

Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	2007	2008	2009	2010
For the year:				
Net sales	¥ 822,813	¥ 955,792	¥ 879,719	¥ 785,499
Precision Equipment	291,913	290,814	219,915	150,101
Imaging Products	448,825	586,147	596,468	569,465
Instruments	59,252	59,043	44,642	45,051
Medical	—	—	—	—
Cost of sales	494,663	551,551	561,642	552,409
Selling, general and administrative expenses	226,143	269,072	269,892	246,944
Operating income (loss)	102,007	135,169	48,185	(13,854)
Precision Equipment	49,321	43,348	8,041	(58,557)
Imaging Products	45,678	83,974	40,039	52,117
Instruments	5,123	4,081	(2,724)	(9,331)
Medical	—	—	—	—
EBITDA* ¹	124,632	160,847	81,095	22,102
Income (loss) before income taxes	87,813	116,704	39,180	(17,672)
Net income (loss) attributable to owners of the parent	54,825	75,484	28,056	(12,615)
Per share of common stock (yen and U.S. dollars)*²:				
Basic net income (loss)	¥ 146.36	¥ 189.00	¥ 70.76	¥ (31.82)
Diluted net income	131.42	181.23	67.91	—
Cash dividends applicable to the year	18.00	25.00	18.00	8.00
Capital expenditures	¥ 30,432	¥ 39,829	¥ 43,467	¥ 37,525
Depreciation and amortization	22,625	25,678	32,910	35,956
R&D costs	47,218	58,373	61,489	60,261
Proportion of R&D spending to net sales (%)	5.7	6.1	7.0	7.7
At year-end:				
Total assets	¥ 748,939	¥ 820,622	¥ 749,805	¥ 740,632
Total equity	348,445	393,126	379,087	372,070
Interest-bearing debt	105,338	76,544	114,940	102,388
Financial ratios:				
Equity ratio (%)	46.5	47.9	50.5	50.2
Debt equity (D/E) ratio* ¹ (times)	0.30	0.19	0.30	0.28
Return on equity (ROE)* ¹ (%)	18.5	20.4	7.3	(3.4)
Return on assets (ROA)* ¹ (%)	7.6	9.6	3.6	(1.7)
Number of subsidiaries	49	48	48	69
Number of employees	22,705	25,342	23,759	26,125

Environment-related data:

CO₂ emissions from Nikon Corporation and Group companies in Japan (thousand tons of CO₂)*³

— — — —

CO₂ emissions from Group companies outside Japan (thousand tons of CO₂)*⁴

— — — —

Water use by Nikon Corporation and Group companies in Japan (thousand m³)

— — — —

*¹ Throughout this report, EBITDA is calculated as operating income (loss) plus depreciation and amortization expenses, ROE is calculated as net income (loss) attributable to owners of the parent divided by average shareholders' equity, ROA is calculated as net income (loss) attributable to owners of the parent divided by average total assets, and D/E ratio is calculated as interest-bearing debt divided by total equity.

*² Per share of common stock information is computed based on the weighted-average number of shares outstanding during the year.

*³ The values above are the aggregated results of CO₂ emissions from energy use.

The CO₂ emission factors are the weighted-average values of the actual emission factors between the fiscal year ended March 31, 2006, and the fiscal year ended March 31, 2008 (fixed for the entire period).

The CO₂ emissions are calculated using the following unit heating values:

City gas: Specific value of each gas company

Other fuels: Values contained in the Manual for Calculating and Reporting Greenhouse Gas Emissions for the baseline emission calculation

*⁴ The CO₂ emission factors are the weighted-average values of International Energy Agency (IEA) factors by country between 2005 and 2007. The IEA 2010 values are used only in 2016.

For the fiscal year ended March 31, 2012, the calculation of CO₂ emissions from Nikon (Thailand) Co., Ltd. was limited to the period from April through September due to the temporary shutdown of the company's plants as a result of the flood in Thailand.

*⁵ U.S. dollar figures are translated for reference only at ¥112.68 to \$1, the exchange rate at March 31, 2016.

					Millions of yen	Thousands of U.S. dollars*5
2011	2012	2013	2014	2015	2016	2016
¥ 887,513	¥ 918,652	¥ 1,010,494	¥ 980,556	¥ 857,782	¥ 822,916	\$ 7,303,124
208,614	248,145	179,013	205,447	170,758	182,416	1,618,889
596,376	587,127	751,241	685,446	586,019	520,484	4,619,134
57,452	56,000	53,877	64,709	72,382	77,242	685,502
—	—	—	—	—	18,312	162,511
575,536	567,000	663,509	630,568	532,383	505,298	4,484,360
257,924	271,571	295,983	287,046	281,987	280,917	2,493,051
54,053	80,081	51,002	62,942	43,412	36,701	325,713
2,712	42,724	13,090	20,079	8,355	14,608	129,639
52,332	53,972	60,711	64,284	56,699	45,752	406,033
(5,248)	(3,166)	(4,978)	(2,156)	1,199	2,819	25,022
—	—	—	—	—	(4,675)	(41,491)
88,087	112,651	87,227	105,419	81,867	74,440	660,631
46,506	86,168	61,857	74,692	35,153	33,581	298,023
27,313	59,306	42,459	46,825	18,364	22,192	196,948
¥ 68.90	¥ 149.57	¥ 107.07	¥ 118.06	¥ 46.29	¥ 55.98	\$ 0.50
68.83	149.41	106.92	117.88	46.21	55.85	0.50
19.00	38.00	31.00	32.00	32.00	18.00	0.16
¥ 29,776	¥ 55,915	¥ 60,158	¥ 45,472	¥ 32,550	¥ 34,498	\$ 306,158
34,034	32,570	36,226	42,477	38,458	37,739	334,918
60,767	68,701	76,497	74,552	66,730	66,781	592,659
6.8	7.5	7.6	7.6	7.8	8.1	
¥ 829,909	¥ 860,230	¥ 864,668	¥ 949,515	¥ 972,945	¥ 945,827	\$ 8,393,922
389,220	433,617	490,218	546,813	572,201	541,008	4,801,277
87,476	86,367	85,348	127,132	115,498	112,772	1,000,821
46.8	50.3	56.6	57.5	58.6	57.0	
0.22	0.20	0.17	0.23	0.20	0.21	
7.2	14.4	9.2	9.0	3.3	4.0	
3.5	7.0	4.9	5.2	1.9	2.3	
68	68	71	70	75	84	
24,409	24,348	24,047	23,859	25,415	25,729	
134	127	128	124	121	124*	
76	57	60	61	62	61*	
2,770	3,026	2,932	2,819	2,488	2,769*	

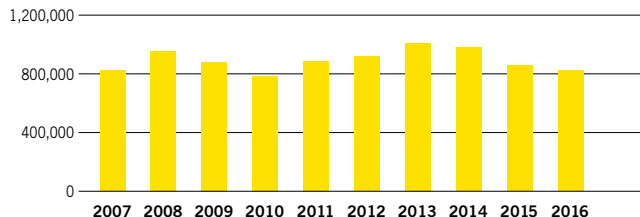
* Environment-related data from 2011 to 2015 includes seven Group manufacturing companies in Japan and two Group manufacturing companies outside Japan. Data for 2016 includes 15 Group companies in Japan and five Group companies outside Japan. For more details, please refer to "The Nikon Group's Environmental Management Systems and Environmental Performance Data Boundary" on page 63 of our *Sustainability Report 2016*.

