



NIKON REPORT 2016

Year Ended March 31, 2016



Constantly Providing New Value and Aiming for the Nikon Group's Ongoing Growth, We Will Commit Ourselves to Transformation over the Next Century

Nikon Corporation will mark the 100th anniversary of its foundation in 2017. Regarding technological capabilities centered on opto-electronics and precision technologies, the Nikon Group has been providing unique value throughout the world during the 100 years that have passed since its establishment in 1917. In the fiscal year ended March 31, 2016, the Company made progress with the transformation needed to make the Group grow by means of its six-business portfolio based on its Medium-Term Management Plan, “Next 100—Transform to Grow.”

Nikon Report 2016 brings together the main thrusts of the activities carried out toward sustainable growth. We kindly ask all our stakeholders, including shareholders and investors, to read this report.



Photo: **Nikon Museum**

The Nikon Museum opened in October 2015, for the 100th anniversary of Nikon's foundation in 2017. The Nikon Museum is the first facility where the histories, products, and technologies of all of Nikon's enterprises are exhibited.

<http://www.nikon.com/about/info/museum/>



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Statements contained in this report regarding the plans, projections, and strategies of Nikon Corporation and its subsidiaries and affiliates that comprise the Nikon Group that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that is obtainable at the time of announcement in compliance with the Nikon Group's management policies and certain premises that are deemed reasonable by the Nikon Group. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, product and service demand trends, customer capital expenditure trends, and currency exchange rate fluctuations.

This report covers the activities of domestic and foreign Nikon Group companies, centered on Nikon Corporation. In principle, the terms "the Company" and "Nikon Corporation" refer to Nikon Corporation, while "the Group" and "Nikon Group" refer to Nikon Corporation and its Group companies.

As for the numerical values relating to the financial content of this report, figures displayed in hundred millions of yen have been truncated, and figures displayed in millions of yen have been rounded to the nearest unit.

History of Nikon

Since its establishment in 1917, optical technology-pioneering Nikon Corporation has been providing a variety of value globally. Having developed a range of products stemming from its opto-electronics and precision technologies and increased corporate value by supplying those products all over the world, Nikon has continued to grow in a sustainable manner for nearly 100 years.



1917

Nippon Kogaku K.K. established

1921

- **MIKRON 4x and 6x** ¹ ultra-small-prism binoculars marketed
First binoculars developed, designed, and manufactured by Nikon

1925

- **JOICO Microscope** ², the first designed by Nikon, marketed

1932

- **NIKKOR** adopted as brand name for camera lenses

1945

- Following the end of World War II, production shifts to civilian-use optical equipment

1946

- **Nikon** adopted as brand name for small-sized cameras

1948

- **Nikon Model I** ³ small-sized camera marketed
First Nikon camera

1949

- Listed on both Tokyo and Osaka stock exchanges

1953

- Nikon Optical Co., Inc. established in the United States to import cameras and other products, provide technical services, and conduct market surveys

1959

- **Nikon F** ⁴ single-lens reflex (SLR) camera marketed
Nikon's first interchangeable lens SLR camera

1961

- Nikon AG established in Switzerland

1968

- Nikon Europe N.V.—currently Nikon Europe B.V.—established in the Netherlands

1980

- **NSR-1010G** ⁵ Step-and-Repeat System (stepper) for manufacturing very large-scale integration (VLSI) marketed
the first domestically manufactured commercial stepper

1981

- Ehrenreich Photo-Optical Industries, Inc. is acquired in the United States and renamed Nikon Inc.

1986

- **NSR-L7501G** ⁶ large substrate exposure system marketed
Nikon's first LCD stepper and scanner

1988

- Corporate name changed to Nikon Corporation

1990

- Nikon (Thailand) Co., Ltd. established in Thailand

1995

- **NEXIV** ⁷ series CNC video measuring system marketed
Non-contact, high-precision measurement made possible by image processing technology

1999

- **D1** ⁸ digital SLR camera marketed
Priced with general users in mind, contributed to popularity of digital SLR cameras



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Our Philosophy

Trustworthiness and Creativity

Our corporate philosophy of “Trustworthiness and Creativity”

— simple words that are not easily put into practice.

These important words represent unchanging principles to which we will always be dedicated.

Our Aspirations

Meeting Needs. Exceeding Expectations.

“Our aspirations” mean not only to meet the needs of customers but also to provide customers with new value that exceeds their expectations.

“Meeting needs. Exceeding expectations.” is our vision for the future.

- Providing customers with new value that exceeds their expectations.
- Sustaining growth through a break with the past and a passionate commitment by one and all.
- Maximizing our understanding of light to lead the way toward transformation and a new future.
- Maintaining integrity in order to contribute to social prosperity.

→ 2016

2000

- Corporate philosophy defined as “Trustworthiness and Creativity”

2002

- Nikon Imaging (China) Co., Ltd. established in China

2005

- Nikon Imaging (China) Sales Co., Ltd. starts operations in China

2007

- **BioStation CT** ⁹ cell culture observation system marketed
Expanded possibilities of live cell observation
- Nikon India Private Limited starts operations in India

2008

- Nikon (Russia) LLC. starts operations in Russia

2009

- Nikon Mexico S.A. de C.V. starts operations in Mexico
- Metris NV becomes Nikon Metrology NV, a wholly owned Belgian subsidiary

2010

- **N-SIM** and **N-STORM** ¹⁰ super resolution microscopes marketed
Achieved resolution beyond capabilities of conventional optical microscopes

- **HN-6060** ¹¹ non-contact multi-sensor 3D metrology system marketed
Enabled non-contact acquisition of measurement data at high speed, precision, and density

2011

- **Nikon 1 J1** ¹² and **Nikon 1 V1** advanced cameras with interchangeable lenses marketed

2012

- Nikon Middle East FZE starts operations in Dubai, United Arab Emirates (UAE)

2013

- PT Nikon Indonesia starts operations in Indonesia
- Nikon Lao Co., Ltd. established in Laos
- Health and medical fields selected as new business targets

2014

- **iNEXIV VMA-4540** CNC video measuring system marketed
- In-house company system abolished, reorganized into divisional system under direct control of president

2015

- Optos Plc becomes wholly owned subsidiary in the United Kingdom
- Nikon CeLL innovation Co., Ltd. established
- Nikon Museum established
- **HN-C3030** high accuracy non-contact sensor 3D metrology system marketed
- **N-STORM 4.0** super resolution microscope marketed

2016

- **NSR-S631E** ArF immersion scanner marketed
- **FX-68S** FPD scanner marketed
- **D5** and **D500** digital SLR cameras marketed



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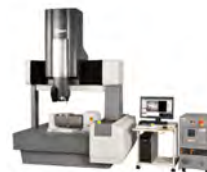
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Nikon's Business Structure

PRECISION EQUIPMENT BUSINESS

Semiconductor Lithography Business

Development, manufacture, sales, and service of semiconductor lithography systems for the production of semiconductors used primarily in electronics

CHARACTERISTICS

Nikon pursues the miniaturization of circuit patterns critical to the enhanced performance and increased integration of semiconductors. The Company possesses immersion exposure technologies that fill the space between the projection lens and the wafer with purified water to achieve high resolution. In addition, the Company is developing a range of groundbreaking precision technologies, such as platforms adaptable for a balance between high overlay accuracy and high productivity as well as for 450mm wafers.

FPD Lithography Business

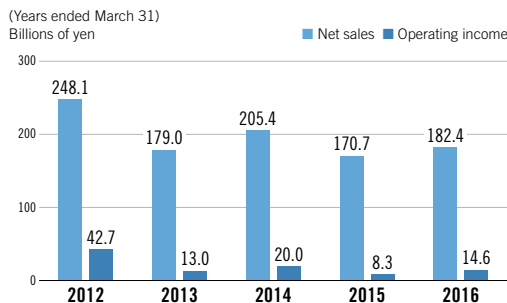
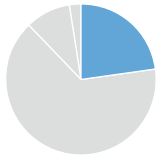
Development, manufacture, sales, and service of FPD lithography systems for the production of LCD and organic light-emitting diode (OLED) panels

CHARACTERISTICS

Nikon possesses a high share of the market for FPD lithography systems used in the manufacture of small and medium-sized high-definition LCD panels as well as OLED panels for smartphones and tablet computers. Nikon's proprietary multi-lens projection optical systems offer overwhelming advantages for larger and higher-definition panels.

Sales by Business Segment

22.2%



IMAGING PRODUCTS BUSINESS

Development, manufacture, sales, and service of digital cameras—interchangeable lens type, interchangeable lenses and compact digital cameras, and other products

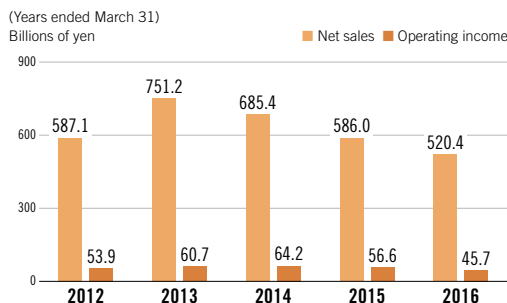
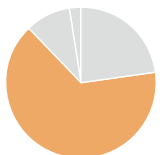
CHARACTERISTICS

Nikon has been developing high-performance products by combining the latest digital image processing and network technologies with Nikon camera technology, whose fame was first established when the Nikon Model I small-sized camera was launched in 1948. Throughout the world, Nikon possesses high brand power.

Underpinned by its accumulated experience and technologies, Nikon works to offer a range of products and services that brings to fruition “new ways to enjoy images” and pursues the unlimited possibilities of photos and video.

Sales by Business Segment

63.2%



INSTRUMENTS BUSINESS

Microscope Solutions Business

Development, manufacture, sales, and service of biological microscopes, cell culture observation systems, etc.
 Newly entered the contract manufacturing business in areas such as cells for regenerative medicine therapeutics

CHARACTERISTICS

By means of its super resolution microscopes that greatly exceed the resolution limits of conventional optical microscopes, Nikon opens up new possibilities in live cell imaging. Having signed a collaboration agreement with Lonza, of Switzerland, the world's largest manufacturer of cells for regenerative medicine therapeutics, the Nikon Group has established the basis of its regenerative medicine contract manufacturing business.

Industrial Metrology Business

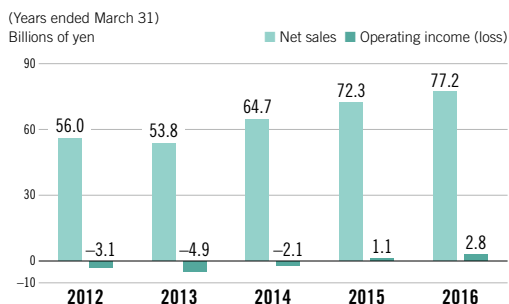
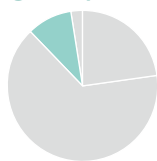
Development, manufacture, sales, and service of industrial microscopes, metrology systems, and X-ray / CT inspection systems

CHARACTERISTICS

Nikon develops and markets industrial microscopes, 2D and 3D metrology systems, and X-ray / CT inspection systems that enable non-destructive inspection for industrial fields that include electronic components, automobiles, and aircraft. As quality-control tools indispensable in the production process, they are highly acclaimed by our customers.

Sales by Business Segment

9.4%



MEDICAL BUSINESS

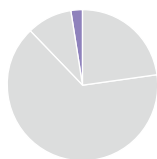
Sales and service of Optos Plc's products, such as retina diagnostic imaging equipment

CHARACTERISTICS

Based on its core competencies of opto-electronics and precision technologies, Nikon is developing a new medical device business to answer previously unmet needs at various medical levels, such as prevention, diagnosis, treatment, and prognosis management.

Sales by Business Segment

2.2%



Financial Results for the Fiscal Year Ended March 31, 2016

Net sales	¥18.3 billion
Operating loss	¥4.6 billion



OTHER BUSINESSES

CHARACTERISTICS

In addition to such fields as Customized Products Business, which handles space-related products, and Glass Business, which handles FPD photomask substrates, etc., as well as Encoders Business and Ophthalmic Lenses Business, Other Businesses contribute to the development of science and technology in addition to industry and society.

- Customized Products Business
- Glass Business
- Encoders Business
- Ophthalmic Lenses Business

Nikon's Technological Capabilities

Nikon develops an extensive range of products and services based on the opto-electronics and precision technologies nurtured throughout its history. While responding to society's various needs, Nikon continues to enrich lives around the world and support cutting-edge industries that are shaping the future.

We would like to introduce some of our mainstay products.



Semiconductor Lithography System **NSR-S631E**

The NSR-S631E was developed for high volume manufacturing of semiconductors using 7nm node processes. It is based on the proven *Streamalign* platform, and delivers ultra-high accuracy and world-class productivity. The NSR-S631E ensures stable volume production of cutting-edge devices.



FPD Lithography System **FX-68S**

The FX-68S is an optimal FPD lithography system for manufacturing high-definition LCD and OLED panels indispensable for the latest, sophisticated mobile devices, such as smartphones. Its multi-lens projection optical systems enable improved productivity as well as high resolution and high alignment accuracy.

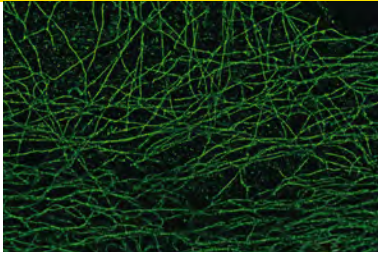
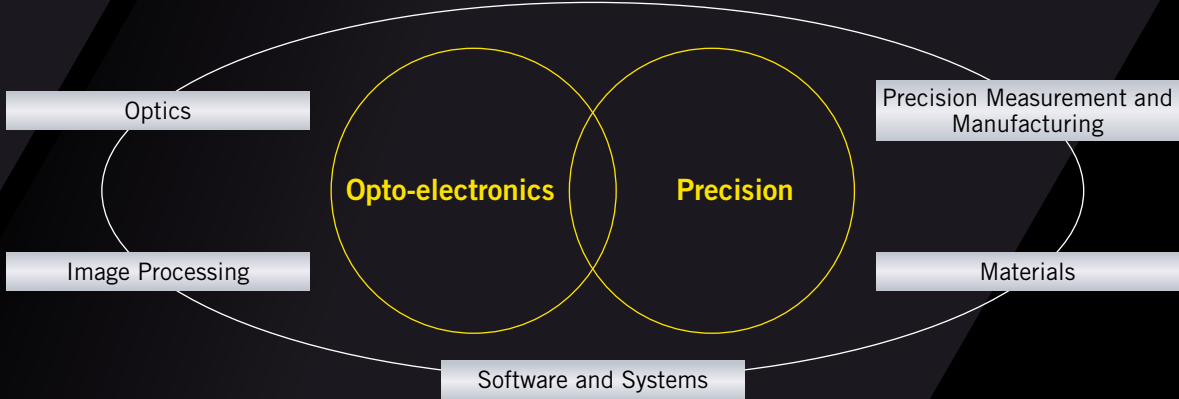


Digital Single-Lens Reflex (SLR) Camera **D5**

The new-generation, 153-point AF system enables more reliable capture of subjects in a variety of situations. Featuring significantly improved moving subject capturing capabilities and high-sensitivity image quality, the D5 is a high-performance flagship model responsive to a wide variety of scenes and subjects.

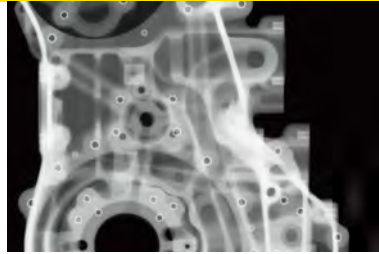


Basic Technologies that Support Nikon



Super Resolution Microscope **N-STORM 4.0**

N-STORM 4.0 is a super resolution microscope that provides the capability to obtain images with 10 times higher resolution than conventional optical microscopes. N-STORM 4.0 delivers rich information that enhances understanding of the structure of living cells and biological phenomena at molecular levels. The adoption of the sCMOS camera has significantly improved image acquisition speed.



X-Ray / CT Inspection System **XT H 450**

Utilizing X-ray transmission, the XT H 450 is capable of the non-destructive inspection of inner defects of castings and large structural objects. Employing a high-power micro focus X-ray, the XT H 450 is a powerful tool for fine inspection of large castings and high-density metal objects, such as turbine blades.



* Retina image taken by California

Ultra-Widefield Imaging Device **California**

Ultra-widefield (UWF) technology can instantly capture images of approximately 82% of the retina, which is 50% more of the retina when compared with other conventional imaging devices, and enables the early detection of diseases, the signs of which can be confirmed in the retina.



Management Message

Nikon Group: Accelerating Reforms to Continue Growing over the Next Century

In the fiscal year ended March 31, 2016, consolidated net sales decreased 4% year on year to ¥822.9 billion, and operating income was down 16% to ¥36.7 billion. Although the Precision Equipment Business and the Instruments Business achieved year-on-year increases in revenues and profits, the Imaging Products Business was sluggish under the effects of an overall shrinkage of its markets.

An important year, the fiscal year under review is said to have been the turning point for the revised Medium-Term Management Plan Update announced in May 2015. We accelerated change in the Instruments Business and the Medical Business that are positioned for growth, as well as in the Precision Equipment Business and the Imaging Products Business, and continued through a year in which tangible achievements began to be seen.

We gratefully ask for the continued support of our shareholders, investors, and other stakeholders.

The Nikon logo is displayed in a white, sans-serif font on a light-colored wood-grain panel.

Makoto Kimura
Chairman of the Board
Representative Director

Kazuo Ushida
President
Representative Director

Masashi Oka
Senior Executive Vice President, CFO
Representative Director





We are increasing profitability by means of a six-business portfolio to become a corporate entity that will continue to grow over the next century.

Kazuo Ushida

President
Representative Director

**Summary of the
Fiscal Year
Ended March
31, 2016**

Although targets were achieved, results were unsatisfactory in terms of progress made on the Medium-Term Management Plan

Under the Nikon Group's Medium-Term Management Plan Update announced in May 2015, the targets for operating income were stated as ¥30.0 billion in the fiscal year ended March 31, 2016, and ¥38.0 billion and ¥65.0 billion in the fiscal years ending March 31, 2017 and 2018, respectively. The result in the fiscal year under review—the initial year of the plan—was ¥36.7 billion, which was higher than planned. Nonetheless, the figure represented a 16% decrease when compared with the result for the fiscal year ended March 31, 2015. While we were able to surpass the plan's target, when viewed as an overall Company performance in no way can this be considered a satisfactory result. This year was positioned as an important year for building up strength to achieve targets we had said would improve significantly in the fiscal year ending March 31, 2018. I will convey repeatedly within the Company that by no means are we to be satisfied with the achievements of the first year of the plan.

When the results for the fiscal year ended March 31, 2016, are viewed by main business, although sales of semiconductor lithography systems did not increase as much as planned, the market responded to activation from capital investment in small and medium-sized high-definition panels, there was a significant increase in the number of FPD lithography systems sold, and the Precision Equipment Business achieved a significant overall year-on-year increase in income of 75%. Factoring in the income of the Semiconductor Lithography Business over the past few years, the future cash flow from ArF immersion lithography systems was judged to be less than assumed, and the Semiconductor Lithography Business recorded an impairment loss of approximately ¥7.0 billion with respect to fixed assets, including the manufacturing facilities held.

In the case of the Imaging Products Business, sales of the expected mainstay digital SLR cameras were weak, for example in the year-end shopping season of each country. Furthermore, the sales of other models were unable to cover the effects of delaying the launch of the new D500 model, resulting in a 19% decline in operating income.

In the Instruments Business, sales in both the Microscope Solutions Business and the Industrial Metrology Business were favorable, and the operating income of the Instruments Business overall showed an increase of approximately double.

In the Medical Business, the performance of Optos Plc, the U.K.-based retina diagnostic imaging equipment company that was made a wholly owned subsidiary in May 2015, is as far along as planned though there has been amortization of goodwill defrayment. The Medical Business as a whole, however, recorded an operating loss of ¥4.6 billion due to its posting of R&D expenses and other for its development.

Medium-Term
Management
Plan

Having a strong sense of crisis and of mission, I am increasing the pace of Nikon's transformation

As I mentioned earlier, while operating income of ¥36.7 billion exceeded the target set for the fiscal year ended March 31, 2016, the policy of the Medium-Term Management Plan Update is **Transform to Grow**, and this transformation remains a challenge because this has yet to take on a visible form. Moves such as the aforementioned acquisition of Optos and the establishment announced in May 2015, of Nikon CeLL innovation Co., Ltd. following the signing of the strategic collaboration agreement with Lonza—the world's largest manufacturer of cells for regenerative medicine therapeutics—gave rise to an unconventional transformation, but one that cannot be considered sufficient. I have a strong sense of crisis and of mission that we have to tackle this situation with much more of a sense of urgency.

Transform to Grow does not mean the Company will merely continue to enlarge the scale of its sales through M&As and other initiatives. While addressing new capabilities, the plan is designed to continue moving toward a stronger revenue base by causing our business categories to evolve. It will therefore take some time for the Company to reach constant levels of profit and business scale. I consider it to be my primary responsibility to convey the important aspects—in keeping with the Medium-Term Management Plan's roadmap of measures, what the Nikon Group's aims are, and what action we will be taking—in a specific and easy-to-understand manner for all stakeholders, in conjunction with a look back at the progress made so far.

Basic Policy of Medium-Term Management Plan Update Announced in May 2015

Next 100 – Transform to Grow

Transforming into a corporate entity that grows by means of its six-business portfolio

By maintaining the stable earnings of the FPD Lithography Business and the Imaging Products Business as well as promoting the streamlining of existing businesses by returning the Semiconductor Lithography Business to profit and positioning the Microscope Solutions, Industrial Metrology, and Medical businesses as growth businesses, we are rebuilding a six-business portfolio and transforming into a corporate entity that will grow sustainably.



Issues to Be Addressed

Nurturing human resources with a mind-set that creates value added and encourages the taking of action

The fiscal year ended March 31, 2016, can be assessed as one in which there were achievements made from the cost reduction standpoint in the Imaging Products Business in particular. As a result of having consolidated its production and sales, moving away from compact digital cameras, where demand was falling, and focusing instead on middle and high-end digital SLR cameras, where demand remained stable, as well as having carried out thorough cost reductions along the length of the supply chain, the Imaging Products Business maintained an operating income ratio of 8.8%, despite year-on-year decreases in net sales and operating income. As cost reductions are a mandatory management measure for manufacturers, we will continue to promote them on an ongoing basis, not only in the Imaging Products Business but across the Nikon Group as a whole.

A factor that again came to the fore during the course of the initial year of the Medium-Term Management Plan was that a transformation in the Company's mind-set is still being developed. If I had to give one example of an achievement, however, it would be the solutions-based proposals in the Industrial Metrology Business. The scale of the business itself is not large, but while incorporating a succession of new perspectives, proposing solutions to customers bore fruit in a variety of ways. Rather than the mind-set of simply performing a task with a conventional platform that is already in place, we need people with a mind-set that continually creates our own value added. Causing that mind-set to become more deeply ingrained throughout the Company is recognized as a major challenge. While breaking out of our shell and taking a bird's eye view of the value chain, starting from the business area for which we are responsible, we will venture into adjacent areas. I would like to greatly increase the number of employees who possess this kind of mind-set, which also encourages them to take action. To realize **Transform to Grow**, we have introduced the human resource measure known as the FUTURE IN FOCUS, by which each and every employee is encouraged to change his or her way of thinking. Making steady progress with the measure, we will accelerate the further improvement of our human resource capabilities.

It is necessary to further accelerate the reassignment of personnel to growth businesses. For example, we have implemented certain personnel transfers, such as from the Semiconductor Lithography Business to the Medical Business, but we are considering additional reassignments to strengthen the growth businesses.

Outlook for the Fiscal Year Ending March 31, 2017

A year to strengthen the foundation to make Nikon's vision of its future more concrete

With regard to the effects of the April 2016 Kumamoto Earthquake on Company performance, the supply chain of the Imaging Products Business was the worst hit. As supplier recovery had still been in progress, forecasts for the fiscal year ending March 31, 2017, which were announced in May 2016 on the basis of information then available, are anticipating increases in both Companywide sales and operating income, as firm growth is expected from both the Precision Equipment Business and the Instruments Business. Although there are uncertainties, the Imaging Products Business plans to have recovered, including its full production system of its mainstay digital SLR, in the second half of the fiscal year, and I would like to minimize the extent of the decrease in profit over the full year.

Under the Medium-Term Management Plan Update, we decided that the operating income target for the fiscal year ending March 31, 2017, would be ¥38.0 billion, but currently we are planning on ¥46.0 billion. In the initial year we were able to improve from ¥30.0 billion to ¥36.7 billion, and expect to improve from ¥38.0 billion to ¥46.0 billion in the second year. If it transpires that we achieve the plan two years in succession, it may seem that the reform initiatives have already borne fruit and that we are in a strong position. However, as the majority of the factors contributing to the increased income for the period will be due to the significant growth in sales of FPD lithography systems associated with burgeoning demand for small and medium-sized high-definition panels spilling over from

the fiscal year ended March 31, 2016, I do not believe that this upward trend will continue. Of course, there is a sense of anticipation in the case of new demand for large-sized high-definition panels, but I naturally have no intention of managing the business on the basis of such expectations.

I have positioned this year as one in which we will steadily advance preparations for the essential challenges of accelerating **Transform to Grow** and to make Nikon's future vision more concrete.

Strengthen Governance

Strengthening our cooperation with external directors

To clarify executive responsibility and accelerate decision-making by delegation of authority, as well to strengthen the supervisory function of the Board of Directors, the Company made the transition to a company with an Audit and Supervisory Committee after gaining the approval of the Annual General Shareholders' Meeting held in June 2016.

The important thing is to change the substance. For example, until now medium-term management plans compiled by the management team have been passed by resolutions made at Board of Directors. From now on, plans will be discussed from the initial stages of their creation with external directors at Board of Directors.

Conventionally, a range of opinions come from external directors, from the perspectives of their management experiences in other companies or from a lawyer's point of view. From now on, however, even more than that, when it comes to management issues and strategies, I would like to deepen the discussions and work to strengthen corporate governance.

