



NIKON CORPORATION  
August 7, 2018

# Financial Results for the First 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.

## FY2019/3 Q1 Result

- Operating Profit of Q1 was ¥19 billion exceeding our forecast.
- Operating Profit increased ¥6.6 billion in spite of the year-on-year revenue drop, thanks to the continued shift toward high value added digital cameras and the average price hike of highly profitable FPD lithography systems.

## FY2019/3 Forecast

- Reflecting Q1, 1H Operating Profit is upgraded to ¥27 billion from ¥25 billion.
- The annual forecasts of both Operating Profit and Profit attributable to owners of the parent are upgraded to ¥74 billion from ¥70 billion (+32% YoY), and to ¥53 billion from ¥50 billion (+53% YoY) respectively.
- Profit structure strengthening including fixed cost reduction improved ROE to approximately 9%.
- ¥54 (+¥18 YoY) for annual dividend, ¥27 for interim dividend.

## Outlook of major businesses

- Imaging Products: full-frame mirrorless camera (featuring a new mount) and exclusive lenses will be launched to continue the profit upward trend three fiscal years in a row and on.
- FPD Lithography: G5~8, which drove the record profit for two consecutive years in Precision Equipment Business, may enter an adjustment phase, but 20 or more sales are expected for G10.5 in FY20/3 and FY21/3.
- Semiconductor Lithography: The shift of business strategy expects to forge the profitable characteristics in coming years, aiming to reach the profitability that exceeds the capital cost in three years.

# 1st Quarter of the Year ending March 31, 2019: Financial Highlights



Billions of yen	FY2018/3 Q1 (A)	FY2019/3 Q1 (B)	Change (B)-(A)
<b>Revenue</b>	170.3	<b>166.9</b>	-3.4
<b>Operating Profit</b>	12.4	<b>19.0</b>	+6.6
% vs Revenue	7.3%	<b>11.4%</b>	
<b>Profit before income taxes</b>	13.1	<b>21.9</b>	+8.8
% vs Revenue	7.7%	<b>13.1%</b>	
<b>Profit attributable to owners of the parent</b>	8.8	<b>16.3</b>	+7.5
% vs Revenue	5.2%	<b>9.8%</b>	
<b>FCF</b>	-9.7	<b>27.6</b>	+37.3
Exchange Rate:			Impact on Revenue
US \$	¥111	<b>¥109</b>	+1.1
EURO	¥122	<b>¥130</b>	Impact on Operating Profit
			-0.2

Q1 exceeded our forecast, and 1<sup>st</sup> Half and Full Year forecast revised upwardly.

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

# 1st Quarter of the Year ending March 31, 2019: Financial Highlights by Segment



Billions of yen		FY2018/3 (B)	FY2019/3 (A)	Change (A)-(B)
<b>Imaging Products Business</b>	Revenue	90.9	<b>79.1</b>	-13%
	Operating Profit	7.6	<b>12.4</b>	+¥4.8B
<b>Precision Equipment Business</b>	Revenue	55.2	<b>59.0</b>	+7%
	Operating Profit	13.1	<b>14.1</b>	+¥1.0B
<b>Healthcare Business</b>	Revenue	11.0	<b>13.3</b>	+21%
	Operating Profit	-2.0	<b>-2.1</b>	-¥0.1B
<b>Industrial Metrology and Others</b>	Revenue	13.1	<b>15.4</b>	+18%
	Operating Profit	-0.6	<b>1.1</b>	+¥1.7B
<b>Corporate Profit/Loss non-attributable to any reportable segments</b>	Revenue	—	—	—
	Operating Profit	-5.7	<b>-6.5</b>	-¥0.8B
<b>Consolidated</b>	Revenue	170.3	<b>166.9</b>	-2%
	Operating Profit	12.4	<b>19.0</b>	+¥6.6B

Operating Profit of all segments except Healthcare Business increased from previous year.

