



# Second Opinion

September 8, 2023

## NIKON CORPORATION

ESG Division  
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## Sustainability-Linked Finance Framework

Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Sustainability-Linked Finance Framework (the Framework) of NIKON CORPORATION (hereinafter, "Nikon") formulated in September 2023 with Sustainability-Linked Bond Principles 2023 of the International Capital Market Association (ICMA), Sustainability-Linked Loan Principles 2023 of LMA, APLMA and LSTA as well as Sustainability-Linked Bond Guidelines 2022 and Sustainability-Linked Loan Guidelines 2022 of the Ministry of the Environment (MOE). This opinion is based on the following views.

### ■ Outline of the Opinion

#### (1) Selection of Key Performance Indicator (KPI)

- KPI is a quantitative indicator that can be measured in a consistent manner, and is comparable with benchmarks and reference values.
  - KPI refers to the Nikon Group's greenhouse gas emissions reduction rates in Scope 1 and 2 (compared to FY2018). KPI is measured based on the Greenhouse Gas Protocol in a consistent manner. The coverage of KPI is Nikon Corporation and 80 consolidated subsidiaries in Japan and overseas in FY2022<sup>1</sup>, with coverage ratio of more than 95%. Regarding the greenhouse gas emissions in Scope 1 and 2 in FY2022, the company acquired a limited warranty from an independent third party in compliance with the ISAE 3000 and the ISAE 3400.
  - As an external benchmark against KPI, SBTi's 1.5°C standard, corporate net-zero standard, and emissions reduction target set by sector peer companies are referable.
- KPI is positioned as an important strategic indicator in "Realizing a Decarbonized Society" set in the Nikon Long-Term Environmental Vision and the related materiality, "Promoting a Decarbonized Society." As KPI of the Finance Framework, the company determined Scope 1 and 2 greenhouse gas emissions that can be reduced systematically through self-help efforts in conjunction with business activities performed inside business sites of the Nikon Group.
- In light of surfacing influence of climate change and accelerating trend toward decarbonization in society, Nikon revised its Scope 1 and 2 greenhouse gas emissions reduction targets from the former 26% to 71.4% (compared to FY2013) in February 2021, and the targets were certified by SBTi as 1.5°C-aligned in April in the same year. The company also joined the Business Ambition for 1.5°C companies led by the UN Global Compact, SBT initiative, and We Mean Business in March 2021, accelerating decarbonization efforts.
- KPI is managed by the Sustainability Committee which is under the control and supervision of the Board of Directors, and the Environmental Subcommittee which is under the control of the Committee, and the results are continuously evaluated and improved every year through the PDCA cycle.

#### (2) Calibration of Sustainability Performance Target (SPT)

- SPT is an annual target of the Nikon Group's Scope 1 and 2 greenhouse gas emissions reduction consistent with "39.4% reduction by FY2025 (compared to FY2018)" and "68.0% reduction by FY2030 (compared to FY2018)," and is Nikon's annual greenhouse gas emissions reduction target along the process of its emissions reduction which meets SBT 1.5°C-aligned annual targets. In April 2021, the Nikon Group's target "71.4% reduction of Scope 1 and 2 greenhouse gas emissions by FY2030 (compared to FY2013)," set in the Nikon Medium-Term Environmental Goals, were certified by SBTi as 1.5°C-aligned. "68.0% reduction by FY2030 (compared to FY2018)" was set after revising the base year from FY2013 to FY2018 (the target for greenhouse gas emissions (absolute amount) in FY2030 of SPT is the same as the target announced in the "Nikon Medium-Term Environmental Goals"), expecting a linearly interpolated reduction rate of 5.6% per year. "39.4% reduction by FY2025 (compared to FY2018)" was set in consistent with "68.0% reduction by FY2030 (compared to FY2018)" for the target period, expecting a linearly interpolated reduction rate of 5.6% per year.
- Nikon's SPT is an ambitious target on the following points and backed by appropriate plans.
  - "39.4% reduction by FY2025 (compared to FY2018)," "68.0% reduction by FY2030 (compared to FY2018),"

<sup>1</sup> 20 companies including private funds, companies under liquidation proceedings, and companies which recently joined the Nikon Group through mergers and acquisition are ineligible.

and each annual target set along the reduction process which is aligned with these two targets exceed the minimum reduction of 4.2% per year required by SBT1.5°C standard and corporate net zero standard with respect to Scope 1 and 2 greenhouse gas emissions.

