Nikon

Nikon 100th anniversary

NIKON REPORT 2017

Year Ended March 31, 2017

Unlock the future with the power of light

Tying 100 years of appreciation to the challenges for next 100 years

Nikon celebrated the 100th anniversary of its founding on July 25, 2017.
We deeply express our sincere gratitude to the customers and all of the other stakeholders that have supported our growth up until today.

Standing at the milestone represented by our 100th anniversary, we have established our new vision and defined the qualities of mind we wish to hold over Nikon's next 100 years.
Following our corporate philosophy of "Trustworthiness and Creativity," we hold a new vision of building the foundations for the next 100 years.

Nikon Report 2017 focuses largely on the restructuring plan commenced in November 2016, its progress, and our outlook for the future.
We kindly ask all of our stakeholders, including shareholders and investors, to read this report.

Our Philosophy

Trustworthiness and Creativity

Our corporate philosophy is "Trustworthiness and Creativity."
These are simple words, but they are not easily put into practice.
These important words represent unchanging principles to which we will always be dedicated.

Our Vision

Unlock the future with the power of light

Unleashing the limitless possibilities of light.
Striving to brighten the human experience.
Focused, with purpose, on a better future for all.
THIS IS THE ESSENCE OF NIKON.

Our Qualities of Mind

Curiosity

We show our passion for progress through a wide range of interests to cultivate fresh ideas.

Acceptance

We warmly embrace diverse ideas and delight in differences among people and cultures.

Inspirational Power

We share our ideas with infectious enthusiasm to effect positive change in the world.

The photograph on this page shows a synthetic silica glass ingot manufactured by Nikon.

This ingot is on display at the Nikon Museum, which was opened in 2015 in light of the then upcoming 100th anniversary.

BUSINESS STRATEGY

SPECIAL FEATURE

BUSINESS PERFORMANCE

CORPORATE GOVERNANCE

SUSTAINABILITY

FINANCIAL AND CORPORATE DATA

Statements contained in this report regarding the plans, projections, and strategies of Nikon Corporation and its subsidiaries and affiliates that comprise the Nikon Group that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that is obtainable at the time of announcement in compliance with the Nikon Group’s management policies and certain premises that are deemed reasonable by the Nikon Group. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, product and service demand trends, customer capital expenditure trends, and currency exchange rate fluctuations.

This report covers the activities of domestic and overseas Nikon Group companies, centered on Nikon Corporation. In principle, the terms “the Company” and “Nikon Corporation” refer to Nikon Corporation, while “the Group” and “Nikon Group” refer to Nikon Corporation and its Group companies.

As for the numerical values relating to the financial content of this report, figures displayed in hundred millions of yen have been truncated, and figures displayed in millions of yen have been rounded to the nearest unit.

Management Message

By completing the restructuring, we will transform the Nikon Group into a corporate entity that consistently creates high corporate value.

In November 2016, Nikon decided to discontinue the Medium-Term Management Plan Update announced in 2015, and enter into a period of restructuring. We feel that this decision was necessary to forge a Nikon Group that can continue to grow over the next 100 years.

In the fiscal year ending March 31, 2018, We will move forward with measures for increasing profitability in accordance with the restructuring plan. At the same time, we will initiate the full-scale enhancement of Nikon's management DNA to ensure that we consistently create corporate value.

We gratefully ask for the continued support of our shareholders, investors, and other stakeholders.

Kazuo Ushida
President
Representative Director

Masashi Oka
Senior Executive Vice President, CFO
Representative Director

To Our Stakeholders

By steadily advancing the restructuring, we will build the foundations for Nikon's next 100 years.

Kazuo Ushida
President
Representative Director

Issues and Restructuring

Decision to implement restructuring while our financial base is still sound

Nikon Corporation had continued to forge ahead with forward-looking growth strategies based on the Medium-Term Management Plan Update. The basic policy of this plan was to transform Nikon into a corporate entity that will grow by means of a six-business portfolio. However, the market contracted to a degree that exceeded our expectations while competition intensified, and we were unable to furnish an adequate response to either of these circumstances. As a result, profitability was diminished and growth business cultivation plans could not realize the intended results. We thus came to the conclusion that, on the current course, it would be impossible to achieve corporate value improvements that live up to the expectations of the market. Conditions were particularly dire in the Semiconductor Lithography Business, which suffered a deterioration of profitability, and in the Imaging Products Business, which saw its sales volumes fall as the market shrunk. It was clear that proceeding with the Medium-Term Management Plan Update would not enable us to fundamentally address these issues, and that deteriorations to our profit structure would be inevitable if we attempted such a course of action. For this reason, we chose to discontinue the Medium-Term Management Plan Update. The restructuring, announced in November 2016, entails us transitioning from strategies solely pursuing revenue growth to strategies focused on increasing profitability and improving corporate value. This move was a reflection of our judgment that we must implement preemptive restructuring now, while our financial base is still sound, to build the foundations for Nikon's next 100 years.

The restructuring will represent an important transition period for the Nikon Group. Recognizing this fact, we devoted a significant amount of time to thoroughly examining this prospect before making the final decision. Two extraordinary Board of Directors meetings were held, making for a total of five meetings, including the regular meetings, during which we engaged in sufficient exchanges of opinion while also incorporating the views of external directors. In the end, it came down to a discussion with Senior Executive Vice President Masashi Oka, during which it was decided that we needed to go forward with the restructuring. Today, we are able to advance the restructuring with confidence and the complete support of the Board of Directors.

As one facet of the restructuring, we instituted a voluntary retirement program of approximately 1,000 employees in Japan. At the end of March, 2017, 1,143 such applicants retired. My responsibility for this regrettable outcome pains me as a manager. Accordingly, it is all the more important that the restructuring be completed successfully and that the foundations for the next 100 years be built so as not to let the sacrifice of these individuals go to waste.

On-schedule progress of restructuring up until today

Since the start of the restructuring up until today, these measures have been progressing on schedule. In addition to the aforementioned voluntary retirement program, we reduced fixed costs through headcount rationalization and re-assignments of employees in the Semiconductor Lithography Business and the Imaging Products Business and at our headquarters. We also transitioned to manufacturing and sales structures that emphasize profitability and implemented an exhaustive review of costs to secure appropriate profit margins. In terms of development and production, we centralized the production and production technology functions of optical components into consolidated subsidiary Tochigi Nikon Corporation in February 2017. In this manner, organizations and processes were integrated to enhance production technologies for optical components, which are central to the competitiveness of Nikon products. Further consolidation was achieved through the April 2017 establishment of the Optical Engineering Division, which consolidated optical engineering functions that had previously been scattered throughout the different business units. These reforms have led to the construction of efficient development and manufacturing structures that will no doubt help us further hone Nikon's greatest strength: its optical technologies.

In the fiscal year ending March 31, 2018, the restructuring moves on to Phase 2. The three management policies of Phase 2 will be to break-even in the Semiconductor Lithography Business, strengthen the profit structure of the Imaging Products Business, and initiate the full-scale enhancement of management DNA. Based on these policies, we will drastically revise cost structures and implement a new management process for business performance.

Vigorous promotion of restructuring as president

After the announcement of the restructuring, we instituted an employee survey. The responses indicated a wave of approval for the restructuring and a strong commitment to changing through the restructuring. However, given that we have not announced growth strategies, some assumed that this meant that we would be shrinking through the restructuring. As such, there were survey responses expressing concern for what will become of the Nikon Group five or 10 years down the line. Although I do understand those feelings, I keep reiterating to employees the importance of focusing on the restructuring at hand. The lessons learned from our follies with the Medium-Term Management Plan Update will be incorporated into a new Medium-Term Management Plan that will begin in the fiscal year ending March 31, 2020. In this plan, we will put forth concrete and well-grounded growth strategies.

Return on equity (ROE)*[1] has been positioned as the indicator to align management with the perspective of investors, whereas return on invested capital (ROIC)*[2] has been placed as the principal indicator at the business unit level. Furthermore, ROIC has been factorized to set a key performance indicator (KPI)*[3] that clarifies the goals of each work site. The success of the restructuring hinges on our ability to find means of explaining, in an easy-to-understand manner, management's intent to work sites around the world.

*1. An indicator representing the ratio of net income (loss) attributable to owners of the parent to shareholders' equity that is used to judge management efficiency
*2. An indicator for measuring how efficiently returns are being generated through actual invested capital, including interest-bearing debt
*3. An important indicator used to quantitatively evaluate individual or unit performance within an organization

Transforming into a Nikon Group That Changes Society with Light

Creation of new value with technologies accumulated over the course of 100 years

Nikon celebrated the 100th anniversary of its foundation on July 25, 2017. Since our founding, we have continued to contribute to image cultures and to academic and industrial development with our opto-electronics and precision technologies while also providing products that open up new fields. Our ability to accomplish so much is thanks to the support of our customers, shareholders, investors, and business partners, for which I am incredibly grateful.

Nikon has accumulated superior technologies, knowledge, and experience over the course of its 100-year history. We will actively utilize such technologies, knowledge, and experience not only in existing business fields but also as we explore new fields in the future. Nikon is a company that changes society with light. It is therefore my goal to have Nikon become synonymous with light-related fields and to have its technologies used in all areas of society. At the moment, society is wrapped up in the fourth industrial revolution which is well known as industry 4.0. I am confident in the ability of Nikon to become a central player in this revolution by increasing its focus on light and supplying the types of products and services that only it can.

Right now, I see potential that could be realized through the merger of our light-related technologies with artificial intelligence (AI). Cameras, telescopes, and microscopes have previously been created based on the assumption of use by humans. However, today we are seeing the emergence of technologies that enable AI technologies to recognize patterns and make judgments based on images instead of human eyes. For example, we are working to provide an easy diagnosis solution. This solution will use retina images taken by the ultra-wide field retinal imaging devices of our subsidiary Optos Plc, which will be evaluated using machine learning technologies, a form of AI, to determine whether or not diabetes-related eye diseases are present, judge the stage of these diseases, and offer advice. In this manner, if Nikon can combine its lenses and sensors, which function as eyes, with AI, which functions as a brain, the Company will be able to play a central role in the industries it serves. Moreover, I am convinced that the range of fields in which Nikon is involved will increase going forward.

Establishment of our new vision for pursuing the potential of light

Nikon has formulated its new vision in conjunction with the 100th anniversary of its foundation. This vision embodies my own desire to emphasize more the potential of Nikon's optical technology or, in other words, light. The potential of light will become broader going forward, and optical technology will no doubt come to be incorporated into various areas of society. In the midst of this trend, the Nikon Group will provide new value as it strives to continue contributing to people's lives over the next 100 years.

We have also laid out our new qualities of mind to illustrate the mind-set that will be necessary in exploring new fields. Specifically, we have defined three commitments: "Curiosity" to cultivate fresh ideas, "Acceptance" to warmly embrace diverse ideas and delight in differences among people and cultures, and "Inspirational Power" to share our ideas with infectious enthusiasm to effect positive change in the world. Taking our vision and qualities of mind, we will seek to make Nikon the driving force behind industry 4.0 and shine light on the society of the future.

Our Vision

Unlock the future with the power of light

Unleashing the limitless possibilities of light.

Striving to brighten the human experience.

Focused, with purpose, on a better future for all.

THIS IS THE ESSENCE OF NIKON.

Our Qualities of Mind

Curiosity

We show our passion for progress through
a wide range of interests to cultivate fresh ideas.

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We warmly embrace diverse ideas and delight
in differences among people and cultures.

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We share our ideas with infectious enthusiasm
to effect positive change in the world.

Enhancing Corporate Governance

Enhancement of corporate governance by strengthening our cooperation with external directors

The enhancement of our corporate governance has been an ongoing process at Nikon. A large step forward was made when we transitioned to a company with an Audit and Supervisory Committee in June 2016. This step was taken to strengthen the supervisory function of the Board of Directors and to clarify executive responsibility and accelerate decision-making through the delegation of authority. Moreover, this move exemplified our strong commitment to the enhancement of corporate governance. This commitment reached our external directors; discussions by the Board of Directors are now more active than ever, and I feel that we have seen both qualitative and quantitative improvements to deliberations. The Board of Directors met five times when formulating the plan for the restructuring, and two of these meeting were extraordinary Board of Directors meetings. At these meetings, we were able to talk until a conclusion was reached and were also able to ask for various opinions. The opinions of the external directors, with their robust experience, are highly valued.

Going forward, we will seek to further clarify management's supervisory and executive responsibilities while potentially increasing the portion of the Board of Directors represented by external directors in the future to strengthen monitoring functions. In this manner, we will strive to achieve the ideal structure for the Board.

To Our Stakeholders

Transformation into a company that creates new value through successful completion of the restructuring

The restructuring we are engaged in at the moment will build the foundations for Nikon's next 100 years. After the completion of the restructuring, we will seek to create new value based on a mind-set focused on making the greatest possible contribution to society. We will not limit ourselves to existing products and businesses in this quest, choosing rather to broaden our horizons. To this end, it will be important to explain to our stakeholders what Nikon is able to accomplish as a company and what assets it possesses. When stakeholders understand the solutions that can be provided using Nikon's technologies and choose us as a partner in creating a better future, we will gain access to new possibilities.

In regard to the Company's shareholder returns policy, we have moved away from our previous policy, which was to target a total return ratio of 30% and above. From the fiscal year ending March 31, 2018, our policy will be to target a dividend payout ratio of 40% and above in order to maintain stable shareholder returns and enhance these returns. Our policy of emphasizing a link between financial performance and shareholder returns will remain unchanged, and the total return ratio will continue to be used as a management indicator for overall shareholder returns going forward.

For the time being, our primary goal will be to complete the restructuring. Once this has been accomplished, we will formulate well-grounded growth strategies to transform into a corporate entity that consistently improves corporate value and is truly appealing to the stock market.

I would thus like to ask our stakeholders to continue to watch over Nikon as we carry out the restructuring. In return, I will spur the Nikon Group forward so that we may continue to report our smooth progress to you. Beyond the restructuring lies a stage in which the technologies, knowledge, and experience accumulated over Nikon's 100-year history will come to create even greater amounts of new value.

I hope you will continue to support the Nikon Group as we move toward that stage.

September 2017

Kazuo Ushida

Kazuo Ushida
President
Representative Director

Interview with the CFO

Q Nikon made the major decision to abandon the Medium-Term Management Plan Update and instead implement a major restructuring. What were the background conditions for this decision and the steps leading to it?

Our operating environment at Nikon has been incredibly challenging over the past several years, and our core-business profitability has suffered as a result. This is particularly true with the Imaging Products Business. Its market is half the size it was just a few years ago. Even with no end in sight for this shrinking demand, we continued to focus on sales results from a full product line. So it is no surprise we could not maintain enough revenue to support or justify our costs. With the same focus on sales, we tried to grow profits in our Semiconductor Lithography Business as well, but instead watched our rivals take big bites out of our market share with state-of-the-art ArF Immersion Scanners. The up-front investments we made to combat this situation put profits even farther out of reach for us.

Therefore, the underlying reason for our restructuring decision was to support a whole new approach to how we view success. Frankly, strategies and measures in the Medium-Term Management Plan Update, announced in May 2015, were simply out of touch with the realities of our market and business environment.

Taking all of this into consideration, we retired that plan and pivoted strategically from revenue growth to profitability. At the same time, we launched a “Preemptive Restructuring” plan to build the management foundation we need to grow our corporate value while keeping our financial base sound. We are determined to fully implement the restructuring. We will drastically bolster the Company’s profit structure and re-encode our management DNA to provide an unshakable Nikon foundation for health and growth over the next 100 years.

Q What are the underlying policies and strategies for Nikon's financial targets?

It is always important, of course, to align management's perspective with that of investors. Accordingly, we have made return on equity (ROE) a top-priority key performance indicator (KPI), and will transition–over the medium term–to a structure that helps maintain an ROE of more than 8%. To support this, business units will view return on invested capital (ROIC) as their top-priority KPI throughout the fiscal year ending March 31, 2018. This is a profound departure from our previous focus on revenue and income. It signals our intent to improve profitability and investment efficiency, and to build a framework for returns that exceed cost of capital.

Q What are your policies for shareholder returns?

Until now, we have had a policy for shareholder returns that targeted a total return ratio of 30% and above. Throughout the fiscal year ending March 31, 2018, however, we will target a dividend payout ratio of 40% and above. We aim to issue shareholder returns that are stable and direct, and then to enhance those returns. The total return ratio will still be an important indicator while we base our long-term funding plans on considerations like properly supporting our restructuring measures and generating future income.

Q What do you see as your role in advancing the restructuring, and what are some keys to ensure its success?

In my previous position as CEO of a U.S. bank, I executed a similar restructuring and implemented drastic management reforms to position the bank for sustainable, long-term growth. This informed my leadership role here, as CFO, in planning Nikon's restructuring measures with the full support of President Ushida and the management team, as well as the Board of Directors – for which I am truly grateful.

The restructuring measures have been proceeding according to plan. Our greatest ongoing challenge in building our corporate value will be recoding our management DNA and thoroughly instilling this new code into our corporate culture. By managing business performance based on ROIC–and on KPI linked to ROIC–we intend to imprint this code deeply into the mind-set of management and frontline employees alike. We will know we have succeeded when we see dramatic improvements in our decision-making processes and fundamental new strengths in our corporate governance structure.

But to move ahead together with this crucial, pivotal restructuring, we need everyone associated with Nikon to unite in shared purpose, with strong team support all around. Management needs the support of shareholders and the Board of Directors, and our colleagues need the support of management. President Ushida as our leader and I, as CFO, pledge to apply our insight and experience as we work closely with each other, and with you, to see this restructuring through as a resounding success.

Adoption of IFRS

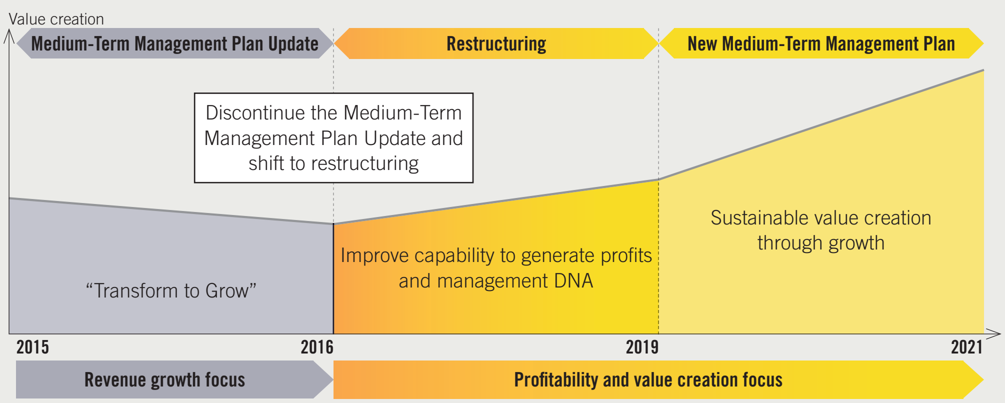
Nikon Corporation has chosen to voluntarily adopt International Financial Reporting Standards (IFRS) in order to make its financial information more comparable in international capital markets and to reinforce its management foundations by transitioning all Group companies to uniform accounting standards. The first document to be based on IFRS was the consolidated financial statements contained in the Company's annual securities report for the fiscal year ended March 31, 2017.

Restructuring

Overview of the Restructuring

The Nikon Group is advancing a Groupwide restructuring to increase profitability and enhance its management DNA in order to improve corporate value and thereby build the foundations for Nikon's next 100 years.

The Nikon Group's Medium-Term Management Plan Update was implemented with the basic policy of transforming Nikon into a corporate entity that will grow sustainably by means of a business portfolio combining both existing businesses and growth businesses. Despite progress in developing growth businesses, this plan did not proceed as anticipated due to factors including forecast-exceeding market contraction in existing businesses. Nikon thus fell into a situation in which it was deemed impossible to achieve the Companywide targets for the fiscal year ending March 31, 2018, the final year of the plan. It was clear that there was a need to reevaluate the policy taken toward setting targets and that continuing to move ahead with the plan would lead to further deterioration of the Company's profit structure. It was therefore decided to discontinue the Medium-Term Management Plan Update. In November 2016, management decided to enter into a period of restructuring that would extend to the very DNA of management. We will be implementing a Groupwide "Preemptive Restructuring" plan while the Group remains financially sound in order to build the foundations for Nikon's next 100 years. This plan will entail drastically increasing profitability and enhancing management DNA with the aim of improving corporate value.



The period leading up to the fiscal year ending March 31, 2019, has been designated as a period of restructuring, and a new Medium-Term Management Plan with growth strategies starting in the fiscal year ending March 31, 2020, will be announced.

Goals and Basic Principles of Restructuring

Objective of Restructuring

Companywide restructuring to improve value creation:
Strategic pivot from revenue growth to profit growth

Basic Principles

Create a Companywide focus on"high value-add businesses" to improve profitability

Optimize R&D, sales, and manufacturing structure on a global basis

Streamline headquarters functions to match scale of restructured businesses

Simultaneously shift to portfolio based management, implement targets linked to shareholder value, and enhance governance structure to improve transparency and discipline

We will prioritize the restructuring of the Semiconductor Lithography Business, the Imaging Products Business, and headquarters functions

Progress of Restructuring

Restructuring costs: ¥53.3 billion* in the fiscal year ended March 31, 2017
Fixed cost reductions: ¥20.0 billion to be achieved by the fiscal year ending March 31, 2018, as planned
Voluntary retirement program: 1,143 retired at the end of March, 2017

* Presented in line with International Financial Reporting Standards (IFRS)

Semiconductor Lithography Business

- Completion of headcount optimization including re-assignment towards change in business structure
- Advance R&D expense reduction and profit focused production and sales structure
- Executed rationalization of inventory

Imaging Products Business

- Completion of domestic headcount rationalization including re-assignment
- Target a profit-structure able to sustain profit in a declining market by initiating a fundamental review of costs

Optical Function Centralization

- Consolidation of optical components manufacturing to Tochigi Nikon: Progress on integration of organization and business to enhance functions
- Established Optical Engineering Division and consolidated optical product development and design functions

Headquarters

- Near completion of headcount optimization including re-assignment
- Continued consideration to streamline organization

Management DNA Rewiring

- Launch ROE/ROIC based new business performance management process
- Step up consideration of governance system improvement

Management Responsibility

- For representative directors and officers
  - Bonuses related to the fiscal year ended March 31, 2017 were forfeited
  - Fixed monthly compensation was partially reduced from November 2016 for a given period
  - Performance-based stock compensation linked to the Medium-Term Management plan Update was fully forfeited
- The number of directors and officers was reduced according to a reassessment of their roles and assignments

Restructuring Phase 2 Management Policies

Progress as planned since announcement of restructuring
Period after April 1, 2017, identified as restructuring Phase 2, additional initiatives and full-scale enhancement of management DNA to be advanced

Achieve break-even of the Semiconductor Lithography Business

Complete shift in mind-set from top-line to profit centric and sustain profits

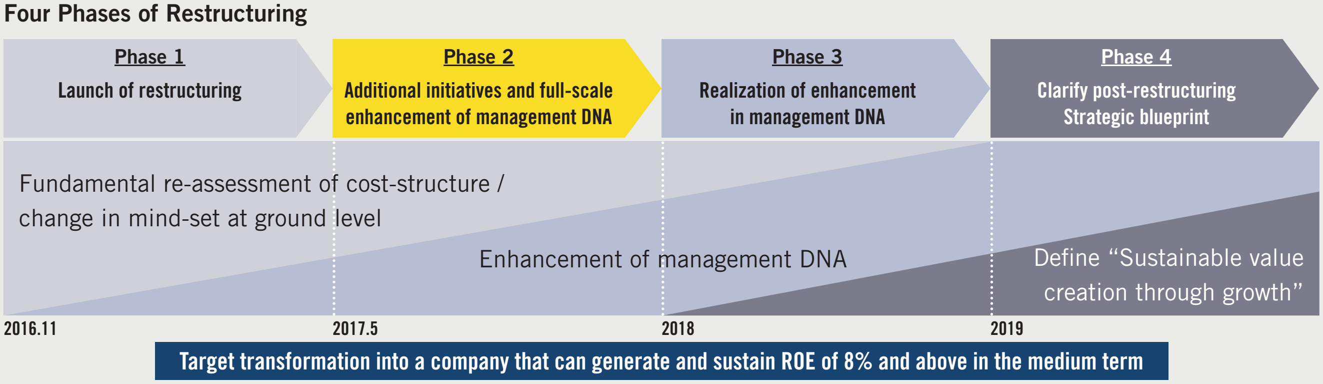
Strengthen profit structure of the Imaging Products Business

Target a profit structure able to sustain profit in a declining market. Create a medium-term road map and initiate a fundamental review of costs

Initiate full-scale enhancement of management DNA

Step up initiatives for implementing new mechanisms

Four Phases of Restructuring



Restructuring FAQ

The following is a collection of representive examples of questions from investors with regard to the restructuring.

Q1

Is there any fear of Nikon falling behind the competition during the restructuring period and losing its market share or position as a result?

A1

The restructuring represents a shift from strategies focusing on sales and share growth to those focusing on profitability. During the period of the restructuring, our aim will therefore be to improve corporate value through drastic enhancements to profitability and management DNA.

The Semiconductor Lithography Business is a top-priority target for the restructuring. We are transitioning its sales structures to emphasize profitability and not to pursue market share. We anticipate that this business will break-even in the fiscal year ending March 31, 2018. The basic policy of the Imaging Products Business, meanwhile, will be to increase its focus on high-value-add products. Accordingly, we expect to maintain the leading market position of our mainstay digital single-lens reflex cameras.

Other business units are also preparing for future growth strategies based on the policy of emphasizing profitability.

Q2

As Nikon has not announced any growth strategies, it is difficult to judge the long-term corporate value of the Company. What indicators should we use to judge Nikon's value?

A2

We understand the issues that arise from a lack of disclosed growth strategies. We will, of course, be examining and preparing for future growth strategies as we advance the restructuring. However, learning from our follies with the Medium-Term Management Plan Update, we recognize that next time we announce growth strategies, these strategies will need to be well grounded. Accordingly, we have decided to wait until the restructuring period has been completed before announcing such strategies. We will concentrate our efforts on the restructuring measures up until the conclusion of the fiscal year ending March 31, 2019, in order to improve profitability and enhance Nikon's management DNA. At the same time, we will work to transform Nikon into a company that can sustain ROE of 8% or above over the medium term.

Q3

Will it be possible to maintain the motivation of employees, who are the driver of the restructuring?

A3

One of the restructuring measures was a voluntary retirement program. At the end of March, 2017, 1,143 employees at domestic Nikon Group companies retired voluntarily, which was certainly a difficult time for those employees that remained. Nevertheless, an internal survey instituted in March 2017 showed that many employees feel the restructuring is necessary. This survey indicates that a large portion of employees are understanding of the restructuring and are moving forward.

Q4

Does the Company truly believe that the restructuring can be completed?

A4

The restructuring progressed smoothly and in line with our plans during the fiscal year ended March 31, 2017. Going forward, President Ushida, Senior Executive Vice President Oka, and all of the management team will remain committed to completing the restructuring without delay.

Q5

Is there any risk of declines in the technological capabilities that underpin the trustworthiness of Nikon brand as a result of the restructuring? How will the Company enhance these capabilities?

A5

Included among the restructuring measures are those aimed at building upon our technological capabilities. For example, a structural reorganization took place inside of the Nikon Group to strengthen the optical component production and production technology functions that are core to the competitiveness of Nikon products. As a result, the optical component production and production technology functions that had previously been dispersed throughout the Company and other Group companies were collected within consolidated subsidiary Tochigi Nikon Corporation.

Furthermore, the Optical Engineering Division was established in April 2017 to aggregate optical engineering functions. This new division will further improve our greatest strength, optical technology, by aggregating optical engineering functions, thereby helping maximize our products' competitiveness.

Topics:Pursuit of Further Evolution in Optical Technology

Optical technology is our greatest strength, and the further evolution of this technology will be indispensable to formulating growth strategies for the period after the completion of the restructuring and to realizing the ongoing improvement of corporate value. Seeking to enhance its capabilities with regard to optical technology, Nikon assembled the optical engineering functions that had previously been scattered throughout the different business units into the newly established Optical Engineering Division while collecting the optical component production and production technology functions of the Company and other Group companies into consolidated subsidiary Tochigi Nikon Corporation.

Looking ahead, Nikon Group will enhance its optical engineering and optical component production and production technology functions with the aim of creating new value.

Optical Engineering Division

In the past, the Imaging Business Unit, the Semiconductor Lithography Business Unit, and the former Core Technology Division each contained a separate optical engineering division that possessed its own optical engineering functions. However, the functions of these divisions have since been consolidated to form the new Optical Engineering Division. Through this new organization, we provide an environment that allows engineers to pursue mutual growth with their comrades while endeavoring to cultivate optical engineers capable of creating new value and to improve upon technologies at the Companywide level. However, the separation of the Optical Engineering Division from business units presents the risk of engineers coming to feel as though products are not their concern. The Optical Engineering Division is split into sections based on the target business units to allow for close coordination with specific units. This structure was adopted to prevent such sentiments from arising. In addition, the Technical Synergy Promotion Department was established to further draw out the benefits of the aforementioned consolidation. This department provides cross-organizational support for cultivating new businesses. As a result, the Optical Engineering Division is able to commercialize projects that were previously difficult to commercialize at the business unit level.

Yasuhiro Ohmura
General Manager of
Optical Engineering Division

Going forward, the Optical Engineering Division will continue to enhance Nikon's optical technologies to create world-leading optical products. At the same time, we will conduct proactive investments in the development of new technology for the evolution of light over the next 10 or 20 years through collaboration with the Research & Development Division and the Production Technology Division and other organizations.

Tochigi Nikon Corporation

Tochigi Nikon Corporation was reborn as the optical component production and production technology functions of the Company and other Group companies were consolidated into this company as part of the restructuring. This reorganization brings with it technological benefits, such as allowing for technologies to be deployed to other businesses and facilitating the transmission of techniques. In addition, the consolidation of organizations and employees will enable us to improve productivity and create efficient and flexible production structures.

Nikon's mainstay businesses are entering into a stage of maturity, meaning that we must lay the foundations for future growth as soon as possible. Our current structure, which has been optimized on an individual business unit basis, will be insufficient for this task. If we are to provide even more highly differentiated products, we will need to heighten the comprehensive strength of the Nikon Group. For this reason, Tochigi Nikon has been assigned the duties of both an optical component production base and a production technology center. Acting in a central role, Tochigi Nikon will standardize Nikon's manufacturing activities based on uniform policies to realize even higher levels of efficiency and quality in the production carried out by existing businesses. At the same time, the new products that will support Nikon in the future will be forged out of collaboration with business units, the Optical Engineering Division, the Production Technology Division, and other organizations.

I will perfect our product creation capabilities to make more people associate optical products and modules with Nikon.

Hiroshi Nakamura
President
Representative Director of
Tochigi Nikon Corporation

Directors and Officers

(As of June 29, 2017)

DIRECTORS

Kazuo Ushida 1

President
Representative Director

1975 Joined the Company
2003 Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company
2005 Managing Director, Member of the Board & Executive Vice President, President of Precision Equipment Company
2007 Director, Member of the Board & Executive Vice President, President of Precision Equipment Company
2009 Director, Member of the Board & Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company
2013 Representative Director, Member of the Board & Senior Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company, Vice Officer in charge of Corporate Planning Headquarters
2014 President and Representative Director, Overseeing Medical Business Development Division and Business Development Division
2015 President and Representative Director, Overseeing Corporate Strategy Division, Medical Business Development Division and Business Development Division
2016 President and Representative Director, Officer in charge of Business Development Division
2017 President and Representative Director, Officer in charge of Business Development Division, Optical Engineering Division and Research & Development Division (to present)

Takumi Odajima 4

Senior Vice President
Director

1981 Joined the Company
2012 Corporate Vice President, General Manager of Planning Headquarters, Precision Equipment Company
2014 Corporate Vice President, Corporate Strategy Division
2016 Corporate Vice President, Corporate Strategy Division and Deputy General Manager of Human Resources & Administration Division
2017 Senior Vice President and Director, General Manager of Human Resources & Administration Division (to present)

Masashi Oka 2

Senior Executive Vice President, CFO
Representative Director

1979 Joined The Mitsubishi Bank, Ltd.
2004 General Manager and Global Head, Syndicated Finance Division of The Bank of Tokyo-Mitsubishi, Ltd.
2005 Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. (Director & Vice Chairman, UnionBanCal Corporation & Union Bank of California, N.A.)
2008 Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. General Manager, Corporate & Investment Banking Strategy Division
2009 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Group Head, Corporate & Investment Banking Group
2010 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (President and CEO, UnionBanCal Corporation and Union Bank, N.A.)
2012 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. CEO for the Americas (President and CEO, UnionBanCal Corporation and Union Bank, N.A.)
2013 Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. CEO for the Americas (President and CEO, UnionBanCal Corporation and Union Bank, N.A.)
2014 Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Executive Chairman, MUFG Americas Holdings Corporation and MUFG Union Bank, N.A.
2015 Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
2016 Counselor, the Company
2016 Senior Executive Vice President, CFO and Representative Director, Officer in charge of Internal Audit Department, Corporate Strategy Division and Finance & Accounting Division
2017 Senior Executive Vice President, CFO and Representative Director, Officer in charge of Internal Audit Department, Officer in charge of Corporate Strategy Division and General Manager of the division, Officer in charge of Finance & Accounting Division and Intellectual Property Division (to present)

Yasuyuki Okamoto 3

Senior Vice President
Director

1978 Joined the Company
2005 Corporate Vice President, General Manager of Marketing Management Department, Imaging Company
2006 Corporate Vice President, General Manager of Marketing Headquarters, Imaging Company
2007 Corporate Vice President, President & CEO of Nikon Inc.
2009 Senior Vice President, President & CEO of Nikon Inc.
2010 Director, Member of the Board & Senior Vice President, President of Imaging Company
2014 Senior Vice President and Director, Overseeing Business Support Division and Imaging Business Unit
2015 Senior Vice President and Director, Overseeing Business Support Division, Imaging Business Unit, Microscope Solutions Business Unit and Industrial Metrology Business Unit
2016 Senior Vice President and Director, Officer in charge of Healthcare Business
2017 Senior Vice President and Director, Officer in charge of Healthcare Business Unit (to present)

Satoshi Hagiwara 5

Senior Vice President
Director

1985 Joined the Company
2015 Corporate Vice President, General Manager of Finance & Accounting Division
2017 Senior Vice President and Director, General Manager of Finance & Accounting Division, Deputy General Manager of Corporate Strategy Division (to present)

Akio Negishi 6

External Director

1981 Joined Meiji Life Insurance Company
2009 Executive Officer of Meiji Yasuda Life Insurance Company
2012 Managing Executive Officer of Meiji Yasuda Life Insurance Company
2013 Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance Company (to present)
2016 External Director, the Company (to present)

Haruya Uehara 9

External Director
Audit and Supervisory Committee Member

1969 Joined Mitsubishi Trust and Banking Corporation
1996 Director of Mitsubishi Trust and Banking Corporation
2004 President of Mitsubishi Trust and Banking Corporation
2005 President of Mitsubishi UFJ Trust and Banking Corporation
2008 Chairman of Mitsubishi UFJ Trust and Banking Corporation
2011 External Corporate Auditor, the Company
2012 Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (to present)
2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

Takaharu Honda 7

Director
Full-time Audit and Supervisory Committee Member

1977 Joined the Company
2008 Corporate Vice President, General Manager of Business Planning Department, Imaging Company
2011 Senior Vice President, Officer in charge of Corporate Communications & IR Department, General Manager of Corporate Planning Headquarters
2014 Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and Information System Division
2016 Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and IT Solutions Division
2016 Senior Vice President and Director, General Manager of Human Resources & Administration Division
2017 Director, Full-time Audit and Supervisory Committee Member (to present)

Hiroshi Hataguchi 10

External Director
Audit and Supervisory Committee Member

1967 Registered as attorney at law
1967 Joined Export-Import Bank of Japan
1972 Joined Otsuka General Legal Office
1987 Professor of Legal Training and Research Institute, Supreme Court of Japan
1990 Lecturer of Faculty of Law, Hosei University
1994 Vice President of Daiichi Tokyo Bar Association
1996 Governor of Japan Federation of Bar Associations
2010 Established Hataguchi Legal Office (to present)
2011 External Corporate Auditor, the Company
2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

Koichi Fujiu 8

Director
Full-time Audit and Supervisory Committee Member

1978 Joined the Company
2008 General Manager of Internal Audit Department
2014 Standing Corporate Auditor
2016 Director, Full-time Audit and Supervisory Committee Member (to present)

Kunio Ishihara 11

External Director
Audit and Supervisory Committee Member

1966 Joined The Tokio Marine and Fire Insurance Co., Ltd.
2001 President of The Tokio Marine & Fire Insurance Co., Ltd.
2002 President of Millea Holdings, Inc.
2004 President of Tokio Marine & Nichido Fire Insurance Co., Ltd.
2007 Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
2007 Chairman of the Board of Millea Holdings, Inc.
2008 Chairman of the Board of Tokio Marine Holdings, Inc.
2013 Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)
2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

OFFICERS

Officers who are not directors are listed below.

Toshikazu Umatate
Senior Vice President
General Manager of Semiconductor Lithography Business Unit

Tomohide Hamada
Senior Vice President
General Manager of Industrial Metrology Business Unit, Officer in charge of Customized Products Business Unit and Encoder Business Unit

Nobuyoshi Gokyu
Senior Vice President
General Manager of Imaging Business Unit

Kiyoyuki Muramatsu
Senior Vice President
General Manager of FPD Lithography Business Unit

Toru Iwaoka
Corporate Vice President
President of Nikon Europe B.V.