# 1st Quarter of the Year ending March 31, 2019: Imaging Products Business



Billions of yen	FY2018/3 Q1 (A)	FY2019/3 Q1 (B)	Change (B)-(A)
<b>Revenue</b>	<b>90.9</b>	<b>79.1</b>	<b>-11.8</b>
<b>Operating Profit</b>	<b>7.6</b>	<b>12.4</b>	<b>+4.8</b>
% vs Revenue	8.4%	15.7%	
<b>Digital Camera- Interchangeable Lens type</b> (units sold: 1,000)	<b>720</b>	<b>570</b>	<b>-150</b>
<b>Interchangeable Lens</b> (units sold: 1,000)	<b>1,080</b>	<b>890</b>	<b>-190</b>
<b>Compact DSC</b> (1,000 units sold)	<b>770</b>	<b>430</b>	<b>-340</b>

## Q1 YoY change:

- While the DSLR market shrinks significantly due to expansion of ML cameras, the D850 is still highly evaluated even after a year from its launch: exceeding the sales forecast in all regions and the product mix has been improved.
- Decrease in expenses such as marketing purposes, and defer of advertisement expense, resulting in increase of operating profit.

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

# 1st Quarter of the Year ending March 31, 2019: Precision Equipment Business



Billions of yen	FY2018/3 Q1 (A)	FY2019/3 Q1 (B)	Change (B)-(A)
<b>Revenue</b>	<b>55.2</b>	<b>59.0</b>	<b>+3.8</b>
<b>Operating Profit</b>	<b>13.1</b>	<b>14.1</b>	<b>+1.0</b>
% vs Revenue	23.7%	23.9%	
<b>FPD Lithography Systems (units)</b>	<b>21</b>	<b>19</b>	<b>-2</b>
<b>Semiconductor Lithography Systems New/Refurbished (units)</b>	<b>5/0</b>	<b>3/4</b>	<b>-2/+4</b>

## Q1 YoY change:

- FPD Lithography Business: Higher sales and OP were achieved . Sales increase of systems for large sized panels including G10.5 compensates the sales decline of those for mid-to-small sized panels.
- Semiconductor Lithography Business: The steady progress was made in line with the forecast although the revenue was declined by the reduced unit sales of ArF immersion lithography systems.

# 1st Quarter of the Year ending March 31, 2019: Healthcare Business



Billions of yen	FY2018/3 Q1 (A)	FY2019/3 Q1 (B)	Change (B)-(A)
<b>Revenue</b>	<b>11.0</b>	<b>13.3</b>	<b>+2.3</b>
<b>Operating Profit</b>	<b>-2.0</b>	<b>-2.1</b>	<b>-0.1</b>
% vs Revenue	-18.2%	-15.8%	

## Q1 YoY change:

- Sales of biological microscopes expanded in major markets including US, Europe, and China, resulting in a substantial revenue increase. Retinal imaging diagnosis instruments showed steady performance mainly in the US optometrist market.
- Strategic investment continues to focus on retinal diagnostic systems and regenerative medicine fields, with the deficit staying flat.

# 1st Quarter of the Year ending March 31, 2019: Industrial Metrology and Others



Billions of yen	FY2018/3 Q1 (A)	FY2019/3 Q1 (B)	Change (B)-(A)
<b>Revenue</b>	<b>13.1</b>	<b>15.4</b>	<b>+2.3</b>
<b>Operating Profit</b>	<b>-0.6</b>	<b>1.1</b>	<b>+1.7</b>
% vs Revenue	-4.6%	7.1%	

## Q1 YoY change:

- Overall inspection instruments such as image measuring system and X-ray inspection system showed favorable performance, posting the year-on-year revenue increase.
- Others including large-sized photomask and optical encoder businesses progressed steadily, having contributed to the overall revenue/profit improvement in this segment.



