

Nikon IR Day 2022



Medium-Term Management Plan (FY2022 - 2025)

Making a better world with trust and creativity

May 26, 2022

NIKON CORPORATION

– Themes and Presenters –

- **Opening Remarks**
Toshikazu Umatate
Representative Director
President
- **Imaging Products Business**
Hiroyuki Ikegami
Senior Vice President
- **Precision Equipment Business**
Masato Hamatani
Senior Vice President
- **Healthcare Business**
Tatsuya Yamaguchi
Corporate Vice President
- **Components &
Digital Manufacturing Business**
Yasuhiro Ohmura
Senior Vice President
- **Sustainability Strategy,
Corporate Governance
and Capital Allocation**
Muneaki Tokunari
Director
Executive Vice President

Opening Remarks

Toshikazu Umatate
Representative Director
President

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- I am Umatate, President of Nikon Corporation.
Thank you very much for taking time out of your busy schedule today to attend our IR Day.
- We have held briefings on our businesses and technologies in the past, but on the occasion of the announcement of our new Medium-Term Management Plan, we have decided to hold Nikon's first IR Day to explain all of our businesses and their strategies.
- It will be over three hours long, and we ask for your kind cooperation.



A key technology solutions company

in a global society where humans and machines co-create seamlessly

Nikon will provide innovative technology solutions that anticipate and meet our global customer needs and contribute to a better sustainable world where humans and machines co-create seamlessly to solve societal challenges

- This Medium-Term Management Plan covers the four years through the fiscal year ending March 31, 2026, and we believe that this is the first phase in which Nikon will realize its strong aspiration to be known as "a key technology solutions company in a global society where humans and machines co-create seamlessly" by 2030.

Beyond 2025: Nikon and the Social Landscape in 2030

A global society where humans and machines co-create seamlessly cycling through physical and cyber space

Factory

Become a lead player in flexible manufacturing systems with Robot Vision and Material Processing
Contribute to the diversification and sophistication of devices with digital lithography



Energy

Leverage optical processing machines to promote energy efficiency improvements with fine processing and re-use with additive processing



Healthcare

Support drug discovery that lightens the burden on doctors and patients
Shoulder the task of achieving regenerative medicine for everyone



Life & entertainment

Support a society where people are connected in ways that transcend time and space and virtual and reality with image infrastructure production technologies



- I envision Nikon playing an active role in various aspects of society in 2030, after we have completed the Medium-Term Management Plan through 2025, which I will explain today.
- Specifically, in 2030, Nikon's Robot Vision systems will be playing a leading role in multi-product production in factories, and digital lithography systems will be supporting the diversification and sophistication of devices.
- In the energy sector, optical processing machines will be increasing energy efficiency, such as in wind power generation; and in the healthcare field, Nikon will be supporting drug discovery and playing a leading role in regenerative medicine. In the life and entertainment field, Nikon will be supporting a society in which people are connected beyond the virtual and the real with its imaging infrastructure.
- In this way, Nikon aims to make a solid contribution to the realization of a peaceful and happy society in 2030.

An Overview of the Medium-Term Management Plan

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022

Where we will be in 2025

Providing Products and Services optimized to meet our customer needs

Direction for the entire company

Strengthen delivery of integrated solutions to grow the business in a stable manner, expand both revenue and profits, and continually generate social and economic value

Sustain "Main Businesses"

Imaging

Precision Equipment

Expand customer interactions and the value delivered to secure stable revenues

Scale earnings in "Strategic Businesses"

Healthcare

Components

Digital Manufacturing

Create new value with customers in promising markets and areas of differentiation

FY 2025 financial targets

Revenue ¥700.0B

Operating margin 10%+

ROE 8%+

Management base

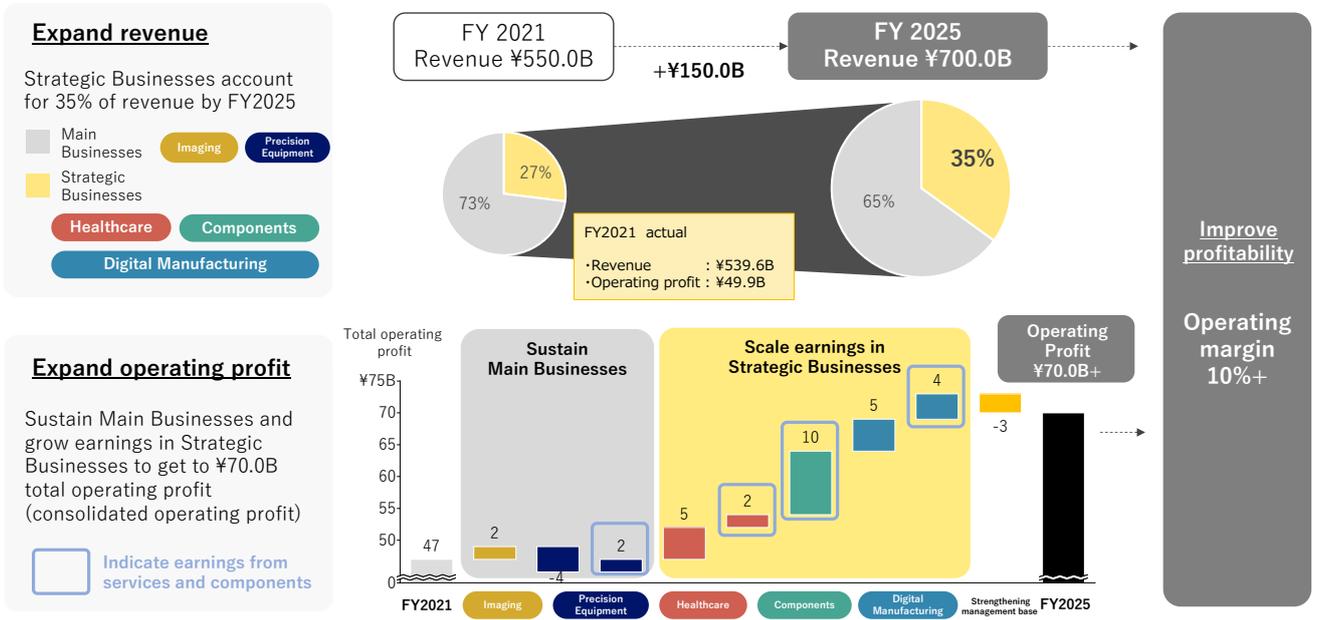
Advance sustainability strategy, human capital management, and DX with a focus on customers and employees
Create synergies across a shared value base that spans technology and manufacturing
Highly transparent management with enhanced corporate governance

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- In order to achieve this ideal vision for the year 2030, we first want to be a company that deeply aligns with customer needs and supports their innovations. This is our immediate goal.
- In other words, during the mid-term management plan to 2025, Nikon aims to become a company that "Providing Products and Services optimized to meet our customer needs".
- In order to achieve this "where we will be in 2025," Nikon aims to grow the business in a stable manner and expand both revenue and profits by strengthening the delivery of integrated solutions.
- Specifically, in our two main businesses of "Imaging" and "Precision Equipment", we will expand customer interactions and the value delivered to ensure stable revenues.
- At the same time, in the three strategic businesses of "Healthcare", "Components", and "Digital Manufacturing", we aim to create new value with customers in promising markets and areas of differentiation.
- As financial targets, we aim to achieve Revenue of ¥700B, Operating margin of 10% or higher, and ROE of 8% or higher in FY2025.
- In addition, we will strengthen the management base that supports such corporate value enhancement.

Aim for ¥ 700.0B Revenue and 10%+ Operating Margin

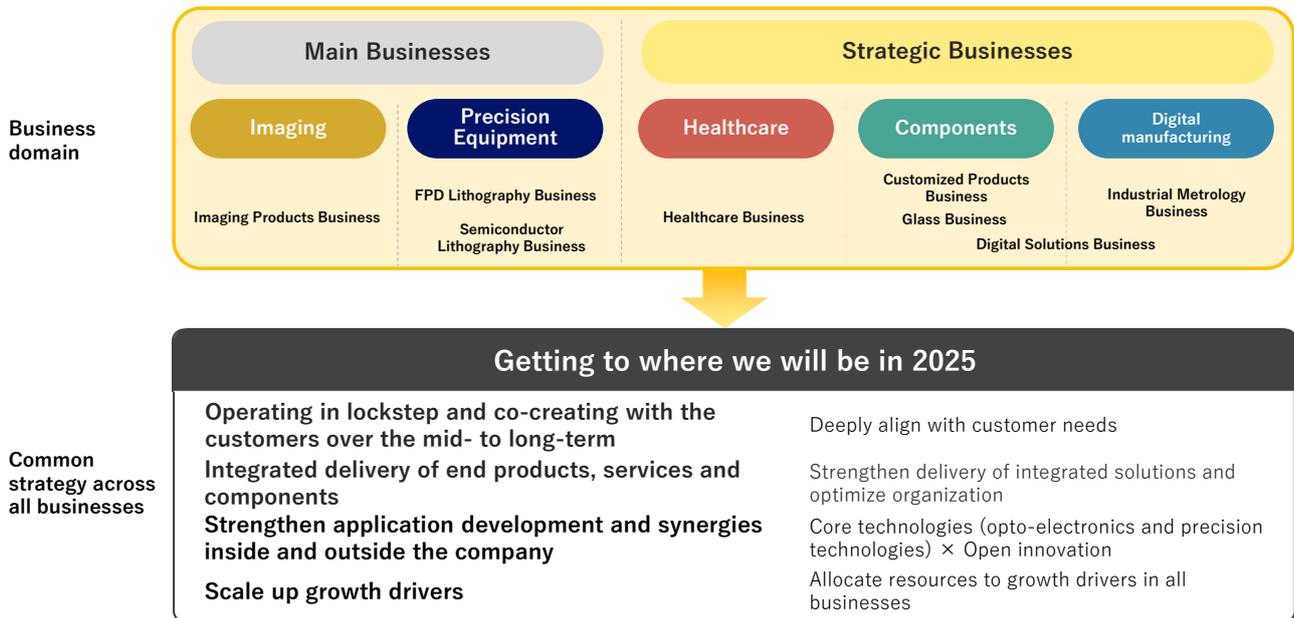
Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022



*FY2021 levels based on business performance forecasts announced February 3, 2022. The breakdown of operating profit is an approximation. 6

- This slide shows the roadmap to “Revenue of ¥700B” and “Operating margin of 10% or higher.”
- First, the graph in the upper row shows our plan to expand revenue.
- We are aiming for revenue of ¥700B in FY2025 by increasing revenues of both main businesses and strategic businesses.
- In particular, we plan to increase the ratio of our three strategic businesses of "Healthcare", "Components", and "Digital Manufacturing" to 35%.
- In addition, as shown in the staircase chart at the bottom of the slide, we aim to secure the same level of operating profit as in FY2021 in the two main businesses of “Imaging” and “Precision Equipment”, while scaling earnings in the three strategic businesses, aiming for company-wide operating profit of more than ¥70B and an operating margin of 10% or higher in FY2025.

Business Operation Structure



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- After this, the officers in charge of each business division will individually explain their respective medium-term plans, but before that, I would like to provide a bird's-eye view of the overall business operation structure.
- In Nikon's new mid-term management plan, the two businesses of "Imaging" and "Precision Equipment" will be positioned as main businesses, while the three businesses of "Healthcare", "Components", and "Digital Manufacturing" will be positioned as strategic businesses.
- As a strategy common to these five businesses, we will focus on the four strategies described on this slide.
- First, we will accompany our customers from a medium- to long-term perspective to deeply align with customer needs. Second, we will provide finished products, components, and services as integrated solutions in a form that is optimal for our customers.
- In application development, we will combine Nikon's core technologies with open innovation from other companies. Finally, we will define growth drivers for all our businesses, allocate a certain amount of resources to them, and aim to scale them up.
- By implementing these strategies in all of our businesses, we intend to steadily realize the numerical targets and the vision set forth in our mid-term management plan.
- We look forward to the continued support of our shareholders and investors.

Imaging Products Business

Hiroyuki Ikegami
Senior Vice President

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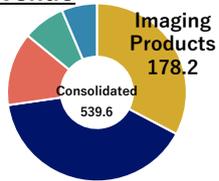
- I'm Ikegami, Senior Vice President and General Manager of Imaging Business Unit.
- I will explain the Imaging Products Business.

Imaging Products: Business Outline

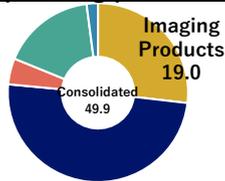
Imaging Products Business

FY2022/3 Billions of yen

Revenue



Operating profit (※)



(※) Operating profit ratio in FY2022/3 is shown before deduction of corporate P/L non-attributable to any reportable segments

Major products & Services

Digital cameras, Interchangeable lens
Binoculars, Telescopes, Image contents, Automatic image capture



Vision

Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world

Financial target

	FY2023/3	FY2026/3
Revenue	¥210.0B	¥200.0B
Operating profit	¥22.0B	¥22.0B
OPM	10%	11%

- Business outline is shown on this slide.
- Overall strategy will be explained in the next slide.

Vision

Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world

Operational direction

Digital cameras

- Concentrate management resources in high value-added products and mirrorless cameras (Meet expectations of pro/hobbyists and raise ASP 20%)
- Bolster the Z mount system by expanding lens lineup (50+ lenses and a 2+ lens tie ratio)
- Appeal to video creators by strengthening video functions
- Strengthen remote operation and automatic image capture features to meet professional needs
- Focus on licensing business

Binoculars, telescopes, etc.

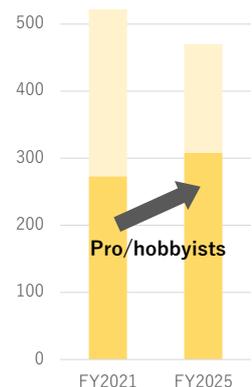
- Focus on laser range finders for golf and digital astronomical telescopes

Earnings plan

Achieve revenue of ¥200.0B and Operating profit margin of 10% on a stable basis

Direction for Imaging Products Business

Market scale for digital cameras-interchangeable lens type (10,000 units)



For pro/hobbyists

- Deploy advanced features from the Z 9 across the lineup

+

Cultivate, expand fan base

- Bolster engagement before and after purchase
- Focus on apps and the cloud

* Lens tie ratio = Lens sales (units) ÷ Camera sales (units)

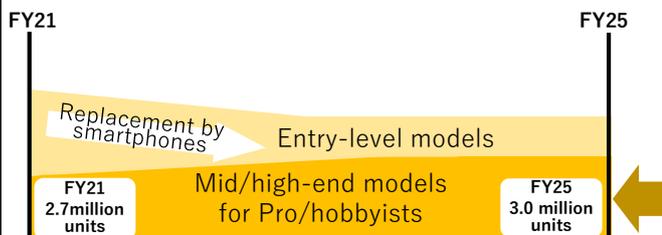
- We have set vision of “Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world”.
- The bar graph on the right indicates contraction in the overall market for digital cameras-interchangeable lens type. However, we expect steady growth of the market for professionals and hobbyists, including among emerging markets, younger generations and women.
- Nikon will adhere to a business model that delivers high value-added products, mainly mirrorless, to these professionals and hobbyists.
- We plan to fill out our mirrorless lineup by expanding to a more complete system of 50+ lenses and deploying the popular advanced features present in our flagship Z 9 model to other models, as well.
- Furthermore, we will bolster video functionality to appeal to video creators at the same time we expand touch points with the customer and strive to expand our fan base.
- Stabilize the earnings of Imaging Products Business, we aim to achieve revenue of ¥200.0B and an OPM of 10% or more in FY2025.
- I will explain the concrete business plan on the following slides.

Market view, Product Strategy and KPIs

Imaging Products Business

Market

DCIL market is shrinking as the replacement of entry models for recording purposes with smartphones is progressing. However, greater demand for video expression growing market for mid/high-end models for pro/hobbyists. Assuming market scale of stable 3 million units by FY2025.



Mid/high-end market: More young photography enthusiasts and broader use cases for video

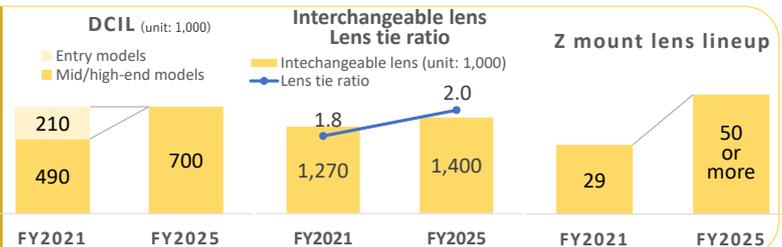
- The number of Use on Instagram has nearly doubled over the past 6 years
- Consumers in their 20s or younger increasingly motivated to purchase DCIL for "better pictures than a smartphone" and "use on social media"
- The number of users motivated by "video shooting" has more than tripled over the past 6 years.

*Nikon research

Business strategy

- Focus on mid/high-end models for pro/hobbyists
- Strengthen products & services responding to young hobbyists and video needs
- Strengthening the earnings base by expanding the lens lineup
- Promotion of fan building

KPI



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- First, I will describe our market outlook.
- The DCIL market is contracting as entry-level models mainly used to record images are replaced by smartphones.
- However, in addition to the steady growth of the past 10 years, in the market for mid/high-end models, we have seen an influx of young people and users who want to shoot videos in recent years.
- According to spread of visual expression on social media, the use of DCIL on Instagram has doubled over the past six years and people motivated to buy DCIL to shoot video has more than tripled over the past six years.
- For these reasons, we expect the market for mid/high-end mirrorless cameras to remain stable at the 3 million unit level toward FY2025.
- In light of these market conditions, our business strategy is to focus on mid/high-end models, we will focus on "capturing young hobbyists" and "strengthening our video lineup". In addition, we will expand our lens lineup to meet diverse customer needs, by improving the lens tie ratio, we will further strengthen our earnings base.
- As for our major KPI. We will shift to higher value-added DCIL, targeting 700,000 units of mid/high-end models in FY2025.
- By focusing on high value-added products, we plan to increase ASP by approx. 20% compared to FY 2021.
- With regard to lenses, we will expand the lens tie ratio to 2.0 by expanding our lens lineup to meet diverse customer needs.
- As of the end of the last fiscal year, we had 29 lenses as part of our Z-mount lens lineup for mirrorless cameras. By FY2025, we will expand that to 50 or more lenses to answer a broad range of user expectations.