- SPT exceeds the targets of sector peer companies. Canon set its reduction target at 38% by FY2030 (Scope 1 and 2 greenhouse gas emissions, compared to FY2021), and Seiko Epson set its reduction target at 34% by FY2025 (Scope 1 and 2 greenhouse gas emissions, compared with FY2017), both expecting a reduction of 4.2% per year.
- The Nikon Group plans to achieve the SPT by introducing renewable energy and improving production facilities and processes. By utilizing in-house power generation, electricity planning, and green electricity certificates, etc., the Group aims to achieve the renewable energy introduction rate of 30% or higher by FY2030. As for production facilities and processes, the Nikon Group will steadily conserve energy on the preconditions that there is no quality deterioration and an adverse affect on production. Optical technologies, one of the core technologies of the Nikon Group, is supported by optical glass with high performance and quality. The development and manufacturing processes for optical glass use high temperatures from melting furnaces and require repeated experiments, so the manufacturing process requires a lot of energy. The Nikon Group has therefore focused attention on how its approach quality engineering. In order to achieve significant efficiency gains in the development and manufacturing processes for optical glass, Nikon has worked to improve evaluation methods, use simulations to reduce the number of experiments, shorten lead times, and improve the accuracy of its stamping (metalworking). The Group will apply the insights gained through the significant reduction of energy consumption, greenhouse gas emissions and waste emissions to other development and production processes, for further reduction of environmental burden.

### (3) Bond Characteristics

- The company is required to i) step up/down in interests rate, ii) make a donation, or iii) purchase emission credits or certificates. KPI and SPT, business year subject to SPT judgment and SPT judgment date, and requirements and application conditions for SPT that define the financial and structural characteristics of the sustainability-linked finance will be expressly stated in statutory disclosure documents at the time of bond issuance, or contract documents at the execution of loans.
  - i) For step up/down in interests rate, interests rate will be determined and applied in accordance with SPT requirements specified by statutory disclosure documents and contract documents for the period that started immediately after SPT judgment date (or the year to which the SPT judgment date belongs) until redemption/repayment date.
  - ii) For donation, the company is required to make a donation that satisfies the SPT requirements specified by statutory documents and contract documents during the period from SPT judgment until redemption/repayment date. When donating, the company will select a recipient candidate among eligible public interest incorporated associations, public interest foundations, international organizations, local government certified non-profit organizations, local government, and similar organizations, taking the causes of unachievement into consideration. Donation shall be conducted independently based on the characteristics of the sustainability-linked finance, and may not affect the other acts of donation.
  - iii) When purchasing emission credits or certificates, the company is required to purchase, during the period from SPT judgment date until the date of redemption/repayment, either emission credits (CO2 reduction value is used as credit) or certificates (including green electricity certificates, non-fossil fuel certificates, I-REC, etc.) in an amount in accordance with a rate specified by statutory documents or contract documents. When unable to purchase emission credits or certificates due to force majeure events (a change in a trading system regulation, etc.), the company will donate to an eligible recipient and disclose the name of the recipient and the amount donated on its website.
- Cash flows of each financing are linked to the results of SPT judgment, which function as an economic incentive of Nikon. The financial and structural characteristics of the sustainability-linked finance strengthens Nikon's commitment to its materiality, "Promoting a Decarbonized Society."

### (4) Reporting

- As for reporting based on the Finance Framework, actual performance from the year following the execution of each financing until the business year subject to judgment will be disclosed annually on Nikon's website. Reporting items to be disclosed include performance of the KPI, performance against the SPT, up-to-date information of Sustainability strategies relative to the KPI and SPT. When Nikon makes a donation in accordance with the characteristic of the sustainability-linked finance, the company will disclose the names of eligible recipients and the amount of donations (when purchasing emission credits or certificates, the amount and name, etc. of the emission credits or certificates purchased) on its website.

