

Sustainability Materiality

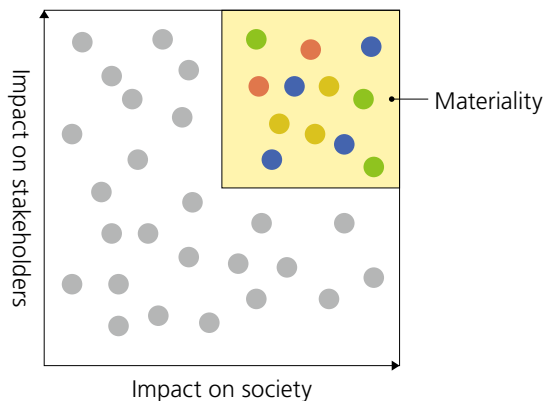
Identification of Materiality

Approach and Policy

The Nikon Group identifies priority issues in order to ensure the efficient, steady implementation of sustainability measures. In addition, we have implemented a process of goal setting, progress management, evaluation, and improvement for each issue, and are developing sustainability activities for our departments and employees. Furthermore, the Nikon Group reviews these issues every one to three years in response to changes in society and the business environment. The current issues were identified in January 2021.

The Nikon Group used to refer to important issues as "CSR Priority Issues," but in April 2022, we changed the name to "Materiality." This change reflects the fact that these issues are not only a corporate social responsibility but also essential for the growth of the company and serves to further integrate them into our business activities in order to promote our initiatives.

● Materiality extraction concept



● Process for Identifying Materiality

Step 1: Identification of social issues

Significant social issues were identified from the GRI Standards, ISO 26000, the UN Global Compact, the Sustainable Development Goals (SDGs), and other standards. A total of 34 issues of particular relevance to the Nikon Group were then extracted, on the basis of analyses of the Group's value chain and our vision.



Step 2: Assessment of importance

To identify priority issue candidates, the Nikon Group assessed the relative importance of the identified social issues based on the degree of impact on society (economic, social, and environmental impact) and the degree of impact on stakeholders (impact on stakeholder evaluations and decision-making). These assessments were performed by examining the issues that ESG ratings institutions prioritize, communicating with NGOs and other internal and external stakeholders, and benchmarking with respect to other enterprises that have already prioritized CSR.



Step 3: Identification and determination of materialities

After repeated discussions at the management level, 12 new materialities were identified, and the Nikon Group's Goals for the Fiscal Year Ending March 2031 (What Nikon Intends to Achieve) were set for each of these issues and decided by the Executive Committee.



Step 4: Target setting for each materiality

Inclusion of "creation" of social value through business in the Medium-Term Management Plan and establishment of annual targets for each materiality

Materiality and SDGs

Approach and Policy

The Nikon Group has identified 12 materialities in the four areas of Business Activity, Environment, Society/Labor, and Governance. For each of these priority issues, we have announced "What Nikon needs to do" and "goals for the

fiscal year ending March 2031 (What Nikon Intends to Achieve)." In line with these announcements, we will be promoting Group-wide sustainability initiatives that will contribute to the achievement of the SDGs by 2030.

● Materiality and related SDGs



- 1. Creating social value through core technologies
- 2. Ensuring trustworthiness by maintaining and increasing quality

- 3. Promoting a decarbonized society
- 4. Promoting resource circulation
- 5. Preventing pollution and conserving ecosystems



- 6. Strengthening supply chain management
- 7. Respecting human rights
- 8. Diversity and inclusion
- 9. Employees' health and safety

- 10. Thorough compliance
- 11. Strengthening corporate governance
- 12. Strengthening risk management

PDCA Cycle Implementation Framework

System and Framework

At Nikon, to ensure that our sustainability initiatives are integrated with our business activities, all business units and corporate administration divisions formulate the Medium-Term Management Plan and Annual Plan, set sustainability goals, and manage their progress in the same cycle. The appropriateness of the content is discussed by the Sustainability Committee. Furthermore, for Materiality, related departments set goals and promote group-wide activities, while the Sustainability Committee manages progress on a semiannual basis.

We are also developing these sustainability and materiality goals by incorporating them into our target management system. Through these efforts, we aim to steadily implement each of our goals and further instill sustainability into the operations of every department and section as well as the work of each employee.

