



August 7, 2014

Consolidated Financial Results of the First Quarter ended June 30, 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 First Quarter ended June 30, 2014 (From April 1, 2014 to June 30, 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	%
Three months ended June 30, 2014	177,444	(25.7)	3,505	(41.9)	4,642	(9.9)	3,697	(16.6)
Three months ended June 30, 2013	238,981	(7.9)	6,032	(74.2)	5,150	(78.0)	4,436	(71.9)

(Note) Comprehensive Income: First quarter ended, June 30, 2014: 4,654 million yen; (65.4)%

First quarter ended, June 30, 2013: 13,438 million yen; 126.4%

	Net Income per Share of Common Stock	Net Income per Share of Common Stock after Dilution
	Yen	Yen
Three months ended June 30, 2014	9.32	9.31
Three months ended June 30, 2013	11.19	11.17

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
First quarter ended June 30, 2014	910,393	531,560	58.2
Year ended March 31, 2014	949,515	546,813	57.5

(Reference) Equity: First quarter ended June 30, 2014: 530,191 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
Year ended March 31, 2014	Yen —	Yen 10.00	Yen —	Yen 22.00	Yen 32.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (Planned)		10.00	—	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
First half ending September 30, 2014	380,000	(19.2)	4,000	(81.7)	6,000	(70.0)	4,000	(70.6)	10.08
Full year	900,000	(8.2)	53,000	(15.8)	56,000	(9.3)	38,000	(18.8)	95.80

(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):

First quarter ended June 30, 2014 400,878,921 shares

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

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

First quarter ended June 30, 2014 4,184,223 shares

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

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

First quarter ended June 30, 2014 396,671,305 shares

First quarter ended June 30, 2013 396,605,868 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.

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1. Performance and Financial Position

(1) Qualitative Information regarding the Consolidated Operating Results

During the three months ended June 30, 2014, in the Precision Equipment Business, capital investment in the FPD (Flat Panel Display)-related field remained weak although market conditions in the semiconductor-related field were on a recovery track. In the Imaging Products Business, the market conditions for the Digital camera—Interchangeable Lens Type were sluggish, and the compact digital camera market shrank as well. In the Instruments Business, the microscope-related market overseas remained firm, and the industrial instruments-related market saw a trend toward recovery in capital investment related to electronic components.

As a result of the foregoing, net sales for the three months ended June 30, 2014 decreased by 61,536 million yen (25.7%) year on year to 177,444 million yen, operating income decreased by 2,527 million yen (41.9%) year on year to 3,505 million yen, ordinary income was down by 508 million yen (9.9%) year on year to 4,642 million yen, resulting in net income of 3,697 million yen, a decrease of 738 million yen (16.6%) year on year.

Performance by business segment is as follows.

In the Precision Equipment Business, sales was as forecasted in both the Semiconductor Lithography System field and the FPD Lithography System field, however, the business recorded a decrease in revenue and profit.

In the Imaging Products Business, sales volume decreased both for Digital camera—Interchangeable Lens Type, which saw worsening conditions mainly in the European market, and for compact digital camera which was affected by the shrinking market. As a result, the business recorded a decrease in revenue and profit despite efforts to improve profitability through cost reductions and other measures.

In the Instruments Business, the microscope field saw sales growth mainly for highly profitable products, and the industrial instruments field was affected favorably by recovery in capital investment related to electronic components. As a result, the business recorded improved profit compared to the same period of the previous fiscal year.

(2) Qualitative Information on Consolidated Financial Position

During the three months ended June 30, 2014, total assets decreased by 39,121 million yen from the end of the previous fiscal year to 910,393 million yen. This is mainly due to the decrease in cash and deposits by 38,253 million yen.

Total liabilities decreased by 23,869 million yen from the end of the previous fiscal year to 378,833 million yen. This is mainly due to the decrease in notes and accounts payable-trade by 3,147 million yen, income tax payable by 3,238 million yen, current portion of bonds by 10,000 million yen, and accrued expenses included in Other by 7,285 million yen.

Total net assets decreased by 15,252 million yen from the end of the previous fiscal year to 531,560 million yen. This is mainly due to the decrease in retained earnings by 16,652 million yen resulted from the payment of cash dividends and the changes in the method of calculating retirement liability and service cost, which is effective from the first quarter under review.