### (5) Verification

- Regarding actual KPI figures and the status of SPT achievement, the company will obtain a verification report from an independent third party to ensure fairness, accuracy, and transparency, and disclose the result on its website.

## Overview of Nikon and Purpose of the Finance Framework

### (1) Overview of Nikon

- A major Mitsubishi-owned optics manufacturer. Nikon was established in 1917 with a private investment of Koyata Iwasaki for the purpose of domestically producing optical equipment. The company's mainstream business is development and manufacture of flat panel displays (FPDs) for liquid crystals, semiconductor exposure devices, and digital cameras, etc., and its competitive strength comes from light utilization technology and precision technology which are recognized globally. Mainly targeting overseas customers, the company has about 100 business sites located in Japan, the U.S., Europe, Asia and other regions.
- In December 2022, the company was named to the CDP<sup>2</sup> Climate Change A List, an award granted to companies with best practice in environmental management, for 4 consecutive years, and was also named CDP Supplier Engagement Leader.

### (2) Purpose of the Finance Framework

- Nikon formulated the Sustainability-Linked Finance Framework in accordance with the Sustainability-Linked Bond Principles (2023) prepared by ICMA and the Sustainability-Linked Loan Principles (2023) prepared by LMA. The Finance Framework sets forth a comprehensive framework on the precondition that the company will continue financing through the sustainability-linked finance.
- Based on the consideration about the growing importance of climate change initiatives and accelerating trend toward decarbonization in society, the company set 2030 greenhouse gas emissions reduction targets in conformity with the SBT1.5°C in February 2021. The company established the Finance Framework based on the targets, and will strengthen the commitment to the materiality of the Nikon Group, "Promoting a Decarbonized Society" through sustainability-linked finance.

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<sup>2</sup> CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000, it is working with more than 740 financial institutions with over \$130 trillion in assets. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies' worth half of global market capitalization, and over 1,100 cities, states and regions.

## 1. Selection of Key Performance Indicator (KPI)

"Selection of KPI" conforms to the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023, Sustainability-Linked Bond Guidelines 2022, and Sustainability-Linked Loan Guidelines 2022 in the following respects:

### (1) Outline of KPI

- KPI is a quantitative indicator that can be measured in a consistent manner, and is comparable with benchmarks and reference values.
  - KPI refers to the Nikon Group's greenhouse gas emissions reduction rates in Scope 1 and 2 (compared to FY2018). KPI is measured based on the Greenhouse Gas Protocol in a consistent manner. The coverage of KPI is Nikon Corporation and 80 consolidated subsidiaries in Japan and overseas in FY2022<sup>3</sup>, with coverage ratio of more than 95%. Regarding the greenhouse gas emissions in Scope 1 and 2 in FY2022, the company acquired a limited warranty from an independent third party in compliance with the ISAE 3000 and the ISAE 3400.
  - Nikon is currently applying to SBTi's certification to the corporate net-zero standard, with the base year revised from the former FY2013 to FY2018. The new SBT1.5°C and net-zero standard for the corporate sector require base year to be FY2015 or later. Based on this, the company set FY2018 as the new base year, the year before being affected by a decreasing production due to the COVID-19.
  - As an external benchmark against KPI, SBTi's 1.5°C standard, corporate net-zero standard, and emissions reduction target set by sector peer companies are referable.

#### ■ KPI Results

	FY2018	FY2019	FY2020	FY2021	FY2022
Total greenhouse gas emissions in Scopes 1 and 2 (t-CO <sub>2</sub> e)	233,131	209,900	195,677	193,086	174,867*
Reduction rate (compared to FY2018,%)	-	10.0%	16.1%	17.2%	25.0%

\*Verified by an independent third party.

