

# Governance

## Sustainability Promotion System

The Nikon Group established the Sustainability Committee, chaired by the Representative Director and President, to implement the Sustainability Policy throughout the Group and to advance our sustainability strategy consistently. Members of the committee include members of the Executive Committee, all general managers responsible as heads of the business units and divisions. Related department managers and members of the Audit and Supervisory Committee participate as observers.

The committee deliberates and manages overall sustainability activities, including the review of materialities, setting related strategies and targets, managing progress, evaluating performance, and directing improvements. The committee also monitors risks and opportunities related to sustainability, with a focus on materiality. Under the umbrella of the Sustainability Committee are the Environmental Subcommittee and the Supply Chain Subcommittee, which study specific initiatives in their respective areas and report their findings to the Sustainability Committee. We also established a liaison meeting with the Risk Management Committee (jurisdiction over all Nikon Group risks) for sustainability-related risk management. This subcommittee shares information regularly and cooperates to address risks.

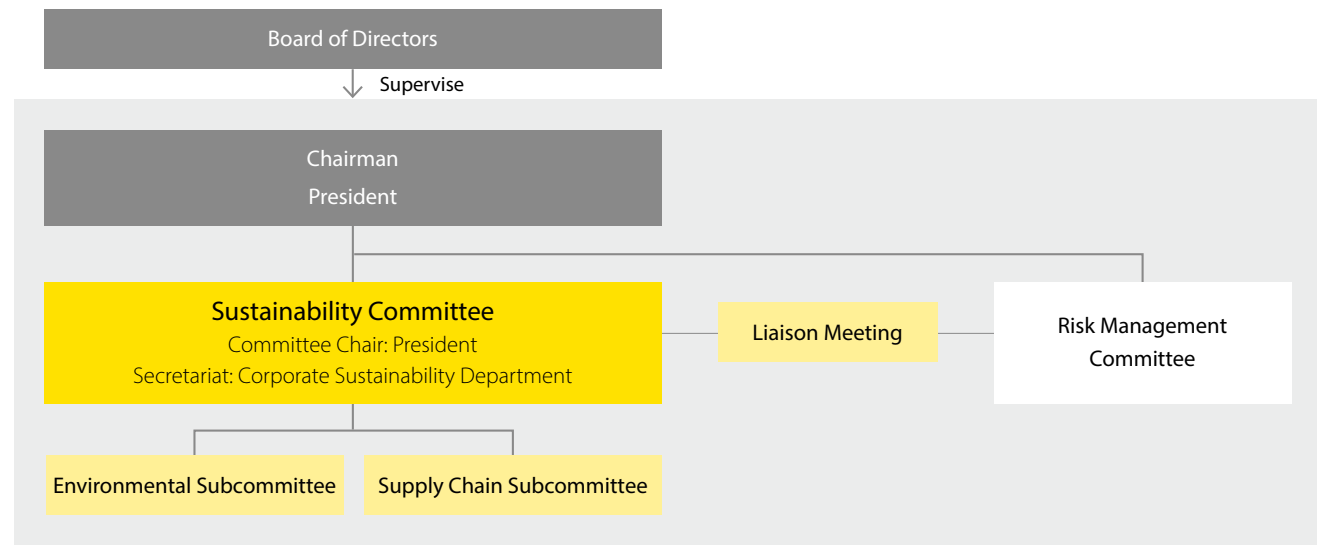
In principle, the Sustainability Committee meets twice a year. In fiscal year 2023, the committee met a total of three times, including an extraordinary meeting to review greenhouse gas and renewable energy targets. The committee hosts lectures by experts and engages in opinion exchange to enhance each member's

knowledge of global social issues and trends.

The Board of Directors receives reports of the activities of the Sustainability Committee at least once a

year. In turn, the Board supervises the appropriateness, effectiveness, and risks of various sustainability activities, including those related to climate change.

