



Nikon <sup>(th)</sup>  
*100*  
anniversary

NIKON CORPORATION  
May 11, 2017

# 2017/3 Financial Results 2018/3 Forecast

Senior Executive Vice President, CFO and Representative Director  
Masashi Oka

- Financial results for the year ended March 2017
- Progress in Restructuring plan
- Forecast for the year ending March 2018

# Results for year ended March 31, 2017: Financial Highlights



Billions of yen	2016/3 Actual (A)	2017/3 Previous forecast (B)	2017/3 Actual (C)	Change (C)-(A)	Change (C)-(B)
<b>Net Sales</b>	<b>819.3</b>	<b>750.0</b>	<b>748.8</b>	<b>-70.5</b>	<b>-1.2</b>
<b>Operating Income</b>	<b>31.6</b>	<b>44.0</b>	<b>50.9</b>	<b>+19.3</b>	<b>+6.9</b>
% vs. Net Sales	3.9%	5.9%	6.8%		
<b>Ordinary Income</b>	<b>28.5</b>	<b>-5.0</b>	<b>-2.4</b>	<b>-30.9</b>	<b>+2.6</b>
% vs. Net Sales	3.5%	-0.7%	-0.3%		
<b>Net Income attributable to owners of parent</b>	<b>18.2</b>	<b>-9.0</b>	<b>-7.1</b>	<b>-25.3</b>	<b>+1.9</b>
% vs. Net Sales	2.2%	-1.2%	-0.9%		
<b>FCF</b>	<b>24.3</b>	<b>45.0</b>	<b>56.6</b>	<b>+32.3</b>	<b>+11.6</b>
Exchange Rate: US\$	<b>¥120</b>	<b>¥107</b>	<b>¥108</b>	Impact on Net Sales	
				<b>-61.4</b>	<b>+2.7</b>
EURO	<b>¥133</b>	<b>¥118</b>	<b>¥119</b>	Impact on Op. Income	
				<b>-18.2</b>	<b>+0.2</b>

