



# Progress of Medium-Term Management Plan and Management Policy

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## 1H Performance

- **Achieved overall plan for revenue, operating profit and Profit attributable to owners of the parent**

- Imaging Products Business unachieved plan, however other segments were mostly in line.

## 2H Environment

- **Urgent need for further risk controls, particularly in Imaging Products business, as challenges remain inside and outside the company**

- **Imaging Products Business:** Business environment has deteriorated further as market shrinkage accelerates and competition intensifies. Increased costs from Z-mount system lineup expansion also a burden.

- **Precision Equipment and Industrial Metrology & Others:** Revised down the plan as customers control and delay investments.

## Full year plan

- **Significantly revise down plan for this year. Accelerate restructuring of Imaging Products Business and initiatives aimed at profit growth.**

- Fundamentally transform Imaging business structure to revitalize amid harsh environment.

- Proactively consider collaboration with external resources and strategic investments to build foundation for future growth.

Urgent need to rebuild management structure to achieve major KPIs in the new medium-term management plan.

## ②-1. Imaging Products Business: Challenges and Positioning



### Business challenges

- **Fundamentally rectify structure and strategy, and address challenges appropriately to halt profit erosion.**
  - Market environment deterioration in DCIL is worse than expected.
  - Sales plan for ML cameras was overestimated.
  - Across the business as a whole, slow execution on drawn out decision making.
  - The competitive environment will intensify further on price and technological development alike.

### Positioning

- **Generate enough profits to justify its existence as business unit and expand applications of core technologies.**
  - Strengthen brand and continue to deliver imaging experiences that contribute to the life and creative activities of users.
  - Apply our cultivated imaging technology assets to long-term growth areas.

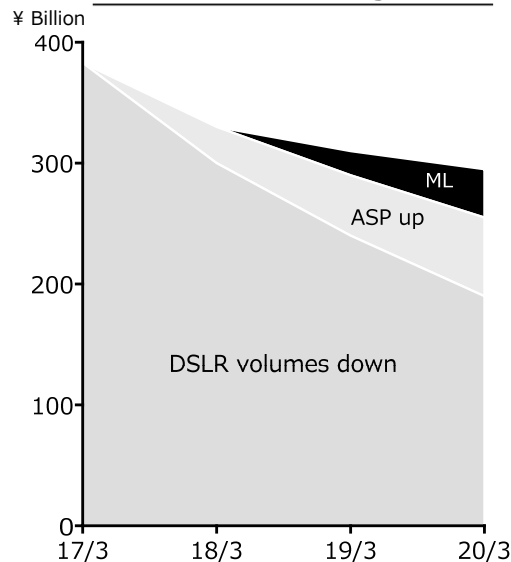
Imaging Products Business will continue to respond to the expectations of stakeholder and contribute to the enhancement of enterprise value.

## ②-2 Imaging Products Business: Business Environment

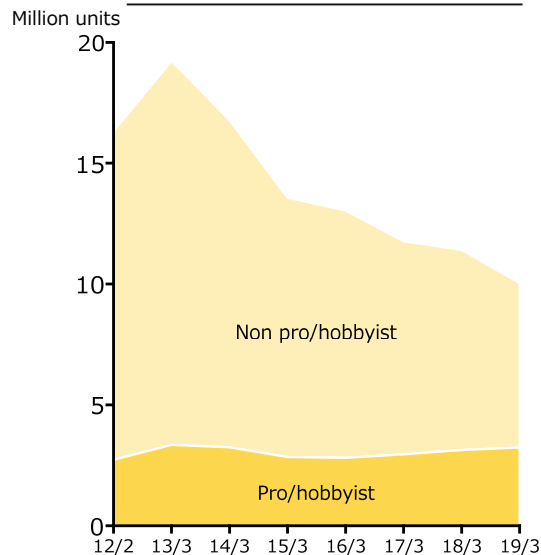


Focus on the professional and hobbyist segments, which have performed steadily through the harsh environment. Strengthen marketing focused on loyal customers, and create the next generation of core users. Transform to a business that can generate solid profit despite a shrinking market.

