

The Precision Equipment Company plans to boost sales and achieve a sharp rise in earnings by enhancing the capabilities of the NSR-S620D ArF immersion scanner that is used for double patterning* to expand market share, and by increasing sales of products for small to medium-sized high-precision panels.

PRECISION EQUIPMENT COMPANY

Priority Measures for the Medium Term Management Plan

- Increase the competitiveness of ArF immersion scanners to expand market share
- Develop LCD steppers and scanners that satisfy requirements for higher resolution capabilities
- Enhance profitability through shorter manufacturing lead times and cost reductions
- Develop new technologies and pursue expansion into new businesses

* Double patterning is a lithography technique in which a single, dense circuit pattern is split into two coarser patterns that can be exposed separately. The two patterns can then be overlaid on a wafer, providing a final, dense circuit pattern.

Review of the Fiscal Year Ended March 2011

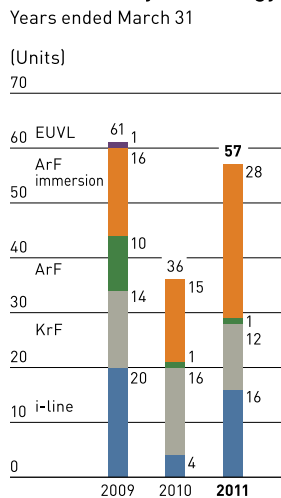
Unit sales of IC and LCD steppers and scanners increased during the fiscal year ended March 2011, with segment sales amounting to ¥208,614 million (up 39.0% year on year). A significant reduction in losses from write-downs and inventory disposal, which had been close to ¥40,000 million in the previous fiscal year, helped us to achieve our goal of reversing that year's operating loss, while operating income also improved by more than ¥60,000 million, to ¥2,712 million.

The market for IC steppers and scanners recovered strongly as chipmakers increased their capital spending. Nikon recorded a sharp rise in unit sales to 57 units in the subject fiscal year, compared to 36 in the previous fiscal year. Unit sales of ArF immersion scanners, including the latest model NSR-S620D system, nearly doubled to 28 units from 15 in the previous fiscal year.

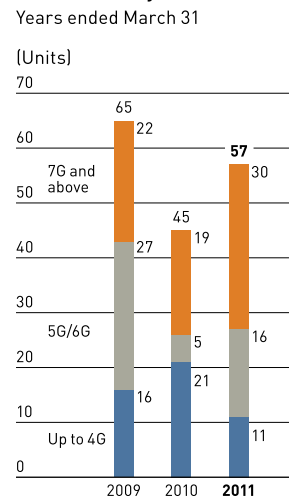
LCD steppers and scanners unit sales also increased to 57 units in the subject fiscal year from 45 in the previous fiscal year. Sales of five units were delayed until the fiscal year ending March 2012, due to temporary interruption of operations at one of our manufacturing plants following the

57

IC Steppers and Scanners, Sales Units by Technology



LCD Steppers and Scanners, Sales Units by Generation



Great East Japan Earthquake. Demand for large-screen LCD televisions remained strong, and unit sales of scanners for 7th generation large glass plates and beyond increased to 30 units from 19 in the previous fiscal year.

Measures in the Medium Term Management Plan

Improve Profitability by Enhancing the Capabilities of the NSR-S620D ArF Immersion Scanner

The advanced capabilities of the NSR-S620D ArF immersion scanner will provide increased value for users. Therefore, it is a priority for Nikon to continue to enhance system performance to thereby expand S620D market share.



ArF Immersion Scanner
NSR-S620D

For the fiscal year ending March 2012, we expect unit sales of ArF immersion scanners to be roughly equivalent to those of the previous fiscal year. Sales are gradually shifting from the previous model NSR-S610C system to the highly competitive,

leading-edge NSR-S620D, which now accounts for the majority of unit sales of ArF immersion scanners. This shift has greatly improved profitability in this area, and we expect that it will contribute to an increase in net sales and a sharp rise in earnings for the Precision Equipment Company overall.

As of February 2011, we had achieved throughput of 200 wafers per hour and overlay accuracy of 2.5 nm with the NSR-S620D. Depending upon the customers' processing conditions, the NSR-S620D is able to produce more than 3,000 wafers per day. We believe that if we continue to enhance the system's capabilities to meet customer needs, we can achieve even higher earnings for the fiscal year ending March 2013 and onward.

