



## Consolidated Financial Results of the Year ended March 31, 2018 (IFRS)

Corporate Name: NIKON CORPORATION

Securities code number: 7731

Stock exchange listings: Tokyo

Representative: Kazuo Ushida, President and Representative Director

Contact: Chiaki Ozeki, Department Manager, Strategic Finance Planning Department, Finance & Accounting Division

TEL: +81-3-6433-3626

URL: <https://www.nikon.com>

Date for the annual shareholders' meeting: June 28, 2018

Date for the filing of the Annual Securities Report: June 28, 2018

Date of year-end dividend payout: June 29, 2018

Preparation of supplementary materials for financial results: Yes

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

(Amounts are rounded to the nearest millions of yen)

### 1. Consolidated Results of the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

#### (1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Revenue		Operating Profit		Profit before Income Taxes		Profit for the year		Profit Attributable to Owners of the Parent		Total Comprehensive Income for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	717,078	(4.3)	56,236	—	56,257	—	34,835	758.6	34,772	776.6	42,375	335.2
Year ended March 31, 2017	749,273	(10.9)	774	(97.8)	3,068	(92.2)	4,057	(86.5)	3,967	(86.8)	9,737	—

	Basic Earnings per Share	Diluted Earnings per Share	Ratio of Profit to Equity Attributable to Owners of the Parent	Ratio of Profit before Income Taxes to Total Assets	Ratio of Operating Profit to Revenue
	Yen	Yen	%	%	%
Year ended March 31, 2018	87.76	87.49	6.3	5.3	7.8
Year ended March 31, 2017	10.01	9.98	0.7	0.3	0.1

(Notes) Share of the profit of investments accounted for using the equity method : Year ended March 31, 2018 (219) million yen  
Year ended March 31, 2017 518 million yen

#### (2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent to Total Assets	Equity per Share Attributable to Owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	1,098,343	573,541	572,908	52.2	1,445.92
As of March 31, 2017	1,018,351	538,150	537,524	52.8	1,356.69

#### (3) Consolidated Cash Flows

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	125,082	(34,808)	(19,970)	388,438
Year ended March 31, 2017	97,342	(40,693)	15,522	319,046

### 2. Dividends

	Dividend per Share					Total Cash Dividend (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of the Parent (Consolidated)
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	—	12.00	—	4.00	16.00	6,348	159.8	1.2
Year ended March 31, 2018	—	14.00	—	22.00	36.00	14,285	41.0	2.6
Year ending March 31, 2019 (Planned)	—	—	—	—	—	—	—	—

(Note) The dividends for the fiscal year ending March 31, 2019 are not determined yet.

### 3. Consolidated Financial Forecasts for the year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

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

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter ending September 30, 2018	340,000	3.5	25,000	8.6	25,000	16.5	17,000	21.9	42.91
Full year	740,000	3.2	70,000	24.5	70,000	24.4	50,000	43.8	126.19

(Note) From the year ending March 31, 2019, due to the application of IFRS 15 "Revenue from Contracts with Customers," items which have been recognized under the selling, general and administrative expenses are deducted from the revenue. In accordance with this application, the revenue of the consolidated statements of profit or loss is expected to decrease approximately 3,000 million yen for the first half ending September 30, 2018 and 7,000 million yen for the year ending March 31, 2019. The impact on the profit for the period is not material.

### 4. Other

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

(Note) This refers to presence/absence of changes to specified subsidiaries accompanying changes in the scope of consolidation in the period under review.

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

1. Changes in accounting policies required by IFRS: None
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimate: None

(3) Number of shares issued (common stock)

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

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

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

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

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

Year ended March 31, 2017 4,675,654 shares

3. Average number of shares during the term:

Year ended March 31, 2018 396,213,493 shares

Year ended March 31, 2017 396,195,383 shares

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

(Reference)

1. Non-Consolidated Results of the year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Financial Results

(Percentage represents year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	482,142	(10.9)	25,802	11.0	44,569	11.2	34,075	—
Year ended March 31, 2017	541,056	(3.7)	23,252	—	40,084	—	(4,774)	—

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Year ended March 31, 2018	86.00	85.74
Year ended March 31, 2017	(12.05)	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share of Common Stock
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2018	780,487	329,601	42.0	827.62
Year ended March 31, 2017	696,725	297,835	42.5	747.95

