To create corporate value consistently, we will complete the restructuring and advance the measures for growth.

In the fiscal year ended March 31, 2018, we moved forward with the restructuring, which has entered Phase 2. By steadily advancing the restructuring measures, we achieved higher profitability.

The fiscal year ending March 31, 2019 is important as the final year of the restructuring. We will therefore be enhancing Nikon’s management DNA to ensure that we can consistently create corporate value while also formulating a new Medium-Term Management Plan that will incorporate growth strategies.

We gratefully ask for the continued support of our shareholders, investors, and all other stakeholders.
We have stepped in and forwarded Phase 2 of the restructuring in the fiscal year ended March 31, 2018, while also tying the restructuring to corporate performance, creating a testament to the success of the restructuring measures we have been carrying out since November 2016. Revenue fell more than ¥30.0 billion in comparison with the fiscal year ended March 31, 2017, due to the market contraction for the Imaging Products Business and reduced sales volumes of FPD lithography systems. However, operating profit and profit attributable to owners of the parent both increased year on year, by more than ¥50.0 billion and ¥30.0 billion, respectively. This feat was achieved thanks to a decline in temporary restructuring costs, reduced fixed costs due to the restructuring, and revisions to our business strategies.

Nonetheless, I realize that, if the benefits of selection and concentration are only limited to cost reductions, it will only lead to our business shrinking. Therefore, shifting to high-value-added businesses is a basic principle of preemptive restructuring. What the Group aims to achieve is to consistently create corporate value through increased profitability and enhanced management DNA. For this reason, I feel that the accomplishment of “Achieve break-even of the Semiconductor Lithography Business,” which was one of the management policies for Phase 2 of the restructuring, was a huge breakthrough. At the same time, we succeeded in developing a structure capable of consistently generating earnings. This was achieved by cutting fixed costs through head count optimization and transitioning to a more solid business model that focuses on production based on orders. We were also successful in laying the foundations for efforts to “Strengthen the profit structure of the Imaging Products Business,” which was another management policy. The D850 digital SLR camera, which was launched based on our strategy to focus on mid-range and high-end cameras, achieved sales that exceeded our forecasts. As a result, digital camera models equipped with a full-frame sensor achieved year-on-year growth in both unit sales and revenue. In the fiscal year ending March 31, 2019, we are excited to be launching the new Z 7 and Z 6 mirrorless cameras, which will capitalize on our strengths in optical technologies to exude quality that is distinctly Nikon.

Steady Progress in Restructuring

Enhanced Profitability By Shifting to High-Value-Added Businesses

We will aim to become a company that is able to contribute to the society for next hundred years by creating new value with unlocking the future with the power of light.
In our FPD Lithography Business, we have established a competitive edge. For example, we launched the FX-103SH and the FX-103S systems in the third quarter of the fiscal year ended March 31, 2018. These offerings are ideal for the production of large and high-definition panels, such as the LCD panels and OLED panels used in 4K televisions as well as in 8K televisions, which are expected to become more widespread. We plan to capture demand in this business going forward by leveraging the strength represented by our being the only company currently developing and selling equipment compatible with plate sizes above 10th generation.

**Future Prioritization of Portfolio-Based Management**

The restructuring measures are proceeding according to plan. However, we must promote further reforms to become a group that continues to grow. My mission is to promote portfolio-based management, which entails concentrating human resources and capital on fields in which Nikon is competitive in consideration of post-restructuring growth strategies.

The Technology Strategy Committee, which was established in 2017, is promoting portfolio-based management from a technological perspective. This committee is tasked with further examining and confirming the core competency that is Nikon’s technologies to formulate medium- to long-term technology strategies for exploring new focus areas and for boosting competitiveness in existing businesses. The process for formulating these strategies involves clearly defining the business plans of business units and the technologies that can be combined to support those strategies. We must also reassess the mutual effect of development activity between business units and corporate divisions, such as the Research & Development Division.

Clarifying these matters and categorizing priority research themes based on social and market trends make it possible for us to effectively decide the growth themes that we should cultivate through concentrated investment. With a clear vision for the Nikon Group of the future, we will proceed to develop and revise business portfolios for accomplishing this vision while nurturing new businesses that will drive further growth.

**Organizational Reforms Based on Shared Understanding of Management Indicators among Employees**

Return on equity (ROE)*1 and return on invested capital (ROIC)*2 have been positioned as indicators for aligning management with the perspective of the capital market. We are currently in the process of developing a new Medium-Term Management Plan, which will contain growth strategies and start in the fiscal year ending March 31, 2020. I am already seeing these two indicators being used as a form of shorthand among Nikon Group department managers in discussions regarding this plan.