Year-end dividend ¥4, annual dividend ¥16

# Results for year ended March 31, 2017: Financial Highlights by Segment

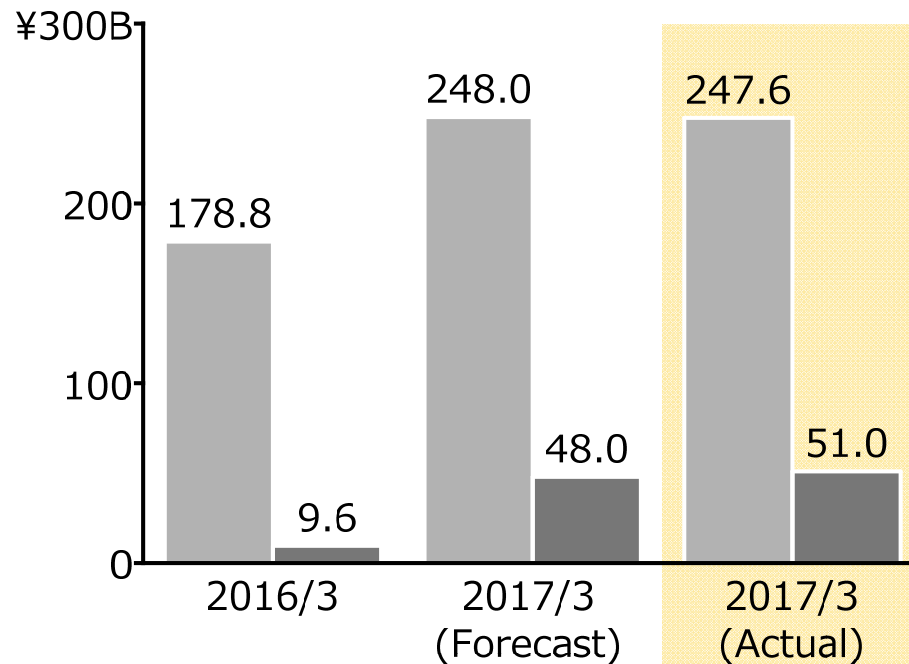


Billions of yen		2016/3 Actual (A)	2017/3 Previous forecast (B)	2017/3 Actual (C)	Change (C)-(A)	Change (C)-(B)
<b>Precision Equipment Business</b>	Net Sales	178.8	248.0	<b>247.6</b>	+38%	-0.2%
	Operating Income	9.6	48.0	<b>51.0</b>	+41.4	+3.0
<b>Imaging Products Business</b>	Net Sales	520.4	380.0	<b>383.0</b>	-26%	+1%
	Operating Income	45.7	25.0	<b>27.7</b>	-18.0	+2.7
<b>Instruments Business</b>	Net Sales	77.2	76.0	<b>73.4</b>	-5%	-3%
	Operating Income	2.8	1.0	<b>0.3</b>	-2.5	-0.7
<b>Medical Business</b>	Net Sales	18.3	19.0	<b>20.2</b>	+10%	+6%
	Operating Income	-4.6	-6.0	<b>-4.5</b>	+0.1	+1.5
<b>Other</b>	Net Sales	24.4	27.0	<b>24.4</b>	±0%	-10%
	Operating Income	4.5	4.0	<b>4.9</b>	+0.4	+0.9
<b>Corporate Expenses /Elimination of Intersegment Transactions</b>	Net Sales	—	—	—	—	—
	Operating Income	-26.4	-28.0	<b>-28.5</b>	-2.1	-0.5
<b>Consolidated</b>	Net Sales	819.3	750.0	<b>748.8</b>	-9%	-0.2%
	Operating Income	31.6	44.0	<b>50.9</b>	+19.3	+6.9

# Results for year ended March 31, 2017: Precision Equipment Business



Net Sales/Operating Income      ■ Net Sales   ■ Operating Income



- **Change from prior year:**  
**¥68.8 billion net sales increase**  
**¥41.4 billion operating income increase**
  - FPD: Market expansion from strong demand in mid-to-small sized panel. Increase in net sales/operating income from significant increase in unit sales
  - Semiconductor: Continued operating losses despite increase in new unit sales
- **Change from prior forecast:**  
**¥0.4 billion net sales decrease**  
**¥3 billion operating income increase**
  - Semiconductor: Reduced losses from improved service profit, reduced expenses and product costs

## Semiconductor Lithography Systems (New/Refurbished, Units)

Market (CY15/16)	220	210	210
Nikon	14/21	24/10	24/10

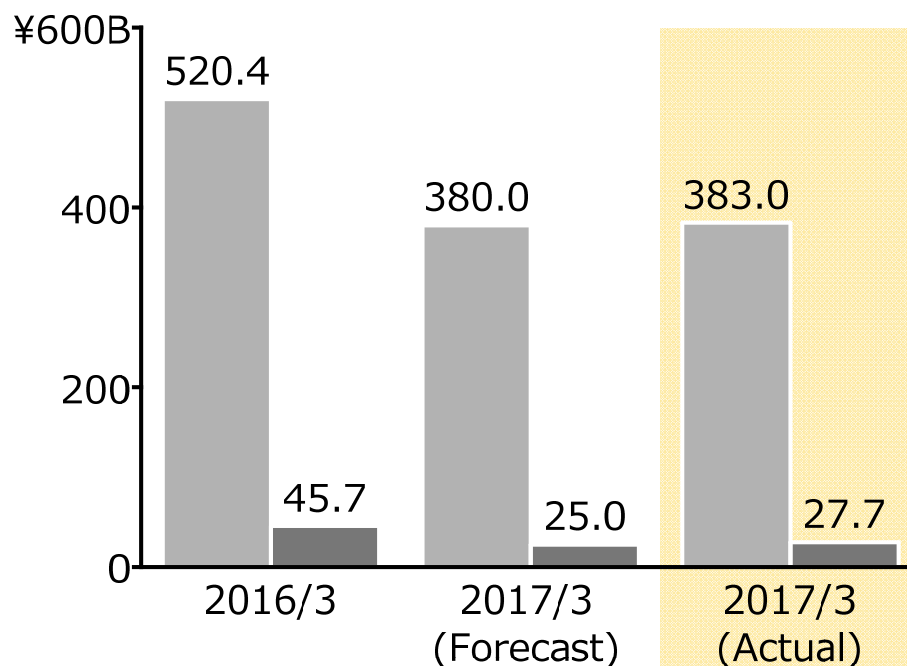
## FPD Lithography Systems (Units)

Market (CY15/16)	80	128	128
Nikon	46	92	92

# Results for year ended March 31, 2017: Imaging Products Business



Net Sales/Operating Income      ■ Net Sales ■ Operating Income



## D-CIL (10,000 Units)

Market	1,304	1,150	1,177
Nikon	404	310	310

## IL (10,000 Units)

Market	2,134	2,000	1,920
Nikon	590	460	462

## C-DSC (10,000 Units)

Market	2,079	1,300	1,260
Nikon	623	315	319

- **Change from prior year:  
¥137.4 billion net sales decrease  
¥18 billion operating income decrease**

- Decreased unit sales across all product categories from decline of imaging market and earthquake impact
- Decrease in unit sales offset by shift to mid to high-end and controlling costs including advertising expense. Similar profitability to prior year excluding forex impact

