



NIKON CORPORATION
May 9, 2019

Financial Results for the Year Ended 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 year ended March 31, 2019
2. Forecast for the year ending March 31, 2020

Year on Year

- **Operating profit: ¥82.6B, ¥26.4B up YoY**

(If excluding the restructuring relevant expenses: ¥84.4B, ¥19.5B up YoY)

- **Imaging Products:** Although the focus was placed on high value-added products including newly launched ML cameras in the shrinking market, OP was largely suffered by the substantial sales volume reduction, especially in entry/mid DSLR
- **Precision Equipment:** OP was substantially lifted by the brisk sales of large-sized FPD lithography systems in addition to the temporary profit (approx. ¥15.0B excluding additional relevant expenses) by a settlement of patent litigation involving semiconductor lithography business

Comparison vs Feb. 7 forecast

- **Operating profit: ¥2.6B up from the forecast**

- **Imaging Products:** Did not meet the plan due to the severe market condition in Q4
- **Other Businesses including Semiconductor Equipment:** Overachieved the plan and absorbed the downturn of Imaging Products

- **Profit attributable to owners of the parent: ¥7.5B up**

- Fluctuation of profit before income taxes and reduction of tax expenses
- ROE: 11.2% (9.4% if excluding the temporary profit by litigation settlement)

Annual dividend

- **¥60, unchanged from the forecast (¥24 increase from ¥36 for the previous FY)**

Financial results for the year ended March 31, 2019: Highlights



Billions of yen	FY2018/3 Actual (A)	Previous Forecast (Feb.7)(B)	FY2019/3 Actual(C)	Change (C)-(A)	Change (C)-(B)
Revenue	717.0	720.0	708.6	-8.4	-11.4
Operating Profit	56.2	80.0	82.6	+26.4	+2.6
% vs Revenue	7.8%	11.1%	11.7%		
Profit before income taxes	56.2	83.0	87.9	+31.7	+4.9
% vs Revenue	7.8%	11.5%	12.4%		
Profit attributable to owners of the parent	34.7	59.0	66.5	+31.8	+7.5
% vs Revenue	4.8%	8.2%	9.4%		
FCF	90.2	60.0	43.5	-46.7	-16.5
Exchange Rate : US \$ EURO	¥111 ¥130	¥110 ¥128	¥111 ¥128	Impact on Revenue	
				Approx. -3.8	Approx. +2.9
				Impact on Operating Profit	
				Approx. -3.7	Approx. -0.6

FCF decreased due to the changes of payment terms for the domestic partner companies, etc.

Note: Part of sales promotion expenses, which used to be booked as SGA, are deducted from Revenue of FY2019/3. FY19/3 Revenue is 4 an amount after deducting ¥8.3B.

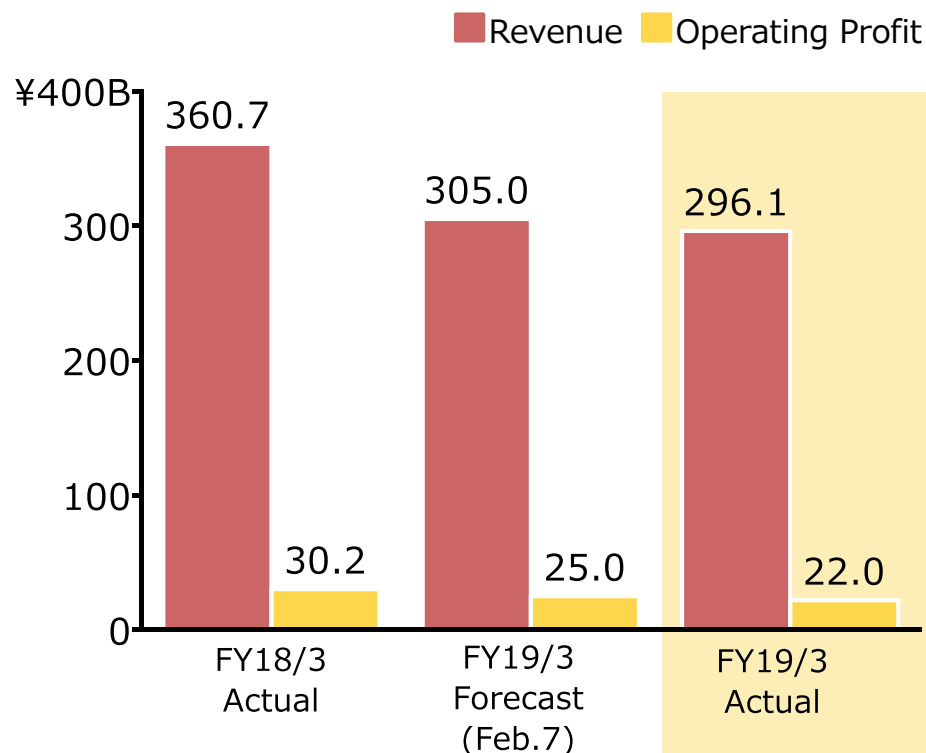
Financial results for the year ended March 31, 2019: by Segments