Results related to these goals will be partially reflected in the compensation of the responsible officer in charge of the Corporate Sustainability Department and the directors and officers in charge of related divisions.

Materiality Goals and results

Goals Activities and results

The Nikon Group sets specific goals for Materiality and manages the progress of these initiatives.

● Materiality results for the fiscal year ended March 2022

Self-evaluation ○ : Achieved △ : Measures implemented but not yet achieved

Materiality	Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Goals for the fiscal year ended March 2022	Scope	Results	Self-evaluation	Corresponding Page
Materiality 1 Creating social value through core technologies	Creation of social value through core technologies and contribution to the sustainable development of society as a leading company in precision and optics	Aim to help build a prosperous, safe society by creating social value through the strengthening and effective utilization of optoelectronics technology and precision technology, which are Nikon's core technologies	9.4 9.5	Start research that integrates Nikon's microscope solutions with Oxford Nanopore Technologies Limited's DNA and RNA sequencing technology	Nikon	Launched joint research combining the technologies of Nikon and Oxford Nanopore Technologies Limited	○	P26
		Contribute to the resolution of social issues through Nikon's products and services		Complete initial trial calculations of anticipated power generation equipment efficiency improvements and CO ₂ reduction impact using riblet processing technology from Nikon's Material Processing Business	Nikon	Completed initial trial calculations of power generation efficiency improvements and CO ₂ reduction impact using riblet processing technology. Also, submitted a paper on riblet processing effects to the Gas Turbine Society of Japan and the U.S.-based SciTech Forum	○	P26
Business Activity Materiality 2 Ensuring trustworthiness by maintaining and increasing quality	Provision of high-quality products and services that are trusted by the customer through creative <i>Monozukuri</i> (manufacturing) that emphasizes customer safety and the environment	Continue to provide high-quality products and services that win customers' trust and meet their needs	12.4 12.5 12.6	Implement intensive training (a total of 19 sessions) for the development, design, and quality assurance departments in each business unit in order to ensure familiarity with and thorough implementation of the completely revised Safety Design Principle Sort	Nikon Group in Japan	19 training sessions on the Safety Design Principle Sort were held as planned for the development, design, and quality assurance departments of each business unit to ensure thorough knowledge and understanding.	○	P34
		Reduce quality incidents to zero		Aim to strengthen management and enhance efficiency through company-wide management and listing of conforming products (including coatings, oils, adhesives, resins, etc.) in relation to regulatory requirements in key countries and regions, so as to strengthen the management of chemical substances contained in products	Nikon Group in Japan	Created a list of legally compliant products (paints, oils, adhesives, surface treatment agents, etc.) that conform to the laws and regulations of major countries, and began trial operations as planned.	○	P34
			Complete re-inspection of the quality management system based on Nikon's comprehensively revised Quality Management Directive (QMD)	Nikon	Inspection of the quality management system based on QMD was conducted mainly in the business divisions, and issues identified were addressed by formulating improvement plans.	○	P37	
			Establish a company-wide standard for procurement partner quality assurance (QA) assessments and conduct QA assessments for more than 30 companies	Procurement partners	QA assessments based on company-wide unified standards were conducted for 52 companies	○	P39	
Enhance customer engagement, identify customer needs, and generate market-in ideas		Undertake revision of the Nikon website to quickly guide website visitors to the product information pages, so as to promote digital marketing aimed at strengthening customer engagement	Nikon Group	Redesigned the top page of the corporate and global websites. Increased the number of transitions to each marketing site. In parallel, we prepared for the renewal of the corporate and global websites. We expect the new design will make site leads easier to understand.	○	P34		

