



November 8, 2016

## Consolidated Financial Results of the First Half ended September 30, 2016 (Japanese Standards)

### Company name: NIKON CORPORATION

Code number: 7731; Stock listings: Tokyo Stock Exchange

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Date of first-half dividend payout: December 1, 2016

Preparation of supplementary materials for quarterly financial results: Yes

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

Note: Amounts less than 1 million yen are omitted.

### 1. Consolidated Results of the First Half ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

#### (1) Financial Results (Percentage represents comparison change to the corresponding previous quarterly period)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 30, 2016	343,779	(13.8)	23,335	55.9	25,643	23.8	17,737	53.5
First half ended September 30, 2015	398,822	—	14,972	—	20,709	—	11,557	—

(Note) Comprehensive Income: First half ended September 30, 2016: (11,209) million yen; — %  
 First half ended September 30, 2015: (1,505) million yen; — %

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
First half ended September 30, 2016	44.77	44.65
First half ended September 30, 2015	29.14	29.08

(Note) The year-on-year percentage for the first half ended September 30, 2015 is not shown above as the change in the accounting policy was applied retrospectively.

#### (2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
First half ended September 30, 2016	958,045	513,176	53.4
Year ended March 31, 2016	966,578	528,280	54.5

(Reference) Equity: First half ended September 30, 2016: 511,264 million yen  
 Year ended March 31, 2016: 526,410 million yen

(Note) The figures for the year ended March 31, 2016 were adjusted retrospectively in accordance with the change in the accounting policy.

### 2. Dividends

	Dividend per Share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	8.00	—	10.00	18.00
Year ending March 31, 2017	—	12.00			
Year ending March 31, 2017 (Planned)			—	4.00	16.00

(Note) Revision of cash dividend forecast for this period: Yes

### 3. Forecasts for Year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Percentage represents comparison to previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	Net Income per Share of Common Stock
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	800,000	(2.4)	49,000	54.6	52,000	37.3	(6,000)	—
								(15.14)

(Note) Revision of forecast for this period: Yes

The percentage change from the corresponding period the previous year was calculated with the figures adjusted retrospectively in accordance with the change in accounting policy.

### 4. Others

(1) Changes of 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) Adoption of special accounting methods: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

1. Changes in accounting policies in accordance with the revision of accounting standards: None

2. Changes in accounting policies other than the above: Yes

3. Changes in accounting estimate: None

4. Revision restatements: None

(Note) For details, please refer to "2. Notes regarding Summary Information (Others), (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Corrections."

(4) Number of shares issued (common stock)

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

First half ended September 30, 2016 400,878,921 shares

Year ended March 31, 2016 400,878,921 shares

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

First half ended September 30, 2016 4,684,451 shares

Year ended March 31, 2016 4,687,767 shares

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

First half ended September 30, 2016 396,193,024 shares

First half ended September 30, 2015 396,626,303 shares

(Note) NIKON CORPORATION (the "Company") introduced the Executive Compensation BIP trust.

The Company's shares held by the trust are included in the number of treasury stock.

(※Indication of quarterly review procedures implementation status)

This quarterly financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law. It is under the review procedure process at the time of disclosure of this report.

(※Appropriate use of business forecasts; other special items)

Performance forecasts and other forward-looking statements contained 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 the Consolidated Operating Results</b>	<b>4</b>
<b>(2) Qualitative Information on Consolidated Financial Position</b>	<b>5</b>
<b>(3) Qualitative Information regarding the Consolidated Financial Forecasts</b>	<b>5</b>
<b>2. Notes regarding Summary Information (Others)</b>	<b>6</b>
<b>(1) Changes in Significant Consolidated Subsidiaries</b>	<b>6</b>
<b>(2) Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections</b>	<b>6</b>
<b>3. Consolidated Financial Statements</b>	<b>7</b>
<b>(1) Consolidated Balance Sheet</b>	<b>7</b>
<b>(2) Consolidated Statements of Income and Comprehensive Income</b>	<b>9</b>
<b>(3) Consolidated Statement of Cash Flows</b>	<b>11</b>
<b>(4) Note regarding Going Concern Assumption</b>	<b>12</b>
<b>(5) Segment Information</b>	<b>12</b>
<b>(6) Note in Event of Significant Change in Shareholders' Equity</b>	<b>13</b>
<b>(7) Significant Subsequent Event</b>	<b>14</b>
<b>(Supplementary Information)</b>	<b>15</b>

## 1. Performance and Financial Position

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

During the first half ended September 30, 2016, the economic situation in Japan saw a moderate recovery trend mainly supported by brisk consumer spending. The U.S. economy continued to expand, supported by growth of consumer spending, and the European economy on the whole was on a recovery track, led by the revival in exports. On the other hand, the Chinese and emerging economies in general showed signs of a slowdown.

