



NIKON CORPORATION
November 8, 2018

Financial Results for the Second Quarter of the Year ending March 31, 2019

- Forward-looking statements for earnings and other performance data contained herein are based on information currently available to the Company, and all potential risks and uncertainties are taken into account. The Company asks that investors understand that changes in conditions may cause actual performance to significantly differ from these projections.
- Amounts in this statement are rounded down to the nearest hundred million.

1. Financial results for the second quarter of the Year ending March 31, 2019
2. Forecast for the Year ending March 31, 2019
3. Capital allocation of post-restructuring

YoY Result

- Operating Profit was ¥30.6 billion, up ¥7.6 billion.
 - Imaging Products Business decreased its profit because of the initial cost for new products such as full-frame ML cameras and lenses launched in September.
 - Precision Equipment Business profit hike was driven by FPD lithography systems for large-sized panels.
 - Industrial Metrology Business discontinued some of the non-contact 3D metrology systems with low profitability, following the withdrawal from the CMM business last year.
- Restructuring improved profitability, lifting gross margin to the highest in 10 years.

Actual vs. Forecast

- Operating profit surpassed by ¥3.6 billion.
 - Improved profitability of Healthcare Business, etc. and expenditure efficiency improvement by corporate (undistributed) exceeded the profit drop of Imaging Products Business.
(Profit non-attributable to business segments improved ¥2.2 billion.)

Interim Dividend

- ¥30, up ¥16 from the previous year (¥14).
 - Up ¥3 from the previous forecast

Note: CMM (Coordinate Measuring Machines) business conducts development, manufacture, sales and service activities of contact-type 3D metrology systems.

The previous forecast is as of August 7, 2018.

First Half of the Year ending March 31, 2019: Financial Highlights



Billions of yen	FY2018/3 1H (A)	Previous forecast (B) (Aug. 7)	FY2019/3 1H (C)	Change (C)-(A)	Change (C)-(B)	
Revenue	328.4	332.0	335.7	+7.3	+3.7	
Operating Profit	23.0	27.0	30.6	+7.6	+3.6	
% vs Revenue	7.0%	8.1%	9.1%			
Profit before income taxes	21.4	28.0	33.8	+12.4	+5.8	
% vs Revenue	6.5%	8.4%	10.1%			
Profit attributable to owners of the parent	13.9	19.0	22.8	+8.9	+3.8	
% vs Revenue	4.2%	5.7%	6.8%			
FCF	7.0	—	31.2	+24.2	—	
Exchange Rate:				Impact on Revenue		
	US\$	¥111	¥107	¥110	+0.3	+2.5
	EURO	¥126	¥130	¥130	Impact on Operating Profit	
				-1.0	+0.1	

1H Profit posted ¥22.8 billion, 64% up from previous year.

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3.

First Half of the Year ending March 31, 2019: Financial Highlights by Segments



Billions of yen		FY2018/3 1H (A)	FY2019/3 1H (B)	Change (B)-(A)
Imaging Products Business	Revenue	175.2	150.9	-14%
	Operating Profit	15.4 (15.4)	13.2 (13.6)	-2.2
Precision Equipment Business	Revenue	98.0	121.6	+24%
	Operating Profit	20.1 (20.1)	29.8 (29.8)	+9.7
Healthcare Business	Revenue	25.2	29.4	+17%
	Operating Profit	-2.1 (-2.1)	-2.3 (-2.3)	-0.2
Industrial Metrology and Others	Revenue	29.8	33.7	+13%
	Operating Profit	1.5 (1.5)	2.7 (3.5)	+1.2
Corporate Profit/Loss non-attributable to any reportable segments	Revenue	—	—	—
	Operating Profit	-11.9 (-11.9)	-12.8 (-12.8)	-0.9
Consolidated	Revenue	328.4	335.7	+2%
	Operating Profit	23.0	30.6	+7.6
		(23.0)	(31.8)	

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. 5
Figures of Operating Profit in parentheses shows those excluding the restructuring cost.

2nd Quarter of the Year ending March 31, 2019: Financial Highlights



Billions of yen	FY2018/3 Q2 (A)	FY2019/3 Q2 (B)	Change (B)-(A)
Revenue	158.1	168.8	+10.7
Operating Profit	10.6	11.6	+1.0
% vs Revenue	6.7%	6.9%	
Profit before Income taxes	8.3	11.9	+3.6
% vs Revenue	5.2%	7.0%	
Profit attributable to Owners of the Parent	5.1	6.5	+1.4
% vs Revenue	3.2%	3.9%	
Exchange Rate:			Impact on Revenue
US \$	¥111	¥111	-0.8
EURO	¥130	¥130	Impact on Op. Profit
			-0.9

Sales of FPD lithography systems for large-sized panels more than doubled resulting in hike of profit.

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3.

First Half of the Year ending March 31, 2019: Imaging Products Business



Billions of yen	FY2018/3 1H (A)	Previous forecast (B) (Aug.7)	FY2019/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	175.2	150.0	150.9	-24.3	+0.9
Operating Profit	15.4	15.0	13.2	-2.2	-1.8
% vs Revenue	8.8%	10.0%	8.7%		
Digital Camera- Interchangeable Lens type (units sold: 1,000)	1,310	—	1,070	-240	—
Interchangeable Lens (units sold: 1,000)	2,020	—	1,650	-370	—
Compact DSC (units sold: 1,000)	1,390	—	850	-540	—

- **YoY:** Sales and profit declined. The shift to high-valued added products compensated for the hit to profits from market shrinkage. However, profit was still pushed down by the high initial cost for ML cameras.
- **Actual vs. forecast:** With the announcement of ML camera launch, more customers than expected refrained from purchasing existing products. Units sold, revenue (excluding forex impact) and 1H profit missed plan.

First Half of the Year ending March 31, 2019: Precision Equipment Business



Billions of yen	FY2018/3 1H (A)	Previous forecast (B) (Aug.7)	FY2019/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	98.0	124.0	121.6	+23.6	-2.4
Operating Profit	20.1	30.0	29.8	+9.7	-0.2
% vs. Revenue	20.5%	24.2%	24.5%		
FPD Lithography Systems (units)	34	—	36	+2	—
Semiconductor Lithography systems New/Refurbished (units)	7/4	—	8/9	+1/+5	—

- **YoY:** Sales and profit grew, driven in large part by increased volumes of FPD lithography systems for large-sized panels including high-priced G10.5.
- **Actual vs. forecast:** Profit in line because COGS improvements and other operational efforts picked up the slack as some sales of semiconductor lithography systems were pushed into 2H.

First Half of the Year ending March 31, 2019: Healthcare Business



Billions of yen	FY2018/3 1H (A)	Previous forecast (B) (Aug.7)	FY2019/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	25.2	26.0	29.4	+4.2	+3.4
Operating Profit	-2.1	-5.0	-2.3	-0.2	+2.7
% vs. Revenue	-8.3%	-19.2%	-7.8%		

- **YoY:** Significant increase of revenue due to the biological microscopes sales growth mainly in overseas markets. Operating loss stayed flat due to strengthening of strategic investments in retinal diagnosis systems and regenerative medicine fields.
- **Actual vs. forecast:** Operating loss was halved as gross profit improved, driven by revenue growth, and some expenditures were deferred to 2H.

First Half of the Year ending March 31, 2019: Industrial Metrology Business and Others



Billions of yen	FY2018/3 1H (A)	Previous forecast (B) (Aug.7)	FY2019/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	29.8	32.0	33.7	+3.9	+1.7
Operating Profit	1.5	2.0	2.7	+1.2	+0.7
% vs. Revenue	5.0%	6.3%	8.0%		

- **YoY:** Revenue/profit improved in all businesses. Industrial Metrology started to demonstrate the restructuring benefit, posting the 1H operating profit (excluding temporary expense) for the first time after the Lehman shock.
- **Actual vs. forecast:** Beat plan. Although Industrial Metrology booked an additional ¥600 million restructuring cost, some sales were front loaded from 2H and other businesses improved their profitability.

1. Financial results for the second quarter of the Year ending March 31, 2019
2. Forecast for the Year ending March 31, 2019
3. Capital allocation of post-restructuring

Revenue

- **Overall forecast remains unchanged.**
 - The previous forecast stays unchanged.

