February 13, 2017

**Consolidated Financial Results of the Third Quarter ended December 31, 2016 (Japanese Standards)**

**Company name: NIKON CORPORATION**
Code number: 7731; Stock listing: Tokyo Stock Exchange
URL http://www.nikon.co.jp/
Representative: Kazuo Ushida, President and Representative Director
Contact: Yosuke Toyoda, Department Manager, Corporate Communications & Investor Relations Department
TEL: +81-3-6433-3741
Date for the filing of the quarterly Securities Report: February 13, 2017
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 Third Quarter ended December 31, 2016 (From April 1, 2016 to December 31, 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 | % |
| Nine months ended December 31, 2016 | 565,893 | (8.2) | 42,182 | 67.1 | 44,789 | 42.5 | (831) | ― |
| Nine months ended December 31, 2015 | 616,497 | ― | 25,242 | ― | 31,438 | ― | 18,709 | ― |

(Note) Comprehensive Income: Nine months ended December 31, 2016: 9,850 million yen; 11.4 %
Nine months ended December 31, 2015: 8,839 million yen; ― %

| | Net Income per Share of Common Stock | Net Income per Share of Common Stock after Dilution |
|---|---|---|
| | Yen | Yen |
| Nine months ended December 31, 2016 | (2.10) | ― |
| Nine months ended December 31, 2015 | 47.19 | 47.08 |

(Note) The year-on-year percentage for the nine months ended December 31, 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 | % |
| Third quarter ended December 31, 2016 | 1,040,129 | 529,549 | 50.7 |
| Year ended March 31, 2016 | 966,578 | 528,280 | 54.5 |

(Reference) Equity: Third quarter ended December 31, 2016: 527,494 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: None

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 |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 750,000 | (8.5) | 44,000 | 38.8 | 47,000 | 24.1 | (9,000) | ― | (22.72) |

(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 a presence or absence of a specific subsidiary, which brings a change to the 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

1) Changes in accounting policies in accordance with revision of accounting standards: None
2) Changes in accounting policies other than 1): Yes
3) Changes in accounting estimate: None
4) Restatement: None

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

(4) Number of shares issued (common stock)

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

| | |
|---|---|
| Third quarter ended December 31, 2016 | 400,878,921 shares |
| Year ended March 31, 2016 | 400,878,921 shares |

2) Number of treasury stock as of the term-end:

| | |
|---|---|
| Third quarter ended December 31, 2016 | 4,681,429 shares |
| Year ended March 31, 2016 | 4,687,767 shares |

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

| | |
|---|---|
| Third quarter ended December 31, 2016 | 396,194,485 shares |
| Third quarter ended December 31, 2015 | 396,481,125 shares |

(Note) The Company's shares held by the Executive Compensation BIP 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**

## 1. Performance and Financial Position

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

During the nine months ended December 31, 2016, for the Precision Equipment Business, capital investments in the semiconductor-related field were firm, and in the FPD-related field, capital investments primarily on mid-to-small size panels were booming. 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 was impacted by a delay in public budget execution in the U.S. and Europe, while it held steady in Asia. In the industrial metrology-related field, capital investments were weak as caused mainly by a delay in overall economic recovery. In the Medical Business, the retinal diagnostic imaging equipment market remained solid on a global scale.

Under these circumstances, net sales for the nine months ended December 31, 2016 decreased by 50,604 million yen (8.2%) year on year to 565,893 million yen, operating income increased by 16,939 million yen (67.1%) year on year to 42,182 million yen, and ordinary income increased by 13,351 million yen (42.5%) year on year to 44,789 million yen. However, net loss attributable to owners of the parent of 831 million yen (net income attributable to owners of the parent of 18,709 million yen in the same period the previous fiscal year) was posted by recording losses from inventory write-downs/write-offs in the Semiconductor Lithography Business as restructuring expenses as well as an increase in tax expenses arising from tax effects.

Performance by segment is as follows.

In the Precision Equipment Business, the Semiconductor Lithography System field saw an increase in unit sales of ArF scanners and advanced immersion scanners. The FPD Lithography System field experienced brisk capital investments on mid-to-small size panels mainly in the Chinese market, which led to a significant year on year growth in unit sales of equipment for mid-to-small size panels. As a result, for this business segment, drastic increases in both sales and profits were posted compared to the same period the previous fiscal year.

In the Imaging Products Business, although the Nikon Group focused on sales of the Digital Camera-Interchangeable Lens Type products, such as the D5 and the D500, and made efforts for cost reduction, the shrinking digital camera market and the impact of the 2016 Kumamoto Earthquake on the supply chain have caused a year on year decline in overall sales and profits of this business segment.