Kenji Yoshikawa
Corporate Vice President
Deputy General Manager of Corporate Strategy Division

Jun Nagatsuka
Corporate Vice President
General Manager of Production Technology Division

Hiroyuki Hiraiwa
Corporate Vice President
General Manager of Glass Business Unit

Naoya Sugimoto
Corporate Vice President
Corporate Strategy Division

Tadashi Nakayama
Corporate Vice President
Deputy General Manager of Industrial Metrology Business Unit

Makoto Shintani
Corporate Vice President
Healthcare Business Unit

Masato Hamatani
Corporate Vice President
General Manager of Healthcare Business Unit

Hiroyuki Suzuki
Corporate Vice President
General Manager of Information Security Division and IT Solutions Division

Hiroyuki Ikegami
Corporate Vice President
Sector Manager of Development Sector, Imaging Business Unit

Tetsuya Morimoto
Corporate Vice President
Department Manager of Business Planning Department, Imaging Business Unit

Nikon 100th Anniversary Special Feature

A Look Back at Nikon's 100-Year History of Value Creation

Nikon celebrated the 100th anniversary of its founding on July 25, 2017.

Nikon has evolved together with light-related technologies over the course of the past century. Driven by our abundant sense of curiosity and inquisitiveness, we have continued to unlock new possibilities that have shined light on the path to a brighter future, creating revolutionary new products along the way. We pride ourselves on the contributions we have made to changing society.

Seeking to make our hopes and dreams a reality, the Nikon Group will boldly pursue innovation over the next 100 years, striving to transform the impossible of yesterday into the normal of tomorrow.

We will take a look back at Nikon's 100-year history of value creation.

1917 Three of Japan's leading optical manufacturers merge to form a comprehensive, fully integrated optical company known as Nippon Kogaku K.K.

1918 Oi Dai-ichi Plant (now Oi Plant) is completed

1921 MIKRON 4x and 6x ultra-small-prism binoculars are marketed

The first binoculars developed, designed and manufactured by Nikon

MIKRON 6x

1925 JOICO Microscope is marketed

The first microscope designed by Nikon

1932 NIKKOR is adopted as brand name for camera lenses

1945 With the end of World War II, production shifts to cameras, microscopes, binoculars, surveying instruments, measuring instruments and ophthalmic lenses

1946 Pointal ophthalmic lens is marketed

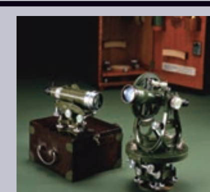
Nikon's first ophthalmic lens

Nikon brand name is adopted for small-sized cameras

Pointal

1947 Tilting Level E and Transit G surveying instruments are marketed

Nikon's first surveying instruments after World War II



1948 Nikon Model I small-sized camera is marketed

The first Nikon camera and the first product to bear the "Nikon" name

Nikon Model I

Model I profile projector is marketed

A profile projector redesigned from a home-use model to incorporate the parallel beam illumination method and other features

Model I profile projector

1949 Listed on both Tokyo and Osaka stock exchanges

1950 The New York Times introduces the superior features of Nikon cameras and Nikkor lenses to the world

1952 nikkor club is established to promote photography culture

1959 Nikon F SLR camera is marketed

Nikon's first lens-interchangeable single-lens reflex (SLR) camera

1962 Ultra-micro Nikkor high-resolution optical lenses are marketed

Boasted position as world's highest-resolution lens at the time

1963 NIKONOS all-weather camera is marketed

Sophisticated, water-, pressure-, and corrosion-resistant amphibious camera

1968 Nikon Europe N.V. (now Nikon Europe B.V.) is established in the Netherlands

1971 Nikon Photomic FTN is mounted on APOLLO 15

1976 Biophot and Metaphot microscopes are marketed

Equipped with revolutionary chromatic aberration free system

Biophot

1980 NSR-1010G Step-and-Repeat System (stepper) for manufacturing VLSIs is marketed

The first domestically manufactured commercial stepper

1981 Acquires Ehrenreich Photo-Optical Industries, Inc. and renames it Nikon Inc.

1986 NSR-L7501G large substrate exposure system is marketed

Nikon's first LCD steppers and scanners

1988 Corporate name is changed to Nikon Corporation

1990 Nikon (Thailand) Co., Ltd. is established in Thailand

Nikon's first full-scale overseas production base

1993 Presio FX and DX progressive addition lenses are marketed

First Presio series product

1995 NEXIV series CNC video measuring system is marketed

Non-contact high-precision measurement was made possible by image processing technology

Nikon Singapore Pte Ltd is established in Singapore

NEXIV

1997 COOLPIX 100 and 300 digital cameras are marketed

Nikon's first compact digital cameras

COOLPIX 100

1999 D1 digital SLR camera is marketed

Priced with general users in mind, it contributed to the popularity of digital SLR cameras

2000 Vision Nikon 21 business strategy is formulated

Corporate philosophy is defined as "Trustworthiness and Creativity"

FX-21S LCD scanner is marketed

Multi-lens projection optical system was adopted

FX-21S

2002 Nikon Imaging (China) Co., Ltd. is established in China

Nikon

Nikon 100th anniversary

Nikon's 100th Anniversary Website
http://www.nikon.com/100th/

2003

New Brand Symbol for Nikon Group is introduced

2005

Nikon Imaging (China) Sales Co., Ltd. starts operations in China

2006

NSR-S609B ArF immersion scanner is marketed

First model incorporating Immersion Lithography Technology and the first to break the barrier of NA 1.0 in air

2007

BioStation CT cell culture observation system is marketed

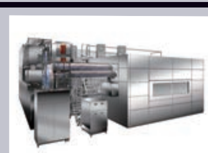
Equipped with a microscope in the incubator, it has expanded the possibilities of live cell observation

2009

FX-101S LCD scanner is marketed

Supporting 10th-generation mother glass (about three square meters)

Belgium-based Metris NV becomes Nikon Metrology NV, a wholly owned subsidiary of Nikon Corporation



FX-101S

2010

N-SIM and N-STORM super resolution microscopes are marketed

Achieved a resolution that is beyond the capabilities of conventional optical microscopes

N-SIM

HN-6060 non-contact multi-sensor 3D metrology system is marketed

An object's shape and waviness can be measured in a single operation

HN-6060

2011

Nikon 1 J1 and V1 advanced cameras-interchangeable lens type are marketed

Nikon's first advanced cameras-interchangeable lens type

Nikon 1 V1

2013

Nikon 1 AW1 advanced camera-interchangeable lens type is marketed

The world's first digital camera with interchangeable lenses that is both waterproof and shockproof

Nikon 1 AW1

Health and medical fields selected as new business targets

2014

In-house company system is abolished and reorganized into divisional system under direct control of president

2015

U.K.-based Optos Plc becomes a wholly owned subsidiary of Nikon Corporation

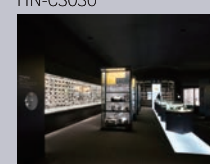
Nikon CeLL innovation Co., Ltd. is established

HN-C3030 non-contact sensor 3D metrology system is marketed

High-speed, high-accuracy non-contact 3D metrology system

HN-C3030

The Nikon Museum is opened



Nikon Museum

2016

NSR-S631E ArF immersion scanner is marketed

Developed for high-volume manufacturing of device at the 7 nm processes node

NSR-S631E

D5 and D500 digital SLR cameras are marketed

Equipped with 153-point autofocus system

D5

FX-68S FPD scanner is marketed

Delivering a high resolution of 1.5 μm

FX-68S

Total production of NIKKOR lenses for interchangeable-lens cameras reaches 100 million

Nikon CEE GmbH starts operations in Austria

2016

KeyMission 360, KeyMission 170 and KeyMission 80 are marketed

Nikon's first action cameras

U.K.-based Mark Roberts Motion Control Limited becomes a wholly owned subsidiary of Nikon Corporation

ECLIPSE Ti2 inverted research microscope is marketed

Flagship integrated platform for live cell imaging

KeyMission 360

ECLIPSE Ti2

2017

100th anniversary of founding is celebrated
New vision is established

Our Vision

Unlock the future with the power of light

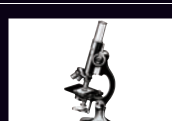
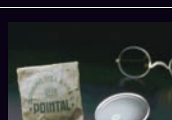
Unleashing the limitless possibilities of light.

Striving to brighten the human experience.

Focused, with purpose, on a better future for all.

THIS IS THE ESSENCE OF NIKON.

Evolution of Products

Cameras	1948 Nikon Model I		**2016** **D5**		Flagship digital SLR camera model
Binoculars	1921 MIKRON 6x		**2017** **WX 7x50 IF/** **WX 10x50 IF**		Binoculars with super-wide field of view
FPD Lithography Systems	1986 NSR-L7501G		**2016** **FX-68S**		Generation 6 plate FPD Lithography system
Semiconductor Lithography Systems	1980 NSR-1010G		**2016** **NSR-S631E**		Cutting-edge device capable of handling multiple patterning
Microscopes	1925 JOICO Microscope		**2016** **ECLIPSE Ti2**		Flagship biological microscope model
Metrology Systems	1948 Model I profile projector		**2015** **HN-C3030**		Non-contact 3D metrology system
Surveying Instruments	1947 Level E Transit G		**2016** **Nivo i**		Capable of automated, 3D measuring
Glass Lenses	1946 Pointal		**2016** **SeeMax AP**		3D full-order-made.single vision lens

Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

Note: International Financial Reporting Standards (IFRS) have been adopted to prepare the consolidated financial statements of Nikon Corporation and its consolidated subsidiaries from the year ended March 31, 2017, whereas Japanese generally accepted accounting principles (Japanese GAAP) were previously adopted until the year ended March 31, 2016.

Japanese GAAP

	2008	2009	2010	2011	2012	2013
For the year:						
Net sales	¥ 955,792	¥ 879,719	¥ 785,499	¥ 887,513	¥ 918,652	¥ 1,010,494
Precision Equipment	290,814	219,915	150,101	208,614	248,145	179,013
Imaging Products	586,147	596,468	569,465	596,376	587,127	751,241
Instruments	59,043	44,642	45,051	57,452	56,000	53,877
Medical	—	—	—	—	—	—
Cost of sales	(551,551)	(561,642)	(552,409)	(575,536)	(567,000)	(663,509)
Selling, general and administrative expenses	(269,072)	(269,892)	(246,944)	(257,924)	(271,571)	(295,983)
Operating income (loss)	135,169	48,185	(13,854)	54,053	80,081	51,002
Precision Equipment	43,348	8,041	(58,557)	2,712	42,724	13,090
Imaging Products	83,974	40,039	52,117	52,332	53,972	60,711
Instruments	4,081	(2,724)	(9,331)	(5,248)	(3,166)	(4,978)
Medical	—	—	—	—	—	—
Income (loss) before income taxes	116,704	39,180	(17,672)	46,506	86,168	61,857
Net income (loss) attributable to owners of the parent	75,484	28,056	(12,615)	27,313	59,306	42,459
Per share of common stock (yen)*1:						
Basic net income (loss)	189.00	70.76	(31.82)	68.90	149.57	107.07
Diluted net income	181.23	67.91	—	68.83	149.41	106.92
Cash dividends paid	25.00	18.00	8.00	19.00	38.00	31.00
Capital expenditures	39,829	43,467	37,525	29,776	55,915	60,158
Depreciation and amortization	25,678	32,910	35,956	34,034	32,570	36,226
R&D costs	58,373	61,489	60,261	60,767	68,701	76,497
At year-end:						
Total assets	820,622	749,805	740,632	829,909	860,230	864,668
Total equity	393,126	379,087	372,070	389,220	433,617	490,218
Interest-bearing debt	76,544	114,940	102,388	87,476	86,367	85,348
Financial ratios:						
Equity ratio (%)	47.9	50.5	50.2	46.8	50.3	56.6
Debt equity (D/E) ratio (times)	0.19	0.30	0.28	0.22	0.20	0.17
Return on equity (ROE)*2 (%)	20.4	7.3	(3.4)	7.2	14.4	9.2
Return on assets (ROA)*2 (%)	9.6	3.6	(1.7)	3.5	7.0	4.9
Number of subsidiaries	48	48	69	68	68	71
Number of employees	25,342	23,759	26,125	24,409	24,348	24,047

	2014	2015	2016	2017
Environment-related data:				
CO_2 emissions from Nikon Corporation and Group companies in Japan (thousand tons of CO_2)*3	160	157	155	150★
CO_2 emissions from Group manufacturing companies outside Japan (thousand tons of CO_2)*3	62	64	61	64★
Water use by Nikon Corporation and Group companies in Japan (thousand m^3)	2,819	2,488	2,769	2,746★
Water use by Group manufacturing companies outside Japan (thousand m^3)	—	1,213	1,098	1,075★

Note: Environment-related data includes figures for the Company, 16 domestic Group companies, and five overseas Group manufacturing companies.
(Kurobane Nikon Co., Ltd., which merged with Tochigi Nikon Corporation on February 1, 2017, is counted among these companies.)
The scope of domestic and overseas Group companies for which data is collected has expanded from the fiscal year ended March 31, 2016. For more details, please refer to the "The Nikon Group's Environmental Management Systems and Environmental Performance Data Boundary" section on page 26 of *Sustainability Report 2017.*

★: Quantitative data covered by the independent practitioner's assurance. (See page 115 for details.)

IFRS

2014	2015	2016*4		2016	2017	2017
		Millions of yen			Millions of yen	Thousands of U.S. dollars*5
			For the year:			
¥ 980,556	¥ 857,782	¥ 819,388	Revenue	¥ 841,040	¥ 749,273	$ 6,678,612
205,447	170,758	178,889	Precision Equipment	200,538	248,026	2,210,771
685,446	586,019	520,484	Imaging Products	520,487	383,024	3,414,065
64,709	72,382	77,242	Instruments	77,242	73,449	654,686
—	—	18,312	Medical	18,312	20,276	180,729
(630,568)	(532,383)	(506,773)	Cost of sales	(522,232)	(443,153)	(3,950,019)
(287,046)	(281,987)	(280,917)	Selling, general and administrative expenses	(276,988)	(247,548)	(2,206,511)
62,942	43,412	31,699	Operating profit (loss)	35,266	774	6,898
20,079	8,355	9,605	Precision Equipment	9,441	13,463	119,999
64,284	56,699	45,752	Imaging Products	46,796	17,150	152,862
(2,156)	1,199	2,819	Instruments	3,383	1,279	11,405
—	—	(4,675)	Medical	(2,147)	(1,599)	(14,256)
74,692	35,153	28,579	Profit before income taxes	39,546	3,068	27,342
46,825	18,364	18,254	Profit attributable to owners of the parent	29,947	3,967	35,358
			Per share of common stock (yen and U.S. dollars)*1:			
118.06	46.29	46.05	Basic earnings	75.55	10.01	0.09
117.88	46.21	45.94	Diluted earnings	75.37	9.98	0.09
32.00	32.00	18.00	Cash dividends paid	18.00	16.00	0.14
45,472	32,550	34,498	Capital expenditures	34,498	32,234	287,319
42,477	38,458	37,739	Depreciation and amortization	38,811	33,972	302,806
74,552	66,730	66,781	R&D expenditures*6	66,781	63,636	567,215
			At year-end:			
949,515	972,945	966,578	Total assets	982,564	1,018,351	9,077,018
546,813	572,201	528,280	Total equity	537,078	538,150	4,796,769
127,132	115,498	112,772	Interest-bearing debt	112,642	141,494	1,261,202
			Financial ratios:			
57.5	58.6	54.5	Ratio of equity attributable to owners of the parent to total assets (%)	54.6	52.8	
0.23	0.20	0.21	Debt equity (D/E) ratio (times)	0.21	0.26	
9.0	3.3	3.4	ROE*2(%)	5.5	0.7	
5.2	1.9	1.9	ROA*2(%)	3.0	0.4	
70	75	84	Number of subsidiaries	84	82	
23,859	25,415	25,729	Number of employees	25,729	25,031	

*1. Per share of common stock information is calculated based on the weighted-average number of ordinary shares outstanding during the year.
*2. Throughout this report, ROE is computed as dividing profit (loss) attributable to owners of the parent by average equity attributable to owners of the parent, and ROA is computed as dividing profit (loss) attributable to owners of the parent by average total assets.
*3. Values are the aggregated results of CO_2 emissions from energy use.
The following values were used for CO_2 emission factors:
Electric power:
In Japan: Specific value of each electricity company
Outside Japan: International Energy Agency (IEA) factors by country for the fiscal year ended March 31, 2013
City gas: Specific value of each gas company
Other fuels: Values given in the GHG Emissions Accounting and Reporting Manual to calculate the energy usage in each fiscal year.
*4. In the Precision Equipment Business, revenues from sales transactions of FPD Lithography System for overseas customers had been recognized on either the shipping dates or the time of delivery to the locations designated by customers. From the year ended March 31, 2017, however, the accounting policy was changed to recognize the revenue at the point when installation is completed. Accordingly, consolidated financial figures for the year ended March 31, 2016, were adjusted retrospectively in accordance with the change in the accounting policy.
*5. U.S. dollar figures are translated for reference only at ¥112.19 to $1, the exchange rate at March 31, 2017.
*6. R&D expenditures include the portion of development costs that are capitalized as intangible assets.

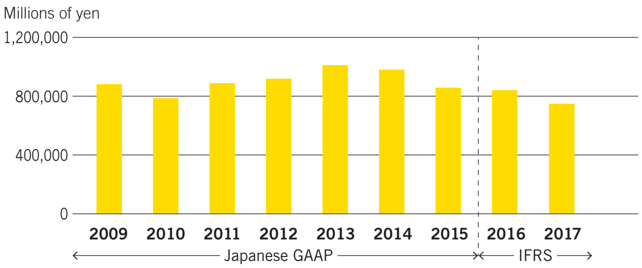
Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

Note: Figures for the year ended March 31, 2015, and prior are prepared in accordance with Japanese GAAP. Figures for the fiscal year ended March 31, 2016, and forward are prepared in accordance with IFRS.

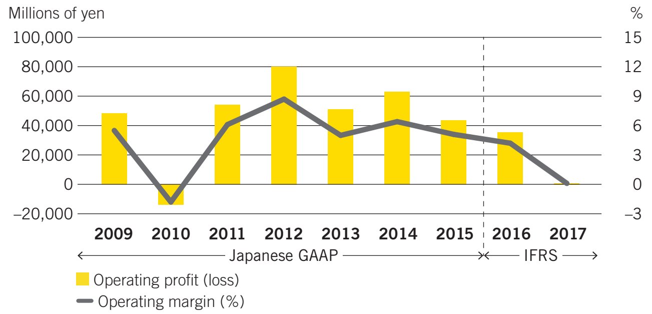
Growth Potential

1 Revenue*



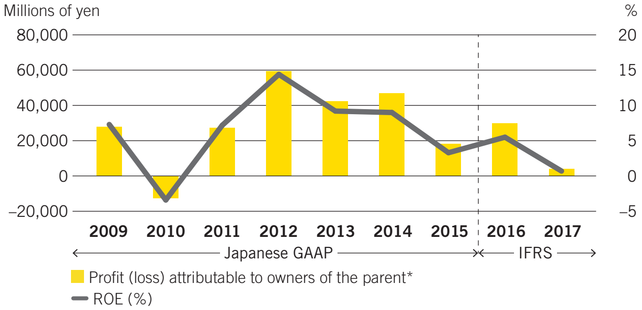
* "Net sales" under Japanese GAAP

2 Operating Profit (Loss) / Operating Margin



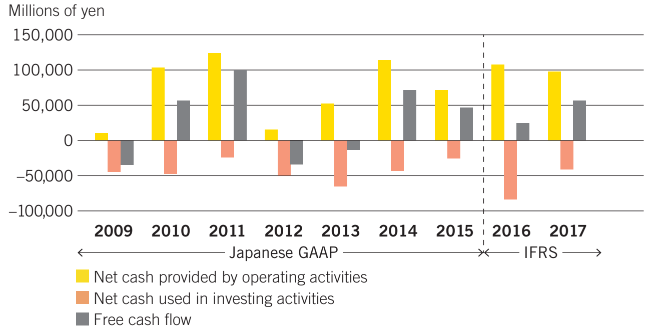
Profitability

3 Profit (Loss) Attributable to Owners of the Parent* / ROE



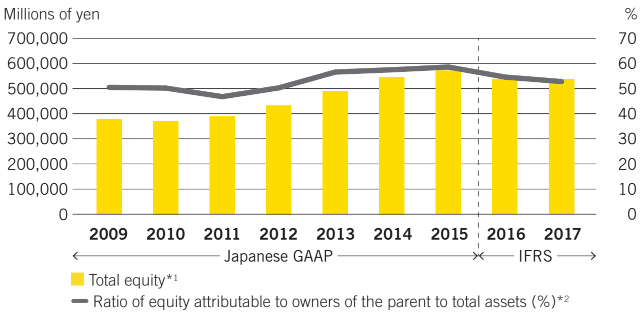
* "Net income (loss) attributable to owners of the parent" under Japanese GAAP

4 Cash Flow



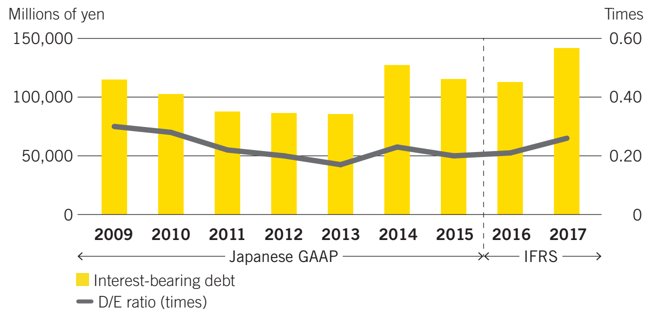
Safety

5 Total Equity*1 / Ratio of Equity Attributable to Owners of the Parent to Total Assets*2



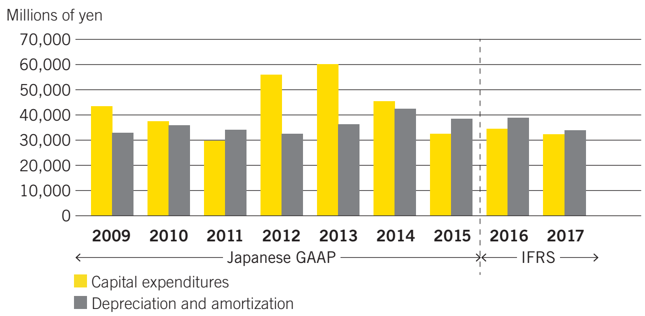
*1. "Net assets" under Japanese GAAP
*2. "Equity ratio" under Japanese GAAP

6 Interest-Bearing Debt / D/E Ratio

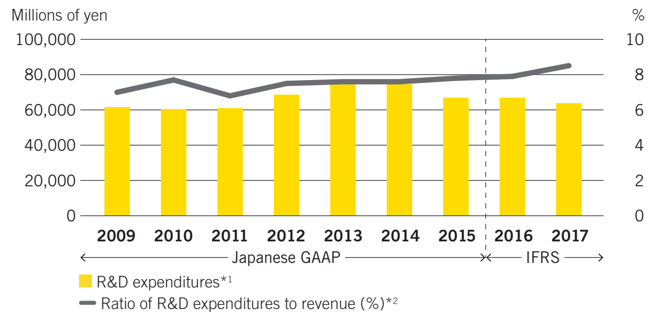


Growth Investments

7 Capital Expenditures / Depreciation and Amortization



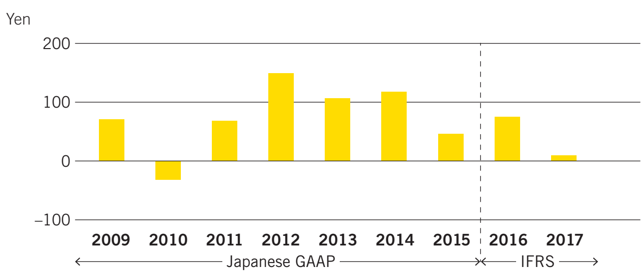
8 R&D Expenditures*1 / Ratio of R&D Expenditures to Revenue*2



*1. "R&D costs" under Japanese GAAP
*2. "Ratio of R&D costs to net sales" under Japanese GAAP

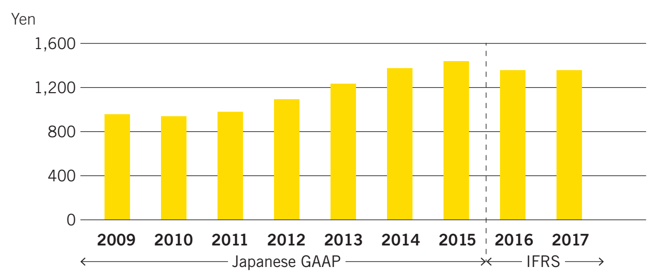
Shareholder Value

9 Basic Earnings (Loss) per Share*



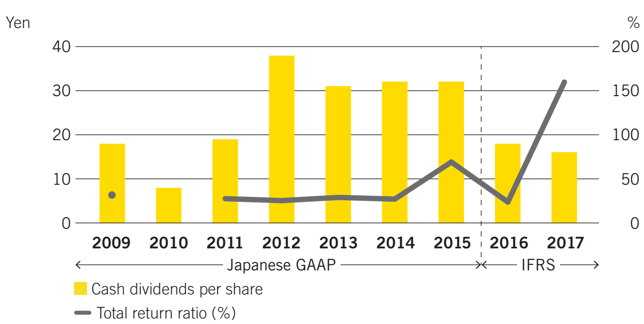
* "Net income (loss) per share" under Japanese GAAP

10 Equity Attributable to Owners of Parent per Share*



* "Net assets per share" under Japanese GAAP

11 Cash Dividends per Share / Total Return Ratio



Performance Highlights

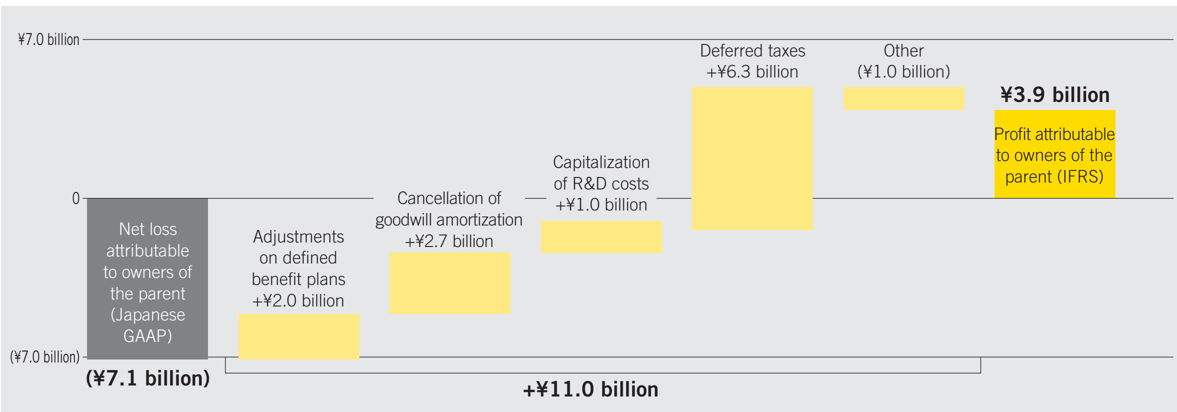
Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

Adoption of International Financial Reporting Standard (IFRS)

Profit for the year (Fiscal Year Ended March 31, 2017)

Under IFRS, profit attributable to owners of the parent was ¥3.9 billion, an increase of ¥11.0 billion compared with net loss attributable to owners of the parent of ¥7.1 billion under Japanese GAAP. Major reconciliations between Japanese GAAP and IFRS were those actuarial gain and loss, which have been amortized under Japanese GAAP, are recognized in other comprehensive income as incurred under IFRS; goodwill, which has been amortized under Japanese GAAP, is not amortized under IFRS; R&D costs that have been expensed under Japanese GAAP are capitalized under IFRS if they satisfy certain requirements; and deferred tax assets rose under IFRS due to a change in the extent that the taxable profit is available against which deductible temporary differences can be utilized.

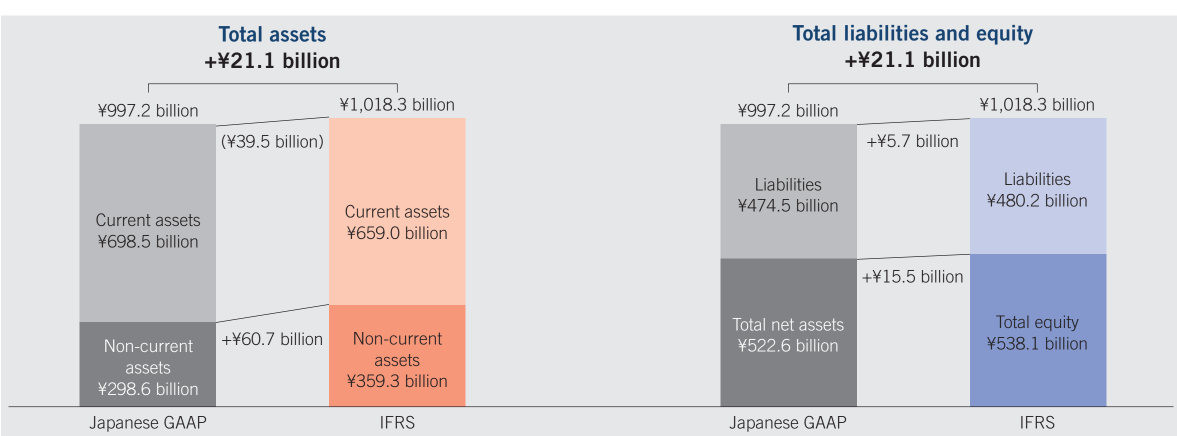
Profit Attributable to Owners of the Parent



Financial Position (As of March 31, 2017)

Under IFRS, total assets were ¥1,018.3 billion, an increase of ¥21.1 billion, compared with total assets of ¥997.2 billion under Japanese GAAP. Major reconciliations between Japanese GAAP and IFRS were those that intangible assets increased under IFRS due to cancellation of amortization of goodwill and capitalization of R&D costs and that deferred tax assets rose under IFRS due to a change in the extent that the taxable profit is available against which deductible temporary differences can be utilized. Meanwhile, total equity under IFRS was ¥538.1 billion, an increase of ¥15.5 billion, compared with total net assets of ¥522.6 billion under Japanese GAAP. This increase was attributable to the rise in profit for the years ended March 31, 2016 and March 31, 2017, as a result of reconciliations between Japanese GAAP and IFRS.

Financial Position



External Ratings

Inclusion in ESG Investment Index (As of July 3, 2017)

ESG Investment Index	Selected / Overview
FTSE4 Good Index Series	Selected: Since 2004 The FTSE4 Good Index Series is designed by FTSE Russell, wholly owned by London Stock Exchange Group, to measure the performance of companies demonstrating strong environmental, social, and governance (ESG) practices.
Morningstar Socially Responsible Investment Index (MS-SRI)	Selected: Since 2010 The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.
ECPI Ethical Index Global	Selected: Since 2011 ECPI is a company based in Italy and Luxembourg, and produces research, ratings, and indices on companies' ESG performance.
MSCI ESG Leaders Indexes*1	Selected: Since 2014 The indexes, formerly known as MSCI Global Sustainability Indexes, comprise companies with high ESG ratings in their industry sectors.
FTSE Blossom Japan Index*2	Selected: Since 2017 The FTSE Blossom Japan Index is designed to reflect the performance of Japanese companies with excellent track records in terms of ESG.
MSCI Japan ESG Select Leaders Index *1 *2	Selected: Since 2017 The MSCI Japan ESG Select Leaders Index selects companies from various sectors with excellent ESG practices from among the top 500 Japanese stocks in terms of market capitalization.
MSCI Japan Empowering Women Index *1 *2	Selected: Since 2017 The MSCI Japan Empowering Women Index selects companies from various sectors with excellent gender diversity from among the top 500 Japanese stocks in terms of market capitalization.

*1. The inclusion of Nikon Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsements or promotion of Nikon Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.
*2. A newly developed index that has been selected as an investment target by the Government Pension Investment Fund, or GPIF.

Rating Evaluation (As of March 31, 2017)

Rating	Evaluation / Overview
DBJ Environmental Ratings	Evaluated: Since 2016 Nikon acquired the highest certification level of the environmental ratings given out by the Development Bank of Japan and received financing based on this assessment. Additionally, Nikon was recognized with a special award for its excellence. The DBJ Environmental Ratings evaluate environmental management based on a rating system developed by the DBJ to select leading companies and provide the world's first financing plans that implement a specialized method of environmental rating to set financing terms according to the rating.

Commendations (Year Ended March 31, 2017)

Commendations	Overview
RobecoSAM Sustainability Award Industry Mover 2017	RobecoSAM Sustainability Award Industry Mover is presented to companies that have greatly improved their score over the previous year and are among the top 15% in their industry in terms of corporate sustainability assessments conducted by RobecoSAM annually.

Main Awards Won Related to Products

	Host	Content of Commendation	Subject of Award
Year ended March 31, 2017	Design Zentrum Nordrhein Westfalen	Red Dot Award: Product Design 2016	D5 and D500 digital SLR cameras
	Technical Image Press Association	TIPA AWARDS 2016	D5 and D500 digital SLR cameras SnapBridge app
	Camera Journal Press Club	Camera GP 2016 Readers Award	D5 digital SLR camera
	European Imaging and Sound Association	EISA AWARD	D500 digital SLR camera
	iF International Forum Design GmbH	iF Design Award 2017 for the product discipline	D5 and D500 digital SLR cameras KeyMission 360 Action Camera ECLIPSE Ti2 inverted research microscope Nivo-i Digital Imaging Solution

Nikon's Business Structure

IMAGING PRODUCTS BUSINESS

Imaging Business Unit

Development, manufacture, sales, and service of digital cameras–interchangeable lens type, interchangeable lenses and compact digital cameras, and other products

CHARACTERISTICS

Nikon has been developing high-performance products by combining the latest digital image processing and network technologies with Nikon camera technology, whose fame was first established when the Nikon Model I small-sized camera was launched in 1948. Throughout the world, Nikon possesses high brand power.

Underpinned by its accumulated experience and technologies, Nikon works to offer a range of products and services that brings to fruition "new ways to enjoy images" and pursues the unlimited possibilities of photos and video.

PRECISION EQUIPMENT BUSINESS

FPD Lithography Business Unit

Development, manufacture, sales, and service of FPD lithography systems for the production of LCD and organic light-emitting diode (OLED) panels

CHARACTERISTICS

Nikon possesses a high share of the market for FPD lithography systems used in the manufacture of small and medium-sized high-definition LCD panels as well as OLED panels for smartphones and tablet computers. Nikon's proprietary multi-lens projection optical systems offer overwhelming advantages for larger and higher-definition panels.

Semiconductor Lithography Business Unit

Development, manufacture, sales, and service of semiconductor lithography systems for the production of semiconductors used primarily in electronics

CHARACTERISTICS

Nikon pursues the miniaturization of circuit patterns critical to the enhanced performance and increased integration of semiconductors. The Company possesses immersion exposure technologies that fill the space between the projection lens and the wafer with purified water to achieve high resolution. In addition, the Company is developing a range of groundbreaking precision technologies, such as platforms adaptable for a balance between high overlay accuracy and high productivity as well as for 450 mm wafers.

HEALTHCARE BUSINESS

Healthcare Business Unit

Development, manufacture, sales, and service of biological microscopes, cell culture observation systems, ultra-wide field retinal imaging devices, etc., and entry in the regenerative medicine contract manufacturing business.

CHARACTERISTICS

By means of its super resolution microscopes, which greatly exceed the resolution limits of conventional optical microscopes, Nikon opens up new possibilities in live cell imaging. Having signed a strategic collaboration agreement with Lonza, of Switzerland, Nikon established Nikon CeLL innovation Co., Ltd., in 2015. This company is engaged in the regenerative medicine contract manufacturing business in Japan. Also in 2015, Nikon converted U.K.-based Optos Plc, a leading company in the retina diagnostic imaging equipment market, into a wholly owned subsidiary. The Company formed a strategic alliance with Verily Life Sciences LLC in the field of machine learning-enabled retinal imaging in 2016. We aim to contribute to the early diagnosis of various diseases by combining our proprietary technology with cutting-edge artificial intelligence (AI) technology.

INDUSTRIAL METROLOGY AND OTHERS

Industrial Metrology Business Unit

Development, manufacture, sales, and service of industrial microscopes, metrology systems, and X-ray / CT inspection systems

CHARACTERISTICS

Nikon develops and markets industrial microscopes, non-contact sensor 3D metrology systems, X-ray / CT inspection systems that enable non-destructive inspection, and other equipment for industrial fields that include electronic components, automobiles, and aircraft. As quality-control tools indispensable in the production process, they are highly acclaimed by our customers.

Others

CHARACTERISTICS

In addition to such fields as Customized Products Business, which handles space-related products, and Glass Business, which handles FPD photomask substrates, etc., as well as Encoders Business and Ophthalmic Lenses Business, Other Businesses contribute to the development of science and technology in addition to industry and society.

- Customized Products Business
- Glass Business
- Encoders Business
- Ophthalmic Lenses Business

Revision of Business Segments

Nikon announced a revision of its business segments as part of its organizational reform as of June 29, 2017. These business segment changes will be reflected in the Company's consolidated financial results for the second quarter of the fiscal year ending March 31, 2018.

Old Segments

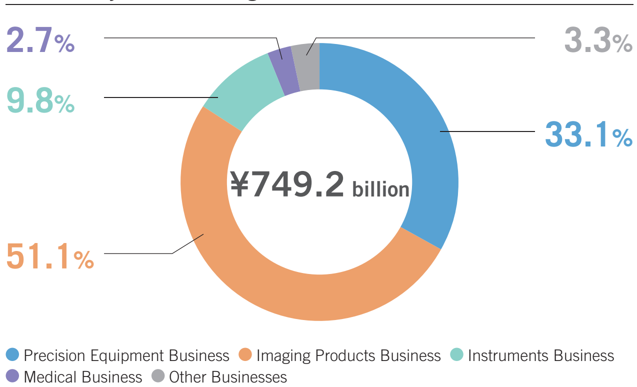
Segment	Business Unit
Precision Equipment Business	Semiconductor Lithography Business Unit
	FPD Lithography Business Unit
Imaging Products Business	Imaging Business Unit
Instruments Business	Microscope Solutions Business Unit
	Industrial Metrology Business Unit
Medical Business	Medical Business Development Division
Others	Customized Products Business Unit
	Glass Business Unit
	Encoder Business Unit, etc.

