



NIKON REPORT 2023

Year Ended March 31, 2023

Philosophy & Vision

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.

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.

Our Qualities of Mind

Curiosity

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

Acceptance

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

Inspirational Power

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

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Editorial Policy

NIKON REPORT 2023 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 website.

Reporting Period

April 1, 2022–March 31, 2023

(This report includes information on some activities taking place after April 1, 2023.)

Cautionary Statement

This report is a rearranged version of NIKON REPORT 2023 posted on the Company's website. Forward-looking statements for plans, strategies, projections, earnings, and other performance data contained herein are based on information available to the Company at the time of publication of the Nikon Report 2023 on the Company's website, 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.

Message from the President

August 2023



Fiscal year 2022 marked the first year of our Medium-Term Management Plan. While we saw a softening of the impacts from the COVID-19 pandemic, our business was still significantly impacted by external factors such as the high cost of resources due to geopolitical risks, interest rate hikes by various countries in an attempt to stem inflation, and the historic depreciation of the yen. Yet despite this environment, we managed to increase both revenue and profits, thanks to the cooperation and support of our stakeholders, for which I am truly grateful.

Progress on Medium-Term Management Plan

In April 2022, we announced our Medium-Term Management Plan, covering the four years from FY2022 to FY2025. In it we defined our Vision 2030 as being “a key technology solutions company in a global society where humans and machines co-create seamlessly.” To make this vision a reality, we set our goals to achieve in 2025 and formulated strategies and measures accordingly. In 2025, the final year of our Medium-Term Management Plan, we envision that “providing products and services optimized to meet our customer needs.” Our direction for the entire company will transition from providing mainly end products, and strengthen delivery of solutions integrating with service and components. Based on this direction, we are sustaining the Imaging Products Business and the Precision Equipment Business, which we position as our “Main Businesses,” while expanding earnings from our “Strategic Businesses,” which include the Healthcare Business, the Components Business, and the Digital Manufacturing Business.

The Medium-Term Management Plan: Overview



During the first year of our Medium-Term Management Plan, both revenue and operating profit exceeded expectations

To sum up the first year of our Medium-Term Management Plan, it was a year of steady progress towards our direction for the entire company to “strengthen delivery of solutions integrating end products, service and components.”

In all of our businesses, including our Main Businesses, we sought to increase the opportunities for dialogue with customers as much as possible, while providing them with products and services based on an accurate understanding of their needs. Particularly in the Strategic Businesses of the Healthcare and Components Businesses, we worked to expand our contracted businesses, and strove to provide solutions that create new value in promising markets. In the Digital Manufacturing Business, we actively pursued mergers and acquisitions or business alliances with the aim of strengthening our business infrastructure, including making SLM Solutions Group AG (currently Nikon SLM Solutions AG, hereinafter “SLM”) a consolidated subsidiary.

As a result, while revenue for the Precision Equipment Business fell in FY2022 due to a larger-than-expected slump in the market, revenue increased for all of other businesses. Propelled in-part by favorable exchange rates, the Imaging Products Business saw strong sales of mirrorless cameras, while sales in the Healthcare Business grew for Life Science Solutions (biological microscopes) and Eye Care Solutions (retinal diagnostic imaging systems). Thanks to this, operating profit for these businesses significantly outstripped projections made when we formulated our Medium-Term Management Plan. The Components Business also grew steadily around optical and EUV-related components, and for the first time the ratio of operating profit from our Strategic Businesses surpassed 30% of our total operating profit. Going forward, we plan to achieve growth in the Digital Manufacturing Business, as we have with the Healthcare and Components businesses. We further aim to achieve 700.0 billion yen in company total revenue and 10% or higher operating margin, which are our targets for FY2025 (the final year of our Medium-Term Management Plan), all while promoting resilient portfolio management.

Main Businesses: Gained confidence to achieving earnings plan in stable manner for the Imaging Products Business, and started organizational reform for the Precision Equipment Business

Imaging Products Business

The vision set out in our Medium-Term Management Plan is: “Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world.” In the Imaging Products Business, profitability has improved thanks to structural reforms and a shift to mirrorless cameras for primarily mid- to high-end models, and the average selling prices of both interchangeable-lens-type digital cameras and interchangeable lenses have increased. Due to these factors as well as the positive impact of exchange rates, revenue and operating profit of the Imaging Products Business have significantly increased, and a record-high operating margin was achieved. The imaging contents business also got off to a good start. Also the Z 9, our first flagship mirrorless camera model, recorded the highest number of sales in the first year after release among all flagship model in the past 15 years. Moreover, since its release it has continued to evolve with improvements to its features and firmware updates.

Precision Equipment Business

Our vision for this business is: “Continue delivery of innovative solutions to customers and to support a digital society.” The Precision Equipment Business was the only one of our five business segments to experience a decline in revenue and operating profit. This is because, for semiconductor lithography systems, sales numbers and revenue of primarily ArF lithography systems increased, but there was a decline in revenue for FPD lithography systems as customers curtailed capital investment due to the fall in panel prices. In such circumstances, we merged the FPD Lithography BU and the Semiconductor Lithography BU into the Precision Equipment Group in April 2023. We intend to flexibly operate the resources of both businesses to establish a framework for agile response to future changes in the market and strengthen such future-oriented initiatives as digital lithography.

Strategic Businesses: The businesses are going well. We plan to expand the business infrastructure for the Digital Manufacturing Business

Healthcare Business

Our vision for this business is: "Support improving quality of life for people through innovation." The Healthcare Business has seen significant customer growth, primarily in the private sector. Since it first became profitable in FY2021, its operating profit has skyrocketed to over 10.0 billion yen. Our targets for the final year of our Medium-Term Management Plan are 90.0 billion yen in revenue and 10.0 billion yen in operating profit, and we have achieved these goals three years ahead of schedule thanks in part to favorable exchange rates. We aim for further growth, which includes providing new value in areas such as Contract cell development and manufacturing, based on analysis and evaluation using the microscope technology we have built up over many years.

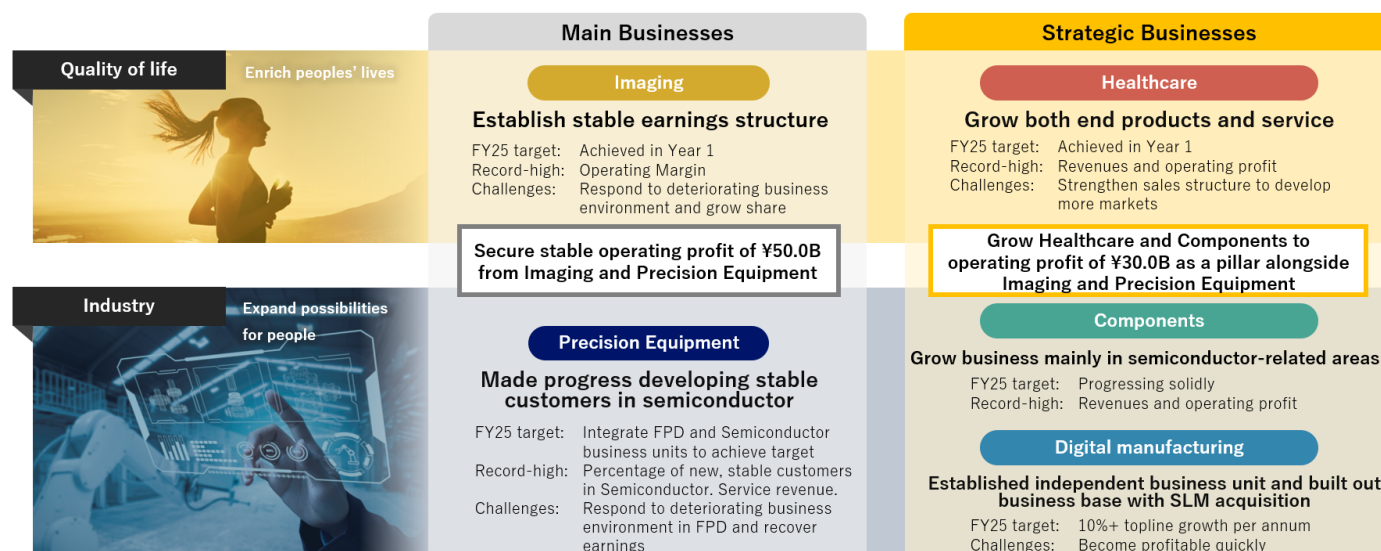
Components Business

Our vision for this business is: "Grow together with customers as we support their innovation." We have expanded the Components Business by supporting the high-level needs of a wide variety of customers in semiconductor-related fields. Strong sales of EUV-related components, Optical parts and Optical components, and Encoders for robotics drove an increase in revenue and operating profit. Going forward, we will continue to take advantage of various opportunities by leveraging our core competence in optics application technologies and precision technologies.

Digital Manufacturing Business

Our vision for this business is: "Enable innovations in manufacturing with applied optics application technologies." During the first year of our Medium-Term Management Plan, our acquisition of SLM in order to promote full-scale expansion of our Material processing business was on an unprecedented scale for Nikon. Then, in April 2023 we established the Advanced Manufacturing BU. This US-based business unit is working to lay the foundation for expanding our business in Japan, the US, and Europe. Our customers are also introducing laser radar and X-ray and CT systems sold by our Industrial Metrology BU into their production lines. We will pay close attention to the development of these newly established business unit as we develop the Digital Manufacturing Business into one of our core businesses.

Business Operations: A Summary of Year 1 of the Plan



Strengthening the Management Base Essential to Execution of Our Medium-Term Management Plan

Sustainability Strategy

Sustainability at Nikon is based on our corporate philosophy of “Trustworthiness and Creativity.” The core tenets of this approach are to gain trust by meeting society’s expectations through constantly assessing and improving the benefits our business receives from society and the environment and the impacts our business provides them, and to create value that contributes to helping solve social and environmental challenges while achieving the Sustainable Development Goals (SDGs) through our business activities.

In FY2022, we reviewed our 12 materialities and changed two of them to ensure that sustainability at Nikon is in line with “Trustworthiness and Creativity” and our Vision 2030. Specifically, we changed “Strengthening supply chain management” to “Building a resilient supply chain,” with the goal of building a framework that will allow us to respond to changes in the business environment with greater flexibility and agility. We also changed “Diversity and inclusion” to “Diversity, equity and inclusion” (DEI), to add the perspective of fairness in fostering a company culture in which everyone can participate and take on challenges. During this review, we seriously considered the opinions and expectations of our stakeholders, and sought input from a wide range of employees. At the same time, we incorporated the objective opinions of external experts that our management received during discussions with them. Nikon will continue to confront sustainability management and grow as a company that contributes to a sustainable society.

Human Capital Management

Human capital management is an important strategy, and human resources are the most important management resource for realizing our Vision. At Nikon, we have integrated and promote our management and human resource strategies through the three pillars of “Acquire talent,” “Develop talent,” and “Leverage talent.” I believe that allowing each and every employee to think and act independently is essential to the development of human resources, and the Company will create their environments accordingly. Management is currently discussing issues such as acquiring human resources, supporting their active participation, and developing solution engineers, and is implementing measures appropriately. By creating an environment in which each employee can perform to the best of their abilities and promoting employee self-awareness, Nikon aims to become a company in which human resources can grow independently.

Manufacturing and Governance

In manufacturing, we are working towards flexible response and efficient production in light of the significant changes in the business environment and increasing fluctuations in demand. In concrete terms, we have begun studies of major investments aimed at increased production capacity and productivity for optical parts and optical components, and lenses for multiple business units at our subsidiary Tochigi Nikon and at domestic production sites such as our Mito Plant. We are also actively working on corporate governance. In addition to further increasing the diversity of our external directors and enhancing the effectiveness of their supervision, we have established Independent External Directors’ Meeting to conduct objective and hopefully fruitful discussions. We have also revised our officer compensation system and strengthened incentives toward achieving the Medium-Term Management Plan and increasing corporate value. Moreover, we are steadily enhancing the technical capabilities that are one of Nikon’s strengths, as well as digital transformation (DX) focused on customers and employees.

Strengthening our Management Base: Progress in Year 1 of Plan

Preparing talent and organizations to respond to business changes and strengthen solutions delivery

Human capital management

Initiatives aimed at the **Acquisition** **Development** **Utilization** of next-generation talent to support execution of our management strategy

- Across the Nikon group in Japan, where many functions are housed, we more than doubled hiring to a record-high 600+. Planning to sustain the same level in FY 23, also.
- Introduced hiring by occupational type for some new graduate hires and strengthened the acquisition of diverse talent
- The top tiers of management themselves select management talent early on and lead the development of management tiers
- Began the prioritized acquisition and planned development of business development and technical sales talent who will collaborate with our customers
- Built out an environment that includes training to support the retention and utilization of career-minded hires and monitoring programs
- Raised employee salaries by up to 20% by, for example, increasing allocations when business performance is trending well toward achieving medium-term targets

Manufacturing

Aiming to strengthen our ability to absorb fluctuations in demand across businesses and produce multiple business unit products efficiently

- Began studies about major investments aimed at increased production capacity and productivity for optical parts and components and lenses for multiple business units at domestic production sites such as Tochigi Nikon and our Mito Plant.



Sustainability strategy

Contribute to society and the environment through the Creativity of our core technologies. Gain Trust by meeting society's expectations.

- Shift to 100% renewable energy starting in FY 23 at our core production plants in Tochigi and Thailand.
- Reduced green-house gas emissions from business offices by 30% (compared to FY 13. FY25 target: 46.5%)
- Established a Nikon Global DEI * Policy for all global sites with the aim of management that leverages diversity
- More than 30% of new graduate hires were women (Target: to maintain 25%+)



Corporate governance

Strengthened group risk management and support of business operations

- Further enhanced diversity among independent outside directors and strengthened the effectiveness of supervision
- Established an independent outside director committee and conducted objective and fruitful discussions
- Revised our executive compensation program and strengthened incentives toward achieving the Medium-Term Management Plan and enhancing enterprise value
- Established control standards and a global control hub function to efficiently strengthen internal controls

*DEI = Diversity, Equity & Inclusion

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Realizing our Vision on a Basis of "Trustworthiness and Creativity"

Since its founding in 1917, Nikon has been on a quest to uncover the potential of light, and has created new value while striving to meet the expectations of our customers and win their trust. This very history is the source of Nikon's brand, and the origin of our corporate philosophy of "Trustworthiness and Creativity." Obviously, our brand is not merely an amalgamation of our history; it must continue to evolve with the times and in line with social expectations to heighten its value. In order to provide products and services optimized to meet our customer needs, we will always consider what customers really want and deliver solutions integrating end products, service and components. And as we aim to become "a key technology solutions company in a global society where humans and machines co-create seamlessly," we will continue to grow our business and improve our corporate value. We sincerely hope that you will look forward to what Nikon has to offer going forward.

Message from the CFO

August 2023

Nikon will promote both growth investments and shareholder returns



Muneaki Tokunari
Director and Executive Vice President

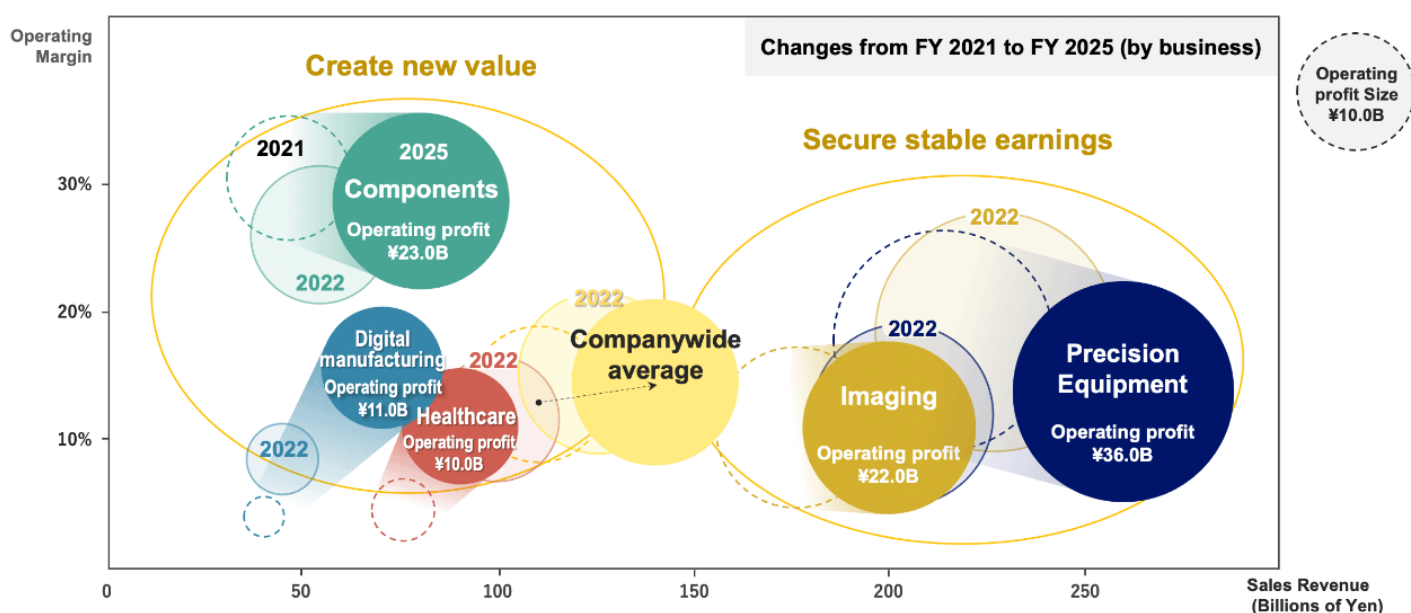
Looking Back at FY2022

Both revenue and profit grew in the fiscal year 2022, which was the first year of the new Medium-Term Management Plan. Revenue increased 88.5 billion yen year on year to 628.1 billion yen, operating profit increased 5.0 billion yen year on year to 54.9 billion yen, profit attributable to owners of parent increased 2.3 billion yen year on year to 44.9 billion yen, and ROE reached the mid-7% range for the second consecutive year.

As for the two main business segments, the Imaging Products Business provided a stable revenue source with an operating profit margin in the upper 10% range. Within the Precision Equipment Business, the progressive diversification of customers for our mainstay product line, ArF lithography systems, in the semiconductor equipment industry, has contributed to a consistent and reliable earning performance.

