



May 9, 2019

Consolidated Financial Results of the Year Ended March 31, 2019 (IFRS)

Corporate Name: NIKON CORPORATION

Securities code number: 7731

Stock exchange listings: Tokyo

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Date for the annual shareholders' meeting: June 27, 2019

Date for the filing of the Annual Securities Report: June 27, 2019

Date of year-end dividend payout: June 28, 2019

Preparation of supplementary materials for financial results: Yes

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

(Amounts are rounded to the nearest millions of yen)

1. Consolidated Results of the Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

| | Revenue | | Operating Profit | | Profit before Income Taxes | | Profit for the Year | | Profit Attributable to Owners of the Parent | | Total Comprehensive Income for the Year | |
|---------------------------|-----------------|-------|------------------|------|----------------------------|------|---------------------|-------|---|-------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2019 | 708,660 | (1.2) | 82,653 | 47.0 | 87,915 | 56.3 | 66,597 | 91.2 | 66,513 | 91.3 | 63,520 | 49.9 |
| Year ended March 31, 2018 | 717,078 | (4.3) | 56,236 | — | 56,257 | — | 34,835 | 758.6 | 34,772 | 776.6 | 42,375 | 335.2 |

| | Basic Earnings per Share | Diluted Earnings per Share | Ratio of Profit to Equity Attributable to Owners of the Parent | Ratio of Profit before Income Taxes to Total Assets | Ratio of Operating Profit to Revenue |
|---------------------------|--------------------------|----------------------------|--|---|--------------------------------------|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2019 | 167.86 | 167.30 | 11.2 | 7.9 | 11.7 |
| Year ended March 31, 2018 | 87.76 | 87.49 | 6.3 | 5.3 | 7.8 |

(Notes) Share of the profit (loss) of investments accounted for using the equity method : Year ended March 31, 2019 1,762 million yen
Year ended March 31, 2018 (219) million yen

(2) Consolidated Financial Position

| | Total Assets | Total Equity | Equity Attributable to Owners of the Parent | Ratio of Equity Attributable to Owners of the Parent to Total Assets | Equity per Share Attributable to Owners of the Parent |
|----------------------|-----------------|-----------------|---|--|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| As of March 31, 2019 | 1,134,985 | 616,726 | 615,920 | 54.3 | 1,554.34 |
| As of March 31, 2018 | 1,098,343 | 573,541 | 572,908 | 52.2 | 1,445.92 |

(3) Consolidated Cash Flows

| | Cash flows from Operating Activities | Cash flows from Investing Activities | Cash flows from Financing Activities | Cash and cash equivalents at the end of the year |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended March 31, 2019 | 68,901 | (25,304) | (21,583) | 411,055 |
| Year ended March 31, 2018 | 125,082 | (34,808) | (19,970) | 388,438 |

2. Dividends

| | Dividend per Share | | | | | Total Cash Dividend (Annual) | Dividend Payout Ratio (Consolidated) | Ratio of Dividend to Equity Attributable to Owners of the Parent (Consolidated) |
|--------------------------------------|---------------------|----------------------|---------------------|----------|--------|------------------------------|--------------------------------------|---|
| | First quarter ended | Second quarter ended | Third quarter ended | Year-end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended March 31, 2018 | — | 14.00 | — | 22.00 | 36.00 | 14,285 | 41.0 | 2.6 |
| Year ended March 31, 2019 | — | 30.00 | — | 30.00 | 60.00 | 23,809 | 35.7 | 4.0 |
| Year ending March 31, 2020 (Planned) | — | 30.00 | — | 30.00 | 60.00 | | 56.6 | |

3. Consolidated Financial Forecasts for the Year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Percentage represents comparisons to the same period the previous year)

| | Revenue | | Operating Profit | | Profit before Income Taxes | | Profit Attributable to Owners of the Parent | | Basic Earnings per Share Attributable to Owners of the Parent |
|--|-----------------|--------|------------------|--------|----------------------------|--------|---|--------|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Second quarter ending September 30, 2019 | 290,000 | (13.6) | 15,000 | (51.0) | 17,000 | (49.8) | 13,000 | (43.0) | 32.81 |
| Full year | 670,000 | (5.5) | 52,000 | (37.1) | 55,000 | (37.4) | 42,000 | (36.9) | 105.99 |

4. Others

(1) Changes in Significant Subsidiaries during the Current Fiscal Year: None

(Note) This refers to the presence or absence of specified subsidiaries, which accompany changes in scope of consolidation in the period under review.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

1. Changes in accounting policies required by IFRS: Yes

2. Changes in accounting policies other than the above: None

3. Changes in accounting estimates: None

(Note) For details, please refer to page 23, "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies."

(3) Number of shares issued (common stock)

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

Year ended March 31, 2019 400,878,921 shares

Year ended March 31, 2018 400,878,921 shares

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

Year ended March 31, 2019 4,620,047 shares

Year ended March 31, 2018 4,655,476 shares

3. Average number of shares during the term:

Year ended March 31, 2019 396,235,346 shares

Year ended March 31, 2018 396,213,493 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, 2019 (April 1, 2018 to March 31, 2019)

(1) Financial Results

(Percentage represents year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|---------------------------|-----------------|--------|------------------|------|-----------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2019 | 509,530 | 5.7 | 29,443 | 14.1 | 46,335 | 4.0 | 51,616 | 51.5 |
| Year ended March 31, 2018 | 482,142 | (10.9) | 25,802 | 11.0 | 44,569 | 11.2 | 34,075 | — |

| | Net Income per Share of Common Stock | Net Income per Share of Common Stock after Dilution |
|---------------------------|--------------------------------------|---|
| | Yen | Yen |
| Year ended March 31, 2019 | 130.27 | 129.83 |
| Year ended March 31, 2018 | 86.00 | 85.74 |

(2) Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets per Share of Common Stock |
|---------------------------|-----------------|-----------------|--------------|--------------------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| Year ended March 31, 2019 | 795,991 | 356,323 | 44.5 | 894.61 |
| Year ended March 31, 2018 | 780,487 | 329,601 | 42.0 | 827.62 |

(Reference) Equity: Year ended March 31, 2019 354,498 million yen
Year ended March 31, 2018 327,924 million yen

※ This report is out of scope of audit by certified public accountants or auditing firms.

※ Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information and assumptions at the time of this report's release such as most recent market forecasts and exchange rates. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to the above assumptions. For more information about the Company's business forecasts, please refer to page 8.

