



Financial Results for the 2nd Quarter of the Year Ending March 31, 2014

Conference in Tokyo (Nov.7, 2013)

NIKON CORPORATION

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.

Agenda

- I . **Financial Results for the First Half
of the Year Ending March 31, 2014**
- II . Estimation for the Year Ending
March 31, 2014
- III . Reference Data

Financial Highlights for the First Half of the Year Ending March 31, 2014



◆ Net sales and operating income reduced ¥26.8 billion and ¥15.2 billion, respectively, compared from the first half of last fiscal year. Precision Equipment and Imaging companies both posted better-than-expected operating income, pushing up all Corporate incomes beyond the latest forecast.

- Precision Equipment Company

LCD Steppers & Scanners sales improved from the previous 1st half, but none of ArF immersion scanners were sold. As a result, sales and income dropped ¥600 million and ¥3.5 billion, respectively.

- Imaging Company

As the camera market shrunk due to sluggish business condition, the 1st half sales volume decreased in all product groups year on year. Thus, sales and income reduced ¥28.5 billion and ¥10.9 billion, respectively.

- Instruments Company

Bioscience business posted sales hike thanks to increased public spending in the 1st half. But, industrial instruments business lowered sales mainly because of reluctant investment in Japan and Asian countries. Company achieved year-on-year sales increase of ¥2.3 billion accompanied with slight expansion of deficit.

◆ Interim cash dividend: 10 yen

Financial Highlights for the First Half of the Year Ending March 31, 2014



Billions of yen	2012/9 (A)	Previous Forecast as of Aug. 8 (B)	2013/9 (C)	(C)-(A)	(C)-(B)
Net Sales	497.2	477.0	470.4	-26.8	-6.6
Operating Income % vs Net Sales	37.1 7.5%	14.5 3.0%	21.9 4.7%	-15.2	+7.4
Ordinary Income % vs Net Sales	39.5 7.9%	12.5 2.6%	20.0 4.3%	-19.5	+7.5
Net Income % vs Net Sales	32.0 6.4%	8.0 1.7%	13.6 2.9%	-18.4	+5.6
FCF	-0.6	-	39.1	+39.7	-
Exchange Rate US\$ EURO	79 _{yen}	97 _{yen}	99 _{yen}	Impact on Net Sales:	
	101 _{yen}	127 _{yen}	130 _{yen}	+ 70.6	+ 5.1
				Impact on Op. Income:	
				+ 15.3	+ 0.7

Although sales could not achieve the forecast, all incomes were better due to cost reduction efforts.

* Amounts in this statement are rounded down to the hundred million.

Financial Highlights for the 2nd Quarter of the Year Ending March 31, 2014



Billions of yen	2012/9 (A)	Previous Forecast as of Aug. 8 (B)	2013/9 (C)	(C)-(A)	(C)-(B)
Net Sales	237.8	238.1	231.5	-6.3	-6.6
Operating Income	13.8	8.5	15.9	+2.1	+7.4
% vs Net Sales	5.8%	3.6%	6.9%		
Ordinary Income	16.1	7.4	14.9	-1.2	+7.5
% vs Net Sales	6.8%	3.1%	6.4%		
Net Income	16.3	3.6	9.2	-7.1	+5.6
% vs Net Sales	6.9%	1.5%	4.0%		
Exchange Rate				Impact on Net Sales:	
US\$	79 _{yen}	95 _{yen}	99 _{yen}	+ 35.0	+ 5.1
EURO	98 _{yen}	125 _{yen}	131 _{yen}	Impact on Op. Income:	
				+ 6.9	+ 0.7

Precision Equipment Company posted higher sales and income from the previous Q2, but Imaging Company ended with reduced sales and income due to sluggish camera market. Even though company total sales lowered, operating income improved.

Precision Equipment Company: 1st Half



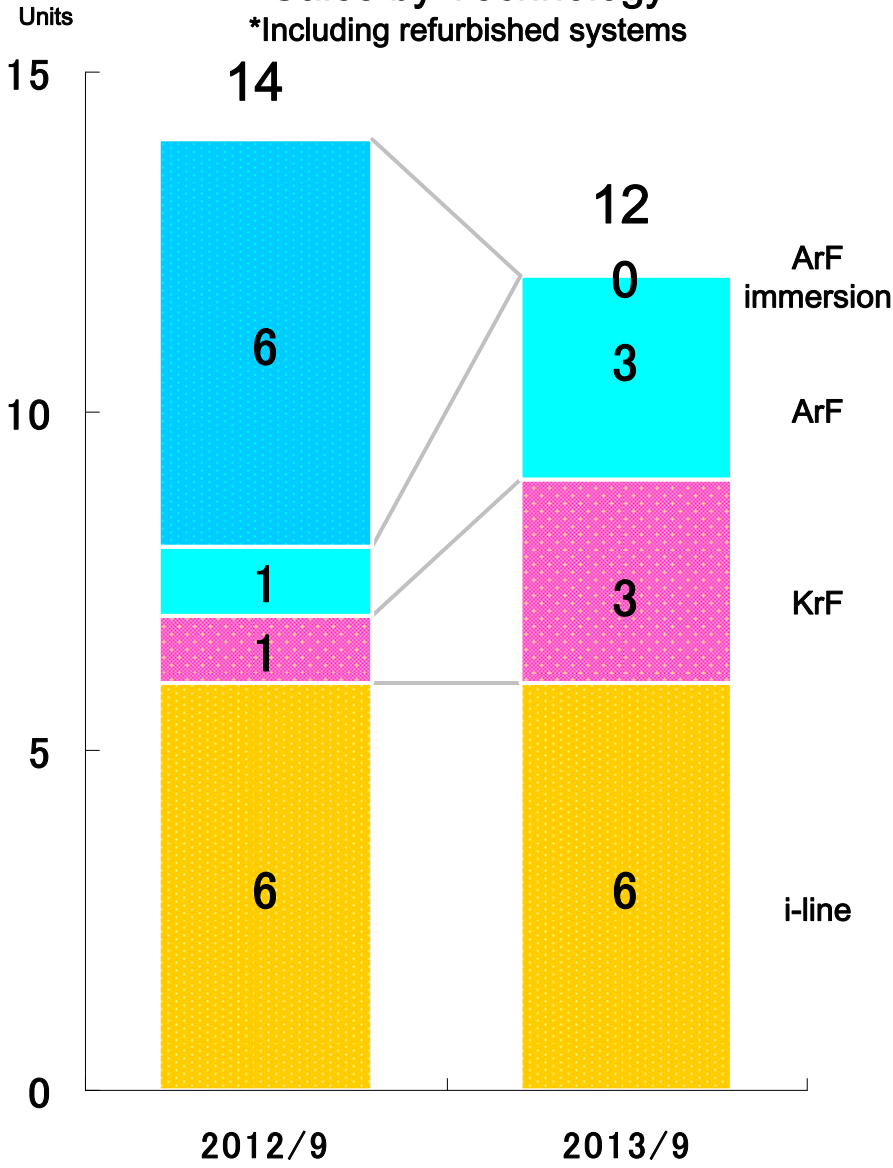
Billions of yen	2012/9 (A)	Previous Forecast as of Aug. 8 (B)	2013/9 (C)	(C)-(A)	(C)-(B)
Net Sales	80.4	80.0	79.8	-0.6	-0.2
Operating Income	7.2	0.0	3.7	-3.5	+3.7
% vs Net Sales	9.0%	- %	4.6%		
IC Steppers & Scanners New / Refurbished	9/5 units	10/7 units	10/2 units	+ 1/-3 units	±0/ -5 units
LCD Steppers & Scanners	25 units	33 units	35 units	+ 10 units	+ 2 units

In comparison with the latest forecast, more LCD Steppers and Scanners were sold, and costs were further reduced, contributing to higher operating income than expected.

