Q&A of Financial Results for the 2nd quarter of the year ending March 31, 2021

Disclaimer
This document (A Selection of Questions and Answers) is not a verbatim transcript of the questions and answers that took place at the presentation as of Nov. 5, 2020. Rather, the company has exercised its discretion in providing a summary for those who did not participate.
Also, forward-looking statements, such as performance forecasts and the like, provided in these materials are based on certain assumptions and may differ significantly from actual business results as a result of a variety of factors.

Imaging Products Business

Q: Could you provide us how you plan to increase sales ratio of models targeting pro/hobbyist?

A: The second generation of full-frame mirrorless cameras to be launched in the second half of this fiscal year, will feature high-quality imaging with full of light achieved with Nikon product strengths such as large mount lenses and short flange back. Additionally, they incorporate a wide range of feedback from customers about the first generation launched 2 years ago.
Moreover, we will expand the lineup of Z lenses dedicated to mirrorless cameras to 18 lenses and strengthen overall systems, including software and accessories for professionals. We advance our product strategy to drive even greater satisfaction among our main target customers.

Q: Regarding the transferring production to Thailand, specifically what sort of products are being transferred from which sites? Will you be closing sites, also?

A: Currently we produce camera bodies at Nikon (Thailand) Co., Ltd. (NTC) in Thailand and Sendai Nikon Corporation (KSN) in Miyagi Prefecture, Japan. NTC produces more models and production at KSN is limited to fewer models. We have decided to move what is produced at KSN to NTC. Currently, we have no plans to close any sites inside or outside Japan. Existing sites will continue to be utilized.
We plan to maintain employment at KSN and shift personnel to growth areas such as the Digital Solutions Business. Already, KSN has begun contract manufacturing of the lidar sensors which are a core technology in autonomous driving.

Precision Equipment Business

Q: What is your outlook for future investment trends at your core customers for ArF immersion lithography systems? Also, could you provide us about the status of new customer acquisitions?

A: We are not in a position to comment trends at specific customers. As for new customer acquisitions, in some ways we are behind our expectation due to the impact of COVID-19. However, given the product characteristics, we have been expecting that preparations for any new adoptions would take quite a long time, and moving forward, that will continue to be our assumption.

Overall

Q: How will you reduce overseas headcount from the end of March 2020 to the end of March 2022? Could you provide us a detailed breakout by region, business and job type? Also, about the graph that shows a gradual decline in domestic headcount, is this due to natural attrition?

A: The graph for overseas headcount has been prepared based on internal plans. Therefore, that may change in response to future changes in the business environment and as decisions are made on the makeup of job types and which regions should be reduced. We will manage it appropriately, looking at sales conditions, to adjust production volumes or headcounts in a way that avoid opportunity losses.

As for domestic headcount, we plan for overall headcount to remain flat as we will be accelerating the shift of resources into growth areas.