Looking at performance by business segment, in the Precision Equipment Business, while capital investments in the semiconductor-related field were slightly down, capital investments were strong in the FPD-related field, primarily in mid-to-small size panels. In the Imaging Products Business, the Digital Camera-Interchangeable Lens Type market and the compact digital camera market remained weak. In the Instruments Business, the microscope-related field remained stable, and the industrial metrology-related field was sluggish due to delayed recovery in capital investments both in the U.S. and Asia. In the Medical Business, the retinal diagnostic imaging equipment market remained solid on a global scale.

Under these circumstances, while net sales for the first half ended September 30, 2016 decreased by 55,042 million yen (13.8%) year on year to 343,779 million yen, as a result of a large increase in unit sales of the FPD Lithography Systems, operating income increased by 8,363 million yen (55.9%) year on year to 23,335 million yen, ordinary income increased by 4,934 million yen (23.8%) year on year to 25,643 million yen, and net income attributable to owners of the parent increased by 6,180 million yen (53.5%) year on year to 17,737 million yen.

Performance by segment is as follows.

#### 1) Precision Equipment Business

The Semiconductor Lithography System field saw an increase, particularly in unit sales of the NSR-SF155, an i-line scan field stepper and the NSR-S322F, an ArF scanner. However, for the advanced immersion scanners, although the Group focused on expanding sales, it was unable to find new customers during the first half of the fiscal year.

The FPD Lithography System field showed significant growth in unit sales of the FX-66S and FX-67S, which are optimized for producing mid-to-small size, high-definition panels for smartphones and tablet devices, especially underpinned by strong capital investments in mid-to-small size panels in the Chinese market. Orders were also steadily secured for the latest system, the FX-68S, launched in March of this year.

As a result, net sales for the Precision Equipment Business increased by 35.6% year on year to 115,346 million yen, and operating income was up by 445.3% year on year to 24,433 million yen.

#### 2) Imaging Products Business

In the Imaging Products Business, while the Digital Camera-Interchangeable Lens Type market continued to shrink, high-end class models such as the D5, a flagship model, which offers far greater performance than its predecessor, and the D500, a DX flagship model with numerous advanced functions, saw an upswing in sales.

However, due to the impact on the supply chain from the Kumamoto Earthquake April 2016 and the effects of foreign exchange, net sales for the Imaging Products Business decreased by 32.4% year on year to 178,323 million yen. Although operating income was 15,211 million yen, which was higher than initially projected thanks to the improved product mix and cost reductions, it declined 37.3% year on year.

#### 3) Instruments Business

In the microscope field, sales were weak primarily due to the effects of foreign exchange and delays in the government budget execution.

In the industrial metrology field, sales dropped year on year due to a low level of capital investments.

As a result, net sales for the Instruments Business decreased by 7.7% year on year to 30,685 million yen, and operating loss of 1,487 million yen was posted (compared with operating loss of 544 million yen in the same period the previous year).

#### 4) Medical Business

In the Medical Business, performance of the retinal diagnostic imaging equipment was affected by slow sales in the North American market and foreign exchange.

In a consequence, net sales for the Medical Business were 9,012 million yen, whereas operating loss of 2,438 million yen was recorded primarily due to upfront investments in new medical-related businesses.

#### 5) Other Businesses

In the Customized Products Business, sales of products such as space-related products and solid-state lasers declined.

In the Glass Business, while sales of photomask substrates for FPD continued to struggle, sales of optical components remained solid.

As a result, net sales of these businesses decreased by 9.4% year on year to 10,412 million yen, and operating income increased by 27.6% year on year to 1,846 million yen.

## (2) Qualitative Information on Consolidated Financial Position

The balance of total assets as of September 30, 2016 decreased 8,532 million yen from the end of the previous fiscal year to 958,045 million yen. This is mainly attributable to the decreases in notes and accounts receivable-trade by 17,029 million yen; property, plant and equipment by 8,176 million yen; intangible assets by 7,343 million yen despite the increases in cash and deposits by 19,018 million yen primarily due to borrowings and inventory by 6,477 million yen.