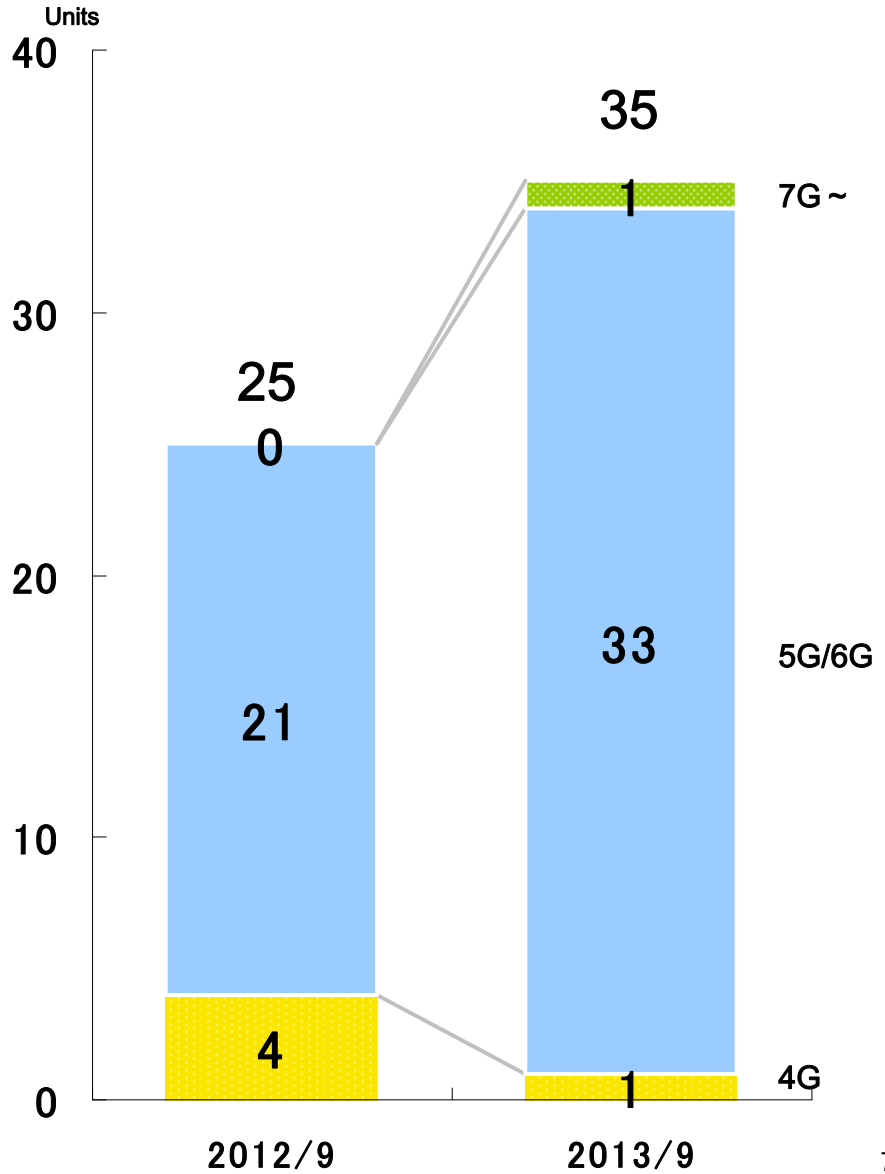
Precision Equipment Company: 1st Half



**IC Steppers & Scanners
Sales by Technology**
*Including refurbished systems



**LCD Steppers & Scanners
Sales by Generation**





Imaging Company: 1st Half

Billions of yen Cameras & Lenses (1,000 of units sold)	2012/9 (A)	Previous Forecast as of Aug. 8 (B)	2013/9 (C)	(C)-(A)	(C)-(B)
Net Sales	381.0	360.0	352.5	-28.5	-7.5
Operating Income % vs Net Sales	41.8 11.0%	28.5 7.9%	30.9 8.8%	-10.9	+2.4
Digital camera – Interchangeable Lens Type	3,450	3,000	2,980	-470	-20
Interchangeable Lenses	4,770	4,200	4,200	-570	±0
Compact DSC	8,260	5,600	5,800	-2,460	+200

Sales volume were lowered in all product groups, year on year, due to the market shrinkage. Because the entry class D-SLR prices were lower than the assumption, sales could not reach the forecast. But, by reducing advertising expense and others, operating income exceeded the forecast.

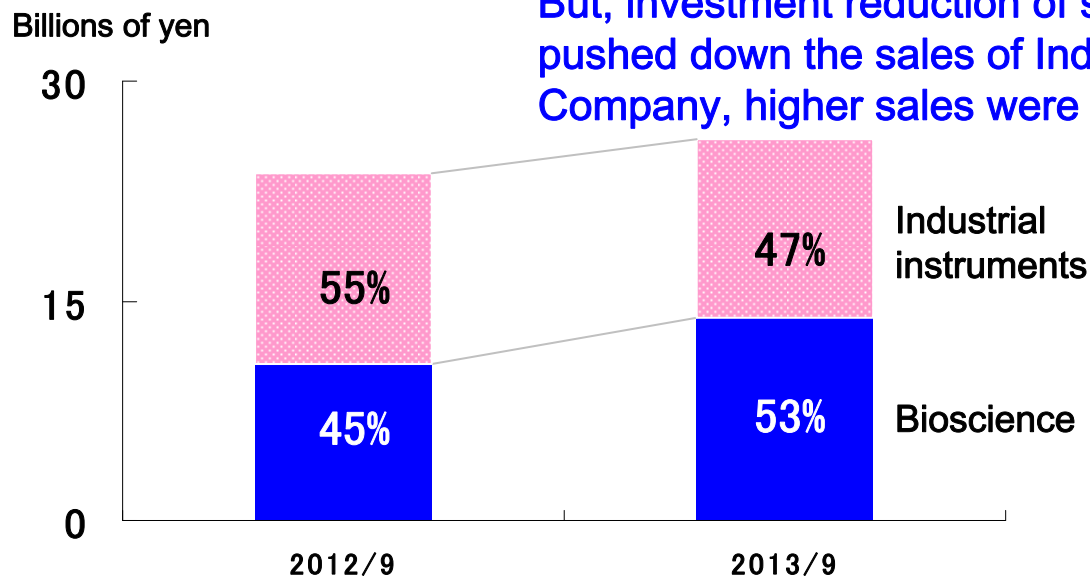
Instruments Company : 1st Half



Billions of yen	2012/9 (A)	Previous Forecast as of Aug. 8 (B)	2013/9 (C)	(C)-(A)	(C)-(B)
Net Sales	23.7	27.0	26.0	+2.3	-1.0
Operating Income % vs Net Sales	-2.9 - %	-2.5 - %	-3.4 - %	-0.5	-0.9

Bioscience business sales increased from the previous 1st half, buoyed by public spending increase in the US, etc.

But, investment reduction of semiconductors and electronics parts pushed down the sales of Industrial instruments business. As a Company, higher sales were achieved.

