August 7, 2018

Consolidated Financial Results of the First Quarter Ended June 30, 2018 (IFRS)

Corporate Name: NIKON CORPORATION

Securities code number: 7731　　Stock exchange listings: Tokyo
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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 Quarter ended June 30, 2018 (From April 1, 2018 to June 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	%
Three months ended June 30, 2018	166,905	(2.0)	19,004	53.0	21,929	66.9	16,338	83.8	16,751	27.7
Three months ended June 30, 2017	170,324	0.6	12,419	(31.1)	13,142	(28.7)	8,891	(39.5)	13,116	—

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Three months ended June 30, 2018	41.23	41.10
Three months ended June 30, 2017	22.44	22.37

(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 June 30, 2018	1,130,415	581,583	580,948	51.4
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	—				
Year ending March 31, 2019 (Planned)		27.00	—	27.00	54.00

(Notes)　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
First Half ending September 30, 2018	332,000	1.1	27,000	17.3	28,000	30.5	19,000	36.3	47.95
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: Yes

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 estimate: None

(Note) For details, please refer to page 14, "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 quarter ended June 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 quarter ended June 30, 2018	4,655,764 shares
Year ended March 31, 2018	4,655,476 shares

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

First quarter ended June 30, 2018	396,223,268 shares
First quarter ended June 30, 2017	396,207,922 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

1. Performance and Financial Position

(1) Qualitative Information regarding Consolidated Operating Results

During the three months ended June 30, 2018, in the Imaging Products Business, the digital camera-interchangeable lens type market and 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 bioscience field saw a recovery primarily overseas, and in the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market continued to perform robustly.

Under these circumstances, although revenue for the three months ended June 30, 2018 decreased by 3,419 million yen (2.0%) year on year to 166,905 million yen, due to factors such as the significant growth in profit in the Imaging Products Business, increases were seen in: operating profit by 6,585 million yen (53.0%) year on year to 19,004 million yen, profit before income taxes by 8,787 million yen (66.9%) year on year to 21,929 million yen, and profit attributable to owners of the parent by 7,447 million yen (83.8%) year on year to 16,338 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.

In the Imaging Products Business, revenue declined year on year due to a decrease in unit sales of digital cameras overall. Operating profit, however, increased significantly as a result of strong sales of the D850, a digital SLR camera which optimizes the combination of high resolution and high-speed performance, as well as efforts made in cost improvement and reduction of expenses.

In the Precision Equipment Business, although unit sales of equipment for mid-to-small size panels decreased, revenue and profits increased in the FPD lithography system field due to growth in unit sales of equipment for large panels, including those that support the Gen 10.5 plate size. In the semiconductor lithography system field, revenue decreased due to lower unit sales of ArF immersion scanners. However, revenue and profits increased in the business overall.

In the Healthcare Business, the bioscience field saw a rise in sales, as market conditions improved mainly overseas. In the ophthalmic diagnosis field, sales remained at the level of the same period of the previous year due to solid sales of ultra-wide field retinal imaging devices. As a result, revenue increased in the business overall, and operating loss was kept to that of the same period of the previous year, in spite of the expansion in upfront investment in new business.

(2) Qualitative Information regarding Consolidated Financial Position

The balance of total assets as of June 30, 2018 increased 32,072 million yen from the end of the previous fiscal year to 1,130,415 million yen. This was mainly due to the increase of cash and cash equivalents by 19,138 million yen and inventories by 13,217 million yen.

The balance of total liabilities as of June 30, 2018 increased 24,030 million yen from the end of the previous fiscal year to 548,832 million yen. This was mainly because advances received rose by 23,900 million yen.

The balance of total equity as of June 30, 2018 increased 8,042 million yen from the end of the previous fiscal year to 581,583 million yen. This is mainly because retained earnings increased 7,703 million yen as a result of posting 16,338 million yen of profit attributable to owners of the parent despite dividends paid of 8,730 million yen.

During the three months ended June 30, 2018, for the cash flows from operating activities, net cash of 35,470 million yen was provided in operating activities, as profit before income taxes of 21,929 million yen was posted, and advances received increased by 22,874 million yen due to orders received for semiconductor lithography system. (Net cash of 1,106 million yen was used in the same period the previous fiscal year).

For the cash flows from investing activities, net cash used in investing activities was 7,830 million yen primarily due to the acquisition of property, plant and equipment. (Net cash of 8,622 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 8,860 million yen primarily due to the payment of dividends. (Net cash of 1,925 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 359 million yen.

