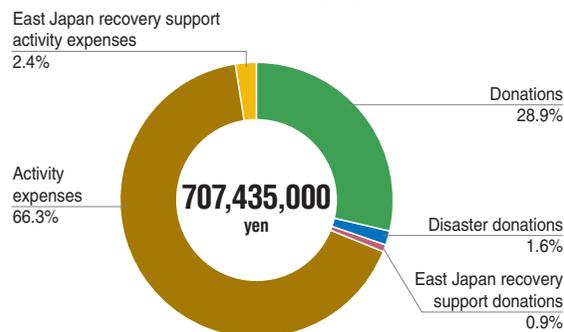
As a good corporate citizen Nikon reviewed the Community Contribution Activities Policy in May 2018 so that it could implement corporate citizenship activities that lead to the sustainable development of society and the community.

Every year Nikon conducts surveys on its community contribution activities in relation to the Nikon Group and its business units inside and outside Japan. Nikon is working on promoting activities in line with the policy while monitoring progress and feedback on activities in line with the policies of the entire group.

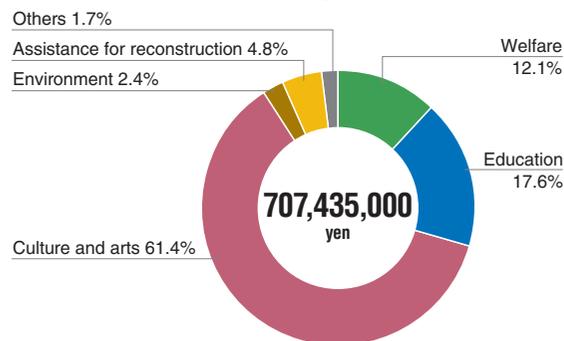
Looking to the future, the Nikon Group will work as a whole on corporate citizenship activities and aim for sustainable development.

> Community Contribution Activities

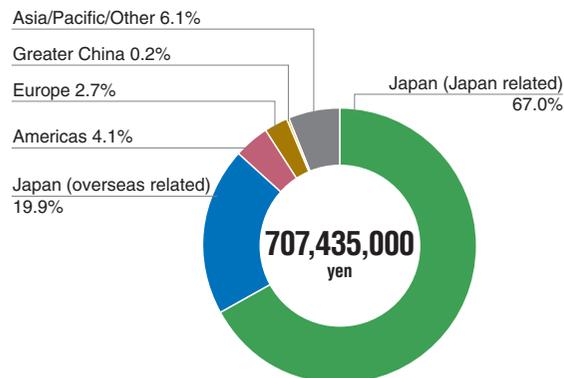
Breakdown of Community Contribution Expenses (Year Ended March 31, 2018) by Type



Breakdown of Community Contribution Expenses (Year Ended March 31, 2018) by Field



Breakdown of Community Contribution Expenses (Year Ended March 31, 2018) by Region



Support for Employee Participation in Corporate Citizenship Activities

The Nikon Group is working to improve the environment surrounding employee participation in corporate citizen activities and is striving to create opportunities for employees to participate in such activities. More specifically, the Nikon Group has set up a volunteer leave system, a regular volunteer information service, and supports participation in donation programs such as charity events, etc. In the year ended March 31, 2018 Nikon set itself the target of increasing the ratio of participation in community contribution activities to more than the average of the past three years. The result was that Nikon increased the ratio of participation in community contribution activities by 2.3% more than the average of the preceding three years.

Major Initiatives

- Providing information on volunteer activities conducted in cooperation with the Japan NGO Center for International Cooperation (JANIC)
- WFP Walk the World participation support
- Provision of a Table for Two meals in employee cafeterias
- Internal pro bono (volunteer activities which make use of a person's work skills and knowledge) briefing sessions

Number of Employees Participating in Community Contribution Activities

Results for the year ended March 31, 2018 (total participants)	3,591 people
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Number of Employees Participating in Activities Supporting Recovery from the Great East Japan Earthquake

Results for the year ended March 31, 2018 (total participants)	20 people
Total participants, all time	705 people

Volunteer Leave System

Nikon provides volunteer leave to employees who wish to engage in volunteer activities such as social welfare activities in nursing facilities, international cooperation activities and recovery activities in disaster areas. Furthermore, in the year ended March 31, 2012, the Nikon Group in Japan established the Rules for Activities Supporting Recovery from the Great East Japan Earthquake. Based on these rules Nikon supports employees who volunteer in earthquake recovery activities through assistance with such things as special leave and payment of travel expenses. In the year ended March 31, 2018, a total of 7 Nikon Group employees in Japan received company assistance (370 people in total over past years).

Pro Bono Initiatives

With the cooperation of the NPO, Service Grant Japan, Inc., Nikon has created an environment which has enabled employees to participate in pro bono activities since the year ended March 31, 2017. As part of the initiative, Nikon held four pro bono briefing sessions from March to June 2017 in which 13 employees from the Nikon Group in Japan participated. As a result, five employees who participated in the briefing sessions registered to participate in a pro bono project run by Service Grant.

Column

Promoting Employee Participation with the Aim of Achieving SDGs

Achieving SDGs with Nikon Group employees

In September 2015, the United Nations based in New York adopted the Sustainable Development Goals (SDGs), consisting of 17 goals and 169 targets. This is an effort concerning each and every person of the world from developed and developing countries. SDGs are also expected to play an active role in the corporate sector towards the creation of a sustainable society with the phrase "No one will be left behind". And within the Nikon Group too, which conducts business on a global scale, we are required to contribute to the achievement of SDGs by working toward resolving social issues that address the expectations of society.

The Nikon Group believes that as a first step towards achieving these sustainable development goals each and every employee should recognize and understand the SDGs and carry out actions they are familiar with. As part of these activities, Nikon participates in the Red Cup Campaign* conducted by the UN World Food Program (WFP) and in September 2017 Nikon started the Nikon Red Cup Campaign Matching Program.

The program calculates support funds from the sales figures of the following three matching programs and the number of participants and donates these funds to the United Nations WFP.

1. SDGs Action Matching

Nikon donates a certain amount of money based on the number of employees who carry out a designated action.

Action 1: Create a group where employees take action together and the whole group understands 1, 2, 3 and 13 of the sustainable development goals

Action 2: Decide actions related to SDG 1, 2, 3 and 13, and take entry photos

Action 3: Perform the action decided by the group and tell what the photograph shows

2. Nikon Volunteer Matching

Nikon donates a certain amount of money based on the number of employees who participate in Nikon Group volunteer activities.

3. Nikon Yokan Matching

Nikon donates a certain amount of money based on sales of its yokan, a type of sweet made from jellied adzuki bean paste.

The Nikon Group will continue to promote efforts and create an environment for employees to understand SDGs and put them into action. And, as employees' actions towards SDGs are actualized we understand more about worldwide social issues and demands from society and hope that this awareness will be utilized in our business activities.



A group which takes action to reduce CO₂ emissions by riding shared bicycles to work



A group which takes part in charity runs for refugees

* Red Cup Campaign

A campaign which the United Nations WFP is implementing to further its support for school lunch programs. By donating to the UN's WFP school meals are provided to children in developing countries.

Environment

Recognizing that the need to resolve environmental problems is a pressing issue that is shared by all countries throughout the world, the Nikon Group provides support for environmental conservation activities undertaken by NPOs and NGOs, and implements activities aimed at spreading environmental awareness among the next generation.

▶ [Community Contribution Activities in the Environmental Field \(P68\)](#)

Major Initiatives

- Supporting the AKAYA Project, which aims to restore biodiversity
- Supporting the Children's Forest Program to raise environmental awareness among children in Thailand
- Providing educational tools for environmental education



The AKAYA Project is working to restore biodiversity in the Akaya Forest (Gunma Prefecture)

[> Community Contribution Activities](#)

Education

The Nikon Group is actively involved in educating the next generation and supporting academic research.

