Nikon IR Day 2023

September 28, 2023

NIKON CORPORATION

－Themes and Speakers－

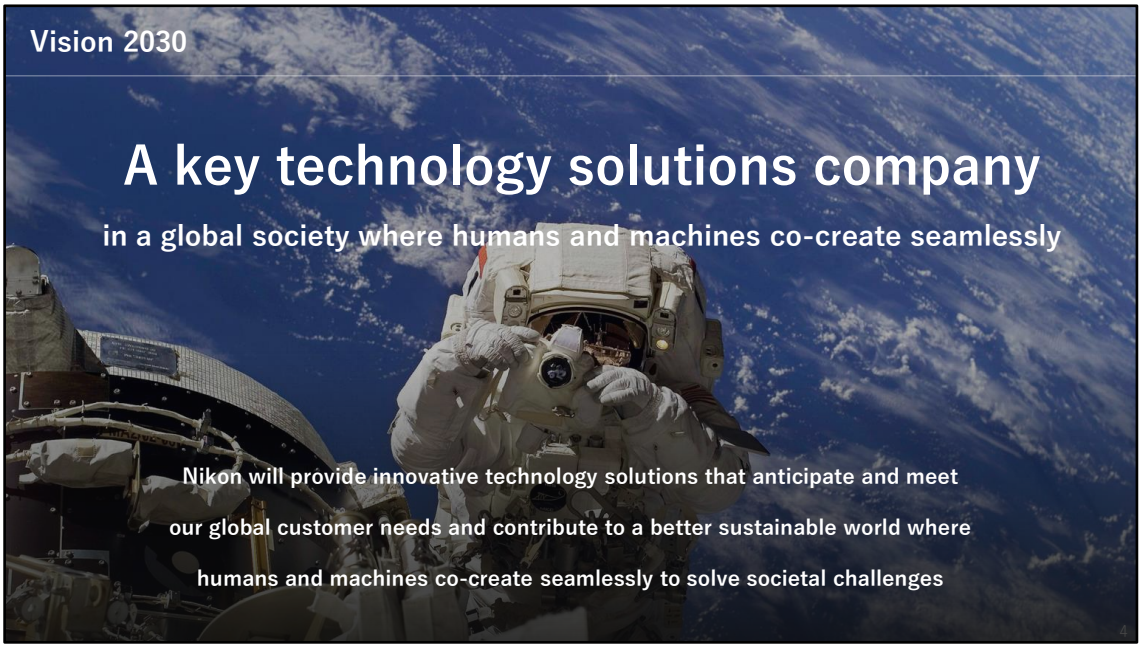
• **Opening Remarks**	**Toshikazu Umatate** Representative Director and President
• **Advanced Manufacturing (ADM) Business**	**Yuichi Shibazaki** Corporate Vice President, General Manager of Advanced Manufacturing Business Unit
	Hamid Zarringhalam Corporate Vice President, Nikon Advanced Manufacturing Inc. CEO
• **Healthcare Business**	**Tatsuya Yamaguchi** Corporate Vice President, General Manager of Healthcare Business Unit
• **Sustainability Strategy**	**Yukako Yamada** Department Manager of Corporate Sustainability Department
• **External Director Panel Discussion**	**Shiro Hiruta** External Director
	Asako Yamagami External Director
(Moderator)	**Muneaki Tokunari** Director and Executive Vice President

Opening Remarks

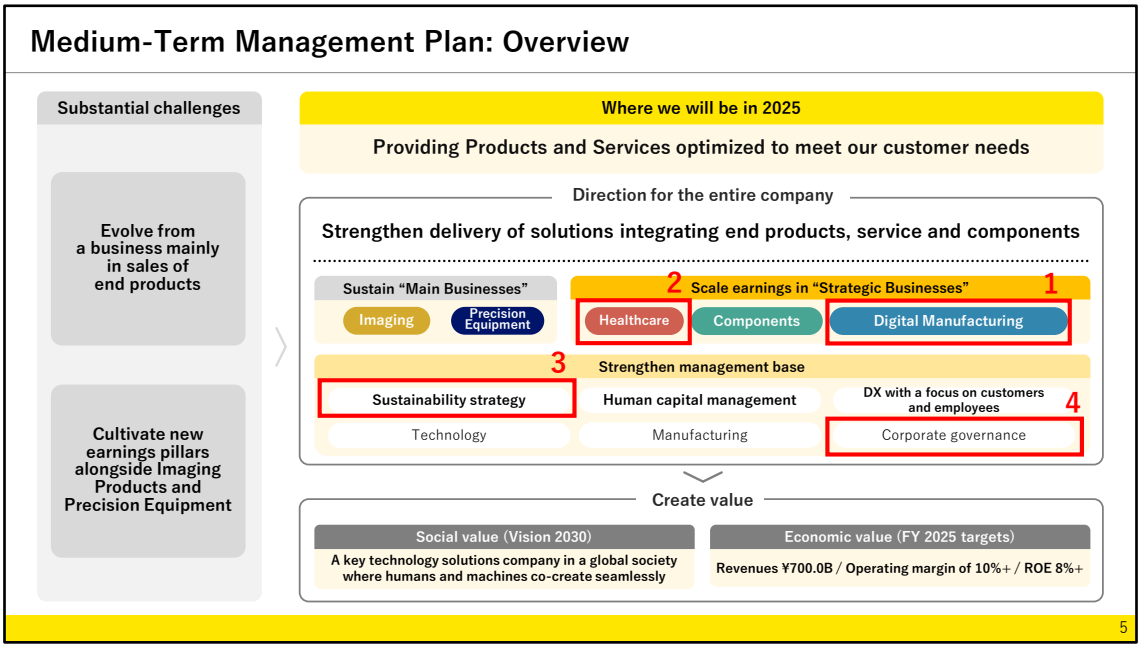
Toshikazu Umatate
Representative Director and President

3

- I am Umatate, President of Nikon.
- Thank you for joining us today, at our second IR Day since last year.
- We hope to spend the next two hours providing a deeper understanding of Nikon.



- Our Vision 2030 seeks to become a key technology solutions company in a global society where humans and machines co-create seamlessly.
- To that end, we aim to work in lockstep with our customers, understanding the essence of their needs, supporting their innovations, and contributing to the realization of a rich and sustainable society.

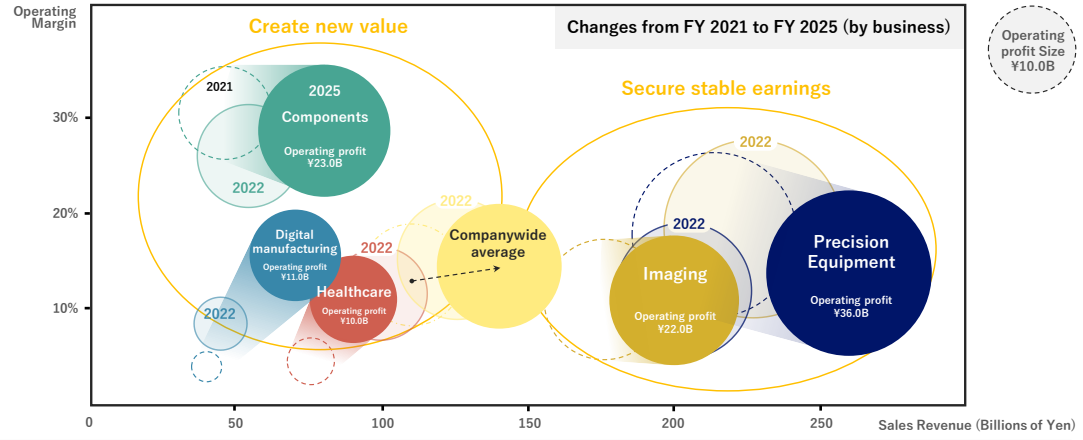


- Today, we will focus on two of our five business segments, Digital Manufacturing and Healthcare. Their business leaders will share an overview of these growth businesses and discuss strategy.

- Next, our department manager in-charge of sustainability will explain our sustainability strategy, which makes up a central part of our Medium-Term Management Plan ("the Plan").

- Finally, we will hold a session for our external directors to answer investor's questions on corporate governance.

Revenue Portfolio: Progress toward Balancing Scale with Profitability

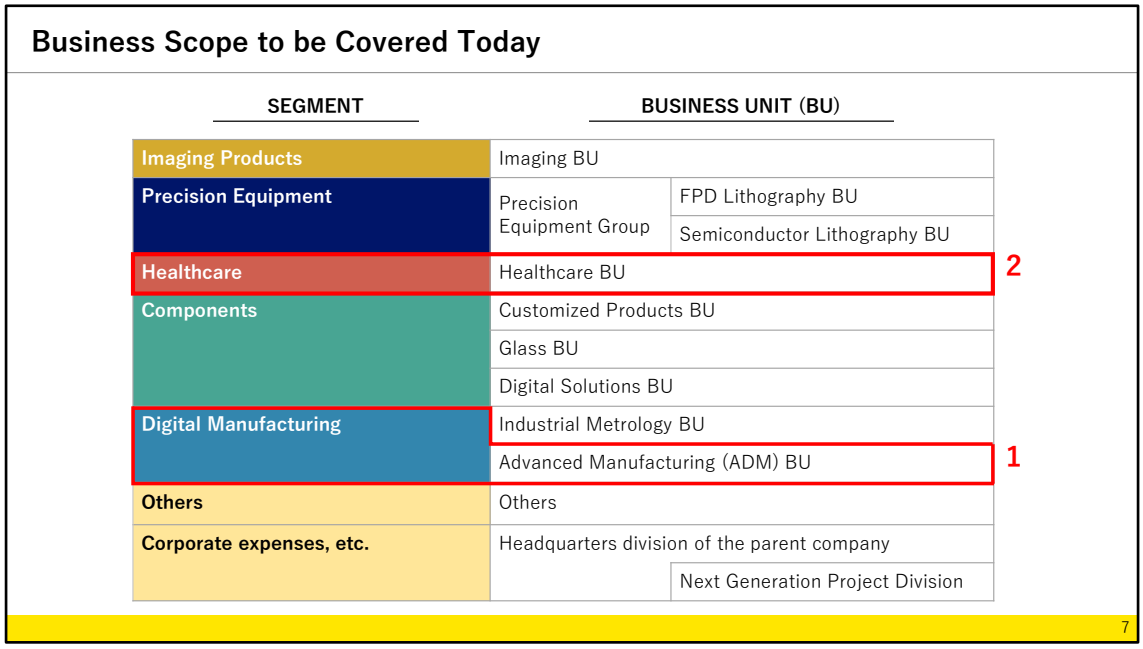


Generate diverse revenues from common core of optical and precision technologies and strengthen resilience against uncertainties and risks

*Company average is a simple average of the 5 businesses. Figures expressed are before deducting companywide and other expenses (FY 21 -¥28.5B, FY 25 -¥32.0B).
FY25 targets assume the following exchange rates: ¥115/USD and ¥130/EUR.

6

- The last fiscal year (FY2022) was the first year of the Plan, and we made a solid start, beating the initial plan. This fiscal year (FY2023), we expect profit to decline year-on-year, in line with expectations when we developed the Plan.
- Overall, things are progressing in line with the Plan. By segment, the picture is more mixed. The Imaging Products and Healthcare Businesses are far above the Plan, while Semiconductor-related businesses are lagging.
- Now we are reviewing the Plan by segment. Next spring, we expect to show new numerical targets for the last two years of the Plan.
- So, much of our business discussion today will be qualitative in nature.



- Within our Digital Manufacturing Business, we will discuss our Advanced Manufacturing (ADM) Business Unit which acquired the German company SLM, a world-leading developer and manufacturer of metal 3D printers.

- All acquisition procedures were completed on September 1, so SLM is now a wholly owned subsidiary of Nikon.

- Our ADM BU is a newly established BU, with its global headquarters of the business unit located on the US West Coast. This is the first time Nikon has located a global headquarters of a Nikon business outside of Japan in its 100-plus-year history.

- Shibazaki and Hamid Zarringhalam will talk to the growth potential of this business.

- That will be followed by a discussion of our Healthcare Business.

- Healthcare Business turned profitable three years ago. Since, it has become a pillar of earnings, generating stable operating profit of more than 10 billion yen recently. There is more room to expand earnings. The business leader Yamaguchi will tell you about the growth story.

- We hope the next two hours will prove to be very meaningful time for you. Thank you.

Advanced Manufacturing (ADM) Business

Yuichi Shibazaki
Corporate Vice President,
General Manager of Advanced Manufacturing Business Unit

Hamid Zarringhalam
Corporate Vice President,
Nikon Advanced Manufacturing Inc. CEO

8

- This is Shibazaki, General Manager of the Advanced Manufacturing Business Unit.
- I will cover the first half of today's presentation on our future operating policies and Hamid Zarringhalam, Corporate VP, who is managing the business unit with me will cover the second half.

Outline

1. **ADM business overview**
2. **Background of business unit establishment and future vision**
3. **Strategy and business plan**
4. **Additive Manufacturing market outlook and growth drivers**
5. **Global business development and application development**

- Today, I would like to cover these topics.

Outline

1. **ADM business overview**
2. Background of business unit establishment and future vision
3. Strategy and business plan
4. Additive Manufacturing market outlook and growth drivers
5. Global business development and application development

- First, I would like to start with an overview of the business unit.

Excerpt from Mid-Term Management Plan Progress Announced in May 2023

Digital Manufacturing: Status of Business Operations

Items enclosed in red will be covered today.

Vision Enable innovations in manufacturing with applied optics application technologies

Digital Manufacturing	Industrial Metrology BU
	Advanced Manufacturing BU

Progress in Year 1 of Plan

■ **Material Processing (growth driver)**
- Built up a variety of measures aimed at accelerating growth, including the SLM acquisition, launch of a new standalone business unit, and the establishment of a business headquarters on the US West Coast, where many customers need precision metal processing.

■ **Robot vision (growth driver)**
- Validated upgraded and more efficient parts pick & place with promising partner

■ **Laser radar and X-ray and CT systems**
- Expanded product and sales infrastructure for automotive and EV batteries. Achieved solid growth.

■ **In-line measurement**
- Serving the automotive, aerospace and other industries, executed automated high precision non-contact metrology in large space and achieved compact, high speed, light weight format for industrial inspection.

