



November 8, 2018

## Consolidated Financial Results of the First Half Ended September 30, 2018 (IFRS)

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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, 2018 (From April 1, 2018 to September 30, 2018)

#### (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, 2018	335,748	2.2	30,641	33.1	33,890	58.0	22,822	63.7	32,922	25.0
First half ended September 30, 2017	328,450	(4.5)	23,017	(15.2)	21,456	(27.3)	13,945	(37.1)	26,340	—

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
First half ended September 30, 2018	57.60	57.41
First half ended September 30, 2017	35.20	35.09

#### (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, 2018	1,157,099	597,861	597,145	51.6
As of March 31, 2018	1,098,343	573,541	572,908	52.2

### 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, 2018	—	14.00	—	22.00	36.00
Year ending March 31, 2019	—	30.00			
Year ending March 31, 2019 (Planned)			—	30.00	60.00

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

3. Consolidated Financial Forecasts for the Year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)  
(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	740,000	3.2	74,000	31.6	76,000	35.1	53,000	52.4	133.76

(Note) Revision of forecast from the latest announcement: None

4. Others

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

(Note) This refers to the presence or absence of specified subsidiaries, which accompany 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: Yes
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimates: None

(Note) For details, please refer to page 15, "2. Condensed Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements, Changes in Accounting Policies."

(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, 2018	400,878,921 shares
Year ended March 31, 2018	400,878,921 shares

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

First half ended September 30, 2018	4,648,784 shares
Year ended March 31, 2018	4,655,476 shares

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

First half ended September 30, 2018	396,225,345 shares
First half ended September 30, 2017	396,209,524 shares

※This report is out of scope of the quarterly review procedure by certified public accountants or auditing firms.

※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.

## Contents

<b>1. Performance and Financial Position</b> .....	<b>4</b>
<b>(1) Qualitative Information regarding Consolidated Operating Results</b> .....	<b>4</b>
<b>(2) Qualitative Information regarding Consolidated Financial Position</b> .....	<b>6</b>
<b>(3) Qualitative Information regarding Consolidated Financial Forecasts</b> .....	<b>7</b>
<b>(4) Business and Other Risks</b> .....	<b>7</b>
<b>2. Condensed Consolidated Financial Statements</b> .....	<b>8</b>
<b>(1) Condensed Consolidated Statement of Financial Position</b> .....	<b>8</b>
<b>(2) Condensed Consolidated Statements of Profit or Loss and Comprehensive Income</b> .....	<b>10</b>
<b>(3) Condensed Consolidated Statement of Changes in Equity</b> .....	<b>12</b>
<b>(4) Condensed Consolidated Statement of Cash Flows</b> .....	<b>14</b>
<b>(5) Notes to Condensed Consolidated Financial Statements</b> .....	<b>15</b>
<b>(Note regarding Going Concern Assumption)</b> .....	<b>15</b>
<b>(Changes in Accounting Policies)</b> .....	<b>15</b>
<b>(Segment Information)</b> .....	<b>16</b>
<b>(Contingent Liabilities)</b> .....	<b>18</b>

## 1. Performance and Financial Position

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

During the first half ended September 30, 2018 (from April 1, 2018 to September 30, 2018), the economic situation in Japan saw a continued gradual recovery trend supported by an improvement in personal consumption and an increase in capital investment. The U.S. economy continued to expand due to an increase in personal consumption, and the European economy was also on a recovery track. The Chinese economy showed signs of a slowdown against the backdrop of trade friction between the U.S. and China.

Looking at market conditions by business segment, in the Imaging Products Business, the digital camera-interchangeable lens type market and the compact digital camera market continued to shrink. 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, the market conditions of the bioscience field recovered primarily overseas, and in the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market continued to perform robustly.

During the fiscal year ending March 31, 2019, which is the final year of the restructuring announced in November 2016, the Nikon Group (the "Group") continued its efforts to enhance management DNA in order to achieve the sustainable creation of corporate value. Specifically, the Group promoted the establishment and steady operation of frameworks aimed to entrench portfolio-based management, while striving to deploy business operations based on management indicators that emphasize capital efficiency within the company. The Group also pursued enhancement of corporate governance to build a more transparent and disciplined structure.

Under these circumstances, during the first half ended September 30, 2018, increases were seen in: revenue by 7,298 million yen (2.2%) year on year to 335,748 million yen, operating profit by 7,624 million yen (33.1%) year on year to 30,641 million yen, profit before income taxes by 12,434 million yen (58.0%) year on year to 33,890 million yen, and profit attributable to owners of the parent by 8,877 million yen (63.7%) year on year to 22,822 million yen.