Product Strategy

Imaging Products Business

The launch of Z 9 with substantially upgraded video performance has rapidly opened the market for video professionals and creators.



- Received both the "Camera of the Year" and "Readers Award" in the Camera GP 2022
- Top selling professional flagship full-frame mirrorless camera in the first quarter of 2022 in the USA

Compared to conventional dedicated video recorders, its superb AF performance and significantly smaller size and lighter weight enables one-person operations

- 8.3K60p 12bit RAW video
- Dust and water resistant. Fanless structure. Does not shut down with heat.
- 2+ hours of long-lasting shooting
- Superb AF performance including the lens
- Priced to meet individual needs, too

Increasingly adopted in production site and broadcast station settings as a video camera that supports professionals' workflows.



- Support video shooting ecosystem by actively allying with specialized accessory makers
- Strengthen video lineup



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- Next, our product strategy for our focus on the video market.
- The Z 9, launched last year, has been very well received, and won both the "Camera of the Year" and the "Readers Award" simultaneously in the Camera Grand Prix 2022, and got 57% of the US market share in the three months from January 2022.
- The Z 9 featured substantially upgraded video performance and received high marks from professionals and hobbyists for its video and still picture performance.
- With this opportunity, we are aggressively developing the market for video use by professionals and creators.
- Our April 20 firmware update made it possible to shoot 8.3k/60p, 12bit RAW video for a long time. Furthermore, compared to conventional dedicated video cameras, our product enables one-person operations, thanks to such as its smaller size, lighter weight, Fanless structure and superb AF performance. It has been well received and adopted by a number of productions and regional broadcast stations.
- To promote its adoption, we are allying with makers that specialize in video-related accessories to support building out a video-shooting ecosystem. We will also strengthen our product lineup with video function.

Remote Workflows Supporting Professional Needs

Imaging Products Business

Support demand for capturing emotive moments that could not be captured before and win high marks from professionals

Needs to be quiet to allow for concentration

Use case: Go and Shogi competitions



Capture images from angles that humans cannot position themselves in to capture moments as dynamic scenes (sports competitions)



Future

Achieve unprecedented shooting by automatically and continuously capturing images so as not to let decisive moments pass by

Further upgrade remote image capturing features such as stability, immediacy and mobility

Apps and hardware that support Nikon's remote image capture system, which is highly regarded by professionals



NX Field

Control of multiple cameras and high-speed forwarding



NX MobileAir

Editing of image information
High-speed forwarding from smartphone



MRMC POD

Mobile camera pan head equipped with flagship camera



※MRMC is a part of the Nikon group of companies

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- Next, I will explain the recently growing market for remote operation of cameras.
- Already, Nikon has introduced into the market applications and hardware related to remote operation, which are well received out in the field.
At the opening ceremony of this year's Beijing Olympics, according to our research, we have achieved approximately 60% share and are building out a solid base for professionals in the backend.
- We are also seeing usage in settings such as *Go* or *Shogi* competitions, where silence is required, as well as places people cannot shoot from, such as stadium ceilings for such as sports competitions and film festival.
- We currently provide a suite of applications called the Nikon Experience (NX) Series. NX Field provides control of multiple cameras and high-speed forwarding. NX Mobile Air performs image information editing and high-speed forwarding from smartphones.
- In terms of hardware, MRMC(UK), a group company, has developed and provided a system that can be remotely operated by attaching DCIL.
- The market for automated and remote image capture is expected to grow in the future. Moving forward, we will support shooting unprecedented scenes and angles by expanding solutions and strengthening features.

Growth Drivers: Imaging Contents

Imaging Products Business

Support a society where people are connected in ways that transcend time and space with imaging production technologies

Needs in society and industry

- New imaging expressions and connections with people
- Reduced costs in contents production
- Education and remote work support that is reproducible and effective

Nikon's strengths

- Imaging technologies such as volumetric, 3D capture and 360°
- Japan's first partner company of Microsoft Mixed Reality Capture Studios

Business development

- Recruit external talent and started operations at Nikon Creates Corporation
- Deliver solutions and support production of sophisticated 3D and 4D contents with a broad range of creators and producers
- Externally supply VR and MR after enhancing effectiveness on our own production floors



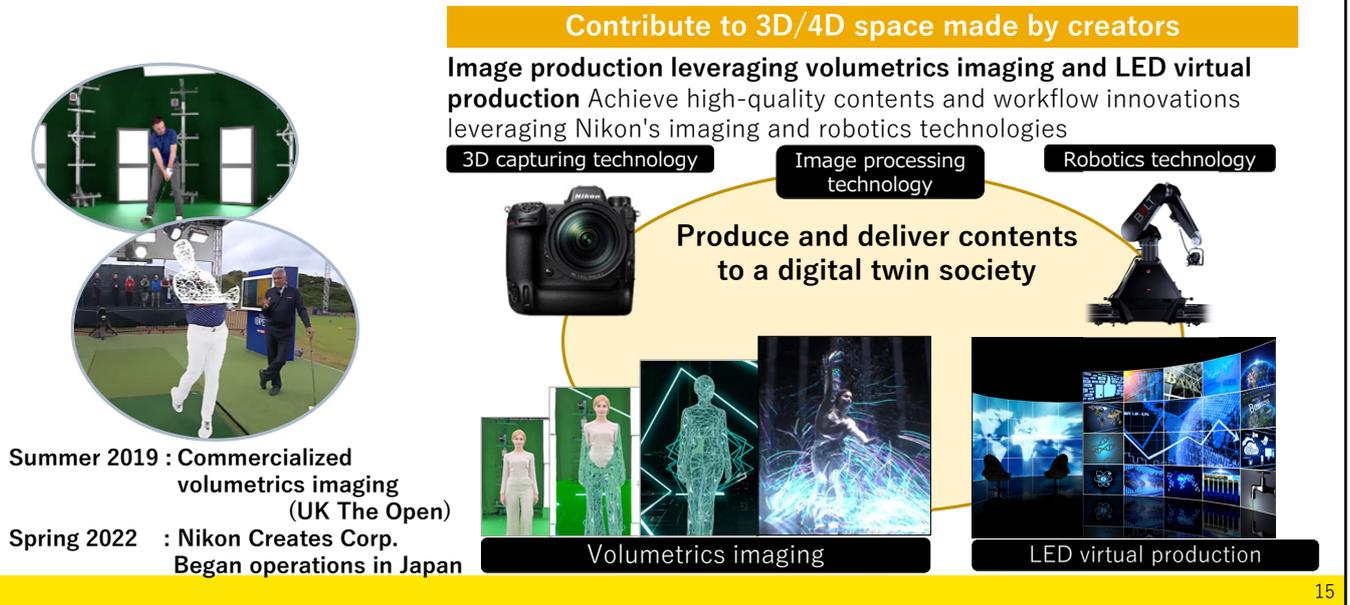
Metaverse (Citigroup announced Apr. 2022)
Market size : approx. ¥980T~¥1,600T(2030)
Numbers of users : 5B(2030)
Target market : Art/Media/Advertisement/
Healthcare/Marketing/Sales, etc.



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- Next, I will explain our image contents business, which we have positioned as a growth driver over the mid- to long-term in the Imaging Products Business.
- These efforts are aimed at growing the business looking out to 2030.
- In 2030, it is said people will be connected transcending time and space and freely travel between real world and metaverse.
- Such a society will demand new forms of visual expression including 3D and 4D, which is 3D video, and Nikon aims to support a world of Virtual Reality (VR) and Mixed Reality (MR) with its technologies in high-quality volumetrics and 3D capture.
- We have already been certified as Microsoft's first partner in Japan and, in April, our new company Nikon Creates Corporation began operations.
- In the field of industrial training, we have leveraged VR/MR on our own production floors and plan to deploy this as a business to other companies.
- Nikon aims to leverage its image production technologies to support a society where people connect transcending time and space.

Deploy a variety of contents and solutions toward a digital twin society

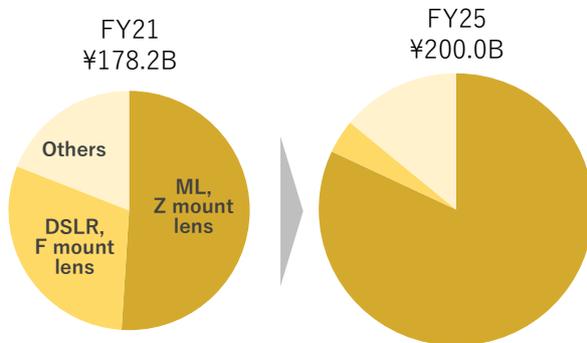


- In terms of the imaging contents business, in the summer of 2019 at UK The Open, Nikon commercialized volumetrics imaging contents for the first time and received a tremendous response.
- Beginning in April this year, Nikon Creates began operations in Japan and will provide high-quality volumetrics imaging contents in Asia, as well.
- Nikon's 3D imaging technologies build upon robotics technology from MRMC and provide an innovative workflow to shooting sites including high-quality contents and LED virtual production.
- Based on these activities, we have entered the imaging contents and plan to create new value for a digital twin society looking out to 2030.

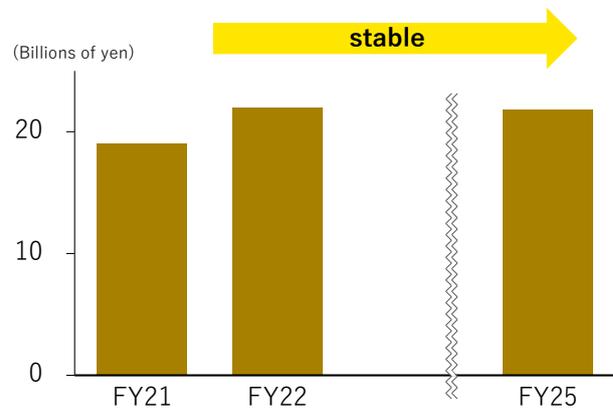
Imaging Products: Earnings Plan

Imaging Products Business

Revenue



Operating profit



Support Nikon brand with stable operating profit of approx. ¥20.0B during the period of the Medium-Term Management Plan

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- Finally, I will speak to our earnings plan.
- We will support the Nikon brand by focusing on mid/high-end mirrorless models for professional and hobbyists and secure stable operating profit during Medium-Term Management Plan period by further strengthening our earnings base by FY2025.
- That concludes my explanation. Thank you very much.

Precision Equipment Business

Masato Hamatani
Senior Vice President

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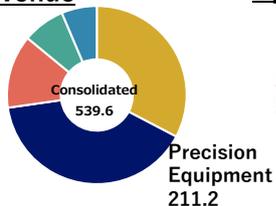
- I am Hamatani, Senior Vice President.
- I will explain about Precision Equipment Business.

Precision Equipment: Business Outline

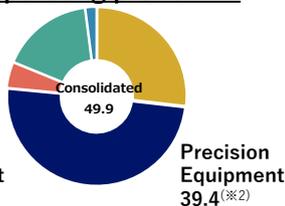
Precision Equipment
Business

FY2022/3 Billions of yen

Revenue



Operating profit ^(※1)



Vision

Continue delivery of
innovative solutions to customers
and
support a digital society

Major products & Services

Lithography systems, Measuring & Inspection systems,
Digital lithography, Services



FPD Scanner
[FX-103S/SH]



ArF immersion
Scanner
[NSR-S635E]



Alignment Station
[Litho Booster]



Automatic Macro
inspection system
[AMI-5700]

Financial target

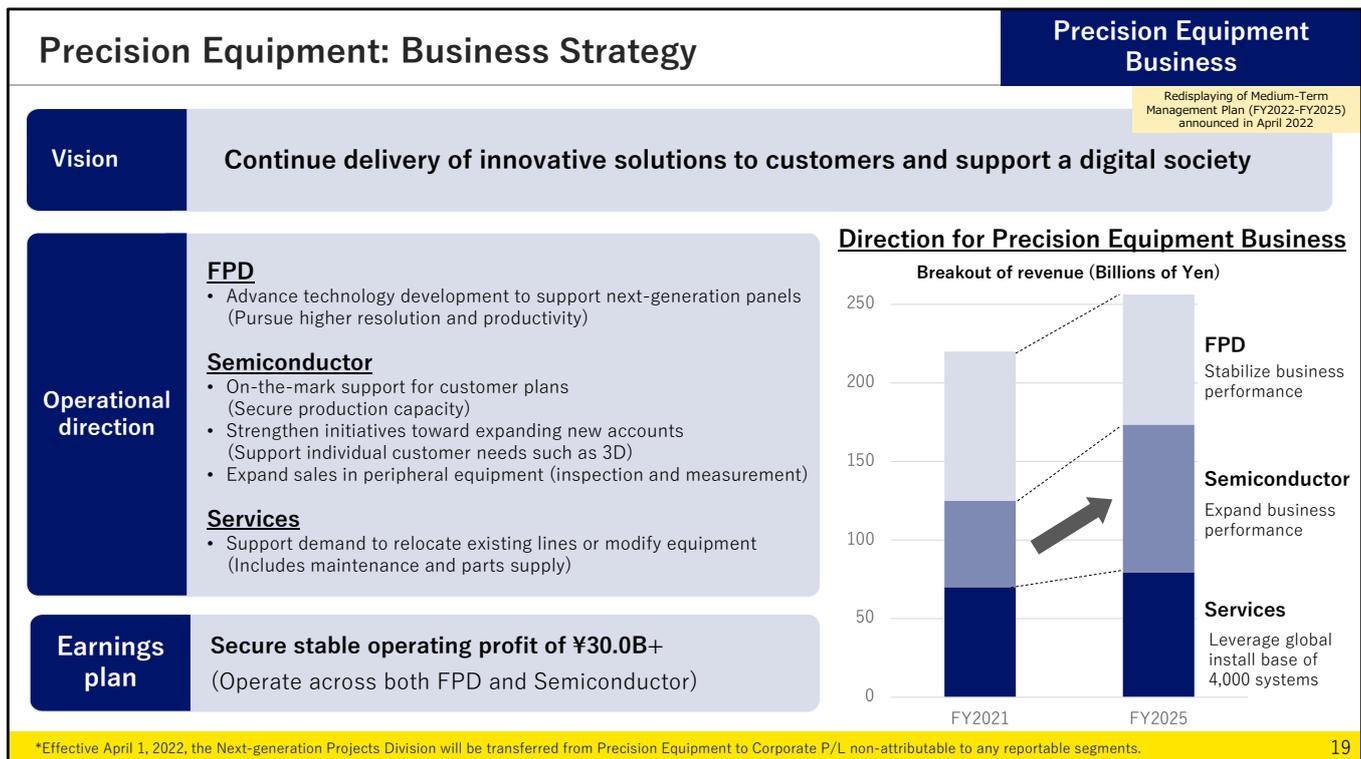
	FY2023/3	FY2026/3
Revenue	¥240.0B	¥260.0B
Operating profit	¥35.0B	¥36.0B
OPM	15%	14%

(※1) Operating profit ratio in FY2022/3 is shown before deduction of corporate P/L non-attributable to any reportable segments

(※2) "Next Generation Project Div." transfers from Precision Equipment Business to Corporate P/L non-attributable to any reportable segments

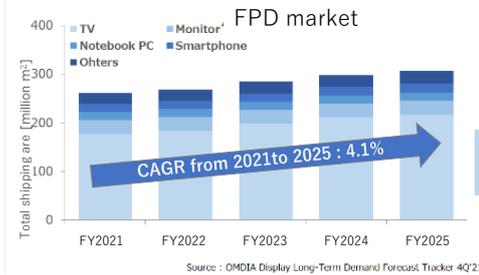
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- This slide provides an overview of the business.
- Our vision is "Continue delivery of innovative solutions to customers and support a digital society". We aim to deliver new value to customers by going beyond systems that produce the panels and semiconductors that support a comfortable society and providing solutions in order to achieve that society as well.
- The pie charts in the upper left show revenue and operating profit from this business as a percentage of overall Nikon results from the fiscal year ended March 2022.
- With revenue of ¥211.2B and operating profit of ¥39.4B, the Precision Equipment Business accounted for 40% to 50% of Nikon's consolidated results last year.
- Moving forward, the major products shown in the bottom left and the service business will continue to provide a foundation supporting the company as a whole.
- In FY 2026/3, we plan to increase revenue by almost ¥50B to reach ¥260B. We also aim to reach ¥36B in operating profit and secure a stable level of profit of ¥30B or more.
- Looking forward, we will solidly advance preparations to make digital lithography a growth driver supporting future earnings.



- Next, I will explain our business strategy.
- As you can see from the graph on the right, our Medium-Term Management Plan calls for solid revenue from FPD lithography business, growing revenue from semiconductor lithography business and solid topline growth from the service business.
- In FPD lithography systems, we aim to secure our position as a major player and generate stable revenue by advancing development supporting next-generation panels and pursue both higher resolution and higher productivity.
- In semiconductor lithography systems, we will prepare for our core customer's plans to increase production at the same time we aim to grow new customers by supporting individual customer needs such as 3D.
- We will also focus on expanding sales in inspection, measurement and other peripheral equipment.
- Moreover, leveraging our global install base of more than 4,000 systems, we plan to secure service revenue by capturing demand for work involving line relocations and modifications, maintenance, parts supply and the like.
- By pursuing balanced management operations of these two businesses--FPD and semiconductor--that follow different business cycles, we aim to reach operating profit of more than ¥30B in a stable fashion in the Precision Equipment Business as a whole.

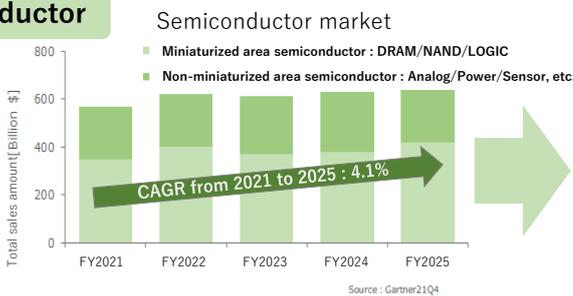
FPD



- Market to grow 4% YoY (by area base) mainly in OLED, driven by larger display for TVs and mobile phones
- The number of exposure processes increases with the increasing functionality of the panel

Market scale for FPD lithography systems holds steady to a certain degree, despite decline in large-scale investments

Semiconductor



- Growth in both miniaturized logic and memory as well as non-miniaturized analog and power devices, driven by AI, 5G & 6G, IoT, autonomous driving and various other fields

Market for semiconductor lithography systems continues to grow

- Moving on, I will explain the business environment of the Precision Equipment Business.
- TV and mobile phone applications continue to drive the FPD panel market, which is expected to grow approx. 4% annualized, mainly due to OLED.
- Moving forward, we expect fewer large-scale investments in building big new fabs, but we do expect to see a certain level of demand, including application conversions.
- In terms of revenue, we expect the semiconductor market to continue to show strong growth as demand for cutting-edge miniaturized semiconductors for AI, 5G/6G and the like combines with demand for non-miniaturized semiconductors for IoT, autonomous driving and the like.
- The market should break new ground by topping \$600B and continue its trajectory from there.
- Semiconductor makers have announced plans to make large-scale investments in building new fabs and we expect the semiconductor lithography equipment market to grow, as well.



