



Nikon CSR REPORT
2007

90th
Anniversary

Group Profile

Corporate Data

Corporate Name	NIKON CORPORATION
Head Office	Fuji Bldg., 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8331, Japan Tel: +81-3-3214-5311
Date of Establishment	July 25, 1917
Capital	64,675 million Japanese Yen (as of March 31, 2007)
Net Sales	Consolidated: 822,813 million Japanese Yen Non-Consolidated: 606,323 million Japanese Yen (for the year ended March 31, 2007)
Number of Employees	Consolidated: 22,705 Non-Consolidated: 4,629 (as of March 31, 2007)

*The non-consolidated figure does not include personnel dispatched to subsidiaries and associated companies.
This figure does not include part-time employees, temporary personnel and dispatched workers.

Major Business of Nikon Group

Precision Equipment Business (Precision Equipment Company*)	<ul style="list-style-type: none"> • IC steppers and scanners • LCD steppers and scanners
Imaging Products Business (Imaging Company*)	<ul style="list-style-type: none"> • Digital cameras • Film cameras • Interchangeable lenses • Speedlights • Film scanners • Photographic accessories • Software
Instruments Business (Instruments Company*)	<ul style="list-style-type: none"> • Biological microscopes • Industrial microscopes • Stereoscopic microscopes • Measuring instruments • Semiconductor inspection equipment
Customized Products Business (Customized Products Division*)	<ul style="list-style-type: none"> • Customized optical equipment • Space-related equipment • Astronomical-related equipment • Optical components
Glass Business (Glass Division*)	<ul style="list-style-type: none"> • Synthetic silica glass • Photomask substrates for LCD • Calcium fluoride
Sport Optics Business (Nikon Vision Co., Ltd.)	<ul style="list-style-type: none"> • Binoculars • Monoculars • Fieldsopes • Fieldmicroscopes • Loupes • Large objective diameter binoculars • Sightseeing binoculars • Laser rangefinders
Surveying Instruments Business (Nikon-Trimble Co., Ltd.)	<ul style="list-style-type: none"> • Total stations • Levels • Laser facilities for construction • Theodolites • Surveying CAD systems • GPS systems
Eyewear Business (Nikon-Essilor Co., Ltd.) (Nikon Eyewear Co., Ltd.)	<ul style="list-style-type: none"> • Ophthalmic lenses • Sunglasses • Ophthalmic frames • Hearing aids • Pendant loupes

*Three companies and two divisions in parentheses are Nikon Corporation's organizational names.

Nikon Group Companies

European Group Companies

- Nikon Holdings Europe B.V. (Netherlands)
- Nikon Europe B.V. (Netherlands)
- Nikon Instruments Europe B.V. (Netherlands)
- Nikon Precision Europe GmbH (Germany)
- Nikon AG (Switzerland)
- Nikon GmbH (Germany)
- Nikon France S.A.S. (France)
- Nikon U.K. Ltd. (U.K.)

Other

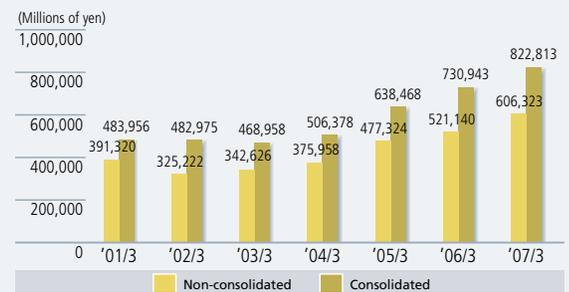


Asian Group Companies

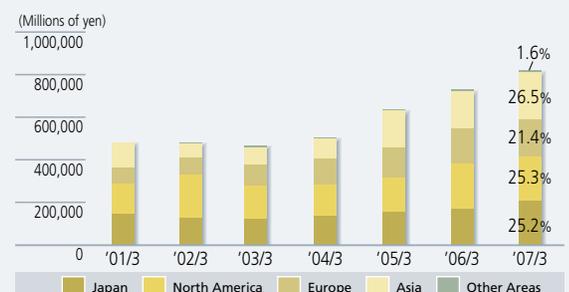
- Nikon (Thailand) Co., Ltd. (Thailand)
- Nikon Imaging (China) Co., Ltd. (China)
- Nikon Hong Kong Ltd. (Hong Kong)
- Nikon Precision Korea Ltd. (Korea)

Other

Net Sales (Non-consolidated/Consolidated)

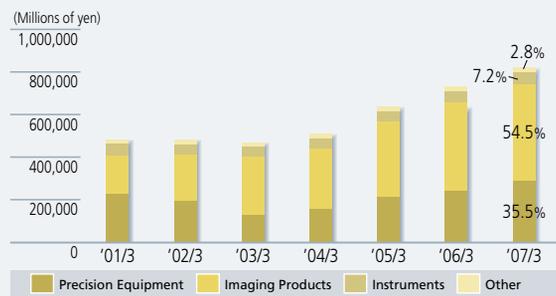


Net Sales in Japan and Export Sales by Region (Consolidated)

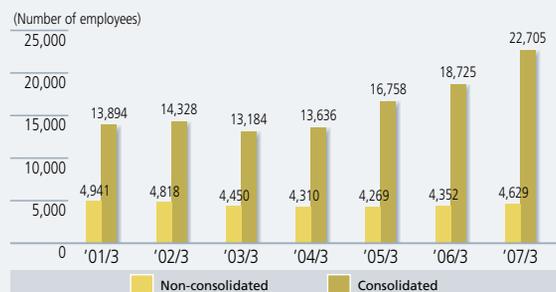




Net Sales by Industry Segment (Consolidated)



Number of Employees (Non-consolidated/Consolidated)



Editorial Policy

The Nikon Group is fully aware that in order to enhance the valued relationship of trust we have with all of our stakeholders, it is of vital importance to proactively and frankly disclose corporate information. As such, this report serves as an important tool for promoting communication between Nikon and its stakeholders.

From this fiscal year onward the "Nikon Environmental Report" and the "Nikon CSR report" which had previously been issued individually are compiled into a single edition and the date of release has been accelerated to June. This will speed up the provision of more readily understandable information pertaining to the CSR activities of the Nikon Group.

Term and Scope of Report

The report focuses on fiscal year 2006 (the period from April 1, 2006 to March 31, 2007), and also includes matters regarding major developments up to June 1, 2007. The report describes areas applicable solely to Nikon Corporation and to the brand under "Nikon," while those pertaining to areas including the group itself (our 49 consolidated subsidiaries and two equity method affiliates) are described under "Nikon Group." In cases where a specific scope is defined, the details regarding such are clearly specified in each respective section. "Employees" include Nikon Group corporate executives, permanent employees, non-regular staff, contract workers, dispatched workers, part-time employees and temporary personnel.

Reference

This report has been drawn up with reference to "Sustainability Reporting Guidelines 2002" by the Global Reporting Initiative (GRI), and "Environmental Reporting Guidelines (2003)" by the Japanese Ministry of the Environment.

Web

The Nikon website provides details of this report together with a wide range of other information.

<http://www.nikon.co.jp/main/eng/index.htm>

Next Edition

June 2008

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Towards Achieving “Our Aspirations”

Q. Nikon’s Medium Term Management Plan stresses practicing transparent CSR-oriented management. How would you describe Nikon’s CSR activities?

A. The CSR (corporate social responsibility) activities of the Nikon Group represent the embodiment of our corporate philosophy “Trustworthiness and Creativity,” and are directly connected with the healthy continuance of the Group’s businesses initiatives. The Nikon Group is expanding the IC/LCD steppers and scanners businesses which support progress and development in human society, as well as the Imaging Products business which culturally enriches people’s lives. Continuing to provide products and services beneficial to society incorporating state-of-the-art, proprietary technology in each respective sector, this is the first area in which the Nikon Group is aiming to fulfill its social responsibility. Additionally, we are implementing diverse policies including thorough enforcement of compliance, bolstering risk management and implementing various environmental measures, along with promoting management that is highly transparent.

Q. Nikon has announced its new vision “Our Aspirations.” What are the main points of this new vision and how are you appealing this concept to Nikon employees?

A. In 2007 the Nikon Group will celebrate its 90th anniversary. Our Aspirations is a concept that defines the Nikon Group’s views and determination towards global development and the continued provision of our true corporate value, as we steadily focus on our upcoming 100th anniversary. This concept is not something forced upon us externally, but rather incorporates our own independently-fostered views and ideas of the corporation we wish to become. Premised on our longstanding corporate philosophy “Trustworthiness and Creativity,” and for the purpose of realizing “Our Aspirations—Meeting needs. Exceeding expectations.” the Group and its employees will put into practice the following four key commitments: “Be pro-active,” “Communicate well,” “Seek new knowledge,” “Display integrity.” We believe that by making these commitments this will indeed help bolster the CSR activities of the Nikon Group. (▶ see Page 5 for details)

Q. In the Medium Term Management Plan you emphasize creating a “Strong Nikon.” Please indicate the relationship this has with your CSR activities. Also, what are the reasons behind newly formulating the Nikon Corporate Social Responsibility (CSR) Charter?

A. In the Medium Term Management Plan we set our aims at being an outstanding company well-respected and genuinely trusted by all of our stakeholders, by creating a “Strong Nikon” that possesses a robust business structure capable of secure and sustainable growth. The supporting pillars behind this are “highly competitive products,” a “solid financial structure” and employees who demonstrate a “strong will” to help us vigorously push towards our targets. Working on the initiatives of the Medium Term Management Plan means putting into practice the CSR activities of the Nikon Group, which are realized via the daily business activities carried out by each and every employee. As such, in consideration of current social conditions, in April 2007 the preexisting Nikon Charter of Corporate Behavior was amended and the Nikon Corporate Social Responsibility (CSR) Charter was newly established. This was done in order to have the basic policy on social responsibility of the Nikon Group be more readily understood and permeated among all Group employees.

Q. More than a year has passed since the CSR Committee was established. What have been some of the activity results of the Committee, and what has the response been from stakeholders?

A. To have our CSR activities—previously conducted by each respective department—implemented as group-wide initiatives, we established the CSR Committee in January 2006. Under the CSR Committee, five separate subcommittees were also jointly set up to tackle themes of particular importance. Additionally, in April 2006 the Risk Management Committee was newly established under the CSR Committee to bolster efforts for risk management. At the same time the “CSR Section” was created in the Corporate Planning Department and it performs the Secretariat duties for the CSR Committee, and a system facilitating activities with excellent coordination among each subcommittee was put into place. Meanwhile, in terms of responding to the needs of stakeholders, as a result of putting in place an internal system for handling each type of inquiry and request, we feel there have been great changes in being able to more accurately respond to their needs. Furthermore, to proactively promote social action programs, in April 2007 the Social Contribution Section was set up in the Administration Department. The Nikon Group conducts a diverse range of social action programs both domestically and overseas. Across the board, we believe the CSR activities of the Nikon Group are making steady advancements.

Q. From the aspect of global CSR developments, what are your thoughts on international trends in CSR promotion, including ISO 26000, the international standard for social responsibility scheduled to be published in 2009?

A. In terms of global development of the CSR activities of the Nikon Group, we feel there is still more room for improvement. In particular, we will further expand CSR activities for our overseas business subsidiaries and also further enhance coordination of Group-wide CSR activities. As for ISO 26000, while watching the trends and developments, we aim to proactively deploy our CSR activities and not merely sit back and wait for its anticipated publication. International attention and awareness has been rapidly increasing regarding issues such as global warming and sustainable development of global society. We must not ignore the action that needs to be taken to address such environmental concerns.

The fundamental stance of the Nikon Group is to conduct active communication with our stakeholders and to proactively and honestly disclose corporate information. It is our hope that this report will contribute to your understanding of the Nikon Group’s initiatives toward sustainable development. We readily welcome and greatly appreciate any comments or opinions you may have regarding our future activities.

June, 2007

Michio Kariya
President, Representative Director of the Board
Chief Executive Officer and Chief Operating Officer
Nikon Corporation

Michio Kariya



Corporate Policy

Premised on our corporate philosophy and with a steady focus on the upcoming 100th anniversary of the Nikon Group in 2017, we have established the new vision entitled “Our Aspirations” which signifies the goals and milestones we aim to achieve over the forthcoming decade.

New Vision is Formulated

In light of the Nikon Group celebrating its 90th anniversary in 2007, we have formulated a brand new vision concept aimed at greater promotion and permeation of the management reforms and corporate culture innovations that have been initiated at Nikon to date. Our corporate philosophy “Trustworthiness and Creativity” is something we view represents essential corporate principles we should always be dedicated to. While maintaining this philosophy and utilizing it as a key anchor point, we have formulated the vision entitled “Our Aspirations” which signifies the goals and milestones we aim to achieve over the forthcoming decade, focusing steadily on the upcoming 100th anniversary of the Nikon Group in 2017.

Amid an environment where the social conditions are constantly undergoing dramatic transformations, we must not merely react, but rather create our own opportunities for change so that we may produce new value that exceeds

the expectations of our customers. As such, in order to realize “Our Aspirations” we have established a set of “Our Commitments” which are to be put in practice by all Group employees on a daily basis.

Furthermore, during the process of formulating our new vision we have gained renewed recognition of the vital importance of CSR activities within the company, and have accordingly drafted the “Nikon Corporate Social Responsibility (CSR) Charter” which represents the Nikon Group’s policy on social responsibility.

Each and every one of our employees will set their sights on achieving “Our Aspirations,” will put into practice “Our Commitments” and will abide by the “Nikon Corporate Social Responsibility (CSR) Charter” during their everyday business activities, so that the Nikon Group can continue to bring value to people all over the world.

Our Philosophy

“Trustworthiness & Creativity”

Our Aspirations

Meeting needs. Exceeding expectations.

- Providing customers with new value that exceeds their expectations.
- Sustaining growth through a break with the past and a passionate commitment by one and all.
- Maximizing our understanding of light to lead the way towards transformation and a new future.
- Maintaining integrity in order to contribute to social prosperity.

Our Commitments

- Be pro-active: Be broad-minded and well-informed in order to act quickly and resolutely.
“Alertness,” “Decisiveness,” “Strategic planning,” “Initiative”
- Communicate well: Harmonize diverse skills by thinking out of the box and communicating effectively with others.
“Dialog,” “Understanding,” “Team solidarity,” “Sensitivity”
- Seek new knowledge: Pioneer new potential through self-study and insatiable curiosity.
“Research,” “Leadership,” “Innovation,” “Creativity”
- Display integrity: Work with diligence and sincerity as a responsible individual.
“Self-discipline,” “Fairness,” “Honesty,” “Respect”

Nikon Corporate Social Responsibility (CSR) Charter Established April 27, 2007

1. Sound corporate activities

The Nikon Group endeavors to comply with international regulations, related laws, and internal rules, exercise sound and fair corporate practices, and earn the trust of stakeholders such as customers, shareholders, employees, business partners, and society. The Group will maintain constructive relationships with administrative bodies, remaining politically neutral and complying with laws, and will not engage in relationships with individuals or groups that threaten social order or safety.

2. Provision of valuable goods and services for society

The Nikon Group will provide valuable products and services to society, endeavoring to increase the satisfaction and trust of our customers and contributing to the healthy development of society.

3. Respect for human beings

The Nikon Group will respect diversity and individual human rights and provide a healthy and safe working environment in which all persons receive fair treatment without discrimination. It will also oppose enforced labor and child labor and respect fundamental human rights as well as workers' rights.

4. Protection of the natural environment

The Nikon Group will proactively engage in environmental efforts and work to protect the natural environment, as these are common issues for all of mankind.

5. Responsibility to society as a corporate citizen

The Nikon Group will carry out corporate activities that take into account the cultures and practices of each country and region and proactively engage in activities that contribute to society as a good corporate citizen.

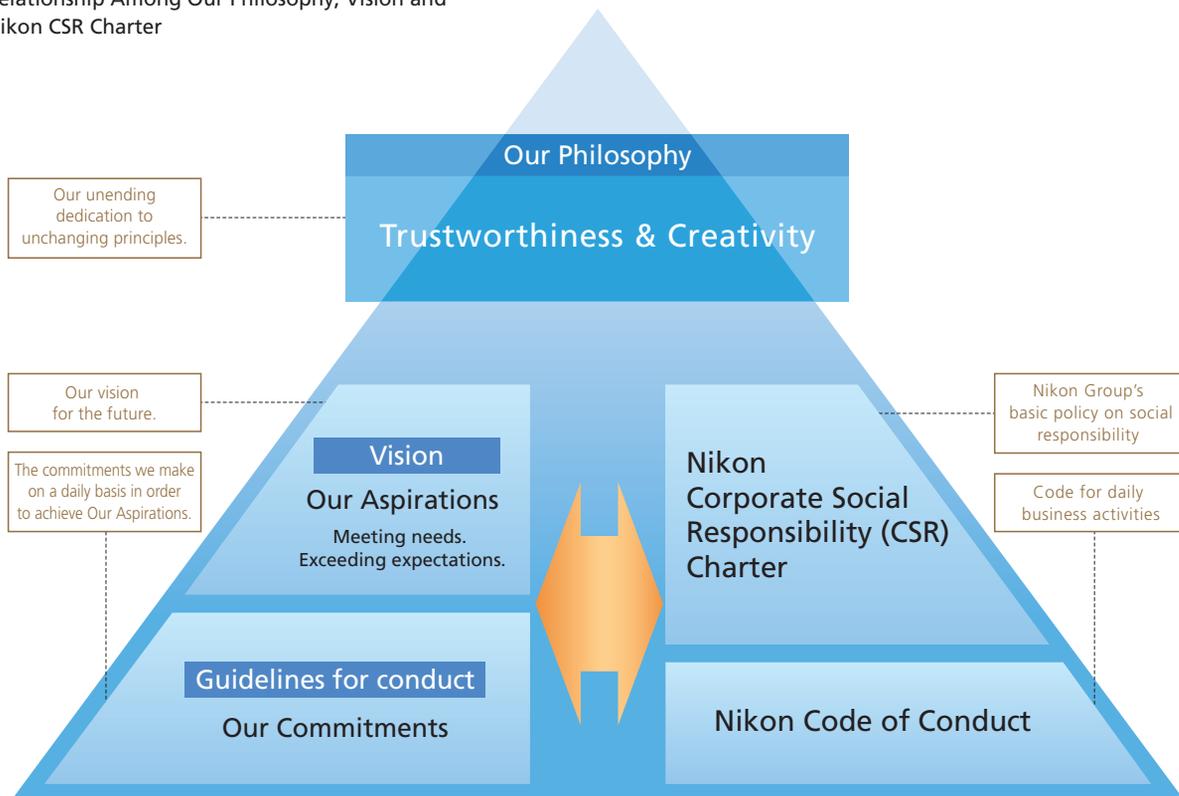
6. Transparent operating activities

The Nikon Group will communicate extensively with customers, shareholders, employees, business partners, and society and disclose business information in a timely and fair manner. It will also conduct reliable financial reporting through accurate accounting processes.

7. Responsibility of top management

Top management and employees in managerial positions within each department must understand that they play an essential role in fulfilling the spirit of this Charter and thus, in addition to leading by example, they must ensure that this information is disseminated to everyone in the Group and all related parties. Management must always strive to understand the opinions of those both inside and outside of Nikon to develop a sound internal framework that ensures that the spirit of this Charter is upheld. If any incident occurs that violates this Charter, top management will demonstrate, internally and externally, their determination to solve the problem and strive to identify the cause and prevent its recurrence. Furthermore, they will uphold information disclosure and accountability obligations. They will clarify the authority and responsibility of each manager and employee and deal rigorously and objectively with all people involved in the matter, including top management.

Relationship Among Our Philosophy, Vision and Nikon CSR Charter



Nikon Code of Conduct and Nikon Rules of Action

In order to ensure that each and every employee in the Nikon Group performs their professional responsibilities with a high degree of ethical standards, the Nikon Code of Conduct and the Nikon Rules of Action have been formulated based on the "Nikon Corporate Social Responsibility (CSR) Charter."

Nikon Code of Conduct and Nikon Rules of Action

The Nikon Group has established the "Nikon Corporate Social Responsibility (CSR) Charter" and the Nikon Code of Conduct based on our corporate philosophy "Trustworthiness and Creativity" as a key anchor point. They specify Nikon's basic stance on social responsibility, and general standards of behavior during daily business activities, respectively. The Nikon Corporate Social Responsibility (CSR) Charter was drafted in conjunction with the formulation of the new vision "Our Aspirations—Meeting needs. Exceeding expectations." in 2007, and is a revision of the preexisting "Nikon Charter of Corporate Behavior." Furthermore, the Nikon Code of Conduct was also amended in consideration of the recent social climate and conditions. And the Nikon Rules of Action, utilized as a reference guideline in cases where making a judgment may be difficult, are prepared on easily-carried printed cards that each employee carries at all times.

Copies of the Nikon Corporate Social Responsibility (CSR) Charter, the Nikon Code of Conduct and the Nikon Rules of Action are distributed to all employees of domestic Nikon Group companies in Japan. Meanwhile, for overseas Nikon Group subsidiaries, preparation is underway of respective codes of conduct that maintain the basic guidelines of the "Nikon Code of Conduct" while also corresponding to the local laws, customs and culture of each particular region.



ニコン行動原則

業務上の行動や発言の判断に迷った場合に、自問自答してください。

- それは、ニコンの品位と信頼を保てますか？
- それは、法律や規定に触れませんか？
- それは、社会から納得を得られますか？
- それは、家族に知られても構いませんか？
- それは、自分の良心に反していませんか？

また、「ニコン行動規範」を遵守するにあたって判断に迷った際は、上司または倫理ホットラインに相談してください。

倫理ホットライン

電話：
電子メール：
社内メール：

Portable printed edition of the Nikon Rules of Action

Nikon Code of Conduct

Drafted May 1, 2001
Revised May 15, 2007

1. Basic Rules

- (1) Observance for human rights
- (2) Legal compliance
- (3) Contribute to society

2. Responding to Customers and Clients

- (1) Fair competition
- (2) Appropriate agreements
- (3) Export control
- (4) Business-related entertainment
- (5) Government agencies and public officials

3. Environment

- (1) Preventing pollution
- (2) Efficient use of energy and resources
- (3) Green procurement
- (4) Provision of environmentally friendly products and services

4. Information Management

- (1) Handling of business information
- (2) Intellectual property

5. Accounting Processing

6. In Realizing an Improved Working Environment

- (1) Consideration of others
- (2) Care about safety
- (3) Fair and appropriate labor management

7. Cautionary Notes on Daily Business Operations

- (1) Executing duties appropriately and with integrity
- (2) Protecting corporate assets

8. Your Position as an Individual and as a Member of Nikon

- (1) Avoidance of conflicts of interest
- (2) Dual employment
- (3) Ban on insider trading
- (4) Volunteer activities
- (5) Ban on association with antisocial individuals/groups
- (6) Political, and religious activities

Medium Term Management Plan (The Years ending March 2008–2010)

The Medium Term Management Plan clearly conveys to stakeholders the Nikon Group's managerial intentions from a medium- to long-term viewpoint. We have achieved nearly all of the targets set forth in the Medium Term Management Plan announced in March 2006 which covers the period up to the year ending March 2009, and have done so on accelerated schedule. We therefore are drafting a Plan covering the period up to the year ending March 2010, and will take the challenging initiative to attain even higher targets.

Management Policy

Establishing a “Strong Nikon,”
with the aim of being an outstanding company
that enjoys genuine trust from all stakeholders

By mobilizing the collective talents and resources of our employees and by providing new value that exceeds the expectations of our customers, we will establish a “Strong Nikon” capable of generating sustainable growth, with the aim of being an outstanding company that enjoys the genuine trust of all of our stakeholders.

Conceptual Overview of Nikon's Management Policy



Key Objectives

- Strengthening competitiveness of core businesses
- Creating and fostering new businesses
- Bolstering manufacturing competitiveness
- Improving financial structure
- Putting in place internal controls and bolstering internal auditing functions
- Practicing transparent CSR-oriented management
- Nurturing a free and open-minded corporate culture

Consolidated Targets for the Year ending March 2010

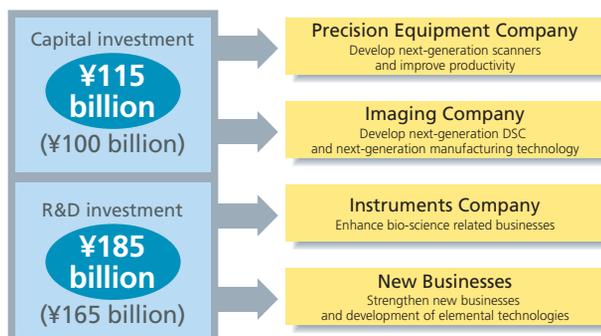
Consolidated targets-operating income to net sales: 12.5%

Net sales	¥1,000 billion
Operating income	¥125 billion
Ordinary income	¥115 billion

Capital Investment and R&D Investment Plan

We will conduct aggressive investment to produce next-generation products, bolster emerging business areas, boost productivity and enhance market development.