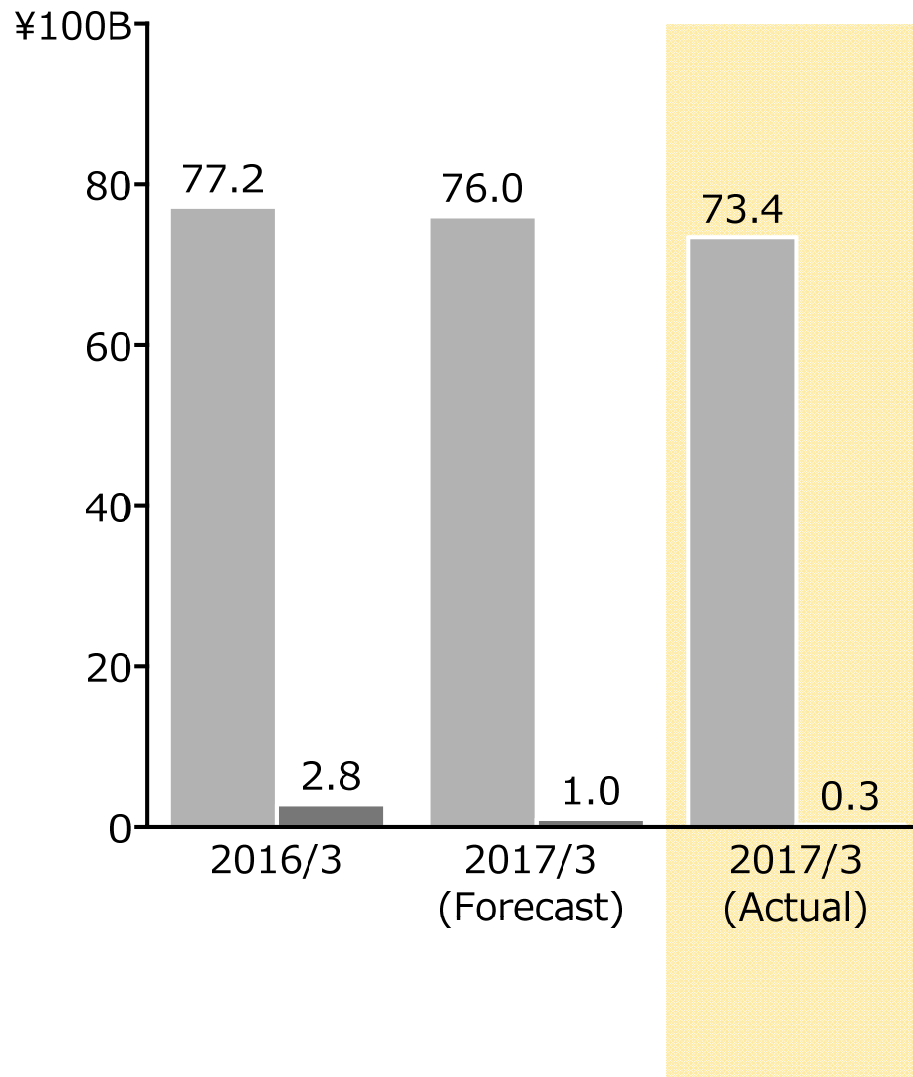
- **Change from prior forecast:  
¥3 billion net sales increase  
¥2.7 billion operating income increase**

- Increase in net sales from depreciation of the yen
- Increase in net sales/operating income from improved unit sales/product mix
- Control of costs including sales promotion expenses