## FY2019/3 1H Forecast

- **Overall Revenue is downgraded by ¥8 billion, however OP and Profit attributable to owners of the parent are upgraded by ¥2.0 billion each.**
  - **Imaging Products Business:** Upgrade OP ¥4 billion based on Q1.
  - **Precision Equipment Business:** Part of FPD and semiconductor lithography systems' installation completion is delayed to the 2<sup>nd</sup> half, therefore, Revenue and OP forecasts are lowered by ¥8 billion and ¥3 billion respectively.
  - **Industrial Metrology and Others:** Upgrade OP ¥1 billion based on Q1.

## FY2019/3 Full Year Forecast

- **Overall OP and Profit attributable to owners of the parent are upgraded by ¥4.0 billion and ¥3.0 billion each.**
  - **Imaging Products Business:** Upgrade OP ¥4 billion (2<sup>nd</sup> Half forecast unchanged). While approx. 10% revenue drop is expected year on year, approx. 10% profit hike is forecasted.
  - **Precision Equipment Business:** Forecast is unchanged.
  - **Industrial Metrology and Others:** Forecast is unchanged.

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



Billions of yen	FY2017/3 Actual (A)	Previous Forecast (May10) (B)	New Forecast (Aug7) (C)	Change (C)-(A)	Change (C)-(B)
<b>Revenue</b>	717.0	740.0	<b>740.0</b>	+23.0	±0.0
<b>Operating Profit</b>	56.2	70.0	<b>74.0</b>	+17.8	+4.0
% vs Revenue	7.8%	9.5%	10.0%		
<b>Profit before income taxes</b>	56.2	70.0	<b>76.0</b>	+19.8	+6.0
% vs Revenue	7.8%	9.5%	10.3%		
<b>Profit attributable to owners of the parent</b>	34.7	50.0	<b>53.0</b>	+18.3	+3.0
% vs Revenue	4.8%	6.8%	7.2%		
<b>FCF</b>	90.2	60.0	<b>60.0</b>	-30.2	±0.0
<b>Exchange Rate :</b>				Impact on Revenue	
US \$	¥111	¥105	<b>¥106</b>	approx.-12.0	approx.+2.4
EURO	¥130	¥130	<b>¥130</b>	Impact on Op. Profit	
				approx.-2.0	≒Zero

Profit attributable to owners of the parent to be increased by 50% vs previous year.

Annual dividend to be ¥54, up ¥18 (interim dividend to be ¥27)

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. 10  
 Approx. ¥7 billion is deducted for Revenue of FY2019/3.

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



Billions of yen		FY2018/3 Actual(A)	Previous Forecast (May.10) (B)	New Forecast (Aug.7) (C)	Change (C)-(A)	Change (C)-(B)
<b>Imaging Products Business</b>	Revenue	360.7	320.0	<b>320.0</b>	-11.3%	±0.0%
	Operating Profit	30.2 (36.0)	29.0 (31.0)	<b>33.0</b> <b>(34.0)</b>	+¥2.8B	+¥4.0B
<b>Precision Equipment Business</b>	Revenue	226.3	282.0	<b>282.0</b>	+24.6%	±0.0%
	Operating Profit	53.3 (53.3)	68.0 (68.0)	<b>68.0</b> <b>(68.0)</b>	+¥14.7B	±¥0.0B
<b>Healthcare Business</b>	Revenue	56.8	63.0	<b>63.0</b>	+10.9%	±0.0%
	Operating Profit	-3.2 (-3.2)	-4.0 (-4.0)	<b>-4.0</b> <b>(-4.0)</b>	-¥0.8B	±¥0.0B
<b>Industrial Metrology and Others</b>	Revenue	73.2	75.0	<b>75.0</b>	+2.5%	±0.0%
	Operating Profit	5.0 (7.8)	6.0 (6.0)	<b>6.0</b> <b>(6.0)</b>	+¥1.0B	±¥0.0B
<b>Corporate Profit/Loss non- attributable to any reportable segments</b>	Revenue	-	-	-	-	-
	Operating Profit	-29.1 (-29.1)	-29.0 (-29.0)	<b>-29.0</b> <b>(-29.0)</b>	+¥0.1B	±¥0.0B
<b>Consolidated</b>	Revenue	717.0	740.0	<b>740.0</b>	+3.2%	±0.0%
	Operating Profit	56.2 (64.9)	70.0 (72.0)	<b>74.0</b> <b>(75.0)</b>	+¥17.8B	+¥4.0B

