



# NIKON REPORT 2021

Year Ended March 31, 2021

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## Our Philosophy

# Trustworthiness and Creativity

Our corporate philosophy is “Trustworthiness and Creativity.”

These are simple words, but they are not easily put into practice.

These important words represent unchanging principles to which we will always be dedicated.

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## Our Vision

# Unlock the future with the power of light

Unleashing the limitless possibilities of light.

Striving to brighten the human experience.

Focused, with purpose, on a better future for all.

THIS IS THE ESSENCE OF NIKON.

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## Our Qualities of Mind

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### Curiosity

We show our passion for progress through a wide range of interests to cultivate fresh ideas.

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### Acceptance

We warmly embrace diverse ideas and delight in differences among people and cultures.

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### Inspirational Power

We share our ideas with infectious enthusiasm to effect positive change in the world.

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### Editorial Policy

NIKON REPORT 2021 has been prepared as an integrated report for the purpose of providing shareholders, investors, and a wide range of other stakeholders with a better understanding of the Nikon Group's efforts to achieve medium- to long-term growth and corporate value improvements.

### Materiality and Completeness

This report explains the Nikon Group's growth strategies in the form of a simple narrative focused on highly material information. More detailed information on the topics touched on in this integrated report can be found on the "Investor Relations" and "Sustainability" pages of the Company's corporate website.

### Reporting Period

April 1, 2020–March 31, 2021

[This report includes information on some activities taking place after April 1, 2021.]

### Cautionary Statement

Forward-looking statements for plans, strategies, projections, earnings, and other performance data contained herein are based on information currently available to the Company, and all potential risks and uncertainties are taken into account. The Company asks that investors understand that changes in conditions may cause actual performance to significantly differ from these projections.

This report covers the activities of domestic and overseas Nikon Group companies, centered on Nikon Corporation. In principle, the terms "the Company" and "Nikon" refer to Nikon Corporation, while "the Group" and "the Nikon Group" refer to Nikon Corporation and its Group companies.

As for the numerical values relating to the financial content of this report, figures displayed in billions of yen are truncated, and figures displayed in millions of yen are rounded to the nearest unit.

### Position of the NIKON REPORT



## Message from the President

# Building a new Nikon that will unlock the future



**Toshikazu Umatate**

Representative Director  
President

### Creation of a Prosperous Future

Guided by its corporate philosophy of “Trustworthiness and Creativity,” Nikon has continued to contribute to the development of society and culture by providing a diverse range of products and services based on the core opto-electronics and precision technologies it has fostered over its history spanning more than a century.

In recent years, our operating environment has been undergoing a transformation driven by the rapid pace of technological progress, diversifying customer needs, and emerging social issues. The global COVID-19 pandemic has also had a significant impact on Nikon’s business activities. This backdrop has created the need for us to redefine our business, and this new definition must be formulated with a vision for a prosperous future 10 or 20 years down the line as well as a commitment to fully utilizing our assets to resolve the issues faced by society and customers, without becoming overly conservative in our approach. As part of this redefinition process, the Medium-Term Management Plan announced in May 2019 has positioned the three-year period concluding with the fiscal year ending March 31, 2022, as a period for “Establishing a Foundation for Growth,” and we are advancing various initiatives for solidifying foundations to this end.

### Steady Progress in Establishing a Foundation for Growth

Looking back at the second year of the Medium-Term Management Plan, I have no problem saying that we have made steady progress toward our goal of establishing a foundation for growth. One indicator of this progress is our outlook that the newly established Components Business segment will enter the phase of producing profits in the fiscal year ending March 31, 2022. This feat is expected to be achieved as a result of the success of our efforts pertaining to optical components and extreme ultraviolet lithography (EUVL) components. In the Digital Manufacturing area, we have made tangible progress in the Material Processing Business by moving forward with open innovation and customer development, entering into the contract aerospace component manufacturing business, and providing contract material processing services. We look to accelerate growth in these businesses with an eye toward global expansion going forward.

## Message from the President

In the Vision Systems/Robotics area, we are developing solutions that capitalize on Nikon's strengths and technologies with regard to sensors, robots, and smart cameras. As for the Healthcare area, we are growing earnings through sales of products such as biological microscopes and retinal imaging devices while pursuing growth through drug discovery support services, contract cell manufacturing services, and other offerings.

We currently believe that it will be difficult to achieve the target for return on equity (ROE) of 8% or more set for the final year of the Medium-Term Management Plan due to a greater-than-expected downturn in the performance of our existing Imaging Products and Precision Equipment businesses. While the COVID-19 pandemic was certainly a major factor behind this outcome, we cannot deny that management is also culpable due to our inability to effectively absorb the impacts of such external factors. We will continue to pursue this target in the future by accelerating efforts to boost the productivity of all segments and to improve capital efficiency.

The operating environment has been changing at breakneck speed since I took up the mantle of president in 2019. Despite this external change, there has been no change to our policy of strengthening business profitability and developing new growth engines to return to sustainable growth. Accordingly, we will be focusing on creating new pillars of earnings and heightening our long-term profit-generating capability in order to achieve ongoing improvements in corporate value.

### Advancement of Imaging Products Business Restructuring and Expansion of BtoB and Other Business Areas

Extensive reforms to the business structures of the Imaging Products Business were implemented through the restructuring measures announced in November 2019. In the fiscal year ended March 31, 2021, we recorded losses in this business, as was also the case in the fiscal year ended March 31, 2020, but we were nonetheless able to achieve our initial target for reducing business costs ahead of schedule. At the same time, we moved ahead with other measures, including the recording of approximately ¥30.0 billion in impairment losses on fixed assets and inventories based on an exhaustive assessment of future risks as well as a reduction in business staff of more than 2,000 people, the consolidation of production operations, and the reorganization of sales companies.

In the fiscal year ending March 31, 2022, we will continue to focus on the market for mid- to high-end products for professionals and hobbyists through means such as launching the new Z 9 full-frame flagship mirrorless camera and expanding our lineup of Nikon Z mount system lenses to nearly 30 offerings. Meanwhile, we will seek to expand our base of younger customers by introducing entry-level models that are more affordable while still featuring improvements to video and other functions and by supplying software that supports expression through imaging.

Although Nikon's previous focus has been on the sale of hardware, namely cameras and lenses, we understand the customers' inherent desires are not for these devices, but rather for the inspiration, fun, or solutions they provide. Accordingly, we are broadening our scope to expand into new fields without being bound by prior business styles. Our proactive business-to-business (BtoB) initiatives that utilize imaging technologies are one example of these efforts. Through the steady advancement of such initiatives, we aim to generate profit in the Imaging Products Business in the fiscal year ending March 31, 2022.

### Diversification of Revenue Sources to Maximize Business Value in the Precision Equipment Business

Our greatest challenge in the Precision Equipment Business during the fiscal year ended March 31, 2021, was mitigating the travelling restriction risks associated with the COVID-19 pandemic. Measures for countering these risks have included localizing system installation work and utilizing remote training to strengthen overseas operations. In the Semiconductor Lithography Business, our approach was based around transactions with major customers as we sought to develop relationships with other reliable customers in Japan and overseas. Going forward, we will carefully identify risks and opportunities while adjusting our course in response to changes in the operating environment.

At the same time, we are working to develop a multifaceted business portfolio through means such as expanding our service businesses, which include refurbishment and reuse businesses that entail repairing, adjusting, and reusing secondhand semiconductor lithography systems, and utilizing our strength in precision control and high-precision measurement technologies to explore peripheral businesses. In addition, we continued to promote Litho Booster, an alignment station that contributes to customer yield as a system for high-speed, high-precision wafer measurement and correction, in measurement and inspection markets, fields, thereby making progress in creating a new market.

## Message from the President

Alongside the Imaging Products Business, the Precision Equipment Business is one of our principal existing businesses driving Groupwide earnings growth. Going forward, we will entrench an emphasis on profitability into the operation of these businesses as we seek to maximize business value by carefully examining customer needs and developing new products and technologies that accurately address these needs.

### Monodzukuri Innovations in Material Processing Business

Given the advancing digital transformation trend, we believe that the Material Processing Business in the Digital Manufacturing area is an area where Nikon stands to fully leverage its core value. In the past, it was common for machine components to be produced by shaving down metal objects with a blade or by using a mold. With its Lasermeister series of optical processing machines, Nikon offers a completely new way of processing metal parts; this machine uses Nikon's sophisticated opto-electronics and precision technologies to process parts with lasers. This method makes it possible, and even easy and affordable, to process metal parts with complex shapes that would be difficult to produce with conventional technologies. Since the launch of the first Lasermeister machine, we have continued to expand our lineup while boosting the performance and functionality of new offerings.

Moving on, in April 2021, we converted Morf3D Inc., a U.S. contract aerospace component processing company, into a subsidiary and thus entered into the business of processing components for small to medium-sized satellites on a contract basis. Later, in May 2021, we concluded a strategic joint development agreement pertaining to riblet processing technologies with bionic surface technologies GmbH, an Austrian company that boasts simulation technologies powered by computational fluid dynamics technologies. Riblet processing is a procedure in which microgroove patterns are etched around structures to help reduce fluid-dynamic drag and thereby increase energy efficiency. Subsidiary Sendai Nikon Corporation will utilize Nikon's newly developed optical processing machines to supply contract riblet processing services.

We anticipate that the market for the Material Processing Business will continue to grow going forward as a result of rising demand for production automation as well as for mass customization approaches for efficiently accommodating high-mix, low-volume production. To cater to this growing market, we are aligning our initiatives with the concept of *Monodzukuri* innovations by leveraging our accumulated technologies and engaging in M&A activities and alliances when necessary. Furthermore, we will develop this business from the perspective of providing value to customers as opposed to focusing on a product-oriented perspective. Through this approach, we aim to earn compensation that matches our contributions to resolving the issues faced by customers and society.

### Contributions to a Sustainable Society through Accurate Responses to Social Issues

I have positioned three concepts at the core of management at Nikon: innovation, profitability, and sustainability. Among these, sustainability is the wellspring of innovation and is thus crucial to the social meaningfulness of companies. One of Nikon's sustainability-related solutions is riblet processing, which can be applied to the surfaces of turbine blades or aircraft to reduce fluid-dynamic drag and thereby boost fuel efficiency and lower CO<sub>2</sub> emissions. Elsewhere, our operations in the Vision Systems/Robotics area help improve work environments while in the Healthcare area we are supporting drug discovery and pathological diagnoses. Through such business venues, we will drive business growth by accurately addressing social issues. Moreover, we aim to contribute to the sustainable development of society by helping respond to the pressing global issue of climate change by reducing greenhouse gas emissions across the supply chain and supporting society's carbon neutrality efforts through our business.

In regard to corporate governance, we are making ongoing efforts to improve the effectiveness of the Board of Directors. In April 2021, we undertook an organizational restructuring as one facet of our reinforcement of internal control systems. This restructuring entailed establishing a division to function as a hub for our head office and to promote internal control at overseas bases as well as other measures for strengthening Group governance and control and risk management.

In addition, in April 2021, the Corporate Sustainability Department was reorganized to make it into an organization under the direct supervision of the president, tasked with promoting the Groupwide deployment of sustainability-minded management policies and strategies. We also reviewed our CSR priority issues based on changes in society and in the operating environment. These issues indicate matters needing to be prioritized in our efforts to develop our business while fulfilling our social responsibilities. In this manner, we are increasing the number of opportunities available for employees to think about social issues and sustainability in their daily work and tying this thought to action.

## Message from the President

### Evolution of Brand with the Times to Increase Value

Since its establishment in 1917, Nikon has proceeded to build a globally recognized brand by continuing to unleash the limitless possibilities of light to create new value. However, we cannot deny that the Nikon brand has fallen into a long slump recently. Seeking to reconstruct the Nikon brand, our brand strategy team, which primarily acts out of the Design Center under the direct supervision of the president, has launched a project for improving and utilizing brand value through the lens of design.

For example, we have produced a short movie entitled "Manufacturing Makes It Happen" to communicate to external stakeholders the growth strategies that give form to our vision through activities in our areas of long-term growth. This movie can be viewed on our website. In-house, we have established a branding intranet site. This site features interviews with officers and video content designed to invigorate internal communication and heighten engagement between employees and the Company.

Up until now, we have prioritized the preservation of our brand, taking a fairly conservative stance that prompted us to focus primarily on existing business areas. However, I have since realized that our brand is not merely an amalgamation of our history, it is also something living that we must evolve together with the times and in line with social expectations in order to continue heightening its value. Today, Nikon is pressed to improve its reliability and fully exercise its creativity, backed by sophisticated technologies, in an earnest attempt to address the issues and needs of society and customers. Accordingly, we are turning our attention to the true desires of customers in all of our businesses in our ongoing quest to develop ideal solutions and provide valuable products and services.

### Building a New Nikon That will Unlock the Future

The fiscal year ended March 31, 2021, was a year of trials that continued on from the fiscal year ended March 31, 2020; however, I feel confident that we are in the midst of an upturn in performance, due in part to our progress in areas of long-term growth and in reforming existing businesses. This trend has led to our decision to increase dividends for this fiscal year. Looking ahead, our focus will remain as securing profits in all existing businesses while creating new businesses in growth areas as we adapt to the changing operating environment.

Before becoming president, I was in the position of overseeing Companywide technological initiatives as the chairman of the Technology Strategy Committee. This position allowed me to reaffirm the fact that the Nikon Group possesses a treasure trove of technologies with the potential to become future foundations for business. With these technologies, there are many opportunities that Nikon can take advantage of to help resolve social issues by supplying value to society. Examples of these opportunities include the fundamental transformation of manufacturing frameworks driven by the so-called Fourth Industrial Revolution and the advent of a new normal in response to the COVID-19 pandemic.

Our vision of "Unlock the future with the power of light" is symbolic of the Nikon Group's dedication to unlocking a brighter future by addressing social issues. In closing, for our stakeholders, let me stress our commitment to building a new Nikon that unlocks the future and to realizing long-term improvements in corporate value. We hope you will look forward to Nikon's various new initiatives for shaping the future.

*Toshikazu Umatate*

Toshikazu Umatate  
Representative Director  
President



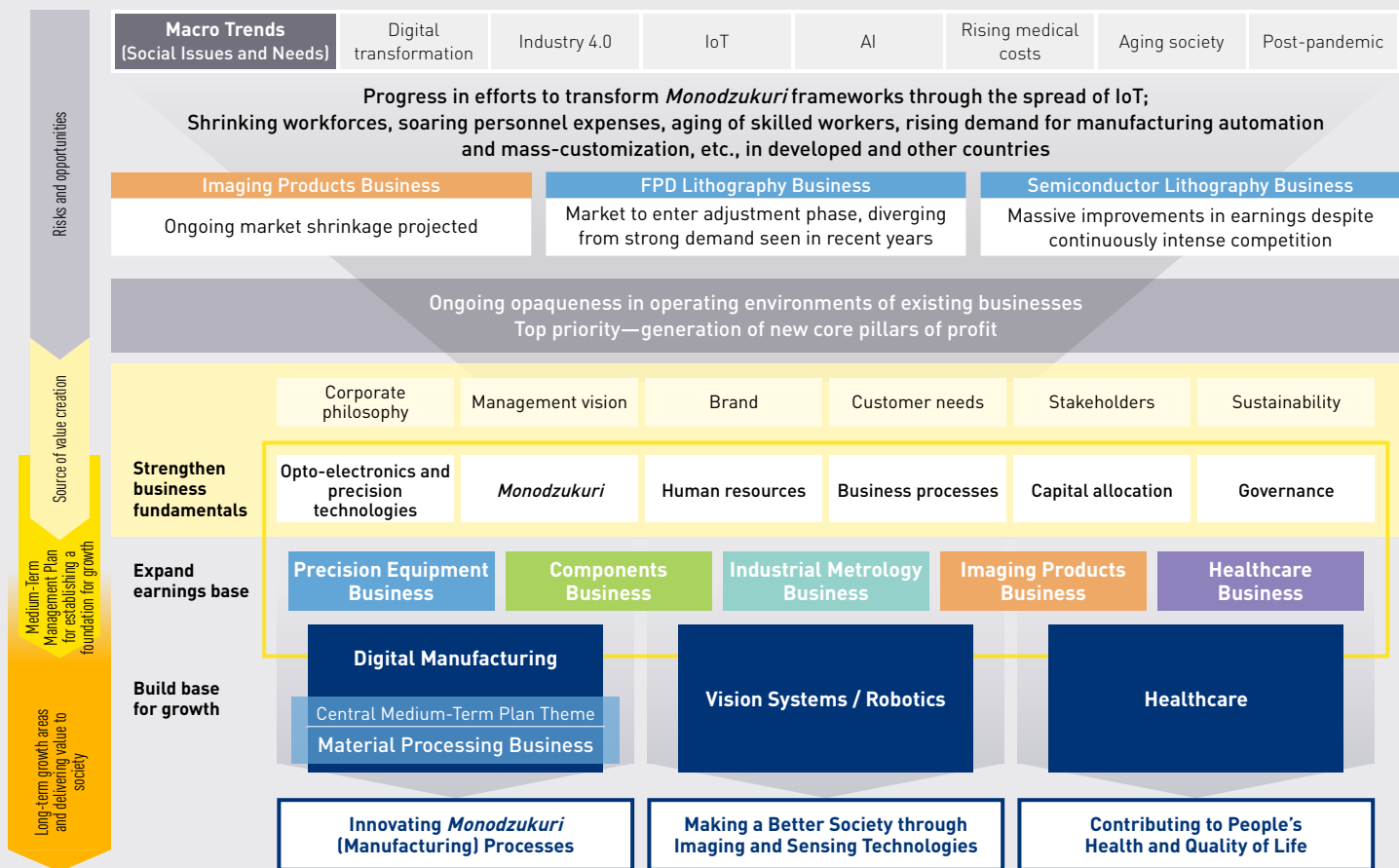
## Progress of Medium-Term Management Plan

### —Establishing a Foundation for Sustainable Growth

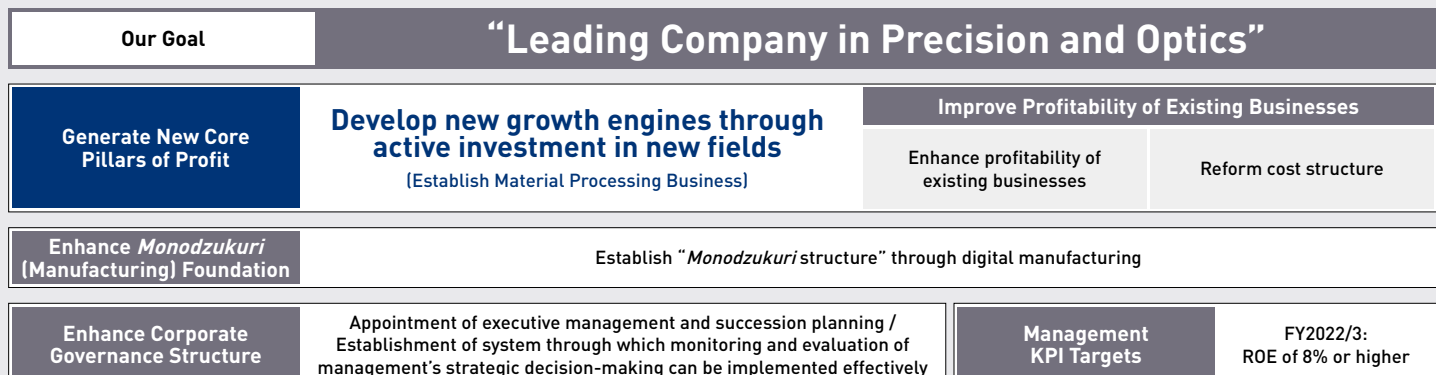
In May 2019, Nikon announced its current Medium-Term Management Plan spanning the period from the fiscal year ended March 31, 2020, to the fiscal year ending March 31, 2022. This period has been defined as a time for “Establishing a Foundation for Growth” to achieve sustained improvements in corporate value. During this period, we will prioritize improving the profitability of existing businesses while implementing strategies centered on generating new core pillars of profit to steadily enhance Nikon’s long-term profit-generating capability.

