



NIKON REPORT 2020

Year Ended March 31, 2020

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

Materiality and Completeness

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

Reporting Period

April 1, 2019–March 31, 2020
(This report includes information on some activities taking place after April 1, 2020.)

Position of the *NIKON REPORT*



Cautionary Statement

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

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

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

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

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

1 Overview of Medium-Term Management Plan (Process for Formulating Growth Strategies Based on Risks and Opportunities)

In formulating the Medium-Term Management Plan, we analyzed macro trends (social issues and needs) and the operating environment while examining and evaluating the markets in which we can leverage Nikon’s core opto-electronics and precision technologies. Through this process, the Material Processing Business was selected as a priority theme.

Risks and Opportunities

Macro Trends
(Social Issues and Needs)



Progress in efforts to transform *Monodzukuri* (manufacturing) frameworks through the spread of IoT; Shrinking workforces, soaring personnel expenses, aging of skilled workers, rising demand for manufacturing automation and mass-customization, etc. in developed and other countries

Imaging Products Business

Ongoing market shrinkage projected

FPD Lithography Business

Market to enter adjustment phase, diverging from strong demand seen in recent years

Semiconductor Lithography Business

Massive improvements in earnings despite continuously intense competition

Ongoing opaqueness in operating environments of existing businesses;
Top priority - generation of new core pillars of profit

Examination of markets in which Nikon’s core opto-electronics and precision technologies can be leveraged

Narrowing of candidate markets

Evaluation of Candidate Markets



Growth Strategies

Central Medium-Term Plan Theme
Material Processing Business

Areas of Long-Term Growth

Digital Manufacturing

Vision Systems / Robotics

Healthcare

Overview of Medium-Term Management Plan

Our Goal

“Leading Company in Precision and Optics”

Generate New Core Pillars of Profit

Improve Profitability of Existing Businesses

Develop new growth engines through active investment in new fields (Establish Material Processing Business)

Enhance profitability of existing businesses

Reform cost structure

Enhance *Monodzukuri* (Manufacturing) Foundation

Establish “*Monodzukuri* structure” through digital manufacturing

Enhance Corporate Governance Structure

Appointment of executive management, succession planning / Establishment of system through which monitoring and evaluation of management’s strategic decision-making can be implemented effectively

Management KPI Targets

FY2021/3: ROE at a level higher than 8%

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

2 Progress of Medium-Term Management Plan

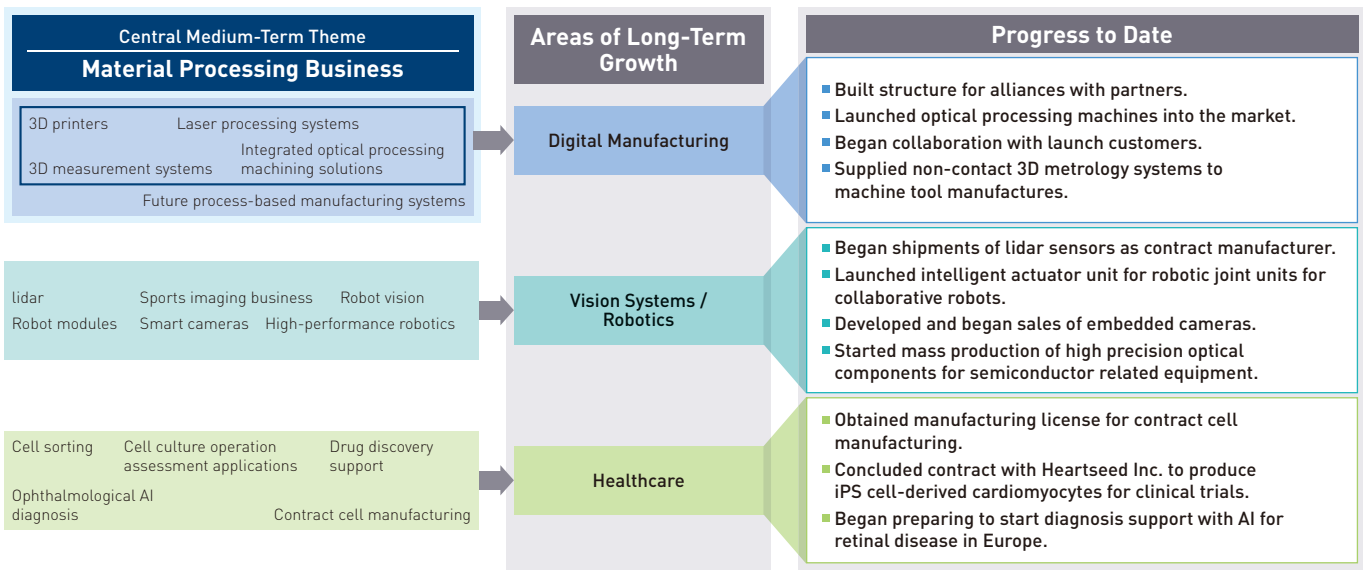
In the first year of the Medium-Term Management Plan, we were able to enact strategies for building foundations for medium- to long-term growth, despite being affected by the global COVID-19 pandemic at the end of the fiscal year.

Generate New Core Pillars of Profit

See page 16~ for details.

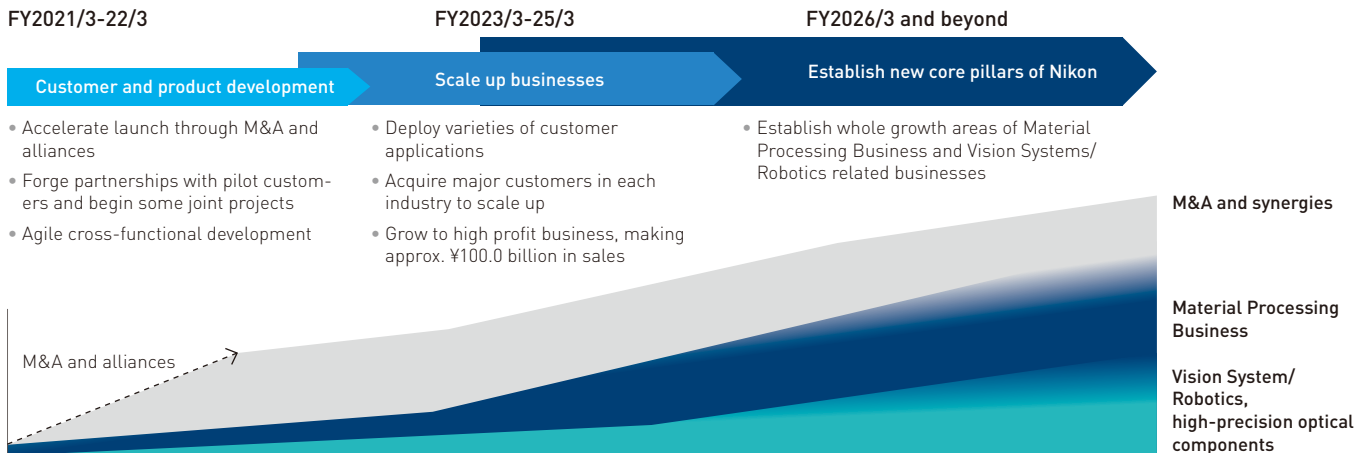
In the Material Processing Business, a priority theme in the Medium-Term Management Plan, we launched optical processing machines, a new product based on the concept of “optics-based machine tools,” with the aim of creating new markets and industries in the *Monozukuri* (manufacturing) field. With these products, we are proceeding to offer solutions to the issues faced by customers as we increase contact points with customers and develop an understanding of their issues and needs. Meanwhile, Nikon is proactively engaging in co-creation with external partners. For example, we have concluded a comprehensive business alliance with DMG MORI CO., LTD., and are investing in venture companies in fields pertaining to optical processing machine development. Overall progress in areas of long-term growth is as follows.

Toward Realizing Growth (Overall)



Business Expansion Scenario for Growth Areas in Medium to Long Term

Nikon is pursuing the medium- to long-term expansion of its operations in areas of growth centered on the Material Processing Business through M&A, alliances, and partnerships with customers.



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

Progress of Medium-Term Management Plan

Improve Profitability of Existing Businesses

See page 22~ for details.

The Imaging Products Business was heavily impacted by the global COVID-19 pandemic as it continued to experience accelerated market shrinkage and intensified competition. Meanwhile, although performance in the Precision Equipment Business was mostly in line with our plan, we are now feeling the impacts of the pandemic. Looking ahead, we will work to generate stable cash flows from the Precision Equipment Business and quickly achieve profitability in the Imaging Products Business.

Progress and Direction for Medium-Term Management Plan

	Imaging Products	Precision Equipment	Healthcare
Business environment	<ul style="list-style-type: none"> Market shrinkage is accelerating. 	<ul style="list-style-type: none"> FPD market has been performing steadily. Semiconductor market has been in stable growth, driven by 5G and IoT. The next big revenue opportunity is an investment for 7nm. 	<ul style="list-style-type: none"> Performing steadily over medium to long term.
Progress	<ul style="list-style-type: none"> Difficult to achieve the goal to stably secure ¥20.0 billion or more operating profit, announced last year. 	<ul style="list-style-type: none"> Revenue recognition was postponed to next FY2021/3, yet remains mostly in line with the plan. 	<ul style="list-style-type: none"> Steady growth in biological microscopes and fundus cameras. Obtained a license for manufacturing regenerative medicine products and established structure for mass production of contract cell manufacturing.
Direction	<ul style="list-style-type: none"> Rebuild business and aim to achieve early profitability by further restructuring. 	<ul style="list-style-type: none"> FPD lithography: Increase revenue by capturing demand for high-resolution displays. Semiconductor lithography: Achieve growth in immersion sales, strengthen China business, and expand sales in semiconductor-related measuring equipment. 	<ul style="list-style-type: none"> Strengthen competitiveness of products and solutions to improve profitability. Scale up contract cell manufacturing by pursuing new customer opportunities.

Imaging Products Business: Progress of Restructuring

In the Imaging Products Business, further restructuring was announced in November 2019 as we laid out a policy of cutting business costs* by ¥50.0 billion from the fiscal year ended March 31, 2019. While the market environment in this business is expected to grow harsher, we are committed to implementing and accelerating further restructuring measures to rebuild the Imaging Products Business and quickly achieve profitability in this business.

Overall	<ul style="list-style-type: none"> Cut ¥50.0 billion in business costs vs. FY2019/3 during Medium-Term Management Plan → Pulled forward execution and pursued larger cuts to turn profitable in early stage, given the harsh market environment.
Development	<ul style="list-style-type: none"> Further selection of product development; aggressively shift resources to growth areas → Continue focusing on mid- and high-end models, conducting communal designing and shifting resources, etc.
Sales	<ul style="list-style-type: none"> Drastically revise sales strategy, optimize sales companies; thoroughly improve efficiencies → Thoroughly reduce sales and marketing expenses by leveraging digital marketing. → Drastically rebuild global sales network in this fiscal year.
Production	<ul style="list-style-type: none"> Optimize site function and size → Utilize sites for other businesses, such as Precision Equipment, where demand is expected. → Optimize the number of staff at overseas sites by about 700 people. Continue to reduce fixed costs according to the decrease of production volume.

* Business costs = fixed costs included in cost of sales + selling, general and administrative expenses

Cost Reductions

Under the Medium-Term Management Plan, Nikon is targeting cost reductions totaling ¥18.0 billion on a three-year aggregate basis. Progress exceeding targets was achieved in the first year of the plan through efforts centered on procurement cost reductions. Going forward, we will implement new logistics reforms while pursuing further improvement of operation efficiency and advancing additional cost reduction measures with the goal of once again surpassing reduction targets.

Major Measures	Optimize supply chain	Streamline back-office functions	Optimize marketing and production systems	Reform processes and shorten manufacturing lead time
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Enhance *Monozukuri* (Manufacturing) Foundation

See page 28 for details.

Nikon is moving ahead with various reforms with the aim of establishing a "*Monozukuri* structure" through digital manufacturing.

Enhance Corporate Governance Structure See page 32~ for details. / Management KPI Targets See page 20~ for details.

Measures for enhancing the Company's corporate governance structure included the establishment of a Nominating Committee chaired by an external director. In the fiscal year ended March 31, 2020, return on equity (ROE) came to 1.3%.

Measures in Response to Global COVID-19 Pandemic

- **Business activities prioritizing the health and safety of employees, their families, customers, business partners, and members of communities surrounding business sites above all else**
- **Flexible management-level action in response to ever-changing conditions**

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

Risk Management Measures

To address the global COVID-19 pandemic, the Group has established an Emergency Management Headquarters based on the Pandemic Management Manuals and BCM Standards, which are part of the Group's risk management system.

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

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

Response to Impacts on Business

The Imaging Products Business was heavily impacted by the global COVID-19 pandemic as the spread of its effects resulted in declines in demand, delays in procuring components, and the postponements of new product launches. We are responding to these impacts through measures to secure component supplies and flexible logistics measures while also stepping up online marketing efforts. In the Precision Equipment Business, we are experiencing delays in installation projects due to the tightening of restrictions on international travel. These impacts are being addressed by enhancing support measures through increased communication with customers and the promotion of remote support.

Response to Impacts on Society

Nikon is contributing to the fight against COVID-19 by joining the "IP Open Access Declaration Against COVID-19," which allows free access to the Nikon's domestic and overseas patents. We are also making donations to fund basic research on the virus in order to support efforts to stop its spread. Furthermore, Subsidiary Sendai Nikon Corporation is donating the face shields they produce to municipal governments and medical institutions.

Looking toward the post-COVID-19 world

- Accelerating promotion of digital manufacturing
- Promoting unmanned and remote systems through Vision Systems/Robotics technologies
- Contributing to healthcare through cell culturing and microscope solutions

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

Message from the President

Nikon aspires to unlock the future by creating new value and establishing a foundation for growth.



Toshikazu Umatate

Representative Director
President

Message from the President

Initiatives for Achieving Sustainable Improvements in Corporate Value

I would first like to take this opportunity to extend my sincere condolences to everyone who has fallen victim to COVID-19 or who has been otherwise impacted by the virus.

The Medium-Term Management Plan announced in May 2019 calls on us to pursue the goal of becoming a "Leading Company in Precision and Optics," keeping true to the principles of our corporate philosophy of "Trustworthiness and Creativity" and our vision of "Unlock the future with the power of light." Under this plan, we have defined the three years beginning with the fiscal year ended March 31, 2020, as a period for "Establishing a Foundation for Growth" to achieve sustained improvements in corporate value and for solidifying foundations to steadily enhance Nikon's long-term profit-generating capability.

Looking back at the fiscal year ended March 31, 2020, the first year of the plan, we launched a new series of optical processing machines, concluded a comprehensive business alliance with DMG MORI CO., LTD., and dedicated other efforts to the launch of the Material Processing Business as part of our efforts to advance the strategic initiative of generating new core pillars of profit. Meanwhile, we moved forward with initiatives for improving the profitability of existing businesses, including cost structure reforms as well as drastic business restructuring measures in the Imaging Products Business, which is facing market shrinkage to a degree exceeding expectations. At the same time, our operations were affected by the global COVID-19 pandemic that struck late in the fiscal year ended March 31, 2020. These impacts manifested in the form of decreased demand and delays in new product launches in the Imaging Products Business as well as the postponement of the installation of certain systems in the Precision Equipment Business. Other businesses also suffered from a rapid deterioration of market conditions. The end result was an unfortunate year-on-year decline in revenue and profit.

Creation of New Value to Unlock the Future

I would now like to discuss the type of value Nikon will endeavor to provide going forward amid changes in society. Prior to taking up the mantle of president, I functioned as a substantive CTO. In this capacity, I was responsible for identifying areas of long-term growth and for examining the future changes that might be seen in society as well as the potential of the various technologies and products that will become necessary going forward. These efforts led to the defining of three areas of long-term growth in the Medium-Term Management Plan: Digital Manufacturing, Vision Systems/Robotics, and Healthcare. I believe that these areas will see significant demand from society over the long term.

One example of social trends going forward is social distancing. This massive adjustment in how people interact in society is transforming manufacturing drastically. To address this change, Nikon will accelerate its proposal of products that contribute to society, such as collaborative robots that work together with people in the same space, and other offerings in the area of Vision Systems/Robotics.