■ Nikon Scholarship Program in Thailand

Since 2007, the Nikon Group has operated the Nikon Shanti Scholarship Program in Thailand, home to Nikon (Thailand) Co., Ltd., a key digital camera production base. Through this program the Nikon Group is working together with the Japanese NGO Shanti Volunteer Association and Thailand's Sikkha Asia Foundation, to provide funds to support the education of junior and senior high school students and university students from economically disadvantaged households.

In the year ended March 31, 2018, scholarship money was provided to 150 junior and senior high school students as well as 25 university students. In the 11 years the scholarship has been in operation, funds have been given to a total of 1,893 students.

In addition, based on a desire to encourage children in their daily lives and studies through photography, since 2013 the Nikon Group has provided new scholarship students each year with framed photos of their family, friends, and other loved ones.



Conferral ceremony in Bangkok (June 2017)

■ Nikon Scholarship Program in Laos

The Nikon Group established Nikon Lao Co., Ltd. as a production base for digital cameras in Laos in 2013. With this in mind the Nikon Group launched two scholarship programs in the country in May 2014, the Nikon-EDF Japan Scholarship and the Nikon-JICA Scholarship. In cooperation with EDF Japan, the Nikon-EDF Japan Scholarship supports the education of junior high school students from economically disadvantaged homes in Savannakhet Province where Nikon Lao Co., Ltd. is located.

The Nikon-JICA Scholarship, operated in cooperation with the Japan International Cooperation Agency (JICA), provides funds to students at Savannakhet University, aiding the cultivation of talented individuals who will support Laos' future.

Operated for the fourth year in the year ended March 31, 2018, the scholarships have provided funds to 40 university students and school supplies (including uniforms, teaching materials, and backpacks) to 100 junior high school students.

In addition, working in cooperation with EDF Japan, the Nikon Group aims to deliver educational support tools (books, school supplies, and sporting goods) to all junior high schools in Savannakhet Province. In the year ended March 31, 2018, educational support materials were delivered to 76 schools in the province.

The Nikon Group will continue to contribute to the development of the regional economy of Laos through its business activities as well as continue to provide educational support for local children.



Donation of Educational Tools to Schools with Scholarship Students (October 2017)

[>Community Contribution Activities](#)

Art and Science

The Nikon Group engages in activities to support art and science with the aim of realizing a prosperous society.

■ Nikon Photo Contest

The Nikon Photo Contest is an international photo contest sponsored by Nikon which has been held every other year since 1969. The contest is based upon a vision of cultivating aspiring communities that support photographers who convey important stories through the international language of images and influence the way people think. To date, some 410 thousand people have applied to the contest, with over 1.62 million entries being received.

The 2016-2017 contest was dedicated to the themes of Celebration and Future. More than 76,000 applications were received from 170 countries and territories around the world, the largest number of applicants to date. The winners of the Contest were as follows: 'Greeting to the Sun' was awarded the Nikon 100th Anniversary Prize, '休' (Break Time) was awarded the Grand Prize, and 'Disappearing Fishing Method by Moken' won the Award for the Most Popular Entry.



Nikon 100th Anniversary Prize:
Greeting to the Sun



Grand Prize: 休 (Break Time)



Award for the Most Popular Entry:
Disappearing fishing method by Moken

Health

The Nikon Group provides a variety of assistance in order to contribute to improvements in health among local communities.

■ Project F.L.A.S.H.

Since the year ended March 31, 2012, the three US companies of Nikon Inc., Nikon Instruments Inc., and Nikon Americas Inc. have continuously worked to implement Project F.L.A.S.H., which supports children and the families of children fighting serious illnesses. Activities are carried out in partnership with the local Long Island, New York organizations of the Ronald McDonald House and Sunrise Day Camp.

The activities conducted with Sunrise Day Camp are held at a local campground to support child cancer patients. Project F.L.A.S.H. does volunteer activities such as cleanup sessions aimed at providing the children with a comfortable camping event.

Ronald McDonald House operates facilities where families can stay close to the hospitals where their sick children are being treated. Project F.L.A.S.H. engages in volunteer activities such as taking and providing family photographs and making evening meals.

In the year ended March 31, 2018, 94 employees participated in Project F.L.A.S.H. activities.

> [Community Contribution Activities](#)



Volunteers preparing meals

■ **Supporting the Japan Association for the World Food Programme**

The Nikon Group supports the activities of the United Nations WFP from the desire to aid children in the world suffering from hunger and poverty by providing an adequate supply of nutritious meals.

Since 2013, the Nikon Group in Japan has participated in WFP Walk the World, a charity walk event hosted by the United Nations World Food Programme. A portion of the participation expenses are donated to school lunch programs. 230 Nikon Group employees in Japan and their families participated in the May 2018 event. Nikon started the Nikon Red Cup Campaign Matching Program in September 2017. (For more information about this program please see the Column section.) The Nikon Group, along with its employees, support activities to aid the health of local communities through its support of the United Nations WFP.

Number of Employees Participating in the WFP Walk the World Event

(Unit: persons)

Year held	Number of participants
2015	59
2016	87
2017	125
2018	230



Group photo before the start of the charity walk (May 2018)

[>Community Contribution Activities](#)

Assistance for Reconstruction

As a corporate citizen the Nikon Group provides emergency aid for large scale natural disasters and continues to support reconstruction activities for the Great East Japan Earthquake.

In the year ended March 31, 2018, Nikon donated relief money to areas which were affected by natural disasters, including the Texas floods caused by Hurricane Harvey, the 2017 Central Mexican Earthquake, and Hurricane Irma.

■ Photo Book Project for Junior High School Students

The Photo Book Project for Junior High School Students is an activity conducted by Nikon which provides junior high school students in disaster stricken areas with an opportunity to experience photography. It is hoped that through the creative activity of conveying thoughts via photography, each student will be able to share what they are feeling with their friends, family, and the people of the community and in turn demonstrate their strength. In the year ended March 31, 2018, 1,291 junior high school students affiliated with 25 schools and 1 board of education in Iwate, Miyagi, and Fukushima participated.

Participants (junior high school students) working

Working with help from the teachers, students independently create a photo book over a period of a year

Nikon Activities

- Donation of compact digital cameras to project schools
- Camera classes by employee and photo classes by professional photographers
- SLR camera lending
- Supporting exhibitions of the created works
- Photo book printing and donation of books to all participants



Junior high school students in a photography class by a professional photographer (September 2017)

■ Nikon Junior High School Photo Book Project Exhibition - 100 Thoughts

The junior high school photo book project exhibition '100 Thoughts' was held at the Shiogama Photo Festival from March 7 - 18, 2018.

In this exhibition students from schools participating in the photo book project displayed photos they had taken on the subject of "People and things that are important to me" at the Fureai ESP Shiogama Community Center in Shiogama City, Miyagi Prefecture. Nikon also held a 2-day workshop for 20 students from Shiogama Municipal Tamagawa Junior High School with photographer Mr. Itaru Hirama.

■ Participation in the Coastal Forest Restoration Project

Since 2012, Nikon has supported Natori, Miyagi's Coastal Forest Restoration Project. A 10 year project conducted by OISCA Japan and the Association for Coastal Forest Restoration in Natori City, the project aims to restore coastal black pine tree forests lost to tsunami. In addition to annual donations, Nikon supports the project through employee participation in volunteer activities.

In the year ended March 31, 2018, 14 employees participated in volunteer activities.



