

Nikon Briefing Session: Summary Q&A Transcript

Nikon's plan to acquire SLM Solutions

The following is a summary of key questions and answers during the briefing session held on Friday, September 2, 2022.

Notes:

This is a discretionary summary of the key questions and answers for those who could not participate in the briefing session, not a verbatim transcript. Please review the disclaimer at the end of this transcript.

Q: Why is Nikon focusing on metal 3D printing?

A: Metal 3D printers use lasers to melt and form metal powder. This is an area where Nikon can take advantage of the optical technology it has cultivated for more than 100 years. Nikon can also leverage its precision positioning technology developed in various business lines, including its semiconductor lithography business, as well as its image processing technology, to assist with monitoring during laser processing. Nikon currently develops and sells optical processing machines that use the DED (Directed Energy Deposition) method of metal 3D printing, in which metal powder is injected and formed by applying a laser beam. Through this acquisition, we will gain access to the mainstream L-PBF (Laser Powder Bed Fusion) method.

We believe this acquisition is an important step in realizing Nikon's vision of bringing innovation to the world of manufacturing.

Q: What is SLM's competitive advantage?

A: SLM's strength is its ability to produce highly sought-after large end-products at high-speed using its 12-laser machine. We intend to further strengthen SLM's product capabilities by providing SLM with our optical and precision equipment technology.

Q: The overall metal additive manufacturing market is expected to grow at a 25.5% compound annual growth rate (CAGR) between 2021 and 2026. What growth rate do you expect for large end-products processing within that market?

A: Until now, conventional metal printers have been able to handle producing small, precise end-products. It has been difficult to produce large, high-quality end-products, but SLM's new machine will make this possible. We expect that metal additive manufacturing for large end-products will grow faster than the overall metal additive manufacturing market. On top of advances in additive manufacturing technology, the growing trend toward in-house and domestic production to avoid disruptions in the global supply chain is [expected to be] another factor contributing to market growth.

Q: The tender offer price of EUR 20 is an 83% premium to the company's volume-weighted average share price for the last three months. Why do you think this is reasonable?

A: We have performed in depth valuation analysis reflecting various perspectives which included discussions with SLM's management as well as outside-in business due diligence. We have used customary valuation methodologies to determine the offer price.

SLM's sales have not yet reached the break-even point and EBITDA is negative, but sales have grown at a CAGR of 27% over the past three years, and its deficit is steadily minimizing. EBITDA for Q2 2022 (April-June) was positive on a quarterly basis.

Q: This acquisition may become a major driver for achieving your fiscal 2025 targets for your digital manufacturing business, as set out in your Medium-Term Management Plan. What are your short-term profit forecasts for FY2023 and FY2024?

A: We are currently not able to comment on the profitability outlook of this acquisition on a standalone basis, nor its impact on Nikon Group consolidated earnings. The final investment amount will be subject to foreign exchange rate fluctuations, and we are currently not in a position to assess the goodwill and intangible asset amount and determine the amortization period until after the acquisition is completed.

We are assuming that profit contribution from this acquisition will be limited during the period of our Medium-Term Management Plan. However, leveraging our optical and precision equipment technologies should create benefits that will support the medium- to long-term development of our digital manufacturing business. We believe that the acquisition of SLM will be an important part of our growth strategy for 2030.

Disclaimer:

Forward-looking statements in this Q&A script are subject to risks and uncertainties that may materially affect expected results and are based on certain important assumptions. A number of factors could cause actual results to differ materially from those assumed or implied in the forward-looking statements. In light of such uncertainties and risks, you are cautioned not to place undue reliance on forward-looking statements, which are relevant only as of the date they are made. Neither Nikon, the Bidder nor SLM undertakes any obligation to update any forward-looking statements or other statements contained in this announcement, except as required by applicable law.

None of the statements above contained or referred to in this announcement are made as a profit forecast.