Medium-Term Management Plan (FY2019 to FY2021)
Establishing a Foundation for Sustainable Growth

May 9, 2019
Overview of the Restructuring

Management Policy

Strategic Initiatives

Corporate Goals
Goals and Basic Principles of Restructuring
(From Materials Released Upon Announcement of the Restructuring in Nov. 2016)

Objective of restructuring:
Company-wide restructuring to improve value creation: Strategic pivot from revenue growth to profit growth

Basic principles:
- Create a companywide focus on “high value-added businesses” to improve profitability
- Optimize R&D, sales, and manufacturing structure on a global basis
- Streamline HQ functions to match scale of restructured businesses

Simultaneously shift to portfolio based management, implement targets linked to shareholder value, and enhance governance structure to improve transparency and discipline

We will prioritize the restructuring of Semiconductor Lithography, Imaging Products Businesses and HQ functions.
Overview of the Restructuring

- Implement “high value-added businesses" for Semiconductor Lithography Business and Imaging Products Business
- Exiting/Selling certain businesses besides from Semiconductor Lithography Business and Imaging Products Business
- Reduction of fixed costs by more than ¥30.0 billion and improve profitability

- "Introduce capital market-linked management KPI" and "redefine business roles"
- Define business policies depending on the roles and establish a foundation for portfolio-based management

Improve profitability and enhance management DNA
## Indicators Attained Through Restructuring

<table>
<thead>
<tr>
<th></th>
<th>Before Restructuring (FY2015)</th>
<th>After Restructuring (FY2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>¥841.0 billion</td>
<td>¥708.6 billion</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>¥35.2 billion</td>
<td>¥82.6 billion (¥67.6 billion)</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>4.2%</td>
<td>11.7% (9.5%)</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>5.5%</td>
<td>11.2% (9.4%)</td>
</tr>
</tbody>
</table>

Figures in parentheses show amount excluding approx. ¥15.0 billion temporary profit by litigation settlement.

Realized enhanced profitability in existing businesses, especially Semiconductor Lithography Business and Imaging Products Business.
As Restructuring Completed

- Conducted preemptive restructuring three years ago, even while profit was generated
- Profitability improved in existing businesses, especially Semiconductor Lithography Business and Imaging Products Business

<table>
<thead>
<tr>
<th>Imaging Products Business</th>
<th>FPD Lithography Business</th>
<th>Semiconductor Lithography Business</th>
<th>Other growth driver candidates (incl. Healthcare business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The market contraction is expected to continue for Imaging Products Business in the future</td>
<td>FPD Lithography Business, which has had several years of good performance is also expected to plateau</td>
<td>Harsh competition is also expected to continue for Semiconductor Lithography Business, which underwent significant profitability improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nikon will focus on business opportunities that will ensure profitability exceeds capital costs</td>
<td>Nikon will continue to cultivate high growth potential businesses such as Healthcare business from a long-term perspective</td>
</tr>
</tbody>
</table>

The greatest challenge in sustainably increasing enterprise value is generating new core pillars of profit while improving the profitability of existing businesses
Overview of the Restructuring

Management Policy

Strategic Initiatives

Corporate Goals
Our Philosophy: Trustworthiness and Creativity

Our Vision: Unlock the future with the power of light

Our Goal: "Leading Company in Precision & Optics"
Nikon will focus on businesses with a leadership position and scope in the field of precision and optics to realize sustainable growth of enterprise value in medium- to long-term.
Positioning of the Medium-Term Plan

Nikon will invest proactively in preparations for establishing a foundation for growing enterprise value sustainably.

Goal: sales growth
- Improve revenue structure, enhance management DNA
- Prepare for growth
- Revenue growth

Goal: enhance profitability, maximize enterprise value
- Establish foundation for growth
- Achieve growth

Period for this medium-term plan

2015 2016 2019 2021

“Transform to Grow” (prior Medium-term plan)
Restructuring

Enterprise value

Operating profit
Free cash flow
Enterprise value
Overview of Strategic Initiative

**Generating New Core Pillars of Profit**

- Early acquisition of new engines through aggressive investing in new fields (Establish Material Processing Business)

**Improving Profitability of Existing Businesses**

- Enhance profitability of the 3 main existing businesses (Imaging Products, FPD, Semiconductor Lithography)