Operating Profit

- **Overall forecast remains unchanged.**
 - Imaging Products Business forecast is lowered by ¥2 billion based on the 1H result. However, the forecasts of Healthcare Business and Corporate, which is not attributable to any reportable segments, are upgraded by ¥1 billion each.

Profit attributable to owners of the parent

- **Overall forecast remains unchanged.**
 - ROE improves to 9% range for the first time in five years. Solidify a level of profitability above our capital cost, then pursue higher profitability over the midterm.

Annual Dividend

- **¥60 (¥30 interim, ¥30 year-end)**
 - Up ¥24 from ¥36 of the previous year,
Up ¥6 from ¥54 of the previous forecast.

Forecast for the Year ending March 31, 2019: Financial Highlights



Billions of yen	FY2018/3 Actual (A)	Previous Forecast (Aug.7) (B)	New Forecast (Nov.8) (C)	Change (C)-(A)	Change (C)-(B)
Revenue	717.0	740.0	740.0	+23.0	±0.0
Operating Profit	56.2	74.0	74.0	+17.8	±0.0
% vs Revenue	7.8%	10.0%	10.0%		
Profit before income taxes	56.2	76.0	76.0	+19.8	±0.0
% vs Revenue	7.8%	10.3%	10.3%		
Profit attributable to owners of the parent	34.7	53.0	53.0	+18.3	±0.0
% vs Revenue	4.8%	7.2%	7.2%		
FCF	90.2	60.0	60.0	-30.2	±0.0
Exchange Rate :				Impact on Revenue	
US\$	¥111	¥106	¥108	approx.-9.3	approx.+2.5
EURO	¥130	¥130	¥130	Impact on Op. Profit	
				approx.-2.2	approx.+0.1

FCF forecast remains unchanged as well as Revenue and Profits.

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. FY19/3 Revenue forecast is an amount after deducting approximately ¥7 billion.

Forecast for the Year ending March 31, 2019: Financial Highlights by Segment

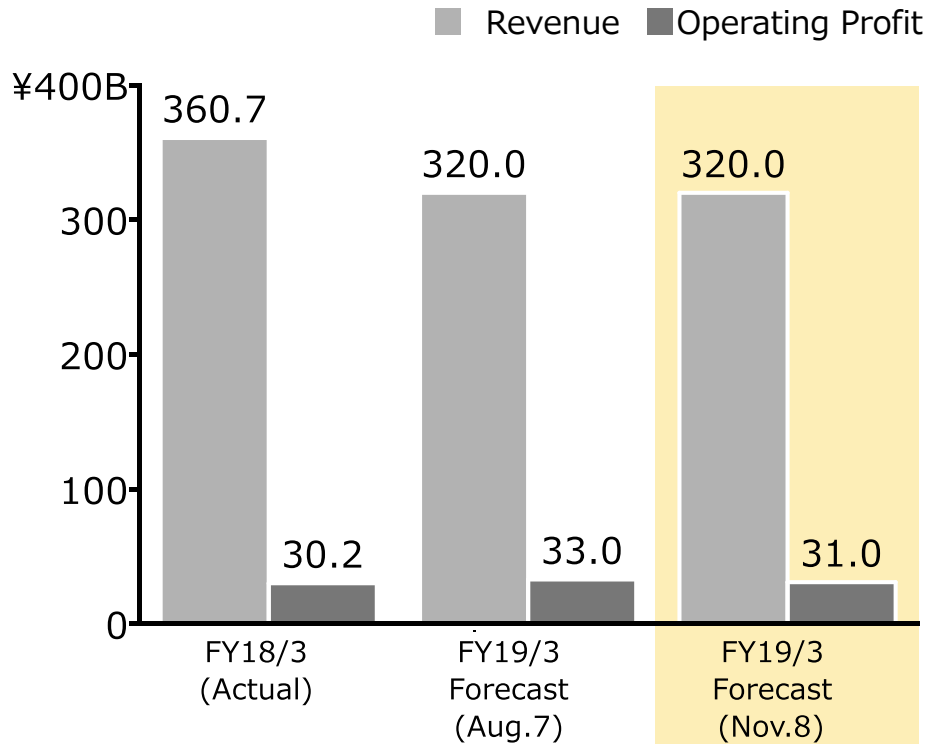


Billions of yen		FY2018/3 Actual(A)	Previous Forecast (Aug.7) (B)	New Forecast (Nov.8) (C)	Change (C)-(A)	Change (C)-(B)
Imaging Products Business	Revenue	360.7	320.0	320.0	-11.3%	±0%
	Operating Profit	30.2 (36.0)	33.0 (34.0)	31.0 (32.0)	+0.8	-2.0
	Precision Equipment Business	Revenue	226.3	282.0	282.0	+24.6%
Operating Profit		53.3 (53.3)	68.0 (68.0)	68.0 (68.0)	+14.7	±0.0
Healthcare Business		Revenue	56.8	63.0	63.0	+10.9%
	Operating Profit	-3.2 (-3.2)	-4.0 (-4.0)	-3.0 (-3.0)	+0.2	+1.0
	Industrial Metrology and Others	Revenue	73.2	75.0	75.0	+2.5%
Operating Profit		5.0 (7.8)	6.0 (6.0)	6.0 (7.0)	+1.0	±0.0
Corporate Profit/Loss non- attributable to any reportable segments		Revenue	—	—	—	—
	Operating Profit	-29.1 (-29.1)	-29.0 (-29.0)	-28.0 (-28.0)	+1.1	+1.0
	Consolidated	Revenue	717.0	740.0	740.0	+3.2%
Operating Profit		56.2 (64.9)	74.0 (75.0)	74.0 (76.0)	+17.8	±0.0

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. FY19/3 Revenue forecast is an amount after deducting approximately ¥7 billion.

Figures of Operating Profit in parentheses shows those excluding the restructuring cost.

Forecast for the Year ending March 31, 2019: Imaging Products Business



• Revenue: forecast unchanged, down ¥40.7 billion YoY

- ASP is buoyed by new products introduction including full-frame ML cameras.
- Sales volume forecast is revised based on the 1H result, but the impact is offset by forex contribution to sales hike.

• Operating Profit: forecast down by ¥2 billion, but ¥800 million up YoY

- FY18/3 and FY19/3 OP before restructuring costs ¥36B and ¥32B, respectively.
- Yearly restructuring cost amounts to ¥1 billion, among which ¥600 million is deferred to 2H.
- Revised down ¥2 billion vs. previous forecast to reflect 1H plan miss.

Digital camera-Interchangeable Lens Type (units: 1,000)

Market Scale	11,410	10,000	9,800
Nikon	2,620	2,300	2,250

Interchangeable Lenses (units: 1,000)

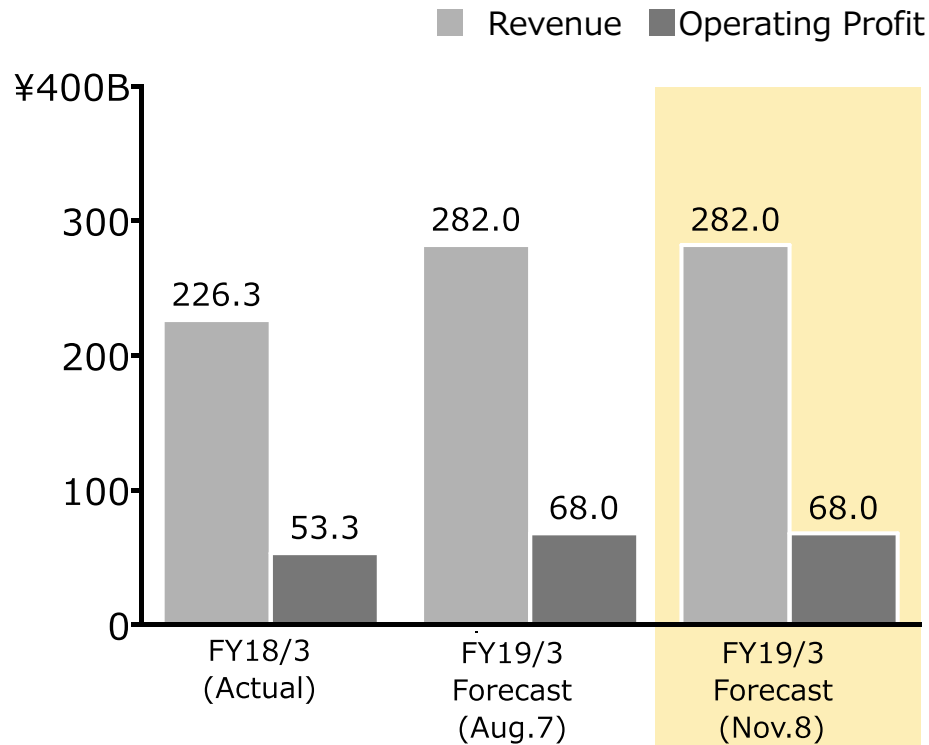
Market Scale	19,060	16,500	16,300
Nikon	4,010	3,400	3,350

Compact DSC (units: 1,000)

Market Scale	11,960	8,000	8,000
Nikon	2,510	1,700	1,700

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. 15 FY19/3 Revenue forecast is an amount after deducting approximately ¥7 billion.