★: Quantitative data covered by the independent practitioner's assurance. (See page 83 for details.)

Growth Potential

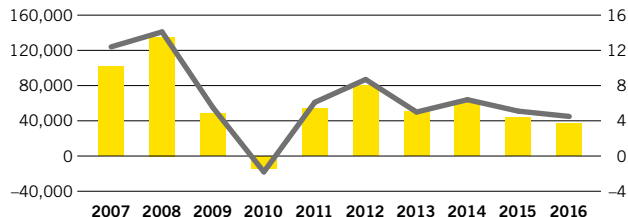
1 Net Sales

(Years ended March 31)
Millions of yen



2 Operating Income (Loss) / Operating Margin

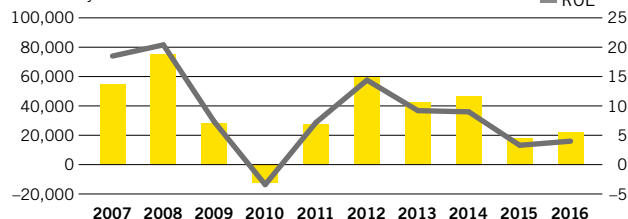
(Years ended March 31)
Millions of yen



Profitability

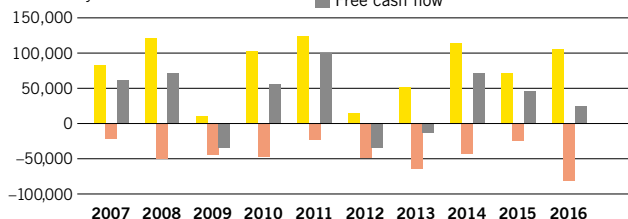
3 Net Income (Loss) Attributable to Owners of the Parent / ROE

(Years ended March 31)
Millions of yen



4 Cash Flow

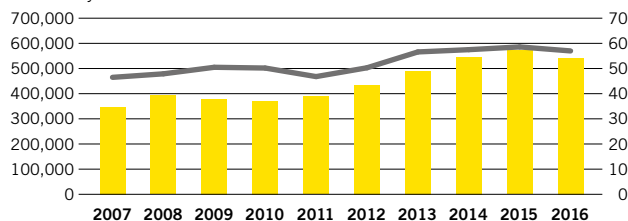
(Years ended March 31)
Millions of yen



Safety

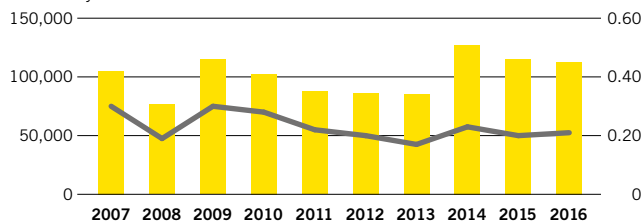
5 Total Equity / Equity Ratio

(As of March 31)
Millions of yen



6 Interest-Bearing Debt / D/E Ratio

(As of March 31)
Millions of yen



External Ratings

Inclusion in SRI Index Portfolio (As of June 1, 2016)

Year	SRI Index Portfolio
From 2004	FTSE4Good Index Series*1
From 2010	Morningstar Socially Responsible Investment Index (MS-SRI)*2
From 2011	ECPI Ethical Index Global*3
From 2013	"Ethibel EXCELLENCE" (part of the Ethibel Investment Register)*4
From 2014	MSCI Global Sustainability Indexes*5

*1 Socially responsible investment index featuring leading companies from around the world, compiled by FTSE, a subsidiary of the London Stock Exchange.
 *2 The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan by assessing their social responsibility and converts their stock prices into the index.
 *3 ESG (environment, society, governance) surveys, ratings from ECPI
 *4 Investment universe comprised of companies identified by Forum Ethibel as displaying high performance in terms of social responsibility.
 *5 An MSCI index comprising companies in each industry that have gained high ESG ratings.



DBJ Environmental Rating

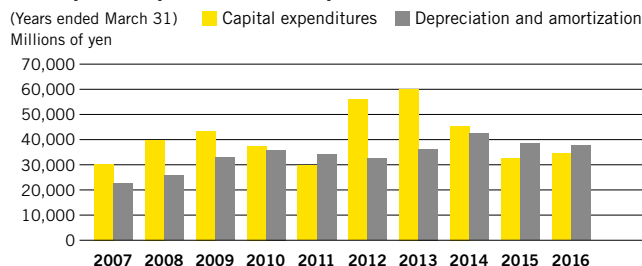
In 2016, Nikon gained the highest ranked rating in the Development Bank of Japan (DBJ) Environmental Ratings* and received a loan on the basis of the evaluation. In addition, Nikon won a special award.

* The DBJ Environmentally Rated Loan Program is a loan program utilizing a screening (rating) system developed by DBJ that evaluates enterprises on the level of their environmental management and then sets financial conditions based on these evaluations.

