

This is a translation of the original Japanese “Notice of the 153rd Annual General Shareholders’ Meeting” prepared for the convenience of non-Japanese speakers. Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

Securities Code: 7731

June 8, 2017

NIKON CORPORATION

15-3, Konan 2-chome, Minato-ku, Tokyo

Dear Shareholder,

Notice of the 153rd Annual General Shareholders’ Meeting

You are cordially invited to attend our 153rd Annual General Shareholders’ Meeting to be held as outlined below.

Sincerely yours,

Kazuo Ushida

President

Representative Director

- 1. Date & Time:** 10:00 a.m., June 29, 2017 (Thursday)
- 2. Place:** Kiku-no-ma, the fourth floor of Hilton Tokyo Hotel
6-2, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo

3. Agenda:

Matters to be reported

1. Business report, Consolidated Financial Statements, and audit reports concerning Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 153rd term (April 1, 2016 to March 31, 2017)
2. Non-Consolidated Financial Statements for the 153rd term (April 1, 2016 to March 31, 2017)

Matters to be resolved

- Item 1:** Appropriation of Surplus
- Item 2:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Item 3:** Election of One Director Who Is an Audit and Supervisory Committee Member

If you are unable to attend the meeting, you may exercise your voting rights in writing (by mail) or by electromagnetic methods. Please examine the attached Reference Materials for the General Shareholders' Meeting and exercise your voting rights by 5:00 p.m. on June 28, 2017 (Wednesday).

- * Pursuant to the relevant laws and regulations and the provisions of the Company's Articles of Incorporation, among documents to be attached to this notice, matters to be stated or presented in notes to the Consolidated Financial Statements and the Non-Consolidated Financial Statements are posted on the Company's website indicated below and are not attached to this notice. The Audit and Supervisory Committee and the Accounting Auditor have audited documents subject to audit including the above documents posted on the Company's website.
- * If it becomes necessary to amend the contents of the Reference Materials for the General Shareholders' Meeting, the Business Report, the Consolidated Financial Statements or the Non-Consolidated Financial Statements, the amended version of the relevant documents will be posted on the Company's website indicated below.

The Company's website: http://www.nikon.com/about/ir/stock_info/meeting/index.htm

Voting Procedures

Voting by attending the meeting

If you plan to attend the meeting in person, please present the enclosed voting form to the receptionist at the venue. If you exercise your voting rights by proxy, such proxy must be one other shareholder with voting rights who will act on your behalf pursuant to the provisions of the Company's Articles of Incorporation, and the proxy will be asked to submit a statement in writing attesting to his or her appointment as proxy (letter of attorney).

Voting by mail

Please indicate your approval or disapproval for each of the items on the enclosed voting form and return it to the Company by 5:00 p.m. on June 28, 2017 (Wednesday).

If approval or disapproval is not indicated for any item on the submitted voting form, your vote for that item will be counted as a vote of approval.

Voting by electromagnetic methods (ex. on the Internet)

Please exercise your voting rights by 5:00 p.m. on June 28, 2017 (Wednesday), after referring to the "Electromagnetic Voting Procedures" (in Japanese only).

- * When shareholders exercise their voting rights more than once by voting by mail and by electromagnetic methods, the electromagnetic vote is deemed to be valid.
- * If multiple votes by electromagnetic methods are received, the most recent vote is deemed to be valid.
- * Depending on your Internet environment, your provider's service or equipment type, you may not be able to access the website for exercising voting rights.
- * Any connection fees to the internet or communication charges, etc. for accessing the website for exercising voting rights shall be borne by the shareholders.

To Institutional Investors

The electronic voting platform for institutional investors operated by Investor Communications Japan Inc. is available for institutional investors that have applied to use such platform in advance.

Reference Materials for the General Shareholders' Meeting

Item 1: Appropriation of Surplus

It is proposed that surplus be appropriated as follows:

Matters concerning year-end dividends

The Company's policy on shareholder returns is basically to pay a stable dividend from the perspective of shareholder's value, while improving the reflection of consolidated business performance.

Based on this policy, it is proposed that a year-end dividend be paid out as follows.

(1) Type of dividend assets

Cash

(2) Allotment of dividend assets to shareholders and total amount

4 yen per Company common stock

Total payment of dividends: 1,587,120,668 yen

(3) Effective date of dividends from surplus

June 30, 2017

The annual dividend for the fiscal year under review, including an interim dividend, will be 16 yen per Company common stock.

Item 2: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office for all nine Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this General Shareholders' Meeting. Accordingly, it is proposed that six Directors (excluding Directors who are Audit and Supervisory Committee Members) be elected.

The Audit and Supervisory Committee has reported that there are no matters to be addressed with regard to the election of Directors (excluding Directors who are Audit and Supervisory Committee Members).

The candidates are as follows:

Candidate number	Name	Current position, duties and responsibilities at the Company
1	[Reappointment] Kazuo Ushida	President and Representative Director Officer in charge of Business Development Division
2	[Reappointment] Masashi Oka	Senior Executive Vice President, CFO and Representative Director Officer in charge of Internal Audit Department, Corporate Strategy Division and Finance & Accounting Division
3	[Reappointment] Yasuyuki Okamoto	Senior Vice President and Director Officer in charge of Healthcare Business
4	[New candidate] Takumi Odajima	Corporate Vice President Corporate Strategy Division, Deputy General Manager of Human Resources & Administration Division
5	[New candidate] Satoshi Hagiwara	Corporate Vice President General Manager of Finance & Accounting Division
6	[External/ Independent/ Reappointment] Akio Negishi	External Director

Note: The Healthcare Business indicates the Microscope Solutions Business and the Medical Business.

Candidate number 1	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p style="text-align: center;">Kazuo Ushida</p> <p>Date of birth: January 25, 1953</p> <p>Shares held in the Company: 28,499 shares</p>	<p>Apr. 1975: Joined the Company</p> <p>Jun. 2003: Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company, the Company</p> <p>Jun. 2005: Managing Director, Member of the Board & Executive Vice President, President of Precision Equipment Company, the Company</p> <p>Jun. 2007: Director, Member of the Board & Executive Vice President, President of Precision Equipment Company, the Company</p> <p>Jun. 2009: Director, Member of the Board & Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company, the Company</p> <p>Jun. 2013: Representative Director, Member of the Board & Senior Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company, Vice Officer in charge of Corporate Planning Headquarters, the Company</p> <p>Jun. 2014: President and Representative Director, Overseeing Medical Business Development Division and Business Development Division, the Company</p> <p>Jun. 2015: President and Representative Director, Overseeing Corporate Strategy Division, Medical Business Development Division and Business Development Division, the Company</p> <p>Jun. 2016: President and Representative Director, Officer in charge of Business Development Division, the Company (to present)</p>
<p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Kazuo Ushida has been engaged mainly in development of the semiconductor lithography systems since joining the Company, and has served as General Manager of Development Headquarters and President of Precision Equipment Company. He is currently leading the restructuring, exploiting his experience in business operation cultivated in the globally competitive environment of the cutting-edge semiconductor lithography market. As he is sufficiently qualified for directorship, we nominate him as a candidate to continue as Director.</p>	
Candidate number 2	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p style="text-align: center;">Masashi Oka</p> <p>Date of birth: July 11, 1955</p> <p>Shares held in the Company: 3,300 shares</p>	<p>Apr. 1979: Joined The Mitsubishi Bank, Ltd.</p> <p>Jun. 2004: General Manager and Global Head, Syndicated Finance Division of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Jun. 2005: Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. (Director & Vice Chairman, UnionBanCal Corporation and Union Bank of California, N.A.)</p> <p>Apr. 2008: Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. General Manager, Corporate & Investment Banking Strategy Division</p> <p>Oct. 2009: Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Group Head, Corporate & Investment Banking Group</p> <p>Jul. 2010: Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (President & CEO, UnionBanCal Corporation and Union Bank, N.A.)</p> <p>May 2012: Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. CEO for the Americas (President & CEO, UnionBanCal Corporation and Union Bank, N.A.)</p> <p>May 2013: Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. CEO for the Americas (President & CEO, UnionBanCal Corporation and Union Bank, N.A.)</p> <p>Jul. 2014: Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Director & Executive Chairman, MUFG Americas Holdings Corporation and Director & Executive Chairman, MUFG Union Bank, N.A.</p> <p>Oct. 2015: Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2016: Counselor, the Company</p> <p>Jun. 2016: Senior Executive Vice President, CFO and Representative Director, Officer in charge of Internal Audit Department, Corporate Strategy Division and Finance & Accounting Division, the Company (to present)</p>
<p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Masashi Oka joined The Mitsubishi Bank, Ltd. in 1979. Since his appointment as an executive officer of The Bank of Tokyo-Mitsubishi, Ltd. in 2005, he was mainly engaged in corporate and investment banking (CIB) business and operation of businesses in the Americas of the Mitsubishi UFJ Financial Group, and served as a managing executive officer and a senior managing executive officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as well as CEO of the bank's affiliates, UnionBanCal Corporation and Union Bank, N.A. As he possesses a wealth of experience and achievements in global business operation and finance in general and is currently promoting the restructuring, he is sufficiently qualified for directorship. Therefore, we nominate him as a candidate to continue as Director.</p>	