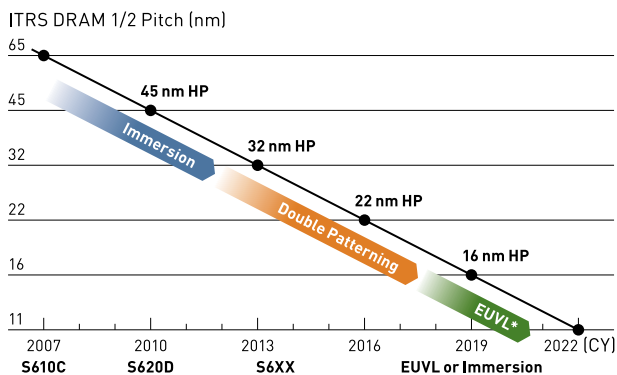
We are also working to shorten the lead time for the scanner production process. Specifically, the lead time for manufacturing an ArF immersion scanner, which until now has been 12 months, will be halved in the fiscal year ending March 2012. This will allow us to both lessen our inventory risk and respond quickly to customer needs, while also enhancing earnings capacity by reducing costs.

KAZUO USHIDA
Director, Member of the Board and
Senior Executive Officer
President of Precision Equipment Company



In terms of future product strategies, with immersion double patterning the best method to achieve mass production of semiconductors at 22 nm, we consider an extension of this technology to be a viable candidate to 16 nm, and will focus our development efforts in this area. Extreme Ultra Violet Lithography (EUVL) is another candidate for 16 nm device production, and for the time being we plan to concentrate on development of the optical systems that are the most important aspect of this technology. We anticipate that production of semiconductors at 16 nm will begin around 2016, with full-fledged mass production emerging around 2018–19.

Lithography Roadmap



Immersion lithography with double patterning is applied up to 22 nm in volume production, while EUVL is applied to 16 nm and finer lines (volume production starts after 2018).

* Extreme Ultra Violet Lithography (EUVL) is a next-generation technology that uses short wavelength extreme ultraviolet light.



LCD Stepper
FX-903N

Increase Sales of LCD Steppers and Scanners for Small to Medium-Sized High-Precision Panels

For the fiscal year ending March 2012, we expect the market for LCD steppers and scanners (on a unit basis) to be roughly comparable to that of the previous fiscal year. At the same time, demand for panels used in smartphones and tablet computers remains strong, and we project that the major portion of the market will comprise LCD steppers and scanners used for small to medium-sized high-precision panels.

Nikon specializes in lithography equipment for this field, and we have sufficient capabilities to further enhance system performance to satisfy customer requirements. Accordingly, we are anticipating a considerable increase in unit sales of LCD steppers and scanners for small to medium-sized high-precision panels.

Meanwhile, we expect scanners for large-screen LCD televisions to experience a market adjustment in the fiscal year ending March 2012, in reaction to the earlier rapid growth. However, we believe there is the potential for demand for these scanners to pick up again from the fiscal year ending March 2013, as demand for replacement televisions and other factors drive a further increase in the larger size of LCD panels.

Enhancing Competitiveness

The Precision Equipment Company increased its operating income by more than ¥60,000 million and regained profitability in the fiscal year ended March 2011. We anticipate another sharp rise in earnings in the fiscal year ending March 2012, but are still not satisfied with this level of gains. Nikon has ample potential to achieve further earnings increases.

For example, Nikon ArF immersion scanners employ a new tandem stage platform rather than a single stage, which provides advantages for both improved throughput and overlay accuracy. In addition, our LCD steppers and scanners utilize a technology called multi-lens projection systems that allows them to be easily adapted for larger glass plates without any loss in resolution. We will work to strengthen our competitiveness by building upon such advantages to the fullest extent possible.

The Imaging Company is focusing on the expansion of market share in emerging countries and Europe, strengthening its procurement capabilities and shortening product development lead times.

IMAGING COMPANY

Priority Measures for the Medium Term Management Plan

- Raise brand awareness and image to gain the leading brand position in the imaging field
- Create markets by launching new generation products and products in new domains
- Accelerate marketing in emerging countries to be the top runner
- Strengthen procurement capabilities and supply chains

Review of the Fiscal Year Ended March 2011

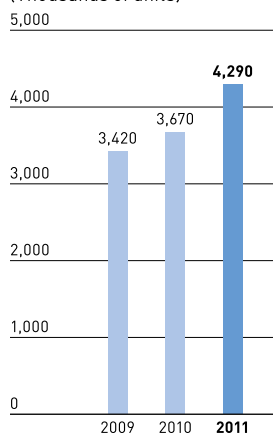
In the fiscal year ended March 2011, the Imaging Company achieved growth in unit sales across all three main product categories—digital SLR cameras, compact digital cameras and interchangeable lenses—compared with the previous fiscal year. As a result, despite the appreciation of the yen, the segment sales amounted to ¥596,376 million (up 4.7% year on year), and operating income totaled ¥52,332 million (up 0.4% year on year). Regarding the impact of the Great East Japan Earthquake, Sendai Nikon Corporation, a manufacturing subsidiary within the Imaging Company, sustained earthquake damage. It is with extreme sadness that we must report that the earthquake damage caused the deaths of employees. Although operations at the company were suspended temporarily, operations resumed once again by the end of March 2011. Since the Imaging Company has a very high ratio of overseas production and sales, the impact on operating performance in the fiscal year ended March 2011 was minor.