# Results for year ended March 31, 2017: Instruments Business



Net Sales/Operating Income      ■ Net Sales   ■ Operating Income

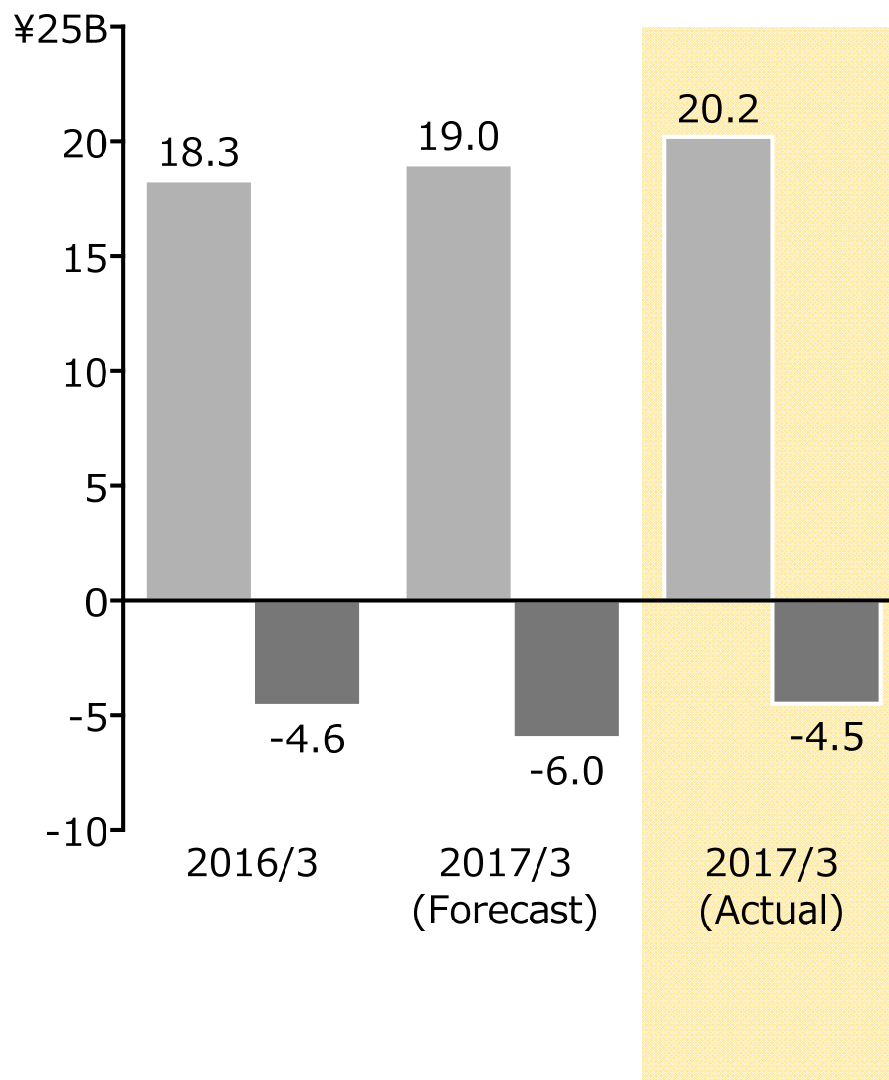


- **Change from prior year:**  
**¥3.8 billion net sales decrease**  
**¥2.5 billion operating income decrease**
  - Decrease in net sales from appreciation of the yen
  - MS: Improvement in product costs of Biological Microscopes offset by initial investment in regenerative medicine
  - Industrial Metrology: Decline in unit sales from market slow-down and increase in sales expense
- **Change from prior forecast:**  
**¥2.6 billion net sales decrease**  
**¥0.7 billion operating income decrease**
  - MS : Decrease in net sales and operating income from delayed US government budget effect
  - Industrial Metrology: Decrease in net sales and operating income from market slow-down
  - Decline in sales partially offset by controlling expenses

# Results for year ended March 31, 2017: Medical Business



Net Sales/Operating Income      ■ Net Sales   ■ Operating Income



- **Change from prior year:**  
**¥1.9 billion net sales increase**  
**¥0.1 billion operating income increase**

- Stable performance of Optos fundus camera business: Operating Margin 20%
- Continued operating loss due to initial investment for future business

- **Change from prior forecast:**  
**¥1.2 billion net sales increase**  
**¥1.5 billion operating income increase**

- Operating income improvement from increased high margin fundus camera sales in the US
- Reduced expenses



- Financial results for the year ended March 2017

- Progress in Restructuring plan

- Forecast for the year ending March 2018

# Progress of restructuring initiatives



<b>Precision Equipment Business</b>	<ul style="list-style-type: none"><li>• Completion of headcount optimization including re-assignment towards change in business structure</li><li>• Advancing R&amp;D expense reduction and profit focused production/sales structure</li><li>• Executed rationalization of inventory</li></ul>
<b>Imaging Products Business</b>	<ul style="list-style-type: none"><li>• Completion of domestic headcount rationalization including re-assignment</li><li>• Target a profit-structure able to sustain profit in a declining market by initiating a fundamental review of costs</li></ul>
<b>Optical Function Centralization</b>	<ul style="list-style-type: none"><li>• Consolidation of optical components manufacturing to Tochigi Nikon: Progress on integration of organization/business to enhance functions</li><li>• Established Optical Engineering Division and consolidated optical product development and design functions</li></ul>
<b>Headquarters</b>	<ul style="list-style-type: none"><li>• Near completion of headcount optimization including re-assignment</li><li>• Continued consideration to streamline organization</li></ul>
<b>Management DNA Rewiring</b>	<ul style="list-style-type: none"><li>• Launch ROE/ROIC based new business performance management process</li><li>• Step-up consideration of governance system improvement</li></ul>

¥20 billion fixed costs reduction according to plan

- Financial results for the year ended March 2017
- Progress in Restructuring plan
- Forecast for the year ending March 2018

# Forecast for the year ending March 31, 2018: Financial Highlights



Billions of yen	2017/3 Japan GAAP (A)	2018/3 IFRS (B)	Change (A)-(B)
<b>Revenue</b>	<b>748.8</b>	<b>700.0</b>	<b>-48.8</b>
<b>Operating Profit</b>	<b>50.9</b>	<b>45.0</b>	<b>-5.9</b>
% vs. Revenue	6.8%	6.4%	
<b>Profit before income taxes</b>	<b>-2.4</b>	<b>47.0</b>	<b>+49.4</b>
% vs. Revenue	-0.3%	6.7%	
<b>Profit attributable to owners of parent</b>	<b>-7.1</b>	<b>34.0</b>	<b>+41.1</b>
% vs. Revenue	-0.9%	4.9%	
<b>FCF</b>	<b>56.6</b>	<b>25.0</b>	<b>-31.6</b>
Exchange Rate:			Impact on Revenue
US\$	<b>¥108</b>	<b>¥110</b>	<b>+6.0</b>
EURO	<b>¥119</b>	<b>¥120</b>	Impact on Op. Profit
			<b>+1.0</b>