Billions of yen		FY2018/3 Actual (A)	Previous Forecast (Feb.7)(B)	FY2019/3 Actual(C)	Change (C)-(A)	Change (C)-(B)
Imaging Products Business	Revenue	360.7	305.0	296.1	-17.9%	-2.9%
	Operating Profit	30.2 (36.0)	25.0 (26.0)	22.0 (22.6)	-8.2	-3.0
Precision Equipment Business	Revenue	226.3	277.0	274.5	+21.3%	-0.9%
	Operating Profit	53.3 (53.3)	79.0 (79.0)	81.7 (81.7)	+28.4	+2.7
Healthcare Business	Revenue	56.8	63.0	65.4	+15.1%	+3.8%
	Operating Profit	-3.2 (-3.2)	-3.0 (-3.0)	-1.9 (-1.9)	+1.3	+1.1
Industrial Metrology and Others	Revenue	73.2	75.0	72.5	-1.0%	-3.3%
	Operating Profit	5.0 (7.8)	6.0 (7.0)	6.9 (7.5)	+1.9	+0.9
Corporate Profit/Loss non- attributable to any reportable segments	Revenue	—	—	—	—	—
	Operating Profit	-29.1 (-29.1)	-27.0 (-27.0)	-26.1 (-25.6)	+3.0	+0.9
Consolidated	Revenue	717.0	720.0	708.6	-1.2%	-1.6%
	Operating Profit	56.2 (64.9)	80.0 (82.0)	82.6 (84.4)	+26.4	+2.6

Note: Part of sales promotion expenses, which used to be booked as SGA, are deducted from Revenue of FY2019/3. FY19/3 Revenue is an amount after deducting ¥8.3B. Figures of Operating Profit in parentheses show those excluding the restructuring relevant expenses.

Results for the year ended March 31, 2019: Imaging Products Business



• Revenue: ¥64.6B down YoY

- ASP was buoyed by new product launch including full-frame ML cameras
- The sales volume and revenue of full-frame cameras grew two years in a row
- The sales of interchangeable lens type cameras and interchangeable lenses did not reach the plan in the continuing severe condition in Q4: ¥8.9B short of the forecast

• OP: ¥8.2B down YoY

- OP for FY18/3 and FY19/3 was ¥36.0B and ¥22.6B, respectively, if excluding restructuring relevant expenses
- Revenue/profit reduction and the initial development cost increase pushed down the OP by ¥3.0B from the forecast

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

Market Scale	11,410	10,000	10,040
Nikon	2,620	2,100	2,060

Interchangeable Lenses (units:1,000)

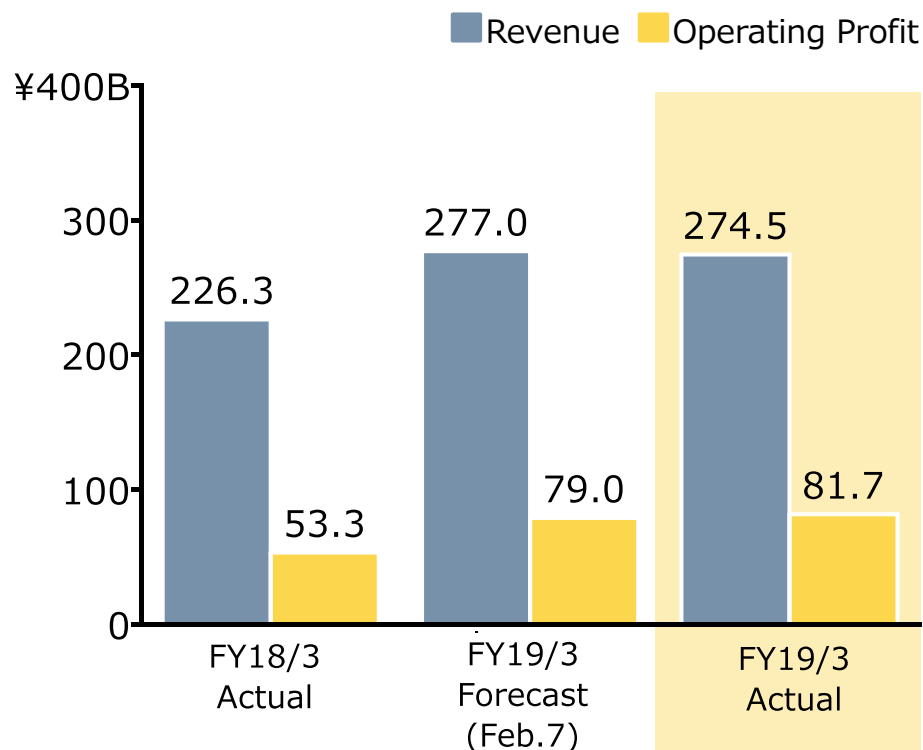
Market Scale	19,060	16,800	16,960
Nikon	4,010	3,200	3,170

Compact DSC (units:1,000)

Market Scale	11,960	8,000	8,220
Nikon	2,510	1,600	1,600

Note: Part of sales promotion expenses, which used to be booked as SGA, are deducted from Revenue of FY2019/3. FY19/3 Revenue is an amount after deducting ¥8.3B.