The Years ending March 2008-2010 (Three-year Total)



*Figures in brackets are the Medium Term Management Plan values for the years ending March 2007-2009 (three-year total).

Business Plan

- Precision Equipment Company**
 - IC steppers and scanners
 - Aim to settle the top market share for ArF scanner, including cutting-edge immersion lithography products.
 - LCD steppers and scanners
 - Aim to further solidify Nikon's top market share position for large LCD scanners.
- Imaging Company**
 - Maintain our position as a leading company in the digital SLR camera market.
 - Create attractive products that will add value to compact digital cameras.
- Instruments Company**
 - Focus on the fields of live cell imaging and non-contact measurement.
- New Businesses**
 - Develop new businesses in areas such as glass materials.

Nikon Group CSR

In line with the corporate objective of gaining the trust of all its stakeholders with genuinely transparent management, the Nikon Group is continuing with activities it must perform to take its responsibilities as a corporate citizen. Activities to fulfill our CSR obligations are broadly classified under the five themes indicated below.

CSR Promotion Structure

To fulfill and promote its CSR activities, the Nikon Group has established separate subcommittees under the CSR Committee to focus on different themes of importance.

In the past, CSR activities concerning environmental issues, social contribution and other areas were implemented by separate committees but a more integrated approach has been adopted with the establishment of the CSR Committee in January 2006. Under the CSR Committee, which is chaired

by the President and composed of members who are Standing Directors and the heads of CSR-related departments, the Business Conduct Committee, Risk Management Committee, Environmental Committee, Social Contribution Committee, Export Control Committee and Safety and Health Committee are in charge of implementing CSR activities. CSR Committee Secretariat duties are being performed by the CSR Section, Corporate Planning Department.

The Five Fundamental Principles of Nikon Group



*BMC: Business Continuity Management. It is a form of business risk management designed to preserve corporate value by maintaining business continuity in the event of a disaster such as a large-scale earthquake through the rapid restoration of core businesses.

The Five Fundamental Principles

■ Business Conduct (Compliance)

The "Nikon Business Conduct Committee" was established to perform appropriate education and nurturing of business ethics to assure fair and sound business conduct by Group companies based on a law-abiding spirit that respects international regulations, and is actively engaged in such initiatives.

Examples include the creation of the "Nikon Code of Conduct" which serves as general standards of behavior for Group employees, the establishment of the "Compliance Section" in the Administration Department for the full-time promotion of activities pertaining to business ethics, and the introduction of the "Code of Conduct Coordinator System" to promote corporate ethics at all Group companies.

In 2007 the Nikon Code of Conduct was amended in response to changing times, with the aim of further permeating awareness of corporate ethics among all of our employees as well as thorough enforcement of ethics.

■ Risk Management

In the pursuit of sustained growth of the Nikon Group, the Risk Management Committee was established to comprehensively manage and precisely respond to risks encountered by the Group.

The Committee ascertains and assesses risks within the Group and implements measures to counteract those that can influence operation. It also conducts education and training to minimize damage in the event of a risk arising. Furthermore, through regular risk monitoring, the Committee implements a risk management PDCA cycle in a system that can respond precisely even to newly occurring risks.

Specific examples of the major activities of the Committee include the establishment of a BCM system for possible disasters such as earthquakes, and initiatives regarding information security countermeasures, among others.

■ Environment

Since it issued the "Nikon Basic Environmental Management Policy" in 1992, Nikon Group has continued with environmental preservation efforts based on the concepts of "recycling" and "coexistence." The "Nikon Corporate Social Responsibility (CSR) Charter" formulated in 2007 further declares the company's commitment to conservation of the natural environment and the promotion of environment-friendly activities.

Numerous goals have been achieved through the vigorous promotion of the "Nikon Environmental Action Plan" 2006 edition which defined the medium and long term environmental targets. With the establishment of the "Nikon Green Procurement Standards" in October 2005, we have also strengthened environment-friendly activities

at the procurement stage for raw materials and other items through cooperation along the business partners.

In the year ending March 2008, the "Nikon Environmental Action Plan" 2006 edition reviewed and expanded, with one amendment to strengthen efforts to prevent global warming, a serious global environmental problem. To expedite the "Nikon Environmental Action Plan" and more efficient business operations, progress is also being made in the Nikon Group-wide integration of ISO 14001 certification.

■ Social Contribution

As a corporate citizen, the Nikon Group is taking responsibility for the future of its home nation, local area communities and the global society at large. From a basic stance of contributing to the sound growth of society as a whole, we are conducting wide-ranging social contribution activities not only directly through our business endeavors but also through other external, non-corporate efforts.

One example is the establishment of the Nikon "Social Contribution Committee." Contribution is made by supporting various global environment conservation activities and participating in local environment conservation activities, and by supporting activities in developing areas worldwide. Meanwhile, in order to more proactively promote social action programs both domestically and overseas we created the Social Contribution Section in the Administration Department in April 2007.

In the business-related field, in addition to providing research aid to universities and government research institutions for the development of cutting-edge technologies, Nikon also runs the "Nikon Salon," which provides permanent photography exhibition spaces to promote the development of photographic culture, and also supports other various photograph exhibitions and events.

■ Respect for Human Beings

In international society efforts and endeavors directly pertaining to human individuals, such as the respect for human rights, are of vital importance. Accordingly, a special working group has been organized in the Secretariat for the six subcommittees under the CSR Committee, and is promoting inter-organizational initiatives in this area.

Corporate Governance

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

Corporate Governance Organization

Board of Directors

Fourteen members of the Board of Directors, including two from outside the company (as of March 31, 2007), make prompt decisions on matters of importance to the Group and monitor the exercise of duties by directors.

Executive Committee

The Executive Committee deliberates on and resolves major issues regarding internal control and guidelines about the general operation of company business, in accordance with the basic direction of management as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

Board of Corporate Auditors

Four corporate auditors, including two from outside the company (as of March 31, 2007), periodically attend such important meeting as the Board of Directors and Executive Committee in order to supervise the status of the directors’ execution of operations, and perform monitoring and auditing of corporate management and directors.

Management System

In October 1999, Nikon introduced an in-house company system featuring decentralized management, with an integrated system and responsibilities established for each product sector, including subsidiaries. A results-based evaluation system was also brought in so as to strengthen the relationship between performance and remuneration. In 2001, we installed an operating officer system and reduced

the number of directors, while shortening the term of directors from two years to one in 2003 in order to consolidate a management system that can respond swiftly to changes in the business environment.

Additionally, in 2007 review and revision of regulations pertaining to the preexisting operating officer system are being conducted, to further enhance internal controls.

Information regarding the new system has been announced on the Nikon website as of the end of June.

For details for the Corporate Governance

<http://www.nikon.co.jp/main/eng/portfolio/about/governance/index.htm>

Compensation Committee

The Compensation Committee including people not employed by Nikon was set up in July 2003 to raise the objectivity and transparency of matters related to directors’ compensation. The obligations of this committee include examining and proposing appropriate compensation systems and other related systems.

Systematization of Responsibility and Authority

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

Corporate Governance Organization Diagram (as of March 31, 2007)



Measures to Enhance the Internal Control System

Strengthened Deliberation, Resolution, Communication and Reporting System

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

Conducting Internal Auditing

The Internal Audit Department, which operates independent of other sections, was established in October 2005 with the primary objectives of creating and monitoring the Nikon Group internal controls in line with established regulations and guidelines, and it makes recommendations for improvement. Furthermore, to enhance the Nikon internal control system, the scope of auditing will be expanded in the future to cover other firms and subsidiaries within the Group.

Information Resource Control

"Guideline for Confidentiality Classifications" were instituted in 2006 to thoroughly specify and clarify different types of restricted data. Nikon continues striving to increase the effectiveness of its information management. Moreover, access control and security pertaining to the Group's internal network has been further solidified as of April 2007 to fully prevent data from being compromised, tampered with or destroyed.

Nikon's Committees (pertaining to CSR activities)

The Nikon Group has established various committees and subcommittees throughout the corporation to address issues and themes of organization-wide importance. This is also true in the area of CSR activities, where the CSR Committee, chaired by the President himself, oversees six separate subcommittees under it which are each responsible for specific functions.

CSR Promotion Organization



List of Committees for CSR Activities

Committee name	Objectives	Secretariat	Meeting Schedule
CSR Committee	<ul style="list-style-type: none"> •CSR-relevant discussions and policy making •Review of business activities •Establishment of activity plans 	CSR Section, Corporate Planning Department	Twice a year at the end of each half term Extraordinary meetings when required
Business Conduct Committee	<ul style="list-style-type: none"> •Discussions related to business conduct, drafting of regulations, etc. •Review, execution directions for departments 	Compliance Section, Administration Department	Once a year (December) Extraordinary meetings when required
Risk Management Committee	<ul style="list-style-type: none"> •Discussions and policy making related to risk management •Review and results verification of business activities related to risk management •Determination of activity plans for education and training related to risk management 	BCM Section, Corporate Planning Department Administration Department Personnel Management Department Information Security Section, Information System Planning Department	Twice a year at the end of each half term Extraordinary meetings when required
Environmental Committee	<ul style="list-style-type: none"> •Formulation of environmental management activity policies and standards for achievement •Execution status examination 	Environmental & Technical Administration Department	Twice a year Extraordinary meetings when required
Social Contribution Committee	<ul style="list-style-type: none"> •Drawing up of concrete plans and reports for and supervision of social contribution activities 	Social Contribution Section, Administration Department	Once every quarter term Extraordinary meetings when required
Export Control Committee	<ul style="list-style-type: none"> •Management and control to assure correct, smooth execution of export management operations 	Compliance Section, Administration Department	Once a year in March Extraordinary meetings when required
Safety and Health Committee	<ul style="list-style-type: none"> •Examination and discussion of important issues related to company safety and health 	Personnel Management Department	Once a year in February Extraordinary meetings when required Monthly meetings of the Safety and Health Committees of each Nikon Plant

Compliance Activities Promotion

The Nikon Group views “compliance” as a critical area of observing laws and regulations, as well as also being able to thoroughly meet the expectations of its stakeholders and gain their genuine confidence.

Amendment of the Nikon Code of Conduct

The Nikon Code of Conduct defines general standards of behavior which ensure that Group employees perform all professional responsibilities in adherence to laws and statutes and that business determinations and activities are conducted from an ethical standpoint.

After being established in 2001, the Nikon Code of Conduct underwent modification in 2004. In response to subsequent enactment of new laws and regulations as well as revision of preexisting ones, it was once again amended in 2007 to reflect changes with the times. In conjunction with the amendment, we are aiming to have all employees fully understand the objectives behind each rule so that optimal business judgment can be made in each case.

Corporate Compliance System

The Nikon Group has established the Nikon Business Conduct Committee to perform appropriate education and nurturing related to Nikon corporate ethics, and has also set up a “Compliance Section” in the Administration Department for the full-time promotion of activities pertaining to business ethics.

Furthermore, a Code of Conduct Coordinator System has been introduced and deployed at each respective department in Nikon and each group company in Japan. This system promotes more specific compliance initiatives at separate departments and individual companies.

Major Compliance Promotion Activities

Periodic seminars are held for executives of the company on the topic of business ethics. Actual examples of ethics-related issues likely to emerge in the corporate world are presented as seminar themes, and lively opinion exchange and discussion is conducted among participants. Additionally, compliance promotion activities for employees of Nikon Group companies in Japan are implemented according to the “Code of Conduct Coordinator System,” where training sessions are held at the workplace and employees are tested on their level of understanding through e-learning systems.



Nikon executives taking part in business ethics seminar

Major Activities of the Compliance Section

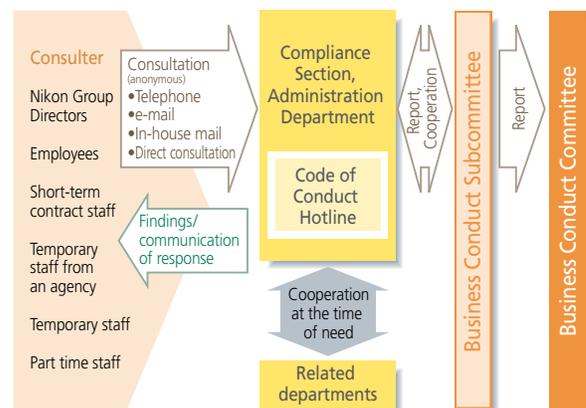
- Organizing and maintaining the Nikon Code of Conduct
- Providing detailed explanation regarding the Nikon Code of Conduct, and compiling specific case examples with full descriptions for each rule
- Implementing education and training activities
- Preparation of training tools and materials including case studies
- Operating the Code of Conduct Hotline
- Support for the “Code of Conduct Coordinator System” (providing information, advising of activities, and exchanging information)
- Implementing compliance perception monitoring and testing of the level of comprehension regarding compliance

Code of Conduct Hotline

Nikon established the “Code of Conduct Hotline” to provide consultation in the event of a situation arising that runs counter to the “Nikon Code of Conduct.” The consultations are conducted without revealing names and personal information to strictly protect the privacy of the individual seeking consultation and avoid any adverse impact on human affairs or the way he or she is treated.

Reports concerning the Whistleblower Protection Act enforced in April 2006 are also handled by the “Code of Conduct Hotline”.

Code of Conduct Hotline Flow Chart



Compliance Perception Monitoring

October is designated as Compliance Enhancement Month at Nikon and awareness of business ethics is reviewed and employees are tested to ascertain their degree of understanding regarding compliance. The results of these evaluations are made available on the Group intranet, and educational activities are implemented through compliance training and the Code of Conduct Coordinator System to assure improvements are made where necessary.

Risk Management

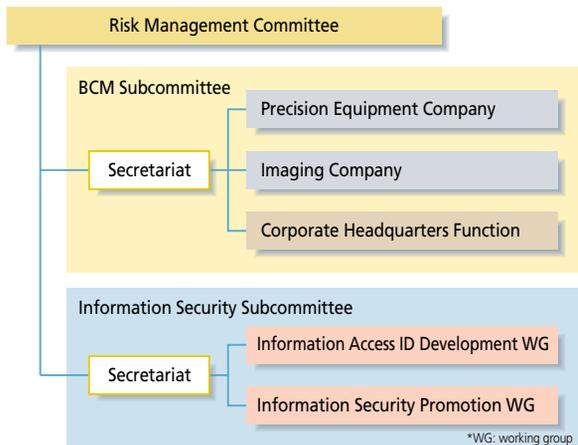
To ensure sustained growth of the Nikon Group, the Risk Management Committee was established to comprehensively manage risks encountered by the Group.

Risk Management System

In the pursuit of sustained growth of the Nikon Group, the Risk Management Committee was established in April 2006 to comprehensively manage and precisely respond to various risks encountered by the Group. The Committee ascertains and assesses risks within the Group and implements measures to counteract those that can influence operation. It also conducts education and training to minimize damage in the event a risk materializes. Furthermore, through regular risk monitoring, the Committee implements a risk management PDCA cycle in a system that can respond precisely even to newly occurring risks. Specific examples of the major activities of the Committee include the establishment of a BCM system for possible disasters such as an earthquake, and Group-wide activities such as information security countermeasures.

Under the Risk Management Committee, a BCM Subcommittee and an Information Security Subcommittee were respectively established in July 2006. Furthermore, an Information Security Section was set up in the Information System Planning Department and a BCM Section in the Corporate Planning Department in May 2007. As such, activities related to BCM and information security are being proactively implemented at Nikon.

Organization of the Risk Management Committee



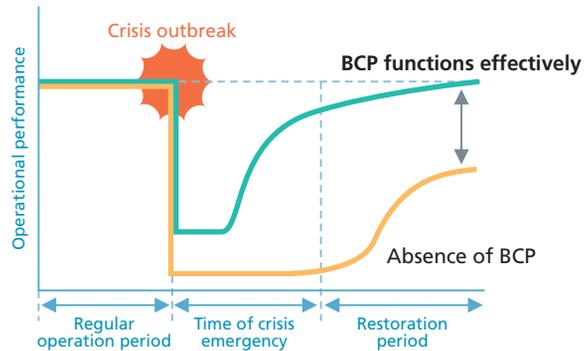
BCM System

The Nikon Group is structuring a Business Continuity Management (BCM) system covering our core operational areas of the Precision Equipment Business and the Imaging Products Business as well as the corporate headquarters function which supports such operations. A business continuity plan (BCP) is being formulated which will ensure the rapid restoration of the above-mentioned core businesses in the event of a large-scale disaster such as a major earthquake impacting the Tokyo area, thereby preserving corpo-

rate value by maintaining business continuity. This will not only allow for continued manufacture and shipment of products in the event of a disaster, but corporate service and support functions will also be rapidly restored as well.

Through this BCM system, we aim to be a company that can earn even greater confidence from our customers.

Overview of the BCP



Risk Management for Information Resources

As part of education and awareness activities directed at employees of Group companies in Japan, the "A Handbook on Nikon Information Security" was issued and distributed in April 2006, and employees are also tested regularly regarding their degree of understanding of information security issues by e-learning systems. Furthermore, information management audits were implemented in September 2006 and March 2007, respectively. The audit was conducted of the confidentiality classifications prescribed in the "Guideline for Confidentiality Classifications" (formulated in February 2006) and the control status of such, as well as the management conditions of personal information.

Meanwhile, the activities of the Information Security Subcommittee include development of an infrastructure for establishing appropriate access right and in April 2007 operation of a common Group-wide authentication infrastructure system was launched. Moreover, to bolster the control and management of corporate information the "Information Security Improvement Plan" was compiled by the Subcommittee which will be executed in the year ending March 2008.



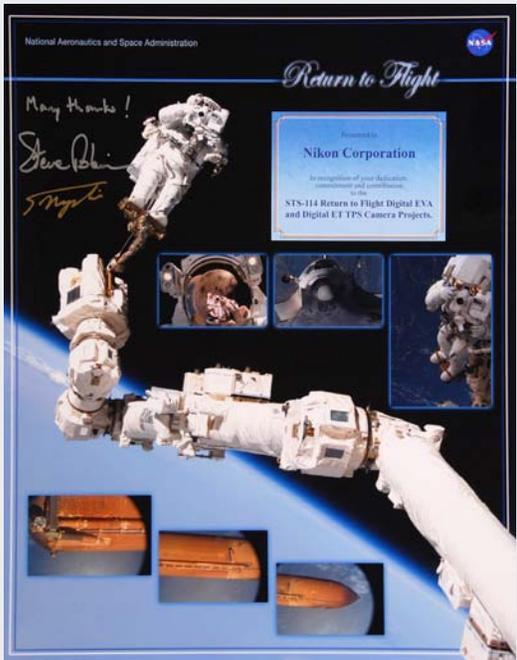
A Handbook on Nikon Information Security

▶▶▶
Commemorative panel expressing appreciation for contributions made by Nikon and its equipment, received from NASA

Recognized for their high quality and reliability Nikon camera products have been mounted on every manned American spaceflight, since Apollo 15 back in 1971. Nikon has thus played an active role in being part of the history of NASA's space endeavors and recording the historical developments along the way.

In August 2005, Japanese Astronaut Soichi Noguchi gained headlines for his spacewalk during the Space Shuttle Discovery's mission, which was only the second Extra Vehicular Activity (EVA) ever performed by a Japanese astronaut at that time. During this mission, Nikon's F5-based digital camera, several types of Nikkor lenses and the SB-800 Speedlight flashes were used by NASA, and Nikon products played a vital role in photographically inspecting the Shuttle's heatshields and imaging the external fuel tank. In recognition of the contributions made by Nikon and its products during this mission, a commemorative panel expressing appreciation was presented by NASA in May 2006.

In order to further promote the longstanding relationship of trust it has enjoyed with NASA over many years, the Nikon Group will focus all of its resources and efforts on ever greater enhancement of product quality and reliability.



Commemorative panel comprising images of the external fuel tank and the astronauts themselves, actually taken during the Space Shuttle Discovery's Mission.

▶▶▶
Nikon voted top company for digital camera after service in Nikkei Business magazine's survey two years in a row; Nikon Inc. wins NAPET Manufacturer Service Support Award for sixth consecutive year

The Nikkei Business magazine (from Nikkei Business Publications) annually conducts a survey on the after-sales service provided by major corporations in 15 different business fields, and targets some 15,000 customers of such services. The survey evaluates each company in a questionnaire format, and generates comprehensive assessment based on areas including quality and speed of product repairs, the quality of telephone and customer desk service, among others.

Nikon was highly rated by customers in the magazine's "2006 After-Sales Service Survey" and for the second year running was voted the top company for after service satisfaction in the Digital Camera Section. This was the seventh time the Nikkei Business magazine has conducted this survey, and the fourth time Nikon has gained the number one position.

Meanwhile in the U.S., for the sixth consecutive year Nikon Inc. won the prestigious National Association of Photo Equipment Technicians (NAPET) Manufacturer Service Support Award in March 2007. NAPET is an organization comprised of 180 owners of independent camera repair businesses in the U.S. photographic industry, and their



Accepting the NAPET Manufacturer Service Support Award

award is a recognition of consistent quality service in the industry which is presented to one company annually. A company winning this award six consecutive years is unprecedented in the NAPET's 47-year history.



Nikon ArF Immersion Scanner NSR-S609B Wins 2006 Nikkei Superior Products and Services Award for Excellence

In January 2007 Nikon Corporation won the Nikkei Business Daily Award for Excellence in the “2006 Nikkei Superior Products and Services Awards” for its NSR-S609B ArF Immersion Scanner. Issued by Nihon Keizai Shimbun, Inc., these awards distinguish among approx. 20,000 products and services introduced yearly which are recorded in the four Nikkei newspapers article database and the Nikkei database. The awards are based on comprehensive assessment of technology development, cost performance, contribution to business performance, potential, originality and impact on industry and society. The NSR-S609B ArF Immersion Scanner, available on the market since January 2006, prints circuit patterns on silicon wafers via excimer laser light, determining performance levels for LSI manufacturing. Nikon changed the direction of development with immersion lithography. The space between the projection lens and the wafer is filled with purified water—an innovation that breaks through the barrier of NA (numerical aperture value indicative of lens performance) 1.0. This is a key to performance that cannot be matched through conventional methods involving lithography in a natural atmosphere, realized by such unique advanced technologies as those for local fill nozzle and tandem stage. The NSR-S609B



Nikkei Superior Products and Services Awards Ceremony



Nikon ArF Immersion Scanner NSR-S609B

scanner realizes circuit line width of less than 55 nm (1nm: 1 millionth of 1 mm) and operates in the world’s most advanced semiconductor manufacturing factories.



Nikon Imaging Center (NIC) opened at the University of California at San Francisco

On September 29, 2006 Nikon Instruments Inc. unveiled the opening of the new Nikon Imaging Center (NIC) at the University of California at San Francisco (UCSF) in the United States. The Center is equipped with the latest in advanced Nikon microscopy and imaging equipment, and is open to researchers and students with the aim of contributing to research and education.

The major feature of the Center is that it serves as a comprehensive experiment facility that goes beyond microscopy studies, also housing pharmaceutical-related equipment and culture apparatus for various experiments. At UCSF, microscopy workshops are held monthly to instruct on fluorescent microscopy and confocal microscopy methods, and participants can also learn digital imagery and transmitted illumination techniques.

Through the NIC, many people can have access to and become familiarized with Nikon microscopes, and at the same time the Nikon Group can acquire information pertaining to the front line of various research areas which can be reflected in new products and future business development. To date, Nikon has also opened other Imaging Centers at Harvard University in the United States, The University of Heidelberg in Germany, Oxford University in Great Britain, and Hokkaido University in Japan.