New Segments

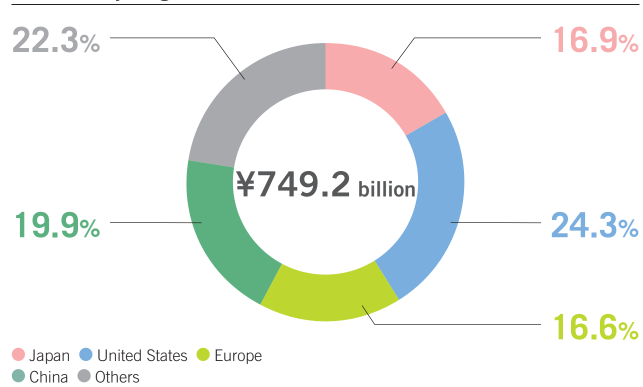
Segment	Business Unit
Imaging Products Business	Imaging Business Unit
Precision Equipment Business	FPD Lithography Business Unit
	Semiconductor Lithography Business Unit
Healthcare Business	Healthcare Business Unit
Industrial Metrology and Others	Industrial Metrology Business Unit
	Customized Products Business Unit
	Glass Business Unit
	Encoder Business Unit, etc.

Nikon established the Healthcare Business Unit, which integrated the Microscope Solutions Business Unit and the Medical Business Development Division. In conjunction with this change, the Healthcare Business was established as a segment for financial reporting. This reorganization will enable the Company to strengthen existing businesses and accelerate the creation and cultivation of new businesses in the healthcare, medical, and biological fields, which are anticipated to grow in the future.

Revenue by Business Segment*1*2



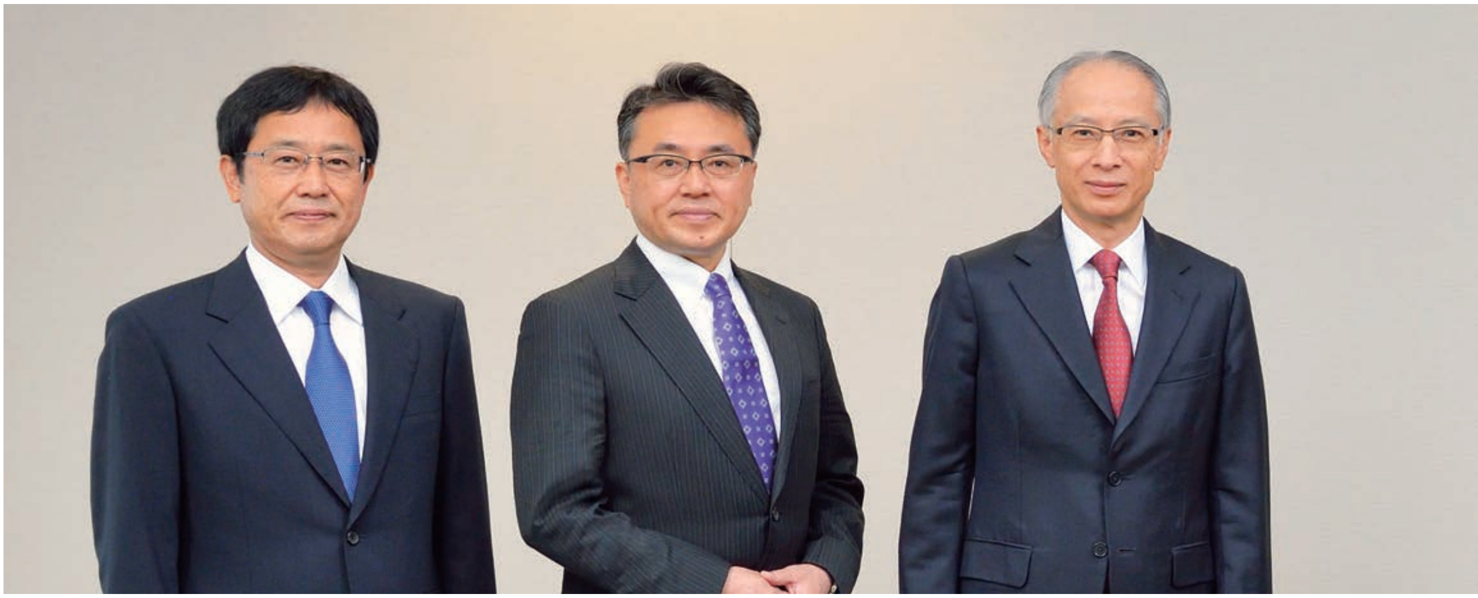
Revenue by Region*2



*1. Performance of old segments
*2. Presented in line with International Financial Reporting Standards (IFRS)

Overview of Divisions and Business Units

Interviews with General Managers



Kiyoyuki Muramatsu
Senior Vice President
General Manager of FPD Lithography Business Unit

Tomohide Hamada
Senior Vice President
General Manager of Industrial Metrology Business Unit

Masashi Oka
Senior Executive Vice President, CFO
Representative Director
Officer in charge of Corporate Strategy Division and General Manager of the division

Corporate Strategy Division

Masashi Oka
Senior Executive Vice President, CFO
Representative Director
Officer in charge of Corporate Strategy Division and General Manager of the division

> We will move ahead with the restructuring and the enhancement of Nikon's management DNA.

Q What initiatives were spearheaded by the Corporate Strategy Division in the fiscal year ended March 31, 2017?

It is hard to overstate the important role the division played during the year. We had a central role in uniting all of Nikon to help formulate and implement measures for the restructuring we announced in November 2016. It is clear to everyone that the team is committed to the restructuring, both inside and outside the Company, and proving our ability to carry out these measures on schedule has been a massive accomplishment.

The Corporate Strategy Division also has an important role in developing frameworks to make sure our resources are used effectively on a Companywide basis. In February, we consolidated our optical component production and production technology functions into Tochigi Nikon Corporation. This will lead to even better optical component production technologies, which we need to stay competitive in various important ways. A couple of months later, we established the Optical Engineering Division and then consolidated our optical design functions into the new division. This was part of a reorganization to help us deploy our superior technologies faster in all our businesses and to extend our lead in gold-standard optical technologies.

The Corporate Strategy Division is also opening the door to even more innovation by conducting corporate venture capital (CVC) investments to transform Nikon's businesses. These investments will give our business units access to information from a broad range of venture companies about a variety of potential inventive collaborations.

Toshikazu Umatate
Senior Vice President
General Manager of Semiconductor Lithography Business Unit

Nobuyoshi Gokyu
Senior Vice President
General Manager of Imaging Business Unit

Masato Hamatani
Corporate Vice President
General Manager of Healthcare Business Unit

In July 2016, we took another big step in CVC activities by setting up a private fund with SBI Investment Co., Ltd. We aim to invest directly in venture companies that show the potential for synergies with Nikon's businesses and for cultivating new markets.

Nikon also started the corporate accelerator program (CAP) that hosts contests for venture companies with promising technologies or business plans. It also offers diverse mentoring by individuals both inside and outside the Company who are armed with specialized knowledge. In the fiscal year ending March 31, 2018, we plan to implement programs for our own employees as well as those at venture companies involved in CAP. This will foster innovation both individually and institutionally.

CAP meeting

Q What role will the Corporate Strategy Division play in advancing the restructuring measures?

We will continue to play a leading role in promoting the steady advancement of the restructuring measures. The restructuring entered Phase 2 in the fiscal year ending March 31, 2018, and will now focus on a full-scale recoding of Nikon's management DNA. We have already kicked off efforts to embed key performance indicators (KPI) in our operations on an organization-wide basis. Specifically, return on equity (ROE) will be a Companywide KPI, while return on invested capital (ROIC) will be a KPI for individual business units.

In the fiscal year ending March 31, 2018, we intend to disseminate these principles throughout all frontline organizations. This will help lay the foundation for more effective planning and management for our individual business units and our Company as a whole. Another goal is to establish prompt and effective response measures to any risks that might arise to compromise our ability to reach our goals.

When we announced the restructuring in November 2016, we said we plan to enhance our corporate governance structure, which includes re-examining the effectiveness of the Board of Directors.

Our next steps are reforms in Phase 3, which include clearly manifesting the new code of our management DNA, and then Phase 4, which will involve setting clear strategies and business plans based on our vision for a restructured Nikon.

Through this process, we intend to transform Nikon into a company highly capable of generating and sustaining ROE of 8% and above.

Imaging Business Unit

Nobuyoshi Gokyu
Senior Vice President
General Manager of Imaging Business Unit

Our top priorities are completing the restructuring and laying the foundations needed to advance future growth strategies.

Q How would you summarize the fiscal year ended March 31, 2017?

The fiscal year ended March 31, 2017, was a difficult year for the Imaging Business Unit as the market continued to shrink and parts procurement activities were impacted by the Kumamoto earthquakes in April 2016. In addition, we were forced to cancel the release of the DL series of premium compact cameras. This was an unprecedented setback for the Imaging Business Unit, and I must offer my sincere apologies to our customers and the people who were inconvenienced by this regrettable event. We fully recognize the gravity of this failure. For this reason, we are currently reconstructing our frameworks to enable us to make prompt and appropriate decisions at every stage of the process, from product planning to launch, to ensure we can swiftly resolve any issues created by operating environment changes.

Q What will be important measures for the Imaging Business Unit going forward?

It fills me with shame when I think of how many people had to leave the Imaging Business Unit due to voluntary retirement program and reassignments as part of the restructuring.

However, I also realize that moving ahead with the restructuring and formulating future growth strategies will require us to foster a corporate culture that motivates employees along with a working environment that endows employees with the tenacity needed to boldly tackle new challenges. As one initiative to this end, I deliver monthly messages to all employees in the Imaging Business Unit, telling them about the issues we face and explaining my thoughts and aspirations. I also visit work sites and create opportunities to explain our business policies on a quarterly basis.

We have reassessed our product strategy to focus more on high-value-added products and enhancing profitability. In addition, we will be utilizing return on invested capital (ROIC) as a new management indicator from the fiscal year ending March 31, 2018. The perspective associated with this indicator has become entrenched at work sites, and employees are thus going about their work while remaining considerate of invested capital costs. My next task will be to explain our goal for the Imaging Business Unit and to cultivate a culture that inspires employees to work toward that goal.

Cameras are tools that are able to record images of things that cannot be seen by the human eyes, perhaps due to being too far away or moving too fast. We aim to further evolve cameras as imaging devices, and we will extensively increase their basic performance, improve their connectivity with smart devices, and pursue usability.

By accomplishing these objectives, I will enhance product value, as called for by the restructuring measures. Furthermore, we will build a structure that can ensure profits by making the required improvements in terms of the quality, costs, and delivery of products at every stage of the production process, from design to mass production.

Digital SLR camera
D7500

Compact digital camera
COOLPIX W300

Advanced camera–interchangeable lens type
Nikon 1 J5

FPD Lithography Business Unit

Kiyoyuki Muramatsu
Senior Vice President
General Manager of FPD Lithography Business Unit

We will build a solid profit structure while seeking out new products in the display industry.

Q How would you summarize the fiscal year ended March 31, 2017?

In the fiscal year ended March 31, 2017, we enjoyed the benefits of brisk capital investment from customers mainly in China. As a result of this investment, 92 units were sold during this fiscal year, double the figure from the previous fiscal year. We were able to fill such orders as promised thanks to our steadfast efforts to boost production capacity and conduct the mass production of new products in response to the massive increase in demand.

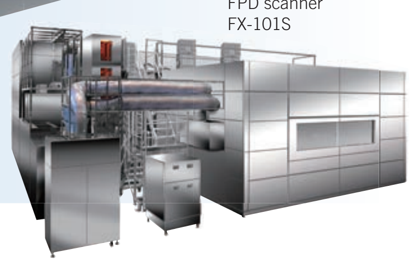
Our ability to augment production capacity in such a short period of time was due to the valiant efforts of procurement departments. Manufacturing FPD lithography systems requires several large components that must be custom-made with incredibly high precision, meaning that it is not easy to ramp up production. It is thus quite a feat how procurement departments were able to respond to our needs so quickly and flexibly, a feat that was accomplished by leveraging the departments' strong relationships with business partners.

I also have much praise with regard to the fact that production, installation, and new product development were carried out on schedule, even as we moved forward with this rapid expansion of production capacity.

Q Can you please explain some of the key points of the business strategies and the measures of the restructuring that will be implemented in the fiscal year ending March 31, 2018?

First of all, we will endeavor to ensure our ability to deliver and start the operation of Generation 10.5 plate FPD lithography systems. Considering one system can require dozens of trailers full of units and components, the first hurdle that needs to be overcome in this undertaking will be safely transporting all of these units and components. Next, we will accelerate our efforts to market products for manufacturing organic light-emitting diode (OLED) panels, which are anticipated to see increased use in smartphones and tablets. If small and medium-sized OLED panels can be made with higher definition going forward, it will contribute to increased competitiveness for Nikon products equipped with multi-lens projection optical systems.

FPD scanner
FX-68S



FPD scanner
FX-101S

The FPD Lithography Business serves a mature market, and it is therefore important to continue investing in new earnings sources. We are currently in the process of developing service infrastructure that will link customers' systems to Nikon and enable us to provide services that inform customers of precursors of potential malfunctions as well as to offer them 24-hour online support. Being constantly linked to customers will strengthen our relationships with them and help us increase customer satisfaction. At the same time, it will become easier to understand customer needs, giving us insight into what new services they may want.

Nikon Group is in the process of restructuring, shifting toward a policy of prioritizing profits and not pursuing increased scale. Accordingly, the FPD Lithography Business will seek to maintain a structure that will enable it to consistently generate profits, no matter how sales may fluctuate. This will be done by developing products that boast high levels of value and carefully monitoring market trends. There are many areas in which the FPD Lithography Business can contribute given that the display industry is thought to be a field that will grow over the medium to long term. We therefore plan to actively seek out and invest in new technologies and products for this field to solidify the foundations that will allow us to continue supporting the display industry on into the future.

Semiconductor Lithography Business Unit

Toshikazu Umatate
Senior Vice President
General Manager of Semiconductor
Lithography Business Unit

We will achieve profitability and establish a clear vision for the future of the business unit.

Q How would you summarize the fiscal year ended March 31, 2017?

Our most significant initiative during the fiscal year ended March 31, 2017, was the restructuring that kicked off in November 2016. We began this restructuring with fixed cost reduction by headcount rationalization such as solicitation for voluntary retirement and reassigning employees. These efforts proceeded as planned. It saddens me greatly to see so many comrades leave the Company, and my responsibility for causing this situation weighs heavily on my shoulders. This regrettable experience is fueling my passion to ensure that the Semiconductor Lithography Business Unit can be rebuilt successfully.

One of our tasks as part of the restructuring is to reassess our sales approach. We had actually begun this process a year before the restructuring started. Our new approach will entail a focus on business opportunities and products that guarantee profits, even if sales volumes decrease, and will represent a departure from an approach targeting growth in sales volumes and amounts. We thus initiated negotiations with customers, taking the time required to effectively explain the situation so that we could continue business under different conditions. Having earned customers' understanding, we are now poised to advance a stable investment plan and narrow the focus of our development activities. We will continue to reassess our sales approach as necessary going forward.

In addition, the cost reductions we have been pursuing over the past several years have begun producing results, and I feel confident saying that progress has been made in building a structure for generating consistent earnings.

Q What initiatives will be implemented by the Semiconductor Lithography Business Unit going forward?

The Companywide restructuring currently underway represents a priority measure for the Semiconductor Lithography Business. As such, our first goal will be to make progress in the restructuring in order to ensure that profitability is achieved in the fiscal year ending March 31, 2018, and then to establish a stable revenue base during the restructuring period, which will conclude in the fiscal year ending March 31, 2019. Finally, we will set clear business policies to be implemented after the restructuring period.

We also plan to establish a new technical support base on the east coast of the United States, adding to the existing bases in Japan. This move will enable us to take advantage of the time difference to offer swift responses to technical issues and provide technical support on a worldwide basis.

Furthermore, there is great potential for the cutting-edge technologies accumulated by the Semiconductor Lithography Business Unit to be utilized in other businesses. In fact, we have already begun examining methods of applying our optical technologies to other businesses together with the Optical Engineering Division that was established in April 2017. We plan to propose technologies that can be used in this manner.

As such, our focuses going forward will be to achieve profitability by steadily advancing measures of the restructuring and to expand into other business areas by utilizing the various cutting-edge technologies through semiconductor lithography system development. In this manner, the Semiconductor Lithography Business Unit will advance a united effort to create new value.

ArF immersion scanner
NSR-S631E

ArF scanner
NSR-S322F

Healthcare Business Unit

Masato Hamatani
Corporate Vice President
General Manager of Healthcare Business Unit

We will boost existing businesses and accelerate the creation and nurturing of new businesses in the healthcare, medical, and biological fields.

Effective June 29, 2017, the former Microscope Solutions Business Unit and Medical Business Development Division were consolidated to create the Healthcare Business Unit.

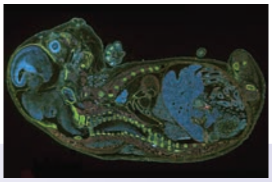
Q Although you were placed in charge of the new Healthcare Business Unit, could you please summarize the fiscal year ended March 31, 2017, for the former Microscope Solutions Business Unit and Medical Business Development Division?

In the former Microscope Solutions Business Unit, we succeeded in growing the market share of our mainstay biological microscope business and in steadily advancing operations in two areas of the regenerative medicine field: contract manufacturing of cells and cell quality assessment.

Looking first at the biological microscope business, sales were down year on year due to the impacts of negative foreign exchange influences and delayed government budget execution in the United States. Nevertheless, we were able to increase operating income in this business through cost reductions. Measures to augment sales capabilities led to growth in our market share that was in line with our initial target, placing the top position in the industry within sight.

In regard to cell quality assessment in the regenerative medicine field, we are currently engaged in joint research projects with multiple universities and research labs, including the Center for iPS Cell Research and Application (CiRA) at Kyoto University. We have developed a cell quality assessment system utilizing image analysis technologies that employ Nikon's accumulated microscopic observation technologies and cutting-edge pattern recognition technologies. This system is already being used for various cell quality assessment applications. In contract manufacturing of cells, Nikon CeLL innovation Co., Ltd., a wholly owned subsidiary established in 2015, sought to absorb technologies and expertise regarding contract manufacturing of cells for the regenerative medicine field from partner company Lonza. In addition, the construction of systems necessary for providing contract development organization (CDO) services is progressing as planned.

In the former Medical Business Development Division, our focus was on achieving rapid growth in the business of Optos Plc, a retina diagnostic imaging equipment company that was acquired in 2015 Efforts to this end included forming a strategic alliance with Verily Life Sciences LLC in the field of machine learning-enabled solutions. Verily is a life science research and technology development company that shares the same parent company as Google Inc.: Alphabet Inc. Through this alliance, we have begun joint development of new artificial intelligence (AI) technologies and solutions to help contribute to the early diagnosis and treatment of diabetic retinopathy and diabetic macular edema. By providing easy-to-use diagnosis solutions to ophthalmologists, optometrists, and diabetologists, we hope to advance diagnosis and treatment methods for individuals suffering from diabetes-related eye diseases while helping manage the condition of patients in whom such diseases have already appeared. At the same time, Optos witnessed strong sales of its ultra-wide field retinal imaging devices, leading it to achieve an operating margin of 20% on a non-consolidated basis. Overall, the former Medical Business Development Division recorded an operating loss. However, this was largely a result of up-front investments in business expansion and was in line with our plans.



Software processed image of 19-day-old rat embryo (Alexa Fluor 488-WGA, Alexa Fluor 568-Phalloidin, Dapi) captured with ECLIPSE Ti2

Inverted research microscope ECLIPSE Ti2

BUSINESS PERFORMANCE

Q How will the Healthcare Business Unit develop its business going forward?

The integration of the two former businesses took place on June 29, 2017. As such, our first task should be to quickly integrate and optimize the organizations and functions of the two entities in order to generate business synergies.

In the biological microscope business, we can expect new technologies to keep being introduced into the market. It will therefore be vital for us to maintain an understanding of the latest research trends. Simply improving the performance of our products will not be enough; we must provide researchers with optimal solutions based on an accurate understanding of their needs. Accomplishing this task will require that development and sales functions work together to enhance the entire marketing process, from demand research to product and application development.

Moving on to the regenerative medicine field, February 2017 saw the conclusion of a business and capital alliance agreement with HEALIOS K.K., a company that Nikon has been investing in and supporting since 2013. HEALIOS is a biotechnology company that stands at forefront of renewable medicine development with a pipeline containing several new drug candidates with high potential to be brought to practical application. In addition, Nikon aims to leverage its expertise in cell quality assessment and contract manufacturing of cells in order to generate synergies in the regenerative medicine field. Nikon CeLL innovation will begin contract manufacturing of cells at the new production facilities that will become operational during the fiscal year ending March 31, 2018. These facilities will be compliant with good manufacturing practices (GMP) for medical equipment. It will be important for Nikon CeLL innovation to take advantage of new business opportunities.

We are currently operating under a basic policy of expanding into new fields after generating steady results and establishing foundations to a certain degree in the ophthalmological diagnosis field. Accordingly, we will proactively promote joint development between Optos and Verily during the fiscal year ending March 31, 2018. We believe it will be possible to create diagnosis solutions that utilize AI technologies to judge the presence of illnesses and their stage and offer related advice based on retinal images taken with Optos' ultra-wide field retinal imaging devices. Such solutions would allow for diagnosis to be made with ease by ophthalmologists and optometrists as well as by diabetologists. Furthermore, we are developing technologies to take advantage of the fact that the retinas are the only part of the body in which blood vessels can be observed directly to diagnose illnesses affecting the entire body, such as hypertension and arteriosclerosis. Optos has previously focused its business activities on Europe and the United States. Going forward, however, we aim to expand this company's operations into other regions. Currently, the aging of the population and changes in dietary habits seen around the world are driving an increase in diabetes. This trend is stimulating a rise in the need for ophthalmological examinations, and we thus anticipate steady growth in demand in the future.

The Healthcare Business is one of the Nikon Group's growth businesses, and it is therefore crucial that we continue to create results, even during the restructuring period. We will aim to generate synergies between the operations of the former Microscope Solutions Business and Medical Business Development in order to develop these operations into new growth businesses. I feel a heavy responsibility in my position, but I am also intensely motivated in this role. I am thus committed to contributing to increased quality of life (QOL) for people by using Nikon technologies.

Ultra-wide field retinal imaging device
California

Ultra-wide field retinal imaging device
Daytona

Industrial Metrology Business Unit

Tomohide Hamada
Senior Vice President
General Manager of Industrial Metrology Business Unit

We will promote a solution proposal-based business and pursue the development of cutting-edge technologies.

Q How would you summarize the fiscal year ended March 31, 2017?

The Industrial Metrology Business Unit recorded year-on-year decreases in both sales and income in the fiscal year ended March 31, 2017, as a result of the bearish domestic market and impacts of unfavorable exchange rates on operations in Europe and the United States. In addition to these external factors, we cannot deny the existence of internal detractors. Specifically, the process spanning from customers' initial investment decisions to the installation of the 3D metrology systems and automated, non-contact large volume inspection system Laser Radar turned out to require more time than we had initially anticipated. This was a factor that led to delays in the recording of sales. However, these sales will be recorded in the fiscal year ending March 31, 2018.

Over the past several years, we have been working to develop global sales structures and increase Nikon's global brand recognition. To this end, we established showrooms in locations such as Mexico, Indonesia, and Thailand. We anticipate that these structures will enable us to conduct sales in a timely manner when the market improves.

The Industrial Metrology Business has been positioned as a driver for Nikon's growth over the medium term, and we made smooth progress in preparing the business to fulfill this role during the fiscal year ended March 31, 2017. Nikon provides unprecedented products that incorporate its non-contact, non-destructive inspection technologies. These products provide inspection methods that differ from previous methods in that they allow for entire batches of items to be inspected without damaging a single article. We hope that these products will see increased use in the automotive industry and other industries in which concern for quality and safety is particularly high. In fact, we have already begun initiatives aimed at realizing practical application of such products at the factories of major automobile and component manufacturers in Japan and Europe. A decent amount of time will still be required for these products to be officially adopted at the mass production phase. However, even though it may take another two or three years, we look forward to the substantial contributions these products will make to earnings going forward.

Q What are your plans for the future?

The market has continued to display a positive growth trend throughout 2017. Nonetheless, we are operating our business with a focus on profitability based on the assumption of severe market conditions. My mission is thus to manage this business while constructing the ideal structures to enable it to increase both sales and income in a manner befitting of a growth business, even while we maintain our focus on profitability.

Non-contact multi-sensor
3D metrology system
HN-C3030

X-Ray / CT inspection system
XT H 450

Our first move will be to reinforce sales structures. Previously, sales in the Industrial Metrology Business Unit had primarily been conducted through Nikon Group sales companies. However, we are now attempting to break away from our traditional focus on hardware sales to transform into a solution proposal-based business. This transformation will require us to maintain an even more in-depth understanding of customer needs in order to determine the types of solutions we can propose. For this reason, we established the Global Sales Department within the Industrial Metrology Business Unit in June 2017. Utilizing this new department, we will proactively make proposals as a means of meeting customer needs with existing products while also developing new products for the future based on currently apparent customer needs.

The Industrial Metrology Business Unit proudly offers a lineup of products with world-leading levels of performance and unique features. Although our immediate focus will be on profitability going forward, we still intend to continue investing in development to create the products that will support future business growth. We will continuously take on challenges to utilize our cutting-edge technologies in products and solutions.

Corporate Governance

Basic Views

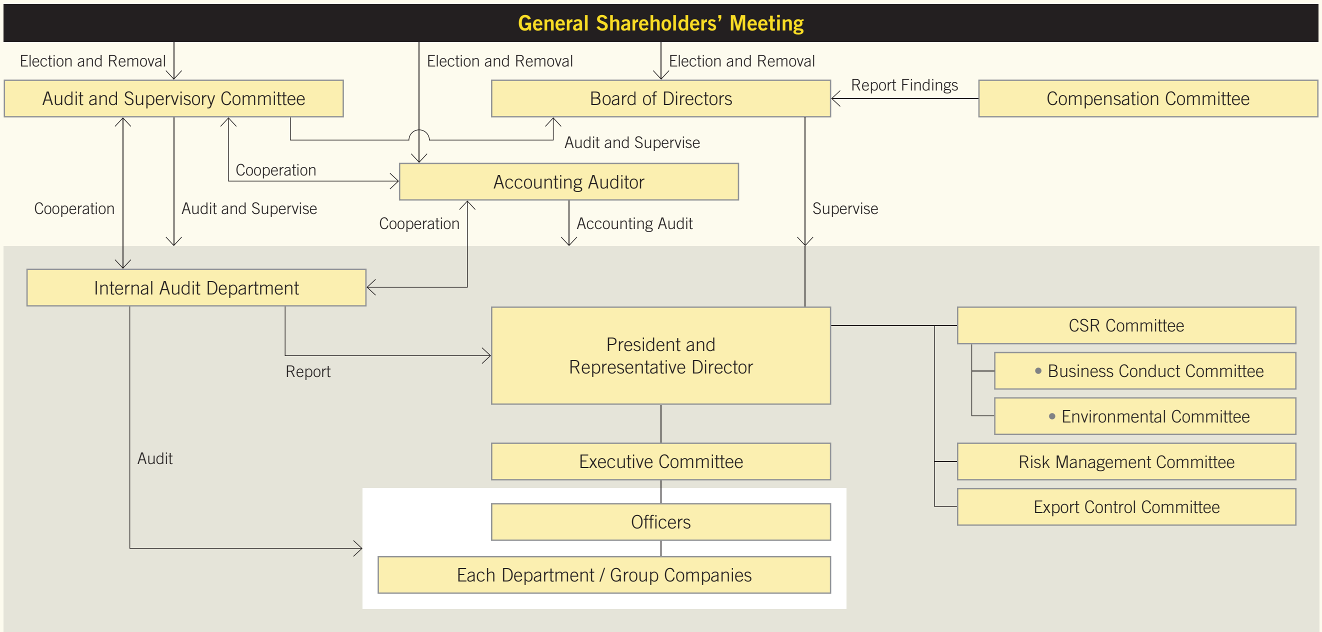
Based on its corporate philosophy, the Nikon Group will carry out highly transparent management through fulfilling its fiduciary responsibilities towards shareholders as well as responsibilities towards stakeholders including customers, employees, business partners, and society, etc., with a sincere and diligent attitude.

The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium to long term, through improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purpose of Japan's Corporate Governance Code.

System

Aiming to further enhance corporate governance, Nikon adopted a company with an Audit and Supervisory Committee. This position further strengthens the supervisory function of the Board of Directors as it strives to streamline decision-making and clarify management responsibility arising through delegation of authority.

Nikon's Corporate Governance Organization (As of June 29, 2017)



Board of Directors

The Board of Directors supervises management by directors and assumes the decision-making functions on the matters prescribed under laws and regulations, and the Articles of Incorporation of the Company, as well as the important matters concerning the Nikon Group. For the purpose of clarifying the scope of delegation to the executive directors and officers while ensuring prompt decision-making and management by the executive directors and officers, the Company specifically sets out the matters subject to deliberation at the Board of Directors in the criteria for matters subject to deliberation and report at the Board of Directors. For example, the Board of Directors makes decisions on matters concerning important management, including the basic management policies, the Medium-Term Management Plan, the annual plan, the basic policy on Internal Control System, and investments and loans exceeding a certain amount.

Moreover, in order to further strengthen the supervisory function of the Board of Directors, the Company has appointed four independent external directors (including three Audit and Supervisory Committee members).

Audit and Supervisory Committee

The Audit and Supervisory Committee audits and supervises the status of management by directors other than those who are Audit and Supervisory Committee members, and officers. For such purpose, Audit and Supervisory Committee members regularly attend the important meetings such as the meetings of the Board of Directors and the Executive Committee, and conducts audits and supervision over the management and directors. In addition, to further enhance independence and neutrality of the audit system, the Audit and Supervisory Committee shall consist of five Audit and Supervisory Committee members including three independent external directors.

Compensation Committee

The Company establishes the Compensation Committee which consists of representative directors, external directors and external experts. The Compensation Committee deliberates and makes proposals for policy regarding executive compensation as well as various related systems so as to ensure objectivity, transparency, and linkage with performance in the process of determining executive compensation.

Executive Committee

The Executive Committee, as the highest decision-making body of the management, swiftly and decisively makes decisions on individual major management issues delegated by the Board of Directors, in accordance with basic management policies, etc., as determined by the Board of Directors.

External Director

In the appointment of its external directors, the Company attaches importance to ensuring their independence.

The Company appoints external director candidates from among those with either a wealth of knowledge and experience, etc., as executives of other companies, or those with expertise and experience, etc., as specialists such as attorneys and certified public accountants, who are qualified to take part in a management supervision function from a fair and objective standpoint independent from management.

Criteria for Determining Independence of External Directors

In addition to the requirement for external directors under the Companies Act, the Company judges that an external director candidate is independent if he/she does not fall into any of the following requirements.

a) The candidate serves or had served the Group in the past.

b) The candidate is a "major client or supplier*" of the Company or an executive thereof.

c) The candidate is a major shareholder of the Company or an executive of the said major shareholder.

d) The candidate had served in the past at a company whose directors are concurrently serving as the Company's external director and vice versa.

e) The candidate is a person who belongs to a company or organization that receives a donation from the Company or a person who had served in the past at said company or organization.

f) The candidate's relative within the second degree of kinship serves as an important executive of a "major client or supplier" of the Group or the Company.

* "Major client or supplier" refers to a client or supplier that fall into either of the following.
(1) A client or supplier with whom the Company has transaction that falls into the following, in any of the past three years
• a party which receives payment from the Company equivalent to 2% of the party's consolidated net sales or ¥100.0 million, whichever the greater
• a party which makes payments to the Company equivalent to 2% of the Company's consolidated net sales or ¥100.0 million, whichever the greater
(2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of ¥10.0 million per year (average over the past three fiscal years)

Reasons for Appointment

Reasons for Appointment of External Director, except Audit and Supervisory Committee Members

Name	Reasons for Appointment
Akio Negishi	Akio Negishi serves as President, Representative Executive Officer of Meiji Yasuda Life Insurance Company, and possesses many years of management experience and exceptional knowledge, and we believe that he will be able to contribute to our management overall from a big-picture perspective.

Reasons for Appointment of External Directors and Audit and Supervisory Committee Members

Name	Reasons for Appointment
Haruya Uehara	Haruya Uehara has a career as president of Mitsubishi UFJ Trust and Banking Corporation and possesses many years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.
Hiroshi Hataguchi	Hiroshi Hataguchi has expertise and experience concerning compliance, etc., as an attorney at law, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency
Kunio Ishihara	Kunio Ishihara has a career as president of Tokio Marine & Nichido Fire Insurance Co., Ltd., etc., and possesses many years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.

Attendance at Meetings of the Board of Directors, Audit and Supervisory Committee, and Board of Corporate Auditors (Year ended March 31, 2017)

Name	Category	Board of Directors	Audit and Supervisory Committee	Board of Corporate Auditors
Akio Negishi	Director	11 of 12	—	—
Haruya Uehara	Director (Audit and Supervisory Committee member)	11 of 12	6 of 7	—
	Corporate auditor	2 of 3	—	3 of 3
Hiroshi Hataguchi	Director (Audit and Supervisory Committee member)	12 of 12	7 of 7	—
	Corporate auditor	3 of 3	—	3 of 3
Kunio Ishihara	Director (Audit and Supervisory Committee member)	11 of 12	6 of 7	—

Notes: 1. Subsequent to approval at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Accordingly, the number of meetings held and attended refers to meetings of the respective organization before and after the transition.
2. As both Akio Negishi and Kunio Ishihara were newly elected at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the number of times the meetings were held and attended after their appointment is presented.

Compensation for Directors and Officers

Compensation for Directors and Corporate Auditors (Year ended March 31, 2017)

Category	Monthly compensation		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation	Number of persons	Amount of compensation	Number of persons	Amount of compensation	Number of persons	Amount of compensation
Directors other than those who are Audit and Supervisory Committee members (of whom external directors)	12 (3)	¥294 million (¥13 million)	8 (—)	¥117 million (—)	— (—)	— (—)	12 (3)	¥411 million (¥13 million)
Directors who are Audit and Supervisory Committee members (of whom external directors)	5 (3)	¥62 million (¥24 million)	—	—	—	—	5 (3)	¥62 million (¥24 million)
Corporate auditors (of whom external corporate auditors)	4 (2)	¥18 million (¥5 million)	—	—	—	—	4 (2)	¥18 million (¥5 million)
Total	21	¥374 million	8	¥117 million	—	—	21	¥491 million

Notes: 1. Subsequent to approval at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. Accordingly, the amount of compensation for corporate auditors shown above indicates the amount paid prior to this date, while the amount of compensation for directors who are Audit and Supervisory Committee members indicates the amount paid after this date.
2. The number of persons pertaining to directors other than those who are Audit and Supervisory Committee members shown above includes three directors (two of whom are external directors) who retired at the conclusion of the 152nd Annual General Shareholders' Meeting held on June 29, 2016.
3. The amount of subscription rights to shares granted as stock-related compensation shown above indicates the amount of compensation, etc., concerning subscription rights to shares granted to directors other than those who are Audit and Supervisory Committee members (excluding non-executive directors) recorded as expenses during the fiscal year.

Compensation System

Basic policies regarding compensation	Executive compensation will be determined to satisfy the following basic matters. • Executive compensation should motivate executives to sustainably improve the value of companies and shareholders, as well as enhance willingness and morale • Executive compensation should keep, cultivate, and reward excellent personnel • The decision process for the compensation system should be objective and transparent

Compensation system and performance-based structure	a) The compensation system for executive directors and officers is comprised of the following items. The distribution ratio for compensation is determined by changing the percentages of fixed monthly compensation and performance-based compensation according to positions and duties. • "Fixed monthly compensation" Monetary compensation not based on performance. • "Bonuses" This monetary compensation is based on the degree of accomplishment and qualitative assessment of the capital efficiency and profitability of the Group as a whole and departments in charge on a single-year basis, and is determined within the range of 0% to 200% of the standard payment. • "Performance-based stock compensation" Stock compensation is determined within the range of 0% to 150% in accordance with achievement of consolidated net sales and consolidated operating income, etc. for the final fiscal year of the Medium Term Management Plan to be resolved per each three fiscal years with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of medium- and long-term performance. • "Subscription rights to shares granted as stock-related compensation" Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of long-term performance, within the range not exceeding 5% of the share dilution ratio. b) The compensation system for non-executive directors consists only of "fixed monthly compensation."
Method for determining compensation level and amount	The Compensation Committee discusses and advises on related systems in order to determine the level and system appropriate to the duties on account of compensation levels of major Japanese companies that globally develop their businesses so as to determine the compensation amount consistent with the performance of the Group and its business scale. The Compensation Committee consists of the representative directors, external directors, and external experts, and discusses the establishment of executive compensation policies, consideration of the compensation system, and specific calculation method. Based on the results of the discussions, compensation for directors other than those who are Audit and Supervisory Committee members is determined by a resolution of the Board of Directors, and compensation for directors who are Audit and Supervisory Committee members is determined by consultation among directors on the Audit and Supervisory Committee.

Number of Females and Non-Japanese Appointed as Nikon Group Directors / Officers and Corporate Auditors (As of March 31, 2017)

Nikon	Number of females: 0 / Number of non-Japanese: 0
Group companies	Number of females: 3* / Number of non-Japanese: 39*

* The breakdown of the number of directors is given below. Cases of directors or officers serving in concurrent posts are counted as one individual. For overseas Group companies, all local positions equivalent to director, corporate auditor, and officer are included in the total.
Females Directors and Officers: 2; Corporate auditors: 1
Non-Japanese Directors and Officers: 36; Corporate auditors: 3

Internal Audits

Acting independently from each business execution division, based on the annual audit plan duly approved by the president, the Internal Audit Department performs audits of the institutional and operational status of the Nikon Group, and then makes recommendations for improvement. In addition, it conducts the assessments of the company to be made for the Internal Control Report System (J-SOX) and evaluates the effectiveness of internal control from the standpoint of the Companies Act.