Nikon's history could be said to be a chronicle of our efforts to contribute to society by providing new value, driven by technological innovation and our desire to live up to customer expectations. For example, we delivered cameras, something that once was only used by a select group of professionals, into the hands of the general populous. We also made large contributions to the development of the semiconductor industry through the launch of the first domestically manufactured commercial stepper. The inherent value of Nikon's existence is seen in the Company's ability to act before its peers in providing products and services featuring new value and functions throughout society in both business-to-business (BtoB) and business-to-consumer (BtoC) capacities. We seek to create new value through technological innovation and the proposal of solutions in growth fields in order to unlock the future.

Promotion of Material Processing Business through Our Unique Technologies and Alliances

The Material Processing Business, a part of Nikon's Digital Manufacturing efforts, one of the key focus areas of Nikon's Medium-Term Management Plan. We will provide our customers with solutions to their *Monodzukuri* (manufacturing) and business challenges. Based on Nikon's unique optical processing technologies, we developed a processing machine that uses beams of light instead of cutting tools by leveraging features that enable accurate measurement of a workpiece's location. We are now accelerating our rollout of this business. There are three technology areas we are focusing on: additive processing for adding material to parts; removal processing to form high accuracy features; and riblet processing for patterning precise micron-scale structures on the surfaces of parts.

Achieving high accuracy with conventional machining methods in which a metal piece is processed with cutting tools requires the workpiece to be accurately placed and firmly clamped to withstand the large cutting forces. These fixturing setups are extremely cumbersome and time-consuming. In contrast, Nikon processing machines can accurately measure the position of a workpiece, substantially reducing the burden of initial installation. Moreover, because we use non-contact laser processing, there is no force applied to the workpiece, so there is no need to secure it with clamps or a vise.

Additive processing, often called 3D printing or additive manufacturing, enables the creation of complex geometries that are impossible to build with conventional machining. In addition to building an object from scratch, this method also allows us to add material to existing objects, so it can be used to repair chipped or worn parts. Considering the high precision our additive processing machines can achieve, we expect they will be used for performing high accuracy repair work.

Nikon is currently developing machines that are capable of removal processing. These machines can achieve high accuracy processing over an extremely wide area by leveraging the precision measurement, calibration, and compensation technologies we have gained through years of experience with our semiconductor lithography systems. Furthermore, these machines automatically repeat an iterative process of removal and measurement to easily achieve submicron flatness and precision microfabrication.

Message from the President

Lastly, riblet processing is a method that incorporates biomimetics to create functional surfaces. For example, sharkskin-like micro-groove patterns can reduce fluid-dynamic drag. Patterning the surfaces of turbine blades or aircraft can improve fuel efficiency and reduce CO₂ emissions. We believe such an approach is important for environmental considerations as well. Nikon is developing its own riblet processing technology by applying its proprietary optical measurement and precision control technologies to achieve high performance and efficient processing.

We are generating synergies by forming alliances with other companies to gain the experience and knowledge necessary for value creation and also access sales channels for new customers. We are accelerating the growth of this business through mergers, acquisitions, and additional alliances. Over the medium to long term, we aim to develop the Material Processing Business and other growth businesses to the point that they are generating combined annual revenue of more than ¥100.0 billion.

Improvement of Profitability of Existing Businesses

Performance did not reach the level we had anticipated in the fiscal year ended March 31, 2020, the first year of the Medium-Term Management Plan. As for the fiscal year ending March 31, 2021, we anticipate that our overall business environment will be the most challenging in years due to the impacts of the global COVID-19 pandemic.

The outlook for the Imaging Products Business is far from optimistic as products, such as cameras, offered in this business are considered luxury items. We therefore must grit our teeth and prepare for our second consecutive year of losses in this business. We aim to quickly return the Imaging Products Business to a position of profitability by further accelerating the restructuring of this business.

In the Precision Equipment Business and the Healthcare Business, we anticipate a stable market over the medium to long term, and we will thus be targeting profit growth by capitalizing on a wide range of business opportunities. Certain FPD lithography system installation projects were delayed until the fiscal year ending March 31, 2022. However, we still expect to be able to secure the funds necessary for growth through the steady generation of cash flows.

Through cost structure reforms, we had targeted cost reductions of ¥18.0 billion and succeeded in surpassing this target in the fiscal year ended March 31, 2020. The volume of procured parts decreased due to the reduction of production in the Imaging Products Business, which resulted in an unfavorable situation in terms of procurement cost reductions. Looking ahead, we will endeavor to once again exceed our cost reduction targets by further streamlining back-office administrative processes, with logistics reforms being newly introduced into the scope of cost structure reform initiatives.

Nikon is in the process of identifying potential risks and opportunities so that it can achieve a quick recovery and formulate and enact management measures for the coming era from a medium- to long-term perspective.

Drastic Restructuring of Imaging Products Business

The Imaging Products Business is one of our principal existing businesses and we are advancing drastic restructuring measures to rebuild it. The Imaging Products Business restructuring measures announced on November 2019 call for us to pursue a ¥50.0 billion reduction in business costs* from the fiscal year ended March 31, 2019. We are committed to accelerating more drastic restructuring measures to achieve a quick return to profitability, accomplish even greater cost reductions, and realize a dramatic improvement of profitability amid the current challenging business environment.

The global COVID-19 pandemic is causing a massive shift in people's lifestyles, making the Internet an even more integral part of our culture. This trend is increasing the importance of imaging-related tools and contents. It can also be expected that the distribution of images will become increasingly more personalized in the future. In light of this new social trend, Nikon will focus on product and technology development as well as online services.

The imaging-related technologies Nikon has fostered over the course of its long history are an important asset with a wide range of applicability, even in the areas of long-term growth. Meanwhile, the Imaging Products Business is branching out from its currently BtoC-centric model to develop a broad spectrum of BtoB and other businesses in pursuit of paths to further growth.

We recognize that the current dire situation for the Imaging Products Business is a result of an insufficient response to this issue on the part of management. To rectify this situation, we will exercise speed in enacting the reforms and other measures scheduled for the period of the Medium-Term Management Plan in order to build the foundations for sustainable growth.

* Business costs = fixed costs included in cost of sales + selling, general and administrative expenses

Enhancement of Corporate Governance

Nikon has been aggressively enhancing its corporate governance for the past several years. In May 2019, we established the Nominating Committee as a voluntary advisory body to the Board of Directors. Subsequent governance initiatives have included the formulation of criteria for the election and removal of executives and a succession plan for the president as well as examinations of the ideal composition of the Board of Directors. We also recently welcomed two new external directors, Mr. Shigeru Murayama and Ms. Asako Yamagami, further improving the diversity of the Board of Directors. Ongoing initiatives for enhancing corporate governance will be implemented in the future in the pursuit of higher corporate value.

Message from the President

Improvement of Employee Engagement

Based on its corporate philosophy of “Trustworthiness and Creativity,” Nikon delivers products and services in its quest to respond to the needs of customers and live up to their expectations with pride. The Nikon brand is founded on value created together with customers, and our superior technological prowess underpins the strong trust we receive from customers.

Many people likely associate the Nikon brand with digital cameras and other offerings of our BtoC operations. However, we also develop a range of BtoB operations, such as the Precision Equipment Business. To address this disparity in recognition, we have launched a brand strategy team to help entrench the image of the Nikon brand as one including BtoB fields among customers. This team is also responsible for fostering a deeper understanding regarding the Nikon brand and the purpose of the Company among employees. Moreover, we are working to reaffirm Nikon’s mission among employees as we improve employee awareness and motivation in order to facilitate the establishment of a foundation for medium- to long-term growth.

Another measure for improving employee engagement was to hold town hall meetings between employees and me, the president. These meetings served as an opportunity for direct communication between employees and myself. Taking place over a roughly eight-month period beginning in July 2019, we held meetings at 14 business facilities in Japan and overseas, which were attended by approximately 6,600 employees. At these meetings, I shared the sentiments that I had injected into the Medium-Term Management Plan through face-to-face communication with employees, and they in turn offered their opinions and thoughts.

Quest to Become an Indispensable Company to Society

There are three factors that I think management needs to focus on—innovation, profitability, and sustainability—and I mentioned this belief to employees a number of times at our town hall meetings.

In regard to innovation, we will constantly pursue the innovation of technology and business, and provide products and services for the future. As for profitability, it is vital for companies to effectively utilize capital such as human resources, assets, and funds to increase profit. From the perspective of sustainability, companies must contribute to the resolution of social and environmental issues through corporate activities that are considerate of the future of people and society. As we advance forward, we will seek to give form to our corporate philosophy of “Trustworthiness and Creativity” through our business activities to contribute to the development of a sustainable society.

Moreover, we are committed to examining how we will contribute and remain a meaningful company to society amid the changing social climate and thereby clarifying how we should act now. As a corporate citizen, we aim to become a beneficial member of society so that we can receive appropriate compensation for the products and services we provide. We believe that this approach will drive our future growth.

Message to Our Stakeholders

Whether it be economic conditions or people’s values, society is changing at an increasingly rapid pace. Against this backdrop, we will remain dedicated in our actions and in our work to ensure that we can provide our unique value. Of course, the pressing need to recover performance as quickly as possible will be among our top priorities going forward.

Current conditions remain unpredictable, and we are therefore striving to improve our responsiveness through the flexible implementation of new initiatives.

As everyone at Nikon unites to overcome this adversity, we will also commit swift efforts to establishing a foundation for growth.

I am dedicated to living up to the expectations of our stakeholders.

I hope you will continue to support us in our endeavors.

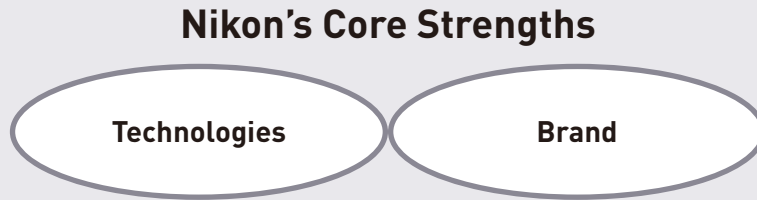
Toshikazu Umatate

Representative Director
President



Nikon's Core Strengths—Technologies and Brand

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



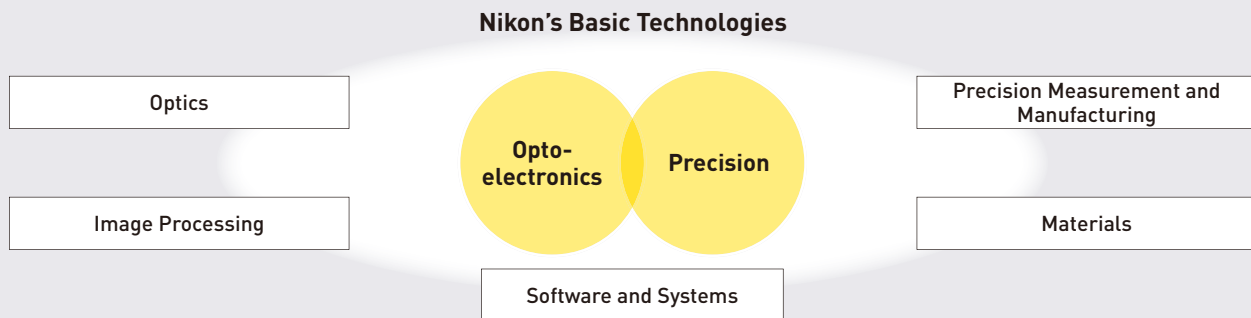
1 Technologies

Creation of Diverse Value Born through the Merging of Technologies

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

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

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



Corporate Value Improvement Initiatives

Technology Strategy Committee

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

Co-Creation with External Partners

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

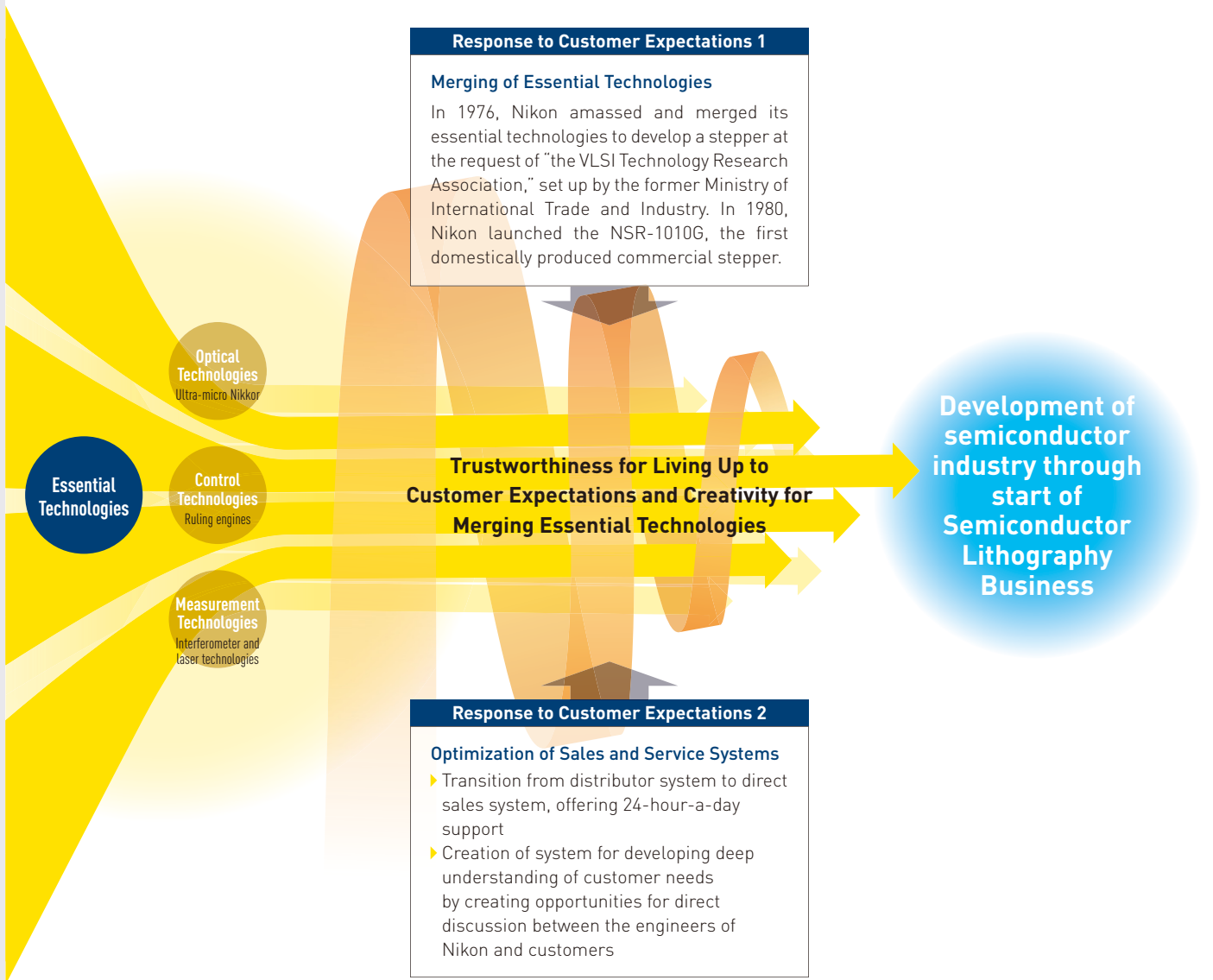
Nikon's Core Strengths—Technologies and Brand

Technologies

Nikon is creating new value with its core opto-electronics and precision technologies and peripheral technologies as well as through the wide-ranging combination and merging of these technologies. On this page, we will look at episodes in the Semiconductor Lithography Business, spanning from the past to the present, in which Nikon has succeeded in delivering value to society by living up to customer expectations while merging essential technologies and through technological innovation.