Self-evaluation ○ : Achieved △ : Measures implemented but not yet achieved

Materiality		Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Goals for the fiscal year ended March 2022	Scope	Results	Self-evaluation	Corresponding Page
Environment	Materiality 3 Promoting a decarbonized society	See Environmental Action Plan							P51
	Materiality 4 Promoting resource circulation								
	Materiality 5 Preventing pollution and conserving ecosystems								
Society/Labor	Materiality 6 Strengthening supply chain management	Realization of effective procurement in which the supply chain as a whole contributes to the resolution of societal issues and safeguards quality, cost, and prompt delivery (QCD), by sharing Nikon's approach to procurement policy with suppliers and by implementing rigorous risk management	Further strengthen suppliers' CSR management systems	8.7 8.8 12.4	Promote visualization of tier 2 suppliers in CSR-aware procurement management	Procurement partners/tier 2 suppliers	Completed CSR assessments for 10 suppliers of outsourced finished goods	○	P96
					Provide assistance for making improvements at those suppliers failing to achieve at least 65% compliance in the previous fiscal year's CSR assessment (totaling 28 companies)		Completed provision of assistance for improvements at 26 of 28 companies that failed to achieve 65% compliance in the previous fiscal year's CSR procurement assessment (excluding two companies for which transactions were terminated)	○	P96
					In the area of minerals procurement, build a system capable of handling the growing scope of mineral types subject to assessment and the expansion of conflict-affected and high-risk areas	Procurement partners	Increased efficiency of assessment data management by improving work manuals and processes and shifting to robotic process automation (RPA) in order to cope with the expansion of minerals and countries with mines that require due diligence	○	P98
					Revise the policy for dealing with procurement partners that fail to comply with the Nikon Green Procurement Standards	Nikon Group/procurement partners	Completed corrective actions against 65 procurement partners found to be non-compliant in assessment results; confirmed compliance after actions taken	○	P99
					Implement assessments of procurement partners deemed subject to assessment based on an adjustment of environmental management system surveys and assessments (assess at least 40 companies)	Procurement partners	Completed assessments for 52 procurement partners subject to assessment	○	P99
					Aim to enhance the quality of information used for procurement partner assessment	Nikon Group	Added quality and BCP assessment indicators and registered assessment data in the integrated supply chain management system	○	P93
			Increase the amount of data collected in relation to tier 2 suppliers and beyond suppliers for BCP-related supply chain management purposes	Nikon Group/procurement partners	Tier 1 trading company suppliers increased information provided on their supply chain (tier 2 and beyond)	○	P96		

Self-evaluation ○ : Achieved △ : Measures implemented but not yet achieved

Materiality	Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Goals for the fiscal year ended March 2022	Scope	Results	Self-evaluation	Corresponding Page
Materiality 7 Respecting human rights	Ensuring that the principles embodied by the Nikon Human Rights Policy are instilled throughout the value chain, and that the measures outlined by the policy are properly implemented Ensuring that the RBA Code of Conduct is instilled in every company in the Nikon Group, and is strictly observed	Spread awareness of human rights and of the Nikon Human Rights Policy	8.7 8.8 10.2 16.2	Continue to implement human rights awareness-raising activities targeting all employees. In addition, for personnel in the departments related to public relations and marketing, implement training that is more closely linked to their daily work.	Nikon Group	Implemented human rights education for employees in all regions of the world as planned at the beginning of the fiscal year. E-learning is offered to all employees in Japan, with a 93% participation rate.	○	P104
		Implement public relations and marketing activities that take human rights into consideration				Developed and distributed a guidebook on standards for the use of inclusive language for employees in public relations and marketing-related departments		
		Enhance conformity with the RBA Code of Conduct		Put in place a Group-wide management system to foster conformity with the RBA Code of Conduct	Nikon	For the four categories (labor, health and safety, environment, and ethics), leaders were selected from relevant workplaces at the head office, and it was agreed that the Corporate Sustainability Department would work with them to promote the dissemination of the Code of Conduct within the Group as part of future awareness-raising activities. Education for leaders, which was scheduled for the second half of the year, was postponed to the first half of next year due to the updating of the RBA's e-learning system in the second half of the year.	○	P11 P103
Society/Labor Materiality 8 Diversity and inclusion	Putting in place the systems and environments that will enable diverse employees to fulfill their potential and participate fully Ensuring that all employees understand the need for diversity and inclusion, and realizing an organizational framework for effective collaboration	Raise the percentage of employees who are female (for both ordinary employees and managers)	5.1 5.5 8.5 10.2	Increase the ratio of females recruited through the regular annual recruitment process to at least 25% Increase the ratio of all managers who are female to at least 7.2%	Nikon	The percentage of women in regular employment for the fiscal year ended March 2022 was 31.2% The ratio of female managers as of March 31, 2022 was 7.2%	○	P108
		Promote the Group-wide implementation of operational and personnel processes that do not discriminate on the basis of gender, nationality, ethnicity, etc.						
Materiality 9 Employees' health and safety	Ensuring widespread familiarity with relevant policies and targets, and using these as the basis for global operation of the PDCA cycle Having both the company and employees aiming to enhance health and safety, and striving to eliminate occupational accidents and illnesses	Build a system for the global management of occupational health and safety, and use this as the basis for promoting the PDCA cycle	3.1 3.9 8.8	Reduce the annual incidence of occupational accidents that are attributable to work or related to the performance of work to 40 or less	Nikon Group in Japan	As a result of thorough efforts to prevent recurrence, etc., focusing on occupational accidents with a high risk of recurrence, the number of occupational accidents covered by this report was 21.	○	P117
				Strengthen the sharing of information relating to occupational accidents and related measures, etc. within the Group, so as to rebuild the health and safety management system	Nikon Group	The Nikon Group in Japan shared information on occupational accidents with the Group companies outside Japan, and received feedback on accident information and measures taken to prevent recurrence from European Group companies that had a high number of occupational accidents in the previous fiscal year.	○	P117
		Review the measures adopted during the COVID-19 pandemic and in the post-COVID era, and ensure compliance		Aim to reduce the incidence of departmental work stoppages resulting from COVID-19 infection to zero	Nikon Group in Japan	As a result of implementing infection control measures tailored to the actual situation by revising the company's infection control policy and guidelines to respond to outbreaks as needed, there were no cases of suspension of departmental operations due to COVID-19 infections.	○	P119