Candidate number 3	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>Yasuyuki Okamoto</p> <p>Date of birth: January 3, 1956</p> <p>Shares held in the Company: 12,800 shares</p>	<p>Apr. 1978: Joined the Company</p> <p>Jun. 2005: Corporate Vice President, General Manager of Marketing Management Department, Imaging Company, the Company</p> <p>Oct. 2006: Corporate Vice President, General Manager of Marketing Headquarters, Imaging Company, the Company</p> <p>Oct. 2007: Corporate Vice President, the Company President & CEO of Nikon Inc.</p> <p>Jun. 2009: Senior Vice President, the Company President & CEO of Nikon Inc.</p> <p>Jun. 2010: Director, Member of the Board & Senior Vice President, President of Imaging Company, the Company</p> <p>Jun. 2014: Senior Vice President and Director, Overseeing Business Support Division and Imaging Business Unit, the Company</p> <p>Jun. 2015: Senior Vice President and Director, Overseeing Business Support Division, Imaging Business Unit, Microscope Solutions Business Unit and Industrial Metrology Business Unit, the Company</p> <p>Jun. 2016: Senior Vice President and Director, Officer in charge of Healthcare Business, the Company (to present)</p>
<p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Yasuyuki Okamoto, after having been engaged primarily in marketing and overseas sales in the Imaging Products Business since joining the Company, has served as the president of our overseas sales subsidiary, President of Imaging Company, etc. contributing to increased sales for the Imaging Products Business of the Company. As he has a wealth of experience in business operation, he is sufficiently qualified for directorship. Therefore, we nominate him as a candidate to continue as Director.</p>	
Candidate number 4	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>Newly appointed</p> <p>Takumi Odajima</p> <p>Date of birth: December 5, 1958</p> <p>Shares held in the Company: 7,400 shares</p>	<p>Apr. 1981: Joined the Company</p> <p>Jun. 2012: Corporate Vice President, General Manager of Planning Headquarters, Precision Equipment Company, the Company</p> <p>Jun. 2014: Corporate Vice President, Corporate Strategy Division, the Company</p> <p>Dec. 2016: Corporate Vice President, Corporate Strategy Division and Deputy General Manager of Human Resources & Administration Division, the Company (to present)</p>
<p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Takumi Odajima, after having been engaged primarily in the sales and business planning sections of the Instruments Business, has served as General Manager of Corporate Planning Department, General Manager of Planning Headquarters, Precision Equipment Company, and Deputy General Manager of Human Resources & Administration Division. As he possesses a wealth of experience as the person responsible for promoting important policies, he is sufficiently qualified for directorship. Therefore, we nominate him as a candidate for the position of Director.</p>	

Candidate number 5	Career summary, position and duties at the Company, and important concurrent positions outside the Company
Newly appointed Satoshi Hagiwara Date of birth: July 18, 1961 Shares held in the Company: 3,100 shares	Apr. 1985: Joined the Company Jun. 2015: Corporate Vice President, General Manager of Finance & Accounting Division, the Company (to present)
[Special interests in the Company] None [Reasons for candidacy] Satoshi Hagiwara has been engaged in finance and accounting sections since joining the Company and held prominent posts in said sections. As he possesses a high degree of expertise in finance and accounting as well as outstanding insight, he is sufficiently qualified for directorship. Therefore, we nominate him as a candidate for the position of Director.	
Candidate number 6	Career summary, position and duties at the Company, and important concurrent positions outside the Company
External/Independent Akio Negishi Date of birth: October 31, 1958 Shares held in the Company: 0 shares Number of years in office as External Director (at the conclusion of this General Shareholders' Meeting) 1 year	Apr. 1981: Joined Meiji Life Insurance Company Jul. 2009: Executive Officer of Meiji Yasuda Life Insurance Company Apr. 2012: Managing Executive Officer of Meiji Yasuda Life Insurance Company Jul. 2013: Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance, the Company (to present) Jun. 2016: External Director, the Company (to present)
Notes: 1. Akio Negishi is a candidate for the position of External Director as provided for under the Companies Act. The Company has reported him to Tokyo Stock Exchange, Inc. as an independent director. 2. If this proposal is approved, the Company intends to continue an agreement with Akio Negishi that limits his liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act. 3. Nikon AG (Zurich, Switzerland), a subsidiary of the Company, had been disputing the Swiss Competition Commission's 2011 decision regarding infringement of Swiss competition law by Nikon AG in an appeal before the Swiss Federal Administrative Court. In September 2016, the Swiss Federal Administrative Court rendered its judgment dismissing Nikon AG's appeal. As a result of an overall analysis of the legal proceedings, the Company has decided not to appeal the judgment and consequently, to make a payment of a fine of approximately CHF 12 million (approximately 1.3 billion yen based on the exchange rate at the time). External Director of the Company, Akio Negishi was appointed after the cause of such decision occurred, and has made proposals demanding appropriate measures to be taken to further strengthen and thoroughly implement the compliance systems with a view to preventing recurrence of such conduct. [Special interests in the Company] The Company borrows loans from Meiji Yasuda Life Insurance Company, of which Akio Negishi is President, Representative Executive Officer, and the Company has an insurance transaction relationship with Meiji Yasuda Life Insurance Company. The amounts of transactions with the company in the past three years account for less than 1% of consolidated net sales of each of the company and the Company for each year, which meets the independence criteria set by the Company (see page 9). [Reasons for candidacy] Akio Negishi serves as President, Representative Executive Officer of Meiji Yasuda Life Insurance Company, and possesses many years of management experience and exceptional knowledge, and we believe that he will be able to contribute to our management overall from a big-picture perspective. He also meets the independence criteria set by the Company, and we believe that he will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.	

(Reference)

Independence Criteria for External Directors

The Company shall deem that an External Director is independent when the External Director meets the requirements for an external director under the Companies Act and applies to none of the following items.

- a) The candidate is or was employed by the Group.
- b) The candidate is a “principal business partner*” of the Company, or a person who executes business of such “principal business partner.”
- c) The candidate is a major shareholder, or a person who executes business of such major shareholder.
- d) The candidate comes from a company any of whose directors serves as the Company’s external director and whose external directors include any of the Company’s directors.
- e) The candidate is a donee to which the Company makes a donation, or a person who comes from such donee.
- f) A relative within second degree of kinship of the candidate is an important person who executes business of the Group or a “principal business partner” of the Company.

* “Principal business partner” means a business partner that falls under any one of the following items:

- (1) Business partner that has either of the following transactions during one of the past three years:
 - The payment from the Company exceeds 2% of consolidated net sales of the business partner or 100 million yen, whichever is larger.
 - The payment to the Company exceeds 2% of consolidated net sales of the Company or 100 million yen, whichever is larger.
- (2) A consultant or an accounting/legal professional whose average annual remuneration received from the Company for the past three fiscal years exceeds 10 million yen.

Item 3: Election of One Director Who Is an Audit and Supervisory Committee Member

Norio Hashizume, Director who is an Audit and Supervisory Committee Member retires from the position of Director who is an Audit and Supervisory Committee Member at the conclusion of this General Shareholders’ Meeting, due to resignation. Accordingly, it is proposed that one Director who is an Audit and Supervisory Committee Member be elected.

The consent of the Audit and Supervisory Committee has been obtained for this item.

The candidate is as follows:

	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>Takaharu Honda</p> <p>Date of birth: November 20, 1954</p> <p>Shares held in the Company: 11,800 shares</p>	<p>Apr. 1977: Joined the Company</p> <p>Jun. 2008: Corporate Vice President, General Manager of Business Planning Department, Imaging Company, the Company</p> <p>Jun. 2011: Senior Vice President, Officer in charge of Corporate Communications & IR Department, General Manager of Corporate Planning Headquarters, the Company</p> <p>Jun. 2014: Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and Information System Division, the Company</p> <p>Apr. 2016: Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and IT Solutions Division, the Company</p> <p>Jun. 2016: Senior Vice President and Director, General Manager of Human Resources & Administration Division (to present)</p>
<p>Notes:</p> <p>1. Takaharu Honda is the Director other than those who are Audit and Supervisory Committee Members and will retire at the conclusion of this General Shareholders’ Meeting, as his term expires. It is proposed that he be newly elected as Director who is an Audit and Supervisory Committee Member.</p> <p>2. If this proposal is approved, the Company intends to conclude an agreement with Takaharu Honda that limits his liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.</p> <p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Takaharu Honda, after having been engaged primarily in sales of the Imaging Products Business since joining the Company, has served as General Manager of Business Planning Department, Imaging Company, General Manager of Corporate Planning Headquarters, and General Manager of Human Resources & Administration Division. As he possesses abundant experience as the overseer of the planning and administration sections, he is qualified to fulfill the responsibilities of an Audit and Supervisory Committee Member. Therefore, we nominate him as a candidate for the position of Director who is an Audit and Supervisory Committee Member.</p>	

(Attached documents)

Business Report

(From April 1, 2016 to March 31, 2017)

1. Matters relating to the current state of the Group

(1) Results of operations

(i) Review of operations

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

Looking at performance by business segment, in the Precision Equipment Business, capital investments in the semiconductor-related field remained solid while capital investments were strong in the FPD-related field, primarily in mid-to-small size panels. In the Imaging Products Business, the Digital Camera-Interchangeable Lens Type market and the compact digital camera market continued to shrink. In the Instruments Business, the microscope-related field was sluggish overall due to the delay in public budget execution in the U.S. In the industrial metrology-related field, capital investments were weak due to a delayed market recovery. In the Medical Business, the retinal diagnostic imaging equipment market remained solid throughout the fiscal year on a global scale.

