Contribute to society through business activities

The fiscal year ended March 31, 2021, was the second year of implementation of Nikon’s Medium-Term Management Plan, the aim of which is to build a foundation for growth, so that we can achieve sustainable improvements in enterprise value. Despite the significant constraints placed on business activities by the COVID-19 pandemic, we have continued to carry on our business operations while prioritizing the health of our employees, their family members, our customers, our suppliers and local residents, and responding flexibly to frequently-changing circumstances. In spite of the circumstances, we have made steady progress towards building a foundation for growth. In our Material Processing Business targeting the digital manufacturing sector, an area with long-term growth potential, we are proceeding towards the commercialization of technologies that are expected to enhance energy efficiency in various fields and reduce CO₂ emissions. In the Vision Systems / Robotics segment, we are developing solutions to respond to the new needs resulting from the accelerating trend towards digital transformation and automation that has emerged in the “new normal” brought about by the COVID-19 epidemic.

I personally believe that the key focus in Nikon’s management needs to be placed on three areas: Innovation, Profitability and Sustainability. As I see it, sustainability has two main aspects. The first of these aspects is sustainability’s role as an evaluation criterion in relation to business growth. For a company to be able to realize sustained growth, it needs to formulate a vision of where it wants to be in the future, and then work back from that to think about what steps it should take to make this vision a reality. It is vitally important for Nikon to challenge itself by identifying solutions that will help to make a happier, more hopeful society, and then commercialize them.

Sustainability, including the UN Sustainable Development Goals (SDGs), provides a starting point for thinking about the strategic direction that we should follow, and can also serve as a criterion for evaluation. Taking this approach as a foundation, we will be working steadily, in both our new and existing businesses, to undertake technology development and project commercialization that contributes to solving or ameliorating the problems affecting society, for example by reducing CO₂ emissions and helping to maintain and improve people’s health.

Nikon’s CSR priority issues

Another important aspect of sustainability is the “basic preconditions” for business operation. An enterprise is a member of society, and if an incident were to occur that negatively impacts the sustainability of society or of the
environment, then it may become difficult for that enterprise to continue its operations.

In order for the Nikon Group to be able to carry out its business activities while fulfilling its corporate responsibility, in line with the two aspects of sustainability noted above, in January 2021 we revised our CSR priority issues in accordance with the changes taking place in the social and business environment. We have identified 12 priority issues in four areas, and we are implementing various measures in relation to these priority issues.

In regard to the environment, in line with the Paris Agreement on Climate Change target of keeping the rise in average global temperature within 1.5°C, we have substantially increased the target for reduction of greenhouse gas emissions from our facilities, and have secured Science Based Targets (SBT) certification of these targets. In February 2021, Nikon joined RE100, an international initiative that aims to have companies use only electricity that has been generated from renewable energy sources.

Human rights constitute an important management issue for an enterprise such as ours that operates on a global scale. I believe that, in order for us to conduct our business activities in a way that embodies concern for human rights, the first priority is to strengthen employee awareness of human rights, and to this end I have been disseminating messages through channels such as our Group’s internal newsletter. Besides implementing ongoing awareness-raising and education, we are also working to identify human rights risks within the Nikon Group, and continuing to take steps to solve or improve the issues that are discovered, in line with the Nikon Human Rights Policy.

With regard to strengthening supply chain management, we recognize the importance of effective supply chain management in terms of both responsible procurement and business continuity. Besides securing the collaboration of our procurement partners and implementing centralized registration and management of supplier data, we have also expanded the scope of CSR surveys to include some tier 2 suppliers as well.

As regards strengthening governance, we are making steady progress with reforms in this area, including the establishment of the Nominating Committee, strengthening the effectiveness of succession planning, and enhancing the diversity of the Board of Directors. We will also be strengthening management, controls and risk management throughout the Group as a whole.

Building a Nikon Group capable of responding to the challenges of the future

With the emergence of new lifestyles in the “new normal” resulting from the COVID-19 epidemic and the accompanying changes in values, etc., the world is undergoing a dramatic transformation, and this represents a major turning point for the Nikon Group. Faced with this situation, in April 2021 we implemented an organizational restructuring with the aim of strengthening both management strategy functions and Group governance. As part of this restructuring process, the Corporate Sustainability Department was placed under the direct supervision of the President and CEO. Besides clearly demonstrating our managerial commitment to supporting the sustainable growth of society, this change will also facilitate the rollout of related policies and strategies throughout the Group as a whole.

