(Translation)

Items Disclosed on Internet Concerning
Notice of the 150th Annual General Shareholders' Meeting

Notes to Consolidated Financial Statements and

Notes to Non-Consolidated Financial Statements

NIKON CORPORATION

Notes to Consolidated Financial Statements

(Significant Basis for Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries : 70 companies

Company name : TOCHIGI NIKON CORPORATION, TOCHIGI NIKON PRECISION CO., LTD., SENDAI NIKON CORPORATION, Miyagi Nikon Precision Co., Ltd., NIKON IMAGING JAPAN INC., NIKON INSTECH CO., LTD., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Co., Ltd., Nikon Hong Kong Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V., and others

Number of newly consolidated subsidiaries : 3 companies

Company name : HIKARI GLASS (HK) LIMITED
Hikari Glass (Changzhou) Optics Co., Ltd.
Nikon Sales (Thailand) Co., Ltd.

From the current fiscal year, HIKARI GLASS (HK) LIMITED, Hikari Glass (Changzhou) Optics Co., Ltd. and Nikon Sales (Thailand) Co., Ltd. are included in the scope of consolidation as the materiality of these companies has increased.

Number of subsidiaries excluded from the scope of consolidation : 4 companies

Company name : Nikon Precision Singapore Pte Ltd
Metris Manufacturing NV
3D Engineering Solutions Ltd.
Metris Asia Pacific Ltd.

Nikon Precision Singapore Pte Ltd is excluded from the scope of consolidation due to the absorption and merger into Nikon Singapore Pte. Ltd. The 3 subsidiaries of Nikon Metrology NV are excluded from the scope of consolidation due to the completion of liquidation.

(2) Number of non-consolidated subsidiaries : 13 companies

Company name : Nanjing Nikon Jiangnan Optical Instrument Co., Ltd., and others

Since these companies are small in scale, their total assets, net sales, net income (the interest share of NIKON CORPORATION (the "Company")), and retained earnings (the Company's interest share) and others do not have significant effects on the consolidated financial statements.

2. Scope of Equity Method

(1) Number of associated companies accounted for by equity method : 2 companies

Company name : Nikon-Essilor Co., Ltd., NIKON-TRIMBLE CO., LTD.

(2) Number of non-consolidated subsidiaries not accounted for by equity method : 13 companies

Company name : Nanjing Nikon Jiangnan Optical Instrument Co., Ltd., and others

(3) Number of associated companies not accounted for by equity method : 8 companies

Company name : N.S.S. CORPORATION, and others

Since each of these non-consolidated subsidiaries and associated companies not accounted for by the equity method has a minimal effect on the Company's net income, retained earnings and others and they are not collectively material, these are excluded from the scope of application of the equity method.

3. Fiscal Year-End of Consolidated Subsidiaries

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., and Hikari Glass (Changzhou) Optics 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.

4. Basis of Accounting

(1) Valuation basis and method for significant assets

a. Investment securities	
- Held-to-maturity debt securities	Stated at amortized cost.
- Available-for-sale securities	
with fair market value	Stated at fair value based on quoted market prices at the consolidated closing date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of equity, and the cost of the securities sold is mainly calculated by the moving-average method.
without fair market value	Mainly stated at cost determined by the moving-average method. The Company records investments in limited liability investment partnerships (deemed “investment securities” under the provisions set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) 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.
b. Derivatives	Stated at fair value.
c. Inventories	
- Company and its consolidated subsidiaries in Japan	Mainly stated at cost determined by the average method. (Inventories with lower profitability are written down.)
- Overseas consolidated subsidiaries	Principally stated at the lower of cost or market as determined using the average method.

(2) Depreciation method for noncurrent assets

a. Property, plant and equipment (excluding lease assets)

- Company and its consolidated subsidiaries in Japan	The straight-line method is applied to buildings (excluding facilities incidental to buildings), while the declining-balance method is applied to property, plant and equipment other than buildings.
- Overseas consolidated subsidiaries	The straight-line method is mainly applied.
b. Intangible assets (excluding lease assets)	The straight-line method is applied.
c. Lease assets	Leases that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease terms without residual value.

(3) Accounting criteria for significant allowances

a. Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
b. Provision for product warranties	The Company mainly provides for the estimated cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period.

