

Environmental Accounting

Nikon introduced its first comprehensive environmental accounting system in fiscal 2001. Environmental accounting involves accounts that show the cost and the effects of environmental conservation activities. Through the introduction of environmental accounting, we aim to improve the effectiveness of our conservation activities,

Features

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

Basic Policy

The figures contained in our environmental accounts for fiscal 2006 include those for Nikon Corporation and our major manufacturing subsidiaries. Environmental costs (investments and expenses) are based on Nikon environmental targets and measures, as well as standards set forth in the Environmental Accounting Guidelines (2005 version) of the Japanese Ministry of the Environment.

and implement sustainable environmental policies over the long term with quantifiable results. We are also working to heighten awareness of our environmental conservation activities, through the publication of related information and the clarification of our stance on the environment.

Development

We established an "Environmental Accounting Sub-Committee" within the "Environmental Committee" in June 2000, with the aims of creating an environmental accounting system and an appropriate means of operation. This Sub-Committee is active on an ongoing basis.

Effects

The effects of our environmental activities are shown under the heading "Fiscal 2006 results" in the Environmental Action Plan in the next chapter. These results are the actual results of strategies implemented in response to our environmental target values.

Cost of Environmental Conservation (Fiscal 2006: Nikon Corporation only)

Unit: millions of yen

Category		Main Activities	Investment	Expenses	Total
Product environment	Product development: Energy conservation, reduced use of resources, reduction in use of harmful chemical substances	Energy-saving design, design products that use Eco-glass	-	46	46
	Production and inspection	Analysis of hazardous chemical substances	-	0	0
	Packaging and distribution	Assess transportation volume	-	0	0
	Green procurement	Investigation of hazardous chemical substances, enforcement of Green Purchasing Implementation Guidelines	-	7	7
	Product Environmental Accounts		-	53	53
Workplace environment	Energy conservation	Replacement of air conditioning systems, installation of inverters	172	18	190
	Resource recycling	Recycling of waste plastics, promotion of paper reuse, reducing water use	-	39	39
	Reduction in use of hazardous chemical substances	Reduction in use of solvents	-	1	1
	Green procurement	Enforcement of Green Purchasing Implementation Guidelines	-	0	0
	Improvement of office	Improvement of office environmental performance	-	69	69
	Workplace Environmental Accounts		172	127	298
Response to laws and regulations		Operations management for gas and water emissions processing equipment, maintenance of noise and vibration-emitting facilities, waste management, control of dangerous substances	179	405	585
Management activities		ISO 14001 related (EMS management, workplace education), introduction of greenery	-	414	414
Total			351	999	1,350

Classified According to Guidelines of Japanese Ministry of the Environment (Fiscal 2006: Nikon Corporation only)

Unit: millions of yen

Category	Main Activities	Investment	Expenses	Total	Scope of Data:
Cost within business area		351	464	815	Applicable Period: April 1 st , 2005 to March 31 st , 2006
Pollution prevention costs	Operations management for gas and water emissions processing equipment, maintenance of noise and vibration-emitting facilities	153	206	359	* Costs which could not be clarified are in principle not included in these accounts. * Depreciation and amortisation have not been factored into these accounts. * Where a facility has been utilised for several purposes and breakdown is considered complex, the entire cost has been included in the investment cost. * All costs have been rounded up or down to the nearest whole number, so in some cases the totals do not match the figures indicated.
Global environment conservation costs	Energy conservation, reduction in use of harmful chemical substances, control of dangerous substances	198	114	312	
Resource recycling costs	Waste reduction (recycling of waste plastics, promotion of paper reuse), waste management, reducing water use	-	144	144	
Upstream/Downstream costs	Investigation of hazardous chemical substances, enforcement of Green Purchasing Implementation Guidelines	-	7	7	
Management activities costs	ISO 14001 related (EMS management, workplace education)	-	468	468	
R & D costs	Energy-saving design, design products that use Eco-glass	-	46	46	
Social activity costs	Financial sponsorship for a wide range of activities	-	14	14	
Environmental damage costs	Pollution Load levy	-	0	0	
Total		351	999	1,350	

Fiscal 2006 Nikon Group Cost of Environmental Conservation Activities (Tochigi Nikon, Mito Nikon, Sendai Nikon, Zao Nikon, Kurobane Nikon)