In the three strategic businesses, the Components Business recorded growth, with EUV-related components as the main driver, and posted an operating margin of nearly 30%. The Healthcare Business also generated excellent results, such as by achieving the Medium-Term Management Plan's operating profit target of 10 billion yen three years ahead of schedule. Furthermore, the Digital Manufacturing Business acquired SLM Solutions Group AG (currently Nikon SLM Solutions AG, hereinafter "SLM"), one of the world's leading companies specializing in metal 3D printers. This business is expected to remain unprofitable for the time being, but our policy is to cultivate it as a pillar of earnings for the future.

For these reasons, I consider FY2022 to have been a satisfactory beginning to the Medium-Term Management Plan.

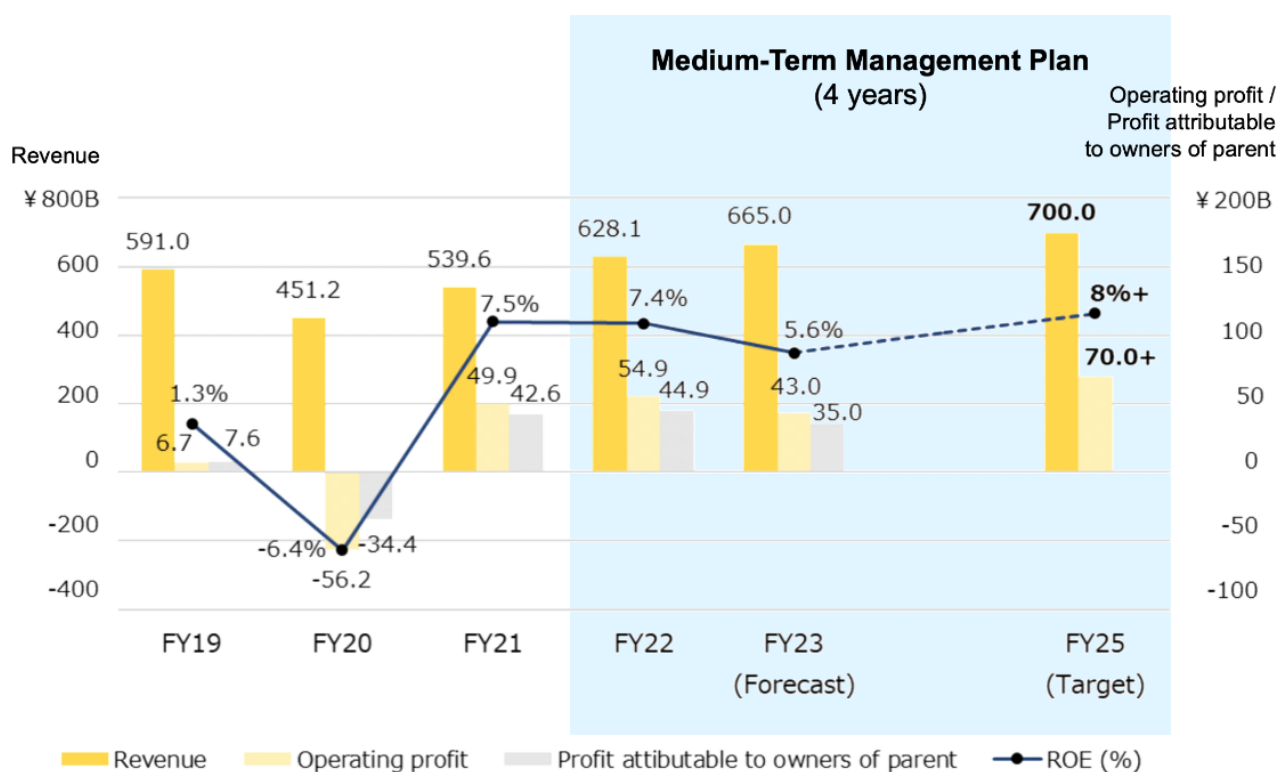


Outlook for FY2023 (based on May 2023 announcement)

In May 2023, we forecasted higher revenue and lower profit for FY2023 in the form of revenue of 665.0 billion yen, operating profit of 43.0 billion yen, and profit attributable to owners of parent of 35.0 billion yen.

The increase in revenue is expected to be driven both by strength in the main businesses and by a full year of contribution to sales from SLM.

On the other hand, the main factors behind the forecast decline in profit are a definite and significant decline in profits for FPD lithography systems in the Precision Equipment Business, and the launch of the newly established Digital Manufacturing Business, which will initially be loss-making. When formulating the Medium-Term Management Plan, we assumed that factors associated with the FPD business cycle would lead to FY2023 marking the bottom in terms of earnings, and we believe that a rebound in FPD lithography systems in FY2024 will lead to a recovery in performance for the Company as a whole.

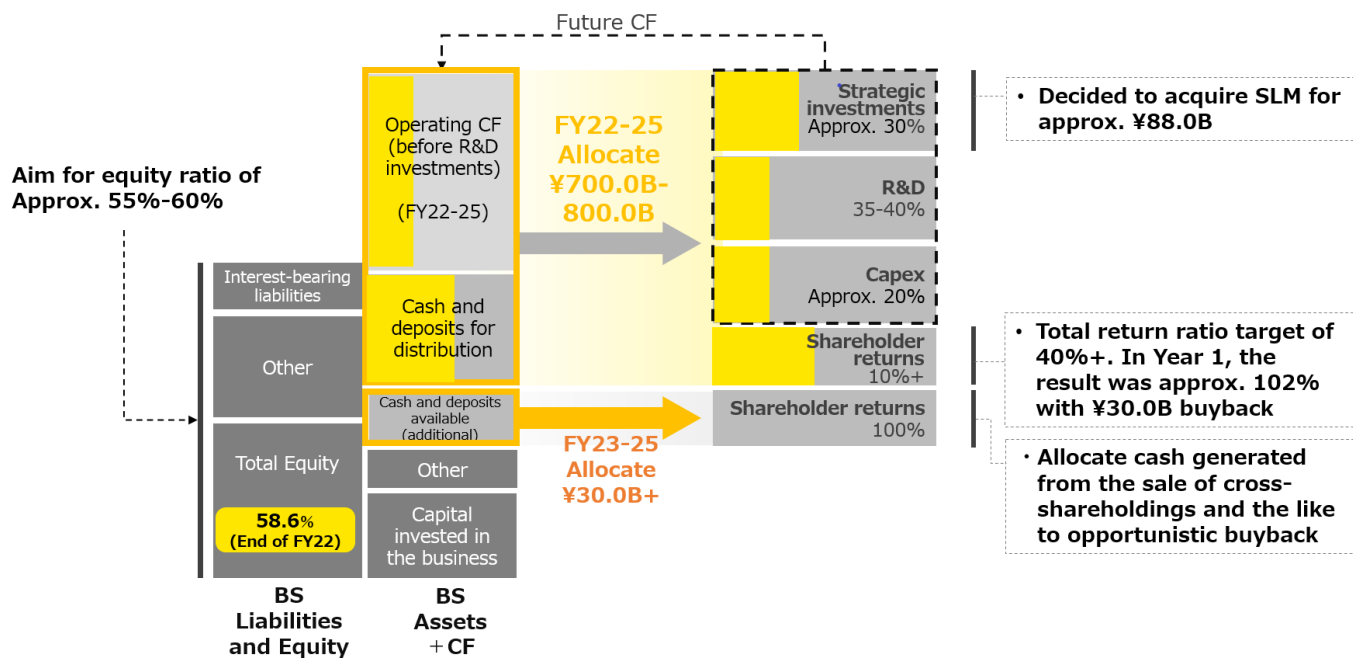


As of May 2023

Capital Allocation: Growth Investments and Shareholder Returns

Nikon's capital allocation policy is to use capital primarily for growth. Specifically, we seek to maintain the equity ratio in the high-50% range, while earmarking around 90% of allocable funds of 700.0-800.0 billion yen to strategic investments, R&D, and capex.

In the diagram below, the areas shaded in yellow represent funds that were actually allocated in FY2022. For example, in terms of strategic investments, which are shown in the upper right, we allocated about 88.0 billion yen to the acquisition of SLM.



At the same time, we will enhance shareholder returns. Our shareholder return policy is to increase the dividend with the aim of achieving a dividend of 60 yen in the final year of the Medium-Term Management Plan. In FY2022, we raised the year-end dividend by 5 yen, and in FY2023, we intend to maintain that level and pay an annual dividend of 50 yen.

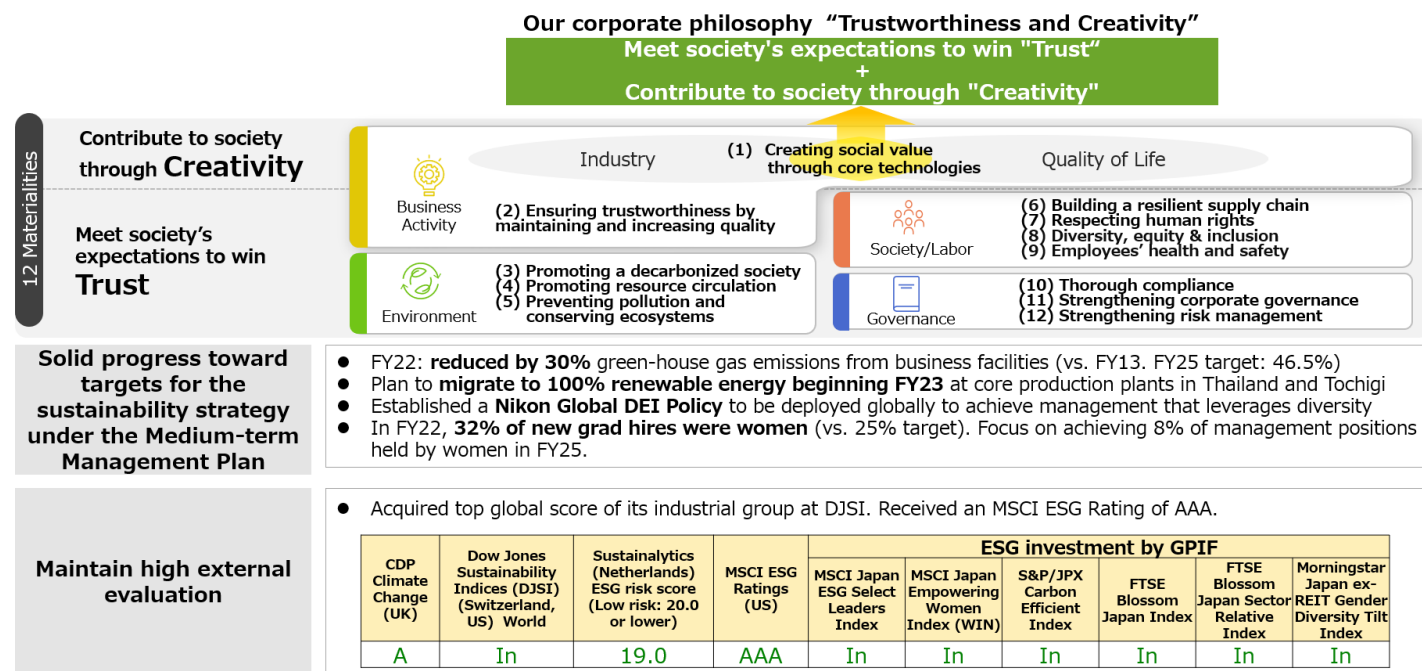
In addition, it is also our policy to implement opportunistic share buybacks of at least 30.0 billion yen during the period of the Medium-Term Management Plan.

	FY21	FY22	FY23	FY24	FY25
		Medium-Term Management Plan (4 years)			
Dividend per share	Year-end ¥20 Interim ¥20	Up ¥5 in year-end vs. previous forecast Year-end ¥25 Interim ¥20	¥50 planned Year-end ¥25 Interim ¥25	Annual ¥50-60	¥60 target Annual ¥60
Share buyback		Done ¥30.0B (approx. 5.7% of outstanding shares)	Opportunistic share buyback of ¥30.0B+ during period of our Medium-Term Management Plan		
Strategic investments		SLM acquisition Approx. ¥88.0B	Consideration continuously		

Officer Compensation System and Sustainability Strategy Linked to Improvements in Corporate Value

Nikon's officer compensation system was designed with an awareness of the link to corporate value, and more than half of officer compensation varies in line with Company performance. The specific mechanism is that officer compensation moves in accordance with ROE and operating profit, and share-based compensation PSUs are linked to KPIs related to sustainability strategy.

Nikon has placed the concept of "Creating social value through core technologies" at the center of its sustainability strategy, and through our core business we hope to contribute to a more sustainable society and environment. We are also working to reduce greenhouse gas emissions, and actively engaging with diversity, equity and inclusion initiatives. These measures have been rated highly by external evaluation agencies.



By solidly executing the Medium-Term Management Plan in this way, we will link improvements in non-financial value to increases in financial value, and also promote both growth investments and enhance shareholder returns, in order to obtain market recognition.

Vision 2030

A key technology solutions company in a global society where humans and machines co-create seamlessly

With technologies developed over more than 100 years, Nikon will expand into new fields.

We will learn from the manufacturing front lines and transform those structures.

Through increased energy efficiency, we will build a sustainable society.

We will engage with medical practice to pursue health-promoting technologies.

By developing visual spaces, we will update day-to-day experiences.

Bringing people and machines closer together, and freeing creativity.

Co-creation will produce new value that we will share broadly with society.

Nikon's Value Proposition for the Future

With advances in technology, great change (a "megashift") is expected to take place in society by 2030.

Nikon will identify the diverse needs of society this produces, and stay ahead of the curve, contributing to society in two fields of value proposition.

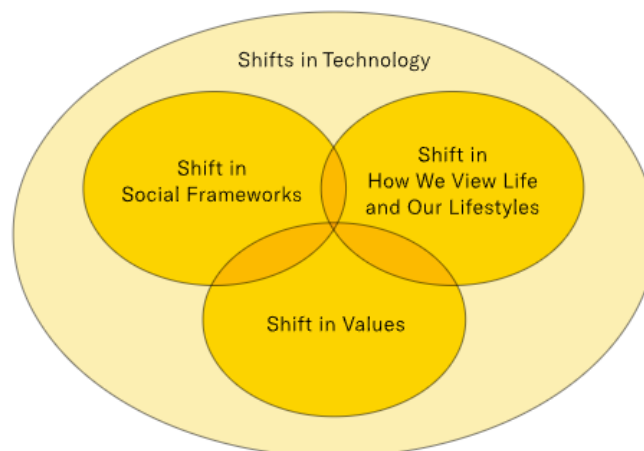
Changes Expected in Society by 2030

Looking ahead to society in 2030, broadly speaking, we believe there will be an acceleration in the technology shift that will achieve the further evolution and enhancement of engineering and machines.

The acceleration of initiatives to address society's challenges, such as climate change and natural resource shortages, will result in a shift in social frameworks. The advancement of the quality of life-enhancing entertainment and the evolution of medical care will bring a shift in how we view life and our lifestyles.

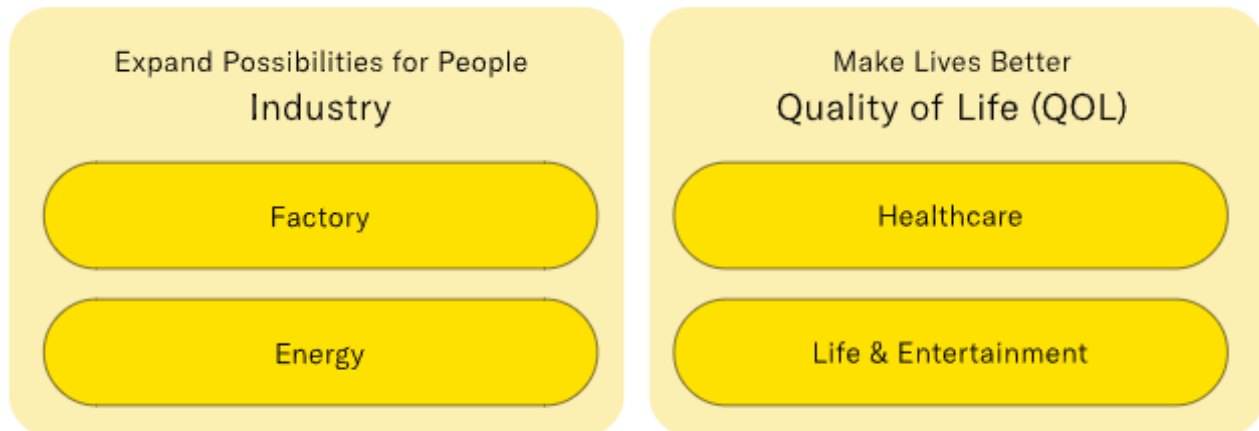
We anticipate the shift and diversification in values from owning to sharing.

As a result of these megashifts, we believe that people will focus more on the pursuit of self-expression and value, and that co-creation by humans and machines will play a more important role than ever before.



Nikon's Value Proposition

Nikon has established two fields for value proposition: industry and quality of life (QOL), in response to these megashifts that may occur in society. More specifically, we will offer solutions to the needs and challenges of society and industry in four areas: factory, energy, healthcare, and life & entertainment.



Expand possibilities for people

Industry Field



Factory

Flexible manufacturing in response to diverse needs

Using light as a tool, we aim to eliminate restrictions on processing size and location to become a society that effortlessly employs flexible manufacturing systems. We will develop dynamic vision systems that far outperform the human eye, joints that move quickly and smoothly, and so on, to contribute to greater sophistication of robots. Having robots that perform work on behalf of humans will enable manufacturing in harsh conditions.



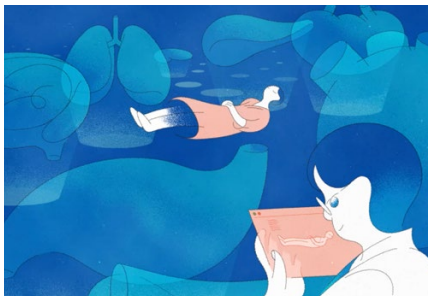
Energy

Leverage innovative technology and manufacturing to build environmentally friendly systems

By applying innovative processing technology to add "riblets," microscopic structures that simulate shark skin, to the surface of products, such as aircraft, ships and wind turbine blades, we can reduce air and water resistance, and boost energy efficiency. In addition, we will promote re-use, developing an environment where repair work is easier, with metal 3D printers that employ optical technologies and precision control technologies, to handle repairs that were difficult to perform without engineers, such as for turbine blades.