However, it will take time for understanding of these indicators to spread to all employees. If the Nikon Group is to truly change, it will be important for us to adopt a focus on capital efficiency while still remaining committed to creating high-quality products. I therefore think it is crucial that we work to foster understanding of ROE and ROIC through messages transmitted to employees worldwide in order to instill an awareness regarding these indicators as quickly as possible.

Moreover, we seek to transform Nikon into an organization in which all employees are able to think about what must be done in order to accomplish growth. Laying the foundations for such an organization is one of the tasks placed before me in the fiscal year ending March 31, 2019.

*1 An indicator representing the ratio of profit attributable to owners of the parent to equity attributable to owners of the parent that is used to judge management efficiency

*2 An indicator for measuring how efficiently returns are being generated through actual invested capital, including working capital and non-current assets
Creation of New Value by Unlocking the Future with the Power of Light

Our society is undergoing a major transformation as various systems powered by artificial intelligence (AI) spread rapidly throughout our daily lives and industries. In the midst of this transformation, the Nikon Group seeks to provide the “eyes” that will be needed by people and industries alike by evolving the optical technologies we have cultivated to date—in other words, by unlocking the future with the power of light.

More than 80% of the information taken in by our brains is visual information acquired through our eyes. In AI, the role of the eyes is performed by lenses and sensors, which have crucial functions. Accordingly, we see these devices as being essential to the application of AI, and Nikon is well equipped to contribute in this field with its lens and sensor technologies. For example, we are already engaged in joint development of a solution that helps physicians diagnose diseases by using AI to analyze retinal images taken by the ultra-wide field retinal imaging devices of subsidiary Optos Plc.

By expanding businesses in this field, our business model, which had previously focused on the manufacture and sale of completed products, is changing substantially. I think we have the potential to establish a completely new business model. Based on the assumption that we will utilize AI and other technologies, this model could include businesses in which we develop and provide solutions including applications, and businesses in which we sell specific technologies to business partners as modules. With this in mind, we will concentrate resources on our optical technologies and other proprietary Nikon technologies that can be differentiated from those of our competitors in order to create new value and thereby propel us toward future growth.
Broader Perspectives Utilizing Insight of External Directors and Enhancement of Corporate Governance

Turning our attention toward fields outside of the Nikon Group’s previous business domains and actively seeking business opportunities therein will open up new possibilities for collaboration with business partners and for combining our technologies with others. In this endeavor, it will be crucial to utilize input from external directors in management to an even greater extent. The growth strategies we are in the process of formulating assume that we will be incorporating technologies, business frameworks, and ideas that lie outside of the fields in which Nikon traditionally excels. In this manner, we need to develop growth strategies that encompass previously unexplored fields and also measure their likelihood of success. We are going about this task by engaging in extensive discussions at meetings of the Board of Directors guided by the insight and knowledge offered by the Company’s four external directors based on their experience.

Moreover, Nikon commissioned a third-party organization to conduct an evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2018. While a certain degree of praise was received for our efforts to enhance corporate governance, it was also stated that there was still room for improvement. In our corporate governance structure, we will not be satisfied with merely fulfilling the formulaic requirements but will rather go further to create a structure that is even more functionally transparent and disciplined.

Contributions to Society and Humanity through Business Activities

Social interest in companies’ stances toward environmental, social, and governance (ESG) issues has been growing as of late. As stated, we are pursuing the ongoing enhancement of corporate governance in order to incorporate a more diverse range of perspectives into the process of formulating growth strategies and to increase transparency and discipline. As for contributions to society and the environment through our business activities, the Nikon Group’s quest to continue growing by functioning as “new eyes for people and industry” will contribute to the sustainability of not only the Group but also of society and humanity. For example, by providing “eyes” capable of supporting the diagnosis of diseases, we can contribute to the improvement of health and quality of life for people and the reduction of social security expenses.

We aim to develop growth strategies that demonstrate the connection between Nikon’s business and society to stakeholders both inside and outside of the Group. In this way, we hope to ensure that Nikon can continue to contribute to the sustainable development of society through its business activities while embodying its corporate philosophy of “Trustworthiness and Creativity” as a company that is meaningful to people around the world over the next 100 years.

Realization of Further Growth by Sparking Employees’ Ambition

The growth strategies that we are developing will guide us in creating new value while unlocking the future with the power of light.

