



Nikon ^(th)
100
anniversary

NIKON CORPORATION
February 13, 2017

Financial Results for the 3rd Quarter of the Year Ending March 31, 2017

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.



- YoY increase in Q3 net sales and operating income as operating income decline in Imaging Products Business was offset by Precision Equipment Business
- YoY decrease in Q1-Q3 net sales but significant increase in operating income
- Key restructuring initiatives progressing according to plan. Voluntary retirement program received 1,143 applicants
- Q4 net sales and operating income expected to decrease.
Downward adjustment to 2017/3 forecast: Net Sales ¥50 billion,
Operating Income ¥5 billion, Net Income ¥3 billion
- Main causes for downward adjustments are reduced unit sales for Imaging Products Business/Industrial Metrology Business and canceled product launch for Imaging Products Business
- We will adhere to the basic principles of restructuring, while accelerating implementation and considering additional actions

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

Highlights for the 3rd Quarter of the year ending March 31, 2017



Q3 Actual	Net Sales	<ul style="list-style-type: none"> - YoY Change ¥4.5 billion increase (+2%) - Decrease from decline in digital cameras unit sales and adverse forex impact, off-set by increase in unit sales from FPD and Semiconductor lithography
	Operating Income	<ul style="list-style-type: none"> - YoY Change ¥8.5 billion increase (+83%) - Increase from higher unit sales for FPD lithography
	Net Income	<ul style="list-style-type: none"> - YoY Change ¥25.7 billion decrease (-357%) - Decrease from ¥29.7 billion one-time restructuring cost
Q1-Q3 Actual	Net Sales	<ul style="list-style-type: none"> - YoY Change ¥50.6 billion decrease (-8.2%). Excluding impact of strong yen (-¥57.7 billion) overall increase - Consistent with Q3, decline in camera unit sales and adverse forex offset by increase in unit sales from FPD lithography
	Operating Income	<ul style="list-style-type: none"> - YoY Change ¥16.9 billion increase (+67%) - Consistent with Q3, higher unit sales for FPD lithography
	Net Income	<ul style="list-style-type: none"> - YoY Change ¥19.5 billion decrease (-104%) - Decrease from ¥29.7 billion one-time restructuring cost

3rd Quarter of the year ending March 31, 2017: Financial Highlights



Billions of yen		2016/3 Q3 (A)	2017/3 Q3 (B)	Change (B)-(A)
Net Sales		217.6	222.1	+4.5
Operating Income		10.3	18.8	+8.5
% vs. Net Sales		4.7%	8.5%	
Ordinary Income		10.7	19.1	+8.4
% vs. Net Sales		4.9%	8.6%	
Net Income attributable to owners of the parent		7.2	-18.5	-25.7
% vs. Net Sales		3.3%	-8.3%	
FCF		28.3	34.0	+5.7
				Impact on Net Sales
Exchange Rate: US\$		¥121	¥109	-20.6
EURO		¥133	¥118	Impact on Op. Income
				-4.2

Note: Amounts in this statement are rounded down to the nearest hundred million. The financial results for FY2016/3 were adjusted retrospectively according a change in the accounting policy for the revenue recognition of the Precision Equipment Business.

3rd Quarter of the year ending March 31, 2017: Financial Highlights by Segment



Billions of yen		2016/3 Q3 (A)	2017/3 Q3 (B)	Change
Precision Equipment Business	Net Sales	28.4	72.1	+154%
	Operating Income	-0.9	17.6	+18.5
Imaging Products Business	Net Sales	159.4	122.5	-23%
	Operating Income	18.4	9.0	-9.4
Instruments Business	Net Sales	19.3	17.2	-11%
	Operating Income	0.4	-0.8	-1.2
Medical Business	Net Sales	5.1	4.9	-4%
	Operating Income	-1.4	-1.5	-0.1
Other	Net Sales	5.6	5.4	-4%
	Operating Income	0.9	1.0	+0.1
Corporate Expenses/ Elimination of Intersegment Transactions	Net Sales	—	—	—
	Operating Income	-7.1	-6.5	+0.6
Consolidated	Net Sales	217.6	222.1	+2%
	Operating Income	10.3	18.8	+8.5

1st to 3rd Quarter of the year ending March 31, 2017: Financial Highlights



Billions of yen	2016/3 Q1-Q3(A)	2017/3 Q1-Q3(B)	Change (B)-(A)
Net Sales	616.4	565.8	-50.6
Operating Income	25.2	42.1	+16.9
% vs. Net Sales	4.1%	7.4%	
Ordinary Income	31.4	44.7	+13.3
% vs. Net Sales	5.1%	7.9%	
Net Income attributable to owners of parent	18.7	-0.8	-19.5
% vs. Net Sales	3.0%	-0.1%	
FCF	-5.6	51.4	+57.0
			Impact on Net Sales
			-57.7
			Impact on Op. Income
			-15.2
Exchange Rate: US\$	¥122	¥107	
EURO	¥134	¥118	

1st to 3rd Quarter of the year ending March 31, 2017: Financial Highlights by Segment