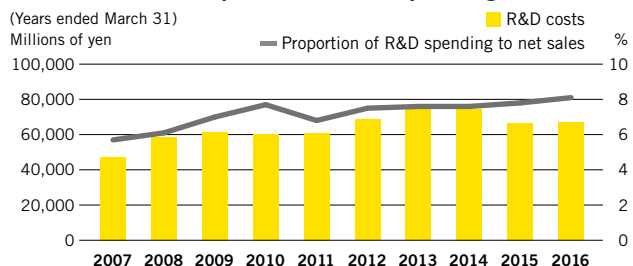


Growth Investments

7 Capital Expenditures / Depreciation and Amortization

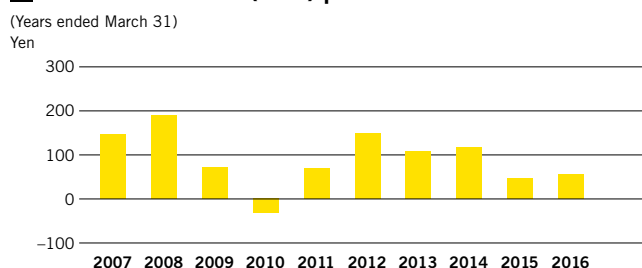


8 R&D Costs / Proportion of R&D Spending to Net Sales

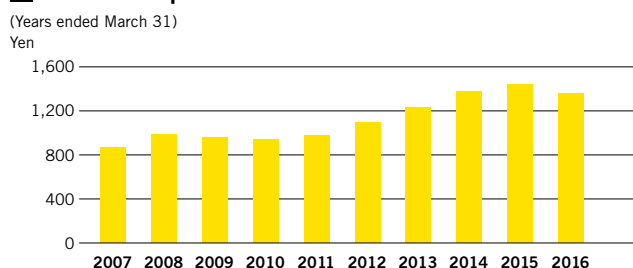


Shareholder Value

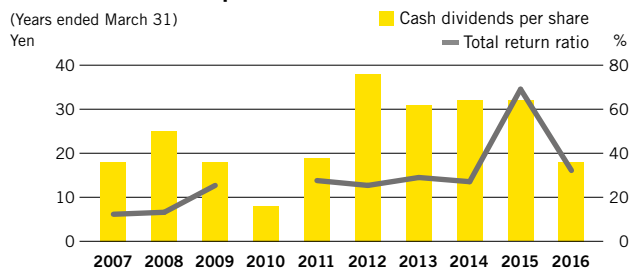
9 Basic Net Income (Loss) per Share



10 Net Assets per Share



11 Cash Dividends per Share / Total Return Ratio



Awards Won Related to Products

	Host	Content of Commendation	Subject of Award
Year ended March 31, 2016	Technical Image Press Association	TIPA Awards 2015	D810 and D5500 digital SLR cameras COOLPIX P610 compact digital camera
	European Imaging and Sound Association	EISA Award	D5500 digital SLR camera
	Japan Institute of Design Promotion	Good Design Award 2016 Gold Award	COOLPIX P900 compact digital camera
	Hong Kong Design Centre	Design for Asia Awards 2015 Bronze Award	Nikon 1 J5 advanced camera-interchangeable lens type
	International Forum Design GmbH (Germany)	iF Design Award 2016 Gold Award iF Design Award 2016 (Product Design)	Inverted microscopes ECLIPSE Ts2R and ECLIPSE Ts2 Nikon 1 J5 advanced camera-interchangeable lens type

BUSINESS PERFORMANCE

Business Review for the Fiscal Year Ended March 31, 2016

PRECISION EQUIPMENT BUSINESS

Semiconductor Lithography Business

Summary for the Fiscal Year Ended March 31, 2016

- Sales decreased compared with the previous fiscal year due to effects of changes in customers' capital investment plans and other factors in spite of making efforts to improve profit structure
- Posted impairment loss on fixed assets of approximately ¥7.0 billion

INITIATIVES AND ACHIEVEMENTS

The Semiconductor Lithography Business worked to improve its profit structure by continuously striving to enhance the performance and extend sales of its advanced equipment, primarily ArF immersion scanners, and by focusing on strengthening sales of used equipment and services. However, sales decreased year on year and a deficit was recorded, as the business could not secure new customers for its advanced equipment as planned and was also impacted by changes in its customers' capital investment plans.

Since the profitability of the Semiconductor Lithography Business is expected to fall, impairment loss of approximately ¥7.0 billion was posted as extraordinary loss for such fixed assets as manufacturing facilities.

In the meantime, the latest ArF immersion scanner, the NSR-S631E that features high accuracy and excellent productivity, was launched in January 2016.

FPD Lithography Business

Summary for the Fiscal Year Ended March 31, 2016

- Year-on-year increase in number of units sold due to recovery in capital investments for small and medium-sized high-definition panels
- Launched FX-68S, which realizes further productivity improvement as well as high resolution and high alignment accuracy

INITIATIVES AND ACHIEVEMENTS

The FPD Lithography Business benefited from the drastic recovery in capital investments for smartphones and tablet computers. There was significant growth in unit sales of the FX-66S and FX-67S, which are ideal for the production of small and medium-sized high-definition panels for smartphones and tablet computers. Sales increased by 17 units, from 34 units in the previous fiscal year to 51 units.

Additionally, realizing further productivity improvement as well as high resolution and high alignment accuracy, the latest system for small and medium-sized high-definition panels, the FX-68S, was launched in March 2016.

IMAGING PRODUCTS BUSINESS

Summary for the Fiscal Year Ended March 31, 2016

- Year-on-year drops in unit sales of digital cameras—interchangeable lens type, compact digital cameras, and interchangeable lenses in a shrinking market
- Net sales and operating income both decreased compared with the previous fiscal year

INITIATIVES AND ACHIEVEMENTS

With regard to digital cameras—interchangeable lens type, sales of entry-class models such as the D5500 were strong in Japan. Contrastingly, in China and Europe, sales growth was recorded in middle and high-end digital SLR cameras, such as the D750. The next-generation flagship model D5 launched in March 2016, which features significantly improved functions, is attracting rave reviews. With regard to compact digital cameras, the Company recorded strong sales of its high-value-added products, such as the multifunctional COOLPIX P900 that features ultrahigh zoom capability for excellent image quality.

In a shrinking market, however, there were year-on-year drops in unit sales of digital cameras—interchangeable lens type, compact digital cameras, and interchangeable lenses, and decreases in both net sales and operating income.

INSTRUMENTS BUSINESS

Microscope Solutions Business

Summary for the
Fiscal Year Ended March 31, 2016

- Net sales and operating income increased year on year primarily from biological microscopes
- In anticipation of future business expansion, invested in new businesses centered on stem cell-related businesses

INITIATIVES AND ACHIEVEMENTS

Despite the impact of the reduction in Japan's public budget and lower sales than in the previous fiscal year, net sales and operating income of the Microscope Solutions Business grew mainly in biological microscopes, driven by increases in market share primarily in the United States and China.

With the aim of entering the business of contract manufacturing of cells for regenerative medicine use in Japan, the Group signed a strategic collaboration agreement with one of the industry's largest companies, Lonza, and established wholly owned Nikon CeLL innovation Co., Ltd.

Industrial Metrology Business

Summary for the
Fiscal Year Ended March 31, 2016

- Increased capital investment in semiconductors and electronic components as well as in the automobile-related field; significant year-on-year increases in net sales and operating income
- Invested in U.S. company Tribogenics Inc.