Ambitiously tackling new challenges in areas that lie outside of our traditional product lines and business domains will require “Curiosity” to cultivate fresh ideas, “Acceptance” to warmly embrace diverse ideas and delight in differences among people and cultures, and “Inspirational Power” to share our ideas with infectious enthusiasm to effect positive change in the world. These three traits are set forth in Our Qualities of Mind.
I, personally, will exercise inquisitiveness in learning about technologies and businesses in areas I had not previously considered while also managing the organization in a manner that inspires such ambition in all Nikon Group employees.

The major revolutions that have occurred over the 6 million-year history of humanity were the agricultural revolution that took place approximately 10,000 years ago, the industrial revolution that changed the world approximately 200 years ago, and the Internet revolution that transformed society only 20 years ago. One can see that the time between these revolutions is becoming much shorter, and it can thus be expected that massive changes will continue to occur in the future. In the face of such change, companies that lack a desire to learn will be doomed to fail. At the Nikon Group, we are committed to constantly reexamining the role and value to be provided by the Group in light of upcoming social change and to continuously growing through this process.

Lastly, let me reaffirm our dedication to living up to the expectations of our stakeholders by completing the restructuring and creating corporate value.

I hope you will continue to support the Nikon Group as we continue to move forward.

September 2018

Kazuo Ushida
President
Representative Director
Interview with the CFO

We embarked on the restructuring in response to an extremely challenging operating environment and the diminishing profitability of our core businesses. The first step we took for the Semiconductor Lithography Business, which was locked in chronic losses, was to drastically revise its sales strategies and to strengthen its relations with core customers. At the same time, we took measures to reduce fixed costs, minimize inventory write-downs, and bring its R&D costs down to an appropriate level. This dual approach helped us restore profitability in the fiscal year ended March 31, 2018. For the Imaging Products Business, we closed our manufacturing plant in China to align our production with the current scale of our business. We also made a conscious decision to be more profit-oriented and selective, and to concentrate on high-value-added products. For the Industrial Metrology Business, we reexamined its product lines from a strategic point of view, which resulted in our decision to exit the CMM business.*

Our reform effort is not limited to these business areas alone. We have been working on re-encoding our management DNA across the entire Company and already see its positive impact. For instance, we changed our business performance management process to one based on return on equity (ROE) and return on invested capital (ROIC), in order to transform the Company to one based on a profitability-focused mindset. We optimized head count mainly in the Semiconductor Lithography Business, Imaging Products Business, and headquarters functions through the voluntary retirement of 1,143 employees in Japan. These measures resulted in the reduction of fixed costs by more than ¥30.0 billion on a Groupwide basis prior to the conclusion of the fiscal year ended March 31, 2018.

Going forward, one of our measures under the restructuring is to switch to a portfolio-based management approach. We have already established a basic framework that enables us to accurately assess the profitability and level of invested capital throughout the lines of Nikon’s wide-ranging products. This will help us appropriately position each of our product lines in our portfolio. We will examine the target level of ROIC in each business based on budgets for the fiscal year ending March 31, 2019, set specific targets, and strike a balance in allocating resources based on those targets. To ensure the effectiveness of these frameworks, we will rigorously implement the plan-do-check-act (PDCA) cycle so that we can be agile in reexamining our portfolio as necessitated by changes in the operating environment.

In doing so, the ROIC targets of each business have to be tied to the goals and measures of each division/department and employee. In other words, it is important that all frontline employees feel and see that what they deliver will ultimately impact Nikon’s corporate value for the better. We will enhance transparency in work processes, standardize them, and promote efficient meetings and communication. We will strive to provide a setup/workplace that helps raise employees’ motivation.

There is no doubt that we are faced with a challenging operating environment. The market for the Imaging Products Business is expected to shrink further. For the Precision Equipment

Please tell us about the progress you have made so far on the restructuring effort since November 2016 and your plan going forward. Also, what is your vision for Nikon upon completion of the restructuring?

We will be formulating a growth strategy that maximizes Nikon’s core value. Our aim is to re-encode our management DNA to drive ROE consistently higher than 8% in the medium term.

Masashi Oka
Senior Executive Vice President, CFO
Representative Director

We will be formulating a growth strategy that maximizes Nikon’s core value. Our aim is to re-encode our management DNA to drive ROE consistently higher than 8% in the medium term.
Business, the outlook for capital expenditures in the FPD industry is uncertain for 2019 and beyond. The Healthcare Business is expected to grow in the future, but it will take some time before it can make any contribution to our bottom line. Nevertheless, to consistently increase our corporate value, it is critical that we identify new growth drivers and nurture them by investing resources generated through our restructuring effort. The operating environment is challenging, but we are absolutely committed to re-encoding our management DNA such that the ROE will consistently be at a level higher than 8% in the medium term. We are in the process of shaping our strategies for sustainable growth into a new medium-term management plan, which should enable us to maximize Nikon’s core value.

