



November 7, 2019

## Consolidated Financial Results of the First Half Ended September 30, 2019 (IFRS)

### Corporate Name: NIKON CORPORATION

Securities code number: 7731

Stock exchange listings: Tokyo

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Preparation of supplementary materials for quarterly financial results: Yes

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

(Amounts are rounded to the nearest millions of yen)

### 1. Consolidated Results of the First Half ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

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

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Total Comprehensive Income for the Period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half ended September 30, 2019	291,052	(13.3)	17,504	(42.9)	20,138	(40.6)	16,343	(28.4)	7,511	(77.2)
First half ended September 30, 2018	335,748	2.2	30,641	33.1	33,890	58.0	22,822	63.7	32,922	25.0

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
First half ended September 30, 2019	41.70	41.55
First half ended September 30, 2018	57.60	57.41

#### (2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent to Total Assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2019	1,107,487	602,511	601,726	54.3
As of March 31, 2019	1,134,985	616,726	615,920	54.3

### 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, 2019	—	30.00	—	30.00	60.00
Year ending March 31, 2020	—	30.00			
Year ending March 31, 2020 (Planned)			—	30.00	60.00

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

3. Consolidated Financial Forecasts for the Year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)  
(Percentage represents comparison changes to the same period the previous year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	620,000	(12.5)	20,000	(75.8)	23,000	(73.8)	17,000	(74.4)	43.26

(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 estimates: None

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

(3) Number of shares issued (Common stock)

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

First half ended September 30, 2019	400,878,921 shares
Year ended March 31, 2019	400,878,921 shares

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

First half ended September 30, 2019	11,278,945 shares
Year ended March 31, 2019	4,620,047 shares

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

First half ended September 30, 2019	391,934,195 shares
First half ended September 30, 2018	396,225,345 shares

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

※ Appropriate use of business forecasts; other special items

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

## Contents

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

## 1. Performance and Financial Position

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

During the first half ended September 30, 2019 (from April 1, 2019 to September 30, 2019), the economic situation in Japan saw a continued gradual recovery trend supported by steady personal consumption and an increase in capital investment. The U.S. economy continued its recovery due to solid personal consumption stimulated by improved employment, and the European economy also continued a gradual recovery owing to steady personal consumption, despite issues related to Brexit. The Chinese economy was on a slowdown trend due to trade friction between the U.S. and China.

Looking at conditions by business segment, in the Imaging Products Business, the digital camera-interchangeable lens type market and the compact digital camera market continued to shrink. In the Precision Equipment Business, capital investments for mid-to-small size panels have settled, and capital investments for large-size panels were steady in the FPD-related field. A lull was seen in capital investments in the semiconductor-related field due to the slowdown in the semiconductor market. In the Healthcare Business, performance was solid in both the bioscience field and the ophthalmic diagnosis field.

Under the new medium-term management plan announced in May 2019, the Group has carried out various measures with the aim of establishing a foundation for sustainable improvement in enterprise value.

First, in order to generate new core pillars of profit, the Group focused on launching the Material Processing Business, which mainly specializes in 3D printers and laser processing systems, and promoted the development and marketing of optical processing machine series. In addition, in order to improve the profitability of existing businesses, the Group reconsidered the production and marketing structure and promoted "high value-added businesses" in its three core businesses of Imaging Products Business, FPD Lithography Business, and Semiconductor Lithography Business. Furthermore, as part of the governance reform, the Group took the initiative to increase the diversity of its external directors in order to invigorate the Board of Directors, and to establish a Nominating Committee primarily for the purpose of nominating the president and training successors.

Under these circumstances, during the first half ended September 30, 2019, decreases were seen in the following: revenue by 44,696 million yen (13.3%) year on year to 291,052 million yen, operating profit by 13,137 million yen (42.9%) year on year to 17,504 million yen, profit before income taxes by 13,752 million yen (40.6%) year on year to 20,138 million yen, and profit attributable to owners of the parent by 6,479 million yen (28.4%) year on year to 16,343 million yen.

Performance by segment is as follows.

