Leveraging its core opto-electronics and precision technologies, Nikon has developed a varied business portfolio. This portfolio includes the Imaging Products Business, which supplies digital cameras and interchangeable lenses; the Precision Equipment Business, which offers FPD lithography systems and semiconductor lithography systems; the Healthcare Business, which provides biological microscopes and ultra-widefield retinal imaging devices; and the Industrial Metrology Business, which handles industrial microscopes and metrology systems.
The Healthcare Business contributes to better quality of life for people all over the world by providing microscope solutions, cell solutions (regenerative medicine and drug discovery support), and ophthalmology solutions in the life science and medical fields.

In the Industrial Metrology Business, Nikon supports cutting-edge manufacturing processes with total measurement solutions for responding to a diverse range of measurement demands. Meanwhile, other businesses contribute to the evolution of science, technology, industry and society through state-of-the-art technologies, ophthalmic lenses, and space-related products.

Revenue by Region (Year ended March 31, 2019)
- China: 28.1%
- United States: 24.3%
- Europe: 16.7%
- Japan: 13.0%
- Others: 17.9%
We will provide precious imaging experiences to customers and build sustainable business structures.

Nobuyoshi Gokyu
Senior Vice President
General Manager of Imaging Business Unit

Overview of the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, we focused on high-value-added products, which led to the release of the Z 7 and Z 6 mirrorless cameras. We thereby worked to maintain positive operating profit in the midst of the shrinking camera market. Unfortunately, the level of contraction in the market exceeded our expectations. Sales of entry and mid-range digital SLR cameras and interchangeable lenses missed their targets by a wide margin, which resulted in substantial decreases in revenue and profit.

Winning various major awards, our Z series cameras won high praise in the market. Nonetheless, it is apparent that these cameras have not yet reached the high expectations of our customers when compared with our lineup of digital SLR cameras. Going forward, we will seek to enhance the appeal of our Z series products by incorporating users’ input to an even greater degree, and to furnish our lineup of NIKKOR Z lenses in order to grow as a core pillar of profit.

Through the restructuring, we ceased operations at a factory in China and pursued reductions in fixed costs while moving forward with the selection and concentration of resources on high-value-added products from the perspective of profitability.

Operating Environment Outlook

The camera market is forecast to continue to shrink. While the market shift to mirrorless cameras accelerates, the overall scale of the interchangeable lens camera market, especially entry model digital SLR cameras, is predicted to decrease to half of its current size in the medium to long term.

Conversely, imaging experiences including post-recording activities will remain popular hobbies. We see substantial business opportunities in the coordination with social media, video applications, and other uses of video, which will continue to grow.
Medium- to Long-Term Vision

Nikon is synonymous with its Imaging Products Business, and we hope to ensure that this business can remain the core pillar of the Nikon brand. To this end, we aspire to provide customers with distinctive products of Nikon and provide unique imaging experiences, and to build sustainable business structures that maintain revenue.

Priority Strategies and Initiatives of the New Medium-Term Management Plan

We are carefully and objectively evaluating the operating environment and our position therein while strengthening our Nikon Z mount system. To enhance this offering, which delivers a diverse range of image expressions, we will swiftly enhance our lineup of NIKKOR Z lenses that boast superior imaging capabilities. At the same time, we seek to launch new products including SLR cameras that will be irresistible to professionals, hobbyists, and other users of mid-range and high-end cameras while accelerating the selection and concentration of resources on the high-value-added products we have promoted so far.

One of the key strategies of the Imaging Business Unit is to acquire new hobbyist customers in order to broaden our user base. For example, we are expanding our lineup of imaging services targeting smartphone users. Enhancing coordination with social media and imaging apps to offer unique imaging experiences that stretch beyond shooting with the use of AI will be our new proposal. Therefore, we are committed to rebuilding the foundation of Nikon fans and Nikon brand with pride in being the only business unit of Nikon Group that engages in business-to-consumer operations. We also see significant room for the growth of imaging services in the business-to-business market. Through subsidiary Mark Roberts Motion Control Limited, we deploy automatic tracking shooting solutions for use of filming baseball, soccer, and other major sports. These solutions will provide immersive imaging experiences of an unprecedented nature to audiences.