* Business engaged in the development, manufacturing, sale, and service of Coordinate Measuring Machines

Please outline the key elements of future financial strategies and shareholder return policies.

With a portfolio comprising business-to-business operations such as the Precision Equipment Business and business-to-consumer operations of the Imaging Products Business, Nikon’s performance is prone to be affected by economic fluctuations. We have therefore made it a policy to keep the equity ratio at a level that will allow us to maintain a single-A issuer rating in Japan. This should enable us to secure the funds needed to fuel ongoing growth despite market fluctuations. Other financial targets include increasing ROE to above 8% early on, and sustaining this ratio at an even higher level in the medium term. Internally, we are in the process of aligning ROIC targets with capital costs commensurate with risks of each business, and formulating measures to improve capital and investment efficiency.

Free cash flow in the fiscal year ended March 31, 2018, was a positive ¥90.2 billion, which was equivalent to 12.6% of revenue. This was a massive improvement from the fiscal year ended March 31, 2017, when free cash flow was a positive ¥56.6 billion, which represented 7.6% of revenue. At Nikon, cash flows are highly influenced by advances received and can therefore vary greatly from year to year. On average, it is around ¥60.0 billion or roughly 8% of revenue. We will keep implementing measures to improve profitability, increase operating cash flows, and generate the funds necessary to implement our growth strategies. We have also introduced a global cash-management system (CMS) to facilitate more efficient, Groupwide use of the cash generated through business activities. We believe CMS will allow global, integrated management of cash and free us to direct funds to growth areas more swiftly and comprehensively.

Allocation of capital is a pivotal task of management. In order for Nikon to maintain and strengthen its core value amid today’s sweeping tide of technological innovation, it is critical to remain active in R&D. For this reason, we will emphasize investment in future growth areas, including basic research and new development areas, in addition to product development in existing business units. We will balance capital allocation among R&D investments for driving ongoing growth, M&A activities and other growth investments, along with shareholder returns, based on the medium- to long-term growth strategies we are considering. We will take potential fluctuations in performance into account as we do. Our aim will be to balance allocations in a manner that contributes to higher corporate value. We target a dividend payout ratio of 40% or more.

What steps is Nikon taking to strengthen its relationships with shareholders and investors?

Since I became CFO in June 2016, I have put a lot of effort into IR activities through direct dialogue with investors. During the fiscal year ended March 31, 2018, I met with more than 140 investors through individual and small group meetings, and the IR team as a whole met with more than 500 investors. Feedback and comments from these investors covered a wide range of topics, including progress on restructuring and opportunities and risks associated with our business strategies. With investors who prefer long-term investments in particular, we exchanged candid views on environmental, social and governance (ESG) investments, including identification of social issues and ways for Nikon to address them, financial strategies such as capital allocation, and governance issues. We always share the valuable input and feedback we draw from such meetings with the Board of Directors and the Executive Committee, to refine our management and business strategies. We will continue to seek out the opinions of investors through these IR activities and apply their feedback to grow our corporate value.
Overview of the Restructuring

The Nikon Group is advancing a Groupwide restructuring to increase profitability and enhance its management DNA in order to improve corporate value and thereby build the foundations for Nikon’s next 100 years.

In November 2016, management decided to enter into a period of restructuring. This decision followed the discontinuation of the Medium-Term Management Plan 2015 in light of forecast-exceeding market contraction in existing businesses and progress in developing growth businesses that did not go as planned. This period of restructuring is slated to continue until the conclusion of the fiscal year ending March 31, 2019. During the period, we are implementing a Groupwide “Preemptive Restructuring” plan that entails drastically increasing profitability and enhancing management DNA with the aim of improving corporate value. After the completion of the restructuring, Nikon intends to announce a new Medium-Term Management Plan with growth strategies starting in the fiscal year ending March 31, 2020.

Goals and Basic Principles of the Restructuring

<table>
<thead>
<tr>
<th>Objective of Restructuring</th>
<th>Companywide restructuring to improve value creation: Strategic pivot from revenue growth to profit growth</th>
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<tbody>
<tr>
<td></td>
<td>Create a Companywide focus on “high-value-added businesses” to improve profitability</td>
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<td></td>
<td>Optimize R&amp;D, sales, and manufacturing structures on a global basis</td>
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<td></td>
<td>Streamline headquarters functions to match scale of restructured businesses</td>
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<td></td>
<td>Simultaneously shift to portfolio-based management, implement targets linked to shareholder value, and enhance governance structure to improve transparency and discipline</td>
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We prioritize the restructuring of the Imaging Products Business, the Semiconductor Lithography Business, and headquarters functions.

