



NIKON REPORT 2024

Year Ended March 31, 2024

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 2024 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, 2023–March 31, 2024

(This report includes information on some activities taking place after April 1, 2024.)

Cautionary Statement

This report is a rearranged version of NIKON REPORT 2024 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 2024 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 CEO

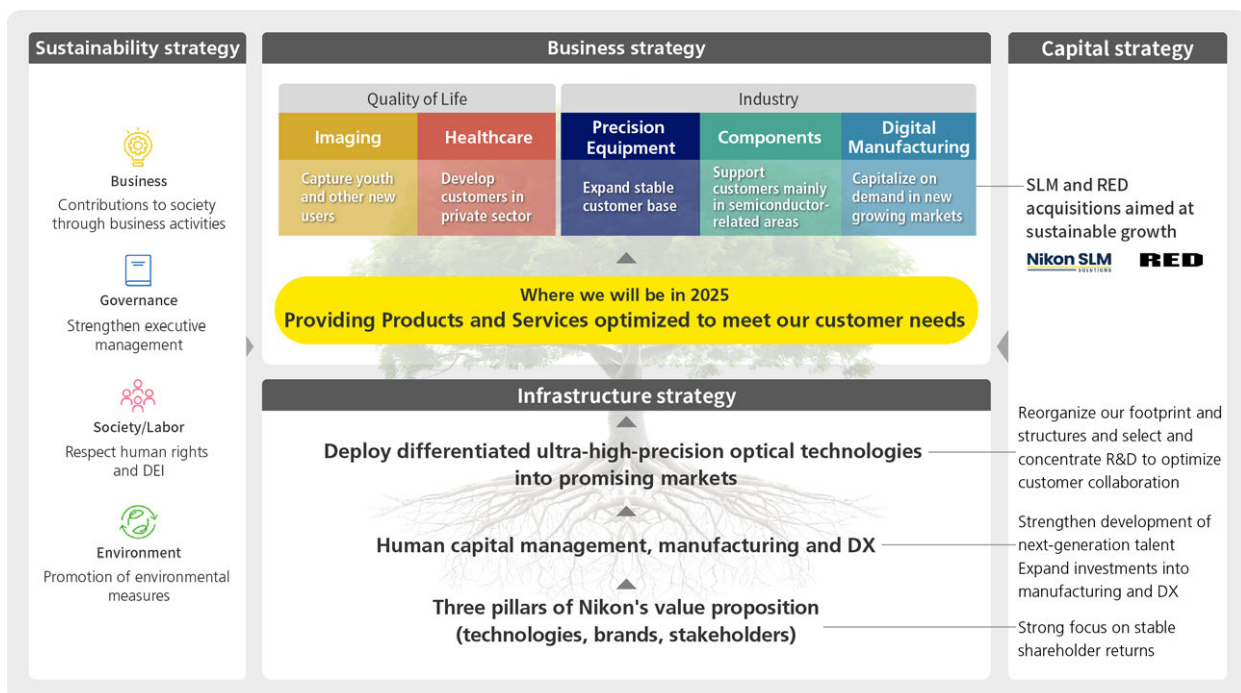
August 2024



Since I was appointed Representative Director and Chairman in June 2019, Nikon has made steady progress despite being faced by such serious situations as the impact of the global spread of COVID-19 and the emergence of geopolitical risk, and during that five years the Company has achieved commensurate results. This is due to the cooperation and support of our stakeholders, for which I am truly grateful. Yet there are still many challenges to overcome for further growth. We need to raise the capabilities of the Nikon Group to the next level through revenue and risk management at domestic and overseas investee companies, the strengthening of internal control, and the promotion of global compliance. To address these issues, in April 2024 we transitioned to a management structure under which Muneaki Tokunari, who as CFO has driven company-wide strategies from a perspective beyond finance, serves as President, COO and CFO, and under which I serve as Chairman, CEO. Both Mr. Tokunari and I will work hand-in-hand to achieve the goals of the Medium-Term Management Plan and further growth beyond.

An overview of the Medium-Term Management Plan

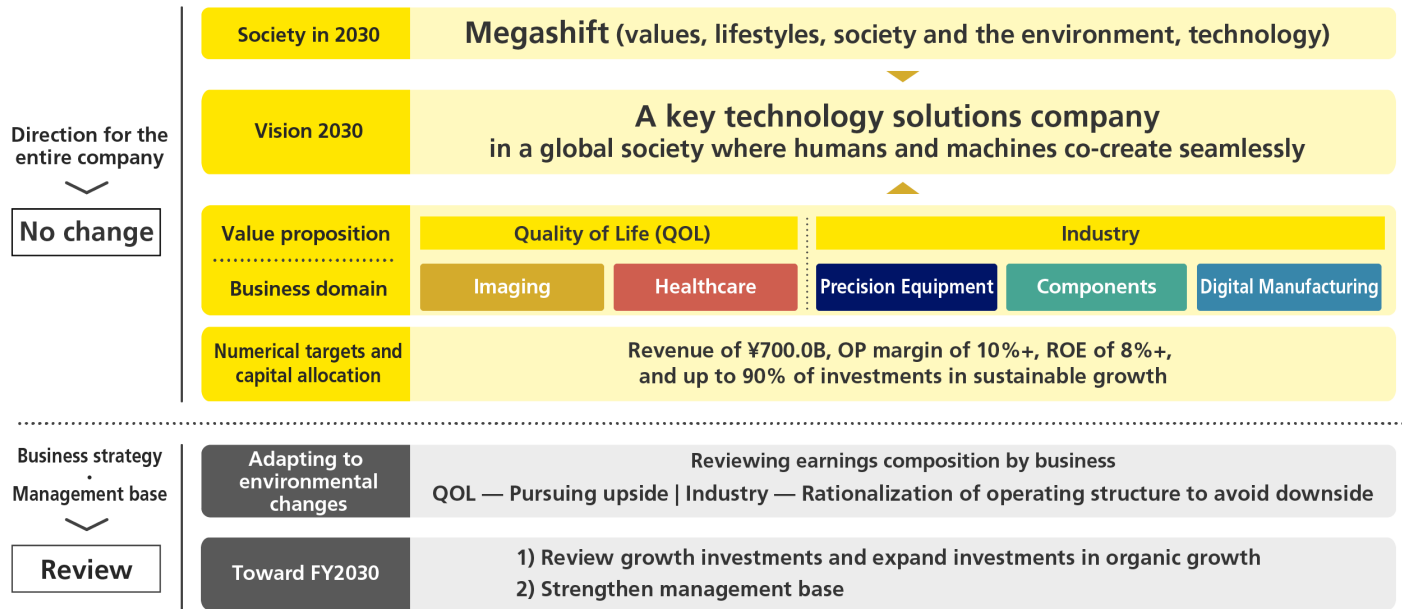
In April 2022, we announced our Medium-Term Management Plan, covering the four years from FY2022 to FY2025, in which we first imagined our Vision 2030, set targets to be achieved by 2025, and then formulated strategies and measures to make the plan a reality.



Progress in Medium-Term Management Plan

As of the end of fiscal year 2023, progress has been satisfactory, as represented by the way in which we achieved the 700.0 billion yen revenue target for the final year of the Plan of two years ahead of schedule. In the above period, we have expanded the number of growth drivers through the acquisition of such companies as leading metal 3D printer manufacturer SLM Solutions Group AG (now Nikon SLM Solutions AG; hereinafter “SLM”) and digital cinema camera manufacturer RED.com, LLC (hereinafter “RED”).

Going forward, our policy will be to review growth investments and expand investments in organic growth, while strengthening our management base.



Excluding one-time costs associated with the relocation of the headquarters, the outlook for earnings in FY2024 is for operating profit of 40.0 billion yen, the same level as in FY2023. As we approach FY2025, the final year of the Medium-Term Management Plan, we expect to maintain high earnings in the Imaging Products Business while achieving improvements in profits in the other four businesses, with the aim of reaching an ROE of 8% or higher.

Progress by business

Imaging Products Business

The Imaging Products Business saw strong sales of the new Z 8 and Z f models, which deploy leading-edge functionality from the flagship Z 9 mirrorless camera, and sales volumes of interchangeable lens-type digital cameras and interchangeable lenses also increased. Going forward, we plan to continue launching products for the mid/high-end market for professionals and hobbyists, where our policy is to appeal not only to core fans but also to increase new users and especially younger users. In the market for video equipment, which is expected to expand going forward, we will provide new value by leveraging the cutting-edge technology of RED, which has widespread support in Hollywood and elsewhere for professional use, with the aim of expanding our business and acquiring new sources of revenue.

Healthcare Business

In the Healthcare Business we are working to develop a business among private-sector companies for biological microscopes, which come under Life sciences, a segment that accounts for approximately 60% of sales. We are aiming to increase the ratio of high-priced system microscopes to more than 40% of sales. In the Drug discovery support service, we are expanding the number of applications and promoting DX in pathology diagnosis, with the goal of using this to increase sales of microscopes. In Contract Cell Development and Manufacturing, we have contracted a broad range of customer projects from big pharma to regenerative medicine ventures, and commercialization has begun in several such cases. In Eye care, in combination with fundus cameras, a market in which we have a global share of more than 30%, we plan to achieve stable revenues of around 100.0 billion yen from three businesses, with operating profit of around 10.0 billion yen.

Precision Equipment Business

In the Precision Equipment Business, we made progress in growing sales of new models of high-definition, high-productivity FPD lithography systems, and expanded our share in South Korea and China. In semiconductor lithography systems, we are experiencing success in diversifying our customer base in Japan and Asia, in addition to our major customer in North America. Our plan for both FPD and semiconductor lithography systems is to leverage the installed base to secure steady revenue from maintenance, relocation, and other service businesses. We will continue to promote model renewals to reinforce the product portfolio, with the aim of expanding the business over the medium to long term.

Components Business

In the Components Business, upgrading and miniaturization of semiconductor-related products has led to increasing adoption by customers of Nikon's optical and EUV-related components. In April 2024 we integrated the Industrial Metrology Business Unit and the Digital Solutions Business Unit, which are closely related in terms of customer segments and products, to form the new Industrial Solutions Business Unit. By merging the measurement/examination equipment business into the Components, we will strengthen global structure to deliver solutions integrated end-products, service and components, and will expand the area of business.



















Digital Manufacturing Business

In the Digital Manufacturing Business, we secured over 150 customers with the SLM acquisition. Going forward, we will leverage the application development foothold we have built in the US, which is the largest market, and focus on expanding sales, mainly in defense and aerospace, of SLM's high-speed, high-precision metal 3D printers, which are particularly competitive in the area of molding large parts.

The Digital Manufacturing Business aims to record a profit at the EBITDA level in FY2025 and become profitable at the operating level in FY2026.

Progress in strengthening business fundamentals

Supporting the expansion of the business over the medium to long term requires strengthening of the management base. In addition to making steady progress in the implementation of human capital management and the execution of the sustainability strategy, we are concentrating on investing in DX and manufacturing, and strengthening group executive management.

Going well	Further progress needed				
Human capital management	DX with a focus on customers and employees				
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* DEI = Diversity, Equity & Inclusion

* 1 THE USE BY NIKON CORPORATION OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF NIKON CORPORATION BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

Sustainability strategy

Nikon has been highly rated by external organizations for its activities to promote sustainability. In terms of materialities, with regard to society and labor, the Company formulated the Nikon Global Diversity, Equity & Inclusion Policy in April 2023, and is working to foster working environments and company culture where the characteristics and abilities of all team members are accepted and valued.

In the area of the environment, the percentage of reductions in greenhouse gas and utilization ratios for renewable energy are both exceeding the levels targeted in the Medium-Term Management Plan. To reflect this, we have brought forward the target year for using 100% renewable energy from FY2050 to FY2030.

Going forward, we aim to achieve sustainability while contributing to a sustainable society.

Human capital management

Human resources are essential for realizing our Vision 2030. At Nikon, we have integrated and promote our management and human resource strategies through the three pillars of "Acquiring talent," "Developing talent," and "Leveraging talent." In terms of "Acquiring" human resources, we have added more than 600 personnel for two consecutive years. By offering environments in which each individual can maximize their abilities and encouraging self-awareness in our employees, we seek to become a company in which independent human resources are developed and play active roles.

DX with a focus on customers and employees

Regarding the promotion of DX, we will not only focus on acquiring DX talent but also strengthen our digital marketing functions, and we are working to open an integrated B2B website that spans our businesses. We are also investing around 30.0 billion yen up to 2030 and have begun to renew our backbone systems.

Manufacturing

The origin of Nikon lies in manufacturing. In order to provide robust support for the company-wide strategy of earnings expansion, Nikon will make even greater efforts to enhance its production footprint. With the business environment changing significantly and the various businesses seeing increasingly large fluctuations in demand, we will invest around 100.0 billion yen up to 2030 and move forward with our plans for enhancing the production footprint to create flexible and highly effective factories. In particular, we will increase production capacity of the lenses that are the key to the success of Nikon products.

Executive management

Due to the increase in overseas subsidiaries and companies in which Nikon has invested, bolstering governance of group companies and organizing a global compliance regime has become an urgent matter. We are moving ahead with measures to acquire highly specialized human resources and put in place organizational structures to strengthen the second and third lines of defense.

We also intend to further enhance the effectiveness of corporate governance.

Realizing our Vision

Since its establishment 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. In order to provide products and services optimized to meet our customer needs, we will consistently consider what customers really want and deliver solutions integrating end-products, service and components. Under this new management structure, we aim to become "a key technology solutions company in a global society in which humans and machines co-create seamlessly."

Message from the COO & CFO

August 2024

Aiming to Increase Corporate Value by Business and Financial Management with the Medium-Term Plan

Muneaki Tokunari
Representative Director and President, COO and CFO



As COO and CFO

In April 2024 I was appointed President, COO and CFO. With Toshikazu Umatate taking on the responsibility for overall strategy in his role as Chairman, CEO, I am charged with executing operations and financial management for the entire company.

In the fiscal year 2020, the impact of COVID-19 resulted in Nikon recording revenue of 451.2 billion yen, an operating loss of 56.2 billion yen, and a loss attributable to owners of parent of 34.4 billion yen, the largest loss in our history going back more than 100 years. However, revenue has since recovered to more than 700.0 billion yen.

The strategy and various measures aimed at achieving the 2030 vision, described in the Medium-Term Management Plan (FY2022 - 2025), of becoming "a key technology solutions company in a global society where humans and machines co-create seamlessly," are proceeding more or less satisfactorily.

Nevertheless, I believe that achieving further sustainable growth for Nikon requires the management base to be strengthened even further. In other words, as well as moving steadily forward with human capital management focused on acquiring, developing, and leveraging human resources and the sustainability strategy under the slogan of making contributions to society through creativity (business), we will invest in IT/DX, which is an area where in the past our commitments have not necessarily been sufficient, in addition to investing in manufacturing through organizing a production footprint that supports all our businesses, and other initiatives. We will also strengthen group governance, which includes overseas subsidiaries and companies in which Nikon has invested and put in place a global compliance structure.

