

1. Financial results for the 3rd Quarter of the year ending March 31, 2017
2. Progress of Restructuring plan
3. Forecast for the year ending March 31, 2017



- **Expected substantial decrease in Q4 net sales and operating income. Downward adjustment to 2017/3 forecast**
 - Significant YoY decline in Q4 net sales and operating income
 - Downward adjustment to 2017/3 forecast: Net Sales ¥50 billion, Operating Income ¥5 billion, Net Income ¥3 billion
- **The main cause of downward adjustment is decline in units from Imaging Products Business and Industrial Metrology Business**
 - **Imaging Products Business:**
 - Slow sales of Action Camera. Reassess R&D and sales strategy
 - Market slowdown exceed expectations across most product categories
 - Canceled launch of DL series of premium compact cameras to focus on “high value-add” and profitability
 - **Industrial Metrology Business:**
 - Worldwide market slowdown and withheld investments in US automotive market
 - Reduce expected unit sales for Measuring Instrument and Industrial Microscope as unlikely to recover during Q4
- **No change to basic principle to “focus on high value-add” and “fundamental change in cost structure”**
 - Accelerate implementation and consider additional actions due to downward adjustment
 - “Shift to high-value add” requires more time to shift sales and operation strategy

Forecast for the year ending March 31, 2017: Financial Highlights



Billions of yen	2016/3 Actual (A)	2017/3 Previous forecast (Q2) (B)	2017/3 New forecast (Q3) (C)	Change (C)-(A)	Change (C)-(B)
Net Sales	819.3	800.0	750.0	-69.3	-50.0
Operating Income	31.6	49.0	44.0	+12.4	-5.0
% vs. Net Sales	3.9%	6.1%	5.9%		
Ordinary Income	37.8	52.0	47.0	+9.2	-5.0
% vs. Net Sales	4.6%	6.5%	6.3%		
Net Income attributable to owners of parent	18.2	-6.0	-9.0	-27.2	-3.0
% vs. Net Sales	2.2%	-0.8%	-1.2%		
FCF	24.3	45.0	45.0	+20.7	±0
Exchange Rate:	US\$	¥120	¥105	¥107	<u>Impact on Net Sales</u> -63.0 7.0
	EURO	¥133	¥117	¥118	<u>Impact on Op. Income</u> -16.0 ~zero

2017/3 planned annual cash dividend per share at ¥16 unchanged

Note: The latest forecast is the one announced on November 8, 2016.