After the opening ceremony, San Francisco Mayor Gavin Newsom studies a specimen under a Nikon microscope



Inside the Nikon Imaging Center (NIC)

Social Topics

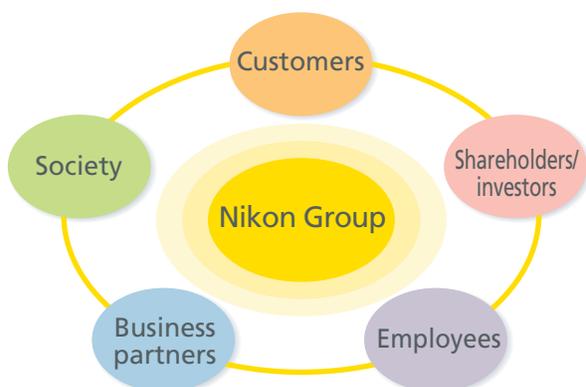
Relationship with Stakeholders

With the aim of gaining the confidence of stakeholders, the Nikon Group has implemented a wide range of measures to enhance communication with all of its stakeholders.

Nikon Group Stakeholders

The Nikon Group defines all of its “customers, shareholders/investors, employees, business partners and society” as a whole as stakeholders, and makes every effort to meet all of their expectations.

Conceptual Diagram of Stakeholders in Nikon Group



Basic Stance Towards Stakeholders

As it develops business worldwide, the Nikon Group bears responsibility for a diverse range of stakeholders. To maintain a good relationship with these stakeholders and further strengthen that relationship, two-way communication is a vital consideration.

The Nikon Group therefore gathers necessary information from stakeholders extensively, relying on the most appropriate means of communication with them, in order to gain a resource for improving performance.

By communicating with as many stakeholders as possible Nikon acquires an understanding of their intentions and desires. It then applies this knowledge during policy planning and when making other decisions to work towards the resolution of problems if they arise. Through activities such as this, Nikon aims to gain the confidence and trust of its stakeholders as a company that continues to be highly appreciated.

Communication with Major Stakeholders in Nikon Group

Stakeholder	Major means of communication	Information utilization results
Customers	Customer satisfaction surveys, questionnaires	Improved products, services, etc.
	Customer Support Centers to answer inquiries	Same as above
	Product pamphlets, detailed product manuals	Deeper understanding of products among customers
Shareholders/investors	Financial results conferences, explanation meetings, etc.	Reflects management objectives, etc.
	Visits to corporate investors (Japan, overseas)	Same as above
	Interviews with corporate investors, analysts	Same as above
	Fact books, annual reports (printed material)	Deeper understanding of management objectives and results among investors
	Investor information (website)	Deeper understanding of the company among investors
	Semiannual/annual business reports (printed material for shareholders)	Deeper understanding of the company among shareholders
	General meeting of shareholders	Reflects overall management, etc.
Employees	In-house publications	Improved in-house communication
	In-house information sharing systems	Same as above
Business partners	Procurement policy explanation meetings	Improved procurement methods, etc.
	Quality improvement meetings, opinion exchange meetings	Improved quality, etc.
Society	Sponsorships	Improved brand strategy, planning for new initiatives, etc.
	Social contribution activities	Improved social contribution activities, planning for new initiatives, etc.
All	Website	Reflects overall management, etc.
	Public relations magazines, corporate profile (printed material)	Deeper understanding of the company among readers

Relationship with Customers

A basic stance of the Nikon Group is to make social and economic contributions through activities that provide products and services useful for society. Every effort is being made at each Nikon company to create a business structure that best meets customer needs.

Improving Customer Satisfaction and Service Response

Activity of Precision Equipment Company

Although the Precision Equipment Company manufactures steppers and scanners for IC and LCD, its relation with customers is more than simply supplying equipment. The company believes that to assure customer satisfaction it is vital to communicate with them and provide follow-up support while offering useful recommendations.

Communication and Support Service

The Precision Equipment Company, like all other directly controlled subsidiaries and their overseas branches, serves as a base for communication and support services with customers all over the world. Customers requests, customer opinions, and local inputs gathered through those bases are immediately passed on and shared with the Support Department of the Company to ensure that the parties concerned respond to them as quickly as possible.

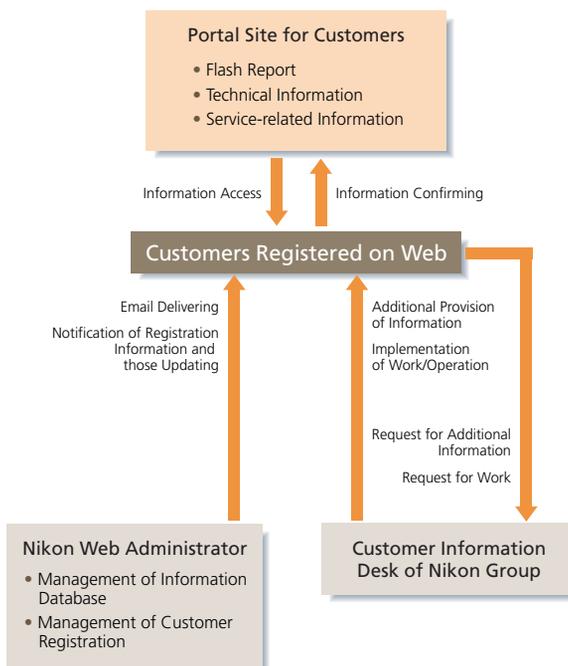
Support Activities

As well as prompt repairs if equipment breaks down, the Precision Equipment Company aims to provide support through preventive maintenance and customer assistance to sustain a high rate of operation and high productivity.

To accomplish these goals, the Company offers various proposals and recommendations towards the establishment of action plans through analysis on operating conditions of equipment, based on over 20 years of stepper development, extensive field service experience, and the ongoing acquisition of new technologies.

The Nikon *Seiki* Company Information Portal Site has been established to provide customers with the information they need for configuring, systematically maintaining, and upgrading the IC stepper. The site also provides technical data, maintenance information, and other support services for various other types of equipment, either directly or through links. These systems help the Company reflect the needs and opinions of customers into the development and improvement of products.

Outline of the Information Service System on Web



Environmental Activities Overseas

In June 2005, Nikon Imaging (China) Co., Ltd. became the first overseas subsidiary in the Nikon Group to obtain ISO 14001 certification. It was followed by Nikon (Thailand) Co., Ltd., in November 2006. These two subsidiaries have been conducting various environment conservation activities to reduce greenhouse effect gas and waste.



Environmental Education in China

Social Topics

Relationship with Customers

Activity of Imaging Company

In addition to providing outstanding image-related products, particularly digital cameras, the Imaging Company offers prompt customer support and extra convenience with service centers and call centers to handle inquiries and requests for repairs. Assistance is also provided by an extensive Frequently Asked Questions (FAQ) list and a streaming video "Watch and Learn Manual Digitutor" on the website.

Global at Customer Support System

Elsewhere, to quickly analyze and answer inquiries from around the world concerning requests for products and product quality, the company is implementing measures to establish an appropriate in-house structure and system that includes overseas Group companies.

The company has also established a special department to gather and analyze customer opinions and demands and apply this valuable information to product improvement and the planning and development of new products.

Outside Reputation

Nikon has won high praise from its products and services, both in Japan and abroad.

In June 2006, Nikon was selected as the first prize winner in the After-Sales Service Survey published by Japan's Nikkei Business magazine. The Company has won this distinction four times over the last seven surveys, including the 2005 survey.

In the US, Nikon Inc. received an hour of Manufacturer Service Support Award for the sixth year in a row in the grand conference of NAPET (National Association of Photo Equipment Technicians.)* The conference was held together with PMA 2007 (Photo Marketing Association International Convention & Trade Show,) one of the largest imaging equipment exhibitions in the US, in March 2007. No other company has won as many as six consecutive awards in the 47-year history of the NAPET conference. In a keynote lecture presented at PMA (Meeting needs. Exceeding expectations.) President Kariya spoke about huge contributions from Nikon in the development of digital imaging, including many contributions to come.

Nikon will continue working to improve customer satisfaction from a global perspective.



The 31st NIKON PHOTO CONTEST INTERNATIONAL 2006-2007

The Nikon Group has biennially held the international photo contest since 1969 to provide photographers around the world with opportunities to contribute to the development of photo culture, regardless of generational or national boundaries. Thousands of photographs are submitted from around the world every time. The prize-winning entries will be posted on the Nikon website in July 2007.



President Kariya delivering a lecture at PMA

*NAPET is an association of owners of certified repair shops for imaging-related products. The NAPET prize is awarded to the most excellent manufacturer in all aspects of customer service.

■ Activity of Instruments Company

Customers from various fields and industries rely on the products manufactured by the Instruments Company, from bioscience research institutions to manufacturing plants with assembly lines for electronic components, automobile parts, and so on.

The Instruments Company endeavors to develop new products and technologies to meet the various customer needs that have been identified and collected through marketing, sales, and CS activities.

Repair Service System (in Japan)

At the heart of Nikon's Customer Service Department there is a support system for repairs that are conducted through sales subsidiaries and distributors. With the consolidation of all domestic sales subsidiaries in April 2006, measures are now underway to provide repair support nationwide and services that better satisfy customer needs. The company also holds new product training sessions and repair technique training sessions for distributors as part of its on-going efforts to provide customers with higher quality services.



Microscope Workshop at the American Museum of Natural History

Nikon Instruments Inc. held three microscope workshops for the staff of the Discovery Room at the American Museum of Natural History in New York City, from September to November 2006. The Discovery Room is an exhibition room where families can enjoy studying plants, animals, and natural science. The Nikon workshop sought to improve the skills of the staff in both instructing visitors and collecting better images with microscope technologies.

▶ The American Museum of Natural History on the Website

<http://www.amnh.org/>

Visitors can observe microorganisms and nano-scale artifacts through microscopes manufactured by Nikon.



The Workshop

Privacy Information Protection

The proper handling of the privacy information obtained through customer registration, the Nikon Salon, etc. in a proper manner is an important social responsibility. The Nikon Group protects this privacy information vigilantly.

■ Nikon Group's Privacy Protection Policy

The Nikon Group has established a "Nikon Group Privacy Protection Policy" in order to maintain an advanced administrative structure in compliance with the relevant acts regarding the protection of privacy information. The policy has been made available on the company website by decision of NAME (President, CEO, COO and board member of Nikon Corporation, and director in charge of privacy information in the Nikon Group.) The group company websites also provide details on the progress of the group companies in handling privacy information based on the above policy.

▶ "Nikon Group Privacy Protection Policy" on the Website

<http://www.nikon.co.jp/main/eng/privacy/index.htm>

■ Education and Enlightenment

To enhance control over privacy information, a booklet of "Guidelines on the Privacy Information Protection" has been distributed to all Nikon Group employees in Japan. The office in charge of information management for the entire Nikon Group consists of Information System Planning Department and the Administration Department. The office regularly audits the information management structure and deals with inquiries on actual operations as needed.

■ Optimization of Information Management

To further optimize information management, including privacy information protection, various regulations, including the Information Management Rules and the Guideline for Confidentiality Classifications, have been established and put into practice as basic policies for information management in the entire Nikon Group.

For enhanced protection of privacy information in particular, a special management system has established to deepen awareness and understanding among all Nikon Group employees. Nikon Photo Products Inc. acquired the Privacy Mark in January, 2007. This certification is granted to organizations that properly handle privacy information.

Social Topics

Relationship with Customers

Product and Service Quality Control

The Nikon Group executes its daily production and other business activities with a focus on safety, environmental conservation, functionality, performance, and reliability as components of "quality." The aim is to provide even higher quality of products and services, based on guiding concepts of "customer focus" and "top priority on quality."

■ Policies and Systems for Quality Control

Based on the long-standing concept of "top priority on quality," the Nikon Group's corporate objective is "to provide the world with the latest and highest-quality products and services to contribute to the lives and cultures of people worldwide, using the outstanding technological capabilities of Nikon." The "Quality Control Directive (QCD)" has been established as a set of basic regulations for quality control, and information on basic policies and practical operations is conveyed far and wide throughout the entire Group. At the local level, every group company has set up a Quality Assurance Department to conduct reliability tests and process inspections for the verification of product quality.

■ Quality Control Committee Management

In line with "Nikon's Philosophy" and "Nikon Corporate Social Responsibility (CSR) Charter," the Quality Control Committee holds meetings to deliberate and determine basic policies and basic issues related to quality control. The management policy for the Committee is to make revisions when appropriate to enhance the quality control system so that it operates in a timely, effective manner, and to inform related departments of any decisions made while promoting quality control activities.

■ ISO 9001 Certification

All business departments and major subsidiaries have acquired the ISO 9001 certification, and all business activities are executed in line with the ISO 9001 Quality Manual based on the QCD. Partner companies are also required to fully understand the Nikon Group basic policy of "top priority on quality" and to enter into quality assurance agreements with the Nikon Group. Qualified ISO 9001 auditors in the Nikon cooperate for certification acquisition upon the request of partner companies.

■ Quality Control Audit

Quality control audit is conducted by the Chairman of the Quality Control Committee and involves inspection and verification of the status of quality control activities, reaching as far as Group companies. Information acquired is then assessed appropriately with the aim of improving both quality and efficiency.

In conducting a quality control audit, the Chairman of the Quality Control Committee recommends corrections and improvements of the measures used to eliminate improper practices, and modifies relevant provisions of the Quality Control Directive as needed. Highly important matters are reported to the Executive Committee, to ensure that appropriate responses are reflected in internal control.

■ Product Safety Assurance

All of the products are designed in consideration of safety, from the planning stage through to the final stages of the product life cycle.

Design is conducted in line with the "Safety Design Principle" and other guidelines drawn up based on international standards, and safety is verified through measures such as design review and inspection on the production line. When required, certification of safety is acquired from a third-party control body. As well as verification of prototype and product safety by the "Product Safety Test Room" established by the European certification body test laboratory TÜV SÜD (TÜV SÜD Product Service GmbH, Germany), the level of performance of examiners is strictly reviewed before certification to assure that only safe products reach customers.

If a problem with product safety arises, information is disclosed to customers as soon as possible and counter-measures are taken immediately after thorough investigations into the matter.

One safety problem occurred in the year ended March 2007. The problem was related to a defect in the power components for the "Nikon Industrial Microscope ECLIPSE LV Series." We wish to convey our deepest apologies to customers who may have been inconvenienced by this problem.

ISO/IEC 17025
(Certificate of conformance
to general requirements
for the competence of testing
and calibration laboratories)



▶ The defects in power components of Nikon Industrial Microscope ECLIPSE LV Series

http://www.nikon.co.jp/main/eng/news/2007/0208_01.htm

Relationship with Shareholders and Investors

To acquire the understanding and trust of shareholders and investors, Nikon Group provides a wide range of timely information as part of its vigorous approach to communication. We also make every effort to enhance feedback to management.

Disclosure to Shareholders and Investors

Basic Disclosure Policy

The Nikon Group's basic stance on information disclosure is to disclose corporate information in a fair and positive manner. In addition to observing the Timely Disclosure Rules established by Tokyo Stock Exchange, the Nikon Group continues working to foster a deeper understanding among its shareholders and investors by providing a wide range of information, from management policies and business activities to information on products and technologies.

Disclosure Tools and Timely Disclosure

When disclosing information, Nikon applies methods that are appropriate for the details being disclosed. Information is provided through the mass media with news releases and official announcements, and through other means such as explanation meetings, fact books, annual reports, semiannual/annual business reports and other printed material.

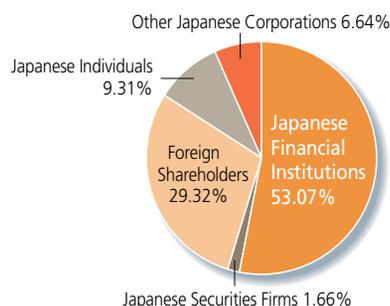
With the spread of the Internet in recent years and the increasing need to transmit information via a website, we established an "Investor Relations" section on our website to provide the latest news. Timely disclosure to investors is further assured by the use of the Tokyo Stock Exchange's "Timely Disclosure network (TDnet)."



"Investor Relations" Section on the Website

<http://www.nikon.co.jp/main/eng/portfolio/ir/index.htm>

Component Ratio of Shareholders
(as of March 31, 2007)



Communication with Shareholders and Investors

Communication Policy

Nikon Group employs a variety of means to enable interactive communication with its shareholders and investors as a way of promoting a deeper understanding of the company. At the same time, the active participation of top management assures that their opinions are more effectively applied to management.

IR Activities

The Nikon Group holds conferences on financial results, medium term management plans, and other topics for institutional investors and analysts in Japan. The Group also takes part in conferences organized by securities companies, to increase its opportunities for direct contact with investors. Group executives also travel internationally to augment their communications with overseas investors.

Communication with individual investors, meanwhile, are enriched through the Investor Relations activities and resources available through the Nikon website.

Major IR Activities in the Year ended March 2007

IR activity details	Record
Financial results conferences, explanation meetings, etc.	May, November
Interviews with institutional investors/analysts	About 300/year
Visits to overseas institutional investors	1 in Europe and US each
Visits to domestic institutional investors	About 20/year
Participation in conference organized by securities companies	5/year
Participation in small meetings organized by securities companies	About 10/year

Social Topics

Relationship with Employees

Nikon Group employees come from a wide range of backgrounds. The company's basic stance is to respect individual diversity and human rights, to treat people fairly without prejudice, and to provide an environment in which dedicated work leading to good results is possible.

To Create an Environment for "Meeting needs. Exceeding expectations."

■ Ideal Employees and Companies

The establishment of Nikon's Vision in April 2007 has led to a review of the personnel vision of the Nikon Group.

What are the ideal companies, and who are the ideal employees, to create an environment conducive to "Meeting needs. Exceeding expectations." within this Vision? What should Nikon do to foster these people and companies? The Personnel Management Department plays a core role in working out these questions, but all departments and employees are working with it. The Group goal is to share and inculcate a commitment to every personnel-oriented measure among all employees and group companies.

The personnel vision of Nikon exists to create an environment conducive to "Meeting needs. Exceeding expectations." in Nikon through the growth of both employees and companies. Nikon strives to materialize these goals through various personnel systems and measures for human resource development.

■ Working Environment to Foster Human Resources

Nikon recognizes its important responsibility, as a company, to provide a working environment in which employees can work to their full potential.

For that purpose, Nikon will shift its personnel system from a single-track structure to a double-track structure in the year ending 2008. Once the system is modified from a single track (Junior Staff level→Senior Staff level→Professional/Management level) to a double track (Junior Staff level→Senior Staff level→Professional level or Management level) an employee advancing to the final level will be assigned exclusively as either a "manager" to lead an organization or a "specialist" to contribute his or her knowledge and skill.

Under the new system, every employee will choose how he or she wishes to contribute significantly to the Company as an individual. We believe that employees with control over their own contributions to the Company will find more fulfillment in their work and perform at a higher level. Nikon will provide every employee with the opportunities to receive support for considering and making career choices. These efforts will help Nikon realize an environment where every employee can work effectively.

Outstanding Personnel Nikon is Looking For



■ Outstanding Personnel Nikon is Looking For

"Individual employees working energetically with a sense of involvement"

In concrete terms, the above concept means "employees who can firmly state their own opinions, debate authoritatively, and when a consensus has been reached, cooperate and act to achieve overall optimal results without adhering to their own ideas and views." This describes the kind of model employee Nikon is looking for, in other words, employees who:

"Work for the team, think on your own, and act."

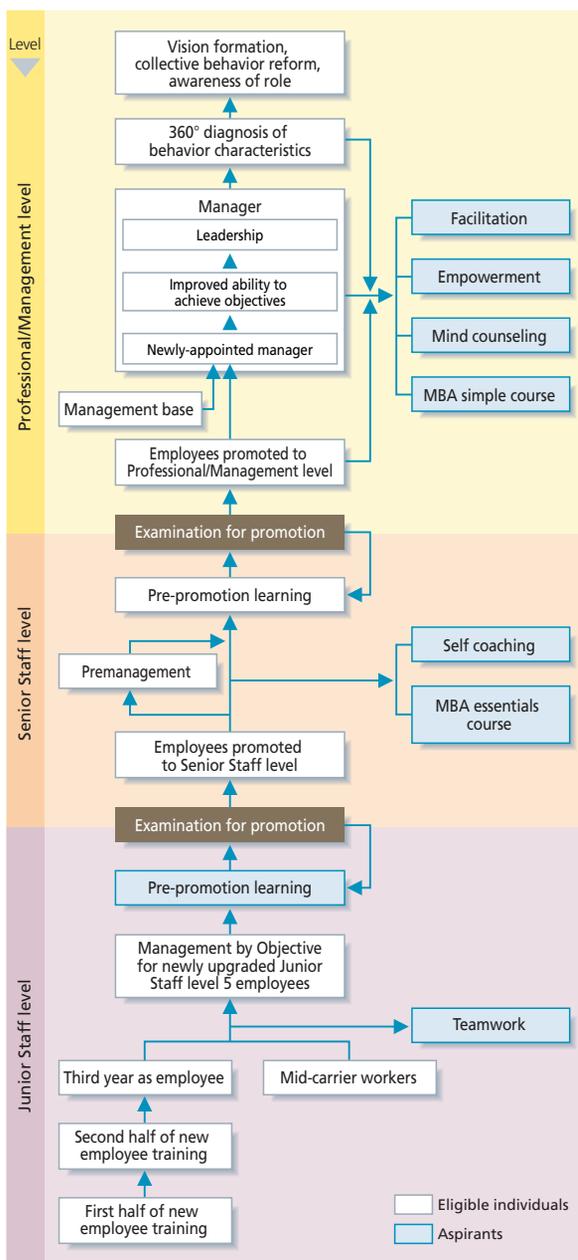
The aim is to achieve a feeling of solidarity and empathy from the standpoint of the company, workplace and individuals with employees who:

- Are not only wanted by the company but,
- Are worth nurturing at the workplace and,
- Are individuals with motivation.

Human Resource Development

The Nikon personnel system applies a set of Capability Indices to clearly specify the abilities required of the persons holding various positions within company. Training and self-development programs are provided to help employees master these requirements.

Position and Training Flow Nikon Employees (the Year ended March 2007 Ver.)



Training for Each Job Title

In addition to special trainings for the staff who are promoted to senior staff level and professional/management level, regular trainings for each job title, i.e. Junior Staff, Senior Staff and Professional/Management level, are implemented in the Nikon Group.

Skill Training for Each Line of Work

Nikon provides various technical training required in each line of work, as well as courses on business communication and business presentations in English.

Training for Newly Employed Staff

In addition to introductory training for new graduates from various schools, special training for those employed under the mid-career recruitment system are implemented twice a year.

Measures to Improve Nikon's Training Programs

The Nikon Personnel Management Department reviews the adequacy and effectiveness of training programs, in order to find ways to renew and improve the particulars. The annual plans for various training programs are submitted to a special committee consisting of heads of departments, in order to promote the exchange of views for the enhancement of Nikon's human resource development system.

Major Training Sessions Newly Added or Renewed in the Year ended March 2007

- "Workplace Vitalization Training" for managers
- "Ability Rating Training" for managerial staff
- "Leadership Development Training" for senior level staff with promotion
- "Step-up Training toward Self-Supported and Self-Directed Human Resources" for fifth-grade junior staff
- "Career Vision Training" for third-year general staff
- "Creation Seminar" for new-graduate technical personnel

Social Topics

Relationship with Employees

Fair Recruit Selection

To bring in a broad range of competent people, Nikon Group regularly recruits new graduates as well as individuals with experience of working in a company. At the employment interviews for new graduates, we place particular emphasis on creating an atmosphere, even before the interview, that will draw out their intrinsic capabilities. For individuals with previous experience, we have established "job description-free hiring" recruitment terms to enable us to attract aspirants from a wide range of fields regardless of their previous line of work.

Employment of the Disabled

Nikon Tsubasa Inc., an exceptional subsidiary, was established in 2000 in conformity with the Law for the Promotion of Employment, etc. of the Disabled. The number of mentally disabled employees working for Nikon Tsubasa has risen from 10 to 25, and now includes one female (as of March 2007.) The company accepts some orders from outside of the Nikon Group, and it has received high acclaim for its performance. By deploying highly experienced staff and instructors to train Nikon Tsubasa employees, the workforce learns to adeptly handle operations such as parts processing, packing, assembly, and maintenance for card-issuing equipment. Better still, a meticulous support system for the lives of the employees helps them realize their full potentials. The mentally disabled now work on assembly lines for precision instruments in several companies in Japan, and the trend has been attracting media attention.

The Nikon Group has already reached the statutory employment ratio of people with disabilities of 1.8% (the rate was 1.88% as of the end of March 2007,) and it continues to make vigorous efforts to create new workplaces for the disabled.