This strengthening of the management base will incur expenditures. Specifically, we believe that investments in IT/DX up to 2030 will require approximately 30.0 billion yen, and the organization of our production footprint will require about ¥100.0 billion yen.

While systematically implementing these investments and expenditures, we need to be sure to secure earnings every fiscal year. My mission, as both COO (operations) and CFO (financial management), is to rationally consider the balance between these two aspects, and then execute them in practical terms.

I aim to achieve sustainable increases in corporate value by carrying out operations and financial management in accordance with the Medium-Term Management Plan.

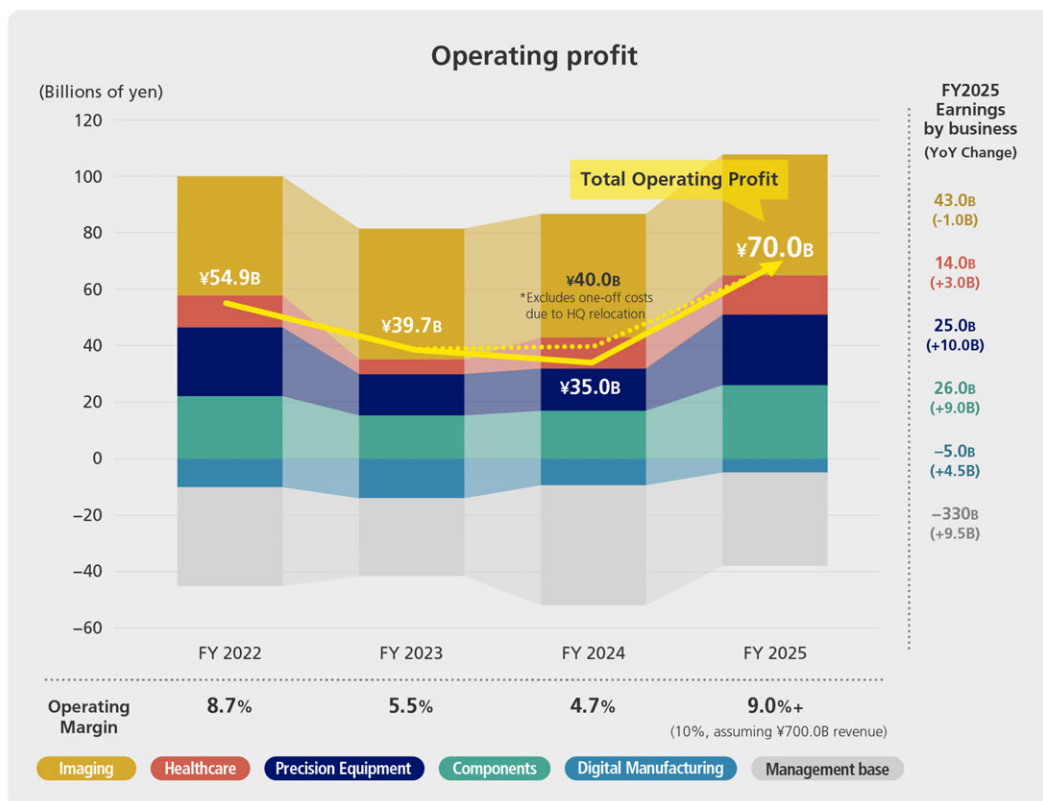
Looking back at FY2023

In FY2023, which was the second year of the Medium-Term Management Plan, revenue increased 89.1 billion yen year on year to 717.2 billion yen, operating profit decreased 15.2 billion yen year on year to 39.7 billion yen, profit attributable to owners of parent decreased 12.4 billion yen year on year to 32.5 billion yen, and ROE was 5.0%.

Although the Imaging Product Business continued to perform well and increased operating profit, operating profits declined in the Precision Equipment Business where sales volume of FPD lithography systems and service revenue reduced and in the Components Business. These factors, in addition to one-time costs incurred in the Healthcare Business and the Digital Manufacturing Business, resulted in a decrease in operating profit overall.

In terms of strategy, in the Imaging Products Business we announced the acquisition of US-based digital cinema camera manufacturer RED.com, LLC (hereinafter "RED"), which has a unique customer base and technologies, thus taking a major step towards opening up the professional cinema camera market. Moreover, in the Digital Manufacturing Business, which has been designated a strategic business, we pursued business expansion by establishing Nikon Advanced Manufacturing Inc. in the US to control the additive manufacturing business globally, which includes the acquired German metal 3D printer manufacturer Nikon SLM Solutions AG (hereinafter "SLM").

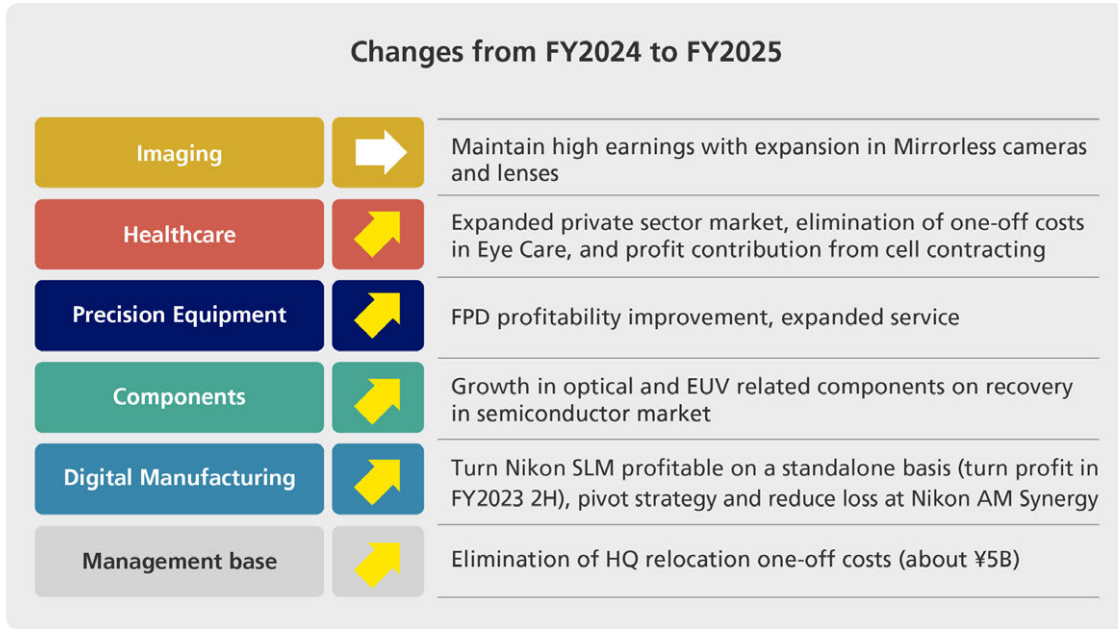
Outlook for FY2024, and for FY2025, the final year of the Medium-Term Management Plan (Details announced in May 2024)



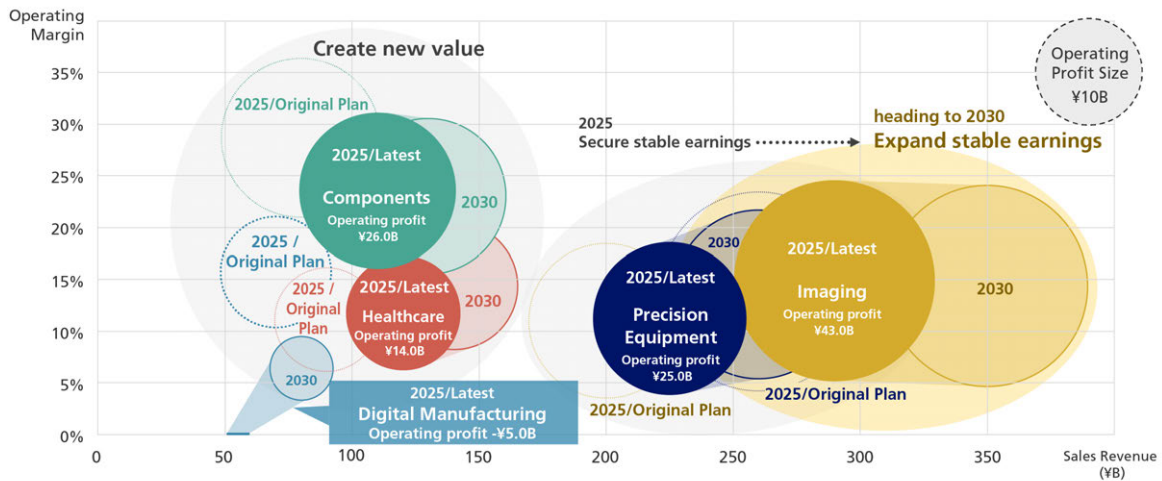
For FY2024, we forecast higher revenue and lower operating profit in the form of revenue of 745.0 billion yen, operating profit of 35.0 billion yen, and profit attributable to owners of parent of 30.0 billion yen.

In addition to the expansion of operations in the Healthcare Business and the Digital Manufacturing Business, the increase in revenue is expected to be driven by an increase in unit sales of mirrorless cameras and interchangeable lenses in the Imaging Products Business, as well as the consolidation of RED.

On the other hand, the factors driving lower operating profits are a fall in profit in the Imaging Products Business, primarily due to expenses associated with the acquisition of RED, and an increase in corporate expenses, which are expected to more than offset increases in profits in the Healthcare Business and the Digital Manufacturing Products Business and decreases in one-time costs. However, after excluding one-time headquarters relocation expenses of around 5.0 billion yen, operating profit is forecast to be effectively flat year on year.



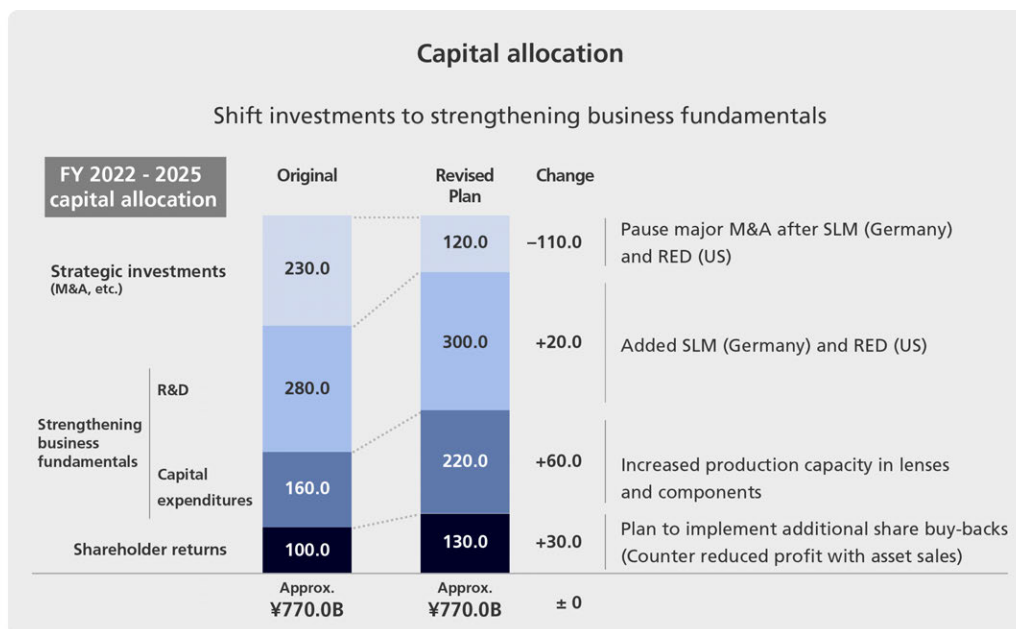
In FY2025, the final year of the Medium-Term Management Plan, we forecast that expansion in all businesses and the disappearance of one-time costs such as headquarters relocation expenses will result in both higher revenue and operating profit compared to FY2024. As we approach FY2030, our objective is to achieve further expansion in all five businesses, including the Digital Manufacturing Business, which is expected to make a profit at the operating level in FY2026.



Capital allocation: investments for strengthening business fundamentals and further enrichment of shareholder returns

With regard to capital allocation to achieve the growth based on the Medium-Term Management Plan, while maintaining an equity ratio of approximately 55%-60%, we will assign 300.0 billion yen out of the allocable funds of 770.0 billion yen in cumulative funds for distribution over the four years of the Medium-Term Management Plan to R&D, and 220.0 billion yen to capital investments.

Allocation for R&D will be increased including research and development expenses at recent acquisitions SLM and RED. Capital investments will be used to expand production capacity in the Components Business, mainly for semiconductors, in addition to increasing production capacity for various lenses used in from cameras and microscopes to lithography systems.



At the same time, we will enrich shareholder returns. We have been raising the dividend per share in stages to hit the target of 60 yen for the final year of the Medium-Term Management Plan, and again in FY2024 we intend to raise it by 5 yen year on year to an annual dividend of 55 yen. We are moving forward with the sale of cross-shareholdings, and it is our policy to use the cash and deposits generated by the sale, etc. as funds for opportunistic share buybacks of at least 30.0 billion yen during the period of the Medium-Term Management Plan. By working to establish management practices throughout the Company that are even more focused on balance sheet and cash flow, we seek to achieve improvements in funding efficiency and capital efficiency.

Shareholder returns policy in the period of the Medium-Term Management Plan

	FY2021	FY2022	FY2023	FY2024	FY2025
		Medium-Term Management Plan (4 years)			
Dividends	¥40	¥45 (Up ¥5)	¥50 (Up ¥5)	¥55 planned (Up ¥5)	¥60 target
	Year-end ¥20	Year-end ¥25	Year-end ¥25	Year-end ¥30	Annual ¥60
	Interim ¥20	Interim ¥20	Interim ¥25	Interim ¥25	
Share buyback	—	¥30.0B (Approx. 5.7% of outstanding shares)	—	Opportunistic share buyback of ¥30.0B+ during period of our Medium-Term Management Plan	
Cancellation of treasury stock	—	26M shares (7.6% of outstanding shares before cancellation)	—	Repurchased our shares are to be cancelled in principle	
Total shareholder returns	34.4%	102.0%	53.2%	Targeted 40% or higher	
Sale of cross-shareholdings (Resource of buyback)	¥19.9B	¥1.2B	¥16.6B	Sell more moving forward	

By leveraging to the fullest the advantages of serving as both COO and CFO, I hope to drive sustainable increases in the corporate value of Nikon, and meet the expectations of all stakeholders associated with the Company.

I humbly request your understanding and support going forward.

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.