#### Policies for Sustainable Growth Strategies (Process for Formulating Growth Strategies Based on Risks and Opportunities)

##### Building a foundation for sustainable growth and making a value proposition for stakeholders



#### Overview of Medium-Term Management Plan





TOP MESSAGE &  
PROGRESSFINANCIAL ANALYSIS &  
STRATEGYSUSTAINABLE  
VALUE CREATIONCORE COMPETENCE &  
MANAGEMENT CAPITAL

CORPORATE GOVERNANCE

CORPORATE DATA

## Progress of Medium-Term Management Plan—Establishing a Foundation for Sustainable Growth

## Medium-Term Management Plan Progress Summary

## Exploration of growth areas while evolving business strategies

Core Businesses	Maximize business value while quickly responding to environmental changes	Imaging Products Business	■ Focus on professional / hobbyist and mirrorless cameras, develop business-to-business (BtoB) operations, and restructure to stabilize business
		Precision Equipment Business	■ Expand customer base and business domains while discerning market growth potential and future uncertainties
Growth Areas	Strengthen solutions and help customers create innovation	Components Business	■ Supply customers with key components that leverage our strengths in areas where we can expect scale and a leadership position
		Long-term growth areas	
		Digital Manufacturing	■ Develop Material Processing Business as Nikon's unique digital manufacturing business
		Vision Systems / Robotics	■ Develop solutions including sensors, robotics, smart cameras, and tracking to support digital transformation and automation in society
		Healthcare	■ Focus on drug discovery support services, genetic analysis, and contract cell manufacturing in addition to equipment sales

## Close-Up on Growth Areas

## Advances made in scaling up Components Business and developing customer base in Material Processing Business

Components Business	Generate earnings with optical components and extreme ultraviolet lithography-related components and develop new key components	Achieve even more growth by strengthening delivery of solutions to customer needs, which are becoming more diverse and sophisticated														
Material Processing Business	<ul style="list-style-type: none"> <li>■ Customer applications <ul style="list-style-type: none"> <li>• Repair and maintenance of turbine blades, fuel efficiency improvements in aerospace field, power generation efficiency improvements in wind power efficiency improvements in machining tools</li> </ul> </li> <li>■ Products and solutions <ul style="list-style-type: none"> <li>• Additive processing machines: 3D alignment (no setup required), handling of a diverse range of metals and light and compact</li> <li>• High-precision removal processing machines: Flat work finishing and feedback fine processing at the submicron level</li> <li>• Riblet processing service: Energy efficiency gains achieved by performing fine surface processing based on computational fluid dynamics and start of contract processing service to seed future development of applications</li> </ul> </li> <li>■ Open innovation and customer development <ul style="list-style-type: none"> <li>• Progress made in developing customer base primarily in the aerospace, energy, and electronic equipment fields by leveraging the value chain and increasing our value proposition</li> </ul> </li> </ul>															
	<table border="1"> <tr> <td colspan="3">Joint development</td> <td>Sales and technology alliances</td> <td>Service infrastructure acquisition</td> </tr> <tr> <td>XTIA Ltd.</td> <td>Exvission Corporation</td> <td>bionic surface technologies GmbH</td> <td>DMG MORI CO., LTD.</td> <td>Morf3D Inc.</td> </tr> <tr> <td>Optical comb-based measurement</td> <td>High-speed image processing</td> <td>Analysis of fluid simulations</td> <td>Global sales network</td> <td>Contract processing platform</td> </tr> </table>	Joint development			Sales and technology alliances	Service infrastructure acquisition	XTIA Ltd.	Exvission Corporation	bionic surface technologies GmbH	DMG MORI CO., LTD.	Morf3D Inc.	Optical comb-based measurement	High-speed image processing	Analysis of fluid simulations	Global sales network	Contract processing platform
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## Progress of Sustainable Growth Strategies

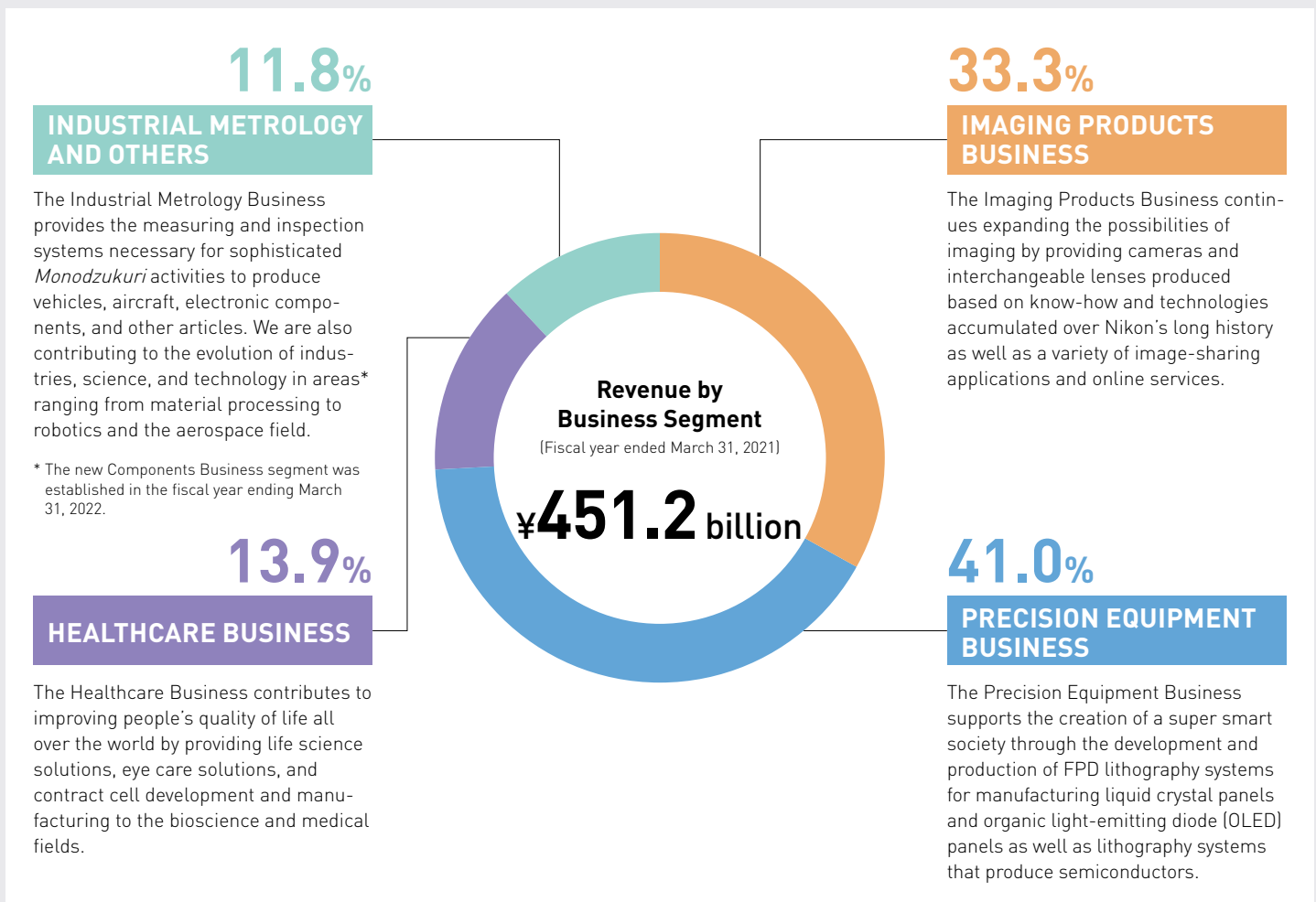
## Progress in establishing a foundation for growth, but failure to accomplish financial targets projected

Establish a Foundation for Medium- to Long-Term Growth	<ul style="list-style-type: none"> <li>■ Make solid progress in building a foundation for growth and accelerate measures aimed at scaling up <ul style="list-style-type: none"> <li>• Enter into money-making phase in the Components Business</li> <li>• Make progress in open innovation and customer development in the Material Processing Business</li> <li>• Continue M&amp;A strategy while strengthening organizations and practicing discipline to scale up business</li> </ul> </li> </ul>
Achieve ROE of 8% or Higher	<ul style="list-style-type: none"> <li>■ Expect to face difficulty achieving financial targets for the final year of the Medium-Term Management Plan due to external environmental factors, such as changes to the business environment and the impacts of COVID-19</li> <li>■ Strengthen measures aimed at generating stable cash returns in excess of capital costs <ul style="list-style-type: none"> <li>• Overcome deteriorating business environment and strengthen crisis response measures</li> <li>• Advance improvements to management efficiency including balance sheet streamlining</li> </ul> </li> </ul>

- No change to management direction; continue to strengthen business profitability and develop new growth engines to return to sustainable growth
- Aim to enhance enterprise value by creating new pillars of earnings and increasing ability to generate profits over the long term

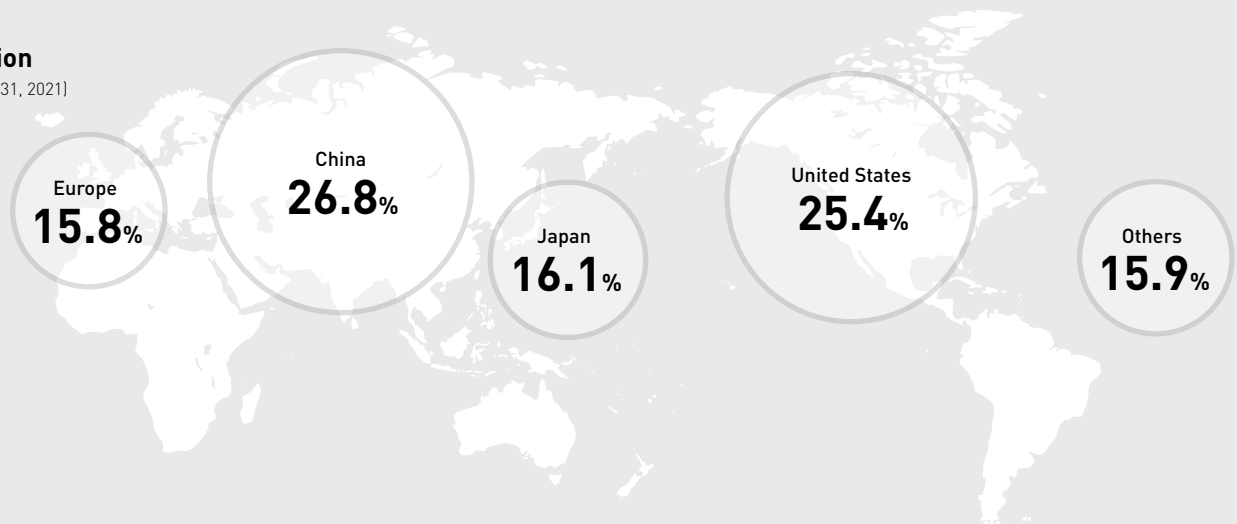
## Nikon's Business Structure

Leveraging its core opto-electronics and precision technologies, Nikon has developed a varied business portfolio. This portfolio includes the Imaging Products Business, which supplies digital cameras and interchangeable lenses; the Precision Equipment Business, which offers flat panel display (FPD) lithography systems and semiconductor lithography systems; the Healthcare Business, which provides biological microscopes and ultra-widefield retinal imaging devices; and the Industrial Metrology Business, which handles industrial microscopes and metrology systems.



### Revenue by Region

(Fiscal year ended March 31, 2021)



# Overview of Each Business

This section provides details on each of Nikon's businesses: <https://www.nikon.com/about/corporate/businesses/>

## Imaging Products Business

**Business Overview:** Digital cameras and interchangeable lenses

### 1 Risks

- Decrease in bedrock layer of users comprising professionals and hobbyists
- Intensification of competition
- Procurement of camera and lens components including semiconductors

### 2 Opportunities and Measures

- Recovery of digital camera market after COVID-19 pandemic
- Promotion of shift toward mirrorless cameras through launch of flagship model and further fulfillment of distinctive lens lineup
- Provision of applications that realize new ways of expression through images
- Expansion into business-to-business operations using camera-related technologies and intellectual properties

### 3 Achievements

- Release of Z 7II and Z 6II full-frame mirrorless cameras, expanding mirrorless camera lineup to total of 7 models
- Expanded NIKKOR Z lineup to include 22 lenses
- Reduction of business operating costs and reinforcement of business profitability



Z 7II full-frame mirrorless camera



NIKKOR Z 14-24mm f/2.8 S ultrawide-angle zoom lens

## Precision Equipment Business

**Business Overview:** FPD lithography systems, semiconductor lithography systems, measurement devices, and inspection systems

### 1 Risks

#### FPD Lithography Business

- Delays or suspensions of local installation as a result of impacts of COVID-19 pandemic
- Large factors behind demand fluctuations

#### Semiconductor Lithography Business

- Decreased demand for immersion lithography systems due to accelerated transition to extreme ultraviolet lithography (EUVL)
- Impacts of export restrictions and U.S.-China trade conflict

### 2 Opportunities and Measures

#### FPD Lithography Business

- Increased opportunities for investment for panel manufacturers due to rising panel prices
- Reinforcement of risk resilience by localizing installation and service teams in overseas markets

#### Semiconductor Lithography Business

- Large-scale semiconductor industry policies implemented in countries around the world
- Increased opportunities for investment in manufacturing equipment projected based on cutting-edge semiconductor manufacturer investment trends
- Strengthening of inspection systems business and expansion of service businesses

### 3 Achievements

#### FPD Lithography Business

- Recovery of share for small and mid-sized panels
- Achievement of compatibility with premium displays

#### Semiconductor Lithography Business

- Sales of Litho Booster alignment station, a new measurement device that applies lithography system technologies, and acquisition of repeat orders from existing customers
- Acquisition of multiple new customers for lithography systems



FX-68S FPD lithography system



Litho Booster high-performance alignment station

## Overview of Each Business

# Healthcare Business

**Business Overview:** Biological microscopes, retinal imaging devices, and contract cell manufacturing

## 1 Risks

- Impacts on sales and supply chain from COVID-19 pandemic
- Inability to secure stable supply due to semiconductor shortages
- Need for appropriate compliance with environmental and medical regulations of different countries

## 2 Opportunities and Measures

- Focus on developing biological microscope operations in private sector
- Concentrated development of eye care solutions in Europe and Asia
- Accelerating drive toward commencing commercial production in contract cell manufacturing projects

## 3 Achievements

- Release of ECLIPSE Ei education-use microscope and ECLIPSE Si biological microscope
- Release of AX and AX R confocal microscope systems
- Record-breaking sales of retinal imaging devices
- Favorable progress in multiple contract cell manufacturing projects



AX confocal microscope system  
(for attachment to ECLIPSE Ti2-E  
inverted research microscope)



Silverstone ultra-widefield retinal imaging  
device with Swept-Source Optical Coherence  
Tomography (SS-OCT) function

# Industrial Metrology and Others\*

\* The new Components Business segment was established in the fiscal year ending March 31, 2022.

**Business Overview:** Industrial microscopes, metrology systems, optical processing machines, optical components, and encoders

## 1 Risks

- Delays in capital investment due to sluggish recovery from impacts of COVID-19 pandemic on automotive and other industries
- Obsolescence of technologies due to emergence of game-changing technologies and other disruptive innovation

## 2 Opportunities and Measures

### Industrial Metrology Business

- Increasingly swift transition toward 3D and non-contact systems
- Increased demand for measurement automation solutions in production sites

### Other Businesses

- Enhancement of solutions in response to diversifying and sophisticated customer demand
- Growth in sales of optical components, EUVL components, encoders, FPD photomask substrates, etc.

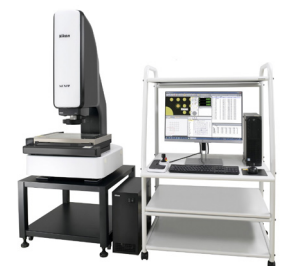
## 3 Achievements

### Industrial Metrology Business

- Launch of NEXIV VMZ-S series of CNC video measuring systems
- Release of XT H 225 ST 2x X-ray computed tomography (CT) system

### Other Businesses

- Impressive sales of optical components and encoders
- Growth in EUVL component businesses



NEXIV VMZ-S3020  
CNC video measuring system



XT H 225 ST 2x  
X-ray computed tomography (CT) system

## Measures in Response to Global COVID-19 Pandemic

**Business activities prioritizing the safety of employees, their families, customers, business partners, and members of communities surrounding business sites as well as the prevention of the spread of COVID-19 above all else**

### Flexible Management-Level Action in Response to Ever-Changing Conditions

The Nikon Group is taking steps in response to the global COVID-19 pandemic, prioritizing the health and safety of employees, their families, customers, business partners, and members of communities surrounding business sites above all else. Specific measures have included restrictions on coming into offices, prohibition of business trips, remote working, and other measures based on the instructions and requests of authorities as well as the conditions seen in different regions, such as the pandemic response measures instituted overseas and the state of emergency declarations made by the Japanese government. As conditions are always changing, the Group is committed to taking flexible management-level action while implementing the most extensive measures possible to prevent the spread of COVID-19. We will thus continue to monitor conditions around the world and respond appropriately.

#### Risk Management Measures

To address the global COVID-19 pandemic, the Group has established the Emergency Response Headquarters based on the Pandemic Initial Response Manual and BCM Standards, which are part of the Group's risk management system. Flexible responses are being promoted via the Emergency Response Headquarters based on the instruction of the national government and local municipalities.

With this response headquarters in place, the Group is implementing crisis management and initial response measures, including taking steps to ensure the safety of employees and their families, formulating and implementing personnel and IT measures that coincide with these efforts, collecting information regarding the current impact on business (sales, supply chain, etc.), and compiling lists of issues.