The balance of total liabilities as of September 30, 2016 increased 6,570 million yen from the end of the previous fiscal year to 444,868 million yen. This is primarily because long-term loan payable increased 38,044 million yen, while notes and account payable and bonds payable declined 9,872 million yen and 10,000 million yen, respectively.

The balance of total net assets as of September 30, 2016 decreased 15,103 million yen from the end of the previous fiscal year to 513,176 million yen. Although retained earnings increased as a result of posting net income attributable to owners of the parent, foreign currency translation adjustment dropped due to the foreign exchange impacts associated with yen appreciation.

During the first half ended September 30, 2016, although income before income tax of 25,899 million yen was recorded mainly due to the profit growth driven by the boost in sales of FPD lithography system, net cash of 34,840 million yen was provided by operating activities (net cash of 48,290 million yen was provided in the same period the previous year), since the sales of FPD Lithography system for the current year were paid in advance last year, and the collection of notes and accounts receivable-trade also fell year on year.

While the expenditure a year earlier soared to acquire the shares of Optos Plc, the expenditure for the first half ended September 30, 2016 was primarily to purchase property, plant and equipment, which led the net cash used in investing activities to 17,396 million yen (net cash of 82,212 million yen was used in the same period the previous fiscal year).

In financing activities, net cash of 20,992 million yen was provided (net cash of 10,826 million yen was used in the same period the previous fiscal year) mainly due to proceeds from long-term loan payable.

In addition, along with the appreciation of yen, effect of exchange rate change on cash and cash equivalents decreased 17,977 million yen.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2016 rose 20,458 million yen from the end of the previous fiscal year to 271,669 million yen.

(Note) As reported in "2. Notes regarding Summary Information (Others), (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Corrections," the accounting policy for the revenue recognition of the Precision Equipment Business was changed from the first quarter ended June 30, 2016. The comparisons in "(2) Qualitative Information regarding the Consolidated Operating Results" and "(3) Qualitative Information on Consolidated Financial Position" were made with the figures adjusted retrospectively for the first half ended September 30, 2015 and the year ended March 31, 2016 in accordance with the change.

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

Regarding the consolidated financial forecasts for the year ending March 31, 2017, although net sales are expected to fall primarily due to a decline in sales of the Imaging Products Business and the effects of foreign exchange, operating income and ordinary income are expected to meet the prior estimate announced in August, as sales of the FPD Lithography Systems for mid-to-small size, high-definition panels are continuously to be strong.

However, for net income attributable to owners of the parent, net loss is ultimately expected. As announced on November 8, 2016 in "Notice of Restructuring," Nikon Corporation decided to conduct a fundamental company-wide restructuring in order to enhance its ability to generate profit and create value, and extraordinary loss accompanied by the restructuring will be posted during the fiscal year ending March 31, 2017.

For more detailed forecasts are as stated in "Revision of the Financial Forecast and Dividend Forecast for the Fiscal Year ending March 31, 2017" announced on the same day.

## 2. Notes Regarding Summary Information (Others)

### (1) Changes in Significant Consolidated Subsidiaries

Not applicable

### (2) Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections

#### (Change in the Accounting Policy for the Revenue Recognition)

In the Precision Equipment Business, taking into consideration the terms of the contract and other relevant information, the revenue from sale transactions of the FPD Lithography System for customers abroad had been recognized on either the shipping dates or the time of delivery to the locations designated by customers. From the three months ended June 30, 2016, however, the accounting policy was changed to recognize the revenue at the point when the installation is completed, as it better reflects the practice of the revenue for the following reasons; sales of the FPD Lithography System, which is suitable for the production of high-definition displays, have made up a growing proportion of the Group's total revenue; the installation of the system demands a more elaborate procedure than the conventional ones and is thus likely to require sophisticated work for longer periods.

The change in the accounting policy was applied retrospectively, and the consolidated quarterly and full-year financial statements for the previous fiscal year were adjusted retrospectively in accordance with the change.

As a result, net sales for the first half ended September 30, 2015 increased 6,144 million yen compared with the figures prior to the retrospective application. Operating income, ordinary income and income before income taxes for the same period increased 435 million yen, respectively. In addition, the beginning balance of retained earnings for the same period declined 8,790 million yen, as the cumulative effect of the change was reflected on the net assets at the beginning of the previous fiscal year.