Progress of the Restructuring

Companywide
- Reduction of more than ¥30.0 billion in fixed costs prior to the fiscal year ended March 31, 2018
- Promotion of portfolio-based management
- Revision of management DNA and processes based on ROE and ROIC
- Examination of measures for reinforcing corporate governance

Imaging Products Business
- Selection and concentration of resources on high-value-added products
- Head count optimization
- Optimization of development, production, and sales structures
- Strengthening of profit structure to improve margins even in a shrinking market

Semiconductor Lithography Business
- Drastic revision of business strategies
  - Dedication to practicing build-to-order manufacturing
  - Revision of development policies
- Head count optimization
- Reinforcement of operating foundations to avoid future losses and to achieve profitability exceeding capital costs

Headquarters
- Improvement of efficiency and enhancement of functions
  - Consolidation of previously dispersed optical engineering functions and optical component production functions and technologies
  - Enhancement of coordination between Research & Development Division and business units
  - Narrowing of scope of basic and applied research themes
  - Head count optimization of approximately 200 employees
  - Improvement of productivity through streamlining and consolidation
- Revision of compensation of representative directors and officers
- Reduction of number of officers according to a reassessment of roles and assignments

Management Responsibility
Plan for Completion of the Restructuring

Steadily implement measures to build foundations for a reborn Nikon in the final year of the restructuring period (fiscal year ending March 31, 2019)

- Steadily implement measures to build foundations for a reborn Nikon in the final year of the restructuring period (fiscal year ending March 31, 2019)

Four Phases of the Restructuring

1. **Phase 1: Launch of restructuring**
   - Streamline and enhance headquarters functions
   - Improve R&D management

2. **Phase 2: Additional initiatives and full-scale enhancement of management DNA**
   - Establish and implement frameworks to entrench portfolio-based management

3. **Phase 3: Realization of enhancement of management DNA**
   - Develop structures that link on-site efforts to ROIC in all business units

4. **Phase 4: Clarify post-restructuring strategic blueprint**
   - Improve transparency and discipline

Portfolio-Based Management

Nikon’s Vision for Portfolio-Based Management

Nikon’s vision for portfolio-based management starts with the definition of the role of each business. Based on these roles, the goals of each business and the resources they will be allocated are decided. This process enables the Company to efficiently and accurately allocate human resources and capital to fields in which Nikon is competitive and thereby realize steady growth into the future. To facilitate this process, we must completely redefine the roles expected of each business in order to determine the product lines on which we will focus, the research and development themes in which we will invest, and other factors pertaining to the selection and concentration of resources. We will need to adopt a flexible approach toward management based on these decisions.

Looking ahead, Nikon will take both a medium-term and a long-term perspective to the improvement of corporate value. Accordingly, we will base decisions on the operating profit and return on invested capital (ROIC) that can be expected in the medium term and potential business growth and risks to corporate value in the long term.

Initiative Example

**Establishment of Precision Components & Modules Business Unit**

The Precision Components & Modules Business Unit, which was established in April 2018, develops a solutions-oriented business that entails providing modules and components in response to various market and customer needs and issues. Moreover, the component businesses that had previously been operated independently in different Company business units will be consolidated within this business unit in order to create an optimal business model and structure. This unit will not be limited to dealing in end products or to practicing self-sufficiency, but will rather investigate fields with the potential for new business development and collaborate with other companies in an effort to create new component businesses in a wider range of fields. This business unit will be operated in conjunction with our portfolio-based management approach, such as by flexibly allocating the resources required to develop new businesses, to ensure that it is amply equipped to seize the opportunities placed before it.
Strengths of the Nikon Group

Technologies, Human Resources, and Brand Cultivated over History Spanning More Than a Century

Over more than a century since its founding, Nikon has continued its quest to unlock the possibilities of light. During this quest, we have created new value by providing products and services matched to the needs of society. Nikon remains committed to fulfilling its role of providing “new eyes for people and industry” in the future society by helping to resolve various issues while creating new value. Accomplishing these objectives will be made possible by the distinctive strengths Nikon has cultivated thus far, namely, its technologies and human resources, which underpin the competitiveness of the Company.

By further refining these strengths, Nikon will seek to enhance the competitiveness of its brand in order to become a company that can continue delivering value to the society and growing over the next century.

1 Technologies

Basic Technologies and Ability to Combine Those Technologies That Supports Nikon

Nikon provides a diverse range of products and services based on the core opto-electronics and precision technologies it has cultivated since its founding. Our opto-electronics technologies are among the world’s best. With these 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 boast world-leading precision, allowing for high-speed control accurate to measurements roughly 1/100,000th the width of a strand of hair.