Another key strategy is to implement more extensive reforms of our production and sales structures while continuing to restructure cost performance by streamlining sales and development expenses. We thereby aim to create profit structures capable of generating operating profit of more than ¥20.0 billion consistently in the medium to long term.

There will be no change to the Imaging Products Business’ position as the foundation unit supporting the Nikon brand. We are therefore committed to swiftly developing our business structure with the capability of generating profit steadily even in this rapidly shrinking market.

Furthermore, we still need to reform our corporate culture in order to complete the restructuring. Our current structure suffers from isolated organizations. Our first step in these reforms will thus be to forge connections between organizations so that we can create a structure capable of swift decisions and actions to ensure we are able to keep up with the pace of change in the market.

Focuses of the New Medium-Term Management Plan

1. Gross profit margin
2. Ratio of cameras purchased together with interchangeable lenses
3. Cash conversion cycle
4. Market share of Nikon Z mount system

Contributing to Society through Business Activities

We believe that it is natural to want to record a variety of images and information from small moments in daily life to momentous occasions or even precious discoveries that will be passed on to the next generation. Seeking to fulfill this aspiration, we have continued to evolve our technologies to make it possible to record previously impossible-to-capture subjects—those too small, too far away, or in too harsh environment such as in space or in the North Pole. We are proud of developing an imaging culture, and also recognize our responsibility to continue supporting it in the future.

We think this basic mission will not change. Remaining keenly aware of our fundamental role, we will continue to fulfill our mission as a central proponent of an imaging culture.

Judging at Nikon Photo Contest 2018–2019, the latest iteration of the photo contest hosted by Nikon since 1969
Overview of the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, the FPD Lithography Business Unit was able to mark its highest revenue thanks to robust demand for displays for large-screen TVs and other application, and to Chinese government policy of proactive investments. We see this success as a result of our efforts to deliver products to customers as promised. Shortening the production lead time and increasing coordination with relevant divisions and representatives after installing system, were the key factors of this achievement. Although sales volume for small and medium-sized panels decreased because some major manufacturers suppressed their investments for organic light-emitting diode (OLED) panels, and the price competition in China intensified, we could see a massive increase in sales volume for large panel systems in G 10.5 plate sizes, which Nikon holds strong product competitiveness. Also, cost reductions realized through efforts to shorten construction time and lower workloads led to substantial improvements in profit.

Operating Environment Outlook

In the fiscal year ending March 31, 2020, the overall display panel market is forecast to enter into a period of production adjustment due to the rebound from the aggressive and large-scale investments in China over the past three years. Accordingly, our performance outlook for small and medium-sized panels in the FPD Lithography Business is not optimistic. Conversely, we anticipate the continuation of strong performance for large panel systems in G 10.5 plate sizes as we thankfully have got significant number of orders for them. Despite this outlook, we believe that the markets for LCD, OLED, and other displays will see consistent levels of demand going forward, since these displays continue to play key roles in expressing images and communication. We also

We will strengthen FPD lithography systems and respond to new demand in order to maintain our leadership position.

Tomohide Hamada
Senior Vice President
General Manager of FPD Lithography Business Unit
anticipate market growth to be driven by the high expectations for new display applications including foldable panels, automotive panels, VR/AR, and digital signage as well as displays with new methods such as quantum dot light-emitting diodes (QLED) and micro light-emitting diodes (µLED). Demand for Nikon’s FPD lithography systems already exists in some of those fields, and we keep monitoring the market trends carefully. In addition, more than half of the FPD lithography systems we have shipped to date are still in operation. Accordingly, we look forward to growing our operations as well as our services and solutions to a substantial scale in the future.

