



# Financial Results for the Second Quarter of the Year ending March 31, 2020

November 7, 2019

Masashi Oka  
Representative Director  
Senior Executive Vice President & CFO

NIKON CORPORATION

1. Financial results for the second quarter of the year ending March 31, 2020
2. Forecast for the year ending March 31, 2020

# Summary for the 1H of the Year ending March 31, 2020



## 1H Results

- **Revenue: ¥291.0B**
- **Operating profit: ¥17.5B**

## YoY Results

- **Revenue down ¥44.7B**
- **Operating profit down ¥13.1B**
  - **Imaging Products:** Profit down on lower sales volumes of digital cameras, mainly DSLR.
  - **Precision Equipment:** Profit down as Semiconductor Lithography business profit growth could not cover lower profits in FPD.
  - **Industrial Metrology & Others:** Profit down as customers reined in capex.
  - **Corporate P/L non-attributable to any reportable segments:** Foreign exchange valuation losses associated with the liquidation of the China plant, the operation of which was suspended in 2017, were incurred as restructuring relevant expenses, but there was also gain from the sale of unused land.

## vs. previous forecast

- **Revenue surpassed by ¥1.0B**
- **Operating profit surpassed by ¥2.5B**
  - Despite headwinds from shrinking Imaging Products Business profits, increased profit in other businesses more than picked up the slack.

Note: Amounts in this statement are rounded down to the hundred millions of yen.

# First Half of the Year ending March 31, 2020: Financial Highlights



Billions of yen	FY2019/3 1H (A)	Previous forecast(Aug. 6) (B)	FY2020/3 1H (C)	Change (C)-(A)	Change (C)-(B)
<b>Revenue</b>	335.7	290.0	<b>291.0</b>	-44.7	+1.0
<b>Operating Profit</b> % vs Revenue	30.6 9.1%	15.0 5.2%	<b>17.5</b> <b>6.0%</b>	-13.1	+2.5
<b>Profit before income taxes</b> % vs Revenue	33.8 10.1%	17.0 5.9%	<b>20.1</b> <b>6.9%</b>	-13.7	+3.1
<b>Profit attributable to owners of the parent</b> % vs Revenue	22.8 6.8%	13.0 4.5%	<b>16.3</b> <b>5.6%</b>	-6.5	+3.3
<b>FCF</b>	31.2	—	<b>3.8</b>	-27.4	—
Exchange rate :				Impact on Revenue	
US \$	¥110	¥107	<b>¥109</b>	-6.9	+0.1
EURO	¥130	¥124	<b>¥121</b>	Impact on Operating Profit	
				-2.2	-0.3

FCF decreased YoY due to less contributions from advances received and the changes of payment terms for the domestic partner supplier companies, etc.

# First Half of the Year ending March 31, 2020: Financial Highlights by Segments



Billions of yen		FY2019/3 1H (A)	FY2020/3 1H (B)	Change (B)-(A)
<b>Imaging Products Business</b>	Revenue	150.9	<b>119.0</b>	-21%
	Operating Profit	13.2	<b>2.0</b>	-¥11.2B
<b>Precision Equipment Business</b>	Revenue	121.6	<b>115.1</b>	-5%
	Operating Profit	29.8	<b>25.4</b>	-¥4.4B
<b>Healthcare Business</b>	Revenue	29.4	<b>30.0</b>	+2%
	Operating Profit	-2.3	<b>-1.2</b>	+¥1.1B
<b>Industrial Metrology and Others</b>	Revenue	33.7	<b>26.7</b>	-21%
	Operating Profit	2.7	<b>2.4</b>	-¥0.3B
<b>Corporate P/L non-attributable to any reportable segments</b>	Revenue	—	—	—
	Operating Profit	-12.8	<b>-11.1</b>	+¥1.7B
<b>Consolidated</b>	Revenue	335.7	<b>291.0</b>	-13%
	Operating Profit	30.6	<b>17.5</b>	-¥13.1B

Corporate P/L non-attributable to any reportable segments includes the gain from unused land sales of ¥3.8B and the loss from restructuring relevant expenses of ¥1.7B.