Impacts on the segment information are stated in the relevant section.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	256,595	275,614
Notes and accounts receivable-trade	98,416	81,387
Merchandise and finished goods	118,224	131,049
Work in process	118,526	110,917
Raw materials and supplies	26,667	27,928
Other	66,400	61,425
Allowance for doubtful accounts	(2,433)	(2,143)
Total current assets	682,397	686,179
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,010	45,441
Machinery, equipment and vehicles, net	38,277	33,315
Land	15,681	15,425
Construction in progress	3,566	5,327
Other, net	22,123	19,974
Total property, plant and equipment	127,659	119,483
Intangible assets		
Goodwill	20,766	17,639
Other	43,135	38,917
Total intangible assets	63,901	56,557
Investments and other assets		
Investment securities	73,970	78,537
Other	18,691	17,310
Allowance for doubtful accounts	(43)	(24)
Total investments and other assets	92,618	95,824
Total non-current assets	284,180	271,865
Total assets	966,578	958,045

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	117,399	107,527
Short-term loans payable	16,500	13,600
Current portion of bonds	10,000	—
Advances received	102,997	103,269
Income taxes payable	4,011	4,885
Provision for product warranties	7,066	5,368
Other	69,929	65,044
<b>Total current liabilities</b>	<b>327,903</b>	<b>299,694</b>
<b>Non-current liabilities</b>		
Bonds payable	40,000	40,000
Long-term loans payable	44,200	82,244
Net defined benefit liability	8,902	7,917
Asset retirement obligations	3,657	3,655
Other	13,634	11,356
<b>Total non-current liabilities</b>	<b>110,394</b>	<b>145,173</b>
<b>Total liabilities</b>	<b>438,298</b>	<b>444,868</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	65,475	65,475
Capital surplus	80,624	80,624
Retained earnings	376,002	389,770
Treasury stock	(13,255)	(13,243)
<b>Total shareholders' equity</b>	<b>508,847</b>	<b>522,626</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,735	11,779
Deferred gains or losses on hedges	(35)	336
Foreign currency translation adjustment	12,550	(18,319)
Remeasurements of defined benefit plans	(6,687)	(5,159)
<b>Total accumulated other comprehensive income</b>	<b>17,563</b>	<b>(11,362)</b>
Subscription rights to shares	1,339	1,432
Non-controlling interests	530	480
<b>Total net assets</b>	<b>528,280</b>	<b>513,176</b>
<b>Total liabilities and net assets</b>	<b>966,578</b>	<b>958,045</b>



## (2) Consolidated Statements of Income and Comprehensive Income

## 1) Consolidated Statement of Income

First half ended September 30, 2016

(Millions of yen)

	First half ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Net sales	398,822	343,779
Cost of sales	248,759	198,615
Gross profit	150,063	145,164
Selling, general and administrative expenses	135,090	121,828
Operating income	14,972	23,335
Non-operating income		
Interest income	921	867
Dividends income	743	822
Foreign exchange gain	366	1,503
Equity in earnings of affiliates	949	889
Other	4,606	2,143
Total non-operating income	7,588	6,225
Non-operating expenses		
Interest expenses	680	583
Loss on valuation of derivatives	—	808
Loss on Competition Law	—	1,307
Other	1,172	1,217
Total non-operating expenses	1,852	3,917
Ordinary income	20,709	25,643
Extraordinary income		
Gain on sales of non-current assets	28	66
Gain on sales of investment securities	102	208
Total extraordinary income	130	275
Extraordinary loss		
Loss on sales of non-current assets	9	16
Loss on valuation of investment securities	—	2
Total extraordinary losses	9	19
Income before income taxes	20,829	25,899
Income taxes	9,216	8,121
Net income	11,612	17,778
Net income attributable to non-controlling interests	55	40
Net income attributable to owners of the parent	11,557	17,737

2) Consolidated Statement of Comprehensive Income  
 First half ended September 30, 2016

(Millions of yen)

	First half ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Net income	11,612	17,778
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,163)	44
Deferred gains or losses on hedges	1,139	372
Foreign currency translation adjustment	(10,344)	(30,931)
Remeasurements of defined benefit plans	249	1,528
Share of other comprehensive income of associates accounted for using equity method	0	(1)
Total other comprehensive income	(13,117)	(28,987)
Comprehensive income	(1,505)	(11,209)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(1,546)	(11,188)
Comprehensive income attributable to non-controlling interests	41	(20)