Forecast for the Year ending March 31, 2019: Precision Equipment Business



• Revenue: forecast unchanged, up ¥55.7 billion YoY

- FPD: No change in the forecast, which calls for sales growth in large-sized panel systems to exceed the sales drop of mid-to-small sized panel systems.
 - G10.5 significantly grows to 18 units from 3 units (last FY).
- Semiconductor: Sales volume increases due to the steady customers' CAPEX.

• Operating Profit: forecast unchanged, up ¥14.7 billion YoY

- FPD: Substantial improvement in revenue and profit
- Semiconductor: Achievement of two consecutive profitable years to confirm that a profitable business structure has taken hold.

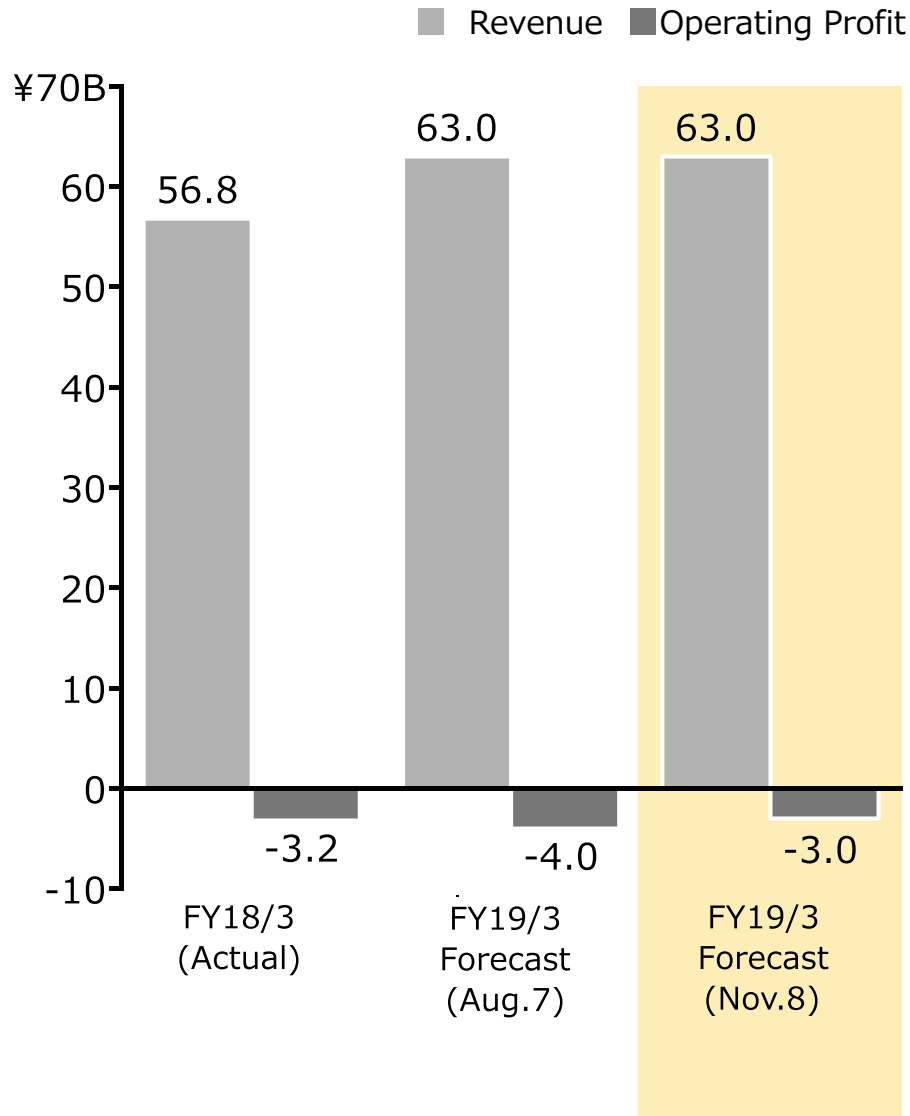
FPD Lithography Systems (units)

	FY18/3 (Actual)	FY19/3 Forecast (Aug.7)	FY19/3 Forecast (Nov.8)
Market Scale (CY17/18)	149	150	150
Nikon	67	70	70

Semiconductor Lithography Systems (New/Refurbished, units)

	FY18/3 (Actual)	FY19/3 Forecast (Aug.7)	FY19/3 Forecast (Nov.8)
Market Scale (CY17/18)	240	260	260
Nikon	17/13	23/12	23/12

Forecast for the Year ending March 31, 2019: Healthcare Business



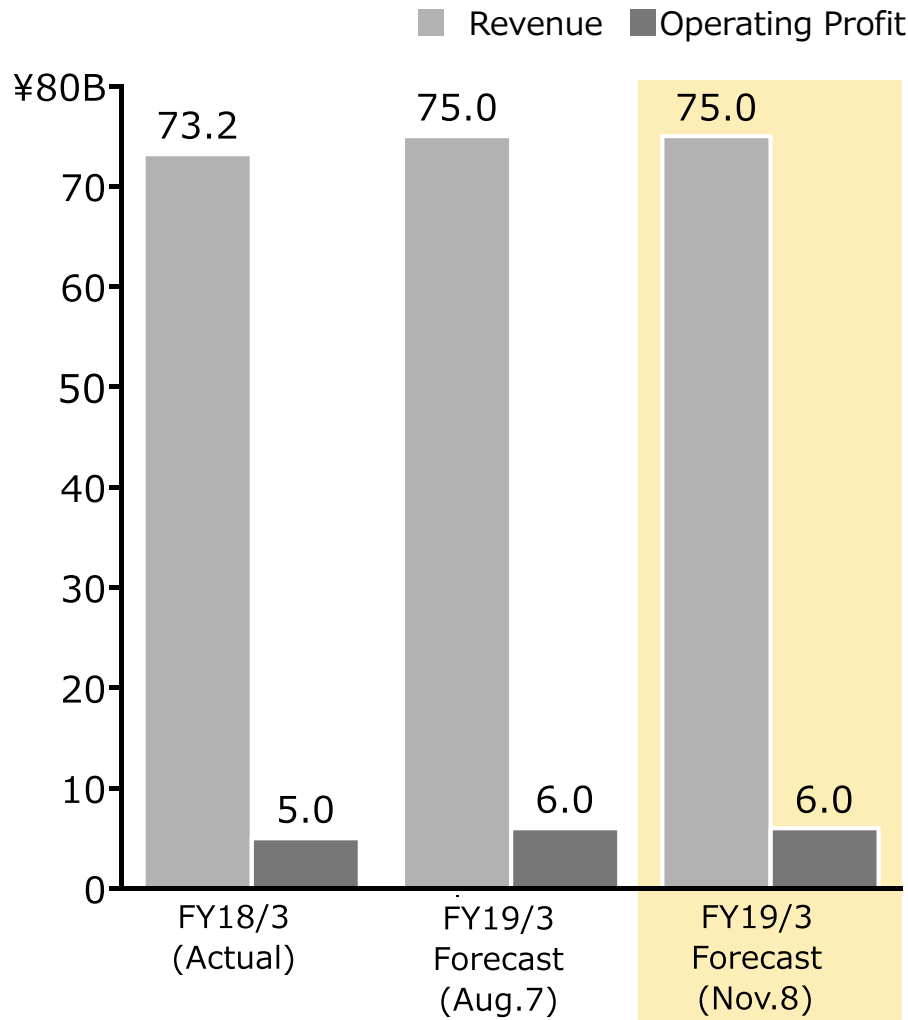
- **Revenue: forecast unchanged, up ¥6.2 billion YoY**

- Bioscience: Expect to increase revenue mainly in overseas such as North America and China.
- Ophthalmologic diagnosis: Forecasting revenue growth as the retinal imaging diagnostic system market remains robust and new product launches.