In implementing business measures, the Group will clarify the risks and opportunities associated with the pandemic in order to formulate and enact measures to quickly recover its business and to prepare for the ongoing fight with COVID-19 and for the post-COVID-19 world based on a medium- to long-term perspective.

#### Response to Impacts on Business

In the Precision Equipment Business, travelling restrictions had a heavy impact on the installation of equipment at the sites of overseas customers. The FPD Lithography Business was particularly heavily impacted as all installation work was canceled until June 2020, and sales therefore could not be recorded over this period. In July, installation work was resumed as travelling once again became possible. However, restrictions remain in place, and we are thus forced to attempt to respond to customer demands and recover performance by advancing installation work in accordance with these restrictions. In the Imaging Products Business, the COVID-19 pandemic led to decreases in demand and delays in procuring components. These factors dealt a serious blow to this business, resulting in new product launches being pushed back. We responded to these impacts through component procurement measures and flexible logistics measures while also accelerating online marketing and other efforts for responding to customer needs.

#### Response to Impacts on Society

Nikon began advancing various activities for supporting the fight against COVID-19 from the perspective of infection prevention, basic research, and medical field aid in January 2020.

#### Major Activities for Supporting the Fight Against COVID-19

##### Infection Prevention

- ▶ Contributions to the COVID-19 Solidarity Response Fund for WHO as well as donations to the China Charity Alliance and to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund organized by the Indian government funds

##### Basic Research

- ▶ Donations to the infectious organism department of the Faculty of Medicine of the University of Tsukuba and to the Department of Cell Biology and Neuroscience of the Juntendo University Graduate School of Medicine for basic research for elucidating virus characteristics

##### Medical Field Aid

- ▶ Donation of office supplies (N95 respirators, clean room wear, etc.) and face shields produced by Sendai Nikon Corporation to municipal governments and medical institutions

#### Measures for the Post-COVID-19 World

- Accelerating promotion of digital manufacturing
- Promoting unmanned and remote systems through Vision Systems/Robotics technologies
- Contributing to healthcare through Contract Cell Development and Manufacturing and Life Science Solutions

The fundamental value provided by Nikon will not change, even in the midst of the global COVID-19 pandemic. Accordingly, we will swiftly advance the Medium-Term Management Plan to prepare to supply our distinctive Nikon value in the post-COVID-19 world.

## Message from the CFO

### Nikon will pursue sustainable growth based on restructuring and balance sheet optimization.

#### Muneaki Tokunari

Director  
Executive Vice President



#### Progress of Medium-Term Management Plan and Establishment of a Foundation for Growth

In May 2019, Nikon announced the Medium-Term Management Plan, set to conclude with the fiscal year ending March 31, 2022. This plan targets return on equity (ROE) of 8% or more by defining the priority strategies necessary to improve the profitability of existing businesses and to establish a foundation for growth.

Looking at existing businesses, the Imaging Products Business was impacted by changes in the operating environment as the rapid contraction of the market was compounded by the COVID-19 pandemic. To address these issues, we moved forward with restructuring measures, including headcount optimization, production function consolidation, and sales company reorganization, while also cutting costs and focusing our business strategies on high-end products for professionals and hobbyists. Through these reforms, we sought to develop a structure that could turn a profit even with net sales of less than ¥150.0 billion. As for other existing businesses, in the fiscal year ended March 31, 2021, we worked to clarify our business models while streamlining balance sheets based on the operating environment in a bid to mitigate future risks. However, these efforts were unable to compensate for the impacts of the changes in the operating environment, and it currently appears that it will be difficult to achieve our target for ROE of 8% or more in the fiscal year ending March 31, 2022. Nevertheless, we will continue to move forward with management emphasizing capital efficiency, as indicated by items such as ROE and return on invested capital (ROIC). Meanwhile, we have been making steady progress in establishing a foundation for growth. In the newly established Components Business, we are beginning to see success with extreme ultraviolet lithography (EUVL) components, and we thus expect this business to post a profit in the fiscal year ending March 31, 2022. At the same time, we are expanding the scope of our efforts in our three areas of long-term growth—Digital Manufacturing, Vision Systems/Robotics, and Healthcare—while also engaging in strategic investments and alliances in these areas. For example, in the Material Processing Business of the Digital Manufacturing area, we converted U.S. contract aerospace component processing company Morf3D Inc. into a subsidiary in April 2021. This company will be our vessel for entry into the contract satellite component production business as well as for approaching customers by applying Nikon's optical processing machines to various applications.

#### Performance in Fiscal Year Ended March 31, 2021

In the fiscal year ended March 31, 2021, consolidated revenue came to ¥451.2 billion, a year-on-year decrease of 23.7%, and an operating loss of ¥56.2 billion was recorded along with a loss attributable to owners of the parent totaling to ¥34.4 billion.

By business, the Imaging Products Business posted revenue of ¥150.2 billion, down 33.5% year on year, and an operating loss of ¥35.7 billion, which was attributable to factors such as the recording of impairment losses on fixed assets and other one-time expenses. We witnessed favorable sales of the Z 7II and Z 6II full-frame mirrorless cameras while expanding our lineup of interchangeable lenses for

## Message from the CFO

mirrorless cameras and promoting sales of mid- to high-end cameras for professionals and hobbyists. However, these efforts were unable to counteract the impacts of a shrinking market and of falling demand as a result of the COVID-19 pandemic. Revenue in the Precision Equipment Business came to ¥184.7 billion, down 24.6% year on year, and operating profit was ¥1.4 billion. Revenue from the Semiconductor Lithography Business fell following declines in sales volume due to the shifted point of investment among major customers. In addition, profit was down in this business due to the recording of disposal and write-down of inventories of certain systems as well as impairment losses on fixed assets. As for the FPD Lithography Business, revenue and profit were down as the overall increase in sales volume following the resumption of installation work in July 2020 could not compensate for the decrease in the sales volume of systems for Gen 10.5 plate sizes. The Healthcare Business achieved revenue growth, despite the impacts of the COVID-19 pandemic primarily felt in the first half of the fiscal year, as we set a new record for sales as a result of our strong performance in the retinal imaging field. However, an operating loss of ¥3.0 billion was posted due to impairment losses on fixed assets. As for the Industrial Metrology Business and Others segment, sales were down in the Industrial Metrology Business because of tightened investment among customers as well as restrictions on sales activities. At the same time, an operating loss of ¥2.6 billion was recorded due to the incurring of impairment losses on fixed assets associated with domestic production bases included under Others.

### Forecast for the Fiscal Year Ending March 31, 2022

In the fiscal year ending March 31, 2022, we anticipate growth in sales and will target operating profit in all segments. We will achieve profitability and lead to sustainable growth by capitalizing on the benefits of asset streamlining and securing profits from the new Component Business.



For more detailed information on the Company's forecast for the fiscal year ending March 31, 2022, please refer to Nikon's corporate website: <https://www.nikon.com/about/ir/>

### Capital Allocation and Shareholder Returns

An important mission of a CFO is to determine how to allocate the capital entrusted to us by shareholders in order to maintain the financial soundness needed to respond to crises and establish a foundation for growth while issuing shareholder returns. One of the top priorities of the Medium-Term Management Plan is to generate new core pillars of profit through aggressive investment in new areas. Nikon has put forth a basic policy on capital allocation based on this priority.

More precisely, we intend to apportion up to 40% of available capital, from on-hand funds and medium- to long-term operating cash flow forecasts, to strategic investments, mainly in new areas of business. At the same time, 35% of available capital will be devoted to research and development while 15% is directed toward capital investments. In these investments, we will carefully select themes from the perspective of medium- to long-term profitability to ensure that funds are allocated to purposes that contribute to improved competitiveness.

#### Basic Policy for Medium- to Long-Term Capital Allocation

Focus resources on strategic investments to establish new core pillars of profit

Scope: On-hand funds – working capital + 5-year cumulative operating cash flows (before deducting R&D)

	Strategic Investments	R&D	Capital Investment	Dividends and Other	Proportion
<b>New Fields</b> (Material Processing Business and other long-term growth areas)	Max 40%	10%	5%	10% or more; total return ratio of 40% or more	40 to 50%
<b>Existing Fields</b>		25%	10%		30 to 40%
Returns to Shareholders					10% or more
<b>Total</b>	40%	35%	15%	10% or more	100%

Shareholder returns, meanwhile, will be decided through discussion by the Board of Directors in accordance with the basic policies of targeting a cumulative total return ratio of 40% or more over the three-year period of the Medium-Term Management Plan and utilizing 10% or more of available capital centered on operating cash flows.

For the fiscal year ended March 31, 2021, full-year dividends were reduced to ¥20 per share in light of the losses recorded. For the fiscal year ending March 31, 2022, we look to increase this amount by ¥10, to ¥30 per share, based on our forecast of full-year profitability and our outlook for recovered earnings capacity. Looking ahead, we are committed to carefully monitoring changes in the operating environment as we strive to achieve the ideal balance of financial soundness, growth investments, and shareholder returns from a medium- to long-term perspective.

# Financial Highlights

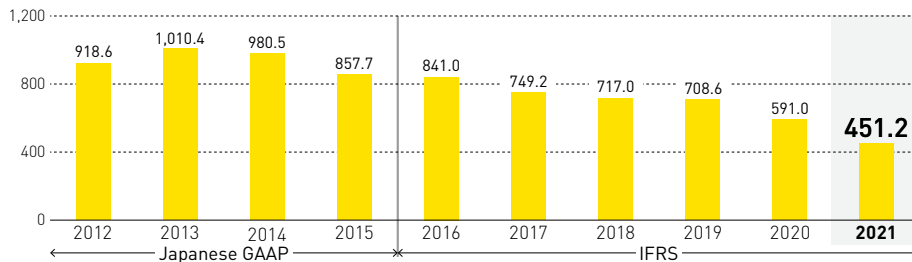
Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31

Note: Figures for the fiscal year ended March 31, 2015, and prior are prepared in accordance with Japanese GAAP. Figures for the fiscal year ended March 31, 2016, and thereafter are prepared in accordance with IFRS.

## Growth Potential / Profitability

### Revenue\*

Billions of yen

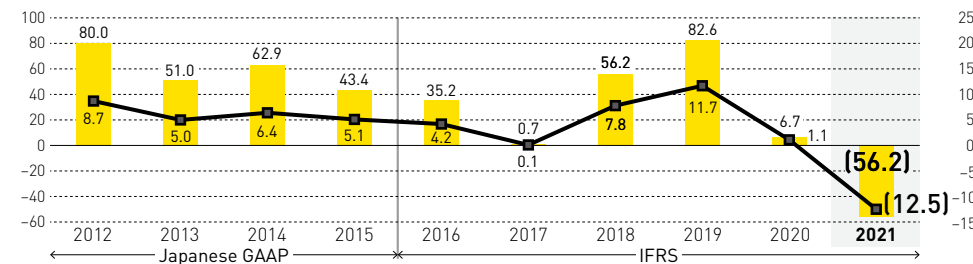


\* "Net sales" under Japanese GAAP

In the Imaging Products Business, revenue was down, despite on-schedule launches of new mirrorless camera products, due to market contraction and the COVID-19 pandemic. In the Precision Equipment Business, sales volumes of FPD lithography systems were up year on year, but overall revenue decreased due to lackluster performance of mainstay semiconductor lithography systems. Conversely, revenue was up in the Healthcare Business as a result of favorable sales of retinal imaging devices.

### Operating Profit (Loss) / Operating Margin

Billions of yen

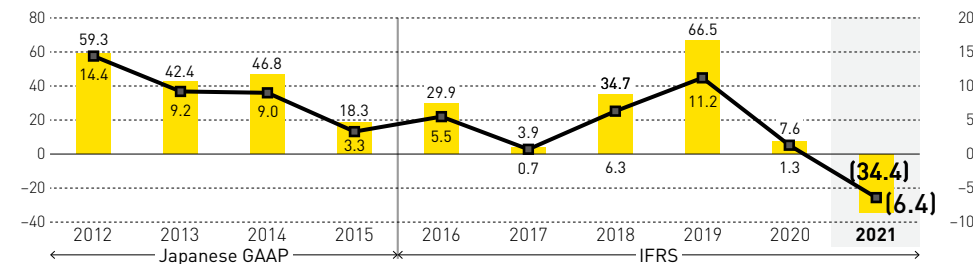


■ Operating profit (loss) (left scale) — Operating margin (%) (right scale)

Operating loss was posted as a result of reductions in revenue associated with the COVID-19 pandemic and the recording of one-time expenses totaling ¥55.6 billion in relation to restructuring, impairment losses on fixed assets, and disposal and write-down of inventories.

### Profit (Loss) Attributable to Owners of the Parent\* / ROE

Billions of yen



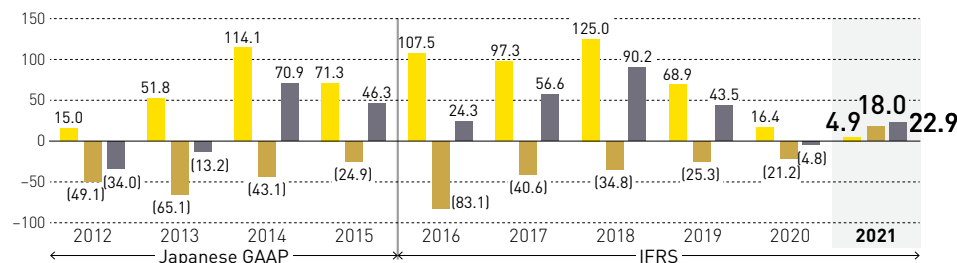
■ Profit (loss) attributable to owners of the parent (left scale) — ROE (%) (right scale)

\* "Net income (loss) attributable to owners of the parent" under Japanese GAAP

Loss attributable to owners of the parent of ¥34.4 billion was recorded in the fiscal year ended March 31, 2021, compared with profit attributable to owners of the parent of ¥7.6 billion in the fiscal year ended March 31, 2020. Accordingly, ROE was down by 7.7 percentage points, to negative 6.4%.

### Cash Flows

Billions of yen



■ Net cash provided by operating activities ■ Net cash provided by (used in) investing activities ■ Free cash flow

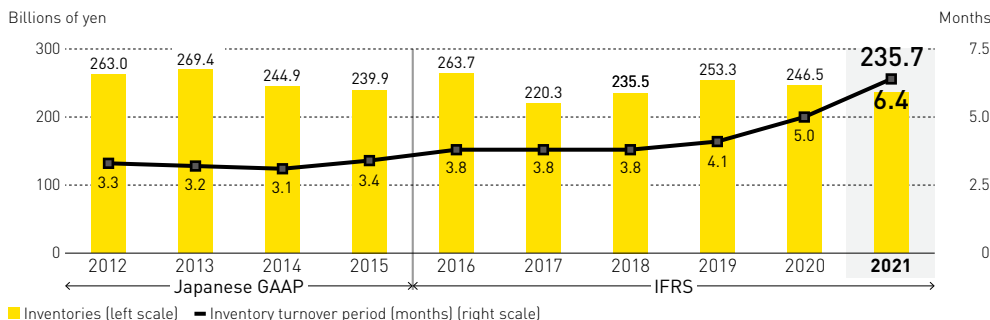
In the fiscal year ended March 31, 2021, net cash provided by operating activities was ¥4.9 billion and net cash provided by investing activities was ¥18.0 billion. Free cash flow came to a positive ¥22.9 billion, despite the decreases in revenue and profits, due to inventory downsizing and sales of marketable securities.



Financial Highlights

Efficiency

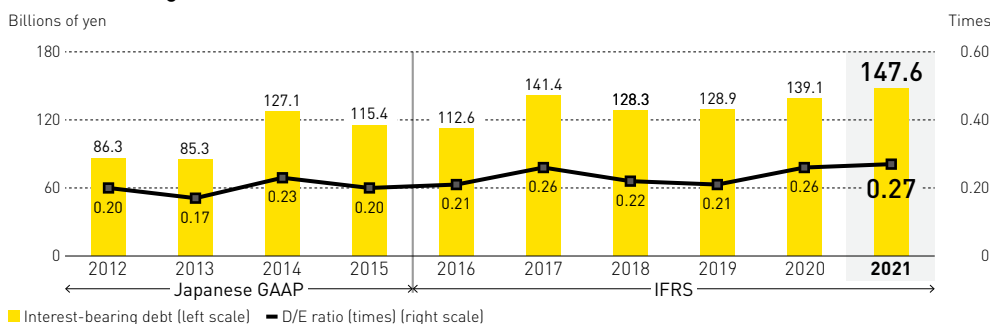
Inventories / Inventory Turnover Period



The balance of inventories as of March 31, 2021, was ¥235.7 billion, a decrease of ¥10.8 billion from the end of the previous fiscal year, and the inventory turnover period was 6.4 months due to the decrease in revenue. Emphasizing the efficiency of invested capital, the Group continues to manage inventory assets in an appropriate manner.

Safety

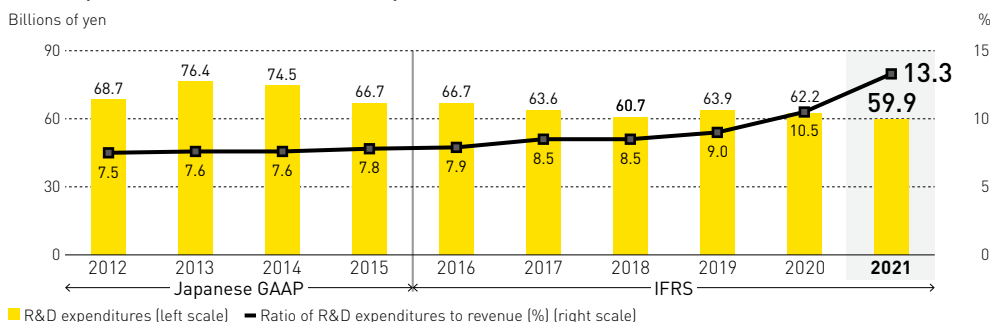
Interest-Bearing Debt / D/E Ratio



Interest-bearing debt as of March 31, 2021, was ¥147.6 billion, an increase of ¥8.5 billion from the previous fiscal year-end, and the D/E ratio came to 0.27 times. The Group is committed to maintaining sound financial conditions in funding in order to meet demands for funding for growth investments and other purposes.