Billions of yen		2016/3 Q1-Q3(A)	2017/3 Q1-Q3(B)	Change
Precision Equipment Business	Net Sales	113.4	187.4	+65%
	Operating Income	3.5	42.0	+38.5
Imaging Products Business	Net Sales	423.0	300.8	-29%
	Operating Income	42.6	24.2	-18.4
Instruments Business	Net Sales	52.5	47.8	-9%
	Operating Income	-0.1	-2.2	-2.1
Medical Business	Net Sales	10.4	13.9	+34%
	Operating Income	-3.9	-3.9	±0
Other	Net Sales	17.0	15.8	-7%
	Operating Income	2.3	2.8	+0.5
Corporate Expenses/ Elimination of Intersegment Transactions	Net Sales	—	—	—
	Operating Income	-19.2	-20.8	-1.6
Consolidated	Net Sales	616.4	565.8	-8%
	Operating Income	25.2	42.1	+16.9

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Voluntary Retirement Plan

- As announced on November 8, we instituted a voluntary retirement program to **reduce headcount by 1,000**
- We closed applications on February 10 and **received 1,143 applications**
- We expect to **achieve expected fixed cost reduction**

Other Restructuring Initiatives

- On November 8, we announced restructuring initiatives in five areas:
 - Semiconductor lithography Business, Imaging Products Business, Headquarters, Optical Manufacturing Centralization and Rewiring Management DNA
- Although realization of full-scale policy effects will be in FY17, necessary activities and decisions are **progressing according to plan**

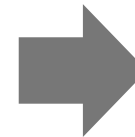


Program Summary

- Eligible applicants:
 - Employees of Nikon Corporation and domestic group companies
 - Over 40 years of age, 5 years of service (Nikon Corporation Only)
- Application period:
 - Jan 30, 2017 - Feb 10, 2017 (deadline closed)

Number of Applicants (Confirmed)

Solicited :
1,000



**Actual :
1,143**

Fixed-cost reduction according to plan



KEY INITIATIVES (Q2 ANNOUNCEMENT)

PROGRESS TO DATE

Semiconductor lithography Business	<ul style="list-style-type: none"> • Reassess R&D strategy • Reassess sales approach • Optimize manufacturing structure • Reassess business organization/structure 	➔	<ul style="list-style-type: none"> • Commissioned inventory write-downs/write-off • Started personnel re-allocation to down-size R&D of ArF Immersion Scanners
Imaging Products Business	<ul style="list-style-type: none"> • Create focus in product portfolio • Increase focus and efficiency of R&D • Optimize sales/manufacturing structure • Reassess business organization/structure 	➔	<ul style="list-style-type: none"> • Canceled launch of lower profitability products in-line with principle to focus on high value-add products
Optical manufacturing centralization	<ul style="list-style-type: none"> • Increase technology sharing • Enhance ability to adapt to new fields • Centralize organization to increase manufacturing efficiency 	➔	<ul style="list-style-type: none"> • Completed shift to Tochigi Nikon on February 1 • Proceed with operational integration going forward
Headquarters	<ul style="list-style-type: none"> • Redefine HQ role and function • Simplify organization and improve productivity 	➔	<ul style="list-style-type: none"> • Will start plans to redefine headquarters function and streamline structure
Management DNA Rewiring	<ul style="list-style-type: none"> • Shift to portfolio-based management • Implement targets linked to shareholder value • Enhance governance structure 	➔	<ul style="list-style-type: none"> • Started initiatives to manage business performance based on ROE/ ROIC • Will start plans for portfolio-based management and governance structure

Increase One-time restructuring cost to ¥53 billion, planned ¥20 billion fixed-cost reduction in 2018/3 unchanged

1. Financial results for the 3rd Quarter of the year ending March 31, 2017
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- **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

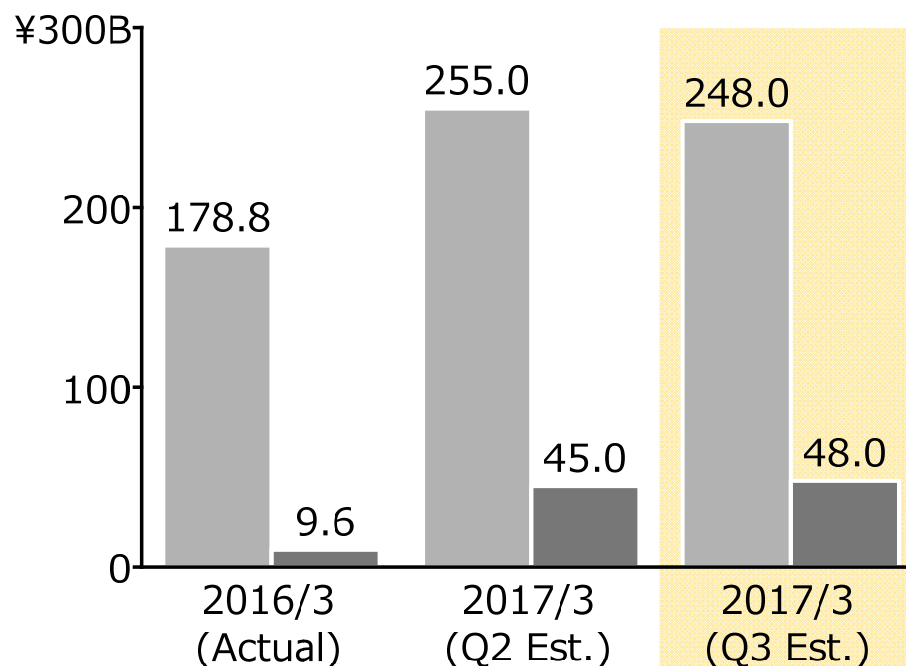


Billions of yen		2016/3 Actual (A)	2017/3 Previous forecast (Q2) (B)	2017/3 New forecast (Q3) (C)	Change (C)-(A)	Change (C)-(B)
Precision Equipment Business	Net Sales	178.8	255.0	248.0	+39%	-3%
	Operating Income	9.6	45.0	48.0	+38.4	+3.0
Imaging Products Business	Net Sales	520.4	415.0	380.0	-27%	-8%
	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