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1. Overview of the Consolidated Operating Results and Others

(1) Overview of the Consolidated Operating Results

The economic state of affairs in the fiscal year ended March 31, 2019 continued its gradual recovery trend, showing signs of improvement in personal consumption and increased capital investment in Japan. The U.S. economy remained solid despite a temporary slowdown in personal consumption, and Europe was on a modest recovery trend. In addition, a moderate slowdown trend was seen in China.

Looking at conditions by business segment, in the Imaging Products Business, the digital camera-interchangeable lens type market and the compact digital camera market continued to shrink. In the Precision Equipment Business, capital investments were steady in the FPD-related field. Despite solid capital investments in the semiconductor-related field, investments slowed down in the latter half of the fiscal year. In the Healthcare Business, market conditions were solid both in the bioscience field and ophthalmic diagnosis field, especially overseas.

During the fiscal year ended March 31, 2019, which was the final year of restructuring announced in November 2016, the Nikon Group (the "Group") tackled its remaining issues taking the post-restructuring period into consideration.

In specific, the Group promoted a shift to portfolio-based management, and strived to spread the understanding of ROE and ROIC, which the Group positioned as the management indicators that emphasize capital efficiency, to each organization and individual employee. Furthermore, the Group promoted the strengthening of its corporate governance structure, such as implementing improvements in order to address the issues that were identified through the evaluation of the Board of Directors' effectiveness, which were conducted by a third-party organization. In addition, the Group continued to carry out measures to enhance management DNA, such as reducing fixed costs. The Group also committed to the development of products with competitive advantages, focusing on the Group's core technologies of opto-electronics and precision.

As a result of the aforementioned measures, revenue for the fiscal year ended March 31, 2019 decreased by 8,418 million yen (1.2%) year on year to 708,660 million yen, operating profit increased by 26,417 million yen (47.0%) year on year to 82,653 million yen, profit before income taxes increased by 31,658 million yen (56.3%) year on year to 87,915 million yen, and profit attributable to owners of the parent increased by 31,741 million yen (91.3%) year on year to 66,513 million yen.

From the three months ended June 30, 2018, the Group has adopted IFRS 15 "Revenue from Contracts with Customers." For details of the changes in accounting policies, please see "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies."

Performance by segment is as follows.

[Imaging Products Business]

For the digital camera-interchangeable lens type, sales of the D850, a digital SLR camera, were strong, and the Group made efforts to increase sales of the new Z 7 and Z 6 full-frame mirrorless cameras, which have earned favorable reviews.

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

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

As a result, revenue for the Imaging Products Business decreased by 17.9% year on year to 296,169 million yen, and operating profit decreased by 27.0% year on year to 22,069 million yen.

[Precision Equipment Business]

In the FPD lithography system field, although unit sales of equipment for mid-to-small size panels decreased, unit sales of equipment for large-size panels increased, resulting in substantial increases in revenue and profits.

In the semiconductor lithography system field, despite factors such as the postponement of sales of some systems to the fiscal year ending March 31, 2020, the business passed the break-even point for two consecutive fiscal years, owing to solid sales of ArF immersion scanners and ArF scanners, and further improvement of efficiency through the restructuring.

As a result, revenue for the Precision Equipment Business increased by 21.3% year on year to 274,540 million yen. In addition, operating profit increased by 53.1% year on year to 81,730 million yen, due to the rise of profit in the FPD lithography system field, as well as the effect of recording a settlement income regarding litigation over patents in the semiconductor lithography system field, which resulted in the substantial increase of profit in the business as a whole.

[Healthcare Business]

In the bioscience field, sales of biological microscopes increased, mainly overseas, and sales of ultra-wide field retinal imaging devices remained solid in the ophthalmic diagnosis field as well. Both fields recorded their highest sales ever.

Regarding the business as a whole, although strategic investments into the ophthalmic diagnosis field and the regenerative medicine-related field were made as planned, profitability improved due to factors such as reductions of fixed costs.

As a result, revenue for the Healthcare Business increased by 15.2% year on year to 65,434 million yen, and operating loss of 1,937 million yen (operating loss of 3,263 million yen was recorded in the previous fiscal year) was recorded.

[Industrial Metrology and Others]

In the Industrial Metrology Business, profitability improved and profits increased, despite a decrease in revenue due to factors such as the transfer of the CMM (Coordinate Measuring Machines) Business as part of restructuring.

In the Customized Products Business, revenue for solid-state lasers and customized equipment increased.

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

As a result, revenue for the Industrial Metrology and Others decreased by 1.0% year on year to 72,518 million yen, and operating profit increased by 38.0% year on year to 6,937 million yen.

(2) Overview of Financial Position

The balance of total assets as of March 31, 2019 increased 36,642 million yen from the end of the previous fiscal year to 1,134,985 million yen. This was mainly due to the increase of cash and cash equivalents by 22,617 million yen, and inventories by 17,783 million yen.

The balance of total liabilities as of March 31, 2019 decreased 6,543 million yen from the end of the previous fiscal year to 518,259 million yen. This was mainly because despite advances received rose by 16,231 million yen, trade and other payables decreased by 22,207 million yen.

The balance of total equity as of March 31, 2019 increased 43,185 million yen from the end of the previous fiscal year to 616,726 million yen. The increase was primarily driven by the increase of retained earnings by 44,495 million yen as a result of posting profit attributable to owners of the parent despite dividends paid.

(3) Overview of Cash Flows

During the fiscal year ended March 31, 2019, for the cash flows from operating activities, profit before income taxes of 87,915 million yen and depreciation and amortization of 27,805 million yen were posted, and advances received increased by 15,149 million yen due to orders received for semiconductor lithography system. However on the contrary, payment of income taxes was 19,662 million yen, increases were seen in trade and other receivables and in inventories, and trade and other payables decreased. As a result, net cash of 68,901 million yen was provided in operating activities. (Net cash of 125,082 million yen was provided in the previous fiscal year).

For the cash flows from investing activities, the net cash used in investing activities was 25,304 million yen primarily due to the acquisition of property, plant and equipment and intangible assets. (Net cash of 34,808 million yen was used in the previous fiscal year).

For the cash flows from financing activities, net cash of 21,583 million yen was used, mainly due to the payment of dividends. (Net cash of 19,970 million yen was used in the previous fiscal year).

In addition, the effect of exchange rate change on cash and cash equivalents increased 603 million yen.