Black pine trees planted in 2013

■ Hosting the Tohoku Reconstruction Support Market

Since the year ended March 31, 2015, Nikon has held the Tohoku Reconstruction Support Market annually, an event which supports the reconstruction of Tohoku in which employees can participate without having to travel to the region. In the year ended March 31, 2018, the common space of the building in which the Nikon head office is located was used as the venue, and the event was co-sponsored by four companies located in the building. The governments of Iwate, Miyagi, and Fukushima Prefectures opened shops selling local specialties, and a great number of employees can buy Tohoku goods.



The market area (February 2018)

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Data Index Responding to Environmental Issues

Nikon Group's Main Environmental Impacts

INPUT		'17/3			'18/3			Unit
		Nikon	Group companies in Japan (I, II)	Group companies outside Japan (III)	Nikon	Group companies in Japan (I, II)	Group companies outside Japan (III)	
Energy etc.★	Electricity	161,228	87,621	113,164	156,295	94,807	107,077	MWh
	City gas	5,128	1,045	—	4,037	1,003	0	thousand Nm ³
	Liquefied petroleum gas (LPG)	493	2,023	178	464	2,174	208	t
	Liquefied natural gas (LNG)	—	—	—	0	0	12	t
	Other fuels ^{*1}	8	870	15	8	804	15	kL
	Hot/Cold water	8,165	0	—	7,944	0	0	thousand MJ
Water★	Water	1,846	900	1,075	1,774	1,184	978	thousand m ³
PRTR substances ^{*2}	Volume handled	21	45	—	—	72	—	t

OUTPUT		'17/3			'18/3			Unit
		Nikon	Group companies in Japan (I, II)	Group companies outside Japan (III)	Nikon	Group companies in Japan (I, II)	Group companies outside Japan (III)	
CO ₂ emissions★	Electricity	80,614	45,283	65,103	75,960	45,286	60,013	t-CO ₂
	City gas	11,509	2,346	—	9,060	2,251	0	t-CO ₂
	Liquefied petroleum gas (LPG)	1,479	6,066	535	1,390	6,520	624	t-CO ₂
	Liquefied natural gas (LNG)	—	—	—	0	0	31	t-CO ₂
	Other fuels	22	2,332	41	21	2,157	39	t-CO ₂
	Hot/Cold water	465	0	—	453	0	0	t-CO ₂
Water★	Water	1,456	728	847	1,375	1,051	725	thousand m ³
PRTR substances ^{*2}	Emissions	18	29	—	—	53	—	t
Wastes etc.	Amount released★	3,271	3,095	2,627	2,639	3,720	2,515	t
	Amount of landfill disposal	2	2	—	2	1	—	t

*1 Calculated as crude oil equivalent.

*2 Group companies in Japan refers to Group manufacturing companies in Japan.

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CO₂ Emissions List Breakdown by Scope and Category

(Unit: t-CO₂)

Scope/Category	Boundary		CO ₂ Emissions		
			'16/3	'17/3	'18/3
Scope 1★	Nikon Group companies in Japan Group manufacturing companies outside Japan	CO ₂ consumption from energy consumption	24,210	24,346	22,092
	Nikon Group companies in Japan	CO ₂ consumption from non-energy consumption	—	—	6,894
Scope 2★	Nikon Group companies in Japan Group manufacturing companies outside Japan	Market-based criteria	191,865	191,465	181,712
		Location-based criteria	—	—	189,030
Scope 3 (individual categories within Scope 3 listed below)					
1. Purchased goods and services	Imaging Products Business and Precision Equipment Business		806,989	1,329,197	979,346
2. Capital goods	The entire Nikon Group		100,276	92,055	97,598
3. Fuel- and energy-related activities not included in Scope 1 and 2	Nikon Group companies in Japan Group manufacturing companies outside Japan		17,344	17,468	16,964
4. Upstream transportation and distribution	The entire Nikon Group		93,220	82,003	50,065
5. Waste generated in operations	Nikon (excluding the headquarters) Group companies in Japan Group manufacturing companies outside Japan		3,182	2,905	2,267
6. Business travel	Nikon		6,115	6,067	6,208
7. Employee commuting	Nikon		5,171	3,206	2,354
8. Upstream leased assets (included in Scope 2)	Calculation included in Scope 2		—	—	—
9. Downstream transportation and distribution	Excluded (because the amount is very small)		—	—	—
10. Processing of sold products (excluded)	Excluded (because the amount is very small)		—	—	—
11. Use of sold products★	Imaging Products Business and Precision Equipment Business		110,761	302,484	228,378
12. End-of-life treatment of sold products	Imaging Products Business and Precision Equipment Business		6,797	5,129	4,223
13. Leased assets (downstream) (excluded)	Excluded (because the amount is very small)		—	—	—
14. Franchises (out of scope)	Out of scope		—	—	—
15. Investments (out of scope)	Out of scope		—	—	—

*Scope 2

For the calculation of CO₂ emissions according to market-based criteria, the CO₂ conversion factors given in the note to "CO₂ Emissions from Energy Consumption by Nikon Group" on P118 were used. In contrast, for the calculation of CO₂ emissions according to location-based criteria, only CO₂ conversion factors for domestically used electricity have been changed to the average value of power companies in Japan (alternative to List of Conversion Factors by Power Company submitted for 2018 under the Act on Promotion of Global Warming Countermeasures), and in all other cases the same CO₂ conversion factors as market-based criteria are used.

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CO₂ Emissions from Energy Consumption by Nikon Group

	'14/3	'15/3	'16/3	'17/3	'18/3★	Unit
Nikon Group in Japan	161	159	155	150	143	thousand t-CO ₂
Group manufacturing companies outside Japan	74	77	72	66	61	thousand t-CO ₂
Emissions per unit of sales	0.24	0.27	0.27	0.29	0.28	t-CO ₂ /million yen

* The following values were used for CO₂ conversion factors.

Electric power

In Japan: The CO₂ conversion factors without adjustment for each electric power utility noted in the "List of Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures.

Outside Japan: International Energy Agency (IEA) factors. The FY2015 IEA factors were used for the year ended March 31, 2017 and 2018; the Thailand factors were used for Laos.

City gas

The gas company eigenvalues noted in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act) were multiplied by the values given in Appended Table 2 of the "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures, and by 44/12.

Heat and other fuels

The values noted in the "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures.

* The above factors were also used for the calculation of CO₂ emissions according to market-based criteria for Scope 1 and Scope 2 on P52

* Please note that the CO₂ emissions reduction effect associated with the Green Heat Certificates referred to on P54 has not been deducted from the figures used in the above graph.

Energy Consumption by Nikon Group

	'14/3	'15/3	'16/3	'17/3	'18/3★	Unit
Nikon Group in Japan	2,948	2,892	2,940	2,876	2,851	TJ
Group manufacturing companies outside Japan	1,194	1,273	1,241	1,138	1,079	TJ
Emissions per unit of sales	4.22	4.86	4.97	5.36	5.48	GJ / million yen

* The following values were used for calorific-value conversion factors.

Electric power: The values given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).

City gas: The gas company eigenvalues noted in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).

Heat and other fuels: The values given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).

CO₂ Reduction Effect from Use of Natural Energy by Nikon Group in Japan

	'14/3	'15/3	'16/3	'17/3	'18/3	Unit
Solar Power	77.8	70.3	76.7	72.8	73.0	t-CO ₂
Renewable Energy Certificate	24.4	27.3	22.6	18.7	0.0	t-CO ₂
Renewable Heat Certificate	0.0	0.0	0.0	0.0	124.1	t-CO ₂

* The CO₂ emissions reduction effect from the use of solar power generation systems is calculated according to the Japan Photovoltaic Energy Association (JPEA) guidelines. The calculation of the CO₂ conversion factor used is like this: the manufacturing of solar cells (which varies depending on the type of solar cell being manufactured) is deducted from the average value for electric power utilities in Japan (the substitute value for the "List of Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures).

