



Nikon CSR REPORT **2008**

Trustworthiness & Creativity

Trustworthiness and Creativity – simple enough words, but certainly not easy to realize. Nevertheless, at Nikon this is our eternal, ambitious quest.

Aiming at further growth, we have now embarked on a new challenge embodied in the words that express our aspirations: “Meeting needs. Exceeding expectations.”

All we do is driven by a commitment to see that Nikon continues to supply value to the world.



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, published annually, serves as an important tool for promoting communication between Nikon and its stakeholders.

Term and Scope of Report

This report focuses on fiscal year 2007 (the period from April 1, 2007 to March 31, 2008), and also includes matters regarding major developments up to June 1, 2008. 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. Unless otherwise stated, the term “employees” includes Nikon Group corporate executives, permanent employees, non-regular staff, contract workers, dispatched workers, part-time employees and temporary personnel.

References

This report has been drawn up with reference to the “Sustainability Reporting Guidelines, 3rd Edition” published by the Global Reporting Initiative (GRI), and the “Environmental Reporting Guidelines (2007)” of the Japanese Ministry of the Environment. A GRI Guidelines comparison table can be found on the Nikon website.

Web

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

<http://www.nikon.com/>

Next Edition (Plan)

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FTSE4Good

SRI listings

(as of March 31, 2008)
Nikon has been assessed by the following 3 SRI rating agencies, and has been incorporated in their SRI funds/indices.

- FTSE4Good Japan Index
- Daiwa SRI Fund
- Central Mitsui SR Fund

Establishing a Strong Nikon and Realizing a Truly Outstanding Company

In recent years, it has become evident that the general public is more and more interested in what companies are doing as regards their CSR (corporate social responsibility) activities. With the rapid globalization of economies, mankind is now facing a host of problems, and people are casting a critical eye at companies, looking to them for a commitment to playing a role in finding solutions to these problems. Of particular note are environmental issues, such as global warming, that are of critical importance to the whole world. Companies are expected to demonstrate recognition of the fact that their corporate development is dependent upon the sustainable existence of the Earth and its inhabitants.

Given this, we believe that we should engage in high-level initiatives oriented toward the environment and society, and that these activities should be well balanced, involving not only the “output” but also the “process” in every aspect of our businesses.

Nikon is involved in businesses that underpin the foundation of society, and also in those that offer people joy and inspiration. What we see as being first and foremost in Nikon’s CSR activities is to serve society by making maximum use of the outstanding technological expertise that we have built up since the company was founded, and to continue to provide products and services that excel in terms of quality and safety.

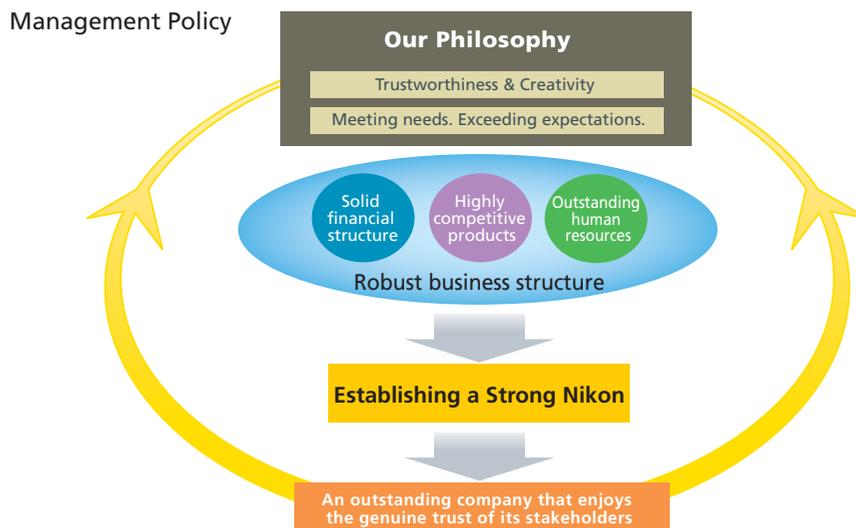
In order to accomplish this, each and every employee within the Group must listen carefully to both customers and society in general, and must strive daily to understand what people expect of Nikon. Nevertheless, that alone is not enough. It is important that we give concrete form to expect-

tations that customers and society are not yet even aware of, creating new value that exceeds those expectations. This is precisely what we believe we should be aiming for in order that Nikon will continue to be seen as a business of value to society, and continue to be cherished by that society.

The Nikon Group has stated that “CSR-oriented management” is one of the priority policies in the company’s Medium Term Management Plan, and we have already implemented a variety of initiatives along these lines. In 2007 we celebrated our 90th anniversary, and to mark this event we announced a new management vision concept — Meeting needs. Exceeding expectations. As an expression of “Our Aspirations” in the lead up to our 100th anniversary, this conveys our passion and determination, and we continue to work at ensuring that these aspirations are widely shared throughout the breadth and depth of the whole Group. Also, in the spring of 2007 we drafted the Nikon Corporate Social Responsibility (CSR) Charter, and revised the Nikon Code of Conduct.

In July, Nikon participated in the United Nations Global Compact, and expressed support for its 10 principles regarding human rights, labor standards, the environment, and anti-corruption. In order to advance CSR throughout the Group, we have very clearly laid out Nikon policy with regard to CSR. We aim to raise the awareness of every employee within the Group with regard to the importance of CSR. Publicly too, Nikon has made clear the considerable weight it accords to CSR.

As another way to mark the company’s 90th anniversary, Nikon has been actively engaged in social action programs, such as offering scholarships to support the education of



children in Thailand.

Amidst the global economic slowdown that we are seeing in this fiscal year (ending March 31, 2009), a company's real capabilities are being tested in what is a very harsh business environment. While responding to such change with alacrity and precision, and realizing a "Strong Nikon" capable of sustained growth, we are tackling this new challenge by drawing on the combined strengths of the Group to ensure Nikon can be a truly outstanding company, well-respected and genuinely trusted by all of our stakeholders.

As regards the threat of global warming, the whole Group is actively engaged in implementing countermeasures. We have put together a project team and announced specific numerical targets for energy saving and reducing CO₂ emissions. Moreover, we are aware that if each employee makes a small contribution, this can all add up to very significant progress. We are working to ensure that this message is spread throughout the Group, to every employee, together with a clear recognition of our generation's responsibility to see that future generations will inherit a beautiful Earth.

We are also concentrating on policies aimed at promoting diversity so that all employees, who are effectively engaged in implementing CSR, can demonstrate vitality and growth in their work, and thus contribute to a better society. Compliance activities too have been of importance for the entire Group and we will continue to improve our arrangements for this, at the same time as working to promote CSR through the supply chain.

The Nikon Group believes that the realization of our corporate philosophy — Trustworthiness & Creativity — and of our management vision — "Meeting needs. Exceeding expectations." — is the essence of CSR. To earn the trust of our customers, society and all stakeholders, we are committed to ensuring our business remains both sincere and sound, and to creating value that exceeds expectations. And with this commitment always in mind we will continue to take on fresh challenges in the years ahead.

The fundamental stance of the Nikon Group is to proactively and honestly disclose corporate information, and to conduct active dialogs with all of our stakeholders — including customers, shareholders and investors, business partners, employees and the community. It is our hope that this report will help to provide a clearer understanding of the Nikon Group's initiatives for stable development. We readily welcome and greatly appreciate any comments or opinions you may have regarding our future activities.



Michio Kariya
Representative Director, President, CEO and COO
Nikon Corporation

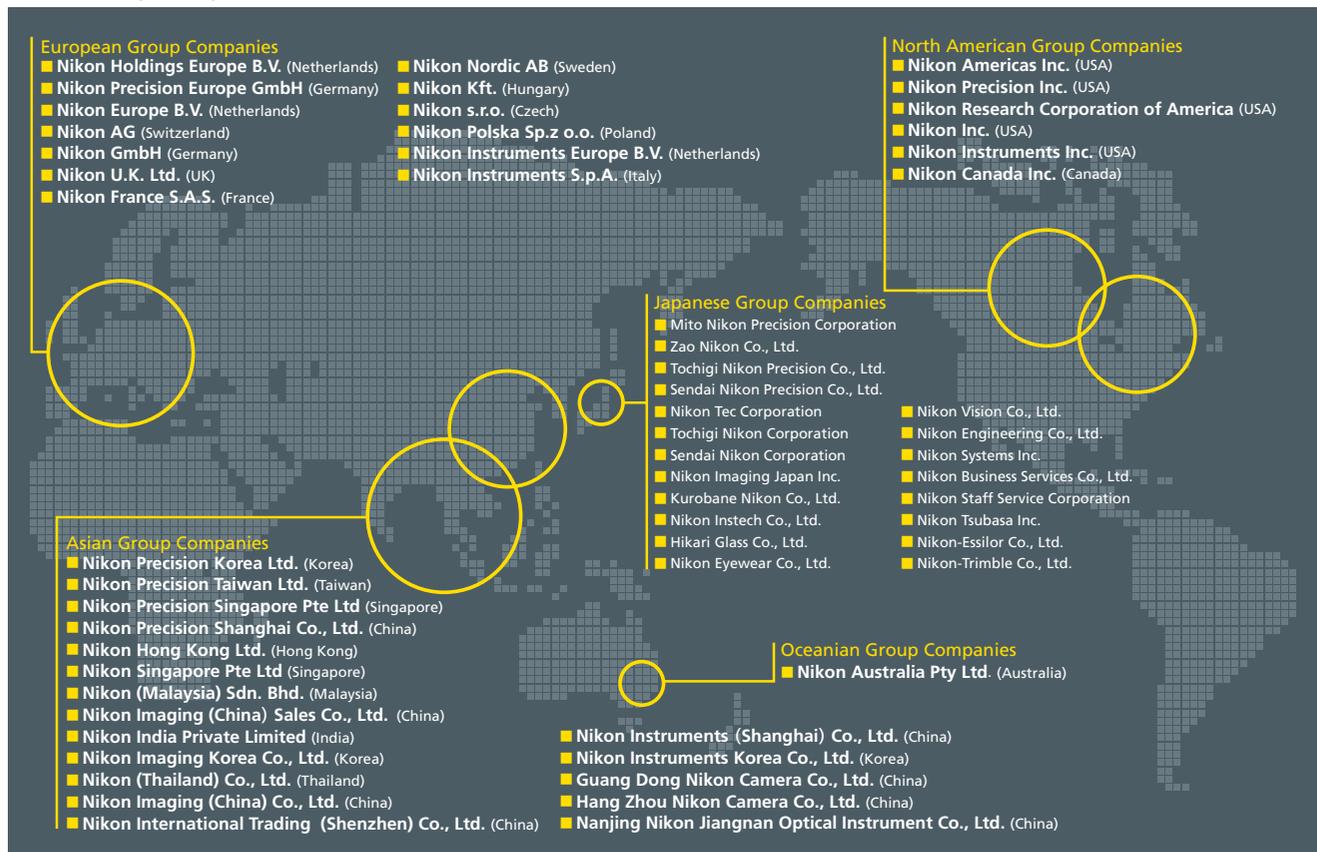
Michio Kariya

Nikon Group Profile

The Nikon Group – An Increasingly Global Business Presence

The Nikon Group conducts business not only in Japan but in countries all over the world. Drawing on our optical expertise and high-precision technologies, we are determined to deliver the finest quality and the latest service to global markets.

Nikon Group Companies



Note: In February 2008 Nikon Photo Products Inc. was renamed Nikon Imaging Japan Inc. Also, in April 2008 Sendai Nikon Corporation was divided into Sendai Nikon Corporation and Sendai Nikon Precision Co., Ltd.

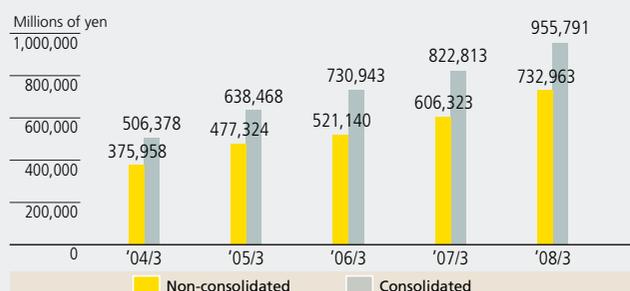
Corporate Data

Company 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 (as of March 31, 2008)

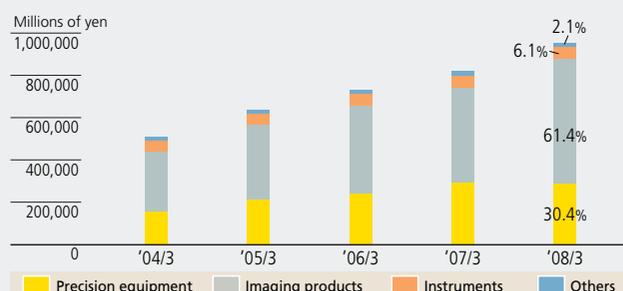
Net Sales Consolidated: ¥955,791 million
 Non-Consolidated: ¥732,963 million
 (for the year ended March 31, 2008)
No. of Employees* Consolidated: 25,342
 Non-Consolidated: 4,861 (as of March 31, 2008)

* Employee figures do not include part-time employees, temporary personnel or dispatched workers. Also, the non-consolidated figure does not include personnel dispatched to subsidiaries and associated companies.

2004-2008 Sales (Non-consolidated, Consolidated)



2004-2008 Sales Breakdown by Business (Consolidated)



Medium Term Management Plan

The Medium Term Management Plan clearly conveys to stakeholders the Nikon Group's managerial intentions from a medium-term viewpoint.

Management Policy

In a rapidly changing business environment, we will establish a "Strong Nikon" capable of responding to change flexibly and accurately, and generating sustainable growth, with the aim of being a truly outstanding and trusted company.

By mobilizing the collective talents and resources of our employees, we will strive to realize sustainable growth even while the course of the world economy remains uncertain.

Key Objectives

Strengthening competitiveness of core businesses and increasing revenue

Strengthening & expanding existing businesses; creating & fostering new businesses

Reforming manufacturing capabilities; bolstering sales competence

Expanding cash flow; strengthening financial structure

Adopting & improving internal controls

Protecting the global environment; practicing CSR-oriented management

Training outstanding corporate leaders

Consolidated Targets for the Year Ending March 31, 2011

Net sales	¥1,200 billion
Operating income	¥160 billion
Current net income	¥100 billion

Business Strategy

Precision Equipment Company

- IC steppers and scanners

Aim to establish the superiority of Nikon's immersion lithography technology, and win top market share for immersion scanners.

- LCD steppers and scanners

Aim to further solidify Nikon's top market share for LCD scanners by responding rapidly to changes in the market.

Imaging Company

While supplying the market with distinctive products, aim to develop and launch new-generation products, and create new markets.

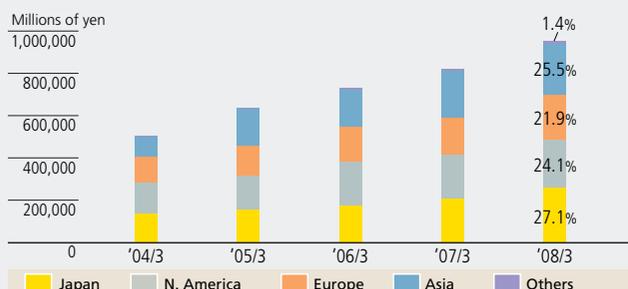
Instruments Company

Leverage microscope and graphical measuring technologies to expand the business and tap into new fields.

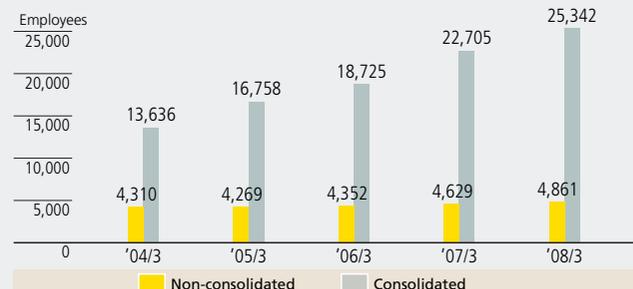
New Businesses

While drawing on the synergies possible between existing businesses and Nikon technologies, aim to create and foster new businesses involving glass materials, etc.

2004-2008 Sales Breakdown by Region (Consolidated)



2004-2008 Employee Numbers (Non-consolidated, Consolidated)



The Nikon Group – Harnessing Light to Build the Foundations of Social Prosperity

Since its establishment, the Nikon Group has drawn on its consistently sophisticated technological capabilities to provide – through its wide range of optical-related businesses – products and services that exceed people’s expectations, helping to build the foundations of a better society.

Major Businesses of the Nikon Group

Contributing to the Development of the Information Society

Precision Equipment Business (Precision Equipment Company*)

- ▶ IC steppers and scanners
- ▶ LCD steppers and scanners

The bustling world we live in today has an abundance of diversity, both of people and of goods, and so it is not surprising that there is increased diversity seen in people’s needs as we find ourselves in an ever more advanced information society. Every year sees fresh advances in the features and functions of such electronic equipment as mobile phones, TVs, and computers. As they become more sophisticated, they grow smaller and lighter, bringing greater convenience and comfort to our lives. And what is making possible this evolution in electronic equipment is the increasing miniaturization of the IC.

The heart of any IC is the circuit pattern, which is created on a wafer by a stepper and scanner. Nikon is a leading manufacturer of this equipment, and is thus making a major contribution to miniaturizing the ubiquitous chip.



NSR-S610C IC stepper and scanner



ECLIPSE Ti inverted microscope for research purposes

iNEXIV VMA-2520 CNC video measuring system

Contributing to the Development of the Information Society

Contributing to the Development of Imaging Culture

Imaging Products Business (Imaging Company*)

- ▶ Digital cameras
- ▶ Film cameras
- ▶ Interchangeable lenses
- ▶ Speedlights
- ▶ Film scanners
- ▶ Photographic accessories
- ▶ Software

From personal memories of graduation ceremonies and family holidays to news stories that are broadcast around the world, photographs record all of the different instants of our lives – captured, conveyed and cherished. Of course, we now live in an age when the digital camera reigns supreme. Nikon listens carefully to its customers all over the world and in return it provides new value (products & services) by making the most of advanced imaging and digital networking technologies, while drawing on the expertise it has built up with film cameras over the years.



D3 digital SLR camera



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



COOLPIX S500 compact digital camera



Sportstar EX

Photo of the Kaguya lunar explorer provided by the Japan Aerospace Exploration Agency (JAXA)

Supporting Scientific Progress

Instruments Business (Instruments Company*)

- ▶ Biological microscopes
- ▶ Industrial microscopes
- ▶ Stereoscopic microscopes
- ▶ Measuring instruments
- ▶ Semiconductor inspection equipment

In the world of bioscience, attention is now focused on methods of observing living cells in action, something which is becoming commonplace for researchers.

Nikon has long been developing microscopes, measuring instruments, and semiconductor inspection equipment, and by fulfilling the needs of those working on the cutting edge, the company has been supporting scientific progress.

Moreover, in the world of industrial equipment, where customers look for high quality and safety assurance, Nikon is also playing a key role with its precision measuring technologies.

Building Social Prosperity

Customized Products Business (Customized Products Division*)

- ▶ Customized optical equipment
- ▶ Space-related equipment
- ▶ Astronomical-related equipment
- ▶ Optical components

Glass Business (Glass Division*)

- ▶ Synthetic silica glass
- ▶ Calcium fluoride
- ▶ Photomask substrates for LCD

Sport Optics Business (Nikon Vision Co., Ltd.)

- ▶ Binoculars
- ▶ Monoculars
- ▶ Fieldsopes
- ▶ Naturescopes
- ▶ Loupes, pendant loupes
- ▶ Large objective diameter binoculars
- ▶ Sightseeing binoculars
- ▶ Portable laser rangefinders

Surveying Instruments Business (Nikon-Trimble Co., Ltd.)

- ▶ Total stations
- ▶ Levels
- ▶ Laser facilities for construction
- ▶ Theodolites
- ▶ Surveying CAD systems
- ▶ GPS systems

Eyewear Business (Nikon-Essilor Co., Ltd.)

- ▶ Ophthalmic lenses
- ▶ Hearing aids

Note: On March 31, 2008, Nikon Eyewear Co., Ltd. ceased trading in ophthalmic frames and sunglasses

From attractive products that enliven people’s lives, to essential products that underpin society and industry, Nikon is contributing to the development of a better society with a variety of technologies that “harness light”, in addition to its three core businesses.

* Three companies and two divisions are Nikon Corporation’s organizational names.

Nikon's CSR Policy

In order to be an enterprise trusted by all, the Nikon Group has formulated "Our Aspirations" and "Our Commitments" to articulate the corporate philosophy, and also the Nikon Corporate Social Responsibility (CSR) Charter and Nikon Code of Conduct. We are thus striving to put CSR into practice.

Nikon High-Level Policy



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, 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.

Nikon's CSR Activities

In addition to setting up a CSR Committee and expert subcommittees that represent a cross-section of the organization, the Nikon Group has developed a Medium Term Plan and is working to ensure more practical and effective CSR activities.

CSR Medium Term Plan

■ Basic Approach to the CSR Medium Term Plan

In the Medium Term Management Plan announced in 2006, the Nikon Group set forth "CSR-oriented management" as one of its priority policies, and it has been implementing this. CSR is key to realizing the corporate philosophy of "Trustworthiness & Creativity" and the management vision of "Meeting needs. Exceeding expectations." The Group is thus committed to business activities that prioritize CSR in the years ahead.

The Group has announced a policy — starting in the year ending March 31, 2009 — of concentrating on the environment and diversity, two issues that are attracting particular public interest. With the entire Group engaged in highly transparent and sincere management that contributes to environmental protection and emphasizes CSR, we are aiming to be a truly outstanding company, well-respected by our stakeholders.

Priority Policies of the CSR Medium Term Plan (3-year plan, from April 2008 to March 2011)

- Global promotion of CSR activities
- Combating global warming
- Expanding social contribution activities worldwide
- Implementing risk management PDCA cycle
- Conducting diversity activities
- Disseminating CSR guidelines to procurement partners
- Promoting communication with stakeholders

CSR Promotion Organization

To implement and promote CSR activities, based on the corporate goal of management that is both sincere and highly transparent, expert subcommittees have been set up under the CSR Committee to tackle issues of particular importance.

Previously separate committees were individually responsible for handling particular issues, but in order to ensure more efficient and effective CSR, these activities have been integrated under the CSR Committee that was established in January 2006.

The CSR Committee (Secretariat: CSR Section, Corporate Planning Department) is chaired by the President; its members are standing directors and heads of CSR-related departments. In May 2007, an Integrated Disaster Prevention and BCM Committee was newly created under the CSR Committee, which at present directs the activities of 7 subcommittees, including the Business Conduct Committee, Export Control Committee, Environmental Committee, Social Contribution Committee, Safety and Health Committee, and Risk Management Committee. Also, there is close contact with the Quality Control Principle and the Procurement Communications Conference, though these are independent of the CSR Committee.

CSR Promotion Organization



* See page 13 for further information.

Nikon's CSR Activities

CSR Promotion Activities in the Year Ended March 31, 2008

CSR seminars for Nikon Group companies in Japan
 As one aspect of Nikon's CSR promotion activities, Nikon Group CSR seminars have been held since August 2007. These have been attended by a total of 790 employees with group leader or higher status, most of whom have come from eleven Group companies in Japan. At these seminars, participants are given talks on how the entire Group is tackling CSR — specifically, the topics are (1) CSR outline and Nikon's CSR; (2) combating global warming; and (3) compliance. Aiming to realize the corporate philosophy of "Trustworthiness and Creativity," the seminars encourage a shared understanding of the CSR ethos, so that each and every employee will implement CSR that is seamlessly integrated with the execution of their primary duties. Also, a CSR seminar is a compulsory part of the training given to new Nikon employees, whether or not it is their first experience of employment. To date, this seminar has been held 7 times and attended by a total of about 230 trainees. On completion of the course, they fill in a questionnaire that provides useful feedback for Nikon's CSR promotion activities.



CSR seminar

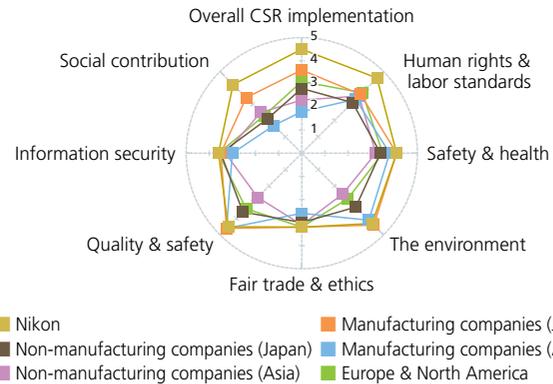
Junko Edahiro lectures on CSR
 In October 2007, Junko Edahiro — an environmental journalist who provided the third-party comments published in the 2007 edition of the Nikon CSR Report — was invited by Nikon to give a talk on the current situation of global warming, on what companies should be doing in future, and specifically on the issues facing Nikon which she had pointed out in her published comments. Her audience included President Michio Kariya and approximately 150 executives from Nikon Group companies in Japan. The occasion provided an excellent opportunity to raise awareness regarding protection of the global environment.



Nikon managers listen intently to Ms. Edahiro's talk

Nikon Group CSR questionnaire conducted
 In July 2007, a questionnaire was conducted with the cooperation of all the Nikon departments, 17 Group companies in Japan, and 18 Group companies abroad. This questionnaire was divided into 8 sections: overall CSR implementation, human rights & labor standards, safety & health, the environment, fair trade & ethics, quality & safety, information security, and social contribution. From the responses, it was clear that awareness of CSR and social contribution is low among staff in Group companies in Asia and Japan. This has led to a recognition of the importance of disseminating the Nikon Corporate Social Responsibility (CSR) Charter and Nikon Code of Conduct throughout Group companies, in Japan and overseas. Steps are being taken to correct the situation.

Results of the 2007 Nikon Group CSR questionnaire (synopsis)



CSR articles debut in company magazine
 So that employees will gain greater familiarity with CSR, from November 2007 CSR articles have been appearing in *Kôyû Tsûshin*, the company magazine. Each issue tackles different topics, such as diversity or global warming, providing basic knowledge of the issues and explaining how Nikon is tackling them in an easy-to-understand format. So far 8 of these articles have appeared, with more scheduled for future issues.