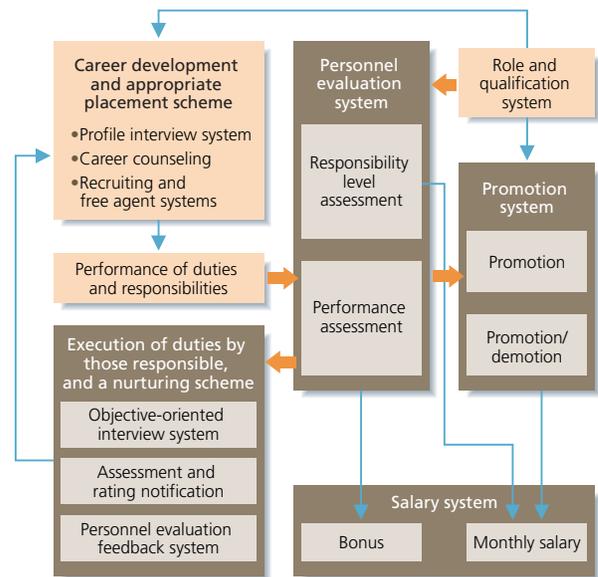


Work Site of Nikon Tsubasa Inc.

Personnel System and Wage System

Nikon considers the individual abilities and aptitudes of every employee, for future career development and proper placement. The various systems shown below have been introduced to promote two-way communication between superiors and subordinates and to deepen understanding of the grounds for their assessments, from the viewpoints of "individual growth" and "subordinate nurture." The objective-oriented interview system and profile interview system serve these ends, as well.

Nikon Personnel System Diagram



Continuing Employment System for Retirees

To operate as a company where the elderly can continue working insofar as they can and wish, Nikon has been running an Active Senior Employee System since April 2006. Under this system, employees reaching the retirement age (60 years old) can be reemployed if they satisfy a set of prescribed conditions. The age limit for reemployment is now 63, but it will be extended to 65 years for employees retiring after April 2009. Nikon Staff Service Corporation, a subsidiary established in 2004, adopted its own continuing employment system before the main system was established for the Group.

The Nikon Group endeavors to benefit from the contributions of the elderly by comprehensively facilitating the measures mentioned above.

Safety and Health

To help secure the safety and health of employees, representatives from labor and management pooled their efforts to the Safety and Health Committee. This committee investigates and deliberates issues to do with safety and health in the Nikon Group. Each year it prepares and supervises the implementation of basic policies and measures to enhance the safety and health of employees. A Plant Safety and Health Committee, meanwhile, has been established at each business institution under the relevant laws.

Adherence to related laws and cooperation among employees are essential to secure the safety and health of employees. Thus, the opinions of employees are collected and reflected in company-wide measures.

According to the targets and policies of each business institution, meanwhile, a set of Worksite Safety and Health Targets has been formulated at each work site to promote activities with the participation of the entire staff.

Various activities to secure safety and health are conducted at each plant production line based on a set of Safety and Health Management Rules specifying the responsibilities of the worksite managers. The Nikon Group makes every effort to fulfill its obligations as a business organization through the above-mentioned measures, and to comply with all relevant laws and regulations without exception. Recent work has focused on measures to optimize the mental health of employees and prevent health problems resulting from overwork.

Objectives and Policies of Company-wide Safety and Health Activities in the Year ending March 2008

Target:

A safe, healthy, vibrant corporation

Policy 1:

Safety considerations "From no accidents to no danger"

Policy 2:

Promote health improvement support activities

Policy 3:

Create a comfortable workplace

Routine Measures

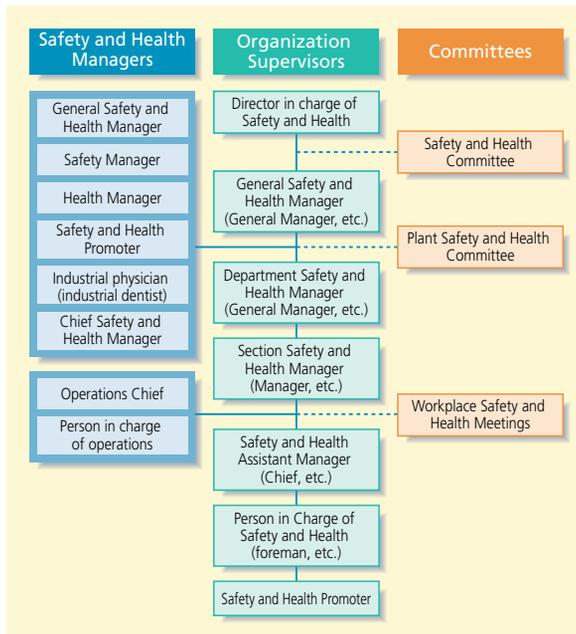
Work site patrols by Plant Safety and Health Committee members (once a month)

Work site self inspection by Plant Safety and Health Promotion Committee members (once a month)



Work Site Patrol

Nikon Corporation Safety and Health Management Organization



Recent Measures

Since July 2006

Introduction and implementation of a Rehabilitation Support System for employees on sick leave (fewer work days and shorter working hours)

In September 2006

Inspection and improvement of medical services at Nikon (Thailand) Co., Ltd.

In November 2006

Inspection and improvement of medical services at Nikon Imaging (China) Co., Ltd., Nanjing Nikon Jiangnan Optical instrument Co., Ltd. and Hikari Glass (Changzhou) Optics Co., Ltd.

Social Topics

Relationship with Employees

Obligation of Health Care and Security

■ A Guideline to Prevent Continuous and Excessive Overtime Work

To spare individuals from bearing excessive workloads and prevent workplace accidents due to fatigue, a set of guidelines for countermeasures against continuous and excessive overtime work was established on April 1, 2006.

When the total monthly overtime by an employee exceeds 80 hours for two months in a row, the next month is determined as a "cooling period," during which time the employee is prohibited from working more than 40 hours of overtime. If an employee works 80 or more hours of overtime during a "cooling period," the month after the "cooling period" is defined as a "no overtime period," during which time overtime work is forbidden. This regulation is also applied to specialists and managerial staff.

■ Rehabilitation Support System for Employees on Sick Leave

A rehabilitation support system for employees on sick leave has been in place since June 1, 2006. This system facilitates the rehabilitation of ailing employees to facilitate their return to work.

Under this system, an employee returning from sick leave may work for either shortened hours or a reduced number of working days per week, provided that their company accepts an application by a retread. The duration of the employees schedule for shortened work time should be within the limit required for rehabilitation, based on the company's estimation and the monthly applications that the employees themselves submit. Generally the duration will be up to three months (based on calendar days) from the date the retread returns to work.

Outline of the System for Shortening Work Hours or Reducing Workdays

Shortening work hours	<ul style="list-style-type: none"> • The work hours can be shortened by up to 4 hours a day, in units of 30 minutes. • When shortened work hours are permitted, the employees should never be asked to work overtime or on holidays, in principle. • When shortened work hours are permitted, employees working shortened work hours should never obtain half-holidays. This excludes, however, employees whose workdays are shortened by no more than two hours a day.
Reducing workdays	<ul style="list-style-type: none"> • When shortened work hours are permitted, employees working shortened work hours should never obtain half-holidays. This excludes, however, employees whose workdays are shortened by no more than two hours a day. • The off-duty day under the above-mentioned regulation should be used for the rehabilitation support required by the employee's company. • When reduced workdays are permitted, the employee working the reduced schedule should never be asked to work overtime or on holidays, in principle.



Promotion of women's participation

Nikon takes a progressive approach to promoting capability development for women and creating worksites in which women can play an active role. Self-fulfillment Training for female employees was planned and implemented as a first step to creating environments where women can maximize their potential and reap personal rewards through active work.

Nikon is accelerating its efforts to establish a framework under which female employees will act with a sense of purpose and effectively use their capabilities at all times.



"Self-fulfillment Training" for female employees

Work and Family Support System

Nikon has introduced various systems and measures to enable employees with childcare and nursing-care responsibilities to work with peace of mind.

Almost everyone who takes leave before and after childbirth and childcare leave returns to work. As for paid leave, employees take 60% or more of the 20 days of paid leave yearly offered on average, showing relatively high scores both in earning paid leave and using the days earned.

We strive to create a working environment where every employee can work vividly, keeping the balance between work and home.

Nikon Childcare/Nursing-Care Support System

Childcare related system
<ul style="list-style-type: none"> Steps to alleviate commuting stress during pregnancy (staggered hours/shortening of working hours by up to 2 hours) Time provided for hospital visits during pregnancy (1 hour-max. 1 day x number of hospital-visiting days) Childcare leave (as a general rule, until the child is 1 year old but can be extended to 1 year 6 months due to day nursery availability and other factors) Spouse maternity leave (2 days special leave) Choice of work hours (until the child is 1 year old: work time shortened by up to 4 hours per day/staggered hours) Shortened work hours (until the child completes year 3 of elementary school: up to 2 hours per day) Overtime limitation and exemption from late night work
Nursing care related system
<ul style="list-style-type: none"> Nursing care leave (up to 1 year) Shortened work hours (up to 4 hours per day for 1 year) Special accumulated leave for accident, illness or nursing care (accumulation of up to 40 days of paid leave that cannot be carried over possible) Nursing leave (up to 5 days per year for nursing pre-elementary school children) Overtime limitation and exemption from late night work

Record of Leave Before and After Childbirth/Childcare Leave and Return to Work

Unit: person(s)

Year ended	Maternity leave	After maternity leave		Childcare leave acquired		Left company during childcare leave	Returned after childcare leave
		Returned	Childcare leave	Male	Female		
March, 2004	18	1	17	0	17	0	17
March, 2005	10	0	10	1	10	1	10
March, 2006	12	0	12	0	12	0	12
March, 2007	17	0	17	0	17	1	16

*As for childcare leave, the total number of employees who acquired them regardless of the number of days or the period of the leave is listed in the above table.

*The employees these leaves are applied to: regular, temporary and contract employees

Record of Nursing Care Leave Acquisition and Return to Work

Unit: person(s)

Year ended	Male	Female	Returned
March, 2003	2	1	3
March, 2004	0	0	0
March, 2005	2	0	2
March, 2006	1	1	2
March, 2007	0	1	1

*The employees these leaves are applied to: regular, temporary and contract employees

Record of Paid Leave Acquisition (on average)

Unit: days

Year ended	Union members			Employees		
	Male	Female	Total	Male	Female	Total
March, 2004	12.8	15.5	13.1	11.9	15.3	12.2
March, 2005	13.3	16.0	13.6	12.4	15.7	12.6
March, 2006	13.6	15.8	13.8	12.6	15.7	12.9
March, 2007	13.9	15.8	14.1	13.1	15.7	13.4

*The employees these leaves are applied to: regular, temporary and contract employees

System of Leave Acquisition Promotion

Scheduled acquisition system of annual paid leave has been established in Nikon. Each employee schedules to acquire annual paid leave in advance within the total days of leave; moreover, one day of them should be set out as an anniversary leave. The balance between work and private life can be maintained through utilization of these systems.

Outline of Leave Acquisition Promotion System

System	Acquisition Term	Number of days
Scheduled Leave Acquisition System	Half-yearly (once per half year)	Two days each
Anniversary Leave System	Yearly (all year)	One day
Annual Total		Five days

Social Topics

Relationship with Business Partners

To secure fairness and honesty in operations, Nikon procures its goods and materials in accordance with the Basic Procurement Policy of the Nikon Group.

Basic Procurement Policy of the Nikon Group

Nikon adheres to the following four basic policies in procuring materials from its business partners:

Our procurement activities are performed fairly and honestly, based on the existing Quality Control Directive (QCD) and the environmentally related policies and activities being rigorously promoted together with business partners.

Nikon Group's Procurement Basic Policies

1. Open-door procurement
2. Procurement based on fair competition
3. Procurement based on the concept of partnership
4. Green procurement

Communication with Business Partners

Promotion of Nikon Green Procurement Standards

For adherence to the Nikon Green Procurement Standards established in October 2005, Nikon held briefing sessions with its business partners to deepen their understanding on green procurement. Many partners from which Nikon procures are now required to enter a Nikon Green Procurement Declaration.

In the year ended March 2007, Nikon held briefing sessions for each Company and Division, and for major manufacturing and sales subsidiaries in Japan. Briefing sessions were also held for business partners of overseas affiliates in Europe, US, China, Thailand, and elsewhere. Through these sessions, Nikon subsidiaries and their partners deepened their understanding of the environment-friendly procurement activities of the Nikon Group. The Nikon Green Procurement Standards have been translated into English and Chinese, in order to respond to the rising volume of overseas procurement. The Nikon Green Procurement Standards and Nikon Green Procurement Declaration are both posted on the Nikon website.



Briefing Sessions

Briefing Sessions About Market Trend

Each subsidiary has held briefing sessions on market trends to help it form clearer business policies and product plans, with the intent to promote effective procurement through the establishment of close relationships with business partners.

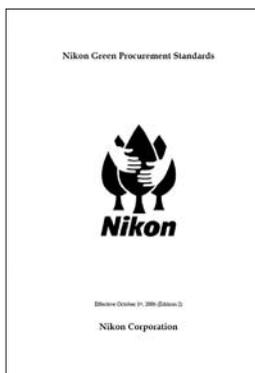
The Precision Equipment Company and Instruments Company held such sessions in the year ended March 2007.

Survey and Checkup of Environmental Conservation Structure

Nikon has conducted an Environmental Conservation Survey with questionnaires every year since 1999, to ascertain how well its business partners are addressing environmental management. The aim is to enhance environmental conservation measures in cooperation with business partners. As many as 320 companies responded to the survey in the year ended March 2007.

Approval of Environmental Partner

Based on the evaluation results of the Environmental Conservation Structure Checkup, the Nikon Group has certified a select group of business partners with outstanding records of performance in environmental conservation. Nikon began certifying these companies, the "Nikon Environmental Partners," in the year ended March 2007.



Nikon Green Procurement Standards



Nikon Environmental Partner Certification

Nikon Green Procurement on the Website

<http://www.nikon.co.jp/main/eng/portfolio/procurement/green.htm>

Relationship with Local Communities

The Nikon Group has participated in various local activities, including cleanup campaigns and environment-related events, to promote communication with local communities around its plants. By taking part in local festivals as a co-sponsor, Nikon also finds the opportunity to publicize its environmental conservation activities and encourage others to follow its example.

Activities in Diverse Fields

■ "Nikon Salon" Permanent Photo Galleries

With the aim of popularizing and advancing photographic culture, these spaces were opened in 1968 to exhibit outstanding photographic works by both amateurs and professionals in a wide range of fields. Various activities related to photography are conducted at the galleries in Ginza and Shinjuku in Tokyo, and in Osaka.

■ Cooperation for Major Disasters

For the relief of victims of the Java earthquake in 2006, Nikon sent donations and matched the gifts pledged by volunteer employees via the Japan Red Cross Society. Nikon also aided the victims struck by the earthquake in the Noto peninsula in 2007.

■ Joint-Hosting of International Children's Painting Competition on the Environment

The International Children's Painting Competition on the Environment has been organized annually by the United Nations Environment Programme (UNEP) and the Japan-based Foundation for Global Peace and Environment (FGPE) since 1991. Children from across the world are invited to contribute peace focused on the theme of "Let's protect our beautiful ocean, sky and forest for the future!" This contest is co-sponsored by Nikon.

The fifteenth annual competition in 2006 received over 8,000 entries from children of over 100 countries. The 'superwinners' of the global category and the top prize winners of six regional categories are invited to the award ceremony on the U.N. World Environment Day and presented with both plaques and prize money (held in Algeria in June 5, 2006.)



The First-prize painting drawn by Lau Tsun Ming (9 years old, China)

■ Support for the UN-Related Groups and Medical-Care/Welfare Groups

Nikon provide assistance for the groups supporting the activities of the United Nations. Also Nikon assents the activities related to medical aid and support for the disabled.

Support and Cooperation for Various Groups

■ Support for the Digital Camera Volunteer Association

Established to enable anyone to enjoy photography and experience new forms of expression, the Digital Camera Volunteer Association is operated by former Nikon employees, citizens of Shinagawa Ward, Tokyo, and other committee members. Nikon sponsors the activities of the association and provides support through the loan of camera equipment.

The association has held an annual Digital Camera Workshop for grade-schoolers since 2005, in addition to workshops for the middle-aged and elderly. The workshop for grade-schoolers in Shinagawa, Tokyo is already tremendously popular and deluged with requests for repeat events from other schools.



Digital Camera Workshop for Grade Schoolers

■ Co-sponsoring for Special Olympics

In the fourth Special Olympics in Kumamoto in November 2006, Nikon Essilor conducted visual acuity examinations for players and donated glass lenses.

The Special Olympics (SO) is an international sports association dedicated to the training of the mentally disabled for athletic competition. SO had its beginnings when Eunice Kennedy Shriver, the younger sister of the late President Kennedy, left her front yard open for the mentally disabled on what she called a 'camp day.'

Nikon Essilor will continue supporting the activities of the SO, including the next Yamagata Winter National Games.

List of the Groups Nikon Provides Support and Assistance

Groups Related to the United Nations

- Approved specified nonprofit organization: Japan Association for the United Nations World Food Programme

Medical Care and Welfare Groups

- Foundation: Japan Anti-Tuberculosis Association
- Foundation: Children's Cancer Association of Japan
- Foundation: Japan Sports Association for the Disabled (International Wheelchair Basketball Tournament)

Social Topics

Relationship with Local Communities

Supporting Global Environmental Conservation

Assent for the Nature Conservation Society of Japan

The Nature Conservation Society of Japan is an NGO dedicated to the protection of nature and the realization of a sustainable society of human communities living as part of the global environment. The society pursues its goals through activities based on scientific research, together with regional NGOs and researchers. Nikon donates equipment and materials to the society to support its efforts in the AKAYA Project, the first program in Japan to actualize the reconstruction of biological diversity through cooperation with the government and local citizens. Nikon also supports activities in the Real Nature Camp as a co-sponsor.



AKAYA Project

Auspices for Yokohama Wind Power Generation Project

The Yokohama Plant has co-sponsored a wind power generation project promoted by Yokohama City. A large windmill (118 meters tall) for power generation was built at Mizuho Pier of Yokohama Harbor and has been operated since April 2007. Nikon has been granted a Green Power Certification for ten years of the windmill's contract term, as a token of the Company's cooperation in the wind power generation project. Nikon is also designated as one of the Y-Green Partners, on the Yokohama City website, again in recognition of the Company's contribution to the project.



Wind Power Generation Facility in Yokohama City

Participation in the Light-Down Campaign Run by the Ministry of the Environment

Many business institutions with light-up facilities of Nikon Group, including Ohi Plant and Sendai Nikon, participated in the Light-Down Campaign. This activity has been organized by the Ministry of the Environment annually since June 2003 for enlightenment on global warming prevention. Neon lamps and other lights at participating sites were turned off during the campaign.

The campaign was held for five days, from June 17 (Saturday) to 21 (Wednesday,) the day of summer solstice. On the night of Sunday, June 18 the lighting facilities of various buildings and even general households were blacked out all together for two hours, from 20:00 to 22:00. The night was called "Black Illumination 2006."



"Black Illumination" of Ohi Plant

Cooperation for Research Project of Ecological System Destroyed by Acid Rain

Nikon has taken part in an international NGO, "EARTH-WATCH," conducting various activities for protection of nature and cultural heritages, as a corporate member. Furthermore, Nikon cooperated with one of the EARTH-WATCH projects, "Mountain Waters of Bohemia," which was the research project of ecosystem currently on the slow road to recovery in Czech Republic, through equipment donation in March 2007.



Donation of Equipment to Dr. Josef Krecek, the Chief Researcher of the "Mountain Waters of Bohemia" Project

Interaction with Communities Around Plants

■ Sagamihara Plant

The Sagamihara Plant participated in the Environment Fair organized by the Sagamihara Environment Improvement Group at a civil festival in Sagamihara City in April 2006. The Plant set up an environment-related booth and workshops as a corporate sponsor.

In November 2006, the Plant took part in a campaign in Sagamihara to prevent the dumping of illegal waste, as part of a tripartite of citizens, corporations, and government. The waste illegally dumped around the Sagamihara Water Purification Plant was removed and collected. (Campaign slogan: "Stop illegal dumping now. Never do it yourself, or allow it to be done by others.")



Environment Fair



Sagamihara Illegal Dumping Prevention Campaign

■ Ohi Plant

In June 2006, the Ohi Plant lent a helping hand to the organizers of the Shinagawa ECO Festival 2006, an event held under the auspices of Shinagawa Ward, Tokyo. The annual festival was held to discover the joys and importance of solving environmental issues. The Ohi Plant organized a booth for nature observation using the Fieldmicroscope and a workshop to create and use handmade magnifying glasses.

In September 2006, the Plant participated in the Community Building Project Exhibition, an event held by the Urban Policy Division of Shinagawa Ward Office to renew communication with local corporations.



Shinagawa ECO Festival 2006



Community Building Project Exhibition

■ Mito Plant

The Mito Plant took part in the Environment Fair 2006 held in Ibaraki in October 2006. The main attractions at the Nikon booth were an insect "observatorium" with the Fieldmicroscope and the demonstration of a project concept to promote a "Metal Chip Separating Sweeper." The Plant present Nikon's environmental activities to visitors through these activities.

In November 2006, the Plant staff took part in the Hinuma Beautiful River Cleanup hosted by the Cleanup Hinuma Network. The event was held in Tengu-no-mori (the long-nosed goblin's forest) at the foot of Mt. Atago, in Kasama City, Ibaraki. Prefectural environment advisors gave lectures and visitors observed nature using the Fieldmicroscope, and the Fieldscope.



Environment Fair 2006



Hinuma Beautiful River Watching

■ Cleanup Activities Around Plants

Nikon carries out annual cleanup activities around its plants, as well as the roads and fields nearby. In November 2006, the Kumagaya Plant cleaned up the square by the south exit of JR Kagohara Station.

Nikon will continue these activities and others like it to contribute to local communities.



Cleanup Activity by Nikon's Employees

Environmental Topics—Environmental Management

Nikon and the Environment

Through its evolution as an environmentally harmonious corporation, Nikon seeks to spread its Basic Environmental Management Policy throughout the entire Nikon Group in order to promote the build-up of a recycling-oriented society through all of its business activities.

The Nikon Basic Environmental Management Policy

Purpose of the Policy

Nikon enacted the "Nikon Basic Environmental Management Policy" in 1992 in order to express its commitment to improvements in its local environment as well as globally, and to act as the foundation for its environmental management activities. Nikon believes that pollution prevention measures and the efficient use of resources are vital steps that must be taken, in order to be able to hand on to the next generation a healthy environment that is capable of supporting the continued development of society. In the year ended March 2002, the Nikon policy underwent a major revision in response to the anticipated needs of the coming recycling society. An outline of our action guidelines is presented below.

Action Guidelines

- (1) We will make every effort to promote waste reduction, reuse and recycling, while encouraging energy and resource conservation, waste reduction and conscientious waste processing, with the goal of creating an environment-conscious recycling society.
- (2) We will perform environmental and safety reviews at every stage of planning, development and design, in order to provide products that fully comply with environmental protection aims.
- (3) At every stage of production, distribution, use and disposal, we will actively introduce materials and equipment that are effective in protecting the environment, strive to develop and improve technologies in this area, and work to minimize environmental burdens.
- (4) We will meet targets for reduction of environmental burdens and use of harmful substances, and continue to improve our environmental management system through environmental audits and other means.
- (5) We will develop and follow a rigorous code of standards, in addition to observing all environmental conservation treaties, national and regional laws and regulations.
- (6) We will conduct ongoing education programmes to further employee knowledge of environmental issues and promote employee involvement in environmental activities.
- (7) We will provide suppliers with guidance and information to promote optimal environmental protection activities.
- (8) We will participate actively in the environmental protection programs of society at large, and implement information disclosure.