## (3) Consolidated Statement of Cash Flows

(Millions of yen)

	First half ended September 30, 2015 (from April 1, 2015 to September 30, 2015)	First half ended September 30, 2016 (from April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	20,829	25,899
Depreciation and amortization	18,884	16,255
Increase (decrease) in allowance for doubtful accounts	(427)	(87)
Increase (decrease) in provision for product warranties	(1,143)	(1,315)
Increase (decrease) in net defined benefit liability	(195)	(228)
Interest and dividends income	(1,665)	(1,689)
Equity in (earnings) losses of affiliates	(949)	(889)
Interest expenses	680	583
Loss (gain) on sales of non-current assets	(18)	(49)
Loss (gain) on sales of investment securities	(102)	(208)
Loss (gain) on valuation of investment securities	—	2
Decrease (increase) in notes and accounts receivable-trade	24,083	11,180
Decrease (increase) in inventories	(20,364)	(16,177)
Increase (decrease) in notes and accounts payable-trade	4,969	(7,358)
Increase (decrease) in advances received	16,910	1,238
Increase (decrease) in accrued expenses	(4,711)	(474)
Other, net	(1,429)	12,474
Subtotal	55,349	39,156
Interest and dividends income received	1,988	2,020
Interest expenses paid	(683)	(554)
Income taxes (paid) refund	(8,364)	(5,781)
Net cash provided by (used in) operating activities	48,290	34,840
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(13,178)	(10,586)
Proceeds from sales of property, plant and equipment	228	132
Purchase of investment securities	(2,642)	(4,341)
Proceeds from sales of investment securities	112	235
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43,562)	—
Net decrease (increase) in loans receivable	(165)	(157)
Other, net	(23,002)	(2,680)
Net cash provided by (used in) investing activities	(82,212)	(17,396)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	—	38,952
Repayments of long-term loans payable	—	(2,900)
Redemption of bonds	—	(10,000)
Cash dividends paid	(8,725)	(3,970)
Cash dividends paid to non-controlling interests	(24)	(44)
Other, net	(2,076)	(1,045)
Net cash provided by (used in) financing activities	(10,826)	20,992
Effect of exchange rate change on cash and cash equivalents	(5,003)	(17,977)
Net increase (decrease) in cash and cash equivalents	(49,751)	20,458
Cash and cash equivalents at beginning of period	259,625	251,210
Cash and cash equivalents at end of period	209,873	271,669

## (4) Note regarding Going Concern Assumption

Not applicable

## (5) Segment Information

## 1) Information on Sales and Profit (Loss) by Reportable Segment

For the First half ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(Millions of yen)

	Reportable Segments					Other <sup>1</sup>	Total	Reconciliation <sup>2</sup>	Consolidated Statement of Income <sup>3</sup>
	Precision Equipment	Imaging Products	Instruments	Medical	Total				
Sales									
Outside customers	85,089	263,649	33,241	5,354	387,335	11,487	398,822	—	398,822
Intersegment sales or transfer	138	216	432	—	788	10,126	10,915	(10,915)	—
Total	85,228	263,865	33,674	5,354	388,123	21,613	409,737	(10,915)	398,822
Operating income (loss)	4,481	24,276	(544)	(2,583)	25,630	1,447	27,077	(12,105)	14,972

Notes: 1. The "Other" category consists of operations not included in the reportable segments such as the Glass Business, the Customized Products Business, etc.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 248 million yen and corporate expenses of minus 12,353 million yen.

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

For the First half ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(Millions of yen)

	Reportable Segments					Other <sup>1</sup>	Total	Reconciliation <sup>2</sup>	Consolidated Statement of Income <sup>3</sup>
	Precision Equipment	Imaging Products	Instruments	Medical	Total				
Sales									
Outside customers	115,346	178,323	30,685	9,012	333,367	10,412	343,779	—	343,779
Intersegment sales or transfer	126	361	413	36	937	10,553	11,490	(11,490)	—
Total	115,473	178,684	31,099	9,048	334,305	20,965	355,270	(11,490)	343,779
Operating income (loss)	24,433	15,211	(1,487)	(2,438)	35,718	1,846	37,565	(14,229)	23,335

Notes: 1. The "Other" category consists of operations not included in the reportable segments such as the Glass Business, the Customized Products Business, etc.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 207 million yen and corporate expenses of minus 14,436 million yen.