Nikon's Social Responsibility

Unique Nikon Group ways of contributing to a sustainable society

How can we as the Nikon Group contribute to the sustainable development of society? I feel that this is a question that has been asked even more often of late. In this regard, centered on the corporate philosophy of "Trustworthiness and Creativity," the Nikon Group is speeding up its entry into, for example, the business fields of cells for regenerative medicine therapeutics and external diagnosis. If you mean environment, society and governance (ESG) factors, I feel that we will be contributing to improving the health and happiness of people all over the world. In addition, I can cite examples of our solutions in smart factories. If Nikon's optical technologies are able to contribute to the spread of customers' smart factories, there will be a business opportunity and we will also be advancing a decrease in the impact on the global environment.

The Nikon Group possesses many technologies that are capable of bringing value to society both now and into the future. A company at the forefront in terms of creating new value, I would like to make the Nikon Group a company that typifies support for a sustainable society.

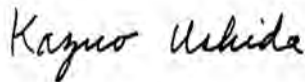
A Closing Word

Realizing a Nikon Group with diversity

Amid the litany of keywords that are appearing, such as Industry 4.0 and Internet of Things (IoT), and the changes in the market environment that are increasing in their speed, needs are also diversifying. Within the Nikon Group exist the many technologies and case studies of the kind that will provide the keys for unlocking the potential of such needs, but we are not taking sufficient advantage of them. For example, the core technologies of IoT and artificial intelligence (AI), which are currently attracting attention, are primarily sensing and analysis technologies. The Nikon Group has technologies related to sensing and analysis of various kinds, and these should be of help in finding the solutions that will be called for in the times to come. Without sticking to a final product, I am thinking we will aim for a variety of business categories in which our technologies will be embedded in a wide number of areas.

First, in addition to implementing measures cited in the Medium-Term Management Plan Update, I have now been charged with the responsibility of realizing business expansion so that stakeholders can sense our future potential. In extending my gratitude to all our stakeholders for their ongoing support, I would like to ask them to focus their attention on the transformation of the Nikon Group.

August 2016



Kazuo Ushida

President
Representative Director



Directors and Officers

(As of June 29, 2016)

DIRECTORS

Makoto Kimura ¹

**Chairman of the Board
Representative Director**

- 1974 Joined the Company
- 2001 Corporate Vice President, General Manager of Marketing & Merchandising Management Department, Imaging Company
- 2002 Corporate Vice President, General Manager of Marketing Management Department, Imaging Company
- 2002 Corporate Vice President, President of Imaging Company
- 2003 Managing Director, Member of the Board & Executive Vice President, President of Imaging Company
- 2005 Senior Managing Director, Member of the Board & Executive Vice President, President of Imaging Company
- 2007 Director, Member of the Board & Executive Vice President, President of Imaging Company
- 2009 Director, Member of the Board & Senior Executive Vice President, Officer in charge of Business Development Headquarters, President of Imaging Company
- 2010 Director, President, Member of the Board, Officer in charge of Business Development Headquarters
- 2014 Chairman of the Board and Director (to present)

Yasuyuki Okamoto ⁴

**Senior Vice President
Director**

- 1978 Joined the Company
- 2005 Corporate Vice President, General Manager of Marketing Management Department, Imaging Company
- 2006 Corporate Vice President, General Manager of Marketing Headquarters, Imaging Company
- 2007 Corporate Vice President, President & CEO of Nikon Inc.
- 2009 Senior Vice President, President & CEO of Nikon Inc.
- 2010 Director, Member of the Board & Senior Vice President, President of Imaging Company
- 2014 Senior Vice President and Director, Overseeing Business Support Division and Imaging Business Unit
- 2015 Senior Vice President and Director, Overseeing Business Support Division, Imaging Business Unit, Microscope Solutions Business Unit, and Industrial Metrology Business Unit
- 2016 Senior Vice President and Director, Officer in charge of Healthcare Business* (to present)

* Healthcare Business indicates Microscope Solutions Business and Medical Business.

Kazuo Ushida ²

**President
Representative Director**

- 1975 Joined the Company
- 2003 Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company
- 2005 Managing Director, Member of the Board & Executive Vice President, President of Precision Equipment Company
- 2007 Director, Member of the Board & Executive Vice President, President of Precision Equipment Company
- 2009 Director, Member of the Board & Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company
- 2013 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
- 2014 President and Director, Overseeing Medical Business Development Division and Business Development Division
- 2015 President and Director, Overseeing Corporate Strategy Division, Medical Business Development Division, and Business Development Division
- 2016 President and Director, Officer in charge of Business Development Division (to present)

Hiroshi Ohki ⁵

**Senior Vice President
Director**

- 1979 Joined the Company
- 2008 Corporate Vice President, General Manager of Research & Development Headquarters, Core Technology Center
- 2011 Senior Vice President, Vice President of Core Technology Center & General Manager of Research & Development Headquarters, Core Technology Center
- 2012 Director, Member of the Board & Senior Vice President, President of Core Technology Center
- 2014 Senior Vice President and Director, General Manager of Core Technology Division, Overseeing Intellectual Property Division, Semiconductor Lithography Business Unit, Microscope Solutions Business Unit, Industrial Metrology Business Unit, and Customized Products Business Unit
- 2015 Senior Vice President and Director, General Manager of Core Technology Division, Overseeing Intellectual Property Division, Semiconductor Lithography Business Unit, FPD Lithography Business Unit, Customized Products Business Unit, Glass Business Unit, and Encoder Business Unit
- 2016 Senior Vice President and Director, General Manager of Core Technology Division, Officer in charge of Intellectual Property Division and Encoder Business Unit (to present)

Masashi Oka ³

**Senior Executive Vice President, CFO
Representative Director**

- 1979 Joined The Mitsubishi Bank, Ltd.
- 2004 General Manager and Global Head, Syndicated Finance Division of The Bank of Tokyo-Mitsubishi, Ltd.
- 2005 Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. (Director & Vice Chairman, UnionBanCal Corporation & Union Bank of California, N.A.)
- 2008 Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd., General Manager, Corporate & Investment Banking Strategy Division
- 2009 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Group Head, Corporate & Investment Banking Group
- 2010 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (President and CEO, UnionBanCal Corporation and Union Bank, N.A.)
- 2012 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd., CEO for the Americas (President and CEO, UnionBanCal Corporation and Union Bank, N.A.)
- 2013 Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- 2014 Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd., Executive Chairman, MUFG Americas Holdings Corporation and MUFG Union Bank, N.A.
- 2015 Special Advisor to the President & CEO of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- 2016 Counselor, the Company
- 2016 Senior Executive Vice President, CFO and Director, Officer in charge of Internal Audit Department, Corporate Strategy Division, and Finance & Accounting Division (to present)

Takaharu Honda ⁶

**Senior Vice President
Director**

- 1977 Joined the Company
- 2008 Corporate Vice President, General Manager of Business Planning Department, Imaging Company
- 2011 Senior Vice President, Officer in charge of Corporate Communications & IR Department, General Manager of Corporate Planning Headquarters
- 2014 Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and Information System Division
- 2016 Senior Vice President and Director, General Manager of Human Resources & Administration Division, Overseeing Information Security Division and IT Solutions Division
- 2016 Senior Vice President and Director, General Manager of Human Resources & Administration Division (to present)



Tomohide Hamada 7**Senior Vice President
Director**

1980 Joined the Company
 2009 Corporate Vice President, General Manager of 2nd Development Department, LCD Equipment Division, Precision Equipment Company
 2012 Corporate Vice President, General Manager of LCD Equipment Division, Precision Equipment Company
 2013 Senior Vice President, General Manager of LCD Equipment Division, Precision Equipment Company
 2014 Senior Vice President and Director, General Manager of Corporate Strategy Division (to present)

Koichi Fujii 11**Director
Full-time Audit and Supervisory Committee Member**

1978 Joined the Company
 2008 General Manager of Internal Audit Department
 2014 Standing Corporate Auditor
 2016 Director, Full-time Audit and Supervisory Committee Member (to present)

Toshiyuki Masai 8**Director**

1980 Joined the Company
 2005 Corporate Vice President, President & CEO of Nikon Inc.
 2007 Corporate Vice President, President of Nikon Europe B.V.
 2009 Director, Member of the Board & Senior Vice President, President of Instruments Company
 2014 Director (to present)

Haruya Uehara 12**External Director
Audit and Supervisory Committee Member**

1969 Joined Mitsubishi Trust and Banking Corporation
 1996 Director of Mitsubishi Trust and Banking Corporation
 2004 President of Mitsubishi Trust and Banking Corporation
 2005 President of Mitsubishi UFJ Trust and Banking Corporation
 2008 Chairman of Mitsubishi UFJ Trust and Banking Corporation
 2011 External Corporate Auditor, the Company
 2012 Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (to present)
 2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

Akio Negishi 9**External Director**

1981 Joined Meiji Life Insurance Company
 2009 Executive Officer of Meiji Yasuda Life Insurance Company
 2012 Managing Executive Officer of Meiji Yasuda Life Insurance Company
 2013 Director, President, Representative Executive Officer of Meiji Yasuda Life Insurance Company (to present)
 2016 External Director, the Company (to present)

Hiroshi Hataguchi 13**External Director
Audit and Supervisory Committee Member**

1967 Registered as attorney at law
 1967 Joined Export-Import Bank of Japan
 1972 Joined Otsuka General Legal Office
 1987 Professor of Legal Training and Research Institute, Supreme Court of Japan
 1990 Lecturer of Faculty of Law, Hosei University
 1994 Vice President of Daiichi Tokyo Bar Association
 1996 Governor of Japan Federation of Bar Associations
 2010 Established Hataguchi Legal Office
 2011 External Corporate Auditor, the Company
 2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

Norio Hashizume 10**Director
Full-time Audit and Supervisory Committee Member**

1975 Joined the Company
 2005 Corporate Vice President, General Manager of Financing & Accounting Department
 2009 Director, Member of the Board & Corporate Vice President, Officer in charge of Affiliates Administration Department, General Manager of Financing & Accounting Department
 2010 Director, Member of the Board & Senior Vice President, General Manager of Finance & Accounting Headquarters
 2014 Senior Vice President and Director, Overseeing Finance & Accounting Division
 2015 Standing Corporate Auditor
 2016 Director, Full-time Audit and Supervisory Committee Member (to present)

Kunio Ishihara 14**External Director
Audit and Supervisory Committee Member**

1966 Joined The Tokio Marine and Fire Insurance Co., Ltd.
 2001 President of The Tokio Marine & Fire Insurance Co., Ltd.
 2002 President of Millea Holdings, Inc.
 2004 President of Tokio Marine & Nichido Fire Insurance Co., Ltd.
 2007 Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
 2007 Chairman of the Board of Millea Holdings, Inc.
 2008 Chairman of the Board of Tokio Marine Holdings, Inc.
 2013 Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)
 2016 External Director, Audit and Supervisory Committee Member, the Company (to present)

OFFICERS

Officers who are not Directors are listed below.

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

Progress of the Medium-Term Management Plan

The Medium-Term Management Plan that was announced in 2014 set out the measures by which we were to make our vision of the Nikon Group tangible and bring that Nikon Group to fruition. In 2015, we announced our Medium-Term Management Plan Update, for which we had reviewed and revised management's original numerical targets on the basis of the results and business

environment forecasts then current. The update is regarded as a three-year fixed plan. The aim was to position 2015 through to the end of the fiscal year ended March 31, 2016, as the period for maintaining stable earnings by streamlining existing businesses and for investing in growth businesses, and then to focus on regrowth from the fiscal year ending March 31, 2017, onward.

Basic Policy of the Medium-Term Management Plan Update

Next 100 – Transform to Grow

Transforming into a corporate entity that grows by means of its six-business portfolio

By maintaining the stable earnings of the FPD Lithography Business and the Imaging Products Business as well as promoting the streamlining of existing businesses by returning the Semiconductor Lithography Business to profit and positioning the Microscope Solutions, Industrial Metrology, and Medical businesses as growth businesses, we are rebuilding our six-business portfolio and transforming into a corporate entity that will grow sustainably.

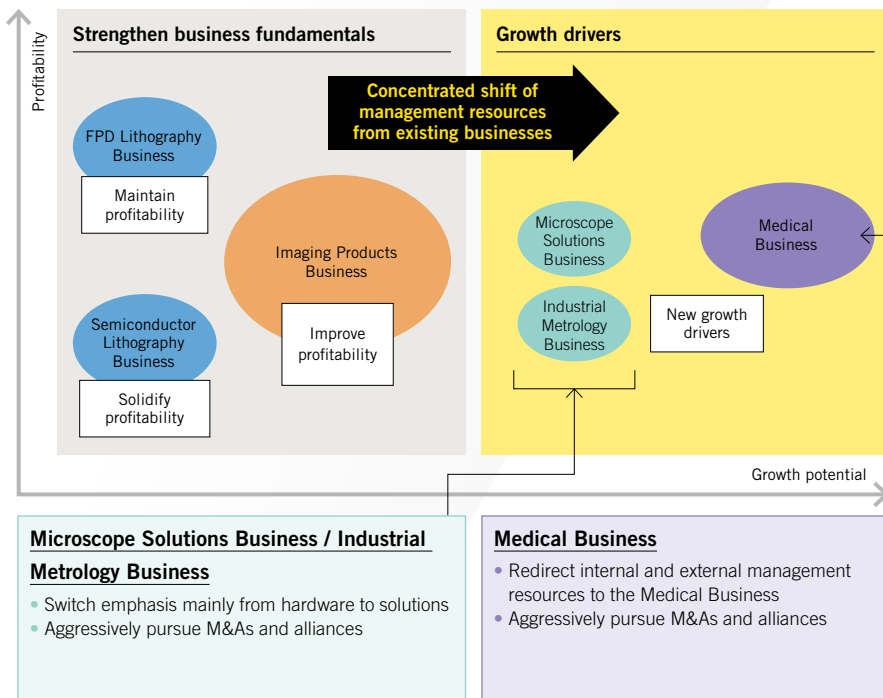
Maintaining stable earnings from existing businesses

- Further streamlining through cost reduction
- Investment to return to growth track from fiscal year ending March 31, 2017, onward

Investing in growth businesses

- Continue with investment for growth strategy

Priority measures: Foster new businesses and strengthen existing businesses



Four Programs to Achieve Transformation

M&A Program

- Spend ¥200 billion in M&A funds on the Medical and Instruments businesses
- Launch Corporate Venture Capital (CVC) on the scale of ¥30 billion for the Medical Business and encourage Open Innovation

R&D Program

- Of a ¥220 billion R&D budget (March 2015 fiscal year to March 2017 fiscal year), invest ¥50 billion in the Medical Business and new business domains







Human Resources Program

- Enable the interdivisional flow of personnel
- Hire experienced experts

Cost Reduction Program

- Reduce costs in design and manufacturing processes
- Reduce overhead at headquarters and in business units
- Fundamentally review production regime to reflect the rebuilding of the business portfolio

Medium-Term Management Plan Progress Report

Business unit	Target (Ideal figure)	Achievements by the fiscal year ended March 31, 2016
Semiconductor Lithography Business 	<ul style="list-style-type: none"> Optimizing lithography systems for customer processes and sustaining stable operations Focusing on expanding NSR-S630D sales and ArF immersion scanner market share Promoting further efficiency improvements, aiming to exceed breakeven-point sales of ¥120 billion to post profit in the fiscal year ending March 31, 2018 	<ul style="list-style-type: none"> Launched new NSR-S631E in January 2016 Promoted cost reduction through R&D spending cuts and personnel transfers to growth businesses
FPD Lithography Business 	<ul style="list-style-type: none"> Continuing to maintain a top share and high profitability Developing and launching next-generation higher-definition FPD lithography systems for small and medium-sized as well as large-sized panels 	<ul style="list-style-type: none"> Still maintained a top share and high profitability; maintained a high share of systems for small and medium-sized high-definition panels in particular Established the Solutions Development Department and expanded the function that picks out customer needs and leverages development Launched new FX-68S for small and medium-sized high-definition panels in March 2016
Imaging Products Business 	<ul style="list-style-type: none"> Strengthening digital cameras—interchangeable lens type Revamping sales system and continuing to develop and penetrate markets in emerging countries Continuing further improvements in efficiency through cost reductions and manufacturing process optimization Pursuing network connectivity 	<ul style="list-style-type: none"> Announced the D5 and D500, flagship digital SLR models of the FX and DX formats, respectively Depending on market conditions such as economic climate, reviewed strategies in emerging countries by region Continued reduction of procurement costs and sales expenses Announced SnapBridge app that realizes constant connection between users' cameras and smart devices
Microscope Solutions Business 	<ul style="list-style-type: none"> Entering regenerative medicine contract manufacturing business and accelerating launch of stem cell-related businesses Securing the leading position in the biological microscope market 	<ul style="list-style-type: none"> Signed a strategic collaboration agreement with Swiss company Lonza; established Nikon CeLL innovation Co., Ltd. (wholly owned by Nikon); made progress with preparations for the commercialization of contract manufacturing business, including cells for regenerative medicine use in Japan Posted record operating income from biological microscopes in the fiscal year ended March 31, 2016
Industrial Metrology Business 	<ul style="list-style-type: none"> Utilizing M&As and alliances centered on X-ray inspection and non-contact sensor 3D metrology systems to expand business scale and fields Expanding application software development capabilities in addition to hardware sales to evolve into a business that provides solutions 	<ul style="list-style-type: none"> Invested approximately \$10 million in U.S. venture company Tribogenics Inc., which is involved in X-ray analysis equipment Emphasized solutions proposal-based sales in anticipation of advances in IoT; established the Business Planning section responsible for exploring market and customer needs as well as improving problem-solving capabilities
Medical Business 	<ul style="list-style-type: none"> Focusing on nurturing in-vitro diagnosis business; earlier development of point-of-care-testing (POCT) devices, and ophthalmic instruments Continuing M&As and Corporate Venture Capital (CVC) investments Prioritizing development of growth driver businesses remains unchanged 	<ul style="list-style-type: none"> Acquired Optos Plc, a U.K. retina diagnostic imaging equipment company, as a wholly owned subsidiary In addition to transfers from other divisions, actively hired career professionals familiar with the medical field; expanded business unit's scale

Medium-Term Management Plan Numerical Results and Targets

(Billions of yen)

		2015	2016	2017 (forecast)*1	2017 (target)	2018 (target)
Net Sales	Corporate	857.7	822.9	840.0	890.0	990.0
	Precision Equipment Business	170.7	182.4	260.0	200.0	210.0
	Imaging Products Business	586.0	520.4	440.0	530.0	570.0
	Instruments Business	72.3	77.2	90.0	100.0	120.0
	Medical and New Businesses	—	18.3*2	22.0*2	24.0	50.0
	Other	28.6	24.4	28.0	36.0	40.0
Operating Income (Loss)	Corporate	43.4	36.7	46.0	38.0	65.0
	Precision Equipment Business	8.3	14.6	40.0	18.5	27.0
	Imaging Products Business	56.6	45.7	35.0	42.0	55.0
	Instruments Business	1.1	2.8	4.0	6.0	10.0
	Medical and New Businesses	—	-4.6*2	-6.0*2	-6.0	-9.0
	Other	6.7	4.5	4.0	4.5	8.0

*1 At the close of the fiscal year ended March 31, 2016 (announced on May 13, 2016)

*2 Medical Business only

Performance Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	2007	2008	2009	2010
For the year:				
Net sales	¥ 822,813	¥ 955,792	¥ 879,719	¥ 785,499
Precision Equipment	291,913	290,814	219,915	150,101
Imaging Products	448,825	586,147	596,468	569,465
Instruments	59,252	59,043	44,642	45,051
Medical	—	—	—	—
Cost of sales	494,663	551,551	561,642	552,409
Selling, general and administrative expenses	226,143	269,072	269,892	246,944
Operating income (loss)	102,007	135,169	48,185	(13,854)
Precision Equipment	49,321	43,348	8,041	(58,557)
Imaging Products	45,678	83,974	40,039	52,117
Instruments	5,123	4,081	(2,724)	(9,331)
Medical	—	—	—	—
EBITDA* ¹	124,632	160,847	81,095	22,102
Income (loss) before income taxes	87,813	116,704	39,180	(17,672)
Net income (loss) attributable to owners of the parent	54,825	75,484	28,056	(12,615)
Per share of common stock (yen and U.S. dollars)*²:				
Basic net income (loss)	¥ 146.36	¥ 189.00	¥ 70.76	¥ (31.82)
Diluted net income	131.42	181.23	67.91	—
Cash dividends applicable to the year	18.00	25.00	18.00	8.00
Capital expenditures	¥ 30,432	¥ 39,829	¥ 43,467	¥ 37,525
Depreciation and amortization	22,625	25,678	32,910	35,956
R&D costs	47,218	58,373	61,489	60,261
Proportion of R&D spending to net sales (%)	5.7	6.1	7.0	7.7
At year-end:				
Total assets	¥ 748,939	¥ 820,622	¥ 749,805	¥ 740,632
Total equity	348,445	393,126	379,087	372,070
Interest-bearing debt	105,338	76,544	114,940	102,388
Financial ratios:				
Equity ratio (%)	46.5	47.9	50.5	50.2
Debt equity (D/E) ratio* ¹ (times)	0.30	0.19	0.30	0.28
Return on equity (ROE)* ¹ (%)	18.5	20.4	7.3	(3.4)
Return on assets (ROA)* ¹ (%)	7.6	9.6	3.6	(1.7)
Number of subsidiaries	49	48	48	69
Number of employees	22,705	25,342	23,759	26,125

Environment-related data:

CO₂ emissions from Nikon Corporation and Group companies in Japan (thousand tons of CO₂)*³

— — — —

CO₂ emissions from Group companies outside Japan (thousand tons of CO₂)*⁴

— — — —

Water use by Nikon Corporation and Group companies in Japan (thousand m³)

— — — —

*¹ Throughout this report, EBITDA is calculated as operating income (loss) plus depreciation and amortization expenses, ROE is calculated as net income (loss) attributable to owners of the parent divided by average shareholders' equity, ROA is calculated as net income (loss) attributable to owners of the parent divided by average total assets, and D/E ratio is calculated as interest-bearing debt divided by total equity.

*² Per share of common stock information is computed based on the weighted-average number of shares outstanding during the year.

*³ The values above are the aggregated results of CO₂ emissions from energy use.

The CO₂ emission factors are the weighted-average values of the actual emission factors between the fiscal year ended March 31, 2006, and the fiscal year ended March 31, 2008 (fixed for the entire period).

The CO₂ emissions are calculated using the following unit heating values:

City gas: Specific value of each gas company

Other fuels: Values contained in the Manual for Calculating and Reporting Greenhouse Gas Emissions for the baseline emission calculation

*⁴ The CO₂ emission factors are the weighted-average values of International Energy Agency (IEA) factors by country between 2005 and 2007. The IEA 2010 values are used only in 2016.

For the fiscal year ended March 31, 2012, the calculation of CO₂ emissions from Nikon (Thailand) Co., Ltd. was limited to the period from April through September due to the temporary shutdown of the company's plants as a result of the flood in Thailand.

*⁵ U.S. dollar figures are translated for reference only at ¥112.68 to \$1, the exchange rate at March 31, 2016.

					Millions of yen	Thousands of U.S. dollars*5
2011	2012	2013	2014	2015	2016	2016
¥ 887,513	¥ 918,652	¥ 1,010,494	¥ 980,556	¥ 857,782	¥ 822,916	\$ 7,303,124
208,614	248,145	179,013	205,447	170,758	182,416	1,618,889
596,376	587,127	751,241	685,446	586,019	520,484	4,619,134
57,452	56,000	53,877	64,709	72,382	77,242	685,502
—	—	—	—	—	18,312	162,511
575,536	567,000	663,509	630,568	532,383	505,298	4,484,360
257,924	271,571	295,983	287,046	281,987	280,917	2,493,051
54,053	80,081	51,002	62,942	43,412	36,701	325,713
2,712	42,724	13,090	20,079	8,355	14,608	129,639
52,332	53,972	60,711	64,284	56,699	45,752	406,033
(5,248)	(3,166)	(4,978)	(2,156)	1,199	2,819	25,022
—	—	—	—	—	(4,675)	(41,491)
88,087	112,651	87,227	105,419	81,867	74,440	660,631
46,506	86,168	61,857	74,692	35,153	33,581	298,023
27,313	59,306	42,459	46,825	18,364	22,192	196,948
¥ 68.90	¥ 149.57	¥ 107.07	¥ 118.06	¥ 46.29	¥ 55.98	\$ 0.50
68.83	149.41	106.92	117.88	46.21	55.85	0.50
19.00	38.00	31.00	32.00	32.00	18.00	0.16
¥ 29,776	¥ 55,915	¥ 60,158	¥ 45,472	¥ 32,550	¥ 34,498	\$ 306,158
34,034	32,570	36,226	42,477	38,458	37,739	334,918
60,767	68,701	76,497	74,552	66,730	66,781	592,659
6.8	7.5	7.6	7.6	7.8	8.1	
¥ 829,909	¥ 860,230	¥ 864,668	¥ 949,515	¥ 972,945	¥ 945,827	\$ 8,393,922
389,220	433,617	490,218	546,813	572,201	541,008	4,801,277
87,476	86,367	85,348	127,132	115,498	112,772	1,000,821
46.8	50.3	56.6	57.5	58.6	57.0	
0.22	0.20	0.17	0.23	0.20	0.21	
7.2	14.4	9.2	9.0	3.3	4.0	
3.5	7.0	4.9	5.2	1.9	2.3	
68	68	71	70	75	84	
24,409	24,348	24,047	23,859	25,415	25,729	
134	127	128	124	121	124*	
76	57	60	61	62	61*	
2,770	3,026	2,932	2,819	2,488	2,769*	

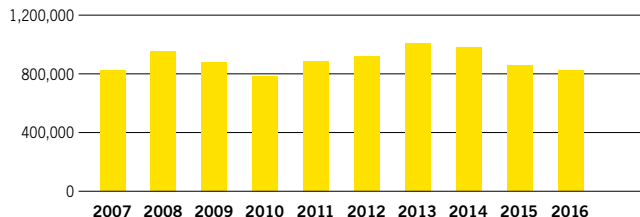
* Environment-related data from 2011 to 2015 includes seven Group manufacturing companies in Japan and two Group manufacturing companies outside Japan. Data for 2016 includes 15 Group companies in Japan and five Group companies outside Japan. For more details, please refer to "The Nikon Group's Environmental Management Systems and Environmental Performance Data Boundary" on page 63 of our *Sustainability Report 2016*.