During the three months ended June 30, 2014, cash flows from operating activities amounted to an outflow of 11,719 million yen (compared with an inflow of 23,223 million yen in the same period of the previous year). This is mainly due to the post of income before income taxes by 4,680 million yen and the decrease in notes and accounts receivable-trade by 5,841 million yen, in spite of the increase in inventories by 13,200 million yen, increase in notes and accounts payable-trade by 1,133 million yen, and the decrease in accrued expenses by 7,817 million yen.

Cash flows from investing activities amounted to an outflow of 8,900 million yen (compared with an outflow of 12,186 million yen in the same period of the previous year), mainly due to the expenditure in the amount of 7,987 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities amounted to an outflow of 17,914 million yen (compared with an outflow of 4,519 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 7,690 million yen.

(3) Qualitative Information regarding the Consolidated Financial Forecasts

As regards to the consolidated financial forecasts for the first half ending September 30, 2014 and the year ending March 31, 2015, in the Precision Equipment Business, capital investment in the semiconductor-related field is on a recovery track, and in the FPD-related field, while capital investment in devices used for mid-to-small size displays has cooled down, signs of recovery are seen in capital investment in devices used for large displays. In the Imaging Products Business, the compact digital camera market is expected to continue shrinking. Although conditions continue to be severe in the Digital camera—Interchangeable Lens Type market, a moderate recovery is forecasted mainly in the USA and some other areas in the latter half of the fiscal year. In the Instruments Business, the microscope-related market is expected to remain firm, and the recovery trend in capital investment in the industrial instruments-related market is expected to continue.

The consolidated financial forecasts for the first half ending September 30, 2014 and the year ending March 31, 2015 shall be as stated in the “Revision of the Financial Forecast for the Fiscal Year Ending March 31, 2015,” announced on the same date (August 7, 2014).

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 under review. The impact on operating income, ordinary income and income before income taxes for the three months ended June 30, 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 first 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 first quarter under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	225,519	187,266
Notes and accounts receivable-trade	128,443	118,252
Merchandise and finished goods	92,792	96,902
Work in process	123,813	134,820
Raw materials and supplies	28,336	28,224
Other	53,887	61,094
Allowance for doubtful accounts	(3,969)	(3,851)
Total current assets	648,822	622,709
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	50,612	50,384
Machinery, equipment and vehicles, net	57,609	56,061
Land	15,234	15,196
Construction in progress	8,407	7,636
Other, net	27,413	27,111
Total property, plant and equipment	159,278	156,390
Intangible assets		
Goodwill	3,759	3,588
Other	29,247	28,260
Total intangible assets	33,006	31,849
Investments and other assets		
Investment securities	72,742	75,393
Other	35,920	24,292
Allowance for doubtful accounts	(255)	(241)
Total investments and other assets	108,408	99,444
Total noncurrent assets	300,693	287,684
Total assets	949,515	910,393

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	118,841	115,694
Short-term loans payable	14,511	14,662
Current portion of bonds	10,000	—
Income taxes payable	4,449	1,210
Provision for product warranties	9,926	7,717
Other	122,448	118,506
Total current liabilities	280,176	257,791
Noncurrent liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	49,600	49,600
Net defined benefit liability	4,674	3,948
Asset retirement obligations	2,755	2,562
Other	15,495	14,930
Total noncurrent liabilities	122,525	121,041
Total liabilities	402,702	378,833
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Retained earnings	384,843	368,190
Treasury stock	(12,618)	(12,512)
Total shareholders' equity	518,412	501,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,859	15,804
Deferred gains or losses on hedges	(160)	263
Foreign currency translation adjustment	17,424	14,906
Remeasurements of defined benefit plans	(2,762)	(2,648)
Total accumulated other comprehensive income	27,361	28,326
Subscription rights to shares	952	992
Minority interests	87	376
Total net assets	546,813	531,560
Total liabilities and net assets	949,515	910,393

(2) Consolidated Statements of Income and Comprehensive Income

① Consolidated Statement of Income

Three months ended June 30, 2014

(Millions of yen)

	Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)
Net sales	238,981	177,444
Cost of sales	155,855	107,925
Gross profit	83,125	69,519
Selling, general and administrative expenses	77,093	66,014
Operating income	6,032	3,505
Non-operating income		
Interest income	167	333
Dividends income	588	613
Dividends income of life insurance	454	496
Equity in earnings of affiliates	287	404
Other	1,145	849
Total non-operating income	2,643	2,697
Non-operating expenses		
Interest expenses	429	391
Foreign exchange losses	2,683	690
Other	412	477
Total non-operating expenses	3,525	1,559
Ordinary income	5,150	4,642
Extraordinary income		
Gain on sales of noncurrent assets	27	20
Gain on sales of investment securities	—	18
Total extraordinary income	27	38
Extraordinary loss		
Loss on sales of noncurrent assets	10	0
Impairment loss	2	—
Loss on sales of investment securities	11	—
Total extraordinary losses	25	0
Income before income taxes	5,153	4,680
Income taxes	715	989
Income before minority interests	4,438	3,691
Minority interests in income (loss)	2	(6)
Net income	4,436	3,697