(4) Accounting criteria for net defined benefit liability

The Company and its major consolidated subsidiaries account for the provision for employees' retirement benefit based on the projected retirement benefit liabilities and pension assets at the consolidated balance sheet date.

Prior service cost is amortized on a straight-line basis principally over 10 years, certain period within the average remaining service period of employees, from the period in which the prior service cost accrues, and actuarial gains and losses are amortized on a straight-line basis principally over 10 years, certain period within the average remaining service period of employees, from the period immediately following the period in which the actuarial gains and losses arise.

Unrecognized actuarial gains and losses and unrecognized prior service cost, after adjustment for tax effect, are recorded as remeasurements of defined benefit plans within accumulated other comprehensive income, included in net assets.

(5) Translation basis of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated closing date, and the translation adjustment is recognized in the consolidated statement of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated closing date, and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Translation adjustments are presented in foreign currency translation adjustments in net assets.

(6) Significant hedge accounting

a. Method for hedge accounting	In principle, the deferral hedge accounting is applied. The special treatment is applied to the interest rate swap which satisfies requirements for the special treatment.
b. Hedging instruments and hedged items	Hedging instruments are foreign exchange forward contracts, currency options, and interest rate swaps. Hedged items are receivables and payables denominated in foreign currencies, forecasted foreign currency transaction, bonds payable and loans payable.
c. Hedging policy	Foreign exchange risk and interest rate risk of hedged items are hedged within a certain scope in accordance with internal policies that regulate the authorization, transaction limit and others about derivative transactions.
d. Method for assessment of hedge effectiveness	The Company compares the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments and evaluates hedging effectiveness based on the changes and others. Evaluation of the hedging effectiveness of

	interest rate swaps for which the special treatment is applied is omitted.
(7) Other significant matters for preparing consolidate financial statements	
a. Amortization of goodwill	Goodwill is charged to income when incurred if the amounts are immaterial; otherwise, the amounts are amortized on a straight-line basis principally over 10 years.
b. Accounting for consumption taxes and others	Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.
c. Application of consolidated declaration system	The consolidated declaration system that the Company and certain overseas consolidated subsidiaries are consolidated taxpayers is applied.

(Notes to Changes in Accounting Policies)

Effective from the end of the fiscal year under review, the Company and certain consolidated subsidiaries have applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012). (However, provisions stated in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Guidance on Retirement Benefits are excluded.) Under the new policy, pension assets are deducted from retirement benefits liabilities and stated as net defined benefit liability (or net defined benefit asset if pension assets exceed retirement benefits liabilities), and unrecognized actuarial gains and losses and unrecognized prior service cost are recognized as increase of net defined benefit liability (or decrease of net defined benefit asset).

The Accounting Standard for Retirement Benefits is being applied transitionally as determined in its Clause 37. At the end of the fiscal year under review, the effect of the change in accounting standard is stated as an increase or decrease of remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result of this change, at the end of the fiscal year, net defined benefit liability of 1,536 million yen was recognized, and net defined benefit asset of 1,557 million yen and accumulated other comprehensive income of 1,977 million yen decreased respectively.

Effective from the fiscal year under review, the Company has applied International Accounting Standard No. 19, “Employee Benefits” (amended June 16, 2011), to certain consolidated subsidiaries, which has resulted in a change in methods for recognition and presentation of actuarial gains and losses, prior service cost, interest costs and others.

The change in the accounting policy has been applied retrospectively and cumulative effect of changes in accounting policies is reflected in the beginning carrying amount of net assets. The effect of this change is minimal.

(Notes to Changes in Presentation)

Changes in presentation of deferred tax assets and deferred tax liabilities

For the fiscal year ended March 31, 2014, deferred tax liabilities, included in “Other” under noncurrent liabilities in the previous year, was individually presented in the balance sheets as the materiality has increased. The amount of deferred tax liabilities in the previous year was 318 million yen.

Deferred tax assets, on the other hand, was presented individually in the previous year but included in “Other” under investments and other assets in the current fiscal year due to the decrease of its materiality (7,646 million yen at the end of the current fiscal year).

