

Activities Encompassing the Product and Workplace Environments

Green Procurement

[Reduction in use of harmful chemical substances]

- Performance investigation and management implemented for key consumer products and selected industrial components.

Targets

[Eco-procurement products]

- Conformity with guidelines for at least 70% of all products.



Nikon Group has begun a programme of green procurement, which features a host of activities geared toward reducing the environmental impact of our products.

The Green Procurement Sub-Committee was established within the Environmental Committee in May 1998, and in August of the same year, issued the “Nikon Basic Policy for Green Procurement”.

- To give priority to the purchase of items that have been produced by taking environmental issues into consideration.
- To give priority to suppliers who are proactive in conserving the environment.

In July 1999, the Nikon Green Procurement Guide was issued and distributed to about 500 major Japanese suppliers. After seeking and receiving their agreement to participate in a survey, we collected their ideas and approaches to environmental preservation. Our procurement department supports suppliers in their attempts to raise their assessment levels — particularly suppliers that are making an exceptionally diligent effort.

For the five-year period through fiscal 2004, we achieved an average score of 85, marking the end of Phase 1 and exceeding our initial target of an average score of 80 and a 20-point increase from fiscal 2000 (21 points for fiscal 2004). None of the participating firms lost their positions as suppliers for failing to meet Nikon standards, demonstrating that the overall approach by the Nikon Group to environmentally aware product manufacturing is to create a decidedly positive effect. With the addition of new suppliers in fiscal 2005, we must continue our efforts to improve environmental management performance, and provide the assistance needed to attain our targets.

In fiscal 2004, as the first step in eliminating the use of hazardous substances in Nikon products, we focused on the consumer sector. Using tools developed by the Japan Green Procurement Survey Standardisation Initiative (JGPSSI), an arm of Japan Electronics and Information Technology Industries Association (JEITA), and other organisations, we conducted an investigation to identify the substances present, the products in which they were used and the quantities. In parallel with these efforts, we explored and developed alternative substances and technologies free of hazardous substances. In fiscal 2005, we judged the result of the investigation based on the restriction while keeping the investigation. We then explored alternative substances and technologies for hazardous substances, and switched to the safer alternatives. In preparation for the implementation of The Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive*, we have initiated efforts to acquire analytical technologies which will allow us to guarantee that our products do not contain any of the six forbidden substances. We have also begun developing a system to apply information gained through these efforts to the elimination of hazardous substances from new products during development.

* RoHS Directive

This Directive places restrictions on the use of hazardous substances in electrical and electronic equipment. As of July 1st, 2006, the use of hexavalent chrome, lead, cadmium, mercury, PBB and PBDE will be prohibited on the E.U. market for a wide range of electrical and electronic products.

Product Environment

(1) Stricter Standards for Green Procurement, Based on Results of Supplier Survey

Nikon conducted the third environmental conservation evaluation in fiscal 2004 to clarify the environmental initiatives of suppliers who play an important role in manufacturing a large number of Nikon products. By quantifying their individual and cumulative positions, and assessing the degree of change compared with the previous survey, we were able to further promote environmental awareness and provide the support requested by the suppliers, as reported in the Environmental Report 2004.

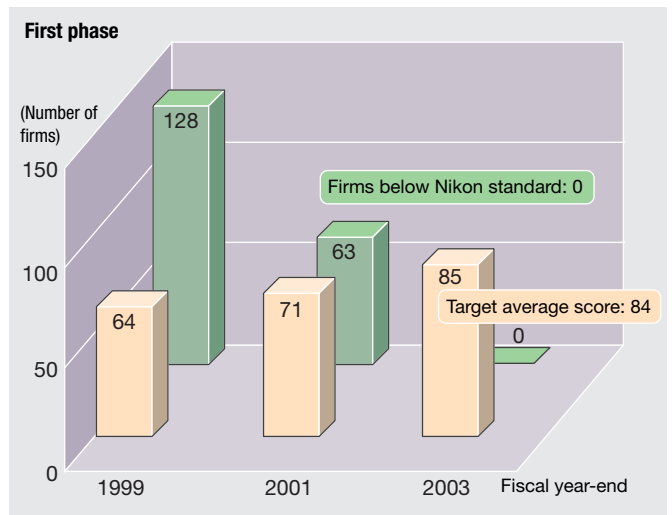
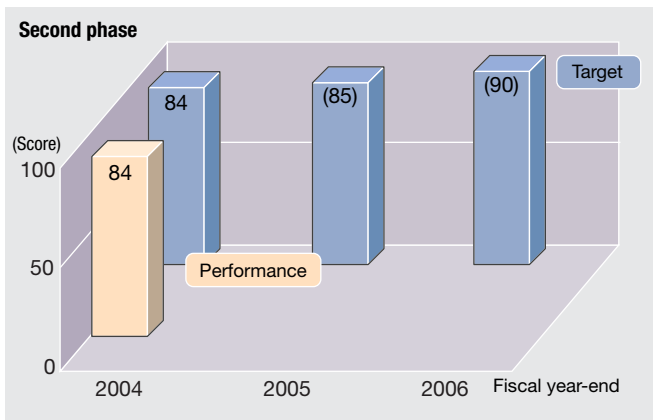
By the end of the 3-year period ending in fiscal 2005 we added 128 new suppliers, and ceased purchasing from a number of other

vendors. For the second phase, beginning with the fourth environmental conservation evaluation in March 2005, we covered 430 suppliers.