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

2) Information on Changes in the Reportable Segments

As reported in "2. Notes Regarding Summary Information (Others), (2) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Corrections," the accounting policy for the revenue recognition of the Precision Equipment Business was changed and applied retrospectively.

As a result, sales and operating income of the Precision Equipment Business for the first half ended September 30, 2015 increased 6,144 million yen and 435 million yen, respectively.

(6) Note in Event of Significant Change in Shareholders' Equity

Not applicable

## (7) Significant Subsequent Event

### (Implementation of Restructuring)

Nikon Corporation (hereafter, "Nikon") decided at the Board of Directors' Meeting held on November 8, 2016 to conduct a fundamental company-wide restructuring in order to enhance our ability to generate profit and create value.

#### 1) Background and Aim of Restructuring

Pursuant to the "Medium-Term Management Plan Update" announced in May 2015, Nikon has aimed to secure stabilized profits from its existing businesses: Semiconductor Lithography, FPD Lithography and Imaging Product, whereas Nikon has worked for entry into new business field and expansion of its business frontier, making investments in its growth businesses: Microscope Solution, Industrial Metrology and Medical. However, Nikon has not achieved the goal to improve profitability of its existing businesses as initially planned, since the Semiconductor Lithography Business has not achieved break-even, and the Imaging Product Business faced a shrinking market and adverse foreign exchange impact. Furthermore, expansion of its growth businesses fell short of expectation. Due to these circumstances, Nikon decided to discontinue the current "Medium-Term Management Plan Update" and launch a fundamental company-wide restructuring to improve corporate value as shifting from a strategy pursuing revenue growth to one pursuing profit enhancement.

#### 2) Summary of Restructuring

In order to generate profit and create value, Nikon will reassess the strategy of the Semiconductor Lithography Business and the Imaging Product Business; optimize manufacturing, sales and R&D on a global basis; optimize organization and headcount including the headquarter functions.

##### (i) Initiatives for the Semiconductor Lithography Business

- Reduce development and expense of ArF Immersion Scanners by reassessing R&D strategy
- Reassess sales approach to focus on profitability and minimize the risk of inventory write-downs/ write-offs
- Reduce costs by optimizing manufacturing structure and scale
- Reassess business organization and structure in addition to rationalizing and re-assigning 1,000 employees to reduce fixed cost

##### (ii) Initiatives for the Imaging Product Business

- Reassess product strategy to focus on high value-add products and enhance profitability
- Focus R&D on high value-add products and enhance efficiency by increasing commonalities across products and categories
- Optimize sales and manufacturing structure
- Reassess business organization and structure in addition to rationalizing and re-assigning 350 domestic employees to reduce fixed cost

##### (iii) Initiatives for the Headquarter

- Reassess organization and structure (Redefine the role of headquarters and streamline based on reassessment of organization and structure)
- Rationalize and re-assign 200 employees in headquarters and other departments to reduce fixed cost

Based on the initiatives above to optimize headcount, Nikon will be announcing a voluntary retirement program of approximately 1,000 employees.

#### 3) Future Outlook

Extraordinary loss of 48 billion yen will be posted for the fiscal year ending March 31, 2017 as a restructuring expense.

(Supplementary Information) Effect of applying the change in the accounting policy retrospectively

The effect of applying the change in the accounting policy for the revenue recognition retrospectively to the year ended March 31, 2016 is as follow:

(As previously reported)

		First half ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	392,677	822,915
	Operating income	14,537	36,701
	Ordinary income	20,273	42,870
	Income before income taxes	20,394	33,581
	Net income attributable to owners of the parent	11,254	22,192

Precision Equipment	Net sales	78,945	182,416
	Operating income (loss)	4,045	14,607

(As adjusted)

		First half ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	398,822	819,388
	Operating income	14,972	31,698
	Ordinary income	20,709	37,868
	Income before income taxes	20,829	28,578
	Net income attributable to owners of the parent	11,557	18,254

Precision Equipment	Net sales	85,089	178,888
	Operating income (loss)	4,481	9,605

(Effect of retrospective application of the change)

		First half ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	6,144	(3,527)
	Operating income	435	(5,002)
	Ordinary income	435	(5,002)
	Income before income taxes	435	(5,002)
	Net income attributable to owners of the parent	302	(3,937)

Precision Equipment	Net sales	6,144	(3,527)
	Operating income (loss)	435	(5,002)