Company magazine (*Kôyû Tsûshin*)

CSR Achievements for the Year Ended March 31, 2008, and Future Targets

In order to ensure that Nikon's CSR activities are more efficient and effective, they are evaluated each year. Also, these results and the issues raised are employed in setting the following year's targets.

CSR Achievements for the Year Ended March 31, 2008, and Future Targets

Priority issues	Goals for the year ended March 31, 2008	Main activities & achievements for the year ended March 31, 2008	Main targets for the year ending March 31, 2009	More info.	
Nikon Group's CSR	Disseminating CSR and enhancing CSR promotion organization	<ul style="list-style-type: none"> CSR Charter announced (April) New management vision announced (April) CSR promotion organization set up for overseas Group companies CSR seminars for 11 domestic Group companies Questionnaire conducted re. current status of Nikon Group's CSR (July) 	<ul style="list-style-type: none"> Implement PDCA cycle for CSR Enhance CSR promotion organization for overseas Group companies Consider CSR seminars for overseas Group companies Continue CSR seminars for domestic Group companies 	P9	
Corporate governance	J-SOX compliance	<ul style="list-style-type: none"> Implemented documentation practices throughout consolidated Group companies for improving internal control system Implemented documentation practices for major Group companies in Japan & abroad for improving business processing control 	<ul style="list-style-type: none"> Early completion of enhancement activities; embed changes within management processes Improve internal control structure, taking the long-term view 	P20	
	Improving internal audit system	<ul style="list-style-type: none"> Proposals made for auditing & improving business operations in each department within Group companies 	<ul style="list-style-type: none"> Enhance internal auditing overseas 		
Compliance	Disseminating & ensuring thorough compliance practices	<ul style="list-style-type: none"> Nikon Code of Conduct revised & disseminated throughout domestic companies Domestic intranet site established for centralizing relevant information Compliance awareness survey (with feedback) of all employees of domestic Group companies 	<ul style="list-style-type: none"> Ensure thorough dissemination of Nikon Code of Conduct in Japan & abroad Implement improvements based on awareness survey results (PDCA cycle) Enhance Code of Conduct Hotline to allow external input 	P21	
Risk management	Establishing BCM & integrated disaster prevention	<ul style="list-style-type: none"> BCM system established for precision equipment & imaging businesses, and also for Head Office functions Education & table-top training implemented for BCP staff in each dept. 	<ul style="list-style-type: none"> Establish permanent PDCA cycle Implement e-learning, applied table-top training 		
	Promoting information security	<ul style="list-style-type: none"> Nikon company regulations adopted as Group regulations (data protection, etc.) Data protection audits conducted on domestic Group companies Information security training provided for all employees in Japan Feasibility study for measures to prevent malicious information leaks 	<ul style="list-style-type: none"> Review regulations for Group companies Implement continuous data protection audits at Group companies Expand Information security training program to include employees of overseas affiliates 	P23	
	Risk management for staff assigned overseas	<ul style="list-style-type: none"> Internal system and information tools established 	<ul style="list-style-type: none"> Introduce such measures at Nikon, at Group companies in Japan, and at overseas affiliates in Asia Compile manual on how to set up such an internal system 		
	Ensuring thorough export controls	<ul style="list-style-type: none"> Export control workshops held EAR (US Export Administration Regulations) workshops held 	<ul style="list-style-type: none"> Enhance export control system for each internal company Ensure thorough compliance with EAR (US Export Administration Regulations) 	P24	
Main stakeholders	Customers	Strengthening quality control system	<ul style="list-style-type: none"> Quality safety enhanced (quality-control audits conducted three times a year) Committee established for setting and promoting quality targets for the entire Group Committee established for integration of quality, environment, and labor safety and health manuals 	<ul style="list-style-type: none"> Conduct quality-control audience six times a year Compile & publish quality action plan Compile & publish integrated manual 	P25
		Strengthening manufacturing	<ul style="list-style-type: none"> Activities to shorten development times, reduce costs, and improve productivity 	<ul style="list-style-type: none"> Implement measures to reform all aspects of manufacturing so as to establish a Strong Nikon 	P26
	Shareholders & investors	CSR promotion	<ul style="list-style-type: none"> CSR activities actively published on website Business information disclosed in a timely and fair manner on website 	<ul style="list-style-type: none"> Enhance quantity and quality of website contents Conduct IR activities suited to investor characteristics 	P28
		Fostering of human resources, employee education	<ul style="list-style-type: none"> Conducted basic education for management, human rights education Revised OJT support for new employees 	<ul style="list-style-type: none"> Implement basic training for running an organization (linked to the operation of an MBO system) Start running new system for OJT support for new employees (enhance quality of instruction) 	P29
	Employees	Fostering climate conducive to "Meeting needs. Exceeding expectations."	<ul style="list-style-type: none"> Introduced dual-track personnel system, training program for career planning Conducted awareness survey of employees at domestic Group companies 	<ul style="list-style-type: none"> Implement 360° diagnostics for managers Operate dual-track personnel system (promotions, transfers) 	
		Support for women in the workplace	<ul style="list-style-type: none"> Numerous proposals made by project team Talks by external lecturers arranged; off-site meetings conducted 	<ul style="list-style-type: none"> Review multiple systems, revise current systems, establish new systems Start training program for women designed to foster leadership 	P31
		Employment of the disabled	<ul style="list-style-type: none"> Conducted feasibility study for increasing ratio of disabled employees 	<ul style="list-style-type: none"> Establish and run second Tsubasa factory 	P32
		Fostering of human resources, employee education	<ul style="list-style-type: none"> Offered life-plan seminars to employees nearing retirement 	<ul style="list-style-type: none"> Expand re-employment of retirees 	
		Safety control	<ul style="list-style-type: none"> Enhanced safety through risk assessment methods; extended record for zero days lost due to accidents 	<ul style="list-style-type: none"> Enhance safety through risk assessment methods (eliminate risk factors) 	
		Group safety control	<ul style="list-style-type: none"> Conducted training to enhance practices of those in charge of safety and health at Group companies, establishing network to link them 	<ul style="list-style-type: none"> Improve the level of safety and health control in the Nikon Group 	P33
		Prevention of overwork	<ul style="list-style-type: none"> Implemented overtime limits including "No-overtime day" and "Cooling system" 	<ul style="list-style-type: none"> Enhance measures for preventing health impairment through overwork 	
		Tackling mental health issues	<ul style="list-style-type: none"> Implemented training for managers & supervisors, and trial counseling for new employees 	<ul style="list-style-type: none"> Actively promote mental healthcare 	
	Health management	<ul style="list-style-type: none"> Implemented working hours campaign 	<ul style="list-style-type: none"> Establish dynamic work style 		
	Safety & health overseas	—	<ul style="list-style-type: none"> Establish measures for dealing with health risks (infectious diseases, etc.) faced by staff posted overseas 	P34	
	Business partners	Support for the work-life balance	<ul style="list-style-type: none"> Review of flexible working conditions, including encouragement for employees to take childcare leave 	<ul style="list-style-type: none"> Review in conjunction with working hours 	
Promotion of CSR procurement		<ul style="list-style-type: none"> Nikon Group Procurement Communications Conference set up (Nov.) Procurement Partner CSR Guidelines drawn up (Dec.) Seminars for staff in charge of procurement at domestic Group companies (Feb., Mar.) 3rd revision of Nikon Green Procurement Standards (Mar.) 	<ul style="list-style-type: none"> Conduct CSR procurement seminars for domestic & overseas Group companies Conduct seminars for procurement partners in Japan and overseas Conduct training for staff in charge of procurement at domestic & overseas Group companies Conduct questionnaire for procurement partners in Japan and overseas 	P35	
Local communities	Social contribution with distinctively Nikon approach	<ul style="list-style-type: none"> Nikon Scholarship Program established in Thailand Ran contest to select pictures for UN children & environment poster 	<ul style="list-style-type: none"> Create system for managing program for university students & students studying abroad Make improvements to website (open to the public) 	P37	
	Participative social contribution Harmonious coexistence with local communities	—	<ul style="list-style-type: none"> Implement afforestation project in Mt. Fuji woodlands Start awareness program for domestic Group companies 		
Environment	Prevention of global warming	<ul style="list-style-type: none"> Global Warming Prevention Project Team formed Employee awareness raised through Environment Month events Scope of integration of environmental management systems expanded Preparations made for creating control system for REACH Regulation compliance Participation in Eco Products trade fair (Dec.) 	<ul style="list-style-type: none"> Follow through with commitments under Kyoto Protocol (All domestic places of business and all production-related companies in Asia will strive to achieve greenhouse gas emission reduction targets in line with the Kyoto Protocol. Overseas sales companies and other places of business will strive to achieve their own voluntary targets for energy saving, etc. Environmental awareness to be encouraged among Nikon Group employees and their families to contribute to preventing global warming.) 	P41	
	Environmental protection	<ul style="list-style-type: none"> Underground water survey implemented at each factory Measures taken to counter soil pollution at Ohi Plant; public briefing held 	<ul style="list-style-type: none"> Comply with relevant laws and adopt environmental protection measures 		

Director's Message

Aiming to Make Nikon into a Company that is "Meeting needs. Exceeding expectations." for the Environment too

The 21st century has been called the age of the environment. In particular, the prevention of global warming is a matter of huge importance for mankind. According to reports based on recent surveys, the world's emissions of greenhouse gases must be cut in half by mid-century. We are facing a situation in which there can be no delay in addressing this problem.

The Nikon Group has been energetically addressing such environmental problems through its Environmental Committee. However, it has now put together a project team with a focus on the Kyoto Protocol, and this is instrumental in driving Nikon's redoubled efforts to reduce CO₂ emissions. At the same time we are pressing forward with such initiatives as offering products with outstanding energy efficiency. We are striving to reduce CO₂ emissions for society as a whole, not only in our own production activities but also in the customer's use of our products. In order to minimize the effect on climate change, the Nikon Group will fulfill its social responsibility by "meeting needs and exceeding expectations" when it comes to the environment as well.



Yoshimichi Kawai
 Director,
 Member of the Board
 & Executive Officer
 Nikon Corporation

Nikon Group's Commitment to the Prevention of Global Warming

Nikon has made it clear that combating the very real threat of global warming is being treated as an important management issue. The whole Group is committed to a joint effort to reduce emissions of greenhouse gases.

Forecasting the Future of Global Warming

The 4th assessment report (AR4) issued by the Intergovernmental Panel on Climate Change (IPCC) — which provides a scientific and technical assessment of the global warming resulting from increases in such greenhouse gases as carbon dioxide — provides the results of a simulation that predicts a rise of 0.6°C by the end of the 21st century, even if we were able to keep greenhouse gases at the levels they were at in 2000. But since 2000 greenhouse gas emissions have already increased and we cannot avoid further rises in temperature. The worst-case scenario predicts a rise of 4°C.

In order to minimize the effect of global warming, it is necessary to keep the temperature rise to within 2°C, and thus cutting world greenhouse gas emissions in half by 2050 is a target that must be achieved. There is a call for the industrialized countries like Japan to achieve a 70% cut by 2050.

Setting up the Global Warming Prevention Project

Aware of the seriousness of the situation, the Nikon group announced that prevention of global warming is to be a vital management issue, and in October 2007 it set up a Global Warming Prevention Project Team, led by the Vice President. In order for Nikon to conduct more effective environmental activities, this team will discuss and plan various measures, and supervise their execution. Playing key roles in this initiative are working groups for the core businesses: precision equipment, imaging, instruments, and glass.

Global Warming Prevention Organization



Note: WG = Working Group

Targets for Reducing Greenhouse Gases

The most important issues facing the Global Warming Prevention Project Team are the efficient use of energy and energy saving, with the goal of reducing the volume of global CO₂ emissions by the entire Nikon Group. It has published medium-term targets for reducing greenhouse gas emissions over a period of three years from the year ending March 31, 2009.

As practical measures for achieving these targets, the Nikon Group plans to install high-efficiency equipment, switch to different fuels, make use of natural energy sources (solar and wind power generation), make more efficient use of energy, and improve production facilities. These measures will be phased in to further increase the effectiveness of Nikon's drive to reduce CO₂ emissions. Efforts are even being made to extend this initiative to cover CO₂ emissions in the homes of employees. Also, taking into account the contribution that can be made to projects in developing countries, Nikon is considering acquiring CDM*-based emission credits.

* CDM: Clean Development Mechanism

Examples of How Nikon Has Reduced CO₂ Emissions Through Product Design and Factory Operations

Development of IC steppers/scanners with high energy efficiency

Nikon is striving to improve the efficiency of power consumption by its products, whether designed for industrial use or for the individual consumer, as way to minimize CO₂ emissions when and where they are being used by the customer. One example is provided by Nikon's IC steppers/scanners: thanks to increased miniaturization, the use of larger wafer sizes, and raised throughput, there has been a drastic increase in the number of circuit cells that can be processed in a set time, contributing to greater efficiency of power consumption. (▶ See page 41 for further information.)

Energy-saving equipment used at Sendai Nikon Corporation

In Nikon's factories, consistent success has been achieved in raising the efficiency of the facilities, including air conditioning equipment. In 2007, Sendai Nikon Corporation restructured its energy supply system, becoming the first member of the Group to introduce a cogeneration system. What distinguishes this system is that it prioritizes the introduction of high-efficiency equipment — the key to saving energy — as well as the shift to different fuels and the recycling of waste heat.

Restructuring an energy supply system using cogeneration

- | | |
|----------------------------------|--|
| Reasons for adoption | <ul style="list-style-type: none"> • To be environmentally friendly (saving energy, reducing CO₂ emissions) • To build a high-efficiency system • To be economical |
| Means for achieving goals | <ul style="list-style-type: none"> • Switch fuel from heavy oil to town gas • Adopt gas-fueled cogeneration • Upgrade to high-efficiency equipment (refrigerators, boilers) • Make use of NEDO (New Energy and Industrial Technology Development Organization, an Independent Administrative Institution within Japan) |

Targets for Reducing Greenhouse Gases

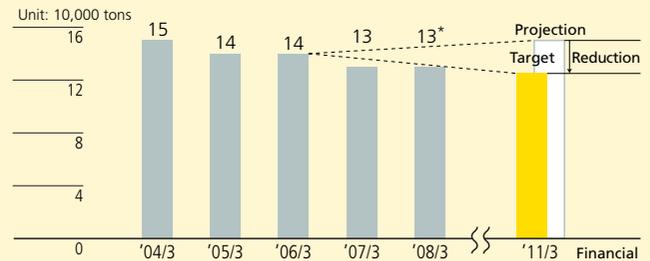
Japan

To reduce CO₂ emissions to 14% below levels recorded in the year ended March 31, 2006 by the year ending March 31, 2011

Overseas

To reduce CO₂ emissions per net sales by Asian manufacturing subsidiaries by at least 15%, compared to levels in the year ended March 31, 2006; this to be achieved by the year ending March 31, 2011

Energy-based CO₂ emissions (in Japan): Past, Present & Future



* Figure for CO₂ emissions in the year ended 08/3 has been calculated using the emission coefficient of the year ended 07/3.



Cogeneration equipment that recovers & uses waste heat to supply electrical power during the daytime



High-efficiency boilers fuelled by town gas



High-efficiency turbo chiller that offers improved operating efficiency and reduced power consumption



Repairs counter at a Nikon service center. Here customers can talk directly with technicians who have experience of carrying out repairs in a Nikon factory.

Exceeding the Customer's Expectations and Providing New Value

Employees working on different sides of the business — from development and production to sales and service — are linked together in a circle of continuous improvement driven by customer feedback. The goal is to provide customers with new value in the form of Nikon cameras.

First Step: A Clear Grasp of Customer Needs

Nikon's manufacturing begins with the thorough collection and analysis of customer opinions and feedback. This feedback includes not only the questions, complaints, and requests made to call centers — numbering over five thousand a month in Japan alone — but also an analysis of articles and contributions sent to specialist magazines, and interviews with experts. The focus is not just requests for what already exists: rather, it is important to grasp the faintest stirrings of future needs — features and services that do not yet exist. And what makes this possible is the Nikon Marketing Laboratory.

Nikon is always keen to develop good cameras that make the most of its technological strengths. However, a highly advanced camera is not necessarily the best camera for the consumer. So, in order to grasp what is "good" from the customer's standpoint, in 2002 Nikon initiated a project that involves every business within the organization. In 2005, the Marketing Laboratory was established. By gathering and analyzing feedback and opinions representing a wide range of viewpoints, it is possible to grasp latent market demand and create products that exactly satisfy the needs of the customer.

3 Aspects of QC — All Seen from the Customer's Viewpoint

Before it can be made available as a commercial product, every newly developed camera must first be subjected to another process of verification, this time from the standpoint of quality. Independently of the Marketing Laboratory, the Quality Assurance Dept. of the Imaging company, which is responsible for this review, analyzes opinions regarding quality that may not be directly observable by Nikon; included are feedback from those involved in servicing cameras, blogs etc., and based on this analysis they check on three different aspects of the product.

The first is quality in the common sense — the product's performance, safety, etc. The second aspect is that of the environment, confirming that it will not harm the global environment or the customer, that it is not difficult to recycle when disposed of, etc. And the third is servicing: Is it easy to repair? And is it convenient for the customer?

Nikon's objective is to manufacture cameras that the customer will use for a long line. And that is precisely why it gives such careful thought to what happens after the camera is purchased, emphasizing quality, the environment, and servicing.

The Goal: Exceeding expectations.

In addition to the value of the product itself — reflecting its design, features, etc. — there is the value of quality assurance, of how environmentally friendly it is, and of the level of service provided. The basis for Nikon's camera business is satisfying the customer with both types of quality. However, what Nikon aims for lies beyond this — to create new value that exceeds expectations, that transcends what the customer can imagine.

To achieve this, every Nikon employee whose job is involved with cameras always thinks and acts from the customer's viewpoint. One example of how this works can be seen at a service center: rather than simply dealing with camera repairs, staff will gather information and pass it on to the Marketing Laboratory and to the Quality Assurance Dept. Also, even if a camera has been broken because the customer used it incorrectly, staff will take care to discover why there was a misunderstanding. This will enable them to understand better what the customer wants to do with the product, and this information can be put to good use when developing the next product. It is an approach that has led to developing not only new cameras but also new camera-related services, such as offering courses on how to use a camera, and launching the "my Pictoretown" Web-based service, which allows customers to save and share their photographs.

In future too, Nikon will continue to listen very carefully to what each customer has to say, and by ensuring that this information is shared with staff in the relevant departments, it will indeed "exceed expectations."

Customer Feedback Cycle



Inspections, minor repairs and adjustments are carried out at a Nikon service center.

Nikon staff comment We want to provide a service that truly satisfies the customer

We are in charge of the Nikon service centers and customer support centers dotted throughout Japan. They represent one of the few parts of our organization where staff can meet directly with customers. This means we are always aware of the importance of conveying the customer's own words to other departments inside the company. Let us say, for example, that a number of customers come to us with an identical problem. One of our most important duties is to send out an alert to other departments in such cases, aware that perhaps a product recall may be necessary. Also, we are always trying to improve on the service we offer, continually striving to build an even stronger relationship of trust with our customers.

One way we do this is to reduce waiting times. In the case of a call center, there will be customers wanting to discuss purchases or repairs, but they may also have questions about the location of a service center or how to use a product. What we can do for the latter is work together with the relevant department and make sure that a map giving the location of a service center is easy to find on the website, or that a new product is sold with a quick-start booklet giving just the essential information to enable the customer to start taking pho-

tographs. It's little touches like this that reduce the overall number of calls we get from customers, resulting in shorter waiting times for the rest.

Additionally, we offer a Cool Pit Service at our service centers: by replacing all the internal components of a camera at one go, we can provide a same-day repair service to our customers. This is the result of taking the customer's viewpoint, and instead of thinking how many days we would require to repair a camera, instead our attention is focused on when we need to return the camera so as not to inconvenience the customer. Where a camera differs from other electronic products is the exterior, which cannot be replaced. This is because there are customers for whom camera ownership itself is a hobby, and for them every scratch is a treasured memory.

In the Nikkei Business magazine's survey of after-sales service satisfaction, Nikon has garnered No.1 position for three years in a row. I'm confident this is proof that our approach to service — namely focusing on what the customer expects — has accurately pinpointed customer needs. And we will continue to look after our loyal Nikon camera customers, providing a service that offers them new joy and inspiration.



Youichi Koizumi

General Manager
Customer Support Centers
Nikon Imaging Japan Inc.

2007 Highlights

“Meeting needs. Exceeding expectations.” Formulating a new management vision: “Our Aspirations”

In 2007, when Nikon celebrated its 90th anniversary, the company looked ahead over the next decade leading up to its centenary and announced its new management vision — Our Aspirations — based on the corporate philosophy of Trustworthiness & Creativity: “Meeting needs. Exceeding expectations.” Also announced were 4 Commitments for every employee to put into practice on a daily basis so as to realize this vision.

Our Aspirations are the result of extensive debates and discussions conducted by a project team made up of a representative group of Nikon employees, ranging from young newcomers to experienced veterans. They deliberated the issues facing the Nikon Group, what should be handed on to future generations, and what kind of company Nikon should aim to be. Their conclusions have been summarized as Nikon’s Aspirations.

As soon as the new vision was decided, Nikon has been busy throughout the year, eager to ensure that it is disseminated to every Nikon Group employee. Booklets have been printed and distributed, special articles have appeared in the company magazine, seminars have been organized, and board directors have toured Group companies to explain Our Aspirations directly to them.



To promote comprehension of Our Aspirations & Our Commitments, these booklets have been distributed to staff.

Participation in the United Nations Global Compact

Since July 2007, Nikon has been participating in The Global Compact established by the United Nations. This initiative was announced in 1999 by Kofi Annan, former Secretary-General of the UN, and it was officially launched in the following year at the UN Headquarters in New York. The Compact calls for participating companies and groups to support and voluntarily implement ten principles relating to human rights, labor standards, the environment, and anti-corruption. Pamphlets are always handed out at the CSR seminars held for employees of Nikon Group companies in Japan, and by also explaining to them what the Compact is about, it is hoped to increase awareness and familiarity.

The Global Compact is calling for the same approach as the Nikon Group policy for implementing CSR-oriented management. The Nikon Group respects the spirit of the Global Compact’s Ten Principles, and it is working to raise awareness of CSR and to conduct CSR activities.



WE SUPPORT

The Global Compact Logo

Ten Principles of the Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

The Environment

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Nikon Scholarship Program Established for Thai Students



Top:
Children attending the Scholarship Conferment Ceremony.

Bottom left:
Certificates are handed to each recipient individually at the Conferment Ceremony.

Bottom right:
Children writing letters to their sponsor families in Japan.

To commemorate its 90th anniversary, Nikon established the Nikon Scholarship Program to support the education of young people in Thailand.

The Nikon Group has long enjoyed close ties with Thailand; for example, in Ayuthaya, just north of Bangkok, it set up Nikon (Thailand) Co., Ltd. as a production base for imaging-related products such as digital SLR cameras and interchangeable lenses. However, Thailand is a country still beset by many problems, including educational inequality, environmental destruction, and the spread of AIDS. Nikon was looking for ways in which it might be of some help to Thailand, and it concluded that supporting the education system — which trains the future generations who will support the country — would be of the most benefit for Thailand's future. It was thus decided to establish the scholarship program.

This program is actually comprised of two scholarships. The Nikon Shanti Scholarship is designed to support students attending junior high school, high school and university; it is implemented with the cooperation of two organizations: the Shanti Volunteer Association, a Japanese body with experience of social contribution activities in Thailand, and Thailand's own Sikkha Asia Foundation (SAF). The number of junior high and high

school students who win this scholarship is approximately 25 per academic year, or a total of about 150 for all six years; the number of recipients among university students is roughly 5 per year for a total of about 20 for all four years.

The other is the Nikon Chulalongkorn Scholarship; this supports Thai students studying abroad at graduate schools in Japan. It is operated jointly with Thailand's Chulalongkorn University. It is planned to select 1 recipient of this scholarship each year from among the students who are currently attending or already have graduated from Chulalongkorn University.

A characteristic of the Nikon Scholarship Program is that, in addition to supporting basic education, it provides an opportunity to study in Japan where there are opportunities to receive an excellent education and participate in cutting-edge research. In future, there is a possibility that there will be talented students who receive support from this scholarship program all the way from junior high school through to graduate school.

While fostering human resources who in future will be able to serve as a bridge between Japan and Thailand, it is hoped that this new Nikon Scholarship Program will be able to make a contribution to Thai society.

Corporate Governance

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

Corporate Governance Organization

■ Board of Directors

Ten members of the Board of Directors, including two from outside the company (as of March 31, 2008), make prompt decisions on matters of importance to the Nikon Group and monitor the exercise of duties by directors.

■ Executive Committee

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

■ Board of Corporate Auditors

Five corporate auditors, including three from outside the company (as of March 31, 2008), periodically attend important meetings—such as those of the Board of Directors and Executive Committee—in order to supervise the execution of duties by the directors, and to perform monitoring and auditing of corporate management and directors.

■ Management System

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

2001, Nikon installed an operating officer system and reduced the number of directors, while shortening the term for directors from two years to one in 2003 in order to consolidate a management system that can respond swiftly to changes in the business environment.

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

■ Compensation Committee

The Compensation Committee, which includes prominent figures from outside Nikon, was set up in July 2003 to raise the objectivity and transparency of matters related to director's compensation. The obligations of this committee include examining and proposing guidelines for directors' compensation and other related systems.

