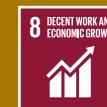


Priority Issue 2

Taking Up the Challenge of Innovation



Reason for Priority

Social issues are becoming more profound and complex, and it has been acknowledged that we cannot maintain society as it is in the future. Therefore, innovation is needed to transform social systems and lifestyles. Corporations are expected to establish innovation management and take on the challenge of solving social issues in partnership with society.

Commitment

Under our corporate philosophy of “Trustworthiness and Creativity,” the Nikon Group will address a variety of social issues and needs, leveraging opto-electronics and precision technologies, our core technologies. Under our Medium-Term Management Plan announced in May 2019, we set out “Digital Manufacturing,” “Vision Systems / Robotics,” and “Healthcare” as the areas of long-term growth for the Nikon Group, and we identified the Material Processing Business within the Digital Manufacturing area as a central theme during the period of the Medium-Term Management Plan. In recent years, the environment surrounding the manufacturing industry has changed significantly, including the transformation of manufacturing due to AI and IoT and labor shortages and the accompanying increasing need for automation due to the return of production to developed countries. In addition, there are mounting expectations about robots that will cooperate and collaborate with human beings in a post-COVID-19 society. In this environment, the Nikon Group will further enhance the value of the technology that we have cultivated in the past through research and development. We will also actively embrace technologies and ideas from inside and outside the company through such means as open innovation to bring about innovation that creates new value.

Toshikazu Umatate
Representative Director and President
Chairperson of the Technology Strategy Committee

System

- Technology Strategy Committee

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>Solving Social Issues by Using Opto-electronics Technologies >Taking Up the Challenge of Innovation >Improving Product and Service Quality

Innovation that Creates New Value

The Nikon Group will provide new value for society and enhance our corporate value through continuous innovation.

Our Basic Approach to Innovation

For the Nikon Group, generating continued innovation by making effective use of our core technologies – opto-electronics and precision technologies – enables us to contribute towards the resolution of social issues, while also being an important strategy for enhancing corporate value.

The Nikon Group views R&D and open innovation as key foundations for stimulating innovation on an ongoing basis.

Foundations for Fostering Innovation

- **Using our core technologies as the basis for undertaking R&D across a wide range of fields**

Taking our long-term technology strategy as the foundation for R&D on new technologies and application and conversion of technologies that we have cultivated

- **Using open innovation to explore new ideas and concepts**

Framework which promotes collaboration with partners including those both inside and outside the company to provide a wide range of new products and services, and which accelerates new product development and new business establishment

Our Framework for Driving Innovation

Within the Nikon Group, individual business units and individual Group companies coordinate their efforts to engage in creating innovation.

In the area of R&D, the Technology Strategy Committee develops new areas that Nikon should focus on given future social and market trends and a technology strategy that will help improve competitiveness in existing business as well as R&D plans in order to achieve the strategy. In the Material Processing Business and Vision Systems / Robotics-related businesses, which are positioned as growth strategies, the Next Generation Project Division, which was newly established in July 2019, and the Digital Solutions Business Unit, which was newly established in April 2020, have been working together to make business areas more specific and to accelerate the launch of businesses. In addition, the Research & Development Division is responsible for R&D of technologies shared by business units and future technologies.

Our framework for driving open innovation includes not only corporate venture capital (CVC) investment, but also direct investment in start-up firms through the establishment of a private fund. We are continuing to put in place new arrangements for providing support and incubation for start-ups and employees that have developed technologies or ideas that have potential. By realizing company-wide open innovation, we will build systems with the ability to strongly promote R&D in order to achieve our growth strategy.

Creating New Businesses to Provide New Value

The probability of new business themes resulting in commercialization is said to be extremely low. Achieving commercialization requires the development of targeted internal and external frameworks and prompt investment of resources.

The Nikon Group is proactively engaged in open innovation, which resulted in the launch of collaborations with a variety of companies in the fiscal year ended March 31, 2020. Specifically, in the Material Processing Business, which is involved in Digital Manufacturing, we concluded a comprehensive business alliance with DMG MORI CO., LTD. in order to accelerate business development. We also invested in XTIA, Ltd. to develop optical processing machines. In the Imaging Products Business, we invested in wrnch, Inc., which is involved in computer vision and deep learning. In the Healthcare Business, we established “Nikon BioImaging Lab” in Boston to provide support for drug discovery research. We will continuously create businesses that can satisfy new markets and customer needs by accelerating our open innovation initiatives in addition to further strengthening the core technologies of the Nikon Group.