



# Sustainability Strategy, Corporate Governance, and Capital Allocation

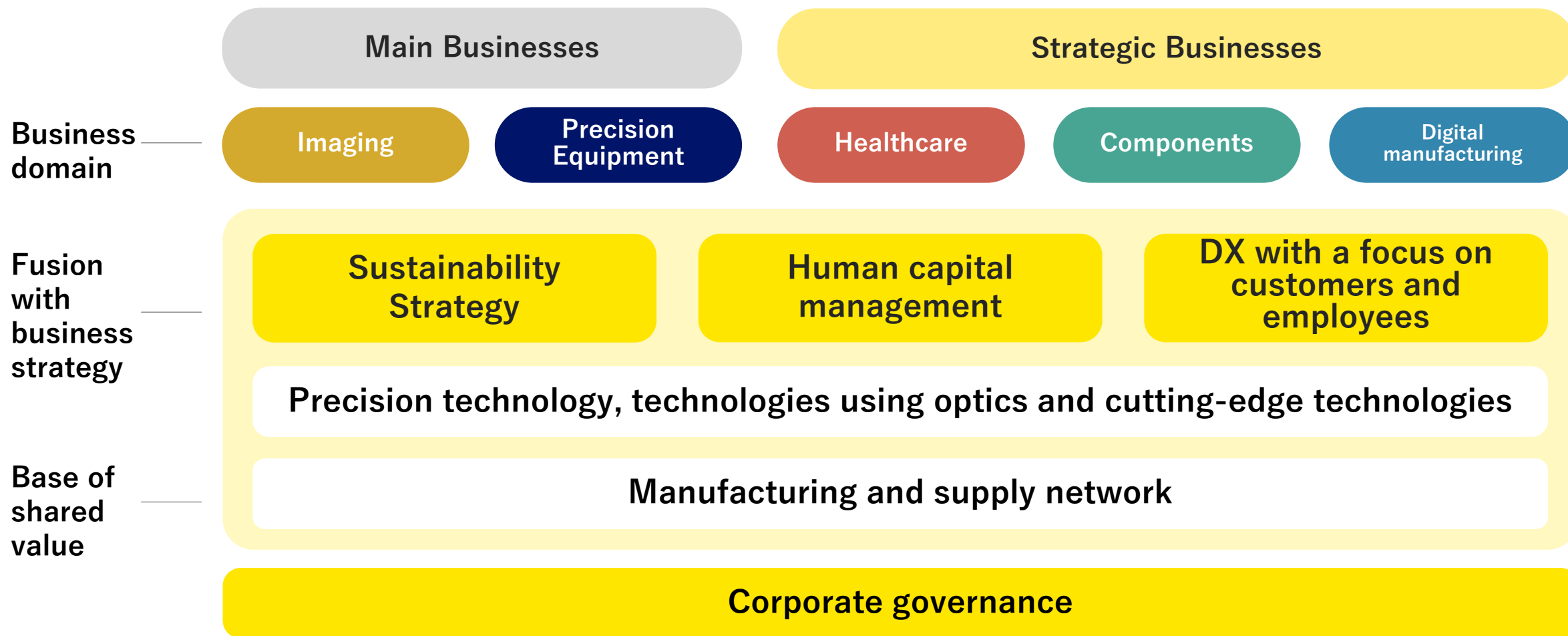
**Muneaki Tokunari**

Director

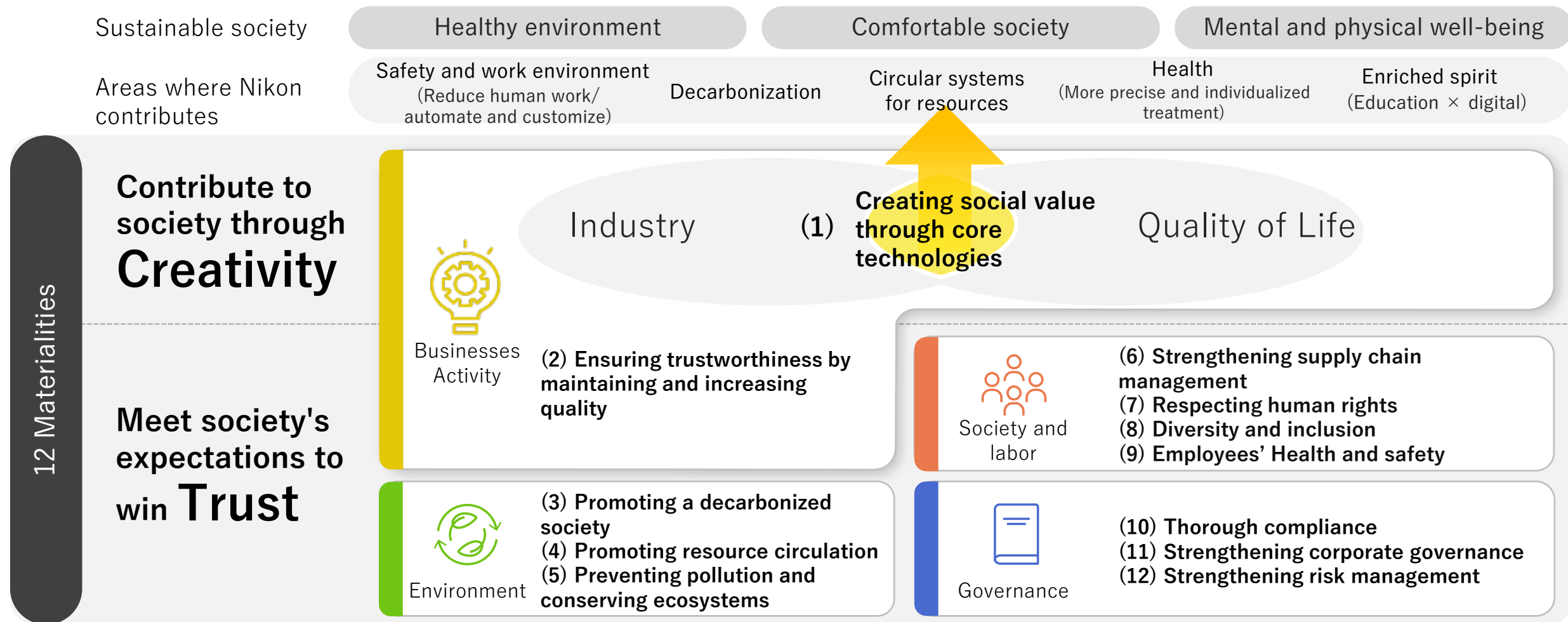
Executive Vice President

# Overview of the Management Base Supporting Business

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



**Strengthen management base and deliver the optimal value to the customer and society  
Focus on sustainability strategy, human capital management, and DX for customers and employees**



**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)

# 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

Comfortable society

**Safety and Work environment**  
(Reduce human work/automate and customize)

- 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.



Healthy environment

**Decarbonization**

- 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



Mental and physical well-being