Results for the year ended March 31, 2019: Precision Equipment Business



FPD Lithography Systems (units)

Market Scale (CY17/18)	149	142	142
Nikon	67	70	70

Semiconductor Lithography Systems (New/Refurbished, units)

Market Scale (CY17/18)	240	300	300
Nikon	17/13	21/11	21/20

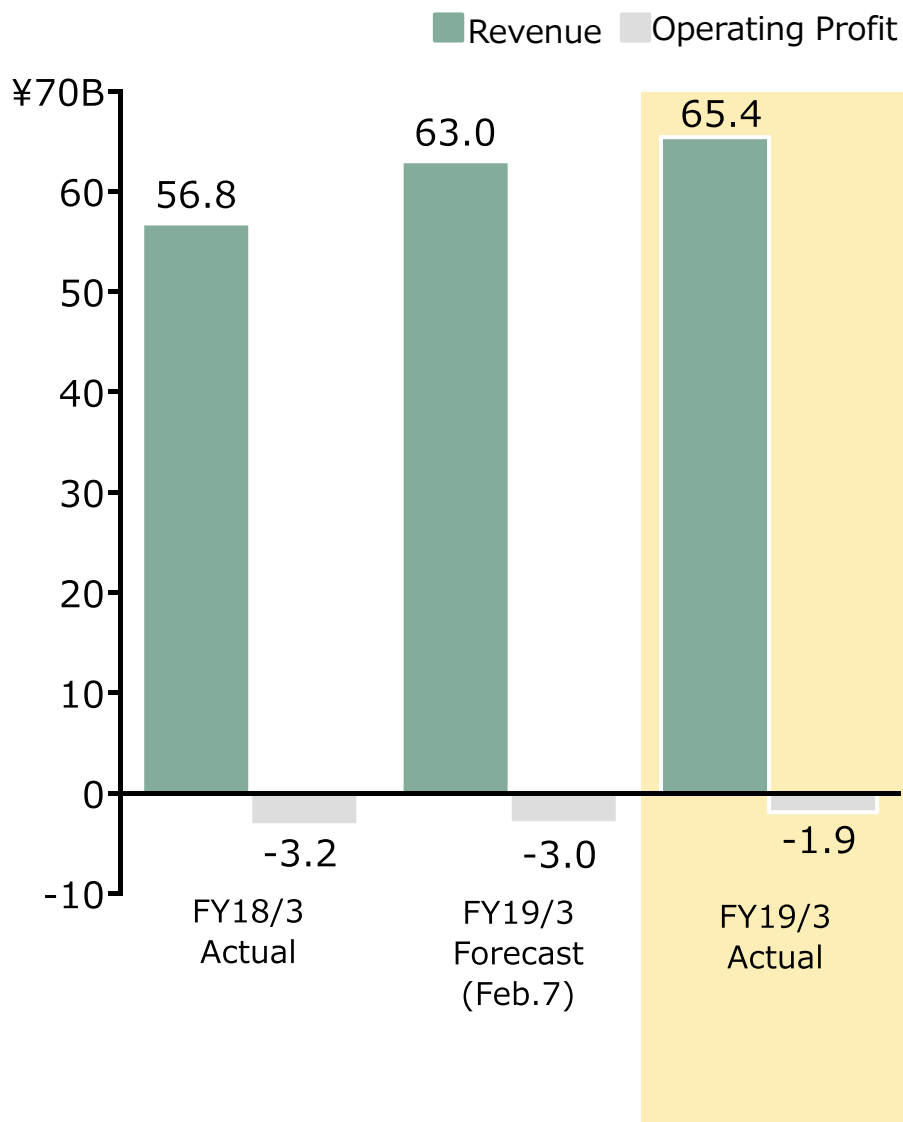
• Revenue: ¥48.2B up YoY

- FPD: Systems for large-sized FPD sales growth exceeded the revenue decrease of mid-to-small sized panel systems. Sales volume stayed the same as the forecast, although the product mix changed
- Semiconductor: Main customer's CAPEX is steady. Refurbished system sales exceeded the forecast. New system sales volume reached the forecast with some product mix changes

• OP: ¥28.4B up YoY

- FPD: Achieved the substantial profit growth through increased revenue
- Semiconductor: posted profit for two years consecutively even when excluding the temporary profit from the litigation settlement
- vs forecast: ¥2.7B up thanks to the improved profitability although product mix changed