Topics

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

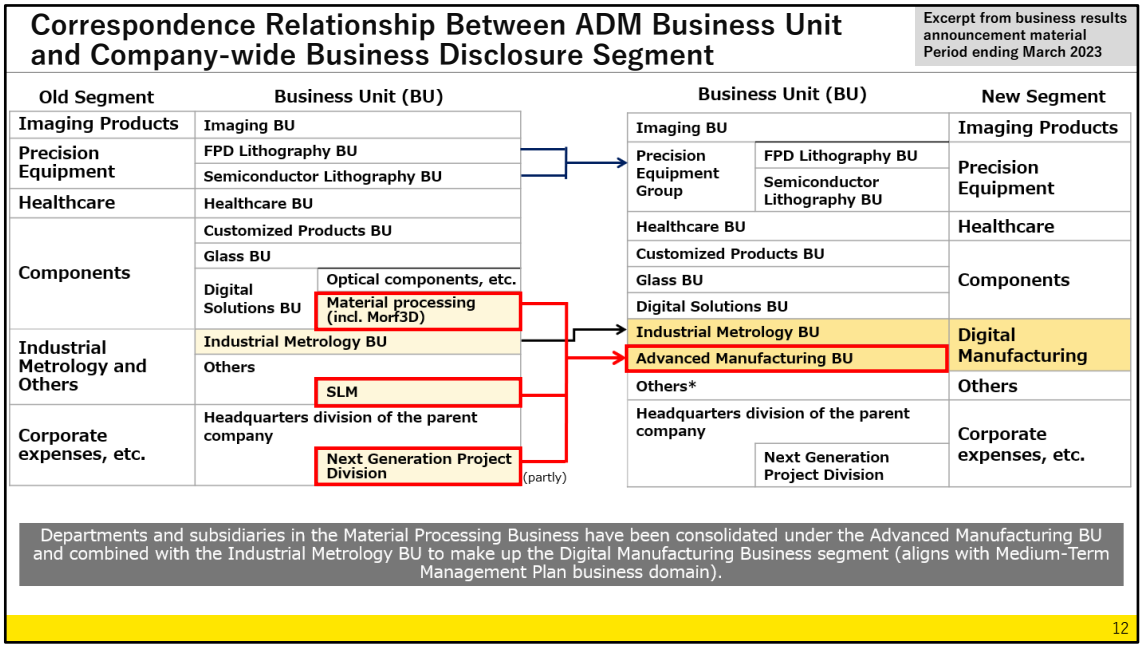
■ **Riblet processing**
- Implemented durability tests on effects of drag reduction with ANA, JAL and JAXA for potential deployment to flights resulting in improved fuel efficiency and CO2 reduction.

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

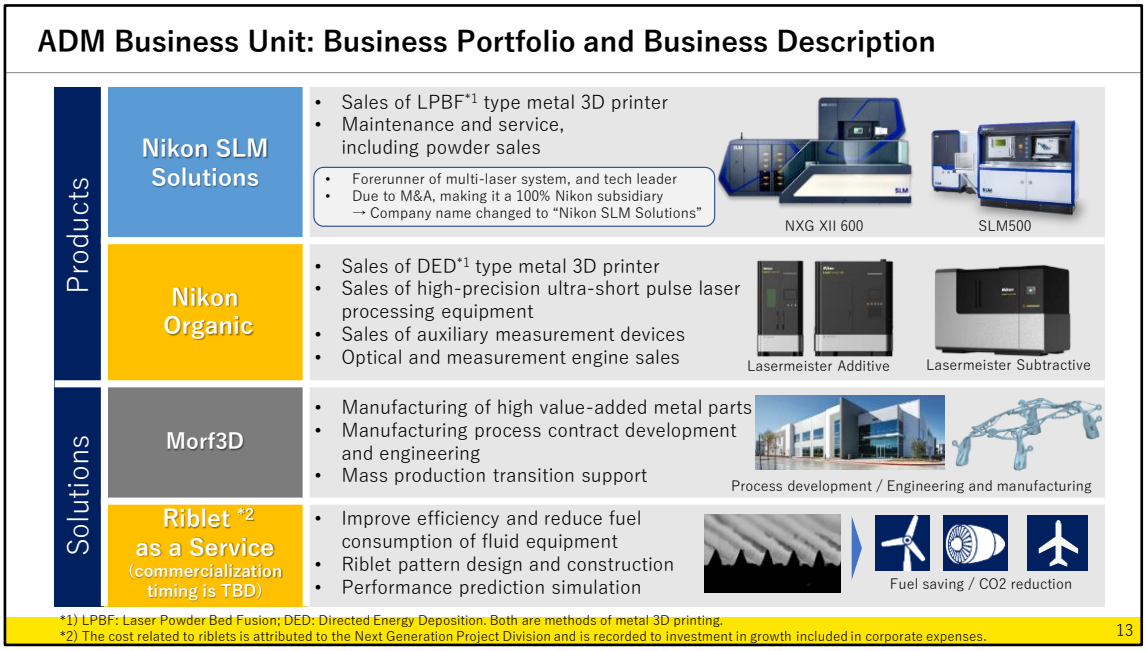
* ANA = All Nippon Airways Co., Ltd. JAL = Japan Airlines Co., Ltd. JAXA = Japan Aerospace Exploration Agency. Market size information estimated by Nikon based on various data sources. FY 22 sales was ¥42.0B and operating profit was -¥10.1B under new segmentation starting 2023.

11

- This is a repost of the slide used in the progress report on medium-term management plan in May.
- The ADM Business Unit, along with the Industrial Metrology Business Unit, is a business unit that constitutes "Digital Manufacturing" a disclosure segment.
- Today, I will explain the items enclosed in red.



- This is also a re-posting of the reference material used when the business results were announced in May. The ADM Business Unit is a business unit made up of a group of business units mentioned in the reference material, which were spun off, and Nikon SLM Solutions Group AG (formerly SLM Solutions Group AG (hereafter “SLM”)), which is a German subsidiary that recently completed the acquisition.



- The ADM Business Unit business domain can be divided into 2 business areas: the hardware sales business, such as metal 3D printers that are described as products, and the solution business, such as the contract manufacturing of high value-added parts.

- Products in the upper part of this slide can be divided into the company Nikon SLM Solutions, which currently accounts for a majority of business revenue, and the Nikon Organic business.

- SLM is a metal 3D printer manufacturer who is the 3rd largest in the world in terms of sales volume and boasts a highly competitive position as leader of innovation in the industry.

- Right below Nikon SLM Solutions in this slide is Nikon Organic, with sales of types of metal 3D printers and ultrashort pulse laser processing machines developed in-house that are different method provided by SLM. In the future, the plan calls for us to also work on auxiliary measurement equipment used in combination with these and the supply of optical engines and measurement engines for machines, including SLM machines.

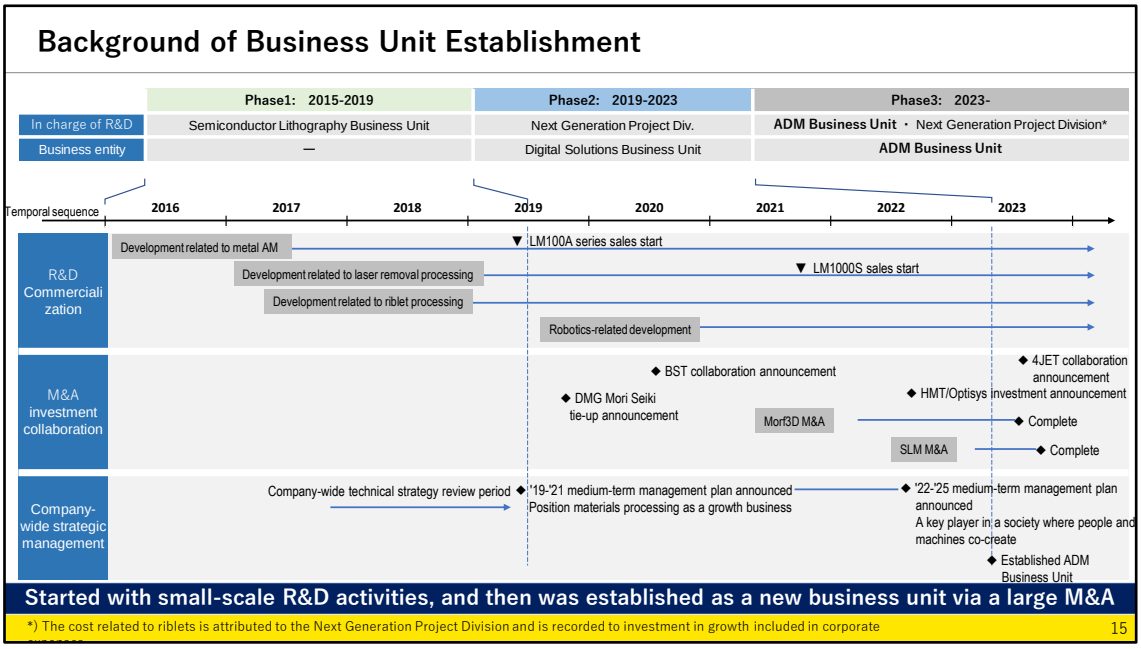
- For Solutions businesses in the bottom part of this slide is the company Morf3D, a company that Nikon acquired in 2021. Morf3D develops 3D printing processes for high value-added parts for the aerospace and defense industry, and is also working on small-scale part production. In the future, we plan to link this to SLM and Nikon equipment to expand equipment sales during the transition to mass production.

- In addition, we are aiming to start up riblet processing, microfabrication of shark-skin-like patterns, as a solutions business. We are currently considering the timing of commercialization, but we will work on improving the efficiency of airplanes and wind power generation as a business that can make positive contributions to the global environment.

Outline

1. ADM business overview
2. **Background of business unit establishment and future vision**
3. Strategy and business plan
4. Additive Manufacturing market outlook and growth drivers
5. Global business development and application development

- Here, I would like to explain how and why we entered this business as well as our future goals.



- The beginning of the project goes back to the time when I was the Sector Manager of the Development Sector in the Semiconductor Equipment Division, and I started small-scale activities to explore new businesses.

- After that, we commercialized the first product in 2019, the DED-type small metal 3D printer Lasermeister 100A.

- At the same time, the material processing and digital manufacturing businesses were positioned as growth businesses in the company-wide medium-term management plan.

- Then last year, we announced the acquisition of SLM, a leading metal 3D printer company in Germany, in order to significantly scale up our business. On April 1 of this year, a new business unit, the ADM Business Unit, was launched, and on September 1, SLM was made a wholly owned subsidiary.

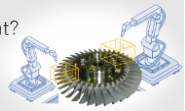
Reasons for Nikon to Take on Digital Manufacturing

Inception

- Nikon has accumulated massive amounts of technologies in lithography systems
- But those technologies had mostly not been leveraged outside lithography

Hypothesis

- What else could those technologies be applied toward?
- Could they be used to solve latent needs that had gone unnoticed up to this point?
- Is there anything that Nikon is uniquely equipped to tackle?
- Would it be possible to launch something new that could become a pillar of Nikon's business portfolio?
- Could that domain be Digital Manufacturing?



Propose → **Prove** → **Hypothesis realization**: Nikon's growth as a company; Contributions to society

Amend

After numerous amendments, the hypothesis was proven and eventually became a reality

16

- Why is Nikon engaged in digital manufacturing? We are often asked this question.
- The original idea was simply asking in the semiconductor lithography business, which was going through a difficult time, "Is it possible to apply this vast accumulation of technology to fields other than lithography systems and grow a new business?“
- A lithography system is also a machine tool that uses light to perform fine processing on the wafer. So, I wondered if as an extension of this, whether we could make other groundbreaking applications that would bring about major social changes.
- That is the background of our involvement in digital manufacturing.
- However, that alone will lead to a so-called product-out failure pattern.
- We will verify this hypothesis we established on a daily basis through various activities, including dialogue with customers, and repeatedly revise it as necessary. Through this cycle of revision, we aim to grow as a Nikon company and contribute to society by providing value by solving potential needs that have not been noticed in the world.

ADM Business Unit Vision and Aspirations for 2030

ADM Business Unit vision

- Create new markets and industries for manufacturing
- Build a high-growth businesses utilizing Nikon's internal business and technology synergies
- Through digital manufacturing, promote fundamental solutions for personnel-dependent and location-dependent manufacturing
- Through riblet pattern technology, contribute to reducing energy consumption and CO2 emissions

Vision for 2030: Revolutionize the world of manufacturing through optical application technology

- Establish a solid position as a manufacturer using "optical processing machines and solutions" and grow it into one of the pillars of Nikon business
- Applications that are only possible with optical processing machines are being realized one after another
- Optical processing machines have become widespread as tools for machining, and are used in every situation as a matter of course
- Riblet processing * for fluid machinery has been put to practical use in multiple fields, and it has become a major business as a processing service

(Optical processing machine: A generic name at Nikon for processing equipment that applies optical characteristics, such as 3D printers and ultrashort pulsed laser processing machines)

*) The cost related to riblets is attributed to the Next Generation Project Division and is recorded to investment in growth included in corporate expenses.

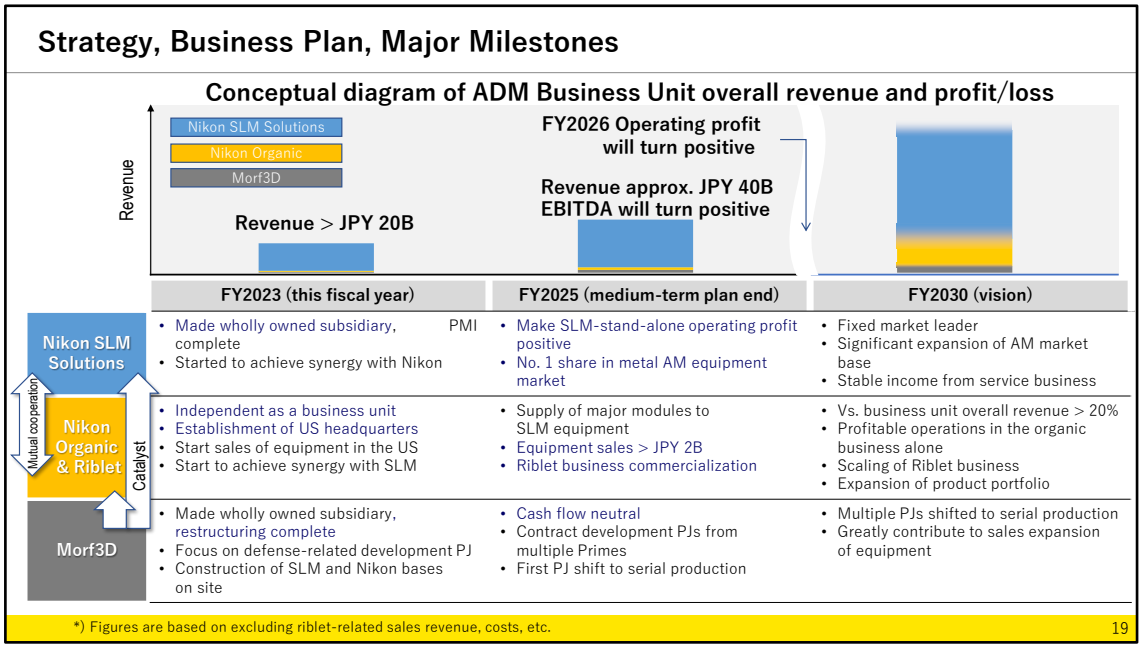
17

- This slide is a verbalization and summary of the vision of the ADM Business Unit and our aspirations for 2030.
- Although I will not read it aloud here, when I am in doubt during my daily business operations, I always try to return to this starting point and not lose sight of my goals.