INITIATIVES AND ACHIEVEMENTS

Amid increased capital investment in semiconductors and electronic components as well as in the automobile-related field, the Industrial Metrology Business achieved higher sales from increased sales of products, such as the NEXIV Series CNC video measuring system and X-ray inspection systems. There was also the effect from an improvement in costs, and operating income improved significantly.

In addition, Nikon made a strategic investment of approximately \$10 million in U.S. venture company Tribogenics Inc. to strengthen product competitiveness in the non-destructive testing business, a market in which growth is expected in the years to come.

MEDICAL BUSINESS

Summary for the
Fiscal Year Ended March 31, 2016

- Completed acquisition of Optos Plc and steadily expanded its sales
- Implementing investments in new businesses on an ongoing basis

INITIATIVES AND ACHIEVEMENTS

Although sales of Optos Plc's retina diagnostic imaging equipment were sluggish in Europe, sales increased due to expansion of the market share in the United States and strong performance in Asia and Oceania. The business performance of Optos Plc is as far along as planned though there has been amortization of goodwill defrayment. The Medical Business as a whole, however, recorded an operating loss of approximately ¥4.6 billion due to its posting of R&D expenses, etc.

Through its promotion of M&As, alliances, and Corporate Venture Capital (CVC), the Medical Business is actively working to expand its business.

Overview of Divisions and Business Units

CORPORATE STRATEGY DIVISION



Bringing to fruition a variety of initiatives across the business units, the Corporate Strategy Division will accelerate the growth of the Nikon Group.

Tomohide Hamada

Senior Vice President and Director,
General Manager of Corporate Strategy Division

Message

Q In the Medium-Term Management Plan announced in June 2014, M&A, R&D, human resources, and cost reduction were introduced as the “four programs to achieve transformation.” Please tell us about the progress your division has made in each of these programs.

M&A Program

Since completing the acquisition of Optos Plc in May 2015, we are involved in several other M&A candidate projects. Not limited to the Medical Business, other than specifically examining those projects in the Industrial Metrology Business, the thinking is that we will proceed, for example, with services in the Imaging Products Business by which people can enjoy images.

In the meantime, with regard to the Corporate Venture Capital (CVC) Program we have announced a policy to invest capital in the order of ¥30 billion toward the expansion of new businesses and commenced venture investments globally by means of multiple venture capital sources. In July 2016, we jointly established a new private fund, the Nikon-SBI Innovation Fund, with SBI Investment Co., Ltd., which will target investments in Nikon’s current business areas as well as in the latest technologies and new service areas, such as IT, AI, and robots.

With the aim of strengthening the Industrial Metrology Business, we undertook a capital increase of preferred stock and invested approximately \$10 million in Tribogenics Inc., a U.S. venture that is engaged in the X-ray analysis equipment business. The technologies that Tribogenics possesses are unique and there would be the potential to create new markets, so we felt that affinity with Nikon would be high. We are currently in the process of multiplying the technologies and knowledge that Nikon has with a view to, for example, enhancing our product competitiveness in the X-ray non-destructive testing field and tapping into new markets.

R&D Program

We have stated our plan to invest a cumulative total of ¥220 billion in R&D in the three years from the fiscal year ended March 31, 2015, to the end of March 2017, ¥50 billion of which will be for R&D expenses in new business domains such as in the Medical Business. We are making progress in accordance with that plan. As an example, in the Instruments Business, which is positioned as a growth field, the effects of having invested R&D expenses are gradually being seen in business performance. In the years to come, the idea is to focus on investments in growth businesses while closely monitoring market trends. In the Semiconductor Lithography Business, we will reduce the scale of investment in ArF immersion scanners and divert that portion to other lithography systems and businesses in growth fields. In the Imaging Products Business, we will concentrate R&D expenses on priority measures, such as developing middle and high-end digital cameras—interchangeable lens type, and control R&D budget allocations with consideration given to returns on our investments. In the fiscal year ending March 31, 2017, we are planning Companywide R&D investments of ¥70 billion to be centered on growth fields, such as the Instruments and Medical businesses.

Human Resources Program

In the fiscal year ended March 31, 2016, we conducted large-scale personnel reorganization, transferring employees who had been mainly assigned to the Precision Equipment Business and Imaging Products Business to the Instruments and Medical businesses, as these are

positioned as growth fields. This turned into a major reassignment of personnel, but we will be accelerating the interdivisional flow of personnel in the years to come so that talented personnel generate added value in the growth businesses. We actively encouraged hiring not only from within the Company but also the taking on of specialist experts. As the growth businesses, such as the Medical and Instruments businesses, call for new knowledge, merely reorganizing personnel within the Company will not be sufficient. On the assumption that they are familiar with one of these fields, we are hiring a wide range of people, from the younger generation to senior management-level personnel.

Cost Reduction Program

The expectations are that we will be able to achieve the target for reducing procurement costs, centered on the Imaging Products Business, of ¥30 billion over the three years from the fiscal year ended March 31, 2015, to the end of March 2017. Among others, the effect of the cost reductions in the Imaging Products Business has been significant, and we are addressing on an ongoing basis the upstream cost reductions, referred to as a “Design to Cost,” in the development and design stages. If we can reduce the lead time from development to sales, we will be able to not only reduce initial costs but also to aim for synergistic effects, such as well-timed market entries. Without loosening our grip on the reins, I would like to continue with these efforts.

Q Please tell us about the achievements in the Corporate Strategy Division.

Having newly established a Production Strategy Department within the Corporate Strategy Division and consolidated the production technologies possessed by each business unit, we began efforts to bring about cost reductions and quality improvements at the same time. In the Imaging Products Business, which is regarded as specializing in mass production, and the Precision Equipment Business, which produces very high-precision products in small lots, the manufacturing methods are completely different. By mutually incorporating the best aspects of each operation, we aimed to improve performance and create added value. We also started with efforts designed to bring about improvements in manufacturing by utilizing the Company's greatest strength, optical technologies. The expectations are that these initiatives will lead to major accomplishments in the years to come.

In terms of upgrading the environment within the Company so that each business unit executes its tasks smoothly, we consolidated procurement activities, including those related to IT, which previously had been scattered across each business unit. In addition to establishing a framework for devising cost reductions by placing orders in bulk, we

visualized the equipment of each business unit in cooperation with the Business Support Division in such a way that the system could be jointly utilized.

The most significant achievement, in which the Corporate Strategy Division acted as a mediator, was the creation of a system for sharing the requests and information picked up from each business unit on a companywide basis. Enabling the exchange not only of technical information but also of business information in both directions will, I believe, turn this initiative into a major force. From the production aspect also, if any factory within the Group has difficulty in increasing production capacity at almost 100%, the plan would be to immediately accommodate the increased production at another factory with production capacity in order to reduce lost opportunities and costs at the same time. As the production processes are often complex operations, it is not possible to build such a framework within a short space of time, so we will make concerted, ongoing efforts to bring this system to fruition. There was also the achievement that Open Innovation—with the CVC Program at its core—can now be used throughout the Company.

