

## Consolidated Financial Results of the First Half ended September 30, 2017 (IFRS)

### Corporate Name: NIKON CORPORATION

Securities code number: 7731

Stock exchange listings: Tokyo

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Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results to be held: Yes (for institutional investors and analysts)

(Amounts are rounded to the nearest millions of yen)

### 1. Consolidated Results of the First Half ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

#### (1) Consolidated Operating Results (Percentage represents comparison changes to the same period the previous year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Total Comprehensive Income for the Period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half ended September 30, 2017	328,450	(4.5)	23,017	(15.2)	21,456	(27.3)	13,945	(37.1)	26,340	—
First half ended September 30, 2016	343,812	—	27,148	—	29,502	—	22,164	—	(8,906)	—

	Basic Earnings per Share	Diluted Earnings per Share
	yen	yen
First half ended September 30, 2017	35.20	35.09
First half ended September 30, 2016	55.94	55.80

#### (2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent to Total Assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2017	1,061,924	562,983	562,297	53.0
As of March 31, 2017	1,018,351	538,150	537,524	52.8

### 2. Dividends

	Dividend per Share				
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	12.00	—	4.00	16.00
Year ending March 31, 2018	—	14.00	—	—	—
Year ending March 31, 2018 (Planned)	—	—	—	—	—

(Notes) Revision of cash dividend forecast from the latest announcement: None  
The year-end dividend forecast for the year ending March 31, 2018 is yet to be determined.

### 3. Consolidated Financial Forecasts for the Year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Percentage represents comparison changes to the same period the previous year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	710,000	(5.2)	45,000	—	45,000	—	30,000	656.3	75.72

(Note) Revision of forecast from the latest announcement: Yes

### 4. Others

(1) Changes in Significant Subsidiaries during the Current Fiscal Year: None

(Note) This refers to presence/absence of changes to specified subsidiaries accompanying changes in scope of consolidation in the period under review.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

1. Changes in accounting policies required by IFRS: None
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimate: None

(3) Number of shares issued (Common stock)

1. Number of shares issued as of the term end (Including treasury stocks):

First half ended September 30, 2017	400,878,921 shares
Year ended March 31, 2017	400,878,921 shares

2. Number of treasury stock as of the term end:

First half ended September 30, 2017	4,666,517 shares
Year ended March 31, 2017	4,675,654 shares

3. Average number of shares during the term (Quarterly total):

First half ended September 30, 2017	396,209,524 shares
First half ended September 30, 2016	396,193,025 shares

※This report is out of scope of the quarterly review procedure under Japanese Financial Instruments and Exchange Law.

※Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements included in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements.

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## 1. Performance and Financial Position

### (1) Qualitative Information regarding Consolidated Operating Results

During the first half ended September 30, 2017 (from April 1, 2017 to September 30, 2017), the economic situation in Japan saw a continued recovery trend as personal consumption and capital investment showed signs of recovery. The U.S. economy continued to expand based on firm personal consumption, while the European economy remained on a recovery track, and the Chinese economy revived.

Looking at performance by business segment, in the Imaging Products Business, the digital camera-interchangeable lens type market continued to shrink. On the other hand, the compact digital camera market showed signs of recovery as the parts supply shortage caused by last year's Kumamoto Earthquake had been resolved. In the Precision Equipment Business, capital investments were robust both in the FPD-related field and in the semiconductor-related field. In the Healthcare Business, while the bioscience field was sluggish due to factors including delays in a budget execution by the government, the retinal diagnostic imaging equipment market was robust in the ophthalmic diagnosis field.

The Nikon Group (the "Group") has positioned the fiscal year ending March 31, 2018, as "Phase 2" of the restructuring announced in November 2016, adopting three management policies: "Achieve break-even of the Semiconductor Lithography Business," "Strengthen the profit structure of the Imaging Products Business," and "Initiate the full-scale enhancement of management DNA." Based on these policies, the Group has strived to drastically revise its cost structures and implemented a new management process for business performance.

For the first half ended September 30, 2017, despite the reduction of fixed cost through the restructuring and yen depreciation, a decrease in unit sales of FPD lithography systems led to declines in: revenue by 15,363 million yen (4.5%) year on year to 328,450 million yen, operating profit by 4,132 million yen (15.2%) year on year to 23,017 million yen, profit before income taxes by 8,046 million yen (27.3%) year on year to 21,456 million yen, and profit attributable to owners of the parent by 8,220 million yen (37.1%) year on year to 13,945 million yen.

