(Translation)

Items Disclosed on Internet Concerning Notice of the 154th Annual General Shareholders' Meeting

Notes to Consolidated Financial Statements and

Notes to Non-Consolidated Financial Statements

NIKON CORPORATION

Notes to Consolidated Financial Statements

(Significant Basis for Presenting Consolidated Financial Statements)

1. Standards for Preparing Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (the “Group”) are prepared in accordance with the International Financial Reporting Standards (“IFRS”), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting, from the current fiscal year. In the accompanying consolidated financial statements, certain disclosure items required by IFRS are omitted pursuant to the latter part of the said paragraph.

2. Scope of Consolidation

Number of consolidated subsidiaries	:	81 companies
Principal subsidiaries	:	Tochigi Nikon Corporation, Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation, Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Instech Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V., and others

3. Scope of Equity Method

Number of associated companies accounted for using the equity method	:	16 companies
Company names	:	Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd. and others

4. Matters regarding the Accounting Policies

(1) Valuation basis and method for 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.

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.

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.

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.

a) 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.

b) 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.

c) Derecognition of financial liabilities

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

3) 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 beginning of a hedge transaction, 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 period specified for hedging.

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:

a) 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.

b) 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 nonfinancial 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.

(2) Valuation basis and method for 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.

(3) Valuation basis, method and depreciation method for property, plant and equipment and intangible assets (excluding goodwill)

1) 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.

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.

2) 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.

(i) Intangible assets acquired separately

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

(ii) Intangible assets acquired in a business combination

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

(iii) 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 indefinite 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.

3) Leased assets

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.

a) 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.

b) Operating leases (the Group as lessee)

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

4) Impairment of non-financial assets and investments accounted for using the equity method

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.

In addition, the carrying amount of the entire investments accounted for using the equity method is tested for impairment as a single asset when there is objective evidence 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.

5) 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.

(4) Accounting criteria for significant 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.

(5) Method for accounting of post-employment 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 yearend 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.

(6) 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.

(7) Goodwill

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. 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.

Goodwill is tested for impairment at least annually regardless of whether there is any indication of impairment. 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.

(8) Other significant matters for preparing consolidate financial statements

1) Accounting for consumption taxes and others

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.

2) Application of consolidated declaration system

The consolidated declaration system that the Company and certain overseas consolidated subsidiaries are consolidated taxpayers is applied.

(Notes to Consolidated Statement of Financial Position)

1. Accumulated Depreciation on Assets (including Accumulated Impairment Loss)

Accumulated depreciation of property, plant and equipment	331,492 million yen

2. Contingent Liabilities

(1) Guarantee obligations

Guarantees for bank borrowings, etc., such as employees' mortgage loans	200 million yen

(2) Litigation

The Company and its group companies are exposed throughout their business activities to the possibility of being involved in a contentious case, becoming a defendant in a lawsuit, and being the object of inquiries by government agencies, in Japan and overseas. The Company and its group companies examine the possibility of recognizing a provision for the obligation arising from a contentious case or a lawsuit, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company's subsidiary in India (hereinafter referred as "Subsidiary in India") was inquired by the Indian Tax Authority regarding the import of the Company's digital cameras, and in October 2016, the imposition was confirmed in relation to the customs duty, interest, and penalty concerning those products. In January 2017, the Subsidiary in India appealed to the Customs, Excise and Service Tax Appellate Tribunal; however, the appeal was dismissed in December 2017. To object to this decision, in January 2018, the Subsidiary in India filed an appeal to the Supreme Court of India, which was admitted in March 2018 for the final hearing and decision. As it is currently unable to forecast the final decision, the provision is not recognized in accordance with the aforementioned accounting policy.

In regard to any other cases, no significant impact on the Company's consolidated performance and financial position is expected at this point in time.