* The CO₂ emissions conversion factors for Green Power Certificates and Green Heat Certificates were determined by referencing the "Rules for the Management of Green Energy CO₂ Emissions Reduction Equivalent Certification Systems."

CO₂ Emissions from Distribution in Japan, International Shipment and Distribution Outside Japan

	'14/3	'15/3	'16/3	'17/3	'18/3	Unit
CO ₂ emissions in distribution	142	102	91	82	50	thousand t-CO ₂
CO ₂ per ton-kilometer	0.59	0.56	0.53	0.50	0.35	kg

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	'14/3	'15/3	'16/3	'17/3	'18/3	Unit
Units sold	8	13	21	10	13	Units
Percentage of total units sold	20.0	32.5	60.0	29.4	43.3	%
Cumulative total	314	327	348	358	371	Units

Amount of Waste etc. (Waste plus Resources with Economic Value) Generated by Nikon and Group Companies in Japan

(Unit: tons)

	'14/3	'15/3	'16/3	'17/3	'18/3★
Waste	3,796	4,724	5,145	4,992	5,149
Resources with economic value	1,696	1,522	1,520	1,374	1,210
Total	5,492	6,246	6,665	6,366	6,360

* Data include special disposal.

* Boundaries have been expanded since the year ended March 2017.

Water Use by Nikon Group(Unit: thousand m³)

	'14/3	'15/3	'16/3	'17/3	'18/3★
Nikon Group in Japan	2,819	2,488	2,769	2,746	2,958
Group manufacturing companies outside Japan	—	1,213	1,098	1,075	978
Total	—	3,700	3,867	3,820	3,936

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(Unit: companies [cumulative total])

	'14/3	'15/3	'16/3	'17/3	'18/3
Environmental Partner Certification	172	258	347	407	450

Environmental Management System Auditors

(Unit: persons)

	'14/3	'15/3	'16/3	'17/3	'18/3
In Japan	100	91	116	111	107
Outside Japan	14	19	22	19	11
Total	114	110	138	130	118

PRTR Survey Results for Nikon and Group Manufacturing Companies in Japan

(Unit: tons)

		'13/3	'14/3	'15/3	'16/3	'17/3	'18/3
Amount released	Air	70	63	56	64	47	35
	Public water	0	0	0	0	0	0
	Amount in on-site landfill	0	0	0	0	0	0
	Soil	0	0	0	0	0	0
Amount transferred	Sewage	0	0	0	0	0	0
	Waste	21	19	20	10	18	19

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Data Index **Strengthening CSR Foundation**

Procurement Partner Survey on CSR

	'16/3	'17/3	'18/3	Unit
Participation in briefings	897	690	671*	Companies
CSR survey implementation	207	214	209	Companies
Response rate	100	100	100	%
CSR audit implementation	3	3	3	Companies
Improvement plan requests	13	13	13	Companies

* Including e-learning for procurement partners.

Reasonable Country of Origin Inquiry (as of May 31, 2018)

	2013	2014	2015	2016	2017	Unit
Target	348	1,015	1,027	740	771	Companies
Response rate	90.5	99.9	100	99	85.7	%
RMI-compliant smelter	58	129	227	257	252	
RMI-acknowledged smelter	132	92	89	103	139	

* The Conflict Free Sourcing Initiative (CFSI) changed its name to the Responsible Minerals Initiative (RMI).

Employee Composition

(Unit: persons)

	'14/3	'15/3	'16/3	'17/3	'18/3
Total	23,859	25,415	25,729	25,031	21,029
Nikon	5,684	5,672	5,564	5,090	4,444
Japan (including Nikon)	10,168	10,035	9,870	9,835	8,725
Europe	1,695	1,626	2,011	2,040	2,017
Americas	1,273	1,198	1,103	1,010	989
Asia/Oceania	10,723	12,556	12,745	12,146	9,298

* Consolidated figures include permanent employees and non-regular staff of the Nikon Group and executive officers of Group companies. For regional figures, employees of Nikon who are temporarily assigned to Group companies are included in the region to which they are assigned. Employees of Nikon Metrology NV and its subsidiaries are included in the figures for Europe.

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(Unit: persons)

		'18/3	Total
Nikon	Men	95	124
	Women	29	
Group companies in Japan	Men	65	86
	Women	21	
Group companies in Europe	Men	172	265
	Women	93	
Group companies in the Americas	Men	50	91
	Women	41	
Group companies in Asia/Oceania	Men	124	621
	Women	497	

* Permanent employees and non-regular staff of the Nikon Group (consolidated).

* Group companies in Asia and Oceania excludes Nikon Imaging (China) Co., Ltd.

Average Age

(Unit: years old)

		'14/3	'15/3	'16/3	'17/3	'18/3
Men	Nikon	44.7	44.3	45.5	45.9	45.2
	Group companies in Japan	42.4	42.9	43.4	42.4	43.8
	Group companies in Europe					44.4
	Group companies in the Americas	37.2	37.4	38.8	39.0	47.5
	Group companies in Asia/Oceania					36.2
Women	Nikon	39.3	39.0	40.2	40.7	40.4
	Group companies in Japan	43.2	44.0	44.2	44.3	44.5
	Group companies in Europe					41.8
	Group companies in the Americas	32.6	32.0	32.6	33.9	46.0
	Group companies in Asia/Oceania					34.3

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

Average Years of Service

(Unit: years)

		'14/3	'15/3	'16/3	'17/3	'18/3
Men	Nikon	20.1	20.3	20.5	20.8	19.7
	Group companies in Japan	15.5	15.9	16.4	16.0	16.4
	Group companies in Europe					9.2
	Group companies in the Americas	8.4	8.9	9.1	9.5	13.6
	Asia/Oceania Group companies					10.4
Women	Nikon	14.8	15.1	15.5	15.9	14.9
	Group companies in Japan	16.9	17.3	18.1	17.2	17.7
	Group companies in Europe					7.8
	Group companies in the Americas	7.1	6.9	7.7	8.7	11.5
	Asia/Oceania Group companies					10.3

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

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(Unit: persons)

		'14/3		'15/3		'16/3		'17/3		'18/3	
		Retirees	Others								
Men	Nikon	28	102	37	142	41	205	32	908	3	147
	Group companies in Japan	38	61	47	93	66	107	31	269	4	93
	Group companies in Europe	11	221	26	304	14	320	39	465	5	165
	Group companies in the Americas									3	68
	Group companies in Asia/Oceania									8	184
Women	Nikon	2	9	3	18	1	20	1	82	0	24
	Group companies in Japan	8	20	10	25	8	34	4	90	0	13
	Group companies in Europe	13	131	14	192	13	220	5	261	5	98
	Group companies in the Americas									2	33
	Group companies in Asia/Oceania									7	703

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Includes Nikon employees who are temporarily dispatched to affiliated companies.

* The period from the year ended March 31, 2014 to the year ended March 31, 2017 excludes Nikon (Thailand) Co., Ltd., Nikon Lao Co., Ltd., Nikon Imaging (China) Co., Ltd., Hikari Glass (Changzhou) Optics Co., Ltd. The year ended March 31, 2018 excludes Nikon Imaging (China) Co., Ltd. only.

* The year ended March 31, 2017 includes 1,087 employees who accepted voluntary retirement.

Ratio of Female Employees

(Unit: %)

	'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	10.0	10.3	10.6	11.0	11.5
Group companies in Japan	16.6	16.5	15.9	16.8	15.5
Group companies in Europe	62.6	66.8	66.6	65.5	24.2
Group companies in the Americas					29.2
Group companies in Asia/Oceania					72.5

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Those assigned to affiliates are counted as employees of the affiliates.

