Medium Term Management Plan

Next 100 – Transform to Grow

Conference in Tokyo (June 17, 2014)

NIKON CORPORATION

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

II. Medium Term Management Vision Next 100 – Transform to Grow
   • The Nikon We Aim to Become
     (1) Medical Business
     (2) Precision Equipment Business (Semiconductor Lithography Business)
     (3) Precision Equipment Business (FPD Lithography Business)
     (4) Imaging Products Business
     (5) Instruments Business
        (Microscope Solutions Business and Industrial Metrology Business)
     (6) Organizational reforms
     (7) 4 programs to achieve Transformation

III. Management Numerical Targets
I. Introduction

• Expanding the Nikon Brand
• Present Challenges
Introduction

Corporate Philosophy

Trustworthiness and Creativity

To become a Nikon company group that constantly creates new value and continues to grow

Expanding the Nikon Brand
Accelerating the development of new businesses
Bolstering our leading position in existing businesses
Achieving a robust corporate structure that acts with speed and flexibility
Nikon wants to be a company that continues to provide value leveraging its unique technologies, ideas and solutions for our lives and society.
Resolve the challenges we face and get ready for another 100 years of growth

1. Strengthen our maturing core businesses

2. Define and begin to execute on our growth strategy in the Medical Business

3. Build an organizational structure that facilitates the rebuilding of our business portfolio
II. Medium Term Management Vision *Next 100 – Transform to Grow*

- The Nikon We Aim to Become

1. Medical Business
2. Precision Equipment Business (Semiconductor Lithography Business)
3. Precision Equipment Business (FPD Lithography Business)
4. Imaging Products Business
5. Instruments Business
   - (Microscope Solutions Business and Industrial Metrology Business)
6. Organizational reforms
7. 4 programs to achieve Transformation
Next 100 – Transform to Grow

Transform into a growing company with a portfolio of six businesses as we approach our 100th anniversary

Medical Business
Semiconductor Lithography Business
FPD Lithography Business
Imaging Products Business
Microscope Solutions Business
Industrial Metrology Business
Next 100 – Transform to Grow

Develop new businesses. Strengthen existing businesses. Four programs to achieve Transformation → M&A, R&D, Human Resources and Cost Reductions

- Industrial Metrology Business
- Medical Business
- Microscope Solutions Business
- Imaging Products Business
- FPD Lithography Business
- Semiconductor Lithography Business
Achieve Growth Leveraging a Portfolio of 6 Businesses

**Profitability**

- **Strengthen business fundamentals**
  - FPD Lithography
  - Maintain profitability
  - Semiconductor Lithography
  - Solidify profitability
  - Imaging Products
    - Improve profitability

**Growth drivers**

- Medical
  - Microscope Solutions
  - Industrial Metrology
- New Growth driver

**Growth potential**
Precision to Medical

Leverage Nikon's core competencies to answer unmet medical needs※1

Technologies

- Precision control
- Optics
- Image processing
- High precision measurement

Alliances M&A

CVC※2 Strategy

※1: Unsated medical needs
※2: Corporate Venture Capital
### Major Initiatives To Date

<table>
<thead>
<tr>
<th>Date</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2010</td>
<td>Announced direction for developing and strengthening new business as part of medium term management plan</td>
</tr>
<tr>
<td>March 2012</td>
<td>Decided to enter health and medical care business</td>
</tr>
<tr>
<td>November 2012</td>
<td>Began collaboration with US medical venture (equity stake and joint development)</td>
</tr>
<tr>
<td>August 2013</td>
<td>Took equity stake in Healios (formerly Retina Institute Japan) and entered regenerative medical business</td>
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<tr>
<td>February 2014</td>
<td>Forged equity and business alliance with JEOL</td>
</tr>
<tr>
<td>April 2014</td>
<td>Entered into basic agreement on collaboration with LSI Medience</td>
</tr>
<tr>
<td>June 2014</td>
<td>Medical Business Development Division to be established</td>
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</table>
Significance of Our Entry into the Medical Business

Achieve accurate diagnosis and treatment

Relieve the physical burden and impact on patients

Shorten times required for diagnosis, treatment and hospitalization

Lessen the burden of medical costs

Answer unmet medical needs
Support drug development. Enable non- or minimally invasive procedures

Nikon's core competencies

- Optical technology
- Precision control technology
- Image processing technology
- Semiconductor lithography technology
- High-precision measurement technology
Applications of Nikon's core competencies

① Medical Business

Support of drug discovery

Search for pathology markers

Blood tests (minimally invasive)

Assaying for and measuring iPS cells

Support of minimally invasive pathological diagnosis

Biomicroarrays

Compact POCT※ devices

※ POCT: Support of minimally invasive pathology diagnostic procedures conducted as point-of-care testing that takes place at clinics, the patient's home, or in examination rooms or bedside at hospitals.