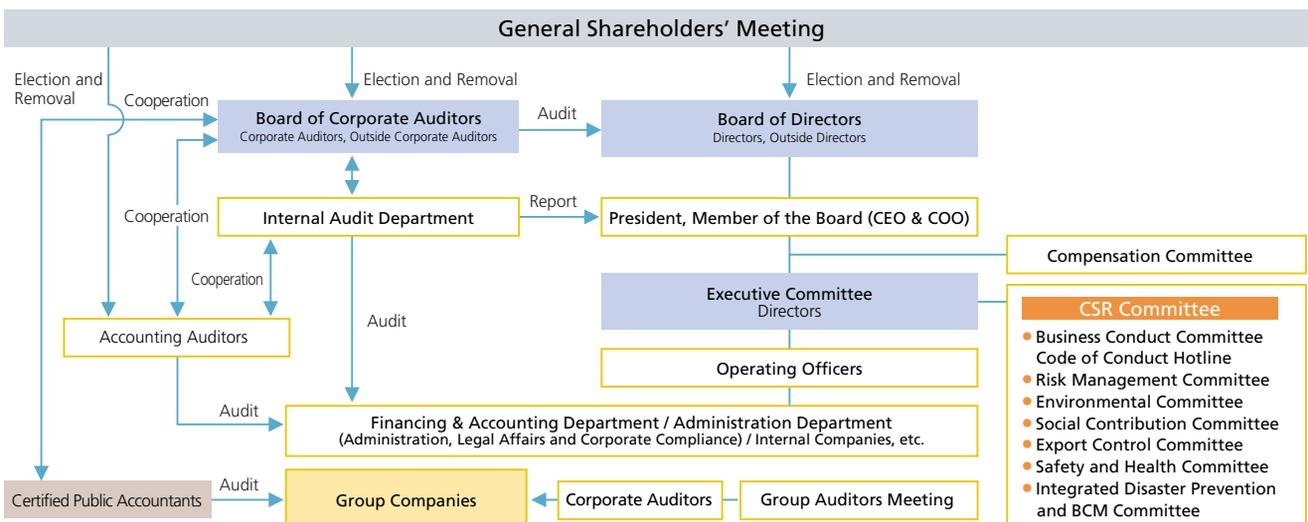
■ Systematization of Responsibility and Authority

Nikon has formulated its Rules of Organization and Authority with the aim of clearly defining the scope of authority and responsibility for each body and each post 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.

▶ For more on Nikon's corporate governance, see:

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

Nikon's Corporate Governance Organization



Measures to Enhance the Internal Control System

■ Strengthened system for deliberation, resolution, communication and reporting

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

■ Internal auditing

The Internal Audit Department is under the direct control of the President and operates independently of other operational departments. Based on annual auditing plans, it examines the operations of each department in the Group to see if they are being appropriately conducted in compliance with laws, company regulations and standards. It also makes recommendations for improvement.

In the year ended March 31, 2008, in addition to looking into issues that affect the corporate culture and organizational environment, an internal audit was performed throughout the Nikon Group in order to check planning and operations in place at each company to ensure the company-level internal controls stipulated by the Companies Act and the J-SOX* law. In future, as well as the auditing duties already being performed, the Internal Audit Department will take on the job of conducting an independent assessment of J-SOX compliance while enhancing internal auditing for overseas subsidiaries.

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

■ Information resources management

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

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

■ J-SOX compliance

"Management Assessment and Audit of Internal Controls over Financial Reporting" (J-SOX), required by the Financial Instruments and Exchange Law enacted in June 2006, came into force in April 2008.

With the enactment of this J-SOX law Nikon immediately began making preparations for its compliance, led by the Accounting, IT and Internal Audit Departments. In January 2007 a J-SOX Establishment Project Team was set up under the director in charge of accounting; it includes representatives of the Accounting, IT and Internal Audit Departments, as well as those from the in-house companies that represent Nikon's core businesses, and from the Group companies. Through these activities, Nikon is creating systems that will strengthen internal controls over financial reporting of the Nikon Group.

Activities for the year ended March 31, 2008

The Project Team has been engaged in compiling documentation for company-level internal controls that have a major impact on consolidated financial reporting among the Group companies. Furthermore, Nikon and the principal Group companies in Japan and overseas have compiled documentation to strengthen internal controls related to business processes (sales, procurement, production, accounting, IT, etc.). The design and operational effectiveness of these business process internal controls have been assessed, and plans for improvement have been drawn up in cases where deficiencies have been discovered. In these ways, Nikon has been working to ensure that its internal controls are effective.

Commitment for the year ending March 31, 2009

In the year ending March 31, 2009, improvements based on the previous year's assessment results will be completed promptly, and by incorporating these into the management processes, Nikon will ensure the standard for J-SOX compliance. Also, Nikon will make further progress with qualitative improvements to the internal control framework over the long term.

Compliance

The Nikon Group is engaged in a variety of activities designed to enable appropriate conduct in which each employee is aware of compliance issues.

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 judgments and activities are conducted from an ethical standpoint.

After being established in 2001, the Nikon Code of Conduct was amended for a second time in May 2007 to keep it up to date. This revision lays down basic policies with regard to business entertaining, gifts, etc. so as to ensure the appropriate interaction of staff with customers and those who do business with Nikon. It also covers information management, accounting procedures and other issues that in recent years have come to be seen as increasingly important. Moreover, to facilitate optimal business judgments in daily operations, Nikon is striving to ensure that all employees fully understand the rules, a duty assigned to each Code of Conduct Coordinator.

It is important that employees are fully familiar with the Nikon Code of Conduct and incorporate it into their business activities. That is why everyone employed in a domestic Group company has been supplied with a Code of Conduct booklet. The full Code of Conduct has also been posted on Nikon's intranet.

Additionally, support is being provided for Group companies overseas to develop their own codes of conduct based on the Nikon Code of Conduct.

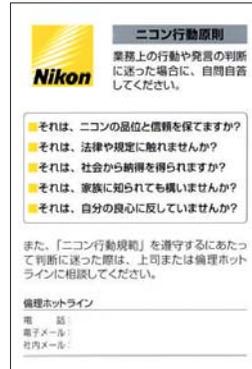


Nikon Code of Conduct

Nikon Code of Conduct and Nikon Rules of Action

A wallet card listing Nikon Rules of Action — a guide for staff who are in doubt about application of the Code of Conduct in a particular case — has been distributed to employees. It also includes the corporate philosophy and CSR Charter.

As another approach is to ensure a full understanding of the Nikon Code of Conduct, the company intranet features Nikon Code of Conduct Case Studies, a collection of practical examples of how to apply the rules, each provided with a simple explanation.



Nikon Rules of Action wallet card

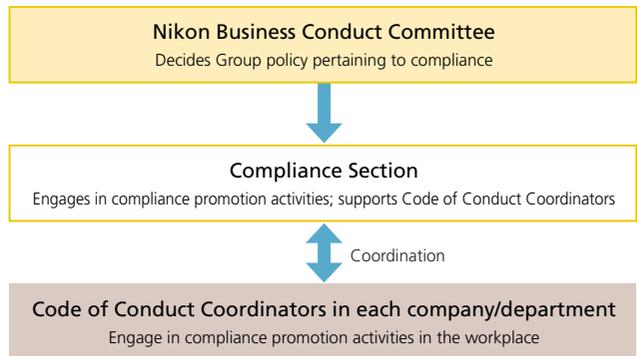


Nikon Code of Conduct Case Studies

Compliance Promotion System

In accordance with the Group policy of the Nikon Business Conduct Committee, the specialist Compliance Section coordinates with the Code of Conduct Coordinator in each department and domestic Group company to promote activities pertaining to compliance.

Compliance Promotion System



Strengthening & Promoting Compliance

Main achievements for the year ended March 31, 2008

- Nikon Code of Conduct revised and disseminated among staff
- Intranet site set up to provide central source of information
- Awareness survey conducted for all domestic Nikon Group employees, with feedback to each department/company

Goals for the year ending March 31, 2009

- Further efforts to ensure thorough employee familiarity with the Nikon Code of Conduct (support for Group companies)
- Improvements based on the results of the awareness survey (PDCA cycle)
- Expansion of the Code of Conduct Hotline (establish external hotline service)

In the year ended March 31, 2008, as well as revising the Nikon Code of Conduct, Nikon created a new intranet website to provide a central source of information about compliance; completely revised the Nikon Code of Conduct Case Studies to facilitate a better understanding of the rules; expanded the scope of the compliance awareness survey; and provided feedback to each department/company regarding their own results.

Furthermore, the Code of Conduct Coordinators assigned to each company/department implemented compliance promotion activities in the workplace to ensure thorough employee familiarity with the Nikon Code of Conduct, newly revised in May.

Educational activities in the year ended March 31, 2008

Audience	Activity	Frequency
New Nikon employees*	Basic compliance education	Once a month
Code of Conduct Coordinators	Education/training sessions for coordinators	Twice a year
Employees in each company or department	Education/training sessions by coordinators	As required
Newly appointed directors in domestic group companies	Legal compliance training	Once a year
Managers in domestic group companies	Compliance seminars	Once per company

* Whether or not it is their first employment.

Compliance awareness survey (monitoring)

Since 2003 Nikon has conducted a compliance awareness survey. The respondents were chosen at random from among executives and employees at domestic Group companies. From the year ended March 31, 2008, to gain a clearer picture the scope was enlarged to include everyone working for domestic Group companies.

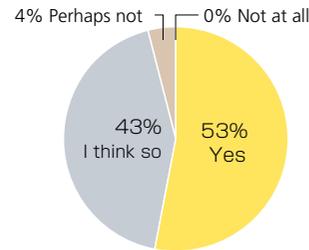
While the results demonstrate a high level of awareness overall, they have also raised concerns regarding how many people have actually read the Nikon Code of Conduct Case Studies, for example. It is clear that further promotion is necessary and the management is already looking for ways to improve the situation. Also, since each department and company has been provided with their own results, they themselves are aware of what needs to be done and are making improvements.

PDCA cycle for compliance promotion



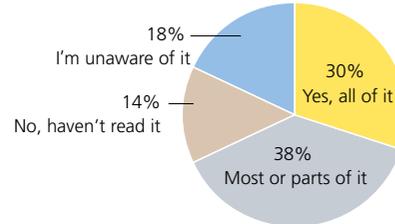
Compliance awareness survey results

Do you always try to make decisions that are appropriate from the point of view of compliance?



Conclusion: An encouraging result as virtually all respondents (96%) try to do so.

Have you read the Case Studies?

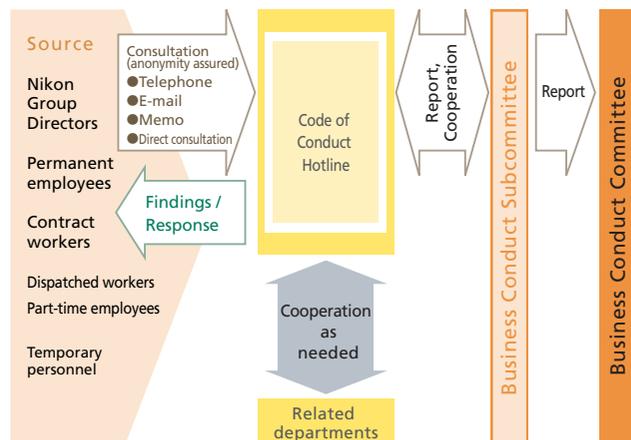


Conclusion: A disappointing result as 32% of respondents had not read it or did not even know about it

Code of Conduct Hotline

In 2001 Nikon established the Code of Conduct Hotline as a central point of contact for employees of domestic Group companies wanting to discuss a situation that might run counter to the Nikon Code of Conduct. In operating the hotline, care is taken to protect the individual, ensuring that privacy is strictly protected and that he or she will receive no prejudicial treatment, including dismissal and demotion. In the year ended March 31, 2008, the hotline was used 30 times, and the company is working with the relevant departments to resolve these issues.

Code of Conduct Hotline flow diagram



Risk Management

To ensure sustained growth of the Nikon Group, the Risk Management Committee and Integrated Disaster Prevention and BCM* Committee were established to comprehensively manage potential risks to the Group.

* BCM: Business Continuity Management

Risk Management System

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 devises countermeasures for those that can impact operations. It also conducts education and training to minimize damage in the event a risk materializes, conducts regular risk monitoring, and implements a risk management PDCA cycle.

To accelerate countermeasures for major risks, in July 2006 a BCM Subcommittee and an Information Security Subcommittee were established. In May 2007 a BCM Section was set up in the Corporate Planning Department, and an information security unit was created in the Information System Planning Department.

Since a BCM system envisions such disasters as a large-scale earthquake, the Disaster Prevention Committee and BCM Subcommittee were merged in July 2007 to create the new Integrated Disaster Prevention and BCM Committee, which will cover the entire Group.

BCM System as a Permanent Feature

The Nikon Group believes that business continuity is a social responsibility, and it has therefore created a BCM system covering core operational areas of the Precision Equipment business and the Imaging business as well as the Head Office functions that support their operations — not only for Japan but also for overseas production bases in Thailand and China. Also, in accordance with the PDCA cycle, Nikon is taking steps to raise the effectiveness of its BCP*.

Up till now, Nikon has progressed with formulating in-house regulations and creating a BCM system with the central role played by the Integrated Disaster Prevention and BCM Committee; however, from the current fiscal year the focus has shifted to having each department conduct autonomous activities on a shorter cycle.

* BCP: Business Continuity Plan

Progress to date

Year ended March 31, 2007

P: Committees established; BCP formulated

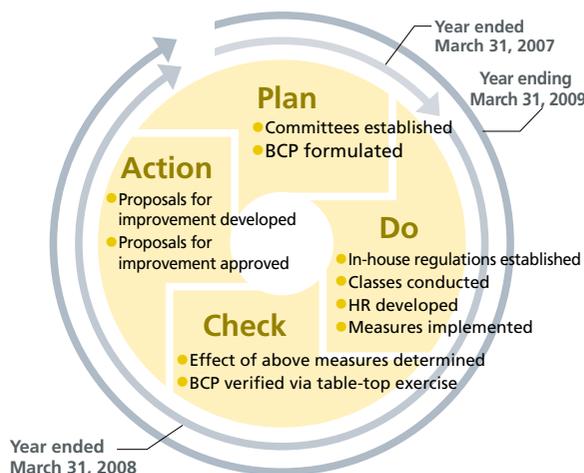
Year ended March 31, 2008

D: In-house regulations established; classes conducted; human resources developed; measures implemented

C: Effect of above measures determined; BCP verified via table-top exercise

A: Proposals for improvement developed & approved

PDCA cycle for BCM



Information Resources Risk Management

Primary achievements for the year ended March 31, 2008

- Nikon Group authentication infrastructure system was launched
- Information security training program conducted for the employees of Nikon Group domestic companies
- Information Security Month instituted; PC checkup campaign conducted

As one of the activities of the Information Security Subcommittee, a framework was developed for establishing appropriate access privileges, and in April 2007 the Nikon Group authentication infrastructure system was launched. Moreover, to bolster information management, Nikon is currently working to put in place measures for the audit trail management of computers, long-term archiving of e-mails, etc., based on the Information Security Improvement Plan.

Additionally, in the autumn of 2007 information security training was conducted for the employees of Nikon Group domestic companies using e-learning materials based on the Handbook on Nikon Information Security. And from 2008, every February is designated as Information Security Month, when a PC checkup campaign — featuring the catchphrase “Is your PC safe?” in 2008 — is conducted along with other activities.

Protection of Personal Information

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

■ Nikon Group Privacy Protection Policy

While complying with laws and regulations relating to the protection of personal information, Nikon has formulated the Nikon Group Privacy Protection Policy in order to ensure that a management system of a high standard is in place. The policy has been published 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). Individual Group company websites also provide details of their proper handling of personal information based on the above policy.

▶ **For more on Nikon and privacy protection see:**

<http://www.nikon.com/privacy/index.htm>

■ Appropriate management of personal information

The Nikon Group specifies how personal information should be handled in its Information Management Rules and Information Security Regulations. Drawing on guidelines* drawn up by Japan’s Ministry of Economy, Trade and Industry (METI), these rules and regulations provide such details as the need to clearly specify the purpose for which personal information is to be used at the time it is acquired, and the secure procedures to be followed when using or storing personal information.

Employees at domestic Group companies have been provided with copies of the Handbook on Nikon Information Security and Guide for Protecting Personal Information to ensure that they are thoroughly familiar with company policy and requirements. Also, the Information System Planning Department and the Administration Department, both in charge of the Group’s Office of Information Security Management, carry out information management audits periodically. Inquiries regarding specific issues to do with information management are dealt with as they arise.

The company within the Nikon Group which possesses the largest amount of personal information is Nikon Imaging Japan Inc. (called Nikon Photo Products Inc. prior to February 2008). It implements meticulous personal information management and as a result has acquired the Privacy Mark, a certification granted to organizations that are recognized as handling personal information appropriately.

* Guidelines for Personal Information Protection Laws Concerning Fields of Economy and Industry

Appropriate Export Controls

Nikon has an export ratio of approximately 75% (non-consolidated), and so an important aspect of risk management involves appropriate export controls. Even if there is a minor infringement, the disclosure of the company’s name could possibly have a serious, negative impact on the corporate image.

Seen from the perspective of security, proper export controls are the company’s social responsibility for maintaining peace and security both in Japan and on the international scene. With today’s increasing globalization, if a product or technology is exported without conducting sufficient checks, and if it is subsequently used in the development or manufacture of weapons of mass destruction, this could represent a threat to the peaceful lives of citizens in Japan or other countries.

Always aware of the potential risks, the Nikon Group is thoroughgoing in its application of export controls.

Relationship with Customers

The 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.

Quality Control for Products & Services

The Nikon Group supplies products and services with an emphasis on its customers and giving priority to quality. For Nikon "quality" includes safety, environmental protection, functionality, performance, and reliability. This inclusive concept pervades daily production activities and related business operations and is key to Nikon's efforts to make products of ever better quality.

■ Policies and systems for quality control

Based on the Nikon Group's traditional priority on quality, the Nikon Code of Conduct declares that the Group will "supply products and services that excel in quality and safety and are useful to society." To achieve this, the Quality Control Directive (QCD) has been established as a set of basic regulations for quality control; information on basic policies and practical operations is conveyed 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 the corporate philosophy and Nikon Corporate Social Responsibility (CSR) Charter, the Quality Control Principle deliberates and makes decisions on fundamental policy and basic issues related to quality control. Specifically, the committee strives to improve the quality control systems, and it also conducts prompt reviews of the systems to see that they are working effectively. When decisions are made, the committee sees that the concerned departments are kept fully informed, promoting quality control activities. And as regards requirements of the Consumer Products Safety Law and other legislation, the committee has seen not only that these are adopted for the specified products but more widely reflected in the QCD.

■ ISO 9001 certification

All business departments and major subsidiaries have acquired ISO 9001 certification, and all business activities are executed in line with the ISO 9001 Quality Manual based on Nikon's QCD. Partner companies are also required to fully understand the Nikon Group basic policy of "quality first" and to enter into quality assurance agreements. Qualified ISO 9001 auditors in the Nikon Group offer help with certification acquisition upon the request of partner companies. Furthermore, in Japan experts are invited to give talks on related topics, enabling staff from partner companies as well as Nikon Group employees to enhance their skills.

In the current fiscal year, the Basic Business Contract and Quality Assurance Agreement are being reviewed as Nikon strives to achieve further quality improvements.



Lecture on Quality attended by staff from partner companies as well as Nikon Group employees.

■ Quality control audits

Quality control audits are conducted by the Chairman of the Quality Control Principle. These involve inspection and verification of the status of quality control activities at Nikon Group companies. Information acquired is then assessed appropriately with the aim of improving both quality and efficiency.

When shortcomings are detected, corrections and improvements are indicated, and if necessary the Quality Control Directive is revised. Important matters are reported to the Executive Committee and can lead to changes in internal controls.

Nikon strives to make further improvements to quality control. In the current fiscal year, the frequency of audits has been further increased even greater attention has been paid to Sales and other departments where quality-control awareness tends to diminish over time.

■ Product safety assurance

From initial planning through to the final stages of the product life cycle, all Nikon products are designed with consideration for safety.

Design is conducted in line with the Safety Design Principles and other guidelines based on international standards. Safety is verified through measures such as design review and inspections carried out on the production line. When required, certification of safety is sought from a third-party control body. Product safety is verified by Nikon's Product Safety Test Room — which has passed the stringent certification criteria of TÜV SÜD (TÜV SÜD Product Service GmbH, Germany), the European certification body for testing laboratories — to ensure that only safe products reach customers.

One safety problem occurred in the year ended March 31, 2008. The problem was related to a defect in the C-HC1 biological microscope specimen holder. Nikon wishes to convey its deepest apologies to any customers who may have been inconvenienced by this.

▶ **For information on the recall and free replacement of Nikon's C-HC1 biological microscope specimen holder, see:**

http://www.nikon.com/about/news/2008/0507_01.htm

Strengthening Manufacturing Competitiveness

As part of the ongoing drive to create a “Strong Nikon” that can meet the expectations of its customers, the Group is currently bolstering its manufacturing competitiveness. This involves a wide variety of production methods for different products, ranging from cutting-edge IC steppers & scanners demanding ultra-high precision to consumer products that require enhanced efficiency. While giving careful consideration to the characteristics of each, Nikon is working to both strengthen and make more efficient its manufacturing capabilities in all production processes. The entire Group is thus striving to improve competitiveness in terms of speed and cost as well as quality.

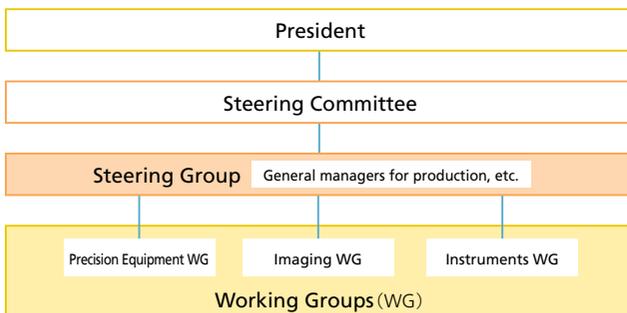
5-point initiative for strengthening manufacturing competitiveness

- Development reform
- Production preparation
- SCM (supply chain management) enhancement
- Productivity reform
- Human resource development

■ Mono Project

To strengthen manufacturing competitiveness, a Group-wide Manufacturing Reform Project, led by the President, was started in 2006. Separate working groups were set up for each of Nikon’s core businesses — Precision Equipment, Imaging, and Instruments — and progress is being made with these reforms while ensuring close coordination between different businesses. Recently, successes have been achieved with activities designed to enhance productivity by the thorough elimination of waste, as well as to reduce development times and costs through the adoption of simplified designs and common platforms. These reforms are ongoing, aimed at establishing a strong Nikon production system suited to each business.

Manufacturing Reform Project Organization (Mono Project)



Improving Customer Satisfaction and Service Response

In order to accurately assess customer feedback and to fine-tune Nikon’s response, each company in the Group has its own independent system for supplying goods and services.

■ Precision Equipment Company

The Precision Equipment Company supplies steppers & scanners for use in the manufacture of semiconductors and LCD panels; however, its links to the customer are not limited to the supply of these products. Making good use of customer communication to ensure the kind of support that will ensure customer satisfaction is a very important part of customer relations. This is also the thinking behind the Nikon & Nikon Tech Seminars organized by the Precision Equipment Company.

Example: Intelligence sharing system for rapid worldwide response

All over the world, overseas affiliates under the direct control of the Precision Equipment Company and their branch offices serve as centers for communication and support. Customer feedback and field information gathered overseas are supplied to the Support Department of the Precision Equipment Company, to ensure that all parties concerned can respond as quickly as possible.

Example: Developing a system for enhanced support capabilities

The Precision Equipment Company believes in providing a prompt repair service for its products, and for this reason it is creating a rapid-response parts supply system. It is also working on ways to offer preventive maintenance as well as realizing high equipment operating rates with high productivity.

As part of these activities, in the current fiscal year it has (1) improved its parts supply system, and (2) created a responsive support system for LCD steppers and scanners.

To improve the parts supply system (1), it has introduced and is already making use of a forecasting system to optimize inventory at each overseas affiliate and facilitate the prompt delivery of parts to their customers. The company is also making preparations to build an effective supply chain. To create the responsive support system (2), it has established a central organization for coordinating everything from design and development to production, engineering, and field service so that all of these activities are in sync.

Of all business activities, customer support involves the greatest proximity between company and customer. By listening carefully to its customers, the company is working hard to achieve further improvements in this area.

Relationship with Customers

■ 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 via an extensive Frequently Asked Questions (FAQ) list and video instruction manuals on its website.

Example: offering top-quality service to customers worldwide

The Imaging Company is doing everything it can to provide a high-quality service to customers around the world, wherever they may be. For example, it has been focusing on the training of employees at overseas affiliates.

When the company starts to provide service in a new country or region, it brings staff to Japan to study. As well as receiving various types of basic training, these trainees are given opportunities to study firsthand the practicalities of Nikon service at repair plants and service centers in Japan. Also, whatever the topic of training, the transfer of know-how is not the only aim: communication channels between each overseas affiliate and the Tokyo Head Office are developed through face-to-face interaction.

Furthermore, twice a year a global conference is organized. Participating are staff in charge of service at companies and offices throughout the world, including those regions where Nikon has been operating for many years. This provides an opportunity for everyone to verify what progress has been made and what global targets have been set for service. They are also able to exchange the latest information that will facilitate improving the level of service provided to customers.



European service conference

■ Instruments Company

The products of the Instruments Company are used by broad range of customers, from those working in research fields such as bioscience, to those involved in manufacturing, such as electronic components and automobile assembly.

The company is striving to develop new products and new technologies in response to the wide variety of customer requests received via its marketing, sales, and CS activities.

Example: Nikon Imaging Center is established in France

An important goal of the Nikon Group is to contribute to research and education in the biosciences through the use of the latest microscope systems. To this end, and with the cooperation of world-famous universities and research institutes, it has established and is already running a Nikon Imaging Center.

In December 2007, with the cooperation of the Curie Institute in France, Nikon France S.A.S and Nikon Instruments Europe B.V. opened the Nikon Imaging Center (NIMCE) in Paris; it is located within the Curie Institute. This imaging center, the 7th of its kind in the world, is equipped with such cutting-edge products as the latest ECLIPSE Ti inverted microscope for research applications, a confocal laser scanning microscope system, the ECLIPSE 90i research microscope, the AZ100 universal zoom microscope, and the BioStation IM time-lapse imaging device for observing living cells. At the official opening, this equipment attracted great interest from those attending, including Valerie Pecresse, France's Minister of Higher Education and Research. It is expected that this partnership will lead to further progress for the Institute, enhanced awareness of Nikon in the field of scientific research, and the development of new products.