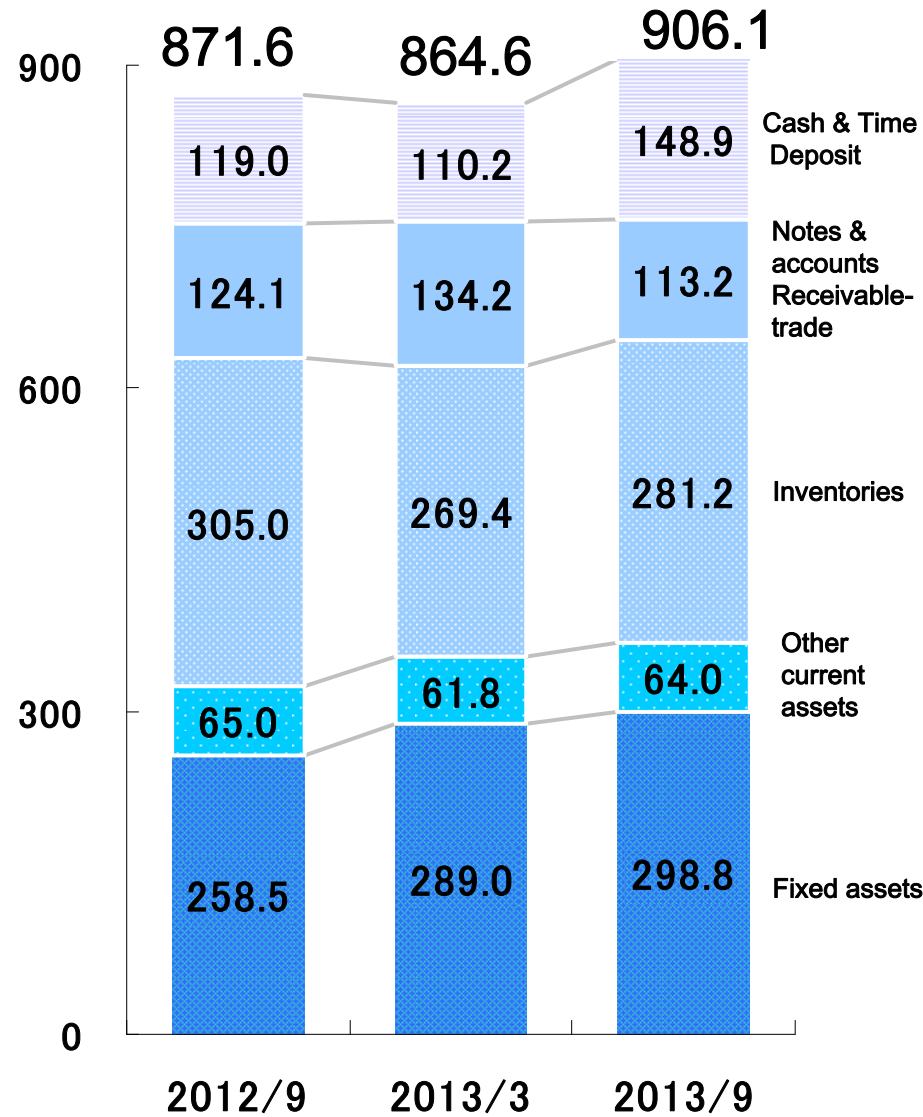


Balance Sheet : 1st Half

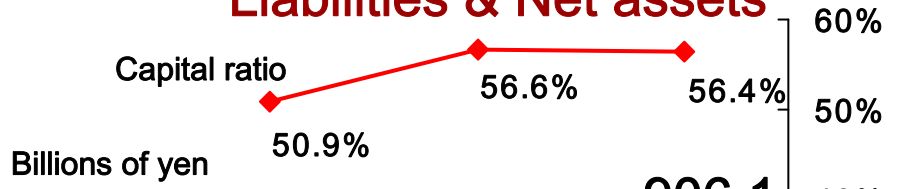


Assets

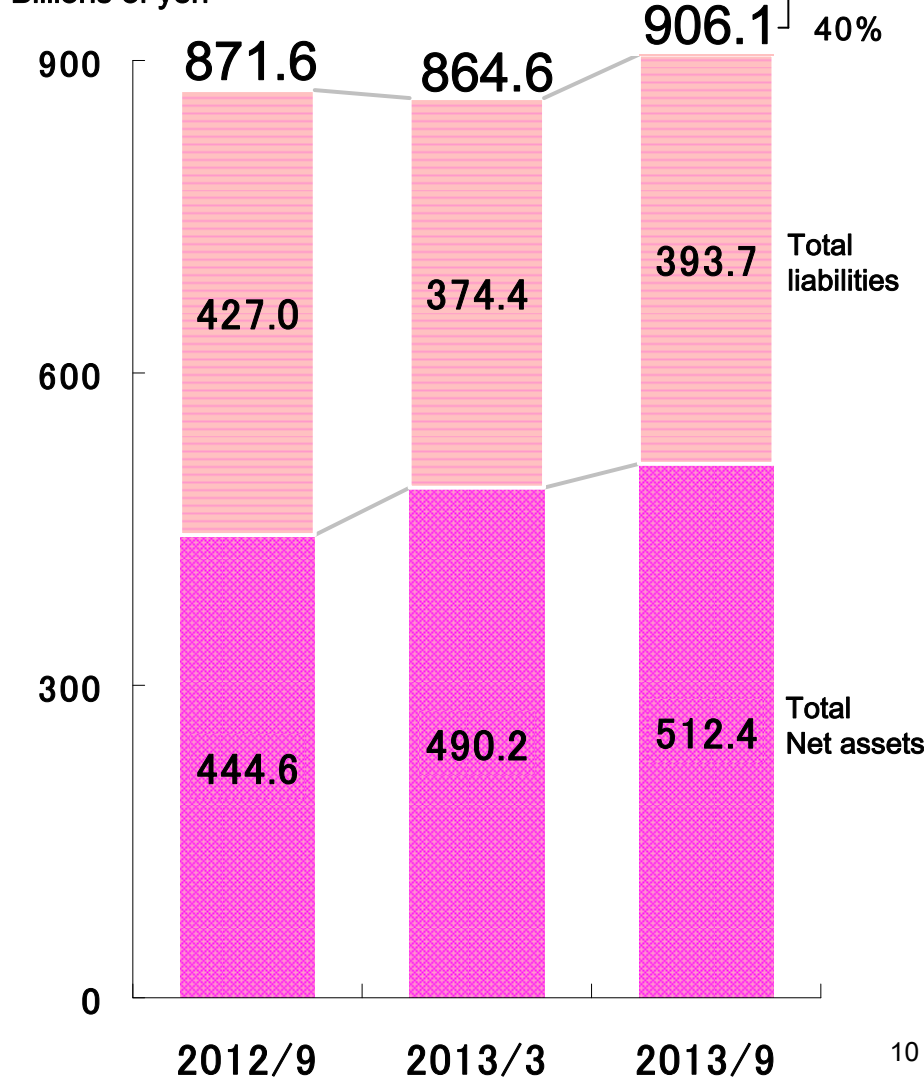
Billions of yen



Liabilities & Net assets



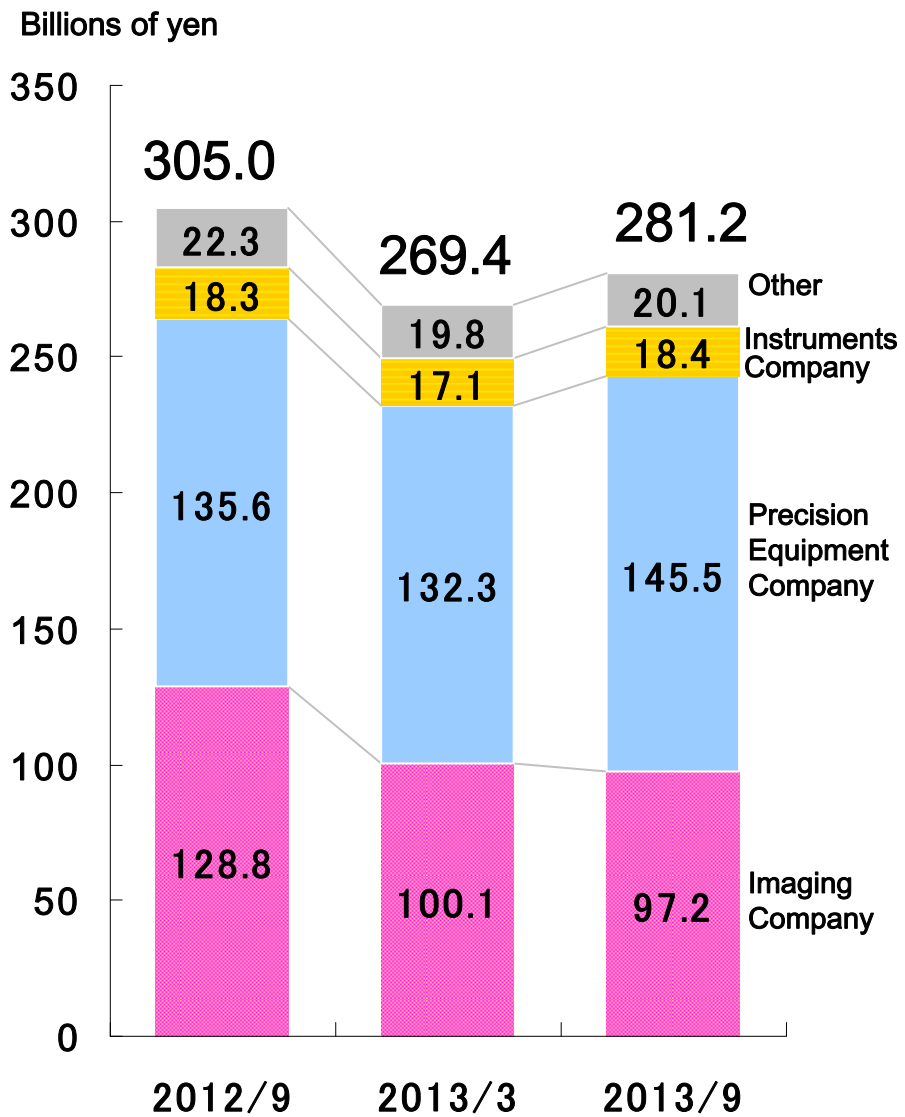
Billions of yen



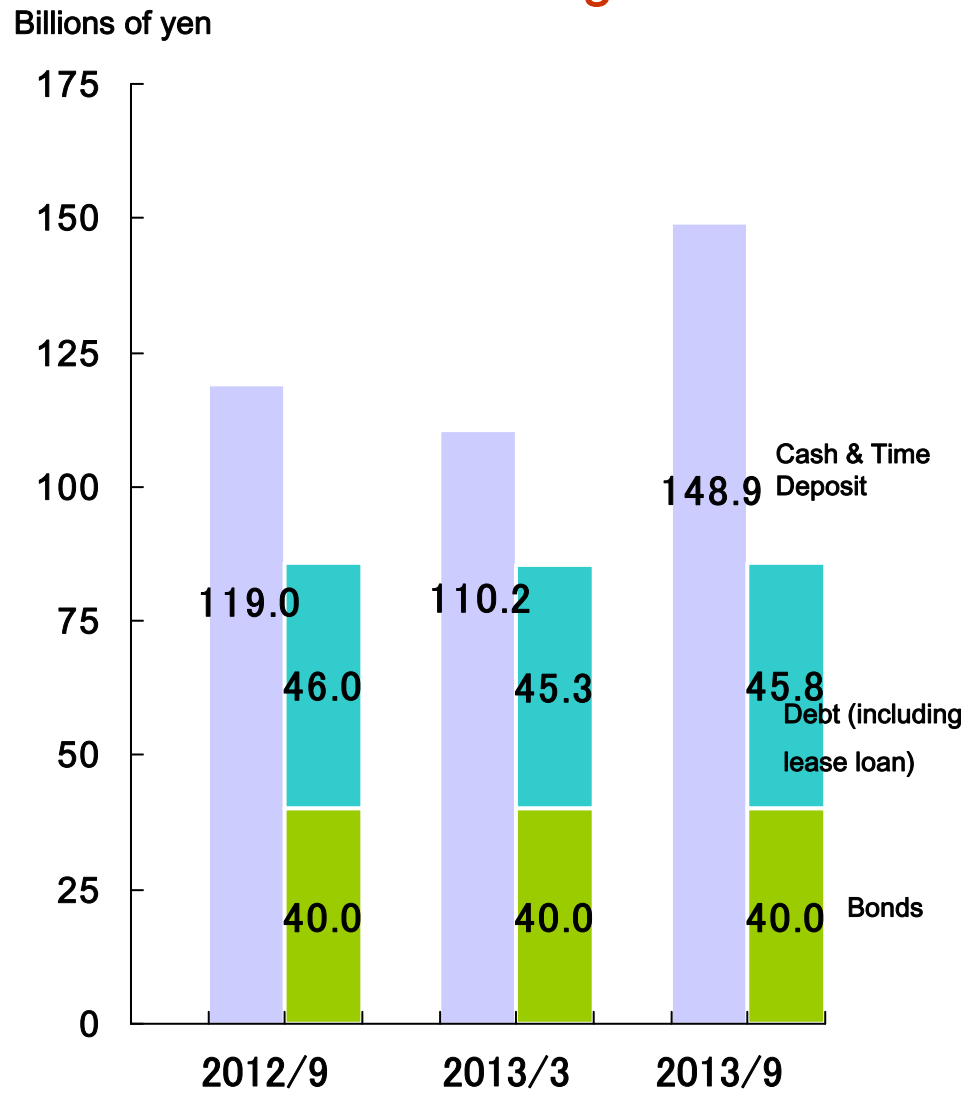
Balance Sheet : 1st Half



Inventories



Cash & Time Deposit and Interest-bearing Debt



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Summary of Estimation for the Year Ending March 31, 2014



- ◆ For Corporation level, the sales forecast for this year is downgraded by ¥25 billion, but all corporate incomes remain unchanged.

- Precision Equipment Company

As LCD Steppers & Scanners sales increment is expected while further effort is attempted to reduce expenses, both net sales and operating income forecasts are upgraded by ¥5 billion and ¥3 billion each.

- Imaging Company

After the estimated market size is revised due to lower-than-expected market condition, the forecasts for sales and operating income are lowered by ¥30 billion and ¥6 billion, respectively.

- Instruments Company

Failure to achieve the 1st half forecast is attributed to industrial instruments business. Although the 2nd half forecast remains unchanged, full-year sales forecast is slashed by ¥1 billion and operating income by ¥500 million.

- ◆ Estimated annual cash dividend per share: 32 yen (unchanged)

◆ Progress has been made on schedule toward cost reduction(*) of ¥20 billion for FY2014, expecting to meet the target.