Note: 2017/3 in Japan GAAP, 2018/3 in International Financial Reporting Standards (IFRS)  
2018/3 impact to consolidated operating profit from adoption of IFRS: Approx. ¥5 billion

**Shareholder Returns Policy:** Raise dividend payout ratio to 40% or more  
**Annual dividend:** to be determined

# Forecast for the year ending March 31, 2018: Financial Highlights by Segment

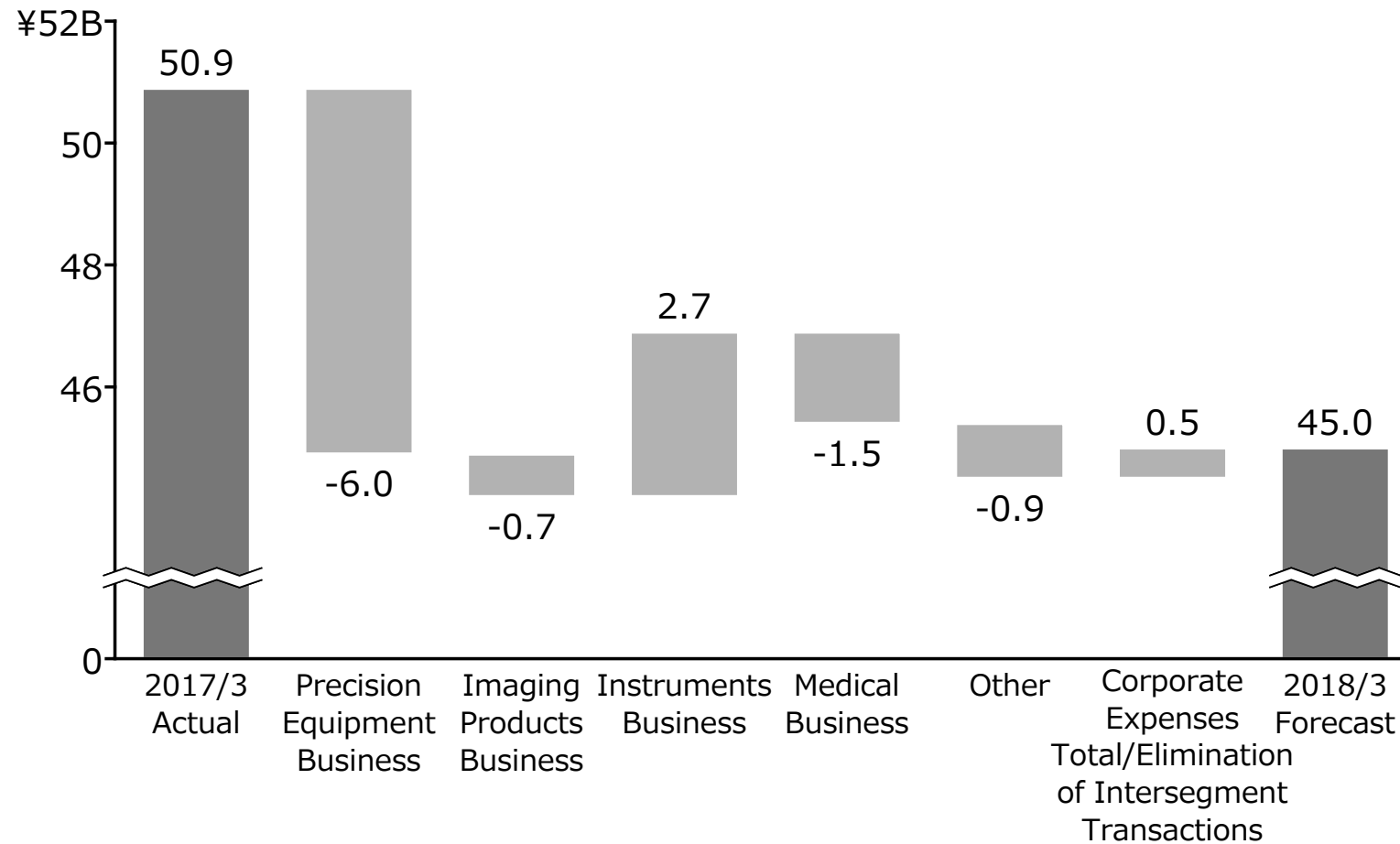


Billions of yen		2017/3 Japan GAAP	2018/3 IFRS	Change (A)-(B)
<b>Precision Equipment Business</b>	Revenue	247.6	<b>225.0</b>	-9%
	Operating Profit	51.0	<b>45.0</b>	-6.0
<b>Imaging Products Business</b>	Revenue	383.0	<b>345.0</b>	-10%
	Operating Profit	27.7	<b>27.0</b>	-0.7
<b>Instruments Business</b>	Revenue	73.4	<b>80.0</b>	+9%
	Operating Profit	0.3	<b>3.0</b>	+2.7
<b>Medical Business</b>	Revenue	20.2	<b>21.0</b>	+4%
	Operating Profit	-4.5	<b>-6.0</b>	-1.5
<b>Other</b>	Revenue	24.4	<b>29.0</b>	+19%
	Operating Profit	4.9	<b>4.0</b>	-0.9
<b>Corporate Expenses Total/Elimination of Intersegment Transactions</b>	Revenue	—	—	—
