May 11, 2017

Consolidated Financial Results of the Year ended March 31, 2017 (Japanese Standards)

Company name: NIKON CORPORATION
Code number: 7731; Stock listings: Tokyo Stock Exchange
URL http://www.nikon.co.jp/
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Date for the annual shareholders' meeting: June 29, 2017
Date for the filing of the consolidated financial statements: June 29, 2017
Date of year-end dividend payout: June 30, 2017
Preparation of supplementary materials for financial results: Yes
Information meeting for financial results to be held: Yes (for institutional investors and analysts)

Note: Amounts less than 1 million yen are omitted.

1. Consolidated Results of the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Financial Results
(Percentage represents comparison change to the corresponding previous period)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	748,891	(8.6)	50,979	60.8	54,322	43.5	(7,107)	―
Year ended March 31, 2016	819,388	―	31,698	―	37,868	―	18,254	―

(Note) Comprehensive Income: Year ended March 31, 2017: 2,928 million yen (―%)
Year ended March 31, 2016: (22,406) million yen (―%)

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	(17.94)	―	(1.4)	5.5	6.8
Year ended March 31, 2016	46.05	45.94	3.4	3.9	3.9

(Reference) Share of profit of entities accounted for using equity method: Year ended March 31, 2017: 1,507 million yen
Year ended March 31, 2016: 1,449 million yen

(Note) The year-on-year percentage for the year ended March 31, 2016 is not shown above as the change in the accounting policy was applied retrospectively.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2017	997,203	522,699	52.2	1,313.89
Year ended March 31, 2016	966,578	528,280	54.5	1,328.68

(Reference) Equity: Year ended March 31, 2017: 520,566 million yen
Year ended March 31, 2016: 526,410 million yen

(Note) The figures for the year ended March 31, 2016 were adjusted retrospectively in accordance with the change in the accounting policy.

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2017	94,830	(38,181)	15,521	319,046
Year ended March 31, 2016	105,214	(80,880)	(18,173)	251,210

2. Dividends

	Dividend per Share					Total Cash Dividend Paid (Annual)	Dividend Payout Ratio (Consolidated)	Dividend Payout to Net Assets Ratio (Consolidated)
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen		
Year ended March 31, 2016	―	8.00	―	10.00	18.00	7,141	39.1	1.3
Year ended March 31, 2017	―	12.00	―	4.00	16.00	6,348	―	1.2
Year ending March 31, 2018 (Forecast)	―	―	―	―	―		―	

(Note) The dividends for the fiscal year ending March 31, 2018 are not determined yet.
The figures for the year ended March 31, 2016 were adjusted retrospectively in accordance with the change in the accounting policy.

3. Consolidated Financial Forecasts for the year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Percentage represents comparison to previous fiscal year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Basic Earnings per Share Attributable to Owners of the Parent
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter ending September 30, 2017	328,000	―	11,000	―	12,000	―	6,000	―	15.14
Full year	700,000	―	45,000	―	47,000	―	34,000	―	85.82

(Note) Nikon Corporation has decided to voluntarily adopt the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the Securities Report for the fiscal year ended March 31, 2017. Thus, the consolidated financial forecasts for the year ending March 31, 2018 are prepared in accordance with IFRS.

4. Other

(1) Changes of significant subsidiaries during the current fiscal year: None

(Note) This refers to a presence or absence of a specific subsidiary, which brings a change to the scope of consolidation in the period under review.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

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

(Note) For details, please make a reference to "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, 3) Changes in Accounting Policies."

(3) Number of shares issued (common stock)

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

Year ended March 31, 2017	400,878,921 shares
Year ended March 31, 2016	400,878,921 shares

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

Year ended March 31, 2017	4,675,654 shares
Year ended March 31, 2016	4,687,767 shares

3) Average number of shares during the term:

Year ended March 31, 2017	396,195,383 shares
Year ended March 31, 2016	396,409,088 shares

(Note) The Company's shares held by the Executive Compensation BIP trust are included in the number of treasury stock.

(Reference)

1. Non-consolidated Results of the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Financial Results (Percentage represents comparison change to the corresponding previous period)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	541,056	(3.7)	23,252	―	40,084	―	(4,773)	―
Year ended March 31, 2016	561,827	―	(13,096)	―	(162)	―	(4,742)	―

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Year ended March 31, 2017	(12.05)	―
Year ended March 31, 2016	(11.96)	―

(Note) The year-on-year percentage for the year ended March 31, 2016 is not shown above as the change in the accounting policy was applied retrospectively.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2017	696,724	297,834	42.5	747.95
Year ended March 31, 2016	685,840	305,672	44.4	768.15

(Reference) Equity: Year ended March 31, 2017: 296,338 million yen
Year ended March 31, 2016: 304,333 million yen

(Note) The figures for the year ended March 31, 2016 were adjusted retrospectively in accordance with the change in the accounting policy.

※ This report is out of scope for audit under Japanese Financial Instruments and Exchange Law.

※ Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report’s release. Due to various circumstances, however, actual results may differ significantly from such statements. For more information about the Company’s business forecasts, please refer to page 8.

Contents

1. Overview of the Consolidated Operating Results and Others

(1) Overview of the Consolidated Operating Results

1) Overview of the fiscal year ended March 31, 2017

The economic state of affairs in the fiscal year ended March 31, 2017 showed a gradual recovery trend as both the U.S. and Europe continued to be supported by firm personal consumption despite market turmoil due to the UK’s decision to exit from the EU and the result of the U.S. presidential election. In addition, the Japanese economy also saw a gradual recovery trend on the whole as capital investment and personal consumption continued to show signs of recovery.

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 mid-to-small size 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 U.S. 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 (the “Group”) had been pursuing future growth based on the "Medium-Term Management Plan Update" announced in May 2015, aiming to become a group capable of sustainable growth through a business portfolio of its existing businesses and its growth businesses. However, the Semiconductor Lithography Business did not achieve break-even, the Imaging Products Business faced a shrinking market more than expected, and the development of the growth businesses fell short of expectation.

Due to these circumstances, we decided to discontinue the "Medium-Term Management Plan Update" and launch a restructuring. Aiming at improving our structure to enhance corporate value, we shifted from a strategy pursuing revenue growth to one pursuing profit enhancement.

Specifically, we prioritized restructuring of the Semiconductor Lithography Business and the Imaging Products Business, as well as the headquarter functions. In the Semiconductor Lithography Business, we focused on profitability and worked to minimize the risk of inventory write-downs and write-offs. In the Imaging Products Business, we reassessed product strategies to enhance profitability by focusing on high value-added products, and decided to cancel release of the DL series of premium compact cameras. In addition, to rationalize employees in accordance with reassessment of business strategies and reassessment of the organization and structure following the redefinition of the role of headquarters, we sought applicants for a voluntary retirement in Japan, and 1,143 employees retired. Furthermore, in order to strengthen the manufacturing technology of optical components and efficiency in operation, we aggregated the Group-wide functions related to the manufacture of optical components to Tochigi Nikon Corporation.

As a result of the foregoing, net sales of the Group for the fiscal year ended March 31, 2017 decreased by 70,496 million yen (8.6%) year on year to 748,891 million yen, while operating income increased by 19,281 million yen (60.8%) year on year to 50,979 million yen, and ordinary income increased by 16,454 million yen (43.5%) year on year to 54,322 million yen, as a result of an increase in sales of FPD Lithography Systems. However, net loss attributable to owners of the parent of 7,107 million yen (compared to net income attributable to owners of the parent of 18,254 million yen in the previous fiscal year) was posted by recording 53,369 million yen in restructuring expenses.

In addition, the accounting policy for the revenue recognition of the FPD Lithography Systems in the Precision Equipment Business was changed from the fiscal year ended March 31, 2017. The year-on-year comparisons above were made with the figures adjusted retrospectively for the year ended March 31, 2016 in accordance with the change.

Performance by business segment is as follows.

[Precision Equipment Business]

In the Semiconductor Lithography System field, 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 System field, on back of active capital investments by manufacturers mainly in the Chinese market, sales grew significantly in particular for the FX-66S2, FX-67S2, etc., which are ideal for the production of mid-to-small panels for smart-phones and tablet devices. Moreover, the FX-68S, the latest system launched in March 2016, steadily secured orders, contributing to sales. Consequently, overall unit sales, including equipment for large panels, doubled year on year.

As a result, net sales for the Precision Equipment Business increased by 38.4% year on year to 247,645 million yen, and operating income increased by 431.0% year on year to 51,004 million yen.

[Imaging Products Business]

For the Digital Camera-Interchangeable Lens Type, sales of mid- to high-class 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.

For compact digital cameras, high value-added products such as the multi-function model COOLPIX P900 with ultra 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 along with the drastic shrinkage of the market in addition to the impact of the 2016 Kumamoto Earthquake.

