

Disclosures in Accord with the TCFD Recommendations

Climate Change-related Disclosures in Accord with the TCFD Recommendations

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), released a final report titled *Recommendations of the Task Force on Climate-related Financial Disclosures*. Nikon announced support for the TCFD Recommendations in November 2018 and is promoting information disclosure based on these.

Governance

– Organizational governance of climate-related risks and opportunities –

Initiatives	<ul style="list-style-type: none"> ● The Sustainability Committee, chaired by the representative director and president, identifies risks and opportunities, and discusses strategies, indicators, targets, and performance. After these discussions, the committee decides whether to make decarbonization-related investments. ● The Environmental Subcommittee under the Sustainability Committee examines risks and opportunities related to climate change, drafts strategies and indicators/targets, and manages progress. ● The Corporate Sustainability Department implements Group-wide climate-related responses based on decisions of the Sustainability Committee. ● Reports are made on the Sustainability Committee's activities to the Board of Directors at least once a year. The Board of Directors manages and supervises the adequacy, effectiveness, and related risks in connection with climate change and other environmental activities
Fiscal Year 2022 Progress	<ul style="list-style-type: none"> ● The Sustainability Committee met four times, and the Environmental Subcommittee met two times, deliberating and deciding matters related to climate change response

Environmental Governance (➡ p.055)

Strategy

– Actual potential impact of climate-related risks and opportunities on business, strategy, and financial planning –

Initiatives	<ul style="list-style-type: none"> ● Set Promoting a Decarbonized Society as a materiality ● Conduct climate change scenario analyses to identify risks and opportunities (see p.072) ● Incorporate sustainability initiatives, including measures addressing climate change, in the Medium-Term Management Plan ● Incorporate evaluations considering sustainability initiatives, including climate change initiatives, in officer remuneration
Fiscal Year 2022 Progress	<ul style="list-style-type: none"> ● Considered the adoption of renewable energy to achieve the Nikon Medium-Term Environmental Goals ● Analyze risks and opportunities related to climate change ● Verify the impact of business growth on GHG emissions over the period covered by our Medium-Term Management Plan

Nikon Long-Term Environmental Vision and Medium-Term Environmental Goals (➡ p.050)

Risk Management

– Integrated risk management of the processes used to identify, assess, and manage climate-related risks –

Initiatives	<ul style="list-style-type: none"> ● The Risk Management Committee manages our risks on a Group-wide basis, while the Sustainability Committee uses its expertise to identify and assess environmental risks, including those from climate change, discussing how to respond ● Matters discussed and approved by each committee are reported to the Board of Directors ● Identified and established awareness of potential impact value for identified risks, alongside other potential factors, in a financial simulation of the medium-term management plan
Fiscal Year 2022 Progress	<ul style="list-style-type: none"> ● Conducted a risk identification survey and compiled a risk map presenting results by scale of impact and probability of occurrence. These were provided as feedback to relevant departments in order to share recognition of risks facing the entire company. ● Reflected identified risks in the Environmental Action Plan, etc., rolling these out throughout the Group

Environment-Related Risk Management System (➡ p.058)

Metrics and Targets

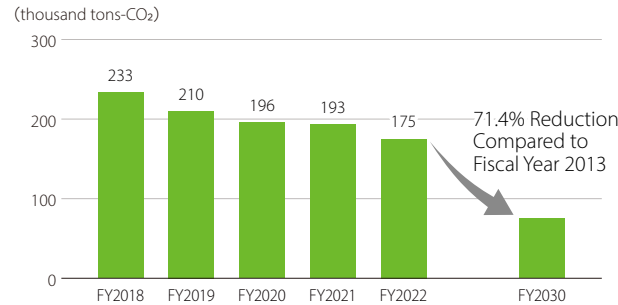
– Metrics and targets used to assess and manage climate-related risks and opportunities –

Greenhouse gas emissions (Scopes 1, 2, and 3) and renewable energy usage for electricity for fiscal year 2022 were as follows. We will continue to strive for the achievement of carbon neutrality by fiscal year 2050, in line with the Nikon Medium-Term Environmental Goals.