- The scope of cost reduction includes procurement cost, advertising expense, logistics cost and so on.
- Efficiency improvement has also been promoted in production and R&D.

*: Imaging Company has reflected production cost reduction of ¥10 billion into its forecast since the disclosure in May 9th, 2013. Then, in August, Corporation added another reduction of ¥10 billion expenses to ensure ¥65 billion operating income as forecasted.

◆ Furthermore, the corporate-wide activity called “Minimum Cost Operation” is promoted to reform the company operation for growth in and after next fiscal year.

Performance Estimation for the Year Ending March 31, 2014



Billions of yen	13/3 Actual (A)	1H 2H	Previous est. (B) (Aug. 8)	1H 2H	New est. (C)	1H 2H	Change (C)-(A)	Change (C)-(B)	1H 2H
Net Sales	1010.4	<u>497.2</u> 513.2	1040.0	<u>477.0</u> 563.0	1015.0	<u>470.4</u> 544.6	+4.6	-25.0	<u>-6.6</u> -18.4
Operating Income	51.0	<u>37.1</u> 13.9	65.0	<u>14.5</u> 50.5	65.0	<u>21.9</u> 43.1	+14.0	±0.0	<u>+7.4</u> -7.4
% vs Net Sales	5.0%		6.3%		6.4%				
Ordinary Income	48.3	<u>39.5</u> 8.8	63.0	<u>12.5</u> 50.5	63.0	<u>20.0</u> 43.0	+14.7	±0.0	<u>+7.5</u> -7.5
% vs Net Sales	4.8%		6.1%		6.2%				
Net Income	42.4	<u>32.0</u> 10.4	50.0	<u>8.0</u> 42.0	50.0	<u>13.6</u> 36.4	+7.6	±0.0	<u>+5.6</u> -5.6
% vs Net Sales	4.2%		4.8%		4.9%				
FCF	-13.2		40.0		40.0		+53.2	±0.0	-
Exchange Rate	83yen	<u>79yen</u> 87yen	96yen		97yen	<u>99yen</u> 95yen			
US\$									
EURO	107yen	<u>101yen</u> 114yen	126yen		127yen	<u>130yen</u> 125yen			

As the camera market condition seems worse than the forecast, the company total sales is downgraded. But, income forecasts are unchanged because of improved forecast of Precision Equipment and corporate-wide cost reduction efforts.

Estimation for Precision Equipment Company



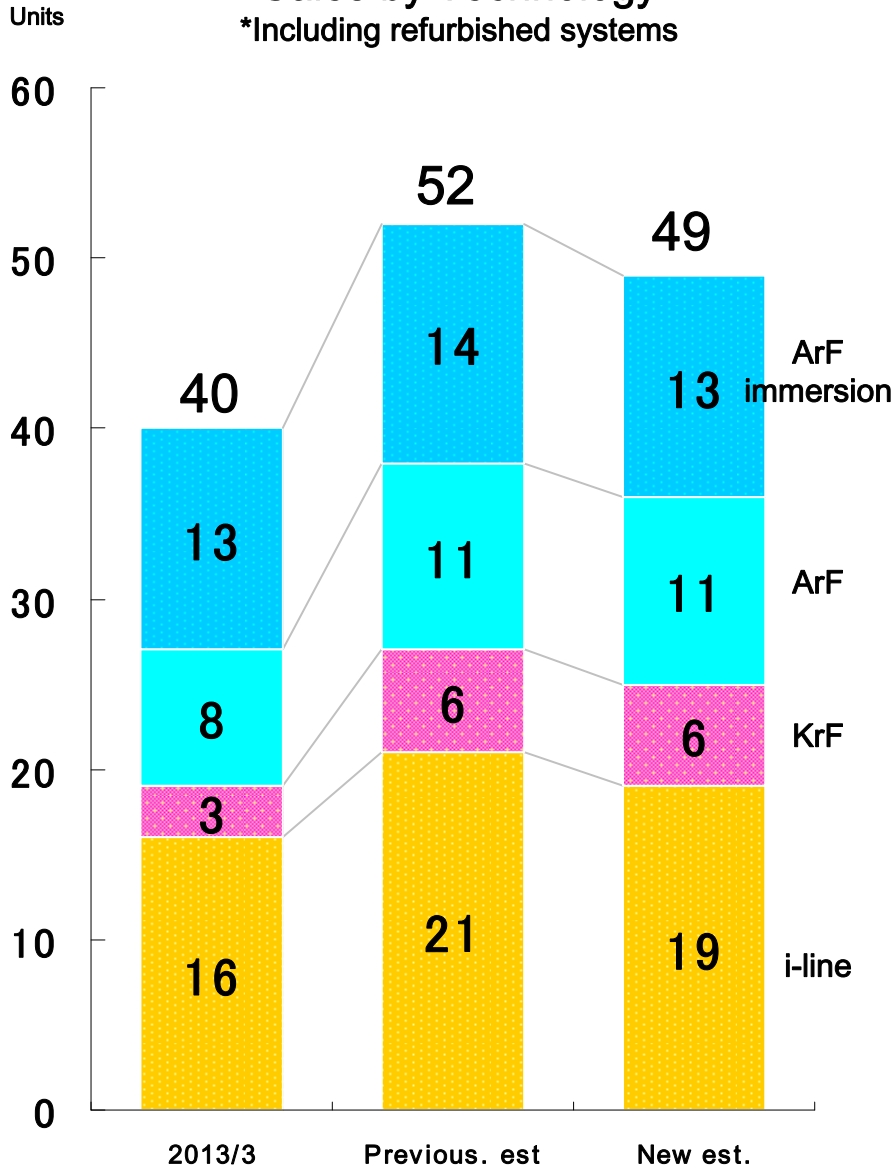
Billions of yen	13/3 Actual	<u>1H</u> <u>2H</u>	Previous est. (Aug. 8)	<u>1H</u> <u>2H</u>	New est.	<u>1H</u> <u>2H</u>
Net Sales	179.0	<u>80.4</u> 98.6	210.0	<u>80.0</u> 130.0	215.0	<u>79.8</u> 135.2
Operating Income % vs Net Sales	13.0 7.3%	<u>7.2</u> 5.8	16.0 7.6%	<u>0.0</u> 16.0	19.0 8.8%	<u>3.7</u> 15.3
IC Steppers & Scanners New / Refurbished	25/15 units	<u>9/5</u> 16/10	37/15 units	<u>10/7</u> 27/8	36/13 units	<u>10/2</u> 26/11
LCD Steppers & Scanners	43 units	<u>25</u> 18	50 units	<u>33</u> 17	55 units	<u>35</u> 20
IC Steppers & Scanners Market Scale CY12/13	222 units		Approx. 200 units		Approx. 200 units	
LCD Steppers & Scanners Market Scale CY12/13	66 units		Approx. 80 units		Approx. 80 units	

Sales of 1 new and 2 used machines are removed from IC Steppers & Scanners forecast, while LCD Steppers & Scanners add sales of 5 more units. Expense reduction activity will help to improve the operating income forecast by ¥3 billion.

