

1. Financial Results for the year ended March 31, 2020 and Forecasts for the year ending March 31, 2021
2. Update on our response to COVID-19
3. Progress on Medium-Term Management Plan

Executive summary



Medium-Term Management Plan targets

- Continue to build a foundation for growth over the mid/long-term
- Aim to achieve ROE at level higher than 8%

Business strategy

Imaging Products Business

Rebuild business with an understanding of accelerating market shrinkage. Aim to achieve early profitability

Precision equipment businesses and other

Market has been performing steadily. Aim to expand more business opportunities.

Growth areas

Promoting scale up through alliances and product launches make progress.

- Make solid progress in building a foundation for growth.

Governance

- Establish a nominating committee, chaired by an external director.
- Increase diversity among directors.

Progress and Direction for Medium-Term Management Plan : Imaging Product/Precision Equipment/Healthcare



Generate stable CF from Precision Equipment Business and Early achieve profitability of Imaging Product Business

	Imaging Products	Precision Equipment	Healthcare
Business environment	<ul style="list-style-type: none"> Market shrinkage is accelerating. 	<ul style="list-style-type: none"> FPD market has been performing steadily. Semiconductor market has been in stable growth, driven by 5G and IoT. The next big revenue opportunity is an investment for 7nm. 	<ul style="list-style-type: none"> Performing steadily over mid/long-term.
Progress	<ul style="list-style-type: none"> Difficult to achieve the goal of stably secure ¥20.0B or more operating profit, announced last year. 	<ul style="list-style-type: none"> Recently, revenue recognition postponed to next FY2021/3, yet mostly in line with plan. 	<ul style="list-style-type: none"> Steady growth in biological microscopes and fundus cameras. Obtained a license for manufacturing regenerative medicine products and established structure for mass production of contract cell manufacturing.
Direction	<ul style="list-style-type: none"> Rebuild business and aim to achieve early profitability by further restructuring. 	<ul style="list-style-type: none"> FPD lithography: Revenue growth by capturing demand for high-resolution displays. Semiconductor lithography: Growth in immersion sales, strengthen China business and expand sales in semiconductor related measuring equipment. 	<ul style="list-style-type: none"> Strengthen competitiveness of products and solutions to improve profitability. Scale up contract cell manufacturing by pursuing new customer opportunities.

Rebuild business under harsh market environment by further cost reduction and restructuring

Overall

- During Medium-Term Management Plan period, **cut ¥50.0B in business costs vs. FY2019/3.**
 - Pulled forward execution and pursued larger cuts to turn profitable in early stage, given the harsh market environment.

Development

- **Further selection of product development. Aggressively shift resources to growth areas.**
 - Continue focusing on mid and high-end models, conducting communal designing and shifting resource etc.

Sales

- **Drastically revise sales strategy, optimize sales companies. Thoroughly improve efficiencies.**
 - Thoroughly reduce sales and marketing expenses leveraging digital marketing.
 - Drastically rebuild global sales network in this fiscal year.

Production

- **Optimize site function and size**
 - Utilize sites for other businesses, such as Precision Equipment, where demand is expected.
 - Optimize the number of staff at overseas sites by about 700 people. Continue to reduce fixed costs according to the decrease of production volume.

Progress and Direction for Medium-Term Management Plan : Digital Solutions/Industrial Metrology & Others, cost reduction



**Accelerate commercialization and expansion in growth areas, leveraging synergies with alliances.
Steady execution of cost reduction**

	Digital Solutions Business* ¹	Industrial Metrology & Others* ²	Cost reduction
Business environment	<ul style="list-style-type: none"> Digitalization and automation is proceeding in manufacturing industry. 	<ul style="list-style-type: none"> Although market deteriorates, demand for 3D metrology is growing in manufacturing industry. 	<ul style="list-style-type: none"> The decrease in procurement volume of parts due to COVID-19.
Progress	<ul style="list-style-type: none"> Built structure for alliances, such as with DMG MORI, and begin launch of optical processing machines to the market. Began shipment of lidar sensors to Velodyne, under contract manufacturing agreement. Receiving orders for high-precision optical components from major customers, and built a foothold toward sales expansion. 	<ul style="list-style-type: none"> Sales expansion activities to targeted customers, such as the automotive industry, proceeding as planned. Developing 3D metrology systems aiming for in-line use. 	<ul style="list-style-type: none"> Improvement of headquarter efficiency is proceeding as planned. Procurement cost reduction is affected by the decrease in procurement volume, but the results exceeded the target in the first year Aim to achieve target with new logistic reform.
Direction	<ul style="list-style-type: none"> Utilize alliances and M&A to scale up for transitioning from building a foundation to phase of achieving growth. 	<ul style="list-style-type: none"> Focus on target areas and launch products that fulfill needs. 	<ul style="list-style-type: none"> Achieve target of ¥18.0B or more, by further improvement of operation efficiency and cost reduction measures.