As a result of the above, the balance of cash and cash equivalents at March 31, 2019 rose 22,617 million yen from the end of the previous fiscal year to 411,055 million yen.

(4) Future Outlook

Regarding future prospects of the business segments of the Group, in the Imaging Products Business, although the digital camera-interchangeable lens type market is expected to remain solid in the full-frame category, the market as a whole is forecast to continue to shrink, and the continuing shrinkage of the compact digital camera market is also expected. For the Precision Equipment Business, in the FPD-related field, although capital investments for mid-to-small size panels are expected to stabilize, capital investments for large-size panels are forecast to remain solid. In the semiconductor-related field, capital investments are expected to enter a temporary lull due to a slowdown in the semiconductor market. For the Healthcare Business, market conditions are expected to remain solid in the bioscience field. In the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market is forecast to remain solid, mainly overseas.

During the year ending March 31, 2020, the Group will strive to establish a foundation for growing enterprise value sustainably, by generating new core pillars of profit and improving the profitability of existing businesses under the new medium-term management plan.

In order to generate new core pillars of profit, the Group will aim to develop new markets in monozukuri (manufacturing) field by focusing on the Material Processing Business, an area in which high precision stage control, non-contact 3D metrology, and optics application technologies cultivated in its existing businesses can be utilized, and is also an area that has potential for market growth. Furthermore, the Group will nurture new businesses in the fields of digital manufacturing, vision systems/robotics, and healthcare, which the Group has defined as long-term growth fields.

Regarding existing businesses, the Group will commit to improve profitability in its three core businesses of Imaging Products Business, FPD Lithography Business, and Semiconductor Lithography Business, based on the following policies.

- Imaging Products Business: Strive to shift to a business structure that can secure stable profits as Nikon's core business, even in a shrinking market.
- FPD Lithography Business: Keep the leadership position in markets where stable demand is expected in the medium- to long-term.
- Semiconductor Lithography Business: Strive to establish a structure that continues stable generation of cash flow through the profitability-first business strategy.

In addition, the Group will strive to reform costs through measures such as supply chain optimization, a zero-based review of the costs, duties, and functions of management and back-office departments, optimization of marketing and production systems, process reform, and the shortening of manufacturing lead-time.

Furthermore, in order to establish "monozukuri structure" by digital manufacturing, the Group will implement human resource development of monozukuri technology and reforms in the following four areas: production system, monozukuri technology, procurement, and quality management.

The Group will also enhance its corporate governance through comprehensive measures aimed at enhancing the effectiveness of the Board of Directors, such as increasing the diversity of its external directors and establishing a voluntary nomination committee.

Through these activities, the Group will strive to be the "leading company in precision & optics" that realizes sustainable growth of enterprise value in medium- to long-term.

(5) Shareholder Returns Policy and Dividends

The Company's fundamental policy on shareholder returns is to distribute a steady dividend that reflects the perspective of shareholders, and simultaneously realizing appropriate capital allocation flexibly from a mid to long-term perspective, while expanding investment (in capital and in development) in business and technology development to ensure future growth and enhance competitiveness. Based on this policy, during the cumulative period of the new medium-term management plan for the year ending March 31, 2020 to the year ending March 31, 2022, the Company will return to shareholders targeting a total return ratio of 40% or more.

For the year ended March 31, 2019, the year-end dividend is 30 yen per share, and the full year dividend will be 60 yen per share, including the interim dividend of 30 yen.

The full year dividend for the year ending March 31, 2020 is forecast to be 60 yen per share (including the interim dividend of 30 yen).

(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 Group's estimations as of March 31, 2019.

1) Unique business environment and circumstances

In the market for digital cameras, which are the leading products in the Imaging Products Business, there is a possibility of the market undergoing drastic changes due to fluctuations of the economy of the respective regions. Furthermore, the expansion of the markets of strong competition, such as new digital equipment, may lead to the further decline in demand for digital cameras.

The demand for FPD lithography systems, which is handled by the Precision Equipment Business, 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. Moreover, the semiconductor industry, which is the main target market for the semiconductor lithography systems, 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, 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. It is, however, 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.

In the Healthcare Business, the demands for biological microscopes are susceptible to the research and development budget of the government and public offices and the research and development trends of private sector companies.

The Industrial Metrology Business, under the Industrial Metrology and Others, 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 increase 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 the social issues related to human rights including slave labor and conflict resources as well as the environment. In the event, however, 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 Group may be adversely affected.

3) Dependence on specific customers

Competition among companies is intensifying in the flat panel industry, which is a customer of the Precision Equipment Business, resulting in some moves for industry restructuring. Moreover, moves such as mergers and partnerships are progressing within the semiconductor industry in order to cope with expanding capital expenditure and increasingly diversified technology development. Further, selective elimination is proceeding and the dependency on specific customers is increasing as the competitive superiority or inferiority of various companies becomes more defined, based on the technologies owned and the characteristics of the devices manufactured. Under these circumstances, there is a possibility that the Nikon Group's profit and financial position will be adversely affected should, for example, when the Group's major customers change their capital investment plans, reduce order volumes or take their 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 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. There is, however, 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. In addition, 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.

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 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 the Company'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 Healthcare 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

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 market for FPD lithography and semiconductor 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.

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 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 revenue accounting for as much as 87.0% of revenue. While the Group is appropriately hedging foreign exchange risks in accordance with sales volumes and the sales region, the sales 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 Nikon Group 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.

If, however, 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 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. Should labor fluidity, however, 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. 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. In the rare event, however, of leakage of the Group's confidential information, including technical information, there is a possibility that the corporate value of the 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. In the rare event, however, 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 natural disasters such as earthquakes, fires, flood and droughts (including those caused by abnormal weather and weather fluctuations) 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. There is, however, the risk that operations will be suspended and production and shipment will be delayed, should the Nikon Group's development or production 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. There is, however, 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.