(Notes to Consolidated Balance Sheet)

1. Assets Pledged as Collateral and Liabilities Secured

(1) Assets pledged as collateral

Investment securities	1,625 million yen
Total	1,625 million yen

(2) Liabilities secured

Long-term loans payable	4,700 million yen
Total	4,700 million yen

2. Accumulated Depreciation of Property, Plant and Equipment 292,653 million yen

3. Guarantees of Indebtedness 720 million yen

(Notes to Consolidated Statement of Income)

1. Compensation income for expropriation

Responding to the request of expropriation for the construction projects of the new Yokohama National Highway No. 468 by the Ministry of Land, Infrastructure, Transport and Tourism and the Yokohama-Fujisawa town planning to construct a road by Yokohama City, a part of land of the Yokohama Plant was transferred to the Ministry of Land, Infrastructure, Transport and Tourism. The Company has received the compensation income for the expropriation accordingly.

2. Impairment Loss

As a result of the reviewing on current status of utilization and future prospect of noncurrent assets held by the Company and its consolidated subsidiaries, 2,319 million yen of impairment loss was recorded as no specific use is expected in the future for idle assets located mainly in Japan, China and Thailand.

Types of main noncurrent assets which were impaired are buildings and structures of 198 million yen, machinery, equipment and vehicles of 1,371 million yen and other noncurrent assets of 749 million yen.

3. Environmental expenses

Amount required for treatment of contaminated soil against the land which the Group possesses was recorded.

(Notes to Consolidated Statement of Changes in Net Assets)

1. Type and Total Number of Shares Issued and Treasury Stock

(Shares)

	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Shares issued				
Common stock	400,878,921	-	-	400,878,921
Total	400,878,921	-	-	400,878,921
Treasury stock				
Common stock	4,279,760	5,257	65,713	4,219,304
Total	4,279,760	5,257	65,713	4,219,304

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividend paid (million yen)	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 27, 2013	Common Stock	4,759	12.00	March 31, 2013	June 28, 2013
Meeting of the Board of Directors on November 7, 2013	Common Stock	3,966	10.00	September 30, 2013	December 2, 2013

(2) Dividends of which the record date is attributable to the current fiscal year but to be effective in the following fiscal year

The Company plans to resolve as follows at the Annual General Shareholders' Meeting which will be held on June 27, 2014.

Resolution	Type of shares	Total dividend paid (million yen)	Resource of dividends	Dividend per share (yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 27, 2014	Common stock	8,726	Retained earnings	22.00	March 31, 2014	June 30, 2014

3. Stock Acquisition Rights and Others

Type and number of shares to be issued upon the exercise of the stock acquisition rights as of the consolidated balance sheet date, excluding stock acquisition rights for which the first day of the exercise period has not yet arrived

Common stock 791,200 shares

(Financial Instruments)

1. Matters Related to Financial Instruments

The Group restricts fund management to short-term deposits, and fund procurement is mainly treated by bank loans and bond issuance. Derivatives are used not for speculative purposes, but to hedge foreign exchange risk for receivables and payables denominated in foreign currencies and interest rate exposures for loans payable.

Receivables such as notes and accounts receivable-trade are exposed to customer credit risk. The Group manages the credit risk by monitoring of payment terms and balances by customer and identifying and reducing the default risk of customers in the early stages. Although receivables in foreign currencies due to global operations are exposed to foreign currency risk, mainly the position net of payables in foreign currencies is hedged, principally by using forward foreign currency contracts.

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

Payment terms of payables, such as notes and accounts payable-trade are less than one year. Although payables in foreign currencies that include the import of raw materials are exposed to foreign currency risk, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Short-term loans payable are mainly related to working capital, and long-term loans payable are related primarily to working capital and capital investment. Although loans payable with variable interest rates are exposed to interest rate fluctuation risk, the risk of certain long-term loans payable is mitigated by using derivatives of interest rate swaps by individual contract to reduce the risk of fluctuations in interest expenses and to make the interest expense fixed. Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization. The counterparties to the Group’s derivative contracts are limited to financial institutions having a high credit rating to reduce credit risk.

Accounts payable and loans payable are exposed to liquidity risk. The Group manages its liquidity risk by entering into commitment line contract.