Responding to the needs of society throughout our history, 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 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 and increasing volatility, the ability to respond to social needs and create innovation will be key to ongoing growth. Nikon keeps refining its technological strength to fulfill its role of providing “new eyes for people and industry” and to achieve sustainable growth.
Examples of Combinations of Basic Technologies

Digital SLR and Mirrorless Cameras + NIKKOR Lenses

Comprehensive Strength Matched to the Digital Era and Built on Exemplary Nikon Technologies

Nikon delivers camera systems boasting high comprehensive performance that are matched to the digital era. These systems leverage the strengths Nikon has forged since the film era, namely, the opto-electronics, precision, and other film camera technologies we have cultivated since the launch of the Nikon Model I in 1948 along with the reliable sturdiness of our cameras. Nikon’s systems blend these strengths with new digital era technologies, including our image processing, sensor, manufacturing, and material technologies. This DNA has been inherited by our mirrorless cameras, where it continues to evolve.

Basic Technologies Used in Digital SLR and Mirrorless Cameras, and NIKKOR Lenses

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<thead>
<tr>
<th>Digital SLR and Mirrorless Cameras</th>
<th>NIKKOR Lenses</th>
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<tbody>
<tr>
<td><strong>High-Sensitivity Sensors</strong></td>
<td><strong>Aspherical Lenses</strong></td>
</tr>
<tr>
<td>The quality of images depends on the ability of each image sensor to convert light into electric charges and on the system to efficiently transform those charges into electrical signals. Nikon’s cutting-edge, high-sensitivity sensors are created with sophisticated engineering technologies to capture as much light as possible from the subject being photographed. Moreover, these sensors feature an improved capability to focus light on light-receiving photodiodes, enabling them to realize a standard sensitivity of ISO 102400—the highest in Nikon’s history.</td>
<td>Nikon was a step ahead of the world when it developed engineering theories and processing technologies for aspherical lenses in the 1960s. Aspherical lenses are effective at correcting distortions, spherical aberrations, and various other aberrations. Just one aspherical lens can achieve the same aberration correction capabilities as several spherical lenses and thereby make significant contributions to smaller and lighter lens units.</td>
</tr>
<tr>
<td><strong>Image-Processing Engines</strong></td>
<td><strong>Nano Crystal Coat</strong></td>
</tr>
<tr>
<td>Our image processing engines enable the swift processing of sensor data to realize high-speed continuous shooting and high-resolution videos. Even in high-sensitivity photography modes, our engines effectively contribute to the reduction of noise, ensuring a sharp picture right down to the minute details. Combining Nikon’s high-sensitivity sensors and image processing engines, our digital SLR cameras achieve high-speed continuous shooting at up to 12 frames per second* while maintaining exceptional levels of sensitivity.</td>
<td>Nano Crystal Coat is an extremely effective anti-reflective coating for lenses created during the process of developing state-of-the-art semiconductor lithography systems. This coating excels at preventing ghosts caused by red light, which had previously been hard to avoid. Furthermore, Nano Crystal Coat has also demonstrated an exceptional ability to prevent ghosts and flares stemming from light entering lenses at an angle.</td>
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* High-speed continuous shooting at approximately 14 frames per second possible in mirror up release mode

Semiconductor Lithography Systems

Contribution to the Evolution of a Digital Society by Making Semiconductors More Compact and Functional

As smartphones, home electronics, and all other electronic devices are made more compact and functional, they are ushering in a more comfortable era. Nikon’s semiconductor lithography systems are making large contributions to the evolution of the semiconductors (semiconductor integrated circuits) that are indispensable to these devices.

Semiconductor lithography systems use exceptionally high-performance lenses to reduce the size of circuit patterns imprinted on photomasks, the blueprints for semiconductors, and then expose these patterns on silicon wafers to create intricate, highly complex circuit patterns.