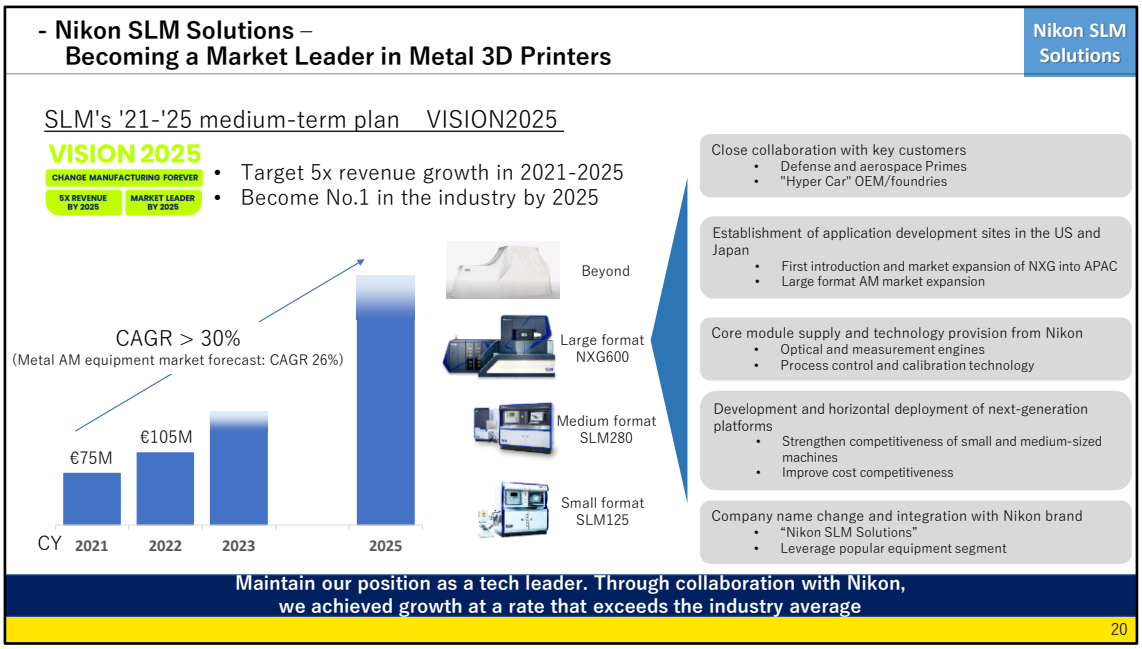
Outline

1. ADM business overview
2. Background of business unit establishment and future vision
3. **Strategy and business plan**
4. Additive Manufacturing market outlook and growth drivers
5. Global business development and application development

- Next, I will explain our strategies and business plans for realizing the vision just described.

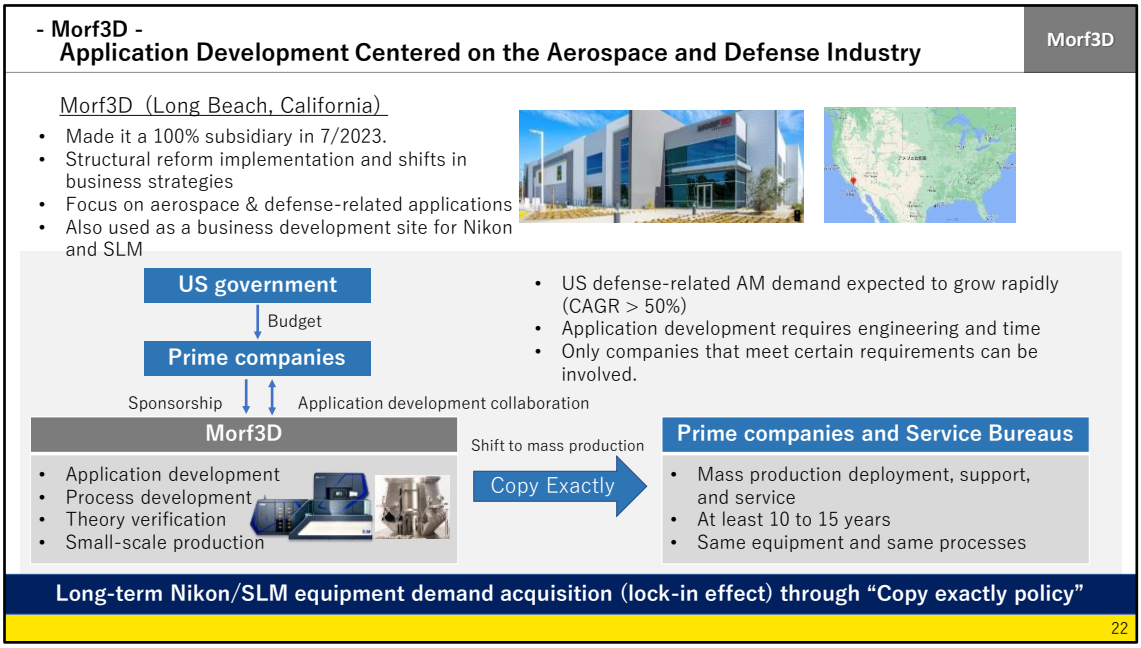


- This slide is a summary of our strategy, business plan, and major milestones looking ahead to 2030.
- The bar graph above shows an overview and breakdown of sales for this fiscal year, for FY2025 when the current medium-term plan ends, and for FY2030.
- As you can see, during the current medium-term plan period, SLM will account for most of the ADM Business Unit's sales. For FY2030, we envision growth of non-SLM sales ratio to about 20%.
- Sales for this fiscal year are several billion JPY less than the initial plan, but they are expected to be more than JPY 20B. In FY2025, we plan to double that amount to at least JPY 40B. At the same time, we are aiming to return to profitability on an EBITDA basis as well at this point. For the entire business unit, we plan to return to profitability in operating income, including amortization of acquisition costs, by FY2026, one year later.
- We'll go into more detail on our strategy by subsegment later on in the slide deck, but we'd like to touch on some key milestones here.
- First, regarding SLM stand-alone, we are aiming for No. 1 share in metal 3D printers, with both EBITDA and operating income in the black at the end of the FY2025 medium-term plan.
- In Nikon Organic business, we aim to achieve sales of JPY 2B by FY2025. We are also working on commercializing riblet processing.
- The plan for Morf3D is to complete restructuring and achieve cash neutrality in FY2025.



- I will explain the details for each subsegment.
- In 2021, SLM announced VISION 2025, a unique medium-term plan that aims to achieve 5 times higher sales and a ranking of No.1 in market share in 5 years, significantly exceeding the industry's CAGR of 26%.
- Sales continued to expand, reaching EUR 75M in 2021 and EUR 105M in 2022, and they are on track. Even after the M&A is completed, Nikon will continue to follow this ambitious plan and provide strong support as the parent company.
- I will explain the measures to achieve this.
- We will continue to collaborate closely with customers who have large use case applications such as Aerospace, Defense, and Hyper Car, and further expand sales of NXG XII 600, a metal 3D printer model that can produce large parts and has high profit margins.
- We will also establish application development bases in the United States and Japan to accelerate the acquisition of market opportunities.
- In the R&D field, specific collaboration and joint development are already underway, including the provision of optical and measurement engines, process control, and calibration technology from Nikon.
- In the highly competitive small and medium-sized machine segment, we plan to introduce a next-generation platform and expand it horizontally to different models to strengthen our price competitiveness.
- In addition, we have adopted a company name leading off with Nikon—Nikon SLM Solutions—and we plan to use this synergy to expand sales, especially in the popular machine segment.

- In Nikon Organic areas other than SLM, sales have traditionally been limited to Japan, but we are aiming to sell our equipment overseas, including in the United States. Leveraging collaboration with SLM, we plan to increase equipment sales to over JPY 2B during the medium-term plan period.
- Following the Lasermeister 100A series and 1000S, which are already being sold, we are planning to introduce equipment and solutions that realize automatic repair of turbine blades, etc., and ground-breaking DED-type metal 3D printers that achieve both high productivity and high resolution.
- Regarding application development and sales expansion for these devices, we will utilize SLM's customer base, collaborate on marketing, and utilize US bases.
- We aim to commercialize microfabrication businesses such as riblet processing, including shark-skin-like patterns, in FY2025.
- The envisioned business format is “Riblet as a Service”, a service that undertakes performance improvement, and the main application is assumed to be commercial aircraft.



- Lastly, I would like to explain about Morf3D, which became a subsidiary through M&A in 2021. Although we recorded an impairment loss of JPY 3.9B in the previous fiscal year's results, we expect to continue to be in the red for the time being as restructuring costs continue to mount this fiscal year.

- The plan is to narrow down our business areas to aerospace and defense-related development projects, which can be regarded as the large use case application for additive processing using metal 3D printers, and position this development project as a catalyst for expanding sales of SLM and Nikon equipment going forward.

- Demand for U.S. defense-related additive manufacturing is expected to grow rapidly at a CAGR of 50%, making this a very promising field.

- Although it takes a long time for one development program to move to mass production, once a process is locked, thereafter, factories produce the same devices through the same processes by applying a so-called “Copy Exactly” policy.

- By introducing SLM equipment into this development process from an early stage, we will aim to achieve recurring effects.

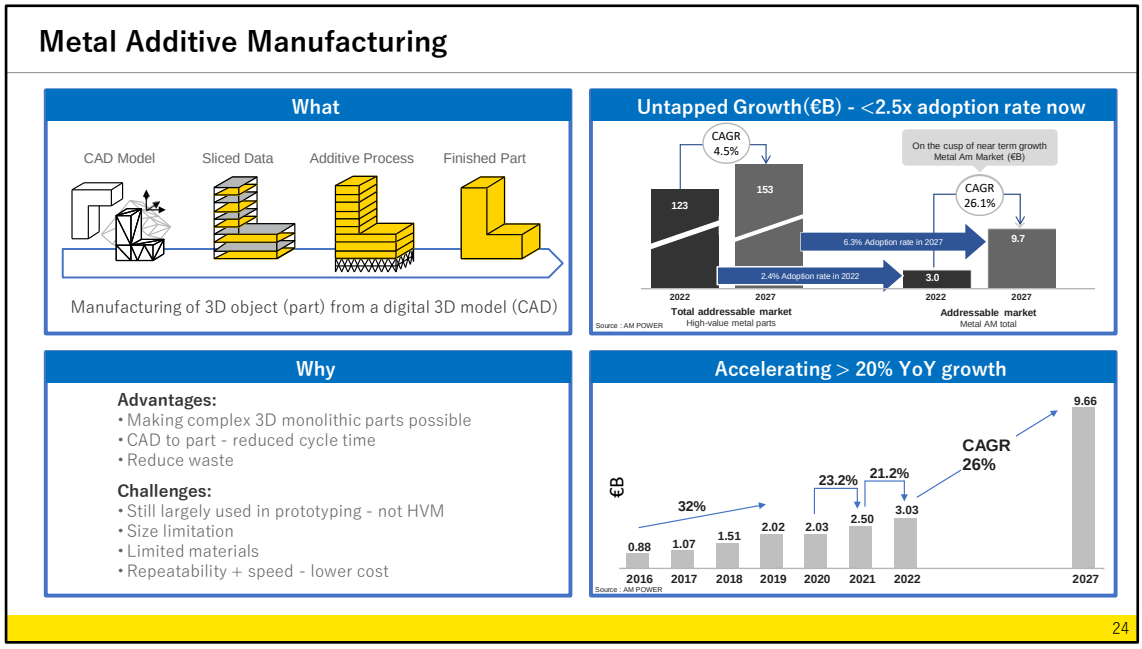
- The plan is to share Morf3D's facilities in Long Beach, CA as the U.S. base of the ADM Business Unit and SLM, and to use them for business development and application development.

Outline

1. ADM business overview
2. Background of business unit establishment and future vision
3. Strategy and business plan
4. **Additive Manufacturing market outlook and growth drivers**
5. Global business development and application development

23

- We will now ask Corporate Vice President Hamid Zarringhalam to give a more in-depth explanation of the prospects for the Additive Manufacturing market and its growth drivers.



- As metal Additive Manufacturing (hereafter “metal AM”) is a significant part of our Digital Manufacturing initiative, I want to spend a couple of minutes to briefly explain what it is and why we think it is an attractive growth area for us.

- Simply put, metal AM or 3D printing is the process of producing metal parts directly from 3D model data like CAD, layer by layer by selectively melting powder particles using locally directed energy like from laser. This compares to conventional means which date back thousands of years like casting or forging.

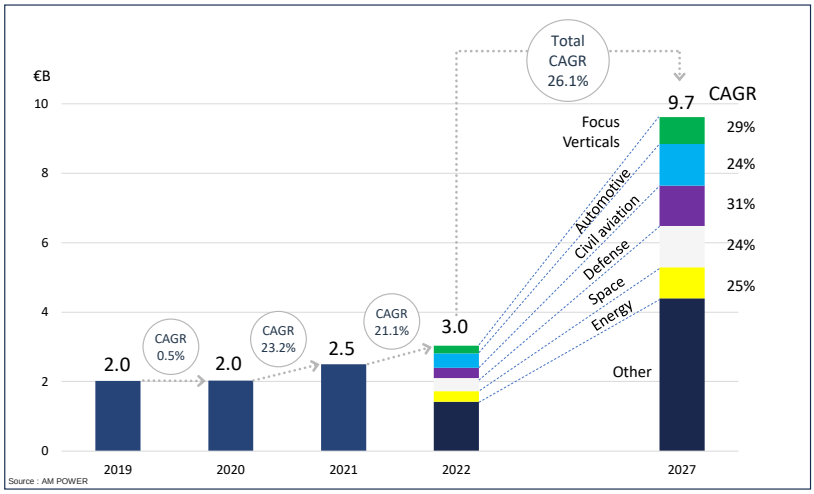
- Using metal AM, give us the potential to make complex parts that are difficult or sometimes impossible or expensive to make in a monolithic manner. It gives us freedom of design , often resulting in lighter, more sturdy parts, reducing waste, carbon footprint and cycle time.

- The challenges here are that while metal AM has large adoption in prototyping, it is not widely proliferated yet in High Volume Manufacturing. The industry has required continued innovations to address challenges in increasing size of parts that can be printed, wider availability of alloys suitable for metal AM in addition to improvements in productivity and repeatability which would create cost and quality parity with conventional methods.

- And therein lies the opportunity that we see in metal AM. Despite rapid innovations over the several years, adoption rate is still less than 2.5% - but given the pace of innovation in all the areas I cited, it is expected that this adoption will nearly triple in the next 5 years.

- Between 2016 and just before the pandemic, we saw CAGR of 32%. This growth resumed after the pandemic and the industry now expects CAGR to increase to 26% over the next 5 years, tripling growth in.