For audits of Group companies outside Japan, the internal audit sections that have been established at each of the regional holding companies perform audits and J-SOX evaluations of their local companies from an independent standpoint, supervised by the Internal Audit Department of Nikon Corporation.

The results of the Nikon Group's internal audits are reported to the president and all directors concerned. In addition, between the Audit and Supervisory Committee and the Internal Audit Department, close cooperation is achieved by means of sharing the audit results, holding regular meetings, and others.

Risk Management

To properly respond to risks that might critically impact corporate management, the Nikon Group has set up the Risk Management Committee, which is chaired by the senior executive vice president, as a supervising body of risk management. The Risk Management Committee supervises risks overall, and specialist subcommittees are in charge of risks requiring specialized support and handle detailed matters. Business-specific risks are tackled at the respective business division level.

The Nikon Group conducts risk identification surveys to gain an overall insight into the risks potentially affecting the Group. Taking a Companywide perspective, a risk assessment is then conducted to identify, analyze, and evaluate the replies collected after compilation and adjustment, to create a risk map that shows then level of influence and probability of each risk. With regard to cases evaluated as high risk, we study measures for mitigating those risks.

Nikon's CSR Activities that Support Growth

Nikon's CSR and Sustainability

The Nikon Group's corporate social responsibility (CSR) is making its corporate philosophy of "Trustworthiness and Creativity" a reality through its business activities and contributing to the sustainable development of society.

Today, the world faces a number of serious issues, including environmental issues such as the depletion of natural resources and climate change as well as labor and human rights issues in the supply chain. Companies will play an ever more important role in helping resolve these issues. The Sustainable Development Goals (SDGs) established by the United Nations call on companies to exhibit creativity and innovation in resolving the issues facing our world.

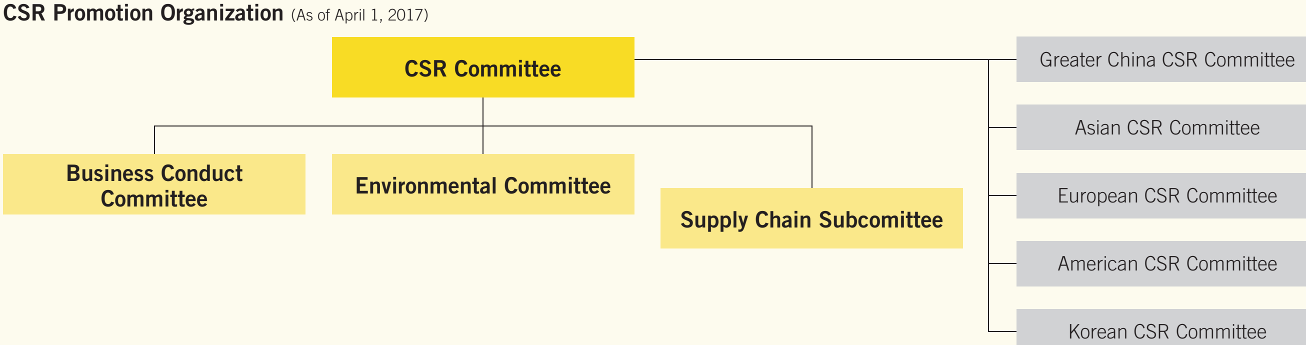
Nikon Corporation celebrated its 100th anniversary on July 25, 2017. Over the past century, the Nikon Group has contributed greatly to the development of society by supplying products that make people happy. Looking forward, Nikon Corporation will utilize its technical prowess to satisfy the expectations of society, fulfill its social responsibilities, and contribute to the sustainable development of society.

The Nikon Group's CSR Promotion System

The Nikon Group has established the CSR Committee, which is chaired by the president and has members drawn from the Executive Committee, to promote sustainability initiatives across the Group. The CSR Committee convenes twice a year to set goals, receive progress reports on activities, issue directions for improvement as required, and make overarching decisions about sustainability activities. The Business Conduct Committee, the Environmental Committee, and the Supply Chain Subcommittee have also been established as subcommittees under the CSR Committee.

Each holding company outside of Japan has been equipped with CSR supervision and promotion functions in order to advance sustainability activities that are coherent and in consideration of the characteristics of each region, including culture, customs, and language. In addition, CSR committees have been established in each region, which are membered by the presidents of Group companies in that region.

CSR Promotion Organization (As of April 1, 2017)



CSR Materiality Analysis

The Nikon Group analyzed its value chain in terms of social issues and mapped the resulting materiality. As a result, the CSR Committee finalized the issues that the Nikon Group must focus its efforts on. In relation to these issues, departments in charge establish their own annual targets and promote activities.

CSR Priority Issues (Year ending March 31, 2018)

- Promotion of information security
- Implementation of compliance activities
- Ensure product quality and safety
- Expansion and promotion of environmental management
- Respect for human rights and labor practices, and promotion of diversity in the employees
- Promotion of CSR activities in the supply chain
- Promotion of community contribution activities

Initiatives Addressing Priority Issues 1

Expansion and Promotion of Environmental Management

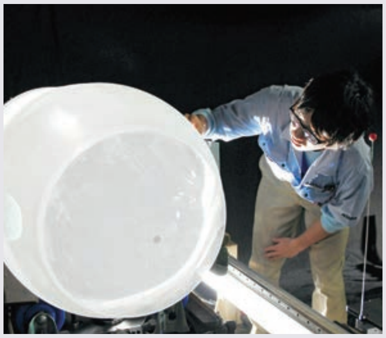
Nikon's New Manufacturing Approach for Contributing to the Realization of a Low-Carbon Society

Initiatives for Reducing the Environmental Burden Nikon Lenses as its mainstay products

Lenses are Nikon's mainstay products. Nikon lenses are incorporated into various devices and equipment in which they play an indispensable role in realizing high performance and high quality. However, as the manufacturing of lenses at Nikon begins with the production of basic materials, the lens manufacturing process presents serious issues from an environmental perspective, with this process consuming massive amounts of energy and accounting for roughly one-fourth of the Company's overall CO_2 emissions. Nikon recognizes that streamlining the process from the development to the manufacturing of lenses will be an important task to be addressed in reducing CO_2 emissions and is implementing various issues with this regard. On this page, we will introduce some of our initiatives for reducing environmental burdens from the manufacturing of synthetic silica glass ingot and optical glass.

Massive Reduction in Synthetic Silica Glass Prototyping Realized Using Simulations

Silica glass is composed of pure silicon dioxide and has superior transparency and excellent resistance to heat and chemicals. This glass is manufactured by applying extremely high temperatures to produce a chemical reaction and then casting it into a one-ton rod-shaped glass called an ingot over a period of roughly one month. For this reason, prototyping just one ingot can consume massive amounts of time and energy, a fact that has made it difficult to test new ideas for improving productivity or quality. To address this issue, we worked to develop simulation procedures for examining means of reducing the amount of energy used or the waste produced during the process of manufacturing ingots. Such simulations require superior technical capabilities due to the necessity of accounting for combinations of various conditions, including fluid dynamics and chemical reactions. Thanks to the technical aptitude and extensive experience Nikon has accumulated over many years, we were successful in realizing simulations that met these requirements. By utilizing simulations, we found that we can reduce electricity consumption by nearly 52,000 kWh from the amount that would be required to conduct an experiment by producing a prototype.


Synthetic silica glass ingot

Reduction of CO_2 Emissions and Waste through Optimized Press Work Process

Optical glass is used in the lenses of cameras, microscopes, metrology systems, and other precision optical devices that we often find in our daily lives. In manufacturing a lens, a square glass mass is cut out of a larger mass of optical glass and then pressed into a circle by a metallic mold with a curved surface before being ground and polished. In the press work process, there is a need to cater to limitless combinations of glass types and lens shapes. As such, we have long depended on the experience of our skilled workers to identify the best conditions for pressing. This situation, however, resulted in inconsistency in the lenses created through the press work process, and we therefore routinely had to leave a wider grinding allowance than the designated shape. By optimizing the press work process through quality engineering, we succeeded in decreasing inconsistency by 40% while simultaneously achieving a 10% reduction in the weight of glass used per single processed unit. After applying this optimization method to our existing 16 products, we witnessed an annual reduction of 36.8 tons of CO_2 emissions. In addition, the narrower grinding allowance resulted in a 10% reduction in waste.


Lens production

SUSTAINABILITY

Initiatives Addressing Priority Issues 2

Promotion of CSR Activities in the Supply Chain

Sustainable Supply Chain Built with Procurement Partners

Responsible Procurement Made Possible by Forging Strong Partnerships

We have established the Nikon Basic Procurement Policy to continuously supply customers with products that meet and exceed their expectations and with the hope of building a better society and global environment as well as realizing the sustainable growth of the Company. Using this policy to guide procurement activities, the Nikon Group will carry out procurement activities in an honest and fair manner.

The Nikon Group considers its suppliers to be procurement partners. With this in mind, we work to build solid relationships with them in order to achieve mutual prosperity. In building such relationships, the Group implements CSR surveys based on risk assessments. We work together with those procurement partners deemed to be in high need of improvement to support them in achieving such improvements. We also request that procurement partners ensure their suppliers (tier 2 suppliers) act responsibly. Through these initiatives, we are building a sustainable supply chain.

The Nikon Group's Supply Chain

The Nikon Group conducts business with approximately 1,700 procurement partners located across the globe, with around 700 of these considered major procurement partners. These numerous partners assist us in procuring materials, parts, and other articles. Reciprocal communication with these procurement partners is of utmost importance. To facilitate such communication, we hold explanatory forums, issue surveys, arrange for exchanges of opinion with suppliers, and visit individual suppliers to confirm their situations. By country, more than 90% of our procurement partners are located in Japan, China, and Thailand, where the Nikon Group operates its main production bases. This is because we strive to ensure excellence with regard to quality, costs, and delivery and to help local economies grow by actively procuring raw materials and parts from the countries and regions where we manufacture our products.

Improvement Activities through CSR Surveys and CSR Audits

The Nikon Group conducts CSR surveys based on risk assessments in order to check the extent to which procurement partners comply with the Nikon CSR Procurement Standards. Based on the results, we carry out CSR audits or request the implementation of CSR improvement activities as a way to mitigate and eliminate risks. We have been conducting such surveys and audits of procurement partners in Japan and Asia since the fiscal year ended March 31, 2016. The scope of these activities was expanded to include partners in Europe in the fiscal year ended March 31, 2017. Also, we recognize that human rights issues, including child labor and forced labor, have become a serious issue for the international community. For this reason, we have given greater priority to human rights-related items in risk assessment standards and reflect this priority in actual assessments.

In the fiscal year ended March 31, 2017, we reviewed and refined risk items and judgment criteria in order to improve the accuracy of risk assessments. In addition, we defined the goals of monitoring the progress of corrective measures at procurement partners identified as presenting risks in the survey for the fiscal year ended March 31, 2016, and of surveying them again in the fiscal year ended March 31, 2017. This goal has been achieved. In the future, we plan to review the standards and processes we utilize throughout the course of performing risk assessments and providing assistance for improvements while receiving the support of outside experts.


CSR procurement briefing

Initiatives Addressing Priority Issues 3

Promotion of Community Contribution Activities

Goal of Growing with Local Communities

Synergies between Business and Community Contribution Activities in Laos

Laos is one of the least developed countries in the world and faces a variety of social issues, one of which is a low rate of secondary education enrollment. Nikon has established two scholarship programs in Laos, one for supporting junior high school students from economically disadvantaged households and another for aiding university students in order to cultivate the human resources who will support the future of the nation.

The impetus for these scholarship programs occurred at the opening ceremony for Nikon Lao Co., Ltd. (NLC), in 2013, when a Laotian government official stated that, while the children of the country wanted to study, they lacked even notebooks and pencils. This incident kindled the Nikon Group's desire to contribute to economic development in Laos and to support the education of its children on into the future.

A Win-Win Relationship Based on Trust

Today, there are around 1,400 employees at NLC and the company has become known locally as a place where people can work with peace of mind, resulting in it being such a popular place of employment that there is a waiting list for prospective hires. However, as Laos is an agriculture-oriented nation, factory work was not very common when NLC was first established. Accordingly, this company initially faced great difficulties in securing employees. NLC is operated by Thai employees who have gained experience at a Nikon (Thailand) Co., Ltd., in nearby Thailand. In order to recruit employees for NLC, these Thai employees frequently visited small villages, engaging in an ongoing exchange with the local people as a matter of everyday operations. The steadfast efforts of NLC's Thai staff members as well as Nikon's community contribution activities, such as the scholarship programs, produced a synergistic effect, gradually earning the trust of the local people. This trust is what enabled NLC to secure a stable supply of employees. Three years have passed since the plant in Laos was built and the scholarship programs were launched, and today a win-win relationship has developed between Laos and Nikon.

In October 2016, employees from the Nikon head office visited several schools and households to present scholarship aid and donations of school supplies from the Company, and they were met with a warm welcome wherever they went. The teachers at the schools we visited told us that their students were able to choose their career path after graduation thanks to Nikon's contributing to the local community. We were also happy to hear that some students went on to work at a Nikon Group company factory, while other students pursued higher education. In Laos, Nikon's community contribution activities and the business activities of a local Group company have yielded incredible synergistic effects. The Nikon Group has business facilities around the world, and it hopes the example of Laos will serve as an ideal model case for future Nikon Group activities.

Conferral ceremony for the donation of school supplies


Junior high school students in Laos welcoming the Nikon visit with a handmade flag

SUSTAINABILITY

Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2017

Overview of the Fiscal Year Ended March 31, 2017

During the consolidated fiscal year ended March 31, 2017, the Japanese economy showed a gradual recovery trend on the whole as capital investment and consumer spending continued to show signs of recovery. Looking at the global economy, a modest recovery trend was seen in both the United States and Europe, which continued to be supported by firm personal consumption despite market turmoil due to the United Kingdom's decision to leave the European Union and the U.S. presidential election.

Looking at performance by business segment, in the Precision Equipment Business, capital investments in the semiconductor-related field remained solid while capital investments were strong in the FPD-related field, primarily in small and medium-sized panels. In the Imaging Products Business, the digital camera–interchangeable lens type market and the compact digital camera market continued to shrink. In the Instruments Business, the microscope-related field was sluggish overall due to the delay in public budget execution in the United States. In the industrial metrology-related field, capital investments were weak due to a delayed market recovery. In the Medical Business, the retinal diagnostic imaging equipment market remained solid throughout the fiscal year on a global scale.

The Nikon Group has been pursuing sustainable growth based on the Medium-Term Management Plan Update, announced in May 2015, aiming to become a group capable of growing through a business portfolio comprising its existing businesses and growth businesses. However, the Semiconductor Lithography Business did not break even, the Imaging Products Business faced a market shrinking more than expected, and the development of the growth businesses fell short of expectations.

Due to these circumstances, the Group decided to discontinue the Medium-Term Management Plan Update and launch restructuring measures. Seeking to improve its structure to enhance corporate value, the Group shifted from a strategy pursuing revenue growth to one pursuing profit enhancement. In the fiscal year under review, the Group prioritized restructuring of the Semiconductor Lithography Business and the Imaging Products Business, as well as the headquarters functions. In addition, the Group sought employees in Japan for a voluntary retirement, and 1,143 persons retired. Furthermore, in order to strengthen the technology and improve the efficiency, the Group's functions related to manufacturing optical components were aggregated to Tochigi Nikon Corporation.

As a result of the foregoing, on a consolidated basis, revenue for the fiscal year under review decreased ¥91,766 million (10.9%) year on year to ¥749,273 million. Operating profit fell ¥34,493 million (97.8%) to ¥774 million due to the recording restructuring expenses under other expenses. Profit attributable to owners of the parent decreased ¥25,980 million (86.8%) to ¥3,967 million.

Profit (Loss) Analysis

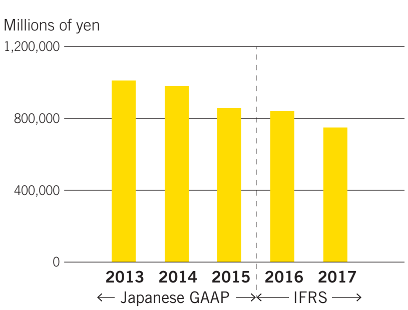
Years ended March 31, 2016 and 2017

% of Revenue

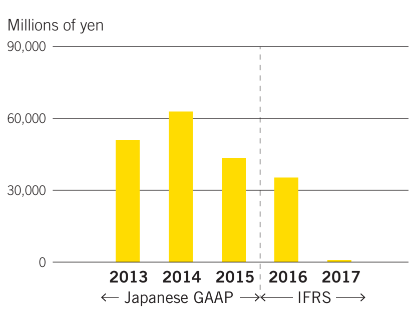
	2016	2017
Revenue	100.0%	100.0%
Cost of sales	(62.1)	(59.1)
Gross profit	37.9	40.9
SG&A expenses	(32.9)	(33.0)
Other income (expenses)—net	(0.8)	(7.7)
Operating profit	4.2	0.2
Finance income (costs)—net	0.4	0.2
Profit before income taxes	4.7	0.4
Income tax expenses	(1.1)	0.1
Profit for the year	3.6	0.5
Profit attributable to owners of the parent	3.6	0.5

* Expenses, losses, and subtractive amounts are in parentheses.

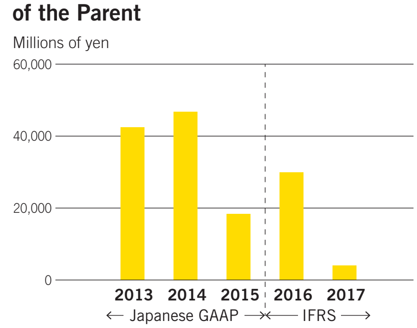
Revenue



Operating Profit



Profit Attributable to Owners of the Parent



Performance by Business Segment

Precision Equipment Business

In the Semiconductor Lithography Business, unit sales grew for the ArF scanner NSR-S322F and the state-of-the-art ArF immersion scanner NSR-S631E, which was launched in February 2016.

In the FPD Lithography Business, on the back of active capital investments by manufacturers mainly in the Chinese market, unit sales grew significantly for the FX-66S2, FX-67S2 and others, which are ideal for the production of small and medium-sized panels for smartphones and tablet devices. Moreover, the FX-68S, the latest system launched in March 2016, steadily secured orders. Consequently, overall unit sales, including those of equipment for large panels, doubled year on year.

As a result, revenue in the Precision Equipment Business increased 23.7% year on year to ¥248,026 million, and operating profit rose 42.6% to ¥13,463 million.

Imaging Products Business

For the digital cameras–interchangeable lens type, sales of mid-range and high-end cameras were strong, such as the D750, a digital SLR camera with specifications comparable to those of professional models, and the D7200, a high-performance DX-format camera. However, a shrinking market and the impact of the 2016 Kumamoto Earthquake on the supply chain caused a decrease in the number of units sold.

With regard to compact digital cameras, high-value-added products, such as the multi-function model COOLPIX P900, with a high-power zoom capability of up to 2000 mm for excellent image quality, and the high-power zoom model COOLPIX B500 were strong. However, unit sales dropped sharply with the drastic contraction of the market in addition to the impact of the 2016 Kumamoto Earthquake.

As a result, revenue in the Imaging Products Business decreased 26.4% year on year to ¥383,024 million, and operating profit fell 63.4% to ¥17,150 million.

Instruments Business

In the microscope-related field, sales declined owing to delays in budget execution in the United States and Europe and foreign exchange impacts. Biological microscopes improved their profitability through efforts to reduce costs. However, profits in this business field declined overall due to increased investments in the stem cell business and others.

In the industrial-related metrology field, sales of the CNC video measuring system NEXIV series increased. However, overall sales and profit declined due to the sluggish demand for semiconductor inspection equipment in Japan and the foreign exchange impacts in the United States and Europe.

As a result, revenue in the Instruments Business decreased 4.9% year on year to ¥73,449 million, and operating profit decreased 62.2% to ¥1,279 million.

Medical Business

In the Medical Business, despite sluggish sales in Japan, overall sales of ultra-widefield retinal imaging device increased due to solid performances mainly in North America, Europe, and China.

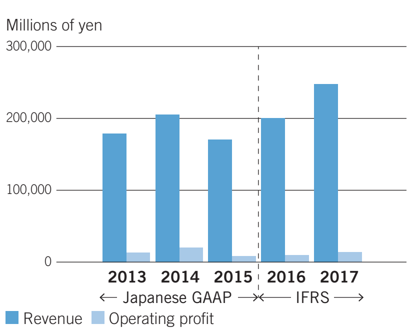
As a result, revenue in the Medical Business came to ¥20,276 million, whereas operating loss of ¥1,599 million was recorded primarily due to up-front investments in new medical-related businesses.

Other Businesses

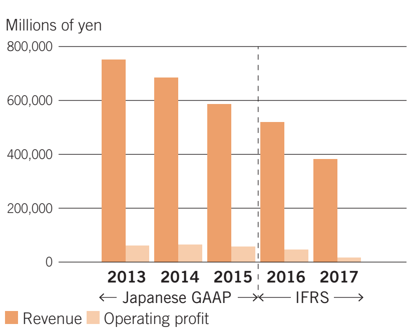
In the Customized Products Business, sales of space-related products increased, while sales of solid state lasers declined. In the Glass Business, sales of photomask high-precision substrates for FPDs and optical components expanded, and profit was maintained at the previous year's level.

As a result, revenue from Other businesses, including the aforementioned businesses, increased 0.1% year on year to ¥24,498 million, and operating profit declined 20.9% to ¥3,396 million.

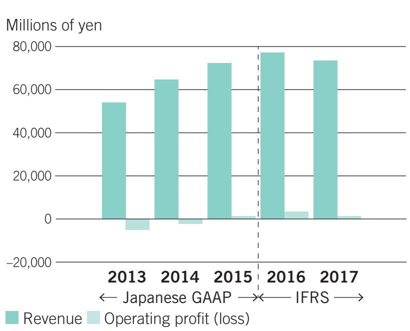
Precision Equipment Business



Imaging Products Business



Instruments Business



FINANCIAL AND CORPORATE DATA

Business Climate and Issues for the Fiscal Year Ending March 31, 2018

With regard to the business climate surrounding the business segments of the Group, in the Precision Eqi pment Business, ongoing firm demand in capital investments is expected in the semiconductor-related field. In addition, the FPD-related field is forecast to remain strong as it is projected that capital investments for small and medium-sized panels will hold firm and capital investments for large panels will increase. In the Imaging Products Business, the contraction of the markets for digital camerasi- nterchangeable lens type and compact digital cameras is expected to continue. In the Instruments Business, although there are concerns in the microscope-related field for biological microscopes, such as the potential impact of science and technology budget cuts in the United States, an increase in market share is anticipated, and the commercialization of the stem cell business will be accelerated. In the industrial metrology-related field, although the global market is opaque, the expansion of sales of automobile-related products and semiconductor inspection equipment will be continued. In the Medical Business, solid performance of the retinal diagnostic imaging equipment market is expected, particularly in North America and Europe.

In the fiscal year ending March 31, 2018, the Group will move on to Phase 2 of the restructuring announced in November 2016, and based on the following principles, the Group will implement measures to shift from a strategy pursuing revenue growth to one pursuing profit enhancement.

Restructuring Phase 2 Management Policies

1. Achieve break-even in the Semiconductor Lithography Business
2. Strengthen the profit structure of the Imaging Products Business
3. Initiate full-scale enhancement of management DNA

Furthermore, a new medium-term management plan starting from the fiscal year ending March 31, 2020, which incorporates growth strategies, will be announced again.

Capital Expenditures and R&D Expenditures

Capital expenditures were ¥32,234 million for the fiscal year ended March 31, 2017, a 6.6% decrease from the previous fiscal year. Within individual business segments, the expenditures were ¥7,511 million for Precision Eqi pment, ¥7,071 million for Imaging Products, ¥2,437 million for Instruments, ¥544 million for Medical, and ¥10,451 million for Other businesses. The Group made investments of ¥4,220 million in corporate assets that are not allocated to reportable segments.

R&D expenditures were ¥63,636 million, down 4.7% year on year, and the ratio of R&D expenditures to revenue was 8.5%, an increase of 0.6 percentage point. Within individual business segments, the expenditures were ¥16,217 million for Precision Equipment, ¥24,921 million for Imaging Products, ¥6,229 million for Instruments, ¥3,793 million for Medical, and ¥12,485 million for Other businesses.

The development costs that satisfied certain requirements were capitalized.

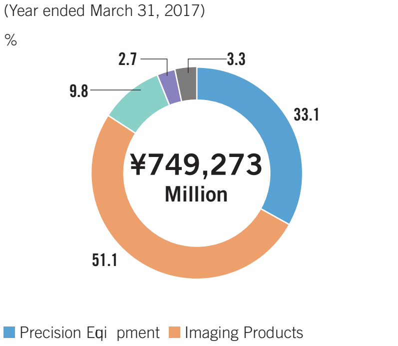
Financial Position

Total current assets as of March 31, 2017 were ¥659,013 million, an increase of ¥18,722 million from the previous fiscal year-end. This is primarily because an increase of ¥67,836 million in cash and cash eqi valents outweighed a decrease of ¥43,321 million in inventories that was a result of write-downs and disposals accompanied with the restructuring.

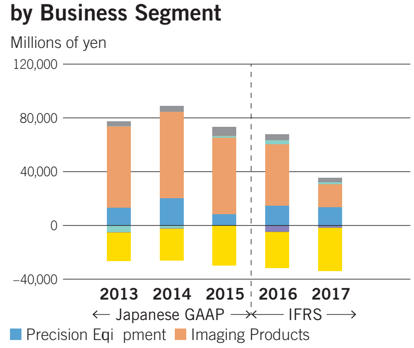
The balance of total non-current assets increased ¥17,064 million from the previous fiscal year-end to ¥359,338 million.

Revenue by Business Segment

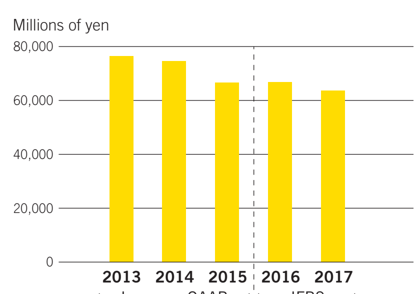
(Year ended March 31, 2017)



Operating Profit (Loss) by Business Segment



R&D Expenditures



* The “Other” segment comprises businesses not included in reportable segments, such as the Glass Business and Customized Products Business.

This outcome was largely due to an increase of ¥14,220 million in other non-current financial assets that stemmed from the rise in stock prices.

The balance of total current liabilities at March 31, 2017 was ¥341,918 million, up ¥4,185 million from the end of the previous fiscal year-end, primarily due to an increase of ¥6,847 million in advances received.

The balance of total non-current liabilities rose ¥30,529 million from the previous fiscal year-end to ¥138,283 million. Although a portion of bonds eqi valent to ¥9,968 million was transferred from non-current liabilities to current liabilities, long-term borrowings rose ¥40,373 million, resulting in the overall increase.

The balance of total equity increased ¥1,072 million to ¥538,150 million. This result can primarily be attributed to a ¥859 million increase in retained earnings due to recording profit attributable to owners of the parent.

The ratio of equity attributable to owners of the parent to total assets was 52.8%, down 1.8 percentage points from the previous fiscal year-end.

Cash Flow Analysis

Net cash provided by operating activities for the fiscal year ended March 31, 2017, decreased ¥10,170 million year on year to ¥97,342 million. The decrease was primarily attributable to a decline in revenue from advances received in the Precision Equipment Business and in sales in the Imaging Products Business.

Net cash used in investing activities decreased ¥42,484 million to ¥40,693 million. Although significant expenditures were conducted in the previous fiscal year to acqi re shares of Optos Plc, the outlays in the fiscal year ended March 31, 2017 were primarily for purchase of property, plant and eqi pment.

From financing activities, net cash of ¥15,522 million was provided, which was an increase of ¥33,695 million compared with net cash used in financing activities in the previous fiscal year. The result was mainly due to proceeds from long-term borrowings.

Analysis of Financial Position

As of March 31, 2016 and 2017

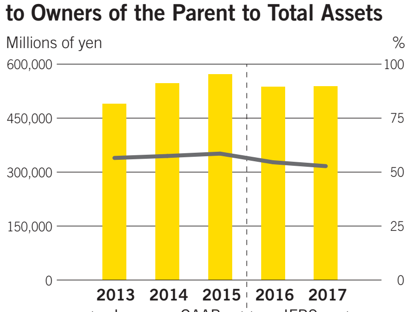
% of Total assets

	2016	2017
Total assets	100.0%	100.0%
Total current assets	65.2	64.7
Inventories	26.8	21.6
Total non-current assets	34.8	35.3
Property, plant and equipment	13.0	12.0
Other non-current assets	21.8	23.3
Total current liabilities	34.4	33.6
Bonds and borrowings (current)	2.7	2.3
Total non-current liabilities	10.9	13.6
Bonds and borrowings (non-current)	8.6	11.2
Total equity	54.6	52.8

Basic Policy on Shareholder Returns; Current and Subsequent Term Dividends

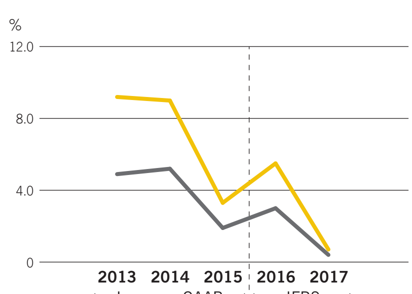
The Group's policy on shareholder returns is as follows: "Along with expanding investment (in capital and in development) in business and technology development to ensure future growth and enhance competitiveness, our fundamental approach to shareholder returns is to pay a steady dividend that reflects the perspective of shareholders." It is thus the Group's policy to provide shareholder returns while targeting a dividend payout ratio of more than 40%. In addition, the Group maintains its focus on the total return ratio when determining returns in order to better reflect business performance. For the fiscal year under review, the Group set the year-end dividend at ¥4 per share. When combined with the interim dividend of ¥12 per share, the full-year dividend amounted to ¥16 per share. Dividends for the fiscal year ending March 31, 2018, have yet to be determined.

Total Equity / Ratio of Equity Attributable to Owners of the Parent to Total Assets



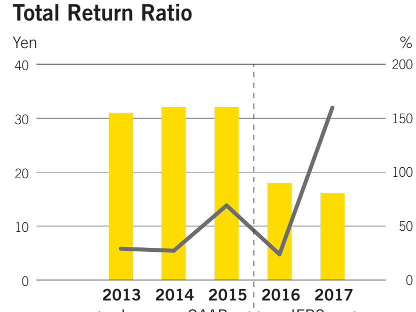
Total eqi ty
Ratio of eqi ty attributable to owners of the parent to total assets (%)

ROE / ROA*



ROE ROA

Cash Dividends per Share / Total Return Ratio



Cash dividends per share
Total return ratio (%)

* ROE is calculated by dividing profit (loss) attributable to owners of the parent by the average of total eqi ty at the beginning and end of the year, and ROA is calculated by dividing profit (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the year.

Financial Information

Financial Information

1. Preparation of Consolidated Financial Statements

The consolidated financial statements of Nikon Corporation (hereinafter referred to as the “Company”) and its subsidiaries (together hereinafter referred to as the “Group”) were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976) (hereinafter referred to as the “Ordinances on Consolidated Financial Statements”).

2. Audit

The Company’s consolidated financial statements for the fiscal year ended March 31, 2017, have been audited by Deloitte Touche Tohmatsu LLC in accordance with Article 193-2-1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure the Accuracy of Consolidated Financial Statements and a Framework to Ensure Consolidated Financial Statements are Appropriately Prepared in Accordance with IFRS

The Company has taken special measures to ensure the appropriateness of the consolidated financial statements and has established a framework to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS. The details of these are as follows:

(1) In order to establish a framework capable of understanding accounting standards properly and adapting changes in accounting standards appropriately, the Company has joined the Financial Accounting Standards Foundation and also participates in seminars and training programs organized by associations providing professional information.

(2) In order to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS, the Company formulated group accounting policies in compliance with IFRS and has been conducting accounting practices accordingly. The Company obtains the press releases and accounting standards published by the International Accounting Standards Board, learns the latest standards, assesses the relevant possible impacts on the Company, and updates the group accounting policies in a timely manner.