Basic Technologies Used in Semiconductor Lithography Systems

<table>
<thead>
<tr>
<th>High-Resolution Projection Lenses</th>
<th>High-Speed, High-Precision Stages</th>
<th>Alignment Sensors</th>
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<tbody>
<tr>
<td>Higher resolutions allow for the exposing of more complex circuit patterns. Nikon is able to realize high levels of performance in lenses by combining its exceptional engineering capabilities with its comprehensive production and quality management systems, which encompass everything from the preparation of lens materials to dissolution, polishing, coating, and finally assembly.</td>
<td>Nikon utilizes its sophisticated precision technologies to create stages for mounting silicon wafers that are capable of high-speed movement and stopping, thereby contributing to increased productivity and allowing for the mass production of semiconductors.</td>
<td>When manufacturing semiconductors, it is crucial to be able to overlap several circuit patterns without any misalignments. Nikon achieves the necessary precision in alignment for producing semiconductors by using an array of sensors that employ its opto-electronics technologies to realize accurate positioning.</td>
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</table>
From Pursuing of Greater Depth to Seeking Increased Breadth

The strength of Nikon can be seen in the high level of sophistication of its two core technology groups as well as of the peripheral technologies and in its ability to combine these technologies to create a diverse range of value. Up until now, we have consistently pursued greater depth in our technologies through means such as seeking to create more accurate or high-resolution lenses or to make more precise measurements. Looking ahead, in addition to depth, it will be important to pursue greater breadth in our technologies by enhancing our ability to combine technologies to provide value in new fields in order to address the changing and diversifying needs of society.

Examples of Products Made Possible through Greater Breadth

- **FPD Lithography Systems**
  Nikon’s proprietary multi-lens systems allow for multiple lenses arranged into two rows to be controlled like a single, large lens. These systems make it possible to perform lithography on large glass plates with high precision and efficiency. Moreover, these systems are combined with various lithography system technologies to address the need for ever-larger and higher resolution displays.

- **Super Resolution Microscope N-SIM S**
  The N-SIM S Super Resolution Microscope combines a newly developed structured illumination system with image processing technologies to realize high-speed image acquisition while maintaining spatial resolution of approximately 100 nanometers—roughly twice that of conventional light microscopes. It thereby addresses live cell imaging needs by allowing for target cells to be observed while still alive.

- **Joint Unit for Human Collaborative Robots**
  Our new Joint Unit integrates high-precision encoders that combine opto-electronics technologies and precision technologies, motors, and other components together. This Joint Unit makes it possible to detect even slight torsions of shafts when robots bump into people or objects. The unit will no doubt make large contributions to the development of human collaborative robots that work cooperatively with people.

Exploration of New Fields through Collaboration between Businesses and with External Partners

- **Establishment of Optical Engineering Division, Production Technology Division, and Precision Components & Modules Business Unit**
  The Optical Engineering Division and the Production Technology Division were established to respectively consolidate the optical engineering and production technology divisions that had previously been dispersed throughout the different business units. The establishment of these divisions was aimed at allowing for technologies to be used in a cross-business manner and thereby facilitating efforts to pursue inter-business collaboration along with the exploration of new fields. Similarly, the Precision Components & Modules Business Unit was created to centralize operations related to components, an area of strength for Nikon, with the goal of creating new businesses.

- **Fusion of External Insight and Nikon Technologies**
  Nikon is utilizing the automated camera solutions of Mark Roberts Motion Control Limited, which was converted into a subsidiary in 2016, together with its own image-related technologies and wide-ranging sales channels to explore new markets. During the same year, the Company formed a strategic alliance with Verily Life Sciences LLC in the retinal imaging diagnosis field to contribute to the early diagnosis and treatment of diabetic retinopathy and diabetic macular edema.
Diverse Human Resources Creating Value with Technologies

It is our human resources who utilize the Nikon Group’s exceptional technological prowess to create new value. The Nikon Group employs a diverse range of human resources, including the numerous optical engineers who support the Group’s core opto-electronics technologies. The growth of the Group up until today has been supported by its diverse human resources, who have continued to breed new ideas to contribute to the ongoing development of society.

One of the Nikon Group’s greatest assets is its ability to utilize the comprehensive strength of these diverse human resources to create value with its sophisticated technologies.

Human Resource Development through Wide Assortment of Training Programs

Human resources are indispensable in our efforts to further enhance our already high technological prowess and other capabilities. For this reason, the Nikon Group is focused on improving the comprehensive strength and technical skills of its employees. The insight and technological prowess we have cultivated to date are transferred to new employees through both formal and on-the-job training so they can be merged with the fresh ideas of these employees to create new value.

Ratio of Nikon Employees in Engineering and Technical Positions (As of March 31, 2018, non-consolidated)

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering and technical</td>
<td>4,444</td>
<td>26%</td>
</tr>
<tr>
<td>Technical positions</td>
<td></td>
<td>74%</td>
</tr>
<tr>
<td>Others</td>
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Human Resource Energization Constantly Contributing to Growth and Discovery

Addressing the growing complexity of social issues and the diversification of needs requires us to create new value in an ever-widening range of new fields. One means through which we aim to create such value is by enabling employees who have developed sophisticated specialized skills to move beyond the boundaries of division and business area to exercise these skills in a wider range of fields. To this end, Nikon has implemented a career matching support program and an open recruitment system to energize individual employees and workplaces.