2. Fair Values of Financial Instruments

Carrying amounts, fair values and the differences between carrying amounts and fair values as of March 31, 2014 were as follows. The accounts deemed to be extremely difficult to calculate the fair values were not included in the following:

(Million yen)

	Carrying amount (*)	Fair value (*)	Unrealized gain (loss)
(1) Cash and deposits	225,519	225,519	-
(2) Notes and accounts receivables-trade	124,473	124,473	-
(3) Investment securities	59,445	60,080	635
(4) Notes and accounts payable-trade	(118,841)	(118,841)	-
(5) Short-term loans payable	(14,511)	(14,511)	-
(6) Accrued expenses	(52,272)	(52,272)	-
(7) Income taxes payable	(4,449)	(4,449)	-
(8) Bonds payable	(60,000)	(61,218)	(1,218)
(9) Long-term loans payable	(49,600)	(48,988)	611
(10) Derivatives	(2,571)	(2,571)	-

(*) The items recorded in liabilities on the consolidated balance sheet are shown in parentheses.

(Notes) Method for calculating the fair value of financial instruments and matters on investment securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable-trade:
The carrying amounts of cash and deposits and notes and accounts receivable-trade approximate their fair values because of their short maturities.
The carrying amounts and fair values of notes and accounts receivable-trade are the amounts after deduction of the allowance for doubtful accounts.

(3) Investment securities:
The fair values of investment securities are measured at the quoted market price of the stock exchange. Investment securities whose fair value is not readily determinable (the carrying amounts of 13,297 million yen) are excluded because it is difficult to determine the fair values.

(4) Notes and accounts payable-trade, (5) Short-term loans payable, (6) Accrued expenses, and (7) Income taxes payable:

The carrying amounts of these accounts approximate their fair values because of their short maturities.

(8) Bonds payable:

The fair values of bonds are determined by the market price if it is available.

Current portion of bonds in current liabilities is included.

(9) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the future cash flows related to the loans by the rate assumed based on interest rates on government securities and credit spread. The fair values of long-term loans payable with variable interest rates using interest rate swaps that are subject to the special treatment of interest rate swaps are determined by discounting the principal amounts with interest of such interest rate swaps related to the loans by the rate assumed based on interest rates on government securities and credit spread.

(10) Derivatives

Receivables and payables arising out from derivative transactions are shown on the net basis. The items which are net debt in total are shown in parentheses.

Interest rate swaps for which special treatment is applied are accounted for together with long-term loans payable designated as the hedged item, therefore, their fair values are included in the fair values of the hedged long-term loans payable.

(Notes to Per-Share Information)

1.	Net assets per share	1,375.92 yen
2.	Net income per share	118.06 yen

Amounts less than 1 million yen are rounded off.

Notes to Non-Consolidated Financial Statements

1. Notes to Matters related to Significant Accounting Policies

(1) Valuation basis and method for securities

- Held-to-maturity debt securities	Stated at amortized cost.
- Investments in subsidiaries and associated companies	Stated at cost determined by the moving-average method.
- Available-for-sale securities	Available-for-sale securities with market value are stated at fair value based on quoted market prices at the balance sheet date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of equity, and the cost of the securities sold is calculated by the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. The Company records investments in limited liability investment partnerships (deemed as “securities” under the provisions set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) 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.
(2) Valuation basis and method for derivatives	Stated at fair value.
(3) Valuation basis and method for inventories	Work in process is stated at cost determined by the specific identification method, and other inventories are stated at cost determined by the average method. Inventories with lower profitability are written down.

(4) Depreciation method for noncurrent assets	
- Property, plant and equipment (excluding lease assets)	The straight-line method is applied to buildings (excluding facilities incidental to buildings), while the declining-balance method is applied to property, plant and equipment other than buildings.
- Intangible assets (excluding lease assets)	The straight-line method is applied.
- Lease assets	Leases that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease terms without residual value.
(5) Accounting for deferred assets	Bond issuance expenses are expensed as paid.
(6) Accounting criteria for allowances	
- Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
- Provision for product warranties	The Company mainly provides for the estimated cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period.
- Provision for retirement benefits	The Company accounts for the provision for employees' retirement benefit based on the projected retirement benefits liabilities and pension assets at the balance sheet date. Prior service cost is amortized on a straight-line basis over 10 years, certain period within the average remaining service period of employees, from the period in which the prior service cost accrues, and actuarial gains and losses are amortized on a straight-line basis over 10 years, certain period within the average