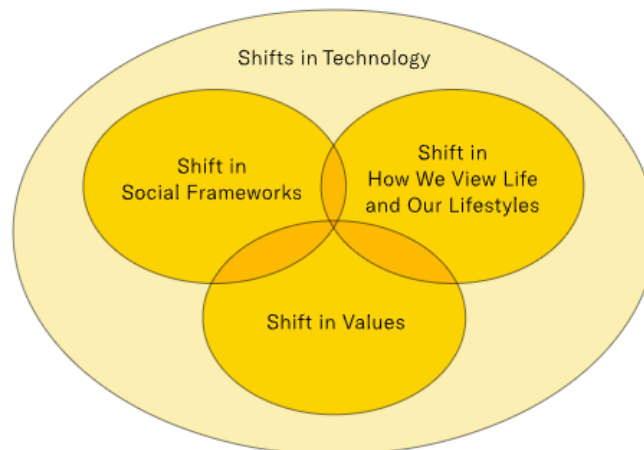
Changes Expected in Society by 2030

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.

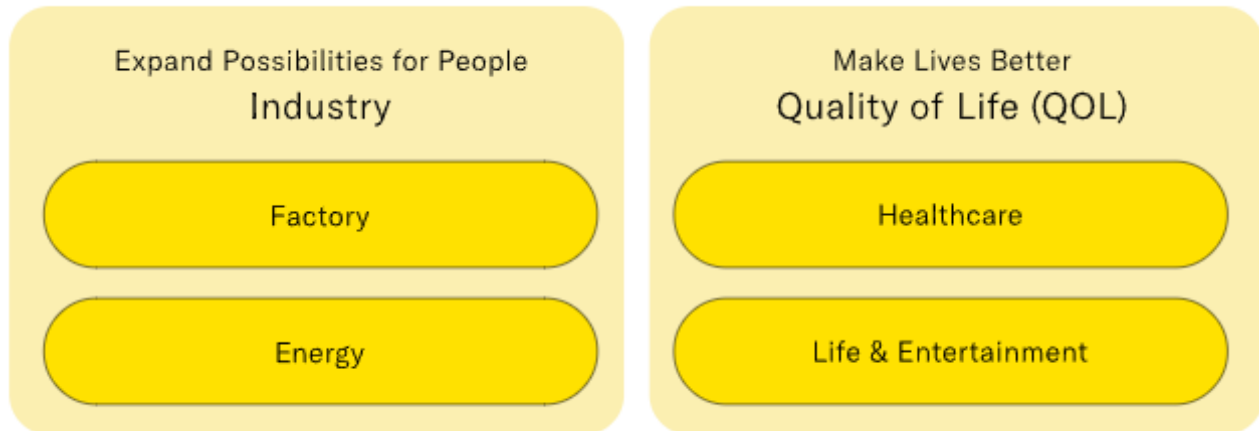
We anticipate the shift and diversification in values from owning to sharing.

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.



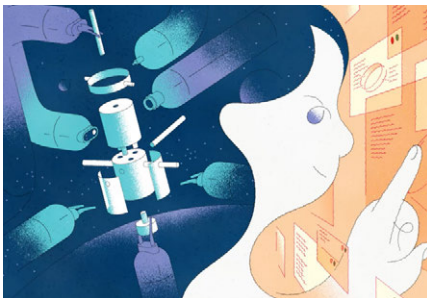
Nikon's Value Proposition

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.

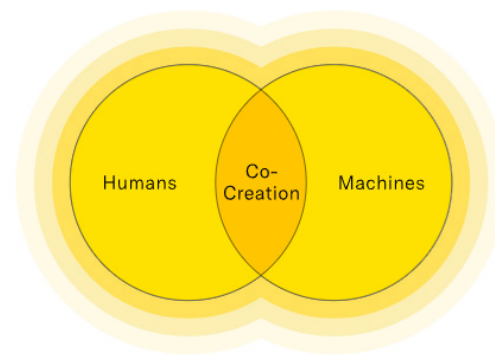
Nikon will accelerate co-creation in order to expand even further in new directions.

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.

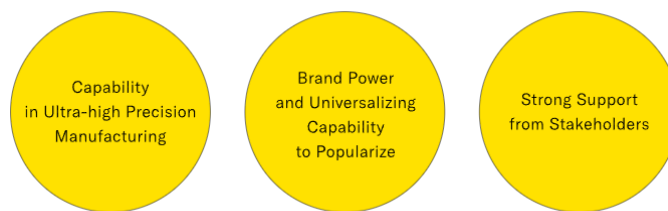
We will expand possibilities for humans and machines by further advancing a society where humans and machines co-create, causing a chemical reaction in various fields, and giving back to society as a whole.



Nikon's Strengths

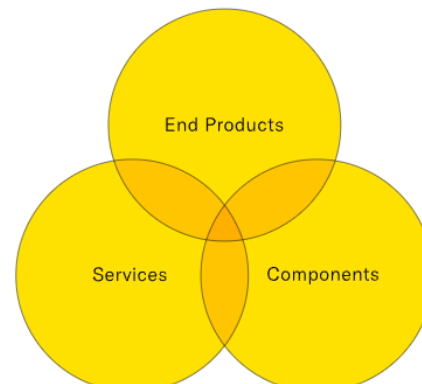
Enable seeing what could not be seen, achieving what was not possible, understanding what was not understood. Moving forward, we will continue our approach of making the impossible possible.

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.



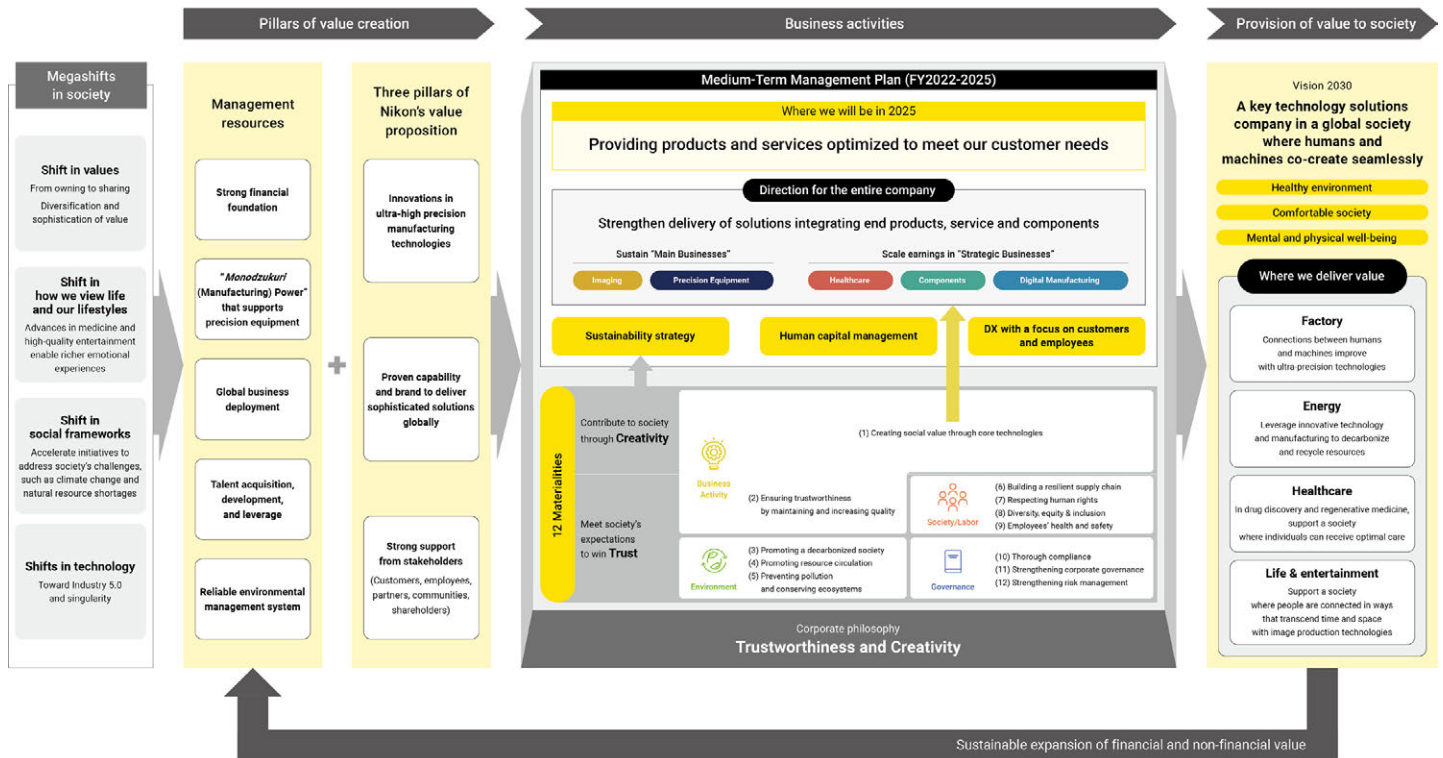
Business Model Advancement

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

Japan Credit Rating Agency, Ltd. (JCR)

Updated in June 2024

A+ [Stable]

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

Updated in July 2024

A [Stable]

“Monozukuri (Manufacturing) Power” that supports precision equipment

R&D expenditures to revenue
FY2023

11%

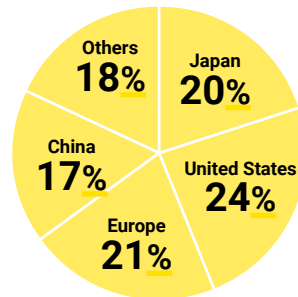
Capital expenditures
FY2023

70.7 billion yen

(Incl. new HQ building construction expenses, etc.)

Global business deployment

Ratio of revenue by region
FY2023



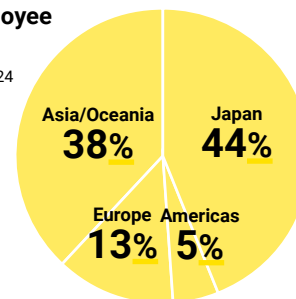
Talent acquisition, development, and leverage

Number of employees
As of end March 2024

Consolidated: 19,444

Non-consolidated: 4,388

Ratio of employee by region
As of end March 2024



Reliable environmental management system

Ratio of Scope1 and 2 GHG emission reduction
FY2023

67%

(compared to FY2013/

FY2030 target: 57% compared to FY2022)

Renewable energy adoption rate
FY2023

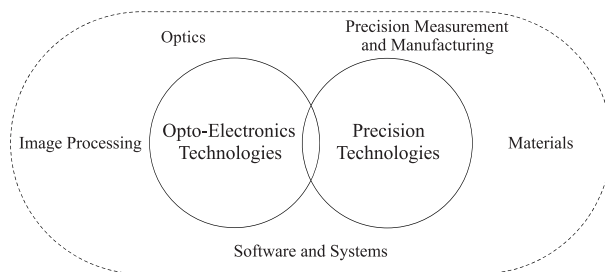
69%

(FY2030 target: 100%)

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

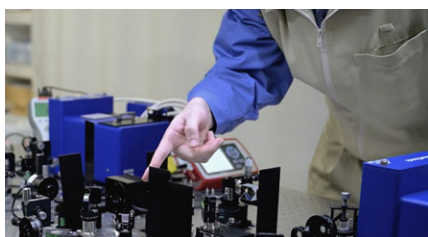
Controlling at nanometers.

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.



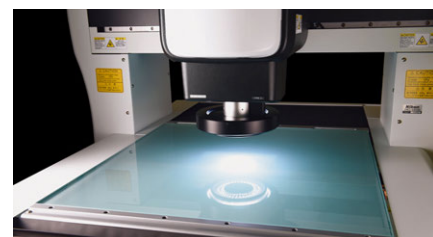
Research

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 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

Individuals are currently being presented with more opportunities to express themselves in various fields, such as sports, music, and art, by pushing their limits.

Nikon has a long-standing history of supporting creative pursuits, particularly in the field of visual imaging.

We are now broadening our horizons to provide new values, much like such individuals do.

With the hope that our endeavors will provide more challenges and inspirations in the future, we are committed to supporting athletes, artists, and those who assist them.



The Open



AIG Women's Open



Street League Skateboarding in Japan (SLS)