Note: Corporate P/L non-attributable to any reportable segments includes elimination of intersegment transactions that amount to ¥0.01B for 1H of FY2019/3 and -¥1.7B for 1H of FY2020/3.

# 2<sup>nd</sup> Quarter of the Year ending March 31, 2020: Financial Highlights



Billions of yen	FY2019/3 Q2 (A)	FY2020/3 Q2 (B)	Change (B)-(A)
<b>Revenue</b>	168.8	<b>148.1</b>	-20.7
<b>Operating Profit</b>	11.6	<b>8.2</b>	-3.4
% vs Revenue	6.9%	5.5%	
<b>Profit before income taxes</b>	11.9	<b>9.4</b>	-2.5
% vs Revenue	7.0%	6.3%	
<b>Profit attributable to owners of the parent</b>	6.5	<b>8.1</b>	+1.6
% vs Revenue	3.9%	5.5%	
<b>FCF</b>	3.6	<b>4.5</b>	+0.9
Exchange rate :			Impact on Revenue
US \$	¥111	<b>¥107</b>	-5.0
EURO	¥130	<b>¥119</b>	Impact on Operating Profit
			-1.3

Although Operating Profit decreased due to the exchange rate impact and additional restructuring relevant expenses, Profit attributable to owners of the parent increased ¥1.6B YoY due to reduced tax expenses.

# First Half of the Year ending March 31, 2020: Imaging Products Business



Billions of yen	FY2019/3 1H (A)	Previous Forecast (Aug.6) (B)	FY2020/3 1H (C)	Change (C)-(A)	Change (C)-(B)
<b>Revenue</b>	<b>150.9</b>	<b>120.0</b>	<b>119.0</b>	<b>-31.9</b>	<b>-1.0</b>
<b>Operating Profit</b> % vs Revenue	<b>13.2</b> 8.7%	<b>3.0</b> 2.5%	<b>2.0</b> 1.7%	<b>-11.2</b>	<b>-1.0</b>
<b>Digital Camera- Interchangeable Lens type</b> (units sold: 1,000)	<b>1,070</b>	—	<b>800</b>	<b>-270</b>	—
<b>Interchangeable Lens</b> (units sold: 1,000)	<b>1,650</b>	—	<b>1,310</b>	<b>-340</b>	—
<b>Compact DSC</b> (units sold: 1,000)	<b>850</b>	—	<b>500</b>	<b>-350</b>	—

- **YoY:** The unit sales of full-frame cameras increased mainly in Europe and US due to increased ML camera sales. However, revenue was adversely affected by reduced sales of DSLR cameras especially in Asia including China, resulting in significant revenue/profit reductions.
- **Actual vs. forecast:** Revenue slightly fell short of the forecast. OP missed the target due to lower-than-expected revenue and the yen appreciation against Euro, etc.

# First Half of the Year ending March 31, 2020: Precision Equipment Business



Billions of yen	FY2019/3 1H (A)	Previous Forecast (Aug.6) (B)	FY2020/3 1H (C)	Change (C)-(A)	Change (C)-(B)
<b>Revenue</b>	<b>121.6</b>	<b>110.0</b>	<b>115.1</b>	<b>-6.5</b>	<b>+5.1</b>
<b>Operating Profit</b>	<b>29.8</b>	<b>23.0</b>	<b>25.4</b>	<b>-4.4</b>	<b>+2.4</b>
% vs Revenue	24.5%	20.9%	22.1%		
<b>FPD Lithography Systems (units)</b>	<b>36</b>	—	<b>18</b>	<b>-18</b>	—
<b>Semiconductor Lithography Systems New/Refurbished (units)</b>	<b>8/9</b>	—	<b>14/4</b>	<b>+6/-5</b>	—

• **YoY:** For FPD lithography business, Revenue and OP decreased in spite of G10.5 sales improvement, due to a substantial reduction of G8 sales as Chinese manufacturers' investment for TV panel had shifted from G8 to G10.5. For Semiconductor lithography business, both Revenue and OP increased due to a growth in sales of new systems including ArF immersion systems, etc.

**Actual vs. forecast:** For both FPD and Semiconductor, the 1H sales units and the product mix were changed by the advancement and postponement of the installation of systems, resulting in higher than planned revenue and OP.