★: Quantitative data covered by the independent practitioner's assurance. (See page 83 for details.)

Growth Potential

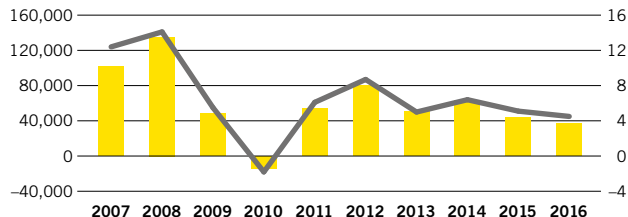
1 Net Sales

(Years ended March 31)
Millions of yen



2 Operating Income (Loss) / Operating Margin

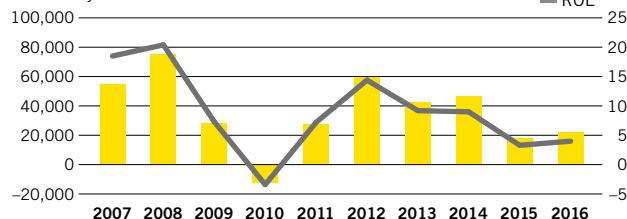
(Years ended March 31)
Millions of yen



Profitability

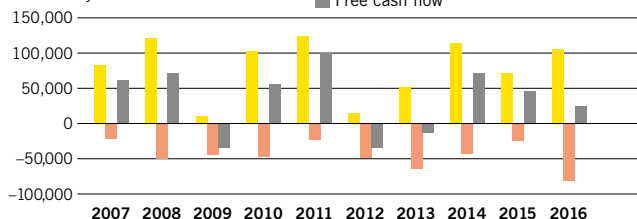
3 Net Income (Loss) Attributable to Owners of the Parent / ROE

(Years ended March 31)
Millions of yen



4 Cash Flow

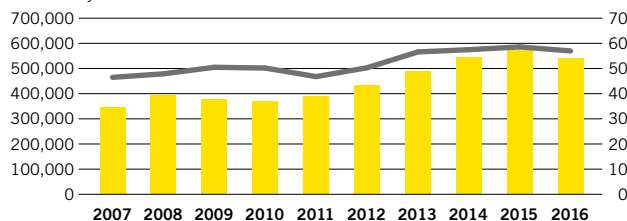
(Years ended March 31)
Millions of yen



Safety

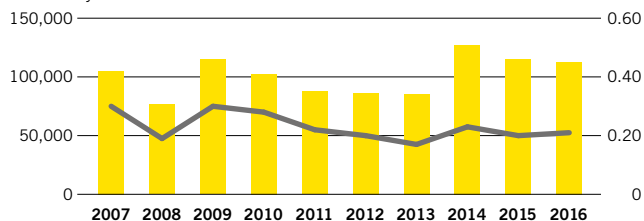
5 Total Equity / Equity Ratio

(As of March 31)
Millions of yen



6 Interest-Bearing Debt / D/E Ratio

(As of March 31)
Millions of yen



External Ratings

Inclusion in SRI Index Portfolio (As of June 1, 2016)

Year	SRI Index Portfolio
From 2004	FTSE4Good Index Series*1
From 2010	Morningstar Socially Responsible Investment Index (MS-SRI)*2
From 2011	ECPI Ethical Index Global*3
From 2013	"Ethibel EXCELLENCE" (part of the Ethibel Investment Register)*4
From 2014	MSCI Global Sustainability Indexes*5

*1 Socially responsible investment index featuring leading companies from around the world, compiled by FTSE, a subsidiary of the London Stock Exchange.
 *2 The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan by assessing their social responsibility and converts their stock prices into the index.
 *3 ESG (environment, society, governance) surveys, ratings from ECPI
 *4 Investment universe comprised of companies identified by Forum Ethibel as displaying high performance in terms of social responsibility.
 *5 An MSCI index comprising companies in each industry that have gained high ESG ratings.



DBJ Environmental Rating

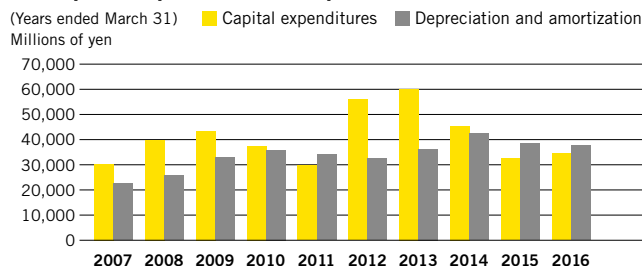
In 2016, Nikon gained the highest ranked rating in the Development Bank of Japan (DBJ) Environmental Ratings* and received a loan on the basis of the evaluation. In addition, Nikon won a special award.

* The DBJ Environmentally Rated Loan Program is a loan program utilizing a screening (rating) system developed by DBJ that evaluates enterprises on the level of their environmental management and then sets financial conditions based on these evaluations.

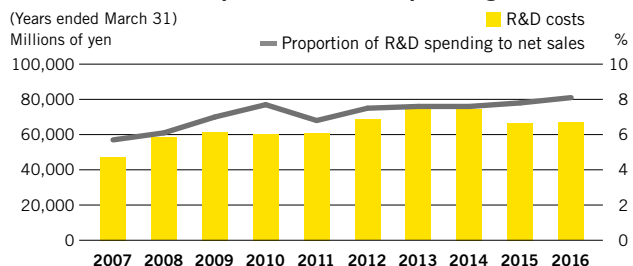


Growth Investments

7 Capital Expenditures / Depreciation and Amortization

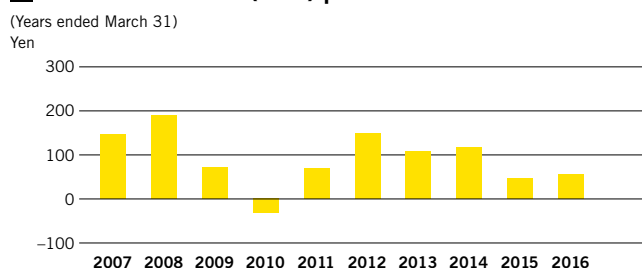


8 R&D Costs / Proportion of R&D Spending to Net Sales

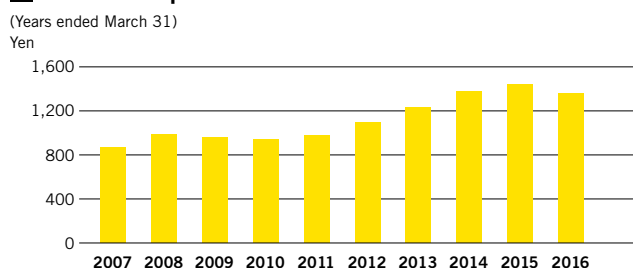


Shareholder Value

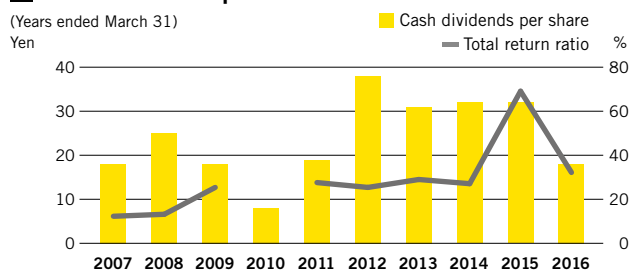
9 Basic Net Income (Loss) per Share



10 Net Assets per Share



11 Cash Dividends per Share / Total Return Ratio



Awards Won Related to Products

	Host	Content of Commendation	Subject of Award
Year ended March 31, 2016	Technical Image Press Association	TIPA Awards 2015	D810 and D5500 digital SLR cameras COOLPIX P610 compact digital camera
	European Imaging and Sound Association	EISA Award	D5500 digital SLR camera
	Japan Institute of Design Promotion	Good Design Award 2016 Gold Award	COOLPIX P900 compact digital camera
	Hong Kong Design Centre	Design for Asia Awards 2015 Bronze Award	Nikon 1 J5 advanced camera-interchangeable lens type
	International Forum Design GmbH (Germany)	iF Design Award 2016 Gold Award iF Design Award 2016 (Product Design)	Inverted microscopes ECLIPSE Ts2R and ECLIPSE Ts2 Nikon 1 J5 advanced camera-interchangeable lens type

BUSINESS PERFORMANCE

Business Review for the Fiscal Year Ended March 31, 2016

PRECISION EQUIPMENT BUSINESS

Semiconductor Lithography Business

Summary for the Fiscal Year Ended March 31, 2016

- Sales decreased compared with the previous fiscal year due to effects of changes in customers' capital investment plans and other factors in spite of making efforts to improve profit structure
- Posted impairment loss on fixed assets of approximately ¥7.0 billion

INITIATIVES AND ACHIEVEMENTS

The Semiconductor Lithography Business worked to improve its profit structure by continuously striving to enhance the performance and extend sales of its advanced equipment, primarily ArF immersion scanners, and by focusing on strengthening sales of used equipment and services. However, sales decreased year on year and a deficit was recorded, as the business could not secure new customers for its advanced equipment as planned and was also impacted by changes in its customers' capital investment plans.

Since the profitability of the Semiconductor Lithography Business is expected to fall, impairment loss of approximately ¥7.0 billion was posted as extraordinary loss for such fixed assets as manufacturing facilities.

In the meantime, the latest ArF immersion scanner, the NSR-S631E that features high accuracy and excellent productivity, was launched in January 2016.

FPD Lithography Business

Summary for the Fiscal Year Ended March 31, 2016

- Year-on-year increase in number of units sold due to recovery in capital investments for small and medium-sized high-definition panels
- Launched FX-68S, which realizes further productivity improvement as well as high resolution and high alignment accuracy

INITIATIVES AND ACHIEVEMENTS

The FPD Lithography Business benefited from the drastic recovery in capital investments for smartphones and tablet computers. There was significant growth in unit sales of the FX-66S and FX-67S, which are ideal for the production of small and medium-sized high-definition panels for smartphones and tablet computers. Sales increased by 17 units, from 34 units in the previous fiscal year to 51 units.

Additionally, realizing further productivity improvement as well as high resolution and high alignment accuracy, the latest system for small and medium-sized high-definition panels, the FX-68S, was launched in March 2016.

IMAGING PRODUCTS BUSINESS

Summary for the Fiscal Year Ended March 31, 2016

- Year-on-year drops in unit sales of digital cameras—interchangeable lens type, compact digital cameras, and interchangeable lenses in a shrinking market
- Net sales and operating income both decreased compared with the previous fiscal year

INITIATIVES AND ACHIEVEMENTS

With regard to digital cameras—interchangeable lens type, sales of entry-class models such as the D5500 were strong in Japan. Contrastingly, in China and Europe, sales growth was recorded in middle and high-end digital SLR cameras, such as the D750. The next-generation flagship model D5 launched in March 2016, which features significantly improved functions, is attracting rave reviews. With regard to compact digital cameras, the Company recorded strong sales of its high-value-added products, such as the multifunctional COOLPIX P900 that features ultrahigh zoom capability for excellent image quality.

In a shrinking market, however, there were year-on-year drops in unit sales of digital cameras—interchangeable lens type, compact digital cameras, and interchangeable lenses, and decreases in both net sales and operating income.

INSTRUMENTS BUSINESS

Microscope Solutions Business

Summary for the Fiscal Year Ended March 31, 2016

- **Net sales and operating income increased year on year primarily from biological microscopes**
- **In anticipation of future business expansion, invested in new businesses centered on stem cell-related businesses**

INITIATIVES AND ACHIEVEMENTS

Despite the impact of the reduction in Japan's public budget and lower sales than in the previous fiscal year, net sales and operating income of the Microscope Solutions Business grew mainly in biological microscopes, driven by increases in market share primarily in the United States and China.

With the aim of entering the business of contract manufacturing of cells for regenerative medicine use in Japan, the Group signed a strategic collaboration agreement with one of the industry's largest companies, Lonza, and established wholly owned Nikon CeLL innovation Co., Ltd.

Industrial Metrology Business

Summary for the Fiscal Year Ended March 31, 2016

- **Increased capital investment in semiconductors and electronic components as well as in the automobile-related field; significant year-on-year increases in net sales and operating income**
- **Invested in U.S. company Tribogenics Inc.**

INITIATIVES AND ACHIEVEMENTS

Amid increased capital investment in semiconductors and electronic components as well as in the automobile-related field, the Industrial Metrology Business achieved higher sales from increased sales of products, such as the NEXIV Series CNC video measuring system and X-ray inspection systems. There was also the effect from an improvement in costs, and operating income improved significantly.

In addition, Nikon made a strategic investment of approximately \$10 million in U.S. venture company Tribogenics Inc. to strengthen product competitiveness in the non-destructive testing business, a market in which growth is expected in the years to come.

MEDICAL BUSINESS

Summary for the Fiscal Year Ended March 31, 2016

- **Completed acquisition of Optos Plc and steadily expanded its sales**
- **Implementing investments in new businesses on an ongoing basis**

INITIATIVES AND ACHIEVEMENTS

Although sales of Optos Plc's retina diagnostic imaging equipment were sluggish in Europe, sales increased due to expansion of the market share in the United States and strong performance in Asia and Oceania. The business performance of Optos Plc is as far along as planned though there has been amortization of goodwill defrayment. The Medical Business as a whole, however, recorded an operating loss of approximately ¥4.6 billion due to its posting of R&D expenses, etc.

Through its promotion of M&As, alliances, and Corporate Venture Capital (CVC), the Medical Business is actively working to expand its business.

Overview of Divisions and Business Units

CORPORATE STRATEGY DIVISION



Bringing to fruition a variety of initiatives across the business units, the Corporate Strategy Division will accelerate the growth of the Nikon Group.

Tomohide Hamada

Senior Vice President and Director,
General Manager of Corporate Strategy Division

Message

Q In the Medium-Term Management Plan announced in June 2014, M&A, R&D, human resources, and cost reduction were introduced as the “four programs to achieve transformation.” Please tell us about the progress your division has made in each of these programs.

M&A Program

Since completing the acquisition of Optos Plc in May 2015, we are involved in several other M&A candidate projects. Not limited to the Medical Business, other than specifically examining those projects in the Industrial Metrology Business, the thinking is that we will proceed, for example, with services in the Imaging Products Business by which people can enjoy images.

In the meantime, with regard to the Corporate Venture Capital (CVC) Program we have announced a policy to invest capital in the order of ¥30 billion toward the expansion of new businesses and commenced venture investments globally by means of multiple venture capital sources. In July 2016, we jointly established a new private fund, the Nikon-SBI Innovation Fund, with SBI Investment Co., Ltd., which will target investments in Nikon’s current business areas as well as in the latest technologies and new service areas, such as IT, AI, and robots.

With the aim of strengthening the Industrial Metrology Business, we undertook a capital increase of preferred stock and invested approximately \$10 million in Tribogenics Inc., a U.S. venture that is engaged in the X-ray analysis equipment business. The technologies that Tribogenics possesses are unique and there would be the potential to create new markets, so we felt that affinity with Nikon would be high. We are currently in the process of multiplying the technologies and knowledge that Nikon has with a view to, for example, enhancing our product competitiveness in the X-ray non-destructive testing field and tapping into new markets.

R&D Program

We have stated our plan to invest a cumulative total of ¥220 billion in R&D in the three years from the fiscal year ended March 31, 2015, to the end of March 2017, ¥50 billion of which will be for R&D expenses in new business domains such as in the Medical Business. We are making progress in accordance with that plan. As an example, in the Instruments Business, which is positioned as a growth field, the effects of having invested R&D expenses are gradually being seen in business performance. In the years to come, the idea is to focus on investments in growth businesses while closely monitoring market trends. In the Semiconductor Lithography Business, we will reduce the scale of investment in ArF immersion scanners and divert that portion to other lithography systems and businesses in growth fields. In the Imaging Products Business, we will concentrate R&D expenses on priority measures, such as developing middle and high-end digital cameras—interchangeable lens type, and control R&D budget allocations with consideration given to returns on our investments. In the fiscal year ending March 31, 2017, we are planning Companywide R&D investments of ¥70 billion to be centered on growth fields, such as the Instruments and Medical businesses.

Human Resources Program

In the fiscal year ended March 31, 2016, we conducted large-scale personnel reorganization, transferring employees who had been mainly assigned to the Precision Equipment Business and Imaging Products Business to the Instruments and Medical businesses, as these are

positioned as growth fields. This turned into a major reassignment of personnel, but we will be accelerating the interdivisional flow of personnel in the years to come so that talented personnel generate added value in the growth businesses. We actively encouraged hiring not only from within the Company but also the taking on of specialist experts. As the growth businesses, such as the Medical and Instruments businesses, call for new knowledge, merely reorganizing personnel within the Company will not be sufficient. On the assumption that they are familiar with one of these fields, we are hiring a wide range of people, from the younger generation to senior management-level personnel.

Cost Reduction Program

The expectations are that we will be able to achieve the target for reducing procurement costs, centered on the Imaging Products Business, of ¥30 billion over the three years from the fiscal year ended March 31, 2015, to the end of March 2017. Among others, the effect of the cost reductions in the Imaging Products Business has been significant, and we are addressing on an ongoing basis the upstream cost reductions, referred to as a “Design to Cost,” in the development and design stages. If we can reduce the lead time from development to sales, we will be able to not only reduce initial costs but also to aim for synergistic effects, such as well-timed market entries. Without loosening our grip on the reins, I would like to continue with these efforts.

Q Please tell us about the achievements in the Corporate Strategy Division.

Having newly established a Production Strategy Department within the Corporate Strategy Division and consolidated the production technologies possessed by each business unit, we began efforts to bring about cost reductions and quality improvements at the same time. In the Imaging Products Business, which is regarded as specializing in mass production, and the Precision Equipment Business, which produces very high-precision products in small lots, the manufacturing methods are completely different. By mutually incorporating the best aspects of each operation, we aimed to improve performance and create added value. We also started with efforts designed to bring about improvements in manufacturing by utilizing the Company's greatest strength, optical technologies. The expectations are that these initiatives will lead to major accomplishments in the years to come.

In terms of upgrading the environment within the Company so that each business unit executes its tasks smoothly, we consolidated procurement activities, including those related to IT, which previously had been scattered across each business unit. In addition to establishing a framework for devising cost reductions by placing orders in bulk, we

visualized the equipment of each business unit in cooperation with the Business Support Division in such a way that the system could be jointly utilized.

The most significant achievement, in which the Corporate Strategy Division acted as a mediator, was the creation of a system for sharing the requests and information picked up from each business unit on a companywide basis. Enabling the exchange not only of technical information but also of business information in both directions will, I believe, turn this initiative into a major force. From the production aspect also, if any factory within the Group has difficulty in increasing production capacity at almost 100%, the plan would be to immediately accommodate the increased production at another factory with production capacity in order to reduce lost opportunities and costs at the same time. As the production processes are often complex operations, it is not possible to build such a framework within a short space of time, so we will make concerted, ongoing efforts to bring this system to fruition. There was also the achievement that Open Innovation—with the CVC Program at its core—can now be used throughout the Company.

Q Please tell us about the Corporate Strategy Division's policies for the future.

We created a system for the monthly rotation of a plan–do–check–act (PDCA) check at the management level, by which we verify progress against the plan and evaluate and review as well as execute measures. Under this system, the contributory factor analysis is quicker than before, and we have reached the point at which we are able to immediately execute an appropriate action plan. This is not only further enhancing the sharing of policies and information between the management team and the front lines, as I believe it can also dramatically increase the speed of management.

Going forward, I think it will be both sales representatives as well as engineers and those in charge of development that will have an

increasing number of opportunities to hear direct feedback from customers. In order to create solutions from a customer-centric rather than a technological starting point, the Corporate Strategy Division will engage in a range of initiatives with renewed vigor. Of course this will not be only to cultivate new or growth businesses, but instead we will at the same time promote the increased efficiency and strengthening of our existing cash cow businesses. I believe that the Corporate Strategy Division's most important role lies in devising the initiatives to realize sustainable growth by means of the Company's six-business portfolio.

PRECISION EQUIPMENT BUSINESS

Semiconductor Lithography Business Unit



We will promote rational business management by realizing efficient new product development and strengthening collaboration with customers.

Toshikazu Umatate

Senior Vice President
General Manager of Semiconductor Lithography Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the semiconductor market, capital investment was favorable overall, but the environment in which the Company's Semiconductor Lithography Business operates remained harsh. We worked to enhance the performance of advanced equipment, primarily ArF immersion scanners, and improved product competitiveness, but the increased severity in aspects such as prices and trade conditions did not result in the winning of any new customers. In addition, there were changes to the capital investment plans of customers who had confirmed the placement of orders, which had a severe effect on our business results in the fiscal year ended March 31, 2016.

However, I was pleased with the achievement of basic performance targets of the NSR-S630D ArF immersion scanner at customers sites. In 2016, we also began shipments of the NSR-S631E, which represents a one-step improvement over the NSR-S630D. In-house performance demonstration data is very stable, and we plan to boost performance going forward.

As a result of ongoing cost reductions, we were able to achieve our initial targets in respect of in-house production costs. Looking ahead, we will build an optimum balance into the supply chain between in-house and outsourced production and will also address reductions in subcontracting costs.

Q Please tell us about any issues that need to be addressed.

Reducing the production time lost at our customers' sites is the most important issue for the Semiconductor Lithography Business. A semiconductor manufacturing plant is not allowed to cease production for a minute, not even for one second. When an unforeseen circumstance has occurred, the questions that are always asked are how quickly the equipment can be recovered to normal operations and by how much can the time needed to set up the equipment be shortened toward restarting the customer's production. While there are problems to be improved at the design stage, there are also parts that can respond to post-delivery equipment adjustments or operational aspects. As a result of the variety of initiatives taken thus far, we have achieved considerable time savings, but will continue to aim for zero lost time to respond to the wishes of our customers.

An important point is to strengthen collaboration with customers who have a wide variety of production processes and product types. Centered on the Customer Solutions Department established in 2014, we engage in support that puts us in the position of each of our customers from a long-term perspective. The results of that move are steadily appearing, and we have reached the stage where we are able to reliably conclude negotiations, including for repeat or after-sales service orders from major customers.

ArF immersion scanner **NSR-S631E**KrF scanner **NSR-S210D**

Q Please tell us about any points that you will particularly focus on.

With regard to the development of new systems and the providing of support at client sites, how to efficiently utilize the limited amount of resources throughout the world is becoming extremely important. In relation to human resources, we are working on remote support by leveraging our network, building a database that will enable us to share past information on a global basis in order to further raise our comprehensive response capabilities rather than simply increasing the number of personnel. In addition, we are broadening the skills that individual employees possess and encouraging the creation of human resource development systems to enable flexible operations.

In relation to system development, we are addressing the automation of the performance management of our equipment. I recognize that this is being improved according to plan and to a level that compares favorably with other companies. For our customers, preserving optimal efficiency is a critical issue, so it is important for them to be able to maintain and operate the equipment normally. For that reason, dispensing with the need to depend on skilled engineers at our customers' sites, we are engaging in the development of functions by which the equipment automatically learns the optimization of wafer processing conditions and responds to demands for stable production.

Q Please tell us about your initiatives for future growth.

Our business unit engaged in business centered on ArF immersion scanners. In response to expanding demand for devices due to the trend of the IoT, however, we will now also focus on ArF-Dry, KrF, and i-line lithography systems. In addition, we will make efforts to improve our profits and earnings as a business unit by reducing costs through the optimization of variable and fixed costs. The prices of the systems are high, and a heavy burden is placed on us, for example, when product failures occur and repair costs arise. For these reasons, from the cost reduction point of view, we consider additional, thorough enhancements to quality management to be the most important factor, and we will continue to promote them in the years to come. Additionally, the semiconductor market itself is expanding rapidly with the advent of products that have new value. New products from fields that had not previously been used in electronics have emerged and are now being incorporated into semiconductors, and the expectation is that what is termed "manufacturing equipment" will require not only a high accuracy but will also have to meet wide-ranging needs.

It is my belief that the accumulation of technologies that Nikon has acquired—that is to say the capabilities it possesses to develop delicate, elaborate, and unique items—are in the top class. By leveraging the knowledge that our business unit has gained up to now in ultraprecision technologies, and by broadening our field of view, we would like to be involved in the manufacturing of the future, of a kind that at this point in time is completely unimaginable.

PRECISION EQUIPMENT BUSINESS

FPD Lithography Business Unit



We aim to be a business unit that generates stable profit by building a production system capable of responding flexibly to market changes and timely development and to market entry of products that match customer needs.

Kiyoyuki Muramatsu

Senior Vice President
General Manager of FPD Lithography Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the fiscal year ended March 31, 2016, customers' willingness to invest recovered, and the market environments for small and medium-sized panels as well as large-sized panels improved. There was thus an increase in the number of units shipped in the second half of 2015, and a significant number of units are expected to be shipped overall in the market during the course of 2016. Having increased the number of sales in the fiscal year ended March 31, 2016, by 17 from the previous fiscal year, to 51 units, the FPD Lithography Business Unit achieved increases in both net sales and profit. Contributory factors were the brisk business negotiations concerning the 10th-generation system for large-sized panels, for which only Nikon possesses the know-how, and the cutting-edge, high-precision FPD scanner FX-68S for small and medium-sized panels. With regard to the FX-68S in particular, although the official launch was expected from the second half of 2016, sales commenced one year ahead of schedule and the model has received plaudits from customers for its productivity and resolution. Initially, the mass production systems were not in place, but having responded with two shifts taking turns with development, the business unit worked as one to implement the short-term procurement of parts and materials, and we entered the mass production phase ahead of schedule.

Q Please tell us about current issues and your responses to them.

The priority issue is how our business unit can respond flexibly to market needs. Significantly increasing unit sales will require more employees working on in-house production and workers engaged in on-site installation, but as the securing of employees who possess high skill levels is beset with difficulties, we are responding to the problem by conducting reviews of production processes. For instance, in order to prevent any decline in quality due to lack of experience, we are subdividing and standardizing the work, while shortening the training periods. We are also immediately advancing plans to outsource part of the system unit work. Transferring some system units or processes outside our business unit will enable us to divert personnel to other units and processes. By integrating these measures with normal activities designed to reduce the number of construction period man-hours we will build a more efficient production system.