	remaining service period of employees, from the period immediately following the period in which the actuarial gains and losses arise. The total amount of pension assets exceeded the amount of retirement benefits liabilities after adjusting for any unrecognized actuarial difference and unrecognized prior service cost. Therefore, on the balance sheet, the excess amount is posted as prepaid pension cost.
(7) Translation basis of assets and liabilities denominated in foreign currencies into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and the translation adjustment is recognized in the non-consolidated statement of income.
(8) Hedge accounting	
a. Method for hedge accounting	In principle, the deferral hedge accounting is applied. The special treatment is applied to the interest rate swaps which satisfies requirements for the special treatment.
b. Hedging instruments and hedged items	Hedging instruments are foreign exchange forward contracts, currency options and interest rate swaps. Hedged items are receivables and payables denominated in foreign currencies, forecasted foreign currency transaction, bonds payable and loans payable.
c. Hedging policy	Foreign exchange risk and interest rate risk of hedged items are hedged within a certain scope in accordance with internal policies that regulate the authorization, transaction limit and others about derivative transactions.
d. Method for assessment of hedge effectiveness	The Company compares the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments and evaluates hedging

	effectiveness based on the changes and others. Evaluation of the hedging effectiveness of interest rate swaps for which the special treatment is applied is omitted.
(9) Accounting for consumption taxes and others	Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.
(10) Application of consolidated declaration system	The Company applies the consolidated declaration system.

2. Notes to Non-Consolidated Balance Sheet

(1) Assets pledged as collateral and liabilities secured

i. Assets pledged as collateral

Cash and deposits (Note)	2,298 million yen
Investment securities	1,625 million yen

ii. Liabilities secured

Long-term loans payable	4,700 million yen

(Note) The Company pledges its deposit as collateral to the loans payable of its subsidiaries.

(2) Accumulated depreciation of property, plant and equipment 194,463 million yen

(3) Guarantees of indebtedness

Guarantee	Guaranteed amount	Content of guarantee of indebtedness
420 employees	720 million yen	Mortgage and others
NIKON DO BRASIL LTDA.	1,307 million yen	Loans payable and others
Others	672 million yen	Loans payable and others
Total	2,700 million yen	

(4) Monetary receivables and payables to affiliated companies

Short-term monetary receivables	94,873 million yen
Long-term monetary receivables	14,935 million yen
Short-term monetary payables	66,639 million yen

(5) Monetary payables to Directors and Corporate Auditors

Long-term monetary payables	187 million yen

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with affiliated companies

Operational transactions	
Sales to affiliated companies	587,529 million yen
Purchase from affiliated companies	277,917 million yen
Other transactions	21,095 million yen

(2) Compensation income for expropriation

Responding to the request of expropriation for the construction projects of the new Yokohama National Highway No. 468 by the Ministry of Land, Infrastructure, Transport and Tourism and the Yokohama-Fujisawa town planning to construct a road by Yokohama City, a part of land of the Yokohama Plant was transferred to the Ministry of Land, Infrastructure, Transport and Tourism. The Company has received the compensation income for the expropriation accordingly.

(3) Impairment loss

The carrying amounts of unutilized assets are reduced to the recoverable amounts, and the reduced amounts are recorded in extraordinary losses. The major unutilized assets are machinery and equipment.

4. Note to Non-Consolidated Statement of Changes in Net Assets

Type and number of treasury stock at the end of the period

Common stock	4,219,304 shares

5. Notes to Tax Effect Accounting

Deferred tax assets and deferred tax liabilities

Deferred tax assets:	
Inventories	18,422 million yen
Accrued bonus	2,977 million yen
Depreciation and amortization	15,282 million yen
Provision for product warranties	2,045 million yen
Other	2,385 million yen
Total deferred tax assets	41,113 million yen
Deferred tax liabilities:	
Prepaid pension cost	(5,111) million yen
Asset retirement obligations	(218) million yen
Reserve for advanced depreciation of noncurrent assets	(5,119) million yen
Valuation difference on available-for-sale securities	(6,101) million yen
Other	(41) million yen
Total deferred tax liabilities	(16,591) million yen
Net deferred tax assets	24,521 million yen

(Note) The valuation allowance of 5,500 million yen is deducted to calculate deferred tax assets.

(Supplementary Information)

Adjustments of deferred tax assets and liabilities due to the change in legal taxation rate

In accordance to the issuance of “Partial Revision of Income Tax Act” (Act No. 10 of 2014) on March 31, 2014, the Special Restoration Tax will be abolished for fiscal years beginning on or after April 1, 2014.

