



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**

Corporate Philosophy
Trustworthiness and Creativity

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

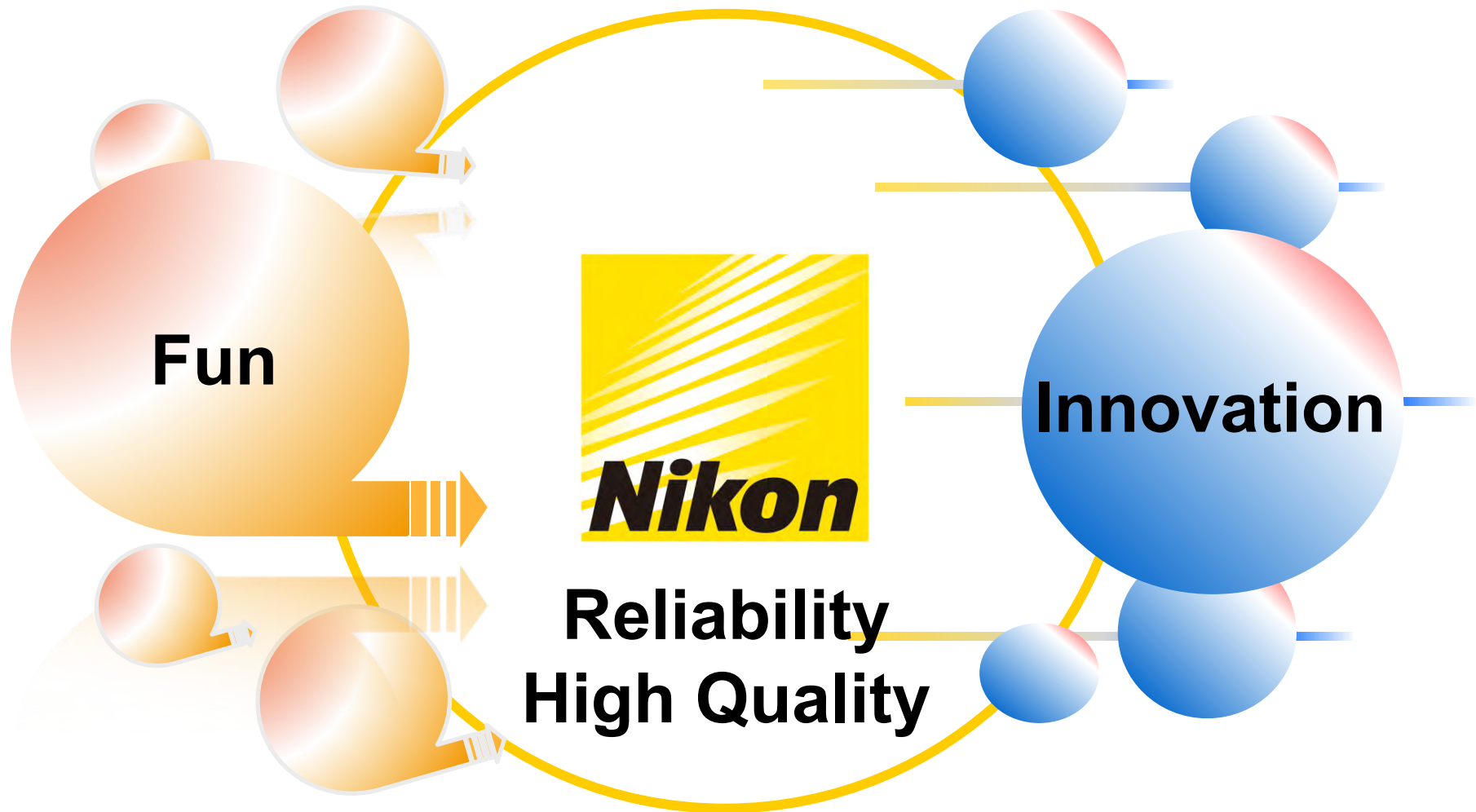
