

# Sustainability Strategy, Corporate Governance, and Capital Allocation

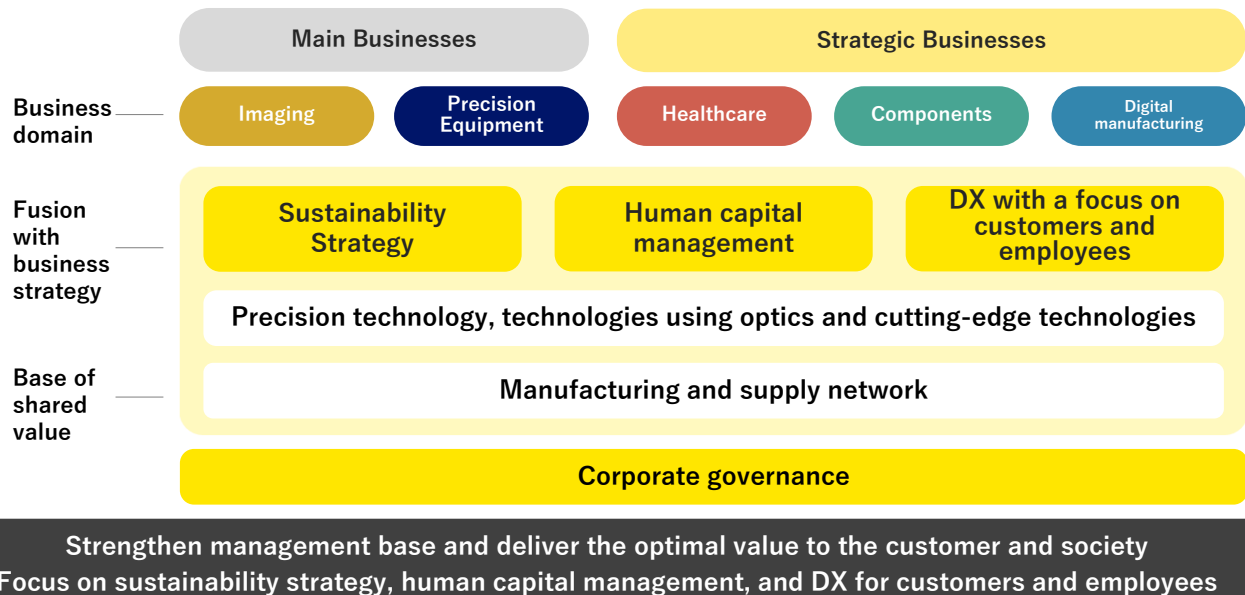
**Muneaki Tokunari**  
Director  
Executive Vice President

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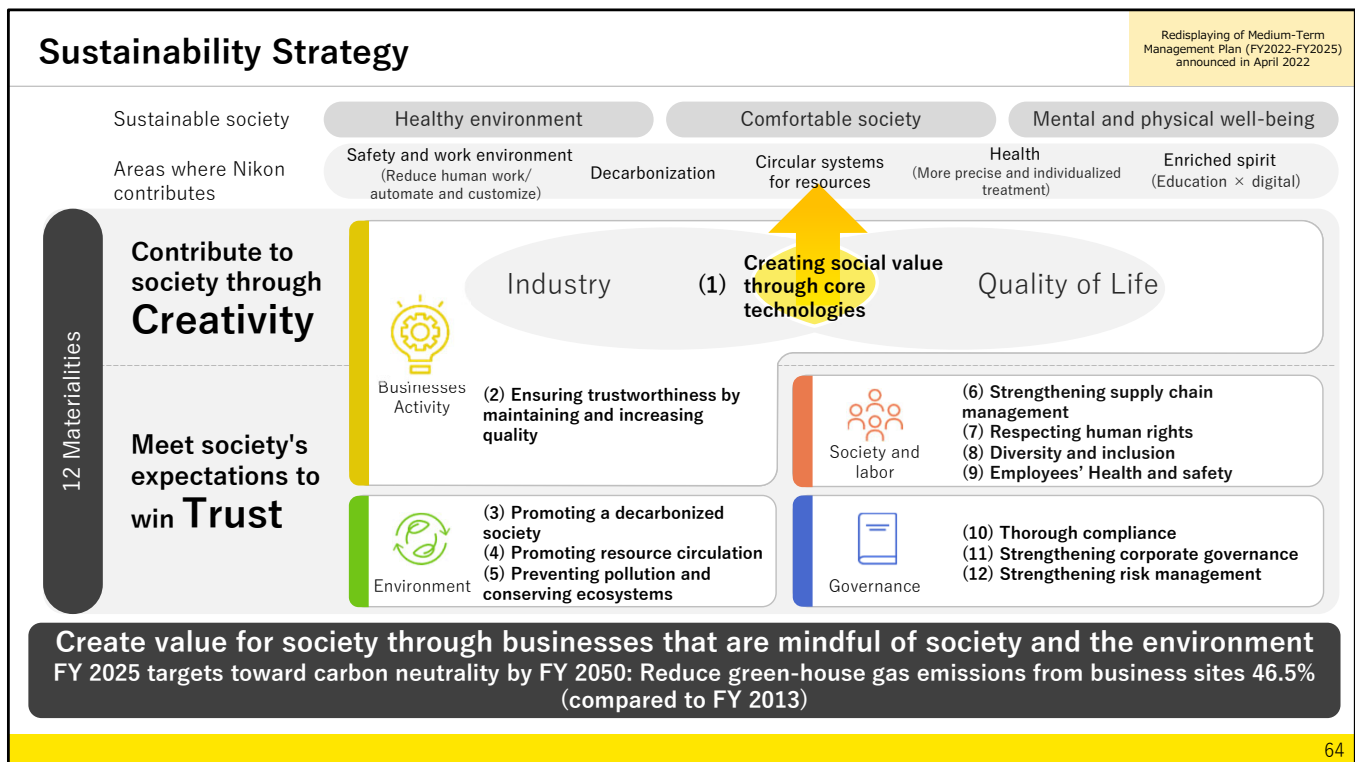
- I am Tokunari, CFO of Nikon Corporation.
- Finally, I will explain Sustainability, Corporate Governance and Capital Allocation.