Nikon Imaging Centers have also been established at Harvard University (USA), Heidelberg University (Germany), Hokkaido University (Japan), Oxford University (UK), University of California, San Francisco (USA), and Biopolis (Singapore).



Nikon Imaging Center in the Curie Institute

Relationship with Shareholders and Investors

To acquire the understanding and trust of shareholders and investors, the 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

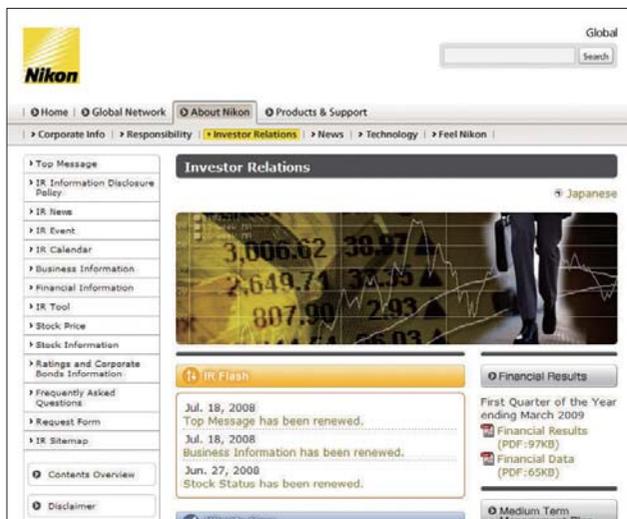
Basic disclosure policy

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 the 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 briefings, fact books, annual reports, semiannual/annual business reports for investors and other printed materials.

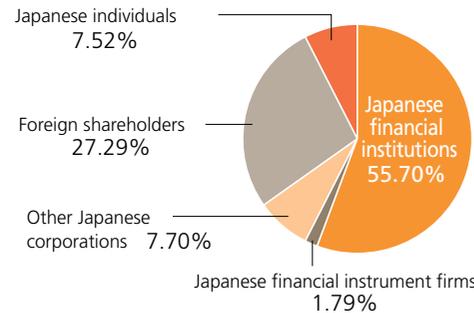
With the spread of the Internet in recent years and the increasing need to transmit information via a website, we established an Investor Relations section on our website to provide the latest news. Timely disclosure to investors is further assured by the use of the Tokyo Stock Exchange's Timely Disclosure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



Nikon's Investor Relations (IR):

<http://www.nikon.com/about/ir/index.htm/>

Nikon shareholders (as of March 31, 2008)



Communication with Shareholders & Investors

Communication policy

The 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 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.

Communications 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 31, 2008

IR activity	Frequency
Financial results conference, explanation meetings, etc.	May, August, November, December
Interviews with institutional investors/analysts	400/year approx.
Visits to overseas institutional investors	1 each for Europe, USA, and Asia
Visits to domestic institutional investors	60/year approx.
Participation in conferences organized by securities companies	4/year
Participation in small meetings organized by securities companies	4/year

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 for all.

The Ideal Employee, The Ideal Company

To be a company that is "Meeting needs. Exceeding expectations." Nikon envisages a relationship between employee and company that facilitates growth for both.

Based on the concept of "Work for the team, think on your own, and act," Nikon fosters employees who can:

- Lead an organization, train subordinates, and
- Contribute with knowledge, technology and skills.

Personnel System

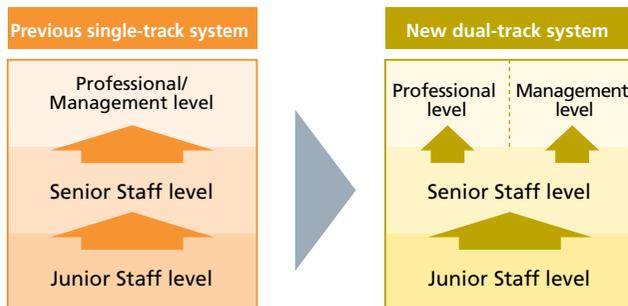
Introduction of dual-track personnel system

In October 2007, Nikon introduced a dual-track personnel system. Replacing the previous single-track system (Junior Staff level → Senior Staff level → Professional/Management level), this new dual-track system (Junior Staff level → Senior Staff level → Professional level or Management level) means that an employee advancing to the final level will be exclusively a "manager" with responsibility to lead the organization, or a "specialist" who contributes his or her knowledge and skill.

Under the new system, every employee chooses how he or she wishes to contribute significantly to the company as an individual. Nikon believes that this will lead to employees being more interested in how they can make good use of their capabilities at work, always going about their job in a more goal-oriented, motivated way. And when employees are approaching the level at which they will make their choice, Nikon provides support in the form of career planning sessions.

Nikon is thus creating an environment where employees can find more fulfillment of their work. Using this new system to provide a workplace where each and every employee can fully realize his/her potential is something that Nikon sees as an important corporate responsibility.

Nikon's personnel system

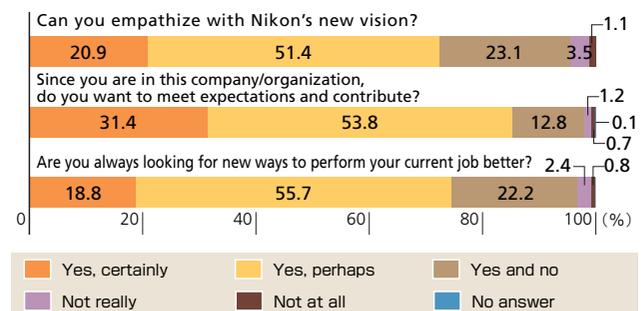


Nikon Group Awareness Survey

In October 2007, an awareness survey was conducted for domestic Nikon Group employees (approximately 10,000). About 75% completed the questionnaire, and an overview of the results was published in the March 2008 issue of the in-house magazine.

This survey revealed that overall Nikon Group employees have a positive attitude toward their work, and it is felt that this is one of the strengths of the Group. Furthermore, since there is no disparity between the head company and the Group companies when it comes to the degree of empathy felt by employees for the corporate philosophy and vision, the results were seen as encouraging. Nevertheless, on some issues differences in awareness were discerned between such categories as superiors and subordinates, men and women. Issues highlighted by this survey will be studied to analyze individual causes and develop appropriate countermeasures.

Results of the Nikon Group employee awareness survey



Human Resource Development & In-house Training

Main achievements for the year ended March 31, 2008

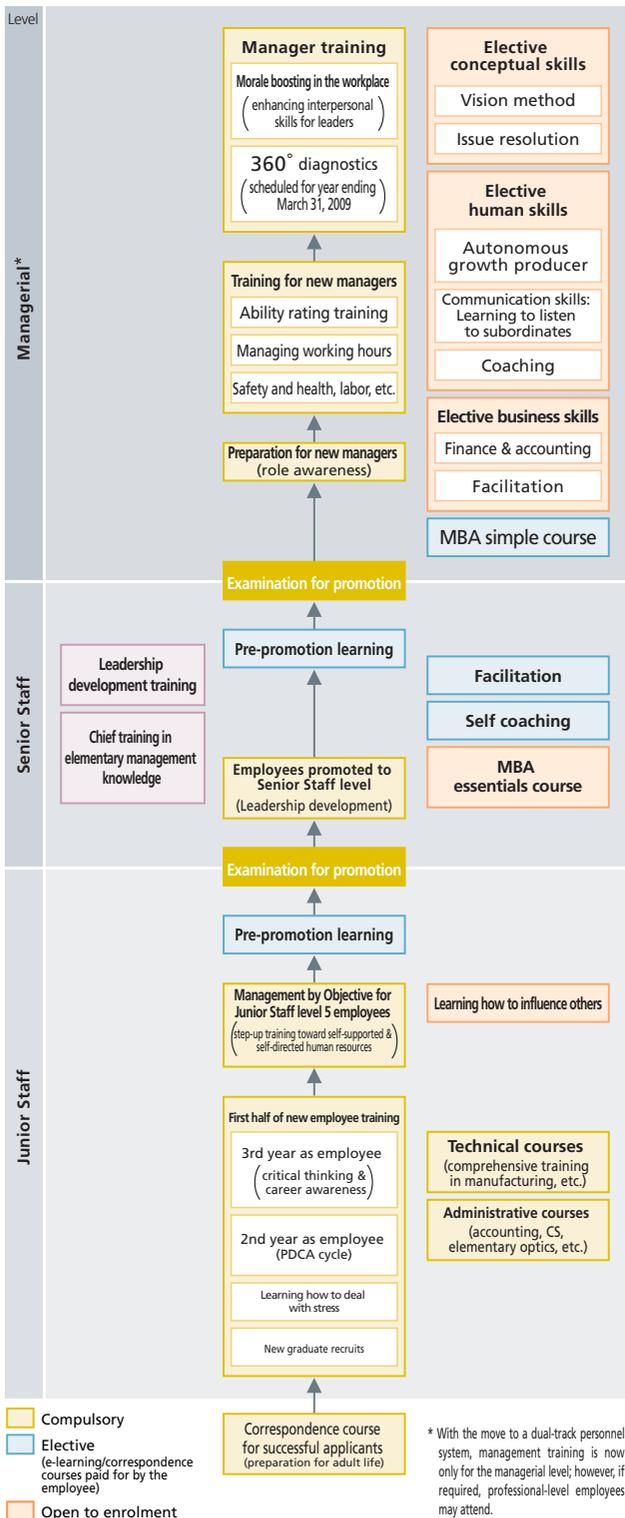
- Conducted morale-boosting training for the workplace
- Conducted ability rating training for new managers
- Expanded training for younger employees (elementary optics for 1st-year administrative employees, PDCA cycle for 2nd-year employees, critical thinking and career awareness for 3rd-year employees)
- Revised OJT Supporter (support program for new employees)
- Developed system for assessing the effectiveness of engineer training courses
- Conducted human rights education for new employees

Goals for the year ending March 31, 2009

- Launch revised OJT Supporter program
- Establish effectiveness assessment for engineer training courses

Aiming at fostering human resources who can "Work for the team, think on your own, and act," Nikon continues to run a variety of training programs.

Nikon employee training & promotion flowchart



■ **Strengthening management capabilities**

Managerial-level training is considered by the company to be of crucial importance, having a direct impact on nurturing the human resources responsible for the future of Nikon.

In the year ended March 31, 2008, the company started full-scale morale-boosting training for the workplace, and a total of about sixty employees learned that “creating a cheerful, lively environment in which it is easy to work is something that begins with the manager’s own behavior modification.” Changes that resulted from this include an increase in face-to-face communications rather than relying on e-mail. Also, courses in how to appraise employees and how to manage their working hours were conducted for employees newly promoted to managerial positions. This training improved their ability to make fair evaluations and allocate duties appropriately.

■ **Training programs for younger employees & supervisors**

In the year ended March 31, 2008, an Elementary Optics course was run for 1st-year administrative employees so that all Nikon employees can have the same background knowledge. The 2nd-year employees attended a PDCA Cycle course; this provided them with practical skills that can be applied in their jobs. Training in critical thinking and career awareness was provided for 3rd-year employees, offering them an opportunity to prepare for promotion to mid-level jobs.

For new employee education, arrangements were made to enable close 3-way communications between superior, instructor and employee so as to devise more systematic means for growth support. As regards mental health issues, cooperation with Safety & Health departments has been strengthened. Also, the OJT Supporter program for training supervisors was revised; it is to be launched in the current fiscal year.

■ **Effectiveness evaluation for engineer training courses**

About 120 courses have been conducted to create “engineers who understand manufacturing”. In the year ended March 31, 2008, a system was developed whereby engineers report on how these courses have made a practical difference in their job, enabling course effectiveness to be assessed. From the current fiscal year, this system will be made a permanent feature so as to assist in planning engineer training courses that are more useful in practical terms, leading to efficient production and improved product development.

■ **Human rights education**

The Nikon Group wants to contribute to equality in society by promoting a correct understanding and enhanced awareness of human rights, and by creating a cheerful workplace in which each employee feels their contribution is respected. For this purpose, a human rights course is provided for new employees in April; those entering the company in mid career can take advantage of a similar course given once every three months. Nikon intends to further improve the breadth and depth of human rights awareness among its employees, making use of e-learning and other approaches in future.

Relationship with Employees

Diversity

The Nikon Group respects individual diversity — including a person’s gender, age, nationality, personality, culture, and value system. The management attaches great importance to creating a corporate culture in which every employee can develop to their full potential, free from prejudice. To achieve this, there are several ongoing initiatives, including system upgrading, and educational activities designed to spread and firmly establish diversity awareness throughout the organization.

Support for women in the workplace

Main achievements for the year ended March 31, 2008

- Developed recommendations for supporting women in the workplace through a Diversity Project
- Conducted seminars for managers
- Held off-site meetings 20 times at 6 different business plants
- Provided training for female employees

Nikon currently has a total of 431 female employees (as of March 31, 2008), who have worked on average for 16.3 years (as of April 30, 2007). The management is keen on creating an environment in which the number of female employees increases and women want to have longer careers, because this leads to an improvement of the Nikon working environment as a whole.

As a first step towards greater diversity, the Nikon Group is actively engaged in promoting skills development for female employees and in creating a workplace that is amenable to them. In the year ended March 31, 2008, when the focus was on creating a framework for this, progress was made, as detailed below.

Recommendations of the Diversity Project

Reflecting concerns that Nikon has too few female employees and that they are not making full use of their potential, a Diversity Project was set up in August 2007. Members of this company-wide project were Nikon employees — 14 women and 2 men. A total of 10 meetings were held at which a conceptual framework was developed for full participation of women at Nikon, and in December that year recommendations were presented to the Personnel Management Department for measures to realize this. Nikon is now considering how to put these recommendations into practice.

Diversity Project: 4 main recommendations

- Hire more women
- Raise awareness among employees
- Improve the personnel system and make better use of the existing system
- Provide training for potential female executives

Lecture courses for managers with invited speakers

In October and November 2007, the consultant Yuko Sugawara was invited to give a series of 3 talks on Diversity to audiences of managers. Attended by a total of 297, these covered such topics as “The need for diversity management,” “Changing attitudes in society,” and “What the company can do, what the manager can do.”



Lecture for managers

Off-site meetings

Nikon holds “off-site meetings” to raise managers’ awareness as regards supporting women in the workplace and also so that both managers and female employees can gain an appreciation of each other’s viewpoints. Such meetings have been organized 20 times at six different business plants within the Nikon organization; total attendance has reached 240.

These opportunities served to deepen mutual understanding, with male managers and female employees together making proposals to the company and debating what can be done in each workplace.

The opinions that come out of these meetings are being compiled by the Personnel Management Department which plans to develop practical solutions from them.



Opinions are exchanged by participants

Training for female employees

Continuing on from the year ended March 31, 2007, Nikon has arranged training sessions for female employees to encourage them to develop and realize their own potential, finding the motivation to reap personal rewards through a lively engagement with their work.

Main courses offered by Nikon and Attendance

- Self-realization training for women: 17
- Leadership training for women to enhance their capabilities: 18
- Self-enhancement workshops (3 sessions): 38 (total)

■ Employment of the disabled

Main achievement for the year ended March 31, 2008

- At 1.83%, the statutory employment ratio of people with disabilities has been achieved

Goal for the year ending March 31, 2009

- Expand Nikon Tsubasa by establishing new workshop in the Sagamihara Plant

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 December 2007.) The company accepts some orders from outside the Nikon Group, and it has received high acclaim for its performance. Since very experienced staff and instructors are on hand to train Nikon Tsubasa employees, the workforce learns to adeptly perform such operations as parts processing, packaging, and assembly.

A meticulous support system for the employees helps each of them realize their full potential in the workplace. It is one of very few factories in Japan where the mentally disabled are involved in the assembly of precision instruments, and this has attracted media attention.

Currently Nikon Tsubasa operates within Nikon's Yokohama Plant, but in July 2008 an additional workshop is scheduled to open within the Sagamihara Plant. The tasks undertaken by Nikon Tsubasa will also expand to include the inspection of finished glass products.



Employees of Nikon Tsubasa at work

The Nikon Group has already reached the statutory employment ratio of people with disabilities of 1.8% (the ratio at Nikon was 1.83% as of June 2007) and it continues to make vigorous efforts to create new work opportunities for the disabled.

■ Continuing employment system for retirees

Main achievement for the year ended March 31, 2008

- Reemployment ratio for Nikon retirees = 49%

To operate as a company in which 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) are given the opportunity to be reemployed if they satisfy certain conditions. Nikon Staff Service Corporation, a subsidiary established in 2004, has been offering similar opportunities to retirees since before the Active Senior Employee System was available. In the year ended March 31, 2008, almost half of those reaching the retirement age were reemployed by Nikon Group companies. By comprehensively facilitating such measures, domestic Nikon Group companies will benefit by retaining the valuable skills of veteran employees.

Additionally, all Nikon employees who will be reaching retirement age in the following year can attend Life Plan Seminars organized by the company to help them prepare for retirement. As well as learning about Nikon's reemployment system, lecturers are invited to come and talk on the specifics of the state pension system, living expenses, taxes etc. for retirees. Through such activities, Nikon strives to ensure that its employees will be able to enjoy fulfilling lives after retiring.

Column

Support for Leukemia Sufferer at Group Company in China

Donations were collected to help defray the medical expenses faced by an employee of Nikon Imaging (China) Co., Ltd. with leukemia who required a bone-marrow transplant. Nikon cooperated with the labor union, providing and installing collection boxes, counting the donations, and ensuring their safekeeping. Support was also received from the larger labor union organization and other company unions in the vicinity, so the total sum received was approximately 87,000 yuan (about ¥1.3 million), of which 37,000 came from outside the company and 50,000 came from those working at NIC, including Nikon staff dispatched from Japan.

Relationship with Employees

Safety & Health

Main achievement for the year ended March 31, 2008

- Zero cases of worktime lost to accidents (rate of lost-worktime injuries = 0)

To help ensure the safety and health of all employees, representatives from both labor and management sit on a Safety and Health Committee, which investigates and deliberates issues to do with safety and health in the Nikon Group. A Plant Safety and Health Committee has been established at each business unit, as stipulated by law, but in addition to their activities, the Safety and Health Committee prepares and supervises basic Group-wide polices for safety and health, as well as basic measures to manage safety and health, and to maintain/improve health among employees.

As well as compliance with the relevant laws, the cooperation of the employees themselves is essential to ensure their safety and health. Thus, opinions in the workplace are solicited and made use of when developing company measures. Additionally, based on the targets and policies set by each business unit, a set of Workplace Safety and Health Targets has been formulated at each workplace to promote activities with the participation of the entire staff.

Various activities to ensure safety and health are conduct-

ed on each production line based on a set of Safety and Health Management Rules specifying the responsibilities of the local 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.

In the year ended March 31, 2006, there were no cases of worktime lost to work-related accidents. In the year ended March 31, 2007, there was one such accident; the rate of lost-worktime injuries was thus 0.10.

Health Care

Health management support

For the prevention of lifestyle-related diseases, Nikon encourages employees to establish healthy dietary and exercise habits. The key is to take responsibility for one's own health. Nikon is working to further enhance in-house support systems for employee health management, coordinating with the company's health insurance union, which supervises the health checkups and guidance stipulated by the Law on Securing Healthcare for the Aged, enacted in April 2008.

Goal: A safe, healthy, vibrant corporation Measures implemented by Nikon in the year ended March 31, 2008

- Apr. 2007 — Mental health specialist staff augmented
- Apr. 2007 — Overseas emergency medical assistance service contract reviewed
- Sept. 2007 — Review of medical care available in India; improvements implemented
- Nov. 2007 — Lecture on mental health in the workplace given by a psychotherapist for all managers and supervisors
- Feb. 2008 — AED (automated external defibrillator) equipment installed in all offices and plants

Health care and working hours

In recent years the negative impact that excessive work can have on peoples' health has become an issue of considerable social concern; for Nikon, its prevention and employees' mental health in general are seen as priorities. Specifically, the company has gone beyond what is legally required, establishing physical checkups for those who are thought to be overworked, and introducing a rehabilitation support system for employees on sick leave. In addition to its focus on health management, Nikon has implemented a Working Hours Campaign since April 2006 to bolster management capabilities and convey the message that each individual needs to rethink how they go about their work.

Column

Labor Security Certificate for Group Company in China

In 2007 Nikon Imaging (China) Co., Ltd. was acclaimed as an "Honesty and creditworthy company for labor and social security" from the Wuxi Municipal Bureau of Labor & Social Security. To receive such certification, a company is first invited to apply to the Bureau, which then conducts a rigorous inspection covering labor security, hiring, labor contracts, wages and social insurance premiums, working hours, protection for female and minors in the workforce, the presence/absence of a labor union, whether company regulations/systems have been established in accordance with legislation and are being applied in good faith, and so on. As in 2006, NIC again received certification for excellence and integrity in the field of labor relations.



"Honesty and creditworthy company for labor and social security" certificate

Key Points of Nikon's Working Hours Campaign

- No-overtime days, short-overtime days
- Notification of 5x5 principle for meetings (see right)
- Employees required to plan their paid leave
- Mental health training for new managers
- Proper management of late-night overtime
- Training in how to manage meetings
- Lectures given by psychotherapists
- "Cooling system" to prevent excessive overtime



■ **Rehabilitation support system for employees on sick leave**
In June 2006 Nikon introduced a rehabilitation support system for employees on sick leave. This system is aimed at the rehabilitation of ailing employees to facilitate their return to work. An employee returning from sick leave may apply to work for either shortened hours or a reduced number of working days per week, provided that the company deems such an accommodation is necessary.

Furthermore, a rehabilitation plan is drawn up by professional staff including industrial doctors, nurses and counselors, who provide further support in the form of regular meetings with the employee.

■ **Health care for staff on overseas assignments**
Owing to the increasingly global nature of Nikon's business, the health risks (infectious diseases, etc.) faced by employees overseas are of special concern. As well as providing a health care system for staff stationed abroad, Nikon is bolstering its risk management accordingly. (▶ See page 23 for further information.)

Support System for Work-life Balance

Nikon has adopted systems and measures that enable employees involved with childcare or nursing-care to work without increased stress or anxiety. This support system for work-life balance sets standards that meet and even exceed those required by law.

In May 2008, Nikon was awarded the Next-Generation Certification Mark (informally called "Kurumin"), given to companies that introduce measures based on the Law on the Promotion of Measures to Support Fostering of the Next Generation.



"Kurumin" Next-Generation Certification Mark

Days of paid leave taken (average)

Year ended	Employee* average
March 31, 2006	13.8 days
March 31, 2007	14.1 days
March 31, 2008	13.5 days

* System applies to regular employees

Nikon childcare & nursing-care support systems

System	Support Systems
Childcare system	<ul style="list-style-type: none"> • Steps to alleviate commuting stress during pregnancy (staggered hours; shortening of working hours by up to 4 hours a day) • Time provided for hospital checkups during pregnancy (from 1 hour to 1 day × number of hospital-visiting days) • Childcare leave (can be extended until child is 1 year 6 months) • Spouse maternity leave (2 days of special leave) • Choice of work hours (until the child is 1 year old: working day shortened by up to 4 hours; staggered hours) • Shortened work hours (until child completes year 3 of elementary school: 1 to 2 hours per day) • Overtime limitation and exemption from late night work • Nursing leave (up to 5 days per year for nursing pre-elementary schoolchildren)
Nursing-care 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 accidents, illness or nursing care (up to 40 days of paid leave for the current year only) • Overtime limitation and exemption from late-night work

Number of employees taking childcare & nursing care leave

Year ended	Maternity leave	Childcare		Nursing care	
		Men	Women	Men	Women
March 31, 2006	12	0	12	1	1
March 31, 2007	17	0	17	0	1
March 31, 2008	9	1	9	0	0

* System applies to regular & contract employees

Appropriate Management of External Manpower

Nikon's manpower planning and management are based on the business plans of each division. Depending on the type and duration of each job, the company will, when necessary, sign agreements with agencies or subcontractors to either hire temporary staff or outsource the work.

There are occasions when contract workers from an agency are invited to become regular employees, depending on their suitability for the work, and in accordance with relevant legislation and HR planning.

Nikon is committed to ensuring that it complies with all legislation relating to management of external manpower, coordinating closely with manpower agencies, subcontractors, and the regulatory authorities.

Relationship with Business Partners

Procurement partners represent an important segment of the Nikon Group's business partners. The Group procures its goods and materials in accordance with the Nikon Basic Procurement Policy, which promotes fair and equitable procurement as well as sound business operations.

Cooperation with Procurement Partners

■ Nikon Basic Procurement Policy

Based on Nikon's top-level policy, including the corporate philosophy of Trustworthiness & Creativity, the Nikon Group strives to see that its procurement partners also understand its approach to CSR. In this way, Nikon seeks to work together with its partners to create a better society and global environment, and to realize the sustainable development of the Nikon Group. Following the formulation of the Nikon Corporate Social Responsibility (CSR) Charter, in December 2007, the Nikon Basic Procurement Policy was revised.

What this new policy seeks to achieve is fair and equitable procurement based on the Quality Control Directive (QCD), assuring procurement activities that continue to emphasize due consideration to the global environment. Also, Nikon is actively promoting, together with its procurement partners, procurement activities that put a new priority on CSR in the supply chain.

Nikon Basic Procurement Policy

1. Sound corporate activities

The Nikon Group shall conduct sound fair corporate activities, while complying with applicable laws and prescriptive social norms.

2. Open-door procurement

The Nikon Group procures goods and services from global suppliers in as transparent a fashion as possible.

3. Procurement based on the concept of fair competition

Based on the principles of fair, free competition, the Nikon Group assigns top priority to suppliers that offer superior performance in terms of quality, cost, delivery, and corporate reliability.

4. Procurement based on the concept of partnership

Our approach is that the Nikon Group and our suppliers are partners working together to make good products. Under this approach, we work to understand each other, to build a relationship of trust, and to prosper together.

5. Green procurement

For the protection of the global environment, the Nikon Group assigns priority to suppliers that provide consideration for environmental issues and that are actively engaged in environmental conservation activities in the manufacturing process for the procured goods.

