(Translation)

Items Disclosed on Internet Concerning Notice of the 153rd Annual General Shareholders' Meeting

Notes to Consolidated Financial Statements and

Notes to Non-Consolidated Financial Statements

NIKON CORPORATION

Notes to Consolidated Financial Statements

(Significant Basis for Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) 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

Number of newly consolidated subsidiaries : 3 companies

Acquisition of shares 1 company: Mark Roberts Motion Control Limited

Establishment of 2 companies: Nikon CEE GmbH and others

Number of subsidiaries excluded from the scope of consolidation 5 companies

5 subsidiaries were merged and extinct: Kurobane Nikon Co., Ltd. and others

(2) Number of non-consolidated subsidiaries : 8 companies

Major company name : Jigtec Corporation, and others

Since these companies are small in scale, their total assets, net sales, profit or loss (the interest share of NIKON CORPORATION (the "Company")), and retained earnings (the Company's interest share) and others do not have significant effects on the consolidated financial statements.

2. Scope of Equity Method

(1) Number of associated companies accounted for by equity method : 3 companies

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

(2) Number of non-consolidated subsidiaries not accounted

for by equity method : 8 companies

Major company name : Jigtec Corporation, and others

(3) Number of associated companies not accounted for by equity method : 7 companies

Major company name : N.S.S. CORPORATION, and others

Since each of these non-consolidated subsidiaries and associated companies not accounted for by the equity method has a minimal effect on the Company's profit or loss, retained earnings and others and they are not collectively material, these are excluded from the scope of application of the equity method.

3. Fiscal Year-End of Consolidated Subsidiaries

The fiscal year-end of 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 Instrument Co., Ltd., and Nikon Lao Co., Ltd., is December 31.

In preparing the consolidated financial statements, the Group used financial statements of those companies that had been prepared on the basis of the provisional closing of their accounts as of the consolidated closing date.

4. Matters regarding the Accounting Policies

(1) Valuation basis and method for significant assets

a. Securities	
- Held-to-maturity debt securities	Stated at amortized cost.
- Available-for-sale securities	
with fair market value	Stated at fair value based on quoted market prices at the consolidated closing date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of equity, and the cost of the securities sold is mainly calculated by the moving-average method.
without fair market value	Mainly stated at cost determined by the moving-average method. The Company records investments in limited liability investment partnerships and in other similar partnerships (deemed “securities” under the provisions set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.
b. Derivatives	Stated at fair value.
c. Inventories	
- Company and its consolidated subsidiaries in Japan	Mainly stated at cost determined by the average method. (Inventories with lower profitability are written down.)
- Overseas consolidated subsidiaries	Principally stated at the lower of cost or market as determined using the average method.

(2) Depreciation method for non-current assets

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

(3) Accounting criteria for significant allowances

a. Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
b. Provision for product warranties	The Company mainly provides for the estimated cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period.

(4) Method for accounting of retirement benefit

The Company and its major consolidated subsidiaries account for the provision for employees' retirement benefit based on the projected retirement benefit liabilities and pension assets at the consolidated balance sheet date. When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated retirement benefits in the period up to the end of the current fiscal year.

Prior service cost is amortized on a straight-line basis principally over 10 years (a certain period within the average remaining service period of employees) from the period in which the prior service cost accrues, and actuarial gains and losses are amortized on a straight-line basis principally over 10 years (a certain period within the average remaining service period of employees) from the period immediately following the period in which the actuarial gains and losses arise.

Unrecognized actuarial gains and losses and unrecognized prior service cost, after adjustment for tax effect, are recorded as remeasurements of defined benefit plans within accumulated other comprehensive income, included in net assets.

(5) Translation basis of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated closing date, and the translation adjustment is recognized in the consolidated statement of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated closing date, and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Translation adjustments are presented in foreign currency translation adjustment and non-controlling interests in net assets.

(6) Significant hedge accounting

a. Method for hedge accounting	In principle, deferral hedge accounting is applied.
b. Hedging instruments and hedged items	Hedging instruments are foreign exchange forward contracts, currency options, and interest rate swaps. Hedged items are receivables and payables denominated in foreign currencies, forecasted foreign currency transaction, bonds payable and loans payable.
c. Hedging policy	Foreign exchange risk and interest rate risk of hedged items are hedged within a certain scope in accordance with internal policies that regulate the authorization, transaction limit and others related to derivative transactions.
d. Method for assessment of hedge effectiveness	The Company compares the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments and evaluates hedging effectiveness based on the changes and others.

