

NEW DIRECTION: IN PURSUIT OF A STRONGER NIKON

Nikon Medium Term Management Plan

Background

The business environment surrounding Nikon is changing at a fast rate. There has been further shrinkage of semiconductor devices and the market has expanded through diverse products that use semiconductors. Meanwhile, LCD panels continue to get larger. The digital SLR camera market keeps growing and competition intensifying, while there is continued advancement in digital networks. Expansion of the bioscience market is another key characteristic of the modern era.

To keep pace, Nikon has formulated a three-year medium term management plan that will run until the end of the year ending March 31, 2009. Building on the improvement in business performance in the years ended March 31, 2005 and 2006, the plan aims to further accelerate expansion of profit-earning capacity and to create a strong business structure that can generate sustainable growth.

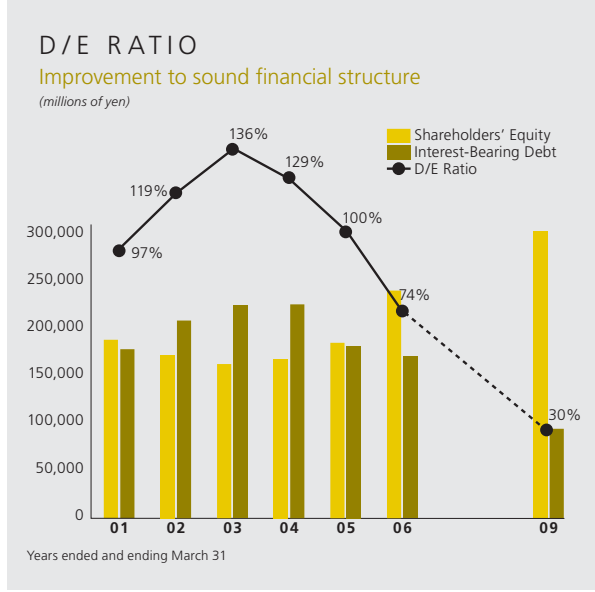
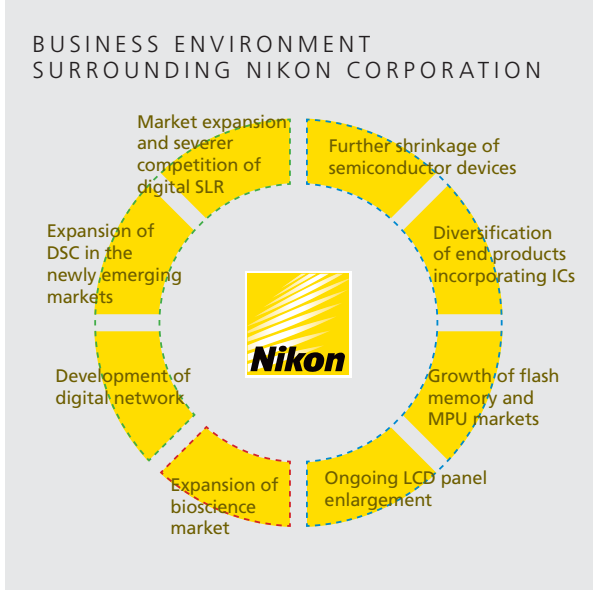
Based on the plan, consolidated targets for the year ending March 31, 2009 include net sales of ¥900 billion, operating income of ¥90 billion, an operating income ratio to net sales of 10% and a debt-equity ratio under 30%.

CONSOLIDATED FINANCIAL TARGET

Consolidated operating income ratio 2009 : 10%
(millions of yen)

	2006	2009
Net Sales	730,944	900,000
Operating Income	66,587	90,000
D/E Ratio	74%	Under 30%

Years ended and ending March 31



Management policy

The main concept is to move away from the corporate structure that has been greatly influenced by changes in the business environment and create a “Strong Nikon” that can generate sustainable growth. Nikon aims to achieve this by delivering highly competitive products that meet customer trust, building a solid financial structure that allows continuous investment to drive corporate growth and nurturing outstanding personnel with a strong will and the aspiration to achieve goals.

Key objectives

Apart from striving to strengthen the competitiveness of core businesses by leveraging cutting-edge technology and product, Nikon will work to create and foster new businesses by exploiting the peripheral domains of existing businesses and effectively utilizing accumulated technologies. Elsewhere, efforts will be made to bolster manufacturing competitiveness by pursuing efficiency and rationalization and to improve the company’s financial structure with an emphasis on cash flow. In accord with the modern era, Nikon will practice highly transparent, CSR-oriented management and nurture a free and open-minded corporate culture so that employees’ motivation levels are optimum.