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

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

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

As a result of the foregoing, net sales of the Group for the fiscal year ended March 31, 2017 decreased by 70,496 million yen (8.6%) year on year to 748,891 million yen, while operating income increased by 19,281 million yen (60.8%) year on year to 50,979 million yen, and ordinary income

increased by 16,454 million yen (43.5%) year on year to 54,322 million yen, as a result of an increase in sales of FPD Lithography Systems. However, net loss attributable to owners of the parent of 7,107 million yen (compared to net income attributable to owners of the parent of 18,254 million yen in the previous fiscal year) was posted by recording 53,369 million yen in restructuring expenses.

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

Performance by business segment is as follows.

a. Precision Equipment Business

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

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

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

b. Imaging Products Business

For the Digital Camera-Interchangeable Lens Type, sales of mid- to high-class cameras were strong, such as the D750, a digital SLR camera with specifications comparable to those of professional models, and the D7200, a high-performance DX-format camera. However, a shrinking market and the impact of the 2016 Kumamoto Earthquake on the supply chain caused a decrease in the number of units sold.

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

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

c. Instruments Business

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

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

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

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

d. Medical Business

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

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

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

e. Other Businesses

In the Customized Products Business, sales of space-related products increased, while sales of solid-state lasers declined.

In the Glass Business, sales of photomask high-precision substrates for FPD and optical components expanded and profits were maintained at previous-year levels.

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

Note: Business segment operating income or loss includes earnings or losses from transactions within the Group.

Business Segment Sales for 153rd term (Year Ended March 31, 2017)

Business segment	Net sales (million yen)	Percentage of total sales (%)	Change from previous year (%)
Precision Equipment Business	247,645	33.1	38.4
Imaging Products Business	383,022	51.1	(26.4)
Instruments Business	73,449	9.8	(4.9)
Medical Business	20,276	2.7	-
Other Businesses	24,497	3.3	0.1

(ii) Capital investments

Fiscal year capital investments totaled 32,234 million yen. The amounts of investment by business were 7,511 million yen in the Precision Equipment Business, 7,071 million yen in the Imaging Products Business, 2,437 million yen in the Instruments Business, 544 million yen in the Medical Business and 10,450 million yen for Other Businesses.

Major capital investments in the fiscal year included increased production of FPD Lithography Systems, as well as construction of a new building with the aim of aggregating functions related to the manufacture of optical components, as shown in (iv) below.

(iii) Fund procurement

The balance of long-term loans payable (including current portion) at the end of the fiscal year is 84,739 million yen, an increase of 37,639 million yen from the end of the previous fiscal year, due to the receipt of new loans equivalent to the funds for the acquisition of Optos Plc in 2015.

The Company did not procure funds through issuance of new shares or bonds during the fiscal year.

(iv) Business transfers and absorption-type and incorporation-type company split

With the aim of strengthening the manufacturing technology of optical components across the entire Group, as well as building a production system with enhanced efficiency to maximize the competitiveness of the Group's products, operations engaged by the Lens Production Department, Production Technology Sector of Core Technology Division of the Company, and the Lens Production Department of Tochigi Nikon Precision Co., Ltd. were transferred to Tochigi Nikon Corporation through an absorption-type company split on February 1, 2017, and Kurobane Nikon Co., Ltd., as the extinct company, was merged by absorption to Tochigi Nikon Corporation, as the surviving company.

(v) Businesses acquired from other companies

None

(vi) Receipt of rights and obligations associated with operations of other company, etc. due to absorption and merger or to absorption and demerger

As shown in (iv) above, an absorption-type company split and an absorption-type merger were carried out on February 1, 2017, with Tochigi Nikon Corporation as the succeeding company and the surviving company, respectively.

(vii) Acquisition or disposal of stock or other ownership or subscription rights to shares, etc. of other company

None

(2) Financial highlights for three previous fiscal years

Financial highlights related to the Group are as follows.

Item	150th term (Year ended March 31, 2014)	151st term (Year ended March 31, 2015)	152nd term (Year ended March 31, 2016)	153rd term (Year ended March 31, 2017)
Net sales (million yen)	980,556	857,782	819,388	748,891
Operating income (million yen)	62,941	43,412	31,698	50,979
Ordinary income (million yen)	61,725	46,368	37,868	54,322
Profit attributable to owners of parent (million yen)	46,824	18,364	18,254	(7,107)
Profit per share (yen)	118.06	46.29	46.05	(17.94)
Total assets (million yen)	949,515	972,945	966,578	997,203
Net assets (million yen)	546,813	572,200	528,280	522,699

Notes:

1. Beginning from the 152nd term, with the application of the provisions stated in Clause 39 of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the presentation of profit has been changed to profit attributable to owners of parent.
2. Beginning from the 152nd term, the Group introduced Executive Compensation BIP (Board Incentive Plan) Trust, and the Company’s shares held by the Trust were recorded as treasury share in the consolidated financial statement. Associated with this, in calculating profit per share, the number of such shares is included in treasury share and recorded as “average number of common stock issued.”
3. In the Precision Equipment Business, the revenue from sale transactions of the FPD Lithography Systems for customers abroad had been recognized either on the shipping dates or at the time of delivery to the locations designated by customers. However, beginning from the 153rd term, the accounting policy was changed to recognize the revenue at the point when the installation is completed. Associated with this, the figures for the 152nd term were adjusted retrospectively.

(3) Major parent company and subsidiaries

(i) Relationship with parent company

None

(ii) Major subsidiaries

Company name	Location	Capital stock	Percentage of equity participation (%)	Main business
Tochigi Nikon Corporation	Tochigi, Japan	363 million yen	100.0	Manufacture of interchangeable lenses and optical lenses
Tochigi Nikon Precision Co., Ltd.	Tochigi, Japan	204 million yen	100.0	Manufacture of Precision Equipment Business products and parts
Nikon Precision Inc.	US	1 thousand US dollars	*100.0	Sales in the US and Europe of Precision Equipment Business products
Sendai Nikon Corporation	Miyagi, Japan	480 million yen	100.0	Manufacture of Imaging Products Business products
Nikon Imaging Japan Inc.	Tokyo, Japan	400 million yen	100.0	Sales in Japan of Imaging Products Business products
Nikon (Thailand) Co., Ltd.	Thailand	1.2 billion bahts	100.0	Manufacture of Imaging Products Business products
Nikon Imaging (China) Co., Ltd.	China	32 million US dollars	*100.0	Manufacture of Imaging Products Business products
Nikon Inc.	US	1 thousand US dollars	*100.0	Sales in the Americas of Imaging Products Business products
Nikon Europe B.V.	Netherlands	1 million euro	*100.0	Sales in Europe of Imaging Products Business products
Nikon Hong Kong Ltd.	China	5 million HK dollars	*100.0	Sales in Asia of Imaging Products Business products
Nikon Singapore Pte. Ltd.	Singapore	32 million SG dollars	*100.0	Sales in Asia/Oceania of Imaging Products Business products
Nikon Imaging (China) Sales Co., Ltd.	China	10 million US dollars	*100.0	Sales in China of Imaging Products Business products
Nikon Instech Co., Ltd.	Tokyo, Japan	417 million yen	100.0	Sales in Japan of Instruments Business products
Nikon Metrology NV	Belgium	97 million euro	*100.0	Manufacture and sales in Europe and the US of Instruments Business products
Optos Plc	UK	1.5 million UK pounds	100.0	Manufacture and sales of Medical Business products

Note: * shows ownership ratios including indirect ownership.

(4) Issues to be addressed

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

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

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

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

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

(5) Main business (as of March 31, 2017)

The main businesses of the Group are the manufacture and sales of the following products.

Business segment	Main products
Precision Equipment Business	Semiconductor Lithography Systems, FPD Lithography Systems
Imaging Products Business	Digital camera—Interchangeable Lens Type, compact digital cameras, interchangeable lenses, film cameras, sport optics
Instruments Business	Biological microscopes, industrial microscopes, measuring instruments, X ray/CT inspection systems
Medical Business	Retinal diagnostic imaging equipment
Other Businesses	Customized products, photomask substrates for FPD

(6) Major offices and plants (as of March 31, 2017)

The major offices and plants of the Company are as follows.

Those of subsidiaries of the Company are shown in “(3) (ii) Major subsidiaries” on page 16.