(7) Other significant matters for preparing consolidate financial statements

a. Amortization of goodwill	Goodwill is amortized on a straight-line basis principally over 10 years. However, when the amount is insignificant, the whole amount is amortized in the fiscal year in which such amount arises.

b. Accounting for consumption taxes and others	Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.
c. Application of consolidated declaration system	The consolidated declaration system that the Company and certain overseas consolidated subsidiaries are consolidated taxpayers is applied.

(Notes to 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 fiscal 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 cumulative effects of this change in accounting policy have been reflected in the carrying amount of net assets at the beginning of the year ended March 31, 2017. As a result, the beginning balance of retained earnings in the consolidated statement of changes in net assets after retrospective application decreased by 12,727 million yen.

(Additional Information)

1. 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 31, 2017.

2. Transactions in relation to Executive Compensation BIP Trust

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

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

(1) Outline of Transactions

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

(2) Residual Shares of the Company Held by the Trust

Residual shares held by the trust were recorded as treasury shares under net assets of the consolidated balance sheets at carrying amount of the trust. The carrying amount and the number of such residual shares at the end of the fiscal year were 970 million yen and 576,900 shares, respectively.

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.

(Notes to Consolidated Balance Sheet)

1. Accumulated Depreciation of Property, Plant and Equipment 315,814 million yen

2. Guarantees of Indebtedness 250 million yen

(Notes to Consolidated Statement of Income)

1. 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.

2. Impairment Loss

(1) 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 Nikon Group 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 idle assets with no future use expected due to discontinuation of some products was included in the restructuring expenses.

(Million yen)

Usage	Type	Place	Impairment loss
Assets for Business	Machinery, Equipment and Vehicles and others	Japan	4,183
Idle Assets	Machinery, Equipment and Vehicles and others	Japan, China, Thailand and others	1,168

* Tools, furniture and fixtures are included in “Other” within “Property, plant and equipment” of the consolidated balance sheet.

(2) Method for grouping of assets

Assets are divided into the smallest units that overall generate cash flow independently.

(3) Method of calculation of recoverable amounts

Recoverable amounts are measured by net sales value or value in use, whichever is higher.

Net sales value is reasonably measured based mainly on the assessed value of property for tax purposes.

3. 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.

(Million yen)

Details	Restructuring Expenses
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

(Notes to Consolidated Statement of Changes in Net Assets)

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

(Shares)

	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Shares issued				
Common stock	400,878,921	-	-	400,878,921
Total	400,878,921	-	-	400,878,921
Treasury shares				
Common stock	4,687,767	2,794	14,907	4,675,654
Total	4,687,767	2,794	14,907	4,675,654

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

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividend paid (million yen)	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 29, 2016	Common Stock	3,967	10.00	March 31, 2016	June 30, 2016
Meeting of the Board of Directors on November 8, 2016	Common Stock	4,761	12.00	September 30, 2016	December 1, 2016

(Notes) 1. Dividend of 5 million yen on the Company's shares held by the Executive Compensation BIP Trust is included in the total dividend determined by resolution at the Annual General Shareholders' Meeting held on June 29, 2016.

2. Dividend of 6 million yen on the Company's shares held by the Executive Compensation BIP Trust is included in the total dividend determined by resolution at the Board of Directors' meeting held on November 8, 2016.

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

The Company plans to resolve the following dividend at the Annual General Shareholders' Meeting which will be held on June 29, 2017.

Resolution	Type of shares	Total dividend paid (million yen)	Resource of dividends	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 29, 2017	Common stock	1,587	Retained earnings	4.00	March 31, 2017	June 30, 2017

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

3. Stock Acquisition Rights and Others

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

Common stock 1,152,200 shares

(Financial Instruments)

1. Matters Related to Financial Instruments

The Group restricts fund management to short-term deposits, and fund procurement is mainly treated by bank loans and bond issuance. Derivatives are used not for speculative purposes, but to hedge foreign exchange risk for receivables and payables denominated in foreign currencies and interest rate exposures for loans payable.

Receivables such as notes and accounts receivable - trade are exposed to customer credit risk. The Group manages the credit risk by monitoring payment terms and balances by customer and identifying and reducing the default risk of customers in the early stages. Although receivables in foreign currencies due to global operations are exposed to foreign currency risk, mainly the position net of payables in foreign currencies is hedged, principally by using forward foreign currency contracts.