Prevention

Diagnosis

Treatment

Prognosis management

Minimally invasive check-ups

Support of minimally invasive surgery

Surgical robot eyes

Regenerative medical business

Next 100 – Transform to Grow
Create Microarrays Leveraging Semiconductor Lithography Technology

Semiconductor process technology

Chemical synthesis process

Biomicroarray synthesis

Semiconductor lithography equipment

Biomicroarrays
Degree of integration: Several μm/spot
Current state

- Market growth is flat
- Competitive environment remains harsh
- Need technology to support advances in finer patterning
  ⇒ Requires massive investments
- Improve breakeven point

Strategic direction

- Improve profitability through structural reforms
- Achieve 30% share in immersion
② Precision Equipment Business  
(Semiconductor Lithography Business)

Next 100 – Transform to Grow

**Improve Breakeven Point**

**Reduce fixed costs**
- Shift personnel
- Advance outsourcing of fabrication
- Raise operational efficiency and utilization rates

**Reduce variable costs**
- Optimize procurement costs
- Optimize R&D expenses by funneling development activities

**Leverage differentiating technologies and acquire new customers ⇒ Achieve 30% share in immersion**

- Quickly launch new product NSR-S630D
  - Overlay accuracy: ※ SMO ≤ 1.7nm, MMO ≤ 2.5nm
  - Throughput: 250wph
- Provide complete process solutions leveraging the development of applications

※ Overlay accuracy. SMO: Single Machine Overlay. MMO: Mix and Match Overlay
Precision Equipment Business (FPD Lithography Business)

Protect Our Overwhelming Position

**Current state**

- Customer capital investment is flat
- Strong technological capabilities and profitability

**Strategic direction**

- Launch innovative next generation product that delivers both high resolution and high cost performance. Protect our technological superiority by accelerating the development of the new method.
- Promote thorough pursuit of efficiency and cost reductions
- Respond to fluctuations in demand with a flexible production regime
Bolster Product Competitiveness

FX-86S (current 8G tool)

FX-101S
Advanced Body

High Accuracy
High Throughput

FX-67S
(6G high resolution tool)

+Support system
FX-Smart

Release high tact-speed high-resolution 8G tool

Develop even higher resolution 6G tool

Next 100 – Transform to Grow

3 Precision Equipment Business
(FPD Lithography Business)
Launch Innovative New Products, New Marketing Strategy

**Current state**

- Digital camera market is maturing
- Technology supporting basic functions is maturing
- Basis for evaluating products is shifting
- Room for growth in emerging markets
- Increasing need for low cost

**Strategic direction**

- Launch innovative new products
- Introduce new marketing strategy
- Gain more depth and new exposure in emerging markets
- Cut costs from development all the way through sales
Strengthen CRM

Cumulative volumes sold over past 10 years

About 200 million※1

- China: 18,000
- Japan: 18,000
- Asia: 26,000
- Americas: 67,000
- Europe: 68,000

1,000 of units sold

• Improve retention through the multifaceted analysis of existing customer data
• Offer new products and services and acquire new customers

※1: 200 million cumulative volumes sold: 35 million D-SLR, 52 million interchangeable lenses, 110 million C-DSC.
※2: CLM = Customer Lifecycle Management
Cities categorized into Tiers 1 through 4 based on GDP, population and income, among other factors. Of the 889 Tier 3 & 4 cities, 193 Tier 3 cities are shown on the map.

Distribution of Tier 3 Cities in China※

※ Cities categorized into Tiers 1 through 4 based on GDP, population and income, among other factors. Of the 889 Tier 3 & 4 cities, 193 Tier 3 cities are shown on the map.
**Main Products**

- **Super Resolution Microscope N-SIM**
- **Super Resolution Microscope N-STORM**
- **Confocal Microscope A1⁺ / A1R⁺**
- **Cell Culture Observation System BioStation CT**
Instruments Business
(Microscope Solutions Business)

Grow to 100 Billion Yen in Sales in the Instruments Business

**Current state**

- Existing areas of business
  - Increased demand for super resolution microscopes and analytical software

- New areas of business
  - Stem cell business is growing
  - Fusion of electronic microscopes and optical microscopes

**Strategic direction**

- Expand areas of business through M&A and alliances
- Provide total solutions centered around image analysis
- Enhance and expand super resolution microscope systems
- Bolster sales force in priority regions and fields of research
Main Products