As a result, net sales for the Imaging Products Business decreased by 26.4% year on year to 383,022 million yen, and operating income decreased by 39.4% year on year to 27,733 million yen.

[Instruments Business]

In the microscope field, sales declined owing to a delay in related budget execution in the U.S. and Europe and foreign exchange impact. Biological microscopes improved their profitability through efforts to reduce costs. However, profits of this business field declined overall due to increased investments in stem cell business, etc.

In the industrial metrology field, sales of the CNC Video Measuring System NEXIV series increased. However, overall sales and profits declined due to sluggish demand for semiconductor inspection equipments in Japan and foreign exchange impact in the U.S. and Europe.

As a result, net sales for the Instruments Business decreased by 4.9% year on year to 73,449 million yen, and operating income decreased by 87.6% year on year to 349 million yen.

Additionally, we signed a business and capital alliance contract with HEALIOS K.K. to develop practical applications of regenerative medicine.

[Medical Business]

In the Medical Business, sales of retinal diagnostic imaging equipment increased due to solid performances mainly in North America, Europe and China, despite sluggish sales in Japan.

As a result, net sales for the Medical Business were 20,276 million yen, whereas operating loss of 4,506 million yen was recorded primarily due to upfront investments in new medical-related businesses.

Additionally, we signed a strategic alliance contract with U.S. based Verily Life Sciences LLC to develop machine learning-enabled solutions for diabetes-related eye disease.

[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 FPD and optical components expanded and profits were maintained at previous-year levels.

As a result, net sales including these businesses increased by 0.1% year on year to 24,497 million yen, and operating income increased by 7.5% year on year to 4,945 million yen.

(2) Overview of Financial Position

The balance of total assets as of March 31, 2017 increased 30,625 million yen from the end of the previous fiscal year to 997,203 million yen. This was primarily because cash and deposits rose 70,653 million yen due to increased long-term loans payable and advances received, and investment securities were up 16,115 million yen in line with rises in stock prices, while inventories decreased 42,908 million yen as a result of inventory write-down/ write-off associated with a restructuring. On the other hand, property, plant and equipment and intangible assets decreased 5,575 million yen and 6,770 million yen, respectively.

The balance of total liabilities as of March 31, 2017 rose 36,205 million yen from the end of the previous fiscal year to 474,504 million yen. Although bond payable of 10,000 million was repaid and decreased, advances received as well as long-term loans payable increased 7,554 million yen and 40,539 million yen, respectively.

The balance of total net assets as of March 31, 2017 fell 5,580 million yen to 522,699 million yen from the end of the previous fiscal year. Despite the increase in remeasurement of defined benefit plans, a decline in retained earnings mainly due to posting net loss attributable to owners of the parent and dividends paid led to the decrease in net asset.

(3) Overview of Cash Flows

During the fiscal year ended March 31, 2017, net cash of 94,830 million yen was provided by operating activities, a decrease of 10,384 million yen year on year. The decrease was mainly due to declines in advances received revenue of the Precision Equipment Business and in sales of the Imaging Products Business compared to the same period the last year.

While the expenditure a year earlier soared to acquire the shares of Optos Plc, the expenditure for the fiscal year ended March 31, 2017 was primarily to purchase property, plant and equipment, which led the net cash used in investing activities to 38,181 million yen, a decline of 42,699 million yen year on year.

In financing activities, net cash of 15,521 million yen was provided, an increase of 33,695 million yen year on year. The increase was mainly due to proceeds from long-term loan payable.

In addition, the effect of exchange rate change on cash and cash equivalents decreased 4,334 million yen.

As a result of the above, the balance of cash and cash equivalents at March 31, 2017 rose 67,835 million yen from the end of the previous fiscal year to 319,046 million yen.

(Reference) Changes in Cash Flow-Related Indices

	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Equity ratio (%)	56.6	57.5	58.6	54.5	52.2
Equity ratio based on market value (%)	102.3	69.4	65.6	70.6	64.1
Cash flow to interest-bearing debt ratio (times)	1.6	1.1	1.6	1.1	1.5
Interest coverage ratio (times)	40.8	86.3	48.6	74.9	76.0

(Notes) Equity ratio: Equity/Total assets
Equity ratio based on market value: Total market value of shares/Total assets
Cash flow to interest-bearing debt ratio: Interest-bearing debt/Operating cash flows
Interest coverage ratio: Operating cash flows/Interest payments

*All indices are calculated based on consolidated financial data.
*The total market value of shares is calculated in accordance with the formula: final share price as of the end of the fiscal year multiplied by numbers of shares issued (excluding treasury stock).
*Operating cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debts include the short-term and long-term loans payable as posted in the consolidated balance sheet. For interest payments, the amount of interest paid as shown in the consolidated cash flow statement is used.

(Note) As stated in "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, 3) Changes in Accounting Policies," the accounting policy for the revenue recognition of the Precision Equipment Business was changed from the fiscal year ended March 31, 2017. The comparisons in the overview of the consolidated operating results, financial position and cash flow were made with the figures adjusted retrospectively for the fiscal year ended March 31, 2016 in accordance with the change.

(4) Future Outlook

As for the business segments of the Group, in the Precision Equipment Business, capital investments in the semiconductor-related field are expected to remain solid. In the FPD-related field, the overall market is expected to remain strong as it is expected that capital investments for mid-to-small size panels will remain firm and capital investments for large panels will expand. In the Imaging Products Business, the Digital Camera-Interchangeable Lens Type market and compact digital camera market are expected to continue shrinking. In the Instruments Business, although there are concerns for biological microscopes in the microscope-related field, such as the impact of budget cuts in science and technology in the U.S., market shares are expected to expand overall and the commercialization of the stem cell business will be accelerated. In the industrial metrology-related field, although there are uncertainties in the global market, we will continue to seek sales increases in the automobile-related field and of semiconductor inspection equipments. In the Medical Business, the retinal diagnostic imaging equipment market is expected to remain solid, mainly in North America and Europe.

Based on the restructuring plan announced in November 2016, the Group continues to adhere to the following principles in implementing measures to shift from a strategy pursuing revenue growth to one pursuing profit enhancement.

- Create a company-wide focus on high value-added businesses to improve profitability
- Optimize development, sales, and manufacturing structures on a global basis
- Streamline headquarter functions to match scale of restructured businesses

Moreover, we will engage in the following fundamental restructuring efforts in order to transform into a company capable of continually creating high corporate value.

- Shift to portfolio based management
- Implement targets linked to shareholder value
- Enhance governance structure

Furthermore, we plan to announce a new medium-term management plan incorporating growth strategies, which is scheduled to begin in April 2019 following the completion of the restructuring.

Current forecasts for the fiscal year ending March 31, 2018 are as follows.
(From April 1, 2017 to March 31, 2018)

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent
	Million yen	Million yen	Million yen	Million yen
Full year	700,000	45,000	47,000	34,000

(Notes) 1. International Financing Reporting Standards (IFRS) will be voluntarily applied from the consolidated financial statements in the Securities Report for the fiscal year ended March 31, 2017. Thus, forecasts for the fiscal year ending March 31, 2018 are prepared in accordance with IFRS.
2. The above forecast is based on the following foreign currency exchange rate:
1 US dollar = 110 yen, 1 Euro = 120 yen

*Forecasts in this disclosure are made by management in light of information currently available. A number of factors could cause actual results to differ materially from disclosed as above.

(5) Shareholder Returns Policy and Dividends

Nikon Corporation's policy on shareholder returns is basically to pay a stable dividend from the perspective of shareholder's value targeting dividend payout ratio of 40% or more, while striving to reinforce its competitiveness by expanding the investment on the business and development of technology for future growth. On top of the policy, the Company will continuously review profit distribution on total shareholder return basis to improve the reflection of business performance.

For the fiscal year ended March 31, 2017, the year-end dividend is 4 yen a share, and the annual dividend will be 16 yen a share, including interim dividend of 12 yen.

The dividend for the fiscal year ending March 31, 2018 is not determined yet.

(6) Business and Other Risks

There is a possibility that the business performance of the Nikon Group will be impacted significantly by various factors that may arise in the future. Following are principal matters that are considered to be likely risk factors in the promotion of business operations by the Group.

Matters concerning the future as stated herein are based on the Nikon Group's estimations as of the date of the preparation hereof.