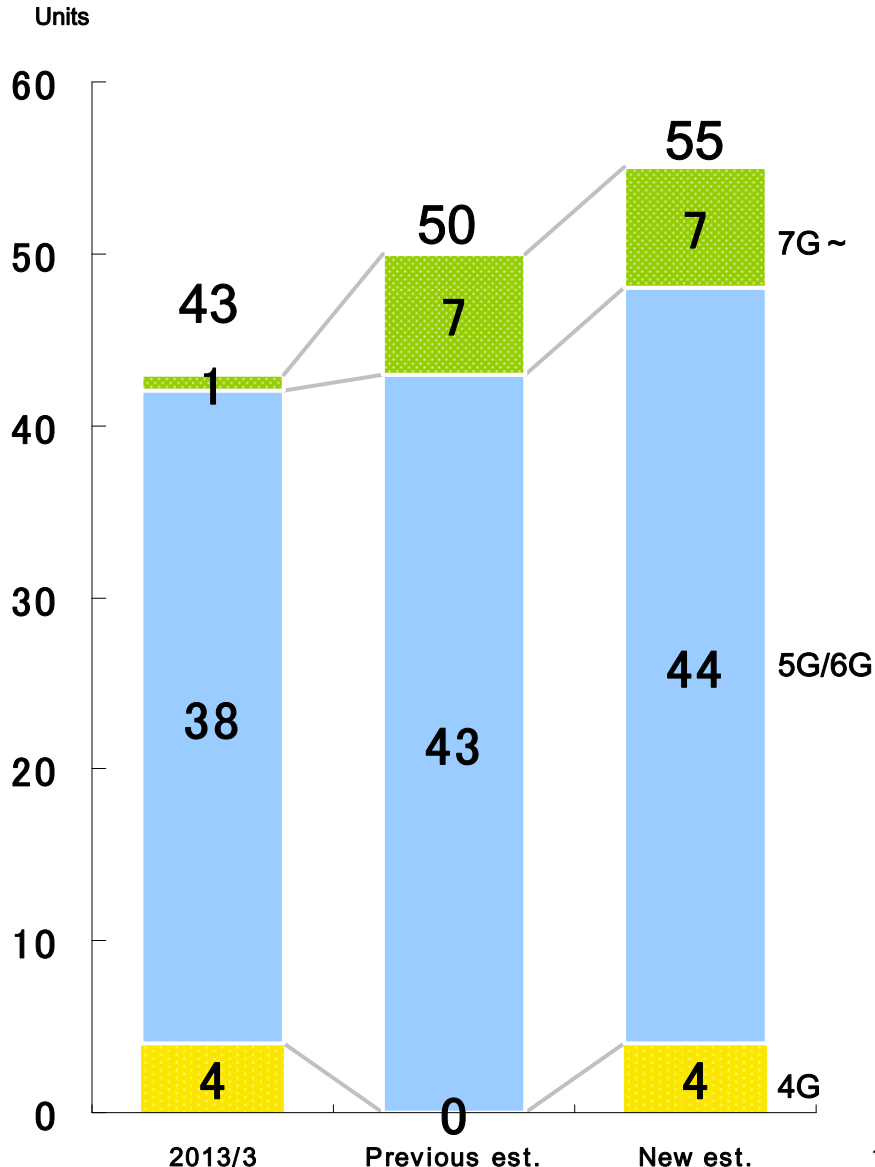
Estimation for Precision Equipment Company



IC Steppers & Scanners
Sales by Technology
*Including refurbished systems



LCD Steppers & Scanners
Sales by Generation



Estimation for Imaging Company



Billions of yen Cameras & Lenses (1,000 of units sold)	13/3 Actual	1H 2H	Previous est. (Aug. 8)	1H 2H	New est.	1H 2H
Net Sales	751.2	<u>381.0</u> 370.2	740.0	<u>360.0</u> 380.0	710.0	<u>352.5</u> 357.5
Operating Income % vs Net Sales	60.7 8.1%	<u>41.8</u> 18.9	74.0 10.0%	<u>28.5</u> 45.5	68.0 9.6%	<u>30.9</u> 37.1
Digital camera – Interchangeable Lens Type	6,980	<u>3,450</u> 3,530	6,550	<u>3,000</u> 3,550	6,200	<u>2,980</u> 3,220
Interchangeable Lens	9,710	<u>4,770</u> 4,940	9,050	<u>4,200</u> 4,850	8,600	<u>4,200</u> 4,400
Compact DSC	17,140	<u>8,260</u> 8,880	11,500	<u>5,600</u> 5,900	11,500	<u>5,800</u> 5,700
D-CIL Market Scale	19,230		19,500		18,700	
IL Market Scale	29,640		30,000		29,000	
C-DSC Market Scale	68,080		50,000		47,000	

As the markets mainly in Europe and Americas do not seem to maintain the forecasted level, sales volume forecast for 2nd half is downgraded. In full year forecast, sales are down by ¥30 billion and operating income by ¥6 billion.

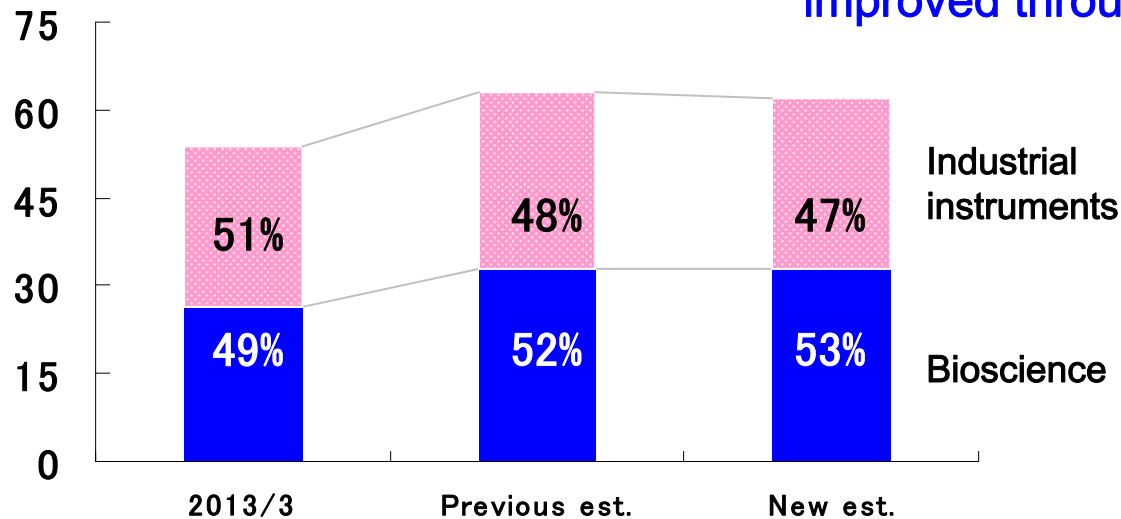


Estimation for Instruments Company

Billions of yen	13/3 Actual	1H 2H	Previous est. (Aug. 8)	1H 2H	New est.	1H 2H
Net Sales	53.8	$\frac{23.7}{30.1}$	63.0	$\frac{27.0}{36.0}$	62.0	$\frac{26.0}{36.0}$
Operating Income % vs Net Sales	-4.9 -	$\frac{-2.9}{-2.0}$ %	-1.5 -	$\frac{-2.5}{1.0}$ %	-2.0 -	$\frac{-3.4}{1.4}$ %

Sales forecast for 2nd half remains unchanged. But, operating income forecast is improved through expense reduction effort.