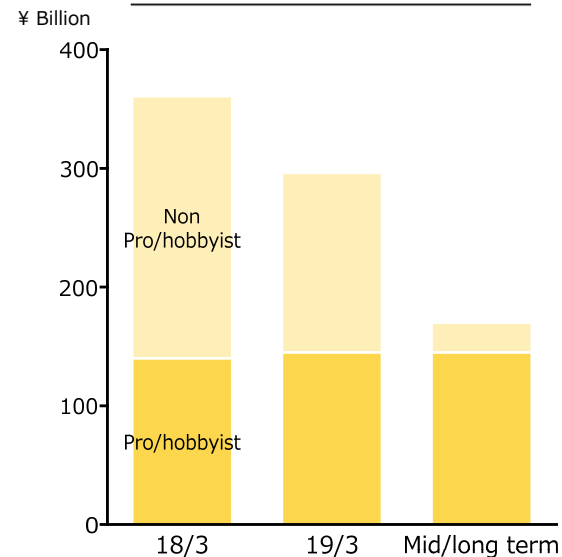
**DCIL Sales Plan of the Previous Restructuring**



**DCIL Market Estimate**



**Approximation of Nikon's Imaging Products Business Revenues**



## ②-3. Imaging Products Business: Direction of Restructuring



**Fundamentally transform business unit, surpassing the scale of the previous restructuring, to rebuild business unit that stably generates cashflow.**

- **Business strategy:** Intensify focus on professional and hobbyist segments.
  - ⇒ Focus strategy on further enhancing customer satisfaction among professionals and hobbyists, including lens lineup expansions.
- **Restructuring:** Build an organization that can generate stable profits under new strategy and harsh market environment.
  - ⇒ Reconstruct operating system of the Imaging Business Unit.
  - Strengthen the management system, including enhancement of the Board of Directors' governance.
  - ⇒ Within medium-term management plan period, **cut ¥50B in business costs\* vs. FY2018 (including ¥20B in fixed costs).**
  - Development:** Maintain development of core technologies, be more selective in product development and shift resources to long-term growth areas.
  - Sales:** Drastically revise sales strategy. Optimize sales companies. Thoroughly drive efficiencies.
  - Production:** Optimize plant function and size (Open up plants to use by other business segments)
  - Other:** Optimize staffing on a global basis.
- **Profit plan:** In FY2019 & FY2020 the outlook is harsh given priority placed on thorough restructuring. Restructuring relevant expense is ¥5.0B for this FY, and almost same amount will be planned to post in next FY. In FY2021 and beyond, **generate profits in excess of capital cost on a stable basis.**

Note: Business costs refers to SG&A and fixed costs included in COGS.

### **Progress of Material Processing Business: focus area of Medium-Term Management Plan**

#### **●Optics-based machine tools**

- Launched optical processing machine: Lasermeister 100A
- Announced the second optical processing machine: High-precision flat surface processing machine in September, 2019.

#### **●Supply of components, development of differentiated technologies**

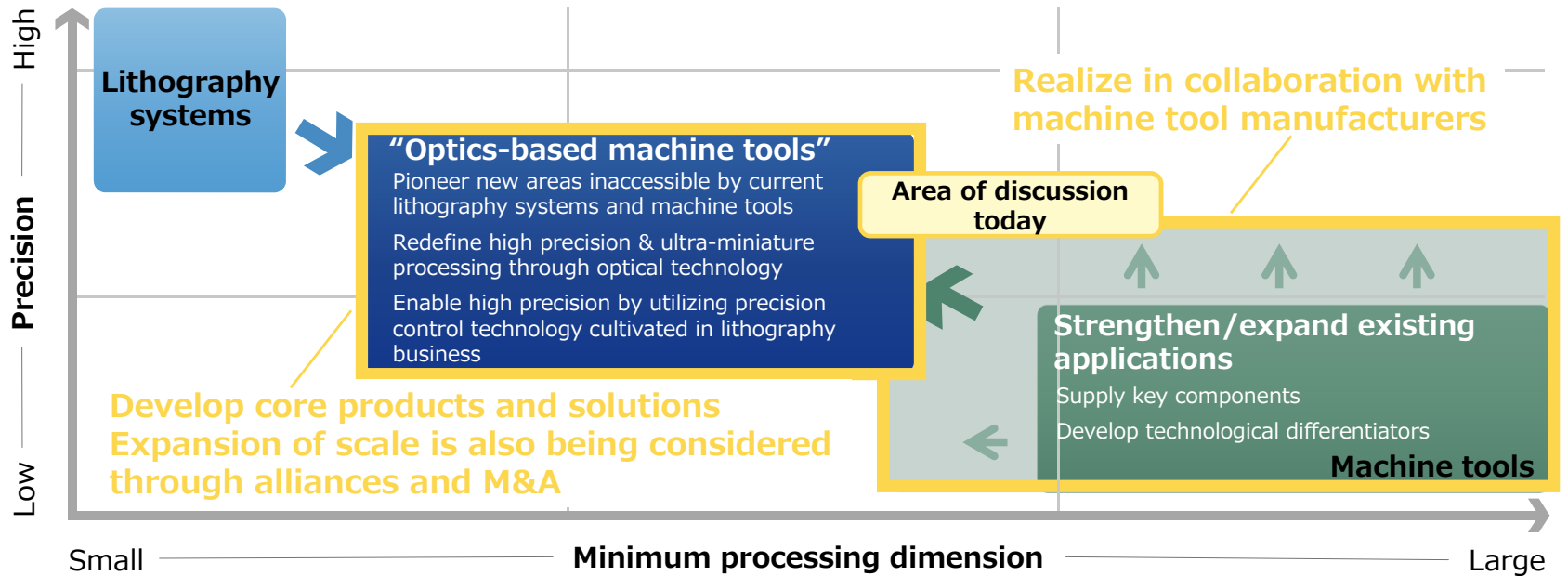
- Contribute to development of more advanced machine tools by applying measurement and camera related technologies.