**Circular systems for resources**

- 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



**Health**  
(More precise medicine and individualized treatment)

- 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)

- 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



# 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**

# Corporate Governance

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

Fixed compensation	Performance-based compensation		
Fixed monthly compensation	Short term	Medium term	Long term
	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**

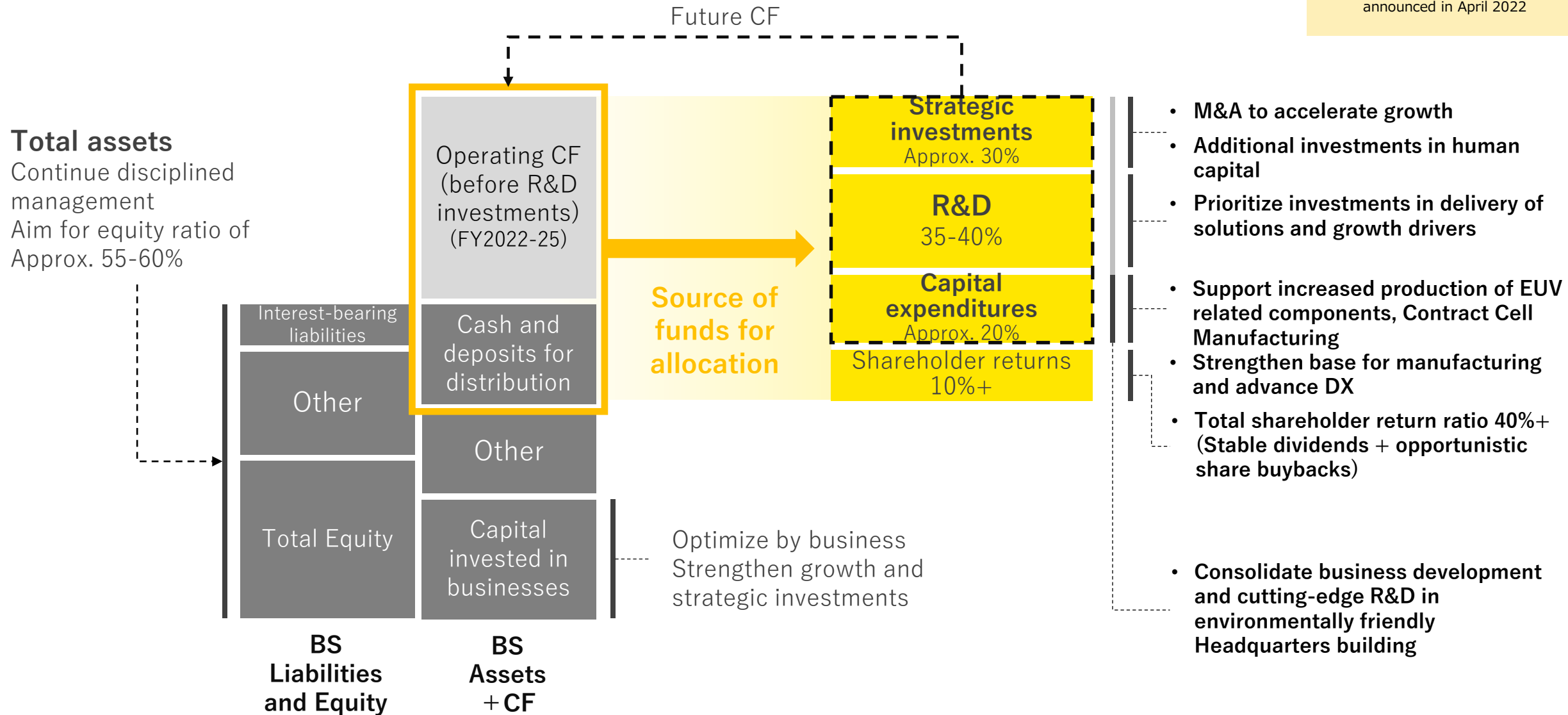
- Mr. Shiro Hiruta, former Senior Advisor, Asahi Kasei Corp.
- Mr. Shigeru Murayama, Senior Strategic Advisor, Kawasaki Heavy Industries, Ltd.
- Ms. Asako Yamagami, Partner, ITN Law Office
- Mr. Makoto Sumita, former Chairman & Director, TDK Corporation
- Mr. Tsuneyoshi Tateoka, former Vice-Minister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

