



ENHANCING CSR ACTIVITIES

At Nikon, fulfilling our corporate social responsibility (CSR) is one of our greatest priorities and we implement various activities aimed at achieving this group-wide.

Strengthening corporate governance

Nikon views corporate governance as a crucial management issue. As a means to continually boost corporate value amid an increasingly global business environment, we recognize the importance of increasing efficiency and transparency in management while bolstering the management and auditing functions of business execution. We seek to create the systems and structure required to ensure this occurs.

Implementation of policies concerning corporate governance

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 June 2001, we installed an executive officer system and reduced the number of directors, while shortening the term of directors from two to one year in order to create a management system that can respond swiftly to changes in the business environment.

Nikon formulated the Rules of Organization and Authority to clearly define the scope of authority and responsibility for each post as well as each organization. Additionally, each group company exhaustively implements control and guidance based on the Authorization Standards for Subsidiaries, which includes those in Japan and overseas. This ensures organized and efficient business execution across-the-board. The Board of Directors makes prompt decisions on matters of importance to the group and monitors the exercise of duties by

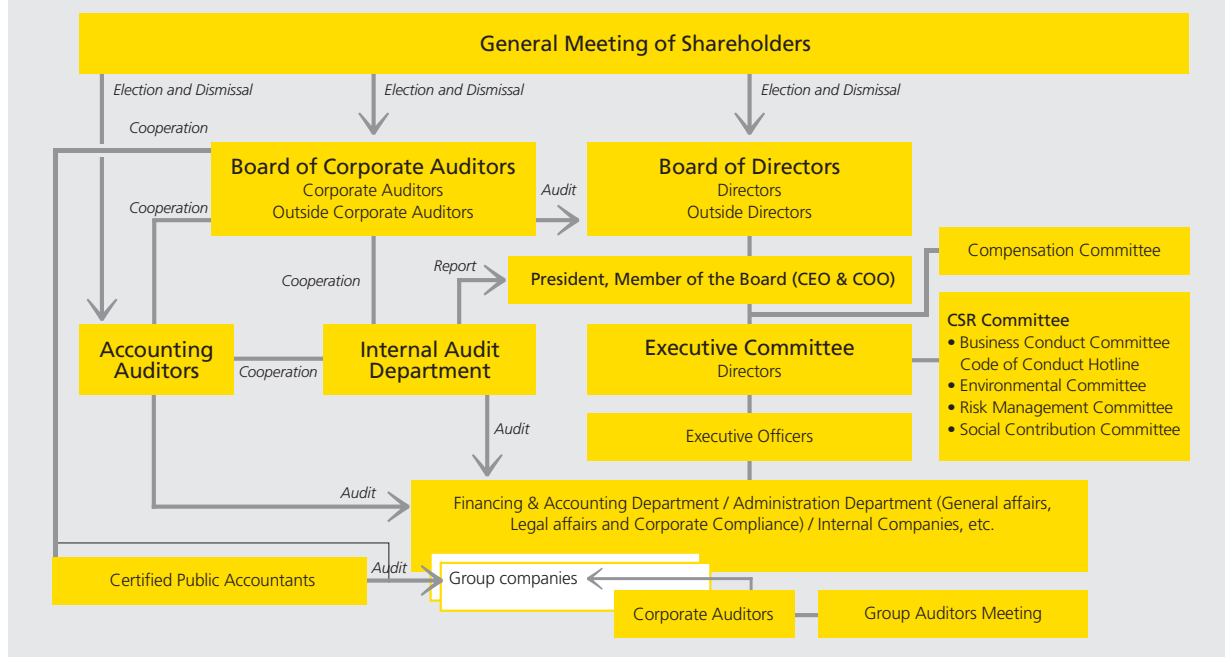
directors. The Executive Committee deliberates on and resolves major issues regarding management, general internal control, and guidelines about the general operation of company business, in accordance with the basic direction of management as determined by the Board of Directors. This body also receives reports from each department regarding critical matters.

Important inter-organizational matters are dealt with by various committees. A Compensation Committee has been set up to raise the objectivity and transparency of matters related to directors' compensation. The obligations of this committee include examining and proposing appropriate compensation systems and other related systems.

In April 2004, we established the Nikon Charter of Corporate Behavior, which provides Nikon Group's basic stance on corporate ethics. The Nikon Code of Conduct defines the standards of behavior to ensure sensible conduct by Nikon Group directors and employees based on a high level of morality. The CSR Committee formulates action plans and aims to nurture, educate and disseminate CSR awareness. Established as its sub-committee, the Business Conduct Committee regularly conducts activities to ensure legitimate, fair and sound corporate behaviour. The CSR and Compliance Section promotes activities pertaining to CSR and corporate compliance. In order to prevent or rectify behaviours that violate social norms or corporate ethics, we have set up a Code of Conduct Hotline. In these and other ways, we work to create and enhance our corporate compliance framework.

Information pertaining to resolutions, approvals and reports on directors' performance of duties is retained in document format for a period of time as set forth in internal regulations. An information control system has been put in place to provide directors, corporate auditors and accounting auditors access to the data when required. In terms of information security, we have clearly elucidated

Corporate Governance Organizational Diagram



who has the right to view information depending on the class of confidentiality and the degree of importance. Elsewhere, measures have been created to prevent leaks, manipulation and destruction of proprietary information. An information management system has been established to protect all of Nikon's information resources and to promote fair and effective business execution. Based on this framework, we can enhance the preservation and control of information by directors and employees.