Results for the year ended March 31, 2019: Healthcare Business



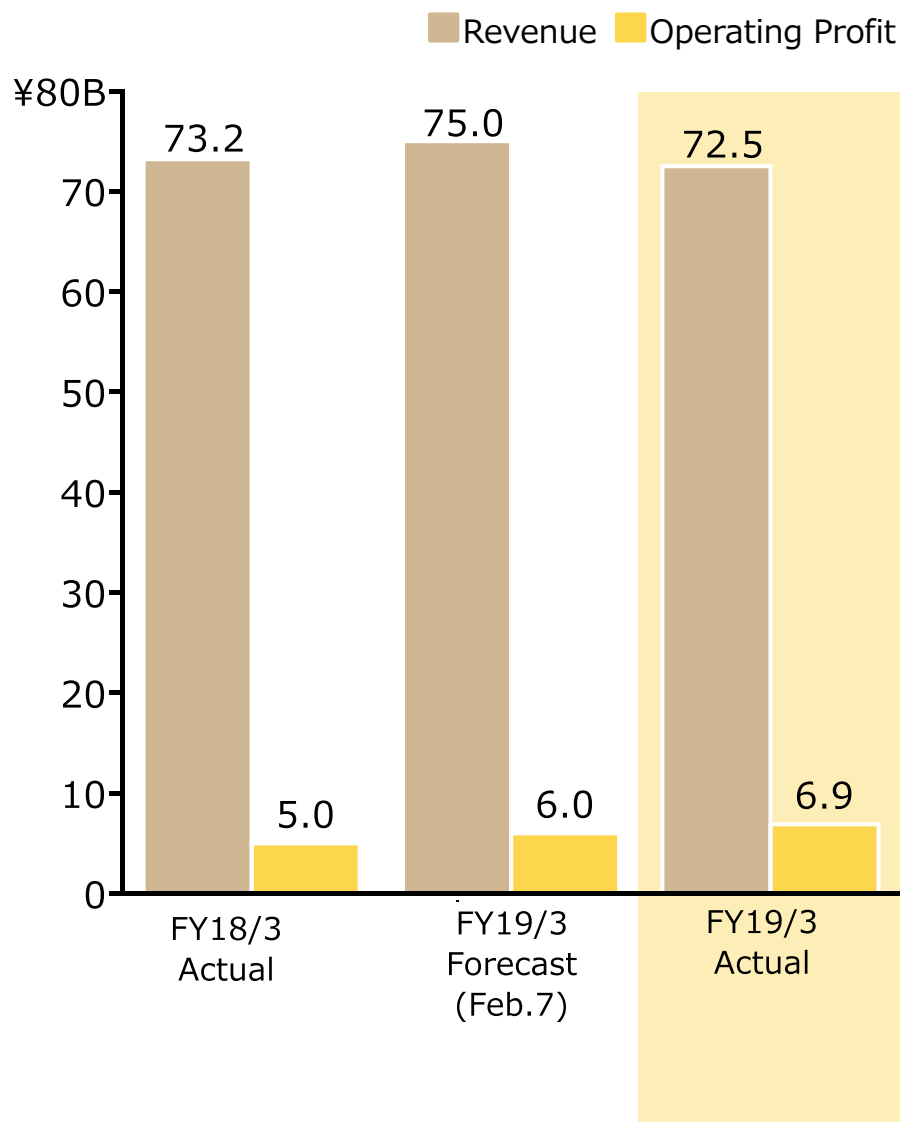
• Revenue: ¥8.6B up YoY

- Bioscience field: Biological microscope sales grew mainly in overseas such as North America and China, and exceeded the forecast
- Ophthalmologic diagnosis field: New product launch contributed to the sales hike of retinal diagnostic imaging system
- Both biological microscope and retinal diagnostic imaging system posted the record sales in history

• OP: ¥1.3B up YoY

- Although investment was made for future business expansion and profit improvement, the deficit shrunk thanks to the sales growth against YoY and the forecast

Results for the year ended March 31, 2019: Industrial Metrology and Others



• Revenue: ¥0.7B down YoY

- Industrial Metrology: Revenue declined resulting from the CMM business disposition and the market weakening. Due to customers' CAPEX slowdown, revenue did not reach the forecast

• OP: ¥1.9B up YoY

- OP of Industrial Metrology and Others for FY18/3 and FY19/3 was ¥7.8B and ¥7.5B, respectively, if excluding restructuring relevant expenses
- vs forecast: reduced revenue/profit of Industrial Metrology were compensated by reduction of one-time cost and the sales increase of other businesses, ending with the favorable result for this segment