Digital Solutions Business: A new business unit responsible for integrating Material Processing Business and Vision System & Robotics related businesses, and accelerating scale up businesses of the growth areas, collaborating with Next Generation Project Division.

*1: Disclosed as part of the Industrial Metrology & Others segment. *2 : Digital Solutions Business is excluded

Towards Realizing growth (Overall)



Redisplaying of last year's
Medium-Term Management Plan

Central medium-term theme
Material Processing Business

3D Printers Laser processing systems
3D measurement systems Integrated optical processing machining solutions
Future process-based manufacturing systems

Areas of Long-Term Growth

Digital Manufacturing

Vision Systems /Robotics

Healthcare

Lidar Sports imaging business Robot vision
Robot modules Smart cameras High-performance robotics

Cell sorting Cell culture operation Drug discovery assessment applications support

Ophthalmological AI diagnosis Contract Cell Manufacturing

Progress to date

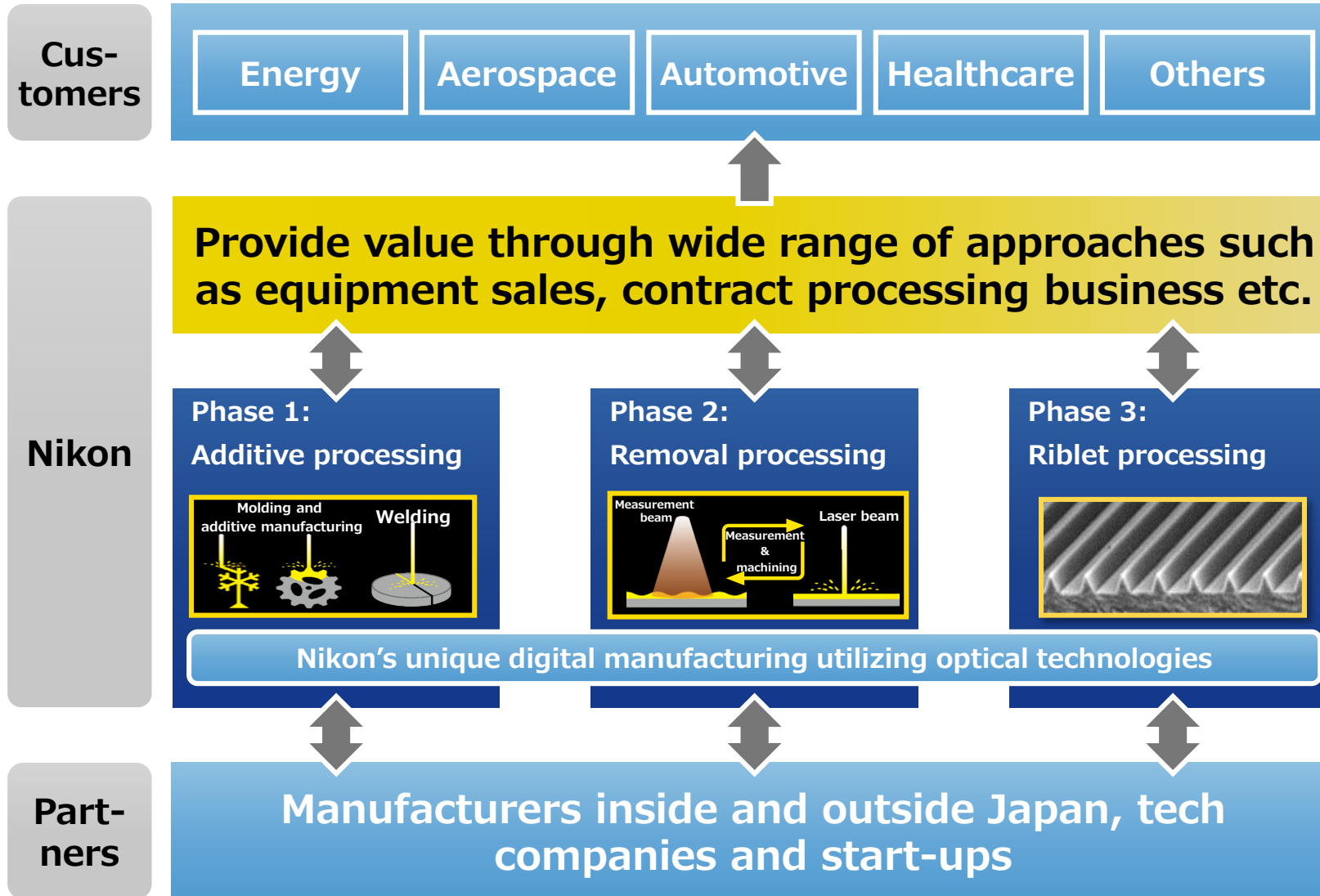
- Built structure for alliances with partners.
- Launched optical processing machines into the market.
- Began collaboration with launch customers.
- Supplied non-contact 3D metrology systems to machine tool manufactures.