1) Unique business environment and circumstances

The semiconductor industry, which is the main target market for the Semiconductor Lithography Systems handled by the Precision Equipment Business, is characterized as an industry with drastic changes in the business cycle, although this inclination has been waning in recent years, due to the diversification of end products. As a result, an over-supply of semiconductor devices in the market poses the risk of a decrease in the demand for Semiconductor Lithography Systems, due to a cutback in capital investment by semiconductor manufacturers. However, it is difficult to predict the timing or the duration of such a situation or the degree of fluctuation. As an additional characteristic of customer behavior in the same industry, orders are subject to postponement or cancellation even after they have been placed, resulting in a structure that is prone to increases in inventory during periods of slow demand. The demand for FPD Lithography Systems, which is dependent on the climate of the flat panel market, may experience a rapid decline, should flat panel prices drop as a result of an over-supply.

In the market for digital cameras, which are the leading products in the Imaging Products Business, there is a possibility of the market undergoing changes such as the decline in demand for digital cameras due to such factors as fluctuation of the economy of the respective regions and the emergence of strong competition such as new digital equipment.

In the Instruments Business, the microscope market is becoming saturated, leading to the possibility of a change in competition structure, as a result of an industry restructuring or the like. Further, the Industrial Metrology Business is susceptible to the effect of the economic and facility trends of various industries, including semiconductors, power generation, electronic components, automobiles and machine tools.

Such changes in the business environment are likely to have a considerable impact on the business performance and the financial position of the Nikon Group.

2) Procurement

In each business that it is engaged in, the Nikon Group is sometimes dependent on specific suppliers for such things as raw materials, key components, and finished products that have been outsourced. Although the Group is making efforts to ensure stable procurement while maintaining a close relationship with specific suppliers, there is a possibility that the Group's profit and financial position will be adversely affected in the event of a steep increases in purchase price or a material problem with procurement due to natural disasters such as major earthquakes, quality issues, as well as policy changes or bankruptcy on the part of a specific supplier.

The Group also promotes and ensures CSR procurement by its suppliers from an ESG perspective, such as corporate activities that are conscious of conflict resources and the environment. However, in the event that a problem, trouble or failure occurs in procurement due to a flaw in suppliers, the Group’s business operations as well as its reputation may be impacted and, as a result, the business performance and the financial position of the Nikon Group may be adversely affected.

3) Dependence on specific customers

Moves such as mergers and partnerships are progressing within the semiconductor industry, which is a customer of the Precision Equipment Business, in order to cope with expanding capital expenditure and increasingly diversified technology development. Further, selective elimination is proceeding as the competitive superiority or inferiority of various companies becomes more defined, based on the technologies owned and the characteristics of the devices manufactured. Competition among companies is intensifying also in the flat panel industry, resulting in some moves for industry restructuring. Capital investment plans of the Nikon Group's major customers are volatile owing to the foregoing circumstances. Hence, there is a possibility that the Group's profit and financial position will be adversely affected should; for example, a customer drastically reduce order volumes or take its business to a competitor, or should problems arise for any reason with respect to debt payment by a customer.

4) Ability to develop new products and investment in development

Being subject to intense competition, the Nikon Group's core businesses are constantly required to develop new products by continuing to engage in highly advanced research and development. Therefore, it is necessary to continue to invest in product development, regardless of the fluctuations in the Group's profit.

In the Precision Equipment Business, there is a possibility of a decrease in profit in the event of failure to develop or bring to market new products or next-generation technology in a timely manner, or of rejection by the market of a technology developed by the Nikon Group. Further, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, as well as the possibility that the adoption of a new technology by a competitor's device will cause the price of Nikon's devices to deteriorate. Further intensification of price competition is expected with respect to FPD Lithography Systems in the event of market entries by newcomers or introduction of a new technology, which may impact profit.

In the Imaging Products Business, given the rapid advances in surrounding technological environments and increasing sophistication and diversification of digital cameras, continual investment is required for the development of new technologies and new products. However, there is a possibility of a decrease in profit in the event that investment does not produce adequate results to fail to develop or bring to market new products or next-generation technology in a timely manner or there is an abrupt shift in demand to higher functioning digital equipment. As with the Precision Equipment Business, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, which may impact profit.

And in the Medical Business, while it is necessary to continuously carry out advance investments in new business fields, there is a possibility that the developed product or technology does not lead to increased profits or that the investment fails to produce adequate results.

5) Intensification of price competition

In the market for Semiconductor and FPD Lithography Systems, while the development of cutting-edge technologies is progressing, there is a possibility that competitors will launch an offensive with low-priced Lithography Systems.

As for digital cameras, which are the leading products of the Imaging Products Business, there is a possibility that competitors will launch an offensive with low-priced products as the market matures.

In the Instruments business, the maturing of the microscope market is further promoting the competition to differentiate products, while fanning price competition in the mid- and low-range markets. There is a possibility that the Nikon Group's profit and financial position will be affected adversely, should there be a sharp and sudden decrease in prices.

6) Overseas business operations

The Nikon Group is dependent on foreign countries for a significant portion of its production and sales activities. Hence, it is affected by changes in various import and export laws, tax systems, and regulations in Japan and other countries in which the Group operates. Further, in conducting business operations overseas, there is a possibility that major problems will be encountered and/or losses will be incurred in conducting business activities, due to such risks as changes in political regimes or economic climate; social chaos caused by riots, terrorism, wars, infectious diseases, etc.; problems with such infrastructures or logistics-related functions as water, electricity, and communications network due to natural disaster; and difficulty hiring human resources or loss thereof. There is a possibility that the Nikon Group's profit and financial status will be affected adversely as a result of production and sales being limited by the foregoing.

7) Risk of fluctuations in exchange rate

The Nikon Group is highly dependent on overseas market, with overseas sales accounting for as much as 83.1% of net sales. While the Group is appropriately hedging foreign exchange risks in accordance with sales volumes and the sales region, the net sale of and profit from products and services subject to foreign currency transactions, or the yen values of the income, losses, assets and liabilities of overseas consolidated subsidiaries will be affected should there be a sharp or dramatic fluctuation in foreign exchange rates.

8) Risk relating to M&A, business alliances and strategic investments

The Company operates its business by building relationships with other companies in forms such as business alliances, joint ventures and strategic investments. In addition, the Company may acquire other companies.

These are important for optimization of the business portfolio, expansion of business bases and technological developments, and the Company shares the goal with the other companies and strives to work together towards its achievement.

However, if such cooperation system is not able to be built, and even if it is built, due to business environments, competitors’ trends and other reasons, the desired outcome may not be brought fully. It may also take more time than planned for the establishment of cooperation system and business integration. In that case, it could adversely affect profitability and financial situation, or may damage investment values.

Further, even if the Company found appropriate target company for acquisitions or investments, if it failed to reach the conclusion of contracts, it could adversely affect profitability and financial situation.

9) Fund procurement risk

While the Nikon Group is procuring funds as the need arises with due consideration for the balance between long-term and short-term funds, as well as between direct and indirect financing, there is a possibility that such effects as an increase in interest rates on the fund procured or limitation of the means for procuring fund may arise should the financial market climate deteriorate further. There is a possibility that fund procurement by the Group will also be impacted should the rating of the Company's bond be revised downward due to a decline in business performance.

10) Risk relating to the protection of and litigations on intellectual property rights

The Nikon Group acquires and holds numerous intellectual property rights as it develops products. In some cases, the Group licenses such intellectual property rights to other companies. Although utmost efforts are being made for the maintenance and protection of these intellectual property rights, there is a possibility that considerable litigation expenses will be incurred should a lawsuit be filed in connection with an unlicensed use of the Group's intellectual property rights by another company.

Further, there is a possibility that other companies, individuals, or entities will file a complaint against the Nikon Group for an alleged infringement on their intellectual property rights, although the Group is paying adequate attention to avoiding infringing third-party intellectual property rights in conducting product development. Should such a situation occur, there is a possibility that the Group's profit and financial position will be affected significantly.

11) Securing key personnel and outflow of human resources and know-how

The Nikon Group is supported by its employees, who possess advanced technical and other expertise and abilities, and securing such human resources is becoming increasingly more important in order to win through intense competitions in the market. However, should labor fluidity increase further for some reason, there is a possibility that such key personnel will resign, taking their expertise and know-how with them. In order to minimize such outflow of expertise and know-how, the internal transmission, standardization and sharing of proprietary technologies and skills are being promoted. While it is important to secure competent human resources locally overseas, it is believed that the risk of an outflow of human resources is particularly high in regions with high labor fluidity.

Since long-term education and training are essential in order to foster human resources given the rapid technological renovations in the business that the Group is engaged in, replacing key personnel that depart may be difficult at times and may thus adversely affect the Group's future growth, profit and financial position.