[Source: Prepared by R&I based on Nikon Corporation Sustainability-Linked Finance Framework]

### (2) Materiality of KPI

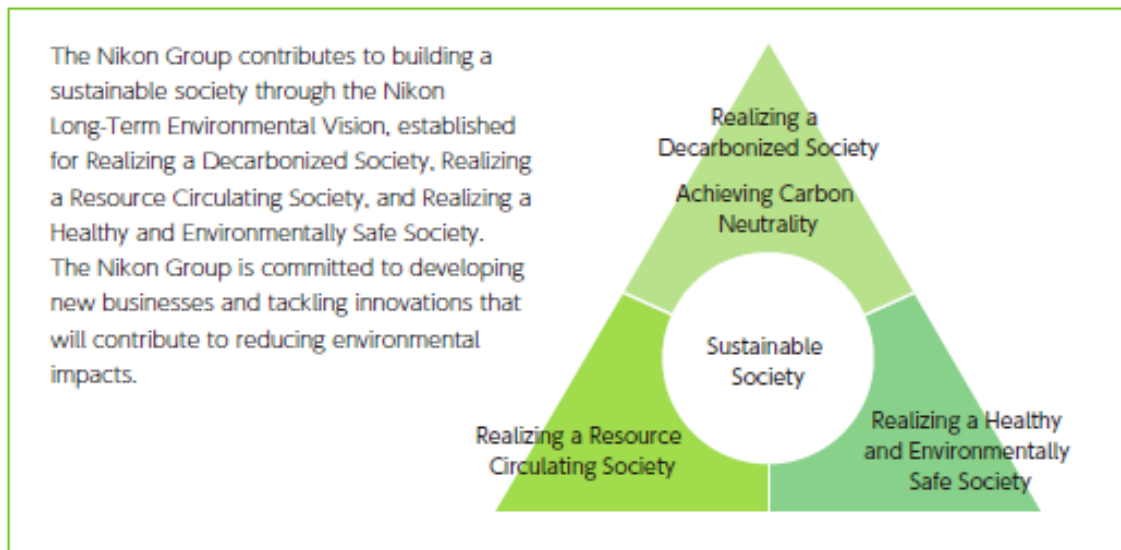
- KPI is positioned as an important strategic indicator in the Nikon Group's materiality, "Promoting a Decarbonized Society."
  - In order to respond to environmental risks and regulations actively, the Nikon Group formulated the Nikon Long-Term Environmental Vision in view of FY2050. Toward "Realizing a Decarbonized Society," "Realizing a Resource Circulating Society," and "Realizing a Healthy and Environmentally Safe Society" as three pillars which are considered especially important, the company strives for the creation of new businesses and innovation. With respect to Realizing a Decarbonized Society, the company strives for achievement of carbon neutrality by FY2050.
  - The Nikon Group specified 12 materialities in four areas including business activity, environment, society/labor, and governance. The company referred to GRI<sup>4</sup>, the ISO 26000 framework, etc., the

<sup>3</sup> 20 companies including private funds, companies under liquidation proceedings, and companies which recently joined the Nikon Group through mergers and acquisition are ineligible.

<sup>4</sup> GRI stands for Global Reporting Initiative. An international non-profit organization that established the GRI Standard which provides guidelines for sustainability reporting.

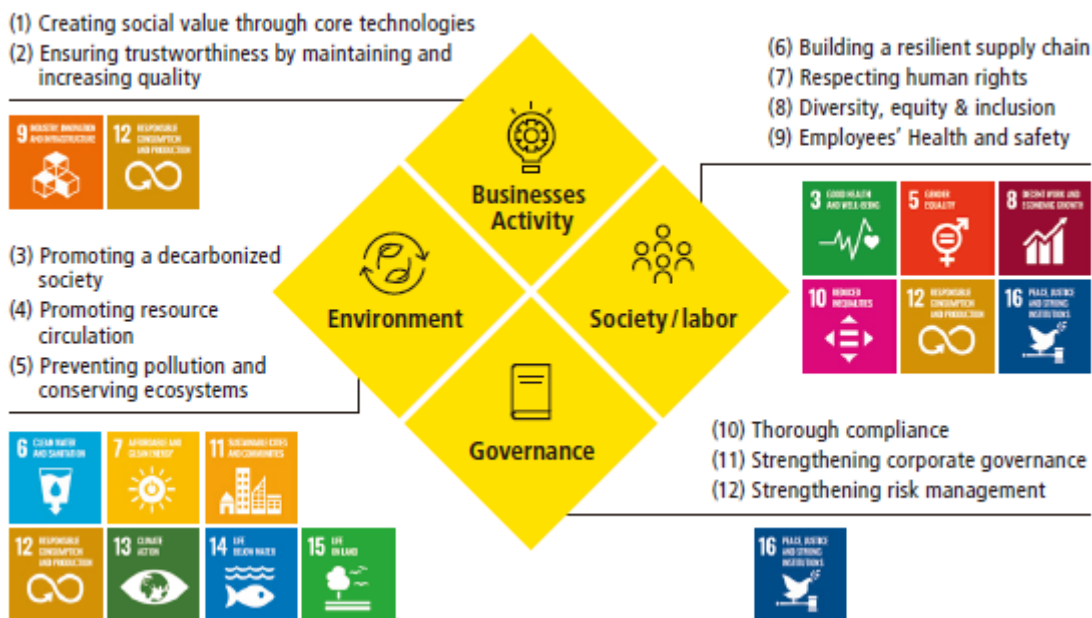
UN Global Compact and the Sustainable Development Goals (SDGs) in the materiality candidates identification process, and evaluated identified materiality based on two axis: the degree of impact on society and the degree of impact on stakeholders. Considering “Promoting a Decarbonized Society” as materiality related to “Realizing a Decarbonized Society” set in the Nikon Long-Term Environmental Vision, the company implements initiatives based on the Nikon Medium-Term Environmental Goals for FY2030.