Performance by segment is as follows.

As stated in "3. Condensed Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements (Segment Information)," the categories of reportable segments were changed from the first half ended September 30, 2017. The following year-on-year comparisons are made with the figures prepared with new categories for the same period of the previous year.

#### 1) Imaging Products Business

For the digital camera-interchangeable lens type, robust sales were recorded for high-class cameras such as the D850, a digital SLR camera which optimizes the combination of high resolution and high-speed performance. Although unit sales of digital SLR cameras as a whole increased significantly in the U.S., total sales were down due to sluggish demands in the markets other than the U.S.

For compact digital cameras, sales expanded since the shortage of parts supply caused by Kumamoto Earthquake last year was relieved as well as high value-added products such as the high-performance outdoor model COOLPIX W300 were strong.

As a result, revenue for the Imaging Products Business decreased by 1.7% year on year to 175,217 million yen. Operating profit, however, was up by 4.1% year on year to 15,448 million yen due to the efforts to improve profitability and reduce costs through the restructuring.

#### 2) Precision Equipment Business

In the FPD lithography system field, although unit sales grew for the FX-86S2, which is capable for the production of high-definition large panels, revenue declined due to a decrease in unit sales of equipment for mid-to-small size panels.

In the semiconductor lithography system field, unit sales of the ArF immersion scanner increased. Based on the restructuring plan, the Group has been promoting measures such as the reduction of development costs, a shift to a production and sales structure with a focus on profitability as well as the optimization of the level of inventories. Consequently, profits improved significantly.

As a result, affected by lower unit sales of the FPD lithography systems, overall revenue for the Precision Equipment Business decreased by 15.0% year on year to 98,067 million yen and operating profit declined by 19.7% year on year to 20,173 million yen.

### 3) Healthcare Business

In the bioscience field, despite robust sales in Japan, sales were weak overseas due to factors such as delays in government budget execution and overall sales remained at the levels of the previous year.

In the ophthalmic diagnosis field, in addition to robust sales of the ultra-wide field retinal imaging device in North America, increases of sales in Japan and Asia led to a revenue growth.

As a result, revenue for the Healthcare Business increased by 5.0% year on year to 25,285 million yen, whereas operating loss of 2,179 million yen (operating loss of 692 million yen in the same period the previous year) was recorded primarily due to upfront investment in new businesses.

### 4) Industrial Metrology and Others

In the Industrial Metrology Business, revenue increased mainly for the CNC video measuring systems and X-ray inspection systems owing to a recovery in the U.S. and Asian markets.

In the Customized Products Business, revenue of optical components increased, while revenue of solid-state lasers declined.

In the Glass Business, revenue increased by focusing on the sales promotion of photomask substrates for FPD and optical materials.

As a result, revenue for the Industrial Metrology and Others increased by 14.8% year on year to 29,880 million yen, and operating profit increased by 23.3% year on year to 1,546 million yen.

## (2) Qualitative Information regarding Consolidated Financial Position

The balance of total assets as of September 30, 2017 increased 43,574 million yen from the end of the previous fiscal year to 1,061,924 million yen. This was mainly due to the increase of the following: cash and cash equivalents by 8,607 million yen, inventories by 26,522 million yen, and other non-current financial assets by 6,051 million yen, which resulted from the increase in fair value of investment securities.

The balance of total liabilities as of September 30, 2017 increased 18,740 million yen from the end of the previous fiscal year to 498,941 million yen. The increase was primarily driven by trade and other payables as well as advances received, which rose by 5,424 million yen and by 27,205 million yen, respectively, although other current liabilities declined by 16,685 million yen mainly due to the additional benefits paid for the voluntary retirements, which were recorded as accrued expenses at the end of the previous fiscal year.

The balance of total equity as of September 30, 2017 increased 24,833 million yen from the end of the previous fiscal year to 562,983 million yen. This was mainly because retained earnings increased by 10,554 million yen as a result of posting profit attributable to owners of the parent, and other components of equity rose by 14,113 million yen due to the increases in exchange differences on translation of foreign operations and fair value of investment securities.

