

Supply Chain Management

We are committed to building strong relationships with our procurement partners and ensuring materials are procured honestly and fairly to fulfill the social responsibilities of not only the Nikon Group, but the supply chain as a whole.

Action Plan

- Nikon Basic Procurement Policy
- Nikon CSR Procurement Standards
- Nikon Green Procurement Standards
- Policy on Conflict Minerals

Management System

- Supply Chain Subcommittee

Relevant Priority Issues

- Promotion of CSR activities in the supply chain

Nikon's Supply Chain Management

Nikon considers its suppliers to be an important partner, and with this mind we work to build solid relationships with them. We are committed to the responsible procurement of materials that takes into account human rights, the environment, among other factors, and that aims for the co-existence and co-prosperity of both parties.

Basic Policy for Procurement

We have established the Nikon Basic Procurement Policy to continually supply customers with products that meet and exceed their expectations and with the hope of building a better society and global environment as well as realizing the sustainable growth of the company. Using this plan as a set of guidelines, the Nikon Group will carry our procurement activities in an honest and fair manner.

● Nikon Basic Procurement Policy

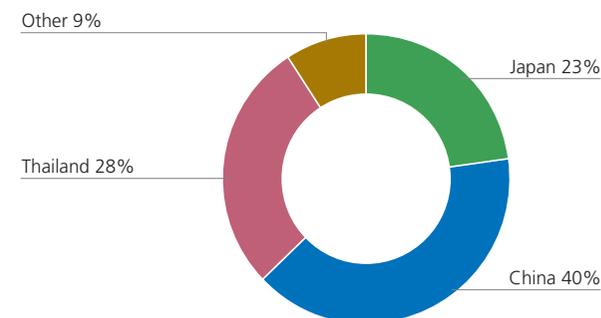
1. Sound corporate activities
2. Open-door procurement
3. Procurement based on the concept of fair competition
4. Procurement based on the concept of partnership
5. Green procurement

▶ [Nikon Basic Procurement Policy](http://www.nikon.com/about/corporate/procurement/policy/)
<http://www.nikon.com/about/corporate/procurement/policy/>

The Nikon Group's Supply Chain

We manufacture and assemble nearly all products within the Nikon Group. We have a large number of procurement partners we use for raw materials and parts. These partners are located around the world and number approximately 1,700 (as of March 31, 2017), with around 700 of these considered major procurement partners. When viewed by country, more than 90% of our procurement partners are located in Japan, China and Thailand, where the Nikon Group operates its main manufacturing facilities (calculated based on the location of the procurement partner's headquarters). We strive to ensure a high degree of quality, cost and delivery (QCD) and help local economies grow by actively procuring raw materials and parts from the countries and regions where we manufacture our products.

Transactional Value with Major Procurement Partners by Country (as of March 31, 2017)



Engaging Procurement Partners

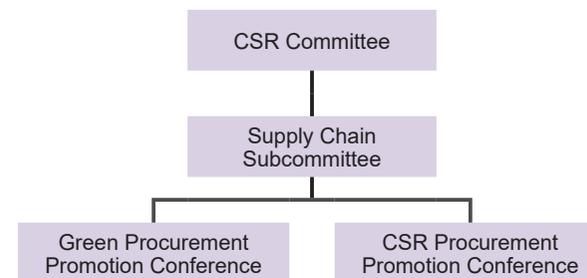
We believe in the importance of two-way communication with our procurement partners. Every year we host a meeting that involves around 300 representatives from our main procurement partners. During this meeting, we inform procurement partners about our business environment, while the president also delivers a message. We also host briefings on our stance regarding CSR procurement and conflict minerals compliance as venues for sharing Nikon's approach to CSR with procurement partners inside and outside Japan.

Nikon's Supply Chain Management System

We have established the Supply Chain Subcommittee to report activities related to responsible procurement and carry out deliberations on plans for subsequent years involving the entire Nikon Group. This subcommittee is chaired by the executive officer of Nikon in charge of procurement and comprises members including the heads of quality assurance and procurement from each business division and the presidents of Group manufacturing companies inside and outside Japan. Under this subcommittee, we have established the Green Procurement Promotion Conference as well as the CSR Procurement Promotion Conference for promoting general CSR procurement, including compliance with conflict minerals regulations. The CSR Promotion Conference is comprised of managers from each procurement related department who meet to discuss specific activities and measures as well as monitor progress of efforts.

