



November 8, 2016

Notice of Restructuring

Nikon Corporation has decided at the Board of Directors' Meeting held today, to conduct a fundamental company-wide restructuring in order to enhance our ability to generate profits and create value..

1. Background of Restructuring

Nikon's aim of "Medium-Term Management Plan Update" announced in May 2015, was to become a company capable of sustaining value creation by rebuilding Nikon's portfolio of 6 businesses, consisting of 3 existing businesses: Semiconductor Lithography, FPD Lithography and Imaging Products and 3 growth businesses: Microscope Solutions, Industrial Metrology and Medical.. This plan was fixed for 3 years and positioned the period between the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018 to focus on strengthening existing businesses and investing in growth businesses. The target of the plan was to achieve net sales of ¥990 billion and operating income of ¥65 billion in the fiscal year ending March 31, 2018.

In accordance with this medium-term management plan, several avenues of growth were pursued:

- Entry of the Medical Business into retinal diagnostic imaging equipment market through the full acquisition of Optos Plc
- Entry of the Microscope Solutions Business into regenerative medicine-related field
- Expansion of the Industrial Metrology Business by offering a wider range of Non-contact Sensor 3D Metrology systems

However, Nikon has not achieved the goal of stable profits for existing businesses as the Semiconductor Lithography Business has not achieved break-even and the Imaging Products Business faced a shrinking market and adverse foreign exchange impact. Furthermore, growth businesses are expanding but not to the extent initially expected.

Due to these circumstances, Nikon is reassessing the facts used in the "Medium-Term Management Plan Update", including the business environment and assumptions/ methodology underlying target setting. Nikon has decided to discontinue the current medium-term management plan and launch a company-wide restructuring plan while financially strong, as proceeding with the current plans which are misaligned with the business environment could undermine the ability to generate profits.

2. Objective and Overview of Restructuring

The entire Nikon group will launch a fundamental restructuring to improve profitability and value creation, in addition to shifting from a strategy pursuing revenue growth to one pursuing profit enhancement. Nikon will prioritize restructuring of the Semiconductor Lithography and Imaging Products Business, and HQ functions.

The main goals and initiatives of the restructuring are as follows:

(1) Goals of restructuring and basic principles

Company-wide transformation to improve value creation and make a strategic pivot from focus on revenue growth to profitability in addition to the following initiatives:

- Create a company-wide focus on high value-add businesses to improve profitability
- Optimize manufacturing, sales, and R&D structure on a global basis
- Streamline HQ function to match scale of restructured businesses
- Shift to portfolio based management, implement targets linked to shareholder value, and enhance governance structure

(2) Summary of Restructuring

1. Reassess the strategy of the Semiconductor Lithography and Imaging Products businesses
2. Optimize manufacturing, sales and R&D structure on a global basis
3. Optimize organization and headcount including HQ functions

(i) Semiconductor Lithography Business Initiatives

- Reduce development and expense of ArF Immersion Scanners by reassessing R&D strategy
- Reassess sales approach to focus on profitability and minimize inventory write-downs/ write-off risk
- Reduce costs by optimizing manufacturing structure and scale
- Reassess business organization and structure in addition to rationalizing and re-assigning 1000 employees to reduce fixed cost

(ii) Imaging Products Business Initiatives:

- Reassess product strategy to focus on high value-add products and enhance profitability
- Focus R&D on high value-add products and enhance efficiency by increasing commonalities across products and categories
- Optimize sales and manufacturing structure
- Reassess business organization and structure in addition to rationalizing and re-assigning 350 domestic employees to reduce fixed cost

(iii) Headquarters Initiatives

- Reassess organization and structure (Redefine the role of headquarters and streamline based on reassessment of organization and structure)
- Rationalize and re-assign 200 employees in headquarters and other departments to reduce fixed cost

Based on the above initiatives to rationalize headcount, Nikon will be announcing a voluntary retirement program of approximately 1,000 employees. Eligible applicants and detailed conditions will be announced once officially finalized.

Restructuring related costs and scale of headcount rationalization are as follows:

One-time costs:	¥ 48 billion	(fiscal year ending March 31, 2017)
Headcount reduction	approximately 1,000	(fiscal year ending March 31, 2017)

*A voluntary retirement plan for domestic employees will be announced

The above initiatives are expected to reduce fixed costs by ¥20 billion annually by the fiscal year ending March 31, 2018.

Other than the above initiatives, as a part of the restructuring plan, we will restructure domestic business organization to enhance manufacturing technology of optical components which are currently owned by Nikon and our group companies.. A separate announcement regarding this subject has been released today, titled “Restructuring of Domestic Business Organization to Enhance Manufacturing Technology of Optical Components”.

3. Future Outlook

The restructuring is expected to have a one-time cost of ¥48 billion during fiscal year ending March 31, 2017. A separate announcement covering the impact has been released today, titled “Revision of the Financial Forecast and Dividend forecast for the Fiscal Year Ending March 31, 2017”. The reduction of fixed costs is expected to amount to ¥20 billion annually by the fiscal year ending March 31, 2018.

4. Management Responsibility

Upon restructuring, the following changes will be applied to representative director and officer remuneration to clarify management responsibility. In addition, the number of directors and officers will be reduced according to a reassessment of their roles and assignments.

(1) Monthly remuneration

Monthly remuneration will be partially reduced from November 2016 for a given period

(2) Bonuses

Bonuses related to the fiscal year ending March 31, 2017 will be forfeited

(3) Performance-based Stock Remuneration

Performance-based Stock Remuneration linked to the medium-term management plan from fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018 will be forfeited