Trustworthiness and Creativity Seen in Past Episodes

Semiconductor Lithography Business



More than **8,300** Nikon semiconductor lithography systems shipped worldwide

As of March 31, 2019

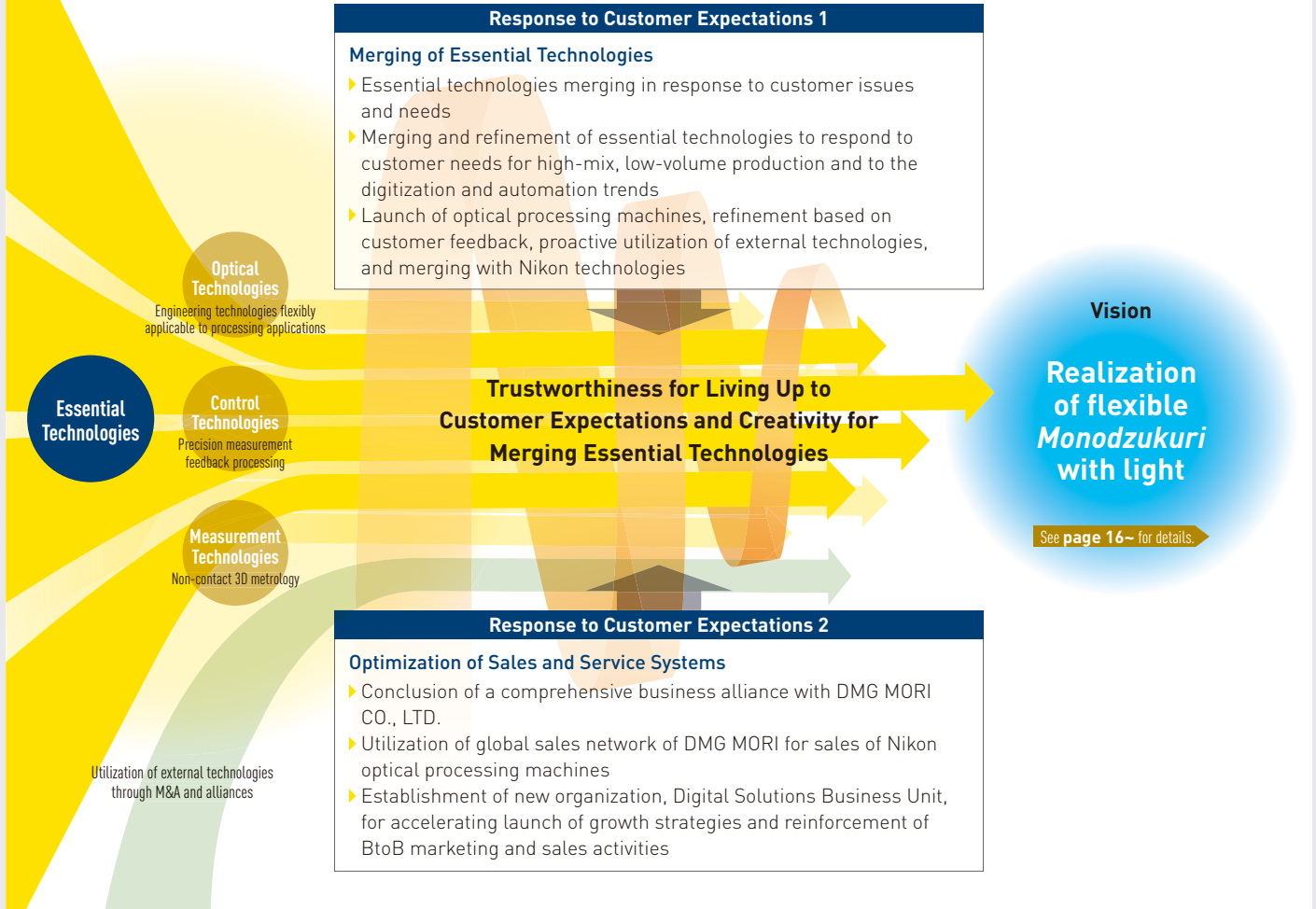
Nikon's Core Strengths—Technologies and Brand

Technologies

The strength generated by the merging of essential technologies, fostered over the course of our history, fuels Nikon's efforts to create new businesses through its growth strategies.

Trustworthiness and Creativity Seen in Growth Strategies

Material Processing Business

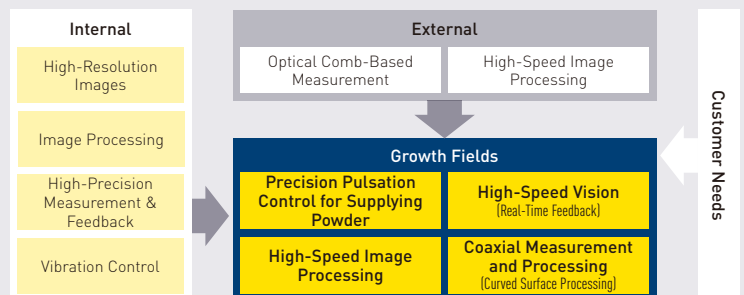


Future Initiatives

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

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

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



Nikon's Core Strengths—Technologies and Brand

Brand

2 Nikon Brand

For more than a century since its establishment in 1917, Nikon has been achieving growth by continuing to unleash the limitless possibilities of light and by responding to customer expectations and social needs.

Always valuing our trusting relationships with customers, we remain committed to our quest to provide new value to customers, driven by a sense of pride and conviction, and have thereby grown Nikon into a well-known global brand.

The brand power Nikon has fostered over the years is being fully utilized in existing businesses as well as in the long-term growth areas defined in the Medium-Term Management Plan, including the Material Processing Business, which has been positioned as a central theme for the period of the plan. Our commitment to building brand value that satisfies customers will be a constant into the future.

Striving to ensure that customers continue to love the Nikon brand for years to come, we make efforts to improve corporate value a daily endeavor.

Trustworthiness and Creativity Seen in Past Episodes

Made-in-Japan Products Winning Global Praise

On December 10, 1950, the *New York Times* ran an article that was emblematic of Japan's newfound presence as a technological superpower. This special feature article sung the praises of Nikon cameras and NIKKOR lenses and drew inspiration from the high evaluations given by Mr. David Douglas Duncan and other photographers for the *LIFE* photography magazine that had been called upon to cover the Korean War. Under conditions of intense cold, when other cameras failed to function, it was only Nikon cameras that were able to pull through to record the grim reality of the war.

This article propelled NIKKOR lenses to an undeniable position as a world-leading product and transformed the image of made-in-Japan products.

In the years that followed, Nikon grew into a globally trusted brand that supports industry and people's lives through the provision of products and solutions.

Brand Symbol



The current brand symbol was created in 2003. The graphic's sequential rays represent future possibilities, while the yellow symbolizes expansion and passion and the black portrays reliability and quality.

Found in the corporate logos of Group companies, on product packaging and websites, and in advertisements, the brand symbol is being used as a communication tool to foster widespread understanding of and promote the Nikon brand.

Branding Activities

Sponsorships

For Nikon, honoring sports and athletes around the world is another enduring expression of our active pursuit toward pushing the limits of technology and innovation.

Through sports sponsorships, Nikon supports the athletes that inspire people in their quest to surpass the limits of performance, and we intend to continue sponsoring athletes going forward.



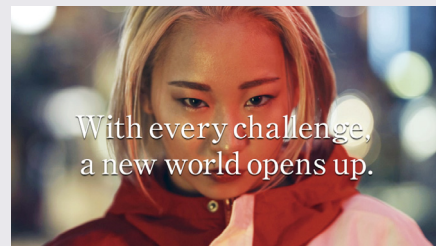
The Open



Fédération Internationale de Natation (FINA)

Short Movie

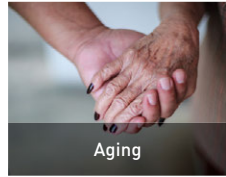
Companion to all who have been driven by their curiosity and inquisitiveness to tackle new challenges, Nikon aspires to help create a not-yet-imagined, prosperous future together with its customers. This sentiment is expressed in the "Nikon's Challenge" short movie, available on Nikon's global website.



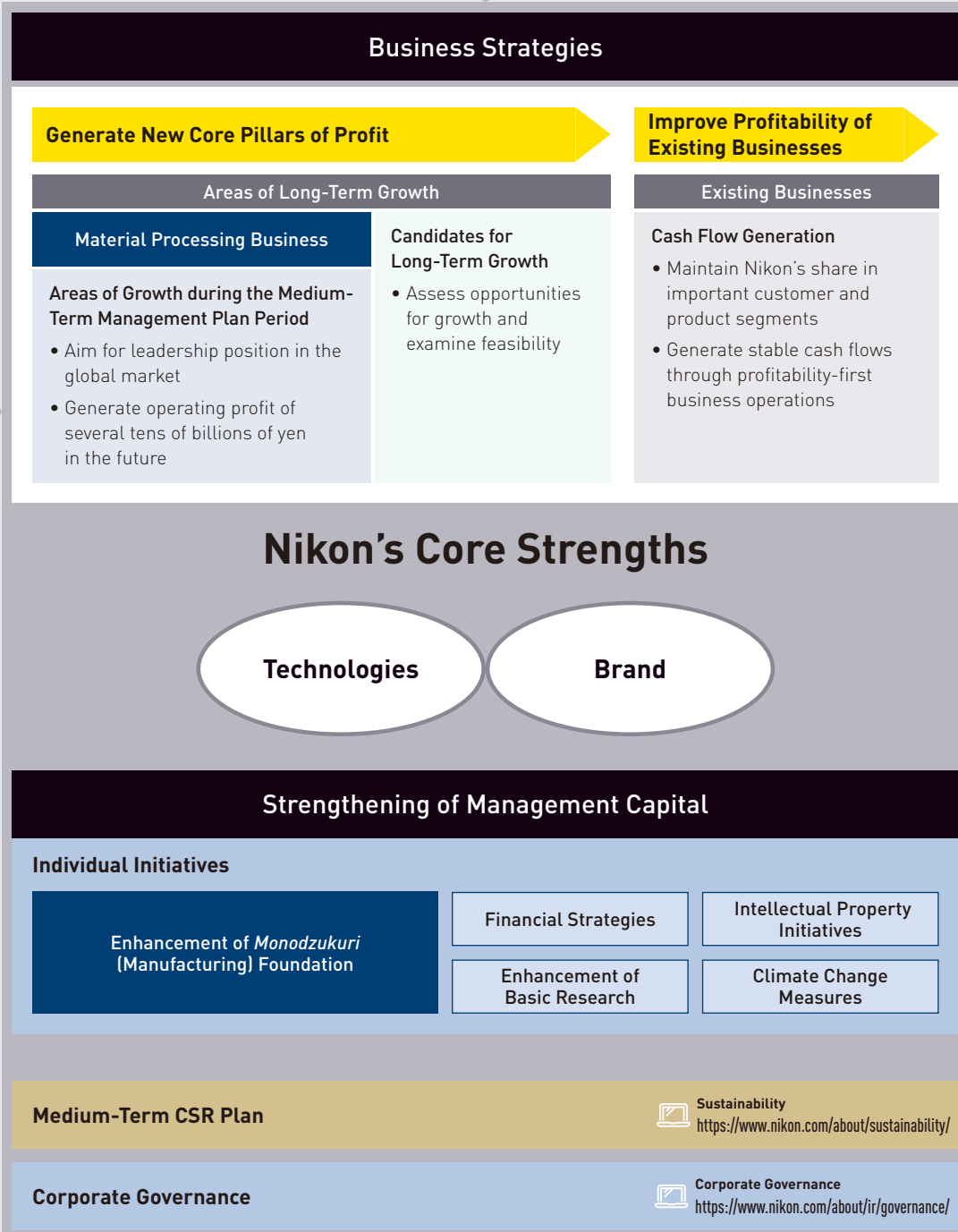
"Nikon's Challenge" can be accessed through the link below:
https://www.nikon.com/#modal_video_01

Nikon's Value Creation

Macro Trends (Social Issues and Needs)



- Input**
- Financial Capital**
- Manufactured Capital**
- Intellectual Capital**
- Human Capital**
- Social and Relationship Capital**
- Natural Capital**



Nikon's Value Creation

Goal

A Leading Company in Precision and Optics

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

Outcome

Financial Capital

[As of June 12, 2020]

Japan Credit Rating Agency, Ltd. (JCR)

A+

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

A

Manufactured Capital

Capital Expenditures*

¥28,775 million

Intellectual Capital

Ratio of R&D Expenditures to Revenue*

10.5%

Human Capital

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

23.4%

Social and Relationship Capital

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

80%

Natural Capital

Year-on-Year Reduction in CO₂ Emissions from Energy Consumption*

10.1%

* For the fiscal year ended March 31, 2020

Strengthening of management capital and advancement of business strategies

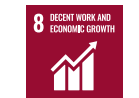
Value Provided by Businesses

Provision of Nikon's Distinctive Value to Society



Innovating *Monodzukuri* (Manufacturing) Processes

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



Making a Better Society through Imaging and Sensing Technologies

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



Contributing to People's Health and Quality of Life

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

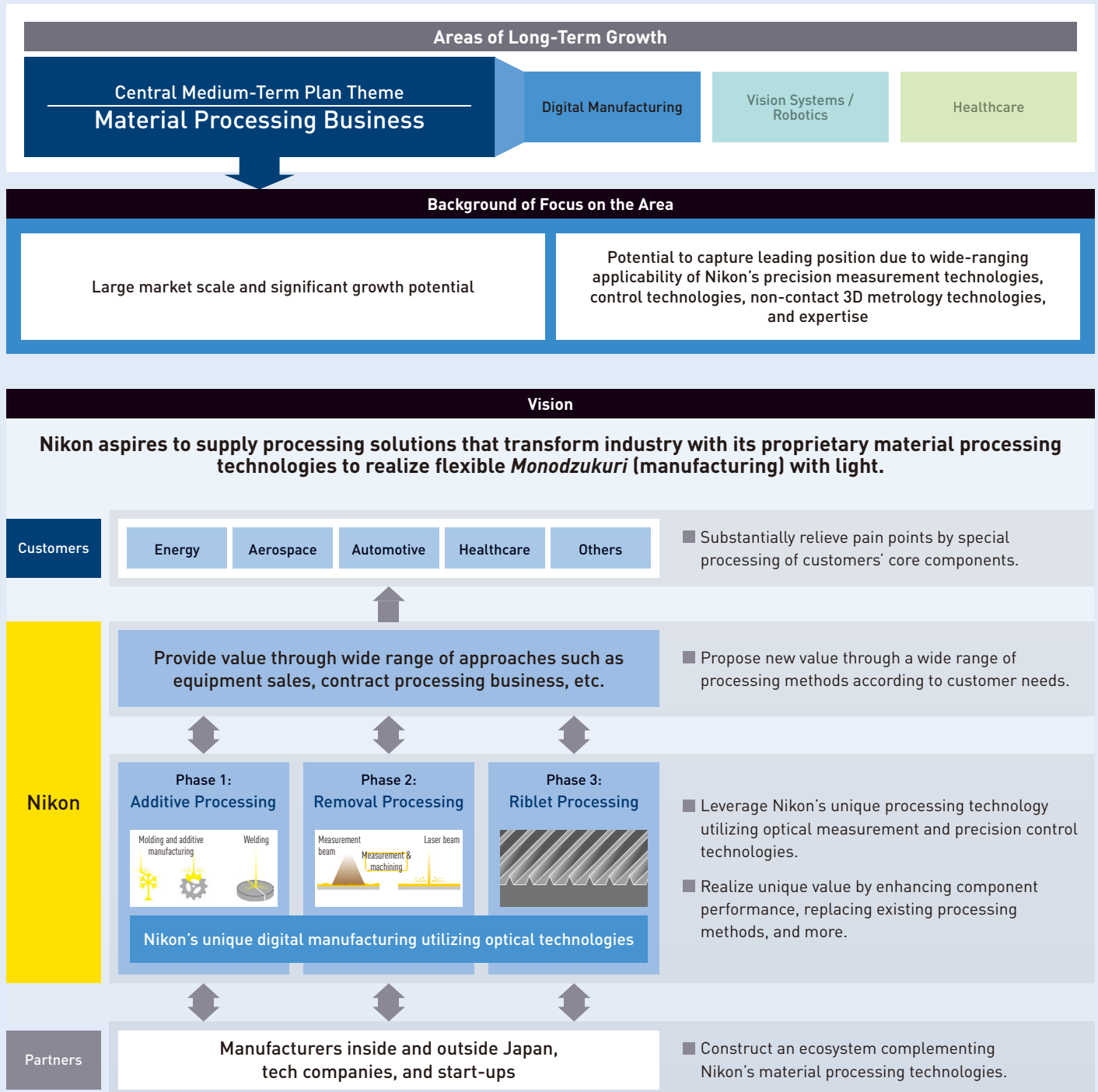
Priority Themes of the Medium-Term CSR Plan



Vision for Growth Strategy and Value Provided to Society

Digital Manufacturing

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



Vision for Growth Strategy and Value Provided to Society

Digital Manufacturing

TOPICS

1 Launch of Optical Processing Machines

The Lasermeister 100A optical processing machine, an optics-based machine tool, was launched in April 2019 with a compact design and low price that was unparalleled and defied preconceptions of 3D metal printers. This offering was followed up by the Lasermeister 101A, which was released in May 2020. By expanding the conventional 3-axis control mechanism to make the newly developed 5-axis control mechanism and increasing the number of applicable powder types, this higher-level model helps customers meet their most diverse requirements.