(Reference) Equity:      Year ended March 31, 2018      327,924      million yen  
                                  Year ended March 31, 2017      296,338      million yen

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

※Appropriate use of business forecasts; other special items

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

## Contents

1. Overview of the Consolidated Operating Results and Others .....	5
(1) Overview of the Consolidated Operating Results .....	5
(2) Overview of Financial Position .....	7
(3) Overview of Cash Flows .....	7
(4) Future Outlook .....	8
(5) Shareholder Returns Policy and Dividends .....	8
(6) Business and Other Risks .....	9
2. Status of Nikon Group .....	13
3. Basic Policy on the Adoption of Accounting Standards .....	14
4. Consolidated Financial Statements .....	15
(1) Consolidated Statement of Financial Position .....	15
(2) Consolidated Statement of Profit or Loss and Comprehensive Income .....	17
(3) Consolidated Statement of Changes in Equity .....	19
(4) Consolidated Statement of Cash Flows .....	21
(5) Notes to Consolidated Financial Statements .....	22

## 1. Overview of the Consolidated Operating Results and Others

### (1) Overview of the Consolidated Operating Results

The economic state of affairs in the fiscal year ended March 31, 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 Nikon Group (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 year on year to 56,236 million yen, profit before income taxes by 53,190 million yen year on year to 56,257 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 segment is as follows.

As stated in "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements, Segment Information," the categories of reportable segments were changed from the first half ended September 30, 2017. The following year-on-year comparisons are made with the figures prepared with the new categories for the previous fiscal year.

#### [ 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.

#### [ 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.

[ 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.

[ 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..

## (2) Overview of Financial Position

The balance of total assets as of March 31, 2018 increased 79,992 million yen from the end of the previous fiscal year to 1,098,343 million yen. This was mainly due to the increase of cash and cash equivalents by 69,392 million yen, trade and other receivables by 8,304 million yen, inventories by 15,153 million yen, and other non-current financial assets by 6,498 million yen, which resulted from the increase in fair value of investment securities, despite the decrease of goodwill and intangible assets by 6,766 million yen, and deferred tax assets by 9,528 million yen.

The balance of total liabilities as of March 31, 2018 increased 44,601 million yen from the end of the previous fiscal year to 524,802 million yen. The increase was primarily driven by income tax payables and advances received, which rose by 8,000 million yen and by 65,237 million yen, respectively, although bonds and borrowings under current liabilities decreased by 11,401 million yen mainly due to the repayment of bonds, and other current liabilities declined by 17,388 million yen mainly due to the additional benefits paid for the voluntary retirement, which were recorded as accrued expenses at the end of the previous fiscal year.

The balance of total equity as of March 31, 2018 increased 35,391 million yen from the end of the previous fiscal year to 573,541 million yen. This was mainly because retained earnings increased by 28,080 million yen as a result of posting profit attributable to owners of the parent, and other components of equity rose by 7,071 million yen due to the increases in exchange differences on translation of foreign operations and fair value of investment securities.

## (3) Overview of Cash Flows

During the fiscal year ended March 31, 2018, for the cash flows from operating activities, although there were payments of additional benefits for voluntary retirement in Japan as well as payments of additional retirement benefits related to the discontinuation of operations in a Chinese manufacturing subsidiary, profit before income taxes of 56,257 million yen was posted, and the advances received increased by 65,970 million yen as the number of orders received for FPD Lithography system remained high. As a result, net cash of 125,082 million yen was provided in operating activities. (Net cash of 97,342 million yen was provided in the previous fiscal year).

For the cash flows from investing activities, the net cash used in investing activities was 34,808 million yen primarily due to the acquisition of property, plant and equipment. (Net cash of 40,693 million yen was used in the previous fiscal year).

For the cash flows from financing activities, net cash of 19,970 million yen was used, mainly due to the repayment of the 18th unsecured bond that matured in January 2018 as well as the payment of dividends. (Net cash of 15,522 million yen was provided in the previous fiscal year).

In addition, the effect of exchange rate change on cash and cash equivalents decreased 913 million yen.

As a result of the above, the balance of cash and cash equivalents at March 31, 2018 rose 69,392 million yen from the end of the previous fiscal year to 388,438 million yen.

#### (4) Future Outlook

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.