Growth Investments

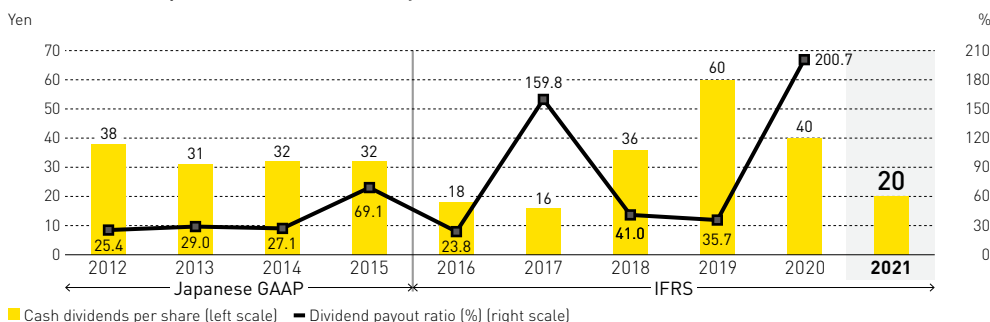
R&D Expenditures\*1 / Ratio of R&D Expenditures to Revenue\*2



R&D expenditures in the fiscal year ended March 31, 2021, totaled ¥59.9 billion, a decrease of ¥2.3 billion year on year, and the ratio of R&D expenditures to revenue rose by 2.8 percentage points, to 13.3%. While pursuing overall optimization, the Group will continue to invest in establishing foundations for medium- to long-term growth in new and existing businesses.

Shareholder Returns

Cash Dividends per Share / Dividend Payout Ratio



Cash dividends per share for the fiscal year ended March 31, 2021, were ¥20 per share, a year-on-year reduction of ¥20 per share. The Company will continue to adhere to its policy of targeting a total return ratio of 40% as it emphasizes consistent dividends going forward.

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# 10-Year Financial and Non-Financial Data Summary

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31Note: Figures for the fiscal year ended March 31, 2016, and prior are prepared in accordance with Japanese GAAP.  
Figures for the fiscal year ended March 31, 2017, and thereafter are prepared in accordance with IFRS.

## Japanese GAAP

Millions of yen

	2012	2013	2014	2015	2016* <sup>3</sup>
<b>Profit or loss (for the year):</b>					
Net sales	¥ 918,652	¥1,010,494	¥ 980,556	¥ 857,782	¥ 819,388
Cost of sales	(567,000)	(663,509)	(630,568)	(532,383)	(506,773)
Selling, general and administrative expenses	(271,571)	(295,983)	(287,046)	(281,987)	(280,917)
Operating income (loss)	80,081	51,002	62,942	43,412	31,699
Income (loss) before income taxes	86,168	61,857	74,692	35,153	28,579
Net income (loss) attributable to owners of the parent	59,306	42,459	46,825	18,364	18,254
<b>Financial position (fiscal year-end):</b>					
Total assets	860,230	864,668	949,515	972,945	966,578
Total equity	433,617	490,218	546,813	572,201	528,280
Interest-bearing debt	86,367	85,348	127,132	115,498	112,772
<b>Cash flows (for the year):</b>					
Net cash provided by operating activities	15,073	51,891	114,185	71,309	105,215
Net cash provided by (used in) investing activities	(49,145)	(65,110)	(43,194)	(24,945)	(80,881)
Free cash flow	(34,071)	(13,219)	70,991	46,364	24,334
Net cash used in investing activities	(15,150)	(18,198)	31,869	(24,955)	(18,174)
<b>Per share of common stock*<sup>1</sup> (yen):</b>					
Basic net income (loss)	149.57	107.07	118.06	46.29	46.05
Diluted net income	149.41	106.92	117.88	46.21	45.94
Cash dividends paid	38.00	31.00	32.00	32.00	18.00
<b>Financial indicators:</b>					
Equity ratio (%)	50.3	56.6	57.5	58.6	54.5
Debt equity (D/E) ratio	0.20	0.17	0.23	0.20	0.21
Return on equity (ROE)* <sup>2</sup> (%)	14.4	9.2	9.0	3.3	3.4
Return on assets (ROA)* <sup>2</sup> (%)	7.0	4.9	5.2	1.9	1.9
Capital expenditures	55,915	60,158	45,472	32,550	34,498
Depreciation and amortization	32,570	36,226	42,477	38,458	37,739
R&D costs	68,701	76,497	74,552	66,730	66,781

	2012	2013	2014	2015
<b>Non-financial data:</b>				
Number of consolidated subsidiaries	68	71	70	75
Number of employees* <sup>6</sup>	24,348	24,047	23,859	25,415
Ratio of female employees (%)	43.2	41.0	40.4	44.6
Ratio of employees outside Japan* <sup>7</sup> (%)	59.3	58.2	57.4	60.5
Number of employees participating in corporate citizenship activities (total)	—	—	—	2,627
CO <sub>2</sub> emissions from energy consumption* <sup>8</sup> (thousands of t-CO <sub>2</sub> )	—	—	244	244
Energy consumption* <sup>9</sup> (TJ)	—	—	4,297	4,297
Waste generation* <sup>10</sup> (tons)	—	—	—	—
Number of procurement partners certified as Nikon Environmental Partners (aggregate total)	21	36	172	258

\*1 Per share of common stock information is calculated based on the weighted-average number of ordinary shares outstanding during the year.

\*2 Throughout this report, ROE is computed by dividing profit (loss) attributable to owners of the parent by the average of equity attributable to owners of the parent at the start and end of the given fiscal year, and ROA is computed by dividing profit (loss) attributable to owners of the parent by the average of total assets at the start and end of the given fiscal year.

\*3 In the Precision Equipment Business, revenue from sales transactions of FPD lithography systems for overseas customers had previously been recognized on either the shipping dates or the time of delivery to the locations designated by customers. Since the fiscal year ended March 31, 2017, however, the accounting policy has been changed to recognize revenue at the point when installation is completed. Accordingly, consolidated financial figures for the fiscal year ended March 31, 2016, were adjusted retrospectively in accordance with the change in the accounting policy.

\*4 U.S. dollar figures are translated for reference only at ¥110.71 = \$1, the exchange rate on March 31, 2021.

\*5 R&amp;D expenditures include the portion of development costs that are capitalized as intangible assets.

\*6 The scope of calculation for figures encompasses permanent employees and non-regular staff of the Nikon Group (consolidated) and officers of Group companies.

\*7 Figures represent the ratio of consolidated employees that are working at Group companies outside Japan. For the fiscal year ended March 31, 2018, and prior, employees seconded to affiliates were counted as employees of the seconding company. For the fiscal year ended March 31, 2019, and forward, employees seconded to affiliates are counted as employees of the respective affiliates.

\*8 The scope of calculation for figures encompasses Nikon Corporation, Group companies in Japan, and Group manufacturing companies outside Japan. The following values were used for CO<sub>2</sub> conversion factors. Electric power: [Japan] The CO<sub>2</sub> emission factors without adjustment for each electric power utility noted in "List of Basic Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures; [UK] Residual mix; [US] NERC regional residual mix; [Other countries outside Japan] Individual countries factor in International Energy Agency (IEA) factors; however, there is no conversion factor for Laos, so Thailand's factor is used.

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## 10-Year Financial and Non-Financial Data Summary

Financial Information  
<https://www.nikon.com/about/ir/finance/>Sustainability Reports  
<https://www.nikon.com/about/sustainability/report/>

## IFRS

	2016	2017	2018	2019	2020	Millions of yen 2021	Thousands of U.S. dollars*4 2021
<b>Profit or loss (for the year):</b>							
Revenue	¥ 841,040	¥ 749,273	¥ 717,078	¥ 708,660	¥ 591,012	¥ 451,223	\$ 4,075,724
Cost of sales	(522,232)	(443,153)	(404,170)	(405,250)	(368,978)	(295,318)	(2,667,491)
Selling, general and administrative expenses	(276,988)	(247,548)	(248,683)	(238,561)	(205,698)	(181,339)	(1,637,965)
Other income (expenses)	(6,554)	(57,798)	(7,988)	17,805	(9,585)	(30,807)	(278,267)
Operating profit (loss)	35,266	774	56,236	82,653	6,751	(56,241)	(507,998)
Profit (loss) before tax	39,546	3,068	56,257	87,915	11,864	(45,342)	(409,555)
Profit (loss) attributable to owners of the parent	29,947	3,967	34,772	66,513	7,693	(34,497)	(311,595)
<b>Financial position (fiscal year-end):</b>							
Total assets	982,564	1,018,351	1,098,343	1,134,985	1,005,881	989,737	8,939,903
Total equity	537,078	538,150	573,541	616,726	541,760	538,726	4,866,099
Interest-bearing debt	112,642	141,494	128,314	128,992	139,136	147,628	1,333,468
<b>Cash flows (for the year):</b>							
Net cash provided by operating activities	107,512	97,342	125,082	68,901	16,419	4,966	44,857
Net cash provided by (used in) investing activities	(83,178)	(40,693)	(34,808)	(25,304)	(21,281)	18,024	162,800
Free cash flow	24,334	56,649	90,274	43,597	(4,862)	22,990	207,657
Net cash provided by (used in) financing activities	(18,174)	15,522	(19,970)	(21,583)	(72,739)	(4,991)	(45,081)
<b>Per share of common stock*1 (yen and U.S. dollars):</b>							
Basic earnings	75.55	10.01	87.76	167.86	19.93	(93.96)	(0.84)
Diluted earnings	75.37	9.98	87.49	167.30	19.85	(93.96)	(0.84)
Cash dividends paid	18.00	16.00	36.00	60.00	40.00	20.00	0.18
<b>Financial indicators:</b>							
Ratio of equity attributable to owners of the parent to total assets (%)	54.6	52.8	52.2	54.3	53.7	54.3	
D/E ratio (times)	0.21	0.26	0.22	0.21	0.26	0.27	
ROE*2 (%)	5.5	0.7	6.3	11.2	1.3	(6.4)	
ROA*2 (%)	3.0	0.4	3.3	6.0	0.7	(3.5)	
Capital expenditures	34,498	32,234	33,472	24,938	28,775	30,531	275,773
Depreciation and amortization	38,811	33,972	31,706	27,805	34,105	28,027	253,156
R&D expenditures*5	66,781	63,636	60,704	63,963	62,294	59,955	541,554

	2016	2017	2018	2019	2020	2021
<b>Non-financial data:</b>						
Number of consolidated subsidiaries	84	82	81	81	82	79
Number of employees*6	25,729	25,031	21,029	20,917	20,190	19,448
Ratio of female employees (%)	45.1	44.1	40.5	41.0	39.2	38.0
Ratio of employees outside Japan*7 (%)	61.6	60.7	58.5	57.8	56.5	54.6
Number of employees participating in corporate citizenship activities (total)	4,477	3,302	3,591	3,629	3,310	1,888
CO <sub>2</sub> emissions from energy consumption*8 (thousands of t-CO <sub>2</sub> )	235	221	225	215	192	180
Energy consumption*9 (TJ)	4,312	4,169	4,410	4,283	4,057	3,842
Waste generation*10 (tons)	6,369	6,118	5,928	7,771	7,089	5,989
Number of procurement partners certified as Nikon Environmental Partners (aggregate total)	347	407	450	476	498	517

Non-Financial Highlights [See page 37 for details.](#)

City gas: [Japan] The gas company eigenvalues noted in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act) were multiplied by the values given in Appended Table 2 of "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures, and by 44/12; [UK] Factors from the Report on Greenhouse Gases; [Other countries outside Japan] Same value as a typical Japanese gas company  
Heat and other fuels: The factors noted in "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures

\*9 The scope of calculation for figures encompasses Nikon Corporation, Group companies in Japan, and Group manufacturing companies outside Japan. The following values were used for calorific-value conversion factors.

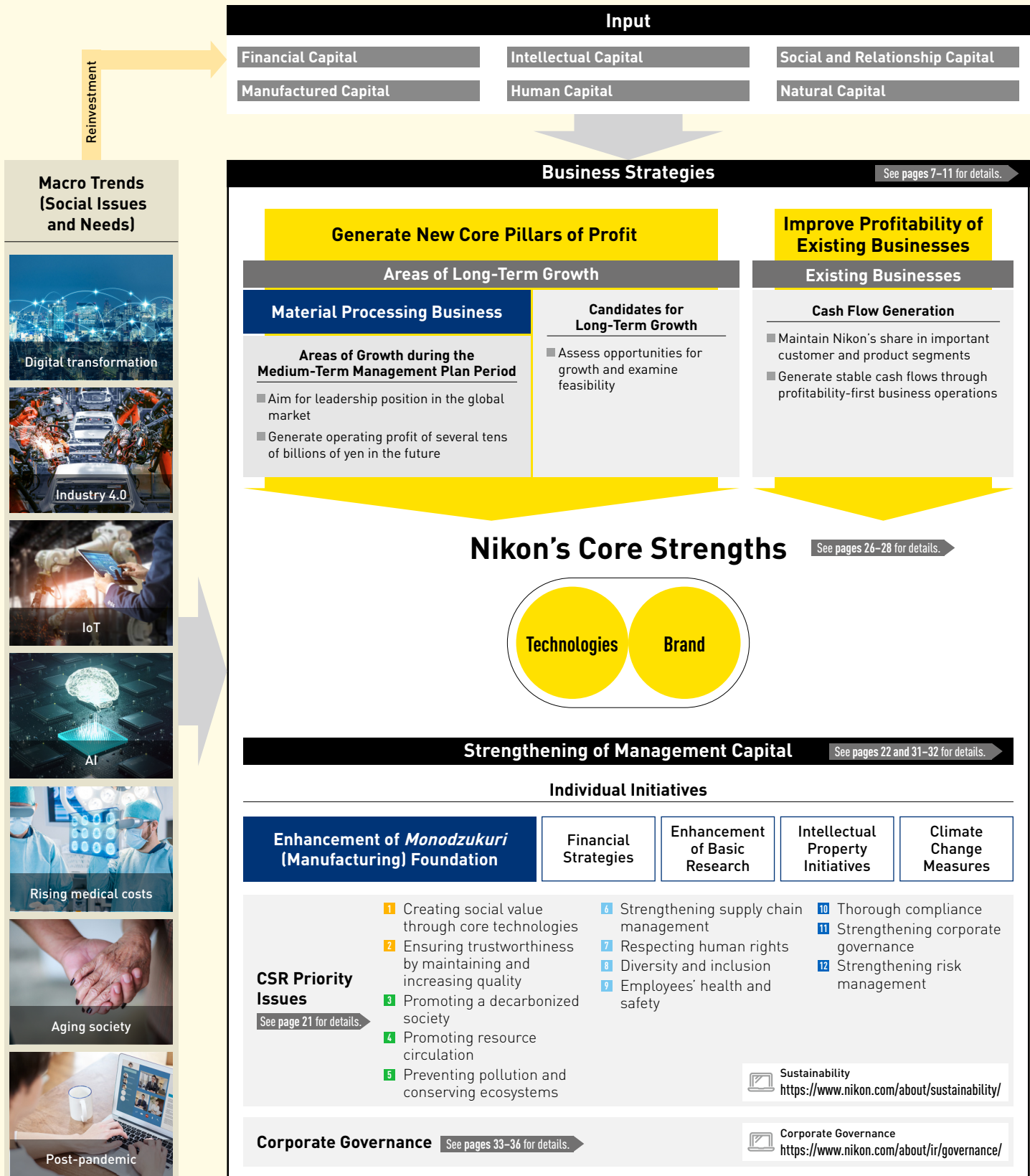
Electric power: The factors given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act).

City gas: [Japan] Gas company-specific factors under the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act); [UK] Value calculated from the factors for the Report on Greenhouse Gases; [Other countries outside Japan] Same value as a typical Japanese gas company

Heat and other fuels: The factors given in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act)

\*10 The scope of calculation for figures encompasses Nikon Corporation, Group companies in Japan, and Group manufacturing companies outside Japan. Nikon (Thailand) Co., Ltd. and Nikon X-Tek Systems Ltd. were included in the scope of calculation in the fiscal year ended March 31, 2019. Nikon Lao Co., Ltd.; Optos Plc; and Optos, Inc. were included in the scope of calculation in the fiscal year ended March 31, 2020. Excluding valuable resources

# Nikon's Value Creation



Nikon's Value Creation

Reinvestment

Strengthening of management capital and advancement of business strategies

Outcome

See pages 29-30 for details.

Financial Capital

Japan Credit Rating Agency, Ltd. (JCR)\*1

**A+**

Rating and Investment Information, Inc. (R&I)\*2

**A**

Manufactured Capital

Capital Expenditures\*\*3

**¥30,531 million**

Intellectual Capital

Ratio of R&D Expenditures to Revenue\*\*3

**13.3%**

Human Capital

Ratio of Local Hires in Upper Management\*\*3 (Outside of Japan)

**24.4%**

Social and Relationship Capital

Ratio of Transaction Volume Accounted for by Procurement Partners That Have Undergone CSR Assessments\*\*3

**More than 80%**

Natural Capital

Reduction in Greenhouse Gas Emissions from Business Activities from base year (fiscal year ended March 31, 2014) \*\*3

**25.9%**

\*1 As of June 3, 2021 \*2 As of June 8, 2021 \*3 For the fiscal year ended March 31, 2021

Value Provided by Businesses

See pages 23-25 for details.