Furthermore, a high-precision flat surface processing machine displayed at an exhibition in September 2019 introduced a means of precision removal of portions of metal surfaces using light. This machine represented the announcement of a precision processing technology that allows for submicron flatness and precision microfabrication through repeating an iterative process of removal and measurement.

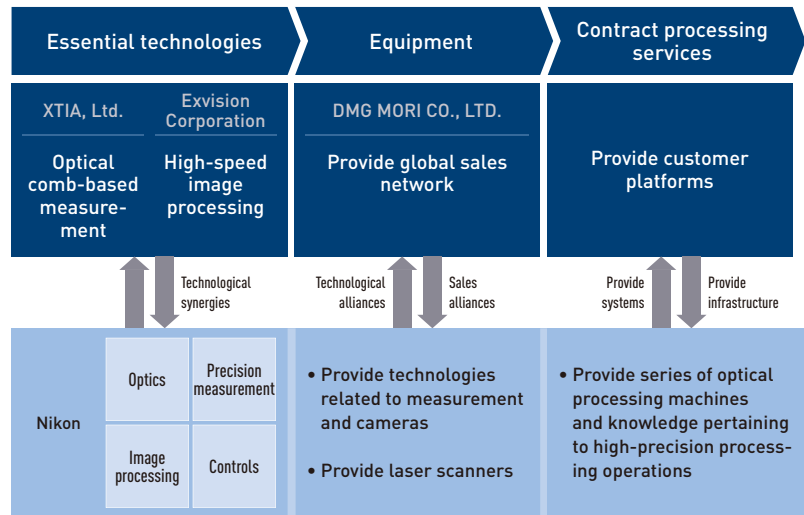


Lasermeister 101A

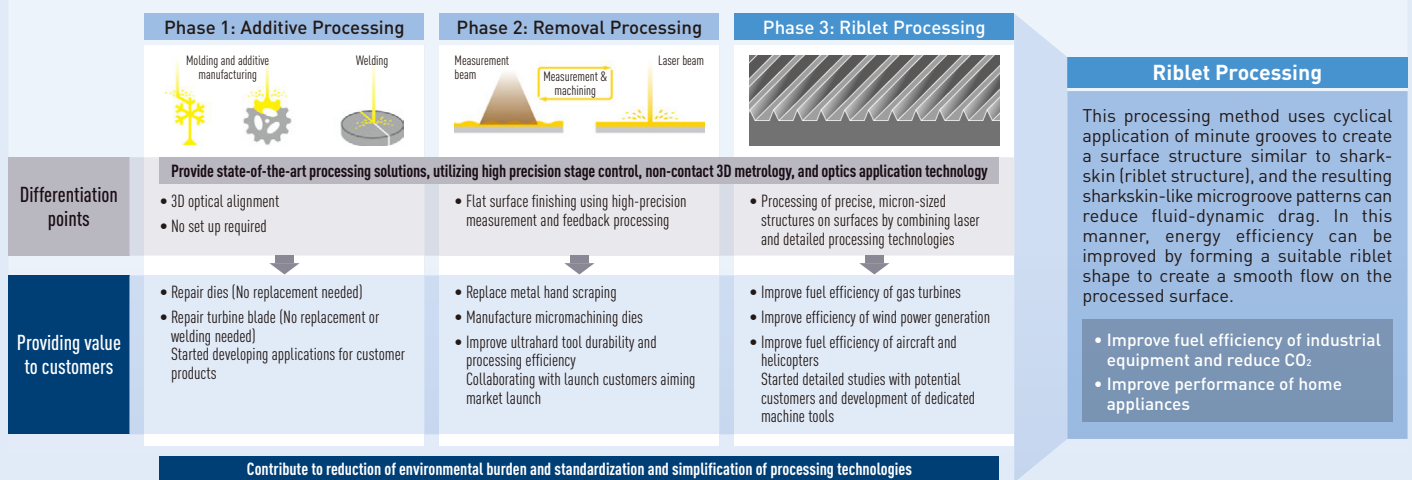
2 Leveraging of Alliances

Nikon is actively engaging in alliances with other companies. In the field of essential technologies, we announced a capital and business alliance with XTIA, Ltd. in February 2020. We have high expectations for the technological breakthroughs that can be achieved with this company's optical comb-based measurement technologies. Another important asset is the high-speed image processing technologies of Exvission Corporation, which has been converted into a subsidiary.

Meanwhile, the business alliance with DMG MORI CO., LTD., formed in March 2020, will enable us to incorporate their insight as a leading machine tool manufacturer into Nikon's Material Processing Business and accelerate the early-stage development of this business. Concrete initiatives are already underway with this company, including joint sales activities for the Lasermeister 101A optical processing machine and the incorporation of the LC15Dx non-contact laser scanner into DMG MORI's products.



Value Provided to Society



- By replacing cutting tools processing machines, which require seasoned engineers to perform set up procedures, with optical processing machines, we will provide simple and diverse processing solutions matched to the wide-ranging needs of various customers.
- Riblet processing, capable of forming riblets on functional 3D curved surfaces, will be utilized to address social issues by improving fuel efficiency, increasing power generation efficiency, and suppressing noise production.

Vision for Growth Strategy and Value Provided to Society

Vision Systems / Robotics

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

Background of Focus on the Area

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

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

Vision

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

TOPICS

1 Launch of C3 eMotion, Robotic Joints for Collaborative Robots, Contributing to More Flexible and Easier Robot Design

The C3 eMotion is a robotic joint for collaborative robots. Utilizing multiple C3 eMotion units together facilitates easier building of robots by manufacturers as well as a wide range of other engineers—even those without know-how in robot design. Although robot design, control, and other processes are considered quite challenging under normal circumstances, Nikon strives to make these processes more accessible for everyone and to provide new value. We are looking to expand into the areas of robotic vision and hand systems in order to innovate robots' hands and fingers.



C3 eMotion (IAU-200)

2 Commencement of Lidar Contract Production and Shipments

Based on a manufacturing agreement concluded with Velodyne Lidar, Inc.—a leading U.S. developer and manufacturer of lidar (light detection and ranging) sensors, which are a core technology in autonomous driving—we commenced mass production of lidar sensors in late 2019, and we were able to start shipments in November of this year as scheduled. We are also in the process of examining various possible collaborative ventures with Velodyne, including the potential for technological coordination through the merging of Nikon's optical and precision technologies with lidar sensor technologies.



First shipment of lidar sensors

3 New Organization Established to Accelerate Growth Strategies

The Digital Solutions Business Unit was established to accelerate the launch of the Material Processing Business and the Vision Systems/Robotics Business, which have been both positioned as part of our growth strategies. Tasks of this business unit will include the enhancement of contact venues for BtoB sales and marketing as well as the acceleration of its growth strategy by coordinating with the Next Generation Project Division, which was formed to house development functions and to promote Companywide open innovation activities.

Value Provided to Society

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

Vision for Growth Strategy and Value Provided to Society

Healthcare

The Healthcare field is expected to enjoy long-term market growth, therefore, Nikon is advancing long-term initiatives to guarantee satisfactory business growth in this field.

Background of Focus on the Area

Healthcare and medicine are important themes for society and therefore the markets in these areas are expected to grow over the long term

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

Vision

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

TOPICS

1 Acquisition of a License for Manufacturing Regenerative Medicine Products by Nikon CeLL innovation

Subsidiary Nikon CeLL innovation Co., Ltd., acquired manufacturing approval for regenerative medicine products in April 2020. This is an important milestone toward the practical use of regenerative medicine. This approval allows Nikon CeLL innovation to commercially sell medical application cells approved by the Ministry of Health, Labour and Welfare of Japan.

Nikon CeLL innovation, which was established in 2015 as a company dedicated to regenerative medicine contract manufacturing, has provided a wide range of process development and manufacturing services including everything from pre-clinical to commercial manufacturing of cell and gene therapies. We will promote the establishment of new treatments for diseases currently without effective treatments. Furthermore, we will develop practical applications for regenerative medicine and participate in the expansion of related industries.



2 Promotion of Ophthalmology Solutions

Subsidiary Optos Plc offers ultra-widefield retinal imaging devices that have claimed a large share of the global market and is thereby supporting early detection and treatment of eye diseases and follow-up observations of patients. In the fiscal year ended March 31, 2020, this company completed development of Silverstone, an ultra-widefield retinal imaging device with a Swept-Source Optical Coherence Tomography (SS-OCT)* function. With this one device, physicians can perform photography and tomography of 80% of the retina. This convenience facilitates early disease detection while also greatly improving medical workflows through shorter examinations.

Optos has also completed development of a diabetic retinopathy diagnosis support system that utilizes a retinal camera and is powered by AI. Preparations are being advanced to commence use of this system in Europe.



Ultra-widefield retinal imaging device with SS-OCT function Silverstone

* Swept-Source Optical Coherence Tomography: An optical coherence tomography method that uses laser light sources capable of changing light output wavelengths over time

Value Provided to Society

Nikon provides microscope solutions that entail the development and supply of innovative microscopes; ophthalmology solutions that support early diagnosis and, consequently, early treatment of diseases; and cell solutions that contribute to the regenerative medicine and drug discovery fields through cell observation and analysis technologies. We will further leverage our optical technologies to make massive contributions to the medical and bioscience fields.

Message from the CFO

In order to “Respond to the Arising Crises” and to “Establish a Foundation for Growth,” Nikon will implement strategic capital allocation through repeated dialogue with shareholders and investors.



Muneaki Tokunari

Director
Executive Vice President

Medium-Term Management Plan and Imaging Products Business Restructuring

In May 2019, Nikon announced a Medium-Term Management Plan set to conclude with the fiscal year ending March 31, 2022. This plan targets ROE of 8% or more by defining the priority strategies necessary to improve the profitability of existing businesses and to generate new core pillars of profit through strategic investments.

In addition, we announced policies for restructuring measures for the Imaging Products Business in November 2019, with the goal of responding to rapid market shrinkage. From a strategic perspective, the Imaging Products Business will be focused on products for professionals and hobbyists, which are a source of consistent demand. In terms of efficiency, we are streamlining development, production, sales, and management systems. In May 2020, we set the target of realizing reductions in business costs* of more than ¥50.0 billion during the period of the Medium-Term Management Plan in comparison with the fiscal year ended March 31, 2019.

* Business costs = fixed costs included in cost of sales + selling, general and administrative expenses

Performance in Fiscal Year Ended March 31, 2020, and Condition of Two Main Businesses

In the fiscal year ended March 31, 2020, consolidated revenue came to ¥591.0 billion, a year-on-year decrease of 17%; operating profit was ¥6.7 billion, down 92%; and profit attributable to owners of the parent totaled ¥7.6 billion, a drop of 88%.

Revenue was down in all businesses. Both operating profit and profit attributable to owners of the parent fell sharply as a result of the additional impairment losses for non-current assets recorded in the Imaging Products Business and the Industrial Metrology Business after careful review of future profits that considered the significant deterioration of the business environment and the impacts of the global COVID-19 pandemic.

The Imaging Products Business, one of Nikon's main businesses, accounting for 38% of total revenue, has achieved certain results from the restructuring of mirrorless camera sales and the attachment ratio of interchangeable lenses and has reduced business costs by approximately ¥25.0 billion. However, the business was significantly affected in the late stage of the fiscal year when demand plummeted and new product launches had to be postponed due to the impacts of the global COVID-19 pandemic. Coupled with the recording of restructuring relevant expenses and impairment losses of non-current assets, the Imaging Products Business posted an operating loss of ¥17.1 billion in the fiscal year ended March 31, 2020.

It can be expected that the Imaging Products Business will continue to face a shrinking market going forward, and that the Imaging Products Business will regretfully be forced to record an operating loss again in the fiscal year ending March 31, 2021. The entire industry has entered into a period of transformation. Under these circumstances, we aim to quickly achieve profitability in the Imaging Products Business by accelerating its restructuring and by taking further measures, including increasing the amount of cost reduction and advancing our action plan.

The Precision Equipment Business, accounting for 41% of Nikon's total revenue, managed to secure operating profit of ¥46.7 billion in the fiscal year ended March 31, 2020, which was still a decrease from the previous fiscal year. The sales volume of systems in Semiconductor Lithography Business grew and led to increases in revenue and profit. Regarding the FPD Lithography Business, the sales volume of systems decreased as customers were at their shifting point of capital investment demand pertaining to small- and medium-sized panels, and installations of certain equipment planned for the fiscal year ended March 31, 2020, were suspended because of the COVID-19 pandemic.

Message from the CFO

The Precision Equipment Business is expected to benefit from steady demand over the medium to long term amid the trend toward higher resolution in the FPD Lithography Business and the progress of 5G communications and Internet of Things (IoT) technologies in the Semiconductor Lithography Business. However, revenue for the fiscal year ending March 31, 2021, could still be somewhat impacted by the global COVID-19 pandemic as timing of equipment shipments and installations are dependent on the feasibility of sending engineers overseas.

Financial Soundness

On March 31, 2020, the equity ratio stood at 53.7% on a consolidated basis, and we had secured on-hand liquidity amounting to more than ¥400.0 billion through the combined total of cash on hand and commitment lines of credit for working capital. These figures indicate that Nikon's financial base has maintained a sufficient degree of soundness. Leveraging this financial soundness, we will lay the groundwork for responding to the crises we face while establishing a foundation for growth through strategic investments and other means.

Capital Allocation and Shareholder Returns

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

More precisely, we intend to apportion up to 40% of available capital, from on-hand funds and medium- to long-term operating cash flow forecasts, to strategic investments, mainly in new areas of business. At the same time, 35% of available capital will be devoted to research and development while 15% is directed toward capital investments. In these investments, we will carefully select themes from the perspective of medium- to long-term profitability to ensure that funds are allocated to purposes that contribute to improved competitiveness. The remaining 10% or more of available capital will be used for shareholder returns.

In regard to shareholder returns, we will continue to adhere to our policy of targeting a cumulative total return ratio of 40% or more over the period of the Medium-Term Management Plan. However, I regret to inform you that we have decided to move away from the previously announced target of issuing a full-year dividend of ¥60 per share or more in light of the rapid market fluctuations and decrease in available capital that occurred recently.

We recognize that providing consistent returns to shareholders is an important management issue, therefore, we are committed to carefully monitoring changes in the operating environment as we strive to achieve the ideal balance of financial soundness, growth investments, and shareholder returns from a medium- to long-term perspective.

Basic Policy for Medium- to Long-Term Capital Allocation

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

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

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

Stakeholder Engagement and Ongoing Enterprise Value Improvement

I was appointed as Nikon's CFO in April 2020. At my previous company, I also worked as the CFO for a number of years. In this capacity, I continuously engaged in reciprocal communication with shareholders and other investors, utilizing the input gained therein to drive ongoing improvements in enterprise value.

Dialogue with shareholders and other investors is an important venue for learning and discovery. In the future, I will promote both timely information disclosure and frank communication to help reflect the input from capital markets into management so that it can be utilized when formulating business strategies and capital measures.

At the same time, I recognize that the trust of our customers, business partners, employees, society, and various other stakeholders is imperative to the ongoing improvement of enterprise value. By engaging in reciprocal communication with those multi-stakeholders on various occasions, I aim to return Nikon to the growth track, even in this difficult operating environment.