12) Information Leaks

The Nikon Group retains such important information as technical information, corporate information, and the personal information of its customers and other persons concerned. Among other things, the Group is enhancing its internal regulations on the handling of information and educating its employees, while thoroughly controlling external access to such information and improving the level of storage security. However, in the rare event of leakage of the Group's confidential information, including technical information, there is a possibility that the corporate value of the Nikon Group will be damaged. Further, should corporate or personal information leak out, the Group would not only suffer damages to its credibility, but would also be subject to claims for compensation from such entities as business partners, customers, employees or other entities suffering the effect of the leak. Should this occur, there is a possibility that the Group's profit and financial position will be affected adversely as tremendous costs will be necessary for various activities related to the recovery of trust, compensation to subject companies and individuals, implementation of measures to prevent recurrence, and other necessities.

13) Defects in products and services

As concerns the Nikon Group's products and services, advanced quality assurance systems are in place within Japanese and overseas Group companies, as well as production contractors, in order to provide customers with highly trustable and sophisticated products. However, in the rare event that a customer suffers a loss due to a defect in a product or service, there is a possibility that profit and financial position will be adversely affected, there being the risk that large amounts will be incurred in repair expenses and costs related to liability, recall, disposal of products and the like, in addition to the decreased desire of customers to purchase the Group's products and services due to a decrease in customer trust in the Nikon brand.

14) Occurrence of natural disasters, etc.

Due attention is being paid to measures relating to such natural disasters as earthquakes, fires and flood, and measures to counter the expansion of such infectious diseases as new strains of influenza, with the business continuity plan (BCP) formulated as a part of countermeasures. However, there is the risk that operations will be suspended and production and shipment will be delayed, should the Group's development or productions sites, suppliers or other relevant parties suffer major damage. There is a possibility that the Group's profit and financial position will be adversely affected, should net sales decrease and considerable expenses be incurred for business recovery as a result thereof.

15) Damages to brand value

The Nikon Group is making utmost efforts to protect and enhance the 'Nikon Brand,' which was fostered over years of corporate management marked with integrity and provision of products and services that are worthy of customer trust. However, there is a possibility that the Group's profit and financial position will be adversely affected should trust in the brand decline and the value of the Nikon brand be damaged, as a result of the circulation of negative reputation or evaluation of the Group's technologies, products or services.

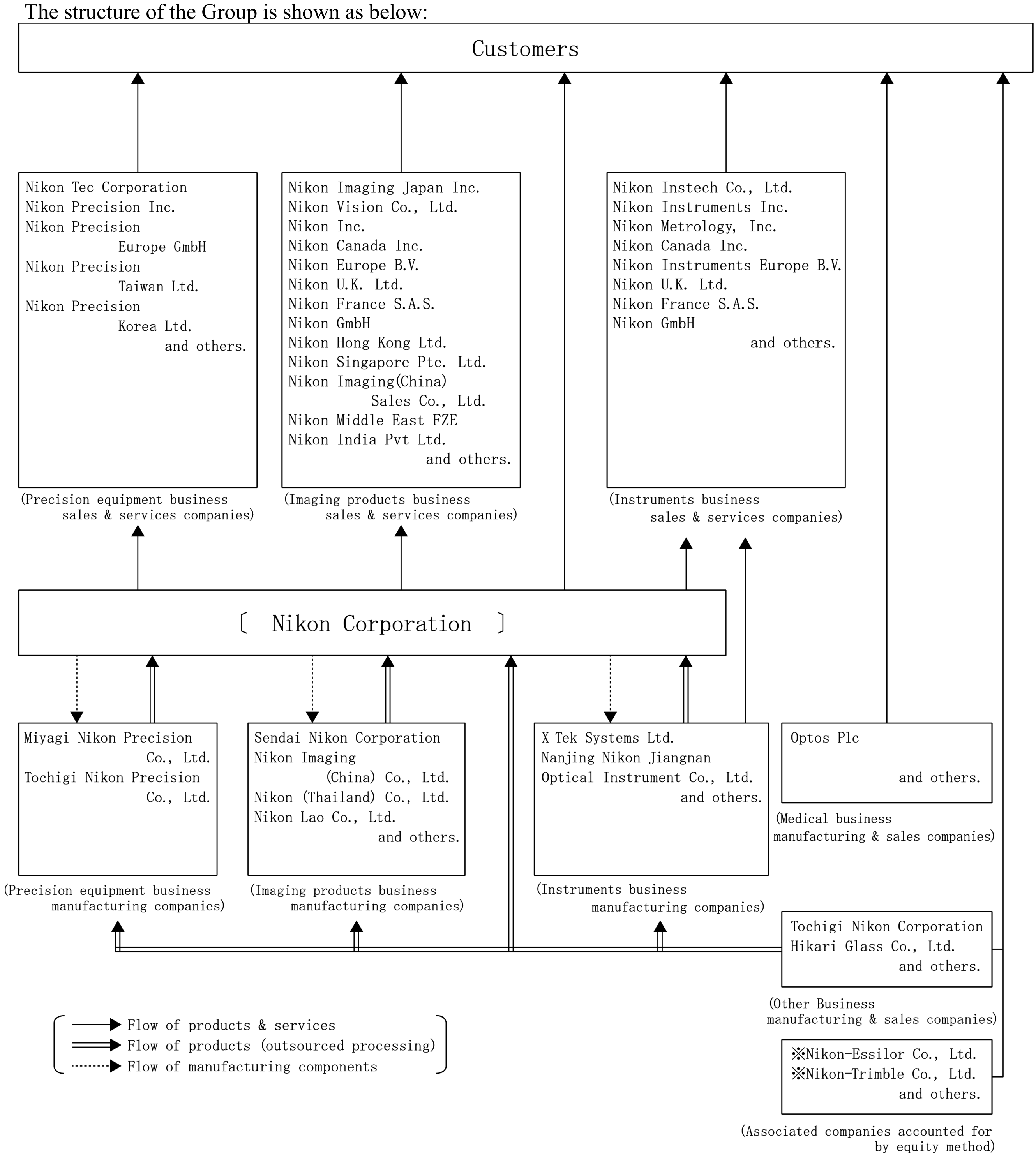
16) Environmental regulations

The Nikon Group is subject to various environmental laws and regulations regarding energy, greenhouse gases, the atmosphere, water, hazardous chemical substances, waste, etc. While the Group has implemented measures necessary to comply with laws and regulations, going forward such laws and regulations may be strengthened further or there may be occurrences of past environmental liability. In the event that significant expenses are incurred due to such issues, the business performance and the financial position of the Group may be adversely affected.

2. Status of Nikon Group

The Nikon Group consists of NIKON CORPORATION, its 90 subsidiaries, and 10 affiliates. While the principal operations of the Group are manufacturing and sales related to the Precision Equipment Business, Imaging Products Business, Instruments Business, Medical Business, and others, it is also engaged in other operations and activities incidental thereto, such as services.

The structure of the Group is shown as below:



(Note) Only principal subsidiaries and associated companies are listed.
No symbol: subsidiary, ※:Associated company accounted for by equity method

3. Basic Policy on the Adoption of Accounting Standards

The Nikon Group has decided to voluntarily adopt the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the Securities Report for the fiscal year ended March 31, 2017 to improve international comparability of financial information disclosed to the capital market and to strengthen the management foundation by unification of accounting standards within its group companies.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	256,595	327,249
Notes and accounts receivable-trade	98,416	86,902
Merchandise and finished goods	118,224	111,314
Work in process	118,526	82,163
Raw materials and supplies	26,667	27,031
Deferred tax assets	42,804	39,674
Other	23,595	26,434
Allowance for doubtful accounts	(2,433)	(2,262)
Total Current Assets	682,397	698,506
Non-current assets		
Property, plant and equipment		
Buildings and structures	130,932	132,619
Accumulated depreciation	(82,921)	(82,778)
Buildings and structures, net	48,010	49,840
Machinery, equipment and vehicles	202,721	192,789
Accumulated depreciation	(164,444)	(162,158)
Machinery, equipment and vehicles, net	38,277	30,631
Land	15,681	15,726
Lease assets	8,402	9,131
Accumulated depreciation	(6,624)	(5,932)
Lease assets, net	1,778	3,198
Construction in progress	3,566	4,250
Other	84,265	83,381
Accumulated depreciation	(63,920)	(64,945)
Other, net	20,345	18,435
Total property, plant and equipment	127,659	122,083
Intangible assets		
Goodwill	20,766	18,616
Other	43,135	38,514
Total intangible assets	63,901	57,130
Investments and other assets		
Investment securities	73,970	90,086
Net defined benefit asset	1,699	8,751
Deferred tax assets	7,591	8,036
Other	9,401	12,677
Allowance for doubtful accounts	(43)	(69)
Total investments and other assets	92,618	119,482
Total non-current assets	284,180	298,696
Total assets	966,578	997,203