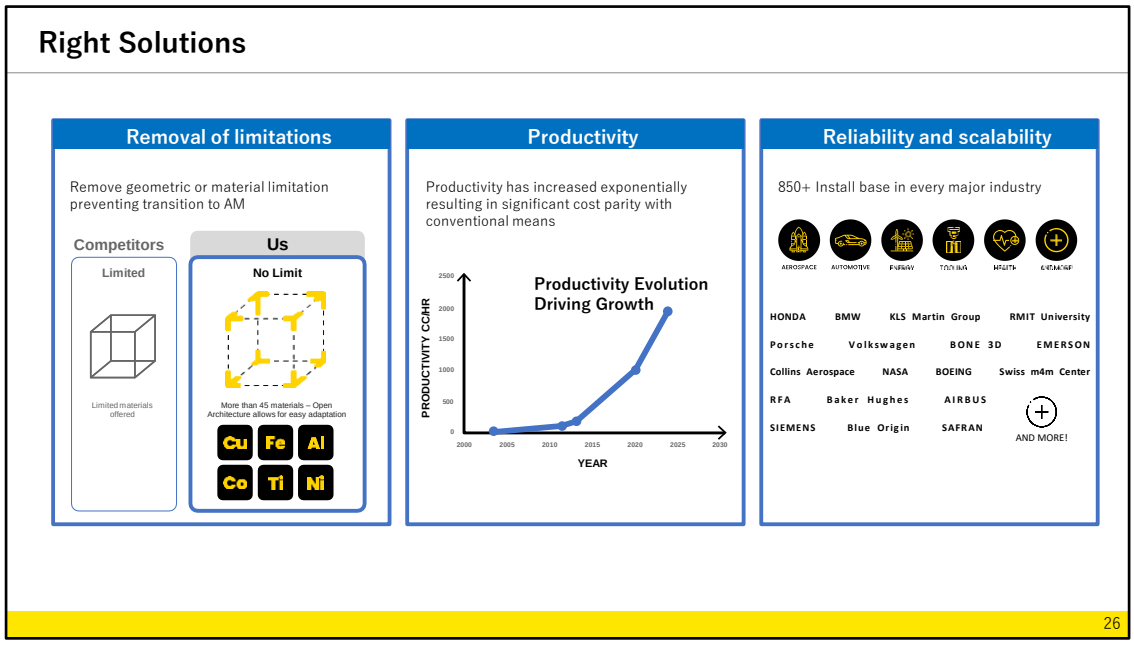
Metal AM Market Growth and Verticals



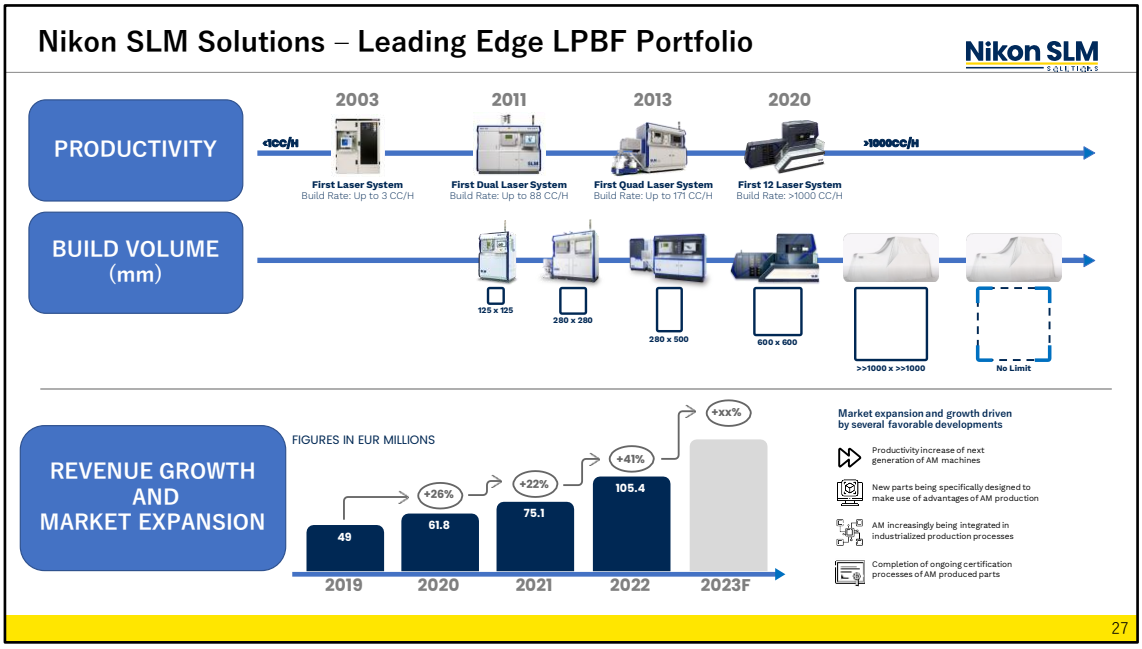
- We are focused on the fastest growing segments of an already growing market
- These segments require ultra large, high precision and very high productivity
- Our technology roadmap and portfolio matches our customer requirements

25

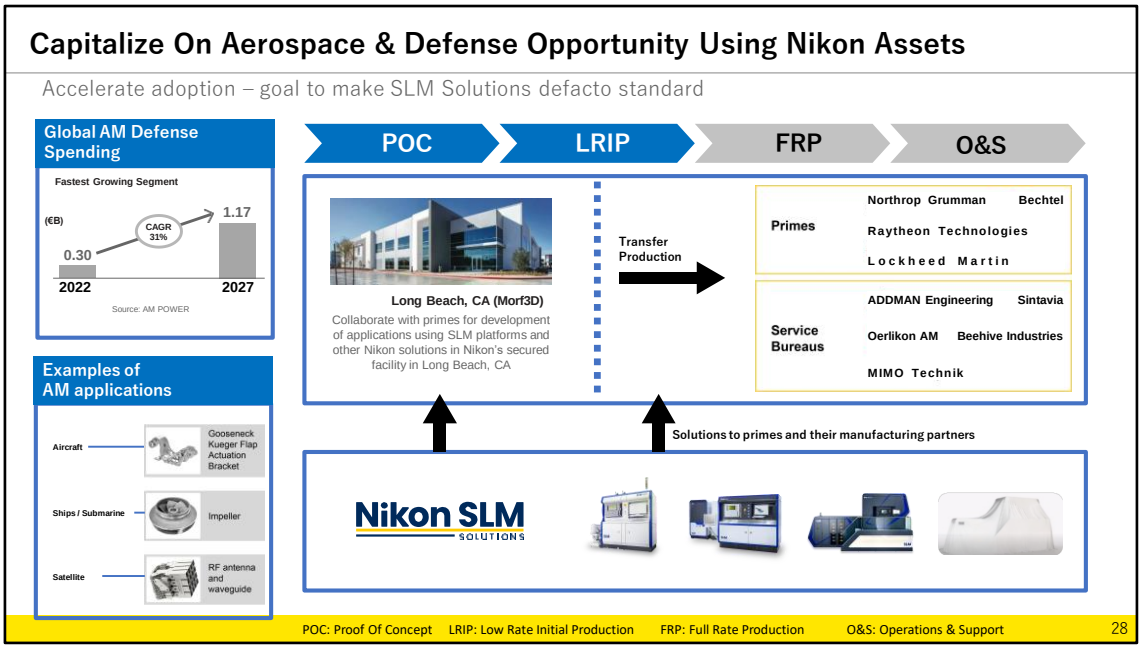
- While the entire market is growing rapidly, we are concentrating our efforts on the fastest growing segments and I will later show how we are serving these markets.
- The particular segments of aerospace, defense and automotive have been some of the adopters of this technology and they are expected to be at the forefront of both technology and demand and you can see their expected growth in this chart.
- Laser Powder Bed Fusion or LPBF is by far the largest and most widely used technology in metal AM – and as you know, last year, we acquired SLM, a global leader in this field.
- The common requirement from these segments is maximizing the build chamber to enable the largest possible parts that can be made in X, Y and especially Z direction while maintaining high precision and dramatic increase in productivity.



- I would like to show you now how we are addressing some of the fundamental challenges.
- First, we have continued to take size beyond metal AM limits – our latest machine NXG XII 600 which is already in production at several customer sites allow us to print 600 x 600 x 600mm now with 1m and 1.5m in z axis extensions already announced.
- We will continue to remove any geometric limitation so we can remove barriers for transition from traditional manufacturing to metal AM.
- We have made our machines work with variety of materials and in fact material innovation and collaboration in that arena is of our core focus areas.
- We have continued to press hard on productivity – we have the industry's first 12 laser system which has allowed us to improve productivity by a factor of 6 to date and with our innovations in the pipelines, we much more headroom.
- We are also addressing reliability and scalability by having had a large installed base to date - we have 850+ machines working in some of the world's largest companies, producing some of the world's most demanding applications.



- Here is the evolution of our story over time addressing the limitations of size and productivity through relentless commitment to innovation.
- As we have done so, our revenues have grown at a faster pace than the overall market and expect that to continue.
- As a shared commitment to technology and innovation between Nikon and SLM, we will continue to unlock the potential of metal AM and have already announced and shared with customers our future offerings that are already under development.

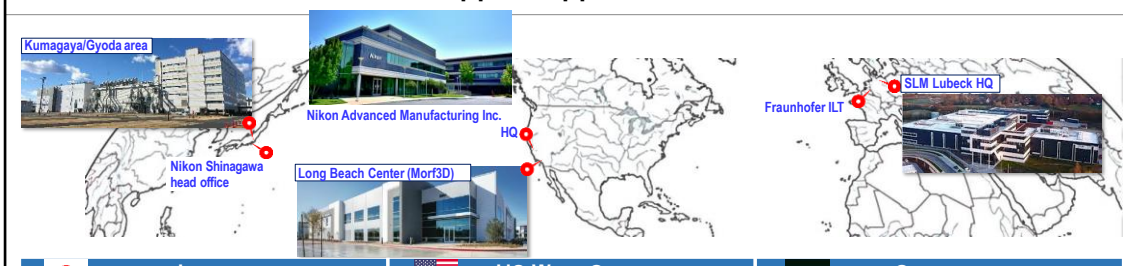


- I now want to spend some time talking about one of the fastest growing segments in metal AM, how we are uniquely positioned to capitalize it.
- Aerospace & Defense is one of the fastest growing segments and is growing faster than the overall market.
- The 3 most applicable metal AM segments in defense industry, we believe are Aircraft, Ships/Submarine and Satellite.
- We are indeed well positioned in these segments because we are on the cutting edge of what these segments need – size, productivity and scale.
- Our goal is simple – if it is metal and can be printed in LPBF, we want to see Nikon SLM Solutions as the de facto standard platform.
- We have our 90K facility in Long Beach, CA which is built to have the latest technology as well as the ability to collaborate with our customers for high value parts in an ultra secure setting that our customers uniquely require.
- We will work with our prime customers and their customers very closely to optimize design for metal AM manufacturing in POC (Proof Of Concept) and LRIP (Low Rate Initial Production) which can either continue or be transferred to a production facility of their choice for FRP (Full Rate Production), whether that is in house or a 3rd party service provider – in this way, we will have collaborations across several important sectors in this space.
- The intent is when design is fixed, it will be then produced on SLM tools in manufacturing.
- Through this collaboration and comfort, we believe we can even collaborate further with our customers for other applications.

Outline

1. ADM business overview
2. Background of business unit establishment and future vision
3. Strategy and business plan
4. Additive Manufacturing market outlook and growth drivers
5. **Global business development and application development**

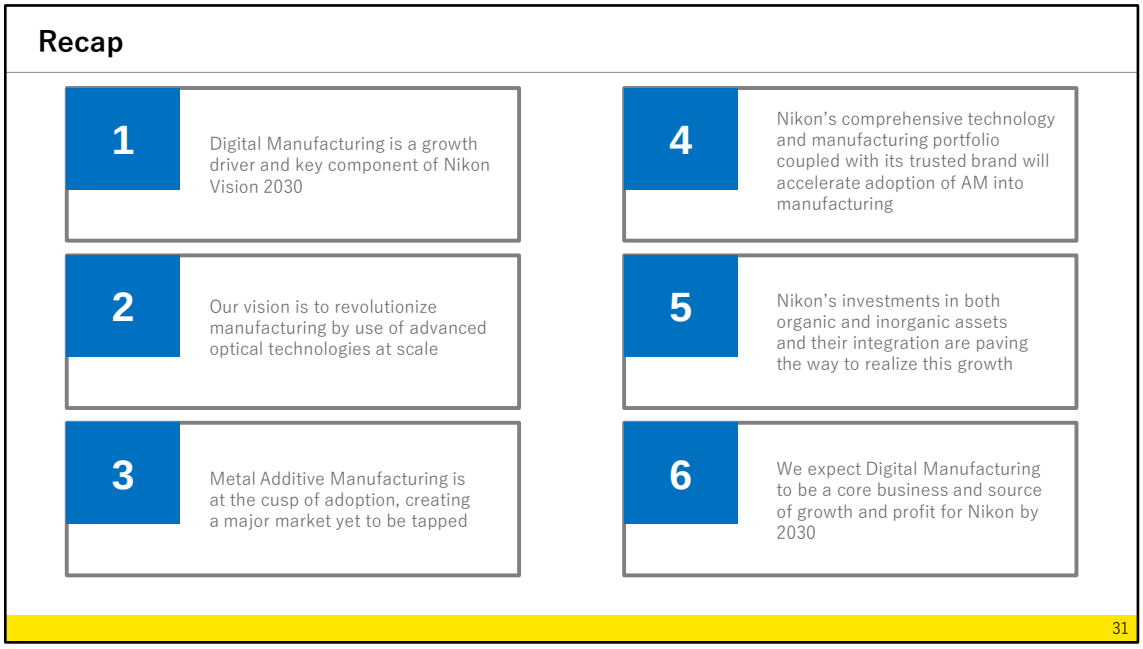
Global Presence – BD, Demo, Apps, Support



Japan	US West Coast	Germany
Kumagaya/Gyoda area • R&D overall (element development, product design) • Japan application development center (Latest technology including NXG - customer application development.)	**Nikon Advanced Manufacturing Inc. HQ** • Global headquarters of Nikon Advanced Manufacturing • Strategy, governance, management	**Nikon SLM Solutions Lubeck HQ** • R&D overall/product manufacturing/QA • Application development center • Other headquarters functions
Nikon Shinagawa head office • Sales and Marketing in Japan • Manufacturing/QA	**Long Beach Center (Morf3D)** • U.S. ultra secure facility • SLM/Nikon application development center including demo • Business Development, engineering and customer support	**Fraunhofer ILT** • Nikon DED equipment exhibit demonstrations/customer development • Application development • Joint technology development

30

- Metal AM adoption for manufacturing will be taking place at a global level.
- Customers are looking for companies who have the strength, commitment and global footprint and scale who they can count on long term for their manufacturing needs.
- Nikon as a company with more than 100 years of being a trusting global partner is such a partner and we are betting on this market.
- We have already established California as the global HQ of Nikon Advanced Manufacturing (ADM) Business Unit so that we can be close to customers at the cutting edge – this is the first time in Nikon history that global HQ of a unit is outside Japan.
- We also have or soon will have deep global presence for demo and application centers in Japan and Germany as well as our ultra secure facility in Long Beach, CA.
- This footprint allows us to work closely with our customers and meet their needs around the world at scale.



- I will now re-cap our vision for Digital Manufacturing.
- As stated publicly, Digital Manufacturing is a growth driver and a key component of our Vision 2030.
- We intend to utilize our immense capabilities in advanced Opto-mechatronics and precision equipment to revolutionize metal manufacturing.
- It is the right time because the market is on the cusp of adoption which can be accelerated by innovations that Nikon has a long track record for.
- That in turn will unlock a large yet to be tapped market.
- We have been investing in both organic and inorganic assets to not only have a full complement of products and solutions but also accelerate adoption.
- This will then allow us to realize our stated objective of creating a new source of growth and earnings for Nikon by 2030.

Healthcare Business

Tatsuya Yamaguchi
Corporate Vice President
General Manager of Healthcare Business Unit

32

- I'm Yamaguchi, Corporate Vice President and General Manager of Healthcare Business Unit.
- I am pleased to present to you about our Healthcare Business.