3. Allowance for Doubtful Accounts Directly Deducted from Assets

Trade and other receivables	1,504 million yen
Other financial assets	10 million yen

(Notes to Consolidated Statement of Profit or Loss)

1. Selling, General and Administrative Expenses

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

	Amount (Million yen)
Depreciation and amortization	13,402
Research and development expenses	58,655
Employee benefit expenses	58,588
Advertising and sales promotion expenses	42,807
Others	75,231
Total	248,683

2. Impairment Losses

(1) Impairment losses of non-financial assets

For the year ended March 31, 2018, 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 and non-current assets held for sale in which the recoverable amount is lower than the carrying amount mainly located in Japan, China and Europe that did not have an expected specific use in the future.

The impairment losses are included under "Other expenses." Out of the total impairment losses of 1,397 million yen, the impairment loss of 793 million yen for the discontinuation of operations of a subsidiary in China is recognized as restructuring costs. For more information about restructuring costs, please refer to "Notes to Consolidated Statement of Profit or Loss, 3. Restructuring Costs."

	Amount (Million yen)
Property, plant and equipment	1,098
Intangible assets	298
Others	1
Total	1,397

(2) Impairment losses for investments accounted for using the equity method

Impairment loss was recognized for a part of investments in associates by the amount of 1,793 million yen, because the recoverable amount was lower than the carrying amount. The impairment loss is included under "Share of the loss of investments accounted for using the equity method."

3. Restructuring Costs

Since the announcement of restructuring in November 2016, the Group has been carrying out measures to improve its corporate value by optimizing the manufacturing and sales structure, and by improving the efficiency as well as strengthening the headquarter initiatives.

As part of such measures, for the year ended March 31, 2018, the Group has decided the discontinuation of operations of a manufacturing subsidiary in China, and the business transfer of the CMM business (*) from Nikon Metrology NV, a subsidiary located in Belgium (hereinafter referred to as “NMNV”). As a result, the following costs related to restructuring were recorded in “Other expenses.”

Details	Amount (Million yen)
Additional retirement benefits	3,719
Expenses of transferring manufacturing equipment	1,723
Losses from impairment and disposal of non-current assets	1,670
Others	1,620
Total	8,732

(*) CMM Business: Development, manufacture, sales, and service of Coordinate Measuring Machines

(Notes to Consolidated Statement of Changes in Equity)

1. Type and Total Number of Shares Issued and Treasury Shares

(Shares)

	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Shares issued				
Common stock	400,878,921	-	-	400,878,921
Total	400,878,921	-	-	400,878,921
Treasury shares				
Common stock	4,675,654	2,688	22,866	4,655,476
Total	4,675,654	2,688	22,866	4,655,476

(Note) 576,900 shares of the Company held by the Executive Compensation BIP Trust are included in the number of treasury shares at the beginning and end of the consolidated fiscal year.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividend paid (million yen)	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 29, 2017	Common Stock	1,587	4.00	March 31, 2017	June 30, 2017
Meeting of the Board of Directors on November 7, 2017	Common Stock	5,555	14.00	September 30, 2017	December 1, 2017

(Notes) 1. Dividend of 2 million yen on the Company's shares held by the Executive Compensation BIP Trust is included in the total dividend determined by resolution at the Annual General Shareholders' Meeting held on June 29, 2017.

2. Dividend of 8 million yen on the Company's shares held by the Executive Compensation BIP Trust is included in the total dividend determined by resolution at the Board of Directors' meeting held on November 7, 2017.

(2) Dividends of which the record date is attributable to the current fiscal year but to be effective in the following fiscal year

The Company plans to resolve the following dividend at the Annual General Shareholders' Meeting which will be held on June 28, 2018.

Resolution	Type of shares	Total dividend paid (million yen)	Resource of dividends	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 28, 2018	Common stock	8,730	Retained earnings	22.00	March 31, 2018	June 29, 2018

(Note) Dividend of 13 million yen on the Company's shares held by Executive Compensation the BIP Trust is included in the total dividend determined by resolution at the Annual General Shareholders' Meeting held on June 28, 2018.