**Reform Cost Structure**

**Enhancing Monodzukuri (manufacturing) Foundation**

- Establish “monodzukuri structure” by digital manufacturing

**Enhancing the Corporate Governance Structure**

- Appointment of management, successor training plan
- System where evaluation and monitoring of strategic decision-making can be implemented effectively
Overview of the Restructuring
Management Policy
Strategic Initiatives
Corporate Goals
### Areas of Growth

#### Macro Trends (Social Issues and Needs)

<table>
<thead>
<tr>
<th>Digital transformation</th>
<th>IoT</th>
<th>Rising medical costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry 4.0</td>
<td>AI</td>
<td>Aging</td>
</tr>
</tbody>
</table>

#### Areas of Long-Term Growth

- Digital Manufacturing
- Vision Systems /Robotics
- Healthcare

#### Existing Assets

- Optical Image processing
- Precision measurement and manufacturing
- Control
- Supply chain management
# Towards Realizing Growth

## Central medium-term theme

**Material Processing Business**

<table>
<thead>
<tr>
<th>3D Printers</th>
<th>Laser processing systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>3D measurement systems</td>
<td>Integrated optical processing machining solutions</td>
</tr>
<tr>
<td>Future process-based manufacturing systems</td>
<td></td>
</tr>
</tbody>
</table>

### Areas of Long-Term Growth

- **Digital Manufacturing**
  - 3D Printers
  - 3D measurement systems
  - Laser processing systems
  - Integrated optical processing machining solutions
- **Vision Systems /Robotics**
  - Lidar
  - Sports imaging business
  - Robot vision
  - Robot modules
  - Smart cameras
  - High-performance robots
- **Healthcare**
  - Cell sorting
  - Cell culture operation assessment applications
  - Drug discovery support
  - Ophthalmological AI diagnosis
  - Contract Cell Manufacturing

### Customer/Market

- Customer contact points
- Responding to issues
- Issues Needs

### Existing Assets

### External Resources
Establish New Core Pillars of Profit by FY2021
— Rationale for selecting Material Processing Business

<table>
<thead>
<tr>
<th>Sizable market with growth potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market growth expected from increasing societal needs such as for manufacturing automation / mass-customization</td>
</tr>
<tr>
<td>- Machine tool market accounts for approx. ¥4T and is expected to grow at ~5% p.a. in both developed and developing economies</td>
</tr>
<tr>
<td>- 3D printer market to account for approx. ¥550B by 2026, and is expected to grow at ~20% p.a.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potential to establish Leadership position</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop state-of-the-art machine tools by utilizing expertise in high precision stage control and non-contact 3D metrology technologies cultivated in Semiconductor / FPD Lithography / Industrial metrology businesses, and optics application technology</td>
</tr>
<tr>
<td>• Enable high-precision material processing at groundbreaking short lead time and low cost</td>
</tr>
<tr>
<td>• Expand business across a wide span of fields, including supply of productivity-boosting components for conventional machine tools</td>
</tr>
</tbody>
</table>
Create new manufacturing markets and industries in Monodzukuri field

Lithography systems

“Optics-based machine tools”
Pioneer new areas inaccessible by current lithography systems and machine tools
Redefine high precision & ultra-miniature processing through optical technology
Enable high precision by utilizing precision control technology cultivated in lithography business

Strengthen/expand existing applications
Supply key components
Develop technological differentiators

Machine tools
Generate New Core Pillars of Profit to Build Before FY2021 — Material Processing Business

Deployment techniques cultivated from the development and production of Lithography / Measuring and Inspection systems for use in the material processing field

Entry into market

Optical processing machine*

Supply components
Machining tool/3D printer embedded measuring systems

Innovative material processing devices/systems
Realize novel, rapid, low-cost, high-precision material processing

External Collaborations
Open innovation
Taking on external technology
Cooperation with machine tool manufacturers

Create new markets and industries in Monodzukuri field

Technologies to enable creation of new markets and industries

Precision measurement & feedback

Diversified materials
Additive surface manufacturing

Enable pre-setup-less manufacturing via embedded 3D alignment mechanism

*Optical processing machine: This optical processing machine is a Nikon’s proprietary metal processing machine that performs various metal processing with ease and with high precision using laser. Its capability encompasses additive manufacturing as a 3D printer, laser marking & welding and even polishing.
Digital cameras-interchangeable lens type (ML / SLR) / interchangeable lenses / compact DSC