Provision of Nikon's Distinctive Value to Society

Innovating *Monozukuri* (Manufacturing) Processes

- Development of efficient production systems using fewer resources and less energy
- Realization of higher quality and precision manufacturing through superior manufacturing technologies
- Promotion of further automation and efficiency at factories and increased energy savings

Making a Better Society through Imaging and Sensing Technologies

- Coexistence of humans and robots Achievement of sophisticated and safe manufacturing facilities
- Presentation of more vibrant image experiences

Contributing to People's Health and Quality of Life

- Support of drug discovery and realization of regenerative medicines to overcome intractable diseases
- Contribution to early detection of diseases
- Provision of new diagnosis support technologies



Goal

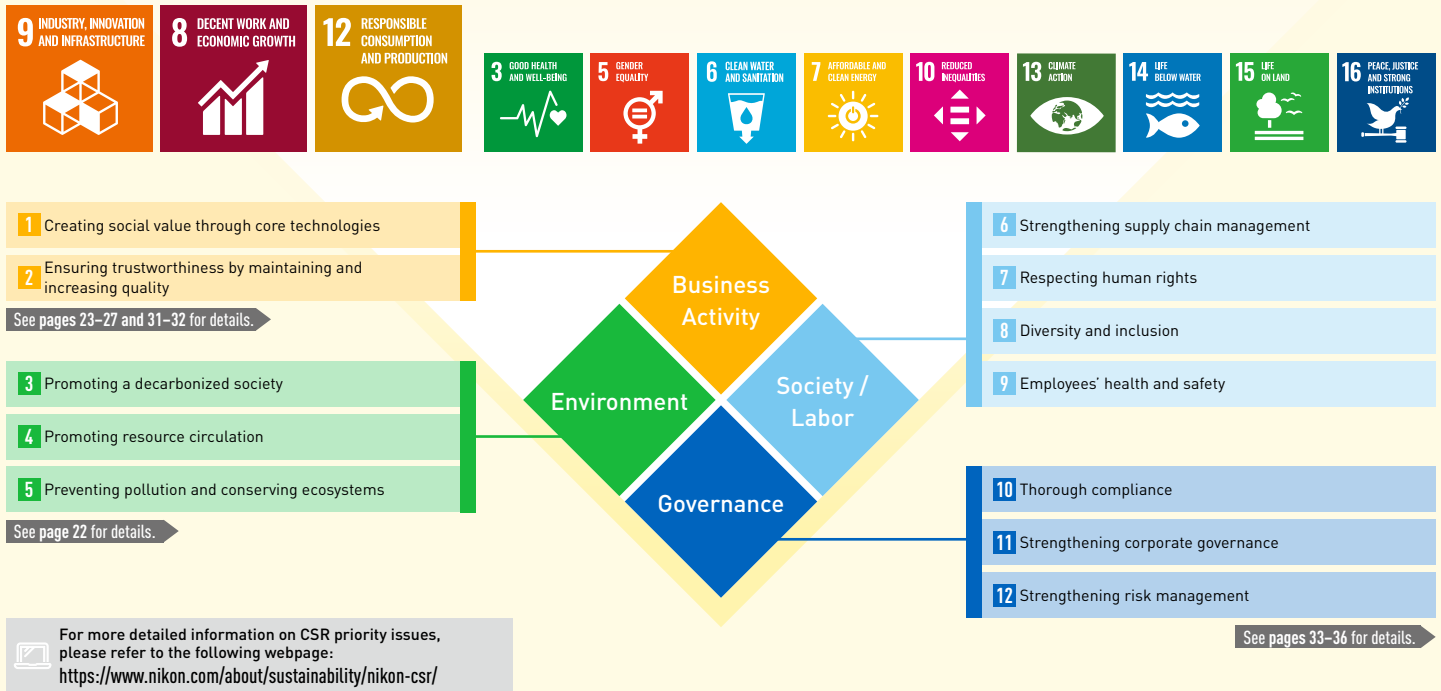
A Leading Company in Precision and Optics

Contribute to an affluent and fulfilling society by driving innovation in various industries with products and services utilizing opto-electronics and precision technologies

# CSR Priority Issues

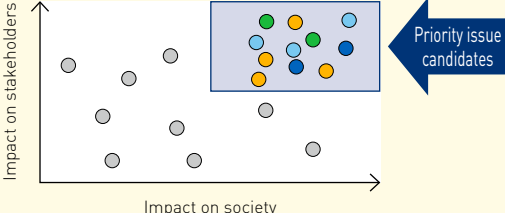
In January 2021, the Nikon Group newly selected 12 CSR priority issues in four areas.

For each of these priority issues, we have announced what Nikon needs to do and goals for the fiscal year ending March 31, 2031. In line with these, we will be promoting sustainability activities that will contribute toward the realization of the United Nations Sustainable Development Goals (SDGs) by 2030.



## Process for Identifying Priority Issues

The Nikon Group used the following process to select new priority issues in order to promote sustainability initiatives based on changes in the social climate and in the operating environment.

<p><b>Step 1</b> Identification of Social Issues</p>	<p>Significant social issues were identified from the GRI Standards, ISO 26000, the United Nations Global Compact, the SDGs, and other standards. A total of 34 issues of particular relevance to the Nikon Group were then extracted on the basis of analyses of the Group's value chain and management vision.</p>
<p><b>Step 2</b> Assessment of Importance</p>	<p>To identify priority issue candidates, the Nikon Group assessed the relative importance of the identified social issues based on the degree of impact on society (economic, social, and environmental impact) and the degree of impact on stakeholders (impact on stakeholder evaluations and decision-making). These assessments were performed through examinations of the issues that ESG ratings institutions prioritize, through communication with NGOs and other internal and external stakeholders, and through benchmarking with respect to other enterprises that have already brought CSR to a particularly high level.</p> 
<p><b>Step 3</b> Identification and Determination of Priority Issues</p>	<p>Through a process of discussion among management, 12 priority issue candidates were identified and goals for the fiscal year ending March 31, 2031 (what Nikon intends to achieve) were determined in relation to these issues, which were finalized by decision of the Executive Committee.</p>
<p><b>Step 4</b> Setting of Targets for Each Priority Issue</p>	<p>The new priority issues were explained to each department head. They were notified to incorporate the CSR priority issues relevant to their department into the setting of department targets for the fiscal year ending March 31, 2022, and each department then set and are now working toward those targets.</p>

CSR Priority Issues

PDCA Cycle Implementation Framework

In the fiscal year ending March 31, 2022, Nikon expanded the scope of divisions expected to set targets with regard to CSR priority issues to include those that were previously not applicable while also clarifying the SDGs to which each target contributes. By incorporating targets pertaining to the CSR priority issues into the target management system in this way, we aim to ensure effective implementation and also to further enhance CSR awareness at the level of individual departments and individual employees. Moreover, progress in initiatives for addressing CSR priority issues will be confirmed once every six months by the CSR Committee, which is chaired by the president, as part of a PDCA (plan-do-check-act) cycle for ensuring the accomplishment of targets. Performance with regard to these targets will be reflected in certain elements of the compensation of officers in charge of sustainability and relevant divisions.

CLOSE UP Climate Change Measures

Other Greenhouse Gas Emissions from Society

Reduction of greenhouse gas emissions from society through use of Nikon products and products that are made using Nikon products

Indirect Greenhouse Gas Emissions from Business Activities

Scope 3 (all 15 categories including the following)

Category 1: Purchased goods and services

Reduction of product size and component numbers, etc.

Category 4: Upstream transportation and distribution

Modal shifts, increases to loading rates, reduction of transportation distances, etc.

Category 11: Use of sold products

Reduction of product electricity consumption, etc.

Greenhouse Gas Emissions from Business Sites

Scope 1

Fuel use, cleanser use, etc.

Scope 2

Electricity use, etc.

Energy conservation activities and renewable energy use

The Nikon Group is helping to achieve carbon neutrality by reducing greenhouse gas emissions from its business activities and by contributing to the reduction of emissions from society.

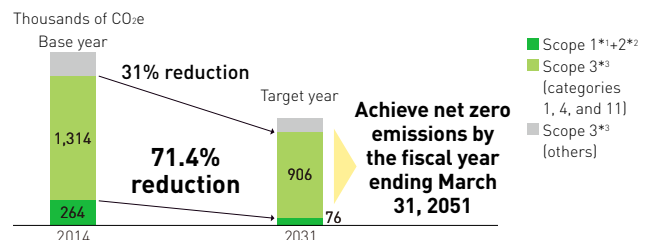
CSR Priority Issue 3 Promoting a Decarbonized Society



Realizing a decarbonized society is a pillar of the Nikon Long-Term Environmental Vision. This pillar is reflected in CSR priority issue 3: Promoting a decarbonized society.

To address this issue, Nikon has set the target of reducing greenhouse gas emissions from Nikon Group business sites by 71.4%, the level required to limit global warming to 1.5°C above pre-industrial levels, as one of the Nikon Medium-Term Environmental Goals for the fiscal year ending March 31, 2031. This target has been approved by the Science Based Targets initiative as being based on scientific evidence. In addition, Nikon has joined the RE100 global initiative, announcing its goal of sourcing 100% of the electricity used by business activities from renewable energy by the fiscal year ending March 31, 2051.

Medium-Term Environmental Goal for Reducing Greenhouse Gas Emissions



\*1 Direct greenhouse gas emissions from the use of fuel on site  
 \*2 Indirect greenhouse gas emissions from the consumption of purchased electricity or heat  
 \*3 Indirect greenhouse gas emissions related to business activities in the supply chain (excluding emissions already included in Scope 1 and 2)

CSR Priority Issue 1 Creating Social Value through Core Technologies



See page 23 for details.

CSR priority issue 1 is "Creating social value through core technologies." This issue is reflective of the Nikon Group's commitment to using its technological prowess to create new value and thereby contribute to the reduction of greenhouse gas emissions across society via growth strategies targeting Digital Manufacturing and other areas.

TOP MESSAGE &  
PROGRESSFINANCIAL ANALYSIS &  
STRATEGYSUSTAINABLE  
VALUE CREATIONCORE COMPETENCE &  
MANAGEMENT CAPITAL

CORPORATE GOVERNANCE

CORPORATE DATA

## Vision for Growth Strategy and Value Provided to Society

# Digital Manufacturing

Nikon has defined three areas of long-term growth—Digital Manufacturing, Vision Systems/Robotics, and Healthcare—as the targets of its efforts to generate new core pillars of profit. In the Digital Manufacturing area, the Material Processing Business has been identified as a central theme for the period of the Medium-Term Management Plan.

### Background of Focus on the Area

Large market scale and significant growth potential

Potential to capture leading position due to wide-ranging applicability of Nikon's precision measurement technologies, control technologies, non-contact 3D metrology technologies, and expertise

### Vision

**Nikon aspires to supply processing solutions that transform industry with its proprietary material processing technologies to realize flexible *Monodzukuri* (manufacturing) with light.**

### TOPICS

#### Conversion of Contract Aerospace Component Manufacturer into Subsidiary

Nikon has acquired majority ownership of Morf3D Inc., a company specializing in additive manufacturing, a method entailing the layering material that is more commonly known as 3D printing, and this company has thus been converted into a subsidiary.

Morf3D is a trusted leader in the contract manufacturing of aerospace components in the United States, serving major aerospace equipment manufacturers from Europe and the United States. The market for small to medium-sized satellites is growing rapidly due to demand for internet connectivity and acquisition and analysis of satellite photographs. Nikon intends to cater to this market through a contracting business that combines Morf3D's customer base with Nikon's optical processing machine and other precision processing technologies.

#### Strategic Riblet Processing Technology Joint Development Agreement and Contract Services

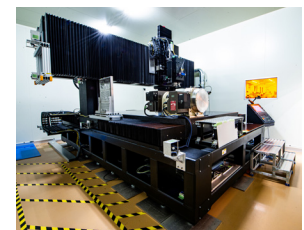
Nikon has concluded a strategic joint development agreement pertaining to riblet processing technologies with bionic surface technologies GmbH (BST), an expert in providing cutting-edge solutions powered by sophisticated computational fluid dynamics\* technologies.

BST's proprietary simulation technologies are being used to propose riblet structures that are ideal for the structure of the given articles and to predict the functionality of these structures. Riblet processing is a method that incorporates biomimetics to create functional surfaces. For example, sharkskin-like microgroove patterns can help reduce fluid-dynamic drag and thereby increase energy efficiency. By combining these technologies with the high-precision metrology and precision processing technologies Nikon has fostered through its Semiconductor Lithography Business, we aim to develop unique, high-efficiency riblet processing technologies while aggressively advancing our Material Processing Business.

Furthermore, subsidiary Sendai Nikon Corporation will utilize Nikon's proprietary optical processing machines in order to supply contract riblet processing services in a bid to address a wide range of customer needs with the optimal riblet processing.

Riblet processing is anticipated to contribute to the realization of a sustainable society by helping improve fuel efficiency and reduce CO<sub>2</sub> emissions.

\* Computational fluid dynamics is an academic field that involves the study of computing the movement of fluid and heat.



Optical processing machine for performing riblet processing at Sendai Nikon Corporation

### Value Provided to Society

By replacing cutting tools processing machines, which require seasoned engineers to perform set up procedures, with optical processing machines, we will provide simple and diverse processing solutions matched to the wide-ranging needs of various customers.

Riblet processing, capable of forming riblets on 3D curved surfaces, will be utilized to address social issues by improving fuel efficiency, increasing power generation efficiency, and suppressing noise production.



Vision for Growth Strategy and Value Provided to Society

## Vision Systems / Robotics

In the Vision Systems/Robotics area, Nikon aims to cater to rapidly growing automation and labor-saving needs by supplying new solutions that leverage the strength of its optical, image processing, and control technologies.

### Background of Focus on the Area

Demand for industrial robots growing globally to facilitate automation and labor-saving measures at factories

Significant business growth opportunities to fully leverage Nikon's optical, image processing, and control technologies in relation to sight, touch, and other senses of robots

### Vision

Nikon is committed to contributing to the development of industrial infrastructure through the supply of vision systems that provide the functionality of eyes to robots and other types of equipment as well as the machine control systems that make precision handling possible.

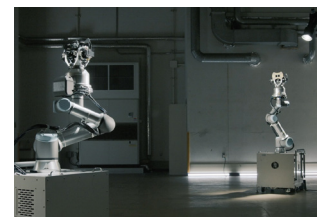
### TOPICS

#### Successful Verification of Tracking Optical Wireless Communications Technology Capable of 360-Degree Tracking

In December 2020, Nikon partnered with SoftBank Group Corp. to perform the world's first successful verification test\* of a tracking optical wireless communications technology that allows for 360-degree tracking between two transmitters through the use of artificial intelligence, image processing, and precision control technologies. Optical wireless communications are resilient to electromagnetic interference while also being incredibly secure. However, as light travels in a straight line, it has been difficult to apply this communications method to transmissions between moving bodies. The verified technology allows for communications between such bodies and therefore has the potential to contribute to the creation of new markets in fields like communications between vehicles and between vehicles and roads; communications among unmanned transportation vessels, other industrial robots, and drones; and communications underwater, where electromagnetic waves cannot be transmitted.

SoftBank and Nikon will continue research and development and verification tests aimed at creating markets in such new fields going forward.

\* This test was a world first as of March 18, 2021, according to surveys by SoftBank and Nikon. Specifically, this was the first verification test to confirm an ability to track and maintain uninterrupted communications between two optical wireless transmitters moving in self-determined directions.



Tracking optical wireless communications technology verification test

#### Launch of Large-Volume Non-Contact Measuring System APDIS Series

Subsidiary Nikon Solutions Co., Ltd. launched the APDIS series of non-contact large-volume inspection systems, which are able to measure 3D coordinates of objects in a contact-free manner, in October 2020.

APDIS series inspection systems are used to measure 3D coordinates of primarily large items, such as automobile bodies and aircraft, in a contact-free manner with accuracy in orders of tens of micrometers. These systems utilize Nikon's proprietary opto-electronics technologies to eliminate the need for reflectors, making for more compact systems. This allows for the robot arm to be installed in a variety of locations and thus contributes to improving productivity at automobile factories and other facilities.



Large-volume non-contact measuring system  
APDIS MV430

### Value Provided to Society

Nikon will help realize a more comfortable society by supporting the evolution of robots and delivering new solutions to society pertaining to labor shortages and the coexistence of humans and robots.

Vision for Growth Strategy and Value Provided to Society

# Healthcare

The Healthcare area is expected to see long-term market growth. Therefore, Nikon is advancing long-term initiatives to guarantee satisfactory business growth in this area.

## Background of Focus on the Area

Expectation for long-term growth in healthcare and medicine markets owing to importance to society

Significant business growth opportunities to capitalize on the strengths of Nikon, fostered through ongoing contributions to the medical and bioscience fields by observing the microscopic world for a century

## Vision

**Nikon aims to aid in drug discovery, help achieve practical application of regenerative medicines, and support early detection and treatment of a variety of diseases to contribute to an improved quality of life for various people.**

### TOPICS

#### Conclusion of Memorandum of Understanding for Collaboration with DNA and RNA Sequencing Equipment Manufacturer

Nikon has concluded a memorandum of understanding with Oxford Nanopore Technologies Limited (ONT), a DNA and RNA sequencing equipment developer, manufacturer, seller, and service provider, for technical and other collaboration. The companies will examine possibilities for combining ONT's DNA and RNA sequencing technology with Nikon's microscopic imaging solutions to create applications for research and clinical practice in the Healthcare area.

ONT has developed a new generation of sensing technology capable of directly sequencing DNA and RNA. It is the only technology that capable of delivering rich of biological information through direct, real-time sequencing\*1 of DNA and RNA strands ranging from the very short to the incredibly long. Moreover, ONT's technology played a key role in genomic surveillance\*2 of the virus that causes COVID-19 in more than 85 countries, and its use is rapidly expanding in human and cancer genetics. By providing innovation solutions through combining ONT and Nikon technologies, Nikon looks to contribute to the future development of the bioscience and medical fields.

\*1 ONT's technology performs simultaneous sequencing and analysis of the base sequences of viruses and other subjects.

\*2 Genomic surveillance is the process of analyzing genomic information on the effects of infectious diseases and other pathogens and conducting ongoing monitoring of the related events and changes.

#### Contributions to Regenerative Medicine

Nikon CeLL innovation Co. Ltd., which was established in 2015 as a company dedicated to contract regenerative medicine manufacturing, has continued to provide a wide range of process development and manufacturing services including everything from the preclinical to commercial manufacturing of cell and gene therapies. This company acquired manufacturing approval for regenerative medicine products in April 2020 and has since been manufacturing products in accordance with the relevant quality control standards. Looking ahead, Nikon CeLL innovation will seek to provide new treatments for diseases currently without effective treatments. Furthermore, it will develop practical applications for regenerative medicine and participate in the expansion of related industries.

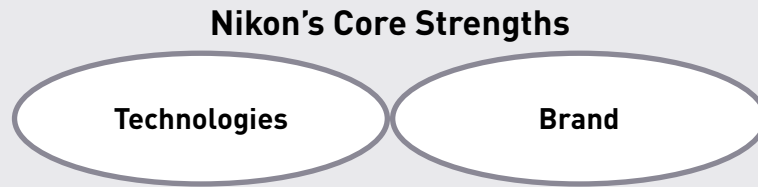


## Value Provided to Society

Nikon provides Life Science Solutions that contribute to advancements in the bioscience research and drug discovery fields, Eye Care Solutions that help realize early diagnosis of eye diseases and improve patient quality of life, and Contract Cell Development and Manufacturing that support the development and practical application of regenerative medicine in Japan. We will further leverage our optical technologies to make massive contributions to the medical and bioscience fields.

## Nikon's Core Strengths —Technologies and Brand

Over its history, spanning more than a century, Nikon has continued to respond to the needs of customers with the technological prowess it has cultivated throughout this history, creating products and services that address social needs and breeding innovation. The Nikon brand we have forged through this process is an intangible asset that inspires trust around the world. Even in times of volatility, Nikon will refine the core strengths represented by its technologies and brand to heighten its corporate value.