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	117,399	104,614
Short-term loans payable	16,500	13,607
Current portion of bonds	10,000	10,000
Lease obligations	771	863
Accrued expenses	52,056	66,983
Income taxes payable	4,011	3,248
Advances received	102,997	110,552
Provision for product warranties	7,066	6,518
Other	17,100	16,629
Total current liabilities	327,903	333,017
Non-current liabilities		
Bonds payable	40,000	30,000
Long-term loans payable	44,200	84,739
Lease obligations	1,300	2,553
Deferred tax liabilities	8,951	9,321
Net defined benefit liability	8,902	8,623
Asset retirement obligations	3,657	3,713
Other	3,381	2,535
Total non-current liabilities	110,394	141,486
Total liabilities	438,298	474,504
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,624	80,624
Retained earnings	376,002	360,146
Treasury stock	(13,255)	(13,215)
Total shareholders' equity	508,847	493,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,735	18,365
Deferred gains or losses on hedges	(35)	(218)
Foreign currency translation adjustment	12,550	8,361
Remeasurements of defined benefit plans	(6,687)	1,026
Total accumulated other comprehensive income	17,563	27,535
Subscription rights to shares	1,339	1,496
Non-controlling interests	530	636
Total net assets	528,280	522,699
Total liabilities and net assets	966,578	997,203

(2) Consolidated Statements of Income and Statements of Comprehensive Income

1) Consolidated Statements of Income

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	819,388	748,891
Cost of sales	506,772	443,978
Gross profit	312,615	304,912
Selling, general and administrative expenses	280,916	253,932
Operating income	31,698	50,979
Non-operating income		
Interest income	1,986	1,833
Dividends income	1,258	1,401
Share of profit of entities accounted for using equity method	1,449	1,507
Customs refund	1,063	―
Gain on valuation of derivatives	―	2,044
Other	4,872	4,233
Total non-operating income	10,630	11,020
Non-operating expenses		
Interest expenses	1,384	1,300
Foreign exchange losses	171	2,694
Loss on Competition Law	―	1,307
Other	2,904	2,375
Total non-operating expenses	4,460	7,677
Ordinary income	37,868	54,322
Extraordinary income		
Gain on sales of non-current assets	3,172	123
Gain on sales of investment securities	572	4,384
Total extraordinary income	3,745	4,508
Extraordinary loss		
Loss on sales of non-current assets	26	82
Impairment loss	8,449	5,147
Loss on valuation of investment securities	―	2,708
Restructuring expenses	2,726	53,369
Environmental expenses	1,833	―
Total extraordinary losses	13,035	61,309
Income (loss) before income taxes	28,578	(2,478)
Income taxes-current	11,007	7,867
Income taxes-deferred	(782)	(3,331)
Total income taxes	10,224	4,535
Net income (loss)	18,353	(7,014)
Net income attributable to non-controlling interests	99	93
Net income (loss) attributable to owners of the parent	18,254	(7,107)

2) Consolidated Statements of Comprehensive Income

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income (loss)	18,353	(7,014)
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,039)	6,631
Deferred gains or losses on hedges	1,165	(183)
Foreign currency translation adjustment	(28,019)	(4,219)
Remeasurements of defined benefit plans	(4,884)	7,724
Share of other comprehensive income of entities accounted for using equity method	17	(10)
Total other comprehensive income	(40,759)	9,942
Comprehensive income	(22,406)	2,928
(Breakdown)		
Comprehensive income attributable to owners of the parent	(22,453)	2,863
Comprehensive income attributable to non-controlling interests	46	64

(3) Consolidated Statements of Changes in Net Assets Year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	65,475	80,711	378,515	(12,412)	512,290
Cumulative effect of changes in accounting policies			(8,790)		(8,790)
Balance as of April 1, 2015 (Restated)	65,475	80,711	369,725	(12,412)	503,499
Changes of items during the period					
Dividends from surplus			(8,727)		(8,727)
Dividends from surplus (Interim dividends)			(3,174)		(3,174)
Net income attributable to owners of the parent			18,254		18,254
Purchase of treasury stock				(976)	(976)
Disposal of treasury stock			(75)	133	58
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(87)			(87)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(87)	6,276	(842)	5,347
Balance as of March 31, 2016	65,475	80,624	376,002	(13,255)	508,847

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2015	20,775	(1,200)	40,517	(1,821)	58,270	1,132	507	572,200
Cumulative effect of changes in accounting policies								(8,790)
Balance as of April 1, 2015 (Restated)	20,775	(1,200)	40,517	(1,821)	58,270	1,132	507	563,410
Changes of items during the period								
Dividends from surplus								(8,727)
Dividends from surplus (Interim dividends)								(3,174)
Net income attributable to owners of the parent								18,254
Purchase of treasury stock								(976)
Disposal of treasury stock								58
Change in treasury shares of the parent arising from transactions with non-controlling shareholders								(87)
Net changes of items other than shareholders' equity	(9,039)	1,165	(27,967)	(4,866)	(40,707)	206	22	(40,478)
Total changes of items during the period	(9,039)	1,165	(27,967)	(4,866)	(40,707)	206	22	(35,130)
Balance as of March 31, 2016	11,735	(35)	12,550	(6,687)	17,563	1,339	530	528,280

Consolidated Statements of Changes in Net Assets Year ended March 31, 2017

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	65,475	80,624	376,002	(13,255)	508,847
Changes of items during the period					
Dividends from surplus			(3,967)		(3,967)
Dividends from surplus (Interim dividends)			(4,761)		(4,761)
Net income (loss) attributable to owners of the parent			(7,107)		(7,107)
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock			(19)	44	25
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(15,855)	39	(15,816)
Balance as of March 31, 2017	65,475	80,624	360,146	(13,215)	493,031

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2016	11,735	(35)	12,550	(6,687)	17,563	1,339	530	528,280
Changes of items during the period								
Dividends from surplus								(3,967)
Dividends from surplus (Interim dividends)								(4,761)
Net income (loss) attributable to owners of the parent								(7,107)
Purchase of treasury stock								(4)
Disposal of treasury stock								25
Net changes of items other than shareholders' equity	6,629	(183)	(4,189)	7,714	9,971	157	106	10,235
Total changes of items during the period	6,629	(183)	(4,189)	7,714	9,971	157	106	(5,580)
Balance as of March 31, 2017	18,365	(218)	8,361	1,026	27,535	1,496	636	522,699

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net cash provided by (used in) operating activities		
Income (loss) before income tax	28,578	(2,478)
Depreciation and amortization	37,738	32,860
Impairment loss	8,449	5,351
Increase (decrease) in allowance for doubtful accounts	(1,425)	(162)
Increase (decrease) in provision for product warranties	(1,983)	(394)
Increase (decrease) in net defined benefit liability	(223)	(859)
Interest and dividends income	(3,245)	(3,234)
Share of (profit) loss of entities accounted for using equity method	(1,449)	(1,507)
Interest expenses	1,384	1,300
Loss (gain) on sales of property, plant, and equipment	(3,146)	(41)
Loss (gain) on sales of investment securities	(572)	(4,384)
Loss (gain) on valuation of investment securities	—	2,708
Decrease (increase) in notes and accounts receivable-trade	29,763	10,545
Decrease (increase) in inventories	(15,571)	41,795
Increase (decrease) in notes and accounts payable-trade	3,554	(12,831)
Increase (decrease) in advances received	25,792	6,402
Other, net	7,420	27,021
Subtotal	115,064	102,091
Interest and dividends income received	4,338	4,671
Interest expenses paid	(1,404)	(1,247)
Payment for loss on Competition Law	—	(1,307)
Income taxes (paid) refund	(12,782)	(9,377)
Net cash provided by (used in) operating activities	105,214	94,830
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(21,957)	(21,294)
Proceeds from sales of property, plant and equipment	3,678	270
Purchase of investment securities	(6,791)	(8,835)
Proceeds from sales of investment securities	1,009	5,850
Purchase of shares of subsidiaries resulting in change in the scope of consolidation	(43,562)	(1,100)
Decrease (increase) in loans receivable	(162)	(173)
Other, net	(13,094)	(12,899)
Net cash provided by (used in) investing activities	(80,880)	(38,181)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(0)	—
Proceeds from long-term loans payable	12,500	38,952
Repayment of long-term loans payable	(15,000)	(2,902)
Redemption of bonds	—	(10,000)
Cash dividends paid	(11,910)	(8,733)
Dividends paid to non-controlling interests	(24)	(45)
Other, net	(3,738)	(1,749)
Net cash provided by (used in) financing activities	(18,173)	15,521
Effect of exchange rate change on cash and cash equivalents	(14,575)	(4,334)
Net increase (decrease) in cash and cash equivalents	(8,414)	67,835
Cash and cash equivalents at beginning of period	259,625	251,210
Cash and cash equivalents at end of period	251,210	319,046

(5) Notes to Consolidated Financial Statements

1) Note on Assumptions for Going Concern

Not applicable

2) Basis for Preparation of the Consolidated Financial Statements

(a) Scope of Consolidation

(i) Number of Consolidated subsidiaries: 82 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) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V., and others

[Addition: 3 companies]
Acquisition of shares of 1 company: Mark Roberts Motion Control Limited
Establishment of 2 companies: Nikon CEE GmbH and others

[Exclusion: 5 companies]
5 subsidiaries were merged and extinct: Kurobane Nikon Co., Ltd. and others

(ii) Non-consolidated subsidiaries: 8 companies
Major company name: Jigtec Corporation

Since these companies are small in scale, their combined assets, net sales, net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements.