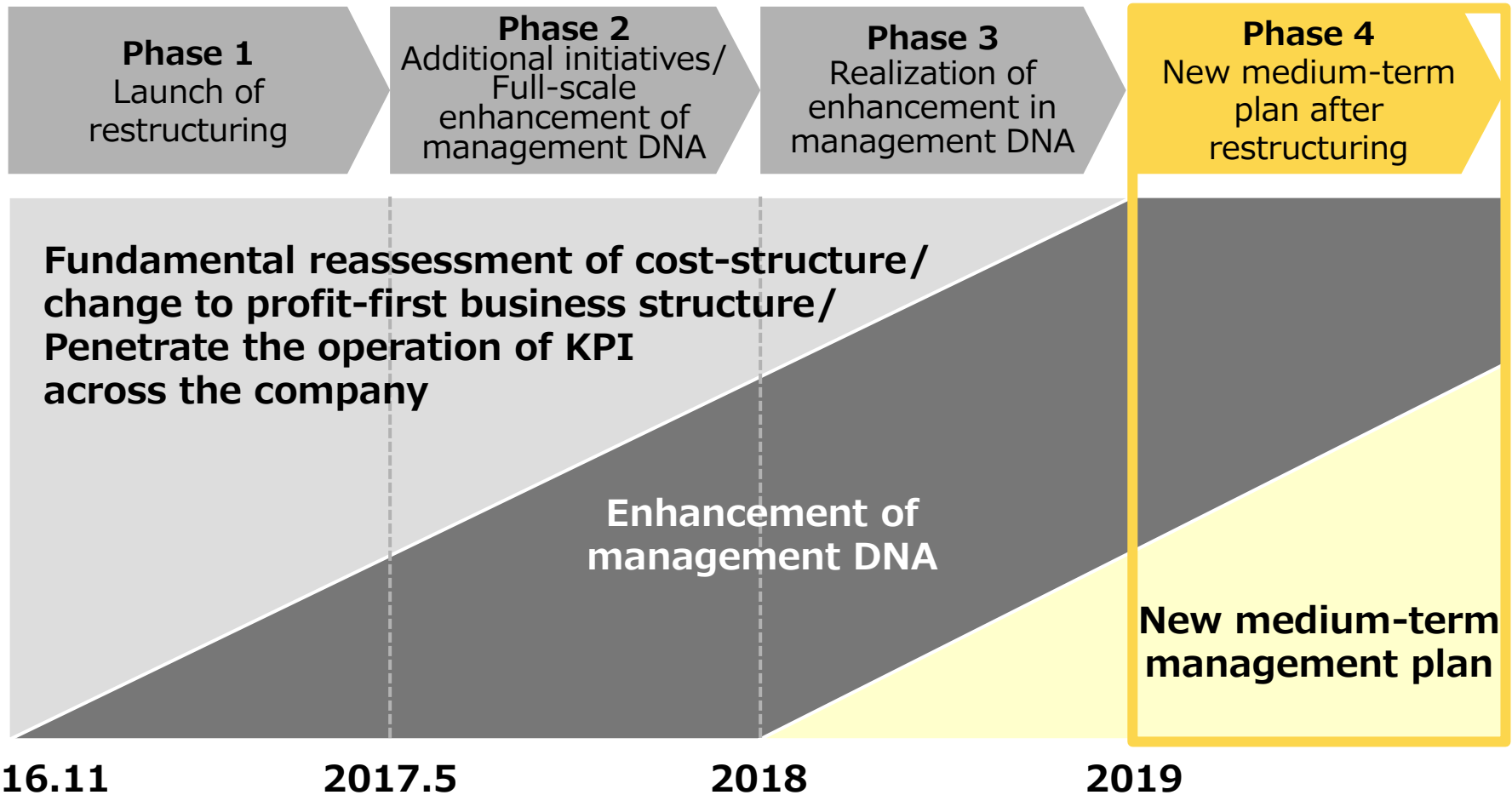
1. Financial results for the year ended March 31, 2019

2. Forecast for the year ending March 31, 2020

Transition to the Growth Phase while continuing to enhance management DNA



4 PHASES OF RESTRUCTURING



Transform to realize sustainable growth of enterprise value

Revenue Forecast

- **Overall: ¥670B, ¥38.6B down YoY**
 - **Imaging Products:** The product lineup is expanded, yet substantial revenue reduction is expected due to unit sales decrease of the existing products mainly in DSLR
 - **Precision Equipment:** Semiconductor revenue hike is expected to absorb the FPD revenue reduction

Operating Profit Forecast

- **Overall: ¥52.0B, ¥30.6B down YoY**
 - **Imaging Products:** Further cost-effective measures shall offset the profit reduction partially
 - **Precision Equipment:** Large profit reduction is expected due to absence of the temporary profit of approx. ¥15.0B by the litigation settlement. Profit improvement by semiconductor shall partially absorb the FPD profit decrease
 - **Corporate P/L non-attributable to any reportable segments:** Improved by the idle land sales (¥3.9B), etc.

Profit attributable to Owners of the Parent Forecast

- **Overall: ¥42.0B, ¥24.5B down YoY**
 - Assumed effective tax rate is approx. 24%, same level as the previous FY

Forecast for the year ending March 31, 2020: Financial Highlights



Billions of yen	FY2019/3 Actual (B)	FY2020/3 Forecast (A)	Change (A)–(B)
Revenue	708.6	670.0	-38.6
Operating Profit	82.6	52.0	-30.6
% vs Revenue	11.7%	7.8%	
Profit before income taxes	87.9	55.0	-32.9
% vs Revenue	12.4%	8.2%	
Profit attributable to owners of the parent	66.5	42.0	-24.5
% vs Revenue	9.4%	6.3%	
ROE	11.2%	7%	
FCF	43.5	40.0	-3.5
Exchange Rate: US \$ EURO	¥111 ¥128	¥105 ¥125	Impact on Revenue
			Approx. -16.4
			Impact on Op. Profit
			Approx. -3.2