In the Instruments Business, sales were weak in the microscope field, owing to foreign exchange and prolonged sluggish market conditions in the U.S. and Europe albeit a rise in sales in Japan and in Asia. In the industrial metrology field, despite a boost in sales of CNC Video Measuring Systems in Japan and semiconductor inspection systems in Asia, total sales decreased impacted by cutbacks in capital investments. As a result, both sales and profits of this business segment declined year on year.

In the Medical Business, while the retinal diagnostic imaging equipment was solid in Japan and in Europe, its performance was sluggish in the U.S.

### (2) Qualitative Information on Consolidated Financial Position

The balance of total assets as of December 31, 2016 increased 73,550 million yen from the end of the previous fiscal year to 1,040,129 million yen. This was primarily because cash and deposits rose 68,667 million yen due to increased long-term loans payable and advances received, and investment securities were up 18,458 million yen in line with rises in stock prices, while inventories decreased 22,798 million yen as a result of inventory write-down/ write-off associated with a restructuring.

The balance of total liabilities as of December 31, 2016 rose 72,281 million yen from the end of the previous fiscal year to 510,579 million yen. This was mainly due to an increase of 19,416 million yen in advances received as well as an increase of 41,479 million yen in long-term loans payable.

The balance of total net assets as of December 31, 2016 increased 1,269 million yen to 529,549 million yen from the end of the previous fiscal year. Although retained earnings declined as posting net loss attributable to owners of the parent and dividends paid, gains in valuation difference on available-for-sale securities led to the increase of net asset.

During the nine months ended December 31, 2016, although sales of the Imaging Product Business fell year on year, net cash of 87,075 million yen was provided by operating activities as a result of increased advances received, driven by the continuous boom in sales of the Precision Equipment Business over last quarters (net cash of 83,028 million yen was provided in the same period the previous year).

While the expenditure a year earlier soared to acquire the shares of Optos Plc, the expenditure for the nine months ended December 31, 2016 was primarily to purchase property, plant and equipment, which led the net cash used in investing activities to 35,659 million yen (net cash of 88,630 million yen was used in the same period the previous fiscal year).

In financing activities, net cash of 16,006 million yen was provided (net cash of 14,858 million yen was used in the same period the previous fiscal year) mainly due to proceeds from long-term loan payable.

In addition, the effect of exchange rate change on cash and cash equivalents decreased 1,884 million yen.

As a result of the above, the balance of cash and cash equivalents at December 31, 2016 rose 65,536 million yen from the end of the previous fiscal year to 316,747 million yen.

(Note) As reported in "2. Notes regarding Summary Information (Others), (2) Changes in Accounting Policies, Accounting Estimates, and Restatement," 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 nine months ended December 31, 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, for the Precision Equipment Business, capital investments in the semiconductor-related field are expected to remain steady, and in the FPD-related field, a boom in capital investments primarily on mid-to-small size panels is forecasted to continue. For the Imaging Products Business, difficult situations are expected to persist in the Digital Camera-Interchangeable Lens Type market and compact digital camera market. For the Instruments Business, market shares of the microscope-related field are predicted to rise in Japan and Asia, and in the industrial metrology-related field, the Nikon Group seeks sales increases with the automobile-related field, but the prospect of the field as a whole is to be impacted by slowdown in market recovery. In the Medical Business, the retinal diagnostic imaging equipment market is expected to remain solid.

The consolidated financial forecasts for the year ending March 31, 2017 announced on November 8, 2016 have been revised as stated in the "Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2017" released on the same date (February 13, 2017).