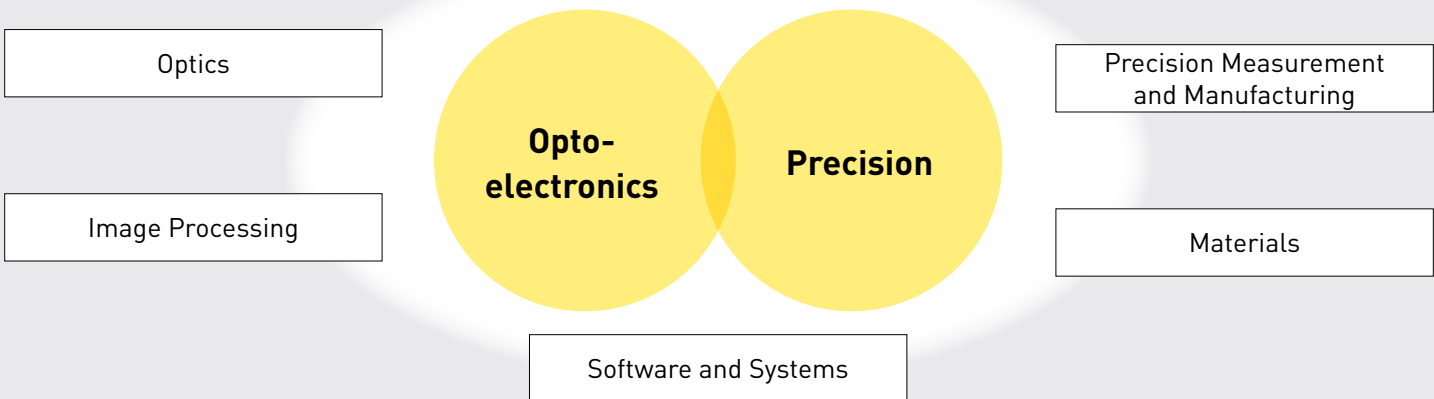


### Technologies

## Creation of Diverse Value Born through the Merging of Technologies

Nikon provides a diverse range of products and services based on its core, world-leading opto-electronics and precision technologies, which it has cultivated since its founding. With our opto-electronics technologies, we are able to control light across a wide range of wavelengths, spanning from X-rays to infrared light, with a high degree of accuracy to create products and services for various purposes. Meanwhile, our precision technologies are able to contribute to improved productivity in devices such as semiconductor lithography systems coupled with overlay accuracy\* to the level of a few nanometers.

### Nikon's Basic Technologies



With the goal of responding to the needs of society, we have conducted research and development in a broad spectrum of fields, such as optical, precision measurement and manufacturing, image processing, material, software, and system technologies. The strength of Nikon lies in its basic technologies, namely, its two highly refined core technology groups and peripheral technologies, and its ability to combine these technologies in order to create diverse value. These strengths underpin the undeniable competitiveness of Nikon.

In the coming era, which will be characterized by diversifying values and issues as well as increasing volatility, Nikon will continue to refine the strength of its technologies to meet customer expectations and respond to social needs while achieving sustainable growth by exercising its corporate philosophy of "Trustworthiness and Creativity."

\* In semiconductor manufacturing, highly complex circuit patterns, printed on a photomask made of a glass plate, are reduced in size using ultra-high-performance lenses and exposed onto a silicon substrate known as a wafer. When the electronic circuit patterns are repeatedly exposed onto the silicon wafer, they are positioned at a nanometer level of accuracy employing Nikon technology.

TOP MESSAGE & PROGRESS	FINANCIAL ANALYSIS & STRATEGY	SUSTAINABLE VALUE CREATION	CORE COMPETENCE & MANAGEMENT CAPITAL	CORPORATE GOVERNANCE	CORPORATE DATA
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**Nikon's Core Strengths** —Technologies and Brand

**Corporate Value Improvement Initiatives**

**Technology Strategy Committee**

The Technology Strategy Committee formulates technology strategies that contain provisions for exploring Nikon's new fields of focus and for improving the competitiveness of existing businesses. The committee has also been deciding on directions for technology development and priority areas for investment based on wide-ranging social issues and needs. In order to improve Nikon's corporate value, the committee will take a flexible approach toward responding to changes in the operating environment and will lead and guide each business unit and division throughout the Company in executing technology strategies.

**Co-Creation with External Partners**

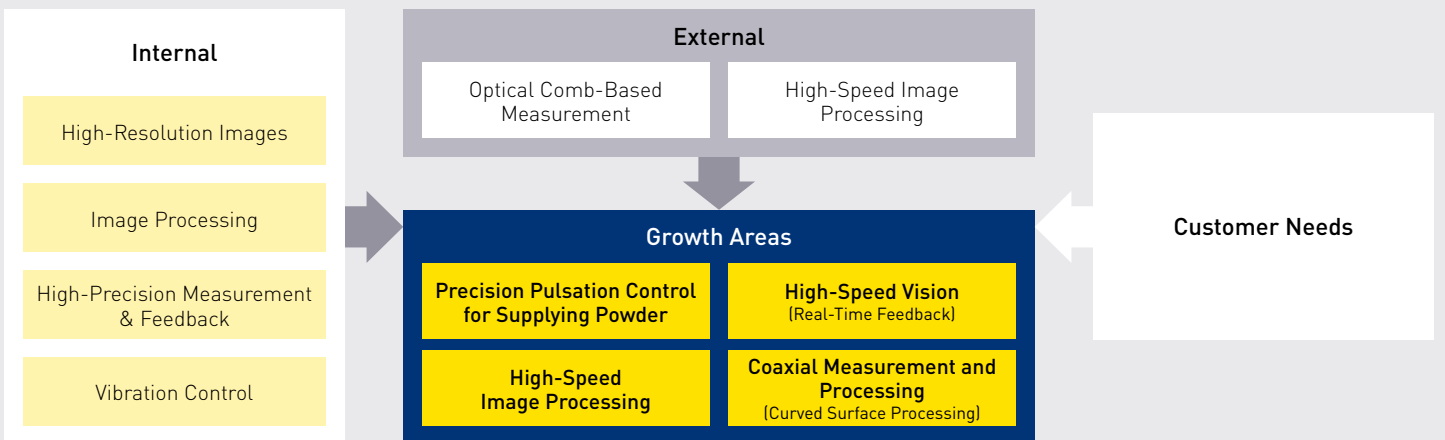
Nikon is incorporating open innovation, which entails the proactive utilization of external resources, into its business approach. On this front, we have established private funds that invest in M&A activities, alliances, and venture companies. We are also collaborating with venture capital partners. Through such efforts, we look to form the foundations for the development of future businesses and accelerate the development of new products and businesses.

**Nikon Research Report**

Nikon has been issuing the Nikon Research Report since the fiscal year ended March 31, 2020, to communicate the successes of its R&D activities to a wide range of stakeholders. These reports contain a breadth of information on Nikon's R&D successes. Major focuses include the technologies included in new products and the technologies that have been recognized by academic and other external institutions. These technologies are based on Nikon's core opto-electronics and precision technologies.



**Future Initiatives**



Nikon is focused on merging its long-developed opto-electronics and precision technologies and other essential technologies in addition to coordinating and collaborating with other companies to move forward with the early-stage development of its Material Processing Business.

The creation of new value through the merging of technologies that represents the strength of Nikon is founded on our constant efforts to address customer needs.

Nikon has formulated a plan for the expansion of its business in growth areas over the medium to long term. To ensure progress in line with this plan, we will focus on strengthening relationships with customers while devoting efforts toward building partnerships through the advancement of joint development projects and other means.

Nikon's Core Strengths —Technologies and Brand

Nikon Brand

Acting in accordance with its corporate philosophy of "Trustworthiness and Creativity," Nikon has developed a globally trusted and recognized brand by establishing a reputation of being helpful to industry and people alike through the supply of products and solutions based on its core opto-electronics and precision technologies.

At Nikon, we do not view our brand as something merely to be preserved. Rather, our brand must be refined in line with the times and social expectations in order to heighten its value. We therefore look to apply our technologies to various fields to give form to our vision of "Unlock the future with the power of light" and contribute to the realization of a sustainable society.

Brand Movies

Nikon continues to produce and distribute brand movies to promote understanding of the Company.

Some of these movies illustrate the areas of long-term growth in which Nikon will create new value by applying its technologies to a range of fields. Others communicate the challenges we continue to tackle together with customers or are designed to foster interest in Nikon among the younger generations who will shape the future. We are also expanding our range of contact points with customers by increasing opportunities for communication largely through social media and other digital mediums.

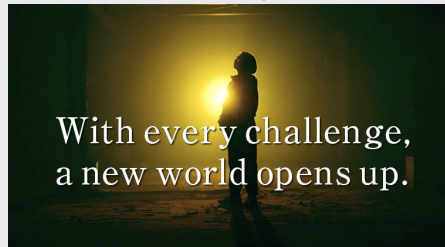
Movie "Manufacturing makes it happen"



This movie provides information on Nikon's activities in the three areas of long-term growth: Digital Manufacturing, Vision Systems/Robotics, and Healthcare (04:33).

<https://www.nikon.com/about/corporate/brand/>

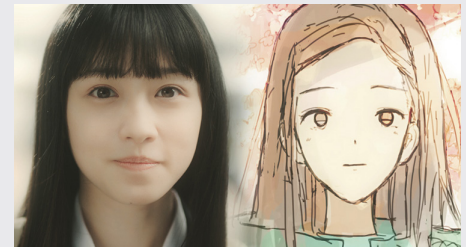
Movie "Nikon's challenge"



Companion to all who have been driven by their curiosity and inquisitiveness to tackle new challenges, Nikon aspires to help create a not-yet-imagined, prosperous future together with its customers. This sentiment is expressed in the movie (01:25).

<https://www.nikon.com/about/corporate/>

Movie "Our future is..."



This movie shows four modern-day high school students pursuing their dreams and thereby communicates Nikon's commitment to supporting members of younger generations in shaping their future and chasing their dreams (06:25).

<https://www.nikon.com/about/corporate/brand/>

Sponsorships

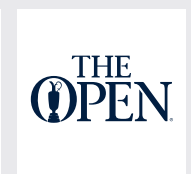
In April 2021, Nikon concluded a contract with the Japan Swimming Federation (JASF), making it an official sponsor of the Japanese national swimming team. In addition, we have continued to be an official partner of the Fédération Internationale de Natation (FINA) since 2007, and we have been sponsoring The Open, the world's oldest golfing competition and one of the most prestigious, since 1981. Nikon will continue to contribute to the development of sports and cultural activities through sponsorships going forward.



Japan Swimming Federation



Fédération Internationale de Natation



The Open

Internal Branding Activities

Nikon's brand strategy team is advancing internal branding activities.

The COVID-19 pandemic drove various changes in lifestyles and workstyles. In response to these changes, we have launched a campaign to communicate management's vision directly to employees as we seek to place further emphasis on engagement with employees and to mitigate the difficulties in receiving information faced by teleworking employees. In addition, we are utilizing online meeting tools to facilitate communication between employees. Specifically, discussion forums structured like a radio broadcast program are arranged to promote discussion by having hosts and guests respond to questions from listeners, thereby facilitating the proactive sharing of information. The team has also established a new branding intranet site, on which it posts videos designed to heighten internal understanding of its businesses. These are just some of the many activities being advanced to raise corporate value through solidarity between management and employees.

# Management Capital Supporting Nikon

By providing value to society with products and services supported by and created with its various management capital, the Nikon Group has a long history of practicing its corporate philosophy of "Trustworthiness and Creativity." We will further enhance the management capital that supports Nikon's value creation.

Management Capital That Supports Nikon's Value Creation

## Financial Capital



To ensure sustainable and stable business activities, it is essential for us to utilize the capital entrusted to us by shareholders, the profit gained through business activities, and funds procured through borrowings in a balanced, efficient, and effective manner. Nikon is turning its attention to decisive investments in medium- to long-term improvements in enterprise value while maintaining its focus on financial health.

### Credit Ratings

As of June 3, 2021  
Japan Credit Rating Agency, Ltd. (JCR) **A+**  
As of June 8, 2021  
Rating and Investment Information, Inc. (R&I) **A**

### Net Cash

Fiscal year ended March 31, 2021  
**¥204.1 billion**

### Ratio of Equity Attributable to Owners of the Parent to Total Assets ("Equity ratio" under Japanese GAAP)

Fiscal year ended March 31, 2021  
**54.3%**

## Manufactured Capital



As a manufacturer, *Monodzukuri* (manufacturing) is the essence of business activities for Nikon. By integrating Groupwide manufacturing activities on a cross-business basis, the Company has established a *Monodzukuri* structure through digital manufacturing. We are taking steps to apply existing technologies to new fields, embrace new development themes, and realize drastic improvements to productivity. A broad scope has been defined for these activities, encompassing production systems, *Monodzukuri* technology, procurement, and quality management.

### Capital Expenditures

Fiscal year ended March 31, 2021  
**¥30,531 million**

### Quality Management

Fiscal year ended March 31, 2021  
Serious product accidents related to safety\* **0**  
\* Based on the definition of serious product accidents used in Japan's Consumer Product Safety Act.

### Technical College

Fiscal year ended March 31, 2021  
**122 courses**  
**1,000 participants**

## Intellectual Capital



Patents, trademarks, and other intellectual assets are vital to the competitiveness and prosperity of Nikon's business. We therefore acquire, maintain, and utilize these assets in a strategic and lawful manner. In regard to the strength of our technologies, we will advance R&D activities in a wide range of fields based on our opto-electronics and precision technologies to develop state-of-the-art technologies and maintain our technological edge. We continue to focus on recruitment and cultivation of the human resources necessary for these activities.

### Ratio of R&D Expenditures to Revenue

Fiscal year ended March 31, 2021 (IFRS)  
**13.3%**

### Intellectual Properties

Fiscal year ended March 31, 2021  
Disclosed patent applications in Japan **442**  
Patent registrations in the United States **219**

### Companies Supported via Investment by Nikon

Fiscal year ended March 31, 2021  
Venture companies / venture capital partners **22 companies / partners**

Financial Strategies See pages 13-14 for details.

Production System Reform See page 31 for details.

Intellectual Property Initiatives See page 32 for details.

Enhancement of Basic Research See page 32 for details.

Monodzukuri Technology Reform See page 31 for details.

Development of Monodzukuri Technology Human Resources See page 31 for details.

Quality Management Reform See page 31 for details.

Procurement Reform See page 31 for details.

Measures for Enhancing Management Capital

Management Capital Supporting Nikon

Management Capital That Supports Nikon's Value Creation

## Human Capital



A corporate culture encouraging bold action geared toward creating new corporate value is imperative for Nikon's sustainable growth. We aspire to provide workplace environments in which diverse employees can fully exercise their ambitions and talents. To this end, the Company has adopted impartial, performance-based systems for employee evaluation and treatment and supports employees in pursuing self-directed career planning and skills development.

### Ratio of Local Hires in Upper Management

(Outside of Japan)

Fiscal year ended March 31, 2021

**24.4%**

### Ratio of Female Employees

Fiscal year ended March 31, 2021

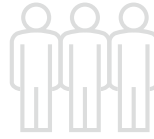
**38.0%**

### Accidents Resulting in Fatalities

Fiscal year ended March 31, 2021

**0**

## Social and Relationship Capital



Nikon views its business partners as just that: partners that help raise the value it provides to society. We therefore form strategic partnerships with other companies as well as with universities and various other organizations. In addition, communication with stakeholders, including customers and shareholders, is utilized to improve management and business activities, and to enhance the trustworthiness of Nikon.

### Ratio of Transaction Volume Accounted for by Procurement Partners That Have Undergone CSR Assessments

Fiscal year ended March 31, 2021

More than **80%**

### Shareholders and Institutional Investors with Which Meetings Have Been Held

Fiscal year ended March 31, 2021

Approx. **500** companies (total)

### Imaging Products Business Repair Facilities and Direct Contact Points (Customer Consultation Venues)

Fiscal year ended March 31, 2021

More than **250** venues

in **70** countries and regions

## Natural Capital



Companies utilize various types of natural capital in their business activities, meaning that preservation of the global environment is a prerequisite to business continuity. In light of climate change and other global environmental issues, Nikon has formulated the Nikon Long-Term Environmental Vision to realize three pillars deemed important to its business activities: a decarbonized society, a resource circulating society, and a healthy and environmentally safe society. In addition, we have established Nikon Medium-Term Environmental Goals to guide us in pursuing the objectives of our environmental vision in reducing environmental impacts across the entire supply chain.

### Reduction in Greenhouse Gas Emissions from Business Activities

Fiscal year ended March 31, 2021

Reduction from base year (fiscal year ended March 31, 2014)

**25.9%**

### Waste Reduction

Fiscal year ended March 31, 2021

Year-on-year reduction **15.5%**

\* Excluding valuable resources

### Water Withdrawal Reduction

Fiscal year ended March 31, 2021

Year-on-year reduction **8.7%**

Measures for Enhancing Management Capital

Intellectual Property Initiatives [See page 32 for details.](#)

Enhancement of Basic Research [See page 32 for details.](#)

Development of *Monozukuri* Technology Human Resources

[See page 31 for details.](#)

Financial Strategies [See pages 13–14 for details.](#)

Quality Management Reform [See page 31 for details.](#)

Procurement Reform [See page 31 for details.](#)

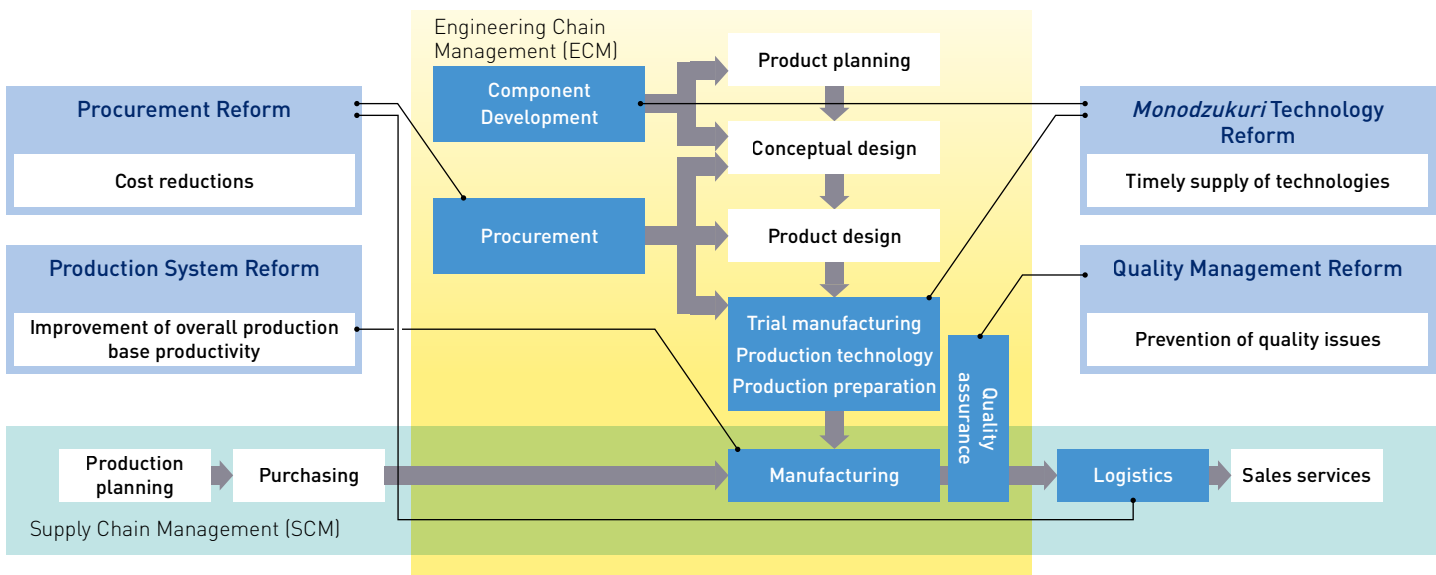
Climate Change Measures [See page 22 for details.](#)

Management Capital Supporting Nikon

Enhancement of *Monodzukuri* (Manufacturing) Foundation

Nikon is advancing four reforms geared toward the enhancement of its *Monodzukuri* foundation along with measures for developing the human resources that will support these reforms in order to establish a foundation for growth. The relevant systems, frameworks, and technologies will be built through an engineering chain management (ECM) approach to be applied to supply chain management (SCM) in order to pursue Companywide optimization of manufacturing in a manner that blurs the lines between business units.