Make lives better

Quality of Life (QOL) Field



Healthcare

Achieve order-made treatment and prevention through sophisticated systems

With technology and expertise cultivated by Nikon over many years for the observation and evaluation of cells, we will support research and product development, advancing regenerative medicine and individualized treatment, contributing to the realization of a society that can provide patients with optimal care. Also, we will promote development of systems that use artificial intelligence (AI) to support diagnosis by doctors, to help in the early detection of illnesses. By linking this to earlier treatments, we aim for a future where lives are saved.



Life & Entertainment

Popularize imaging technologies to advance learning and creation

Provide realistic learning spaces to support remote learning, dangerous work, and training for emergency response. Through practical learning in virtual spaces, we can enhance learning outcomes, and promote the creation of environments that deliver learning opportunities to more people. In image production, we will advance development of tools that anyone can use, with 3D and 4D technologies that could previously only be handled by a few people, creating opportunities for more people to be involved with new technologies.

Towards Realization of Vision 2030

By further drawing out human creativity and promoting the building of sustainable environments, humans and machines can co-create seamlessly, whereby we will experience diverse abundance.

Such a society is unfolding before our eyes.

Nikon will accelerate co-creation in order to expand even further in new directions.

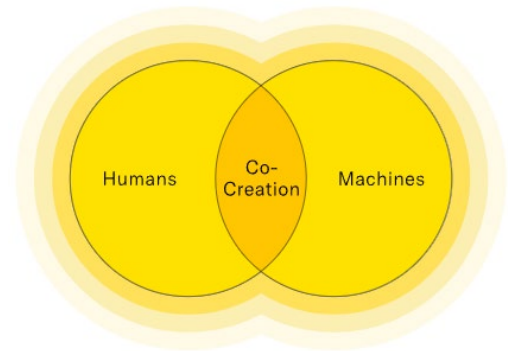
Aim for Co-Creation

We will accelerate co-creation to expand possibilities for humans and machines.

Previously, humans had a one-directional relationship with machines, simply using them as tools. We will change that relationship, producing value through interaction.

For example, by machines taking over work that is unpleasant for humans, we can spend our time on creative tasks. With machines that support training, we can elicit greater human capacity and potential than ever before.

We will expand possibilities for humans and machines by further advancing a society where humans and machines co-create, causing a chemical reaction in various fields, and giving back to society as a whole.



Nikon's Strengths

Enable seeing what could not be seen, achieving what was not possible, understanding what was not understood. Moving forward, we will continue our approach of making the impossible possible.

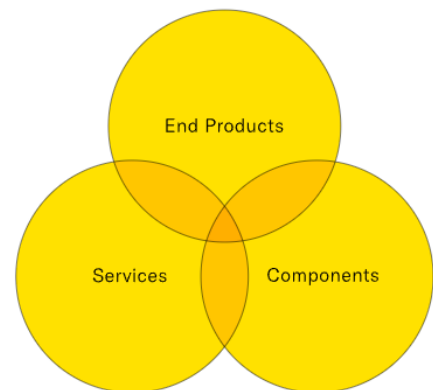
Through over 100 years of history, we have nurtured three strengths. Capability in nanometer-level ultra-high precision manufacturing, such as in semiconductor lithography systems. Brand power to share globally and capability to universalize sophisticated solutions, achieved through digital cameras and so on. Strong support from many stakeholders, including customers, business partners and employees.

We will leverage these strengths to realize seamless human-machine co-creation.



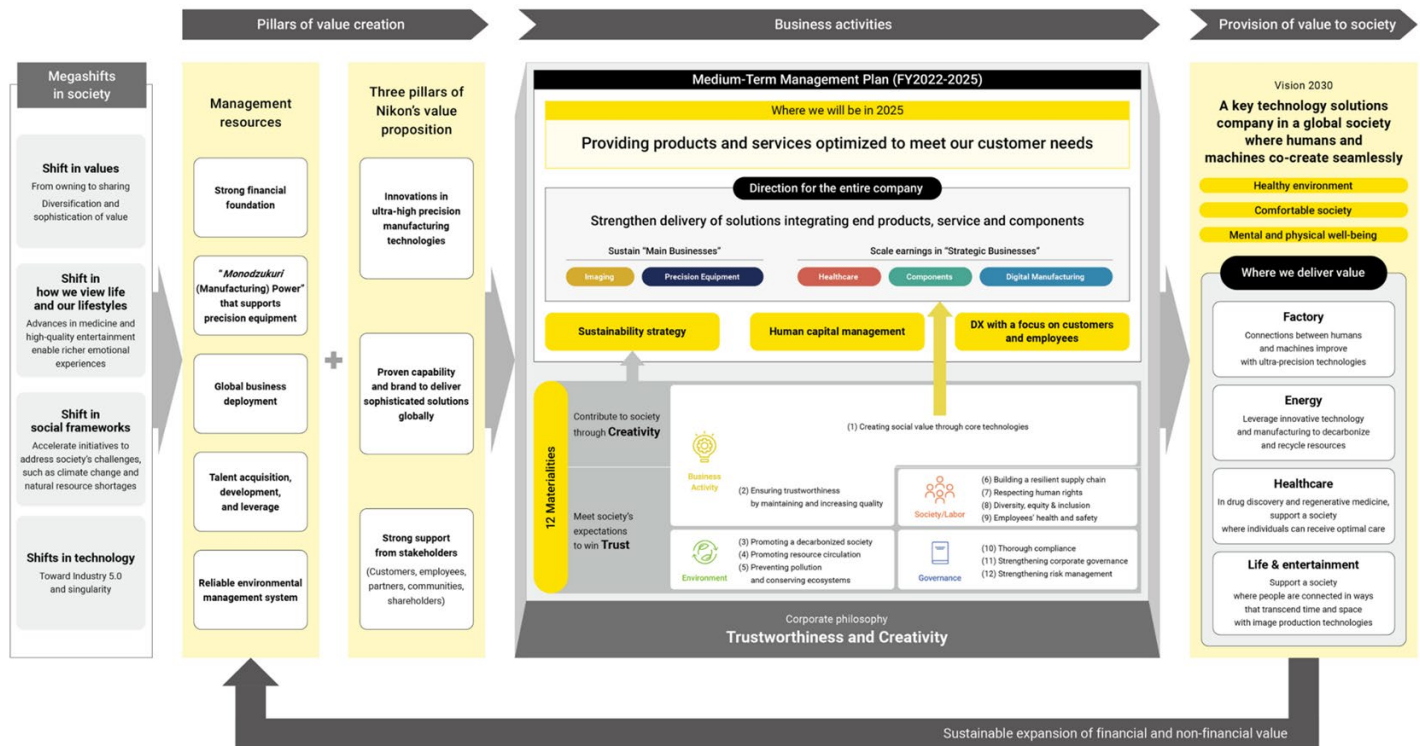
Business Model Advancement

In the future, Nikon will offer customers integrated solutions encompassing end products, services and components, aiming to realize Vision 2030. Centered on three axes, we will diversify ways to provide value, and expand interactions with customers and society. Furthermore, by connecting businesses that were previously independent, we will deliver optimal proposals suited to their aims, while crossing domains.



Value Creation Model

Nikon will leverage its unique management resources and create social value by promoting business activities, sustainability, and corporate governance based on its corporate philosophy of "Trustworthiness and Creativity."



Management Resources

Strong financial foundation

Ratings

Updated in June 2023

Japan Credit Rating Agency, Ltd. (JCR)

A+ [Stable]

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

A [Stable]

"Monodzukuri (Manufacturing) Power" that supports precision equipment

R&D expenditures to revenue

FY2022

11%

Capital expenditures

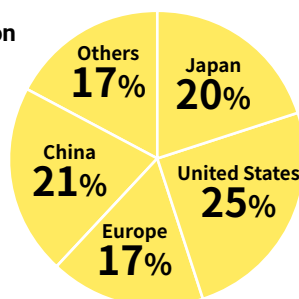
FY2022

42.1 billion yen

Global business deployment

Ratio of revenue by region

FY2022



Talent acquisition, development, and leverage

Number of employees

As of end March 2023

Consolidated: 18,790

Non-consolidated: 4,184

Ratio of local hires in upper management

(Outside of Japan)

As of end March 2023

40.4%

Reliable environmental management system

Ratio of Scope1 and 2 GHG emission reduction

FY2022

33.8%

(FY2030 target:
71.4% compared to FY2013)

Renewable energy adoption rate

FY2022

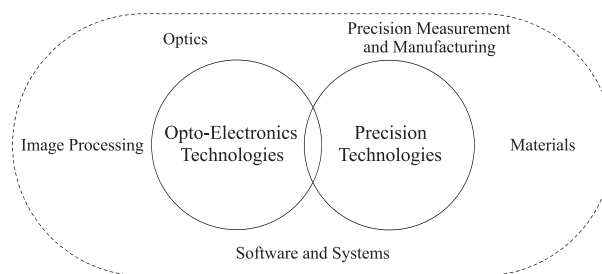
22.3%

(FY2030 target: 30%)

Technology

“Opto-Electronics Technologies” and “Precision Technologies” are the foundation of Nikon’s technological dynamism.

With opto-electronics and precision technologies as a basis, Nikon is conducting R&D in a wide range of technologies, such as optics, precision measurement and manufacturing, image processing, materials, and software and systems based on a long-term perspective.



Opto-Electronics Technologies

Controlling optics as desired.

This technology allows you to control a wide range of optical wavelengths, from X-rays to infrared light with the highest precision.

Precision Technologies

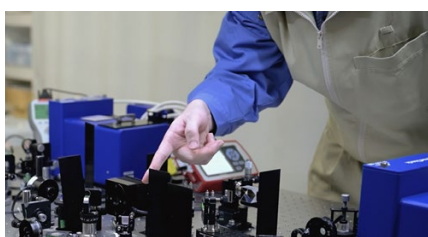
Controlling at nanometers.

Nikon’s diverse precision technologies support society in numerous ways, such as its technology for high-precision overlaying of electronic circuits down to the nanometer level (semiconductor lithography systems).

Combining Technologies

The power created by combining technologies.

By widely combining and integrating our two core technologies that we have mastered, “Opto-Electronics Technologies” and “Precision Technologies”, with related basic and specialized technologies, even more diverse values can be created. Without limiting our development to just the five areas of “Opto-Electronics Technologies”, “Image Processing Technologies”, “Software and System Technologies”, “Precision and Processing Technologies” and “Material Technologies”, where we have a proven track record, we will continue to pioneer new areas and promote technological innovation.



Research

R&D is conducted by the Advanced Technology Research & Development Division, the Optics Division, the Next-Generation Project Division, and the Production Division, as well as by the Imaging, Precision Equipment, Healthcare, and other businesses. Nikon’s advanced technologies are developed via the collaboration of the different divisions.



Optical Technologies

Optical technologies that Nikon has accumulated for over a century, and that are the core of optical instrument performance. A wide variety of products are developed through the constant pursuit of innovation.



Product Technology

From Digital SLR Cameras, Semiconductor Lithography Systems, Super-Resolution Microscopes, to non-contact large-volume inspection systems, etc., learn about the wide range of Nikon products and the technology that supports them.

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 have weaved a co-creative relationship between people and machinery over our 100-year history. Looking towards the future, it is our conviction to provide society with a new value founded from co-creation by bridging the gap between humans and machinery. This passion is represented in our Vision 2030 to become “a key technology solutions company in a global society where humans and machines co-create seamlessly.” To realize a sustainable society in which people and machines co-create, we will apply the technologies we have cultivated thus far to various fields and embody the Nikon brand, which continues to rise to the challenge of providing new value by anticipating changes in the times.

Brand Contents

Nikon continues to produce and distribute various contents to promote understanding of the Company.

Corporate Advertisement



Takumi Kitamura has been cast as the lead in the new commercial aired in Japan. The commercial illustrates Nikon’s wide-ranging business operations and ongoing pursuit to unlock the infinite possibilities of its products and services.

Movie “Nikon’s Value Proposition”



Introducing Nikon’s new initiatives in four areas of value proposition towards 2030.

Website “Vision 2030 magazine”



Vision 2030 magazine is a media that shares the many challenges embarked upon by Nikon to realize their vision towards 2030 in an everchanging world.

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

Sponsorship

For Nikon, honoring sports and athletes around the world is another enduring expression of our active pursuit toward pushing the limits of technology and innovation. Through our evolving sports sponsorship programs, Nikon provides additional support services to professional photographers and other activities that help deliver all the live excitement of competition sports and their heroes.



The Open



AIG Women’s Open



World Aquatics



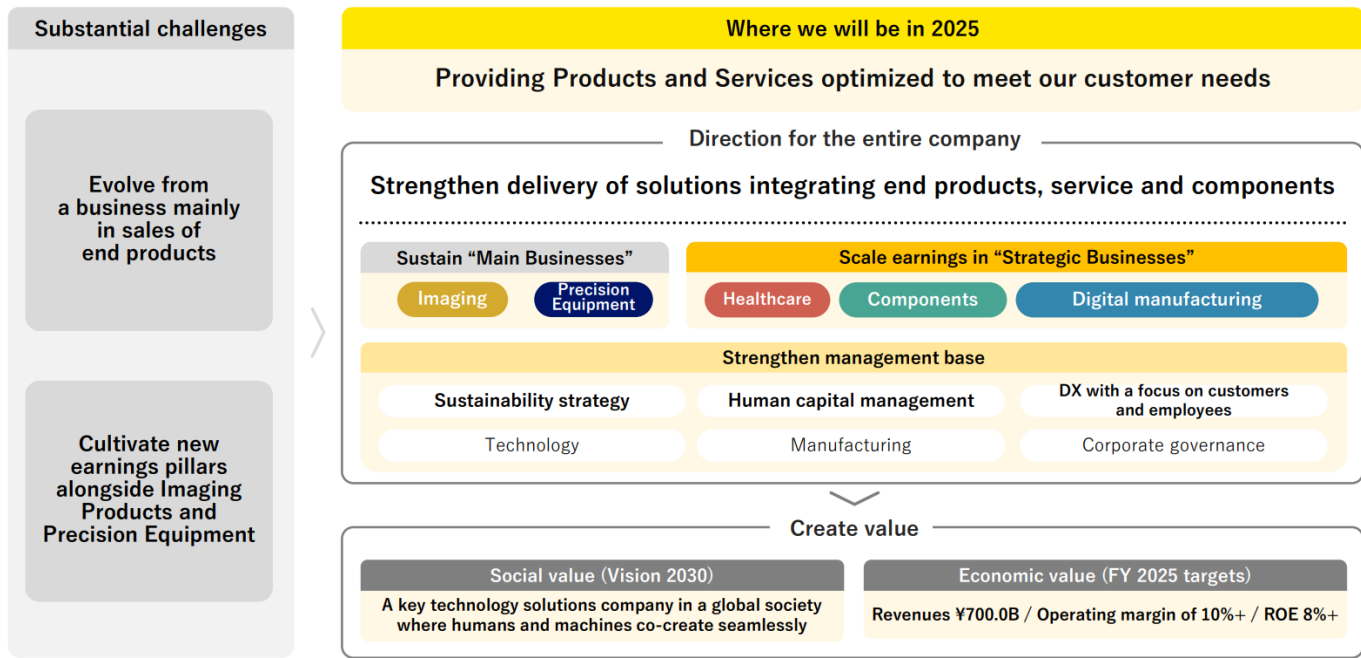
Japan Swimming Federation (JASF)



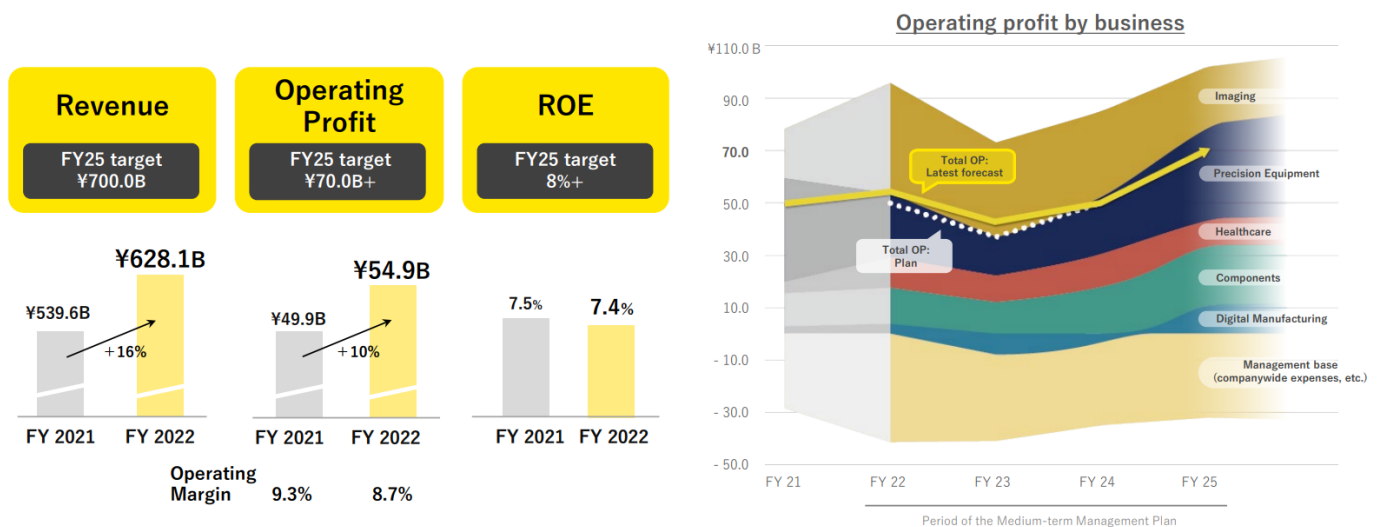
Street League Skateboarding (SLS)

Progress Report on Medium-Term Management Plan (FY 2022 to FY 2025)

The Medium-Term Management Plan: Overview



Medium-Term Management Plan: Results from Year 1



Revenue and Operating Profit ahead of plan

*Excluding one-time costs (impairment losses), FY 2022 company total operating profit was ¥59.3B, operating margin was 9.4%. (FY 2021 company total operating profit was ¥50.3B). The Other Businesses segment to be included in "Management Base" in FY 23 and beyond.