# First Half of the Year ending March 31, 2020: Healthcare Business



Billions of yen	FY2019/3 1H (A)	Previous Forecast (Aug.6) (B)	FY2020/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	29.4	30.0	30.0	+0.6	±0
Operating Profit	-2.3	-3.0	-1.2	+1.1	+1.8
% vs Revenue	-7.8%	-10.0%	-4.0%		

- YoY:** Biological microscopes improved its revenue in the Americas and Japan, almost fully compensating the revenue drop in Europe and Asia. Retinal diagnostic imaging systems marked the record of 1H sales. Overall business posted a revenue increase. Deficit was suppressed by focusing investment themes, etc.
- Actual vs. forecast:** Revenue hike in retinal diagnostic imaging systems offset the reduced revenue of biological microscopes, meeting the business revenue target. The deficit amount was reduced more than expected due to the product mix change and expense postponement to the 2H.

# First Half of the Year ending March 31, 2020: Industrial Metrology Business and Others



Billions of yen	FY2019/3 1H (A)	Previous Forecast(Aug.6) (B)	FY2020/3 1H (C)	Change (C)-(A)	Change (C)-(B)
Revenue	33.7	30.0	26.7	-7.0	-3.3
Operating Profit	2.7	1.0	2.4	-0.3	+1.4
% vs Revenue	8.0%	3.3%	9.0%		

- **YoY:** Revenue was largely decreased by delayed investment of customers in both Industrial Metrology and Other businesses, but the impact on OP was suppressed by the product mix change, etc.
- **Actual vs. forecast:** Customers delayed investment amid economic slowdown mainly in Asia including China, and it hindered revenue from reaching the plan but OP was improved by the product mix change, cost improvement, expense reduction, etc.

1. Financial results for the second quarter of the year ending March 31, 2020
2. Forecast for the year ending March 31, 2020

# Forecast for the Year ending March 31, 2020



## Revenue

- **Company total forecast: Revised down ¥50B to ¥620B**

- **Imaging Products:** Revised down ¥25B based on a review of 2H market outlook, sales plan and Euro FX assumptions.
- **Precision Equipment:** Revised down ¥15B as sales in FPD and Semiconductor Lithography business will be postponed to the next FY.
- **Industrial Metrology & Others:** Revised down ¥10B to reflect customers pushing out capex spend.

## Operating profit

- **Company total forecast: Revised down ¥32B to ¥20B**

- **Imaging Products:** Revised down ¥22B mainly on shrinking revenue, stronger yen and restructuring relevant expenses.
- **Precision Equipment:** Revised down ¥5B mainly due to postponement of sales into next FY.
- **Industrial Metrology & Others:** Revised down ¥2B mainly on reduced revenue.
- **Corporate P/L non-attributable to any reportable segments:** Revised down ¥3B due to 1H results and increase in corporate costs in 2H. (Corporate costs up ¥1.3B vs. previous forecast.)

## Profit attributable to owners of the parent

- **Company total forecast: Revised down ¥25B to ¥17B**

# Forecast for the Year ending March 31, 2020: Financial Highlights



Billions of yen	FY2019/3 (A)	Previous Forecast(Aug.6) (B)	New Forecast (Nov.7) (C)	Change (C)-(A)	Change (C)-(B)
<b>Revenue</b>	708.6	670.0	<b>620.0</b>	-88.6	-50.0
<b>Operating Profit</b>	82.6	52.0	<b>20.0</b>	-62.6	-32.0
% vs Revenue	11.7%	7.8%	<b>3.2%</b>		
<b>Profit before income taxes</b>	87.9	55.0	<b>23.0</b>	-64.9	-32.0
% vs Revenue	12.4%	8.2%	<b>3.7%</b>		
<b>Profit attributable to owners of the parent</b>	66.5	42.0	<b>17.0</b>	-49.5	-25.0
% vs Revenue	9.4%	6.3%	<b>2.7%</b>		
<b>EPS</b>	¥167.86	¥106.89	<b>¥43.26</b>	-¥124.6	-¥63.6
<b>Annual Dividends</b>	¥60	¥60	<b>¥60</b>	±0	±0
<b>FCF</b>	43.5	40.0	<b>15.0</b>	-28.5	-25.0
<b>Exchange rate :</b>				Impact on Revenue	
US \$	¥111	¥106	<b>¥107</b>	-17.8	-1.6
<b>EURO</b>	¥128	¥125	<b>¥121</b>	Impact on Operating Profit	
				-4.6	-1.2