Consolidated Financial Statements

Consolidated Statement of Financial Position

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

Millions of yen

	2015	2016	2017
ASSETS			
Current assets:			
Cash and cash equivalents (Note 8)	¥ 259,625	¥251,210	**¥ 319,046**
Trade and other receivables (Note 9)	129,361	104,601	**96,221**
Inventories (Note 10)	272,270	263,720	**220,400**
Other current financial assets (Notes 11 and 35)	4,439	7,973	**9,163**
Other current assets (Note 12)	13,830	12,786	**14,183**
(Subtotal)	679,525	640,291	**659,013**
Non-current assets held for sale (Note 13)	266	—	**—**
Total current assets	679,791	640,291	**659,013**
Non-current assets:			
Property, plant and equipment (Note 14)	147,070	127,403	**121,827**
Goodwill and intangible assets (Note 15)	31,639	70,621	**67,752**
Net defined benefit assets (Note 25)	5,821	1,162	**5,489**
Investments accounted for using the equity method (Note 17)	10,196	10,645	**11,696**
Other non-current financial assets (Notes 11 and 35)	79,413	71,123	**85,343**
Deferred tax assets (Note 19)	53,996	60,298	**62,883**
Other non-current assets (Note 12)	1,495	1,022	**4,349**
Total non-current assets	329,628	342,274	**359,338**
Total assets	¥1,009,420	¥982,564	**¥1,018,351**

Millions of yen

	2015	2016	2017
LIABILITIES / EQUITY			
LIABILITIES			
Current liabilities:			
Trade and other payables (Note 20)	¥ 125,719	¥124,131	**¥ 112,870**
Bonds and borrowings (Notes 21 and 35)	28,600	26,498	**23,601**
Income tax payable (Note 19)	5,417	4,272	**3,567**
Advances received	99,644	104,548	**111,395**
Provisions (Note 22)	9,193	7,970	**6,926**
Other current financial liabilities (Notes 23 and 35)	40,420	33,092	**31,213**
Other current liabilities (Note 24)	38,195	37,222	**52,347**
Total current liabilities	347,188	337,732	**341,918**
Non-current liabilities:			
Bonds and borrowings (Notes 21 and 35)	84,436	84,071	**114,477**
Net defined benefit liabilities (Note 25)	8,438	8,889	**8,624**
Provisions (Note 22)	3,624	4,102	**4,131**
Deferred tax liabilities (Note 19)	364	5,482	**5,193**
Other non-current financial liabilities (Notes 23 and 35)	3,276	2,465	**2,991**
Other non-current liabilities (Note 24)	2,564	2,745	**2,868**
Total non-current liabilities	102,701	107,754	**138,283**
Total liabilities	449,889	445,487	**480,201**
EQUITY			
Capital stock (Note 26)	65,476	65,476	**65,476**
Capital surplus (Note 26)	80,981	81,234	**81,163**
Treasury stock (Note 26)	(12,413)	(13,255)	**(13,215)**
Other components of equity	11,057	(25,522)	**(25,381)**
Retained earnings (Note 26)	413,928	428,622	**429,481**
Equity attributable to owners of the parent	559,029	536,555	**537,524**
Non-controlling interests	502	523	**626**
Total equity	559,531	537,078	**538,150**
Total liabilities and equity	¥1,009,420	¥982,564	**¥1,018,351**

Consolidated Statement of Profit or Loss

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

		Millions of yen
	2016	2017
Revenue (Note 28)	¥ 841,040	**¥ 749,273**
Cost of sales (Note 10)	(522,232)	**(443,153)**
Gross profit	318,808	**306,121**
Selling, general and administrative expenses (Note 30)	(276,988)	**(247,548)**
Other income (Note 29)	8,685	**3,606**
Other expenses (Note 29)	(15,239)	**(61,404)**
Operating profit	35,266	**774**
Finance income (Note 31)	7,432	**5,781**
Finance costs (Note 31)	(4,192)	**(4,006)**
Share of the profit of investments accounted for using the equity method (Note 17)	1,040	**518**
Profit before income taxes	39,546	**3,068**
Income tax (expense) benefit (Note 19)	(9,502)	**990**
Profit for the year	30,044	**4,057**
Attributable to:		
Owners of the parent	29,947	**3,967**
Non-controlling interests	97	**91**
Total	¥ 30,044	**¥ 4,057**
Earnings per shares:		
Basic earnings per share (Yen) (Note 32)	¥75.55	**¥10.01**
Diluted earnings per share (Yen) (Note 32)	75.37	**9.98**

Consolidated Statement of Comprehensive Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

		Millions of yen
	2016	2017
Profit for the year	¥ 30,044	**¥ 4,057**
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 (Note 33)	(8,424)	**7,338**
Remeasurement of defined benefit pension plans (Notes 25 and 33)	(3,472)	**3,307**
Share of other comprehensive income (loss) of investments accounted for using the equity method (Note 33)	18	**(17)**
Total of items that will not be reclassified subsequently to profit or loss	(11,879)	**10,628**
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations (Note 33)	(27,856)	**(4,248)**
Effective portion of the change in fair value on cash flow hedges (Note 33)	(35)	**(363)**
Share of other comprehensive loss of investments accounted for using the equity method (Note 33)	(216)	**(337)**
Total of items that may be reclassified subsequently to profit or loss	(28,108)	**(4,948)**
Other comprehensive income (loss), net of taxes	(39,987)	**5,680**
Total comprehensive income (loss) for the year	¥ (9,943)	**¥ 9,737**
Attributable to:		
Owners of the parent	(9,987)	**9,676**
Non-controlling interests	45	**61**
Total comprehensive income (loss) for the year	¥ (9,943)	**¥ 9,737**

Consolidated Statement of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

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	Remeasurement of defined benefit pension plans	Share of other comprehensive income (loss) of investments accounted for using the equity method	Exchange differences on translation of foreign operations	Effective portion of the change in fair value on cash flow hedges	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2015	¥65,476	¥80,981	¥(12,413)	¥10,822	¥ —	¥ (2)	¥ —	¥ 237	¥ 11,057	¥413,928	¥559,029	¥502	¥559,531
Profit for the year	—	—	—	—	—	—	—	—	—	29,947	29,947	97	30,044
Other comprehensive loss (Note 33)	—	—	—	(8,424)	(3,472)	(199)	(27,804)	(35)	(39,934)	—	(39,934)	(52)	(39,987)
Total comprehensive income (loss) for the year	—	—	—	(8,424)	(3,472)	(199)	(27,804)	(35)	(39,934)	29,947	(9,987)	45	(9,943)
Dividends (Note 27)	—	—	—	—	—	—	—	—	—	(11,902)	(11,902)	(24)	(11,926)
Acquisition and disposal of treasury stock	—	(0)	(976)	—	—	—	—	—	—	—	(976)	—	(976)
Share-based payments (Note 34)	—	340	134	—	—	—	—	—	—	5	479	—	479
Changes in equity attributable to owners of the parent arising from transactions with non-controlling interests	—	(87)	—	—	—	—	—	—	—	—	(87)	—	(87)
Transfer from other components of equity to retained earnings	—	—	—	(99)	3,472	(18)	—	—	3,356	(3,356)	—	—	—
Total transactions with owners	—	253	(842)	(99)	3,472	(18)	—	—	3,356	(15,253)	(12,486)	(24)	(12,510)
As of March 31, 2016	65,476	81,234	(13,255)	2,300	—	(218)	(27,804)	201	(25,522)	428,622	536,555	523	537,078
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,967**	**3,967**	**91**	**4,057**
Other comprehensive income (loss) (Note 33)	**—**	**—**	**—**	**7,338**	**3,307**	**(354)**	**(4,218)**	**(363)**	**5,710**	**—**	**5,710**	**(30)**	**5,680**
Total comprehensive income (loss) for the year	**—**	**—**	**—**	**7,338**	**3,307**	**(354)**	**(4,218)**	**(363)**	**5,710**	**3,967**	**9,676**	**61**	**9,737**
Dividends (Note 27)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(8,729)**	**(8,729)**	**(45)**	**(8,774)**
Acquisition and disposal of treasury stock	**—**	**(0)**	**(4)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5)**	**—**	**(5)**
Share-based payments (Note 34)	**—**	**(71)**	**44**	**—**	**—**	**—**	**—**	**—**	**—**	**52**	**26**	**—**	**26**
Incorporation of new subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**88**	**88**
Transfer from other components of equity to retained earnings	**—**	**—**	**—**	**(2,278)**	**(3,307)**	**16**	**—**	**—**	**(5,569)**	**5,569**	**—**	**—**	**—**
Total transactions with owners	**—**	**(71)**	**40**	**(2,278)**	**(3,307)**	**16**	**—**	**—**	**(5,569)**	**(3,108)**	**(8,708)**	**43**	**(8,665)**
As of March 31, 2017	**¥65,476**	**¥81,163**	**¥(13,215)**	**¥ 7,360**	**¥ —**	**¥(557)**	**¥(32,022)**	**¥(162)**	**¥(25,381)**	**¥429,481**	**¥537,524**	**¥626**	**¥538,150**

Consolidated Statement of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

	Millions of yen	
	2016	2017
Cash flows from operating activities:		
Profit before income taxes	¥ 39,546	**¥ 3,068**
Depreciation and amortization	38,811	**33,972**
Impairment losses	8,449	**5,351**
Interest and dividend income	(3,256)	**(3,245)**
Share of the profit of investments accounted for using the equity method	(1,040)	**(518)**
Gains on sale of property, plant and equipment	(3,148)	**(39)**
Interest expenses	1,418	**1,314**
Decrease (increase) in trade and other receivables	30,956	**7,432**
Decrease (increase) in inventories	(1,263)	**42,229**
Increase (decrease) in trade and other payables	3,474	**(13,130)**
Increase (decrease) in advances received	4,855	**5,719**
Increase (decrease) in provisions	(2,083)	**(1,104)**
Increase (decrease) in net defined benefit assets and liabilities	478	**302**
Other, net	164	**23,252**
Subtotal	117,362	**104,603**
Interest and dividend income received	4,338	**4,671**
Interest expenses paid	(1,405)	**(1,248)**
Payment for loss on Competition Law	—	**(1,307)**
Income taxes paid	(12,783)	**(9,377)**
Net cash provided by operating activities	107,512	**97,342**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(21,957)	**(21,295)**
Proceeds from sale of property, plant and equipment	3,678	**271**
Purchases of intangible assets	(12,121)	**(9,119)**
Purchases of investment securities	(6,791)	**(8,835)**
Proceeds from sale of investment securities	1,009	**5,851**
Transfers to time deposits	(19,559)	**(8,867)**
Proceeds from withdrawal of time deposits	15,854	**5,822**
Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope (Note 7)	(43,563)	**(1,100)**
Other, net	271	**(3,420)**
Net cash used in investing activities	(83,178)	**(40,693)**
Cash flows from financing activities:		
Net decrease in short-term borrowings	(0)	**—**
Proceeds from long-term borrowings	12,500	**38,780**
Repayment of long-term borrowings and bonds	(15,000)	**(12,903)**
Cash dividends paid (Note 27)	(11,910)	**(8,734)**
Cash dividends paid to non-controlling interests	(24)	**(45)**
Other, net	(3,739)	**(1,576)**
Net cash (used in) provided by financing activities	(18,174)	**15,522**
Effect of exchange rate changes on cash and cash equivalents	(14,575)	**(4,335)**
Net increase (decrease) in cash and cash equivalents	(8,415)	**67,836**
Cash and cash equivalents at the beginning of the year	259,625	**251,210**
Cash and cash equivalents at the end of the year (Note 8)	¥251,210	**¥319,046**

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2017

1. Reporting Entity

The Company is located in Japan and listed on the First Section of the Tokyo Stock Exchange. The address of the registered headquarters is 2-15-3, Konan, Minato-ku, Tokyo, Japan.

The principal businesses of the Group are the Precision Equipment Business, Imaging Products Business, Instruments Business, Medical Business, and other manufacture and sales businesses as well as those auxiliary service businesses. The Group's main businesses are disclosed in Note 6. Segment Information.

The consolidated financial statements are comprised of the Group and the Group's interests in associates. The fiscal year-end of the Company is March 31.

The Company's major subsidiaries and associates are described in the appendix of Note 37. Subsidiaries and Associates.

2. Basis of Preparation

(1) Compliance with IFRS and First-Time Adoption of IFRS

Since the Company is classified as a "Specified Company under Designated IFRS" as provided in Article 1-2 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements have been prepared in accordance with IFRS.

The Group first adopted IFRS for the fiscal year ended March 31, 2017, with the date of transition to IFRS as of April 1, 2015 (hereinafter referred to as the "transition date"). The impacts on the financial position, results of operations, and cash flows derived from transition to IFRS are described in Note 40. First-Time Adoption of IFRS.

(2) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments, which are described in Note 3. Significant Accounting Policies.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All amounts have been rounded to the nearest millions of yen.

(4) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved for issuance by Kazuo Ushida, President and Representative Director, and Masashi Oka, Senior Executive Vice President, CFO and Representative Director on June 29, 2017.

(5) Early Adoption of New Standards and Interpretations

The Group has prepared the accompanying consolidated financial statements in accordance with IFRS that were effective as of March 31, 2017, and has early adopted IFRS 9 *Financial Instruments*, which was amended in July 2014.

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. When the Group has more than a majority of the voting rights of an investee, it is considered that the Group controls the investee as a subsidiary. Even if the Group has less than a majority of the voting rights of an investee, it is also considered that the Group controls the investee when it is exposed, or has rights, to variable returns from involvement with the investee and has an ability to affect those returns through power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Company obtains control of a subsidiary until the date when it loses control of the subsidiary. If the Group loses control of a subsidiary, the gain or loss resulting from the loss of control is recognized in profit or loss. Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the parent.

In the case where the accounting policies of subsidiaries are different from those of the Group, the financial statements of subsidiaries are adjusted to bring their accounting policies consistent with the Group's accounting policies. All intragroup transaction amounts, balances, income, and expenses are eliminated in full on consolidation.

Fiscal year-ends of some subsidiaries are different from that of the Company, as it is impracticable to unify the fiscal year-ends due to those subsidiaries' requirements under local laws and regulations to prepare financial statements with different fiscal year-ends from that of the Company. In the case when the fiscal year-ends of subsidiaries are different from that of the Company, financial statements that are prepared provisionally as of the consolidated fiscal year-end are used for such subsidiaries.

2) Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but does not have control over those policies. If the Group holds 20% or more of the voting rights but no more than 50% of an investee, in principle, it is determined that the Group has significant influence over the investee.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results as well as assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements of the Group using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of profit or loss and other comprehensive income of the associate or joint venture.

The consolidated financial statements include the financial statements of the associates or joint ventures which have different fiscal year-ends from that of the Company. Necessary adjustments are made for the effects of significant transactions or events that occur between the fiscal year-ends of such associates or joint ventures and that of the Company.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration is measured at the sum of the acquisition-date fair values of the assets transferred in exchange for control of the acquiree, the liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are measured at their fair value, except for the following:

- deferred tax assets or liabilities are recognized and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 19 *Employee Benefits*;
- assets (or disposal groups) that are classified as held-for-sale are measured in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*; and
- liabilities related to share-based payment arrangements are measured in accordance with IFRS 2 *Share-based Payment*.

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at acquisition when new information is obtained during the measurement period, within 12 months from the acquisition date, if known, which would have affected the amounts recognized at the acquisition date.

Acquisition-related costs attributable to a business combination are expensed as incurred. Additional acquisition costs of non-controlling interests after the acquisition of control by the Group are accounted for as an equity transaction, and goodwill is not recognized.

(3) Foreign currencies

1) Functional Currency and Presentation Currency

The separate financial statements of each group entity are presented in its functional currency, the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

2) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate at the date of the transaction or at the foreign exchange rate that approximates the spot exchange rate at the date of the transaction.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate as of the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the date when the fair value is measured. Exchange differences arising from the translation or settlement are recognized in "Finance income" and "Finance costs" as others (in net amount) in the consolidated statement of profit or loss, except for those recognized in other comprehensive income.

3) Foreign Operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations including goodwill and fair value adjustments arising from the acquisition of foreign operations are translated into Japanese yen using the exchange rate at the end of each reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the period unless exchange rates fluctuate significantly during that period. Exchange differences on translation of foreign operations are initially recognized in other comprehensive income and accumulated in "Other components of equity."

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are accounted for as assets and liabilities of the foreign operation and translated at the exchange rate at the end of each reporting period.

(4) Financial Instruments

1) Non-derivative Financial Assets

(i) Initial recognition and measurement

Financial assets other than derivative financial instruments are classified as those measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is determined at the initial recognition.

a) Financial assets measured at amortized cost

The Group classifies its financial assets as those measured at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with an objective of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value, including transaction costs that are directly attributable to the acquisition. The carrying amount of financial assets measured at amortized cost is calculated by the effective interest method in subsequent measurement. Interest income from these financial assets measured at amortized cost is included in finance income in the consolidated statement of profit or loss.

b) Financial assets measured at fair value through other comprehensive income

For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationship with investees, the Group designates these instruments mainly as fair value through other comprehensive income at initial recognition.

Financial assets measured at fair value through other comprehensive income are initially measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to retained earnings. Dividends from the financial assets measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment of the dividend is established.

c) Financial assets measured at fair value through profit or loss

Financial instruments that are not designated as those measured at fair value through other comprehensive income and debt instruments that do not meet the criteria for those measured at amortized cost are classified as those measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another party.

(iii) Impairment of financial assets measured at amortized cost

Allowance for doubtful accounts in respect of financial assets measured at amortized cost is recognized for expected credit losses.

At the end of each reporting period, the Group evaluates whether there has been a significant increase in credit risk of a financial asset since initial recognition. Specifically, if the credit risk of a financial asset has not significantly increased since initial recognition, an allowance for doubtful account is measured at an amount equal to the 12-month expected credit losses. However, if the credit risk has significantly increased since initial recognition, it is measured at an amount equal to the expected credit losses over the remaining term of the financial asset. An allowance for doubtful account for trade receivables without any significant financing components is measured at an amount equal to the lifetime expected credit losses since initial recognition.

Whether the credit risk has significantly increased or not depends on changes in default risk. The following factors are considered to determine if there has been a change in default risk:

- Financial condition of debtors
- Actual credit losses occurred in prior years
- Overdue information in prior years

Provision or reversal of allowance for doubtful accounts is recognized in profit or loss as "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2) Non-derivative Financial Liabilities

Financial liabilities other than derivative financial instruments are classified as either those measured at amortized cost or at fair value through profit or loss. The classification is determined at initial recognition.

(i) Financial liabilities measured at amortized cost

The Group classifies its financial liabilities other than those measured at fair value through profit or loss as those measured at amortized cost.

Financial liabilities measured at amortized cost are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method whereby interest expenses are recognized as "Finance costs" in the consolidated statement of profit or loss.

(ii) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged, canceled, or has expired.

3) Presentation of Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when the Group has a legally enforceable right to offset the recognized amounts and it intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

4) Fair Value Measurement of Financial Instruments

The fair values of financial instruments are measured based on quoted prices in an active market at the end of each reporting period. When a market for financial instruments is not regarded as active, or when it does not exist, the Group uses appropriate valuation techniques for fair value measurement. The financial instruments that are measured at fair value are categorized into the three levels of the fair value hierarchy determined with reference to the observability of inputs used in the valuation techniques.

The definition of each level of the fair value hierarchy is as follows:

Level 1 – Fair value measured using a quoted price in an active market for an identical asset or liability;

Level 2 – Fair value measured using inputs that are composed of observable prices, either directly or indirectly; and

Level 3 – Fair value measured using inputs that are unobservable for the assets or liabilities.

(5) Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, including foreign exchange forward contracts, interest rate swaps, cross currency swaps, and currency options, to manage its exposure to foreign exchange rate and interest rate risks.

The Group does not enter into or trade derivative financial instruments for speculative purposes.

At the inception of a hedge relationship, the Group documents the relationships between hedging instruments and hedged items, along with its risk management objectives and strategies for undertaking various hedge transactions. Furthermore, the Group evaluates whether a hedging instrument is highly effective in offsetting changes in fair values or cash flows of the relevant hedged item on an ongoing basis during the underlying period.

Derivatives are initially recognized at the fair value on the date when the derivative contracts are entered into, and are subsequently remeasured to their fair values at the end of each reporting period. Changes in fair value of derivatives subsequent to initial recognition are accounted for as follows:

1) Fair Value Hedges

Changes in fair value of derivatives as a hedging instrument are recognized in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

2) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the significantly ineffective portion is recognized immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or when the hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the gain or loss previously recognized in other comprehensive income and accumulated in equity is directly transferred from equity and included in the initial costs or other carrying amount of the asset or liability. For other cash flow hedges, amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the same period or periods when the hedged forecast cash flows affect profit or loss. However, if the amount is a loss that is not expected to be recoverable partially or entirely in the future, the amount that is expected to be unrecoverable is reclassified immediately to profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated, or exercised; or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the transaction of the hedged item is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is reclassified immediately to profit or loss.

(6) Share Capital

1) Ordinary Shares

Proceeds from the issuance of equity instruments by the Company are recognized in capital stock and capital surplus. Transaction costs directly attributable to the issuance of ordinary shares are recognized as a deduction from capital surplus on a post-tax basis.

2) Treasury Stock

When treasury stock is repurchased, it is recognized at the acquisition cost and such amount is recognized as a deduction from equity. Transaction costs directly attributable to the repurchase of treasury stock are deducted from equity. When treasury stock is sold, the consideration received is recognized as an increase in equity, and the difference between the carrying amount and the consideration received is included in capital surplus.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks and other financial institutions, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are not subject to significant risk of changes in value with the maturity of three months or less from the acquisition date.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are mainly calculated by the average method and comprise all costs of purchasing and processing as well as other costs incurred in bringing the inventories to their present location and condition. Fixed and variable overhead costs are allocated appropriately and included in the processing costs.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(9) Property, Plant and Equipment

The Group applies the cost model for measurement of property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs of property, plant and equipment include costs directly attributable to the acquisition of property, plant and equipment; the initial estimated costs related to removing the asset and restoring the site; and borrowing costs for qualifying asset. Property, plant and equipment, except for land and construction in progress, are depreciated using the straight-line method over the depreciable amount, which is determined as the costs less their residual values, over the estimated useful lives from the date when they are available for their intended use.

The estimated useful lives of property, plant and equipment are mainly as follows:

Buildings	30 to 40 years
Machinery and equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period.

The gain or loss arising from derecognition of an item of property, plant, and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognized in profit or loss.

(10) Intangible Assets

The Group applies the cost model for subsequent measurement of intangible assets. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

1) Intangible Assets Acquired Separately

Intangible assets acquired separately are measured at cost at initial recognition.

2) Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are measured at their fair value at the acquisition date.

3) Internally-generated Intangible Assets

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

Expenditures on development (or in the development phase of an internal project) are recognized as assets only if all of the following have been demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) the intention to complete the intangible asset and use or sell it;
c) the ability to use or sell the intangible asset
d) how the intangible asset will generate probable future economic benefits;
e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The other expenditures are recognized as expenses as incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above.

Intangible assets with finite useful lives are amortized by the straight-line method over their estimated useful lives from the date when they are available for their intended use. Amortization methods, useful lives, and residual values are reviewed at the end of each reporting period.

The estimated useful lives of intangible assets are as follows:

Technology-related assets	13 years
Software	5 years

Intangible assets with infinite useful lives and intangible assets not yet available for use are not amortized, and are tested for impairment at least annually, and whenever there is an indication that the intangible asset may be impaired.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

(11) Goodwill

With respect to the initial measurement of goodwill, please see (2) Business Combinations. After initial recognition, goodwill is stated at cost less accumulated impairment losses.

Goodwill is not amortized and has been allocated to cash-generating units or groups of cash-generating units.

Regarding impairment of goodwill, please see (13) Impairment of Non-financial Assets. Goodwill is tested for impairment at least annually and whenever there is an indication that a cash-generating unit to which goodwill has been allocated may be impaired. If the recoverable amount of the cash-generating unit or the group of cash-generating units is less than its carrying amount, an impairment loss for goodwill is recognized in profit or loss. The impairment loss recognized for goodwill is not reversed in subsequent periods.

(12) Leases

The Group determines whether an arrangement, comprising a transaction, is or contains a lease based on an evaluation of the substance of the arrangement at the commencement of the lease term. The substance of the arrangement is determined based on whether the performance of the arrangement depends on a right to use a specific asset or assets, or whether a right to use the leased assets is entitled according to the lease arrangement.

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) Finance Leases (the Group as Lessee)

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Assets held under finance leases are depreciated using the straight-line method over the shorter of the lease term and their estimated useful lives.

Minimum lease payments are apportioned between an interest portion and a principal portion. The interest portion is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability during the lease term.

2) Operating Leases (the Group as Lessee)

Operating lease payments are recognized as expenses on a straight-line basis over the lease terms.

(13) Impairment of Non-financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that non-financial assets may be impaired.

If any impairment indication exits, the recoverable amount of the asset is estimated. However, goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment at least annually regardless of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal or value in use. When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit or the group of cash-generating units to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Since corporate assets do not generate separate cash inflows, the recoverable amount of an individual corporate asset cannot be determined. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit or the group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of this cash-generating unit or group of cash-generating units, unless the asset has been determined to be disposed of.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and an impairment loss is recognized.

When there are indications that an impairment loss recognized in prior periods may no longer exist or may have decreased since the last recognition of the impairment loss, the impairment loss recognized in prior years for an asset or a cash-generating unit other than goodwill is reversed. The reversal of an impairment loss is recognized to the extent where the carrying amount of the asset or the cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the cash-generating unit in prior years.

(14) Non-current Assets Held for Sale

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset is classified as held for sale only when the asset (or the disposal group) is available for immediate sale, and when management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized.

(15) Employee Benefits

1) Post-Employment Benefits

The Group has defined benefit pension plans and defined contribution pension plans as post-employment benefit plans.

The primary defined benefit plans adopted by group entities in Japan are contract-type defined benefit corporate pension plans and a retirement lump sum payment plan. Certain group entities in Japan have joined the Smaller Enterprise Retirement Allowance Mutual Aid Scheme. Certain overseas group entities have adopted defined benefit plans and defined contribution plans.

i) Defined benefit plans

The present value of defined benefit obligations, relevant current service cost as well as past service costs of each plan is determined using the projected unit credit method. The present value is measured at the discounted expected future payments. The discount rate is determined by reference to market yields at the fiscal year-end on high quality corporate bonds for the corresponding period in which the retirement benefits are to be paid. The net defined benefit liability or asset is recognized as a liability or an asset in the consolidated financial statements, and is measured at the present value of defined benefit obligation net of the fair value of plan assets (including the effect of the asset ceiling of defined benefit plans and adjustment for minimum funding requirements, if necessary). Current service cost and net interest expense or income on the net defined benefit liability (or asset) are recognized in profit or loss. Remeasurements of the defined retirement benefit plans are recognized in other comprehensive income in the period when they occur and transferred immediately to retained earnings. Past service cost is recognized in profit or loss as incurred.

ii) Defined contribution plans

Contributions to defined contribution retirement plans are recognized as expenses in the period in which the associated services are rendered by employees.

2) Other Long-term Employee Benefits

Liabilities recognized in respect of other long-term employee benefits, such as long-term paid absences, are measured at the present value of the estimated future benefits that are expected to be paid by the Group in exchange for the services rendered by employees up to the reporting date.

3) Short-term Employee Benefits

Short-term employee benefits are recognized as expenses when the associated services are rendered by employees at undiscounted amounts.

A liability is recognized for the expected benefit payments when the Group has a present legal or constructive obligation to pay for employee benefits as a result of the services rendered by employees, and when a reliable estimate can be made for the obligation.

(16) Share-based Payment

1) Stock Option Scheme

The Company has introduced equity-settled share-based payment schemes (hereinafter referred to as "stock options") as remuneration granted to directors (other than external directors) and executive officers.

Stock options are measured at fair value at the grant date and recognized as an expense on a straight-line basis over the vesting period, taking into account the probability that the options may forfeit without satisfying vesting conditions, with a corresponding increase in equity. The fair value at the grant date is measured using the Black–Scholes model.

2) Performance- and Share-based Payment Scheme

The Company has introduced a performance- and share-based payment scheme for directors of the Company, namely, the Executive Compensation Board Incentive Plan (BIP) Trust (hereinafter referred to as the "executive compensation BIP trust") in order to further enhance incentives for realizing the business prospects indicated in the medium-term management plan and for sustainably improving corporate value. The executive compensation BIP trust is an incentive plan granting the shares of the Company or the equivalent cash as the granted shares would be sold as directors' remuneration in the last year of three-year medium-term management plans depending on the achievement of business performance for each three years. Considerations for the services rendered are measured based on the fair value of the granted shares of the Company and recognized as an expense with a corresponding increase in a capital reserve within equity.

(17) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligations at the end of each reporting period.

When the impact of the time value of money is material, provisions are stated at the present value of the estimated future cash flows which is discounted using a pre-tax rate reflecting the time value of money and the specific risks of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Finance costs."

1) Provision for Product Warranties

The Group recognizes and measures the provision for future product warranties based on actual sales recorded and warranty costs incurred in prior years, whereby repair expenses can be covered for products sold in the period that the Group guarantees to provide free repair services in the contracts. The Group estimates that the outflows of the expected economic benefits will occur within a one-year period from the end of each fiscal year.

2) Asset Retirement Obligations

The Group recognizes and measures the provisions for asset retirement obligations based on past experiences, whereby the Group incurred an obligation for the restoration of leased premises, such as office buildings, and for the removal of harmful substances related to property, plant and equipment. The Group expects that the majority of the payments of these obligations will be made after one year from the end of each fiscal year.

(18) Revenue Recognition

The Group's revenue is generated mainly from sales of goods in the Precision Equipment Business, Imaging Products Business, Instruments Business, Medical Business, and from auxiliary repair and maintenance services that are associated with the products sold.

1) Sale of Goods

Revenue from sale of goods is recognized when goods are delivered and all the following conditions are satisfied:

a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) the amount of revenue can be measured reliably;
d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable taking into account any rebates and discounts.

2) Services Rendered

Revenue from providing services is recognized by reference to the stage of completion, when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and the stage of completion and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(19) Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. In case if property, plant, and equipment are acquired with the government grant, the grant is recognized as deferred revenue and reclassified to profit or loss on a systematic basis over the useful lives of the related assets.

(20) Income Taxes

Income taxes for the year comprise current tax and deferred income taxes. Income taxes are recognized in profit or loss except to the extent that they arise from items recognized in other comprehensive income or directly in equity, or from a business combination.

Current tax is measured at the expected tax payable or tax receivable on taxable income for the year due to or due from the tax authorities, applying the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expenses are determined based on the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases at the end of reporting period. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses, and unused tax credits can be utilized. Deferred tax liabilities are recognized for taxable temporary differences, in principle.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

However, deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither the accounting profit nor taxable profit (loss) at the time of the transaction;
- Deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, for which it is probable that the temporary difference will not reverse in the foreseeable future or when it is less probable that taxable profit will be available against which the temporary difference can be utilized; or
- Taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, for which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the Group has the legally enforceable right to offset current tax assets against current tax liabilities, and if income taxes are levied by the same taxation authority on the same taxable entity.

The Company and certain subsidiaries apply the consolidated tax payment system.

(21) Earnings per Share

Basic earnings per share are calculated by dividing the profit for the reporting period attributable to ordinary equity stockholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares.

4. Use of Estimates and Judgment

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, available information and other factors that are reasonably assessed at the end of the reporting period according to management's best judgments. However, actual results may differ from these estimates and associated assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period of the revision and future periods.

The following are the critical judgment the Company has made in the process of the Group's accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements.

- Scope of subsidiaries, associates, and joint ventures (see (1) Basis of Consolidation in Note 3. Significant Accounting Policies)
- Revenue recognition (see (18) Revenue Recognition in Note 3. Significant Accounting Policies)

The following are the key estimates and associated assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the subsequent reporting period:

- Significant assumptions used in the calculation of the expected discounted cash flows for the impairment test of non-financial assets (see Note 16. Impairment Losses of Non-financial Assets)
- Recoverability of deferred tax assets (see Note 19. Income Taxes)
- Accounting treatment and valuation of provisions (see Note 22. Provisions)
- Fair value measurement for financial instruments (see Note 35. Financial Instruments)
- Measurement of inventories (see Note 10. Inventories)
- Employee benefits (see Note 25. Employee Benefits)
- Share-based payments (see Note 34. Share-based Payment)

5. New Standards and Interpretations Not Yet Adopted by the Group

The new standards, interpretations, and amendments that have been issued as of March 31, 2017 were as follows.

Standards	Title	Reporting period beginning on or after which the applications are required	Reporting periods of application by the Group (the reporting period ended)	Summaries of new IFRS and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Accounting for recognition of revenue and relevant disclosure requirements
IFRS 16	Leases	January 1, 2019	March 31, 2020	Accounting for recognition of leases and relevant disclosure requirements

The Group has not early adopted the above for the year ended March 31, 2017 and is currently evaluating the potential impact that the application of these standards and interpretations will have on the consolidated financial statements.

6. 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 in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate the Group's business results.

The Company introduced an in-house company system during the fiscal year ended March 31, 1999, where each business unit engaged in the establishment of a consistent and independent responsibility system for operating results and in the implementation of a decentralized management structure. Since June 27, 2014, however, those business units have been reorganized into business divisions under the direct control of the president of the Company to more directly reflect management decisions in the business administration and to build a system capable of carrying out a fundamental restructuring. Furthermore, in the Medium-Term Management Plan, "*Next 100—Transform to Grow*," announced in June 2014, the Group added the Medical Business into its primary business segments and fully entered the Medical Business in the first quarter of the year ended March 31, 2016, through the acquisition of Optos Plc. In consideration of the similarity of economic characteristics, the Group integrated its business divisions into four reportable segments consisting of the Precision Equipment Business, Imaging Products Business, Instruments Business, and Medical Business.

The Precision Equipment Business provides products and services with regard to the semiconductor lithography systems and FPD lithography System. 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 Instruments Business provides products and services of microscopes, measuring instruments, x-ray/CT inspection systems. The Medical Business provides retinal diagnostic imaging equipment and services of Optos Plc.

In February 2017, the Group aggregated its domestic functions related to the manufacturing of optical components, which had belonged to each individual business, to the consolidated subsidiary Tochigi Nikon Corporation, and created a new manufacturing base in order to strengthen the manufacturing technology of optical components, which is the core of the superiority of the Group's products, and to enhance the efficiency of its production system. From the year ended March 31, 2017, this manufacturing base is included in "Others."

(2) Information about Reportable Segments

The accounting policies for reportable segments are consistent with those described in Note 3. Significant Accounting Policies. Profit or loss of the reportable segments is based on operating profit.

The intersegment sales or transfers are based on current market prices.

The information about reportable segments is as follows:

Millions of yen

	Reportable segments								
For the year ended March 31, 2015	Precision Equipment	Imaging Products	Instruments	Medical	Total	Others (Note 1)	Total	Reconciliations (Note 2)	Consolidated
Segment assets	229,073	223,024	65,021	—	517,119	69,883	587,002	422,417	1,009,420

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

2. Reconciliation of segment assets includes corporate assets of ¥435,080 million that cannot be attributable to any reportable segments and elimination of intersegment transactions of ¥(12,663) million. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries, long-term investments (shares), deferred tax assets, and some property, plant and equipment used in common.

Millions of yen

	Reportable segments								
For the year ended March 31, 2016	Precision Equipment	Imaging Products	Instruments	Medical	Total	Others (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note3)
Revenue									
External customers	200,538	520,487	77,242	18,312	816,579	24,461	841,040	—	841,040
Intersegment sales or transfers	399	503	1,011	—	1,913	21,533	23,446	(23,446)	—
Total	200,936	520,989	78,254	18,312	818,491	45,995	864,486	(23,446)	841,040
Segment profit (loss)	9,441	46,796	3,383	(2,147)	57,473	4,291	61,764	(26,498)	35,266
Finance income									7,432
Finance costs									(4,192)
Share of the profit of investments accounted for using the equity method									1,040
Profit before income taxes									39,546
Segment assets	197,990	185,288	67,534	56,946	507,758	62,917	570,676	411,889	982,564
Others									
Impairment losses (Note 4)	7,048	792	39	—	7,878	571	8,449	—	8,449
Depreciation and amortization	3,195	19,556	2,749	1,980	27,480	6,387	33,867	4,944	38,811
Increase in property, plant and equipment, goodwill and intangible assets	9,739	10,608	3,021	46,671	70,039	6,878	76,917	5,580	82,497

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

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥1 million and corporate profit (loss) of ¥(26,499) million that cannot be attributable to any reportable segments. In addition, reconciliation of segment assets includes corporate assets of ¥420,156 million that cannot be attributable to any reportable segments, and elimination of intersegment transactions of ¥(8,267) million. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries, long-term investments (shares), deferred tax assets, and some property, plant and equipment used in common.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss.

4. The main components of the impairment losses are described in Note 16. Impairment Losses of Non-financial Assets.

Millions of yen

For the year ended March 31, 2017	Reportable segments: Precision Equipment	Imaging Products	Instruments	Medical	Total	Others (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note3)
Revenue									
External customers	248,026	383,024	73,449	20,276	724,776	24,498	749,273	—	749,273
Intersegment sales or transfers	312	747	867	70	1,997	27,506	29,502	(29,502)	—
Total	248,339	383,771	74,317	20,346	726,772	52,003	778,776	(29,502)	749,273
Segment profit (loss) (Note 4)	13,463	17,150	1,279	(1,599)	30,292	3,396	33,688	(32,914)	774
Finance income									5,781
Finance costs									(4,006)
Share of the profit of investments accounted for using the equity method									518
Profit before income taxes									3,068
Segment assets	154,969	158,348	74,100	57,631	445,047	81,143	526,191	492,160	1,018,351
Others									
Impairment losses (Note 5)	4,183	728	—	—	4,912	440	5,351	—	5,351
Depreciation and amortization	2,931	16,168	2,714	2,176	23,989	5,330	29,319	4,653	33,972
Increase in property, plant and equipment, goodwill and intangible assets	7,511	8,519	3,689	1,847	21,566	10,451	32,017	4,220	36,237

Notes: 1. The “Other” category consists of operations not included in the reportable segments such as the Glass Business, and the Customized Products Business.
2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥(539) million and corporate profit (loss) of ¥(32,375) million that cannot be attributable to any reportable segments. In addition, reconciliation of segment assets includes corporate assets of ¥506,179 million that cannot be attributable to any reportable segments, and elimination of intersegment transactions of ¥(14,019) million. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some property, plant and equipment used in common.
3. Reconciliation is made between segment profit or loss and operating profit reported in the consolidated statement of profit or loss.
4. The restructuring costs recognized in the segment profit (loss) for each reportable segment are ¥(34,723) million for Precision Equipment Business, ¥(10,971) million for the Imaging Products Business, ¥(692) million for the Instruments Business, ¥(232) million for Medical Business, and ¥(1,438) million for Others. The corporate profit (loss) that cannot be attributable to any reportable segments and recognized in segment profit (loss) is ¥(5,313) million
5. The main components of the impairment losses are described in Note 16. Impairment Losses of Non-financial Assets

(3) Geographic Information

Revenue to external customers

Millions of yen

	2016	2017
Japan	116,449	126,347
United States	231,034	181,715
Europe	168,459	124,609
China	138,297	148,997
Others	186,800	167,605
Total	841,040	749,273

Notes: Segment revenue is based on the geographic locations of customers which are categorized either by country or region.
Except for Japan, the United States, and China, the countries or regions are primarily categorized as follows:
1. Europe: United Kingdom, France, and Germany
2. Others: Canada, Asia other than Japan and China, the Middle East, Oceania, and Latin-America

Non-current assets

Millions of yen

	2015	2016	2017
Japan	101,832	98,158	101,574
North America	6,369	5,353	4,755
Europe	11,031	51,303	52,009
China	18,465	12,637	8,571
Thailand	39,115	29,041	24,700
Others	3,391	2,554	2,318
Total	180,203	199,046	193,927

Notes: Non-current assets are based on the geographic locations of assets which are categorized either by country or region.
Except for Japan, China and Thailand, the countries or regions are primarily categorized as follows:
1. North America: the United States and Canada
2. Europe: United Kingdom, France, and Germany
3. Others: Asia other than Japan, China and Thailand, the Middle East, Oceania, and Latin-America
Financial instruments, deferred tax assets, and net defined benefit assets are not included in the above.

(4) Information about Major Customers

This information is not shown as there is no single customer who contributed 10% or more to the consolidated revenues for the years ended March 31, 2016 and 2017.

7. Business Combination

The details of a business combination occurred in the year ended March 31, 2016 are as follows:

Acquisition of U.K.-based Optos plc as a wholly owned subsidiary

(1) Summary of the Business Combination

Based on a Scheme of Arrangement (as required by friendly acquisition procedures in accordance with the relevant laws and regulations of the U.K.), the Company acquired the outstanding shares and scheduled common shares for issuance of Optos plc, a U.K.-based company engaging in the retinal imaging diagnostic equipment business (whose head office was located in Scotland and whose CEO was Roy Davis; hereinafter referred to as "Optos"), which then became a wholly owned subsidiary of the Company. The consideration of the acquisition was paid in cash.

(i) Name, business, and capital size of the acquiree

Name of the acquiree: Optos plc

Description of business: Manufacturer and provider of retinal diagnostic imaging equipment to optometrists and ophthalmologists

Capital stock: £1,519 thousand

(ii) Primary reasons for the business combination

1) A full-scale entry into the Medical Business to gain a toehold in the market

Through the acquisition of Optos, the Group made a full-scale entry into the Medical Business and has established a strong business foundation. The optical technologies, which are the core competence of the Group, will be utilized in the retinal imaging diagnostic equipment of Optos. Based on the expertise and the technical know-how possessed by Optos, the Group plans to expand its Medical Business. Specifically, the businesses with respect to internal diagnosis, ophthalmology treatment, and regenerative medicine (including retinal regeneration) are taken into consideration to build a well-integrated business foundation that spans from diagnosis to treatment.

2) Pursuing synergies in various aspects such as product development, manufacturing and sales

With the integration of UWF technology* and OCT technology,** the Group believes that it will be able to sell highly competitive products to ophthalmologists. The OCT technology can be strengthened by the existing optical technology, and it is expected to accelerate the development of non-invasive or low-invasive devices with high precision and process reliability by means of integrating the existing image processing technology with the precision technology. In addition, the Group aims to strengthen product competitiveness, improve production lines, and expand sales in domestic and overseas markets through collaborative research with Optos.

* UWF : Ultrawide field
**OCT : Optical coherence tomography. This technology allows observation of the retinal surface with millimeter penetration depth from the surface.

3) Application to regenerative medicine

Since 2007, the Group has engaged in manufacturing and selling cell culture observation systems for live cells (living cells), including iPS cells in the Instruments Business. In addition, in August 2013, the Group invested in HEALIOS K.K. (formerly Retina Institute Japan, K.K.) and has worked with HEALIOS K.K to support realization of regenerative medicine for retinal diseases, such as age-related macular degeneration, using iPS cells. By integrating the technologies and the know-how of Optos with the existing products of the Group, it is expected that the foundation of regenerative medicine business will expand.

(iii) Acquisition date

May 22, 2015

(2) Acquisition Cost and Breakdown of Considerations

Consideration for acquisition: ¥48,128 million in cash

Acquisition-related costs resulting from the business combination: ¥1,176 million was recognized in profit or loss as selling, general and administrative expenses.