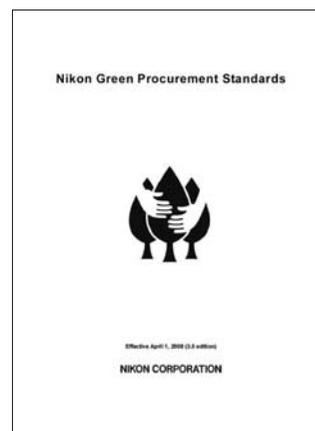
■ Promoting green procurement

In October 2005, the Nikon Group established the Nikon Green Procurement Standards to facilitate its supply of eco-friendly products and also contribute to the creation of an environment-conscious recycling society. These standards set down the basic approach to green procurement, what is expected of procurement partners, how the standards are to be applied and measures for ensuring compliance.

Briefing sessions have been organized to explain the practical aspects of green procurement to each business unit, and currently virtually all procurement partners have indicated their support and signed agreements with Nikon.

In the year ended March 31, 2008, the Nikon Group promoted green procurement activities in China, giving support to a local Group company involved in production. In Europe, to facilitate compliance with the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation, Nikon has joined the JAMP (Japan Article Management Promotion) consortium and is now gathering relevant data and preparing to create an appropriate information infrastructure.

Nikon is committed to making substantial progress in its efforts to reduce the burden on the global environment and, working with its procurement partners, it will ensure compliance with REACH in the EU and with other new limitations and regulations regarding chemical substances that come into force in other regions and countries.



▶ Nikon Green Procurement Standards:

<http://www.nikon.com/about/info/procurement/green.htm>

Promoting CSR in the Supply Chain

■ Nikon Procurement Partners' CSR Guidelines

In developing a stable, long-term business, there is strong pressure on companies to see that they fulfill their social responsibility as regards supply chains. The Nikon Group takes this responsibility very seriously. To promote CSR throughout its supply chain, on December 1, 2007, it announced the Nikon Procurement Partners' CSR Guidelines, with which its procurement partners are required to comply.

Nikon Procurement Partners' CSR Guidelines

1. Sound corporate activities

The Nikon Group requests that you implement sound and fair business management, and properly disclose information about operational status in order to ensure that trouble-free transactions occur based upon a foundation of mutual cooperation and trust.

2. Product Quality and Safety, and Business Continuity

In order to provide our users (end consumers) with "the best products," the Nikon Group requests that you comply with the safety standards in each country and region, and provide us with materials that satisfy the quality standard required by the Nikon Group. As the Nikon Group is positively addressing its Business Continuity Plan for the purpose of a continuous, stable supply of products to our customers, we ask you to continue voluntarily addressing the Business Continuity Plan for the purpose of stable supply as well as ensuring delivery time.

3. Respect for Human Beings

The Nikon Group requests that you comply with applicable legislation and prescriptive social norms relating to human rights and labor (in prohibiting child labor, forced labor, etc.) enforced in each country and region that form the basis of business activities. We also ask that you comply with legislation related to safety and health, and help improve the working environment to make it more appropriate.

4. Consideration for the Environment

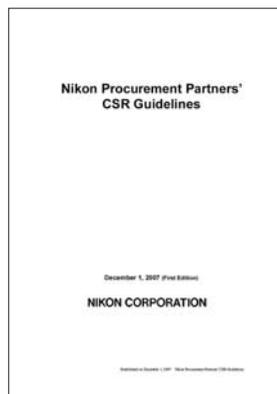
The Nikon group requests that you implement environmental preservation and environmental management, positively endeavor to conduct business activities and product development with consideration given to the global environment, and, at the same time, comply with the Nikon Green Procurement Standards in your procurement activities for materials.

5. Contribution to Society

The Nikon Group recommends that you conduct voluntary activities contributing to the evolution of international society and local communities.

6. Information Security

Please take necessary defensive measures to counter threats to computer networks, properly control and protect personal information (of customers, third parties, and employees), and prevent the leakage of confidential information of customers and third parties.



▶ Nikon Procurement Partners' CSR Guidelines:

<http://www.nikon.com/about/info/procurement/csr.htm>

■ CSR Guidelines briefing for procurement partners

Beginning in April 2008, a series of meetings on the Nikon Procurement Partners' CSR Guidelines has been held for procurement partners. These are designed to promote CSR procurement activities in the supply chain.

■ CSR procurement training for Nikon staff in charge of procurement

Following the establishment of the Nikon Procurement Partners' CSR Guidelines, in the year ended March 31, 2008, activities were conducted to promote understanding of the guidelines within the Nikon Group. Briefing sessions were held 24 times, attended by approximately 600 Nikon Group employees whose jobs are related to procurement. Furthermore, an e-learning program was initiated to enable the procurement staff in each department to gain a deeper understanding.



CSR Guidelines briefing session for staff in charge of procurement

Relationship with Local Communities

The Nikon Group participates in various local activities, including cleanup campaigns and other events, to promote communication with the local communities around its plants. Through such activities, and by making available its technical expertise and products, and arranging photographic exhibitions, Nikon contributes to greater social prosperity.

Contributing to Photographic Culture

■ Nikon Salon Photo Galleries

With the aim of popularizing and advancing photographic culture, these permanent exhibition spaces were opened in 1968 to display outstanding photographic works by both amateurs and professionals in a wide range of fields. Various activities related to photography are conducted at the 3 galleries — in Ginza and Shinjuku in Tokyo, and in Osaka. In the past fiscal year there were 82 exhibitions by individual photographers and 32 arranged by groups.



Photographic exhibition at a Nikon Salon

■ Support for the Digital Camera Volunteer Association

The Digital Camera Volunteer Association was set up to enable anyone to enjoy photography and experiment with new forms of visual expression; it is run by former Nikon employees and citizens of Shinagawa Ward, Tokyo. Nikon sponsors the activities of the association and provides support through the loan of camera equipment.

The association has held digital camera workshops for grade-schoolers and separately for middle-aged and elderly audiences. In the past fiscal year, however, this program was expanded to nursing homes for the aged, where it proved to be a great success.



Digital camera workshop for grade-schoolers

Contributing to the Next Generation

■ Donating to Right to Play for the support of children in conflict zones

Nikon Europe B.V., located in the Netherlands, was able to make a donation to Right to Play, an NGO that supports, through sports and play activities, children growing up in areas of conflict or danger zones. This donation was linked to the number of works submitted to the Nikon Photo Contest International 2006-2007: for every photograph submitted from Europe or Africa, Nikon would donate the sum of €2. The final number of submissions was 17,636, more than for the previous contest, and so the total sum donated was €35,272 (approximately ¥5.7 million). Nikon is considering further activities in cooperation with Right to Play in future.



Presentation of the donation to Right to Play

■ Mariners-Nikon Social Responsibility Program

In order to provide opportunities for children to watch baseball games, Nikon implemented a social responsibility contribution program in cooperation with the Seattle Mariners, a Major League Baseball team, in the 2007 season.

As part of this program, Nikon donated its COOLPIX digital cameras to local Seattle elementary schools. The presentation ceremony was held before the game at Safeco Field (the Seattle Mariners' home stadium). After taking



Presentation of digital cameras at Safeco Field

part, the children who represented each school had their photographs taken with a team member, and then they were able to watch the game. For other Mariners' games too, Nikon and the Seattle Mariners have invited many local schoolchildren so that they can experience the excitement of watching baseball close-up.

Nikon will continue these activities in the 2008 season so that even more children will have the opportunity to go to a baseball game.

■ Nikon Optics Research Department at Tokyo University

A Nikon Optics Research Department has been established at Tokyo University. Sponsored by Nikon, this enables students to study topics that are not normally given priority at university: geometrical optics, aberration theory, and even practical lens design. The department offers tuition in a wide range of subjects that are in demand by the optical industry, including advanced ultra-high resolution optical technologies based on wave optics, and image-processing technologies employed in digital cameras. Through sponsoring education in optics with direct industrial links, Nikon hopes that many students will gain a deeper understanding and sense of affinity with the optical industry. The aim is to nurture top-class engineers who will lead Japan's optical industry in the future.

A class entitled "Let's try designing a camera lens" was held as a 2007 Spring Semester open seminar. In the Fall, as well as running a graduate course in optical engineering, Nikon participated in CORAL – an educational consortium for advanced laser science established in the scientific research department of Tokyo University at its Hongo campus – and conducted a pilot class entitled "Lens Design: From Basics to Praxis".



Students attend a sponsored course

■ Supporting education in cooperation with local communities

As part of its proactive social contribution activities aimed at fostering the next generation, Sendai Nikon has teamed up with local junior high schools and high schools for children with special needs to offer their pupils the opportunity to

learn firsthand at its facilities. The company has also invited over 10 elementary, junior high, and high schools in the neighborhood. On these visits, the children are provided with talks on environmental activities.

Sendai Nikon employees strive to create a close relationship with the local community, for example by giving talks as part of the Sendai City Children's Science Program.



Nikon staff with children taking part in the Sendai City Children's Science Program.

Supporting the International Community and Communities Suffering from Natural Disasters

■ Support for UN-related groups and medical-care/welfare groups

Nikon provides assistance for groups supporting the activities of the United Nations. Also, Nikon sponsors activities related to medical aid and support for the disabled. In the year ended March 31, 2008, Nikon provided support to the following organizations:

Group 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)

■ Responding to large-scale disasters

To provide assistance for victims of the Chuetsu offshore earthquake of July 2007, and of the Bangladesh cyclone of November 2007, Nikon donated a total of ¥6 million via the Japanese Red Cross Society.

■ Cosponsoring the Special Olympics

At the Fourth Special Olympics* in Yamagata in March 2008, Nikon Essilor provided spectacle lenses free of charge to the

Relationship with Local Communities



Visual acuity testing

athletes for the duration of the event. This was to assist one of the health check programs organized to promote the athletes' fitness and ability to compete. Nikon Essilor will continue to provide such support for future events.

* Special Olympics (SO) is an international sporting organization that provides persons with intellectual disabilities with opportunities to partake in sporting activities and holds tournaments where they can display their sporting skills.

Contributing to the hospital ship "Africa Mercy"

The international charity Mercy Ships provides free medical care and educational programs in developing countries. Its ship, the "Africa Mercy" is a fully functioning hospital, complete with medical equipment, doctors and nurses. It offers free surgeries to people who would otherwise not receive such treatment due to poverty or lack of availability.

In 2005, Nikon UK, with Lord McColl, donated a Coolscope microscope to the hospital ship "Anastasis", and when this was replaced by "Africa Mercy" in 2007, the microscope was transferred. The Coolscope enables transmission of pathology sample images from the hospital ship to a consultant pathologist in the UK via satellite link for faster diagnosis and advice. Nikon UK has also donated several cameras for the PR department and binoculars for the Captain, and is currently negotiating the donation of three additional clinical microscopes.



Hospital ship "Africa Mercy"

Supporting Protection of the Global Environment

Cosponsoring the 16th International Children's Painting Competition on the Environment

The International Children's Painting Competition on the Environment is organized by the Foundation for Global Peace and Environment (FGPE), and cosponsored by the United Nations Environment Programme (UNEP), Bayer AG (Germany), and Nikon. Children from across the world are invited to submit pictures with an environmental theme to this contest, which was held for the 16th time in 2007.

The theme for 2007 was climate change. The number of submissions increases year by year, and this time over 12,000 pictures were sent in from over 100 countries.

The prize-giving ceremony was one of the events organized to mark UN World Environment Day, June 3, 2007, and took place in the Norwegian town of Tromsø, located inside the Arctic Circle. The winner of the global category and the top prize winners of the six regional categories were invited to the ceremony and presented with plaques and prize money by Crown Prince Haakon of Norway and UNEP Executive Director Achim Steiner.



First-prize went to this work by Charlotte Sullivan (11 years old, from the United Kingdom).



At the prize-giving ceremony in Tromsø, HRH Crown Prince Haakon of Norway can be seen in the center, second row.

Support for the Nature Conservation Society of Japan

Nikon is a co-sponsor for the AKAYA Project organized by the Nature Conservation Society of Japan. AKAYA is the first program in Japan aimed at regenerating biological diversity; it conducts its activities in cooperation with the government and local citizens, as well as with nature conservation groups. As in 2006, Nikon has supported the project mainly by supplying fieldscopes, binoculars, cameras and other Nikon equipment. The company also loaned equipment for a joint survey carried out in the Akaya woods in October 2007 by a group studying the golden eagle — a protected species in Japan that is also endangered.



Survey being conducted for the AKAYA Project

Interaction with Communities Around Nikon Plants

■ Ohi Plant

In May 2007, Nikon's Ohi Plant participated in the Shinagawa ECO Festival 2007, an event hosted by Shinagawa Ward, Tokyo. This annual festival is held to discover the joys and importance of solving environmental issues around us. Ohi Plant staff organized a booth demonstrating nature observation using Nikon equipment; they also held a workshop so visitors could create magnifying glasses from discarded spectacle lenses.

In September 2007, Ohi Plant participated in the Community Building Project Exhibition 2007, an event organized by the Shinagawa Ward Office to stimulate communication between the community and local corporations. Nikon products were made available for observing nature and taking commemorative photographs.

The Ohi Plant has also supported activities designed to enhance the technical capabilities of local enterprises. Shinagawa Ward acts as an intermediary to facilitate contacts between companies operating in the ward, and as a result of such contacts Nikon engineers provided local firms with technical

instruction in basic manufacturing skills.



Shinagawa ECO Festival 2007

■ Yokohama Plant

Nikon cosponsored a Yokohama city project to generate electricity using a large-scale windmill, which started operating in April 2007. In connection with this, Nikon's Yokohama Plant took part in a symposium held in June to commemorate the completion of the wind power generation facility, setting up a special booth and demonstrating how Nikon products can be used for observing nature.

■ Sagami-hara Plant

In October 2007, the Sagami-hara Plant invited 90 schoolchildren in the fifth year at a local elementary school to tour the factory and gain firsthand experience of lens inspection and other tasks. This was the first time that Nikon has included hands-on experience of the inspection process, and the children were thrilled by it.

As a corporate sponsor in the Sagami-hara Environment Improvement Society, the Sagami-hara Plant participated in the Environment Fair 2007, a local festival held in May 2007.

The event proved to be a great success, attracting over 2,000 visitors.



Booth at the Environment Fair 2007

■ Mito Plant

In 2007, the Mito Plant again took part in the annual Hinuma Beautiful River Cleanup campaign, and in the Environment Fair organized by Ibaraki Prefecture. Mito Plant is very active in the local community: in August it fielded a Nikon Nature Observance Corner at the Mito Environment Fair hosted by Mito City; in December Nikon staff took part in the Ishikawa River Cleanup campaign organized by the Mito City Department for the Environment; and Nikon also loaned equipment for the Environment Class run by the Mito City Environmental Protection Council.

Furthermore, Nikon ran a stargazing party as a cosponsor for the summer festival organized by a local housing complex residents' association.

And as another example of the wide scope of its activities, the Mito Plant organized a Nikon Nature Observance Class at the Cub Beaver Rally 2007 hosted by the Federation of Boy Scouts of Japan (Ibaraki Prefecture).



Environment Class hosted by the Mito City Environmental Protection Council.

■ Cleanup activities around plants

In May 2007, the Kumagaya Plant cleaned up the square by the south exit of JR Kagohara Station, the local railway station. In May and December, working with the Kumagaya Industrial Park Association, Nikon staff picked up rubbish around the plant's perimeter, sorted out empty cans, etc., and also removed weeds.

Like the Kumagaya Plant, other Nikon plants and Group companies cooperate in improving the local environment, organizing cleanup activities to remove litter in the neighborhood, from flowerbeds, and along commuting paths.



Cleanup activities at the Kumagaya Plant

Examples of Nikon's Environmentally Friendly Products

Nikon implements a policy of continuous and substantial improvement in the environmental performance of its products, which it achieves using a unique system for managing eco-friendly designs. Some of the many environment-friendly products manufactured by Nikon are introduced, by way of example, as follows.

Precision Equipment Company Products

■ NSR-SF155 IC stepper (marketed from Dec. 2007)

This scan field stepper represents the cutting edge in i-line technology, with ultrahigh throughput achieved by the new Sky-hook structure platform, increased wafer stage speed, and improved chamber temperature stability.

Nikon has taken every care to make this product environmentally friendly, designing the optical systems with Eco-glass as far as is possible, and adopting circuit boards fabricated with lead-free solder.



NSR-SF155 IC stepper

- Energy efficiency** 52% higher than the NSR-SF140 in exposure of a 300 mm wafer (according to Nikon calculation criteria)
- Ozone layer protection** New HFC refrigerant with zero ODP (Ozone Depletion Potential) used for temperature control and air conditioning chillers
- Lead-free solder** 97.8% of newly designed circuit boards use lead-free solder
- Elimination of hexavalent chromium** Use of hexavalent chromium has been eliminated in surface treatment process of the components specified in drawings
- Eco-glass usage** 87%

Nikon's IC steppers & scanners usher in an era of ultrahigh-density integrated circuits, greatly contributing to sustainable improvements in resource efficiency.

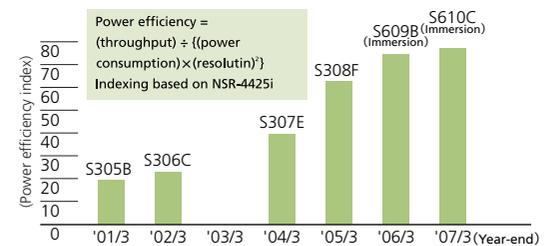
Increasing energy efficiency of NSR Series IC steppers & scanners

As a result on continued technological advances, Nikon's IC steppers and scanners are contributing to the development of the global semiconductor industry. The higher resolution of the projection optics systems enables finer IC patterns, larger wafer sizes are accommodated, and enhanced throughput has resulted in a giant leap in the number of IC cells that can be exposed within a given time.

Nikon has been enhancing its product lineup by bringing out advanced models incorporating i-line (mercury lamp,) KrF (krypton fluoride excimer laser,) and ArF (argon fluoride excimer laser) light sources for higher resolutions.

Nikon has been successful in its ongoing efforts to address the power consumption issues associated with the improved performance. As a result, these higher-performance models offer outstanding energy efficiency, enabling significant increases in the numbers of IC cells exposed per unit of power consumed.

Increasing power efficiency of the ArF Series



Imaging Company Products

■ D3 Digital SLR camera (launched: Nov. 2007)

Nikon's flagship digital SLR answers a wide range of sophisticated professional requirements. It offers a wealth of advanced features, including Nikon's first FX-format sensor with 12.1-megapixel resolution, ISO 200 to 6400 sensitivity for normal-setting photography, rapid-burst 9~11fps continuous shooting, Scene Recognition System, high-density 51-point AF system, and new picture control functions. The D3's performance and concept have both been highly praised: as well as being named Camera Grand Prix 2008 Camera of the Year by Japan's Camera Press Club, it came top in the Best Professional D-SLR category at the TIPA* Awards 2008.



D3 digital SLR camera

* Technical Image Press Association, representing 30 camera/video magazines in 13 European countries.

- Energy efficiency** 24% better than the D2Xs, despite offering greatly improved performance (takes up to 4,700 pictures on a single charge compared to 3,800 for the D2Xs, using the same Nikon battery, at room temperature, as tested under Nikon lab conditions)
- Extended product life** 100% better than the D2Xs (shutter release certified for 300,000 operations, compared to 150,000 for the D2Xs)
- Lead-free solder** All electronic circuit boards use lead-free solder
- Reduction of hazardous substances** Clears the RoHS Directive's baseline
- Eco-glass usage** 100%

■ D300 Digital SLR camera (launched: Nov. 2007)

The D300 is the flagship model for the DX format, which offers considerable improvements in picture quality, high-speed performance, and operating ease. Despite being an affordable intermediate-level camera, it offers such advanced features as a 12.3-megapixel image sensor, rapid-burst 6~8fps continuous shooting, 51-point AF system, Scene Recognition System, new picture control Settings, Self-cleaning Sensor Unit, and 100% frame coverage. It garnered the Camera of the Year 2007 award from the US magazine Popular Photography.



D300 digital SLR camera

Energy efficiency	67% better than the D200, despite offering greatly improved performance (takes up to 3,000 pictures on a single charge compared to 1,800 for the D200, using the same Nikon battery, at room temperature, as tested under Nikon lab conditions)
Extended product life	50% better than the D200 (shutter release certified for 150,000 operations, compared to 100,000 for the D200)
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Clears the RoHS Directive's baseline
Eco-glass usage	100%

■ COOLPIX S600 Digital camera (launched: Mar. 2008)

This compact digital still camera boasts the world's smallest dimensions and fastest start-up time in its class. It also features a 28mm wide-angle capability, 4x optical zoom, 10-megapixel CCD, large 2.7-inch LCD monitor, and stainless steel body.

Despite being attractively priced, the S600 is equipped with numerous convenient functions, such as Face-priority AF 2.0, ISO 3200 High-Sensitivity mode, and Active Child Mode for automatic tracking and focusing on a moving subject.



COOLPIX S600 digital camera

Energy efficiency	40% better than the COOLPIX P4, even with higher performance
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Clears the RoHS Directive's baseline
Eco-glass usage	100%

■ COOLPIX S550 Digital camera (launched: Mar. 2008)

With a 5x optical zoom, 10-megapixel CCD, large 2.5-inch LCD monitor, and aluminum alloy body, this compact digital still camera is the world's smallest in its class. The Functions in this attractively priced device include e-VR electronic image stabilization, Face-priority AF 2.0, ISO 2000 High-sensitivity mode, and Smile Mode for automatically releasing the shutter when the subject smiles.



COOLPIX S550 digital camera

Energy efficiency	60% better than the COOLPIX P4, even with higher performance
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Clears the RoHS Directive's baseline
Eco-glass usage	100%

■ AF-S DX Zoom-Nikkor 16-85 mm f/3.5-5.6G ED VR interchangeable lens (launched: Feb. 2008)

Featuring a wide-angle focal length of 16mm for excellent performance, this standard zoom lens is suited for expert wide-angle photography. Compact and lightweight, it is easy to carry. It also features a VR function and ultrasonic motor to realize industry-leading image stabilization (enabling shooting at shutter speeds up to 4 stops slower) and autofocus operation that is both swift and silent. An ideal choice for carefree shooting.



AF-S DX Zoom-Nikkor 16-85 mm f/3.5-5.6G ED VR interchangeable lens

Reduced mass	16% mass reduction (575g → 485g) compared with the AF-S Zoom-Nikkor 24-120mm f/3.5-5.6G ED VR (IF)
Product assessment	High (77 points)
Lead-free solder	All electronic circuit boards use lead-free solder
Reduction of hazardous substances	Clears the RoHS Directive's baseline
Eco-glass usage	100%

Examples of Nikon's Environmentally Friendly Products

Instruments Company Products

■ C-LEDS LED stand for Stereoscopic Microscopes (launched: Dec. 2007)

This focus stand for use with Nikon's SMZ1000, SMZ800, and SMZ645 Stereoscopic Microscopes features its own light source to allow observation of specimens via transillumination or with reflected light.

Because it is equipped with an LED light source, this stand offers bright illumination that is perfectly uniform right up to the edges of the visual field, and yet it consumes very little power. And since it generates very little heat, it can be used for observing temperature-sensitive microorganisms and crystalline materials.

Despite its built-in light source, the base is just 26mm thick. Robust and compact, this stand is also lightweight and almost maintenance-free as lamp replacement is virtually never necessary.



C-LEDS LED stands for Stereoscopic Microscopes

- Energy efficiency** 375% better (19W→4W) for transillumination, 885% better (13.8W→1.4W) for reflected illumination
- Extended product life** Light source life extended by 100 times for transillumination, 50 times for reflected illumination
- Reduced mass** 47% mass reduction (transillumination: 6570g; reflected illumination: 1740g; total 8310g → 4400g)*
* Compared with the C-DS DIA stand with lamp housing & transformer (for transillumination) and G-LS epi-illumination-device with transformer (for reflected illumination)
- Lead-free solder** All electronic circuit boards use lead-free solder
- Reduction of hazardous substances** Large reduction in hexavalent chromium used in surface treatment; no PBB, PBDE or PVC

Nikon Group Products

■ Laser 350G laser rangefinder (launched: Dec. 2007)

The affordable laser rangefinder is small, lightweight, and easy to use. It can be used equally by golfers and by those engaged in forestry or fishing applications.

In addition to its proprietary First Target Priority Mode, the 350G makes use of a continuous measurement mode to enable easy targeting even with slight hand movement.



Laser 350G laser rangefinder

- Reduced mass** 14% mass reduction (210g →180g) compared with Laser 500G
- Extended product life** Filled with nitrogen gas for dependable waterproofing, bearing in mind that intrusion of rainwater would lower the product value
- Common use of components** Sharing approx. 92%*
* Of the parts used in the Laser 550A S and other existing components
- Lead-free solder** All electronic circuit boards use lead-free solder
- Reduction of hazardous substances** Clears Nikon Green Procurement Standards & the RoHS Directive's baseline
- Eco-glass usage** 100%

Column

Nikon Participates in Eco-Products 2007

For three days, December 13-15, "Eco Products 2007 – Eco Style Fair" – was held at Tokyo Big Sight exhibition center in Ariake. Nikon displayed what the in-house companies and Group companies are doing for the environment, with the Environmental and Technical Administration Department playing a central role. The theme chosen was "Light and ecology—Earth-friendly manufacturing based on light". A stage was set up and members of the audience were invited to participate in such hands-on attractions as nature observation using Nikon's Fieldmicroscope Series "EZ-Micro" and quizzes. The Nikon booth attracted great attention from the steady stream of visitors. In all 164,000 people visited Eco Products 2007.

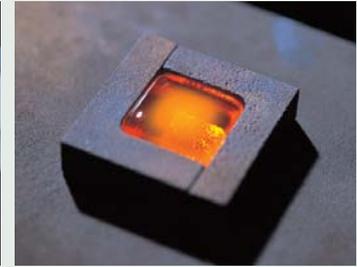


Children peer into Fieldmicroscopes.

Environmentally Sound Optical Glass (Eco-glass)

Eco-glass is free from lead and arsenic.

In order to minimize the risk of environmental pollution posed by the presence of lead and arsenic in optical glass throughout the entire product life cycle, Nikon has developed Eco-glass for use in the optical systems of all its products.