Medium- to Long-Term Vision

We are committed to developing the display industry through accurate responses to the customers who have new demand for premium displays as well as the desire to invest in expanding existing panels. Our focus is not purely on market share. Rather, we seek to strike a balance with profitability, and we strive to create a reliable business structure that will become a core business pillar for Nikon.

Priority Strategies and Initiatives of the New Medium-Term Management Plan

One of the priority measures under the new Medium-Term Management Plan is to evolve current FPD lithography systems and promote systems for premium displays. We look to respond accurately to customers’ requests and realize higher levels of resolution and productivity of lithography systems for G 6, 8, and 10.5 plate sizes, in order to meet the demand for 4K and 8K displays and also for the use of high resolution seen in the medical and other fields.

The other priority measure is to enhance our service business. As a part of this process, we will build closer relationships with customers by co-working on their issues and needs, sharing future aspirations and goals, and thinking together. These strong bonds with customers will enable us to not only provide operation support and consumables at the ideal timing but also to provide the solutions that contribute to improving the productivity of customers’ development processes. We have already deployed the systems that support improvements in equipment operation ratios for customers as well as proposals for lowering cost of ownership.*

Furthermore, we are reforming our own business structures and work processes in the pursuit of higher profitability. Through cost reductions and efficiency improvements, we aim to transform to a stronger business structure.

Finally, we are currently preparing for operations in new growth fields with a long-term perspective. For roughly 20 years, we have continued to provide value in terms of both panel size and high resolution by the strengths of Nikon’s proprietary multi-lens systems. Going forward, we will further strengthen our technology and accelerate our initiatives in order to respond flexibly to new market in the future.

* The total cost to a customer including system introduction, running, and maintenance costs

Focuses of the New Medium-Term Management Plan

1. Profitability of lithography systems achieved through cost reductions
2. Profit from service businesses
3. Delivery management

Contributing to Society through Business Activities

We believe that the expanding prevalence of higher-resolution displays compatible with a wide range of devices will give rise to new forms of telecommunication that enable people to emulate the experience of face-to-face communication more effectively. These new communication forms make it possible to share people’s expressions with difficult nuances that are lost via telephone and e-mail, and build closer communication between people over long distance. It is also valuable for teleworking which supports flexible workstyles and remotework. Driving these evolutions, we can make substantial contributions to the diversity of the society.

Furthermore, our efforts to improve the productivity of customers can reduce the environmental damage across this industry, which has significant meaning to the society.

Nikon is a company that has contributed to both the development of society and to the reduction of environmental damage. We aspire to pursue this progress and contribute to the better society.
Since capital expenditures by customers were brisk in the fiscal year ended March 31, 2019, the Semiconductor Lithography Business Unit was able to achieve operating profit for the second consecutive year, even when excluding the one-time income movements associated with settlement income from litigations over patents. In addition to the strong market, the other major factor behind this impressive performance was the efficiency of development and production realized through an exhaustive focus on build-to-order manufacturing and the concentration of resources on principal customers. Used equipment sales as well as equipment relocation, renovation, and other service businesses continued to perform well from the previous fiscal year, indicating that these operations have grown into major pillars of business earnings. In this last year of the restructuring, we moved forward with the initiatives implemented thus far while rebuilding production structures that allow for more efficient and reliable deliveries of equipment. One of the major successes of the restructuring was that it realized increased traceability in operations. There is a substantial amount of time between the order of a semiconductor lithography system and its delivery. During the process of the restructuring, we made it possible to track real-time status of system sales, production, and post-delivery installation with better accuracy. This has enhanced our ability to detect issues at the early stages and to control resources at the ideal timing, which increased our capability to respond to customer needs, improved quality, and reduced the amount of costs stemming from losses. As for new products, we launched the Litho Booster, which was developed to realize unparalleled levels of productivity and precision in semiconductor lithography systems. This product performs multi-point alignment measuring of pre-exposure wafers to improve overlay accuracy without reducing throughput.

Operating Environment Outlook

Steady growth in the semiconductors market is forecast in the medium to long term as various applications evolve in conjunction with the advancement of AI, IoT, 5G, autonomous driving, and other technologies. In addition, we

Overview of the Fiscal Year Ended March 31, 2019

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We will generate consistent cash flows through exhaustive “high-value-added businesses.”