From the three months ended June 30, 2018, the Group has adopted IFRS 15 "Revenue from Contracts with Customers." For details of the changes in accounting policies, please see "2. Condensed Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements, Changes in Accounting Policies."

Performance by segment is as follows.

#### 1) Imaging Products Business

For the digital camera interchangeable-lens type, although there was an overall fall in unit sales, sales of the D850, a digital SLR camera, were strong. In addition, in September 2018, the Group launched the Z 7, a full-frame mirrorless camera featuring a new larger-diameter mount, and the D3500, a lightweight and compact entry-level digital SLR camera, which were both well received.

For the compact digital cameras, sales of high value-added products such as the COOLPIX P1000 equipped with a 125x optical zoom lens were solid, but overall unit sales declined amidst the shrinking market.

As a result, revenue for the Imaging Products Business decreased by 13.8% year on year to 150,954 million yen, and operating profit fell by 14.2% year on year to 13,249 million yen.

#### 2) Precision Equipment Business

In the FPD lithography system field, although unit sales of equipment for mid-to-small size panels decreased, revenue and profits rose significantly due to the increase in unit sales of equipment for large panels, including the FX-103S that supports the Gen 10.5 plate size and the FX-86S2 that supports the Gen 8 plate size.

In the semiconductor lithography system field, profits decreased due to lower unit sales of ArF immersion scanners, but the restructuring aimed at establishing a profitable structure has been progressing as planned.

As a result, revenue for the Precision Equipment Business increased by 24.1% year on year to 121,674 million yen, and operating profit rose by 47.9% year on year to 29,843 million yen.

### 3) Healthcare Business

The bioscience field saw growth in revenue due to an increase in sales of biological microscopes as market conditions improved mainly overseas.

Revenue also increased in the ophthalmic diagnosis field due to the expansion of sales of ultra-wide field retinal imaging devices, mainly overseas.

As a result, revenue for the Healthcare Business increased by 16.3% year on year to 29,403 million yen. However, an operating loss of 2,374 million yen was recorded (operating loss of 2,179 million yen in the same period the previous year) due to factors such as the strengthening of strategic investment in the ophthalmic diagnosis field and the regenerative medicine-related field.

In this business segment, the Company acquired Chuo Sangio Co., which engages in sales, after-sales care and maintenance services of ophthalmic equipment. On October 1, 2018, the Company merged Chuo Sangio Co. with Optos KK, a subsidiary of the Company, to establish Nikon Healthcare Japan Inc., and began its operations.

### 4) Industrial Metrology and Others

In the Industrial Metrology Business, revenue and profits increased due to steady sales of the CNC video measuring systems, etc., and improvement in profitability resulting from restructuring.

In the Customized Products Business, revenue of solid-state lasers and customized equipment increased.

In the Glass Business, revenue increased by continuously 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 12.8% year on year to 33,717 million yen, and operating profit rose by 80.6% year on year to 2,791 million yen.

## (2) Qualitative Information regarding Consolidated Financial Position

The balance of total assets as of September 30, 2018 increased 58,756 million yen from the end of the previous fiscal year to 1,157,099 million yen. This was mainly due to the increase of cash and cash equivalents by 26,732 million yen and inventories by 26,767 million yen.

The balance of total liabilities as of September 30, 2018 increased 34,436 million yen from the end of the previous fiscal year to 559,238 million yen. This was mainly because advances received had risen by 29,947 million yen.

The balance of total equity as of September 30, 2018 increased 24,321 million yen from the end of the previous fiscal year to 597,861 million yen. This was mainly because retained earnings had increased 14,187 million yen as a result of posting profit attributable to owners of the parent despite dividends paid, and other components of equity had risen by 9,950 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, 2018, for the cash flows from operating activities, net cash of 51,828 million yen was provided in operating activities, as profit before income taxes of 33,890 million yen was posted, and advances received increased by 27,376 million yen due to orders received for semiconductor lithography system. (Net cash of 24,484 million yen was provided in the same period the previous fiscal year).

For the cash flows from investing activities, net cash used in investing activities was 20,598 million yen primarily due to the acquisition of property, plant and equipment and intangible assets. (Net cash of 17,461 million yen was used in the same period the previous fiscal year).

For the cash flows from financing activities, net cash used in financing activities was 9,251 million yen primarily due to the payment of dividends. (Net cash of 3,707 million yen was used in the same period the previous fiscal year).