The Relationship Between Nikon and the Environment

Primary Environmental Loading (in the Year ended March 2007)

INPUT		Nikon	Subsidiaries	Unit	OUTPUT		Nikon	Subsidiaries	Unit
Energy	Electricity	171,092	84,331	Mwh	CO2 exhaust	Electricity	64,674	31,877	t-CO2
	Gas	6,395	1,793	(thousand) m ³		Gas	13,483	11,141	t-CO2
	Heavy oil	294	1,736	Kl		Heavy oil	797	4,705	t-CO2
	Water	1,304	587	(thousand) m ³	PRTR substance exhaust	1,1-dichloro-1-fluoroethane	0	1.210	t
PRTR substance	1,1-dichloro-1-fluoroethane	0	1.455	t		Dichloropentafluoropropane	0	5.649	t
	Dichloropentafluoropropane	0	5.864	t		Xylene	0	0.558	t
	Xylene	0	1.377	t		Hexavalent chrome	0	0	t
	Hexavalent chrome	0	0	t		Toluene	0	1.360	t
	Toluene	0	2.298	t		Lead and lead compounds	0.005	0	t
	Lead and lead compounds	6.648	0	t		Nickel compound	0	0	t
	Nickel compound	0.682	0	t	Boron and boron compounds	0.007	0	t	
	Boron and boron compounds	4.948	0	t	Disposal	Amount of waste generated	3,216	1,874	t
				Amount recycled		3,076	1,718	t	
				Amount of landfill		15	11	t	

<Scope of Data>

Nikon Plants: Ohi, Yokohama, Sagami-hara, Kumagaya and Mito

Manufacturing Subsidiaries: Tochigi Nikon, Mito Nikon, Sendai Nikon, Zao Nikon, Kurobane Nikon (In this report the subsidiaries mentioned above are referred to the "major manufacturing subsidiaries in Japan".)

*Tochigi Nikon was divided into Tochigi Nikon and Tochigi Nikon Precision in April 2007. The environment-related data in this report were data as of March 2007, before the division.

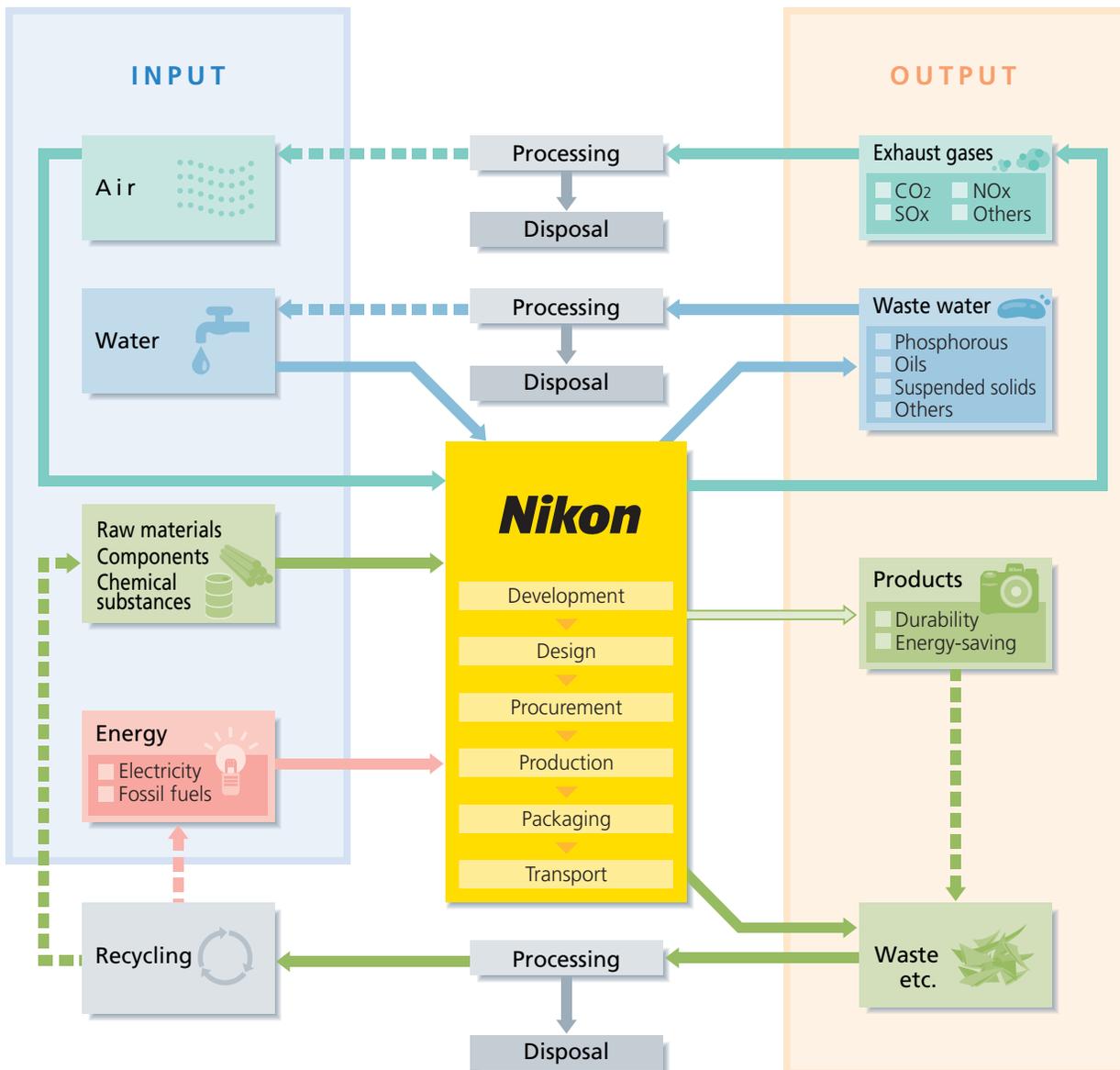
A corporation is like a living organism, functioning within the global environment. As it grows, it provides products and services to society and continues to grow, and during this time it consumes various resources and energy, and generates numerous types of waste.

It is crucial that we recognize the importance of recycling and conservation-particularly reductions in the use of energy and resources. We must also continue working to reduce our waste output until it has virtually been eliminated. It is imperative that corporations be aware of the impact their operations may be having on the environment,

and implement more sophisticated ecological management programs.

Nikon is continuing its efforts to reduce waste materials, and we are also actively pursuing unique activities such as the development of eco-glass, which will significantly reduce our environmental loading. Nikon operates based on its corporate philosophy, "Trustworthiness and Creativity," and today we are applying the experience and technology gained through decades of work in the field to form a new, environmentally harmonious corporation.

Relationship with the Environment in Business Operations



Environmental Topics—Environmental Management

Environmental Management System

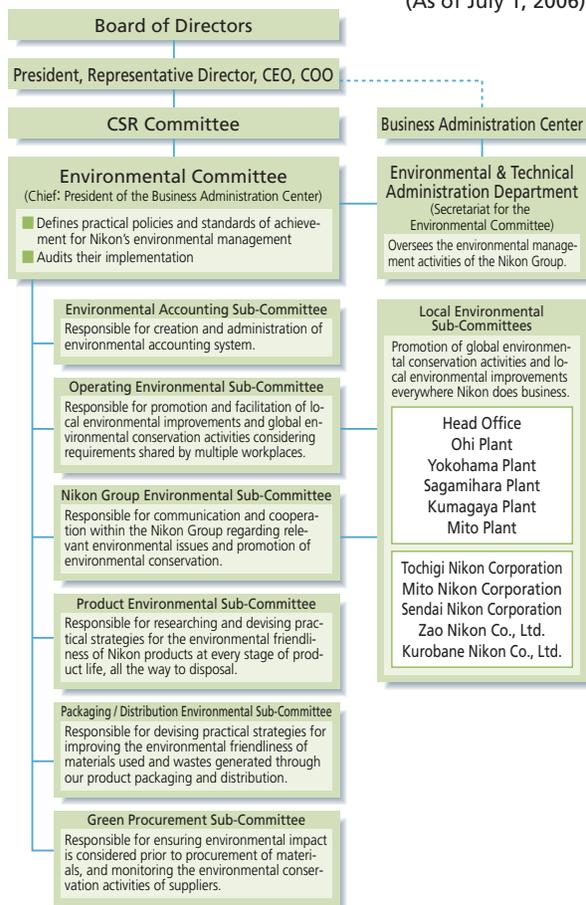
The Environment Committee established within the organizational structure of Nikon actively addresses various environmental issues such as global warming. Nikon has also introduced an Environmental Management System to effectively promote activities for environmental conservation.

Environmental Management Organization

Nikon first entered into environmental protection activities in 1970, when it formed its "First Pollution Response Committee." This committee was renamed the "Pollution Prevention Committee" in 1971, and again in 1973 to be known as the "Environmental Improvement Committee." This gave birth to our program of more practical environmental conservation activities.

The environmental management organization was restructured in 1992 with the enactment of the "Nikon Basic Environmental Management Policy," and in 1999, as part of the expansion of and adjustments to the system, we established an "Environmental Administration Department" (changed to "Environmental & Technical Administration Department" in 2002) within the company. The current environmental management organization ensures that we are constantly kept abreast of new Japanese or international laws, treaties or regulations, or modifications to existing ones, as well as the ever-changing needs of society.

Nikon's Environmental Management Organization Chart (As of July 1, 2006)



Utilization of ISO 14001 Certification

The Nikon Group has accelerated its environmental management by acquiring ISO 14001 certification.

The status of certification at plants and subsidiaries in the Group is outlined below. By acquiring company-wide certification, the Group will advance in its efforts to accomplish the Environmental Action Plan, to reach its medium-term targets on environmental activities, and to streamline operations.

Through the operation of its Environmental Management System, Nikon has upgraded environmental management and promoted various activities for the conservation of the global environment. These conservation efforts have helped Nikon to reduce the generation and use of hazardous chemicals and substances known to cause global warming, and to use resources more effectively through the promotion of the 3Rs (Reduce, Reuse, and Recycle.)

The Environmental Management System, together with the Quality Management System promoted and run by each business unit, allows Nikon to meet the needs of its customers by supplying high-quality products while addressing the needs of the environment as well.

ISO 14001 Certification at Nikon

	Date of Nikon Group-wide certification approval	Date of independent certification approval	Location
Nikon Group-wide certification	October 2004	—	Tokyo
Ohji Plant	(October 2004)	July 1998	Tokyo
Yokohama Plant	(October 2004)	October 1998	Kanagawa
Mito Plant	(June 2005)	April 1999	Ibaraki
Head Office	(September 2005)	—	Tokyo
Sagamihara Plant	(September 2005)	August 1998	Kanagawa
Kumagaya Plant	(September 2005)	August 1998	Saitama
Sendai Nikon Corporation	(April 2006)	March 1997	Miyagi
Zao Nikon Co., Ltd.	(April 2006)	March 1999	Miyagi
Tochigi Nikon Corporation	(September 2006)	September 1999	Tochigi
Kurobane Nikon Co., Ltd.	(September 2006)	December 1999	Tochigi
Mito Nikon Corporation	(September 2006)	December 1999	Ibaraki
Nasu Nikon Co., Ltd.	—	December 1999	Tochigi
Aichi Nikon Co., Ltd.	—	December 1999	Aichi
Hikari Glass Co., Ltd. Akita Office	—	June 2000	Akita
Nikon Instech Co., Ltd.	—	March 2004	Kanagawa
Setagaya Industry Co., Ltd.	—	November 2004	Yamagata
Nikon Imaging (China) Co., Ltd.	—	June 2005	China
Nikon (Thailand) Co., Ltd.	—	November 2006	Thailand

Environmental Education/Awareness Activities

We understand the importance of having all of Nikon employees improve their knowledge of environmental matters. Environmental manuals, regulations, and procedures must be put in place, and specialized knowledge and techniques for carrying out environmental conservation activities must be rolled out effectively.

Nikon has been developing the following environmental education and awareness activities for both its employees and business partners. Our support for business partners is mainly directed to those who have not yet acquired ISO 14001 certification, with the goal of enhancing their environmental management and awareness. We also actively engage in events to strengthen our bonds with local communities.

■ ISO 14001 Certification Acquisition Support and Related Activities

The Environmental & Technical Administration Department provides organizations within and outside the Nikon Group with education and support for the acquisition of ISO 14001 and ISO 9001 certifications.

■ Environmental Management and Promotion of Measures

We are working to heighten the overall awareness of our employees by adopting stratified educational systems for plants, business units, and divisions throughout the Nikon Group.

Environmental Education for Each Stratum and Worksite

- Executive management education (general environmental management, ISO 14001, management responsibilities, etc.)
- Education of new employees (general environmental awareness, Nikon's environmental activities)
- Environmental seminars for Nikon Group companies (general environmental management, ISO 14001, green procurement, etc.)
- Education of EMS representatives (environmental policy, environmental objectives, environmental manuals/regulations/procedures, evaluation procedure for environmental aspects and others)
- Everyday on-the-job education (general environmental management, environmental manuals/regulations/procedures, environmental targets, separation of waste and recycling, energy saving, paper and resources saving, etc.)
- Presentations on "Nikon Environmental Action Plan"
- Green procurement education

■ Awareness Activities

Nikon implements a full program of awareness activities, with the aim of supplying information, informing employees of new policies and enhancing awareness of environmental matters, as well as applying standards for decision-making.

Awareness Activities

- Publication and website posting of "CSR Report" (and "Environmental Report")
- Disclosure of environment-related information on the website (Environmental Management Site)
- Publication and distribution of "Environment/Product Safety Information" for Nikon Group companies
- Publication of environment-related articles on an in-house magazine, "Kouyu-Tsushin" and the website
- Publication and distribution of "EMS News" (Yokohama Plant)
- Proposal for improvement, invitation for participation, screening and prize-giving of mottos, posters and the like to enhance consideration for the environment
- Organizing environment month (broadcasts by the Environmental Committee Chairman, environmental month seminars, environmental facility tours, environmental photo contest, etc.)
- Implementation of energy-saving month (February) and patrol
- Clear posting and notification of all waste-separation categories and provision of waste-disposal areas that encourage recycling
- Notice boards within the workplace, displaying such information as environmental objectives, targets, and management programs
- Publication of site report
- Participation in various environmental events

■ Specialized Environmental Education

Nikon employees are encouraged to undertake specialist education both within and outside the company, in order to gain the necessary knowledge, skills and technical abilities to carry out their individual responsibilities with consideration for the environment. We are working to develop specialists and increase specialist knowledge within the company.

Specialized Environmental Education

- Internal environmental auditor development course
- Step-up seminar for internal environmental auditors
- Control of chemical substances (handling procedures, PRTR, etc.)
- Environmental facilities operation management
- Specialized industrial waste management qualification course
- Energy management course
- Pollution control management course
- Course for persons in charge of handling dangerous substances
- Emergency countermeasures (simulation of accidental leak)



Nikon Environment Symbol Mark

Nikon Group established the symbol mark of environmental conservation and improvement activities in 1998.



Environmental Topics—Environmental Management

Environmental Action Plan

Nikon has been establishing annual “Environmental Targets” and medium-term targets under the Nikon Environmental Action Plan since the year ended March 2001. With the integration of the environmental management systems (EMS) in the Group, the scope of subjects covered under the Action Plan and Environmental Targets has been expanded.

Nikon Environmental Action Plan

Early in 2000, Nikon set out a three-year plan for environmental activities (the Nikon Environmental Action Plan 2000 edition) and a set of Environmental Targets for the year. Both the Action Plan and Environmental Targets have been reviewed and renewed annually since.

The Environmental Targets for the year ended March 2007, the targets set for the first year of the Nikon Environmental Action Plan 2006 edition based on reviews and renewed plans, are shown below. The targets are roughly divided into the categories of Product Environment and Workplace Environment, and subdivided into twelve smaller categories with more detailed targets. The results for the year ended March 2007 and evaluations by Nikon itself are indicated for each target.

RoHS Directives have been enforced in Europe since July

1, 2006, and in China since March 1, 2007. Nikon has completed its preparations for the directives and is already responding to them. We strive to comply with all regulations and requirements on hazardous substances and are prepared for the introduction of stricter and more universally applied regulations in the future.

The EMS continues to be steadily integrated within the Group, following from the successful introduction at the Ohi Plant and Yokohama Plant in October 2004. Company-wide certifications have also been acquired, both by Nikon and its major manufacturing subsidiaries in Japan. The scope of integration will extend further henceforth.

Increases in production prevented us from reaching our target for waste reduction in the year ended March 2007.

The Nikon Environmental Action Plan 2006 Edition

	Theme	Environmental Targets for the Year ended March 2007	Results for the Year ended March 2007	Evaluation	See page
Product Environment	Energy conservation (prevention of global warming)	[Energy efficiency] • More than 30% improvement in overall energy efficiency of new products released, compared with figures of similar products already released	More than 93% (57%) improvement in simple average improvement of models, 30% or more improvement in energy efficiency for all (83%) models	○	P43-45
	Reduction in use of hazardous chemical substances	[Eco-glass usage ratio] • Maintaining use of Eco-glass in new optical designs for 100% of consumer products and for at least 97% of industrial products, targeting at least 75% shipment materials in optical glass	Consumer products: 100% (100%) Industrial products: 97.6% (96.5%) Shipment materials: 98.0% (93.0%)	○	P41
		[Lead-free solder] • 100% use of lead-free PC boards for new electronic components for consumer products, and at least 75% use for industrial products	Consumer products: 100% (100%) Industrial products: 96% (67%)	○	P42
		[Hexavalent chrome, lead, cadmium, mercury, PBB, PBDE, PVC] • Continue compliance with RoHS Directive and establish management system • Reduction in use of hexavalent chrome in surface-treatment processes	achieved achieved	○ ○	
		[Ozone layer-depleting substances] • Reduction of IC and LCD steppers using HCFC as a refrigerant to 12% or less of all products	9.2% (15.9%)	○	P43
	Green procurement	[Reduction in use of hazardous chemical substances] • Continuation of green procurement in consumer fields, implementation of green procurement for major products in industrial field	Continuous performance	○	P55-56
Packaging and distribution	[Greenhouse effect gas emissions] • Implementation of the process to gauge CO ₂ emissions in distribution in Japan	Operation Started	○	P47	
Workplace Environment	Energy conservation (prevention of global warming)	[Greenhouse effect gas emissions] • Reduction in emissions (converted to CO ₂) at all plants and major manufacturing subsidiaries in Japan, per net sales of at least 20%, compared to levels on the year ended March 2002	35% reduction (29% reduction on all plants)	○	P48
	Waste reduction	[Waste generation] • Reduction in amount of waste generated of at least 10%, compared to the year ended March 2001, at all Nikon plants and major manufacturing subsidiaries in Japan.	6.1% reduction (Reduction on all 29% plants)	×	P49-50
	Green procurement	[Eco-procurement products] • Conformity with guidelines for at least 90% of all products by the year ended March 2007 and thereafter.	91% (89%)	○	P55-56
	ISO 14001	[Integrated certification] • Certification of Nikon Corporation and major manufacturing subsidiaries in Japan completed	Certification of 5 major manufacturing subsidiaries in Japan	○	P35

*In the section titled, “Results for the year ended March 2007,” the data in parentheses are results through the year ended March 2006. Symbols: “○” indicates progress on-schedule; “×” represents significant gap between stand goal and actual performance

Revision of the Nikon Environmental Action Plan

At the year ended March 2007, the Nikon Environmental Action Plan 2006 edition was revised to the Nikon Environmental Action Plan 2007 edition, with extensive medium-term targets set for accomplishment by the year ending March 2010. By integrating its environmental management systems (EMS), Nikon seeks to spread awareness of management's stance towards the environment throughout the entire Nikon Group, while developing EMS activities more effectively and more efficiently. The scope

of the Action Plan will also be expanded to include group companies, both in Japan and overseas.

The Nikon Environmental Action Plan 2007 edition calls for full EMS integration within all group companies, both in Japan and overseas, by the year ending March 2009. To improve the effects of implementation, a system for Life Cycle Assessment (LCA) has been established as one of the plan themes.

The Nikon Environmental Action Plan 2007 Edition

	Theme	Environmental Targets for Midterm/long-term	Target for the Year ending March 2008
Product Environment	Energy conservation (prevention of global warming)	[Energy efficiency] • 30% or more improvement in overall energy efficiency of new products released between the years ending March 2008-2010, compared to similar existing products	Improvement of 30% or greater
	Reduction in use of hazardous chemical substances	[Eco-glass usage ratio] • Maintaining use of Eco-glass in new optical designs for 100% of consumer products, for at least 99% of industrial products and for at least 99% shipment ratio in optical glass division	100% of consumer products, at least 98% of industrial products and at least 97% in shipment ratio of optical glass
		[Lead-free solder] • 100% use of lead-free PC boards for new electronic components for small products such as camera, microscope and surveying instrument and at least 90% use for large products such as stepper after the year ending March 2008	100% of small products and at least 90% of large products
		[Hexavalent chrome, lead, cadmium, mercury, PBB, PBDE, PVC] • Continuance of compliance with RoHS Directive and enhancement of management system • Drastic reduction in use of hexavalent chrome in surface treatment processes and thorough process management	Continuance of compliance and enhancement of management system Drastic reduction
		[Ozone layer-depleting substances] • Total elimination of HCFC as a refrigerant in IC and LCD stepper shipped in the year ending March 2009	Reduction of the products utilizing HCFC to 5% or fewer in shipment ratio
	Green procurement	[Reduction in use of hazardous chemical substances] • Implementation of green procurement for all products in consumer fields and for major products in industrial fields by the year ending March 2009 [Operation of Nikon Green Procurement Standards] • Operation, maintenance and renewal of Nikon Green Procurement Standards • Conclusion of Agreement with new business partners and implementation of survey and checkup for environmental conservation structure of business partners	Implementation for all products in consumer fields and prehension of hazardous substance content of major products in industrial fields Familiarization, operation and maintenance of Nikon Green Procurement Standards Establishment of the structure for agreement with new business partners and implementation of survey and checkup for environmental conservation structure
Distribution	[Reduction in CO ₂ emission derived from domestic distribution] • 14% or more reduction in CO ₂ emission per net sales compared with the year ended March 2007	5% or more reduction	
Workplace Environment	Energy conservation (prevention of global warming)	[Reduction in greenhouse effect gas emission] (CO ₂ derived from energy) Greenhouse effect gas emission (converted to CO ₂) from 12 and 2 business units in Japan and abroad respectively • At least 22% and 25% reduction per net sales by the year ending March 2010 and 2011 respectively, both compared to the year ended March 2006 • 164,000 and 160,000 tons or less in absolute figure by the year ending March 2010 and 2011 respectively	9% or more reduction Within 170,000 tons of CO ₂ emission
	Waste reduction	[Zero-emission] • Establishment of zero emission system at 2 overseas business units by the year ending March 2009 and more extensive application to other business units by the year ending March 2010 [Reduction of mass volume waste such as paper, sludge, effluent, metal and glass] • 20% Reduction at 12 and 2 business units in Japan and abroad, compared to the year ended March 2006	Preparation for establishment of the system at 2 overseas business units Examination of actual measures
	Reduction in use of hazardous chemical substances	[Chlorinated organic solvents] • 75% reduction at 2 overseas business units by the year ending March 2010 compared to the year ended March 2006 and total abolition by the year ending March 2011	25% reduction
Others	Environmental Management System (EMS)	[ISO 14001 integrated certification] • Completion of EMS integration of all major business units in both Japan and abroad by the year ending March 2009	Integration of 7 domestic and 2 overseas business units
	Life Cycle Assessment (LCA)	[Introduction of LCA] • Introduction of LCA by the year ending March 2009 and implementation of LCA measures for reduction in environmental load by the year ending March 2010	Preparation for LCA introduction

*Note: Midterm/long-term environmental targets are for the year ending March 2010, unless specified otherwise.

Environmental Topics—Environmental Management

Environmental Accounting

Environmental accounting is a methodology for quantifying the costs and effects of environmental conservation activities. Through the introduction of environmental accounting, we aim to improve the effectiveness of our conservation efforts and implement sustainable environmental policies with quantifiable results over a long term. We are also working to heighten awareness of our environmental conservation activities through the publication of related information and communications to clarify our stance on the environment.

Nikon Group's Environmental Accounting

■ Features

Nikon Group's environmental accounting features the classification of environmental costs and effects in line with our environmental preservation activities.

■ Basic Policy

The figures contained in our environmental accounts for the year ended March 2007 include those for Nikon Corporation and its major manufacturing subsidiaries and

others. The categories of environmental costs (investments and expenses) are based on the Nikon Group's environmental targets and related measures, as well as the standards set forth in the Environmental Accounting Guidelines (2005 edition) of the Japanese Ministry of the Environment.

■ Effects of Environmental Conservation Activities

Results for the Year ended March 2007 in the Environmental Action Plan presented in the last chapter show the actual results of various measures towards environmental targets. The under table shows the economic effects of environmental conservation measures.