Enhance customer satisfaction by delivering high-precision, high-productivity Products and high value-added Services

Capture new demand for systems

Create a business model with a virtuous cycle

Complement each other (Semiconductor and FPD) across economic cycles

- Amid this environment, in the Precision Equipment Business, we are focused on providing service post-installation and aim to build a business model with a virtuous cycle by delivering to customers high value-added items and solutions.
- By getting to know our customers better and identifying their needs, we aim to provide service that customer need, enhance customer satisfaction and reflect new needs into product development efforts. That is the business model we aim to establish.
- We believe this will help stabilize Nikon's earnings and build a win-win relationship with our customers.
- The business environment for FPD and semiconductor differ from each other. By having these businesses complement each other, we aim to build a strong business structure that is resilient against economic cycles.



Deliver Products that fulfill customer needs

Ascertain needs through customer intimacy

Small and mid-size panels

- Pursue even higher resolution for VR and AR applications
- Differentiate through enhanced CoO

Large panels

- In March 2022, release FX-88S with high resolution support for G8 sizes manufacturing IT panels
- Drive further productivity gains in G8 systems and improve CoO
- Improve productivity in G10.5 systems, too

Provide on-target support for customer needs by pursuing higher resolution and productivity

- This slide indicates the primary measures we plan for FPD lithography system products.
- You can see the measures that relate to delivering products that fulfill customer needs, which is an important part of achieving the virtuous cycle we described in the previous slide.
- Ascertaining needs through customer intimacy is key to delivering products that fulfill customer needs.
- In small and mid-sized panels, we will pursue system development that supports higher resolutions targeting advances in the market for VR and AR.
- In large panels, in March 2022, we released our FX-88S product, which features high resolution support for G8 sizes for manufacturing IT panels.
- Customers are increasingly focusing on investment returns. We will continue to drive productivity gains in G8 systems at the same time we improve productivity and prepare for a future resumption of investment in G10.5 systems, too.



Deliver Products that fulfill customer needs

Ascertain needs through customer intimacy

i-line/KrF

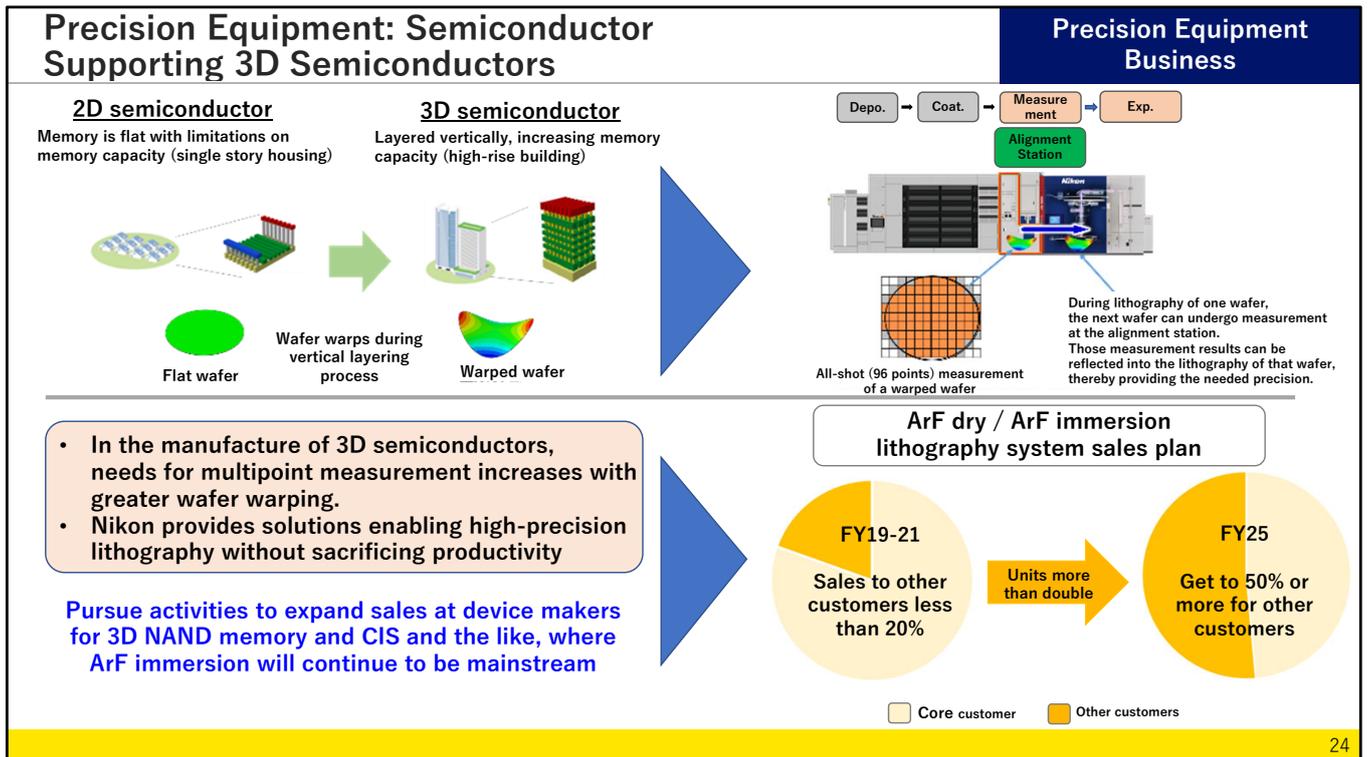
- Expand product lineup with new product launches and grow sales, given broader adoption of semiconductors
- Return to market where there are lithography system shortages (mainly 200mm wafer systems)

ArF Dry/ Immersion

- Leverage alignment station to achieve higher precision and productivity
- Expand customer base targeting device markets where ArF immersion systems will continue to be mainstream (3D-NAND memory, CIS, etc.)

Prepare production infrastructure and accurately support customer needs and investment plans

- This slide indicates the primary measures we plan for semiconductor lithography system products.
- As with the previous slide, you can see the measures that relate to delivering products that fulfill customer needs, which is an important part of achieving a virtuous cycle in the Precision Equipment Business.
- Demand for i-line and KrF lithography systems is increasing with growth in applications for power, analog and other semiconductors. We plan to launch new products that can support investment plans by semiconductor makers.
- There continues to be a shortage of lithography systems for 200mm wafer size, and we expect strong investment moving forward, too. We aim to serve a non-miniaturized semiconductor market where concerns about lithography system shortages have intensified with the drying up of the market for refurbished systems.
- In ArF, we are focused on markets such as 3D NAND memory and CIS (CMOS Image Sensor), where cutting-edge EUV lithography systems are not used and ArF lithography systems will continue to be mainstream. We will leverage the strength of our alignment station to achieve products with high precision and high productivity and expand sales.



- This slide indicates how we plan to support 3D semiconductors.
- Historically, semiconductors have focused on the miniaturization of circuit pitch to effectively utilize wafer space. However, we have approached the physical limitations of miniaturization.
- Technological issues involving the capacitor have prevented applications such as 3D NAND memory and CIS from using EUVL. Therefore, we believe 3D semiconductors, which create vertical layers on the wafer, will become mainstream.
- In 3D semiconductors, wafers can warp in the process of creating vertical layers, which we believe will lead to increasing demand for multipoint measurement of wafers before lithography.
- To support these needs, our lithography systems are equipped with an alignment station, which measures the wafer within the lithography system.
- During lithography of one wafer, the next wafer can undergo high-speed, multipoint measurement for wafer warping. Those measurement results can be reflected into the lithography of that wafer, thereby providing a solution that enables high-precision lithography without sacrificing productivity.
- We plan to expand sales to 3D NAND memory, CIS and other semiconductor makers where ArF immersion will continue to be mainstream. As a result, customers other than our core customer should account for 50% of sales in FY25, compared to an average of less than 20% during the three years from FY19 to FY21. At the same time, we plan to more than double sales unit volumes.



Deliver high value-added Services

Working with 4,000+ install base

FPD

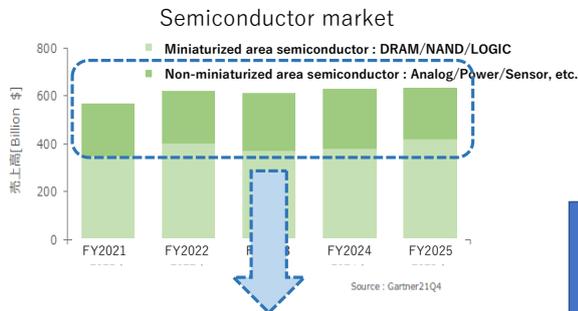
- Propose lens refurbishment and the like for installed systems
- Provide Fab Solutions such as preventive maintenance
- Expand modification items that improve performance (precision, productivity, etc.)

Semiconductor

- Bolster support for replacement of and service-life extension on installed systems
- Provide on-target support for needs to enhance performance or make modifications to move lines
- Provide solutions for manufacturing processes that leverage measurement instruments

Accurately grasp and respond to the needs associated with customer equipment wear and tear, changes in production items, etc.

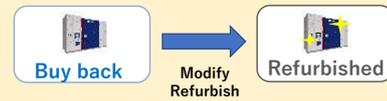
- This slide indicates the primary measures we plan for service business in the Precision Equipment Business.
- You can see the measures that relate to delivering high value-added service, which is an important part of achieving the virtuous cycle we described in an earlier slide.
- Of the 9,000+ systems we have shipped to date, more than 4,000 systems are in service today at customer plants. We aim to provide value-added service for those systems.
- In FPD, we will provide Fab Solutions, including refurbishment work such as replacing lenses that have been in use for a long time and preventive maintenance. We also aim to expand performance enhancement items to boost precision, productivity and the like.
- In semiconductor, we will leverage our install base to further bolster service. In addition to supporting demand to extend service life or replace equipment that has been in use for a long time, we will actively pursue needs to enhance performance in conjunction with line relocations.
- In addition, we also provide Fab Solutions such as refurbishing and preventive maintenance for long-term use equipment, as well as solutions for customers' manufacturing processes by utilizing measurement instruments such as AMI, an automatic macro inspection system, and the Litho Booster, an alignment station.



Strong demand for non-miniaturized semiconductors for IoT and EV, etc.

Active demand for i-line and KrF production equipment for non-miniaturized semiconductors coupled with recent semiconductor shortage

【Until Now】 Buy back systems we sold in the past and modify or refurbish for used system sales



Refurbished market depressed due to brisk production activity at semiconductor makers

【Future】
In addition to refurbished business, launch new products that meet the needs of a refurbished market that is drying up



- This slide explains our direction for the semiconductor service business.
- Demand for non-miniaturized semiconductors continues to be strong, due to expanding applications for power, analog and other semiconductors.
- We expect demand for i-line and KrF lithography systems for non-miniaturized semiconductors to grow in concert with recent semiconductor shortages.
- To date, we have pursued a refurbished system business to support demand for lithography systems in this domain by buying back systems we sold in the past and modifying or refurbishing and re-selling those systems.
- However, brisk production activity among semiconductor makers has dramatically reduced the supply of old systems released into the used market, a trend we expect to continue moving forward.
- To meet demand for refurbished systems in the face of dwindling supply, we will introduce a new i-line lithography system into the market.
- We aim to complement our existing refurbished system business and support growing demand for production equipment for non-miniaturized semiconductors.

Growth Drivers: Digital Lithography

Precision Equipment
Business

Deliver new value for diversifying device production

Needs in society and industry

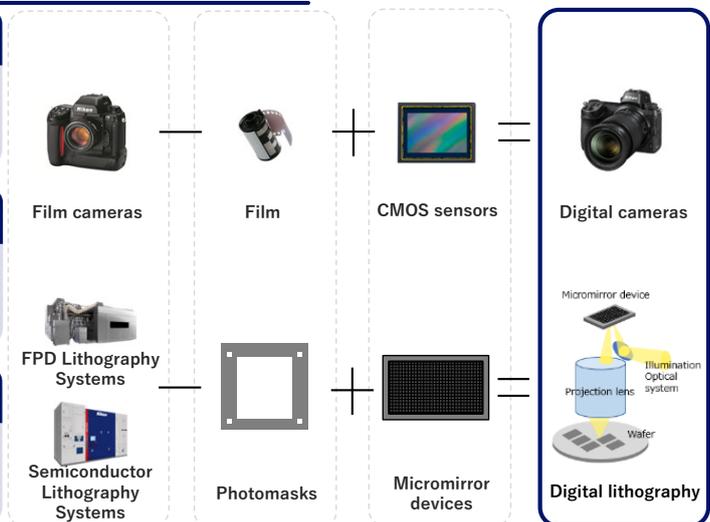
- High-speed prototyping and flexible manufacturing system for devices
- Reduction in processes, costs and environmental burden through photomask reduction

Nikon's strengths

- Optical systems that achieve both high resolution and productivity
- Ability to support chip-by-chip ID lithography, greater lithography surface areas and higher resolutions in advanced packaging

Business development

- Work with partners and accelerate commercialization
- Advance from R&D and prototype lines into commercialization and deliver value different from existing lithography systems



Expect profit contribution by 2030 as a long-term growth driver

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- Digital lithography is a growth driver in the Precision Equipment Business.
- In today's lithography systems, the use of a master plate called a photomask to transcribe onto the wafer is mainstream.
- Just as film cameras evolved into digital cameras, we believe technological innovations will take hold in the world of lithography systems, too.
- At Nikon, we are developing technology to transcribe a digitally input pattern directly onto a wafer without using a photomask. We are making tremendous progress toward commercialization.
- Digital lithography can substantially reduce the time needed to prototype semiconductors and other devices and enable flexible manufacturing systems. The broad range of benefits also includes reduced photomask costs and ease of design changes.
- It also contributes to productivity gains at foundries. Furthermore, it is suited for ID lithography of individual chips for enhanced security. We are convinced digital lithography is a new technology that will be sought by an advanced digital society in the Year 2030.
- As a frontrunner in digital lithography, which we position as the next technological innovation following semiconductor miniaturization and 3D, Nikon aims to deliver new value to society.

Digital lithography core technologies

Data conversion systems

- High-speed conversion to SLM pixel data

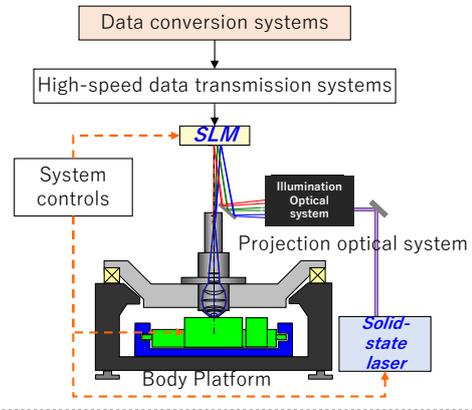
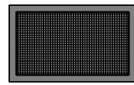
SLM (Spatial Light Modulator)

- Micromirror device
- High-speed mirror drive

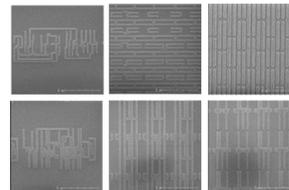
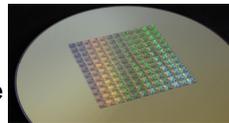
Solid-state laser

(Nikon proprietary development)

- Wavelengths (λ) 193nm, 248nm
- High-repeat frequency (No. Of MHz)



180nm node
Logic IC
Pattern example



- Next, I will introduce you to our Digital lithography, which we are studying for semiconductor applications.
- Digital lithography uses a Spatial Light Modulator (SLM) to generate a pattern in place of a reticle that serves as a master plate for a circuit.
- The SLM is a micromirror device that generates a pattern on a wafer by performing lithography while driving each mirror in accordance with the digital pattern information forwarded to it from a high-speed data transmission system.
- For the light source, we have developed our proprietary solid-state laser. There are two wavelengths--KrF248nm and ArF193nm.
- The image on the bottom of the slide is the lithography result from a 180nm node logic IC test pattern. Lithography was performed periodically in XY for about 100 chips on a 300mm wafer. All chips are the same design.
- The CD-SEM image is an example of the logic pattern. The smallest half-pitch is 180nm.
- The test results have been positive.

Applications

High-speed prototyping and low-volume production of devices

- Eliminate cost of photomasks
- Easy to change design

Chip design customization

- Chip individualized ID lithography (Security code, etc.)

Large surface area lithography

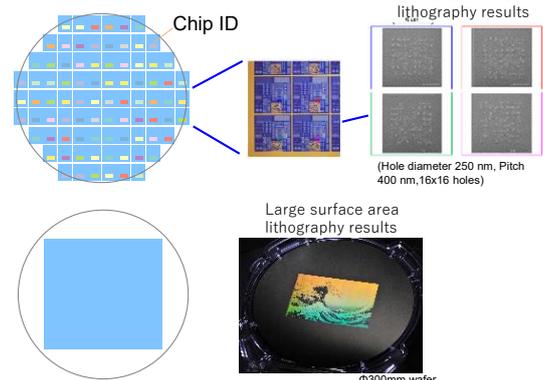
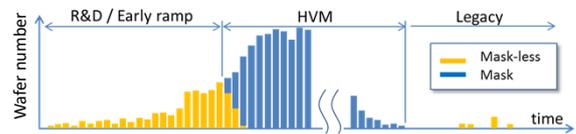
- Wafer-scale chip

Customers

Research labs Foundry

Low-volume, high-variety Device makers

Packaging Makers

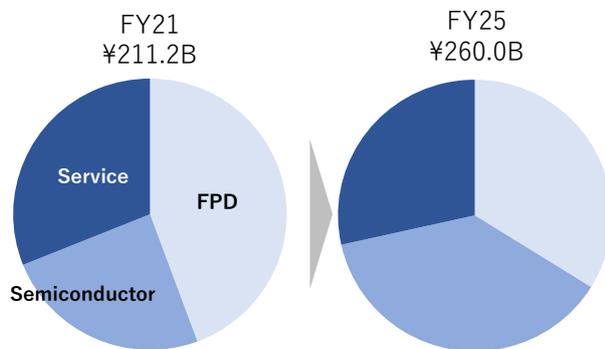


- There are a number of potential applications for Digital lithography.
- One is the high-speed prototyping and low-volume production of devices. Going maskless eliminates the photomask cost and makes it easy to modify designs. This application is from an economic perspective.
- The second is chip design customization. Because the pattern can be changed each shot within a single wafer, individualized ID or security code can be embedded into each chip. This is a technological advantage to going maskless.
- The third is large surface area lithography. In a maskless format, there are no limitations to chip size, so the chip could be about as big as the wafer, an unprecedented feat.
- The image on the bottom right of the slide is an example of results from large surface area lithography. The size of the picture is 154mm x 103mm. The picture comprises lines and space patterns at a half-pitch of 270nm to 570nm. You can see the color of the diffraction ray. This lithography demonstrates the possibilities of wafer-scale chip production.