(b) Scope of Equity Method

(i) Number of Associated Company accounted for by Equity Method: 3 companies
Company names: Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd. and other

(ii) Number of Non-consolidated Company not accounted for by Equity Method: 8 companies
Major company name: Jigtec Corporation

(iii) Number of Associated Company not accounted for by Equity Method: 7 companies
Major company name: N.S.S. CORPORATION

Since these companies are small in scale, net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the Company's consolidated financial statements. They are insignificant in general; therefore, they are not included in the scope of equity method.

(iv) For those companies accounted for by equity method with different closing date (other than March 31), financial statements based on their respective closing date are used to prepare the consolidated financial statements.

(c) Fiscal Year of Consolidated Subsidiaries

Among the subsidiaries, the statutory closing date of following companies is December 31; Nikon Mexico, S.A. de C.V., NIKON DO BRASIL LTDA., Nikon (Russia) LLC., Mark Roberts Motion Control Limited, Nikon Precision Shanghai Co., Ltd., Nikon Instruments (Shanghai) Co., Ltd., Nikon Imaging (China) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Hikari Glass (Changzhou) Optics Co., Ltd., Nanjing Nikon Jiangnan Optical Instruments Co., Ltd., Nikon Lao Co., Ltd.

For the subsidiaries above, financial statements prepared provisionally as of March 31 are used to prepare the consolidated financial statements.

3) Changes in Accounting Policies

(Change in the Accounting Policy for the Revenue Recognition)

In the Precision Equipment Business, taking into consideration the terms of the contract and other relevant information, the revenue from sale transactions of the FPD Lithography System for customers abroad had been recognized on either the shipping dates or the time of delivery to the locations designated by customers. From the year ended March 31, 2017, however, the accounting policy was changed to recognize the revenue at the point when the installation is completed, as it better reflects the practice of the revenue for the following reasons; sales of the FPD Lithography System, which is suitable for the production of high-definition displays, have made up a growing proportion of the Group's total revenue; the installation of the system demands a more elaborate procedure than the conventional ones and is thus likely to require sophisticated work for longer periods.

The change in the accounting policy was applied retrospectively, and the consolidated financial statements for the previous fiscal year were adjusted retrospectively in accordance with the change.

As a result, net sales for the year ended March 31, 2016 decreased 3,527 million yen compared with the figures prior to the retrospective application. Operating income, ordinary income and income before income taxes for the same period decreased by 5,002 million yen, respectively. In addition, the beginning balance of retained earnings for the same period declined 8,790 million yen, as the cumulative effect of the change was reflected on the net assets at the beginning of the previous fiscal year.

Impacts on the segment information are stated in the relevant section.

4) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, March 28, 2016) was applied from the year ended March, 2017.

(Transaction in Relation to Executive Compensation BIP Trust)

NIKON CORPORATION (the "Company") introduced a performance-based stock remuneration system called "Executive Compensation BIP (Board Incentive Plan) Trust" for its Directors, etc., aiming to reinforce the incentive closely linked to the achievement defined in the Medium Term Management and sustainable enhancement of corporate value.

Accounting applied for such trust contract is based on "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(a) Outline of Transaction

Executive compensation BIP trust is a stock incentive plan that the delivery and payment of the Company's shares and the cash equivalent of the conversion value of those shares will be conducted per every 3 years based on the degree of accomplishment of business performance in the final fiscal year of the Medium Term Management Plan.

(b) Company's Shares held by the Trust

The Company's shares held by the trust were recorded as Treasury Stock under net assets of consolidated balance sheets at carrying amount of the trust. The carrying amount and the number of the Company shares were 970 million yen and 576,900 shares at the end of March 31, 2016 and were 970 million yen and 576,900 shares at the end of March 31, 2017.

In accordance with the restructuring announced in November 2016, the Company decided to discontinue the Medium Term Management plan of 3 years from the year ended March 31, 2016 to the year ending March 31, 2018 and not to pay the performance-based stock remuneration linked to those years.

5) Consolidated Statements of Income

(a) Principal Items and Amounts under Selling, General and Administrative Expenses

(Million yen)

	Fiscal year ended March 31, 2016 (From April 1 2015 to March 31, 2016)	Fiscal year ended March 31, 2017 (From April 1 2016 to March 31, 2017)
Advertising and promotion expenses	61,057	47,554
Provision for doubtful debts	(405)	(90)
Provision for product warranties	3,703	2,999
Salary and allowances	37,976	36,235
Retirement benefit expenses	3,987	4,039
Other personnel expenses	20,261	18,842
Research and development	66,780	63,632

(b) Gain on Valuation of Derivatives

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

(c) Impairment Loss

(i) Assets that were impaired during the fiscal year ended March 31, 2017

Nikon Group recorded extraordinary loss of 5,351 million yen as impairment loss against assets for business and idle assets.

For the Semiconductor Lithography Business, as a result of estimating future cash flow with information currently available, returns on assets for business were no longer expected. The carrying amounts of those assets were reduced to the recoverable amount, and extraordinary loss of 4,183 million yen was recorded as impairment loss.

In addition, as a result of reviewing current status of utilization and future prospect of non-current assets held by the Company and its consolidated subsidiaries, the carrying amounts of idle assets with no specific use expected in the future were reduced to the recoverable amount, and extraordinary loss of 1,168 million yen was recorded as impairment loss.

The main types of the assets impaired during the year were Machinery, Equipment and Vehicle 3,924 million yen, Tool, Furniture and Fixture 549 million yen, Construction in Progress 418 million, intangible asset (except Goodwill) 349 million yen and other non-current assets 108 million yen.

Out of impairment loss of 5,351 million yen, 203 million yen of the assets with no future use expected due to discontinuation of some products was included in the restructuring expenses.

Usage	Type	Location	Impairment loss (Million yen)
Assets for business	Machinery, Equipment and Vehicle and others	Japan	4,183
Idle assets	Machinery, Equipment and Vehicle and others	Japan, China, Thailand and others	1,168

(Note) Tool, Furniture and Fixture are included in "Other" within "Property, Plant and Equipment" of the consolidated balance sheets.

(ii) Method for Grouping Assets

The assets are grouped by the minimum unit that generates approximately independent cash flow.

(iii) Method for Measuring Recoverable Amount

The recoverable amount of an asset is the higher of its net realizable value and its value in use.

Net realizable value is reasonably computed primarily based on the revaluated amount of non-current assets.

(d) Restructuring Expenses

The Nikon Group has conducted a fundamental restructuring to improve its corporate value as shifting from a strategy pursuing revenue growth to one pursuing profit enhancement. In accordance with this restructuring, following details were recorded as restructuring expenses in the year ended March 31, 2017.

Details	Restructuring Expenses (Million yen)
Inventory write-downs/ write-offs in the Semiconductor Lithography Business	27,447
Special retirement benefit and other expenses associated with solicitation for voluntary retirement in Japan	16,654
Loss incurred from discontinuation of some products	7,471
Others	1,796
Total	53,369

6) Segment Information

(a) Outline of business segments reported

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

The Precision Equipment Business provides products and services of IC steppers and LCD steppers. 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, etc. Medical Business provides retinal diagnostic imaging equipment and service of Optos Plc.

(b) Method for calculating the sales, income (loss), assets, and other items for reporting segments

The accounting methods for the reporting business segments are generally those set forth in "Basis for Preparation of the Consolidated Financial Statements." Figures for income of reporting segments are on an operating income basis. Inter-segment sales or transfer are based on current market price.

(c) Information on the amounts of sales, income (loss), assets, and other items by reporting segments

In February 2017, 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, the Group aggregated the domestic functions related to the manufacture of optical components, which had discretely belonged to the individual businesses, to the consolidated subsidiary, Tochigi Nikon Corporation, and created a new manufacturing base.

From the fiscal year ended March 31, 2017, this manufacturing base is included in "Other."