3. Stock Acquisition Rights and Others

Type and number of shares to be issued upon the exercise of the stock acquisition rights as of the consolidated balance sheet date, excluding stock acquisition rights for which the first day of the exercise period has not yet arrived

Common stock 1,244,900 shares

(Financial Instruments)

1. Matters Related to 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.

(2) 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. To mitigate such various risks, the Group has implemented measures according to the nature and size of the transaction and geographical characteristics.

(3) Market risk management

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

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 management policies for the exposure to foreign currency translation risk, interest rate risk, price risk, derivatives or other financial instruments. Appropriate operation based on the Group’s management policies is being continuously monitored by internal auditors.

(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.

(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.

(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.

(4) 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 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.

(5) 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.

2. Fair Values of Financial Instruments

(1) Method of fair value measurement

The fair value measurement in respect of major financial assets is as follows:

(i) Derivatives

Foreign exchange forward contracts, interest rate swaps, currency swaps, and currency options, which are classified as derivative assets and liabilities, are measured at fair value using appropriate valuation techniques with reference to market prices provided by financial institutions, etc. with which the contract is entered into and to other available information.

(ii) Shares

Shares with active markets are measured at fair value using quoted market prices in the stock exchange. 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.

(iii) Bonds and borrowings

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.

(2) Carrying amounts and fair values

The carrying amount and the fair value of financial assets and liabilities are as follows.

Other than bonds and long-term borrowings, financial assets and liabilities measured at amortized cost whose fair value is equal or approximate to their carrying amount are not included.

(Million yen)

	As of March 31, 2018	
	Carrying amount	Fair value
Financial liabilities		
Bonds	29,921	30,895
Long-term borrowings	83,218	83,927
Total	113,140	114,822

Current portion of bonds and borrowings is included.

(Notes to Per-Share Information)

1. Equity per share attributable to owners of the parent 1,445.92 yen

(Note) On computation of equity per share attributable to owners of the parent, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares as of March 31, 2018) were included in the number of treasury stocks, which was excluded from the number of shares issued as of the term-end.

2. Basic earnings per share 87.76 yen

(Note) On computation of basic earnings per share, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares for the fiscal year ended March 31, 2018) were included in the number of treasury stocks, which was excluded from the calculation of average share outstanding.

(Notes to Significant Subsequent Events)

Not applicable

All amounts have been rounded to the nearest million yen.

Notes to Non-Consolidated Financial Statements

1. Notes to Matters related to Significant Accounting Policies

(1) Valuation basis and method for securities

- Held-to-maturity debt securities	Stated at amortized cost.
- Investments in subsidiaries and associated companies	Stated at cost determined by the moving-average method.
- Available-for-sale securities	Available-for-sale securities with market value are stated at fair value based on quoted market prices at the balance sheet date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of equity, and the cost of the securities sold is calculated by the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. The Company records investments in limited liability investment partnerships and in other similar partnerships (deemed “securities” under the provisions set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.
(2) Valuation basis for derivatives	Stated at fair value.
(3) Valuation basis and method for inventories	Generally, work in process is stated at cost determined by the specific identification method, and other inventories are stated at cost determined by the average method. Inventories with lower profitability are written down.

(4) Depreciation method for non-current assets

- Property, plant and equipment (excluding leased assets)	The straight-line method is applied.
- Intangible assets (excluding leased assets)	The straight-line method is applied.
- Leased assets	Leases that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease terms without residual value.

(5) Accounting for deferred assets	Bond issuance expenses are expensed as paid.