(3) The Fair Value of the Assets Acquired and Liabilities Assumed at the Date of Acquisition and Goodwill
The fair value of the assets and liabilities at the date of acquisition

	Millions of yen
Current assets	
Trade and other receivables	10,416
Inventories	2,809
Other current assets	5,180
Non-current assets	
Tangible fixed assets	693
Intangible assets	
Technology-related assets	21,987
Other intangible assets	562
Others non-current assets	542
Total assets	42,188

	Millions of yen
Current liabilities	7,706
Non-current liabilities	7,529
Total liabilities	15,236
Net assets	26,953

Goodwill arising on acquisition

	Millions of yen
Consideration transferred for acquisition	48,128
Effect of foreign exchange	834
Fair value of identifiable net assets acquired	(26,953)
Goodwill arising on acquisition	22,009

Goodwill represents the expected premium value of earnings power derived from future business development. Goodwill is not subject to tax deduction. The business segment to which the goodwill is allocated is the Medical Business.

(4) Fair Value of the Receivables Acquired, the Gross Contractual Amounts Receivable, and the Estimated Uncollectible Amount

The fair value of trade and other receivables acquired is ¥10,416 million, of which the gross contractual amount is ¥10,763 million. Therefore, the uncollectible contractual cash flows are estimated at ¥347 million at the acquisition date.

(5) Net Cash Flows on Acquisition of a Subsidiary

The reconciliation from the consideration paid for acquiring shares of Optos to net cash outflows for the acquisition is shown as follows:

	Millions of yen
Consideration paid for acquiring shares of Optos	48,128
Less: cash and cash equivalents of Optos	(4,565)
Net cash outflows for the acquisition	43,563

(6) Impact of Acquisitions on the Results of the Group

Revenue and profit for the year of the acquiree from the acquisition date recognized in the consolidated statement of profit or loss are ¥18,312 million and ¥2,093 million, respectively.

(7) The Consolidated Revenue and Profit for the Year Assuming the Business Combination had been Completed at the Beginning of the Year

Assuming the business combination with Optos had occurred on April 1, 2015, the pro forma information (unaudited) on the Group's consolidated performance for the year ended March 31, 2016 would be as follows:

	Millions of yen
Revenue	843,935
Profit for the year	29,913

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	2015	2016	2017
Cash and cash equivalents			
Cash and bank deposits	195,801	146,577	**228,689**
Time deposits with maturities within three months at acquisition	63,824	104,634	**90,357**
Total	259,625	251,210	**319,046**

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	2015	2016	2017
Notes and accounts receivables	130,540	104,449	**93,595**
Other receivables	2,518	2,595	**4,921**
Less: allowance for doubtful accounts	(3,697)	(2,443)	**(2,295)**
Total	129,361	104,601	**96,221**

Note: Trade and other receivables are classified as financial assets measured at amortized cost.
As for allowance for doubtful accounts, please see (5) Credit Risk Management in Note 35. Financial Instruments.

10. Inventories

The breakdown of inventories is as follows:

Millions of yen

	2015	2016	2017
Finished goods	120,465	118,887	**111,820**
Work in progress	122,248	118,327	**81,602**
Raw materials and supplies	29,556	26,506	**26,977**
Total	272,270	263,720	**220,400**

The amounts of inventories that were expensed for the years ended March 31, 2016 and 2017 were ¥522,232 million and ¥476,586 million, respectively.

The write-downs of inventories to their net realizable value for the years ended March 31, 2016 and 2017 were ¥15,296 million and ¥52,193 million, respectively. The write-downs of inventories for the year ended March 31, 2017 include the losses on write-downs and disposal of the products whose development had been shrinking as a result of a review on product development strategies for the Semiconductor Lithography Business, as well as the losses on write-downs and disposal of the products for which commercialization had been terminated in the Imaging Products Business and that are recognized as “Restructuring costs” in “Other expenses.”

11. Other Financial Assets

(1) The Breakdown of Other Financial Assets is as Follows:

Millions of yen

	2015	2016	2017
Derivative financial assets	1,463	2,133	**2,467**
Equity securities	69,680	59,989	**72,447**
Others	12,710	16,974	**19,592**
Total	83,853	79,096	**94,506**
Other current financial assets	4,439	7,973	**9,163**
Other non-current financial assets	79,413	71,123	**85,343**

As for the classification of financial assets, please see (2) Classification of Financial Instruments in Note 35. Financial Instruments.

Derivative financial assets other than those applying hedging accounting are classified as financial assets measured at fair value through profit or loss. Equity securities are mainly classified as financial assets measured at fair value through other comprehensive income.

(2) The Name and Fair Value of Major Financial Assets Measured at Fair Value through Other Comprehensive Income

Since the shares held by the Group are primarily for the purpose of maintaining or strengthening business relationships with investees, these instruments are designated at initial recognition as at fair value through other comprehensive income.

Millions of yen

Name of Shares	2015	2016	2017
Kirin Holdings Company, Limited	6,589	6,594	**8,777**
JEOL Ltd.	5,427	4,902	**5,091**
MITSUBISHI ESTATE CO., LTD.	6,767	5,076	**4,929**
Mitsubishi Corporation	3,625	2,855	**3,603**
Citizen Watch Co., Ltd.	—	—	**3,574**
Citizen Holdings, Inc.	909	1,334	**—**
Mitsubishi Logistics Corporation	4,336	3,418	**3,547**
Mebuki Financial Group, Inc.	—	—	**3,162**
Joyo Bank, Ltd.	3,753	2,344	**—**
Mitsubishi Electric Corporation	2,523	2,083	**2,820**
Tokio Marine Holdings, Inc.	4,496	3,764	**2,792**
HEALIOS K.K.	600	777	**2,766**

(3) The Fair Value at the Date of Derecognition and the Accumulated Gain or Loss Recognized as Other Comprehensive Income in Equity

For the year ended March 31, 2016

Millions of yen

Fair value	Accumulated gain or loss recognized as other comprehensive income in equity
897	99

For the year ended March 31, 2017

Millions of yen

Fair value	Accumulated gain or loss recognized as other comprehensive income in equity
5,851	2,278

Accumulated gain or loss recognized as other comprehensive income in equity was reclassified to retained earnings upon derecognition.

12. Other Assets

The breakdown of other current assets and other non-current assets is as follows:

Millions of yen

	2015	2016	2017
Consumption taxes receivable	4,784	4,012	**4,341**
Prepaid expenses	5,006	5,557	**7,417**
Refundable income taxes	1,072	1,233	**2,895**
Others	4,463	3,007	**3,878**
Total	15,324	13,809	**18,531**
Other current assets	13,830	12,786	**14,183**
Other non-current assets	1,495	1,022	**4,349**

13. Non-current Assets Held for Sale

The breakdown of non-current assets held for sale is as follows:

Millions of yen

	2015	2016	2017
Land	266	—	**—**
Total	266	—	**—**

Non-current assets held for sale as of April 1, 2015 represent land held by a subsidiary located in the United States that was determined to be sold and classified to a non-current asset held for sale. The transaction was completed in the year ended March 31, 2016.

14. Property, Plant and Equipment

(1) Statement of Changes in Property, Plant and Equipment

Details of changes in acquisition costs, accumulated depreciation, and accumulated impairment losses of property, plant and equipment are as follows:

Acquisition costs

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of April 1, 2015	136,504	219,892	15,877	6,293	94,453	473,018
Acquisition	724	415	30	22,405	1,927	25,501
Acquisitions through business combinations	23	535	—	9	126	693
Disposals	(1,733)	(9,664)	(0)	—	(4,356)	(15,754)
Transfer from other accounts	2,808	13,212	—	(23,449)	4,401	(3,028)
Effect of foreign currency exchange differences	(3,325)	(7,100)	(225)	(55)	(4,065)	(14,770)
As of March 31, 2016	135,000	217,290	15,681	5,203	92,486	465,660
Acquisition	**477**	**923**	**—**	**22,624**	**1,974**	**25,999**
Acquisitions through business combinations	**68**	**70**	**50**	**—**	**9**	**197**
Disposals	**(4,570)**	**(14,603)**	**—**	**(4)**	**(6,792)**	**(25,969)**
Transfer from other accounts	**7,499**	**8,174**	**21**	**(22,711)**	**4,023**	**(2,995)**
Effect of foreign currency exchange differences	**(233)**	**(812)**	**(25)**	**8**	**(680)**	**(1,742)**
As of March 31, 2017	**138,240**	**211,042**	**15,727**	**5,120**	**91,020**	**461,150**

With regard to acquisitions through business combination, please see Note 7. Business Combination.

Accumulated depreciation and impairment losses

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of April 1, 2015	83,992	171,613	—	1,900	68,444	325,949
Depreciation	5,250	13,996	—	—	8,014	27,260
Impairment losses	432	5,710	—	1,002	990	8,134
Disposals	(1,709)	(9,488)	—	—	(4,210)	(15,407)
Transfer from other accounts	70	950	—	(1,265)	128	(117)
Effect of foreign currency exchange differences	(1,180)	(3,885)	—	—	(2,496)	(7,562)
As of March 31, 2016	86,855	178,896	—	1,637	70,870	338,257
Depreciation	**4,242**	**11,418**	**—**	**—**	**7,493**	**23,153**
Impairment losses	**8**	**3,925**	**—**	**418**	**600**	**4,951**
Disposals	**(4,550)**	**(14,442)**	**—**	**—**	**(6,732)**	**(25,724)**
Transfer from other accounts	**262**	**901**	**—**	**(1,185)**	**(238)**	**(260)**
Effect of foreign currency exchange differences	**(146)**	**(440)**	**—**	**—**	**(469)**	**(1,055)**
As of March 31, 2017	**86,671**	**180,258**	**—**	**870**	**71,525**	**339,323**

With respect to impairment losses, please see Note16. Impairment Losses of Non-Financial Assets.

Depreciation of property, plant and equipment is recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of April 1, 2015	52,512	48,279	15,877	4,393	26,009	147,070
As of March 31, 2016	48,145	38,394	15,681	3,566	21,616	127,403
As of March 31, 2017	**51,569**	**30,785**	**15,727**	**4,250**	**19,496**	**121,827**

Leased assets held under finance leases

The carrying amounts of the leased assets under finance leases recognized in non-current assets as of the transition date, March 31, 2016 and March 31, 2017 were as follows:

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Others
As of April 1, 2015	179	201	1,492
As of March 31, 2016	393	114	1,271
As of March 31, 2017	**1,932**	**153**	**1,155**

(2) Assets Pledged as Collateral

There were no material property, plant and equipment pledged as collateral as of the transition date (April 1, 2015), March 31, 2016 and March 31, 2017.

(3) Commitments

The commitments to acquire property, plant and equipment as of the transition date (April 1, 2015), March 31, 2016 and March 31, 2017 were ¥3,343 million, ¥3,875 million, and ¥7,303 million, respectively.

15. Goodwill and Intangible Assets

(1) Statement of Changes in Goodwill and Intangible Assets

Details of changes in acquisition costs, accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

Acquisition costs

Millions of yen

	Goodwill	Technology-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2015	3,076	—	—	71,574	23,842	11,219	1,233	110,944
Additions through acquisition	—	—	—	6,231	3,160	—	50	9,411
Additions through internal development	—	—	—	—	—	2,304	—	2,304
Acquisitions through business combinations	22,009	21,987	470	92	—	—	—	44,558
Disposals	—	—	—	(3,408)	(63)	—	(3)	(3,475)
Transfer from other accounts	—	—	—	(1,015)	—	—	(12)	(1,027)
Effect of foreign currency exchange differences	(1,966)	(1,964)	(42)	(145)	(40)	(337)	(53)	(4,546)
As of March 31, 2016	23,120	20,023	428	73,328	26,898	13,186	1,215	158,199
Additions through acquisition	**—**	**—**	**—**	**5,909**	**386**	**—**	**182**	**6,477**
Additions through internal development	**—**	**—**	**—**	**—**	**—**	**2,522**	**—**	**2,522**
Acquisitions through business combinations	**608**	**192**	**242**	**—**	**—**	**—**	**—**	**1,042**
Disposals	**—**	**—**	**—**	**(2,744)**	**(51)**	**(1,681)**	**(85)**	**(4,561)**
Transfer from other accounts	**—**	**—**	**—**	**(1,541)**	**(1)**	**—**	**210**	**(1,332)**
Effect of foreign currency exchange differences	**(45)**	**(36)**	**22**	**(115)**	**(122)**	**(694)**	**30**	**(960)**
As of March 31, 2017	**23,683**	**20,179**	**692**	**74,837**	**27,111**	**13,334**	**1,553**	**161,388**

With regard to acquisitions through business combinations, please see Note 7. Business Combination.

Accumulated amortization and accumulated impairment losses

Millions of yen

	Goodwill	Technology-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2015	—	—	—	51,055	19,766	7,962	522	79,306
Amortization expenses	—	1,368	254	7,206	1,564	1,069	89	11,550
Impairment losses	—	—	—	292	—	—	—	292
Disposals	—	—	—	(3,396)	(63)	—	(3)	(3,463)
Transfer from other accounts	—	—	—	177	—	—	8	185
Effect of foreign currency exchange differences	—	(85)	(16)	68	(33)	(197)	(29)	(292)
As of March 31, 2016	—	1,284	238	55,401	21,234	8,835	588	87,579
Amortization	**—**	**1,488**	**179**	**6,728**	**1,177**	**1,144**	**103**	**10,818**
Impairment losses	**—**	**—**	**—**	**350**	**—**	**—**	**—**	**350**
Disposals	**—**	**—**	**—**	**(2,731)**	**(51)**	**(1,681)**	**(81)**	**(4,543)**
Transfer from other accounts	**—**	**—**	**—**	**(207)**	**0**	**—**	**205**	**(2)**
Effect of foreign currency exchange differences	**—**	**85**	**16**	**(54)**	**(101)**	**(533)**	**22**	**(565)**
As of March 31, 2017	**—**	**2,856**	**433**	**59,486**	**22,259**	**7,765**	**837**	**93,636**

With regard to impairment losses, please see Note 16. Impairment Losses of Non-financial Assets.

Amortization of intangible assets is recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

Millions of yen

	Goodwill	Technology-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2015	3,076	—	—	20,519	4,075	3,257	711	31,639
As of March 31, 2016	23,120	18,740	190	17,927	5,664	4,352	628	70,621
As of March 31, 2017	**23,683**	**17,323**	**259**	**15,351**	**4,852**	**5,569**	**716**	**67,752**

(2) Assets Pledged as Collateral

There were no goodwill and intangible assets pledged as collateral as of the transition date (April 1, 2015), March 31, 2016 and March 31, 2017.

(3) Commitments

The commitments to acquire intangible assets as of the transition date (April 1, 2015), March 31, 2016 and March 31, 2017 were ¥1,086 million, ¥1,525 million, and ¥1,398 million, respectively.

(4) Significant Intangible Assets

As of March 31, 2017, the Group's major intangible assets were those related to technology.

The carrying amount of technology-related intangible assets acquired through the acquisition of Optos was ¥18,740 million and ¥17,125 million as of March 31, 2016 and 2017, respectively. The remaining useful life of the intangible assets is 11 years.

16. Impairment Losses of Non-financial Assets

(1) Impairment Losses

The Group has grouped the smallest group of assets that generate largely independent cash inflows as well as material idle assets based on the business segments.

If the carrying amount of an asset exceeds its recoverable amount, such carrying amount is written down to the recoverable amount and an impairment loss is recognized. Impairment losses are included in "Other expenses" in the consolidated statement of profit or loss.

The breakdown of impairment losses by asset category is as follows:

Millions of yen

	2016	2017
Property, plant and equipment	8,134	**4,951**
Intangible assets	292	**350**
Others	23	**51**
Total	8,449	**5,351**

With regard to the breakdown of impairment losses by segment, please see Note 6. Segment Information.

(2) Impairment Losses Recognized and the Underlying Events that Led to the Recognition of Impairment Losses

For the year ended March 31, 2016

As the Semiconductor Lithography Business Unit had difficulty in recovering the investment amount due to a decline in its profitability as a result of changes in the market environment, the Group reduced the carrying amount of the production facilities and other non-current assets held by the Semiconductor Lithography Business Unit to its recoverable amount, and recorded this reduction as an impairment loss. The recoverable amount is based on fair value less costs of disposal and the fair value is based on real estate appraisal. These fair value measurements are categorized within the Level 3 category of the fair value hierarchy.

In addition, as a result of investigating the utilization status and future prospects for the non-current assets held by the Group, the Group recognized impairment losses for idle assets mainly located in Japan, China, and Thailand that were not expected for specific use in the future.

For the year ended March 31, 2017

With regard to the Semiconductor Lithography Business Unit, as a result of estimating future cash flows based on the current circumstances, the Group reduced the carrying amount of the machinery, equipment and vehicles used for business operations, whose investments were unlikely to be recovered to its recoverable amount, and recorded this reduction as an impairment loss. The recoverable amount was determined based on fair value less costs of disposal and the fair value is based on real estate appraisal. These fair value measurements are categorized within the Level 3 category of the fair value hierarchy.

In addition, the Group carried out an investigation on the utilization status of the non-current assets held by the Group and future prospects. As a result of the investigation, the Group recognized impairment losses for idle fixed assets mainly located in Japan, China and Thailand that did not have an expected specific use in the future. Of the total impairment losses of ¥5,351 million, the impairment losses of ¥204 million for idle assets which are not expected to be used in the future due to termination of product commercialization are recognized as "Restructuring costs" in "Other expenses."

(3) Impairment Test of Goodwill

The breakdown of carrying amount of goodwill by segment is listed as follows:

Millions of yen

Segments	2015	2016	2017
Imaging Products Business	—	—	**650**
Instruments Business	3,076	3,076	**3,076**
Medical Business	—	20,044	**19,957**
Total	3,076	23,120	**23,683**

The goodwill of the Instrument Business was generated from the acquisition of Nikon Metrology NV. The goodwill of the Medical Business was generated from the acquisition of Optos.

If the carrying amount of the goodwill acquired exceeds its recoverable amount, such carrying amount is written down to the recoverable amount and an impairment loss is recognized. A recoverable amount is calculated based on the value in use.

The Group has calculated the value in use of an asset by discounting the future cash flows to present value. The future cash flows are estimated based on a growth rate and a three-year business plan approved by management reflecting past experience and external inputs.

The growth rate is determined based on the long-term growth rate of the market or the country to which the group of cash-generating units belongs.

The discount rate is calculated based on the weighted average cost of capital and other inputs of each cash-generating unit.

The key assumptions used in the impairment test are as follows:

	2015	2016	2017
Growth rate	0.0%	0.0 – 1.5%	**0.0 – 2.2%**
Discount rate	9.0%	6.9 –10.2%	**7.3 –10.5%**

The Group believes that the aggregated carrying amount will not exceed the recoverable amount of the cash-generating unit even if there are reasonably possible changes in the key assumptions (i.e., growth rate and discount rate) used as the basis for the recoverable amount.

17. Investments Accounted for Using the Equity Method

(1) Interest in Associates

The carrying amount of interest in associates that are not individually material is as follows:

Millions of yen

	2015	2016	2017
Carrying amount in total	7,392	7,652	**8,315**

The share of comprehensive income of associates that are not individually material is as follows:

Millions of yen

	2016	2017
Share of profit (loss) for the year	551	**(120)**
Share of other comprehensive income	(199)	**(354)**
Share of comprehensive income	352	**(475)**

(2) Interest in Joint Ventures

The carrying amount of interest in joint ventures that are not individually material is as follows:

Millions of yen

	2015	2016	2017
Carrying amount in total	2,804	2,993	**3,381**

The share of comprehensive income of joint ventures that are not individually material is as follows:

Millions of yen

	2016	2017
Share of profit for the year	489	**638**
Share of other comprehensive income	—	**—**
Share of comprehensive income	489	**638**

18. Leases

(1) Finance Leases (the Group as Lessee)

The breakdown of finance lease obligations is as follows:

Millions of yen

	Minimum lease payments			Present value of minimum lease payments		
	2015	2016	2017	2015	2016	2017
Within 1 year	1,017	777	**870**	1,012	771	**864**
After 1 year but within 5 years	1,237	1,116	**2,418**	1,225	1,108	**2,395**
After 5 years	67	197	**159**	61	193	**158**
Total	2,321	2,090	**3,448**	2,297	2,072	**3,417**
Less: future interest expenses	(24)	(18)	**(31)**			
Present value of minimum lease payments	2,297	2,072	**3,417**			
Amount in the consolidated statements of financial position:						
Lease obligations (current)	1,012	771	**864**			
Lease obligations (non-current)	1,286	1,301	**2,553**			

Some lease contracts contain options to renew the leases. There are no escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

(2) Operating Leases (the Group as Lessee)

The Group has operating lease contracts mainly in respect of land, buildings and office equipment.

Lease payments recognized as expenses for the years ended March 31, 2016 and March 31, 2017 were ¥13,284 million and ¥11,575 million, respectively.

(3) Non-Cancelable Operating Leases

The breakdown of future minimum lease payments under non-cancelable operating leases according to payment due dates is as follows:

Millions of yen

	Minimum lease payments		
	2015	2016	2017
Within 1 year	3,395	3,726	**2,788**
After 1 year but within 5 years	3,503	4,100	**4,484**
After 5 years	219	147	**107**
Total	7,117	7,974	**7,380**

Some lease contracts contain options to renew the leases. There are no escalation clauses or restrictions on dividends, additional borrowings, and additional leases provided by the lease contracts.

19. Income Taxes

(1) Deferred Taxes

Deferred tax assets and liabilities are attributable to the following temporary differences:

Millions of yen

	2015	2016	2017
Deferred tax assets:			
Unused tax losses	3,232	3,094	**4,318**
Impairment losses	5,982	6,838	**6,636**
Inventories	25,828	24,213	**32,656**
Accrued bonuses	3,775	3,726	**3,007**
Provision for product warranties	2,440	1,308	**1,898**
Net defined benefit liabilities	2,740	5,277	**2,655**
Depreciation and amortization	14,317	13,155	**13,487**
Others	20,458	23,577	**19,976**
Total deferred tax assets	78,771	81,190	**84,633**
Deferred tax liabilities:			
Equity instruments	(8,665)	(4,221)	**(7,125)**
Undistributed profits of foreign subsidiaries	(11,168)	(11,156)	**(10,116)**
Net defined benefit assets	(529)	(588)	**(490)**
Business combination	—	(4,965)	**(4,578)**
Others	(4,777)	(5,444)	**(4,635)**
Total deferred tax liabilities	(25,139)	(26,374)	**(26,944)**
Net deferred tax assets (liabilities)	53,632	54,816	**57,689**

The carrying amount of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

Millions of yen

	2015	2016	2017
Deferred tax assets	53,996	60,298	**62,883**
Deferred tax liabilities	364	5,482	**5,193**
Net deferred tax assets (liabilities)	53,632	54,816	**57,689**

Details of changes in deferred tax assets and liabilities are as follows:

Millions of yen

	2016	2017
Opening balance	53,632	**54,816**
Amount recognized in profit or loss	1,370	**7,763**
Amount recognized in other comprehensive income		
Remeasurement of defined benefit pension plans	1,679	**(1,503)**
Gain (loss) on financial assets measured at fair value through other comprehensive income	4,210	**(4,153)**
Share of other comprehensive income of investments accounted for using the equity method	(9)	**8**
Effective portion of the change in fair value on cash flow hedges	24	**163**
Impact of business combination	(5,617)	**2**
Others	(473)	**594**
Closing balance	54,816	**57,689**

With regard to the income tax recognized in profit or loss for the year, please see (3) Income Tax Expenses in Note 19. Income Taxes.
The Group recognizes deferred tax assets by taking into account the possibility that all or part of deductible temporary differences or unused tax losses will be used against future taxable income. Recoverability of deferred tax assets is reassessed by considering the expected reversal of deferred tax liabilities, future taxable income, and tax planning. Based on the levels of taxable income in prior years and projected taxable income over the future period for which the deferred tax assets are allowed to be recognized, the Group has determined that it is probable that tax benefits of the recognized deferred tax assets will be realized.

The following are the details of unused tax losses and tax credits and deductible temporary differences for which deferred tax assets are not recognized.

Unused tax losses and tax credits are presented on a tax basis.

Millions of yen

	2015	2016	2017
Unused tax losses	2,110	2,476	**2,475**
Unused tax credits	1,020	718	**443**
Deductible temporary differences	37,293	45,375	**46,619**

The following are the amounts of unused tax losses for which deferred tax assets are not recognized and their expiry period.

Millions of yen

	2015	2016	2017
1st year	—	—	**—**
2nd year	—	—	**—**
3rd year	—	—	**—**
4th year	—	—	**—**
5th year	—	—	**—**
After 5th year	2,110	2,476	**2,475**
Total	2,110	2,476	**2,475**

(2) Unrecognized Deferred Tax Liabilities

The following are the amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized.

Deferred tax liabilities are not recognized on the temporary differences for which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Millions of yen

	2015	2016	2017
Temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized	11,358	5,380	**3,958**

(3) Income Tax Expenses

The breakdown of income taxes is as follows:

Millions of yen

	2016	2017
Current tax expense	10,873	**6,773**
Deferred tax expense (benefit)	(1,370)	**(7,763)**
Total	9,502	**(990)**

With regard to deferred tax expenses, please see (1) Deferred Taxes in Note 19. Income Taxes.

(4) Reconciliation of Effective Tax Rate

Reconciliations between the statutory and actual effective tax rate for each fiscal year are presented as shown below. The actual effective tax rate represents the ratio of income tax expenses to profit before income taxes.

	2016	2017
Statutory effective tax rate	33.1	**30.9**
Tax rate differences of consolidated subsidiaries	(10.5)	**(40.3)**
Research and development tax credits	(1.8)	**(2.7)**
Impact of unrecognized deferred tax assets arising from unused tax losses or temporary differences	(0.0)	**(3.1)**
Changes in deferred tax liabilities related to undistributed profit of foreign subsidiaries	(0.0)	**(33.9)**
Reduction of the carrying amount of deferred tax assets at the end of fiscal year due to the change in the corporate tax rate	5.8	**(3.5)**
Reversal of deferred taxes due to expiry of unused foreign tax credits	0.8	**9.8**
Foreign withholding tax arising from dividends from foreign subsidiaries	0.6	**5.0**
Others	(3.8)	**5.6**
Actual effective tax rate	24.0	**(32.3)**

For the year ended March 31, 2016

On March 29, 2016, "Partial Revision of Income Tax Act" (Act No.15 of 2016) and "Partial Revision of Local Tax Act" (Act No.13 of 2016) were approved in the Japanese Diet. Under these acts, the reduction in the corporate tax rate will become effective from the fiscal year beginning on or after April 1, 2016. As a result of this change, the statutory effective tax rate applicable to the calculation of deferred tax assets and liabilities (that are limited to only those to be reversed on or after April 1, 2016) has been lowered from 32.3% to 30.9% for the temporary differences that will be reversed in the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for those that will be reversed in the fiscal year beginning on or after April 1, 2018.

As a result of the above change in tax rates, deferred tax assets (net of deferred tax liabilities) have decreased ¥2,033 million, and deferred tax expense has increased ¥2,281 million.

For the year ended March 31, 2017

With respect to the "Act on the Partial Revision of the Act on Partial Revision of Consumption Tax Act for the Fundamental Reform on Tax System for Securing Firm Financial Resources of Social Security" (Act No. 85 of 2016) and "Act on the Partial Revision of the Act on Partial Revision of Local Tax Act and Local Allocation Tax Act for the Fundamental Reform on Tax System for Securing Firm Financial Resources of Social Security" (Act No. 86 of 2016) on November 18, 2016, the Japanese Diet passed the bills to postpone the consumption tax rate increase from 8% to 10% from April 1, 2017 to October 1, 2019. Therefore, the implementation of the abolition of the special local corporation tax and the corresponding restoration of the corporate enterprise tax, the revision of the local corporate tax rate and the revision of the corporate resident tax rate was postponed from the fiscal years beginning on or after April 1, 2017 to the fiscal years beginning on or after October 1, 2019. There is no change in the statutory effective tax rate used in the calculation of deferred tax assets and liabilities. However, the allocation of tax rates between national and local taxes has been adjusted, although the impact of the adjustment on deferred tax assets (after offsetting deferred tax liabilities) and deferred tax expense is immaterial.

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

Millions of yen

	2015	2016	2017
Notes and accounts payable	113,724	117,323	**104,207**
Other payables	11,995	6,808	**8,663**
Total	125,719	124,131	**112,870**

Trade and other payables are classified as financial liabilities measured at amortized cost.

21. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	2015	2016	2017	Average interest rate (%) (Note 1)	Repayment deadline
			Millions of yen		
Current					
Short-term borrowings	13,600	13,600	**13,607**	0.27	—
Current portion of long-term borrowings	15,000	2,900	**—**	—	—
Current portion of bonds (Note 2)	—	9,998	**9,994**	—	—
Total	28,600	26,498	**23,601**		
Non-current					
Long-term borrowings	34,600	44,200	**84,573**	0.91	April 2018–September 2034
Bonds (Note 2)	49,836	39,871	**29,903**	—	—
Total	84,436	84,071	**114,477**		

Notes: 1. The weighted average interest rate is used to determine the average interest rate. The Group used the interest rate and the balance as of the end of each reporting period to calculate the average interest rate.
2. Conditions for issuance of the bonds are summarized as follows:

Corporate name	Issue	Date of issuance	2015	2016	2017	Interest rate (%)	Collateral	Maturity
					Millions of yen			
NIKON CORPORATION	17th unsecured bond	June 23, 2009	9,990	9,998	**—**	1.650	None	June 23, 2016
NIKON CORPORATION	18th unsecured bond	January 28, 2011	9,978	9,986	**9,994**	0.996	None	January 26, 2018
NIKON CORPORATION	19th unsecured bond	January 28, 2011	9,967	9,972	**9,978**	1.434	None	January 28, 2021
NIKON CORPORATION	20th unsecured bond	March 14, 2014	9,950	9,957	**9,964**	0.652	None	March 14, 2022
NIKON CORPORATION	21st unsecured bond	March 14, 2014	9,951	9,956	**9,961**	0.864	None	March 14, 2024

The breakdown of bonds and long-term borrowings by scheduled repayment due date is described in Note 35. Financial Instruments.

22. Provisions

Details of changes in provisions are as follows:

Millions of yen

	Provision for product warranties	Asset retirement obligations	Others	Total
As of April 1, 2015	8,760	3,624	433	12,817
Current liabilities	8,760	—	433	9,193
Non-current liabilities	—	3,624	—	3,624
Additions during the period	6,536	647	866	8,049
Decrease during the period due to settlement for intended purposes	(7,283)	(120)	(223)	(7,626)
Decrease during the period due to reversal	(817)	(3)	(91)	(911)
Effect of foreign exchange currency differences	(130)	(47)	(81)	(258)
As of March 31, 2016	7,067	4,102	903	12,072
Current liabilities	7,067	—	903	7,970
Non-current liabilities	—	4,102	—	4,102
Additions during the period	5,835	134	372	6,342
Decrease during the period due to settlement for intended purposes	(5,341)	(100)	(709)	(6,150)
Decrease during the period due to reversal	(884)	—	(132)	(1,016)
Effect of foreign currency exchange differences	(158)	(1)	(31)	(190)
As of March 31, 2017	**6,519**	**4,134**	**404**	**11,057**
Current liabilities	**6,519**	**4**	**404**	**6,926**
Non-current liabilities	**—**	**4,131**	**—**	**4,131**

23. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	2015	2016	2017
Derivative financial liabilities	5,624	2,301	**1,224**
Other payables	32,488	26,835	**26,864**
Lease obligations	2,297	2,072	**3,417**
Others	3,287	4,348	**2,699**
Total	43,696	35,557	**34,204**
Other current financial liabilities	40,420	33,092	**31,213**
Other non-current financial liabilities	3,276	2,465	**2,991**

24. Other Liabilities

The breakdown of other liabilities is as follows:

Millions of yen

	2015	2016	2017
Accrued expenses	32,876	33,023	**47,591**
Accrued consumption tax	3,713	2,557	**2,361**
Others	4,169	4,386	**5,263**
Total	40,758	39,967	**55,215**
Other current liabilities	38,195	37,222	**52,347**
Other non-current liabilities	2,564	2,745	**2,868**

25. Employee Benefits

(1) Summary of Retirement Benefit Plans

The Company has a contract-type defined benefit plan (cash balance plan) and a defined contribution plan for a part of the future portion of its retirement benefit plans.

Domestic group entities have a contract-type defined benefit pension plan and a lump-sum retirement benefit plan. Certain group entities have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. In addition, certain overseas group entities have adopted the defined benefit plans and defined contribution plans. Extra payments may be contributed upon retirement of employees.

In order to ensure the funding of sufficient contributions for the pension benefits and lump-sum retirement benefits in the future, the Group has selected an asset management trust institution as a trustee for the management of the plans' pension assets. An asset management trust institution gives top priority to the interest of the plan participants, which is required by laws and decrees, and is responsible for managing the plan assets based on prescribed investment policies.

Under the defined contribution plans, the Company and certain subsidiaries are only responsible for contributions stipulated in the regulations on retirement benefits of each company.

The Group is exposed to the risks arising from the changes in interest rates and other actuarial assumptions in which the defined benefit obligation is measured. Plan assets primarily consist of marketable shares and bonds as well as other interest-bearing securities, which are exposed to stock price and interest rate risks.

(2) Defined Benefit Plans

The level of benefits contributed in the defined benefit plan depends on the length of service, expected salary levels in the final years leading up to retirement and other factors.

The amounts recognized in the consolidated statement of financial position are as follows:

Millions of yen

	2015	2016	2017
Present value of defined benefit obligations	145,348	145,797	**139,287**
Fair value of plan assets	(148,497)	(140,332)	**(141,762)**
Subtotal	(3,149)	5,466	**(2,475)**
Impact of asset ceiling	3,799	524	**3,262**
Present value of defined benefit obligations of unfunded plans	1,968	1,737	**2,348**
Total	2,617	7,727	**3,134**
Carrying amounts presented in the consolidated statement of financial position			
Net defined benefit liabilities	8,438	8,889	**8,624**
Net defined benefit assets	(5,821)	(1,162)	**(5,489)**
Net liability or asset presented in the consolidated statement of financial position	2,617	7,727	**3,134**

Movements in the present value of the defined benefit obligations over the years are as follows:

Millions of yen

	2016	2017
Opening balance of present value of defined benefit obligations	147,315	**147,534**
Current service cost	3,471	**3,503**
Interest expenses	2,060	**1,502**
Remeasurement		
Actuarial gain or loss from changes in demographic assumptions	(10)	**(1,820)**
Actuarial gain or loss from changes in financial assumptions	4,393	**(1,603)**
Benefits paid	(8,073)	**(6,794)**
Past service cost	389	**61**
Effect of foreign currency exchange differences	(2,029)	**(799)**
Others	19	**50**
Closing balance of present value of defined benefit obligations	147,534	**141,635**

Movements in the fair value of plan assets over the years are as follows:

		Millions of yen
	2016	2017
Opening balance of fair value of plan assets	148,497	**140,332**
Interest income	1,923	**1,244**
Remeasurement		
Return on plan assets other than interest income	(4,043)	**4,124**
Contributions by the employer	3,489	**3,333**
Benefits paid	(8,032)	**(6,635)**
Effect of foreign currency exchange differences	(1,488)	**(705)**
Others	(14)	**69**
Closing balance of fair value of plan assets	140,332	**141,762**

The contributions for defined benefit plans over the next fiscal year are estimated at ¥2,912 million.

Movements in impact of the asset ceiling over the years are as follows:

		Millions of yen
	2016	2017
Opening balance	3,799	**524**
Changes in net plan assets due to the effect of the asset ceiling	(3,274)	**2,737**
Closing balance	524	**3,262**

The fair value of plan assets is as follows:

						Millions of yen
	2015		2016		2017	
	Plan assets that have quoted market prices in active markets	Plan assets that do not have quoted market prices in active markets	Plan assets that have quoted market prices in active markets	Plan assets that do not have quoted market prices in active markets	Plan assets that have quoted market prices in active markets	Plan assets that do not have quoted market prices in active markets
Life insurance company general accounts	—	5,094	—	5,081	**—**	**5,349**
Shares (Japan)	278	25,911	284	20,974	**61**	**21,554**
Shares (Overseas)	5,937	21,221	5,508	18,492	**6,242**	**21,101**
Bonds (Japan)	—	66,138	—	69,058	**—**	**43,803**
Bonds (Overseas)	460	18,757	420	16,617	**1,721**	**21,435**
Alternatives	—	—	—	—	**—**	**16,002**
Others	600	4,103	249	3,649	**447**	**4,047**
Total	7,275	141,222	6,461	133,871	**8,471**	**133,291**

The plan assets of the investment in joint trusts are classified as assets that do not have quoted prices in active markets.

Life insurance company general accounts represent investment of pension funds through general accounts for which the life insurance companies mainly guarantee both principal and interest.

Plan assets

The Group manages its plan assets to ensure the payment of pension benefits and lump-sum retirement benefits to its beneficiaries through the Group's investment policies, which are designed for long-term stable earnings against the risks of changes in share prices and interest rates.

The Group performs actuarial revaluation periodically to adjust contributions and assumed rate of interest, and subsequently reviews the proportion of the strategic asset portfolio. In addition, the proportion is reviewed as necessary when the investment environment and other factors change significantly.

Based on the strategic asset portfolio as set above, the Group reviews its investment portfolio and fund management method periodically to decentralize investment risks against changes in the market environment.

Since the year ended March 31, 2017, the proportion of the strategic asset portfolio has been adjusted primarily shifting from investment in domestic bonds to alternative investments. The investment in alternatives is exposed to low risk and can enhance the diversification effect and make the asset portfolio at the low correlation with traditional assets.

The significant actuarial assumption used in the calculation of the present value of defined benefit obligations is as follows:

	2015	2016	2017
Discount rate	1.46%	1.04%	**1.20%**

The following table is a sensitivity analysis for significant actuarial assumptions.

The sensitivity analysis indicates the impact on the present value of retirement benefit obligations when the value of the significant actuarial assumption increases or decreases 0.5% while all other assumptions are constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from to the prior year.