Equity securities in investment securities are exposed to the risk of market price fluctuations, but are managed by monitoring market values and the financial position of issuers (trading partners) on a regular basis. In addition, securities other than held-to-maturity securities are continually reviewed as to the situation, taking into account the relationship between the Group and trading partners.

Payment terms of payables, such as notes and accounts payable - trade are less than one year. Although payables in foreign currencies that include the import of raw materials are exposed to foreign currency risk, those risks are netted against the balance of accounts receivable - trade denominated in the same foreign currency as noted above.

Short-term loans payable are mainly related to working capital, and long-term loans payable are related primarily to working capital and capital investment. Although loans payable with variable interest rates are exposed to interest rate fluctuation risk, the risk of certain long-term loans payable is mitigated by using derivatives of interest rate swaps by individual contract to reduce the risk of fluctuations in interest expenses and to make the interest expense fixed. Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization. The counterparties to the Group’s derivative contracts are limited to financial institutions having a high credit rating to reduce credit risk.

Accounts payable and loans payable are exposed to liquidity risk. The Group manages its liquidity risk by entering into commitment line contracts.

2. Fair Values of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2017 were as follows. The accounts deemed to be extremely difficult to calculate the fair values were not included in the following:

(Million yen)

	Carrying amount (*)	Fair value (*)	Unrealized gain (loss)
(1) Cash and deposits	327,249	327,249	-
(2) Notes and accounts receivable - trade	84,657	84,657	-
(3) Investment securities	69,330	69,330	-
(4) Notes and accounts payable - trade	(104,614)	(104,614)	-
(5) Short-term loans payable	(13,607)	(13,607)	-
(6) Accrued expenses	(66,983)	(66,983)	-
(7) Income taxes payable	(3,248)	(3,248)	-
(8) Bonds payable	(40,000)	(41,138)	(1,138)
(9) Long-term loans payable	(84,739)	(84,970)	(231)
(10) Derivatives	1,242	1,242	-

(*) The items recorded in liabilities on the consolidated balance sheet are shown in parentheses.

(Notes) Method for calculating the fair value of financial instruments and matters on investment securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable - trade:

The carrying amounts of cash and deposits and notes and accounts receivable - trade approximate fair value because of their short maturities.

The carrying amounts and fair values of notes and accounts receivable - trade are the amounts after deduction of the allowance for doubtful accounts.

(3) Investment securities:

The fair values of investment securities are measured at the quoted market price of the stock exchange. Investment securities whose fair value is not readily determinable (the carrying amounts of 20,756 million yen) are excluded because it is difficult to determine the fair values.

(4) Notes and accounts payable - trade, (5) Short-term loans payable, (6) Accrued expenses, and (7) Income taxes payable:

The carrying amounts of these accounts approximate fair value because of their short maturities.

(8) Bonds payable:

The fair values of bonds are determined by the market price if it is available.

(9) Long-term loans payable:

The fair values of long-term loans payable are determined by discounting the future cash flows related to the loans by the rate assumed based on interest rates on government securities and credit spread.

(10) Derivatives:

Receivables and payables arising from derivative transactions are shown on a net basis. The items which are net debt in total are shown in parentheses.

(Notes to Per-Share Information)

1. Net assets per share 1,313.89 yen

(Note) On computation of net assets per share, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares as of March 31, 2017) were included in the number of treasury stocks, which was excluded from the number of shares issued as of the term-end.

2. Net loss per share 17.94 yen

(Note) On computation of net loss per share, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares for the fiscal year ended March 31, 2017) were included in the number of treasury stocks, which was excluded from the calculation of average share outstanding.

Amounts less than 1 million yen are rounded off.

Notes to Non-Consolidated Financial Statements

1. Notes to Matters related to Significant Accounting Policies

(1) Valuation basis and method for securities

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

(4) Depreciation method for non-current assets	
- Property, plant and equipment (excluding leased assets)	The straight-line method is applied.
- Intangible assets (excluding leased assets)	The straight-line method is applied.
- Leased assets	Leases that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease terms without residual value.
(5) Accounting for deferred assets	Bond issuance expenses are expensed as paid.
(6) Accounting criteria for allowances	
- Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
- Provision for product warranties	The Company mainly provides for the estimated cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period.
- Provision for retirement benefits	The Company accounts for the provision for employees' retirement benefit based on the projected retirement benefits liabilities and pension assets at the balance sheet date. Prior service cost is amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period in which the prior service cost accrues, and actuarial gains and losses are amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period immediately following the period in which the actuarial

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

(9) Accounting for consumption taxes and others	Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.
(10) Application of consolidated declaration system	The Company applies the consolidated declaration system.

