

This is a translation of the original Japanese “Notice of the 154th 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 7, 2018

NIKON CORPORATION

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

Dear Shareholder,

Notice of the 154th Annual General Shareholders’ Meeting

You are cordially invited to attend our 154th 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 28, 2018 (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 154th term (April 1, 2017 to March 31, 2018)
2. Non-Consolidated Financial Statements for the 154th term (April 1, 2017 to March 31, 2018)

Matters to be resolved

- Item 1:** Appropriation of Surplus
- Item 2:** Partial Amendments to the Articles of Incorporation
- Item 3:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Item 4:** Election of Four Directors Who Are Audit and Supervisory Committee Members

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 27, 2018 (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: https://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 27, 2018 (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 27, 2018 (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 targeting dividend payout ratio of 40% or more, while striving to reinforce its competitiveness by expanding the investment on the business and development of technology for future growth.

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

22 yen per Company common stock

Total payment of dividends: 8,729,607,590 yen

(3) Effective date of dividends from surplus

June 29, 2018

The annual dividend for the fiscal year under review, including an interim dividend, will be 36 yen per Company common stock.

Item 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

The Company has long considered corporate governance to be an important managerial challenge and has been making efforts to strengthen necessary systems. The Company is striving to achieve sustainable growth of the Nikon Group and enhancement of its corporate value over the medium-to-long term, by further improving management efficiency and transparency as well as strengthening the supervisory function over management. For example, in 2001, the Company introduced the executive officer system, and in 2016, the Company transitioned to a company with an Audit and Supervisory Committee.

The Company has decided to set forth a new provision for its Articles of Incorporation, whereby the President of the Company will be appointed from among its Officers. This decision is aimed at clarifying how the Company understands the roles and responsibilities of its Officers, and clarifying that the position of the President, who is most responsible for overall management of the Company, is not that of a Director but that of an Officer. In connection with this, the Company will partially amend the provision regarding the chairman of general shareholders’ meetings and the Directors with Executive Power in its Articles of Incorporation.

Please be advised that the Company has changed the term of office of its Officers which used to commence on the day of the Board of Directors’ meeting that is held immediately after the conclusion of the Annual General Shareholders’ Meeting and end on the day of the conclusion of the Annual General Shareholders’ Meeting that is held in the following year, to one year from April of each year to March of the following year, effective from the year ending March 31, 2019. This change is intended to make the term of office of the Officers coincide with the period of the Company’s business year so that the Officers’ duties and responsibilities for managing and carrying out the Company’s business are more clarified.

2. Description of the amendments

Amendments are described as follows.

These amendments shall come into effect at the conclusion of this General Shareholders’ Meeting.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
Article 1. - Article 14. (Provision omitted)	Article 1. - Article 14. (Unchanged)

Current Articles of Incorporation	Proposed Amendments
<p>(Chairman) Article 15. The President shall act as chairman of General Shareholders' Meetings. If there is no <u>president</u> or in the event of an accident, another Director shall act as chairman in the order previously determined by the Board of Directors.</p> <p>Article 16. - Article 18. (Provision omitted)</p> <p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 19. - Article 22. (Provision omitted)</p> <p>(Representative Directors and Directors with Executive Power) Article 23. The Board of Directors may elect one (1) Chairman of the Board <u>and one (1) President</u> from among Directors who are not Audit and Supervisory Committee Members when necessary by resolution. 2. (Provision omitted) 3. (Provision omitted)</p> <p>(New)</p> <p>(New)</p> <p>Article <u>24</u>. - Article <u>33</u>. (Provision omitted)</p>	<p>(Chairman) Article 15. The President <u>and Director</u> shall act as chairman of General Shareholders' Meetings. If there is no <u>President and Director</u> or in the event of an accident, another Director shall act as chairman in the order previously determined by the Board of Directors.</p> <p>Article 16. - Article 18. (Unchanged)</p> <p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 19. - Article 22. (Unchanged)</p> <p>(Representative Directors and Directors with Executive Power) Article 23. The Board of Directors may elect one (1) Chairman of the Board from among Directors who are not Audit and Supervisory Committee Members when necessary by resolution. 2. (Unchanged) 3. (Unchanged)</p> <p>(Executive Officers) <u>Article 24.</u> <u>The Officers shall be elected by resolution of the Board of Directors.</u> <u>2. The Board of Director may elect the President from among the Officers, and may elect other Officers with Executive Power.</u></p> <p>Article <u>25</u>. - Article <u>34</u>. (Unchanged)</p>

Item 3: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office for all six 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, Optical Engineering Division and Research & Development Division
2	[Reappointment] Masashi Oka	Senior Executive Vice President, CFO and Representative Director Officer in charge of Internal Audit Department, Officer in charge of Corporate Strategy Division and General Manager of the division, Officer in charge of Finance & Accounting Division and Intellectual Property Division
3	[Reappointment] Yasuyuki Okamoto	Senior Vice President and Director Officer in charge of Healthcare Business Unit
4	[Reappointment] Takumi Odajima	Senior Vice President and Director General Manager of Human Resources & Administration Division, Officer in charge of Risk Management
5	[Reappointment] Satoshi Hagiwara	Senior Vice President and Director General Manager of Finance & Accounting Division and Deputy General Manager of Corporate Strategy Division
6	[External/ Independent/ Reappointment] Akio Negishi	External Director