#### 1) Imaging Products Business

For the digital camera-interchangeable lens type, the Group made efforts to increase sales of full-frame mirrorless cameras and their interchangeable lenses, which led to the growth in unit sales of high-class cameras year on year.

For the compact digital cameras, the Group focused on sales of high value-added products such as the COOLPIX P1000, which is equipped with a 125x optical zoom lens.

However, overall unit sales of both digital camera-interchangeable lens type and compact digital cameras fell amidst the shrinking market.

As a result, revenue for the Imaging Products Business decreased by 21.1% year on year to 119,054 million yen, and operating profit fell by 84.7% year on year to 2,026 million yen.

#### 2) Precision Equipment Business

In the FPD lithography system field, although unit sales grew for equipment that supports the Gen 10.5 plate size, revenue and profits fell due to the decrease in overall unit sales.

In the semiconductor lithography system field, the increase in unit sales of ArF immersion scanners led to a rise in revenue and profits.

As a result, revenue for the Precision Equipment Business decreased by 5.3% year on year to 115,174 million yen, and operating profit fell by 14.8% year on year to 25,412 million yen.

### 3) Healthcare Business

Revenue fell in the bioscience field due to a decrease in sales of biological microscopes.

For the ophthalmic diagnosis field, revenue rose due to steady sales of ultra-wide field retinal imaging devices.

As a result, revenue for the Healthcare Business increased by 2.3% year on year to 30,093 million yen. Refined investment targets contributed to reducing operating loss to 1,223 million yen (compared to an operating loss of 2,374 million yen in the same period of the previous fiscal year).

### 4) Industrial Metrology and Others

In the Industrial Metrology Business, revenue declined due to sluggish market conditions in Asia, primarily China, and the postponement of sales of some systems.

In the Customized Products Business, although revenue for solid-state lasers and optical components increased, overall revenue decreased due to a decline in revenue for customized equipment.

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

As a result, revenue for the Industrial Metrology and Others decreased by 20.7% year on year to 26,731 million yen, and operating profit fell by 10.9% year on year to 2,486 million yen.

## (2) Qualitative Information regarding Consolidated Financial Position

The balance of total assets as of September 30, 2019 decreased 27,497 million yen from the end of the previous fiscal year to 1,107,487 million yen. This was mainly because while increases were seen in inventories by 17,317 million yen and in right-of-use assets by 17,948 million yen, decreases were seen in cash and cash equivalents by 31,814 million yen and in trade and other receivables by 30,081 million yen.

The balance of total liabilities as of September 30, 2019 decreased 13,282 million yen from the end of the previous fiscal year to 504,977 million yen. This was primarily because while the total of other current financial liabilities and other non-current financial liabilities rose by 11,854 million yen mainly due to the increase of lease liabilities, trade and other payables fell by 17,133 million yen, and other current liabilities decreased by 7,014 million yen mainly due to the decrease of accrued expenses.

The balance of total equity as of September 30, 2019 decreased 14,215 million yen from the end of the previous fiscal year to 602,511 million yen. This was mainly because while retained earnings increased 5,027 million yen as a result of posting profit attributable to owners of the parent despite dividends paid, treasury stock increased 9,978 million yen primarily due to the repurchasing of own shares, and other components of equity fell by 9,417 million yen due to the decrease in exchange differences on translation of foreign operations and the selling of investment securities.

During the first half ended September 30, 2019, for the cash flows from operating activities, net cash of 18,911 million yen was provided in operating activities, as profit before income taxes of 20,138 million yen and depreciation and amortization of 16,807 million yen were posted, and settlement from legal proceedings over patents was received. However on the contrary, increases were seen in inventories, and decreases were seen in trade and other payables. (Net cash of 51,828 million yen was provided in the same period the previous fiscal year).

For the cash flows from investing activities, net cash used in investing activities was 15,060 million yen, primarily owing to the purchases of property, plant and equipment and intangible assets, in addition to the purchases of investment securities, in spite of the proceeds from sales of property, plant and equipment of 4,017 million yen. (Net cash of 20,598 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 27,651 million yen, mainly due to the payment of dividends and the repurchasing of own shares. (Net cash of 9,251 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 decreased 8,014 million yen.