During the first half ended September 30, 2017, for the cash flows from operating activities, although additional benefits for voluntary retirements related to the restructuring implemented in the previous year were paid, profit before income taxes of 21,456 million yen was posted, and the advances received increased by 27,053 million yen as the number of orders received for FPD Lithography system remained high. As a result, net cash of 24,484 million yen was provided in operating activities. (Net cash of 36,055 million yen was provided in the same period the previous year).

For the cash flows from investing activities, the net cash used in investing activities was 17,461 million yen primarily due to the acquisition of property, plant and equipment. (Net cash of 18,611 million yen was used in the same period the previous fiscal year).

For the cash flows from financing activities, due to the repayment of short-term borrowings and bonds as well as the payment of dividends, 3,707 million yen of net cash was used. (Net cash of 20,992 million yen was provided in the same period the previous fiscal year).

In addition, the effect of exchange rate change on cash and cash equivalents increased 5,292 million yen.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2017 increased 8,607 million yen from the end of the previous fiscal year to 327,653 million yen.

### (3) Qualitative Information regarding Consolidated Financial Forecasts

Regarding the consolidated financial forecast for the year ending March 31, 2018, although revenue is expected to increase, operating profit is projected to remain the same as the previous forecast, and profit attributable to owners of the parent for the period is predicted to fall below the previous forecast.

In regards to the revenue, comparing to the previous forecast, unit sales of digital cameras are expected to increase in the Imaging Products Business. While profit is forecasted to rise in the Imaging Products Business due to the revenue increase and enhanced cost control, in addition to the improvement of profitability in the Precision Equipment Business, the overall operating profit is projected to remain the same as the previous forecast, as restructuring expenses are expected to incur from the discontinuation of the manufacturing subsidiary of the Imaging Products Business. Additionally, the profit attributable to owners of the parent for the period is expected to decrease due to the increase in tax expenses from the cancellation of tax effect with regard to the restructuring of Imaging Products Business.

In light of the aforementioned situation, the consolidated financial forecast announced on August 3, 2017 has been revised.

#### Revised Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent	Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	700,000	45,000	47,000	34,000	85.81
Revised Forecast (B)	710,000	45,000	45,000	30,000	75.72
Difference (B-A)	10,000	-	(2,000)	(4,000)	
Change (%)	1.4	-	(4.3)	(11.8)	
(Reference) Fiscal Year ended March 31, 2017	749,273	774	3,068	3,967	10.01

(Notes) Foreign exchange rates for the forecasts from the third quarter of the fiscal year ending March 31, 2018, is based on the premise: 1 USD = 110 Yen, 1 EUR = 120 Yen.

2. Notes regarding Summary Information (Others)

(1) Changes in Significant Consolidated Subsidiaries  
Not applicable

(2) Changes in Accounting Policies and Changes in Accounting Estimates  
Not applicable



### 3. Condensed Consolidated Financial Statements

#### (1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017	Changes
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	319,046	327,653	8,607
Trade and other receivables	96,221	97,048	827
Inventories	220,400	246,922	26,522
Other current financial assets	9,163	8,416	(747)
Other current assets	14,183	15,522	1,340
Total current assets	659,013	695,562	36,549
Non-current assets			
Property, plant and equipment	121,827	125,076	3,249
Goodwill and intangible assets	67,752	66,975	(777)
Net defined benefit assets	5,489	5,459	(30)
Investments accounted for using the equity method	11,696	9,743	(1,953)
Other non-current financial assets	85,343	91,394	6,051
Deferred tax assets	62,883	63,506	623
Other non-current assets	4,349	4,209	(140)
Total non-current assets	359,338	366,362	7,025
Total assets	1,018,351	1,061,924	43,574