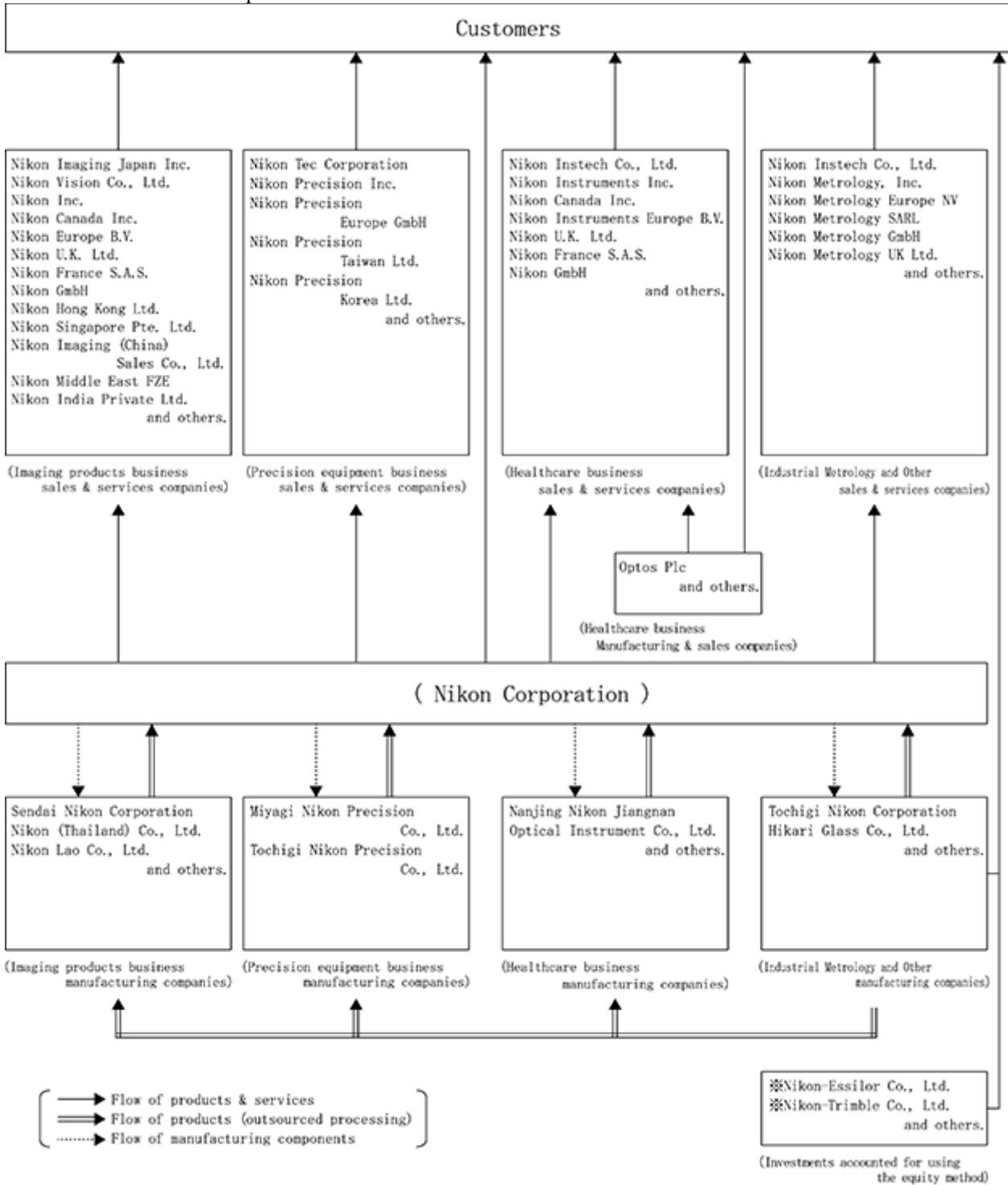
16) Environmental regulations

The Nikon Group is subject to various environmental laws and regulations regarding energy, greenhouse gases, the atmosphere, water, hazardous chemical substances, recycling of products, batteries, containers and packaging materials, 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 is comprised of NIKON CORPORATION (the "Company"), its 81 consolidated subsidiaries, and 16 investments accounted for using the equity method, running the Imaging Products Business, Precision Equipment Business, Healthcare Business, and businesses such as Industrial Metrology.

The structure of the Group is shown as below:



(Note) Only principal subsidiaries and associated companies are listed.

No symbol: subsidiary, ※: Investments accounted for using the equity method

3. Basic Policy on the Adoption of Accounting Standards

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the Annual Securities Report from the 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 Statement of Financial Position

(Millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 | Changes |
|---|----------------------|----------------------|---------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 388,438 | 411,055 | 22,617 |
| Trade and other receivables | 104,526 | 115,847 | 11,321 |
| Inventories | 235,553 | 253,336 | 17,783 |
| Other current financial assets | 10,958 | 3,145 | (7,813) |
| Other current assets | 12,430 | 15,306 | 2,876 |
| (Subtotal) | 751,905 | 798,689 | 46,784 |
| Non-current assets held for sale | 2,277 | — | (2,277) |
| Total current assets | 754,182 | 798,689 | 44,507 |
| Non-current assets | | | |
| Property, plant and equipment | 118,761 | 116,119 | (2,642) |
| Goodwill and intangible assets | 60,985 | 59,176 | (1,809) |
| Net defined benefit assets | 5,706 | 5,097 | (609) |
| Investments accounted for using the equity method | 9,387 | 9,748 | 362 |
| Other non-current financial assets | 91,841 | 91,263 | (578) |
| Deferred tax assets | 53,355 | 51,383 | (1,972) |
| Other non-current assets | 4,126 | 3,508 | (618) |
| Total non-current assets | 344,161 | 336,296 | (7,865) |
| Total assets | 1,098,343 | 1,134,985 | 36,642 |

(Millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 | Changes |
|---|----------------------|----------------------|----------|
| LIABILITIES/ EQUITY | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 118,701 | 96,493 | (22,207) |
| Bonds and borrowings | 12,200 | 14,400 | 2,200 |
| Income tax payables | 11,567 | 8,222 | (3,345) |
| Advances received | 176,631 | 192,862 | 16,231 |
| Provisions | 6,820 | 5,619 | (1,200) |
| Other current financial liabilities | 28,879 | 27,006 | (1,873) |
| Other current liabilities | 34,959 | 38,961 | 4,003 |
| Total current liabilities | 389,756 | 383,564 | (6,192) |
| Non-current liabilities | | | |
| Bonds and borrowings | 113,140 | 112,010 | (1,130) |
| Net defined benefit liabilities | 7,995 | 9,031 | 1,036 |
| Provisions | 4,844 | 4,944 | 100 |
| Deferred tax liabilities | 3,978 | 4,063 | 85 |
| Other non-current financial liabilities | 2,490 | 2,140 | (350) |
| Other non-current liabilities | 2,599 | 2,507 | (92) |
| Total non-current liabilities | 135,046 | 134,695 | (351) |
| Total liabilities | 524,802 | 518,259 | (6,543) |
| EQUITY | | | |
| Capital stock | 65,476 | 65,476 | — |
| Capital surplus | 81,333 | 81,424 | 91 |
| Treasury stock | (13,152) | (13,044) | 108 |
| Other components of equity | (18,310) | (19,992) | (1,682) |
| Retained earnings | 457,561 | 502,056 | 44,495 |
| Equity attributable to owners of the parent | 572,908 | 615,920 | 43,012 |
| Non-controlling interests | 633 | 806 | 173 |
| Total equity | 573,541 | 616,726 | 43,185 |
| Total liabilities and equity | 1,098,343 | 1,134,985 | 36,642 |