Healthcare | Business Strategy

Vision Support improving quality of life for people through innovation

Achieved mid-term plan 3 years ahead of schedule

	FY 22	FY 23 Outlook	FY 25 Target	FY 25 New Target
Revenue	¥99.3B	¥95.0B	¥90.0B	Under review
Operating Profit	¥11.5B	¥11.0B	¥10.0B	

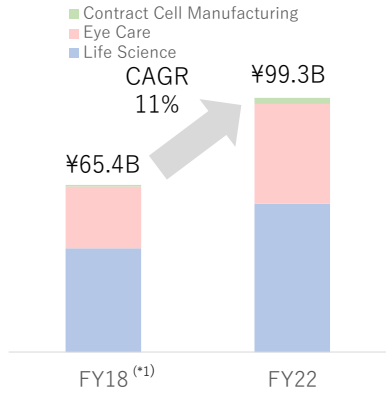
Achievements and management policy

■ **Life Science Solutions FY 22: Revenue up 30%+ YoY.**
- Continued to launch new products, including building out series of high-end systems, cloud and other products and services.
- Aim for double-digit growth by strengthening application development and developing private sector markets with a focus on drug discovery.

■ **Eye Care Solutions FY 22: Revenue up about 30% YoY.**
- Strengthening our sales force in each country to capture stable market growth.
- Aim for sustained growth on new diagnostic functions and modality development.

■ **Contract Cell Manufacturing**
- Nikon has achieved multiple accomplishments in contract manufacturing of regenerative medicine products approved in Japan. Solidifying our market reputation for quality technology.
- Aim to scale up our business by adopting promising projects including expansion of regenerative medicine commercial products already approved overseas and products are likely to be approved in Japan.

Healthcare sales growth



Business has steadily expanded by providing solutions that meet market needs

*1 : Healthcare Business Unit launched in June 2017

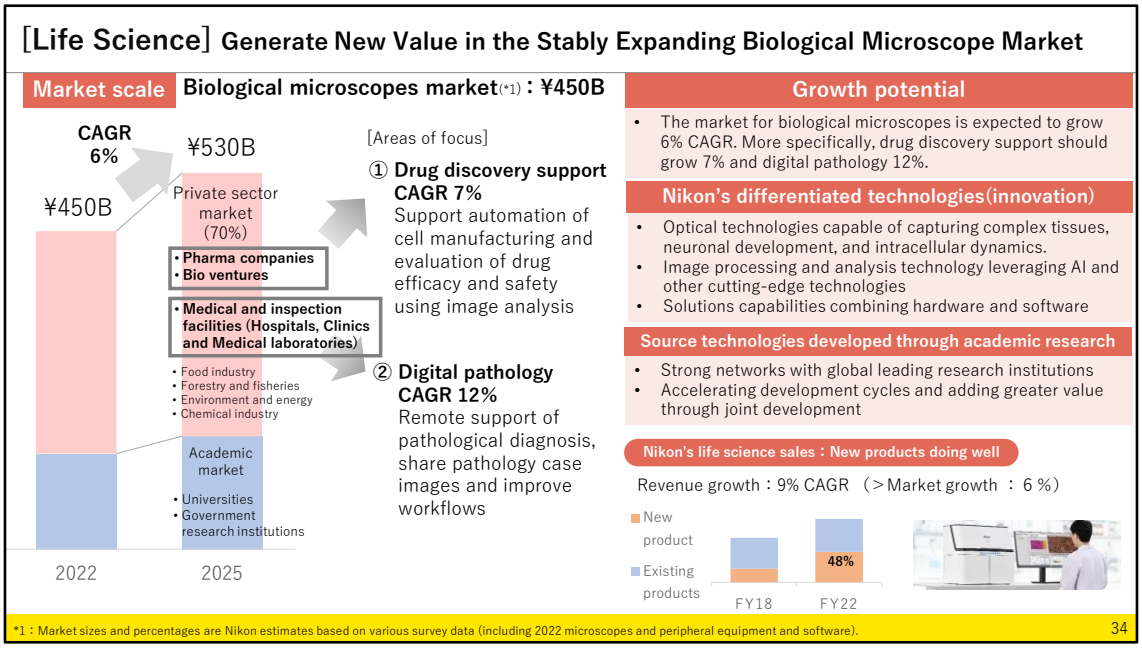
33

- We achieved our FY2025 earnings plan 3 years ahead of schedule.

- In Life Science Solutions, we achieved record-high revenue and operating profit last year by releasing a stream of new products and developing private sector market.
  The growth driver is drug discovery support for pharma companies and bio ventures. Since FY2019, we have leveraged our optical and software technologies to make inroads into the private sector market.

- In Eye Care Solutions, the US market has been strong. We have also strengthened our sales force in Asia and Europe.
  In 2015, we acquired the British company Optos. In addition to sales and marketing, we have been pursuing synergies with technology as well.
  We have continued to grow faster than the market average, thanks to the introduction of higher value products and functional enhancements.

- In Contract Cell Manufacturing, we launched the business in FY2015.
  Sales began to be recorded in FY2017, and we are moving into the profit contribution phase.
  We are growing the number of projects contracted and scale of the business by expanding the contract manufacturing of regenerative medicine products etc.



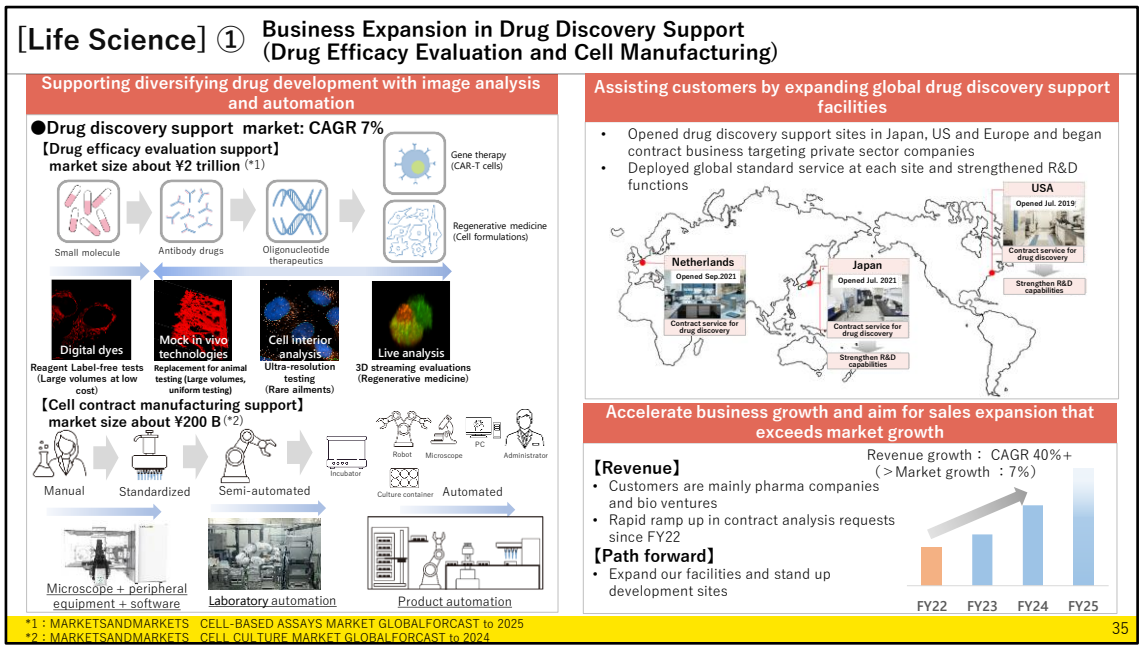
- Next, I will speak about three segments, starting with Life Science Solutions.

- Biological microscopes are expected to grow 6% per year as biotechnology advances.
  In particular, Nikon is focused on technological development targeting high-growth markets drug discovery and pathology with optical products, software and the cloud.

- In drug discovery support, we are proposing solutions leveraging cutting-edge technologies in image processing and analysis for pharma companies and bio ventures.

- In the clinical field, aging societies globally are leading to growth in the number of tests and diagnoses.
  We are developing infrastructure and diagnostic support tools leveraging new diagnostic equipment and digital technologies to help improve workflows and drive efficiencies in work processes.

- We are speeding up development of new products and services based on the core technologies developed through our ties with universities and research institutions inside and outside Japan.
  Since FY2019, we have been actively switching over to new products. As of last year, new products made up half of all revenue.
  We aim to improve earnings by developing high value-added products and services.



- Next up are further details regarding our efforts in drug discovery support.

- The aging of societies globally has put pressure on public health insurance systems. In response, drug prices are reviewed more often, and the pharma industry needs to gain development efficiencies.

- Here we share some of the development support solutions we are working on with our customers to support development related to drug efficacy evaluation and cell contract manufacturing.
  Nikon is expanding the range of its solutions to include drug efficacy evaluation for different types of drugs, cell production process development needed to evaluate drugs, and development of mass production processes for regenerative medicine products.
  We are working on a variety of projects with major pharma companies and bio ventures inside and outside Japan as we aim to expand the business over the medium- to long-term.

- In FY2019, we began this drug discovery support business in three locations in Japan, the US and Europe. The range of our activities has expanded from image analysis of cells into drug efficacy evaluation and production process automation leveraging AI and other cutting-edge technologies.
  The business has grown, so we will expand facilities in Japan and the US to strengthen R&D.

- We aim to grow the business by 40% or more leveraging cutting-edge applications technologies developed in Japan, the US, and Europe.

- This 2 and a half minutes video shows a solution we are developing with a major pharma customer.


Video : Nikon Well-Being Transformation toward Automation of Cell Manufacturing for Treatment of Ophthalmic Diseases
https://www.healthcare.nikon.com/en/well-being/detail17.html
astellas
Nikon
Nikon

<Movie>

[Life Science] ② Growth in Digital Pathology

Drive workflow efficiencies through digital transformation of pathological diagnosis

Step 1 (Device): Launched Japan's first digital microscope for medical use

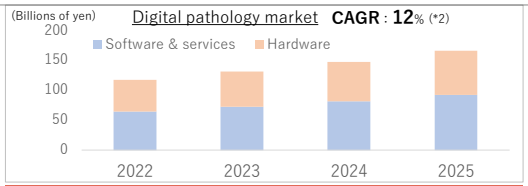
- New medical device that is easy to operate and promotes the digitalization of pathological diagnosis

Step 2 (ICT(*1)) : Support remote pathology diagnosis accuracy and in-operation diagnosis

- Remote diagnosis functions that will change conventional workflows of pathological diagnosis

Step 3 (Cloud): Share pathology images and support conferences

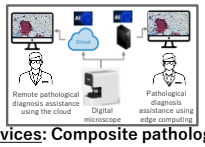
- Cloud-based efficiencies in pathologist workflows
- Relieve time and physical limitations on conference with shared data viewing



Initiatives aimed at individualized treatment leveraging composite data

●Software & services: Pathological diagnosis support leveraging AI technology

- Support pathologists with pathological diagnosis assistance leveraging AI (Dr. with AI)



●Software & services: Composite pathological diagnosis geared toward personalized treatment

- Promote individualized treatment with move toward multiple layers of pathological diagnosis modalities

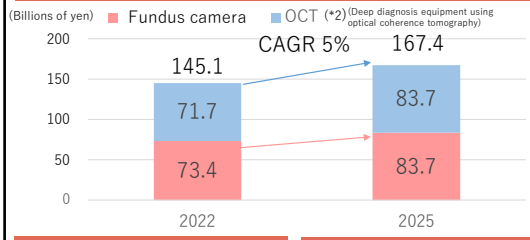
*1: Information and Communication Technology; A general term for technologies that utilize IT to support communication between doctors and patients.
*2 : MARKETSANDMARKETS DIGITAL PATHOLOGY MARKET FORECAST TO 2028

37

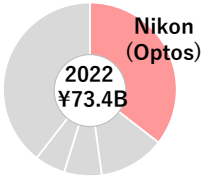
- Here we share our efforts in digital pathology.
- As aging progresses globally and advances in medicine, pathology diagnoses are on the rise. Leveraging digital technologies to enhance diagnostics accuracy and efficiency is increasingly more important.
- This spring, Nikon launched Japan's first medical digital microscope "Ui". We have also built a platform for remote diagnosis and we will begin initiatives aimed at greater diagnostics workflow efficiencies leveraging the cloud in the fall.
- The digital pathology market promises growth over the medium to long term. We are actively engaged in the development of diagnostic support tools leveraging AI and software.
- In the field of pathological diagnosis, composite diagnosis based on image diagnosis and genetic characteristics should contribute to progress in personalized treatment.
  We aim to capture new market opportunities here.

[Eye Care] Differentiation with Ultra-widefield in the Expanding Eye Screening Market

Growing demand due to aging and increased eye disease associated with young people using digital devices (*1)



Fundus camera market share (amount) (*3)



Nikon Eye Care Solutions Products

Silverstone
Fundus camera with integrated OCT

California
Fundus camera

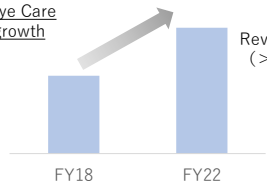
Growth potential

- Screening market for fundus cameras is growing (CAGR 5%).
- The number of patients is increasing, and the market is shifting from standard to ultra-widefield (UWF) models (UWF CAGR 11%).
- OCT market is expected to show stable growth in increased expectations for multi-point diagnosis of the fundus of the eye and deep, non-invasive observation (CAGR 5%).

Nikon's differentiating technologies (innovation)

- Promote composite diagnosis leveraging diagnosis results from multiple devices.
- Adding value through improved functionality and customers' workflow with cloud.
- Develop new diagnostic equipment leveraging Nikon's optical technology and Optos' laser technology.

Nikon's Eye Care revenue growth

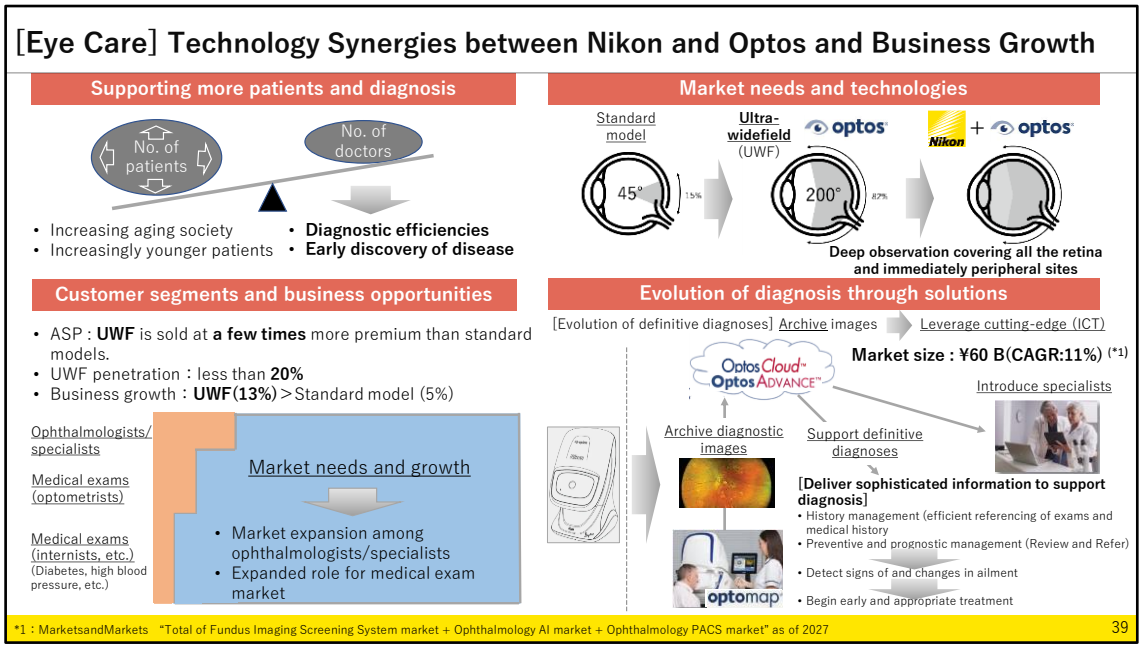


Revenue growth：CAGR 13%
(＞Market growth ： 4 %)

*1 : Market size data are Nikon estimates based on various survey data.
*2 : OCT(Optical Coherence Tomography) Technology for image diagnosis of the retina and cornea using light
*3 : MarketScope 2022-Ophthalmic-Diagnostic-Equipment-Market-Report

38

- Here, I will talk about Eye Care Solutions.
- The market for image diagnosis equipment is expected to show stable growth of 5% per year, given the aging population and increased eye disease associated with young people.
- Our fundus cameras have approximately one-third of the global market share thanks to differentiated technology.
  The market for more technologically advanced ultra-widefield models is expected to show double-digit growth.
- OCT models, which are used to diagnose deep into the eye, are delivering more added value with optical technology and diagnostic support tools.
  Nikon is working with Optos to develop new equipment and enhance functionality leveraging technological strengths on both sides.
- On the sales and marketing front, we are efficiently leveraging the global sales networks of Nikon and Optos to continue to grow revenues solidly in all markets.