### ● Sustainability Promotion System (As of April 01, 2024)



### ● Main Agenda for Fiscal Year 2023 Sustainability Committee Meetings

5th Meeting (May 2023)	6th Meeting (November 2023)	7th Meeting (March 2024)
<ul style="list-style-type: none"> <li>Materialities (fiscal year 2023 goals and fiscal year 2022 results)</li> <li>Compliance with the RBA Code of Conduct (education and self-assessments; Kumagaya Plant audit plan)</li> <li>Human rights (human rights due diligence for new businesses; responsible mineral sourcing)</li> <li>Environmental Strategy (medium-term goals; greenhouse gas and renewable energy targets)</li> </ul>	<ul style="list-style-type: none"> <li>Lecture: Global Trends in Sustainability Information Disclosure Legislation</li> <li>Sustainability information disclosures in response to legislative changes</li> <li>Environmental strategy (review greenhouse gas and renewable energy targets; product 3Rs)</li> <li>Compliance with the RBA Code of Conduct (report on Kumagaya Plant audit results; practices in other locations)</li> <li>DEI (report on Group company survey results)</li> <li>Fiscal year 2023 progress</li> </ul>	<ul style="list-style-type: none"> <li>Materiality goals, sustainability targets for each business unit/division (fiscal year 2024 goals)</li> <li>Environmental strategy (review greenhouse gas and renewable energy goals)</li> </ul>

## Promotion System at Group Companies Outside Japan

The Nikon Group has established a sustainability department at each regional headquarters, in order to advance consistent sustainability initiatives across the Group companies while taking into account the characteristics of each region where they are located, including culture, customs, language, etc. We divide the geographic areas where we operate into four regions (excluding Japan), and the sustainability departments of Nikon and of each regional headquarters puts in place systems for the promotion of sustainability within their jurisdiction. Furthermore, a Compliance and Sustainability Coordinator is appointed at each company

to ensure collaboration.

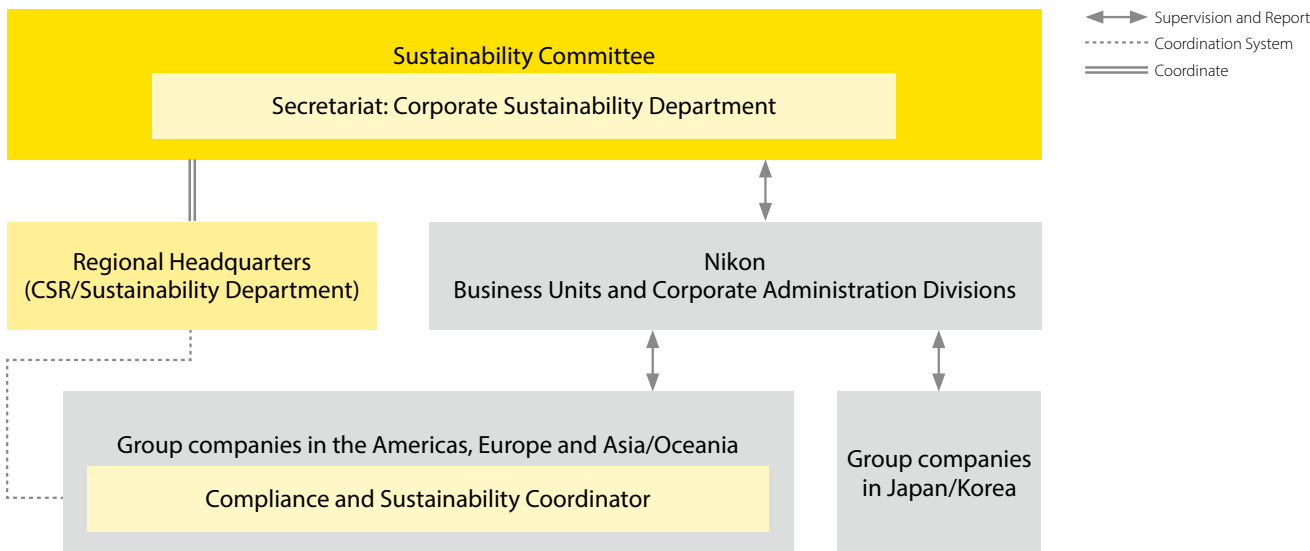
In addition, a Sustainability Global Communication Meeting is held once a year, with participants representing the CSR/ sustainability department at each regional headquarters. At this meeting, information regarding social trends in each region, progress made in sustainability activities, and issues that need to be addressed are shared, and response measures discussed. In fiscal year 2023, Nikon established the same meeting at the Nikon head office. The meeting addressed the state of initiatives with respect to DEI, human rights, the environment, compliance, the supply chain, and other issues, including discussions of issues in each region and future responses.