Q Please tell us about the Corporate Strategy Division's policies for the future.

We created a system for the monthly rotation of a plan–do–check–act (PDCA) check at the management level, by which we verify progress against the plan and evaluate and review as well as execute measures. Under this system, the contributory factor analysis is quicker than before, and we have reached the point at which we are able to immediately execute an appropriate action plan. This is not only further enhancing the sharing of policies and information between the management team and the front lines, as I believe it can also dramatically increase the speed of management.

Going forward, I think it will be both sales representatives as well as engineers and those in charge of development that will have an

increasing number of opportunities to hear direct feedback from customers. In order to create solutions from a customer-centric rather than a technological starting point, the Corporate Strategy Division will engage in a range of initiatives with renewed vigor. Of course this will not be only to cultivate new or growth businesses, but instead we will at the same time promote the increased efficiency and strengthening of our existing cash cow businesses. I believe that the Corporate Strategy Division's most important role lies in devising the initiatives to realize sustainable growth by means of the Company's six-business portfolio.

PRECISION EQUIPMENT BUSINESS

Semiconductor Lithography Business Unit



We will promote rational business management by realizing efficient new product development and strengthening collaboration with customers.

Toshikazu Umatate

Senior Vice President
General Manager of Semiconductor Lithography Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the semiconductor market, capital investment was favorable overall, but the environment in which the Company's Semiconductor Lithography Business operates remained harsh. We worked to enhance the performance of advanced equipment, primarily ArF immersion scanners, and improved product competitiveness, but the increased severity in aspects such as prices and trade conditions did not result in the winning of any new customers. In addition, there were changes to the capital investment plans of customers who had confirmed the placement of orders, which had a severe effect on our business results in the fiscal year ended March 31, 2016.

However, I was pleased with the achievement of basic performance targets of the NSR-S630D ArF immersion scanner at customers sites. In 2016, we also began shipments of the NSR-S631E, which represents a one-step improvement over the NSR-S630D. In-house performance demonstration data is very stable, and we plan to boost performance going forward.

As a result of ongoing cost reductions, we were able to achieve our initial targets in respect of in-house production costs. Looking ahead, we will build an optimum balance into the supply chain between in-house and outsourced production and will also address reductions in subcontracting costs.

Q Please tell us about any issues that need to be addressed.

Reducing the production time lost at our customers' sites is the most important issue for the Semiconductor Lithography Business. A semiconductor manufacturing plant is not allowed to cease production for a minute, not even for one second. When an unforeseen circumstance has occurred, the questions that are always asked are how quickly the equipment can be recovered to normal operations and by how much can the time needed to set up the equipment be shortened toward restarting the customer's production. While there are problems to be improved at the design stage, there are also parts that can respond to post-delivery equipment adjustments or operational aspects. As a result of the variety of initiatives taken thus far, we have achieved considerable time savings, but will continue to aim for zero lost time to respond to the wishes of our customers.

An important point is to strengthen collaboration with customers who have a wide variety of production processes and product types. Centered on the Customer Solutions Department established in 2014, we engage in support that puts us in the position of each of our customers from a long-term perspective. The results of that move are steadily appearing, and we have reached the stage where we are able to reliably conclude negotiations, including for repeat or after-sales service orders from major customers.

ArF immersion scanner **NSR-S631E**KrF scanner **NSR-S210D**

Q Please tell us about any points that you will particularly focus on.

With regard to the development of new systems and the providing of support at client sites, how to efficiently utilize the limited amount of resources throughout the world is becoming extremely important. In relation to human resources, we are working on remote support by leveraging our network, building a database that will enable us to share past information on a global basis in order to further raise our comprehensive response capabilities rather than simply increasing the number of personnel. In addition, we are broadening the skills that individual employees possess and encouraging the creation of human resource development systems to enable flexible operations.

In relation to system development, we are addressing the automation of the performance management of our equipment. I recognize that this is being improved according to plan and to a level that compares favorably with other companies. For our customers, preserving optimal efficiency is a critical issue, so it is important for them to be able to maintain and operate the equipment normally. For that reason, dispensing with the need to depend on skilled engineers at our customers' sites, we are engaging in the development of functions by which the equipment automatically learns the optimization of wafer processing conditions and responds to demands for stable production.

Q Please tell us about your initiatives for future growth.

Our business unit engaged in business centered on ArF immersion scanners. In response to expanding demand for devices due to the trend of the IoT, however, we will now also focus on ArF-Dry, KrF, and i-line lithography systems. In addition, we will make efforts to improve our profits and earnings as a business unit by reducing costs through the optimization of variable and fixed costs. The prices of the systems are high, and a heavy burden is placed on us, for example, when product failures occur and repair costs arise. For these reasons, from the cost reduction point of view, we consider additional, thorough enhancements to quality management to be the most important factor, and we will continue to promote them in the years to come. Additionally, the semiconductor market itself is expanding rapidly with the advent of products that have new value. New products from fields that had not previously been used in electronics have emerged and are now being incorporated into semiconductors, and the expectation is that what is termed "manufacturing equipment" will require not only a high accuracy but will also have to meet wide-ranging needs.

It is my belief that the accumulation of technologies that Nikon has acquired—that is to say the capabilities it possesses to develop delicate, elaborate, and unique items—are in the top class. By leveraging the knowledge that our business unit has gained up to now in ultraprecision technologies, and by broadening our field of view, we would like to be involved in the manufacturing of the future, of a kind that at this point in time is completely unimaginable.

PRECISION EQUIPMENT BUSINESS

FPD Lithography Business Unit



We aim to be a business unit that generates stable profit by building a production system capable of responding flexibly to market changes and timely development and to market entry of products that match customer needs.

Kiyoyuki Muramatsu

Senior Vice President
General Manager of FPD Lithography Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the fiscal year ended March 31, 2016, customers' willingness to invest recovered, and the market environments for small and medium-sized panels as well as large-sized panels improved. There was thus an increase in the number of units shipped in the second half of 2015, and a significant number of units are expected to be shipped overall in the market during the course of 2016. Having increased the number of sales in the fiscal year ended March 31, 2016, by 17 from the previous fiscal year, to 51 units, the FPD Lithography Business Unit achieved increases in both net sales and profit. Contributory factors were the brisk business negotiations concerning the 10th-generation system for large-sized panels, for which only Nikon possesses the know-how, and the cutting-edge, high-precision FPD scanner FX-68S for small and medium-sized panels. With regard to the FX-68S in particular, although the official launch was expected from the second half of 2016, sales commenced one year ahead of schedule and the model has received plaudits from customers for its productivity and resolution. Initially, the mass production systems were not in place, but having responded with two shifts taking turns with development, the business unit worked as one to implement the short-term procurement of parts and materials, and we entered the mass production phase ahead of schedule.