- Ophthalmological ailments are increasing across a broad range of age groups, making early discovery and treatment of ailments a pressing challenge. Striking a difficult balance between reducing doctor burden and enhancing diagnostics accuracy is key to continued growth in the diagnostic equipment market.

- Our ultra-widefield fundus camera is a ground-breaking diagnostic tool that captures about 80% of the fundus in one capture. In particular, the ultra-widefield function contributes greatly to efficient diagnosis of areas immediately peripheral to the fundus of the eye, leading to early discovery of signs of ailment.

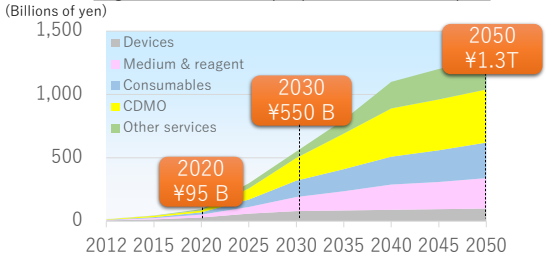
- The ultra-widefield fundus camera models are priced at a few times that of standard models and are expected to grow in the double digits. So far, the ultra-widefield models have penetrated less than 20% of the market. Ophthalmological ailments developed from diabetes, high blood pressure and the like are increasing, leading to a larger market for screening, including medical exams.

- We have begun a cloud service in the US for images captured by our fundus cameras and OCT.
  We will strengthen management systems to manage signs and changes in ailments and pathological histories leveraging image archives. We hope our diagnostic support tools will speed up doctors' definitive diagnoses and reduce patient burdens.

[Contract Cell Manufacturing] From Break-even to Profit Contribution Phase

Market scale

Regenerative medicine peripheral industries (Japan) (*1)



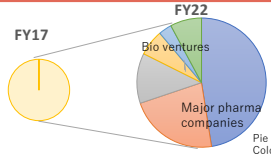
Growth potential

- The regenerative medicine industry is projected to grow 19% CAGR (from 2020 to 2030)
- CDMO is its largest market and projected to grow 28% CAGR
- It is highly expected to address unmet medical needs such as cancer and heart disease

Nikon's differentiated technologies (innovation)

- Business alliance with Lonza, one of the world's largest contract cell development and manufacturing company
- Nikon possesses one of Japan's largest GCTP/GMP(*2) - compliant production facility (7,500m²), which can support commercialization
- Nikon is pure CDMO(has no in-house projects) and can provide fully integrated services from process development through manufacturing commercial products.

Nikon's contract scale and target disease diversity

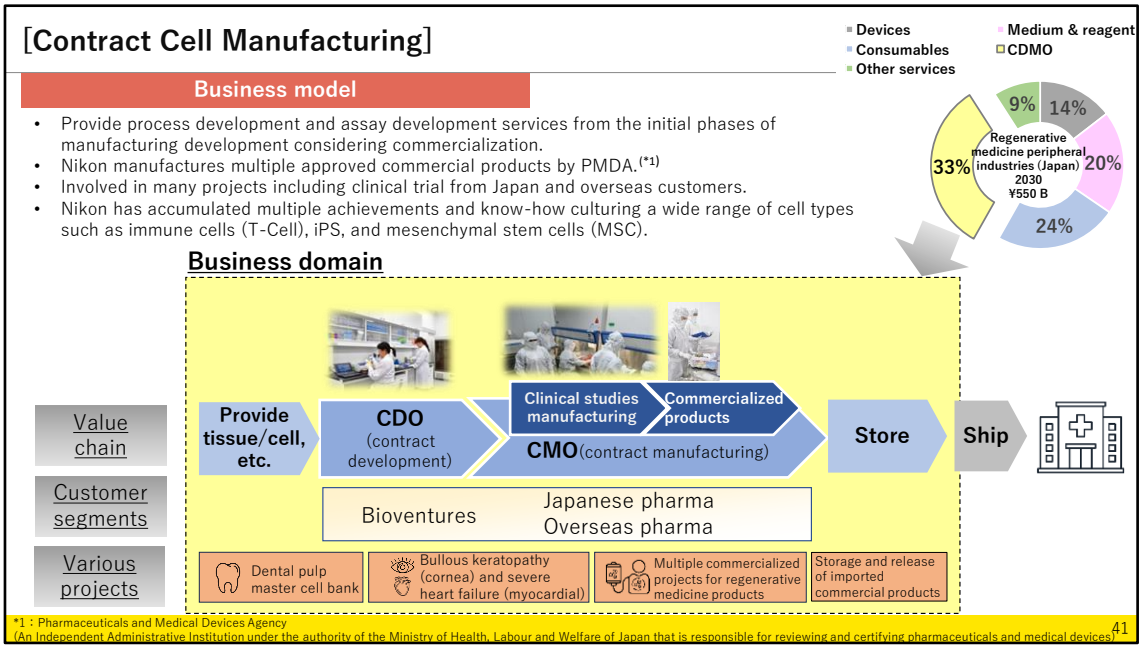


Pie size : contract monetary amount
Color coding : target disease

*1 : Nikon forecasts based on March 2020 Ministry of Economy, Trade and Industry Evaluation Study Group for Industrialization of Regenerative Medicine and Gene Therapy
*2 : GCTP(Good Gene, Cellular, and Tissue-based Products Manufacturing Practice) , GMP(Good Manufacturing Practice)

40

- Finally, I will discuss Contract Cell Manufacturing.
- Cell-derived regenerative medicine harnesses healing abilities and immunity that are inherent to the human body. The industry including peripheral industries, in Japan is expected to grow to ¥550 billion by 2030.
- In 2015, we entered into a business alliance with Lonza in Switzerland, one of the world's biggest players, and we launched Nikon CeLL innovation.
  We support pharma companies and bio venture customers with contract manufacturing and process development of high-quality regenerative medicine products.
- We have won contracts from customers inside and outside Japan. The drugs administered to patients have achieved ground-breaking therapeutic results. At the same time, more and more promising bio ventures from universities are progressing into clinical studies and trials, expanding the market for regenerative medicine.
- We are growing the number of projects contracted and scale of the business by responding to various diseases, and we are accumulating more technology.



- Here, we describe the business model of Nikon CeLL innovation.

- As you can see from the value chain, the business domain covers everything from providing tissue and cells leveraging a cell bank to contract development and manufacturing, and storage and transport procedures for clinical studies and commercialization. We have a track record across all parts of the value chain and strive to establish a stable management base.

- In providing tissue and cells, we finished building Japan's first master cell bank using dental pulp cells.
  Moving forward, we expect to expand application to a variety of ailments.
  These applications include the development of drugs for rare ailments.

- In clinical studies and commercialization, we are working with a university venture to develop a production method and contract manufacturing of iPS cells, for use in corneal transplants.
  In the major markets of heart and hematological diseases, we have won contracts from pharma companies and bio ventures from inside and outside Japan who give us high marks for our technology and quality management capabilities.

- The number and size of contracts are growing as we add to the customer base, making this a promising growth business.

- This concludes my presentation of progress in the Healthcare Business.
  Thank you for your attention.

Sustainability Strategy

Yukako Yamada
Department Manager of
Corporate Sustainability Department

42

- I am Yamada of the Corporate Sustainability Department.
- I will explain Nikon's sustainability initiatives.

Sustainability | External Evaluation

High ESG scores. Included in all 6 indexes GPIF uses for ESG investment

■ **ESG Evaluation** (as of August 2023)

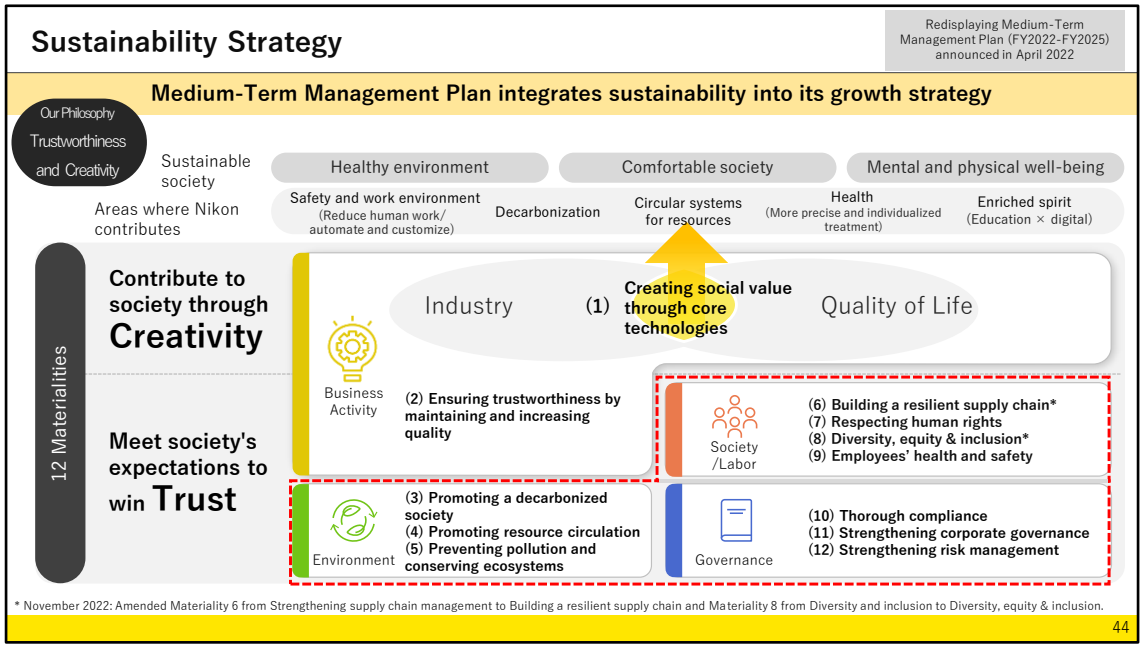
CDP気候変動	MSCI ESG Rating	S&P Global ESG Score Sustainability Yearbook 2023
A	AAA	Top 1%

■ **ESG Investment Indexes** (as of August 2023)

Dow Jones Sustainability Indices (DJSI) World	ESG investment by GPIF					
	FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)	S&P/JPX Carbon Efficient Index	Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)
In	In	In	In	In	In	In

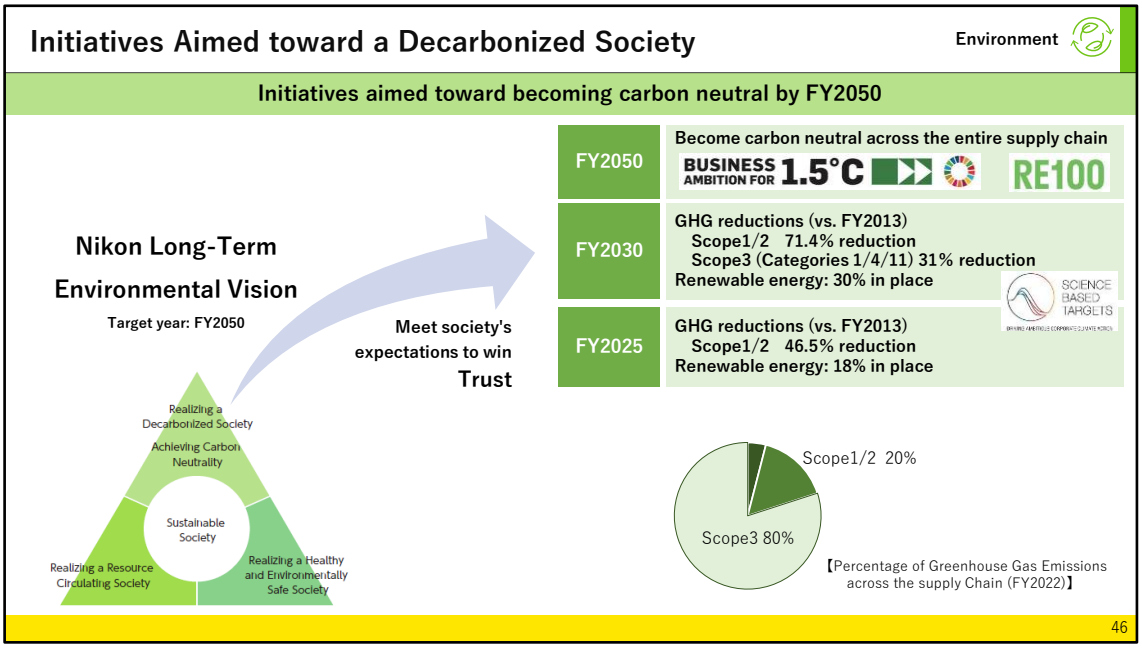
43

- Nikon has been included in all 6 of the indexes GPIF uses, showing the high regard third parties have for sustainability at Nikon.
- I will explain how we came to receive those high marks.



- Nikon put forth its *Sustainability Strategy* as one of the fundamental strategies in its Medium-Term Management Plan announced in April last year.
- Nikon's sustainability strategy aims to both contribute to a sustainable society and achieve sustainable growth for itself by putting into practice the Nikon philosophy spirit of *Trustworthiness and Creativity*.
- Specifically, the 12 materialities can be categorized into *Creativity*, where we contribute to society through business activities such as our products and services, and *Trustworthiness*, where we aim to meet society's expectations.

- First, in terms of *Trustworthiness*, we are pursuing goals for each materiality to meet society's expectations.
- The red font indicates our progress toward those goals. Overall, things are progressing well.
- For example, we expect to achieve ahead our medium-term targets to adopt renewable energy at major production sites as part of our efforts to become carbon neutral.
- Also, as you can see on the right side, our pursuit of Diversity, Equity & Inclusion initiatives has led to an increase in women as a percentage of management and new-grad hires.