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017	Changes
<b>LIABILITIES/ EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	112,870	118,294	5,424
Bonds and borrowings	23,601	22,198	(1,402)
Income tax payables	3,567	7,766	4,200
Advances received	111,395	138,600	27,205
Provisions	6,926	7,388	462
Other current financial liabilities	31,213	31,090	(123)
Other current liabilities	52,347	35,662	(16,685)
Total current liabilities	341,918	360,998	19,080
Non-current liabilities			
Bonds and borrowings	114,477	114,623	147
Net defined benefit liabilities	8,624	8,552	(72)
Provisions	4,131	4,096	(35)
Deferred tax liabilities	5,193	5,199	5
Other non-current financial liabilities	2,991	2,733	(258)
Other non-current liabilities	2,868	2,741	(127)
Total non-current liabilities	138,283	137,944	(340)
Total liabilities	480,201	498,941	18,740
<b>EQUITY</b>			
Capital stock	65,476	65,476	—
Capital surplus	81,163	81,241	77
Treasury stock	(13,215)	(13,186)	29
Other components of equity	(25,381)	(11,269)	14,113
Retained earnings	429,481	440,035	10,554
Equity attributable to owners of the parent	537,524	562,297	24,773
Non-controlling interests	626	686	60
Total equity	538,150	562,983	24,833
Total liabilities and equity	1,018,351	1,061,924	43,574

(2) Condensed Consolidated Statements of Profit or Loss and Comprehensive Income  
Condensed Consolidated Statement of Profit or Loss

	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)		First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)		Changes  (Millions of yen)
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	
Revenue	343,812	100.0	328,450	100.0	(15,363)
Cost of sales	(198,136)	(57.6)	(189,180)	(57.6)	8,955
Gross profit	145,676	42.4	139,269	42.4	(6,407)
Selling, general and administrative expenses	(118,447)		(116,905)		1,542
Other income	2,017		1,675		(342)
Other expenses	(2,099)		(1,023)		1,076
Operating Profit	27,148	7.9	23,017	7.0	(4,132)
Finance income	3,009		2,862		(147)
Finance costs	(1,222)		(3,314)		(2,092)
Share of the profit (loss) of investments accounted for using the equity method	567		(1,109)		(1,676)
Profit before income taxes	29,502	8.6	21,456	6.5	(8,046)
Income tax expenses	(7,298)		(7,444)		(146)
Profit for the period	22,204	6.5	14,012	4.3	(8,192)
Attributable to:					
Owners of the parent	22,164	6.4	13,945	4.2	(8,220)
Non-controlling interests	40		67		27
Profit for the period	22,204	6.5	14,012	4.3	(8,192)
Earnings per share:					
Basic earnings per share (Yen)	55.94		35.20		
Diluted earnings per share (Yen)	55.80		35.09		

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Changes
Profit for the period	22,204	14,012	(8,192)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/ loss on financial assets measured at fair value through other comprehensive income	212	3,222	3,009
Share of other comprehensive income of investments accounted for using the equity method	(1)	2	4
Total of items that will not be reclassified subsequently to profit or loss	211	3,224	3,013
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(30,955)	9,577	40,532
Effective portion of the change in fair value on cash flow hedges	126	(365)	(491)
Share of other comprehensive income of investments accounted for using the equity method	(492)	(108)	384
Total of items that may be reclassified subsequently to profit or loss	(31,321)	9,104	40,425
Other comprehensive income, net of taxes	(31,110)	12,328	43,438
Total comprehensive income for the period	(8,906)	26,340	35,246
Attributable to:			
Owners of the parent	(8,884)	26,254	35,138
Non-controlling interests	(22)	86	108
Total comprehensive income for the period	(8,906)	26,340	35,246

## (3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Gain/ loss on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using the equity method
As of April 1, 2016	65,476	81,234	(13,255)	2,300	(218)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	212	(493)
Total comprehensive income for the period	—	—	—	212	(493)
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(1)	—	—
Share-based payments	—	196	12	—	—
Incorporation of new subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(63)	—
Total transactions with the owners	—	196	11	(63)	—
As of September 30, 2016	65,476	81,430	(13,244)	2,449	(712)

As of April 1, 2017	65,476	81,163	(13,215)	7,360	(557)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	3,222	(106)
Total comprehensive income for the period	—	—	—	3,222	(106)
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	—	(2)	—	—
Share-based payments	—	77	31	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,804	—
Total transactions with the owners	—	77	29	1,804	—
As of September 30, 2017	65,476	81,241	(13,186)	12,385	(663)