- **Operating Profit: forecast up by ¥1 billion**

- More strategic investments than last FY have been executed to expand business and grow profit. But the loss stays almost flat YoY, supported by sales hike.

Forecast for the Year ending March 31, 2019: Industrial Metrology Business and Others



- **Revenue: forecast unchanged, up ¥1.8 billion YoY**

- In Industrial Metrology, revenue decline resulting from the CMM business disposition is covered by sales expansion of image measuring systems and X-ray inspection systems, etc.

- **Operating Profit: forecast unchanged, up ¥1 billion YoY**

- FY18/3 and FY19/3 OP before the restructuring cost ¥7.8B and ¥7.0B, respectively.
- Additional restructuring cost accompanied by products discontinuation is absorbed by revenue/profit improvement.
- Restructuring cost is ¥1 billion for the full year.

1. Financial results for the second quarter of the Year ending March 31, 2019
2. Forecast for the Year ending March 31, 2019
3. Capital allocation of post-restructuring

Assessment of Current Situation

- Restructuring efforts transformed the company operations to pursue profit with appropriate fixed cost, and became capable of **stably generating profit consistently in the midterm timeframe**.
- However, we are still working on building a foundation for sustainable growth in corporate value and **creating/strengthening growth engines is an urgent priority**.
- **We can maintain the higher level of dividend returns achieved through restructuring**, even as we absorb the need to invest in growth and volatility in business performance and the markets.



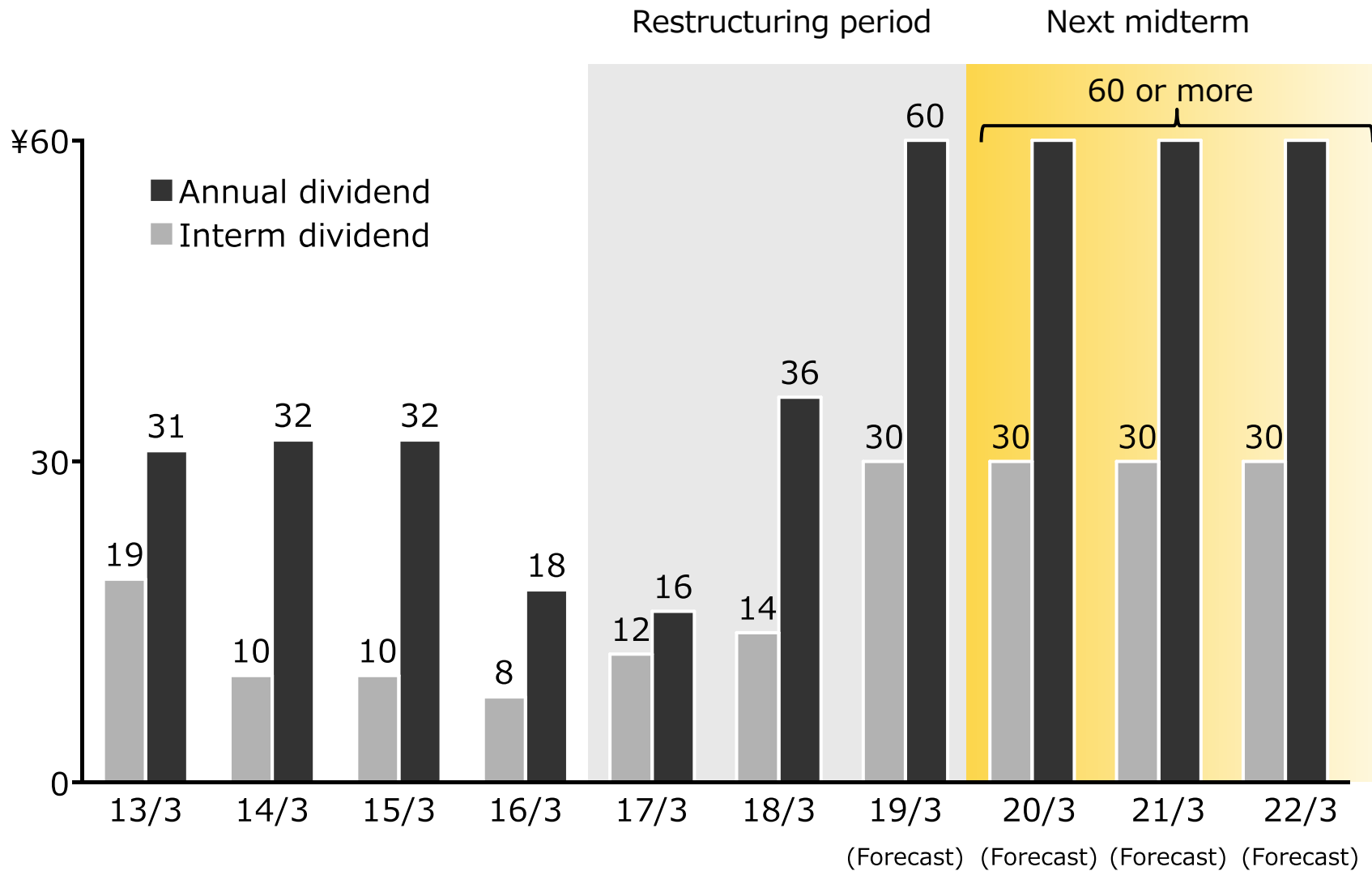
Capital Allocation Principle

- While realizing appropriate returns to our shareholders, we shall **prioritize strategic investments for growth** in order to generate new operating cash flows that are essential to improve corporate value.

Return Policy

- Return policy for the next midterm: **Keep ¥60 or more dividend**
 - If ¥60 falls short of our current policy to pay “a dividend payout ratio of 40% or more,” we will consider additional returns to our shareholders as appropriate.
 - If the environment surrounding us drastically changes, this policy (¥60 or more dividend) may be revised depending on the investment capacity for growth and the capital structure.
- **Aiming to enhance and stabilize returns to our shareholders and improve capital efficiency** in a long-term perspective.

Dividend history and forecast





NIKON CORPORATION

Reference Data

Forecast for the Year ending March 31, 2019: Financial Highlights (Half Year/Full Year)



	FY17/3	FY18/3			FY19/3 Forecast (Nov.8)		
Billions of yen	2017/3	1H	2H	2018/3	1H	2H	2019/3
Revenue	749.2	328.4	388.6	717.0	335.7	404.3	740.0
Operating Profit	0.7	23.0	33.2	56.2	30.6	43.4	74.0
% vs Revenue	0.1%	7.0%	8.5%	7.8%	9.1%	10.7%	10.0%
Profit before income taxes	3.0	21.4	34.8	56.2	33.8	42.2	76.0
% vs Revenue	0.4%	6.5%	9.0%	7.8%	10.1%	10.4%	10.3%
Profit attributable to owners of the parent	3.9	13.9	20.8	34.7	22.8	30.2	53.0
% vs Revenue	0.5%	4.2%	5.4%	4.8%	6.8%	7.5%	7.2%
FCF	56.6	90.2			60.0		
Exchange Rate:							
US \$	¥108	¥111	¥111	¥111	¥110	¥105	¥108
EURO	¥119	¥126	¥133	¥130	¥130	¥130	¥130

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. FY19/3 Revenue forecast is an amount after deducting approximately ¥7 billion.