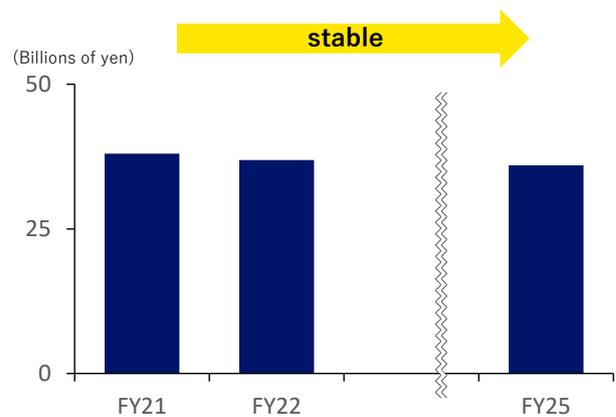
Precision Equipment: Earnings Plan

Precision Equipment
Business

Revenue



Operating profit



Secure stable operating profit of ¥30.0B+
(Operate across both FPD and Semiconductor)

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- Finally, I will speak to our earnings plan.
- We plan to grow revenue by almost ¥50B by FY 2026/3, the final year of our Medium-term Management Plan, to ¥260B, compared to the ¥211.2B in revenue achieved in FY2022/3.
- The pie charts on the left side represent that plan broken out into the FPD, semiconductor and service segments.
- We plan to secure solid revenue in the FPD lithography business, expand revenue in the semiconductor lithography business and achieve a solid contribution to revenue from the service business.
- By achieving revenue with strong bottom support from the service business and balancing the FPD and semiconductor businesses, we aim to generate operating profit of ¥30B or more in a stable fashion.
- That concludes my presentation about the Precision Equipment Business.

Healthcare Business

Tatsuya Yamaguchi
Corporate Vice President

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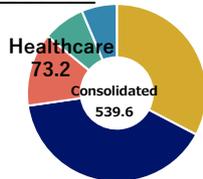
- I'm Yamaguchi, Corporate Vice President and General Manager of Healthcare Business Unit.
- Next, I would like to explain our healthcare business.

Healthcare: Business Outline

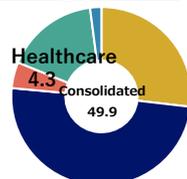
Healthcare Business

FY2022/3 Billions of yen

Revenue



Operating profit (*)



(*) Operating profit ratio in FY2022/3 is shown before deduction of corporate P/L non-attributable to any reportable segments

Vision

Support improving quality of life for people through innovation

Major products & Services

Biological microscopes, Retinal diagnostic imaging system, Contract cell manufacturing(CDMO Business)



Confocal Microscope System [AX/AX R]



Ultra-Widefield retinal diagnostic imaging systems with Integrated UWF-Guided Swept Source OCT [Silverstone]



Contract Cell Manufacturing

Financial target

	FY2023/3	FY2026/3
Revenue	¥80.0B	¥90.0B
Operating profit	¥6.0B	¥10.0B
OPM	8%	11%

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- The Healthcare BU was established as a business unit in the end of June 2017. Business activities are pursued under the mission to support improving quality of life for people through innovation.
- The business is made up of three segments--Biological microscopes, Retinal diagnostic imaging systems, and Contract cell manufacturing. As shown on the pie chart, the Healthcare Business reported revenue of ¥73.2B and operating profit of ¥4.3B last year.
- In the Biological microscopes business, Nikon is one of four major makers of microscopes and contributes to the advancement of science in a broad range of fields. In particular, in the field of research, our products are used at cutting-edge research institutions and drug discovery companies to elucidate disease and develop new drugs.
- Our Retinal diagnostic imaging systems contribute to the early discovery and early treatment of disease. In particular, our "Optos" brand products deliver high value-added for their ability to diagnose sites peripheral to the retina.
- In Contract Cell Manufacturing, we provide to pharmaceutical companies and bio ventures process development and production services for cells for regenerative medicine and gene therapy.
- Under the Medium-Term Management Plan beginning this fiscal year, these three segments aim to combine for revenue of ¥90B and operating profit of ¥10B by FY2026/3, the final year of the plan. We are targeting both strong topline growth and continued improvement in profitability.

Vision

Support improving quality of life for people through innovation

Operational direction

Biological microscopes

- Improve profitability via digitalization, stronger application development and lower COGS

Retinal diagnostic imaging systems

- Support more sophisticated diagnosis and from-home and remote diagnosis (Add AI diagnosis and OCT features, etc.)

Contract Cell Manufacturing

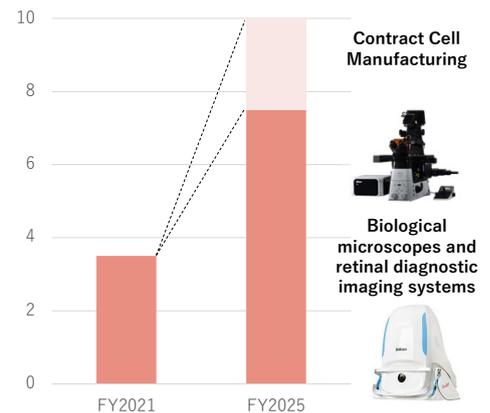
- Leverage Japan's largest production capacity in the field of regenerative medicine
- Advance several projects with major pharmaceutical companies and promising drug discovery ventures and grow operating profit to several billion yen.

Earnings plan

Grow operating profit to ¥10.0B in 2025

Direction for Healthcare Business

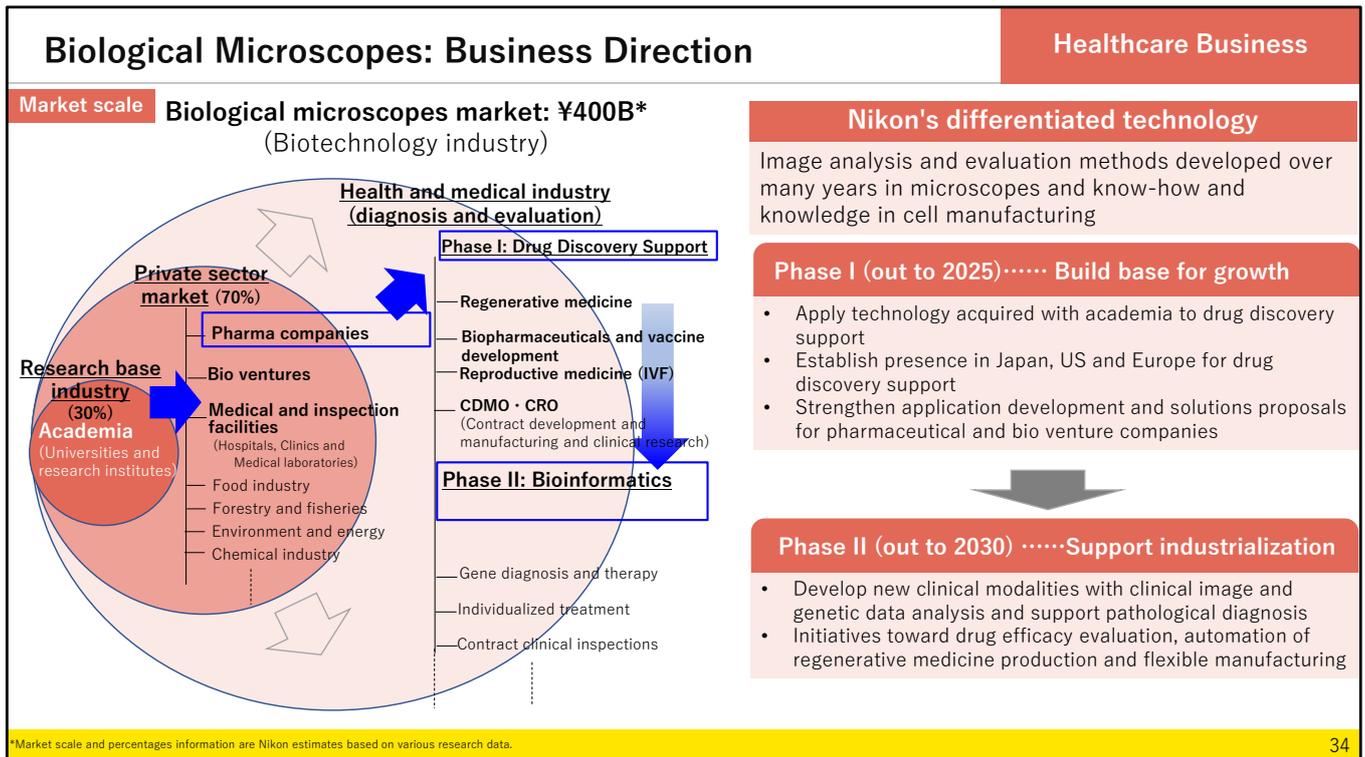
Breakout of operating profit(Billions of yen)



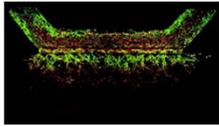
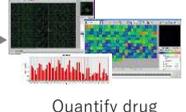
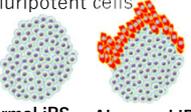
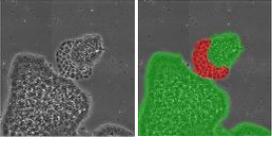
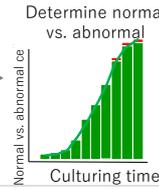
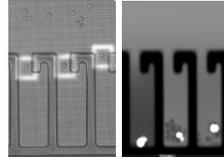
* OCT stands for Optical Coherence Tomography

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- Next, I will explain the business strategy.
- 2025 will commemorate the 100th anniversary of our first Biological microscope sold in 1925.
- Given the trends toward DX in the market, the massive amounts of images and data obtained from biological microscopes are generating new value in the fields of science, medicine and drug discovery. We strive to maximize customer value and enhance profitability through our solutions.
- The Covid-19 pandemic reminded us of the importance of providing a safe and secure diagnostic infrastructure leveraging Retinal diagnostic imaging systems. We are also working to create diagnostic support frameworks leveraging AI and IT cloud environments with the aim to develop new modalities for retinal diagnosis.
- In Contract Cell Manufacturing, the world's pharmaceutical companies and bio ventures have begun new efforts to address unmet medical needs in oncology and elsewhere. Possibilities are emerging that the field of regenerative medicine may be able to solve challenges presented by rare ailments including intractable diseases with treatments that lack commercial feasibility under cost-benefit analyses, and we aim to contribute to society by contracting regenerative medicine.
- Contract Cell Manufacturing is still in its infancy today. However, Biological microscopes and Retinal diagnostic imaging systems are generating stable revenue. We will actively invest here to develop the business into a presence in terms of revenue by FY2025.



- Beginning with this slide, I will explain each of the three business segments I outlined, starting with Biological microscopes.
- A biological microscope is a medical device that requires filing with each country's certifying organization. The market scale for biological microscopes within the biotechnology field is currently about ¥400B, and we expect the average annual growth rate to exceed 6% through 2025.
- Academia accounts for about 30% of the market, while the private sector, where applications are broad, accounts for the remaining 70%.
- Working together with universities and research institutions in various countries, Nikon has accumulated a great deal of knowledge in five fields of cells, namely, culturing, manipulation, evaluation, analysis and diagnosis.
- Under Phase I looking out to 2025, we aim to deploy the technology, skills, knowledge and experience we have accumulated working with academia into solutions for the fast-growing pharmaceutical and biotechnology fields and build a foundation for growth.
- Under Phase II beginning 2026, we aim to contribute to productivity gains in drug development through drug efficacy evaluation and support for automation of regenerative medicines based on cells. Furthermore, we will strive to support development of new diagnosis and treatment methods by incorporating knowledge from the field of genetics into image-based analysis data.

Biological Microscopes: Concrete Initiatives toward Drug Discovery Support		Healthcare Business	
Drug discovery support: Three market approaches		Solutions	Equipment
<p>1 Low molecule drugs</p> <p>Use cells to evaluate a drug's efficacy</p>	<p>Organ-on-a-chip (OoC) Efficient chemical efficacy evaluation in cells</p>  <p>Analyze and evaluate drug efficacy in 3D</p>  <p>Quantify drug efficacy</p> 	 <p>Confocal microscope</p>	
<p>2 Regenerative medicines</p> <p>Stable production of cells as a drug product</p>	<p>Human iPS cells Drug production using pluripotent cells</p>  <p>Detect normality/abnormality with image analysis</p>  <p>Determine normal vs. abnormal</p> 	 <p>Cell Observation Device</p>	
<p>3 Antibody drugs</p> <p>Select cells with strong antibody production abilities</p>	<p>Antibody-producing cells Efficient cell selection</p>  <p>Cell manipulation capability evaluation</p>  <p>Evaluate cells individually and select and collect target cells</p> 	 <p>Multipurpose cell research and development platform</p>	

* Global market scale (2020) Nikon estimates: 1. Low molecule drugs 873USDbn (CAGR2.9%), 2+3. Regenerative medicines + Antibody drugs: 389USDbn (CAGR7.7%)

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- Here, I explain three approaches we are taking to drug discovery support.
- In the field of "Low molecule drugs", it is said the probability of investing ¥100B over 10 years and developing a ground-breaking new drug is no better than 0.01%.
- Drug development requires larger investments in later stages and can impact drug discovery companies' earnings. Nikon provides solutions to pharmaceutical companies and bio ventures as methods to efficiently evaluate the efficacy and toxicity of drugs in the initial stages of development leveraging cells that are similar to human histology.
- The field of "Regenerative medicines" requires advanced analysis, evaluation and judgment to select cells that would be therapies. We are working to provide solutions leveraging a variety of analysis and evaluation tools for discerning between normality and abnormality in candidate cell therapies and making predictions based on images and data.
- In the field of "Antibody drugs", we work to support basic research and productivity gains at pharmaceutical companies in the area of cell culturing and selection to enhance the productivity of production capacity of antibodies produced by cells.
- We aim to grow and expand the drug discovery support business through both development of related equipment and delivery of services based on cells.

Biological Microscopes: Network Supporting Technology Development for Drug Discovery Support

Healthcare Business

R&D sites

Active in joint research, collaboration and research support in the world's leading facilities

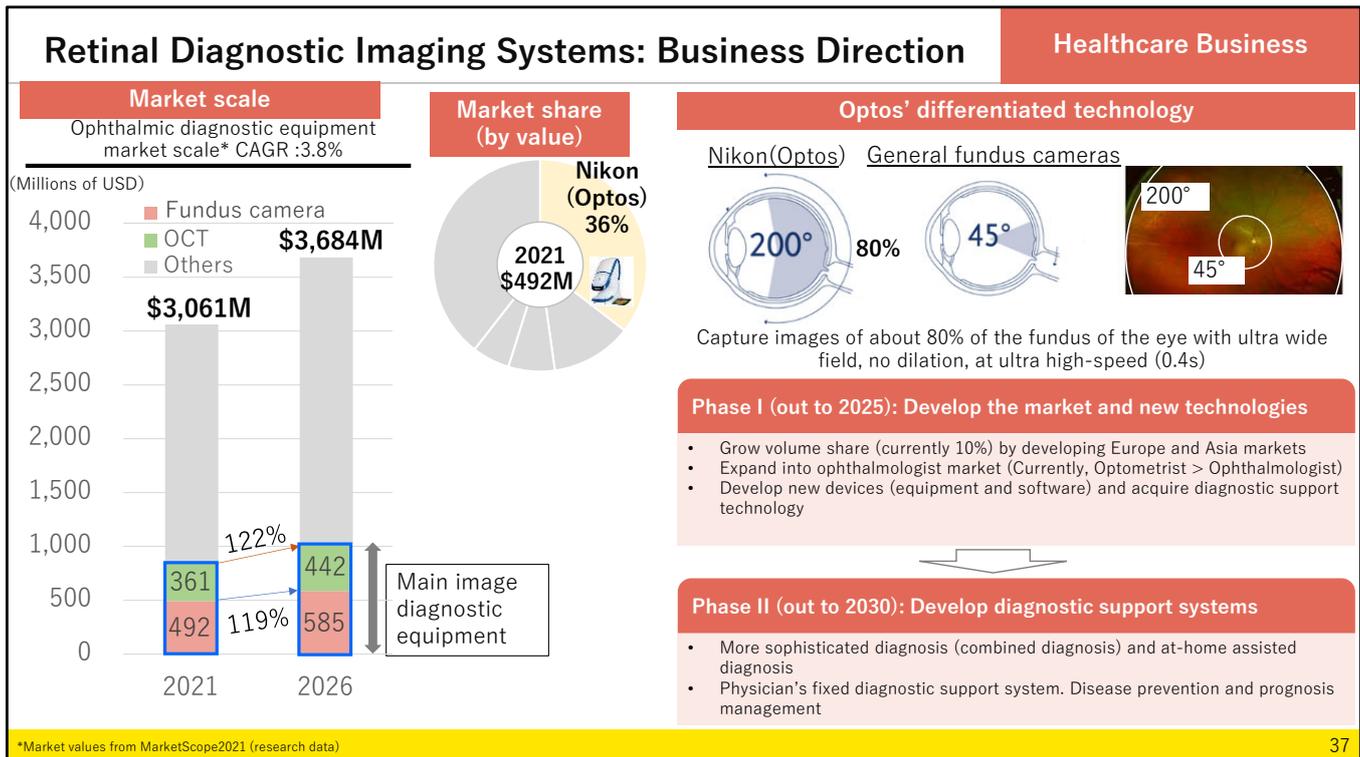
Nikon BioImaging Lab

Drug discovery R&D support facility



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- Our source of innovation in such initiatives aimed at drug discovery support has been the cooperative relationships and networks we have built over many years working with research institutions inside and outside Japan.
- In July 2019, we opened the Nikon BioImaging Lab in Boston, Massachusetts (US) to support drug discovery and development.
- The Boston area is a hub for innovation, much like Silicon Valley. There, globally known pharmaceutical companies, drug discovery startups, and other IT companies have built out a drug discovery ecosystem.
- Amid that, we have begun support activities aimed at efficient drug development leveraging live cell imaging and image analysis technologies.
- Also, in July 2021, we opened a facility aimed at drug discovery research and support leveraging cutting-edge equipment within the Shonan Health Innovation Park (Shonan I-Park), where pharmaceutical companies and bio ventures have gathered.
- Moreover, in September 2021, we opened a site inside the Leiden Bio Science Park, which is an authority in drug discovery activities and located in the outskirts of Amsterdam (Netherlands), and have begun activities supporting bio ventures.
- In addition to our presence in Japan, the Americas and Europe, moving forward we will accelerate similar activities at our regional headquarters in China and Singapore.