Expanding the Nikon Brand

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

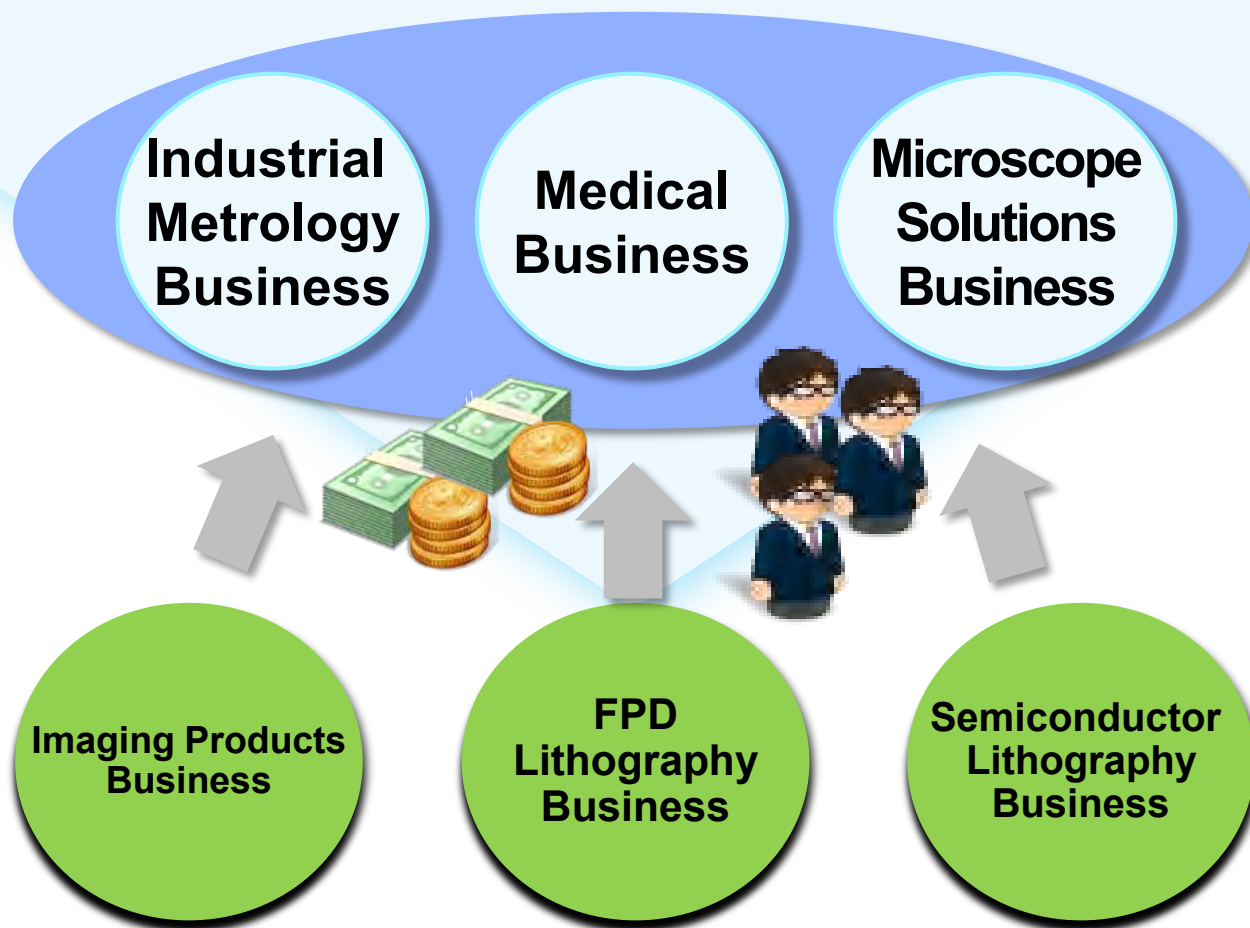
Imaging Products Business

Microscope Solutions Business

Industrial Metrology Business