SWEET LOVE SHOWER 2024

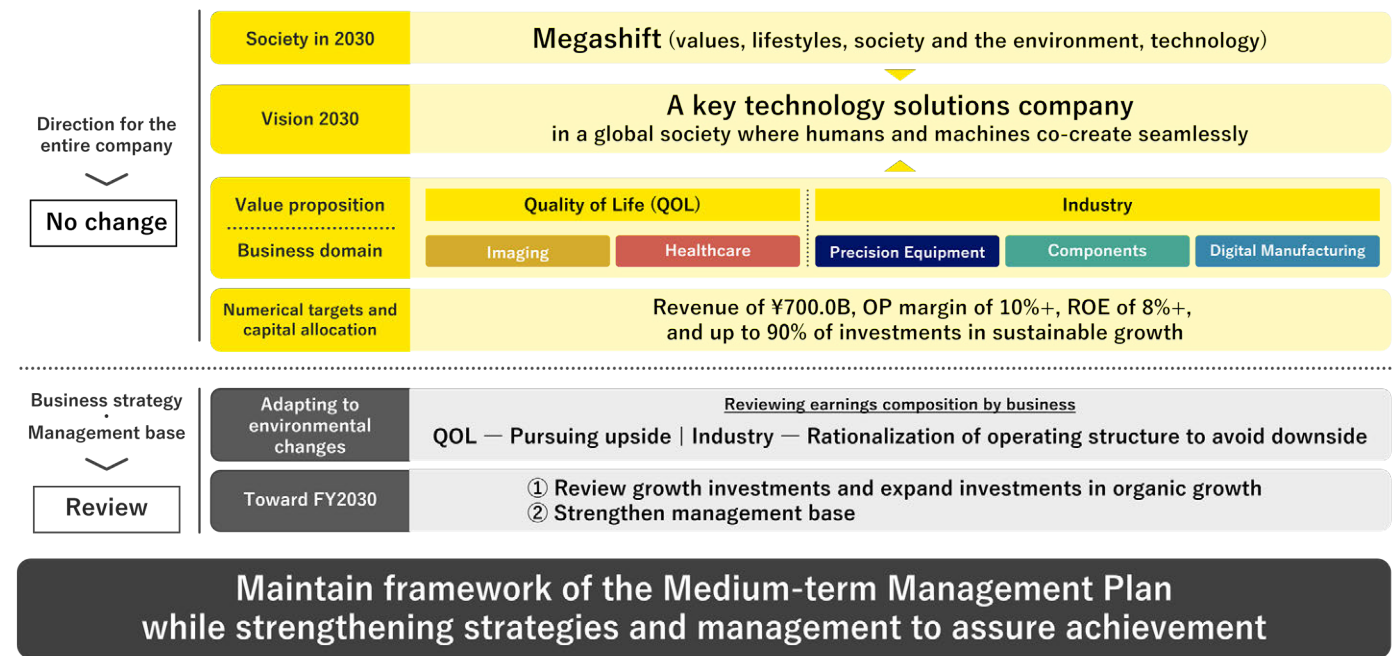


HERALBONY Art Prize 2024

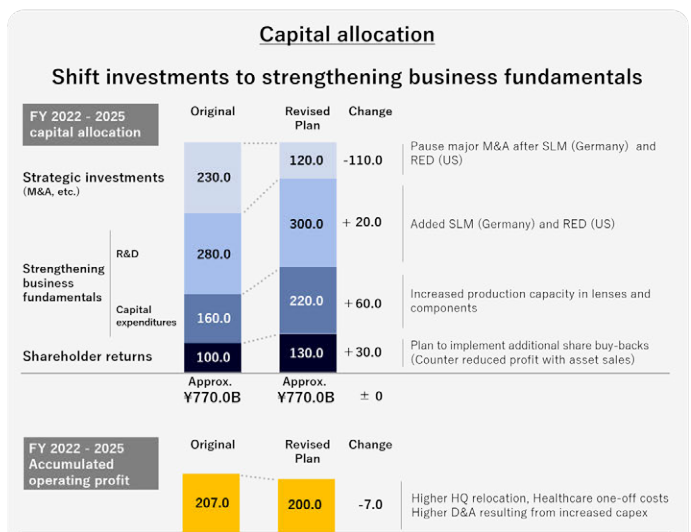
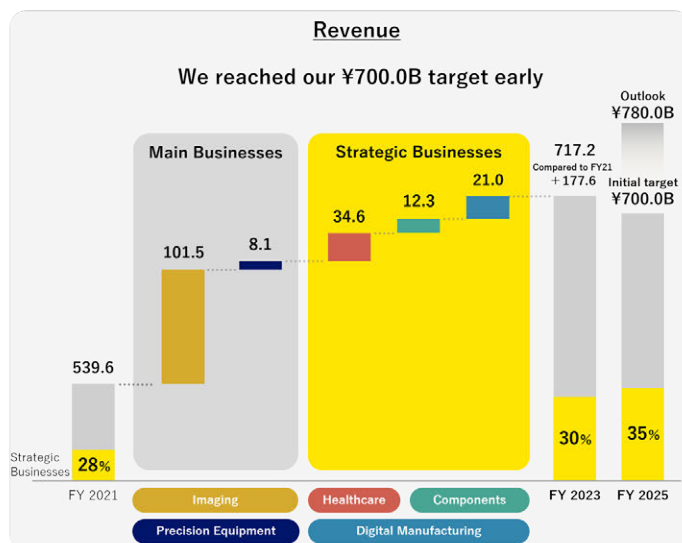
Progress Report on Medium-Term Management Plan (FY 2022 to FY 2025)

(Based on the May 2024 announcement)

Overview of progress in the Medium-Term Management Plan



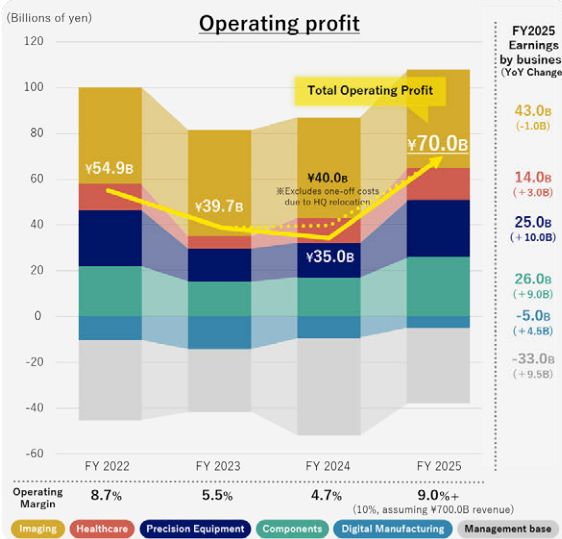
Revenue and capital allocation



Major shift in capital allocation in line with changes to business strategies

* Industrial Metrology Business and Other Businesses disclosed under "Components"

Latest outlook to earnings by business



Changes from FY2024 to FY2025

Imaging	➡	Maintain high earnings with expansion in Mirrorless cameras and lenses
Healthcare	↗	Expanded private sector market, elimination of one-off costs in Eye Care, and profit contribution from cell contracting
Precision Equipment	↗	FPD profitability improvement, expanded service
Components	↗	Growth in optical and EUV related components on recovery in semiconductor market
Digital Manufacturing	↗	Turn Nikon SLM profitable on a standalone basis (turn profit in FY2023 2H), pivot strategy and reduce loss at Nikon AM Synergy
Management base	↗	Elimination of HQ relocation one-off costs (about ¥5B)

As % of business operating profit (FY25 projections)

Category	Original	Updated
Growth drivers	About 30%	About 10%
Service and Components	45%	About 45%

grow toward 2030

Maintain company FY25 targets (Revenue: ¥700.0B, OP: 10%+, ROE: 8%+)

* Exchange rate assumptions FY24 forecast : ¥145/USD and ¥155/EUR. FY25 target : ¥140/USD and ¥150/EUR.

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 22	FY 23	FY 24 Outlook	FY 25 Target
Revenue	¥227.1B	¥279.7B	¥300.0B	¥290.0B
Operating Profit	¥42.2B	¥46.5B	¥44.0B	¥43.0B

Progress in FY 23

- Add customer accounts**
 - Leverage support from core fans while we expand youth and other new users
 - Capture professional video customers through acquisition of RED (US)
 - Studios are expanding order-taking across a wide range of contents leveraging the latest imaging technologies
- Expand value proposition**
 - Concentrate management resources on mirrorless and expand body and lens lineup.
 - Expanded to 40+ lenses for mirrorless cameras.
 - Leverage RED acquisition to develop digital cinema cameras market
 - Deploy leading-edge functionality from the Z 9 into Z 8, Z f, etc. and enhance user experience value for professionals and beginners.
 - Strengthen applications and service leveraging cloud service.

Business strategy

Digital Cinema cameras market

- Top end** Movies, etc. Price: High. RED products (V-RAPTOR XL-X, V-RAPTOR X, KOMODO X)
- High/Middle Pro** Commercials, TV programs, etc. Price: Mid to high.
- Creators** WEB, etc. Price: Low to Mid-range. Market size: 1,000,000 units (FY30).

Digital Camera-Interchangeable Lens type market

- Market size: Contract gradually until FY30 from 6.1 million units in FY24. Price: Low to Mid-range.
- Deploy leading-edge functionality** (Z 9, Z 8, Z f)

Interchangeable lens market

- In FY 25, grow lenses for mirrorless cameras to 50+

Aim to secure stable earnings in mid/high-end market by deploying leading-edge functionality and strengthening video strategy

* Market size information comprises Nikon estimates based on data available in FY 23. RED(US) was set to become a wholly owned subsidiary in April 2024.

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 22	FY 23	FY 24 Outlook	FY 25 Target
Revenue	¥203.2B	¥219.3B	¥215.0B	¥225.0B
Operating Profit	¥24.5B	¥15.1B	¥15.0B	¥25.0B

Progress in FY 23

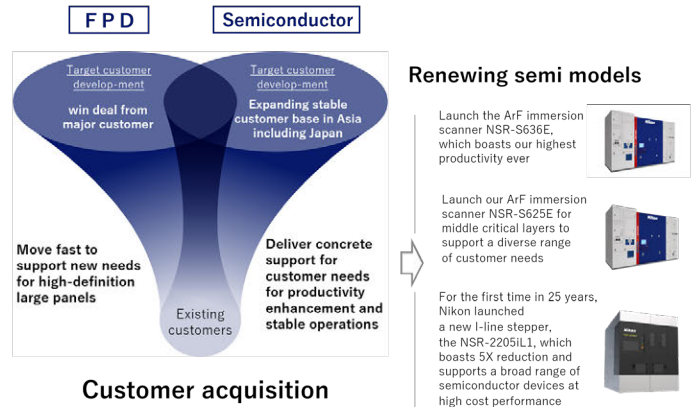
■ Add customer accounts

- FPD: For G8, win deal from major customer and develop other customers
- Semiconductor: Expanding stable customer base in Asia including Japan

■ Expand value proposition

- FPD: Improve profitability with expanded sales of new model for high definition and productivity
- Semiconductor: Reinforce product portfolio by promotion of renewing models of ArF immersion, ArF, KrF and I-line stepper
- Service: Expand earnings with value-added work from relocations to modifications

Business strategy



Meet customer demand, strengthen product competitiveness and promote customer acquisition

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 22	FY 23	FY 24 Outlook	FY 25 Target
Revenue	¥99.3B	¥107.8B	¥115.0B	¥120.0B
Operating Profit	¥11.5B	¥5.3B	¥11.0B	¥14.0B

Progress in FY 23

■ Add customer accounts

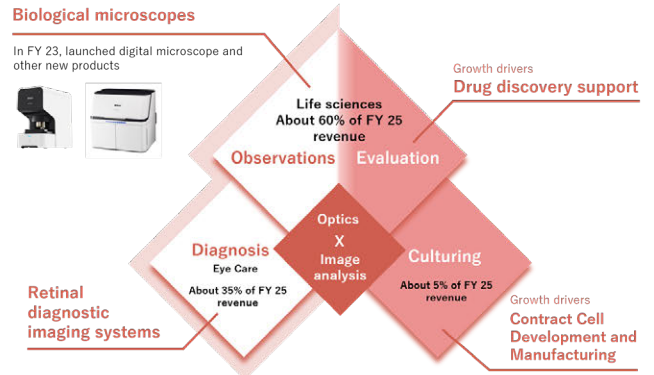
- Expand sales of biological microscopes to 50%+ of total revenue by developing the private sector, which comprises 70% of the market.
- In Contract Cell Development and Manufacturing, support a broad range of customer projects from big pharma to regenerative medicine ventures

■ Expand value proposition

- Currently, biological microscopes account for almost 60% of sales. Grow high-priced system microscopes to 40% to reach stable revenues of ¥100.0B.
- Eye Care contributes to early discovery, treatment and prevention of ailments through our proprietary ultra-wide-angle retinal camera
- In drug discovery support service, establish R&D centers in Japan and US, strengthen R&D structure, expand applications and promote pathology diagnosis DX

Business strategy

Support customer innovation through value propositions that extend from our core technologies



Establish a structure capable of stable achievement of ¥100.0B revenue and ¥10.0B operating profit

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 22	FY 23	FY 24 Outlook	FY 25 Target
Revenue	¥53.0B	¥85.9B	¥85.0B	¥110.0B
Operating Profit	¥22.0B	¥15.1B	¥17.0B	¥26.0B

Business strategy Strengthen optimized solutions for customers

Progress in FY 23

- Add customer accounts**
 - In optical components, making progress mainly in Japan to win customers in fields related to semiconductors. Also, strengthening overseas with business integration.
 - Leverage Avonix (US) acquisition to win X-ray and CT system customers in automotive and aerospace markets
- Expand value proposition**
 - Making progress winning adoption of future products such as optical components, EUV related components and encoders that support the expanding need for advanced applications
 - Build integrated supply regime across end products, service and components through business integration

Strengthen structure to deliver solutions integrated across end products, service and components

* Expressed by new segmentation, which started with FY 23

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 22	FY 23	FY 24 Outlook	FY 25 Target
Revenue	¥42.0B	¥21.0B	¥28.0B	¥35.0B
Operating Profit	-¥10.1B	-¥14.0B	-¥9.5B	-¥5.0B

Business strategy Develop target customers in focus markets

Progress in FY 23

- Add customer accounts**
 - Obtained 150+ customers with SLM(Germany) acquisition
 - Leverage our foothold in US, the largest market, to make a full entry into the enormous markets of defense and aerospace, where we used to have only limited exposure
- Expand value proposition**
 - Advance larger-scale formats for Nikon SLM's high-speed, high-precision metal 3D printer. Also, combine with application development to address new needs.
 - Combine the two different metal 3D printing methodologies from Nikon and SLM to support a variety of precision machining needs

Turn profitable in FY 25 at Nikon SLM on a standalone basis. Become profitable in the overall business in FY 26

* Expressed by new segmentation, which started with FY 23

Strengthen business fundamentals

Going well		Further progress needed	
Human capital management		DX with a focus on customers and employees	
Acquire, develop and leverage next-generation talent to collaborate with customers			
Progress		Path forward	
<ul style="list-style-type: none"> Hire 600+ employees for 2nd straight year (Topped industry for career search popularity ranking in Japan) Develop solution architects 	<ul style="list-style-type: none"> Promote leveraging diverse talent Cultivate management talent Strengthen employee engagement 	Connect digitally with customers and data and convert to new value	
Progress		Path forward	
<ul style="list-style-type: none"> Enhance digital marketing Hire new DX talent with experience 	<ul style="list-style-type: none"> Renew backbone system (Invest ¥30B scale out to 2030) Launch integrated B2B website 		
Sustainability strategy		Manufacturing	
Contribute to society through Creativity			
Progress		Path forward	
Overall			
<ul style="list-style-type: none"> Promote DEI, maintain high marks from third parties, bring specificity to contributions through manufacturing 	<ul style="list-style-type: none"> Comply with EU non-financial information disclosure requirements and regulations 	Organize production footprint to support all businesses	
Environmental strategy		Path forward	
<ul style="list-style-type: none"> Use of renewable energy: 69% of total Greenhouse gas reduction: 67% (vs. FY2013) 	<ul style="list-style-type: none"> Reach 100% renewable energy target in FY2030 (earlier than planned) Scope3 reductions including value chain 	<ul style="list-style-type: none"> Formulation of production footprint organization plans and add capacity in components Address aging production facilities and begin building a flexible production regime (¥100B scale out to 2030) 	
Executive management			
Bolster of Governance of group companies Organize global compliance regime			
Progress		Path forward	
<ul style="list-style-type: none"> Create management standard and begin applying to all business units and subsidiaries 	<ul style="list-style-type: none"> Acquire talent and improve organizational structure to strengthen second and third lines 		
External evaluations			

*DEI = Diversity, Equity & Inclusion

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Corporate Governance | Board Composition after Annual General Shareholders' Meeting

* Indicates Independent External Director

Directors			Members of Nominating Committee	Members of Compensation Committee
Chairman of the Board *	Shiro Hiruta		Chairperson Shiro Hiruta *	Chairperson Makoto Sumita *
Director *	Makoto Sumita		Shigeru Murayama *	Tsuneyoshi Tatsuoka *
Director *	Tsuneyoshi Tatsuoka		Asako Yamagami *	Michiko Chiba *
Representative Director	Toshikazu Umatate		Toshikazu Umatate	Toshikazu Umatate
Representative Director	Muneaki Tokunari		Muneaki Tokunari	Muneaki Tokunari
Director	Yasuhiro Ohmura	New Appointment		
Director, Chairperson of Audit and Supervisory Committee *	Shigeru Murayama	New Appointment		
Director, Audit and Supervisory Committee Member *	Asako Yamagami			
Director, Audit and Supervisory Committee Member *	Michiko Chiba			
Director, Full-time Audit and Supervisory Committee Member	Satoshi Hagiwara			
Director, Full-time Audit and Supervisory Committee Member	Seiji Kikuchi	New Appointment		

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.