Cost of Environmental Conservation

(Nikon, Tochigi Nikon, Mito Nikon, Sendai Nikon, Zao Nikon, Kurobane Nikon, Hikari Glass and others)

Unit: million yen

	Theme	Main Activities	Investment	Expenses	Total
Product Environment	Product development: Energy conservation, reduced use of resources, reduction in use of hazardous chemical substances	Energy-saving design, RoHS Directive, etc.	0	152	152
	Green procurement	Enforcement of Green Purchasing Implementation Guidelines, etc.	0	10	10
	Packaging and distribution	Economical driving lecture, Assess transportation volume, etc.	0	6	6
	Product Environmental Accounts		0	168	168
Workplace Environment	Energy conservation	Replacement of air conditioning systems, installation of inverters, etc.	572	19	591
	Waste reduction	Maintain zero-emission systems, reducing use water	0	30	30
	Reduction in use of hazardous chemical substances	Destruction of Unnecessary chemical substances, and management, etc.	0	3	3
	Green procurement	Promotion of purchase eco-article, etc.	0	1	1
	Improvement of office	Improvement of office environmental performance	0	34	34
	Workplace Environmental Accounts		572	87	659
	Response to laws and regulations	Operations management for gas and water emissions processing equipment, maintenance of noise and vibration-emitting facilities, waste management, recycle fee management, control of dangerous substances, etc.	610	718	1,328
	Management activities	ISO 14001 related (EMS management, workplace education), social contribution activity, introduction of greenery	0	494	494
	Total		1,182	1,467	2,649

Classified According to Guidelines of Japanese Ministry of the Environment

(Nikon, Tochigi Nikon, Mito Nikon, Sendai Nikon, Zao Nikon, Kurobane Nikon, Hikari Glass and others)

Unit: million yen

	Theme	Main Activities	Investment	Expenses	Total	Economic effect
	Cost within business area		1,182	760	1,942	153
	Pollution prevention costs	Operations management for gas and water emissions processing equipment, maintenance of noise and vibration-emitting facilities	459	431	890	0
	Global environment conservation costs	Energy conservation, reduction in use of hazardous chemical substances, control of dangerous substances	723	159	882	52
	Resource recycling costs	Waste reduction, waste management, recycle fee management, maintain zero-emission systems	0	170	170	101
	Upstream/Downstream costs	Enforcement of Green Purchasing Implementation Guidelines, Investigation of hazardous chemical substances, Recycle free management	0	28	28	0
	Management activities costs	ISO 14001 related (EMS management, workplace education)	0	509	509	0
	R&D costs	Energy-saving design, RoHS Directive	0	151	151	0
	Social activity costs Energy conservation	Social contribution activities, sponsorship activities, public relations, etc.	0	19	19	0
	Environmental damage costs	Pollution Load levy	0	0	0	0
	Total		1,182	1,467	2,649	153

Scope of Data:

Applicable Period: April 1, 2006 to March 31, 2007

*Costs which could not be clarified are in principle not included in these accounts.

*Depreciation and amortization have not been factored into these accounts.

*Where a facility has been utilized for several purposes and breakdown is considered complex, the entire cost has been included in the investment cost.

*All costs have been rounded up or down to the nearest whole number, so in some cases the totals do not match the figures indicated.

*Only "substantial effects" deducible based on sound reasons are included as economical effects of environmental conservation measures.

Product Assessment (Environment-friendly Product Development)

Nikon formulated the Nikon Product Assessment system in 1995 to promote the introduction of environment-friendly product development practices based on consideration of the complete life cycles of products. The system has been continuously improved since. The 8th update of the system, effected in the year ended March 2007 to reorganize and strengthen measures against hazardous substances, has enhanced the environment-conscious development of products in all production areas.

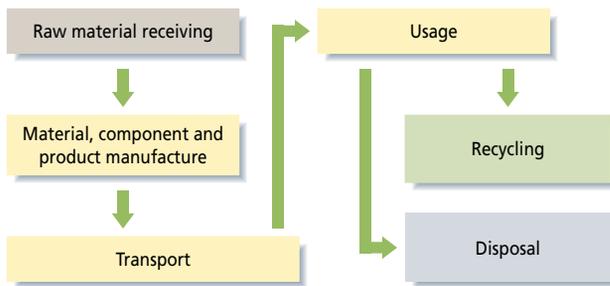
Nikon Product Assessment

To minimize the adverse environmental effects of our products throughout their life cycles (see diagram below,) Nikon formulated its own product assessment system in 1995.

The Nikon Product Assessment system is now practiced by all product development and design departments. The resulting reductions in the environmental loads of our products have been significant.

Nikon is constantly adding new evaluation items and standards for product assessment. In the year ended March 2007 we introduced a revised system (8th update) with reinforced criteria related to hazardous substances. Our product design divisions will redouble their efforts with the goal of more favorable evaluation under assessment by the newest update.

General Life Cycle for Nikon Products



Features of Nikon Product Assessment System

- Priority placed on reducing consumption of resources and energy, recycling, long product life, reduction in use of hazardous substances, reduction and simplified processing of waste; disclosure of material information
- Anticipation of emerging global environmental issues and alteration of regulations/rules in foreign countries, and development of Nikon standards that take the characteristics of our products into account
- Formulated after thorough discussion among product development teams, material engineers and other related personnel
- Make product assessment mandatory in design reviews and related phases of product development sequences, with procedures and standards clearly defined
- Vigilance in product improvement from one model to the next
- Support designers by building and maintaining an environmental data book of material information (Eco-glass, plastics, metals, surface treatment materials, bonding agents, etc.) explanatory text and documentation

Items Covered Under the Nikon Product Assessment

- Ongoing reductions in product mass, volume, and part counts
- Assessment and improvement of energy consumption based on Nikon's Energy Efficiency formula (product functionality/ power consumed)
- Pursuit of extended product life and simpler repair procedures
- Reduction in the amount of waste generated from consumables; appropriate guidance on waste processing for customers
- Simplified recycling procedures (simpler separation of plastics from metals, content marking/explanation, and simpler removal of rechargeable batteries)
- Avoidance of the use of hazardous substances (heavy metals in materials such as metal, resin, electric wire, electronic components, etc., specific brominated flame retardants and PVC)
- Use of optical glass free of lead and arsenic ▶ See page 41
- Transition to lead-free solder on boards for electronic components ▶ See page 42
- Adoption of surface-treatment technologies free of hexavalent chrome ▶ See page 42
- Elimination of ozone-layer-depleting substances
- Strict observance of environmental laws and regulations (battery regulations, RoHS Directive and others)
- Overall assessment (overall assessment points, comments on evaluation, etc.)

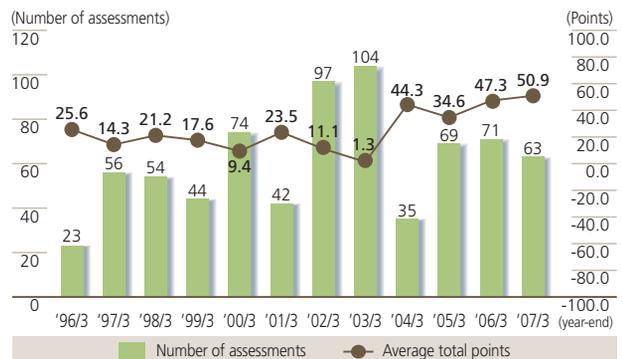
Results of "Nikon Product Assessment"

If a product shows improved environmental friendliness compared with the prior model, assessment points are awarded. If the environmental friendliness is about the same, no points are given. If the environmental friendliness has deteriorated, points are subtracted. The point scale ranges from -100 to +100.

Over the 12 years from the year ended March 1996 to the year ended March 2007, Nikon performed 726 assessments under this program, obtaining +22.9 points on average. The average points assessed have improved dramatically over the last four years, reaching +44.1, in spite of the enforcement of ever stricter assessment criteria.

Nikon is continuing its efforts to improve and enhance the functionality and performance of all of its products, while releasing new products to the world markets. These assessments confirm the great advances we are achieving through our environmental efforts.

Product Assessment Results



Environmental Topics—Activities in the Products

Environmentally Sound Optical Glass (Eco-glass)

Nikon seeks to minimize the risk of environmental pollution caused by lead and arsenic in optical glasses throughout the entire product lifecycle. ECO-GLASS, our new optical glass free of lead and arsenic, is to be incorporated in the optical systems for all of our products.

History of Eco-glass Development

Since Nikon was established in 1917 as the first optical glass manufacturer in Japan, we have placed a high priority on the development and manufacture of optical glass designed for use in optical equipment. As part of our anti-pollution efforts, in the 1970s we ceased the use of cadmium—a toxic material—in optical glass.

In the 1990s, we investigated countless optical glass compositions, bearing in mind the possible effects of each on the environment. Approximately 100 types of optical glass contained lead or arsenic. We have recognized that this fact is one of the most significant environmental aspects of our business activities and products. Therefore, we decided to develop a new environmentally sound glass and employ it in our products.

We demanded that the new glass offer optical performance at least equaling that of the glass in use. As such, the optical glass development department and the optical design department initiated a joint effort to investigate a variety of new compositions and design factors. After development was completed and the supply stance solidified, we began introducing Eco-glass into our products. Since the year ended March 1999, we have used the new glass across the board in our optical design department. From the second half of the year ended March 2005, we managed to use Eco-glass in all Imaging Company products, such as cameras.

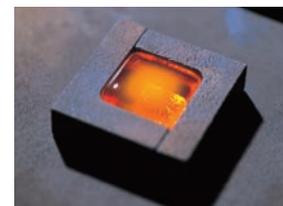
The Nikon Group is undergoing a major shift to eco-glass at the glass manufacturing departments of Nikon and Hikari Glass. During the year ended March 2007, we achieved an Eco-glass utilization rate of over 98% of all glass shipped, at least 950 t, including to non-affiliated companies.

Nikon offers a very extensive range of optical equipment. Because of the sheer diversity, some products incorporate parts that may not accommodate Eco-glass. We will continue to switch over to the new material, however, trying technological limit.

Eco-glass Development Highlights

- (Year-end)
- 1996: Eco-glass development project launched full-scale.
- 1998: Eco-glass-related items added to Nikon product assessments.
- 1999: Eco-glass database completed; employed across the board in optical design.
- 2000: Development of Eco-glass composition about 80% complete.
- 2001: Development of Eco-glass composition complete.

*The total cost for R&D to develop Eco-glass is 410 million yen during this term.



Eco-glass development

Rates of Eco-glass utilisation in new optical designs Unit: %

The Year ended March	All products	Consumer products (Cameras, binoculars, etc.)	Industrial products (IC steppers, microscopes, etc.)
2000	77.1	—	—
2001	86.1	—	—
2002	78.1	—	—
2003	92.2	—	—
2004	94.7	96.6	94.5
2005	95.8	100	95.5
2006	96.8	100	96.5
2007	98.0	100	97.6

*Rates are calculated based on component units.

Rates of Eco-glass utilisation in glass manufacturing departments

The Year ended March	Rate	Scope
2001	53.6%	Glass manufacturing at Nikon
2002	75.8%	
2003	83.5%	
2004	87.4% (839/960 t)	Glass manufacturing at Nikon and Hikari Glass
2005	91.7% (989/1079 t)	
2006	93.0% (777.4/836.1 t)	
2007	98.0% (940.1/959.3 t)	

*Rates are calculated based on amount of all materials shipped

Lead-free Solder, Surface Treatment, Reductions in Use of Hazardous Substances

As part of reduction in use of hazardous substances in Nikon products, we are promoting adoption of lead-free solder, development of the metal plating technologies to eliminate the use of hexavalent chrome, reduction in use of heavy metals in overall surface treatments including coatings and inks, elimination of use of lead and PVC in cable/wire covering, and avoidance of heavy metal use in metallic, plastic and electronic components.

Full-scale of Adoption of Lead-Free Solder

Under the auspices of the electronics production lines at Yokohama Plant and Sendai Nikon, we have completed full-scale of adoption of lead-free solders in our product development and manufacturing technologies departments throughout the entire Nikon Group.

Our in-house training and technical certification system for the training of staff on the techniques of manual soldering now includes a course on lead-free soldering procedures, to help our employees master the new technology. Over 500 instructors and qualified staff have been trained in lead-free soldering worldwide.

The majority used at Nikon is the tin-silver-copper alloy that has been most typically used in the industry; however, the lead-free solders are also used for low-temperature tin-silver-indium-bismuth alloy, enabling response to wide range of products.



Lead-free Flow Furnace



Lead-free PCB for advanced immersion-type of IC scanner

Application of Lead-free Solder to our Products

The use of lead-free solders is being implemented under the Environmental Action Plan (▶ see page 37). Progress has been rapid: Nikon has been using 100% lead-free solder for all of its new consumer products, including the D80 digital SLR camera, since the year ended March 2007.

The use of lead-free solder is also being aggressively promoted for our industrial products (steppers, microscopes, surveying instruments, etc.). More than 90% of our new boards produced since the year ended March 2007 have been soldered with lead-free materials.

Elimination of Hexavalent Chrome in Surface Treatment

Hexavalent chrome compounds are extremely hazardous, but have been extensively used in metal surface treatment for many years. The surface treatment departments of the Yokohama Plant renewed the technologies and processes used for chromate treatment and chrome plating earlier this decade. Through this effort, the plant completely abolished the use of hexavalent chrome in December 2004.

Based on these results and experiences, Nikon has actively introduced hexavalent-chrome-free surface treatment technologies in all product areas.

The many types of surface treatment used in industry are handled in diverse workplaces with diverse components, and pose wide-ranging problems. Nikon has responded by establishing strict technical standards regarding not only hexavalent chrome, but also lead, cadmium, and mercury. The company's goal is to abolish the use of heavy metals entirely.

Electro Deposition-painted Threaded Fastener for Camera (Hexavalent-chrome-free)



Matt

Medium Gloss

Glossy Finish

Reduced Use of Other Hazardous Substances

The Nikon Group is taking steps to abolish the use of hazardous substances such as hexavalent chrome, lead, cadmium, mercury, PBB, PBDE and PVC in its products, as far as technically possible.

We also prepare elaborate data materials for our engineers in product development to alert them to the hazardous substances contained various metals, plastics, and electronic components.

Environmental Topics—Activities in the Products

Environmentally Friendly Product Development Systems and Examples of Products

Nikon promotes continuous and ambitious improvements in the environmental performance of its products through its own system for managing environment-friendly designs. Several environment-friendly products released by Nikon in the year ended March 2007 are shown below, by way of example.

Environment-friendly Product Development System

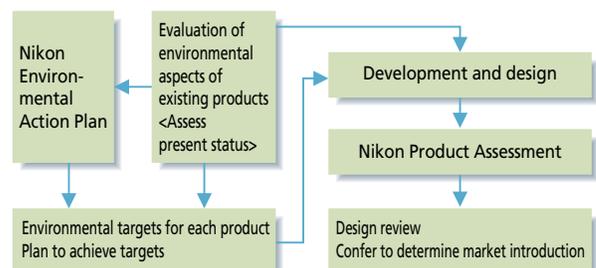
Nikon has steadily developed and implemented a system for managing environment-friendly product designs while reinforcing the Nikon Environmental Action Plan and Nikon Product Assessments.

Under this system, Nikon and its Group Company are developing more environmentally conscious products with a commitment to aggressive increasing energy efficiency, major advances in the conservation of global resources, the minimal use of hazardous substances, and the maximum application of Eco-glass, lead-free solders, and technologies for hexavalent-chrome-free plating.

By March 2006, we completed preparations to meet the standards of the EU RoHS Directive* that were to take effect four months later, in July of the same year.

*RoHS Directive: Applies to an extensive range of electrical and electronic products sold in Europe, excluding certain materials and products which have no substitutes. In principle, the Directive prohibits the sale of products containing hexavalent chrome, lead, cadmium, mercury, PBB, and PBDE in European markets. The Directive has been enforced since July 2006.

Management System Flow of Environment-Friendly Product Design



Examples of Products

Precision Equipment Company Products

■ IC Scanner NSR-S610C (sales started on February 2007)

Designed with a projection lens of the world's highest standard with an ultra-high N.A. of 1.30, this state-of-the-art ArF immersion-type scanner is suitable for the mass production of the most advanced 45 nm or finer line-width devices.

The protection of the global environment remains a top priority for this strategic product incorporating Nikon's finest immersion-exposure technologies. Nikon engineers design their optical systems with Eco-glass insofar as possible, and adopt boards fabricated with lead-free solder.

- Energy efficiency** 96% higher than the NSR-S307E in exposure of a 300 mm wafer (internal reference)
- Ozone layer protection** New HFC refrigerant with zero ODP (Ozone-depletion Potential) used for temperature control and air conditioning chillers
- Lead-free solder** 93% or more of new designed boards use lead-free solder
- Elimination of hexavalent chrome** Use of hexavalent chrome was abolished in surface treatment process of the components specified in drawings
- Eco-glass usage** 99%

*Nikon steppers/scanners have introduced a new era in design rule shrink IC manufacture, and made major contributions to continuing improvements in resource utilisation efficiency.



IC Scanner NSR-S610C

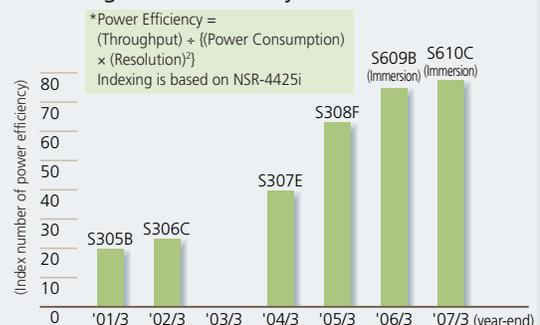
Increasing Energy Efficiency of NSR-series IC Steppers/Scanners

Nikon advances IC steppers/scanners design and manufacturing innovation with a finer IC pattern designed to raise resolution of projection optics systems, accommodate larger wafer sizes and enhance throughput to increase the number of IC cells that can be exposed within a given time.

Nikon has reinforced its product lineup by consistently developing advanced models incorporating the i-line (mercury lamp), KrF (Krypton fluoride excimer laser), and ArF (Argon fluoride excimer laser) as exposure light sources for higher resolutions.

These higher-performance models also offer outstanding energy efficiency, enabling significant increases in the numbers of IC cells exposed per unit of power consumed. Nikon has succeeded outstandingly in its ongoing efforts to address the power consumption issues accompanying the improved performance.

Increasing Power Efficiency of ArF-series



Imaging Company Products

■ Digital SLR camera D40 (marketed in December 2006)

This entry-level digital SLR camera offers 6.2 effective megapixel resolution, together with a compact, lightweight design, reasonable price, and simplicity of use.

Energy efficiency	74% higher than the D50, with a battery only one-third the size
Reduced mass	12% mass reduction from the D50 (540g → 475g)
Reduced dimensions	Approx. 39% volume reduction from the D50 (133 × 102 × 71 mm → 126 × 94 × 64 mm)
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Complies with RoHS Directive baseline
Eco-glass usage	100%



Digital SLR camera D40

■ Digital camera COOLPIX S200 (marketed in March 2007)

This compact DSC (digital still camera) is designed with an aluminum alloy body, 3× zoom lens, 7.1-megapixel CCD, and large 2.5-inch LCD (liquid crystal display.) The attractively priced device offers diverse functions, including an anti-vibration mode with “electronic vibration reduction (e-VR),” “supersensitive ISO 1000” and Nikon’s proprietary “BSS” and “face-clear function” for capturing cleaner portrait shots based on a face-detection AF (autofocus) technology.

Energy efficiency	120% higher than the COOLPIX 5200, even with the increased pixel count and anti-vibration function
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Complies with RoHS Directive baseline
Eco-glass usage	100%



Digital camera COOLPIX S200

■ Digital camera COOLPIX S500 (marketed in March 2007)

This compact DSC features the world smallest stainless-steel body, a 3× zoom lens, a 7.1-megapixel CCD, a large 2.5-inch LCD (liquid crystal display), and the world’s most rapid operation (time lag from start to release.) The functions in this attractively priced device include an anti-vibration mode with a combination of “optical-shifting vibration reduction (VR),” “supersensitive ISO 2000,” and Nikon’s proprietary “BSS” and “face-detection AF.”

Energy efficiency	70% higher than the COOLPIX 5200, even with the higher pixel count, faster operation speed, and anti-vibration function
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Complies with RoHS Directive baseline
Eco-glass usage	100%



Digital camera COOLPIX S500

■ Interchangeable lens AF-S VR DX Zoom-Nikkor ED 55-200mm f/4-5.6G (IF) (marketed in March 2007)

This high-performance telescopic zoom lens is compact, light-weight, and the first to be equipped with a VR function among products in its price class. Nikon’s leading-edge technologies such as VR and SWM enable use for versatile purposes.

Reduced mass	40% (225g) mass reduction from the AF-S VR DX Zoom-Nikkor ED 18-200mm f/3.5-5.6G (IF)
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Complies with RoHS Directive baseline
Eco-glass usage	100%



Interchangeable lens AF-S VR DX Zoom-Nikkor ED 55-200mm f/4-5.6G (IF)

Environmental Topics—Activities in the Products

Environmentally Friendly Product Development Systems and Examples of Products

Instruments Company Products

■ CNC Video Measuring System iNEXIV VMA-2520 (marketed in January 2007)

This popular multipurpose automatic measurement system is designed with a wide-field 10x zoom optical system, LED ring light, automatic control stage, optical head with attachments for a laser AF and touch probe, new image-treatment technologies, and more.

Countermeasures against hazardous substances have resulted in improved environmental performance by maximum use of aluminum alloy and LED lights, full-scale adoption of Eco-glass and lead-free solder, and the abolishment of PVC in the molded coverings.

Reduced mass	64% less mass at the body, 58% less mass at the controller than the VMR-3020
Recyclability	All major components are made of aluminum alloy
Energy efficiency	40% higher than the VMR-3020
Reduction in consumable supplies	Not halogen lamp but long-life LED is used for all sources of lights
Lead-free solder	All electronic circuit boards use lead-free solder
Eco-glass usage	100%



CNC Video Measuring System
iNEXIV VMA-2520

■ Wafer Inspection System OPTISTATION-3000 (marketed in September 2006)

This extremely user-friendly device enables the rapid and easy manual inspection of 300 mm wafers. One machine can convey both 200 mm and 300 mm wafers to meet the needs of semiconductor post-processes.

Pared down functionality leads to vastly improved energy efficiency. Eco-glass and lead-free solder are also used.

Energy efficiency	42% higher than the OPTISTATION-3100
Reduction of hazardous substances	Plastic parts and sheet boards do not use PBB, PBDE, cadmium, lead and PVC
Lead-free solder	A lot of electronic circuit boards use lead-free solder
Eco-glass usage	100%



Wafer Inspection System
OPTISTATION-3000

Nikon Group Products

■ Sportstar EX 8×25D CF/10×25D CF (marketed in October 2006)

These compact, light-weight, waterproof binoculars can be folded into a slim body. Full-scale waterproof specs are achieved by filling the body with nitrogen gas to prevent hazing and molding of the optical system. The wide-field optical system makes it easier to capture targets, and the multilayer coating secures a clear and bright field of vision.

Reduced mass	7% less mass at the volume and number of parts than the Sportstar IV (8 × 25)
Common use of components	Sharing 75% of the components with "Sportstar IX" (8 × 25)
Long-life design	Waterproof construction with nitrogen gas filling prevents raindrops from entering
Reduction of hazardous substances	Elimination of PVC, hexavalent chrome and other hazardous substances, in body, case and strap, according to Nikon Green Procurement Standards
Eco-glass usage	100%



Sportstar EX

Reuse and Recycle of Used Products

Nikon, which supplies its products worldwide, is working tirelessly to reduce the total environmental impact of its products and services through reuse and recycle of used products, paying strict attention to sales and distribution activities.

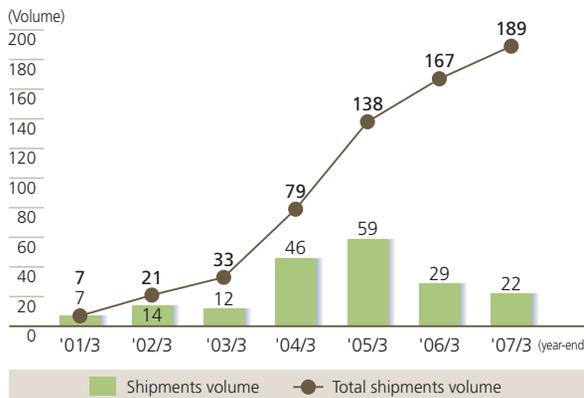
Sales of Refurbished Steppers for Reuse

Since the year ended March 2001, Nikon has got in operation of collecting used steppers discarded by customers, then reproducing, reconditioning and reselling them for new users, in Japan and overseas, with appropriate services supplied. This is an example of Nikon's willingness and capability to reuse its own products and we can accomplish both social contribution and customer satisfaction through this business. Therefore, Nikon has strongly enhanced it while continuously reinforcing its reuse system as one of important operations to secure stable income, unlike new product business with wide variation in sales results.