FPD scanner **FX-68S**FPD scanner **FX-101S**

Q Please tell us about your development policies in the years ahead.

For our business unit to generate profit in mature markets, we will need to control any increases in fixed costs and “invest in developments that generate steady profit.” This does not mean giving technicians free rein to do as they wish; the main point of such developments will be to assign work into features that customers really need. We will examine investments using the policy not of aiming for “the world’s most advanced” but rather of making “things we can sell.” It does, however, take a great deal of effort to search for things we can sell. We have therefore established a Solutions Development Department and enhanced the function that picks out customer needs. Also in charge of specification negotiations, the new department will thus bring together both customer needs relating to the system under negotiation and opinions with regard to the systems being operated in the field. Sorting and analyzing the information that we collect as well as looking into how that information can be incorporated into solutions for existing systems, deciding when would be a good time to supply those solutions, or whether it would be better to delete or add functions to the next system development, I am expecting us to be able to make judgments on all these aspects from a customer’s viewpoint.

Q Please tell us about your strategies for the fiscal year ending March 31, 2017, and over the medium to long term.

As we plan to sell 90 units in the current fiscal year, an increase of 39 units over the number sold in the fiscal year ended March 31, 2016, our primary issue is gearing up for the increase in production. Currently, new production plants are being built at both Tochigi Nikon Precision and Miyagi Nikon Precision. To be able to deliver systems to customers as promised, we will inaugurate these new facilities as planned. I am also considering taking the opportunity to replace facilities that are progressively aging. By operating new equipment in a new plant while operating old equipment, we will make progress in increasing production in parallel with facility renewals. As soon as possible, I would like our most important initiative to be the upgrading of our production systems.

As the market for lithography systems is maturing, we are making headway with reviews of entries into new fields that would enable us to leverage the technologies and know-how that our business unit possesses. We will make proactive investments if we are confident that we will be able to make a profit, but we will not enter a field that we judge will be unprofitable. This is because, rather than continuing to respond in all directions by potential, making a judgment on whether to do or abort something leads to effective use of limited resources. I believe it is my duty to make those judgments when necessary.

IMAGING PRODUCTS BUSINESS

Imaging Business Unit



For the very reason that we are in a harsh business environment, we are once again reviewing our overall operational processes and building a more robust Imaging Business Unit.

Nobuyoshi Gokyu

Senior Vice President
General Manager of Imaging Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

The environment in each of the markets for digital cameras—interchangeable lens type, interchangeable lenses, and compact digital cameras remained harsh, and their markets shrank compared with the previous fiscal year. The number of units sold by the Company in all three genres decreased year on year, with the result that net sales decreased 11% from the previous fiscal year to ¥520.4 billion. Negatively impacted by the decrease in sales and also by the appreciation of the yen, operating income fell 19% year on year to ¥45.7 billion.

The result from the year-end shopping season—the biggest of the year—was sluggish and there was also an impact resulting from the new D500, the launch of which was postponed in order to first secure sufficient quantities as we received a level of orders that had exceeded our expectations.

However, we were still able to secure an operating income ratio of 8.8%. If the exchange rate fluctuations are omitted, this was at a level almost unchanged from the previous fiscal year. With regard to the D500 launch postponement, the problem was that we were unable to grasp adequately the level of demand.

Q Please tell us about the progress made with the measures under the Medium-Term Management Plan.

With regard to Customer Relationship Management (CRM), we have been collecting and consolidating sales performance data accumulated over the past 10 years. In addition, we are promoting initiatives that will encourage customers' willingness to make a purchase. Not only supplying information on new products as previously, we will carry out more active approaches, such as recommending by customer the most suitable lens and accessories in conjunction with new products.

With regard to further tapping into and developing emerging economies, we conducted reviews of our strategies by region. Due to falls in resource prices in recent years, the economic situation in Russia, Brazil, Indonesia, and other countries where growth is expected has been unfavorable, and growth in the Middle East has come to a standstill. In contrast, there are also countries, such as India, where demand for digital SLR cameras has increased year on year, so we are prioritizing depending on the region. We are reviewing and planning to optimize our initiatives in both the large-scale European and U.S. markets and in emerging economies.

Digital SLR camera **D500**Advanced camera—interchangeable lens type **Nikon 1 J5**Compact digital camera **COOLPIX B500**

In August 2015, we established a Global Marketing Strategy Department in Singapore. The aim is to respond rapidly to changes in the market and bring about timely marketing communications by transferring and centralizing global marketing functions in Singapore, as it is a global business base and has access to a diversified workforce. Already the move is bearing the expected fruits.

Q Please tell us about your business policies for the fiscal year ending March 31, 2017.

In addition to the ongoing severe market environment, the suppliers of parts for a wide range of Nikon products, including digital cameras—interchangeable lens type and compact digital cameras, were affected by the 2016 Kumamoto Earthquake, which has hampered production and sales. Giving priority to the manufacturing of highly profitable middle and high-end digital SLR cameras, we will focus on recovering from that situation.

We are in a difficult environment and have also seen the challenges of exposure to diverse risk, including on this occasion procurement aspects. We will again review our overall operational processes including development and production and build a more robust business structure.

The Imaging Products Business currently provides the backbone of the Nikon Group's revenue base. I therefore think it is necessary to improve the issues we are facing at an early stage and strengthen the Imaging Business Unit's profitability base. While compensating through M&As and alliances for those fields in which Nikon's technologies will not be sufficient, if we were able to top up with value-added products and businesses, it would probably become a notably different Imaging Business Unit to what it has been up to now. Breaking out of our current shell, we will aim to make a fresh start, united as one, in an Imaging Business Unit that boldly faces challenges.

INSTRUMENTS BUSINESS

Microscope Solutions Business Unit



With the aim of “contribute to people’s health through science,” we will steadily nurture the seeds of business.

Atsumi Nakamura

Corporate Vice President
General Manager of Microscope Solutions Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

The market for biological microscopes fell more than was expected in Japan but was steady overseas. When seen from a global perspective, gradual growth of approximately 2–3% from the previous fiscal year is recognized. In aiming to gain the position of market leader in biological microscopes, the Microscope Solutions Business Unit was able to continue its improvement in market share from the previous fiscal year. Nonetheless, whereas I recognize that we are almost on par with the market leader overseas, our market share in Japan remains unchanged. The analysis for this is that the gap in sales performance is keeping the differences in market share the same.

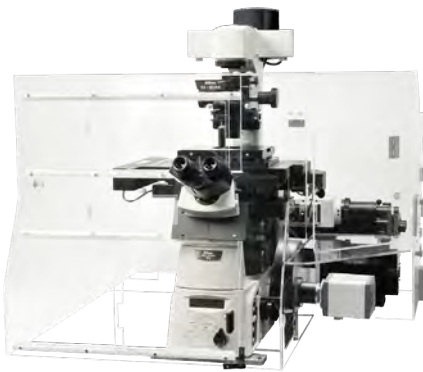
With regard to the regenerative medicine-related field, since major growth is expected in the distant future, I consider it as having been a year for accelerating the preparations toward its commercialization.

Q Please tell us about your future strategies in the biological microscope business, which at the present is a primary source of revenue.

The primary issue is to improve sales performance in regions where Nikon has a low market share. Making use of experience gathered by our business operations in countries such as the United States and China, where we are gaining leading positions, we will deploy this know-how and take regional characteristics into consideration. With regard to product development, we will continuously promote software-centered differentiation. The uses to which microscopes are being put are undergoing a change from observation to analysis and measurement. As such, developing the microscope software for research trends and needs and raising additional value are leading to product differentiation.

Q Please tell us about your future strategies in the regenerative medicine-related field.

With regard to the contract manufacturing of cells for regenerative medicine business, the Group signed a strategic collaboration agreement with Swiss company Lonza in May 2015, established wholly owned Nikon CeLL innovation Co., Ltd., and is making progress with preparations toward commercialization. Through training and consulting at Lonza, we are taking on board that company’s expertise. Meanwhile, what will be the largest facility for cell cultivation in Japan is currently under construction, in Tokyo’s Koto Ward. We plan to commence operations as a contract development organization (CDO) in the latter half of 2016 and as a contract manufacturing organization (CMO) at the end of 2017.

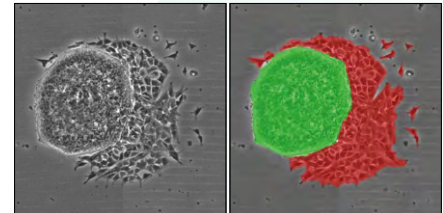


Super resolution microscope
N-SIM E



Inverted routine microscope
ECLIPSE Ts2

iPS cell quality assessment utilizing image analysis



Before image analysis After image analysis

Note: Performs phase-contrast observation of iPS cells during the culture process, identifies morphological differences in cells by image analysis.
The green area is a cell population that has original undifferentiated cells. The red area is a cell population in an abnormal state that deviates from the undifferentiated cells.

Furthermore, I believe that the joint research currently being advanced with the Center for iPS Cell Research and Application (CiRA) at Kyoto University will also bear fruit. The aim of this research is to build a stable cultivation management system for iPS cells, utilizing image analysis technologies for which Nikon's microscopic observation technologies and pattern recognition technologies will be adopted. The most important aspect in the practical application of iPS cells is the ability to cultivate them stably and in large quantities. At present, evaluations of cell state are made by observing them with the human eye, but utilizing Nikon technologies replaces that technique with equipment that is capable of quantifying the state of the cells and of objective evaluation. We are building a stable cultivation management system based on that quantified quality evaluation information. Were the system to reach fruition, it would enable the objective evaluation of cell state and cultivation methods as well as contribute greatly to the homogenization of iPS cells. We will continue to develop the Nikon system horizontally at CiRA—an iPS cell research hub—and then work diligently to reach a future stage at which the system is used by other facilities as well.

Q Please provide us with the main points of your achievements toward the Medium-Term Management Plan.

The most important point in the current fiscal year will be our start in the regenerative medicine-related business. To steadily nurture the seeds of business that we have gained from the joint research up to now, our policy will be to proactively advance collaborations with related companies and research organizations. As far as possible, I would like to cultivate a number of business pillars from even just one of these seeds.

Under its slogan of “contribute to people’s health through science,” the Microscope Solutions Business Unit regards cell imaging as its core technology. We would like to proactively face the challenges of entering businesses in which we will be truly capable of utilizing our technologies and contributing to people’s health.

INSTRUMENTS BUSINESS

Industrial Metrology Business Unit



We will not be limited by our business domains, and will proactively engage in fields where there are thought to be business opportunities and cultivate the business pillars of the future.

Masao Nakajima

Senior Vice President
General Manager of Industrial Metrology Business Unit

Message

Q How would you summarize the fiscal year ended March 31, 2016?

In the fiscal year ended March 31, 2016, the Industrial Metrology Business posted record-high sales. There was also a significant increase in operating income and, although not yet at a satisfactory level, I feel that our growth rate was commendable. The main factor contributing to this growth was the underlying strength from increased domestic capital investment in electronic component, semiconductor, and automotive industries, which manifested itself as a cost improvement effect. We have continued to make a large number of product approaches, especially in the automotive industry, over the past few years, and these are beginning to appear as concrete results. The primary problem was that the sales targets for Nikon Metrology* products in the Asian market have not yet been achieved. Even in Europe, there are sales targets that remain slightly unachieved. Having been positioned as a growth business under the Medium-Term Management Plan, if viewed from a medium- to long-term perspective there is still insufficient dynamism, and I have the sense that the business will have to be further expanded.

* NIKON Metrology NV (formerly Metris NV), the Belgian manufacturer of precision measuring equipment with strengths in the measurement of large objects, such as automobiles and aircraft, was made a wholly owned subsidiary in 2009.

Q Two years have passed since the reorganization of the corporate structure. Please tell us what was accomplished in those two years and the issues that emerged.

Initially, in the first year we aimed to return to profit and implemented various measures, but from the second year we went on the offensive and weak areas were converted into prioritized objectives to be strengthened. Consequently, results from unique Nikon products are gradually starting to materialize. For example, the high-precision, non-contact multi-sensor 3D metrology system HN-C3030 has continued to solidify its position as dedicated equipment mainly for the inspection of automotive gears and turbo-engine parts. In Japan, there is also growing interest in the non-contact, large volume inspection system Laser Radar that measures automobile bodies and has been a major force in the U.S. market, and the possibility has emerged that this interest will soon lead to domestic sales.

Having in 2015 opened showrooms one after the other in Indonesia, Thailand, and Mexico, where the production bases of automotive and other industries have coalesced, the effects of having improved brand recognition and worked on local sales are beginning to produce results. Only having showrooms, however, will end up limiting us to local customers. I thus consider it to be of great importance to inform not only those customers in the vicinity of a showroom but more customers about Nikon products and solutions.



Non-contact multi-sensor 3D metrology system **HN-C3030**



Automated, non-contact large volume inspection system
Laser Radar MV331

Q Please tell us about initiatives for the fiscal year ending March 31, 2017, that are geared toward further growth.

I feel that there is a need to broadly address sales channel expansion. As part of this initiative, we will approach customers for whom Nikon products and solutions are expected to be a best fit, create a worldwide list, and promote the creation and updating of “opportunity maps” as tools to systematically sell our products. Rather than checking primarily on existing customers, as per the conventional model, the areas of these approaches will single out customers who are considered probably likely to lead to some business if we approach them and clarify targets. Since creating and updating the maps enables the visualization of a customer’s global development and business affiliation reach, staff assignments have come to be conducted more effectively. The Industrial Metrology Business Unit has set significantly higher sales targets over the medium to long term, but I believe that we can achieve them satisfactorily by contacting companies that we were not previously ready to approach on the basis of the maps.

Q Please tell us the main points about the Industrial Metrology Business Unit’s plans to create value over the long term.

The Industrial Metrology Business Unit has some unique products, but when those products have penetrated a market to a certain extent, competing manufacturers accelerate the development of the same kinds of products. It is extremely difficult to even know until what point a product will remain unique, but if at an early stage we are able to pinpoint customer needs and market trends on a worldwide basis, it will be possible for us to build a dominant position. To that end as well, speed will be of the essence.

As the “industrial” in its name suggests, I consider the Industrial Metrology Business Unit to be a business with a very wide scope. Regardless of the industry, I would like the Industrial Metrology Business Unit to consider its mission to be the solving of customer problems while actively confronting challenges. For that reason, the establishment of the Business Planning Section last year has a significant part to play. While providing products and solutions in response to customer feedback, I would like this section to search for the seeds of the new businesses of the future. Since there remains the possibility that the Industrial Metrology Business Unit’s pillars of the future will germinate from those seeds, I feel that we will take a broad view, without defining the domains to be addressed, and actively engage in fields where possibilities exist.

MEDICAL BUSINESS DEVELOPMENT DIVISION



We will work on the early realization of technological synergies between Nikon and Optos Plc and then link them to quality of life (QOL) improvements for people all over the world.

Masato Hamatani

Corporate Vice President
General Manager of Medical Business Development Division

Message

Q How would you summarize the fiscal year ended March 31, 2016?

During the fiscal year ended March 31, 2016, we concluded the acquisition of U.K.-based Optos Plc, a leading company in the retina diagnostic imaging equipment market, and achieved our goal of improving Optos' earnings. In the years ahead, we must create synergies with Nikon and bring about further advances at Optos.

At present, the business performance of Optos is as far along as planned, but the Medical Business as a whole is recording an operating loss. In addition to the expenses incurred for R&D and other areas necessary to develop the Medical Business, this situation is due to the investments needed to promote alliances with a number of universities and companies. As there are regulations governing medical equipment, the Medical Business is unable to launch products immediately to market. Because clinical trials and official certifications are needed, such as from the U.S. Food and Drug Administration (FDA), the Medical Business is therefore one in which it is difficult to make a profit at an early stage. To ensure the early generation of business profits, for example through M&As and alliances, we are thus allowing for a preparatory period in which to take on board information and knowledge, while making active progress in prior investment activities.

Q Please tell us the key points of creating synergies with Optos.

Currently, we are focusing our efforts on realizing diagnoses of chronic diseases, such as diabetes and Alzheimer's, with Optos products. The incidence of both these diseases is anticipated to increase in Japan, where the population is continuing to age. With regard to medical need, the Medical Business Development Division is leveraging Optos' technologies and Nikon's optical and image processing technologies, while placing the highest priority on the development of new products that will assist in the early detection and prevention of such chronic diseases.

As part of our efforts to enhance our R&D, we established a medical laboratory housed in Nikon Research Corporation of America (NRCA), the R&D base that the Company owns. Having designated the United States—the prime mover of global medical business—as a priority area, we are promoting human resource placements and exchanges, while working to accelerate the creation of synergies with Optos.



Ultra-widefield imaging device
California



Ultra-widefield imaging device
Daytona

Q Please tell us about your strategies for the fiscal year ending March 31, 2017.

First, I would like to develop new products that leverage Nikon's and Optos' technologies and bring them to market as soon as possible, to assist in the detection and prevention of chronic diseases in the early stage. In particular, the number of people that are losing their sight due to the effects of diabetes has been increasing yearly, and we are examining product developments that will enable easier diagnosis of cases of diabetes-related detached retina.

Regarding moves toward business expansion, not only with Optos, we need to promote M&As and alliances into fields other than ophthalmology. We will of course make progress while conducting risk assessments. However, after having placed an emphasis on two points—whether we can leverage our strongpoint technologies, and if we will be able to contribute to improvements in people's QOL—I would like to develop products that will form the core of the Medical Business.

Q Please tell us what will be needed to further develop Nikon's Medical Business.

The most important aspect of Medical Business products is to what extent they are easy to handle for healthcare workers, such as medical doctors. To that end, marketing that looks into the needs of healthcare workers will become extremely important, and the building of relationships with key opinion leaders (KOLs) will be indispensable in obtaining accurate information. Optos possesses strengths in marketing-based product development and has effectively built relationships with KOLs and sales channels centered on its ultra-widefield (UWF) technology, and there is an urgent need to absorb that knowledge.

On the one hand, Nikon has a history of about 100 years, and there have been an extremely large number of instances in which healthcare workers' great expectations from the Nikon brand have been palpable. To meet those expectations, we recognize our mission as being to develop and provide society with products that contribute to the world as a whole. Activities that bring about improvements in QOL for people all over the world will form a major linchpin within Nikon and, at the same time, are an ideal form said to be capable of increasing profits. It is my belief that moving forward one step at a time toward the realization of that ideal will lead to the development of the Medical Business in the years to come.

Corporate Governance

Transition to Being a Company with an Audit and Supervisory Committee

Regarding corporate governance as an important management issue, Nikon has been working to enhance its necessary systems. However, to achieve sustainable growth in the years to come and an improvement in corporate value over the medium to long term, as well as to better fulfill its responsibilities to all its stakeholders, the Company is attaching importance to three areas: more efficient management, improved transparency, and the strengthening of the supervisory

function of management. For that reason, in addition to working to clarify executive responsibility and improving decision-making efficiency by the delegation of authority, the Group transitioned to a company with an audit and supervisory committee, which will enable further separation of business management and supervisory duties, to realize the further enhancement of the Board of Directors' supervisory functions.

Basic Concept Relating to Corporate Governance

Based on its corporate philosophy, the Nikon Group will carry out highly transparent management through fulfilling its fiduciary responsibilities towards shareholders as well as responsibilities towards stakeholders including customers, employees, business partners, and society, etc., with a sincere and diligent attitude.

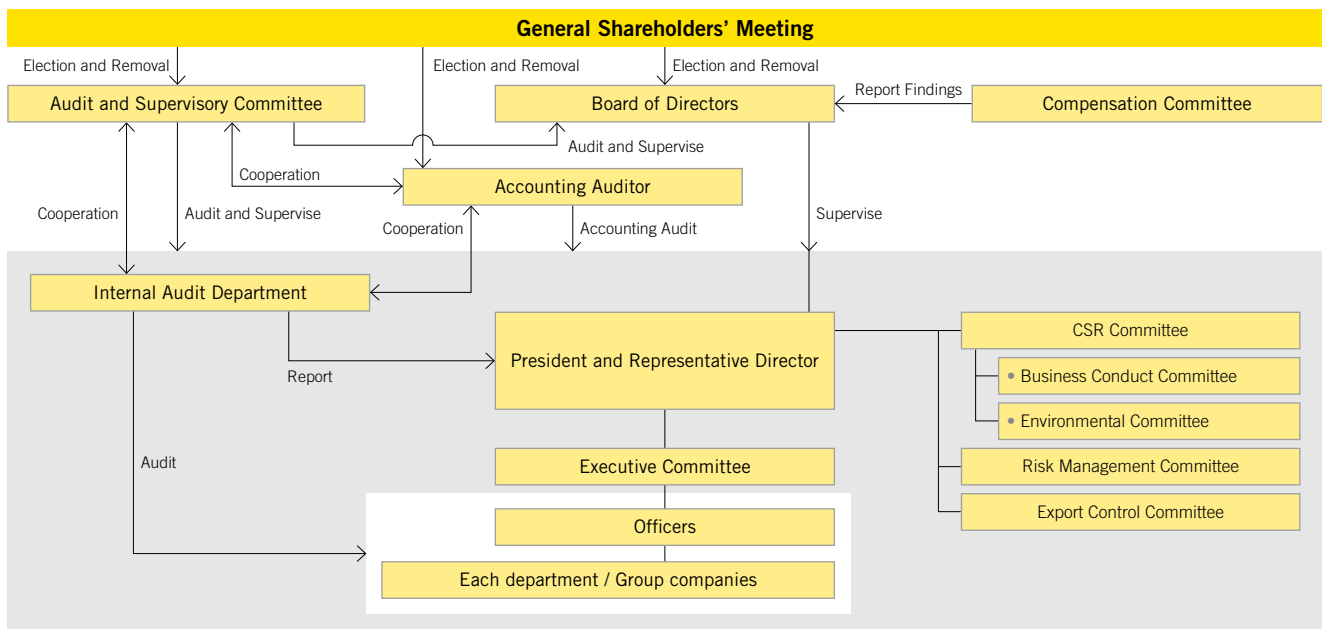
The Nikon Group will strive to achieve sustainable growth and enhancement of its corporate value over the medium to long term, through improving management efficiency and transparency and further strengthening the supervisory function over management in light of the purpose of Japan's Corporate Governance Code.

Board of Directors

The Board of Directors supervises management by directors and assumes the decision-making functions on the matters prescribed under laws and regulations and the Articles of Incorporation of the Company, as well as the important matters concerning the Nikon Group. For the purpose of clarifying the scope of delegation to the executive directors and officers while ensuring prompt decision-making and management by the executive directors and officers, the Company specifically sets out the matters subject to deliberation at the Board of Directors in the criteria for matters subject to deliberation

and report at the Board of Directors. For example, the Board of Directors makes decisions on matters concerning important management, including the basic management policies, the Medium-Term Management Plan, the annual plan, the Basic Policy on Internal Control System, and investments and loans exceeding a certain amount. Moreover, in order to further strengthen the supervisory function of the Board of Directors, the Company has appointed four independent external directors (including three Audit and Supervisory Committee members).

Nikon's Corporate Governance Organization (As of June 29, 2016)



Audit and Supervisory Committee

The Audit and Supervisory Committee audits and supervises the status of management by directors other than those who are Audit and Supervisory Committee members, and officers. For such purpose, Audit and Supervisory Committee members regularly attend important meetings, such as the meetings of the Board of Directors and the

Executive Committee, and conducts audits and supervision over the management and directors. In addition, to further enhance independence and neutrality of the audit system, the Audit and Supervisory Committee shall consist of five Audit and Supervisory Committee members, including three independent external directors.

Appointment of External Directors

In the appointment of its external directors, the Company attaches importance to ensuring their independence. The Company appoints external director candidates from among those with either a wealth of knowledge and experience, etc., as executives of other companies,

or those with expertise and experience, etc., as specialists such as attorneys and certified public accountants, who are qualified to take part in a management supervision function from a fair and objective standpoint independent from management.

Criteria for Determining Independence of 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 transactions 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, 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, whichever the greater
- (2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of ¥10 million per year (average over the past three fiscal years)

Reasons for Appointment of External Director, except Audit and Supervisory Committee Members

Name	Reasons for Appointment
Akio Negishi	Akio Negishi has served as 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 overall management from a big-picture perspective.

Reasons for Appointment of External Directors and Audit and Supervisory Committee Members

Name	Reasons for Appointment
Haruya Uehara	Haruya Uehara has a career as President of Mitsubishi UFJ Trust and Banking Corporation and possesses many years of management experience and outstanding insight, and we believe that he will be able to contribute to securing the soundness and appropriateness of management, as well as to increasing transparency.
Hiroshi Hataguchi	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 management, as well as to increasing transparency.
Kunio Ishihara	Kunio Ishihara has a career as President 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 management, as well as to increasing transparency.

Attendance at Meetings of the Board of Directors and Board of Corporate Auditors by External Directors and External Corporate Auditors

(Year ended March 31, 2016)

Category	Name	Attendance at Meetings of the Board of Directors	Attendance at Meetings of the Board of Corporate Auditors
External directors	Kenji Matsuo	Present at 12 of 13 meetings	—
	Koukei Higuchi	Present at 9 of 13 meetings	—
External corporate auditors	Haruya Uehara	Present at 13 of 13 meetings	Present at 11 of 11 meetings
	Hiroshi Hataguchi	Present at 13 of 13 meetings	Present at 11 of 11 meetings

Executive Committee

The Executive Committee, as the highest decision-making body of the management, swiftly and decisively makes decisions on individual major management issues delegated by the Board of Directors, in

accordance with basic management policies, etc., as determined by the Board of Directors.

Compensation Committee

The Company establishes the Compensation Committee which consists of representative directors, external directors, and external experts. The Compensation Committee deliberates and makes proposals

for policy regarding executive compensation as well as various related systems so as to ensure objectivity, transparency, and linkage with performance in the process of determining executive compensation.