The market for digital SLR cameras continued the growth trend of the previous fiscal year. Although the delay in procurement of a particular electronic component led to the emergence of an opportunity loss, we grew sales, centered on the popular D3100 model, which was launched in September 2010, and

Unit Sales of Digital SLR Cameras

Years ended March 31

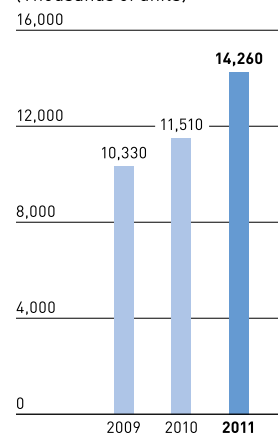
(Thousands of units)



Unit Sales of Compact Digital Cameras

Years ended March 31

(Thousands of units)



the mid-range D7000 model, which we released in October 2010. As a result, we recorded a 16.9% increase in digital SLR camera unit sales compared with the previous fiscal year.

While the overall market for compact digital cameras grew only slightly compared with the previous fiscal year, Nikon posted a 23.9% increase in unit sales. The COOLPIX S8100, a slim model that features a powerful optical zoom, achieved robust sales. Nikon's market share grew in each region and Nikon rose to take the top market share for compact digital cameras in North America in the second half of the fiscal year.

In interchangeable lenses, both camera kits and high-priced lenses performed strongly. The cumulative production of the NIKKOR lens for SLR cameras reached 60 million units during the fiscal year under review.

Measures in the Medium Term Management Plan

Bolstering Marketing Capabilities and Brand Strength while Developing Emerging Markets

The digital SLR camera market is forecast to grow steadily across all global regions, including Europe and the United States. In the compact digital camera market, although emerging markets—centering on Asia—are expected to grow, the European, U.S. and Japanese markets are forecast to remain flat. Although the Great East Japan Earthquake caused damage to the component supply chains for both

digital SLR cameras and compact digital cameras, these problems are now moving toward resolution. Nikon anticipates that it will be able to achieve sound growth in unit sales of both digital SLR cameras and compact digital cameras.

Further, Nikon has almost completed development of new generation digital cameras that it began working on several years ago as products that would pioneer a new market sphere. Nikon is currently monitoring world market trends as it considers the appropriate timing for the launch of these new products.

Based on efforts to bolster marketing capabilities and brand strength, Nikon will continue to focus on market development, particularly in emerging countries and regions in which Nikon has a low market share. As part of this strategy, in April 2011 we established sales subsidiaries in Thailand and Brazil and commenced business operations. We firmly believe that it will be possible to achieve rapid sales growth in these markets.

To increase market share in emerging countries, brand building is crucial. Fortunately, a superior Nikon brand image has already taken root in emerging countries. We are striving to further develop that image into "Nikon is a sophisticated, fashionable brand that provides extremely high-quality products covering the full spectrum of needs, from the novice user to the professional."

These brand-building efforts are steadily beginning to blossom. We have already built a leading market share for digital SLR cameras—one of our established areas of strength—in many countries, and in the compact digital camera market, we are increasing market



Digital SLR Camera
Nikon D7000



Digital SLR Camera
Nikon D3100

share in such countries as India, China and Russia.

No. 1

Strengthening procurement capabilities and shortening product development lead times

Aiming to Expand Market Share in Europe

In the European market, where Nikon has been slow to expand its sales, in the fiscal year ending March 2012—continuing on from the previous fiscal year—we are undertaking a concerted push to improve our position. To reinforce our compact digital camera marketing capabilities in Europe, I want to fully utilize my own experience in successfully achieving a large increase in market share when I served as president of Nikon Inc., the Imaging Company's U.S. sales subsidiary.