Name of offices and plants	Location
Head office	Tokyo, Japan
Oi Plant	Tokyo, Japan
Yokohama Plant	Kanagawa, Japan
Sagamihara Plant	Kanagawa, Japan
Kumagaya Plant	Saitama, Japan
Mito Plant	Ibaraki, Japan
Yokosuka Plant	Kanagawa, Japan

(7) Employees (as of March 31, 2017)

(i) Employees of the Group

Number of employees	Change from the end of the previous consolidated fiscal year
25,031	down 698

Notes:

1. The number of employees does not include part-time employees, contract workers, etc.
2. The number of employees includes 1,004 employees who retired on March 31, 2017 by accepting voluntary retirement.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average service years
6,528	down 59	45.4	21.0

Notes:

1. The number of employees does not include part-time employees, contract workers, etc.
2. Average age and average service years are rounded off to the nearest tenths.
3. The number of employees includes 818 employees who retired on March 31, 2017 by accepting voluntary retirement.

(8) Major lenders (as of March 31, 2017)

Lender	Amount borrowed (million yen)
Meiji Yasuda Life Insurance Company	13,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,940

(9) Other items concerning the status of the Group

On April 24, 2017, the Company initiated a series of legal actions in the Netherlands, Germany and Japan intended to halt infringement of its intellectual property by Dutch semiconductor lithography system manufacturer ASML Holding N.V. and its related companies (“ASML”), and by ASML’s optical component supplier Carl Zeiss SMT GmbH.

2. Current state of the Company

(1) Matters relating to shares of the Company (as of March 31, 2017)

- (i) Total number of shares authorized to be issued: 1,000,000,000 shares
- (ii) Total number of shares issued: 400,878,921 shares
- (iii) Shares per unit: 100 shares
- (iv) Total number of shareholders: 33,786
- (v) Major shareholders:

Name of shareholder	Number of shares held (thousand shares)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,295	8.1
Japan Trustee Services Bank, Ltd. (Trust Account)	24,344	6.1
Meiji Yasuda Life Insurance Company	19,537	4.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,364	2.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.9
The Joyo Bank, Ltd.	6,801	1.7
NIPPON LIFE INSURANCE COMPANY	6,709	1.7
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	6,709	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,401	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,041	1.5

Note: The percentage of total shares issued is calculated after deducting treasury share of 4,098,754 shares.

(2) Subscription rights to shares

(i) Subscription rights to shares held by the Company's Directors that were granted as remuneration for duties performed (as of March 31, 2017)

Issue number (date of issue)	Number of subscription rights to shares	Type and number of shares to be issued	Issue price per right (yen)	Exercise price per right (yen)	Exercise period	Status of holding (number of subscription rights to shares (number of holders))	
						Directors (excluding Audit and Supervisory Committee Members)	Directors (Audit and Supervisory Committee Members)
5th issue (August 27, 2007)	49	4,900 shares of the Company's common stock	325,900	100	From August 28, 2007 to August 27, 2037	42 (4)	7 (1)
6th issue (November 25, 2008)	295	29,500 shares of the Company's common stock	73,400	100	From November 26, 2008 to November 25, 2038	264 (6)	31 (1)
7th issue (August 10, 2009)	231	23,100 shares of the Company's common stock	140,800	100	From August 11, 2009 to August 10, 2039	209 (7)	22 (1)
8th issue (July 14, 2010)	263	26,300 shares of the Company's common stock	152,700	100	From July 15, 2010 to July 14, 2040	235 (7)	28 (1)
9th issue (March 19, 2012)	407	40,700 shares of the Company's common stock	203,700	100	From March 20, 2012 to March 19, 2042	367 (7)	40 (1)
10th issue (August 23, 2012)	495	49,500 shares of the Company's common stock	172,600	100	From August 24, 2012 to August 23, 2042	445 (7)	50 (1)
11th issue (August 1, 2013)	596	59,600 shares of the Company's common stock	163,200	100	From August 2, 2013 to August 1, 2043	543 (7)	53 (1)
12th issue (August 1, 2014)	835	83,500 shares of the Company's common stock	118,300	100	From August 2, 2014 to August 1, 2044	762 (6)	73 (1)
13th issue (July 28, 2015)	863	86,300 shares of the Company's common stock	104,000	100	From July 29, 2015 to July 28, 2045	863 (6)	-
14th issue (July 29, 2016)	999	99,900 shares of the Company's common stock	121,300	100	From July 30, 2016 to July 29, 2046	999 (7)	-

Notes:

1. No subscription rights to shares have been granted to External Directors.
2. Subscription rights to shares held by Directors who are Audit and Supervisory Committee Members were granted when these individuals were Directors other than those who are Audit and Supervisory Committee Members or Officers.

(ii) Subscription rights to shares granted to employees, etc. as remuneration for duties performed during the fiscal year

The following subscription rights to shares were granted to Officers who do not concurrently serve as Directors.

Issue number (date of issue)	Number of subscription rights to shares	Type and number of shares to be issued	Issue price per right (yen)	Exercise price per right (yen)	Exercise period	Number of persons granted
14th issue (July 29, 2016)	987	98,700 shares of the Company's common stock	121,300	100	From July 30, 2016 to July 29, 2046	19

(iii) Other subscription rights to shares actually issued
None

(3) Matters relating to Directors and Corporate Auditors

(i) Directors (as of March 31, 2017)

Position	Name	Business in charge and important concurrent positions outside the Company	
* Chairman of the Board Director	Makoto Kimura	Matters related to the Group's important management policies	
* President Director	Kazuo Ushida	Officer in charge of Business Development Division	
* Director (Senior Executive Vice President, CFO)	Masashi Oka	Officer in charge of Internal Audit Department, Corporate Strategy Division and Finance & Accounting Division	**
Director (Senior Vice President)	Yasuyuki Okamoto	Officer in charge of Healthcare Business	
Director (Senior Vice President)	Hiroshi Ohki	General Manager of Core Technology Division, Officer in charge of Intellectual Property Division and Encoder Business Unit	
Director (Senior Vice President)	Takaharu Honda	General Manager of Human Resources & Administration Division	
Director (Senior Vice President)	Tomohide Hamada	General Manager of Corporate Strategy Division	
Director	Toshiyuki Masai	Director & Executive Vice President of JEOL Ltd.	
Director	Akio Negishi	Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance Company	**
Director (Full-time Audit and Supervisory Committee Member)	Norio Hashizume	-	**
Director (Full-time Audit and Supervisory Committee Member)	Koichi Fujiu	-	**
Director (Audit and Supervisory Committee Member)	Haruya Uehara	Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation External Director of KOITO MANUFACTURING CO., LTD. External Corporate Auditor of Mitsubishi Research Institute, Inc.	**
Director (Audit and Supervisory Committee Member)	Hiroshi Hataguchi	Attorney at law External Director of SOSHIN ELECTRIC CO., LTD.	**
Director (Audit and Supervisory Committee Member)	Kunio Ishihara	Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. External Corporate Auditor of TOKYU CORPORATION External Director of Japan Post Holdings Co., Ltd.	**

Notes:

- * indicates Representative Directors.
- ** indicates Directors who were newly elected at the 152nd Annual General Shareholders' Meeting held on June 29, 2016 (includes Directors who retired as Corporate Auditors and were elected as Directors who are Audit and Supervisory Committee Members, as mentioned in 3. below).
- By resolution of the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee, at the conclusion of the said Meeting. Accordingly, Corporate Auditors Norio Hashizume, Koichi Fujiu, Haruya Uehara and Hiroshi Hataguchi retired at the conclusion of the said Meeting, as their terms expired, and were newly elected as Directors who are Audit and Supervisory Committee Members at the said Meeting.
- Akio Negishi, Haruya Uehara, Hiroshi Hataguchi and Kunio Ishihara are External Directors. The Company has submitted Independent Directors/Auditors Notifications to the Tokyo Stock Exchange, Inc. designating these four individuals as independent directors as stipulated in the Tokyo Stock Exchange, Inc. Securities Listing Regulations.
- Norio Hashizume and Koichi Fujiu were selected as Directors who are Full-time Audit and Supervisory Committee Members. For the purpose of securing the effectiveness of the activities of the Audit and Supervisory Committee, both of these Directors attend important meetings such as the Executive Committee, Conference for Business Issues, and various committees in an effort to accurately understand and audit the status of business execution. They also perform the audit and supervisory functions necessary to ensure that the Directors' performance of duties is in compliance with laws and regulations, as well as the Company's Articles of Incorporation, and that corporate

- operations are properly carried out, through monitoring and verification of the development and operational status of the internal control system, including internal controls over financial reporting.
6. Norio Hashizume, Director who is an Audit and Supervisory Committee Member, has served as an Officer in charge of accounting at the Company, and Koichi Fujiu, Director who is an Audit and Supervisory Committee Member, has a long-term experience in the accounting division at the Company. Accordingly, both of them have considerable knowledge involving finance and accounting.
 7. The Company has loans from Meiji Yasuda Life Insurance Company and Mitsubishi UFJ Trust and Banking Corporation. In addition, the Company has an insurance transaction relationship with Meiji Yasuda Life Insurance Company and The Tokio Marine & Nichido Fire Insurance Co., Ltd., respectively. Additionally, the amount of payment to each of the aforementioned companies accounts for less than 2% of consolidated net sales of the Company.
 8. Directors Junichi Ito, Kenji Matsuo and Koukei Higuchi retired at the conclusion of the 152nd Annual General Shareholders' Meeting held on June 29, 2016, as their terms expired.
 9. The Healthcare Business indicates the Microscope Solutions Business and the Medical Business.