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(Unit: %)

	'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	3.6	4.1	4.7	5.7	5.8
Group companies in Japan	2.1	2.2	2.4	3.7	2.5
Group companies in Europe					21.6
Group companies in the Americas	25.2	25.0	28.0	26.5	31.4
Group companies in Asia/Oceania					29.8

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Those assigned to affiliates are counted as employees of the affiliates.

* Managers includes those who have yet to assume their assignment.

Ratio of Female Employees and Ratio of Female Managers at the Nikon Group

(Unit: %)

	'18/3
Female employees	40.5
Female managers	13.1

* Permanent employees and non-regular staff of the Nikon Group (consolidated). Those assigned to affiliates are counted as employees of the affiliates.

* Managers includes those who have yet to assume their assignment.

Employment of People with Disabilities under Group Certification

(Unit: %)

2013	2014	2015	2016	2017
2.16	2.32	2.29	2.27	2.37

* The rates are as of June 1 of each year.

Number of Employees Taking Childcare Leave

(Unit: persons)

		'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	Men	3	9	6	7	11
	Women	22	21	27	35	24
Group companies in Japan	Men	1	1	1	2	2
	Women	32	12	16	19	21

* Permanent employees and non-regular staff

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Return-to-Work and Retention Rates after Childcare Leave

(Unit: %)

		'15/3	'16/3	'17/3	'18/3	
		Return-to-work rate	Return-to-work rate	Return-to-work rate	Return-to-work rate	Retention rate
Nikon	Men	100	100	90	100	100
	Women				98	86
Group companies in Japan	Men	93	100	100	100	100
	Women				99	83

* Permanent employees and non-regular staff

* The retention rate for the year ended March 31, 2018 is the proportion of employees returning to work from childcare leave in the year ended March 31, 2017 that were still with the company at least 12 months after returning to work.

Number of Employees Taking Maternity Leave

(Unit: persons)

	'14/3	'15/3	'16/3	'17/3	'18/3
Nikon	23	13	32	32	28
Group companies in Japan	22	15	13	17	18

* Permanent employees and non-regular staff

Number of Employees Taking Family Care Leave

(Unit: persons)

		'14/3	'15/3	'16/3	'17/3	'18/3
		Nikon	Men	2	2	0
	Women	0	1	1	2	1
Group companies in Japan	Men	0	0	2	0	2
	Women	2	1	0	0	1

* Permanent employees and non-regular staff

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Frequency Rates of Lost Time Accidents

	'14/3	'15/3	'16/3	'17/3	'18/3
All industries in Japan (calendar year)	1.58	1.66	1.61	1.63	1.66
Manufacturing industry in Japan (calendar year)	0.94	1.06	1.06	1.15	1.02
Nikon	0.48	0.09	0.09	0.17	0.40★
Group companies in Japan	0.32	0.73	0.34	0.67	1.07★
Group companies in Europe	—	—	—	—	1.55
Group companies in the Americas	—	—	—	—	0.51
Group companies in Asia/Oceania	—	—	—	—	0.41

* Group companies in Japan including non-consolidated companies (26 for the year ended March 2018)

Severity Rate of Lost Time Accidents

	'14/3	'15/3	'16/3	'17/3	'18/3
All industries in Japan	0.10	0.09	0.07	0.10	0.09
Manufacturing industry in Japan	0.10	0.09	0.06	0.07	0.08
Nikon	0.01	0.00	0.00	0.00	0.01★
Group companies in Japan	0.00	0.01	0.01	0.01	0.01★
Group companies in Europe	—	—	—	—	0.06
Group companies in the Americas	—	—	—	—	0.00
Group companies in Asia/Oceania	—	—	—	—	0.01

* 0.00 indicates a rate of less than 0.005.

* Group companies in Japan including non-consolidated companies (26 for the year ended March 2018)

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Occupational Accidents Requiring Time Off (1 or more days) and Fatalities (Year Ended March 2018)

	Accidents requiring time off (persons)	Lost days (days)	Fatalities (persons)
Nikon	4	84	0
Group companies in Japan	14	106	0
Group companies in Europe	6	213	0
Group companies in the Americas	1	7	0
Group companies in Asia/Oceania	8	104	0

* Lost days: The number of missed work days in the past multiplied by 300/365 (rounded to the nearest whole number)

Types of Occupational Injuries at the Nikon Group in Japan (Year Ended March 31, 2018)

Type of injury	Cases
Back pain, etc.	9
Broken bone	5
Sprain	4
Cut wound	4

Results of Employee Training at Nikon (New Hires, Second- and Third-Year Training)

		'16/3	'17/3	'18/3	Unit
Second-year training	Number of eligible employees	110	63	75	Persons
	Participants	109	63	75	Persons
	Participation rate	99.1	100	100	%
Third-year training	Number of eligible employees	165	107	62	Persons
	Participants	146	104	58	Persons
	Participation rate	88.5	97.2	93.5	%

* Target participant rate: 100% (each year and each training)

Satisfaction of Nikon Group Employees in Their Companies (Group Employee Awareness Survey Results)

(Unit: %)

	'15/3	'16/3	'17/3	'18/3
Satisfaction	75.1	80.1	80.0	74.6
Response rate	93.0	91.4	90.3	92.9

* The above figure was prepared based on the response to the following question: "Do you feel that the Company's policies and targets are conveyed clearly?"

Directors and Officers (As of March 31, 2018)

		Director		Officers*	Unit
			of which Audit and Supervisory Committee Members		
Number of persons	Internal	7	2	20	Persons
	External	4	3	—	
Ratio of female		0	0	0	%
Ratio of non-Japanese		0	0	0	%
Attendance at Meetings of the Board of Directors	Internal	100	—	—	%
	External	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 Females and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (as of March 31, 2018)

(Unit: persons)

Category	Female	Non-Japanese
Directors, Officers and Corporate Auditors	4	30

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

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[> Data Index](#) > [Independent Practitioner's Assurance](#) > [GRI Content Index](#)**Total Compensation Amount**

Category	Monthly compensation (yearly amount)		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)
Directors other than those who are Audit and Supervisory committee members (of which External directors)	11 (1)	247 (11)	9 (—)	94 (—)	5 (—)	132 (—)	11 (1)	473 (11)
Directors who are Audit and Supervisory committee members (of which External directors)	6 (3)	83 (32)	—	—	—	—	6 (3)	83 (32)
Total	17	330	9	94	5	132	17	556

* The above number of Directors other than those who are Audit and Supervisory Committee Members includes five Directors other than those who are Audit and Supervisory Committee Members (none of whom are External Directors) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017.

* 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 is External Director) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017.

* 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	Category	Total amount of compensation on a consolidated basis	Amount of compensation by type on a consolidated basis		
			Monthly compensation (yearly amount)	Subscription rights to shares granted as stock-related compensation	Bonuses
Kazuo Ushida	Director	137	66	27	44
Masashi Oka	Director	121	55	23	42

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

Ethics Hotline (Reporting and Consultation System) Reports

(Unit: cases)

	'16/3	'17/3	'18/3
In Japan	42 (25)	26 (22)	21 (18)
Outside Japan	6 (5)	12 (6)	10 (5)

* Numbers in parentheses indicate the number of reports on human rights, harassment or labor issues.