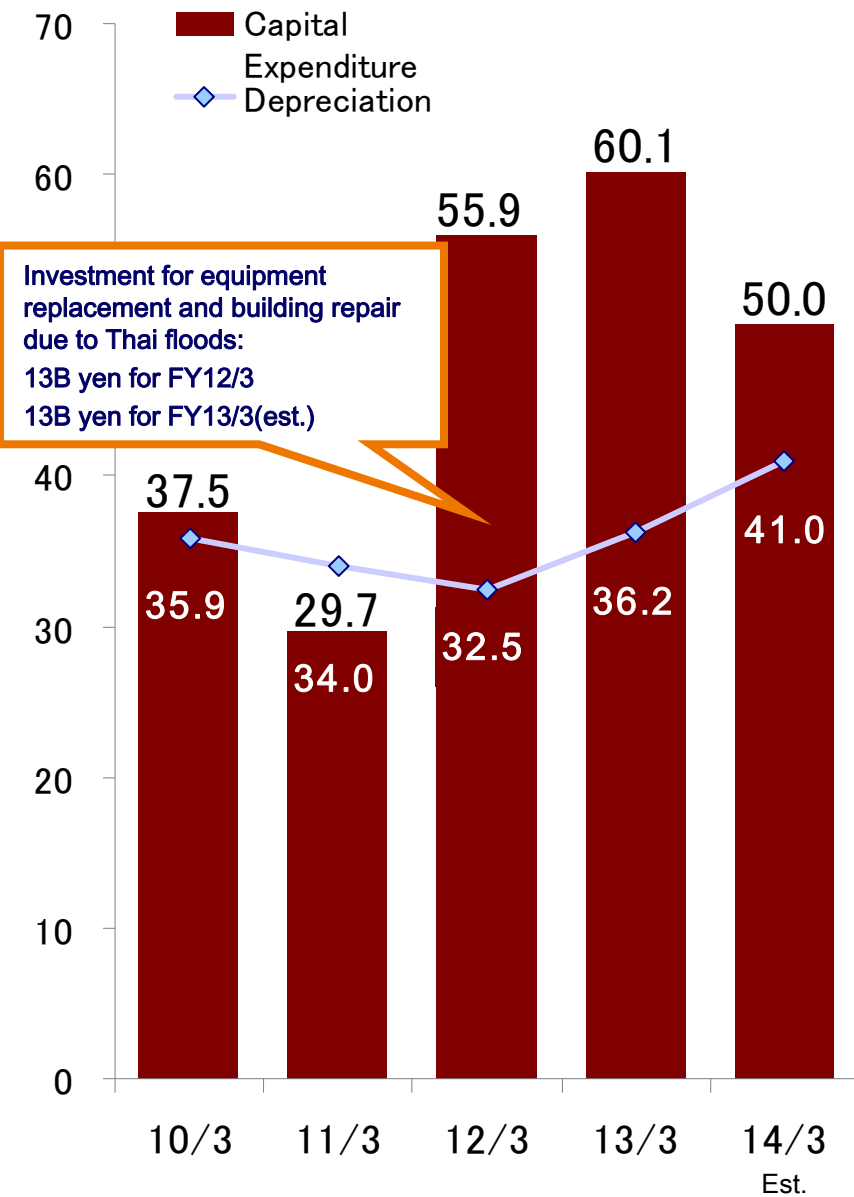
Billions of yen



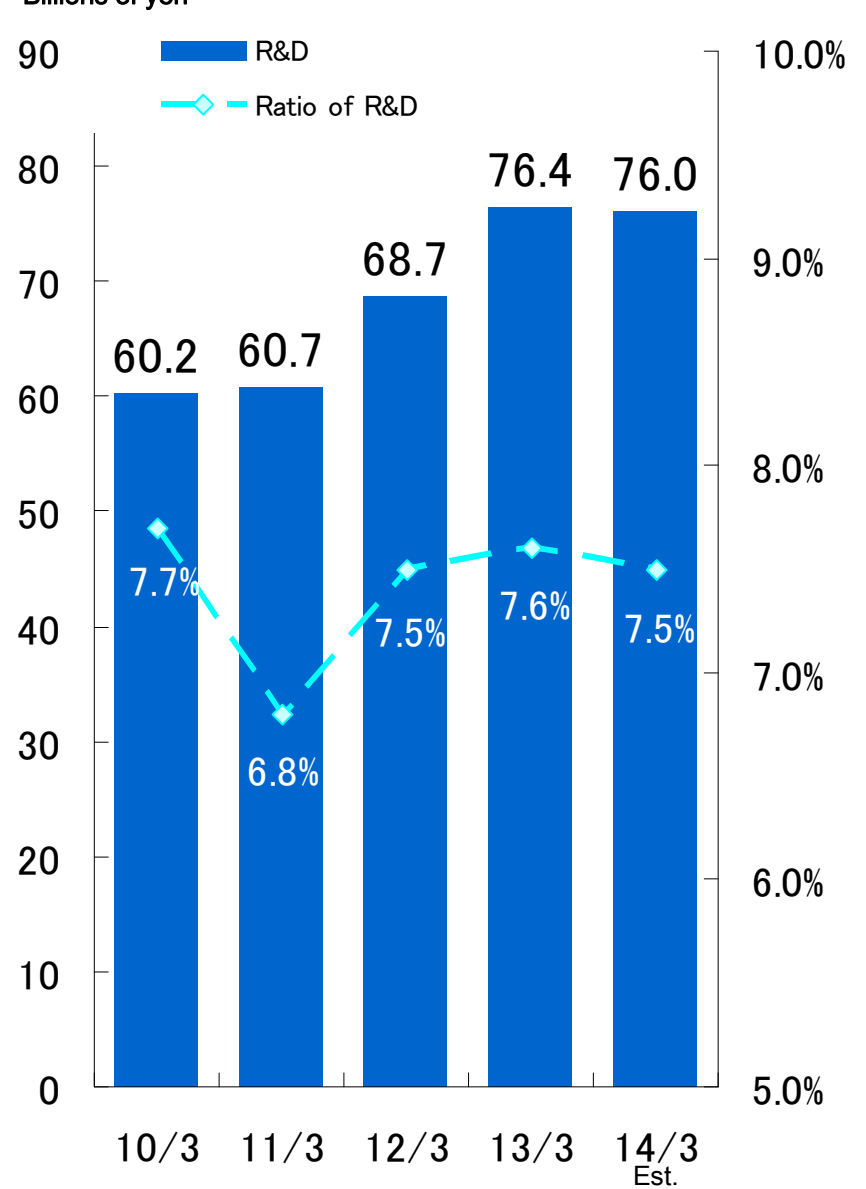
Estimation for Capital Expenditure, Depreciation and R&D



Billions of yen [Capital Expenditure & Depreciation]



Billions of yen [R&D]