## PDCA Cycle Implementation Framework

In the Nikon Group, corporate administration divisions take the lead in developing Group-wide activities based on materiality goals discussed and finalized by the Sustainability Committee. At the same time, other divisions recognize the risks and opportunities related to materiality in their business activities, taking action to address such risks and opportunities. Every Nikon business unit and division proposes integrated goals for sustainability and business activities for inclusion in annual plans. The Sustainability Committee deliberates on the appropriateness and manages the progress of these sustainability-related goals. At the same time, each department and section employee is made aware through the goal management system. In this way, we ensure that sustainability is communicated throughout the entire Group and initiatives are carried out toward achieving these goals.

In addition, to clarify initiatives related to sustainability and management's responsibility for achieving goals, effective June 2022, we revised the performance-based stock compensation plan for Nikon executives, allocating 10% of evaluation factor scoring to efforts for strengthening the management base, such as sustainability strategies and human capital management.

### ● Group-Wide Sustainability Structure



## Participation in International Initiatives

The Nikon Group aims to enhance the optimization and effectiveness of its activities by working together with various groups through involvement in international initiatives.

Participation in Environmental Initiatives and Outreach to Society → p.059

### Joining the UN Global Compact

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

anti-corruption. Through the UNGC, the Nikon Group acquires a global perspective on social challenges as well as gaining opportunities to share information with other companies and build a network with experts.



### Joining the RBA

With the aim of enhancing sustainability both within the Nikon Group and in the supply chain, Nikon joined the Responsible Business Alliance (RBA) in May 2018. The RBA has established the RBA Code of Conduct to ensure that working environments remain safe and workers are treated with respect and dignity, while also setting standards for the fulfillment of environmental and ethical responsibilities within the supply chains of all member companies.

Promoting CSR Procurement → p.110

Respecting Human Rights → p.116

### ● Main Achievements for the Fiscal Year 2023 in Relation to the Ten Principles of the UN Global Compact

	Principle	Policy	Jurisdiction	Achievements
Human rights/ Labor	1·2/3· 4·5·6	Nikon Human Rights Policy	Sustainability Committee	Disseminated a message from the president to all Nikon Group employees on Human Rights Day. In addition, human rights events and human rights e-learning programs were held in Japan. Furthermore, the communication handbook for deepening consideration of human rights in advertising and promotions was updated and disseminated to those in charge.
		Nikon CSR Procurement Standards	Supply Chain Subcommittee	Conduct CSR assessments, audits, and corrective actions once every three years for procurement partners that are selected based on risk assessment from various perspectives. In fiscal year 2023, we conducted the CSR questionnaire self-diagnosis for 267 procurement partners (tier 1) and 30 tier 2 suppliers and above. Based on the results, we asked 20 companies for improvements. We also audited three companies and requested improvements.
		Responsible Minerals Sourcing Policy		We conducted a survey on the use of five minerals (3TG plus cobalt), regarding these substances as high-risk conflict minerals. In fiscal year 2023, we found 236 of the 356 smelters identified in the 3TG survey, and 44 of the 73 smelters identified in the cobalt survey to be RMAP compliant.
Environment	7·8·9	Nikon Long-Term Environmental Vision	Environmental Subcommittee	Deployment throughout the Group of Environmental management systems and implementation of initiatives. In fiscal year 2023, we revised our greenhouse gas reduction targets and reacquired SBT certification. We also reestablished renewable energy targets, moving the target year forward.
		Nikon Green Procurement Standards	Supply Chain Subcommittee	Conducted our triennial environmental management system survey in accordance with risks of chemical substances occurring in materials used, components, and processes. Also conducted environmental management system assessments to confirm the establishment and management of environmental management systems. In fiscal year 2023, we conducted assessments for 167 procurement partners. As a result, we certified 15 companies as new environmental partners (456 certified environmental partners in total).
Anticorruption	10	Nikon Anti-Bribery Policy	Compliance Committee	Confirmation of the operation of anti-bribery guidelines using a self-inspection sheet. In fiscal year 2023, we completely revised and communicated Anti-Bribery Guidelines in Japan. We also conducted anti-bribery training at Group companies outside Japan in the Americas, Europe, South Korea, and Hong Kong.

## Stakeholder Engagement

The Nikon Group believes that stakeholder engagement is important to properly understand and identify sustainability risks and opportunities, as well as to

objectively evaluate and improve overall sustainability efforts, including strategies, metrics, targets, and performance. Therefore, we disclose policies and results to Nikon Group stakeholders, including customers, shareholders, employees, business partners, and society.

We conduct disclosure through a variety of opportunities and methods, and we take opinions and expectations received in response into consideration. We strive to foster sound relationships with stakeholders and engage actively in two-way communication.