Current forecasts for the year ending March 31, 2019 are as follows.  
(From April 1, 2018 to March 31, 2019)

	Revenue	Operating Profit	Profit before Income Taxes	(Millions of yen) Profit Attributable to Owners of the Parent
Full year	740,000	70,000	70,000	50,000

(Notes) The above forecast is based on the following foreign currency exchange rate:  
1 US dollar = 105 yen, 1 Euro = 130 yen

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

#### (5) Shareholder Returns Policy and Dividends

The Company's fundamental policy on shareholder returns is to pay a steady dividend that reflects the perspective of shareholders, while expanding investment (in capital and in development) in business and technology development to ensure future growth and enhance competitiveness, and to target a dividend payout ratio of more than 40%. In addition, the Group will continue to focus on the total return ratio when determining profit distribution in order to better reflect business performance.

For the year ended March 31, 2018, the year-end dividend is 22 yen per share, and the full-year dividend will be 36 per share, including the interim dividend of 14 yen.

The dividend for the year ending March 31, 2019, is not yet determined.



## (6) Business and Other Risks

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

Matters concerning the future as stated herein are based on the Group's estimations as of March 31, 2018.

### 1) Unique business environment and circumstances

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

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

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

The Industrial Metrology Business, under the Industrial Metrology and Others, is susceptible to the effect of the economic and facility trends of various industries, including semiconductors, power generation, electronic components, automobiles and machine tools.

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

### 2) Procurement

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

The Group also promotes and ensures CSR procurement by its suppliers from an ESG perspective, such as corporate activities that are conscious of the social issues related to human rights including slave labor and conflict resources as well as the environment. In the event, however, that a problem, trouble or failure occurs in procurement due to a flaw in suppliers, the Group's business operations as well as its reputation may be impacted and, as a result, the business performance and the financial position of the Group may be adversely affected.

### 3) Dependence on specific customers

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

#### 4) Ability to develop new products and investment in development

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

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

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

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

#### 5) Intensification of price competition

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

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

#### 6) Overseas business operations

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

#### 7) Risk of fluctuations in exchange rate

The Nikon Group is highly dependent on overseas market, with overseas revenue accounting for as much as 85.7% of revenue. While the Group is appropriately hedging foreign exchange risks in accordance with sales volumes and the sales region, the sales and profit from products and services subject to foreign currency transactions, or the yen values of the income, losses, assets and liabilities of overseas consolidated subsidiaries will be affected should there be a sharp or dramatic fluctuation in foreign exchange rates.

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

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

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

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

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

9) Fund procurement risk

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

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

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

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

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

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

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

12) Information leaks

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

13) Defects in products and services

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

14) Occurrence of natural disasters, etc.