Imaging: Status of Business Operations

Vision

Expand the possibilities for visual expression and acquire overwhelming support from all generations of fans around the world

Earnings plan

Achieve revenue of ¥200.0B and Operating profit margin of 10% on a stable basis				
	FY 21	FY 22	FY 23 Outlook	FY 25 Target
Revenue	¥178.2B	¥227.1B	¥240.0B	¥200.0B
Operating Profit	¥19.0B	¥42.2B	¥38.0B	¥22.0B

Progress in Year 1 of Plan

- Digital camera-interchangeable lens type**
 - ASP up about 30%. Mirrorless cameras make up 80%+ of sales.
 - Enhanced customer experience value on expanded alliances and applications.
- Interchangeable lens**
 - Expanded lineup for mirrorless cameras to 36 lenses (Grow to 50+ in FY 25)
- Imaging contents (growth driver)**
 - Began operations at Nikon Creates. Delivers virtual production functionality through the generation of 3D imaging using 360° image capture and background changes while shooting. Reduces filming costs and enhances editing flexibility after filming.



Topics

- First flagship mirrorless camera model Z 9**
 - Highest first-year sales volumes among all flagship models released in the past 15 years.
 - Continued to evolve post-launch with firmware upgrades to enhance functionality



- Mirrorless camera Z 8**
 - Plan to introduce advanced Z 9 features across the lineup. Strengthen competitiveness of Nikon Z-mount system overall.

Expanded fan base, achieved record-high operating margin and gained confidence to achieving earnings plan in stable manner

Precision Equipment: Status of Business Operations

Vision

Continue delivery of innovative solutions to customers and support a digital society

Earnings plan

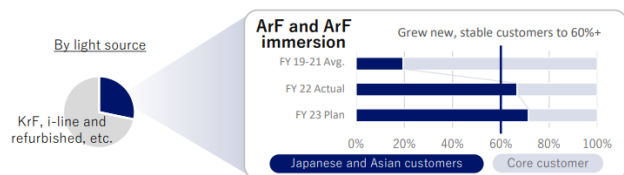
Secure stable operating profit of ¥30.0B+ (Operate across both FPD and Semiconductor)				
	FY 21	FY 22	FY 23 Outlook	FY 25 Target
Revenue	¥211.2B	¥203.2B	¥210.0B	¥260.0B
Operating Profit	¥39.4B	¥24.3B	¥15.0B	¥36.0B

Progress in Year 1 of Plan

- Semiconductor lithography, measurement and inspection**
 - Support a variety of needs from a broad range of customers to increase resilience against market fluctuations.
- FPD lithography**
 - Harshest environment in 20 years. Promote efficiencies leading up to production ramp-up beginning in the latter half of 2023.
- Service**
 - Record-high sales in FY 22 on strength in parts sales and improvement work.
- Digital lithography (growth driver)**
 - Developing new value creation, such as shorter prototyping periods, individualized ID lithography, and large surface area lithography, to support customer needs not covered by legacy systems.

Topics

- Semiconductor equipment**
 - New, stable customers grew to 60%+ of our core ArF and ArF immersion sales volumes.
 - Continue customer acquisition measures mainly in devices such as 3D-NAND and CIS, where layering is advancing.
 - Metrology/inspection systems also trended well



- FPD equipment**
 - Launched the large-scale lithography system FX-88S, which achieves high resolution and productivity, for broad adoption in panels for high value-added products, such as smart devices, high-end monitors and large televisions.



Integrate FPD and semiconductor business units to achieve flexible and efficient management and generate further scale

*FY 22 sales was ¥203.2B and operating profit was ¥24.5B under new segmentation starting 2023.

Healthcare: Status of Business Operations

Vision Support improving quality of life for people through innovation

Earnings plan	Grow operating profit to ¥10.0B in 2025			
		FY 21	FY 22	FY 23 Outlook
Revenue	¥73.2B	¥99.3B	¥95.0B	¥90.0B
Operating Profit	¥4.3B	¥11.5B	¥11.0B	¥10.0B

Progress in Year 1 of Plan

Life sciences

- Makes up about 60% of sales. Revenue grew 30%+ YoY.
- Greater-than-expected progress on private sector business development. Latest confocal laser microscope system was adopted broadly at biotech and pharma companies.

Eye care

- About 40% of sales. Revenue up about 30% YoY.
- As the global population ages and ophthalmological ailments increase, the market for diagnosis leveraging ultra wide field retinal cameras, a strength for Nikon, is expanding.

Contract Cell Development and Manufacturing (growth driver)

- Development and production of regenerative medicine products such as cardiac muscle and cornea using iPS cells and products using Master Cell Bank of dental pulp stem cells to try to contribute to treatment of intractable diseases.

Topics

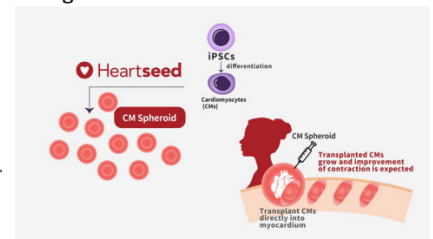
Life sciences

- Contract analysis service established in Japan, US and Europe is leading to new customer development.
- Refreshing of new core products has improved profitability.



Contract cell manufacturing

- First Heartseed transplant succeeded under the LAPiS clinical study for a cell therapy designed to restore heart function in people with advanced heart failure*.



Achieved medium-term targets in Year 1 and will pursue further growth while dealing with external headwinds

*manufactured by Nikon CeLL innovation.

Components: Status of Business Operations

Vision Grow together with customers as we support their innovation

Earnings plan	Get to ¥20.0B+ in operating profit by doubling revenues			
		FY 21	FY 22	FY 23 Outlook
Revenue	¥40.8B	¥53.9B	¥53.0B	¥80.0B
Operating Profit	¥12.7B	¥14.6B	¥20.0B	¥23.0B

Progress in Year 1 of Plan

Optical components (growth driver)

- In high-performance lenses, acquired multiple new long-term deals in semi-related market

EUV related components (growth driver)

- Continued stable growth on production capacity adds and development and shipment of next-gen equipment

Encoders

- Encoder business growing with the robot market. Also, acceleration of commercialization of robot modules and development of US and Europe markets and market for human-robot collaboration

FPD photomask substrates

- Trending well in support of increased demand for high-precision polishing and film deposition. Cultivating restoration service.

Topics

Optical components

- Achieved progress in customer development in semi-related fields in FY 22
- Existing customers: Expand sales in high value-added products
- New customers : Added customers by supporting needs for projection lenses and high-durability optical parts

Acquire new business with greater value proposition Growth in customers and value proposition →

	Precision Equipment and products	Precision Equipment service	Optical and EUV related components
Format			
Customers	Semiconductor makers		Makers of production equipment, measurement and inspection equipment and light sources
Field	Lithography/measurement/inspection		For mask manufacture, laser, inspection, measurement and advanced packages Optical and EUV related components

Machine vision for industrial applications

- Launched LuFact series, an industrial-use ultracompact camera equipped with AI edge computing. Adopted by Sony Semiconductor Manufacturing, a Sony Group company pursuing smart factories



Leverage our strength of fusing opto-electronics and precision technologies and deliver in the customer's desired format

*FY 22 sales was ¥53.0B and operating profit was ¥22.0B under new segmentation starting 2023.

Digital Manufacturing: Status of Business Operations

Vision Enable innovations in manufacturing with applied optics application technologies

Earnings plan	Leverage alliances to get to 10%+ annual revenue growth			
		FY 21	FY 22	FY 23 Outlook
Revenue	¥36.0B	¥44.3B	¥64.0B	¥70.0B
Operating Profit	¥2.9B	¥3.8B	-¥9.0B	¥11.0B

- ### Progress in Year 1 of Plan
- Material Processing (growth driver)**
 - Built up a variety of measures aimed at accelerating growth, including the SLM acquisition, launch of a new standalone business unit, and the establishment of a business headquarters on the US West Coast, where many customers need precision metal processing.
 - Robot vision (growth driver)**
 - Validated upgraded and more efficient parts pick & place with promising partner
 - Laser radar and X-ray and CT systems**
 - Expanded product and sales infrastructure for automotive and EV batteries. Achieved solid growth.
 - In-line measurement**
 - Serving the automotive, aerospace and other industries, executed automated high precision non-contact metrology in large space and achieved compact, high speed, light weight format for industrial inspection.

Topics

- Expanded base for additive manufacturing business**
 - Built out infrastructure in Japan, US and Europe and accelerated co-creation within the Nikon group

MORF3D Acquisition: Engineering Service. Re-position to contribute to overall business.

OPTISYS Investment: Aerospace antennas. Deep dive into customer needs.

HYBRID Investment: Components for additive & subtractive processing. One integrated device for processing, measurement and inspection.

SLM SOLUTIONS Acquisition: Metal additive manufacturing equipment using Laser Powder Bed Fusion. Nikon's largest acquisition. Leverage to drive scale.

Metal additive processing market: Growing to ¥1 trillion or more in 2030.

Joint development with strategic partner: Metal additive manufacturing equipment using Direct Energy Deposition.

- Riblet processing**
 - Implemented durability tests on effects of drag reduction with ANA, JAL and JAXA for potential deployment to flights resulting in improved fuel efficiency and CO2 reduction.
-

Cultivate into core business of vision 2030 “a key technology solutions company in a global society where humans and machines co-create seamlessly”

* ANA = All Nippon Airways Co., Ltd. JAL = Japan Airlines Co., Ltd. JAXA = Japan Aerospace Exploration Agency. Market size information estimated by Nikon based on various data sources. FY 22 sales was ¥42.0B and operating profit was -¥10.1B under new segmentation starting 2023.

Strengthening our Management Base: Progress in Year 1 of Plan

Preparing talent and organizations to respond to business changes and strengthen solutions delivery

Human capital management

Initiatives aimed at the Acquisition, Development, Utilization of next-generation talent to support execution of our management strategy

- Across the Nikon group in Japan, where many functions are housed, we more than doubled hiring to a record-high 600+. Planning to sustain the same level in FY 23, also.
- Introduced hiring by occupational type for some new graduate hires and strengthened the acquisition of diverse talent
- The top tiers of management themselves select management talent early on and lead the development of management tiers
- Began the prioritized acquisition and planned development of business development and technical sales talent who will collaborate with our customers
- Built out an environment that includes training to support the retention and utilization of career-minded hires and monitoring programs
- Raised employee salaries by up to 20% by, for example, increasing allocations when business performance is trending well toward achieving medium-term targets

Manufacturing

Aiming to strengthen our ability to absorb fluctuations in demand across businesses and produce multiple business unit products efficiently

- Began studies about major investments aimed at increased production capacity and productivity for optical parts and components and lenses for multiple business units at domestic production sites such as Tochigi Nikon and our Mito Plant.

Sustainability strategy

Contribute to society and the environment through the Creativity of our core technologies. Gain Trust by meeting society's expectations.

- Shift to 100% renewable energy starting in FY 23 at our core production plants in Tochigi and Thailand.
- Reduced green-house gas emissions from business offices by 30% (compared to FY 13. FY25 target: 46.5%)
- Established a Nikon Global DEI * Policy for all global sites with the aim of management that leverages diversity
- More than 30% of new graduate hires were women (Target: to maintain 25%+)

FTSE4Good, CDP A LIST 2022 CLIMATE, Member of Dow Jones Sustainability Indices, MSCI ESG RATINGS AAA, 2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Corporate governance

Strengthened group risk management and support of business operations

- Further enhanced diversity among independent outside directors and strengthened the effectiveness of supervision
- Established an independent outside director committee and conducted objective and fruitful discussions
- Revised our executive compensation program and strengthened incentives toward achieving the Medium-Term Management Plan and enhancing enterprise value
- Established control standards and a global control hub function to efficiently strengthen internal controls

*DEI = Diversity, Equity & Inclusion
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Nikon's Sustainability

Basic Approach

The Nikon Group has set forth the Sustainability Policy that as our contribution to a sustainable society and the achievement of sustainable growth for the company through the realization of our corporate philosophy of Trustworthiness and Creativity in business activities. Under this policy, we established the Nikon Code of Conduct, which embodies Nikon's basic approach to CSR and lays down standards for employees to follow when taking actions based on this approach.

Sustainability Policy

The Nikon Group aims to both contribute to a sustainable society and achieve sustainable growth for itself by putting into practice the Nikon philosophy of Trustworthiness and Creativity through our business activities.

- We are committed to helping solve environmental and social challenges and achieve Sustainable Development Goals (SDGs) through our business activities by delivering uniquely Nikon products and services.
- We aim to do better for the environment and for society by objectively assessing the impact our business has on the environment and society and continually striving to make improvements.
- Through active dialog with our stakeholders, we stay abreast of changes in society. We also constantly reflect on our own activities to meet stakeholder expectations.
- We do more than what is required to comply with laws and regulations. We act with integrity and fairness and disclose information appropriately.

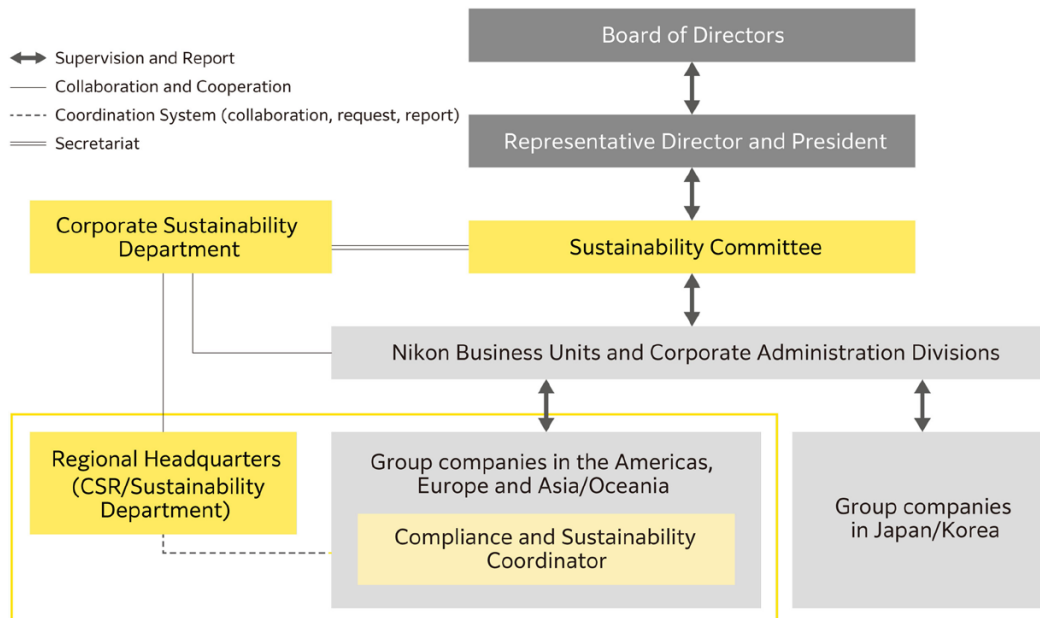
System

The Nikon Group established the Sustainability Committee, chaired by the Representative Director and President and vice-chaired by the director in charge of the Corporate Sustainability Department.

This committee deliberates on overall management and decision-making related to sustainability activities, including identifying materialities, setting targets for materiality issues, checking the progress of each measure, evaluating performance, and directing improvements. The committee also monitors overall sustainability risks with a particular focus on materialities.

In principle, the Sustainability Committee meets twice a year, and the deliberations are reported at least once a year to the Board of Directors, which manages and supervises the appropriateness and effectiveness of activities as well as associated risks.

Sustainability Promotion System (As of March 31, 2023)



Materiality and SDGs

Identification of Materiality

The Nikon Group selected 12 materialities in four areas to engage in sustainability initiatives efficiently and systematically. For each materiality, we implemented a process of goal setting, progress management, evaluation, and improvement, and we are developing sustainability activities for our departments and employees.

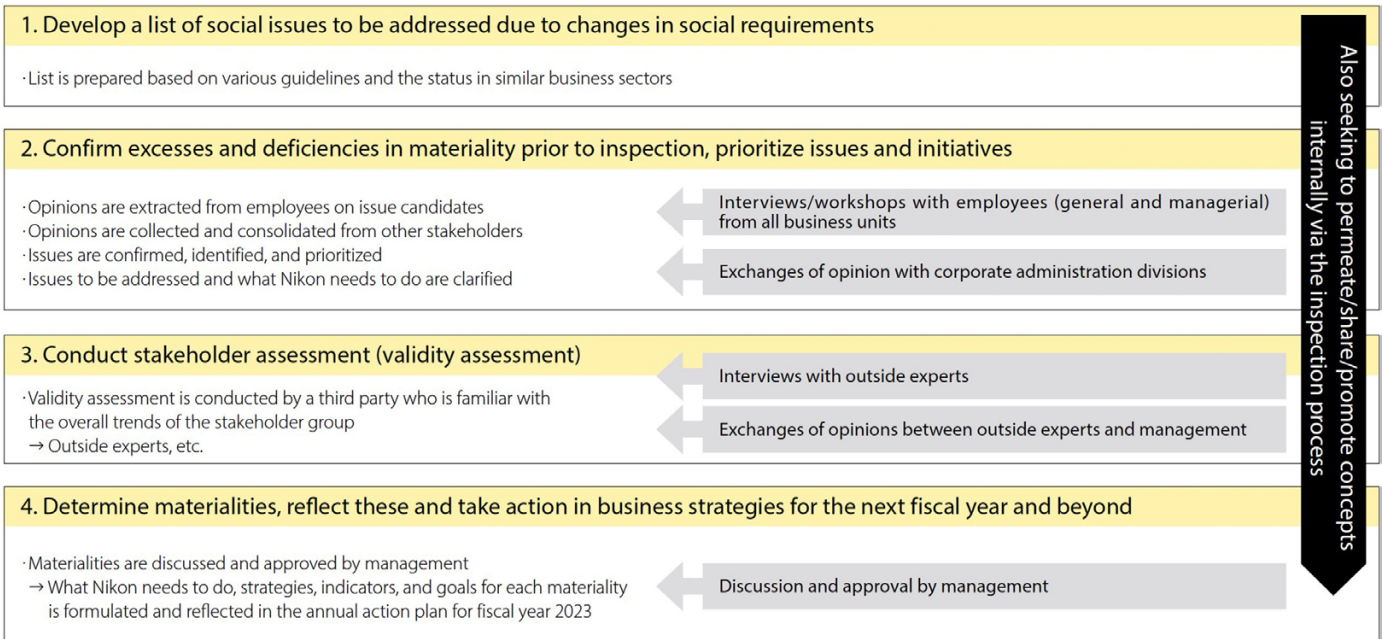
The Nikon Group reviews materialities every one to three years in response to changes in society and the business environment.