Candidate number 1	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p data-bbox="288 557 411 580">Kazuo Ushida</p> <p data-bbox="236 607 411 656">Date of birth: January 25, 1953</p> <p data-bbox="236 683 453 732">Shares held in the Company: 28,599 shares</p>	<p data-bbox="483 383 778 405">Apr. 1975: Joined the Company</p> <p data-bbox="483 412 1302 461">Jun. 2003: Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company, the Company</p> <p data-bbox="483 468 1366 517">Jun. 2005: Managing Director, Member of the Board & Executive Vice President, President of Precision Equipment Company, the Company</p> <p data-bbox="483 524 1278 573">Jun. 2007: Director, Member of the Board & Executive Vice President, President of Precision Equipment Company, the Company</p> <p data-bbox="483 580 1358 629">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 data-bbox="483 636 1366 685">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 data-bbox="483 692 1358 741">Jun. 2014: President and Representative Director, Overseeing Medical Business Development Division and Business Development Division, the Company</p> <p data-bbox="483 748 1334 797">Jun. 2015: President and Representative Director, Overseeing Corporate Strategy Division, Medical Business Development Division and Business Development Division, the Company</p> <p data-bbox="483 804 1358 853">Jun. 2016: President and Representative Director, Officer in charge of Business Development Division, the Company</p> <p data-bbox="483 860 1358 909">Jun. 2017: President and Representative Director, Officer in charge of Business Development Division, Optical Engineering Division and Research & Development Division, the Company (to present)</p>
<p data-bbox="236 913 520 940">[Special interests in the Company]</p> <p data-bbox="268 947 316 969">None</p> <p data-bbox="236 976 437 999">[Reasons for candidacy]</p> <p data-bbox="260 1005 1358 1104">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>Masashi Oka</p> <p>Date of birth: July 11, 1955</p> <p>Shares held in the Company: 8,300 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</p> <p>Jun. 2017: Senior Executive Vice President, CFO and Representative Director, Officer in charge of Internal Audit Department, Officer in charge of Corporate Strategy Division and General Manager of the division, Officer in charge of Finance & Accounting Division and Intellectual Property 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: 13,100 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</p> <p>Jun. 2017: Senior Vice President and Director, Officer in charge of Healthcare Business Unit, 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>Takumi Odajima</p> <p>Date of birth: December 5, 1958</p> <p>Shares held in the Company: 8,200 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</p> <p>Jun. 2017: Senior Vice President and Director, General Manager of Human Resources & Administration Division, the Company</p> <p>Apr. 2018: Senior Vice President and Director, General Manager of Human Resources & Administration Division, Officer in charge of Risk Management, 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 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 to continue as Director.</p>	
Candidate number 5	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>Satoshi Hagiwara</p> <p>Date of birth: July 18, 1961</p> <p>Shares held in the Company: 4,000 shares</p>	<p>Apr. 1985: Joined the Company</p> <p>Jun. 2015: Corporate Vice President, General Manager of Finance & Accounting Division, the Company</p> <p>Jun. 2017: Senior Vice President and Director, General Manager of Finance & Accounting Division and Deputy General Manager of Corporate Strategy Division, the Company (to present)</p>
<p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Satoshi Hagiwara has been engaged in finance and accounting sections since joining the Company and held prominent posts in said sections, and served as Deputy General Manager of Corporate Strategy Division. 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 to continue as Director.</p>	

Candidate number 6	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>External/Independent</p> <p>Akio Negishi</p> <p>Date of birth: October 31, 1958</p> <p>Shares held in the Company: 0 shares</p>	<p>Apr. 1981: Joined Meiji Life Insurance Company</p> <p>Jul. 2009: Executive Officer of Meiji Yasuda Life Insurance Company</p> <p>Apr. 2012: Managing Executive Officer of Meiji Yasuda Life Insurance Company</p> <p>Jul. 2013: Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance Company (to present)</p> <p>Jun. 2016: External Director, the Company (to present)</p>
<p>Notes:</p> <ol style="list-style-type: none"> 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. He will have served as External Director for the Company for two years at the conclusion of this General Shareholders' Meeting. 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. <p>[Special interests in the Company]</p> <p>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 16).</p> <p>[Reasons for candidacy]</p> <p>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.</p>	

Item 4: Election of Four Directors Who Are Audit and Supervisory Committee Members

The terms of office for Koichi Fujiu, Haruya Uehara, Hiroshi Hataguchi and Kunio Ishihara, Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this General Shareholders' Meeting. Accordingly, it is proposed that four Directors who are Audit and Supervisory Committee Members be elected.

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

The candidates are as follows:

Candidate number 1	Career summary, position and duties at the Company, and important concurrent positions outside the Company
Newly appointed Atsushi Tsurumi Date of birth: September 29, 1959 Shares held in the Company: 1,000 shares	Apr. 1982: Joined the Company Apr. 2012: General Manager of Finance Department, Finance & Accounting Division, the Company Jun. 2014: Department Manager of Internal Audit Department, the Company (to present)
<p>Note: If this proposal is approved, the Company intends to conclude an agreement with Atsushi Tsurumi 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] Atsushi Tsurumi, after having been engaged in finance and accounting-related operations since joining the Company, has served as Vice Chairman of an overseas subsidiary of the Industrial Metrology Business and the overseer of the internal audit sections. As he possesses a high degree of expertise in finance and accounting, we believe that he is qualified to fulfill the responsibilities of an Audit and Supervisory Committee Member from a general supervisory perspective on management, and therefore nominate him as a candidate for the position of Director who is an Audit and Supervisory Committee Member.</p>	

Candidate number 2	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>External/Independent</p> <p>Haruya Uehara</p> <p>Date of birth: July 25, 1946</p> <p>Shares held in the Company: 10,200 shares</p>	<p>Apr. 1969: Joined Mitsubishi Trust and Banking Corporation</p> <p>Jun. 1996: Director of Mitsubishi Trust and Banking Corporation</p> <p>Apr. 2004: President of Mitsubishi Trust and Banking Corporation</p> <p>Oct. 2005: President of Mitsubishi UFJ Trust and Banking Corporation</p> <p>Jun. 2008: Chairman of Mitsubishi UFJ Trust and Banking Corporation</p> <p>Jun. 2011: External Corporate Auditor, the Company</p> <p>Apr. 2012: Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (to present)</p> <p>Jun. 2016: External Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>[Important concurrent positions outside the Company]</p> <p>Outside Director of KOITO MANUFACTURING CO., LTD.</p> <p>Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.</p>
<p>Notes:</p> <ol style="list-style-type: none"> Haruya Uehara is a candidate for the position of External Director as provided for under the Companies Act. He is reported to Tokyo Stock Exchange, Inc. as being an independent director. He will have served as External Director for the Company for two years, or for seven years including the five-year period when he served as External Corporate Auditor, at the conclusion of this General Shareholders' Meeting. If this proposal is approved, the Company intends to continue an agreement with Haruya Uehara 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. The Company borrows loans, etc. from Mitsubishi UFJ Trust and Banking Corporation, for which Haruya Uehara serves as senior advisor. The amounts of transactions with the company for 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 16). 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, Haruya Uehara 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. <p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Haruya Uehara has a career as Representative Director of Mitsubishi UFJ Trust and Banking Corporation and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of the management, as well as to increasing transparency. 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.</p>	