Q Please tell us about current issues and your responses to them.

The priority issue is how our business unit can respond flexibly to market needs. Significantly increasing unit sales will require more employees working on in-house production and workers engaged in on-site installation, but as the securing of employees who possess high skill levels is beset with difficulties, we are responding to the problem by conducting reviews of production processes. For instance, in order to prevent any decline in quality due to lack of experience, we are subdividing and standardizing the work, while shortening the training periods. We are also immediately advancing plans to outsource part of the system unit work. Transferring some system units or processes outside our business unit will enable us to divert personnel to other units and processes. By integrating these measures with normal activities designed to reduce the number of construction period man-hours we will build a more efficient production system.

FPD scanner **FX-68S**FPD scanner **FX-101S**

Q Please tell us about your development policies in the years ahead.

For our business unit to generate profit in mature markets, we will need to control any increases in fixed costs and “invest in developments that generate steady profit.” This does not mean giving technicians free rein to do as they wish; the main point of such developments will be to assign work into features that customers really need. We will examine investments using the policy not of aiming for “the world’s most advanced” but rather of making “things we can sell.” It does, however, take a great deal of effort to search for things we can sell. We have therefore established a Solutions Development Department and enhanced the function that picks out customer needs. Also in charge of specification negotiations, the new department will thus bring together both customer needs relating to the system under negotiation and opinions with regard to the systems being operated in the field. Sorting and analyzing the information that we collect as well as looking into how that information can be incorporated into solutions for existing systems, deciding when would be a good time to supply those solutions, or whether it would be better to delete or add functions to the next system development, I am expecting us to be able to make judgments on all these aspects from a customer’s viewpoint.

Q Please tell us about your strategies for the fiscal year ending March 31, 2017, and over the medium to long term.

As we plan to sell 90 units in the current fiscal year, an increase of 39 units over the number sold in the fiscal year ended March 31, 2016, our primary issue is gearing up for the increase in production. Currently, new production plants are being built at both Tochigi Nikon Precision and Miyagi Nikon Precision. To be able to deliver systems to customers as promised, we will inaugurate these new facilities as planned. I am also considering taking the opportunity to replace facilities that are progressively aging. By operating new equipment in a new plant while operating old equipment, we will make progress in increasing production in parallel with facility renewals. As soon as possible, I would like our most important initiative to be the upgrading of our production systems.

As the market for lithography systems is maturing, we are making headway with reviews of entries into new fields that would enable us to leverage the technologies and know-how that our business unit possesses. We will make proactive investments if we are confident that we will be able to make a profit, but we will not enter a field that we judge will be unprofitable. This is because, rather than continuing to respond in all directions by potential, making a judgment on whether to do or abort something leads to effective use of limited resources. I believe it is my duty to make those judgments when necessary.

IMAGING PRODUCTS BUSINESS

Imaging Business Unit



For the very reason that we are in a harsh business environment, we are once again reviewing our overall operational processes and building a more robust Imaging Business Unit.

Nobuyoshi Gokyu

Senior Vice President
General Manager of Imaging Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

The environment in each of the markets for digital cameras—interchangeable lens type, interchangeable lenses, and compact digital cameras remained harsh, and their markets shrank compared with the previous fiscal year. The number of units sold by the Company in all three genres decreased year on year, with the result that net sales decreased 11% from the previous fiscal year to ¥520.4 billion. Negatively impacted by the decrease in sales and also by the appreciation of the yen, operating income fell 19% year on year to ¥45.7 billion.

The result from the year-end shopping season—the biggest of the year—was sluggish and there was also an impact resulting from the new D500, the launch of which was postponed in order to first secure sufficient quantities as we received a level of orders that had exceeded our expectations.

However, we were still able to secure an operating income ratio of 8.8%. If the exchange rate fluctuations are omitted, this was at a level almost unchanged from the previous fiscal year. With regard to the D500 launch postponement, the problem was that we were unable to grasp adequately the level of demand.

Q Please tell us about the progress made with the measures under the Medium-Term Management Plan.

With regard to Customer Relationship Management (CRM), we have been collecting and consolidating sales performance data accumulated over the past 10 years. In addition, we are promoting initiatives that will encourage customers' willingness to make a purchase. Not only supplying information on new products as previously, we will carry out more active approaches, such as recommending by customer the most suitable lens and accessories in conjunction with new products.

With regard to further tapping into and developing emerging economies, we conducted reviews of our strategies by region. Due to falls in resource prices in recent years, the economic situation in Russia, Brazil, Indonesia, and other countries where growth is expected has been unfavorable, and growth in the Middle East has come to a standstill. In contrast, there are also countries, such as India, where demand for digital SLR cameras has increased year on year, so we are prioritizing depending on the region. We are reviewing and planning to optimize our initiatives in both the large-scale European and U.S. markets and in emerging economies.

Digital SLR camera **D500**Advanced camera—interchangeable lens type **Nikon 1 J5**Compact digital camera **COOLPIX B500**

In August 2015, we established a Global Marketing Strategy Department in Singapore. The aim is to respond rapidly to changes in the market and bring about timely marketing communications by transferring and centralizing global marketing functions in Singapore, as it is a global business base and has access to a diversified workforce. Already the move is bearing the expected fruits.

Q Please tell us about your business policies for the fiscal year ending March 31, 2017.

In addition to the ongoing severe market environment, the suppliers of parts for a wide range of Nikon products, including digital cameras—interchangeable lens type and compact digital cameras, were affected by the 2016 Kumamoto Earthquake, which has hampered production and sales. Giving priority to the manufacturing of highly profitable middle and high-end digital SLR cameras, we will focus on recovering from that situation.

We are in a difficult environment and have also seen the challenges of exposure to diverse risk, including on this occasion procurement aspects. We will again review our overall operational processes including development and production and build a more robust business structure.

The Imaging Products Business currently provides the backbone of the Nikon Group's revenue base. I therefore think it is necessary to improve the issues we are facing at an early stage and strengthen the Imaging Business Unit's profitability base. While compensating through M&As and alliances for those fields in which Nikon's technologies will not be sufficient, if we were able to top up with value-added products and businesses, it would probably become a notably different Imaging Business Unit to what it has been up to now. Breaking out of our current shell, we will aim to make a fresh start, united as one, in an Imaging Business Unit that boldly faces challenges.