Human resource development initiatives for enhancing *Monodzukuri* capabilities include training to bestow necessary basic knowledge; basic training for engineers to provide an opportunity to learn about a variety of *Monodzukuri* areas, ranging from upstream to downstream areas; and practical processing training courses effective at facilitating general manufacturing knowledge. In addition, in the fiscal year ended March 31, 2021, we increased the selection of Technical College training courses offerings available in order to provide junior engineers with education opportunities in a breadth of fields and thereby foster human resources with a wide scope of perspectives and sophisticated techniques.



Improvement of Overall Production Base Productivity through Production System Reform

In April 2021, the operations of subsidiaries Sendai Nikon Corporation and Tochigi Nikon Precision Co., Ltd. were transferred to the Production Technology Division in order to improve productivity across the Nikon Group. This move is expected to allow for further improvements to productivity via the integration of *Monodzukuri* technologies and expertise pertaining to digital cameras and semiconductor lithography systems.

Timely Supply of Technologies through *Monodzukuri* Technology Reform

Nikon continues to refine the core technologies that support its *Monodzukuri* activities while also creating differentiated technologies that will lead to the development of new products and services. In addition to building upon core material, processing, and assembly and adjustment technologies, we are also moving ahead with industrial engineering activities for promoting efficient *Monodzukuri* together with production bases.

Cost Reductions through Procurement Reform

Nikon is reviewing costs in an effort to establish a strong financial base that will help fuel future growth investments. Nikon's Medium-Term Management Plan targets an aggregate total of ¥18.0 billion in cost reductions over the plan's three-year period, and procurement reform will be integral to these reductions. We also plan to expand the scope of reforms outside of procurement to include logistics in pursuit of further cost reductions.

Prevention of Quality Issues through Quality Management Reform

The Nikon Group views quality, encompassing the safety and environmental friendliness of products and services, as imperative to the trustworthiness of Nikon. We are therefore advancing quality management reforms in Groupwide quality management frameworks and in the quality assurance activities of business units. In addition, we revised our Quality Management Directive in September 2020 in order to enhance efforts for preventing quality issues.



Management Capital Supporting Nikon

Intellectual Property Initiatives / Enhancement of Basic Research

Nikon is engaging in intellectual property initiatives and working toward the enhancement of basic research as the foundation for the ongoing improvement of the technological prowess and brand power that are its core strengths.

Intellectual Property Initiatives

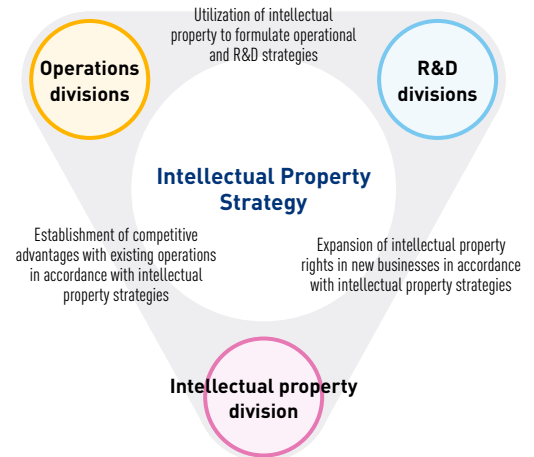
Nikon processes a range of intellectual properties, including its advanced technologies and designs, and these intellectual properties underpin the market competitiveness of Nikon products.

Basic Policies

Nikon recognizes that the ongoing creation and efficient maintenance and use of truly valuable intellectual property with the potential to contribute to existing business growth and new business development is imperative to the effective implementation of the Medium-Term Management Plan. We therefore advance intellectual property initiatives through close coordination between our intellectual property, operations, and R&D divisions, founded on shared values and strategies.

Major Activities

The Intellectual Property division are responsible for a wide range of intellectual property-related activities, including invention creation and rights acquisition, searches, investment and alliance assessments from an intellectual property perspective, intellectual property portfolio reorganization, contracting, and litigation. Highly specialized personnel are positioned to perform these activities swiftly and strategically. This division also implements unique standards to facilitate timely and accurate calculations of the value of intellectual properties, which enables more efficient planning of intellectual property strategies.



Protection of Brand and Designs

Trademark rights for the Nikon brand that we have cultivated throughout our long history have been acquired in the roughly 200 countries and regions where such rights can be obtained. We are also engaged in the wide-ranging global acquisition of design rights pertaining to the valuable designs produced by Nikon. We take steps to protect these trademarks and design rights, including the enhancement of the monitoring of e-commerce sites, coordination with customs, and confrontations with the violators of these rights. Through ongoing vigilance in combating the sale of counterfeit and infringing products, we are ensuring that customers can purchase our products with peace of mind. These efforts contribute to the safety and security of society and to the accomplishment of other objectives of the United Nations Sustainable Development Goals (SDGs).

Enhancement of Basic Research

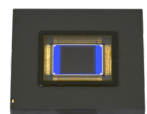
Built upon the core opto-electronics and precision technologies cultivated since its founding, Nikon boasts a superior technological prowess as one of its strengths. Capitalizing on this prowess, we continue to engage in a diverse range of R&D activities to reinforce existing businesses and create new businesses based on a long-term perspective with the aim of honing this prowess, which underpins our growth strategies.

Basic Policies

The technologies developed over the course of years of basic research are used in Nikon's businesses while also making large contributions in growth areas. The Company recognizes that swiftly incorporating the results of R&D projects into its businesses is vital to the effective implementation of the Medium-Term Management Plan. R&D activities are being shaped by this recognition.

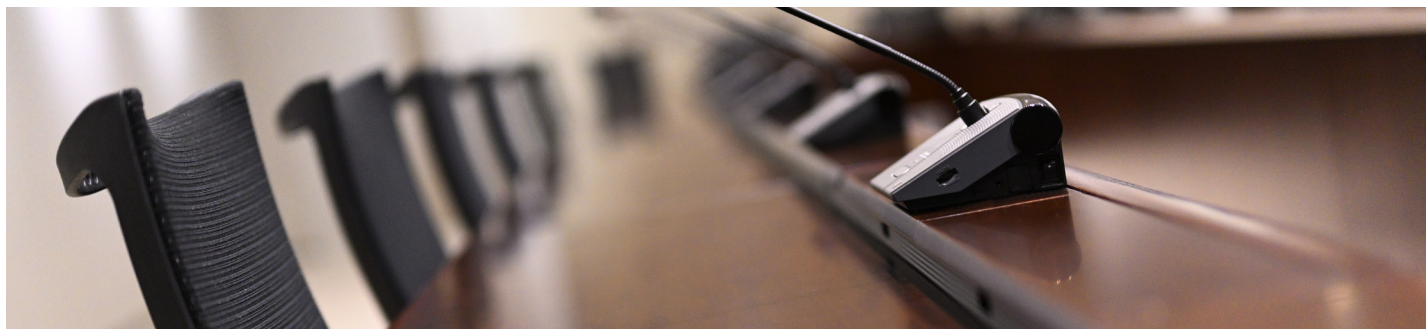
Major Activities

Optical technologies, material technologies, and AI and other mathematical technologies are essential technologies that are crucial in growth areas. Nikon has released a number of highly regarded research theses with regard to these technologies. The Company is also moving forward with research and development on the state-of-the-art image sensors that are key to its imaging technologies. Image sensors are currently used for imaging purposes in digital cameras and smartphones and have also been adopted for use in automotive and various other industries. Nikon has successfully developed a compact, high-speed, and high-resolution complementary metal-oxide-semiconductor (CMOS) image sensor that can capture images instantly in both dark and bright environments. This success was met with high reviews when announced at a major global semiconductor conference.



Stacked CMOS image sensor

# Corporate Governance



Based on its corporate philosophy, the Nikon Group will carry out highly transparent management by fulfilling its fiduciary responsibilities toward shareholders as well as its responsibilities toward all stakeholders, including customers, employees, business partners, and society, with a sincere and diligent attitude.

The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium to long term by improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purpose of Japan's Corporate Governance Code.

For more detailed information on Nikon's corporate governance systems, please refer to the following webpage: <https://www.nikon.com/about/ir/governance/index.htm>

## Measures for Enhancing Corporate Governance

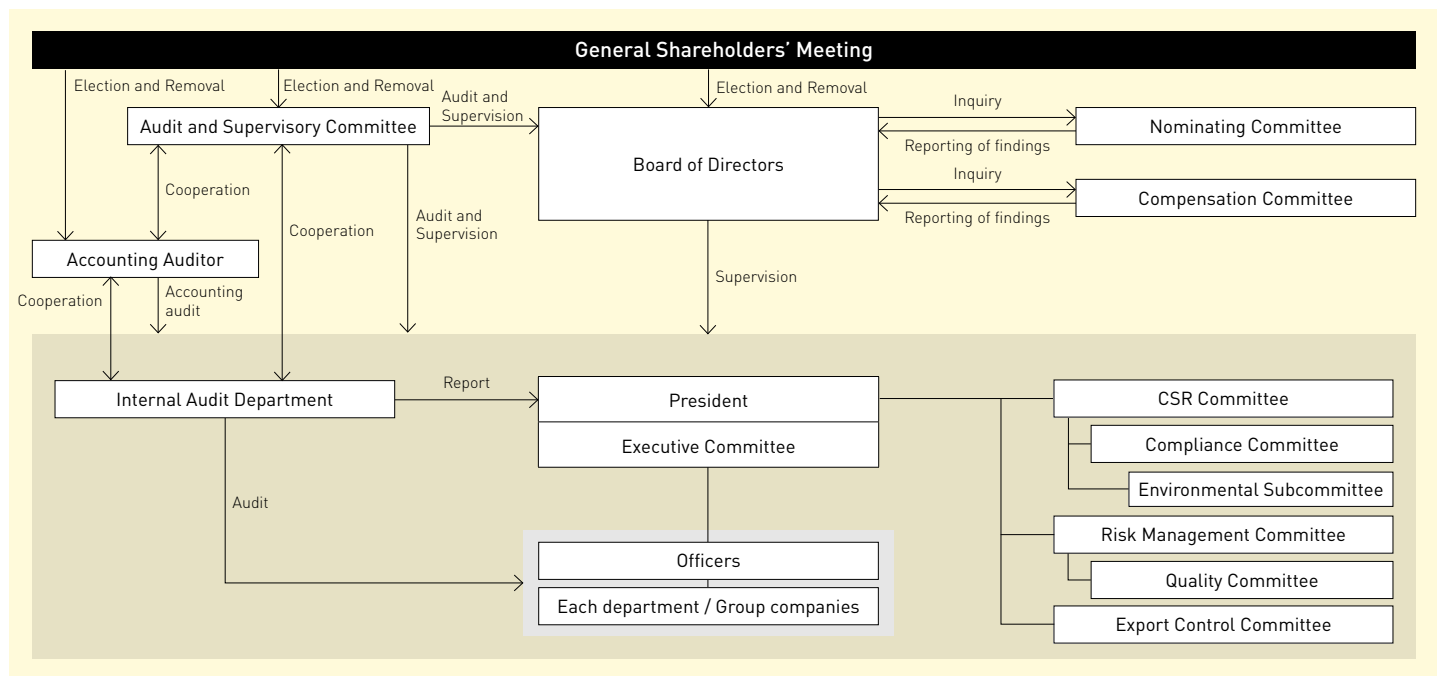
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ending March 31, 2022
	(Launch of the restructuring)		(Completion of the restructuring)	(New Medium-Term Management Plan announced)		
Increase of Board of Directors' diversity, strengthening of supervisory function over management	<ul style="list-style-type: none"> <li>Transition to a company with an Audit and Supervisory Committee</li> </ul>	<ul style="list-style-type: none"> <li>Increase in ratio of external directors 29% (4/14 directors)→ 36% (4/11 directors)</li> <li>Start of evaluation of Board of Directors' effectiveness</li> </ul>		<ul style="list-style-type: none"> <li>Increase in ratio of external directors 36% (4/11 directors)→ 42% (5/12 directors)</li> <li>Increase of Board of Directors' diversity</li> <li>Establishment of Nominating Committee (appointment of external director as chairperson)</li> <li>Separation of representative director and chairman of the Board from the position of officer</li> <li>Appointment of external director as chairperson of Compensation Committee</li> <li>Formulation of criteria for the election and removal of directors and officers</li> <li>Formulation of succession plan for president</li> </ul>	<ul style="list-style-type: none"> <li>Increase in ratio of external directors 42% (5/12 directors)→ 45% (5/11 directors)</li> <li>Increase of Board of Directors' diversity</li> <li>Separation of position of chairman of the Board and representative director (strengthening of supervisory function over management)</li> <li>Commencement of implementation of succession plan for president</li> </ul>	<ul style="list-style-type: none"> <li>Examination of Board of Directors' composition with emphasis on increasing diversity</li> <li>Implementation of improvement measures based on evaluation of Board of Directors' effectiveness</li> <li>Full-fledged implementation of succession plan for president</li> </ul>
Responsibilities toward management (Compensation)	<ul style="list-style-type: none"> <li>Freezing of performance-based stock remuneration following start of restructuring after discontinuation of Medium-Term Management Plan</li> </ul>	<ul style="list-style-type: none"> <li>Revision of executive compensation system emphasizing capital efficiency</li> </ul>		<ul style="list-style-type: none"> <li>Resumption of performance-based stock remuneration in tandem with new Medium-Term Management Plan announcement</li> </ul>		<ul style="list-style-type: none"> <li>Formulation of executive compensation systems in preparation for next Medium-Term Management Plan</li> </ul>

## Corporate Governance

### System

Aiming to further enhance corporate governance, Nikon adopted a company with an Audit and Supervisory Committee. This position further strengthens the supervisory function of the Board of Directors as it strives to streamline decision-making and clarify management responsibility arising through delegation of authority.

#### ■ Nikon's Corporate Governance Organization (As of June 29, 2021)



### External Directors

In the appointment of its external directors, the Company attaches importance to ensuring their independence. Nikon appoints external director candidates from among those with a wealth of knowledge and experience as executives of other companies or with expertise and experience as specialists such as attorneys and certified public accountants, and who are qualified to take part in the management supervision function from a fair and objective standpoint independent of management.

#### ■ Criteria for determining independence of external directors

In addition to the criteria for external directors under the Companies Act, the Company judges an external director candidate to be independent if he/she does not fall under any of the following criteria.

- The candidate serves or served the Group in the past.
- The candidate is a "major client or supplier"\* of the Company or an executive thereof.
- The candidate is a major shareholder of the Company or an executive of said major shareholder.
- The candidate served in the past at a company whose directors are concurrently serving as external directors of the Company and vice versa.
- The candidate is a person who belongs to a company or organization that receives a donation from the Company, or a person who served in the past at such a company or organization.
- The candidate's relative within the second degree of kinship serves as an important executive of a "major client or supplier" of the Group or the Company.

\* "Major client or supplier" refers to a client or supplier that falls into either of the following.

- A client or supplier with whom the Company has a transaction that falls into the following, in any of the past three years
  - a party that receives payment from the Company equivalent to 2% of the party's consolidated net sales or 100.0 million yen, whichever is greater
  - a party that makes payments to the Company equivalent to 2% of the Company's consolidated net sales or 100.0 million yen, whichever is greater
- A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of 10.0 million yen per year (average over the past three fiscal years)

## Corporate Governance

### Reasons for Appointment

#### Reasons for Appointment of External Directors, except Audit and Supervisory Committee Members

Name	Reasons for Appointment
Akio Negishi	Akio Negishi has served as President, Representative Executive Officer of Meiji Yasuda Life Insurance Company and possesses many years of management experience and exceptional knowledge, and we believe that he will be able to contribute to our management overall from a big-picture perspective.
Shigeru Murayama	Shigeru Murayama served as Representative Director of Kawasaki Heavy Industries, Ltd. and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective.

#### Reasons for Appointment of External Directors Who Are Audit and Supervisory Committee Members

Name	Reasons for Appointment
Kunio Ishihara	Kunio Ishihara has a career as Representative Director of Tokio Marine & Nichido Fire Insurance Co., Ltd., etc. and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of the management, as well as to increasing transparency.
Shiro Hiruta	Shiro Hiruta served as Representative Director of Asahi Kasei Corporation and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective and that he can also contribute to securing the soundness and appropriateness of the Company's management as well as to the enhancement of its transparency.
Asako Yamagami	Asako Yamagami has work experience as an in-house lawyer and possesses expertise and experience as a lawyer regarding compliance and other matters. We believe that she will be able to contribute to securing the soundness and appropriateness of the Company's management as well as to the enhancement of its transparency.

### Evaluation of the Board of Directors' Effectiveness

Nikon asks a third-party organization to analyze and evaluate the effectiveness of its Board of Directors in order to further improve its functions. The efforts to address issues identified through the previous evaluation (for the fiscal year ended March 31, 2020) as well as the issues identified in this evaluation (for the fiscal year ended March 31, 2021) and the future responses are outlined below.

Evaluation Method	<ul style="list-style-type: none"> <li>A third-party organization conducted a survey and individual interviews of all directors on general matters related to the Board of Directors, its composition, meeting preparations, and details of deliberations, among others, to evaluate Board effectiveness and identify issues.</li> <li>Based on the evaluation results, discussions were held at a meeting of the Board of Directors on how to improve its functions.</li> </ul>
Evaluation Results	<p>Efforts to Address Issues Identified in Previous Evaluation</p> <ul style="list-style-type: none"> <li><b>Monitoring of progress of Medium-Term Management Plan and growth strategies</b> Enhanced the agenda of Board of Directors meetings by focusing discussions on important management issues and growth strategies and recognized the potential and need for further improvements in monitoring the progress of the Medium-Term Management Plan</li> <li><b>Commencement of full-fledged implementation of succession plan</b> Commenced the succession plan for the president and held discussions at meetings of the Nominating Committee regarding plans for fostering candidates</li> <li><b>Strengthening of secretariat function of the Board of Directors</b> Increased the quality and quantity of information provided to external directors and distributed materials prior to meetings to facilitate more extensive discussions</li> </ul>
Main Issues Identified in This Evaluation and Future Response	<ul style="list-style-type: none"> <li><b>Strengthen oversight in preparation for establishment of next Medium-Term Management Plan</b> Strengthening of oversight functions in preparation for the establishment of the next Medium-Term Management Plan through an ongoing focus on discussions of growth strategies, the narrowing of agenda items based on importance, and the enhancement of discussions</li> <li><b>Monitor reinforcement of internal control and risk management systems</b> Provision of appropriate advice and monitoring based on regular reports on internal control and risk management system implementation for the purpose of reinforcing systems</li> <li><b>Enhance coordination between Nominating Committee/Compensation Committee and Board of Directors</b> Invigoration of discussions at Board of Directors meetings by increasing the frequency of reports to the Board of Directors on activities of the Nominating Committee and Compensation Committee</li> </ul>

Taking into account the issues raised by this evaluation, Nikon plans to continue implementing measures to further enhance Board effectiveness going forward.