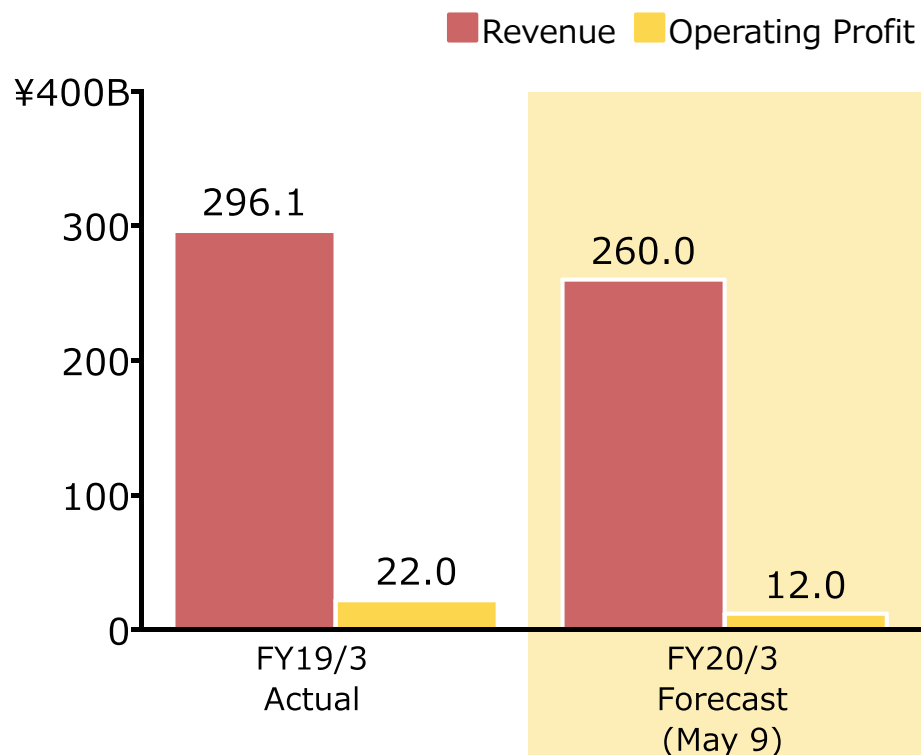
Forecast for the year ending March 31, 2020: Financial Highlights by Segments



Billions of yen		FY2019/3 Actual (B)	FY2020/3 Forecast (A)	Change (A)–(B)
Imaging Products Business	Revenue	296.1	260.0	-12.2%
	Operating Profit	22.0 (22.6)	12.0	-10.0
Precision Equipment Business	Revenue	274.5	270.0	-1.6%
	Operating Profit	81.7 (81.7)	56.0	-25.7
Healthcare Business	Revenue	65.4	65.0	-0.6%
	Operating Profit	-1.9 (-1.9)	-1.0	+0.9
Industrial Metrology and Others	Revenue	72.5	75.0	+3.4%
	Operating Profit	6.9 (7.5)	6.0	-0.9
Corporate Profit/Loss non- attributable to any reportable segments	Revenue	—	—	—
	Operating Profit	-26.1 (-25.6)	-21.0	+5.1
Consolidated	Revenue	708.6	670.0	-5.4%
	Operating Profit	82.6 (84.4)	52.0	-30.6

Note: Figures of Operating Profit in parentheses for FY19/3 show those excluding the restructuring relevant expenses.

Forecast for the year ending March 31, 2020: Imaging Products Business



• Revenue: ¥36.1B down

- Camera market continues to shrink. Sales volume reduction is expected in each category
- Although efforts are made to expand the sales of ML cameras and Z mount lenses, a large negative impact is expected on declining revenue of entry/mid DSLR and compact DSC

• OP: ¥10.0B down

- Investment for ML lineup expansion increases compared to the previous year
- Thorough cost-effective measures are implemented to reduce SGA, etc. to recover some profit reduction

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

Market Scale	10,040	8,500
Nikon	2,060	1,600

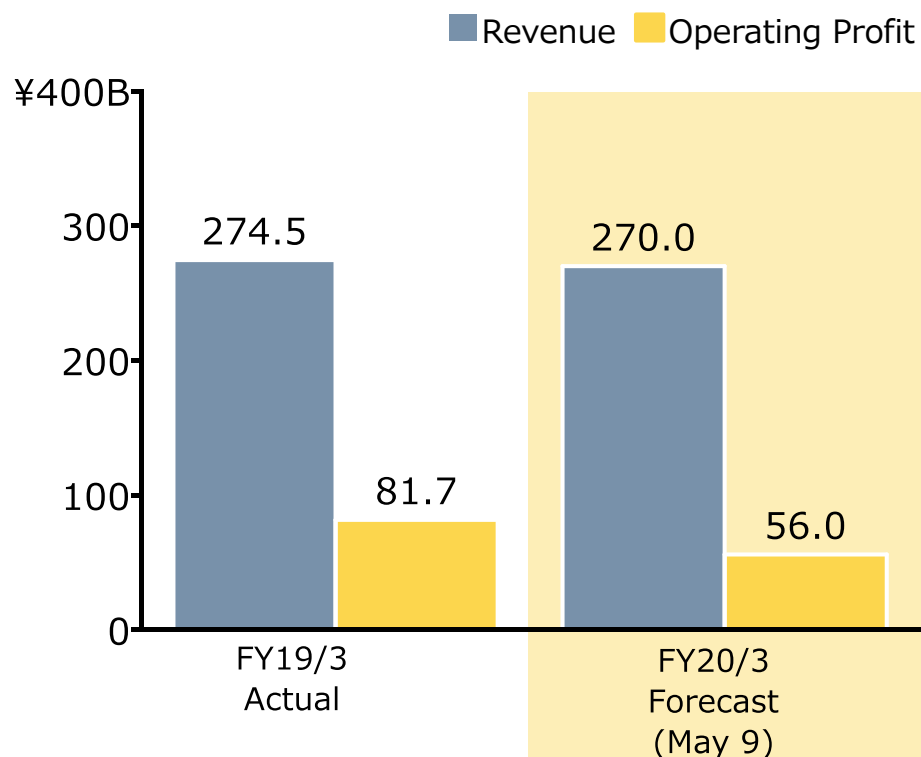
Interchangeable Lenses (units: 1,000)