Note: EPS (Basic Earning per Share) = Profit attributable to owner of the parent / Average number of shares during the term  
Only the new forecast is calculated by approx. 0.393B shares, an average over the number of shares at the end of FY2019/3, approx. 0.396B, and the expected number of shares at the end of FY2020/3.

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

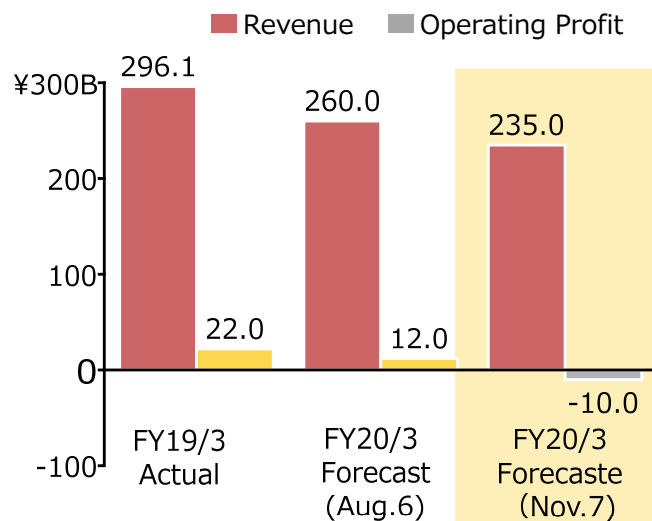


Billions of yen		FY2019/3 (A)	Previous Forecast(Aug.6) (B)	New Forecast(Nov.7) (C)	Change (C)-(A)	Change (C)-(B)
Imaging Products Business	Revenue	296.1	260.0	<b>235.0</b>	-20.6%	-9.6%
	Operating Profit	22.0 (22.6)	12.0 (12.0)	<b>-10.0</b> (-5.0)	-¥32.0B	-¥22.0B
Precision Equipment Business	Revenue	274.5	270.0	<b>255.0</b>	-7.1%	-5.6%
	Operating Profit	81.7 (81.7)	56.0 (56.0)	<b>51.0</b> (51.0)	-¥30.7B	-¥5.0B
Healthcare Business	Revenue	65.4	65.0	<b>65.0</b>	-0.6%	±0%
	Operating Profit	-1.9 (-1.9)	-1.0 (-1.0)	<b>-1.0</b> (-1.0)	+¥0.9B	±¥0.0B
Industrial Metrology and Others	Revenue	72.5	75.0	<b>65.0</b>	-10.3%	-13.3%
	Operating Profit	6.9 (7.5)	6.0 (6.0)	<b>4.0</b> (4.0)	-¥2.9B	-¥2.0B
Corporate P/L non- attributable to any reportable segments	Revenue	—	—	—	—	—
	Operating Profit	-26.1 (-25.6)	-21.0 (-21.0)	<b>-24.0</b> (-22.3)	+¥2.1B	-¥3.0B
Consolidated	Revenue	708.6	670.0	<b>620.0</b>	-12.5%	-7.5%
	Operating Profit	82.6 (84.4)	52.0 (52.0)	<b>20.0</b> (26.7)	-¥62.6B	-¥32.0B

Note: OP figures in parentheses are the operating profit excluding restructuring relevant expenses.

Corporate P/L non-attributable to any reportable segments includes elimination of intersegment transactions that amount to ¥0.6B for FY2019/3 and -¥1.7B for FY2020/3.

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



## • Revenue: Forecast revised down ¥25B, down ¥61.1B YoY

- Over-estimation of market size/share is corrected for 2H forecast and future planning.
- Sales unit forecast of DCIL, interchangeable lens and CDSC is revised down.
- Shift toward ML cameras and the product mix change in the full-frame category have not been accelerated as expected.