### ● Nikon Group's Main Stakeholders



### ● Main Forms of Engagement with Stakeholders

Main Stakeholders	Methods of Engagement	Objectives
Customers	<ul style="list-style-type: none"> <li>• Call centers and service counters (as required)</li> <li>• Responses to customers by departments in charge of sales/services (as required)</li> <li>• Sharing of information via the website and other methods (as required)</li> <li>• Exhibitions/events (several times a year)</li> <li>• News releases via mass media and other methods (as required), etc.</li> </ul>	Provision of high quality, high value-added products and services, response to feedback and requests, and provision of appropriate information on products and services
Shareholders	<ul style="list-style-type: none"> <li>• General Shareholders' Meeting (once a year)</li> <li>• Announcements (as required)</li> <li>• Publishing of various types of printed materials, including the NIKON REPORT and interim reports (once a year), etc.</li> <li>• Sharing of information via the website and other methods (as required)</li> <li>• Financial Results Conference (four times a year)</li> <li>• Responding to ESG investment (as required), etc.</li> </ul>	Timely and appropriate disclosure of information, acquisition of appropriate evaluation and support from capital markets, fair and highly transparent corporate management, appropriate return of profits
Employees	<ul style="list-style-type: none"> <li>• Sharing of information via company newsletters, the Group portal site and other methods (as required)</li> <li>• Labor and management conferences, and conferences with employee-elected representatives (as required)</li> <li>• Reporting and Consulting System (as required)</li> <li>• Conducting human rights and labor standards surveys at the Group companies (once a year)</li> <li>• Conducting employee awareness surveys and questionnaires (once every one to two years)</li> <li>• President's Town-hall Meetings, etc. (as required)</li> </ul>	Active utilization of diverse human resources, provision rewarding work and workplace environment, proper treatment of workers, enhancement of occupational safety and mental health, positive labor-management relationships
Business partners	<ul style="list-style-type: none"> <li>• Dialog through everyday business activities (as required)</li> <li>• Meetings with procurement partners (once a year)</li> <li>• Briefings/surveys/audits/correctional support for procurement partners on CSR procurement(as required)</li> <li>• Survey/assessments of the establishment of environmental management systems (as required), etc.</li> </ul>	Mutual development through provision of products and services that are useful to society, fair business relationships, smooth sharing of information, joint research and development, and CSR procurement
Society	<ul style="list-style-type: none"> <li>• Participation in local events (as required)</li> <li>• Collaboration with NGOs/NPOs in Corporate Citizenship Activities (as required)</li> <li>• Participation in economic and industry organizations (as required)</li> <li>• Consultations with governmental agencies, academic societies/research organizations (as required)</li> <li>• Issuing of the Nikon Sustainability Report (once a year), etc.</li> </ul>	Compliance with laws and regulations, participation in industry-government-academia collaboration projects, participation in the community as a corporate citizen, contribution to technology development through support for research organizations, and enhancement of our activities through partnerships

● **Main Affiliated Organizations Related to Sustainability (as of March 2024)**

Organization Name
Joint Article Management Promotion-consortium (JAMP)
Global Compact Network Japan (GCNJ)
Business Ethics Research Center (BERC)
Japan Electronics and Information Technology Industries Association (JEITA) (CSR Committee, Environment Committee, and Responsible Minerals Trade Working Group)
Keidanren (Japan Business Federation) (Committee on Responsible Business Conduct and SDGs Promotion)
Platform for Learning Innovation - Japan (PLIJ)
The four Japanese electric and electronic (E&E) industrial associations, JEITA, CIAJ, JBMIA and JEMA (The Expert Committee on Chemical Substances in Products, Expert Committee on Waste and Recycling Measures Relating to Business Facilities, Expert Committee on Chemical Substance Measures Relating to Business Facilities, and Biodiversity Working Group)
Japan Machinery Center for Trade and Investment (JMC)
Institute of Business Ethics (IBE)
Japan Business Council in Europe (JBCE) (CSR Committee)
Responsible Business Alliance (RBA)
Responsible Minerals Initiative (RMI)
SEMI Japan (SDGs/Sustainability Committee)

**Engagement with Employees**

The Nikon Group believes that it is very important for every employee to share the company's vision, to be committed to the company's policies and plans, and to work proactively to put them into effect.