As of June 13, 2005, we had received responses from 401 of these firms, attaining a score of 84. Considering that about a third of the total number of firms covered are new, this marks a strong commitment to the environment by our suppliers.

The above programme is also being adopted by major Japanese manufacturing subsidiaries.

Improvement in the Environmental Management System as shown in the environmental conservation evaluation results



(2) Reduction of Hazardous Substances

In fiscal 2004, Nikon began surveys of 29 chemical substances covered by the Japan Green Procurement Survey Standardisation Initiative (JGPSSI), primarily in the consumer products sector, in accordance with defined survey formats and the Nikon Group Hazardous Substance Management Guidelines.

In fiscal 2005 we continued these surveys, again primarily in the consumer products sector, and began to make judgments based on survey results for each department, in accord with specific regulations and appropriate considerations. In cases where the decision was not clear-cut additional surveys were requested, and where it seemed that measured data might be incorrect, measurements were repeated for accurate results. Nikon engineers focused on finding alternate substances and technologies that would allow us to replace hazardous substances with non-hazardous ones, and evaluating the candidates for performance and safety. In parallel with survey activities for each product group, we also worked with vendors for various supplies common to several groups, such as metals, coatings and adhesives, making Group-wide information available to all corporate groups via our intranet. These results were promptly utilised, and survey results for metal materials were approved by the Metal Materials Sub-Committee of the Nikon Drafting Council, and the results of evaluation for RoHS Directive compliance is scheduled to be announced within the Nikon Group in the near future.

Together with these activities, the Electronic Component Lead-free Solder Council of the Products Sub-Committee, Environment Committee, has notified vendors of solders found to comply with

the RoHS Directive, as well as usage methods, and has made solid progress toward achieving lead-free soldering.

For surface treatment, various plating types and processing techniques have been evaluated and their lead and cadmium content quantified, making it possible to produce RoHS-compliant products free of both substances. Nikon provided on-site guidance to vendors as necessary for plating technology, and is making every effort to achieve lead- and cadmium-free surface treatment in every corporate division, not only those affected by the RoHS Directive.

The consumer products sector includes many products covered by the RoHS Directive, and over the past year the company made a determined effort to eliminate hazardous substances from these products. As a result of evaluations of survey data from consumer-sector products directly affected by the RoHS Directive, in cases where there was even a slight possibility that any of the six substances could be present we performed simple testing on everything from product accessories to packaging, demonstrating that the Nikon Group assurance of RoHS compliance is adequate.

This emphasis on compliance with the RoHS Directive has enabled Nikon to make significant progress in advancing its schedule for total elimination of RoHS-regulated substances from our products.

Even the industrial products sector, which is not covered by the RoHS Directive, was covered as a target for fiscal 2005 in the Nikon Environment Action Plan, and we are continuing our efforts to reduce or eliminate 29 JGPSSI-designated substances.

Workplace Environment

In fiscal 2004 Nikon made designated two databases for “green purchases”, including standard office supplies and certain equipment and machinery — one containing items bearing any of six related marks (including the Eco-mark), and GPN data; the other for special procurement items under the Green Purchasing Law (see below).

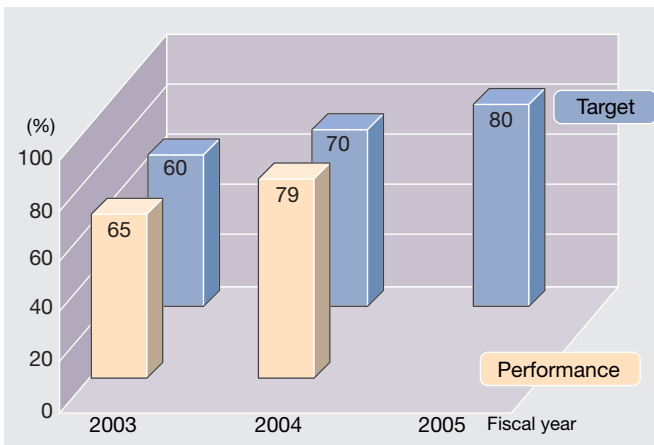
The “Nikon Group Green Purchasing Implementation Guidelines” were released in fiscal 2004, and our initial target was to achieve conformance in at least 60% of all relevant purchases. Actual performance for the period from January to March 2004

reached 66%.

We continued our commitment in fiscal 2005, visiting departments with unusually low ratios of green purchasing, investigating the reasons and at requesting cooperation with Nikon objectives. As a result of these efforts, for fiscal 2005 we achieved a performance of 79% against a target of 70% as defined in the “Nikon Group Green Purchasing Implementation Guidelines.”

Similar efforts are under way at Tochigi Nikon, Mito Nikon and Zao Nikon, and other manufacturing subsidiaries are following suit.

Green purchasing: Ratio of approved products to total purchases



Green Purchasing Registration Mark and Database