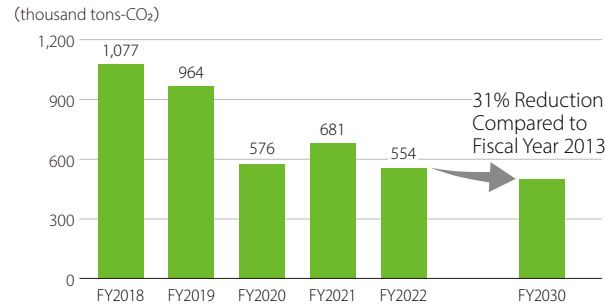
In order to monitor the actual status of our suppliers, we will participate in the CDP supply chain program and begin collecting information on Scope 3 emissions in fiscal year 2023.

Metrics	Targets
Scope 1, 2 reduction rate (compared to fiscal year 2013)	Fiscal Year 2030: 71.4%
	Fiscal Year 2023: 36.5%
Reduction in three Scope 3 categories (purchased products and services; transportation and delivery (upstream); and use of company products sold) (compared to fiscal year 2013)	Fiscal Year 2030: 31%
	Fiscal Year 2023: <ul style="list-style-type: none"> Reduce environmental impact by making effective use of the LCA methodology Create at least 50% eco-friendly products
Renewable energy adoption rate	Fiscal Year 2030: 30%
	Fiscal Year 2023: 25%

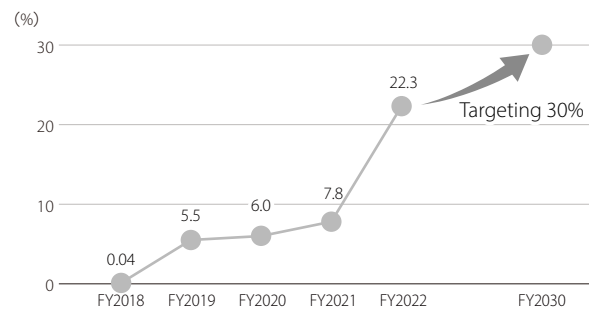
● Scope 1+2 Emissions



● Scope 3 Emissions (Three Categories: Purchased Products and Services, Transportation and Delivery (Upstream), and Use of Company Products Sold)



● Renewable Energy as a Share of Electric Power Consumption



Climate Change Scenario Analysis

The Nikon Group conducts analysis of climate-related risks and opportunities by comprehensively considering a number of factors, such as, the characteristics of business, the location conditions of production sites and business facilities, the recent degree and frequency of natural disasters due to climate change, industry trends, trends in related laws and regulations, representative concentration pathway (RCP) scenarios used in the IPCC climate change forecasts, as well as survey results and scenarios carried out by external research institutes. As such, we identify and evaluate risks under the 2°C and 4°C scenarios.

The Nikon Group recognizes that under the 2°C scenario there would be a tightening of, for example, greenhouse gas emission regulations and greater market demands accompanying these regulations. Under the 4°C scenario there would be an increase in natural disasters, such as floods, and a rise in temperatures. But under any scenario we recognize that there will be changes in energy technology and costs with a wider transition to renewable energies. The Nikon Group is therefore taking measures to adapt to climate change as a business strategy in consideration of the financial impact these scenarios will have. The Nikon Group will continue to carry out and improve its scenario analysis going forward.

Climate Change Risks Faced by the Nikon Group

[Financial impact] High: 10 billion yen or more, Medium: 1 to 10 billion yen, Low: 1 billion yen or less