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

15) Damages to brand value

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

16) Environmental regulations

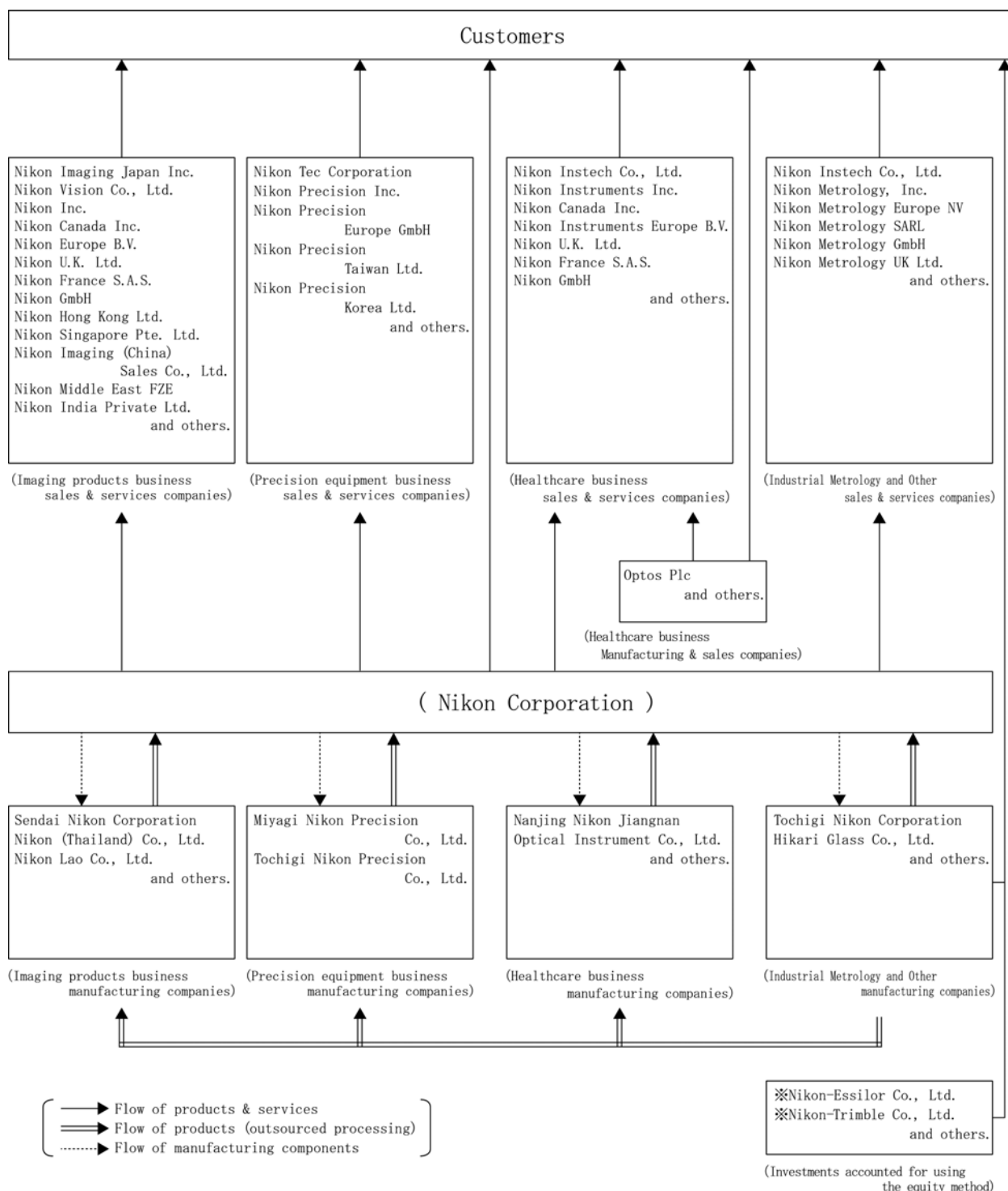
The Nikon Group is subject to various environmental laws and regulations regarding energy, greenhouse gases, the atmosphere, water, hazardous chemical substances, recycling of products, batteries, containers and packaging materials, waste, etc. While the Group has implemented measures necessary to comply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

## 2. Status of Nikon Group

The Nikon Group is comprised of NIKON CORPORATION (the "Company"), its 81 consolidated subsidiaries, and 16 investments accounted for using the equity method, running the Imaging Products Business, Precision Equipment Business, Healthcare Business, and businesses of Industrial Metrology and Others.

From the first half ended September 30, 2017, the reportable segments were changed. For more details, please make a reference to "(5) Notes to Consolidated Financial Statements, Segment Information."

The structure of the Group is shown as below:



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

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

### **3. Basic Policy on the Adoption of Accounting Standards**

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

#### 4. Consolidated Financial Statements

##### (1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Changes
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	319,046	388,438	69,392
Trade and other receivables	96,221	104,526	8,304
Inventories	220,400	235,553	15,153
Other current financial assets	9,163	10,958	1,795
Other current assets	14,183	12,430	(1,752)
(Subtotal)	659,013	751,905	92,892
Non-current assets held for sale	—	2,277	2,277
Total current assets	659,013	754,182	95,169
Non-current assets			
Property, plant and equipment	121,827	118,761	(3,066)
Goodwill and intangible assets	67,752	60,985	(6,766)
Net defined benefit assets	5,489	5,706	217
Investments accounted for using the equity method	11,696	9,387	(2,309)
Other non-current financial assets	85,343	91,841	6,498
Deferred tax assets	62,883	53,355	(9,528)
Other non-current assets	4,349	4,126	(222)
Total non-current assets	359,338	344,161	(15,177)
Total assets	1,018,351	1,098,343	79,992