Accordingly, the effective legal tax rate, used to calculate deferred tax assets and deferred tax liabilities, with regard to the temporary differences which are expected to be reversed in the fiscal year ending March 31, 2015 declined from 38.0% to 35.6%.

As a result of the change, net deferred tax assets (after deducting deferred tax liabilities) decreased by 1,426 million yen, while income taxes-deferred increased by 1,421 million yen.

6. Notes to Transactions with Related Parties

(Million yen)

Category	Company name	Percentage of voting rights (%)	Relationship		Transaction	Transaction amount (Note 5)	Account	Balance at the end of the period (Note 5) (Note 6)
			Number of officers of the Company	De facto relationship				
Subsidiaries	Nikon Precision Inc.	100.0	Two	Import and sales of the Company's products	Sales of Precision Equipment Business products (Note 1)	60,426	Accounts receivable-trade	13,677
							Advances received	16,870
	Nikon Inc.	100.0	Three	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	116,555	Accounts receivable-trade	7,057
	Nikon Europe B.V.	100.0	Two	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	161,761	Accounts receivable-trade	6,623
	Nikon Imaging (China) Sales Co., Ltd.	100.0	Two	Import and sales of the Company's products	Sales of Imaging Products Business products (Note 1)	61,475	Accounts receivable-trade	7,043

Category	Company name	Percentage of voting rights (%)	Relationship		Transaction	Transaction amount (Note 5)	Account	Balance at the end of the period (Note 5) (Note 6)
			Number of officers of the Company	De facto relationship				
Subsidiaries	Nikon Americas Inc.	100.0	Two	Holding company of subsidiaries in the United States	Loans for short-term working capital (Note 2)	-	Short-term loans receivable	27,299
	Nikon (Thailand) Co., Ltd.	100.0	Two	Manufacture of the Company’s products	Loans for long-term working capital (Note 3)	-	Long-term loans receivable	7,532
					Manufacture of Imaging Products Business products (Note 4)	157,626	Accounts payable-trade	7,202

Condition of transaction, policy to determine such condition and others

(Note 1) The condition of transaction of product sales is determined in consideration of market prices.

(Note 2) The Group is introducing a cash management system (“CMS”), and only the balance at the end of the period is presented since it is practically impossible to aggregate the transaction amounts by transaction for the fund transaction using CMS. Interest rates for loans to and from the subsidiaries are reasonably determined in consideration of the market interest rate.

(Note 3) Interest rates for loans to and from the subsidiaries are reasonably determined in consideration of the market interest rate.

(Note 4) The condition of transaction of product manufacturing is determined after negotiation in each case in consideration of prices calculated based on market quotations and estimates from customers.

(Note 5) The transaction amount and balance of foreign subsidiaries at the end of the period do not include consumption taxes and others.

(Note 6) The balances of assets and liabilities denominated in foreign currencies at the end of the period are presented in the amounts translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date.

7. Notes to Retirement Benefit

(1) Outline of retirement benefit plans

The Company has a defined benefit corporate pension plan (cash balance plan) under Defined-Benefit Corporate Pension Act. The Company also has a defined contribution pension plan for a portion of future retirement benefit.

(2) Retirement benefit obligation

Retirement benefit obligation	(84,776) million yen
Fair value of pension assets	102,671 million yen
Unfunded retirement benefit obligation	17,894 million yen
Unrecognized actuarial loss	2,380 million yen
Unrecognized prior service cost	(301) million yen
Prepaid pension cost	19,973 million yen

Fair value of pension assets includes the retirement benefit trust of 3,719 million yen.

(3) Retirement benefit expenses

Service cost	2,222 million yen
Interest cost	1,551 million yen
Expected return on pension assets	(1,787) million yen
Recognized actuarial loss	(434) million yen
Amortization of prior service cost	(1,951) million yen
Subtotal	(399) million yen
Others	(157) million yen
Retirement benefit expenses	(557) million yen

In addition, contributions to the defined contribution pension plan amounting to 988 million yen were recorded in “cost of sales” and “retirement benefit expenses in selling, general and administrative expenses” in addition to the above retirement benefit expenses.

(4) Others

Discount rate	1.8%
Expected long-term rate of return on pension assets	2.0%

8. Notes to Per-Share Information

Net assets per share	870.12 yen
Net income per share	82.65 yen

9. Amounts less than 1 million yen are rounded off.