## • Operating Profit: Forecast revised down ¥22B, down ¥32B YoY

- OP suffers from sales unit reduction, product mix change, and Euro FX impact.
- Efforts to reduce Sales and R&D expenses continue, but the forecast is substantially revised down by posting of restructuring relevant expenses.

### Digital Camera-Interchangeable Lens type (units:1,000)

Market Scale	10,040	8,500	7,800
Nikon	2,060	1,600	1,500

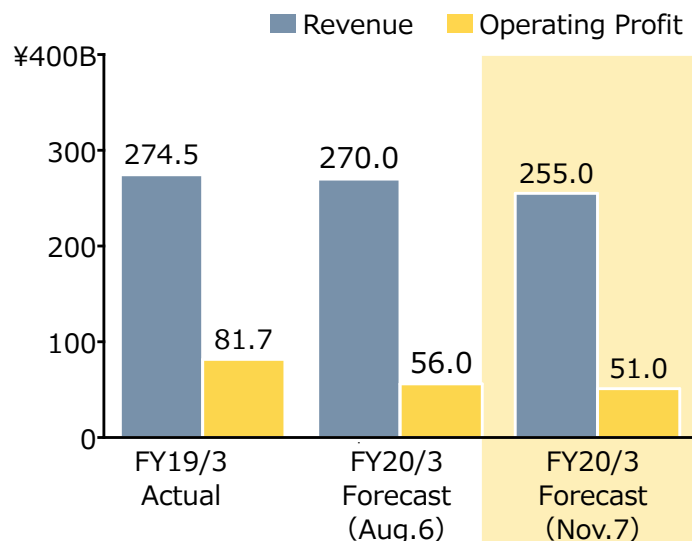
### Interchangeable Lens (units:1,000)

Market Scale	16,960	14,500	13,500
Nikon	3,170	2,600	2,500

### Compact DSC (units:1,000)

Market Scale	8,220	6,000	6,000
Nikon	1,600	1,000	900

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



- **Revenue: forecast revised down ¥15B, down ¥19.5B YoY**

- FPD: No change is made for high-priced G10.5 sales units. G8 (5 units) sign-off is postponed to the next FY due to customer reasons.
- Semiconductor: Customer CAPEX continues to be steady, but one ArF immersion system sales is postponed to the next FY because the supplier production facility was damaged by the typhoon.
- Market slowdown weakened the refurbished system demand. Sales volume forecast is revised only with minor impact on the revenue.

- **Operating Profit: forecast revised down ¥5B, down ¥30.7B YoY**

- OP for FY2019/3 was approx. ¥66.7B excluding the one-off gain from litigation settlement.
- OP is revised down ¥5B due to postponed sales of FPD and semiconductor lithography system.

## FPD Lithography Systems (units)

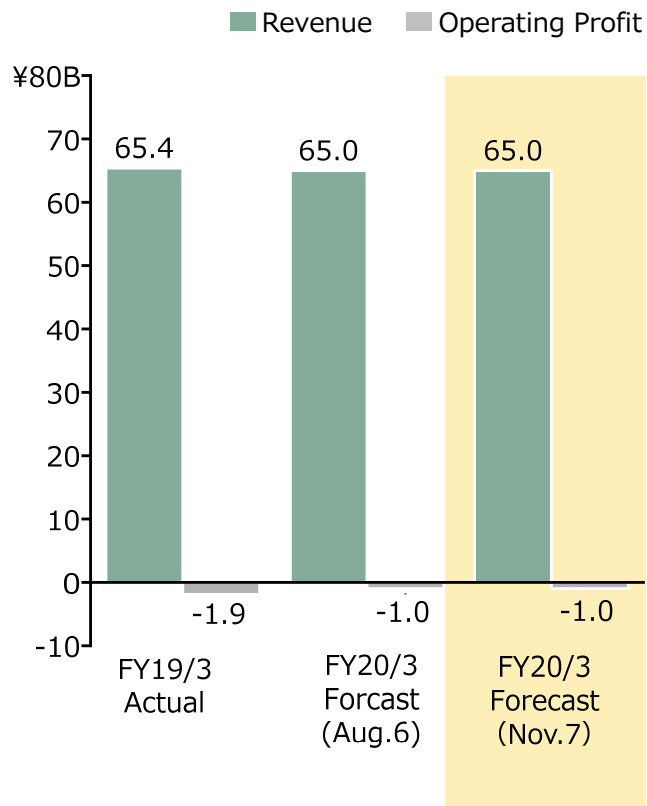
Market Scale (CY18/19)	142	100	90
Nikon	70	37	32