Self-evaluation ○ : Achieved △ : Measures implemented but not yet achieved

Materiality	Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Goals for the fiscal year ended March 2022	Scope	Results	Self-evaluation	Corresponding Page	
Governance	Materiality 10 Thorough compliance	Becoming a company that is trusted by society, by ensuring conformity with the Nikon Code of Conduct and by acting with integrity, including compliance with laws and regulations	Implement awareness-raising initiatives and education regarding to laws, regulations and ethics	16.5	Revise the content of the documents used to disseminate the Nikon Code of Conduct, and implement related education	Nikon Group	The commentary section was revised, and e-learning on the Code of Conduct in general was conducted in Japan during the fiscal year ended March 2022. Outside Japan, regional headquarters chose a theme for each region and conducted activities to raise awareness of the Code of Conduct.	○	P122
					Collect information on the revision, etc. of laws and guidelines relating to bribery prevention in major countries, and implement a review of the Anti-Bribery Guidelines for Nikon Group Companies	Nikon Group	Reviewed the latest information on key anti-bribery laws and regulations and determined that no revisions are necessary as they are covered by the current anti-bribery guidelines	○	P122
					Aim to achieve effective implementation of the Code of Conduct Hotline (Reporting and Consulting System)	Nikon Group	The reporting and consulting system was reinforced through compliance education throughout the year, and was further entrenched through an employee awareness survey conducted in Japan in October.	○	P122
	Materiality 11 Strengthening corporate governance	Building a governance system that promotes the sustainable creation of value for the company and for society	Enhance the effectiveness of the Board of Directors	—	Effectively implement a cycle that involves implementing third-party evaluation of the effectiveness of the Board of Directors, identifying issues, and formulating and implementing response strategies	Nikon	Planning and execution of various measures to strengthen effectiveness	○	P126
			Review the effectiveness of the separation between the management function and the supervisory function		Aim to further strengthen the supervisory function by reviewing the composition of the Board of Directors from the next term onwards	Nikon	Conducted an assessment of effectiveness for the fiscal year ended March 2022 Skills Matrix developed by the Board of Directors and published	○	P126
			Enhance the flexibility of the management function						
			Enhance the effectiveness of internal controls and auditing						
	Materiality 12 Strengthening risk management	Identifying current and future risks and impacts, and utilizing the PDCA cycle to enhance and improve systems Avoidance of financial loss or damage to the company's reputation through the sound operation and management of IT infrastructure and the implementation of cybersecurity and data protection measures	Perform risk assessment and give instructions to make improvements in relation to high-risk items	—	Implement risk reduction through strengthening of coordination between the major related departments and through a new, company-wide risk management system	Nikon Group	Group governance initiatives have been initiated, and a certain level of results has been achieved in improving departments and organizations with high internal control risks. Monitoring is scheduled to continue in the next fiscal year to confirm adherence.	○	P131
			Strengthen the information security system (including cybersecurity and personal data protection)		Review the framework for monitoring emerging risks	Nikon Group	Discussions held among risk management-related divisions to develop a system for identifying emerging risks in the future	○	P131
Put in place a system for preventing violations that are accompanied by fines, in response to the 2020 amendments to Japan's Personal Information Protection Act. Continuously review the EU General Data Protection Regulation (GDPR)					Nikon Group	No regulatory violations that were accompanied by fines. The revised Personal Information Protection Law was addressed as planned, with revisions made to the contents of notices regarding personal information protection and related regulations within the Group. We conducted another GDPR checklist for each company and confirmed that they were compliant with the law.	○	P134	