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Exchange Rate

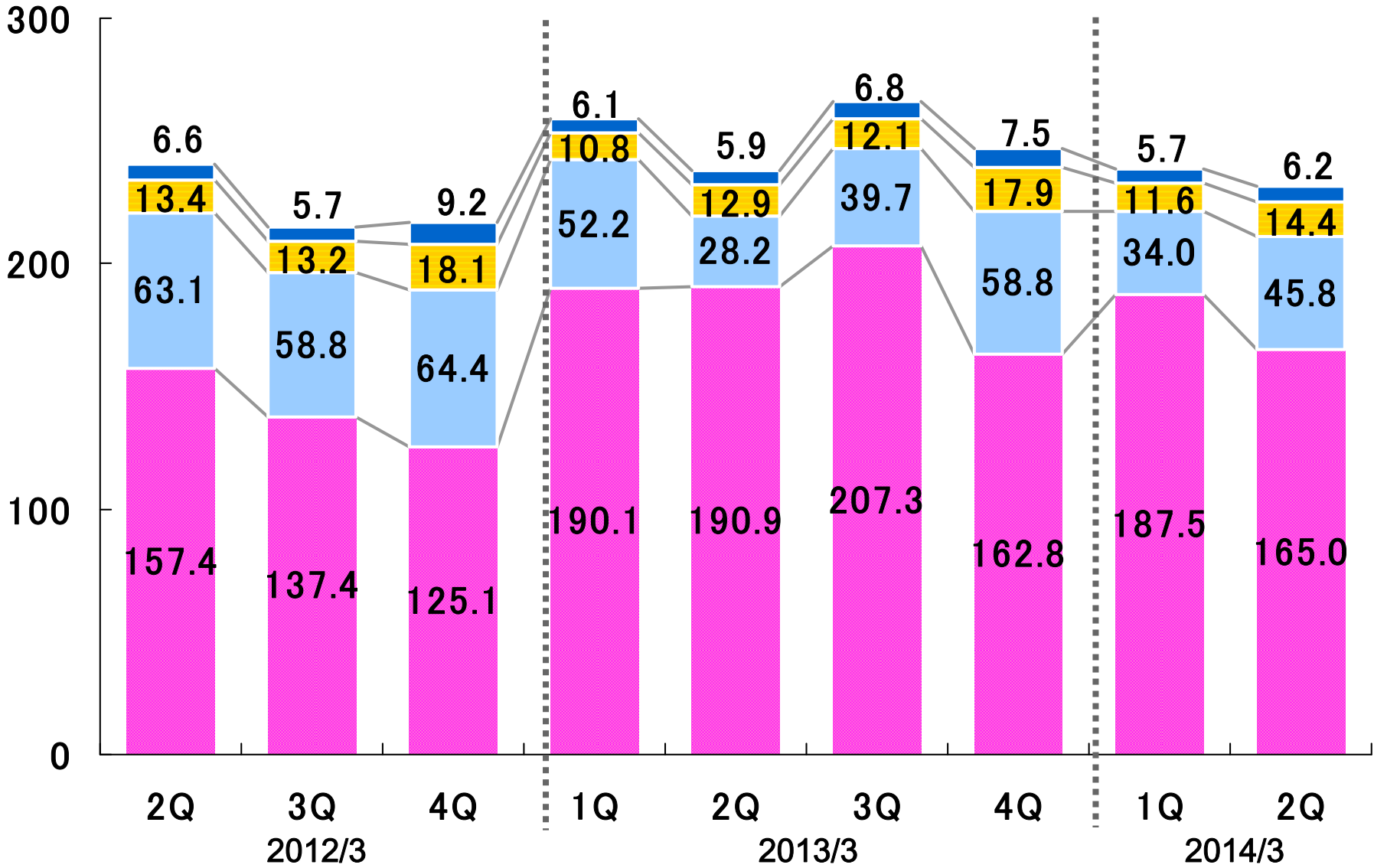
14/3 Estimation

	Exchange Rate	Financial Impact from Fluctuation by 1 yen	
	14/3 Forecast for 2H	Net Sales 2H	Operating Income 2H
US \$	95 yen	Approx. 2.6 billion yen	Approx. 0.2 billion yen
EURO	125 yen	Approx. 1.1 billion yen	Approx. 0.6 billion yen

Quarterly Net Sales by Segment



Billions of yen



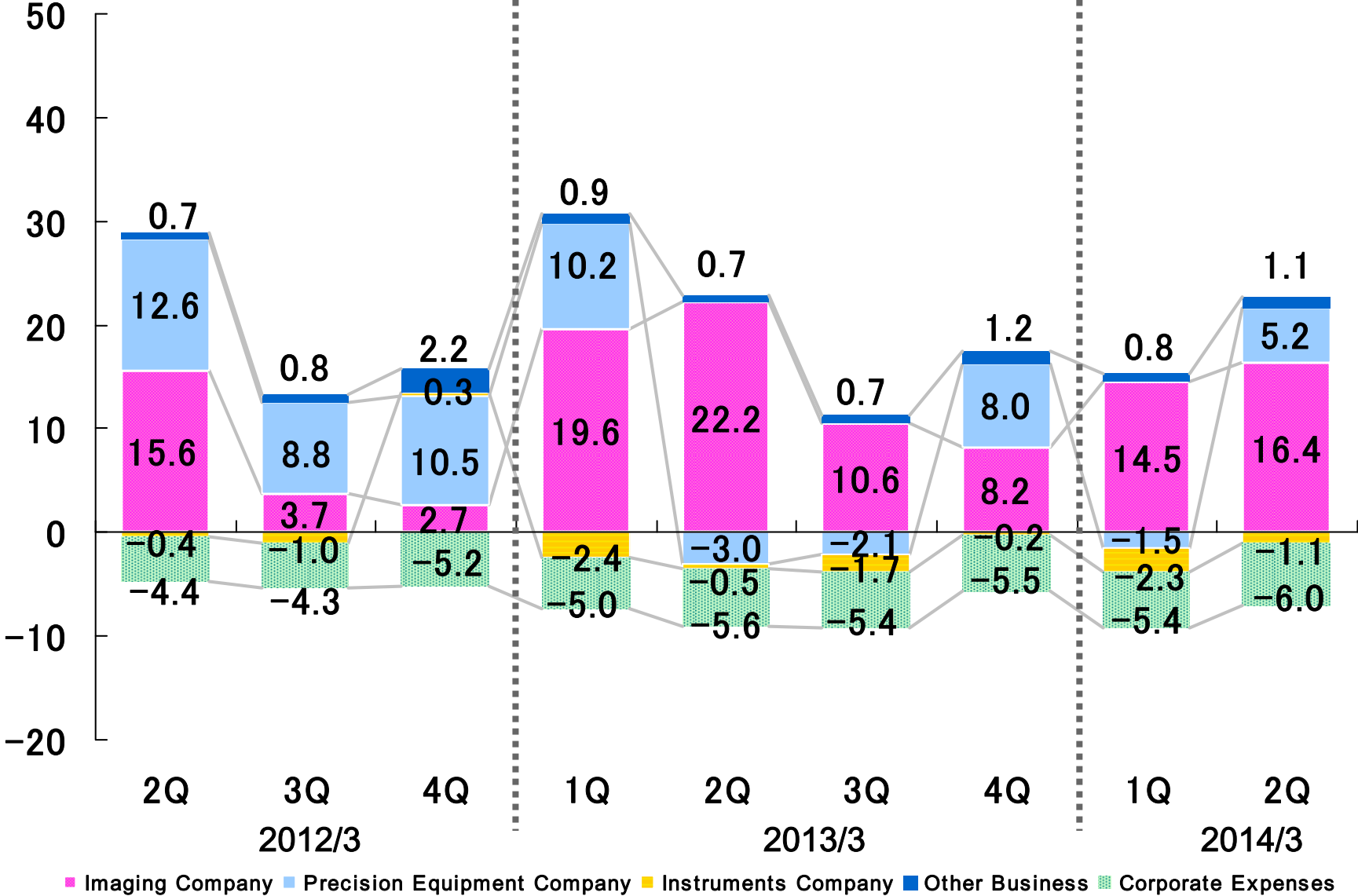
■ Imaging Company ■ Precision Equipment Company ■ Instruments Company ■ Other Business

* Amounts in this statement are rounded down to the hundred million: the sum of breakdown values may not match the total.

Quarterly Operating Income by Segment



Billions of yen



* Amounts in this statement are rounded down to the hundred million: the sum of breakdown values may not match the total.



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