Sustainability Strategy

To implement our sustainability policy, the Nikon Group has formulated a sustainability plan in conjunction with our Medium-Term Management Plan and Annual Plan.

The Sustainability Strategy outlines 12 materialities across the four areas of business, environment, society/labor, and governance from the dual perspectives of responding to society's expectations with trust and contributing to society through creativity. In addition, we have defined desired outcomes, strategies, and indicators/targets for each materiality in order to achieve Vision 2030 as presented in the Medium-Term Management Plan.

The Nikon Group will oversee the progress of these initiatives and implement a cycle of evaluation and improvement to contribute to a sustainable society and ensure our sustainable growth, as outlined in our Sustainability Policy.

Conceptual Diagram of Sustainability Strategy in the Medium-Term Management Plan



Materiality

Business Activity

1. Creating Social Value
Through Core Technologies



2. Ensuring Trustworthiness
by Maintaining and Increasing Quality



Environment

3. Promoting a Decarbonized Society



4. Promoting Resource Circulation



5. Preventing Pollution and Conserving Ecosystems



Society/Labor

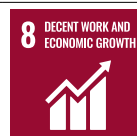
6. Building a resilient supply chain



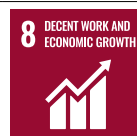
7. Respecting Human Rights



8. Diversity, Equity & Inclusion



9. Employees' Health and Safety



 **Governance**

10. Thorough compliance



11. Strengthening corporate governance

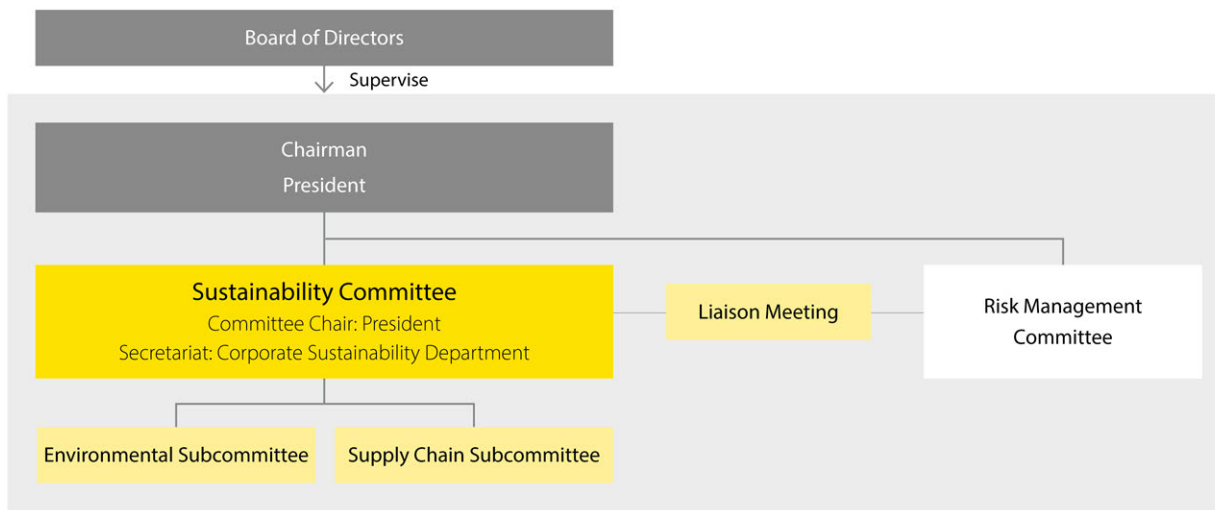
12. Strengthening risk management

Governance

The Nikon Group has established the Sustainability Committee, chaired by the representative director and president. The committee deliberates and manages overall sustainability activities, including the review of materialities, setting related strategies and targets, managing progress, evaluating performance, and directing improvements. The committee also monitors risks and opportunities related to sustainability, with a focus on materiality.

In the Nikon Group, corporate administration divisions take the lead in developing Group-wide activities based on materiality goals discussed and finalized by the Sustainability Committee. Other divisions are also working to develop and implement integrated sustainability and business goals in their annual plans.

Sustainability Promotion System (As of April 01, 2024)



Risk Management

The Nikon Group established the Risk Management Committee, chaired by the chief risk officer (CRO) to respond properly to risks that could have a critical impact on corporate management. The Risk Management Committee conducts risk assessment surveys across the entire Nikon Group and tracks the progress of efforts to mitigate risks that should be given special priority.

Furthermore, the Risk Management Committee and the Sustainability Committee regularly share reports, identify issues and matters to address in the future, and coordinate their responses as needed to address risks.

Please refer here for further details regarding sustainability.

<https://www.nikon.com/company/sustainability/>

External Evaluation (As of August 31, 2024)

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 2024 「Top10% S&P Global CSA Score」



FTSE4Good Index Series



ISS ESG "Prime" Status



Sustainalytics ESG Risk Ratings



FTSE Blossom Japan Index



MSCI Nihonkabu 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



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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

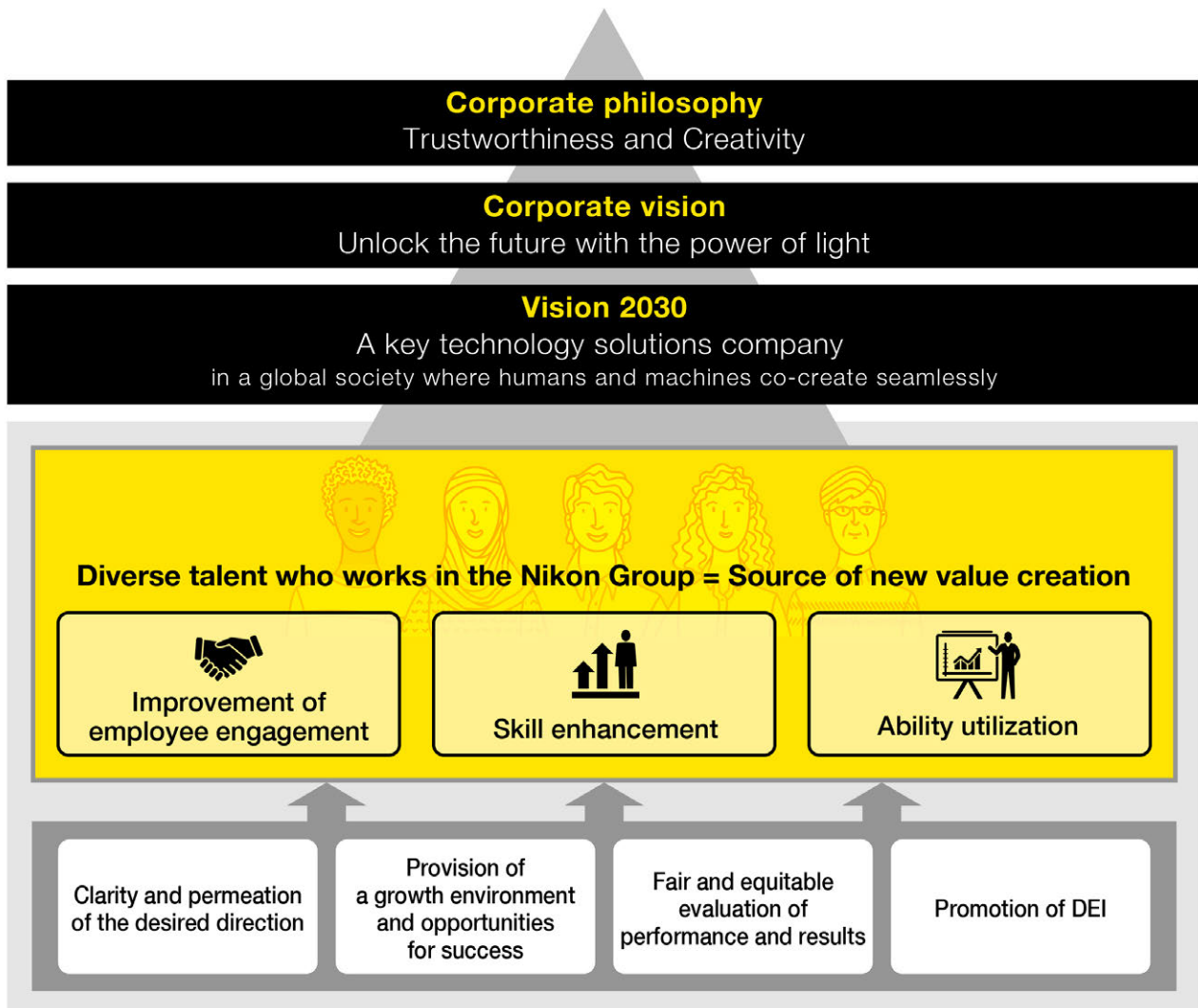
Basic Approach

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.

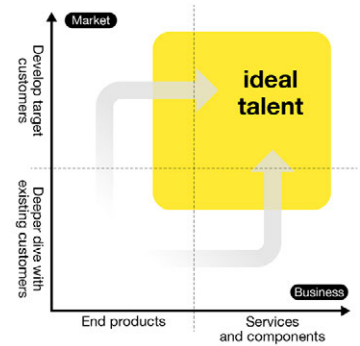
We seek the following traits in the talent that will drive this management strategy.

- 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

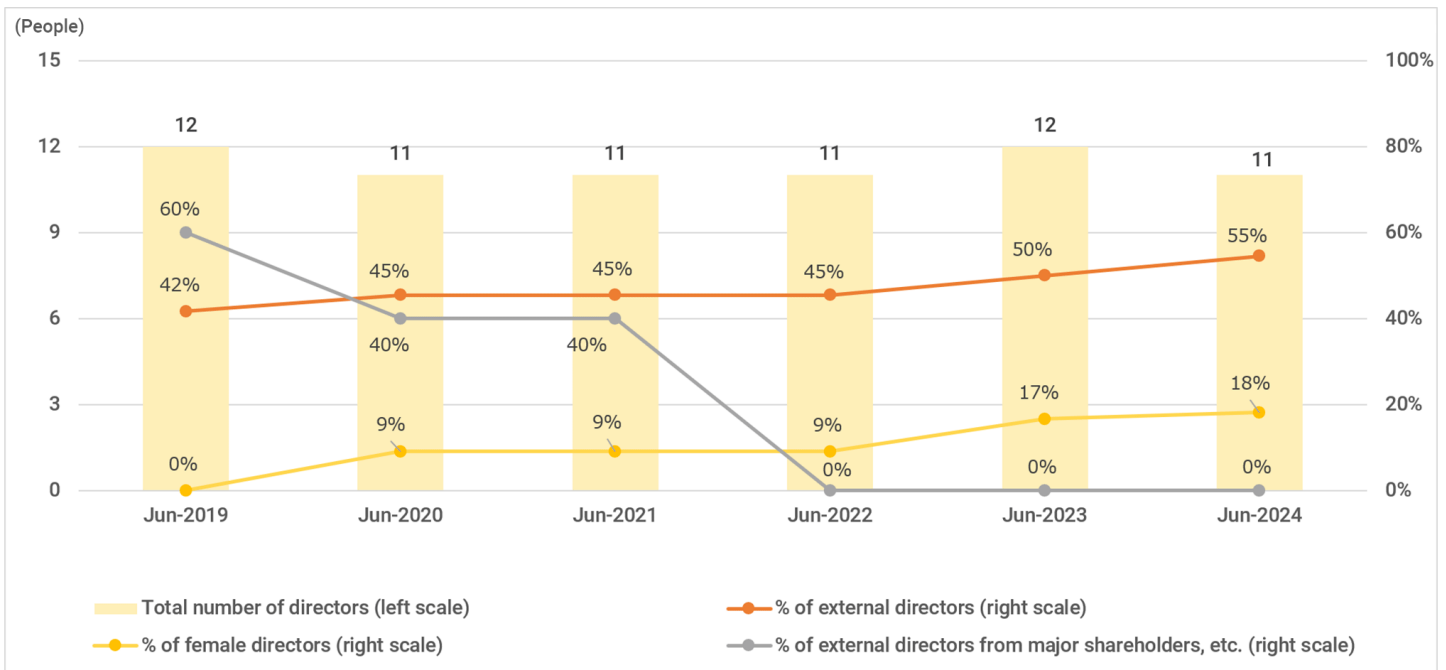
	Acquire talent	Develop talent	Leverage talent
 Policy	<ul style="list-style-type: none"> • Reliably secure the human resources required to operate our businesses. • Aim to immediately acquire the talent urgently needed for our management strategy through new recruitment, M&As and other avenues. 	<ul 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
 Key progress (Fiscal year 2022-2023)	<ul style="list-style-type: none"> • Across the Nikon Group in Japan, two consecutive years of wage increases were implemented and over 600 employees were hired. • Strengthening the appropriate placement of diverse talents through occupation-specific recruitment in new graduate hiring (introduced in fiscal year 2022) • Top management personally selects management talent early on, and the executive team leads their development. • Definition, selection, and planned development of solution engineers in each business, with monitoring conducted by the executive team. • Established the “Nikon Global Diversity, Equity & Inclusion Policy”, which sets out the Nikon Group’s common global approach to diversity, equity, and inclusion. • Development of education and monitoring programs to support the retention and performance of mid-career hires. 		

Initiatives to Enhance Corporate Governance

Expanding Board Diversity

The composition of the Board of Directors is designed to ensure that the Board as a whole can demonstrate its effectiveness, taking into account the need to secure diversity and an appropriate number of members.

Changes in board composition



External Directors as of July 1, 2024

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

Enhancement of Board Effectiveness

The Board of Directors is improving its effectiveness through a variety of initiatives.

Chairperson of the Board

FY2020: A non-executive director assumed as chairperson. (To strengthen operational supervision)

Nominating Committee

As a voluntary advisory body to the Board of Directors, 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, etc.

FY2019: Established the Nominating Committee

FY2020: Started operation of the succession plan for the President

FY2023: President was selected for the first time since the establishment of the Nominating Committee

Committee composition: 3 external directors and 2 internal directors (chaired by an external director)

Compensation Committee

As a voluntary advisory body to the Board of Directors, the Compensation Committee deliberates and makes proposals for policy regarding executive compensation as well as various related systems.

FY2003: Established the Compensation Committee

FY2019: An external director assumed as chairperson.

FY2024: Majority of members of the committee changed to external directors

Committee composition: 3 external directors and 2 internal directors (chaired by an external director)

Independent External Directors' Meeting

External directors freely exchange opinions on the issues and matters to be discussed by the Board of Directors based on an independent and objective standpoint, thereby vitalizing the discussions at the Board of Directors.