[Urgency] High: Within 3 years, Medium: 3 to 10 years, Low: Later than 10 years

Risks Faced by the Nikon Group		Financial Impact	Urgency	Response															
Physical risks (acute and chronic)	An increase in typhoons, floods, and other weather-related disasters could disrupt supply/operations or reduce asset values due to damage to major production sites (Japan, Thailand, etc.) and supplier sites, disruption of logistics networks, and other factors. In addition, a rise in sea levels may increase the probability of these risks.	High	Medium	<ul style="list-style-type: none"> Promoting Total Supply Chain Management activities Promoting Business Continuity Management (BCM) 															
	A rise in average temperatures could lead to increased electricity costs due to increased load on cooling and other air conditioning equipment. In particular, strict temperature controls required in manufacturing and transporting precision equipment may become unreasonably difficult, or management costs may increase.	Small	Low	<ul style="list-style-type: none"> Promoting aggressive energy-saving activities 															
	Long-term changes in precipitation patterns, as well as droughts, could constrain the use of water resources and adversely affect operations.	Medium	Low	<ul style="list-style-type: none"> Reducing water withdrawal Promoting water resource recycling 															
Transition risks	<table border="1"> <tr> <td>Policies and regulations</td> <td> <ul style="list-style-type: none"> Introduction or expansion of carbon pricing policies, such as carbon taxes, could increase Nikon's operating costs if applied to us. In addition, purchase prices may increase if these are applied to suppliers. Changes in national energy policies where we have business sites could lead to higher electricity prices, which would increase operating costs and purchasing costs. </td> <td>High*</td> <td>Medium</td> <td> <ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Reducing greenhouse gas emissions through modal shifts and improved distribution routes Requiring suppliers to reduce greenhouse gas emissions </td> </tr> <tr> <td>Technologies</td> <td> <ul style="list-style-type: none"> Failure to reduce emissions during product use and shift to low-carbon manufacturing methods and materials could result in reduced sales opportunities. </td> <td>High</td> <td>Low</td> <td> <ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Improving energy-saving performance for products Creating new materials and manufacturing methods </td> </tr> <tr> <td>Markets/ Reputation</td> <td> <ul style="list-style-type: none"> Failure to adequately meet customers' decarbonization requirements could result in reduced sales opportunities. Inadequate response to decarbonization could damage our evaluations/reputation and affect stock price and sales. </td> <td>Medium</td> <td>Low</td> <td> <ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Promoting proactive information disclosure </td> </tr> </table>	Policies and regulations	<ul style="list-style-type: none"> Introduction or expansion of carbon pricing policies, such as carbon taxes, could increase Nikon's operating costs if applied to us. In addition, purchase prices may increase if these are applied to suppliers. Changes in national energy policies where we have business sites could lead to higher electricity prices, which would increase operating costs and purchasing costs. 	High*	Medium	<ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Reducing greenhouse gas emissions through modal shifts and improved distribution routes Requiring suppliers to reduce greenhouse gas emissions 	Technologies	<ul style="list-style-type: none"> Failure to reduce emissions during product use and shift to low-carbon manufacturing methods and materials could result in reduced sales opportunities. 	High	Low	<ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Improving energy-saving performance for products Creating new materials and manufacturing methods 	Markets/ Reputation	<ul style="list-style-type: none"> Failure to adequately meet customers' decarbonization requirements could result in reduced sales opportunities. Inadequate response to decarbonization could damage our evaluations/reputation and affect stock price and sales. 	Medium	Low	<ul style="list-style-type: none"> Reducing greenhouse gas emissions through promotion of energy conservation and adoption of renewable energy Promoting proactive information disclosure 			
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* Specific example: Carbon tax system in the Netherlands

In 2021, the Netherlands began levying a carbon tax equivalent to 30 Euros per ton of greenhouse gas emissions, targeting manufacturing firms and other firms in the industrial sector.

This carbon tax is set to increase by 10 Euros every year, and by 2030 it is expected to have risen to 125 Euros per ton of emissions.

A similar trend toward the introduction of carbon taxes can be seen in other countries in Europe.

While the Nikon Group's business areas do not currently fall within the scope of such carbon taxes, there is a possibility that the scope of applicability may be extended in the future.

For instance, the Nikon Group's manufacturing companies in Europe had total annual greenhouse gas emissions of around 1,300 tons in fiscal year 2020. If these companies were to become subject to carbon taxes and no measures were taken to reduce emissions, the Group could face an annual carbon tax bill of around 162,500 Euros.

Climate Change Opportunities for the Nikon Group

[Applicable period] Short-term: Within 3 years, Medium-term: 3-10 years, Long-term: Later than 10 years

Opportunities for the Nikon Group	Applicable Period
<ul style="list-style-type: none"> • Rising evaluation of Nikon by consumers, institutional investors, and others for our technologies and business activities (as follows) contributing to a decarbonized society could lead to increased sales and higher stock prices. - Increase energy efficiency in society with additive manufacturing and fine processing using optics - Additive processing contributing to longer product lifespans through repair of existing parts, etc. - Robots with sophisticated hands and eyes and device manufacturing processes, that enhance manufacturing efficiency - Longer lasting light sources and more durability in our products, that contribute to a healthy global environment - Image production technologies that contribute to a society where people connect transcending time and space and real and virtual. 	Short- to long-term
Achieving efficiency in production processes and distribution, as well as carrying out energy-saving activities, could reduce future carbon taxes and energy costs.	Short- to long-term
Total Supply Chain Management, a practice designed to prepare for physical risks, and improvements in our BCM could make our business structure more robust.	Short-term