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

| | For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018) | | For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) | | Changes (Millions of yen) |
|--|---|----------------------------|---|----------------------------|----------------------------------|
| | (Millions of yen) | Ratio to revenue (%) | (Millions of yen) | Ratio to revenue (%) | |
| Revenue | 717,078 | 100.0 | 708,660 | 100.0 | (8,418) |
| Cost of sales | (404,170) | (56.4) | (405,250) | (57.2) | (1,080) |
| Gross profit | 312,908 | 43.6 | 303,410 | 42.8 | (9,498) |
| Selling, general and administrative expenses | (248,683) | | (238,561) | | 10,122 |
| Other income | 3,714 | | 21,912 | | 18,197 |
| Other expenses | (11,702) | | (4,107) | | 7,595 |
| Operating Profit | 56,236 | 7.8 | 82,653 | 11.7 | 26,417 |
| Finance income | 6,535 | | 7,333 | | 798 |
| Finance costs | (6,295) | | (3,833) | | 2,462 |
| Share of the profit (loss) of investments accounted for using the equity method | (219) | | 1,762 | | 1,981 |
| Profit before income taxes | 56,257 | 7.8 | 87,915 | 12.4 | 31,658 |
| Income tax expenses | (21,422) | | (21,318) | | 103 |
| Profit for the year | 34,835 | 4.9 | 66,597 | 9.4 | 31,761 |
| Attributable to: | | | | | |
| Owners of the parent | 34,772 | 4.8 | 66,513 | 9.4 | 31,741 |
| Non-controlling interests | 63 | | 84 | | 20 |
| Profit for the year | 34,835 | 4.9 | 66,597 | 9.4 | 31,761 |
| Earnings per share: | | | | | |
| Basic earnings per share (Yen) | 87.76 | | 167.86 | | |
| Diluted earnings per share (Yen) | 87.49 | | 167.30 | | |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018) | For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) | Changes |
|--|---|---|----------|
| Profit for the year | 34,835 | 66,597 | 31,761 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Gain (loss) on financial assets measured at fair value through other comprehensive income | 6,036 | (4,591) | (10,626) |
| Remeasurement of defined benefit pension plans | (196) | (999) | (803) |
| Share of other comprehensive income of investments accounted for using the equity method | (16) | 24 | 39 |
| Total of items that will not be reclassified subsequently to profit or loss | 5,824 | (5,566) | (11,390) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | 1,635 | 2,669 | 1,034 |
| Effective portion of the change in fair value on cash flow hedges | 330 | (147) | (478) |
| Share of other comprehensive income of investments accounted for using the equity method | (249) | (32) | 217 |
| Total of items that may be reclassified subsequently to profit or loss | 1,716 | 2,490 | 774 |
| Other comprehensive income, net of taxes | 7,540 | (3,076) | (10,616) |
| Total comprehensive income for the year | 42,375 | 63,520 | 21,145 |
| Attributable to: | | | |
| Owners of the parent | 42,294 | 63,447 | 21,154 |
| Non-controlling interests | 82 | 73 | (9) |
| Total comprehensive income for the year | 42,375 | 63,520 | 21,145 |

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | |
|---|---|-----------------|----------------|---|--|--|
| | Capital stock | Capital surplus | Treasury stock | Other components of equity | | |
| | | | | Gain (loss) on financial assets measured at fair value through other comprehensive income | Remeasurement of defined benefit pension plans | Share of other comprehensive income of investments accounted for using the equity method |
| As of April 1, 2017 | 65,476 | 81,163 | (13,215) | 7,360 | — | (557) |
| Profit for the year | — | — | — | — | — | — |
| Other comprehensive income | — | — | — | 6,036 | (196) | (265) |
| Total comprehensive income for the year | — | — | — | 6,036 | (196) | (265) |
| Dividends | — | — | — | — | — | — |
| Acquisition and disposal of treasury stock | — | (8) | 3 | — | — | — |
| Share-based payments | — | 146 | 60 | — | — | — |
| Changes in the ownership interest in subsidiaries | — | 32 | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | — | (669) | 196 | 24 |
| Total transactions with owners | — | 170 | 63 | (669) | 196 | 24 |
| As of March 31, 2018 | 65,476 | 81,333 | (13,152) | 12,726 | — | (799) |
| As of April 1, 2018 | 65,476 | 81,333 | (13,152) | 12,726 | — | (799) |
| Profit for the year | — | — | — | — | — | — |
| Other comprehensive income | — | — | — | (4,594) | (999) | (9) |
| Total comprehensive income for the year | — | — | — | (4,594) | (999) | (9) |
| Dividends | — | — | — | — | — | — |
| Acquisition and disposal of treasury stock | — | (0) | (3) | — | — | — |
| Share-based payments | — | 91 | 111 | — | — | — |
| Changes in the ownership interest in subsidiaries | — | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | — | 413 | 999 | (27) |
| Total transactions with owners | — | 91 | 108 | 413 | 999 | (27) |
| As of March 31, 2019 | 65,476 | 81,424 | (13,044) | 8,544 | — | (835) |

