

CLEAR VISION FOR THE FUTURE

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NIKON CORPORATION ANNUAL REPORT 2012



INTERVIEW WITH THE PRESIDENT

Please summarize your response to the floods in Thailand and progress so far in recovering from damage.

Owing to the impact of flooding, manufacturing subsidiary Nikon (Thailand) Co., Ltd. (hereafter NTC) suspended all operations in early October 2011. At the end of November, we commenced alternative production at partner factories in Thailand, and resumed partial operations at NTC in January 2012. By the end of March, we had restored the combined production volumes of NTC and partner factories to normal levels.

Although, as a result of the flooding, our manufacturing facilities sustained damage, we were able to minimize this thanks to the efforts of frontline staff who, for example, salvaged several hundred submerged metal dies. While it was the Imaging Company that sustained direct damage from the Thai floods, by transcending the internal company system, the collective efforts of the entire Nikon Group enabled us to respond effectively and make a rapid recovery.

What issues emerged during your recovery from the Great East Japan Earthquake and the Thai floods?

The most crucial issue has been how we would fulfill our responsibilities as a manufacturer to maintain supply lines. Specifically, to deal with any future flooding, we need to build a system that permits a speedy switch to alternative production locations. Furthermore, it is essential to diversify individual risks by, for example, having countermeasures for electricity shortages in place at manufacturing sites, and reinforcing back-up systems for various databases. Nikon is currently carrying out a review of its global crisis management system.

MAKOTO KIMURA
Representative Director,
President, Member of the Board

Nikon's net sales and operating income rose despite the Thai floods and appreciating yen. Please provide an overview of operating results for the fiscal year ended March 2012.

The tremendous efforts of the Precision Equipment Company greatly contributed to our results. In IC steppers and scanners, we expanded sales of ArF immersion scanners, and in LCD steppers and scanners, sales of equipment for small to medium-sized high-definition panels performed well, leading to increases in unit sales. To improve our earnings structure, we implemented measures such as reducing production lead times and trimming costs, thereby enabling the Precision Equipment Company to record substantial increases in segment sales and operating income.

In the Imaging Company, although the first half of the fiscal year saw a robust performance, in the second half the flooding in Thailand meant production was halted for many digital SLR cameras and interchangeable lenses. However, the impact of this disruption was minimized by strong sales of the new Nikon 1 interchangeable lens-type advanced digital camera, and the increased market share achieved by the COOLPIX series compact digital cameras.

In the Instruments Company, within a severe environment characterized by shrinking public expenditure and restrained capital investment by semiconductor and electronic-component manufacturers, we worked to develop business in the emerging markets of Asia and other regions,

and to expand sales of super-resolution microscope systems and non-contact 3D measurement systems.

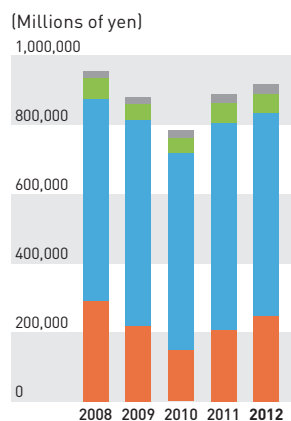
What is your outlook for the operating environment in the fiscal year ending March 2013 and what are the key points to realizing the Group's next phase of growth?

The first key point is how far the Imaging Company can bolster its performance following suspension of digital SLR camera and interchangeable lens production owing to the Thai floods in the previous fiscal year. The second is how resistant the Precision Equipment Company will be to the unavoidable impact of a contracting market. The third key point is whether the Instruments Company's results can outperform the pace of recovery in the market. These are the three points we will be focusing on.

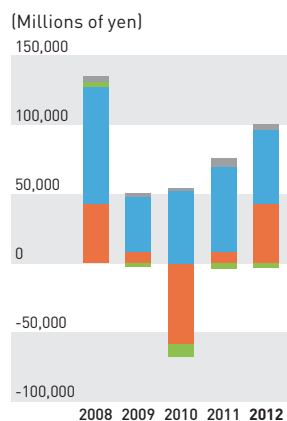
The Imaging Company's performance hinges on how much lost ground it can regain in digital SLR cameras and interchangeable lenses after recovering from the Thai floods. In the non-reflex camera market—which continues to grow—we anticipate expanded sales of the Nikon 1. We are also looking to increase our market share amid a shrinking compact digital camera market. Bringing our production of digital SLR cameras back into good shape, we are forecasting substantial increases in segment sales and operating income compared with the previous fiscal year.

In the Precision Equipment Company, we anticipate deterioration in the markets for both IC and LCD steppers and scanners in the fiscal year ending March 2013. Within that overall situation, for IC steppers and scanners, we expect sales of both the new NSR-S621D ArF immersion scanner and the NSR-S320F ArF scanner to move into

Sales by Business Segment



Operating Income (Loss) by Business Segment



Legend: Precision Equipment (orange), Imaging Products (blue), Instruments (green), Other (grey)

Notes:

- The "Other" segment comprises businesses not included in reportable segments, such as the glass-related business and customized products business.
- Beginning with the fiscal year ended March 2012, we have revised our method of allocating expenses. For purposes of comparison, operating income for the fiscal year ended March 2011 has been revised using the new standard. The year-on-year change for the fiscal year ended March 2012 has been calculated based on the revised figure for the previous fiscal year. For the three fiscal years between April 1, 2007 and March 31, 2010, operating income (loss) was based on the old method.

full swing in the second half of the fiscal year. In LCD steppers and scanners, we expect sales of equipment for small to medium-sized high-definition panels to perform strongly. We believe that the key to securing operating income even when the market suffers a downturn is having a sound business structure, and hence we will continue to implement reforms.