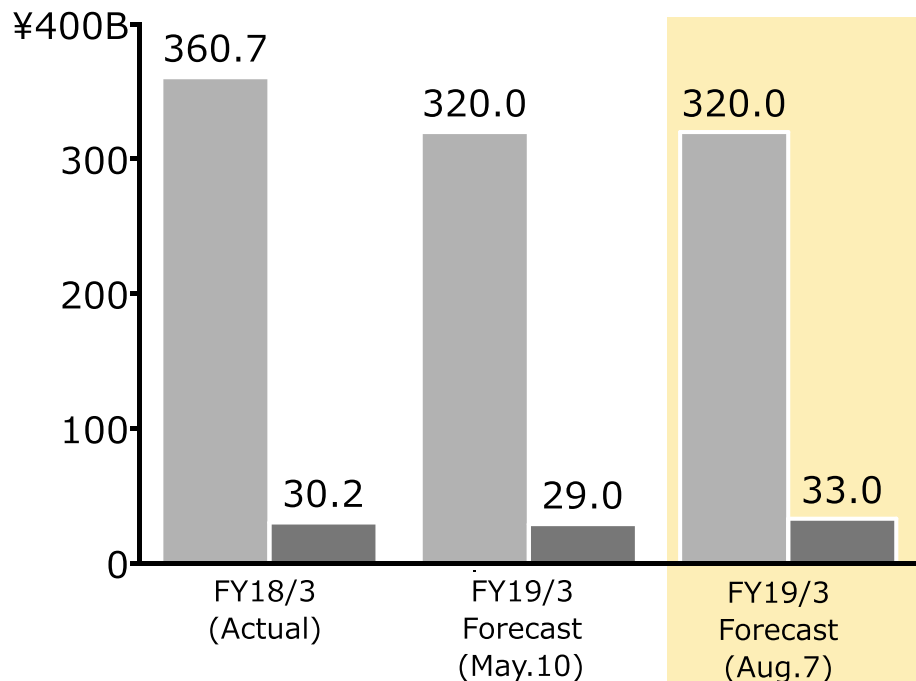
Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. Approx. ¥7 billion is deducted for Revenue of FY2019/3.

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

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



Revenue/Operating Profit



- **Revenue: forecast unchanged, down ¥40.7 billion YoY**

- The expected YoY revenue drop caused by the revised sales volume of Compact DSC is almost compensated by the DSLR camera product-mix improvement.

- **Operating Profit: Upgrade ¥4 billion, Up ¥2.8 billion YoY**

- Operating Profits before the restructuring cost for FY18/3 and FY19/3 was/will be ¥36 billion and ¥34 billion, respectively.
- Upgrade ¥4 billion from the previous forecast contributed by the ¥3 billion profit hike in 1<sup>st</sup> Half in addition to the ¥1 billion restructuring cost reduction.