Compensation for Directors and Corporate Auditors (Year ended March 31, 2016)

Category	Monthly compensation		Subscription rights to shares granted as stock-related compensation		Bonuses		Total	
	Number of persons	Amount of compensation	Number of persons	Amount of compensation	Number of persons	Amount of compensation	Number of persons	Amount of compensation
Directors (External directors out of all directors)	11 (2)	¥319 million (¥20 million)	8 (—)	¥108 million (—)	7 (—)	¥65 million (—)	11 (2)	¥493 million (¥20 million)
Corporate auditors (External corporate auditors out of all corporate auditors)	5 (2)	¥71 million (¥20 million)	—	—	—	—	5 (2)	¥71 million (¥20 million)
Total	16	¥390 million	8	¥108 million	7	¥65 million	16	¥564 million

Notes: 1. The number of persons shown above includes one director (excluding external directors) and one corporate auditor (excluding external corporate auditors) who retired at the conclusion of the 151st Annual General Shareholders' Meeting held on June 26, 2015.

2. The amount of subscription rights to shares granted as stock-related compensation in the above table indicates the amount of compensation, etc., concerning subscription rights to shares granted to directors (excluding non-full-time and external directors) recorded as expenses during the fiscal year.

Method for Calculating Compensation

Basic policies regarding compensation	<p>Executive compensation will be determined to satisfy the following basic matters.</p> <ul style="list-style-type: none"> • 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.
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<p>Compensation system and performance-based structure</p>	<p>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.</p> <ul style="list-style-type: none"> • Fixed monthly compensation Monetary compensation not based on performance. • Bonuses This monetary compensation is based on the degree of accomplishment and qualitative assessment of the consolidated net sales and consolidated operating income of the Group as a whole and departments in charge on a single-year basis, and is determined within the range of 0% to 200% of the standard payment. Furthermore, if the target value of consolidated operating income is below a certain level, the amount of the standard payment is adjusted downward. • 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. • 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. <p>b) The compensation system for non-executive directors consists only of fixed monthly compensation.</p>
<p>Method for determining compensation level and amount</p>	<p>The Compensation Committee discusses and advises on related systems in order to determine the level and system appropriate to the duties on account of compensation levels of major Japanese companies that globally develop their businesses so as to determine the compensation amount consistent with the performance of the Group and its business scale. The Compensation Committee consists of the representative directors, external directors, and external experts, and discusses the establishment of executive compensation policies, consideration of the compensation system, and specific calculation method. Based on the results of the discussions, compensation for directors other than those who are Audit and Supervisory Committee members is determined by a resolution of the Board of Directors, and compensation for directors who are Audit and Supervisory Committee members is determined by consultation at the Audit and Supervisory Committee.</p>

Number of Females and Non-Japanese Appointed as Nikon Group Directors / Auditors and Officers

(As of March 31, 2016)

Nikon	Number of females: 0 / Number of non-Japanese: 0
Group companies	Number of females: 3* / Number of non-Japanese: 35*

* The breakdown of the number of directors is given below. Cases of directors or officers serving in concurrent posts are included in the number of directors but not in the number of officers.

For overseas Group companies, all local positions equivalent to director, corporate auditor, and officer are included in the total.

Females
Directors: 1; Corporate auditors: 1; Officers: 1
Non-Japanese
Directors: 28; Corporate auditors: 3; Officers: 4

Internal Audits

Acting independently from each business execution division, based on the annual audit plan duly approved by the president, the Internal Audit Department performs audits of the institutional and operational status of the Nikon Group, and then makes recommendations for improvement. In addition, it independently evaluates the Internal Control Reporting System (J-SOX) and the effectiveness of internal control from the standpoint of the Companies Act.

For audits of Group companies outside Japan, the internal audit sections that have been established at each of the regional holding

companies perform audits and J-SOX evaluations of their local companies from an independent standpoint, supervised by the Internal Audit Department of Nikon Corporation.

The results of the Nikon Group's internal audits are reported to the president and all directors concerned. In addition, between the Audit and Supervisory Committee and the Internal Audit Department, close cooperation is achieved by means of sharing the audit results, holding regular meetings, and others.

Risk Management

To properly respond to risks that might critically impact corporate management, the Nikon Group has created the Risk Management Committee, which is chaired by a senior executive vice president, as a supervising body of risk management.

The Risk Management Committee is managing all risks, but specialist subcommittees are in charge of risks requiring technical support and devise detailed responses. Business-specific risks are responded to at the respective business division level.

The Nikon Group conducts risk identification surveys to gain an overall insight into the risks potentially affecting the Group. Taking a Companywide perspective, a risk assessment is then performed to identify, analyze, and evaluate the replies collected after compilation and adjustment, to create a risk map that shows the level of influence and probability of each risk. With regard to cases evaluated as high risk, we study measures for mitigating those risks.

Nikon's CSR Activities that Support Growth

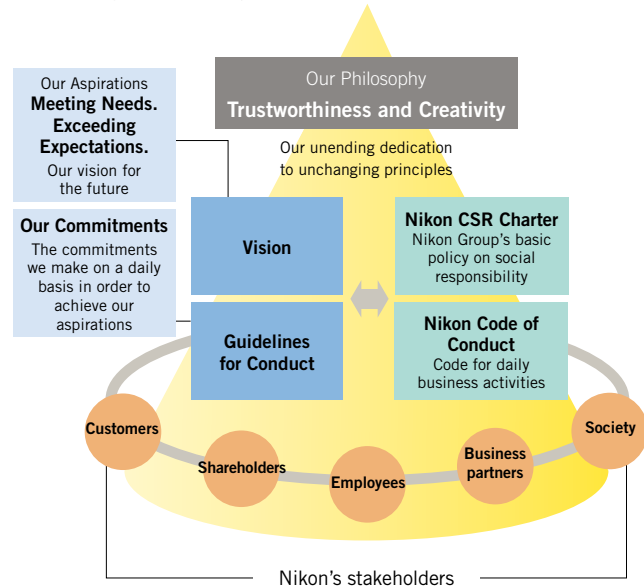
Nikon's CSR and Sustainability

The Nikon Group works to realize its corporate philosophy of "Trustworthiness and Creativity" by fulfilling its CSR and contributing to the sustainable development of society.

Under the terms of the United Nations Sustainable Development Goals (SDGs), launched in 2016, companies are expected to display the creativity and innovation inherent in corporations to assist in the resolving of social issues. Business activities have varied impacts on the economy, society, and the environment, but companies are able to contribute to the sustainable development of society by reducing as much as possible to zero any negative effects while maximizing those that are positive.

Having its basic policy on CSR set out in the Nikon CSR Charter, which forms the basis of employee standards of behavior defined in the Nikon Code of Conduct, the Nikon Group also supports the United Nations Global Compact and takes into account related international codes in the pursuit of its business activities.

Nikon's High-Level Policy and Stakeholders



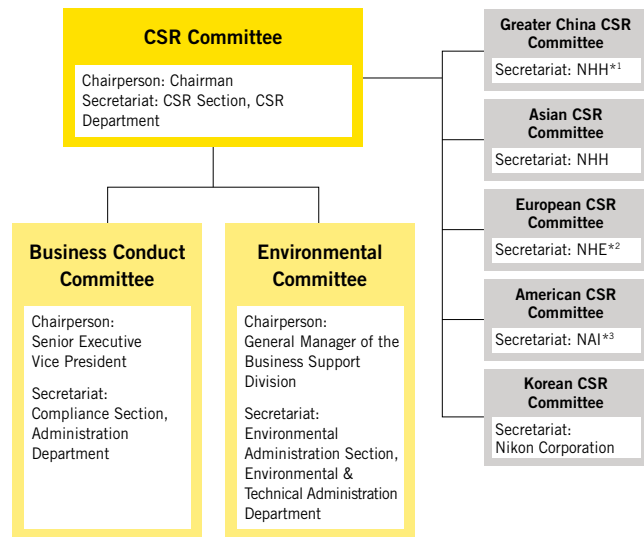
CSR Promotion Systems

Throughout its operations in Japan and overseas, the Nikon Group has established systems to promote CSR activities in an efficient and effective manner. Shouldering the primary responsibility in these endeavors is the CSR Committee, chaired by the chairman and with its members drawn from the Executive Committee. The CSR Committee convenes twice a year, sets activity targets, receives reports on progress for all activities, and makes decisions about overall CSR activities. The Business Conduct Committee and the Environmental Committee have also been established as specialist sub-committees to promote CSR while liaising with the CSR Committee.

Overseas, CSR divisions have been established at the holding companies in every region to promote a consistent Group approach, while taking into consideration and respecting the characteristics of each region. These CSR divisions act as secretariats, promoting CSR activities through the establishment of CSR committees, which members consist of overseas Group company directors, and CSR Communication Meetings, on which sit each company's CSR coordinator. In the fiscal year ended March 31, 2016, those responsible from the respective holding company CSR divisions gathered at Nikon's headquarters and held a global CSR conference. At the conference, in addition to sharing the social trends in each region and progress of activities, those present took stock of CSR issues and discussed areas in need of improvement.

With the aim of raising the level of CSR awareness of its employees, the Nikon Group commenced the publication of a CSR newsletter in January 2015 that is distributed in 15 languages.

CSR Promotion Organization (As of March 31, 2016)



*1 NHH: Nikon Holdings Hong Kong Limited

**2 NHE: Nikon Holdings Europe B.V.

***3 NAI: Nikon Americas Inc.

Priority Issues Set Forth in the CSR Medium-term Plan

Advancing CSR activities as one of its priority management issues, the Nikon Group decides on its priority issues in the CSR Medium-term Plan. Each priority issue is stipulated in the three-year plan and acted upon as an annual target by the division responsible. On a half-yearly

basis, progress reports on each target are reported to the respective superior committee bodies to involve management echelons, including the CSR Committee, and efforts advanced by assessment.

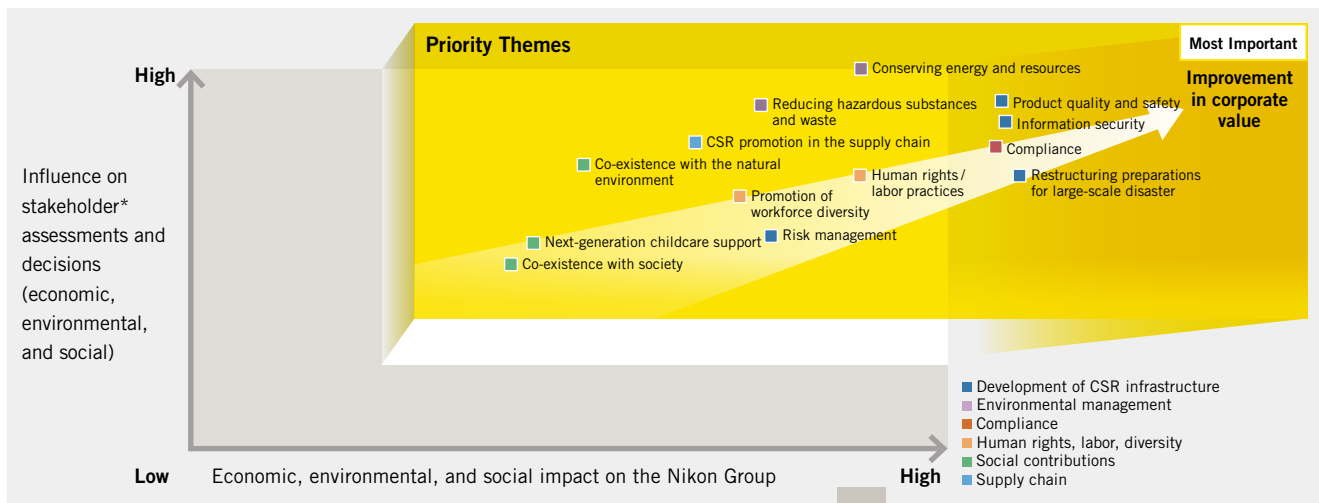
Priority Issues in the CSR Medium-term Plan

In view of the major changes in its business environment in recent years, in the fiscal year ended March 31, 2016, the Group advanced root-and-branch reviews of the priority issues that had arisen. Specifically, the Group performed interview enquiries with regard to the 11 major business units, checked responses against social issues such as those from the core subjects of ISO 26000, and gathered opinions from its employees around the world, on the basis of which discussions were held with the main divisions involved. Lectures were

given by external CSR experts at the CSR Committee and opinions were exchanged.

The result again raised awareness of the importance of linking management and CSR activities, and it was decided that priority issues would be reviewed in time for 2018, the year in which the next Medium-Term Management Plan will start. However, with regard to responses to the issues that were brought to light during the course of this review, the Group has decided to proceed without waiting for 2018.

Nikon Group CSR Materiality Map



* Customers, shareholders, employees, business partners, and society

Priority Issues in the CSR Medium-term Plan

(Three-year plan from the fiscal year ended March 31, 2016, to the fiscal year ending March 31, 2018)

We will strive to develop our business globally while constantly maintaining a strong awareness of CSR, including compliance- and environment-related issues. We will enhance trust by encouraging and supporting communication with stakeholders, and responding sincerely to stakeholder expectations.

- Expansion and promotion of environmental management
- Implementation of compliance activities
- Respect for human rights and labor practices and promotion of diversity in the workforce
- Promotion of community contribution activities
- Promotion of CSR activities in the supply chain
- Ensure product quality and safety
- Promotion of information security

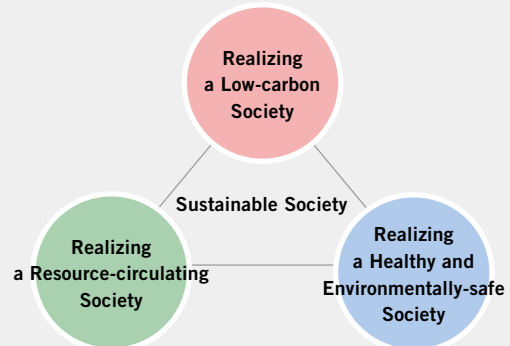
Formulation of Long-term Environmental Vision

The Nikon Group formulated the Nikon Long-term Environmental Vision in April 2016. The demands for corporations to respond to environmental risks have become increasingly severe. Physical and regulatory risks relating to climate change, water, and other natural resources have increased, and regulations relating to the handling of chemical substances become more stringent.

Under these circumstances, the Nikon Group formulated the Nikon Medium-term Environmental goals that look ahead to 2030 to steadily advance efforts toward a sustainable society. For example, as a measure to combat climate change, the Group has set the target of reducing the volume of CO₂ emissions throughout the entire supply chain by 26% by 2030, compared with the fiscal 2013 level. To achieve these goals, the Group has developed the Nikon Three-year Environmental Plan and the Nikon Environmental Action Plan, which consists of environmental targets for each fiscal year, while promoting efforts.

Nikon Long-term Environmental Vision

The Nikon Group contributes to building a sustainable society based on the Nikon Basic Environmental Management Policy. We formulated the Nikon Long-term Environmental Vision, which aims to achieve three goals: a low-carbon society, a resource-circulating society, and a healthy and environmentally-safe society.



Development of Regional Anti-Bribery Guidelines

Having clarified its zero-tolerance approach toward bribery in the Nikon CSR Charter and the Nikon Code of Conduct, the Nikon Group endorsed the United Nations Global Compact, which contains an anti-corruption declaration. However, in response to the moves toward anti-bribery measures that had been gathering momentum on a global scale, Nikon established the Nikon Anti-Bribery Policy in April 2014 to disseminate anew its anti-bribery commitment both inside and outside the Group. To remain in compliance with these policies, the Nikon

Group has been taking initiatives to create guidelines specific to each region that summarize the necessary business ways of thinking, important points to be aware of, and practical procedures. In the fiscal year ended March 31, 2016, guidelines were formulated for Group companies in the Americas and Asia, joining those already published for Group companies in Japan, China, and Europe, and thereby completing the establishment of guidelines in all the regions where they are required.

Promotion of Women's Empowerment

The Nikon Group employs and treats its employees equally, regardless of gender. At the same time, Nikon recognizes that the percentage of female employees and female managers should be improved and, as such, promotes women's empowerment.

As of March 31, 2016, the percentage of female employees stood at 10.6%. In aiming for further improvement, Nikon has set a target of 25% or more in regular employment between the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2021, and will develop proactive recruitment activities through the further expansion of recruitment events geared toward female science students.

With regard to the ratio of female managers, Nikon has set a target of 5% to be achieved by the end of March 2017, and had already reached 4.7% by the end of March 2016. In addition, in the fiscal year ended March 31, 2016, Nikon set a new target of doubling the number of female managers (55) as of March 31, 2015, to 110 by the end of March 2020. Nikon will focus on expanding its mentor

system to support career development and on maintaining employee-friendly working environments.



Under the mentor system, both mentors and mentees gather to hold interim debriefing meetings

Scholarships in Thailand

The Nikon Group, in cooperation with an NGO, has been operating a scholarship system in Thailand since 2007.

The Nikon-Shanti Scholarship, which is operated by Japan's Shanti Volunteer Association and the local Sikkha Asia Foundation, provides scholarships to junior high, high school, and university students in Thailand whose school attendance is suffering due to family financial difficulties, as the economic disparities in this country are considerable. In the fiscal year ended March 31, 2016, the school attendance of 150 junior high and high school as well as 25 university students was supported. Up to now, a cumulative total of 1,542 students have received support in attending school.

To give the scholarship students the chance to experience the excitement that photographs have to offer, we have been taking and presenting a photograph of them together with their families and friends since 2013.

The Nikon-EDF Japan Scholarship and the Nikon-JICA Scholarship are also supporting the school attendance of junior high, high school, and university students in Laos.

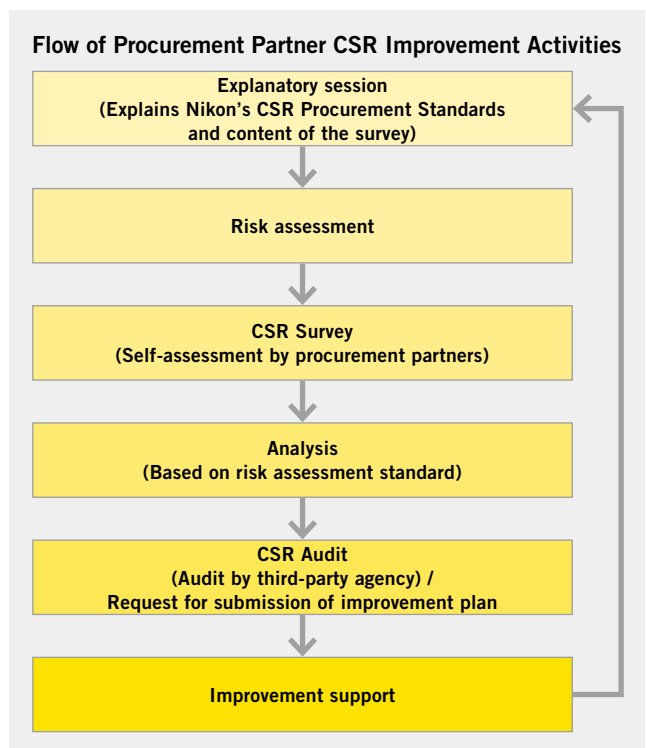


Scholarship awards ceremony in Bangkok (November 2015)

Implementation of Survey and Audits Based on CSR Procurement Standards

The Nikon Group promotes activities together with all of its procurement partners to practice social responsibility-based behavior along the entire length of the supply chain.

In August 2015, the Group formulated the Nikon CSR Procurement Standards to clarify the rules for its procurement partners. The Group also commenced audits to confirm the working situations at procurement partner premises. Undertaking further assessments on items that the Nikon Group considers important, 207 procurement partner companies that were considered to be high CSR risks were selected to conduct self-assessments. As a result, a third-party agency visited and conducted audits of three companies that were judged to require on-the-spot confirmation. 13 companies, including these three companies, were requested to submit improvement plan documentation. We will continue with these audits and further promote responsible procurement.



Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2016

Overview of the Fiscal Year Ended March 31, 2016

During the consolidated fiscal year ended March 31, 2016, the Japanese economy showed a tendency toward a gradual recovery primarily in capital investment, amid weak personal consumption. Although the United States and Europe trended toward gradual improvements underpinned by personal consumption, the global economy saw a deceleration in growth, strongly influenced by slowdowns in China and other emerging economies.

Under these circumstances, the Group set a new goal to restructure into a corporate entity with a portfolio of six businesses—Semiconductor Lithography, FPD Lithography, Imaging Products, Microscope Solutions, Industrial Metrology, and Medical—under the Medium-Term Management Plan announced in May 2015 to achieve sustainable medium- to long-term growth.

In the Instruments Business, which is positioned as a growth business, although the market in the microscope-related field was sluggish overall, the Group's business expanded its market share and trended firmly. Moreover, the Group collaborated with industry giant Lonza of Switzerland and established wholly owned Nikon CeLL innovation Co., Ltd., to enter the contract manufacturing business for products such as the cells used in regenerative medicine therapeutics. In the industrial metrology-related field, capital investments in semiconductors and electronic components as well as in the automobile-related field remained firm and the Group's business was strong as well. The Group also invested in a U.S. venture company to strengthen product competitiveness in its non-destructive testing equipment business, where future growth is expected. In the Medical Business, the Group acquired Optos Plc—a leading company in the retina diagnostic imaging equipment market—as a wholly owned subsidiary to mark its full-scale entry into the medical business field.

In the Group's core businesses, for the Precision Equipment Business, although capital investments in the semiconductor-related field were favorable across the market, the business environment surrounding the Group was continuously severe. On the other hand, in the FPD-related field, the market was firm overall, as capital investments for small and medium-sized panels saw a drastic recovery, boosting the Group's business. In the Imaging Products Business, the Group struggled due to the shrinking market. Under these circumstances, the Group engaged in structural reforms, such as restructuring sales bases to optimize its business management systems, while striving for further improvements in business efficiency through cost reductions and other efforts.

As a result, on a consolidated basis, net sales for the fiscal year under review decreased ¥34,866 million (4.1%) year on year to ¥822,916 million, and operating income decreased ¥6,711 million (15.5%) from the previous fiscal year to ¥36,701 million. In addition, although impairment loss was recorded in the Semiconductor Lithography Business, net income attributable to owners of the parent increased ¥3,828 million (20.8%) to ¥22,192 million.

Income (Loss) Analysis

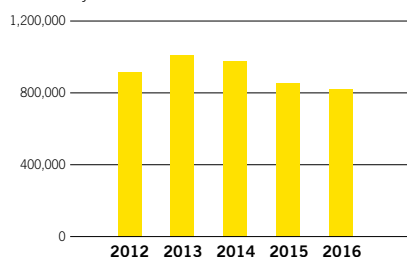
Years ended March 31, 2015 and 2016

	2015	2016
	% of Net Sales	
Net sales	100.0%	100.0%
Cost of sales	(62.1)	(61.4)
Gross profit	37.9	38.6
SG&A expenses	(32.9)	(34.1)
Operating income	5.1	4.5
Other income (expenses)—net	(1.0)	(0.4)
Income before income taxes	4.1	4.1
Income taxes	(2.0)	1.4
Net income	2.1	2.7
Net income attributable to owners of the parent	2.1	2.7

* Expenses, losses, and subtractive amounts are in parentheses.

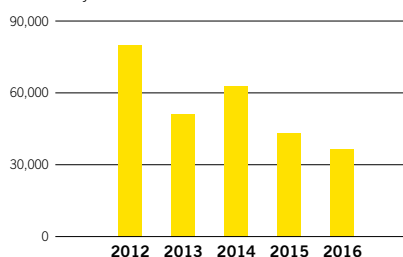
Net Sales

(Years ended March 31)
Millions of yen



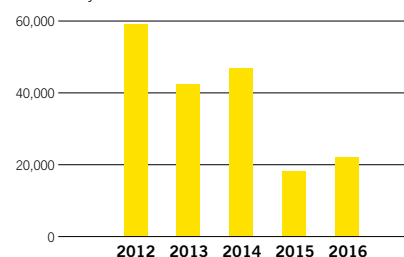
Operating Income

(Years ended March 31)
Millions of yen



Net Income Attributable to Owners of the Parent

(Years ended March 31)
Millions of yen



Performance by Business Segment

Precision Equipment Business

In the Semiconductor Lithography Business, the Group worked to improve its profit structure by continuously striving to enhance performance and extend sales of its advanced equipment, primarily ArF immersion scanners, and concentrating on strengthening sales of used equipment and service sales. However, sales decreased compared with the previous fiscal year, and an operating loss was recorded, as the Group could not secure new customers for its advanced equipment and was also impacted by changes in customers' capital investment plans.

The FPD Lithography Business benefited from drastic recovery in capital investments for small and medium-sized panels. There was significant growth in unit sales of the FX-66S and FX-67S, which are ideal for the production of small to medium-sized high-definition displays for smartphones and tablet computers.

As a result, net sales rose 6.8% from the previous fiscal year to ¥182,416 million, and operating income increased 74.8% from the previous fiscal year to ¥14,608 million. As the profitability of the Semiconductor Lithography Business is expected to fall, impairment loss of ¥7,048 million was posted for the non-current assets held by the business segment.

Imaging Products Business

With regard to digital cameras—interchangeable lens type, sales of entry-class models such as the D5500 were strong in Japan. In China and Europe, sales rose in middle to high-end cameras such as the D750 with specifications comparable to those of professional models.

For compact digital cameras, the Group recorded strong sales of its high-value-added products, such as the multifunctional COOLPIX P900 that features ultrahigh zoom capability for excellent image quality. Overall, however, sales of both digital cameras—interchangeable lens type and compact digital cameras dropped sharply in the drastically shrinking market.

As a result, net sales decreased 11.2% from the previous fiscal year to ¥520,484 million, and operating income decreased 19.3% to ¥45,752 million.

Instruments Business

In the Microscope Solutions Business, although the Group was influenced by the reduction in the public budget of Japan, sales and profits grew mainly in biological microscopes, driven by increases in market share primarily in the United States and China.

In the Industrial Metrology Business, sales and profits received a boost from higher sales of products such as the NEXIV series CNC video measuring system and X-ray inspection systems, brought about by increased capital investment in semiconductors and electronic components as well as in the automobile-related field.