Masato Hamatani
Senior Vice President
General Manager of Semiconductor Lithography Business Unit

ArF immersion scanner
NSR-S635E

Alignment station
Litho Booster
anticipate strong growth in the market for immersion lithography systems as the transition toward miniaturization continues. In this circumstance, we see a major business opportunity as principal customers look to bolster their production capacity amid increased demand for CPUs for data centers. Another opportunity we foresee is the increased demand among memory manufacturers in the next few years. Conversely, we predict the major risks in reduced demand for semiconductors stemming from trade friction and the resulting limited capital expenditures among principal customers as well as decreased demand for lithography system following delays in development and production.

Medium- to Long-Term Vision

We aim to continue generating consistent cash flows without being overly influenced by demand fluctuations in the semiconductor market. We believe that the Semiconductor Lithography Business has amassed technologies and expertise that will be vital to become a “Leading Company in Precision and Optics” put forth by Nikon’s management. Maintaining and developing our strengths, we grow our business unit into a core business pillar that strongly supports the rise of the Nikon Group.

Priority Strategies and Initiatives of the New Medium-Term Management Plan

We will prioritize profitable business through exhaustive “high-value-added business.” Fortunately, we have received a substantial amount of orders from principal customers. One important objective of the new Medium-Term Management Plan is to respond to customer desires to the greatest degree and deliver lithography systems at the ideal timing. To this end, we will drive development toward expanding existing device platforms and launch immersion lithography systems compatible with 5nm-generation devices. By realizing the reliable production, supply, installation, and operation of these systems, we look to enable our customers to use these systems with peace of mind. This reliability has been defined as an important business target, and our staff, equipment, and other resources will be allocated as necessary for accomplishing this target. Through these initiatives, we hope to build relationships of trust with our customers by being an even better partner.

At the same time, we will continue our efforts to expand the service businesses and boost profitability. More than 3,000 of the lithography systems Nikon has delivered to date are still in operation around the world. Lithography systems sometimes require the replacement of parts or modules or other maintenance in order to continue stable operation. By incorporating input from customers using our systems, we can develop an accurate understanding of customers’ circumstances and desires. Based on this understanding, we aim to offer a wide range of options, including equipment renovations and replacements, as well as ideal solutions for various needs.

We will also promote sales of the newly launched alignment station, Litho Booster. The Litho Booster can be utilized with semiconductor lithography systems to realize high levels of measuring performance and consequently unprecedented levels of process control. This offering will be proposed to various customers in light of its ability to contribute to improved yield rates for customer products and higher efficiency in capital expenditures.

Contributing to Society through Business Activities

We support technological progress while contributing to the realization of a more convenient and comfortable society. We also continue to provide environmental value by creating smaller semiconductors to enable massive reductions in electricity consumption. Furthermore, we are currently promoting the reuse of used equipment in order to facilitate the effective utilization of metals, glass, and other precious resources. We therefore believe that the Semiconductor Lithography Business Unit is capable of playing a substantial role in reducing the environment burden.

Companies are obligated to help accomplish the SDGs and respond to other social demand in order to contribute to a sustainable society. Recognizing that the Nikon Group is a member of society, we are committed to fulfilling our responsibilities by aiding in the development of a more comfortable and convenient society and in the reduction of energy consumption and other environment impacts.
Overview of the Fiscal Year Ended March 31, 2019

For the Healthcare Business Unit established in June 2017, the fiscal year ended March 31, 2019 was the first year to record performance on a full-year basis. In this fiscal year, our operations in microscope solutions could achieve its revenue target for biological microscopes. Meanwhile, operations in ophthalmology solutions marked revenue growth thanks to the new retinal imaging device launched by subsidiary Optos Plc. In this manner, both of these existing areas could record the highest revenue in history. Our efforts to bolster sales throughout the fiscal year and strengthen the marketing capabilities are the main factors of this accomplishment.