Nikon's Business Structure

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

IMAGING PRODUCTS BUSINESS

The Imaging Products Business continues expanding the possibilities of imaging by providing cameras produced based on knowhow and technologies accumulated over Nikon's long history, as well as a variety of image-sharing application and online service.



PRECISION EQUIPMENT BUSINESS

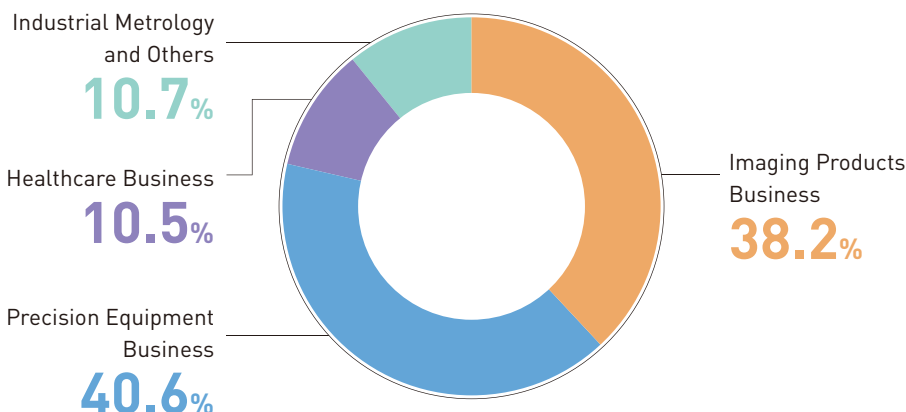
The Precision Equipment Business supports the creation of a super smart society through the development and production of FPD lithography systems for manufacturing liquid crystal panels and OLED panels, as well as lithography systems that produce semiconductors.



Revenue by Business Segment

(Fiscal year ended March 31, 2020)

¥591.0 billion



Nikon's Business Structure

HEALTHCARE BUSINESS

The Healthcare Business contributes to improving people's quality of life all over the world by providing microscope solutions, cell solutions (regenerative medicine/drug discovery support) and ophthalmology solutions to the bioscience and medical fields.



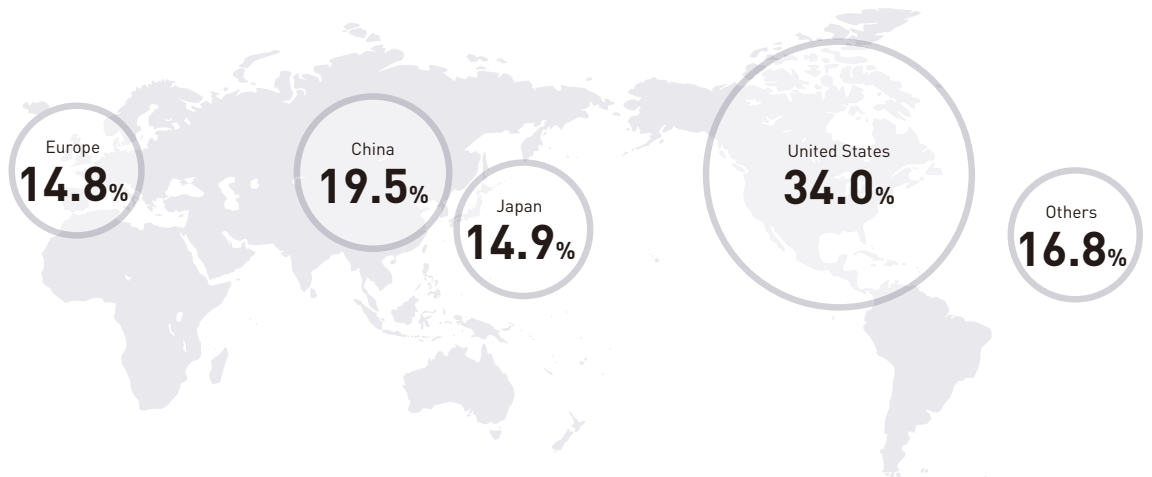
INDUSTRIAL METROLOGY AND OTHERS

The Industrial Metrology Business provides the measuring and inspection systems necessary for sophisticated *Monozukuri* (manufacturing) activities to produce vehicles, aircraft, electronic components, and other articles. We are also contributing to the evolution of industries, science and technology including material processing, robotics and aerospace field.



Revenue by Region

(Fiscal year ended March 31, 2020)



Overview of Each Business

Imaging Business

1 Risks

- Shrinkage of digital camera market beyond expectations
- Restrictions on customer purchasing activities and decline in purchasing appetite due to impacts of the global COVID-19 pandemic

2 Opportunities and Measures

- Rising market demand related to videos
- Enhancement of online marketing and creation of touch points for increased customer-brand engagement



3 Achievements

- Release of the compact and lightweight Nikon Z 50 for various customer segments
- Proactive launch of NIKKOR Z lenses, expanding the lineup to 13 lenses
- Realization of added value to existing products by improving performance and providing new functions through firmware updates
- Capital investment in wrnch, Inc., a venture company that develops computer vision and deep learning software, etc.

CLOSE-UP

Firmware Updates that Inspire Creativity

Nikon continuously institutes firmware updates to Z series cameras to further heighten the performance of the Nikon Z mount system. Nikon is more committed than ever to delivering new photography and videography experiences through timely firmware updates developed based on an understanding of customer needs. Roughly half a year after the release of the full-frame mirrorless cameras Z 7 and Z 6, we introduced the Eye-Detection AF function that makes it easier to focus on people's eyes, a feature for which there was a great deal of demand. In February 2020, these cameras saw another update, this time installing the Animal-Detection AF function. Through these updates, we are constantly expanding the potential of photography and videography. We continue to evolve our products based on customer feedback, for example, by making them compatible with CFexpress memory cards and improving operability. Going forward, we will continue to flexibly adapt to user needs so that we can keep providing photography experiences that inspire creativity by making such experiences more enjoyable and convenient.

Precision Equipment Business (FPD Lithography Business)

1 Risks

- Shifting point of customer investment and fluctuations in demand
- Postponement of system sales timing due to shipment delays or suspensions as a result of the impacts of the global COVID-19 pandemic

2 Opportunities and Measures

- Increase of profit from new FPD lithography systems and service businesses
- Further incorporation of customer needs through enhanced communication and reinforcement of risk resilience by localizing installation and service teams in overseas markets



3 Achievements

- Improvement of resolution, precision, and productivity of FPD lithography systems and achievement of compatibility with premium displays
- Increase the resolution and productivity of Gen10.5/Gen8/Gen6 lithography systems
- Identification of customer needs and enhancement of service business

CLOSE-UP

Identification of Customer Needs and Enhancement of Businesses

Nikon is always attentive to its customers as it strives to deliver systems and services that match their needs.

Customer needs are varied, for example, the need for compatibility with high-resolution or new-mechanism displays, increased productivity, and relocation or overhauls of systems. We are accelerating our system development and service provision efforts from a forward-looking perspective founded on an accurate understanding of these needs.

Furthermore, Nikon is utilizing its installed base to deliver services that address customer needs in an ideal manner, such as operational support business and measures for reducing peripheral costs, in order to enhance its businesses.



Overview of Each Business

Precision Equipment Business (Semiconductor Lithography Business)

1 Risks

- Dependence on certain customers and contraction of ArF immersion lithography system market due to transition to EUVL for cutting-edge process development
- Shipment delays or suspensions and declines in demand as a result of impacts of the global COVID-19 pandemic

2 Opportunities and Measures

- Focus on profit-efficiency, emphasizing business negotiations and product lineups
- Expansion of service businesses
- Sales promotion for Litho Booster and other measurement devices for new fields
- Reinforcement and expansion of businesses in China

ArF Immersion scanner
NSR-S635E



ArF Scanner
NSR-S322F



3 Achievements

- Promotion of enhancement of NSR-S635E systems to achieve higher overlay accuracy and productivity by adapting systems for conditions of customer processes
Support for the 5 nm generation
- Sales of Litho Booster alignment station, a new measurement device that applies lithography system technologies

CLOSE-UP

Sales of Litho Booster Alignment Station, an Advanced Measurement Device for New Fields

Litho Booster is a high-performance alignment station built on the proprietary technologies Nikon has cultivated in the semiconductor lithography system field. Prior to lithography processing, this system quickly and precisely measures the absolute values of grid and shot distortions for all wafers. Combining Litho Booster with a lithography system and setting it to feed-forward correction value to the lithography system improves overlay accuracy without reducing throughput and thereby allows for high-accuracy measurement performance and consequently, revolutionary process control. Nikon is proposing this system to customers as a solution for improving product yield and capital investment efficiency.



Alignment Station Litho Booster

Healthcare Business / Industrial Metrology and Others

■ Accomplishments in the Healthcare Business

Launch of Silverstone ultra-widefield retinal imaging device with SS-OCT function, world's first*1 device capable of taking tomographic images of designated position in approximately 80% of retina

Nikon's subsidiary Optos Plc has developed Silverstone, an ultra-widefield retinal imaging device with a Swept-Source Optical Coherence Tomography (SS-OCT)*2 function. This device is capable of photographing approximately 80% of the retina in one shot and is the first device in the world to make it possible to acquire tomographic images from that area. Silverstone is able to visualize everything from the center of the retina to its peripherals while also providing a cross-section view of the retina, all without needing to use a mydriatic agent to dilate the pupil. This functionality allows for the detection of minute signs of abnormality in eye structures. Furthermore, Silverstone boasts additional benefits in the form of massive improvements in examination workflows while supporting early detection and treatment of eye diseases and follow-up observations.

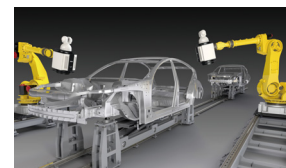
*1 As of March 25, 2020; first among marketed retinal imaging devices according to Nikon's surveys

*2 An optical coherence tomography method that uses laser light sources capable of changing light output wavelengths over time

■ Accomplishments in the Industrial Metrology Business

Contributions to *Monodzukuri* (manufacturing) in the automobile industry with non-contact 3D metrology and nondestructive inspection / testing technologies

Automobile manufacturers perform quality management by measuring the bodies of automobiles while they are in the assembly process, and care must be taken to ensure that these measurements do not result in dents in the bodies of completed automobiles. Nikon has supplied its Laser Radar non-contact large-volume inspection system to numerous automobile manufacturers. This system allows for automobile bodies to be measured more quickly than with prior methods and in a non-contact manner. The supply of this system has therefore contributed to increased productivity in the automobile industry. In addition, we offer X-ray inspection systems that enables automobile manufacturers to inspect the inside of automobiles for defects without damaging the vehicle. These systems contribute to the quality management processes automobile manufacturers must perform in order to maintain or improve safety. Moreover, these systems are used for components ranging from compact electronic components to large-scale cast components to help manufacturers develop new quality management frameworks and automate production processes.



Strengthening of Management Capital

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

Financial Capital



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

Credit Ratings

(As of June 12, 2020)
Japan Credit Rating Agency,
Ltd. (JCR)

A+

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

A

Net Cash

Fiscal year ended March 31, 2020

¥184.8 billion

Ratio of Equity Attributable to Owners of
the Parent to Total Assets
["Equity ratio" under Japanese GAAP]

Fiscal year ended March 31, 2020

53.7%

Manufactured Capital



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

Capital Expenditures

Fiscal year ended March 31, 2020

¥28,775 million

Quality Management

Fiscal year ended March 31, 2020

Serious product accidents
related to safety*

0

* Based on the definition of serious product accidents used in the Japan's Consumer Product Safety Act.

Intellectual Capital



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

Ratio of R&D Expenditures to Revenue

Fiscal year ended March 31, 2020
(IFRS)

10.5%

Intellectual Properties

Fiscal year ended March 31, 2020

Disclosed patent
applications in Japan

632

Patent registrations in the
United States

294

Companies Supported via Investment by
Nikon

Fiscal year ended March 31, 2020

Venture companies /
Venture capital
partners

22 companies

Financial Strategies See page 20~ for details. ➔

Production System Reform

Intellectual Property Initiatives

Enhancement of Basic Research

Monodzukuri Technology Reform

Human Resource Development of *Monodzukuri* Technology

Quality Management Reform

Procurement Reform

Strengthening of Management Capital

Management Capital That Supports Nikon's Value Creation

Human Capital



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

Ratio of Local Hires in Upper Management

(Outside of Japan)

Fiscal year ended March 31, 2020

23.4%

Ratio of Female Employees

Fiscal year ended March 31, 2020

39.2%

Accidents Resulting in Fatalities

Fiscal year ended March 31, 2020

0

Social and Relationship Capital



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

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

Fiscal year ended March 31, 2020

80%

Shareholders and Institutional Investors with Which Meetings Have Been Held

Fiscal year ended March 31, 2020

Approx. **500** companies (total)

Number of Employees Participating in Town Hall Meetings with the President

Fiscal year ended March 31, 2020

Approx. **6,600** employees at 14 business facilities worldwide

Natural Capital



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

Reduction in CO₂ Emissions from Energy Consumption

Fiscal year ended March 31, 2020

Year-on-year reduction **10.1%**

Waste Reduction

Fiscal year ended March 31, 2020

Year-on-year reduction **8.8%**

* Excluding valuable resources

Water Withdrawal Reduction

Fiscal year ended March 31, 2020

Year-on-year reduction **5.6%**

Measures for Enhancing Management Capital
Priority Measures of Medium-Term Management Plan

Intellectual Property Initiatives

Enhancement of Basic Research

Human Resource Development of *Monozukuri* Technology

Financial Strategies [See page 20~ for details.](#)

Climate Change Measures

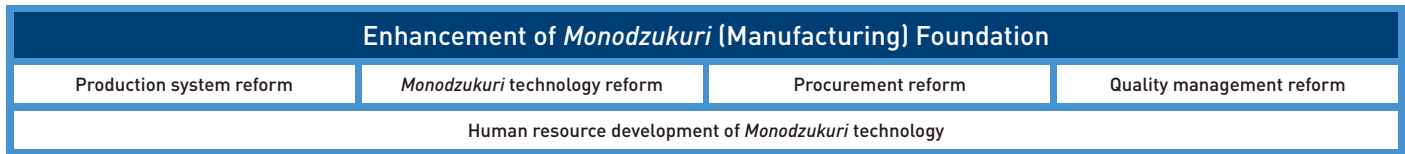
Quality Management Reform

Procurement Reform

Strengthening of Management Capital

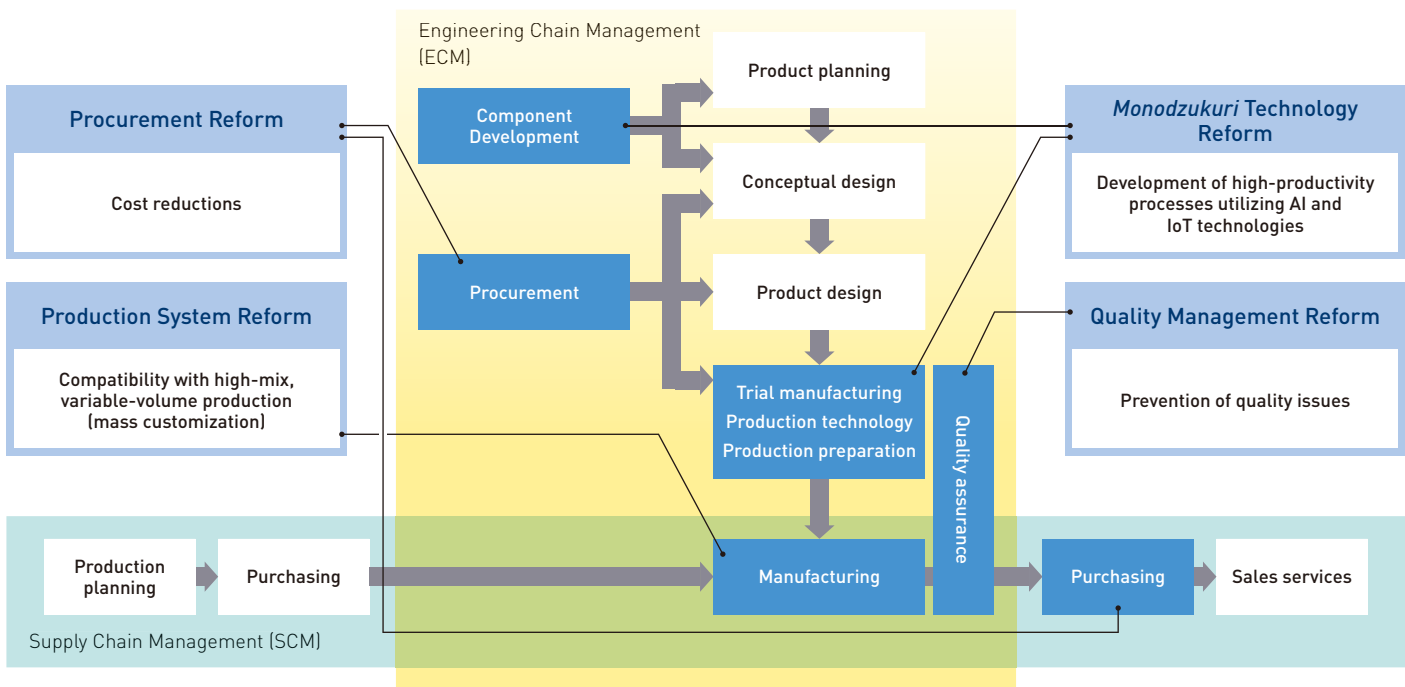
Enhancement of *Monodzukuri* (Manufacturing) Foundation

Under its Medium-Term Management Plan, Nikon aspires to become a “Leading Company in Precision and Optics.” To this end, we are advancing four reforms geared toward the enhancement of Nikon’s *Monodzukuri* foundation along with measures for developing the human resources that will support these reforms in order to establish a foundation for growth.