- I will provide more detail on our decarbonization initiatives.
- One part of our Long-Term Environmental Vision looking out to 2050 entails *Realizing a Decarbonized Society*. As part of that, Nikon aims to become *Carbon Neutral* across its entire supply chain.
- We are making solid progress toward our Medium-Term Environmental Plan targeted for FY 2030. About 80% of greenhouse gas emissions at Nikon are Scope3. Moving forward, we will promote these initiatives based on an understanding of their importance not only at Nikon, but across the entire supply chain, as well.

Reducing Scope 1/2 Emissions toward a Decarbonized Society

Environment

Initiatives at Nikon Group

Product development efficiencies

Reducing CO2 in lens manufacturing

CO2 emissions at Nikon Group (%)

Substantially reduced greenhouse gas emissions and waste by leveraging quality engineering methods to reduce the number of experiments through glass manufacturing simulations, shrink lead times, and improve press precision, etc.

Energy conservation at business offices

A new head office with R&D functions (under construction) is scheduled to obtain ZEB Ready certification and the highest rank in BELS* by reducing energy used for air conditioning and generating energy through solar panels etc.

Promoting the introduction of renewable energy

- Introduced locally generated power (renewable energy derived entirely from hydroelectricity) at two production subsidiaries in Tochigi (FY2023)

- Converted to 100% renewable energy at Nikon Thailand (FY2023)
- Introduced solar panels at Nanjing Nikon Jiangnan Optical Instruments Co., Ltd. (Annual power generation of about 160MWh)

Nikon Thailand

Nanjing Nikon Solar panels

*BELS: Building-Housing Energy-efficiency Labeling System. Energy-efficiency performance of buildings and housing is evaluated and authorized by a third-party organization. Performance is rated in five grades designated by the number of stars.

47

- I will start with initiatives at Nikon. Lens manufacturing, where we begin with the glass manufacturing step, accounts for a large percentage of CO2 emissions. Nikon is working on a variety of approaches to reduce environmental impact.

- Our new head office building is under construction and will also house research labs. The building structure has been designed to substantially reduce HVAC energy requirements. And solar panels will be used to generate power. We plan to acquire ZEB Ready certification.

- Moreover, we are adopting renewable energy. As of this year, we will have migrated 100% to renewable energy at our major production sites in Tochigi and Thailand.

Reducing Scope 3 Emissions toward a Decarbonized Society

Environment

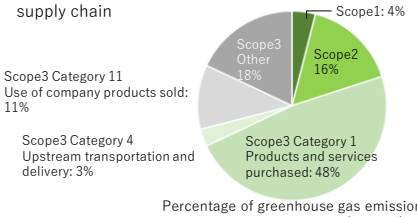
Advancing measures to reduce Scope3, which account for 80% of emissions

Collaboration with procurement partners

(Category 1: Products and services purchased)

Participating in CDP supply chain program

- Began participating in 2023 to understand real greenhouse gas emissions at procurement partners
- Implemented survey at 50 important procurement partners
- Holding seminars for procurement partners and assisting with emissions calculations with the aim to reduce emissions across the entire supply chain



Percentage of greenhouse gas emissions across the supply chain (FY2022)

Initiatives in transportation

(Category 4: Upstream transportation and delivery)

- Modal shift for healthcare products produced in China: Switched from long-haul truck to ferry within Japan. Also contributes to resolving driver shortage issues (GHG reduction: about 70%)
- Implemented buyers' consolidation on binoculars transport (GHG reduction: about 95%)

Reduction of power consumption while product is in use

(Category 11: Use of company products sold)

ECLIPSE Ni-L Upright Microscope

- Use LED light sources, which consume less energy (40% reduction in GHG emissions compared to halogen light sources)
- LED light source lasts about 25 times greater than that of halogen light sources. Also contributes to reduced waste

48

- Next, I will address Scope3 initiatives.
- Under Category 1, products and services purchased, we are collaborating with procurement partners leveraging the CDP Supply Chain Program.
- Under Category 4, upstream transportation and delivery, we are working to reduce greenhouse gas emissions by switching from long-haul trucks to ferries.
- And under Category 11, use of company products sold, we are making our products more energy efficient. For example, we recently launched an upright microscope that replaces halogen with LED light sources, reducing greenhouse gas emissions 40% and extending life span.

Initiatives Aimed toward a Decarbonized Society

Environment

Contributing to a sustainable society and activities aimed at Nikon's sustainable growth

Green Loan

- A part of the construction costs of the new head office is funded from Green Loan that is limited to projects in which environmental efficiency is considered.
- Received the highest rating from Japan Credit Rating Agency (JCR) for benefits toward improving the economy and considerations toward any negative impacts

New head office image

Ceremony of putting up the ridge beam (September 2023)

49

- We are currently constructing a head office building with advanced R&D functions, which will be a driver of growth, on an idle site in Nishi-Oi, Shinagawa-ku, Tokyo.
- To fund part of this construction, we have procured 10 billion yen in “Green Loan" through Climate Response Financing Operations by the Bank of Japan.
- We are aware that this is the first use of Green Loan in the precision equipment industry.

Human Rights

Society/Labor

Respecting the human rights of various stakeholders

Major human rights Initiatives

*Current name

(FY)	
1997	Established Compliance Committee*
2001	Established the Nikon Code of Conduct*
2006	Established Sustainability Committee*
2007	Joined the United Nations Global Compact Established the Nikon CSR Charter and the Nikon CSR Procurement Standards*
2010	Launched monitoring surveys to Group companies
2011	Established the Policy on Conflict Minerals*
2012	Launched Conflict minerals survey and disclosure of survey results
2015	Launched CSR assessments and CSR audits
2016	Launched disclosure of compliance statement with the UK Modern Slavery Act
2018	Joined the Responsible Business Alliance(RBA)
2019	Established the Nikon Human Rights Policy
2021	Created the Communication with an Inclusive Perspective of Human Rights handbook
2023	Kumagaya Plant acquired Gold Status in RBA audit

[RBA]
- RBA is an international industry organization aimed at proper management of labor, health and safety, environment, and ethics in the supply chain in the electronics industry.
- The RBA Code of Conduct is set as the standards that companies should comply with.

Human rights education

- Message from the CEO shared at World Human Rights Day in December was streamed to all Nikon Group employees
- Human rights education in various regions: Issued newsletter and implemented e-learning

  (92% of Nikon Group employees in Japan participated in human rights e-learning course in FY2022)

Initiatives related to RBA

Joined RBA and striving to enhance sustainability across the entire supply chain, not just at the Nikon Group

- Requested that procurement partners adhere to CSR Procurement Standards that comply with the RBA Code of Conduct
- Received RBA audit at Kumagaya Plant
  Acquired Gold Status in July 2023

50

- Next, I will talk about the human rights initiatives that will carry toward our goals of a sustainable society.
- We understand that Nikon's business gets done thanks to the involvement of a variety of stakeholders and we strive to address human rights issues.
- We focus on human rights education for each of our employees to put into practice. We also aim to address human rights issues across the entire supply chain. We promote initiatives that incorporate progressive perspectives from third parties such as the Responsible Business Alliance (RBA).

Sustainable Procurement

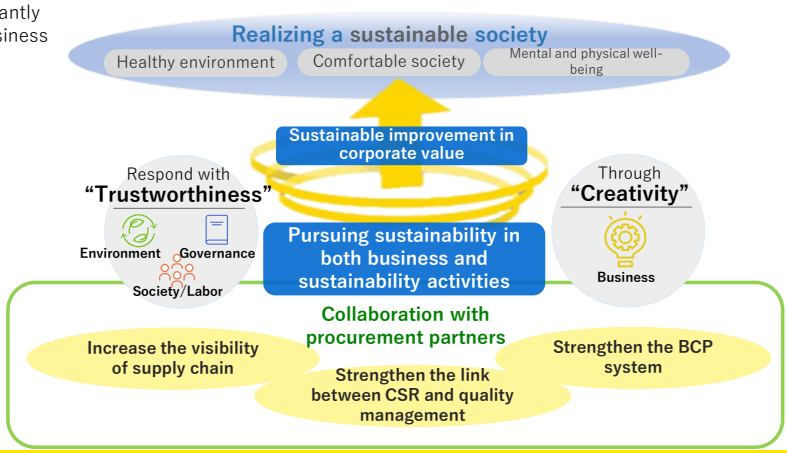
Society/Labor

Building a resilient supply chain through collaborative relationships with procurement partners

Vision

Sustainable supply chain that constantly maintains a sound state against business risks and social challenges

Meeting of procurement partners (June 2023)



51

- Next, sustainable procurement.
- As logistics and the flow of goods become more globally complex at a rapidly changing pace, we need to build out resilient supply chains.
- By sharing our vision with procurement partners, who are important stakeholders, we aim to promote QCD as well as ESG initiatives such as decarbonization, human rights, and supply chain visualization.

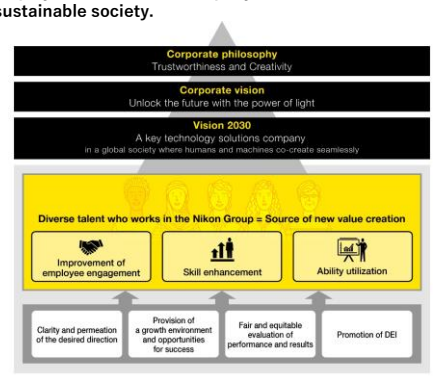
Human Capital Management

Society/Labor

Promote the “acquisition,” “development” and “leverage” of diverse talent to realize the “Vision 2030” set forth in Medium-Term Management plan.

Basic approach

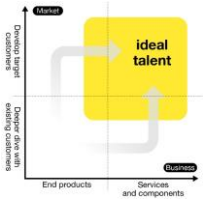
Nikon aims to grow together with each of our diverse employees to remain a company that contributes to a sustainable society.



Human resources strategy

Diverse talent who support “sustain our main businesses” and “scale earnings in strategic businesses ” is needed to realize the Medium-Term Management plan.

- **Growth areas**: Talent who can lead customer development and strengthen our solutions businesses
- **Established areas**: Talent who can support Nikon’s core strength of manufacturing



Strengthen investment in human resources to secure both the quality and quantity of talent necessary for the transformation our business model.

The three pillars of our human resources strategy

Acquire talent | Develop talent | Leverage talent

52

- As globalization and the diversification of values progresses, human capital management is important for Nikon and its employees to grow together into a presence required by society and our customers.
- Moreover, the human talent we require is changing as we seek to realize the “Vision 2030” set forth in the Medium-Term Management Plan.
- We are increasing our investment in human talent by acquiring, developing, and leveraging talent that can lead strengthening of our solutions business in growth areas and support Nikon's manufacturing strength in existing areas of business.

Promoting the Success of Diverse Talent

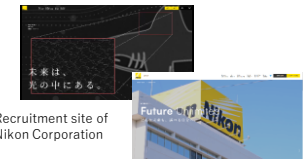
Society/Labor

Strengthening the acquisition of diverse talent who will be the source of new value creation.

Acquisition of diverse talent

Strengthening recruiting competitiveness

- Adopted a personnel system that determines treatment based on responsibility, roles, and results, regardless of age or gender.
- Introduced occupational-based hiring for some new graduate hires and strengthened efforts to acquire diverse talent.
- Raised employee salaries by up to 20%. (FY2022)
- Reinforced of recruiting branding, such as website renewal and active information dissemination via SNS.



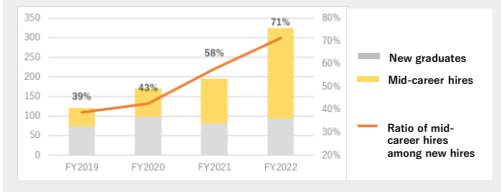
Recruitment site of Nikon Corporation

Official X (formerly known as Twitter) account for recruiting new graduates

Leverage of Mid-Career Hires

Strengthen recruitment of mid-career hires with various knowledge, skills, and experience

<Ratio of new graduates and mid-career hires among new hires of Nikon Corp>



Supporting Mid-Career Hires in the workplace

- Ratio of mid-career hires among managers: 29.6% (as of the end of March 2023)
- Strengthen the follow-up system to ensure the early success of mid-career hires, such as holding training and social gatherings, providing training for workplaces that accept mid-career hires, and conducting regular monitoring.

53

- The source of the company's growth is the diversity of its people. To acquire diverse talent, we are raising employee salaries, reinforcing our recruiting branding, and introducing occupational-based hiring for some new-grad hires.
- As a result, good things are happening to help us acquire top talent. We ranked at the top of our sector in some job-search popularity rankings.
- At the same time, we are strengthening employment of mid-career hires, who possess a variety of skills and experience. Last year, about 70% of new hires were mid-career recruits.
- Moreover, more than 29% of management personnel are mid-career hires, which breathes life into the organization.

Promoting the Success of Diverse Talent

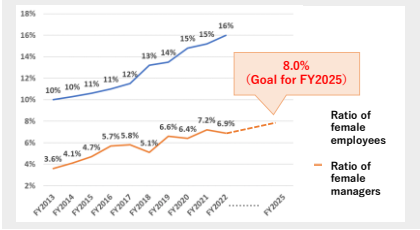
Society/Labor

Continuing to provide opportunities and create an environment in which diverse employees can pursue their full potential, regardless of age or gender, etc.

Promoting advancement of women

Goal : Increase the ratio of female managers to at least 8.0% by March 2026.

<Ratio of female employees and female managers at Nikon Corp>



Main initiatives :

- Increase the ratio of female new hires to at least 25% (FY2022: 32.3%)
- Offering flexible working arrangements tailored to different life stages
- Planned development and appointment for candidates for managerial positions
- Offering a mentor system, introducing role model employee etc.

Offering flexible working styles

- Flextime working system with no core time
- Telecommuting System
- Accumulated special leave
- A childcare leave system that exceeds legal requirements etc.

<Ratio of male employees taking childcare leave*>
85.4% (FY2022, Nikon Corporation)
* Includes leave for unique Nikon's childcare leave programs

Assistance for leveraging employees beyond retirement age

Post-retirement age Nikon employees who wish to work are re-hired by Nikon Nisso Prime Corporation* to support their post-retirement careers

- Expanded career options beyond the Nikon Group. We have placed 23 Nikon alumni outside the Nikon Group (as of August 2023)
- Creating opportunities for private-public collaboration: Entered into agreements with 5 municipal governments (as of August 2023)

Agreement Ceremony with Minamiuonuma City (November 2022)

*Joint venture between Nikon Corporation and NISSO Kosan Corporation for human resources services business

54

- To better leverage female employees, we are implementing long-term measures aimed at increasing the percentage of females in management positions.
- Nikon aims for 25% or more of new-grad hires to be females. Already, we are seeing results. Of the class of new-grad hires who joined Nikon in April 2023, 32% were females.
- While females account for around 16% of engineering students at Japan's universities, we hire a higher percentage of female engineers than that.
- We promote a work-friendly environment for a variety of life stages and leverage mentor programs. As you can see on the right side, we also are expanding support for work-life balance and creating opportunities for retirement-age employees to find work to help our employees do work regardless of their gender or age.