Candidate number 3	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>External/Independent</p> <p>Hiroshi Hataguchi</p> <p>Date of birth: April 8, 1940</p> <p>Shares held in the Company: 13,000 shares</p>	<p>Apr. 1967: Registered as attorney at law</p> <p>Apr. 1967: Joined Export-Import Bank of Japan</p> <p>Apr. 1969: Resigned from Export-Import Bank of Japan</p> <p>Feb. 1972: Joined Otsuka General Legal Office</p> <p>Apr. 1987: Professor of Legal Training and Research Institute, Supreme Court of Japan</p> <p>Mar. 1990: Retired from the position of Professor, Legal Training and Research Institute, Supreme Court of Japan</p> <p>Apr. 1990: Lecturer of Faculty of Law, Hosei University</p> <p>Apr. 1994: Vice President of Daiichi Tokyo Bar Association</p> <p>Mar. 1995: Retired from the position of Vice President, Daiichi Tokyo Bar Association</p> <p>Apr. 1996: Governor of Japan Federation of Bar Associations</p> <p>Mar. 1997: Retired from the position of Governor, Japan Federation of Bar Associations</p> <p>Mar. 2005: Retired from the position of Lecturer, Faculty of Law, Hosei University</p> <p>Dec. 2009: Retired from Otsuka General Legal Office</p> <p>Jan. 2010: Established Hataguchi Legal Office (to present)</p> <p>Jun. 2011: External Corporate Auditor, the Company</p> <p>Jun. 2016: External Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>[Important concurrent positions outside the Company] External Director of SOSHIN ELECTRIC CO., LTD.</p>
<p>Notes:</p> <ol style="list-style-type: none"> Hiroshi Hataguchi is a candidate for the position of External Director as provided for under the Companies Act. He is reported to Tokyo Stock Exchange, Inc. as being an independent director. He will have served as External Director for the Company for two years, or for seven years including the five-year period when he served as External Corporate Auditor, at the conclusion of this General Shareholders' Meeting. If this proposal is approved, the Company intends to continue an agreement with Hiroshi Hataguchi 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. 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, Hiroshi Hataguchi 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. <p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Despite having no experiences in corporate management other than having served as an external director or an external corporate auditor in the past, Hiroshi Hataguchi has expertise and experience concerning compliance, etc. as an attorney at law, and we believe that he will be able to contribute to securing the soundness and appropriateness of the management, as well as to increasing transparency. He also meets the independence criteria set by the Company (see page 16), 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.</p>	

Candidate number 4	Career summary, position and duties at the Company, and important concurrent positions outside the Company
<p>External/Independent</p> <p>Kunio Ishihara</p> <p>Date of birth: October 17, 1943</p> <p>Shares held in the Company: 300 shares</p>	<p>Apr. 1966: Joined The Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Jun. 2001: President of The Tokio Marine & Fire Insurance Co., Ltd.</p> <p>Apr. 2002: President of Millea Holdings, Inc.</p> <p>Oct. 2004: President of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Jun. 2007: Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Jun. 2007: Chairman of the Board of Millea Holdings, Inc.</p> <p>Jul. 2008: Chairman of the Board of Tokio Marine Holdings, Inc.</p> <p>Jun. 2013: Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)</p> <p>Jun. 2016: External Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>[Important concurrent positions outside the Company] Outside Corporate Auditor of TOKYU CORPORATION Outside Director of Japan Post Holdings Co., Ltd.</p>
<p>Notes:</p> <ol style="list-style-type: none"> Kunio Ishihara is a candidate for the position of External Director as provided for under the Companies Act. He is reported to Tokyo Stock Exchange, Inc. as being an independent director. He will have served as External Director for the Company for two years at the conclusion of this General Shareholders' Meeting. If this proposal is approved, the Company intends to continue an agreement with Kunio Ishihara 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 will be the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act. The Company has an insurance transaction relationship with Tokio Marine & Nichido Fire Insurance Co., Ltd., for which Kunio Ishihara serves as counsellor. The amounts of transactions with the company for 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 16). 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, Kunio Ishihara 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. <p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Kunio Ishihara has a career as Representative Director of Tokio Marine & Nichido Fire Insurance Co., Ltd., etc. and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of the management, as well as to increasing transparency. He also meets the independence criteria set by the Company, and we believe that he will be able to serve in a management oversight function from an independent, fair and objective position as External Director.</p>	

(Reference)

Independence Criteria for External Directors

In addition to the requirement for external directors under the Companies Act, the Company judges that an external director candidate is independent if he/she does not fall into any of the following requirements.

- a) The candidate serves or had served the Group in the past.
- b) The candidate is a "major client or supplier*" of the Company or an executive thereof.
- c) The candidate is a major shareholder of the Company or an executive of the said major shareholder.
- d) The candidate had served in the past at a company whose directors are concurrently serving as the Company's external director and vice versa.
- e) The candidate is a person who belongs to a company or organization that receives a donation from the Company or a person who had served in the past at said company or organization.
- f) The candidate's relative within the second degree of kinship serves as an important executive of a "major client or supplier" of the Group or the Company.

* "Major client or supplier" refers to a client or supplier that fall into either of the following.

- (1) A client or supplier with whom the Company has transaction that falls into the following, in any of the past three years
 - a party which receives payment from the Company equivalent to 2% of the party's consolidated net sales or 100.0 million yen, whichever the greater
 - a party which makes payments to the Company equivalent to 2% of the Company's consolidated net sales or 100.0 million yen, whichever the greater
- (2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of 10.0 million yen per year (average over the past three fiscal years)

(Attached documents)

Business Report

(From April 1, 2017 to March 31, 2018)

1. Matters relating to the current state of the Group

(1) Results of operations

The Nikon Group (the Group) has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2018, and the financial figures for the previous fiscal year have been restated based on IFRS for comparative analysis.

Following the organizational reform implemented effective June 29, 2017, the Group changed the business segments from “Precision Equipment Business,” “Imaging Products Business,” “Instruments Business,” “Medical Business,” and “Other businesses” to “Imaging Products Business,” “Precision Equipment Business,” “Healthcare Business,” and “Industrial Metrology and Others.” For financial figures of the Healthcare Business and the Industrial Metrology and Others, financial figures of their corresponding businesses for the previous fiscal year have been restated to reflect the revised business segments for comparative analysis.

(i) Review of operations

The economic state of affairs in the fiscal year ended March 31, 2018 continued the ongoing recovery trend, supported by strong personal consumption in both the U.S. and Europe, and the Chinese economy also continued to show signs of recovery. In addition, the Japanese economy also saw a gradual expansion trend, backed by global economic growth and internal demand.