(6) Accounting criteria for allowances

- Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
- Provision for product warranties	The Company mainly provides for the estimated cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period.
- Provision for retirement benefits	The Company accounts for the provision for employees' retirement benefit based on the projected retirement benefits liabilities and pension assets at the balance sheet date. Prior service cost is amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period in which the prior service cost accrues, and actuarial gains and losses are amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period immediately following the period in which the actuarial

	gains and losses arise. When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated retirement benefits in the period up to the end of the current fiscal year. When the amount of projected pension assets falls below the amount of projected retirement benefits liabilities after adjusting for any unrecognized actuarial difference and unrecognized prior service cost difference, the difference is posted as provision for retirement benefits. When it is in excess, the excess amount is posted as prepaid pension cost.
(7) Translation basis of assets and liabilities denominated in foreign currencies into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and the translation adjustment is recognized in the non-consolidated statement of income.
(8) Hedge accounting	
a. Method for hedge accounting	Deferral hedge accounting is applied.
b. Hedging instruments and hedged items	Hedging instruments are foreign exchange forward contracts, currency options, cross currency swaps and interest rate swaps. Hedged items are receivables and payables denominated in foreign currencies, forecasted foreign currency transaction, bonds payable and loans payable.
c. Hedging policy	Foreign exchange risk and interest rate risk of hedged items are hedged within a certain scope in accordance with internal policies that regulate the authorization, transaction limit and others related to derivative transactions.
d. Method for assessment of hedge effectiveness	The Company compares the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the

	corresponding changes in the hedging instruments and evaluates hedging effectiveness based on the changes and others.
(9) Accounting for consumption taxes and others	Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.
(10) Application of consolidated declaration system	The Company applies the consolidated declaration system.

2. Notes to Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Cash and deposits (Note) 496 million yen

(Note) The Company pledges its deposits as collateral for the loans payable of its subsidiaries.

(2) Accumulated depreciation of property, plant and equipment 175,661 million yen

(3) Guarantees of indebtedness

(Million yen)

Guarantee	Guaranteed amount	Content of guarantee of indebtedness
215 employees	199	Mortgage and others
Subsidiaries	1,914	Loans payable and others
Subsidiaries	1,859	Loans receivable from subsidiaries
Total	3,973	

(4) Monetary receivables and payables to affiliated companies

Short-term monetary receivables 48,164 million yen

Long-term monetary receivables 6,368 million yen

Short-term monetary payables 70,042 million yen

(5) Monetary payables to Directors

Long-term monetary payables 37 million yen

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with affiliated companies

Operational transactions

Sales to affiliated companies 309,321 million yen

Purchase from affiliated companies 192,480 million yen

Other transactions 26,224 million yen

(2) Impairment loss

As a result of reviewing current status of utilization and future prospect of non-current assets held by the Company, the carrying amounts of idle assets with no specific use expected were reduced to the recoverable amount, and extraordinary loss was recorded as impairment loss. The main component of the assets was facilities attached to buildings.

(Note) Facilities attached to buildings are included in buildings of the balance sheet.

(3) Loss on valuation of shares of subsidiaries and associates

Under the restructuring plan, the Company is undertaking measures to improve business efficiency. As part of this effort, the Company is strategically reviewing its product portfolio, which includes the decision on the transfer of a certain business in Nikon Metrology NV (hereafter referred to as “NMNV”), its subsidiary located in Belgium. As a result of reviewing NMNV’s future cash flow in the aforementioned process, the fair value of the investment in NMNV has declined, and the loss on valuation of shares of subsidiaries and associates of 10,343 million yen is recorded as an extraordinary loss.

(4) Restructuring expenses

The Company has conducted a fundamental restructuring since the notice of restructuring in November 2016 to improve its corporate value as shifting from a strategy pursuing revenue growth to one pursuing profit enhancement. In accordance with this restructuring, following details were recorded as restructuring expenses in the year ended March 31, 2018.