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of the change in fair value on cash flow hedges	Total				
As of April 1, 2016	(27,804)	201	(25,522)	428,622	536,555	523	537,078
Profit for the period	—	—	—	22,164	22,164	40	22,204
Other comprehensive income	(30,893)	126	(31,049)	—	(31,049)	(62)	(31,110)
Total comprehensive income for the period	(30,893)	126	(31,049)	22,164	(8,884)	(22)	(8,906)
Dividends	—	—	—	(3,968)	(3,968)	(45)	(4,012)
Acquisition and disposal of treasury stock	—	—	—	—	(1)	—	(1)
Share-based payments	—	—	—	10	219	—	219
Incorporation of new subsidiaries	—	—	—	—	—	16	16
Transfer from other components of equity to retained earnings	—	—	(63)	63	—	—	—
Total transactions with the owners	—	—	(63)	(3,895)	(3,750)	(29)	(3,779)
As of September 30, 2016	(58,697)	327	(56,633)	446,891	523,921	472	524,393

As of April 1, 2017	(32,022)	(162)	(25,381)	429,481	537,524	626	538,150
Profit for the period	—	—	—	13,945	13,945	67	14,012
Other comprehensive income	9,559	(365)	12,309	—	12,309	19	12,328
Total comprehensive income for the period	9,559	(365)	12,309	13,945	26,254	86	26,340
Dividends	—	—	—	(1,587)	(1,587)	(57)	(1,644)
Acquisition and disposal of treasury stock	—	—	—	—	(2)	—	(2)
Share-based payments	—	—	—	—	109	—	109
Changes in the ownership interest in subsidiaries	—	—	—	—	—	31	31
Transfer from other components of equity to retained earnings	—	—	1,804	(1,804)	—	—	—
Total transactions with the owners	—	—	1,804	(3,391)	(1,481)	(26)	(1,506)
As of September 30, 2017	(22,464)	(527)	(11,269)	440,035	562,297	686	562,983

## (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)	First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)
Cash flows from operating activities:		
Profit before income taxes	29,502	21,456
Depreciation and amortization	16,810	15,381
Impairment losses	—	218
Interest and dividend income	(1,689)	(1,970)
Share of the (profit) loss of investments accounted for using the equity method	(567)	1,109
Losses (gains) on sales of property, plant and equipment	(49)	(76)
Interest expenses	588	720
Decrease (increase) in trade and other receivables	12,531	1,847
Decrease (increase) in inventories	(15,904)	(23,056)
Increase (decrease) in trade and other payables	(7,279)	2,738
Increase (decrease) in advances received	891	27,053
Increase (decrease) in provisions	(1,876)	18
Increase (decrease) in net defined benefit assets and liabilities	(188)	(103)
Others, net	7,601	(1,592)
Subtotal	40,371	43,744
Interest and dividend income received	2,020	2,946
Interest paid	(555)	(680)
Additional benefits paid for the voluntary retirements	—	(16,648)
Income taxes (paid) refund	(5,782)	(4,879)
Net cash provided by operating activities	36,055	24,484
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,587)	(13,101)
Proceeds from sales of property, plant and equipment	133	137
Purchases of intangible assets	(4,562)	(3,681)
Purchases of investment securities	(4,341)	(2,599)
Proceeds from sales of investment securities	236	1,075
Transfer to term deposits	(2,914)	(2,750)
Proceeds from withdrawal of term deposits	3,625	3,231
Others, net	(202)	227
Net cash used in investing activities	(18,611)	(17,461)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	—	(1,400)
Proceeds from long-term borrowings	38,780	—
Repayment of long-term borrowings and bonds	(12,900)	(2)
Cash dividends paid	(3,970)	(1,599)
Cash dividends paid to non-controlling interests	(45)	(57)
Others, net	(873)	(649)
Net cash provided by (used in) financing activities	20,992	(3,707)
Effect of exchange rate changes on cash and cash equivalents	(17,977)	5,292
Net increase (decrease) in cash and cash equivalents	20,459	8,607
Cash and cash equivalents at the beginning of the period	251,210	319,046
Cash and cash equivalents at the end of the period	271,669	327,653

(5) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Segment Information)

(a) Outline of Reportable Business Segments

The business segments that the Group reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate the Group's business results.

In consideration of the similarity of economic characteristics, the Group integrated its business divisions into three reportable segments consisting of the Imaging Products Business, Precision Equipment Business, and Healthcare Business.