As a result of the above, the balance of cash and cash equivalents as of June 30, 2018 rose by 19,138 million yen from the end of the previous fiscal year to 407,576 million yen.

(3) Qualitative Information regarding Consolidated Financial Forecasts

Regarding the consolidated financial forecast for the year ending March 31, 2019, operating profit in the Imaging Products Business for the first half and full year are expected to exceed the previous forecast due to the improvement in product mix, which is a result of focusing on high value-added products, in addition to the reduction of sales expenses and restructuring expenses. In the Precision Equipment Business, forecast for the full year remains the same as the previous, in spite of the delay in the installment of some lithography systems both in FPD lithography system field and semiconductor lithography system field from the first half to the second half. In the Industrial Metrology and Others, forecast for the full year remains the same as the previous, whereas operating profit for the first half is expected to exceed the previous forecast in reflection of its performance in the first quarter.

Based on these situations, the consolidated financial forecast announced on May 10, 2018 has been revised as follows:

Revised Consolidated Financial Forecast for the First Half Ending September 30, 2018

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

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent	Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	340,000	25,000	25,000	17,000	42.91
Revised Forecast (B)	332,000	27,000	28,000	19,000	47.95
Difference (B-A)	(8,000)	2,000	3,000	2,000	
Change (%)	(2.4%)	8.0%	12.0%	11.8%	
(Reference) First Half of the Year ended March 31, 2018	328,450	23,017	21,456	13,945	35.20

(Note) Foreign exchange rates for the forecasts are based on the premise: 1 USD = 107 Yen, 1 EUR = 130 Yen.

Revised Consolidated Financial Forecast for the Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent	Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	740,000	70,000	70,000	50,000	126.19
Revised Forecast (B)	740,000	74,000	76,000	53,000	133.76
Difference (B-A)	-	4,000	6,000	3,000	
Change (%)	-	5.7%	8.6%	6.0%	
(Reference) Year ended March 31, 2018	717,078	56,236	56,257	34,772	87.76

(Note) Foreign exchange rates for the forecasts are based on the premise: 1 USD = 106 Yen, 1 EUR = 130 Yen.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018	Changes
ASSETS			
Current assets			
Cash and cash equivalents	388,438	407,576	19,138
Trade and other receivables	104,526	98,363	(6,162)
Inventories	235,553	248,769	13,217
Other current financial assets	10,958	10,094	(864)
Other current assets	12,430	15,699	3,268
(Subtotal)	751,905	780,502	28,597
Non-current assets held for sale	2,277	2,245	(32)
Total current assets	754,182	782,746	28,564
Non-current assets			
Property, plant and equipment	118,761	118,201	(560)
Goodwill and intangible assets	60,985	61,047	61
Net defined benefit assets	5,706	5,699	(7)
Investments accounted for using the equity method	9,387	9,473	87
Other non-current financial assets	91,841	94,493	2,652
Deferred tax assets	53,355	54,486	1,132
Other non-current assets	4,126	4,269	143
Total non-current assets	344,161	347,668	3,507
Total assets	1,098,343	1,130,415	32,072

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018	Changes
LIABILITIES/ EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	118,701	119,026	325
Bonds and borrowings	12,200	12,200	—
Income tax payables	11,567	6,436	(5,131)
Advances received	176,631	200,531	23,900
Refund liabilities	—	11,944	11,944
Provisions	6,820	6,239	(580)
Other current financial liabilities	28,879	25,776	(3,103)
Other current liabilities	34,959	30,307	(4,651)
Total current liabilities	389,756	412,459	22,704
Non-current liabilities			
Bonds and borrowings	113,140	114,083	944
Net defined benefit liabilities	7,995	8,309	314
Provisions	4,844	4,974	130
Deferred tax liabilities	3,978	4,000	22
Other non-current financial liabilities	2,490	2,437	(53)
Other non-current liabilities	2,599	2,569	(31)
Total non-current liabilities	135,046	136,373	1,326
Total liabilities	524,802	548,832	24,030
EQUITY			
Capital stock	65,476	65,476	—
Capital surplus	81,333	81,383	50
Treasury stock	(13,152)	(13,153)	(0)
Other components of equity	(18,310)	(18,023)	287
Retained earnings	457,561	465,264	7,703
Equity attributable to owners of the parent	572,908	580,948	8,040
Non-controlling interests	633	635	2
Total equity	573,541	581,583	8,042
Total liabilities and equity	1,098,343	1,130,415	32,072