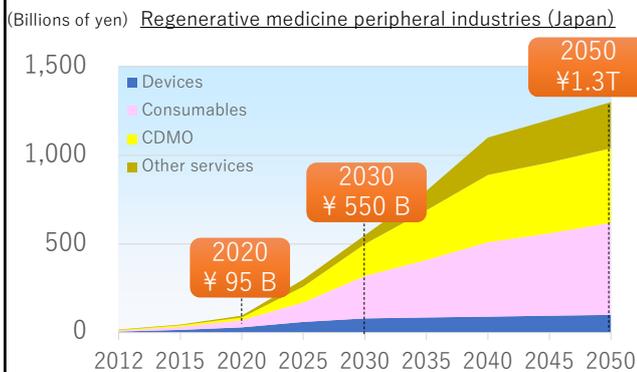


- Next, I will explain the second business segment, Retinal diagnostic imaging systems.
- The graph on the left shows the overall market size of ophthalmic diagnostic equipment. Long-term growth projections are around a little less than 4% per year, but the Covid-19 pandemic over the past two years has resulted in actual current growth exceeding that.
- Working together with Optos (UK), which we acquired in 2015, we have worked on two diagnostic equipment units, a retinal camera that diagnoses the retina surface and an OCT that diagnoses deep into the fundus of the eye.
- The pie chart in the middle indicates share by value for retinal cameras. Our diagnostic equipment can diagnose about 80% of the fundus of the eye at high-speed in a non-invasive fashion. With an aging society and increased incidence of ophthalmological ailments in the young, diagnostic equipment capable of shooting wide angles are more profitable than entry level models and represent a promising market over the mid- to long-term.
- Under Phase I looking out to 2025, we aim to expand our share by volumes in Europe, Japan, China and the rest of Asia. We are also working to develop new diagnostic equipment fusing technologies from Optos and Nikon.
- Under Phase II beginning in 2026, tools that support accurate and rapid diagnosis will be increasingly important to counter a continuing rise in the number of patients.
- Furthermore, as diagnosis and treatment shift from the hospital to the home or off-site facilities, the medical support system will change dramatically. We will strive to develop new diagnosis modalities in line with changes in the market and advances in medicine.

Contract Cell Manufacturing: Business Direction

Healthcare Business

Market scale*



Nikon initiatives and strengths

- Business alliance with Lonza, the world's largest contract cell maker
- Japan's largest GCTP/GMP* compliant production facility (7,500m²)
- Provide full range of contract services, from process development to commercial production
- Track record of many clinical studies and commercial projects in Japan

Phase I (out to 2025): Build infrastructure for regenerative medicine industry

- Expand existing projects (expand clinical trials and commercial manufacturing)
- Capture promising pipeline and build up track record and know-how
- Strategic investment aimed at facility expansion and stable operations



Phase II (out to 2030): Grow regenerative medicine into a standard treatment

- Support mass production: mass manufacturing at third parties
- Support flexible production: In-house simultaneous manufacture of multiple batches

* Nikon forecasts based on March 2020 Ministry of Economy, Trade and Industry Evaluation Study Group for Industrialization of Regenerative Medicine and Gene Therapy

(*)GCTP: Good Gene, Cellular, and Tissue-based Products Manufacturing Practice

(*)GMP: Good Manufacturing Practice

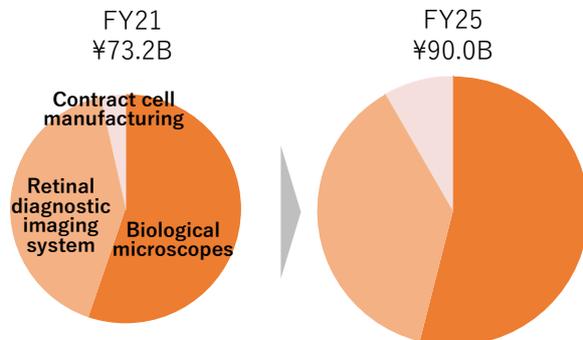
38

- The third business segment is Contract Cell Manufacturing.
- The graph on the left shows market scale forecasts for Japan in industries adjacent to regenerative medicine. The period from 2020 to 2025 represent the industry's infancy. Beginning in 2026, the new industry ramps up rapidly.
- Our subsidiary Nikon Cell Innovation Co., Ltd. has a business alliance with Lonza, the world's largest contract cell maker, and provides pharmaceutical companies and bio ventures with world-class contract services.
- Currently, about 10 pipelines have been progressing, and we have already been approved for a number of regenerative-medicine products in Japan. We are involved in the production of clinical drugs, as well.
- Under Phase I looking out to 2025, we will strengthen alliances with leading pharmaceutical companies and promising ventures and expand projects.
- At the same time, we will build out a base for business growth over the mid- to long-term by getting involved in process development from early on in promising drug candidates.
- Under Phase II beginning in 2026, we will advance support of mass production and flexible manufacturing, based on the production know-how we have developed during Phase I and a promising pipeline.
- The development of ground-breaking novel drugs for rare ailments is a challenge for society and one of the important solutions that can be provided by regenerative medicine.
- We will work to develop production technology to make flexible manufacturing commercially feasible.

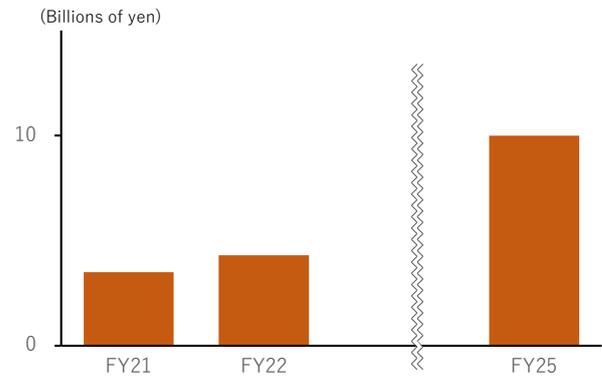
Healthcare: Earnings Plan

Healthcare Business

Revenue



Operating profit



Grow operating profit to ¥10.0B in 2025

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- The three business segments of Biological microscopes, Retinal diagnostic imaging systems and Contract Cell Manufacturing that I have described leverage the technology we have accumulated to target markets that promise tremendous growth in the future.
- In particular, Nikon will invest actively in Drug discovery support and Contract Cell Manufacturing so as to become a pioneer in these new industries.
- We aim to achieve revenue of ¥90B and operating profit of ¥10B by FY2025 through stable growth in existing businesses and business growth in new areas.

Components Business

Ohmura Yasuhiro
Senior Vice President

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- Hello, everyone. My name is Omura, Senior Vice President and General Manager of Office of the President. Thank you for your time.
- I will explain about the Components and Digital Manufacturing Businesses.

(Reference) Differences between Financial Results and Medium-Term Management Plan Classifications

Segmentation for earnings reporting		Under the 2022-25 Medium-Term Management Plan
Reporting segment	Organization name & business	Business domain
Imaging Products	Imaging Products Business	Imaging
Healthcare	Healthcare Business	Healthcare
Precision Equipment	FPD Lithography Business	Precision Equipment
	Semiconductor Lithography Business	
Components	Customized Products Business	Components*
	Glass Business	
	Digital Solutions Business (Optical components, etc.)	
	Digital Solutions Business (Material Processing, Robot Vision)	Digital Manufacturing
Industrial Metrology and Others	Industrial Metrology Business	management base
	Other	
Corporate P/L non-attributable to any reportable segments	New business development costs (Next-generation Projects Division) G&A expenses, etc., for basic research and HQ functions	

Adjustment to Classifications under the Medium-Term Management Plan

· Components*

= Excludes "Material Processing, Robot Vision" included in the Digital Solutions Business from the reporting segment of "Components"

· Digital Manufacturing

= Adds above mentioned "Material Processing, Robot Vision" to Industrial Metrology Business included in the reporting segment of "Industrial Metrology and Others"

Adjusted amount "Material Processing, Robot Vision"

	FY2022/3	FY2023/3
Revenue	¥2.0B	¥4.0B
Operating profit	¥0.0B	¥0.0B

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- First, I will review the differences between earnings reporting segments and the business domains defined in our new Medium-Term Management Plan.
- The yellow shows the business areas I will discuss, Components and Digital Manufacturing.
- Material Processing and Robot Vision is a part of the Digital Solutions Business Unit and is reported under the Components Business. However, the business model for Material Processing and Robot Vision, which is a growth driver we are focused on, delivers solutions that integrate components, finished goods and services such as contract processing.
- The business also plays a role in the digitalization of manufacturing, in combination with measurement and inspection equipment from the Industrial Metrology Business.
- Putting Industrial Metrology Business together with Material Processing and Robot Vision under Digital Manufacturing moves us closer to where we want to be in 2030 and shows a rational path for how the organization may change in the future.

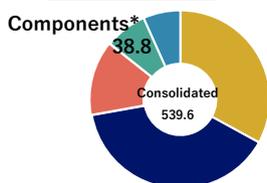
Components*: Business Outline

Components Business*

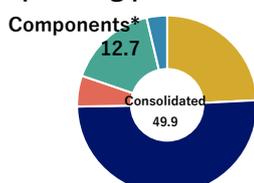
FY2022/3

Billions of yen

Revenue (※1)



Operating profit (※2)

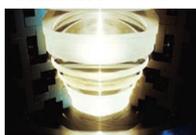


Vision

**Grow together with customers
as we support their innovation**

Major products & Services

Optical & EUV related components, customized products,
Space related products, Encoders for industrial robot, photomask
substrates for FPD



Optical component



Intelligent actuator units
[C3 eMotion]



Photomask substrate for FPD

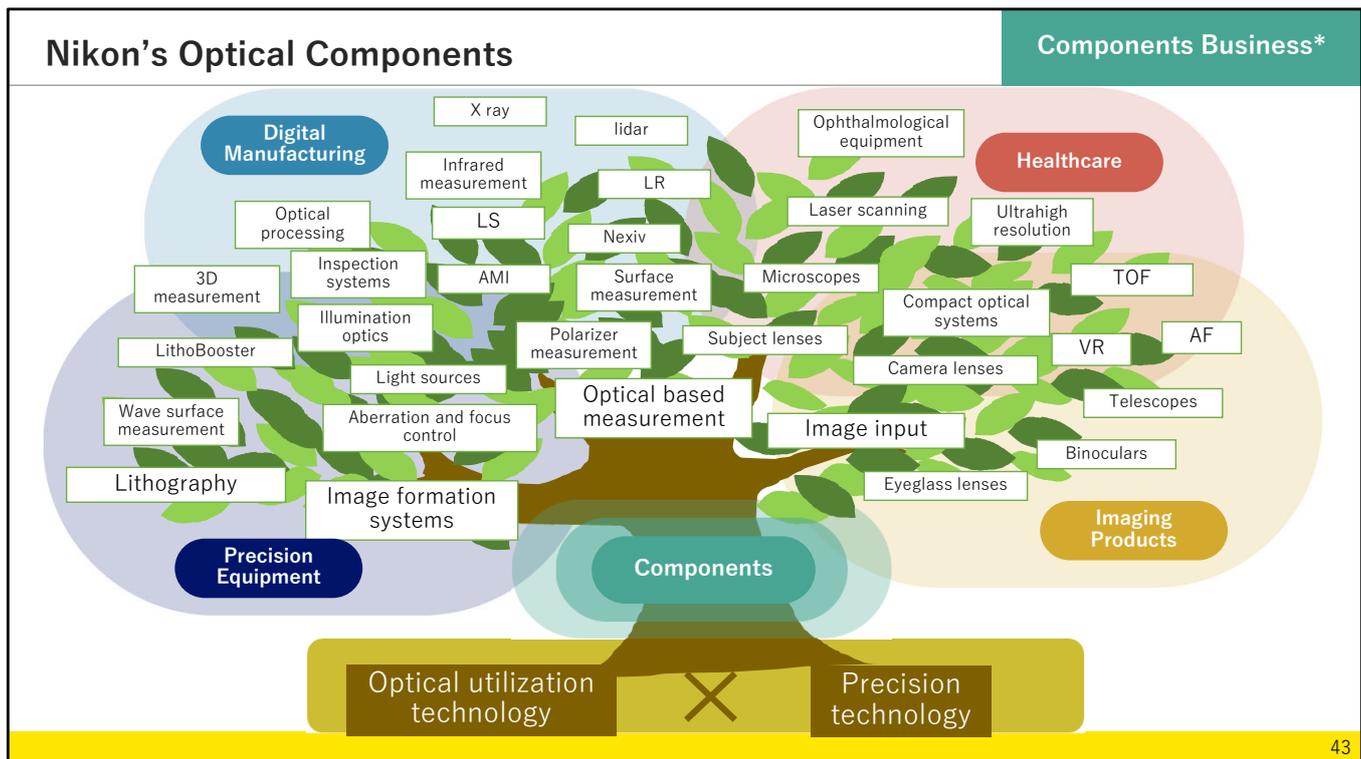
Financial target

	FY2023/3	FY2026/3
Revenue	¥49.0B(※1)	¥80.0B
Operating profit	¥17.0B(※1)	¥23.0B
OPM	34%	29%

(※1) Reflects the adjustment in the lower right corner of slide 41 from revenue and operating profit of the reporting segment of "Components business"
(※2) Operating profit ratio in FY2022/3 is shown before deduction of corporate P/L non-attributable to any reportable segments

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- Let's look at the Components Business.
- Components are the source of Nikon's value proposition across all businesses. We aim to deliver directly to the customer, support customer innovation and grow with the customer.
- Evolving from a business mainly in sales of end products remains an important challenge we have sought to address since the period of the previous plan.
- We need to get closer to the customer, understand needs accurately and deliver solutions integrating end products, services and components.
- The Components Business is diverse, from Optical components and EUV related components to Customized products and space related products, Encoders for industrial robot and Photomask substrates for FPD. Last year, the segment defined in the Medium-Term Management Plan reported revenue of ¥38.8B and operating profit of ¥12.7B.
- Our new Medium-Term Management Plan calls for revenue to reach ¥80B and operating profit to hit ¥23B in FY2025. We expect both strong topline growth and continued improvement in profitability.



- The Components Business is the source of Nikon's value proposition across all businesses. This slide depicts our technologies as a tree.
- Our core technologies are at the root of our strength. We have combined our optical utilization technology and precision technology to give rise to strength in high-precision and high value-added optical parts and components. From there, we have branched out to the optical and precision products that represent the value we deliver to our customers.
- These have fed our Imaging Products, Precision Equipment, and Healthcare businesses.
- Today, how and where we deliver value to the customer and society is growing, and we need to be faster. Selling end products involves a limited contact point with the customer. We have strengthened efforts to deliver components and key devices directly to the customer and expand our business to support customer innovation.

Components*: Business Strategy and Growth Drivers

Components Business*

Vision

Grow together with customers as we support their innovation

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022

Operational direction

Optical components (growth driver)

- Support demand for high durability, high performance and stable supply in a timely fashion

EUV related components (growth driver)

- Scale business by adding production capacity and supporting high NA (numerical aperture)

Encoders

- Focus on modules for human-robot collaboration

Glass

- Focus on high-precision polishing and high-quality film deposition for large Photomask substrates for FPD

Earnings plan

Get to ¥20.0B+ in operating profit by doubling revenue

Contributions to the semiconductor industry



- The slides here are basically the same as those explained in the Mid-Term Management Plan, but we have prepared a few more detailed slides for each of these individual businesses.

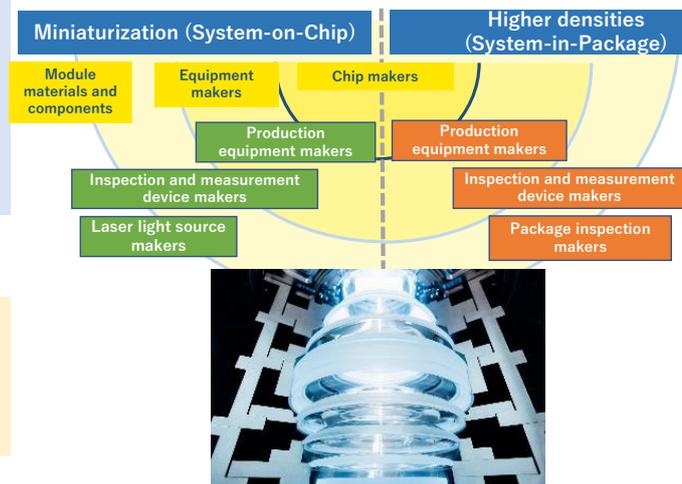
Market trends and business strategy

- Follow two trends--miniaturization and 3D--to engage with a semiconductor market invigorated by the emergence of a variety of new applications including 5G, IoT, AI, autonomous driving and neural networks.
- Propose a one-stop solution (from design and prototyping to mass production) for high-precision optical components.
- Deliver knowledge, experience and value by integrating optical components into customer systems, leveraging our knowledge as a semiconductor equipment maker.