Materiality Inspection

In January 2021, the Nikon Group selected 12 materialities in four areas. As we announced our new Medium-term Management Plan in April 2022, we conducted a close review to ensure that materiality initiatives are tied to the achievement of our Vision 2030.

We conducted interviews and workshops 16 times across all business units, gathering a wide range of opinions from employees. Outside experts and management held discussions at the Sustainability Committee making efforts to ensure that inspections were conducted from a stakeholder perspective.

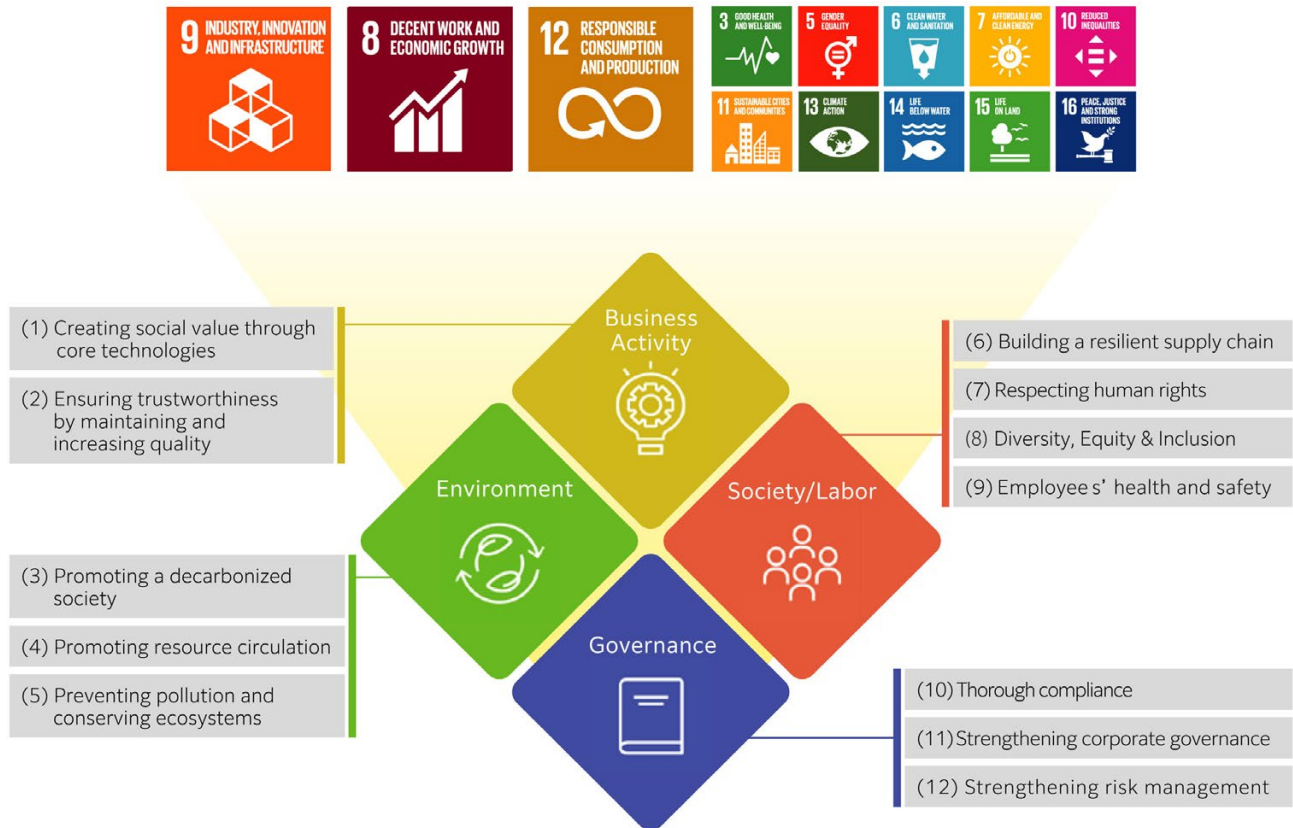
Materiality Inspection Process



Materiality and SDGs

The Nikon Group has identified 12 materialities in the four areas of Business Activity, Environment, Society/Labor, and Governance. We aim to contribute to the achievement of the SDGs by 2030 by setting forth visions and strategies for each materiality and working on goals and annual action plans based on these.

Materiality and Related SDGs



ESG Evaluation (As of August 31, 2023)

As a business enterprise that adopts a proactive stance towards sustainability activities, the Nikon Group has received positive evaluations from a variety of external organizations.

CDP Climate Change A List and
CDP Supplier Engagement Leader



AAA MSCI ESG Rating



Sustainability Yearbook 2023 Top1% S&P Global
ESG Score



FTSE4Good Index Series



ECPI Indices



SOMPO Sustainability Index



FTSE Blossom Japan Index



MSCI Japan ESG Select Leaders Index



MSCI Japan Empowering Women Index



S&P/JPX Carbon Efficient Index



Dow Jones Sustainability Indices DJSI World
and DJSI Asia Pacific



FTSE Blossom Japan
Sector Relative Index



S&P Japan 500 ESG index

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Participation in Initiatives

The Nikon Group aims to enhance and maximize the efficiency and efficacy of its activities by working together with various groups through involvement in international initiatives.

United Nations Global Compact



RE100



Science Based Targets (SBT)



Business Ambition for 1.5°C



Task Force on Climate-related Financial
Disclosures (TCFD)



Japan Climate Initiative (JCI)

Responsible Business Alliance (RBA)

TCFD Consortium



Japan Climate Leaders' Partnership (JCLP)



Human Capital Management

Basic Approach

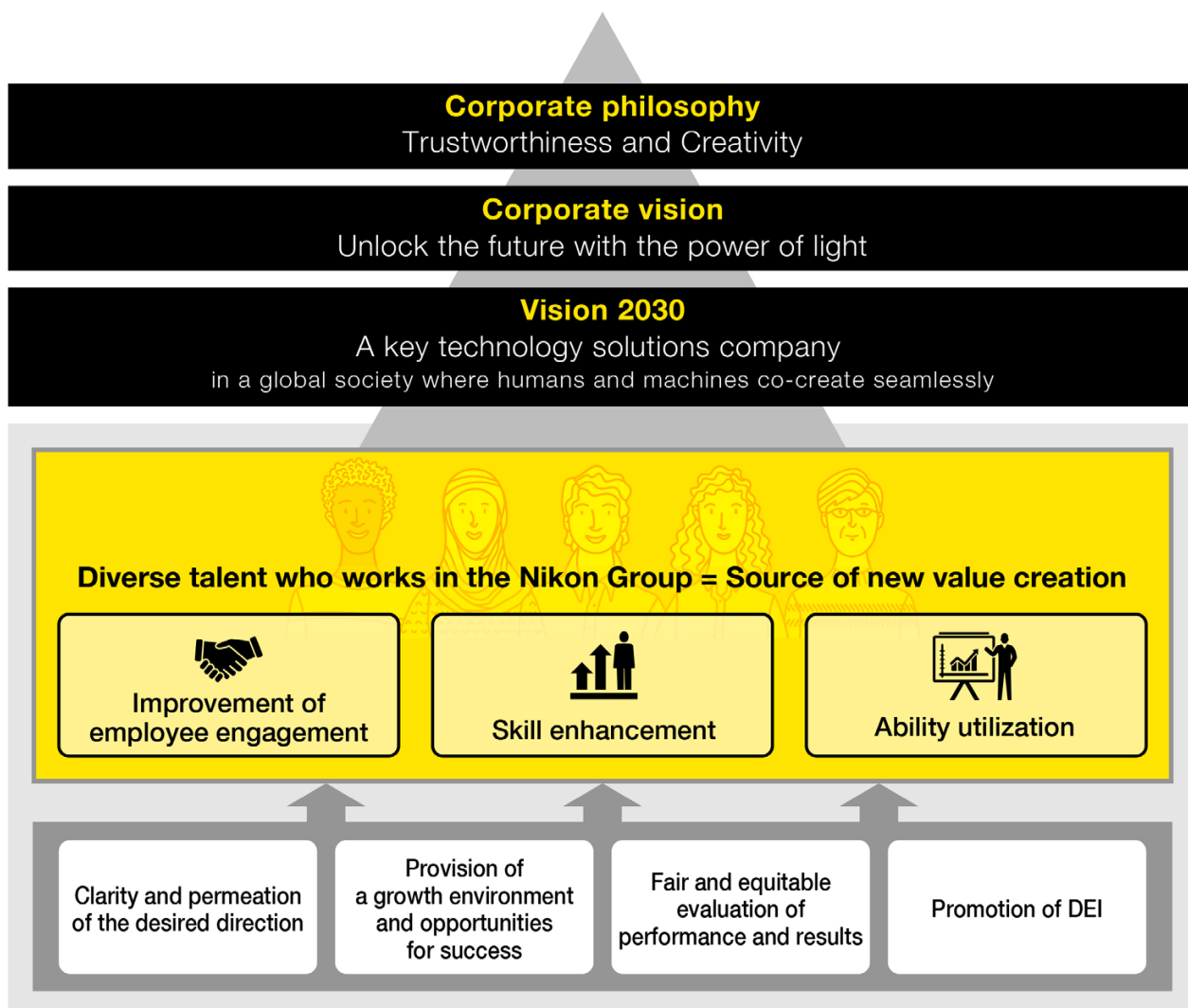
The diverse talent who works in the Nikon Group are the driving force behind realizing our corporate philosophy. Nikon has built its reputation as a world-leading manufacturer with more than 100 years of achievements by remaining a company where people with an array of skills, values and experiences come together and maximize their collective abilities.

If Nikon and each one of our employees are to become a presence sought after by society and customers in this continuously globalizing and diversifying world, we must continue to grow together. To make this possible, Nikon will clearly present its target direction and organizational goals, and execute a human resources strategy accordingly in order to provide environments and opportunities for contribution where diverse employees can make the most of their abilities and truly feel the growth of both themselves and the company. What we ask from our employees is that they take advantage of these opportunities and show proactive and continuous interest in honing their skills. Nikon will support the efforts of employees who strive for growth, and both fairly and impartially reward those who produce results and contribute to the company.

To respond to change, the diversification of society and customer challenges, we must also draw on a wealth of knowledge, experience, values and expertise. Nikon thus promotes diversity, equity and inclusion (DEI) with the aim of creating working environments and a company culture where the characteristics and abilities of all team members are accepted and valued.

These actions will create a virtuous cycle that will enhance our ability to offer value to customers and society, as well as improve employee motivation and engagement, helping nurture autonomous individuals who proactively think and act for the team.

Nikon aims to grow together with each of our diverse employees to achieve our corporate philosophy of “Trustworthiness and Creativity,” and remain a company that contributes to a sustainable society.



Human Resources Strategy

The policy at the core of our Medium-Term Management Plan is to “sustain our main businesses” and “scale earnings in strategic businesses”, by strengthening the delivery of integrated solutions. Across all of our businesses, we have also established a common strategy of deeply aligning and understanding with the “essence” of needs of customers around the world, and delivering end products, components and services optimized to these needs. We will also transform our business model, striving to strengthen our synergies inside and outside the company by combining Nikon’s core technologies and open innovation with other companies.

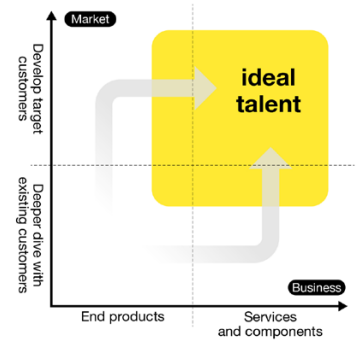
We seek the following traits in the talent that will drive this management strategy.

- Able to respond flexibly to changes in environment, and to think and provide value from the perspective of society and customers
- Able to autonomously think and act in order to achieve organizational or team goals
- Able to work together with diverse individuals and organizations across national, regional and business boundaries
- Able to create synergy by merging new and existing values




We urgently need talent who can lead customer development and strengthen our solutions businesses, particularly in our growth areas. In our established areas, we also predict a future shortage of talent to support Nikon’s core strength of manufacturing.

Although we need both a qualitative and a quantitative securing of talent in order to achieve our goals, we are also greatly aware of the increasing difficulty in securing the human resources required to carry out our management strategy due to the ever-greater movement of human resources and competitive hiring environment globally. Considering these circumstances and the needs of our management strategy, we have formulated a human resources strategy founded on the three pillars of our human capital management approach – “acquire talent”, “develop talent”, and “leverage talent” – and are developing a number of measures based on the policies outlined below.

Furthermore, in order to unite our management and human resources strategies, top management under the President will work with the human resources department to establish exact definitions of the required human resources and skills, and set forth measures to acquire, develop and leverage them.



The three pillars of our human resources strategy

	Acquire talent	Develop talent	Leverage talent
 Policy	<ul style="list-style-type: none"> • Reliably secure the human resources required to operate our businesses. • Aim to immediately acquire the talent urgently needed for our management strategy through new recruitment, M&As and other avenues. 	<ul style="list-style-type: none"> • Define the skills, roles and career paths required to execute duties, and provide a wealth of education and training opportunities to encourage autonomous growth. • Systematically develop core and global talent through strategic promotions and placements. 	<ul style="list-style-type: none"> • Promote the creation of environments (systems, workplaces, company culture, etc.) where diverse employees can show interest in autonomous growth, recognize their contributions to the team, and utilize their abilities to the fullest.
 Priority items	<ul style="list-style-type: none"> • Prioritize acquiring talent in business development and technical sales • Strengthen employment branding • Strengthen recruitment process and organization • More flexible employment and working conditions 	<ul style="list-style-type: none"> • Select core talent early on and develop in planned manner • Strategic deployment to globalize talent pool • Expand career development and re-skilling programs 	<ul style="list-style-type: none"> • Build environment where young and mid-career workers can grow and achieve • Promotion of diversity and inclusion • Selection and promotion of talent with a focus on capabilities and motivation
 Progress in Year1 (FY2022) of Plan	<ul style="list-style-type: none"> • Across the Nikon group in Japan, where many functions are housed, we more than doubled hiring to a record-high 600+. Planning to sustain the same level in FY2023 • Introduced hiring by occupational type for some new graduate hires and strengthened the acquisition of diverse talent • The top tiers of management themselves select management talent early on and lead the development of management tiers • Began the prioritized acquisition and planned development of business development and technical sales talent who will collaborate with our customers • Built out an environment that includes training to support the retention and utilization of career-minded hires and monitoring programs • Raised employee salaries by up to 20% by, for example, increasing allocations when business performance is trending well toward achieving medium-term targets • Established a "Nikon Global Diversity, Equity & Inclusion Policy" for all global sites with the aim of management that leverages diversity 		

Corporate Governance Enhancement Initiatives

Secure Independence of External Directors: More diverse board composition

Changes in board composition

	As of the end of				
	June 2019	June 2020	June 2021	June 2022	June 2023
Total number of directors (incl. Audit and Supervisory Committee members)	12	11	11	11	12
o/w external directors	5	5	5	5	*6
o/w those from major shareholders, etc.	3	2	2	0	0
o/w female directors	0	1	1	1	2

(* External Directors as of the end of June 2023

- Mr. Shigeru Murayama, Senior Strategic Advisor, Kawasaki Heavy Industries, Ltd.
- Mr. Makoto Sumita, former Chairman & Director, TDK Corporation
- Mr. Tsuneyoshi Tateoka, former Vice Minister of Economy, Trade and Industry
- Mr. Shiro Hiruta, former Counsellor, Asahi Kasei Corporation
- Ms. Asako Yamagami, Partner, ITN law office
- Ms. Michiko Chiba, Commissioner of Certified Public Accountants and Auditing Oversight Board

Nominating Committee members

- 4 external directors and 1 internal director (chaired by an external director)

Officer compensation system aimed at enhancing corporate value

New system of officer compensation linked to business performance in effect since FY2022

Compensation system and performance-based structure

	Fixed compensation	Performance-based compensation		
	Fixed monthly compensation	Short-term business performance	Medium-term business performance	Long-term business performance
		Bonus	Performance-based stock remuneration	Restricted stock remuneration
Ratio of compensation	1	0.6-0.7	0.1-0.225	0.3-0.45
Linked KPI	—	<ul style="list-style-type: none"> "Consolidated operating profit" and "ROE" Performance assessment of each division in charge Qualitative assessment of responses to issues assigned to individual executive directors, officers and executive fellows etc. 	<ul style="list-style-type: none"> Financial target <ul style="list-style-type: none"> "Revenue," "operating margin," and "ROE(*1)" Strategic targets <ul style="list-style-type: none"> "Operating profit" of growth drivers and services/components KPI achievement of sustainability strategy, etc. (Assignment restrictions until retirement)	(Assignment restrictions until retirement)
Degree of linkage with performance	—	0-200%	0-150%	Linked to stock price
Payment method	Cash		Stock	
Malus and clawback (*2)	Applies			

(*1)ROE refers only to the last fiscal year of the Medium-Term Management Plan.

(*2)Malus: A clause that allows for the reduction or cancellation of vested incentive compensation before its payment if fraud or misconduct by the officer is identified.

Clawback: A clause to have paid compensation returned in situations similar to the above.









Compensation Committee members

• 2 external directors and 2 internal director (chaired by an external director)

Establishment of the Independent External Directors' Meeting

The Company has established an Independent External Directors' Meeting whose members are all external directors in November 2022. The meeting serves as an opportunity for the members to freely exchange opinions and have discussions from an independent and objective standpoint about issues and matters to be deliberated by the Board of Directors. Based on the results of this meeting, the Independent External Directors' Meeting makes proposals to the Board of Directors and helps stimulate discussions at Board of Directors' meetings.