FY2022: Established the Independent External Directors' Meeting

Evaluation of the Board of Directors' effectiveness

The Company asks a third-party organization to analyze and evaluate the effectiveness of its Board of Directors in order to further improve its functions. Based on the results of the previous year's evaluations, the Company continues the cycle of studying and implementing improvement measures.

Compensation system and performance-based structure

FY2022: Started applying a new performance-based executive compensation system. (See the table below for an overview of the system.)

	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	
Clawback ^{*2}		Applies		

^{*1} ROE refers only to the last fiscal year of the Medium-Term Management Plan.

^{*2} Clawback: A clause to have paid compensation returned if fraud or misconduct by the officer is identified.

History of Enhancing Corporate Governance

		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
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)	55% (6 out of 11)
	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%	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)	18% (2 out of 11)
Improve 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	• Establishment of Nominating Committee (chaired by external director) • Appointment of external director as chairperson of Compensation Committee	→				• Majority of members of Compensation Committee changed to external directors
	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	→		• President was selected for the first time since the establishment of Nominating Committee* →
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	→	

* The change of president was in April 2024

Corporate Governance Organization

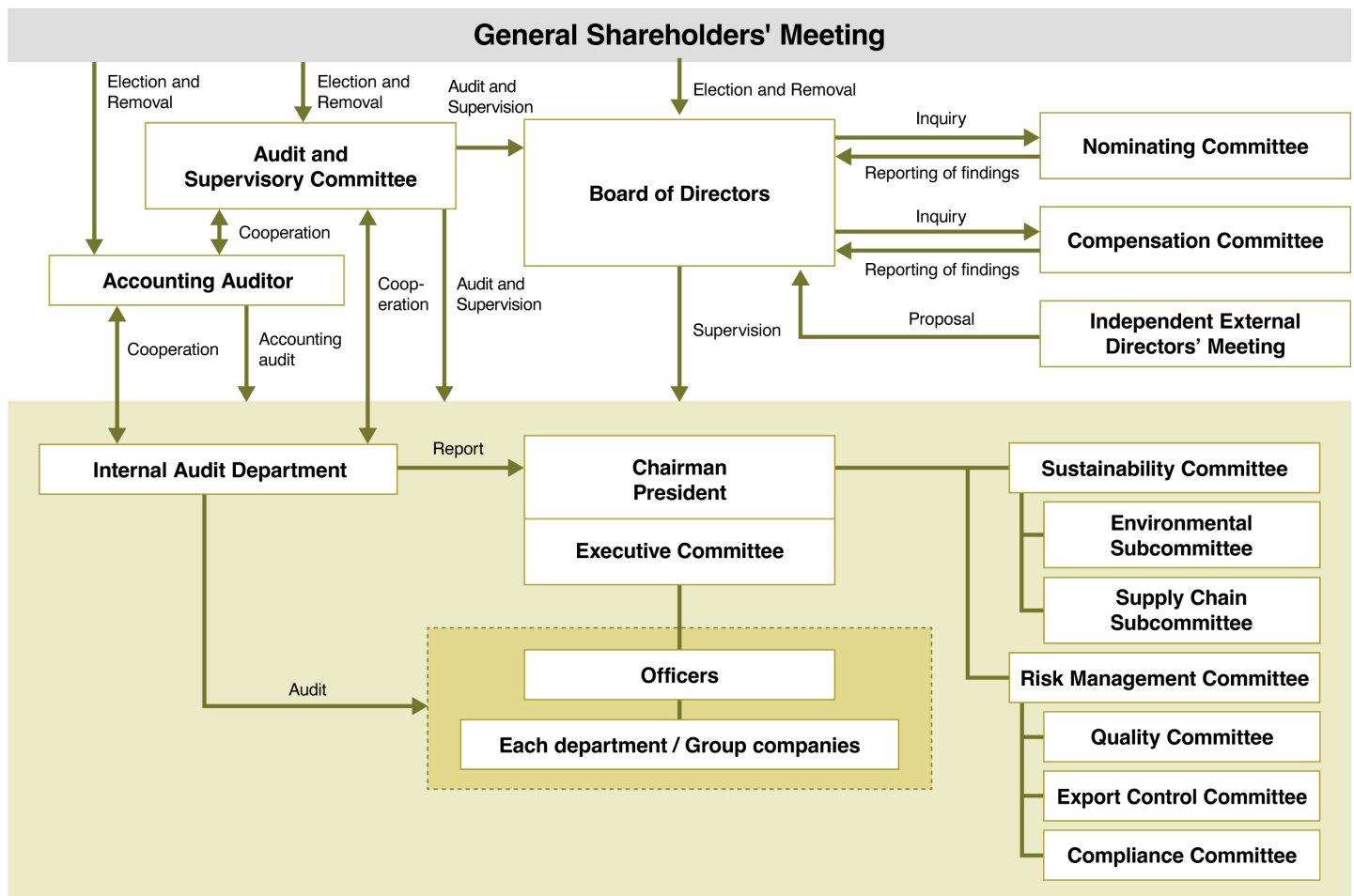
Basic Views

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 24, 2024)



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 a majority of the 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
Representative Director	Toshikazu Umatate	✓	✓	✓				✓	✓
Representative Director	Muneaki Tokunari	✓	✓	✓	✓		✓		
Director	Yasuhiro Ohmura			✓				✓	✓
Director* Chairman of the Board	Shiro Hiruta	✓ (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	Seiji Kikuchi				✓		✓	✓	
Director* Chairperson of Audit and Supervisory Committee	Shigeru Murayama	✓		✓				✓	✓
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 on which the Board particularly relies are listed.)

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
Shiro Hiruta	Shiro Hiruta served as Representative Director of Asahi Kasei Corporation and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company’s overall management from a big-picture perspective and that he can also contribute to securing the soundness and appropriateness of the Company’s management as well as to the enhancement of its transparency.
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
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.
Asako Yamagami	Asako Yamagami has work experience as an in-house lawyer and possesses expertise and experience as a lawyer regarding governance, compliance and other matters, and we believe that she will be able to contribute to securing the soundness as well as to the enhancement of its transparency.
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, 2024)**

Name	Category	Board of Directors	Audit and Supervisory Committee
Shigeru Murayama	Director	17 of 17	-
Makoto Sumita	Director (Audit and Supervisory Committee member)	17 of 17	4 of 4
Tsuneyoshi Tatsuoka	Director	16 of 17	-
Shiro Hiruta	Director (Audit and Supervisory Committee member)	17 of 17	14 of 14
Asako Yamagami	Director (Audit and Supervisory Committee member)	17 of 17	14 of 14
Michiko Chiba	Director (Audit and Supervisory Committee member)	11 of 12	9 of 10

- Makoto Sumita resigned as Director who is an Audit and Supervisory Committee Member at the 159th Annual General Shareholders' Meeting held on June 29, 2023, and was appointed as Director other than those who are Audit and Supervisory Committee Members. Accordingly, his attendance at meetings of the Audit and Supervisory Committee represents the number of the meetings held and the number of the meetings he attended during his service as Director who is an Audit and Supervisory Committee Member.
- Michiko Chiba was appointed as Director who is an Audit and Supervisory Committee Member at the 159th Annual General Shareholders' Meeting held on June 29, 2023. Accordingly, her attendance at meetings of the Board of Directors and the Audit and Supervisory Committee represents the number of the meetings held and the number of the meetings she attended after her appointment as Director who is an Audit and Supervisory Committee Member.

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, 2023) as well as the issues identified in this evaluation (for the fiscal year ended March 31, 2024) and future responses 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 Continued regular monitoring of progress in Medium-Term Management Plan and growth strategies by the Board of Directors and discussed the necessity of partial modification of the strategies to adapt to environmental changes • Reinforcement and monitoring of internal control and risk management systems The Board of Directors received regular reports on internal control and risk management systems and their implementation and conducted monitoring with a focus on important matters • Enhancement of coordination between Nominating Committee and Board of Directors Deepened discussions on the succession plan of President at Board of Directors' meetings by promoting the sharing of information on progress in deliberation by the Nominating Committee with the Board of Directors
<p>Response Policies for Issues Identified in This Evaluation</p>	<ul style="list-style-type: none"> • Reinforcement of monitoring of internal control and risk management systems Set agendas that allow the Board of Directors to monitor internal and risk management systems more effectively and conduct monitoring by receiving regular reports from management • Further deepening of discussions at Board of Directors' meetings Enhance discussions by the Executive Committee, the highest decision-making body of management, to provide appropriate inputs to the Board of Directors, thereby further deepening discussions at Board of Directors' meetings

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, 2024)

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)	257 (44)	111 (48)	368 (92)
Performance-based compensation	Bonuses	Number of persons	3 (-)	-	3 (-)
		Amount of compensation(million yen)	78 (-)	-	78 (-)
	Performance-based stock remuneration	Number of persons	3 (-)	-	3 (-)
		Amount of compensation(million yen)	15 (-)	-	15 (-)
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)	411 (44)	111 (48)	521 (92)

1. 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 an Audit and Supervisory Committee Member (of which, one External Director) who resigned at the conclusion of the 159th Annual General Shareholders' Meeting held on June 29, 2023, and the amount of compensation pertaining to the said Directors.
2. The amount of bonuses shown above indicates the total amount of bonuses for Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) resolved at the Board of Directors' meeting held on May 17, 2024 after deliberation by the Compensation Committee.
3. 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 17, 2024.
Note that the number of persons and the amount of compensation include the monetary compensation paid in exchange for shares as the performance-backed stock remuneration to an individual who resigned as Director as of March 31, 2024.

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.

4) Claim for return

If a director (other than a director who is an Audit and Supervisory Committee member) or officer, etc. of the Company is found to have committed serious breach of his or her duties or serious violation of internal rules, or to be in the employment of a competitor, etc., of the Company without permission from the Company (including appointment as a director, officer, or any other positions equivalent thereto of the competitor or an employee of the competitor), the Company shall be able to claim return in all or part of shares of the Company delivered and cash paid to the director or officer, etc.

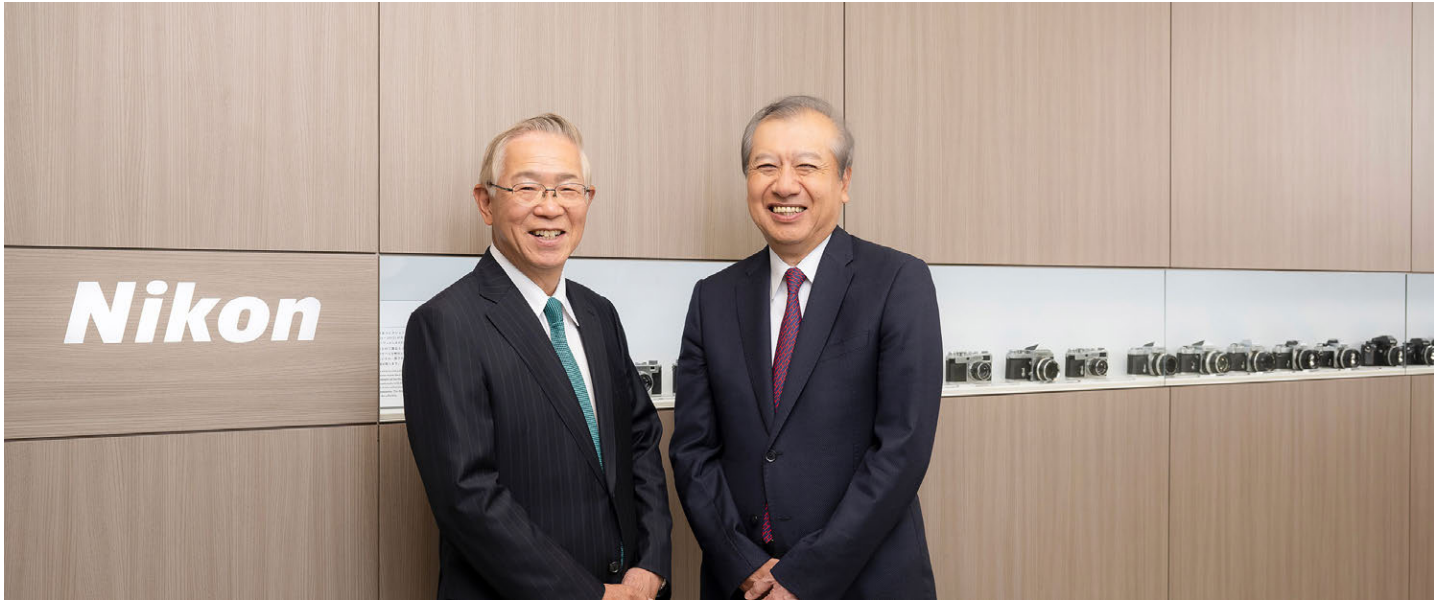
Number of Women and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2024)

Category	Women	Non-Japanese
Nikon Corporation	2	1
Group companies*	4	51

*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 2024.



Shigeru Murayama

External Director,
Chairperson of Audit and Supervisory Committee
Shigeru Murayama has served as Representative Director and President of Kawasaki Heavy Industries, Ltd. and has held other important positions. He assumed the position of external director at the Company in June 2020.

Makoto Sumita

External Director
Makoto Sumita has served as Chairman & Director of TDK Corporation and has held other important positions. He assumed the position of external director at the Company in June 2022.

Transition to New Management Structure

Process of Nominating New President and Role of External Directors Therein

Sumita: Effective April 1, 2024, Nikon transitioned to a new management structure with Toshikazu Umatate acting as representative director and chairman, CEO and Muneaki Tokunari holding the position of representative director and president, COO and CFO. A list of potential successors to the president was compiled about two years ago, and we began the process of nominating the new president in late 2023. This decision was prompted by discussions of the type of management structure that would be ideal for achieving growth beginning in FY2024, the midway point for the Medium-Term Management Plan launched in FY2022. The discussions for nominating the next president began with the Nominating Committee, which I chair. However, given the importance of this decision, a number of opportunities were arranged to allow all external directors to interview candidates outside of meetings of the Nominating Committee in order to allow the Board of Directors to make the decision appropriately. Through this process, the Board officially nominated the next president following discussions by the Nominating Committee.

Murayama: The interviews had an open and frank atmosphere. We were thus able to ask candidates their honest feelings toward the Company as well as their approaches toward management. The interviews also helped us gain an understanding of the disposition of each candidate.

Sumita: This was the first time Nikon had appointed a new president since establishing the Nominating Committee. I think one of the reasons we were able to reach a consensus so smoothly was because of the brisk communication that took place among external directors and all other members. Moreover, the opportunity to interview candidates in advance of formal meetings allowed us to discuss the type of leader that Nikon would need going forward and which candidate best fit the description based on a shared understanding at meetings of the Nominating Committee and the Board of Directors.