Business deployment

- ① Optical parts: Tie up with semiconductor laser makers
- ② Optical components: Tie up with production and measurement equipment makers in semiconductor, FPD
- ③ Others: Expand sales of optical components into laser processing equipment makers (outside of the semiconductor market)

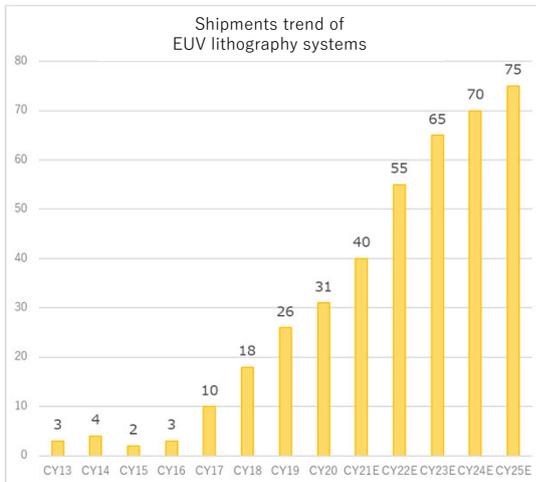
Leverage optical components to contribute to miniaturization of semiconductors (EUV) and higher densities (cutting-edge IC chips)



- Now, for a deeper dive into each business, starting with optical components.
- The semiconductor market remains very active, and we are doing business by meeting customer needs.
- As the business develops based on technological trends in semiconductors such as miniaturization and 3D chips, we can accurately understand customer needs and challenges and quickly deliver high-performance components thanks to the technology and knowledge we have developed as a maker of semiconductor lithography equipment.
- We will deliver to customers a one-stop solution covering development, prototyping and production. Our value matches needs, is unique to Nikon and positions us to do more than simply grow with the market.

EUV Related Components: Business Opportunities and Path to Commercialization

Components Business*



Source: September 08, 2021, Nomura Securities, Inc. Global Markets Research EUVL Industry Close-Up Report

A history of the commercialization of EUV related fields

1986: NTT succeeded in EUV contraction projection aligner. From this time, Nikon has long been involved in the development technologies such as multilayer film, lithography optical system contamination control and mirror distortion aversion barrels for aspherical processing technology for lithography equipment optical systems, measurement technology and EUVL reflective mirrors for NEDO-contracted efforts including EUV lithography system base technology development.

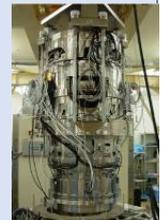
2007: NA0.25 full field lithography system delivered to Selete 16nm L&S resolution with phase shift photomask

2008: Experimental success at EUVA with High NA0.3 of EUV optical system lithography

2011: Exited EUV lithography system development

Continued to work with EIDEC on future photomasks and small field high NA lithography systems for photoresist development and applied technology developed toward EUV related components and ArF optical systems.

Present: EUV related fields becoming a growth driver as we work together with customers in Customized Products Business in combination with our production technology base



EUV market expanding as, in addition to cutting-edge logic, DRAM makers also begin to use EUV lithography systems in mass production. Expect growth in demand for related products as EUV lithography systems gain adoption

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- Next is EUV related components.
- This business is tied directly to the customer investment plans, so it's difficult to provide details, but you can use EUV lithography system shipments as a proxy for our business opportunities.
- As EUV lithography equipment becomes more widely used, one can expect an increase in demand for related products.
- As the graph shows, the EUV market will grow steadily through the period covered by the Medium-Term Management Plan since in addition to cutting-edge logic, DRAM makers are also starting to use EUV lithography systems in mass production.
- On the right, you can also see a history of our EUV related business.
- Suffice it to say that Nikon began its business in EUV related components about 20 years ago. However, the foundational work on developing EUV lithography technology can be traced back more than 30 years.
- Nikon exited the development of EUV lithography systems about 10 years ago due to the enormous investments required for the development. But by carrying on the knowledge we have developed over many years and continuing development of elemental technologies, we are able to meet the demands of today's customers.

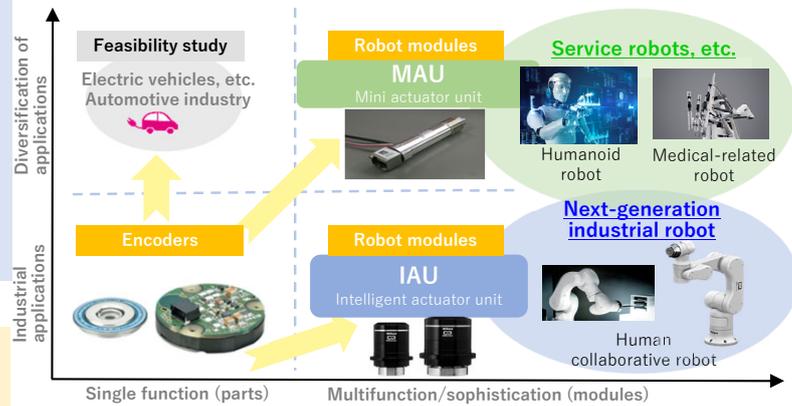
Market trends and business strategy

- Factory automation market growing 6-8% annualized. In particular, East Asia growth rate is 8% and expected to climb.
- Human collaborative robot market to grow 38% annualized (FY20-25) with manufacturing labor shortages and advances in application technologies.
- Launch next-generation absolute encoders to maintain product competitive edge and create new markets with safe and easy-to-use robot modules.

Business deployment

- ① Expand sales of encoders to Japanese makers and target overseas makers
- ② Expand from encoders into robot modules
Tie up with industrial robot makers
- ③ Plan to enter the next-generation industrial robot and service robot markets

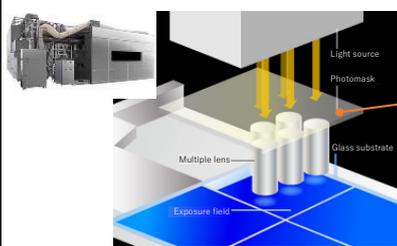
Leverage encoders (parts) to enter robot modules



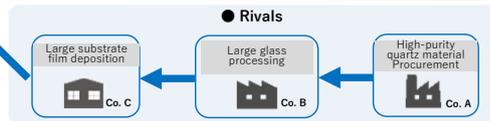
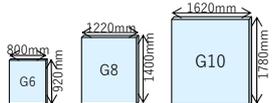
- Next, the encoders business.
- Encoders are sensor needed to control the movement of robot arms. Encoders contribute to the growth in the robot industry.
- Our encoders are mounted on the joints of many industrial robots, and in particular, we have the top market share in Japan for robot manufacturers.
- In addition, we will improve the application and function aspects, rather than just an encoder, we are also beginning to seize opportunities to develop, manufacture, and sell robot modules.
- Multi-functional, sophisticated intelligent actuator unit (IAU), in addition, the mini actuator unit (MAU) responds to the diversification of applications. We are planning to enter into the markets which have high growth rate, next-generation industrial robots and service robots markets.

FPD Photomask Substrates

Components Business*



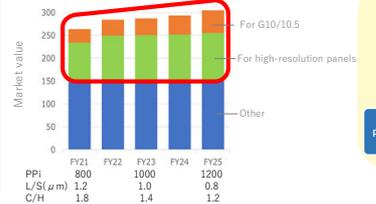
● FPD photomask major sizes



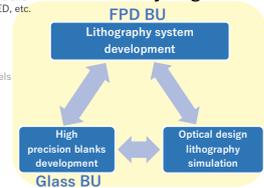
Advantages

- Supports next-generation higher resolution panels
 - High-precision polishing technology for highly flat surfaces
 - High-performance film deposition technology
 - High-precision measurement technology
 - Ability to support sophisticated requests thanks to integrated process from material to film deposition
- Development capabilities working with internal lithography systems development and optical engineering division
- Ultra large-scale production equipment up to G10.5. No. 1 share (70%+)

● Market scale: ¥30.0B



● Internal synergies

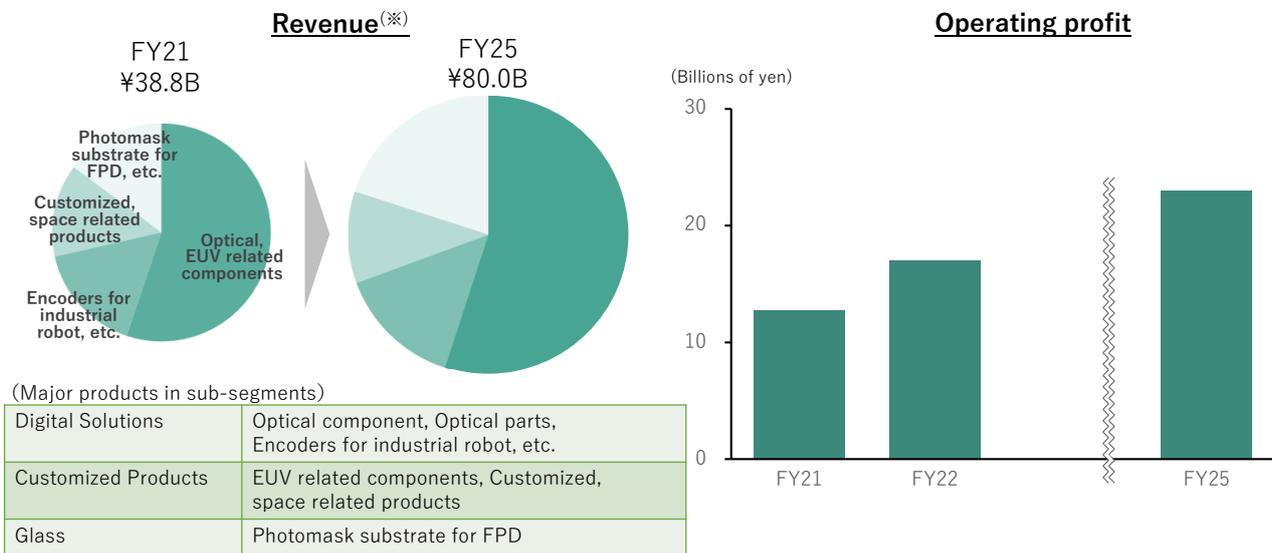


Focus management resources on high-precision polishing and high-quality film deposition for large types

- Finally, the glass business.
- Nikon develops and makes photomask substrates used in FPD lithography processes.
- Our product's strength is based on our technologies in precision polishing, high-performance film deposition and high-precision measurement in support of next-generation high-resolution panels. Also, our integrated process from material input to film deposition enables us to meet advanced demands.
- We have development capabilities working with internal Precision Equipment Business and Optical Engineering Divisions. And we have the ability to predict customer needs.
- The market size is ¥30B, and the market for G10.5 and higher resolution panels will grow at a CAGR of 8% due to the increase in the size of TVs and the increase in high-definition such as OLEDs.
- In photomasks for G10.5, we have ultra-large production equipment and No.1 market share, at more than 70%.

Components*: Earnings Plan

Components Business*



Get to ¥20.0B+ in operating profit by doubling revenue

(※) Reflects the adjustment in the lower right corner of slide 41 from revenue and operating profit of the reporting segment of "Components business"

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- Each business has profit and growth potential.
- Recently, EUV related components have been driving profit growth. However, moving forward optical components and other components businesses should contribute substantially, too.
- By FY2025, we plan to double revenue and grow operating profit to ¥20B or more. As we scale up, we will grow the Components Business to stand alongside Imaging Products and Precision Equipment Businesses as a pillar of earnings.
- We have omitted details of the customized products and space related products included in the Components Business due to its highly confidential nature.

Digital Manufacturing Business

Ohmura Yasuhiro
Senior Vice President

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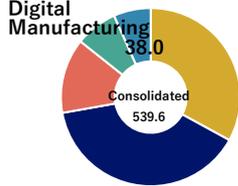
- Next, I would like to explain the Digital Manufacturing Business.

Digital Manufacturing: Business Outline

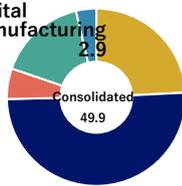
Digital Manufacturing Business

FY2022/3 Billions of yen

Revenue (※1)



Operating profit (※2)



Vision

Enable innovations in manufacturing with applied optics application technologies

Major products & Services

Industrial Metrology Business(Laser Radar, X-ray and CT inspection system, in-line measurement, CNC Video Measuring Systems, Industrial microscope)
Optical processing (Machine & Contract processing) , Robot Vision

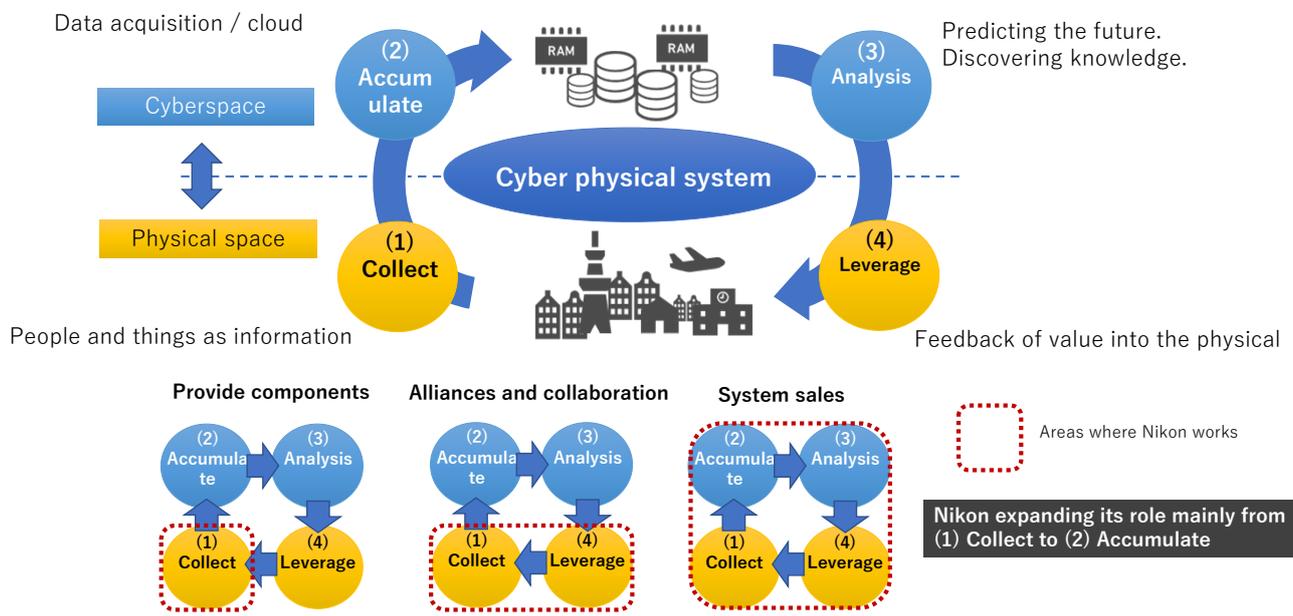


Financial target

	FY2023/3	FY2026/3
Revenue	¥41.0B (※1)	¥70.0B
Operating profit	¥4.0B (※1)	¥11.0B
OPM	10%	16%

(※1) Reflects the adjustment in the lower right corner of slide 41 from revenue and operating profit of the reporting segment of "Industrial Metrology and Others"
(※2) Operating profit ratio in FY2022/3 is shown before deduction of corporate P/L non-attributable to any reportable segments

- The Digital Manufacturing Business aims to enable innovations in manufacturing with applied optics application technologies.
- It comprises the Industrial Metrology Business Unit and the Material Processing and Robot Vision part of the Digital Solutions Business Unit. Last year, revenue was ¥38B and operating profit was ¥2.9B.
- Calling for revenue to reach ¥70B and operating profit to hit ¥11B in FY2025, the final year of the new Medium-Term Management Plan, we aim for both strong topline growth and continued improvement in profitability.



- The Digital Manufacturing Business is where Nikon plays a role within a society where humans and machines co-create.
- Co-creation among humans and machines is often discussed together with cyber physical systems. That means information about people and things from the physical space is converted into data and fed into cyberspace. That data is then accumulated and analyzed to generate new learnings to feedback to the physical space.
- Nikon aims to provide comprehensive systems here. Or we could assist customers building out systems with components used to collect, leverage and/or provide image input and optical based measurement.

Operational direction

Laser Radar

- Joint development with customers in automotive, aviation spaces

X-ray and CT

- Focus on EV battery inspection

In-line measurement

- Promote digitalization of manufacturing processes

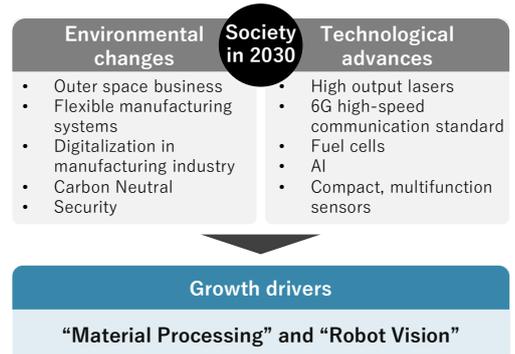
Material Processing

- Deliver three processing technologies (additive, removal and riblet) as end products, components or as contract processing services.

Robot Vision

- Begin in automotive and electronics fields

Trends related to the business



※ Material Processing and Robot Vision are included in the reporting segment of “Components”.

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- This is an overall view of the Digital Manufacturing Business during the Medium-Term Management Plan period.
- For the time being, we believe that each of the businesses in the Industrial Metrology Business will drive growth.
- As shown on the right, we aim to achieve sustainable sales growth of more than 10% per year by 2030 by scaling up the growth drivers of Material Processing and Robot Vision in light of environmental changes and technological innovation looking out to society in 2030.

Industrial Metrology Business: Business Opportunities

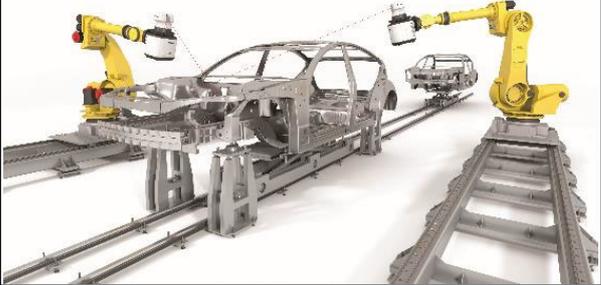
Digital Manufacturing Business

Game changer	EV / 5G					
Target industries	Automotive			Electronic components (automotive)		Semiconductor
Target applications (examples)	Automotive bodies	LIB*	Connectors	PCB*	WLP*	
Growth scenarios	Automation of manufacturing processes	Lighter weight (aluminum)	Fire prevention	Re-use	100% inspection of important parts	Automation of manufacturing processes
Delivery of solutions	Combine Laser Radar and robots	Combine X-ray and CT and autoloaders			Combine CNC Video Measuring Systems and autoloaders	
Competitiveness	Nikon's proprietary large-scale space precision measurement	Advantages of high-output x-ray source (High-speed, high-resolution x-ray CT using RT*)			Top market share in Japan and Asia in high-end and mid-range CNC Video Measuring System	

LIB (Lithium-ion battery), PCB (printed circuit board), WLP (wafer level packaging).
RT (rotating target) is a technology that achieve high output while avoiding high heat by rotating the x-ray light-emitting base.