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | Non-controlling interests | Total equity |
|---|---|---|----------|-------------------|---------|---------------------------|--------------|
| | Other components of equity | | | Retained earnings | Total | | |
| | Exchange differences on translation of foreign operations | Effective portion of the change in fair value on cash flow hedges | Total | | | | |
| As of April 1, 2017 | (32,022) | (162) | (25,381) | 429,481 | 537,524 | 626 | 538,150 |
| Profit for the year | — | — | — | 34,772 | 34,772 | 63 | 34,835 |
| Other comprehensive income | 1,616 | 330 | 7,521 | — | 7,521 | 19 | 7,540 |
| Total comprehensive income for the year | 1,616 | 330 | 7,521 | 34,772 | 42,294 | 82 | 42,375 |
| Dividends | — | — | — | (7,142) | (7,142) | (57) | (7,199) |
| Acquisition and disposal of treasury stock | — | — | — | — | (5) | — | (5) |
| Share-based payments | — | — | — | — | 206 | — | 206 |
| Changes in the ownership interest in subsidiaries | — | — | — | — | 32 | (18) | 14 |
| Transfer from other components of equity to retained earnings | — | — | (450) | 450 | — | — | — |
| Total transactions with owners | — | — | (450) | (6,692) | (6,909) | (75) | (6,984) |
| As of March 31, 2018 | (30,406) | 169 | (18,310) | 457,561 | 572,908 | 633 | 573,541 |

| | | | | | | | |
|---|----------|-------|----------|----------|----------|------|----------|
| As of April 1, 2018 | (30,406) | 169 | (18,310) | 457,561 | 572,908 | 633 | 573,541 |
| Profit for the year | — | — | — | 66,513 | 66,513 | 84 | 66,597 |
| Other comprehensive income | 2,683 | (147) | (3,066) | — | (3,066) | (10) | (3,076) |
| Total comprehensive income for the year | 2,683 | (147) | (3,066) | 66,513 | 63,447 | 73 | 63,520 |
| Dividends | — | — | — | (20,634) | (20,634) | (40) | (20,674) |
| Acquisition and disposal of treasury stock | — | — | — | — | (3) | — | (3) |
| Share-based payments | — | — | — | — | 202 | — | 202 |
| Changes in the ownership interest in subsidiaries | — | — | — | — | — | 139 | 139 |
| Transfer from other components of equity to retained earnings | — | — | 1,384 | (1,384) | — | — | — |
| Total transactions with owners | — | — | 1,384 | (22,018) | (20,435) | 99 | (20,336) |
| As of March 31, 2019 | (27,723) | 21 | (19,992) | 502,056 | 615,920 | 806 | 616,726 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | For the year ended March 31 2018 (from April 1, 2017 to March 31, 2018) | For the year ended March 31 2019 (from April 1, 2018 to March 31, 2019) |
|--|--|--|
| Cash flows from operating activities: | | |
| Profit before income taxes | 56,257 | 87,915 |
| Depreciation and amortization | 31,706 | 27,805 |
| Impairment losses | 1,397 | 1,023 |
| Interest and dividend income | (4,395) | (5,086) |
| Share of the (profit) loss of investments accounted for using the equity method | 219 | (1,762) |
| Losses (gains) on sale of property, plant and equipment | (120) | (109) |
| Interest expenses | 1,440 | 1,515 |
| Decrease (increase) in trade and other receivables | (6,999) | (12,077) |
| Decrease (increase) in inventories | (14,476) | (18,185) |
| Increase (decrease) in trade and other payables | 6,132 | (18,739) |
| Increase (decrease) in advances received | 65,970 | 15,149 |
| Increase (decrease) in provisions | (919) | (1,173) |
| Others, net | 13,385 | 7,375 |
| Subtotal | 149,598 | 83,651 |
| Interest and dividend income received | 6,110 | 6,321 |
| Interest expenses paid | (1,400) | (1,409) |
| Additional retirement benefits paid (Note) | (19,968) | — |
| Income taxes (paid) refund | (9,258) | (19,662) |
| Net cash provided by operating activities | 125,082 | 68,901 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (28,062) | (20,827) |
| Proceeds from sales of property, plant and equipment | 921 | 2,807 |
| Purchase of intangible assets | (7,672) | (7,566) |
| Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope | — | (2,380) |
| Purchase of investment securities | (6,625) | (6,281) |
| Proceeds from sales of investment securities | 8,328 | 651 |
| Transfer to term deposits | (5,670) | (1,327) |
| Proceeds from withdrawal of term deposits | 4,110 | 8,403 |
| Others, net | (137) | 1,216 |
| Net cash used in investing activities | (34,808) | (25,304) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | (1,400) | (50) |
| Repayment of long-term borrowings and bonds | (10,095) | — |
| Cash dividends paid | (7,153) | (20,621) |
| Cash dividends paid to non-controlling interests | (57) | (40) |
| Others, net | (1,265) | (872) |
| Net cash used in financing activities | (19,970) | (21,583) |
| Effect of exchange rate changes on cash and cash equivalents | (913) | 603 |
| Net increase (decrease) in cash and cash equivalents | 69,392 | 22,617 |
| Cash and cash equivalents at the beginning of the year | 319,046 | 388,438 |
| Cash and cash equivalents at the end of the year | 388,438 | 411,055 |

(Note) "Additional retirement benefits paid" includes the payments related to the voluntary retirement in Japan and the payments related to the discontinuation of operations in a Chinese manufacturing subsidiary.

(5) Notes to Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Basis for Preparation of the Consolidated Financial Statements)

(a) 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

The increase and decrease of the number of consolidated subsidiaries is as follows.

Increase: 3 companies (Acquisition of shares, other)

Decrease: 3 companies (Liquidation, other)

(b) Scope of Equity Method

Number of investments accounted for using the equity method: 16 companies

Principal company names: Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd. and others

(c) Accounting Policies

The disclosure of the accounting policies has been omitted as there are no significant changes from the previous Annual Securities Report (submitted on June 28, 2018) aside from IFRS 15 “Revenue from Contracts with Customers.”

(Changes in Accounting Policies)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the three months ended June 30, 2018.

| | | Summaries of new standards and amendments |
|---------|---------------------------------------|--|
| IFRS 15 | Revenue from Contracts with Customers | Accounting for recognition of revenue and relevant disclosure requirements |

In accordance with the adoption of IFRS 15, revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

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

For sales of products and rendering of services, the performance obligations are identified based on the contract with a customer.

Regarding the sales of products which require installation by the Group, revenue is recognized at the point when the installation is completed. For the products that do not require installation by the Group, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery and the performance obligation is deemed to be satisfied. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and other items.

For the services, if the performance obligation is satisfied at a point in time, revenue is recognized at the point when the services are completed. If the performance obligation is satisfied over time, revenue is recognized on a straight-line basis or on progress over the period rendering services.

