



February 5, 2015

Consolidated Financial Results of the Third Quarter Ended December 31, 2014 (Japanese Standards)

Company name: NIKON CORPORATION

Code number: 7731; Stock listings: Tokyo Stock Exchange

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Preparation of supplementary materials for quarterly financial results: Yes

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

Note: Amounts less than 1 million yen are omitted.

1. Consolidated Results of the Third Quarter Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(1) Financial Results (Percentage represents comparison change to the corresponding previous quarterly period)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2014	617,819	(15.7)	26,727	(32.1)	27,843	(26.1)	16,732	(55.4)
Nine months ended December 31, 2013	732,483	(4.0)	39,337	0.2	37,658	(8.1)	37,505	16.0

(Note) Comprehensive Income: Third quarter ended, December 31, 2014: 51,813 million yen; (20.3) %
Third quarter ended, December 31, 2013: 65,018 million yen; 54.5 %

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Nine months ended December 31, 2014	42.18	42.10
Nine months ended December 31, 2013	94.56	94.41

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
Nine months ended December 31, 2014	998,075	574,627	57.4
Year ended March 31, 2014	949,515	546,813	57.5

(Reference) Equity: Third quarter ended, December 31, 2014: 573,015 million yen
Year ended March 31, 2014: 545,773 million yen

2. Dividends

	Dividend per Share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	10.00	—	22.00	32.00
Year ending March 31, 2015	—	10.00	—		
Year ending March 31, 2015 (Planned)				22.00	32.00

(Note) Revision of cash dividend forecast for this period: None

3. Forecasts for Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Percentage represents comparison to previous fiscal year)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share of Common Stock
	Million yen %	Million yen %	Million yen %	Million yen %	Yen
Full year	860,000 (12.3)	36,000 (42.8)	37,000 (40.1)	20,000 (57.3)	50.42

(Note) Revision of forecast for this period: Yes

4. Others

(1) Changes of significant subsidiaries during the current fiscal year: None

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

(2) Adoption of special accounting methods: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

1. Changes in accounting policies with revision of accounting standards: Yes

2. Changes in accounting policies other than the above: Yes

3. Changes in accounting estimate: Yes

4. Revision restatements: None

(4) Number of shares issued (common stock)

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

Third quarter ended December 31, 2014 400,878,921 shares

Year ended March 31, 2014 400,878,921 shares

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

Third quarter ended December 31, 2014 4,167,032 shares

Year ended March 31, 2014 4,219,304 shares

3. Average number of shares during the term (consolidated total for quarter):

Third quarter ended December 31, 2014 396,688,764 shares

Third quarter ended December 31, 2013 396,624,891 shares

(※Indication of quarterly review procedures implementation status)

This quarterly financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law. It is under the review procedure process at the time of disclosure of this report.

(※Appropriate use of business forecasts; other special items)

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

Contents

1. Performance and Financial Position	4
(1) Qualitative Information regarding the Consolidated Operating Results	4
(2) Qualitative Information on Consolidated Financial Position	4
(3) Qualitative Information regarding the Consolidated Financial Forecasts	4
2. Notes regarding Summary Information (Others)	5
(1) Changes in Significant Consolidated Subsidiaries	5
(2) Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections	5
3. Consolidated Financial Statements	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statement of Cash Flows	11
(4) Note regarding Going Concern Assumption	12
(5) Segment Information	12
(6) Note in Event of Significant Change in Shareholders' Equity	12

1. Performance and Financial Position

(1) Qualitative Information regarding the Consolidated Operating Results

During the nine months ended December 31, 2014, in the Precision Equipment Business, capital investment was firm in the semiconductor-related field, but capital investment in the FPD (Flat Panel Display)-related field has settled down. In the Imaging Products Business, the market for the Digital camera—Interchangeable Lens Type was sluggish mainly in Europe and China, and the compact digital camera market continued to shrink. In the Instruments Business, public spending in Japan contracted in the microscope-related field, while in the industrial metrology-related field, a recovery trend continued for capital investment related to electronic components and automobiles.