As a result, net sales increased 6.7% from the previous fiscal year to ¥77,242 million, and operating income increased 135.0% from the previous fiscal year to ¥2,819 million.

Medical Business

In the Medical Business, although sales of retina diagnostic imaging equipment from Optos Plc were sluggish in Europe, sales increased due to expansion of the market share in the United States and strong performance in Asia and Oceania.

As a result, net sales were ¥18,312 million, while operating loss of ¥4,675 million was posted due to upfront investments in new, medical-related business fields.

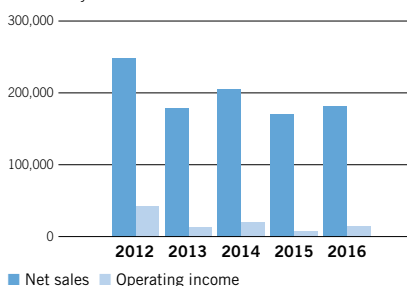
Other Businesses

In the Glass Business, sales of photomask substrates for FPD and optical components were strong, which led to improved profits. In the Customized Products Business, sales of solid state lasers rose significantly, while profits from space-related products declined.

As a result, net sales including these businesses decreased 14.5% from the previous fiscal year to ¥24,462 million, and operating income declined 32.3% from the previous fiscal year to ¥4,599 million.

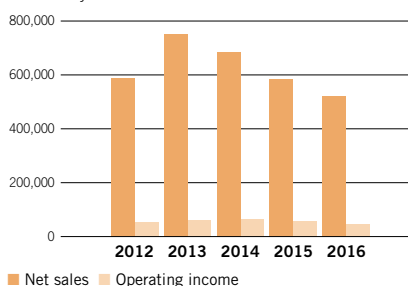
Precision Equipment Business

(Years ended March 31)
Millions of yen



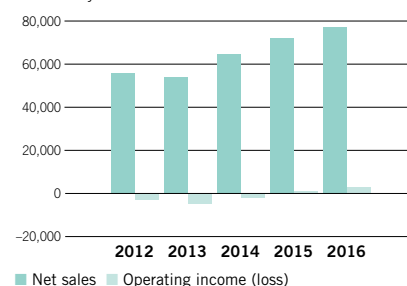
Imaging Products Business

(Years ended March 31)
Millions of yen



Instruments Business

(Years ended March 31)
Millions of yen



Business Climate and Issues for the Fiscal Year Ending March 31, 2017

With regard to the business climate surrounding the business segments of the Group, in the Precision Equipment Business the semiconductor lithography system market is expected to shrink slightly compared with the fiscal year under review. In addition, the FPD-related field is forecast to expand significantly in the Chinese market in particular, mainly in capital investment for small and medium-sized panels. In the Imaging Products Business, the severe situation is expected to continue in markets for digital cameras—interchangeable lens type and compact digital cameras. In the Instruments Business, although recovery of the Japanese and European markets remains uncertain in the microscope-related field, ongoing increases of market share are anticipated in the United States and China. In addition, in the industrial metrology-related field as a whole, growth in capital investments is expected to be sustained. In the Medical Business, strong performances for retina diagnostic imaging equipment are expected to continue in the United States, Asia, and Oceania.

Under these circumstances, the top priority of the Group is to continue to restructure its business portfolio. While strengthening the competitiveness of its existing businesses and engaging in structural reforms, the Group will work to foster the Medical Business, expand the Microscope Solutions and Industrial Metrology businesses, and continue restructuring into a corporate entity that grows with a portfolio of six businesses. Through these efforts, the Group will endeavor to create new value and get back onto a growth track.

Suppliers primarily of parts for imaging products were affected by the 2016 Kumamoto Earthquake that occurred in April and disrupted production and sales in the first half of the fiscal year ending March 31, 2017. The Group is working toward an early recovery of the supply chain to minimize the impact on its operations.

Capital Expenditures and R&D Spending

Capital expenditures were ¥34,498 million for the fiscal year ended March 31, 2016, a 6.0% increase from the previous fiscal year. Within individual business segments, the expenditures were ¥9,739 million for Precision Equipment, ¥10,573 million for Imaging Products, ¥1,597 million for Instruments, ¥575 million for Medical, and ¥6,878 million for Other businesses. The Group made investments of ¥5,136 million as corporate assets that are not allocated to the respective reportable segments. From the previous fiscal year ended March 31, 2015, the depreciation

method of the Group has been unified to the straight-line method.

R&D costs of ¥66,781 million edged up 0.1% compared with those of the previous fiscal year, and the proportion of R&D spending to net sales was 8.1%, an increase of 0.3 percentage point. Within individual business segments, the costs were ¥17,691 million for Precision Equipment, ¥25,355 million for Imaging Products, ¥5,753 million for Instruments, ¥3,617 million for Medical, and ¥14,365 million for Other businesses.

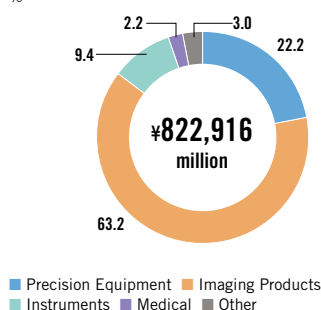
Financial Position

Although inventories rose ahead of the increase in sales of FPD lithography equipment expected in the fiscal year ending March 31, 2017, current assets decreased ¥23,869 million due to a

decrease in notes and accounts receivable—trade resulted from the decline in sales. Property, plant and equipment dropped ¥20,425 million, influenced by the impairment loss and foreign

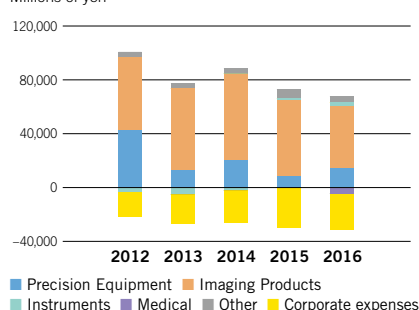
Sales by Business Segment

(Year ended March 31, 2016)
%



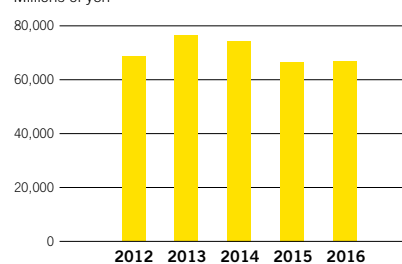
Operating Income (Loss) by Business Segment

(Years ended March 31)
Millions of yen



R&D Costs

(Years ended March 31)
Millions of yen



* The "Other" segment comprises businesses not included in reportable segments, such as the Glass Business and Customized Products Business. Beginning with the fiscal year ended March 31, 2012, the Group has revised its method of accounting for corporate expenses.

exchange impacts on translating the property, plant and equipment of overseas subsidiaries. On the other hand, investments and other assets increased ¥17,176 million primarily due to increases in goodwill and intangible assets that arose from the acquisition of 100% ownership of Optos Plc. As a result, total assets as of March 31, 2016 decreased ¥27,118 million to ¥945,827 million.

Total liabilities increased ¥4,075 million to ¥404,819 million. Current liabilities rose ¥7,160 million principally due to an increase in advances received associated with the anticipated increase in sales of FPD lithography equipment despite a decline in current

liabilities of overseas subsidiaries, brought about by the effects of foreign currency translation adjustments.

Total net assets decreased ¥31,193 million to ¥541,008 million. Although retained earnings were up ¥10,214 million as a result of posting net income attributable to owners of the parent, accumulated other comprehensive income decreased ¥40,707 million mainly due to the decrease in foreign currency translation adjustments associated with the ongoing appreciation of the yen.

The equity ratio fell 1.6 percentage points from the end of the previous fiscal year to 57.0%.

Cash Flow Analysis

Net cash provided by operating activities for the fiscal year ended March 31, 2016, increased ¥33,906 million year on year to ¥105,215 million. The increase was primarily attributable to a rise in advances received as a result of the increase in orders of FPD lithography equipment, as well as the posting of income before income taxes.

Net cash used in investing activities increased ¥55,936 million year on year to ¥80,881 million. In addition to the expenditure of purchase of property, plant and equipment, the increase was mainly due to the purchase of shares associated with the acquisition of 100% ownership of Optos Plc.

Net cash used in financing activities decreased ¥6,781 million year on year to ¥18,174 million, as the corporate bond was redeemed in the previous fiscal year.

Balance Sheet Analysis

As of March 31, 2015 and 2016

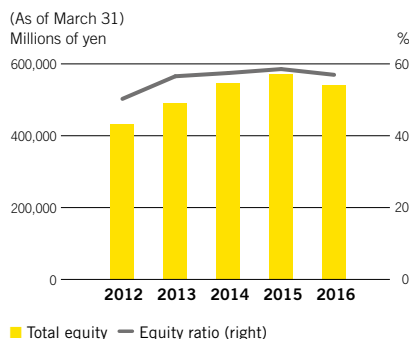
	% of Total Assets	
	2015	2016
Total assets	100.0%	100.0%
Total current assets	70.5	70.0
Inventories	24.7	26.2
Property, plant and equipment	15.2	13.5
Investments and other assets	14.3	16.5
Total current liabilities	29.5	31.1
Short-term borrowings	1.4	1.4
Long-term debt, less current portion	8.7	9.0
Total equity	58.8	57.2

Basic Policy on Shareholder Returns; Current and Subsequent Term Dividends

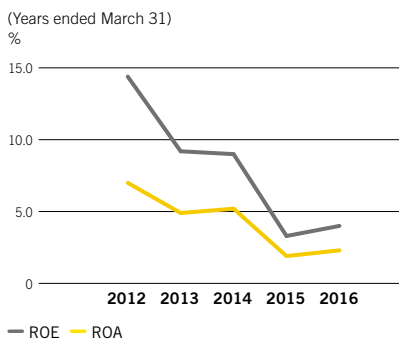
The Group's policy on shareholder returns is as follows: "Along with expanding investment (in capital and in development) in business and technology development to ensure future growth as we take steps to enhance competitiveness, our fundamental approach is to pay a steady dividend that reflects the perspective of shareholders." Based on this policy, the Group provided shareholder returns, aiming from the previous fiscal year to provide a

total return ratio of more than 30% to better reflect business performance. For the fiscal year under review, the Group set the year-end dividend at ¥10 per share. When combined with the interim dividend of ¥8 per share, the full-year dividend amounted to ¥18 per share. Dividends for the fiscal year ending March 31, 2017, have yet to be determined.

Total Equity / Equity Ratio

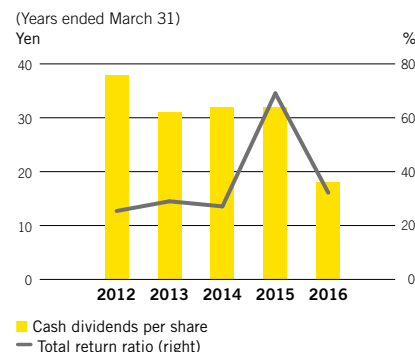


ROE / ROA



* ROE is calculated as net income (loss) attributable to owners of the parent divided by average shareholders' equity, and ROA is calculated as net income (loss) attributable to owners of the parent divided by average total assets.

Cash Dividends per Share / Total Return Ratio



Consolidated Financial Statements

Consolidated Balance Sheet

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	2015	2016	2016
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
ASSETS			
Current assets:			
Cash and cash equivalents (Note 15)	¥ 259,625	¥ 251,210	\$ 2,229,414
Notes and accounts receivable—trade (Note 15):			
Customers	131,521	98,929	877,966
Unconsolidated subsidiaries and associated companies	34	61	543
Inventories (Note 5)	239,983	247,448	2,196,020
Deferred tax assets (Note 12)	37,862	37,451	332,362
Other current assets (Note 16)	20,651	28,982	257,202
Allowance for doubtful receivables	(4,160)	(2,434)	(21,597)
Total current assets	685,516	661,647	5,871,910
Property, plant and equipment (Note 6):			
Land	16,143	15,681	139,168
Buildings and structures	133,377	130,932	1,161,982
Machinery and equipment	209,496	202,722	1,799,095
Furniture and fixtures	86,149	84,266	747,834
Lease assets	9,317	8,403	74,571
Construction in progress	4,393	3,566	31,648
Total	458,875	445,570	3,954,298
Accumulated depreciation	(310,790)	(317,910)	(2,821,357)
Net property, plant and equipment	148,085	127,660	1,132,941
Investments and other assets:			
Investment securities (Notes 4 and 15)	70,117	62,274	552,663
Investments in and advances to unconsolidated subsidiaries and associated companies	10,972	11,926	105,836
Long-term loans to employees and other	355	78	691
Asset for retirement benefits (Note 8)	9,659	1,700	15,083
Software	20,482	17,900	158,854
Goodwill	3,076	20,766	184,292
Security deposits	3,958	3,582	31,789
Deferred tax assets (Note 12)	10,153	7,591	67,369
Other	10,858	30,747	272,883
Allowance for doubtful receivables	(286)	(44)	(389)
Total investments and other assets	139,344	156,520	1,389,071
Total	¥ 972,945	¥ 945,827	\$ 8,393,922

See notes to consolidated financial statements.

	2015	2016	2016
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 7 and 15)	¥ 13,600	¥ 13,600	\$ 120,696
Current portion of long-term debt (Notes 7 and 15)	16,012	13,671	121,330
Notes and accounts payable—trade (Note 15):			
Suppliers	113,206	116,757	1,036,178
Unconsolidated subsidiaries and associated companies	519	643	5,706
Income taxes payable (Note 15)	5,038	4,012	35,602
Accrued expenses (Note 15)	58,455	53,616	475,823
Advances received	46,489	67,960	603,123
Provision for product warranties	9,166	7,066	62,711
Other current liabilities (Note 16)	24,780	17,100	151,761
Total current liabilities	287,265	294,425	2,612,930
Long-term liabilities:			
Long-term debt (Notes 7 and 15)	85,886	85,501	758,795
Liability for retirement benefits (Note 8)	8,477	8,902	79,003
Asset retirement obligations	3,624	3,658	32,460
Deferred tax liabilities (Note 12)	11,472	8,952	79,445
Other long-term liabilities (Note 16)	4,020	3,381	30,012
Total long-term liabilities	113,479	110,394	979,715
Commitments and contingent liabilities (Notes 14, 16, and 17)			
Equity:			
Common stock (Note 9):			
Authorized—1,000,000,000 shares;			
issued—400,878,921 shares in 2015 and 2016	65,476	65,476	581,078
Capital surplus (Note 9)	80,712	80,625	715,515
Stock acquisition rights (Note 10)	1,133	1,339	11,885
Retained earnings (Note 9)	378,516	388,730	3,449,858
Treasury stock—at cost (Notes 2 (k) and 9):			
4,152,366 shares in 2015 and 4,687,767 shares in 2016	(12,413)	(13,255)	(117,634)
Accumulated other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities	20,774	11,735	104,153
Deferred gain (loss) on derivatives under hedge accounting	(1,201)	(35)	(312)
Foreign currency translation adjustments	40,518	12,551	111,383
Defined retirement benefit plans	(1,821)	(6,688)	(59,353)
Total	571,694	540,478	4,796,573
Non-controlling interests	507	530	4,704
Total equity	572,201	541,008	4,801,277
Total	¥972,945	¥945,827	\$8,393,922

Consolidated Statement of Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Net sales	¥857,782	¥822,916	\$7,303,124
Cost of sales	532,383	505,298	4,484,360
Gross profit	325,399	317,618	2,818,764
Selling, general and administrative expenses (Note 11)	281,987	280,917	2,493,051
Operating income	43,412	36,701	325,713
Other income (expenses):			
Interest and dividend income	2,713	3,246	28,805
Interest expense	(1,406)	(1,385)	(12,289)
Foreign exchange losses	(1,789)	(172)	(1,526)
Loss on sales of property, plant and equipment	(56)	(26)	(234)
Loss on impairment of long-lived assets (Note 6)	(16,230)	(8,449)	(74,984)
Loss on valuation of investment securities	(3)		
Gain on sales of property, plant and equipment	92	3,173	28,158
Gain on sales of investment securities	4,982	573	5,083
Restructuring expenses (Note 20)		(2,726)	(24,194)
Environmental expenses (Note 21)		(1,833)	(16,271)
Equity in earnings of associated companies	1,421	1,449	12,860
Other—net	2,017	3,030	26,902
Other income (expenses)—net	(8,259)	(3,120)	(27,690)
Income before income taxes	35,153	33,581	298,023
Income taxes (Note 12):			
Current	11,006	11,008	97,689
Deferred	5,729	282	2,505
Total income taxes	16,735	11,290	100,194
Net income	18,418	22,291	197,829
Net income attributable to non-controlling interests	54	99	881
Net income attributable to owners of the parent	¥ 18,364	¥ 22,192	\$ 196,948
		Yen	U.S. Dollars (Note 1)
Per share of common stock (Notes 2 (r) and 19):			
Basic net income	¥46.29	¥55.98	\$0.50
Diluted net income	46.21	55.85	0.50
Cash dividends applicable to the year	32.00	18.00	0.16

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Net income	¥18,418	¥ 22,291	\$ 197,829
Other comprehensive income (loss) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	7,915	(9,039)	(80,220)
Deferred gain (loss) on derivatives under hedge accounting	(1,041)	1,166	10,345
Foreign currency translation adjustments	23,201	(28,020)	(248,666)
Defined retirement benefit plans	928	(4,884)	(43,345)
Share of other comprehensive income (loss) in associates	11	18	155
Total other comprehensive income (loss)	31,014	(40,759)	(361,731)
Comprehensive income (loss)	¥49,432	¥(18,468)	\$(163,902)
Total comprehensive income (loss) attributable to:			
Owners of the parent	¥49,271	¥(18,515)	\$(164,319)
Non-controlling interests	161	47	417

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	Thousands	Millions of Yen												
		Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Non-Controlling Interests	Total Equity
								Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, April 1, 2014 (as previously reported)	396,660	¥65,476	¥80,712	¥ 953	¥384,843	¥(12,619)	¥12,859	¥ (160)	¥ 17,424	¥(2,762)	¥546,726	¥ 87	¥546,813	
Cumulative effect of accounting change					(11,971)						(11,971)		(11,971)	
BALANCE, April 1, 2014 (as restated)	396,660	¥65,476	¥80,712	¥ 953	¥372,872	¥(12,619)	¥12,859	¥ (160)	¥ 17,424	¥(2,762)	¥534,755	¥ 87	¥534,842	
Adjustment of retained earnings for newly consolidated subsidiaries and liquidation of consolidated subsidiaries					88						88		88	
Net income attributable to owners of the parent (Note 2 (c))					18,364						18,364		18,364	
Cash dividends, ¥32.0 per share					(12,693)						(12,693)		(12,693)	
Purchase of treasury stock	(4)					(6)					(6)		(6)	
Disposal of treasury stock	71				(115)	212					97		97	
Net change in the year				180			7,915	(1,041)	23,094	941	31,089	420	31,509	
BALANCE, March 31, 2015	396,727	¥65,476	¥80,712	¥1,133	¥378,516	¥(12,413)	¥20,774	¥(1,201)	¥ 40,518	¥(1,821)	¥571,694	¥507	¥572,201	
Net income attributable to owners of the parent (Note 2 (c))					22,192						22,192		22,192	
Cash dividends, ¥30.0 per share					(11,902)						(11,902)		(11,902)	
Purchase of treasury stock	(580)					(976)					(976)		(976)	
Disposal of treasury stock	45				(76)	134					58		58	
Change in the parent's ownership interest due to transactions with non-controlling interests (Note 2 (c))				(87)							(87)		(87)	
Net change in the year				206			(9,039)	1,166	(27,967)	(4,867)	(40,501)	23	(40,478)	
BALANCE, March 31, 2016	396,192	¥65,476	¥80,625	¥1,339	¥388,730	¥(13,255)	¥11,735	¥ (35)	¥ 12,551	¥(6,688)	¥540,478	¥530	¥541,008	

Thousands of U.S. Dollars (Note 1)

	Thousands	Thousands of U.S. Dollars (Note 1)												
		Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Non-Controlling Interests	Total Equity
								Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, March 31, 2015		\$581,078	\$716,289	\$10,051	\$3,359,208	\$(110,160)	\$184,373	\$(10,657)	\$ 359,585	\$(16,164)	\$5,073,603	\$4,501	\$5,078,104	
Net income attributable to owners of the parent (Note 2 (c))					196,948						196,948		196,948	
Cash dividends, \$0.266 per share					(105,628)						(105,628)		(105,628)	
Purchase of treasury stock						(8,662)					(8,662)		(8,662)	
Disposal of treasury stock					(670)	1,188					518		518	
Change in the parent's ownership interest due to transactions with non-controlling interests (Note 2 (c))				(774)							(774)		(774)	
Net change in the year				1,834			(80,220)	10,345	(248,202)	(43,189)	(359,432)	203	(359,229)	
BALANCE, March 31, 2016		\$581,078	\$715,515	\$11,885	\$3,449,858	\$(117,634)	\$104,153	\$ (312)	\$ 111,383	\$(59,353)	\$4,796,573	\$4,704	\$4,801,277	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

	2015	2016	2016
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
Operating activities:			
Income before income taxes	¥ 35,153	¥ 33,581	\$ 298,023
Adjustments for:			
Income taxes—paid	(11,108)	(12,783)	(113,443)
Depreciation and amortization	38,458	37,739	334,918
Loss on impairment of long-lived assets	16,230	8,449	74,984
Provision (reversal) for doubtful receivables	3	(1,425)	(12,649)
Provision (reversal) for product warranties	(863)	(1,984)	(17,605)
Interest and dividends income	(2,713)	(3,246)	(28,805)
Interest expenses	1,406	1,385	12,289
Loss (gain) on sales of property, plant and equipment	(35)	(3,146)	(27,924)
Loss (gain) on sales of investment securities	(4,982)	(573)	(5,083)
Loss (gain) on valuation of investment securities	3		
Equity in earnings of associated companies	(1,421)	(1,449)	(12,860)
Other—net	32	19,028	168,869
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable—trade	(3,777)	30,813	273,458
Decrease (increase) in inventories	15,103	(17,099)	(151,748)
Increase (decrease) in notes and accounts payable—trade	(4,892)	3,555	31,549
Increase (decrease) in accrued expenses	1,669	(4,330)	(38,424)
Increase (decrease) in advances received	(4,044)	21,215	188,273
Increase (decrease) in net defined benefit liability	(875)	(223)	(1,981)
Other—net	(2,038)	(4,292)	(38,091)
Total adjustments	36,156	71,634	635,727
Net cash provided by operating activities	71,309	105,215	933,750
Investing activities:			
Purchases of property, plant and equipment	(22,337)	(21,957)	(194,863)
Proceeds from sales of property, plant and equipment	377	3,678	32,645
Purchases of investment securities	(1,028)	(6,791)	(60,270)
Proceeds from sales of investment securities	6,947	1,009	8,955
Purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 22)		(43,563)	(386,604)
Net decrease (increase) in loans receivable	(20)	(162)	(1,442)
Other—net	(8,884)	(13,095)	(116,212)
Net cash used in investing activities	(24,945)	(80,881)	(717,791)
Financing activities:			
Net increase (decrease) in short-term borrowings	(896)	(0)	(2)
Proceeds from long-term debt		12,500	110,934
Repayments of long-term debt	(10,000)	(15,000)	(133,120)
Dividends paid	(12,686)	(11,910)	(105,700)
Dividends paid to non-controlling interests	(35)	(24)	(213)
Other—net	(1,338)	(3,740)	(33,183)
Net cash used in financing activities	(24,955)	(18,174)	(161,284)
Foreign currency translation adjustments on cash and cash equivalents	14,196	(14,575)	(129,353)
Net increase (decrease) in cash and cash equivalents	35,605	(8,415)	(74,678)
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	2,652		
Cash and cash equivalents, beginning of year	221,368	259,625	2,304,092
Cash and cash equivalents, end of year	¥259,625	¥251,210	\$2,229,414

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2016

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside of Japan. In addition,

certain reclassifications have been made in the 2015 financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikon Corporation (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at the rate of ¥112.68 to \$1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements as of March 31, 2016 include the accounts of the Company and its 84 (75 in 2015) significant subsidiaries (together, the “Group”). Changes include addition of Optos Plc, Nikon CeLL innovation Co., Ltd., etc., and exclusion of one subsidiary. Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies in 2015 and 2016 are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition (goodwill) is amortized on a straight-line basis principally over 10 years; otherwise, it is charged to income when incurred if the amounts are immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit or loss included in assets resulting from transactions within the Group has also been eliminated.

The fiscal year-end of Nikon Imaging (China) Co., Ltd.; Nikon Precision Shanghai Co., Ltd.; Nikon Imaging (China) Sales Co., Ltd.; Nikon (Russia) LLC.; Nikon Mexico, S.A. de C.V.; NIKON DO BRASIL LTDA.; Nikon Instruments (Shanghai) Co., Ltd.; Hikari Glass (Changzhou) Optics Co., Ltd.; Nikon Lao Co., Ltd. and Nanjing Nikon Jiangnan Optical Instrument Co., Ltd. is December 31. In preparing the consolidated financial statements, the Group used financial statements of those companies that had been prepared on the basis of the provisional closing of their accounts as of the consolidated closing date.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; and 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

(c) Business Combinations

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

- (i) Transactions with non-controlling interest—A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (ii) Presentation of the consolidated balance sheet—In the consolidated balance sheet, “minority interest” under the previous accounting standard is changed to “non-controlling interest” under the revised accounting standard.
- (iii) Presentation of the consolidated statement of income—In the consolidated statement of income, “income before minority interest” under the previous accounting standard is changed to “net income” under the revised accounting standard, and “net income” under the previous accounting standard is changed to “net income attributable to owners of the parent” under the revised accounting standard.
- (iv) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
- (v) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (i), (ii), (iii), (iv), and (v) are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (ii) and (iii). In the case of earlier application, all accounting standards and guidance above, except for (ii) and (iii), shall be applied simultaneously.

The revised accounting standards and guidance for (ii) presentation of the consolidated balance sheet and (iii) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The Company early applied the revised accounting standards and guidance for (i) and (v) above, effective April 1, 2014, and (iv) for a business combination occurring after April 1, 2014.