In addition, the effect of exchange rate changes on cash and cash equivalents increased 4,753 million yen.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2018 rose by 26,732 million yen from the end of the previous fiscal year to 415,170 million yen.

(3) Qualitative Information regarding Consolidated Financial Forecasts

Regarding the business environment for the fiscal year ending March 31, 2019, in the Imaging Products Business, both the digital camera-interchangeable lens type market and the compact digital camera market are forecast to continue to shrink. In the Precision Equipment Business, capital investment in the FPD-related field is expected to remain at the same level as the previous fiscal year. Capital investment in the semiconductor-related field is generally expected to remain robust. For the Healthcare Business, in the bioscience field, overseas markets are expected to remain favorable, and in the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market is forecast to remain solid.

The consolidated financial forecast for the fiscal year ending March 31, 2019 remains unchanged from the announcement made on August 7, 2018.

(4) Business and Other Risks

Business and other risks that have been newly recognized during the first half ended September 30, 2018 are as follows.

Matters concerning the future as stated herein are based on the Group's estimations as of September 30, 2018.

On August 17, 2018, the presiding Administrative Law Judge at the United States International Trade Commission (ITC) issued an Initial Determination that the Company's digital cameras infringe US patents jointly owned by Carl Zeiss AG and ASML Netherlands B.V. However, the decision is an initial determination and the Company has petitioned the full Commission to review it.

The Final Determination is currently scheduled for December 19, 2018, and is subject to potential extension by the Commission.

## 2. Condensed Consolidated Financial Statements

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

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018	Changes
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	388,438	415,170	26,732
Trade and other receivables	104,526	94,619	(9,907)
Inventories	235,553	262,320	26,767
Other current financial assets	10,958	8,639	(2,320)
Other current assets	12,430	17,840	5,410
(Subtotal)	751,905	798,588	46,683
Non-current assets held for sale	2,277	2,216	(61)
Total current assets	754,182	800,804	46,622
Non-current assets			
Property, plant and equipment	118,761	118,626	(135)
Goodwill and intangible assets	60,985	61,866	881
Net defined benefit assets	5,706	5,759	53
Investments accounted for using the equity method	9,387	10,019	632
Other non-current financial assets	91,841	101,998	10,157
Deferred tax assets	53,355	53,913	558
Other non-current assets	4,126	4,114	(12)
Total non-current assets	344,161	356,295	12,134
Total assets	1,098,343	1,157,099	58,756



(Millions of yen)

	As of March 31, 2018	As of September 30, 2018	Changes
<b>LIABILITIES / EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	118,701	117,428	(1,273)
Bonds and borrowings	12,200	12,250	50
Income tax payables	11,567	11,144	(422)
Advances received	176,631	206,578	29,947
Provisions	6,820	6,043	(777)
Other current financial liabilities	28,879	31,627	2,748
Other current liabilities	34,959	36,818	1,859
Total current liabilities	389,756	421,888	32,132
Non-current liabilities			
Bonds and borrowings	113,140	114,752	1,612
Net defined benefit liabilities	7,995	8,862	867
Provisions	4,844	4,988	144
Deferred tax liabilities	3,978	3,937	(41)
Other non-current financial liabilities	2,490	2,283	(207)
Other non-current liabilities	2,599	2,529	(71)
Total non-current liabilities	135,046	137,350	2,304
<b>Total liabilities</b>	<b>524,802</b>	<b>559,238</b>	<b>34,436</b>
<b>EQUITY</b>			
Capital stock	65,476	65,476	—
Capital surplus	81,333	81,413	79
Treasury stock	(13,152)	(13,131)	21
Other components of equity	(18,310)	(8,360)	9,950
Retained earnings	457,561	471,748	14,187
Equity attributable to owners of the parent	572,908	597,145	24,237
Non-controlling interests	633	716	83
<b>Total equity</b>	<b>573,541</b>	<b>597,861</b>	<b>24,321</b>
<b>Total liabilities and equity</b>	<b>1,098,343</b>	<b>1,157,099</b>	<b>58,756</b>