Thirty-three steppers were shipped in the period from the year ended March 2001 to the year ended March 2003 followed by 46 steppers in the year ended March 2004, and 59 steppers in the year ended March 2005. Although fewer steppers were shipped in the year ended March 2007 than in the previous year, the total volume of shipments had reached 189 units by the end of the year ended March 2007.

The departments, taking charge of the reproduction and reconditioning processes, are making efforts to promote maintenance/improvement of tools and equipment, standardizing of the workflow and increasing its efficiency and putting in place a framework for technical troubleshooting.

Sales Volume of Nikon Refurbished Steppers



The popular NSR-2205i 12D was initially marketed in 1996.

Recycling of Batteries

In Japan

Nikon and many other companies have engaged in cooperative efforts with JBRC* (Japan Battery Recycling Center) to collect and recycle rechargeable batteries for Nikon digital cameras and other products discarded by consumers.

*JBRC: an incorporated intermediate corporation (with limited liability) to promote recycling of compact rechargeable batteries based on the Act on the Promotion of Effective Utilization of Resources

In Europe

Our subsidiaries participate in recycling associations that collect and recycle used camera batteries according to local rules and regulations of each nation.

Recycling of Used Nikon Products

The WEEE Directive* issued by the EU guides nations to enact laws and regulations as well as establish used product collection/recycling systems. Accordingly, Nikon's European subsidiaries, led by that in the Netherlands, prepared to accommodate enforcement of such new laws and regulations for collection/recycling of digital cameras and other Nikon products in respective markets.

By the end of March 2006, Nikon established its collecting and recycling system in 15 countries in Europe including Netherlands, Germany, Sweden and Spain and has participated in or registered with collection organizations in 5 nations including UK, France and Poland since the year ended March 2007.



Recycling mark in EU

*The WEEE Directive: the Directive on Waste Electrical and Electronic Equipment established by EU, requiring manufacturers to collect and recycle used products in many categories of electrical and electronic equipment after August 2005.

Environmental Topics—Activities in the Products

Environmental-Friendly Packaging and Distribution

Nikon strives to reduce the cost for packaging materials and distribution procedures while takes effective measures against reduction of environmental loading according to the Environment Action Plan.

Measures for Packaging

Nikon defined its “Environmental Policy Regarding Packaging Materials” in May 1998, and revised it in June 2000. This policy has seven main points:

- Elimination of hazardous substances
- Reduction in volume and content
- Recyclability
- Safety and ease of separation of materials
- Use of recycled resources
- Reusability
- Marking regarding packaging materials and handling precautions

On the basis of those main points, Imaging Company is taking steps to raise loading efficiency of distribution. For example, product package dimensions were formulated to maximize utilization of available airplane cargo space. The Company thereby reduced digital SLR camera box sizes by 20%. Also we switched our transportation mode from conventional containers to pallets, eliminating the need for voluminous box packaging.



Pallet transport

Measures for Distribution in Japan

CO₂ emission, a major cause for global warming, is accelerating partly due to physical distribution in Japan, and increased about 18% from the year ended March 1991 to the year ended March 2006.

Under these conditions, Nikon including major manufacturing subsidiaries has made efforts to identify effective distribution routes/volumes and the amount of CO₂ emission resulted from distribution since the year ended March 2007. The survey showed that Nikon’s annual amount of CO₂ emission caused by distribution in Japan was 1,630 tons.

Nikon Logistics Co., Ltd. (present Nikon Business Service) has given lectures about economical driving techniques to its truck drivers since the year ended March 2007, thereby helping to reduce fuel consumption. Moreover, enlightenment activities to enhance employees’ environmental awareness were implemented at liaison meetings with business partners of distribution.

We will try to reduce CO₂ emission further also by early shift to the trucks with excellent gas mileage and through close relationship with distribution business partners.



Liaison meetings with business partners of distribution

Reduction in package size of digital SLR cameras



Before improvement

After improvement

Deployment of Low-pollution Vehicles

Three natural gas vehicles are used for commuter buses at Kumagaya Plant to reduce CO₂ emission.



Natural gas vehicle

Prevention of Global Warming

Carbon dioxide (CO₂), which is released into the atmosphere when fossil fuels are burned, is the main cause of global warming. Nikon Group has intensely wrestled with this issue, giving high priority to it.

Energy Savings

Kyoto Protocol was enforced in February 2005, whose deadline of objective achievement is close at hand. Nikon strives to control CO₂ emission mainly through rigorous promotion of energy savings to prevent global warming.

Specifically, Nikon has established the target for reduction in energy consumption including electricity, a major source of CO₂ emission. In the year ended March 2007, we intended to reduce the average annual emission of green house gas per net sales by 20% or more, compared to that in the year ended March 2002.

We are pursuing various energy-saving activities such as increase of efficiency of air conditioning systems, switch to lighting systems using energy more efficiently, improvement of production processes and conscientious use of lighting and OA equipment. Consequently, Nikon Group, including all plants and major manufacturing subsidiaries in Japan, was able to achieve a 35% reduction in energy use, far above the target. Among them, the total reduction of all Nikon Plants was 37% while that of major manufacturing subsidiaries in Japan was 22%, respectively.

Furthermore, Yokohama Plant purchased Green Electricity through co-sponsoring for wind power generation project by Yokohama City (▶ see Page 31); Sendai Nikon has introduced cogeneration equipment and started its running since April 2007.

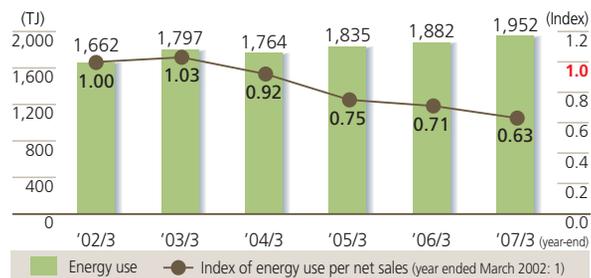
Future Energy-saving Strategies

We intend to implement the following measures as we head into the year ending March 2008.

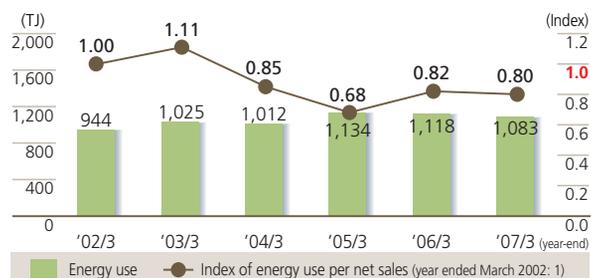
Energy-Saving Strategies in the Year ending March 2008

- Renewal of aging facilities/equipment such as refrigerator/ freezer
- Introduction of high-efficiency facilities/equipment such as air conditioning systems and power systems
- Highly efficient operation of utilities and manufacturing facilities
- Standardization of electrical load
- Integration of electrical facilities
- Improvements in quality control efficiency
- Introduction of cogeneration systems
- Application of natural energy sources

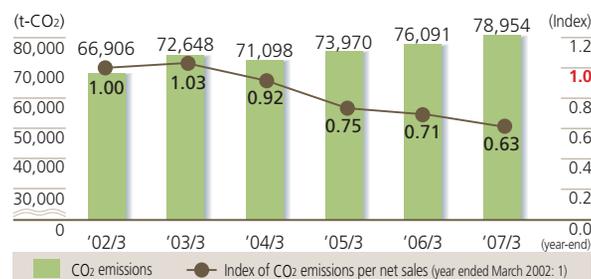
Energy Use (Nikon)



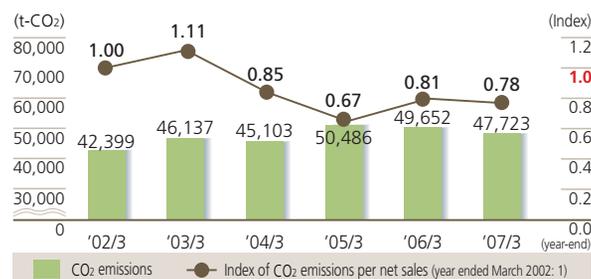
Energy Use (Major Manufacturing Subsidiaries in Japan)



CO₂ Emission (Nikon)



CO₂ Emission (Major Manufacturing Subsidiaries in Japan)



Environmental Topics—Activities in the Workplace

Promotion of Reduction and Recycling of Waste

Economic expansion has brought with it yearly increase of amount and diversity of waste produced. Our society is currently at a crossroad from mass-production/mass-consumption prevailed to recycling-oriented. Nikon Group is committed to the concept of a "Resource Recycling Society," in which the world's valuable and limited natural resources are used as effectively as possible.

Towards Zero-emission

Nikon has defined zero-emission as "final (landfill) disposal amounting to less than 1% of the total amount of waste generated" and strengthened its measures to promote reduction and recycling of waste, having "achievement of zero-emission system at all plants by the end of the year ended March 2005" as the most important goal in the Nikon Environmental Action Plan. As a result, 12 business units including domestic manufacturing subsidiaries in Nikon Group have achieved zero-emission so far.

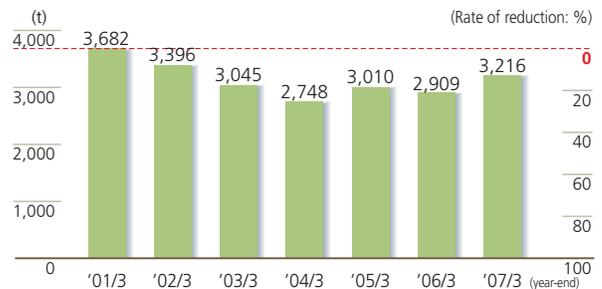
Achievement of Zero-emission in Nikon Group

Plants, subsidiaries, company		Target to develop zero-emission system (year-end)
Nikon	Ohi Plant	2003 (completed)
	Yokohama Plant	2003 (completed)
	Sagamihara Plant	2003 (completed)
	Kumagaya Plant	2003 (completed)
	Mito Plant	2003 (completed)
Major manufacturing subsidiaries	Sendai Nikon	2002 (completed)
	Tochigi Nikon	2004 (completed)
	Kurobane Nikon	2004 (completed)
	Mito Nikon	2005 (completed)
	Zao Nikon	2005 (completed)
Group manufacturing company	Nasu Nikon	2006 (completed)
	Aichi Nikon	2007 (completed)

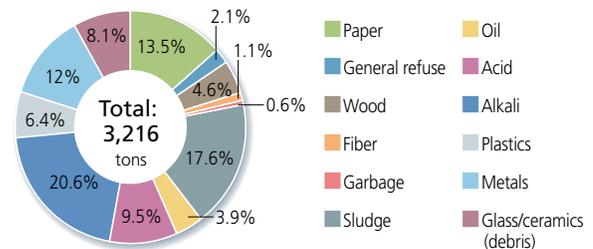
March 2001. Though untiring 3R efforts, we finally could not achieve the goal; the total waste reduction rate was 6.1% at all plants and major manufacturing subsidiaries in Japan in Nikon Group. The recycling rate was 94.2% and the final (landfill) disposal rate was 0.52%, resulting in establishment of zero-emission framework.

Also Nikon, regardless of production growth, achieved all three goals and succeeded in zero-emission establishment: the waste reduction rate, recycling rate and final (landfill) disposal rate were 12.7%, 95.6% and 0.47%, respectively.

Amount of Waste Generated (Nikon)



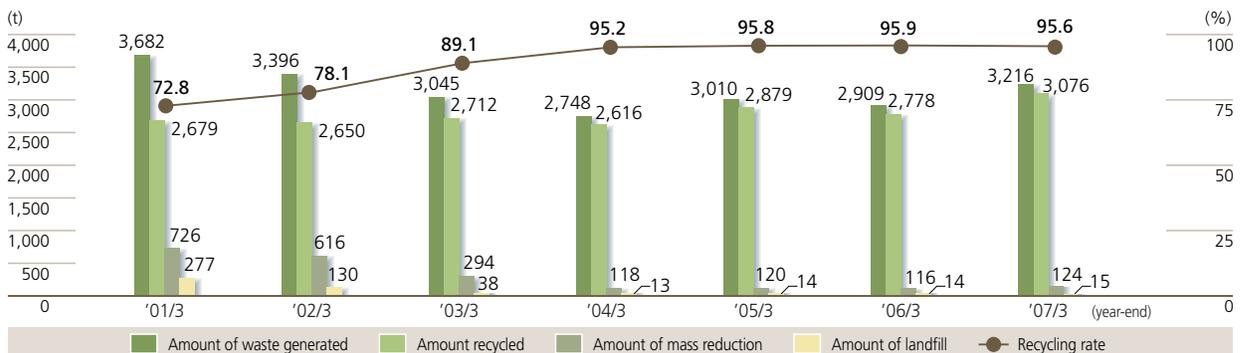
Amount of Waste Generated, by Category (the Year ended March 2007) (Nikon)



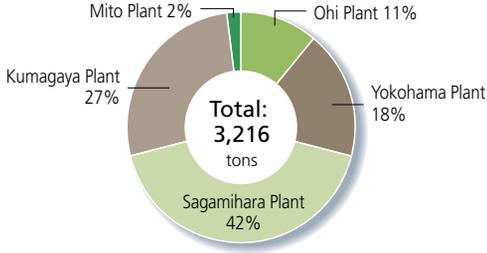
Generation, Disposal and Recycling of Waste

We have implemented the programs to reduce both general and plastic waste and strictly enforced refuse separation guidelines, enabling us to control our total waste output including that to be recycled. In the year ended March 2007, we set our sight on 10% or more reduction in total waste output compared to the base year, the year ended

Generation, Disposal and Recycling of Waste (Nikon)



Amount of Waste Generated, by Plant (the Year ended March 2007) (Nikon)



Our major manufacturing subsidiaries in Japan have also pursued waste reduction through various measures in the wake of Nikon Corporation. As a result, the recycling rate and final (landfill) disposal rate attained 91.7% and 0.61% respectively, resulting in uphold of zero-emission structure although the total amount of waste emission increased 7.8% compared with the base year due to production growth in the year ended March 2007.

Efforts at Each Plant and Major Manufacturing Subsidiary in Japan

Waste Sorting and Reduction

With heavy consumption of natural resources and difficulty in securement of sufficient landfill sites, it is more important than ever for us to make the wisest possible use of our valuable resources and reduce waste generation as much as possible.

Nikon is making serious and continuing efforts to preserve our environment for our descendants through a range of activities including effective sorting and reduction of waste generated.

Promotion of Recycling

At Sagamiara Plant, the 5th, 15th and 25th of each month have designated as "Recycling Day" to promote recycling unneeded resources such as paper and plastic. After 14 years of continued efforts, the Recycling Day is recognized as a tradition by all of the employees.

At Mito Plant, on the other hand, wood fragments from trimming hedges, etc. are pulverized and spread over the grounds to help control weed growth.



Recycling of wood fragment from trimming hedge (Mito Plant)

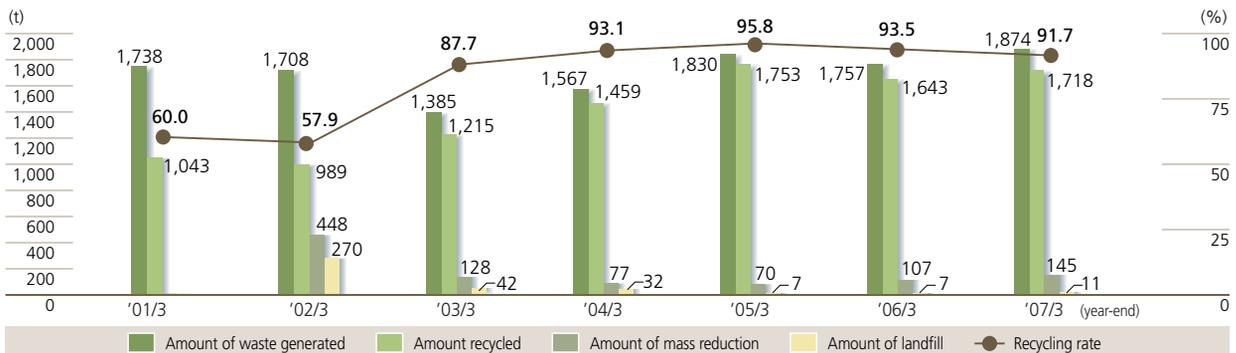
Measures for Waste Reduction and Recycling Taken by Major Manufacturing Subsidiaries in Japan

Sendai Nikon and Tochigi Nikon, already completed zero-emission systems, are making storage and transport more efficient by reducing waste volume. Also Mito Nikon and Zao Nikon, completed zero-emission structure in the year ended March 2005, are promoting the enforcement of waste sorting as well as crushing and composting of wooden pallets.



Chips made from wooden pallets (Zao Nikon)

Discharge, Disposal, Recycling of Waste (Major Manufacturing Subsidiaries in Japan)



Environmental Topics—Activities in the Workplace

Control of Chemical Substances

Chemical substances have the potential to improve our lives in many ways, but at the same time can cause many serious problems such as ozone layer depletion and dioxin poisoning—the spread of harmful elements throughout nature. In order to forestall this sort of damage, it is vital that the use of chemical substances be carefully controlled, that the amount of chemicals used is reduced, and that safer substances are substituted wherever possible. Nikon is currently devising a management system that will enable us to effectively take all of these actions.

Control and Elimination of Chemical Substances

Nikon performs chemical substance control at every phase of the product life cycle, from purchase through use and disposal, in order to stop pollution caused by these substances. When first purchasing a new chemical substance, we obtain a Material Safety Data Sheet (MSDS) for the item, and carry out an assessment of the potential dangers of its use in the workplace. Based on the results of this assessment, our Environment, Safety and Health Section performs a review and confirmation of actions taken from technical viewpoint.

In addition to these measures, our Data Centre, located at the Ohi Plant, carries out intensive management of registration, updates and storage of MSDS. We have also started disclosure via the intranet. Nikon places strict control especially on the chemical substances with higher environmental loading to reduce consumption of them, and strives to make pollution by chemical substances cut to zero as far as possible through research activities on alternative materials.

Nikon Group's Pollutant Release and Transfer Register (PRTR*)

Each Nikon plant manages its chemical substances - from purchased inventories, to safe control, handling, use and disposal according to MSDS. The "Nikon PRTR Guide" was released in March 2000, and the range of chemical substances under management was extended. In March 2002, Nikon established a company system for legal notification, adding to and revising existing procedures for filling out such notifications.

In accordance with the statute, here are the reports for each of our plants.

*PRTR: Pollutant Release and Transfer Register, the system requiring organizations to figure out the amount of emission into environment regarding the chemical substances possibly harmful to human health and ecological system and to annually report them to the government, who compiles the data reported and makes them available to the public.

Soil Contamination at Ohi Plant

On the occasion of demolition of life-expired factory buildings and erection of new ones, the soil contamination survey was conducted from January 10 to April 13, 2007, according to the Tokyo Metropolitan Ordinance on Environmental Preservation. As a result, specific hazardous substances over their own standard values were detected at a part of the site: e.g. hexavalent chrome was detected at 3,600 times as much as the standard, although the relevant area was quite small within the buildings. Also trichloroethylene was detected at 1.8 times as much as the standard around the inspection/monitoring hole of groundwater newly installed on the borderline of lot.

Therefore, the Company reported them to the Environment Bureau of the Tokyo Metropolitan Government and Shinagawa Ward Office on April 18 and held a briefing to local residents on April 25. In accordance with the relevant laws and regulations, we are immediately taking action to minimize the impact on the environment.

PRTR Survey Results (the Year ended March 2007)

Unit: kg

Facility	Substance No.	Substance name	Volume handled	Amount released			Amount transferred		Amount in on-site landfill	Amount removed for processing	Amount shipped in product	
				Air	Public water	Soil	Sewage	Waste				
Nikon	Sagamihara Plant	230	Lead and lead compounds	6,648	5	0	0	0	2,720	0	0	3,923
		304	Boron and boron compounds	4,948	7	0	0	0	2,021	0	0	2,920
	Kumagaya Plant	232	Nickel compound	682	0	0	0	0	120	0	0	562
Major manufacturing subsidiaries	Tochigi Nikon	144	Dichloropentafluoropropane	4,714	4,499	0	0	0	0	0	0	215
	Mito Nikon	144	Dichloropentafluoropropane	1,150	1,150	0	0	0	0	0	0	0
	Sendai Nikon	63	Xylene	1,377	558	0	0	0	819	0	0	0
		227	Toluene	2,298	1,360	0	0	0	938	0	0	0
	Zao Nikon	132	1,1-dichloro-1-fluoroethane	1,455	1,210	0	0	0	0	0	0	245

*Nikon: No substances reported at Ohi plant, Yokohama plant and Mito plant.

*Major manufacturing subsidiaries in Japan: No substances reported at Kurobane Nikon.

*The above table includes data only for hazardous chemical substances of which one ton or more (0.5 tons or more for certain chemical substances) is handled at the facility in a given year.

Prevention of Atmospheric Pollution and Conservation of Water Resource

In order to prevent air and soil pollution and to conserve their qualities, Nikon Group has thoroughly conducted various management measures based on its own voluntary plant standards, which are stricter than the laws and regulations.

Air and Water Resources

To help preserve air and water quality, Nikon not only observes applicable laws and regulations, but has also established its own independent plant standards for management.

Each plant regularly measures pollutants released into the air and water, and inspects equipment such as boilers and waste water processing systems periodically to ensure safety.