In addition, the method of presentation was changed in the consolidated statement of cash flows. The cash flows for purchases or sales of ownership interests in its subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

With respect to (ii) presentation of the consolidated balance sheet and (iii) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

The Company acquired 100% of the shares of Optos Plc on May 23, 2015, and accounted for the acquisition by the purchase method of accounting (see Note 3).

(d) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and mutual funds invested in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(e) Inventories

Inventories of the Company and its domestic subsidiaries are stated at the lower of cost, determined principally by the average method, or net selling value. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is principally computed by the straight-line method. The major ranges of useful lives are from 30 to 40 years for buildings and from 5 to 10 years for machinery. The useful lives for lease assets are the terms of the respective leases.

(g) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(h) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

- (i) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and
- (ii) Marketable available-for-sale securities, which are not classified as held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The Company records investments in limited liability investment partnerships (deemed "investment securities" under the provisions set forth in Article 2, Item 2 of the Japanese Financial Instruments and Exchange Law) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.

(i) Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan, and its consolidated domestic subsidiaries have a defined benefit corporate pension plan and unfunded retirement benefit plans. Certain domestic subsidiaries have a smaller enterprise retirement allowance mutual aid system. Certain foreign subsidiaries also have a defined benefit plan and a defined contribution pension plan.

Effective April 1, 2000, the Group adopted a new Accounting Standard for Retirement Benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Past service costs and actuarial gains or losses are mostly being amortized over 10 years.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits,"

which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (i) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (ii) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
- (iii) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (i) and (ii) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (iii) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (i) and (ii) above, effective March 31, 2014, and for (iii) above, effective April 1, 2014.

With respect to (iii) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, while the method of determining discount rates has been changed from the method where the period for bonds, which forms the basis for determining the discount rate, is determined based on the approximate number of years of the average remaining service period of employees, to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment, as well as the amount of retirement benefits payment for each such period.

(j) Stock Options

In December 2005, the ASBJ issued ASBJ Standard No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(k) Employee Stock Ownership Plan

The Company introduced a performance-based stock remuneration system called "Executive Compensation BIP (Board Incentive Plan) Trust" for its directors, etc., from June 2015, aiming to reinforce the incentive closely linked to the achievement defined in the Medium-Term Management Plan and sustainable enhancement of corporate value.

The Executive Compensation BIP Trust is a stock incentive plan that the delivery and payment of the Company's shares and the cash equivalent of the conversion value of those shares will be conducted every three years based on the degree of accomplishment of business performance in the final fiscal year of the Medium-Term Management Plan.

The Executive Compensation BIP Trust is accounted for in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015).

In accordance with PITF No. 30, upon transfer of treasury stock to the employee stock ownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record 1) the entity stock held by the Trust as treasury stock in equity, 2) all other assets and liabilities of the Trust on a line-by-line basis, and 3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

The Company's shares held by the trust were recorded as treasury stock under equity in the consolidated balance sheet at the carrying amount of the trust. The carrying amount and the number of the Company shares at the end of the year ended March 31, 2016 were ¥970 million and 576,900 shares, respectively.

(l) Research and Development Costs

Research and development costs are charged to income as incurred.

(m) Leases

Finance lease transactions are capitalized and recognized as lease assets and lease obligations in the consolidated balance sheet.

All other leases are accounted for as operating leases.

(n) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Company and some foreign subsidiaries file a tax return under the consolidated corporate tax system, which allows the companies to base tax payments on the combined profits or losses of the Company and their wholly owned domestic subsidiaries.

(o) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into reporting currencies, with which the Company and its consolidated subsidiaries prepare for their separate financial statements, at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(p) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

(q) Derivatives and Hedging Activities

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, currency options, foreign currency swaps, and interest rate swaps to hedge foreign exchange risk and interest rate exposures. The Group does not use derivatives for trading or speculative purposes.

Derivatives and foreign currency transactions are classified and accounted for as follows: (i) all derivatives are recognized principally as either assets or liabilities and remeasured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and (ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the related unrealized gains or losses are recognized in income. Forward contracts entered into for forecast transactions are also measured at fair value, but the unrealized gains or losses on qualifying hedges are deferred until the underlying transactions have been completed. The foreign currency swaps used to hedge the foreign currency fluctuations of long-term debt denominated in foreign currencies are measured at fair value and the unrealized gains or losses are included in the carrying amounts of the debt. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity.

(r) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(s) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(i) Changes in Accounting Policies:

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(ii) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(iii) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(iv) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

(t) New Accounting Pronouncements

Tax Effect Accounting

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. Business Combination

(Business Combination by Acquisition)

(1) Summary of business combination

(i) Name and business of acquired company

Name of company: Optos Plc

Description of business: Provider of retinal diagnostic imaging equipment to optometrists and ophthalmologists

(ii) Primary reason for business combination

Through this business combination, the Group is making a full-scale entry into the Medical Business based on the strong business foundation in retinal diagnostic imaging equipment held by Optos Plc. Moreover, the Group will expand its earnings foundation with the synergy generated from improving the technical superiority of products in the diagnosis and treatment fields by promoting product development through integration of its technology with that of Optos Plc, and gaining a geographical advantage.

(iii) Date of business combination

May 22, 2015

(iv) Legal form of business combination

Acquisition of shares

(v) Name of company after acquisition

Optos Plc

(vi) Percentage of voting rights acquired

100%

(vii) Primary basis for determination of acquiring company

Nikon Corporation paid cash in consideration for acquiring 100% of the voting rights of Optos Plc.

(2) The accounting period for which the operations of the acquired company are included in the consolidated statement of income

The operations of the acquired company for the 10 months from June 1, 2015 to March 31, 2016 were included in the consolidated statement of income for the year ended March 31, 2016.

(3) Acquisition cost and breakdown by the type of considerations

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition: Cash	¥48,128	\$427,122
Acquisition cost	¥48,128	\$427,122

(4) Acquisition-related cost

	Millions of Yen	Thousands of U.S. Dollars
Advisory fee, etc.	¥1,175	\$10,434

(5) Amount, reason for recognition, amortization method and period of goodwill

(i) Amount of goodwill recognized

¥22,009 million (\$195,327 thousand)

(ii) Reason for recognition of goodwill

Excess earnings power which is expected from the development of the business in the future

(iii) Method and period of amortization

Straight-line method over 10 years

(6) Assets and liabilities of the acquired companies at the date of the business combination

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥18,405	\$163,341
Non-current assets	23,783	211,068
Total assets	¥42,188	\$374,409
Current liabilities	¥ 7,706	\$ 68,391
Non-current liabilities	7,529	66,820
Total liabilities	¥15,235	\$135,211

(7) Amount allocated to intangible assets other than goodwill, its breakdown by major types, and weighted average amortization period by major types

Type of asset	Amount		Amortization Period
	Millions of Yen	Thousands of U.S. Dollars	Years
Technological-related assets	¥21,987	\$195,126	13

(8) Pro forma impact on the consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year (Unaudited)

Pro forma impact on the consolidated statement of income is omitted due to its immateriality.

4. Investment Securities

Investment securities as of March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Non-current:			
Equity securities	¥69,167	¥59,491	\$527,966
Investment in limited liability investment partnerships	950	2,783	24,697
Total	¥70,117	¥62,274	\$552,663

The costs and aggregate fair values of investment securities as of March 31, 2015 and 2016 were as follows:

	Millions of Yen			Millions of Yen
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	¥39,058	¥29,925	¥538	¥68,445
Total	¥39,058	¥29,925	¥538	¥68,445

	Millions of Yen			Millions of Yen
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2016				
Securities classified as:				
Available-for-sale:				
Equity securities	¥41,630	¥18,642	¥2,138	¥58,134
Total	¥41,630	¥18,642	¥2,138	¥58,134

	Thousands of U.S. Dollars			Thousands of U.S. Dollars
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2016				
Securities classified as:				
Available-for-sale:				
Equity securities	\$369,456	\$165,442	\$18,978	\$515,920
Total	\$369,456	\$165,442	\$18,978	\$515,920

Carrying amounts of available-for-sale securities whose fair value was not readily determinable as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Available-for-sale:			
Equity securities	¥ 722	¥1,357	\$12,046
Investment in limited liability investment partnerships	950	2,783	24,697
Total	¥1,672	¥4,140	\$36,743

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015 and 2016 were ¥6,947 million and ¥1,009 million (\$8,955 thousand), respectively. Gross realized gains for the year ended March 31, 2015 were ¥4,982 million. Gross realized gains on these sales computed on a moving-average cost basis for the year ended March 31, 2016 were ¥573 million (\$5,083 thousand).

5. Inventories

Inventories at March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Finished and semifinished products	¥ 85,957	¥103,149	\$ 915,414
Work in process	121,930	117,632	1,043,943
Raw materials and supplies	32,096	26,667	236,663
Total	¥239,983	¥247,448	\$2,196,020

6. Long-Lived Assets

The Nikon Group classifies its long-lived assets by business segment or subsegment, the smallest units that generate generally independent cash flows, as well as important idle assets that can be evaluated separately.

The Group recognized an impairment loss of ¥15,220 million as other expense for the Semiconductor Lithography Business Unit of the Precision Equipment Business due to declining profitability of the unit, and the carrying amounts of the following long-lived assets were written down to the recoverable amounts for the year ended March 31, 2015.

Also, the Group reviewed its long-lived assets for impairment as of March 31, 2015 and recognized an impairment loss of ¥1,010 million as "Loss on impairment of long-lived assets" for the idle machinery, equipment, furniture and structures in Japan, China, and Thailand, as no specific use is expected in the future for these assets.

The Group recognized an impairment loss of ¥7,048 million (\$62,546 thousand) as other expense for the Semiconductor Lithography Business Unit of the Precision Equipment Business due to declining profitability of the unit, and the carrying amounts of the following long-lived assets were written down to the recoverable amounts for the year ended March 31, 2016.

Also, the Group reviewed its long-lived assets for impairment as of March 31, 2016 and recognized an impairment loss of ¥1,401 million (\$12,438 thousand) as "Loss on impairment of long-lived assets" for the idle machinery, equipment, furniture and structures in Japan, China, and Thailand, as no specific use is expected in the future for these assets.

Place	Usage	Type	Millions of Yen		Thousands of U.S. Dollars
			2015	2016	2016
Kumagaya, Saitama and others	Assets for business	Buildings and structures	¥ 2,755		
		Machinery, equipment and vehicle	6,464	¥5,486	\$48,688
		Lease assets	328	102	901
		Construction in progress	1,900	952	8,445
		Tools, furniture and fixtures	1,464	196	1,744
		Intangible assets (except goodwill)	2,166	290	2,576
		Long-term prepaid expense	143	22	192
Total		¥15,220	¥7,048	\$62,546	

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Short-term loans, principally from banks:			
2015: 0.30420% – 0.60000%			
2016: 0.20700% – 0.42091%	¥13,600	¥13,600	\$120,696
Total	¥13,600	¥13,600	\$120,696

Long-term debt at March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Loans, principally from banks and insurance companies:			
2015: 0.61300% – 1.95250% due 2015 - 2026			
2016: 0.23000% – 1.19375% due 2016 - 2028	¥ 49,600	¥ 47,100	\$ 417,998
Obligations under finance leases	2,298	2,072	18,392
Bonds	50,000	50,000	443,735
Total	101,898	99,172	880,125
Less: Current portion	(16,012)	(13,671)	(121,330)
Long-term debt, less current portion	¥ 85,886	¥ 85,501	\$ 758,795

The aggregate annual maturities of long-term debt at March 31, 2016 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥13,671	\$121,330
2018	10,530	93,447
2019	331	2,939
2020	2,359	20,932
2021	11,088	98,404
Thereafter	61,193	543,073
Total	¥99,172	\$880,125

8. Retirement and Pension Plans

The Company has a defined-benefit corporate pension plan (cash balance plan) and a defined-contribution pension plan, and its consolidated domestic subsidiaries have a defined-benefit corporate pension plan and unfunded retirement benefit plans. Certain domestic subsidiaries have a smaller enterprise retirement allowance mutual aid system. Certain foreign subsidiaries also have a defined benefit plan and a defined contribution pension plan.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at beginning of year (as previously reported)	¥118,130	¥147,315	\$1,307,378
Cumulative effect of accounting changes	18,587		
Balance at the beginning of the year (as restated)	136,717	147,315	1,307,378
Current service cost	3,418	3,471	30,807
Interest cost	2,418	2,060	18,277
Actuarial gains and losses	9,477	4,383	38,894
Benefits paid	(6,986)	(6,707)	(59,520)
Others	2,271	(2,988)	(26,517)
Balance at end of year	¥147,315	¥147,534	\$1,309,319

(2) The changes in plan assets for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at beginning of year	¥132,722	¥148,497	\$1,317,864
Expected return on plan assets	2,655	2,268	20,128
Actuarial gains and losses	11,002	(4,419)	(39,213)
Contributions from the employer	7,454	3,489	30,965
Benefits paid	(7,056)	(6,665)	(59,150)
Others	1,720	(2,838)	(25,195)
Balance at end of year	¥148,497	¥140,332	\$1,245,399

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2016 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Funded defined benefit obligation	¥ 145,348	¥ 145,797	\$ 1,293,907
Plan assets	(148,497)	(140,332)	(1,245,399)
	(3,149)	5,465	48,508
Unfunded defined benefit obligation	1,967	1,737	15,412
Net asset for defined benefit obligation	(1,182)	7,202	63,920
Liability for retirement benefits	8,477	8,902	79,003
Asset for retirement benefits	(9,659)	(1,700)	(15,083)
Net asset for defined benefit obligation	¥ (1,182)	¥ 7,202	\$ 63,920

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Service cost	¥ 3,418	¥ 3,471	\$ 30,807
Interest cost	2,419	2,060	18,277
Expected return on plan assets	(2,655)	(2,268)	(20,128)
Amortization of past service cost	(196)	1,395	12,384
Recognized actuarial gains and losses	874	(176)	(1,561)
Other	700	1,208	10,716
Net periodic benefit costs	¥ 4,560	¥ 5,690	\$ 50,495

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Past service cost	¥ (196)	¥ (176)	\$ (1,561)
Actuarial gains and losses	1,910	(7,037)	(62,455)
Total	¥1,714	¥(7,213)	\$(64,016)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrecognized past service cost	¥ 332	¥ 156	\$ 1,388
Unrecognized actuarial gains and losses	(2,744)	(9,782)	(86,820)
Total	¥(2,412)	¥(9,626)	\$(85,432)

(7) Plan assets as of March 31, 2015 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2015	2016
Debt investments	58%	61%
Equity investments	36	32
General account	3	4
Others	3	3
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2016 were set forth mainly as follows:

	2015	2016
Discount rate	1.0%	0.5%
Expected rate of return on plan assets	1.3%	1.0%

9. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Stock Options

The stock options outstanding as of March 31, 2016 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Options	11 directors 10 officers	178,000 shares	June 29, 2005	¥1,273	From June 30, 2007 to June 29, 2015
2007 Stock Options	12 directors 12 officers	99,000 shares	March 14, 2007	¥2,902	From February 28, 2009 to February 27, 2017
2007 Stock Options	8 directors 15 officers	26,100 shares	August 27, 2007	¥ 1	From August 28, 2007 to August 27, 2037
2008 Stock Options	8 directors 16 officers	117,900 shares	November 25, 2008	¥ 1	From November 26, 2008 to November 25, 2038
2009 Stock Options	9 directors 15 officers	68,100 shares	August 10, 2009	¥ 1	From August 11, 2009 to August 10, 2039
2010 Stock Options	10 directors 13 officers	66,800 shares	July 14, 2010	¥ 1	From July 15, 2010 to July 14, 2040
2012 Stock Options	10 directors 14 officers	99,700 shares	March 19, 2012	¥ 1	From March 20, 2012 to March 19, 2042
2012 Stock Options	8 directors 16 officers	108,300 shares	August 23, 2012	¥ 1	From August 24, 2012 to August 23, 2042
2013 Stock Options	8 directors 15 officers	119,600 shares	August 1, 2013	¥ 1	From August 2, 2013 to August 1, 2043
2014 Stock Options	8 directors 18 officers	177,400 shares	August 1, 2014	¥ 1	From August 2, 2014 to August 1, 2044
2015 Stock Options	7 directors 18 officers	207,000 shares	July 28, 2015	¥ 1	From July 29, 2015 to July 28, 2045

The stock option activities are as follows:

	2005 Stock Options	2007 Stock Options	2007 Stock Options	2008 Stock Options	2009 Stock Options	2010 Stock Options	2012 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
For the year ended March 31, 2015											
<u>Non-vested</u>											
April 1, 2014-Outstanding											
Granted										177,400	
Canceled											
Vested										177,400	
March 31, 2015-Outstanding											
<u>Vested</u>											
April 1, 2014-Outstanding	97,000	79,000	24,200	111,300	65,100	64,000	99,700	108,300	119,600		
Vested										177,400	
Exercised	40,000		2,500	1,000			4,000				
Canceled		11,000									
March 31, 2015-Outstanding	57,000	68,000	21,700	110,300	65,100	64,000	95,700	108,300	119,600	177,400	
Exercise price	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	1
Average stock price at exercise	¥ 1,594		¥ 1,582	¥ 1,577			¥ 1,574				
Fair value price at grant date		¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037	¥ 1,726	¥ 1,632	¥ 1,183	

For the year ended March 31, 2016

<u>Non-vested</u>											
March 31, 2015-Outstanding											
Granted											207,000
Canceled											
Vested											207,000
March 31, 2016-Outstanding											

	2005 Stock Options	2007 Stock Options	2007 Stock Options	2008 Stock Options	2009 Stock Options	2010 Stock Options	2012 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2015 Stock Options
Vested											
March 31, 2015-Outstanding	57,000	68,000	21,700	110,300	65,100	64,000	95,700	108,300	119,600	177,400	
Vested											207,000
Exercised	44,000		700								
Canceled	13,000	6,000									
March 31, 2016-Outstanding		62,000	21,000	110,300	65,100	64,000	95,700	108,300	119,600	177,400	207,000
Exercise price	¥ 1,273	¥ 2,902	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥ 1,667		¥ 1,551								
Fair value price at grant date		¥ 840	¥ 3,259	¥ 734	¥ 1,408	¥ 1,527	¥ 2,037	¥ 1,726	¥ 1,632	¥ 1,183	¥ 1,040

The assumptions used to measure the fair value of 2016 Stock Options which were granted on July 28, 2015:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	44.086%
Estimated remaining outstanding period:	15 years
Estimated dividend:	¥32.00 per share
Risk-free interest rate:	0.765%

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2015 and 2016 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Advertising expenses	¥70,269	¥61,058	\$541,870
Provision for doubtful receivables	(71)	(405)	(3,597)
Provision of warranty costs	2,984	3,703	32,866
Employees' salaries	35,028	37,977	337,034
Net periodic retirement benefit cost	3,142	3,987	35,385
Employees' bonuses and others	17,360	20,262	179,817
Research and development costs	66,730	66,781	592,659

12. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 33.1% for the years ended March 31, 2015 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Deferred tax assets:			
Write-down of inventories	¥ 24,339	¥ 22,813	\$ 202,456
Liability for employees' retirement benefits	2,612	4,222	37,470
Depreciation and amortization	14,271	12,601	111,826
Impairment loss	5,982	6,838	60,688
Accrued bonuses	3,848	3,591	31,867
Tax loss carryforwards	5,342	5,570	49,436
Other	19,845	20,684	183,562
Subtotal	76,239	76,319	677,305
Less valuation allowance	(12,682)	(13,763)	(122,139)
Total	¥ 63,557	¥ 62,556	\$ 555,166

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	¥ 4,566	¥ 4,621	\$ 41,011
Unrealized gain on available-for-sale securities	8,792	4,737	42,036
Undistributed earnings of foreign subsidiaries	11,172	11,236	99,712
Other	3,027	6,130	54,405
Total	¥27,557	¥26,724	\$237,164
Net deferred tax assets	¥36,000	¥35,832	\$318,002

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015, is as follows:

	2015	2016
Normal effective statutory tax rate	35.6%	33.1%
Tax credit for research and development costs	(3.9)	(2.1)
Tax rate difference of consolidated subsidiaries	(8.5)	(11.1)
Deferred tax assets for unrealizable profits	(0.3)	4.8
Increase in valuation allowance	13.6	6.5
Tax effect on retained earnings for foreign subsidiaries	4.3	0.2
Tax exemption for foreign subsidiaries	(4.7)	(8.0)
Amortization of goodwill	0.7	2.4
Effect of corporate income tax rate reduction in Japan	8.0	4.5
Other—net	2.8	3.3
Actual effective tax rate	47.6%	33.6%

Pursuant to “Partial Revision of Income Tax Act” (Act No. 15 of 2016) and “Partial Revision of Local Tax Act” (Act No. 13 of 2016), which were enacted in the Diet session on March 29, 2016, reductions in corporate tax rates, etc. are applicable from the fiscal years starting on and after April 1, 2016. In accordance with this revision, the effective tax rate, applied to the calculation of deferred tax assets and deferred tax liabilities (for the temporary differences to be settled on and after April 1, 2016), is changed from 32.3% to 30.9% for temporary differences that are expected to be settled during the consolidated fiscal year starting April 1, 2016 and during the fiscal year starting April 1, 2017 and 30.6% for those expected to be settled in the consolidated fiscal years starting April 1, 2018, henceforth.

In accordance with the changes above, deferred tax assets (the net amount including deferred tax liabilities) decreased ¥1,205 million (\$10,693 thousand), while income tax-deferred increased ¥1,513 million (\$13,425 thousand).

13. Research and Development Costs

Research and development costs charged to income were ¥66,730 million and ¥66,781 million (\$592,659 thousand) for the years ended March 31, 2015 and 2016, respectively.

14. Leases

The Group leases certain machinery and equipment for manufacturing.

The minimum rental commitments under non-cancelable operating leases at March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Due within one year	¥3,615	¥3,743	\$33,221
Due after one year	3,697	3,858	34,240
Total	¥7,312	¥7,601	\$67,461

15. Financial Instruments and Related Disclosures

(a) Group Policy for Financial Instruments

The Group restricts fund management to short-term deposits, and funding is procured mainly through bank loans and bond issuance. Derivatives are used, not for speculative purposes, but to hedge foreign exchange risk and interest rate exposures.

(b) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. Although receivables in foreign currencies due to global operations are exposed to the market risk of fluctuation in foreign currency exchange rates, the position net of payables in foreign currencies is hedged, principally by using forward foreign currency contracts.

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

(c) Fair Values of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2015 and 2016 were as follows. The accounts for which fair value is deemed to be extremely difficult to calculate are not included below:

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain / Loss
Cash and cash equivalents	¥259,625	¥259,625	¥
Notes and accounts receivable—trade	127,433	127,433	
Investment securities	68,445	68,445	
Total	¥455,503	¥455,503	¥
Notes and accounts payable—trade	¥113,724	¥113,724	
Short-term borrowings	13,600	13,600	
Accrued expenses	58,455	58,455	
Income taxes payable	5,038	5,038	
Bonds	50,000	51,540	¥(1,540)
Long-term loans	49,600	50,177	(577)
Total	¥286,256	¥288,373	¥(2,117)
Derivatives	¥ (4,161)	¥ (4,161)	¥

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies, which involve the import of raw materials, are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Short-term borrowings are mainly related to working capital, and long-term debt is related primarily to working capital and capital investment. Although debts of variable interest rates are exposed to market risks from changes in variable interest rates, some long-term debts among those risks are mitigated by using derivatives of interest rate swaps to reduce the risk of fluctuations in interest expenses and to adjust the fixed interest. Please see “Summary of Significant Accounting Policies, Derivatives and Hedging Activities” for more details about hedging.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount. The counterparties to the Group's derivative contracts are limited to major international financial institutions to reduce credit risk.

Accounts payable and debts are exposed to liquidity risk. The Group manages its liquidity risk by contracting committed lines of credit.

March 31, 2016	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain / Loss	Carrying Amount	Fair Value	Unrealized Gain / Loss
Cash and cash equivalents	¥251,210	¥251,210	¥	\$2,229,414	\$2,229,414	\$
Notes and accounts receivable—trade	96,573	96,573		857,055	857,055	
Investment securities	58,134	58,134		515,920	515,920	
Total	¥405,917	¥405,917	¥	\$3,602,389	\$3,602,389	\$
Notes and accounts payable—trade	¥117,399	¥117,399		\$1,041,884	\$1,041,884	
Short-term borrowings	13,600	13,600		120,696	120,696	
Accrued expenses	53,616	53,616		475,823	475,823	
Income taxes payable	4,012	4,012		35,602	35,602	
Bonds	50,000	51,602	¥(1,602)	443,734	457,952	\$(14,217)
Long-term loans	47,100	48,054	(954)	417,998	426,466	(8,468)
Total	¥285,559	¥288,115	¥(2,556)	\$2,534,246	\$2,556,932	\$(22,685)
Derivatives	¥ (168)	¥ (168)	¥	\$ (1,491)	\$ (1,491)	\$

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Notes and accounts receivable—trade

The carrying values of notes and accounts receivable—trade approximate fair value because of their short maturities.

Carrying amounts and fair values of notes and accounts receivable—trade are the amounts after deduction of the allowance for doubtful receivables.

Investment securities and investments in and advances to unconsolidated subsidiaries and associated companies

The fair values of investment securities and investments in and advances to unconsolidated subsidiaries and associated companies are measured at the quoted market price of the stock exchange. The carrying values of investment securities and investments in and advances to unconsolidated subsidiaries and associated companies whose fair value is not readily determinable were ¥1,672 million and ¥10,972 million as of March 31, 2015 and ¥4,140 million and ¥11,926 million (\$36,743 thousand and \$105,836 thousand) as of March 31, 2016. Such investments are excluded from the table above, because it is difficult to estimate their fair values and impossible to estimate their future cash flows.

Notes and accounts payable, short-term borrowings and income taxes payable

The carrying values approximate fair value because of their short maturities.

Accrued expenses

The carrying values of accrued expenses approximate fair value because of their short maturities.

Long-term loans

The fair values of long-term loans are determined by discounting the future cash flows related to the loans at the rate assumed based on the yield of government bonds and credit spread. Long-term loans include the current portion, which is included in short-term loans payable in the consolidated balance sheet.