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Changes
LIABILITIES/ EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	112,870	118,701	5,831
Bonds and borrowings	23,601	12,200	(11,401)
Income tax payables	3,567	11,567	8,000
Advances received	111,395	176,631	65,237
Provisions	6,926	6,820	(107)
Other current financial liabilities	31,213	28,879	(2,334)
Other current liabilities	52,347	34,959	(17,388)
Total current liabilities	341,918	389,756	47,838
Non-current liabilities			
Bonds and borrowings	114,477	113,140	(1,337)
Net defined benefit liabilities	8,624	7,995	(628)
Provisions	4,131	4,844	713
Deferred tax liabilities	5,193	3,978	(1,216)
Other non-current financial liabilities	2,991	2,490	(501)
Other non-current liabilities	2,868	2,599	(269)
Total non-current liabilities	138,283	135,046	(3,237)
Total liabilities	480,201	524,802	44,601
EQUITY			
Capital stock	65,476	65,476	—
Capital surplus	81,163	81,333	170
Treasury stock	(13,215)	(13,152)	63
Other components of equity	(25,381)	(18,310)	7,071
Retained earnings	429,481	457,561	28,080
Equity attributable to owners of the parent	537,524	572,908	35,384
Non-controlling interests	626	633	7
Total equity	538,150	573,541	35,391
Total liabilities and equity	1,018,351	1,098,343	79,992



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

	For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)		For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)		Changes
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)
Revenue	749,273	100.0	717,078	100.0	(32,196)
Cost of sales	(443,153)	(59.1)	(404,170)	(56.4)	38,983
Gross profit	306,121	40.9	312,908	43.6	6,787
Selling, general and administrative expenses	(247,548)		(248,683)		(1,135)
Other income	3,606		3,714		108
Other expenses	(61,404)		(11,702)		49,702
Operating Profit	774	0.1	56,236	7.8	55,463
Finance income	5,781		6,535		754
Finance costs	(4,006)		(6,295)		(2,289)
Share of the profit (loss) of investments accounted for using the equity method	518		(219)		(737)
Profit before income taxes	3,068	0.4	56,257	7.8	53,190
Income tax expenses	990		(21,422)		(22,412)
Profit for the year	4,057	0.5	34,835	4.9	30,778
Attributable to:					
Owners of the parent	3,967	0.5	34,772	4.8	30,805
Non-controlling interests	91		63		(27)
Profit for the year	4,057	0.5	34,835	4.9	30,778
Earnings per share:					
Basic earnings per share (Yen)	10.01		87.76		
Diluted earnings per share (Yen)	9.98		87.49		

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Changes
Profit for the year	4,057	34,835	30,778
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain (loss) on financial assets measured at fair value through other comprehensive income	7,338	6,036	(1,303)
Remeasurement of defined benefit pension plans	3,307	(196)	(3,503)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(17)	(16)	1
Total of items that will not be reclassified subsequently to profit or loss	10,628	5,824	(4,804)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(4,248)	1,635	5,883
Effective portion of the change in fair value on cash flow hedges	(363)	330	693
Share of other comprehensive income (loss) of investments accounted for using the equity method	(337)	(249)	88
Total of items that may be reclassified subsequently to profit or loss	(4,948)	1,716	6,664
Other comprehensive income, net of taxes	5,680	7,540	1,861
Total comprehensive income for the year	9,737	42,375	32,638
Attributable to:			
Owners of the parent	9,676	42,294	32,617
Non-controlling interests	61	82	21
Total comprehensive income for the year	9,737	42,375	32,638

## (3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Capital stock	Capital surplus	Treasury stock	Other components of equity		
				Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit pension plans	Share of other comprehensive income (loss) of investments accounted for using the equity method
As of April 1, 2016	65,476	81,234	(13,255)	2,300	—	(218)
Profit for the year	—	—	—	—	—	—
Other comprehensive income	—	—	—	7,338	3,307	(354)
Total comprehensive income for the year	—	—	—	7,338	3,307	(354)
Dividends	—	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(4)	—	—	—
Share-based payments	—	(71)	44	—	—	—
Incorporation of new subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(2,278)	(3,307)	16
Total transactions with owners	—	(71)	40	(2,278)	(3,307)	16
As of March 31, 2017	65,476	81,163	(13,215)	7,360	—	(557)

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)

(Millions of yen)

(millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of the change in fair value on cash flow hedges	Total				
As of April 1, 2016	(27,804)	201	(25,522)	428,622	536,555	523	537,078
Profit for the year	—	—	—	3,967	3,967	91	4,057
Other comprehensive income	(4,218)	(363)	5,710	—	5,710	(30)	5,680
Total comprehensive income for the year	(4,218)	(363)	5,710	3,967	9,676	61	9,737
Dividends	—	—	—	(8,729)	(8,729)	(45)	(8,774)
Acquisition and disposal of treasury stock	—	—	—	—	(5)	—	(5)
Share-based payments	—	—	—	52	26	—	26
Incorporation of new subsidiaries	—	—	—	—	—	88	88
Transfer from other components of equity to retained earnings	—	—	(5,569)	5,569	—	—	—
Total transactions with owners	—	—	(5,569)	(3,108)	(8,708)	43	(8,665)
As of March 31, 2017	(32,022)	(162)	(25,381)	429,481	537,524	626	538,150