Forecast for the Year ending March 31, 2019: Financial Highlights by Segments (Half Year/Full Year)



Billions of yen		FY17/3	FY18/3			FY19/3 Forecast (Nov.8)		
		2017/3	1H	2H	2018/3	1H	2H	2019/3
Imaging Products Business	Revenue	383.0	175.2	185.5	360.7	150.9	169.1	320.0
	Operating Profit	17.1	15.4	14.8	30.2	13.2	17.8	31.0
		(28.1)	(15.4)	(20.6)	(36.0)	(13.6)	(18.4)	(32.0)
Precision Equipment Business	Revenue	248.0	98.0	128.3	226.3	121.6	160.4	282.0
	Operating Profit	13.4	20.1	33.2	53.3	29.8	38.2	68.0
		(48.1)	(20.1)	(33.2)	(53.3)	(29.8)	(38.2)	(68.0)
Healthcare Business	Revenue	55.7	25.2	31.6	56.8	29.4	33.6	63.0
	Operating Profit	-0.6	-2.1	-1.1	-3.2	-2.3	-0.7	-3.0
		(-0.1)	(-2.1)	(-1.1)	(-3.2)	(-2.3)	(-0.7)	(-3.0)
Industrial Metrology and Others	Revenue	62.4	29.8	43.4	73.2	33.7	41.3	75.0
	Operating Profit	3.7	1.5	3.5	5.0	2.7	3.3	6.0
		(5.5)	(1.5)	(6.3)	(7.8)	(3.5)	(3.5)	(7.0)
Corporate Profit/Loss non-attributable to any reportable segments	Revenue	—	—	—	—	—	—	—
	Operating Profit	-32.8	-11.9	-17.2	-29.1	-12.8	-15.2	-28.0
		(-27.5)	(-11.9)	(-17.2)	(-29.1)	(-12.8)	(-15.2)	(-28.0)
Consolidated	Revenue	749.2	328.4	388.6	717.0	335.7	404.3	740.0
	Operating Profit	0.7	23.0	33.2	56.2	30.6	43.4	74.0
		(54.1)	(23.0)	(41.9)	(64.9)	(31.8)	(44.2)	(76.0)

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. FY19/3 Revenue forecast is an amount after deducting approximately ¥7 billion.

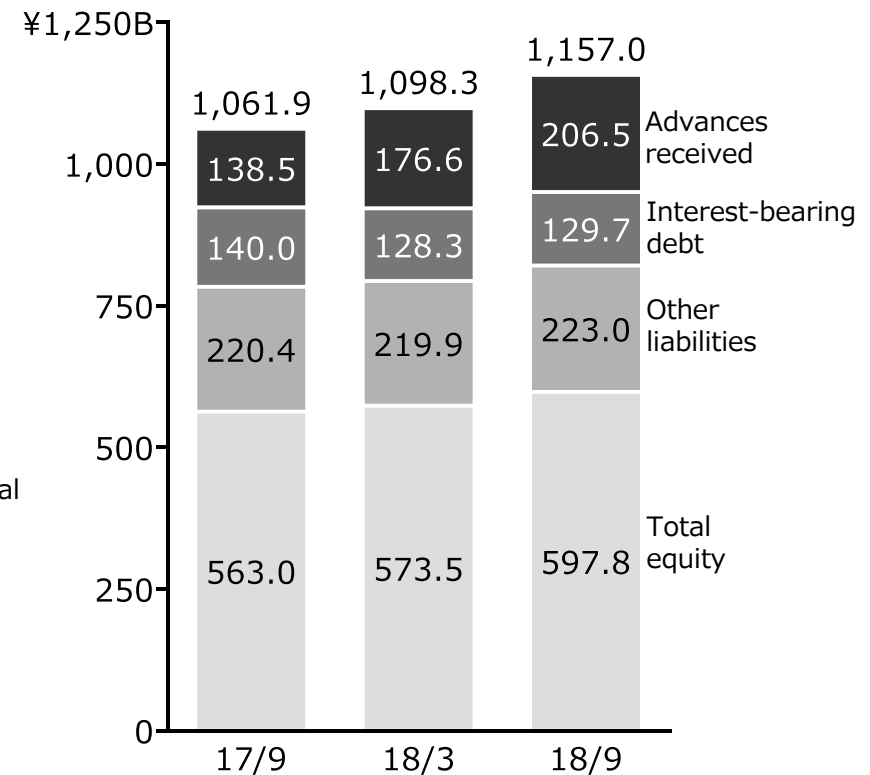
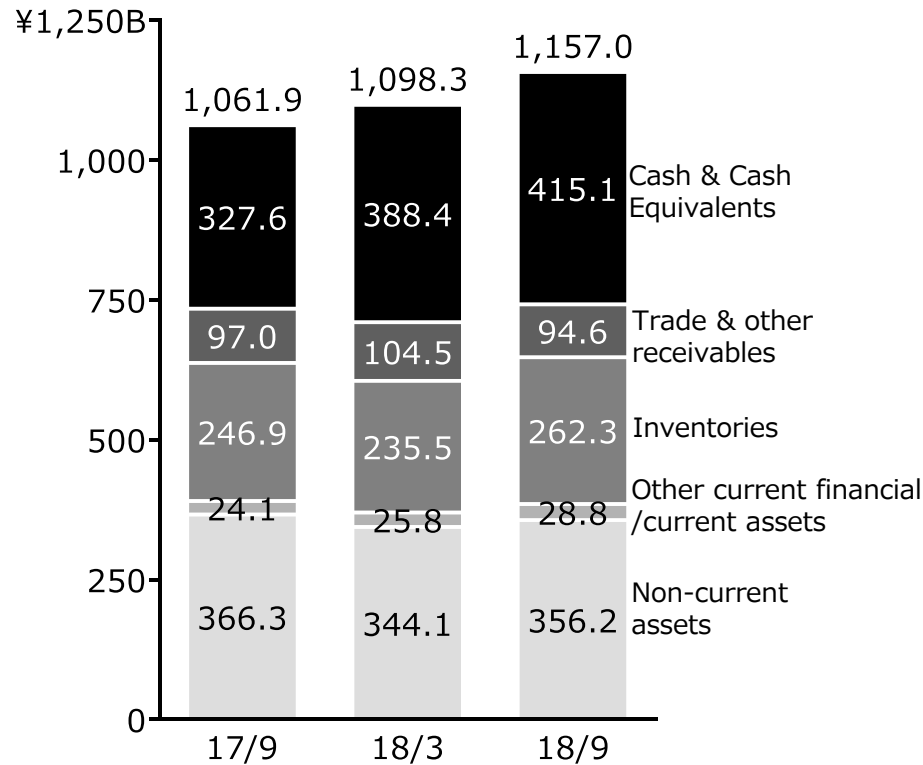
Figures of Operating Profit in parentheses shows those excluding the restructuring cost.

2nd Quarter of the Year ending March 31, 2019: Financial Position Breakdown



ASSETS

LIABILITIES/EQUITY



Equity ratio 53.0% 52.2% 51.6%

Note: A Breakdown of interest-bearing debt as of September 30, 2018 is ¥29.9B in bonds and ¥99.8B in other borrowings.

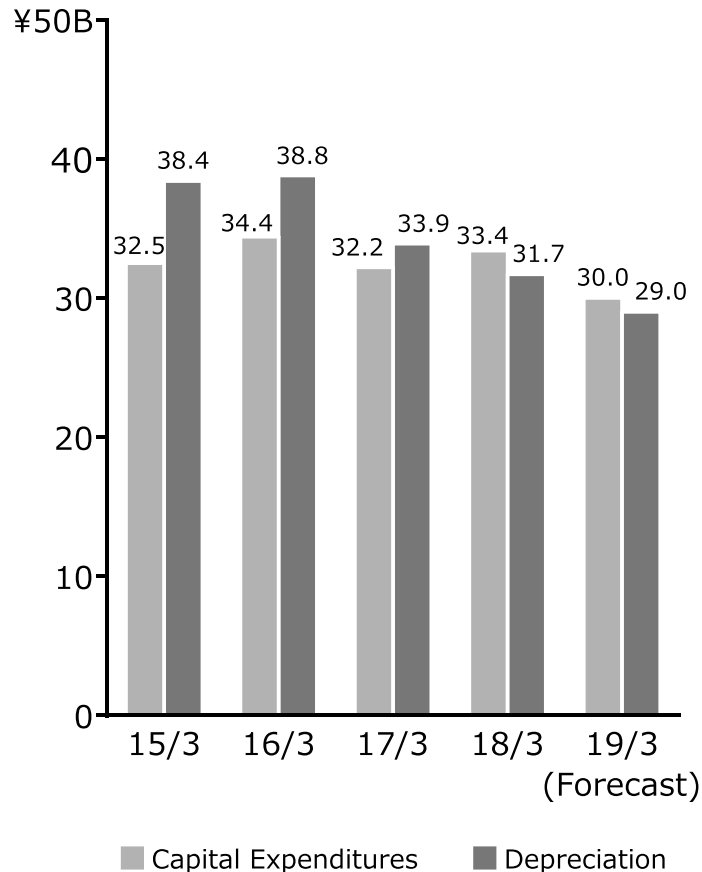
Equity ratio is ratio of equity attributable to owners of the parent to total assets.