Market Scale	16,960	14,500
Nikon	3,170	2,600

Compact DSC (units: 1,000)

Market Scale	8,220	6,000
Nikon	1,600	1,000

Forecast for the year ending March 31, 2020: Precision Equipment Business



• Revenue: ¥4.5B down

- FPD: High-priced G10.5 is expected to increase, yet revenue decreases due to G6/8 unit sales reduction
- Semiconductor: Main customer's CAPEX continues to be steady. Revenue is lifted by new system sales increase

• OP: ¥25.7B down

- OP for FY2019/3 is approx. ¥66.7B excluding the temporary profit from litigation settlement
- Profit reduction of FPD is partially recovered by Semiconductor profit hike

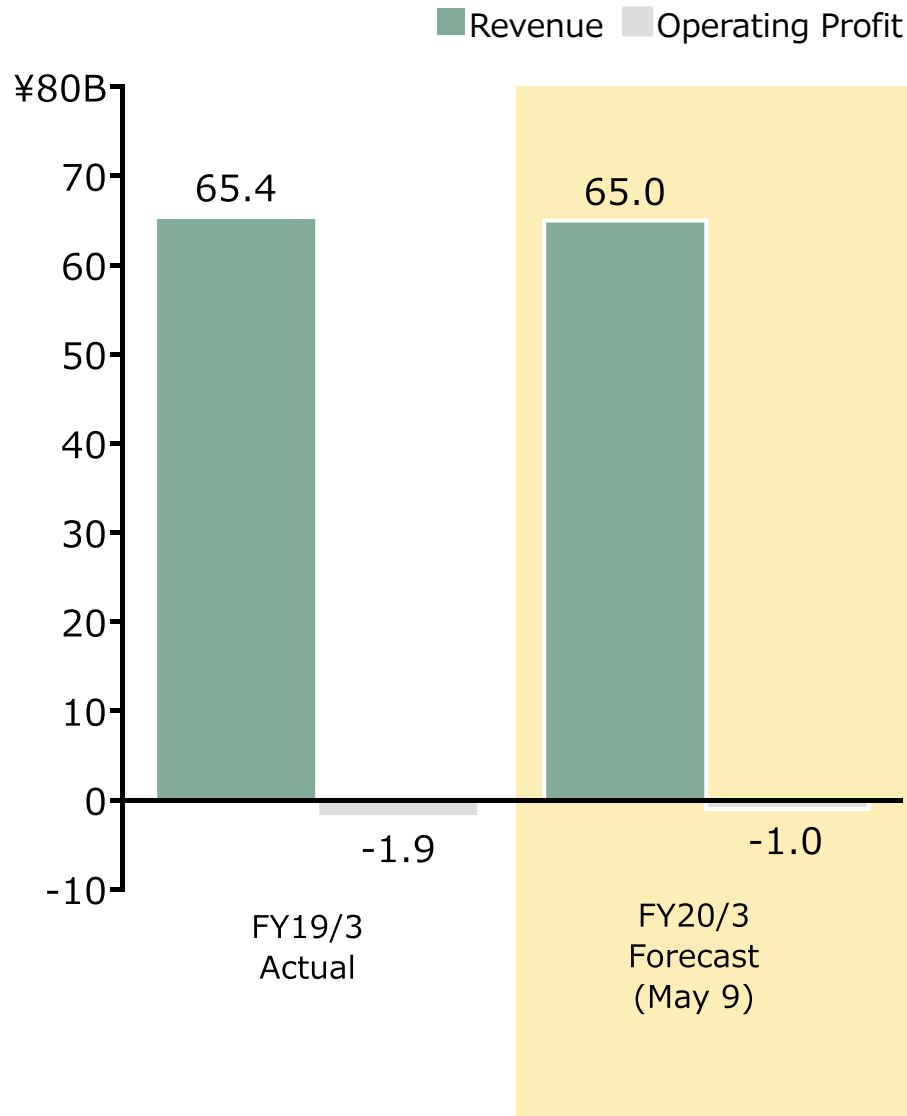
FPD Lithography Systems (units)

Market Scale (CY18/19)	142	100
Nikon	70	37

Semiconductor Lithography Systems (New/Refurbished, units)