History of Enhancing Corporate Governance

		FY2019	FY2020	FY2021	FY2022	FY2023	
Increase of Board of Directors' diversity	% of external directors	42% (5 out of 12)	45% (5 out of 11)	45% (5 out of 11)	45% (5 out of 11)	50% (6 out of 12)	
	o/w % of those from major shareholders, etc.	60% (3 out of 5)	40% (2 out of 5)	40% (2 out of 5)	0%	0%	
	% of female directors	0%	9% (1 out of 11)	9% (1 out of 11)	9% (1 out of 11)	17% (2 out of 12)	
Improvement the effectiveness of the Board of Directors	Chairman of the Board	Separation from the position of officer	Separation from the representative director (strengthening of supervisory function over management)				
	Committee	<ul style="list-style-type: none"> Establishment of Nominating Committee (chaired by external director) Appointment of external director as chairperson of Compensation Committee 					
							
	Independent External Directors' Meeting	—	—	—	Establishment		
Effectiveness evaluation	Continuation of consideration and implementation cycles for improvement measures based on the results of the evaluation of Board of Directors' effectiveness conducted in the previous year						
Nominating	Succession plan for president	Formulation of the plan	Commencement of implementation	Full-scale implementation			
Compensation	Performance-based stock remuneration	Resumption of officer compensation system linked to the Medium-Term Management Plan			Decision of KPI based on the new Medium-Term Management Plan		

Corporate Governance Organization

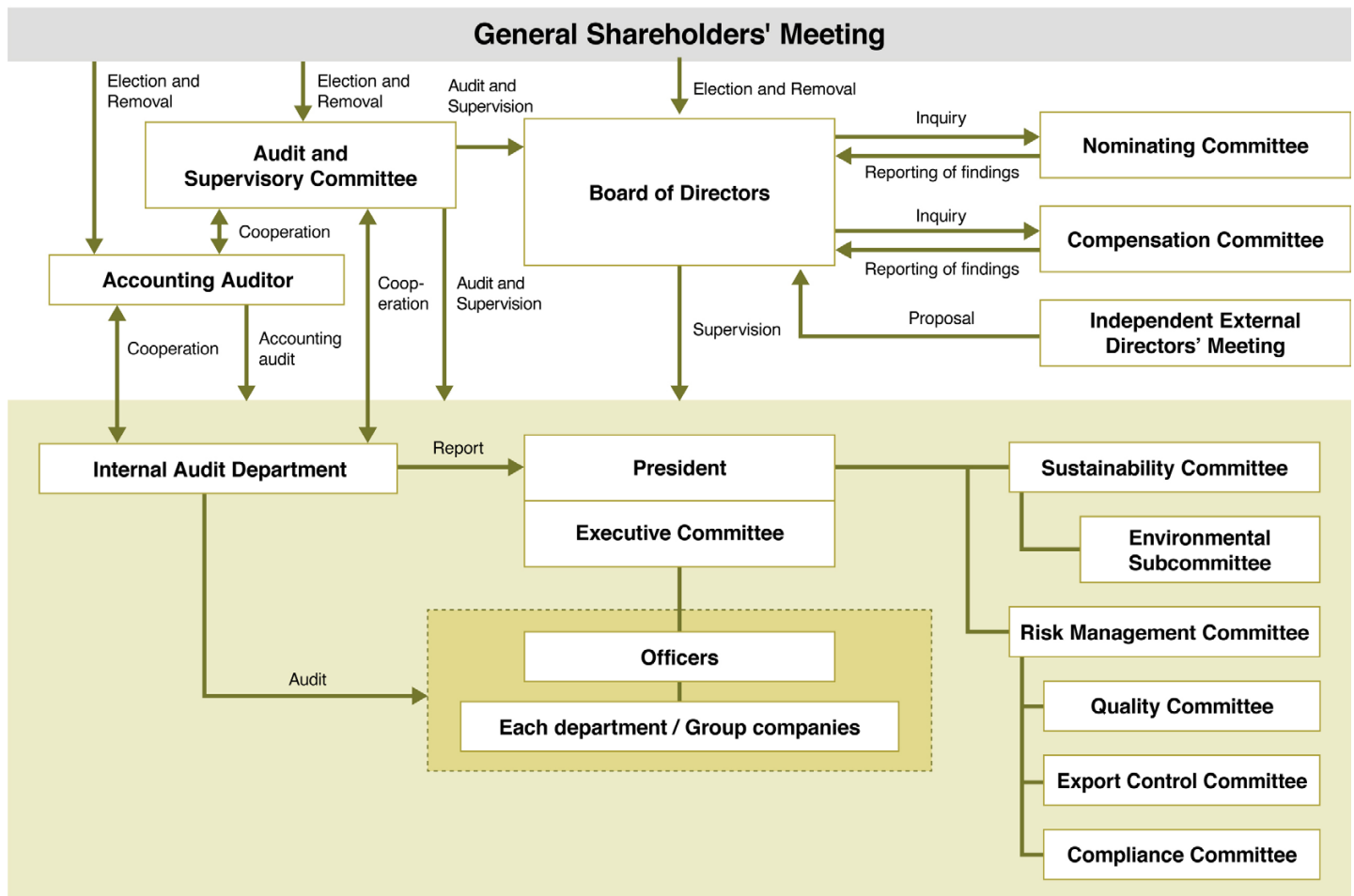
Basic Views

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.

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, 2023)



Board of Directors

The Board of Directors supervises management by directors and assumes the decision-making functions regarding matters prescribed under laws and regulations, the Articles of Incorporation of the Company, as well as the important matters concerning the Nikon Group. For the purpose of clarifying the scope of delegation to executive directors and officers while ensuring prompt decision-making and management by executive directors and officers, the Company specifically sets out the matters subject to deliberation at Board of Directors' meetings in the criteria for matters subject to deliberation and reporting at Board of Directors' meetings. For example, the Board of Directors makes decisions on matters concerning important management issues, including the basic management policies, the Medium-Term Management Plan, the annual plan, the Basic Policy on Internal Control System, and investments and loans exceeding a certain amount. Moreover, in order to further strengthen the supervisory function of the Board of Directors, the Company has appointed six independent external directors (including three Audit and Supervisory Committee members).

Meetings of the Board of Directors are presided at by Chairman of the Board, who is a non-executive director.

Audit and Supervisory Committee

The Audit and Supervisory Committee audits and supervises the status of management by directors other than those who are Audit and Supervisory Committee members, and officers as an independent body. For such a purpose, Audit and Supervisory Committee members regularly attend meetings of the Board of Directors as well as important meetings such as the Executive Committee, and conducts audits and supervision over management and directors. In addition, to further enhance the independence and neutrality of the audit system, the Audit and Supervisory Committee shall consist of five Audit and Supervisory Committee members, including three independent external directors.

Nominating Committee

The Company has a Nominating Committee as a voluntary advisory body to the Board of Directors. External directors comprise a majority of the members, and an external director chairs the Committee.

The Nominating Committee primarily formulates criteria for the election and removal of the chief executive officer, president and directors, nominates candidates, considers the composition of the Board of Directors, and oversees evaluation and assignment of officers so as to ensure that decisions on the election and removal of directors and officers are transparent and objective.

Compensation Committee

The Company has a Compensation Committee as a voluntary advisory body to the Board of Directors. External directors comprise more than half of its members, and an external director chairs the Committee. The Compensation Committee deliberates and makes proposals for policy regarding executive compensation as well as various related systems so as to ensure objectivity, transparency, and linkage with performance in the process of determining executive compensation.

Independent External Directors' Meeting

The Company has an Independent External Directors' Meeting whose members are all external directors. The meeting serves as an opportunity for the members to freely exchange opinions and have discussions from an independent and objective standpoint about issues and matters to be deliberated by the Board of Directors. Based on the results of this meeting, the Independent External Directors' Meeting makes proposals to the Board of Directors and helps stimulate discussions at Board of Directors' meetings.

Executive Committee

The Executive Committee, as the highest decision-making body of management, swiftly and decisively makes decisions on individual major management issues delegated by the Board of Directors, in accordance with basic management and other policies, as determined by the Board of Directors.

Directors' Skills Matrix

To accomplish its management strategy, the Company has selected the specific skills expected from its directors as shown in the table below, and authorized them following the deliberation by the Nominating Committee. The skills include knowledge on and experience in corporate management, management strategy, internal control, and governance as well as the Company's business characteristics and issues. The composition of the Board of Directors is designed to ensure that each director possesses these skills in a well-balanced manner and the Board as a whole can demonstrate its effectiveness, taking into account the need to maintain diversity and an appropriate number of directors.

*Indicates the External Director

Title	Name	Nominating Committee	Compensation Committee	Knowledge and experience expected from directors					
				Corporate management and management strategy	Internal control and governance	Legal and risk management	Finance and accounting / M&A	Global business	Technology
Chairman of the Board	Kazuo Ushida	✓	✓	✓	✓				✓
Representative Director	Toshikazu Umatate		✓	✓				✓	✓
Representative Director	Takumi Odajima			✓	✓	✓			
Director	Muneaki Tokunari			✓	✓		✓		
Director*	Shigeru Murayama	✓	✓ (Chairperson)	✓				✓	✓
Director*	Makoto Sumita	✓ (Chairperson)		✓	✓				✓
Director*	Tsuneyoshi Tatsuoka	✓			✓	✓		✓	
Director Full-time Audit and Supervisory Committee Member	Satoshi Hagiwara			✓	✓		✓		
Director Full-time Audit and Supervisory Committee Member	Atsushi Tsurumi				✓		✓	✓	
Director* Audit and Supervisory Committee Member	Shiro Hiruta		✓	✓	✓				✓
Director* Audit and Supervisory Committee Member	Asako Yamagami	✓			✓	✓		✓	
Director* Audit and Supervisory Committee Member	Michiko Chiba				✓	✓	✓		

(Of skills each director possesses, up to three items of knowledge and experience are listed on which the Board particularly relies.)

External Director

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.

- a) The candidate serves or served the Group in the past.
- b) The candidate is a "major client or supplier*" of the Company or an executive thereof.
- c) The candidate is a major shareholder of the Company or an executive of said major shareholder.
- d) The candidate served in the past at a company whose directors are concurrently serving as external directors of the Company and vice versa.
- e) 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.
- f) 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.

(1) 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

(2) 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)

Reasons for Appointment

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

Name	Reasons for Appointment
Shigeru Murayama	Shigeru Murayama served as Representative Director of Kawasaki Heavy Industries, Inc. 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.
Makoto Sumita	Makoto Sumita served as President and Representative Director of INNOTECH CORPORATION, Chairman & Director of TDK 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.
Tsuneyoshi Tatsuoka	Tsuneyoshi Tatsuoka has held important positions at the Ministry of Economy, Trade and Industry, and possesses exceptional knowledge regarding industrial and economic policies, 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
Michiko Chiba	Michiko Chiba possesses outstanding insight regarding corporate accounting and governance through her involvement as the person responsible for various auditing operations at an auditing firm, and we believe that she is qualified to fulfill the responsibilities of an Audit and Supervisory Committee Member.

Attendance at Meetings of the Board of Directors, and Audit and Supervisory Committee (Fiscal year ended March 31, 2023)

Name	Category	Board of Directors	Audit and Supervisory Committee
Shigeru Murayama	Director	18 of 18	-
Tsuneyoshi Tatsuoka	Director	13 of 14	-
Shiro Hiruta	Director (Audit and Supervisory Committee member)	18 of 18	10 of 10
Asako Yamagami	Director (Audit and Supervisory Committee member)	18 of 18	10 of 10
Makoto Sumita	Director (Audit and Supervisory Committee member)	14 of 14	7 of 7

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, 2022) as well as the issues identified in this evaluation (for the fiscal year ended March 31, 2023) are outlined below.

<p>Evaluation Method</p>	<ul style="list-style-type: none"> • 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. • The evaluation results and identified issues were shared at a meeting of the Board of Directors and discussions on how to improve the functions of the Board of Directors were held by the Independent External Directors' Meeting.
<p>Efforts to Address Issues Identified in Previous Evaluation</p>	<ul style="list-style-type: none"> • Monitoring of progress of Medium-Term Management Plan and growth strategies Enhanced the agenda of Board of Directors' meetings by focusing discussions on important management issues and growth strategies and conducted regular monitoring of Medium-Term Management Plan progress based on areas designated for monitoring by the Board of Directors • Strengthening of support functions for external directors Increased the quality and quantity of information provided to external directors and distributed materials prior to meetings to facilitate more extensive discussions; achieved particular improvements in providing information pertaining to discussions by management.
<p>Main Issues Identified in This Evaluation</p>	<ul style="list-style-type: none"> • Improvement of monitoring of progress of Medium-Term Management Plan and growth strategies Need to assess necessity of revisions to the Medium-Term Management Plan and growth strategies based on changes in the operating environment and determine whether directives should be revised to make better progress toward goals • Reinforcement and monitoring of internal control and risk management systems Ongoing need to provide appropriate advice and monitoring based on regular reports on internal control and risk management systems and their implementation in order to facilitate the reinforcement of systems • Enhancement of coordination between Nominating Committee and Board of Directors Need to provide more information about the deliberation process at meetings of the Nominating Committee to the Board of Directors in order to invigorate discussions at Board of Directors' meetings on enhancing coordination with the Nominating Committee

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

Compensation of Directors and Officers

Compensation for Directors (Fiscal year ended March 31, 2023)

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	7 (3)	6 (4)	13 (7)
		Amount of compensation(million yen)	241 (30)	108 (45)	349 (75)
Performance-based compensation	Bonuses	Number of persons	3 (-)	-	3 (-)
		Amount of compensation(million yen)	138 (-)	-	138 (-)
	Performance-based stock remuneration	Number of persons	3 (-)	-	3 (-)
		Amount of compensation(million yen)	26 (-)	-	26 (-)
Stock compensation	Restricted stock remuneration	Number of persons	3 (-)	-	3 (-)
		Amount of compensation(million yen)	61 (-)	-	61 (-)
Total		Number of persons	7 (3)	6 (4)	13 (7)
		Amount of compensation(million yen)	465 (30)	108 (45)	573 (75)

*The number of persons and the amount of compensation pertaining to fixed compensation/fixed monthly compensation, and total shown above include one Director who is not an Audit and Supervisory Committee Member (of which, one External Director) and one Director who is an Audit and Supervisory Committee Member (of which, one External Director) who retired at the conclusion of the 158th Annual General Shareholders' Meeting held on June 29, 2022, and the amount of compensation pertaining to the said Directors.

*The amount of performance-based stock remuneration shown above indicates the total amount to be paid to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) during the fiscal year, by resolution of the Board of Directors held on May 19, 2023.

Compensation system

Compensation system is based on the following policies and procedures.

1) Basic policies

Executive compensation will be determined to satisfy the following basic criteria.

- Executive compensation should motivate directors and officers, etc. to sustainably improve corporate and shareholder value, as well as enhance their willingness and morale.
- Executive compensation should help keep, cultivate and reward excellent personnel.
- The decision-making process for the compensation system should be objective and transparent.

2) Decisions on compensation amount and calculation method based on deliberations by the Compensation Committee

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 the compensation amount consistent with the performance of the Group and its business scale.

The Compensation Committee deliberates on compensation for individual directors other than those who are Audit and Supervisory Committee members and officers, etc. Based on the results of such deliberations, the Board of Directors decides on the compensation.

Compensation for individual directors who are Audit and Supervisory Committee members is determined by consultation among directors who are Audit and Supervisory Committee members.

3) Compensation system and performance-based structure

a) As a general rule, the compensation system for executive directors and officers, etc. comprises monetary compensation (fixed monthly compensation and bonuses) and stock compensation (performance-based stock remuneration and restricted stock remuneration). The standard payment of bonuses or each stock compensation to be paid to individual executive directors and officers, etc. is calculated by multiplying the amount of their respective fixed monthly compensation by a ratio, which is determined according to their respective title and duties. The higher and more important their title and duties are, the higher the ratio is. When the ratio of fixed monthly compensation is assumed to be 1, the range of the ratio of each compensation is as shown below. Also, stock compensation is paid to executive directors and officers, etc. every fiscal year within the range not exceeding 1% of the share dilution ratio.

Bonuses	0.6 - 0.7
Performance-based stock remuneration	0.1 - 0.225
Restricted stock remuneration	0.3 - 0.45

Monetary compensation

- Fixed monthly compensation

This monetary compensation is not based on performance and is paid every month.

- Bonuses

This monetary compensation is determined by the Board of Directors based on an evaluation by the Compensation Committee 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 title and duties. As a general rule, a bonus is paid in June every year.

- the degree of achievement of the consolidated ROE and operating profit;
- the degree of achievement of capital efficiency, profitability and other targets, as well as qualitative assessment, of each division; and
- the qualitative assessment of responses to issues assigned to individual executive directors and officers, etc.

Stock compensation

- Performance-based stock remuneration

With the aims of sharing value with shareholders and enhancing willingness and morale for improving medium-to-long-term performance, this stock compensation is determined by the Board of Directors based on an evaluation by the Compensation Committee based on the following factors within the range of 0% to 150% of the standard payment, which is calculated according to title and duties.

- the degree of achievement of the consolidated ROE target set for the final fiscal year of the medium-term management plan (the "Plan") to be resolved every multiple fiscal years determined separately by the Board of Directors;
- the degree of achievement of consolidated revenue and operating margin targets for each fiscal year during the Plan period; and
- the degree of achievement of targets for strategic issues

As a general rule, this remuneration is paid by delivering restricted shares or the amount of cash equivalent to the market value of the restricted shares in the first June after the end of each fiscal year included in the Plan period. The restricted shares are, as a rule, prohibited from being disposed of during the period up to the date on which an eligible person retires from any of the positions as director and officer, etc.