Unit: millions of yen

Category	Cost within business area						Upstream/Downstream costs	Management activity costs	R&D costs	Social activity costs	Environmental damage cost	Total	
	Pollution prevention		Global environment conservation		Resource recycling							Investment	Expenses
	Investment	Expenses	Investment	Expenses	Investment	Expenses							
Product environment	Product development	-	-	-	-	-	-	-	12.1	-	-	-	12.1
	Packaging and distribution	-	-	-	-	-	-	-	-	-	-	-	-
	Green procurement	-	-	-	-	-	0.8	-	-	-	-	-	0.8
	Product Environmental Accounts	-	-	-	-	-	0.8	-	12.1	-	-	-	12.8
Workplace environment	Energy conservation	-	-	30.7	2.2	-	-	-	-	-	-	30.7	2.2
	Resource recycling	-	-	-	-	0.9	-	-	-	-	-	-	0.9
	Reduction in use of hazardous chemical substances	-	-	-	-	-	-	-	-	-	-	-	-
	Green procurement	-	-	-	-	-	0.4	-	-	-	-	-	0.4
	Improvement of office	-	-	-	-	-	-	2.3	-	-	-	-	2.3
Workplace Environmental Accounts	-	-	30.7	2.2	-	0.9	0.4	2.3	-	-	-	30.7	5.8
Response to laws and regulations		43.1	124.2	0.9	10.5	0.9	64.0	-	-	-	-	44.9	198.7
Management activities		-	-	-	-	-	-	87.6	-	0.8	1.2	-	89.7
Investment		43.1	-	31.6	-	0.9	-	-	-	-	-	75.6	-
Expenses		-	124.2	-	12.7	-	64.9	1.2	90.0	12.1	0.8	1.2	307.0
Total													382.6

The Ongoing Challenge

In addition to faster, more efficient collection of environmental cost data, we also seek to improve our methods for gauging the effects of our

activities, in order to clearly illustrate the relationship between costs and effects.

Environmental Action Plan

Nikon implemented its corporate policy statement for group activities, known as “Vision Nikon 21”, in March 2000. This was the basis for the midterm environmental targets we specified in our “Nikon Environmental Action Plan for Fiscal 2001”. Now we have the revised plan as the “Environmental Targets for Fiscal 2006”, which comprises the first year’s target of the “Nikon Environmental

Action Plan for Fiscal 2006”. It separates the targets into 13 categories representing the product and workplace environments as shown below.

Fiscal 2006 results and Nikon’s evaluation of them are also shown.

The Nikon Environmental Action Plan for Fiscal 2006

Product Environment

Theme	Fiscal 2006 environmental targets	Fiscal 2006 results	Evaluation
Energy conservation (prevention of global warming)	[Energy efficiency] • More than 30% improvement in overall energy efficiency of new products released, compared with figures of similar products already released.	• 83% (83%) of the 23 applicable new products, achieved 30% or greater improvement in energy efficiency. These products achieved simple average improvement of 57% (62%).	○
Reduction in use of hazardous chemical substances	[Eco-glass usage ratio] • Use of Eco-glass in 100% of new optical designs for consumer products, and at least 96% for industrial products.	• Consumer products: 100% (100%). Industrial products: 96.5% (95.5%).	○
	[Lead-free solder] • Use of lead-free printed circuit boards for electronic components in 100% of consumer products and at least 50% of new industrial products by fiscal year end.	• Consumer products: 100% (61%) Industrial products: 67% (20%).	○
	[Hexavalent chrome, lead, cadmium, mercury, PBB, PBDE, PVC] • Completion of preparations to clear RoHS Directive requirements.	• Preparations to meet RoHS Directive requirements completed. (Major reduction)	○
	[Ozone layer-depleting substances] • Reduction of IC and LCD steppers using HCFC as a refrigerant to fewer than 15% of all products.	• 15.9% (23%).	△
Green procurement	[Reduction in use of hazardous chemical substances] • Performance investigation and management implemented for all consumer products (including sales promotion, repair parts, etc.) and major components of Industrial products.	• Target achieved in consumer and industrial fields.	○
Packaging and distribution	[Greenhouse effect gas emissions] • Gauging CO ₂ emissions in distribution in Japan.	• Determined fundamental assessment policy and implemented estimation	△

