

Imaging Products Business

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Senior Vice President

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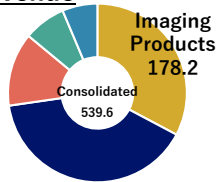
- I'm Ikegami, Senior Vice President and General Manager of Imaging Business Unit.
- I will explain the Imaging Products Business.

Imaging Products: Business Outline

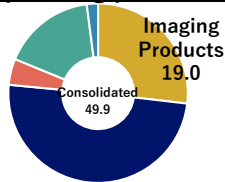
Imaging Products Business

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.

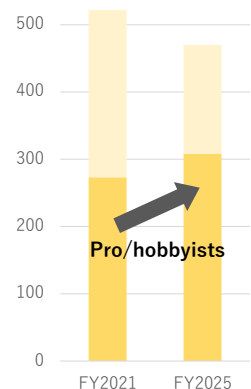
- Focus on laser range finders for golf and digital astronomical telescopes

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

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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)

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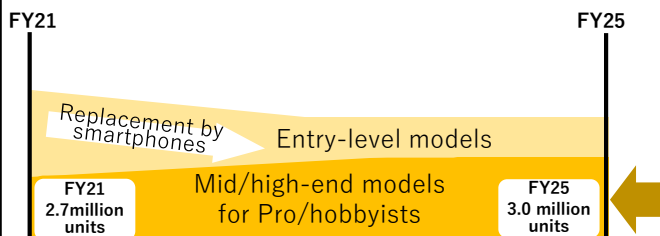
- We have set vision of “Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world”.
- The bar graph on the right indicates contraction in the overall market for digital cameras-interchangeable lens type. However, we expect steady growth 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

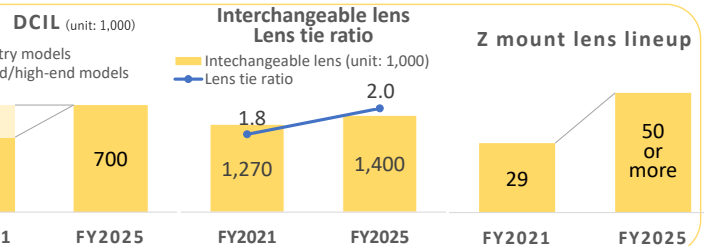
- The number of Use on Instagram has nearly doubled over the past 6 years
- Consumers in their 20s or younger increasingly motivated to purchase DCIL for "better pictures than a smartphone" and "use on social media"
- The number of users motivated by "video shooting" has more than tripled over the past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

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



- 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

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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

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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



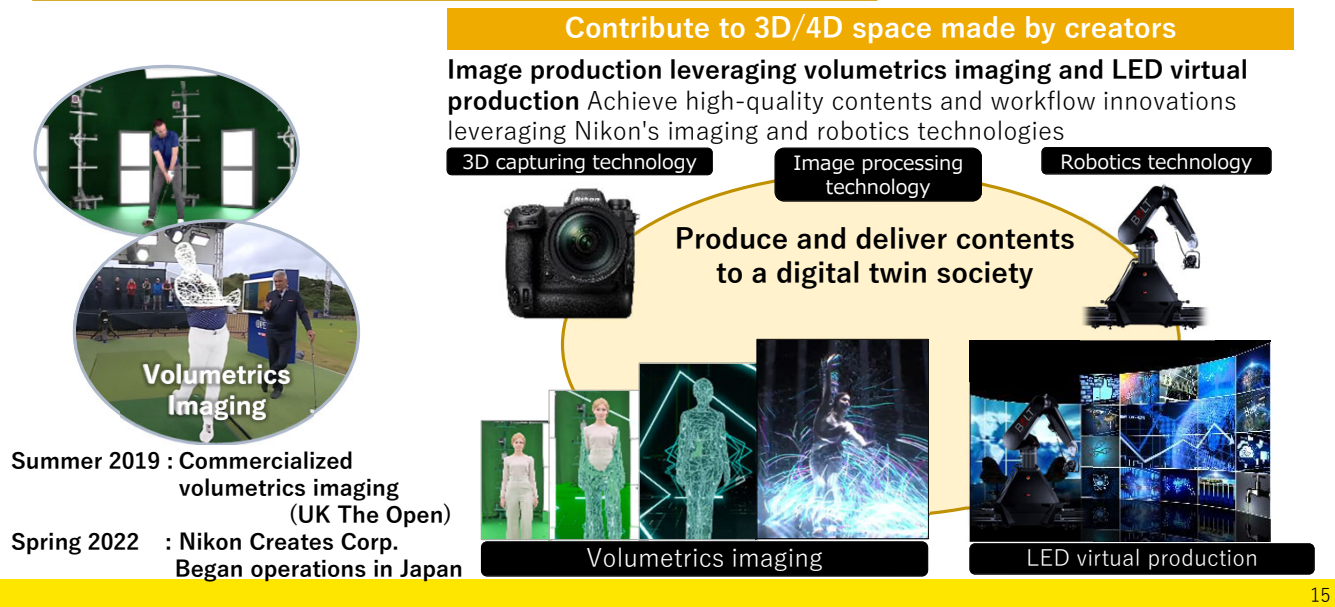
Metaverse (Citigroup announced Apr. 2022)
Market size : approx. ¥980T~¥1,600T(2030)
Numbers of users : 5B(2030)
Target market : Art/Media/Advertisement/
Healthcare/Marketing/Sales, etc.



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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

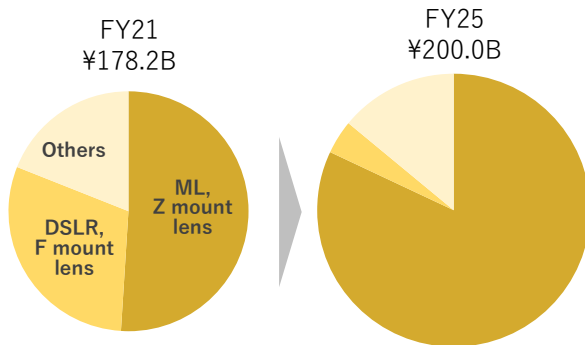


- In terms of the imaging contents business, in the summer of 2019 at UK The Open, Nikon commercialized volumetrics imaging contents for the first time and received a tremendous response.
- Beginning in April this year, Nikon Creates began operations in Japan and will provide high-quality volumetrics 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.

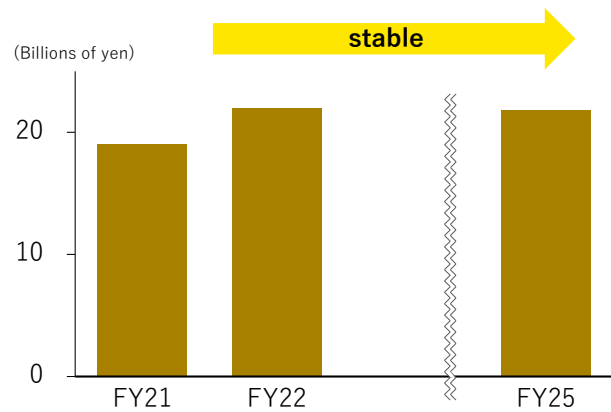
Imaging Products: Earnings Plan

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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.