Next 100 – Transform to Grow

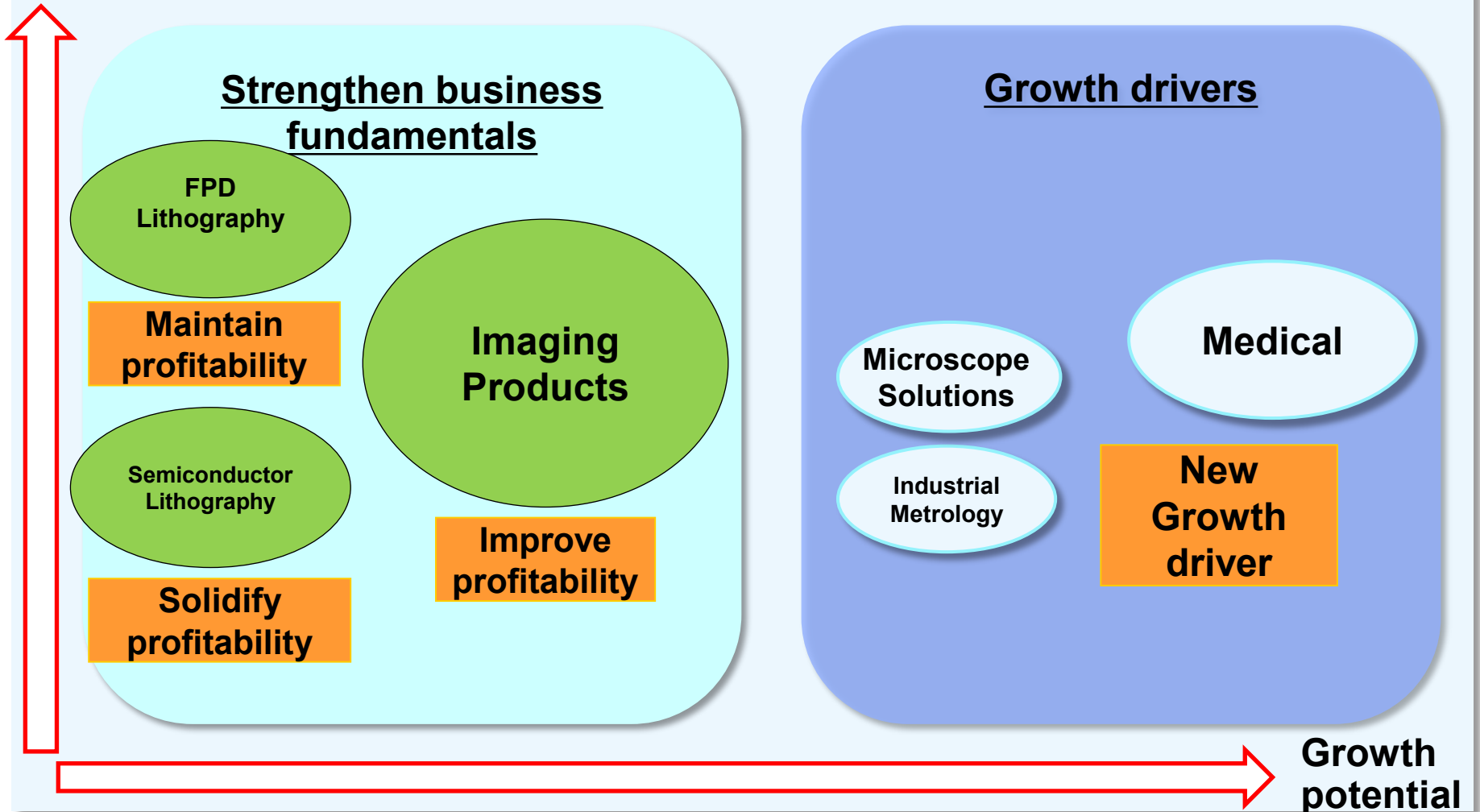
Develop new businesses. Strengthen existing businesses.
Four programs to achieve Transformation → **M&A, R&D, Human Resources and Cost Reductions**