Data on Nikon's Intellectual Property

(Unit: cases)

Item	2013	2014	2015	2016	2017
Number of Japanese published patent applications	1,832	1,289	1,086	510	728
Number of United States patent registrations	400	348	250	219	224

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Data Index **Community Contribution Activities**

Community Contribution Expenses of Nikon Group

		'16/3	'17/3	'18/3	Unit
Expenses		682,145	803,874	707,435	Thousand yen
Breakdown by Type	Donations	30.2	32.3	28.9	%
	Disaster donations	1.2	2.2	1.6	%
	East Japan recovery support donations	1.3	0.7	0.9	%
	Activity expenses	57.4	57.2	66.3	%
	East Japan recovery support activity expenses	9.9	7.5	2.4	%
Breakdown by Field	Welfare	4.1	8.8	12.1	%
	Education	25.9	23.7	17.6	%
	Culture and arts	51.8	52.1	61.4	%
	Environment	3.6	3.0	2.4	%
	Assistance for reconstruction	12.4	10.5	4.8	%
	Other	2.2	1.9	1.7	%
Breakdown by Region	Japan (Japan related)	76.8	74.4	67.0	%
	Japan (overseas related)	12.5	12.7	19.9	%
	Americas	3.5	2.0	4.1	%
	Europe	2.4	4.1	2.7	%
	Greater China	1.2	0.3	0.2	%
	Asia/Pacific/Other	3.6	6.4	6.1	%

Number of Nikon Group Employees Participating in Community Contribution Activities (total)

(Unit: persons)

'15/3	'16/3	'17/3	'18/3
2,627	4,477	3,302	3,591

Amount of Community Contribution Expenditures at the Nikon Group by Type (Year Ended March 31, 2018)

(Unit: million yen)

	Amount
Cash donations	224
Paid employee volunteer activities (monetary value)	22
Free provision of products or services and project activity costs	401
Management expenses	60

Independent Practitioner's Assurance

Nikon Group obtains independent practitioner's assurance in order to increase the reliability of reported information.

Assurance Scope

Item	Assurance scope
Promoting Low Carbon Society	Scope 3 (Category 11) CO ₂ Emissions
	Breakdown of GHG emissions from Nikon and Group manufacturing companies in Japan
	CO ₂ Emissions from Nikon Group and Emissions per Unit of Sales
	Energy Consumption by Nikon Group, and Energy Consumption per Unit of Sales
Promoting Resource Circulation	Amount of Waste etc. (Waste plus Resources with Economic Value) Generated by Nikon and Group Companies in Japan and Their Breakdown by Category
	Waste Generation at Group Manufacturing Companies Outside Japan
	Nikon Group's Water Use and Breakdown
	Nikon Group's Waste Water Emissions and Breakdown
Promoting the Success of Diverse Employees and Work Efficiency	Frequency Rates of Lost Time Accidents and Severity Rates at Nikon and Group Companies in Japan

* Nikon Group outside Japan indicates the Group manufacturing companies.
 * In this report, those data that are the object of assurance are marked with a ★ symbol.

Scope
 Results for the year ended March 31, 2018
 (April 1, 2017–March 31, 2018)

Independent Practitioner's Assurance Report



Independent Practitioner's Assurance Report

To the President and Representative Director of Nikon Corporation

We have undertaken a limited assurance engagement of the sustainability information indicated with ★ for the year ended March 31, 2018 (the "Sustainability Information") included in the "Nikon Sustainability Report 2018" (the "Report") of Nikon Corporation (the "Company").

The Company's Responsibility
 The Company is responsible for the preparation of the Sustainability Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the Sustainability Information). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control
 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
 Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:
 • Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
 • Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
 Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

Deloitte Tohmatsu Sustainability Co., Ltd.
 Deloitte Tohmatsu Sustainability Co., Ltd.
 Tokyo, Japan
 July 25, 2018

Member of
 Deloitte Touche Tohmatsu Limited

* International Standard on Assurance Engagements (ISAE) 3000 and 3410
 These assurance engagement standards were developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). ISAE 3000 deals with "assurance engagements other than audits or reviews of historical financial information of entities," which encompass assurance engagements on environmental information and information about social aspects. ISAE 3410 determines procedures for assurance engagements concerning greenhouse gas statements based on ISAE 3000. Compliance with ISAE 3410 necessitates that the requirements of ISAE 3000 also be fulfilled.

* Inherent uncertainty
 Uncertainty is inherent in the calculation of the amount of greenhouse gases. This uncertainty is unavoidable for any entity that performs the calculations, because the global warming potential values and other elements used in the calculations are based on current scientific hypotheses and errors generated by measuring equipment and other sources are inevitable. This uncertainty does not mean that the calculated values are inapplicable. The ISAE 3410 stipulates that reported information can be assured as long as the hypotheses are reasonable and sufficient disclosure is provided regarding their content.

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GRI Content Index

Nikon's Sustainability Report 2018 was drafted in compliance with the Core option of the GRI Sustainability Reporting Standards 2016, and the report contains standard information for disclosure items. The highlighted (■) economy, environment and social items represent GRI Standards closely tied to the Nikon Group's CSR priority issues.

GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 102: General Disclosures 2016					
102-1	Name of the organization	Nikon Group Profile	P5		
102-2	Activities, brands, products, and services	Business Domains Solving Social Issues by Using Opto-electronics Technology	P5 P19		
102-3	Location of the headquarters	Nikon Group Profile	P5		
102-4	Location of operations	About Us > Corporate Information > Company Profile > Nikon Group Companies	https://www.nikon.com/about/corporate/profile/group/		
102-5	Ownership and legal form	Nikon Group Profile Securities Report	P5 —		
102-6	Markets served	Nikon Group Profile Securities Report	P5 —		
102-7	Scale of the reporting organization.	Nikon Group Profile	P5		
102-8	Information on employees and other workers	—		Success of Diverse Employees Data Index—Strengthening CSR Foundation	P82 P121
102-9	Supply chain	Nikon's Supply Chain Management	P71		
102-10	Significant changes to the organization and its supply chain	Securities Report	—	Nikon's Supply Chain	P71
102-11	Precautionary Principle or approach	Nikon Manufacturing Environmental Management Promotion System Risk Management	P30 P42 P104		
102-12	External initiatives	Initiatives under the UN Global Compact CSR Priority Issues Stakeholder Engagement	P10 P11 P17		
102-13	Membership of associations	Initiatives under the UN Global Compact Stakeholder Engagement	P10 P17		
102-14	Statement from senior decision-maker	Message from the President	P3		
102-15	Key impacts, risks, and opportunities	Message from the President CSR Priority Issues Risk Management	P3 P11 P104		
102-16	Values, principles, standards, and norms of behavior	Our Philosophy/Our Vision/Our Qualities of Mind/Code of Conduct Compliance	P6 P93		

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
102-17	Mechanisms for advice and concerns about ethics	Compliance	P93		
102-18	Governance structure	CSR Promotion System Corporate Governance	P8 P97		
102-19	Delegating authority	CSR Promotion System Corporate Governance	P8 P97		
102-20	Executive-level responsibility for economic, environmental, and social topics	Challenging toward Innovation Improving Products/Service Quality Responding to Environmental Issues Strengthening Supply Chain Management Respecting Human Rights Promoting the Success of Diverse Employees and Work Efficiency Strengthening Compliance Effective Governance	P24 P30 P38 P70 P77 P80 P93 P97	CSR Promotion System System	P8 P98
102-21	Consulting stakeholders on economic, environmental, and social topics	—		CSR Promotion System Engaging Procurement Partners	P8 P72
102-22	Composition of the highest governance body and its committees	Corporate Governance Corporate Governance Guideline Directors and Officers	P97 https://www.nikon.com/about/ir/governance/organization/guideline https://www.nikon.com/about/corporate/profile/management		
102-23	Chair of the highest governance body	Corporate Governance Report			
102-24	Nominating and selecting the highest governance body	Corporate Governance	P97		
102-25	Conflicts of interest	Corporate Governance Guideline	https://www.nikon.com/about/ir/governance/organization/guideline		
102-26	Role of highest governance body in setting purpose, values, and strategy	CSR Promotion System Corporate Governance	P8 P97		
102-27	Collective knowledge of highest governance body	Corporate Governance	P97	CSR Promotion System	P8
102-28	Evaluating the highest governance body's performance	Corporate Governance	P97		
102-29	Identifying and managing economic, environmental, and social impacts	CSR Promotion System Corporate Governance Risk Management	P8 P97 P104		
102-30	Effectiveness of risk management processes	Corporate Governance Risk Management	P97 P104		
102-31	Review of economic, environmental, and social topics	*The Risk Management Committee, whose members include internal directors and Audit & Supervisory Board Members convenes biannually.			