Workplace Environment

Theme	Fiscal 2006 environmental targets	Fiscal 2006 results	Evaluation
Energy conservation (prevention of global warming)	[Greenhouse effect gas emissions] • Reduction in annual emissions (converted to CO ₂) per net sales of at least 25%, compared to levels for fiscal 2002.	• 29% reduction (25% reduction).	○
Waste reduction	[Zero emissions] • Continuance of zero-emission systems at all plants and major manufacturing subsidiaries in Japan, and their extensive application to other workplaces.	• Target achieved.	○
	[Waste generation] • Reduction in amount of waste generation of at least 25%, compared to fiscal 2001.	• 21% reduction (18% reduction).	△
Reduction in use of hazardous chemical substances	[Chlorinated organic solvents] • Elimination of use of chlorinated organic solvents in wash at workplaces, including major manufacturing subsidiaries in Japan, by fiscal year end.	• Target achieved.	○
Green procurement	[Eco-procurement products] • Conformity with guidelines for at least 80% of all products.	• 89% (79%)	○
ISO 14001	[Integrated certification] • Nikon certification acquired.	• Target achieved.	○

*In the section titled, “Results through fiscal 2006”, the data in parentheses are results through fiscal 2005. Symbols: Circle indicates progress on-schedule; triangle denotes insufficient effort.

We reviewed the “Nikon Environmental Action Plan” and formulated the “Nikon Environmental Action Plan for fiscal 2007” which includes objectives targeted for completion by fiscal 2009. By integrating its environmental management system (EMS), Nikon is realising its intentions for environmental management throughout

the Nikon Group as it develops its EMS activities more efficiently and effectively. Unbound by limits, this action plan covers the entire Nikon Group including subsidiaries and related companies worldwide.

The Nikon Environmental Action Plan for Fiscal 2007

Product Environment

Theme	Midterm/long-term environmental targets	Targets for fiscal 2007
Energy conservation (prevention of global warming)	[Energy efficiency] • More than 30% improvement in overall energy efficiency of new products released between fiscal 2007 and fiscal 2009, compared to similar existing products.	• Improvement of 30% or greater.
Reduction in use of hazardous chemical substances	[Eco-glass usage ratio] • Maintaining use of Eco-glass in new optical designs for 100% of consumer products and for at least 98% of industrial products by fiscal 2008. Targeting at least 97% shipment ratio in optical glass division by fiscal 2009.	• 100% of consumer products, at least 97% of industrial products and at least 95% in shipment ratio of optical glass.
	[Lead-free solder] • 100% use of lead-free PC boards for new electronic components for consumer products by fiscal 2007 and thereafter, and at least 95% use for industrial products by fiscal 2009.	• Maintaining 100% use for consumer products, and at least 75% use for industrial products.
	[Hexavalent chrome, lead, cadmium, mercury, PBB, PBDE, PVC] • Continue compliance with RoHS Directive and establish management system by fiscal 2007. • Drastic reduction in use of hexavalent chrome in surface-treatment processes.	• Continue compliance and establish management system. • Reduction.
	[Ozone layer-depleting substances] • Total elimination of HCFC as a refrigerant in IC and LCD steppers shipped in fiscal 2009.	• Reduction of products utilising HCFC to 12% or fewer of total products shipped.
Green procurement	[Reduction in use of hazardous chemical substances] • Implementation of green procurement activities for all products in consumer and industrial fields.	• Continuation of green procurement in consumer fields. Implementation of green procurement for major products in industrial field.
Packaging and distribution	[Greenhouse effect gas emissions] • Reduction in CO ₂ emissions of 3% compared with fiscal 2007 for distribution in Japan, by fiscal 2009.	• Implementation of the process to gauge CO ₂ emissions in distribution in Japan.

Workplace Environment

Theme	Midterm/long-term environmental targets	Targets for fiscal 2007
Energy conservation (prevention of global warming)	[Greenhouse effect gas emissions] • Reduction in annual emissions (converted to CO ₂) per net sales of 35% by fiscal 2011 and at least 30% by fiscal 2009, both compared to levels for fiscal 2002, at all Nikon plants and major manufacturing subsidiaries in Japan.	• Reduction of at least 20%.
Waste reduction	[Waste generation] • Reduction in amount of waste generated of at least 20%, compared to fiscal 2001, at all Nikon plants and major manufacturing subsidiaries in Japan.	• Reduction of at least 10%.
Green procurement	[Eco-procurement products] • Conformity with guidelines for at least 90% of all products by fiscal 2007 and thereafter.	• Conformity with guidelines for at least 90% of all products.
ISO14001	[Integration of environmental management systems] • Complete system integration for major overseas manufacturing subsidiaries by fiscal 2008. • Complete system integration for major Nikon Group places of business by fiscal 2009.	• Certification of Nikon Corporation and major manufacturing subsidiaries in Japan completed.

Note: Midterm/long-term environmental targets are for fiscal year 2009, unless specified otherwise.