Achieve Growth Leveraging a Portfolio of 6 Businesses

Profitability



Precision to Medical

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

Precision Equipment



Imaging Products



Instruments



Technologies

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

Alliances
M&A

Medical Business

CVC※2 Strategy

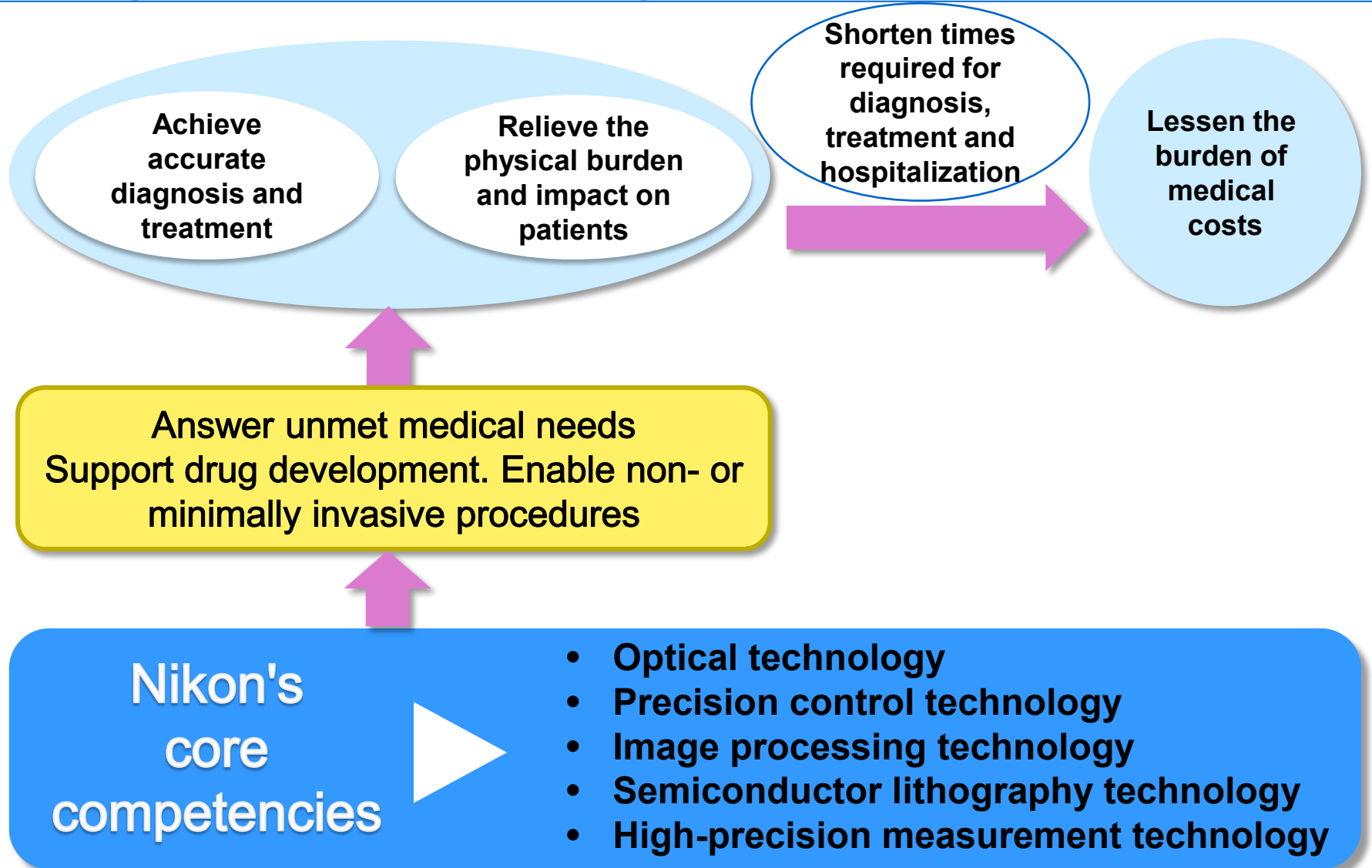
※1: Unsated medical needs

※2: Corporate Venture Capital

Major Initiatives To Date

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

Significance of Our Entry into the Medical Business



Applications of Nikon's core competencies



Compact POCT* devices

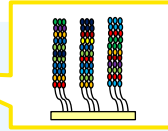
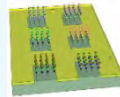
* POCT: Support of minimally invasive pathology diagnostic procedures conducted as point-of-care testing that takes place at clinics, the patient's home, or in examination rooms or bedside at hospitals.

