

INTERVIEW WITH THE PRESIDENT

Q. Please give a summary of the fiscal year ended March 2009.

A. The economic downturn that began with the financial crisis in the United States caused a market contraction that exceeded our expectations.

Since we entered the fiscal year ended March 2009 amid the early stages of a global economic slowdown, we had implemented emergency management measures from its onset. However, in fall 2008 the slowdown in the economy precipitated by the financial crisis in the United States spread quickly throughout the world, and markets cooled considerably beyond our expectations. This had a significant impact on the Nikon Group's business.

The Precision Equipment Company faced a marked contraction of markets in the semiconductor field, as capital expenditures were sharply curtailed following the worldwide falloff in demand for semiconductor devices. The market for the LCD equipment field, despite brisk investment during the first half, stagnated from summer 2008 as demand for the large panels used in flat-screen televisions abruptly slowed. The Precision Equipment Company managed to boost sales to a certain extent with cutting-edge ArF immersion scanners and large-scale LCD steppers and scanners, but the impact from the slowdown in related markets led to year-on-year declines in both revenue and earnings.

The Imaging Company posted record sales for the full period in terms of both volume and value owing to brisk business during the first half, but earnings declined as a result of the substantial rise of the yen and the slump in consumer spending with the rapidly deteriorating economy in the second half.

The Instruments Company achieved positive performance in the bioscience field, mainly in areas involving live cells, but in the industrial instruments field the market stagnated as curbs were placed on capital expenditures

in almost all industries, leading to an overall decline in both revenue and earnings.

As a result, consolidated net sales for the fiscal year ended March 2009 declined 8.0% from the previous fiscal year to ¥879,719 million. Operating income fell 64.4% to ¥48,185 million, and net income 62.8% to ¥28,056 million.

Q. The three-year Medium Term Management Plan from April 2009 through March 2012 has just begun. What are your goals for this plan, and what specific measures does it contain?

A. Focusing on the world economy after recovery, we are pursuing structural reforms and the development of attractive products that will return us to a sustainable growth track.

Nikon's policies for the three-year Medium Term Management Plan are, in the fiscal year ending March 2010, to reform the structure of business and profit, and lower the break-even point; in the fiscal year ending March 2011, to commence business operation for the coming economic recovery, and achieve a turnaround in profitability; and in the fiscal year ending March 2012, to return to a sustainable growth track. The measures in this plan assume that semiconductor producers and other manufacturers will continue to control capital expenditures, and that demand for final products will remain sluggish for some time. We also expect that even after the world economy recovers there will be a shift in the demand structure, and we will enter an era in which corporate growth is uneven.

We must adapt to this market environment change and consider how Nikon can achieve sustained growth under these difficult business conditions. This plan describes the policies that will put the Nikon Group back on a sustainable growth track by its final year. To realize this goal,

we believe it is essential to (1) strengthen earnings capabilities to secure profits even in the severe environment, and (2) develop products for sustainable growth. These two central themes are the twin pillars for this plan.

First of all, to strengthen earnings capabilities to secure profits even in the severe environment, we will reorganize the business locations of the Precision Equipment Company at a global level to be more appropriate to the changes in the market. Specifically, we will reorganize and consolidate our four production subsidiaries in Japan into two companies, while unifying and streamlining as much as possible the marketing and servicing operations of our two overseas subsidiaries in the United States and Europe. Furthermore, in Japan and Asia we are pursuing a more efficient business by scaling back operations in line with the business scale. Through these measures, we will make reductions in production and service personnel in Japan, as well as sales and service personnel overseas, which we anticipate will cut fixed costs by approximately ¥8,000 million.

For the Imaging Company, we will take steps to establish a production structure better able to withstand further appreciation of the yen. Nikon anticipates that compared to the fiscal year ended March 2009, the yen will continue to rise through the fiscal year ending March 2012. In response, we will pursue such strategies as shifting more production to countries such as Thailand and China and expanding procurement of components in foreign currencies.

Next, to develop products for sustainable growth, we will develop and commercialize such products as cutting-edge IC and LCD scanners and next-generation digital cameras, strengthen product development of bioscience and industrial instruments, cultivate new businesses and explore new business fields. While developing new products, we will examine new ways to develop businesses and become a leader in each industry, setting the stage to stand at the forefront of the economic recovery.