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Business segments reported					Other [1]	Total	Reconciliation[2]	Consolidated Financial Statements3
	Precision Equipment	Imaging Products	Instruments	Medical	Total				
Sales									
External customers	178,888	520,484	77,242	18,311	794,926	24,461	819,388	—	819,388
Inter-segment sales or transfer	398	502	1,011	—	1,912	21,533	23,445	(23,445)	—
Total	179,287	520,986	78,253	18,311	796,839	45,994	842,834	(23,445)	819,388
Segment income (loss)	9,605	45,751	2,819	(4,675)	53,501	4,598	58,099	(26,401)	31,698
Segment assets	197,332	185,940	63,250	54,483	501,006	62,990	563,997	402,580	966,578
Other items									
Amortization of Goodwill	—	—	683	1,780	2,463	—	2,463	—	2,463
Depreciation and amortization	3,191	19,557	1,678	1,980	26,408	6,390	32,798	4,939	37,738
Increase in tangible/intangible fixed assets	9,739	10,573	1,596	45,826	67,735	6,877	74,613	5,135	79,748

(Notes) 1. The "Other" category consists of operations not included in the reportable segments such as the Glass Business, the Customized Products Business, etc.

2. Reconciliation of segment income (loss) includes elimination of intersegment transactions of 492 million yen and corporate expenses of minus 26,893 million yen. In addition, reconciliation of segment assets includes corporate assets of 410,236 million yen not allocated to the respective reportable segments, and elimination of intersegment transactions of minus 7,656 million yen. Principal components of corporate assets are surplus funds (cash and deposits) held by the Company and its consolidated subsidiaries, long-term investments (investment securities), deferred tax assets, and some intersegment fixed assets.

3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

Fiscal year ended March 31, 2017 (From April 1 2016 to March 31, 2017)

(Million yen)

	Business segments reported					Other 1	Total	Reconciliation2	Consolidated Financial Statement3
	Precision Equipment	Imaging Products	Instruments	Medical	Total				
Sales									
External customers	247,645	383,022	73,449	20,276	724,393	24,497	748,891	―	748,891
Inter-segment sales or transfer	312	748	868	70	1,998	27,505	29,504	(29,504)	―
Total	247,957	383,770	74,317	20,346	726,392	52,003	778,395	(29,504)	748,891
Segment income (loss)	51,004	27,733	349	(4,506)	74,582	4,945	79,527	(28,548)	50,979
Segment assets	154,923	159,068	69,221	51,825	435,039	81,968	517,008	480,195	997,203
Other items									
Amortization of Goodwill	―	39	683	1,927	2,650	―	2,650	―	2,650
Depreciation and amortization	2,934	16,188	1,582	2,176	22,882	5,355	28,238	4,622	32,860
Increase in tangible/intangible fixed assets	7,511	8,309	2,437	544	18,802	10,450	29,252	4,219	33,472

(Notes) 1. The "Other" category consists of operations not included in the reportable segments such as the Glass Business, the Customized Products Business, etc.

2. Reconciliation of segment income (loss) includes elimination of intersegment transactions of minus 154 million yen and corporate expenses of minus 28,393 million yen. In addition, reconciliation of segment assets includes corporate assets of 493,684 million yen not allocated to the respective reportable segments, and elimination of intersegment transactions of minus 13,489 million yen. Principal components of corporate assets are surplus funds (cash and deposits) held by the Company and its consolidated subsidiaries, long-term investments (investment securities), deferred tax assets, and some intersegment fixed assets.

3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

(d) Information on Changes in the Reportable Segments

As stated in "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, 3) Changes in Accounting Policies," the accounting policy for the revenue recognition of the Precision Equipment Business was changed and applied retrospectively.

As a result, sales and operating income of the Precision Equipment Business for the year ended March 31, 2016 decreased 3,527 million yen and 5,002 million yen, respectively.

(Related Information)

Fiscal year ended March 31, 2016 (From April 1 2015 to March 31, 2016)

(a) Information by geographical area

(i) Net Sales

(Million yen)

Japan	USA	Europe	China	Other	Total
116,449	209,382	168,459	138,296	186,799	819,388

(Note) Sales information is based on the geographical location of customers, and it is classified either by country or region.

(ii) Property, plant and equipment

(Million yen)

Japan	North America	Europe	China	Thailand	Other	Total
75,462	5,419	4,136	11,748	28,860	2,032	127,659

(b) Information by major customer

This information is not shown as there was no single customer whose proportion of sales was 10 % or more.

Fiscal year ended March 31, 2017 (From April 1 2016 to March 31, 2017)

(a) Information by geographical area

(i) Net Sales

(Million yen)

Japan	USA	Europe	China	Other	Total
126,347	181,332	124,608	148,996	167,605	748,891

(Note) Sales information is based on the geographical location of customers, and it is classified either by country or region.

(ii) Property, plant and equipment

(Million yen)

Japan	North America	Europe	China	Thailand	Other	Total
78,422	4,906	4,319	7,901	24,510	2,023	122,083

(b) Information by major customer

This information is not shown as there was no single customer whose proportion of sales was 10 % or more.

(Information for Impairment Loss of Non-current Assets by Business Segments Reported)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Business segments reported					Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Medical	Total			
Impairment loss	7,047	792	38	—	7,878	570	—	8,449

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Business segments reported					Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Medical	Total			
Impairment loss	4,183	728	—	—	4,911	439	—	5,351

(Information for Amortization of Goodwill and Balance of Goodwill by Business Segments Reported)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Business segments reported					Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Medical	Total			
Balance of goodwill as of March 31, 2016	—	—	2,392	18,373	20,766	—	—	20,766

Information on amortization of goodwill is stated in "Segment information."

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Business segments reported					Other	Corporate or Eliminations	Total
	Precision Equipment	Imaging Products	Instruments	Medical	Total			
Balance of goodwill as of March 31, 2017	—	609	1,708	16,297	18,616	—	—	18,616

Information on amortization of goodwill is stated in "Segment information."

(Information for Gains on Negative Goodwill by Business Segments Reported)

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Not applicable

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Not applicable

7) Per-Share Information

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)		Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	
	(Yen)		(Yen)
Net assets per share	1,328.68	Net assets per share	1,313.89
Net income (loss) per share	46.05	Net income (loss) per share	(17.94)
Net income per share(fully diluted)	45.94	Net income per share(fully diluted)	—

(Notes) 1. Although there were residual securities in the fiscal year ended March 31, 2017, net income per share (fully diluted) for the year is not shown above, as it was net loss for the year.

2. The basis for calculating net income per share and fully diluted net income per share is as below:

	Fiscal year ended March 2016 (From April 1, 2015 to March 31, 2016)	Fiscal year ended March 2017 (From April 1, 2016 to March 31, 2017)
Net income (loss) per share		
Net income (loss) attributable to owners of the parent (million yen)	18,254	(7,107)
Amount not belonging to common shareholders (million yen)	—	—
Net income (loss) attributable to owners of the parent related to common stock (million yen)	18,254	(7,107)
Average share outstanding (1,000 shares)	396,409	396,195
Net income per share (fully diluted)		
Increase in common stock (1,000 shares)	936	—
(Subscription rights to shares) (1,000 shares)	(936)	(—)
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	2007 stock options (62 new share subscription rights): 62,000 shares of common stocks	—

3. As stated in "Changes in Accounting Policies," from the fiscal year ended March 31, 2017, the accounting policy for the revenue recognition was changed and applied retrospectively. As a result, net assets per share, net income per share and net income per share (fully diluted) of the fiscal year ended March 31, 2016 decreased 32.12 yen, 9.93 yen and 9.91 yen, respectively.

4. On computation of net assets per share, following number of the Company's shares held by the executive compensation BIP trust was included in the number of treasury stocks, which were excluded from the number of share issued as of the term-end; 576,900 shares as of March 31, 2016 and 576,900 shares as of March 31, 2017.

In addition, on computation of net income (loss) per share and net income per share (fully diluted), following number of the Company's shares held by the executive compensation BIP trust was included in the number of treasury stocks, which were excluded from the calculation of average share outstanding; 354,281 shares for the fiscal year ended March 31, 2016 and 576,900 shares for the fiscal year ended March 31, 2017.