Cash and Cash Equivalents excludes time deposits with maturities of three months or more.

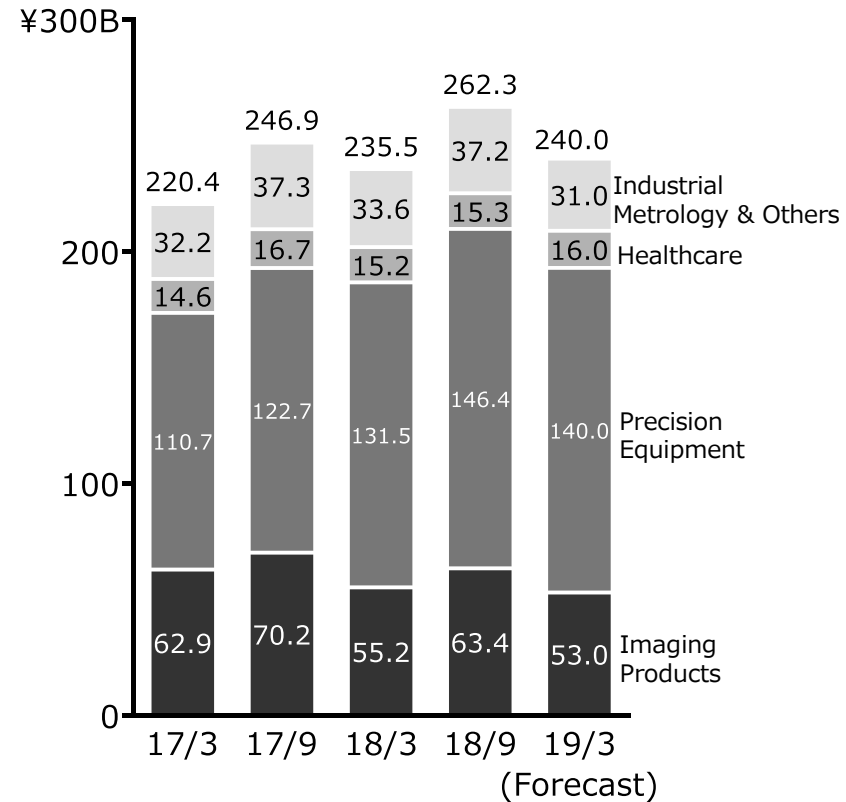
Forecast for the Year ending March 31, 2019: Capital Expenditures, Depreciation and Inventory



CAPITAL EXPENDITURES, DEPRECIATION



INVENTORY BREAKDOWN

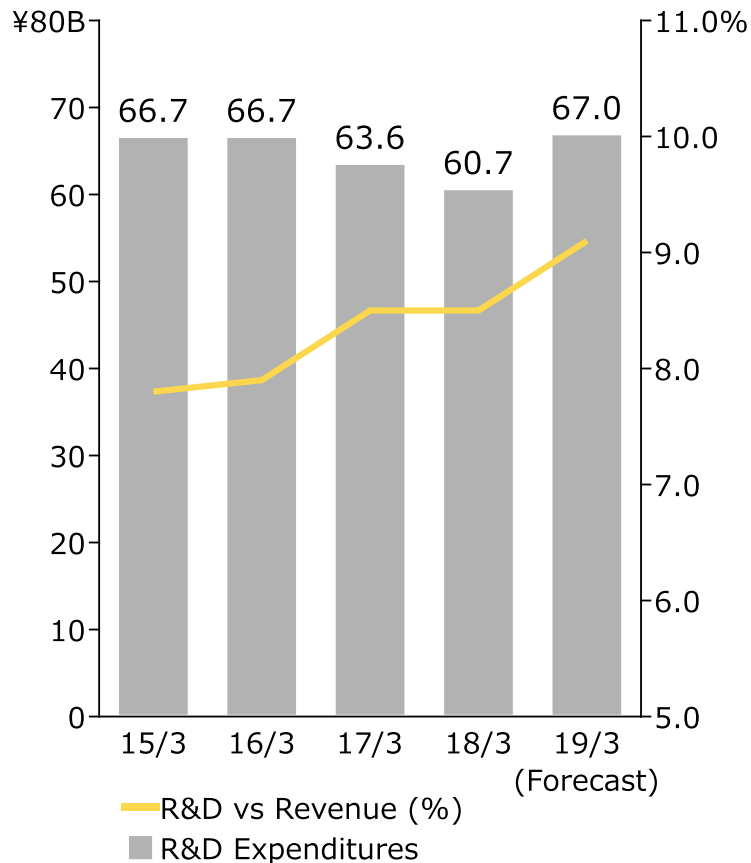


Note: Figures after FY2016/3 is presented in International Financial Reporting Standards (IFRS) while FY2015/3 is in Japan GAAP. Depreciation expenses comprise in-process development costs as from FY2017/3. Inventory breakdown before FY2016/3 is reclassified under the current business segmentation.

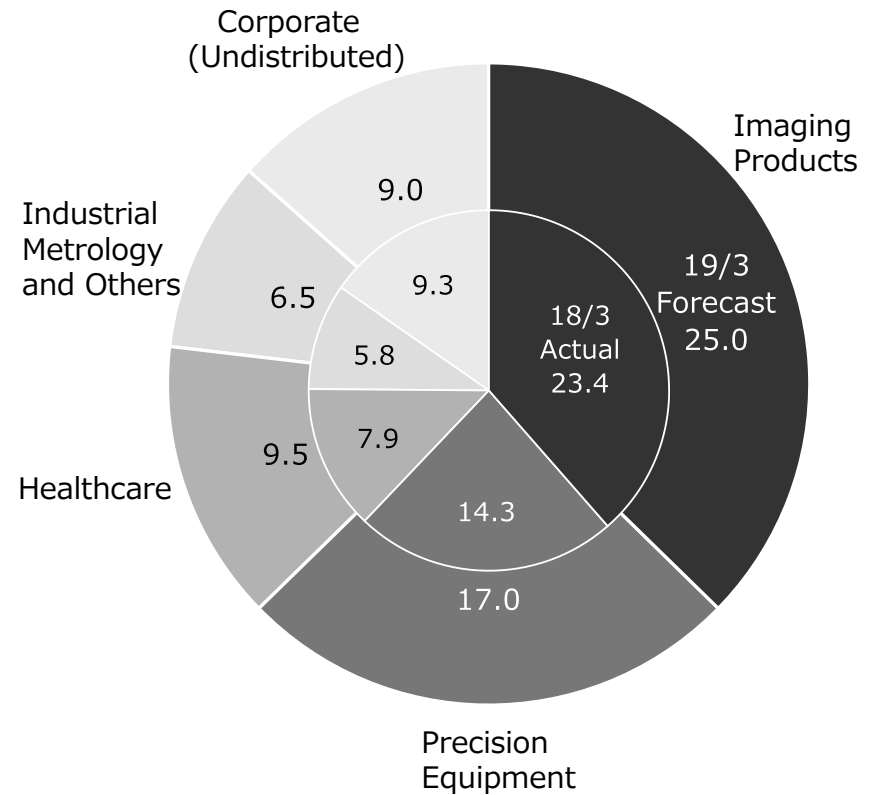
Forecast for the Year ending March 31, 2019: R&D Expenditures



