

Sustainability Materiality

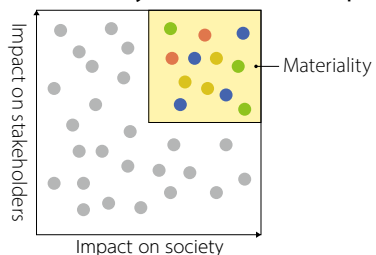
Identification of Materiality

The Nikon Group identifies materiality in order to ensure the efficient and steady implementation of sustainability measures. With this, we implement a process of goal setting, progress management, evaluation, and improvement for each materiality, and are developing sustainability activities for our departments and employees.

In addition, the Nikon Group reviews materiality every one to three years in response to changes in society and the business environment.

Specifically, we begin by identifying social issues from the GRI Standards, ISO 26000, the UN Global Compact, the Sustainable Development Goals (SDGs), and other standards. Issues of particular relevance to the Nikon Group are then extracted on the basis of analyses of the Group's value chain and our corporate vision. Next, to identify materiality candidates, the Nikon Group assessed the degree of impact of the identified social issues. 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. Finally, after a validity assessment and repeated discussions at the management level, materialities were identified, and the Nikon Group's visions and goals for each issue were approved by the Executive Committee.

Materiality Extraction Concept

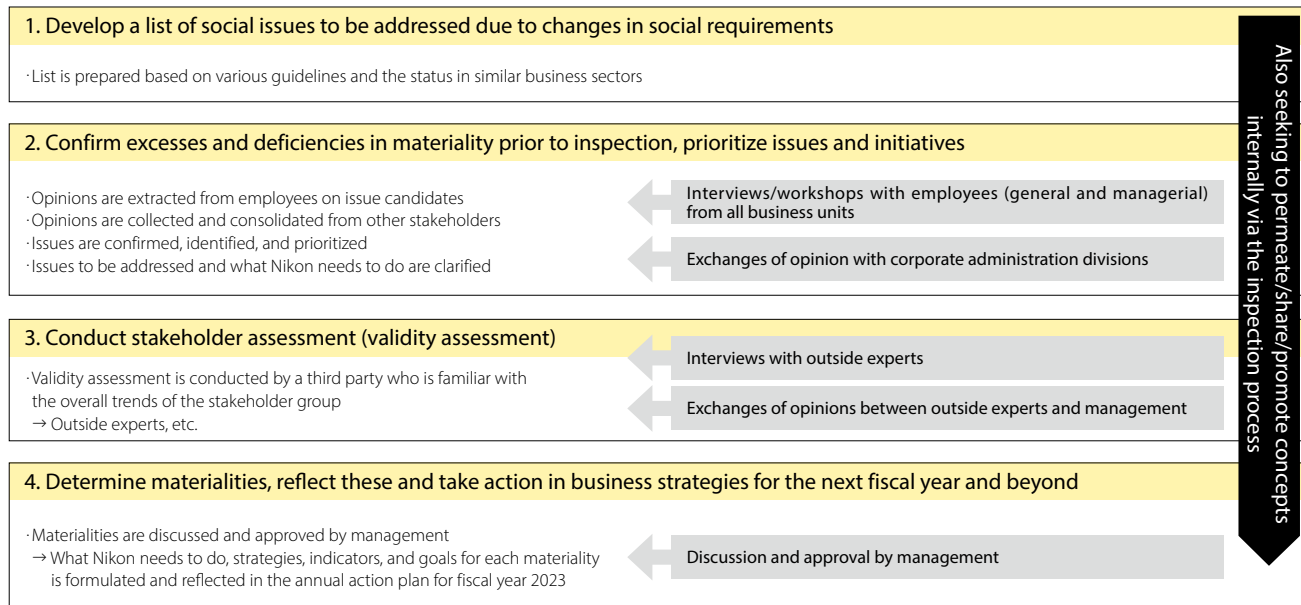


Materiality Inspection

In January 2021, the Nikon Group selected 12 materialities in four areas. However, with the new Medium-Term Management Plan announced in April 2022, we conducted inspections to ensure that our materiality efforts would lead to the realization of our Vision 2030. In the process, interviews and workshops were conducted with all business units a total of 16 times to gather a wide range of employee opinions. In addition, outside experts and management held discussions at the Sustainability Committee making efforts to ensure that inspections were conducted from a stakeholder perspective.

As a result, the previous materiality structure of four areas and 12 items was retained, but Materiality 6, Strengthening Supply Chain Management, was changed to Building a Resilient Supply Chain, and Materiality 8, Diversity & Inclusion, was changed to Diversity, Equity & Inclusion. In addition, we have defined visions for each materiality which Nikon needs to do in order to achieve the Vision 2030 as presented in our Medium-Term Management Plan. Furthermore, we have positioned the Nikon Group's efforts to appropriately address both risks and opportunities as strategies, and have established indicators and targets for each strategy.