8) Significant Subsequent Events

Not applicable

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	74,406	171,223
Notes receivable-trade	2,411	5,338
Accounts receivable-trade	58,624	47,261
Merchandise and finished goods	66,990	48,497
Work in process	107,437	74,487
Raw materials and supplies	8,924	8,523
Deferred tax assets	31,595	31,838
Other	61,778	26,356
Allowance for doubtful accounts	(40)	(39)
Total current assets	412,129	413,486
Non-current assets		
Property, plant and equipment		
Buildings, net	21,675	20,570
Structures, net	695	645
Machinery and equipment, net	14,227	9,448
Vehicles, net	28	19
Tools, furniture and fixtures, net	6,199	6,383
Land	9,836	9,836
Lease assets, net	1,081	934
Construction in progress	2,505	2,633
Total property, plant and equipment	56,251	50,472
Intangible assets		
Software	14,551	12,435
Other	5,673	4,861
Total intangible assets	20,225	17,296
Investments and other assets		
Investment securities	61,085	76,214
Shares of subsidiaries and associates	100,369	101,691
Investments in capital	1	1
Investments in capital of subsidiaries and associates	14,786	15,472
Long-term loans receivable	6,595	4,313
Prepaid pension cost	5,160	2,364
Deferred tax assets	5,406	6,350
Other	3,837	9,068
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	197,234	215,468
Total non-current assets	273,711	283,238
Total assets	685,840	696,724

(Million yen)

	As of March 31,2016	As of March 31,2017
Liabilities		
Current liabilities		
Notes payable-trade	384	227
Electronically recorded obligations-operating	27,982	23,532
Accounts payable-trade	68,053	59,720
Short-term loans payable	18,241	13,600
Current portion of bonds	10,000	10,000
Lease obligations	610	500
Accounts payable-other	5,200	4,795
Accrued expenses	24,366	37,969
Income taxes payable	66	825
Advances received	95,359	90,517
Deposits received	36,273	34,479
Provision for product warranties	3,705	3,254
Other	1,512	1,034
Total current liabilities	291,757	280,457
Non-current liabilities		
Bonds payable	40,000	30,000
Long-term loans payable	44,200	84,657
Lease obligations	782	662
Asset retirement obligations	2,333	2,296
Other	1,095	815
Total non-current liabilities	88,410	118,432
Total liabilities	380,167	398,889
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus		
Legal capital surplus	80,711	80,711
Total capital surplus	80,711	80,711
Retained earnings		
Legal retained earnings	5,565	5,565
Other retained earnings		
Reserve for research and development	2,056	2,056
Reserve for advanced depreciation of non-current assets	10,335	9,491
General reserve	111,211	111,211
Retained earnings brought forward	30,539	16,909
Total retained earnings	159,707	145,232
Treasury stock	(13,255)	(13,215)
Total shareholders' equity	292,639	278,205
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,711	18,338
Deferred gains or losses on hedges	(17)	(205)
Total valuation and translation adjustments	11,693	18,133
Subscription rights to shares	1,339	1,496
Total net assets	305,672	297,834
Total liabilities and net assets	685,840	696,724

(2) Non-Consolidated Statements of Income

(Million yen)

	Year ended March 31,2016	Year ended March 31,2017
Net sales	561,827	541,056
Cost of sales	447,116	396,352
Gross profit	114,711	144,704
Selling, general and administrative expenses	127,808	121,451
Operating income (loss)	(13,096)	23,252
Non-operating income		
Interest and dividends income	11,340	16,412
Other	5,527	5,539
Total non-operating income	16,868	21,951
Non-operating expenses		
Interest expenses	1,147	1,163
Other	2,786	3,956
Total non-operating expenses	3,933	5,119
Ordinary income (loss)	(162)	40,084
Extraordinary income		
Gain on sales of non-current assets	2,396	126
Gain on sales of investment securities	470	4,283
Total extraordinary income	2,866	4,409
Extraordinary loss		
Loss on sales of non-current assets	55	68
Impairment loss	7,654	4,646
Loss on valuation of investment securities	―	2
Restructuring expenses	―	49,791
Environmental expenses	1,771	―
Total extraordinary losses	9,481	54,508
Income (loss) before income taxes	(6,777)	(10,014)
Income taxes-current	(1,195)	(1,170)
Income taxes-deferred	(840)	(4,070)
Total income taxes	(2,035)	(5,240)
Net income (loss)	(4,742)	(4,773)

(3) Non-Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016

(Million yen)

	Shareholders' equity							
		Capital surplus	Retained earnings					
				Other retained earnings				
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for research and development	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance as of April 1,2015	65,475	80,711	5,565	2,056	9,354	111,211	56,815	185,002
Cumulative effect of changes in accounting policies							(8,575)	(8,575)
Balance as of April 1, 2015 (Restated)	65,475	80,711	5,565	2,056	9,354	111,211	48,240	176,427
Changes of items during the period								
Provision of reserve for advanced depreciation of non-current assets					1,209		(1,209)	–
Reversal of reserve for advanced depreciation of non-current assets					(227)		227	–
Dividends from surplus							(8,727)	(8,727)
Dividends from surplus (Interim dividends)							(3,174)	(3,174)
Net income（loss）							(4,742)	(4,742)
Purchase of treasury stock								
Disposal of treasury stock							(75)	(75)
Net changes of items other than Shareholders' equity								
Total changes of items during the period	–	–	–	–	981	–	(17,701)	(16,720)
Balance as of March 31,2016	65,475	80,711	5,565	2,056	10,335	111,211	30,539	159,707

	Shareholders' equity		Valuation and translation adjustments				
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance as of April 1,2015	(12,412)	318,777	20,744	(1,200)	19,543	1,132	339,453
Cumulative effect of changes in accounting policies		(8,575)					(8,575)
Balance as of April 1, 2015 (Restated)	(12,412)	310,201	20,744	(1,200)	19,543	1,132	330,878
Changes of items during the period							
Provision of reserve for advanced depreciation of non-current assets		–					–
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividends from surplus		(8,727)					(8,727)
Dividends from surplus (Interim dividends)		(3,174)					(3,174)
Net loss		(4,742)					(4,742)
Purchase of treasury stock	(976)	(976)					(976)
Disposal of treasury stock	133	58					58
Net changes of items other than Shareholders' equity			(9,033)	1,183	(7,849)	206	(7,643)
Total changes of items during the period	(842)	(17,562)	(9,033)	1,183	(7,849)	206	(25,205)
Balance as of March 31,2016	(13,255)	292,639	11,711	(17)	11,693	1,339	305,672

Year ended March 31, 2017

(Million yen)

	Shareholders' equity							
		Capital surplus	Retained earnings					
				Other retained earnings				
	Capital stock	Legal capital surplus	Legal retained earnings	Reserve for research and development	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2016	65,475	80,711	5,565	2,056	10,335	111,211	30,539	159,707
Changes of items during the period								
Provision of reserve for advanced depreciation of non-current assets					1,133		(1,133)	−
Reversal of reserve for advanced depreciation of non-current assets					(1,871)		1,871	−
Dividends from surplus							(3,967)	(3,967)
Dividends from surplus (Interim dividends)							(4,761)	(4,761)
Net income（loss）							(4,773)	(4,773)
Purchase of treasury stock								
Disposal of treasury stock							(19)	(19)
Decrease by corporate division					(106)		(845)	(952)
Net changes of items other than Shareholders' equity								
Total changes of items during the period	−	−	−	−	(844)	−	(13,629)	(14,474)
Balance as of March 31,2017	65,475	80,711	5,565	2,056	9,491	111,211	16,909	145,232

	Shareholders' equity		Valuation and translation adjustments				
	Treasury stock	Total shareholders' equity	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance as of April 1,2016	(13,255)	292,639	11,711	(17)	11,693	1,339	305,672
Changes of items during the period							
Provision of reserve for advanced depreciation of non-current assets		−					−
Reversal of reserve for advanced depreciation of non-current assets		−					−
Dividends from surplus		(3,967)					(3,967)
Dividends from surplus (Interim dividends)		(4,761)					(4,761)
Net income（loss）		(4,773)					(4,773)
Purchase of treasury stock	(4)	(4)					(4)
Disposal of treasury stock	44	25					25
Decrease by corporate division		(952)					(952)
Net changes of items other than Shareholders' equity			6,626	(187)	6,439	157	6,596
Total changes of items during the period	39	(14,434)	6,626	(187)	6,439	157	(7,838)
Balance as of March 31,2017	(13,215)	278,205	18,338	(205)	18,133	1,496	297,834

(Supplementary Information) Effect of applying the change in the accounting policy retrospectively

The effect of applying the change in the accounting policy for the revenue recognition retrospectively to the year ended March 31, 2016 is as follow:

(As previously reported)

		Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	822,915
	Operating income	36,701
	Ordinary income	42,870
	Income before income taxes	33,581
	Net income attributable to owners of the parent	22,192

Precision Equipment	Net sales	182,416
	Operating income (loss)	14,607

(As adjusted)

		Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	819,388
	Operating income	31,698
	Ordinary income	37,868
	Income before income taxes	28,578
	Net income attributable to owners of the parent	18,254

Precision Equipment	Net sales	178,888
	Operating income (loss)	9,605

(Effect of retrospective application of the change)

		Year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)
Consolidated	Net sales	(3,527)
	Operating income	(5,002)
	Ordinary income	(5,002)
	Income before income taxes	(5,002)
	Net income attributable to owners of the parent	(3,937)

Precision Equipment	Net sales	(3,527)
	Operating income (loss)	(5,002)