Prevention

Prognosis management



Minimally invasive check-ups



Biomicroarrays



Support of minimally invasive pathological diagnosis

Diagnosis

Treatment



Support of minimally invasive surgery

Surgical robot eyes

Support of drug discovery

Search for pathology markers

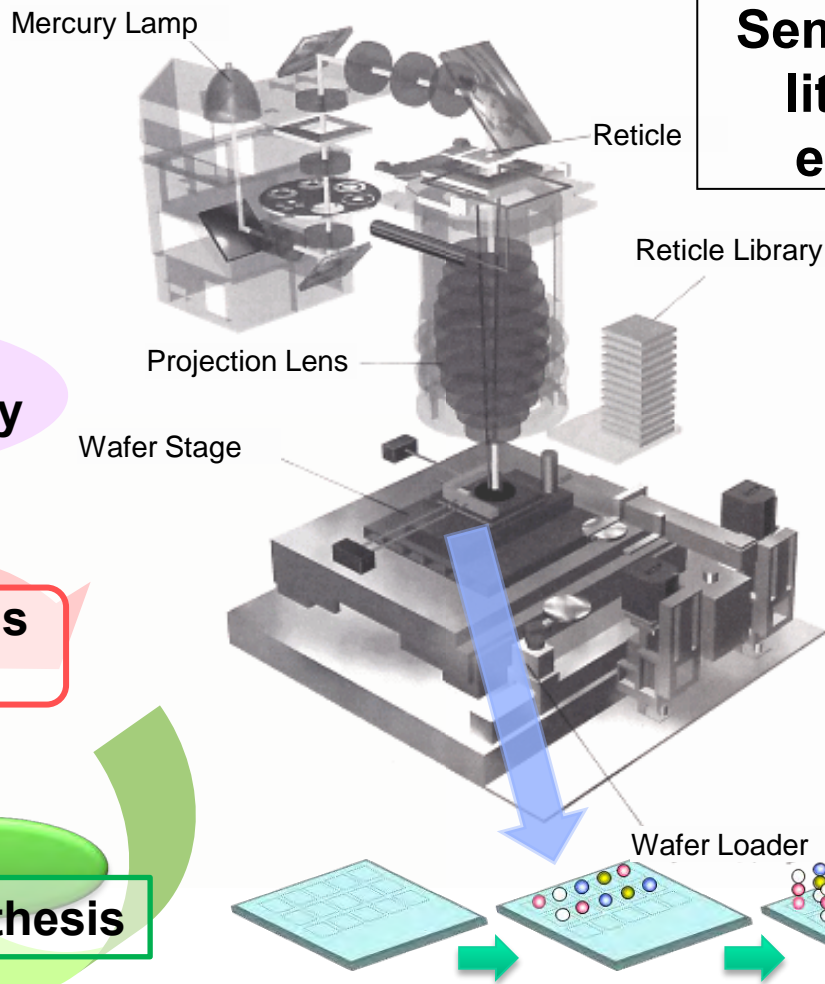
Blood tests (minimally invasive)



Assaying for and measuring iPS cells

Regenerative medical business

Create Microarrays Leveraging Semiconductor Lithography Technology



Semiconductor lithography equipment

Biomicroarrays
Degree of integration:
Several $\mu\text{m}/\text{spot}$

Semiconductor process technology

Chemical synthesis process

Biomicroarray synthesis

Turn Profitable

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

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



ArF Immersion Scanner
NSR-S630D

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

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

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

High Resolution



FX-67S
(6G high resolution tool)