R&D EXPENDITURES

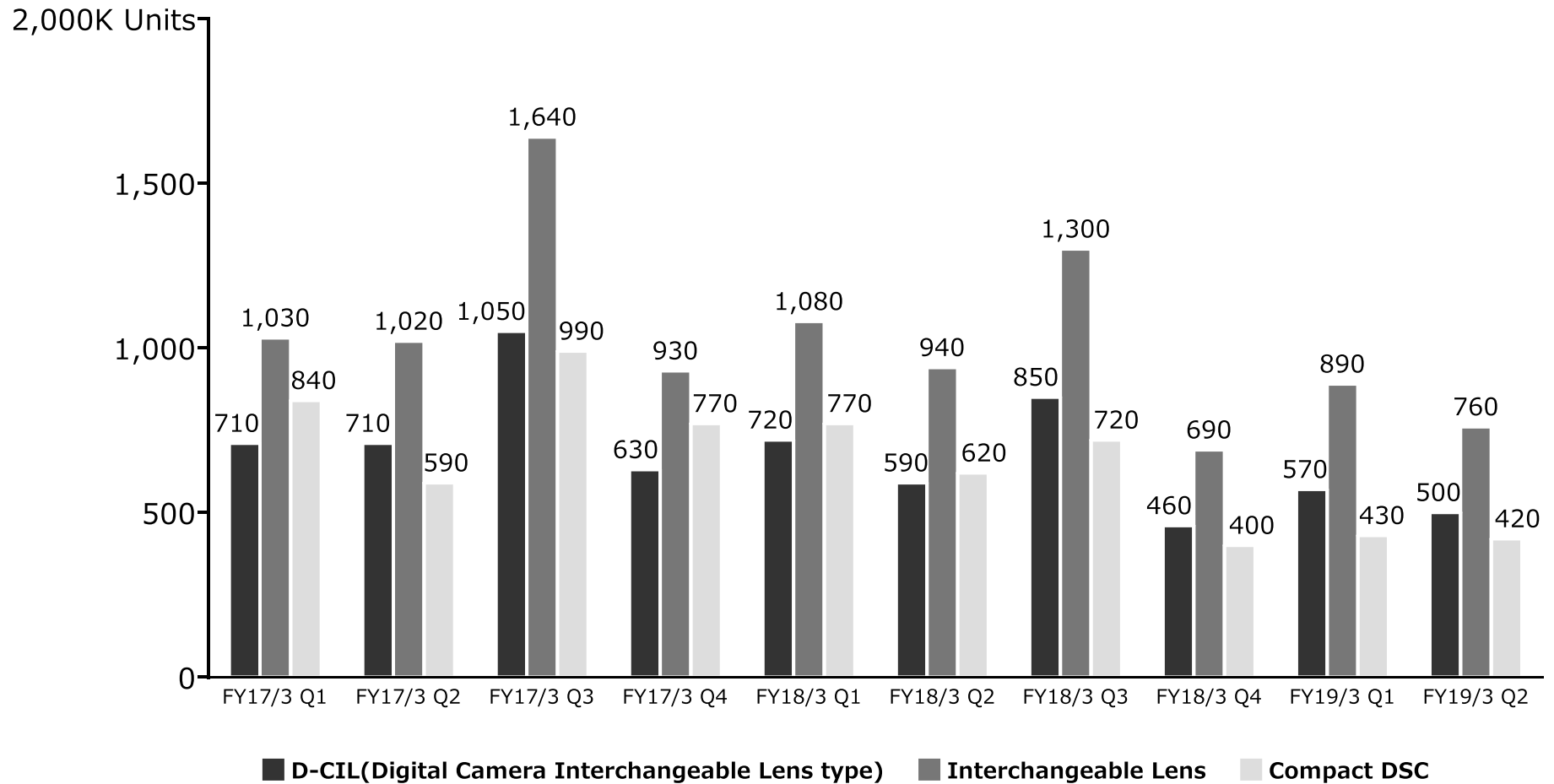


R&D EXPENDITURES BREAKDOWN

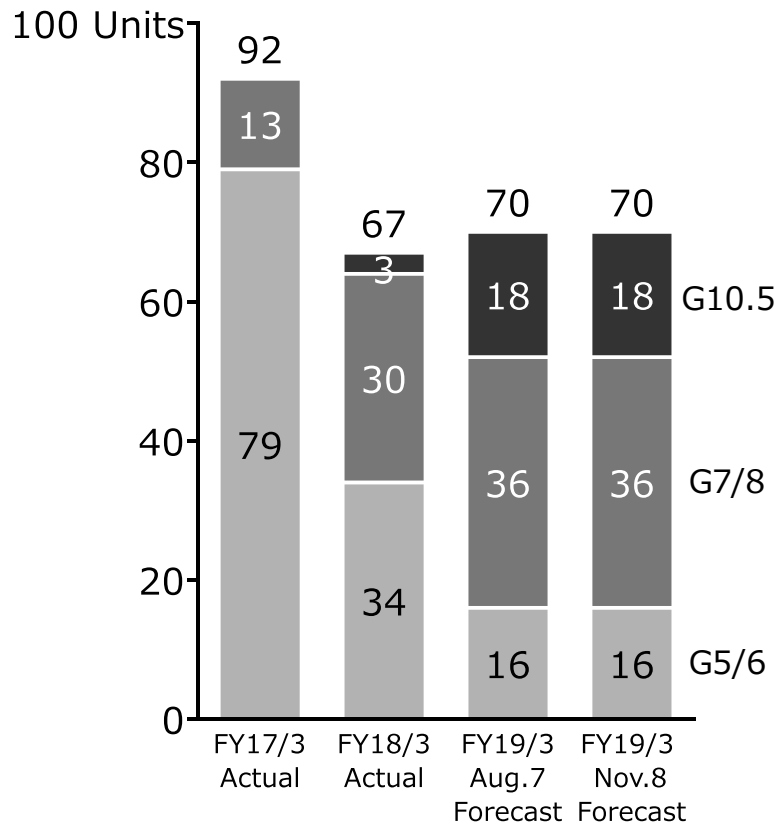


Note: R&D expenditures after FY2018/3 includes capitalization of some development expenditure. Breakdown is shown for two years in view of the segmentation change since previous fiscal year.