Overview of Reforms

Nikon has established the Production Technology Division, the Optical Engineering Division, and the Research & Development Division as cross-business unit organizations. Measures specifically aimed at the enhancement of our *Monodzukuri* foundation by setting up systems, framework, and technologies to establish engineering chain management (ECM) and practicing supply chain management (SCM) to pursue Companywide optimization of manufacturing in a manner that blurs the lines between business units.



Human Resource Development in *Monodzukuri* Technology Fields to Support Four Reforms for Enhancing *Monodzukuri* Foundation

Nikon is working to solidify its foundations for sustainable growth by training human resources directly involved in manufacturing, and enhancing its capacity for engineering in a manner that takes manufacturing into account. In addition to strengthening manufacturing capabilities, we are also focused on developing human resources with the capacity to continually create new value by tackling new challenges.

In April 2020, we launched the Technical College program to systematically endow junior employees with the knowledge and skills necessary for manufacturing at Nikon and to foster engineers with an abundance of wide-perspective-based creativity. Efforts are also being directed toward expert training pertaining to quality management and procurement as well as quality management for fostering a shared understanding of manufacturing knowledge.

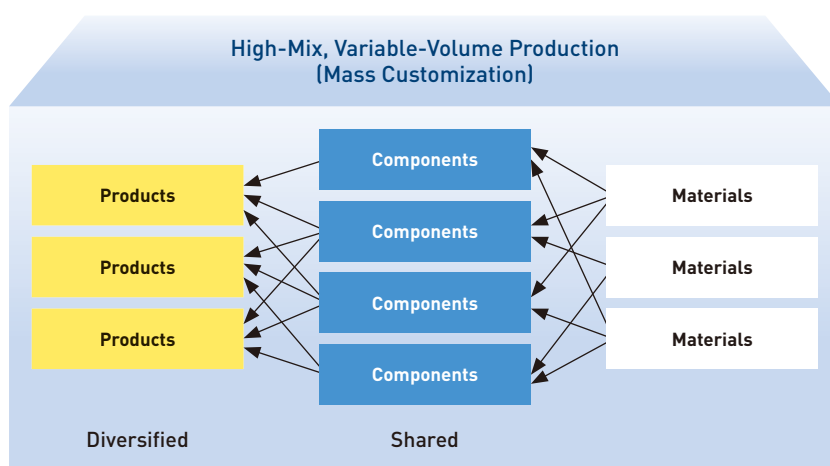
Strengthening of Management Capital

Enhancement of *Monodzukuri* (Manufacturing) Foundation

Production System Reform

Compatibility with High-Mix, Variable-Volume Production (Mass Customization)

To drive the Groupwide evolution of the Nikon Group's optical technologies, we are moving forward with the development of production systems, targeting improvements in production technologies and productivity, to enhance our *Monodzukuri* systems. For this purpose, the development and engineering functions of optical components and units, core elements of our product competitiveness, that were previously dispersed among business units have been consolidated within the Optical Engineering Division. Similarly, optical component and unit manufacturing and production technology functions have been concentrated within subsidiary Tochigi Nikon Corporation. The consolidated production equipment, staff, technologies, and other resources are being utilized to improve productivity through synergies. Going forward, we will promote compatibility using high-mix, variable-volume production (mass customization) to respond to customers' diversifying needs through efficient manufacturing.



Monodzukuri Technology Reform

Development of High-Productivity Processes Utilizing AI and IoT Technologies

Nikon is developing innovative *Monodzukuri* technologies, including those for utilizing digital data and adopting automation. For example, we are accumulating the *Monodzukuri* techniques and technologies into digital data and deploying the results analyzed by AI to the production site using IoT. This process is making it possible to automate production schedules, track production processes, and pursue standardization. Moreover, we are promoting digital manufacturing to realize high-mix, variable-volume production of high-quality products through the optimization of costs and lead times.

Procurement Reform

Cost Reductions

Nikon is reinforcing its financial base in its pursuit of cost reductions that will help fuel future growth investments. Nikon's Medium-Term Management Plan targets an aggregate total of ¥18.0 billion for three-year cost reductions. The reform of cost structures including procurement reforms will have an important role to play in accomplishing this goal. We are cutting costs through reductions to direct and indirect costs, optimization of supply chains, and installation of information infrastructure. In addition to these measures, further cost reductions are being targeted through logistics reforms, such as modal shifts and warehouse optimization, which were newly included in the scope of reforms starting from the fiscal year ending March 31, 2021.

Quality Management Reform

Prevention of Quality Issues

The Nikon Group views quality, encompassing the safety and environmental friendliness of products and services, as the utmost priority in its operations and imperative to the trustworthiness of Nikon. To prevent quality issues, we are advancing quality management reforms in the Groupwide quality management frameworks and the quality assurance activities of business units. We have also revised our quality management system to further reduce costs from quality losses during production, and ongoing improvement activities are being implemented in this regard.

Strengthening of Management Capital

Intellectual Property Initiatives / Enhancement of Basic Research / Climate Change Measures

Nikon is engaging in intellectual property initiatives and working toward the enhancement of basic research as the foundation for the ongoing improvement of the technological prowess and brand power that are its core strengths. We are also implementing climate change response measures and addressing other social and environmental issues based on the Medium-Term CSR Plan to develop Nikon into a company that grows together with society.

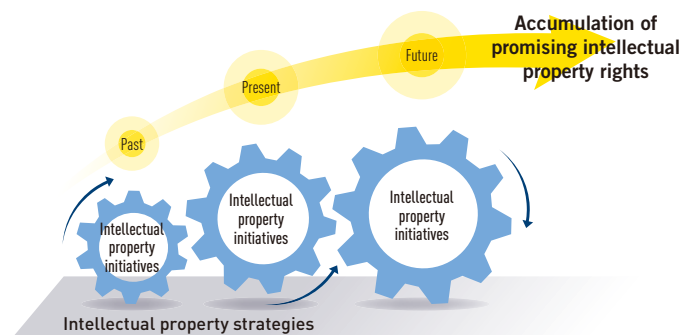
Intellectual Property Initiatives

Nikon processes a range of intellectual properties, including the advanced technologies and designs produced by its business units and R&D divisions, and these intellectual properties underpin the market competitiveness of Nikon products.

Basic Policies

The Legal & Intellectual Property Division pursues extensive coordination with business units and R&D divisions and drafts intellectual property strategies that contribute to the growth of existing businesses and the creation of new businesses. Ongoing intellectual property initiatives are advanced based on these strategies.

Long dedicated to intellectual property initiatives, Nikon's past intellectual property initiatives now support its present business activities while the intellectual property initiatives the Company is advancing today will form the foundations for the new businesses of tomorrow.

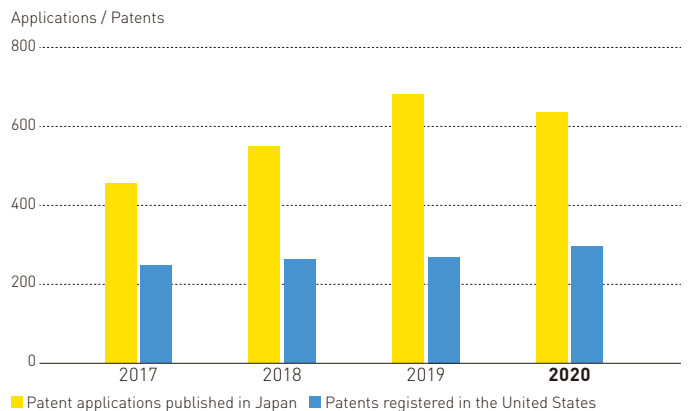


Major Activities

The Legal & Intellectual Property Division is engaged in invention generation activities that entail involvement in the development of new businesses, starting from the exploration phases, in order to produce inventive ideas that will become sources of business competitiveness. These inventive creation activities are divided into several steps, ranging from theme selection to patent portfolio development, to facilitate proactive intellectual property activities.

The number of patent applications published in Japan and patents registered in the United States is one of the important indicators for intellectual property activities. These numbers are shown in the graph to the right. To generate new core pillars of profit, as described in the Medium-Term Management Plan, Nikon is ramping up inventive creation activities in growth fields, quickly responding to opportunities for investment and alliances, and reorganizing its intellectual property portfolios. Moreover, we proactively form business alliances with outside partners to facilitate the accomplishment of the goals of the Medium-Term Management Plan.

Patent Applications Published in Japan and Patents Registered in the United States



Protection of Brand and Designs

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

Going forward, we will maintain our vigilance in protecting the Nikon brand and improving its value on a global scale.

Strengthening of Management Capital

Intellectual Property Initiatives / Enhancement of Basic Research / Climate Change Measures

Enhancement of Basic Research

Nikon's superior technological prowess is one of the Company's strengths. We are taking a long-term perspective as we engage in a diverse range of ongoing R&D activities to reinforce existing businesses and create new businesses. We thereby aim to further hone the technological prowess that supports our growth strategies.

Basic Policies

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

Major Activities

Nikon's optical technologies and AI-powered measurement technologies are important essential technologies for growth fields. Nikon has released a number of highly regarded research theses in areas such as research and development in growth fields, optical theory, and mathematical theory. In the fiscal year ended March 31, 2020, Nikon succeeded in commercializing a foreign-material detection and inspection system that was jointly developed together with AOHATA Corporation. This system utilizes Nikon's spectroscopic technologies and deep learning AI to deliver revolutionary quality management solutions.

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



For more detailed information on Nikon's R&D activities, please refer to the following webpage: <https://www.nikon.com/about/technology/rd/>

Climate Change Measures

Nikon is further advancing measures for responding to climate change, as this is important to accomplishing the goals of the Medium-Term CSR Plan, which is aimed at realizing a sustainable society, and mitigating business risks.

Basic Policies

Previously, a "low-carbon society" was positioned as one of the pillars of Nikon's Long-Term Environmental Vision. However, this pillar was changed to a "decarbonized society" in February 2020 to accelerate climate change response measures. The Nikon Medium-Term Environmental Goals were also revised in conjunction with this change. Nikon is committed to reducing greenhouse gas emissions across its supply chain while also helping lower emissions from society through its business activities.

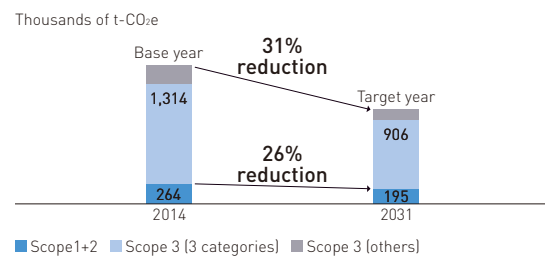
Major Activities

Approximately 80% of the greenhouse gas emissions from across Nikon's supply chain are accounted for under Scope 3.* Of these emissions, the three categories of purchased goods and services, use of sold products, and upstream transportation and distribution represent a particularly large portion. For this reason, the reduction of Scope 3 and other greenhouse gas emissions has been positioned among the Nikon Medium-Term Environmental Goals, and reductions are being pursued through a number of activities accordingly. For example, we are working to heighten the efficiency of production and development processes and to make greater use of renewable energy. In addition, Nikon is focusing on making smaller, lighter, and more energy-efficient products that are even friendlier to the environment.

In November 2019, the Nikon Medium-Term Environmental Goals were approved by the Science Based Targets international initiative, confirming that these targets are based on scientific evidence.

Moreover, Nikon has announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures.

Greenhouse Gas Reduction Targets in Nikon Medium-Term Environmental Goals



Notes:
 Scope 1: Direct greenhouse gas emissions from fuel use at Company facilities
 Scope 2: Indirect greenhouse gas emissions from use of purchased electricity and heat
 Scope 3: Indirect greenhouse gas emissions from business activities across the supply chain (excluding those associated with Scope 1 and 2).

For more detailed information on Nikon's climate change measures, please refer to the following webpage: <https://www.nikon.com/about/sustainability/report/>

Corporate Governance



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

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

Measures for Enhancing Corporate Governance

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017 (Launch of the restructuring)	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019 (Completion of the restructuring)	Fiscal year ended March 31, 2020 (New Medium-Term Management Plan announced)	Fiscal year ending March 31, 2021
Increase of Board of Directors' diversity, strengthening of supervisory function over management		<ul style="list-style-type: none"> Transition to a company with an Audit and Supervisory Committee 	<ul style="list-style-type: none"> Increase in ratio of external directors 29% (4/14 directors) → 36% (4/11 directors) Start of evaluation of Board of Directors' effectiveness 		<ul style="list-style-type: none"> Increase in ratio of external directors 36% (4/11 directors) → 42% (5/12 directors) Increase of Board of Directors' diversity Establishment of Nominating Committee (appointment of external director as chairperson) Separation of representative director and chairman of the Board from the position of officer Appointment of external director as chairperson of Compensation Committee Formulation of criteria for the election and removal of directors and officers Formulation of succession plan for president 	<ul style="list-style-type: none"> Increase in ratio of external directors 42% (5/12 directors) → 45% (5/11 directors) Increase of Board of Directors' diversity Separation of position of chairman of the Board and representative director (Strengthening of supervisory function over management) Commencement of implementation of succession plan for president
Responsibilities toward management (Compensation)	<ul style="list-style-type: none"> Revision of executive compensation system to increase link to performance (introduction of performance-based stock remuneration linked to the Medium-Term Management Plan) 	<ul style="list-style-type: none"> Freezing of performance-based stock remuneration following start of restructuring after discontinuation of Medium-Term Management Plan 	<ul style="list-style-type: none"> Revision of executive compensation system emphasizing capital efficiency 		<ul style="list-style-type: none"> Resumption of performance-based stock remuneration in tandem with new Medium-Term Management Plan announcement 	

Corporate Governance

CLOSE-UP Recent Corporate Governance Enhancement Initiatives

1. Establishment of Nominating Committee

Role and Position

In May 2019, the Company established the 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.

Major Matters Discussed

- Formulation of criteria for the election and removal of the chief executive officer, president, and directors and nomination of candidates
- Consideration of ideal composition of Board of Directors
- Verification of appropriateness of matters pertaining to evaluation and assignment of officers
- Formulation of succession plan for president

■ Establishment of Succession Plan for President

The succession plan for the president includes the following provisions:

- 1** Linkage of Medium-Term Management Plan cycle and succession plan cycle
 - ▶ Reinforcement of president's commitment to the Medium-Term Management Plan
 - ▶ Facilitation of smooth transition to new Medium-Term Management Plan under leadership of new president
- 2** Designation of selection, cultivation, evaluation, and final proposal of successor candidates to Nominating Committee as mission of current president
- 3** Nomination of final candidate and proposal to Board of Directors by Nominating Committee after it has monitored the process of candidate cultivation

■ Increase of Board of Directors' Diversity

Nikon continues to increase the diversity of its Board of Directors. In June 2020, the Company appointed its first female director (external director and Audit and Supervisory Committee member), raising the ratio of external directors from 42% to 45%.