Forecast for the year ending March 31, 2017: Financial Highlights by Segment

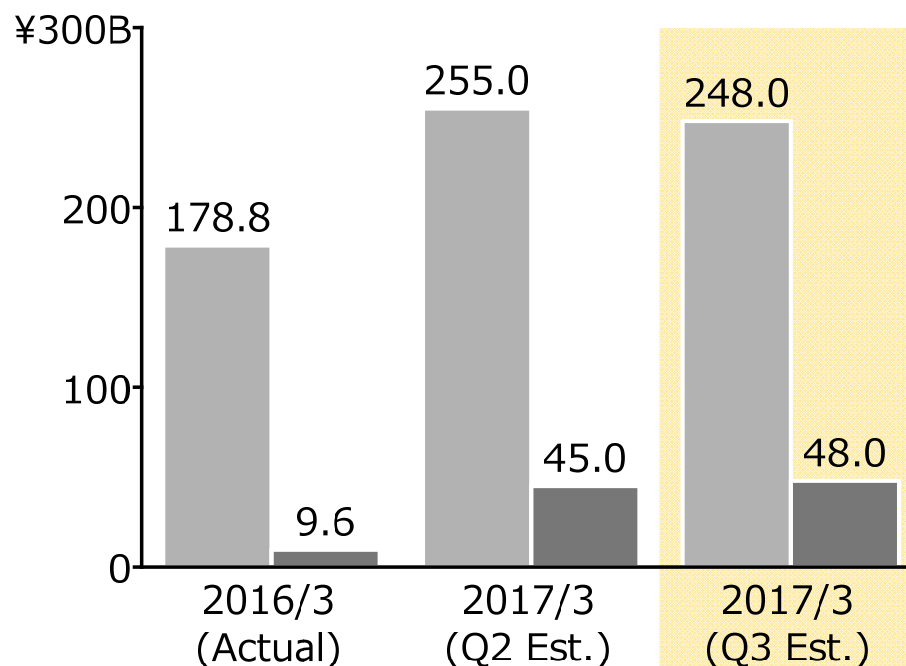


Billions of yen		2016/3 Actual (A)	2017/3 Previous forecast (Q2) (B)	2017/3 New forecast (Q3) (C)	Change (C)-(A)	Change (C)-(B)
Precision Equipment Business	Net Sales	178.8	255.0	248.0	+39%	-3%
	Operating Income	9.6	45.0	48.0	+38.4	+3.0
Imaging Products Business	Net Sales	520.4	415.0	380.0	-27%	-8%
	Operating Income	45.7	33.0	25.0	-20.7	-8.0
Instruments Business	Net Sales	77.2	84.0	76.0	-2%	-10%
	Operating Income	2.8	3.0	1.0	-1.8	-2.0
Medical Business	Net Sales	18.3	19.0	19.0	+4%	±0%
	Operating Income	-4.6	-6.0	-6.0	-1.4	±0
Other	Net Sales	24.4	27.0	27.0	+11%	±0%
	Operating Income	4.5	4.0	4.0	-0.5	±0
Corporate Expenses /Elimination of Intersegment Transactions	Net Sales	—	—	—	—	—
	Operating Income	-26.4	-30.0	-28.0	-1.6	+2.0
Consolidated	Net Sales	819.3	800.0	750.0	-9%	-6%
	Operating Income	31.6	49.0	44.0	+12.4	-5.0

Forecast for the year ending March 31, 2017: Precision Equipment Business



Net Sales/Operating Income ■ Net Sales ■ Operating Income



- **Net Sales: ¥7 billion downward adjustment**

Semiconductor Lithography :

- Shift 2 units of Lithography systems to next fiscal year by customer request
- Decrease in 6 refurbished units due to customer's reassessment of its investment plan

- **Operating Income: ¥3 billion upward adjustment**

- Semiconductor Lithography: Reduction in net sales off-set by reduction of unit cost and operating expense
- FPD Lithography: Better profitability from improved product-mix

Semiconductor Lithography Systems (New/Refurbished, Units)

Market	220	210	210
Nikon	14/21	26/16	24/10

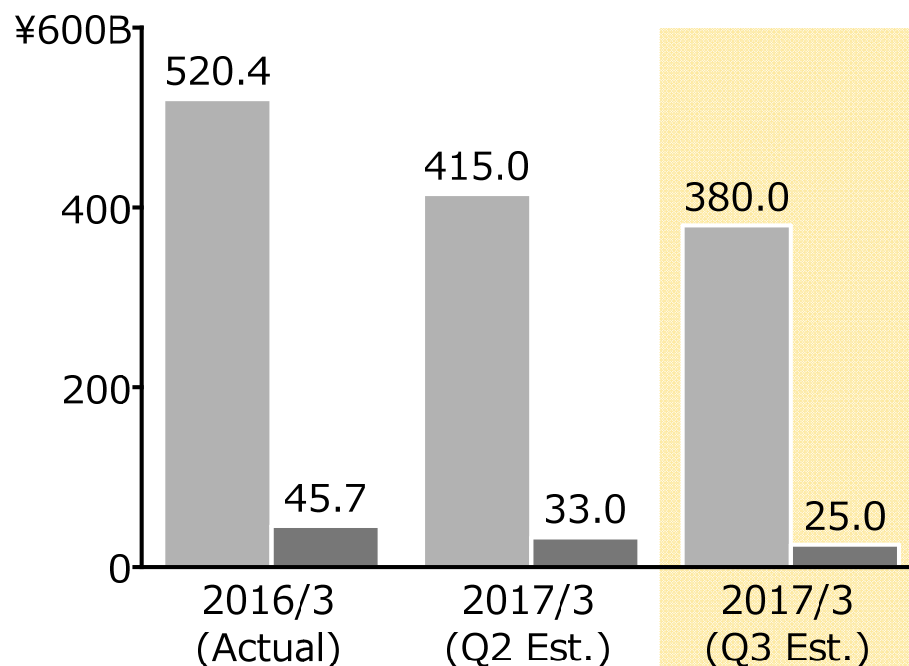
FPD Lithography Systems (Units)