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
102-32	Highest governance body's role in sustainability reporting	CSR Promotion System	P8		
102-33	Communicating critical concerns	Risk Management	P104		
102-34	Nature and total number of critical concerns	—		* Not disclosed because it is confidential information.	
102-35	Remuneration policies	Compensation of Directors and Officers	P101		
102-36	Process for determining remuneration.	Compensation of Directors and Officers	P101		
102-37	Stakeholders' involvement in remuneration	* Articles 26, Chapter 4 of Nikon's Articles of Incorporation state, "The compensation, bonuses and other financial benefits received from the Company as consideration for the execution of the duties of Directors shall be determined by resolution of the General Shareholders' Meeting, while making distinction between Directors who are Audit and Supervisory Committee Members and other Directors."			
102-38	Annual total compensation ratio	Securities Report	—		
102-39	Percentage increase in annual total compensation ratio	—		Securities Report	—
102-40	List of stakeholder groups	Stakeholder Engagement	P17		
102-41	Collective bargaining agreements	Labor Relations	P79		
102-42	Identifying and selecting stakeholders	—			
102-43	Approach to stakeholder engagement	Dialogue with External Experts Stakeholder Engagement * "Dialogue with External Experts" on P13 and "Main Forms of Engagement" on P17 are not engagement undertaken as part of the process of compiling the Report.	P13 P17		
102-44	Key topics and concerns raised	Dialogue with External Experts	P13		
102-45	Entities included in the consolidated financial statements	Securities Report	—		
102-46	Defining report content and topic Boundaries	* Departments in charge and CSR departments determine which items to disclose of the GRI Standards from the standpoint of both requests from society and importance for Nikon.		About Sustainability Report 2018 CSR Priority Issues	P2 P11
102-47	List of material topics	CSR Priority Issues	P12		
102-48	Restatements of information	* Partial changes made to past environmental and personnel data due to the expansion of the boundary and changes to definitions.			
102-49	Changes in reporting	About Sustainability Report 2018 Boundary of the Nikon Group's Environmental Management and Environmental Performance Data	P2 P44		
102-50	Reporting period	About Sustainability Report 2018	P2		
102-51	Date of most recent report	Previous edition published in August 2017	P2		

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
102-52	Reporting cycle	Published annually	P2		
102-53	Contact point for questions regarding the report	About Sustainability Report 2018	P2		
102-54	Claims of reporting in accordance with the GRI Standards	* This report is prepared in compliance with the Core option of the GRI Standards.			
102-55	GRI content index	About Sustainability Report 2018 GRI Content Index	P2 P131		
102-56	External assurance	Independent Practitioner's Assurance	P130		

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundary	CSR Priority Issues	P12		
103-2	The management approach and its components	<p>Targets, results, and self-assessment for all material items: CSR Priority Issues - Targets and Results</p> <p>■ Contributing to Society through Business Activities Solving Social Issues by Using Opto-electronics Technology Corporate Governance</p> <p>Challenging toward Innovation Promotion of Open Innovation Creating New Business Effective Research and Development</p> <p>Improving Products/Service Quality</p> <p>■ Responding to Environmental Issues Nikon Environmental Management Environmental Management Promotion System</p> <p>■ Strengthening CSR Foundation Strengthening Supply Chain Management Nikon's Supply Chain Management</p> <p>Respecting Human Rights Promoting the Success of Diverse Employees and Work Efficiency</p> <p>Strengthening Compliance * All 23 complaints concerning human rights, harassment, and labor were addressed during the reporting period.</p> <p>Effective Governance Corporate Governance Risk Management</p>	<p>P14</p> <p>P19 P102</p> <p>P24 P24 P27 P28</p> <p>P30</p> <p>P39 P42</p> <p>P70 P71</p> <p>P77</p> <p>P80</p> <p>P93</p> <p>P97 P97 P104</p>		
103-3	Evaluation of the management approach	CSR Priority Issues - Targets and Results Stakeholder Engagement	P14 P17		

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 201: Economic Performance 2016					
201-1	Direct economic value generated and distributed	Nikon Group Profile Securities Report	P5 —		
201-2	Financial implications and other risks and opportunities due to climate change	Nikon Environmental Management	P38		
201-3	Defined benefit plan obligations and other retirement plans	Securities Report	—		
201-4	Financial assistance received from government	—			
GRI 202: Market Presence 2016					
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—			
202-2	Proportion of senior management hired from the local community	—			
GRI 203: Indirect Economic Impacts 2016					
203-1	Infrastructure investments and services supported	Corporate Citizenship Activities Community Contribution Activities (website)	P109 https://www.nikon.com/about/sustainability/contribution/		
203-2	Significant indirect economic impacts	Corporate Citizenship Activities Community Contribution Activities in the Environmental Field Data Index—Community Contribution Activities Community Contribution Activities (website)	P109 P68 P129 https://www.nikon.com/about/sustainability/contribution/		
GRI 204: Procurement Practices 2016					
204-1	Proportion of spending on local suppliers	—		Nikon's Supply Chain Management	P71
GRI 205: Anti-corruption 2016					
205-1	Operations assessed for risks related to corruption	Efforts to Prevent Bribery	P95		
205-2	Communication and training on anti-corruption policies and procedures	CSR Priority Issues - Targets and Results Stakeholder Engagement	P14 P17		
205-3	Confirmed incidents of corruption and actions taken	Efforts to Prevent Bribery Not applicable	P95		
GRI 206: Anti-competitive Behavior 2016					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Efforts to Prevent Competition Law Violations Not applicable	P96		

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 301: Materials 2016					
301-1	Materials used by weight or volume	—			
301-2	Recycled input materials used	—		Realizing a Resource-circulating Society	P57
301-3	Reclaimed products and their packaging materials	—		Realizing a Resource-circulating Society	P57
GRI 302: Energy 2016					
302-1	Energy consumption within the organization	The Nikon Group's Main Environmental Impacts Realizing a Low-carbon Society Data Index—Responding to Environmental Issues	P46 P51 P124		
302-2	Energy consumption outside of the organization	—		Realizing a Low-carbon Society	P51
302-3	Energy intensity	Nikon Environmental Management Data Index—Responding to Environmental Issues	P38 P116		
302-4	Reduction of energy consumption	Nikon Environmental Management Data Index—Responding to Environmental Issues	P38 P116		
302-5	Reductions in energy requirements of products and services	Nikon Environmental Management Data Index—Responding to Environmental Issues	P38 P116	Eco-friendly Products Development	P48
GRI 303: Water 2016					
303-1	Water withdrawal by source	Protection of Water Resources Data Index—Responding to Environmental Issues <small>* The data collected are based on volumes stipulated on the invoices (purchased items) or actual measurements (non-purchased items) while including some estimates.</small>	P62 P116		
303-2	Water sources significantly affected by withdrawal of water	—		Protection of Water Resources	P62
303-3	Water recycled and reused	Protection of Water Resources	P62		
GRI 304: Biodiversity 2016					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—			
304-2	Significant impacts of activities, products, and services on biodiversity	Initiatives Aimed at Reducing Waste etc. Realizing a Healthy and Environmentally-safe Society	P60 P64	Approach to Biodiversity	P47
304-3	Habitats protected or restored	Community Contribution Activities in the Environmental Field	P68	Approach to Biodiversity	P47
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—			