■ Nikon Long-Term Environmental Vision (Target period: FY2050)



[Source: Nikon Sustainability Report 2023]

■ 12 Materialities



[Source: Nikon Company Profile 2023-2024]

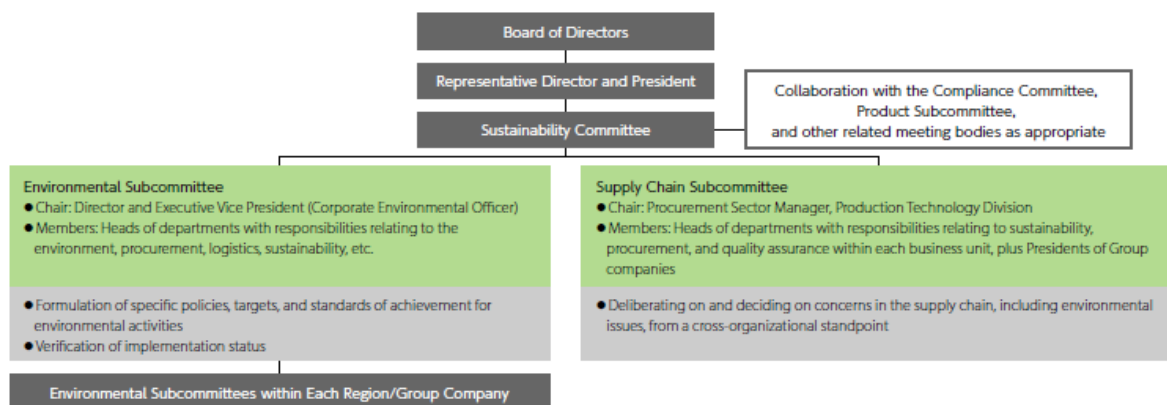
- Nikon set Scope 1 and 2 greenhouse gases emissions reduction targets and Scope 3 GHG emissions<sup>5</sup> reduction targets as the Nikon Medium-Term Environmental Goals concerning “Realizing a Decarbonized Society.” As KPI of the Finance Framework, the company determined Scope 1 and 2 greenhouse gas emissions that can be reduced systematically through self-help

<sup>5</sup> Total emissions in three categories related to production: 1 (Purchased products and services), 4 (Upstream transport and delivery), and 11 (Use of products sold)

efforts in conjunction with business activities performed inside business sites of the Nikon Group.