As for growing area in cell solutions (regenerative medicine / drug discovery support), we focused on laying the groundwork to establish a market position in which Nikon is synonymous with cell solutions from a medium- to long-term perspective.

Operating Environment Outlook

We expect ongoing growth in the life sciences market as the anticipation of development in this field is growing. The Americas, Europe, China, and Japan are core markets for our operations in microscope solutions. We also predict that there will be substantial opportunities of growth in the currently small market represented by Asian countries other than China. There are other business opportunities for Nikon in cell solutions operations. The outlook for this area is based on projections released by Japanese government statistics stating that the regenerative medicine market will experience rapid growth beginning in 2020. Looking ahead, we anticipate the trend toward medical device companies branching out from hardware to create value with new solutions that incorporate clinical diagnostic services powered by AI. Foreseeing risks in the massive changes to both the market environment and the competitive climate, we try to respond to them swiftly and flexibly.

We will grow into the core business unit of the Nikon Group and contribute to the resolution of social issues in the fields of medicine and healthcare.

Tatsuya Yamaguchi
Corporate Vice President
General Manager of Healthcare Business Unit

Healthcare Business Unit
Medium- to Long-Term Vision

We aspire to grow consistently and become a core business unit of the Nikon Group by contributing to the resolution of social issues in the fields of medicine and healthcare. Holding both existing business areas and growing areas, we are committed to building a foundation of growth by adopting a forward-looking perspective, responding flexibly to changes, and taking swift action.

Priority Strategies and Initiatives of the New Medium-Term Management Plan

Looking at existing areas of operations, we already have a notable share of the markets for biological microscopes and ultra-widefield retinal imaging devices. In these areas, we will pursue steady improvements in short- and medium-term profitability while investing in growing areas with the aim of realizing substantial long-term growth. Our first step to achieve this goal is to implement process reforms for entrenching the customer’s perspective into all of our business processes. Process reforms will be crucial to our ability to provide solutions for the needs and the changes among our customers and society. In advancing these reforms, we will focus on creating a cycle involving dispatching staff to the front lines to catch the accurate customers’ demand, proposing to customers based on a more refined ability to resolve their issues, and then using their feedbacks into future development.

Nikon’s Healthcare Business is unique among its peers that we boast expertise in both the biological microscope business and the cell business. This strength is something that we will leverage as we seek to deliver distinctive value. In June 2019, we established the “Nikon BioImaging Lab” in Boston, one of the premier biotechnology hubs for pharmaceutical companies and drug discovery venture companies. At the lab, we will provide a wide variety of drug discovery support services, including development of custom assays for drug discovery research and screening as well as optimization of cell culturing conditions, to meet the needs of individual clients. In order to accelerate drug discovery activities and realize practical application of regenerative medicine, we provide the advanced cell culture observation system, BioStation CT and comprehensive cell quality evaluation systems we have continued to focus on since the past. However, we also recognize that success in the growing area of regenerative medicine will require strategic initiatives from a long-term perspective. We therefore intend to take a patient and dedicated approach toward developing this area.

Focuses of the New Medium-Term Management Plan

1. ROIC in existing areas of operation
2. Revenue growth rate
3. Quick launches of operations in growth areas

Contributing to Society through Business Activities

As the Healthcare Business supports the life sciences field, the growth of our business is intrinsically linked to contributions to society. For example, Optos’ ultra-widefield (UWF) scanning technology can capture high-resolution images of the retina and allow early detection of various diseases without placing burden on the patient. When it becomes possible for AI to handle a significant portion of image screening and checking in the process of making diagnoses, it will give physicians greater time to interact with patients to be able to provide more personalized services. Furthermore, promoting our cell solutions (regenerative medicine / drug discovery support) operations will accelerate the development of drugs for diseases that were previously difficult to treat. Therefore, I am sure that the growth of the Healthcare Business will contribute to improved quality of life around the world. Looking ahead, we will continue to provide the value that only Nikon can create as a company that contributes to a better society.