As a result of the above, the balance of cash and cash equivalents as of September 30, 2019 fell by 31,814 million yen from the end of the previous fiscal year to 379,241 million yen.

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

Regarding the business environment for the fiscal year ending March 31, 2020, in the Imaging Products Business, both the digital camera-interchangeable lens type market and the compact digital camera market are forecast to continue to shrink. For the Precision Equipment Business, in the FPD-related field, capital investments for mid-to-small size panels are expected to stay stabilized, and some postponements are expected in capital investments for large-size panels. A lull is expected for capital investments in the semiconductor-related field due to a slowdown in the semiconductor market. For the Healthcare Business, market conditions for the bioscience field are expected to remain steady, and sales are expected to grow in new businesses related to contract cell manufacturing and stem cells. In the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market is forecast to remain solid, mainly overseas.

The consolidated financial forecast for the year ending March 31, 2020 is revised as stated in the “Revision of the Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2020,” announced simultaneously, on November 7, 2019.

#### Revised Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	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)	670,000	52,000	55,000	42,000	106.89
Revised Forecast (B)	620,000	20,000	23,000	17,000	43.26
Difference (B-A)	(50,000)	(32,000)	(32,000)	(25,000)	-
Change (%)	(7.5)%	(61.5)%	(58.2)%	(59.5)%	-
(Reference) The Fiscal Year ended March 31, 2019	708,660	82,653	87,915	66,513	167.86

In the Imaging Products Business, although the performance for the second quarter of the fiscal year mostly resulted as planned, further contraction and competition of the market is expected compared to the initial forecast of the fiscal year. As a result, the sales plan for the second half of the fiscal year is reviewed, and revenue is revised downward by 25,000 million yen. Operating profit is also revised downward by 22,000 million yen due to factors such as the decline in revenue, the posting of restructuring relevant expenses of 5,000 million yen which aims to shift the business to one that maintains profitability in light of the further shrinking market, lower factory operation rates, and negative impacts of the exchange rate. In the Precision Equipment Business, some sales of the FPD lithography system and the semiconductor lithography system are expected to be shifted to the next fiscal year due to customer discretion and typhoon damages in Japan, resulting in the downward revision of revenue by 15,000 million yen and operating profit by 5,000 million yen. In the Industrial Metrology Business and Others, the delay in capital investment plans by customers mainly in Asia, such as China, has resulted in the review of the sales plan of related products and the downward revision of the previous forecast of revenue by 10,000 million yen and operating profit by 2,000 million yen. In addition, corporate profit (loss) which cannot be attributable to any reportable segments is also revised downward by 3,000 million yen, mainly due to the additional posting of restructuring relevant expenses.

Based on these situations, the consolidated financial forecast announced on August 6, 2019 is revised as above. Foreign exchange rates for the forecast from the third quarter of the fiscal year are based on the premise:

1 USD = 105 Yen, 1 EUR = 120 Yen.

## 2. Condensed Consolidated Financial Statements

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

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019	Changes
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	411,055	379,241	(31,814)
Trade and other receivables	115,847	85,766	(30,081)
Inventories	253,336	270,652	17,317
Other current financial assets	3,145	3,446	301
Other current assets	15,306	15,879	572
Total current assets	798,689	754,984	(43,705)
Non-current assets			
Property, plant and equipment	116,119	111,806	(4,313)
Right-of-use assets	—	17,948	17,948
Goodwill and intangible assets	59,176	56,183	(2,993)
Net defined benefit assets	5,097	5,015	(82)
Investments accounted for using the equity method	9,748	10,389	641
Other non-current financial assets	91,263	94,108	2,845
Deferred tax assets	51,383	53,739	2,356
Other non-current assets	3,508	3,314	(194)
Total non-current assets	336,296	352,503	16,207
Total assets	1,134,985	1,107,487	(27,497)



(Millions of yen)