INSTRUMENTS BUSINESS

Microscope Solutions Business Unit



With the aim of “contribute to people’s health through science,” we will steadily nurture the seeds of business.

Atsumi Nakamura

Corporate Vice President
General Manager of Microscope Solutions Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

The market for biological microscopes fell more than was expected in Japan but was steady overseas. When seen from a global perspective, gradual growth of approximately 2–3% from the previous fiscal year is recognized. In aiming to gain the position of market leader in biological microscopes, the Microscope Solutions Business Unit was able to continue its improvement in market share from the previous fiscal year. Nonetheless, whereas I recognize that we are almost on par with the market leader overseas, our market share in Japan remains unchanged. The analysis for this is that the gap in sales performance is keeping the differences in market share the same.

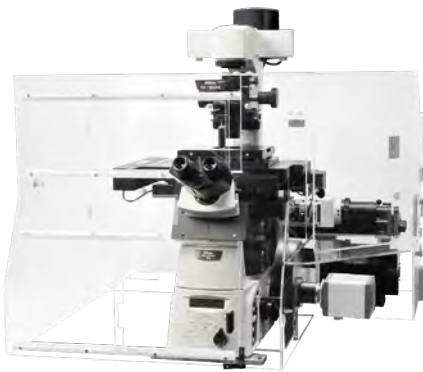
With regard to the regenerative medicine-related field, since major growth is expected in the distant future, I consider it as having been a year for accelerating the preparations toward its commercialization.

Q Please tell us about your future strategies in the biological microscope business, which at the present is a primary source of revenue.

The primary issue is to improve sales performance in regions where Nikon has a low market share. Making use of experience gathered by our business operations in countries such as the United States and China, where we are gaining leading positions, we will deploy this know-how and take regional characteristics into consideration. With regard to product development, we will continuously promote software-centered differentiation. The uses to which microscopes are being put are undergoing a change from observation to analysis and measurement. As such, developing the microscope software for research trends and needs and raising additional value are leading to product differentiation.

Q Please tell us about your future strategies in the regenerative medicine-related field.

With regard to the contract manufacturing of cells for regenerative medicine business, the Group signed a strategic collaboration agreement with Swiss company Lonza in May 2015, established wholly owned Nikon CeLL innovation Co., Ltd., and is making progress with preparations toward commercialization. Through training and consulting at Lonza, we are taking on board that company’s expertise. Meanwhile, what will be the largest facility for cell cultivation in Japan is currently under construction, in Tokyo’s Koto Ward. We plan to commence operations as a contract development organization (CDO) in the latter half of 2016 and as a contract manufacturing organization (CMO) at the end of 2017.

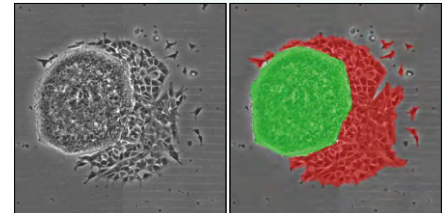


Super resolution microscope
N-SIM E



Inverted routine microscope
ECLIPSE Ts2

iPS cell quality assessment utilizing image analysis



Before image analysis After image analysis

Note: Performs phase-contrast observation of iPS cells during the culture process, identifies morphological differences in cells by image analysis.
The green area is a cell population that has original undifferentiated cells. The red area is a cell population in an abnormal state that deviates from the undifferentiated cells.

Furthermore, I believe that the joint research currently being advanced with the Center for iPS Cell Research and Application (CiRA) at Kyoto University will also bear fruit. The aim of this research is to build a stable cultivation management system for iPS cells, utilizing image analysis technologies for which Nikon's microscopic observation technologies and pattern recognition technologies will be adopted. The most important aspect in the practical application of iPS cells is the ability to cultivate them stably and in large quantities. At present, evaluations of cell state are made by observing them with the human eye, but utilizing Nikon technologies replaces that technique with equipment that is capable of quantifying the state of the cells and of objective evaluation. We are building a stable cultivation management system based on that quantified quality evaluation information. Were the system to reach fruition, it would enable the objective evaluation of cell state and cultivation methods as well as contribute greatly to the homogenization of iPS cells. We will continue to develop the Nikon system horizontally at CiRA—an iPS cell research hub—and then work diligently to reach a future stage at which the system is used by other facilities as well.

Q Please provide us with the main points of your achievements toward the Medium-Term Management Plan.

The most important point in the current fiscal year will be our start in the regenerative medicine-related business. To steadily nurture the seeds of business that we have gained from the joint research up to now, our policy will be to proactively advance collaborations with related companies and research organizations. As far as possible, I would like to cultivate a number of business pillars from even just one of these seeds.

Under its slogan of “contribute to people’s health through science,” the Microscope Solutions Business Unit regards cell imaging as its core technology. We would like to proactively face the challenges of entering businesses in which we will be truly capable of utilizing our technologies and contributing to people’s health.

INSTRUMENTS BUSINESS

Industrial Metrology Business Unit



We will not be limited by our business domains, and will proactively engage in fields where there are thought to be business opportunities and cultivate the business pillars of the future.

Masao Nakajima

Senior Vice President
General Manager of Industrial Metrology Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the fiscal year ended March 31, 2016, the Industrial Metrology Business posted record-high sales. There was also a significant increase in operating income and, although not yet at a satisfactory level, I feel that our growth rate was commendable. The main factor contributing to this growth was the underlying strength from increased domestic capital investment in electronic component, semiconductor, and automotive industries, which manifested itself as a cost improvement effect. We have continued to make a large number of product approaches, especially in the automotive industry, over the past few years, and these are beginning to appear as concrete results. The primary problem was that the sales targets for Nikon Metrology* products in the Asian market have not yet been achieved. Even in Europe, there are sales targets that remain slightly unachieved. Having been positioned as a growth business under the Medium-Term Management Plan, if viewed from a medium- to long-term perspective there is still insufficient dynamism, and I have the sense that the business will have to be further expanded.

* NIKON Metrology NV (formerly Metris NV), the Belgian manufacturer of precision measuring equipment with strengths in the measurement of large objects, such as automobiles and aircraft, was made a wholly owned subsidiary in 2009.

Q Two years have passed since the reorganization of the corporate structure. Please tell us what was accomplished in those two years and the issues that emerged.