- In light of surfacing influence of climate change, Nikon revised its Scope 1 and 2 greenhouse gas emissions reduction targets set in the Nikon Medium-Term Environmental Goals from the former 26% to 71.4% (compared to FY2013) in February 2021, and the targets were certified by SBTi as 1.5°C-aligned in April in the same year. The company also joined the Business Ambition for 1.5°C companies led by the UN Global Compact, SBT initiative, and We Mean Business in March 2021, accelerating decarbonization efforts.
- KPI is managed by the Sustainability Committee which is under the control and supervision of the Board of Directors, and the Environmental Subcommittee which is under the control of the Committee, and the results are continuously evaluated and improved every year through the PDCA cycle.
  - Based on the Sustainability Policy, the Sustainability Committee has been established to ensure appropriate actions are taken, including fostering sustainability awareness, conducting education and training, and monitoring sustainability-related activities. The Sustainability Committee is chaired by Representative Director and President and has members from the Executive Committee and others. The Sustainability Committee convenes twice a year to make overall decisions about activities relevant to sustainability, including the environment, such as setting goals relating to materiality, receiving progress reports on activities, and issuing directions for improvement as required.
  - The Environmental Subcommittee under the Sustainability Committee formulates specific policies, targets, and achievement criteria in relation to the Nikon Group’s environmental issues and environmental activities, verifies implementation status, and promotes relevant response measures, in line with the Nikon Long-Term Environmental Vision. The Environmental Subcommittee is chaired by the Director and Executive Vice President, who is also the Corporate Environmental Officer and convenes twice a year. Members of the Environmental Subcommittee are heads of the departments with responsibilities relating to the environment, procurement, logistics, and sustainability.
  - Details from the Sustainability Committee are reported to the Board of Directors once a year. On these occasions, the Board verifies the Nikon Medium-Term Environmental Goals, including climate change-related goals, and the progress made towards achieving them. In fiscal year 2022, Nikon reported to the Board of Directors on its initiatives for decarbonization and resource circulation under its medium-term management plan. Nikon also communicated the direction of information disclosures based on TCFD. The Board oversees and manages the effectiveness of sustainability-related activities from a management perspective and incorporates these activities into the Group’s overall strategy.

■ Nikon Group’s Environmental Management Promotion System (As of April 1, 2023)



[Source: Nikon Sustainability Report 2023]

## 2. Calibration of Sustainability Performance Target (SPT)

"Calibration of SPT" conforms to the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023, Sustainability-Linked Bond Guidelines 2022, and Sustainability-Linked Loan Guidelines 2022 in the following respects:

### (1) Overview of SPT

SPT is as follows.

- SPT is an annual target of the Nikon Group's Scope 1 and 2 greenhouse gas emissions reduction consistent with "39.4% reduction by FY2025 (compared to FY2018)" and "68.0% reduction by FY2030 (compared to FY2018)," and is Nikon's annual greenhouse gas emissions reduction target along the process of its emissions reduction which meets SBT 1.5°C-aligned annual targets.
- In April 2021, the Nikon Group's target "71.4% reduction of Scope 1 and 2 greenhouse gas emissions by FY2030 (compared to FY2013)," set in the Nikon Medium-Term Environmental Goals, were certified by SBTi as 1.5°C-aligned. "68.0% reduction by FY2030 (compared to FY2018)" was set after revising the base year from FY2013 to FY2018 (the target for greenhouse gas emissions (absolute amount) in FY2030 of SPT is the same as the target announced in the "Nikon Medium-Term Environmental Goals"), expecting a linearly interpolated reduction rate of 5.6% per year. "39.4% reduction by FY2025 (compared to FY2018)" was set in consistent with "68.0% reduction by FY2030 (compared to FY2018)" for the target period, expecting a linearly interpolated reduction rate of 5.6% per year.
- As for Scope 1 and 2 greenhouse gas emissions, the Nikon Group set "68.0% reduction by FY2030 (compared to FY2018)" as a short-term SBT and net-zero emissions by FY2050 as a long-term SBT, and has applied to be certified by SBTi to be corporate net zero-aligned.

### (2) Ambitiousness of SPT

#### ① Ambitiousness of SPT

- Nikon's SPT is an ambitious target on the following points.
  - "39.4% reduction by FY2025 (compared to FY2018)," "68.0% reduction by FY2030 (compared to FY2018)," and each annual target set along the reduction process which is aligned with these two targets exceed the minimum reduction of 4.2% per year required by SBT1.5°C standard and corporate net zero standard with respect to Scope 1 and 2 greenhouse gas emissions.
  - SPT exceeds the targets of sector peer companies. Canon set its reduction target at 38% by FY2030 (Scope 1 and 2 greenhouse gas emissions, compared to FY2021), and Seiko Epson set its reduction target at 34% by FY2025 (Scope 1 and 2 greenhouse gas emissions, compared with FY2017), both expecting a reduction of 4.2% per year.

