

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

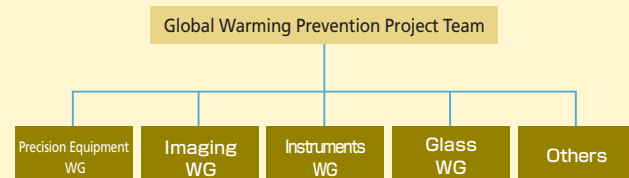
The 4th assessment report (AR4) issued by the Intergovernmental Panel on Climate Change (IPCC) — which provides a scientific and technical assessment of the global warming resulting from increases in such greenhouse gases as carbon dioxide — provides the results of a simulation that predicts a rise of 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

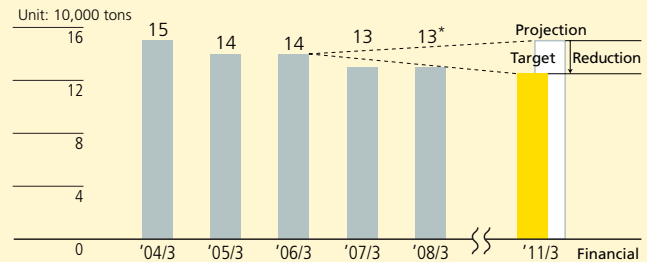
Japan

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 fueled 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.

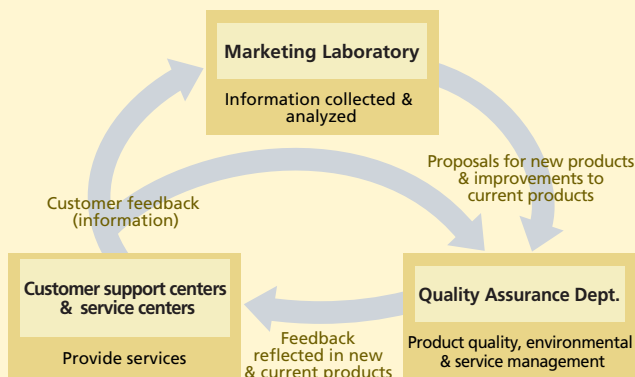
The Goal: Exceeding expectations.

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.