## Overview of the Management Base Supporting Business

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



- 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.



- 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

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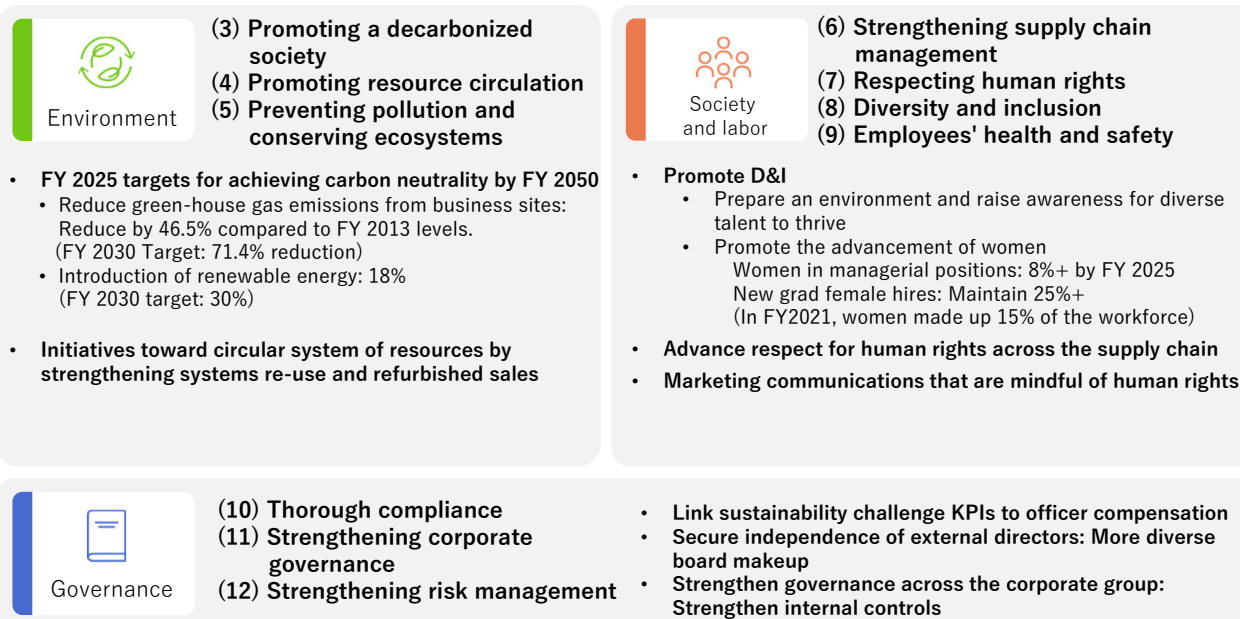
Sustainable society	Areas where Nikon contributes	Precision Equipment	Components	Digital manufacturing	Imaging	Healthcare
Comfortable society	<b>Safety and Work environment</b> (Reduce human work/automate and customize)	• Contribute to work environments and public transportation infrastructure through 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.				
	<b>Decarbonization</b>	• 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	<b>Circular systems for resources</b>	• 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	<b>Health</b> (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				
	<b>Enriched spirit</b> (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				

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- 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



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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
	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