- Began shipments of lidar sensors as contract manufacturer.
- Launched intelligent actuator unit for robotic joint units for collaborative robot.
- Developed and began sales of embedded cameras.
- Started mass production of high precision optical components for semiconductor related equipment.

- Obtained manufacturing license for Contract Cell Manufacturing.
- Concluded contract with Heartseed to produce iPS cell-derived cardiomyocytes for clinical trials.
- Preparing to start diagnosis support with AI for retinal disease in Europe.

Material Processing Business : Commercialization of optical processing machines and related solutions in the digital manufacturing area

Material Processing Business Nikon aimed

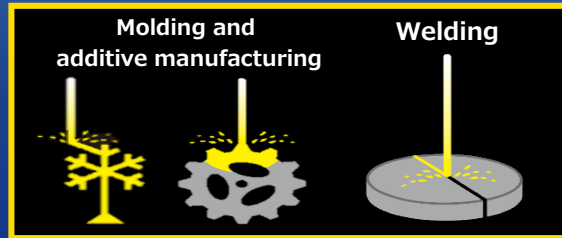


- **Substantially relieve pain points** by special processing on customers' core components.
- Propose **new value** through a wide range of processing methods according to customer needs.
- Leverage Nikon's unique processing technology utilizing optical measurement and precision control technologies.
- Realize **unique value** by enhancing component performance, replacing existing processing methods, and more.
- **Construct an ecosystem** complementing Nikon's material processing technologies.

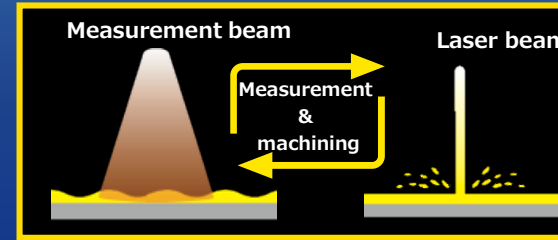
Pursue a variety of customer values through Nikon's unique material processing business



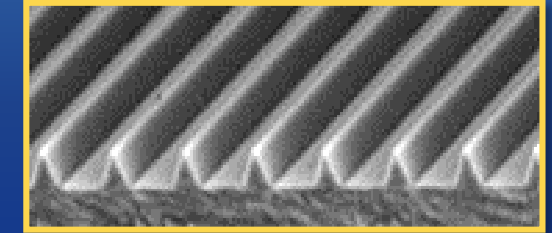
Phase 1: Additive processing



Phase 2: Removal processing



Phase 3: Riblet processing



Differentiation points

Provide state-of-art processing solutions utilizing high precision stage control, non-contact 3D metrology and optics application technology.

- 3D optical alignment
- No set up required
- Flat surface finishing using high precision measurement and feedback processing
- Riblet = forming an optimized artificial sharkskin structure (reduces fluid resistance)



Providing value to customers

- Repair dies (No replacement needed).
- Repair turbine blade (No replacement or welding needed).