CNC Video Measuring System

Coordinate Measuring Machine

X-ray Electronics Inspection

Large Volume Inspection

X-ray CT Inspection
Current state

- Growing market for X-ray inspection systems and non-contact 3D metrology systems
- Shift in competition from equipment specifications to the ability to propose systems for customers
- Application software is increasingly important

Strategic direction

- Expand areas of business through M&A and alliances
- Capture leading position in markets for X-ray inspection systems and non-contact 3D metrology systems
- Propose solutions by strengthening application software
1. **Move away from the in-house company system, establish new Corporate Strategy Division, strengthen human resources functions**
   - Be agile in allocating management resources

2. **Management structure based on business units**
   - **Precision Equipment Company**
     - Semiconductor Lithography Business Unit
     - FPD Lithography Business Unit
   - **Instruments Company**
     - Microscope Solutions Business Unit
     - Industrial Metrology Business Unit

3. **Establish a new Medical Business Development Division**
   - Promote the rapid development of the Medical Business
4 programs to achieve Transformation

**M&A Program**
- M&A spend: 200 billion yen
- 30 billion yen in Corporate Venture Capital
- Enable the inter-divisional flow of personnel
- Hire experienced experts

**R&D Program**
- R&D spend: 220 billion yen
- Of which, 50 billion yen to be invested in medical and new businesses
- Reduce costs in design and manufacturing processes
- Rebuild our business portfolio
- Fundamentally review production regime

**Human Resources Program**

**Cost Reduction Program**
4 programs to achieve Transformation

M&A Program

- 200 billion yen M&A spend for Medical and Instruments businesses
- Launch 30 billion yen Corporate Venture Capital in the Medical Business and encourage open innovation
R&D Program

• 220 billion yen R&D spend
  Of which, 50 billion yen※ to be invested in medical and new businesses

• Generate synergies among technologies by way of the Core Technology Division as a hub

• Cultivate venture companies

※2015/3-2017/3
Human Resources Program

- Enable the inter-divisional flow of personnel
- Hire experienced experts
- Reform the mindset among all employees and cultivate the next generation of leaders
Cost Reduction Program

- Reduce costs in design and manufacturing processes
- Reduce overhead in headquarters as well as in the business units
- Fundamentally review production regime to reflect the rebuilding of our business portfolio
III. Management Numerical Targets
<table>
<thead>
<tr>
<th>Performance Targets</th>
<th>2014/3</th>
<th>2015/3</th>
<th>2016/3</th>
<th>2017/3</th>
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<tbody>
<tr>
<td>Billion Yen</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net Sales</td>
<td>980.5</td>
<td>940.0</td>
<td>1,050.0</td>
<td>1,200.0</td>
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<tr>
<td>Billion Yen</td>
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<tr>
<td>Operating Income</td>
<td>62.9</td>
<td>63.0</td>
<td>90.0</td>
<td>110.0</td>
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<td>Operating Margin</td>
<td>6.4%</td>
<td>6.7%</td>
<td>8.6%</td>
<td>9.2%</td>
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<table>
<thead>
<tr>
<th>FX Assumptions</th>
<th>USD</th>
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<tr>
<td>(Vs Yen)</td>
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<tr>
<td>Billion Yen</td>
<td>EUR</td>
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<tr>
<td>2015/3-2017/3: Cumulative 220 billion yen. Of which, 50 billion yen to be invested in medical and new businesses</td>
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## Management Numerical Targets (By Business)

<table>
<thead>
<tr>
<th>Billion Yen</th>
<th>2014/3</th>
<th>2015/3</th>
<th>2016/3</th>
<th>2017/3</th>
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<tr>
<td><strong>Net Sales</strong></td>
<td></td>
<td></td>
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<tr>
<td>Precision Equipment Business</td>
<td>205.4</td>
<td>210.0</td>
<td>230.0</td>
<td>230.0</td>
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<tr>
<td>Imaging Products Business</td>
<td>685.4</td>
<td>630.0</td>
<td>670.0</td>
<td>700.0</td>
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<tr>
<td>Instruments Business</td>
<td>64.7</td>
<td>70.0</td>
<td>80.0</td>
<td>100.0</td>
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<tr>
<td>Medical &amp; new businesses</td>
<td>0</td>
<td>0</td>
<td>40.0</td>
<td>130.0</td>
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<tr>
<td>Other</td>
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<td>30.0</td>
<td>30.0</td>
<td>40.0</td>
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<tr>
<td><strong>Operating Income</strong></td>
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<tr>
<td>Precision Equipment Business</td>
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<tr>
<td>Imaging Products Business</td>
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<td>Instruments Business</td>
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<td>Medical &amp; new businesses</td>
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<tr>
<td>Other</td>
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Next 100 – Transform to Grow