Eco-glass in the laboratory

History of Eco-glass development

Ever since Nikon was established in 1917 as the first optical glass manufacturer in Japan, the company has placed a high priority on the development and manufacture of optical glass designed for use in optical equipment.

As an early step in its antipollution efforts, in the 1970s Nikon eliminated cadmium, a toxic material, from its optical glass. In the 1990s, it investigated countless optical glass compositions, bearing in mind the possible effects of each on the environment. Of about 100 types of optical glass, most contained lead or arsenic. It was realized that this represented an important environmental issue for Nikon's business activities and products. The development of Eco-glass, completely free from these hazardous substances, and its wide use in Nikon products therefore became a key component in the company's environmental policy.

Nikon required that the new glass offer optical performance at least as good as that of the glass already in use. As such, the Optical Glass Development Department and the Optical Design Department worked closely together to develop new glass compositions that would satisfy design requirements. Following completion of the development phase, and with a supply system now in place, Nikon began a phased introduction of Eco-glass in its products. From the year ended March 31, 1999, this new glass has been used exclusively by the Optical Design Department. And from the second half of the year ended March 31, 2005, all Imaging Company products, such as cameras, use 100% Eco-glass.

With the cooperation of Nikon's Glass Manufacturing Department (Glass Division) and Hikari Glass Co., Ltd., the Nikon Group is now aggressively promoting the use of Eco-glass in manufacturing. As a result, in the year ended March 31, 2008, 98.5% of all glass shipped by Nikon – totaling over 1,500 tons, including shipments to non-affiliated companies – was Eco-glass.

Nikon offers a very extensive range of optical equipment, and because of this sheer diversity, some products incorporate parts that may not accommodate Eco-glass. Nevertheless, Nikon is committed to pushing the envelope of technological innovation in order to find ways to use Eco-glass throughout all its product categories.

Eco-glass Development Milestones

March 31, 1996	Full-scale Eco-glass development project launched
March 31, 1998	Eco-glass items added to Nikon product assessments
March 31, 1999	Eco-glass database completed; employed exclusively in optical design
March 31, 2000	Development of Eco-glass composition 80% complete
March 31, 2001	Development of Eco-glass composition completed

Note: The total cost of R&D to develop Eco-glass was ¥410 million over this period

Eco-glass utilization in new optical designs

Unit: %

Fiscal year (end)	All product categories	Consumer products (cameras, binoculars, etc.)	Industrial products (IC steppers, microscopes, etc.)
March 31, 2000	77.1	—	—
March 31, 2001	86.1	—	—
March 31, 2002	78.1	—	—
March 31, 2003	92.2	—	—
March 31, 2004	94.7	96.6	94.5
March 31, 2005	95.8	100	95.5
March 31, 2006	96.8	100	96.5
March 31, 2007	98.0	100	97.6
March 31, 2008	99.4	100	99.4

Note: Figures are based on the number of parts.

Eco-glass shipments from glass manufacturing departments

Fiscal year (end)	Utilization	Scope of data
March 31, 2001	53.6%	Nikon's Glass Manufacturing Department
March 31, 2002	75.8%	
March 31, 2003	83.5%	
March 31, 2004	87.4% (839/960 t)	Nikon's Glass Manufacturing Department & Hikari Glass
March 31, 2005	91.7% (989/1,079 t)	
March 31, 2006	93.0% (777.4/836.1 t)	
March 31, 2007	98.0% (940.1/959.3 t)	
March 31, 2008	98.5% (1,535,914/1,559,260 t)	

Note: Figures are based on the total mass of shipments.

Environmental Management

Nikon is committed to evolving as an enterprise that is in harmony with the environment, contributing through all of its business activities to the creation of a recycling-oriented society. The company seeks to spread its Basic Environmental Management Policy throughout the Nikon Group and to promote effective environmental protection based on its Environmental Management System.

The Nikon Basic Environmental Management Policy

■ Purpose of the policy

Nikon formulated the Nikon Basic Environmental Management Policy in 1992 to act as the foundation for its environmental management activities. Nikon believes that pollution prevention and the efficient use of resources are vital in order to be able to hand on to the next generation a healthy environment that is capable of supporting the con-

tinued development of society. In the year ended March 31, 2002, this policy underwent a major revision in response to the anticipated needs of the coming recycling-oriented 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 programs 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.

Environmental Burden of Business Activities

Nikon Group's principal environmental loading (for year ended March 31, 2008)

INPUT		Nikon	Subsidiaries	Unit
Energy	Electricity	179,558	85,320	Mwh
	Gas	6,478	3,315	(thousand) m ³
	Heavy oil	314	1,298	kl
	Water	1,321	659	(thousand) m ³
PRTR substances	Dichloropentafluoropropane	0	2.489	t
	Xylene	0	2.326	t
	Toluene	1.049	2.822	t
	Lead and lead compounds	3.370	0	t
	Nickel compounds	0	0.633	t
	Boron and boron compounds	1.694	0	t

OUTPUT		Nikon	Subsidiaries	Unit
CO ₂ exhaust	Electricity	60,106	29,610	t-CO ₂
	Gas	13,664	15,404	t-CO ₂
	Heavy oil	851	3,518	t-CO ₂
PRTR substances emissions	Dichloropentafluoropropane	0	2.376	t
	Xylene	0	1.396	t
	Toluene	0.787	1.693	t
	Lead and lead compounds	0.002	0	t
	Nickel compounds	0	0	t
	Boron and boron compounds	0.002	0	t
Disposal	Amount of waste generated	3,152	1,801	t
	Amount recycled	3,062	1,635	t
	Amount of landfill	16	9	t

Scope of Data

Nikon Plants: Ohi, Yokohama, Sagamihara, Kumagaya and Mito

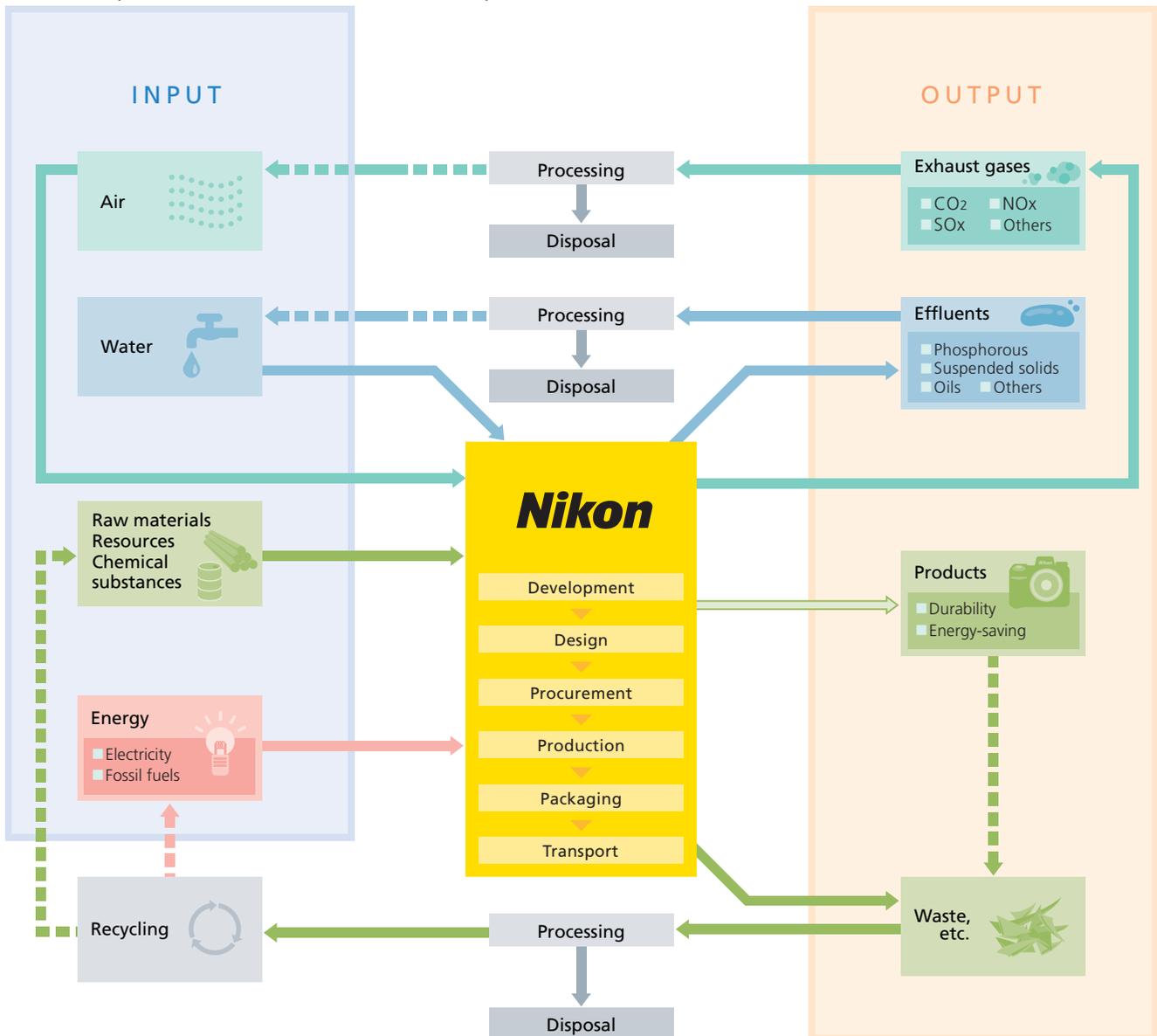
Manufacturing Subsidiaries: Tochigi Nikon, Tochigi Nikon Precision, Mito Nikon Precision, Sendai Nikon, Sendai Nikon Precision, Zao Nikon, and Kurobane Nikon (In this report these 7 subsidiaries are referred to the "major manufacturing subsidiaries in Japan.")

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.

The goal now is to work toward a recycling-oriented society, conserving energy and resources, and reducing our waste output until it has been virtually 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 steady efforts to reduce waste materials, and also actively pursuing unique activities such as the development of Eco-glass, which will significantly reduce environmental loading. Special emphasis is being given to implementing measures to reduce CO₂ emissions and prevent soil contamination. Nikon operates based on its corporate philosophy of "Trustworthiness & Creativity," and today it is 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 Management

Environmental Management System

■ Environmental management organization

Nikon first started its 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, becoming the "Environmental Improvement Committee." This gave birth to a program of more practical environmental protection 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 organization, the company established an Environmental Administration Department (changed to Environmental & Technical Administration Department in 2002). The current environmental management organization ensures that Nikon is 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.

Environmental Management Organization (as of April 1, 2008)



■ Utilization of ISO 14001 certification

Main achievements for the year ended March 31, 2008

- Integrated certification acquired by Nikon Instech Co., Ltd., Hikari Glass Co., Ltd., Nikon Vision Co., Ltd., Nikon Imaging (China) Co., Ltd., and Nikon (Thailand) Co., Ltd.

Goal for the year ending March 31, 2009

- Introduce Nikon Environmental Management Simplified System for business with little environmental loading.

In 2007, Nikon Instech Co., Ltd. became the first non-manufacturing subsidiary in the Nikon Group to acquire integrated certification. Moreover, two overseas manufacturing subsidiaries – Nikon Imaging (China) Co., Ltd., and Nikon (Thailand) Co., Ltd. – completed integrated certification. Nikon has thus been pushing ahead with full implementation of the Environmental Action Plan and ensuring greater efficiency of its business operations.

In the year ending March 31, 2009, the Nikon Environmental Management Simplified System will be introduced for business units, in Japan and abroad, with relatively little environmental loading; this comprises the major components of ISO 14001. In this way it is planned to ensure that Nikon's environmental management takes root throughout the Group.



Surveillance assessment for Hikari Glass, a Nikon Group manufacturing subsidiary

Column

Overseas Subsidiary Proactively Vets Industrial Waste Disposal Contractors

Nikon Imaging (China) Co., Ltd. carries out on-site inspections of the companies with which it has contracted for the processing of industrial waste. By conducting surveys – checking on whether the relevant legal permits have been obtained, whether the waste is being dealt with in the proper manner, etc. – it strives to ensure that it only deals with reliable companies.



Business permit for waste disposal

Environmental Education & Awareness Activities

Main achievements for the year ended March 31, 2008

- Exhibited at Eco-Products 2007. (See page 43 for further information.)
- Conducted seminar on global warming as part of the CSR seminars run at 11 domestic Group companies.
- Conducted EMS educational activities to coincide with the integration of Group Environmental Management Systems (EMS).

Goals for the year ending March 31, 2009

- Make use of e-learning; devise a more efficient & effective system for wide-range training of regular employees.

In order to initiate, maintain and develop environmental protection activities in the whole Group, Nikon considers it essential to improve awareness amongst all employees; to ensure a clear understanding of relevant manuals, regulations, and procedures; and to ensure that the necessary specialist knowledge and skills are acquired by staff.

Nikon provides the following environmental educational programs and awareness activities for all its employees, for Group companies, and also for some business partners.

Support for obtaining ISO certification

- Provision of education and support for obtaining ISO 14001 & ISO 9001 certification for companies within and outside the Nikon Group.

Promotion of environmental management & measures

- Educational programs tailored for the entire Group, each business unit, each department, etc.

Various awareness activities

- Supplying information, informing employees of new policies and enhancing awareness of environmental matters, as well as ensuring adherence to standards for waste-separation.

Specialized environmental education

- Acquisition & passing on of specialized knowledge, skills and technical abilities necessary to carry out individual responsibilities related to environment management.

■ Engaging Group companies

Environmental education is also offered to Group companies in the form of seminars, etc. As part of the CSR seminars organized for the 11 Group companies in Japan, the issue of global warming has been given special emphasis, with explanations of current projects being undertaken to prevent global warming, as well as the approach and measures adopted by Nikon to tackle this urgent problem facing the world community. Staff have thus gained a better understanding and heightened awareness of global warming.

Also, to coincide with EMS integration for Group companies, EMS and related education has been implemented to contribute to creating a system that enables tightly coordinated activities within the Group.

Main awareness activities within Japan

- Publication and website posting of CSR Report (and Environmental Report)
- Disclosure of environment-related information on the environmental management intranet site
- Publication and distribution of Environment/Product Safety Information for Nikon Group companies
- Publication of environment-related articles in the in-house magazine *Kōyū Tsūshin* and on the website
- Publication and distribution of EMS News (Yokohama Plant)
- Invitations to submit environment-oriented proposals, slogans, posters, etc. for review and commendation
- Environment Month (June) featuring broadcasts by the Environmental Committee Chairman, Environment Month seminars, environmental facility tours, environmental photo contest, etc.
- Energy-saving Month (February & August) with energy-saving patrols
- Clear 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 reports
- Participation in various environmental events

Main educational activities within Japan (environmental education tailored to each level in the organization & workplace)

- 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, environmental evaluation procedures, etc.)
- Daily 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.)
- Nikon Environmental Action Plan presentations
- Green procurement education

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 prevention management course
- Course for persons in charge of handling dangerous substances
- Emergency countermeasures (accidental leak simulation)

Column

Nikon Environment Symbol Mark

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



Environmental Management

Environmental Action Plan

Each year Nikon evaluates its performance against the Environmental Targets that had been set for the previous fiscal year. This enables it to identify issues that need to be addressed in the following year. In addition to formulating the next Environmental Targets, every year the Environmental Committee decides on a new Nikon Environmental Action Plan, a 3-year plan for the environmental activities that is reviewed and renewed annually.

The table below details the Nikon Environmental Action Plan 2007 (3-year plan), listing the Environmental Targets set for the year ended March 31, 2008 (first year of the plan). To the right of each target can be found the achievements for the year and Nikon's self-evaluation.

Nikon Environmental Action Plan 2007

	Theme	Environmental targets for the year ended March 31, 2008	Results for the year ended March 31, 2008	Evaluation	See page
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 31, 2009-2011, compared to similar existing products	More than 57% (93%) improvement in simple average improvement of models, 30% or more improvement for 67% of models (all models)	○	41~43
	Reduction in use of hazardous chemical substances, etc.	[Eco-glass usage] • Maintain 100% use of Eco-glass in new optical designs for consumer products and at least 98% for industrial products; at least 97% (by mass) of material shipped by optical glass division	Consumer products: 100% (100%) / Industrial products: 99.4% (97.6%) / Materials shipped: 98.5% (98.0%)	○	44
		[Lead-free solder] • 100% for all new electronic circuit boards for small products (cameras, microscopes, surveying instruments, etc.), and at least 90% for large products (steppers, scanners, etc.), both targets to be met from year ending March 31, 2008, onwards	Small products: 100% (100%) Large products: 97% (96%)	○	52
		[Hexavalent chromium, lead, cadmium, mercury, PBB, PBDE, PVC] • Continue compliance with RoHS Directive; maintain & improve management system • Significantly reduce use of hexavalent chromium in surface-treatment processes	Achieved continued compliance, maintained & improved management system (Establish system) Achieved significant reduction	○ ○	
	[Ozone layer-depleting substances] • Reduction of IC and LCD steppers using HCFC as a refrigerant to 5% or less of all products	2.1% (9.2%)	○	41	
Green procurement	[Reduction in use of hazardous chemical substances] • Maintain & update green procurement in consumer fields, gauge use for major products in industrial field [Application of Nikon Green Procurement Standards] • Ensure full understanding of Nikon Green Procurement Standards; continue application • Create system for concluding agreements with all suppliers; survey & audit environmental conservation systems	Continued in consumer fields; gauged use for major products in industrial field Publicized Nikon Green Procurement Standards; produced 3rd version System established & running	○ ○ ○	35~36	
Distribution	[Reduction of CO ₂ emissions in domestic physical distribution] • Reduce CO ₂ emissions per net sales by 5% or more compared to year ending March 31, 2007	16.6% reduction (Start process of gauging emissions)	○	54	
Workplace environment	Energy conservation (prevention of global warming)	[Reduction in greenhouse gas (energy-based CO ₂) emissions] Greenhouse gas emissions (CO ₂ equivalent) from 12 business establishments in Japan, 2 overseas • Reduce by 9% or more per net sales compared to year ending March 31, 2006 • 199,000 tons* or less of CO ₂	16% reduction 207,000 tons or less of CO ₂	○ ×	55
	Waste reduction	[Zero-emission system] • Prepare to establish zero-emission system at 2 overseas business establishments [Reduction of mass-volume waste such as paper, sludge, effluent, metal and glass] • Feasibility study for 12 business establishments in Japan, 2 overseas	Preparations to establish zero-emission system almost complete Feasibility study complete, policy decided	△ ○	56
	Reduction in use of hazardous chemical substances	[Chlorinated organic solvents] • Reduce by 25% (compared to year ending March 31, 2006) at 2 overseas business establishments	No reduction	×	57
Others	Environmental Management System (EMS)	[ISO 14001 integrated certification] • Integrate EMS at 7 business establishments in Japan, 2 overseas	Completed integration at 7 business establishments in Japan, 2 overseas; simplified system introduced (completed at 5 major manufacturing subsidiaries in Japan)	○	47
	Life Cycle Assessment (LCA)	[Introduction of LCA] • Prepare to introduce LCA	LCA introduction policy decided	○	51~52

Notes: In the column headed "Results for the year ended March 31, 2008," the data in parentheses are results through the year ended March 31, 2007.

The symbol "○" indicates adequate progress; "△" means that some progress was made; and "×" represents a significant gap between the target and actual performance. (Nikon's self-evaluation)

* In the 2007 CSR Report, "170,000 tons of CO₂" appears, but this has since been recalculated using the relevant emission indices for each region and country.

■ Year ended March 31, 2008 (results)

In October 2007, Nikon established the Global Warming Prevention Project and initiated full-scale activities to help prevent global warming, now recognized as an issue of urgent concern worldwide. (▶ See page 13 for further information.)

As can be seen with Europe's REACH, Nikon expects that regulations and demands for stricter control of the chemical substances in products will become more widespread, and it has been making preparations in anticipation of such developments.

■ Year ending March 31, 2009 (targets)

In the year ending March 31, 2009, all members of the Nikon Group will join forces to accelerate measures to reduce greenhouse gas emissions, etc., so as to meet the set targets. These efforts will center on the Global Warming Prevention Project. To realize tightly coordinated environmental activities system, integration of Group EMS (Environmental Management Systems) – started in the year ended March 31, 2005 – will be completed.

Nikon Environmental Action Plan 2008

	Theme	Mid-term environmental targets	Targets for the year ending March 31, 2009
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 31, 2009-2011, compared to similar existing products	30% of more improvement
	Reduction in use of hazardous chemical substances, etc.	[Eco-glass usage] • Maintain 100% use of Eco-glass in new optical designs for consumer products and at least 98% for industrial products; at least 98% (by mass) of material shipped by optical glass division	Consumer products: 100% Industrial products: 98% or more Materials shipped: 98% or more
		[Lead-free solder] • 100% for all new electronic circuit boards for small products (cameras, microscopes, surveying instruments, etc.), and at least 90% for large products (steppers, scanners, etc.)	Small products: 100% Large products: 90% or more
		[Hexavalent chromium, lead, cadmium, mercury, PBB, PBDE, PVC] • Continue compliance with RoHS Directive; maintain & improve management system • Ensure thorough process control for hexavalent chromium surface-treatment processes in consumer fields; continue total elimination policy for newly designed components in the industrial field	Continue compliance; maintain & improve management system Establish control standards for use; eliminate from newly designed components in the industrial field
		[Ozone layer-depleting substances] • Continue to eliminate HCFC as refrigerant in all IC/LCD steppers & scanners shipped from year ending March 31, 2009	Totally eliminate HCFC
	Control of chemical substances	[Control of chemical substances in products] • Create & operate management system	Decide policy, prepare management system
	Green procurement	[Reduction in use of hazardous chemical substances] • Maintain & update green procurement in consumer fields, expand use in industrial field [Application of Nikon Green Procurement Standards (procured goods)] • Maintain & update application of Nikon Green Procurement Standards • Continue survey & audit of environmental conservation systems	Maintain & update green procurement in consumer fields, expand use in industrial field Maintain & update application of Nikon Green Procurement Standards Make surveys & audits of environmental conservation systems permanent
Distribution	[Reduction of CO ₂ emissions in domestic physical distribution] • Reduce CO ₂ emissions per net sales by 19% or more compared to year ending March 31, 2007	Reduction of 8% or more	
Workplace environment	Energy conservation (prevention of global warming)	[Reduction in greenhouse gas (energy-based CO ₂) emissions] • Reduce total CO ₂ emissions by Nikon and manufacturing subsidiaries in Japan to 126,000 tons or less (93% compared to year ending March 31, 2006) • Reduce emissions by 15% per net sales (compared to year ending March 31, 2006) at 2 Asian manufacturing subsidiaries (total emissions: 87,000 tons of CO ₂)	Total emissions of 131,000 tons or less (96% compared to year ended March 31, 2006) Reduce emissions by 5% per net sales (total emissions: 80,000 tons of CO ₂)
	Waste reduction	[Zero-emission system] • Maintain system at Nikon and major manufacturing subsidiaries in Japan; establish system at 2 Asian manufacturing subsidiaries [Reduction of mass-volume waste] • Achieve 30% reduction (compared to year ending March 31, 2006) at 12 business establishments in Japan, 2 Asian manufacturing subsidiaries	Feasibility study for establishing system at 2 Asian manufacturing subsidiaries Reduction of 10%
Others	Environmental Management System (EMS)	[ISO 14001 integrated certification] • Expand/maintain integrated certification	Expand number of integrated certification business establishments
	Life Cycle Assessment (LCA)	[Gauge environmental burden using LCA] • Start developing goals	Formulate LCA procedures

Note: Mid-term environmental targets are for the year ending March 31, 2011, unless specified otherwise.

Product-related Activities

From initial planning through to the final stages of the product life cycle, all Nikon products are designed with consideration for the environment. This is achieved by implementing the Nikon Product Assessment System to development and design for all product categories, and also by facilitating the reuse and recycling of used products. Nikon is also working to reduce the burden on the environment by improving packaging and physical distribution.

Eco-friendly Product Development

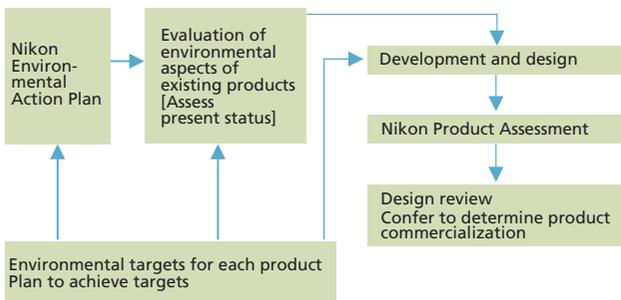
Environment-friendly Product Development System
Nikon has independently developed and implemented a system for managing environment-friendly product designs. To facilitate its operation, the company has continuously reviewed and revised the Nikon Environmental Action Plan and the Nikon Product Assessment System.

Under this system, both Nikon's in-house companies and Nikon Group companies are developing more environmentally conscious products with a commitment to improving energy efficiency significantly, conserving global resources, the minimal use of hazardous substances, and the maximum application of Eco-glass, lead-free solder, and plating techniques that are free from hexavalent-chromium.

By March 2006, Nikon had completed preparations to comply with the EU's RoHS Directive* that came into effect four months later, in July 2006.

* 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 chromium, lead, cadmium, mercury, PBB, and PBDE in European markets. The Directive has been enforced since July 2006.

Management system flow for eco-friendly product design



Product assessment

To minimize the adverse environmental effects of its products throughout their life cycles, Nikon formulated its own product assessment system in 1995. This quantifies eco-friendliness for products under development so they can be objectively assessed. Since 1995 the Nikon Product Assessment System has been applied in the development and design of all Nikon products, and resulting reductions in environmental loading have been significant.

Nikon is constantly adding new evaluation items and standards to significantly improve product assessment. In 2007, a revised system (version 8) was introduced with reinforced criteria related to hazardous substances. Nikon's product development and design departments have redou-

bled their efforts to achieve even higher scores under the latest assessment system.