Looking at conditions by business segment, in the Imaging Products Business, the digital camera-interchangeable lens type market and the compact digital camera market continued to shrink. In the Precision Equipment Business, capital investments were strong both in the FPD-related field and in the semiconductor-related field. In the Healthcare Business, while the bioscience field was sluggish due to factors including delays in government budget execution overseas, the retinal diagnostic imaging equipment market was robust in the ophthalmic diagnosis field.

The Group has positioned the fiscal year ended March 31, 2018, as “Phase 2” of the restructuring announced in November 2016, adopting three management policies: “Strengthen the profit structure of the Imaging Products Business,” “Achieve break-even of the Semiconductor Lithography Business,” and “Initiate the full-scale enhancement of management DNA.” Based on these policies, the Group has implemented various initiatives. In the Imaging Products Business, the Group continued its selection and concentration of high value-added products, working to optimize its development, production, and sales structure. In the Semiconductor Lithography Business, the Group strengthened its business foundation in order to establish a profitable structure by a fundamental review of its business strategy. Company-wide measures included the introduction of portfolio based management, reforms to new business performance process and management DNA based on management indices such as ROE and ROIC, and enhancements to the corporate governance structure.

As a result of the aforementioned measures, although revenue for the fiscal year ended March 31, 2018 decreased by 32,196 million yen (4.3%) year on year to 717,078 million yen, the decline of restructuring costs led to increases in: operating profit by 55,463 million yen (7,166.6%) year on year

to 56,236 million yen and profit attributable to owners of the parent by 30,805 million yen (776.6%) year on year to 34,772 million yen.

Performance by business segment is as follows.

a. Imaging Products Business

For digital camera-interchangeable lens type, there was an overall fall in unit sales, but sales of the D850, a digital SLR camera, which optimizes the combination of high resolution and high-speed performance, were strong, which boosted the sales of high-class cameras significantly.

For compact digital cameras, efforts were made on the sales of high value-added products such as the high-performance outdoor model COOLPIX W300, but amidst the shrinking market, unit sales fell significantly.

As a result, revenue for the Imaging Products Business decreased by 5.8% year on year to 360,703 million yen. Operating profit, however, rose by 76.2% year on year to 30,222 million yen due to the efforts to improve profitability through the restructuring, such as the shift to a business strategy of selection and concentration and the discontinuation of operations of Nikon Imaging (China) Co., Ltd., a manufacturing consolidated subsidiary.

b. Precision Equipment Business

In the FPD lithography system field, although revenue and profits declined due to a decrease in unit sales of equipment for mid-to-small size panels, the FX-103S was released in February 2018 and was sold as planned. The FX-103S supports the Gen 10.5 plate size, and is suitable for the mass production of LCD panels and organic EL panels used in 4K televisions and 8K televisions, whose use is expected to become more widespread.

In the semiconductor lithography system field, the improvement of efficiency as well as the shift to a profit oriented operational policy was promoted through the restructuring, which led to the achievement of break-even as planned.

As a result, revenue for the Precision Equipment Business decreased by 8.7% year on year to 226,334 million yen. Operating profit, however, was up by 296.6% year on year to 53,393 million yen in comparison to the previous fiscal year, when restructuring costs were recorded.

c. Healthcare Business

In the bioscience field, revenue fell due to delays in government budget execution overseas. Cost reduction efforts also bore fruit, with biological microscopes maintaining a degree of profitability, but increases in new business startup expenses produced a decrease in profits.

In the ophthalmic diagnosis field, amidst robust global market conditions, revenue rose as the result of sales reinforcement measures, but upfront investment in new business led to a reduction in profits.

As a result, revenue for the Healthcare Business increased by 1.8% year on year to 56,818 million yen, and operating loss of 3,263 million yen (operating loss of 660 million yen was recorded in the previous fiscal year) was recorded.

In this business segment, manufacturing services agreement with U.S.-based Athersys, Inc. was concluded, which aims to commercialize MultiStem®, a stem cell therapy treatment, currently being evaluated in a clinical trial of ischemic stroke in Japan, and entered a strategic business cooperation with U.S.-based Berkeley Lights, Inc. aimed at strengthening the cell-related field.

Note: MultiStem® is a registered trademark or trade name of Athersys, Inc. in the U.S. and other countries.

d. Industrial Metrology and Others

In the Industrial Metrology Business, revenue increased mainly for the CNC video measuring systems and X-ray inspection systems owing to a recovery in the global market.

In the Customized Products Business, revenue of optical components and customized equipment increased, while revenue of solid-state lasers declined.

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

As a result, revenue for the Industrial Metrology and Others increased by 17.3% year on year to 73,222 million yen, and operating profit rose by 35.1% year on year to 5,026 million yen.

A strategic review and revision of product lines was carried out as part of the restructuring, and CMM (Coordinate Measuring Machines) Business was transferred to Italy-based ASF Metrology s.r.l..

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

Business Segment Revenue for 154th term (Year Ended March 31, 2018)

Business segment	Revenue (million yen)	Percentage of total revenue (%)	Change from previous year (%)
Imaging Products Business	360,703	50.3	(5.8)
Precision Equipment Business	226,334	31.6	(8.7)
Healthcare Business	56,818	7.9	1.8
Industrial Metrology and Others	73,222	10.2	17.3

(ii) Capital investments

Fiscal year capital investments totaled 33,472 million yen. The amounts of investment by business were 6,465 million yen in the Imaging Products Business, 4,460 million yen in the Precision Equipment Business, 5,049 million yen in the Healthcare Business, and 12,825 million yen in the Industrial Metrology and Others. Major capital investments in the fiscal year included an investment to increase production of FPD Lithography Systems in the Precision Equipment Business and an investment for cell manufacturing services in the Healthcare Business.

(iii) Fund procurement

The balance of long-term loans payable (including current portion) at the end of the fiscal year is 83,218 million yen, a decrease of 1,355 million yen from the end of the previous fiscal year.

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

Nikon Metrology NV, a subsidiary of the Company, transferred CMM (Coordinate Measuring Machines) Business to Italy-based ASF Metrology s.r.l. effective March 31, 2018.