#### ② Appropriateness of strategies toward achievement of SPT

- The Nikon Group plans to achieve the SPT by introducing renewable energy and improving production facilities and processes.
- As for renewable energy, the Nikon Group will accelerate the efforts based on a roadmap toward the achievement of the Nikon Medium-Term Environmental Goals. By utilizing in-house power generation, electricity planning, and green electricity certificates, etc., the Group aims to achieve the renewable energy introduction rate of 18% by FY2025 which is the final year of the Medium-Term Management Plan (for the period from FY2022 to FY2025), and 30% or higher by FY2030.
- As for production facilities and processes, the Nikon Group will steadily conserve energy on the preconditions that there is no quality deterioration and an adverse affect on production. Optical technologies, one of the core technologies of the Nikon Group, is supported by optical glass with high

performance and quality. The development and manufacturing processes for optical glass use high temperatures from melting furnaces and require repeated experiments, so the manufacturing process requires a lot of energy. The Nikon Group has therefore focused attention on how its approach quality engineering. In order to achieve significant efficiency gains in the development and manufacturing processes for optical glass, Nikon has worked to improve evaluation methods, use simulations to reduce the number of experiments, shorten lead times, and improve the accuracy of its stamping (metalworking). The Group will apply the insights gained through the significant reduction of energy consumption, greenhouse gas emissions and waste emissions to other development and production processes, for further reduction of environmental burden.

- When planning new equipment installation at all Nikon Group business facilities, one important process is energy saving checks, and determining whether or not to install the equipment based on these checks. After the equipment has been installed, its energy use is monitored, and its performance is managed compared to the forecast. Furthermore, a range of energy saving initiatives are ongoing at each business facility, including switching over to energy saving lights, using motion sensor-equipped lighting, and working to make air conditioning equipment and office machinery more efficient. Major energy-saving measures implemented at individual business sites are as follows.
  - Adjusting design and development: Reducing experiments and prototyping through effective use of AI, CAE, and external technical information
  - Conserving energy in production equipment: Integrating and replacing production equipment, and making existing equipment more energy-efficient
  - Enhancing productivity: Improving conformity rates through IE analysis, optimizing work flow lines and production spaces, and automating production
  - Upgrading transformer equipment: Switching over to highly efficient receiving and transformer equipment
  - Adjusting utilization of transformer equipment: Integrating transformers, reducing electricity consumption from equipment on standby, and switching equipment off when not in use
  - Upgrading air conditioning equipment: Improving cooling efficiency and streamlining equipment footprint through replacement of cooling and refrigeration equipment, reducing power consumption by replacing motors
  - Adjusting air conditioning usage: Optimizing temperature and humidity settings and scheduling usage periods
  - Reducing heat dissipation and heat absorption loss: Insulating piping and exterior walls, optimizing heat exchangers, integrating piping and bypasses
  - Adjusting building facilities: Upgrading to insulating window glasses and energy-saving elevators
  - Conserving energy in lighting: Switching over to LED lights, adjusting the spacing of lights, and adjusting brightness
  - Conserving energy in vacuums and compressed air equipment: Switching over to highly efficient pumps, adopting bypassing for piping, optimizing pressure, and optimizing pump operation controls
  - Adjusting water usage: Improving the efficiency of water pumps installed in receiving tanks and optimizing piping
  - Upgrading company vehicles: Purchase environmentally friendly vehicles (electric vehicles, fuel cell vehicles, etc.)
  - Improving driving practices for company vehicles: Achieving energy-efficient driving through training to optimize driving styles and making use of driving recorder analysis

### ③ Contribution to SDGs

- In terms of SDGs, the SPT is considered to contribute to "7. Ensure access to affordable, reliable, sustainable and modern energy for all" and "13. Take urgent action to combat climate change and its impacts."