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

## (4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	For the year ended March 31 2017 (from April 1, 2016 to March 31, 2017)	For the year ended March 31 2018 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities:		
Profit before income taxes	3,068	56,257
Depreciation and amortization	33,972	31,706
Impairment losses	5,351	1,397
Interest and dividends income	(3,245)	(4,395)
Share of the (profit) loss of investments accounted for using the equity method	(518)	219
Loss (gains) on sale of property, plant and equipment	(39)	(120)
Interest expenses	1,314	1,440
Decrease (increase) in trade and other receivables	7,432	(6,999)
Decrease (increase) in inventories	42,229	(14,476)
Increase (decrease) in trade and other payables	(13,130)	6,132
Increase (decrease) in advances received	5,719	65,970
Increase (decrease) in provisions	(1,104)	(919)
Increase (decrease) in net defined benefit assets and liabilities	302	(235)
Others, net	23,252	13,621
Subtotal	104,603	149,598
Interest and dividend income received	4,671	6,110
Interest expenses (paid) refund	(1,248)	(1,400)
Additional retirement benefits paid (Note)	—	(19,968)
Payment for loss on Competition Law	(1,307)	—
Income taxes (paid) refund	(9,377)	(9,258)
Net cash provided (used) by operating activities	97,342	125,082
Cash flows from investing activities:		
Purchase of property, plant and equipment	(21,295)	(28,062)
Proceeds from sales of property, plant and equipment	271	921
Purchases of intangible assets	(9,119)	(7,672)
Purchases of investment securities	(8,835)	(6,625)
Proceeds from sales of investment securities	5,851	8,328
Transfer to term deposits	(8,867)	(5,670)
Proceeds from withdrawal from term deposits	5,822	4,110
Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope	(1,100)	—
Others, net	(3,420)	(137)
Net cash provided (used) by investing activities	(40,693)	(34,808)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	—	(1,400)
Proceeds from long-term borrowings	38,780	—
Repayment of long-term borrowings and bonds	(12,903)	(10,095)
Cash dividends paid	(8,734)	(7,153)
Cash dividends paid to non-controlling interests	(45)	(57)
Others, net	(1,576)	(1,265)
Net cash provided (used) by financing activities	15,522	(19,970)
Effect of exchange rate changes on cash and cash equivalents	(4,335)	(913)
Net increase (decrease) in cash and cash equivalents	67,836	69,392
Cash and cash equivalents at the beginning of the year	251,210	319,046
Cash and cash equivalents at the end of the year	319,046	388,438

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

(5) Notes to Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Basis for Preparation of the Consolidated Financial Statements)

(a) Scope of Consolidation

Number of consolidated subsidiaries: 81 companies

Principal subsidiaries:

Tochigi Nikon Corporation, Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation, Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Instech Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V., and others

(b) Scope of Equity Method

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

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

(c) Accounting Policies

The disclosure of the accounting policies has been omitted as there are no significant changes from the previous Annual Securities Report (submitted on June 29, 2017).

## (Segment Information)

### (1) Outline of Reportable Business Segments

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

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

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

### (Regarding Revision of Reportable Business Segments)

Until the three months ended June 30, 2017, the Group had four reportable segments: the Precision Equipment Business, the Imaging Products Business, the Instruments Business, and the Medical Business. However, from the first half ended September 30, 2017, the Group has abolished the Instruments Business and the Medical Business, and integrated its business divisions into three reportable segments consisting of the Imaging Products Business, the Precision Equipment Business, and the newly established Healthcare Business.

Since June 29, 2017, the Microscope Solutions Business Unit that was formerly included in the Instruments Business and the Medical Business Development Division has been integrated into the newly established Healthcare Business Unit in order to enable the Company to integrate and optimize organizations and functions rapidly. In addition, the Company will be able to create business synergy, and boost existing businesses as well as accelerate the creation and nurturing of new businesses in the healthcare, medical and biological fields, which are anticipated to grow in the future. In relation to this reorganization, the Healthcare Business has newly been established as a reportable business segment from the first half ended September 30, 2017.