(Reference)

The Company uses the Executive Officer System. The table on page 22 shows Directors who also serve as Officers. Officers who are not Directors were as follows as of March 31, 2017.

Position	Name	Duties
Senior Vice President	Toshikazu Umatate	General Manager of Semiconductor Lithography Business Unit
Senior Vice President	Nobuyoshi Gokyu	General Manager of Imaging Business Unit
Senior Vice President	Masao Nakajima	General Manager of Industrial Metrology Business Unit
Senior Vice President	Kiyoyuki Muramatsu	General Manager of FPD Lithography Business Unit
Corporate Vice President	Tsuneyoshi Kon	General Manager of Business Support Division
Corporate Vice President	Toru Iwaoka	President & CEO of Nikon Inc.
Corporate Vice President	Kenji Yoshikawa	Corporate Strategy Division
Corporate Vice President	Atsumi Nakamura	General Manager of Microscope Solutions Business Unit
Corporate Vice President	Takumi Odajima	Corporate Strategy Division, Deputy General Manager of Human Resources & Administration Division
Corporate Vice President	Jun Nagatsuka	Deputy General Manager of Medical Business Development Division
Corporate Vice President	Yojiro Tanii	General Manager of Customized Products Business Unit
Corporate Vice President	Hiroyuki Hiraiwa	General Manager of Glass Business Unit
Corporate Vice President	Tetsuya Yamamoto	Core Technology Division
Corporate Vice President	Naoya Sugimoto	Corporate Strategy Division
Corporate Vice President	Tadashi Nakayama	Sector Manager of Development Sector, Imaging Business Unit
Corporate Vice President	Makoto Shintani	Deputy General Manager of Medical Business Development Division
Corporate Vice President	Masato Hamatani	General Manager of Medical Business Development Division
Corporate Vice President	Satoshi Hagiwara	General Manager of Finance & Accounting Division
Corporate Vice President	Hiroyuki Suzuki	General Manager of Information Security Division and IT Solutions Division
Corporate Vice President	Hiroyuki Ikegami	Sector Manager of Marketing Sector, Imaging Business Unit

(ii) Outline of contents of liability limitation agreement

The Company has signed agreements with all Non-Executive Directors that limit their liability for losses under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act.

The limit on the liability for losses in these agreements is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.

(iii) Compensation for Directors and Corporate Auditors

Category	Monthly compensation		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)	Number of persons	Amount of compensation (million yen)
Directors other than those who are Audit and Supervisory Committee Members (of which External Directors)	12 (3)	294 (13)	8 (-)	117 (-)	- (-)	- (-)	12 (3)	411 (13)
Directors who are Audit and Supervisory Committee Members (of which External Directors)	5 (3)	62 (24)	-	-	-	-	5 (3)	62 (24)
Corporate Auditors (of which External Corporate Auditors)	4 (2)	18 (5)	-	-	-	-	4 (2)	18 (5)
Total	21	374	8	117	-	-	21	491

Notes:

1. By resolution of the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee, at the conclusion of that General Meeting. Accordingly, the amount of compensation for Corporate Auditors shown above indicates the amount paid prior to this date, while the amount of compensation for Directors who are Audit and Supervisory Committee Members indicates the amount paid after this date.
2. The number of persons pertaining to Directors other than those who are Audit and Supervisory Committee Members shown above includes three Directors (two of whom are External Directors) who retired at the conclusion of the 152nd Annual General Shareholders' Meeting held on June 29, 2016.
3. The amount of subscription rights to shares granted as stock-related compensation shown above indicates the amount of compensation, etc. concerning subscription rights to shares granted to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) recorded as expenses during the fiscal year.
4. In accordance with the restructuring announced in November 2016, bonuses to Directors will not be paid for the fiscal year (the 153rd term) in order to clarify management responsibility.
5. Regarding performance-based stock remuneration approved at the 151st Annual General Shareholders' Meeting held on June 26, 2015 and the 152nd Annual General Shareholders' Meeting

held on June 29, 2016, it was decided that such remuneration would be linked to the degree of accomplishment of business performance in the final fiscal year of the Medium-Term Management Plan. However, in accordance with the restructuring announced in November 2016, the Company decided to discontinue the “Medium-Term Management Plan Update” announced in May 2015 and not to pay performance-based stock remuneration linked to said Medium-Term Management Plan.

6. The Audit and Supervisory Committee has reported that there are no matters to be addressed with regard to compensation, etc. to Directors other than those who are Audit and Supervisory Committee Members.

(iv) Basic policies and procedures for compensation of Directors

The compensation system is based on the following policies and procedures.

a. Basic policies

Executive compensation will be determined to satisfy the following basic matters.

- Executive compensation should motivate executives to sustainably improve values of companies and shareholders, as well as enhance willingness and morale
- Executive compensation should keep, cultivate and reward excellent personnel
- The decision process for the compensation system should be objective and transparent

b. Compensation system and performance-based structure

- A) The compensation system for Executive Directors and Officers is comprised of the following items. The distribution ratio for compensation is determined by changing the percentages of fixed monthly compensation and performance-based compensation according to positions and duties.

- “Fixed monthly compensation”

Monetary compensation not based on performance.

- “Bonuses”

This monetary compensation is based on the degree of accomplishment and qualitative assessment of the consolidated net sales and consolidated operating income of the Group as a whole and departments in charge on a single-year basis, and is determined within the range of 0 to 200% of the standard payment.

Note: In accordance with the restructuring announced in November 2016, the Company decided not to pay bonuses for the fiscal year (the 153rd term).

Following this restructuring, the indicators for determining the degree of target achievement were revised to focus on capital efficiency, profitability, etc.

- “Performance-based stock compensation”

Stock compensation is determined within the range of 0% to 150% in accordance with achievement of consolidated net sales and consolidated operating income, etc. for the final fiscal year of the Medium-Term Management Plan to be resolved per each three fiscal years with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of medium- and long-term performance.

Note: In accordance with the restructuring announced in November 2016, the Company decided to discontinue the “Medium-Term Management Plan Update” announced in May 2015 and not to pay performance-based stock remuneration linked to said Medium-Term Management Plan.

- “Subscription rights to shares granted as stock-related compensation”

Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improvement of long-term performance, within the range not exceeding 5% of the share dilution ratio.

- B) The compensation system for Non-Executive Directors consists only of “fixed monthly compensation.”

c. Method for determining compensation level and amount

The Compensation Committee discusses and advises on related systems in order to determine the level and system appropriate to the duties on account of compensation levels of major Japanese companies that globally develop their businesses so as to determine the compensation amount consistent with the performance of the Group and its business scale.

The Compensation Committee consists of the Representative Directors, External Directors and external experts, and discusses on establishment of executive compensation policies, consideration of the compensation system and specific calculation method. Based on the results of the discussions, compensation of Directors other than those who are Audit and Supervisory Committee Members is determined by a resolution of the Board of Directors, and compensation of Directors who are Audit and Supervisory Committee Members is determined by their consultations.

(v) Matters relating to External Directors and Corporate Auditors

a. Relationships between organizations where important concurrent positions are held and the Company Information is shown in “(i) Directors” on page 22.

b. Major activities during the fiscal year

Name	Category	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee	Attendance at meetings of the Board of Corporate Auditors
Akio Negishi	Director	11 of 12	-	-
Haruya Uehara	Director (Audit and Supervisory Committee Member)	11 of 12	6 of 7	-
	Corporate Auditor	2 of 3	-	3 of 3
Hiroshi Hataguchi	Director (Audit and Supervisory Committee Member)	12 of 12	7 of 7	-
	Corporate Auditor	3 of 3	-	3 of 3
Kunio Ishihara	Director (Audit and Supervisory Committee Member)	11 of 12	6 of 7	-

Notes:

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

- Each of the External Directors used their extensive knowledge of management, expertise as an attorney, etc., to proactively make remarks from the perspective independent of business execution, concerning matters under consideration by the Board of Directors and the contents of reports. Particularly with respect to restructuring, the External Directors participated in discussions from the formulation stage at meetings of the Board of Directors, and made frank remarks regarding management strategies and management policies from the perspective of contributing to the enhancement of the Company's corporate value.
- Nikon AG (Zurich, Switzerland), a subsidiary of the Company, had been disputing the Swiss Competition Commission's 2011 decision regarding infringement of Swiss competition law by Nikon AG in an appeal before the Swiss Federal Administrative Court. In September 2016, the Swiss Federal Administrative Court rendered its judgment dismissing Nikon AG's appeal.
As a result of an overall analysis of the legal proceedings, the Company has decided not to appeal the judgment and consequently, to make a payment of a fine of approximately CHF 12 million (approximately 1.3 billion yen based on the exchange rate at the time). Each of the External Directors of the Company was appointed after the cause of such decision occurred, and has made proposals demanding appropriate measures to be taken to further strengthen and thoroughly implement the compliance systems with a view to preventing recurrence of such conduct.