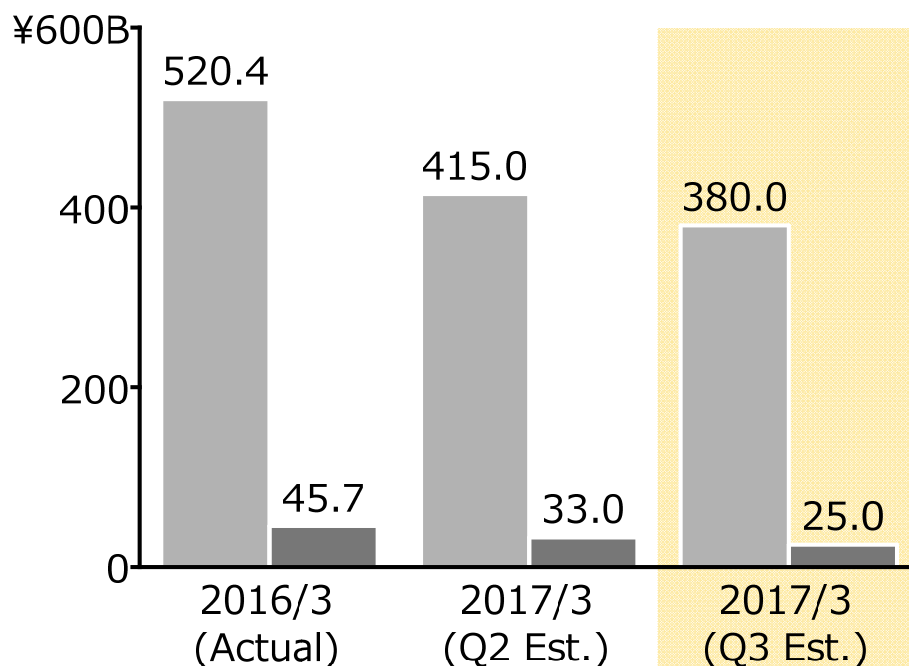
FPD Lithography Systems (Units)

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

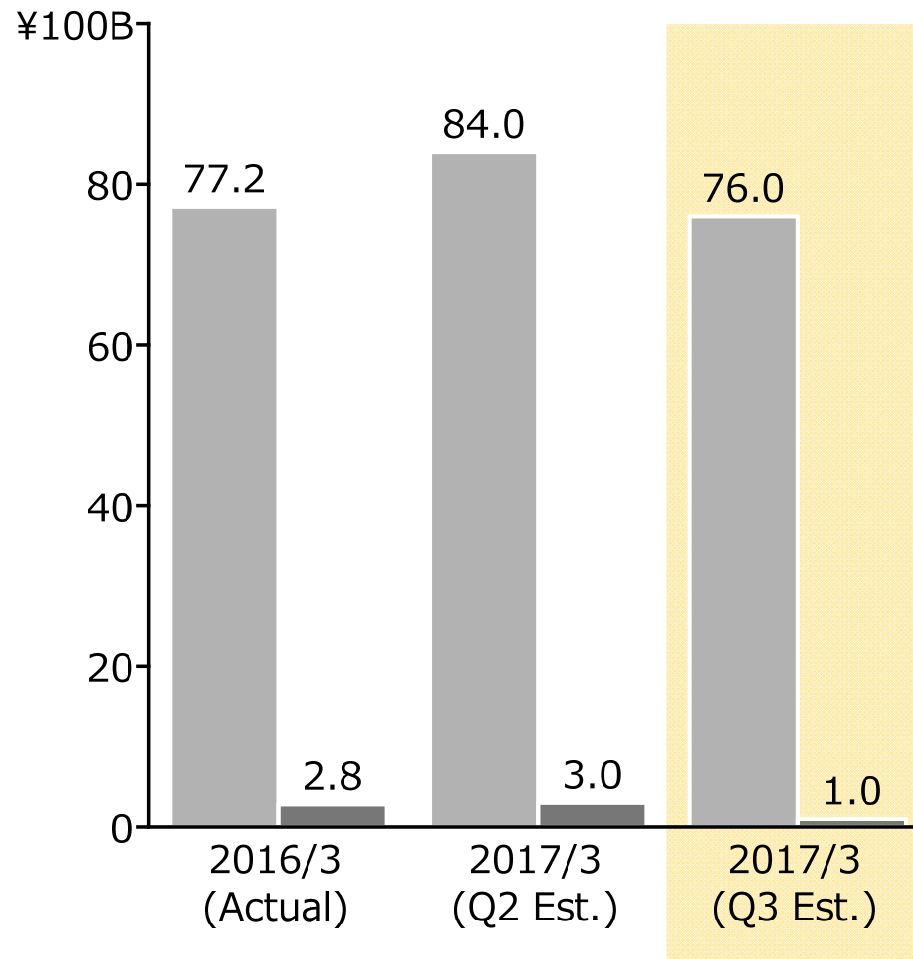
C-DSC (1,000 Units)