[▶ Promoting Green Procurement \(P47\)](#)

Outline of Supply Chain Management System



Promoting CSR Procurement

We implement CSR procurement in cooperation with procurement partners to help realize a sustainable society.

Basic Approach to CSR Procurement

To realize a sustainable society, actions must be taken by working closely with society and based on a commitment to fulfill responsibilities to society even in the entire supply chain.

With this in mind, we have established the Nikon CSR Procurement Standards compliant with the Code of Conduct of the Electronic Industry Citizenship Coalition (EICC). We also request that procurement partners ensure their suppliers (tier 2 suppliers) act responsibly.

[▶ Nikon CSR Procurement Standards](http://www.nikon.com/about/corporate/procurement/csr/)
<http://www.nikon.com/about/corporate/procurement/csr/>

Promoting CSR Procurement

The Nikon Group promotes cooperation with procurement partners in stages. To date, we have held briefing sessions, assessed situations using surveys, exchanged ideas with individual partners, and confirmed the situation at individual partners through site visits.

Starting with the year ended March 31, 2017, we held briefing sessions on CSR procurement in Japan, China and Thailand where we shared information about the background and key points behind our standards for CSR procurement. During these briefings, procurement partners were asked to submit a written agreement stating they will comply with the Nikon CSR Procurement Standards.

CSR Briefing Sessions for Procurement Partners (Year Ended March 31, 2017)

Location	Number of times	Participating companies	Participants
In Japan	3 times	435 companies	441 persons
Outside Japan	4 times	255 companies	403 persons



CSR briefing session in progress

■ Training on CSR Procurement

The Supply Chain Subcommittee oversees CSR training for persons in charge of procurement across the Nikon Group in Japan. CSR is also a theme within the basic training on procurement given to general employees. At Group companies in China and Thailand, briefing sessions are held for employees to share the latest information.

In the year ended March 31, 2017, 16 employees involved in procurement at Group companies in Europe received training on CSR procurement standards and human rights.

> Supply Chain Management > [Promoting CSR Procurement](#)

Improvement Activities through CSR Surveys and CSR Audits

We conduct CSR surveys based on risk assessments in order to check the extent to which procurement partners comply with the Nikon CSR Procurement Standards. Based on the results, we carry out CSR audits or CSR improvement activities as a way to mitigate and eliminate risk.

Starting with the year ended March 31, 2016, these activities were rolled out for procurement partners in Japan and Asia, and further expanded to Europe in the year ended March 31, 2017.

Also, we recognize that human rights issues, including modern slavery such as child labor and forced labor, have become a serious issue for the international community.

For this reason, we have given greater priority to human rights related items in risk assessment standards and reflect this priority in actual assessments.

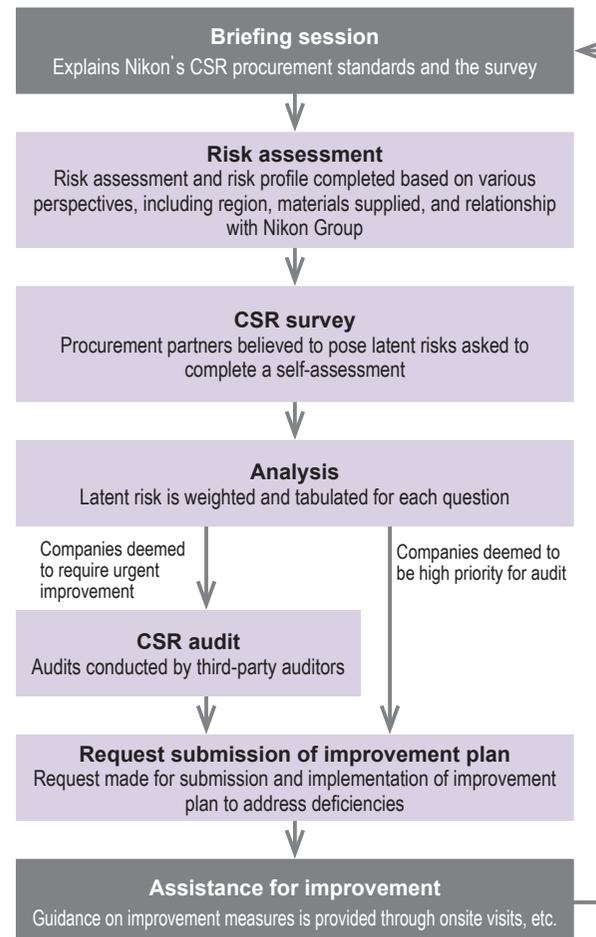
In the year ended March 31, 2017, we reviewed and made improvements to risk items and judgment levels in order to improve the accuracy of risk assessments. Also, we established and achieved targets for following up with the corrective measures of companies determined to pose higher risks from last year's survey as well as conducting this year's survey.

