

Consumer Products

Business Results

The business environment affecting Nikon's consumer products operations remained harsh in fiscal 1998, exemplified by ongoing downward price pressure and increasing competition. Despite the Camera Division's return to profitability for the first time in five fiscal years, sales of consumer products fell, slipping 0.8%, to ¥130.3 billion (US\$986 million), and accounted for 35.0% of consolidated net sales.

Cameras

During the period under review, the Nikon F5 and Nikon F90X (N90s in the United States) SLR cameras

received high acclaim from consumers around the world. Coupled with strong performances by the Nikon F50 and Nikon F70 series and the new F50, with its metallic-colored body, camera sales continued to surge. In 1997, the Nikon F5 was awarded first prize in the Camera Grand Prix '97 in Japan and selected Camera of the Year and Best SLR Camera in overseas competitions.

Sales of interchangeable lenses grew during the term, thanks in part to the successful launch of the world's first micro AF zoom lens (AF Zoom Micro Nikkor ED70mm-180mm, f4.5-5.6D) suitable for

SLR cameras. This lens provides photographers with zoom capabilities—even for near-range photographs—allows the switching of reproduction ratios without changing the position of the camera, and increases flexibility in framing the shot. Other strong-selling interchangeable lenses include the compact AF Zoom Nikkor 28mm-200mm f3.5-5.6D (IF), which boasts a zoom ratio of approximately 7X, and the AF Zoom Nikkor ED70mm-300mm f4.5-5.6D, which offers superior cost performance.

In compact cameras, Nikon introduced the Advanced Photo System Nuvis 160i—which features a





Nuvis '97

superior 4.2X zoom lens—and the easy-to-operate Nuvis 110i. In addition, during the period under review we initiated activities aimed at enhancing customer support and increasing sales in this area.

Ophthalmic Products

In eyewear, in the first half of the year Nikon introduced the Nikon Lite Effort high-refraction lens and Nikon Soltes CPI and CPII progressive lenses for nearsightedness. In Japan and elsewhere in Asia, sales of ophthalmic and ophthalmological equipment fell while in the United States and Europe demand for the Retinomax series of cordless Hand Held Auto

Refract-Keratometer refraction measuring devices and Zoom-Slit Lamp Microscope NS-1V eye diagnostics equipment displayed significant growth. In binoculars, 8-20 × 25CF-Zoom compact binoculars (DX series overseas) sold well, and the Company launched the Mikron 6 × 15 CF, a commemorative model designed to resemble the original Mikron, which was launched in 1921. In addition, top-of-the-line 8 × 42HG DCF WP and 10 × 42HG DCF WP binoculars, which offer brighter visuals and higher resolution than conventional binoculars, recorded impressive sales.

Future Outlook

The positive effects of the weaker yen and sterling success of the Nikon F5 have given a tremendous boost to the performance of the Camera Division. Nikon will continue to promote its Total Productivity Management system—which links every division, from design and development through marketing—and work to stimulate the market with the launch of attractive new products, including new lines of cameras featuring the Advanced Photo System.



KrF Excimer Scann

Industrial Instruments

Business Results

In fiscal 1998, sales of industrial instruments declined 2.4%, to ¥241.9 billion (US\$1,831 million), and accounted for 65.0% of consolidated net sales. This fall was due primarily to a slump in the market for semiconductors.

Steppers

The market for semiconductor manufacturing related equipment continued to stagnate as memory prices continued to plummet, stifling demand for capital investment by semiconductor manufacturers.

Also pulling down the market were delays and withdrawals of orders from companies in Korea, which had previously comprised a stronger market of steppers and now are hard pressed by the economic turmoil in that country. Amid these harsh conditions, Nikon launched its new NSR-2205EX14C Krypton Fluoride (KrF) excimer steppers for use in the mass production of such next-generation devices as third- and fourth-generation 64M DRAMs. In addition, we introduced the NSR-S202A Step-and-Repeat KrF Excimer Scanning System for

the mass production of 256M DRAMs and next-generation microprocessors. Orders are now being accepted for both products.

Other Precision Instruments

In microscopes and measuring instruments, Nikon introduced the ECLIPSE E1000, a new addition to its top-of-the-line ECLIPSE series of biological microscopes. The ECLIPSE E1000 was designed to offer unparalleled performance to researchers conducting detailed, exacting studies. This fully automated



ing System



microscope allows users to switch to optimal magnification with just the touch of a button and boasts a variety of features that meet sophisticated and diversified user needs. During the period under review, Nikon was successful in boosting demand for its NEXIV series of computerized NC video measuring systems and the new Nikon V-20B large-scale profile projector.

In addition, we have developed and begun marketing three new varieties of surveying instruments in our DTM-800 series that can

be made to perform an array of measurement functions simply by changing the application program card.

Future Outlook

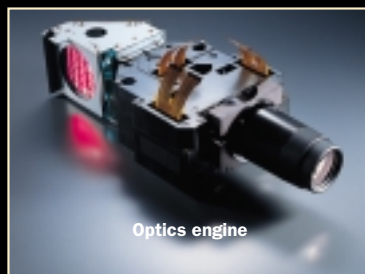
Despite the effects of deteriorating conditions in the semiconductor market, Nikon continues to work to increase its global market share for excimer steppers and is confident that by constantly improving the quality and reliability of its products it will realize higher earnings in the current term. We have already commenced the

shipment of equipment for R&D of 300mm wafers and have made delivery on a prototype for the next-generation ArF excimer stepper, which we will begin producing commercially in 1999.

Furthermore, Nikon expects to improve its performance through the strong sales of COOLPIX 900 digital cameras, which were launched in April 1998, and optics engines, which will be installed in the company's high-resolution, high-brightness LCD projectors.



COOLPIX 900



Optics engine