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

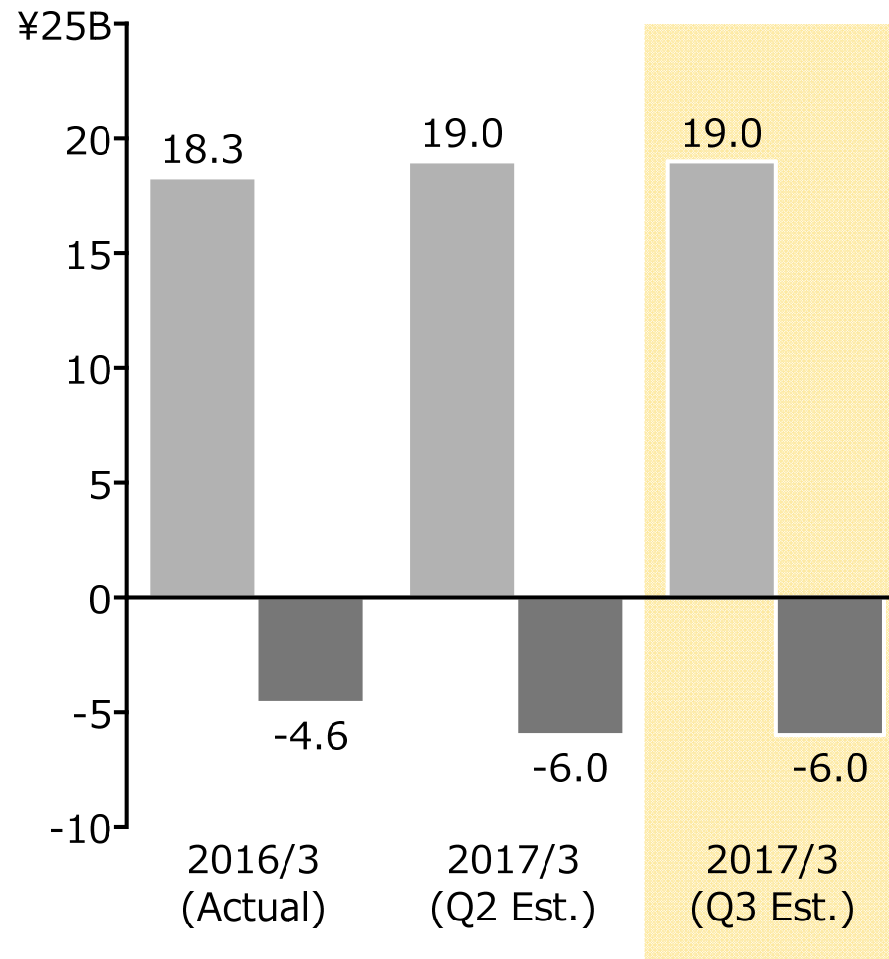
- Trial operations have already started with global automakers
 - European Automotive OEM A
 - European Automotive part supplier B
 - Multiple Japanese automotive OEMs

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)



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Reference Data

3rd Quarter of the year ending March 31, 2017: Precision Equipment Business



Billions of yen	2016/3 (A)		2017/3 (B)		Change(B)-(A)	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Net Sales	28.4	113.4	72.1	187.4	+43.7	+74.0
Operating Income	-0.9	3.5	17.6	42.0	+18.5	+38.5
% vs. Net Sales	-3.2%	3.1%	24.4%	22.4%		
Semiconductor Lithography systems New/Refurbished (units)	1/5	5/17	7/1	18/7	+6/-4	+13/-10
FPD Lithography Systems (units)	9	30	24	75	+15	+45

- **Q3 YoY Change:** Net Sales and Operating Income increase due to higher unit sales in FPD Lithography Equipment for small/medium high-definition panels and new Semiconductor Lithography Equipment

3rd Quarter of the year ending March 31, 2017 : Imaging Products Business



	2016/3 (A)		2017/3 (B)		Change(B)-(A)	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Billions of yen Cameras & Lenses (1,000 of units sold)						
Net Sales	159.4	423.0	122.5	300.8	-36.9	-122.2
Operating Income	18.4	42.6	9.0	24.2	-9.4	-18.4
% vs. Net Sales	11.5%	10.1%	7.3%	8.0%		
Digital camera - Interchangeable Lens Type	1,280	3,280	1,050	2,470	-230	-810
Interchangeable Lens	1,950	4,770	1,640	3,690	-310	-1,080
Compact DSC	2,260	5,380	990	2,420	-1,270	-2,960

- **Q3 YoY Change:** Net sales and operating income declined due to market slowdown, adverse forex impact and advertising expenses for new products