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- Here, we summarize business opportunities in the Industrial Metrology Business.
- EV and 5G will be game-changers in this business. So, the target will be the automotive, electronic components for automotive and semiconductor industries.
- Recently, we have been making progress in doing business with many major automobile makers. And we have begun co-creating with the customers in the dynamic electronic components and semiconductor industries, as well.
- In this business, as shown in the yellow section in the middle, we envision growth scenarios based on the applications of our products in each target industry.
- I will discuss the section in blue, the delivery of solutions in more detail.

Laser Radar and In-line Measurement		Digital Manufacturing Business	
<p>Bring an innovative measurement solution to the production floor</p> <p>Nikon's market-leading measurement and inspection technology supports the next step</p> 	Solutions Overview		<p>Related video</p> <p>APDIS automotive inline: https://youtu.be/riGBpSc43s4</p>
	Strengths	<ul style="list-style-type: none"> High-precision: 28um@2m High-speed: Throughput 8 times conventional Environment: IP54 compliant 	<p>Focus points</p> <ul style="list-style-type: none"> Targeting production floors, smaller, lighter, faster
	Used by:	<ol style="list-style-type: none"> BMW Stellantis (Chrysler JEEP) US and Japanese automobile OEMs 	
	Market share (Reference)	<p>2021: 10%</p> <p>Share by install base (business unit research)</p>	<p>Market scale (Reference)</p>

- First, I explain about Laser Radar in-line measurement.
- Process automation is progressing at plants across the world in automotive and automotive body applications. We are seeing similar trends in measurement area.
- For example, up to this point, automotive body samples selected for inspection were moved to a measurement room. It took a full day to take measurements using a contact 3D metrology system. Today, sample measurements can be taken on the production floor with almost no relocation using a non-contact 3D metrology system comprising Laser Radar and Robots.
- There is a demand to replace sampling with the inspection of all units on the production line moving forward. Our Laser Radar is a unique product that can take precise measurements in large spaces and will support digitalization on automotive production lines.

X-ray & CT and In-line Measurement		Digital Manufacturing Business	
<p>Bring an innovative measurement solution to the production floor</p> <p>Nikon's market-leading measurement and inspection technology supports the next step</p> 	Solutions Overview		<p>Related video</p> <p>LIB inline: https://www.youtube.com/watch?v=yhHsZG7aEi0</p>
	Strengths	<ul style="list-style-type: none"> High output, high analytical capabilities -225kV Rotating Target High-speed CT processing -Helical / Half turn 	<p>Focus points</p> <ul style="list-style-type: none"> Automation on production floors, high operating rates, enhanced usability
	Used by:	<ol style="list-style-type: none"> Connector and sensor makers EV battery makers Diversified electronics manufacturers 	
	Market share (Reference)	<p>2021: 20%</p> <p>No. 3 globally (business unit research)</p>	<p>Market scale (Reference)</p>

- Next is our X-ray & CT in-line measurement.
- Across the globe, investments in new plants for EV are picking up, including EV bodies and Lithium-ion batteries (LIB).
- A challenge for EVs has been to make the body lighter to improve energy efficiency. Multiple parts have been merged into integrated aluminum molded parts.
- The inspections look for cavities that developed in diecast aluminum integrated parts. There is an urgent need to establish methods to inspect these parts.
- Also, stringent inspections are performed on LIB to ensure high safety levels. Instead of standalone X-ray inspection equipment, due to the large volume of units to inspect within the designated period of time, many batteries are placed in an X-ray machine and inspected all at once.
- We believe that our X-ray/CT product, the 225-RT, can meet these various needs and challenges.
- The product has the advantage of a high output source, which allows for high speed and high resolution, and which only Nikon can offer.

CNC Video Measuring Systems and In-line Measurement			Digital Manufacturing Business	
<p>Bring an innovative measurement solution to the production floor</p> <p>Nikon's market-leading measurement and inspection technology supports the next step</p> 	Solutions Overview			<p>Related video</p> <p>NEXIV inline https://youtu.be/P_Y-scMtXzs</p> <p>Wafer loader: https://www.youtube.com/watch?v=EyoupLfKp2Y</p>
	Strengths	<ul style="list-style-type: none"> High-precision: Stage repeat accuracy 0.5um High-speed: Throughput 1.5 times conventional Simple: Optimized for automatic illumination 	Focus points	Higher-speed measurement for production floors
	Used by:	<ol style="list-style-type: none"> Semiconductor backend contract manufacturers Electrical and electronic components makers Automotive parts manufacturers 		
	Market share (Reference)	<p>2021: Top share</p> <p>Share in Japan and Asia markets for mid/high-end equipment (business unit research)</p>	Market scale (Reference)	<p>2021: Approx.¥50.0B</p> <p>Imaging metrology equipment market (business unit research)</p>

- Let's look at in-line CNC (Computer Numerical Control) Video Measuring Systems, product name NEXIV.
- There are needs for digitalization using imaging metrology in each industry.
- One example is the need for automation on the backend of semiconductor processes, such as wafer level package.
- Our Video Measuring Systems support needs to measure automatic transport and re-wiring layers for a variety of wafer sizes.
- Nikon has top market share for mid- to high-end imaging metrology equipment in Japan and Asia. We plan to retain our strong lead in this market moving forward.

Growth Drivers: Material Processing and Robot Vision

Digital Manufacturing Business

Capitalize on new markets by combining unique value propositions

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022



Needs in society and industry

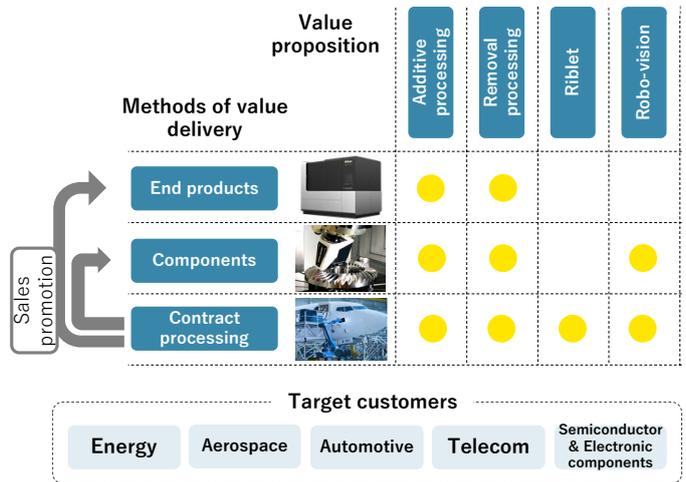
- High-precision processing for difficult-to-cut and complex shapes
- Fuel efficiency improvement and power generation gains
- High-speed detection of objects, more sophisticated and efficient pick & place operations

Nikon's strengths

- Elemental technologies such as high-precision measurement, feedback processing, 3D alignment and high-speed sensing
- Capabilities in precision systems integration

Business development

- Develop promising applications jointly with customers
- Deliver solutions encompassing additive, removal and riblet processing and robot vision



- Next, I will discuss Material Processing and Robot Vision, which we position as a growth driver over the mid-term.
- In the aerospace industry, the primary pursuit of lighter weight generates needs for high-precision processing of complex shapes. Also, achieving greater power generation efficiency in wind power and gas turbine is another challenge.
- Moreover, in the automotive and electronics industries, high-speed detection and advanced pick & place of objects on production lines are also significant challenges.
- Through the development of lithography systems, Nikon has established foundational technologies in high-precision measurement, 3D alignment and high-speed sensing. We also excel at the advanced integration of a variety of systems.
- We have leveraged those strengths in Additive, Removal and Riblet processing, which is a surface microfabrication based on hydrodynamics, and Robot Vision. We deliver those value proposition to customers in the form of end products, components and/or contract processing.

Material Processing and Robot Vision	Digital Manufacturing Business	
<p>Initiatives aimed at challenges to scaling up the business</p> <ul style="list-style-type: none"> ■ Strategic diversification in the overall business <ul style="list-style-type: none"> • Focus on four, closely related technological areas and grow earnings. Combine together at the same time diversify risk ■ Down-select customers and applications in each business <ul style="list-style-type: none"> • Start from a business plan based on a broad range of possibilities and acquire core applications and evangelist users ■ Strengthen business base with well-planned and continued alliances <ul style="list-style-type: none"> • Accelerate scaling up by promoting collaboration and alliances in order to make the best use of internal assets 	<p>Additive High value-added processing for aerospace applications</p>  <p style="text-align: center; font-size: small;">Additive</p>	<p>Subtractive Automated precision processing of dies, tools and difficult-to-machine materials</p>  <p style="text-align: center; font-size: small;">Subtractive</p>
<p>Deliver solutions that change the future of manufacturing while we strengthen our customer and business base</p>	<p>Riblet Enhances flight efficiency of airplanes and UAV</p>  <p style="text-align: center; font-size: small;">Riblet</p>	<p>Robot Vision Greater sophistication and efficiency in pick & place of automotive parts</p>  <p style="text-align: center; font-size: small;">Robot Vision</p>

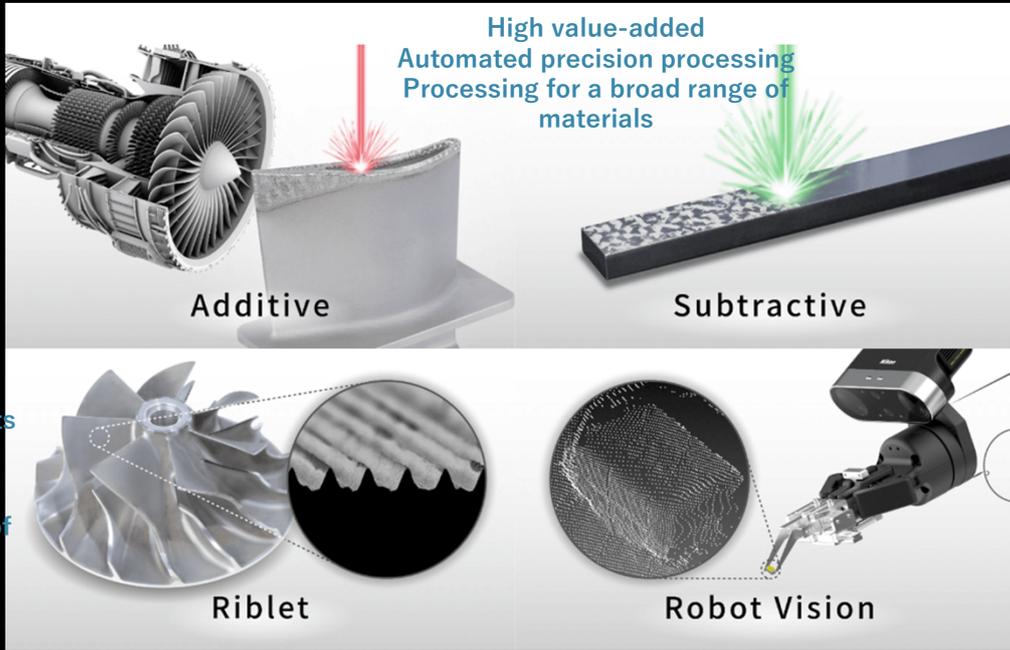
- We first entered the market for Material Processing and Robot Vision with equipment sales.
- We are also expanding our contact with customers by entering the contract processing business.
- We seek to establish solid relationships with target customers and jointly develop promising applications. We aim to support and drive customer innovation.
- At the same time, we strive to scale up the business. In our first round of M&A or alliances, we acquired Morf3D, a US company that provides Additive Manufacturing services to the aerospace industry, in April 2021.
- We will strengthen our customer and business base while we aim to deliver solutions that change the future of manufacturing.

Material Processing and Robot Vision

Japanese <https://ngpd.nikon.com/>

English <https://ngpd.nikon.com/en/>

Digital Manufacturing Business



Efficiency improvements
CO₂ reductions
Processing of free forms

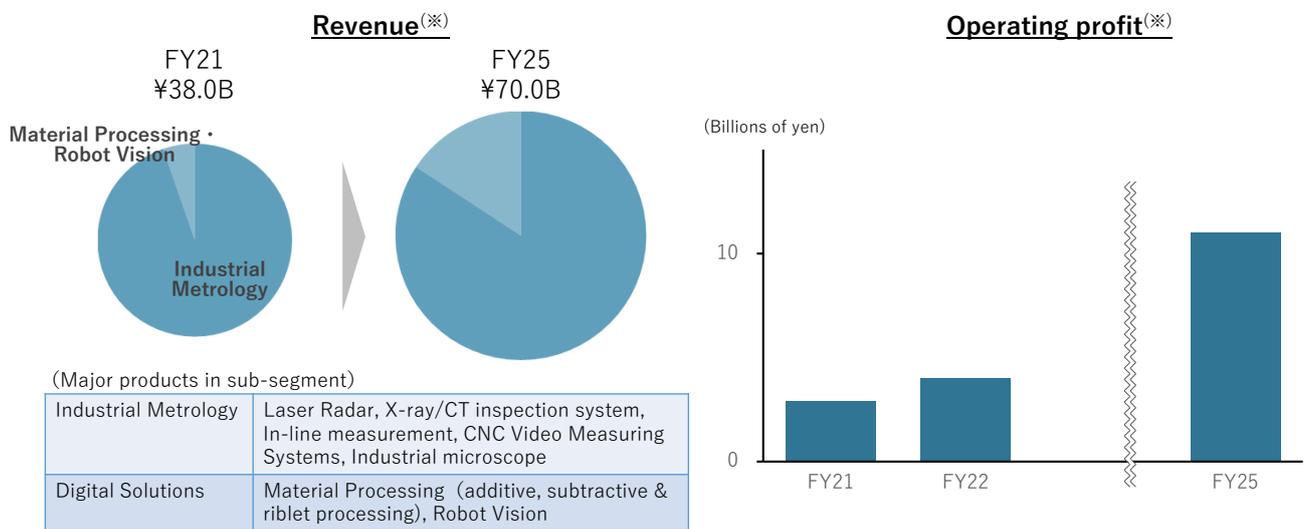
Ultra high-speed
High recognition capabilities
Great deal of flexibility

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- Please visit our website for details on Material Processing and Robot Vision.
- There, we detail a number of value proposition examples that I did not have time to share today.

Digital Manufacturing: Earnings Plan

Digital Manufacturing Business



Leverage alliances to get to 10%+ annual revenue growth

(※) Reflects the adjustment in the lower right corner of slide 41 from revenue and operating profit of the reporting segment of "Industrial Metrology and others"

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- Finally, the earnings plan.
- Of our five Businesses, the Digital Manufacturing Business is the smallest in terms of revenue and operating profit today. However, this business will play a role in making Nikon a central player in a society where humans and machines co-create.
- Material Processing and Robot Vision are taking on the challenge of creating value proposition that does not exist today and the scale of sales is still around ¥ 2B at present. However, through interactions with our leading customers, we sense their potential for sparking innovation in manufacturing by working together with our customers.
- The core businesses today in the Industrial Metrology Business, namely Industrial microscopes and CNC Video Measuring Systems, support earnings. Then, Laser Radar, X-ray & CT inspection systems and in-line measurement are expected to grow their topline. Toward the tail end of the Medium-Term Management Plan, Material Processing and Robot Vision will grow.
- We aim to reach a total of ¥10B+ in operating profit in FY2025 and expect further growth beyond the Medium-Term Management Plan.

Sustainability Strategy, Corporate Governance, and Capital Allocation

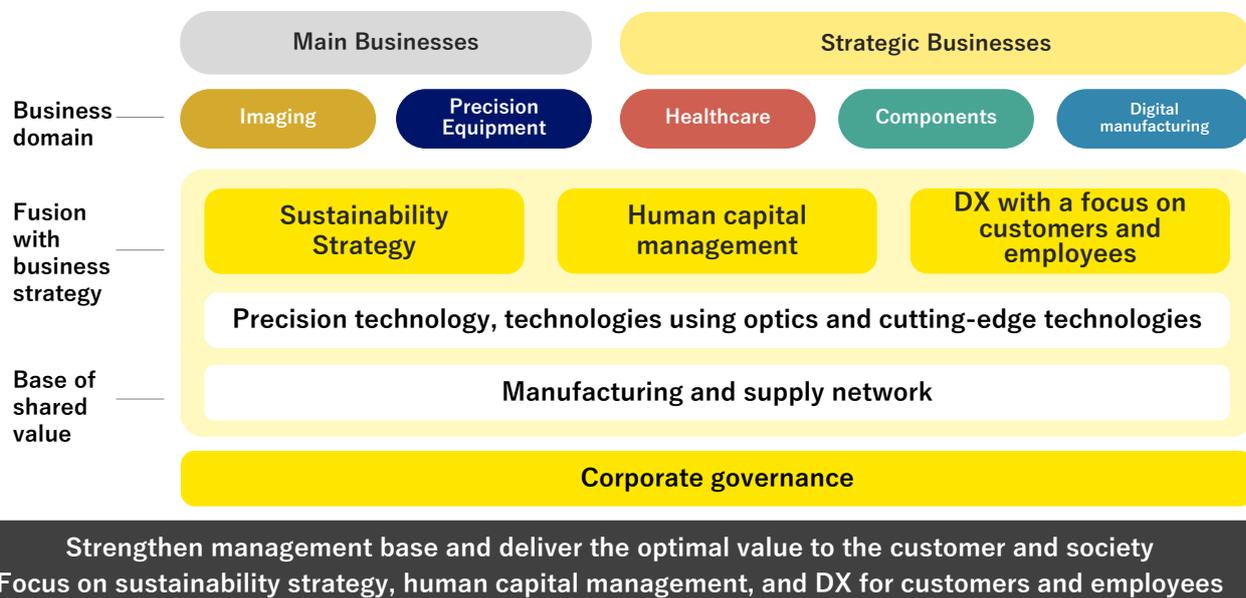
Muneaki Tokunari
Director
Executive Vice President

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- I am Tokunari, CFO of Nikon Corporation.
- Finally, I will explain Sustainability, Corporate Governance and Capital Allocation.