Air and Water Quality Environmental Data (the Year ended March 2007)

Ohi Plant

Address: 471 1-6-3, Nishi-Ohi, Shinagawa-ku, Tokyo 140-8601
Phone: +81-3-3773-1307

Yokohama Plant

Address: 471 Nagaodai-cho, Sakae-ku, Yokohama, Kanagawa 244-8533
Phone: +81-45-852-2111

Air (Air Pollution Control Law, Metropolitan Regulations)

Unit: Dust: g/Nm³, NOx (nitrous oxides): ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	Dust	0.15	0.12	0.003
	NOx	45	45	41
Cooling and heating equipment/appliance	Dust	0.15	0.12	0.001
		0.15	0.12	0.001
	NOx	0.15	0.12	0.001
		45	45	26
		45	45	24
	45	45	23	

Air (Air Pollution Control Law, Prefectural Regulations)

Unit: NOx (nitrous oxides): ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	NOx	65	60	17
		65	60	40
		65	60	30
		46	42	25
		46	42	39
		46	42	19

Water Quality (Sewerage Law, Metropolitan Regulations)

Unit: mg/l, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.8–8.6	5.9–8.5	6.6–8.0
	BOD	300	240	34.2
	SS	300	240	47.5
	n-hexane (mineral)	5	—	52.3*
	n-hexane (animal/vegetable)	30	24	5.0
	Iodine demand	220	176	2.05
	Copper	3	2.4	0.02
	Zinc	5	4	3.11
	Soluble iron	10	8	1.36
	Total chrome	2	1.6	0
	Fluorine	15	12	0.4
	Nitrogen	120	96	15
	Phosphorous	16	12.8	1.62
	Health	Lead	0.1	0.08
Dichloromethane		0.2	0.16	0.01

Water Quality (Sewerage Law, City Regulations)

Unit: mg/l, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)		
Living environment	pH	5.0–9.0	5.5–8.5	6.2–7.1	
	BOD	600	540	2.3	
	SS	600	540	36.9	
	n-hexane (mineral)	5	4.5	3.5	
	Iodine demand	220	200	1	
	Copper	1	0.9	0.2	
	Zinc	1	0.9	0.01	
	Soluble iron	3	2.7	0.05	
	Soluble manganese	1	0.9	0.05	
	Total chrome	2	1	0	
	Nickel	1	0.9	0.02	
	Fluorine	8	7	1	
	Boron	10	8	0.12	
	Nitrogen	240	135	32.6	
	Phosphorous	32	18	0	
	Health	Lead	0.1	0.1	0
		Arsenic	0.1	0.1	0
Hexavalent chrome		0.5	0.4	0	
Trichloroethylene		0.3	0.2	0.001	
Tetrachloroethylene		0.1	0.1	0	
Dichloromethane	0.2	0.1	0		

* Occurred July 2006 (exceeded regulatory at extra inspection)
Cause: rainwater came in an old empty underground fuel oil tank, which was installed and used before the war, and then oil residual flew out.
Countermeasure:
[Initial action] the accident was notified to the Sewerage Bureau of the Tokyo Metropolitan Government, and spillage prevention measures and those results were officially reported in the accident report form and the accident recurrence prevention measure and plan notification form.
[Secondary action] the fuel tank will be dismantled by November 2008, and the notification of accident recurrence prevention measure completion will be submitted to the Sewerage Bureau of the Tokyo Metropolitan Government

Environmental Topics—Activities in the Workplace

Prevention of Atmospheric Pollution and Conservation of Water Resource

Sagamihara Plant

Address: 1-10-1 Asamizodai, Sagamihara, Kanagawa 228-0828
Phone: +81-42-740-6300

Kumagaya Plant

Address: 201-9 Miizugahara, Kumagaya, Saitama 360-8559
Phone: +81-48-533-2111

Air (Air Pollution Control Law, Prefectural Regulations)

Unit: Dust: g/Nm³, NOx (nitrous oxides): ppm, Fluorine, lead in fusion furnace: mg/Nm³

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	Dust	0.1	0.05	0.0055
		0.1	0.05	0.0053
		0.1	0.05	0.0061
		0.1	0.05	0.0033
		0.1	0.05	0.0018
		0.1	0.05	0.0038
	NOx	60	57	56
		60	57	52
		60	57	53
		105	100	9
105		100	5	
Absorption chiller	Dust	0.1	0.05	<0.001
		0.1	0.05	<0.001
	NOx	60	57	32
		60	57	30
Fusion furnace	Dust	0.15	0.1	0.042
	NOx	800	20	<5
	Fluorine	2.5	2	<0.25
	Lead	10	5	<0.03

Water Quality (Sewerage Law, City Regulations)

Unit: mg/l, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.8–8.6	6.0–8.0	6.4–7.6
	BOD	300	60	13
	SS	300	90	27
	Zinc	5	0.5	0.11
	Fluorine	8	7.5	3.1
	Boron	10	5	0.96
	Ammoniac nitrogen	125	100	27.8
	Health	Lead	0.1	0.08
Arsenic		0.1	0.05	<0.001

Air (Air Pollution Control Law, Prefectural Regulations)

Unit: NOx (nitrous oxides): ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	NOx	150	100	22
		150	100	24
		150	100	27
		150	100	59
		150	100	29
		150	100	27
		150	100	30
		150	100	65
		150	100	59
		150	100	67
		150	100	25
		150	100	51
		150	100	59
		150	100	71
		150	100	26
		150	100	26
		150	100	25
		150	100	57
		150	100	58
		150	100	32
150	100	27		
150	100	33		

Water Quality (Sewerage Law, City Regulations)

Unit: mg/l, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.1–8.9	5.9–8.2	6.7–7.9
	BOD	600	150	35.4
	SS	600	50	11.0
	n-hexane (mineral)	5	4	<1.0
	n-hexane (animal/vegetable)	30	20	<1.0
	Iodine demand	220	170	254*
	Copper	3	1	<0.2
	Zinc	5	1	<0.05
	Soluble iron	10	3	<0.3
	Total chrome	2	1	<0.2
	Boron	10	4	<0.5
	Nitrogen	240	70	38.0
	Ammoniac nitrogen	380	60	22.0
Health	Phosphorous	32	20	17.0
	Lead	0.1	0.05	<0.01
Hexavalent chrome	0.5	0.1	<0.05	

*Occurred in October 2006. (exceeded regulatory).

Cause: excessive infusion of bisulfate of soda (SBS) during the waste water treatment process
Countermeasure: the chemical's excessive infusion recurrence prevention measure and monitoring system were improved and strengthened.

Mito Plant

Address: 276-6 Motoishikawa-cho, Mito, Ibaraki 310-0843
Phone: +81-29-240-1112

Air (Air Pollution Control Law, Prefectural Regulations)

Unit: Dust: g/Nm³, NOx (nitrous oxides): ppm, SOx (sulfurous oxides): Nm³/h

Item		Regulatory standard	Plant standard	Actual (max.)
Boiler	Dust	0.3	0.27	0.011
		0.3	0.27	0.011
		0.3	0.27	0.011
	NOx	180	162	69
		180	162	86
		180	162	67
	SOx	3.25	0.67	0.047
		3.25	0.67	0.043
		3.25	0.67	0.069

Water Quality (Water Pollution Control Law, Prefectural Regulations)

Unit: mg/l, except for pH and E. coli (colonies/ml)

Item		Regulatory standard	Plant standard	Actual (max.)
Living environment	pH	5.8–8.6	6.0–8.2	6.8–7.9
	BOD	20	20	16
	SS	30	30	24
	n-hexane (animal/vegetable)	10	10	3
	E. coli (daily average)	3,000	2,700	64
	Nitrogen	60	60	45.5
	Phosphorous	8	8	6.34

Water Usage

Plants engaged in manufacturing continuously expand and evolve structurally, but since the introduction of the “Environmental Management System” in the year ended March 1999, efforts have been made to promote reuse of process waste water, and reduce water usage by involving all employees in water-saving activities.

Water Usage for the Year ended March 2007

Unit: m³

Nikons Plants	Water Usage
Ohi Plant	62,067
Yokohama Plant	67,419
Sagamihara Plant	875,521
Kumagaya Plant	284,268
Mito Plant	14,545
Total	1,303,820

Water Usage



Glossary

- SOx: sulfur oxides
- NOx: nitrogen oxides
- ppm: Parts per million
- pH: Hydrogen ion concentration. Indicates the acidity or alkalinity of a substance, where a solution of pH 0 to 7 is acid, pH of 7 is neutral, and a pH over 7 is alkaline. A change of one pH number indicates a 10-fold change in the concentration of hydrogen ions.
- BOD: Biochemical oxygen demand. The amount of oxygen required for microorganisms to oxidise and consume organic pollutants in water. Used to gauge the degree of pollution of rivers.
- SS: Suspended solids. Also referred to as substances that cause water clouding, they include small particles, plankton, organism carcasses and detritus, excretions and other organic materials, as well as sand, mud and inorganics and a range of manmade pollutants.
- n-hexane (mineral or animal/vegetable): Normal hexane mass. Used to measure the total content of oils and hydrocarbons in waste water, it indicates the amount of materials extracted to normal hexane and which do not volatilise at about 100°C. Covers animal and vegetable oils, fatty acids, petroleum-based hydrocarbons, wax and grease.
- Iodine demand: The amount of iodine used by the reducing substances (sulphide, etc.) in waste water during iodine oxidation. It is an index of the presence of the reducing substances in waste water.

Environmental Topics—Activities in the Workplace

Green Procurement

Nikon group is promoting a program of green procurement, which features a host of activities geared toward reducing the environmental impact of our products.

Establishment of "Nikon Green Procurement Standards"

In response to the international laws/regulations and requirements recently introduced, Nikon Group has established the "Nikon Green Procurement Standards" since October 2005 to remove the environment-influencing substances from our products.

"Nikon Green Procurement Standards" (summary)

- 1) Objective
To provide the basic standards of green procurement for global environmental protection and to expect suppliers to comply with them.
- 2) Applicable scope
All parts and materials procured by the Nikon Group and included in the Nikon Products, and those suppliers.
- 3) Requirements
Establishment of the environmental management system:
Establishment of the environment protection structure and the management structure of substances with environmental impact.
Elimination of substances with environmental impact:
Classification of hazardous chemicals into Prohibited Substances, Use-restricted Substances and Controlled Substances; Compliance with the standards for Substances Used in Products and Substances Used in Production Processes.
Request for cooperation:
Conclusion of Nikon Green Procurement Standards Agreement; cooperation for investigation and audit of environmental protection system; submission of Nonuse Guarantee; cooperation for investigation of substances with environmental impact; provision of alternatives, etc..
- 4) Measures in response to requirements
•We will cease dealing with the suppliers whose responses to establishment/maintenance/improvement of environmental management system are not efficient.
•We may cease dealing with the suppliers whose responses to environmental impact substances and our cooperation requests are not efficient.
- 5) Environmental partner evaluation
We will grant the certification to the suppliers who obtain high evaluation in investigation and audit of environmental protection system, giving them priority in our business dealings.
- 6) Operation
The Procurement & Facilities Management Department mainly promotes items concerning environmental conservation systems. Startup timing and methods to implement items concerning products and materials procured are decided upon and implemented by respective company internal organizations.

Promotion of Agreement

Green procurement activities can not be achieved without cooperation by business partners. Nikon Group held briefing sessions for its business partners to deepen their understandings about our Green Procurement Standards, and requires them to enter into "Nikon Green Procurement Declaration." In the year ended March 2007, we held briefing sessions for the business partners of Nikon Corporation and Nikon Group Companies in Japan and abroad, accelerating to enter into the Agreement with them one by one.

Survey and Checkup of Environmental Conservation Structure

Based on the "Nikon Green Procurement Standards," Nikon has annually conducted the "Environmental Conservation Survey" for its business partners four times since 1999. In 2006, the questionnaires of the Survey were revised not focusing on maintenance of pollution prevention system but on establishment/improvement of hazardous chemical substances management system during procurement. Using these renewed questionnaires, the 5th Environmental Conservation Survey was conducted and around 320 business partners participated in it in the year ended March 2007.

In order to ascertain the environmental conservation structures of our business partners more precisely, the Environmental Conservation Checkup has also started to conduct for them. Based on the both evaluation results of the Survey and the Checkup, Nikon Group has certified the business partners which are particularly excellent in the viewpoint of environmental conservation as "Nikon Environmental Partners" since the year ended March 2007.

Score of the Environmental Conservation Survey

The Year ended March	Survey Targets (Number of companies)	Respondents (Number of companies)	Average (Score)
2004	202	184	84.3
2005	285	277	77.5
2007	558	316	80.3

- Comment:
- The reason why the average score in the year ended March 2005 decreased from the previous year was addition of new survey target companies due to expansion of its scope although the number of business partners with extremely low scores decreased.
 - In accordance with stricter environmental regulation by EU, the survey target scope was expanded further and the questionnaires were widely revised (focusing not on pollution prevention but on management of hazardous chemical substances) in the year ended March 2007. Some of our business partners have not dealt with chemical substance issues yet although others have started to establish such systems.
 - We are helping the material suppliers with low scores to establish their own chemical substance management systems one by one.

Establishment of Green Procurement Analysis & Promotion Conference

Nikon Group has established the "Green Procurement Analysis & Promotion Conference" and launched monthly activities for enlightenment on analysis techniques and knowledge to employees in charge. Its vigorous activities using the evaluation results of Nikon products as learning tools enable the persons responsible for the green procurement analysis of each department to deepen their understanding about analysis equipment and methods.

Reduction of Environment-Influencing Substance in Products/Materials Procured

Focusing on the Nikon Companies manufacturing the products containing the substances defined by the RoHS Directive established by EU in July 2006, hazardous chemical substance inspection of products/materials procured, screening of them using fluorescent X-ray analysis, alternative technologies and switching to substitute products and materials were completed so far. The comprehensive survey of metal materials, paints and bonding agents commonly used by these companies was also carried out. The data from these surveys/inspections are accessible via intranet within the Nikon Group. According to the Nikon Environmental Action Plan, we have set out the targets even for the products that do not contain the substances defined by the RoHS Directive, and actively promoted environmental activities.

Moreover, all manufacturing departments of Nikon Group have completed the responses to "Administrative Measure on the Control of Pollution Caused by Electronic Information Product (Chinese RoHS)" enforced in China in March 2007.

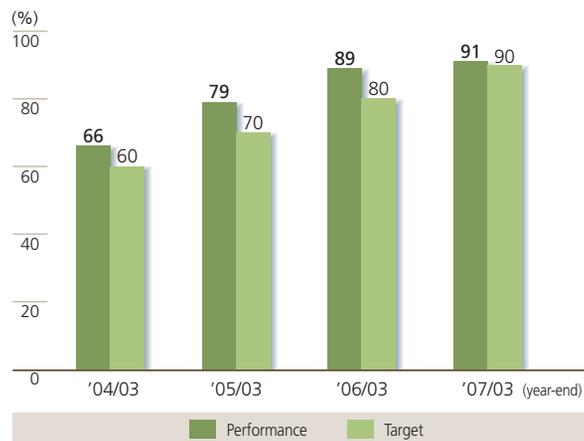
Promotion of Green Purchasing

In June 2006, we revised the "Nikon Group Green Purchasing Implementation Guidelines" for certain sorts of office supplies and equipment/machinery to strengthen our green purchasing activities.

Our rate of green purchasing was 91% in the year ended March 2007: 91%, 92%, 90% and 91% of the rate were achieved in the first, second, third and fourth quarters, respectively.

The same kinds of activities are also promoted throughout all Nikon Group Companies.

Rate of Green Purchasing



Environmental Inspection of Overseas Manufacturing Sites

Recently the number of manufacturing sites of Nikon Group has increased especially in China and Thailand. Meanwhile, it has become more important than ever to establish the stricter management system to observe such acts as EU RoHS Directive (regulations on hazardous substances) at each plant. Therefore, we have carried out the environmental inspections for our overseas manufacturing sites by the persons responsible for environmental management. They visited major business sites such as Nikon (Thailand) Co., Ltd. and Nikon Imaging (China) Co., Ltd. for inspection.

Based on these direct inspections, we are requiring the sites with insufficient management to improve their systems, and supporting them to enhance their environmental management.

Hikari Glass (Changzhou) Optics Co., Ltd. in China was awarded as "the Companies Contributing to Labor and Social Security in Changzhou City" by Changzhou City Office through its model activities not only for company growth but also for improvement of employees' working environment in accordance with the Chinese Acts on labor management and security.



Production Lines

Developments & Advancements in Nikon's CSR Activities

Year	Nikon	Japan/Worldwide
1967		Basic Law for Environmental Pollution Control enacted
1970	First Pollution Response Committee meeting held (September)	
1971		Japan Environment Agency established
1972	Revision of company motto "Kindness, improvement, responsibility and cooperation" (January)	United Nations Conference on the Human Environment held in Stockholm
1979	Environmental Management Office established within the construction department (July)	
1986	Implementation of corporate philosophy "Light and Microtechnology" (January)	
1987		Montreal Protocol on Substances that Deplete the Ozone Layer adopted
1988	First Nikon Group Environmental Communications Committee meeting held (November)	Ozone Layer Protection Law enacted
1989		Advocacy of "Valdez principles" by CERES
1991		The Keidanren "Charter of Corporate Behavior" and "Global Environment Charter" announced Law for the Promotion of Utilisation of Recycled Resources enacted
1992	Nikon Basic Environmental Management Policy (April) Restructuring of the Environmental Improvement Committee, establishment of the Environmental Committee (April)	"Earth Summit" held in Rio de Janeiro
1993		Basic Environment Law enacted Start of International Energy Star Programme
1994	Elimination of specified CFC used in cleaning (May)	United Nations Framework Convention on Climate Change went into effect
1995	Implementation of Nikon Product Assessment (May)	Container and Packaging Recycling Law enacted
1996		Publication of ISO 14001 Standards
1997	Business Conduct Committee established (December) Sendai Nikon earns the first ISO 14001 certification among the Nikon Group (March)	Third Conference of the Parties (COP 3) to the United Nations Framework Convention on Climate Change held in Kyoto
1998	Nikon's Environmental Symbol introduced (May) Nikon Basic Policy for Green Procurement (August)	GRI Guideline announced Law Concerning the Promotion of Measures to cope with Global Warming enacted
1999	Nikon Green Procurement Guide distributed to suppliers (July) Environmental Administration Department (present name: Environmental & Technical Administration Department) established (October)	Pollutant Release and Transfer Register (PRTR) Law enacted
2000	Implementation of Vision Nikon 21, and hanged new corporate philosophy "Trustworthiness & Creativity" (March) Nikon Environmental Action Plan 21 issued (June)	Inauguration of "Global Compact" by United Nations Basic Law for Establishment of Recycling-Based Society enacted Law for Promotion of Effective Utilisation of Resources enacted
2001	Implementation of Nikon Cord of Conduct (May) Nikon Environmental Report 2001 released (October)	Fluorocarbons Recovery and Destruction Law enacted
2002		Soil Contamination Countermeasures Law enacted
2003	Compliance Section established on Administration Department (July) Zero-emission systems completed at all Nikon plants (March)	Environmental Protection Activities and Environmental Education Promotion Law enacted WEEE & RoHS Directives enacted in EU
2004	Implementation of Nikon Charter of Corporate Behavior (April) Implementation of policy toward integrated ISO 14001 certification (July)	Law Concerning the Promotion of Business Activities with Environmental Consideration enacted Revision of ISO 14001 Standards
2005	Introduced Code of Conduct Coordinator System (April) Zero-emission systems completed at five major manufacturing subsidiaries in Japan (March) Nikon Imaging (China) Co., Ltd. earns the first ISO 14001 certification among the Nikon Group Oversea (June) ISO 14001 certification for Nikon Corporation completed (September) Nikon Green Procurement Standards enacted (October)	United Nations Framework Convention on Climate Change/ Kyoto Protocol went into effect WEEE Directive implemented in EU
2006	CSR Committee established (January) Risk Management Committee established (April) Nikon CSR Report 2006 released (December) ISO 14001 certification for Nikon Corporation and five major manufacturing subsidiaries in Japan completed (September) CSR Section established in Corporate Planning Department (October)	RoHS Directive implemented in EU
2007	Revision of Vision Nikon 21, and implementation of "Our Aspirations" Implementation of Nikon Corporate Social Responsibility (CSR) Charter (April) Revision of Nikon Code of Conduct (May)	Intergovernmental Panel on Climate Change (IPCC) AR4 announced

Third-party Comments



Junko Edahiro

Founder and President, e's Inc.

Joint Chief Executive, environmental NGO "Japan for Sustainability" (JFS)

Overall I was favorably impressed by the CSR Report for its earnest and straightforward content. In particular, it is an excellent report in terms of its details regarding the environment. One can realize that solid initiatives are being conducted from the foundation of the main business itself, not just on a superficial level, in areas including assessment, CO₂ reduction at business centers, development, the management of chemical substances, zero-emission polices and others.

In the area of logistics, you have ascertained the volume of your carbon dioxide emissions, and I look forward to your upcoming curtailment activities and results here.

Nikon is firmly addressing the warming issue and I was also favorably impressed by this. You have achieved results in reduction of energy per net sales, however the size of burden on the planet is determined based on total quantities, and I therefore would also like you to provide information on additional activities geared towards total reductions.

Moreover, you have presented data and graphs concerning the areas of environmental accounting, prevention of air pollution, protection of water resources, etc. I would like you to go beyond this and indicate what particular activities have been conducted to achieve results in these areas,

how Nikon perceives such results, and your view on future initiatives in such fields.

In addressing social aspects, the report on specific support systems in place for raising children and providing nursing care and the actual achievements here are exceptional. In the area of personnel development, I would like you to go beyond posting information on curriculum, and also definitely convey what concepts are utilized in particular activities, and the dynamic transformations that are achieved, including what type of changes are implemented and how change takes place.

As for the recruitment and hiring of female employees, it is unfortunate that there is no report of your track record in this area. In order to promote recruitment of female workers, it is necessary to have the company's policy and a structure for supporting such policy in place, in addition to raising personal awareness. I await forthcoming reports from you in this area.

The CSR Report covers many pages, however it primarily provides explanations of the policies and systems. It is unclear what type of activities are actually being conducted, what is being developed and how progress is being made, what the emerging issues are, and how endeavors will be promoted in the future. For instance, only an explanation is pro-

vided of the system for your Code of Conduct Hotline, and its actual achievements and the company's perception of such, and views on future initiatives are matters that should also be presented.

The report on corporate communication as well only features an explanation of the overall structure, and unfortunately it is unclear what is being produced via mutual exchanges. I would definitely like to see you promote and report on efforts towards collaborative-type communication, not merely unilateral conveying of information and receiving of comments.

Your actual corporate efforts and the report itself should not merely focus on matters you are already firmly handling. Rather the CSR Report and its content should be positioned as a motivating force for propelling the PDCA cycle, in terms of self-recognition of the areas you need to improve upon and how they should be tackled.

Furthermore, I strongly anticipate future initiatives from you which address a broader base of stakeholders that goes beyond Nikon's limited social responsibility for its own customers, direct shareholders and the areas where business centers are located, to also include future generations, people in developing nations, and species other than humans.

*These third-party comments were translated from Japanese (original text) to English.

Nikon Receives Third-party Comments on its CSR Report

The CSR activities conducted by the Nikon Group to date have placed emphasis on the environment and compliance, and have comprised initiatives primarily conducted domestically in Japan. In the valuable third party comments received from Ms. Junko Edahiro we were especially pleased to have been highly recognized for our efforts regarding the environment. Utilizing this as encouraging motivation, we will work on the various environmental issues more proactively in the future.

This year marks the second time we have issued the Nikon CSR Report, and there remain quite a few areas which require a considerable amount of concentrated effort in simply communicating our corporate perspective. In order to promote interactive dialogue with our stakeholders, and in order to solidly report on details up to and including specific activity results, we are aiming to make various improvements. Regarding mention of the PDCA cycle as well, we recognize this area indeed as one of the issues we need to address and work on from here on in. And we will also make efforts to properly report on female recruitment and employment details in the next CSR Report to be issued.

More than one year has passed since Nikon established its CSR Committee, and we are aiming for full-scale implementation of the CSR activities of the Nikon Group in the weeks and months to come. We are striving to ensure Group-wide that each and every employee possesses a strong social and environmental awareness in executing their daily professional responsibilities.



Mamoru Kajiwara

Managing Director,

Member of the Board

& Senior Executive Officer

(CSR Executive Officer)

Q1. What is your overall impression of "Nikon CSR Report 2007"?

[Ease to understand] Easy to understand Of average difficulty Difficult to understand
 [Ease to read] Easy to read Of average difficulty Difficult to read
 [Amount of information] ... Abound Of average amount Limited
 [Nikon's CSR and environmental activities]
 Excellent Adequate Insufficient

Q2. Please choose the relevant articles to the following questions in the list on the right side (multiple answers are fine).

1) Articles you are interested in:	<input type="checkbox"/>				
2) Articles in which you find the importance as a CSR report	<input type="checkbox"/>				
3) Articles whose explanation is considered as insufficient	<input type="checkbox"/>				
4) Articles you find difficulty to read	<input type="checkbox"/>				

**Q3. Which of the titles/positions below best describes you?
(Please choose only one)**

<input type="checkbox"/> Customer	<input type="checkbox"/> Government-related	<input type="checkbox"/> CSR rating agency like SRI
<input type="checkbox"/> Shareholder/Investor	<input type="checkbox"/> Press relations	<input type="checkbox"/> Employee of Nikon Group or his/her family
<input type="checkbox"/> Business partners	<input type="checkbox"/> Student	<input type="checkbox"/> Resident in vicinity of Nikon Plant
<input type="checkbox"/> Person in charge of CSR and the environment for the company	<input type="checkbox"/> Research/Education-related	<input type="checkbox"/> Other
	<input type="checkbox"/> NGO/NPO	

Q4. We welcome any comments and questions you may have here.

.....

Thank you very much for taking your time to fill out the questionnaire.

***If you want any replies to the questions you provide above, please fill out the information below.**

Name:	Address:		
Phone:	E-mail:		

1. Group Profile
2. Message from the President
- [Nikon CSR]**
3. Corporate Policy
4. Nikon Code of Conduct and Nikon Rules of Action
5. Medium Term Management Plan
6. Nikon Group CSR
7. Corporate Governance
8. Compliance Activities Promotion
9. Risk Management
10. Topics of Fiscal Year 2006
- [Social Topics]**
11. Relationship with Stakeholders
12. Relationship with Customers
13. Relationship with Shareholders and Investors
14. Relationship with Employees
15. Relationship with Business Partners
16. Relationship with Local Communities
- [Environmental Topics]**
- **Environmental Management**
17. Nikon and the Environment
18. Environmental Management System
19. Environmental Action Plan
20. Environmental Accounting
- **Activities in the Products**
21. Product Assessment
22. Environmentally Sound Optical Glass
23. Lead-free Solder, Surface Treatment, Reductions in Use of Hazardous Substances
24. Environmentally Friendly Product Development Systems and Examples of Products
25. Reuse and Recycle of Used Products
26. Environmental-Friendly Packaging and Distribution
- **Activities in the Workplace**
27. Prevention of Global Warming
28. Promotion of Reduction and Recycling of Waste
29. Control of Chemical Substances
30. Prevention of Atmospheric Pollution and Conservation of Water Resource
31. Green Procurement
32. Developments & Advancements in Nikon's CSR Activities
33. Third-party Comments, Nikon Receives Third-Party Comments on its CSR Report



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<http://www.nikon.co.jp/main/eng/index.htm>
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