3rd Quarter of the year ending March 31, 2017 : Instruments Business



	2016/3 (A)		2017/3 (B)		Change(B)-(A)	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Billions of yen						
Net Sales	19.3	52.5	17.2	47.8	-2.1	-4.7
Operating Income	0.4	-0.1	-0.8	-2.2	-1.2	-2.1
% vs. Net Sales	2.1%	-0.2%	-4.7%	-4.6%		

- **Q3 YoY Change:** Net sales for Microscope Solutions Business declined from adverse forex impact (Q1-Q3 net sales/operating income increase excluding forex). Industrial Metrology Business net sales/operating income declined due to market slowdown

3rd Quarter of the year ending March 31, 2017 : Medical Business

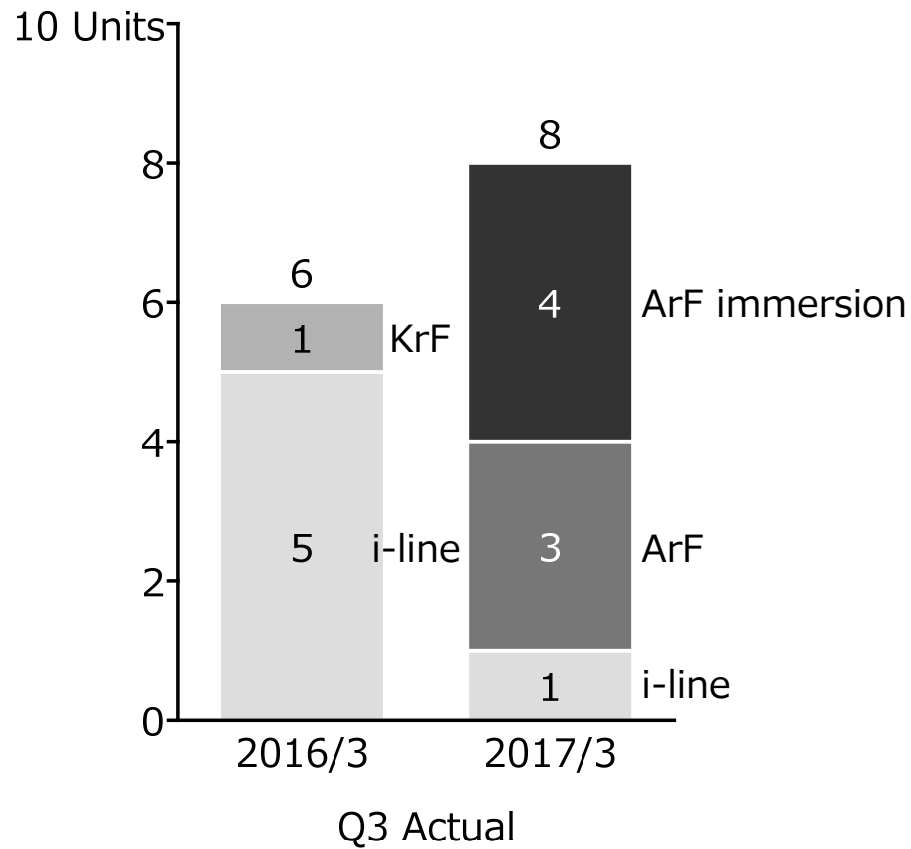


Billions of yen	2016/3 (A)		2017/3 (B)		Change(B)-(A)	
	Q3	Q1-Q3	Q3	Q1-Q3	Q3	Q1-Q3
Net Sales	5.1	10.4	4.9	13.9	-0.2	+3.5
Operating Income	-1.4	-3.9	-1.5	-3.9	-0.1	±0
% vs. Net Sales	-27.5%	-37.5%	-30.6%	-28.1%		

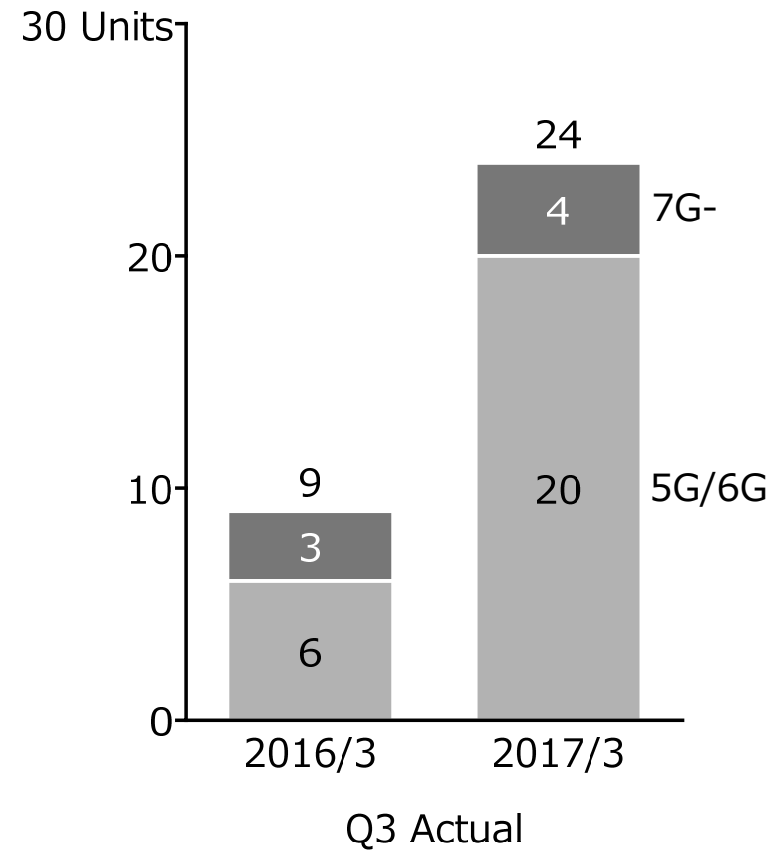
- **Q3 YoY Change:** Optos business stable but decline in net sales and operating income from adverse forex impact