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

Condensed Consolidated Statement of Profit or Loss

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)		Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)		Changes
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)
Revenue	170,324	100.0	166,905	100.0	(3,419)
Cost of sales	(99,188)	(58.2)	(91,797)	(55.0)	7,391
Gross profit	71,136	41.8	75,108	45.0	3,972
Selling, general and administrative expenses	(59,360)		(56,587)		2,773
Other income	943		1,221		277
Other expenses	(300)		(738)		(438)
Operating Profit	12,419	7.3	19,004	11.4	6,585
Finance income	1,418		3,053		1,635
Finance costs	(987)		(555)		432
Share of the profit of investments accounted for using the equity method	293		427		134
Profit before income taxes	13,142	7.7	21,929	13.1	8,787
Income tax expenses	(4,217)		(5,553)		(1,336)
Profit for the period	8,925	5.2	16,376	9.8	7,451
Attributable to:					
Owners of the parent	8,891	5.2	16,338	9.8	7,447
Non-controlling interests	34		39		4
Profit for the period	8,925	5.2	16,376	9.8	7,451
Earnings per share:					
Basic earnings per share (Yen)	22.44		41.23		
Diluted earnings per share (Yen)	22.37		41.10		

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)	Changes
Profit for the period	8,925	16,376	7,451
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain (loss) on financial assets measured at fair value through other comprehensive income	925	417	(508)
Share of other comprehensive income (loss) of investments accounted for using the equity method	1	1	0
Total of items that will not be reclassified subsequently to profit or loss	926	418	(508)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	3,819	(25)	(3,845)
Effective portion of the change in fair value on cash flow hedges	(627)	(26)	601
Share of other comprehensive income (loss) of investments accounted for using the equity method	73	9	(64)
Total of items that may be reclassified subsequently to profit or loss	3,265	(43)	(3,308)
Other comprehensive income, net of taxes	4,191	375	(3,816)
Total comprehensive income for the period	13,116	16,751	3,635
Attributable to:			
Owners of the parent	13,075	16,720	3,645
Non-controlling interests	41	31	(10)
Total comprehensive income for the period	13,116	16,751	3,635

(3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent				
				Other components of equity	
	Capital stock	Capital surplus	Treasury stock	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	—	—	—	925	74
Total comprehensive income for the period	—	—	—	925	74
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	—	(1)	—	—
Share-based payments	—	35	25	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,804	—
Total transactions with owners	—	35	25	1,804	—
As of June 30, 2017	65,476	81,198	(13,190)	10,088	(484)

As of April 1, 2018	65,476	81,333	(13,152)	12,726	(799)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	417	10
Total comprehensive income for the period	—	—	—	417	10
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(0)	—	—
Share-based payments	—	50	—	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(95)	—
Total transactions with owners	—	50	(0)	(95)	—
As of June 30, 2018	65,476	81,383	(13,153)	13,048	(789)

(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	—	—	—	8,891	8,891	34	8,925
Other comprehensive income	3,813	(627)	4,184	—	4,184	7	4,191
Total comprehensive income for the period	3,813	(627)	4,184	8,891	13,075	41	13,116
Dividends	—	—	—	(1,587)	(1,587)	(51)	(1,638)
Acquisition and disposal of treasury stock	—	—	—	—	(1)	—	(1)
Share-based payments	—	—	—	—	60	—	60
Changes in the ownership interest in subsidiaries	—	—	—	—	—	21	21
Transfer from other components of equity to retained earnings	—	—	1,804	(1,804)	—	—	—
Total transactions with owners	—	—	1,804	(3,391)	(1,527)	(30)	(1,558)
As of June 30, 2017	(28,210)	(789)	(19,393)	434,981	549,071	637	549,708

As of April 1, 2018	(30,406)	169	(18,310)	457,561	572,908	633	573,541
Profit for the period	—	—	—	16,338	16,338	39	16,376
Other comprehensive income	(18)	(26)	382	—	382	(7)	375
Total comprehensive income for the period	(18)	(26)	382	16,338	16,720	31	16,751
Dividends	—	—	—	(8,730)	(8,730)	(35)	(8,764)
Acquisition and disposal of treasury stock	—	—	—	—	(1)	—	(1)
Share-based payments	—	—	—	—	50	—	50
Changes in the ownership interest in subsidiaries	—	—	—	—	—	6	6
Transfer from other components of equity to retained earnings	—	—	(95)	95	—	—	—
Total transactions with owners	—	—	(95)	(8,635)	(8,680)	(29)	(8,709)
As of June 30, 2018	(30,424)	142	(18,023)	465,264	580,948	635	581,583