	Operating Profit	-28.5	<b>-28.0</b>	+0.5
<b>Consolidated</b>	Revenue	748.8	<b>700.0</b>	-7%
	Operating Profit	50.9	<b>45.0</b>	-5.9

# Forecast for the year ending March 31, 2018: Financial Highlights by Segment (Change from prior year)



## Operating Profit

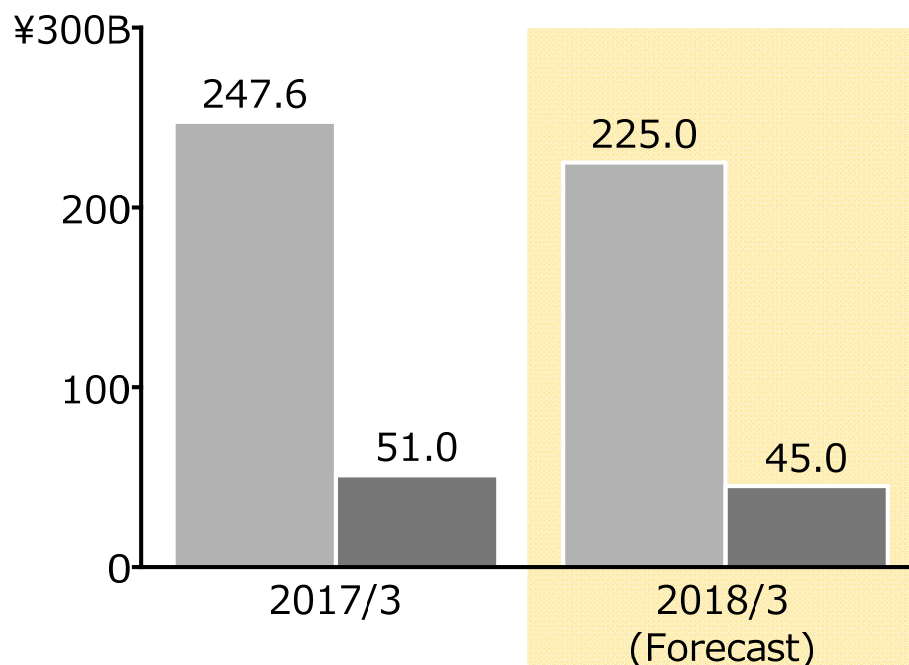


Note: 2017/3 presented in Japan GAAP, 2018/3 presented in International Financial Reporting Standards (IFRS)

# Forecast for the year ending March 31, 2018: Precision Equipment Business



Revenue/Operating Profit ■ Revenue ■ Operating Profit



- **Revenue:**

- **¥22.6 billion decrease**

- FPD: Decline in revenue from unit decline
      - Decline in new investment for mid-to-small sized panels
      - Step-up new line investment for large sized panels (3 units of G10.5 systems forecasted)

- **Operating Profit:**

- **¥6 billion decrease**

- FPD: Decline in operating profit from revenue decline/product mix change
    - Semiconductor: Expect to achieve break-even
      - Fixed costs reduction realized
      - Reduction in inventory write-off/write-down