Materiality Inspection Process

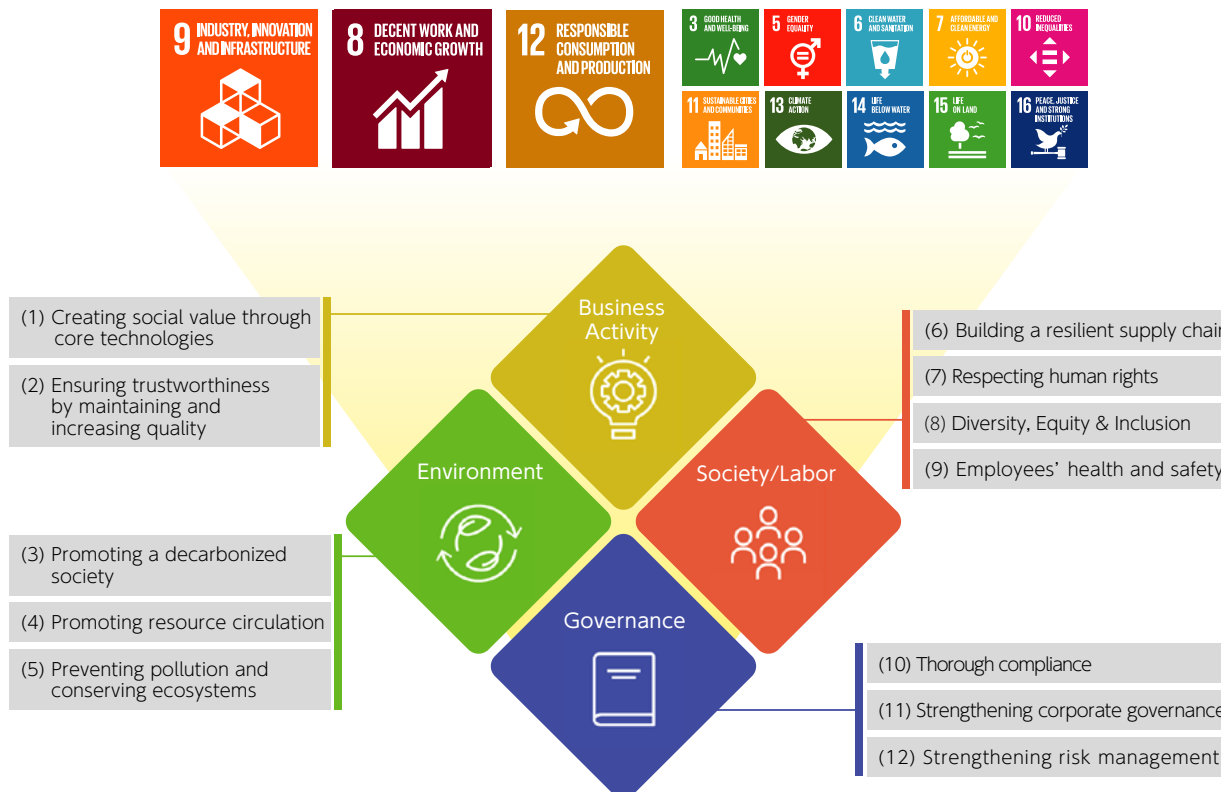


Materiality and SDGs

The Nikon Group has identified 12 materialities in the four areas of Business Activity, Environment, Society/Labor, and

Governance. We aim to contribute to the achievement of the SDGs by 2030 by setting forth visions and strategies for each materiality and working on goals and annual action plans based on these.

● Materiality and Related SDGs



PDCA Cycle Implementation 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.

In addition, in order to clarify management's responsibility for achieving goals, effective June 2022, we have revised the performance-based stock compensation system for Nikon's executives, allocating 10% of evaluation factor scoring to efforts for strengthening the management base, such as sustainability strategies and human capital management.

Materiality Goals

In conjunction with the materiality inspection for fiscal year 2022, the Nikon Group has set forth visions and strategies for each materiality, and formulated goals and annual action plans based on these. By managing the progress of these efforts, we will steadily advance our initiatives.