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Cash flows from operating activities:		
Profit before income taxes	13,142	21,929
Depreciation and amortization	7,703	6,809
Impairment losses	―	34
Interest and dividends income	(1,207)	(1,760)
Share of the (profit) loss of investments accounted for using the equity method	(293)	(427)
Losses (gains) on sales of property, plant and equipment	(5)	(11)
Interest expenses	357	347
Decrease (increase) in trade and other receivables	4,617	9,759
Decrease (increase) in inventories	(4,127)	(13,107)
Increase (decrease) in trade and other payables	(3,173)	1,361
Increase (decrease) in advances received	4,740	22,874
Increase (decrease) in provisions	507	(596)
Increase (decrease) in net defined benefit assets and liabilities	(347)	219
Others, net	(3,778)	(1,584)
Subtotal	18,137	45,847
Interest and dividend income received	1,215	1,372
Interest paid	(85)	(34)
Additional retirement benefits paid (Note)	(16,648)	―
Income taxes (paid) refund	(3,726)	(11,716)
Net cash provided by (used in) operating activities	(1,106)	35,470
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,435)	(5,582)
Proceeds from sales of property, plant and equipment	21	43
Purchases of intangible assets	(2,003)	(1,907)
Purchase of investment securities	(2,461)	(813)
Proceeds from sales of investment securities	1,075	―
Transfer to time deposits	(676)	(1,772)
Proceeds from withdrawal from time deposits	859	2,401
Others, net	(2)	(200)
Net cash used in investing activities	(8,622)	(7,830)
Cash flows from financing activities:		
Repayment of long-term borrowings and bonds	(1)	―
Cash dividends paid	(1,558)	(8,549)
Cash dividends paid to non-controlling interests	(51)	(35)
Others, net	(315)	(276)
Net cash used in financing activities	(1,925)	(8,860)
Effect of exchange rate changes on cash and cash equivalents	1,788	359
Net increase (decrease) in cash and cash equivalents	(9,865)	19,138
Cash and cash equivalents at the beginning of the period	319,046	388,438
Cash and cash equivalents at the end of the period	309,181	407,576

(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. In addition, the Group identifies refund liabilities and advances received from customers as contract liabilities. Liabilities for rebates, which had previously been included in other financial liabilities under current liabilities, are presented as refund liabilities from the three months ended June 30, 2018. Advances received from customers are presented as advances received under current liabilities, as presented in the prior periods.

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 three months ended June 30, 2018 decreased by 2,084 million yen and 2,080 million yen, respectively. However, these changes have no effect on the profit for the period.

In addition, compared with the former accounting standard, for the condensed consolidated statement of financial position as of the beginning and end of the three months ended June 30, 2018, the other financial liabilities under current liabilities decreased by 5,394 million yen and 6,770 million yen, respectively; the other current liabilities under current liabilities decreased by 1,451 million yen and 1,986 million yen, respectively;

trade and other receivables under current assets increased by 2,692 million yen and 2,879 million yen, respectively; and refund liabilities under current liabilities increased by 9,946 million yen and 11,944 million yen, respectively.

(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.

(Regarding Revision of Reportable Business Segments)

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

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

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

The segment information for the three months ended June 30, 2017, has been prepared based on the revised business segments.

(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 segment is as follows.

For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)
Revenue							
External customers	90,910	55,200	11,076	13,139	170,324	―	170,324
Intersegment	126	73	63	13,090	13,352	(13,352)	―
Total	91,036	55,272	11,139	26,229	183,676	(13,352)	170,324
Segment profit (loss)	7,660	13,195	(2,036)	(605)	18,214	(5,796)	12,419
Finance income							1,418
Finance costs							(987)
Shares of the profit of investments accounted for using equity method							293
Profit before income taxes							13,142

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 560 million yen and corporate profit (loss) of minus 6,356 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 three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)
Revenue							
External customers	79,127	59,022	13,333	15,422	166,905	―	166,905
Intersegment	257	80	40	15,671	16,049	(16,049)	―
Total	79,384	59,102	13,374	31,094	182,953	(16,049)	166,905
Segment profit (loss)	12,413	14,117	(2,144)	1,164	25,550	(6,546)	19,004
Finance income							3,053
Finance costs							(555)
Shares of the profit of investments accounted for using equity method							427
Profit before income taxes							21,929

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 minus 307 million yen and corporate profit (loss) of minus 6,239 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.