In the Instruments Company, we are seeing a slight upturn in the market. We are working to bolster our microscope market share and are pursuing development and expanded sales of non-contact 3D measurement systems and X-ray inspection systems, and anticipate a decrease in the segment's operating loss.

Please summarize the key issues you are addressing under the new Medium Term Management Plan.

One of the measures we are pursuing to address the first core item in the Medium Term Management Plan—"strengthening business operations and improving the business portfolio"—is "expanding existing businesses and enhancing profitability."

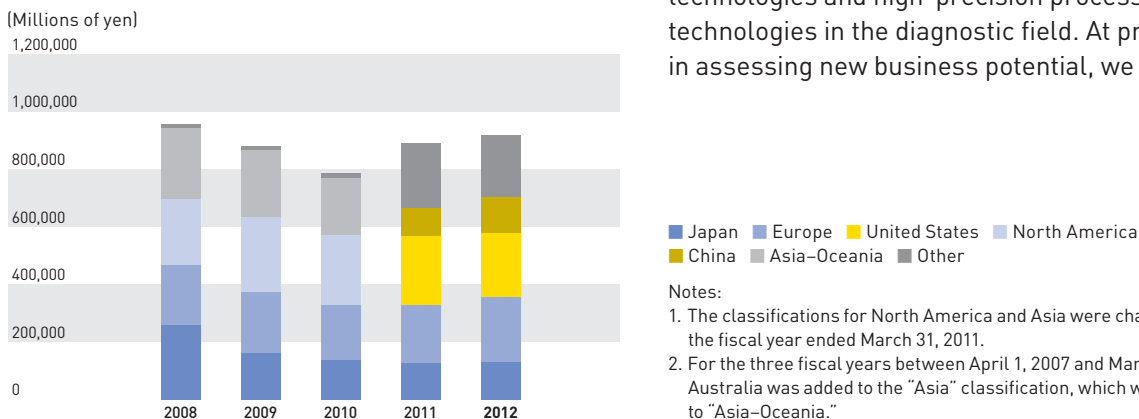
In the Precision Equipment Company, we aim to achieve a market share of approximately 20% for ArF immersion scanners in IC steppers and scanners, and increase this to 40% in the fiscal year ending March 2015, underpinned by the introduction of such new products as the NSR-S621D. In LCD steppers and scanners, where we maintain a high market share, we will bring to

market the high-performance equipment needed in the production of high-precision panels. The Imaging Company will continue to launch products that are clearly differentiated by the strength of our technologies, while also striving to build the Nikon brand and establish a leading position in emerging markets. In compact digital cameras, we are focusing on continued growth in market share as we aim to reach a unit sales level of over 20 million units. In interchangeable lens-type digital cameras, we intend to further reinforce our present leading position. Regarding the Nikon 1, by offering the potential to link up with a wide array of applications, we are striving to stimulate future market development. In the Instruments Company, in addition to acquiring a leading position in non-contact 3D measurement systems and X-ray inspection systems, we are working to expand our Asian market share in microscopes—where aggressive investment continues in corporate R&D, new drug development and other advanced fields. Through these efforts, we will endeavor to make the Instruments Company profitable.

Another measure under "strengthening business operations and improving the business portfolio" is "cultivating new businesses." In order to choose the target for our new business, we considered various factors that are important to the Group. We took into account such aspects as social needs, market scale and potential, synergy with Nikon's core technologies, and the fit with the Nikon brand. As a result, we chose the "health and medical" field as our target. We believe that in recent years there has been a noticeable trend drawing technology and medicine ever closer together. This trend is illustrated by the increasing application of optical technologies and high-precision processing technologies in the diagnostic field. At present, in assessing new business potential, we are

Sales by Region

Years ended March 31



considering such areas as “inspection systems in the diagnostic field” and “products that contribute to quality of life (QOL) enhancement for the elderly.” Our plan calls for entry into the new business within three to five years.

Under the second core item in the Medium Term Management Plan—“realizing robust corporate characteristics by enhancing business functions and reforming operational processes”—we are focusing on processes not only in development and design, as we aim to transform Nikon into a corporate group that does not miss opportunities. We are working to reinforce Group-wide business functions, including shortening production lead times, overhauling the processes and management methods used in development and design, and improving the decision-making process within sales. Furthermore, as production and sales expand globally, we recognize the importance of human resources in overseas business development and are prioritizing the establishment of a solid foundation.

What message do you have for investors with regard to corporate governance?

An essential part of corporate governance is improving transparency. At Nikon, to ensure transparency we implement reliable internal control measures, including the receipt of a written pledge every year from all management-level personnel based on the internal control reporting provisions of the Japanese Financial Instruments and Exchange Law (J-SOX). With regard to compliance too, we

are establishing a system specifically designed to enable senior management to receive negative information expeditiously. We believe that the practice of sound corporate governance is our duty to customers who place their trust in us. Hence, our efforts are not limited to organizational systems, but also include the nurturing of a corporate culture that does not tolerate dishonesty.

In closing, are there any other points you wish to convey to shareholders and investors?

Following the damage we sustained from the Great East Japan Earthquake and the flooding in Thailand, we received messages of encouragement and a variety of support from many people and organizations, and I wish to take this opportunity to once again communicate my heartfelt gratitude. I believe that our ability to recover more quickly than initially expected is, in a sense, indicative of the strength of Nikon.

Over the next three years, we want to express, through our results, the goal of sustainable growth. Achieving our targets for the fiscal year ending March 2013 will be, in a sense, an important first litmus test. By steadily executing the Medium Term Management Plan and reaching a higher level of profitability, we will strive to raise our total return ratio. I look forward to the ongoing support of all our stakeholders in these endeavors.

Annual Cash Dividends and Total Return Ratio

Years ended March 31