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

	First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)		First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)		Changes  (Millions of yen)
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	
Revenue	328,450	100.0	335,748	100.0	7,298
Cost of sales	(189,180)	(57.6)	(188,708)	(56.2)	472
Gross profit	139,269	42.4	147,039	43.8	7,770
Selling, general and administrative expenses	(116,905)		(116,110)		795
Other income	1,675		1,701		26
Other expenses	(1,023)		(1,990)		(967)
Operating Profit	23,017	7.0	30,641	9.1	7,624
Finance income	2,862		4,144		1,282
Finance costs	(3,314)		(1,832)		1,482
Share of the profit (loss) of investments accounted for using the equity method	(1,109)		937		2,046
Profit before income taxes	21,456	6.5	33,890	10.1	12,434
Income tax expenses	(7,444)		(11,001)		(3,557)
Profit for the period	14,012	4.3	22,889	6.8	8,877
Attributable to:					
Owners of the parent	13,945	4.2	22,822	6.8	8,877
Non-controlling interests	67		68		1
Profit for the period	14,012	4.3	22,889	6.8	8,877
Earnings per share:					
Basic earnings per share (Yen)	35.20		57.60		
Diluted earnings per share (Yen)	35.09		57.41		

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)	Changes
Profit for the period	14,012	22,889	8,877
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on financial assets measured at fair value through other comprehensive income	3,222	3,117	(104)
Share of other comprehensive income (loss) of investments accounted for using the equity method	2	(2)	(5)
Total of items that will not be reclassified subsequently to profit or loss	3,224	3,115	(109)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	9,577	7,414	(2,164)
Effective portion of the change in fair value on cash flow hedges	(365)	(536)	(171)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(108)	40	148
Total of items that may be reclassified subsequently to profit or loss	9,104	6,917	(2,186)
Other comprehensive income, net of taxes	12,328	10,032	(2,296)
Total comprehensive income for the period	26,340	32,922	6,582
Attributable to:			
Owners of the parent	26,254	32,867	6,613
Non-controlling interests	86	55	(31)
Total comprehensive income for the period	26,340	32,922	6,582

## (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 (loss) of investments accounted for using the equity method
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 owners	—	77	29	1,804	—
As of September 30, 2017	65,476	81,241	(13,186)	12,385	(663)

As of April 1, 2018	65,476	81,333	(13,152)	12,726	(799)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	3,117	38
Total comprehensive income for the period	—	—	—	3,117	38
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(6)	21	—	—
Share-based payments	—	85	—	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(95)	—
Total transactions with owners	—	79	21	(95)	—
As of September 30, 2018	65,476	81,413	(13,131)	15,748	(761)

(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, 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 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
As of April 1, 2018	(30,406)	169	(18,310)	457,561	572,908	633	573,541
Profit for the period	—	—	—	22,822	22,822	68	22,889
Other comprehensive income	7,427	(536)	10,045	—	10,045	(13)	10,032
Total comprehensive income for the period	7,427	(536)	10,045	22,822	32,867	55	32,922
Dividends	—	—	—	(8,730)	(8,730)	(40)	(8,769)
Acquisition and disposal of treasury stock	—	—	—	—	15	—	15
Share-based payments	—	—	—	—	85	—	85
Changes in the ownership interest in subsidiaries	—	—	—	—	—	68	68
Transfer from other components of equity to retained earnings	—	—	(95)	95	—	—	—
Total transactions with owners	—	—	(95)	(8,635)	(8,629)	28	(8,601)
As of September 30, 2018	(22,979)	(368)	(8,360)	471,748	597,145	716	597,861

## (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First half ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Cash flows from operating activities:		
Profit before income taxes	21,456	33,890
Depreciation and amortization	15,381	13,759
Impairment losses	218	34
Interest and dividend income	(1,970)	(2,633)
Share of the (profit) loss of investments accounted for using the equity method	1,109	(937)
Losses (gains) on sales of property, plant and equipment	(76)	(55)
Interest expenses	720	736
Decrease (increase) in trade and other receivables	1,847	12,174
Decrease (increase) in inventories	(23,056)	(23,392)
Increase (decrease) in trade and other payables	2,738	1,949
Increase (decrease) in advances received	27,053	27,376
Increase (decrease) in provisions	18	(1,140)
Increase (decrease) in net defined benefit assets and liabilities	(103)	352
Others, net	(1,592)	856
Subtotal	43,744	62,968
Interest and dividend income received	2,946	2,988
Interest expenses paid	(680)	(667)
Additional retirement benefits paid (Note)	(16,648)	—
Income taxes (paid) refund	(4,879)	(13,461)
Net cash provided by operating activities	24,484	51,828
Cash flows from investing activities:		
Purchase of property, plant and equipment	(13,101)	(12,350)
Proceeds from sales of property, plant and equipment	137	139
Purchase of intangible assets	(3,681)	(4,152)
Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope	—	(2,354)
Purchase of investment securities	(2,599)	(4,048)
Proceeds from sales of investment securities	1,075	441
Transfer to time deposits	(2,750)	(1,057)
Proceeds from withdrawal of time deposits	3,231	2,617
Others, net	227	166
Net cash used in investing activities	(17,461)	(20,598)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(1,400)	—
Repayment of long-term borrowings and bonds	(2)	—
Cash dividends paid	(1,599)	(8,726)
Cash dividends paid to non-controlling interests	(57)	(40)
Others, net	(649)	(484)
Net cash used in financing activities	(3,707)	(9,251)
Effect of exchange rate changes on cash and cash equivalents	5,292	4,753
Net increase (decrease) in cash and cash equivalents	8,607	26,732
Cash and cash equivalents at the beginning of the period	319,046	388,438
Cash and cash equivalents at the end of the period	327,653	415,170