In the year ending March 31, 2018, we will provide assistance to procurement partners required to take corrective measures per this year's survey. Furthermore, we plan to review the standards and process from risk assessment to assistance for improvements, while receiving the support of outside experts.

CSR Survey and CSR Audits (Year Ended March 31, 2017)

	Applicable companies
CSR surveys	214 companies (response rate: 73.4%)
CSR audits	3 companies (locations: China and Thailand)
Requests for submission of improvement plan	13 companies (located in China, Thailand and Japan)

Workflow of CSR Improvement Activities at Procurement Partners



Voice

A CSR audit that identified our company's issues and led to improvement

Our company is a Japanese-affiliated LCD manufacturer located in Shenzhen, China. We have supplied LCDs to Nikon for more than a decade, first starting in 2004. In March 2016, we underwent an audit by Nikon and found that we did not fully comply with several of the 129 audit items. Mainly these items involved occupational health and safety as well as ethics, such as clearly labeling of workplace entrances/exits, insufficient medicine provided in first aid boxes, and a process for employees to share their views with the company, among others. Following these findings, we made improvements that included labeling and storage location of dangerous chemicals and improved management of employees' working hours.



Tokai Electronics (Shanghai) Co., Ltd.
Shenzhen Branch
Manager, Sales Department
Ms. Jin Guiyue

This audit helped us to identify problem areas we had overlooked and make adequate improvements. We are very thankful to Nikon in this regard. Looking forward, we will now focus on practicing sustainable management with an eye on the medium to long term.



Meeting with Nikon staff to discuss improvement measures

Dealing with the Issue of Conflict Minerals

The Nikon Group has adopted a Policy on Conflict Minerals, enunciating the Group's commitment not to use conflict minerals mined or intermediated by armed groups, so as to cut off the supply of funds to armed groups that are responsible for human rights abuses in the Democratic Republic of the Congo and neighboring countries.

▶ [Policy on Conflict Minerals](#)

http://www.nikon.com/about/sustainability/supply-chain/conflict_minerals_policy.pdf

■ Survey of the Current Status of Conflict Mineral Usage

To ensure that procurement is conducted in accordance with the Policy on Conflict Minerals, since 2013 the Nikon Group has carried out due diligence in collaboration with our procurement partners. In August 2016, the Nikon Group formulated related internal rules in line with the OECD Due Diligence Guidance.*1 Following these rules, we have implemented appropriate country-of-origin surveys, and have used this risk assessment as the basis for implementing suitable response measures.

The results obtained in this survey showed that all of the smelters involved in processing the four minerals used in products handled by Nikon's Glass Division were registered as CFSP-compliant smelters.*2

The survey results also showed that, for 97% of the Nikon Group's digital camera products, with respect to those smelters identified as such in the survey, the tantalum smelters were CFSP-compliant smelters. However, within the scope of the 2016 survey, it was not possible to confirm with absolute certainty whether the minerals contained in products covered by the survey were or were not a direct or indirect source of funding for armed groups. For the survey implemented in the year ending March 31, 2018, besides expanding the scope covered by the survey, we will also continue to implement activities aimed at resolving this issue. Both the survey results and the due diligence results have been made public in Nikon's Conflict Minerals Report.

▶ [Conflict Minerals Report \(2016 Survey Results\)](#)

http://www.nikon.com/about/sustainability/supply-chain/Conflict_Minerals_Report-2016.pdf

*1: OECD Due Diligence Guidance
This refers to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

*2: CFSP-compliant smelters
This refers to smelters that are registered as conflict-free under the Conflict-Free Smelter Program (CFSP).

■ Participation in External Organizations

With the aim of participating in a range of measures to address the conflict minerals issue, Nikon has joined the Japan Electronics and Information Technology Industries Association (JEITA) Responsible Minerals Trade Working Group, and has been involved in the formulation of the Working Group's proposals aimed at eliminating the use of conflict minerals. Nikon is also a member of the Conflict-Free Sourcing Initiative (CFSI), an international organization which has formulated guidelines relating to conflict minerals.