2. Increase in Link Between Executive Compensation and Performance

Nikon seeks to furnish executive compensation systems that motivate executives to sustainably improve corporate and shareholder value, enhance their willingness and morale, and help keep, cultivate, and reward excellent personnel.

Performance-based stock remuneration was introduced in 2015 before it was frozen in 2016 in conjunction with the launch of restructuring. This form of compensation was later resumed when the new Medium-Term Management Plan was announced in 2019.

As a result, executive compensation at Nikon currently comprises fixed monthly compensation as well as bonuses, stock options, performance-based stock remuneration, and other performance-based compensation. The ratio of performance-based compensation is dependent on an executive's position and duties and exceeds 50% of total compensation for certain position and duties.

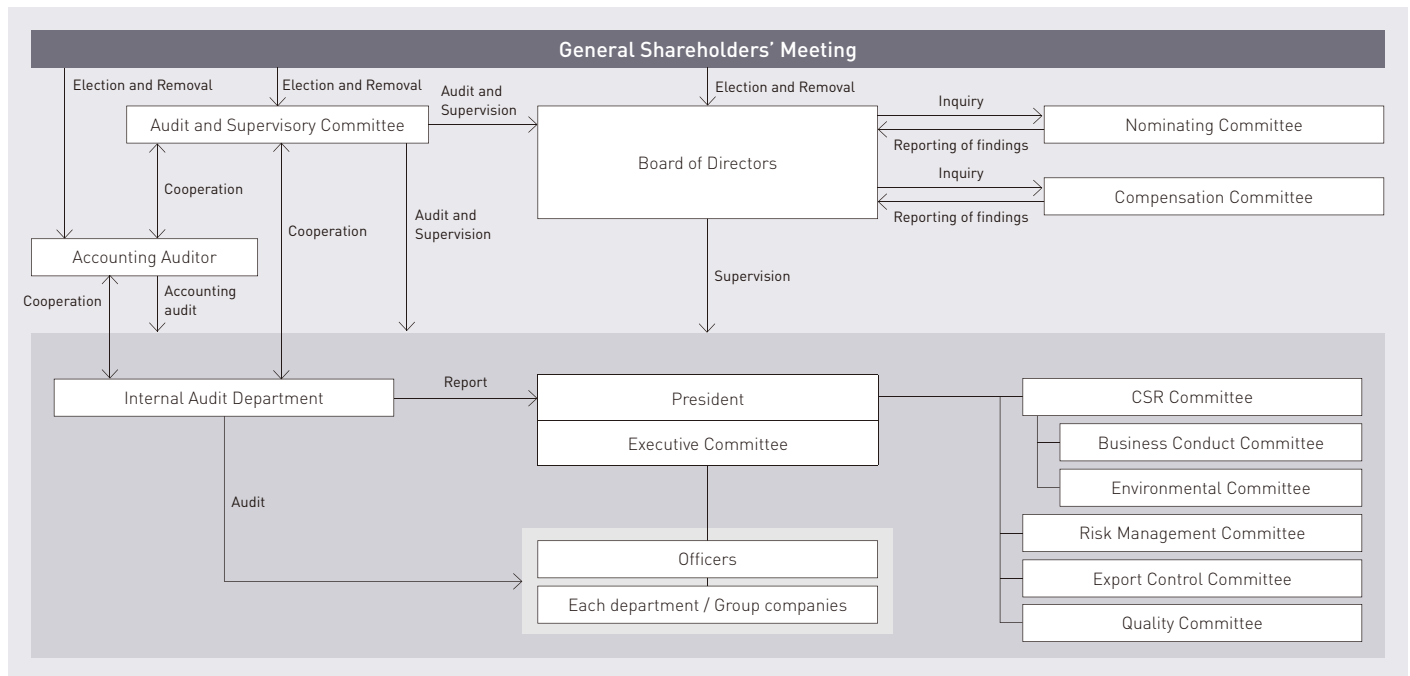
	Monthly compensation (fixed)	Ratio of performance-based compensation
President	1	57%
Executive vice presidents and senior vice presidents	1	51%
Corporate vice presidents	1	44%

Corporate Governance

System

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

Nikon's Corporate Governance Organization (As of June 26, 2020)



External Directors

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

Criteria for determining independence of external directors

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

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

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

(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)

Corporate Governance

Reasons for Appointment

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

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

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

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

Evaluation of the Board of Directors' Effectiveness

Nikon asks a third-party organization to analyze and evaluate the effectiveness of its Board of Directors in order to further improve its functions. The efforts to address issues identified through the previous evaluation (for the fiscal year ended March 31, 2019) as well as the issues identified in this evaluation (for the fiscal year ended March 31, 2020) and the future responses are outlined below.

Evaluation Method	<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. Based on the evaluation results, discussions were held at a meeting of the Board of Directors on how to improve its functions.
Evaluation Results	<p>Efforts to Address Issues Identified in Previous Evaluation</p> <ul style="list-style-type: none"> Initiation of governance reforms Established the Nominating Committee in May 2019 to formulate criteria for the election and removal of directors and officers and a succession plan for the president Strengthening of supervisory functions of independent external directors Increased the diversity of the Board of Directors and enhanced its supervisory functions (ratio of external directors increased to 45% in June 2020) Strengthening of secretariat function of the Board of Directors Strengthened collaboration between the secretariat and executive departments and promoted timely and accurate information disclosure
Main Issues Identified in This Evaluation and Future Response	<ul style="list-style-type: none"> Monitor progress of Medium-Term Management Plan and growth strategies Strengthening of progress monitoring of Medium-Term Management Plan and invigoration of discussion on growth strategies Commence full-fledged implementation of succession plan Full-fledged implementation of succession plan for the president, spearheaded by the Nominating Committee Strengthen secretariat function of the Board of Directors Increase of volume and quality of information provided to external directors to support enhancement of discussion at meetings of the Board of Directors

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

Corporate Governance

Compensation of Directors and Officers

Compensation for Directors (Fiscal year ended March 31, 2020)

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	8 (2)	5 (3)	13 (5)
		Amount of compensation (million yen)	294 (26)	104 (45)	398 (71)
Performance-based compensation	Bonuses	Number of persons	5 (—)	—	5 (—)
		Amount of compensation (million yen)	21 (—)	—	21 (—)
	Performance-based stock remuneration	Number of persons	5 (—)	—	5 (—)
		Amount of compensation (million yen)	99 (—)	—	99 (—)
Stock compensation	Subscription rights to shares granted as stock-related compensation	Number of persons	5 (—)	—	5 (—)
		Amount of compensation (million yen)	101 (—)	—	101 (—)
Total		Number of persons	8 (2)	5 (3)	13 (5)
		Amount of compensation (million yen)	514 (26)	104 (45)	619 (71)

* The number of persons and the amount of compensation pertaining to fixed compensation/fixed monthly compensation and total shown above include one director who is not an Audit and Supervisory Committee member (who is not an external director) who retired at the conclusion of the 155th Annual General Shareholders' Meeting held on June 27, 2019 and the amount of compensation pertaining to the said director.

* The amount of performance-based stock remuneration shown above indicates the amount of performance-based stock remuneration for directors other than those who are Audit and Supervisory Committee members (excluding non-executive directors) recorded as provisions of reserve during the fiscal year.

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

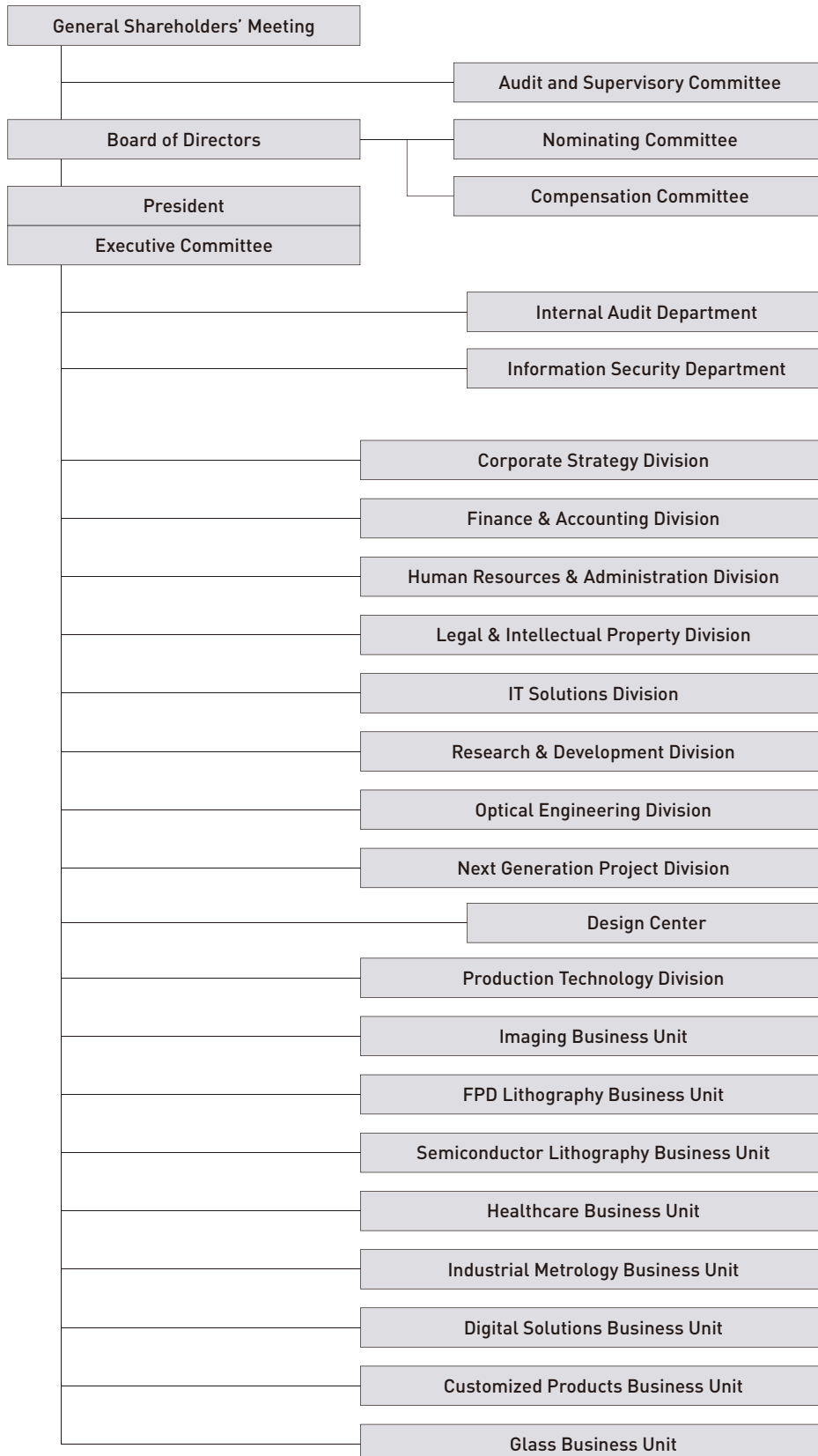
Compensation System

Basic Policies on Compensation	<p>Executive compensation will be determined to satisfy the following basic criteria.</p> <ul style="list-style-type: none"> Executive compensation should motivate executives 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.
Compensation System and Performance-based Structure	<p>a) The compensation system for executive directors and officers comprises the following components. The distribution ratio for compensation is determined by changing the proportion of performance-based compensation and stock compensation to fixed compensation according to position and duties.</p> <p><Fixed compensation></p> <ul style="list-style-type: none"> Fixed monthly compensation This monetary compensation is not based on performance. <p><Performance-based compensation></p> <ul style="list-style-type: none"> Bonuses This monetary compensation is based on the degree of accomplishment and qualitative assessment of the capital efficiency and profitability of the Group as a whole and divisions in charge on a single-year basis, and is determined within the range of 0% to 200% of the standard payment. Performance-based stock remuneration Stock compensation is determined within the range of 0% to 150% in accordance with achievement of the Company's overall capital efficiency and other financial performance indicators, in the final fiscal year of the Medium-Term Management Plan to be resolved every three fiscal years, with the aims of sharing value with shareholders and enhancing willingness and morale for improving medium- to long-term performance. <p><Stock compensation></p> <ul style="list-style-type: none"> Subscription rights to shares granted as stock-related compensation Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improving long-term performance, within the range not exceeding 5% of the share dilution ratio. <p>b) The compensation system for non-executive directors consists only of fixed compensation ("fixed monthly compensation").</p>
Method for Determining Compensation Level and Amount	<p>The Compensation Committee discusses and advises on related systems in order to determine the level and system appropriate to the duties on account of 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 discusses the establishment of executive compensation policies, consideration of the compensation system, and specific calculation method. Based on the results of those deliberations, the compensation for directors other than those who are Audit and Supervisory Committee members is determined by resolution of the Board of Directors, and the compensation for directors who are Audit and Supervisory Committee members is determined by consultation among directors who are Audit and Supervisory Committee members.</p>



Organizational Structure

[As of July 1, 2020]



Financial Highlights

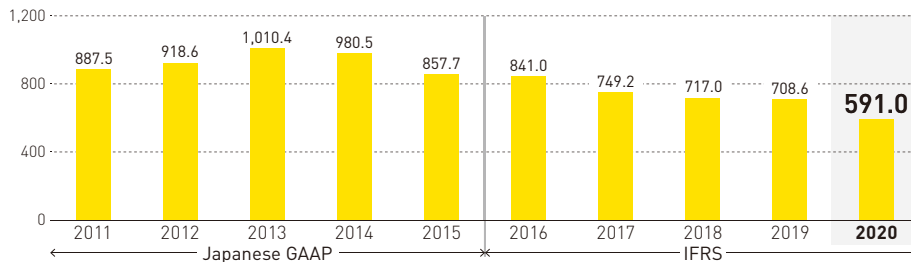
Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

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

Growth Potential / Profitability

Revenue*

Billions of yen

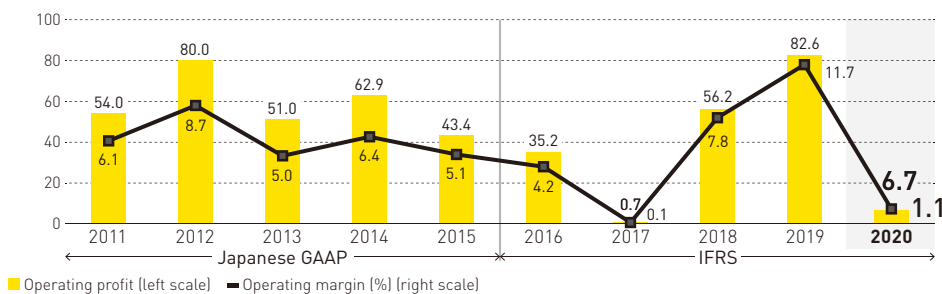


* "Net sales" under Japanese GAAP

In the Imaging Products Business, although revenue from mirrorless cameras grew, revenue from the business as a whole decreased due to the rapid market shrinkage and delay of new product launches resulting from the impacts of the global COVID-19 pandemic. In the Precision Equipment Business, revenue was down as customers are at their shifting point of investment and installations of certain equipment planned for the fiscal year ended March 31, 2020, have been suspended until the following fiscal year because of the COVID-19 pandemic in the FPD Lithography Business.