Market Scale (CY18/19)	300	250
Nikon	21/20	31/14

Forecast for the year ending March 31, 2020: Healthcare Business



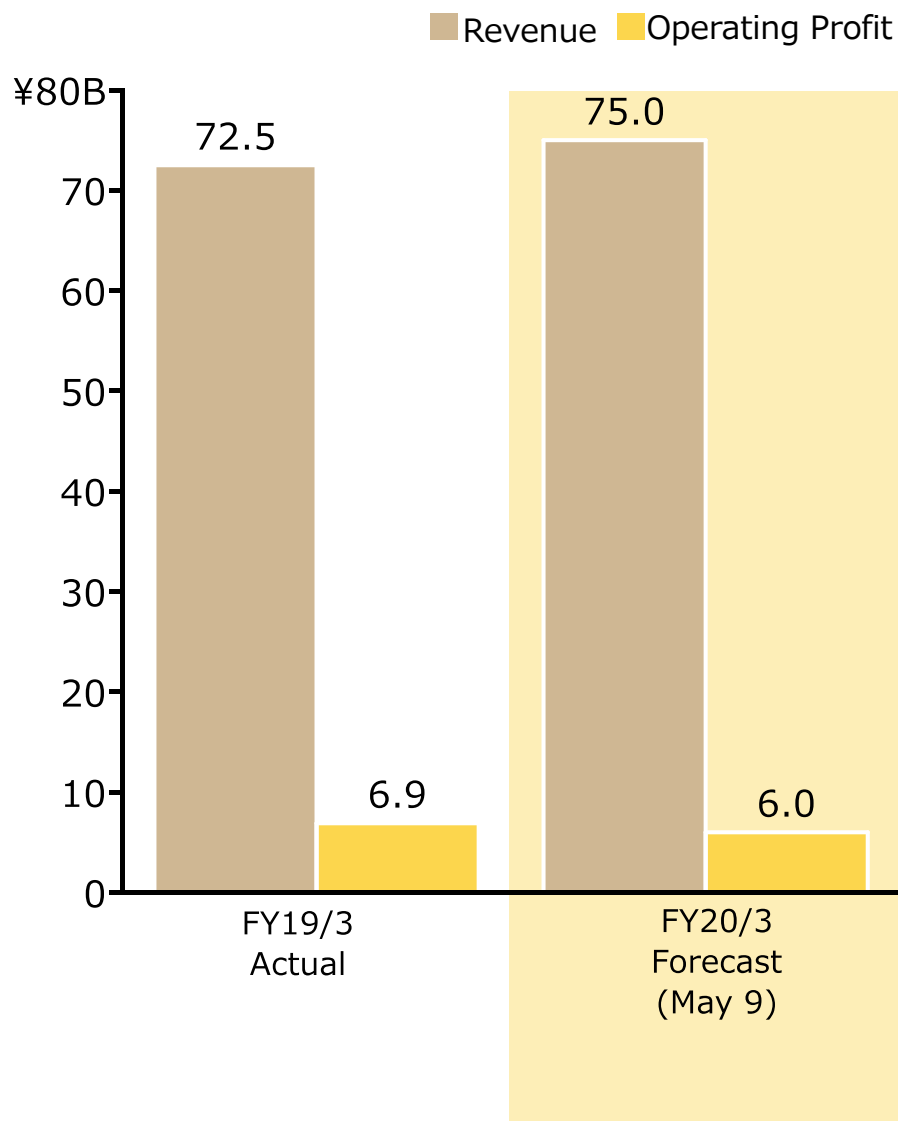
- **Revenue: ¥0.4B down**

- Both biological microscopes and retinal diagnostic imaging systems are performing steadily yet the flat revenue is expected due to the negative forex impact

- **OP: ¥0.9B up**

- More focused investment is conducted in the regenerative medicine and ophthalmological diagnosis fields to halve the deficit, aiming to generate profit next FY

Forecast for the year ending March 31, 2020: Industrial Metrology and Others



- **Revenue: ¥2.5B up**

- Industrial metrology: Revenue growth is expected by expanding the market share in X-ray inspection systems and non-contact 3D metrology systems

- **OP: ¥0.9B down**

- Industrial metrology: Profitability is steadily improving through restructuring
- Profit in the whole segment decreases as investment continues for future growth in precision component & modules business, etc.

Return to shareholders in FY2019/3 & FY2020/3

- FY2019/3 annual dividend is ¥60 with 35.7% payout ratio. The policy to maintain 40% or more was not met because of a large fluctuation of the net profit
- Based on net profit, **the buy-back of shares up to ¥10.0B are conducted**
- The share buy-back will be exercised in FY2020/3. Including this buy-back, the **total return ratio** in FY2019/3 should **exceed 50%**
- Profit reduction is forecasted for FY2020/3, yet the annual dividend of ¥60 (assumed payout ratio: 56.6%) is planned as in FY19/3 to maintain stable dividend payout

Shareholder returns policy in new medium-term plan

- To exercise more flexible return to shareholders, the policy is revised from “dividend payout ratio of 40% or more (annual)” to “**total return ratio of 40% or more (accumulation of medium-term plan period)**”
- **Annual dividend of ¥60 or more is maintained**
- Although mid/long-term capital allocation prioritizes the investment for growth strategy, additional return to shareholders is judged with agility and flexibility to maximize shareholders' interest
- If any unexpected change occurs in the management environment, this policy may be revised based on the remaining capability for growth investment and the capital structure
- From the mid/long-term perspectives, **both stable return to shareholders and capital efficiency improvement are pursued**