(Note) "Additional retirement benefits paid" includes payments related to voluntary retirement in Japan.

(5) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the three months ended June 30, 2018.

		Summaries of new standards and amendments
IFRS 15	Revenue from Contracts with Customers	Accounting for recognition of revenue and relevant disclosure requirements

In accordance with the adoption of IFRS 15, revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Imaging Products Business provides products 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 with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products for bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices. The Group also renders services related to products, such as warranty, repair and maintenance, remodeling and relocation services.

For sales of products and rendering of services, the performance obligations are identified based on the contract with a customer.

Regarding the sales of products which require installation by the Group, revenue is recognized at the point when the installation is completed. For the products that do not require installation by the Group, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery and the performance obligation is deemed to be satisfied. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and other items.

For the services, if the performance obligation is satisfied at a point in time, revenue is recognized at the point when the services are completed. If the performance obligation is satisfied over time, revenue is recognized on a straight-line basis or on progress over the period rendering services.

As a result of identification of performance obligations in contracts with customers and the determination of the transaction price, a part of sales promotion and other expenses that is consideration paid by the Group to customers, which had been previously recorded under selling, general and administrative expenses, is accounted for as reduction of revenue from the three months ended June 30, 2018.

Upon the adoption of IFRS 15, the Group has selected to retrospectively recognize the cumulative effect of initial application as a transitional measure, which was recorded at the date of initial application.

Comparing with the former accounting standard, in regard to the impact on the accounts, mainly the revenue and selling, general and administrative expenses in the condensed consolidated statement of profit or loss for the first half ended September 30, 2018 decreased by 4,046 million yen and 4,206 million yen, respectively. However, these changes have no effect on the profit for the period.

(Segment Information)

(1) 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 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, the Precision Equipment Business, and the 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 FPD lithography system and semiconductor 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.

(2) Information on Reportable Business Segments

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

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



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

(Millions of yen)

	Imaging Products	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	
Finance income								2,862
Finance costs								(3,314)
Shares of the 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, the Glass Business, and the 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 statement of profit or loss.

For the First Half ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)	
Revenue								
External customers	150,954	121,674	29,403	33,717	335,748	—	335,748	
Intersegment	596	182	91	30,293	31,161	(31,161)	—	
Total	151,549	121,856	29,493	64,010	366,909	(31,161)	335,748	
Segment profit (loss)	13,249	29,843	(2,374)	2,791	43,508	(12,867)	30,641	
Finance income								4,144
Finance costs								(1,832)
Shares of the profit of investments accounted for using the equity method								937
Profit before income taxes								33,890

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

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 12 million yen and corporate profit (loss) of minus 12,880 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 statement of profit or loss.

(Contingent Liabilities)

(Litigation)

The Company and its group companies are exposed throughout their business activities to the possibility of being involved in a contentious case, becoming a defendant in a lawsuit, and being the object of inquiries by government agencies, in Japan and overseas. The Company and its group companies examine the possibility of recognizing a provision for the obligation arising from a contentious case or a lawsuit, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company's subsidiary in India (hereinafter referred as "Subsidiary in India") was inquired by the Indian Tax Authority regarding the import of the Company's digital cameras, and in October 2016, the imposition was confirmed in relation to the customs duty, interest, and penalty concerning those products. In January 2017, the Subsidiary in India appealed to the Customs, Excise and Service Tax Appellate Tribunal; however, the appeal was dismissed in December 2017. To object to this decision, in January 2018, the Subsidiary in India filed an appeal to the Supreme Court of India, which was admitted in March 2018 for the final hearing and decision. As it is currently unable to forecast the final decision, the provision is not recognized in accordance with the aforementioned accounting policy.

In regard to any other cases, no significant impact on the Company's consolidated performance and financial position is expected at this point in time.