Overview of the Management Base Supporting Business

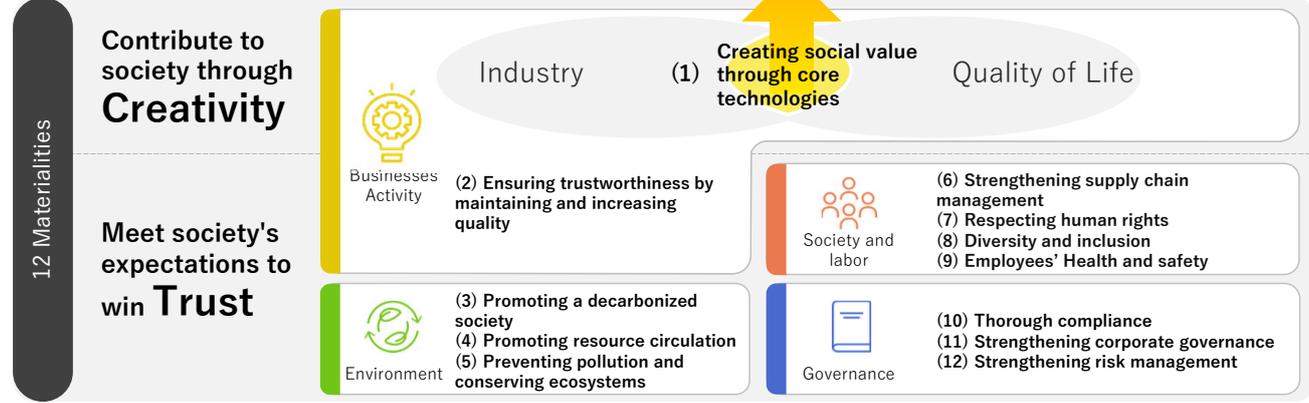
Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022



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- In order to implement the business strategies that have been explained so far, it is extremely important to strengthen our management base.
- Today, I would like to explain our sustainability strategy and corporate governance among our management base.

Sustainability Strategy



Create value for society through businesses that are mindful of society and the environment
 FY 2025 targets toward carbon neutrality by FY 2050: Reduce green-house gas emissions from business sites 46.5% (compared to FY 2013)

- Nikon's corporate philosophy is "Trust and Creativity".
- The 12 Materialities and key issues related to sustainability can be categorized under the corporate philosophy of "Trust and Creativity" into two themes: "Contribute to society through Creativity" and "Meet society's expectations to win Trust".
- First, "Creativity" means contributing to society through our core business.
- In other words, Nikon will contribute to the realization of a sustainable society in the areas of decarbonization, circular systems for resources, and health, which are shown in the upper part of this slide, through the strategies of each of the businesses explained so far.

Sustainability Strategy: Contribute to Society through Creativity

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022

Sustainable society	Areas where Nikon contributes	Precision Equipment	Components	Digital manufacturing	Imaging	Healthcare	
Comfortable society	Safety and Work environment (Reduce human work/automate and customize)	<ul style="list-style-type: none"> Contribute to work environments and public transportation infrastructure through sensing, imaging and displays, etc. Contribute to urban planning and resilient social infrastructure with image analysis and optical telecommunications technology Contribute to space industry and technology by providing satellite modules, etc. 	●	●	●	●	●
	Decarbonization	<ul style="list-style-type: none"> Increase energy efficiency in society with additive and fine processing using optics Enhance manufacturing efficiency in robots with sophisticated hands and eyes and device manufacturing processes Contribute to a society where people connect transcending time and space and real and virtual leveraging image production technologies Contribute to a healthy global environment with longer lasting light sources and more durability in our products 	●	●	●	●	●
Healthy environment	Circular systems for resources	<ul style="list-style-type: none"> Reduce the burden of waste and promote re-use among our customers through turbine repairs and ultra-precision processing, controls and measurement, etc. Aim to achieve a recycling society by strengthening equipment re-use and refurbished systems sales Leverage digitalization to help reduce needs 	●	●	●	●	●
Mental and physical well-being	Health (More precise medicine and individualized treatment)	<ul style="list-style-type: none"> Reduce the burden on doctors and patients and support drug discovery with early and high-precision evaluation of ailments Achieve regenerative medicine for everyone with Contract Cell Manufacturing solutions Support medicine with high-precision robot modules 	●	●	●	●	●
	Enriched spirit (Education × digital)	<ul style="list-style-type: none"> Contribute to rich and creative visual expression and culture with imaging equipment and 3D and 4D technology, etc. Leverage cameras, microscopes and telescopes to stimulate interest in outer space and the natural sciences and contribute to learning and cultivating the next generation Education and training that transcends time and space and real and virtual 	●	●	●	●	●

- The digital lithography for semiconductors and FPDs explained in the Precision Equipment Business is an example of "promoting reduction through digitization", slightly below the middle of the slide. In other words, the new digital lithography systems we plan to develop will eliminate the need for photomasks, leading to the reduction of resources.
- In addition, riblet or surface microfabrication using optical processing machines in the Digital Manufacturing Business, as described in the fourth row from the top of the table, will improve the energy efficiency of wind turbine blades and aircraft, thereby contributing to the realization of a decarbonized society.
- In this way, Nikon will continue to view its sustainability strategy and business strategy as one and the same, and will work to solve social and environmental issues with its core technologies of optics and precision technologies.

Sustainability Strategy: Meet Society's Expectations to Win Trust

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022



Environment

- (3) Promoting a decarbonized society
- (4) Promoting resource circulation
- (5) Preventing pollution and conserving ecosystems

- **FY 2025 targets for achieving carbon neutrality by FY 2050**
 - Reduce green-house gas emissions from business sites: Reduce by 46.5% compared to FY 2013 levels. (FY 2030 Target: 71.4% reduction)
 - Introduction of renewable energy: 18% (FY 2030 target: 30%)
- **Initiatives toward circular system of resources by strengthening systems re-use and refurbished sales**



Society and labor

- (6) Strengthening supply chain management
- (7) Respecting human rights
- (8) Diversity and inclusion
- (9) Employees' health and safety

- **Promote D&I**
 - Prepare an environment and raise awareness for diverse talent to thrive
 - Promote the advancement of women
 - Women in managerial positions: 8%+ by FY 2025
 - New grad female hires: Maintain 25%+ (In FY2021, women made up 15% of the workforce)
- **Advance respect for human rights across the supply chain**
- **Marketing communications that are mindful of human rights**



Governance

- (10) Thorough compliance
- (11) Strengthening corporate governance
- (12) Strengthening risk management

- **Link sustainability challenge KPIs to officer compensation**
- **Secure independence of external directors: More diverse board makeup**
- **Strengthen governance across the corporate group: Strengthen internal controls**

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- At the same time, Nikon will strengthen its efforts in the areas of the Environment, Society and labor, and Governance in order to "Meet society's expectations to win Trust".
- On the left side of the slide, we have set a lofty goal of reducing green-house gas emissions from our business sites by 46.5% by FY2025, with the aim of becoming carbon neutral by FY2050.
- In addition, on the right side of the slide, we will realize the numerical targets of hiring women into more than 8% of management positions and more than 25% of new-graduate recruitments.
- Furthermore, in Corporate Governance as described in the lower part of the slide, we will work to link sustainability challenge KPIs to executive compensation and diversify the composition of the Board of Directors.

Corporate Governance

- Link sustainability challenge KPIs to officer compensation
<Officer compensation system>

Fixed compensation	Performance-based compensation		
	Short term	Medium term	Long term
Fixed monthly compensation	Bonus	PSU	RS

PSU: Performance Stock Unit RS: Restricted Stock

- <Method for determining performance-based compensation>
- The degree of accomplishment of financial and non-financial KPIs is evaluated by the Compensation Committee as an advisory body of the Board of Directors and determined by the Board of Directors
- Bonus: Consolidated operating profit and ROE, as well as division and individual performance
(*The division performance assessment includes consideration of the degree of achievement of sustainability-related targets of each division)
- PSU: Financial KPIs (consisting of revenue, operating margin and ROE)
Strategic KPIs (consisting not only of financial targets such as operating profit derived from growth drivers but also of non-financial targets such as the degrees of accomplishment of sustainability strategy and human capital management)
- <Compensation Committee members>
- 2 external directors and 2 internal directors (chaired by an external director)

- Secure independence of external directors: More diverse board composition

<Changes in board composition>

	As of the end of			
	June 2018	June 2019	June 2020	June 2022 (plan)
Total number of directors (incl. Audit and Supervisory Committee members)	11	12	11	11
o/w external directors	4	5	5	*5
o/w directors from major shareholders, etc.	3	3	2	0
o/w female directors	0	0	1	1

(*) Nominees for 5 external directors to be proposed at the Annual General Shareholders' Meeting in June 2022

- Mr. Shiro Hiruta, former Senior Advisor, Asahi Kasei Corp.
- Mr. Shigeru Murayama, Senior Strategic Advisor, Kawasaki Heavy Industries, Ltd.
- Ms. Asako Yamagami, Partner, ITN Law Office
- Mr. Makoto Sumita, former Chairman & Director, TDK Corporation
- Mr. Tsuneyoshi Tateoka, former Vice-Minister of Economy, Trade and Industry

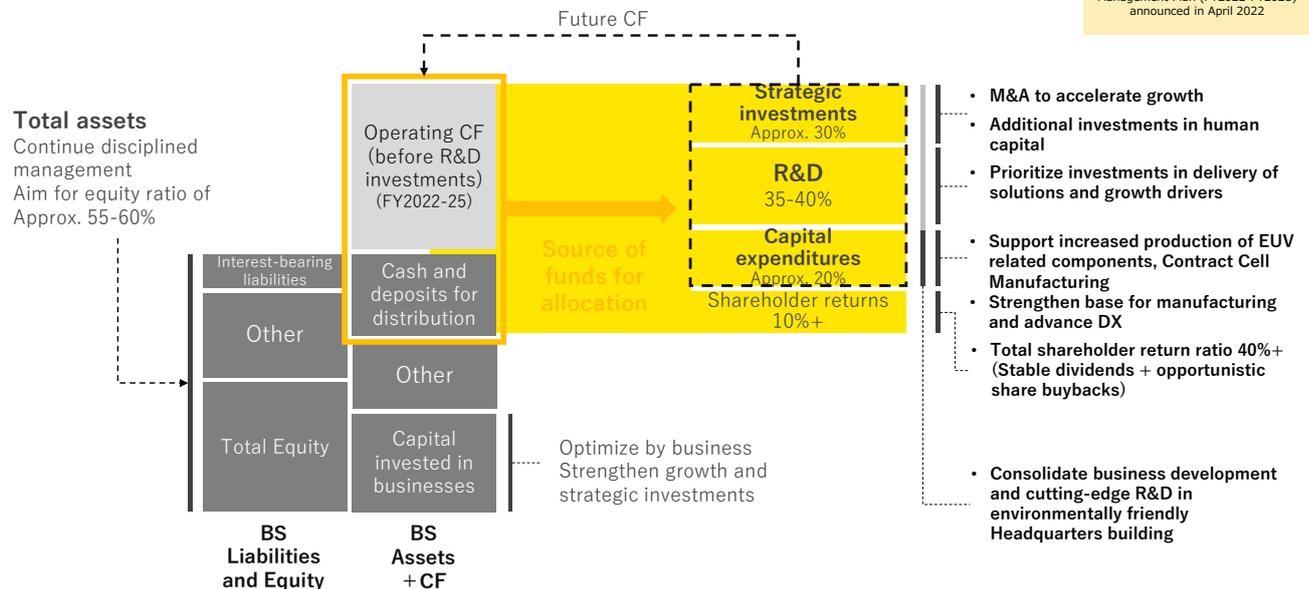
<Nominating Committee members>

- 3 external directors and 1 internal director (chaired by an external director)

- Nikon's officer compensation system consists of a fixed compensation portion and a performance-linked portion. Bonuses and PSUs or Performance Share Units are linked not only to financial KPIs such as ROE but also to non-financial KPIs such as sustainability.
- In addition, with regard to the composition of the Board of Directors, consideration is given to ensuring the independence and diversity of external directors. As of the general meeting in June of this year, the number of external directors from major shareholder companies is scheduled to be reduced to zero.
- In addition, matters related to CEO's succession will be discussed by the Nominating Committee, in which external directors constitute the majority.
- We believe that strengthening corporate governance is the foundation for sustainable corporate growth, and we will continue our efforts to improve the transparency and effectiveness of management.

Capital Allocation: Strengthen Investments in Sustainable Growth and Realize Stable Shareholder Returns

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022

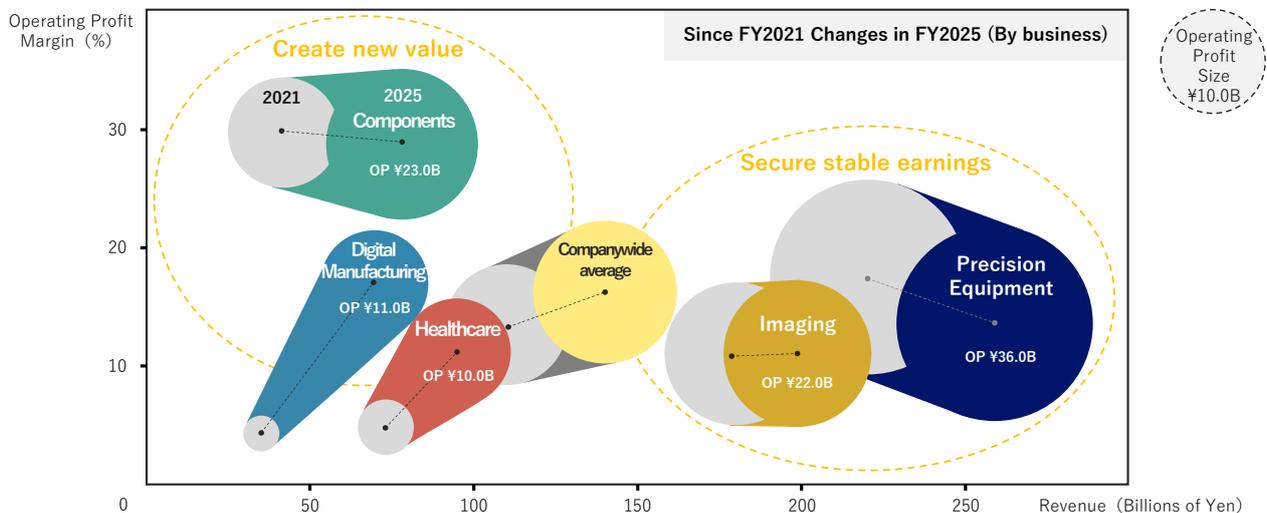


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- Finally, I will explain our capital allocation policy.
- First of all, in regarding to source of funds for allocation, we believe that we will be able to secure more than ¥700B yen during the four-year period of the Medium-Term Management Plan by accumulating profits and other means.
- We recognize that our shareholders and society expect Nikon to grow as an R&D-oriented company, and we will allocate most available resources to growth investments and R&D. Specifically, we will allocate about 30% to strategic investments, 35-40% to R&D, and 20% to capital expenditures.
- In strategic investments, we will invest in human capital as well as M&A to accelerate growth.
- R&D will focus on strengthening solution offerings and scaling growth drivers.
- In capital expenditures, we plan to take action to increase production of EUV related components and make investments related to Contract Cell Manufacturing.
- We will also allocate more than 10% to shareholder returns. In relation to profits, we intend to return profits to shareholders under a policy of a total shareholder return ratio of 40% or more.

Business Portfolio: Achieve both Scale and Profitability

Redisplaying of Medium-Term Management Plan (FY2022-FY2025) announced in April 2022



Sustain and enhance the entire company's earnings power through delivery of solutions
Management focused on “revenue growth” × “profitability improvement”

*Companywide average is a simple average of the five businesses. Digital Manufacturing encompasses Industrial Equipment, Material Processing and Robot Vision. HQ expenses (FY2021 -28.5B, FY2025 forecast -32.0B) are excluded.

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- As I have explained above, Nikon has set Vision 2030 as its long-term goals and will make steady progress toward them.
- Specifically, the Imaging Products Business and the Precision Equipment Business on the right side of the graph will ensure stable earnings, while the Healthcare Business, Components Business, and Digital Manufacturing Business on the left will create new value and increase their contribution to the company's profits.
- In this way, under the new Medium-Term Management Plan, Nikon will simultaneously achieve stability and growth by managing its businesses as a portfolio.
- We look forward to the support of our shareholders and investors.

Disclaimer Regarding Forecast and Projections

Forward-looking statements for earnings and other performance data contained herein are based on information currently available to the Company, and all potential risks and uncertainties are taken into account.

The Company asks that investors understand that changes in conditions may cause actual performance to significantly differ from these projections.

Appendix

**(Reference) Differences between Financial Results and
Medium-Term Management Plan Classifications**

Segmentation for earning reporting		Under the 2022-25 Medium-Term Management Plan	[Explanation about segments revision]
Reporting segment	Organization name & Business	Business domain	
Imaging Products	Imaging Products Business	Imaging	※ In the FY2023/3, "Next Generation Project Div." transfers from Precision Equipment Business to Corporate P/L non-attributable to any reportable segments.
Precision Equipment	FPD Lithography Business	Precision Equipment	
	Semiconductor Lithography Business		
	※ (by FY2022/3) Next-generation Project Division		
Healthcare	Healthcare Business	Healthcare	[Adjustment to Classifications under the Medium-Term Management Plan]
Components	Customized Products Business	Components*	
	Glass Business		
	Digital Solution Business (Optical components, etc.)		
	Digital Solution Business (Material Processing, Robot Vision)	Digital Manufacturing	
Industrial Metrology and Others	Industrial Metrology Business	management base	
	Others		
Corporate P/L non-attributable to any reportable segments	New business development costs (Next-generation Projects Division) G&A expenses, etc., for basic research and HQ functions		

• **Components***
= Excludes "Material Processing, Robot Vision" included in the Digital Solutions Business from the reporting segment of "Components"

• **Digital Manufacturing**
= Adds above mentioned "Material Processing, Robot Vision" to Industrial Metrology Business included in the reporting segment of "Industrial Metrology and Others"