Initially, in the first year we aimed to return to profit and implemented various measures, but from the second year we went on the offensive and weak areas were converted into prioritized objectives to be strengthened. Consequently, results from unique Nikon products are gradually starting to materialize. For example, the high-precision, non-contact multi-sensor 3D metrology system HN-C3030 has continued to solidify its position as dedicated equipment mainly for the inspection of automotive gears and turbo-engine parts. In Japan, there is also growing interest in the non-contact, large volume inspection system Laser Radar that measures automobile bodies and has been a major force in the U.S. market, and the possibility has emerged that this interest will soon lead to domestic sales.

Having in 2015 opened showrooms one after the other in Indonesia, Thailand, and Mexico, where the production bases of automotive and other industries have coalesced, the effects of having improved brand recognition and worked on local sales are beginning to produce results. Only having showrooms, however, will end up limiting us to local customers. I thus consider it to be of great importance to inform not only those customers in the vicinity of a showroom but more customers about Nikon products and solutions.



Non-contact multi-sensor 3D metrology system **HN-C3030**



Automated, non-contact large volume inspection system
Laser Radar MV331

Q Please tell us about initiatives for the fiscal year ending March 31, 2017, that are geared toward further growth.

I feel that there is a need to broadly address sales channel expansion. As part of this initiative, we will approach customers for whom Nikon products and solutions are expected to be a best fit, create a worldwide list, and promote the creation and updating of “opportunity maps” as tools to systematically sell our products. Rather than checking primarily on existing customers, as per the conventional model, the areas of these approaches will single out customers who are considered probably likely to lead to some business if we approach them and clarify targets. Since creating and updating the maps enables the visualization of a customer’s global development and business affiliation reach, staff assignments have come to be conducted more effectively. The Industrial Metrology Business Unit has set significantly higher sales targets over the medium to long term, but I believe that we can achieve them satisfactorily by contacting companies that we were not previously ready to approach on the basis of the maps.

Q Please tell us the main points about the Industrial Metrology Business Unit’s plans to create value over the long term.

The Industrial Metrology Business Unit has some unique products, but when those products have penetrated a market to a certain extent, competing manufacturers accelerate the development of the same kinds of products. It is extremely difficult to even know until what point a product will remain unique, but if at an early stage we are able to pinpoint customer needs and market trends on a worldwide basis, it will be possible for us to build a dominant position. To that end as well, speed will be of the essence.

As the “industrial” in its name suggests, I consider the Industrial Metrology Business Unit to be a business with a very wide scope. Regardless of the industry, I would like the Industrial Metrology Business Unit to consider its mission to be the solving of customer problems while actively confronting challenges. For that reason, the establishment of the Business Planning Section last year has a significant part to play. While providing products and solutions in response to customer feedback, I would like this section to search for the seeds of the new businesses of the future. Since there remains the possibility that the Industrial Metrology Business Unit’s pillars of the future will germinate from those seeds, I feel that we will take a broad view, without defining the domains to be addressed, and actively engage in fields where possibilities exist.

MEDICAL BUSINESS DEVELOPMENT DIVISION



We will work on the early realization of technological synergies between Nikon and Optos Plc and then link them to quality of life (QOL) improvements for people all over the world.

Masato Hamatani

Corporate Vice President
General Manager of Medical Business Development Division

Message

Q How would you summarize the fiscal year ended March 31, 2016?

During the fiscal year ended March 31, 2016, we concluded the acquisition of U.K.-based Optos Plc, a leading company in the retina diagnostic imaging equipment market, and achieved our goal of improving Optos' earnings. In the years ahead, we must create synergies with Nikon and bring about further advances at Optos.

At present, the business performance of Optos is as far along as planned, but the Medical Business as a whole is recording an operating loss. In addition to the expenses incurred for R&D and other areas necessary to develop the Medical Business, this situation is due to the investments needed to promote alliances with a number of universities and companies. As there are regulations governing medical equipment, the Medical Business is unable to launch products immediately to market. Because clinical trials and official certifications are needed, such as from the U.S. Food and Drug Administration (FDA), the Medical Business is therefore one in which it is difficult to make a profit at an early stage. To ensure the early generation of business profits, for example through M&As and alliances, we are thus allowing for a preparatory period in which to take on board information and knowledge, while making active progress in prior investment activities.

Q Please tell us the key points of creating synergies with Optos.

Currently, we are focusing our efforts on realizing diagnoses of chronic diseases, such as diabetes and Alzheimer's, with Optos products. The incidence of both these diseases is anticipated to increase in Japan, where the population is continuing to age. With regard to medical need, the Medical Business Development Division is leveraging Optos' technologies and Nikon's optical and image processing technologies, while placing the highest priority on the development of new products that will assist in the early detection and prevention of such chronic diseases.

As part of our efforts to enhance our R&D, we established a medical laboratory housed in Nikon Research Corporation of America (NRCA), the R&D base that the Company owns. Having designated the United States—the prime mover of global medical business—as a priority area, we are promoting human resource placements and exchanges, while working to accelerate the creation of synergies with Optos.



Ultra-widefield imaging device
California



Ultra-widefield imaging device
Daytona

Q Please tell us about your strategies for the fiscal year ending March 31, 2017.

First, I would like to develop new products that leverage Nikon's and Optos' technologies and bring them to market as soon as possible, to assist in the detection and prevention of chronic diseases in the early stage. In particular, the number of people that are losing their sight due to the effects of diabetes has been increasing yearly, and we are examining product developments that will enable easier diagnosis of cases of diabetes-related detached retina.

Regarding moves toward business expansion, not only with Optos, we need to promote M&As and alliances into fields other than ophthalmology. We will of course make progress while conducting risk assessments. However, after having placed an emphasis on two points—whether we can leverage our strongpoint technologies, and if we will be able to contribute to improvements in people's QOL—I would like to develop products that will form the core of the Medical Business.

Q Please tell us what will be needed to further develop Nikon's Medical Business.

The most important aspect of Medical Business products is to what extent they are easy to handle for healthcare workers, such as medical doctors. To that end, marketing that looks into the needs of healthcare workers will become extremely important, and the building of relationships with key opinion leaders (KOLs) will be indispensable in obtaining accurate information. Optos possesses strengths in marketing-based product development and has effectively built relationships with KOLs and sales channels centered on its ultra-widefield (UWF) technology, and there is an urgent need to absorb that knowledge.

On the one hand, Nikon has a history of about 100 years, and there have been an extremely large number of instances in which healthcare workers' great expectations from the Nikon brand have been palpable. To meet those expectations, we recognize our mission as being to develop and provide society with products that contribute to the world as a whole. Activities that bring about improvements in QOL for people all over the world will form a major linchpin within Nikon and, at the same time, are an ideal form said to be capable of increasing profits. It is my belief that moving forward one step at a time toward the realization of that ideal will lead to the development of the Medical Business in the years to come.