	As of March 31, 2019	As of September 30, 2019	Changes
<b>LIABILITIES / EQUITY</b>			
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	96,493	79,360	(17,133)
Bonds and borrowings	14,400	12,150	(2,250)
Income tax payables	8,222	6,712	(1,510)
Advances received	192,862	196,781	3,919
Provisions	5,619	5,170	(449)
Other current financial liabilities	27,006	29,708	2,702
Other current liabilities	38,961	31,947	(7,014)
Total current liabilities	383,564	361,828	(21,736)
Non-current liabilities			
Bonds and borrowings	112,010	111,361	(648)
Net defined benefit liabilities	9,031	9,662	630
Provisions	4,944	5,039	95
Deferred tax liabilities	4,063	3,456	(607)
Other non-current financial liabilities	2,140	11,292	9,152
Other non-current liabilities	2,507	2,339	(169)
Total non-current liabilities	134,695	143,149	8,454
<b>Total liabilities</b>	<b>518,259</b>	<b>504,977</b>	<b>(13,282)</b>
<b>EQUITY</b>			
Capital stock	65,476	65,476	—
Capital surplus	81,424	81,598	174
Treasury stock	(13,044)	(23,022)	(9,978)
Other components of equity	(19,992)	(29,409)	(9,417)
Retained earnings	502,056	507,083	5,027
Equity attributable to owners of the parent	615,920	601,726	(14,194)
Non-controlling interests	806	785	(21)
<b>Total equity</b>	<b>616,726</b>	<b>602,511</b>	<b>(14,215)</b>
<b>Total liabilities and equity</b>	<b>1,134,985</b>	<b>1,107,487</b>	<b>(27,497)</b>

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

	First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)		First half ended September 30, 2019 (from April 1, 2019 to September 30, 2019)		Changes  (Millions of yen)
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	
Revenue	335,748	100.0	291,052	100.0	(44,696)
Cost of sales	(188,708)	(56.2)	(174,644)	(60.0)	14,064
Gross profit	147,039	43.8	116,408	40.0	(30,631)
Selling, general and administrative expenses	(116,110)		(101,460)		14,650
Other income	1,701		5,203		3,502
Other expenses	(1,990)		(2,647)		(657)
Operating Profit	30,641	9.1	17,504	6.0	(13,137)
Finance income	4,144		2,621		(1,524)
Finance costs	(1,832)		(1,025)		807
Share of the profit of investments accounted for using the equity method	937		1,039		102
Profit before income taxes	33,890	10.1	20,138	6.9	(13,752)
Income tax expenses	(11,001)		(3,743)		7,258
Profit for the period	22,889	6.8	16,396	5.6	(6,494)
Attributable to:					
Owners of the parent	22,822	6.8	16,343	5.6	(6,479)
Non-controlling interests	68		53		(15)
Profit for the period	22,889	6.8	16,396	5.6	(6,494)
Earnings per share:					
Basic earnings per share (Yen)	57.60		41.70		
Diluted earnings per share (Yen)	57.41		41.55		

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)	First half ended September 30, 2019 (from April 1, 2019 to September 30, 2019)	Changes
Profit for the period	22,889	16,396	(6,494)
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	3,117	(286)	(3,404)
Share of other comprehensive income of investments accounted for using the equity method	(2)	(5)	(2)
Total of items that will not be reclassified subsequently to profit or loss	3,115	(291)	(3,406)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	7,414	(8,587)	(16,000)
Effective portion of the change in fair value on cash flow hedges	(536)	40	576
Share of other comprehensive income of investments accounted for using the equity method	40	(46)	(87)
Total of items that may be reclassified subsequently to profit or loss	6,917	(8,593)	(15,511)
Other comprehensive income, net of taxes	10,032	(8,885)	(18,917)
Total comprehensive income for the period	32,922	7,511	(25,411)
Attributable to:			
Owners of the parent	32,867	7,515	(25,352)
Non-controlling interests	55	(4)	(59)
Total comprehensive income for the period	32,922	7,511	(25,411)

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

(Millions of yen)

	Equity attributable to owners of the parent				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Gain (loss) on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using the equity method
As of April 1, 2018	65,476	81,333	(13,152)	12,726	(799)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	3,117	38
Total comprehensive income for the period	—	—	—	3,117	38
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(6)	21	—	—
Share-based payments	—	85	—	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(95)	—
Total transactions with owners	—	79	21	(95)	—
As of September 30, 2018	65,476	81,413	(13,131)	15,748	(761)