### ③-2. Growth Strategy: Business domains for Optical Processing Machine



Generating New Core  
Pillars of Profit

## Create new manufacturing markets and industries in Monodzukuri field

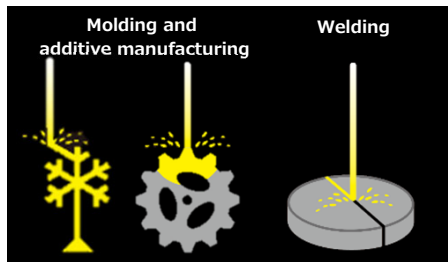


### ③-3. Growth Strategy: Core Products, Optical processing machine series.



#### Optical processing machine : G1

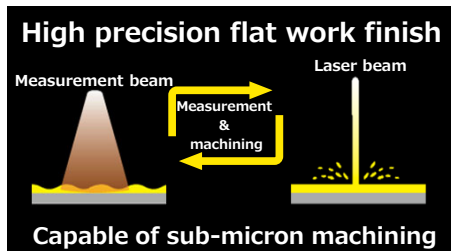
Lasermeister 100A



- Launched in April, 2019
- Received orders mainly for prototyping

#### Optical processing machine : G2

High precision flat surface processing machine

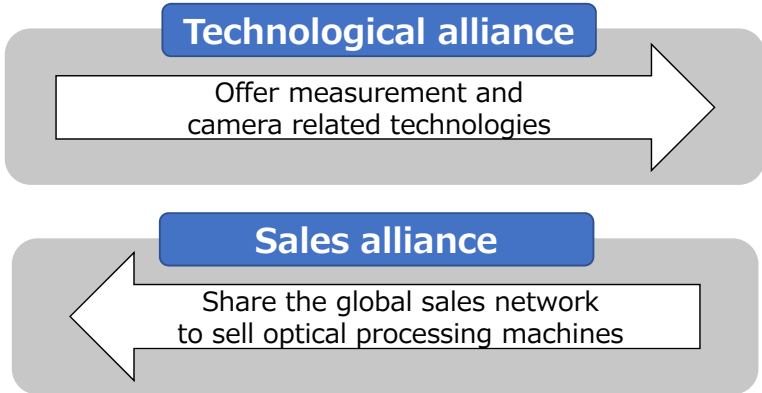


- Showcased at exhibition in September, 2019
- Received numbers of demonstration requests for high-precision and special machining applications

Plan to launch unique G3 and G4 Optical processing machines.  
In parallel, will promote our contract processing business and  
customer application development.



# ③-4. Growth Strategy: Business alliance with DMG MORI CO., LTD.



## DMG MORI



- Apply Nikon's measurement and camera related technologies on DMG MORI's machine tools to jointly develop more advanced products.
- Utilize DMG MORI's global sales network to sell Nikon's optical processing machines.

## ④ Management Direction During Medium-term Management Plan



### Financial target

ROE of 8% or more (Keep that level in final year of plan FY2021 and beyond)

### Management resources

**Capital allocation:** Prioritize strategic investments in establishing foundation for growth, such as Material Processing Business.

**Human resources:** Accelerate allocation toward long-term growth areas

### Restructuring

**Cost reduction:** ¥18B

**Imaging Products Business:** Reduce ¥50B in business costs

### Shareholder returns

Total return ratio of 40% or more, made up of annual dividend per share of at least ¥60 plus flexible share buybacks

Maintain the KPIs, and basic policies for capital allocation and shareholder returns of medium-term management plan, despite the restructuring costs until next FY mainly for Imaging Products Business.