**SEMICONDUCTOR LITHOGRAPHY
SYSTEMS SALES BY TECHNOLOGY
(INCL. REFURBISHED)**

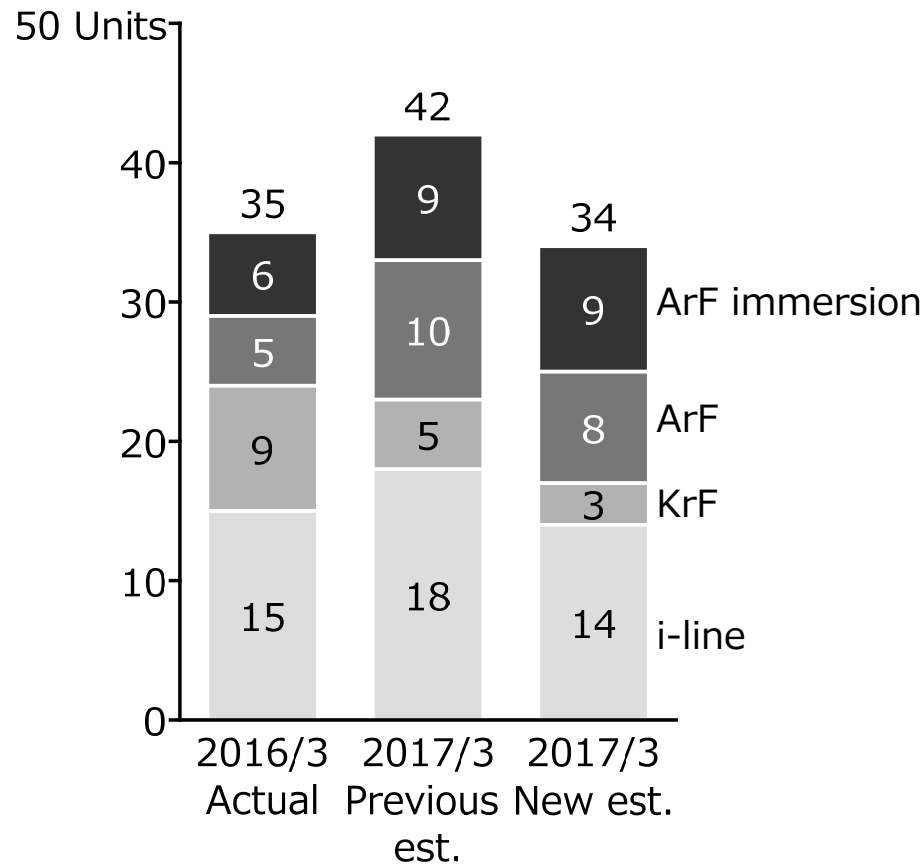


**FPD LITHOGRAPHY SYSTEMS SALES
BY GENERATION**

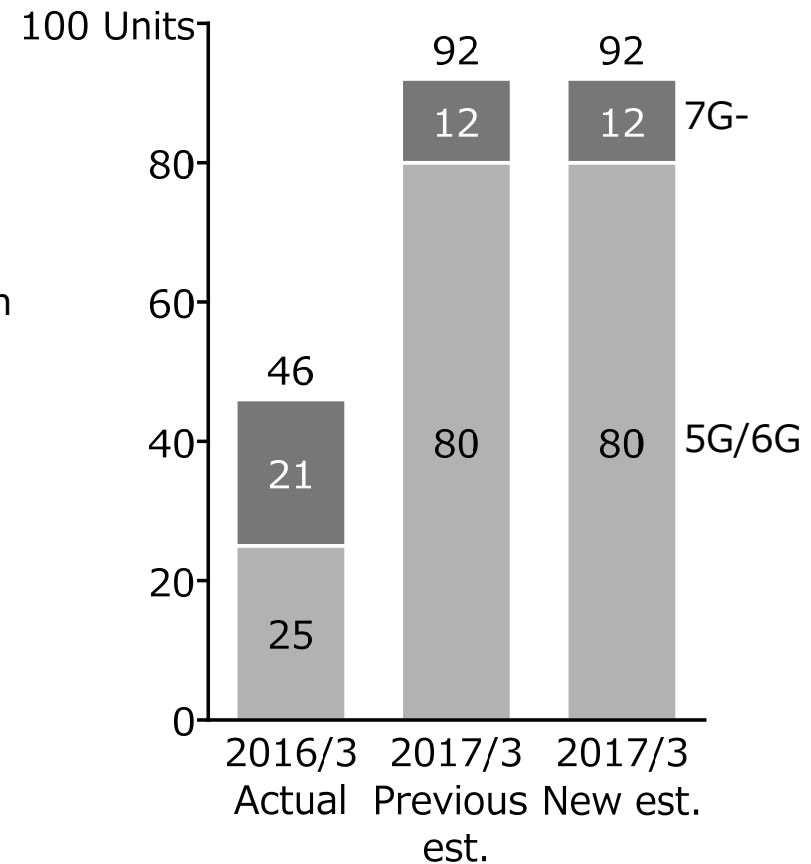




**SEMICONDUCTOR LITHOGRAPHY
SYSTEMS SALES BY TECHNOLOGY