As a result of identification of performance obligations in contracts with customers and the determination of the transaction price, a part of sales promotion and other expenses that is consideration paid by the Group to customers, which had been previously recorded under selling, general and administrative expenses, is accounted for as reduction of revenue from the three months ended June 30, 2018.

Upon the adoption of IFRS 15, the Group has selected to retrospectively recognize the cumulative effect of initial application as a transitional measure, which was recorded at the date of initial application.

Comparing with the former accounting standard, in regard to the impact on the accounts, mainly the revenue and selling, general and administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2019 decreased by 8,323 million yen and 8,584 million yen, respectively. However, these changes have no effect on the profit for the year.

(Segment Information)

(1) Outline of Reportable Business Segments

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

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

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

(2) Information on Reportable Business Segments

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

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

For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)

| | Imaging Products | Precision Equipment | Healthcare | Industrial Metrology and Others (Note1) | Total | Reconciliation (Note2) | Consolidated |
|---|------------------|---------------------|------------|---|---------|------------------------|--------------|
| Revenue | | | | | | | |
| External customers | 360,703 | 226,334 | 56,818 | 73,222 | 717,078 | — | 717,078 |
| Intersegment | 839 | 246 | 267 | 58,048 | 59,400 | (59,400) | — |
| Total | 361,542 | 226,581 | 57,085 | 131,270 | 776,478 | (59,400) | 717,078 |
| Segment profit (loss) (Note3) | 30,222 | 53,393 | (3,263) | 5,026 | 85,377 | (29,140) | 56,236 |
| Finance income | | | | | | | 6,535 |
| Finance costs | | | | | | | (6,295) |
| Shares of the loss of investments accounted for using the equity method | | | | | | | (219) |
| Profit before income taxes | | | | | | | 56,257 |
| Segment assets | 134,993 | 185,150 | 95,973 | 139,639 | 555,755 | 542,588 | 1,098,343 |
| Other items: | | | | | | | |
| Impairment losses (Note4) | 1,080 | 6 | 293 | 18 | 1,397 | — | 1,397 |
| Depreciation and amortization | 13,950 | 2,681 | 3,103 | 7,615 | 27,348 | 4,358 | 31,706 |
| Increase in property, plant and equipment, goodwill and intangible assets | 6,465 | 4,460 | 5,728 | 14,195 | 30,848 | 4,673 | 35,521 |

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus 281 million yen and corporate profit (loss) of minus 28,859 million yen that cannot be attributed to any segments. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments. Regarding segment assets, reconciliation is made between segment assets and assets reported in the consolidated statement of financial position. In addition, reconciliation of segment assets includes corporate assets of 557,572 million yen that cannot be attributable to any reportable segments, and elimination of intersegment transactions of minus 14,984 million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some property, plant and equipment used in common.

3. The restructuring costs recognized in the segment profit (loss) are minus 5,899 million yen for Imaging Products Business, minus 2,833 million yen for Industrial Metrology and Others.

4. The main components of the impairment losses are described in "Consolidated Statement of Profit or Loss (c) Impairment Losses."

For the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Imaging Products | Precision Equipment | Healthcare | Industrial Metrology and Others (Note1) | Total | Reconciliation (Note2) | Consolidated | |
|---|------------------|---------------------|------------|---|---------|------------------------|--------------|---------|
| Revenue | | | | | | | | |
| External customers | 296,169 | 274,540 | 65,434 | 72,518 | 708,660 | — | 708,660 | |
| Intersegment | 1,215 | 398 | 204 | 61,268 | 63,085 | (63,085) | — | |
| Total | 297,383 | 274,938 | 65,638 | 133,786 | 771,745 | (63,085) | 708,660 | |
| Segment profit (loss) (Note3) | 22,069 | 81,730 | (1,937) | 6,937 | 108,799 | (26,146) | 82,653 | |
| Financial income | | | | | | | | 7,333 |
| Financial costs | | | | | | | | (3,833) |
| Shares of the profit of investments accounted for using the equity method | | | | | | | | 1,762 |
| Profit before income taxes | | | | | | | | 87,915 |
| Segment assets | 139,673 | 198,591 | 101,948 | 132,792 | 573,005 | 561,980 | 1,134,985 | |
| Other items: | | | | | | | | |
| Impairment losses (Note4) | 365 | — | — | 657 | 1,023 | — | 1,023 | |
| Depreciation and amortization | 9,745 | 2,714 | 3,539 | 6,526 | 22,524 | 5,281 | 27,805 | |
| Increase in property, plant and equipment, goodwill and intangible assets | 6,426 | 4,171 | 3,244 | 9,391 | 23,232 | 4,378 | 27,610 | |

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 668 million yen, cumulative translation differences of minus 545 million yen reclassified to profit or loss due to the liquidation of a foreign subsidiary, and corporate profit (loss) of minus 26,269 million yen that cannot be attributed to any segments. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments. Regarding segment assets, reconciliation is made between segment assets and assets reported in the consolidated statement of financial position. In addition, reconciliation of segment assets includes corporate assets of 573,888 million yen that cannot be attributable to any reportable segments, and elimination of intersegment transactions of minus 11,908 million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some property, plant and equipment used in common.

3. Out of the total restructuring costs of minus 1,841 million yen recognized in the consolidated statement of profit or loss, minus 605 million yen and minus 691 million yen are recognized in the segment profit (loss) for Imaging Products Business and Industrial Metrology and Others, respectively. Restructuring costs of minus 545 million yen for the cumulative translation differences due to the liquidation of a foreign subsidiary is recognized in reconciliation of segment profit (loss).

4. The main components of the impairment losses are described in "Consolidated Statement of Profit or Loss (c) Impairment Losses."

(3) Geographic Information

Revenue to external customers

(Millions of yen)

| | For the year ended March 31, 2018 (from April, 2017 to March 31, 2018) | For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) |
|---------------|---|---|
| Japan | 102,893 | 92,270 |
| United States | 177,701 | 172,125 |
| Europe | 122,486 | 118,183 |
| China | 162,786 | 199,508 |
| Others | 151,212 | 126,575 |
| Total | 717,078 | 708,660 |

(Note) Revenue is based on the geographic locations of customers which are categorized either by country or region.