+Support system
FX-Smart

Release high tact-speed
high-resolution 8G tool

Develop even higher
resolution 6G tool

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

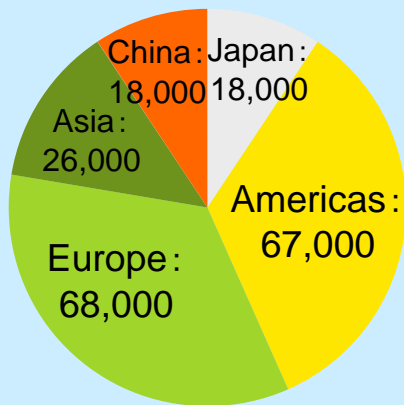
Strategic direction

- 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



1,000 of units sold

Strengthen CRM



Implement CLM※2

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

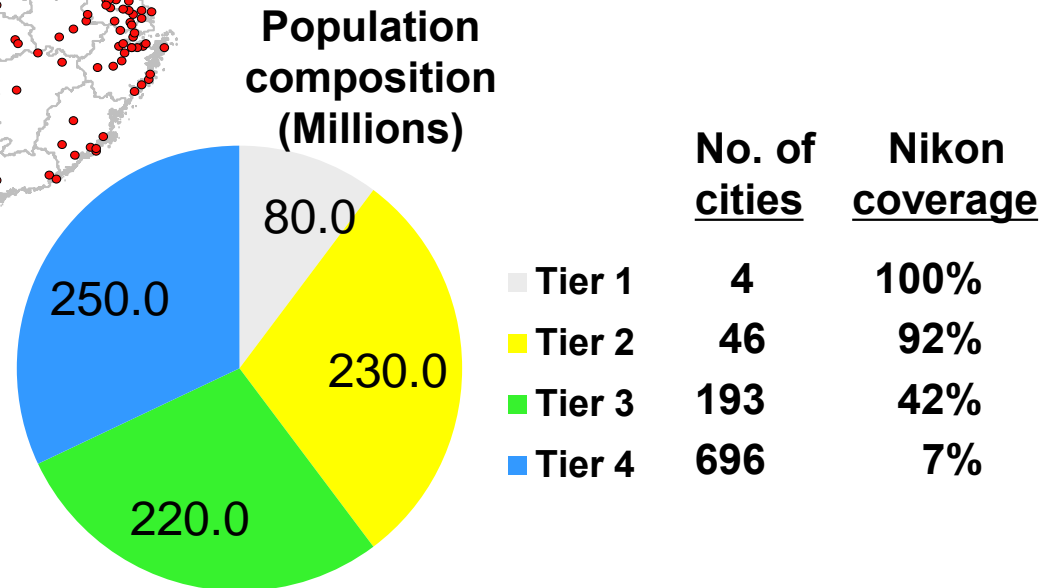


※1: 200 million cumulative volumes sold: 35 million D-SLR, 52 million interchangeable lenses, 110 million C-DSC.

※2: CLM = Customer Lifecycle Management

Gain More Depth and New Exposure in Emerging Markets

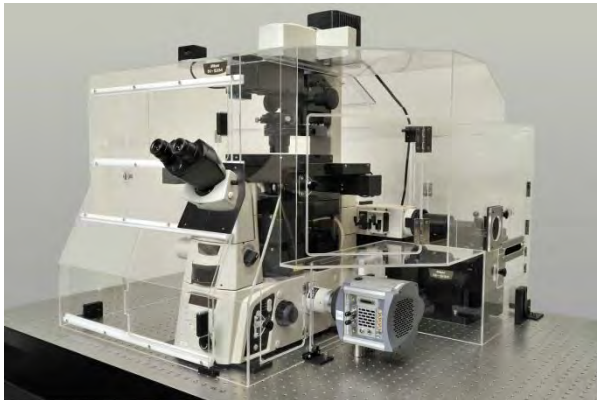
Distribution of Tier 3 Cities in China※



※ 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**



Confocal Microscope A1+ / A1R+



**Super Resolution
Microscope N-STORM**



**Cell Culture
Observation System
BioStation CT**



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**

Grow to 100 Billion Yen in Sales in the Instruments Business

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

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

Human Resources Program

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

Cost Reduction Program

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

Management Numerical Targets

Next 100 – Transform to Grow



Billion Yen		2014/3	2015/3	2016/3	2017/3
Performance Targets	Net Sales	980.5	940.0	1,050.0	1,200.0
	Operating Income	62.9	63.0	90.0	110.0
	Operating Margin	6.4%	6.7%	8.6%	9.2%

FX Assumptions	USD	100.17	100	100	100
(Vs Yen)	EUR	134.21	140	140	140

R&D expenditures

※2015/3-2017/3: Cumulative 220 billion yen. Of which, 50 billion yen to be invested in medical and new businesses

Capital expenditures

※2015/3-2017/3: Cumulative 110 billion yen.

Management Numerical Targets (By Business)

Next 100 – Transform to Grow



Billion Yen

2014/3

2015/3

2016/3

2017/3

		2014/3	2015/3	2016/3	2017/3
Net Sales	Precision Equipment Business	205.4	210.0	230.0	230.0
	Imaging Products Business	685.4	630.0	670.0	700.0
	Instruments Business	64.7	70.0	80.0	100.0
	Medical & new businesses	0	0	40.0	130.0
	Other	24.9	30.0	30.0	40.0

Operating Income	Precision Equipment Business	20.0	19.0	36.0	36.0
	Imaging Products Business	64.2	66.0	75.0	85.0
	Instruments Business	- 2.1	1.0	3.0	8.0
	Medical & new businesses	0	0	1.0	4.0
	Other	4.4	5.0	5.0	6.0

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