As part of the dialogue between management and employees, we published a video in fiscal year 2023 explaining the progress of the first year of our Medium-Term Management Plan (FY2022 - 2025). We posted the video to a special portal site page, and the video

was viewed by a great number of employees. We held town hall meetings at seven locations in Japan and five locations overseas. During these meetings, management spoke directly to employees on the current state of Nikon, the goals of the Medium-Term Management Plan, sustainability, and the roles and expectations of the Company's business sites. Employees raised many questions and offered opinions, leading to engaging discussions.

A town hall meeting held in the United States in November 2023 brought together employees from three Group companies on the East Coast, as well as employees from Group companies in Mexico who participated online. After the meeting, President Umatate\* and Executive Vice President Tokunari\* attended a reception where they had the chance to listen directly to employees in person.

Separately, we continue to actively disseminate information through the Group portal site, internal newsletters, and e-mails.

\* Title at the time in question.



President Umatate\* (left) and Executive Vice President Tokunari\* (right) talk with employees at a reception

**Engagement with Shareholders and Investors**

Nikon set a goal of capital market-oriented management

and has been focusing on investor relations activities that emphasize dialogue with shareholders and investors. We firmly believe that for Nikon, which aims to achieve sustainable growth in its corporate value, engagement (i.e., objective- focused dialog) with shareholders and investors is a valuable opportunity to hear views from diverse perspectives.

We hold interviews with a total of approximately 700 shareholders, institutional investors and analysts both within and outside Japan throughout the year. Throughout fiscal year 2023, we continued to give quarterly financial results presentations in an online format. In addition, we held IR Day for a second consecutive year. The event included explanations of strategic businesses having growth potential and the sustainability strategy that forms the core of our Medium-Term Management Plan. A panel discussion also provided time for questions from investors regarding corporate governance, answered by external directors. Top management also engages in face-to-face meetings inside and outside Japan to listen directly to opinions from shareholders and institutional investors. In this way, we have redoubled our efforts to disseminate information regarding the current state of the company's operations in a timely, appropriate manner through constructive dialog with large numbers of institutional investors and analysts.

We receive a great many useful opinions and suggestions from shareholders and investors related to Nikon Group growth strategy, business management, structural reform, and more. With investors placing particular emphasis on the long-term perspective, we engage in frank exchanges of opinion across a wide

range of topics. These topics include solving social issues through our businesses, financial strategies, including capital allocation, and ESG issues, focused mainly on governance. We can make effective use of these opinions when reflecting on our business management and considering our strategies, sharing these opinions with our Board of Directors and the Executive Committee on a regular basis.

Going forward, Nikon aims to enhance its engagement with shareholders and investors in terms of both quality and quantity. In addition, we will listen carefully to stakeholders' hopes and expectations, and will make effective use of what we have learned to improve our business management.



IR Event Materials

[https://www.nikon.com/company/ir/ir\\_library/event/](https://www.nikon.com/company/ir/ir_library/event/)

Customer Satisfaction Initiatives → **p.052**

Communication with Procurement Partners → **p.108**

### Example of Feedback From Institutional Investors

Having a majority of independent external directors, at least one-third of whom are women, on the Board of Directors would encourage more diversity of thought and strengthen the standards of corporate governance

### The State of Nikon Initiatives

We continue to discuss the appropriate composition of the Board of Directors to strengthen corporate governance.

## Reviews Conducted by Outside Experts

In December 2023, Nikon engaged outside experts to review Sustainability Report 2023 and other information disclosure media. The objective of this review was to improve the level of non-financial information disclosure and Nikon Group sustainability initiatives.

Based on the opinions of the two reviewers, we confirmed this report addresses disclosure under the four pillars (governance, strategy, risk management, and metrics/targets) in line with the International Sustainability Standards Board's (ISSB) non-financial information disclosure standards. In addition, we have enhanced information, etc., related to our management base to better clarify the linkage between our Medium-Term Management Plan and sustainability.

We will continue to listen to outside opinions, improving non-financial information disclosure and stepping up our sustainability initiatives.

### Outside Expert Review 1

**Mr. Hidemi Tomita**

Managing Director, LRQA Sustainability K.K.



### Information Disclosure Overview

Nikon does not publish an integrated report in a single PDF format or similar format. However, the company publishes an extensive sustainability report in addition to other institutional disclosure media under a clear and efficient information disclosure system. I believe this current format

is reasonable and a good basis for future disclosures.

Moving forward, the challenge will be how to differentiate disclosure media in accordance with ISSB, CSRD, and other mandatory disclosure requirements. Although CSRD compliance is challenging, Nikon's sustainability report is comprehensive, and I think it would be effective to combine this report with the company's annual securities report.