### Semiconductor Lithography Systems (New/Refurbished, Units)

Market (CY16/17)	210	210
Nikon	24/10	17/10

### FPD Lithography Systems (Units)

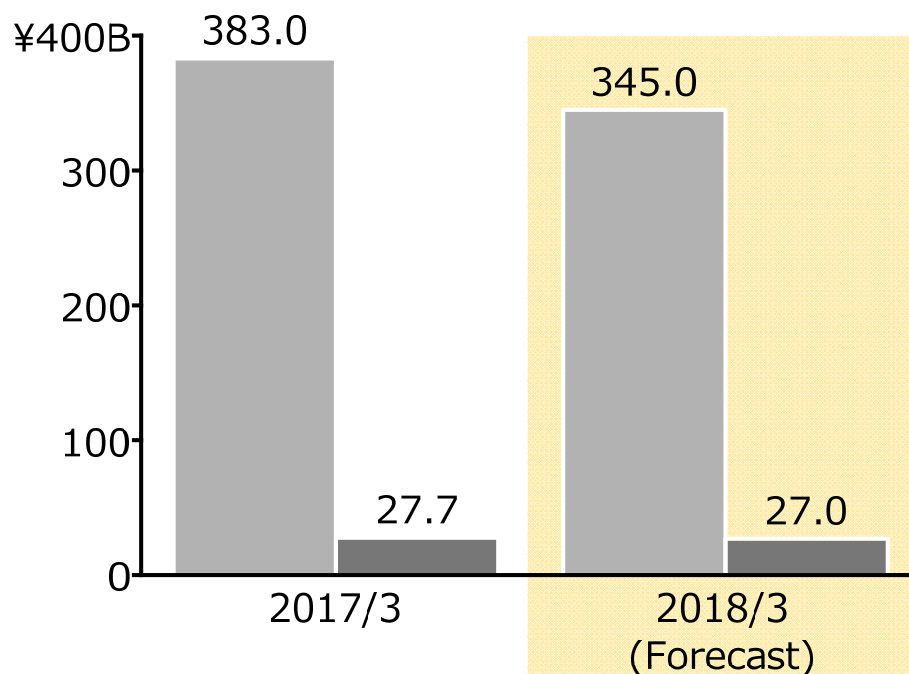
Market (CY16/17)	128	150
Nikon	92	68

Note: 2017/3 presented in Japan GAAP, 2018/3 presented in International Financial Reporting Standards (IFRS)

# Forecast for the year ending March 31, 2018: Imaging Products Business



Revenue/Operating Profit ■ Revenue ■ Operating Profit



- **Revenue:**  
**¥38 billion decrease**

- Decreased unit sales across all product categories from continued decline of imaging market

- **Operating Profit:**  
**¥0.7 billion decrease**

- Decline in operating profit from fall in unit sales
- Operating profit impact of unit sales decline, offset by fixed costs reduction from restructuring and focus on high-value add products

### D-CIL (10,000 Units)

Market	1,177	1,070
Nikon	310	250

### IL (10,000 Units)

Market	1,920	1,800
Nikon	462	370

### C-DSC (10,000 Units)

Market	1,260	1,040
Nikon	319	230

Note: 2017/3 presented in Japan GAAP, 2018/3 presented in International Financial Reporting Standards (IFRS)