(4) Matters relating to Accounting Auditor

(i) Name: Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount
Total amount of remuneration, etc. of Accounting Auditor during the fiscal year under review	93 million yen
Total amount of money and other properties which the Company and its subsidiaries should pay in remuneration of Accounting Auditor for their services to the Company and its subsidiaries during the fiscal year under review	251 million yen

Notes:

1. The Audit and Supervisory Committee determined, after carrying out necessary verifications of whether the content of the Accounting Auditors' audit plans, execution of duties of audits up until the previous fiscal year, and the calculation basis for the remuneration estimate for the fiscal year are appropriate, that the remuneration for Accounting Auditors is reasonable, and has given its consent pursuant to Article 399, Paragraph 1 of the Companies Act.
2. Aside from the amount in the upper line of the above table, the Company pays an additional 113 million yen for remuneration of audits associated with voluntary application of International Financial Reporting Standards (IFRS). The amount stated in the lower line of the above table includes the amount of such consideration.
3. Major overseas subsidiaries of the Company are audited (only auditing subject to the provisions of overseas laws and regulations similar to Japan's Companies Act or Japan's Financial Instruments and Exchange Act) by parties other than Deloitte Touche Tohmatsu LLC (overseas certified public accountants or individuals with qualifications equivalent to those of an auditing company).
4. In the audit contract with the Accounting Auditor, auditing compensation amounts for auditing based on the Companies Act and auditing based on the Financial Instruments and Exchange Act are not separated. Because they essentially cannot be separated, the amount stated in the upper line of the above table is found from adding them together.

5. During the fiscal year under review, the Company has not paid remuneration to the Accounting Auditor for services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

(iii) Policy for decisions to terminate or not extend contracts with an Accounting Auditor

The Audit and Supervisory Committee can terminate the Accounting Auditor with the unanimous consent of the Audit and Supervisory Committee Members in cases where it has been determined that actions by the Accounting Auditor apply to any item of Article 340, Paragraph 1 of the Companies Act.

In addition, even if the actions of the Accounting Auditor do not apply to any item of Article 340, Paragraph 1 of the Companies Act, in the event that it has been determined that the Accounting Auditor is unable to perform proper audits due to a lack of accuracy and independence, the Board of Directors can submit a proposal to terminate the Accounting Auditor or not renew the contract at the General Shareholders' Meeting, in accordance with the decision of the Audit and Supervisory Committee.

(5) Framework to ensure fair business activity

[Details of the Resolution]

We believe that the reinforcement of our company's corporate governance plays a pivotal role in achieving "a fair and transparent management deserving of stakeholders' confidence", and we intend to increase its effectiveness by improving the quality of our internal controls. We acknowledge that the achievement of effective and efficient business processes, the credibility of financial reports, the compliance with relevant laws and regulations, and the preservation of company's assets at our company and its subsidiaries (hereinafter the "Group") are the management's responsibility. Accordingly, we will prepare and refine a framework, including our internal regulations as well as our organization, to ensure fair business activity in compliance with the Japanese Companies Act and implementing regulations of the said Act.

- (i) A framework to ensure that performance of duties of directors, etc. and employees of the Group is in compliance with relevant laws and regulations as well as the articles of incorporation
 - a. We have established the "Nikon CSR Charter", which shows the Group's basic stance on corporate social responsibility. Additionally, the "Nikon Code of Conduct" defines the standards of behavior to ensure sensible conduct by directors and employees of the Group, based on a high level of morality, pursuant to relevant laws and regulations as well as internal regulations. Through the "Nikon Code of Conduct" and "Nikon CSR Charter", we aim to permeate and establish awareness of corporate ethics among directors and employees of the Group.
 - b. Putting special emphasis on a social responsibility-oriented management, we established the "CSR Committee", which aims at fostering, educating as well as disseminating CSR awareness. Established as its sub-committee, the "Business Conduct Committee" regularly performs its function to ensure legitimate, fair, and sound corporate behavior.
 - c. Regarding elimination of anti-social forces and groups, we have defined our basic policy and standards in the "Nikon CSR Charter" and the "Nikon Code of Conduct". Additionally, we are establishing a system to liaison with attorneys and police forces, to take steadfast action as an organization.
 - d. The "Basic Policy on internal control over financial reporting" has been established to ensure credibility of financial reporting by the Group. Frameworks to enable the foregoing are being prepared and improved.
 - e. Internal Audit Department has been established as an independent organization, reporting directly to the President. This Department examines whether operations within the Group are conducted in compliance with relevant laws and regulations as well as internal rules, and when necessary, makes recommendations as to how such operations can be improved.
 - f. Structures are established and administered at the each Group company in order to fully implement compliance within the Group and prevent or correct behaviors that violate social rules or corporate ethics. The "Code of Conduct Hotline" is being created as the report/consultation system in this respect.
- (ii) A framework to ensure an efficient performance of duties, etc. by directors of the Group
 - a. At our company and domestic subsidiaries, the executive officer system provides a clear definition of the authority and responsibility in performance of an officer's duty, resulting in quick decision-making as well as an efficient performance of the officer's duty.
 - b. Rules of authority clearly define the scope of authority and responsibility for each post as well as each organization within the Group and are administered, to ensure organized and

efficient performance of duties.

- c. Meeting structures such as the "Executive Committee", as well as other committees and meeting bodies are established and are administered at our company to enable efficient decision-making and performance of duties for the Group by directors of our company. Among such organizations, the Executive Committee primarily consists of full-time directors, deliberates about and resolves major issues regarding management, general internal controls, and guidelines about general operations of the company's business, in accordance with the basic direction of management as determined by the Board of Directors. Major issues are reported to the Executive Committee by each department.
 - d. In accordance with our corporate philosophy of "Trustworthiness & Creativity", management targets of the Group are defined within annual plans as well as within the Medium Term Management Plans, and implemented as specific measures. In order to achieve annual targets, management of operations is carried out through divisional organization. A meeting is regularly held to examine business issues and responses to them. The achievement level of annual targets is evaluated and validated based on the "Achievement Evaluation System".
- (iii) A framework aimed at preservation and control of information relating to the performance of duties by directors of our company
- a. Information regarding resolutions, decisions, and reports pertaining to performance duties by directors of our company are preserved in documentary format and until such time as provided in the "Rules of the Board of Directors", the "Rules of the Executive Committee", and the "Nikon Group Information Management Rules". The information control system is designed to allow access, when needed, from directors, as well as accounting auditors.
 - b. As for security of information, Information Security Division as an organization reporting directly to the President controls centralized management for information management within the Group and manages coordination and reinforcement of an information management framework within the Group. Further, the common rules in the Group are being established and these rules intend to make definitions of the access level per category and relevance, password control, measures for preventing leaks, manipulations and destructions of proprietary information and other matters generally and thoroughly known by employees and directors within the Group.
- (iv) A framework including rules concerning risk of the Group loss management
- a. In accordance with our recognition of identification, assessment, and control of risk factors potentially affecting operations and business continuity as critical issues, we have established the "Risk Management Committee" and are developing a framework to appropriately control risks surrounding the Group.
 - b. We have prepared and implemented manuals and rules pertaining to fields such as corporate ethics, protection of personal information, environmental control, quality control, export control, insider trading prevention, and disaster prevention, which reinforce the management framework concerning prevention of loss within the Group.
 - c. A framework is in place whereby Internal Audit Department audits the Group about its risk management, evaluates its effectiveness, and reports to the Board of Directors through the representative director when necessary, so that corrective measures can be implemented.

- (v) A framework regarding reporting to our company of matters related to performance of duties by directors of subsidiaries

A framework is being placed for important matters at subsidiaries to be reported and decided upon by our company.

- (vi) Implementation of matters concerning employees assisting the Audit and Supervisory Committee of our company, matters concerning these employees' independence from other directors (excluding directors who are Audit and Supervisory Committee members), and a framework to ensure effectiveness of instructions given to these employees by the Audit and Supervisory Committee

- a. Several employees, acting under supervision and orders of the Audit and Supervisory Committee of our company, are appointed as dedicated assistants to the Audit and Supervisory Committee, in order to ensure an efficient procedure of the Audit and Supervisory Committee as well as to ensure the increased effectiveness of the audit.
- b. Transfer of the assistants or evaluation of the assistants' performance requires prior agreement by the Audit and Supervisory Committee, to ensure independence of such employees from other officers.

- (vii) A reporting framework for directors of the Group to the Audit and Supervisory Committee of our company, for other reporting to the Audit and Supervisory Committee of our company, and to ensure that reporting parties do not receive negative treatment as a result of such reports

- a. An Audit and Supervisory Committee member of our company has the authority to attend major meetings. This ensures that the Audit and Supervisory Committee members have opportunities to constantly understand the status of operations and the decision-making process of the Group.
- b. A framework is being developed to ensure appropriate and effective reporting to the Audit and Supervisory Committee of our company regarding facts that can potentially cause damage to our company, information obtained through the reporting/consultation system concerning corporate compliance, or items to be reported at the Audit and Supervisory Committee as previously agreed with directors.
- c. Internal Audit Department reports the status of internal audit as well as the results of the audit to the Audit and Supervisory Committee of our company. The Audit and Supervisory Committee of our company requests, if necessary, further investigations by Internal Audit Department.
- d. We ensure that parties who make reports to the Audit and Supervisory Committee of our company do not receive negative treatment, including rules in place within the "confidentiality rules of the Code of Conduct Hotline" to forbid retaliation against parties that make reports to the "Code of Conduct Hotline", the report/consultation system.

