

## Interview with the President



MAKOTO KIMURA  
*Representative Director,  
 President, Member of the Board*

*How would you assess Nikon's performance for the fiscal year ended March 2010? Also, please give a summary of the three-year Medium Term Management Plan beginning in the fiscal year ending March 2011, which was announced in June 2010.*

Nikon's consolidated net sales for the fiscal year ended March 2010 declined 10.7% from the previous fiscal year to ¥785,499 million, with an operating loss for the period of ¥13,854 million. The decline in sales stemmed mainly from a contraction in the market for IC and LCD steppers and scanners in the Precision Equipment Company, which shrank to approximately half that of a year earlier, as well as from the impact of the appreciation of the yen on the Imaging Company.

The operating loss was the result of the sharp decline in the market for steppers and scanners, along with extraordinary factors such as an additional write-down of inventories we were forced to post in the Precision Equipment Company. This write-down was recorded as a lump sum during the first half of the subject fiscal year, and we achieved

profitability in the second half on positive performance in the Imaging Company.

For the fiscal year ending March 2011, we anticipate an increase in consolidated net sales of around 10% from the previous fiscal year, and the recovery of operating income. In addition, we expect to regain a solid growth track by the fiscal year ending March 2012. We plan to secure higher profitability, and have set a target for the fiscal year ending March 2013 of ¥1,100,000 million in net sales, with operating income of ¥120,000 million. To achieve this, we plan to establish a solid business foundation to minimize the impact the fluctuations in the economy have on earnings.

*What sorts of measures will be necessary to establish a solid business foundation?*

Nikon has consistently manufactured and provided products incorporating advanced technology. To establish a solid business foundation, we need to bolster business functions across the board, including marketing, sales and service. Specifically, the efficiency of business processes needs to be

## Consolidated Financial Targets

Years ended March 31

- Gain the leading position in the existing fields
- Create new businesses

(Billions of yen)	2010	2011	2013
Net Sales	785.5	880.0	1,100.0
Operating Income (Loss)	(13.9)	52.0	120.0
Net Income (Loss)	(12.6)	30.0	65.0

Exchange Rate (Yen) 2010 US\$1 = ¥93 1 euro = ¥131  
 2011 US\$1 = ¥90 1 euro = ¥120  
 2013 US\$1 = ¥90 1 euro = ¥110

(Announced on June 18, 2010)

raised to the same level as technology development processes. We also need to improve the speed of those processes, and forge close links between them.

This speed is an extremely important point in terms of surviving amid fierce competition in a constantly changing market. If we do not bring out products that meet market needs in a timely manner, we lose more than just opportunities for sales. We also run the risk of excess inventory, and ultimately that this would result in a deterioration in earnings. Unfortunately, at the present time not every one of our business processes is functioning at an optimal level, and there is still ample room for improvement.

Another important point is broadening the reach of Nikon's brand image. Even if the products we offer are technologically outstanding, we cannot hope for continued business expansion without a solid brand image that permeates the market. Currently, Nikon's brand image is identified mainly with "high quality," "reliability" and "integrity," while user-friendliness lags. To bolster our existing brand image, we of course want to include "fun" and "spirit of innovation" as an integral part of that image.

### *Which areas are you focusing on in terms of new product and technology development?*

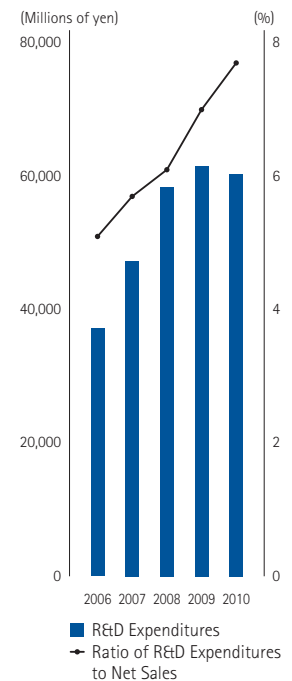
We aim to be the market leader in all our business areas.

In the Precision Equipment Company, we are making further advances in cutting-edge ArF immersion scanners for double patterning. For LCD scanners utilizing multi-lens projection optical systems, we are adapting equipment for larger glass plates without affecting the resolution.

The Imaging Company is focusing on the development of the new generation of digital cameras. This is not simply about making digital SLR cameras smaller and lighter. It includes offering image capture devices that allow for new forms of photography.

In the Instruments Company, for the industrial instruments field we plan to develop high-value-added products that integrate the non-contact measurement systems of Metris NV (currently Nikon Metrology NV, a Belgian manufacturer of measuring equipment that we made a wholly owned consolidated

**R&D Expenditures and Ratio of R&D Expenditures to Net Sales**  
 Years ended March 31



## Missions of the Nikon Group



subsidiary in October 2009) with our optical and high-precision measurement technologies. For the bioscience field, we plan to expand sales of super resolution microscopes.

*Business development in newly emerging markets is expected to become increasingly important. What are the main issues involved in such an expansion?*

Cultivating markets in newly emerging countries is a major consideration for all three of our in-house companies, particularly the rapidly expanding Asian markets. The Imaging Company already derives more than 20% of its sales from China, India and other areas of Asia outside Japan, and we expect that the scale of the Asian market will rival that of Europe and the Americas in the next few years. The Precision Equipment Company entered the Chinese market in January 2010, winning a large order for LCD scanners. The Instruments Company is also expanding its business, mainly in Asian markets.

One of the first issues involved in boosting business in newly emerging markets is human resources development. We cannot hope for

full-fledged business expansion unless we focus on establishing local management structures that provide us with a thorough understanding of the language and culture of each region or country, and through which we are able to formulate solid sales marketing strategies.

Up to this point our business development in newly emerging markets has been conducted at the discretion of each business division, tailored to the particular characteristics and circumstances of each country and region. Going forward, we intend to draw on this experience in pursuit of more efficient and effective business development. We also plan to concentrate more intently on building efficient networks for production and procurement.

*Are you considering M&A as an option?*

Companies must continually seek expansion. Our financial position has now improved, so if there is a company with a business similar to our own, or operating in a new field, or that has the potential to enhance the value of the Nikon brand, then yes, M&A is certainly an option.



The Instruments Company completed an M&A in the fiscal year ended March 2010, and it is possible that the Imaging Company will also look to M&A in its bid to become a comprehensive imaging manufacturer, considering that the boundaries for the uses of digital imaging are disappearing. There is also potential for M&A in the Precision Equipment Company if new business fields should present themselves. I believe we can discover further opportunities for growth through a continual effort to expand not only in our current operations, but also by broadening our business domains.

### *What is Nikon's policy regarding shareholder returns?*

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. In accordance with this policy, we have set a target for a total return ratio of 25% or more.

For the fiscal year ended March 2010, in line with our basic stance of maintaining a stable dividend, we reduced our year-end dividend by ¥1.50 per share from the previous fiscal year for a total of ¥4.00 per share, which together with the interim dividend of ¥4.00 per share amounted to a full-year dividend of ¥8.00 per share. For the fiscal year ending March 2011, Nikon plans to pay a full-year dividend of ¥19.00 per share (including an interim dividend of ¥5.00 per share).

### *Finally, what is your ambition as president, and what message would you give to shareholders and investors?*

I will devote my full effort to protecting the Nikon brand established over many years, and further enhancing its value. In doing so, I believe it is important to focus on not only improving our brand image, but also achieving continued growth as a company. I also think that maintaining a will for reform is necessary to realizing such growth. We will continue to expand our business domains and earnings base, and work to achieve a sturdy corporate structure.

**Cash Dividends**  
Years ended March 31  
(Yen)