Under these circumstances, the Group strove to introduce new products and expand product sales. However, net sales for the nine months ended December 31, 2014 decreased by 114,663 million yen (15.7%) year on year to 617,819 million yen, operating income decreased by 12,610 million yen (32.1%) year on year to 26,727 million yen, ordinary income was down by 9,815 million yen (26.1%) year on year to 27,843 million yen, resulting in net income of 16,732 million yen, a decrease of 20,772 million yen (55.4%) year on year.

Performance by business segment is as follows.

In the Precision Equipment Business, the Group worked to expand sales in the Semiconductor Lithography System field, focusing on ArF immersion scanners. In the FPD Lithography System field, the Group channeled its resources into sales of devices that are optimal for production of mid-to-small size displays for smart-phones and tablets, etc., and the latest devices suitable for production of high definition large displays for televisions, etc. However, there was a large impact from the settling down of capital investment for mid-to-small size displays, leading to a substantial decrease in sales volume year on year. Due to such circumstance, overall revenue and profit of this business segment fell significantly year on year.

In the Imaging Products Business, sales volume of the compact digital camera continued to decline. Meanwhile, unit sales of the Digital camera—Interchangeable Lens Type were strong in the Asia region except for China, and showed a recovery trend in the USA from the second half of the fiscal year. Despite the favorable influence of exchange rate movements, the impact of the slump in the European and Chinese markets was substantial, and overall revenue and profit both fell year on year in this business segment.

In the Instruments Business, although the microscope-related field was affected by the contraction of public spending in Japan, performance was favorable mainly for basic type microscopes especially in the USA and China. In the industrial metrology business, sales grew for products including non-contact 3D Metrology System amid a trend toward recovery in capital investment related to electronic components and automobiles, and overall profit improved year on year in this business segment.

(2) Qualitative Information on Consolidated Financial Position

During the third quarter ended December 31, 2014, total assets increased by 48,560 million yen from the end of the previous fiscal year to 998,075 million yen. This is mainly due to the increase in cash and deposits by 9,827 million yen, notes and accounts receivable-trade by 11,056 million yen and inventories by 27,113 million yen.

Total liabilities increased by 20,745 million yen from the end of the previous fiscal year to 423,448 million yen. This is mainly due to the increase in notes and accounts payable-trade by 15,106 million yen.

Total net assets increased by 27,814 million yen from the end of the previous fiscal year to 574,627 million yen. This is mainly attributable to the increase in foreign currency translation adjustment by 28,138 million yen due to the depreciation of yen, and the increase in valuation difference on available-for-sale securities by 7,218 million yen despite the decrease in retained earnings by 7,939 million yen that resulted from the payment of cash dividends, and also the changes in the accounting policy of retirement benefits.

During the third quarter ended December 31, 2014, cash flows from operating activities amounted to an inflow of 38,313 million yen (compared with an inflow of 57,415 million yen in the same period of the previous year). This is mainly due to the inflow from the post of 27,643 million yen of income before income taxes, the increases in notes and accounts payable-trade by 14,946 million yen and accrued expenses by 4,018 million yen, and the outflow from the increase in inventories by 14,016 million yen.

Cash flows from investing activities amounted to an outflow of 23,896 million yen (compared with an outflow of 30,199 million yen in the same period of the previous year), mainly due to the expenditure of 16,754 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities amounted to an outflow of 24,149 million yen (compared with an outflow of 9,438 million yen in the same period of the previous year). This is mainly because of the redemption of bonds by 10,000 million yen and the payment of cash dividends by 12,190 million yen.

(3) Qualitative Information regarding the Consolidated Financial Forecasts

As for the full year performance forecasts, in the Precision Equipment Business, in the FPD-related field, although a lull continues in capital investment in devices used for mid-to-small size displays, capital investment in devices used for large displays is expected to be strong. Meanwhile, in the semiconductor-related field, although the market remains firm, the Group expects to be significantly affected by the change in plans of

customers. In the Imaging Products Business, the compact digital camera market continues to shrink, and the Digital camera—Interchangeable Lens Type market is expected to make a recovery in the Asia region except for China, and in the USA, although a slump is forecast in Europe and China. In the Instruments Business, the microscope-related market is expected to continue to be robust, and the recovery trend in capital investment is forecasted to continue in the industrial metrology-related field.