As of April 1, 2019	65,476	81,424	(13,044)	8,544	(835)
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	(274)	(51)
Total comprehensive income for the period	—	—	—	(274)	(51)
Dividends	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(10,001)	—	—
Share-based payments	—	174	23	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(589)	—
Total transactions with owners	—	174	(9,978)	(589)	—
As of September 30, 2019	65,476	81,598	(23,022)	7,681	(886)

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

As of April 1, 2019	(27,723)	21	(19,992)	502,056	615,920	806	616,726
Profit for the period	—	—	—	16,343	16,343	53	16,396
Other comprehensive income	(8,542)	40	(8,828)	—	(8,828)	(57)	(8,885)
Total comprehensive income for the period	(8,542)	40	(8,828)	16,343	7,515	(4)	7,511
Dividends	—	—	—	(11,905)	(11,905)	(42)	(11,947)
Acquisition and disposal of treasury stock	—	—	—	—	(10,001)	—	(10,001)
Share-based payments	—	—	—	—	197	—	197
Changes in the ownership interest in subsidiaries	—	—	—	—	—	26	26
Transfer from other components of equity to retained earnings	—	—	(589)	589	—	—	—
Total transactions with owners	—	—	(589)	(11,316)	(21,709)	(17)	(21,726)
As of September 30, 2019	(36,265)	61	(29,409)	507,083	601,726	785	602,511

## (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	First half ended September 30, 2018 (from April 1, 2018 to September 30, 2018)	First half ended September 30, 2019 (from April 1, 2019 to September 30, 2019)
Cash flows from operating activities:		
Profit before income taxes	33,890	20,138
Depreciation and amortization	13,759	16,807
Impairment losses	34	161
Interest and dividend income	(2,633)	(2,014)
Share of the (profit) loss of investments accounted for using the equity method	(937)	(1,039)
Losses (gains) on sales of property, plant and equipment	(55)	(3,993)
Interest expenses	736	924
Decrease (increase) in trade and other receivables	12,174	29,337
Decrease (increase) in inventories	(23,392)	(21,261)
Increase (decrease) in trade and other payables	1,949	(15,456)
Increase (decrease) in advances received	27,376	5,958
Increase (decrease) in provisions	(1,140)	(142)
Others, net	1,208	(3,476)
Subtotal	62,968	25,945
Interest and dividend income received	2,988	2,457
Interest expenses paid	(667)	(900)
Income taxes (paid) refund	(13,461)	(8,591)
Net cash provided by operating activities	51,828	18,911
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,350)	(10,200)
Proceeds from sales of property, plant and equipment	139	4,017
Purchase of intangible assets	(4,152)	(3,101)
Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope	(2,354)	—
Purchase of investment securities	(4,048)	(5,998)
Proceeds from sales of investment securities	441	—
Transfer to time deposits	(1,057)	(743)
Proceeds from withdrawal from time deposits	2,617	376
Others, net	166	589
Net cash used in investing activities	(20,598)	(15,060)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	—	(2,250)
Repayments of lease obligations	(430)	(3,510)
Cash dividends paid	(8,726)	(11,891)
Cash dividends paid to non-controlling interests	(40)	(42)
Purchase of treasury shares	(2)	(10,001)
Others, net	(53)	44
Net cash used in financing activities	(9,251)	(27,651)
Effect of exchange rate changes on cash and cash equivalents	4,753	(8,014)
Net increase (decrease) in cash and cash equivalents	26,732	(31,814)
Cash and cash equivalents at the beginning of the period	388,438	411,055
Cash and cash equivalents at the end of the period	415,170	379,241

(5) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

The Group adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the three months ended June 30, 2019.

		Summaries of new standards and amendments
IFRS 16	Leases	Accounting and relevant disclosure requirements for leases

In transitioning to IFRS 16, the Group chose the practical expedient detailed in IFRS 16 paragraph C3 and grandfathered its assessments of whether contracts are lease contracts or contracts that contain leases based on IAS 17 “Leases” (hereinafter, “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.” For contracts with lease commencement dates after the date of application, assessments have been based on IFRS 16.