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

Market Scale	11,410	10,000	10,000
Nikon	2,620	2,300	2,300

## Interchangeable Lenses (units: 1,000)

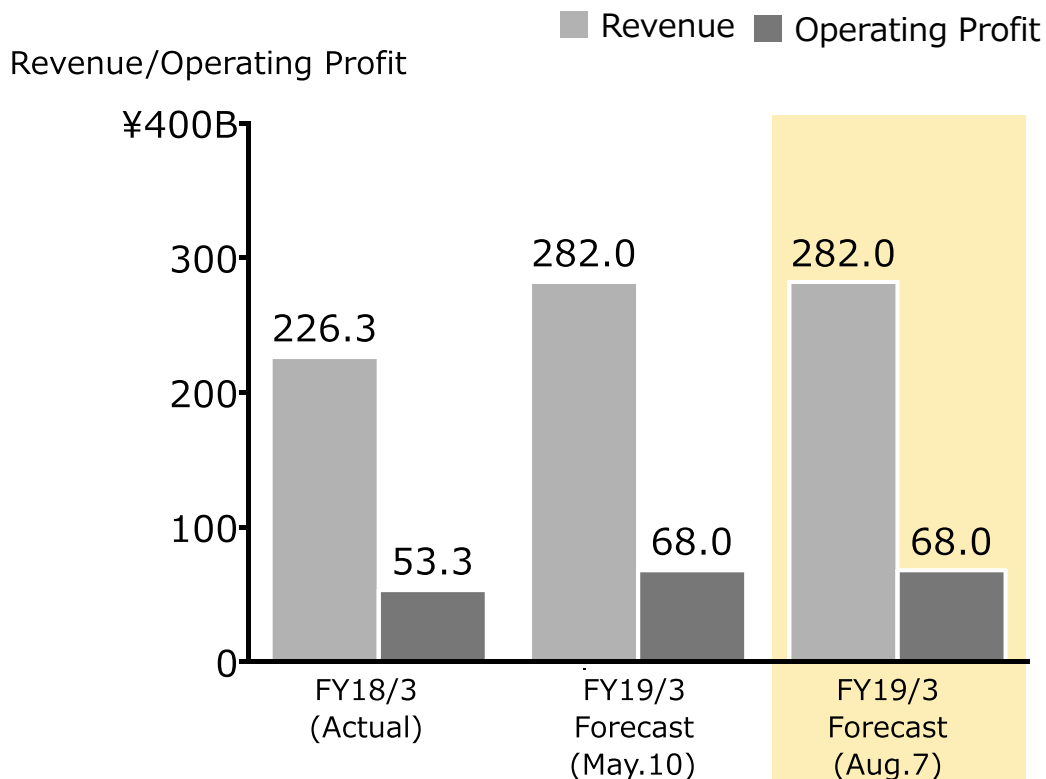
Market Scale	19,060	16,500	16,500
Nikon	4,010	3,400	3,400

## Compact DSC (units: 1,000)

Market Scale	11,960	9,000	8,000
Nikon	2,510	1,800	1,700

Note: Due to change of revenue recognition under IFRS15, part of sales promotion expenses are deducted from Revenue of FY2019/3. Approx. ¥7 billion is deducted from Revenue of FY2019/3. 12

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



- **Revenue: forecast unchanged, Up ¥55.7 billion YoY**

- FPD: G10.5 sales expands. Brisk sales of large sized panel systems expect to largely exceed the sales drop of mid-to-small sized panel systems.
  - > G10.5 sales rapidly grows from 3 units (FY18/3) to 18 units.
- Semiconductor: Sales volume increases while the customers' CAPEX is steady.

- **Operating Profit: forecast unchanged, Up ¥14.7 billion YoY**

- FPD: Substantial improvement in revenue and operating profit
- Semiconductor: Achievement of two consecutive profitable years confirms the penetration of profitable business structure.