In addition, the Industrial Metrology Business Unit formerly included in the Instruments Business has been included in the Industrial Metrology and Others, by taking into consideration its business scale against the Group.

The segment information for the year ended March 31, 2017, has been prepared based on the revised business segments.

(2) Information on Reportable Business Segments

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

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

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

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconcilia- tion (Note2)	Consolidated (Note3)
Revenue							
External customers	383,024	248,026	55,797	62,426	749,273	—	749,273
Intersegment	747	312	622	27,516	29,198	(29,198)	—
Total	383,771	248,339	56,419	89,942	778,471	(29,198)	749,273
Segment profit (loss) (Note4)	17,150	13,463	(660)	3,720	33,672	(32,898)	774
Finance income							5,781
Finance costs							(4,006)
Shares of the profit of investments accounted for using the equity method							518
Profit before income taxes							3,068
Segment assets	158,348	154,969	90,206	122,521	526,044	492,306	1,018,351
Other items:							
Impairment Loss	728	4,183	—	440	5,351	—	5,351
Depreciation and amortization	16,168	2,931	3,198	7,022	29,319	4,653	33,972
Increase in property, plant and equipment, goodwill and intangible assets	8,519	7,511	3,443	12,544	32,017	4,220	36,237

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

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus 523 million yen and corporate profit (loss) of minus 32,375 million yen. In addition, reconciliation of segment assets includes corporate assets of 506,179 million yen that cannot be attributable to any reportable segments, and elimination of intersegment transactions of minus 13,873 million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some property, plant and equipment used in common.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss.

4. The restructuring costs recognized in the segment profit (loss) are minus 10,971 million yen for Imaging Products Business, minus 34,723 million yen for Precision Equipment Business, minus 556 million yen for Healthcare Business, and minus 1,806 million yen for Industrial Metrology and Others. The corporate profit (loss) that cannot be attributable to any segment and recognized in segment profit (loss) is minus 5,313 million yen.



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

(Millions of yen)

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

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

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of minus 281 million yen and corporate profit (loss) of minus 28,859 million yen. In addition, reconciliation of segment assets includes corporate assets of 557,572 million yen that cannot be attributable to any reportable segments, and elimination of intersegment transactions of minus 14,984 million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some property, plant and equipment used in common.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss.

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

### (3) Geographic Information

#### Revenue to external customers

(Millions of yen)

	For the year ended March 31, 2017 (from April, 2016 to March 31, 2017)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Japan	126,347	102,893
United States	181,715	177,701
Europe	124,609	122,486
China	148,997	162,786
Others	167,605	151,212
Total	749,273	717,078

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

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

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

#### Non-current assets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Japan	101,574	105,016
North America	4,755	4,660
Europe	52,009	48,200
China	8,571	1,228
Thailand	24,700	22,751
Others	2,318	2,017
Total	193,927	183,872

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

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

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

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

### (4) Information about Major Customers

This information is not shown as there is no single customer who contributed 10% or more to the consolidated revenue for the years ended March 31, 2017 and 2018.

(Consolidated Statement of Profit or Loss)

(a) Selling, General and Administrative Expenses

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

(Millions of yen)

	For the year ended March 31, 2017 (From April 1 2016 to March 31, 2017)	For the year ended March 31, 2018 (From April 1 2017 to March 31, 2018)
Depreciation and amortization	12,635	13,402
Research and development expenses	61,114	58,655
Employee benefit expenses	56,680	58,588
Advertising and sales promotion expenses	47,491	42,807
Others	69,628	75,231
Total	247,548	248,683

(b) Impairment Losses

(i) Impairment losses of non-financial assets

[For the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)]

With regard to the Semiconductor Lithography Business, as a result of estimating future cash flows, the Group reduced the carrying amount of the machinery, equipment and vehicles used for business operations, whose investments were unlikely to be recovered to its recoverable amount, and recorded this reduction as an impairment loss.

In addition, in the previous fiscal year ended March 31, 2017, the Group carried out an investigation on the utilization status and future prospects for the non-current assets held by the Group. As a result of the investigation, the Group recognized impairment losses for idle assets mainly located in Japan, China and Thailand that did not have an expected specific use in the future.