### Awareness of the Business Environment

- Interchangeable lens camera market is expected to shrink and halve in the medium- to long-term especially for D-SLR entry models, while shift to ML accelerates
- The Z-series’ true appeal and full potential will require time to be fully realized
  - The Z-series is already highly praised in the market, winning various major awards
  - Nikon has only just started establishing a lens lineup that will maximize the appeal of the Z-series
- Focus on products of full-frame systems to take hold of the mid and high-end model users
- Acquire new photo/video hobbyists such as smartphone users
- In light of expanding market shrinkage, take further steps to continue cost structure reform
- Complete the lineup of Z-mount system
- Launch strategic mid and high-end D-SLR products
- Enhance coordination with social media/imaging apps to offer a unique imaging experience that stretches beyond shooting
- Reconsider production and marketing structure, and improve sales expenses and developing costs efficiency

### Primary Initiatives

- Complete the lineup of Z-mount system
- Launch strategic mid and high-end D-SLR products
- Enhance coordination with social media/imaging apps to offer a unique imaging experience that stretches beyond shooting
- Reconsider production and marketing structure, and improve sales expenses and developing costs efficiency

### Strategy Direction

- Interchangeable lens camera market is expected to shrink and halve in the medium- to long-term especially for D-SLR entry models, while shift to ML accelerates
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### SALES RATIO BY PRODUCT GROUP

<table>
<thead>
<tr>
<th></th>
<th>C-DSC</th>
<th>APS-C System</th>
<th>Full-Frame System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2021</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stably secure ¥20B+ operating profit as a base cash flow for Nikon
Enhance coordination with social media/imaging apps to offer a unique imaging experience that stretches beyond shooting

**Shooting**

- **BtoC**
  - Advances that utilize AI
  - Provide ways of enjoying images that include the post-shooting phase

- **BtoB**
  - Provide impressive imaging experiences using automatic photography systems

**Cooperate with MRMC*1 for the major sports to provide automatic tracking shooting solutions**

- **① Automatic transfer to smart devices**
  - SnapBridge NIKON IMAGE SPACE
  - Automatic sorting of preferred images

- **② Automatic sorting/storage**
  - NIKON IMAGE SPACE
  - Able to access precious images wherever, whenever

- **③ Editing**
  - Capture NX-D
  - Edit images as the photographer intends

- **④ Provide services that include coordination with external apps**
  - Social media
  - Storage
  - Circulation

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*1 The group company, Mark Roberts Motion Control Ltd.

*2 Technology for extracting necessary data having processed raw image data read into a computer
FPD lithography systems / service business

- Reliably perceive customer needs and produce new lithography systems and services to increase profitability
- Reduce the total cost of the lithography process to promote invigorating the market
- Evolution of current FPD lithography systems, handling of premium displays
  - Increase the resolution and productivity of G10.5 / G8 / G6 lithography systems
- Uncover customer needs and enhance service businesses
  - Utilize the installed base to develop businesses that grasp latent needs of customers (Reduce the cost of peripherals, operational support business)

Keep leadership position in markets where stable demand is expected in the medium- to long term

* VR/AR, QLED, μLED, Digital Signage, etc.
Semiconductor Lithography Business

Main Product Groups

Semiconductor Lithography Business

Awareness of the Business Environment

• Steady growth is expected in the semiconductors market in the mid- to long-term, driven by various applications such as IoT, AI, 5G, and autonomous driving
• While the emphasis of developing cutting-edge processes will shift to EUVL lithography systems, there will be a brisk market for immersion lithography systems

Strategy Direction

• Continuously implementing “high value-added business” to focus on securely profitable ones
  – Optimize production quantities, including handling increased production according to customer demand
• Utilize the installed base to its maximum to expand the services businesses
• Drive development towards expanding existing device platforms
  – Support for the 5 nm generation: immersion lithography systems
• Utilize technologies cultivated through the lithography systems for marketing in the new field of "Litho Booster" measurement devices
  – Litho Booster: Enables higher process controls through groundbreaking measurement capabilities

Primary Initiatives

Continue stable generation of CF through the profitability-first business strategy
Cost Structure Reform

Cost reduction 3-year total: ¥18 billion

- Optimize supply chain
- Zero-based review of the costs, duties, and functions of management and back-office departments
- Optimize marketing and production systems
- Reform processes and shorten manufacturing lead-time
Corporate Goals: Establish “monodzukuri structure” by digital manufacturing

Further advancement of digital manufacturing
IoT and AI will revolutionize the speed and efficacy of various processes, shifting the sources of competitive advantage in manufacturing

Key Success Factors
- R&D sharply focused on customer needs
- Swift product launches and frequent improvement cycles
- Enhanced price-competitiveness
- Further enhance technology and Nikon quality

Key initiatives
- Production System Reform
- Monodzukuri Technology Reform
- Procurement Reform
- Quality Management Reform
- Human resource development of Monodzukuri technology
## Restructuring Initiatives

Implement each of the measures during the restructuring period to proceed towards reform of governance

- Conduct evaluation of Board of Directors’ effectiveness
- Increase proportion of external directors
- Introduce executive compensation emphasizing capital efficiency
- Establish voluntary nominating committee (scheduled in May)

## Areas of Focus

**Invigorate the Board of Directors**
- Diversification of external directors

**Appointment of President / successor training**
- Strengthen effectiveness of voluntary nominating committee / formulate plan for successors, etc.