Q. What are your forecasts for the fiscal year ending March 2010, and the areas on which Nikon intends to focus?

A. We will boldly move ahead with the structural reforms for the corporate group overall, and make strategic moves that pave the way to future growth.

We anticipate that semiconductor manufacturers will sharply scale back capital expenditures during the fiscal year ending March 2010, and while there are signs of rising operation rates among panel manufacturers, we expect that the decline in capital expenditure will continue. In digital cameras, we foresee a difficult market environment, with the yen expected to remain strong, and decline in product prices arising from more intense competition with the launch of new products by all manufacturers.



Considering these factors, we are forecasting an operating and net loss for the fiscal year ending March 2010. However, we are confident that the program of structural reforms will allow us to achieve a turnaround in profitability in the fiscal year ending March 2011, and return us to a sustainable growth track in the fiscal year ending March 2012.

Despite the difficult business environment, to provide for continued growth the Nikon Group will faithfully implement the fundamental policies in the Medium Term Management Plan described previously, reforming its business and earnings structure, lowering the break-even point, and pursuing product development for sustainable growth.

At the same time, Nikon will actively pursue opportunities that support future growth. One of our goals has been to make the Instruments Company the third pillar of the Nikon Group alongside the Precision Equipment Company and the Imaging Company, with net sales in the business of ¥100,000 million. As part of our effort to achieve this, in June 2009 we announced a plan for a

friendly tender offer for Metris NV, a Belgian company that manufactures measurement equipment. Metris has advanced technology and products in the market for non-contact, three-dimensional measurement systems, and its business lines will neatly complement those of Nikon. Along with the broadening of product lines, Metris's close relationship with the automotive and aerospace industries will reinforce our customer base.

The Precision Equipment Company is currently constructing a new building at the Kumagaya Plant to expand production of cutting-edge ArF immersion scanners, to meet an anticipated increase in demand.

The Core Technology Center, which develops advanced elemental technology and conducts basic research, is the source of the Nikon Group's cutting-edge technological and manufacturing capabilities. One of our immediate issues is how the Center can better contribute to increasing the competitiveness and earnings capabilities of each business unit. As part of this consideration, we are narrowing the focus of capital expenditures and R&D, and looking ahead to the economic recovery, plan to spend ¥41,000 million in capital expenditure during the fiscal year ending March 2010, with ¥56,000 million in R&D spending.



Q. What is Nikon's policy regarding CSR?

A. We must not forget that our corporate philosophy of "Trustworthiness and Creativity" is especially important during difficult times.

The Nikon Group currently faces an extremely difficult business environment. However, it is precisely at such times that we must act with sincerity in our dealings with all stakeholders. We must never betray the trust placed in Nikon merely for the sake of short-term profits. We recognize that corporate social responsibility (CSR) is essential no matter what the state of the business environment, and we need to strengthen our corporate governance, ensure strict compliance, develop human resources and provide environmental management, as well as reaffirm our commitment to creating value that exceeds expectations.

Based on our corporate philosophy of "Trustworthiness and Creativity," the management and employees of Nikon will work together with timely, accurate and bold action to overcome the current difficulties.

Q. What is Nikon's policy regarding shareholder returns?

A. We aim to ensure a stable dividend, and plan to pay a dividend in the fiscal year ending March 2010 despite anticipated losses.

Nikon's basic policy regarding the distribution of earnings is to expand investment in business and technology development to ensure future growth, take steps to enhance competitiveness, and pay a steady dividend that reflects the perspective of shareholders, while making continual adjustments to better reflect operating performance.

Consequently, we have set a target for a total return ratio of 25% or more, providing returns to shareholders through dividend increases, acquisition of treasury stock, and other means.

For the fiscal year ended March 2009, since Nikon posted declines in both revenue and earnings, we lowered our year-end dividend by ¥8.00 per share from the previous fiscal year to ¥5.50 per share, which combined with the interim dividend of ¥12.50 per share amounted to a full-year dividend of ¥18.00 per share.

For the fiscal year ending March 2010, although we forecast losses, based on the conviction that we will without doubt achieve profitability in the fiscal year ending March 2011, and considering the importance of maintaining a steady dividend, we plan to pay a full-year dividend of ¥8.00 per share (including an interim dividend of ¥4.00 per share).

I would like to offer my sincere appreciation to shareholders and investors for their continued support of Nikon.