Started developing applications for customer products.

- Replace metal hand scraping.
- Manufacture micromachining dies.
- Improve ultrahard tool durability and processing efficiency.

Collaborating with launch customers aiming market launch.

- Improve fuel efficiency of turbines.
- Improve efficiency of wind power generation.
- Improve fuel efficiency of aircraft and helicopters.

Started detailed studies with potential customers.

Started development of dedicated machine tools.

Contribute to reduction of environmental burden, standardization and simplification of processing technologies

Business concept for Riblet processing



Riblet processing makes the following possible:

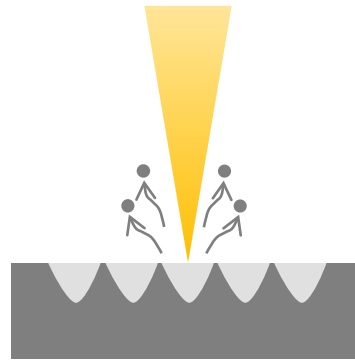
- Improve fuel efficiency of industrial equipment and reduce CO₂ in:
 - Turbines in thermal power plants
 - Wind power generation
 - Aircraft
 - Helicopters
 - and more...
- Improve performance of home appliances and electronics and reduce R&D costs

**More than
¥1.0T
market**



Riblet processing reduces the fluid resistance and improves energy efficiency

Leverage Nikon's strength in optics (lasers)