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

Market Scale (CY18/19)	300	250	250
Nikon	21/20	31/14	30/11



# Forecast for the Year ending March 31, 2020: Healthcare Business



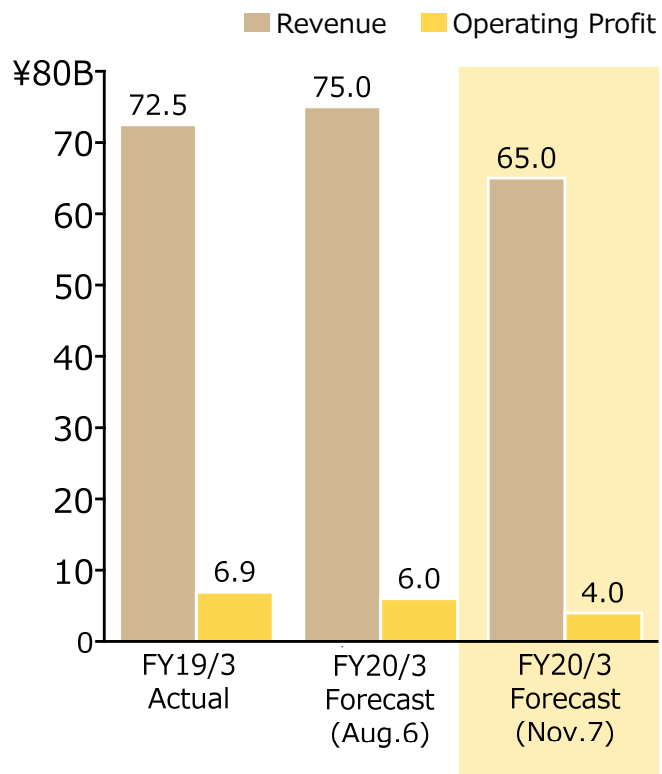
- **Revenue: forecast unchanged, down ¥0.4B YoY**

- Both biological microscope and retinal diagnostic imaging system are performing steadily as planned, yet almost flat revenue is expected due to the negative FX impact.

- **Operating Profit: forecast unchanged, up ¥0.9B YoY**

- Focused investment is conducted in the regenerative medicine and ophthalmological diagnosis fields to halve the negative profit, and generate profit in the next FY as planned.

# Forecast for the Year ending March 31, 2020: Industrial Metrology Business and Others



- **Revenue: forecast revised down ¥10B, down ¥7.5B YoY**

- Due to economical downturn, customers mainly in Asia including China postponed CAPEX: sales plan of relevant products is revised.
- Revised down from the previous year.
- Industrial metrology: Results are being demonstrated to expand the market share of X-ray inspection systems and non-contact 3D metrology systems.

- **Operating Profit: forecast revised down ¥2B, down ¥2.9B YoY**

- To minimize the revenue drop impact on OP, efforts are made to reduce costs and expenses.
- Investment for future growth in the component business, etc. will continue.

# Forecast for the Year ending March 31, 2020: Shareholder Return



## Annual Dividend

- **¥60 (¥30 interim)**: unchanged (same as the previous FY)

## Buy-back

- Buy-back amount: up to **¥30B**
- Number of shares: up to **36,000,000 shares** (equivalent to **9.2%** of the outstanding shares excluding Treasury Stock)
- Buy-back period: **November 8, 2019 to March 24, 2020**
- Holding policy: Newly acquired own shares will be all canceled by the end of this fiscal year (planned).

Note: ¥30B is equivalent to approximately 21.6M shares(equivalent to 5.5% of the outstanding shares) as of the end of October 2019.