② Consolidated Statement of Comprehensive Income

Three months ended June 30, 2014

(Millions of yen)

	Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)
Income before minority interests	4,438	3,691
Other comprehensive income		
Valuation difference on available-for-sale securities	2,110	2,943
Deferred gains or losses on hedges	235	424
Foreign currency translation adjustment	6,665	(2,517)
Remeasurements of defined benefit plans	(17)	111
Share of other comprehensive income of associates accounted for using equity method	6	1
Total other comprehensive income	9,000	962
Comprehensive income	13,438	4,654
(Breakdown)		
Comprehensive income attributable to owners of the parent	13,427	4,624
Comprehensive income attributable to minority interests	10	30

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2013 (from April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	5,153	4,680
Depreciation and amortization	9,769	9,103
Impairment loss	2	—
Increase (decrease) in allowance for doubtful accounts	248	(78)
Increase (decrease) in provision for product warranties	(719)	(2,148)
Increase (decrease) in net defined benefit liability	(555)	(979)
Interest and dividends income	(756)	(946)
Equity in (earnings) losses of affiliates	(287)	(404)
Interest expenses	429	391
Loss (gain) on sales of noncurrent assets	(17)	(19)
Loss (gain) on sales of investment securities	11	(18)
Decrease (increase) in notes and accounts receivable-trade	4,073	5,841
Decrease (increase) in inventories	(1,369)	(13,200)
Increase (decrease) in notes and accounts payable-trade	15,798	(1,133)
Increase (decrease) in advances received	2,361	2,816
Increase (decrease) in accrued expenses	(4,927)	(7,817)
Other, net	(2,500)	(2,193)
Subtotal	26,715	(6,108)
Interest and dividends income received	699	889
Interest expenses paid	(324)	(289)
Income taxes (paid) refund	(3,866)	(6,211)
Net cash provided by (used in) operating activities	23,223	(11,719)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(9,021)	(7,987)
Proceeds from sales of property, plant and equipment	118	56
Purchase of investment securities	(66)	(0)
Proceeds from sales of investment securities	54	168
Net decrease (increase) in loans receivable	3	1
Other, net	(3,275)	(1,139)
Net cash provided by (used in) investing activities	(12,186)	(8,900)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	310	136
Redemption of bonds	—	(10,000)
Cash dividends paid	(4,347)	(7,690)
Cash dividends paid to minority shareholders	—	(13)
Other, net	(482)	(346)
Net cash provided by (used in) financing activities	(4,519)	(17,914)
Effect of exchange rate change on cash and cash equivalents	2,771	(1,488)
Net increase (decrease) in cash and cash equivalents	9,288	(40,024)
Cash and cash equivalents at beginning of period	110,094	221,367
Increase in cash and cash equivalents from newly consolidated subsidiary	1,082	2,652
Cash and cash equivalents at end of period	120,465	183,995

(4) Note regarding Going Concern Assumption
Not applicable

(5) Segment Information

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

For the Three months ended June 30, 2013 (From April 1, 2013 to June 30, 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	34,064	187,549	11,629	233,243	5,738	238,981	—	238,981
Intersegment sales or transfer	137	129	167	433	5,566	6,000	(6,000)	—
Total	34,202	187,678	11,796	233,677	11,304	244,982	(6,000)	238,981
Operating income (loss)	(1,572)	14,537	(2,372)	10,592	808	11,401	(5,368)	6,032

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 89 million yen and corporate expenses of minus 5,458 million yen.

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

For the Three months ended June 30, 2014 (From April 1, 2014 to June 30, 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	23,529	134,764	12,446	170,740	6,704	177,444	—	177,444
Intersegment sales or transfer	129	94	162	386	5,357	5,743	(5,743)	—
Total	23,659	134,859	12,608	171,126	12,061	183,188	(5,743)	177,444
Operating income (loss)	(2,586)	11,872	(1,727)	7,558	1,517	9,075	(5,570)	3,505

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 78 million yen and corporate expenses of minus 5,649 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