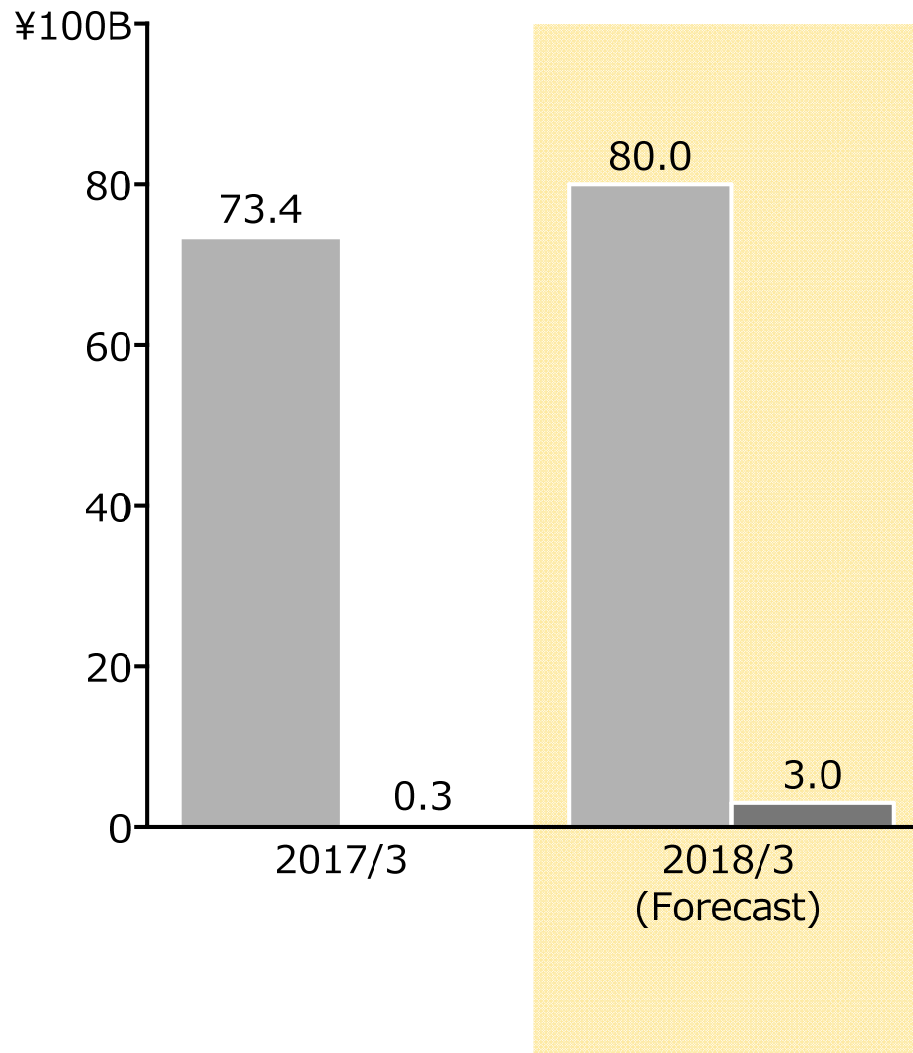


# Forecast for the year ending March 31, 2018: Instruments Business



## Revenue/Operating Profit

■ Revenue ■ Operating Profit



- **Revenue:**

- **¥6.6 billion increase**

- MS: Increased sales from increased market share in Biological Microscopes
  - Revenue recorded for regenerative medicine but time is required to generate profits
- Industrial Metrology: Expanded sales for automotive-related products and semiconductor inspection systems

- **Operating Profit:**

- **¥2.7 billion increase**

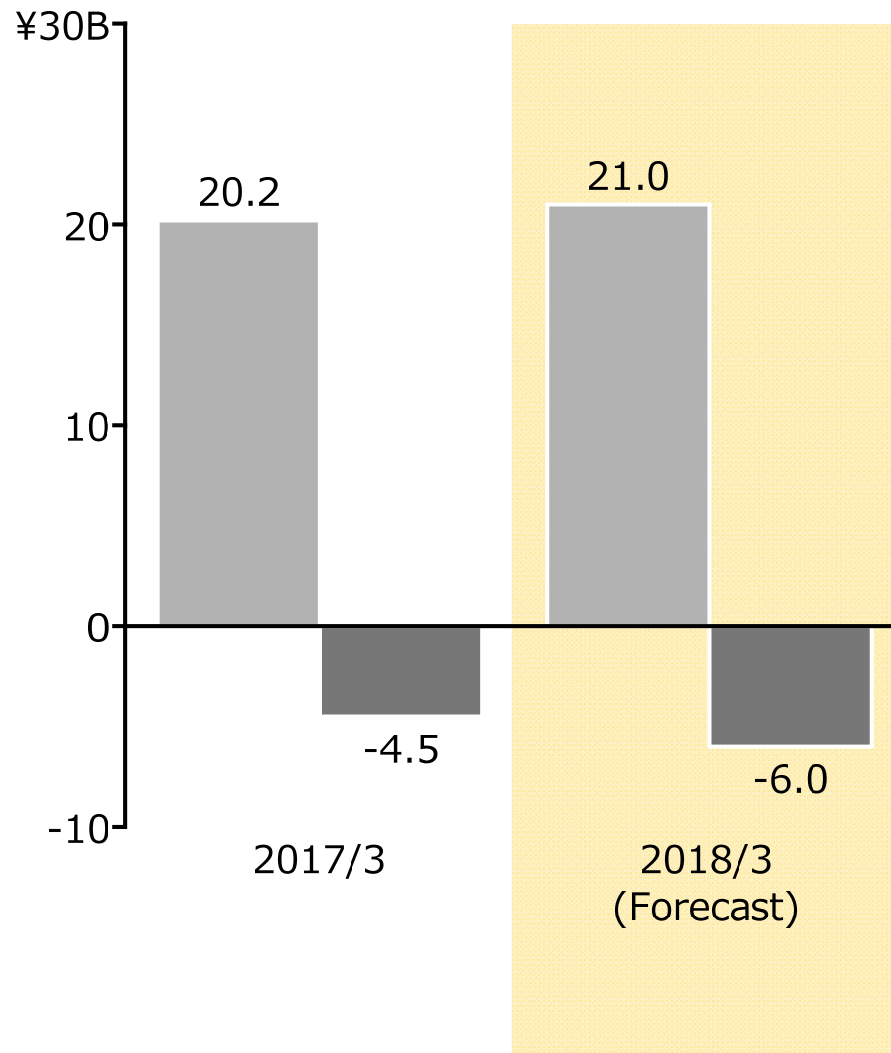
- Increase in profit from MS/Industrial Metrology due to rise in net sales

# Forecast for the year ending March 31, 2018: Medical Business



## Revenue/Operating Profit

■ Revenue ■ Operating Profit



- **Revenue:**  
**¥0.8 billion increase**

- The fundus camera business growth in-line with market expansion

- **Operating Profit:**  
**¥1.5 billion decline**

- Increased investment to expand business for ophthalmologic diagnosis

Note: 2017/3 presented in Japan GAAP, 2018/3 presented in International Financial Reporting Standards (IFRS)