## <Nominating Committee members>

- 3 external directors and 2 internal directors (chaired by an external director)

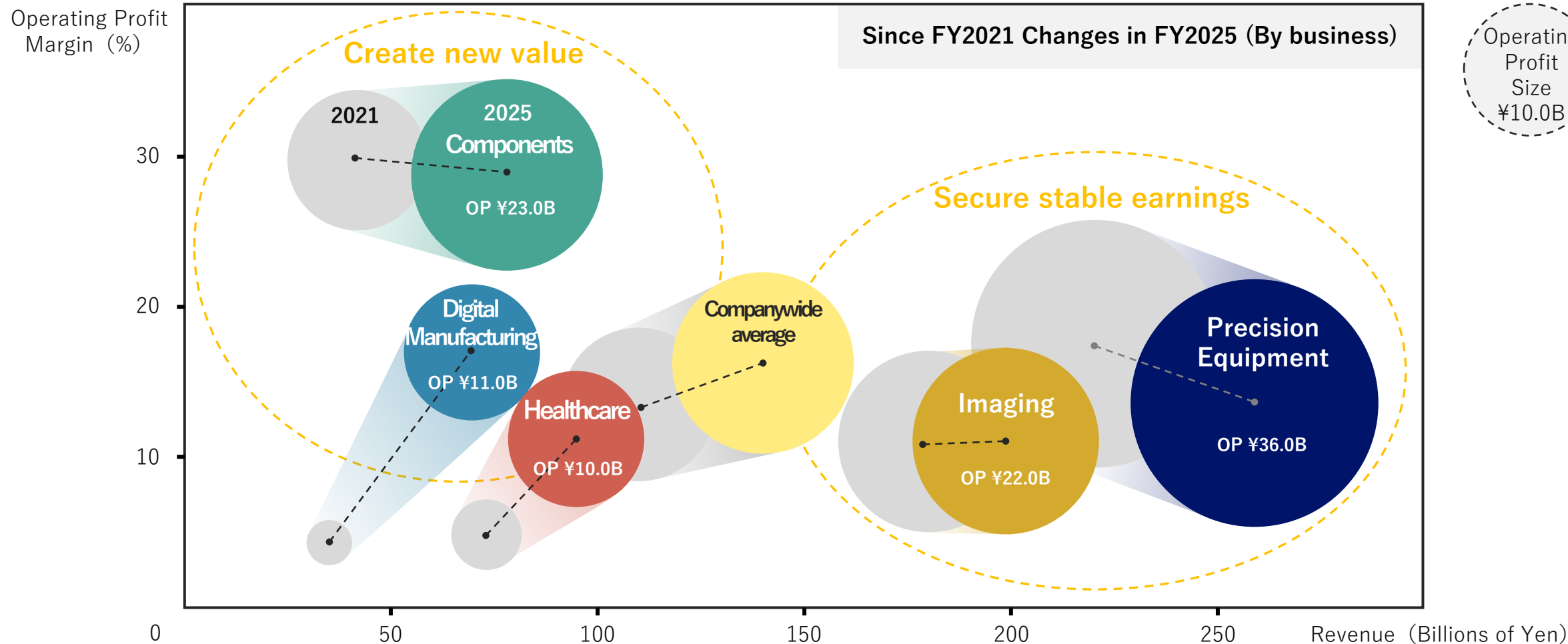
# Capital Allocation: Strengthen Investments in Sustainable Growth and Realize Stable Shareholder Returns

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



# 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.



# Disclaimer Regarding Forecast and Projections

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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.