(Notes to 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 fiscal 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 cumulative effects of this change in accounting policy have been reflected in the carrying amount of net assets at the beginning of the year ended March 31, 2017. As a result, the beginning balance of retained earnings in the statement of changes in net assets after retrospective application decreased by 11,995 million yen.

(Additional Information)

1. 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 31, 2017.

2. Transactions in relation to the Executive Compensation BIP Trust

   The Company has introduced a performance-based stock remuneration system called the “Executive Compensation BIP (Board Incentive Plan) Trust” (hereinafter, “Executive Compensation BIP Trust”), for its Directors, etc., aiming to reinforce the incentive closely linked to the achievement defined in the Medium Term Management Plan 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” (Practical Issues Task

Force (PITF) No. 30, March 26, 2015).

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.

Please refer to “Notes to Consolidated Financial Statements (Additional Information)” for the summary of transactions.

2. Notes to Non-Consolidated Balance Sheet

(1) Assets pledged as collateral and liabilities secured

Assets pledged as collateral

Cash and deposits (Note) 1,546 million yen

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

(2) Accumulated depreciation of property, plant and equipment 174,658 million yen

(3) Guarantees of indebtedness

Guarantee	Guaranteed amount	Content of guarantee of indebtedness
234 employees	250 million yen	Mortgage and others
Subsidiaries	1,015 million yen	Loans payable and others
Subsidiaries	1,022 million yen	Joint and several liability due to concomitant assumption of the obligation
Total	2,288 million yen	

(4) Monetary receivables and payables to affiliated companies

Short-term monetary receivables 49,299 million yen

Long-term monetary receivables 4,312 million yen

Short-term monetary payables 56,707 million yen

(5) Monetary payables to Directors

Long-term monetary payables 115 million yen

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with affiliated companies

Operational transactions

Sales to affiliated companies 363,998 million yen

Purchase from affiliated companies 194,875 million yen

Other transactions 20,866 million yen

(2) Impairment Loss

a. Assets that were impaired during the fiscal year ended March 31, 2017

The Company recorded extraordinary loss of 4,662 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, the carrying amounts of idle assets with no specific use expected in the future were reduced to the recoverable amount, and extraordinary loss of 479 million yen was recorded as impairment loss. The main types of the assets impaired during the year were Machinery and Equipment 3,597 million yen, Construction in Progress 418 million yen, intangible asset 349 million yen, Tool, Furniture and Fixture 173 million yen and other non-current assets 123 million yen.

Out of impairment loss of 4,662 million yen, 16 million yen of the idle assets with no future use expected due to discontinuation of some products was included in the restructuring expenses.

(Million yen)

Usage	Type	Place	Amount
Assets for Business	Machinery, Equipment and others	Kumagaya, Saitama and others	4,183
Idle Assets	Machinery, Equipment and others	Yokohama, Kanagawa and others	479

b. Method for grouping of assets

Assets are divided into the smallest units that overall generate cash flow independently.

c. Method of calculation of recoverable amounts

Recoverable amounts are measured by net sales value or value in use, whichever is higher. Net sales value is reasonably measured based mainly on the assessed value of property for tax purposes.

(3) Restructuring Expenses

The Company 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.

(Million yen)

Details	Restructuring Expenses
Inventory write-downs/ write-offs in the Semiconductor Lithography Business	27,418
Special retirement benefit and other expenses associated with solicitation for voluntary retirement	14,363
Loss incurred from discontinuation of some products	7,454
Others	555
Total	49,791

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

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

Common stock 4,675,654 shares

5. Notes to Tax Effect Accounting

Deferred tax assets and deferred tax liabilities

Deferred tax assets:	
Inventories	23,775 million yen
Accrued bonuses	1,537 million yen
Depreciation	12,466 million yen
Provision for product warranties	1,004 million yen
Impairment loss	6,334 million yen
Percentage of completion method	8,439 million yen
Other	8,387 million yen
Subtotal of deferred tax assets	61,945 million yen
Valuation allowance	(11,560) million yen
Total deferred tax assets	50,384 million yen
Deferred tax liabilities:	
Reserve for advanced depreciation of non-current assets	(4,238) million yen
Valuation difference on available-for-sale securities	(7,546) million yen
Other	(410) million yen
Total deferred tax liabilities	(12,195) million yen
Net deferred tax assets	38,188 million yen

(Additional Information)

Revisions on Deferred Tax Assets and Deferred Tax Liabilities in accordance with the Changes in the Corporate Tax Rates

The consumption tax hike to 10% was postponed from April 1, 2017 to October 1, 2019, following the enactment on November 18, 2016 of the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 85 of 2016) and the “Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No. 86 of 2016).