Cultivating Next-generation Talent

Society/Labor

Cultivating next-generation talent who will work together to build a society where humans and machines co-create seamlessly

Cultivating science and engineering talent

Established Nikon Scholarship for students at the national colleges of technology in Japan

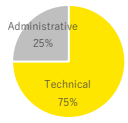
- Began recruiting applicants beginning in FY2023 to contribute to the cultivation of science and engineering talent that will support industries of the future and work together with us to build a society where humans and machines co-create seamlessly, as called for in our Medium-Term Management Plan
- Targets students in at least their 2nd year at any of 51 national technical schools from around Japan

  60 regular-course students (15 from each school year) and 20 technical-course students (10 from each school year)
- 40 students were selected for scholarships in FY2023 as part of the program's inaugural year

The award ceremony (September 2023)

Cultivating women engineers

- In Japan there are few female students who major in engineering-related fields, making it a challenge to cultivate the next generation of talent at Nikon, where many job positions are engineering-related
- Active participation and hosting of events promoting the employment of women into engineering-related fields
- Participated in a DE&I Working Group launched by SEMI Japan (Japan branch of a semiconductor industry organization headquartered in the US)



Percentage of administrative vs. technical fields (Nikon Corp.)

Scholarships in Thailand and Laos

- Aiding school attendance for those children who have difficulty attending school for economic reasons and helping cultivate talent who will grow to support their country and deepen amicable relations with Japan
- Contributing to regions where our businesses are located
  - In Thailand, Nikon has aided 2,917 students over 16 years
  - In Laos, Nikon has aided 1,260 students over 9 years

55

- Nikon also provides assistance to children who will form the next generation.
- Historically, we have sponsored scholarships in Thailand and Laos, where we have business operations. This year, we set up a Nikon Scholarship fund for students from national colleges of technology in Japan--the largest in terms of the number of recipients.
- In a society where humans and machines co-create seamlessly in 2030, people will need to do more creative work, and it will be important to develop skills and cultivate talent to do so.
- Also, as you can see on the right side, we are actively involved in cultivating women engineers over the long-term perspectives.

Diversity, Equity & Inclusion (DEI)

Society/Labor

Diverse talent are a source of new ideas.
Realize a corporate culture that accepts diversity and leverages it in business activities.

DEI DIVERSITY EQUITY INCLUSION

What does DEI mean to Nikon?

- DEI forms the foundation upon which we strive to embody our corporate philosophy of "Trustworthiness and Creativity" and realize a prosperous and sustainable society.
- The characteristics and differences that exist within each one of us are the sources of new ideas and the driving force behind the growth of Nikon.

Nikon Global Diversity, Equity & Inclusion Policy

- Nikon established a DEI Policy in April 2023 to promote DEI across the entire Nikon Group
- Issued a Communication Book to deploy a common policy globally and drive penetration

Advancing initiatives based on situations in various regions and workplaces

Forge a corporate culture capable of leveraging each of our differences as a team based on mutual respect to continue to respond to the challenges faced by increasingly diversified societies and customers

Perform product development and marketing activities with consideration for diversity and aim to contribute to a sustainable society

56

- At Nikon, we pursue Diversity, Equity & Inclusion (DEI) because we believe having mutual respect for and leveraging our diversity will lead to growth for Nikon.
- In April this year, we established Nikon Global DEI Policy and are pursuing initiatives that align with local conditions under this shared direction.

Corporate Governance

Governance

Continuing efforts to enhance the quality and effectiveness of corporate governance

		FY2019	FY2020	FY2021	FY2022	FY2023
Increase of Board of Directors' diversity	% of external directors	42% (5 out of 12)	45% (5 out of 11)	45% (5 out of 11)	45% (5 out of 11)	50% (6 out of 12)
	o/w % of those from major shareholders, etc.	60% (3 out of 5)	40% (2 out of 5)	40% (2 out of 5)	0%	0%
	% of female directors	0%	9% (1 out of 11)	9% (1 out of 11)	9% (1 out of 11)	17% (2 out of 12)
Improvement the effectiveness of the Board of Directors	Chairman of the Board	Separation from the position of officer	Separation from the representative director (strengthening of supervisory function over management)	→	→	→
	Committee	● Establishment of Nominating Committee (chaired by external director) ● Appointment of external director as chairperson of Compensation Committee	→	→	→	→
	Independent External Directors' Meeting	—	—	—	Establishment	→
	Effectiveness evaluation	→ Continuation of consideration and implementation cycles for improvement measure based on the results of the evaluation of Board of Directors' effectiveness conducted in the previous year				→
Nominating	Succession plan for president	Formulation of the plan	Commencement of implementation	Full-scale implementation	→	→
Compensation	Performance-based stock remuneration	Resumption of officer compensation system linked to the Medium-Term Management Plan	→	→	Decision of KPI based on the new Medium-Term Management Plan	→

57

- Next, I will discuss Corporate Governance.
- Nikon pursues a variety of initiatives aimed at strengthening and increasing the effectiveness of corporate governance.
- As you can see in the table, we have increased external directors as a composition of the board. There are no directors from major Mitsubishi Group shareholders, etc. left. Two directors are female, making up 17% of the entire board.
- We have also enhanced governance by establishing voluntary nominating and compensation committees as well as an Independent External Directors' Meeting for independent external directors to talk exclusively among themselves.
- We also continue to implement a cycle that ties Board of Directors effectiveness evaluation results into improvements for the next year.
- Moreover, officer compensation is managed under a stock compensation plan tied to business performance results according to our Medium-Term Management Plan.
- Moving forward, we will continue to evolve corporate governance at Nikon.

Corporate Governance

Governance

Increased diversity and secured independence of the Board of Directors (No director from major shareholders, etc. from FY22), Management of the Board of Directors and committees centered on independent external director

Independent External Director		Committee			Skills matrix*					
		Audit and Supervi-sory	Nominat-ing	Compen-sation	Corporate management and management strategy	Internal control and governance	Legal and risk management	Finance and accounting / M&A	Global business	Technology
Shigeru Murayama	Senior Strategic Advisor Kawasaki Heavy Industries, Ltd.		✓	✓ (Chair-person)	✓				✓	✓
Makoto Sumita	Former Chairman & Director TDK Corporation		✓ (Chair-person)		✓	✓				✓
Tsuneyoshi Tatsuoka	Former Vice-Minister of Economy, Trade and Industry		✓			✓	✓		✓	
Shiro Hiruta	Former Counsellor Asahi Kasei Corporation	✓ (Chair-person)		✓	✓	✓				✓
Asako Yamagami	Partner ITN law office	✓	✓			✓	✓		✓	
Michiko Chiba	Commissioner of Certified Public Accountants and Auditing Oversight Board	✓				✓	✓	✓		

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

58

- This slide describes our six independent external directors, the committees on which they serve, and their skills matrix.
- As you can see, the lineup is diverse, with three possessing experience running manufacturing companies and the others possessing experience in government, law, and accounting.
- This session today will be followed by a panel discussion with external directors Hiruta and Yamagami.

Corporate Governance

Governance

System of officer compensation linked to business performance in effect since the first year of our Medium-Term Management Plan (FY22)

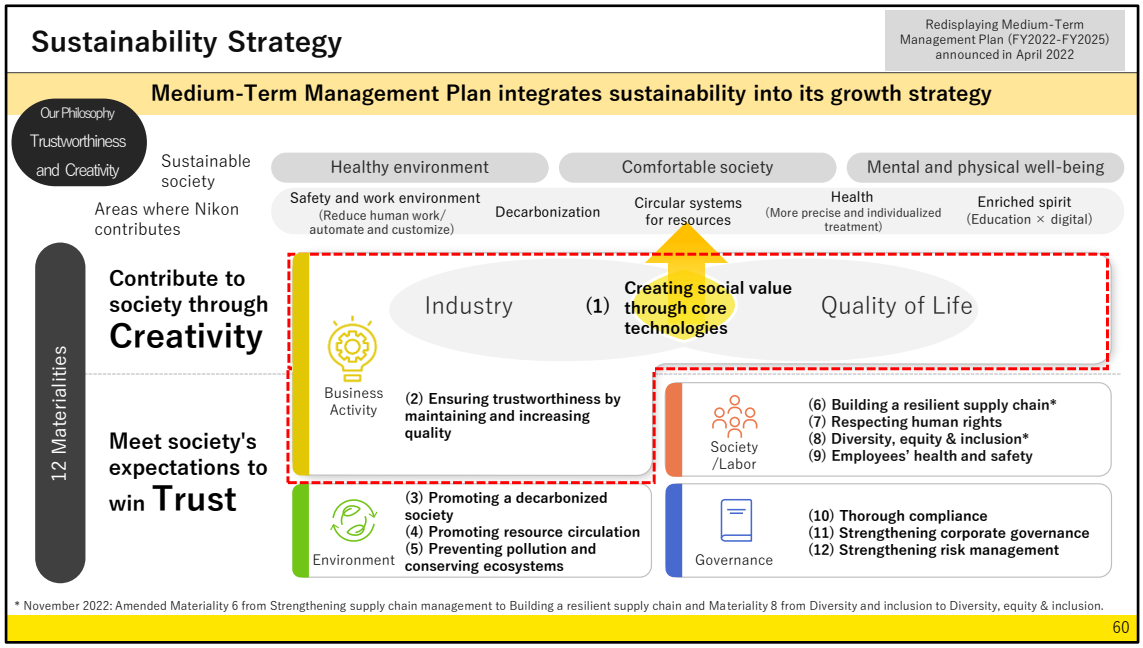
Compensation mix and main KPIs ～ System design in which performance-based compensation is equal to or higher than fixed compensation (% depends on the position. Approx. 58% for CEO.)

The case of CEO	Fixed compensation	Performance-based compensation		
	Monthly fixed compensation	Short-term business performance	Medium-term business performance	Long-term business performance
		Bonus	Performance Stock Unit (PSU)	Restricted Stock (RS)
Ratio of compensation	1	0.7	0.225	0.45
Linked KPI	—	"Consolidated operating profit (OP) amount" "ROE"	Medium-Term Management Plan priorities: "OP amount from growth drivers(*1)," "OP amount from service and components," and Achievement of KPIs related to "sustainability strategy," "human capital management"	(Assignment restrictions until retirement)
Range of link	—	0-200%	0-150%	Linked to stock price
Distribution method	Cash		Stocks	
Malus and clawback (*2)	Applies			

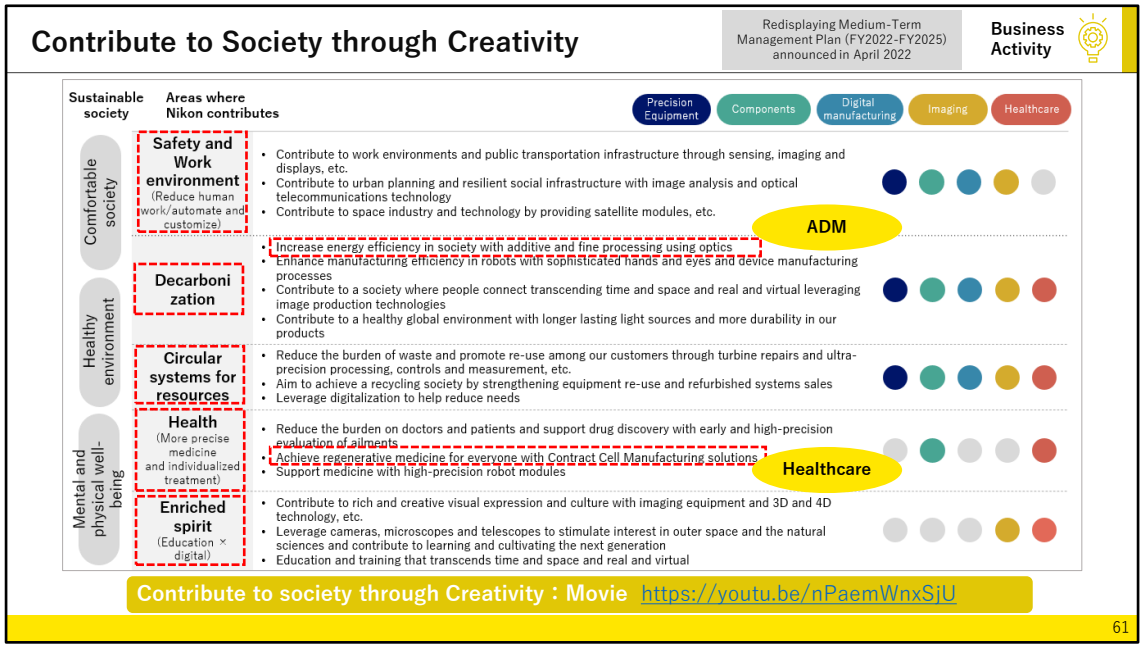
(*1) Growth drivers comprise the following 5 fields: Optical and EUV related components; Material Processing and Robot Vision; Digital lithography; Imaging contents; and Contract Cell Development and Manufacturing and Drug Discovery Support.
(*2) Malus: A clause that allows for the reduction or cancellation of vested incentive compensation before its payment if fraud or misconduct by the officer is identified.
Clawback: A clause to have paid compensation returned in situations similar to the above.

59

- As for officer compensation, the ratio tied to business performance-based is the same or more than the fixed compensation.
- The plan is designed to consider Nikon's share price, putting the executive team in the same boat as shareholders.



- This sums up our efforts aimed at *Trustworthiness* and meeting society's expectations.
- Next, I will get into *Creativity* to discuss how Nikon products, services, and solutions contribute to society. Essentially, it is how our business activities contribute to a sustainable society.



- You may recall this slide from our Medium-Term Management Plan presentation. Here, we show how we aim to leverage Nikon's core technologies to make contributions in five areas—"Safety and Work environment", "Decarbonization", "Circular systems for resources", "Health", and "Enriched spirit".

- Earlier, you heard from Shibazaki of our Advanced Manufacturing Business Unit about their application toward riblet processing (shark-skin-like patterns) by optical processing machines. This ties into the reference on line 4 about increasing energy efficiency in society leveraging fine processing.

- The contract cell manufacturing described by Yamaguchi of our Healthcare Business Unit is an example of our contribution toward Health.

- These and others are featured in a video about Nikon's contributions to a sustainable society through *Creativity*. Have a look.

<Movie>

- As you can see, Nikon is working to solve societal and environmental challenges through a variety of products and services.

- The management of these efforts are integrated under our sustainability and business strategies as we strive toward realizing a sustainable society.

- This concludes my talk on sustainability and ESG.

External Director Panel Discussion

Shiro Hiruta
External Director

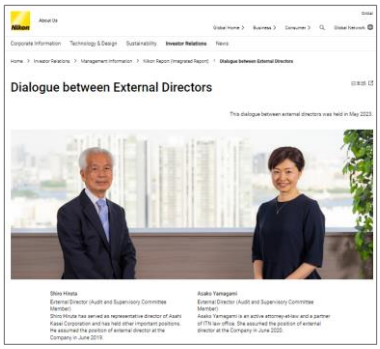
Asako Yamagami
External Director

(Moderator) **Muneaki Tokunari**
Director and Executive Vice President

External Director Panel Discussion

Governance

Solicited questions to investors and received a total of 35 questions, which are based on the dialogue between external directors in the Nikon Report (integrated report)



https://www.nikon.com/company/ir/management/nikon-report/interview/

Classification	Question	Quantity
Corporate/ business strategies	**Business portfolio strategy**	6
	M&A and SLM acquisition	5
	Formulation of the medium-term management plan	4
	Components Business	1
Corporate governance	**Discussions at the board of directors**	4
	Succession plan	4
	Diversity	3
	Board composition	2
	Independent External Directors' Meeting and Study Session for the Directors	2
	Officer compensation	1
BS and capital management	**Cross-shareholdings**	2
	BS management	1


Nikon