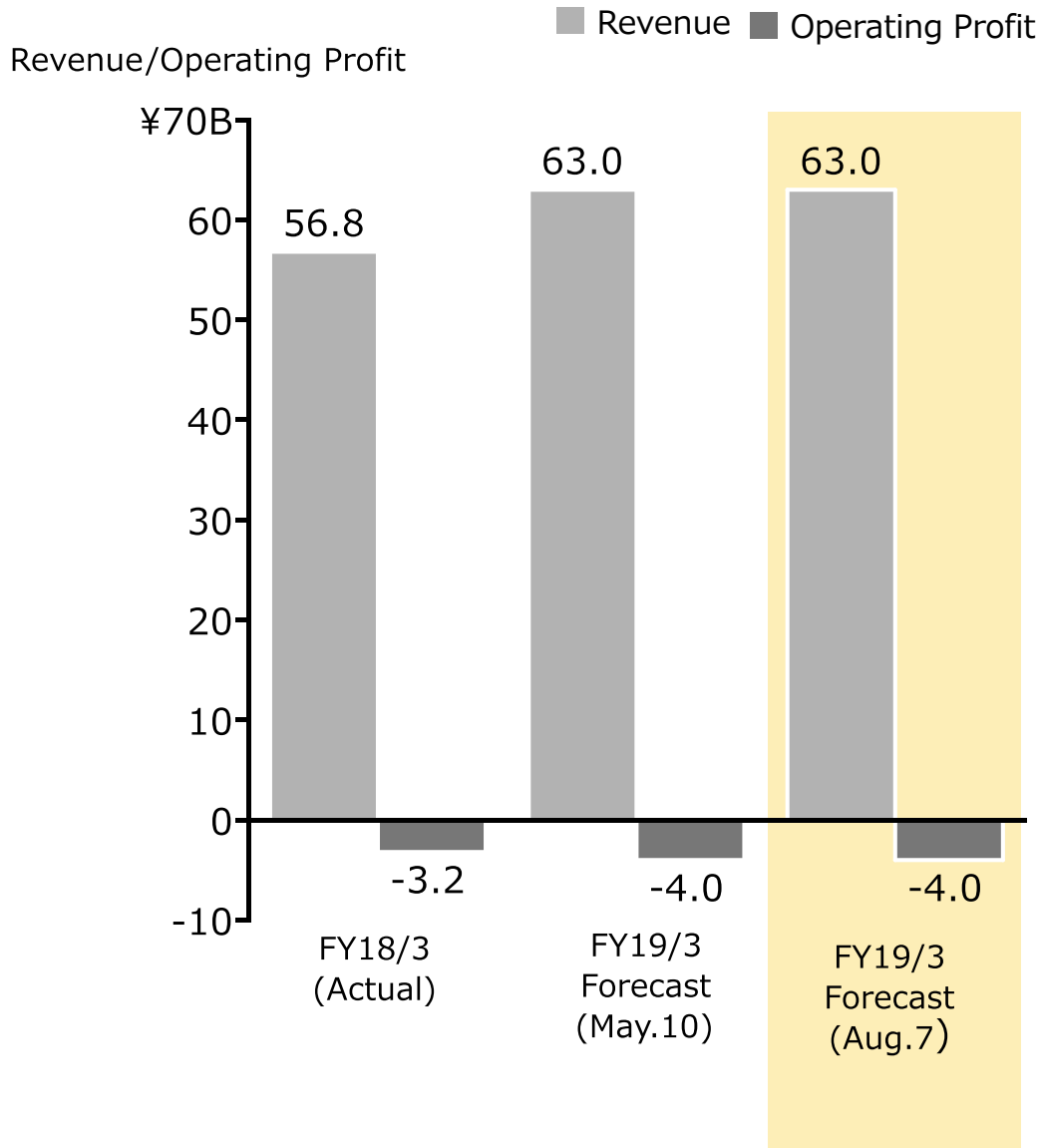
## FPD Lithography Systems (units)

Market Scale (CY17/18)	149	150	150
Nikon	67	70	70

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

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 field: Expect to increase revenue amid overseas market recovery mainly in North America and China.
- Ophthalmologic diagnosis field: Retinal imaging diagnostic system market remains robust, expecting to increase revenue with contribution of new products launch.