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 305: Emissions 2016					
305-1	Direct (Scope1) GHG emissions	Promoting Low Carbon Society Data Index—Responding to Environmental Issues	P51 P116	* No carbon dioxide emissions were biologically-derived.	
305-2	Energy indirect (Scope 2) GHG emissions	Promoting Low Carbon Society Data Index—Responding to Environmental Issues	P51 P116		
305-3	Other indirect (Scope3) GHG emissions	Promoting Low Carbon Society Data Index—Responding to Environmental Issues	P51 P116		
305-4	GHG emissions intensity	Promoting Low Carbon Society Data Index—Responding to Environmental Issues	P51 P116		
305-5	Reduction of GHG emissions	Promoting Low Carbon Society Data Index—Responding to Environmental Issues	P51 P116		
305-6	Emissions of ozone-depleting substances (ODS)	Discontinuing the Use of All Ozone-layer-depleting Substances	P65		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Data by Business Facility and Manufacturing Company (in Japanese)	https://www.nikon.co.jp/sustainability/environment/data/		
GRI 306: Effluents and Waste 2016					
306-1	Water discharge by quality and destination	Realizing a Resource-circulating Society Data Index—Responding to Environmental Issues	P62 P116		
306-2	Waste by type and disposal method	Realizing a Resource-circulating Society Data Index—Responding to Environmental Issues	P57 P116	Realizing a Healthy and Environmentally-safe Society * Data classification methods are under investigation.	P64
306-3	Significant spills	Not applicable Environmental Management System Prevention of Air, Water and Soil Pollution	P42 P68		
306-4	Transport of hazardous waste	Not applicable			
306-5	Water bodies affected by water discharges and/or runoff	—			
GRI 307: Environmental Compliance 2016					
307-1	Non-compliance with environmental laws and regulations	Not applicable Environmental Management System	P42		
GRI 308: Supplier Environmental Assessment 2016					
308-1	New suppliers that were screened using environmental criteria	—		Promoting Green Procurement	P66
308-2	Negative environmental impacts in the supply chain and actions taken	Promoting Green Procurement	P66		

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 401: Employment 2016					
401-1	New employee hires and employee turnover	Success of Diverse Employees	P82		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Supporting Diverse Work Styles	P88		
401-3	Parental leave	Supporting Diverse Work Styles Data Index—Strengthening CSR Foundation	P88 P121		
GRI 402: Labor/Management Relations 2016					
402-1	Minimum notice periods regarding operational changes	—		Labor Relations	P79
GRI 403: Occupational Health and Safety 2016					
403-1	Workers representation in formal joint management-worker health and safety committees	Labor Relations	P79		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Employees' Health and Safety Data Index—Strengthening CSR Foundation	P91 P121	* The number of employees includes values other than permanent employees.	
403-3	Workers with high incidence or high risk of diseases related to their occupation	—			
403-4	Health and safety topics covered in formal agreements with trade unions	* The labor agreement between Nikon and the Nikon Labor Union contains provisions on health and safety.		Labor Relations	P79
GRI 404: Training and Education 2016					
404-1	Average hours of training per year per employee	Fair Treatment and HR Development	P80		
404-2	Programs for upgrading employee skills and transition assistance programs	Fair Treatment and HR Development Success of Diverse Employees	P80 P82		
404-3	Percentage of employees receiving regular performance and career development reviews	* Nikon conducts target assessment interviews of all employees biannually and there is no difference in evaluations based on gender.		Fair Treatment and HR Development	P80
GRI 405: Diversity and Equal Opportunity 2016					
405-1	Diversity of governance bodies and employees	Success of Diverse Employees Corporate Governance Data Index—Strengthening CSR Foundation	P82 P97 P121		
405-2	Ratio of basic salary and remuneration of women to men	—			

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GRI Guidelines		Corresponding item/page		Reference/Reasons for omission	
GRI 406: Non-discrimination 2016					
406-1	Incidents of discrimination and corrective actions taken	—			
GRI 407: Freedom of Association and Collective Bargaining 2016					
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—		Human Rights Initiatives	P77
GRI 408: Child Labor 2016					
408-1	Operations and suppliers at significant risk for incidents of child labor	Promoting CSR Procurement Human Rights Initiatives Data Index—Strengthening CSR Foundation	P73 P77 P121	* Difficulty obtaining information on business sites that pose a risk: plan to formulate a human rights due diligence implementation plan	
GRI 409: Forced or Compulsory Labor 2016					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Promoting CSR Procurement Human Rights Initiatives Data Index—Strengthening CSR Foundation	P73 P77 P121	* Difficulty obtaining information on business sites that pose a risk: plan to formulate a human rights due diligence implementation plan	
GRI 410: Security Practices 2016					
410-1	Security personnel trained in human rights policies or procedures	Not applicable			
GRI 411: Rights of Indigenous Peoples 2016					
411-1	Incidents of violations involving rights of indigenous peoples	—			
GRI 412: Human Rights Assessment 2016					
412-1	Operations that have been subject to human rights reviews or impact assessments	—		Human Rights Initiatives * Difficulty obtaining information: plan to formulate a human rights due diligence implementation plan	P77
412-2	Employee training on human rights policies or procedures	Human Rights Initiatives	P77		
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—			

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GRI Guidelines		Corresponding item/page			Reference/Reasons for omission	
GRI 413: Local Communities						
413-1	Operations with local community engagement, impact assessments, and development programs	—			Realizing a Healthy and Environmentally-safe Society Corporate Citizenship Activities	P64 P109
413-2	Operations with significant actual and potential negative impacts on local communities	—				
GRI 414: Supplier Social Assessment 2016						
414-1	New suppliers that were screened using social criteria	—			Strengthening Supply Chain Management	P70
414-2	Negative social impacts in the supply chain and actions taken	Promoting CSR Procurement	P73			
GRI 415: Public Policy 2016						
415-1	Political contributions	0 yen				
GRI 416: Customer Health and Safety 2016						
416-1	Assessment of the health and safety impacts of product and service categories	Improving Products/Service Quality	P33			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Nikon Manufacturing	P33			
GRI 417: Marketing and Labeling 2016						
417-1	Requirements for product and service information and labeling	Nikon Manufacturing	P34			
417-2	Incidents of non-compliance concerning product and service information and labeling	Not applicable Nikon Manufacturing	P34			
417-3	Incidents of non-compliance concerning marketing communications	Not applicable				
GRI 418: Customer Privacy 2016						
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable			Risk Management for Information Assets	P105
Socioeconomic Compliance 2016						
419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable				



About the Cover Photograph

The photograph used for the cover page was the winner of the Award of Excellence in the 2018 Nikon Environmental Photo Contest, held as one of the activities in Nikon Environment Month (June of each year).

The criteria for entries to the Competition were that the photographs should embody environment-related Sustainable Development Goals (SDGs).

Entry title: "Raise the Shellfish"

Relevant SDG: Goal 14: LIFE BELOW WATER

Photographer: Kajitpong Phongkun (Nikon (Thailand) Co., Ltd.)

Competition jury's evaluation:

The SDGs are goals that aim to help both human beings and the Earth as a whole to thrive. This photograph brilliantly captures a scene of aquaculture, in a way that brings across the wisdom and knowledge of people who have grown up in close contact with nature. It is to be hoped that aquaculture operations of this kind can be managed in a sustainable manner.



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