## 2. Notes Regarding Summary Information (Others)

### (1) Changes in Significant Consolidated Subsidiaries

Not applicable

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

(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 nine months ended December 31, 2015 decreased 893 million yen compared with the figures prior to the retrospective application. Operating income, ordinary income and income before income taxes for the same period decreased by 3,786 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 December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 256,595 | 325,263 |
| Notes and accounts receivable-trade | 98,416 | 107,352 |
| Merchandise and finished goods | 118,224 | 127,493 |
| Work in process | 118,526 | 84,958 |
| Raw materials and supplies | 26,667 | 28,167 |
| Other | 66,400 | 65,877 |
| Allowance for doubtful accounts | (2,433) | (2,548) |
| Total current assets | 682,397 | 736,564 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 48,010 | 46,893 |
| Machinery, equipment and vehicles, net | 38,277 | 34,711 |
| Land | 15,681 | 15,720 |
| Construction in progress | 3,566 | 5,796 |
| Other, net | 22,123 | 21,865 |
| Total property, plant and equipment | 127,659 | 124,987 |
| Intangible assets | | |
| Goodwill | 20,766 | 20,334 |
| Other | 43,135 | 40,294 |
| Total intangible assets | 63,901 | 60,629 |
| Investments and other assets | | |
| Investment securities | 73,970 | 92,429 |
| Other | 18,691 | 25,544 |
| Allowance for doubtful accounts | (43) | (26) |
| Total investments and other assets | 92,618 | 117,947 |
| Total non-current assets | 284,180 | 303,564 |
| Total assets | 966,578 | 1,040,129 |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 117,399 | 120,047 |
| Short-term loans payable | 16,500 | 13,607 |
| Current portion of bonds | 10,000 | – |
| Advances received | 102,997 | 122,414 |
| Income taxes payable | 4,011 | 6,963 |
| Provision for product warranties | 7,066 | 6,424 |
| Other | 69,929 | 81,164 |
| Total current liabilities | 327,903 | 350,621 |
| Non-current liabilities | | |
| Bonds payable | 40,000 | 40,000 |
| Long-term loans payable | 44,200 | 85,679 |
| Net defined benefit liability | 8,902 | 9,035 |
| Asset retirement obligations | 3,657 | 3,702 |
| Other | 13,634 | 21,541 |
| Total non-current liabilities | 110,394 | 159,957 |
| Total liabilities | 438,298 | 510,579 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 65,475 | 65,475 |
| Capital surplus | 80,624 | 80,624 |
| Retained earnings | 376,002 | 366,434 |
| Treasury stock | (13,255) | (13,233) |
| Total shareholders' equity | 508,847 | 499,301 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,735 | 20,444 |
| Deferred gains or losses on hedges | (35) | (831) |
| Foreign currency translation adjustment | 12,550 | 13,480 |
| Remeasurements of defined benefit plans | (6,687) | (4,901) |
| Total accumulated other comprehensive income | 17,563 | 28,193 |
| Subscription rights to shares | 1,339 | 1,486 |
| Non-controlling interests | 530 | 569 |
| Total net assets | 528,280 | 529,549 |
| Total liabilities and net assets | 966,578 | 1,040,129 |

(2) Consolidated Statements of Income and Comprehensive Income

1) Consolidated Statement of Income

Nine months ended December 31, 2016

(Millions of yen)

| | Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015) | Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016) |
|---|---|---|
| Net sales | 616,497 | 565,893 |
| Cost of sales | 380,888 | 330,925 |
| Gross profit | 235,609 | 234,967 |
| Selling, general and administrative expenses | 210,366 | 192,785 |
| Operating income | 25,242 | 42,182 |
| Non-operating income | | |
| Interest income | 1,457 | 1,301 |
| Dividends income | 1,167 | 1,289 |
| Equity in earnings of affiliates | 1,180 | 1,191 |
| Gain on valuation of derivatives | — | ※1 2,947 |
| Other | 5,270 | 2,675 |
| Total non-operating income | 9,076 | 9,405 |
| Non-operating expenses | | |
| Interest expenses | 1,021 | 893 |
| Foreign exchange losses | 176 | 3,050 |
| Loss on Competition Law | — | 1,307 |
| Other | 1,682 | 1,546 |
| Total non-operating expenses | 2,881 | 6,797 |
| Ordinary income | 31,438 | 44,789 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 51 | 81 |
| Gain on sales of investment securities | 514 | 208 |
| Total extraordinary income | 566 | 289 |
| Extraordinary loss | | |
| Loss on sales of non-current assets | 65 | 24 |
| Impairment loss | 1,021 | 365 |
| Loss on valuation of investment securities | — | 2 |
| Restructuring expenses | — | ※2 29,790 |
| Total extraordinary losses | 1,086 | 30,182 |
| Income before income taxes | 30,918 | 14,896 |
| Income taxes | 12,140 | 15,661 |
| Net income (loss) | 18,777 | (764) |
| Net income attributable to non-controlling interests | 68 | 67 |
| Net income (loss) attributable to owners of the parent | 18,709 | (831) |

2) Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2016

(Millions of yen)

| | Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015) | Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016) |
|---|---|---|
| Net income (loss) | 18,777 | (764) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,501) | 8,711 |
| Deferred gains or losses on hedges | 1,162 | (796) |
| Foreign currency translation adjustment | (9,975) | 913 |
| Remeasurements of defined benefit plans | 375 | 1,786 |
| Share of other comprehensive income of associates accounted for using equity method | (0) | (1) |
| Total other comprehensive income | (9,938) | 10,614 |
| Comprehensive income | 8,839 | 9,850 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 8,791 | 9,798 |
| Comprehensive income attributable to non-controlling interests | 47 | 52 |

(3) Consolidated Statement of Cash Flows

(Millions of yen)

| | Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015) | Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 30,918 | 14,896 |
| Depreciation and amortization | 28,288 | 24,580 |
| Impairment loss | 1,021 | 365 |
| Increase (decrease) in allowance for doubtful accounts | (501) | 8 |
| Increase (decrease) in provision for product warranties | (1,440) | (574) |
| Increase (decrease) in net defined benefit liability | 101 | 66 |
| Interest and dividends income | (2,625) | (2,590) |
| Equity in (earnings) losses of affiliates | (1,180) | (1,191) |
| Interest expenses | 1,021 | 893 |
| Loss (gain) on sales of non-current assets | 13 | (56) |
| Loss (gain) on sales of investment securities | (514) | (208) |
| Loss (gain) on valuation of investment securities | — | 2 |
| Decrease (increase) in notes and accounts receivable-trade | 6,053 | (8,547) |
| Decrease (increase) in inventories | (26,488) | 24,169 |
| Increase (decrease) in notes and accounts payable-trade | 10,437 | 3,095 |
| Increase (decrease) in advances received | 44,177 | 17,157 |
| Increase (decrease) in accrued expenses | (1,126) | 6,104 |
| Other, net | 4,719 | 15,150 |
| Subtotal | 92,874 | 93,322 |
| Interest and dividends income received | 2,901 | 3,763 |
| Interest expenses paid | (889) | (589) |
| Payment for loss on Competition Law | — | (1,307) |
| Income taxes (paid) refund | (11,857) | (8,113) |
| Net cash provided by (used in) operating activities | 83,028 | 87,075 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (16,701) | (16,757) |
| Proceeds from sales of property, plant and equipment | 238 | 185 |
| Purchase of investment securities | (5,255) | (6,166) |
| Proceeds from sales of investment securities | 641 | 235 |
| Purchase of shares of subsidiaries resulting in change in a scope of consolidation | (43,562) | (1,100) |
| Net decrease (increase) in loans receivable | (162) | (315) |
| Other, net | (23,829) | (11,739) |
| Net cash provided by (used in) investing activities | (88,630) | (35,659) |
| Net cash provided by (used in) financing activities | | |
| Proceeds from long-term loans payable | — | 38,952 |
| Repayments of long-term loans payable | — | (2,901) |
| Redemption of bonds | — | (10,000) |
| Cash dividends paid | (11,789) | (8,593) |
| Cash dividends paid to non-controlling interests | (24) | (45) |
| Other, net | (3,044) | (1,406) |
| Net cash provided by (used in) financing activities | (14,858) | 16,006 |
| Effect of exchange rate change on cash and cash equivalents | (5,635) | (1,884) |
| Net increase (decrease) in cash and cash equivalents | (26,095) | 65,536 |
| Cash and cash equivalents at beginning of period | 259,625 | 251,210 |
| Cash and cash equivalents at end of period | 233,529 | 316,747 |

(4) Notes to Consolidated Financial Statements

(Consolidated Statements of Income and Comprehensive Income)

※1. Gain on Valuation of Derivatives

Gain on valuation of derivatives was a valuation difference on cross currency interest rate swap transactions, which aimed at averting risks from fluctuations in foreign exchange and interest rates associated with the full amounts of loans denominated in foreign currency and interest. On the other hand, foreign exchange loss incurred from the underlying loans denominated in foreign currency.

※2. Restructuring Expenses

The Nikon Group is currently under a fundamental restructuring to improve its corporate value as shifting from a strategy pursuing revenue growth to one pursuing profit enhancement. In accordance with this restructuring, losses from inventory write-downs/ write-offs in the Semiconductor Lithography Business were recorded as restructuring expenses for the nine months ended December 31, 2016.