TOP MESSAGE &  
PROGRESSFINANCIAL ANALYSIS &  
STRATEGYSUSTAINABLE  
VALUE CREATIONCORE COMPETENCE &  
MANAGEMENT CAPITAL

CORPORATE GOVERNANCE

CORPORATE DATA

## Corporate Governance

## Compensation of Directors and Officers

## ■ Compensation for Directors (Fiscal year ended March 31, 2021)

Category			Directors other than those who are Audit and Supervisory Committee members (of which External Directors)	Directors who are Audit and Supervisory Committee members (of which External Directors)	Total
Fixed compensation	Fixed monthly compensation	Number of persons	9 (3)	7 (5)	16 (8)
		Amount of compensation (million yen)	265 (30)	104 (45)	369 (75)
Performance-based compensation	Bonuses	Number of persons	— (—)	—	— (—)
		Amount of compensation (million yen)	— (—)	—	— (—)
	Performance-based stock remuneration	Number of persons	— (—)	—	— (—)
		Amount of compensation (million yen)	— (—)	—	— (—)
Stock compensation	Subscription rights to shares granted as stock-related compensation	Number of persons	4 (—)	—	4 (—)
		Amount of compensation (million yen)	60 (—)	—	60 (—)
Total		Number of persons	9 (3)	7 (5)	16 (8)
		Amount of compensation (million yen)	324 (30)	104 (45)	429 (75)

\* The number of persons and the amount of compensation pertaining to fixed compensation/fixed monthly compensation, stock compensation/subscription rights to shares granted as stock-related compensation, and total shown above include one director who is not an Audit and Supervisory Committee member (who is not an external director) who retired on May 31, 2020 due to resignation; two directors who are not Audit and Supervisory Committee members (of which, one external director) and two directors who are Audit and Supervisory Committee members (who are external directors) who retired at the conclusion of the 156th Annual General Shareholders' Meeting held on June 26, 2020; and the amount of compensation pertaining to the said directors.

\* The amount of subscription rights to shares granted as stock-related compensation shown above indicates the amount of compensation, etc., concerning subscription rights to shares granted to directors other than those who are Audit and Supervisory Committee members (excluding non-executive directors) recorded as expenses during the fiscal year.

## ■ Compensation System

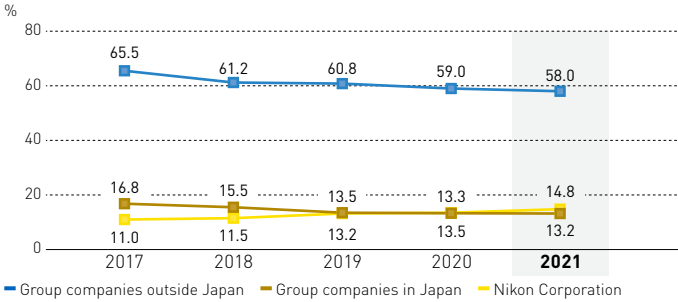
Basic Policies on Compensation	<p>Executive compensation will be determined to satisfy the following basic criteria.</p> <ul style="list-style-type: none"> <li>Executive compensation should motivate Directors and Officers to sustainably improve corporate and shareholder value, as well as enhance their willingness and morale.</li> <li>Executive compensation should help keep, cultivate, and reward excellent personnel.</li> <li>The decision-making process for the compensation system should be objective and transparent.</li> </ul>
Compensation System and Performance-Based Structure	<p>a) As a general rule, the compensation system for executive directors and officers (including those equivalent to officers; the same applies hereinafter) comprises the following components. The standard payment of each of performance-based compensation and stock compensation to be paid to individual executive directors and officers is calculated by multiplying the amount of their respective fixed compensation by a rate, which is predetermined according to their respective position and duties. The higher and more important their position and duties are, the higher the rate is.</p> <p><b>Fixed compensation</b></p> <ul style="list-style-type: none"> <li>Fixed monthly compensation This monetary compensation is not based on performance and is paid every month.</li> </ul> <p><b>Performance-based compensation</b></p> <ul style="list-style-type: none"> <li>Bonus This monetary compensation is determined based on the following factors on a single-year basis within the range of 0% to 200% of the standard payment, which is calculated according to position and duties. As a general rule, a bonus is paid in June every year. <ul style="list-style-type: none"> <li>the consolidated ROE and operating profit;</li> <li>the degree of achievement of capital efficiency, profitability and other targets, as well as qualitative assessment, of each division; and</li> <li>the qualitative assessment of responses to issues assigned to individual Officers</li> </ul> </li> <li>Performance-based stock remuneration With the aims of sharing value with shareholders and enhancing willingness and morale for improving medium- to long-term performance, stock compensation using a trust is determined based on the following factors within the range of 0% to 150% of the standard payment, which is calculated according to position and duties. <ul style="list-style-type: none"> <li>the degree of achievement of the consolidated ROE in the final fiscal year of the medium-term management plan (the "Plan") to be resolved every three fiscal years; and</li> <li>the degree of achievement of accumulated operating profit target during the Plan period</li> </ul> As a general rule, this remuneration is paid for every three fiscal years of the Plan period in the first June after the termination of the Plan period.</li> </ul> <p><b>Stock compensation</b></p> <ul style="list-style-type: none"> <li>Subscription rights to shares granted as stock-related compensation Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improving long-term performance, with the exercise price of one yen per share granted upon exercise of the subscription rights to shares. As a general rule, subscription rights to shares are granted in April every year, and the holders of which become eligible to exercise their subscription rights to shares, as a rule, after one year has elapsed since the date on which he or she lost any of the positions as Director, Officer and Corporate Advisor of the Company. As a general rule, the number of subscription rights to shares to be granted is determined by dividing an amount calculated according to position and duties by resolution of the Board of Directors by the fair value per subscription right to shares within the limit of the number of subscription rights not exceeding 5% of the share dilution ratio. The fair value per subscription rights to shares is calculated based on the Black-Scholes formula, given various conditions such as the share price on the date of allotment of subscription rights to shares, the stock fluctuation rate calculated based on a consistent standard and the length of the exercise period of the subscription rights to shares.</li> </ul> <p>b) The compensation system for non-executive directors consists only of fixed compensation (fixed monthly compensation) to be paid every month.</p>
Method for Determining Compensation Level and Amount	<p>The Compensation Committee establishes executive compensation policies and discusses and advises on related systems in order to determine the level and system appropriate to the duties, given compensation levels of major Japanese companies that globally develop their businesses, so as to determine compensation amounts consistent with the performance of the Group and its business scale.</p> <p>The Compensation Committee deliberates on compensation for individual directors other than those who are Audit and Supervisory Committee members and officers. Based on the results of such deliberations, the Board of Directors decides on the compensation. (President decides on fixed the compensation and bonus, who has been delegated authority by the Board of Directors.)</p> <p>Compensation for individual directors who are Audit and Supervisory Committee members is determined by consultation among directors who are Audit and Supervisory Committee members.</p> <p>From the perspective of conducting appropriate supervision, the Compensation Committee is comprised of directors and external experts, and the majority of which are external directors and external experts. The Committee chairperson is also an external director.</p>

# Non-Financial Highlights

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31

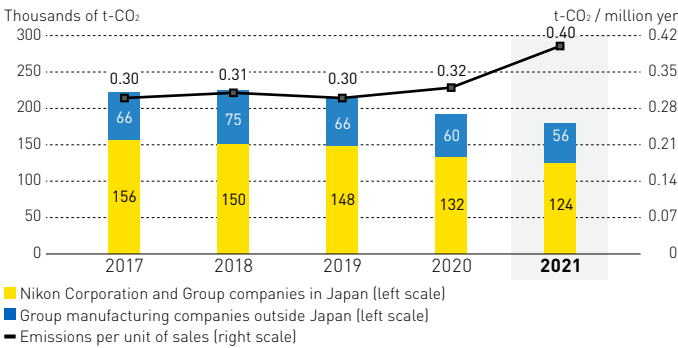
## Ratio of Female Employees\*\*

The consolidated ratio of female employees decreased due to staff reductions at manufacturing companies outside Japan with large numbers of female employees. At Nikon Corporation, an upward trend has been seen in this ratio as a result of the Company's efforts to empower female employees.



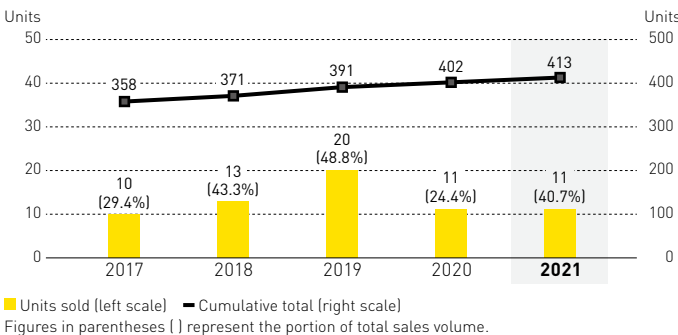
## CO<sub>2</sub> Emissions from Energy Consumption<sup>4</sup>

Nikon accomplished its goal of reducing greenhouse gas emissions from business sites for the entire Nikon Group by 18.2% or more compared with the fiscal year ended March 31, 2014, in the fiscal year ended March 31, 2021 (using the scope of data collection employed at the time this target was set).



## Sales Trends of Refurbished Semiconductor Lithography Systems

The aggregate number of refurbished semiconductor lithography systems sold, in an effort to reuse Nikon products, was 413 as of March 31, 2021. These sales contributed to a reduction of more than 3,800 tons of waste.



\*1 Figures represent the number of permanent employees and non-regular staff of the Nikon Group (consolidated). For the fiscal year ended March 31, 2018, employees who were seconded to affiliates are counted as those of their original companies. From the fiscal year ended March 31, 2019, onward, employees seconded to affiliates are counted as those of the affiliates.

\*2 The frequency rate of lost time accidents is calculated using the number of deaths and injuries resulting from occupational accidents per million hours worked.

\*3 Group companies in Japan include non-consolidated Group companies (27 companies in the fiscal year ended March 31, 2021). Group companies outside Japan exclude companies that are in the process of being liquidated (43 companies in the fiscal year ended March 31, 2021).

\*4 The following values were used for CO<sub>2</sub> conversion factors.

Electric power: [Japan] The CO<sub>2</sub> emission factors without adjustment for each electric power utility noted in "List of Basic Emissions Factors by Electric Power Utility" specified in the Act on Promotion of Global Warming Countermeasures; [UK] Residual mix; [US] NERC regional residual mix; [Other countries outside Japan] Individual countries factor in International Energy Agency (IEA) factors; however, there is no conversion factor for Laos, so Thailand's factor is used.

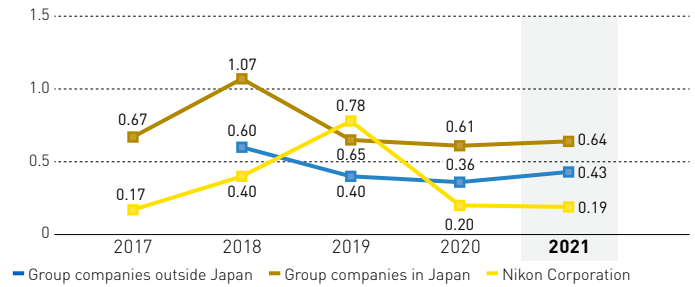
City gas: [Japan] The gas company eigenvalues noted in the guidance document for Periodical Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act) were multiplied by the values given in Appended Table 2 of "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures, and by 44/12; [UK] Factors from the Report on Greenhouse Gases; [Other countries outside Japan] Same value as a typical Japanese gas company

Heat and other fuels: The factors noted in "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures

\*5 Figures for the fiscal year ended March 31, 2017, exclude Nikon (Thailand) Co., Ltd.; Nikon Lao Co., Ltd.; Nikon Imaging (China) Co., Ltd.; and Hikari Glass (Changzhou) Optics Co., Ltd.

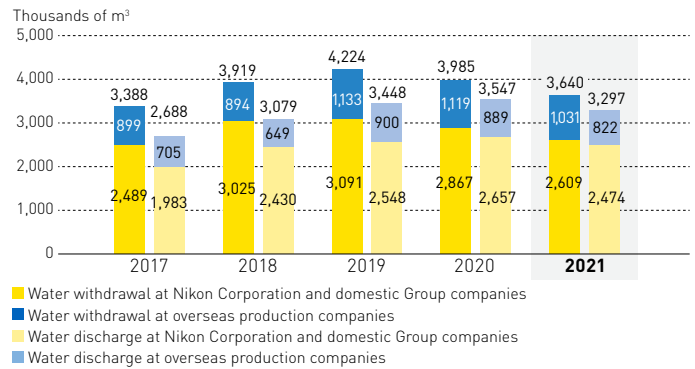
## Frequency Rate of Lost Time Accidents (1 or More Days)\*<sup>2, 3</sup>

Lost time accidents increased slightly in the fiscal year ended March 31, 2021, but occupational accidents attributed or related to work were below the targeted number of 40 in Japan.



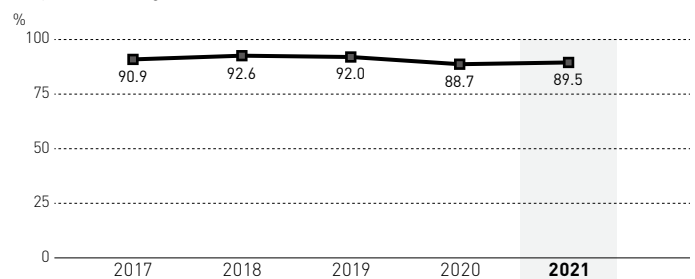
## Water Withdrawal / Water Discharge

The water withdrawal volume was down 8.7% year on year, accomplishing the target of achieving a reduction from the previous fiscal year. Efforts were made to reduce the water discharge volume through appropriate disposal and proactive reuse of wastewater.



## Employee Retention Rate\*<sup>5</sup>

On a Groupwide-basis, the employee retention rate has remained consistently around 90%. One factor behind this accomplishment is ongoing efforts to develop comfortable workplace environments for the purposes of improving labor productivity and securing diverse human resources.



# ESG External Evaluations

[As of June 30, 2021]

CDP Climate Change A List / CDP Supplier Engagement Leader



2021 S&P Global Sustainability Yearbook Member



Dow Jones Sustainability Indices "DJSI World" and "DJSI Asia Pacific"



FTSE4Good Index Series



FTSE4Good

FTSE Blossom Japan Index



FTSE Blossom Japan

S&P/JPX Carbon Efficient Index



MSCI Japan ESG Select Leaders Index\*

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan Empowering Women Index (WIN)\*

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

ECPI Indices



S&P Japan 500 ESG Index

Sompo Sustainability Index



\* The inclusion of Nikon Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Nikon Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## Membership / Endorsement of Major ESG Initiatives, etc.

United Nations Global Compact



Task Force on Climate-related Financial Disclosures



TCFD Consortium



Science Based Targets Initiative



RE100



Responsible Business Alliance

Responsible Minerals Initiative

Business Ambition for 1.5°C



# Information

## Corporate Data

[As of March 31, 2021]

### Nikon Corporation

Shinagawa Intercity Tower C, 2-15-3,  
Konan, Minato-ku, Tokyo 108-6290, Japan

### Date of Establishment

July 25, 1917

### Number of Employees

19,448 (Consolidated)

### Capital

¥65,476 million

### Stock Status

Total number of shares authorized to be issued:

1,000,000,000 shares

Total number of shares issued:

378,336,521 shares

## Investor Information

[As of March 31, 2021]

### Number of Shareholders

49,412

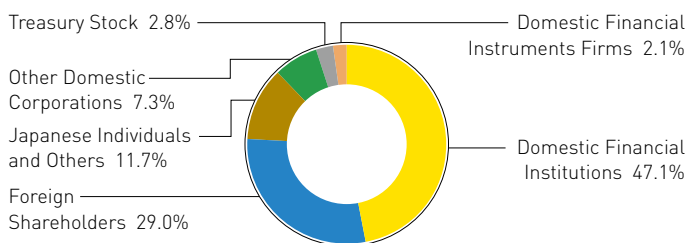
### Financial Instruments Exchange Listing

Tokyo Stock Exchange  
(Ticket Symbol: 7731)

### Share Registrar

Mitsubishi UFJ Trust and Banking  
Corporation 4-5, Marunouchi 1-Chome,  
Chiyoda-ku, Tokyo 100-8212, Japan

### Composition of Shareholders



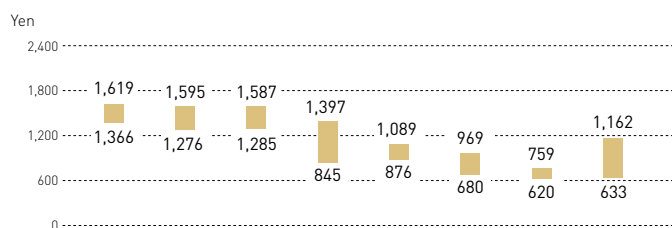
### Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,821	12.7
Meiji Yasuda Life Insurance Company	19,537	5.3
Custody Bank of Japan, Ltd. (Trust Account)	19,474	5.3
MUFG Bank, Ltd.	7,009	1.9
The Joyo Bank, Ltd.	6,801	1.8
Custody Bank of Japan, Ltd. (Trust Account 7)	6,437	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	6,013	1.6
The Shizuoka Bank, Ltd.	4,996	1.4
Mitsubishi Heavy Industries, Ltd.	4,828	1.3
Nippon Life Insurance Company	4,697	1.3

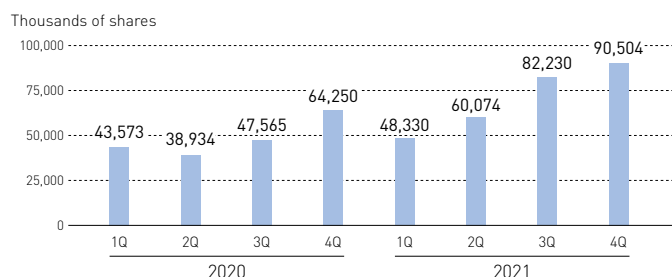
Note: 10,570,873 shares of treasury stock are excluded from the above major shareholders. The percentage of shares held is calculated after deducting treasury stock.

### Stock Price Range and Trading Volume

#### Stock Price



#### Trading Volume\*



\* Trading volume is the average of monthly performance.

For further information, please contact:

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