Bonds

The fair values of bonds are determined based on the market price, if it is available, or by discounting the future cash flows related to the debt at the rate assumed based on interest rates on government securities and credit risk.

Bonds are included in long-term debt in the consolidated balance sheet.

Derivatives

Derivatives are shown as the net amount of net realizable assets and liabilities that arose from derivative transactions. If the net amount is a liability, it is shown as negative amount. Fair value information for derivatives is included in Note 16, "Derivatives."

(d) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2015 and 2016

March 31, 2015	Millions of Yen	
	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥259,625	¥
Notes and accounts receivable	131,555	
Total	¥391,180	¥

March 31, 2016	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥251,210	¥	\$2,229,414	\$
Notes and accounts receivable	98,990		878,509	
Total	¥350,200	¥	\$3,107,923	\$

16. Derivatives

The Group enters into derivative contracts, including foreign exchange forward contracts, currency option contracts, foreign currency swap contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading purposes. Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including changes in interest or foreign exchange rates. Credit risk is the possibility that a loss may result from

a counterparty's failure to perform according to the terms and conditions of the contract.

Because the counterparties to the Group's derivative contracts are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2016 were as follows:

March 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Forward exchange contracts:				
Selling USD	¥ 17,458		¥ 10	¥ 10
Selling EUR	11,674		530	530
Selling Other	12,239		(215)	(215)
Buying JPY	38			
Buying USD	16,567		57	57
Buying Other	608		4	4
Total				¥ 386
Currency swap contracts:				
Yen receipt, Brazil Real payment	¥ 665		¥ 113	¥ 113
Yen receipt, Thai Baht payment	7,533	¥4,679	(2,867)	(2,867)
Total				¥(2,754)

March 31, 2016	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Forward exchange contracts:								
Selling USD	¥42,704		¥1,126	¥1,126	\$378,988		\$ 9,990	\$ 9,990
Selling EUR	10,452		134	134	92,760		1,193	1,193
Selling Other	8,100		(145)	(145)	71,888		(1,284)	(1,284)
Buying USD	8,612		(396)	(396)	76,432		(3,512)	(3,512)
Total				¥ 719				\$ 6,387
Currency swap contracts:								
Yen receipt, Thai Baht payment	¥ 4,679	¥1,825	¥ (842)	¥ (842)	\$ 41,522	\$16,194	\$(7,470)	\$(7,470)
Total				¥ (842)				\$(7,470)

Notes: Methods used to calculate fair values

(1) Forward exchange contracts:

Forward exchange rates are used to determine fair values of forward exchange contracts.

(2) Currency swap contracts:

The fair values of derivative transactions are measured at the quoted prices provided by financial institutions.

The currency swap amounts are notional amounts, which are shown in the above table, and do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(b) Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2016 were as follows:

March 31, 2015	Hedged Item	Contract Amount	Millions of Yen	
			Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling USD	Receivables (forecasted transaction)	¥ 8,885		¥ (102)
Selling EUR	Receivables (forecasted transaction)	16,141		618
Selling Others	Receivables (forecasted transaction)	336		2
Buying USD	Payables (forecasted transaction)	950		8
Total				¥ 526
Currency option contracts:				
Selling GBP (Put)	Forecasted transaction denominated in foreign currency	¥48,519		¥(2,161)
Selling GBP (Call)				
Total				¥(2,161)

March 31, 2016	Hedged Item	Contract Amount	Millions of Yen		Thousands of U.S. Dollars		
			Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:							
Selling USD	Receivables (forecasted transaction)	¥ 2,994		¥ 187	\$ 26,568		\$ 1,663
Selling EUR	Receivables (forecasted transaction)	32,538		541	288,769		4,804
Selling Others	Receivables (forecasted transaction)	514		(7)	4,560		(66)
Buying USD	Payables (forecasted transaction)	18,109		(492)	160,711		(4,368)
Buying Others	Payables (forecasted transaction)	679		(21)	6,028		(190)
Total				¥ 208			\$ 1,843

Notes: Method used to calculate the fair value

(1) Forward exchange contracts:

Forward exchange rates are used to determine fair values of forward exchange contracts.

(2) Currency option contracts:

The fair values of derivative transactions are measured at the quoted prices provided by financial institutions.

The currency option contracts are zero-cost option contracts. With respect to the zero-cost option contracts, the call option and put option are shown in aggregate as they are set in one contract.

17. Contingent Liabilities

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars	
	2016		2016	
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies		¥379		\$3,361
Total		¥379		\$3,361

18. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥15,583	¥(12,660)	\$(112,355)
Reclassification adjustments to profit or loss	(4,982)	(471)	(4,176)
Amount before income tax effect	10,601	(13,131)	(116,531)
Income tax effect	(2,686)	4,092	36,311
Total	¥ 7,915	¥ (9,039)	\$ (80,220)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ (2,776)	¥ 177	\$ 1,571
Reclassification adjustments to profit or loss	1,179	1,570	13,935
Amount before income tax effect	(1,597)	1,747	15,506
Income tax effect	556	(581)	(5,161)
Total	¥ (1,041)	¥ 1,166	\$ 10,345
Foreign currency translation adjustments:			
Adjustments arising during the year	¥23,201	¥(28,020)	\$(248,666)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 998	¥ (8,344)	\$ (74,057)
Reclassification adjustments to profit or loss	716	1,131	10,041
Amount before income tax effect	1,714	(7,213)	(64,016)
Income tax effect	(786)	2,329	20,671
Total	¥ 928	¥ (4,884)	\$ (43,345)
Share of other comprehensive income (loss) in associates:			
Gains (losses) arising during the year	¥ 11	¥ 18	\$ 155
Total other comprehensive income (loss)	¥31,014	¥(40,759)	\$(361,731)

19. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2016 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2015:				
Basic EPS				
Net income available to common shareholders	¥18,364	396,696	¥46.29	
Effect of dilutive securities				
Warrants (Stock option)		751		
Diluted EPS				
Net income for computation	¥18,364	397,447	¥46.21	
For the year ended March 31, 2016:				
Basic EPS				
Net income available to common shareholders	¥22,192	396,409	¥55.98	\$0.50
Effect of dilutive securities				
Warrants (Stock option)		937		
Diluted EPS				
Net income for computation	¥22,192	397,346	¥55.85	\$0.50

From the year ended March 31, 2016, the Company introduced the Executive Compensation BIP Trust, and the Company's shares held by the trust were recorded as treasury stock in the consolidated financial statements.

In accordance with the above, on computation of net income per share and net income per share (fully diluted), the Company's shares held by the Executive Compensation BIP Trust were included in the number of treasury stock, which was excluded from the calculation of average shares outstanding.

On computation of net income per share and net income per share (fully diluted), the average number of treasury stock excluded in relation to the Executive Compensation BIP Trust was 354,281 shares for the year ended March 31, 2016.

20. Restructuring Expenses

The expenses for merging sales sites in an effort to optimize the business operational structure mainly in Europe and in the Americas, as well as the premium retirement benefits paid to maintain an optimal number of staff, were recorded as restructuring expenses.

21. Environmental Expenses

An amount required for the treatment of contaminated soil of the land held by the Group was recorded.

22. Additional Information for Consolidated Statement of Cash Flows

As disclosed in Note 3, "Business Combination," the Group acquired Optos Plc on May 22, 2015. Assets and liabilities of the acquired companies and net cash used for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥18,405	\$163,341
Non-current assets	23,783	211,068
Goodwill	22,009	195,327
Current liabilities	(7,706)	(68,391)
Non-current liabilities	(7,529)	(66,820)
Foreign currency translation adjustments	(834)	(7,403)
Total acquisition costs of shares	48,128	427,122
Cash and cash equivalents of Optos Plc	(4,565)	(40,518)
Net cash used for acquisition of Optos Plc	¥43,563	\$386,604

23. Subsequent Event

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016 was approved at the Company's shareholders' meeting held on June 29, 2016:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Year-end cash dividends, ¥10.00 (\$0.09) per share	¥3,968	\$35,212

24. Segment Information

(1) Description of Reportable Segments

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

From the year ended March 31, 2016, the reportable segments were changed from the prior "Precision Equipment," "Imaging Products," and "Instruments" to "Precision Equipment," "Imaging Products," "Instruments," and "Medical" by adding the "Medical" segment.

Under the Medium-Term Management Plan, "Next 100-Transform to Grow," announced in June 2014, the Group added the Medical Business to its main operations and fully entered the business through the acquisition of Optos Plc. As such, the Group came to the conclusion that it is reasonable to disclose the "Medical" segment as a discrete reportable segment.

The Precision Equipment Business provides products and services with regard to semiconductor lithography systems and FPD lithography systems. The Imaging Products Business provides products and services related to imaging products and its peripheral domain, such as digital SLR cameras, compact digital cameras and interchangeable camera lenses. The Instruments Business provides products and services in relation to microscopes, measuring instruments, X-ray / CT inspection systems, etc. The Medical Business provides retinal diagnostic imaging equipment and services of Optos Plc.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Figures for segment profit (loss) are on an operating income (loss) basis. Intersegment sales or transfers are based on current market prices.

(3) Information on Sales, Profit (Loss), Assets, and Other Items

	Reportable Segments				Other	Total	Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Total				
Millions of Yen								
For the year ended March 31, 2015								
Sales:								
Sales to external customers	¥170,758	¥586,019	¥72,382	¥829,159	¥28,623	¥857,782		¥857,782
Intersegment sales or transfers	382	475	836	1,693	20,520	22,213	¥ (22,213)	
Total	¥171,140	¥586,494	¥73,218	¥830,852	¥49,143	¥879,995	¥ (22,213)	¥857,782
Segment profit (loss)	¥ 8,355	¥ 56,699	¥ 1,199	¥ 66,253	¥ 6,792	¥ 73,045	¥ (29,633)	¥ 43,412
Segment assets	199,389	224,197	61,521	485,107	67,998	553,105	419,840	972,945
Other:								
Amortization of goodwill			684	684		684		684
Depreciation and amortization	7,723	18,814	1,619	28,156	5,800	33,956	4,502	38,458
Increase in property, plant and equipment and intangible assets	6,034	8,329	1,789	16,152	8,366	24,518	8,032	32,550

Notes: 1. The "Other" category includes operations not included in the reportable segments, including the Glass Business and the Customized Products Business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥311 million and corporate expenses of minus ¥29,944 million. In addition, reconciliations of segment asset adjustments include corporate assets not allocated to the respective reportable segments of ¥431,709 million and the elimination of intersegment transactions of minus ¥11,869 million. The principal components of corporate assets are surplus funds (cash and deposits) held by the Company and its consolidated subsidiaries, long-term investments (investment securities), deferred tax assets, and some intersegment fixed assets.

3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

Millions of Yen

	Reportable Segments							Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other	Total		
For the year ended March 31, 2016									
Sales:									
Sales to external customers	¥182,416	¥520,484	¥77,242	¥18,312	¥798,454	¥24,462	¥822,916		¥822,916
Intersegment sales or transfers	399	503	1,011		1,913	21,533	23,446	¥ (23,446)	
Total	¥182,815	¥520,987	¥78,253	¥18,312	¥800,367	¥45,995	¥846,362	¥ (23,446)	¥822,916
Segment profit (loss)	¥ 14,608	¥ 45,752	¥ 2,819	¥ (4,675)	¥ 58,504	¥ 4,599	¥ 63,103	¥ (26,402)	¥ 36,701
Segment assets	181,935	185,941	63,250	54,483	485,609	62,991	548,600	397,227	945,827
Other:									
Amortization of goodwill			684	1,780	2,464		2,464		2,464
Depreciation and amortization	3,192	19,558	1,678	1,980	26,408	6,391	32,799	4,940	37,739
Increase in property, plant and equipment and intangible assets	9,739	10,573	1,597	45,826	67,735	6,878	74,613	5,136	79,749

Thousands of U.S. Dollars

	Reportable Segments							Reconciliations	Consolidated
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other	Total		
For the year ended March 31, 2016									
Sales:									
Sales to external customers	\$1,618,889	\$4,619,134	\$685,502	\$162,511	\$7,086,036	\$217,088	\$7,303,124		\$7,303,124
Intersegment sales or transfers	3,539	4,461	8,974		16,974	191,101	208,075	\$ (208,075)	
Total	\$1,622,428	\$4,623,595	\$694,476	\$162,511	\$7,103,010	\$408,189	\$7,511,199	\$ (208,075)	\$7,303,124
Segment profit (loss)	\$ 129,639	\$ 406,033	\$ 25,022	\$ (41,491)	\$ 519,203	\$ 40,813	\$ 560,016	\$ (234,303)	\$ 325,713
Segment assets	1,614,618	1,650,168	561,328	483,521	4,309,635	559,023	4,868,658	3,525,264	8,393,922
Other:									
Amortization of goodwill			6,067	15,799	21,866		21,866		21,866
Depreciation and amortization	28,324	173,571	14,892	17,576	234,363	56,715	291,078	43,840	334,918
Increase in property, plant and equipment and intangible assets	86,431	93,835	14,169	406,696	601,131	61,038	662,169	45,579	707,748

- Notes: 1. The "Other" category includes operations not included in the reportable segments, including the Glass Business and the Customized Products Business.
2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥492 million (\$4,367 thousand) and corporate expenses of minus ¥26,894 million (\$238,670 thousand). In addition, reconciliations of segment asset adjustments include corporate assets not allocated to the respective reportable segments of ¥404,883 million (\$3,593,209 thousand) and the elimination of intersegment transactions of minus ¥7,656 million (\$67,945 thousand). The principal components of corporate assets are surplus funds (cash and deposits) held by the Company and its consolidated subsidiaries, long-term investments (investment securities), deferred tax assets, and some intersegment fixed assets.
3. Reconciliation is made between segment profit (loss) and operating income reported in the consolidated financial statements.

Related Information

1. Related information by geographical area as of March 31, 2015 and 2016 consisted of the following:

(1) Net sales

	Millions of Yen					Total
	Japan	USA	Europe	China	Other	
For the year ended March 31, 2015	¥122,265	¥200,601	¥212,372	¥120,691	¥201,853	¥857,782

	Millions of Yen					Total
	Japan	USA	Europe	China	Other	
For the year ended March 31, 2016	¥116,449	¥209,383	¥168,459	¥139,859	¥188,766	¥822,916

	Thousands of U.S. Dollars					Total
	Japan	USA	Europe	China	Other	
For the year ended March 31, 2016	\$1,033,453	\$1,858,206	\$1,495,025	\$1,241,202	\$1,675,238	\$7,303,124

Note: Sales are classified in countries or regions based on location of the customers.

(2) Property, plant and equipment

	Millions of Yen						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2015	¥78,831	¥6,734	¥4,004	¥17,447	¥38,882	¥2,187	¥148,085

	Millions of Yen						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2016	¥75,463	¥5,419	¥4,136	¥11,749	¥28,861	¥2,032	¥127,660

	Thousands of U.S. Dollars						Total
	Japan	North America	Europe	China	Thailand	Other	
For the year ended March 31, 2016	\$669,706	\$48,093	\$36,708	\$104,267	\$256,130	\$18,037	\$1,132,941

2. Information for impairment loss of non-current assets by business segments reported as of March 31, 2015 and 2016 was as follows:

	Reportable Segments						Total
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Elimination	
	Millions of Yen						
For the year ended March 31, 2015							
Impairment loss of non-current assets for the current fiscal year	¥15,220	¥851		¥16,071	¥159		¥16,230

	Reportable Segments						Total	
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other		Corporate or Elimination
	Millions of Yen							
For the year ended March 31, 2016								
Impairment loss of non-current assets for the current fiscal year	¥7,048	¥792	¥39	¥7,879	¥570		¥8,449	

	Reportable Segments						Total	
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other		Corporate or Elimination
	Thousands of U.S. Dollars							
For the year ended March 31, 2016								
Impairment loss of non-current assets for the current fiscal year	\$62,546	\$7,030	\$342	\$69,918	\$5,066		\$74,984	

3. Information for amortization of goodwill for the years ended March 31, 2015 and 2016, and the balance of goodwill by reportable segments as of March 31, 2015 and 2016 was as follows:

								Millions of Yen
Reportable Segments								
	Precision Equipment	Imaging Products	Instruments	Total	Other	Corporate or Elimination	Total	
For the year ended March 31, 2015								
Balance of goodwill at March 31, 2015			¥3,760	¥3,760			¥3,760	

								Millions of Yen
Reportable Segments								
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other	Corporate or Elimination	Total
For the year ended March 31, 2016								
Balance of goodwill at March 31, 2016			¥2,393	¥18,373	¥20,766			¥20,766

								Thousands of U.S. Dollars
Reportable Segments								
	Precision Equipment	Imaging Products	Instruments	Medical	Total	Other	Corporate or Elimination	Total
For the year ended March 31, 2016								
Balance of goodwill at March 31, 2016			\$21,233	\$163,059	\$184,292			\$184,292

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIKON CORPORATION:

We have audited the accompanying consolidated balance sheet of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIKON CORPORATION and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

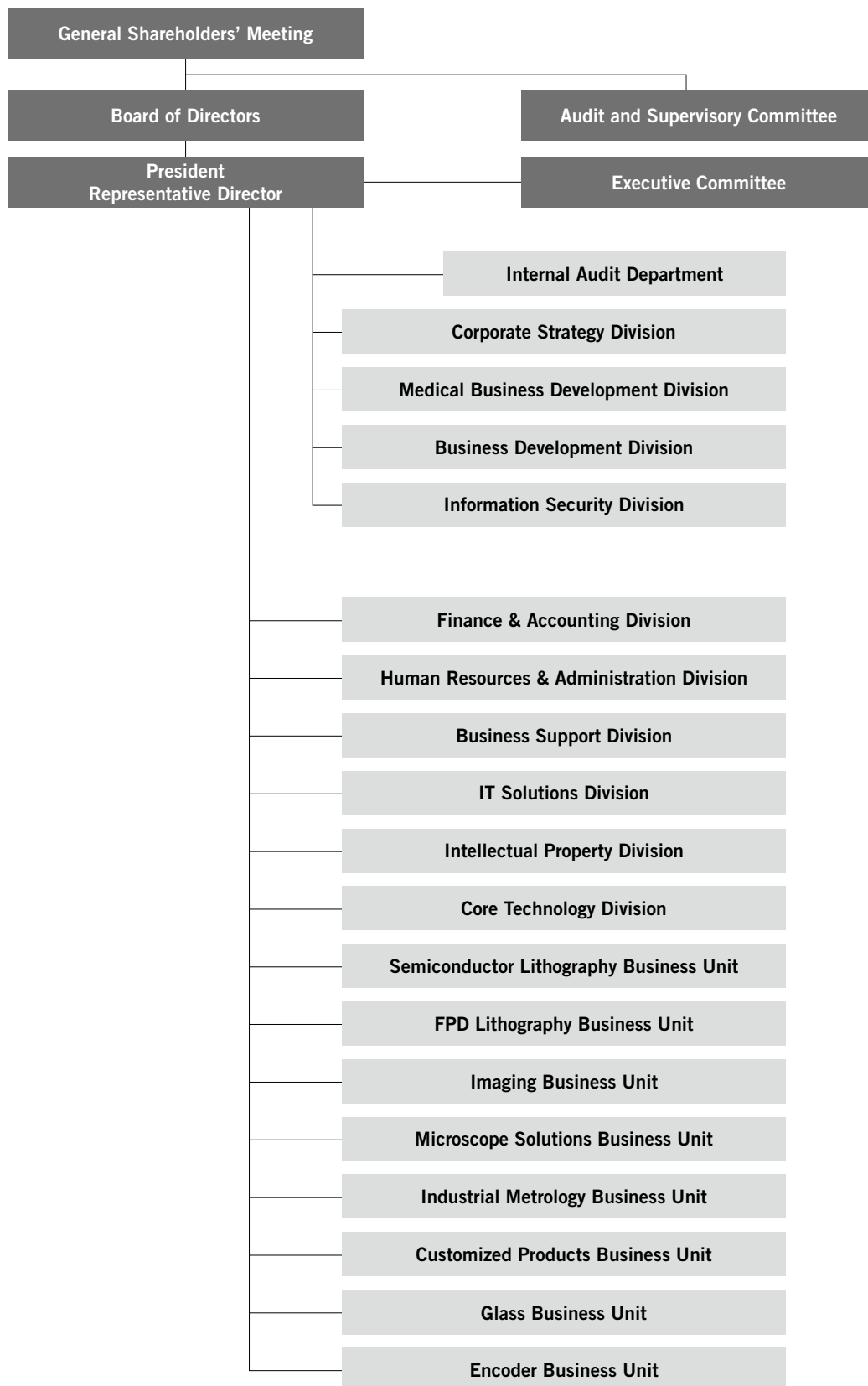
Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

Organization of the Nikon Group

(As of June 29, 2016)



Investor Information

(As of March 31, 2016)

Nikon Corporation

Shinagawa Intercity Tower C,
2-15-3, Konan, Minato-ku,
Tokyo 108-6290, Japan

Date of Establishment

July 25, 1917

Number of Employees

25,729 (Consolidated)

Capital

¥65,476 million

Stock Status

Total number of shares authorized
to be issued:

1,000,000,000 shares

Number of shares issued:

400,878,921 shares

Number of Shareholders

35,755

Financial Instruments Exchange Listing

Tokyo Stock Exchange
(Ticker Symbol: 7731)

Share Registrar

Mitsubishi UFJ Trust and Banking
Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

For further information or additional copies of this report, please contact:

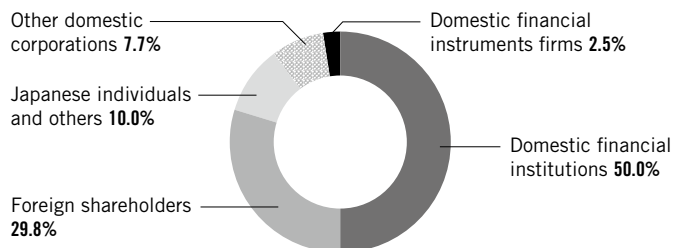
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Website

Please refer to the Nikon website for a variety
of additional information, including financial
results and presentation materials.

Investor Relations
<http://www.nikon.com/about/ir/>

Composition of Shareholders



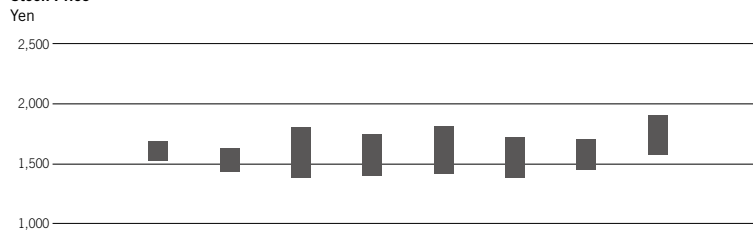
Major Shareholders

Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,819	7.5
Japan Trustee Services Bank, Ltd. (Trust Account)	29,518	7.4
Meiji Yasuda Life Insurance Company	19,537	4.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	10,308	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,378	1.9
The Joyo Bank, Ltd.	6,801	1.7
NIPPON LIFE INSURANCE COMPANY	6,709	1.7
BNYML - NON TREATY ACCOUNT	6,661	1.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,041	1.5
Mitsubishi UFJ Trust and Banking Corporation	5,481	1.4

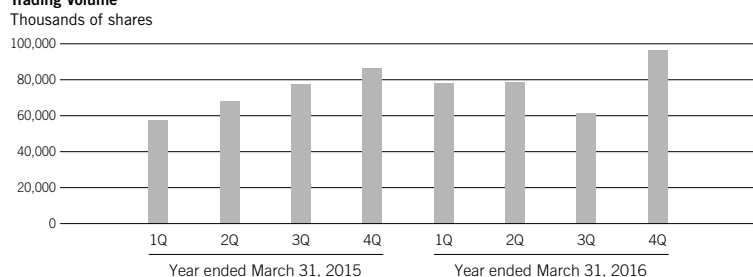
Notes: The ratio of shareholding is calculated by deducting treasury stock of 4,110,867 shares and rounding off to the nearest thousandth.
The number of shares held is truncated to the unit indicated.

Stock Price Range and Trading Volume

Stock Price

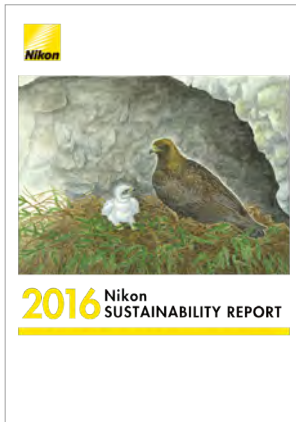


Trading Volume*



* Trading volume is the average of monthly performance.

For Additional Sustainability Information





Sustainability Report 2016

Nikon Corporation makes detailed CSR activity reports available on its website and *Sustainability Report 2016*.

In conjunction with reading this report, we would be grateful if you would visit the sites below to gain a deeper understanding of the Nikon Group's CSR activities.

Sustainability page of Nikon website:
<http://www.nikon.com/about/sustainability/>

Independent Practitioner's Assurance of Environmental Performance

Independent Practitioner's Assurance Report

To the President and Representative Director of Nikon Corporation

We have undertaken a limited assurance engagement of the sustainability information (CO₂ Emissions from Nikon Corporation (the "Company") and Group companies in Japan, CO₂ Emissions from Group companies outside Japan, and Water use by the Company and Group companies in Japan) (the "sustainability information") indicated with ★ for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016) included in the "Nikon Report 2016" (the "Report") of the Company.

The Company's Responsibility
 The Company is responsible for the preparation of the sustainability information in accordance with the calculation and reporting standard adopted by the Company (indicated with the sustainability information).

Inherent Uncertainty
 CO₂ quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control
 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
 Our responsibility is to express a limited assurance conclusion on the sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
 Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's sustainability information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd.
 Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd.
 Tokyo, Japan
 August 12, 2016

Member of
Deloitte Touche Tohmatsu Limited

Subjects of Assurance

- CO₂ emissions from Nikon Corporation and Group companies in Japan
- CO₂ emissions from Group companies outside Japan
- Water use by Nikon Corporation and Group companies in Japan

Period of Assurance

Fiscal year ended March 31, 2016
 (April 1, 2015, to March 31, 2016)



NIKON CORPORATION

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