● Materiality Goals and Fiscal Year 2023 Plan

Materiality		Risk	Opportunity	SDGs Contributed To	Vision	Strategy	Indicator	Goal (Achievement Year)	Fiscal Year 2023 Plan (Action Plan)
Business Activity	Materiality 1 Creating social value through core technologies	Customer defection due to the inability to deliver solutions that contribute to customer experience value and innovation creation in an increasingly diverse society	Contributing to solving social issues by delivering solutions that transform social systems and lifestyles	9	A Key Technology Solutions Company in a Global Society Where Humans and Machines Co-Create Seamlessly	Expansion of growth drivers, services and components	Growth drivers as a percentage of consolidated operating profit	40% or more (FY2030)	*Annual plan for each business unit and division
							Services and components as a percentage of consolidated operating profit	50% or more (FY2030)	
	Materiality 2 Ensuring trustworthiness by maintaining and increasing quality	Customer defection and loss of social credibility due to failure to ensure quality that leads to customer satisfaction, including safety and environmental correspondence	Earning the trust of customers and society by ensuring and improving quality in response to changing customer needs	12	Providing competitive products and services with safe, environmentally friendly and information security	Advancement and establishment of quality management	Degree of achievement of the plan to review the quality management system in response to changes in the business environment	100% (every fiscal year)	Revision of Quality Management Directive (QMD)
							Quality management system operation status monitoring/ Percentage of improvement plans in place	100% (every fiscal year)	Completion of assessment implementation based on annual plan (at least eight departments/ companies)
						Comprehension of basic training on quality (division, business units, Group manufacturing companies)	80% or more (FY2025)	Training participation rate: 80% or more (business units, Group manufacturing companies in Japan)	

Materiality		Risk	Opportunity	SDGs Contributed To	Vision	Strategy	Indicator	Goal (Achievement Year)	Fiscal Year 2023 Plan (Action Plan)
Environment	Materiality 3 Promoting a decarbonized society	Increased business costs and increased investment due to failure to respond to global trends toward achieving the 1.5° C target	Reducing greenhouse gases in our supply chain to maintain the trust of our customers and society Expanding business by delivering solutions that contribute to the decarbonization of society	7,13	Achieving carbon neutrality throughout the supply chain by FY2050	GHG emission reduction in Scope 1, 2, and 3 and accelerate introduction of renewable energy	GHG emission reduction rate of Scope 1 and 2 (compared to FY2013)	71.4% (FY2030)	36.5%
							GHG emission reduction rate of 3 categories* in Scope 3 ^{*1} (compared to FY2013)	31% (FY2030)	Reduce environmental impact by making effective use of the LCA methodology 50% or more creation of eco-friendly products
							Renewable energy adoption rate	30% (FY2030)	25%
	Materiality 4 Promoting resource circulation	Increased business costs and divestment in a mass-production, mass-consumption, mass-disposal economy	Fulfilling customer and societal expectations by transitioning to a circular economy	6,11,12	Minimizing resource consumption and maximizing resource circulation throughout the supply chain	Reducing resource consumption and waste, etc.	Rate of reduction in total discharged waste (compared to FY2018)	10% or more (FY2030)	3% or more
							Rate of freshwater consumption reduction (compared to FY2018)	5% (FY2030)	2% or more
							Rate of use of recycled materials for products	5% or more (FY2030)	*Targets set for each business unit and division
	Materiality 5 Preventing pollution and conserving ecosystems	Penalties and brand damage incurred due to failure to reduce environmental impact throughout the product life cycle	Fulfilling customer and societal expectations through achieving a nature-positive position	6,11,12,14,15	Have zero negative impacts on human health and ecosystems in the supply chain	Appropriate use of chemical substances and reduction of ecological impact and dependence	Use of hazardous chemical substances in manufacturing processes	Use zero (FY2030)	Implementation of measures to abolish prohibited substances
							Inclusion of hazardous chemical substances in products	Containing zero (FY2030)	Compliance with laws and regulations of each country and strengthening of management systems
							Percentage of FSC-certified or recycled paper (catalogs, instruction manuals, packaging boxes)	100% (FY2030)	Implementation of measures according to paper usage

*1 Three categories: Purchased goods and services, upstream transportation & distribution, and use of sold products.

