

1. Financial results for the first half of the year ending March 2017
2. Existing medium-term management plan
3. Restructuring plan
4. Forecast for the year ending March 2017



Nikon's current situation

- We were unable to effectively respond to weakening market demand and intensifying competition. As a result, our **profits declined** and we failed to meet market expectations
 - We have not resolved the structural challenges our core businesses face

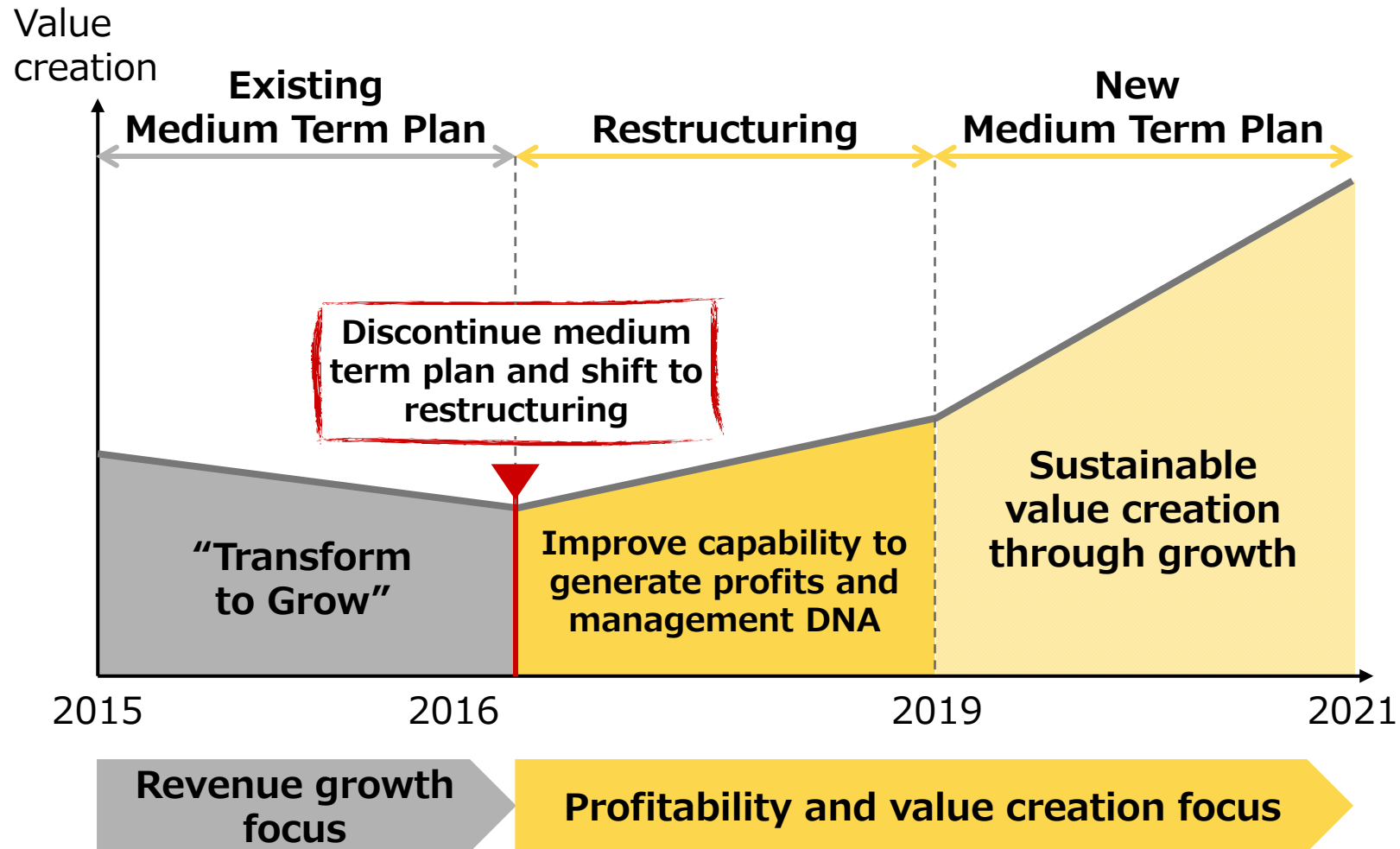
Change in mindset/assessment

- **The fundamental mindset and assumptions underlying the medium-term management plan need to be revised without delay**
 - Continuing with the existing medium-term management plan would ignore structural problems and could further undermine our ability to generate profits
- A **fundamental restructuring** down to our management DNA is vital

Future direction

- **We will discontinue the existing medium-term management plan**
- We will launch a **“Preemptive Restructuring”** plan while financially sound, to create the foundation for Nikon's “Next 100 Years”
- Our aim is to **increase value creation by enhancing our ability to generate profits and rewiring our management DNA**