- (viii) Matters regarding policies related to processing expenses or liabilities arising from performance of duties by Audit and Supervisory Committee members of our company (limited to performance of duties regarding the Audit and Supervisory Committee)

Audit expenses for Audit and Supervisory Committee members of our company are budgeted annually to a certain amount by request of Audit and Supervisory Committee, and for necessary audit expenses, our company makes payments that are in excess of the budget, pursuant to laws and regulations. Additionally, our company also makes payments, as required, for expenses required to appoint outside specialists.

(ix) A framework to ensure effective audit by the Audit and Supervisory Committee of our company

- a. While ensuring independence of the Audit and Supervisory Committee of our company from management functions, this framework enables Audit and Supervisory Committee members of our company to hold regular meetings with the representative director in order to exchange opinions regarding issues to be dealt with by the company, or important tasks pertaining to audits, and to make necessary requests, consequently deepening the mutual understanding between them.
- b. The Audit and Supervisory Committee of our company hold regular meetings with accounting auditors, to actively exchange opinions and information.

[Outline of Operational Status]

(i) Status of compliance

- The Group has established the PDCA cycle by conducting a global awareness survey for all Group's Directors and employees, reporting the survey results at the Business Conduct Committee held in December 2016 as well as giving feedback on the survey results to each Group company.
- The Group provided education related to competition laws and bribery prevention, both in Japan and overseas.
- The results of the awareness survey and the status of education on competition laws were reported to the Board of Directors.

(ii) Status of risk management

- The Risk Management Committee was held twice a year within the Group.
- The Group performs risk assessment, creates a "risk map" that displays the results with impact scale and event probability. For items assessed as high risk, the Group considers risk reduction measures, etc. The risk map is continuously updated, and changes over time are visualized. In addition, the results of these activities were reported to the Board of Directors.

(iii) Status of group management

- Regarding management of the Group as a whole, it has established a framework in which subsidiaries report significant matters to the Group, which will be authorized by the Group, in accordance with the "Rules of the Executive Committee" and the "Authorization and Reporting Standards for Subsidiaries," etc. The Group has been conducting operations along with the framework.
- Each Group company develops and operates with decision-making standards in accordance with "Authorization and Reporting Standards for Subsidiaries" and the laws and regulations of each country.
- Regarding preservation and control of information, the Group carries them out in accordance with regulations established in the "Nikon Group Information Management Rules" and other internal regulations, and performs audits on information management within the Group.

(iv) Execution of duties by Audit and Supervisory Committee Members

- Audit and Supervisory Committee Members attend important meetings, share information, and check the development and operational status of the internal control system.

- Audit and Supervisory Committee Members audit each division, subsidiary, etc., exchange opinions with the Representative Directors about the findings, share auditing issues, and request corrections as needed.
- Audit and Supervisory Committee Members have the opportunity to exchange opinions with the Internal Audit Department in charge of internal audits and Independent Auditors, and strives to strengthen cooperation by holding meetings with them as needed.

Figures in this business report are presented as follows unless designated otherwise.

1. Monetary amounts and numbers of shares of less than the units shown are discarded.
2. Percentages are rounded off to the nearest tenths.

Consolidated Balance Sheet

(As of March 31, 2017)

(Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	698,506	Current liabilities	333,017
Cash and deposits	327,249	Notes and accounts payable - trade	104,614
Notes and accounts receivable - trade	86,902	Short-term loans payable	13,607
Merchandise and finished goods	111,314	Current portion of bonds	10,000
Work in process	82,163	Lease obligations	863
Raw materials and supplies	27,031	Accrued expenses	66,983
Deferred tax assets	39,674	Income taxes payable	3,248
Other	26,434	Advances received	110,552
Allowance for doubtful accounts	(2,262)	Provision for product warranties	6,518
		Other	16,629
Non-current assets	298,696	Non-current liabilities	141,486
Property, plant and equipment	122,083	Bonds payable	30,000
Buildings and structures	49,840	Long-term loans payable	84,739
Machinery, equipment and vehicles	30,631	Lease obligations	2,553
Land	15,726	Deferred tax liabilities	9,321
Leased assets	3,198	Net defined benefit liability	8,623
Construction in progress	4,250	Asset retirement obligations	3,713
Other	18,435	Other	2,535
		Total liabilities	474,504
		(Net assets)	
		Shareholders' equity	493,031
		Capital stock	65,475
		Capital surplus	80,624
		Retained earnings	360,146
		Treasury shares	(13,215)
		Accumulated other comprehensive income	27,535
		Valuation difference on available-for-sale securities	18,365
		Deferred gains or losses on hedges	(218)
		Foreign currency translation adjustment	8,361
		Remeasurements of defined benefit plans	1,026
		Subscription rights to shares	1,496
		Non-controlling interests	636
		Total net assets	522,699
Total assets	997,203	Total liabilities and net assets	997,203

Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Million yen)

Item	Amount	
Net sales		748,891
Cost of sales		443,978
Gross profit		304,912
Selling, general and administrative expenses		253,932
Operating income		50,979
Non-operating income		
Interest income	1,833	
Dividend income	1,401	
Share of profit of entities accounted for using equity method	1,507	
Gain on valuation of derivatives	2,044	
Other	4,233	11,020
Non-operating expenses		
Interest expenses	1,300	
Foreign exchange losses	2,694	
Loss on Competition Law	1,307	
Other	2,375	7,677
Ordinary income		54,322
Extraordinary income		
Gain on sales of non-current assets	123	
Gain on sales of investment securities	4,384	4,508
Extraordinary losses		
Loss on sales of non-current assets	82	
Impairment loss	5,147	
Loss on valuation of investment securities	2,708	
Restructuring expenses	53,369	61,309
Loss before income taxes		2,478
Income taxes - current	7,867	
Income taxes - deferred	(3,331)	4,535
Loss		7,014
Profit attributable to non-controlling interests		93
Loss attributable to owners of parent		7,107

Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2016	65,475	80,624	388,730	(13,255)	521,575
Cumulative effect of changes in accounting policies			(12,727)		(12,727)
Balance as of April 1, 2016 as restated	65,475	80,624	376,002	(13,255)	508,847
Changes of items during period					
Dividends from surplus			(3,967)		(3,967)
Dividends from surplus (Interim dividends)			(4,761)		(4,761)
Net loss attributable to owners of the parent			(7,107)		(7,107)
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock			(19)	44	25
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(15,855)	39	(15,816)
Balance as of March 31, 2017	65,475	80,624	360,146	(13,215)	493,031

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2016	11,735	(35)	12,550	(6,687)	17,563	1,339	530	541,007
Cumulative effect of changes in accounting policies								(12,727)
Balance as of April 1, 2016 as restated	11,735	(35)	12,550	(6,687)	17,563	1,339	530	528,280
Changes of items during period								
Dividends from surplus								(3,967)
Dividends from surplus (Interim dividends)								(4,761)
Net loss attributable to owners of the parent								(7,107)
Purchase of treasury stock								(4)
Disposal of treasury stock								25
Net changes of items other than shareholders' equity	6,629	(183)	(4,189)	7,714	9,971	157	106	10,235
Total changes of items during the period	6,629	(183)	(4,189)	7,714	9,971	157	106	(5,580)
Balance as of March 31, 2017	18,365	(218)	8,361	1,026	27,535	1,496	636	522,699

Non-Consolidated Balance Sheet

(As of March 31, 2017)

(Million yen)