(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

None

(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	Japanese Standards			IFRS		
	151st term (Year ended March 31, 2015)	152nd term (Year ended March 31, 2016)	153rd term (Year ended March 31, 2017)	152nd term (Year ended March 31, 2016)	153rd term (Year ended March 31, 2017)	154th term (Year ended March 31, 2018)
Revenue (million yen)	857,782	819,388	748,891	841,040	749,273	717,078
Operating profit (million yen)	43,412	31,698	50,979	35,266	774	56,236
Ordinary income (million yen)	46,368	37,868	54,322	—	—	—
Profit attributable to owners of the parent (million yen)	18,364	18,254	(7,107)	29,947	3,967	34,772
Basic earnings per share (yen)	46.29	46.05	(17.94)	75.55	10.01	87.76
Total assets (million yen)	972,945	966,578	997,203	982,564	1,018,351	1,098,343
Total equity (million yen)	572,200	528,280	522,699	537,078	538,150	573,541

Notes:

1. Beginning from the 153rd term, the Company prepared the Annual Securities Report based on International Financial Reporting Standards (IFRS). Associated with this, beginning from the 154th term, the Company prepared the consolidated financial statements based on IFRS pursuant to the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting. For reference purposes, the figures for the 152nd term and the 153rd term are restated based on IFRS.
2. The name of each item is presented based on the terminology according to IFRS. In the terminology according to Japanese Standards, “revenue,” “Operating profit,” “profit attributable to owners of the parent,” “basic earnings per share,” “total assets,” and “total equity” are presented as “net sales,” “Operating income,” “net income attributable to owners of the parent,” “net income per share of common stock,” “total assets,” and “net assets,” respectively. The figures under Japanese Standards are presented by rounding numbers down to the specified units.
3. 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 statements. Associated with this, in calculating basic earnings per share and net income per share of common stock, the number of such shares is included in treasury share and recorded as “average number of common stock issued.”
4. Under Japanese Standards, 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
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	1,260 million bahts	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	1,000 thousand euro	*100.0	Sales in Europe 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
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
Nikon Instech Co., Ltd.	Tokyo, Japan	418 million yen	100.0	Sales in Japan of Healthcare Business products and Industrial Metrology Business products
Optos Plc	UK	1,524 thousand UK pounds	100.0	Manufacture and sales of Healthcare Business products
Nikon Metrology NV	Belgium	97 million euro	*100.0	Manufacture and sales in Europe and the US of Industrial Metrology Business products

Notes:

- * shows ownership ratios including indirect ownership.
- Nikon Imaging (China) Co., Ltd. and Nikon Hong Kong Ltd. have been excluded from major subsidiaries from the fiscal year ended March 31, 2018.

(4) Issues to be addressed

As for the business segments of the Group, in the Imaging Products Business, conditions are expected to remain harsh for the digital camera-interchangeable lens type market and compact digital camera market. In the Precision Equipment Business, capital investment in the FPD-related field is expected to remain at the same level as the fiscal year ended March 31, 2018, but long-term conditions remain uncertain due to factors such as potential changes in panel demand. Capital investment in the semiconductor-related field is expected to remain robust. For the Healthcare Business, in the bioscience field, overseas market conditions are expected to become favorable, and cell manufacturing services and stem-cell-related new business sales are forecast to grow. In the ophthalmic diagnosis field, the retinal diagnostic imaging equipment market is forecast to remain strong.

The fiscal year ending March 31, 2019 will be the final year of restructuring, and the Group will continue with the following fundamental restructuring efforts.

- Promotion of portfolio based management
- Business operation based on management indicators emphasizing capital efficiency and its deployment at workplaces
- Reform of corporate governance

Through these initiatives, the Group will strive to create sustainable corporate value.

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

(5) Main business (as of March 31, 2018)

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

Business segment	Main products
Imaging Products Business	Digital camera—Interchangeable Lens Type, compact digital cameras, interchangeable lenses, film cameras, sport optics
Precision Equipment Business	FPD Lithography Systems, Semiconductor Lithography Systems
Healthcare Business	Biological microscopes, cell culture observation systems, ultra-wide field retinal imaging devices
Industrial Metrology and Others	Industrial microscopes, measuring instruments, customized products, photomask substrates for FPD

(6) Major offices and plants (as of March 31, 2018)

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 22.

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, 2018)

(i) Employees of the Group

Number of employees	Change from the end of the previous consolidated fiscal year
21,029	down 4,002

Note: The number of employees does not include part-time employees, contract workers, etc.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average service years
4,444	down 646	43.6	17.8

Note: The number of employees does not include part-time employees, contract workers, etc.

From the fiscal year under review, the number of employees does not include employees seconded from the Company to other companies, etc. (1,219 employees as of March 31, 2018).

(8) Major lenders (as of March 31, 2018)

Lender	Amount borrowed (million yen)
Meiji Yasuda Life Insurance Company	13,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,686

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. effective April 1, 2018.

(9) Other items concerning the status of the Group

None

2. Current state of the Company

(1) Matters relating to shares of the Company (as of March 31, 2018)

- | | |
|---|----------------------|
| (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: | 25,879 |
| (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)	40,453	10.2
Japan Trustee Services Bank, Ltd. (Trust Account)	31,379	7.9
Meiji Yasuda Life Insurance Company	19,537	4.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.9
STATE STREET BANK AND TRUST COMPANY 505001	7,285	1.8
The Joyo Bank, Ltd.	6,801	1.7
STATE STREET BANK WEST CLIENT - TREATY 505234	6,723	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,659	1.7
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	6,274	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,042	1.5

Notes:

- The percentage of total shares issued is calculated after deducting treasury share of 4,078,576 shares.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. effective April 1, 2018.