Future Succession Planning

Murayama: During the process of nominating the current president, the Nominating Committee comprised four external directors and inside director and then-Chairman of the Board Kazuo Ushida.

Then-President Umatate participated in meetings as an observer and explained his feelings regarding the next president and why he had recommended the candidates. This experience led us to the conclusion that a system in which senior executives are able to communicate and discuss their opinions on equal footing as members of the Nominating Committee would be ideal. For this reason, we plan to have Chairman Umatate and President Tokunari join the Nominating Committee after they are chosen as the members of the Board of Directors at the General Shareholders' Meeting. As for us external directors, we will continue to fulfill our role of ensuring the transparency and impartiality of the nomination process based on our outside perspectives.

Sumita: Having experienced the process of nominating the new president, I acknowledge the importance of going beyond just choosing leaders to identify candidates as early as possible, from both inside and outside of the Company. Early identification of candidates will allow us to devote more time to discussing candidates and move forward with their development. In order to fully understand the entirety of Nikon's diverse business operations, it is crucial for candidates to gain a wide range of experience and to heighten their skills as a leader.

Expectations for New Management Structure

Sumita: When nominating the new president, discussions took place on the subject of what type of person, given Nikon's operating environment, would be best suited to raising the Nikon Group's comprehensive capabilities in order to achieve further growth.

Murayama: The discussions led to the consensus that Mr. Tokunari would be best suited for this position. Factors that we considered along the way included how he helped former President Umatate formulate the current Medium-Term Management Plan and how, in his capacity as CFO, he promoted company-wide strategies from a perspective that was not limited to finance. In the past, Nikon has failed to accomplish the targets laid out in its Medium-Term Management Plan. The Company may be achieving a rapid recovery from the impacts of the COVID-19 pandemic under the current Medium-Term Management Plan, but this does not change the fact that achieving the plan's targets is not expected to be easy. Now-President Tokunari's insight and experience will no doubt be essential to accomplishing this task.



Sumita: President Tokunari identifies issues in Nikon's business from a company-wide perspective, without becoming preoccupied with specific individual businesses, to formulate an accurate approach toward tackling these issues. He also maintains close contact with business divisions and understands the essence of each of Nikon's businesses to the point that you might be forgiven for thinking that he had spent his entire career here. This is probably why he is able to offer such easy-to-understand explanations at meetings of the Board of Directors. Moreover, he has a wealth of overseas experience and a global perspective. These qualities truly make him suited to the position of leading Nikon.

Murayama: Mr. Tokunari himself was quite surprised to be nominated for the position of president a mere four years after joining Nikon's management team. However, there are no concerns with regard to his ability to fill this role as he has already proven to have a deep understanding of Nikon's businesses. In his new capacity as president, I look forward to seeing him advance reforms that get more to the heart of the Company.

Sumita: The new management structure will be led by Chairman Umatate and President Tokunari, two people with very different backgrounds. I hope to see them successfully guide the Company to accomplish the goals of the Medium-Term Management Plan and to achieve growth thereafter.

Progress of the Medium-Term Management Plan and Future Prospects

Monitoring of the Medium-Term Management Plan and Foreseeable Issues

Murayama: Including FY2024, only two years remain for the current Medium-Term Management Plan. The Board of Directors receives reports on the progress of the Medium-Term Management Plan twice a year from the executive team. When there is cause for specific concern with regard to the plan, it is included among the agenda items for Board meetings, and explanations are provided on the situation. As the Board monitors the progress of the Medium-Term Management Plan, they pay particular attention to changes in the operating environment to determine whether there is a need to adjust strategies. In fact, at the midpoint of the plan, revisions were made to outlooks for distributions of earnings by business and to capital allocations based on changes in the operating environment.



Sumita: When the current Medium-Term Management Plan is not progressing on schedule, the Board of Directors delves deep into the potential causes of the issues. Should progress toward numerical targets be slow, for example, the Board will drill down into the executive team's understandings of the situation to determine whether the cause lies in the operating environment or in Nikon's strategies. It will also review initiatives to ensure that they are not lacking. Feedback is provided with regard to the findings of these examinations.

Murayama: The Healthcare Business used to be in the red, but it has since been made profitable and is now serving as a new source of earnings for Nikon. Moreover, the Company's plans to conduct M&A activities in growth markets are moving ahead as intended. Progress on this front can be seen in the conversion of SLM Solutions Group AG (currently Nikon SLM Solutions AG) of Germany into a subsidiary in 2023 and the conversion of RED.com, LLC of the United States in 2024. In order to ensure the steady growth of the businesses of these new Group constituents, it will be important for the Board of Directors to engage in ongoing monitoring of their progress.

Sumita: Having completed the acquisitions of SLM Solutions and RED.com, Nikon no longer has any large-scale M&A activities on its plate. Accordingly, important tasks going forward will be to improve profitability and to strengthen Group governance of overseas subsidiaries and other companies. It is not easy for a Japanese company to practice effective governance of a large-scale overseas company that it has acquired. This is why the Board of Directors must take a focused approach toward monitoring how newly acquired subsidiaries are being handled and how management is being strengthened for these new members of the Nikon Group. I also suspect that Nikon is at a point at which it should begin ramping up capital investment in domestic production systems.

Murayama: I too feel that Nikon's handling of the overseas companies it has acquired might be a bit lacking. I also share your opinion with regard to domestic production systems. On a visit to an actual production site, I noticed some areas in need of improvement. This prompted me to suggest that Nikon should devote more funds to its production facilities at a meeting of the Board of Directors. The executive team was also aware of these issues. This is why, when we revised the allocations of capital under the current Medium-Term Management Plan, a significant amount of capital was shifted away from M&A activities and other strategic investments and toward reinforcing operating foundations through means such as capital investment.

Sumita: Augmentations to production facilities have the potential to contribute to earnings over the long term. At the same time, creating comfortable working environments is crucial to securing human resources. These are some of the reasons why I hope Nikon will actively invest in making its production bases more competitive.

Outlook for Nikon

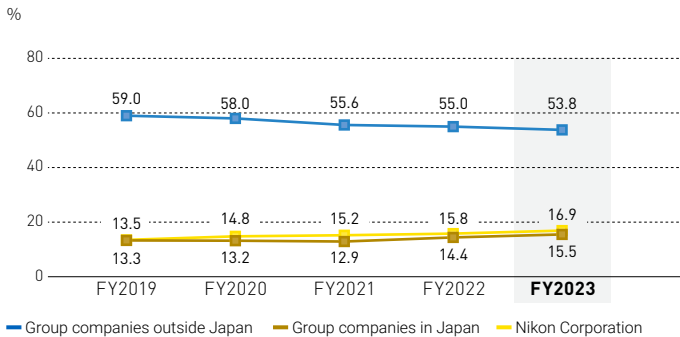
Sumita: For better or for worse, Nikon is a technology company. With Toshikazu Umatate as representative director and chairman, CEO and Muneaki Tokunari as representative director and president, COO and CFO, the management structure is positioned to ensure that Nikon can capitalize on its high technological prowess to improve profitability. Nikon's various businesses are expected to see growth in earnings in FY2025. Nevertheless, I remain committed to engaging in lively discussions at meetings of the Board of Directors going forward to ensure that Nikon is able to achieve the targets of the Medium-Term Management Plan and continue growing thereafter.

Murayama: There can be no denying that Nikon currently faces issues when it comes to profitability, but I still believe that the Company's present course is the right one. I look forward to seeing Nikon achieve ongoing improvements in corporate value through the steady growth of the Components Business, the Healthcare Business, and the Digital Manufacturing Business, in addition to its core Imaging Products Business and Precision Equipment Business.

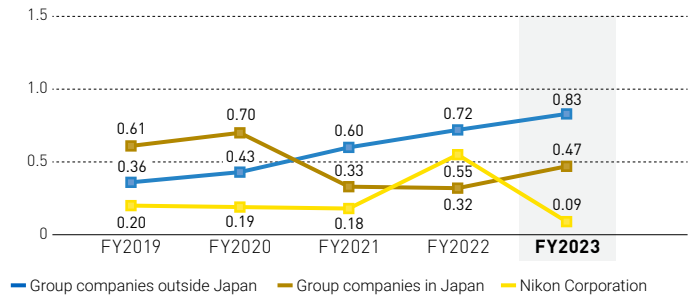
Non-Financial Highlights

Nikon Corporation and Consolidated Subsidiaries

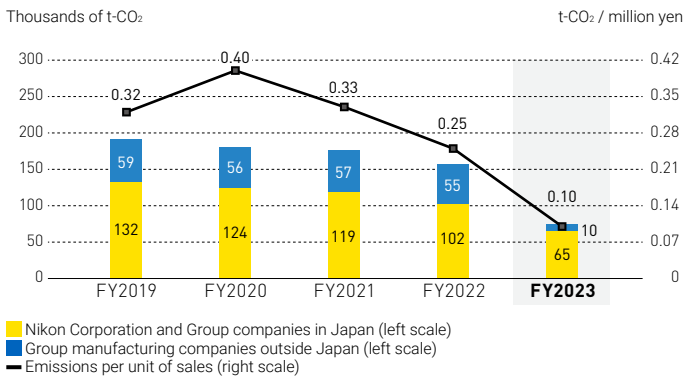
Ratio of Female Employees*1



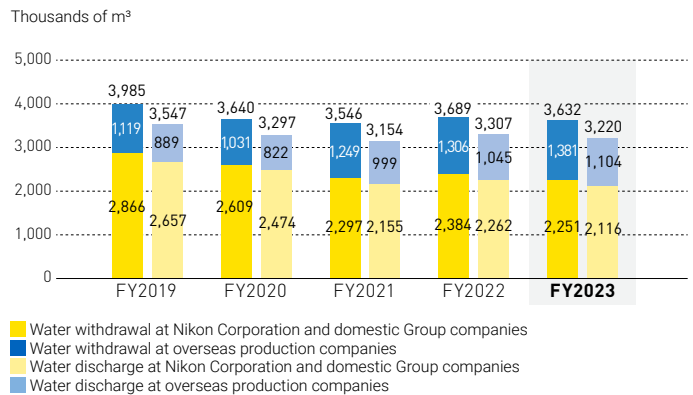
Frequency Rate of Lost Time Accidents (1 or More Days)*2,3



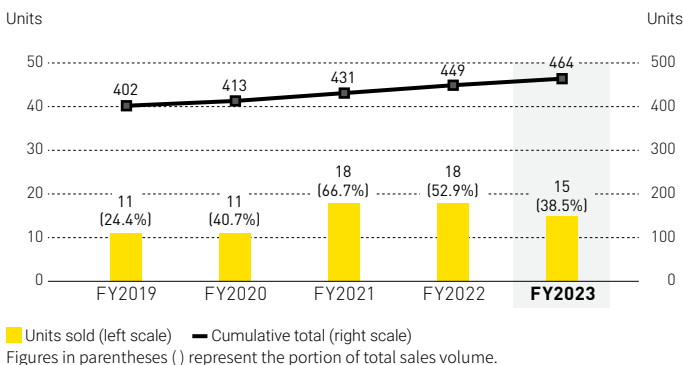
CO₂ Emissions from Energy Consumption*4



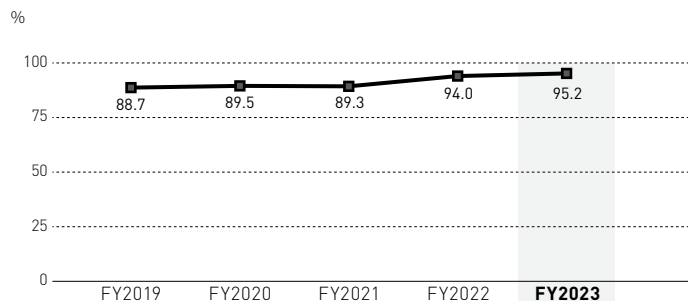
Water Withdrawal / Water Discharge



Sales Trends of Refurbished Semiconductor Lithography Systems



Employee Retention Rate



*1 Permanent employees of the Nikon Group (consolidated). Employees seconded to affiliates are counted as employees of the respective affiliates. The Companies that have become consolidated subsidiaries through acquisition are not included in the calculations for the fiscal year in which they were acquired.

*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 FY2023). Group companies outside Japan exclude companies that are in the process of being liquidated (53 companies in FY2023) 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 (Using the FY2009 edition).

Financial Highlights

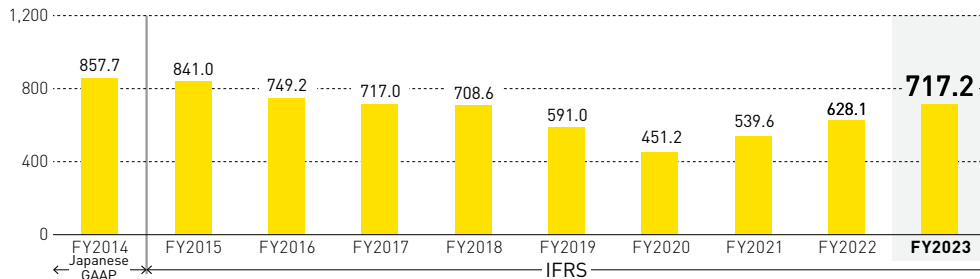
Nikon Corporation and Consolidated Subsidiaries

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

Growth Potential / Profitability

Revenue*

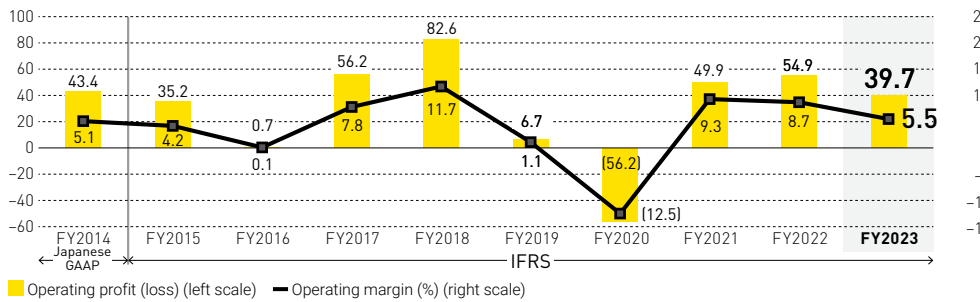
Billions of yen



* "Net sales" under Japanese GAAP

Operating Profit (Loss) / Operating Margin

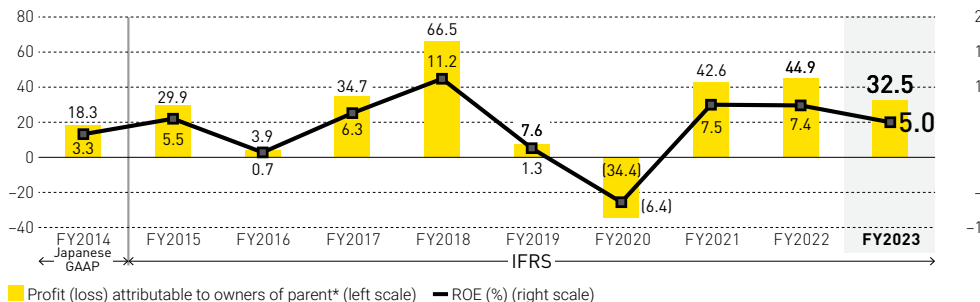
Billions of yen



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

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

Billions of yen

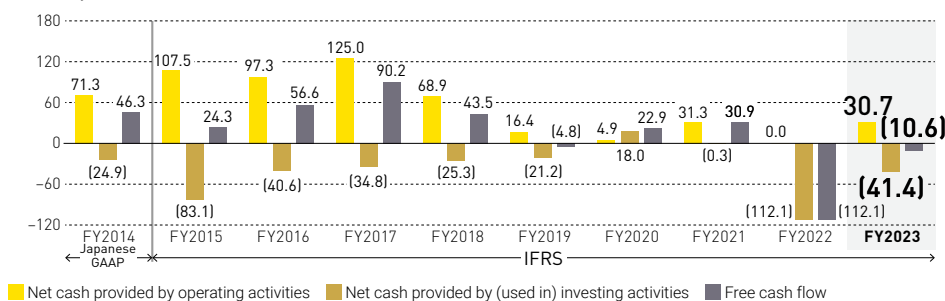


■ Profit (loss) attributable to owners of parent* (left scale) — ROE (%) (right scale)