- Restricted stock remuneration

As a general rule, this stock compensation is paid by delivering restricted shares in April every year, with the aims of sharing value with shareholders and enhancing willingness and morale for improving long-term performance. The restricted shares are, as a rule, prohibited from being disposed of during the period up to the date on which an eligible person retires from any of the positions as director and officer, etc. As a general rule, the number of restricted shares to be delivered is determined by dividing an amount calculated according to title and duties by resolution of the Board of Directors by the market value of the Company's shares.

b) The compensation system for non-executive directors consists only of fixed monthly compensation to be paid every month.

Number of Women and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2023)

Category	Women	Non-Japanese
Nikon Corporation	1	1
Group companies*	4	30

*Local equivalent to director, officer, and corporate auditor included in the count. Cases of directors or officers serving in concurrent posts are counted as one individual.

Dialogue between External Directors

This dialogue between external directors was held in May 2023.



Shiro Hiruta

External Director (Audit and Supervisory Committee Member)

Shiro Hiruta has served as President and Representative Director of Asahi Kasei Corporation and has held other important positions. He assumed the position of external director at the Company in June 2019.

Asako Yamagami

External Director (Audit and Supervisory Committee Member)

Asako Yamagami is an active attorney-at-law and a partner of ITN law office. She assumed the position of external director at the Company in June 2020.

Improvements to Corporate Governance Guided by Input from External Directors

Hiruta: I became an external director at Nikon in the fiscal year 2019. Since then, I have seen the Board of Directors become increasingly diverse through means such as the appointment of external directors from companies that are not major shareholders of the Company. I have also seen Board of Directors' meetings themselves improve in terms of effectiveness. When I took up the position of external director, I had the impression that discussions among the Board of Directors were not particularly active. At that time, I felt external directors needed additional opportunities to gain more information and knowledge on Nikon's business. After communicating this opinion to the executive team, they arranged the Study Sessions for the Directors, which granted us a better understanding of the state of the Company's business. This increased understanding proved to be invaluable to discussions and has thereby helped heighten the effectiveness of Board of Directors' meetings. The way Nikon actively responds to proposals from external directors is one of the strengths of the Company's corporate governance system.

Yamagami: Prior to the start of the Study Sessions for the Directors, I think that the executive team was hesitant to take the time of external directors. I thus told them that this concern was unnecessary, as I and other external directors also wanted to offer input based on a firm understanding of Nikon's business. By heightening our understanding through these study sessions, we have been able to devote a greater amount of time to discussions at Board of Directors' meetings.

In addition, the Independent External Directors' Meeting was established in FY2022, as a venue for discussions purely among external directors. At the inaugural meeting, participants engaged in discussions after confirming the purpose of the venue, which contributed to increased effectiveness. The meeting proves to be an informal forum for exchanging opinions among external directors to ensure that we are better prepared for discussions at Board of Directors' meetings.

Hiruta: In principle, only external directors participate in the Independent External Directors' Meeting. The amount of time between the disclosure of information on important projects and other matters to external directors and resolution at Board of Directors' meetings can be rather short. Accordingly, the Independent External Directors' Meeting is convened when necessary. At these meetings, external directors are given the opportunity to analyze the risks of a given proposal based on their differing backgrounds, which prepares them to voice opinions at Board of Directors' meetings as they deem necessary.

Yamagami: The effectiveness of Nikon's Board of Directors is evaluated on an annual basis, and steady improvements are being pursued based on the issues identified through these evaluations. For example, when it was pointed out that the Board should focus more on discussions regarding overarching directives, steps were taken to narrow the scope of agendas to dedicate more time to discussions on fundamental matters.

Hiruta: I have also seen steady improvements in the Company's voluntary committees, namely, the Nominating Committee and the Compensation Committee. As one specific example, when I was a member of the Nominating Committee, we primarily discussed the nomination of successors to the president. This situation prompted me to point out the importance of plans for cultivating successors who could be subject potential candidates for nomination. Thereafter, the Nominating Committee started discussing plans for cultivating candidates for important posts while also regularly monitoring said plans.



Process of Formulating the Medium-Term Management Plan

Hiruta: One of the factors that prompted Nikon's efforts to improve its corporate governance system was the fact that performance under the previous Medium-Term Management Plan—which concluded in FY2021—fell significantly short of the plan's targets. I decided to suggest the start of the Study Sessions for the Directors because I felt that one of the reasons behind this failure might lie in the process used for deciding these targets. During the process of formulating the current Medium-Term Management Plan, which kicked off in FY2022, external directors pointed out a number of issues related to operating environment changes and potential future risks at Board of Directors' meetings, and this input was incorporated into the plan.

Yamagami: Starting around six months prior to the announcement of the current Medium-Term Management Plan, the Board of Directors met at least once a month to discuss the plan. At first, I did not see a connection between the directives put forth by management and those proposed by the respective divisions, but we were able to craft a uniform approach through a process of ongoing discussion. As a result, I believe that we were able to formulate numerical targets and directives for the plan that could be accepted by both management and division leadership.

Hiruta: An important aspect of formulating the current Medium-Term Management Plan was that we discussed not only its numerical targets but also its long-term directives. The current plan thus came to outline Vision 2030 as well as the initiatives that will be advanced up to 2025 toward the realization of this vision. I also have to praise how we took part in a lively debate on which business areas should be strengthened to limit fluctuations in performance. We were able to take this approach because we adopted a long-term perspective in formulating Vision 2030.

Yamagami: Even now that the current Medium-Term Management Plan is in motion, the Board of Directors continues to evaluate performance from the perspectives of both performance and how effectively the Company is responding to operating environment changes.



Discussions Regarding the Enhancement of Shareholder Returns and M&A and Other Growth Investments



Hiruta: We recognize the danger represented by Nikon's price-to-book ratio being less than 1.0 times. Improving the price-to-book ratio will require the Company to make steady progress in advancing the current Medium-Term Management Plan in order to build a corporate constitution that will allow for ongoing profit growth and enhancements to shareholder returns. Nikon also must make sure that investors understand that it is taking these steps.

Yamagami: At Nikon, investor relations meetings are held with investors and analysts, and detailed reports on the results of these meetings and analyses are submitted to the Board of Directors. These reports shape discussions on the current Medium-Term Management Plan, various projects, and other matters. In this manner, I believe that the Board of Directors is constantly mindful of how capital markets evaluate the Company.

Hiruta: Investors tend to see Nikon as a company with large cash surpluses. Such cash surpluses are held as they are crucial to a company like Nikon with a lot of businesses in which earnings levels can fluctuate. However, I think that, if Nikon was able to grow businesses with stable earnings structures, it could reduce the degree of fluctuation in overall performance and effectively lower its requirements for on-hand cash.

Yamagami: Nikon has put forth a policy of allocating capital to both shareholder returns and growth strategies. Regardless, amounts of R&D and other investments have been falling short of targets, meaning that this is an area that will require attention going forward.

Hiruta: I think it could be said that R&D, business acquisition, and other investments in the past were based on somewhat wishful thinking. The current Medium-Term Management Plan, meanwhile, incorporates accurate operating environment analyses to emphasize investments with a high degree of business feasibility. For example, SLM Solutions Group AG (currently Nikon SLM Solutions AG, hereinafter "SLM") of Germany was converted into a consolidated subsidiary in January 2023. When discussing this investment, a number of opinions were voiced with regard to considerations such as SLM's capabilities in areas including promising metal 3D printing technologies and risks analyses based on the outlook for operating environment changes. It was judged that, as SLM was a listed company, the risks pertaining to the transparency of the available information were relatively low. Another important point of consideration was the future potential for this company's business domain.

Yamagami: Our examination of SLM was not limited to the company itself; we also scrutinized the risks and prospects for its business domain. During this process, Mr. Hiruta and other external directors with management backgrounds offered a broad range of advice based on their past experience. I, meanwhile, have been involved in a wide variety of business combinations as an attorney-at-law. I therefore endeavor to identify risks based on my experience in the legal field.

Looking ahead, I intend to pay close attention to the process of integrating and strengthening governance at SLM in my capacity as a member of the Audit and Supervisory Committee.

Importance of Diversity, Equity and Inclusion and Transformation of Company Culture

Yamagami: I am the only woman on the Board of Directors at Nikon. I therefore take care to avoid a situation in which my personal opinion is taken to be representative of women generally by talking with various women both inside and outside of the Company, before providing input in proactive manner at Board meetings. (Note: Since June 29, 2023, the number of female directors has increased to two.)

Also, when Nikon was looking to formulate a diversity, equity and inclusion policy, a sustainability representative asked me whether it might be more difficult to promote internal understanding of this policy if we added “equity” to the still relatively new concept of “diversity and inclusion.” In actuality, Nikon’s prior understanding of diversity and inclusion concept already included the element of “equity.” For this reason, I responded to this question by stating that adding the word “equity” to the policy’s name would make it more representative of the policy itself. I also used this opportunity to talk about the importance of gaining employee understanding through conversations based on thorough explanations of the significance of equity to fostering awareness regarding the policy. Based on my advice, the Company unveiled its Nikon Global Diversity, Equity & Inclusion Policy in April 2023. I have been informed that the Company is currently discussing the degree to which this policy is being observed while promoting awareness thereof, which is greatly reassuring.



Hiruta: The promotion of diversity, equity and inclusion is an issue of great importance. Manufacturers like Nikon have enjoyed a situation in which the equality of human resources means that individuals can be replaced with others in order to continue stable production. Today, however, things are changing, and now the earnings of companies are predicated on how well they are able to address customer needs and help respond to social issues. Management should therefore recognize that diversity, equity and inclusion are indispensable to developing a business focused on improving customer value and addressing social issues. This fact should be constantly communicated to employees in order to transform the corporate culture.

Yamagami: Transforming a corporate culture requires that management be passionate and diligent toward ongoing communication. At the same time, it is important to gather and utilize input from the diverse individuals who will be shaping society a decade or two in the future.

Future Challenges for Nikon from the Perspective of External Directors

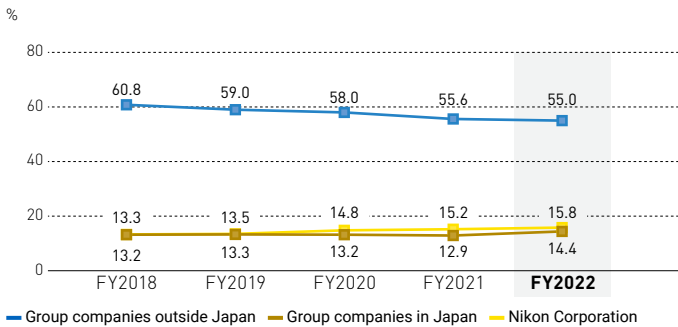
Hiruta: Nikon is devoting effort to accomplishing its numerical targets. However, I feel that ensuring daily business activities are based on a thorough understanding of the background behind these targets is a challenge that will be need to be tackled by frontline organizations and management alike. Another challenge will be ensuring that a strong emphasis on cash and other financial matters is embraced by employees not involved in financial, accounting, and planning divisions. At the very least, this type of emphasis will be important for employees ranked section manager or higher. Earlier, Ms. Yamagami mentioned how the Company has not been able to fully use its R&D investment budget. This situation could be an example of managers’ efforts to secure the largest budget possible. If more managers embrace a financial perspective, such issues may become rarer. I therefore hope to see Nikon fostering managers with a managerial perspective going forward.

Yamagami: I think that Nikon needs to address the issue of only having one non-Japanese officer, which is especially problematic given the Company’s high ratio of overseas sales. Appointing overseas hires to management positions is becoming increasingly important for global companies from the perspectives of strengthening corporate governance and of recruiting and utilizing human resources. Such mobilization of non-Japanese employees is also a prerequisite of promoting diversity, equity and inclusion. I therefore aim to help Nikon promote these principles in the years ahead.

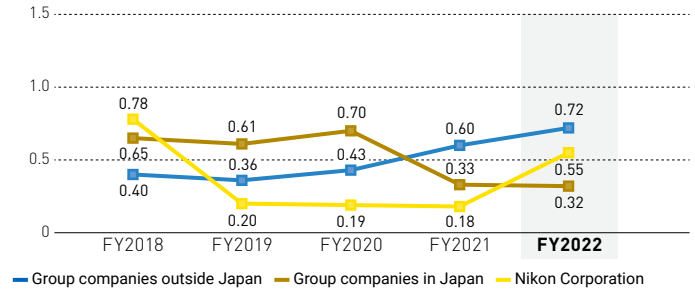
Non-Financial Highlights

Nikon Corporation and Consolidated Subsidiaries

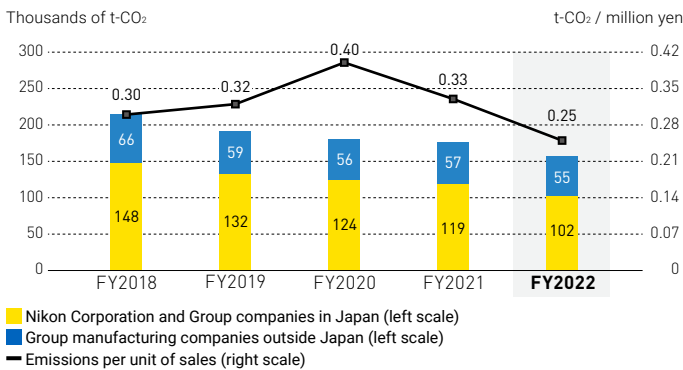
Ratio of Female Employees^{*1}



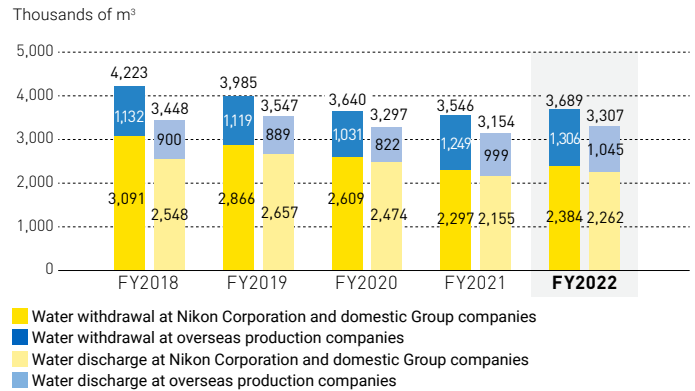
Frequency Rate of Lost Time Accidents (1 or More Days)^{*2,3}



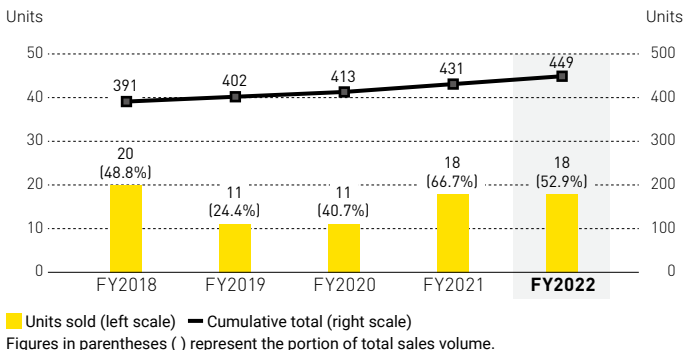
CO₂ Emissions from Energy Consumption^{*4}



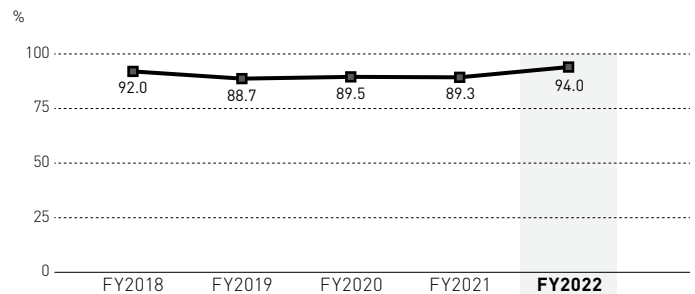
Water Withdrawal / Water Discharge



Sales Trends of Refurbished Semiconductor Lithography Systems



Employee Retention Rate



*1 Figures represent the number of permanent employees of the Nikon Group (consolidated). Employees seconded to affiliates are counted as those of the affiliates. SLM Solutions Group AG (currently Nikon SLM Solutions AG) and its subsidiaries which became consolidated subsidiaries in January 2023 are not included in the results in FY2022.

*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 (22 companies in FY2022). Group companies outside Japan exclude companies that are in the process of being liquidated (45 companies in FY2022, excluding 16 companies such as SLM Solutions Group AG (currently Nikon SLM Solutions AG) and its subsidiaries) and its frequency rate is calculated based on total imputed working hours.

*4 The following values is used for CO₂ conversion factors. Electric power: [Japan] The CO₂ 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] Individual countries factor in International Energy Agency (IEA) factors. 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) are 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] 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.

Financial Highlights

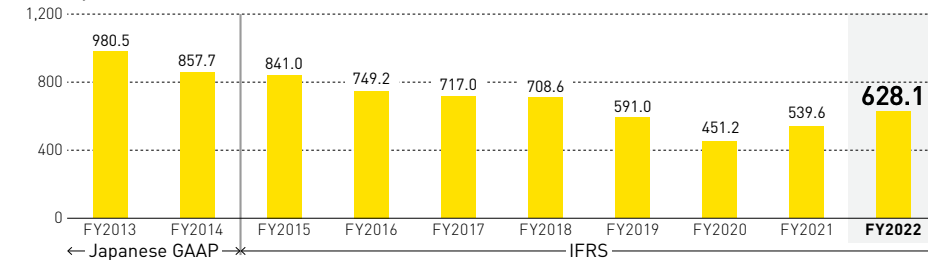
Nikon Corporation and Consolidated Subsidiaries

Note: Figures for FY2014 and prior are prepared in accordance with Japanese GAAP. Figures for FY2015 and thereafter are prepared in accordance with IFRS.