● Materiality targets for the fiscal year ending March 2023 against materiality

Materiality		Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Targets for the fiscal year ending March 2023	Scope
Business Activity	Materiality 1 Creating social value through core technologies	Creation of social value through core technologies and contribution to the sustainable development of society as a leading company in precision and optics	Aim to help build a prosperous, safe society by creating social value through the strengthening and effective utilization of opto-electronics technology and precision technology, which are Nikon's core technologies	9.4 9.5	Target Contribution through Business (p.27) in the Medium-Term Management Plan	Nikon Group
	Contribute to the resolution of social issues through Nikon's products and services					
	Materiality 2 Ensuring trustworthiness by maintaining and increasing quality	Through creative <i>Monodzukuri</i> (manufacturing) that emphasizes customer safety and the environment, providing high-quality products and services that are trusted by customers	Continue to provide high-quality products and services that win customers' trust and meet their needs	12.4 12.5 12.6	To prevent accidents involving safety-related products, establish safety design rules for products in new fields and conduct safety design training in a systematic manner	Nikon Group in Japan
			Reduce quality incidents to zero		Conduct quality system re-inspection based on the comprehensively revised Quality Management Directive (QMD) for major Group companies	Nikon Group in Japan
Enhance customer engagement, identify customer needs, and generate market development ideas	Determine integrated rules for quality assurance (QA) assessments and environmental management system assessments	Nikon				
		Undertake revision of the Nikon website to quickly guide website visitors to the product information pages, so as to promote digital marketing aimed at strengthening customer engagement	Nikon Group			
Environment	Materiality 3 Promoting a decarbonized society	See Environmental Action Plan P.50				
	Materiality 4 Promoting resource circulation					
	Materiality 5 Preventing pollution and conserving ecosystems					