(INCL. REFURBISHED)**



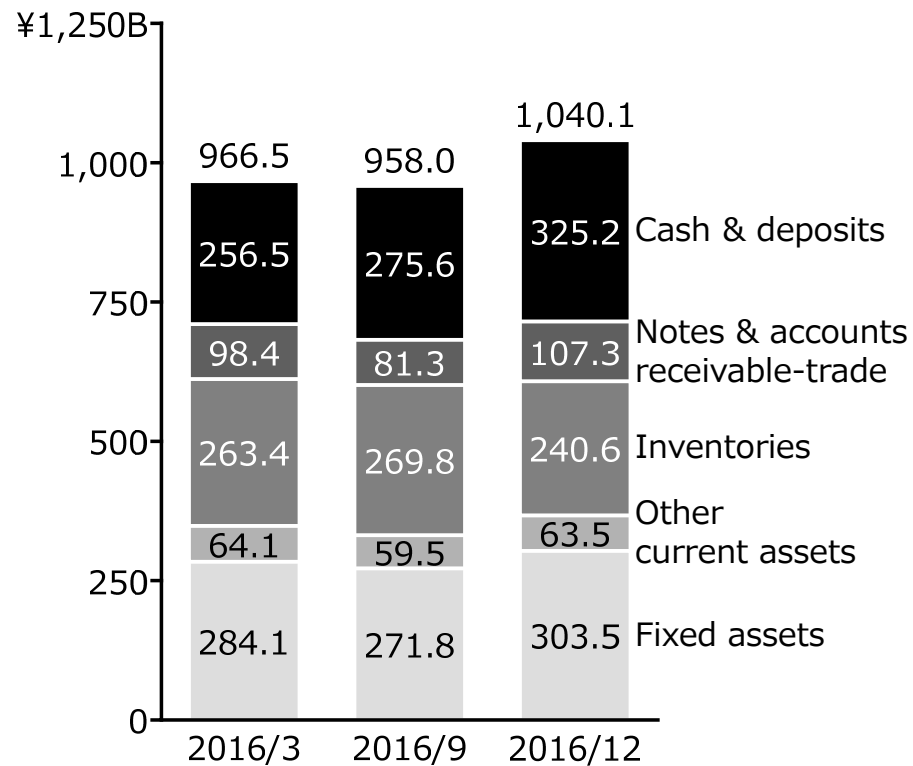
**FPD LITHOGRAPHY SYSTEMS SALES
BY GENERATION**



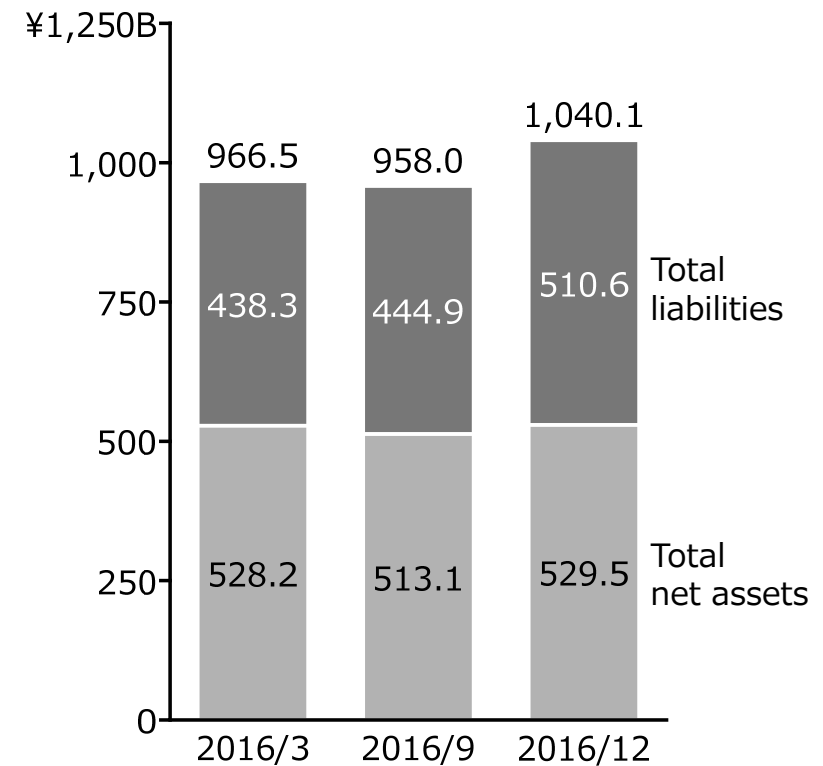
3rd Quarter of the year ending March 31, 2017: B/S Breakdown