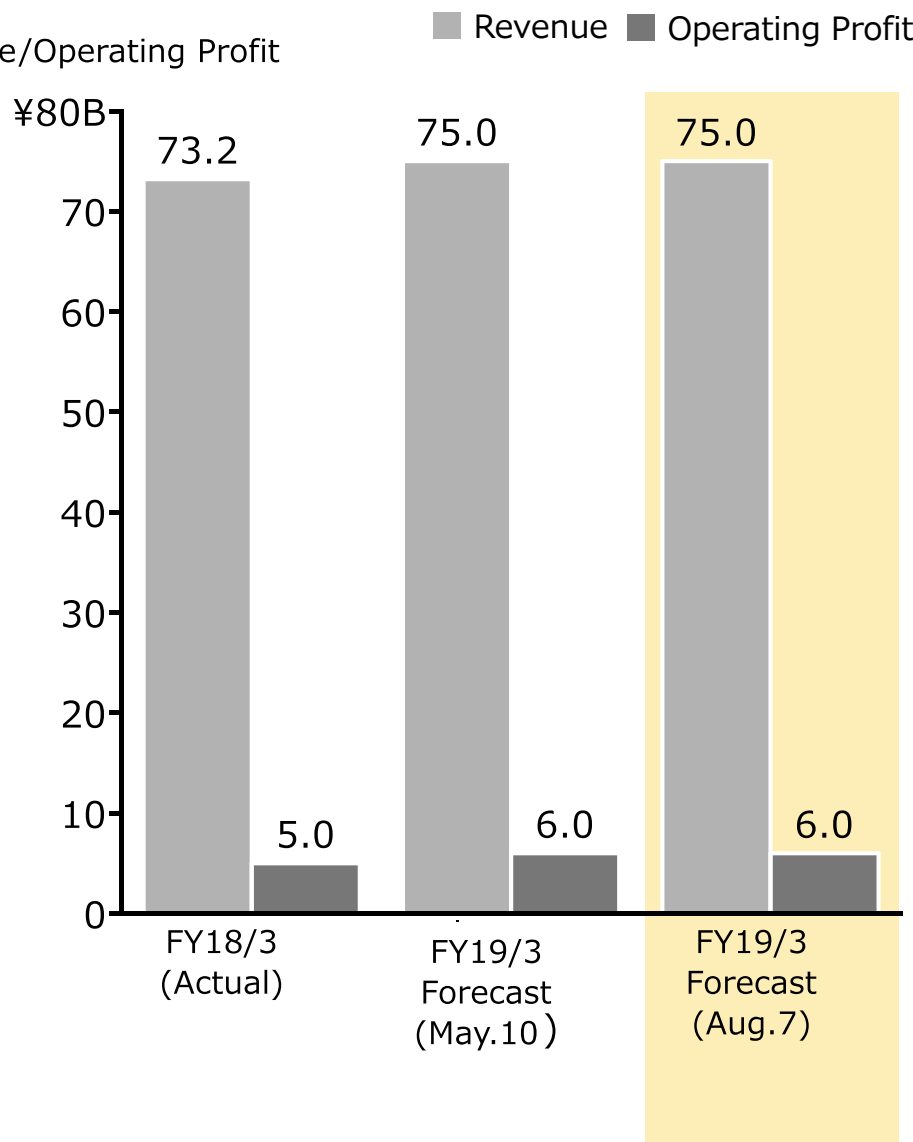
- **Operating Profit: forecast unchanged**

- Continue to investment for future growth in generative medicine related field and ophthalmologic diagnosis field.

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



Revenue/Operating Profit



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

- Industrial metrology: Sales expansion of image measuring systems and X-ray inspection systems, etc. expects to cover the decline of revenue after the CMM business transfer.

- **Operating Profit: forecast unchanged, Up ¥1.0 billion YoY**

- FY2018/3 Operating Profit before the restructuring cost was ¥7.8 billion.
- Accelerate selection of focus areas including the component business to nurture/invest in pursuit of mid-long term profit growth.