Materiality		Risk	Opportunity	SDGs Contributed To	Vision	Strategy	Indicator	Goal (Achievement Year)	Fiscal Year 2023 Plan (Action Plan)
Society/Labor	Materiality 6 Building a resilient supply chain	Brand damage due to discovery of human rights and environmental issues in the supply chain	Earning customer trust through stable business development based on a sustainable supply chain	8,12	A sustainable supply chain that remains sound at all times in the face of business risks and social issues	Building a mechanism for supply chain risk assessments and immediate emergency response	Percentage of human rights due diligence conducted ² (critical procurement partners)	100% (FY2025)	100% CSR questionnaire diagnosis rate for critical procurement partners Conducting CSR audits with and requesting improvements from critical procurement partners
		Loss of business opportunities due to supply chain instability					Understanding BCP systems in the supply chain ³	100% (FY2025)	Procurement partner location information visualization (13 companies) Conducting BCP system surveys for procurement partners (50 or more companies) Provision of support for procurement partners for which system establishment is necessary
	Materiality 7 Respecting human rights	Brand damage, loss of trust, and penalties due to discovery of human rights issues	Maintaining stakeholder trust by reducing human rights risks and fostering a corporate culture that respects human rights	8,10,16	Minimizing human rights risks throughout the value chain	Spreading awareness of human rights via the Nikon Human Rights Policy and conducting human rights due diligence	Level of awareness of Nikon Human Rights Policy	100% (FY2030)	Human rights training participation rate: 95% or more (Nikon Group in Japan)
							Conformity rate of RBA Code of Conduct (manufacturing facilities)	90% or more (FY2025)	Analysis of RBA self-check sheets and implementation of improvements
	Materiality 8 Diversity, Equity & Inclusion	Decreased ability to acquire human resources and outflow of human resources, homogeneity in decision making, and deterioration of corporate image	Improving employee engagement, encouraging innovation, and enhancing responsiveness to diversifying social issues and customer needs	5,8,10	Realizing a corporate culture that welcomes diversity and harnesses it in business activities	Spreading awareness of the Nikon Global Diversity, Equity & Inclusion Policy, creating an environment in which diverse human resources can participate fully, and applying DEI to business activities	Level of awareness of Nikon Global EDI Policy	100% (FY2030)	Formulation of DEI policy and publishing content for understanding and encouragement Establishment of promotion system and priority DEI themes to be addressed by each company and business
							Percentage of female managers (Nikon)	8.0% or more (FY2025)	Percentage of female managers: 7.5%+ Percentage of female new hires: 25%+
	Materiality 9 Employees' health and safety	Decreased productivity due to occupational accidents and poor performance, and decreased stakeholder confidence	Improving business plan execution through healthy, safe, and fulfilling work for all	3,8	Allowing each individual to fulfill their potential with a sense of physical and mental health in a safe and comfortable working environment	Raising awareness of the Nikon Group Health and Safety Policy and implementing health and safety activities	Percentage of findings in periodic health checkups (Nikon)	Below the previous national average ⁴ (every fiscal year)	57.3% or less · Health guidance and recommendations for medical checkups by occupational health staff · Health education
							Occupational accidents that are attributable to work and related to the performance of work	60 or less (FY2025)	Risk assessments (new processes and after disasters) Safety education Sharing of health and safety information
							High stressed person rates in stress checks (Nikon)	Below the previous national average ⁵ (every fiscal year)	15% or less · Individual counseling · Mental health education

*2 If a CSR questionnaire diagnosis or CSR audit reveals rectification is necessary, this is carried out until improvements are completed.

*3 Managed as the number of suppliers requiring establishment of a BCP system.

*4 National average for the manufacturing industry as published by the Ministry of Health, Labor and Welfare.

*5 National average as published by stress check contractors.

Materiality		Risk	Opportunity	SDGs Contributed To	Vision	Strategy	Indicator	Goal (Achievement Year)	Fiscal Year 2023 Plan (Action Plan)
Governance	Materiality 10 Thorough compliance	Loss of stakeholder trust, brand damage, and penalties due to serious compliance violations	Maintaining society's trust through ethical and good-faith behavior in accordance with international guidelines	16	Zero compliance violations	Spreading awareness of the Nikon Code of Conduct	Establishment of compliance awareness ^{*6}	95% or more (FY2025)	Code of Conduct education: Implemented throughout the Nikon Group (100% implementation rate by number of companies) Individual issue education (competition laws, harassment, etc.): Implemented at relevant workplaces/companies
							Awareness level of whistleblower system ^{*6}	95% or more (FY2025)	Re-permeating information about reporting (consultation) contact points in the whistleblower system (reporting and consulting system)
	Materiality 11 Strengthening corporate governance	Management instability and loss of stakeholder confidence due to governance that does not ensure discipline	Maintaining stakeholder trust and growing sustainably through fair and transparent governance	—	Governance that is transparent, efficient, and trusted by stakeholders	Continuously conducting effectiveness evaluations of the Board of Directors and improving its diversity	Assessing Board effectiveness and addressing key issues	100% (every fiscal year)	Discussions on and action addressing issued identified in fiscal year 2022 by the Board of Directors Evaluation via advance questionnaires and individual interviews Preparation of evaluation reports
							Diversity of the Board of Directors	Optimizing the composition of the Board of Directors to meet stakeholder demands (every fiscal year)	Consideration of the optimal composition of the Board of Directors
	Materiality 12 Strengthening risk management	Increased damage due to failure to adequately prepare for contingencies by identifying diversified risks	Preventing and mitigating the impact of contingencies and maintaining stakeholder confidence by taking measures to address risks from a medium- to long-term perspective	—	Appropriate measures in place to address key risks	Establishing a company-wide risk management system in line with environmental changes and management strategies	Progress in identifying important risks and implementing measures based on risk assessments	100% (every fiscal year)	Review of BCM to support optimization of export control system Continued compliance with applicable personal information protection laws and regulations in various countries

*6 Checked by Nikon Group awareness surveys.