Implement comprehensive initiatives to further enhance governance
Overview of the Restructuring
Management Policy
Strategic Initiatives
Corporate Goals
Nikon's Medium- to Long-Term Goal

Nikon will be a leading company in precision & optics fields, consisting of businesses possessing scale and leadership position within the fields.

Areas of Growth During the Medium-Term Plan Period
- Aim for leadership position in the global market
- Generate operating profit of ¥10B+ in the future

CF Generation
- Maintain Nikon's share in important customer and product segments
- Generate stable CF through profitability-first business operations

Candidates for Long-Term Growth
- Assess opportunities for growth and examine feasibility
Management KPI Targets: To achieve during the medium-term plan

FY2021: ROE at a level higher than 8%

Business strategy (strengthen profitability)
- Enhance profitability of 3 main existing businesses
- Reform Cost Structure
- Early acquisition of new engines

Financial strategy
- Shareholder returns
  - Total return ratio: 40% or more
  - Minimum annual dividend: ¥JPY 60
  - Responsive buy-backs

Aim for stable ROE of 10 to 12% from FY2023 onward
# Illustration of Operating Profit for Each Segment

<table>
<thead>
<tr>
<th>Operating profit (JPY billions)</th>
<th>FY2018</th>
<th>FY2021 (¥)</th>
<th>FY2023 (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing businesses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imaging Products Business</td>
<td>22.0</td>
<td>20.0+</td>
<td></td>
</tr>
<tr>
<td>Precision Equipment Business</td>
<td>81.7 (66.7)</td>
<td>50.0+</td>
<td>100.0+</td>
</tr>
<tr>
<td>Healthcare Business/</td>
<td>5.0</td>
<td>10.0+</td>
<td></td>
</tr>
<tr>
<td>Industrial Metrology and Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Material processing business,</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>areas of long-term growth</strong></td>
<td>-</td>
<td>to 20.0</td>
<td>20.0+</td>
</tr>
<tr>
<td><strong>Corporate Profit/Loss non-attributable</strong></td>
<td>-26.1</td>
<td>-20.0</td>
<td>-20.0</td>
</tr>
<tr>
<td><strong>to any reportable segments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td>82.6 (67.6)</td>
<td>70.0+</td>
<td>100.0+</td>
</tr>
</tbody>
</table>

Figures in parentheses show amount excluding approx. ¥15.0 billion temporary profit by litigation settlement.
**Focus resources on new fields to establish new core pillars of profit, without emphasizing short-term FCF**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Strategic Investments</th>
<th>R&amp;D</th>
<th>Capital Investment</th>
<th>Dividend &amp; Other</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>New fields</td>
<td>Max 40%</td>
<td>10%</td>
<td>5%</td>
<td>10% or more</td>
<td>40 to 50%</td>
</tr>
<tr>
<td>(Material processing business, areas of long-term growth)</td>
<td></td>
<td>25%</td>
<td>10%</td>
<td>10% or more</td>
<td>30 to 40%</td>
</tr>
<tr>
<td>Existing fields</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to shareholders</td>
<td>40%</td>
<td>35%</td>
<td>15%</td>
<td>10% or more</td>
<td>10% or more</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Scope: Funds on hand - working capital + 5-year cumulative operating CF (before deducting R&D)
Upon completion of restructuring, Nikon strives to be a leading company in precision & optics fields that realizes sustainable growth of enterprise value in medium- to long-term.

The medium-term plan’s target is to establish a foundation for growth, with emphasis on enhancing long-term profit-generating capability.

To realize this, Nikon will focus on generating new core pillars of profit while improving the profitability of existing businesses.
The performance forecasts and predictions regarding the future recorded in these materials detail Nikon's assessments based on information that is currently available and includes latent risks and uncertainties. Consequently, please be aware that future changes in various factors may cause actual performance to differ from details recorded here.