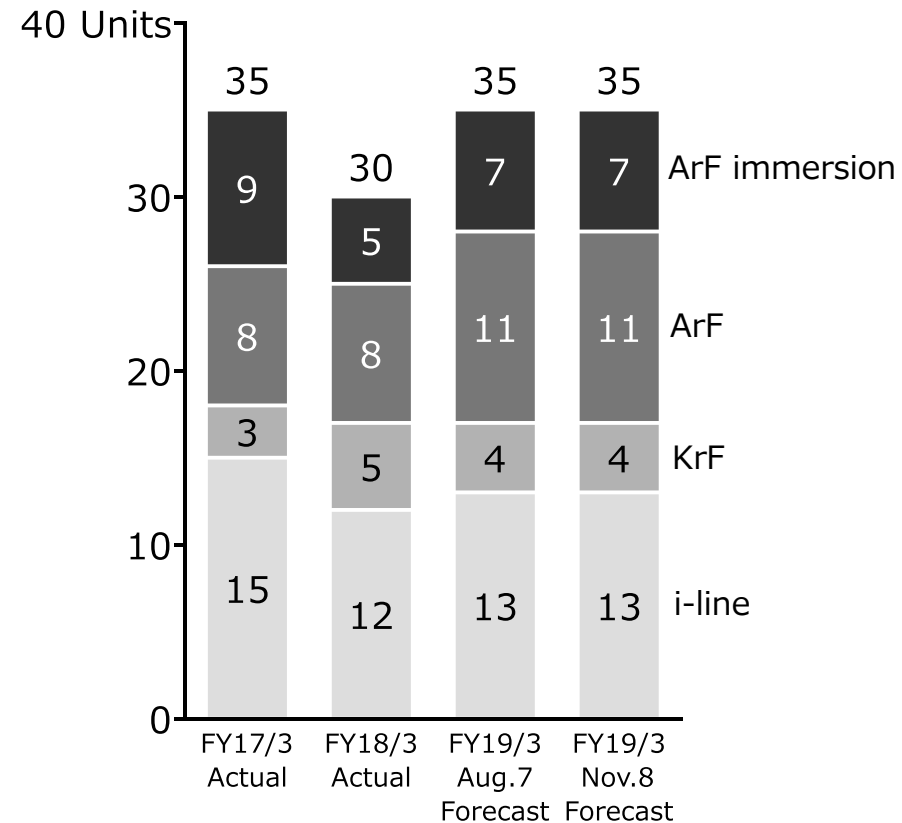
SALES IN UNITS BY PRODUCT CATEGORY



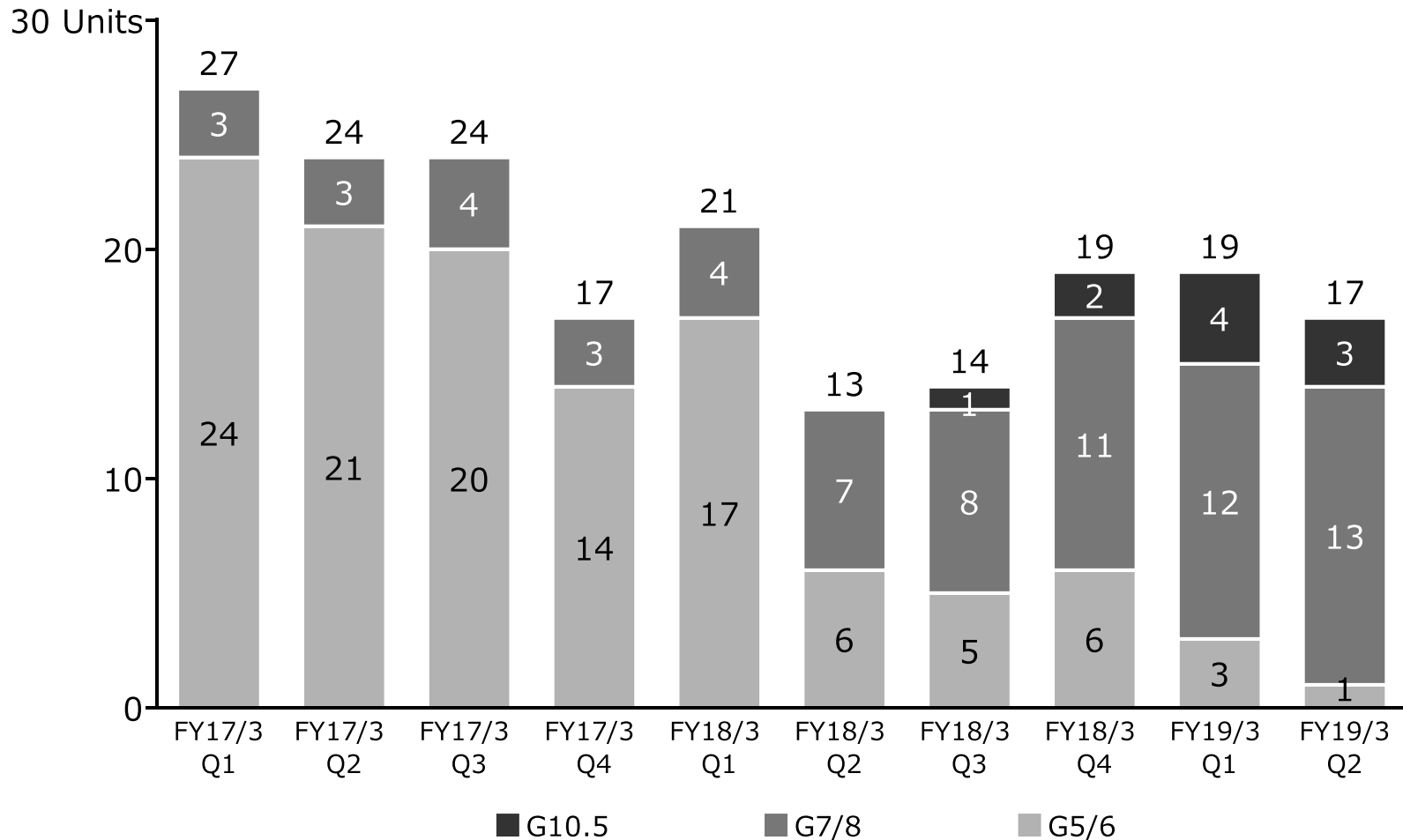
FPD LITHOGRAPHY SYSTEMS SALES BY GENERATION



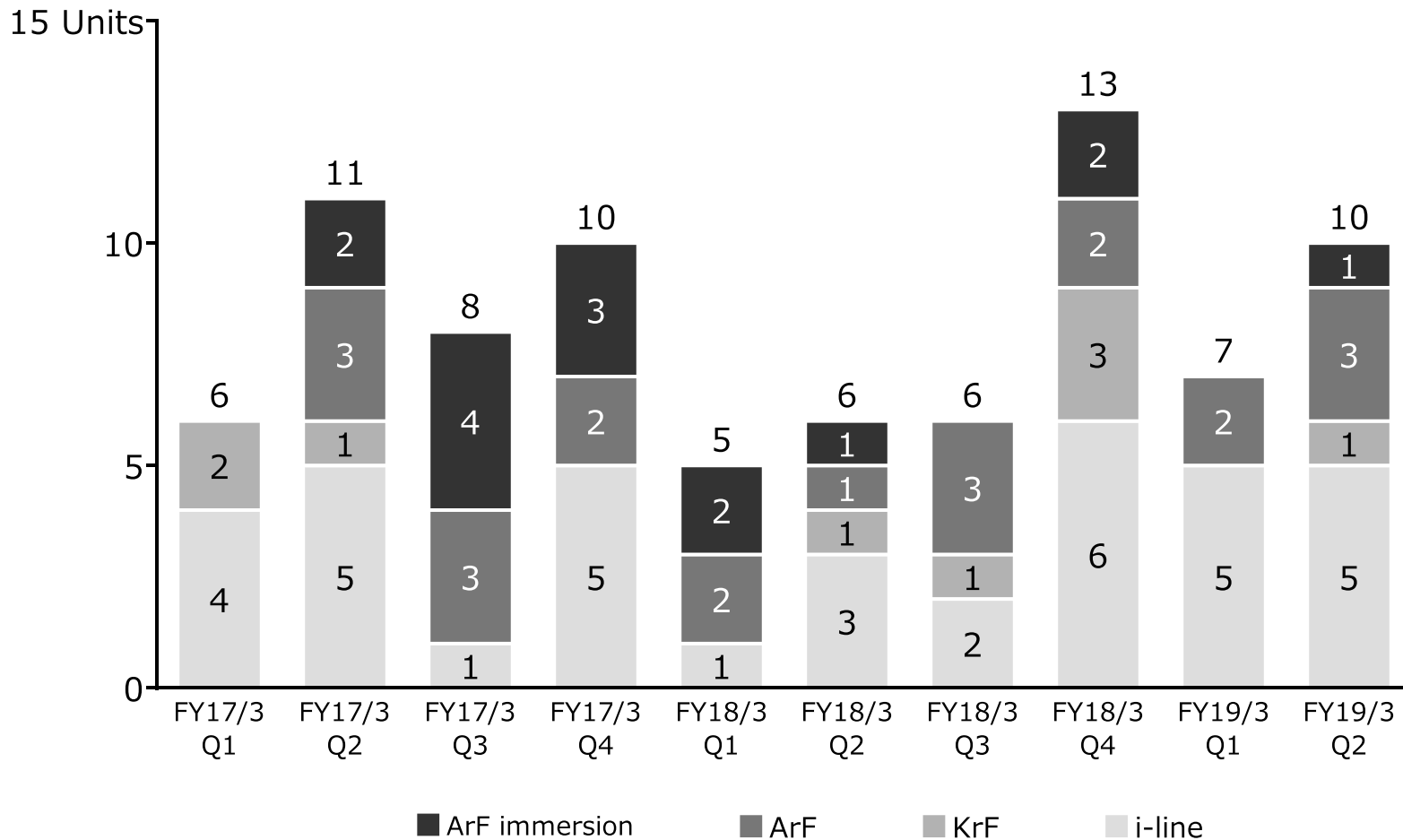
SEMICONDUCTOR LITHOGRAPHY SYSTEMS SALES BY TECHNOLOGY (INCL. REFURBISHED)



FPD LITHOGRAPHY SYSTEMS SALES IN UNITS BY GENERATION



SEMICONDUCTOR LITHOGRAPHY SYSTEMS SALES IN UNITS BY TECHNOLOGY (INCL. REFURBISHED)



Forecast for the Year ending March 31, 2019: Foreign Exchange Rate Impact



	Exchange Rate	Financial Impact from fluctuation by 1 yen	
	FY19/3 2H Assumption	Revenue 2H	Operating Profit 2H
US\$	¥ 105	Approx. ¥1.5 billion	Approx. ¥0.1 billion
EURO	¥ 130	Approx. ¥0.4 billion	Approx. ¥0.2 billion

Note: If the emerging-market currency trends do not move in accordance with USD and EURO, our expectation above may be affected. ³³



NIKON CORPORATION