Millions of yen

		2016	2017
Impact	When increased 0.5%	(8,794)	**(8,116)**
	When decreased 0.5%	9,783	**9,033**

The weighted average life of the defined benefit obligations for the year ended March 31, 2017 is 12.8 years, and there is no significant bias in distribution.

The Group's funding policy to the defined benefit plans is based on several factors including the tax deductibility due to contributions, funded status of plan assets and actuarial calculations.

(3) Defined Contribution Plans

The amounts of expenses incurred for defined contribution plans for the years ended March 31, 2016 and 2017 are ¥2,323 million and ¥2,294 million, respectively.

(4) Employee Benefit Expenses

The employee benefit expenses recognized in "Cost of sales," "Selling, general and administrative expenses," and "Other expenses" in the consolidated statement of profit or loss for the years ended March 31, 2016 and 2017 were ¥160,703 million and ¥165,776 million, respectively. Expenses related to salary, bonus, statutory benefits and post-employment benefits are included in employee benefit expenses.

26. Equity

(1) Capital Stock and Treasury Stocks

The total number of shares authorized to be issued and the total number of outstanding shares of the Company are as shown below. All the shares issued by the Company are ordinary shares without par value and are fully paid up.

Numbers of shares

	2016	2017
Shares authorized to be issued		
Ordinary shares	1,000,000,000	**1,000,000,000**
Shares outstanding		
Opening balance	400,878,921	**400,878,921**
Changes during the period	—	**—**
Closing balance	400,878,921	**400,878,921**
Treasury stocks		
Opening balance	4,152,366	**4,687,767**
Increase during the period	580,200	**2,794**
Decrease during the period	(44,799)	**(14,907)**
Closing balance	4,687,767	**4,675,654**

Notes: 1. The closing balance of treasury stocks includes 576,900 shares of those held by the executive compensation BIP trust as of March 31, 2016 and 2017, respectively.
2. The increase in the number of treasury stocks of ordinary shares for the year ended March 31, 2016 of 580,200 shares is due to an increase in the shares acquired by the executive compensation BIP trust of 576,900 shares and an increase in shares less than one unit arising from a purchase request of 3,300 shares.
The increase in the number of treasury stocks of ordinary shares for the year ended March 31, 2017 of 2,794 shares is due to the increase in shares less than one unit arising from a purchase request.
3. The decrease in the number of treasury stocks of ordinary shares for the year ended March 31, 2016 of 44,799 shares is due to a decrease in shares less than one unit arising from a purchase request of 99 shares and a decrease of 44,700 shares arising from the exercise of stock options.
The decrease in the number of treasury stocks of ordinary shares for the year ended March 31, 2017 of 14,907 shares is due to a decrease in shares less than one unit arising from a purchase request of 107 shares and a decrease of 14,800 shares arising from the exercise of stock options.

(2) Capital Surplus

The Companies Act of Japan requires that 50% or more of the proceeds from the issuance of share capital shall be credited to capital stock, and the remaining proceeds shall be credited to capital reserve incorporated in capital surplus. The capital reserve may be transferred back to capital stock upon the approval of the general meeting of shareholders.

(3) Retained Earnings

The Companies Act of Japan requires that a 10% dividend of the profit for the year attributable to shareholders shall be appropriated as a legal reserve (a component of either capital surplus or retained earnings) until the aggregate amount of capital reserve and the legal reserve is equal to 25% of capital stock. The legal reserve may be used to reduce deficit or be transferred to retained earnings upon approval of the general meeting of shareholders.

(4) Other Components of Equity

1) Gain (loss) on financial assets measured at fair value through other comprehensive income

The account represents cumulative gains or losses on financial instruments measured at fair value through other comprehensive income.

2) Remeasurement of defined benefit pension plans

The account represents the impacts arising from the difference between actuarial assumptions and their actual results and arising from changes in actuarial assumptions. It is recognized as other comprehensive income as incurred and immediately reclassified from other components of equity to retained earnings.

3) Share of other comprehensive income of investments accounted for using the equity method

The account includes gains or losses on financial assets measured at fair value through other comprehensive income, remeasurement of defined benefit pension plans, and exchange differences on translation of foreign operations.

4) Exchange differences on translation of foreign operations

The account represents translation differences arising from the translation of the financial statements of foreign operations of the Group from foreign functional currencies into Japanese yen, which is the presentation currency of the Group.

5) Effective portion of changes in the fair value on cash flow hedges

The account represents the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges.

27. Dividends

The details of dividends are as follows:

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2016					
General Meeting of Shareholders held on June 26, 2015	Ordinary shares	8,728	22.00	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 6, 2015	Ordinary shares	3,174	8.00	September 30, 2015	December 1, 2015
For the year ended March 31, 2017					
General Meeting of Shareholders held on June 29, 2016	Ordinary shares	3,968	10.00	March 31, 2016	June 30, 2016
Board of Directors' meeting held on November 8, 2016	Ordinary shares	4,761	12.00	September 30, 2016	December 1, 2016

Notes: 1. The dividends approved according to the resolution of the Board of Directors' meeting held on November 6, 2015, included the dividends for the shares held by the executive compensation BIP Trust of ¥5 million.
2. The dividends approved according to the resolution of the general meeting of shareholders held on June 29, 2016, included the dividends for the shares held by the executive compensation BIP Trust of ¥6 million.
3. The dividends approved according to the resolution of the Board of Directors' meeting held on November 8, 2016, included the dividends for the shares held by the executive compensation BIP Trust of ¥7 million.

Dividends with effective date in the following fiscal year are as follows:

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2017					
General Meeting of Shareholders held on June 29, 2017	Ordinary shares	1,587	4.00	March 31, 2017	June 30, 2017

Note: The dividends approved according to the resolution of the general meeting of shareholders held on June 29, 2017, included the dividends for the shares held by the executive compensation BIP Trust of ¥2 million.

28. Revenue

The analysis of revenue generated from continuing operations of the Group is as follows:

Millions of yen

	2016	2017
Revenue from sale of goods	780,066	**688,432**
Revenue from services rendered and others	60,974	**60,842**
Total revenue	841,040	**749,273**

29. Other Income and Expenses

(1) Other Income

The breakdown of other income is as follows:

Millions of yen

	2016	2017
Income from insurance	577	**670**
Gain on sales of property, plant and equipment	3,175	**124**
Income from rents	597	**380**
Refunds of customs tariff	1,063	**—**
Grant income	362	**835**
Others	2,910	**1,596**
Total	8,685	**3,606**

(2) Other Expenses

The breakdown of other expenses is as follows:

Millions of yen

	2016	2017
Impairment losses (Note 1)	8,449	**5,148**
Loss on sales of property, plant and equipment	27	**85**
Restructuring costs (Notes 1 and 2)	2,726	**53,370**
Environmental protection costs (Note 3)	1,833	**—**
Loss on Competition Law	—	**1,307**
Others	2,203	**1,494**
Total	15,239	**61,404**

Notes: 1. With regard to impairment losses and restructuring costs, please see Note 16. Impairment Losses of Non-Financial Assets.

2. Restructuring costs for the year ended March 31, 2016 mainly consisted of the expenses for merging and eliminating sales sites for optimizing the business operational structure in Europe and the Americas, as well as the extra retirement benefits paid to maintain the optimal number of employees.
Restructuring costs for the year ended March 31, 2017 were mainly due to a fundamental restructuring to improve its corporate value and shifting from the strategy of pursuing revenue growth to pursuing profit enhancement. The breakdown of constructing costs is as follows:

Breakdown	Millions of yen
The write-downs and write-offs of the products of the Semiconductor Lithography Business Unit	27,447
Additional retirement benefits associated with solicitation for voluntary retirement from group entities in Japan	16,655
Loss on termination of product commercialization	7,472
Others	1,796
Total	53,370

3. Environmental protection costs for the year ended March 31, 2016 primarily represented the costs incurred for the measurement of soil contamination at the Oi Plant.

30. Selling, General and Administrative Expenses

Selling, general and administrative expenses mainly consist of the following items.

		Millions of yen
	2016	2017
Depreciation and amortization	9,466	**12,635**
Research and development expenses	64,490	**61,114**
Employee benefit expenses	62,288	**56,680**
Advertising and sales promotion expenses	60,984	**47,491**
Others	79,760	**69,628**
Total	276,988	**247,548**

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs is as follows:

		Millions of yen
	2016	2017
Finance income:		
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note 1)	1,259	**1,402**
Interest income		
Financial assets measured at amortized cost	1,998	**1,844**
Gain on remeasurement of derivatives (Note 2)	3,801	**2,136**
Others	375	**400**
Total	7,432	**5,781**
Finance costs:		
Interest costs		
Financial liabilities measured at amortized cost	1,418	**1,314**
Foreign exchange losses	2,256	**2,299**
Others	518	**393**
Total	4,192	**4,006**

Notes: 1. Dividend income arising from financial assets measured at fair value through other comprehensive income that were derecognized in the years ended March 31, 2016 and March 31, 2017 was ¥21 million and ¥96 million, respectively. With respect to financial assets measured at fair value through other comprehensive income, please see Note 11. Other Financial Assets.
2. Gain on remeasurement of derivatives was recognized in respect of foreign currency forward contracts, currency swaps, interest rate and currency swaps, and currency options.

32. Earnings per Share

The basis for the calculation of basic earnings per share and diluted earnings per share attributable to owners of the parent is as follows:

	2016	2017
Basis for the calculation of basic earnings per share		
Profit for the year attributable to owners of the parent (millions of yen)	29,947	**3,967**
Profit not attributable to ordinary equity holders of the parent (millions of yen)	—	**—**
Profit for the year used in the calculation of basic earnings per share (millions of yen)	29,947	**3,967**
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	396,409	**396,195**
Basic earnings per share (yen)	75.55	**10.01**
Basis for the calculation of diluted earnings per share		
Profit for the year used in the calculation of basic earnings per share (millions of yen)	29,947	**3,967**
Adjustments to profit for the year (millions of yen)	—	**—**
Profit for the year used in the calculation of diluted earnings per share (millions of yen)	29,947	**3,967**
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	396,409	**396,195**
Increase in number of ordinary shares in respect of stock options (thousands of shares)	937	**1,124**
Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares)	397,346	**397,319**
Diluted earnings per share (yen)	75.37	**9.98**
Summary of dilutive potential ordinary shares that are antidilutive and excluded from the weighted average number of dilutive ordinary shares	Stock options approved at the Board of Directors' meeting held on February 27, 2007 (62 subscription rights to shares) 62 thousand ordinary shares	**—**

Note: In the computation of basic earnings per share and diluted earnings per share, the number of the Company's shares held by the executive compensation BIP trust is included in the number of treasury stocks that are deducted from the weighted average number of ordinary shares outstanding during the period. For the years ended March 31, 2016 and March 31, 2017, the numbers were 354,281 and 576,900, respectively.

33. Reclassifications in Other Comprehensive Income and the Impact of Deferred Tax

The breakdown of other comprehensive income for the years ended March 31, 2016 and 2017, including the reclassifications and the impact of deferred tax were as follows:

Millions of yen

	2016	2017
Items that will not be reclassified to profit or loss:		
Net changes in fair value of financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(12,633)	**11,491**
Deferred tax	4,210	**(4,153)**
After deferred tax adjustment	(8,424)	**7,338**
Remeasurement of defined benefit pension plans		
Amount arising during the period	(5,151)	**4,810**
Deferred tax	1,679	**(1,503)**
After deferred tax adjustment	(3,472)	**3,307**
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the period	26	**(25)**
Deferred tax	(9)	**8**
After deferred tax adjustment	18	**(17)**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Amount arising during the period	(27,856)	**(4,248)**
Effective portion of changes in the fair value of cash flow hedges		
Amount arising during the period	616	**1,746**
Reclassification adjustments	(675)	**(2,272)**
Before deferred tax adjustment	(59)	**(526)**
Deferred tax	24	**163**
After deferred tax adjustment	(35)	**(363)**
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the period	(216)	**(337)**
Total other comprehensive income (loss)	(39,987)	**5,680**

34. Share-based Payment

The Group has a stock option share-based payment scheme and performance-and share-based payment scheme aiming to improve performance and enhance corporate value in the medium and long term.

(1) Stock Option Share-based Payment Scheme

(i) Outline of stock option share-based payment scheme

The exercise period of stock options is 8 years commencing from 2 years after the grant date, or 30 years from the grant date.

If a member terminates his or her employment prior to the vesting date, only the portion equivalent to the period of service will vest.

The Company's stock option share-based payment scheme is accounted for as the equity settlement type of share-based payment.

Details of stock option schemes that are outstanding for the years ended March 31, 2016 and 2017 were as follows:

No.	Number of shares (Shares)	Grant date	Exercise date	Exercise price (Yen)	Fair value at grant date (Yen)
3	178,000	June 29, 2005	June 29, 2015	1,273	—
4	99,000	March 14, 2007	February 27, 2017	2,902	840
5	26,100	August 27, 2007	August 27, 2037	1	3,259
6	117,900	November 25, 2008	November 25, 2038	1	734
7	68,100	August 10, 2009	August 10, 2039	1	1,408
8	66,800	July 14, 2010	July 14, 2040	1	1,527
9	99,700	March 19, 2012	March 19, 2042	1	2,037
10	108,300	August 23, 2012	August 23, 2042	1	1,726
11	119,600	August 1, 2013	August 1, 2043	1	1,632
12	177,400	August 1, 2014	August 1, 2044	1	1,183
13	207,000	July 28, 2015	July 28, 2045	1	1,040
14	198,600	July 29, 2016	July 29, 2046	1	1,213

(ii) Fair value measurement of stock options

Stock options granted are measured at fair value using the Black–Scholes model.

Expected volatility is calculated based on recent historical data of the share prices.

The basic data and assumptions used in the Black–Scholes model are mainly as follows:

	2016	2017
	No.13	**No.14**
Share price at the date of grant (Yen)	1,450	**1,461**
Exercise price (Yen)	1	**1**
Expected volatility (%)	44.086	**42.078**
Expected remaining option life (Years)	15	**15**
Expected dividends yield (Yen)	32	**18**
Risk-free rate (%)	0.765	**0.006**

(iii) Number of stock options and average exercise prices

Details of stock options are as follows:

	2016		2017	
	Number of options (Shares)	Weighted average exercise price (Yen)	Number of options (Shares)	Weighted average exercise price (Yen)
Opening outstanding balance	830,100	239	**1,030,400**	**176**
Granted during the period	207,000	1	**198,600**	**1**
Forfeited or expired during the period	6,000	2,902	**62,000**	**2,902**
Exercised during the period	700	1	**14,800**	**1**
Ending outstanding balance	1,030,400	176	**1,152,200**	**1**
Exercisable outstanding options at the end of the years	1,030,400	176	**1,152,200**	**1**

Stock options exercised during the year ended March 31, 2016 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
5	700	April 1, 2015 to March 31, 2016	1,492

Stock options exercised during the year ended March 31, 2017 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
5	5,700	April 1, 2016 to March 31, 2017	1,541
6	9,100	April 1, 2016 to March 31, 2017	1,634
Total	14,800		1,598

The range of exercise prices of the outstanding options for the year ended March 31, 2016 was between ¥1 and ¥2,902. The weighted average remaining option life for the year ended March 31, 2016 was 25.0 years.

The exercise price of the outstanding options for the year ended March 31, 2017 was ¥1. The weighted average remaining option life for the year ended March 31, 2017 was 26.3 years.

(iv) The stock options that have not been applied to IFRS 2

Details of the stock options granted after November 7, 2002, which have not been applied to IFRS 2 since the fair value at the grant date have not been disclosed, are as follows:

No.	Number of shares (Shares)	Grant date	Exercise date	Exercise price (Yen)	Fair value at grant date (Yen)
3	178,000	June 29, 2005	June 29, 2015	1,273	—

For the year ended March 31, 2016	Number of options (Shares)	Weighted average exercise price (Yen)
Opening outstanding balance	57,000	1,273
Granted during the period	—	—
Forfeited or expired during the period	13,000	1,273
Exercised during the period	44,000	1,273
Ending outstanding balance	—	—
Exercisable outstanding options at the end of the years	—	—

The stock options exercised for the year ended March 31, 2016 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
3	44,000	April 1, 2015 to March 31, 2016	1,571

(2) Performance- and Share-based Payment Scheme

The performance- and share-based payment scheme ("incentive plan") is an incentive plan granting the shares of the Company or the equivalent cash as the granted shares that would be sold as directors' remuneration in the last year of three-year medium-term management plans depending on the achievement of business performance for each of the three years. Each incentive plan formulated based on this scheme applies to every three years, commencing in the year when a trust is established or a trust period is extended. This compensation scheme is known as "Executive Compensation Board Incentive Plan Trust" (hereinafter referred to as "BIP Trust"). Under BIP Trust, the shares of the Company acquired by BIP Trust are granted to executive directors of the Company based on the attainment of performance targets, which are recognized as an equity-settled share-based payment.

Along with the implementation of the fundamental restructuring announced in November 2016, the Company has withdrawn the Medium-Term Management Plan Update in the three-year period beginning from April 1, 2015 through March 31, 2018 and determined not to grant the performance- and share-based payments.

(3) Share-based Compensation Expenses

Millions of yen

	2016	2017
Stock option share-based payment	214	**228**
Performance- and share-based payment	209	**(209)**
Total	423	**20**

Share-based compensation expenses are included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

35. Financial Instruments

(1) Capital Management

Under the premise that a certain level of financial stability is maintained, the Group decides its capital management policies to realize the maximization of corporate value by emphasizing operational efficiency of invested capital and utilizing funds for investments (in capital investment, research and development, M&A and others) that provides expected revenue exceeding its capital cost to enable sustainable growth. At the same time, the policy seeks to meet the demands of shareholders by providing stable returns to shareholders. In order to maintain or adjust the capital structure, necessary funds will be raised basically through cash flows from operating activities generated from maintaining and enhancing the Group's earnings power, in addition to borrowing from banks and the issuance of corporate bonds and so on, which will be carried out if needed.

The Group aims to improve its capital structure by setting ROE (return on equity attributable to owners of the parent) targets as its key performance indicator and pursuing capital efficiency.

(%)

	2016	2017
ROE	5.5	**0.7**

ROE is computed by dividing profit for the year attributable to owners of the parent by the equity attributable to owners of the parent (average of opening and closing balances)

The Company is not subject to any external capital regulations except for the requirements of retained earnings in accordance with the Companies Act of Japan.

(2) Classification of Financial Instruments

Financial instruments are classified as follows:

Millions of yen

	2015	2016	2017
Financial assets:			
Cash and cash equivalents (Note 8)	259,625	251,210	**319,046**
Financial assets measured at amortized cost			
Trade and other receivables (Note 9)	129,361	104,601	**96,221**
Other financial assets (Note 11)	7,566	9,930	**12,746**
Financial assets measured at fair value through profit or loss			
Other financial assets (Note 11)	2,647	6,218	**10,189**
Financial assets measured at fair value through other comprehensive income			
Other financial assets (Note 11)	73,639	62,948	**71,571**
Total	472,839	434,907	**509,773**
Financial liabilities:			
Financial liabilities measured at amortized cost			
Trade and other payables (Note 20)	125,719	124,131	**112,870**
Bonds and borrowings (Note 21)	113,036	110,569	**138,077**
Other financial liabilities (Note 23)	38,072	33,256	**32,980**
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities (Note 23)	5,311	1,949	**863**
Financial liabilities measured at fair value through other comprehensive income			
Other financial liabilities (Note 23)	313	352	**361**
Total	282,451	270,258	**285,151**

(3) Financial Risk Management Objectives

Financial instruments held by the Group are exposed to various risks comprising market risks (i.e., foreign currency risk, interest rate risk, and stock price risk), credit risk, and liquidity risk. The Group uses derivative financial instruments such as forward exchange contracts to hedge these risks. Derivatives are held or issued based on the Group's policies for the exposure to foreign currency translation risk, interest rate risk, price risk, derivatives or other financial instruments, and excess liquidity funds, which are approved by the Board of Directors. The compliance of the Group's policies is being continuously monitored by internal auditors.

(4) Market Risk Management

The Group is exposed to market risk of changes in foreign currency exchange rates and in the price of equity instruments.

As a part of a general risk management, the Group enters into derivatives (such as forward exchange contracts) mainly to mitigate market risks with regard to foreign currency exchange rates.

(i) Foreign Currency Risk

Trade receivables denominated in foreign currencies arising from the expansion of the Group's business worldwide are exposed to foreign currency fluctuation risk. Some trade payables, such as notes and accounts payable mainly arising from imports of materials, are denominated in foreign currencies and are also exposed to foreign currency fluctuation risk. However, the amounts of such payables are within the range of outstanding accounts receivable denominated in the same foreign currencies. Thus, the Group principally enters into forward exchange contracts mainly to hedge the position after offsetting foreign currency-denominated trade payables. Hedging transactions that qualify for hedge accounting are accounted for by applying hedge accounting. Depending on the foreign currency market condition, forward exchange contracts within nine-month maximum contract terms are made against the expected amount of foreign currency denominated trade receivables that are deemed certain to arise based on forecast transactions of imports and exports.

a) Foreign currency sensitivity analysis

With regard to foreign currency denominated financial instruments held by the Group as of each fiscal year-end, the following table shows the impact on profit before income taxes and other comprehensive income before netting of income taxes that would result from 1% appreciation of the yen against the U.S. dollar and euro with the assumption that the exchange rates for other currencies are constant.

Millions of yen

	USD		EUR	
	2016	2017	2016	2017
Profit before income taxes	109	**13**	87	**49**
Other comprehensive income before deferred tax adjustment	6	**—**	320	**122**

b) Derivatives

Details of currency derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

Millions of yen

	2015			2016			2017		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Forward exchange contracts:									
Short position									
USD	18,898	—	14	45,098	—	1,274	**21,618**	**—**	**55**
EUR	11,674	—	530	10,452	—	134	**7,399**	**—**	**(19)**
Others	12,239	—	(215)	8,100	—	(145)	**7,208**	**—**	**(144)**
Long position									
USD	17,517	—	65	26,721	—	(888)	**19,009**	**—**	**(147)**
Others	646	—	5	—	—	—	**—**	**—**	**—**
Total	60,974	—	398	90,372	—	376	**55,234**	**—**	**(255)**
Currency swap contracts:									
Received in JPY, and paid in BRL	666	—	113	—	—	—	**—**	**—**	**—**
Received in JPY, and paid in THB	7,533	4,679	(2,867)	4,679	1,825	(842)	**1,825**	**—**	**(310)**
Total	8,198	4,679	(2,754)	4,679	1,825	(842)	**1,825**	**—**	**(310)**
Currency option contracts:									
Written put									
GBP									
Purchased call	48,519	—	(2,161)	—	—	—	**—**	**—**	**—**
GBP									

Derivative transactions accounted for using hedge accounting

Millions of yen

	2015			2016			2017		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Forward exchange contracts:									
Short position									
USD	7,445	—	(106)	600	—	39	**—**	**—**	**—**
EUR	16,141	—	618	32,538	—	541	**12,168**	**—**	**(21)**
Others	336	—	2	514	—	(7)	**781**	**—**	**(4)**
Long position									
GBP	—	—	—	679	—	(21)	**643**	**—**	**(16)**
Total	23,922	—	514	34,331	—	552	**13,592**	**—**	**(41)**

The Group has entered into forward exchange contracts with financial institutions to hedge the changes in the currency market affecting foreign currency-denominated assets and liabilities. All the forward exchange contracts in relation to foreign currency-denominated accounts receivable and accounts payable as well as forward exchange contracts for foreign currency-denominated transactions will mature within one year.

Currency swap contracts are entered into to minimize the Group's risk of loss arising from foreign exchange rates in relation to corresponding borrowings.

Currency option contracts are zero-cost option trading, where call option and put option contracts are inseparable; therefore, the aggregate amount is stated.

(ii) Interest Rate Risk

The Group is exposed to interest rate risk arising from the borrowings with both fixed and floating interest rates.

Most of the interest-bearing liabilities consist of bonds and borrowings at fixed interest rates. For floating-rate borrowings, the Group has entered into interest rate swap contracts to hedge exposures to achieve an effect of fixed-rate borrowings.

a) Interest rate sensitivity analysis

Regarding long-term floating-rate borrowings that are exposed to interest rate risk, the risk is mitigated by fixed cash flows using interest rate swap contracts. As the Group's exposure to interest rate risks is limited, the impact from changes in interest rates is immaterial.

b) Derivatives

Details of currency derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

Millions of yen

	2015			2016			2017		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Interest rate and currency swap contracts:									
Received in floating rate and paid in fixed rate	—	—	—	—	—	—	**22,952**	**22,952**	**2,045**
Total	—	—	—	—	—	—	**22,952**	**22,952**	**2,045**

Derivative transactions accounted for using hedge accounting

Millions of yen

	2015			2016			2017		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Interest rate swap contracts:									
Received in floating rate and paid in fixed rate	8,700	7,000	(159)	7,000	5,300	(254)	**5,300**	**5,300**	**(196)**
Total	8,700	7,000	(159)	7,000	5,300	(254)	**5,300**	**5,300**	**(196)**

(iii) Other Price Risks

Investments in securities are exposed to share price risk. The Group regularly obtains information on current market prices or the financial condition of the issuer (counterparty) and reviews the status of the securities held by the Group on an ongoing basis taking into consideration the relationship with the counterparty.

The following sensitivity analysis is performed based on the exposure to share price risk at the end of the reporting periods.

For the years ended March 31, 2016 and 2017, assuming a 5% change in the stock price, other comprehensive income before deferred tax adjustments would fluctuate ¥2,907 million and ¥3,467 million, respectively, as a result of fluctuations in the fair value of equity instruments designated as those measured at fair value through other comprehensive income.

(5) Credit Risk Management

The Group is exposed to credit risk (i.e., a risk that counterparty will default on its contractual obligations of a financial asset held by the Group resulting in a financial loss to the Group) arising from trade and other receivables including notes receivables, accounts receivables, and other receivables.

Trade receivables, including notes and accounts receivable, are exposed to customers' credit risk. With respect to this risk, the Group manages due dates and account balance by each customer in accordance with the Group's policies concerning settlement conditions, and it also obtains the information about doubtful accounts that are mainly caused by deterioration in the financial conditions of customers at an early stage so as to mitigate credit risk. In addition, the Group also mitigates credit risk by accepting advances and utilizing transaction credit insurance according to the nature of transaction contents and trade size. Credit risk is not concentrated on certain specific customers.

Other receivables are also exposed to the credit risk of counterparties, but they are generally settled in a short period of time.

Derivatives are exposed to credit risk arising from default by counterparties. With respect to the execution and management of derivatives transactions, the Group operates the transactions according to internal policies for trade authorization, and enters into derivatives transactions only with highly rated financial institutions to mitigate credit risk.

The carrying amount of the financial assets after deducting impairment losses as presented in the consolidated financial statements represents the Group's maximum exposure to credit risk without considering the valuation of the related collateral obtained.

(i) Credit Risk Exposure with Respect to Trade and Other Receivables

The Group's credit risk exposure with respect to trade and other receivables is as follows:

Regarding trade and other receivables, allowance for doubtful accounts is recognized and measured based on future expected credit losses taking into account the recoverability and a significant increase in credit risk. The Group assesses and determines whether credit risk has significantly increased based on changes in the debtor's default risk, which is based on the debtor's financial condition and historical records of actual credit loss and past due. Allowance for doubtful accounts associated with trade receivables is always measured at lifetime expected credit losses. Further, lifetime expected credit losses may be estimated individually or collectively according to the nature of the transaction and its size. Although lifetime expected credit losses are measured collectively, if one or more of the following events adversely affects the estimated future cash flows of trade receivables, an expected credit loss of the trade receivables is measured individually as an impairment of credit of trade receivables:

- Significant financial difficulties of debtors
- Contractual breach including default or delinquencies
- The increase in the possibility of bankruptcy or other financial restructuring of debtors

Trade and other receivables

Millions of yen

Carrying amount	Financial assets of which expected credit losses are always measured at its expected lifetime as allowance for doubtful accounts	Credit-impaired financial assets	Total
As of April 1, 2015	127,301	3,239	130,540
As of March 31, 2016	102,442	2,007	104,449
As of March 31, 2017	**91,595**	**2,000**	**93,595**

Other receivables are financial assets of which allowance for doubtful accounts are measured based on 12-months expected credit losses. The allowance for doubtful accounts of other receivables as of April 1, 2015, March 31, 2016 and 2017 were ¥2,518 million, ¥2,595 million and ¥4,921 million, respectively.

Other financial assets

Millions of yen

Carrying amount	Financial assets of which 12-month expected credit losses are measured as allowance for doubtful accounts	Financial assets of which expected credit losses are measured at their expected lifetime as allowance for doubtful accounts		Total
		Financial assets whose credit risk increased significantly since initial recognition	Credit-impaired financial assets	
As of April 1, 2015	131	276	—	407
As of March 31, 2016	93	11	—	104
As of March 31, 2017	**282**	**10**	**—**	**291**

(ii) Analysis of Allowance for Doubtful Accounts

The Group accounts for the impairment of financial assets through allowance for doubtful accounts rather than writing off the carrying amount of the assets. Changes in the allowance for doubtful accounts are as follows:

Trade and other receivables

Millions of yen

Allowance for doubtful accounts	Financial assets of which expected credit losses are always measured at their expected lifetime as allowance for doubtful accounts	Credit-impaired financial assets	Total
As of April 1, 2015	397	3,300	3,697
Increase during the period	38	90	128
Decrease during the period due to settlement for intended purposes	(39)	(944)	(983)
Decrease during the period due to reversal	(254)	(274)	(528)
Impact from business combinations	341	6	347
Exchange differences on translation of foreign operations	(54)	(164)	(218)
As of March 31, 2016	429	2,014	2,443
Increase during the period	**—**	**308**	**308**
Decrease during the period due to settlement for intended purposes	**(10)**	**(82)**	**(92)**
Decrease during the period due to reversal	**(103)**	**(312)**	**(415)**
Exchange differences on translation of foreign operations	**34**	**16**	**50**
As of March 31, 2017	**350**	**1,945**	**2,295**

There were no allowance or doubtful accounts of other receivables as of April 1, 2015, March 31, 2016 and 2017, respectively.

Other financial assets

Millions of yen

Allowance for doubtful accounts	Financial assets of which 12-month expected credit losses are measured as allowance for doubtful accounts	Financial assets of which expected credit losses are measured at their expected lifetime as allowance for doubtful accounts		Total
		Financial assets whose credit risk increased significantly since initial recognition	Credit-impaired financial assets	
As of April 1, 2015	—	276	—	276
Increase during the period	—	16	—	16
Decrease during the period due to settlement for intended purposes	—	(260)	—	(260)
Decrease during the period due to reversal	—	(16)	—	(16)
Impact from business combinations	—	—	—	—
Exchange differences on translation of foreign operations	—	(6)	—	(6)
As of March 31, 2016	—	11	—	11
Increase during the period	**—**	**—**	**—**	**—**
Decrease during the period due to settlement for intended purposes	**—**	**(0)**	**—**	**(0)**
Decrease during the period due to reversal	**—**	**(1)**	**—**	**(1)**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**
As of March 31, 2017	**—**	**10**	**—**	**10**

(6) Liquidity Risk Management

Trade and other payables, borrowings, and other financial liabilities are exposed to liquidity risk that cannot be paid for on due dates.

The Group manages its liquidity risk by monitoring the liquidity on hand and by maintaining and ensuring appropriate cash reserves according to conditions using a medium- and long-term cash management system, which is updated on a regular basis.

In addition, the Group has established a global cash management system to work on reducing liquidity risk by centralizing its group wide cash management of cash reserves held by the domestic and overseas subsidiaries.

Liquidity and interest risk table

The following table details the Group's remaining contractual maturity for its financial liabilities and repayment periods.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

Millions of yen

	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but within 5 years	After 5 years
As of April 1, 2015					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	49,600	52,240	15,425	6,151	30,665
Bonds (including current portion)	49,836	52,547	560	21,399	30,588
Short-term borrowings	13,600	13,653	13,653	—	—
Lease obligations	2,297	2,321	1,017	1,237	67
Trade and other payables	125,719	125,719	125,719	—	—
Derivative financial liabilities					
Derivative liabilities	5,624	5,624	3,634	1,854	135
As of March 31, 2016					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	47,100	49,568	3,199	4,373	41,996
Bonds (including current portion)	49,869	51,987	10,432	21,237	20,318
Short-term borrowings	13,600	13,646	13,646	—	—
Lease obligations	2,072	2,090	777	1,116	197
Trade and other payables	124,131	124,131	124,131	—	—
Derivative financial liabilities					
Derivative liabilities	2,301	2,301	1,705	346	251
As of March 31, 2017					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	**84,573**	**88,866**	**753**	**16,178**	**71,934**
Bonds (including current portion)	**39,897**	**41,555**	**10,377**	**21,009**	**10,169**
Short-term borrowings	**13,607**	**13,644**	**13,644**	**—**	**—**
Lease obligations	**3,417**	**3,448**	**870**	**2,418**	**159**
Trade and other payables	**112,870**	**112,870**	**112,870**	**—**	**—**
Derivative financial liabilities					
Derivative liabilities	**1,224**	**1,224**	**1,028**	**68**	**127**

Amounts of gross commitment lines of credit and balances of used borrowings as of April 1, 2015, March 31, 2016 and 2017 are as follows:

Millions of yen

	2015	2016	2017
Gross commitment lines of credit	253,000	203,000	**203,000**
Balances of used borrowing	—	—	**—**
Unused balances	253,000	203,000	**203,000**

(7) Fair Value Measurement of Financial Instruments

1) Financial Instruments Measured at Fair Value

The fair value measurement in respect of major financial instruments measured at fair value is as follows:

(i) Derivatives

Certain derivative assets and liabilities with respect to foreign exchange forward contracts, interest rate swaps, currency swaps, and currency options measured at fair value using appropriate valuation techniques with reference to market prices provided by brokers and to other available information are categorized as Level 2.

(ii) Shares

Shares with active markets are measured at fair value using quoted market prices in the stock exchange and are categorized as Level 1. Regarding the shares that do not have active markets, fair values are measured using the market approach or the income approach that is determined by discounted future cash flows using other unobservable inputs. These items are categorized as Level 3.

(iii) Others

Other instruments without active markets are categorized as Level 2 if the fair value is estimated using observable inputs. Assets are categorized as Level 3 if the fair value is estimated using the market approach or the income approach that is determined by discounted future cash flows using unobservable inputs.

Fair value hierarchies of financial instruments measured at fair value are as follows:

Millions of yen

As of April 1, 2015	Level 1	Level 2	Level 3	Total
Derivatives	—	1,463	—	1,463
Shares	68,445	—	1,235	69,680
Others	—	703	4,440	5,143
Total assets	68,445	2,166	5,675	76,286
Derivatives	—	5,624	—	5,624
Total liabilities	—	5,624	—	5,624

Millions of yen

As of March 31, 2016	Level 1	Level 2	Level 3	Total
Derivatives	—	2,133	—	2,133
Shares	58,134	—	1,855	59,989
Others	—	626	6,418	7,044
Total assets	58,134	2,759	8,273	69,166
Derivatives	—	2,301	—	2,301
Total liabilities	—	2,301	—	2,301

Millions of yen

As of March 31, 2017	Level 1	Level 2	Level 3	Total
Derivatives	**—**	**2,467**	**—**	**2,467**
Shares	**69,330**	**—**	**3,117**	**72,447**
Others	**—**	**657**	**6,189**	**6,846**
Total assets	**69,330**	**3,123**	**9,306**	**81,759**
Derivatives	**—**	**1,224**	**—**	**1,224**
Total liabilities	**—**	**1,224**	**—**	**1,224**

The movements of financial instruments during the years ended March 31, 2016 and March 31, 2017 measured at fair value on a recurring basis using Level 3 inputs were as follows:

Millions of yen

	2016	2017
Opening balance	5,675	**8,273**
Total gain or loss		
In profit or loss (Note 1)	(434)	**20**
In other comprehensive income (Note 2)	(121)	**(2,037)**
Purchases	4,103	**5,336**
Disposals or Settlements	(68)	**(144)**
Effects of exchange rate fluctuations	(283)	**(120)**
Transfer out of Level 3 to other categories (Note 3)	(600)	**(2,022)**
Closing balance	8,273	**9,306**

Notes: 1. Gain or loss recognized in profit or loss is generated from the financial assets measured at fair value through profit or loss as of the closing date, which were recognized in “Finance income” and “Finance costs.”
2. Gain or loss recognized in other comprehensive income was generated from the financial assets measured at fair value through other comprehensive income as of the closing date, which were recognized in “Gain (loss) on financial assets measured at fair value through other comprehensive income.”
3. Transfer out of Level 3 to other categories for the year ended March 31, 2016 was due to the initial public offering of the investees, which was transferred to Level 1.
Transfer out of Level 3 to other categories for the year ended March 31, 2017 was due to certain shares acquired additionally and transferred from other financial assets to investments accounted for using the equity method.

2) Financial Assets Measured at Amortized Cost

The fair value measurement in respect of major financial instruments measured at amortized cost is as follows:

Fair value of bonds is calculated based on quoted market prices. Fair value of long-term borrowings is calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus credit spread.

The fair value hierarchy of bonds is Level 1 and the fair value hierarchy of long-term borrowings is Level 3.

Other than bonds and long-term borrowings, the fair value of financial assets and liabilities is measured at amortized cost, which is approximate to their carrying amounts.

The carrying amount and the fair value of those financial instruments are as follows:

Millions of yen

	2015		2016		2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Bonds	49,836	51,540	49,869	51,602	**39,897**	**41,138**
Long-term borrowings	49,600	50,177	47,100	48,054	**84,573**	**84,971**
Total	99,436	101,717	96,969	99,656	**124,470**	**126,109**

Current portion of bonds and borrowings is included.

With respect to bonds and borrowings, please see Note 21. Bonds and Borrowings.

36. Related Party Transactions

(1) Related Party Transactions and Outstanding Balances

For the year ended March 31, 2016

Not applicable.