Materiality		Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Targets for the fiscal year ending March 2023	Scope	
Society/Labor	Materiality 6 Strengthening supply chain management	Realization of effective procurement in which the supply chain as a whole contributes to the resolution of societal issues and safeguards quality, cost, and prompt delivery (QCD), by sharing Nikon's approach to procurement policy with suppliers and by implementing rigorous risk management	Further strengthen suppliers' CSR management systems	8.7 8.8 12.4	CSR assessment of key suppliers (other than tier 1 suppliers) that should be prioritized in CSR procurement risk management	Nikon Group/ Suppliers	
					Conduct CSR audits of three procurement partners		
					Expand the survey on tantalum, tin, tungsten, and cobalt contained in products including batteries and other imaging products in order to procure minerals in compliance with various regulations and laws in each country		
			Strengthen BCM by thoroughly implementing the collection and management of procurement data		Understand the BCP structure of procurement partners	Nikon Group/ Suppliers	
	Materiality 7 Respecting human rights	Ensuring that the principles embodied by the Nikon Human Rights Policy are instilled throughout the value chain, and that the measures outlined by the policy are properly implemented Ensuring that the RBA Code of Conduct is instilled in every company in the Nikon Group, and is strictly observed	Spread awareness of human rights and of the Nikon Human Rights Policy	8.7 8.8 10.2 16.2	Conduct risk assessments from both business and corporate perspectives as part of human rights due diligence Continue to educate all employees on human rights	Nikon Group	
			Implement public relations and marketing activities that take human rights into account				Education on respect for human rights related to communication
			Enhance conformity with the RBA Code of Conduct				Educate related department employees on the RBA Code of Conduct Conduct self-checks at each Nikon plant and Group manufacturing companies in Japan and outside Japan
	Materiality 8 Diversity and inclusion	Putting in place the systems and environments that will enable diverse employees to fulfill their potential and participate fully Ensuring that all employees understand the need for diversity and inclusion, and realizing an organizational framework for effective collaboration	Raise the percentage of employees who are female (for both ordinary employees and managers)	5.1 5.5 8.5 10.2	Increase the ratio of all managers who are female to at least 7.5% Increase the ratio of female new hires to at least 25%	Nikon	
			Promote the Group-wide implementation of operational and personnel processes that do not discriminate on the basis of gender, nationality, ethnicity, etc.				Implement support measures for employees taking childcare or nursing care leave as part of the development and expansion of an environment in which personnel from diverse backgrounds can demonstrate their abilities
			Continue to implement measures to raise awareness of diversity and inclusion among all employees				Provide management education on diversity and inclusion
	Materiality 9 Employees' health and safety	Ensuring widespread familiarity with relevant policies and targets, and using these as the basis for global operation of the PDCA cycle Having both the company and employees aiming to enhance health and safety, and striving to eliminate occupational accidents and illnesses	Build a system for the global management of occupational health and safety, and use this as the basis for promoting the PDCA cycle	3.1 3.9 8.8	Reduce the annual incidence at Nikon Group in Japan of occupational accidents that are attributable to work or related to the performance of work to 40 or less	Nikon Group in Japan	
						Re-establish a global health and safety management system to reduce work-related and work performance-related accidents at Group companies outside Japan.	Group companies outside Japan

Materiality		Goals for the fiscal year ending March 2031 (What Nikon Intends to Achieve)	What Nikon Needs to Do	Related SDGs	Targets for the fiscal year ending March 2023	Scope
Governance	Materiality 10 Thorough compliance	Becoming a company that is trusted by society, by ensuring conformity with the Nikon Code of Conduct and by acting with integrity, including compliance with laws and regulations	Implement awareness-raising initiatives and education regarding to laws, regulations and ethics	16.5	Achieve a read rate of at least 90% for the Code of Conduct of Nikon Group in Japan	Nikon Group in Japan
					Provide education to Nikon divisions and Group companies related to competition law	Nikon Group
					Respond to the revision of laws and regulations related to the whistleblower system in Japan	Nikon Group in Japan
	Materiality 11 Strengthening corporate governance	Building a governance system that promotes the sustainable creation of value for the company and for society	Enhance the effectiveness of the Board of Directors	—	Consider optimal composition of the Board of Directors using the skills matrix to further enhance its functions	Nikon
			Review the effectiveness of the separation between business execution functions and supervisory functions		General Shareholders' Meeting resolution for new stock compensation to ensure the appropriateness of executive compensation levels, strengthen incentives, and incorporate ESG into the compensation structure	
			Enhance the agility of management decision-making and execution functions		Select candidates for the next President and management team and conduct systematic training	
			Enhance the effectiveness of internal controls and auditing		Establish an internal control promotion function to strengthen group governance and risk management	Nikon Group
	Materiality 12 Strengthening risk management	Identifying current and future risks and impacts, and utilizing the PDCA cycle to enhance and improve systems Avoidance of financial loss or damage to the company's reputation through the sound operation and management of IT infrastructure and the implementation of cybersecurity and data protection measures	Perform risk assessment and give instructions to make improvements in relation to high-risk items	—	Risk identification surveys. Sharing and understanding of risk awareness throughout the company, including the head office management and audit departments	Nikon Group
			Strengthen the information security system (including cybersecurity and personal data protection)		Strengthen information security (cybersecurity, personal information protection) systems and continuously comply with applicable laws and regulations in each country.	