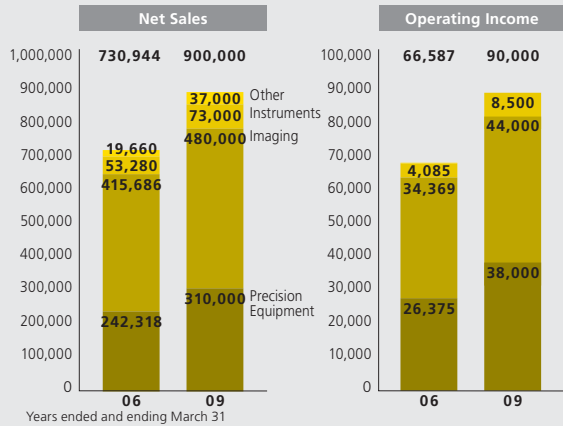
Capital investment and R&D

In the three-year period from the year ending March 31, 2007 to the year ending March 31, 2009, Nikon plans to channel funds into capital investment and R&D investment. Specifically, during this three-year period, Nikon plans to raise capital investment by 20% to ¥100 billion and R&D investment by 60% to ¥165 billion compared with the prior three years to boost competitiveness in existing businesses as well as to create and foster new businesses.

CONSOLIDATED FINANCIAL TARGET OF EACH COMPANY

Consolidated operating income ratio 2009: 10%

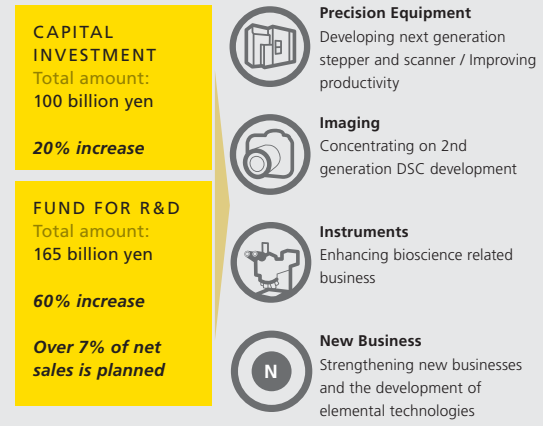
(millions of yen)



Years ended and ending March 31
Note: The above segment sales are based on net sales for outside customers by industry segment.

PLAN OF CAPITAL INVESTMENT AND R&D (Total amount of 3 years)

Expanding investment for future growth



Business strategy of each company

Precision Equipment Company

Nikon expects the IC stepper and scanner market to continue growing in value, although not in unit volume, between the years ending March 31, 2007 and 2009 due to a decrease in i-line steppers and an increase in high-priced ArF dry and immersion scanners. Consequently, Nikon aims to secure top position in the market for state-of-the-art equipments, beginning with immersion lithography products, while at the same time developing the tools to enhance productivity of our customers, and boosting profitability.

Meanwhile, the LCD exposure system market is continuing to become larger as demand for larger LCD TV grows. There are also concerns about over-capacity in small to mid-sized LCD panels going forward. Amid such a business environment, Nikon aims to grab top share in the market for large LCD exposure systems by leveraging competitive advantages in the larger panel by exploiting the multi-lens projection optical system.

Imaging Company

While the digital compact camera market heads towards maturation, the digital SLR camera market is projected to continue on a growth track with competition inten-

sifying. Under these circumstances, Nikon intends to boost profitability through the provision of highly distinctive products. In addition, we seek to create new markets by developing and proposing new products. In the year ending March 31, 2009, we aim to secure over 40% share of the digital SLR camera market.

Instruments Company

In the bioscience field, Nikon aims to expand its solutions business in observation of live cells which attracts the attention of the research market. In the industrial instruments field, with a particular emphasis on semiconductor and electronic businesses as well as non-contact vision based measuring systems, we aim to embark on broader businesses including in the automotive industry. We will also try to shorten product development lead-time by 30%.

New Businesses

Nikon is striving to cultivate new businesses in the realms of glass materials, solid-state lasers, inspection/fabrication tools for 3D-IC, CMPs and optical components by leveraging from precision and optical technologies to image processing, material and software technologies accumulated throughout Nikon Group.