The impairment losses are included under "Other expenses." Out of the total impairment losses of 5,351 million yen, the impairment losses of 204 million yen for idle assets which are not expected to be used in the future due to termination of product commercialization are recognized as restructuring costs. For more information about restructuring costs, please refer to "Consolidated Statement of Profit or Loss

(c) Restructuring Costs."

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

For the year ended March 31, 2018, as a result of investigating the utilization status and future prospects for the non-current assets held by the Group, the Group recognized impairment losses for idle assets and non-current assets held for sale in which the recoverable amount is lower than the carrying amount mainly located in Japan, China and Europe that did not have an expected specific use in the future.

The impairment losses are included under "Other expenses." Out of the total impairment losses of 1,397 million yen, the impairment loss of 793 million yen for the discontinuation of operations of a subsidiary in China is recognized as restructuring costs. For more information about restructuring costs, please refer to "Consolidated Statement of Profit or Loss (c) Restructuring Costs."

(Millions of yen)

	For the year ended March 31, 2017 (From April 1 2016 to March 31, 2017)	For the year ended March 31, 2018 (From April 1 2017 to March 31, 2018)
Property, plant and equipment	4,951	1,098
Intangible assets	350	298
Others	51	1
Total	5,351	1,397

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

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

Impairment loss was recognized for a part of investments in associates by the amount of 1,793 million yen, because the recoverable amount was lower than the carrying amount. The impairment loss is included under "Share of the profit (loss) of investments accounted for using the equity method."

(iii) Method for Grouping Assets

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

(iv) Method for Measuring Recoverable Amount

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

(c) Restructuring Costs

[For the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)]

The Group has conducted a fundamental restructuring to improve its corporate value and shifting from the strategy pursuing revenue growth to pursuing profit enhancement. In accordance with this restructuring, the following details were recorded as "Restructuring costs" in "Other expenses."

Details	Amount (Millions of yen)
The write-downs/ write-offs of the products of the Semiconductor Lithography Business	27,447
Additional retirement benefits associated with solicitation for voluntary retirement from group entities in Japan	16,655
Loss on termination of product commercialization	7,472
Others	1,796
Total	53,370

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

Since the announcement of restructuring in November 2016, the Group has been carrying out measures to improve its corporate value by optimizing the manufacturing and sales structure, and by improving the efficiency as well as strengthening the headquarter initiatives. As part of such measures, for the year ended March 31, 2018, the Group has decided the discontinuation of operations of a manufacturing subsidiary in China, and the business transfer of the CMM business (\*) from Nikon Metrology NV, a subsidiary located in Belgium (hereinafter referred to as "NMNV"). As a result, the following costs related to restructuring were recorded in "Other expenses."

Details	Amount (Millions of yen)
Additional retirement benefits	3,719
Expenses of transferring manufacturing equipment	1,723
Losses from impairment and disposal of non-current assets	1,670
Others	1,620
Total	8,732

(\*) CMM Business: Development, manufacture, sales, and service of Coordinate Measuring Machines

(Earnings per share)

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

	For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Basis for the calculation of basic earnings per share		
Profit for the year attributable to owners of the parent (millions of yen)	3,967	34,772
Profit not attributable to ordinary equity holders of the parent (millions of yen)	—	—
Profit for the year used in the calculation of basic earnings per share (millions of yen)	3,967	34,772
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	396,195	396,213
Basic earnings per share (yen)	10.01	87.76
Basis for the calculation of diluted earnings per share		
Profit for the year used in the calculation of basic earnings per share (millions of yen)	3,967	34,772
Adjustments to profit for the year (millions of yen)	—	—
Profit for the year used in the calculation of diluted earnings per share (millions of yen)	3,967	34,772
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	396,195	396,213
Increase in number of ordinary shares in respect of stock options (thousands of shares)	1,124	1,232
Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares)	397,319	397,445
Diluted earnings per share (yen)	9.98	87.49
Summary of dilutive potential ordinary shares that are antidilutive and excluded from the weighted average number of dilutive ordinary shares	—	—

(Note) In the computation of basic earnings per share and diluted earnings per share, the number of the Company's shares held by the executive compensation BIP trust is included in the number of treasury stocks that are deducted from the weighted average number of ordinary shares outstanding during the period. For the years ended March 31, 2017 and March 31, 2018, the number of shares was 576,900.

(Contingent Liabilities)

(Litigation)

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

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

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

(Significant Subsequent Event)

Not Applicable