For the year ended March 31, 2017

Not applicable.

(2) Key Management Personnel Remuneration

Key management personnel remuneration is as follows:

Millions of yen

	2016	2017
Basic remuneration and bonuses	456	**374**
Share-based stock options	109	**117**
Total	565	**491**

37. Subsidiaries and Associates

Regarding the material subsidiaries and associates of the Group as of March 31, 2017, please refer to the Appendix on page 110 and 111.

38. Contingent Liabilities

Guarantee obligations have mainly arisen due to the guarantees for bank borrowings, and the details are as follows:

Millions of yen

	2016	2017
Employees (for their mortgage loans and others)	379	**250**
Total	379	**250**

39. Significant Subsequent Events

The Group has evaluated subsequent events from March 31, 2017 through June 29, 2017. There were no significant subsequent events that would require recognition or disclosure in the consolidated financial statements.

40. First-time Adoption of IFRS

The Group has disclosed its consolidated financial statements in accordance with IFRS from the year ended March 31, 2017. The most recent consolidated financial statements prepared in accordance with Japanese generally accepted accounting principles (hereafter, "Japanese GAAP") are for the year ended March 31, 2016. The date of transition to IFRS is April 1, 2015.

In principle, IFRS 1 requires first-time adopters to apply IFRS retrospectively. However, for some aspects of the requirements, IFRS 1 defines exceptions to and exemptions from retrospective application.

(Exceptions to the retrospective application under IFRS 1)

IFRS 1 prohibits retrospective application of estimates, derecognition of financial assets and financial liabilities, hedge accounting, and non-controlling interests and requires an entity to apply these items prospectively from the transition date.

(Exemptions from the retrospective application under IFRS 1)

The exemptions from the retrospective application that the Group has applied are described as follows.

• Business combinations

The Group has elected not to apply IFRS 3 Business Combinations retrospectively in regard to business combinations that occurred prior to the transition date. Goodwill that arose from the business combinations prior to the transition date was reported at carrying amount under Japanese GAAP less impairment losses recognized as a result of the impairment test as of the transition date in accordance with IAS 36.

• Exchange differences on translation of foreign operations

The Group has transferred all cumulative exchange differences on translation of foreign operations to retained earnings as of the transition date.

The statements of reconciliation are disclosed as follows, as required at the first- time adoption of IFRS.

The "Reclassifications" column in each reconciliation statement represents the items that do not affect retained earnings and comprehensive income. The "Differences in recognition and measurement" column in each reconciliation statement represents the items that affect retained earnings or comprehensive income.

(1) Reconciliation of Equity

Reconciliation of Equity as of April 1, 2015 (At the Transition Date to IFRS)

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
ASSETS						ASSETS
Current assets						Current assets
Cash and cash equivalents	262,501	(2,876)	—	259,625		Cash and cash equivalents
Notes and accounts receivable—trade	129,931	(1,790)	1,221	129,361	(A)	Trade and other receivables
Inventories	257,481	—	14,789	272,270	(A)	Inventories
Deferred tax assets	42,152	(42,152)	—	—		
Allowance for doubtful accounts	(4,160)	4,160	—	—		
	—	4,460	(20)	4,439		Other current financial assets
Others	17,775	(3,952)	7	13,830		Other current assets
	705,680	(42,152)	15,996	679,525		Subtotal
	—	266	—	266		Non-current assets held for sale
Total current assets	705,680	(41,885)	15,996	679,791		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	148,085	(266)	(750)	147,070		Property, plant and equipment
Intangible assets	28,371	—	3,268	31,639	(B), (C)	Goodwill and intangible assets
Net defined benefit assets	9,659	—	(3,838)	5,821	(G)	Net defined benefit assets
Investment securities	80,860	(80,860)	—	—		
	—	10,083	113	10,196		Investments accounted for using the equity method
	—	79,727	(314)	79,413		Other non-current financial assets
Deferred tax assets	10,153	42,152	1,691	53,996	(E)	Deferred tax assets
Allowance for doubtful accounts	(286)	286	—	—		
Others	10,587	(9,237)	144	1,495		Other non-current assets
Total non-current assets	287,429	41,885	314	329,628		Total non-current assets
Total assets	993,109	—	16,311	1,009,420		Total assets

Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
	Millions of yen					
LIABILITIES						LIABILITIES
Current liabilities						Current liabilities
Notes and accounts payable—trade	113,724	11,995	—	125,719		Trade and other payables
Short-term loans payable	28,600	—	—	28,600		Bonds and borrowings
Lease obligations	1,012	(1,012)	—	—		
Accrued expenses	56,948	(56,948)	—	—		
Income taxes payable	5,038	—	379	5,417		Income tax payable
Advances received	76,950	—	22,695	99,644	(A)	Advances received
Provision for product warranties	9,166	433	(406)	9,193		Provisions
	—	40,231	189	40,420		Other current financial liabilities
Other	24,781	4,760	8,653	38,195	(F)	Other current liabilities
Total current liabilities	316,219	(542)	31,511	347,188		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	50,000	34,600	(164)	84,436		Bonds and borrowings
Long-term loans payable	34,600	(34,600)	—	—		
Net defined benefit liabilities	8,477	—	(39)	8,438		Net defined benefit liabilities
Asset retirement obligations	3,624	—	—	3,624		Provisions
Deferred tax liabilities	11,472	542	(11,651)	364	(E)	Deferred tax liabilities
Lease obligations	1,286	(1,286)	—	—		
	—	3,276	—	3,276		Other non-current financial liabilities
Other	4,020	(1,990)	533	2,564	(F)	Other non-current liabilities
Total non-current liabilities	113,479	542	(11,321)	102,701		Total non-current liabilities
Total liabilities	429,698	—	20,190	449,889		Total liabilities
NET ASSETS						EQUITY
Capital stock	65,476	—	—	65,476		Capital stock
Capital surplus	80,712	1,133	(863)	80,981		Capital surplus
Treasury stock	(12,413)	—	—	(12,413)		Treasury stock
Accumulated other comprehensive income	58,271	—	(47,214)	11,057	(D), (G), (H)	Other components of equity
Subscription rights to shares	1,133	(1,133)	—	—		
Retained earnings	369,725	—	44,202	413,928	(I)	Retained earnings
	562,904	—	(3,874)	559,029		Equity attributable to owners of the parent
Non-controlling interests	507	—	(5)	502		Non-controlling interests
Total net assets	563,411	—	(3,880)	559,531		Total equity
Total liabilities and net assets	993,109	—	16,311	1,009,420		Total liabilities and equity

Reconciliation of Equity as of March 31, 2016 (the End of the Previous Year)

Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
	Millions of yen					
ASSETS						ASSETS
Current assets						Current assets
Cash and cash equivalents	256,596	(5,386)	—	251,210		Cash and cash equivalents
Notes and accounts receivable—trade	98,417	5,847	336	104,601	(A)	Trade and other receivables
Inventories	263,418	—	302	263,720	(A)	Inventories
Deferred tax assets	42,805	(42,805)	—	—		
Allowance for doubtful accounts	(2,434)	2,434	—	—		
	—	7,992	(19)	7,973		Other current financial assets
Others	23,596	(10,925)	116	12,786		Other current assets
Total current assets	682,398	(42,843)	735	640,291		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	127,660	—	(257)	127,403		Property, plant and equipment
Intangible assets	63,902	—	6,719	70,621	(B), (C)	Goodwill and intangible assets
Net defined benefit assets	1,700	—	(538)	1,162	(G)	Net defined benefit assets
Investment securities	73,971	(73,971)	—	—		
	—	10,400	246	10,645		Investments accounted for using the equity method
	—	72,079	(956)	71,123		Other non-current financial assets
Deferred tax assets	7,591	42,805	9,902	60,298	(E)	Deferred tax assets
Allowance for doubtful accounts	(44)	44	—	—		
Others	9,401	(8,513)	135	1,022		Other non-current assets
Total non-current assets	284,180	42,843	15,251	342,274		Total non-current assets
Total assets	966,578	—	15,986	982,564		Total assets

Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
	Millions of yen					
LIABILITIES						LIABILITIES
Current liabilities						Current liabilities
Notes and accounts payable	117,399	6,731	—	124,131		Trade and other payables
Short-term loans payable—trade	16,500	10,000	(2)	26,498		Bonds and borrowings
Current portion of bonds	10,000	(10,000)	—	—		
Lease obligations	771	(771)	—	—		
Accrued expenses	52,057	(52,057)	—	—		
Income taxes payable	4,012	—	260	4,272		Income tax payable
Advances received	102,998	—	1,550	104,548	(A)	Advances received
Provision for product warranties	7,066	903	1	7,970		Provisions
	—	32,982	110	33,092		Other current financial liabilities
Other	17,101	11,904	8,217	37,222	(F)	Other current liabilities
Total current liabilities	327,904	(308)	10,137	337,732		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	40,000	44,200	(129)	84,071		Bonds and borrowings
Long-term loans payable	44,200	(44,200)	—	—		
Net defined benefit liabilities	8,902	—	(13)	8,889		Net defined benefit liabilities
Asset retirement obligations	3,658	—	444	4,102		Provisions
Deferred tax liabilities	8,952	257	(3,727)	5,482	(E)	Deferred tax liabilities
Lease obligations	1,301	(1,301)	—	—		
	—	2,465	—	2,465		Other non-current financial liabilities
Others	3,382	(1,113)	477	2,745	(F)	Other non-current liabilities
Total non-current liabilities	110,394	308	(2,948)	107,754		Total non-current liabilities
Total liabilities	438,298	—	7,189	445,487		Total liabilities
NET ASSETS						EQUITY
Capital stock	65,476	—	—	65,476		Capital stock
Capital surplus	80,624	1,339	(729)	81,234		Capital surplus
Treasury stock	(13,255)	—	—	(13,255)		Treasury stock
Accumulated other comprehensive income	17,563	—	(43,085)	(25,522)	(D), (G), (H)	Other components of equity
Subscription rights to shares	1,339	(1,339)	—	—		
Retained earnings	376,002	—	52,620	428,622	(I)	Retained earnings
	527,750	—	8,805	536,555		Equity attributable to owners of the parent
Non-controlling interests	530	—	(8)	523		Non-controlling interests
Total net assets	528,280	—	8,798	537,078		Total equity
Total liabilities and net assets	966,578	—	15,986	982,564		Total liabilities and equity

Reconciliation of Equity as of April 1, 2015 (the Transition Date) and March 31, 2016 (the End of the Previous Year)

(Notes to Reconciliations of Equity)

The major reconciliations between Japanese GAAP and IFRS as presented in the statements of reconciliation of equity are described as follows:

(A) Revenue Recognition

Under Japanese GAAP, the Group has recognized revenue from sales of products that require installation upon completion of inspection by the customer. Under IFRS, however, revenue is recognized upon the completion of installation. As a result, under IFRS, “Trade and other receivables” as of April 1, 2015 and March 31, 2016 increased ¥626 million and ¥9 million, respectively; “Inventories” as of April 1, 2015 and March 31, 2016 increased ¥14,829 million and ¥645 million, respectively; and “Advances received” as of April 1, 2015 and March 31, 2016 increased ¥22,298 million and ¥1,004 million, respectively, compared with those accounted for under Japanese GAAP.

(B) Intangible Assets

Under Japanese GAAP, the Group has expensed research and development costs as incurred. Under IFRS, however, certain development costs that satisfy the capitalization requirements of development costs are capitalized. As a result, under IFRS, “Goodwill and intangible assets” as of April 1, 2015 and March 31, 2016 increased ¥3,257 million and ¥4,351 million, respectively, compared with those accounted for under Japanese GAAP.

(C) Goodwill

Under Japanese GAAP, the Group has amortized goodwill over the estimated useful life. Under IFRS, however, goodwill is not amortized and no amortization has been recognized since the date of transition to IFRS. Amortization of goodwill under Japanese GAAP after the transition date is adjusted in retained earnings. As a result, under IFRS, “Goodwill and intangible assets” as of March 31, 2016 increased ¥2,353 million, compared with those accounted for under Japanese GAAP.

(D) Equity Instruments

Under Japanese GAAP, the Group has recognized gains or losses on sales of equity instruments and impairment losses in profit or loss. Under IFRS, however, certain equity instruments have been designated to be classified as financial instruments measured at fair value through other comprehensive income, of which the changes in fair value are recognized in other comprehensive income and transferred to retained earnings at the derecognition of such equity instruments. As a result, under IFRS, “Other components of equity” as of April 1, 2015 and March 31, 2016 decreased ¥9,953 million and ¥9,436 million, respectively, compared with those accounted for under Japanese GAAP.

(E) Deferred Taxes

Under Japanese GAAP, deferred tax for the elimination of unrealized profit is measured using the effective tax rate of the seller. Under IFRS, however, it is required to use the buyer’s effective tax rate for deferred tax calculation.

Under IFRS, the Group recognizes deferred tax assets to the extent that it is probable that taxable profit of the Group will be available against which the temporary difference can be utilized.

(F) Paid Leave

Under IFRS, the Group recognizes a liability for unused paid leave, whereas there is no specific requirement for the accounting treatment under Japanese GAAP. As a result, under IFRS, “Other current liabilities” as of April 1, 2015 and March 31, 2016, increased ¥7,879 million and ¥7,891 million, respectively; and “Other non-current liabilities” as of April 1, 2015 and March 31, 2016 increased ¥557 million and ¥532 million, respectively, compared with those accounted for under Japanese GAAP.

(G) Adjustments on Defined Benefit Plans

Under IFRS, when there is a surplus in a defined benefit plan, the net defined benefit asset is measured at the lower of the surplus in the defined benefit plan and the asset ceiling, and the adjustment for the asset ceiling is recognized in other comprehensive income. On the other hand, there is no specific requirement for the accounting treatment under Japanese GAAP. As a result, under IFRS, “Net defined benefit assets” as of April 1, 2015 and March 31, 2016 decreased ¥3,799 million and ¥524 million, respectively, compared with those accounted for under Japanese GAAP.

(H) Exchange Differences on Translation of Foreign Operations

The Group has applied the exemption defined in IFRS 1, whereby all the cumulative exchange differences as of the transition date have been transferred from accumulated other comprehensive income to retained earnings. As a result, under IFRS, “Retained earnings” as of April 1, 2015 and March 31, 2016 increased ¥40,347 million, compared with those accounted for under Japanese GAAP.

(I) Retained Earnings

The adjustments on retained earnings due to the transition to IFRS are as follows:

Millions of yen

Adjustments	2015	2016
Revenue recognition	(4,748)	(515)
Intangible assets	3,273	4,246
Goodwill	—	2,464
Equity instruments	8,887	9,869
Deferred taxes	6,660	9,933
Paid leave	(5,170)	(5,283)
Adjustments on defined benefit plans	(4,371)	(6,996)
Exchange difference on translation of foreign operations	40,347	40,347
Others	(675)	(1,444)
Total adjustments on retained earnings	44,202	52,620

(Reclassifications)

The major reclassifications made for the transition to IFRS are as follows:

- Time deposits beyond three months of maturities at acquisition are reclassified to “Other current financial-assets” under current assets.
- Deferred tax assets and deferred tax liabilities that were presented as current items under Japanese GAAP have been reclassified to non-current items under IFRS.
- “Investments accounted for using the equity method” are disclosed separately.

(2) Reconciliation of Profit or Loss and Comprehensive Income

Reconciliation of Profit or Loss and Comprehensive Income for the Year Ended March 31, 2016

	Millions of yen					
Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in Recognition and Measurement	IFRS	Notes	Presentation under IFRS
Net sales	819,388	—	21,652	841,040	(A)	Revenue
Cost of sales	(506,773)	—	(15,459)	(522,232)	(A), (F), (G)	Cost of sales
Gross profit	312,616	—	6,192	381,808		Gross profit
Selling, general and administrative expenses	(280,917)	—	3,929	(276,988)	(B), (C), (F), (G)	Selling, general and administrative expenses
	—	8,749	(64)	8,685		Other income
	—	(15,481)	242	(15,239)		Other expenses
Operating income	31,699	(6,732)	10,300	35,266		Operating profit
Non-operating income	10,630	(10,630)	—	—		
	—	6,172	1,261	7,432	(D)	Finance income
Non-operating expenses	(4,461)	4,461	—	—		
	—	(4,009)	(183)	(4,192)		Finance costs
	—	1,449	(409)	1,040		Share of the profit of investments accounted for using the equity method
Extraordinary income	3,746	(3,746)	—	—		
Extraordinary loss	(13,035)	13,035	—	—		
Income before income taxes	28,579	—	10,968	39,546		Profit before income tax expenses
Total income taxes	(10,225)	—	723	(9,502)	(E)	Income tax expenses
Net income	18,354	—	11,690	30,044		Profit for the year
						Attributable to:
Net income attributable to owners of parent	18,254	—	11,693	29,947		Owners of the parent
Net income attributable to non-controlling interests	99	—	(2)	97		Non-controlling interests

Presentation under Japanese GAAP	Japanese GAAP	Reclassifications	Differences in Recognition and Measurement	IFRS	Notes	Presentation under IFRS
	Millions of yen					
Net income	18,354	—	11,690	30,044		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified subsequently to profit or loss
Valuation difference on available-for-sale securities	(9,039)	—	616	(8,424)	(D)	Gain (loss) on financial assets measured at fair value through other comprehensive income
Remeasurement of defined benefit plans	(4,884)	—	1,412	(3,472)	(G)	Remeasurement of defined benefit pension plans
	—	18	—	18		Share of other comprehensive income of investments accounted for using the equity method
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustment	(28,020)	—	163	(27,856)	(H)	Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	1,166	—	(1,201)	(35)		Effective portion of the change in fair value on cash flow hedge
Share of other comprehensive income of entities accounted for using equity method	18	(18)	(216)	(216)		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(40,760)	—	773	(39,987)		Other comprehensive income, net of taxes
Comprehensive income	(22,406)	—	12,464	(9,943)		Total comprehensive income for the year
(Breakdown)						Attributable to:
Comprehensive income attributable to owners of parent	(22,453)	—	12,466	(9,987)		Owners of the parent
Comprehensive income attributable to non-controlling interests	47	—	(2)	45		Non-controlling interests

Reconciliations of Profit or Loss and Comprehensive Income for the Year Ended March 31, 2016

(Notes to Reconciliations of Profit or Loss and Comprehensive Income)

The major reconciliations between Japanese GAAP and IFRS as presented in the statements of reconciliation of profit or loss and comprehensive income are described as follows.

(A) Revenue Recognition

Under Japanese GAAP, the Group has recognized revenue from sales of products that require installation upon completion of inspection by the customer. Under IFRS, however, revenue is recognized upon the completion of installation. As a result, under IFRS, “Revenue” and “Cost of sales” stated in the consolidated statement of profit or loss for the year ended March 31, 2016 increased ¥21,648 million and ¥15,469 million, respectively, compared with those accounted for under Japanese GAAP.

(B) Intangible Assets

Under Japanese GAAP, the Group has expensed research and development costs as incurred. Under IFRS, however, certain development costs that satisfy the capitalization requirements of development costs are capitalized and amortized over the estimated useful life. As a result, under IFRS, “Selling, general and administrative expenses” stated in the consolidate statement of profit or loss for the year ended March 31, 2016 decreased ¥1,228 million, compared with those accounted for under Japanese GAAP.

(C) Goodwill

Under Japanese GAAP, the Group has amortized goodwill over the estimated useful life. Under IFRS, however, goodwill is not amortized and no amortization has been recognized since the date of transition to IFRS. As a result, under IFRS, “Selling, general and administrative expenses” stated in the consolidated statement of profit or loss for the year ended March 31, 2016 decreased ¥2,464 million, compared with those accounted for under Japanese GAAP.

(D) Equity Instruments

Under Japanese GAAP, the Group has recognized gains or losses on sales of equity instruments and impairment losses in profit or loss. Under IFRS, however, certain equity instruments have been designated to be classified as financial instruments measured at fair value through other comprehensive income, of which the changes in fair value are recognized in other comprehensive income and transferred to retained earnings at the derecognition of such equity instruments.

(E) Deferred Taxes

Under Japanese GAAP, deferred tax for the elimination of unrealized profit is measured using the effective tax rate of the seller. Under IFRS, however, it is required to use the buyer’s effective tax rate for deferred tax calculation.

In addition, under IFRS, the Group recognizes deferred tax assets to the extent that it is probable that the taxable profit of the Group will be available against which deductible temporary differences can be utilized.

(F) Paid Leave

Under IFRS, the Group recognizes a liability for unused paid leave, whereas there is no specific requirement for the accounting treatment under Japanese GAAP.

(G) Adjustments on Defined Benefit Plans

Under Japanese GAAP, the Group has recognized the actuarial gain and loss in other comprehensive income as incurred, and subsequently amortized them through profit or loss over a certain period within the average remaining service period of employees. Under IFRS, however, the actuarial gains and losses are recognized in other comprehensive income as incurred and immediately transferred to retained earnings. As a result, under IFRS, “Cost of sales” and “Selling, general and administrative expenses” stated in the consolidated statement of profit or loss for the year ended March 31, 2016, decreased ¥120 million and ¥857 million, respectively, compared with those accounted for under Japanese GAAP.

In addition, under IFRS, when there is a surplus in a defined benefit plan, the net defined benefit asset is measured at the lower of the surplus in the defined benefit plan and the asset ceiling, and the adjustment for the asset ceiling is recognized in other comprehensive income. On the other hand, there is no specific requirement for the accounting treatment under Japanese GAAP.

(Reclassifications)

The major reclassifications made for the transition to IFRS are as follows:

For the items presented under Japanese GAAP as “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary expenses,” under IFRS, those related to the finance and foreign exchange gain or loss are presented as “Finance income” or “Finance costs,” and the items other than the above are presented as “Other income,” “Other expenses,” and “Share of the profit of investments accounted for using the equity method.”

(3) Reconciliation of Cash Flows

There were no material differences between the consolidated statement of cash flows prepared under IFRS and that prepared under Japanese GAAP.

Appendix

Information on Subsidiaries and Associates

Company name	Location	Business segment	Voting right ownership (%)
(Consolidated Group companies)			
Tochigi Nikon Corporation	Japan	Other	100.0
Tochigi Nikon Precision Co., Ltd.	Japan	Precision Equipment	100.0
Sendai Nikon Corporation	Japan	Imaging Products	100.0
Miyagi Nikon Precision Co., Ltd.	Japan	Precision Equipment	100.0
Nikon Tec Corporation	Japan	Precision Equipment	100.0
Nikon Imaging Japan Inc.	Japan	Imaging Products	100.0
Nikon Instech Co., Ltd.	Japan	Instruments	100.0
Nikon Vision Co., Ltd.	Japan	Imaging Products	100.0
Nikon Systems Inc.	Japan	Other	100.0
Nikon Business Service Co., Ltd.	Japan	Other	100.0
Hikari Glass Co., Ltd.	Japan	Other	100.0
Nikon Precision Inc.	U.S.A.	Precision Equipment	100.0 (100.0)
Nikon Inc.	U.S.A.	Imaging Products	100.0 (100.0)
Nikon Instruments Inc.	U.S.A.	Instruments	100.0 (100.0)
Nikon Americas Inc.	U.S.A.	Other	100.0
Nikon Canada Inc.	Canada	Imaging Products Instruments	100.0
Nikon Precision Europe GmbH	Germany	Precision Equipment	100.0 (100.0)
Nikon Europe B.V.	The Netherlands	Imaging Products	100.0 (100.0)
Nikon Instruments Europe B.V.	The Netherlands	Instruments	100.0 (100.0)
Nikon U.K. Ltd.	United Kingdom	Imaging Products Instruments	100.0 (100.0)
Nikon France S.A.S.	France	Imaging Products Instruments	100.0 (100.0)
Nikon GmbH	Germany	Imaging Products Instruments	100.0 (100.0)

Company name	Location	Business segment	Voting right ownership (%)
Nikon CEE GmbH	Austria	Imaging Products Instruments	100.0 (100.0)
Nikon Metrology NV	Belgium	Instruments	100.0
Nikon Holdings Europe B.V.	The Netherlands	Other	100.0
Nikon (Russia) LLC.	Russian Federation	Imaging Products	100.0 (100.0)
Optos Plc	United Kingdom	Medical	100.0
Nikon Hong Kong Ltd.	China	Imaging Products	100.0 (100.0)
Nikon Holdings Hong Kong Limited	China	Other	100.0
Nikon Singapore Pte. Ltd.	Singapore	Precision Equipment Imaging Products Instruments	100.0 (1.4)
Nikon Australia Pty Ltd	Australia	Imaging Products	100.0 (100.0)
Nikon India Pvt Ltd.	India	Imaging Products	100.0 (100.0)
Nikon (Thailand) Co., Ltd.	Thailand	Imaging Products	100.0
Nikon Precision Korea Ltd.	South Korea	Precision Equipment	100.0
Nikon Imaging Korea Co.,Ltd.	South Korea	Imaging Products	100.0
Nikon Precision Taiwan Ltd.	R.O.C	Precision Equipment	100.0 (10.0)
Nikon Imaging (China) Co., Ltd.	China	Imaging Products	100.0 (100.0)
Nikon Imaging (China) Sales Co.,Ltd.	China	Imaging Products	100.0 (100.0)
Nikon Lao Co.,Ltd.	Lao P.D.R.	Imaging Products	100.0 (100.0)
Nikon Middle East FZE	UAE	Imaging Products	100.0 (100.0)
Others (42 Companies)			
(Associates accounted for using the equity method)			
Nikon-Essilor Co., Ltd.	Japan	Other	50.0
Nikon-Trimble Co., Ltd.	Japan	Other	50.0
Others (12 Companies)			

Note: The percentages in parentheses under “Voting Right Ownership (%)” indicate the indirect ownership out of total ownership noted above.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIKON CORPORATION:

We have audited the accompanying consolidated statement of financial position of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

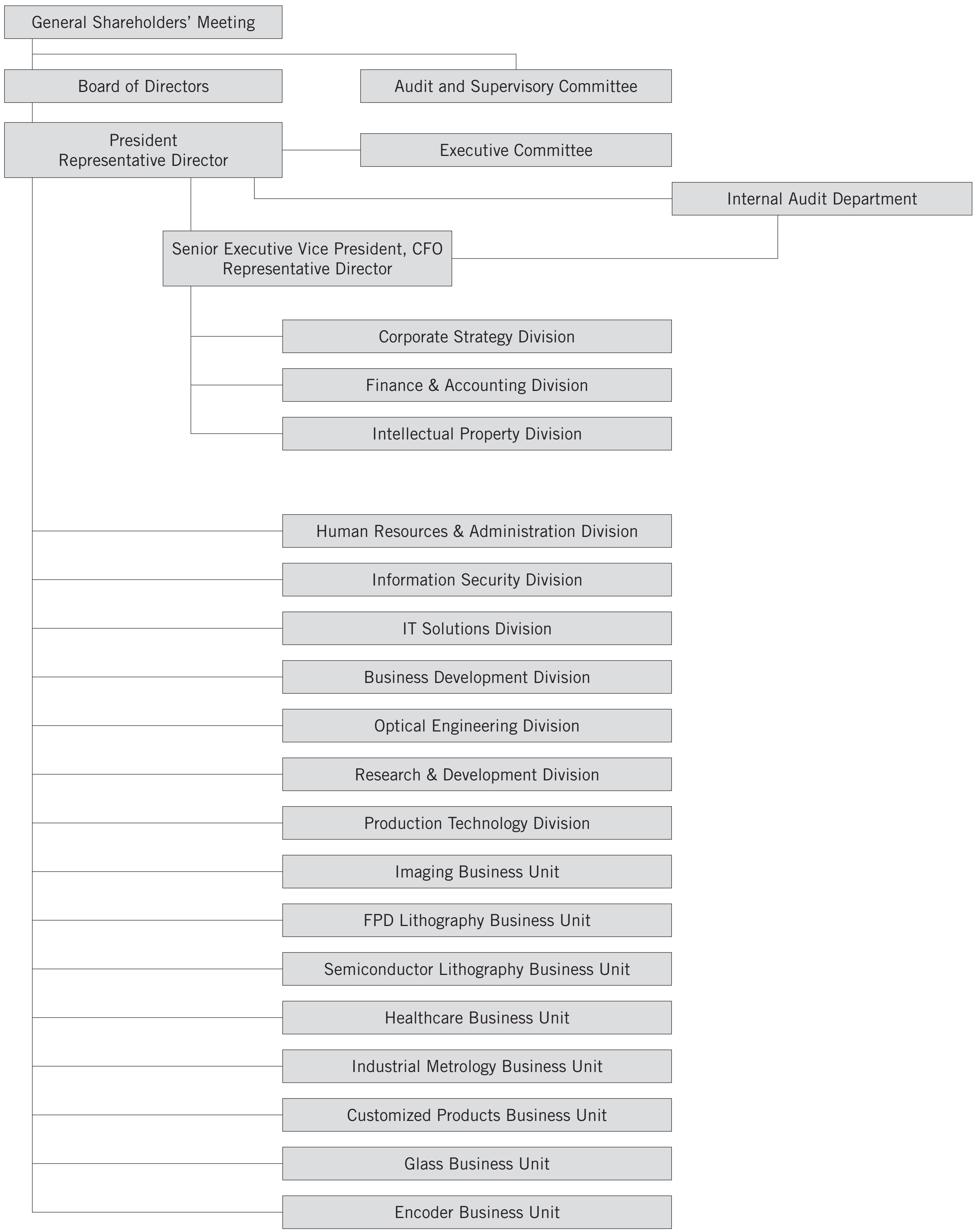
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 29, 2017

Organization of the Nikon Group

(As of June 29, 2017)



Investor Information

(As of March 31, 2017)

Nikon Corporation
Shinagawa Intercity Tower C,
2-15-3, Konan, Minato-ku,
Tokyo 108-6290, Japan

Date of Establishment
July 25, 1917

Number of Employees
25,031 (Consolidated)

Capital
¥65,476 million

Stock Status
Total number of shares authorized to be issued:
1,000,000,000 shares
Number of shares issued:
400,878,921 shares

Number of Shareholders
33,786

Financial Instruments Exchange Listing
Tokyo Stock Exchange
(Ticker Symbol: 7731)

Share Registrar
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

For further information or additional copies of this report, please contact:

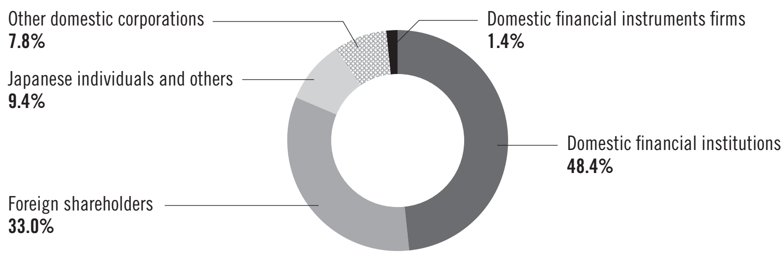
Shinagawa Intercity Tower C, 2-15-3, Konan,
Minato-ku, Tokyo 108-6290, Japan
Tel: +81-3-6433-3600

Website

Please refer to the Nikon website for a variety of additional information, including financial results and presentation materials.

Investor Relations
http://www.nikon.com/about/ir/

Composition of Shareholders

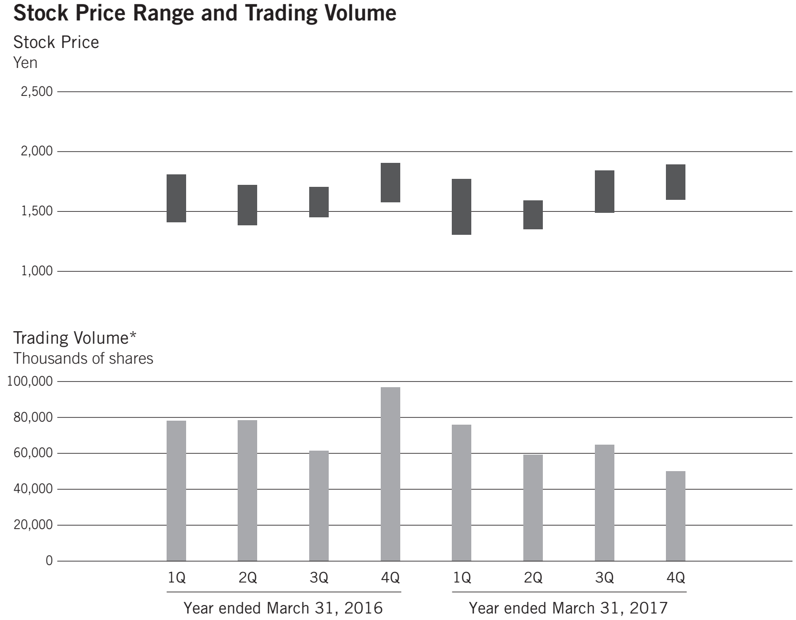


Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,295	8.1
Japan Trustee Services Bank, Ltd. (Trust Account)	24,344	6.1
Meiji Yasuda Life Insurance Company	19,537	4.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,364	2.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.9
The Joyo Bank, Ltd.	6,801	1.7
NIPPON LIFE INSURANCE COMPANY	6,710	1.7
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	6,709	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,402	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,042	1.5

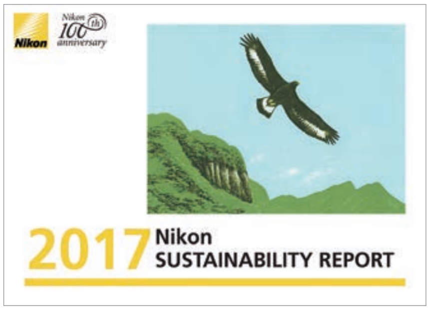
Notes: The ratio of shareholding is calculated by deducting treasury stock of 4,098,754 shares.
Displayed amounts are rounded to the unit indicated.

Stock Price Range and Trading Volume



* Trading volume is the average of monthly performance.

For Additional Sustainability Information

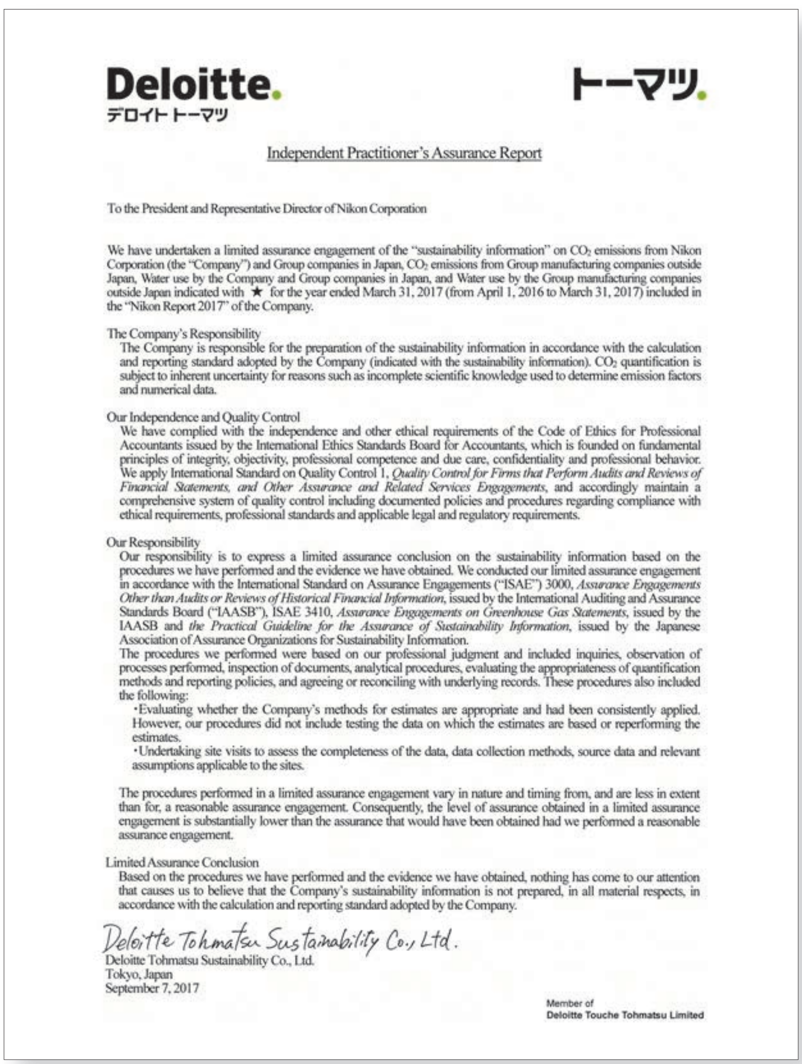


Sustainability Report 2017

Nikon Corporation makes detailed CSR activity reports available on its website and *Sustainability Report 2017*. In conjunction with reading this report, we would be grateful if you would visit the site mentioned below to gain a deeper understanding of the Nikon Group's CSR activities.

Sustainability page of Nikon website:
http://www.nikon.com/about/sustainability/

Independent Practitioner's Assurance of Environmental Performance Data



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Independent Practitioner's Assurance Report

To the President and Representative Director of Nikon Corporation

We have undertaken a limited assurance engagement of the "sustainability information" on CO_2 emissions from Nikon Corporation (the "Company") and Group companies in Japan, CO_2 emissions from Group manufacturing companies outside Japan, Water use by the Company and Group companies in Japan, and Water use by the Group manufacturing companies outside Japan indicated with ★ for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017) included in the "Nikon Report 2017" of the Company.

The Company's Responsibility

The Company is responsible for the preparation of the sustainability information in accordance with the calculation and reporting standard adopted by the Company (indicated with the sustainability information). CO_2 quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emission factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

・Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.

・Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's sustainability information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte Tohmatsu Sustainability Co., Ltd.
Tokyo, Japan
September 7, 2017

Member of
Deloitte Touche Tohmatsu Limited

Subjects of Assurance

- CO_2 emissions from Nikon Corporation and Group companies in Japan
- CO_2 emissions from Group manufacturing companies outside Japan
- Water use by Nikon Corporation and Group companies in Japan
- Water use by Group manufacturing companies outside Japan

Period of Assurance

Fiscal year ended March 31, 2017
(April 1, 2016, to March 31, 2017)

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