The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital SLR cameras, compact digital cameras and interchangeable camera lenses. The Precision Equipment Business provides products and services with regard to the Semiconductor Lithography System and FPD Lithography System. The Healthcare Business provides products and services for bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices.

(Regarding Revision of Reportable Business Segments)

Until the first quarter of the fiscal year ending March 31, 2018, the Group had four reportable segments: the Precision Equipment Business, the Imaging Products Business, the Instruments Business, and the Medical Business. However, from the first half ended September 30, 2017, the Group has abolished the Instruments Business and the Medical Business, and integrated its business divisions into three reportable segments consisting of the Imaging Products Business, the Precision Equipment Business, and the newly established Healthcare Business.

Since June 29, 2017, the Microscope Solutions Business Unit that was formerly included in the Instruments Business and the Medical Business Development Division has been integrated into the newly established Healthcare Business Unit in order to enable the Company to integrate and optimize organizations and functions rapidly. In addition, the Company will be able to create business synergy, and boost existing businesses as well as accelerate the creation and nurturing of new businesses in the healthcare, medical and biological fields, which are anticipated to grow in the future. In relation to this reorganization, the Healthcare Business has newly been established as a reportable business segment from the first half ended September 30, 2017.

In addition, the Industrial Metrology Business Unit formerly included in the Instruments Business has been included in the Industrial Metrology and Others, by taking into consideration its business scale against the Group.

The segment information for the first half ended September 30, 2016, has been prepared based on the revised business segments.



(b) Segment Information

Profit or loss of reportable segments is based on operating profit. The amounts of intersegment are based on current market prices.

Information on revenue and profit (loss) by reportable segment is as follows.

For the First Half ended September 30, 2016 (From April 1, 2016 to September 30, 2016) (Millions of yen)

	Imaging	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)
Revenue							
External customers	178,323	115,378	24,088	26,023	343,812	—	343,812
Intersegment	362	127	318	10,688	11,494	(11,494)	—
Total	178,685	115,505	24,406	36,711	355,306	(11,494)	343,812
Segment profit/(loss)	14,841	25,112	(692)	1,254	40,514	(13,366)	27,148
Finance income							3,009
Finance costs							(1,222)
Shares of the profit (loss) of investments accounted for using the equity method							567
Profit before income taxes							29,502

Notes: 1. The "Industrial Metrology and Others" category consists of operations not included in the reportable segments such as the Industrial Metrology Business, Glass Business, and Customized Products Business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus 6 million yen and corporate profit (loss) of minus 13,360 million yen. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated financial statements of profit or loss.

For the First Half ended September 30, 2017 (From April 1, 2017 to September 30, 2017) (Millions of yen)

	Imaging	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)
Revenue							
External customers	175,217	98,067	25,285	29,880	328,450	—	328,450
Intersegment	366	135	149	27,977	28,626	(28,626)	—
Total	175,583	98,202	25,434	57,857	357,075	(28,626)	328,450
Segment profit/(loss)	15,448	20,173	(2,179)	1,546	34,987	(11,970)	23,017
Financial income							2,862
Financial costs							(3,314)
Shares of the profit (loss) of investments accounted for using the equity method							(1,109)
Profit before income taxes							21,456

Notes: 1. The "Industrial Metrology and Others" category consists of operations not included in the reportable segments such as the Industrial Metrology Business, Glass Business, and Customized Products Business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 762 million yen and corporate profit (loss) of minus 12,733 million yen. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated financial statements of profit or loss.

(Significant Subsequent Event)

The Company has decided to discontinue the operations of consolidated subsidiary Nikon Imaging (China) Co., Ltd. (hereinafter referred to as "NIC"), at the Board of Directors' Meeting held on October 30, 2017.

NIC was established in June, 2002 in Wuxi City, Jiangsu Province, China, and manufactured digital cameras and lens units for digital cameras. In recent years, however, due to the rise of smartphones, the compact digital camera market has been shrinking rapidly, leading to a significant decrease in operating rate at NIC and creating a difficult business environment. In this context, the Company conducted rounds of thorough reviews and discussions on the global manufacturing structure optimization measures stated in the company-wide restructuring plan announced by the Company in November 2016. The Company has decided to discontinue operations of NIC.

The expenses related to the discontinued operations of NIC in this fiscal year are expected to be approximately 7 billion yen (including tax expenses) on current estimate.