Market	80	120	128
Nikon	46	92	92

Forecast for the year ending March 31, 2017: Imaging Products Business



Net Sales/Operating Income ■ Net Sales ■ Operating Income



- **Net Sales: ¥35 billion downward adjustment**

- Substantial downward adjustment of expected unit sales of initial assessment for “KeyMission” action camera series due to slow sales
- Reduction in unit sales across most product categories as market slowdown exceeded expectations

- **Operating Income: ¥8 billion downward adjustment**

- Downward adjustment due to above expected unit reduction
- Difficult to off-set reduction in expected units by expense reduction

- **One-time restructuring cost:**

- Canceled launch of DL series of premium compact cameras and recorded related expense in one-time restructuring cost

D-CIL (1,000 Units)

Market	13,040	12,000	11,500
Nikon	4,040	3,250	3,100

IL (1,000 Units)

Market	21,340	20,000	20,000
Nikon	5,900	4,750	4,600

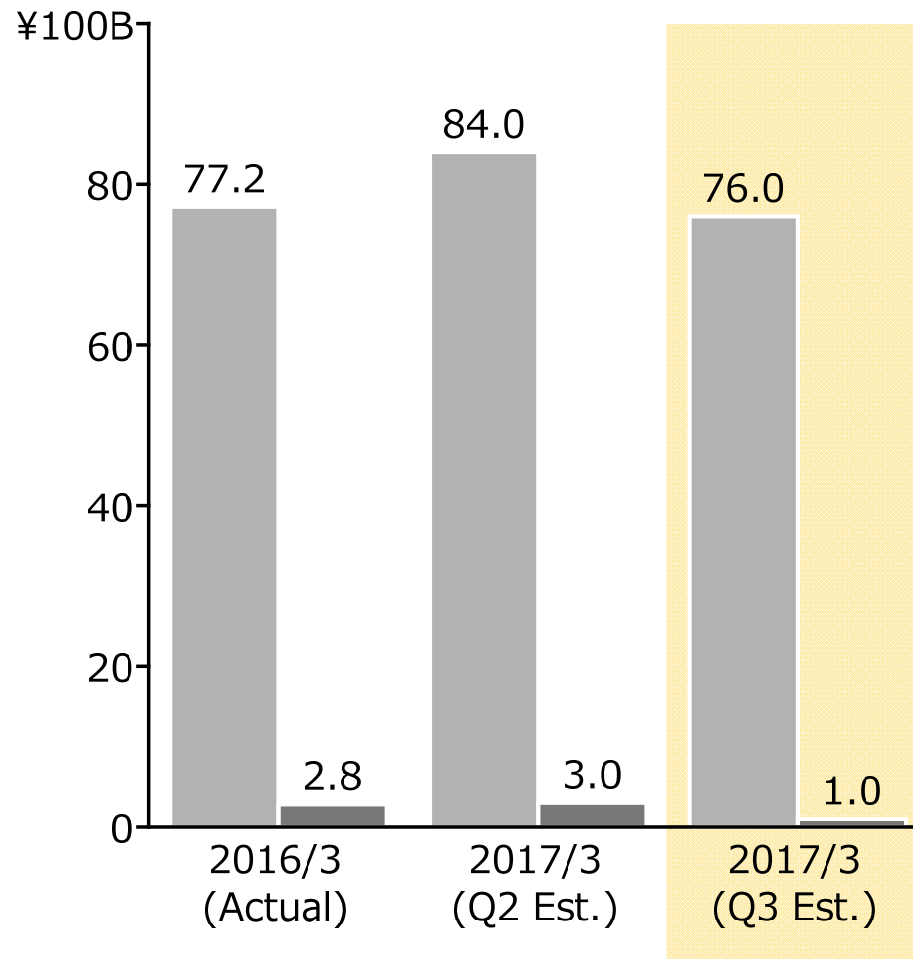
C-DSC (1,000 Units)

Market	20,790	13,500	13,000
Nikon	6,230	3,450	3,150

Forecast for the year ending March 31, 2017: Instruments Business



Net Sales/Operating Income ■ Net Sales ■ Operating Income



- **Net Sales: ¥8 billion downward adjustment**

- Industrial metrology :

- Market slowdown exceeded expectations for electronic component market in Japan/Asia
 - Withheld investments in US automotive market
 - Reduced expected unit sales in Measuring Instrument and Industrial Microscope due to above reasons