In response to these circumstances, the full year consolidated financial forecasts have been revised as announced on this date (February 5, 2015) in the “Revision of the Financial Forecasts for the Fiscal Year Ending March 31, 2015.”

2. Notes Regarding Summary Information (Others)

(1) Changes in Significant Consolidated Subsidiaries

Not applicable

(2) Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections (Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits and Other)

Effective from the first quarter under review, the Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; the “Guidance on Retirement Benefits”), in respect of the provisions stated in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Guidance on Retirement Benefits, whereby the method of calculating retirement liability and service cost has been reviewed. Based on this review, the method of attributing expected retirement benefits to periods has been changed from straight-line basis to 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.

The Retirement Benefits Accounting Standard and other standards were applied transitionally as determined in Clause 37 of the Retirement Benefits Accounting Standard, and the effect of the change in the method of calculating retirement liability and service cost is stated as an adjustment to retained earnings at the beginning of the first quarter under review.

As a result, net defined benefit asset decreased by 18,349 million yen and net defined benefit liability increased by 237 million yen, while retained earnings decreased by 11,970 million yen, at the beginning of the first quarter of the fiscal year under review. The impact on operating income, ordinary income and income before income taxes for the nine months ended December 31, 2014 was minimal.

(Application of Accounting for Business Combinations and Others)

As the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; the “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; the “Consolidation Accounting Standard”), “Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; the “Business Divestitures Accounting Standard”) and other standards became applicable from the beginning of the fiscal years commencing on or after April 1, 2014, these accounting standards (except for the provisions stated in Clause 39 of the Consolidation Accounting Standard) have been applied from the first quarter under review, effecting changes in the accounting method to record the difference associated with the changes in equity in subsidiaries remaining under the control of the Company as capital surplus, and to record acquisition-related costs as expenses for the fiscal year in which such costs are incurred. For business combinations implemented on or after the beginning of the first quarter under review, the accounting method would change to reflect the adjustments to the allocated amount of acquisition costs under the finalization of provisional accounting treatment in the consolidated financial statements, for the quarter containing the date of such business combinations.

The Business Combinations Accounting Standard and other standards were applied transitionally as determined in Clause 58-2 (4) of the Business Combinations Accounting Standard, Clause 44-5 (4) of the Consolidation Accounting Standard and Clause 57-4 (4) of the Business Divestitures Accounting Standard. Although these standards are applicable from the beginning of the first quarter under review, they have no impact on the consolidated quarterly financial statements for the third quarter under review.

(Changes in Depreciation Method and Useful Lives for Property, Plant and Equipment)

For depreciation of property, plant and equipment excluding lease assets, the Company and its domestic consolidated subsidiaries previously used the declining-line method, except for buildings (excluding attached facilities) subject to depreciation by the straight-line method. From the first quarter under review, however, the depreciation method has been changed to the straight-line method.

The aforementioned change was based on a series of review over the depreciation method for property, plant and equipment within the Group, in coordination with cost reduction in design and manufacturing processes and

fundamental review of production structure, with a view to strengthen the maturing core businesses under the Medium Term Management Plan “Next 100 – Transform to Grow” for the period up to fiscal year 2016. As a result of the review, it was concluded that the straight-line method should be adopted from the first quarter under review to better reflect the actual usage of property, plant and equipment of the Company and its domestic consolidated subsidiaries, as generalization of production facilities and leveled production are further promoted, contributing to constant utilization of production facilities over their useful lives.

In coordination with the aforementioned cost reduction in design and manufacturing processes and fundamental review of production structure, the useful lives of the machinery and equipment have been revised effective from the first quarter under review, by estimating the period in which these assets are expected to be economically useful in consideration of their usage and operational status.