We will discontinue the existing medium-term management plan and shift to the restructuring phase



The next 2 years will focus on restructuring, and a medium term plan with growth strategies starting FY2020/3 will be announced

Objective of restructuring:

**Company-wide restructuring to improve value creation:
Strategic pivot from revenue growth to profit growth**

Basic principles:

Create a company-wide **focus on “high value-add businesses”** to improve profitability

Optimize R&D, sales, and manufacturing structure on a global basis

Streamline HQ function to match scale of restructured businesses

Simultaneously **shift to portfolio based management, implement targets linked to shareholder value, and enhance governance structure** to improve transparency and discipline



We will prioritize the restructuring of Semiconductor Lithography, Imaging Products and HQ functions

Semiconductor Lithography Business:

Assessment of situation and key points of restructuring



Assessment of current situation

- Existing strategy focused on **revenue growth through increased unit sales** of ArF Immersion Scanners
- **Profits have declined due to write-downs/write-offs of inventory** caused by a lack of technological competitiveness and the **high R&D expenses of ArF Immersion Scanners**



Key points of restructuring

- **Reassess ArF Immersion Scanner strategy to stop losses**
 - **Reduce the extent of R&D** in ArF Immersion Scanners
 - **Shift focus** from “increasing revenue/sales volume” to “**securing profitability**”
 - **Minimize inventory write-down/write-off risk** by reassessing the sales approach
- Reduce fixed costs related to ArF Immersion Scanner business by **headcount rationalization and re-assignments of 1,000 employees**
- Target **Semiconductor Lithography Business break-even** by FY2018/3

1

Reassess R&D strategy

Reduce R&D and related expenses of ArF Immersion Scanners

2

Reassess sales approach

Focus on profitability and minimize inventory write-down/write-off risk

3

Optimize manufacturing structure

Reduce costs by optimizing manufacturing structure and scale

4

Reassess business organization and structure

Reduce fixed costs by reassessing headcount and expenses

Imaging Products Business:

Assessment of situation and key points of restructuring



Assessment
of current
situation

- Offered a full line of products focused on revenue growth
- **Business unable to adapt** its structure to shrinking market



Key points of
restructuring

- **Focus on high value-add products**
 - Achieve **high profit margins** by focusing on **high value-add products**
- Improve ability to generate profits by **optimizing R&D, sales approach, and manufacturing structure**
- Reduce fixed cost with headcount rationalization and re-assignments of **350** domestic employees



1

Create focus in product portfolio

Further focus on high value-add products

2

Increase focus and efficiency of R&D

Focus on high value-add products and enhance efficiency by increasing commonalities across products and categories

3

Optimize sales and manufacturing structure

Revise structure and improve efficiency to match market scale

4

Reassess business organization and structure

Optimize organization and structure to new strategy



Streamline HQ Structure

- **Streamline** HQ structure as part of overall restructuring
 - Redefine HQ role and function
 - Simplify organization and improve productivity
- Reduce fixed costs through **headcount rationalization and re-assignment of 200 employees** in HQ and other departments

Strengthen Manufacturing Technology of Optical Components

- **Centralize manufacturing functions of optical components** currently spread across departments
 - Increase technology sharing to strengthen manufacturing
 - Enhance ability to adapt to new fields
 - Centralize organization to increase manufacturing efficiency



- **One-time costs: ¥48 billion** during FY2017/3
- **Reduction of fixed costs: ¥20 billion** annually by FY2018/3
- **Headcount reduction: approximately 1,000** during FY2017/3 (excluding re-assignments, etc.)
 - Voluntary retirement plan for domestic employees will be announced
- Impact to performance in FY2017/3
 - Q1 earnings guidance → **New earnings guidance**
 - Net Sales ¥820 billion → **¥800 billion**
 - Operating Income ¥46 billion → **¥49 billion**
 - Net Income ¥30 billion → **¥-6 billion**

Upon restructuring, the following changes will be applied to clarify management responsibility

- For Representative directors and officers:
 - **Bonuses** related to the fiscal year ending March 31, 2017 will be forfeited
 - **Monthly remuneration** will be partially reduced from November 2016 for a given period
 - **Performance-based Stock Remuneration linked to the existing medium-term management plan** will be fully forfeited

- **The number of directors and officers will be reduced** according to a reassessment of their roles and assignments

Complete restructuring to transform Nikon into a company capable of sustaining value creation

We recognize that restructuring is crucial to restoring Nikon's strength and promise full commit to execution

Shift to portfolio-based management

Redefine role of each business in portfolio and optimize resource allocation

Implement targets linked to shareholder value

Introduce new company-wide target metrics and achieve improvements (e.g., ROE/ROIC)

Enhance governance structure

Improve transparency of leadership appointment/development plan, and revitalize the board with enhanced diversity/effective evaluation system