For leases that were previously classified as finance leases under IAS 17 and in which the Group was the lessee, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application of IFRS 16 were the carrying amounts of lease assets and lease liabilities based on IAS 17 as of March 31, 2019.

For leases that were previously classified as operating leases under IAS 17 and in which the Group was the lessee, the right-of-use assets and lease liabilities were recognized at the date of initial application in accordance with IFRS 16 paragraph C8. Lease liabilities were measured at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average of the lessee’s incremental borrowing rate was 0.9%. Right-of-use assets were initially measured at the initial measurement amount of the lease liability and were adjusted for factors such as prepaid lease payments. In addition, the Group applied the following practical expedients in the application of IFRS 16.

- As an alternative to performing an impairment review, the Group relied on its assessment of whether leases are onerous in accordance with IAS 37 “Provision, Contingent Liabilities and Contingent Assets” immediately before the date of initial application.
- Leases with lease terms that will end within 12 months of the date of initial application were accounted for in the same way as short-term leases.
- Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.

Upon the adoption of IFRS 16, the Group retrospectively recognized the cumulative effect of initial application as a transitional measure in accordance with IFRS 16 paragraph C5 (b), which was recognized at the date of initial application (April 1, 2019). The following table is a reconciliation of non-cancellable operating lease contracts under IAS 17 as of March 31, 2019 and lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application.

	(Millions of yen)
Non-cancellable operating lease contracts	4,523
(a) Finance lease liabilities as of March 31, 2019	2,582
(b) Cancellable operating lease contracts	14,169
(c) Leases accounted as short-term leases or leases of low-value assets	(1,717)
Lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application	19,557

(Note) Lease liabilities are included in other current financial liabilities and other non-current financial liabilities in the condensed consolidated statement of financial position.

(Segment Information)

(1) Outline of Reportable Business Segments

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

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

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

(2) Information on Reportable Business Segments

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

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



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

(Millions of yen)

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

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 12 million yen and corporate profit (loss) of minus 12,880 million yen. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments.

For the First Half ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated	
Revenue								
External customers	119,054	115,174	30,093	26,731	291,052	—	291,052	
Intersegment	433	208	88	30,301	31,031	(31,031)	—	
Total	119,487	115,382	30,181	57,032	322,083	(31,031)	291,052	
Segment profit (loss)	2,026	25,412	(1,223)	2,486	28,701	(11,197)	17,504	
Finance income								2,621
Finance costs								(1,025)
Shares of the profit of investments accounted for using the equity method								1,039
Profit before income taxes								20,138

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. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus 1,730 million yen, cumulative translation differences of minus 1,753 million yen reclassified to profit or loss due to the liquidation of a foreign subsidiary, and corporate profit (loss) of minus 7,714 million yen. Out of the corporate profit (loss) of minus 7,714 million yen, gains from sales of land of 3,888 million yen are recognized in other income reported in the condensed consolidated statement of profit or loss. 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.

(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.

(Significant Subsequent Event)

The Company has resolved at the meeting of its Board of Directors held on November 7, 2019, to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan as applicable through Article 165, Paragraph 3 of the Act, and to cancel treasury stock pursuant to Article 178 of the Companies Act of Japan.

1. Reason for the Repurchase of Own Shares

The Company has decided to repurchase its own shares to enhance shareholder returns, while improving capital efficiency and ensuring a flexible capital policy.

2. Details of the Repurchase of Own Shares

- |   |   |
|---|---|
| (1) Type of stock to be repurchased:          | Common Stock  |
| (2) Total number of shares to be repurchased: | Up to 36 million shares<br>(Equivalent to 9.2% of outstanding shares, excluding treasury stock) |
| (3) Total repurchase amount:                  | Up to 30 billion yen  |
| (4) Repurchase Period:                        | From November 8, 2019 to March 24, 2020   |

3. Details of the Cancellation of Treasury Stock

- |   |   |
|---|---|
| (1) Type of stock to be cancelled:          | Common Stock  |
| (2) Total number of shares to be cancelled: | All the shares of common stock to be repurchased in accordance with section 2 above |
| (3) Scheduled Date of Cancellation:         | March 31, 2020  |