Features of the Nikon Product Assessment System

- Places priority on reducing consumption of resources and energy, recycling, long product life, reduction in the use of hazardous substances, reduction and simplified processing of waste, and the disclosure of material information;
- Anticipates increasingly serious global environmental issues and new or revised regulations/rules, and leads to development of Nikon standards that take product characteristics into account;
- Based on thorough discussions among product development teams, material engineers and other related personnel;
- Makes product assessment mandatory in design reviews and related phases of product development, with procedures and standards clearly defined;
- Requires continuous improvement in assessment scores from one model to the next; and
- Supports designers by building and maintaining an environmental database of information related to materials (Eco-glass, plastics, metals, surface treatment materials, bonding agents, etc.), and by supplying explanatory documentation and references.

Items covered under the Nikon Product Assessment System

- 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, designated brominated flame retardants, PVC) in metal or plastic components, wires, electronic components, etc.
- Use of optical glass free of lead and arsenic (see page 44)
- Use of lead-free solder on electronic circuit boards (see page 52)
- Adoption of surface-treatment technologies free of hexavalent chromium (see page 52)
- Elimination of ozone-layer-depleting substances
- Strict observance of environmental laws and regulations (battery regulations, RoHS Directive, etc.)
- Overall assessment (overall assessment score, comments on evaluation, etc.)

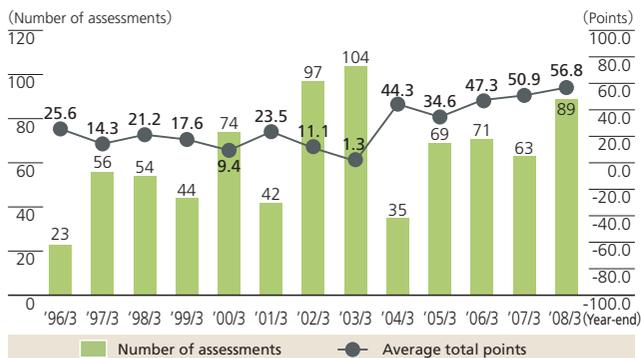
Results of Nikon Product Assessment

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 13 years from the year ended March 31, 1996 to the year ended March 31, 2008, Nikon performed 815 assessments under this program; products received a total score of +26.6 points on average. Over the last five years there has been a dramatic improvement, with the average score over that period reaching +47.6, in spite of the adoption of ever stricter assessment criteria.

As it launches a succession of new products on world markets, Nikon is continuing its efforts to improve and enhance functionality and performance in all of its product categories. These assessments confirm the great advances it is achieving in environmental friendliness.

Product assessment results



Reducing Hazardous Substances in Products

As part of Nikon’s approach to reducing the hazardous substances in its products by employing new or alternative technologies, it is making use of lead-free soldering and surface treatment technologies — such as a plating process that does not require hexavalent chromium — that are free from heavy metals. The company is also introducing chemical analysis techniques for use by the Quality Assurance Department.

■ Full-scale adoption of lead-free solder

Under the direction of the electronic engineering departments at the Yokohama Plant and Sendai Nikon, Nikon has established a system for employing lead-free solder. This involves not only its own product development and manufacturing technology departments but also other Nikon Group companies and business partners.

Nikon’s in-house training and technical certification system for the training of staff in the techniques of manual soldering now includes a course on lead-free soldering procedures to help employees master the new technology. By the year ended March 31, 2008, over 700 instructors and qualified staff have been trained in lead-free soldering, both in Japan and at overseas production subsidiaries.

The main alternative to lead solder is a tin-silver-copper alloy, but in addition to this Nikon also uses a low-temperature tin-silver-indium-bismuth alloy, enabling the company to apply the optimum solder for a wide range of products.



Lead-free flow furnace



Image processing board for the A1 Series of confocal microscopes

Application of lead-free solder to Nikon products

The use of lead-free solder is being implemented under the Environmental Action Plan (▶ see page 49). Progress has been rapid: in the year ended March 31, 2008, Nikon used 100% lead-free solder for the electronic circuit boards in all of its new consumer products, including the D3 digital SLR camera. The use of lead-free solder is also being aggressively promoted for our industrial products (steppers, microscopes, surveying instruments, etc.), and in the year ended March 31, 2008, 98% of all newly designed boards were soldered with lead-free materials

■ Elimination of hexavalent chromium in surface treatment

Hexavalent chromium 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 these efforts, the plant completely abolished the use of hexavalent chromium in December 2004.

Based on the expertise gained and results achieved at Yokohama, Nikon has actively introduced hexavalent-chromium-free surface treatment technologies in all product categories.

Owing to the many types of surface treatment used — including painting, plating and chemical conversion coating — on a wide range of components in a variety of working conditions, there are numerous difficult issues to be addressed. Nevertheless, Nikon has responded by establishing strict technical standards regarding not only hexavalent chromium, but also lead, cadmium, and mercury. The company’s goal is to abolish the use of heavy metals entirely.

■ Chemical analysis techniques used by the Quality Assurance Dept.

The Nikon Group is taking steps to abolish the use of hazardous substances such as hexavalent chromium, lead, cadmium, mercury, PBB, PBDE and PVC in its products, as far as is technically possible. However, Nikon products include materials and components that have been sourced from countless producers and trading companies located in countries all over the world, representing a complex supply chain. Green procurement procedures help to ensure that hazardous chemical substances have not been introduced at any stage of the processing and assembly of parts that make up a finished product, but it is still necessary to confirm this by conducting chemical analysis in-house. (▶ See page 35 for further information.)

The Nikon Group has therefore introduced chemical analysis techniques to be carried out by the Quality Assurance Department at each major stage in the production process for products of all types. A large number of technicians have now acquired expertise in the use of analytical techniques and related know-how, and they are working hard to prevent hazardous substances contaminating Nikon products.

Product-related Activities

Reuse & Recycling of Used Products

Nikon, which supplies its products worldwide, is working tirelessly to reduce the total environmental impact of its products and services through the reuse and recycling of used products.

■ Sales of refurbished steppers

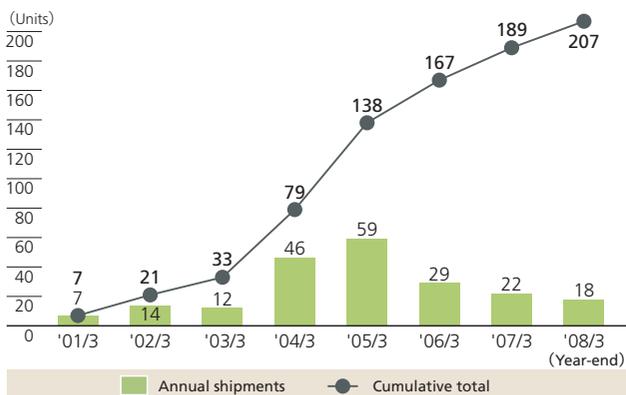
In the year ended March 31, 2001, Nikon launched a new service for collecting used steppers from customers, reconditioning them, replacing parts, reconfiguring them, and then installing them for new customers in Japan and overseas. This is an example of Nikon's willingness and capability to reuse its own products. It is also a business that reflects the corporate character: a practical demonstration of the company's conviction of the possibility of contributing to the environment and satisfying the customer at the same time. Nikon has been expanding and reinforcing this system, which it regards as an important business offering a stable revenue flow, in contrast to those new product businesses in which sales results can fluctuate widely.

Thirty-three steppers were shipped in the period from the year ended March 31, 2001 to the year ended March



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

Sales volume of Nikon refurbished steppers



31, 2003. This was followed by 46 steppers in the year ended March 31, 2004, and 59 steppers in the year ended March 31, 2005. Although there has been a slight fall in shipments since then, the cumulative total had reached 207 units by the end of the year ended March 31, 2008.

In order to increase the efficiency of the reconditioning and reconfiguring business, Nikon is making efforts to upgrade the tools and equipment, improve procedures, standardize workflow, increase efficiency, and put in place a framework for technical troubleshooting.

■ Battery recycling

Nikon and many other companies are cooperating 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) that promotes recycling of compact rechargeable batteries in Japan based on the Law for Promotion of Effective Utilization of Resources.

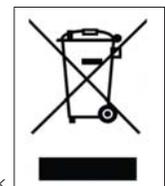
■ Recycling of used Nikon products

Following the initiative provided by the EU's WEEE Directive*, European countries are enacting laws and establishing systems for the collection and recycling of used products. Accordingly, Nikon's European subsidiaries, led by that in the Netherlands, have been preparing to accommodate the enforcement of such new laws and systems for the collection/recycling of digital cameras and other Nikon products as soon as such measures are introduced in each country.

By the year ended March 31, 2007, Nikon had established a collecting and recycling system in 20 countries in Europe including the Netherlands, Germany, Sweden, UK, France and Poland. Progress continues, and in the following year, Nikon signed up to participate in collection organizations in 5 other countries, including Italy and Lithuania.

The collection of recycling of Nikon products in the EU represents a considerable financial burden: in the year ended March 31, 2008, the estimated cost met by Nikon's local sales companies exceeded ¥17 million, and that does not include the smaller European markets, where it is difficult to make reliable estimates. However, the Nikon Group is aware of the importance of collecting and recycling used products, and it will continue to see that this issue is handled appropriately.

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



EU recycling mark

Measures for Packaging

Seeking reductions in product packaging, Nikon established its Environmental Policy Regarding Packaging Materials in May 1998, and revised it in June 2000.

Based on this policy, the Imaging Company is taking various steps to raise loading efficiency in 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% in the year ended March 31, 2006. Work has now begun to reduce the bulk of instruction manuals, and as a result further reductions in packaging size are envisaged. Also, Nikon has switched from conventional containers to pallets, eliminating the need for outer packaging and thus reducing the volume of materials used in transport.

The Instruments Company has continued to make progress in improving safety and facilitating the separation of materials during unpacking or disassembly. It has adopted a type of insertion packaging that enables the cushioning material and cardboard box to be separated easily. Molded pulp is now used for the packing of some of products, promoting the use of recycled resources. In other ways too, the Company is working to make its packaging eco-friendly; for example, biodegradable material is employed for its new Fieldmicroscope Series "EZ-Micro".



Before improvement

After improvement

Reduction in size of digital SLR camera packaging

Improving Physical Distribution in Japan

Main achievements for the year ended March 31, 2008

- CO₂ emissions associated with Nikon's domestic physical distribution totaled 2,368 tons.
- Conducted courses in eco-friendly driving (for Nikon Business Services, a subsidiary that handles distribution for Nikon).
- Conducted environmental awareness activities for transport companies working for Nikon.

Goals for the year ending March 31, 2009

- Introduce digital tachometers.
- Launch domestic survey aimed at increasing transport efficiency.
- Initiate survey to gain picture of physical distribution overseas.

To counter the threat of global warming, there is a pressing need to cut the CO₂ emissions associated with physical distribution. Nikon is striving to quantify distribution routes and volumes for the major manufacturing subsidiaries in Japan, so as to obtain a clear picture of the amount of CO₂ emissions involved. It also runs courses on eco-friendly driving techniques and conducts environmental awareness activities for the trucking companies used by Nikon. As a result, Nikon's physical distribution was responsible for producing 2,368 tons of CO₂ in the year ended March 31, 2008.

In future, to promote safer, eco-friendly driving, a phased introduction of digital tachometers is planned for the trucks operated by Nikon Business Services. This technology will not only facilitate the creation of daily driving logs and contribute to reductions in fuel consumption, but also raise the safety awareness of drivers. A survey of the current arrangements for transporting IC/LCD steppers & scanners will be carried out to enable a full review of everything from transport planning to the overall transportation system; Nikon can thus improve efficiency. Another survey will start in the current fiscal year to gain a picture of the environmental load of physical distribution overseas; this will enable Nikon to plan cuts in the CO₂ emissions there too.

Low-pollution vehicles

Three natural gas vehicles are used as commuter buses for Kumagaya Plant staff to help reduce CO₂ emissions.

Additionally, a phased plan has been established to replace the trucks operated by Nikon Business Services with vehicles offering low fuel consumption.



Bus fuelled by natural gas vehicle (Kumagaya Plant)

Workplace-related Activities

In order to prevent global warming and to make a contribution to the creation of a resource-recycling society, Nikon is striving to ensure that each business unit is doing all that it can to save energy, to recycle waste, and to protect the global environment.

Energy Saving

The main cause of global warming is the carbon dioxide (CO₂) that results from the combustion of fossil fuels. Nikon is continuing efforts to help prevent global warming through a range of activities, but especially by saving energy so as to minimize CO₂ emissions.

The principal measures being adopted are: increasing the efficiency of HVAC equipment and switching to more efficient lighting equipment; improving production processes; and applying stricter controls on the use of lighting and office equipment. Additionally, the company is finding ways to harness natural energy sources.

Energy-saving measures for the year ending March 31, 2009

- Promote upgrading of old refrigeration equipment
- Improve compressed air supply systems
- Improve cleanroom operation
- Switch energy sources (heavy oil → gas → electricity)
- Actively introduce high-efficiency equipment (HVAC systems, power systems, etc.)
- Ensure high efficiency of utilities and production facilities
- Integrate electrical facilities
- Improve quality control efficiency (production line improvement activities)
- Make use of natural energy sources
- Provide hard data for how much energy is used
- Conduct awareness activities

■ Installing high-efficiency equipment and using natural energy sources

Sendai Nikon was the first member of the Nikon Group to introduce a cogeneration system. Used in combination with high-efficiency equipment, it is producing considerable energy savings. (▶ See page 14 for further information.)

Making use of natural energy sources will become a priority in future energy-saving plans. In March 2007 the Yokohama Plant became cosponsor in a Yokohama City project to generate electricity using a large-scale windmill, which started operating in April 2007. In addition, the possible introduction of solar power systems at Nikon plants is currently being assessed.

Tochigi Nikon has installed a lighting system that uses both wind and solar power. It stores electricity generated by these eco-friendly natural energy sources in accumulators to power the lighting system; the electricity can also be used in emergencies to power radios and transceivers.

■ Energy-saving diagnosis for the workplace

As well as reducing the amount of energy consumed by factory equipment, improvements made to production

processes are of crucial importance. That is why Nikon conducts an energy-saving diagnosis for the workplace; this takes advantage of a third-party viewpoint to examine the workplace and search out where and how improvements can be made. For such a diagnosis, experts from outside the company are invited to the tour and inspect actual production lines and facilities. Their observations and comments can lead to ideas for improvement and specific points deserving study, based on which the company develops concrete measures.

It should not be forgotten that any progress with energy saving is actually determined by the attitude of each employee. For this reason, a seminar on energy saving is run in conjunction with the energy-saving diagnosis in an effort to heighten the personal awareness of the staff.

These diagnoses have primarily been conducted for those business centers that use the most energy; however, these activities will be continued and coverage will expand to include more business centers in future.



Hama-Wing (Yokohama City wind-power plant)



Lighting system that uses wind & solar power



Energy-saving diagnosis for a cleanroom

Toward Zero Emission

Main achievements for the year ended March 31, 2008

- Zero-emission systems have been maintained by Nikon and the major manufacturing subsidiaries in Japan.
- Preparations are complete for establishing zero-emission systems at 2 manufacturing subsidiaries in Asia (overseas).
- Measures for the reduction of mass-volume waste have been studied.

Goals for the year ending March 31, 2009

- Zero-emission systems will continue to be maintained by Nikon and the major manufacturing subsidiaries in Japan.
- The establishment of zero-emission systems at 2 manufacturing subsidiaries in Asia will be studied.
- The amount of mass-volume waste generated by the 12 business units in Japan and 2 manufacturing subsidiaries in Asia will be reduced by 10% compared to the figure for the year ended March 31, 2006.

Japan is confronted with such problems as the mass consumption of resources and a shortage of landfill sites, so a key issue is now “reducing” — in other words, taking care of resources, not producing waste, or reducing it as much as possible.

The environment is precious and irreplaceable. Nikon is working hard to ensure thorough waste separation and volume reduction. And it is always seeking further improvement so that mankind can protect the environment and pass it on safely to following generations.

The Nikon Group has defined zero emission as “final (landfill) disposal amounting to less than 1% of the total amount of waste generated.” It has thus strengthened measures to promote the reduction and recycling of waste, for the “achievement of a zero-emission system at all plants by the end of the year ended March 31, 2005” has been a major goal of the Nikon Environmental Action Plan.

As a result, 12 business units, including manufacturing subsidiaries in Japan, have achieved zero emission to date. (▶ See page 59 for further information.)

■ Progress at Nikon

Despite the fact that production has increased, the total amount of waste generated by Nikon in the year ended March 31, 2008, was 2.0% less than the previous year. Having achieved a resource-recycling rate of 97.1% and a final (landfill) disposal rate of 0.51%, it was thus possible to maintain the zero-emission system. (▶ See page 60 for further information.)

At the Mito Plant, where small-group activities have been adopted, one success has been the in-house development of a compact cleaner that can sort and remove metallic waste, such as aluminum and steel shavings, produced as a result of metalworking processes in the factory. By automatically separating metal and oil with this device, resource-recycling is facilitated, and it has been possible to shorten the time previously spent on this task by 23 hours/year (70.6%).

Example at Nikon



“Pochi” Mark 2, a metal waste separator/cleaner (Mito Plant)

■ **Progress at major manufacturing subsidiaries in Japan**
Nikon’s major manufacturing subsidiaries in Japan have followed the example set by Nikon Corporation in pursuing waste reduction.

As a result, in the year ended March 31, 2008, they were able to reduce the total amount of waste generated by 3.9% compared to the previous year, in spite of growth in production. The recycling rate and final (landfill) disposal rate were 90.8% and 0.52%, respectively, meaning they also maintained their zero-emission systems. (▶ See page 60 for further information.)

At Sendai Nikon, where a zero-emission system has already been established, a gasification furnace is employed to promote the reduction and recycling of waste; the residue resulting from combustion is used as subgrade for building roads. A waste compacter reduces the volume of waste and also contributes to recycling.

Examples at a major manufacturing subsidiary in Japan



Gasification furnace (Sendai Nikon)



Waste compacter (Sendai Nikon)

Workplace-related Activities

Control and Reduction of Chemical Substances in Manufacturing

Main achievements for the year ended March 31, 2008

- Continued total elimination of hazardous chemical substances (chlorinated organic solvents used for washing) in Japan.

Nikon performs chemical substance control at every phase of the product life cycle, from purchase through use and disposal, in order to prevent pollution caused by these substances. When first purchasing a new chemical substance, the company obtains a Material Safety Data Sheet (MSDS) for the item, and carries out an assessment of the potential dangers of its use in the workplace. Actions taken on the basis of these results are firstly reviews, after which further, expert confirmation is sought from Nikon's Environment, Safety and Health Section.

In addition to these measures, Nikon's Data Center, located within the Ohi Plant, is responsible for centralized management of MSDS registration, updates and storage. This information is now being made available on the Nikon intranet.

Nikon places especially strict controls on chemical substances with higher environmental loading so as to reduce usage. By pursuing research on alternative materials, the company is continually striving to reduce the risk of chemical contamination to zero, as far as is possible.

■ Nikon's Pollutant Release and Transfer Register (PRTR)

In March 2000, the Nikon PRTR Guide was produced, and control activities were introduced at each plant for the chemical substances that are in use. The Guide stipulates quantitative management procedure for these substances — from purchase and use to disposal — as well as the handling of MSDS, and disposal safety management.

In March 2002, Nikon established a company system to comply with its legal responsibilities for notification, revising the Guide and adding a section on how to complete the official forms. (For information on the legal requirements for reporting to the government ▶ See page 59.)

* PRTR (Pollutant Release and Transfer Register): A system requiring organizations to determine the volumes of emissions into the environment of chemical substances possibly harmful to human health and ecological systems and to report them annually to the government, which compiles the data and makes them available to the public.

Preventing Air/Water Pollution and Protecting Water Resources

■ Preventing pollution of the air and water

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. Specifically, 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. (For air and water quality environmental data ▶ See pages 61-63.)

Moreover, in order to reduce emissions of pollutants at Nikon's Ohi Plant, superannuated heavy oil/gas-fired boilers and gas-engine air conditioning equipment are being replaced by energy-efficient electrical equipment that produces no polluting emissions.

■ Protecting water resources

At business units involved in production, progress is being made with plans to expand business and transform the business structure. Also, from the year ended March 31, 1999, when the Environmental Management System was introduced, water used for a production process is reused where possible, and all employees have been charged with conserving water so as to avoid rises in annual water consumption. (For water usage data ▶ See page 63.)

An example of the detailed measures being taken is provided by the West Building at Nikon's Ohi Plant. Here water is reused and rainwater stored for flushing toilets. Also, air cooling has replaced water cooling for air-conditioning equipment; water has been conserved by switching to a smaller dishwasher in the canteen kitchen; water usage has been cut by renovating the waste water processing facilities; and water-saving-type tap plugs have been installed.

Progress Report on Soil Contamination Remediation at the Ohi Plant

In 2007, when some superannuated factory buildings were demolished at Nikon's Ohi Plant to make way for the construction of new ones, a soil contamination survey was conducted in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation. During this survey — conducted between January 10 and April 13, 2007 — high levels of a designated hazardous substance were detected on part of the site; specifically, hexavalent chromium was present at up to 3,600 times the guideline concentration, although the affected area was limited and inside a building. Also, trichloroethylene was detected at a level 1.8 times that of the guideline value; this was around a groundwater inspection hole that had

been bored near the perimeter of the Ohi site for the survey.

Shortly after this discovery, Nikon made a report to the Environment Bureau of the Tokyo Metropolitan Government and Shinagawa Ward Office; it also held briefings for local residents in April and July 2007. In accordance with the relevant laws and regulations, the company has been quick to take action so as to minimize any possible impact on the immediate environment. By the end of that year, these measures had been completed for the former No.2 Building site; remediation is still ongoing for the former No.1 Building site, and is scheduled for completion in the year ending March 31, 2009.

Data

Status of ISO 14001 certification (Nikon)

	Date of Group-wide certification approval	Date of independent certification approval	Location
Nikon Group-wide certification	Oct. 2004	—	Tokyo
Ohi Plant	(Oct. 2004)	Jul. 1998	Tokyo
Yokohama Plant	(Oct. 2004)	Oct. 1998	Kanagawa
Mito Plant	(Jun. 2005)	Apr. 1994	Ibaraki
Head Office	(Sept. 2005)	—	Tokyo
Sagamihara Plant	(Sept. 2005)	Aug. 1998	Kanagawa
Kumagaya Plant	(Sept. 2005)	Aug. 1998	Saitama

Status of ISO 14001 certification (Group companies)

	Date of Group-wide certification approval	Date of independent certification approval	Location
Sendai Nikon (Sendai Nikon Precision)	(Apr. 2006)	Mar. 1997	Miyagi
Zao Nikon	(Apr. 2006)	Mar. 1999	Miyagi
Tochigi Nikon (Tochigi Nikon Precision)	(Sept. 2006)	Sept. 1999	Tochigi
Kurobane Nikon	(Sept. 2006)	Dec. 1999	Tochigi
Mito Nikon Precision (formerly Mito Nikon)	(Sept. 2006)	Dec. 1999	Ibaraki
Nasu Nikon	—	Dec. 1999	Tochigi
Aichi Nikon	—	Dec. 1999	Aichi
Hikari Glass	(Nov. 2007)	Mar. 2004 (Akita Office)	Chiba
Nikon Instech	(Nov. 2007)	Mar. 2004	Tokyo
TNI Industry Nagai Factory (formerly Setagaya Industry)	(Nov. 2007)	Nov. 2004	Yamagata
Nikon Vision	(Nov. 2007)	—	Tokyo
Nikon Imaging (China)	(Nov. 2007)	Jun. 2005	China
Nikon (Thailand)	(Nov. 2007)	Nov. 2006	Thailand

Environmental Data

Cost of environmental protection

Unit: millions of yen

Category		Main activities	Investment	Expenses	Total
Product environment	Product development Energy saving, resource saving, Reduction in use of hazardous chemical substances	Creating energy-efficient designs, RoHS Directive compliance, etc.	10	219	229
	Green procurement	Green Procurement Standards, etc.	—	36	36
	Packaging & distribution	Eco-friendly driving courses, surveys of transport volume, etc.	—	1	1
Product environment subtotal			10	256	266
Workplace environment	Energy saving	Upgrading air conditioning systems, installation of inverter-equipped equipment, etc.	273	23	296
	Waste reduction	Maintenance of zero-emission systems, reduction in water usage	1	66	67
	Reduction in use of hazardous chemical substances	Disposal & management of unnecessary chemical substances	1	7	8
	Green procurement	Promoting purchase of eco-friendly articles, etc.	—	6	6
	Improvements to workplace	Improvements to workplace environment performance	—	41	41
Workplace environment subtotal			275	143	418
Legal compliance		Management of equipment for processing gaseous emissions and effluents, maintenance of noise/vibration-emitting facilities, waste management, recycling fee management, control of dangerous substances, etc.	625	1,021	1,646
Administration		ISO 14001 (administering Environmental Management System (EMS), workplace education), social contribution activities, planting trees, etc.	28	1,446	1,474
Grand total			938	2,866	3,804

Cost of environmental protection classified according to guidelines of the Japanese Ministry of the Environment

Unit: millions of yen

Category	Main activities	Investment	Expenses	Total	Economic effect
Costs within business establishment area		928	1,153	2,081	123
Pollution prevention costs	Management of equipment for processing gaseous emissions and effluents, maintenance of noise/vibration-emitting facilities	463	606	1,069	—
Global environment protection costs	Energy conservation, reduction in use of hazardous chemical substances, control of dangerous substances	465	140	605	23
Resource recycling costs	Waste reduction, waste management, recycling fee management, Maintenance of zero-emission systems	1	407	408	100
Upstream/downstream costs	Application of Green Procurement Standards, hazardous chemical substance surveys, recycling fee management, etc.	—	43	43	0
Administration costs	ISO 14001 (administering Environmental Management System (EMS), workplace education), etc.	—	510	510	0
R&D costs	Creating energy-efficient designs, RoHS Directive compliance, etc.	10	219	229	0
Social activity costs	Social contribution activities, sponsorship activities, public relations, etc.	—	27	27	0
Environmental damage costs	Soil treatment costs, pollution load levy	—	913	913	0
Grand total		938	2,866	3,804	123

Scope of Data: Nikon, Tochigi Nikon, Tochigi Nikon Precision, Mito Nikon Precision, Sendai Nikon, Sendai Nikon Precision, Zao Nikon, Kurobane Nikon, Hikari Glass, TNI Industry Nagai Factory, etc.