(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, 2018)

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)	21	2,100 shares of the Company's common stock	325,900	100	From August 28, 2007 to August 27, 2037	21 (2)	-
6th issue (November 25, 2008)	132	13,200 shares of the Company's common stock	73,400	100	From November 26, 2008 to November 25, 2038	101 (2)	31 (1)
7th issue (August 10, 2009)	82	8,200 shares of the Company's common stock	140,800	100	From August 11, 2009 to August 10, 2039	65 (2)	17 (1)
8th issue (July 14, 2010)	79	7,900 shares of the Company's common stock	152,700	100	From July 15, 2010 to July 14, 2040	63 (2)	16 (1)
9th issue (March 19, 2012)	129	12,900 shares of the Company's common stock	203,700	100	From March 20, 2012 to March 19, 2042	89 (2)	40 (1)
10th issue (August 23, 2012)	184	18,400 shares of the Company's common stock	172,600	100	From August 24, 2012 to August 23, 2042	134 (3)	50 (1)
11th issue (August 1, 2013)	242	24,200 shares of the Company's common stock	163,200	100	From August 2, 2013 to August 1, 2043	189 (3)	53 (1)
12th issue (August 1, 2014)	419	41,900 shares of the Company's common stock	118,300	100	From August 2, 2014 to August 1, 2044	346 (3)	73 (1)
13th issue (July 28, 2015)	523	52,300 shares of the Company's common stock	104,000	100	From July 29, 2015 to July 28, 2045	425 (4)	98 (1)
14th issue (July 29, 2016)	683	68,300 shares of the Company's common stock	121,300	100	From July 30, 2016 to July 29, 2046	586 (5)	97 (1)
15th issue (July 27, 2017)	384	38,400 shares of the Company's common stock	168,100	100	From July 28, 2017 to July 27, 2047	384 (5)	-

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
15th issue (July 27, 2017)	647	64,700 shares of the Company's common stock	168,100	100	From July 28, 2017 to July 27, 2047	14

(iii) Other subscription rights to shares actually issued

None

(3) Matters relating to Directors

(i) Directors (as of March 31, 2018)

Position	Name	Business in charge and important concurrent positions outside the Company	
* President Director	Kazuo Ushida	Officer in charge of Business Development Division, Optical Engineering Division and Research & Development Division	
* Director (Senior Executive Vice President, CFO)	Masashi Oka	Officer in charge of Internal Audit Department, Officer in charge of Corporate Strategy Division and General Manager of the division, Officer in charge of Finance & Accounting Division and Intellectual Property Division	
Director (Senior Vice President)	Yasuyuki Okamoto	Officer in charge of Healthcare Business Unit	
Director (Senior Vice President)	Takumi Odajima	General Manager of Human Resources & Administration Division	**
Director (Senior Vice President)	Satoshi Hagiwara	General Manager of Finance & Accounting Division and Deputy General Manager of Corporate Strategy Division	**
Director	Akio Negishi	Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance Company	
Director (Full-time Audit and Supervisory Committee Member)	Takaharu Honda	-	
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 Outside Director of KOITO MANUFACTURING CO., LTD. Outside Audit & Supervisory Board Member 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. Outside Corporate Auditor of TOKYU CORPORATION Outside Director of Japan Post Holdings Co., Ltd.	

Notes:

- * indicates Representative Directors.
- ** indicates Directors who were newly elected at the 153rd Annual General Shareholders' Meeting held on June 29, 2017.
- 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.
- Takaharu Honda 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 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.
- Koichi Fujiu, Director who is an Audit and Supervisory Committee Member, has a long-term experience in the accounting division at the Company. Accordingly, he has considerable knowledge involving finance and accounting.
- 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 each of the aforementioned companies.

7. Directors Makoto Kimura, Hiroshi Ohki, Tomohide Hamada and Toshiyuki Masai retired as Directors at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017, as their terms expired.
8. Norio Hashizume resigned as Director who is an Audit and Supervisory Committee Member at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017.

(Reference)

The Company uses the Executive Officer System. The table on page 28 shows Directors who also serve as Officers. Officers who are not Directors were as follows as of March 31, 2018.

Position	Name	Duties
Senior Vice President	Toshikazu Umatate	General Manager of Semiconductor Lithography Business Unit
Senior Vice President	Tomohide Hamada	General Manager of Industrial Metrology Business Unit, Officer in charge of Customized Products Business Unit and Encoder Business Unit
Senior Vice President	Nobuyoshi Gokyu	General Manager of Imaging Business Unit
Senior Vice President	Kiyoyuki Muramatsu	General Manager of FPD Lithography Business Unit
Corporate Vice President	Toru Iwaoka	President of Nikon Europe B.V.
Corporate Vice President	Kenji Yoshikawa	Deputy General Manager of Corporate Strategy Division
Corporate Vice President	Jun Nagatsuka	General Manager of Production Technology Division
Corporate Vice President	Hiroyuki Hiraiwa	General Manager of Glass Business Unit
Corporate Vice President	Naoya Sugimoto	Corporate Strategy Division
Corporate Vice President	Tadashi Nakayama	Deputy General Manager of Industrial Metrology Business Unit
Corporate Vice President	Makoto Shintani	Deputy General Manager of Healthcare Business Unit
Corporate Vice President	Masato Hamatani	General Manager of Healthcare Business Unit
Corporate Vice President	Hiroyuki Suzuki	General Manager of Information Security Division and IT Solutions Division
Corporate Vice President	Hiroyuki Ikegami	Sector Manager of Development Sector, Imaging Business Unit
Corporate Vice President	Tetsuya Morimoto	Department Manager of Business Planning Department, 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

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)	11 (1)	247 (11)	9 (-)	94 (-)	5 (-)	132 (-)	11 (1)	473 (11)
Directors who are Audit and Supervisory Committee Members (of which External Directors)	6 (3)	83 (32)	-	-	-	-	6 (3)	83 (32)
Total	17	330	9	94	5	132	17	556

Notes:

1. The number of persons and the amount of compensation pertaining to Directors other than those who are Audit and Supervisory Committee Members shown above include five Directors other than those who are Audit and Supervisory Committee Members (none of whom are External Directors) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017 and the amount of compensation pertaining to the said Directors.
2. The number of persons and the amount of compensation pertaining to Directors who are Audit and Supervisory Committee Members shown above include one Director who is an Audit and Supervisory Committee Member (none of whom is External Director) who retired at the conclusion of the 153rd Annual General Shareholders' Meeting held on June 29, 2017 and the amount of compensation pertaining to the said Director.
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. The amount of bonuses shown above indicates the total amount of bonuses for Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) resolved at the Board of Directors' meeting held on May 18, 2018 after deliberation by the Compensation Committee.
5. 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 capital efficiency and profitability, etc. 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.
- “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 compensation 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 and a majority of 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

a. Relationships between organizations where important concurrent positions are held and the Company Information is shown in “(i) Directors” on page 28.

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
Akio Negishi	Director	13 of 14	-
Haruya Uehara	Director (Audit and Supervisory Committee Member)	13 of 14	10 of 11
Hiroshi Hataguchi	Director (Audit and Supervisory Committee Member)	14 of 14	11 of 11
Kunio Ishihara	Director (Audit and Supervisory Committee Member)	13 of 14	9 of 11

- Each of the External Directors used their extensive knowledge of management or 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.