(5) Note regarding Going Concern Assumption

Not applicable

(6) Segment Information

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

For the nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

(Millions of yen)

| | Reportable Segments | | | | | Other [1] | Total | Reconciliation [2] | Consolidated Statement of Income [3] |
|---|---|---|---|---|---|---|---|---|---|
| | Precision Equipment | Imaging Products | Instru- ments | Medical | Total | | | | |
| Sales | | | | | | | | | |
| Outside customers | 113,462 | 423,009 | 52,586 | 10,409 | 599,467 | 17,030 | 616,497 | — | 616,497 |
| Intersegment sales or transfer | 235 | 336 | 781 | — | 1,352 | 15,474 | 16,827 | (16,827) | — |
| Total | 113,698 | 423,345 | 53,367 | 10,409 | 600,820 | 32,504 | 633,325 | (16,827) | 616,497 |
| Operating income (loss) | 3,523 | 42,613 | (192) | (3,981) | 41,962 | 2,394 | 44,357 | (19,114) | 25,242 |

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 381 million yen and corporate expenses of minus 19,495 million yen.
3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

For the nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

(Millions of yen)

| | Reportable Segments | | | | | Other [1] | Total | Reconciliation [2] | Consolidated Statement of Income [3] |
|---|---|---|---|---|---|---|---|---|---|
| | Precision Equipment | Imaging Products | Instru- ments | Medical | Total | | | | |
| Sales | | | | | | | | | |
| Outside customers | 187,486 | 300,817 | 47,868 | 13,906 | 550,078 | 15,814 | 565,893 | — | 565,893 |
| Intersegment sales or transfer | 204 | 518 | 636 | 70 | 1,429 | 15,852 | 17,281 | (17,281) | — |
| Total | 187,690 | 301,335 | 48,505 | 13,976 | 551,508 | 31,667 | 583,175 | (17,281) | 565,893 |
| Operating income (loss) | 42,013 | 24,204 | (2,252) | (3,914) | 60,050 | 2,837 | 62,888 | (20,705) | 42,182 |

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 321 million yen and corporate expenses of minus 21,027 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," 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 nine months ended December 31, 2015 decreased 893 million yen and 3,786 million yen, respectively.

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

Not applicable

(8) Subsequent Events

(Result of Solicitation for Voluntary Retirement)

Under the resolution of the Board of Directors' Meeting held on November 8, 2016, the Nikon Group sought applicants for voluntary retirement and decided as following on February 10, 2017.

1. Overview of Solicitation for Voluntary Retirement

| | | |
|---|---|---|
| (1) | Applied Companies: | Nikon Corporation and its domestic group companies |
| (2) | Eligible Applicants: | Employees aged 40 and over at March 31, 2017 and with service over five years (Criteria may differ by each group company) |
| (3) | Target Number of Applicants: | Approximately 1,000 persons |
| (4) | Application Period: | From January 30, 2017 to February 10, 2017 |
| (5) | Date of Retirement: | March 31, 2017 (March 30, 2017 for some group companies) |
| (6) | Preferential Treatment: | A special retirement benefit will be paid in addition to the normal retirement benefit. Re-employment support services will be also provided upon request. |

2. Result of Solicitation for Voluntary Retirement

The number of applicants: 1,143 persons

3. Future Outlook

Expenses expected to incur associated with this voluntary retirement are approximately 16.7 billion yen, and the expenses will be recorded as extraordinary loss in the fiscal year ending March 31, 2017.

(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)

| | | Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015) | Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) |
|---|---|---|---|
| Consolidated | Net sales | 617,390 | 822,915 |
| | Operating income | 29,029 | 36,701 |
| | Ordinary income | 35,224 | 42,870 |
| | Income before income taxes | 34,704 | 33,581 |
| | Net income attributable to owners of the parent | 21,461 | 22,192 |
| Precision Equipment | Net sales | 114,356 | 182,416 |
| | Operating income (loss) | 7,309 | 14,607 |

(As adjusted)

| | | Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015) | Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) |
|---|---|---|---|
| Consolidated | Net sales | 616,497 | 819,388 |
| | Operating income | 25,242 | 31,698 |
| | Ordinary income | 31,438 | 37,868 |
| | Income before income taxes | 30,918 | 28,578 |
| | Net income attributable to owners of the parent | 18,709 | 18,254 |
| Precision Equipment | Net sales | 113,462 | 178,888 |
| | Operating income (loss) | 3,523 | 9,605 |

(Effect of retrospective application of the change)

| | | Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015) | Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016) |
|---|---|---|---|
| Consolidated | Net sales | (893) | (3,527) |
| | Operating income | (3,786) | (5,002) |
| | Ordinary income | (3,786) | (5,002) |
| | Income before income taxes | (3,786) | (5,002) |
| | Net income attributable to owners of the parent | (2,752) | (3,937) |
| Precision Equipment | Net sales | (893) | (3,527) |
| | Operating income (loss) | (3,786) | (5,002) |