Applicable Period: April 1, 2007 to March 31, 2008

Notes: 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.

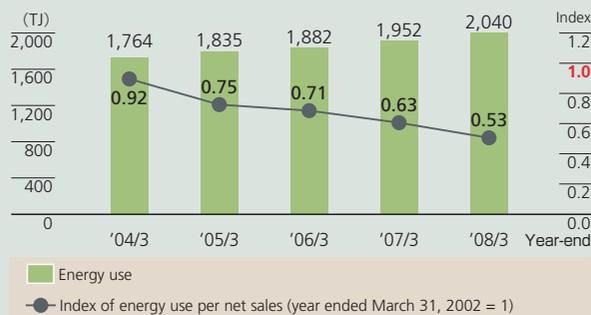
All costs have been rounded up or down to the nearest whole number, so it is possible that a total is not identical to the sum of the constituents as listed.

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

Environmental Topics

Data

Energy use (Nikon)

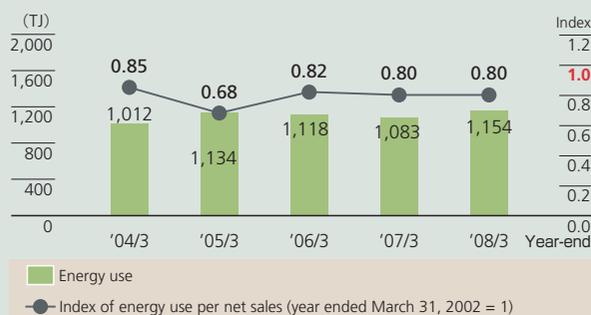


CO2 emissions (Nikon)



Note: CO2 emissions for the year ended March 31, 2008, have been calculated using the emission index for the previous year.

Energy use (Major manufacturing subsidiaries in Japan)



CO2 emissions (Major manufacturing subsidiaries in Japan)



Note: CO2 emissions for the year ended March 31, 2008, have been calculated using the emission index for the previous year.

PRTR survey results (year ended March 31, 2008)

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	Yokohama Plant	227 Toluene	1,049	787	0	0	0	262	0	0	0
	Sagamihara Plant	230 Lead & lead compounds	3,370	2	0	0	0	1,379	0	53	1,989
		304 Boron & boron compounds	1,694	2	0	0	0	692	0	36	1,000
Major manufacturing subsidiaries in Japan	Tochigi Nikon, Tochigi Nikon Precision	144 Dichloropentafluoropropane	2,489	2,376	0	0	0	0	0	0	113
	Mito Nikon Precision (formerly Mito Nikon)	232 Nickel compounds	633	0	0	0	0	120	0	0	513
	Sendai Nikon, Sendai Nikon Precision	63 Xylene	2,326	1,396	0	0	0	930	0	0	0
227 Toluene		2,822	1,693	0	0	0	1,129	0	0	0	

Nikon: No PRTR substances at Ohi Plant, Kumagaya Plant or Mito Plant.

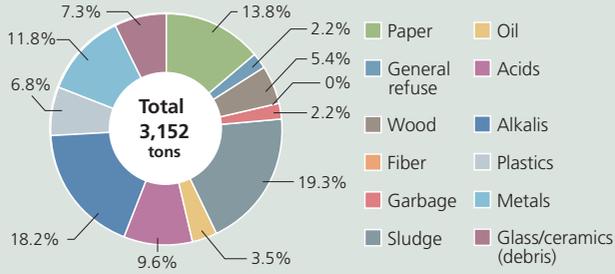
Major manufacturing subsidiaries in Japan: No PRTR substances at Zao Nikon or Kurobane Nikon.

Note: The above table includes data only for hazardous chemical substances of which one ton or more (0.5 tons or more for Class 1 designated chemical substances) is handled at the facility in a given year.

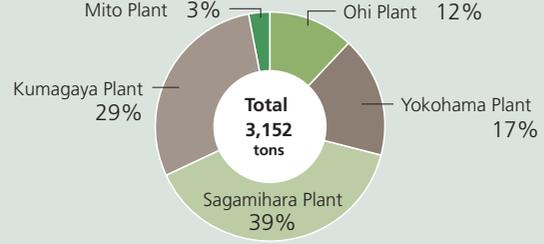
Achievement of zero-emission systems in Nikon Group

Plant	System complete (year-end)	Company	System complete (year-end)	
Nikon	Ohi Plant	March 31, 2003	Sendai Nikon, Sendai Nikon Precision	March 31, 2002
	Yokohama Plant	March 31, 2003	Tochigi Nikon, Tochigi Nikon Precision	March 31, 2004
	Sagamihara Plant	March 31, 2003	Kurobane Nikon	March 31, 2004
	Kumagaya Plant	March 31, 2003	Mito Nikon Precision (formerly Mito Nikon)	March 31, 2005
	Mito Plant	March 31, 2003	Zao Nikon	March 31, 2005
Group manufacturing companies		Nasu Nikon	March 31, 2006	
		Aichi Nikon	March 31, 2007	

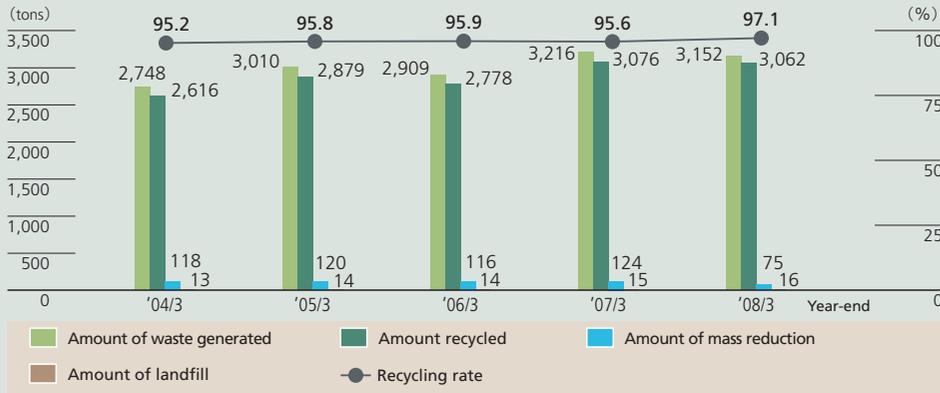
Waste generated (in year ended March 31, 2008) by category (Nikon)



Waste generated (in year ended March 31, 2008) by plant (Nikon)



Discharge, disposal, recycling of waste (Nikon)



Discharge, disposal, recycling of waste (Major manufacturing subsidiaries in Japan)



Environmental Topics

Data

Air & Water Quality Environmental Data for Each Plant (Year ended March 31, 2008)

Ohi Plant

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



Yokohama Plant

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



Air (Air Pollution Control Law, Metropolitan regulations)

Units: Dust: g/Nm³; NOx: ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Cooling & heating equipment	Dust	0.15	0.12	0.001
		0.15	0.12	0.001
		0.15	0.12	0.001
	NOx	45	45	29
		45	45	28
		45	45	22

Air (Air Pollution Control Law, Prefectural regulations)

Unit: NOx: ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	NOx	65	60	26
		65	60	30
		65	60	29
		46	42	25
		46	42	35
		46	42	24
		46	42	24

Water quality (Sewerage Law, Metropolitan regulations)

Unit: mg/liter, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.8~8.6	5.9~8.5	6.4~7.8
	BOD	300	240	63.7
	SS	300	240	52
	n-hexane (animal & vegetable)	30	24	5
	Iodine demand	220	176	0.7
	Copper	3	2.4	<0.01
	Zinc	2(5)*	1.6(4)*	0.03 (<0.01)*
	Soluble iron	10	8	0.01
	Total chromium	2	1.6	0.01
	Fluorine	15	12	2
	Nitrogen	120	96	9.4
	Phosphorous	16	12.8	8.1
	Boron	230	184	0.1
Health	Lead	0.1	0.08	0.02

* From June 11, 2007, the Tokyo metropolitan sewerage regulatory standard for zinc was revised, as was the plant standard. Figures in parentheses represent values prior to these changes.

Water quality (Sewerage Law, City regulations)

Unit: mg/liter, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.0~9.0	5.5~8.5	6.4~7.0
	BOD	600	540	2.8
	SS	600	540	6
	n-hexane (animal & vegetable)	5	4.5	4
	Iodine demand	220	200	0.2
	Copper	1	0.9	0
	Zinc	1	0.9	0.03
	Soluble iron	3	2.7	0.02
	Soluble manganese	1	0.9	0
	Total chromium	2	1	0
	Nickel	1	0.9	0.03
	Fluorine	8	7	1.23
	Boron	10	8	0.2
	Nitrogen	240	135	20
	Health	Phosphorus	32	18
Lead		0.1	0.1	0
Arsenic		0.1	0.1	0
Hexavalent chromium		0.5	0.4	0
Trichloroethylene		0.3	0.2	0
Tetrachloroethylene		0.1	0.1	0
Dichloromethane	0.2	0.1	0	

Sagamihara Plant

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



Kumagaya Plant

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



Air (Air Pollution Control Law, Prefectural regulations)

Units: Dust: g/Nm³; NOx: ppm; Fluorine, lead in fusion furnace: mg/Nm³; hydrogen chloride in scrubber: ppm

Item	Regulatory standard	Plant standard	Actual (max.)	
Boiler	Dust	0.1	0.0030	
		0.1	0.0036	
		0.1	0.0029	
		0.1	0.0021	
		0.1	0.0030	
		0.1	0.0095	
	NOx	60	56	
		60	56	
		60	52	
		105	10	
Absorption chiller	Dust	0.1	<0.001	
		0.1	<0.001	
	NOx	60	32	
		60	27	
Fusion furnace*	Dust	0.15	<0.005	
	NOx	800	<5	
	Fluorine	2.5	<0.25	
	Lead	10	<0.03	
Scrubber	Hydrogen chloride	5	4	0.5

* Optical glass smelting furnace (classified as a "fusion furnace" under the Air Pollution Control Law).

Water quality (Sewerage Law, City regulations)

Unit: mg/liter, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.8~8.6	6.0~8.0	6.2~8.0
	BOD	300	60	32
	SS	300	90	9
	Zinc	2	0.5	0.13
	Fluorine	8	7.5	3.5
	Boron	10	5	2.24
	Ammoniac nitrogen	125	50	50
Health	Lead	0.1	0.08	0.03
	Arsenic	0.1	0.05	<0.01

Air (Air Pollution Control Law, Prefectural regulations)

Units: Dust: g/Nm³; NOx: ppm

Item	Regulatory standard	Plant standard	Actual (max.)	Item	Regulatory standard	Plant standard	Actual (max.)
Boiler	Dust	0.1	0.007	Boiler	NOx	150	20
		0.1	<0.005			120	23
		0.1	<0.006			150	24
		0.1	<0.006			150	67
		0.1	0.009			150	29
		0.1	<0.005			150	26
		0.1	<0.005			150	30
		0.1	<0.006			150	55
		0.1	<0.006			150	57
		0.1	<0.006			150	62
	0.1	<0.005	150		30		
	0.1	<0.005	150		34		
	0.1	<0.006	150		61		
	0.1	0.007	150		61		
	0.1	0.008	150		66		
	0.1	<0.006	150		23		
	0.1	<0.006	150		26		
	0.1	<0.005	150		25		
	0.1	<0.006	150		66		
	0.1	<0.006	150		66		
0.1	<0.006	150	35				
0.1	<0.006	150	31				
0.1	<0.006	150	30				

Water quality (Sewerage Law, City regulations)

Unit: mg/liter, except for pH

Item	Regulatory standard	Plant standard	Actual (max.)	
Living environment	pH	5.1~8.9	5.8~8.2	6.5~7.8
	BOD	600	480	13.0
	SS	600	480	8.8
	n-hexane (mineral)	5	4	<2.0
	n-hexane (animal & vegetable)	30	24	<2.0
	Iodine demand	220	198	6.0
	Copper	3	2.4	<0.1
	Zinc	5	1.6	<0.1
	Soluble iron	10	8	<0.5
	Nitrogen	240	192	140
	Ammoniac nitrogen	380	304	36.0
	Phosphorus	32	26	13.0
	Health	Lead	0.1	0.08

Environmental Topics Data

Mito Plant

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



Air (Air Pollution Control Law, Prefectural regulations)

Units: Dust: g/Nm³; NOx: ppm; SOx: Nm³/h

Item		Regulatory standard	Plant standard	Actual (max.)
Boiler	Dust	0.3	0.27	0.005
		0.3	0.27	0.005
		0.3	0.27	0.006
	NOx	180	162	100
		180	162	110
		180	162	96
	SOx	3.25	0.67	0.074
		3.25	0.67	0.039
		3.25	0.67	0.022

Water quality (Water Pollution Control Law, Prefectural regulations)

Unit: mg/liter, 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	6.7~7.6
	BOD	20	20	18
	SS	30	30	23
	n-hexane (animal & vegetable)	10	10	3
	E. coli (daily average)	3,000	2,700	34
	Nitrogen	60	60	56.5
	Phosphorous	8	8	5.92

Water usage for the year ended March 31, 2008

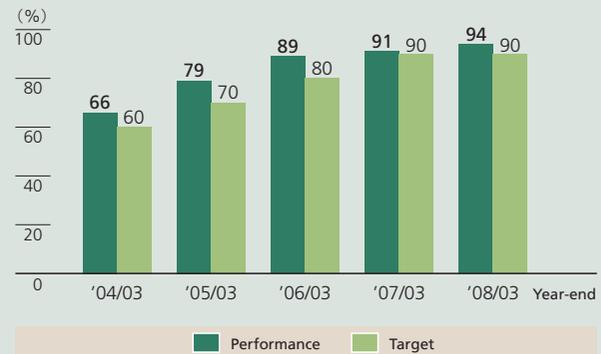
Unit: m³

Nikon	Annual water usage
Ohi Plant	60,903
Yokohama Plant	70,372
Sagamihara Plant	851,691
Kumagaya Plant	319,771
Mito Plant	18,334
Total	1,321,071

Water usage (March 31, 2004 ~ March 31, 2008)



Rate of green purchasing (purchases of specified goods as %)



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 oxidize 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 other inorganic substances, 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 volatilize 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 (sulfides, etc.) in waste water during iodine oxidation. It is an index of the presence of the reducing substances in waste water.

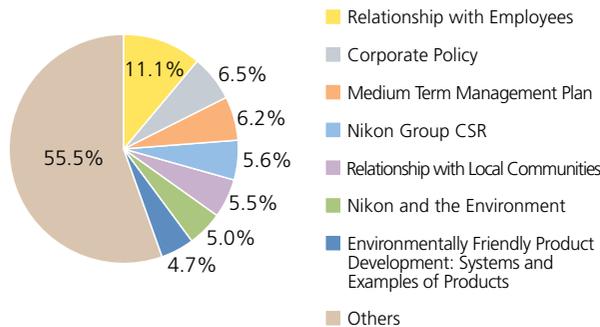
Developments & Advancements in Nikon's CSR Activities

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	Declaration 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 Utilization of Recycled Resources enacted
1992	Nikon Basic Environmental Management Policy announced (April) Environmental Committee established (April)	"Earth Summit" held in Rio de Janeiro
1993		Basic Environment Law enacted Start of International Energy Star Programme
1994	Elimination of specified CFCs used in cleaning (May)	United Nations Framework Convention on Climate Change goes 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 first ISO 14001 certification in the Nikon Group (March)	3rd Conference of the Parties (COP 3) to the United Nations Framework Convention on Climate Change held in Kyoto
1998	Nikon Environment Symbol Mark (May) Nikon Basic Policy for Green Procurement (August)	GRI Guidelines 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	Vision Nikon 21 and new corporate philosophy "Trustworthiness & Creativity" announced (March) Nikon Environmental Action Plan 2000 issued (June) [first time]	Inauguration of "Global Compact" by United Nations Basic Law for Establishment of Recycling-Based Society enacted Law for Promotion of Effective Utilization of Resources enacted
2001	Implementation of Nikon Code of Conduct (May) Nikon Environmental Report 2001 released (October) [first time]	Fluorocarbon Recovery and Destruction Law enacted
2002		Soil Contamination Countermeasures Law enacted
2003	Compliance Section established in 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 for 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 Nikon Group members overseas (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 (August) [first time] 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" (April) Nikon Corporate Social Responsibility (CSR) Charter (April) Revision of Nikon Code of Conduct (May) / Nikon Scholarship Program established to support the education of young people in Thailand (July) Joined the United Nations Global Compact (July) Integrated Disaster Prevention and BCM Committee established (August) Global Warming Prevention Project launched (October) Nikon Procurement Partners' CSR Guidelines announced (December)	REACH Regulation implemented in EU Intergovernmental Panel on Climate Change (IPCC) AR4 announced 13th Conference of the Parties (COP 13) to the United Nations Framework Convention on Climate Change held in Bali

Results of the 2007 CSR Report Questionnaire

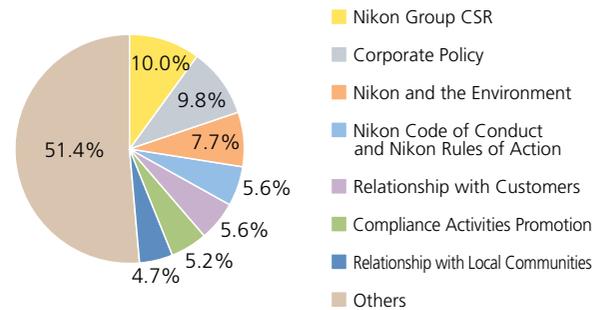
(Including responses from employees of Nikon and Nikon Group companies)

Articles you were interested in (one or more)



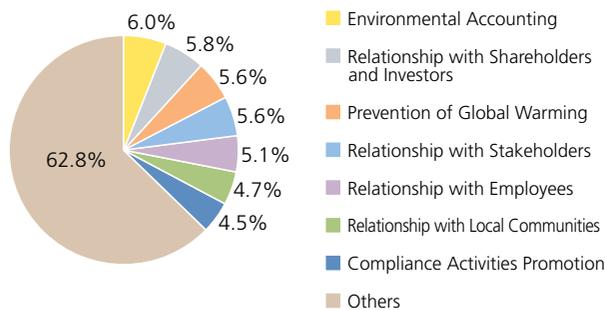
Overall there was a high degree of interest. In the Others category, articles which scored high were "Prevention of Global Warming" and "Relationship with Customers."

Articles you thought important (one or more)



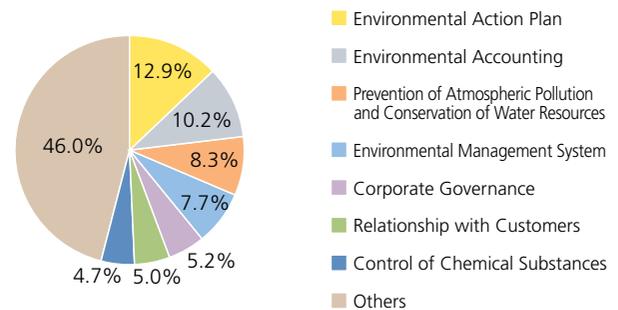
Many of these articles are related to Nikon's approach to its social responsibilities, such as "Nikon Group CSR" and "Corporate Policy."

Articles whose explanation seemed insufficient (one or more)



Overall several people felt there was insufficient explanation in the Social Topics section.

Articles you found difficult to read (one or more)



Several people felt that articles with specialist topics, about the environment, etc., were difficult to read.

Points that were highly rated

- Now that the Environmental Report and CSR Report have been combined, the connections are clearer and it is easier to understand.
- The question-and-answer format for the President's message is easy to understand.
- It's easy to read thanks to all the photos and charts.
- As a report intended for "highly transparent information disclosure," it seems to do a good job.
- I hope that Nikon continues to be so proactive.
- With its wealth of information and effective use of data, etc., it provides very clear explanations.
- I could obtain a clear understanding of Nikon's management vision and the corporate philosophy.

Room for improvement

- I can clearly appreciate what Nikon is doing, but I'd like to see more on what the overseas subsidiaries and Group companies are doing.
- Overall there's a lot of technical vocabulary, making it difficult for me.
- There's too much to read and the print is small.
- I think it would be good to have more information about how Nikon products are making a difference in the world.
- Rather than just the results, I think there should also be something from a PDCA-type viewpoint, based on the goals and an analysis of performance.
- The prevention of global warming is of great interest to the general public too, so I think it would be better to provide a more detailed explanation of what Nikon is doing in this area.

The comments received with this questionnaire have been distributed to the relevant departments; they have also proved useful to those compiling this report. While there is still room for further improvement, Nikon is committed more than ever to implementing effective CSR activities and publishing reports that are clear and informative.

Third-party Comments



Junko Edahiro

Founder and President, e's Inc.
Co-Founder and Co-Chief Executive, Japan for Sustainability (JFS)

As was the case last year, this is a detailed and sincere report; it was even easier to read. I received a very favorable impression that the PDCA cycle has been rigorously "turned" since last year, and that this report reflects the results. In my comments last year, I wrote that what should be presented is not just an explanation of the systems in place but what is actually happening, what the company's perceptions are, and how these are linked to future initiatives. This year, however, it is clear that Nikon has implemented the C(heck) part of the cycle in various ways, including the questionnaire and awareness survey. I look forward to seeing these results firmly reflected in the P(lanning).

This year there is a fuller report on social topics. The cycle that harnesses customer feedback is superb. I applaud Nikon's paying attention to customer "opinions that may not be directly observable" and it is something that I would very much like to see expanded to other stakeholders (including future generations and non-human species).

Last year I also wrote that it was unfortunate there was no report on your actual recruitment of women, but this year there is some hard data and also an expression of the company's stance, so it is clear that progress has been made with these activities. What I would like to see is for everyone to get together to paint a picture of an ideal Nikon, and for further progress to be made in creating workplaces that benefit from the advantages of diversity.

As for the environment, steady progress has been made with initiatives that make the most of technology, but in parts I can only find an explanation of current status and methods, and what I would like to see explained is "current status" → "company's perception" → "goals" → "initiatives for achieving those goals." This is because it is only

when the initiatives are set side by side with their goals that one can measure their effectiveness and progress.

Turning to global warming, the announcement of targets for total emissions represents a big step forward. Please take yet another step and set out the Nikon vision and your long-term goals, based on the recognition that "a 70% cut must be achieved by 2050." The current target of reducing greenhouse gas emissions by 14% compared to levels in the year ended March 31, 2006, should surely be considered medium-term and thus not in the same time frame as visions and long-term goals.

I take heart in the many achievements, but I still eagerly anticipate further enhancements in the level of Nikon's CSR activities and communications, as I list here:

1. Provide a Message that expresses top management's own thoughts and aspirations. Instead of summarizing the content of what is covered in the report, please give ample space to explaining how the management actually perceives the current status of company initiatives and what it is aiming for.
2. Please give a clear definition of the "Truly Outstanding Company" that Nikon wants to be.
3. How about providing individual comments for each of the tables and graphs in the Data section? For example, for a graph showing that "CO₂ emissions have improved when judged as raw data, but overall volume is increasing," please provide a comment on how you respond to that, and what you intend to do about it.
4. Please reach out to create a meaningful dialog with those outside the company. As a result of experimenting with two-way communications that go beyond the mere sharing of information, Nikon's CSR will surely be brought into sharper relief.

On receiving Third-party Comments on Nikon's CSR Report

I would like to thank Junko Edahiro for her valuable opinions. This is the second year in a row that she has provided third-party comments, and I am sure that her continued input is beneficial to the development of the Nikon Group's CSR.

In compiling this report, we have been aware that the report itself should become a driving force for turning the PDCA cycle. Through our activities, we have worked hard to accurately gauge the situation and issues faced by the Nikon Group, and to formulate medium-term goals with regard to those issues so that the PDCA cycle will operate. We have also focused on employee awareness activities. Overseas, where our initiatives have been slow to take off, we have begun building CSR and compliance systems. But it is certainly true that not enough has yet been done to create an interactive dialog; this is an issue we must now address. We are committed to fulfilling our responsibilities, paying attention to what society has to say and gaining a clear picture of the role to be played by the Nikon Group.



Ichiro Terato
Representative Director,
Executive Vice President and CFO
(CSR Executive Officer)

1. Tell us what you thought about the overall content of the report.

Was the report easy to understand? Yes Average No

Was the report easy to read? Yes Average No

What about the amount of information available?
..... Ample Average Insufficient

Are Nikon CSR activities acceptable/agreeable to you?
..... Yes Average No

2. Tell us the content of the report that best apply to the following questions by inserting the item(s) listed at right (multiple answers allowed):

a. Interesting article(s):

<input type="checkbox"/>				
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b. Articles that you thought were necessary for a CSR report:

<input type="checkbox"/>				
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c. Articles that you thought required more information:

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

d. Articles that you thought were difficult to read or understand:

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

3. Tell us of your job title, position, occupation, etc.:

<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/Academic-related	<input type="checkbox"/> Others
	<input type="checkbox"/> NGO/NPO	

Item	Content
1	Message from the President
2	Nikon Group Profile
	[Nikon CSR]
3	Nikon's CSR Policy
4	Nikon's CSR Activities
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23	Results of the 2007 CSR Report Questionnaire
24	Third-party Comments / On receiving Third-party Comments on Nikon's CSR Report

4. Tell us your comments and/or questions about the report, if any:

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If you wish to receive a reply to your comments/questions, please provide us with your contact information:

Name:	Address:		
Phone:	Email address:		

Your contact information will not be used for any purpose other than as a means to reply to comments and/or questions provided to us for the aforementioned item number 4. For details on Nikon privacy act, please refer to: <http://www.nikon.com/privacy/index.htm>

Thank you very much for your cooperation.



■ Cover photo

Title: Polar Bear cub and Mom Napping

Photographer: Barbara Williams (USA)

Camera: Nikon D2X digital SLR

This work was submitted to the Nikon Photo Contest International 2006-2007 (sponsored by Nikon). For details, refer to the following URL:

<http://imaging.nikon.com/products/imaging/activity/npci/npci2006-2007/>



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