In addition, we actively recruit mid-career individuals with the aim of invigorating the organization by injecting completely new technologies, insight, and values into Nikon. The Healthcare Business, in particular, is a new field for Nikon, meaning that the acquisition of talented human resources in this field is vital. We have therefore made this a high priority.

ENGINEERING TRAINING

Optical technologies have formed the foundation for Nikon’s technologies since the Company’s establishment. However, optical engineers are in scarce supply around the world, and few companies are able to secure such individuals. Faced with this reality, Nikon implements training programs with an emphasis on cultivating this scarce resource within the Company. For example, optical technology training provides information on optical theory and other basic knowledge while also transmitting knowledge regarding Nikon’s proprietary technologies in this area.

In addition, we have unique education programs for engineers that include training for developmental engineers designed to teach them about manufacturing by having them experience manufacturing as well as other areas of operations spanning from upstream to downstream areas.

TECHNICAL TRAINING

New employees in technical positions are submitted to a basic manufacturing technology skill course over the first nine months after they join the Company. Through this course, they learn the technical skills and knowledge required at Nikon with regard to such areas as machining, optical manipulation, and basic optical and electrical theory.

Furthermore, the Nikon Group encourages its employees to take the national examination on technical skills, and a large number of our employees have acquired the highest ranking bestowed through this examination. There have also been several Nikon employees who have received “Modern Craftsman”*1 designation for exceptional technicians and the Medal with Yellow Ribbon.*2

*1 A program through which the Ministry of Health, Labour and Welfare selects approximately 150 technicians from across Japan each year to be recognized for their exceptional skills

*2 One of the six types of medals conferred by the emperor of Japan to recognize individuals who have made extraordinary contributions to society, public welfare, culture, or other areas; the Medal with Yellow Ribbon is awarded to individuals who, through their diligence and perseverance, have developed technologies or achieved successes that make them role models to others

Employees taking part in entry-level manufacturing technology course.

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Nikon’s Brand Policy

The brand we have cultivated over our more than 100-year history is highly recognized and trusted around the world. A brand is an intangible asset and a core element of corporate value. A brand can be a bridgehead for seizing new business opportunities while providing many advantages for improving corporate value. For example, a brand can contribute to profit growth by facilitating the following efforts.

- Building trusting relationships with new customers
- Forming connections with new business partners
- Recruiting talented human resources

Nikon has long been guided by its corporate philosophy of “Trustworthiness and Creativity” to contribute to society by providing products and solutions based on its core technologies, namely, its opto-electronics and precision technologies. In July 2017, we unveiled our new vision of “Unlock the future with the power of light.” This vision inspires us to continue applying the technologies we have developed thus far to various fields in order to create new value and improve upon our brand power while cementing our bonds of trust with stakeholders.

Positioning of Nikon Brand

Challenges for the Nikon Brand and Initiatives

Although a large portion of the population associates Nikon with its Imaging Products Business, the Company is, in fact, engaged in the Precision Equipment Business, the Healthcare Business, the Industrial Metrology Business, and other business-to-business operations. One of our challenges over the foreseeable future will thus be to improve recognition with regard to the entirety of Nikon’s businesses, including these business-to-business operations, while cultivating a brand image that effectively communicates the value Nikon has to offer society (brand provision value). To overcome this challenge, we will engage in effective and efficient advertising initiatives alongside other activities for increasing our brand value.
Main Branding Activities

■ Sponsorships
Nikon contributes to the development of sports through sponsorships of international sporting events. The Nikon logo is prominently displayed at such events to promote the Nikon brand. In addition, we conduct various activities for visitors and establish Nikon Professional Services (NPS) depots for professional photographers at events. These initiatives help improve the recognition of the Nikon brand while also heightening its value.

■ Campaign Commemorating 100th Anniversary (January 2017–July 2018)
To celebrate Nikon’s 100th anniversary, we assembled a project team to advance a commemorative campaign that entailed producing an anniversary logo and launching an anniversary website, which contains various contents. Furthermore, we created anniversary products and merchandise and ran a global corporate advertising campaign employing photographs of Marilyn Monroe through digital media, newspapers, and magazines and on public transportation. These initiatives helped us express our gratitude toward our stakeholders for supporting us up until today while also reminding them of Nikon’s history and brand value.

TOPIC   Brand Symbol
The current brand symbol was created in 2003 to help foster an image for the Nikon brand that matched the needs of the time. 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.