Item (Assets)	Amount	Item (Liabilities)	Amount
Current assets	413,486	Current liabilities	280,457
Cash and deposits	171,223	Notes payable - trade	227
Notes receivable - trade	5,338	Electronically recorded obligations - operating	23,532
Accounts receivable - trade	47,261	Accounts payable - trade	59,720
Finished goods	47,419	Short-term loans payable	13,600
Semi-finished goods	1,078	Current portion of bonds	10,000
Raw materials	26	Lease obligations	500
Work in process	74,487	Accounts payable - facilities	4,795
Supplies	8,497	Accrued expenses	37,969
Deferred tax assets	31,838	Income taxes payable	825
Short-term loans receivable from subsidiaries and associates	11,065	Advances received	90,517
Income taxes receivable	1,749	Deposits received	34,479
Accounts receivable - other	12,531	Provision for product warranties	3,254
Other	1,009	Other	1,034
Allowance for doubtful accounts	(39)		
Non-current assets	283,238	Non-current liabilities	118,432
Property, plant and equipment	50,472	Bonds payable	30,000
Buildings	20,570	Long-term loans payable	84,657
Structures	645	Lease obligations	662
Machinery and equipment	9,448	Asset retirement obligations	2,296
Vehicles	19	Other	815
Tools, furniture and fixtures	6,383		
Land	9,836	Total liabilities	398,889
Leased assets	934	(Net assets)	
Construction in progress	2,633	Shareholders' equity	278,205
Intangible assets	17,296	Capital stock	65,475
Software	12,435	Capital surplus	80,711
Other	4,861	Legal capital surplus	80,711
		Retained earnings	145,232
Investments and other assets	215,468	Legal retained earnings	5,565
Investment securities	76,214	Other retained earnings	139,667
Shares of subsidiaries and associates	101,691	Reserve for research and development	2,056
Investments in capital	1	Reserve for reduction entry of replaced property	5,148
Investments in capital of subsidiaries and associates	15,472	Reserve for reduction entry	4,342
Long-term loans receivable from subsidiaries and associates	4,312	General reserve	111,211
Long-term loans receivable from employees	1	Retained earnings brought forward	16,909
Prepaid pension cost	2,364	Treasury shares	(13,215)
Deferred tax assets	6,350	Valuation and translation adjustments	18,133
Other	9,068	Valuation difference on available-for-sale securities	18,338
Allowance for doubtful accounts	(9)	Deferred gains or losses on hedges	(205)
		Subscription rights to shares	1,496
Total assets	696,724	Total net assets	297,834
		Total liabilities and net assets	696,724

Non-Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Million yen)

Item	Amount	
Net sales		541,056
Cost of sales		396,352
Gross profit		144,704
Selling, general and administrative expenses		121,451
Operating income		23,252
Non-operating income		
Interest and dividend income	16,412	
Other	5,539	21,951
Non-operating expenses		
Interest expenses	1,163	
Other	3,956	5,119
Ordinary income		40,084
Extraordinary income		
Gain on sales of non-current assets	126	
Gain on sales of investment securities	4,283	4,409
Extraordinary losses		
Loss on sales of non-current assets	68	
Impairment loss	4,646	
Loss on valuation of investment securities	2	
Restructuring expenses	49,791	54,508
Loss before income taxes		10,014
Income taxes - current	(1,170)	
Income taxes - deferred	(4,070)	(5,240)
Loss		4,773

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity									
	Capital stock	Capital surplus	Retained earnings						Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings						
				Reserve for research and development	Reserve for reduction entry of replaced property	Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance as of April 1, 2016	65,475	80,711	5,565	2,056	5,483	4,852	111,211	42,534	(13,255)	304,635
Cumulative effect of changes in accounting policies								(11,995)		(11,995)
Balance as of April 1, 2016 as restated	65,475	80,711	5,565	2,056	5,483	4,852	111,211	30,539	(13,255)	292,639
Changes of items during period										
Provision of reserve for reduction entry of replaced property					1,133			(1,133)		-
Reversal of reserve for reduction entry of replaced property					(1,435)			1,435		-
Reversal of reserve for reduction entry						(436)		436		-
Dividends from surplus								(3,967)		(3,967)
Dividends from surplus (Interim dividends)								(4,761)		(4,761)
Loss								(4,773)		(4,773)
Purchase of treasury stock									(4)	(4)
Disposal of treasury stock								(19)	44	25
Decrease by corporate division					(33)	(73)		(845)		(952)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	(334)	(509)	-	(13,629)	39	(14,434)
Balance as of March 31, 2017	65,475	80,711	5,565	2,056	5,148	4,342	111,211	16,909	(13,215)	278,205

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2016	11,711	(17)	11,693	1,339	317,668
Cumulative effect of changes in accounting policies					(11,995)
Balance as of April 1, 2016 as restated	11,711	(17)	11,693	1,339	305,672
Changes of items during period					
Provision of reserve for reduction entry of replaced property					-
Reversal of reserve for reduction entry of replaced property					-
Reversal of reserve for reduction entry					-
Dividends from surplus					(3,967)
Dividends from surplus (Interim dividends)					(4,761)
Loss					(4,773)
Purchase of treasury stock					(4)
Disposal of treasury stock					25
Decrease by corporate division					(952)
Net changes of items other than shareholders' equity	6,626	(187)	6,439	157	6,596
Total changes of items during period	6,626	(187)	6,439	157	(7,838)
Balance at March 31, 2017	18,338	(205)	18,133	1,496	297,834

(TRANSLATION) Copy of Auditor's Report on the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

May 8, 2017

To the Board of Directors of
NIKON CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hitoshi Matsumoto (seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Haruko Nagayama (seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yuji Ujigawa (seal)

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2017 of NIKON CORPORATION (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2016 to March 31, 2017, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Matter of Emphasis

As described in the changes in accounting policies, the Company has changed the revenue recognition standard pertaining to sales of FPD Lithography Systems to overseas markets, from the fiscal year under review.

This change has not affected our opinion.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION) Copy of Auditor's Report on the Financial Statements

INDEPENDENT AUDITOR'S REPORT

May 8, 2017

To the Board of Directors of
NIKON CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hitoshi Matsumoto (seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Haruko Nagayama (seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yuji Ujigawa (seal)

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2017 of NIKON CORPORATION (the "Company"), and the related statements of income and changes in net assets for the 153rd fiscal year from April 1, 2016 to March 31, 2017, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the annexed detailed statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the accompanying supplemental

schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of NIKON CORPORATION as of March 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Matter of Emphasis

As described in the changes in accounting policies, the Company has changed the revenue recognition standard pertaining to sales of FPD Lithography Systems to overseas markets, from the fiscal year under review.

This change has not affected our opinion.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Audit Report

The Audit and Supervisory Committee has audited the performance of the Directors' duties for the 153rd term (April 1, 2016 to March 31, 2017). This Report was prepared from the unanimous opinions of all the Audit and Supervisory Committee Members, and the methods and results are as follows.

1. Method and Contents of Audit

- (1) The Audit and Supervisory Committee has received reports on a regular basis from the Directors and employees, etc. with respect to the content of the resolutions at the Board of Directors' meeting relating to the matters set out in Article 399-13, Paragraph 1, items (1) (b) and (c) of the Companies Act and the systems (internal control systems) established based on such resolutions, the status of their development and operation, requested explanations as necessary, and has expressed its opinions. Regarding internal controls over financial reporting under the Financial Instruments and Exchange Act, reports have been received from the Directors and Deloitte Touche Tohmatsu LLC with respect to the state of assessments and audits of those internal controls, and explanations were requested as necessary.
- (2) In conformity with the Audit and Supervisory Committee auditing standards established by the Audit and Supervisory Committee, and in accordance with audit policies, audit plans and assignment of duties, etc., in cooperation with the Internal Audit Department and other related departments, each Audit and Supervisory Committee Member has attended important meetings, received reports on the status of performance of duties from the Directors and other employees, etc. and requested explanations as necessary, examined important documents, etc. and inspected the status of the corporate affairs and assets at the head office and other principal business locations. With respect to the subsidiaries, each Audit and Supervisory Committee Member endeavored to facilitate a mutual understanding and exchange of information with the Directors and Corporate Auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.
- (3) Each Audit and Supervisory Committee Member monitored and verified whether the Independent Auditor maintained its independence and properly conducted its audit, received a report from the Independent Auditor on the status of its performance of duties, and attended the audit and requested explanations as necessary. Each Audit and Supervisory Committee Member was notified by the Independent Auditor that it had established a "system to ensure that the performance of the duties of the Independent Auditor was properly conducted" (the matters set forth in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Based on the above-described methods, each Audit and Supervisory Committee Member examined the Business Report and its annexed detailed statements thereto, the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) as well as the financial statements (balance sheet, statement of income, statement of changes in net assets and notes to financial statements) and their annexed detailed statements thereto for the fiscal year.

2. Results of Audit

- (1) Results of Audit of Business Report, etc.
 - (i) We acknowledge that the business report and the annexed detailed statements thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.

- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
 - (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the description of the Business Report and the Directors' performance of their duties concerning the internal control systems, including the internal controls over financial reporting.
- (2) Results of Audit of Consolidated Financial Statements
We acknowledge that the methods and results of the audit performed by the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.
- (3) Results of Audit of Financial Statements and their Annexed Detailed Statements
We acknowledge that the methods and results of the audit performed by the Independent Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 9, 2017

Audit and Supervisory Committee of NIKON CORPORATION

Full-time Audit and Supervisory Committee Member:	Norio Hashizume	(seal)
Full-time Audit and Supervisory Committee Member:	Koichi Fujiu	(seal)
Audit and Supervisory Committee Member:	Haruya Uehara	(seal)
Audit and Supervisory Committee Member:	Hiroshi Hataguchi	(seal)
Audit and Supervisory Committee Member:	Kunio Ishihara	(seal)

- (Notes) 1. Audit and Supervisory Committee Members Haruya Uehara, Hiroshi Hataguchi and Kunio Ishihara are External Directors pursuant to Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.
2. By resolution of the 152nd Annual General Shareholders' Meeting held on June 29, 2016, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee, at the conclusion of that General Meeting. The state of affairs from April 1, 2016 to June 28, 2016 is based on the contents taken over from the former Board of Corporate Auditors.