Compact Digital Camera
Nikon COOLPIX S9100



Compact Digital Camera
Nikon COOLPIX P300

Although the United States is the world's largest compact digital camera market, it is spread over a very wide geographic territory. Consequently, half-hearted measures will not lead to a successful increase in market share. With this in mind, we focused on three key market expansion policies: (1) the development and launch of products suited to the U.S. market; (2) the rollout of aggressive television advertising campaigns to raise brand awareness; and (3) the rebuilding of a seamless array of sales channels covering the entire U.S. market, from specialty stores to mass-merchandise chains. Through this successful approach, Nikon gained the top market share in the United States for compact digital cameras. By leveraging this kind of experience, I intend to provide comprehensive leadership as we strive to make Nikon the No. 1 compact digital camera brand in Europe. Already in Europe our campaigns are proving very popular and Nikon's position is gradually improving.

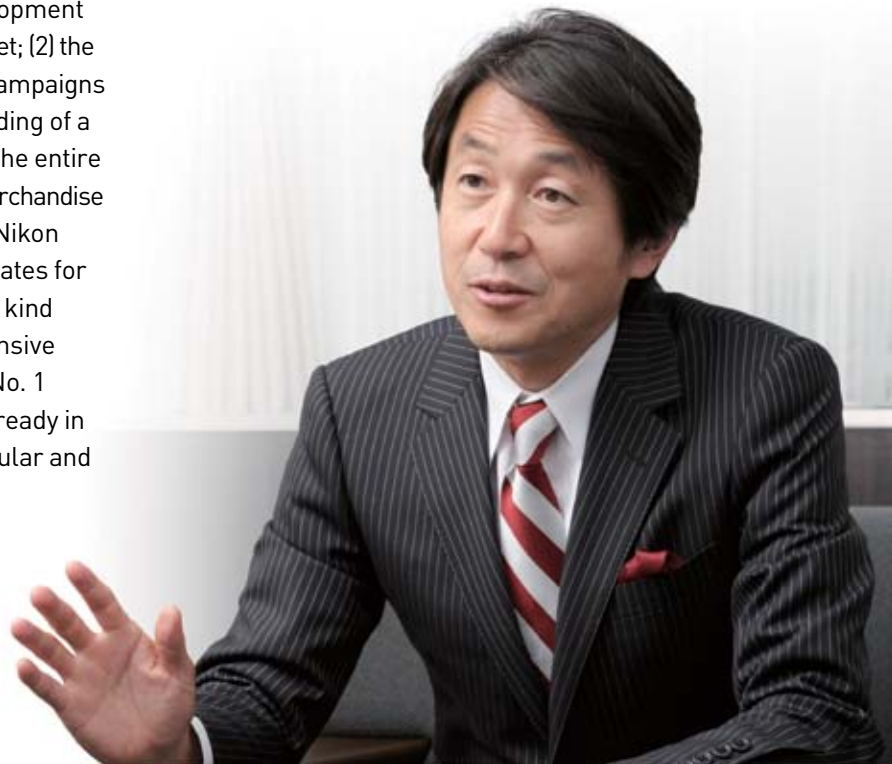
YASUYUKI OKAMOTO

Director, Member of the Board and
Executive Officer
President of Imaging Company

At the Imaging Company, the issue we are addressing with the highest priority is the strengthening of procurement capabilities. Our objective is to pursue the greatest possible production-cost reductions. To realize this goal, we have newly established a specialist organizational unit. The new unit will increase the efficiency of intense procurement negotiations and the management of procurement processes with the aim of reducing costs.

Another issue we are addressing is the shortening of product development lead times. To successfully compete against our peers, the realization of shorter lead times is absolutely imperative. To this end, it is essential to thoroughly clarify all processes related to product development, and review and reform these processes.

All of Nikon's principle competitors are very large and powerful companies. To prevail in such a fiercely competitive environment, we want to address a wide range of issues and constantly take on difficult challenges with even greater determination, without compromising lightly on anything we do.



The Instruments Company plans to increase sales and market share by enhancing its lineup of high-end products in the bioscience field, and by focusing on non-contact, three-dimensional (3D) measurement systems in the industrial instruments field.

INSTRUMENTS COMPANY

Priority Measures for the Medium Term Management Plan

- **Bioscience:** Attain the leading position in advanced research fields
- **Industrial Instruments:** Attain the leading position in non-contact, 3D measurement systems
- **Utilize the strengths of existing businesses to nurture and expand new businesses in the bioscience field**

Review of the Fiscal Year Ended March 2011

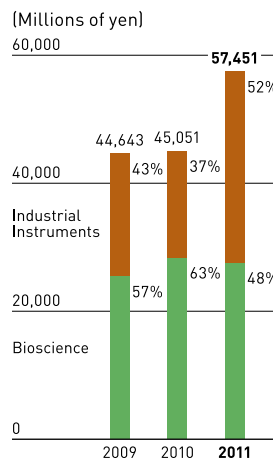
The Instruments Company recorded a considerable increase in sales in the fiscal year ended March 2011, to ¥57,451 million (up 27.5% year on year), and reduced its operating loss by nearly half, to ¥5,248 million (compared with an operating loss of ¥9,331 million in the previous fiscal year). In the fourth quarter the segment achieved profitability for the first time in 12 quarters, providing considerable momentum for great strides in the fiscal year ending March 2012.