### 3. Bond Characteristics

"Bond characteristics" conform to the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023, Sustainability-Linked Bond Guidelines 2022, and Sustainability-Linked Loan Guidelines 2022 in the following respects:

- The company is required to i) step up/down in interests rate, ii) make a donation, or iii) purchase emission credits or certificates. The company shall discuss with a funder and/or a sustainability structuring agent and set the business year subject to SPT judgment, SPT judgment date, and requirements and application conditions for each SPT to ensure that the incentive/disincentive continues to function until the redemption/repayment date of each financing. KPI and SPT, business year subject to SPT judgment and SPT judgment date, and requirements and application conditions for SPT that define the financial and structural characteristics of the sustainability-linked finance will be expressly stated in statutory disclosure documents at the time of bond issuance, or contract documents at the execution of loans.
- i) For step up/down in interests rate, interests rate will be determined and applied in accordance with SPT requirements specified by statutory disclosure documents and contract documents for the period that started immediately after SPT judgment date (or the year to which the SPT judgment date belongs) until redemption/repayment date. ii) For donation, the company is required to make a donation that satisfies the SPT requirements specified by statutory documents and contract documents during the period from SPT judgment until redemption/repayment date. When donating, the company will select a recipient candidate among eligible public interest incorporated associations, public interest foundations, international organizations, local government certified non-profit organizations, local government, and similar organizations, taking the causes of unachievement into consideration. Donation shall be conducted independently based on the characteristics of the sustainability-linked finance, and may not affect the other acts of donation. iii) When purchasing emission credits or certificates, the company is required to purchase, during the period from SPT judgment date until the date of redemption/repayment, either emission credits (CO2 reduction value is used as credit) or certificates (including green electricity certificates, non-fossil fuel certificates, I-REC, etc.) in an amount in accordance with a rate specified by statutory documents or contract documents. When unable to purchase emission credits or certificates due to force majeure events (a change in a trading system regulation, etc.), the company will donate to an eligible recipient and disclose the name of the recipient and the amount donated on its website.
- Cash flows of each financing are linked to the results of SPT judgment, which function as an economic incentive of Nikon. The financial and structural characteristics of the sustainability-linked finance strengthens Nikon's commitment to its materiality, "Promoting a Decarbonized Society."
- To a financing based on the Finance Framework, the items provided by the Finance Framework will apply until the date of redemption or repayment of the financing, in principle. However, on the occurrence of events that may have a material impact on methods to measure KPI, SPT settings, and other preconditions and the scope of KPI (e.g., M&A activities, significant changes in regulations, or occurrence of unusual events), SPT of such financings may also be reviewed. (In that case, revisions will be disclosed on Nikon's website.)

## 4. Reporting

"Reporting" conforms to the Sustainability-Linked Bond Principles2023, Sustainability-Linked Loan Principles 2023, Sustainability-Linked Bond Guidelines 2022, and Sustainability-Linked Loan Guidelines 2022 in the following respects:

- As for reporting based on the Finance Framework, actual performance from the year following the execution of each financing until the business year subject to judgment will be disclosed annually on Nikon's website. Reporting items to be disclosed include performance of the KPI, performance against the SPT, up-to-date information of Sustainability strategies relative to the KPI and SPT.
- When Nikon makes a donation in accordance with the characteristic of the sustainability-linked finance, the company will disclose the names of eligible recipients and the amount of donations (when purchasing emission credits or certificates, the amount and name, etc. of the emission credits or certificates purchased) on its website.

## 5. Verification

"Verification" conforms to the Sustainability-Linked Bond Principles2023, Sustainability-Linked Loan Principles 2023, Sustainability-Linked Bond Guidelines 2022, and Sustainability-Linked Loan Guidelines 2022 in the following respects:

- Regarding actual KPI figures and the status of SPT achievement, the company will obtain a verification report from an independent third party to ensure fairness, accuracy, and transparency, and disclose the result on its website.

**[Disclaimer]**

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As a general rule, R&I issues a Second Opinion for a fee paid by the issuer.

Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.

**[Expertise and Third-Party Characteristics]**

R&I has launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment.

The R&I assessment method and results can be found on the R&I website (<https://www.r-i.co.jp/en/rating/esg/index.html>).

There is no capital or personal relationship between R&I and the fundraiser that could create a conflict of interest.