These changes have minimal impact on operating income, ordinary income and income before income taxes for the third quarter under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	225,519	235,347
Notes and accounts receivable-trade	128,443	139,499
Merchandise and finished goods	92,792	104,646
Work in process	123,813	137,904
Raw materials and supplies	28,336	29,504
Other	53,887	56,903
Allowance for doubtful accounts	(3,969)	(4,482)
Total current assets	648,822	699,322
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,612	53,206
Machinery, equipment and vehicles, net	57,609	57,197
Land	15,234	15,592
Construction in progress	8,407	5,734
Other, net	27,413	28,158
Total property, plant and equipment	159,278	159,888
Intangible assets		
Goodwill	3,759	3,246
Other	29,247	28,050
Total intangible assets	33,006	31,297
Investments and other assets		
Investment securities	72,742	82,551
Other	35,920	25,300
Allowance for doubtful accounts	(255)	(284)
Total investments and other assets	108,408	107,566
Total non-current assets	300,693	298,752
Total assets	949,515	998,075

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	118,841	133,947
Short-term loans payable	14,511	13,600
Current portion of bonds	10,000	—
Income taxes payable	4,449	1,701
Provision for product warranties	9,926	8,611
Other	122,448	140,891
Total current liabilities	280,176	298,752
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	49,600	49,600
Net defined benefit liability	4,674	4,633
Asset retirement obligations	2,755	2,646
Other	15,495	17,815
Total non-current liabilities	122,525	124,695
Total liabilities	402,702	423,448
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Retained earnings	384,843	376,903
Treasury stock	(12,618)	(12,458)
Total shareholders' equity	518,412	510,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,859	20,078
Deferred gains or losses on hedges	(160)	(527)
Foreign currency translation adjustment	17,424	45,562
Remeasurements of defined benefit plans	(2,762)	(2,730)
Total accumulated other comprehensive income	27,361	62,383
Subscription rights to shares	952	1,097
Minority interests	87	514
Total net assets	546,813	574,627
Total liabilities and net assets	949,515	998,075

(2) Consolidated Statements of Income and Comprehensive Income

① Consolidated Statement of Income

Nine months ended December 31, 2014

(Millions of yen)

	Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)
Net sales	732,483	617,819
Cost of sales	471,077	380,588
Gross profit	261,406	237,231
Selling, general and administrative expenses	222,068	210,504
Operating income	39,337	26,727
Non-operating income		
Interest income	601	976
Dividends income	1,050	1,106
Equity in earnings of affiliates	1,409	1,037
Other	3,657	3,038
Total non-operating income	6,718	6,158
Non-operating expenses		
Interest expenses	958	1,072
Foreign exchange losses	4,350	2,096
Other	3,089	1,874
Total non-operating expenses	8,397	5,042
Ordinary income	37,658	27,843
Extraordinary income		
Gain on sales of noncurrent assets	43	69
Gain on sales of investment securities	1,365	127
Compensation income for expropriation	15,006	—
Total extraordinary income	16,415	197
Extraordinary loss		
Loss on sales of noncurrent assets	24	58
Impairment loss	2	338
Loss on sales of investment securities	11	—
Loss on valuation of investment securities	—	0
Total extraordinary losses	38	397
Income before income taxes	54,036	27,643
Income taxes	16,521	10,849
Income before minority interests	37,514	16,794
Minority interests in income (loss)	9	61
Net income	37,505	16,732

② Consolidated Statement of Comprehensive Income
 Nine months ended December 31, 2014

(Millions of yen)

	Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)
Income before minority interests	37,514	16,794
Other comprehensive income		
Valuation difference on available-for-sale securities	7,269	7,217
Deferred gains or losses on hedges	(1,232)	(366)
Foreign currency translation adjustment	21,583	28,138
Remeasurements of defined benefit plans	(105)	28
Share of other comprehensive income of associates accounted for using equity method	(10)	0
Total other comprehensive income	27,504	35,019
Comprehensive income	65,018	51,813
(Breakdown)		
Comprehensive income attributable to owners of the parent	64,994	51,645
Comprehensive income attributable to minority interests	24	168