(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	106 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	152 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. Major overseas subsidiaries of the Company are audited (only auditing subject to the provisions of overseas laws and regulations similar to Japanese Companies Act or Japanese 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).
3. 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.
4. 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. In order to permeate and establish awareness of corporate ethics, we have established the "Nikon Code of Conduct", which defines the Group's basic stance on corporate social responsibility and 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.
 - 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 approach in 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 revised the “Nikon Code of Conduct” in January 2018, with the aim of responding to the latest demands of global society and further strengthening global governance.
- The Group conducted an awareness survey in the Company and its domestic Group companies and gave feedback on the survey results to each workplace as well as providing guidance for improvement as needed.
- The Group provided education related to competition laws both in Japan and overseas in efforts to strengthen compliance.
- The Group provided education related to bribery prevention based on risk-based approach both in Japan and overseas.
- The Group reported the status of compliance promotion activities such as various compliance education programs and the awareness survey, etc. to the Business Conduct Committee and gave feedback to each division to improve and enhance the compliance awareness.

(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 the “Nikon Group Information Management Rules” and other internal regulations, and performed 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 supervise the process and content of decision making.
- Audit and Supervisory Committee Members audit each division, subsidiary, etc., and check the development and operational status of the internal control system.
- Audit and Supervisory Committee Members exchange opinions with the Representative Directors about the audit findings, share auditing issues, and request corrections as needed.
- Audit and Supervisory Committee Members have the periodical opportunity to exchange opinions with the Internal Audit Department in charge of internal audits and Independent Auditors to strengthen cooperation, and strive to conduct effective audits by holding meeting with the division in charge of management, etc. to share information as needed.

Figures in this business report are presented by rounding numbers down to the specified units unless designated otherwise.

Consolidated Statement of Financial Position

(As of March 31, 2018)

(Million yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash and cash equivalents	388,438	Trade and other payables	118,701
Trade and other receivables	104,526	Bonds and borrowings	12,200
Inventories	235,553	Income tax payables	11,567
Other current financial assets	10,958	Advances received	176,631
Other current assets	12,430	Provisions	6,820
(Subtotal)	751,905	Other current financial liabilities	28,879
Non-current assets held for sale	2,277	Other current liabilities	34,959
Total current assets	754,182	Total current liabilities	389,756
Non-current assets		Non-current liabilities	
Property, plant and equipment	118,761	Bonds and borrowings	113,140
Goodwill and intangible assets	60,985	Net defined benefit liabilities	7,995
Net defined benefit assets	5,706	Provisions	4,844
Investments accounted for using the equity method	9,387	Deferred tax liabilities	3,978
Other non-current financial assets	91,841	Other non-current financial liabilities	2,490
Deferred tax assets	53,355	Other non-current liabilities	2,599
Other non-current assets	4,126	Total non-current liabilities	135,046
Total non-current assets	344,161	Total liabilities	524,802
		EQUITY	
		Capital stock	65,476
		Capital surplus	81,333
		Treasury stock	(13,152)
		Other components of equity	(18,310)
		Retained earnings	457,561
		Equity attributable to owners of the parent	572,908
		Non-controlling interests	633
		Total equity	573,541
Total assets	1,098,343	Total liabilities and equity	1,098,343

Consolidated Statement of Profit or Loss

(From April 1, 2017 to March 31, 2018)

(Million yen)

Item	Amount
Revenue	717,078
Cost of sales	(404,170)
Gross profit	312,908
Selling, general and administrative expenses	(248,683)
Other income	3,714
Other expenses	(11,702)
Operating profit	56,236
Finance income	6,535
Finance costs	(6,295)
Share of the loss of investments accounted for using the equity method	(219)
Profit before income taxes	56,257
Income tax expenses	(21,422)
Profit for the year	34,835
Attributable to:	
Owners of the parent	34,772
Non-controlling interests	63
Profit for the year	34,835

Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Million yen)

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

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

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	501,645	Current liabilities	334,160
Cash and deposits	226,343	Notes payable - trade	635
Notes receivable - trade	12,446	Electronically recorded obligations - operating	26,068
Accounts receivable - trade	50,131	Accounts payable - trade	59,030
Finished goods	60,207	Short-term loans payable	12,200
Semi-finished goods	2,051	Lease obligations	399
Raw materials	34	Accounts payable - facilities	7,843
Work in process	87,095	Accrued expenses	22,912
Supplies	8,303	Income taxes payable	9,014
Deferred tax assets	35,118	Advances received	155,907
Short-term loans receivable from subsidiaries and associates	9,741	Deposits received	34,937
Income taxes receivable	0	Provision for product warranties	3,914
Accounts receivable - other	8,523	Other	1,302
Other	1,657		
Allowance for doubtful accounts	(3)	Non-current liabilities	116,725
Non-current assets	278,842	Bonds payable	30,000
Property, plant and equipment	53,288	Long-term loans payable	83,360
Buildings	20,088	Lease obligations	554
Structures	726	Asset retirement obligations	2,213
Machinery and equipment	11,794	Other	599
Vehicles	60		
Tools, furniture and fixtures	6,571	Total liabilities	450,886
Land	9,837		
Leased assets	815	(Net assets)	
Construction in progress	3,397	Shareholders' equity	305,158
Intangible assets	14,682	Capital stock	65,476
Software	10,057	Capital surplus	80,712
Other	4,625	Legal capital surplus	80,712
		Retained earnings	172,123
Investments and other assets	210,871	Legal retained earnings	5,565
Investment securities	83,062	Other retained earnings	166,558
Shares of subsidiaries and associates	91,693	Reserve for research and development	2,056
Investments in capital	3	Reserve for reduction entry of replaced property	4,778
Investments in capital of subsidiaries and associates	16,183	Reserve for reduction entry	4,047
Long-term loans receivable from subsidiaries and associates	6,368	General reserve	111,211
Long-term loans receivable from employees	0	Retained earnings brought forward	44,467
Prepaid pension cost	341	Treasury shares	(13,152)
Deferred tax assets	5,744	Valuation and translation adjustments	22,766
Other	7,485	Valuation difference on available-for-sale securities	22,620
Allowance for doubtful accounts	(9)	Deferred gains or losses on hedges	146
		Subscription rights to shares	1,677
Total assets	780,487	Total net assets	329,601
		Total liabilities and net assets	780,487