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

Cash Flows

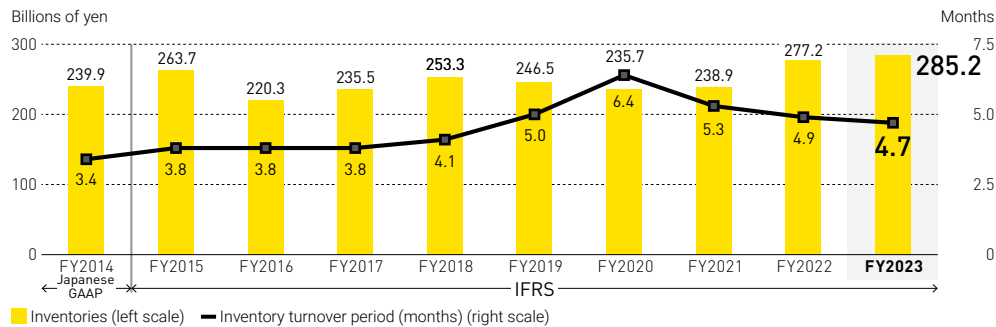
Billions of yen



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

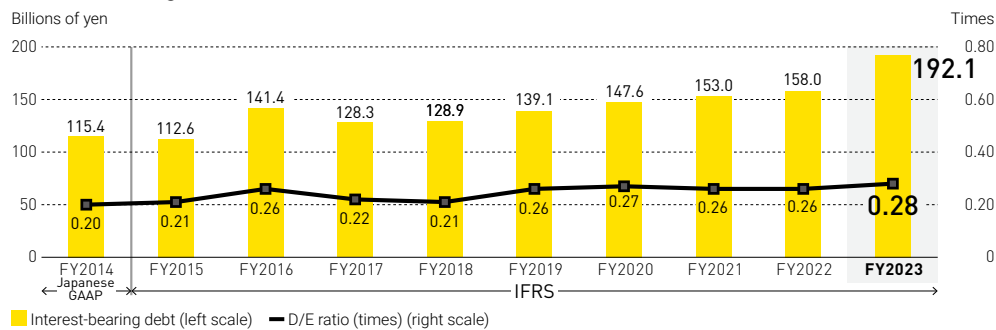
Efficiency

Inventories / Inventory Turnover Period



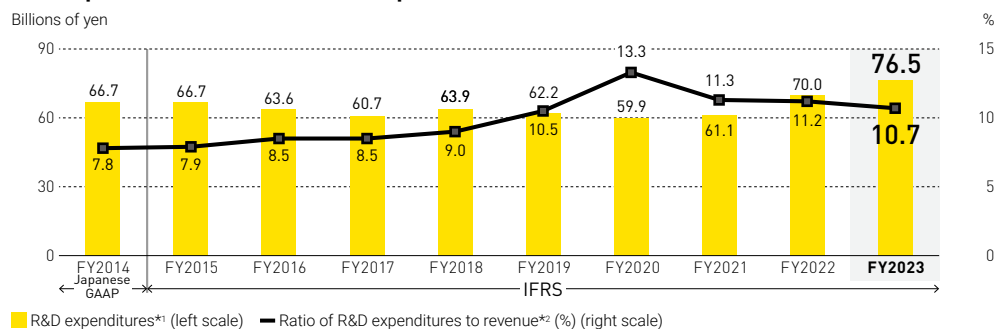
Safety

Interest-Bearing Debt / D/E Ratio



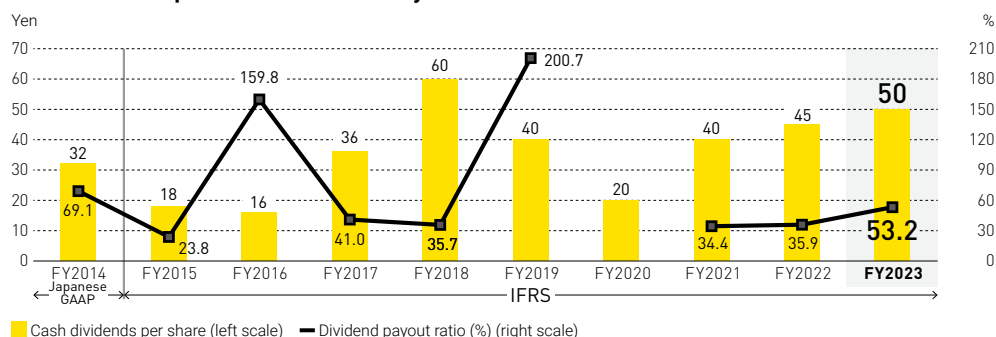
Growth Investments

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
	FY2014	FY2015 ^{*3}	FY2015	FY2016
Millions of yen				
Profit or loss (for the year):				
Net sales / Revenue	¥ 857,782	¥ 819,388	¥ 841,040	¥ 749,273
Cost of sales	(532,383)	(506,773)	(522,232)	(443,153)
Selling, general and administrative expenses	(281,987)	(280,917)	(276,988)	(247,548)
Other income (expenses)	—	—	(6,554)	(57,798)
Operating income (loss) / Operating profit (loss)	43,412	31,699	35,266	774
Income (loss) before income taxes / Profit (loss) before tax	35,153	28,579	39,546	3,068
Net income (loss) attributable to owners of parent / Profit (loss) attributable to owners of parent	18,364	18,254	29,947	3,967
Financial position (fiscal year-end):				
Total assets	972,945	966,578	982,564	1,018,351
Total equity	572,201	528,280	537,078	538,150
Interest-bearing debt	115,498	112,772	112,642	141,494
Cash flows (for the year):				
Net cash provided by operating activities	71,309	105,215	107,512	97,342
Net cash provided by (used in) investing activities	(24,945)	(80,881)	(83,178)	(40,693)
Free cash flow	46,364	24,334	24,334	56,649
Net cash provided by (used in) financing activities	(24,955)	(18,174)	(18,174)	15,522
Per share of common stock (yen)*1:				
Basic net income (loss) / Basic earnings	46.29	46.05	75.55	10.01
Diluted net income / Diluted earnings	46.21	45.94	75.37	9.98
Cash dividends paid	32.00	18.00	18.00	16.00
Financial indicators:				
Equity ratio (%) / Ratio of equity attributable to owners of parent total assets (%)	58.6	54.5	54.6	52.8
D/E ratio (times)*2	0.20	0.21	0.21	0.26
ROE (%)*2	3.3	3.4	5.5	0.7
ROA (%)*2	1.9	1.9	3.0	0.4
Capital expenditures	32,550	34,498	34,498	32,234
Depreciation and amortization	38,458	37,739	38,811	33,972
R&D costs / R&D expenditures*5	66,730	66,781	66,781	63,636
	FY2014	FY2015	FY2016	
Non-financial data:				
Number of consolidated subsidiaries	75	84	82	
Number of employees*6	25,415	25,729	25,031	
Ratio of female employees (%)*7	44.6	45.1	44.1	
Ratio of employees outside Japan (%)*7	60.5	61.6	60.7	
Number of employees participating in corporate citizenship activities (total)	2,627	4,477	3,302	
CO ₂ emissions from energy consumption (thousands of t-CO ₂)*8	244	235	221	
Energy consumption (TJ)*9	4,297	4,312	4,169	
Waste generation (tons)*10	—	6,369	6,118	

*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 ¥151.41 = \$1, the exchange rate on March 31, 2024.

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

*6 Permanent employees of the Nikon Group (consolidated).

*7 Permanent employees of the Nikon Group (consolidated). 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. The Companies that have become consolidated subsidiaries through acquisition are not included in the calculations for the fiscal year in which they were acquired.

*8 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.

IFRS

	Millions of yen						Thousands of U.S. dollars ⁴	
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2023
Profit or loss (for the year):								
Revenue	¥ 717,078	¥ 708,660	¥ 591,012	¥ 451,223	¥ 539,612	¥ 628,105	¥ 717,245	\$ 4,737,107
Cost of sales	(404,170)	(405,250)	(368,978)	(295,318)	(303,541)	(338,931)	(407,198)	[2,689,373]
Selling, general and administrative expenses	(248,683)	(238,561)	(205,698)	(181,339)	(189,465)	(231,228)	(268,056)	[1,770,397]
Other income (expenses)	(7,988)	17,805	(9,585)	(30,807)	3,328	(3,038)	(2,215)	[14,632]
Operating profit (loss)	56,236	82,653	6,751	(56,241)	49,934	54,908	39,776	262,704
Profit (loss) before tax	56,257	87,915	11,864	(45,342)	57,096	57,058	42,669	281,808
Profit (loss) attributable to owners of parent	34,772	66,513	7,693	(34,497)	42,679	44,944	32,570	215,111
Financial position (fiscal year-end):								
Total assets	1,098,343	1,134,985	1,005,881	989,737	1,039,566	1,050,267	1,147,110	7,576,185
Total equity	573,541	616,726	541,760	538,726	599,967	618,351	685,091	4,524,743
Interest-bearing debt	128,314	128,992	139,136	147,628	153,098	158,097	192,171	1,269,211
Cash flows (for the year):								
Net cash provided by operating activities	125,082	68,901	16,419	4,966	31,351	15	30,767	203,202
Net cash provided by (used in) investing activities	(34,808)	(25,304)	(21,281)	18,024	(385)	(112,146)	(41,405)	[273,463]
Free cash flow	90,274	43,597	(4,862)	22,990	30,966	(112,131)	(10,638)	[70,261]
Net cash provided by (used in) financing activities	(19,970)	(21,583)	(72,739)	(4,991)	(26,151)	(56,210)	(8,938)	[59,032]
Per share of common stock (yen and U.S. dollars)*1:								
Basic earnings	87.76	167.86	19.93	(93.96)	116.23	125.46	94.03	0.62
Diluted earnings	87.49	167.30	19.85	(93.96)	115.58	124.77	93.53	0.62
Cash dividends paid	36.00	60.00	40.00	20.00	40.00	45.00	50.00	0.33
Financial indicators:								
Ratio of equity attributable to owners of parent total assets (%)	52.2	54.3	53.7	54.3	57.5	58.6	59.6	
D/E ratio (times)*2	0.22	0.21	0.26	0.27	0.26	0.26	0.28	
ROE (%)*2	6.3	11.2	1.3	(6.4)	7.5	7.4	5.0	
ROA (%)*2	3.3	6.0	0.7	(3.5)	4.2	4.3	3.0	
Capital expenditures	33,472	24,938	28,775	30,531	42,143	42,181	70,703	466,962
Depreciation and amortization	31,706	27,805	34,105	28,027	24,857	29,056	35,666	235,559
R&D expenditures*5	60,704	63,963	62,294	59,955	61,107	70,090	76,519	505,374
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Non-financial data:								
Number of consolidated subsidiaries	81	81	82	79	71	80	81	
Number of employees*6	21,029	20,917	20,190	19,448	18,437	18,790	19,444	
Ratio of female employees (%)*7	40.5	41.0	39.2	38.0	36.2	36.8	37.3	
Ratio of employees outside Japan (%)*7	58.5	57.8	56.5	54.6	53.1	55.8	56.2	
Number of employees participating in corporate citizenship activities (total)	3,591	3,629	3,310	1,888	1,681	3,974	2,575	
CO ₂ emissions from energy consumption (thousands of t-CO ₂)*8	225	215	191	180	175	157	75	
Energy consumption (TJ)*9	4,410	4,283	4,057	3,842	3,885	3,979	4,130	
Waste generation (tons)*10	5,928	7,771	7,089	5,989	5,803	6,194	6,237	

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 (Using the FY2009 edition).

CO₂ emissions from energy consumption are calculated by subtracting amounts of green power plan, green power certificate, solar power, and green heat certificate from total energy consumption, and multiplying that by the basic emission factors.

*9 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) (Using the FY2009 edition).

*10 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, 2024)

Nikon Corporation

1-5-20, Nishioi, Shinagawa-ku, Tokyo
140-8601, Japan
(as of July 29, 2024)

Date of Establishment

July 25, 1917

Number of Employees

19,444 (Consolidated)

Capital

¥65,476 million

Stock Status

Total number of shares authorized to be issued:

1,000,000,000 shares

Total number of shares issued:

351,476,686 shares

Shareholders' Information

(As of March 31, 2024)

Number of Shareholders

49,951

Financial Instruments Exchange Listing

Tokyo Stock Exchange
(Ticker Symbol: 7731)

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,147	19.09
Custody Bank of Japan, Ltd. (Trust Account)	19,158	5.53
Meiji Yasuda Life Insurance Company	17,584	5.08
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	8,556	2.47
MUFG Bank, Ltd.	7,009	2.02
The Joyo Bank, Ltd.	6,121	1.77
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,497	1.59
The Shizuoka Bank, Ltd.	4,996	1.44
JPMorgan Securities Japan Co., Ltd.	4,770	1.38
JPMORGAN CHASE BANK 380684	4,749	1.37

Notice: 5,019 thousand shares of treasury stock are excluded from the above major shareholders.
The percentage of shares held is calculated after deducting treasury stock.

Ratings

Rating agencies	Long-term debt	Short-term debt	
Japan Credit Rating Agency, Ltd. (JCR)	A+[Stable]	J-1	As of June 28, 2024
Rating and Investment Information, Inc. (R&I)	A [Stable]	a-1	As of July 4, 2024

For further information, please contact:

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