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 2013)	Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	54,036	27,643
Depreciation and amortization	31,042	28,234
Impairment loss	2	338
Increase (decrease) in allowance for doubtful accounts	66	135
Increase (decrease) in provision for product warranties	(1,494)	(1,635)
Increase (decrease) in net defined benefit liability	(348)	(1,215)
Interest and dividends income	(1,651)	(2,083)
Equity in (earnings) losses of affiliates	(1,409)	(1,037)
Interest expenses	958	1,072
Loss (gain) on sales of noncurrent assets	(19)	(10)
Loss (gain) on sales of investment securities	(1,354)	(127)
Loss (gain) on valuation of investment securities	—	0
Compensation income for expropriation	(15,006)	—
Decrease (increase) in notes and accounts receivable-trade	(8,761)	(7,608)
Decrease (increase) in inventories	(4,248)	(14,016)
Increase (decrease) in notes and accounts payable-trade	19,953	14,946
Increase (decrease) in advances received	(4,351)	2,781
Increase (decrease) in accrued expenses	3,686	4,018
Other, net	(12,103)	(5,023)
Subtotal	58,994	46,414
Interest and dividends income received	2,695	2,464
Interest expenses paid	(932)	(985)
Income taxes (paid) refund	(3,343)	(9,578)
Net cash provided by (used in) operating activities	57,415	38,313
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(27,144)	(16,754)
Proceeds from sales of property, plant and equipment	191	187
Purchase of investment securities	(1,684)	(355)
Proceeds from sales of investment securities	3,846	662
Net decrease (increase) in loans receivable	31	8
Proceeds from compensation for expropriation	4,491	—
Other, net	(9,930)	(7,645)
Net cash provided by (used in) investing activities	(30,199)	(23,896)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	284	(896)
Redemption of bonds	—	(10,000)
Cash dividends paid	(8,334)	(12,190)
Cash dividends paid to minority shareholders	—	(35)
Other, net	(1,388)	(1,027)
Net cash provided by (used in) financing activities	(9,438)	(24,149)
Effect of exchange rate change on cash and cash equivalents	11,012	17,874
Net increase (decrease) in cash and cash equivalents	28,788	8,141
Cash and cash equivalents at beginning of period	110,094	221,367
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,082	2,652
Cash and cash equivalents at end of period	139,966	232,161

(4) Note regarding Going Concern Assumption

Not applicable

(5) Segment Information

Information on sales and income (loss) by business segments reported

For the Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

(Millions of yen)

	Business Segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of Income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	120,658	552,971	41,679	715,309	17,174	732,483	—	732,483
Intersegment sales or transfer	346	427	668	1,442	17,948	19,391	(19,391)	—
Total	121,004	553,398	42,348	716,752	35,122	751,874	(19,391)	732,483
Operating income (loss)	5,505	52,917	(4,389)	54,034	2,617	56,651	(17,313)	39,337

Notes: 1. The “Other Business” category incorporates operations not included in business segments reported, including the glass-related business and the customized products business.

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions of 286 million yen and corporate expenses of minus 17,599 million yen.

3. Segment income is adjusted with reported operating income on the consolidated financial statements.

For the Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(Millions of yen)

	Business Segments reported				Other ¹	Total	Adjustment ²	Consolidated Statement of Income ³
	Precision Equipment	Imaging Products	Instruments	Total				
Sales								
Outside customers	89,271	461,022	45,907	596,202	21,617	617,819	—	617,819
Intersegment sales or transfer	308	317	542	1,167	15,483	16,651	(16,651)	—
Total	89,580	461,339	46,449	597,369	37,101	634,471	(16,651)	617,819
Operating income (loss)	(2,769)	47,566	(2,698)	42,098	4,730	46,828	(20,101)	26,727

Notes: 1. The “Other Business” category incorporates operations not included in business segments reported, including the glass-related business and the customized products business.

2. Adjustment of segment income (loss) refers to elimination of intersegment transactions of 235 million yen and corporate expenses of minus 20,336 million yen.

3. Segment income is adjusted with reported operating income on the consolidated financial statements.

(6) Note in Event of Significant Change in Shareholders' Equity

Not applicable