### About Sustainability Report 2023

The Nikon Sustainability Report 2023 is clear, accurate, and comprehensively detailed. At the same time, it is somewhat difficult to understand how Nikon perceives the external environment and how the company approaches that environment as a business strategy. I think Nikon should provide a more strategy-related message.

*Nikon's Sustainability* appears to stand on its own. Therefore, it would be somewhat easier to understand if there was a stronger link with business content and the Medium-Term Management Plan. Materiality has been defined in terms of stakeholder interests, but the question is how to raise awareness of double materiality in the future. It is important to set ambitious goals for each materiality in light of changes in the external environment, rather than setting goals that are easily achieved through a simple accumulation of effort. When difficulties arise in achieving a goal, it is important to explain the challenges involved.

Nikon addresses the Environment in comprehensive detail. Disclosures touch on traditional topics such as PCBs and the ozone layer, but also anticipate recent frameworks such as TCFD, which is a welcome detail. I get the impression that Social and Labor do not provide a clear higher-level concept related to managing human

capital. I recommend that the company state clearly their views and focus on current issues. Nikon provides a clear overview of the procurement process, but the human rights-related content seems to be the weakest across the report, somewhat superficial, and limited to a description of awareness-raising activities. While the company conducts human rights risk assessments, it is not always clear what the issues are and whether those issues have been assessed properly. Materiality 8 was updated by adding equity was added to D&I; however, I did not come away with a clear impression that there is a specific role for equity. Governance was not covered in detail in the report. I recommend that the company gathers related information and discloses such information in detail in future reports.

Future sustainability information disclosure should align with standards, and should include both positive and negative information in a balanced manner. If third-party assurance of information is required, the company should provide evidence of the narrative and numeric information in strict adherence to disclosure standards. It goes without saying that disclosure standards exist. However, other information, also requires internal standards and a reasonable basis, including internal controls.

#### Outside Expert Review 2

##### Mr. Naomi Yamazaki

Representative Director, ESG Network of Shareholders & Companies



#### General Remarks

Nikon has drawn a picture of their future social value under

Vision 2030. To share this dream internally and externally, The company uses visuals that serve as concrete images to share this vision internally and externally. Unusual for a Japanese company, Nikon communicates information about this vision in a way that resonates with stakeholders.

At the same time, there is a lack of information serving as a bridge between today's reality and the future. The strategy is to increase growth drivers using a vision for 2025 (economic value) as a midpoint. However, if we imagine an ideal for three years from now and consider 2030 to be a simple extension from that time, a leap must occur somewhere along the line before Vision 2030. Vision 2030 is a concept, but it appears that the current strategy may not keep up with the scale to achieve the society envisioned.

- (1) Can management resources be shifted to strategies that focus on growth drivers, and are there sufficient input resources?
- (2) What kind of market do you define, and how will it grow as a business through growth drivers that leverage Nikon's strengths?
- (3) How far must the company increase growth and profitability in the five years beginning in 2025 toward Vision 2030?

These questions are a concern. In other words, if the wherewithal for achieving the vision exists, then the concept is achievable. However, my concern is to what extent corporate value has been enhanced in terms of economic value. Coming from a vision outlined by the central corporate entity of a group, I would expect designs for greater economic growth. However, the current numerical management targets and growth investment situation do lead me to expect significant economic growth. Nor do I have confidence in such growth.

In addition, Nikon is in the middle of governance reform. There are indications that the company is focusing on strengthening its supervisory function around outside directors. So, one challenge for the future is the diversity of outside director skillsets. This is not to say that the current composition should be changed. What I am saying is that Nikon must indicate what skills are needed and what skills the current outside directors provide when considering the company's vision.

#### Key Points for Building a Story to Enhance Corporate Value

I have no issue with disclosing information on a website. However, I believe Nikon must produce a well-designed integrated report for investors and provide greater coverage of the following content, which is not addressed in full at present.

- (1) Business model and source of value creation
- (2) A view to the economic scale of Vision 2030
- (3) Prospects for ongoing sales and revenue growth after 2025, the resources required (including human and intellectual), and investments for growth to reach the economic scale of Vision 2030
- (4) The clarification that Materiality 1: Creating social value through core technologies is a financial materiality affect future finances, as well as details of specific initiatives (strategies) for this materiality
- (5) The capital policy that will secure and enhance human capital (skills and numbers), and the financial capital to pursue (1) through (4) above
- (6) Improved governance in support of (1) through (5) above