

A Company That Is: Meeting needs. Exceeding expectations.

What expectations do stakeholders have toward Nikon as it further vitalizes its overseas business and advance its CSR activities as group-wide efforts?

Toshihiko Fujii is well versed in the subject of corporate social responsibility as practiced in Europe and other parts of the world and has provided Nikon with his third-party opinion since the 2010 CSR Report. We invited Mr. Fujii to talk with Chairman Michio Kariya about Nikon's CSR. (Meeting date: March 7, 2011)

Kariya: Nikon's CSR embodies the very process of achieving our corporate philosophy, "Trustworthiness and Creativity." Nikon is a publicly traded company, so increasing our shareholder value comes first, but that doesn't mean we should only pursue profit. It's about devoting ourselves to the trust and expectations of our customers, and contributing to the sustainable development of society along with our own sustainable growth.

Fujii: So it's about simultaneously achieving corporate and social sustainability.

The definition of CSR in Europe begins with the question, "What does global sustainability require? As profit organizations, companies have to somehow integrate this question into their own framework. For Nikon, the result of doing this is the type of CSR you have just described."

People think differently in different regions. America's CSR would not necessarily go over well in Europe, or vice versa. This challenge is always present. For instance, legal compliance recommendations that are not part of the CSR understanding in Europe is included in ISO 26000, and so it feels to me that the tendency to include all possible elements into a broader CSR might be a natural development.

Kariya: In the year ended March 31, 2010, sales in Japan accounted for only 18% of total sales (14% in 2011). Japanese

employees are also a small part, making up just 30%, while Asia and Oceania regions excluding Japan, accounts for over 50%. In addition, 29% of our shareholders are non-Japanese. So we also have to pay attention to various changing balances among regions around the world. In my experience, this is very challenging.

Fujii: This may be a little abstract, but Nikon's CSR strikes me as being "diligent." What I mean by this is that your policies are consistent, your initiatives are extremely

systematic, and your commitment toward global CSR is getting stronger. In particular, the fact that you've made human rights and labor a priority issue since last year, at least to me, represents your stronger focus on global issues.

Kariya: We've received inquiries from general customers on the issue of human rights, and from the perspective of CSR-oriented procurement, it's also something to which our corporate customers ask us to pay attention. This is an issue we have to act on right now. Nikon has participated in the United Nations Global Compact since 2007. Even before then, we never engaged in child labor. However, when we expand our scrutiny to suppliers, there is no evidence that allows us to rule out the possibility completely. So the idea is that we should be diligent on this issue as well.

Fujii: The notion that a company should take responsibility in its procurement for practically everything, going all the way back to the mineral resources used in its products, is in a way very new, and at the same time a very difficult undertaking.

There's a similar difficulty in environmental issues. You never know where in the world some new, really strict regulation will come in—these types of regulations that instead of taking one step forward, suddenly jump five steps ahead. Such was the case with the EU's RoHS Directive. In practice, dealing with this uncertainty is very difficult. At the same time, however, I think it's important to be constantly aware of whether you want to just meet the requirements, or go beyond the public's expectations embodied in the requirements.

Kariya: The necessity of some of the current regulations might not be perfectly backed up by scientific evidence. Despite that, we will work tremendously hard to keep from polluting the Earth and from passing a polluted Earth on to future generations, even if our actions are called for purely as perceptual measures or exceed what the law requires. This is how Nikon sees it.

Fujii: Do whatever you can for the protection of environment, even when the scientific causality is not 100% proven? That involves a value judgment, doesn't it? I think that CSR philosophy is what supports this value judgment.

Changing the subject, what about when it comes to employment? You mentioned earlier that about 70% of your employees are non-Japanese.



Kariya: Presently, the largest national representation in the Nikon Group workforce is Thai, and we have workers of many other nationalities as well. Our work with human resources isn't so simple that it cannot be lumped together under the one word of "global." We are going to, as far as we can, localize thoughts that were done based on Japanese standards as we move forward. Some things we have yet to work on, but there are issues such as diversity where overseas companies are ahead of us. For example, there is more female management in countries like the U.S. and Thailand than here in Japan.

Fujii: You offer scholarship programs for students in Thailand. Is the goal to develop human resources locally?

Kariya: More than 20 years have passed since our plant in Thailand was built. We had difficult periods but we were helped tremendously by preferential tax treatment. So these programs actually are a very Japanese way of returning the favor ("ongaeshi" in Japanese). When university and graduate students come to Japan on the scholarship, and I've been telling them, "You know, you don't have to work for Nikon." We want these programs to be helpful to Thailand—that's the purpose. As a contribution to society, we are directing efforts into the advancement of photography as a culture. At the same time we also value local contributions made by our local subsidiaries. When I talked with local executives about our vision for the scholarship program in Thailand, they told me, "You've made working for Nikon worthwhile for us." I was moved by their words. Contributing to the community is a pride for employees, and also leads to loyalty to Nikon. I think it's very important.

Fujii: The most important stakeholder might just be the employee. CSR provides employees with clear, common values about what's important. In the long term, I think that generates vitality for the company.

CSR in Europe places a certain emphasis on business processes. Europe's definition and Nikon's philosophy are in no way far apart. It is people who make products and provide services, and if these people, in other words, employees, aren't satisfied, then I don't think they can create products or services that will benefit society. When you contemplate what it means to contribute to society, you will find it's not only the end products that are important, but also the processes of their creation.

Kariya: It's true. Contributing to society as a result of offering our products and services is what I want Nikon's basic aspiration to be. Meanwhile, on the process of such an activity, we also place major emphasis when considering CSR.

Fujii: There are two sorts of expectations for Nikon. One is "expectation from the market." Researchers toil day and night and different departments work together to come up with a product or service that exceeds this expectation, like the desire for a brighter image. When market values this outcome of Nikon, the company will grow. Meanwhile, there are also the public's expectations from the viewpoint of CSR, but these expectations are much harder to pinpoint. For example, no one expected ten years ago that CSR problems in the Chinese supply chain would be as important an issue as they are today. So the greatest expectation I have for Nikon is that it will discern society's expectations and also respond to as well as exceed those expectations.

Also—and this applies to all of Japan—it is extremely important that companies incorporate their CSR initiatives into the development of their business and use them as a new source of inspiration.

Kariya: We at Nikon will continue to stand on a foundation of "trustworthiness and creativity" and keep on "Meeting needs. Exceeding expectations." as part of our core business. In doing so, we will place the greatest importance on CSR and do all we can to advance the sustainable development of society.

Mr. Fujii, thank you for your time today.



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