- **Operating Income: ¥2 billion downward adjustment**

- Downward adjustment due to above expected unit reduction

Industrial Metrology Business is a candidate growth business: Progress from offering differentiated products



NIKON PRODUCTS USING PROPRIETARY NON-CONTACT/NON-DESTRUCTIVE INSPECTION TECHNOLOGY



Non-contact multi-sensor
3D metrology system
HN-C3030



CT inspection
for blade and casting
XT H 450

NIKON PRODUCTS UNDER TRIALS BY AUTOMOTIVE OEMS WORLDWIDE

- Article in Nikkei Business magazine



Nikkei Business Jan. 13, 2017 issue

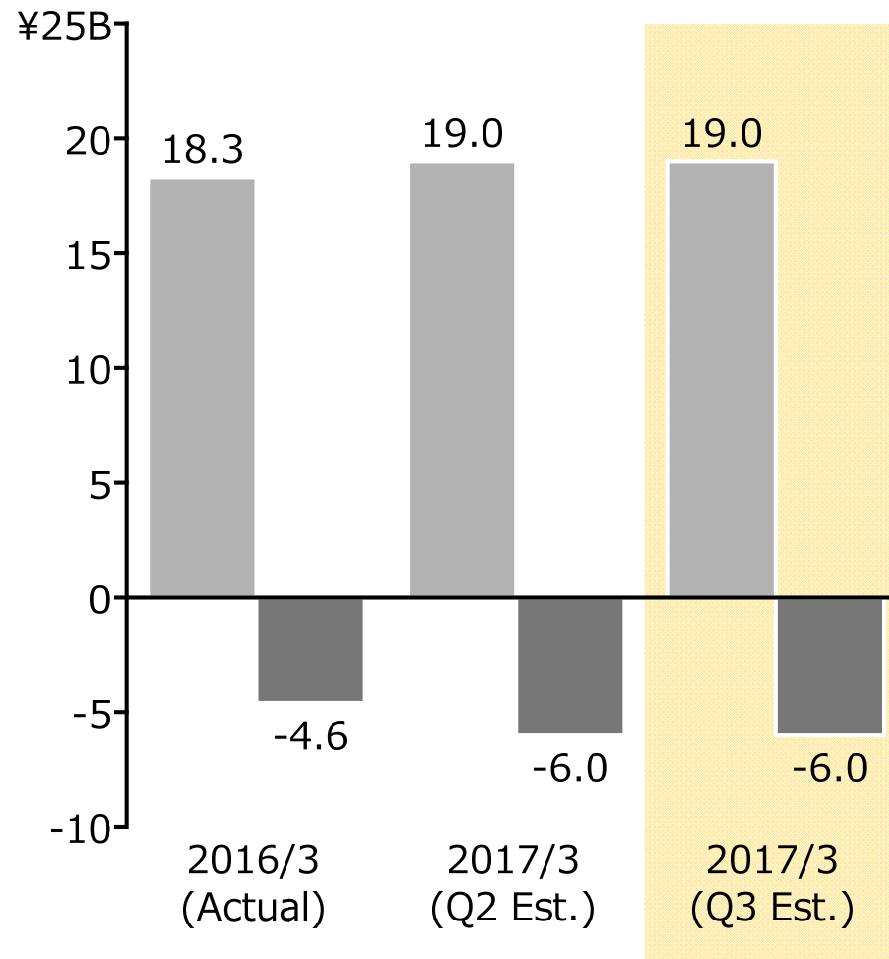
- Trial operations have already started with global automakers
 - European Automotive OEM A
 - European Automotive part supplier B
 - Multiple Japanese automotive OEMs

Once formally adopted in the mass production process,
meaningful profit contribution can be expected within 2-3 years

Forecast for the year ending March 31, 2017: Medical Business



Net Sales/Operating Income ■ Net Sales ■ Operating Income



- **No change in Net Sales and Operating Income**

- Optos business stable: maintain operating margin exceeding 15%

- **Announced a strategic alliance with Verily**

- Strategic alliance in retinal imaging diagnostic field utilizing machine learning
- Provide low-cost/reliable diagnostic solution for diabetes related eye diseases and expand the base of diagnosis/treatment
- We anticipate 3 years until profitability (No impact to 2017/3 forecast)