Operating Profit / Operating Margin

Billions of yen

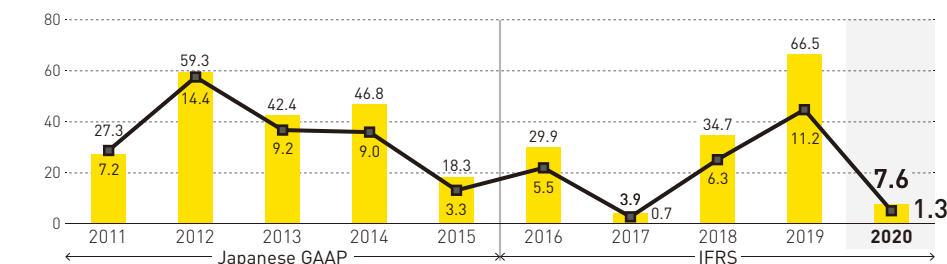


■ Operating profit (left scale) ■ Operating margin (%) (right scale)

There was a significant decrease in profit caused by the global COVID-19 pandemic along with additional impairment losses of non-current assets in the Imaging Products Business and Industrial Metrology Business, recognized after careful review of cash flow projections reflecting the significant deterioration of the business environment. However, the Group was able to cut business costs by approximately ¥25.0 billion year on year mainly due to progress in the restructuring measures announced for the Imaging Products Business in November 2019.

Profit Attributable to Owners of the Parent* / ROE

Billions of yen



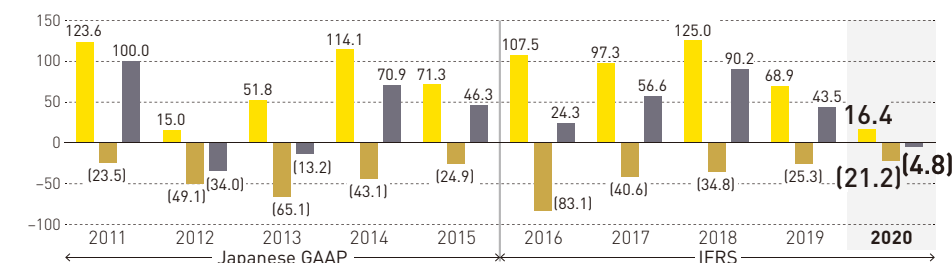
■ Profit attributable to owners of the parent (left scale) ■ ROE (%) (right scale)

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

Profit attributable to owners of the parent decreased by ¥58.9 billion year on year, to ¥7.6 billion, in the fiscal year ended March 31, 2020. Accordingly, ROE was down by 9.9 percentage points to 1.3%.

Cash Flows

Billions of yen



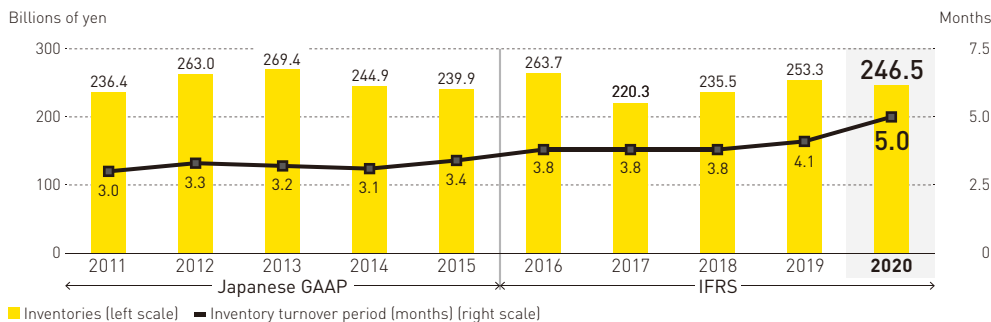
■ Net cash provided by operating activities ■ Net cash used in investing activities ■ Free cash flow

During the fiscal year ended March 31, 2020, net cash provided by operating activities was ¥16.4 billion while net cash used in investing activities was ¥21.2 billion. Free cash flow came to a negative ¥4.8 billion following lower profits, a decrease in advances received in the Precision Equipment Business, and changes of payment terms for the domestic partner companies.

Financial Highlights

Efficiency

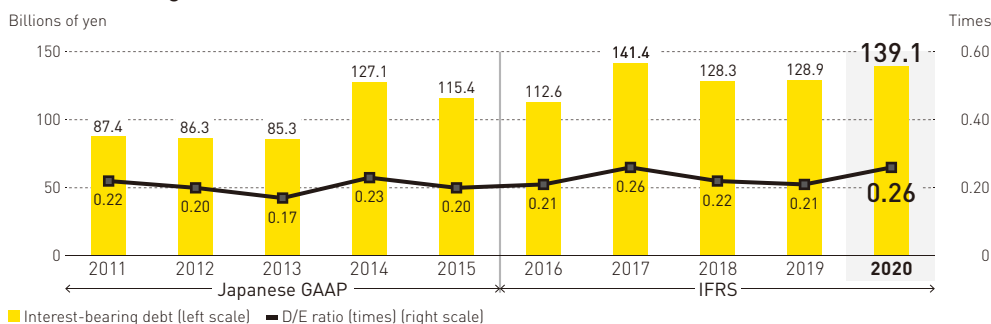
Inventories / Inventory Turnover Period



The balance of inventories as of March 31, 2020, was ¥246.5 billion, a decrease of ¥6.8 billion from the end of the previous fiscal year, and the inventory turnover period was 5.0 months. Emphasizing the efficiency of invested capital, the Group continues to manage inventory assets in an appropriate manner.

Safety

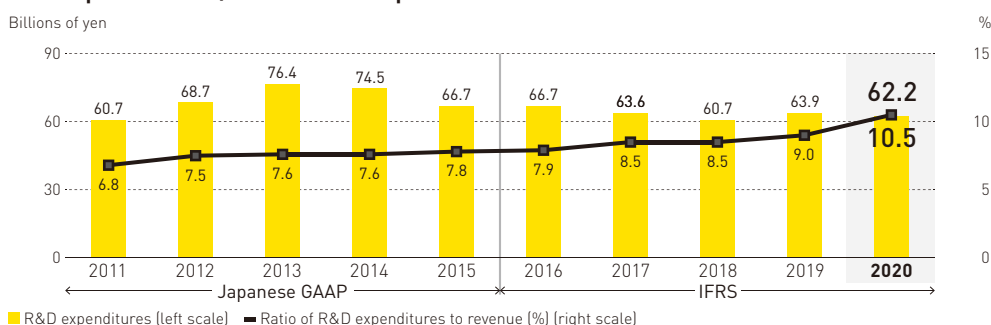
Interest-Bearing Debt / D/E Ratio



Interest-bearing debt as of March 31, 2020, was ¥139.1 billion. This amount included an increase of approximately ¥17.0 billion in lease liability following the application of IFRS 16 as of April 1, 2019. The Group is committed to maintaining sound financial conditions in funding.

Growth Investments

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

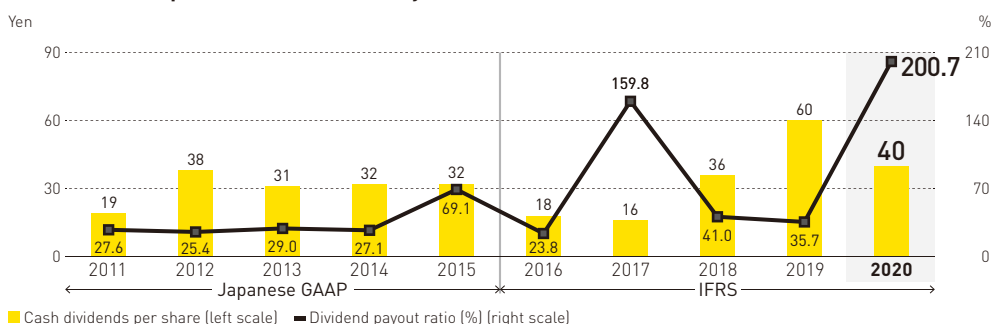


*1 "R&D costs" under Japanese GAAP *2 "Ratio of R&D costs to net sales" under Japanese GAAP

R&D expenditures in the fiscal year ended March 31, 2020, totaled ¥62.2 billion, a decrease of ¥1.7 billion year on year, and the ratio of R&D expenditures to revenue rose by 1.5 percentage points, to 10.5%. While pursuing overall optimization, the Group will continue to invest in establishing foundations for medium- to long-term growth in new and existing businesses.

Shareholder Returns

Cash Dividends per Share / Dividend Payout Ratio



Approximately 29.2 million shares of treasury stock were acquired in the fiscal year ended March 31, 2020, for a total of ¥40.0 billion, of which approximately 22.5 million shares were retired. In light of the highly volatile business environment, the Company continued to adhere to its policy of targeting a total return ratio of 40% or more but deviated from its target for full-year dividend payments of ¥60 per share due to maintain growth investment capacity and crisis response capabilities.

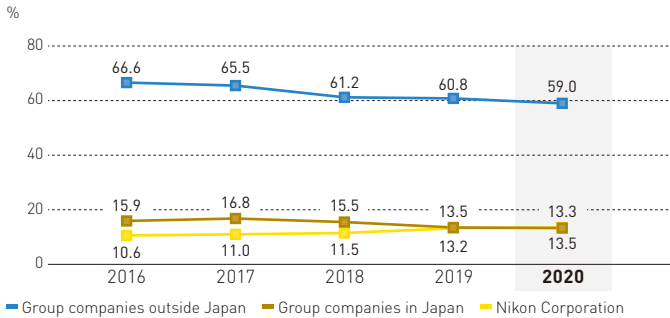


Non-Financial Highlights / ESG External Ratings

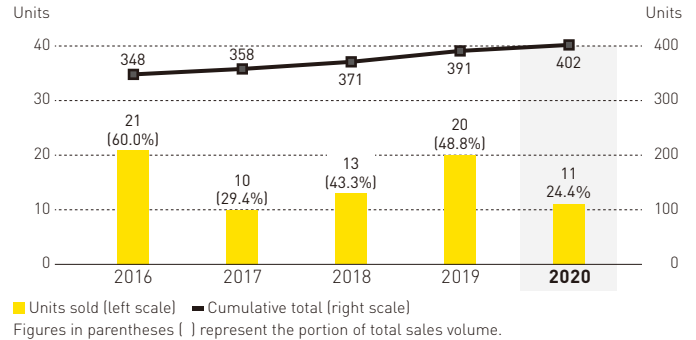
Non-Financial Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

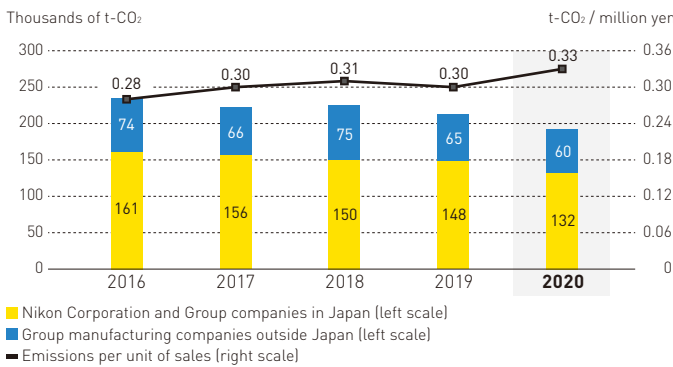
Ratio of Female Employees*1



Sales Trends of Refurbished Semiconductor Lithography Systems



CO₂ Emissions from Energy Consumption*2



*1 Figures represent numbers of permanent employees and non-regular staff of the Nikon Group (consolidated). From the fiscal years ended March 31, 2016 to 2018, employees who were seconded to affiliates are counted as those of their original companies. From the fiscal year ended March 31, 2019, onward, employees seconded to affiliates are counted as those of the affiliates.

*2 The following values were used for CO₂ conversion factors.
Electric power: [In 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 outside Japan] Individual countries factor in International Energy Agency (IEA) factors. However, there is no conversion factor for Laos, so Thailand's factor is used.
City gas: [Japan] The gas company eigenvalues noted in the guidance document for Periodic Report pursuant to the Act on the Rational Use of Energy (Energy Conservation Act) were multiplied by the values given in Appended Table 2 of "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures, and by 44/12; [UK] Factors from the Report on Greenhouse Gases; [Other countries outside Japan] Same value as a typical Japanese gas company.

Heat and other fuels: The factors noted in "List of Calculation Methods and Emissions Factors for Calculation, Reporting and Announcement Systems" specified in the Act on Promotion of Global Warming Countermeasures.
CO₂ emissions from energy consumption in Japan are calculated by subtracting amounts of hydroelectric power as well as amounts of energy associated J-Credits and Green Heat Certificates from total energy consumption, and multiplying that by the basic emission factors.

ESG External Ratings

[As of June 30, 2020]

<p>▶ CDP Climate Change A List/ CDP Supplier Engagement Leader</p>	<p>▶ FTSE4Good Index Series</p>	<p>▶ MSCI Japan ESG Select Leaders Index*</p> <p>2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p>	<p>▶ S&P Japan 500 ESG Index</p>
<p>▶ SAM Industry Mover 2020</p>	<p>▶ FTSE Blossom Japan Index</p>	<p>▶ MSCI Japan Empowering Women Index (WIN)*</p> <p>2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>	<p>▶ ECPI Indices</p>
<p>▶ Dow Jones Sustainability Indices "DJSI World" and "DJSI Asia Pacific"</p> <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	<p>▶ MSCI ESG Leaders Indexes*</p>	<p>▶ S&P/JPX Carbon Efficient Index</p>	<p>▶ SNAM Sustainability Index</p>

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

Information

Corporate Data (As of March 31, 2020)

Nikon Corporation

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

Date of Establishment

July 25, 1917

Number of Employees

20,190 (Consolidated)

Capital

¥65,476 million

Stock Status

Total number of shares
authorized to be issued:
1,000,000,000 shares
Total number of shares issued:
378,336,521 shares

Note: As a result of the cancellation of treasury stock performed on March 31, 2020, the total number of shares issued decreased by 22,542,400 year on year.

Investor Information (As of March 31, 2020)

Number of Shareholders

40,624

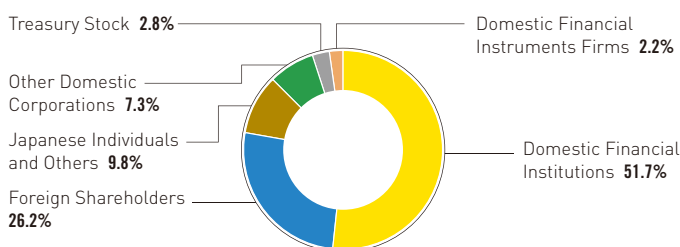
Financial Instruments Exchange Listing

Tokyo Stock Exchange
(Ticket Symbol: 7731)

Share Registrar

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

Composition of Shareholders



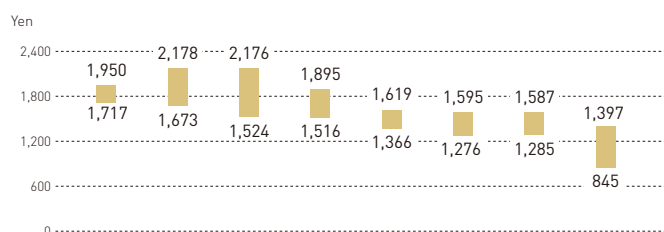
Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand Shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,881	12.5
Japan Trustee Services Bank, Ltd. (Trust Account)	20,106	5.5
Meiji Yasuda Life Insurance Company	19,537	5.3
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,692	2.1
MUFG Bank, Ltd.	7,378	2.0
The Jojo Bank, Ltd.	6,801	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,598	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 4)	5,074	1.4
The Shizuoka Bank, Ltd.	4,996	1.4
Mitsubishi Heavy Industries, Ltd.	4,828	1.3

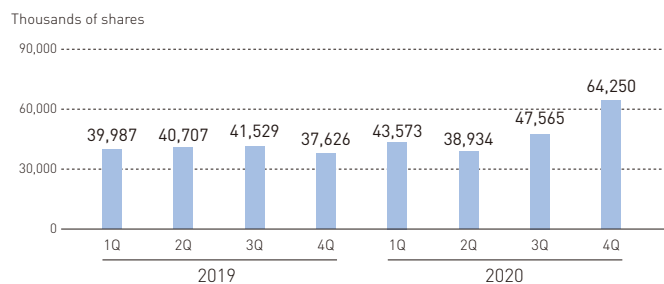
Note: 10,639,962 shares of treasury stock are excluded from the above major shareholders. The percentage of shares held is calculated after deducting treasury stock.

Stock Price Range and Trading Volume

Stock Price



Trading Volume*



* Trading volume is the average of monthly performance.

For further information,
please contact:

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