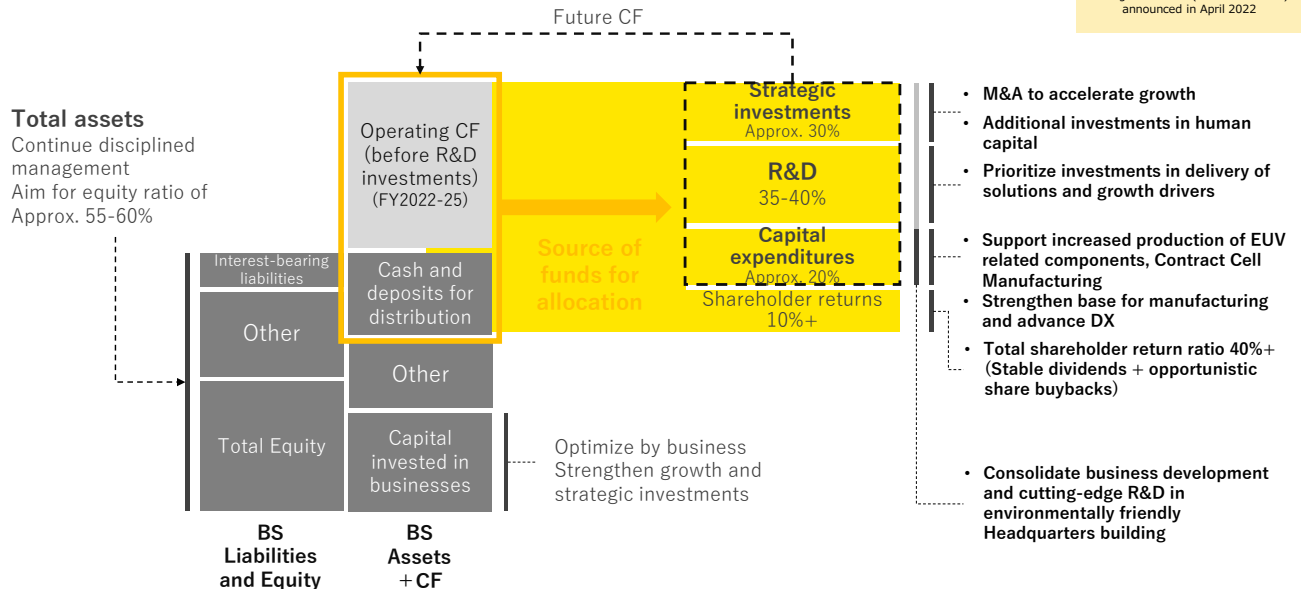
### (\* Nominees for 5 external directors to be proposed at the Annual General Shareholders' Meeting in June 2022

- 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

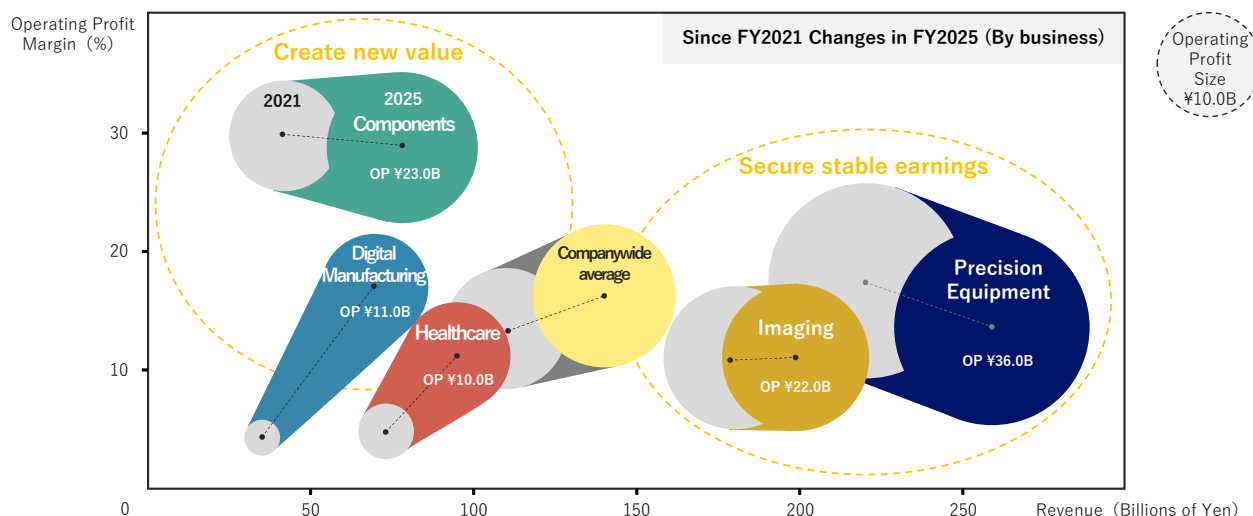


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- Finally, I will explain our capital allocation policy.
- First of all, in regarding to source of funds for allocation, we believe that we will be able to secure more than ¥700B yen during the four-year period of the Medium-Term Management Plan by 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.