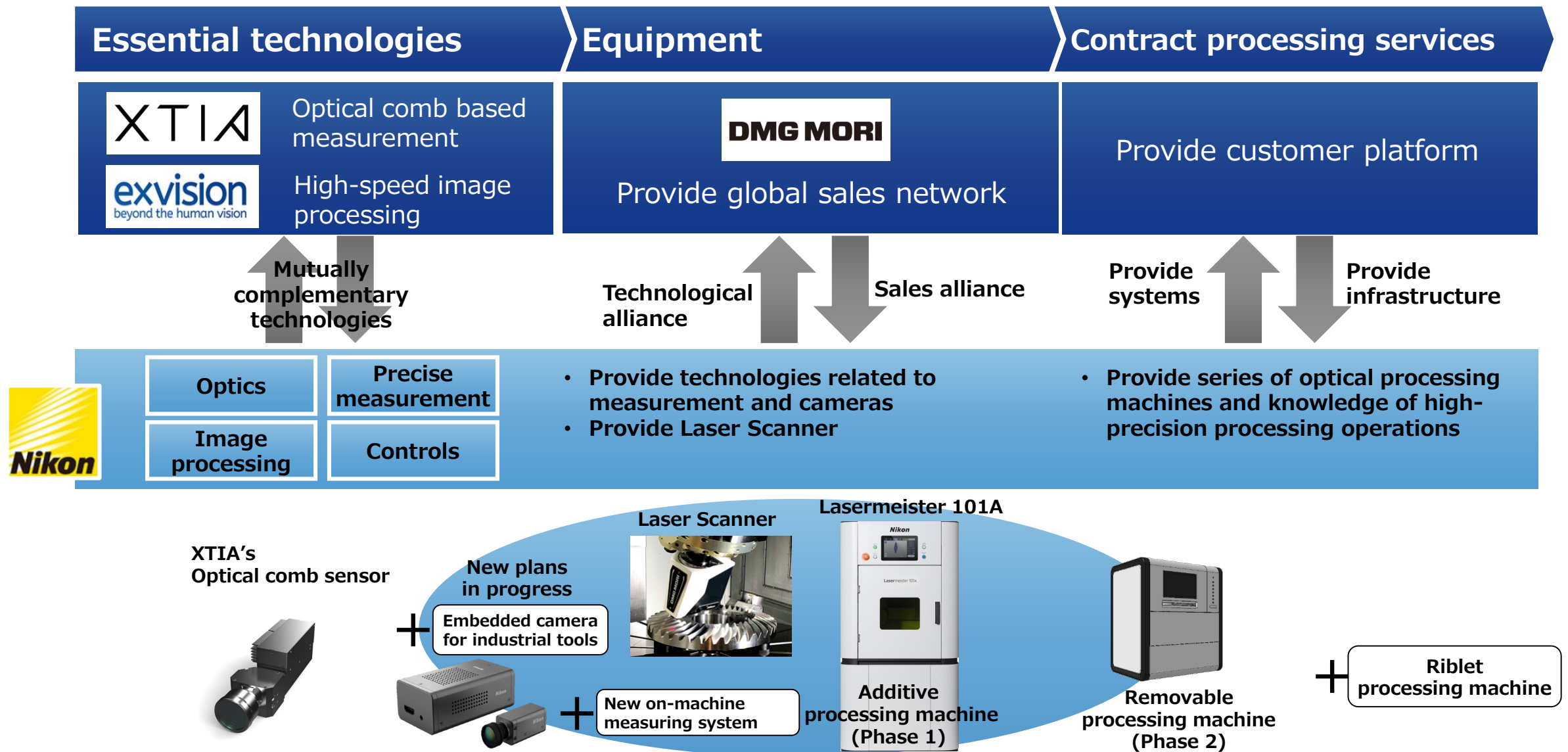


Capable of forming micron-sized riblets



Improve energy efficiency by forming suitable riblet shape to create a smooth flow on the processed surface.

Leverage alliances to advance the Material Processing Business



Business expansion scenario for growth areas in mid-/long-term



FY2021/3-22/3

FY2023/3-25/3

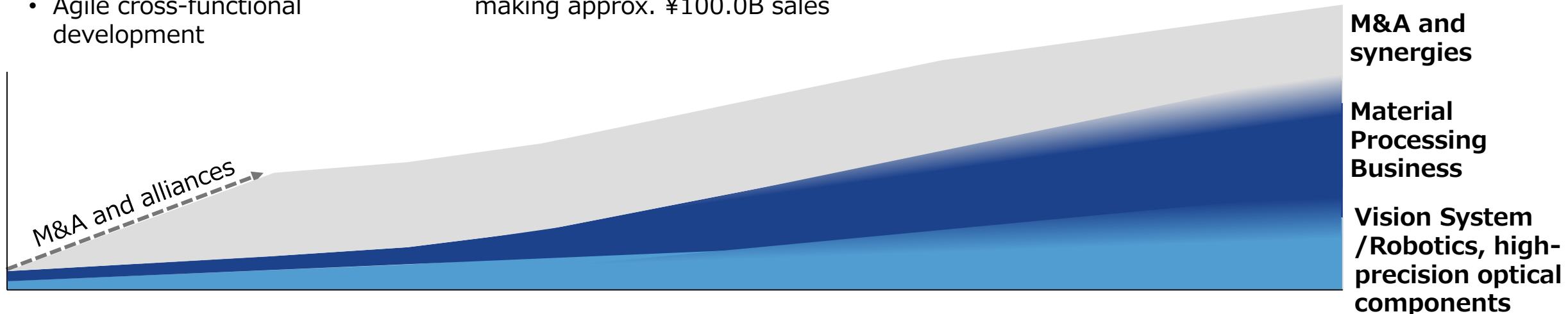
FY2026/3 and beyond

Customer and product development

Scale up businesses

Establish new core pillars of Nikon

- Accelerate launch through M&A and alliances
 - Forge partnerships with pilot customers and begin some joint projects
 - Agile cross-functional development
- Deploy varieties of customer applications
 - Acquire major customers in each industry to scale up
 - Grow to high profit business making approx. ¥100.0B sales
- Establish whole growth areas of material processing business, Vision Systems / Robotics related businesses



Mid-/long-term capital allocation (FY2020/3 – 2024/3)



Redisplaying of last year's
Medium-Term Management Plan

**Focus resources on new fields to establish new core pillars of profit,
without emphasizing short-term FCF**

	Strategic Investments	R&D	Capital Investment	Dividend & Other	Proportion
New fields (Material processing business, areas of long-term growth)	Max 40%	10%	5%		40 to 50%
Existing fields		25%	10%		30 to 40%
Return to shareholders				10% or more Total return ratio 40% or more	10% or more
Total	40%	35%	15%	10% or more	100%

Scope: Funds on hand - working capital + 5-year cumulative operating CF (before deducting R&D)