In the bioscience field, the market shrank in major countries as a result of reductions in public budgets following the conclusion of economic stimulus measures. However, Nikon managed to maintain sales at the same level as in the previous fiscal year on strong sales of high-end products such as the N-SIM and N-STORM super resolution microscopes and confocal microscopes.

In the industrial instruments field, markets recovered in Japan and other Asian countries. There were steady capital expenditures in such industries as semiconductors, and electric and electronic components, resulting in a considerable year-on-year increase in sales of industrial microscopes, measuring instruments and semiconductor inspection equipment. Sales was also boosted by Nikon Metrology NV, established following the October 2009 acquisition

Sales by Product Group

Years ended March 31



+10%

of a Belgian measuring equipment manufacturer possessing technologies in non-contact, 3D measurement systems. Several distinctive new products were also launched during the fiscal year ended March 2011, such as the HN-6060 non-contact, multi-sensor, 3D metrology system (December 2010) and the ShuttlePix P-400R digital microscope (November 2010).

Measures in the Medium Term Management Plan

High-End Products and Emerging Markets Are Key in the Bioscience Field

In the Japanese market, we expect that measures to secure the necessary funding for disaster recovery will affect the budgets of universities and research institutions, and that instrument purchasing budgets will decline in the second half of the fiscal year ending March 2012. In overseas markets, we anticipate steady growth, with continued curbs on public spending in the United States, relative stability in Europe and continued strong growth in emerging markets such as China and India.

Considering this market environment, for our strong-selling,

high-end products such as super resolution microscopes and confocal microscopes, we plan to continue making improvements in such areas as software, and to utilize direct sales channels in the field of advanced research, thus giving sales further momentum. For products in the volume sales range sold through distributors and similar sales channels, we will aim to enhance our market position, and expand the scale of sales. For both types of products we will take steps to increase sales in emerging markets, with a year-on-year increase in sales of at least 10% in the bioscience field for the fiscal year ending March 2012.



Super Resolution Microscope
N-SIM

Opening New Markets in the Industrial Instruments Field with Non-Contact, 3D Metrology

The market for industrial instruments for semiconductors and electronic components is driven by such products as smartphones and LEDs, and we expect this market to remain firm. The market for automotive instruments may dip temporarily as a result of the effects of the Great East Japan Earthquake, but we anticipate a growth trend over the medium term led by emerging markets.

TOSHIYUKI MASAI

Director, Member of the Board and
Executive Officer
President of Instruments Company



Nikon is working to strengthen its sales force, focusing on non-contact, 3D measurement systems, and targeting regions and industries where its market share is still low. In the non-contact metrology field in particular, to date our two-dimensional measuring systems have captured markets in such fields as semiconductors and electronic components. With sales efforts now fully underway for the HN-6060 system, a 3D measuring system launched in December 2010 that offers advanced functionality and performance, we will focus not only on the aforementioned fields but also on opening up new markets for instruments catering to such fields as the automotive and aerospace industries. An important issue in this field is putting the Nikon



Non-contact, Multi-sensor,
3D Metrology System
HN-6060



Digital Microscope
ShuttlePix P-400R

Metrology NV business on track. The company's business foundation has been in Europe, and we plan to restructure and integrate the development, manufacturing and sales structures to expand sales channels in Japan and other Asian countries.

Turning Vision into Information

In the instruments business, "precision" is an important keyword in a world that works at the micro and nano levels. For both biological microscopes and industrial instruments, ensuring performance that pushes boundaries is essential. We have attained and maintained this by developing, for example, in the case of biological microscopes, measurement instruments that accurately correct aberrations to enhance image quality, and in the case of industrial instruments, standard-scale measuring instruments with world-leading measurement capabilities. This consistent dedication to the highest levels of fundamental performance and precision is embedded in Nikon's corporate DNA.

Reflecting this, the Instruments Company has adopted a new mission statement, "Turning Vision into Information." We provide extremely precise images and data based on the advanced optical technologies we have accumulated over the years, and through this we seek to make many types of information available to customers. To address this, advancements in application software are essential.

The concept embodied in the mission statement indicates the direction of the Instruments Company to follow. We will steadily implement measures to realize this goal, and aim for further expansion of sales and improved earnings in the fiscal year ending March 2012.