As a result, the abolishment of the local special corporate tax and the restoration of the corporate enterprise tax, the revision of the local corporate tax, and the revision of the corporation levy for corporate inhabitant taxes have been postponed from the fiscal year starting on and after April 1, 2017 to the fiscal year starting on and after October 1, 2019.

While there have been no changes to the effective statutory tax rate used for the calculation of deferred tax assets and liabilities, a reclassification of tax rates has occurred between national and local taxes. The impact of this reclassification on deferred tax assets (after deducting deferred tax liabilities) and income taxes-deferred is minimal.

6. Notes to Transactions with Related Parties

(Million yen)

Category	Company name	Percentage of voting rights (%)	Relationship	Transaction	Transaction amount (Note 4)	Account	Balance at the end of the period (Note 4) (Note 5)
Subsidiaries	Nikon Inc.	100.0	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	64,115	Accounts receivable - trade	3,390
	Nikon Europe B.V.	100.0	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	64,711	Accounts receivable - trade	3,651
	Nikon Precision Inc.	100.0	Import and sales of the Company's products	Sales of Precision Equipment Business products (Note 1)	61,154	Accounts receivable - trade	910
	Nikon (Thailand) Co., Ltd.	100.0	Manufacture of the Company's products	Manufacture of Imaging Products Business products (Note 2)	95,745	Accounts payable - trade	5,853
	NIKON TEC CORPO-RATION.	100.0	Maintenance services of semiconductor and FPD Lithography System-related devices	Reception of bailment of cash for consumption (Note 3)	-	Deposit received under bailment for consumpti-on contract	7,140

Condition of transaction, policy to determine such condition and others

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

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

(Note 3) The Group is introducing a cash management system ("CMS"), and only the balance at the end of the period is presented since it is practically impossible to aggregate the transaction amounts by transaction for the fund transaction using CMS. Interest rates for loans to and from the subsidiaries are reasonably determined in consideration of the market interest rate.

(Note 4) The transaction amount and balance of foreign subsidiaries at the end of the period do not include consumption taxes and others.

(Note 5) The balances of assets and liabilities denominated in foreign currencies at the end of the period are presented in the amounts translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date.

7. Notes to Retirement Benefit

(1) Outline of retirement benefit plans

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

(2) Retirement benefit obligation

Retirement benefit obligation	(101,711) million yen
Fair value of pension assets	108,176 million yen
Unfunded retirement benefit obligation	6,464 million yen
Unrecognized actuarial gain	(4,099) million yen
Prepaid pension cost	2,364 million yen

Fair value of pension assets includes the retirement benefit trust of 4,685 million yen.

(3) Retirement benefit expenses

Service cost	1,807 million yen
Interest cost	540 million yen
Expected return on pension assets	(538) million yen
Recognized actuarial loss	2,663 million yen
Subtotal	4,472 million yen
Others	(85) million yen
Retirement benefit expenses	4,387 million yen

In addition, contributions to the defined contribution pension plan amounting to 1,016 million yen were recorded in “cost of sales” and retirement benefit expenses included in “selling, general and administrative expenses” in addition to the above retirement benefit expenses.

In addition to the retirement benefit expenses above, special payments of 12,976 million yen as special retirement benefits associated with the solicitation for voluntary retirement were included in restructuring expenses.

(4) Others

Discount rate	0.7%
Long-term expected rate of return on pension assets	0.5%

8. Notes to Per-Share Information

Net assets per share 747.95 yen

(Note) On computation of net assets per share, the Company's shares held by the Executive Compensation BIP trust (576,900 shares as of March 31, 2017) were included in the number of treasury stocks, which was excluded from the number of shares issued as of the term-end.

Loss per share 12.05 yen

(Note) On computation of net loss per share, the Company's shares held by the Executive Compensation BIP Trust (576,900 shares for the fiscal year ended March 31, 2017) were included in the number of treasury stocks, which was excluded from the calculation of average share outstanding.

9. Amounts less than 1 million yen are rounded off.