(Million yen)

Details	Restructuring Expenses
Loss incurred from discontinuation of some products	549
Loss incurred from discontinuation of operations in manufacturing subsidiaries	517
Others	64
Total	1,130

4. Note to Non-Consolidated Statement of Changes in Net Assets

Type and number of treasury shares at the end of the period

Common stock 4,655,476 shares

5. Notes to Tax Effect Accounting

Deferred tax assets and deferred tax liabilities

Deferred tax assets:	
Inventories	19,977 million yen
Accrued bonuses	1,941 million yen
Depreciation	14,639 million yen
Provision for product warranties	1,198 million yen
Impairment loss	4,801 million yen
Percentage of completion method	12,478 million yen
Other	9,436 million yen
Subtotal of deferred tax assets	64,471 million yen
Valuation allowance	(10,018) million yen
Total deferred tax assets	54,453 million yen
Deferred tax liabilities:	
Reserve for advanced depreciation of non-current assets	(3,942) million yen
Valuation difference on available-for-sale securities	(9,514) million yen
Other	(135) million yen
Total deferred tax liabilities	(13,590) million yen
Net deferred tax assets	40,862 million yen

6. Notes to Transactions with Related Parties

(Million yen)

Category	Company name	Percentage of voting rights (%)	Relationship	Transaction	Transaction amount (Note 3)	Account	Balance at the end of the period (Note 3) (Note 4)
Subsidiaries	Nikon Inc.	100.0	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	64,617	Accounts receivable - trade	3,828
	Nikon Europe B.V.	100.0	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	57,934	Accounts receivable - trade	2,490
	Nikon Precision Inc.	100.0	Import and sales of the Company's products	Sales of Precision Equipment Business products (Note 1)	27,212	Advances received	13,191
	Nikon (Thailand) Co., Ltd.	100.0	Manufacture of the Company's products	Manufacture of Imaging Products Business products (Note 2)	91,212	Accounts payable - trade	6,786

Condition of transaction, policy to determine such condition and others

(Note 1) The condition of transaction of product sales is determined in consideration of market prices.

(Note 2) The condition of transaction of product manufacturing is determined after negotiation in each case in consideration of prices calculated based on market quotations and estimates from customers.

(Note 3) The transaction amount and balance of foreign subsidiaries at the end of the period do not include consumption taxes and others.

(Note 4) The balances of assets and liabilities denominated in foreign currencies at the end of the period are presented in the amounts translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date.

7. Notes to Retirement Benefit

(1) Outline of retirement benefit plans

The Company has a defined benefit corporate pension plan (cash balance plan) under the Defined-Benefit Corporate Pension Act. The Company also has a defined contribution pension plan for a portion of future retirement benefit.

(2) Retirement benefit obligation

Retirement benefit obligation	(96,250) million yen
Fair value of pension assets	103,842 million yen
Unfunded retirement benefit obligation	7,592 million yen
Unrecognized actuarial gain	(7,251) million yen
Prepaid pension cost	341 million yen

Fair value of pension assets includes the retirement benefit trust of 4,752 million yen.

(3) Retirement benefit expenses

Service cost	1,664 million yen
Interest cost	679 million yen
Expected return on pension assets	(724) million yen
Recognized actuarial loss	1,888 million yen
Subtotal	3,507 million yen
Others	(211) million yen
Retirement benefit expenses	3,296 million yen

In addition, contributions to the defined contribution pension plan amounting to 878 million yen were recorded in “cost of sales” and retirement benefit expenses included in “selling, general and administrative expenses” in addition to the above retirement benefit expenses.

(4) Others

Discount rate	0.6%
Long-term expected rate of return on pension assets	0.7%

8. Notes to Per-Share Information

Net assets per share 827.62 yen

(Note) On computation of net assets per share, the Company's shares held by the Executive Compensation BIP trust (576,900 shares as of March 31, 2018) were included in the number of treasury stocks, which was excluded from the number of shares issued as of the term-end.

Profit per share 86.00 yen

(Note) On computation of net profit per share, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares for the fiscal year ended March 31, 2018) were included in the number of treasury stocks, which was excluded from the calculation of average share outstanding.

9. All amounts have been rounded to the nearest million yen.