We also have a management system to prevent loss. Numerous regulations and manuals have been created in diverse fields, including corporate ethics, personal information protection, environmental management, quality control, export control and accident prevention. The Risk Management Committee formulates risk management policies that incorporate business continuity plans and internal controls in these fields. This organ conducts education and training on risk management and supervises associated activities.

Progress of recent efforts to improve corporate governance

To permeate and entrench awareness of corporate ethics, Nikon has appointed a coordinator in each division and Group company. Action plans have already been drafted and educational activities implemented.

Nikon overhauled the structure of the Management Committee engaged in deliberating and reporting on business matters and recreated regulations related to the

delegation of authority in divisions in order to further enhance the Group's internal controls.

An internal audit department was established in October 2005 with the primary objectives of creating and monitoring the operation of Nikon Group internal controls, and making recommendations for improvement, and of identifying risks in Nikon Group business and proposing appropriate response mechanisms.

A CSR Committee was set up in January 2006 to formulate action plans and conduct education to boost CSR awareness and to affirm results of CSR activities.

Guidelines on classifying confidential information were instituted in February 2006 to specify the different types of restricted data. Nikon continues striving to increase the effectiveness of its information management.

The Risk Management Committee was created in April 2006 to formulate risk management policies that incorporate business continuity plans and internal controls in numerous fields, including corporate ethics, environmental management, quality control, export control and accident prevention. This body also conducts education and training on risk management and supervises associated activities.

Aimed at increasing the transparency of operating information, Nikon aggressively promotes IR activities for investors and shareholders. Besides seeking to further improve the speed and accuracy of information disclosure, we hold financial results meetings twice yearly and constantly upgrade our website.

Environmental preservation efforts

Nikon inaugurated and initiated activities under the Nikon CSR Committee in January 2006 aimed at realizing sincere and transparent management to gain trust from stakeholders. In terms of environmental management, Nikon's Basic Environmental Policy was formulated in 1992, and since then, efforts have focused on environmental protection based on the central ideals of "recycling" and "coexistence." Specifically, an Environmental Committee has been set up to encourage eco-conscious activities group-wide. It is also in charge of producing the Nikon Environmental Report each year, which discloses information on the environmental impact of each of Nikon's business sites and products as well as the measures taken to curb this burden.

Nikon environmental action plan for the year ending March 31, 2007

In Vision Nikon 21, the corporate policy statement for group activities set forth in March 2000, we specified mid-term environmental targets for the years ended March 2001 through 2003 under our Nikon Environmental Action Plan for the year ended March 2001. We have created the Nikon Environmental Action Plan for the year ending March 2007, a new three-year plan (part of which pertains to long-term plans), to succeed our previous plan.

Product Environment

Theme	Mid to Long-Term Environmental Targets
1. Energy conservation / prevention of global warming	<i>Energy consumption efficiency</i> Greater than 30% improvement in overall energy efficiency for new products released between the years ending March 2007 and 2009, compared with figures for existing products.
2. Reduction in use of harmful chemical substances	<i>Eco-glass usage</i> Use of Eco-glass in 100% of new optical designs for consumer products, and at least 98% for industrial products by the year ending March 2008, and at least 97% for materials shipped of optical glass products by the year ending March 2009. <i>Lead-free solder</i> Use of new lead-free printed circuit boards for electronic components in 100% of consumer products by the year ending March 2007 and at least 95% for industrial products by the year ending March 2009. <i>Hexavalent chrome, lead, cadmium, mercury, PBB, PBDE & PVC</i> Ongoing compliance with RoHS directive, with management system in place within the year ended March 2006. Major reduction in the use of hexavalent chrome for surface treatment process. <i>Ozone layer-damaging substances</i> Total elimination of HCFC as a refrigerant in IC and LCD steppers shipped by the year ending March 2009.
3. Green procurement	<i>Reduction in use of harmful chemical substances</i> Completion of green procurement for all products, including industrial products.
4. Packaging and distribution	<i>Greenhouse gas emissions</i> 3% reduction in CO ₂ emissions for Japanese domestic distribution, compared with the year ending March 2007.

Workplace Environment

Theme	Mid to Long-Term Environmental Targets
1. Energy conservation / prevention of global warming	<i>Greenhouse gas emissions</i> Reduction in annual CO ₂ emissions per net sales of 35% by the year ending March 2011, and at least 30% by the year ending March 2009, both compared to levels for the year ended March 2002, at all Nikon plants and major Japanese manufacturing subsidiaries.
2. Waste reduction	<i>Waste generation</i> Reduction in amount of waste generated by at least 20% compared with figures for the year ended March 2001 at all Nikon plants and major Japanese manufacturing subsidiaries.
3. Green procurement	<i>Eco-procurement products</i> Compliance with guidelines for at least 90% of all products by the year ending March 2007.
4. ISO14001	<i>Integration of environmental management system</i> Completion of system at major foreign manufacturing subsidiaries by the year ending March 2008, and at major Nikon Group offices by the year ending March 2009.

Note: The fiscal year ending March 31, 2008 targets unless otherwise stated.

Please refer to the Nikon Environmental Report for further details on Nikon's environmental protection activities.