Growth Potential / Profitability

Revenue*

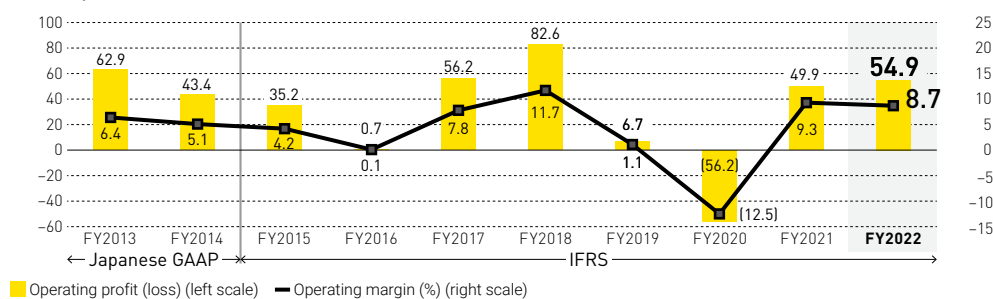
Billions of yen



* "Net sales" under Japanese GAAP

Operating Profit (Loss) / Operating Margin

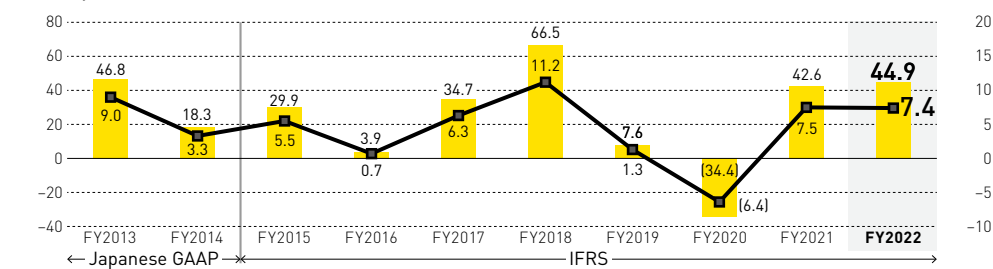
Billions of yen



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

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

Billions of yen

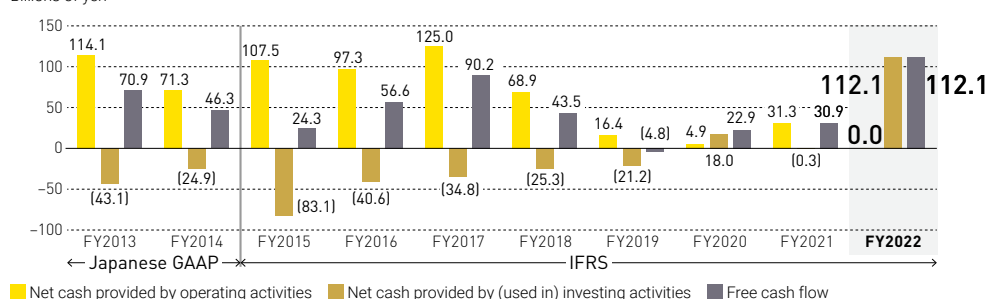


■ Profit (loss) attributable to owners of parent* (left scale) — ROE (%) (right scale)

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

Cash Flows

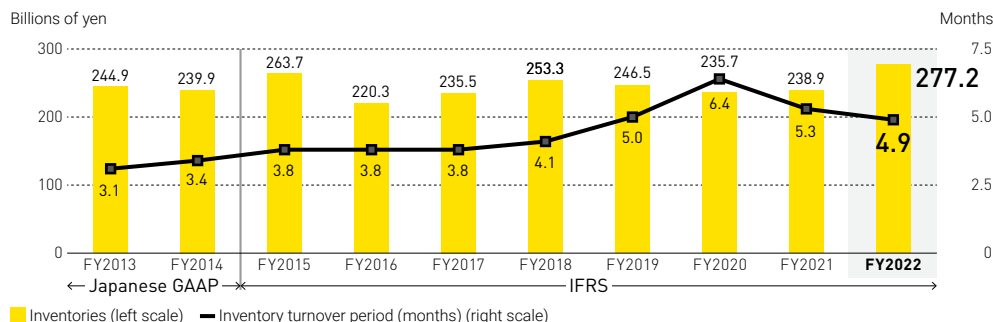
Billions of yen



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

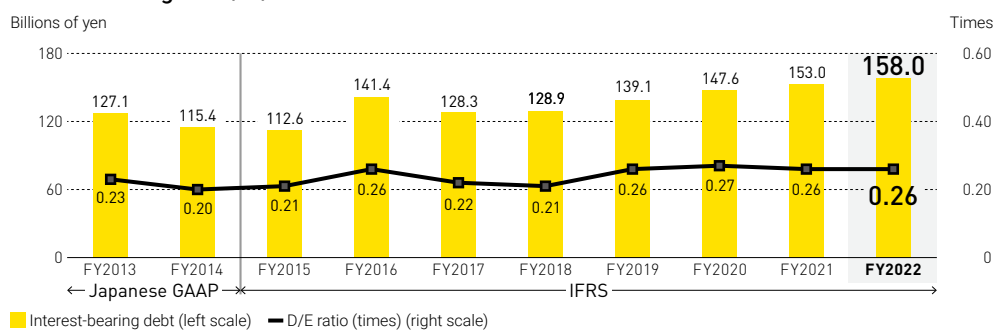
Efficiency

Inventories / Inventory Turnover Period



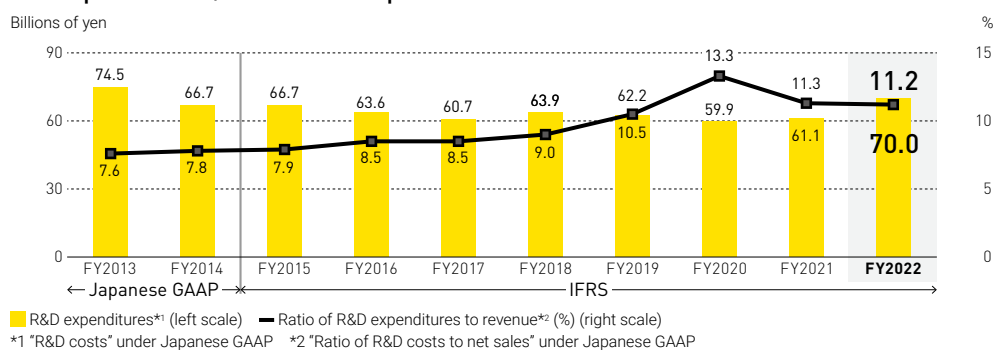
Safety

Interest-Bearing Debt / D/E Ratio



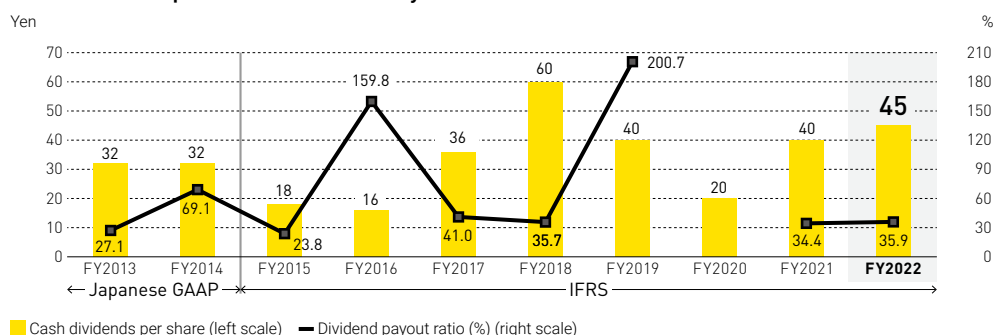
Growth Investments

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



Shareholder Returns

Cash Dividends per Share / Dividend Payout Ratio



10-Year Financial and Non-Financial Data Summary

Nikon Corporation and Consolidated Subsidiaries

Note: Figures for FY2015 and prior are prepared in accordance with Japanese GAAP. Figures for FY2016 and thereafter are prepared in accordance with IFRS.

Japanese GAAP / IFRS

	Japanese GAAP			IFRS
	FY2013	FY2014	FY2015*3	FY2015
Millions of yen				
Profit or loss (for the year):				
Net sales / Revenue	¥ 980,556	¥ 857,782	¥ 819,388	¥ 841,040
Cost of sales	(630,568)	(532,383)	(506,773)	(522,232)
Selling, general and administrative expenses	(287,046)	(281,987)	(280,917)	(276,988)
Other income (expenses)	—	—	—	(6,554)
Operating income (loss) / Operating profit (loss)	62,942	43,412	31,699	35,266
Income (loss) before income taxes / Profit (loss) before tax	74,692	35,153	28,579	39,546
Net income (loss) attributable to owners of parent / Profit (loss) attributable to owners of parent	46,825	18,364	18,254	29,947
Financial position (fiscal year-end):				
Total assets	949,515	972,945	966,578	982,564
Total equity	546,813	572,201	528,280	537,078
Interest-bearing debt	127,132	115,498	112,772	112,642
Cash flows (for the year):				
Net cash provided by operating activities	114,185	71,309	105,215	107,512
Net cash provided by (used in) investing activities	(43,194)	(24,945)	(80,881)	(83,178)
Free cash flow	70,991	46,364	24,334	24,334
Net cash provided by (used in) financing activities	31,869	(24,955)	(18,174)	(18,174)
Per share of common stock (yen)*1:				
Basic net income (loss) / Basic earnings	118.06	46.29	46.05	75.55
Diluted net income / Diluted earnings	117.88	46.21	45.94	75.37
Cash dividends paid	32.00	32.00	18.00	18.00
Financial indicators:				
Equity ratio (%) / Ratio of equity attributable to owners of parent total assets (%)	57.5	58.6	54.5	54.6
D/E ratio (times)*2	0.23	0.20	0.21	0.21
ROE (%)*2	9.0	3.3	3.4	5.5
ROA (%)*2	5.2	1.9	1.9	3.0
Capital expenditures	45,472	32,550	34,498	34,498
Depreciation and amortization	42,477	38,458	37,739	38,811
R&D costs / R&D expenditures*5	74,552	66,730	66,781	66,781
	FY2013	FY2014	FY2015	
Non-financial data:				
Number of consolidated subsidiaries	70	75	84	
Number of employees*6	23,859	25,415	25,729	
Ratio of female employees (%)*7	40.4	44.6	45.1	
Ratio of employees outside Japan (%)*8	57.4	60.5	61.6	
Number of employees participating in corporate citizenship activities (total)	—	2,627	4,477	
CO ₂ emissions from energy consumption (thousands of t-CO ₂)*9	244	244	235	
Energy consumption (TJ)*10	4,297	4,297	4,312	
Waste generation (tons)*11	—	—	6,369	

*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, D/E ratio is computed by dividing interest-bearing debt by total equity, ROE is computed by dividing profit (loss) attributable to owners of parent by the average of equity attributable to owners of parent at the start and end of the given fiscal year, and ROA is computed by dividing profit (loss) attributable to owners of 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 FY2016, however, the accounting policy has been changed to recognize revenue at the point when installation is completed. Accordingly, consolidated financial figures for FY2015, were adjusted retrospectively in accordance with the change in the accounting policy.

*4 U.S. dollar figures are translated for reference only at ¥133.53 = \$1, the exchange rate on March 31, 2023.

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

*6 The scope of calculation for figures encompasses permanent employees of the Nikon Group (consolidated) and executive officers of Group companies.

*7 Figures represent the number of permanent employees of the Nikon Group (consolidated). Employees seconded to affiliates are counted as those of the affiliates. SLM Solutions Group AG (currently Nikon SLM Solutions AG) and its subsidiaries which became consolidated subsidiaries in January 2023 are not included in the results in FY2022.

*8 Figures represent the ratio of consolidated employees that are working at Group companies outside Japan. For FY2017 and prior, employees seconded to affiliates were counted as employees of the seconding company. For FY2018 and forward, employees seconded to affiliates are counted as employees of the respective affiliates.

IFRS

							Millions of yen	Thousands of U.S. dollars*4
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2022
Profit or loss (for the year):								
Revenue	¥ 749,273	¥ 717,078	¥ 708,660	¥ 591,012	¥ 451,223	¥ 539,612	¥ 628,105	\$ 4,703,851
Cost of sales	(443,153)	(404,170)	(405,250)	(368,978)	(295,318)	(303,541)	(338,931)	[2,538,238]
Selling, general and administrative expenses	(247,548)	(248,683)	(238,561)	(205,698)	(181,339)	(189,465)	(231,228)	[1,731,657]
Other income (expenses)	(57,798)	(7,988)	17,805	(9,585)	(30,807)	3,328	3,209	24,034
Operating profit (loss)	774	56,236	82,653	6,751	(56,241)	49,934	54,908	411,204
Profit (loss) before tax	3,068	56,257	87,915	11,864	(45,342)	57,096	57,058	427,307
Profit (loss) attributable to owners of parent	3,967	34,772	66,513	7,693	(34,497)	42,679	44,944	336,583
Financial position (fiscal year-end):								
Total assets	1,018,351	1,098,343	1,134,985	1,005,881	989,737	1,039,566	1,050,267	7,865,402
Total equity	538,150	573,541	616,726	541,760	538,726	599,967	618,351	4,630,798
Interest-bearing debt	141,494	128,314	128,992	139,136	147,628	153,098	158,097	1,183,980
Cash flows (for the year):								
Net cash provided by operating activities	97,342	125,082	68,901	16,419	4,966	31,351	15	113
Net cash provided by (used in) investing activities	(40,693)	(34,808)	(25,304)	(21,281)	18,024	(385)	(112,146)	[839,855]
Free cash flow	56,649	90,274	43,597	(4,862)	22,990	30,966	(112,131)	[839,743]
Net cash provided by (used in) financing activities	15,522	(19,970)	(21,583)	(72,739)	(4,991)	(26,151)	(56,210)	[420,956]
Per share of common stock (yen and U.S. dollars)*1:								
Basic earnings	10.01	87.76	167.86	19.93	(93.96)	116.23	125.46	0.94
Diluted earnings	9.98	87.49	167.30	19.85	(93.96)	115.58	124.77	0.93
Cash dividends paid	16.00	36.00	60.00	40.00	20.00	40.00	45.00	0.34
Financial indicators:								
Ratio of equity attributable to owners of parent								
total assets (%)	52.8	52.2	54.3	53.7	54.3	57.5	58.6	
D/E ratio (times)*2	0.26	0.22	0.21	0.26	0.27	0.26	0.26	
ROE (%)*2	0.7	6.3	11.2	1.3	(6.4)	7.5	7.4	
ROA (%)*2	0.4	3.3	6.0	0.7	(3.5)	4.2	4.3	
Capital expenditures								
Depreciation and amortization	32,234	33,472	24,938	28,775	30,531	42,143	42,181	315,888
R&D expenditures*5	33,972	31,706	27,805	34,105	28,027	24,857	29,056	217,598
	63,636	60,704	63,963	62,294	59,955	61,107	70,090	524,901
Non-financial data:								
Number of consolidated subsidiaries	82	81	81	82	79	71	80	
Number of employees*6	25,031	21,029	20,917	20,190	19,448	18,437	18,790	
Ratio of female employees (%)*7	44.1	40.5	41.0	39.2	38.0	36.2	36.8	
Ratio of employees outside Japan (%)*8	60.7	58.5	57.8	56.5	54.6	53.1	55.8	
Number of employees participating in corporate citizenship activities (total)								
CO ₂ emissions from energy consumption (thousands of t-CO ₂)*9	3,302	3,591	3,629	3,310	1,888	1,681	3,974	
Energy consumption (TJ)*10	221	225	215	191	180	175	157	
Waste generation (tons)*11	4,169	4,410	4,283	4,057	3,842	3,885	3,979	
	6,118	5,928	7,771	7,089	5,989	5,803	6,194	

*9 The following values is used for CO₂ conversion factors.

Electric power: [Japan] The CO₂ 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] Individual countries factor in International Energy Agency (IEA) factors.

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) are 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] 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.

*10 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] 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).

*11 Nikon (Thailand) Co., Ltd. and Nikon X-Tek Systems Ltd. are included in the scope of calculation since FY2018. The waste from Nikon Cell Innovation, Nikon Lao Co., Ltd., Optos Plc, and Optos, Inc., and the resources with economic value from Group manufacturing companies outside Japan are included in the scope of calculation since FY2019.

Information

Corporate Data

(As of March 31, 2023)

Nikon Corporation

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

Number of Employees

18,790 (Consolidated)

Stock Status

Total number of shares authorized to
be issued:

1,000,000,000 shares

Total number of shares issued:

351,476,686 shares

Date of Establishment

July 25, 1917

Capital

¥65,476 million

Shareholders' Information

(As of March 31, 2023)

Number of Shareholders

46,887

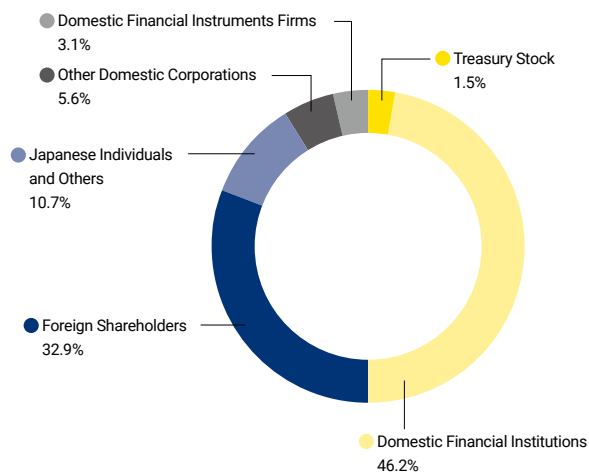
Financial Instruments Exchange Listing

Tokyo Stock Exchange
(Ticker Symbol: 7731)

Share Registrar

Mitsubishi UFJ Trust and Banking
Corporation

Composition of Shareholders



Ratings

Rating agencies	Long-term debt	Short-term debt	
Japan Credit Rating Agency, Ltd. (JCR)	A+ [Stable]	J-1	As of June 27, 2023
Rating and Investment Information, Inc. (R&I)	A [Stable]	a-1	As of June 22, 2023

Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	67,752	19.6
Custody Bank of Japan, Ltd. (Trust Account)	20,399	5.9
Meiji Yasuda Life Insurance Company	17,584	5.1
STATE STREET BANK AND TRUST COMPANY 505001	7,409	2.1
MUFG Bank, Ltd.	7,009	2.0
The Joyo Bank, Ltd.	6,121	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	6,003	1.7
HSBC BANK PLC A/C M AND G (ACS)	5,252	1.5
The Shizuoka Bank, Ltd.	4,996	1.4
Nippon Life Insurance Company	4,697	1.4

Notice: 5,303,396 shares of treasury stock are excluded from the above major shareholders.
The percentage of shares held is calculated after deducting treasury stock.

For further information,
please contact:

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