ASSETS



LIABILITIES/NET ASSETS

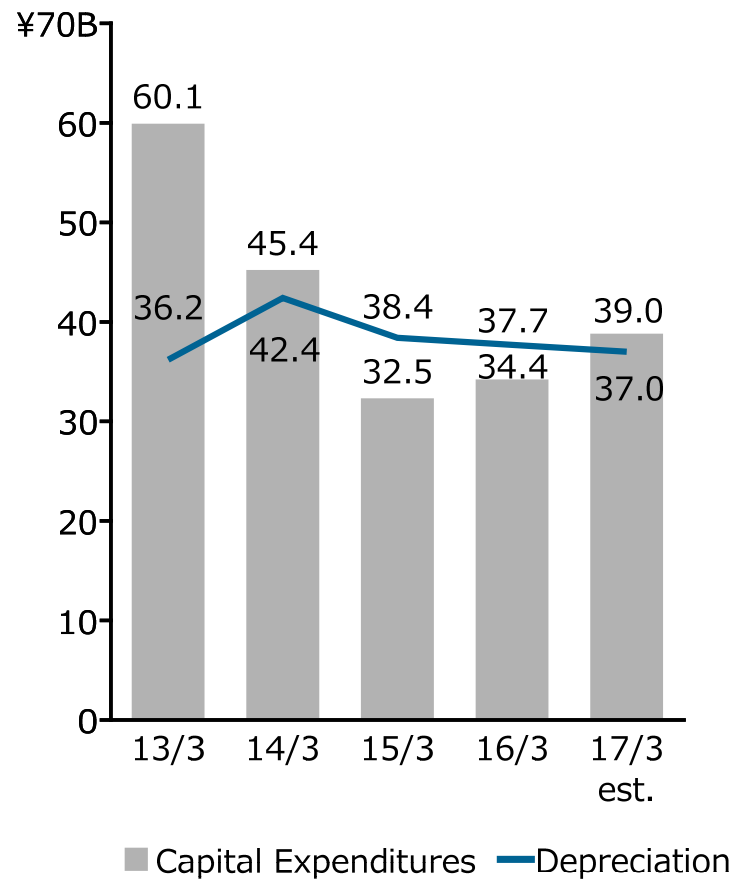


Capital ratio 54.5% 53.4% 50.7%

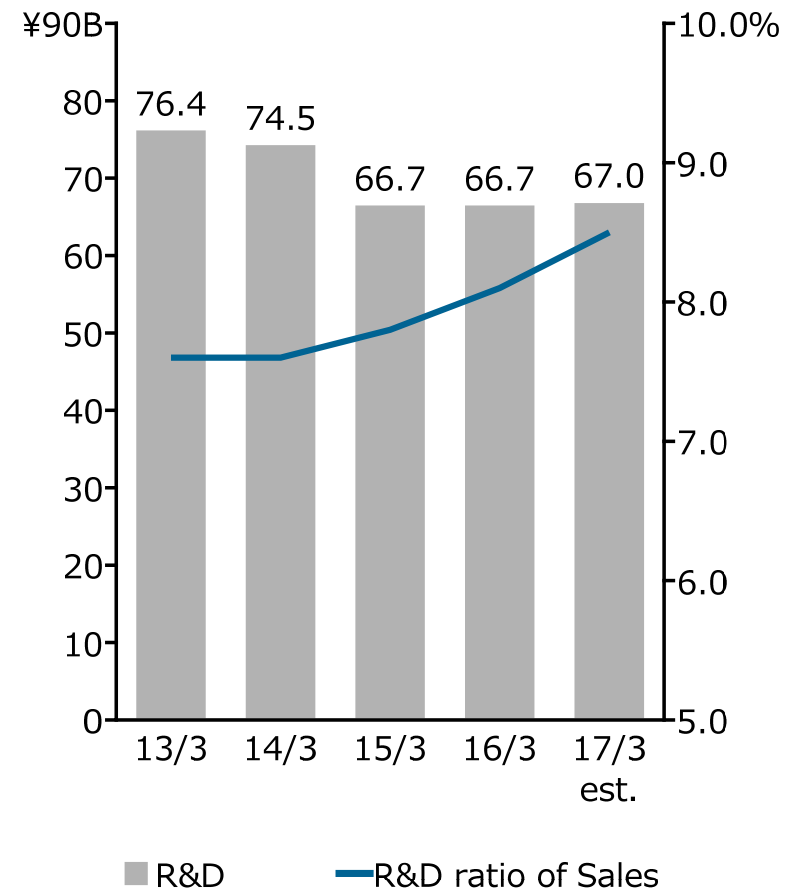
Forecast for the year ending March 31, 2017: Capital Expenditures, Depreciation and R&D



CAPITAL EXPENDITURES, DEPRECIATION



R&D EXPENSES



Note: Changed to the straight-line method of depreciation from the fiscal year ended March 31, 2015

Forecast for the year ending March 31, 2017:
Foreign Exchange Impact



	Exchange Rate	Financial Impact from Fluctuation by 1 yen	
	17/3 Forecast for Q4	Net Sales Q4	Operating Income Q4
US \$	¥110	Approx. ¥0.7 billion	Approx. ¥0 billion
EURO	¥120	Approx. ¥0.2 billion	Approx. ¥0.1 billion