To take sustainability to an even higher level under this new system, we will be encouraging every individual employee to approach things from a more wide-ranging perspective. For example, today’s semiconductor lithography systems consume considerably more electric power than the early models. However, they have made it possible to manufacture high-performance, energy-saving semiconductors efficiently and in large volumes. As a result, efficient semiconductors have come into widespread use in a wide range of applications in both industry and daily life, which has helped to create a more prosperous society while also bringing about a substantial reduction in energy costs for society as a whole. So, if one looks at the broader picture, these semiconductor lithography systems can be said to have made a substantial positive contribution to society.

By outlining a vision for a better future, and then constantly thinking, from multiple perspective, about what each of us individually needs to do in order to create that future, and what impact this will have on society, we can build a “virtuous cycle” in which we contribute towards the sustainability of society and this in turn helps to boost earnings for the company. I am confident that laying the foundations in this way will help to promote sustainability.

Our corporate vision, “Unlock the future with the power of light,” embodies the concept of paving the way towards the future. Today, the COVID-19 epidemic is still raging, and various problems have emerged that are affecting society. It is precisely at a time like this when there is a need to play a major role in creating a brighter future. I want the Nikon Group to be an enterprise that takes up the challenge of taking on this role, and which makes a positive contribution.

The Nikon Group has a long history, and possesses brands which makes a positive contribution. The Nikon Group is changing, I hope that our stakeholders will provide us with an even higher level of support and join with us in looking forward to the future.
Contributing to the Building of a Sustainable Society through Technology

Muneaki Tokunari
Director, Executive Vice President, and Officer in charge of the Corporate Sustainability Department

How non-financial corporate value is linked to financial corporate value

Having previously served as Nikon’s Chief Financial Officer (CFO), starting from April 2021, I have also been serving as the officer in charge of sustainability. As CFO, with responsibility for the share price, and for return on equity (ROE), which has a major impact on the share price, my mission is to try to increase the company’s financial corporate value. Investors, who provide the capital which funds the company’s corporate activities, naturally hope to see sustained growth in financial corporate value. To realize this, the company needs to have a sustainable business model. If Nikon can contribute to the resolution of environmental (the “E” in ESG) and social (S) issues through our business activities, then this will help to make our business sustainable, and we will have more opportunities to secure revenue, which can be thought of as “consideration” for our contribution. Furthermore, if our corporate governance (G) is solid, then we will be able to minimize risk in our business operations, which will further enhance our sustainability as a business enterprise.

In this way, over a period of time, an increase in our social value and non-financial corporate value can be expected to lead to a rise in the company’s financial value, in terms of ROE, the share price, market capitalization, etc. Viewed in these terms, it is quite reasonable for the CFO, who has responsibility for financial affairs, to also oversee the company’s sustainability activities, which can help to increase non-financial value.

Integration of corporate strategy and business strategy

In addition to continuing to make efforts to reduce the environmental impact of our business activities, we are also committed to addressing environmental and societal issues by developing businesses unique to Nikon that make effective use of the opto-electronics and precision technologies that constitute the company’s strengths. As an example of the kind of contribution that we can make towards addressing environmental issues, we have begun to undertake contracted materials processing business that involves using fine riblets, which were modeled on shark skin, on the blades of aircraft propellers and wind turbines, etc. to reduce flow resistance, thereby contributing to enhanced efficiency, improved fuel consumption and reduced CO2 emissions.

As regard societal issues, with the trend towards digital transformation, there is growing worldwide demand for high-speed, high-capacity communications. Besides acquiring a U.S. company that manufactures components for small-sized satellites, large numbers of which are expected to be launched into space in the future, we are also undertaking technology development in the area of tracking optical wireless communication technology for the era of 6G mobile communications.

In line with our corporate philosophy of “Trustworthiness and Creativity,” Nikon will be formulating and implementing a corporate strategy and business strategy that are more closely integrated with our sustainability strategy, in order to make effective use of our technological capabilities to continue creating new value of the kind that only Nikon can generate.