Except for Japan, the United States and China, the countries or regions are primarily categorized as follows:

1. Europe: the United Kingdom, France and Germany
2. Others: Canada, Asia other than Japan and China, Middle East, Oceania and Latin-America

Non-current assets

(Millions of yen)

| | As of March 31, 2018 | As of March 31, 2019 |
|---------------|----------------------|----------------------|
| Japan | 105,016 | 102,841 |
| North America | 4,660 | 4,786 |
| Europe | 48,200 | 48,290 |
| China | 1,228 | 1,169 |
| Thailand | 22,751 | 19,818 |
| Others | 2,017 | 1,900 |
| Total | 183,872 | 178,804 |

(Note) Non-current assets are based on the geographic locations of assets which are categorized either by country or region.

Except for Japan, China and Thailand, the countries or regions are primarily categorized as follows:

1. North America: the United States and Canada
2. Europe: the United Kingdom, France and Germany
3. Others: Asia other than Japan, China and Thailand, Middle East, Oceania and Latin-America

Financial instruments, deferred tax assets and net defined benefit assets are not included in the above.

(4) Information about Major Customers

There is a customer group who contributed 10% or more to the consolidated revenue for the year ended March 31, 2019. The revenue recognized from this customer group for the year ended March 31, 2019 is 80,602 million yen (Precision Equipment Business and Industrial Metrology and Others). There is no single customer group who contributed 10% or more to the consolidated revenue for the year ended March 31, 2018.

(Consolidated Statement of Profit or Loss)

(a) Selling, General and Administrative Expenses

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

(Millions of yen)

| | For the year ended March 31, 2018 (From April 1 2017 to March 31, 2018) | For the year ended March 31, 2019 (From April 1 2018 to March 31, 2019) |
|--|--|--|
| Depreciation and amortization | 13,402 | 11,638 |
| Research and development expenses | 58,655 | 62,424 |
| Employee benefit expenses | 58,588 | 59,003 |
| Advertising and sales promotion expenses | 42,807 | 30,049 |
| Others | 75,231 | 75,447 |
| Total | 248,683 | 238,561 |

(b) Settlement Income from Legal Proceedings over Patents

[For the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)]

Settlement income from legal proceedings over patents related to the semiconductor lithography business of 18,740 million yen was recorded in "Other income."

(c) Impairment Losses

(i) Impairment losses of non-financial assets

[For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)]

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 "Consolidated Statement of Profit or Loss (d) Restructuring Costs."

[For the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)]

For the year ended March 31, 2019, 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, Thailand 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 1,023 million yen, the impairment loss of 31 million yen is recognized as restructuring costs in the consolidated statement of profit or loss. For more information about restructuring costs, please refer to "Consolidated Statement of Profit or Loss (d) Restructuring Costs."

(Millions of yen)

| | For the year ended March 31, 2018 (From April 1 2017 to March 31, 2018) | For the year ended March 31, 2019 (From April 1 2018 to March 31, 2019) |
|-------------------------------|--|--|
| Property, plant and equipment | 1,098 | 746 |
| Intangible assets | 298 | 276 |
| Others | 1 | — |
| Total | 1,397 | 1,023 |

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

[For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)]

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 profit (loss) of investments accounted for using the equity method.”

(iii) Method for Grouping Assets

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

(iv) Method for Measuring Recoverable Amount

The measurement of recoverable amount of an asset or cash-generating unit is by the higher of its fair value less costs of disposal and its value in use.

(d) Restructuring Costs

[For the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)]

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. As a result, the following costs related to restructuring were recorded in “Other expenses.”

| Details | Amount (Millions of 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

[For the year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)]

As the final year of the restructuring announced in November 2016, the Group has been carrying out measures to promote portfolio based management and to enhance management DNA such as reducing fixed costs, in order to create corporate value consistently. For the year ended March 31, 2019, the Group has decided to withdraw from products with low profitability in the Industrial Metrology Business and has completed the liquidation of NIKON DO BRASIL LTDA., a sales subsidiary in Brazil. As a result, the following costs related to restructuring were recorded in “Other expenses.”

| Details | Amount (Millions of yen) |
|--|-----------------------------|
| Inventory write-downs | 583 |
| Cumulative translation differences reclassified to profit or loss due to the liquidation of a foreign subsidiary | 545 |
| Expenses of transferring manufacturing equipment | 507 |
| Others | 206 |
| Total | 1,841 |

(Earnings Per Share)

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

| | For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018) | For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019) |
|---|---|---|
| Basis for the calculation of basic earnings per share | | |
| Profit for the year attributable to owners of the parent (millions of yen) | 34,772 | 66,513 |
| Profit not attributable to ordinary equity holders of the parent (millions of yen) | — | — |
| Profit for the year used in the calculation of basic earnings per share (millions of yen) | 34,772 | 66,513 |
| Weighted average number of ordinary shares outstanding during the period (thousands of shares) | 396,213 | 396,235 |
| Basic earnings per share (yen) | 87.76 | 167.86 |
| Basis for the calculation of diluted earnings per share | | |
| Profit for the year used in the calculation of basic earnings per share (millions of yen) | 34,772 | 66,513 |
| Adjustments to profit for the year (millions of yen) | — | — |
| Profit for the year used in the calculation of diluted earnings per share (millions of yen) | 34,772 | 66,513 |
| Weighted average number of ordinary shares outstanding during the period (thousands of shares) | 396,213 | 396,235 |
| Increase in number of ordinary shares in respect of stock options (thousands of shares) | 1,232 | 1,325 |
| Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares) | 397,445 | 397,561 |
| Diluted earnings per share (yen) | 87.49 | 167.30 |
| Summary of dilutive potential ordinary shares that are antidilutive and excluded from the weighted average number of dilutive ordinary shares | — | — |

(Note) In the computation of basic earnings per share and diluted earnings per share, the number of the Company's shares held by the executive compensation BIP trust is included in the number of treasury stocks that are deducted from the weighted average number of ordinary shares outstanding during the period. For the years ended March 31, 2018 and March 31, 2019, the number of shares was 576,900.

(Contingent Liabilities)

(Litigation)

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

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

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

(Significant Subsequent Event)

The Company has resolved at the meeting of its Board of Directors held on May 9, 2019, the repurchase of its own shares pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3.

1. Reason for the repurchase of own shares

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

2. Details of the repurchase

(1) Class of shares to be repurchased: Common stock

(2) Total number of shares to be repurchased: Up to 8.0 million shares

(Equivalent to 2.0% of outstanding shares (excluding treasury stock))

(3) Total repurchase amount: 10 billion yen

(4) Repurchase Period: From May 10, 2019 to June 30, 2019