Non-Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Million yen)

Item	Amount	
Net sales		482,142
Cost of sales		334,681
Gross profit		147,461
Selling, general and administrative expenses		121,659
Operating income		25,802
Non-operating income		
Interest and dividend income	21,910	
Other	3,394	25,305
Non-operating expenses		
Interest expenses	1,287	
Other	5,250	6,538
Ordinary income		44,569
Extraordinary income		
Gain on sales of non-current assets	47	
Gain on sales of investment securities	4,019	4,066
Extraordinary losses		
Loss on sales of non-current assets	64	
Impairment loss	106	
Loss on sales of investment securities	0	
Loss on valuation of shares of subsidiaries and associates	10,343	
Restructuring expenses	1,130	11,643
Profit before income taxes		36,992
Income taxes - current	7,669	
Income taxes - deferred	(4,753)	2,916
Profit		34,075

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(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, 2017	65,476	80,712	5,565	2,056	5,148	4,343	111,211	16,909	(13,215)	278,205
Changes of items during period										
Reversal of reserve for reduction entry of replaced property					(371)			371		-
Reversal of reserve for reduction entry						(296)		296		-
Dividends from surplus								(1,587)		(1,587)
Dividends from surplus (Interim dividends)								(5,555)		(5,555)
Profit								34,075		34,075
Purchase of treasury stock									(5)	(5)
Disposal of treasury stock								(43)	68	25
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	(371)	(296)	-	27,557	63	26,953
Balance as of March 31, 2018	65,476	80,712	5,565	2,056	4,778	4,047	111,211	44,467	(13,152)	305,158

	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, 2017	18,338	(205)	18,133	1,496	297,835
Changes of items during period					
Reversal of reserve for reduction entry of replaced property					-
Reversal of reserve for reduction entry					-
Dividends from surplus					(1,587)
Dividends from surplus (Interim dividends)					(5,555)
Profit					34,075
Purchase of treasury stock					(5)
Disposal of treasury stock					25
Net changes of items other than shareholders' equity	4,281	351	4,633	181	4,813
Total changes of items during period	4,281	351	4,633	181	31,766
Balance as of March 31, 2018	22,620	146	22,766	1,677	329,601

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

INDEPENDENT AUDITOR'S REPORT

May 7, 2018

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 statement of financial position as of March 31, 2018 of NIKON CORPORATION (the "Company") and its consolidated subsidiaries, and the consolidated statements of profit or loss, statement of changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, 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 pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, 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, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120, Paragraph 1 of the Rules of Corporate Accounting, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

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 7, 2018

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, 2018 of NIKON CORPORATION (the "Company"), and the related statements of income and changes in net assets for the 154th fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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 accompanying supplemental schedules 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 entity's

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 entity's 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, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

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 154th term (April 1, 2017 to March 31, 2018). 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 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 Rules of Corporate Accounting) 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 statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements, which were prepared omitting certain disclosure items required by the International Financial Reporting Standards as allowed by the provision set forth in the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting) 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 10, 2018

Audit and Supervisory Committee of NIKON CORPORATION

Full-time Audit and Supervisory Committee Member:	Takaharu Honda	(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)

(Note) 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.

(Reference)

Major Changes Resulting from the Adoption of International Financial Reporting Standards (IFRS)

The Group has voluntarily adopted the International Financial Reporting Standards (“IFRS”) for the consolidated financial statements of annual securities report since the 153rd term (the fiscal year ended March 31, 2017) to improve international comparability of financial information disclosed to the capital markets and to strengthen the management foundation by unification of accounting standards within its group companies.

The consolidated financial statements have been prepared in accordance with the IFRS since the 154th term (the fiscal year ended March 31, 2018), in place of the Japanese Generally Accepted Accounting Principles (“JGAAP”) previously adopted while the non-consolidated financial statements have been prepared in accordance with the JGAAP as before.

The major changes in the presentation of the statement of profit or loss between the JGAAP and the IFRS are as follows:

JGAAP		IFRS
Net sales		Revenue
Cost of sales		Cost of sales
Gross profit		Gross profit
Selling, general and administrative expenses		Selling, general and administrative expenses
		Other income
		Other expenses
Operating income		Operating profit
Non-operating income and expenses		Finance income
Interest and dividend income		Finance costs
Foreign exchange gains (losses)		Share of the profit (loss) of investments accounted for using the equity method
Interest expenses		
Share of profit (loss) of entities accounted for using equity method		
Other income and expenses		
Ordinary income		
Extraordinary income		
Extraordinary losses		
Profit before income taxes		Profit before income taxes
Income taxes - current		Income tax expenses
Income taxes - deferred		
Profit		Profit for the year
Profit attributable to non-controlling interests		Non-controlling interests
Profit attributable to owners of parent		Owners of the parent

- “Ordinary income,” a subtotal of income under the JGAAP, is not presented under the IFRS.
- “Extraordinary income and losses” under the JGAAP as well as income and expenses not related to

finance in “Non-operating income and expenses” are included as “Other income and expenses” in “Operating profit” under the IFRS.

- Income and expenses related to finance, which were included in “Non-operating income and expenses” under the JGAAP, are separately presented as “Finance income and costs” under the IFRS.
- “Share of profit (loss) of entities accounted for using equity method,” which was included in “Non-operating income and expenses” under the JGAAP, is separately presented as “Share of the profit (loss) of investments accounted for using the equity method” under the IFRS.

The major changes in accounting treatment in the statement of profit or loss between the JGAAP and the IFRS are as follows:

- Under the JGAAP, goodwill was amortized over the estimated useful life and the amortization expense was recorded in “Selling, general and administrative expenses.” Under the IFRS, goodwill is not amortized.
- Under the JGAAP, gain (loss) on sales of equity instruments and impairment loss were recorded in “Extraordinary income and losses.” Under the IFRS, however, equity instruments that are designated to be measured at fair value through other comprehensive income are recognized through other comprehensive income and therefore not stated in the statement of profit or loss.
- Under the JGAAP, actuarial gains and losses on the retirement benefit were amortized over a certain number of years and recorded in “Cost of sales” and “Selling, general and administrative expenses.” Under the IFRS, however, actuarial gains and losses are recognized through other comprehensive income as incurred and immediately transferred to retained earnings. Therefore, they are not stated in the statement of profit or loss.